


|   |                            |
|---|----------------------------|
|  <p>ALAMO<br/>COMMUNITY<br/>COLLEGES</p> | NORTHEAST LAKEVIEW COLLEGE |
|   | NORTHWEST VISTA COLLEGE    |
|   | PALO ALTO COLLEGE          |
|   | ST. PHILIP'S COLLEGE       |
|   | SAN ANTONIO COLLEGE        |

# ALAMO COMMUNITY COLLEGE DISTRICT

San Antonio, Texas

## ANNUAL FINANCIAL REPORT

For the Years Ended  
AUGUST 31, 2007 AND 2006



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

**ANNUAL FINANCIAL REPORT**

**For the Years Ended August 31, 2007 and 2006**

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San Antonio, Texas

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ALAMO COMMUNITY COLLEGE DISTRICT

ORGANIZATIONAL DATA

August 31, 2007

Board of Trustees

Officers

|                   |                     |
|-------------------|---------------------|
| Roberto Zárate    | Chairperson         |
| Denver McClendon  | Vice-Chairperson    |
| Gary Beitzel      | Secretary           |
| James A. Rindfuss | Assistant Secretary |

Members

Term Expires

|                       |      |
|-----------------------|------|
| Gary Beitzel          | 2008 |
| Marcelo S. Casillas   | 2008 |
| James A. Rindfuss     | 2008 |
| Denver McClendon      | 2010 |
| Jennifer Ramos        | 2010 |
| Dr. Bernard K. Weiner | 2010 |
| Charles J. Conner     | 2012 |
| Dr. Gene Sprague      | 2012 |
| Roberto Zárate        | 2012 |

Principal Administrative Officers

|                           |  |
|---------------------------|--|
| Dr. Bruce H. Leslie       | Chancellor   |
| James N. McLaughlin       | Vice Chancellor for Administration                       |
| Dr. Federico Zaragoza     | Vice Chancellor of Economic and<br>Workforce Development |
| Carlos Ramirez, C.P.A.    | District Director for Finance & Accounting               |
| Martha McCabe, J.D.       | District Director of Legal Affairs                       |
| Carol Riley, C.P.A.       | District Ethics and Compliance Officer                   |
| Mary Nell Bressel, C.P.A. | District Controller                                      |

**FINANCIAL SECTION**

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**PADGETT, STRATEMANN & CO., L.L.P.**

Certified Public Accountants and Business Advisors

Independent Auditors' Report

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

We have audited the accompanying statement of net assets of Alamo Community College District (the "District") as of August 31, 2007, and the related statements of revenues, expenses, and changes in net assets and cash flows for the year 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 audit. The financial statements of the District as of August 31, 2006, were audited by other auditors whose report dated December 4, 2006, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of August 31, 2007, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have issued our report dated December 6, 2007 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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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 supplemental 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 Texas Governor's Office of Budget and Planning, *Uniform Grant Management Standards 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, Stratemann & Co., L.L.P.*

Certified Public Accountants  
December 6, 2007

## **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, 2007 and 2006 (Fiscal Years 2007 and 2006, 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 2007

- The District's net assets at August 31, 2007 are reported at \$248.1 million. Approximately 63.8% of the net assets amount reflects the investment in capital assets net of related debt.
- The District's operating loss is \$143.9 million.
- Net assets increased \$46.6 million.
- Total liabilities increased \$404.1 million.

#### Financial Highlights for 2006

- The District's net assets at August 31, 2006 are reported at \$201.6 million. Approximately 62.7% of the net assets amount reflects the investment in capital assets net of related debt.
- The District's operating loss is \$139.9 million.
- Net assets increased \$15.7 million.
- Total liabilities increased \$101.5 million.

### BASIC FINANCIAL STATEMENTS

Two of the basic financial statements are presented: the Statements of Net Assets and the Statements of Revenues, Expenses and Changes in Net Assets. 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.

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 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). Non-financial 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 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 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 provision of services 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, 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. 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.

**ALAMO COMMUNITY COLLEGE DISTRICT**

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

**CONDENSED COMPARATIVE FINANCIAL INFORMATION**

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

|  | Fiscal Year     |                 |                 | Change          |                 |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|
|  | 2007            | 2006            | 2005            | 2006 to<br>2007 | 2005 to<br>2006 |
| Current Assets                             | \$ 118.5        | \$ 81.9         | \$ 33.8         | \$ 36.6         | \$ 48.1         |
| Capital Assets Net of Accumulated          | 289.3           | 214.4           | 193.5           | 74.9            | 20.9            |
| Other Noncurrent Assets                    | 497.4           | 158.3           | 110.1           | 339.1           | 48.2            |
| <b>Total Assets</b>                        | <b>905.2</b>    | <b>454.6</b>    | <b>337.4</b>    | <b>450.6</b>    | <b>117.2</b>    |
| Current Liabilities                        | 96.9            | 84.3            | 57.5            | 12.6            | 26.8            |
| Noncurrent Liabilities                     | 560.2           | 168.7           | 94.0            | 391.5           | 74.7            |
| <b>Total Liabilities</b>                   | <b>657.1</b>    | <b>253.0</b>    | <b>151.5</b>    | <b>404.1</b>    | <b>101.5</b>    |
| <b>Net Assets</b>                          |                 |                 |                 |                 |                 |
| Invested in Capital Assets, Net of Related | 158.4           | 126.4           | 119.0           | 32.0            | 7.4             |
| Restricted: Nonexpendable                  | 1.3             | 1.3             | 1.3             | -               | -               |
| Expendable                                 | 6.3             | 7.8             | 7.0             | (1.5)           | 0.8             |
| Unrestricted                               | 82.1            | 66.1            | 58.6            | 16.0            | 7.5             |
| <b>Total Net Assets</b>                    | <b>\$ 248.1</b> | <b>\$ 201.6</b> | <b>\$ 185.9</b> | <b>\$ 46.5</b>  | <b>\$ 15.7</b>  |

Total assets increased by 99%, or \$450.6 million during Fiscal Year 2007 and by 35%, or \$117.2 million, during Fiscal Year 2006. The major changes in assets for both fiscal years were the increases in cash and cash equivalents, capital assets and long term investments associated with the issuance of bonds discussed later in this section. Cash and cash equivalents increased \$63.6 million in Fiscal Year 2007 and \$46.0 million in Fiscal Year 2006. Capital assets increased \$74.9 million and \$20.9 million in Fiscal Year 2007 and Fiscal Year 2006, respectively. Investments increased \$305.4 million in Fiscal Year 2007 and \$47.5 million in Fiscal Year 2006. The 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.

Total liabilities increased by 160%, or \$404.1 million, during Fiscal Year 2007 and 67%, or \$101.5 million, during Fiscal Year 2006. 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. The same reason accounted for the 67% increase in total liabilities in the Fiscal Year 2006.

The District's net assets (assets less liabilities) increased by 23.1%, or \$46.5 million, and by 8.4%, or \$15.7 million, during Fiscal Years 2007 and 2006, respectively (see following discussion for details of the changes in net assets).

**ALAMO COMMUNITY COLLEGE DISTRICT**

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

**CONDENSED COMPARATIVE FINANCIAL INFORMATION, (Continued)**

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

|   | Fiscal Year |          |          | Change          |                 |
|---|-------------|----------|----------|-----------------|-----------------|
|   | 2007        | 2006     | 2005     | 2006 to<br>2007 | 2005 to<br>2006 |
| Operating Revenues (see detail below)   | \$ 133.6    | \$ 127.9 | \$ 129.3 | \$ 5.7          | \$ (1.4)        |
| Operating Expenses (see detail below)   | 277.5       | 267.8    | 257.9    | 9.7             | 9.9             |
| Operating Loss                          | (143.9)     | (139.9)  | (128.6)  | (4.0)           | (11.3)          |
| Non-operating Revenues (Expenses):      |             |          |          |                 |                 |
| State Appropriations                    | 83.5        | 82.2     | 72.7     | 1.3             | 9.5             |
| Ad Valorem Taxes                        | 103.8       | 72.9     | 67.5     | 30.9            | 5.4             |
| Investment Income                       | 19.6        | 6.5      | 3.6      | 13.1            | 2.9             |
| Interest on Capital-Related Debt        | (15.1)      | (6.6)    | (4.7)    | (8.5)           | (1.9)           |
| Other Non-Operating Revenues (Expenses) | (1.7)       | 0.5      | (0.5)    | (2.2)           | 1.0             |
| Income Before Other Revenues, Expenses  |             |          |          |                 |                 |
| Gains and Losses                        | 46.2        | 15.6     | 10.0     | 30.6            | 5.6             |
| Capital Contributions and Additions to  |             |          |          |                 |                 |
| Permanent Endowments                    | 0.3         | 0.1      | -        | 0.2             | 0.1             |
| Increase in Net Assets                  | 46.5        | 15.7     | 10.0     | 30.8            | 5.7             |
| Net Assets - Beginning of Year          | 201.6       | 185.9    | 175.9    | 15.7            | 10.0            |
| Net Assets - End of Year                | \$ 248.1    | \$ 201.6 | \$ 185.9 | \$ 46.5         | \$ 15.7         |

**Operating Revenues**  
(in millions)

|                          | 2007     |                        | 2006     |                        | Change 2006<br>to 2007 | 2005     |                        |
|--------------------------|----------|------------------------|----------|------------------------|------------------------|----------|------------------------|
|                          | Amount   | Percentage<br>of Total | Amount   | Percentage<br>of Total |                        | Amount   | Percentage<br>of Total |
| Net Tuition and Fees     | \$ 49.2  | 36.8%                  | \$ 45.3  | 35.4%                  | \$ 3.9                 | \$ 43.2  | 33.4%                  |
| Grants and Contracts     | 78.3     | 58.6%                  | 76.7     | 60.0%                  | 1.6                    | 80.5     | 62.3%                  |
| Auxiliary Enterprises    | 3.8      | 2.9%                   | 3.6      | 2.8%                   | 0.2                    | 3.8      | 2.9%                   |
| Other Operating Revenues | 2.3      | 1.7%                   | 2.3      | 1.8%                   | 0                      | 1.8      | 1.4%                   |
| Total Operating Revenues | \$ 133.6 | 100.0%                 | \$ 127.9 | 100.0%                 | \$ 5.7                 | \$ 129.3 | 100.0%                 |

**ALAMO COMMUNITY COLLEGE DISTRICT**

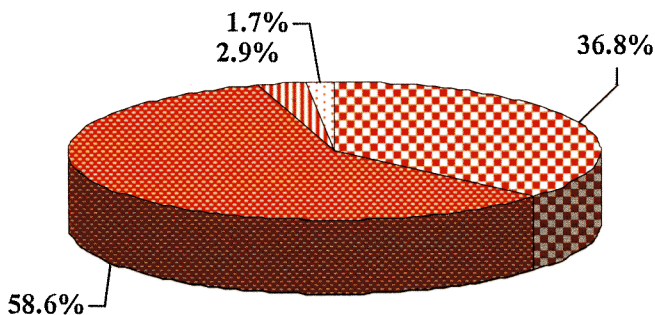
**Management's Discussion and Analysis  
(Unaudited)**

**CONDENSED COMPARATIVE FINANCIAL INFORMATION, (Continued)**

Key factors influencing operating revenues:

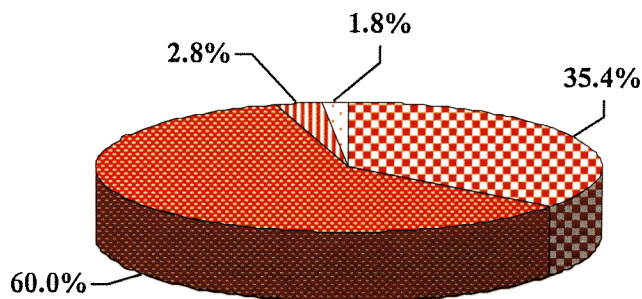
- Tuition and fee revenue increased \$3.9 million and \$2.1 million, in Fiscal Years 2007 and 2006, respectively. In Fiscal Year 2007, full-time equivalent student enrollment increased 3.2% to 33,428 Full-time student equivalents and in-district tuition rates increased by \$2. In Fiscal year 2006 full-time student equivalents dropped 2.5% offset by the tuition rate increases of \$2 per in-district semester hour. There were corresponding increases in out-of-district and non-resident rates during both fiscal years.
- 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. The decrease in grants and contracts revenue for Fiscal Year 2006 of \$3.8 million was due primarily to a decrease in the federal Pell awards to students. There was a decrease in the number of student recipients as well as the federal formula which drives the amount of the award was made more stringent which resulted in decreased student awards.

**Fiscal Year 2007**



|                       |       |
|-----------------------|-------|
| Net Tuition & Fees    | 36.8% |
| Grants & Contracts    | 58.6% |
| Auxiliary Enterprises | 2.9%  |
| Other Operating Rev   | 1.7%  |

**Fiscal Year 2006**



|                       |       |
|-----------------------|-------|
| Net Tuition & Fees    | 35.4% |
| Grants & Contracts    | 60.0% |
| Auxiliary Enterprises | 2.8%  |
| Other Operating Rev   | 1.8%  |



ALAMO COMMUNITY COLLEGE DISTRICT

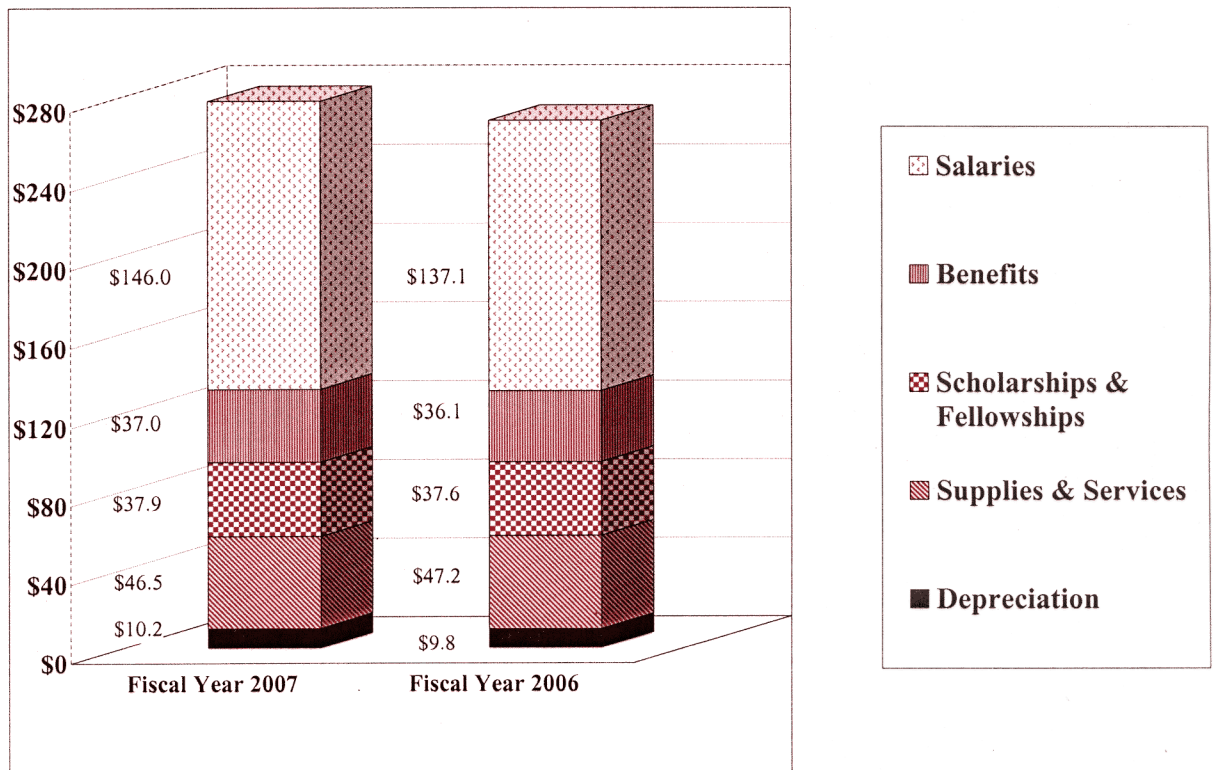
Management's Discussion and Analysis  
(Unaudited)

CONDENSED COMPARATIVE FINANCIAL INFORMATION, (Continued)

Operating expenses can be displayed either by natural or functional classification (see Schedule B for detail on the relationship between the two classifications):

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

|                              | Fiscal Year |          |          | Change       |              |
|------------------------------|-------------|----------|----------|--------------|--------------|
|                              | 2007        | 2006     | 2005     | 2006 to 2007 | 2005 to 2006 |
| Salaries                     | \$ 146.0    | \$ 137.1 | \$ 133.9 | \$ 8.9       | \$ 3.2       |
| Benefits                     | 37.0        | 36.1     | 32.8     | 0.9          | 3.3          |
| Scholarships and Fellowships | 37.9        | 37.6     | 36.7     | 0.3          | 0.9          |
| Supplies and Services        | 46.5        | 47.2     | 45.7     | -0.7         | 1.5          |
| Depreciation                 | 10.2        | 9.8      | 8.8      | 0.4          | 1.0          |
| Total Operating Expenses     | \$ 277.6    | \$ 267.8 | \$ 257.9 | \$ 9.8       | \$ 9.9       |



**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 \$9.8 million and \$6.5 million for Fiscal Years 2007 and 2006, respectively. 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 stands at 1,052 and full-time staff and administration stands at 1,814. There was a reduction of 41 part-time faculty positions. In Fiscal Year 2006, the number of full-time faculty stayed the same at 992 faculty members, while staff and administrative positions increased by 100, coupled with a decrease in 124 part-time positions. Additionally employees received salary increases between 4 and 5% and 3% for the years 2007 and 2006, respectively.
- Scholarship expense reflects the amount disbursed to students after a scholarship award is credited to the student's account in payment of tuition and fees. Scholarship expense increased for Fiscal Year 2007 and 2006 as more funds were available and more was disbursed to the students.
- Depreciation expense increases result when current year depreciation for assets acquired during the previous year exceeds the decrease in depreciation due to assets that became fully depreciated in the prior year and the removal of used/obsolete assets from service (Fiscal Year 2007 & 2006).
- 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.

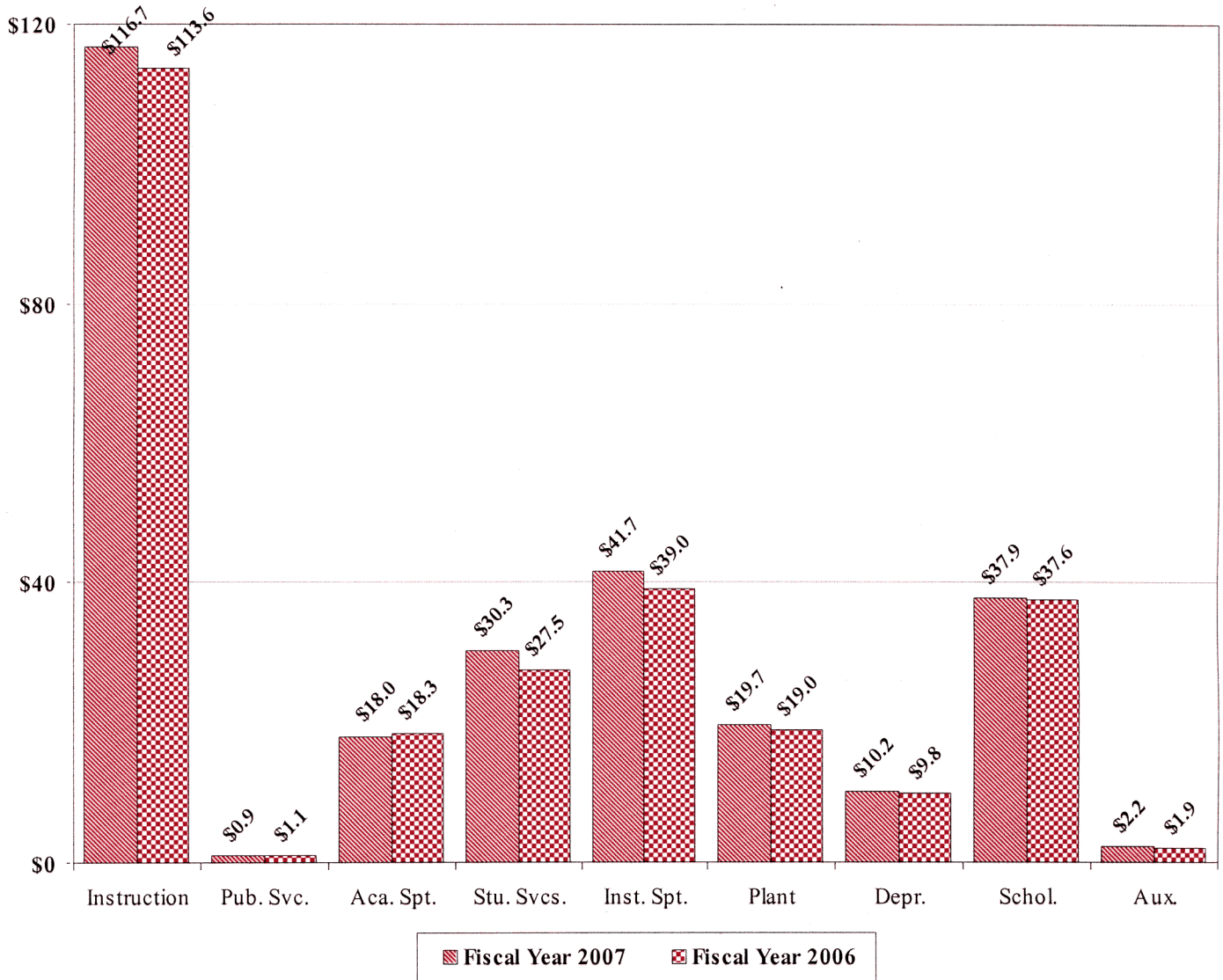
|                                       | Fiscal Year     |                 |                 | Change          |                 |
|---------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
|                                       | 2007            | 2006            | 2005            | 2006 to<br>2007 | 2005 to<br>2006 |
| <i>Educational and General</i>        |                 |                 |                 |                 |                 |
| Instruction                           | \$ 116.7        | \$ 113.6        | \$ 110.4        | \$ 3.1          | \$ 3.2          |
| Public Service                        | 0.9             | 1.1             | 2.2             | (0.2)           | (1.1)           |
| Academic Support                      | 18.0            | 18.3            | 22.1            | (0.3)           | (3.8)           |
| Student Services                      | 30.3            | 27.5            | 24.1            | 2.8             | 3.4             |
| Institutional Support                 | 41.7            | 39.0            | 33.7            | 2.7             | 5.3             |
| Operation and Maintenance<br>of Plant | 19.7            | 19.0            | 17.9            | 0.7             | 1.1             |
| Depreciation                          | 10.2            | 9.8             | 8.8             | 0.4             | 1.0             |
| Scholarships and Fellowships          | 37.9            | 37.6            | 36.7            | 0.3             | 0.9             |
| Total Educational and General         | <u>275.4</u>    | <u>265.9</u>    | <u>255.9</u>    | <u>9.5</u>      | <u>10.0</u>     |
| Auxiliary Enterprises                 | 2.2             | 1.9             | 2.0             | 0.3             | (0.1)           |
| Total Operating Expenses              | <u>\$ 277.6</u> | <u>\$ 267.8</u> | <u>\$ 257.9</u> | <u>\$ 9.8</u>   | <u>\$ 9.9</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 \$3.1 and \$3.2 million in Fiscal Years 2007 and Fiscal Year 2006, respectively due to the filling of vacancies, new instructional initiatives at Northeast Lakeview College which created the need for additional positions. Employees also received salary increases between 4 to 5% for Fiscal Year 2007 and 3% for Fiscal Year 2006.
- Public Service and Academic Support decreased in 2007 and 2006 due to completion of grant contracts including Teacher Training and Title V Education Language. The 2006 decreases are due to functional shifting in federal contracts from Academic Support to Student Services, primarily Title III and Title V.
- Student Services increased for Fiscal Year 2007 due to the opening of Northeast Lakeview College and District wide student activity fees specifically designated for student services. In 2006, Student Services increased due to functional shifting in federal contracts from Academic Support to Student Services.
- Institutional Support in Fiscal Year 2007 increased due to various factors: increases in salaries discussed above, filling of open positions, \$1.6 million Information Technologies expenditures at Northwest Vista College, and increases in Northeast Lakeview College of \$0.7 million for establishing the administrative infrastructure of the new College. In 2006, the increases are related to the settlement of a construction lawsuit from Fiscal Year 2002 in the amount of \$4.2 million and the revaluation of compensated absences for sick leave earned prior to September 1, 1987.
- Scholarships and Depreciation: see Operating Expenses by Natural Classification.

#### CAPITAL ASSET AND DEBT ADMINISTRATION

##### Capital Assets

Changes in net capital assets are the result of acquisitions, improvements, deletions, and changes in accumulated depreciation. The District had \$289.3 million and \$214.4 million invested in capital assets at August 31, 2007 and 2006 respectively, net of accumulated depreciation of \$125.1 million and \$116.2 million. Depreciation charges totaled \$10.2 million and \$9.8 million in 2007 and 2006 respectively (see Operating Expenses by Natural and Functional Classifications). Details of these assets for Fiscal Years 2007, 2006 and 2005 are shown below.

**ALAMO COMMUNITY COLLEGE DISTRICT**

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

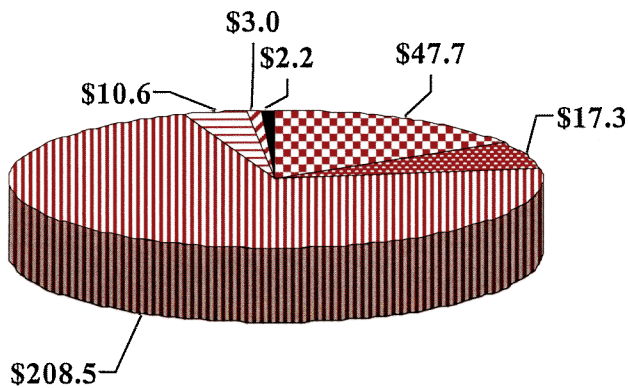
**CAPITAL ASSET AND DEBT ADMINISTRATION, (Continued)**

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

|                                | Fiscal Year     |                 |                 | Change         |                |
|--------------------------------|-----------------|-----------------|-----------------|----------------|----------------|
|                                | 2007            | 2006            | 2005            | 2006 to 2007   | 2005 to 2006   |
| Land                           | \$ 47.7         | \$ 36.1         | \$ 28.9         | \$ 11.6        | \$ 7.2         |
| Facility and land improvements | 17.3            | 17.7            | 16.2            | (0.4)          | 1.5            |
| Buildings and Work in Progress | 208.5           | 147.3           | 135.0           | 61.2           | 12.3           |
| Furniture and Equipment        | 10.6            | 9.2             | 9.6             | 1.4            | (0.4)          |
| Software                       | 2.2             | 1.3             | 1.1             | 0.9            | 0.2            |
| Library Materials              | 3.0             | 2.8             | 2.7             | 0.2            | 0.1            |
| <b>Total Capital Assets</b>    | <b>\$ 289.3</b> | <b>\$ 214.4</b> | <b>\$ 193.5</b> | <b>\$ 74.9</b> | <b>\$ 20.9</b> |

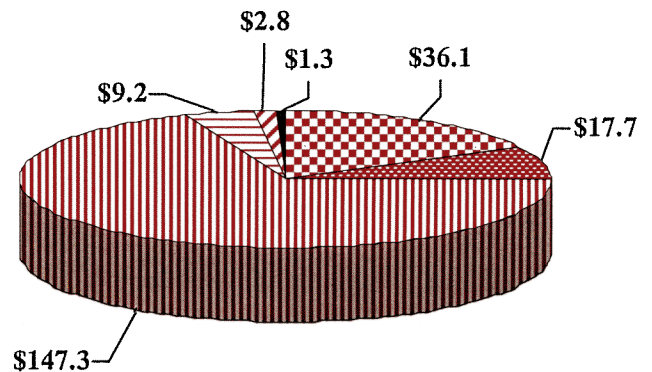
**Capital Assets, Net, at Year End  
(in millions)**

**Fiscal Year 2007**



|                            |          |
|----------------------------|----------|
| Land                       | \$ 47.7  |
| Facility/Land Improvements | \$ 17.3  |
| Building/Work in Progress  | \$ 208.5 |
| Furniture/Equipment        | \$ 10.6  |
| Library Materials          | \$ 3.0   |
| Software                   | \$ 2.2   |

**Fiscal Year 2006**



|                            |          |
|----------------------------|----------|
| Land                       | \$ 36.1  |
| Facility/Land Improvements | \$ 17.7  |
| Building/Work in Progress  | \$ 147.3 |
| Furniture/Equipment        | \$ 9.2   |
| Library Materials          | \$ 2.8   |
| Software                   | \$ 1.3   |

**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 2007 and 2006 included:

| <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 | 63.1 million   |
|  |                |
| <u>Fiscal Year 2006</u>                  |                |
| ▪ North Central College Land Purchase    | \$ 6.3 million |
| ▪ Albertson's Building Purchase          | 2.4 million    |
| ▪ Albertson's Building renovation & FF&E | 9.1 million    |
| ▪ Brackenridge Building Renovation       | 1.5 million    |
| ▪ NLC Master Plan and Land Purchase      | 1.3 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 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 include improvements to land (such as parking lots and signage), buildings, furniture and equipment and library books. Land is not depreciated. For additional information concerning the District's capital assets, see Note 18 to the basic financial statements.

**Debt**

The District had \$550.7 million and \$184.7 million in outstanding debt at August 31, 2007 and 2006, respectively. Outstanding debt increased by \$366.0 million and by \$89.7 million in Fiscal Years 2007 and 2006, respectively. The table below summarizes these amounts by type of debt instrument.

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

|                               | <u>Fiscal Year</u>     |                        |                       | <u>Change</u>           |                         |
|-------------------------------|------------------------|------------------------|-----------------------|-------------------------|-------------------------|
|                               | <u>2007</u>            | <u>2006</u>            | <u>2005</u>           | <u>2006 to<br/>2005</u> | <u>2005 to<br/>2006</u> |
| General Obligation Bonds      | \$ 435.8               | \$ 75.2                | \$ 19.6               | \$ 360.6                | \$ 55.6                 |
| Revenue Bonds                 | 74.3                   | 67.6                   | 67.6                  | 6.7                     | -                       |
| Notes Payable                 | 1.2                    | 1.6                    | 2.1                   | (0.4)                   | (0.5)                   |
| Tax Notes                     | 39.4                   | 40.3                   | 5.7                   | (0.9)                   | 34.6                    |
| <b>Total Outstanding Debt</b> | <b><u>\$ 550.7</u></b> | <b><u>\$ 184.7</u></b> | <b><u>\$ 95.0</u></b> | <b><u>\$ 366.0</u></b>  | <b><u>\$ 89.7</u></b>   |

## ALAMO COMMUNITY COLLEGE DISTRICT

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

#### CAPITAL ASSET AND DEBT ADMINISTRATION, (Continued)

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 2007 and 2006:

#### 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

##### 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

#### Fiscal Year 2006:

##### Maintenance Tax Notes, Series 2005

- \$7,450,000, all Notes authorized issued September 20, 2005
- To purchase equipment, vehicles and renovating various facilities

##### Combined Fee Revenue Bonds, Series 2005

- \$2,435,000, all bonds authorized issued September 20, 2005
- To purchase land, and to acquire, construct, improve, enlarge, and equip District facilities

##### Maintenance Tax Notes, Series 2006

- \$30,435,000, all Notes authorized issued April 20, 2006
- To purchase equipment, vehicles and renovating various facilities

##### Limited Tax Bonds, Series 2006

- \$60,710,000, all bonds authorized issued April 20, 2006
- 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)

The increase in total debt of \$366.0 million in Fiscal Year 2007 and by \$89.7 million in Fiscal Year 2006 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 Note 19 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 City of San Antonio, in a recent economic summary, indicated the local economy had grown 5.05% in the annual period ending July 2007. State appropriations of formula funding for contact hours for the biennium beginning September 1, 2007 are greater by 3.79% than the previous biennium ending August 31, 2007. State appropriations increased by 12.5% 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. The issue of proportionality in the funding of employee health benefits is still very much on the table and the expectation is that community colleges will be asked to assume more responsibility for them.

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. To lessen the impact, tuition and fee revenues have risen 141%, tax revenues, exclusive of debt service, have risen 61% in the last ten fiscal years.

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 18.2% for the fiscal year ending August 2008. The District's total tax rate that includes 3¢ to pay for a \$450 million construction program and the rate set at 13.455¢ per \$100 of property valuation represents 54% of the approved statutory tax limit of 25¢. With the 18.2% increase in property valuations a tax rate increase of one-tenth of one cent will generate additional revenue of \$883,000 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 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 \$9.7 million to \$18.1 million during the next seven 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¢ 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.



## ALAMO COMMUNITY COLLEGE DISTRICT

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

#### ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE (Continued)

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 \$44 per semester hour offered by the District. An increase of \$1 per hour in the tuition rate will produce annual revenue of \$1 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 study 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

Statements of Net Assets  
August 31, 2007 and 2006

|  | <u>2007</u>           | <u>2006</u>           |
|--|-----------------------|-----------------------|
| <b>ASSETS</b>  |                       |                       |
| Current Assets:  |                       |                       |
| Cash and Cash Equivalents  | \$ 98,549,325         | \$ 62,379,683         |
| Accounts Receivable, Net of Allowance for Doubtful Accounts<br>of \$4,947,137 and \$4,835,933 at 8/31/07 and 8/31/06 | 16,720,523            | 16,828,574            |
| Notes Receivable, Net of Allowance for Doubtful Accounts<br>of \$74,337 and \$95,952 at 8/31/07 and 8/31/06          | 175,144               | 296,898               |
| Deferred Charges   | 3,020,816             | 2,345,385             |
| Other Assets   | 41,868                | 62,267                |
| Total Current Assets   | <u>118,507,676</u>    | <u>81,912,807</u>     |
| Noncurrent Assets:   |                       |                       |
| Restricted Cash and Cash Equivalents   | 72,594,529            | 45,179,723            |
| Endowment Investments  | 15,067,321            | 13,521,923            |
| Other Long Term Investments  | 400,411,675           | 95,007,755            |
| Deferred Charges   | 9,290,770             | 4,533,037             |
| Capital Assets (Net)   | <u>289,335,194</u>    | <u>214,421,352</u>    |
| Total Noncurrent Assets  | <u>786,699,489</u>    | <u>372,663,790</u>    |
| TOTAL ASSETS   | 905,207,165           | 454,576,597           |
| <b>LIABILITIES</b>   |                       |                       |
| Current Liabilities:   |                       |                       |
| Accounts Payable   | 17,071,380            | 13,517,826            |
| Accrued Liabilities  | 21,953,494            | 2,569,738             |
| Funds Held for Others  | 375,433               | 375,759               |
| Deferred Revenues  | 36,175,102            | 34,632,879            |
| Current Portion of Long-Term Liabilities   | <u>21,338,308</u>     | <u>33,235,136</u>     |
| Total Current Liabilities  | <u>96,913,717</u>     | <u>84,331,338</u>     |
| Noncurrent Liabilities   | <u>560,150,998</u>    | <u>168,661,631</u>    |
| TOTAL LIABILITIES  | <u>657,064,715</u>    | <u>252,992,969</u>    |
| <b>NET ASSETS</b>  |                       |                       |
| Invested in Capital Assets, Net of Related Debt  | 158,409,922           | 126,341,350           |
| Restricted for:  |                       |                       |
| Nonexpendable  |                       |                       |
| Student Aid  | 1,292,474             | 1,292,387             |
| Instructional Programs   | 6,000                 | 6,000                 |
| Expendable   |                       |                       |
| Student Aid  | 3,096,997             | 2,590,499             |
| Instructional Programs   | 318,554               | 1,877,383             |
| Loans  | 79,525                | 81,333                |
| Capital Projects   | 1,506,925             | 1,805,021             |
| Debt Service   | 1,296,069             | 1,475,163             |
| Unrestricted   | <u>82,135,984</u>     | <u>66,114,492</u>     |
| TOTAL NET ASSETS (Schedule D)  | <u>\$ 248,142,450</u> | <u>\$ 201,583,628</u> |

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

## ALAMO COMMUNITY COLLEGE DISTRICT

Statements of Revenues, Expenses and Changes in Net Assets  
Years Ended August 31, 2007 and 2006

|   | 2007                  | 2006                  |
|---|-----------------------|-----------------------|
| <b>OPERATING REVENUES:</b>  |                       |                       |
| Tuition and Fees (Net of discounts of \$32,018,426<br>and \$29,451,020, respectively) | \$ 49,198,458         | \$ 45,343,961         |
| Federal Grants and Contracts  | 70,734,851            | 69,062,657            |
| State Grants and Contracts  | 5,920,330             | 6,375,374             |
| Local Grants and Contracts  | 897,264               | 662,762               |
| Non-Governmental Grants and Contracts   | 787,202               | 635,685               |
| Investment Income - Program Restricted  | 184,120               | 158,795               |
| Auxiliary Enterprises   | 3,753,744             | 3,622,106             |
| Other Operating Revenues  | 2,166,890             | 2,050,204             |
| Total Operating Revenues (Schedule A)   | <u>133,642,859</u>    | <u>127,911,544</u>    |
| <b>OPERATING EXPENSES:</b>  |                       |                       |
| Instruction   | 116,588,444           | 113,581,083           |
| Public Service  | 890,763               | 1,128,939             |
| Academic Support  | 18,047,206            | 18,315,350            |
| Student Services  | 30,326,149            | 27,498,447            |
| Institutional Support   | 41,726,936            | 39,034,032            |
| Operation and Maintenance of Plant  | 19,681,584            | 18,985,602            |
| Scholarships and Fellowships  | 37,912,644            | 37,592,999            |
| Auxiliary Enterprises   | 2,161,326             | 1,862,527             |
| Depreciation  | 10,236,942            | 9,778,698             |
| Total Operating Expenses (Schedule B)   | <u>277,571,994</u>    | <u>267,777,677</u>    |
| Operating Loss  | (143,929,135)         | (139,866,133)         |
| <b>NON-OPERATING REVENUES/(EXPENSES):</b>   |                       |                       |
| State Appropriations  | 83,500,050            | 82,245,319            |
| Ad Valorem Taxes  |                       |                       |
| Taxes for Maintenance and Operations  | 70,079,189            | 62,843,083            |
| Taxes for General Obligation Bonds  | 33,700,242            | 10,042,476            |
| Gifts   | 580,836               | 548,920               |
| Investment Income   | 19,612,623            | 6,519,961             |
| Interest on Capital Related Debt  | (15,108,935)          | (6,656,186)           |
| Other Non-Operating Revenues/(Expenses)   | (2,234,334)           | (62,478)              |
| Net Non-Operating Revenues (Schedule C)   | <u>190,129,671</u>    | <u>155,481,095</u>    |
| Income Before Other Revenues  | <u>46,200,536</u>     | <u>15,614,962</u>     |
| <b>OTHER REVENUES:</b>  |                       |                       |
| Capital Grants and Gifts  | 358,286               | 49,000                |
| Additions to Permanent Endowments   | -                     | 14,000                |
| Total Other Revenues  | <u>358,286</u>        | <u>63,000</u>         |
| Increase in Net Assets  | 46,558,822            | 15,677,962            |
| <b>NET ASSETS:</b>  |                       |                       |
| Net Assets - Beginning of Year  | 201,583,628           | 185,905,666           |
| Net Assets - End of Year  | <u>\$ 248,142,450</u> | <u>\$ 201,583,628</u> |

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

## ALAMO COMMUNITY COLLEGE DISTRICT

Statements of Cash Flows  
Years Ended August 31, 2007 and 2006

|   | 2007                    | 2006                    |
|---|-------------------------|-------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>  |                         |                         |
| Receipts from Students and Other Customers  | \$ 51,875,076           | \$ 50,526,925           |
| Receipts from Grants and Contracts  | 81,737,288              | 74,702,505              |
| Collection of Loans to Students   | 140,816                 | 164,211                 |
| Other Receipts  | 2,378,003               | 2,143,232               |
| Payments to or on Behalf of Employees   | (163,436,915)           | (155,611,802)           |
| Payments to Suppliers for Goods and Services  | (45,560,848)            | (43,548,464)            |
| Payments for Scholarships and Fellowships   | (38,588,075)            | (37,832,599)            |
| Payment for Loans to Students   | (18,786)                | (160,587)               |
| Net Cash Used by Operating Activities   | <u>(111,473,441)</u>    | <u>(109,616,579)</u>    |
| <b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>                              |                         |                         |
| Receipts from State Appropriations  | 65,409,379              | 65,746,811              |
| Receipts from Ad Valorem Taxes for Maintenance and Operations                         | 69,731,080              | 62,763,500              |
| Receipts from Gifts and Grants (Other than Capital)                                   | 580,836                 | 632,735                 |
| Receipts from (Payments to) Student Organizations and Other Agency Transactions       | (326)                   | (184,257)               |
| Receipts from Private Gifts for Endowment   | -                       | 14,000                  |
| Net Cash Provided by Noncapital Financing Activities                                  | <u>135,720,969</u>      | <u>128,972,789</u>      |
| <b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:</b>                                  |                         |                         |
| Proceeds on Issuance of Capital Debt  | 411,330,000             | 101,030,000             |
| Bond Issuance Costs   | 2,929,485               | -                       |
| Receipts from Ad Valorem Taxes for Debt Service                                       | 33,644,612              | 10,029,758              |
| Receipts from Capital Grant Contracts, Grants and Gifts                               | 49,000                  | 49,000                  |
| Purchases of Capital Assets   | (64,181,787)            | (30,799,102)            |
| Payments on Capital Debt and Leases   | (53,866,353)            | (13,750,222)            |
| Net cash Used by Capital and Related Financing Activities                             | <u>329,904,957</u>      | <u>66,559,434</u>       |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>  |                         |                         |
| Proceeds from Sales and Maturities of Investments                                     | 70,202,999              | 22,662,761              |
| Interest on Investments   | 16,381,281              | 6,384,499               |
| Purchase of Investments   | (377,152,317)           | (70,440,621)            |
| Net Cash Used by Investing Activities   | <u>(290,568,037)</u>    | <u>(41,393,361)</u>     |
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS                                      | <u>63,584,448</u>       | <u>45,960,213</u>       |
| CASH AND CASH EQUIVALENTS—September 1   | <u>107,559,406</u>      | <u>61,599,193</u>       |
| CASH AND CASH EQUIVALENTS—August 31   | <u>\$ 171,143,854</u>   | <u>\$ 107,559,406</u>   |
| <b>RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:</b> |                         |                         |
| Operating Loss  | \$ (143,929,135)        | \$ (139,866,133)        |
| Adjustments to Reconcile Net Loss to Net Cash Used by Operating Activities:           |                         |                         |
| Depreciation Expense  | 10,236,942              | 9,778,698               |
| On-Behalf Payment   | 18,090,671              | 16,498,508              |
| Bad Debt Expense  | 1,202,282               | 1,437,930               |
| Changes in Assets and Liabilities:  |                         |                         |
| Receivables (Net)   | 805,284                 | (2,250,351)             |
| Other Assets  | (655,032)               | (250,937)               |
| Accounts Payable  | 1,778,555               | 3,072,076               |
| Deferred Revenue  | 1,470,795               | 2,925,260               |
| Compensated Absences  | 432,629                 | 2,044,019               |
| Workers' Compensation Accrual   | (479,217)               | (244,146)               |
| Early Retirement Liability  | (354,730)               | (13,033)                |
| Utility Escrow  | (194,515)               | 123,766                 |
| Loans to Students   | 122,030                 | 3,624                   |
| Net Cash Used by Operating Activities   | <u>\$ (111,473,441)</u> | <u>\$ (106,740,719)</u> |

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.

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, 2007 do not lapse at year end.

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.

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 June 20, 2006, 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. Investments in TexPool are considered to be cash equivalents. 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 published market rates. 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. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 40 years for buildings, 20 years for facility and other land improvements, 3 to 10 years for machinery, vehicles and other equipment, 5 years for software and 15 years for library books.

ALAMO COMMUNITY COLLEGE DISTRICT  
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capitalization of Interest Cost

In accordance with Statements of Governmental Accounting Standards Numbered 34 and 62, *Capitalization of Interest Cost in Situations Involving Certain Tax-Exempt Borrowings and Certain Gifts and Grants*, the District has considered the capitalization of interest cost on construction in progress that has been financed by long-term debt. 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

Tuition, fees, and other revenues received, or due the District, as part of a third-party contract or binding student promissory note, related to the period after each fiscal year have been deferred.

Deferred Charges

Deferred charges are expenses paid, or incurred, in advance that pertain to subsequent fiscal years. Examples of deferred charges included in current assets include scholarships disbursed to students in August for fall classes. Deferred charges classified as noncurrent assets include long-term prepayments of expenses subject to amortization, including unamortized bond issuance costs and loss on defeasance of bonds.

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.

*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.

Classification of Revenues

*Operating Revenues:* Operating revenues are generated by activities that have the characteristics of exchange transactions, including 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. Campus bookstore and food service operations are operated by third parties.

*Non-Operating Revenues:* Non-operating revenues include activities that do not have the characteristics of exchange transactions, such as property tax revenues, gifts, state appropriations and investment income.

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

**NOTES TO FINANCIAL STATEMENTS**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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.

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.

**3. DEPOSITS AND 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, (3) debentures or obligations of corporations or other institutions.

The carrying amount of the District's deposits at August 31, 2007 and 2006 was \$1,855,428 and \$2,470,351 respectively. Total bank balances at August 31, 2007 and 2006 equaled \$10,715,242 and \$10,511,331 respectively.

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

|                                 | August 31,     |                |
|---------------------------------|----------------|----------------|
|                                 | 2007           | 2006           |
| Bank Deposits: Demand Deposits  | \$ 1,855,428   | \$ 2,470,351   |
| Money Market                    | 9,595,960      | 9,098,363      |
| Total Bank Deposits             | 11,451,388     | 11,568,714     |
| TexPool Deposits                | 159,644,816    | 95,936,458     |
| Petty Cash on Hand              | 47,650         | 54,234         |
| Total Cash and Cash Equivalents | \$ 171,143,854 | \$ 107,559,406 |

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

**NOTES TO FINANCIAL STATEMENTS**

**3. DEPOSITS AND AUTHORIZED INVESTMENTS (Continued)**

TexPool operates in a manner consistent with the SEC's Rule 2a7 of the Investment Act of 1940. TexPool uses amortized cost which approximates market value to report net assets. At August 31, 2007, and 2006 the District's TexPool investments are reported at amortized cost.

The fair value of investments as of August 31, 2007 and 2006 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:

| <u>Type of Security</u>          | <u>Fair Value at August 31,</u> |                       |
|----------------------------------|---------------------------------|-----------------------|
|                                  | <u>2007</u>                     | <u>2006</u>           |
| Flex Repurchase Agreements       | \$ 335,206,325                  | \$ -                  |
| U.S. Government Securities:      |                                 |                       |
| FHLB Coupon Notes                | 30,250,840                      | 39,241,040            |
| FNMA Coupon Notes                | 11,520,460                      | 27,258,690            |
| FHLMC Coupon Notes               | 15,950,800                      | 16,910,720            |
| FNMA Discount Notes              | -                               | 6,301,560             |
| FHLMC Discount Notes             | -                               | 5,295,745             |
| FFCB Discount Notes              | 7,483,250                       | -                     |
| Endowment Funds:                 |                                 |                       |
| Corporate Stocks - Common        | 10,761,808                      | 12,089,277            |
| Bonds/Mortgage-backed Securities | 2,761,005                       | -                     |
| Money Market Funds               | 1,544,508                       | 1,432,646             |
| <b>Total</b>                     | <b>\$ 415,478,996</b>           | <b>\$ 108,529,678</b> |

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

**NOTES TO FINANCIAL STATEMENTS**

**3. DEPOSITS AND AUTHORIZED INVESTMENTS (Continued)**

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

|                                 | Fair Value August 31, |                |
|---------------------------------|-----------------------|----------------|
|                                 | 2007                  | 2006           |
| Total Cash and Cash Equivalents | \$ 171,143,854        | \$ 107,559,406 |
| Total Investments               | 415,478,996           | 108,529,678    |
| Total                           | \$ 586,622,850        | \$ 216,089,084 |

Per Exhibit 1:

|   |                |                |
|---|----------------|----------------|
| Cash and Cash Equivalents               | \$ 98,549,325  | \$ 62,379,683  |
| Restricted Cash and Cash<br>Equivalents | 72,594,529     | 45,179,723     |
| Endowment Investments                   | 15,067,321     | 13,521,923     |
| Other Long-Term Investments             | 400,411,675    | 95,007,755     |
| Total                                   | \$ 586,622,850 | \$ 216,089,084 |

Interest Rate Risk – Interest rate risk is the risk that changes in the market rate of interest will 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.

As of August 31, 2007 the District had the following investments and maturities:

| Investment Type            | Fair Value     | Weighted Average<br>Maturity (Years) |
|----------------------------|----------------|--------------------------------------|
| Flex Repurchase Agreements | \$ 335,206,325 | 1.256                                |
| FFCB Discount Notes        | 7,483,250      | 0.003                                |
| FHLB                       | 30,250,840     | 0.038                                |
| FNMA                       | 11,520,460     | 0.011                                |
| FHLMC                      | 15,950,800     | 0.007                                |
| TexPool                    | 159,644,816    | 0.025                                |
|                            | \$ 560,056,491 |                                      |

Portfolio weighted average maturity 1.34

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

**NOTES TO FINANCIAL STATEMENTS**

**3. DEPOSITS AND AUTHORIZED INVESTMENTS (Continued)**

As of August 31, 2006 the District had the following investments and maturities

| <u>Investment Type</u>              | <u>Fair Value</u>     | <u>Weighted Average<br/>Maturity (Years)</u> |
|-------------------------------------|-----------------------|--|
| FHLB                                | \$ 39,241,040         | 0.227  |
| FNMA                                | 27,258,690            | 0.138  |
| FHLMC                               | 16,910,720            | 0.071  |
| FNMA Discount Notes                 | 6,301,560             | 0.02   |
| FHLMC Discount Notes                | 5,295,745             | 0.02   |
| TexPool                             | 95,936,457            | 0.035  |
| Total Fair Value                    | <u>\$ 190,944,212</u> |  |
| Portfolio weighted average maturity |                       | 0.511  |

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, 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. At August 31, 2006 the District’s FHLB, FNMA Coupon and Discount Notes, FHLMC Coupon Notes and discount note securities were all rated AAA, and the District’s investment in TexPool was rated AAAM.

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.

The District is required to disclose investments in any investment type that represents 5% or more of the investments. At August 31, 2007 the District had invested, in its non-endowment funds in Flexible Repurchase Agreement (59.9%), Tex Pool (28.5%), and Federal Home Loan Bank coupon notes (5.4%). At August 31, 2006 the District had invested, in its non-endowment funds, in Federal Home Loan Bank coupon notes (20.6%), Federal National Mortgage Association coupon notes (14.3%) and Federal Home Loan Mortgage Corporation coupon notes (8.8%).

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 \$15,067,321 and \$13,521,923 as of August 31, 2007 and 2006, 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.

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

**NOTES TO FINANCIAL STATEMENTS**

**4. ENDOWMENT SPENDING POLICY**

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, 2007 and 2006.

**6. BONDS PAYABLE**

General information related to bonds payable is summarized below:

**General Obligation Refunding Bonds, Series 1998**

- To refund \$9,000,000 of Series 1992 General Obligation Bonds
- \$9,387,590, all bonds authorized issued February 19, 1998
- Source of revenue for debt service - ad valorem taxes
- Outstanding balance at August 31, 2007 and 2006 respectively - \$1,925,000 and \$2,915,000

**Combined Fee Revenue and Refunding Bonds, Series 2001**

- 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
- \$53,615,000, all bonds authorized issued September 19, 2001
- Source of revenue for debt service - Pledged revenues including tuition, general fee, parking fee, bookstore and food service commissions and general fund investment income.
- Outstanding balance at August 31, 2007 and 2006 respectively - \$30,265,000 and \$49,535,000

**General Obligation Refunding Bonds, Series 2002**

- To refund \$2,000,000 of Series 1992 General Obligation Bonds
- \$1,998,778, all bonds authorized issued August 15, 2002
- Source of revenue for debt service - ad valorem taxes
- Outstanding balance at August 31, 2007 and 2006 respectively - \$1,133,778 and \$1,133,778

**General Obligation Refunding Bonds, Series 2002A**

- To refund \$25,605,000 of Series 1993 General Obligation Bonds
- \$25,060,000, all bonds authorized issued December 12, 2002
- Source of revenue for debt service - ad valorem taxes
- Outstanding balance at August 31, 2007 and 2006 respectively - \$6,395,000 and \$10,395,000

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

**NOTES TO FINANCIAL STATEMENTS**

**6. BONDS PAYABLE (Continued)**

**Combined Fee Revenue and Refunding Bonds, Series 2003**

- 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
- \$10,655,000, all bonds authorized issued September 23, 2003
- Source of revenue for debt service - Pledged revenues including tuition, general fee, parking fee, bookstore and food service commissions and general fund investment income
- Outstanding balance at August 31, 2007 and 2006 respectively - \$7,660,000 and \$8,615,000

**Combined Fee Revenue Bonds, Series 2004**

- To purchase land, and to acquire construct, improve, enlarge, and equip District facilities
- \$7,235,000, all bonds authorized issued August 11, 2004
- Source of revenue for debt service - Pledged revenues including tuition, general fee, parking fee, bookstore and food service commissions and general fund investment income
- Outstanding balance at August 31, 2007 and 2006 respectively - \$6,880,000 and \$7,060,000

**Maintenance Tax Notes, Series 2004**

- To purchase equipment, vehicles and renovating various facilities
- \$8,155,000, all Notes authorized issued August 11, 2004
- Source of revenue for debt service – ad valorem taxes
- Outstanding balance at August 31, 2007 and 2006 respectively - \$5,040,000 and \$5,370,000

**Maintenance Tax Notes, Series 2005**

- To purchase equipment, vehicles and renovating various facilities
- \$7,450,000, all Notes authorized issued September 20, 2005
- Source of revenue for debt service – ad valorem taxes
- Outstanding balance at August 31, 2007 and 2006 respectively - \$4,265,000 and \$4,515,000

**Combined Fee Revenue Bonds, Series 2005**

- To purchase land, and to acquire, construct, improve, enlarge, and equip District facilities
- \$2,435,000, all bonds authorized issued September 20, 2005
- Source of revenue for debt service - Pledged revenues including tuition, general fee, parking fee, bookstore and food service commissions and general fund investment income
- Outstanding balance at August 31, 2007 and 2006 respectively - \$2,290,000 and \$2,435,000

**Maintenance Tax Notes, Series 2006**

- To purchase equipment, vehicles and renovating various facilities
- \$30,435,000, all Notes authorized issued April 20, 2006
- Source of revenue for debt service – ad valorem taxes
- Outstanding balance at August 31, 2007 and 2006 respectively - \$30,105,000 and \$30,435,000



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

**NOTES TO FINANCIAL STATEMENTS**

**6. BONDS PAYABLE (Continued)**

**Limited Tax Bonds, Series 2006**

- To construct, renovate, acquire and equip new and existing facilities
- \$60,710,000, all bonds authorized issued April 20, 2006
- Source of revenue for debt service - ad valorem taxes
- Outstanding balance at August 31, 2007 and 2006 respectively - \$42,210,000 and \$60,710,000

**Limited Tax Bonds, Series 2006A**

- To construct, renovate, acquire and equip new and existing facilities
- \$49,580,000, all bonds authorized issued September 14, 2006
- Source of revenue for debt service - ad valorem taxes
- Outstanding balance at August 31, 2007 and 2006 respectively - \$49,580,000 and \$ -0-

**Combined Fee Revenue and Refunding Bonds, Series 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
- \$27,175,000, all bonds authorized issued March 8, 2007
- Source of revenue for debt service - Pledged revenues including tuition, general fee, parking fee, bookstore and food service commissions and general fund investment income
- Outstanding balance at August 31, 2007 and 2006 respectively - \$27,175,000 and \$ -0-

**Limited Tax Bonds, Series 2007**

- To construct, renovate, acquire and equip new and existing facilities
- \$271,085,000, all bonds authorized issued April 5, 2007
- Source of revenue for debt service - ad valorem taxes
- Outstanding balance at August 31, 2007 and 2006 respectively - \$271,085,000 and \$ -0-

**Limited Tax Bonds, Series 2007A**

- To construct, renovate, acquire and equip new and existing facilities
- \$63,490,000, all bonds authorized issued August 21, 2007
- Source of revenue for debt service - ad valorem taxes
- Outstanding balance at August 31, 2007 and 2006 respectively - \$63,490,000 and \$ -0-

Bonds payable are due in annual installments varying from \$150,000 to \$16,365,000 with interest rates from 2.0 to 5.625 percent with the final installment due in fiscal year 2037.

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

**NOTES TO FINANCIAL STATEMENTS**

**6. BONDS PAYABLE (Continued)**

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

| For The Year<br>Ended<br>August 31, | General Obligation Bonds |                   | Revenue Bonds    |                  | Maintenance Tax Notes |                  | Total Bonds       |                   |
|-------------------------------------|--------------------------|-------------------|------------------|------------------|-----------------------|------------------|-------------------|-------------------|
|                                     | 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            |
| <b>Total</b>                        | <b>\$ 435,819</b>        | <b>\$ 382,846</b> | <b>\$ 74,270</b> | <b>\$ 34,007</b> | <b>\$ 39,410</b>      | <b>\$ 18,035</b> | <b>\$ 549,499</b> | <b>\$ 434,888</b> |

Debt service requirements at August 31, 2006 were as follows (amounts in 000's):

| For The Year<br>Ended<br>August 31, | General Obligation Bonds |                  | Revenue Bonds    |                  | Maintenance Tax Notes |                  | Total Bonds       |                  |
|-------------------------------------|--------------------------|------------------|------------------|------------------|-----------------------|------------------|-------------------|------------------|
|                                     | Principal                | Interest         | Principal        | Interest         | Principal             | Interest         | Principal         | Interest         |
| 2007                                | \$ 23,490                | \$ 4,128         | \$ 2,650         | \$ 3,159         | \$ 910                | \$ 2,339         | \$ 27,050         | \$ 9,626         |
| 2008                                | 4,935                    | 2,233            | 2,755            | 3,063            | 1,640                 | 1,713            | 9,330             | 7,009            |
| 2009                                | 2,210                    | 2,077            | 2,850            | 2,965            | 1,700                 | 1,653            | 6,760             | 6,695            |
| 2010                                | 1,915                    | 1,994            | 2,955            | 2,851            | 1,765                 | 1,587            | 6,635             | 6,432            |
| 2011                                | 394                      | 2,262            | 3,090            | 2,718            | 1,835                 | 1,519            | 5,319             | 6,499            |
| 2012-2016                           | 5,140                    | 9,281            | 16,920           | 11,267           | 10,395                | 6,370            | 32,455            | 26,918           |
| 2017-2021                           | 6,360                    | 8,064            | 19,860           | 6,670            | 11,410                | 3,874            | 37,630            | 18,608           |
| 2022-2026                           | 7,935                    | 6,488            | 14,795           | 1,667            | 10,665                | 1,320            | 33,395            | 9,475            |
| 2027-2031                           | 10,010                   | 4,413            | 1,770            | 183              | -                     | -                | 11,780            | 4,596            |
| 2031-2036                           | 12,765                   | 1,660            | -                | -                | -                     | -                | 12,765            | 1,660            |
| <b>Total</b>                        | <b>\$ 75,154</b>         | <b>\$ 42,600</b> | <b>\$ 67,645</b> | <b>\$ 34,543</b> | <b>\$ 40,320</b>      | <b>\$ 20,375</b> | <b>\$ 183,119</b> | <b>\$ 97,518</b> |

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. For the year ended August 31, 2006, the revenue pledged as security for revenue bond debt service includes a portion of tuition and general fee revenue, \$24.8 million, investment income, \$3.2 million, and auxiliary revenue, \$2.8 million.

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

**NOTES TO FINANCIAL STATEMENTS**

**7. 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 Bond Series 2007. The bonds were issued to refund outstanding Series 2001 revenue bonds and to provide funds to purchase land, acquiring, constructing, enlarging, and equipping 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, net bookstore and food service commissions and investment income.

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 Series 2001 combined fee revenue and refunding bonds 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, 2007 and 2006 are as follows:**

| Bond Issue                             | Year<br>Refunded | Par Value Outstanding |      |
|--|------------------|-----------------------|------|
|  |                  | August 31,            |      |
|  |                  | 2007                  | 2006 |
| Combined Fee Revenue Bonds Series 2001 | 2007             | \$ 17,900,000         | \$ - |

**8. EMPLOYEES' RETIREMENT PLANS**

The State of Texas has joint contributory retirement plans for almost all of its employees. One of the primary plans in which the District participates is administered by the Teacher Retirement System of Texas. The percentage of participant salaries currently contributed by the state or the District and by each participant is 6% and 6.4%, respectively, of annual salary. Both rates are set by state statutes. The Teacher Retirement System of Texas does not separately account for each of its component government agencies because it bears sole responsibility for retirement commitments beyond contributions fixed by the Legislature.

The Teacher Retirement System of Texas is a multiple-employer public employee retirement system (PERS). It is a cost-sharing PERS with one exception: risks and costs are not shared by the employer but are the liability of the State of Texas. By statute, the State of Texas contributes to the retirement system an amount equal to the current authorized rate times the aggregate annual compensation of all members of the system during that fiscal year.

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

**NOTES TO FINANCIAL STATEMENTS**

**8. EMPLOYEES' RETIREMENT PLANS (Continued)**

Members are fully vested after 5 years of creditable service and are entitled to any benefit for which eligibility requirements have been met. Members are eligible to retire and receive a standard service retirement annuity if the member (1) is at least 65 years old and has at least 10 years of service credit in the system, or (2) has any combination of age plus years of service which equals 80. If a member is 65 years old and has at least 5 years of service credit in the System, or is any age below 50 years old and has at least 30 years of service credit in the System, the member is eligible to retire and receive a service retirement annuity reduced from the standard service annuity.

The state has also established an optional retirement program for institutions of higher education. Participation in the program, which provides for the purchase of annuity contracts, is in lieu of participation in the Teacher Retirement System. The optional retirement program is a defined contribution program created in accordance with Internal Revenue Code Section 403(b). Participants contribute 6.65% and the State of Texas or the District contributes 6.00% of each participant's annual compensation. The District also contributes 2.50% of each participant's annual compensation for those employees who were participating in the optional retirement program prior to September 1, 1995. Because these are individual annuity contracts, the state has no additional unfunded liability for this program.

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.

For the years ended August 31, 2007 and 2006, respectively, contributions to the Teacher Retirement System amounted to \$9,296,694 and \$8,321,021, of which \$4,798,293 and \$4,294,721 was made by employees, \$3,712,275 and \$3,279,291 was made by the State of Texas, \$419,980 and \$403,181 was made by other grantor agencies and \$366,146 and \$343,828 was made by the District. Total payroll for employees covered by the System for the years ended August 31, 2007 and 2006, respectively, was \$74,973,350 and \$67,105,016. The District's contribution of \$786,126 and \$747,009 for the years ended August 31, 2007 and 2006, respectively, represents 100% of its annual required contribution.

For the years ended August 31, 2007 and 2006, respectively, contributions to the optional retirement program amounted to \$7,028,889 and \$6,862,284, of which \$3,244,976 and \$3,159,211 was made by employees, \$2,894,537 and \$2,819,733 was made by the State of Texas, \$26,309 and \$29,845 was made by other grantor agencies and \$863,067 and \$853,495 was made by the District. Total payroll of employees participating in the optional retirement program for the years ended August 31, 2007 and 2006 was \$48,796,561 and \$47,506,848.

**ALAMO COMMUNITY COLLEGE DISTRICT**  
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**NOTES TO FINANCIAL STATEMENTS**

**8. EMPLOYEES' RETIREMENT PLANS (Continued)**

Contributions by the State of Texas on behalf of the District's employees for both the optional retirement program and Teacher Retirement System 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. In accordance with the provisions of GASB Statement No. 27, three-year trend information follows:

| Fiscal<br>Year | District Annual Required<br>Contribution (ARC) | Percentage of<br>ARC Contributed |
|----------------|--|----------------------------------|
| 2005           | 688,134  | 100                              |
| 2006           | 747,009  | 100                              |
| 2007           | 786,126  | 100                              |

According to an independent actuarial evaluation as of August 31, 2007, the present value of the retirement system's actual and projected liabilities, including projected benefits payable to its retirees and active members and their beneficiaries is in excess of the assets of the retirement system.

The Teacher Retirement System of Texas issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by writing to the General Accounting Department - Teacher Retirement System of Texas, 1000 Red River Street, Austin, Texas 78701, by calling 1-800-223-8778, or by downloading the report from the TRS internet website, [www.trs.state.tx.us](http://www.trs.state.tx.us), under the TRS Publications heading.

**9. 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, 2007 and 2006, the District had 583 and 595 employees participating in the program, respectively. A total of \$2,784,002 and \$2,780,275 in payroll deductions had been invested in approved plans during the fiscal years 2007 and 2006, 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 2007. 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 the fiscal year 2007. As of August 31, 2006, the District had 30 employees participating in the program. A total of \$45,635 in payroll deductions had been invested in approved plans during the fiscal year 2006.

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

**NOTES TO FINANCIAL STATEMENTS**

**10. 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 19). 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, 2007 of \$7,873,834 was allocated \$4,831,130 to sick leave and \$3,042,704 to annual leave. The total accrued at August 31, 2006 of \$7,441,205 was allocated \$4,629,771 to sick leave and \$2,811,434 to annual leave.

**11. COMMITMENTS AND CONTINGENCIES**

On August 31, 2007, various lawsuits and claims involving the District were pending. The ultimate liability with respect to litigation and other claims against the District cannot be reasonably estimated at this time. Management believes any liability, to the extent not provided for by insurance or otherwise, will not 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, 2007, and 2006, the District was committed for approximately \$293,102,000, and \$22,270,000, respectively.

Encumbrances in the general fund of \$3.7 million and \$6.6 million for the year's ended August 31, 2007 and 2006, respectively, will be provided for from the prior year's fund balances.

**12. 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 2007 and 2006 respectively, for which funds had not been received or expended, totaled \$17,008,158 and \$16,920,877. Of this amount, \$10,822,926 and \$11,761,385 was from federal and \$6,185,232 and \$5,159,492 from state contract and grant awards for the years ended August 31, 2007 and 2006.

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

**NOTES TO FINANCIAL STATEMENTS**

**13. RISK MANAGEMENT**

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, \$1.5 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.

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 \$432,103 and \$911,320 at August 31, 2007 and 2006, 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% and 2% for the years ended August 31, 2007 and 2006, respectively.

| Fiscal<br>Year | Beginning of<br>Year Liability | Additions | Deductions  | End of Year<br>Liability |
|----------------|--------------------------------|-----------|-------------|--------------------------|
| 2006           | \$ 1,155,466                   | 1,018,130 | (1,262,276) | \$ 911,320               |
| 2007           | \$ 911,320                     | 575,474   | (1,054,691) | \$ 432,103               |

**14. POST RETIREMENT, HEALTH CARE, AND LIFE INSURANCE BENEFITS**

In addition to providing pension benefits, the state provides 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 \$307.51 and \$704.52 per month for the year ended August 31, 2007, and totaled \$11,483,859 and \$10,399,484 for the years ended August 31, 2007 and 2006, respectively. 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. The state's cost of providing these benefits for 601 retirees was \$2,746,504 and for 2,287 active employees was \$7,652,980 for the year ended August 31, 2006.

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**

**15. 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. The Foundation remitted gifts of \$599,804 and \$324,986 to the District during the years ended August 31, 2007 and 2006, respectively.

**16. PROPERTY 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, 2007 and 2006:

|  | August 31, 2007   | August 31, 2006   |
|--|-------------------|-------------------|
| Assessed Valuation of the District     | \$ 82,560,091,116 | \$ 71,905,965,746 |
| Less: Exemptions                       | (5,436,124,534)   | (4,472,598,640)   |
| Tax Increment Financings               | (84,972,545)      | (84,972,545)      |
| Net Assessed Valuation of the District | \$ 77,038,994,037 | \$ 67,348,394,561 |

Authorized and Assessed Tax Rates Fiscal Year 2007:

|   | Current     |              |             |
|---|-------------|--------------|-------------|
|   | Operations  | Debt Service | Total       |
| Tax Rate per \$100 Valuation Authorized | \$ -        | \$ -         | \$ 0.25     |
| Tax Rate per \$100 Valuation Assessed   | \$ 0.092300 | \$ 0.044750  | \$ 0.137050 |

Authorized and Assessed Tax Rates Fiscal Year 2006:

|   | Current     |              |             |
|---|-------------|--------------|-------------|
|   | Operations  | Debt Service | Total       |
| Tax Rate per \$100 Valuation Authorized | \$ -        | \$ -         | \$ 0.25     |
| Tax Rate per \$100 Valuation Assessed   | \$ 0.092300 | \$ 0.014750  | \$ 0.107050 |



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

**NOTES TO FINANCIAL STATEMENTS**

**16. PROPERTY TAX (Continued)**

Tax Collection Detail Fiscal Year 2007:

| Taxes Collected                 | Current<br>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> |

Tax Collection Detail Fiscal Year 2006:

| Taxes Collected                 | Current<br>Operations | Debt Service         | Total                |
|---------------------------------|-----------------------|----------------------|----------------------|
| Current Taxes Collected         | \$ 60,880,462         | \$ 9,728,937         | \$ 70,609,399        |
| Tax Increment Financing Payment | (156,966)             | -                    | (156,966)            |
| Delinquent Taxes Collected      | 1,146,492             | -                    | 1,146,492            |
| Penalties & Interest Collected  | 973,095               | 313,539              | 1,286,634            |
| Total Collections               | <u>\$ 62,843,083</u>  | <u>\$ 10,042,476</u> | <u>\$ 72,885,559</u> |

Taxes levied for the years ended August 31, 2007 and 2006 are \$102,947,673 and \$72,091,494, respectively. The use of tax proceeds is restricted to either maintenance and operation or interest and sinking expenditures. Tax collections for the years ended August 31, 2007 and 2006 were 98.18% and 96.73%, respectively, of the current tax levy. The allowance for uncollectible taxes is based upon historical experience in collecting property taxes.

**17. 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, 2007 and 2006.

**ALAMO COMMUNITY COLLEGE DISTRICT**  
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**NOTES TO FINANCIAL STATEMENTS**

**18. CAPITAL ASSET ACTIVITY**

For The Year Ended August 31, 2007

|  | Balance<br>9/1/2006   | Increases            | Decreases         | Balance<br>8/31/2007  |
|--|-----------------------|----------------------|-------------------|-----------------------|
| <u>Not Depreciated:</u>                            |                       |                      |                   |                       |
| Land   | \$ 36,082,962         | \$ 11,642,842        | \$ -              | \$ 47,725,804         |
| Construction in Progress                           | 7,957,154             | 63,095,375           | -                 | 71,052,529            |
| Subtotal   | <u>44,040,116</u>     | <u>74,738,217</u>    | <u>-</u>          | <u>118,778,333</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             | 1,207,451            | -                 | 2,807,834             |
| 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>10,911,611</u>    | <u>1,918,587</u>  | <u>295,607,140</u>    |
| <u>Accumulated Depreciation:</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                | 12,266,265            | 2,012,261            | 1,291,131         | 12,987,395            |
| Library Books                                      | 12,601,467            | 333,867              | 128,412           | 12,806,922            |
| Total Accumulated Depreciation                     | <u>116,232,880</u>    | <u>10,236,942</u>    | <u>1,419,543</u>  | <u>125,050,279</u>    |
| Net Capital Assets                                 | <u>\$ 214,421,352</u> | <u>\$ 75,412,886</u> | <u>\$ 499,044</u> | <u>\$ 289,335,194</u> |

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

**NOTES TO FINANCIAL STATEMENTS**

**18. CAPITAL ASSET ACTIVITY (Continued)**

For The Year Ended August 31, 2006

|  | Balance<br>9/1/2005   | Increases            | Decreases           | Balance<br>8/31/2006  |
|--|-----------------------|----------------------|---------------------|-----------------------|
| <u>Not Depreciated:</u>                            |                       |                      |                     |                       |
| Land   | \$ 28,928,467         | \$ 7,154,495         | \$ -                | \$ 36,082,962         |
| Construction in Progress                           | 3,953,769             | 7,821,858            | 3,818,473           | 7,957,154             |
| Subtotal   | <u>32,882,236</u>     | <u>14,976,353</u>    | <u>3,818,473</u>    | <u>44,040,116</u>     |
| <u>Buildings and Other Capital Assets:</u>         |                       |                      |                     |                       |
| Buildings and Building Improvements                | 197,631,023           | 13,218,364           | -                   | 210,849,387           |
| Other Real Estate Improvements                     | 33,721,374            | 3,510,025            | -                   | 37,231,399            |
| Total Buildings and Other Real Estate Improvements | <u>231,352,397</u>    | <u>16,728,389</u>    | <u>-</u>            | <u>248,080,786</u>    |
| Software   | 1,132,400             | 467,983              | -                   | 1,600,383             |
| Furniture, Machinery, and Equipment                | 19,991,517            | 1,930,064            | 426,291             | 21,495,290            |
| Library Books                                      | 15,293,686            | 514,606              | 370,635             | 15,437,657            |
| Total Buildings and Other Capital Assets           | <u>267,770,000</u>    | <u>19,641,042</u>    | <u>796,926</u>      | <u>286,614,116</u>    |
| <u>Accumulated Depreciation:</u>                   |                       |                      |                     |                       |
| Buildings and Building Improvements                | 66,632,520            | 4,904,355            | -                   | 71,536,875            |
| Other Real Estate Improvements                     | 17,537,286            | 2,033,234            | -                   | 19,570,520            |
| Total Buildings and Other Real Estate Improvements | <u>84,169,806</u>     | <u>6,937,589</u>     | <u>-</u>            | <u>91,107,395</u>     |
| Software   | -                     | 257,753              | -                   | 257,753               |
| Furniture, Machinery, and Equipment                | 10,424,524            | 2,207,590            | 365,849             | 12,266,265            |
| Library Books                                      | 12,590,397            | 375,766              | 364,696             | 12,601,467            |
| Total Accumulated Depreciation                     | <u>107,184,727</u>    | <u>9,778,698</u>     | <u>730,545</u>      | <u>116,232,880</u>    |
| Net Capital Assets                                 | <u>\$ 193,467,509</u> | <u>\$ 24,838,697</u> | <u>\$ 3,884,854</u> | <u>\$ 214,421,352</u> |

**ALAMO COMMUNITY COLLEGE DISTRICT**  
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**NOTES TO FINANCIAL STATEMENTS**

**19. LONG-TERM LIABILITIES**

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

|  | Balance<br>09/01/2006 | Additions             | Reductions           | Balance<br>08/31/07  | Current<br>Portion   |
|--|-----------------------|-----------------------|----------------------|----------------------|----------------------|
| <b>Leases, Bonds and Notes</b>           |                       |                       |                      |                      |                      |
| 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            |
| <b>Total Leases, Bonds, and Notes</b>    | <b>184,723,353</b>    | <b>411,330,000</b>    | <b>45,398,079</b>    | <b>550,655,274</b>   | <b>10,590,591</b>    |
| <b>Other Long-Term Liabilities</b>       |                       |                       |                      |                      |                      |
| 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            | 3,596,137             | 7,935,992             | 3,472,582            | 8,059,547            | 7,935,992            |
| Arbitrage Liability                      | -                     | 1,672,972             | -                    | 1,672,972            | -                    |
| <b>Total Other Long-Term Liabilities</b> | <b>17,173,414</b>     | <b>20,735,469</b>     | <b>7,074,851</b>     | <b>30,834,032</b>    | <b>10,747,717</b>    |
| <b>Total Long-Term Liabilities</b>       | <b>\$201,896,767</b>  | <b>\$ 432,065,469</b> | <b>\$ 52,472,930</b> | <b>\$581,489,306</b> | <b>\$ 21,338,308</b> |

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

**NOTES TO FINANCIAL STATEMENTS**

**19. LONG-TERM LIABILITIES (Continued)**

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

|  | Balance<br>09/01/2005 | Additions             | Reductions           | Balance<br>08/31/06  | Current<br>Portion   |
|--|-----------------------|-----------------------|----------------------|----------------------|----------------------|
| <u>Leases, Bonds and Notes</u>           |                       |                       |                      |                      |                      |
| Notes Payable                            | \$ 2,035,800          | \$ -                  | \$ 431,225           | \$ 1,604,575         | \$ 448,079           |
| General Obligation Bonds                 | 19,603,778            | 60,710,000            | 5,160,000            | 75,153,778           | 23,490,000           |
| Revenue Bonds                            | 67,625,000            | 2,435,000             | 2,415,000            | 67,645,000           | 2,650,000            |
| Tax Notes                                | 5,695,000             | 37,885,000            | 3,260,000            | 40,320,000           | 910,000              |
| <b>Total Leases, Bonds, and Notes</b>    | <b>94,959,578</b>     | <b>101,030,000</b>    | <b>11,266,225</b>    | <b>184,723,353</b>   | <b>27,498,079</b>    |
| <u>Other Long-Term Liabilities</u>       |                       |                       |                      |                      |                      |
| Compensated Absences                     | 5,397,186             | 2,524,621             | 480,602              | 7,441,205            | 662,615              |
| Early Retirement                         | 1,064,317             | 31,760                | 373,457              | 722,620              | 354,730              |
| Deferred Revenues                        | 238,096               | -                     | 71,428               | 166,668              | 71,428               |
| Workers' Compensation Claims             | 1,155,466             | 1,018,130             | 1,262,276            | 911,320              | 349,011              |
| Utility Escrow                           | 947,828               | 641,712               | 517,946              | 1,071,594            | 1,026,570            |
| Premium on Bonds Payable                 | 1,494,854             | 1,981,669             | 212,653              | 3,263,870            | 212,654              |
| Accrued Bond Interest Payable            | 1,192,964             | 6,762,650             | 4,359,477            | 3,596,137            | 3,060,049            |
| <b>Total Other Long-Term Liabilities</b> | <b>11,490,711</b>     | <b>12,960,542</b>     | <b>7,277,839</b>     | <b>17,173,414</b>    | <b>5,737,057</b>     |
| <b>Total Long-Term Liabilities</b>       | <b>\$106,450,289</b>  | <b>\$ 113,990,542</b> | <b>\$ 18,544,064</b> | <b>\$201,896,767</b> | <b>\$ 33,235,136</b> |

**20. OPERATING LEASE COMMITMENTS AND RENTAL AGREEMENTS**

Rental payments of \$1,049,698 and \$771,132 under operating leases and rental agreements were included in operating expenses for the years ended August 31, 2007 and 2006, respectively.

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

**NOTES TO FINANCIAL STATEMENTS**

**21. DISAGGREGATION OF RECEIVABLES AND PAYABLES BALANCES**

Accounts Receivable at August 31, 2007 and 2006 were as follows:

|  | August 31,    |               |
|--|---------------|---------------|
|  | 2007          | 2006          |
| Tuition and Fees Receivable (net of allowance for doubtful accounts of \$2,015,237 and \$1,595,451 in 2007 and 2006) | \$ 6,979,125  | \$ 5,562,333  |
| Taxes Receivable (net of allowance for doubtful accounts of \$2,730,920 and \$2,934,115 in 2007 and 2006)            | 1,826,696     | 1,422,957     |
| Contracts and Grants Receivable  | 4,533,807     | 7,931,448     |
| Interest Receivable  | 2,165,891     | 669,839       |
| Other Receivables (net of allowance for doubtful accounts of \$200,980 and \$306,367 in 2007 and 2006)               | 1,215,004     | 1,241,997     |
| Total  | \$ 16,720,523 | \$ 16,828,574 |

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, 2007 and 2006 were as follows:

|                                | August 31,    |               |
|--------------------------------|---------------|---------------|
|                                | 2007          | 2006          |
| Payable to Vendors             | \$ 26,169,513 | \$ 4,917,380  |
| Salaries and Benefits Payable  | 1,538,336     | 1,050,890     |
| Bank Overdraft                 | 8,093,801     | 9,582,672     |
| Construction Retainage Payable | 3,223,224     | 536,622       |
| Total                          | \$ 39,024,874 | \$ 16,087,564 |

**22. OTHER OPERATING REVENUES**

“Other Operating Revenues” (Exhibit 2 and Schedule A) include rental income, paper recycling revenue, Virtual College of Texas provider fees, prior year cost recoveries/refunds and insurance reimbursements, internet access fees, revenue from various fund raising activities, and other revenues not applicable to any other revenue category.

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

**NOTES TO FINANCIAL STATEMENTS**

**23. 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 \$1,672,793 as of August 31, 2007. No amount was recorded as of August 31, 2006.

**24. 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 City are 51% and 49%, respectively. Annual contributions by the District and 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.

**25. 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**

**26. 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- and \$19,546 as of August 31, 2007 and 2006, respectively, and is reflected in the District's Statements of Net Assets as a long-term liability (see Utility Escrow, Note 19).

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 fourteen percent 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 \$877,079 and \$1,052,048 as of August 31, 2007 and 2006, respectively, and is reflected in the District's Statements of Net Assets as a long-term liability (see Utility Escrow, Note 19).

**27. FUNDS HELD FOR OTHERS**

The District holds funds for certain students and student and staff organizations. These amounts are reflected in the Statements of Net Assets as funds held for others in the amount of \$375,433 as of August 31, 2007 and \$375,759 as of August 31, 2006.

**28. 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, retrofitting 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, 2007 and 2006 was \$1,156,496 and \$1,604,575 respectively.



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

**NOTES TO FINANCIAL STATEMENTS**

**28. ENERGY CONSERVATION PROJECT (Continued)**

Debt service requirements at August 31, 2007 are as follows:

| <u>For the Fiscal</u><br><u>Year Ended</u> |    |                         |
|--|----|-------------------------|
| 2008                                       | \$ | 465,591                 |
| 2009                                       |    | 483,788                 |
| 2010                                       |    | <u>207,117</u>          |
|  | \$ | <u><u>1,156,496</u></u> |

**29. 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%. The present value calculation of early retirement benefits for employees participating in the early retirement program as of August 31, 2007 is as follows:

|  |    |                       |
|--|----|-----------------------|
| Present Value Cost of Early Retirement   | \$ | 367,890               |
| Imputed Interest Through Final Payment   |    | <u>5,566</u>          |
| Total Remaining Cost of Early retirement | \$ | <u><u>373,456</u></u> |

**30. SUBSEQUENT EVENTS**

Maintenance Tax Notes

On September 18, 2007 the District issued \$81,110,000 of Maintenance Tax Notes. The notes were issued to provide funds to purchase equipment and vehicles and renovation of various District facilities. The bonds pay interest on February 15 and August 15 of each year and are stated to mature in 2027. Bonds will be repaid from the ad valorem tax levied pursuant to the District's authority within limits prescribed by law.

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

**NOTES TO FINANCIAL STATEMENTS**

**30. SUBSEQUENT EVENTS (Continued)**

Combined Fee Revenue Bonds

On September 18, 2007 the District issued \$5,150,000 of Combined Fee Revenue Bonds. The bonds were issued to provide funds to purchase land, and to acquire, construct, enlarge, and equip District facilities. The bonds pay interest on May 1 and November 1 of each year and are stated to mature in 2031. Bonds will be repaid from the ad valorem tax levied pursuant to the District's authority within limits prescribed by law.

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.

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

ALAMO COMMUNITY COLLEGE DISTRICT  
 Schedule of Operating Revenues  
 For the Year Ended August 31, 2007  
 With Memorandum Totals for the Year Ended August 31, 2006

|  | Unrestricted         | Restricted           | Total<br>Educational<br>Activities | Auxiliary<br>Enterprises | FY07<br>Total         | FY06<br>Total         |
|--|----------------------|----------------------|------------------------------------|--------------------------|-----------------------|-----------------------|
| <b>OPERATING REVENUES:</b>                               |                      |                      |                                    |                          |                       |                       |
| <b>Tuition</b>   |                      |                      |                                    |                          |                       |                       |
| State Funded Courses                                     |                      |                      |                                    |                          |                       |                       |
| In District Resident Tuition                             | \$ 37,536,647        | \$ -                 | \$ 37,536,647                      | \$ -                     | \$ 37,536,647         | \$ 33,436,234         |
| Out of District Resident Tuition                         | 9,140,847            | -                    | 9,140,847                          | -                        | 9,140,847             | 8,057,361             |
| Non-Resident Tuition                                     | 3,218,565            | -                    | 3,218,565                          | -                        | 3,218,565             | 2,966,571             |
| TPEG - Credit Set Aside *                                | 2,626,734            | -                    | 2,626,734                          | -                        | 2,626,734             | 2,592,450             |
| State-Funded Continuing Education                        | 1,967,262            | -                    | 1,967,262                          | -                        | 1,967,262             | 2,048,266             |
| TPEG - Non-Credit Set Aside *                            | 551,434              | -                    | 551,434                            | -                        | 551,434               | 292,999               |
| Non-State Funded Continuing Education                    | 2,740,870            | -                    | 2,740,870                          | -                        | 2,740,870             | 4,193,924             |
| <b>Total Tuition</b>                                     | <b>57,782,359</b>    | <b>-</b>             | <b>57,782,359</b>                  | <b>-</b>                 | <b>57,782,359</b>     | <b>53,587,805</b>     |
| <b>Fees</b>  |                      |                      |                                    |                          |                       |                       |
| General Fee  | 14,038,112           | -                    | 14,038,112                         | -                        | 14,038,112            | 13,037,914            |
| Laboratory Fees  | 2,483,382            | -                    | 2,483,382                          | -                        | 2,483,382             | 2,218,959             |
| Registration Fee   | 1,347,181            | -                    | 1,347,181                          | -                        | 1,347,181             | 1,204,494             |
| Library Upgrade Fee                                      | 1,498,525            | -                    | 1,498,525                          | -                        | 1,498,525             | 1,330,828             |
| Other  | 4,067,325            | -                    | 4,067,325                          | -                        | 4,067,325             | 3,414,981             |
| <b>Total Fees</b>  | <b>23,434,525</b>    | <b>-</b>             | <b>23,434,525</b>                  | <b>-</b>                 | <b>23,434,525</b>     | <b>21,207,176</b>     |
| <b>Total Tuition and Fees</b>                            | <b>81,216,884</b>    | <b>-</b>             | <b>81,216,884</b>                  | <b>-</b>                 | <b>81,216,884</b>     | <b>74,794,981</b>     |
| <b>Scholarship Allowances and Discounts</b>              |                      |                      |                                    |                          |                       |                       |
| Institutional Scholarships                               | (1,056,273)          | -                    | (1,056,273)                        | -                        | (1,056,273)           | (660,683)             |
| Remissions and Exemptions - State                        | (1,227,661)          | -                    | (1,227,661)                        | -                        | (1,227,661)           | (1,171,378)           |
| Remissions and Exemptions - Local                        | (4,988,202)          | -                    | (4,988,202)                        | -                        | (4,988,202)           | (4,621,085)           |
| Federal Grants to Students                               | (22,589,254)         | -                    | (22,589,254)                       | -                        | (22,589,254)          | (21,233,326)          |
| TPEG Awards  | (1,210,678)          | -                    | (1,210,678)                        | -                        | (1,210,678)           | (1,125,386)           |
| State Grants to Students                                 | (946,358)            | -                    | (946,358)                          | -                        | (946,358)             | (639,162)             |
| Other Local Awards                                       | -                    | -                    | -                                  | -                        | -                     | -                     |
| <b>Total Sch Allowances and Discounts</b>                | <b>(32,018,426)</b>  | <b>-</b>             | <b>(32,018,426)</b>                | <b>-</b>                 | <b>(32,018,426)</b>   | <b>(29,451,020)</b>   |
| <b>Total Net Tuition and Fees</b>                        | <b>49,198,458</b>    | <b>-</b>             | <b>49,198,458</b>                  | <b>-</b>                 | <b>49,198,458</b>     | <b>45,343,961</b>     |
| <b>Other Operating Revenues</b>                          |                      |                      |                                    |                          |                       |                       |
| Federal Grants and Contracts                             | 573,952              | 70,160,899           | 70,734,851                         | -                        | 70,734,851            | 69,062,657            |
| State Grants and Contracts                               | -                    | 5,920,330            | 5,920,330                          | -                        | 5,920,330             | 6,375,374             |
| Local Grants and Contracts                               | 619,513              | 277,751              | 897,264                            | -                        | 897,264               | 662,762               |
| Non-Governmental Grants and Contracts                    | -                    | 787,202              | 787,202                            | -                        | 787,202               | 635,685               |
| Inv/Endow inc incl FMV chg (Prog Restricted)             | -                    | 184,120              | 184,120                            | -                        | 184,120               | 158,795               |
| Other Operating Revenues                                 | 2,138,513            | 28,377               | 2,166,890                          | -                        | 2,166,890             | 2,050,204             |
| <b>Total Other Operating Revenues</b>                    | <b>3,331,978</b>     | <b>77,358,679</b>    | <b>80,690,657</b>                  | <b>-</b>                 | <b>80,690,657</b>     | <b>78,945,477</b>     |
| <b>Sales and Services of Auxiliary Enterprises</b>       |                      |                      |                                    |                          |                       |                       |
| Bookstore Commission                                     | -                    | -                    | -                                  | 1,447,991                | 1,447,991             | 1,384,495             |
| Palo Alto College Natatorium                             | -                    | -                    | -                                  | 521,435                  | 521,435               | 489,598               |
| Day Care Centers   | -                    | -                    | -                                  | 508,423                  | 508,423               | 458,877               |
| Vending Machines/Copiers                                 | -                    | -                    | -                                  | 391,123                  | 391,123               | 375,214               |
| Parking Permits & Fines                                  | -                    | -                    | -                                  | 860,462                  | 860,462               | 886,919               |
| Other  | -                    | -                    | -                                  | 24,310                   | 24,310                | 27,003                |
| <b>Total Sales and Services of Auxiliary Enterprises</b> | <b>-</b>             | <b>-</b>             | <b>-</b>                           | <b>3,753,744</b>         | <b>3,753,744</b>      | <b>3,622,106</b>      |
| <b>Total Operating Revenues</b>                          | <b>\$ 52,530,436</b> | <b>\$ 77,358,679</b> | <b>\$ 129,889,115</b>              | <b>\$ 3,753,744</b>      | <b>\$ 133,642,859</b> | <b>\$ 127,911,544</b> |
|  |                      |                      |                                    |                          | (Exhibit 2)           | (Exhibit 2)           |

\* In accordance with Education Code 56.033, \$3,178,168 of tuition was set aside for the Texas Public Education Grant

**ALAMO COMMUNITY COLLEGE DISTRICT**  
**Schedule of Operating Expenses by Object**  
**For the Year Ended August 31, 2007**  
**With Memorandum Totals for the Year Ended August 31, 2006**

|  | Operating Expenses    |                      |                      |                      |                       | FY07<br>Total         | FY06<br>Total |
|--|-----------------------|----------------------|----------------------|----------------------|-----------------------|-----------------------|---------------|
|  | Salaries<br>and Wages | Benefits             |                      | Other<br>Expenses    |                       |                       |               |
|  |                       | State                | Local                |                      |                       |                       |               |
| <b>Unrestricted - Educational Activities</b>     |                       |                      |                      |                      |                       |                       |               |
| Instruction                                      | \$ 84,569,080         | \$ -                 | \$ 8,241,848         | \$ 5,499,586         | \$ 98,310,514         | \$ 96,648,471         |               |
| Public Service                                   | 242,166               | -                    | 28,409               | 238,696              | 509,271               | 635,416               |               |
| Academic Support                                 | 11,515,743            | -                    | 1,099,928            | 3,066,053            | 15,681,724            | 15,586,952            |               |
| Student Services                                 | 14,610,714            | -                    | 1,422,623            | 3,928,851            | 19,962,188            | 18,474,004            |               |
| Institutional Support                            | 19,973,084            | -                    | 4,300,950            | 13,596,816           | 37,870,850            | 35,772,201            |               |
| Operation and Maintenance of Plant               | 6,786,650             | -                    | 2,205,289            | 10,689,645           | 19,681,584            | 18,946,154            |               |
| Scholarships and Fellowships                     | -                     | -                    | -                    | (23,226,197)         | (23,226,197)          | (22,181,890)          |               |
| <b>Total Unrestricted Educational Activities</b> | <b>137,697,437</b>    | <b>-</b>             | <b>17,299,047</b>    | <b>13,793,450</b>    | <b>168,789,934</b>    | <b>163,881,308</b>    |               |
| <b>Restricted - Educational Activities</b>       |                       |                      |                      |                      |                       |                       |               |
| Instruction                                      | 1,576,751             | 11,190,855           | 274,829              | 5,235,495            | 18,277,930            | 16,932,612            |               |
| Public Service                                   | 118,045               | 46,948               | 31,908               | 184,591              | 381,492               | 493,523               |               |
| Academic Support                                 | 381,792               | 1,738,798            | 44,146               | 200,746              | 2,365,482             | 2,728,398             |               |
| Student Services                                 | 4,298,353             | 2,456,276            | 897,192              | 2,712,140            | 10,363,961            | 9,024,443             |               |
| Institutional Support                            | 670,203               | 2,657,795            | 25,837               | 502,251              | 3,856,086             | 3,261,831             |               |
| Operation and Maintenance of Plant               | -                     | -                    | -                    | -                    | -                     | 39,448                |               |
| Scholarships and Fellowships                     | -                     | -                    | -                    | 61,138,841           | 61,138,841            | 59,774,889            |               |
| <b>Total Restricted Educational Activities</b>   | <b>7,045,144</b>      | <b>18,090,672</b>    | <b>1,273,912</b>     | <b>69,974,064</b>    | <b>96,383,792</b>     | <b>92,255,144</b>     |               |
| <b>Total Educational Activities</b>              | <b>144,742,581</b>    | <b>18,090,672</b>    | <b>18,572,959</b>    | <b>83,767,514</b>    | <b>265,173,726</b>    | <b>256,136,452</b>    |               |
| Auxiliary Enterprises                            | 1,292,294             | -                    | 353,028              | 516,004              | 2,161,326             | 1,862,527             |               |
| Depreciation Expense - Buildings                 | -                     | -                    | -                    | 7,570,737            | 7,570,737             | 6,937,588             |               |
| Depreciation Expense - Equipment                 | -                     | -                    | -                    | 2,666,205            | 2,666,205             | 2,841,110             |               |
| <b>Total Operating Expenses</b>                  | <b>\$ 146,034,875</b> | <b>\$ 18,090,672</b> | <b>\$ 18,925,987</b> | <b>\$ 94,520,460</b> | <b>\$ 277,571,994</b> | <b>\$ 267,777,677</b> |               |
|  |                       |                      |                      |                      | (Exhibit 2)           | (Exhibit 2)           |               |

ALAMO COMMUNITY COLLEGE DISTRICT  
 Schedule of Non-Operating Revenues and Expenses  
 For the Year Ended August 31, 2007  
 With Memorandum Totals for the Year Ended August 31, 2006

|                                      | Unrestricted          | Restricted           | Total<br>Educational<br>Activities | Auxiliary<br>Enterprises | FY07<br>Total         | FY06<br>Total         |
|--------------------------------------|-----------------------|----------------------|------------------------------------|--------------------------|-----------------------|-----------------------|
| <b>NON-OPERATING REVENUES:</b>       |                       |                      |                                    |                          |                       |                       |
| State Appropriations                 |                       |                      |                                    |                          |                       |                       |
| Education and General State Support  | \$ 65,409,379         | \$ -                 | \$ 65,409,379                      | \$ -                     | \$ 65,409,379         | \$ 65,746,811         |
| State Group Insurance                |                       | 11,483,859           | 11,483,859                         |                          | 11,483,859            | 10,399,484            |
| State Retirement Match               |                       | 6,606,812            | 6,606,812                          |                          | 6,606,812             | 6,099,024             |
| Add Valorem Taxes                    |                       |                      |                                    |                          |                       |                       |
| Taxes for Maintenance and Operations | 70,079,189            |                      | 70,079,189                         |                          | 70,079,189            | 62,843,083            |
| Taxes for Debt Service               |                       | 33,700,242           | 33,700,242                         |                          | 33,700,242            | 10,042,476            |
| Gifts                                | 19,416                | 561,420              | 580,836                            |                          | 580,836               | 548,920               |
| Investment Income                    | 6,907,404             | 12,705,219           | 19,612,623                         |                          | 19,612,623            | 6,519,961             |
| Other Non-Operating Revenue          | 48,028                | -                    | 48,028                             |                          | 48,028                | 3,904                 |
| <b>Total Non-Operating Revenues</b>  | <b>142,463,416</b>    | <b>65,057,552</b>    | <b>207,520,968</b>                 |                          | <b>207,520,968</b>    | <b>162,203,663</b>    |
| <b>NON-OPERATING EXPENSES:</b>       |                       |                      |                                    |                          |                       |                       |
| Interest on Capital Related Debt     |                       | (15,108,935)         | (15,108,935)                       |                          | (15,108,935)          | (6,656,186)           |
| Loss on Disposal of Capital Assets   | (499,044)             |                      | (499,044)                          |                          | (499,044)             | (66,382)              |
| Arbitrage Rebate Expense             |                       | (1,672,973)          | (1,672,973)                        |                          | (1,672,973)           |                       |
| Other Non-Operating Expenses         |                       | (110,345)            | (110,345)                          |                          | (110,345)             |                       |
| <b>Total Non-Operating Expenses</b>  | <b>(499,044)</b>      | <b>(16,892,253)</b>  | <b>(17,391,297)</b>                |                          | <b>(17,391,297)</b>   | <b>(6,722,568)</b>    |
| <b>Net Non-Operating Revenues</b>    | <b>\$ 141,964,372</b> | <b>\$ 48,165,299</b> | <b>\$ 190,129,671</b>              | <b>\$ -</b>              | <b>\$ 190,129,671</b> | <b>\$ 155,481,095</b> |
|                                      |                       |                      |                                    |                          | (Exhibit 2)           | (Exhibit 2)           |

ALAMO COMMUNITY COLLEGE DISTRICT  
 Schedule of Net Assets by Source and Availability  
 Year Ended August 31, 2007 (with Memorandum Totals for the Year Ended August 31, 2006)

|  | Detail by Source     |                       |                     |   |                                      | Available for Current Operations |                       |
|--|----------------------|-----------------------|---------------------|---|--------------------------------------|----------------------------------|-----------------------|
|  | Unrestricted         | Restricted            |                     | Capital Assets<br>Net of Depreciation<br>& Related Debt | Total                                | Yes                              | No                    |
|  |                      | Expendable            | Non-Expendable      |   |                                      |                                  |                       |
| Current:                                     |                      |                       |                     |   |                                      |                                  |                       |
| Unrestricted                                 | \$ 57,631,267        | \$ -                  | \$ -                | \$ -  | \$ 57,631,267                        | \$ 16,820,315                    | \$ 40,810,952         |
| Board Designated                             | 6,059,729            | -                     | -                   | -   | 6,059,729                            | -                                | 6,059,729             |
| Restricted                                   | -                    | 3,118,848             | -                   | -   | 3,118,848                            | -                                | 3,118,848             |
| Auxiliary Enterprises                        | 2,837,475            | -                     | -                   | -   | 2,837,475                            | 2,837,475                        | -                     |
| Loan   | 212,267              | 79,525                | -                   | -   | 291,792                              | -                                | 291,792               |
| Endowment:                                   |                      |                       |                     |   |                                      |                                  |                       |
| Quasi  | 13,145,826           | -                     | -                   | -   | 13,145,826                           | -                                | 13,145,826            |
| True   | -                    | 296,703               | 1,298,474           | -   | 1,595,177                            | -                                | 1,595,177             |
| Term   | -                    | -                     | -                   | -   | -                                    | -                                | -                     |
| Plant:                                       |                      |                       |                     |   |                                      |                                  |                       |
| Unexpended                                   | 2,249,420            | 689,585               | -                   | -   | 2,939,005                            | -                                | 2,939,005             |
| Renewals                                     | -                    | 817,340               | -                   | -   | 817,340                              | -                                | 817,340               |
| Debt Service                                 | -                    | 1,296,069             | -                   | -   | 1,296,069                            | -                                | 1,296,069             |
| Investment in Plant                          | -                    | -                     | -                   | 158,409,922   | 158,409,922                          | -                                | 158,409,922           |
| <b>Total Net Assets, August 31, 2007</b>     | <b>\$ 82,135,984</b> | <b>\$ 6,298,070</b>   | <b>\$ 1,298,474</b> | <b>\$ 158,409,922</b>                                   | <b>\$ 248,142,450</b><br>(Exhibit 1) | <b>\$ 19,657,790</b>             | <b>\$ 228,484,660</b> |
| <b>Total Net Assets, August 31, 2006</b>     | <b>66,114,492</b>    | <b>7,829,399</b>      | <b>1,298,387</b>    | <b>126,341,350</b>                                      | <b>201,583,628</b><br>(Exhibit 1)    | <b>7,071,278</b>                 | <b>194,512,350</b>    |
| <b>Net Increase (Decrease) in Net Assets</b> | <b>\$ 16,021,492</b> | <b>\$ (1,531,329)</b> | <b>\$ 87</b>        | <b>\$ 32,068,572</b>                                    | <b>\$ 46,558,822</b><br>(Exhibit 2)  | <b>\$ 12,586,512</b>             | <b>\$ 33,972,310</b>  |



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**Supplementary Information**

ALAMO COMMUNITY COLLEGE DISTRICT  
Schedule of Operating Revenues by Location  
For the Year Ended August 31, 2007

|  | DIST SVCS    | SAC           | SPC           | PAC           | NVC           | NLC          | TOTAL          |
|--|--------------|---------------|---------------|---------------|---------------|--------------|----------------|
| <b>Tuition</b>                               |              |               |               |               |               |              |                |
| State Funded Courses                         |              |               |               |               |               |              |                |
| In District Resident Tuition                 | \$ -         | \$ 15,353,226 | \$ 7,606,028  | \$ 6,799,819  | \$ 5,982,019  | \$ 1,795,555 | \$ 37,536,647  |
| Out of District Resident Tuition             |              | 3,538,763     | 1,216,902     | 2,547,423     | 1,473,668     | 364,091      | 9,140,847      |
| Non-Resident Tuition                         |              | 2,068,052     | 568,255       | 113,676       | 278,255       | 190,327      | 3,218,565      |
| TPEG - Credit Set Aside                      |              | 1,204,777     | 455,965       | 454,782       | 511,210       |              | 2,626,734      |
| State-Funded Continuing Education            |              | 1,283,304     | 82,311        | 251,714       | 349,933       |              | 1,967,262      |
| TPEG - Non-Credit Set Aside                  |              | 146,360       | 60,903        | 76,873        | 267,298       |              | 551,434        |
| Non-State Funded Continuing Education        | 221,703      | 169,527       | 2,083,054     | 241,556       | 25,030        |              | 2,740,870      |
| Total Tuition                                | 221,703      | 23,764,009    | 12,073,418    | 10,485,843    | 8,887,413     | 2,349,973    | 57,782,359     |
| <b>Fees</b>                                  |              |               |               |               |               |              |                |
| General Fee                                  |              | 5,825,505     | 2,647,908     | 2,185,837     | 2,767,994     | 610,868      | 14,038,112     |
| Laboratory Fees                              |              | 1,184,348     | 510,119       | 386,609       | 317,080       | 85,226       | 2,483,382      |
| Registration Fee                             |              | 557,644       | 255,891       | 213,221       | 265,354       | 55,071       | 1,347,181      |
| Library Upgrade Fee                          |              | 620,889       | 283,580       | 233,624       | 295,195       | 65,237       | 1,498,525      |
| Other  | 36,440       | 1,878,562     | 643,160       | 678,554       | 764,365       | 66,244       | 4,067,325      |
| Total Fees                                   | 36,440       | 10,066,948    | 4,340,658     | 3,697,845     | 4,409,988     | 882,646      | 23,434,525     |
| Total Tuition and Fees                       | 258,143      | 33,830,957    | 16,414,076    | 14,183,688    | 13,297,401    | 3,232,619    | 81,216,884     |
| <b>Scholarship Allowances and Discounts</b>  |              |               |               |               |               |              |                |
| Institutional Scholarships                   |              | (586,533)     | (249,609)     | (101,622)     | (118,509)     |              | (1,056,273)    |
| Remissions and Exemptions - State            |              | (570,752)     | (230,048)     | (262,157)     | (164,704)     |              | (1,227,661)    |
| Remissions and Exemptions - Local            |              | (1,633,536)   | (855,658)     | (1,226,467)   | (1,272,541)   |              | (4,988,202)    |
| Federal Grants to Students                   |              | (9,327,152)   | (5,820,400)   | (4,518,358)   | (2,923,344)   |              | (22,589,254)   |
| TPEG Awards                                  |              | (614,897)     | (192,195)     | (155,729)     | (247,857)     |              | (1,210,678)    |
| State Grants to Students                     |              | (469,240)     | (156,633)     | (142,991)     | (177,494)     |              | (946,358)      |
| Total Sch Allowances and Discounts           | -            | (13,202,110)  | (7,504,543)   | (6,407,324)   | (4,904,449)   |              | (32,018,426)   |
| Total Net Tuition and Fees                   | 258,143      | 20,628,847    | 8,909,533     | 7,776,364     | 8,392,952     | 3,232,619    | 49,198,458     |
| <b>Other Operating Revenues</b>              |              |               |               |               |               |              |                |
| Federal Grants and Contracts                 | 4,380,413    | 24,718,044    | 20,514,889    | 12,954,777    | 8,166,728     |              | 70,734,851     |
| State Grants and Contracts                   | 3,057,090    | 1,548,858     | 256,229       | 499,169       | 558,984       |              | 5,920,330      |
| Local Grants and Contracts                   | 544,380      | 252,510       | -             | -             | 100,374       |              | 897,264        |
| Non-Governmental Grants and Contracts        | 222,031      | 282,775       | 131,901       | 110,672       | 39,823        |              | 787,202        |
| Inv/Endow inc incl FMV Chg (Prog Restricted) | 6,408        | 91,409        | 39,989        | 34,152        | 12,162        |              | 184,120        |
| Other Operating Revenues                     | 851,418      | 536,639       | 217,072       | 503,540       | 50,525        | 7,696        | 2,166,890      |
| Total Other Operating Revenues               | 9,061,740    | 27,430,235    | 21,160,080    | 14,102,310    | 8,928,596     | 7,696        | 80,690,657     |
| <b>Auxiliary Enterprises</b>                 |              |               |               |               |               |              |                |
| Bookstore Commission                         |              | 513,312       | 346,792       | 308,301       | 279,586       |              | 1,447,991      |
| Palo Alto College Natatorium                 |              |               |               | 521,435       |               |              | 521,435        |
| Day Care Centers                             |              | 327,997       | 41,005        | 139,421       |               |              | 508,423        |
| Vending Machines/Copiers                     | 6,146        | 143,466       | 104,256       | 63,209        | 62,737        | 11,309       | 391,123        |
| Parking Permits & Fines                      | 4,059        | 364,053       | 151,779       | 120,774       | 176,894       | 42,903       | 860,462        |
| Other  | -            | 19,554        | 4,756         |               |               |              | 24,310         |
| Total Auxiliary Sales and Services           | 10,205       | 1,368,382     | 648,588       | 1,153,140     | 519,217       | 54,212       | 3,753,744      |
| Total Operating Revenues                     | \$ 9,330,088 | \$ 49,427,464 | \$ 30,718,201 | \$ 23,031,814 | \$ 17,840,765 | \$ 3,294,527 | \$ 133,642,859 |

**ALAMO COMMUNITY COLLEGE DISTRICT**  
**Schedule of Operating Expenses by Location**  
**For the Year Ended August 31, 2007**

|                                    | DISTRICT<br>SERVICES | SAC                  | SPC                  | PAC                  | NVC                  | NLC                 | TOTAL                 |
|------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|---------------------|-----------------------|
| Educational Activities             |                      |                      |                      |                      |                      |                     |                       |
| Instruction                        | \$ 4,437,239         | \$ 49,651,673        | \$ 26,788,087        | \$ 17,629,388        | \$ 16,078,480        | \$ 2,003,577        | \$ 116,588,444        |
| Public Service                     | 95,203               | 516,444              | 137,302              | 137,694              | 1,568                | 2,552               | 890,763               |
| Academic Support                   | 152,856              | 6,513,120            | 4,378,935            | 2,651,340            | 2,654,946            | 1,696,009           | 18,047,206            |
| Student Services                   | 3,479,964            | 9,482,840            | 8,530,968            | 4,957,635            | 3,357,868            | 516,874             | 30,326,149            |
| Institutional Support              | 24,756,993           | 4,806,339            | 2,930,898            | 2,263,567            | 5,178,259            | 1,790,880           | 41,726,936            |
| Operation and Maintenance of Plant | 3,321,293            | 5,582,828            | 4,757,564            | 3,264,502            | 2,062,728            | 692,669             | 19,681,584            |
| Scholarships and Fellowships       | 3,053,536            | 14,576,389           | 8,567,018            | 6,670,844            | 5,044,236            | 621                 | 37,912,644            |
| Total Educational Activities       | <u>39,297,084</u>    | <u>91,129,633</u>    | <u>56,090,772</u>    | <u>37,574,970</u>    | <u>34,378,085</u>    | <u>6,703,182</u>    | <u>265,173,726</u>    |
| Auxiliary Enterprises              | 4,125                | 668,670              | 195,816              | 1,291,096            | 1,619                | -                   | 2,161,326             |
| Depreciation Expense - Building    | 7,570,737            | -                    | -                    | -                    | -                    | -                   | 7,570,737             |
| Depreciation Expense - Equipment   | 2,666,205            | -                    | -                    | -                    | -                    | -                   | 2,666,205             |
| Total Operating Expense            | <u>\$ 49,538,151</u> | <u>\$ 91,798,303</u> | <u>\$ 56,286,588</u> | <u>\$ 38,866,066</u> | <u>\$ 34,379,704</u> | <u>\$ 6,703,182</u> | <u>\$ 277,571,994</u> |

**Alamo Community College District  
Schedule of Capital Assets by Asset Type  
For the Year Ended August 31, 2007**

|   | Balance<br>September 1, 2006 | Additions            | Deletions           | Balance<br>August 31, 2007 |
|---|------------------------------|----------------------|---------------------|----------------------------|
| <i>Land:</i>                                |                              |                      |                     |                            |
| District Offices                            | \$ 541,087                   | \$ 42,500            | \$ -                | \$ 583,587                 |
| San Antonio College                         | 11,257,286                   | 4,379,192            | -                   | 15,636,478                 |
| St. Philip's College                        | 7,719,106                    | 154,662              | -                   | 7,873,768                  |
| Palo Alto College                           | 3,252,419                    | 69,814               | -                   | 3,322,233                  |
| Northwest Vista College                     | 1,718,832                    | -                    | -                   | 1,718,832                  |
| Northeast Lakeview College                  | 5,225,912                    | 320,419              | -                   | 5,546,331                  |
| North Central Campus                        | 6,330,524                    | 6,331,324            | -                   | 12,661,848                 |
| Southwest Campus                            | 37,797                       | 344,930              | -                   | 382,727                    |
| <b>Total Grounds</b>                        | <b>36,082,963</b>            | <b>11,642,841</b>    | <b>-</b>            | <b>47,725,804</b>          |
| <i>Buildings:</i>                           |                              |                      |                     |                            |
| District Offices                            | 5,094,903                    | 12,494               | -                   | 5,107,397                  |
| San Antonio College                         | 66,603,199                   | 363,812              | -                   | 66,967,011                 |
| St. Philip's College                        | 43,445,491                   | 79,699               | -                   | 43,525,190                 |
| Palo Alto College                           | 42,752,118                   | 1,912,164            | 183,844             | 44,480,438                 |
| Northwest Vista College                     | 24,073,726                   | 76,392               | 21,025              | 24,129,093                 |
| Northeast Lakeview College                  | 13,864,575                   | 836,840              | -                   | 14,701,415                 |
| Southwest Campus                            | 15,015,375                   | -                    | 131,423             | 14,883,952                 |
| <b>Total Buildings</b>                      | <b>210,849,387</b>           | <b>3,281,401</b>     | <b>336,292</b>      | <b>213,794,496</b>         |
| <i>Facility and Land Improvements:</i>      |                              |                      |                     |                            |
| District Offices                            | 30,922                       | 1,268,227            | -                   | 1,299,149                  |
| San Antonio College                         | 12,464,572                   | 656,797              | -                   | 13,121,369                 |
| St. Philip's College                        | 9,009,291                    | 502,392              | -                   | 9,511,683                  |
| Palo Alto College                           | 6,171,956                    | 64,977               | -                   | 6,236,933                  |
| Northwest Vista College                     | 6,606,801                    | 200                  | -                   | 6,607,001                  |
| Northeast Lakeview College                  | 515,553                      | 11,755               | -                   | 527,308                    |
| Southwest Campus                            | 2,432,304                    | -                    | -                   | 2,432,304                  |
| <b>Total Facility and Land Improvements</b> | <b>37,231,399</b>            | <b>2,504,348</b>     | <b>-</b>            | <b>39,735,747</b>          |
| <i>Equipment:</i>                           |                              |                      |                     |                            |
| District Offices                            | 7,884,976                    | 3,829,767            | 597,887             | 11,116,856                 |
| San Antonio College                         | 4,030,603                    | 319,238              | 701,484             | 3,648,357                  |
| St. Philip's College                        | 3,245,736                    | 561,883              | 950,082             | 2,857,537                  |
| Palo Alto College                           | 1,171,156                    | 103,612              | 105,330             | 1,169,438                  |
| Northwest Vista College                     | 1,455,336                    | 435,435              | 595,645             | 1,295,126                  |
| Northeast Lakeview College                  | 190,219                      | 12,582               | 123,983             | 78,818                     |
| Southwest Campus                            | 3,517,264                    | 228,834              | 421,568             | 3,324,530                  |
| <b>Total Equipment</b>                      | <b>21,495,290</b>            | <b>5,491,351</b>     | <b>3,495,979</b>    | <b>23,490,662</b>          |
| <i>Software:</i>                            |                              |                      |                     |                            |
| District Wide                               | 1,600,383                    | 1,207,451            | -                   | 2,807,834                  |
| <b>Total Software</b>                       | <b>1,600,383</b>             | <b>1,207,451</b>     | <b>-</b>            | <b>2,807,834</b>           |
| <i>Library Books:</i>                       |                              |                      |                     |                            |
| San Antonio College                         | 5,951,247                    | 170,074              | 88,355              | 6,032,966                  |
| St. Philip's College                        | 4,753,455                    | 139,160              | 15,280              | 4,877,335                  |
| Palo Alto College                           | 3,614,560                    | 81,211               | 7,420               | 3,688,351                  |
| Northwest Vista College                     | 536,303                      | 71,610               | 11,075              | 596,838                    |
| Southwest Campus                            | 582,091                      | 7,101                | 6,281               | 582,911                    |
| <b>Total Library Books</b>                  | <b>15,437,656</b>            | <b>469,156</b>       | <b>128,411</b>      | <b>15,778,401</b>          |
| <b>Grand Total</b>                          | <b>\$ 322,697,078</b>        | <b>\$ 24,596,548</b> | <b>\$ 3,960,682</b> | <b>\$ 343,332,944</b>      |

**Alamo Community College District  
Schedule of Capital Assets by Location  
For the Year Ended August 31, 2007**

|                                      | Balance<br>September 1, 2006 | Additions            | Deletions           | Balance<br>August 31, 2007 |
|--------------------------------------|------------------------------|----------------------|---------------------|----------------------------|
| <i>District Offices:</i>             |                              |                      |                     |                            |
| Land                                 | \$ 541,087                   | \$ 42,500            | \$ -                | \$ 583,587                 |
| Buildings                            | 5,094,903                    | 12,494               | -                   | 5,107,397                  |
| Facility and Land Improvements       | 30,922                       | 1,268,227            | -                   | 1,299,149                  |
| Equipment                            | 7,884,976                    | 3,829,767            | 597,887             | 11,116,856                 |
| Software                             | 1,600,383                    | 1,207,451            | -                   | 2,807,834                  |
| <b>Total District Offices</b>        | <b>15,152,271</b>            | <b>6,360,439</b>     | <b>597,887</b>      | <b>20,914,823</b>          |
| <i>San Antonio College:</i>          |                              |                      |                     |                            |
| Land                                 | 11,257,286                   | 4,379,192            | -                   | 15,636,478                 |
| Buildings                            | 66,603,199                   | 363,812              | -                   | 66,967,011                 |
| Facility and Land Improvements       | 12,464,572                   | 656,797              | -                   | 13,121,369                 |
| Equipment                            | 4,030,603                    | 319,238              | 701,484             | 3,648,357                  |
| Library Books                        | 5,951,247                    | 170,074              | 88,355              | 6,032,966                  |
| <b>Total San Antonio College</b>     | <b>100,306,907</b>           | <b>5,889,113</b>     | <b>789,839</b>      | <b>105,406,181</b>         |
| <i>St. Philip's College:</i>         |                              |                      |                     |                            |
| Land                                 | 7,719,106                    | 154,662              | -                   | 7,873,768                  |
| Buildings                            | 43,445,491                   | 79,699               | -                   | 43,525,190                 |
| Facility and Land Improvements       | 9,009,291                    | 502,392              | -                   | 9,511,683                  |
| Equipment                            | 3,245,736                    | 561,883              | 950,082             | 2,857,537                  |
| Library Books                        | 4,753,455                    | 139,160              | 15,280              | 4,877,335                  |
| <b>Total St. Philip's College</b>    | <b>68,173,079</b>            | <b>1,437,796</b>     | <b>965,362</b>      | <b>68,645,513</b>          |
| <i>Palo Alto College:</i>            |                              |                      |                     |                            |
| Land                                 | 3,252,419                    | 69,814               | -                   | 3,322,233                  |
| Buildings                            | 42,752,118                   | 1,912,164            | 183,844             | 44,480,438                 |
| Facility and Land Improvements       | 6,171,956                    | 64,977               | -                   | 6,236,933                  |
| Equipment                            | 1,171,156                    | 103,612              | 105,330             | 1,169,438                  |
| Library Books                        | 3,614,560                    | 81,211               | 7,420               | 3,688,351                  |
| <b>Total Palo Alto College</b>       | <b>56,962,209</b>            | <b>2,231,778</b>     | <b>296,594</b>      | <b>58,897,393</b>          |
| <i>Northwest Vista College:</i>      |                              |                      |                     |                            |
| Land                                 | 1,718,832                    | -                    | -                   | 1,718,832                  |
| Buildings                            | 24,073,726                   | 76,392               | 21,025              | 24,129,093                 |
| Facility and Land Improvements       | 6,606,801                    | 200                  | -                   | 6,607,001                  |
| Equipment                            | 1,455,336                    | 435,435              | 595,645             | 1,295,126                  |
| Library Books                        | 536,303                      | 71,610               | 11,075              | 596,838                    |
| <b>Total Northwest Vista College</b> | <b>34,390,998</b>            | <b>583,637</b>       | <b>627,745</b>      | <b>34,346,890</b>          |
| <i>Northeast Lakeview College:</i>   |                              |                      |                     |                            |
| Land                                 | 5,225,912                    | 320,419              | -                   | 5,546,331                  |
| Buildings                            | 13,864,575                   | 836,840              | -                   | 14,701,415                 |
| Facility and Land Improvements       | 515,553                      | 11,755               | -                   | 527,308                    |
| Equipment                            | 190,219                      | 12,582               | 123,983             | 78,818                     |
| <b>Total Northeast Campus</b>        | <b>19,796,259</b>            | <b>1,181,596</b>     | <b>123,983</b>      | <b>20,853,872</b>          |
| <i>North Central Campus:</i>         |                              |                      |                     |                            |
| Land                                 | 6,330,524                    | 6,331,324            | -                   | 12,661,848                 |
| <b>Total North Central Campus</b>    | <b>6,330,524</b>             | <b>6,331,324</b>     | <b>-</b>            | <b>12,661,848</b>          |
| <i>Southwest Campus:</i>             |                              |                      |                     |                            |
| Land                                 | 37,797                       | 344,930              | -                   | 382,727                    |
| Buildings                            | 15,015,375                   | -                    | 131,423             | 14,883,952                 |
| Facility and Land Improvements       | 2,432,304                    | -                    | -                   | 2,432,304                  |
| Equipment                            | 3,517,264                    | 228,834              | 421,568             | 3,324,530                  |
| Library Books                        | 582,091                      | 7,101                | 6,281               | 582,911                    |
| <b>Total Southwest Campus</b>        | <b>21,584,831</b>            | <b>580,865</b>       | <b>559,272</b>      | <b>21,606,424</b>          |
| <b>Grand Total</b>                   | <b>\$ 322,697,078</b>        | <b>\$ 24,596,548</b> | <b>\$ 3,960,682</b> | <b>\$ 343,332,944</b>      |

**ALAMO COMMUNITY COLLEGE DISTRICT**  
**Schedule of Palo Alto College Natatorium**  
**Revenues, Expenditures and Contributions**  
**For the Year Ended August 31, 2007**

REVENUES

|  |          |           |
|--|----------|-----------|
| Ticket Sales   |          | \$ 18,377 |
| Special Programs   |          | 207,238   |
| Natatorium Concessions   | \$ 5,538 |           |
| Less: 8% Administrative Cost on Concessions                          | (443)    |           |
|  |          | 5,095     |
| Gross Revenues   |          | 230,710   |
| Less: Special Program Revenue Remitted to<br>Sponsoring Organization |          | (24,438)  |

TOTAL REVENUES

\$ 206,272

EXPENDITURES

|  |            |  |
|--|------------|--|
| Professional Salaries                            | \$ 258,283 |  |
| Classified Salaries                              | 176,517    |  |
| Part-Time Staff                                  | 2,864      |  |
| Professional Agency Contracts                    | -          |  |
| Special Pay                                      | -          |  |
| Travel   | 4,304      |  |
| General Expenses                                 | 60,655     |  |
| Equipment  | -          |  |
| Facilities Services (Building Maint. & Supplies) | -          |  |
| Non-Capitalized Equipment                        | -          |  |
| Fringe Benefits                                  | 116,484    |  |
| Utilities  | 122,574    |  |
| Total Expenditures                               | 741,681    |  |
| Plus: 8% ADMINISTRATIVE COST                     | 59,334     |  |

TOTAL EXPENDITURES

\$ 801,015

CONTRIBUTIONS

|                                  |  |            |
|----------------------------------|--|------------|
| Alamo Community College District |  | \$ 303,319 |
| City of San Antonio              |  | 291,424    |

TOTAL CONTRIBUTIONS

\$ 594,743

**FEDERAL AWARDS SECTION**



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**PADGETT, STRATEMANN & CO., L.L.P.**

Certified Public Accountants and 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, 2007, 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 6, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

***Internal Control Over Financial Reporting***

In planning and performing our audit, we considered the 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 District'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 deficiency described in the accompanying schedule of findings and questioned costs to be a significant deficiency in internal control over financial reporting. These significant deficiencies are described as items 07-01, 07-02 and 07-03.

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 07-01 and 07-02 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 6, 2007.

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.

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

Certified Public Accountants  
December 6, 2007



**PADGETT, STRATEMANN & CO., L.L.P.**

Certified Public Accountants and 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, 2007. 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 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.

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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, 2007. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and that are described in the accompanying federal schedule of findings and questioned costs as items 07-04 and 07-05.

### *Internal Control Over Compliance*

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

Certified Public Accountants  
December 6, 2007

**Schedule of Expenditures of Federal Awards**

**ALAMO COMMUNITY COLLEGE DISTRICT**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended August 31, 2007**

| Federal Grantor/Pass Through Grantor/<br>Program Title            | Federal<br>CFDA<br>Number | Pass-Through<br>Grantor's<br>Number | Expenditures<br>and<br>Pass Through<br>Disbursements |
|---|---------------------------|-------------------------------------|--|
| U.S. Department of Education                                      |                           |                                     |  |
| Direct Programs:  |                           |                                     |  |
| Federal Supplemental Educational Opportunity Grants               | 84.007                    |                                     | \$ 1,954,766   |
| Undergraduate International Studies and Foreign Language Programs | 84.016                    |                                     | 20,912   |
| Higher Education_Institutional Aid                                | 84.031                    |                                     | 6,205,342  |
| Federal Work-Study Program  | 84.033                    |                                     | 1,417,457  |
| TRIO_Student Support Services                                     | 84.042                    |                                     | 659,482  |
| TRIO_Upward Bound   | 84.047                    |                                     | 260,734  |
| Federal Pell Grant Program  | 84.063                    |                                     | 52,367,962   |
| Minority Science and Engineering Improvement                      | 84.120A                   |                                     | 106,964  |
| Migrant Education_High School Equivalency Program                 | 84.141A                   |                                     | 86,128   |
| Child Care Access Means Parents in School                         | 84.335A                   |                                     | 356,226  |
| Academic Competitiveness Grants                                   | 84.375                    |                                     | 767,600  |
| Pass-Through From:  |                           |                                     |  |
| San Antonio Independent School District                           |                           |                                     |  |
| Adult Education_State Grant Program                               | 84.002                    | REQ#225651                          | 3,519  |
| University of Texas at San Antonio                                |                           |                                     |  |
| Higher Education_Institutional Aid                                | 84.031S                   | SAC-01 & 02                         | 237,048  |
| University of Incarnate Word                                      |                           |                                     |  |
| Higher Education_Institutional Aid                                | 84.031S                   | P0315040049                         | 424,514  |
| North Harris Montgomery Community College District                |                           |                                     |  |
| Vocational Education_Basic Grants to States                       | 84.048                    | 71502                               | 13,599   |
| Texas Higher Education Coordinating Board                         |                           |                                     |  |
| Vocational Education_Basic Grants to States                       | 84.048                    | 61005                               | 214  |
| Vocational Education_Basic Grants to States                       | 84.048                    | 64201                               | 2,806,432  |
| Leveraging Educational Assistance Partnership                     | 84.069A                   |                                     | 72,610   |
| Special Leveraging Educational Assistance Partnership             | 84.069B                   |                                     | 122,647  |
| American Council on Education                                     |                           |                                     |  |
| Fund for Improvement of Postsecondary Education                   | 84.116                    | P116B040503-05                      | 13,957   |
| Tech-Prep Education   | 84.243                    | 71701                               | 645,130  |
| Total U.S. Department of Education                                |                           |                                     | <u>\$ 68,543,243</u>                                 |
| U.S. Department of Agriculture                                    |                           |                                     |  |
| Direct Programs:  |                           |                                     |  |
| Hispanic Serving Institutions Education Grants                    | 10.223                    |                                     | \$ 80,259  |
| Pass-Through From:  |                           |                                     |  |
| Texas Department of Health and Human Services                     |                           |                                     |  |
| Child and Adult Care Food Program                                 | 10.558                    | TX 015-0053                         | 29,165   |
| Total U.S. Department of Agriculture                              |                           |                                     | <u>\$ 109,424</u>                                    |

ALAMO COMMUNITY COLLEGE DISTRICT  
 Schedule of Expenditures of Federal Awards  
 For the Year Ended August 31, 2007

| Federal Grantor/Pass Through Grantor/<br>Program Title   | Federal<br>CFDA<br>Number | Pass-Through<br>Grantor's<br>Number | Expenditures<br>and<br>Pass Through<br>Disbursements |
|--|---------------------------|-------------------------------------|--|
| U.S. Department of Commerce<br>Investments for Public Works and Economic Development Facilities                                    | 11.300                    |                                     | \$ 355,138   |
| U.S. Department of Defense<br>Pass-Through From:<br>University of Texas San Antonio<br>Air Force Defense Research Sciences Program | 12.800                    | CIAS ITSA 01                        | \$ 7,899   |
| U.S. Department of Housing and Urban Development<br>Direct Programs:<br>Hispanic-Serving Institutions Assisting Communities        | 14.514                    |                                     | \$ 56,535  |
| Pass-Through From:<br>City of San Antonio<br>Community Development Block Grants/Entitlement Grants                                 | 14.218                    | 28-030002                           | 2,636  |
| Total U.S. Department of Housing and Urban Development   |                           |                                     | \$ 59,171  |
| U.S. Department of Labor<br>WIA Pilots, Demonstrations, and Research Projects  | 17.261                    |                                     | \$ 471,610   |
| Department of State<br>Pass-Through From:<br>Georgetown University<br>Exchange_English Language Fellow Program                     | 19.421                    | ACCD-RX 250-874-06-A                | \$ 17,591  |
| General Services Administration<br>Donation of Federal Surplus Personal Property   | 39.003                    |                                     | \$ 5,676   |
| National Endowment for the Arts<br>Promotion of the Arts_Grants to Organizations and Individuals                                   | 45.024                    |                                     | \$ 7,115   |
| National Science Foundation<br>Direct Programs:<br>Education and Human Resources   | 47.076                    |                                     | \$ 172,447   |
| Pass-Through From:<br>University of Texas at El Paso<br>Education and Human Resources  | 47.076                    | 01/02/158-15                        | 8,640  |
| Total National Science Foundation  |                           |                                     | \$ 181,087   |



ALAMO COMMUNITY COLLEGE DISTRICT  
 Schedule of Expenditures of Federal Awards  
 For the Year Ended August 31, 2007

| Federal Grantor/Pass Through Grantor/<br>Program Title                      | Federal<br>CFDA<br>Number | Pass-Through<br>Grantor's<br>Number | Expenditures<br>and<br>Pass Through<br>Disbursements |
|---|---------------------------|-------------------------------------|--|
| U.S. Department of Health & Human Services                                  |                           |                                     |  |
| Direct Programs:  |                           |                                     |  |
| Nursing Workforce Diversity   | 93.178                    |                                     | \$ 174,184   |
| Temporary Assistance for Needy Families                                     | 93.558                    |                                     | 158,987  |
| Head Start  | 93.600                    |                                     | 152,347  |
| Scholarships for Health Professions Students from Disadvantaged Backgrounds | 93.925                    |                                     | 15,833   |
| Pass-Through From:  |                           |                                     |  |
| Center for Health Training  |                           |                                     |  |
| HIV Prevention Programs for Women   | 93.015                    | HPPWHO60012-01-00                   | 16,049   |
| University of Texas at Austin   |                           |                                     |  |
| Consolidated Knowledge Development and Application (KD&A) Program           | 93.230                    | UTA03-100                           | 11,936   |
| Total U.S. Department of Health & Human Services                            |                           |                                     | <u>\$ 529,336</u>                                    |
| Corporation for National and Community Service                              |                           |                                     |  |
| Learn and Serve America_Higher Education                                    | 94.005                    |                                     | <u>\$ 57,044</u>                                     |
| Agency of International Development   |                           |                                     |  |
| Pass-Through From:  |                           |                                     |  |
| Association Liaison Office  |                           |                                     |  |
| USAID Foreign Assistance for Programs Overseas                              | 98.001                    | HNE-A-0097-00059-00                 | \$ 126,429   |
| Pass-Through From:  |                           |                                     |  |
| Georgetown University   |                           |                                     |  |
| USAID Foreign Assistance for Programs Overseas                              | 98.001                    | ACCD-RS-2050-852-05C1               | 78,695   |
| USAID Foreign Assistance for Programs Overseas                              | 98.001                    | ACCD-RX2050-852-07B-6               | 185,393  |
| Total Agency of International Development                                   |                           |                                     | <u>\$ 390,517</u>                                    |
| TOTAL EXPENDITURES OF FEDERAL AWARDS  |                           |                                     | <u>\$ 70,734,851</u>                                 |

Notes to Schedule on Following Page

**ALAMO COMMUNITY COLLEGE DISTRICT**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**For the Year Ended August 31, 2007**

NOTE 1: Federal Assistance Reconciliation

|   |               |
|---|---------------|
| Federal Grants and Contracts revenue - per Schedule A                 | \$ 70,734,851 |
|   |               |
| Total Federal Revenues per Schedule of Expenditures of Federal Awards | \$ 70,734,851 |

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 basic financial statements. Separate accounts are maintained for the different awards to aid in the observance of limitations and restrictions imposed by the funding agencies. The District has followed all applicable guidelines issued by various entities in the preparation of the schedule.

Note 3: Expenditures Not Subject To Federal Single Audit

None

Note 4: Student Loans Processed & Administrative Costs Recovered - if not included in schedule

| Federal Grantor<br>CFDA Number/Program Name  | Total Loans<br>Processed & Admin<br>Cost Recovered |
|--|--|
| 84.032 Federal Family Education Loan Program | \$ 22,121,968                                      |

**ALAMO COMMUNITY COLLEGE DISTRICT**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**For the Year Ended August 31, 2007**

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 U.S. Department of Education through the Texas Higher Education Coordinating Board.

|   |            |
|---|------------|
| Austin Community College                  | \$ 24,631  |
| Dallas County Community College District  | 33,000     |
| East Central ISD                          | 480        |
| Edgewood ISD                              | 1,194      |
| Harlandale ISD                            | 498        |
| Houston Community College                 | 32,422     |
| Lytle ISD                                 | 664        |
| Medina Valley ISD                         | 1,360      |
| North Harris Montgomery Community College | 14,244     |
| Northside ISD                             | 587        |
| San Antonio ISD                           | 2,400      |
| Schertz Cibolo- Universal City ISD        | 1,511      |
| Seguin ISD                                | 1,694      |
| Total amount passed-through               | \$ 114,685 |

These amounts were from the Undergraduate International Studies and Foreign Language Program CFDA 84.031 from the U.S. Department of Education through the University of Texas at San Antonio

|   |           |
|---|-----------|
| Alamo Community College District Foundation | \$ 66,000 |
| Total amount passed-through                 | \$ 66,000 |

These amounts were from the Undergraduate International Studies and Foreign Language Program CFDA 84.031 from the U.S. Department of Education through the Alamo Community College District

|   |            |
|---|------------|
| Alamo Community College District Foundation | \$ 80,000  |
| Texas A&M University in Kingsville          | 225,847    |
| Total amount passed-through                 | \$ 305,847 |

These amounts were from the Hispanic Serving Institutions Educations Grants program CFDA 10.223 from the Cooperative State Research, Education and Extension Service, Department of Agriculture through the Alamo Community College District

|                                  |           |
|----------------------------------|-----------|
| University of the Incarnate Word | \$ 10,485 |
| Total amount passed-through      | \$ 10,485 |

These amounts were from the USAID Foreign Assistance for Programs Overseas program CFDA 98.001 from the United States Agency for International Development through the Georgetown University

|  |           |
|--|-----------|
| El Paso Community College              | \$ 24,130 |
| Texas A&M University at Corpus Christi | 19,265    |
| Texas State Technical College          | 26,270    |
| Universidad Tecnologica De Coahuila    | 929       |
| Total amount passed-through            | \$ 70,594 |

|                             |            |
|-----------------------------|------------|
| Total Amount Passed-Through | \$ 567,611 |
|-----------------------------|------------|

# Alamo Community College District

## Federal Schedule of Findings and Questioned Costs

Year Ended August 31, 2007

A. Summary of Auditors' Results

1. Financial Statements

|   |                    |                             |
|---|--------------------|-----------------------------|
| Type of auditors' report issued:  | <u>Unqualified</u> |                             |
| Internal control over financial reporting:  |                    |                             |
| Material weakness(es) identified?   | <u>  X  </u> Yes   | <u>      </u> No            |
| Significant deficiency(ies) identified that are not considered to be material weaknesses? | <u>  X  </u> Yes   | <u>      </u> None Reported |
| Noncompliance material to financial statements noted?                                     | <u>      </u> Yes  | <u>  X  </u> No             |

2. Federal Awards

|  |                    |                            |
|--|--------------------|----------------------------|
| Internal control over major programs:  |                    |                            |
| Material weakness(es) identified?  | <u>      </u> Yes  | <u>  X  </u> No            |
| Significant deficiency(ies) identified that are not considered to be material weaknesses?                          | <u>      </u> Yes  | <u>  X  </u> None Reported |
| Type of auditors' report issued on compliance for major programs:  | <u>Unqualified</u> |                            |
| Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? | <u>  X  </u> Yes   | <u>      </u> 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") |
| 84.033                                | Federal Work-Study Program ("FWS")                            |
| 84.063                                | Federal Pell Grant Program ("Pell")                           |
| 84.375                                | Academic Competitiveness Grant ("ACG")                        |
| 17.261                                | WIA Pilots, Demonstrations, and Research Projects             |

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

\$ 2,122,046

|  |                   |                 |
|--|-------------------|-----------------|
| Auditee qualified as low-risk auditee? | <u>      </u> Yes | <u>  X  </u> No |
|--|-------------------|-----------------|

# Alamo Community College District

## Federal Schedule of Findings and Questioned Costs

Year Ended August 31, 2007

(Continued)

### Section B – Financial Statement Findings

#### *Finding 07-01 – Human Resources and Payroll*

Type of Finding – Material Weakness

*Criteria:* 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 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 Form I-9 reports for 2 out of the 16 employees tested. We had a similar comment in the prior year management letter.
- On one out of the 16 employees selected, benefits were not properly deducted from the employee's paycheck per the employee's election.

In addition, 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 the 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.

# Alamo Community College District

## Federal Schedule of Findings and Questioned Costs

Year Ended August 31, 2007

(Continued)

- 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 recommend the District assemble a task force and develop a plan to improve these control deficiencies and other matters. With the number of employees the District currently has, it would be more efficient for the payroll department to implement a more modern timekeeping system. We also recommend the District do a self review of employee I-9 forms to ensure they are all accounted for.

*Questioned Cost:* None

*Views of Responsible Officials and Corrective Action Plan:* Agree. In addition to continuing the current compensating controls, which include timely and accurate bank reconciliations; conservative budgeting; a balanced position control register; separation of duties; a purchasing system; administrative approval and review processes; ethics hotline; and internal audit oversight, the Vice Chancellor for Administration has hired a consultant to review and recommend immediate employee services processing improvements (fieldwork done). This report will be received by the Christmas break and will take these additional actions: create a payroll audit team (comprised of five District employees, one employee from each college, and continual feedback from the District's internal audit department) to immediately address overpayments that are currently unchecked effective January of 2008; have a Request for Proposal issued that seeks an external consultant firm to review all current business processes (using all internal audit department's documentation to speed up its current process validation

# Alamo Community College District

## Federal Schedule of Findings and Questioned Costs

Year Ended August 31, 2007

(Continued)

phase); and advise how to modify and streamline all related payroll/employee services processes. This yet to be selected consultant will address other District-wide business processes as a part of its scope of services.

*Implementation Date:* January 31, 2008 and ongoing

*Responsible Person:* Vice Chancellor for Administration

### ***Finding 07-02 – 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. These assets are required to be reported as construction in progress and are not depreciated until their construction is complete and they are placed in service.

*Condition:* During the audit process, we experienced significant delays in receiving information on construction in progress and related retainage payable accounts from the District.

*Possible Asserted Cause and Effect:* As a result of the condition described above, the District recorded a late adjustment for \$6,868,892 toward the end of the audit fieldwork.

*Recommendation:* While we realize the District has a significant amount of construction in progress this year and that general contractors can cause delays in providing information, a better system needs to be developed so the fiscal affairs department can receive more timely information from the District related to current activity on construction projects in progress.

*Questioned Cost:* None

*Views of Responsible Officials and Corrective Action Plan:* Agree. The current process for collecting and posting "construction in process" invoices will be reevaluated to eliminate adjustments after the trial balance is provided to the external auditors, and where nonresponsive contractors are involved, an alternate system based on using estimated receivables per the percentage of total project completion will be used to compute year-end accruals. The District disagrees this is a material weakness, as there are public bid documents, Board-approved awards, and signed contracts to support all construction projects with delayed contractor invoice adjustments for work done but not billed.

# Alamo Community College District

## Federal Schedule of Findings and Questioned Costs

Year Ended August 31, 2007

(Continued)

*Implementation Date:* March 31, 2008

*Responsible Person:* Vice Chancellor for Administration/Associate Vice Chancellor of Facilities/  
Controller

### ***Finding 07-03 – 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 has developed a new disaster recovery plan; however, the plan has not been tested.

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

*Recommendation:* We recommend the plan be distributed and tested with action plans established to document the results of the tests.

*Questioned Cost:* None

*Views of Responsible Officials and Corrective Action Plan:* Agree. In addition to the District’s daily backup of critical data to magnetic tape at an off-site storage facility, the District’s most recent disaster recovery plan’s (2007 update) most critical aspects will be selectively tested and additional capacity will be acquired for more off-site storage during fiscal year 2007-2008. If the 2007 plan has overlooked sufficient equipment capacity, this will be included in the plan and action taken to remedy this condition, rather than awaiting the complete implementation of the Banner administrative operating software.

*Implementation Date:* August 31, 2008

*Responsible Person:* Vice Chancellor for Performance, Planning, and Information Technology



# Alamo Community College District

## Federal Schedule of Findings and Questioned Costs

Year Ended August 31, 2007

(Continued)

### Section C – Federal Award Findings and Questioned Costs

#### *Finding 07-04 – Student Financial Aid*

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

Agency: Department of Education

Pass-Through Entity: Not applicable

Type of Finding: Special Tests and Provisions: Return of Title IV Funds and Student Status Changes

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

- Per Special Tests and Provisions, Section 4, Return of Title IV Funds, the District must refund certain charges within 30 days and submit amounts due over to a collection agency within 60 days if not paid 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 two exceptions:

- Out of a sample of 23 students, we noted one exception in our Return of Title IV Funds testing. The District did not refund certain charges back to the federal government within the allotted 30 days, as required by the grant. In addition, the student's amount due was not turned over to a collection agency within the allotted 60 days when it was not timely paid by the student. The amount was refunded, but after the required time period.
- Out of a sample of 23 students, we noted one exception during our testing of the requirements of reporting changes in student's enrollment status. One student we selected, graduated in May 2007 and his/her status (e.g., graduation date) was not reported, as required within the time limit, because there was a hold on his/her records. This status change (e.g., graduation date) was reported in August 2007.

# Alamo Community College District

## Federal Schedule of Findings and Questioned Costs

Year Ended August 31, 2007

(Continued)

*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 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:* Agree. The District will review its existing refund procedures and also modify its internal control procedures to more timely process refunds and to report a student's change in status to all necessary external entities.

*Implementation Date:* January 31, 2008

*Responsible Person:* Vice Chancellor for Economic and Workforce Development

*Finding 07-05 – Workforce Investment Act (“WIA”) Pilots, Demonstrations, and Research Projects*

CFDA# – 17.261

Agency: Department of Labor

Pass-Through Entity: Not applicable

Type of Finding: Allowable costs

*Criteria:* Through review of the ETA Grant Programs Financial Management contract, Chapter II-4, Allowable Costs, references OMB Circular A-87, Attachment B, which states that a cost is allowable for federal reimbursement only to the extent of benefits received by federal awards and its conformance with the general policies and principles.

*Condition:* During our testing of payroll charged to the WIA grant, we noted one exception out of a sample of 23 transactions. Through review of an employee's timecard, the employee's time (\$1,820) was spent on 2 grants. However, all of the employee's time was charged to the WIA grant.

# Alamo Community College District

## Federal Schedule of Findings and Questioned Costs

Year Ended August 31, 2007

(Continued)

*Possible Asserted Cause and Effect:* Due to management oversight, the WIA grant was overcharged by approximately \$1,000.

*Recommendation:* We recommend time be closely monitored for employees working on multiple grants to ensure charges are allocated to the appropriate grant(s).

*Questioned Costs:* Known questioned costs – \$1,000 and likely questioned costs – \$19,200

*Views of Responsible Officials and Corrective Action Plan:* Agree. The District will implement a comprehensive time and effort system requiring signatures by employees and responsible grant officials for all employees working on multiple grants or multiple accounts which include at least one grant funding source.

*Implementation Date:* January 31, 2008

*Responsible Person:* Vice Chancellor for Economic and Workforce Development

**STATE AWARDS SECTION**

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**PADGETT, STRATEMANN & CO., L.L.P.**

Certified Public Accountants and 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, 2007. 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 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 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, 2007.

100 N.E. Loop 410, Suite 1100, San Antonio, Texas 78216 • www.padgett-cpa.com  
Phone (210) 828-6281 • (800) 879-4966 • Fax (210) 826-8606

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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 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 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 controls 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 any 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 6, 2007

**Schedule of Expenditures of State Awards**



**ALAMO COMMUNITY COLLEGE DISTRICT**  
**Schedule of Expenditures of State Awards**  
**For the Year Ended August 31, 2007**

| <u>Grantor Agency/Program Title</u>                | <u>Grant<br/>Contract<br/>Number</u> | <u>Expenditures</u>        |
|--|--------------------------------------|----------------------------|
| <u>Texas Higher Education Coordinating Board</u>   |                                      |                            |
| Texas Grant Initial                                |                                      | \$ 1,207,975               |
| Texas Grant Renewal                                |                                      | 981,544                    |
| TEOG Initial                                       |                                      | 358,605                    |
| TEOG Renewal                                       |                                      | 203,646                    |
| Summer Bridge Program                              |                                      | 77,138                     |
| Professional Nursing Scholarship                   |                                      | 19,872                     |
| Total of Texas Higher Education Coordinating Board |                                      | <u>\$ 2,848,780</u>        |
| <u>Texas Workforce Commission</u>                  |                                      |                            |
| Skills Development and Self Sufficiency            | 2005SDF000                           | \$ 1,942,129               |
| Skills Development and Self Sufficiency            | 2006SDF000                           | 706,945                    |
| Skills Development and Self Sufficiency            | 2005SDF001                           | 256,336                    |
| Skills Development and Self Sufficiency            | 2005SDF002                           | 108,905                    |
| Skills Development and Self Sufficiency            | 2007SSF000                           | 7,367                      |
| Apprenticeship Training Program                    | 2007ATP002                           | 4,976                      |
| Total of Texas Workforce Commission                |                                      | <u>\$ 3,026,658</u>        |
| <u>Texas Parks &amp; Wildlife</u>                  |                                      |                            |
| Texas Parks & Wildlife                             | IAC#167743                           | <u>\$ 5,161</u>            |
| <u>Texas Education Agency</u>                      |                                      |                            |
| Collaborative Community Network Enhancement Grant  |                                      | <u>\$ 35,407</u>           |
| <u>University of Texas at San Antonio</u>          |                                      |                            |
| Prep Summer 2007 Program                           |                                      | <u>\$ 4,324</u>            |
| <b>TOTAL EXPENDITURES OF STATE AWARDS</b>          |                                      | <u><u>\$ 5,920,330</u></u> |

Notes to Schedule on Following Page

**ALAMO COMMUNITY COLLEGE DISTRICT**  
**Notes of the Schedule of Expenditures of State Awards**  
**For the Year Ended August 31, 2007**

Note 1: State Assistance Reconciliation

|  |                                |
|--|--------------------------------|
| State Revenues - per Schedule A              |                                |
| Per Schedule of expenditures of state awards | <u>\$ 5,920,330</u>            |
| <br>Total State Revenues per Schedule A      | <br><u><u>\$ 5,920,330</u></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, 2007

### 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:

CFDA Number(s)

N/A  
N/A

Name of State Program or Cluster

Texas Grant Initial and Renewal  
Skills Development and Self Sufficiency –  
Toyota III and IV

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, 2007

(Continued)

### Section B – Financial Statement Findings

#### *Finding 07-01 – Human Resources and Payroll*

Type of Finding – Material Weakness

*Criteria:* 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 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 Form I-9 reports for 2 out of the 16 employees tested. We had a similar comment in the prior year management letter.
- On one out of the 16 employees selected, benefits were not properly deducted from the employee's paycheck per the employee's election.

In addition, 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 the 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.

## Alamo Community College District

### State Schedule of Findings and Questioned Costs

Year Ended August 31, 2007

(Continued)

- 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 recommend the District assemble a task force and develop a plan to improve these control deficiencies and other matters. With the number of employees the District currently has, it would be more efficient for the payroll department to implement a more modern timekeeping system. We also recommend the District do a self review of employee I-9 forms to ensure they are all accounted for.

*Questioned Cost:* None

*Views of Responsible Officials and Corrective Action Plan:* Agree. In addition to continuing the current compensating controls, which include timely and accurate bank reconciliations; conservative budgeting; a balanced position control register; separation of duties; a purchasing system; administrative approval and review processes; ethics hotline; and internal audit oversight, the Vice Chancellor for Administration has hired a consultant to review and recommend immediate employee services processing improvements (fieldwork done). This report will be received by the Christmas break and will take these additional actions: create a payroll audit team (comprised of five District employees, one employee from each college, and continual feedback from the District's internal audit department) to immediately address overpayments that are currently unchecked effective January of 2008; have a Request for Proposal issued that seeks an external consultant firm to review all current business processes (using all internal audit department's documentation to speed up its current process validation

# Alamo Community College District

## State Schedule of Findings and Questioned Costs

Year Ended August 31, 2007

(Continued)

phase); and advise how to modify and streamline all related payroll/employee services processes. This yet to be selected consultant will address other District-wide business processes as a part of its scope of services.

*Implementation Date:* January 31, 2008 and ongoing

*Responsible Person:* Vice Chancellor for Administration

### ***Finding 07-02 – 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. These assets are required to be reported as construction in progress and are not depreciated until their construction is complete and they are placed in service.

*Condition:* During the audit process, we experienced significant delays in receiving information on construction in progress and related retainage payable accounts from the District.

*Possible Asserted Cause and Effect:* As a result of the condition described above, the District recorded a late adjustment for \$6,868,892 toward the end of the audit fieldwork.

*Recommendation:* While we realize the District has a significant amount of construction in progress this year and that general contractors can cause delays in providing information, a better system needs to be developed so the fiscal affairs department can receive more timely information from the District related to current activity on construction projects in progress.

*Questioned Cost:* None

*Views of Responsible Officials and Corrective Action Plan:* Agree. The current process for collecting and posting "construction in process" invoices will be reevaluated to eliminate adjustments after the trial balance is provided to the external auditors, and where nonresponsive contractors are involved, an alternate system based on using estimated receivables per the percentage of total project completion will be used to compute year-end accruals. The District disagrees this is a material weakness, as there are public bid documents, Board-approved awards, and signed contracts to support all construction projects with delayed contractor invoice adjustments for work done but not billed.

**Alamo Community College District**

**State Schedule of Findings and Questioned Costs**

Year Ended August 31, 2007

(Continued)

*Implementation Date:* March 31, 2008

*Responsible Person:* Vice Chancellor for Administration/Associate Vice Chancellor of Facilities/  
Controller

***Finding 07-03 – 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 has developed a new disaster recovery plan; however, the plan has not been tested.

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

*Recommendation:* We recommend the plan be distributed and tested with action plans established to document the results of the tests.

*Questioned Cost:* None

*Views of Responsible Officials and Corrective Action Plan:* Agree. In addition to the District’s daily backup of critical data to magnetic tape at an off-site storage facility, the District’s most recent disaster recovery plan’s (2007 update) most critical aspects will be selectively tested and additional capacity will be acquired for more off-site storage during fiscal year 2007-2008. If the 2007 plan has overlooked sufficient equipment capacity, this will be included in the plan and action taken to remedy this condition, rather than awaiting the complete implementation of the Banner administrative operating software.

*Implementation Date:* August 31, 2008

*Responsible Person:* Vice Chancellor for Performance, Planning, and Information Technology

**Section C – State Award Findings and Questioned Costs**

None

**STATISTICAL SECTION**



Alamo Community College District  
 Net Assets by Component  
 Fiscal Years 2003-2007  
 (Unaudited)

|   | For the Fiscal Year Ended August 31, |                       |                       |                       |                       |
|---|--------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
|   | 2007                                 | 2006                  | 2005                  | 2004                  | 2003                  |
| Invested in Capital Assets, Net of Related Debt | \$ 158,409,922                       | \$ 126,341,350        | \$ 119,012,327        | \$ 135,668,727        | \$ 115,217,303        |
| Restricted-Nonexpendable                        | 1,298,474                            | 1,298,387             | 1,276,608             | 1,269,511             | 1,308,068             |
| Restricted-Expendable                           | 6,298,070                            | 7,829,399             | 6,969,625             | 6,208,769             | 10,295,791            |
| Unrestricted                                    | 82,135,984                           | 66,114,492            | 58,647,106            | 45,308,876            | 50,507,115            |
| <b>Total Primary Government Net Assets</b>      | <b>\$ 248,142,450</b>                | <b>\$ 201,583,628</b> | <b>\$ 185,905,666</b> | <b>\$ 188,455,883</b> | <b>\$ 177,328,277</b> |

Alamo Community College District  
Revenues by Source  
Fiscal Years 2003-2007  
(Unaudited)

|                                       | For the Year Ended August 31, |                       |                       |                       |                       |
|---------------------------------------|-------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
|                                       | 2007                          | 2006                  | 2005                  | 2004                  | 2003                  |
| Tuition and Fees (Net of Discounts)   | \$ 49,198,458                 | \$ 45,343,961         | \$ 43,234,582         | \$ 37,482,976         | \$ 31,581,289         |
| Governmental Grants and Contracts     |                               |                       |                       |                       |                       |
| Federal Grants and Contracts          | 70,734,851                    | 69,062,657            | 71,893,312            | 72,081,338            | 60,866,729            |
| State Grants and Contracts            | 5,920,330                     | 6,375,374             | 7,334,676             | 2,783,881             | 4,398,206             |
| Local Grants and Contracts            | 897,264                       | 662,762               | 613,166               | 517,873               | 761,324               |
| Non-Governmental Grants and Contracts | 787,202                       | 635,685               | 629,171               | 296,724               | 118,504               |
| Investment Income                     | 184,120                       | 158,795               | 119,225               | 90,912                | 92,732                |
| Auxiliary Enterprises                 | 3,753,744                     | 3,622,106             | 3,749,528             | 3,305,741             | 2,654,065             |
| Other Operating Revenue               | 2,166,890                     | 2,050,204             | 1,682,501             | 1,209,516             | 1,162,189             |
| <b>Total Operating Revenues</b>       | <b>133,642,859</b>            | <b>127,911,544</b>    | <b>129,256,161</b>    | <b>117,768,961</b>    | <b>101,635,038</b>    |
| State Appropriation                   | 83,500,050                    | 82,245,319            | 72,739,770            | 72,229,915            | 72,719,068            |
| Ad Valorem Taxes                      | 103,779,431                   | 72,885,559            | 67,508,626            | 63,910,870            | 59,349,862            |
| Gifts                                 | 580,836                       | 548,920               | 650,746               | 1,382,320             | 925,498               |
| Investment Income                     | 19,612,623                    | 6,519,961             | 3,557,912             | 2,835,753             | 2,706,679             |
| Other Non-Operating Revenues          | 48,028                        | 3,904                 | 49,500                | 49,520                | 761,308               |
| <b>Total Non-Operating Revenues</b>   | <b>207,520,968</b>            | <b>162,203,663</b>    | <b>144,506,554</b>    | <b>140,408,378</b>    | <b>136,462,415</b>    |
| <b>Total Revenues</b>                 | <b>\$ 341,163,827</b>         | <b>\$ 290,115,207</b> | <b>\$ 273,762,715</b> | <b>\$ 258,177,339</b> | <b>\$ 238,097,453</b> |

|                                       | For the Year Ended August 31, |             |             |             |             |
|---------------------------------------|-------------------------------|-------------|-------------|-------------|-------------|
|                                       | 2007                          | 2006        | 2005        | 2004        | 2003        |
| Tuition and Fees (Net of Discounts)   | 14%                           | 16%         | 16%         | 15%         | 13%         |
| Governmental Grants and Contracts     |                               |             |             |             |             |
| Federal Grants and Contracts          | 21%                           | 24%         | 26%         | 28%         | 26%         |
| State Grants and Contracts            | 2%                            | 2%          | 3%          | 1%          | 2%          |
| 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%          | 0%          | 0%          |
| <b>Total Operating Revenues</b>       | <b>39%</b>                    | <b>44%</b>  | <b>47%</b>  | <b>45%</b>  | <b>42%</b>  |
| State Appropriation                   | 25%                           | 29%         | 27%         | 28%         | 32%         |
| Ad Valorem Taxes                      | 30%                           | 25%         | 25%         | 25%         | 25%         |
| Gifts                                 | 0%                            | 0%          | 0%          | 1%          | 0%          |
| Investment Income                     | 6%                            | 2%          | 1%          | 1%          | 1%          |
| Other Non-Operating Revenues          | 0%                            | 0%          | 0%          | 0%          | 0%          |
| <b>Total Non-Operating Revenues</b>   | <b>61%</b>                    | <b>56%</b>  | <b>53%</b>  | <b>55%</b>  | <b>58%</b>  |
| <b>Total Revenues</b>                 | <b>100%</b>                   | <b>100%</b> | <b>100%</b> | <b>100%</b> | <b>100%</b> |

Alamo Community College District  
Program Expenses by Function  
Fiscal Years 2003-2007  
(Unaudited)

|                                     | For the Year Ended August 31, |                       |                       |                       |                       |
|-------------------------------------|-------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
|                                     | 2007                          | 2006                  | 2005                  | 2004                  | 2003                  |
| Instruction                         | \$ 116,588,444                | \$ 113,581,083        | \$ 110,407,154        | \$ 100,606,706        | \$ 96,873,403         |
| Public Service                      | 890,763                       | 1,128,939             | 2,177,599             | 3,410,846             | 3,622,734             |
| Academic Support                    | 18,047,206                    | 18,315,350            | 22,104,914            | 19,162,697            | 18,403,170            |
| Student Services                    | 30,326,149                    | 27,498,447            | 24,108,120            | 24,032,978            | 22,384,525            |
| Institutional Support               | 41,726,936                    | 39,034,032            | 33,692,423            | 28,238,890            | 25,979,337            |
| Operating and Maintenance of Plant  | 19,681,584                    | 18,985,602            | 17,910,005            | 18,109,391            | 17,069,825            |
| Scholarships and Fellowships        | 37,912,644                    | 37,592,999            | 36,687,886            | 39,438,652            | 35,725,731            |
| Auxiliary Enterprises               | 2,161,326                     | 1,862,527             | 1,977,739             | 1,833,862             | 1,686,987             |
| Depreciation                        | 10,236,942                    | 9,778,698             | 8,827,134             | 7,072,882             | 7,025,533             |
| <b>Total Operating Expenses</b>     | <b>277,571,994</b>            | <b>267,777,677</b>    | <b>257,892,974</b>    | <b>241,906,904</b>    | <b>228,771,245</b>    |
| Interest on Capital Related Debt    | 15,108,935                    | 6,656,186             | 4,686,431             | 4,308,400             | 4,409,982             |
| Other Non-Operating Expenses        | 1,783,318                     |                       |                       |                       |                       |
| Loss on Disposal of Fixed Assets    | 499,044                       | 66,382                | 1,143,130             | 834,429               | 786,617               |
| <b>Total Non-Operating Expenses</b> | <b>17,391,297</b>             | <b>6,722,568</b>      | <b>5,829,561</b>      | <b>5,142,829</b>      | <b>5,196,599</b>      |
| <b>Total Expenses</b>               | <b>\$ 294,963,291</b>         | <b>\$ 274,500,245</b> | <b>\$ 263,722,535</b> | <b>\$ 247,049,733</b> | <b>\$ 233,967,844</b> |

|                                     | For the Year Ended August 31, |             |             |             |             |
|-------------------------------------|-------------------------------|-------------|-------------|-------------|-------------|
|                                     | 2007                          | 2006        | 2005        | 2004        | 2003        |
| Instruction                         | 40%                           | 41%         | 42%         | 41%         | 41%         |
| Public Service                      | 0%                            | 0%          | 1%          | 1%          | 2%          |
| Academic Support                    | 6%                            | 7%          | 8%          | 8%          | 8%          |
| Student Services                    | 10%                           | 10%         | 9%          | 10%         | 10%         |
| Institutional Support               | 14%                           | 14%         | 13%         | 11%         | 11%         |
| Operating and Maintenance of Plant  | 7%                            | 7%          | 7%          | 7%          | 7%          |
| Scholarships and Fellowships        | 13%                           | 14%         | 14%         | 16%         | 15%         |
| Auxiliary Enterprises               | 1%                            | 1%          | 1%          | 1%          | 1%          |
| Depreciation                        | 3%                            | 4%          | 3%          | 3%          | 3%          |
| <b>Total Operating Expenses</b>     | <b>94%</b>                    | <b>98%</b>  | <b>98%</b>  | <b>98%</b>  | <b>98%</b>  |
| Interest on Capital Related Debt    | 5%                            | 2%          | 2%          | 2%          | 2%          |
| Other Non-Operating Expenses        | 1%                            | 0%          | 0%          | 0%          | 0%          |
| Loss on Disposal of Fixed Assets    | 0%                            | 0%          | 0%          | 0%          | 0%          |
| <b>Total Non-Operating Expenses</b> | <b>6%</b>                     | <b>2%</b>   | <b>2%</b>   | <b>2%</b>   | <b>2%</b>   |
| <b>Total Expenses</b>               | <b>100%</b>                   | <b>100%</b> | <b>100%</b> | <b>100%</b> | <b>100%</b> |

Alamo Community College District  
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 |    | Student Activity Fees |    | General Fee (per student) |    | Library Fee (per student) |    | Lab Fee |   | Student Insurance |       | Cost for 12 SCH In-District |        | Increase from Prior Year In-District |  | Increase from Prior Year Out-of-District |  |
|----------------------|--------------------------------|----|---------------------|-----|-------------------------|----|-----------------------|----|---------------------------|----|---------------------------|----|---------|---|-------------------|-------|-----------------------------|--------|--------------------------------------|--|--|--|
|                      | \$                             |    | \$                  |     | \$                      |    | \$                    |    | \$                        |    | \$                        |    | \$      |   | \$                |       | \$                          |        | %                                    |  | %  |  |
| Fall 2006            | 12                             | 42 | 84                  | 115 | 12                      | 24 | 11                    | 24 | 110                       | 11 | 24                        | 24 | 24      | 4 | 683               | 1,187 | 6.72%                       | 5.98%  |                                      |  |  |  |
| Fall 2005            | 11                             | 40 | 80                  | 110 | 11                      | 24 | 11                    | 24 | 105                       | 10 | 24                        | 24 | 24      | 4 | 640               | 1,120 | 5.09%                       | 5.16%  |                                      |  |  |  |
| Fall 2004            | 10                             | 38 | 76                  | 105 | 10                      | 24 | 10                    | 24 | 85                        | 10 | 24                        | 24 | 24      | 4 | 609               | 1,065 | 10.13%                      | 9.46%  |                                      |  |  |  |
| Fall 2003            | 10                             | 35 | 70                  | 85  | 10                      | 24 | 10                    | 24 | 85                        | 10 | 24                        | 24 | 24      | 4 | 553               | 973   | 12.17%                      | 21.78% |                                      |  |  |  |
| Fall 2002            | 10                             | 30 | 56                  | 85  | 10                      | 24 | 10                    | 24 | 85                        | 10 | 24                        | 24 | 24      | 4 | 493               | 799   | 0.00%                       | 0.00%  |                                      |  |  |  |
| Fall 2001            | 10                             | 30 | 56                  | 85  | 10                      | 24 | 10                    | 24 | 85                        | 10 | 24                        | 24 | 24      | 4 | 493               | 799   | 14.39%                      | 14.96% |                                      |  |  |  |
| Fall 2000            | 10                             | 27 | 49                  | 65  | 10                      | 24 | 10                    | 24 | 65                        | 10 | 24                        | 24 | 24      | 4 | 431               | 695   | 0.00%                       | 0.00%  |                                      |  |  |  |
| Fall 1999            | 10                             | 24 | 46                  | 65  | 10                      | 24 | 10                    | 24 | 65                        | 10 | 24                        | 24 | 24      | 4 | 431               | 695   | 0.00%                       | 0.00%  |                                      |  |  |  |
| Fall 1998            | 10                             | 24 | 46                  | 65  | 10                      | 24 | 10                    | 24 | 65                        | 10 | 24                        | 24 | 24      | 4 | 431               | 695   | 10.23%                      | 6.11%  |                                      |  |  |  |
| Fall 1997            | 10                             | 24 | 46                  | 45  | 10                      | 24 | 10                    | 24 | 45                        | 10 | 24                        | 24 | 24      | 4 | 391               | 655   |                             |        |                                      |  |  |  |

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

| Academic Year (Fall) | Registration Fee (per student) |     | Non-Resident Tuition |     | Student Activity Fees |    | General Fee (per student) |    | Library Fee (per student) |    | Lab Fee |    | Student Insurance |    | Cost for 12 SCH State |        | Increase from Prior Year Out-of-State |  |   |  |  |
|----------------------|--------------------------------|-----|----------------------|-----|-----------------------|----|---------------------------|----|---------------------------|----|---------|----|-------------------|----|-----------------------|--------|---------------------------------------|--|---|--|--|
|                      | \$                             |     | \$                   |     | \$                    |    | \$                        |    | \$                        |    | \$      |    | \$                |    | \$                    |        | %                                     |  | % |  |  |
| Fall 2006            | 12                             | 168 | 168                  | 115 | 12                    | 24 | 11                        | 24 | 110                       | 11 | 24      | 24 | 24                | 66 | 2,257                 | 5.37%  | 5.31%                                 |  |   |  |  |
| Fall 2005            | 11                             | 160 | 160                  | 110 | 11                    | 24 | 11                        | 24 | 105                       | 10 | 24      | 24 | 24                | 61 | 2,142                 | 8.77%  | 8.77%                                 |  |   |  |  |
| Fall 2004            | 10                             | 152 | 152                  | 105 | 10                    | 24 | 10                        | 24 | 85                        | 10 | 24      | 24 | 24                | 61 | 2,034                 | 25.34% | 25.34%                                |  |   |  |  |
| Fall 2003            | 10                             | 140 | 140                  | 85  | 10                    | 24 | 10                        | 24 | 85                        | 10 | 24      | 24 | 24                | 61 | 1,870                 | 0.00%  | 0.00%                                 |  |   |  |  |
| Fall 2002            | 10                             | 109 | 109                  | 85  | 10                    | 24 | 10                        | 24 | 85                        | 10 | 24      | 24 | 24                | 61 | 1,492                 | 15.57% | 15.57%                                |  |   |  |  |
| Fall 2001            | 10                             | 109 | 109                  | 85  | 10                    | 24 | 10                        | 24 | 85                        | 10 | 24      | 24 | 24                | 61 | 1,492                 | 0.00%  | 0.00%                                 |  |   |  |  |
| Fall 2000            | 10                             | 95  | 95                   | 65  | 10                    | 24 | 10                        | 24 | 65                        | 10 | 24      | 24 | 24                | 48 | 1,291                 | 0.00%  | 0.00%                                 |  |   |  |  |
| Fall 1999            | 10                             | 92  | 92                   | 65  | 10                    | 24 | 10                        | 24 | 65                        | 10 | 24      | 24 | 24                | 48 | 1,291                 | 0.00%  | 0.00%                                 |  |   |  |  |
| Fall 1998            | 10                             | 92  | 92                   | 65  | 10                    | 24 | 10                        | 24 | 65                        | 10 | 24      | 24 | 24                | 48 | 1,291                 | 3.20%  | 3.20%                                 |  |   |  |  |
| Fall 1997            | 10                             | 92  | 92                   | 45  | 10                    | 24 | 10                        | 24 | 45                        | 10 | 24      | 24 | 24                | 48 | 1,251                 |        |                                       |  |   |  |  |

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**  
**Assessed Value and Taxable Assessed Value of Property**  
**Last Ten Fiscal Years**  
**(Unaudited)**

| Fiscal Year | Assessed<br>Valuation of<br>Property | Less:<br>Exemptions | Taxable<br>Assessed Value<br>(TAV) | Ratio of Taxable<br>Assessed Value<br>to Assessed<br>Value | Maintenance<br>&<br>Operations | Debt<br>Service | Total      |
|-------------|--------------------------------------|---------------------|------------------------------------|--|--------------------------------|-----------------|------------|
| 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    |
| 1997-98     | 42,404,819,171                       | 3,018,166,723       | 39,386,652,448                     | 92.88%   | 0.08599                        | 0.02301         | 0.10900    |

Alamo Community College District  
 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<br>Appropriation | FTSE   | State<br>Appropriation<br>per FTSE | Academic<br>Contact<br>Hours   | Voc/Tech<br>Contact<br>Hours | Total<br>Contact<br>Hours | State<br>Appropriation<br>per Contact |
| 2006-07     | \$ 65,407,379          | 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                                  |
| 1997-98     | 51,338,877             | 25,472 | 2,016                              | 10,939,088                     | 4,031,292                    | 14,970,380                | 3.43                                  |

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  
Principal Taxpayers  
Last Ten Fiscal Years  
(Unaudited)

| Tax Payer                                       | Type of Business           | Taxable Assessed Value (TAV) by Tax Year |                  |                 |                  |                 |                  |                 |                  |                  |                 |                  |
|---|----------------------------|--|------------------|-----------------|------------------|-----------------|------------------|-----------------|------------------|------------------|-----------------|------------------|
|   |                            | 2007<br>2007-08                          | 2006*<br>2006-07 | 2005<br>2005-06 | 2004*<br>2004-05 | 2003<br>2003-04 | 2002*<br>2002-03 | 2001<br>2001-02 | 2000*<br>2000-01 | 1999*<br>1999-00 | 1998<br>1998-99 | 1997*<br>1997-98 |
| HEB Grocery Company LP                          | Groceries                  | 835,417,270                              | 734,917,315      | 684,384,622     | 649,249,470      | 610,809,180     | 542,466,970      | 531,548,820     | 522,572,990      | 500,384,110      | 412,409,900     | 392,140,950      |
| Southwestern Bell Telephone                     | Telephone Utility          | 546,653,255                              | 566,533,865      | 524,282,640     | 515,150,856      | 631,726,060     | 489,195,290      | 519,841,570     | 482,224,440      | 619,352,400      | 688,931,340     | 695,170,549      |
| Wal Mart Stores, Inc.                           | Retail                     | 355,246,474                              | 340,766,953      | 327,650,347     | 301,334,360      | 219,385,720     | 213,750,040      | 117,631,350     | 160,365,940      | 100,876,520      | 101,574,630     | 104,852,260      |
| USAA  | Insurance                  | 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      | 340,958,129     | 317,877,570      |
| Methodist Healthcare Systems SA                 | Hospital                   | 239,580,396                              | 220,974,508      | 209,711,594     | 194,114,435      | 168,579,550     | 169,340,130      | 184,039,360     | 185,117,460      | 179,194,600      | 211,480,060     | 98,833,130       |
| VLSI Technologies, Inc. (Philips)               | Semiconductor Manufacturer |  |                  |                 |                  | 37,419,670      |                  | 118,837,410     |                  | 140,796,986      |                 | 211,212,950      |
| VHS San Antonio Printers LP (Baptist Hospitals) | Hospital                   | 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     | 118,554,350      | 115,508,600     | 105,745,860      |                  |                 |                  |
| Frost National Bank                             | Financial                  |  | 174,828,022      | 165,252,420     | 154,655,670      |                 |                  |                 |                  |                  |                 |                  |
| Alamo Stoncrest Holdings                        | Retail                     |  |                  | 144,909,548     |                  |                 |                  |                 |                  |                  |                 |                  |
| Inland Western San Antonio Academy LP           | Retail                     |  |                  | 143,772,113     |                  |                 |                  |                 |                  |                  |                 |                  |
| Melvin Simon Properties                         | Real Estate                |  |                  |                 |                  | 117,245,371     |                  | 111,173,950     |                  | 117,367,120      | 134,484,400     | 123,983,800      |
| Property Trust of America                       | Real Estate                |  |                  |                 |                  |                 |                  |                 |                  |                  | 125,410,480     | 130,189,680      |
| North Star Mall, Inc.                           | Retail                     |  |                  |                 |                  | 109,891,450     |                  | 108,918,860     |                  | 106,793,410      | 104,084,580     | 101,586,310      |
| Marriott Corporation                            | Hotels                     |  |                  |                 |                  | 125,113,080     |                  | 127,536,860     |                  | 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      |                 |                  |                 |                  |                 |                  |                  |                 |                  |
| San Antonio Resort/Hyatt                        | Hotels                     |  |                  |                 |                  |                 |                  |                 |                  |                  |                 |                  |
| MBS-Colonnade Ltd                               | Real Estate                | 223,505,361                              |                  |                 |                  |                 |                  |                 |                  |                  | 10,849,420      |                  |

| Total Taxable Assessed Value |  | 2007             | 2006             | 2005             | 2004             | 2003             | 2002             | 2001             | 2000             | 1999             | 1998             | 1997             |
|------------------------------|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
|                              |  | \$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 | \$39,386,652,448 | \$36,478,220,614 |

| Tax Payer                                       | Type of Business           | Taxable Assessed Value (TAV) by Tax Year |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |
|---|----------------------------|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
|   |                            | 2007<br>2007-08                          | 2006<br>2006-07 | 2005<br>2005-06 | 2004<br>2004-05 | 2003<br>2003-04 | 2002<br>2002-03 | 2001<br>2001-02 | 2000<br>2000-01 | 1999<br>1999-00 | 1998<br>1998-99 | 1997<br>1997-98 |
| HEB Grocery Company LP                          | Groceries                  | 1.08%                                    | 1.08%           | 1.10%           | 1.10%           | 1.12%           | 1.05%           | 1.12%           | 1.20%           | 1.21%           | 1.05%           | 1.08%           |
| Southwestern Bell Telephone                     | Telephone Utility          | 0.71%                                    | 0.84%           | 0.84%           | 0.87%           | 1.16%           | 0.95%           | 1.10%           | 1.11%           | 1.50%           | 1.75%           | 1.91%           |
| Wal Mart Stores, Inc.                           | Retail                     | 0.46%                                    | 0.51%           | 0.52%           | 0.51%           | 0.40%           | 0.41%           | 0.25%           | 0.23%           | 0.24%           | 0.26%           | 0.29%           |
| USAA  | Insurance                  | 0.44%                                    | 0.50%           | 0.49%           | 0.54%           | 0.61%           | 0.87%           | 0.87%           | 0.91%           | 0.96%           | 0.87%           | 0.87%           |
| Methodist Healthcare Systems SA                 | Hospital                   | 0.31%                                    | 0.33%           | 0.34%           | 0.33%           | 0.31%           | 0.33%           | 0.39%           | 0.42%           | 0.43%           | 0.54%           | 0.27%           |
| VLSI Technologies, Inc. (Philips)               | Semiconductor Manufacturer |  |                 |                 |                 | 0.07%           | 0.00%           | 0.25%           | 0.32%           | 0.49%           | 0.00%           | 0.38%           |
| VHS San Antonio Printers LP (Baptist Hospitals) | Hospital                   | 0.38%                                    | 0.37%           | 0.30%           | 0.29%           | 0.00%           | 0.00%           | 0.00%           | 0.00%           | 0.00%           | 0.00%           | 0.00%           |
| Time Warner Cable San Antonio LP (Paragon)      | Cable Company              | 0.24%                                    | 0.26%           | 0.28%           | 0.28%           | 0.28%           | 0.23%           | 0.24%           | 0.24%           | 0.00%           | 0.00%           | 0.00%           |
| Frost National Bank                             | Financial                  | 0.00%                                    | 0.26%           | 0.27%           | 0.26%           | 0.00%           | 0.18%           | 0.00%           | 0.00%           | 0.00%           | 0.00%           | 0.00%           |
| Alamo Stoncrest Holdings                        | Retail                     | 0.00%                                    | 0.00%           | 0.23%           | 0.00%           | 0.00%           | 0.00%           | 0.00%           | 0.00%           | 0.00%           | 0.00%           | 0.00%           |
| Inland Western San Antonio Academy LP           | Retail                     | 0.00%                                    | 0.00%           | 0.23%           | 0.00%           | 0.00%           | 0.00%           | 0.00%           | 0.00%           | 0.00%           | 0.00%           | 0.00%           |
| Melvin Simon Properties                         | Real Estate                | 0.00%                                    | 0.00%           | 0.00%           | 0.24%           | 0.21%           | 0.22%           | 0.29%           | 0.27%           | 0.29%           | 0.34%           | 0.34%           |
| Property Trust of America                       | Real Estate                | 0.00%                                    | 0.00%           | 0.00%           | 0.00%           | 0.00%           | 0.00%           | 0.00%           | 0.00%           | 0.21%           | 0.32%           | 0.36%           |
| North Star Mall, Inc.                           | Retail                     | 0.00%                                    | 0.00%           | 0.00%           | 0.00%           | 0.20%           | 0.23%           | 0.23%           | 0.25%           | 0.25%           | 0.26%           | 0.31%           |
| Marriott Corporation                            | Hotels                     | 0.00%                                    | 0.00%           | 0.00%           | 0.21%           | 0.23%           | 0.22%           | 0.23%           | 0.25%           | 0.25%           | 0.31%           | 0.30%           |
| Toyota Motor Mfg Texas Inc.                     | Automotive Manufacturer    | 0.83%                                    | 0.27%           | 0.00%           | 0.00%           | 0.00%           | 0.00%           | 0.00%           | 0.00%           | 0.00%           | 0.00%           | 0.00%           |
| New River Center Mall LP                        | Retail                     | 0.27%                                    | 0.27%           | 0.00%           | 0.00%           | 0.00%           | 0.00%           | 0.00%           | 0.00%           | 0.00%           | 0.00%           | 0.00%           |
| San Antonio Resort/Hyatt                        | Hotels                     | 0.00%                                    | 0.00%           | 0.00%           | 0.00%           | 0.00%           | 0.00%           | 0.00%           | 0.00%           | 0.00%           | 0.00%           | 0.00%           |
| MBS-Colonnade Ltd                               | Real Estate                | 0.29%                                    |                 |                 |                 |                 |                 |                 |                 |                 | 0.03%           | 0.00%           |
|   |                            | 5.01%                                    | 4.70%           | 4.60%           | 4.63%           | 4.59%           | 4.51%           | 4.93%           | 5.20%           | 5.83%           | 5.73%           | 6.31%           |

\*ACCD data for Top Ten Taxpayers was not available, therefore Bear County Top Ten Taxpayers was used.

Alamo Community College District  
 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 |
|--------------------------|-------------|-----------------------------|-----------------------|------------------------------|--------|---------------------------------------|---|---------------------------|---|
| 2007                     | 102,947,673 | -                           | 102,947,673           | 101,029,924                  | 98.14% | -                                     | -                                       | 101,029,924               | 98.14%                                  |
| 2006                     | 72,091,494  | 904,511                     | 72,996,005            | 70,608,797                   | 96.73% | -                                     | 723,158                                 | 71,331,955                | 98.26%                                  |
| 2005                     | 66,714,921  | 818,871                     | 67,533,792            | 65,139,162                   | 96.45% | 601,636                               | 167,703                                 | 65,908,501                | 98.27%                                  |
| 2004                     | 63,298,631  | 33,328                      | 63,331,959            | 61,773,444                   | 97.54% | 975,640                               | 56,825                                  | 62,805,909                | 99.17%                                  |
| 2003                     | 58,548,368  | (136,025)                   | 58,412,343            | 57,047,655                   | 97.66% | 883,942                               | 83,071                                  | 58,014,668                | 99.32%                                  |
| 2002                     | 54,049,957  | (305,568)                   | 53,744,389            | 52,631,196                   | 97.93% | 744,389                               | 65,951                                  | 53,441,536                | 99.44%                                  |
| 2001                     | 50,531,025  | (214,092)                   | 50,316,933            | 49,338,453                   | 98.06% | 695,018                               | 36,629                                  | 50,070,100                | 99.51%                                  |
| 2000                     | 46,191,772  | (168,878)                   | 46,022,894            | 45,158,965                   | 98.12% | 667,697                               | 11,710                                  | 45,838,372                | 99.60%                                  |
| *1999                    |             |                             |                       |                              |        |                                       |   |                           |   |
| *1998                    |             |                             |                       |                              |        |                                       |   |                           |   |

- 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  
Ratios of Outstanding Debt  
Last Ten Fiscal Years  
(Unaudited)

|   | 2007       | 2006       | 2005      | 2004       | 2003      | 2002       | 2001      | 2000      | 1999      | 1998      |
|---|------------|------------|-----------|------------|-----------|------------|-----------|-----------|-----------|-----------|
| For the Year Ended August 31 (amounts expressed in thousands) |            |            |           |            |           |            |           |           |           |           |
| <b>General Bonded Debt</b>                                    |            |            |           |            |           |            |           |           |           |           |
| General Obligation Bonds                                      | \$ 435,819 | \$ 75,154  | \$ 19,604 | \$ 24,696  | \$ 31,756 | \$ 38,861  | \$ 44,643 | \$ 48,855 | \$ 53,686 | \$ 58,592 |
| Tax Notes   | 39,410     | 40,320     | 5,695     | 8,155      | -         | -          | -         | -         | -         | -         |
| Less: Funds Restricted for Debt Service                       | 2,297      | 1,626      | 2,532     | 2,015      | 1,454     | 1,455      | 1,799     | 332       | -         | -         |
| Net General Bonded Debt                                       | \$ 472,932 | \$ 113,848 | \$ 22,767 | \$ 30,836  | \$ 30,302 | \$ 37,406  | \$ 42,844 | \$ 48,523 | \$ 53,686 | \$ 58,592 |
| <b>Other Debt</b>   |            |            |           |            |           |            |           |           |           |           |
| Revenue Bonds   | \$ 74,270  | \$ 67,645  | \$ 67,625 | \$ 69,730  | \$ 62,017 | \$ 63,270  | \$ 32,615 | \$ 35,375 | \$ 38,025 | \$ 40,570 |
| Notes Payable   | 1,145      | 1,605      | 2,036     | 2,451      | 2,850     | -          | -         | -         | -         | -         |
| Capital Lease Obligations                                     | -          | -          | -         | -          | -         | 160        | 311       | 453       | -         | -         |
| Total Outstanding Debt  | \$ 548,347 | \$ 183,098 | \$ 92,428 | \$ 103,017 | \$ 95,169 | \$ 100,836 | \$ 75,770 | \$ 84,351 | \$ 91,711 | \$ 99,162 |

**General Bonded Debt Ratios**

|   |           |          |          |          |          |          |          |          |          |          |
|---|-----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| Per Capita                                | \$ 308.55 | \$ 76.45 | \$ 15.45 | \$ 21.15 | \$ 21.02 | \$ 26.24 | \$ 30.40 | \$ 34.84 | \$ 39.19 | \$ 43.36 |
| Per FTSE                                  | 14,148    | 3,515    | 686      | 934      | 962      | 1,299    | 1,640    | 1,914    | 2,194    | 2,357    |
| As a Percentage of Taxable Assessed Value | 0.61%     | 0.17%    | 0.04%    | 0.05%    | 0.06%    | 0.07%    | 0.09%    | 0.11%    | 0.13%    | 0.15%    |

**Total Outstanding Debt Ratios**

|   |           |           |          |          |          |          |          |          |          |          |
|---|-----------|-----------|----------|----------|----------|----------|----------|----------|----------|----------|
| Per Capita                                | \$ 357.76 | \$ 122.95 | \$ 62.72 | \$ 70.66 | \$ 66.01 | \$ 70.73 | \$ 53.77 | \$ 60.56 | \$ 66.95 | \$ 73.38 |
| Per FTSE                                  | \$ 16,404 | \$ 5,653  | \$ 2,783 | \$ 3,120 | \$ 3,020 | \$ 3,502 | \$ 2,901 | \$ 3,328 | \$ 3,748 | \$ 3,989 |
| As a Percentage of Taxable Assessed Value | 0.71%     | 0.27%     | 0.15%    | 0.17%    | 0.17%    | 0.20%    | 0.16%    | 0.19%    | 0.22%    | 0.25%    |

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  
 Legal Debt Margin Information  
 Last Ten Fiscal Years  
 (Unaudited)

|  | For the Year Ended August 31 (amounts expressed in thousands) |               |               |               |               |               |               |               |               |               |
|--|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
|  | 2007  | 2006          | 2005          | 2004          | 2003          | 2002          | 2001          | 2000          | 1999          | 1998          |
| Net Taxable Assessed Value   | \$ 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 | \$ 39,386,652 |
| General Obligation Bonds   |   |               |               |               |               |               |               |               |               |               |
| Statutory Tax Levy Limit for Debt Service                            | 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     | 6,459,805     |
| Less: Funds Restricted for Repayment of General Obligation Bonds     | 2,297   | 1,626         | 2,532         | 2,015         | 1,454         | 1,455         | 1,799         | 332           | -             | -             |
| Total Net General Obligation Debt                                    | 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     | 6,459,805     |
| Current Year Debt Service Requirements                               | 27,618  | 5,847         | 6,220         | 8,328         | 8,311         | 12,208        | 12,368        | 12,512        | 12,647        | 13,252        |
| Excess of Statutory Limit for Debt Service Over Current Requirements | \$ 12,119,134   | \$ 10,613,369 | \$ 9,819,305  | \$ 9,314,709  | \$ 8,611,252  | \$ 8,263,353  | \$ 7,558,566  | \$ 7,073,951  | \$ 6,563,555  | \$ 6,446,553  |
| Net Current Requirements as a % of Statutory Limit                   | 0.21%   | 0.04%         | 0.04%         | 0.07%         | 0.08%         | 0.13%         | 0.14%         | 0.17%         | 0.19%         | 0.21%         |
| 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                       | 0.09230   | 0.09230       | 0.09230       | 0.09230       | 0.09230       | 0.08980       | 0.08980       | 0.08743       | 0.09099       | 0.08599       |
| Statutory Tax Limit: Debt Service                                    | 0.15770   | 0.15770       | 0.15770       | 0.15770       | 0.15770       | 0.16020       | 0.16020       | 0.16257       | 0.15901       | 0.16401       |

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 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  
Pledged Revenue Coverage  
Last Ten Fiscal Years  
(Unaudited)**

**Revenue Bonds**

| Fiscal Year<br>Ended August 31 | Pledged Revenues (\$000 omitted) |                |                      |                      |           | Debt Service Requirements (\$000 omitted) |          |          | Coverage<br>Ratio |
|--------------------------------|----------------------------------|----------------|----------------------|----------------------|-----------|---|----------|----------|-------------------|
|                                | Tuition                          | General<br>Fee | Investment<br>Income | Auxilliary<br>Income | Total     | Principal                                 | Interest | Total    |                   |
| 2007                           | \$ 12,783 (2)                    | \$14,038       | \$ 5,034             | \$ 3,232             | \$ 35,087 | \$ 2,650                                  | \$ 3,159 | \$ 5,809 | 6.23              |
| 2006                           | 11,790 (2)                       | 13,038         | 3,194                | 2,826                | 30,848    | 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                | 24,276    | 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              |
| 1998                           | 1,336 (1)                        | 4,079          | 2,791                | 1,488                | 9,694     | 2,450                                     | 2,603    | 5,053    | 1.92              |

(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  
Demographic and Economic Statistics  
Last 10 Calendar Years  
(Unaudited)**

| Calendar<br>Year | District<br>Population | District Personal<br>Income<br>(\$ Thousands of<br>Dollars) | District Personal<br>Income<br>Per Capita | District<br>Unemployment<br>Rate |
|------------------|------------------------|---|---|----------------------------------|
| 2006             | 1,555,592              | 49,115,414 *  | 32,076 *                                  | 4.7%                             |
| 2005             | 1,518,370              | 46,776,585  | 30,843                                    | 5.1%                             |
| 2004             | 1,492,361              | 43,888,472  | 29,435                                    | 5.8%                             |
| 2003             | 1,466,101              | 41,382,567  | 28,253                                    | 6.2%                             |
| 2002             | 1,441,574              | 39,571,644  | 27,453                                    | 5.8%                             |
| 2001             | 1,415,473              | 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%                             |
| 1997             | 1,340,235              | 30,231,497  | 22,557                                    | 4.2%                             |

Source: Texas Workforce Commission, LMI Tracer, Data Link

\* Data are estimates. Actual 2006 available from Texas Workforce Commission January 2008.

Alamo Community College District  
 Principal Employers  
 Current Fiscal Year  
 (Unaudited)

| <b>Employer</b>                       | <b>Number of<br/>Employees</b> | <b>Percentage of<br/>Total<br/>Employment</b> |
|---------------------------------------|--------------------------------|---|
| Lackland Air Force Base               | 23,227                         | 2.80%   |
| HEB Food Stores                       | 14,588                         | 1.80%   |
| USAA                                  | 14,258                         | 17.00%  |
| Northside Independent School District | 12,701                         | 1.50%   |
| Ft. Sam Houston                       | 11,735                         | 1.40%   |
| City of San Antonio                   | 11,239                         | 1.30%   |
| Northeast Independent School District | 7,557                          | 0.90%   |
| Randolph Air Force Base               | 7,506                          | 0.90%   |
| Methodist Healthcare System           | 6,520                          | 0.80%   |
| AT & T, Inc.                          | 5,611                          | 0.70%   |
| <b>Total</b>                          | <b>114,942</b>                 | <b>29.10%</b>                                 |

Source:  
 City of San Antonio Planning Office

**Alamo Community College District**  
**Faculty, Staff, and Administrative Statistics**  
**Last Ten Fiscal Years**  
**(Unaudited)**

|  | 2007     | 2006     | 2005     | 2004     | 2003     | 2002     | 2001     | 2000     | 1999     | 1998     |
|--|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| <b>Faculty - FT</b>                              | 1,052    | 992      | 992      | 964      | 961      | 915      | 869      | 828      | 838      | 816      |
| <b>Faculty - PT</b>                              | 3,011    | 3,052    | 3,345    | 3,228    | 3,034    | 2,771    | 2,572    | 2,597    | 2,681    | 2,448    |
| <b>Faculty - Total</b>                           | 4,063    | 4,044    | 4,337    | 4,192    | 3,995    | 3,686    | 3,441    | 3,425    | 3,519    | 3,264    |
| <b>Faculty - % FT</b>                            | 25.89%   | 24.53%   | 22.87%   | 23.00%   | 24.06%   | 24.82%   | 25.25%   | 24.18%   | 23.81%   | 25.00%   |
| <b>Faculty - % PT</b>                            | 74.11%   | 75.47%   | 77.13%   | 77.00%   | 75.94%   | 75.18%   | 74.75%   | 75.82%   | 76.19%   | 75.00%   |
| <b>Staff &amp; Administrators FT</b>             | 1,814    | 1,720    | 1,620    | 1,568    | 1,516    | 1,418    | 1,305    | 1,239    | 1,206    | 1,152    |
| <b>Staff &amp; Administrators PT</b>             | 930      | 926      | 1,050    | 964      | 1,079    | 1,195    | 1,094    | 1,042    | 1,178    | 1,184    |
| <b>Staff &amp; Administrators Total</b>          | 2,744    | 2,646    | 2,670    | 2,532    | 2,595    | 2,613    | 2,399    | 2,281    | 2,384    | 2,336    |
| <b>Staff &amp; Administrators % FT</b>           | 66.11%   | 65.00%   | 60.67%   | 61.93%   | 58.42%   | 54.27%   | 54.40%   | 54.32%   | 50.59%   | 49.32%   |
| <b>Staff &amp; Administrators % PT</b>           | 33.89%   | 35.00%   | 39.33%   | 38.07%   | 41.58%   | 45.73%   | 45.60%   | 45.68%   | 49.41%   | 50.68%   |
| <b>Full-time Student Equivalents</b>             | 33,428   | 32,392   | 33,207   | 33,018   | 31,509   | 28,796   | 26,117   | 25,348   | 24,469   | 24,860   |
| <b>Students per FT Faculty Member</b>            | 31.8     | 32.7     | 33.5     | 34.3     | 32.8     | 31.5     | 30.1     | 30.6     | 29.2     | 30.5     |
| <b>Students per FT Staff &amp; Admin. Member</b> | 18.4     | 18.8     | 20.5     | 21.1     | 20.8     | 20.3     | 20.0     | 20.5     | 20.3     | 21.6     |
| <b>Average Annual FT Faculty Salary</b>          | \$51,240 | \$50,142 | \$49,752 | \$48,415 | \$48,189 | \$46,939 | \$45,476 | \$42,435 | \$41,553 | \$40,870 |

Alamo Community College District  
Enrollment Details  
Last Five Fiscal Years  
(Unaudited)

| Student Classification | Fall 2006 |         | Fall 2005 |         | Fall 2004 |         | Fall 2003 |         | Fall 2002 |         |
|------------------------|-----------|---------|-----------|---------|-----------|---------|-----------|---------|-----------|---------|
|                        | Number    | Percent | Number    | Percent | Number    | Percent | Number    | Percent | Number    | Percent |
| 00-30                  | 28,393    | 57.43%  | 28,211    | 57.52%  | 28,931    | 58.38%  | 28,305    | 59.33%  | 27,175    | 60.39%  |
| 31-60                  | 14,488    | 29.30%  | 14,486    | 29.53%  | 14,273    | 28.80%  | 13,198    | 27.66%  | 11,972    | 26.61%  |
| > 60 hours             | 6,515     | 13.18%  | 6,285     | 12.81%  | 6,246     | 12.60%  | 6,027     | 12.63%  | 5,582     | 12.40%  |
| * >60 hours            | 45        | 0.09%   | 66        | 0.14%   | 106       | 0.22%   | 177       | 0.38%   | 269       | 0.60%   |
| Total                  | 49,441    | 100.00% | 49,048    | 100.00% | 49,556    | 100.00% | 47,707    | 100.00% | 44,998    | 100.00% |

| Semester Hour Load     | Fall 2006 |         | Fall 2005 |         | Fall 2004 |         | Fall 2003 |         | Fall 2002 |         |
|------------------------|-----------|---------|-----------|---------|-----------|---------|-----------|---------|-----------|---------|
|                        | Number    | Percent | Number    | Percent | Number    | Percent | Number    | Percent | Number    | Percent |
| Less than 3            | 435       | 0.88%   | 450       | 0.92%   | 502       | 1.01%   | 357       | 0.75%   | 272       | 0.60%   |
| 3 - 5 Semester Hours   | 8,786     | 17.77%  | 8,677     | 17.69%  | 8,433     | 17.02%  | 7,689     | 16.12%  | 7,733     | 17.19%  |
| 6 - 8 Semester Hours   | 14,158    | 28.64%  | 14,159    | 28.87%  | 14,557    | 29.37%  | 13,921    | 29.18%  | 12,748    | 28.33%  |
| 9 - 11 Semester Hours  | 8,743     | 17.68%  | 8,625     | 17.58%  | 8,658     | 17.47%  | 8,211     | 17.21%  | 8,028     | 17.84%  |
| 12 - 14 Semester Hours | 15,092    | 30.52%  | 15,131    | 30.85%  | 15,157    | 30.59%  | 15,203    | 31.87%  | 13,903    | 30.90%  |
| 15 - 17 Semester Hours | 1,969     | 3.98%   | 1,805     | 3.68%   | 1,989     | 4.01%   | 1,952     | 4.09%   | 2,037     | 4.53%   |
| 18 & Over              | 259       | 0.53%   | 201       | 0.41%   | 260       | 0.53%   | 374       | 0.78%   | 277       | 0.61%   |
| Total                  | 49,442    | 100.00% | 49,048    | 100.00% | 49,556    | 100.00% | 47,707    | 100.00% | 44,998    | 100.00% |
| Average Course Load    | 8.7       |         | 8.67      |         | 8.71      |         | 8.85      |         | 8.82      |         |

| Tuition Status                   | Fall 2006 |         | Fall 2005 |         | Fall 2004 |         | Fall 2003 |         | Fall 2002 |         |
|----------------------------------|-----------|---------|-----------|---------|-----------|---------|-----------|---------|-----------|---------|
|                                  | Number    | Percent | Number    | Percent | Number    | Percent | Number    | Percent | Number    | Percent |
| Texas Resident (In-District)     | 41,589    | 84.12%  | 41,438    | 84.48%  | 42,218    | 85.19%  | 40,492    | 84.88%  | 38,607    | 85.80%  |
| Texas Resident (Out-of-District) | 5,593     | 11.31%  | 5,322     | 10.85%  | 5,140     | 10.37%  | 5,091     | 10.67%  | 4,496     | 9.99%   |
| Non-Resident Tuition             | 812       | 1.64%   | 748       | 1.53%   | 656       | 1.32%   | 658       | 1.38%   | 728       | 1.62%   |
| Tuition Exemption/Other          | 926       | 1.87%   | 1,106     | 2.25%   | 1,174     | 2.37%   | 1,167     | 2.45%   | 982       | 2.18%   |
| Foreign                          | 522       | 1.06%   | 434       | 0.89%   | 368       | 0.75%   | 299       | 0.62%   | 185       | 0.41%   |
| Total                            | 49,442    | 100.00% | 49,048    | 100.00% | 49,556    | 100.00% | 47,707    | 100.00% | 44,998    | 100.00% |

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

Alamo Community College District  
 Student Profile  
 Last Five Fiscal Years  
 (Unaudited)

|        | Fall 2006 |         | Fall 2005 |         | Fall 2004 |         | Fall 2003 |         | Fall 2002 |         |
|--------|-----------|---------|-----------|---------|-----------|---------|-----------|---------|-----------|---------|
|        | Number    | Percent | Number    | Percent | Number    | Percent | Number    | Percent | Number    | Percent |
| Gender |           |         |           |         |           |         |           |         |           |         |
| Female | 29,326    | 59.31%  | 29,342    | 59.82%  | 29,712    | 59.96%  | 28,310    | 59.34%  | 26,605    | 59.12%  |
| Male   | 20,116    | 40.69%  | 19,706    | 40.18%  | 19,844    | 40.04%  | 19,397    | 40.66%  | 18,393    | 40.88%  |
| Total  | 49,442    | 100.00% | 49,048    | 100.00% | 49,556    | 100.00% | 47,707    | 100.00% | 44,998    | 100.00% |

|                  | Fall 2006 |         | Fall 2005 |         | Fall 2004 |         | Fall 2003 |         | Fall 2002 |         |
|------------------|-----------|---------|-----------|---------|-----------|---------|-----------|---------|-----------|---------|
|                  | Number    | Percent | Number    | Percent | Number    | Percent | Number    | Percent | Number    | Percent |
| Ethnic Origin    |           |         |           |         |           |         |           |         |           |         |
| White            | 19,782    | 40.01%  | 19,588    | 39.94%  | 19,321    | 38.99%  | 18,225    | 38.20%  | 17,014    | 37.81%  |
| Hispanic         | 24,499    | 49.55%  | 24,427    | 49.80%  | 25,065    | 50.58%  | 24,512    | 51.38%  | 23,416    | 52.04%  |
| African American | 3,337     | 6.75%   | 3,267     | 6.66%   | 3,496     | 7.05%   | 3,337     | 6.99%   | 3,042     | 6.76%   |
| Asian            | 1,250     | 2.53%   | 1,133     | 2.31%   | 1,058     | 2.13%   | 1,039     | 2.18%   | 980       | 2.18%   |
| Foreign          | 383       | 0.77%   | 380       | 0.77%   | 387       | 0.78%   | 373       | 0.78%   | 371       | 0.82%   |
| Native American  | 191       | 0.39%   | 253       | 0.52%   | 229       | 0.47%   | 221       | 0.47%   | 175       | 0.39%   |
| Total            | 49,442    | 100.00% | 49,048    | 100.00% | 49,556    | 100.00% | 47,707    | 100.00% | 44,998    | 100.00% |

|             | Fall 2006 |         | Fall 2005 |         | Fall 2004 |         | Fall 2003 |         | Fall 2002 |         |
|-------------|-----------|---------|-----------|---------|-----------|---------|-----------|---------|-----------|---------|
|             | Number    | Percent | Number    | Percent | Number    | Percent | Number    | Percent | Number    | Percent |
| Age         |           |         |           |         |           |         |           |         |           |         |
| Under 18    | 3,989     | 8.07%   | 4,034     | 8.22%   | 3,884     | 7.84%   | 3,593     | 7.53%   | 3,326     | 7.39%   |
| 18 - 21     | 19,388    | 39.21%  | 18,878    | 38.49%  | 18,630    | 37.59%  | 18,089    | 37.92%  | 16,929    | 37.62%  |
| 22 - 24     | 7,812     | 15.80%  | 7,768     | 15.84%  | 7,788     | 15.72%  | 7,392     | 15.49%  | 6,940     | 15.42%  |
| 25 - 35     | 11,965    | 24.20%  | 11,875    | 24.21%  | 12,298    | 24.82%  | 11,625    | 24.37%  | 11,118    | 24.71%  |
| 36 - 50     | 5,271     | 10.66%  | 5,450     | 11.11%  | 5,862     | 11.83%  | 5,944     | 12.46%  | 5,666     | 12.59%  |
| 51 and Over | 1,017     | 2.06%   | 1,043     | 2.13%   | 1,094     | 2.20%   | 1,064     | 2.23%   | 1,019     | 2.27%   |
| Total       | 49,442    | 100.00% | 49,048    | 100.00% | 49,556    | 100.00% | 47,707    | 100.00% | 44,998    | 100.00% |

|             |      |      |      |      |    |
|-------------|------|------|------|------|----|
| Average Age | 25.4 | 25.3 | 25.9 | 25.9 | 26 |
|-------------|------|------|------|------|----|



**Alamo Community College District**  
**Transfers to Senior Institutions**  
**2003 Fall Students as of Fall 2004**  
(Includes only public senior colleges in Texas)  
(Unaudited)

|               | Transfer<br>Student<br>Count<br>Academic | Transfer<br>Student<br>Count<br>Technical | Transfer<br>Student<br>Count<br>Tech-Prep | Total of all<br>Sample<br>Transfer<br>Students | % of all<br>Sample<br>Transfer<br>Students |        |
|---------------|--|---|---|--|--|--------|
| 1             | Angelo State University                  | 53  | 9   | 0  | 62   | 0.82%  |
| 2             | Lamar University                         | 9   | 1   | 0  | 10   | 0.13%  |
| 3             | Midwestern University                    | 5   | 4   | 1  | 10   | 0.13%  |
| 4             | Prairie View A&M                         | 38  | 5   | 0  | 43   | 0.57%  |
| 5             | Sam Houston State                        | 39  | 9   | 2  | 50   | 0.66%  |
| 6             | Texas State University                   | 776                                       | 172                                       | 15   | 963  | 12.71% |
| 7             | Stephen F. Austin                        | 28  | 5   | 1  | 34   | 0.45%  |
| 8             | Sul Ross State Univ.                     | 15  | 2   | 1  | 18   | 0.24%  |
| 9             | Sul Ross - Rio Grande                    | 10  | 1   | 0  | 11   | 0.14%  |
| 10            | Tarleton State                           | 33  | 7   | 1  | 41   | 0.54%  |
| 11            | Texas A&M - International                | 16  | 3   | 0  | 19   | 0.25%  |
| 12            | Texas A&M                                | 661                                       | 141                                       | 3  | 805  | 10.62% |
| 13            | Texas A&M - Commerce                     | 2   | 0   | 0  | 2  | 0.03%  |
| 14            | Texas A&M - Corpus Christi               | 105                                       | 21  | 1  | 127  | 1.67%  |
| 15            | Texas A&M - Galveston                    | 16  | 1   | 0  | 17   | 0.22%  |
| 16            | Texas A&M - Kingsville                   | 477                                       | 89  | 6  | 572  | 7.55%  |
| 17            | Texas Southern University                | 18  | 1   | 0  | 19   | 0.25%  |
| 18            | Texas Tech                               | 203                                       | 30  | 1  | 234  | 3.09%  |
| 19            | Texas Women's Univ.                      | 14  | 2   | 0  | 16   | 0.21%  |
| 20            | UT - Pan Am.                             | 34  | 6   | 0  | 40   | 0.53%  |
| 21            | UT - Arlington                           | 28  | 2   | 0  | 30   | 0.40%  |
| 22            | UT - Austin                              | 614                                       | 105                                       | 11   | 730  | 9.63%  |
| 23            | UT - Brownsville                         | 6   | 0   | 0  | 6  | 0.08%  |
| 24            | UT - Dallas                              | 9   | 3   | 0  | 12   | 0.16%  |
| 25            | UT - El Paso                             | 8   | 2   | 1  | 11   | 0.14%  |
| 26            | UT - San Antonio                         | 2,998                                     | 515                                       | 27   | 3,450                                      | 45.52% |
| 27            | UT - Permian Basin                       | 8   | 2   | 0  | 10   | 0.13%  |
| 28            | UT - Tyler                               | 2   | 0   | 0  | 2  | 0.03%  |
| 29            | Univ of Houston                          | 55  | 22  | 0  | 77   | 1.01%  |
| 30            | Univ of Houston - Downtown               | 5   | 1   | 0  | 6  | 0.08%  |
| 31            | Univ of Houston - Clear Lake             | 4   | 1   | 0  | 5  | 0.07%  |
| 32            | Univ of Houston - Victoria               | 3   | 0   | 0  | 3  | 0.04%  |
| 33            | Univ of North Texas                      | 112                                       | 19  | 0  | 131  | 1.73%  |
| 34            | West Texas A&M                           | 11  | 2   | 0  | 13   | 0.17%  |
| <b>Totals</b> | <b>6,415</b>                             | <b>1,183</b>                              | <b>71</b>                                 | <b>7,579</b>                                   | <b>100.00%</b>                             |        |

Alamo Community College District  
 Capital Asset Information  
 Fiscal Years 2003 to 2007  
 (Unaudited)

|                                      | Fiscal Year |           |           |           |           |
|--------------------------------------|-------------|-----------|-----------|-----------|-----------|
|                                      | 2007        | 2006      | 2005      | 2004      | 2003      |
| Academic Buildings                   | 88          | 70        | 69        | 66        | 63        |
| Square Footage (in thousands)        | 2,132,353   | 2,132,353 | 2,100,353 | 2,064,594 | 1,989,131 |
| Libraries                            | 6           | 6         | 5         | 5         | 5         |
| Square Footage (in thousands)        | 193,404     | 193,404   | 187,644   | 187,644   | 187,644   |
| Number of Volumes (in thousands)     | 674,638     | 482,047   | 504,035   | 540,377   | 553,791   |
| Administrative and Support Buildings | 15          | 15        | 15        | 15        | 15        |
| Square Footage (in thousands)        | 147,380     | 147,380   | 147,380   | 147,380   | 147,380   |
| 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)        | 48,085      | 48,085    | 48,085    | 48,085    | 44,271    |
| Average Daily Customers              | 2,259       | 2,395     | 2,722     | 2,816     | 2,992     |
| Athletic Facilities                  | 4           | 4         | 4         | 4         | 4         |
| Square Footage (in thousands)        | 191,706     | 191,706   | 191,706   | 191,706   | 191,706   |
| Stadiums                             | 0           | -         | -         | -         | -         |
| Gymnasium Buildings                  | 4           | 4         | 4         | 4         | 4         |
| Fitness Centers                      | 4           | 4         | 4         | 4         | 4         |
| Tennis Courts                        | 8           | 8         | 8         | 8         | 8         |
| Swimming Pools                       | 4           | 4         | 4         | 4         | 4         |
| Plant Facilities                     | 4           | 4         | 4         | 4         | 4         |
| Square Footage (in thousands)        | 38,115      | 38,115    | 38,115    | 38,115    | 38,115    |
| Transportation                       |             |           |           |           |           |
| Cars                                 | 34          | 42        | 35        | 34        | 29        |
| Trucks/Vans                          | 68          | 85        | 59        | 50        | 40        |
| Buses                                | 2           | 2         | 2         | 2         | 2         |
| ADA Parking Spots                    | 317         | 317       | 301       | 283       | 283       |
| Non ADA Parking Spots                | 8,944       | 8,944     | 8,694     | 8,432     | 8,432     |

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