

TEMPLE COLLEGE

Temple, Texas

Annual Financial and Compliance Reports

for the Year Ended August 31, 2008

TEMPLE COLLEGE

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**TEMPLE COLLEGE
 ORGANIZATIONAL DATA
 For the Year Ended August 31, 2008**

Board of Trustees

		Term Expires
Mr. Jack W. Jones, Jr.	Chair	May 2010
Walter P. Dyck, M.D.	Vice Chair	2010
Mrs. Judy Moralaes	Secretary	2010
Paxton H. Howard, Jr., M.D.		2012
Anne Penney Newton, Ph.D.		2012
Mr. Stephen H. Niemeier		2014
Mrs. Lydia Santibanez		2014
Mr. Michael W. Thompson		2012
Mr. Larry J. Wilkerson		2014

Officers

Glenda O. Barron, B.S., M.Ed., Ph.D.	President
A. Wayne Criswell, B.B.A., M.B.A.	Vice President of Administrative Services
Mark Smith, B.G.S., M.B.A.	Interim Vice President of Educational Services & Chief Academic Officer



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**INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL
STATEMENTS AND SUPPLEMENTAL INFORMATION**

Board of Trustees
Temple College
Temple, Texas

We have audited the accompanying financial statements of Temple College, as of and for the year ended August 31, 2008, as listed in the table of contents. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the State of Texas Single Audit Circular. 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 Temple College as of August 31, 2008, and the results of its operations and 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 also issued our report dated December 11, 2008, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying management's discussion and analysis on pages 4 through 14 is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the

**INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL
STATEMENTS AND SUPPLEMENTAL INFORMATION (CONTINUED)**

required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying statistical supplements, as described in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards and schedule of expenditures of state awards are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State of Texas Single Audit Circular, and are also not a required part of the financial statements. Such information, except for that portion marked "unaudited" (the statistical supplements) on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

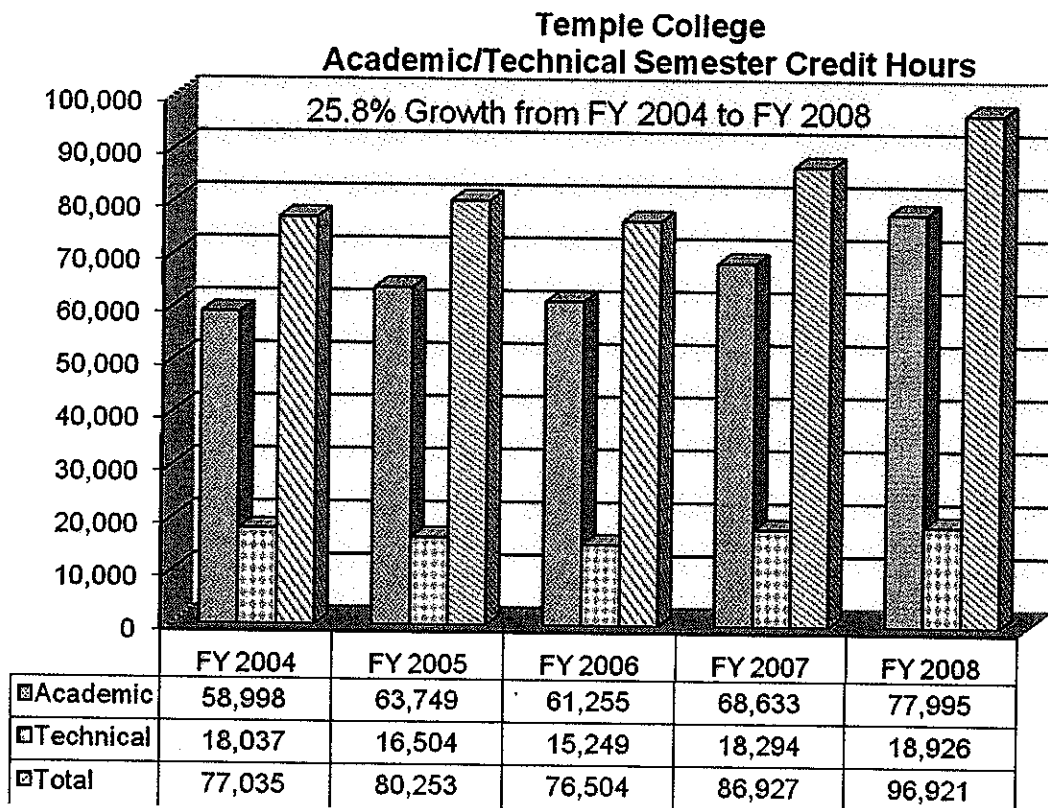
Lott, Vernon & Co, P.C.

Temple, Texas
December 11, 2008

This discussion and analysis of Temple College financial statements provides an overview of College financial activities for the year ended August 31, 2008. Management has prepared the financial statements and the related footnote disclosures and this discussion and analysis statement. Responsibility for the completeness and fairness of this information is that of the College management. The current report, for the year ended August 31, 2008, is issued under the Governmental Accounting Standards Board (GASB) Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments." This accounting policy established the reporting format for governmental annual financial statements. The State of Texas elected to adopt these new reporting standards in the fiscal year 2001-2002, and Temple College as a component unit of state government converted its financial reporting to the GASB 34 format. The following sections present comparative financial data as called for by the reporting principle.

Financial and Enrollment Highlights

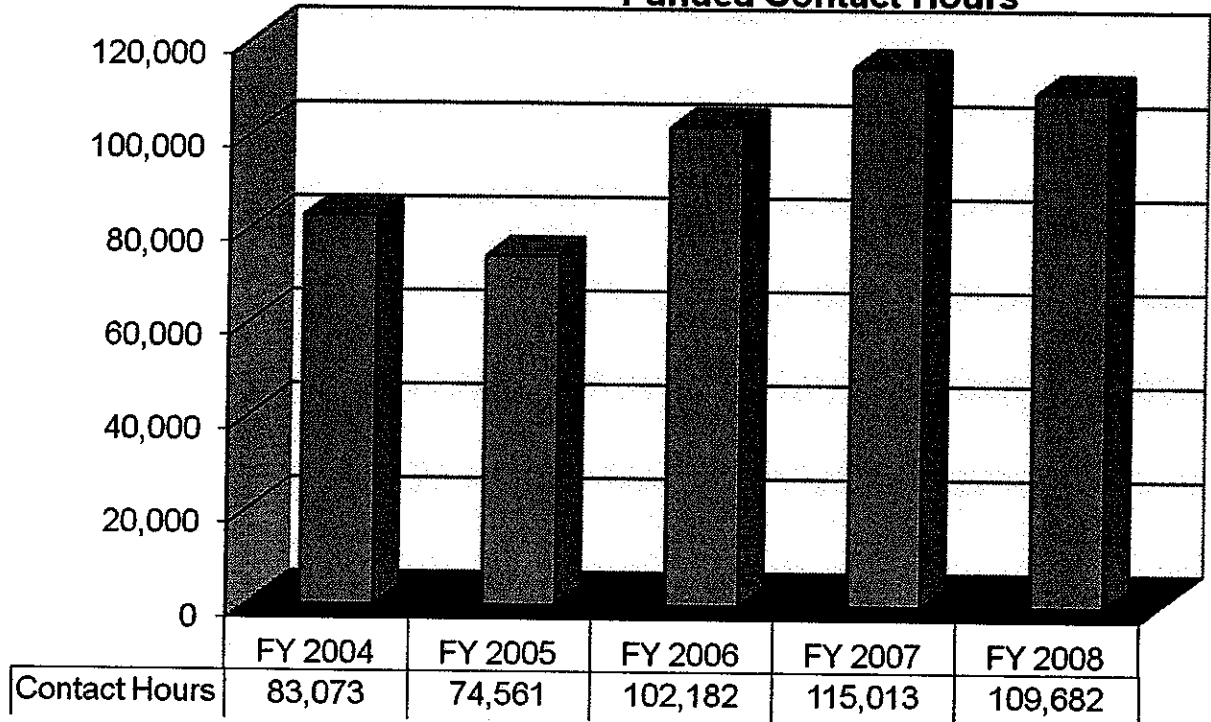
- ◆ Enrollment in the academic/technical programs increased 11.5% over the prior year from 86,927 semester hours to 96,921 hours. Growth over the five (5) year period has shown a 25.8% increase. However, during the same period, state funding per full-time student equivalent has decreased 9% (see State Appropriations per FTSE in Statistical Supplement section).



TEMPLE COLLEGE

- ◆ Enrollment in the Continuing Education/Adult Division decreased 4.6 % compared to the FY 2007 production.

**Temple College Continuing Education
Funded Contact Hours**



Tuition/Fee totals by resident type for this period were:

	<u>Fall, 2007</u>	<u>Fall, 2008</u>
In-District Resident	\$70/semester hour	\$70/semester hour
Out-of-District Resident	\$110/semester hour	\$110/semester hour
Out-of-State Resident	\$176/semester hour	\$176/semester hour

Students taking Health Science courses are charged an additional \$10/SCH. This tuition is a 14% increase for Health Science programs for resident students compared to general academic and other technical courses.

- ◆ The district property tax rate for FY 2007-2008 was increased from the prior year from \$0.20/\$100 value to \$0.2180, a 9% jump. This rate is the combined debt and maintenance/operation rate (see schedule in statistical supplement). The rate was increased to fund the 2007 Series GO Bond for construction of the Science Laboratory Building and renovations to the Newton Science Building and the Mary Alice Marshall Performing Arts Center facility.
- ◆ State funding (allocations) for instruction and institutional support increased 14.7% for FY 2008 compared to the prior year. However, this funding level is less than the State contributed per FTSE a decade earlier for 1998-99 (not adjusted for inflation-see Statistical Supplement 6). The cost of attending a community college has dramatically shifted from the State to the student and local taxpayer.

The Annual Report

This report consists of three basic financial statements. The statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows provide information on the College as a whole (excluding the Temple College Foundation activities) and presents a long-term view of the financial position of the College. One of the most important questions asked about finances is, "Is Temple College as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets report information on total institution activities in a way that helps to answer this question. When revenues and other support exceed expenses, the result is an increase in net assets. When the reverse occurs, the result is a decrease in net assets. The relationship between revenues and expenses can be thought of as Temple College's operating results.

These two statements report the College's net assets and changes in them. The difference between assets and liabilities is one way to measure the financial health or financial position of Temple College. Over time, increases or decreases in the College net assets are one indicator of whether its financial health is improving. However, several non-financial factors are relevant as well, such as the trend and quality of applicants, freshman class size, student retention, faculty use of technology, building condition, campus safety, and quality of student services, to completely assess the overall health of the College.

These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting method used by most private-sector institutions. All current year revenues and expenses are reflected regardless of when cash is received or paid.

Statement of Net Assets

Cash and short-term investment balances decreased compared to the prior year; the decrease being due to large bond sales in FY 2007. These two bond sales – the 2006 Revenue Issue (\$2,301,705) and the 2007 G.O. Issue (\$7,435,000) were used for funding the construction of a new Science Laboratory building, renovation of the Arnold Student Center and renovation of the existing Newton Science Building.

Receivables include delinquent property taxes, student installment accounts for the Fall term, continuing education course sales, miscellaneous vendor items, State appropriations and State/Federal grants and payments in process. Deferred Expense increased compared to the prior year chiefly due to timing and increased volume of Federal Student Financial Aid awards processing (over \$650,000 increase) at August 31, 2008. Other receivable categories were consistent with the prior year.

Long-term investments include both unrestricted cash related to unencumbered fund balances and endowment corpus. The majority of long-term investments held by Temple College are endowment investments (approximately \$598,000) in U.S. Treasury, Federal Agency bonds and Certificates of Deposit.

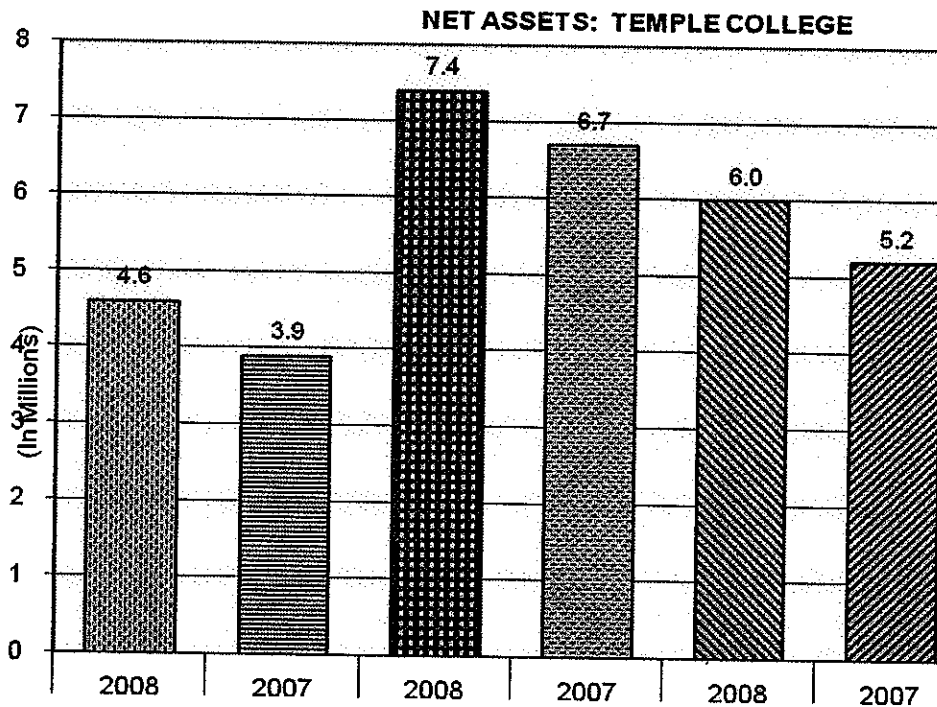
TEMPLE COLLEGE

**NET ASSETS, END OF YEAR
(In Millions)
TEMPLE COLLEGE**

	8/31/2008	8/31/2007
Current Assets	26.7	29.3
Non-Current Assets	34.2	28.2
Total Assets	60.9	57.5
Current Liabilities	12.7	9.8
Non-Current Liabilities	30.2	31.9
Total Liabilities	42.9	41.7
Net Assets:		
Invested in capital assets, net of related debt	4.6	3.9
Restricted	7.4	6.7
Unrestricted	6.0	5.2
Total Net Assets	18.0	15.8

Increase in Net Assets

2.2



Most of the College's unrestricted net assets have been designated for operating contingencies. The College has been actively involved in an eleven-year facility construction and deferred maintenance renewal program. Debt service requirements have increased substantially during this period; however, the College now possesses more

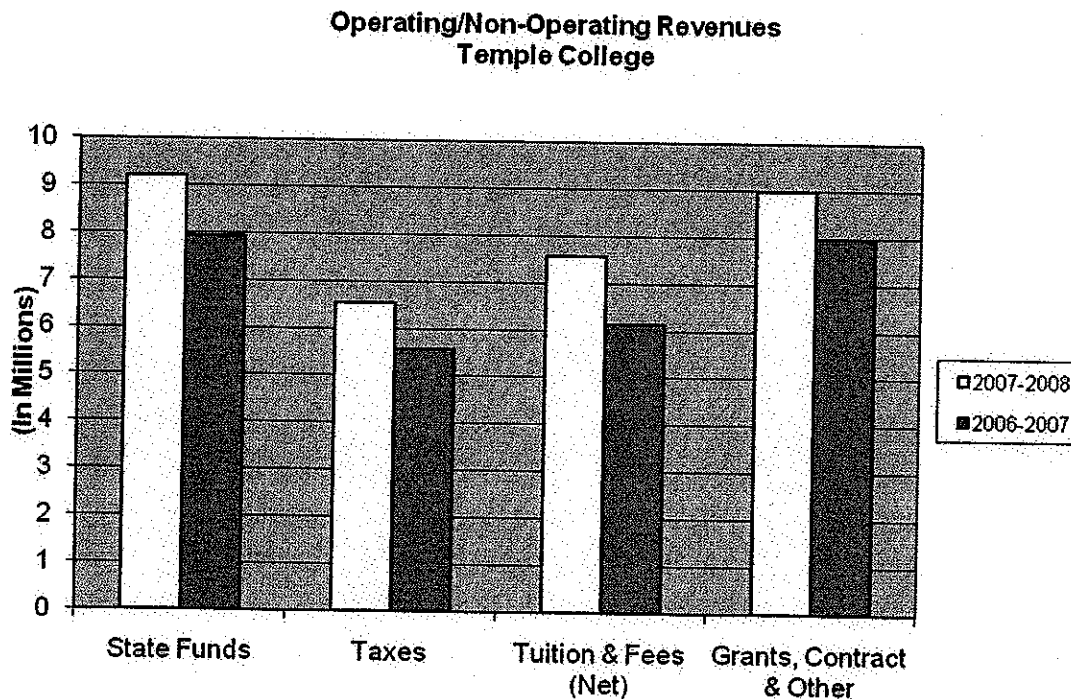
TEMPLE COLLEGE

efficient and modern facilities to support enrollment growth. Deferred revenue increased compared to prior year due to enrollment growth this year.

Compensable absences (vacation/sick leave) increased this year to almost \$700,000 and is a material liability to the College.

Statement of Revenues, Expenses and Changes in Net Assets

The Statement of Revenues, Expenses and Changes in Net Assets presents the annual operating results for the College, as well as all non-operating revenues and expenses.



Tuition and fee revenue, net of exemption allowances, increased by 23% in FY 2008 (see above graphic). No tuition increase was levied for this year (FY 2008). The special local exemption type (House Bill 100 and Dual Credit) increased from \$642,625 to \$856,622 (a 33% increase) this year. The Temple College tuition schedule ranks in the top 20% of community college pricing (FY 2008-09 data) in Texas; however, the primary component that causes the higher rate is the building use fee charge. This charge is restricted for payment of debt service costs related to facility construction and renewals of new or renovated student classroom buildings on campus. Temple College has been on a major campus renewal and expansion program for the past 13 years and consequently, incurred substantial capital debt.

State allocations (appropriations) for instructional and support purposes increased 14.7% compared to the prior fiscal period. FY 2008 is the first year of the new biennium.

TEMPLE COLLEGE

This State Appropriation amount (\$2,103/FTSE) is less than the similar funding (\$2,158/FTSE) that was provided 10 years earlier in the 1998-99 fiscal year (see Schedule 6 in Statistical Supplement for FTSE funding).

Auxiliary Enterprise revenues consist, for Temple College, of bookstore revenue, vending sales and golf course lease income. In FY 2005, the student service fee was eliminated due to potential legal challenges to the College's legislative authority to levy this type fee. The elimination of this fee essentially eliminated auxiliary revenue of the College. Legislation has since been provided that permits charging of this type fee; however, it has not been reinstated.

The revenue category of grants, contracts and other primarily consists of Federal Title IV programs for student financial assistance, i.e., Pell Grants, SEOG and FWS Programs. Private gifts, miscellaneous sales and workforce training contracts are also included. The Federal grant programs revenue increased 11.1% in FY 2008 year. This increase was related to enrollment growth. The State grant revenue area increased this year due to grants received for the first student cohort of the Legacy Early College High School and a Texas Workforce Skills Development Grant for McClane Advanced Technology training award. Private gifts and contracts decreased slightly compared to the prior year.

Operating Expenses

A comparison chart is presented below of expense arranged in the natural classification categories.

OPERATING EXPENSES BY NATURAL CLASSIFICATION

(In Millions)

TEMPLE COLLEGE

	Year Ended 8/31/2008	Year Ended 8/31/2007
Operating Expenses		
Salaries:		
Faculty	6.9	6.2
Staff	6.5	6.3
Benefits	3.7	3.2
Other Expenses	10.4	8.2
Depreciation	1.2	1.2
Total Operating Expenses	28.7	25.1

Operating expenses by functional area are shown in the following schedule.

TEMPLE COLLEGE**OPERATING EXPENSES BY FUNCTION**

(In Millions)

TEMPLE COLLEGE

	Year Ended <u>8/31/2008</u>	Year Ended <u>8/31/2007</u>
Educational & General		
Instruction	10.4	9.9
Public Service	1.5	1.0
Academic Support	1.8	1.6
Student Services	2.0	1.8
Institutional Support	4.6	3.8
Operations & Maintenance of Plant	2.3	2.0
Student Aid	4.1	3.0
Total Educational Activities	<u>26.7</u>	<u>23.1</u>
Auxiliary Enterprises	<u>0.9</u>	<u>0.8</u>
Depreciation	1.1	1.2
Total Operating Expenses	<u>28.7</u>	<u>25.1</u>

In the schedules of operating expenses shown above in the natural classification method and also by functional classification, the total expenditure increase in FY 2008 was about 14% greater than the prior year. The bulk of this increase is in the natural category of Salary Expenses and the functional categories of Instruction and Student Aid. Depreciation expense is a relatively new accounting requirement of GASB 34 and is intended to show statement readers, the asset loss each year on College facilities and equipment. The goal, of course, is to try to replace those facility losses with capital additions and deferred maintenance projects to offset these losses. Temple College, as well as most other colleges and universities, struggles with facility replacement issues and is gradually losing ground each year. This is not so noticeable at this time because the College, over the past 10 years, has infused over \$30 million in new facilities and renovations into the campus plant; however, as these investments slow due to high debt levels, the depreciation cost will exceed new plant investment for the next 10 year period unless new funding streams are provided. Due to the State reduction in funding for operating purposes, the College is forced to now use 60% of local property tax revenue for operations, instead of facility repair and replacement as was intended when the Community College funding formula was approved by the State Legislature.

Due to the continued effect of the reduction in State funding, salary increases were limited to 4% COLA adjustment in FY 2008. This inability to increase employee compensation substantially obviously has a negative morale impact and the College will tend to lose good employees if such practice continues. No salary increases were provided in the 2004 fiscal year, and only 3% in FY 2005, 4% in FY 2006, 3% in FY 2007. This salary average (2.8%/year) is inadequate to retain and attract quality faculty and staff.

TEMPLE COLLEGE

OPERATING RESULT FOR THE YEAR
(In Millions)

TEMPLE COLLEGE

	Year Ended 8/31/2008	Year Ended 8/31/2007
Operating Revenues		
Tuition & Fees	7.6	6.2
Grants, Contracts & Other	9.0	8.0
Total Operating Revenues	<u>16.6</u>	<u>14.2</u>
Operating Expenses	<u>28.7</u>	<u>25.1</u>
Net Operating Revenues (Expenses)	<u>(12.1)</u>	<u>(10.9)</u>
Non-Operating Revenues (Expenses)		
State Allocations	9.2	7.9
Maintenance & Obligation Ad Valorem Taxes	5.0	4.5
General Obligation Debt Taxes	1.6	1.0
Interest on Capital Related Debt	(1.4)	(1.1)
Other Non-Operating	(0.1)	0.3
Total Non-Operating Revenue(Expenses)	<u>14.3</u>	<u>12.6</u>
Increase (Decrease) in Net Assets	2.2	1.7
Net Assets-Beginning of Year	<u>15.8</u>	<u>14.1</u>
Net Assets-End of Year	<u>18.0</u>	<u>15.8</u>
Percent Increase/(Decrease)	13.9%	12.1%

Although, property taxes are considered a non-operating revenue by GASB, this revenue is a major component of the College operating budget. For FY 2008, the property tax rate was increased 9% due to the issuance of a \$7.5 million G.O. Tax Bond, Series 2007 for construction of a Science Laboratory facility.

	<u>Rate /\$100 Value</u>	
	<u>2008</u>	<u>2007</u>
Maintenance	\$0.1647	\$0.1630
Debt Service	0.0533	0.0370
Total	<u>\$0.2180</u>	<u>\$0.2000</u>

The net assessed valuation for the district increased 8.9% for FY 2008 to \$3,009,044,202 from the previous year (FY 2007) amount of \$2,762,506,979. The property tax rate cap for the Temple College district is \$0.25/\$100 valuation. This is the maximum permissible rate for both debt service requirements and operations combined.

TEMPLE COLLEGE

The Statement of Cash Flows

Another way to assess the health of an institution is to look at the Statement of Cash Flows. Its primary purpose is to provide relevant information about cash receipts and cash payments of an entity during a period. The Statement of Cash Flows also helps users assess:

- ◆ an entity's ability to generate future net cash flows
- ◆ its ability to meet its obligations as they come due
- ◆ its needs for external financing

The College liquidity position increased approximately \$122 thousand during this year ended August 31, 2008. The major components of this increase are listed below—

- ◆ Student receipts increased \$1.4 million.
- ◆ State appropriations increased \$1.2 million.
- ◆ Grant/contract revenue increased \$1.5 million.
- ◆ Payments to employees increased \$1.3 million.
- ◆ Payments to suppliers for goods and services increased \$1.3 million.
- ◆ Payments for scholarships increased \$1.1 million.
- ◆ Capital debt issues decreased \$17,500,000.
- ◆ Investment activities increased \$13.9 million.
- ◆ Cash used by capital activities (\$9.8 million).

CASH FLOWS FOR THE YEAR

(In Millions)

TEMPLE COLLEGE

	Year Ended 8/31/2008	Year Ended 8/31/2007
Cash provided (used) by:		
Operating activities	(9.7)	(8.8)
Non-capital financing activities	15.3	13.1
Capital and related financing activities	(9.8)	6.6
Investing activities	4.3	(9.6)
Net Increase (decrease) in cash	0.1	1.3
Cash, beginning of the year	2.7	1.4
Cash, end of the year	2.8	2.7

TEMPLE COLLEGE

Capital Asset and Debt Administration

At August 31, 2008, the College had \$45.1 million invested in capital assets, net of approximately \$12.6 million in accumulated depreciation.

CAPITAL ASSETS, NET OF DEPRECIATION

(In Millions)

TEMPLE COLLEGE

	Year Ended 8/31/2008	Year Ended 8/31/2007
Land & Land Improvements	\$ 0.6	\$ 0.5
Buildings	20.3	20.4
Facility Improvements	4.0	3.5
Construction in Progress	6.0	0.6
Furniture & Equipment	1.4	1.3
Library Materials	0.2	0.4
Totals	\$ 32.5	\$ 26.7

Library book depreciation was first required by GASB to be recorded in FY 2006. This convention essentially reduced the value of the College library holdings to an insignificant amount.

At year-end 2008, Temple College had approximately \$31 million in debt outstanding, a slight decrease from the prior year-end balance of \$33 million. The table below summarizes this amount by debt type. A \$7,500,000 General Obligation Tax Bond, Series 2007, was issued in the prior year to construct a new Science Laboratory Building and for the renovation of the existing Newton Science facility. Also, a \$10,000,000 Revenue and Refunding Bonds - Student Fee Issue, Series 2006, was issued in the prior year containing \$2,165,737 to provide funds to acquire, purchase, construct, improve, enlarge, equip, operate and/or maintain any property, buildings, structures, activities, operations or facilities of any nature; while the majority of the balance of the bond was for the refinancing of the Series 1996 and Series 2000 bonds.

OUTSTANDING DEBT, AT YEAR-END

TEMPLE COLLEGE

	Outstanding	
	8/31/2008	8/31/2007
Bonds/Capital Leases		
Revenue Bonds	\$14,389,586	\$14,979,586
General Obligation Bonds	14,860,000	15,600,000
Leases	2,035,894	2,164,406
TOTAL BONDS/LEASES	\$31,285,480	\$32,743,992

During FY 2008, all scheduled debt service requirements were paid.

Economic Factors That Will Affect the Future

The Texas Higher Education Coordinating Board adopted a future higher education plan, Closing the Gaps, in 2000. The plan is based on the population projections of State Demographer, Dr. Steve Murdoch. Dr. Murdoch articulated three population trends for Texas⁽¹⁾:

- 1) The population of Texas will show continuing and extensive growth by 71.5 to 148 per cent by 2040.
- 2) Texas will become a majority Hispanic state by as early as 2025.
- 3) By 2040, nearly 16 per cent of Texas' population will be 65 years of age or older; in 2000, this age group represented less than 10 per cent of the population.

Closing the Gaps articulated the challenge facing higher education in Texas;

At present, a large gap exists among racial/ethnic groups in both enrollment and graduation from the state's colleges and universities. Groups with the lowest enrollment and graduation rates will constitute a large proportion of the Texas population. If this gap is not closed, Texas will have proportionately fewer college graduates.

Temple College Board of Trustees and Administration remains optimistic that the citizens of Texas will support excellent educational opportunities for the next generations of students. We will pledge to contain costs and provide the best higher education facilities and faculty that are possible within the resources available. Community colleges are critical to job and economic growth in Texas by providing a trained and educated workforce.

⁽¹⁾ The Texas Challenge: Population Change and the Future of Texas

FINANCIAL STATEMENTS

Statement of Net Assets
August 31, 2008 and August 31, 2007

	<u>2008</u>	<u>2007</u>
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 2,054,943	\$ 2,164,442
Short Term Investments	18,001,254	21,805,734
Accounts Receivable (net)	2,700,481	2,014,698
Deferred Expense	3,982,481	3,327,194
Total Current Assets	<u>26,739,159</u>	<u>29,312,068</u>
Noncurrent Assets		
Restricted Cash and Cash Equivalents	794,893	563,724
Endowment Investments	582,959	624,694
Other Long-Term Investments	268,041	263,841
Capital Assets (net)(See note 6)	32,519,544	26,724,573
Total Noncurrent Assets	<u>34,165,437</u>	<u>28,176,832</u>
Total Assets	<u>\$ 60,904,596</u>	<u>\$ 57,488,900</u>
LIABILITIES		
Current Liabilities		
Accounts Payable	5,372,990	3,287,313
Deferred Revenue	5,047,427	4,712,800
Funds Held for Others	484,121	358,811
Capital Leases - Current Portion	130,539	128,512
Bonds Payable - Current Portion	1,630,000	1,330,000
Total Current Liabilities	<u>12,665,077</u>	<u>9,817,436</u>
Noncurrent Liabilities		
Accrued Compensable Absences	695,336	598,797
Capital Leases	1,905,355	2,035,894
Bonds Payable	27,619,586	29,249,586
Total Noncurrent Liabilities	<u>30,220,277</u>	<u>31,884,277</u>
Total Liabilities	<u>\$ 42,885,354</u>	<u>\$ 41,701,713</u>
NET ASSETS		
Invested in capital assets, net of related debt	4,582,865	3,906,448
Restricted for:		
Nonexpendable		
Student Aid	318,877	280,274
Endowment	620,206	696,205
Expendable		
Loan	40,488	49,186
Debt Service	6,475,856	5,685,995
Unrestricted	5,980,950	5,169,079
Total Net Assets (Schedule D)	<u>18,019,242</u>	<u>15,787,187</u>
Total Liabilities and Net Assets	<u>\$ 60,904,596</u>	<u>\$ 57,488,900</u>

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

Temple Junior College Foundation, Inc.
Statement of Financial Position
August 31, 2008 and 2007

Exhibit I-A

Assets	2008	2007
Current Assets:		
Cash and cash equivalents	\$ 302,431	\$ 388,630
Investments	522,677	554,328
Unconditional promises to give, less allowance for uncollectible promises of \$0 and \$0	90,072	28,537
Conditional promises to give, less allowance for uncollectible promises of \$0 and \$0	525,000	-
Total Current Assets	1,440,180	971,495
Endowment Investments:		
Cash and cash equivalents	138,763	159,971
Investments	2,713,639	1,778,444
Total Endowment Investments	2,852,402	1,938,415
Buildings, furniture, and equipment, net	7,254,374	7,554,940
Assets held in trust - long term	497,054	739,591
Long-term unconditional promises to give, less allowance for uncollectible promises of \$3,200 and \$3,200	18,000	34,800
Long-term conditional promises to give, less allowance for uncollectible promises of \$0 and \$0	7,000	79,405
Bond issuance costs, net of accumulated amortization of \$231,947 and \$197,155	811,818	846,610
Total Assets	\$ 12,880,828	\$ 12,165,256
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	\$ 103,743	\$ 63,416
Accrued vacation payable	21,560	21,560
Benefits payable	23,400	34,741
Due to management company	99,575	38,323
Accrued interest payable	325,165	325,165
Current portion - bonds payable	30,000	15,000
Deferred revenue	93,908	61,713
Tenant security deposits	24,051	3,081
Total Current Liabilities	721,402	562,999
Long-term Liabilities:		
Bonds payable, net of current portion and bond discount	10,943,603	10,976,329
Total Liabilities	11,665,005	11,539,328
Net Assets:		
Unrestricted Net Assets:		
Operating	(10,309,616)	(9,914,841)
Fixed assets	7,254,374	7,554,940
Total Unrestricted Net Assets	(3,055,242)	(2,359,901)
Temporarily restricted net assets	1,847,414	1,577,838
Permanently restricted net assets	2,423,651	1,407,991
Total Net Assets	1,215,823	625,928
Total Liabilities and Net Assets	\$ 12,880,828	\$ 12,165,256

Statement of Revenues, Expenses, and Changes in Net Assets
Years Ended August 31, 2008 and August 31, 2007

	<u>2008</u>	<u>2007</u>
Operating Revenues		
Tuition and Fees (Net of Allowances and Discounts \$3,419,775 and \$2,736,638, respectively)	\$ 7,580,630	\$ 6,152,820
Federal Grants and Contracts	6,695,700	6,039,428
State Grants and Contracts	942,675	505,441
Private, Gifts, Grants, and Contracts	425,973	458,432
Sales and Services of Educational Activities	1,451	5,153
Auxiliary Enterprises	251,482	220,860
General Operating Revenues	679,446	771,682
Total Operating Revenues (Schedule A)	<u>16,577,357</u>	<u>14,153,816</u>
Operating Expenses		
Instruction	10,405,804	9,857,398
Public Service	1,525,417	1,028,000
Academic Support	1,760,203	1,640,029
Student Services	1,995,854	1,755,489
Institutional Support	4,556,384	3,826,385
Operation and Maintenance of Plant	2,306,458	1,970,047
Scholarships and Fellowships	4,091,785	2,989,126
Auxiliary Enterprises	922,054	839,069
Depreciation	1,144,547	1,228,093
Total Operating Expenses (Schedule B)	<u>28,708,506</u>	<u>25,133,636</u>
Operating Loss	(12,131,149)	(10,979,820)
Non-Operating Revenues (Expenses)		
State Appropriations	9,217,752	7,941,603
Maintenance Ad Valorem Taxes	4,953,066	4,532,813
Debt Service Ad Valorem Taxes	1,587,818	1,026,467
Gifts	(23,573)	191,206
Investment Income	515,459	583,948
Interest on Capital Related Debt	(1,435,584)	(1,096,147)
Loss on Disposal of Fixed Assets	(16,841)	(3,958)
Other Non-Operating Revenues	737	9,696
Other Non-Operating Expenses	(435,630)	(546,876)
Net Non-Operating Revenues and Expenses (Schedule C)	<u>14,363,204</u>	<u>12,638,752</u>
Increase (Decrease) in Net Assets	2,232,055	1,658,932
Net Assets		
Net Assets - Beginning of Year	15,787,187	14,128,255
Net Assets - End of Year	<u><u>\$ 18,019,242</u></u>	<u><u>\$ 15,787,187</u></u>

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

Temple Junior College Foundation, Inc.
Statement of Activities
Year Ended August 31, 2008

Exhibit 2-A

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, Gains and Other Support				
Contributions	\$ 104,437	\$ 627,939	\$ 1,036,300	\$ 1,768,676
Special events	-	98,330	-	98,330
Interest and dividends	79,237	3,691	26,002	108,930
Rental income, net	881,906	-	-	881,906
Miscellaneous income	62,467	-	-	62,467
Assets released from restrictions	454,102	(407,460)	(46,642)	-
Total Revenues, Gains and Other Support	1,582,149	322,500	1,015,660	2,920,309
Expenses and Losses				
Programs:				
Rental operating expenses	459,681	-	-	459,681
Scholarship Awards	211,565	-	-	211,565
Special events	-	52,924	-	52,924
Total Programs	671,246	52,924	-	724,170
Administration	386,703	-	-	386,703
Other Expenses	1,093,626	-	-	1,093,626
Unrealized (gain) / losses	125,915	-	-	125,915
Total Expenses and Losses	2,277,490	52,924	-	2,330,414
Change in Net Assets	(695,341)	269,576	1,015,660	589,895
Net Assets as of Beginning of Year	(2,359,901)	1,577,838	1,407,991	625,928
Net Assets as of End of Year	\$ (3,055,242)	\$ 1,847,414	\$ 2,423,651	\$ 1,215,823

Statement of Cash Flows

For the Year Ended August 31, 2008 and August 31, 2007

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from students and other customers	\$ 7,012,712	\$ 5,657,567
Receipts from grants and contracts	8,713,977	7,253,601
Payments to or on behalf of employees	(17,072,910)	(15,748,598)
Payments to suppliers for goods and services	(4,251,762)	(2,956,335)
Payments for scholarships and fellowships	(4,110,106)	(2,994,249)
Net cash provided (used) by operating activities	<u>(9,708,089)</u>	<u>(8,788,014)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Receipts from state appropriations	9,217,752	7,941,603
Receipts from ad valorem taxes	6,528,740	5,549,471
Gifts and Grants (other than capital)	(23,573)	191,205
Student organization and other agency transactions	(434,895)	(537,177)
Net cash provided (used) by non-capital financing activities	<u>15,288,024</u>	<u>13,145,102</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from issuance of capital debt	-	17,500,000
Purchases of capital assets	(6,956,359)	(1,288,003)
Payments on capital debt and leases - principle	(1,458,512)	(8,607,511)
Payments on capital debt and leases - interest	(1,400,870)	(1,061,434)
Net cash provided (used) by capital and related financial activities	<u>(9,815,741)</u>	<u>6,543,052</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Receipts from interest on investments	515,459	583,948
Purchase of investments	(23,195,079)	(29,143,172)
Proceeds from sales and maturities of investments	27,037,096	18,969,983
Net cash provided (used) by investing activities	<u>4,357,476</u>	<u>(9,589,241)</u>
Increase (decrease) in cash and cash equivalents	121,670	1,310,899
Cash and cash equivalents - beginning of year	<u>2,728,166</u>	<u>1,417,267</u>
Cash and cash equivalents - end of year	\$ <u>2,849,836</u>	\$ <u>2,728,166</u>
Reconciliation of operating income (loss) to net cash used		
by operating activities		
Operating income (loss)	\$ (12,131,149)	\$ (10,979,820)
Adjustments to reconcile operating loss to net cash used		
by operating activities:		
Depreciation expense	1,144,547	1,228,093
Changes in assets and liabilities		
Receivables, net	(673,639)	(1,489,262)
Deferred expense	(655,287)	(797,468)
Accounts payable	2,032,642	2,208,290
Funds held for others	143,631	(52,459)
Deferred revenue	334,627	1,096,541
Deferred compensation	-	(1,083)
Compensated absences	96,539	(846)
Net cash provided (used) by operating activities	<u>\$ (9,708,089)</u>	<u>\$ (8,788,014)</u>

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

Temple College
Notes to the Financial Statements
August 31, 2008

1. Reporting Entity

Temple Junior College District was established in 1926, in accordance with the laws of the State of Texas, to serve the educational needs of Temple and the surrounding communities. On April 22, 1996, the name of the Temple Junior College District was changed to Temple College. The College has a campus in Temple, Texas, Taylor, Texas and Cameron, Texas. Temple College is considered to be a special purpose, primary government according to the definition in Governmental Accounting Standards Board (GASB) Statement 14. While the College receives funding from local, state, and federal sources, and must comply with the spending, reporting, and record keeping requirements of these entities, it is not a component unit of any other governmental entity.

2. Summary of Significant Accounting Policies

Reporting Guidelines

The significant accounting policies followed by the College in preparing these financial statements are in accordance with the *Texas Higher Education Coordinating Board's Annual Financial Reporting Requirements for Texas Public Community and Junior Colleges* and in accordance with generally accepted accounting policies. The College applies all applicable GASB pronouncements and all applicable Financial Accounting Standard Board (FASB) statements and interpretations issued on or before November 30, 1989, unless they conflict or contradict GASB pronouncements. The College has elected not to apply FASB guidance issued subsequent to November 30, 1989, unless specifically adopted by the GASB. The College is reported as a special-purpose government engaged in business-type activities.

Tuition Discounting

Texas Public Education Grants

Certain tuition amounts are required to be set aside for use as scholarships by qualifying students. This set aside, called the Texas Public Education Grant (TPEG), is shown with tuition and fee revenue amounts as a separate set aside amount (Texas Education Code 56.0333). When the award is used by the student for tuition and fees, the amount is recorded as a tuition discount. If the amount is dispersed directly to the student, the amount is recorded as a scholarship expense.

Title IV, HEA, Program Funds

Certain Title IV HEA Program funds are received by the college to pass through to the student. These funds are initially received by the College and recorded as revenue. When the award is used by the student for tuition and fees, the amount is recorded as a tuition discount. If the amount is dispersed directly to the student, the amount is recorded as a scholarship expense.

Other Tuition Discounts

The College awards tuition and fee scholarships from institutional funds to students who qualify. When these amounts are used for tuition and fees, the amount is recorded as a tuition discount. If the amount is dispersed directly to the student, the amount is recorded as a scholarship expense.

Basis of Accounting

The financial statements of the College have been prepared on the accrual basis whereby all revenues are recorded when earned and all expenses are recorded when they have been reduced to a legal or contractual obligation to pay.

Temple College
Notes to the Financial Statements
August 31, 2008

Encumbrance accounting, under which purchase orders, contracts, and other commitments for expenditures of funds are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration. Under Texas law, appropriations lapse at August 31, and encumbrances outstanding at that time are to be either canceled or appropriately provided for in the subsequent year's budget. Encumbrances outstanding at year-end that are provided for in subsequent year's budget are reported as designations of net assets since they do not constitute expenditures or liabilities.

Budgetary Data

Each community college district in Texas is required by law to prepare an annual operating budget of anticipated revenues and expenditures for the fiscal year beginning September 1. The College's Board of Trustees adopts the budget, which is prepared on the accrual basis of accounting. A copy of the approved budget must be filed with the Texas Higher Education Coordination Board, Legislative Budget Board, Legislative Reference Library, and Governor's Office of Budget and Planning by December 1st.

Cash and Cash Equivalents

The College's cash and cash equivalents are considered to be cash on hand, demand deposits and short term investments with original maturities of three months or less from the date of acquisition.

Investments

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, investments are reported at fair value. Fair values are based on published market rates. Short-term investments have an original maturity greater than three months but less than one year at time of purchase. The governing board has designated Tex Pool investment pools comprised of \$17,990,440 and \$21,803,066 at August 31, 2008 and August 31, 2007, respectively to be short-term investments. Long-term investments have an original maturity of greater than one year at the time of purchase.

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or fair value at the date of donation. For equipment, the College's capitalization policy includes all items with a unit cost of \$5,000 or more and an estimated useful life in excess of one year. Renovations of \$100,000 or more to buildings, 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 of the asset or materially extend assets' lives 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 applying the half-year convention. The following lives are used:

Buildings	50 years
Land Improvements	20 years
Library Books	15 years
Furniture, Machinery, Vehicles, and Other Equipment	10 years
Telecommunications and Peripheral Equipment	5 years

Deferred Revenue

Tuition and fees of \$4,748,903 and \$4,343,378 have been reported as deferred revenues at August 31, 2008 and August 31, 2007, respectively.

Temple College
Notes to the Financial Statements
August 31, 2008

Estimates

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

Operating and Non-Operating Revenue and Expense Policy

The College distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the College's principal ongoing operations. The principal operating revenues are tuition and related fees. The major non-operating revenues are state appropriations and property tax collections. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. The operation of the bookstore and food service is not performed by the College.

3. Authorized Investments

Temple College is authorized to invest in obligations and instruments as defined in the Public Funds Investment Act (Sec. 2256.001 Texas Government Code). Such investments include (1) obligations of the United States or its agencies, (2) direct obligations of the State of Texas or its agencies, (3) obligations of political subdivisions rated not less than A by a national investment rating firm, (4) certificates of deposit, and (5) other instruments and obligations authorized by statute. The Board of Trustees of Temple College 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). The investments of the College are in compliance with the Trustee's investment policies.

4. Deposits and Investments

Cash and Deposits included in Exhibit 1, Statement of Net Assets, consists of the items reported below:

Cash and Deposits

	<u>2008</u>	<u>2007</u>
Bank Deposits		
Demand Deposits	\$ 1,660,990	\$ 1,555,188
Time Deposits	<u>1,186,481</u>	<u>1,170,574</u>
	\$ 2,847,471	\$ 2,725,762
Cash and Cash Equivalents		
Petty Cash on Hand	\$ 2,365	\$ 2,404
Reimbursements in Transit	<u>-</u>	<u>-</u>
	\$ 2,365	\$ 2,404
Total Cash and Cash Equivalents	<u>\$ 2,849,836</u>	<u>\$ 2,728,166</u>

Temple College
Notes to the Financial Statements
August 31, 2008

Reconciliation of Deposits and Investments to Exhibit 1

Type of Security	Market Value August 31, 2008	Market Value August 31, 2007
Total Cash and Deposits	\$ 2,849,836	\$ 2,728,166
U.S. Government Securities	832,318	865,251
Corporate Stock	18,682	23,284
Tex Pool	17,990,442	21,803,066
MBIA	10,812	2,668
Total Investments	<u>\$ 18,852,254</u>	<u>\$ 22,694,269</u>
TOTAL DEPOSITS AND INVESTMENTS	<u>\$ 21,702,090</u>	<u>\$ 25,422,435</u>
Cash and Cash Equivalents (Exhibit 1)	2,054,943	2,164,442
Restricted Cash and Cash Equivalents (Exhibit 1)	794,893	563,724
Short Term Investments (Exhibit 1)	18,001,254	21,805,734
Endowment Investments (Exhibit 1)	582,959	624,694
Other Long Term Investments (Exhibit 1)	<u>268,041</u>	<u>263,841</u>
TOTAL DEPOSITS AND INVESTMENTS (Exhibit 1)	<u>\$ 21,702,090</u>	<u>\$ 25,422,435</u>

As of August 31, 2008, the College had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1 to 2	Greater than 2	N/A
U.S. Government Securities	\$ 483,084	\$ 107,152	\$ -	\$ 375,932	-
U.S. Treasuries (GNMA)	224,259	-	-	224,259	-
Commercial Paper	-	-	-	-	-
Investment Pool	18,001,254	18,001,254	-	-	-
Certificate of Deposit	124,975	50,166	49,952	24,857	-
Municipal Bonds	-	-	-	-	-
Common Stock	18,682	-	-	-	18,682
Total Fair Value	<u>\$18,852,254</u>	<u>\$18,158,572</u>	<u>\$ 49,952</u>	<u>\$625,048</u>	<u>\$18,682</u>

Interest Rate Risk – In accordance with state law and District policy, the District does not purchase any investments with maturities greater than 10 years.

Credit Risk – In accordance with state law and the District's investment policy investments in mutual funds, and investment pools must be rated at least AAA, commercial paper must be rated at least A-1 or P-1, and investments in obligations from other states, municipalities, counties, etc. must be rated at least A.

Temple College
Notes to the Financial Statements
August 31, 2008

<u>Investment Type</u>	<u>Ratings</u>
TVA Power Bonds-1999 5.A	AAA/AAA
TVA Electronotes	AGY/AGY
GNMA's	AGY/AGY
FHLMC	AGY/AGY
FNMA	AGY/AGY
FFCB	AGY/AGY
Certificates of Deposit	FDIC

Concentration of Credit Risk – The District does not place a limit on the amount the District may invest in any one issuer. No individual issuer exceeded 5% of the College's investments.

5. Derivatives

None.

6. Capital Assets

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

	<u>Balance</u> <u>9/1/2007</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>8/31/2008</u>
<u>Not Depreciated:</u>				
Land	\$ 505,000	\$ 85,216	\$ -	\$ 590,216
Construction in Process	<u>576,696</u>	<u>6,224,040</u>	<u>817,141</u>	<u>5,983,595</u>
Total Not Depreciated	1,081,696	6,309,256	817,141	6,573,811
<u>Buildings and Other Capital</u>				
<u>Assets:</u>				
Buildings	26,045,912	333,552	-	26,379,464
Land Improvements	4,925,249	639,794	-	5,565,043
Library Books	1,828,968	43,538	18,575	1,853,931
Furniture, Machinery, Vehicles, And Other Equipment	1,534,553	133,084	58,421	1,609,216
Telecommunications and Peripheral Equipment	<u>3,214,088</u>	<u>314,276</u>	<u>395,844</u>	<u>3,132,520</u>
Total Buildings and Other Capital Assets	<u>37,548,770</u>	<u>1,464,244</u>	<u>472,840</u>	<u>38,540,174</u>
<u>Accumulated Depreciation:</u>				
Buildings	5,646,574	465,349	-	6,111,923
Land Improvements	1,380,276	217,269	-	1,597,545
Library Books	1,461,361	59,476	12,982	1,507,855
Furniture, Machinery, Vehicles, And Other Equipment	582,734	141,833	47,173	677,394
Telecommunications and Peripheral Equipment	<u>2,834,948</u>	<u>260,620</u>	<u>395,844</u>	<u>2,699,724</u>
Total Accumulated Depreciation	<u>\$11,905,893</u>	<u>\$ 1,144,547</u>	<u>\$ 455,999</u>	<u>\$12,594,441</u>

Temple College
Notes to the Financial Statements
August 31, 2008

Net Other Capital Assets	<u>\$25,642,877</u>	<u>\$ 319,696</u>	<u>\$ 16,841</u>	<u>\$25,945,733</u>
Net Capital Assets	<u>\$26,724,573</u>	<u>\$ 6,628,952</u>	<u>\$ 833,982</u>	<u>\$32,519,544</u>

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

	<u>Balance 9/1/2006</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 8/31/2007</u>
<u>Not Depreciated:</u>				
Land	\$ 505,000	\$ -	\$ -	\$ 505,000
Construction in Process	<u>1,394,642</u>	<u>1,008,049</u>	<u>1,825,995</u>	<u>576,696</u>
Total Not Depreciated	<u>1,899,642</u>	<u>1,008,049</u>	<u>1,825,995</u>	<u>1,081,696</u>
<u>Buildings and Other Capital Assets:</u>				
Buildings	24,219,917	1,825,995	-	26,045,912
Land Improvements	4,925,249	-	-	4,925,249
Library Books	1,808,681	38,982	18,695	1,828,968
Furniture, Machinery, Vehicles, and Other Equipment	1,386,028	148,525	-	1,534,553
Telecommunications and Peripheral Equipment	<u>3,121,642</u>	<u>92,446</u>	<u>-</u>	<u>3,214,088</u>
Total Buildings and Other Capital Assets	<u>35,461,517</u>	<u>2,105,948</u>	<u>18,695</u>	<u>37,548,770</u>
<u>Accumulated Depreciation:</u>				
Buildings	5,197,424	449,150	-	5,646,574
Land Improvements	1,177,402	202,874	-	1,380,276
Library Books	1,412,947	63,151	14,737	1,461,361
Furniture, Machinery, Vehicles, and Other Equipment	452,499	130,235	-	582,734
Telecommunications and Peripheral Equipment	<u>2,452,265</u>	<u>382,683</u>	<u>-</u>	<u>2,834,948</u>
Total Accumulated Depreciation	<u>\$10,692,537</u>	<u>\$ 1,228,093</u>	<u>\$ 14,737</u>	<u>\$11,905,893</u>
Net Other Capital Assets	<u>\$24,768,980</u>	<u>\$ 877,855</u>	<u>\$ 3,958</u>	<u>\$25,642,877</u>
Net Capital Assets	<u>\$26,668,622</u>	<u>\$ 1,885,904</u>	<u>\$1,829,953</u>	<u>\$26,724,573</u>

Temple College
Notes to the Financial Statements
August 31, 2008

7. Long Term Liabilities

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

	Balance September 1, 2007	Additions	Reductions	Balance August 31, 2008	Current Portion
Bonds					
General obligation bonds	\$ 15,600,000	\$ -	\$ 740,000	\$14,860,000	\$ 880,000
Revenue bonds	<u>14,979,586</u>	<u>-</u>	<u>590,000</u>	<u>14,389,586</u>	<u>750,000</u>
Subtotal	<u>\$30,579,586</u>	<u>\$ -</u>	<u>\$1,330,000</u>	<u>\$29,249,586</u>	<u>\$1,630,000</u>
Leases	2,164,406	-	128,512	2,035,894	130,539
Accrued compensable absences	<u>598,797</u>	<u>96,539</u>	<u>-</u>	<u>695,336</u>	<u>-</u>
Total long-term liabilities	<u>\$33,342,789</u>	<u>\$ 96,539</u>	<u>\$1,458,512</u>	<u>\$ 31,980,816</u>	<u>\$1,760,539</u>

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

	Balance September 1, 2006	Additions	Reductions	Balance August 31, 2007	Current Portion
Bonds					
General obligation bonds	\$ 8,660,000	\$ 7,500,000	\$ 560,000	\$15,600,000	\$ 740,000
Revenue bonds	<u>12,959,586</u>	<u>10,000,000</u>	<u>7,980,000</u>	<u>14,979,586</u>	<u>590,000</u>
Subtotal	<u>\$21,619,586</u>	<u>\$17,500,000</u>	<u>\$8,540,000</u>	<u>\$30,579,586</u>	<u>\$1,330,000</u>
Leases	2,231,917	36,376	103,887	2,164,406	128,512
Deferred Compensation	1,083	-	1,083	-	-
Accrued compensable absences	<u>599,643</u>	<u>-</u>	<u>846</u>	<u>598,797</u>	<u>-</u>
Total long-term liabilities	<u>\$24,452,229</u>	<u>\$17,536,376</u>	<u>\$8,645,816</u>	<u>\$33,342,789</u>	<u>\$1,458,512</u>

8. Debt and Lease Obligations

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

For the Year

Ended August 31,	General Obligation Bonds			Revenue Bonds			Total Bonds	
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest
2009	\$ 880,000	\$ 660,566	\$ 1,540,566	\$ 750,000	\$ 576,728	\$ 1,326,728	\$ 1,630,000	\$ 1,237,294
2010	920,000	619,884	1,539,884	617,610	723,129	1,340,739	1,537,610	1,343,013
2011	965,000	577,334	1,542,334	639,712	710,577	1,350,289	1,604,711	1,287,911
2012	1,005,000	532,717	1,537,717	652,265	695,961	1,348,225	1,657,265	1,228,678
2013	1,045,000	486,232	1,531,232	870,000	479,813	1,349,813	1,915,000	966,045
2014-2018	3,845,000	1,859,514	5,704,514	4,865,000	1,848,381	6,713,381	8,710,000	3,707,895
2019-2023	4,180,000	919,185	5,099,185	4,930,000	787,820	5,717,820	9,110,000	1,707,005
2024-2027	<u>2,020,000</u>	<u>204,970</u>	<u>2,224,970</u>	<u>1,065,000</u>	<u>64,400</u>	<u>1,129,400</u>	<u>3,085,000</u>	<u>269,370</u>
Total	<u>\$14,860,000</u>	<u>\$5,860,402</u>	<u>\$20,720,402</u>	<u>\$14,389,586</u>	<u>\$5,886,809</u>	<u>\$20,276,395</u>	<u>\$29,249,586</u>	<u>\$11,747,211</u>

Temple College
Notes to the Financial Statements
August 31, 2008

Obligations under capital leases at August 31, 2008 were as follows:

For the Year Ended August 31,	<u>Total</u>
2009	\$ 212,261
2010	189,350
2011	193,700
2012	198,100
2013	202,800
2014-2018	1,088,400
2019-2021	<u>533,200</u>
Total minimum lease payments	\$ 2,617,811
Less: Amount representing interest costs	<u>(581,917)</u>
Present value of minimum lease payment	<u>\$ 2,035,894</u>

9. Bonds Payable

Bonds payable at August 31, 2008 are comprised of the following individual issues:

\$3,735,000 Housing System and Use Fee Revenue and Refunding Bonds, Series 1996, issued 6-1-96, due in installments of \$10,000 to \$80,000 from 7-01-05 through 7-01-21; interest at 5.25% to 5.85%, to provide funds to pay costs of construction, improvement, renovation and/or rehabilitation of the College's buildings and educational facilities; to fund a debt service reserve fund; to refund certain of the College's outstanding bonds and to pay issuance costs associated with the Bonds, secured by a lien on pledged housing system revenues and student use fees.

\$ 75,000

\$10,000,000 Revenue and Refunding Bonds, Series 2006, issued 12-21-06, due in installments of \$140,000 to \$545,000 from 7-01-09 through 7-01-25; interest at 4.00% to provide funds to acquire, purchase, construct, improve, enlarge, equip, operate and/or maintain any property, buildings, structures, activities, operations or facilities of any nature; to refund Series 1996 bonds maturing 2013 through 2015, 2018 and 2021 inclusive on aggregate principal amount of \$3,540,000; for funding a reserve fund paying costs of issuance related to bonds; to refund Series 2000 maturing 7-01-13 through 7-01-25 in aggregate principal amount of \$3,885,000.

10,000,000

\$7,500,000 Limited Tax School Building and Equipment, Bonds Series 2007, issued 2-27-07, due in installments of \$155,000 to \$535,000, from 7-01-08 to 7-01-27; interest at 3.980% to provide funds for construction and equipment of school buildings, including a new science building and renovations to existing facilities of the district.

7,345,000

\$945,000 Housing System and Use Fee Revenue and Capital Appreciation Bonds, Series 1996, issued 6-1-96, due in installments of \$315,000 at 7-01-10, \$315,000 at 7-01-11, and \$315,000 at 7-01-12; interest accreted at 6.0%, to provide funds to pay costs of construction, improvement, renovation and/or rehabilitation of the College's buildings and educational facilities, secured by a lien on pledged housing system revenues and student use fees.

806,145

Temple College
Notes to the Financial Statements
August 31, 2008

<p>\$5,900,000 Revenue and Refunding Bonds, Series 2000, issued 9-1-00, due in installments of \$25,000 to \$405,000 from 7-1-01 through 7-1-25; interest at 4.45% to 5.65%, to provide funds to construct and equip new education facilities and renovate existing facilities; to refund the College's outstanding Revenue Bonds, series 1973; to pay capitalized interest; to fund a debt service reserve fund and pay issuance costs associated with the Bonds.</p>	760,000
<p>\$10,455,000 Limited Tax School Building and Equipment and Refunding Bonds, Series 2002, issued 1-22-02, due in annual installments of \$250,000 to \$735,000 through 7-1-22; interest at 4.90%, to provide funds for construction costs and equipment in College's building expansion and to refund certain of the College's outstanding bonds, secured by future ad valorem taxes.</p>	7,515,000
<p>\$4,480,000 Revenue & Refunding Bonds, Series 2003 issued 8-15-03, due in installments of \$150,000 to \$360,000 from 1-1-2005 to 7-1-23 interest at 2.5% to 4.75%, to provide funds to construct, equipment and renovate education facilities, provide funds for capitalized interest, refund certain of Districts outstanding Series 1994 Housing System and Use Fee Revenue Bonds, and to pay costs of issuance associated with the bonds, secured by a pledge of certain revenues and additionally secured by the Reserve fund.</p>	<u>3,165,000</u>
<p>Less Unamortized Discount on Capital Appreciation Bonds</p>	<u>29,666,145</u> <u>(416,559)</u>
	<u>\$ 29,249,586</u>

All authorized bonds were issued for each series.

For the year ended, August 31, 2008 the College was in compliance with all significant covenants and restrictions that are contained in the various bond indentures. Revenues pledged for retirement of Revenue Bonds consist of the tuition, fees and various auxiliary income.

10. Advance Refunding Bonds

- Refunded \$ \$3,540,000 of Series 1996 Temple Junior College District Housing System and Use Fee Revenue and Refunding Bonds and \$3,885,000 of Series 2000 Temple Junior College District Housing System and Use Fee Revenue and Refunding Bonds
- Issued refunding bonds on December 21, 2006
- \$10,000,000, all authorized bond have been issued.
- Revenue & Refunding Improvement Bond, Refunding Series 2006.
- Average interest rate of bonds refunded – Series 1996 with an interest rate ranging from 5.25% to 5.85%, and Series 2000 with an interest rate ranging from 5.25% to 5.65%.
- Net proceeds from the Refunding Series - \$9,925,000 after payment of \$75,000 in issuance costs
- Additional \$7,623,295 of 2006 Series and \$192,493 of 1996 and 2000 Series debt service monies were used to purchase U.S. Government securities which were deposited in an irrevocable trust with an escrow agent to provide for all future debt payments on the 1996 and 2000 Series bonds that were previously scheduled after 2012.

Temple College
Notes to the Financial Statements
August 31, 2008

- The 1996 and 2000 Series bonds are considered partially defeased and the liability for those refunded bond balances has been removed from the Investment in Plant Fund Group.
- Advance refunding of the 1996 and 2000 Series bonds reduced the college's debt service payments over the next 20 year by approximately (\$1,000,000).
- Economic Gain - (\$786,780.03) difference between the net present value of the old and new debt service payments.
- Accounting gain - (\$1,085,126.74) accounting gain was resulted from the advanced refunding.

11. Defeased Bonds Outstanding

Bond Issue	Year Refunded	Par Value Outstanding
General Long-Term Debt:		
Revenue and Refunding Bonds, Series 2000	2006	\$ <u>3,885,000</u>

12. Short-term Debt

Not applicable.

13. Employees' Retirement Plan

The State of Texas has joint contributory retirement plans for almost all its employees. One of the primary plans in which the College participates is administered by the Teacher Retirement System of Texas

Teacher Retirement System of Texas

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

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

Temple College
Notes to the Financial Statements
August 31, 2008

Optional Retirement Plan

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

Funding Policy. Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. The percentages of participant salaries currently contributed by the state and each participant are 6.00% and 6.58%, respectively. The College contributes 1.92 percent for employees who were participating in the optional retirement program prior to September 1, 1995. Benefits fully vest after one year plus one day of employment. Because these are individual annuity contracts, the state has no additional or unfunded liability for this program.

The retirement expense to the State for the College was \$684,024 and \$559,000 for the fiscal years ended August 31, 2008 and 2007, respectively. This amount represents the portion of expended appropriations made by the State Legislature on behalf of the College.

The total payroll for all College employees was \$13,609,385 and \$12,654,082 for fiscal years 2008 and 2007, respectively. The total payroll of employees covered by the Teacher Retirement System was \$6,711,868 and \$6,418,503, and the total payroll of employees covered by the Optional Retirement Program was \$5,154,231 and \$4,562,587 for fiscal years 2008 and 2007, respectively.

14. Deferred Compensation Program

College employees may elect to defer a portion of their earnings for income tax and investment purposes pursuant to authority granted in Government Code 609.001. The Plan is through CitiStreet through the State.

As of August 31, 2008, the College has 8 employees participating in the program. Eight employees were vested as of August 31, 2008. A total of \$93,043 in contributions was invested in the plan during the fiscal year, bringing the deferred salaries and accumulated earnings of current employees to \$189,018. The funds are invested in CitiStreet in each employee's accounts and are not a liability to Temple College.

As of August 31, 2007, the College had 9 employees participating in the program. Nine employees were vested as of August 31, 2007. A total of \$74,293 in contributions were invested in the plan during the fiscal year, bringing the deferred salaries and accumulated earnings of 2007 current employees to \$74,293. The funds are invested in CitiStreet in each employee's accounts and were not a liability to Temple College.

15. Compensable Absences

Full-time employees earn annual leave from 8 to 12 hours per month depending on the number of years employed with Temple College. The College's policy is that an employee may carry his/her accrued leave forward with proper approval. Employees who terminate employment for whatever reason are entitled to payment for all accumulated annual leave up to a maximum of one year's worth of accumulation. The College recognized the accrued liability for the unpaid annual leave in the amount of \$315,270 and \$276,748 for fiscal year 2008 and 2007, respectively.

Sick leave, which is accumulated up to a limit of 1,040 hours, is earned at the rate of 8 hours per month and is paid to an employee who misses work from illness or immediate family illness. Employees who terminate employment for whatever reason or upon the death of the employee in which the funds are paid to the estate of the employee are entitled to payment of 173.33 hours provided the employee has worked 10 or more years of

Temple College
Notes to the Financial Statements
August 31, 2008

full-time employment at Temple College. The maximum sick leave that may be paid the employee at termination of employment or the employee's estate is 173.33 hours. The College recognized the accrued liability for the unpaid sick leave in the amount of \$380,066 and \$322,049 for fiscal year 2008 and 2007, respectively.

16. Pending Lawsuits and Claims

None.

17. Disaggregation of Receivables and Payables Balances

Receivables

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

	<u>2008</u>	<u>2007</u>
Student Receivables	\$ 1,531,667	\$ 1,015,194
Taxes Receivable	259,178	233,963
Federal Receivable	238,269	435,920
State Receivable	141,077	75,936
Other Receivable	<u>797,446</u>	<u>635,118</u>
Subtotal	<u>\$ 2,967,637</u>	<u>\$ 2,396,131</u>
Less: Allowance for Doubtful Accounts	<u>(267,156)</u>	<u>(381,433)</u>
Total Receivables	<u>\$ 2,700,481</u>	<u>\$ 2,014,698</u>

Payables

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

	<u>2008</u>	<u>2007</u>
Vendors Payable	\$ 1,048,788	\$ 280,290
Salaries & Benefits Payable	1,714	61
Students Payable	3,905,929	2,625,116
Accrued Interest	<u>416,559</u>	<u>381,846</u>
Total Payables	<u>\$ 5,372,990</u>	<u>\$ 3,287,313</u>

18. Funds Held in Trust by Others

None.

19. Contract and Grant Awards

Contract and grant awards are accounted for in accordance with the requirements of the AICPA Industry Audit Guide, *Audits of Colleges and Universities*. Revenues are recognized on Exhibit 2 and Schedule A. For federal and non-federal contracts and grant awards, funds expended, but not collected, are reported as Accounts Receivables on Exhibit 1. Contract and grant awards that are not yet funded and for which the institution has not yet performed services are not included in the financial statements. Contract and grant awards funds already committed, e.g., multi-year awards, or funds awarded during fiscal years 2008 and 2007 for which monies have not been received nor funds expended totaled \$3,279,819 and \$2,348,205. Of these amounts, \$3,279,819 and \$2,348,205 were from Federal Contract and Grant Awards.

Temple College
Notes to the Financial Statements
August 31, 2008

20. Self-Insured Plans

The College participates in self-insured workers' compensation and unemployment compensation plans. Employee health insurance is offered through the State of Texas Employee Retirement System group plan. The Workers' Compensation plan is a self-insured group comprised of approximately fifteen (15) state community colleges and a loss fund is set up on the College books to record the estimated exposure each year. Unemployment claims are managed by the Texas Workforce Commission and payments are made on a claims-made basis.

21. Post-Retirement Health Care & Life Insurance Benefits

In addition to providing pension benefits, the state provides certain health care and life insurance benefits for retired employees. Almost all of the employees may become eligible for those benefits if they reach normal retirement age while working for the state. Those and similar benefits for active employees are provided through an insurance company whose premiums are based on benefits paid during the previous year. The state recognizes the cost of providing these benefits by expending the annual insurance premiums. The state's contribution per full-time employee was \$526.10 per month for the year ended August 31, 2008 (\$505.68 per month for 2007) and totaled \$1,346,200 for 2008 (\$1,233,543 for year ended 2007). The cost of providing those benefits for retirees is not separable from the cost of providing benefits for the active employees.

22. Ad Valorem Tax

The College's ad valorem property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the district.

At August 31:

	<u>2008</u>	<u>2007</u>
Assessed Valuation of the College:	\$3,874,490,240	\$3,616,986,528
Less: Exemptions	(795,852,260)	(773,379,313)
Less: Abatements	<u>(69,593,778)</u>	<u>(81,100,236)</u>
Net Assessed Valuation of the College	<u>\$3,009,044,202</u>	<u>\$2,762,506,979</u>

	<u>2008</u>			<u>2007</u>		
	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>
Authorized						
Tax Rate per \$100 valuation	\$ -	\$ -	\$ 0.25	\$ -	\$ -	\$ 0.25
Assessed						
Tax Rate per \$100 valuation	\$ 0.1647	\$ 0.0533	\$ 0.2180	\$ 0.163	\$ 0.037	\$ 0.2000

Taxes levied for the year ended August 31, 2008 and 2007 amounted to \$6,559,805 and \$5,694,844, respectively including any penalty and interest assessed. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed.

Temple College
Notes to the Financial Statements
August 31, 2008

	<u>2008</u>			<u>2007</u>		
	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>
Current Tax Collected	\$ 4,836,679	\$ 1,562,613	\$ 6,399,292	\$ 4,435,250	\$ 1,004,777	\$ 5,440,027
Delinquent Taxes Collected	57,817	13,032	70,849	54,849	12,419	12,419
Penalties & Interest Collected	44,089	28,273	72,362	42,714	9,271	9,271
Total Collections	<u>\$ 4,938,585</u>	<u>\$ 1,603,918</u>	<u>\$ 6,542,503</u>	<u>\$ 4,532,813</u>	<u>\$ 1,026,467</u>	<u>\$ 4,532,813</u>

Tax collections for the year ended August 31, 2008 and August 31, 2007 were approximately 97.6% and 95.5%, respectively of the current tax levy. Allowances for uncollectible taxes are based upon historical experience in collecting property taxes. The use of tax proceeds is restricted to either maintenance and operations and/or general obligation debt service.

23. Branch Campus Tax

Not applicable.

24. Income Taxes

The College 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 College had no unrelated business income tax liability for the year ended August 31, 2008 and 2007.

25. Component Units

Temple College Foundation – Discrete Component Unit

Temple College Foundation (the Foundation) was established as a separate nonprofit organization in 1982, for the purpose of providing student scholarships and assistance in the development and growth of the College. Under Governmental Accounting Standards Board Statement No 39, Determining Whether Certain Organizations are Component Units, the Foundation is a component unit of the College because:

The College provides financial support to the Foundation and the economic resources received or held by the Foundation are entirely for the benefit of the College.

The College is entitled to or has the ability to otherwise access a majority of the economic resources received or held by the Foundation.

The economic resources held by the Foundation that the College is entitled to or has the ability to otherwise access, are significant to the College.

Accordingly, the Foundation financial statements are included in the College's annual report as a discrete component unit (see table of contents). Complete financial statements of Temple College Foundation can be obtained from the administrative office of the Foundation.

26. Related Parties (Not a Component Unit)

Not applicable.

Temple College
Notes to the Financial Statements
August 31, 2008

27. Subsequent Events

None.

28. Postemployment Benefits Other than Pensions

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

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

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

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

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

The College's contributions to SRHP for the years ended August 31, 2008, 2007, and 2006, were \$1,687,131, \$1,424,017, and \$1,314,471, respectively, which equaled the required contributions each year.

SUPPLEMENTARY SCHEDULES

Schedule of Operating Revenues

For the Year Ended August 31, 2008 (with Memorandum Totals for the Year Ended August 31, 2007)

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total Educational</u>	<u>Auxiliary Enterprises</u>	<u>2008 Total</u>	<u>2007 Total</u>
Tuition						
State funded credit courses:						
In-district tuition	\$ 4,230,160	\$ -	\$ 4,230,160	\$ -	\$ 4,230,160	\$ 3,593,529
Out-of-district tuition	2,485,239	-	2,485,239	-	2,485,239	1,990,190
Non-resident tuition	348,935	-	348,935	-	348,935	303,873
Health science tuition	94,371	-	94,371	-	94,371	27,212
TPEG-Credit (set aside) *	271,759	-	271,759	-	271,759	231,317
State funded continuing education	139,408	-	139,408	-	139,408	102,363
TPEG-non-credit (set aside) *	9,522	-	9,522	-	9,522	5,733
Non-state funded continuing education	61,170	-	61,170	-	61,170	17,872
Total Tuition	<u>7,640,564</u>	<u>-</u>	<u>7,640,564</u>	<u>-</u>	<u>7,640,564</u>	<u>6,272,089</u>
Fees						
General fee	1,844,267	-	1,844,267	-	1,844,267	1,551,881
Laboratory fee	164,268	-	164,268	-	164,268	166,637
Other fees	1,351,306	-	1,351,306	-	1,351,306	898,851
Total Fees	<u>3,359,841</u>	<u>-</u>	<u>3,359,841</u>	<u>-</u>	<u>3,359,841</u>	<u>2,617,369</u>
Scholarships Allowances and Discounts						
Remissions and exemptions - state	(314,493)	-	(314,493)	-	(314,493)	(259,379)
Remissions and exemptions - local	(856,622)	-	(856,622)	-	(856,622)	(642,625)
TPEG awards	(65,482)	-	(65,482)	-	(65,482)	(55,036)
Title IV federal grants	(1,966,117)	-	(1,966,117)	-	(1,966,117)	(1,595,054)
Texas grants I & II	(74,187)	-	(74,187)	-	(74,187)	(53,190)
Other local awards	(142,874)	-	(142,874)	-	(142,874)	(131,354)
Total Scholarship Allowances	<u>(3,419,775)</u>	<u>-</u>	<u>(3,419,775)</u>	<u>-</u>	<u>(3,419,775)</u>	<u>(2,736,638)</u>
Total Net Tuition and Fees	<u>7,580,630</u>	<u>-</u>	<u>7,580,630</u>	<u>-</u>	<u>7,580,630</u>	<u>6,152,820</u>
Additional Operating Revenues						
Federal grants and contracts	-	6,695,700	6,695,700	-	6,695,700	6,039,428
State grants and contracts	-	942,675	942,675	-	942,675	505,441
Private gifts, grants, and contracts	425,973	-	425,973	-	425,973	458,432
Sales and services of educational activities	1,451	-	1,451	-	1,451	5,153
General operating revenue	679,446	-	679,446	-	679,446	771,682
Total Additional Operating Revenue	<u>1,106,870</u>	<u>7,638,375</u>	<u>8,745,245</u>	<u>-</u>	<u>8,745,245</u>	<u>7,780,136</u>
Auxiliary Enterprises						
Miscellaneous income	-	-	-	251,482	251,482	220,860
Total Auxiliary Enterprises	<u>-</u>	<u>-</u>	<u>-</u>	<u>251,482</u>	<u>251,482</u>	<u>220,860</u>
Total Operating Revenues	<u>\$ 8,687,500</u>	<u>\$ 7,638,375</u>	<u>\$ 16,325,875</u>	<u>\$ 251,482</u>	<u>\$ 16,577,357</u>	<u>\$ 14,153,816</u>
					(Exhibit 2)	(Exhibit 2)

*In accordance with Education Code 56.033, \$281,281 and \$237,050 for years August 31, 2008 and 2007, respectively, of tuition was set aside for Texas Public Education grants (TPEG).

Schedule of Operating Expenses by Object
 Year Ended August 31, 2008 (with memorandum Totals for the Year Ended August 31, 2007)

	Operating Expenses				2008	2007
	Salaries & Wages	Benefits		Other Expenses		
		State Benefits	Local Benefits			
Unrestricted-Educational Activities						
Instruction	\$ 7,348,454	\$ -	\$ 738,017	\$ 1,114,690	\$ 9,201,161	\$ 8,155,017
Public Service	246,294	-	53,216	39,414	338,924	311,941
Academic Support	999,923	-	107,720	398,309	1,505,952	1,390,140
Student Services	986,722	-	89,348	181,432	1,257,502	1,124,255
Institutional Support	2,328,492	-	278,696	1,508,349	4,115,537	3,422,787
Operation and Maintenance of Plant	618,072	-	218,973	1,469,413	2,306,458	1,944,341
Scholarships & Fellowships	-	-	-	213,476	213,476	-
Total Unrestricted Educational Activities	12,527,957	-	1,485,970	4,925,083	18,939,010	16,348,481
Restricted-Educational Activities						
Instruction	32,825	1,144,163	121	27,534	1,204,643	1,702,381
Public Service	309,116	-	63,987	813,390	1,186,493	716,059
Academic Support	10,319	243,932	-	-	254,251	249,889
Student Services	313,258	231,909	45,360	147,825	738,352	631,234
Institutional Support	23,343	408,960	2,224	6,320	440,847	403,598
Operation and Maintenance of Plant	-	-	-	-	-	25,706
Scholarships & Fellowships	-	-	-	3,878,309	3,878,309	2,989,126
Total Restricted Educational Activities	688,861	2,028,964	111,692	4,873,378	7,702,895	6,717,993
Total Educational Activities	13,216,818	2,028,964	1,597,662	9,798,461	26,641,905	23,066,474
Auxiliary Enterprises	236,536	-	89,469	596,049	922,054	839,069
Depreciation of Building and Improvements	-	-	-	1,085,071	1,085,071	652,024
Depreciation of Equipment & Furniture	-	-	-	59,476	59,476	576,069
TOTAL OPERATING EXPENSES	\$ 13,453,354	\$ 2,028,964	\$ 1,687,131	\$ 11,539,057	\$ 28,708,506	\$ 25,133,636
					(Exhibit 2)	(Exhibit 2)

Schedule of Non-Operating Revenues and Expenses

Year Ended August 31, 2008 (with Memorandum Totals for the Year Ended August 31, 2007)

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Auxiliary Enterprises</u>	<u>2008 Total</u>	<u>2007 Total</u>
Non-Operating Revenues					
State Appropriations:					
Education and General State Support	\$ 7,050,649	\$ -	\$ -	\$ 7,050,649	\$ 6,149,060
State Group Insurance	-	1,344,940	-	1,344,940	1,233,543
Dramatic Growth	-	118,707	-	118,707	-
State Retirement Matching	-	684,024	-	684,024	559,000
Professional Nursing Growth	-	-	-	-	-
Shortage Reduction	-	19,432	-	19,432	-
Total State Appropriations	7,050,649	2,167,103	-	9,217,752	7,941,603
Maintenance ad valorem taxes	4,953,066	-	-	4,953,066	4,532,813
Debt Service ad valorem Taxes	1,587,818	-	-	1,587,818	1,026,467
Gifts	62,442	(86,015)	-	(23,573)	191,206
Investment income	505,443	10,016	-	515,459	583,948
Other non-operating revenue	-	737	-	737	9,696
Total Non-Operating Revenues	14,159,418	2,091,841	-	16,251,259	14,285,733
Non-Operating Expenses					
Interest on capital related debt	1,435,584	-	-	1,435,584	1,096,147
Loss on disposal of capital assets	16,841	-	-	16,841	3,958
Other non-operating expense	426,197	9,433	-	435,630	546,876
Total Non-Operating Expenses	1,878,622	9,433	-	1,888,055	1,646,981
Net Non-Operating Revenues	\$ 12,280,796	\$ 2,082,408	\$ -	\$ 14,363,204	\$ 12,638,752
				(Exhibit 2)	(Exhibit 2)

Schedule of Net Assets by Source and Availability
Year Ended August 31, 2008 (with Memorandum Totals for the Year Ended August 31, 2007)

	Detail by Source		Capital Assets		Available for Current Operations		
	Restricted		Net of				
	Unrestricted	Expendable	Non-Expendable	Depreciation & Related Debt	Total	Yes	No
Current:							
Unrestricted	\$ 4,910,827	\$ -	\$ -	\$ -	\$ 4,910,827	\$ 4,910,827	\$ -
Restricted	-	-	318,877	-	318,877	318,877	-
Auxiliary enterprises	96,760	-	-	-	96,760	96,760	-
Loan	-	40,488	-	-	40,488	-	40,488
Endowment:							
Quasi:							
Restricted	-	-	620,206	-	620,206	-	620,206
Plant							
Unexpended	645,738	-	-	-	645,738	-	645,738
Renewals	327,625	-	-	-	327,625	-	327,625
Debt service	-	6,475,856	-	-	6,475,856	-	6,475,856
Investment in plant	-	-	-	4,582,865	4,582,865	-	4,582,865
Total Net Assets, August 31, 2008	\$ 5,980,950	\$ 6,516,344	\$ 939,083	\$ 4,582,865	\$ 18,019,242	\$ 5,326,464	\$ 12,692,778
					(Exhibit 1)		
Total Net Assets, August 31, 2007	5,169,079	5,735,181	976,479	3,906,448	15,787,187	5,006,212	10,780,975
					(Exhibit 1)		
Net Increase (Decrease) in Net Assets	\$ 811,871	\$ 781,163	\$ (37,396)	\$ 676,417	\$ 2,232,055	\$ 320,252	\$ 1,911,803
					(Exhibit 2)		

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

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures & Pass Through Disbursements</u>
U.S. Department of Education			
Direct Programs:			
SEOG	84.007		\$ 70,104
Federal College Workstudy Program	84.033		98,857
TRIO Student Support Services	84.042A		183,161
Federal PELL Grant	84.063		5,549,856
Academic Competitiveness Grant	84.375		78,637
			<u>5,980,615</u>
Pass-Through From:			
Texas Education Agency			
Adult Basic Education	84.002A	084100017110202	88,563
Adult Basic Education	84.002A	094100017110238	349
			<u>88,912</u>
Texas Coordinating Board			
Carl Perkins Vocational Educ.- Basic	84.048	84244	232,454
LEAP	84.069A		5,732
SLEAP	84.069B		7,603
			<u>13,335</u>
BYRD Honors Scholarship Program	84.185		750
Carl Perkins Tech Prep Program	84.243	81719	263,334
Carl Perkins Tech Prep Data Collection	84.243	81301	97,277
			<u>360,611</u>
			<u>607,150</u>
Total U. S. Department of Education			6,676,677
U.S. Department of Health & Human Services			
Pass-Through From:			
Texas Education Agency			
TANF	93.558	083625017110187	11,023
Child Development Grant			8,000
			<u>19,023</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE			\$ 6,695,700

Notes to Schedule on Following Page.

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

Note 1: Significant Accounting Policies Used in Preparing the Schedule

The expenditures included in the schedule are reported for the College's fiscal year. Expenditure reports to funding agencies are prepared on the award period basis. The expenditures reported above represent funds, which have been expended by the College for the purposes of the award. The expenditures reported above may not have been reimbursed by the funding agencies as of the end of the year. Some amounts reported in the schedule may differ from amounts used in the preparation of the 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 College has followed all applicable guidelines issued by various entities in the preparation of the schedule.

Note 2: Student Loans Processed and Administrative Costs Recovered - Not Included in Schedule

Federal Grantor CFDA Number/Program Name	New Loans Processed	Administrative Cost Recovered	Total
Department of Education 84.032 Federal Family Education Loan Program	\$8,437,830	\$ -	\$8,437,830

Note 3: Amounts Passed-Through by the College

The following amounts were passed-through to the listed subrecipients by the College. These amounts were from the Carl Perkins Tech Prep program, CFDA 84.243 from the U.S. Department of Education through the Texas Higher Education Coordinating Board.

Belton ISD	4,960
Cameron ISD	3,995
Central Texas College	2,480
Copperas Cove ISD	2,046
Gatesville ISD	5,000
Marble Falls ISD	1,299
Milano ISD	3,563
San Saba ISD	3,600
Temple ISD	10,978
Thorndale ISD	5,000
Troy ISD	1,613
Total Amount Passed-Through	\$ 44,534

Temple College

Schedule F

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

<u>State Grantor/Program Title</u>	<u>Contract Number</u>	<u>Expenditures</u>
Texas Workforce Commission		
Skills Development	2607SDF000	\$ 471,446
Texas Education Agency		
Adult Basic Education	080100017110202	20,617
Temporary Assistance for Needy Families (TANF)	080110017110187	3,645
Texas HS Init. Early College HS	071045037110009	184,651
Texas Summer 9th Grade Transition	071045367110057	10,571
Texas Science, Technology, Engineering and Mathematics Academics T-STEM	071045197110001	20,314
Total Texas Education Agency		<u>239,798</u>
Texas Higher Education Coordinating Board		
Student Services Division		
Texas Grant Program-Texas Grant I Initial		131,480
Texas Grant Program-Texas Grant I Renewal		24,221
Texas Grant Program-Texas Grant II Initial TEOG Initial		29,410
Texas Grant Program-Texas Grant II Renewal TEOG Renewal		12,110
Texas College Work Study		17,491
Dramatic Growth		118,707
Professional Nursing Growth Shortage Reduction		19,432
P-16 College Readiness Special Advisors		12,126
State Vocational Nursing		591
State Professional Nursing		4,002
Total Texas Higher Education Coordinating Board		<u>369,570</u>
TOTAL STATE FINANCIAL ASSISTANCE		<u>\$ 1,080,814</u>

Note 1: State Assistance Reconciliation

State Revenue - per Schedule A:	
State Grants and Contracts	942,675
State Appropriations - per Schedule C:	
Dramatic Growth	118,707
Professional Nursing Shortage Reduction	19,432
	<u>\$ 1,080,814</u>

Note 2: Significant Accounting Policies Used in Preparing the Schedule

The accompanying schedule is presented using the accrual basis of accounting. See Note 2 to the financial statements for the College's significant accounting policies. These expenditures are reported on the College's fiscal year. Expenditure reports to funding agencies are prepared on the award period basis.

AUDITORS' REPORT ON CONTROLS AND COMPLIANCE



LOTT, VERNON & COMPANY, P.C.
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**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***

Board of Trustees
Temple College
Temple, Texas

We have audited the financial statements of Temple College, as of and for the year ended August 31, 2008, and have issued our report thereon dated December 11, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the College's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the College's financial statements that is more than inconsequential will not be prevented or detected by the College's internal control.

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

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

**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 STAND* (CONTINUED)**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, including the Public Funds Investment Act (Chapter 2256, Texas Government Code), 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*, and the State of Texas Single Audit Circular.

We noted certain other matters that we reported to management of the College in a separate letter dated December 11, 2008.

This report is intended solely for the information of the Audit Committee, Board of Trustees, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Lott, Vernon & Co., P.C.

Temple, Texas
December 11, 2008



LOTT, VERNON & COMPANY, P.C.
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**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM
AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133
AND THE STATE OF TEXAS SINGLE AUDIT CIRCULAR**

Board of Trustees
Temple College
Temple, Texas

Compliance

We have audited the compliance of Temple College with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs and the State of Texas Single Audit Circular that are applicable to each of its major state programs for the year ended August 31, 2008. The College's major federal and state programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal and state programs is the responsibility of the College's management. Our responsibility is to express an opinion on the College's compliance based on our audit.

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

In our opinion, Temple College complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal and state programs for the year ended August 31, 2008.

Internal Control Over Compliance

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