



TEXAS STATE TECHNICAL COLLEGE

ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDING AUGUST 31, 2008

**ANNUAL
FINANCIAL REPORT**

TEXAS STATE TECHNICAL COLLEGE

**TSTC SYSTEM OPERATIONS
TSTC HARLINGEN
TSTC MARSHALL
TSTC WACO
TSTC WEST TEXAS**

FISCAL YEAR ENDED AUGUST 31, 2008

**Texas State Technical College
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November 20, 2008

The Honorable Rick Perry
Governor of Texas

The Honorable Susan Combs
Texas Comptroller

Mr. John O'Brien
Director, Legislative Budget Board

Mr. John Keel, CPA
State Auditor

Lady and Gentlemen:

We are pleased to submit the Annual Financial Report of Texas State Technical College for the year ended August 31, 2008, in compliance with TEX. GOV'T CODE ANN §2101.011 and in accordance with the requirements established by the Comptroller of Public Accounts.

Due to the statewide requirements embedded in Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, the Comptroller of Public Accounts does not require the accompanying annual financial report to comply with all the requirements in this statement. The financial report will be considered for audit by the State Auditor as part of the audit of the State of Texas Comprehensive Annual Financial Report (CAFR); therefore, an opinion has not been expressed on the financial statements and related information contained in this report.

If you have any questions, please contact Albert Srubar at 254-867-3956. Susan Vonder Hoya may be contacted at 254-867-3961 for questions related to the Schedule of Expenditures of Federal Awards.

Sincerely,

A handwritten signature in cursive script, appearing to read "Bill Segura".

Bill Segura
Chancellor

TEXAS STATE TECHNICAL COLLEGE

ORGANIZATIONAL DATA
For the Fiscal Year Ended August 31, 2008

Board of Regents

Officers

James V. (J.V.) Martin	Sweetwater, Texas	Chairman of the Board
Barbara Rusling	China Spring, Texas	Vice Chairman
Rolf R. Haberecht	Dallas, Texas	Executive Committee
Joe M. Gurecky	Rosenberg, Texas	Executive Committee

Members

Term Expires
August 31,

James V. (J.V.) Martin	Sweetwater, Texas	2009
Barbara Rusling	China Spring, Texas	2009
Nora Castañeda	Harlingen, Texas	2009
Joe M. Gurecky	Rosenberg, Texas	2011
Rolf R. Haberecht	Dallas, Texas	2011
Joe K. Hearne	Dallas, Texas	2011
Michael F. Northcutt	Longview, Texas	2013
Gene Seaman	Corpus Christi, Texas	2013
Cesar Maldonado	Harlingen, Texas	2013

Key Officers

Bill Segura	Chancellor
J. Gary Hendricks	Vice Chancellor for Financial and Administrative Services
Albert Srubar	Comptroller
Elton E. Stuckly, Jr.	President, Texas State Technical College Waco
J. Gilbert Leal	President, Texas State Technical College Harlingen
Mike Reeser	President, Texas State Technical College West Texas
Randy Wooten	President, Texas State Technical College Marshall

UNAUDITED

TEXAS STATE TECHNICAL COLLEGE
 (Agency 719)
 Statement of Net Assets
 August 31, 2008

	<u>TOTAL</u>
ASSETS	
Current Assets:	
Cash and Cash Equivalents	
Cash on Hand	\$ 42,979.00
Cash in Bank	12,698,100.35
Reimbursements Due from State Treasury	
Cash in State Treasury	9,411,515.37
Cash Equivalents	
Short-term Investments	8,389,982.62
Restricted	
Cash and Cash Equivalents	
Cash on Hand	
Cash in Bank	1,554,206.71
Cash Equivalents	
Short-term Investments	4,484,652.79
Balance in State Appropriations	9,115,596.60
Notes Receivable, Net	
Accounts Receivable, Net	8,816,888.15
Federal Receivables	6,310,374.50
Other Intergovernmental Receivables	
Accrued Interest Receivable	46,890.06
Other Receivables	
Due from Other Funds/ Colleges	
Due From Other Agencies-State	263,664.69
Due From Other Agencies-Federal	1,181,877.04
Consumable Inventories	612,838.75
Merchandise Inventories	1,590,013.18
Loans and Contracts	
Other Current Assets	
Total Current Assets	<u>64,519,579.81</u>
Non-Current Assets:	
Restricted	
Cash in Bank	148,017.77
Short-term Investments	244,060.60
Investments	
Loans, Contracts and Other	
Accrued Interest Receivable	805.16
Other Non-Current Assets	
Capital Assets, Non-Depreciable	
Land and Land Improvements	4,142,842.45
Other Capital Assets	9,500.00
Construction in Progress	4,263,034.19
Capital Assets, Depreciable	
Buildings and Building Improvements	119,256,891.68
Less Accumulated Depreciation	(67,772,304.58)
Infrastructure	4,753,532.00
Less Accumulated Depreciation	(4,566,032.00)
Facilities and Other Improvements	4,075,035.15
Less Accumulated Depreciation	(3,058,672.54)
Furniture and Equipment	27,824,028.94
Less Accumulated Depreciation	(19,753,556.42)

UNAUDITED

TEXAS STATE TECHNICAL COLLEGE
 (Agency 719)
 Statement of Net Assets
 August 31, 2008

	TOTAL
Vehicles, Boats, and Aircraft	7,246,191.78
Less Accumulated Depreciation	(5,512,072.21)
Other Capital Assets	2,405,157.47
Less Accumulated Depreciation	(1,675,026.63)
Other Non-Current Assets	
Total Non-Current Assets	<u>72,031,432.81</u>
TOTAL ASSETS	\$ <u>136,551,012.62</u>

LIABILITIES

Current Liabilities:

Accounts Payable	\$ 5,616,227.38
Payroll Payables	6,725,864.82
Federal Payables	370,925.56
Other Intergovernmental Payables	
Due to Other Funds/Colleges	
Due to Other Agencies	
Deferred Revenue	12,280,153.80
Employees' Compensable Leave-Current Portion	610,708.44
Notes, Loans and Leases Payable-Current Portion	543,270.91
Deposits Payable	471,956.04
Revenue Bonds Payable-Current Portion	585,000.00
General Obligation Bonds Payable-Current Portion	1,445,000.00
Accrued Interest Payable-Bonds	82,137.92
Funds Held for Others	1,674,521.25
Other Current Liabilities	7,457.52
Total Current Liabilities	<u>30,413,223.64</u>

Non-Current Liabilities:

Employees' Compensable Leave	5,038,768.38
Assets Held for Others	
Notes, Loans and Leases Payable	4,151,313.64
Deposits Payable	20,951.00
Claims and Judgements (Accrued Arbitrage Payable)	335,286.36
Revenue Bonds Payable	10,660,000.00
General Obligation Bonds Payable	9,995,000.00
Other Non-Current Liabilities	
Total Non-Current Liabilities	<u>30,201,319.38</u>
TOTAL LIABILITIES	\$ <u>60,614,543.02</u>

NET ASSETS

Invested in Capital Assets, Net of Related Debt	47,339,741.27
Restricted for:	
Other	1,087,988.05
Nonexpendable	
True and Other Endowments, and Annuities	392,883.53
Expendable	
Capital Projects	1,092,062.28
Debt Service	14,173.27
Funds Functioning as Endowment-Restricted	
Other Expendable	
Unrestricted	<u>26,009,621.20</u>
TOTAL NET ASSETS	<u>75,936,469.60</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>136,551,012.62</u>

UNAUDITED

TEXAS STATE TECHNICAL COLLEGE

(Agency 719)

Statement of Revenues, Expenses, and Changes in Net Assets

For The Fiscal Year Ended August 31, 2008

	<u>TOTAL</u>
OPERATING REVENUES:	
Sales of Goods and Services:	
Student Tuition and Fees	\$ 28,215,590.71
Discounts and Allowances	(9,043,279.11)
Auxiliary Enterprises	13,485,371.41
Discounts and Allowances	(2,929,271.80)
Net Sales and Services of Educational Activities	6,767,321.30
Interest and Investment Income from Operating Activities	588,083.89
Federal Sponsored Programs	23,486,952.94
Federal Sponsored Programs Pass-Through from Other State Agencies	4,924,961.99
State Sponsored Programs	993,668.03
State Sponsored Programs Pass-Through from Other State Agencies	5,500,632.61
Other Grants and Contracts	144,567.42
Other Operating Revenues	
Total Operating Revenues	<u>72,134,599.39</u>
OPERATING EXPENSES:	
Instruction	58,844,871.67
Research	604,965.83
Public Service	4,095.33
Hospitals and Clinics	
Academic Support	11,556,291.69
Student Services	11,573,171.08
Institutional Support	16,445,192.16
Operations and Maintenance of Plant	13,514,187.49
Scholarships and Fellowships	14,364,856.67
Auxiliary Enterprises	17,700,236.96
Depreciation and Amortization	5,280,336.93
Total Operating Expenses	<u>149,888,205.81</u>
Operating Income (Loss)	<u>(77,753,606.42)</u>
NONOPERATING REVENUES (EXPENSES):	
State Appropriations	77,652,576.94
Gifts	51,350.00
Investment Income	920,798.07
Disposal of Plant Facilities	(258,148.78)
Settlement of Claims	(62,500.00)
Interest Expense and Fiscal Charges	(1,136,556.50)
Gain/(Loss) on Sale of Capital Assets	
Other Nonoperating Revenues	185,165.71
Other Nonoperating (Expenses)	(4,176,502.88)
Net Nonoperating Revenues (Expenses)	<u>73,176,182.56</u>
Income (Loss) Before Other Revenues, Expenses, Gains/(Losses), and Transfers	<u>(4,577,423.86)</u>

UNAUDITED

TEXAS STATE TECHNICAL COLLEGE
(Agency 719)
Statement of Revenues, Expenses, and Changes in Net Assets
For The Fiscal Year Ended August 31, 2008

	<u>TOTAL</u>
OTHER REVENUES, EXPENSES, GAINS (LOSSES) AND TRANSFERS:	
Capital Contributions	199,013.39
Capital Appropriations (HEAF)	5,775,000.00
Gifts and Sponsored Programs for Capital Acquisitions	383,376.82
Increase Net Assets - Interagency Transfers Capital Assets	12,234.36
Decrease Net Assets - Interagency Transfers Capital Assets	
Transfers from/(to) Other State Agencies	(1,903,114.85)
Legislative Transfers	
Legislative Appropriations Lapsed	
Net Other Revenues, Expenses, Gains/(Losses) and Transfers	<u>4,466,509.72</u>
CHANGE IN NET ASSETS	<u>(110,914.14)</u>
Net Assets - September 1, 2007	76,177,242.57
Restatements	(129,858.83)
Net Assets - September 1, 2007 - As Restated	<u>76,047,383.74</u>
NET ASSETS - August 31, 2008	<u>\$ 75,936,469.60</u>

UNAUDITED

TEXAS STATE TECHNICAL COLLEGE
Matrix of Operating Expenses
Reported by Function
For the Fiscal Year Ended August 31, 2008

Operating Expenses	Instruction	Research	Public Service	Academic Support	Student Services
Capital	\$ 1,563,128.99	\$ 0.00	\$ 0.00	\$ 151,184.67	\$ 49,865.88
Less Capital Additions	(1,563,128.99)	0.00	0.00	(151,184.67)	(49,865.88)
Depreciation and Amortization		0.00			
Payroll Related Costs	11,113,857.17	110,961.20	178.77	1,944,620.12	2,172,919.86
Claims and Judgments	5,841.25	0.00	7.17	2,757.45	1,573.87
Other Operating Expenses	4,664,265.35	22,555.31	450.00	321,774.07	1,315,082.02
Travel	511,919.20	16,391.70	0.00	193,362.62	111,282.11
Printing and Reproduction	24,201.72	55,012.60	0.00	34,198.35	83,132.96
Professional Fees and Services	605,062.79	18,247.70	0.00	221,255.70	84,250.69
Repairs and Maintenance	383,537.51	9,191.17	0.00	173,860.10	78,279.22
Communications and Utilities	411,200.88	2,430.00	0.00	586,455.93	124,175.01
Materials and Supplies	5,757,262.56	17,965.36	2,503.39	1,520,107.33	735,204.84
Cost of Goods Sold	472.23	0.00	0.00	0.00	0.00
Rentals and Leases	366,756.28	0.00	0.00	127,810.73	54,479.84
Scholarships	262,477.88	0.00	0.00	156,055.66	119,288.84
Less Tuition Discounting	0.00	0.00	0.00	0.00	0.00
Salaries and Wages	34,737,193.92	352,208.00	956.00	6,273,818.76	6,693,378.51
Bad Debt Expense	0.00	0.00	0.00	0.00	0.00
Interest	822.93	2.79	0.00	214.87	123.31
Federal Grant Pass-Through Expenses	0.00	0.00	0.00	0.00	0.00
State Grant Pass-Through Expenses	0.00	0.00	0.00	0.00	0.00
Total Operating Expenses	\$ 58,844,871.67	\$ 604,965.83	\$ 4,095.33	\$ 11,556,291.69	\$ 11,573,171.08

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TEXAS STATE TECHNICAL COLLEGE
Matrix of Operating Expenses
Reported by Function
For the Fiscal Year Ended August 31, 2008

Operating Expenses	Institutional Support	Operation and Maintenance of Plant	Scholarships and Fellowships	Auxiliary Enterprises	Depreciation and Amortization	Total Expenditures
Capital	\$ 122,309.03	\$ 284,443.50	\$ 0.00	\$ 682,675.73	\$ 0.00	\$ 2,853,607.80
Less Capital Additions	(122,309.03)	(284,443.50)	0.00	(682,675.73)	0.00	(2,853,607.80)
Depreciation and Amortization					5,280,336.93	5,280,336.93
Payroll Related Costs	3,114,371.24	1,913,592.82	0.00	1,206,490.48	0.00	21,576,991.66
Claims and Judgments	(15,085.66)	0.00	0.00	6,951.57	0.00	2,045.65
Other Operating Expenses	739,220.49	543,033.19	2,755.00	1,837,998.83	0.00	9,447,134.26
Travel	224,158.60	18,768.21	305.53	186,169.17	0.00	1,262,357.14
Printing and Reproduction	(50,232.86)	627.73	0.00	4,986.32	0.00	151,926.82
Professional Fees and Services	268,071.52	6,147.95	0.00	249,360.02	0.00	1,452,396.37
Repairs and Maintenance	777,090.69	424,091.65	0.00	1,038,467.98	0.00	2,884,518.32
Communications and Utilities	315,056.21	4,633,129.40	0.00	1,640,402.59	0.00	7,712,850.02
Materials and Supplies	1,120,426.00	1,031,366.35	212.35	2,255,308.54	0.00	12,440,356.72
Cost of Goods Sold	0.00	9,132.21	0.00	4,467,944.55	0.00	4,477,548.99
Rentals and Leases	252,558.37	33,431.01	0.00	317,428.49	0.00	1,152,464.72
Scholarships	17,198.58	0.00	26,334,134.70	17,995.70	0.00	26,907,151.36
Less Tuition Discounting	0.00	0.00	(11,972,550.91)	0.00	0.00	(11,972,550.91)
Salaries and Wages	9,682,263.19	4,900,456.44	0.00	4,470,093.88	0.00	67,110,368.70
Bad Debt Expense	0.00	0.00	0.00	0.00	0.00	0.00
Interest	95.79	410.53	0.00	638.84	0.00	2,309.06
Federal Grant Pass-Through Expenses	0.00	0.00	0.00	0.00	0.00	0.00
State Grant Pass-Through Expenses	0.00	0.00	0.00	0.00	0.00	0.00
Total Operating Expenses	\$ 16,445,192.16	\$ 13,514,187.49	\$ 14,364,856.67	\$ 17,700,236.96	\$ 5,280,336.93	\$ 149,888,205.81

UNAUDITED

TEXAS STATE TECHNICAL COLLEGE

(Agency 719)

Statement of Cash Flows

For the Fiscal Year Ended August 31, 2008

	<u>TOTAL</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Proceeds Received from Tuition and Fees	\$ 28,444,493.47
Proceeds Received from Customers (Other Sales and Services)	6,644,870.91
Proceeds from Grants and Contracts	26,917,695.36
Proceeds from Loan Programs	
Proceeds from Auxiliaries	10,429,009.70
Proceeds from Other Revenues	
Payments to Suppliers for Goods and Services	(40,132,456.23)
Payments to Employees for Salaries and Wages	(66,290,099.97)
Payments to Employees for Benefits	(20,937,676.38)
Payments for Loans Provided	
Payments for Other Expenses	<u>(18,432,510.61)</u>
Net Cash Provided (Used) by Operating Activities	<u>(73,356,673.75)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Proceeds from State Appropriations	81,656,503.51
Proceeds from Gifts	51,350.00
Proceeds from Grants and Contracts	(87,563.23)
Proceeds from Debt Issuance	
Proceeds from Other Revenues	113,682.29
Payments of Principal on Debt Issuance	
Payments of Interest	
Payments of Other Costs of Debt Issuance	
Payments for Other Uses	<u>(4,081,081.12)</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>77,652,891.45</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from Disposal of Capital Assets	
Proceeds from Capital Grants and Gifts	383,376.82
Proceeds from Debt Issuance	3,196,483.42
Payments for Additions to Capital Assets	(10,283,958.98)
Payments of Principal on Debt Issuance	(2,655,599.99)
Payments of Interest on Debt Issuance	(1,130,890.87)
Payments of Other Costs of Debt Issuance	(55,635.40)
Payments of Transfers to Other State Agencies for Debt retirement	<u>(1,903,114.85)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(12,449,339.85)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales of Investments	8,332,671.34
Proceeds from Interest and Investment Income	1,554,581.08
Payments to Acquire Investments	<u>(3,923,281.06)</u>
Net Cash Provided (Used) by Investing Activities	<u>5,963,971.36</u>

UNAUDITED

TEXAS STATE TECHNICAL COLLEGE

(Agency 719)

Statement of Cash Flows

For the Fiscal Year Ended August 31, 2008

Increase (Decrease) in Cash and Cash Equivalents	\$ (2,189,150.79)
Cash and Cash Equivalents, September 1, 2007	26,043,969.99
Restatements to Beginning Cash and Cash Equivalents	
Cash and Cash Equivalents, August 31, 2008	<u>\$ 23,854,819.20</u>

RECONCILIATION OF OPERATING INCOME (LOSS) TO
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES

Operating Income (Loss)	\$ (77,753,606.42)
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Adjustments to Reconcile Operating Income

to Net Cash Provided (Used) by Operating Activities:

Amortization and Depreciation	5,280,336.93
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Bad Debt Expense

Operating Income and Cash Flow Categories

Classification Differences

Interest and Investment Income from Operating Activities	(588,083.89)
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Changes in Assets and Liabilities:

(Increase) Decrease in Receivables	394,421.98
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(Increase) Decrease in Inventories	287,213.96
------------------------------------	------------

(Increase) Decrease in Loans and Contracts

(Increase) Decrease in Due from Other Agencies	(8,618.41)
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(Increase) Decrease in Other Assets

(Increase) Decrease in Prepaid Expenses

Increase (Decrease) in Payables	1,513,465.93
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Increase (Decrease) in Deposits Payable	482,497.04
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Increase (Decrease) in Due to Other Agencies

Increase (Decrease) in Deferred Income	605,248.85
--	------------

Increase (Decrease) in Funds Held for Others	(3,502,655.49)
--	----------------

Increase (Decrease) in Compensated Absence Liability	510,310.31
--	------------

Increase (Decrease) in Other Liabilities	<u>(577,204.54)</u>
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Total Adjustments	<u>4,396,932.67</u>
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Net Cash Provided (Used) by Operating Activities	<u>\$ (73,356,673.75)</u>
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NON CASH TRANSACTIONS

Donations of Capital Assets	\$ 180,527.01
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Increase in Interagency Transfers - Capital Assets	12,234.36
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Other Additions to Capital Assets	18,486.38
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Disposal of Plant Facilities	(258,148.78)
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Restatement to Beginning Capital Assets Balance	<u>(42,295.60)</u>
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Total Non Cash Transactions	<u>\$ (89,196.63)</u>
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TEXAS STATE TECHNICAL COLLEGE
 (Agency 719)
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended August 31, 2008

Note 1: Summary of Significant Accounting Policies

Entity

Texas State Technical College (TSTC) System is an agency of the State of Texas and its financial records comply with state statutes and regulations. This includes compliance with the Texas Comptroller of Public Accounts' Reporting Requirements for Annual Financial Reports of State Agencies and Universities.

TSTC System includes four colleges: TSTC Harlingen, TSTC Marshall, TSTC Waco, and TSTC West Texas, which has campuses in Abilene, Breckenridge, Brownwood, and Sweetwater. TSTC is the only state-supported technical college system in Texas. With a statewide role and mission, TSTC is efficiently and effectively helping Texas meet the high-tech challenges of today's global economy, in partnership with business and industry, government agencies, and other educational institutions. TSTC has high graduation rates, exceptional postgraduate success rates, and an outstanding record in graduating individuals from diverse cultural and socioeconomic backgrounds.

Due to the statewide requirements embedded in Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, the Comptroller of Public Accounts does not require the accompanying annual financial report to comply with all the requirements in this statement. The financial report will be considered for audit by the State Auditor as part of the audit of the State of Texas Comprehensive Annual Financial Report; therefore, an opinion has not been expressed on the financial statements and related information contained in this report.

Fund Structure

The accompanying financial statements are presented on the basis of funds, each of which is considered a separate accounting entity. The fund designation for institutions of higher education is Business-Type Activity within the Proprietary Fund Type.

Proprietary Fund Types**Business-Type Activity**

Business type funds are used for activities that are financed through the charging of fees for goods or services to the ultimate user. Institutions of higher education are required to report their financial activities as business type because the predominance of their funding comes through charges to students, sales of goods and services, and grant revenues.

Agency Funds

Agency funds are used to account for assets the government holds on behalf of others in a purely custodial capacity. Agency funds involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

Basis of Accounting

The basis of accounting determines when revenues and expenditures or expenses are recognized in the accounts reported in the financial statements. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus.

Business type activity funds (proprietary funds), are accounted for on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time liabilities are incurred. Proprietary funds distinguish operating from non-operating items. Operating revenues and expenses result from providing services or producing and delivering goods in connection with the proprietary funds principal ongoing operations. Operating expenses for the proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets.

TEXAS STATE TECHNICAL COLLEGE
(Agency 719)
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended August 31, 2008

Budget and Budgetary Accounting

The budget is prepared biennially and represents appropriations authorized by the legislature and approved by the Governor (the General Appropriations Act).

Unencumbered appropriations are generally subject to lapse 60 days after the end of the fiscal year for which they were appropriated.

Assets, Liabilities, and Net Assets

Assets

Cash and Cash Equivalents

Short-term highly liquid investments with an original maturity of three months or less are considered cash equivalents.

Restricted Assets

Restricted assets include monies or other resources restricted by legal or contractual requirements. These assets include proceeds of enterprise fund general obligation and revenue bonds and revenues set aside for statutory or contractual requirements. Assets held in reserve for guaranteed student loan defaults are also included.

Inventories

Inventories include both merchandise inventories on hand for sale and consumable inventories. Inventories are valued at cost, generally utilizing the last-in, first-out method. The consumption method of accounting is used to account for inventories that appear in the proprietary fund types. The cost of these items is expensed when the items are consumed.

Capital Assets

Assets with an initial, individual cost of more than \$5,000.00 and an estimated useful life in excess of one year are capitalized. All capital assets acquired by proprietary funds are reported at cost or estimated historical cost, if actual historical cost is not available. Donated assets are reported at fair value on the acquisition date. Depreciation is reported on all "exhaustible" assets. "Inexhaustible" assets such as works of art and historical treasures are not depreciated. Depreciation is charged to operations over the estimated useful life of each asset, using the straight-line method.

Current Receivables - Other

Other receivables include year-end revenue accruals not included in any other receivable category.

Liabilities

Accounts Payable

Accounts Payable represents the liability for the value of assets or services received at the balance sheet date for which payment is pending.

Current Payables - Other

Payables are the accrual at year-end of expenditure transactions not included in any of the other payable descriptions.

Employees' Compensable Leave Balances

Employees' Compensable Leave Balances represent the liability that becomes "due" upon the occurrence of relevant events such as resignations, retirements, and uses of leave balances by covered employees. Liabilities are reported separately as either current or non-current in the statement of net assets. These obligations are normally paid from the same funding source(s) from which each employee's salary or wage compensation was paid.

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Capital Lease Obligations

Capital Lease Obligations represent the liability for future lease payments under capital lease contracts contingent upon the appropriation of funding by the Legislature. Liabilities are reported separately as either current or non-current in the statement of net assets.

Bonds Payable

General obligation bonds and revenue bonds are generally accounted for in the proprietary funds. The bonds payable are reported at par less unamortized discount or plus unamortized premium. Interest expense is reported on the accrual basis, with amortization of discount or premium. Payables are reported separately as either current or non-current in the statement of net assets.

Net Assets

Net Assets is the difference between fund assets and liabilities on the proprietary fund statements.

Invested in Capital Assets, Net of Related Debt

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bond, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted Net Assets

Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Assets

Unrestricted net assets consist of net assets, which do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources, which are imposed by management, but can be removed or modified.

Interfund Activities and Balances

The agency has the following types of transactions among funds:

- (1) **Transfers:** Legally required transfers that are reported when incurred as 'Transfers In' by the recipient fund and as 'Transfers Out' by the disbursing fund.
- (2) **Reimbursements:** Reimbursements are repayments from funds responsible for expenditures or expenses to funds that made the actual payment. Reimbursements of expenditures made by one fund for another are recorded as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund. Reimbursements are not displayed in the financial statements.
- (3) **Interfund receivables and payables:** Interfund loans are reported as interfund receivables and payables. If repayment is due during the current year or soon thereafter, the balance is classified as "Current". Balances for repayment for two (or more) years are classified as "Non-Current".
- (4) **Interfund Sales and Purchases:** Charges or collections for services rendered by one fund to another that are recorded as revenue of the recipient fund and expenditures or expenses of the disbursing fund. The composition of Texas State Technical College's Interfund activities and balances are presented in Note 8.

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Note 2: Capital Assets

A summary of changes in capital Assets for the year ended August 31, 2008 is presented below:

	PRIMARY GOVERNMENT							Balance 8/31/08
	Balance 9/1/07	Adjustments	Reclassifications			Additions	Deletions	
			Completed CIP	Inc-Int'gy Trans	Dec-Int'gy Trans			
BUSINESS-TYPE ACTIVITIES								
Non-Depreciable Assets								
Land and Land Improvements	4,142,842.45							4,142,842.45
Construction in Progress	13,190,448.43	(23,200.00)	(15,646,322.92)			6,742,108.68		4,263,034.19
Other Assets	9,500.00							9,500.00
Total Non-Depreciable Assets	17,342,790.88	(23,200.00)	(15,646,322.92)	0.00	0.00	6,742,108.68	0.00	8,415,376.64
Depreciable Assets								
Buildings and Building Improvements	102,569,477.39		15,646,322.92			1,041,091.37		119,256,891.68
Infrastructure	4,753,532.00							4,753,532.00
Facilities & Other Improvements	3,908,309.58					166,725.57		4,075,035.15
Furniture and Equipment	28,698,177.80	(19,095.60)		300,851.68		2,066,393.32	(3,222,298.26)	27,824,028.94
Vehicle, Boats & Aircraft	7,116,506.26					368,095.14	(238,409.62)	7,246,191.78
Other Assets	2,687,583.00					98,558.29	(380,983.82)	2,405,157.47
Total Depreciable Assets at Historical Costs	149,733,586.03	(19,095.60)	15,646,322.92	300,851.68	0.00	3,740,863.69	(3,841,691.70)	165,560,837.02
Less Accumulated Depreciation for:								
Buildings and Improvements	(65,255,673.47)					(2,516,631.11)		(67,772,304.58)
Infrastructure	(4,528,532.00)					(37,500.00)		(4,566,032.00)
Facilities & Other Improvements	(3,013,652.86)					(45,019.68)		(3,058,672.54)
Furniture and Equipment	(20,373,800.54)			(288,617.32)		(2,117,043.84)	3,025,905.28	(19,753,556.42)
Vehicle, Boats & Aircraft	(5,254,786.83)					(473,571.96)	216,286.58	(5,512,072.21)
Other Capital Assets	(1,925,807.35)					(90,570.34)	341,351.06	(1,675,026.63)
Total Accumulated Depreciation	(100,352,253.05)	0.00	0.00	(288,617.32)	0.00	(5,280,336.93)	3,583,542.92	(102,337,664.38)
Depreciable Assets, Net	49,381,332.98	(19,095.60)	15,646,322.92	12,234.36	0.00	(1,539,473.24)	(258,148.78)	63,223,172.64
Business-Type Activities Capital Assets, Net	66,724,123.86	(42,295.60)	0.00	12,234.36	0.00	5,202,635.44	(258,148.78)	71,638,549.28
		(A)					(A)	

(A) A total of (\$24,540.62) of adjustments pertaining to deletion of library books during FY 2008 has been reported in the "Deletions" column above. This differs from the "Capital Assets Note 2" generated by the State Property Accounting (SPA) where these deletions are reported in the "Adjustments" column.

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Note 3: Deposits, Investments, & Repurchase Agreements

Texas State Technical College is authorized to invest in obligations and instruments as defined in the Public Funds Investment Act (Tex. Gov't Code Ann. Sec 2256.001) and the Endowment Fund, the Uniform Management of Institutional Funds Act following the "prudent person rule". 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 deposits, and (5) other instruments and obligations authorized by statute. There were no significant violations of legal provisions during the period.

Deposits of Cash in Bank

As of August 31, 2008, the carrying amount of deposits was \$22,019,643.61 as presented below.

Business-Type Activities	
CASH IN BANK – CARRYING AMOUNT	22,019,643.61
Less: Certificates of Deposit included in carrying value and reported as Current Short-term Investments	7,211,064.45
Less: Certificates of Deposit included in carrying value and reported as Current Restricted Short-term Investments	164,193.73
Less: Certificates of Deposit included in carrying value and reported as Non-Current Restricted Short-term Investments	244,060.60
Cash in Bank per AFR	14,400,324.83
Proprietary Funds Current Assets Cash in Bank	12,698,100.35
Proprietary Funds Current Assets Restricted Cash in Bank	1,554,206.71
Proprietary Funds Non-Current Assets Restricted Cash in Bank	148,017.77
Cash in Bank per AFR	14,400,324.83

These amounts consist of all cash in local banks and a portion of short-term investments. These amounts are included on the Statement of Net Assets as part of the "Cash and Cash Equivalents" and "Short-term Investments" accounts.

As of August 31, 2008, the total bank balance was as follows:

Business-Type Activities	24,050,913.70
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Investments

As of August 31, 2008, the fair value of investments is as presented below.

Business-Type Activities	Fair Value
U.S. Government	
U. S. Treasury Securities	
U. S. Treasury Strips	
U. S. Treasury TIPS	
U.S. Government Agency Obligations (Ginnie Mae, Fannie Mae, Freddie Mac, Sallie Mae, etc)	
U.S. Government Agency Obligations (Texas Treasury Safekeeping Trust Co)	
Corporate Obligations	
Corporate Asset and Mortgage Backed Securities	
Equity	
International Obligations (Govt. and Corp)	
International Equity	
Repurchase Agreement	
Repurchase Agreement (Texas Treasury Safekeeping Trust Co)	
Fixed Income Money Market and Bond Mutual Fund	
Other Commingled Funds	
International Other Commingled Funds	
Other Commingled Funds (TexPool)	5,499,377.23
Commercial Paper	
Securities Lending Collateral Investment Pool	
Real Estate	
Alternative Investments	
Misc. (Political subdivision, bankers' acceptance, negotiable CD)	
Total Investments	5,499,377.23
Reconciliation of Investments per Exhibits – Business – Type Activities	
Proprietary Funds Current Assets Restricted Short-term Investments	5,499,377.23
Add: Certificates of Deposit disclosed as deposits but reported as Current Short-term Investments	7,211,064.45
Add: Certificates of Deposit disclosed as deposits but reported as Current Restricted Short-term Investments	164,193.73
Add: Certificates of Deposit disclosed as deposits but reported as Non-Current Restricted Short-term Investments	244,060.60
Investments per Exhibits	13,118,696.01

Note 4: Summary of Short Term Debt

Texas State Technical College does not have any short term debt.

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Note 5: Summary of Long Term Liabilities

Changes in Long-Term Liabilities

During the year ended August 31, 2008, the following changes occurred in liabilities.

Business Type Activities	Balance 09-01-07	Additions	Reductions	Balance 08-31-08	Amounts Due Within One Year
General Obligation Bonds Payable	12,830,000.00	0.00	1,390,000.00	11,440,000.00	1,445,000.00
Revenue Bonds Payable	8,720,000.00	3,125,000.00	600,000.00	11,245,000.00	585,000.00
Capital Lease Obligations	5,325,891.75	0.00	631,307.20	4,694,584.55	543,270.91
Compensable Leave	5,139,166.51	3,214,896.48	2,704,586.17	5,649,476.82	610,708.44
Claims and Judgments (Accrued Arbitrage Payable)	233,000.00	102,286.36	0.00	335,286.36	0.00
Total Business-Type Activities	32,248,058.26	6,442,182.84	5,325,893.37	33,364,347.73	3,183,979.35

Claims and Judgments

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

Rebatable arbitrage is defined by Internal Revenue Code Section 148 as earnings on investments purchased with the gross proceeds of a bond issue in excess of the amount that would have been earned if the investments were invested at a yield equal to the yield on the bond issue. This rebatable arbitrage must be paid to the federal government. The College is entitled to invest its bond proceeds at an unrestricted yield for various temporary periods ranging from six months to three years. This unrestricted earnings period begins on the date of delivery of the bond issue. Earnings on any funds held by the College after this six month period must be restricted to the yield of the College's bond issue unless the College meets certain spending requirements during the six months to three years temporary period. The amount of rebate due the federal government is determined and payable during each five year period and upon final payment of the tax-exempt bonds.

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The Constitutional Appropriation Bonds, Series 2005 was the only bond issue of the College calculated as having rebatable arbitrage at August 31, 2008. The College recognizes the accrued liability for rebatable arbitrage in the Statement of Net Assets. For the year ended August 31, 2008, the accrued liability totaled \$335,286.36.

Employees' Compensable Leave

Full-time State employees earn annual leave from eight to twenty one hours per month depending on the respective employee's years of State employment. The State's policy is that an employee may carry his accrued leave forward from one fiscal year to another fiscal year with a maximum number of hours up to 532 for those employees with 35 or more years of State service. Employees with at least six months of State service who terminate their employment are entitled to payment for all accumulated annual leave up to the maximum allowed. The College recognizes the accrued liability for the unpaid annual leave in the Statement of Net Assets. This obligation is usually paid from the same funding source(s) from which the employee's salary or wage compensation was paid. For the year ended August 31, 2008, the accrued liability totaled \$5,649,476.82.

The College made lump sum payments totaling \$632,554.88 for accrued vacation and/or compensatory time to employees who separated from state service during fiscal year ending August 31, 2008.

Sick leave, the accumulation of which is unlimited, is earned at the rate of eight hours per month and is paid only when an employee is off due to illness or to the estate of an employee in the event of his/her death. The maximum sick leave that may be paid an employee's estate is one-half of the employee's accumulated entitlement or 336 hours, whichever is less. The College's policy is to recognize the cost of sick leave when paid and the liability is not shown in the financial statements since experience indicates the expenditure for sick leave to be minimal.

Bonds Payable

Bonds Payable obligations are described in detail in Note 13.

Capital Lease Obligations

Capital Lease Obligations are described in detail in Note 6.

Note 6: Capital Leases

Texas State Technical College has entered into long-term leases for financing the purchase of certain capital assets. Such leases are classified as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments at the inception of the lease. The following is a summary of original capitalized costs of all such property under lease as well as the accumulated depreciation as of August 31, 2008:

Assets Under Capital Leases	Business-Type Activities
Land	455,762.50
Construction in Progress	0.00
Building	6,877,934.58
Less: Accumulated Depreciation	(1,110,540.45)
Furniture and Equipment	264,117.05
Less: Accumulated Depreciation	(74,832.47)
Total	6,412,441.21

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Future minimum lease payments under these capital leases, together with the present value of the net minimum lease payments at fiscal year-end, are as follows:

Future minimum lease payments	Business-Type Activities		
	Principal	Interest	Total
2009	543,270.91	169,611.78	712,882.69
2010	430,771.55	150,923.33	581,694.88
2011	416,229.45	133,079.93	549,309.38
2012	398,810.48	118,113.40	516,923.88
2013	414,169.35	102,754.53	516,923.88
2014 – 2018	1,326,777.42	301,568.41	1,628,345.83
2019 – 2023	1,143,901.57	98,669.03	1,242,570.60
2024 – 2028	20,653.82	56.02	20,709.84
Total Minimum Lease Payments	4,694,584.55	1,074,776.43	5,769,360.98
Less: Amount Representing Interest at Various Rates			1,074,776.43
Present Value of Net Minimum Lease Payments			4,694,584.55

Note 7: Operating Lease Obligations

Included in expenditures is the following amount of rent paid or due under operating leases:

<u>Fund Type</u>	<u>Amount</u>
Proprietary, Business-Type Activities	1,158,473.24

TSTC has no non-cancelable operating leases having an initial term in excess of one year.

Note 8: Interfund Balances/Activities

As explained in Note 1 on Interfund Activities and Balances, there are numerous transactions between funds and agencies. At year-end amounts to be received or paid are reported as:

- ☐ Interfund Receivables or Interfund Payables – See Below
- ☐ Due from Other Agencies or Due to Other Agencies – See Schedule 1A – *Schedule of Expenditures of Federal Awards*, and Schedule 1B – *Schedule of State Grant Pass Throughs From/To State Agencies*
- ☐ Due From Other Funds or Due to Other Funds – None
- ☐ Legislative Transfers In or Legislative Transfers Out – None

The agency experienced routine transfers with other state agencies, which were consistent with the activities of the fund making the transfers.

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Individual balances and activity at August 31, 2008 follows:

Current Portion	Current Interfund Receivable	Current Interagency Payable
GENERAL (01)	0.00	0.00
Total Interfund Receivable/Payable	0.00	0.00

Non-Current Portion	Non-Current Interfund Receivable	Non-Current Interfund Payable	Purpose (Disclosure Required)
GENERAL(01)	0.00	0.00	
Total Interfund Receivable/Payable	0.00	0.00	

	Due From Other Agencies	Due to Other Agencies	Source
GENERAL (01)			
State Pass Throughs			
(Agency 320, D23 Fund 0001)	263,664.69		State Pass Through
Federal Pass Throughs			
(Agency 781, D23 Fund 0001)	1,077,515.63		Federal Pass Through
(Agency 320, D23 Fund 5026)	104,361.41		Federal Pass Through
Total Due From/To Other Agencies	1,445,541.73		

Legislative transfers in and out were as follows:

	Legislative TRANSFERS IN	Legislative TRANSFERS OUT
GENERAL REVENUE(01)	0.00	0.00
Total Legislative Transfers	0.00	0.00

The detailed Federal and State Grant Pass Through Information is provided on Schedule 1A – *Schedule of Expenditures of Federal Awards*, and Schedule 1B – *Schedule of State Grant Pass Throughs From/To State Agencies*, respectively.

Note 9: Contingent Liabilities

At August 31, 2008, various lawsuits and claims involving Texas State Technical College were pending. While the ultimate liability with respect to litigation and other claims asserted against Texas State Technical College cannot be reasonably estimated at this time, to the extent not provided for by insurance or otherwise, the minimum liability is \$0.00 and the maximum liability pending is \$1,300,000.00.

Note 10: Continuance Subject to Review

Not Applicable

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Note 11: Risk Financing and Related Insurance

Texas State Technical College (TSTC) is exposed to a variety of civil claims resulting from the performance of its duties. It is TSTC's policy to periodically assess the proper combination of commercial insurance and retention of risk to cover losses to which it may be exposed.

TSTC assumes substantially all risks associated with tort and liability claims due to the performance of its duties. Currently, TSTC has purchased worker's compensation, auto, property, boiler & machinery, crime, director's & officer's liability insurance, and peace officer bonds. TSTC is not involved in any risk pools with other government entities.

TSTC's liabilities are reported when it is both probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Liabilities are reevaluated periodically to consider current settlements, frequency of claims, past experience and economic factors. There were no significant reductions in insurance coverage in the past year and losses did not exceed funding arrangements during the past three years. Changes in the balances of TSTC's claims liabilities during fiscal 2007 and 2008 were:

	Beginning Fiscal Year Liability	Current year Claims/Changes in Estimates	Claims Payments	Balance at Fiscal Year-End
2007	0.00	0.00	0.00	0.00
2008	0.00	0.00	0.00	0.00

Note 12: Segment Information

Not applicable

Note 13: Bonded Indebtedness

Bonds Payable

Detailed supplemental bond information is disclosed in Schedule 2A, Miscellaneous Bond Information, Schedule 2B, Changes in Bonded Indebtedness, Schedule 2C, Debt Service Requirements, and Schedule 2D, Analysis of Funds Available for Debt Service.

General information related to bonds payable is summarized below:

Business – Type Activities

General Obligation Bonds

Constitutional Appropriation Bonds, Series 2005

- ☐ To construct buildings or other permanent improvements, and for major repair and rehabilitation of buildings or other permanent improvements, all at the TSTC System's campuses located in the cities of Harlingen, Marshall, Sweetwater and Waco, Texas, and to pay costs of issuance of the bonds.
- ☐ Issued 11-16-2005
- ☐ \$15,695,000.00, all authorized bonds have been issued
- ☐ Source of revenues for debt service-General Revenue Funds (HEAF) Appropriations

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Revenue Bonds**Building Revenue and Refunding Revenue Bonds, Series 1992**

- ☐ Issued by the Texas Public Finance Authority on behalf of Texas State Technical College System
- ☐ To refinance three existing bond issues totaling \$9,515,000.00 with remaining proceeds used for construction of Student Recreation Center at TSTC Waco and gymnasium at TSTC Harlingen
- ☐ Issued November 24, 1992
- ☐ \$14,080,000.00; all authorized bonds have been issued
- ☐ Source of revenue for debt service-Auxiliary Revenues, Special Use Fees and other income.

Bonds payable are due in annual installments varying from \$695,000.00 to \$1,250,000.00 with interest rates from 3.20% to 6.25% with the final installment being due on August 01, 2009. The principal and interest expense for the next two years are summarized below for bonds issued.

<u>FISCAL YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2009	1,250,000.00	78,125.00	1,328,125.00
	1,250,000.00	78,125.00	1,328,125.00

Revenue Financing System Bonds, Series 2002

- ☐ To construct a Learning Resource and Distance Learning facility at TSTC Harlingen; to construct a Library and Administrative Activities facility at TSTC Marshall; to construct a Transportation Technologies Building at TSTC West Texas Sweetwater; to renovate the Industrial Technology Center at TSTC Waco; to pay costs of issuing the bonds; and to renovate existing structures and facilities for any portion of the proceeds not required for the specified projects at the institution.
- ☐ Issued 10-15-2002
- ☐ \$10,880,000.00, all authorized bonds have been issued
- ☐ Source of revenues for debt service – General Revenue Funds specifically appropriated for debt service and all other available non-General Revenue Funds.

Revenue Financing System Bonds, Series 2008

- ☐ To acquire, purchase, construct, renovate, enlarge or equip property, buildings, structures, facilities, road or related infrastructure for HVAC system replacements at TSTC Waco; and to pay certain costs of issuing the bonds.
- ☐ Issued 06-01-08
- ☐ \$3,125,000.00, all authorized bonds have been issued
- ☐ Source of revenues for debt service – General Revenue Funds specifically appropriated for debt service and all other available non-General Revenue Funds.

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Advance Refunding Bonds

On November 24, 1992, revenue bonds were issued by the Texas Public Finance Authority on behalf of Texas State Technical College System issued as Building Revenue and Refunding Revenue Bonds Series 1992 which refunded three issues of bonds then outstanding. The existing bond issues with their respective balances that were refunded were as follows:

Housing System and Auxiliary Services Revenue Bonds, Series 1979	4,750,000.00
Housing System and Auxiliary Services Revenue Bonds, Series 1982	3,065,000.00
Housing System and Auxiliary Services Revenue Bonds, Series 1989	1,700,000.00
Total	9,515,000.00

The average interest rate of the bond issues refunded was 8.1%.

The par amount of the Series 1992 Bonds was \$14,080,000.00, with all authorized bonds being issued. Net proceeds from the Series 1992 Bonds were \$13,520,184.00 after payment of \$386,347.00 in underwriting fees, insurance and other issuance costs. An additional \$1,496,418.00 of sinking fund monies from the Series 1979, 1982, and 1989 was deposited in an irrevocable trust with an escrow agent to provide for all future debt payments on the 1979, 1982 and 1989 issues.

The Series 1979, 1982, and 1989 Bonds are considered fully defeased and the liability for those bonds has been removed from the financial statements.

In Fiscal Year 1994, the remaining \$4,200,000.00 of bonds from the 1979 issue were called and paid thus extinguishing all outstanding indebtedness from the 1979 issue.

Note 14: Subsequent Events

Subsequent to August 31, 2008, TSTC settled a lawsuit. The amount of the judgment is approximately \$550,000.00 which includes attorney fees. A portion of the balance may be funded by TSTC's Directors' and Officers' Liability Policy. The \$550,000.00 is part of the maximum liability amount of \$1,300,000.00 for various lawsuits and claims listed in Note 9: Contingent Liabilities.

Note 15 Related Parties

Not Applicable.

Note 16: Stewardship, Compliance and Accountability

No material issues were noted.

Note 17: The Financial Reporting Entity and Joint Ventures

Not Applicable.

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Note 18: Restatement of Fund Balances/Net Assets

During fiscal year 2008, the correction of errors in the financial statements of a prior period required the restatement of the amounts in net assets as shown.

Business Type Activities
Proprietary Funds

Net Assets August 31, 2007	<u>\$76,177,242.57</u>
Restatements:	
Correction of prior year deferred revenue balance	(87,563.23)
Correction of prior year capital assets balances	<u>(42,295.60)</u>
Total Restatements	<u>(129,858.83)</u>
Net Assets September 1, 2007 As Restated	<u>\$76,047,383.74</u>

Note 19: Employees Retirement Plans

The state has established an Optional Retirement Program (ORP) for institutions of higher education. Participation in ORP is in lieu of participation in the Teacher Retirement System and is available to certain eligible employees. The contributions made by plan members and employer for the fiscal year ended August 31, 2008 are:

	<u>Year ended August 31, 2008</u>
Member Contributions	\$ 1,615,323.08
Employer Contributions	<u>1,831,670.53</u>
Total	<u>\$ 3,446,993.61</u>

Note 20: Deferred Compensation

Not Applicable

Note 21: Donor Restricted Endowments

Donor-Restricted Endowments	Amounts of Net Appreciation	Reported in Net Assets
True Endowments	<u>0.00</u>	Restricted for Expendable
Term Endowments	<u>0.00</u>	Restricted for Expendable
	<u>0.00</u>	

Note 22: Management Discussion and Analysis

The Rolling Plains Technical Foundation is a non-profit organization with the sole purpose of supporting the educational and other activities of Texas State Technical College. The Rolling Plains Technical Foundation remitted restricted gifts of \$34,363.16 during the year ended August 31, 2008. Neither the balance nor the transactions of this organization's fund are reflected in the financial statements during the year ended August 31, 2008.

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NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended August 31, 2008

The TSTC Regents Circle is a non-profit organization with the sole purpose of supporting the educational and other activities of Texas State Technical College. The TSTC Regents Circle remitted gifts of \$240,200.19 during the year ended August 31, 2008. Neither the balance nor the transactions of this organization's fund are reflected in the financial statements during the year ended August 31, 2008.

On July 23, 2008, Hurricane Dolly hit the TSTC Harlingen campus with 8 to 10 hours of Category 1 winds and rain. At least 15 major buildings were damaged in addition to a number of temporary buildings. Also, there was a considerable amount of campus cleanup needed for exterior landscaping and tree damage. Most of the damage to buildings was due to wind-blown water finding its way in through roofs, through sealed windows and through doors. Quick action got the buildings dried out before a problem with mold developed. TSTC Harlingen had to initially close the campus, but classes resumed within ten days with no loss of revenues. Total costs related to Hurricane Dolly are estimated to total \$3,950,000.00. Of this amount, \$1,339,537.03 was expended in Fiscal Year 2008 by the college for cleanup, debris removal and the drying-out process. TSTC's total property insurance deductible is expected to be between \$1.5 million and \$2.0 million, of which it is expected that FEMA will reimburse approximately 75 percent. Additional financial assistance is being requested of the Governor's Office and the Texas Legislature, which meets for its biennial session beginning January, 2009.

The Board of Regents of TSTC and the Texas Bond Review Board have approved bonds issued as Clean Renewable Energy Bonds in the amount of \$1,000,000.00 for the purpose of partially funding the purchase and installation of a \$2,200,000.00 wind turbine at TSTC West Texas Sweetwater. Proceeds from the sale of these bonds will be used to partially pay down on the \$2,200,000.00 Master Equipment Lease Purchase Program (MELPP) financing previously approved by the Board of Regents of TSTC and the Texas Bond Review Board for this project. The bonds will be issued in December 2008.

Note 23: Post Employment Health Care and Life Insurance Benefits

Not Applicable

Note 24: Special and Extraordinary Items

Not Applicable

Note 25: Disaggregation of Receivable and Payable Balances

Not Applicable.

Note 26: Termination Benefits

Not Applicable.

Agency 719 - Texas State Technical College System
Schedule 1A
For the Fiscal Year Ended August 31, 2008

Certified

Federal Grantor/ Pass-through Grantor/ Program Title	CFDA Number	Identifying Number	Pass-through From			Direct Program Amount	Total PT From and Direct Prog. Amount	Pass-through To			Expenditures Amount	Total PT To and Expenditures Amount
			Agy/ Unrv No	Agencies or Universities Amount	Non-State Entities Amount			Agy/ Unrv No.	Agencies or Universities Amount	Non- State Entities Amount		
U.S. Department of Justice												
Direct Programs:												
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580					61,401.93	61,401.93				61,401.93	61,401.93
Totals - U.S. Department of Justice				0.00	0.00	61,401.93	61,401.93		0.00	0.00	61,401.93	61,401.93
U.S. Department of Labor												
Employment and Training Pilots	17.261					1,345,273.91	1,345,273.91				1,345,273.91	1,345,273.91
WIA Incentive Grants_Section 503 Grants to States	17.267					48,204.82	48,204.82				48,204.82	48,204.82
Community Based Job Training Grants	17.269					193,386.12	193,386.12				193,386.12	193,386.12
Totals - U.S. Department of Labor				0.00	0.00	1,586,864.85	1,586,864.85		0.00	0.00	1,586,864.85	1,586,864.85
National Science Foundation												
Education and Human Resources	47.076					171,243.55	171,243.55				171,243.55	171,243.55
Totals - National Science Foundation				0.00	0.00	171,243.55	171,243.55		0.00	0.00	171,243.55	171,243.55

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U.S. Nuclear Regulatory Commission Scholarship And Fellowship Program	77 008	26,133.45	26,133.45	26,133.45	26,133.45
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Totals - Nuclear Regulatory Commission		0.00	0.00	26,133.45	26,133.45
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U.S. Department of Education

Gaining Early Awareness and Readiness for Undergraduate Programs	84 334 P334A060157	348,287.64	348,287.64	348,287.64	348,287.64
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Direct Programs:

Higher Education--Institutional Aid	84.031	586,984.93	586,984.93	586,984.93	586,984.93
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Vocational Education--Basic Grants to States	84.048	123,175.65	123,175.65	123,175.65	123,175.65
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Fund for the Improvement of Postsecondary Education	84 116	646.48	646.48	646.48	646.48
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Migrant Education--High School Equivalency Program	84.141	398,415.88	398,415.88	398,415.88	398,415.88
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Tech-Prep Education	84 243	20,957.72	20,957.72	20,957.72	20,957.72
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Twenty-First Century Community Learning Centers	84 287	8,744.98	8,744.98	8,744.98	8,744.98
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Pass-Through From:

Vocational Education--Basic Grants to States	84 048		2,793,020.05	2,793,020.05	2,793,020.05
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Pass-Through From:

Texas Higher Education Coordinating Board	781	2,793,020.05			
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Tech-Prep Education	84 243		867,106.95	867,106.95	867,106.95
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Pass-Through From:

Texas Higher Education Coordinating Board	781	867,106.95			
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Totals - U.S. Department of Education		3,660,127.00	348,287.64	1,138,925.64	5,147,340.28
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U.S. Department of Health and Human ServicesDirect Programs:

Model State-Supported Area Health Education Centers	93.107	15,783.25	15,783.25	15,783.25	15,783.25
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UNAUDITED

Temporary Assistance for Needy Families	93 558	233,842.80	233,842.80	233,842.80	233,842.80
<u>Pass-Through From:</u>					
Temporary Assistance for Needy Families	93.558		271,468.20	271,468.20	271,468.20
<u>Pass-Through From:</u>					
Texas Workforce Commission		320	271,468.20		

Totals - U.S. Department of Health and Human Services		271,468.20	0.00	249,626.05	521,094.25	0.00	0.00	521,094.25	521,094.25
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Corporation for National and Community ServiceDirect Programs:

AmenCorps	94 006		2,886.62	2,886.62		2,886.62	2,886.62
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Totals - Corporation for National and Community Service		0.00	0.00	2,886.62	2,886.62	0.00	0.00	2,886.62	2,886.62
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Employment Services Cluster**U.S. Department of Labor**Direct Programs:

Employment Service	17.207		73,659.64	73,659.64		73,659.64	73,659.64
Disabled Veterans' Outreach Program (DVOP)	17.801		1,233.96	1,233.96		1,233.96	1,233.96

Pass-Through From:

Employment Service	17 207		386,001.48		386,001.48	386,001.48
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Pass-Through From:

Texas Workforce Commission		320	386,001.48		
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Totals - U.S. Department of Labor		386,001.48	0.00	74,893.60	460,895.08	0.00	0.00	460,895.08	460,895.08
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Food Stamp Cluster**U.S. Department of Agriculture**

UNAUDITED

Pass-Through From:

State Administrative Matching Grants for Food Stamp Program 10.561

14,823.01

14,823.01

14,823.01

Pass-Through From:

Texas Workforce Commission

320 14,823.01

Totals - U.S. Department of Agriculture

14,823.01

0.00

0.00

14,823.01

0.00

0.00

14,823.01

14,823.01

Student Financial Assistance Cluster

U.S. Department of Education

Direct Programs:

Federal Supplemental Educational Opportunity Grants 84.007

732,459.24

732,459.24

732,459.24

732,459.24

Federal Family Education Loans 84.032

23,200,319.17

23,200,319.17

23,200,319.17

23,200,319.17

Federal Work-Study Program 84.033

630,210.49

630,210.49

630,210.49

630,210.49

Federal Pell Grant Program 84.063

16,930,816.29

16,930,816.29

16,930,816.29

16,930,816.29

Academic Competitiveness Grants 84.375

397,733.00

397,733.00

397,733.00

397,733.00

Totals - U.S. Department of Education

0.00

0.00

41,891,538.19

41,891,538.19

0.00

0.00

41,891,538.19

41,891,538.19

TRIO Cluster

U.S. Department of Education

Direct Programs:

TRIO—Upward Bound 84.047

345,491.90

345,491.90

345,491.90

345,491.90

TRIO—Educational Opportunity Centers 84.066

218,035.92

218,035.92

218,035.92

218,035.92

Totals - U.S. Department of Education

0.00

0.00

563,527.82

563,527.82

0.00

0.00

563,527.82

563,527.82

Workforce Investment Act Cluster

U.S. Department of Labor

Direct Programs:

WIA Adult Program 17.258

22,691.30

22,691.30

22,691.30

22,691.30

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WIA Youth Activities	17.259		133,953.71	133,953.71		133,953.71	133,953.71
WIA Dislocated Workers	17.260		415,297.76	415,297.76		415,297.76	415,297.76
<u>Pass-Through From:</u>							
WIA Adult Program	17.258			164,773.22		164,773.22	164,773.22
<u>Pass-Through From:</u>							
Texas Workforce Commission		320	164,773.22				
WIA Adult Program	17.258			15,208.85		15,208.85	15,208.85
<u>Pass-Through From:</u>							
Texas Engineering Experiment Station		712	15,208.85				
WIA Adult Program	17.258			7,500.00		7,500.00	7,500.00
<u>Pass-Through From:</u>							
University of Texas at San Antonio		743	7,500.00				
WIA Youth Activities	17.259			196,330.34		196,330.34	196,330.34
<u>Pass-Through From:</u>							
Texas Workforce Commission		320	196,330.34				
WIA Dislocated Workers	17.260			208,729.89		208,729.89	208,729.89
<u>Pass-Through From:</u>							
Texas Workforce Commission		320	208,729.89				
Totals - U.S. Department of Labor			592,542.30	0.00	571,942.77	1,164,485.07	1,164,485.07
Total Expenditures of Federal Awards			4,924,961.99	348,287.64	46,338,984.47	51,612,234.10	51,612,234.10

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TEXAS STATE TECHNICAL COLLEGE
(Agency 719)
Schedule 1A
Schedule of Expenditures Federal Awards
For the Year Ended August 31, 2008

Note 1: Non-Monetary Assistance
Not Applicable

Note 2: Reconciliation:

Federal Revenues -	
Federal Grants and Contracts	\$ 23,486,952.94
Fed. Pass-Through Grants from Other State Agencies	4,924,961.99
Federal Revenues Per Statement of Revenues, Expenses, and Changes in Net Assets	<u>28,411,914.93</u>
Reconciling Items:	
ADD:	
Non-Monetary Assistance:	
Donation of Federal Surplus Property	0.00
New Loans Processed:	0.00
Federal Family Education Loan Program	23,200,319.17
Total Pass-Through To & Expenditures Per Federal Schedule	<u>\$ 51,612,234.10</u>

Note 3: Student Loans Processed and Administrative Costs Recovered

Federal Grantor/ CFDA Number/Program Name	New Loans Process	Admin Costs	Total Loans Processed & Admin Costs	Ending Bal. of Prev. Yr. Loan
U.S. Department of Education				
84.032 Fed Family Educ Loan Program	\$ 23,200,319.17	0.00	\$ 23,200,319.17	Not Applicable

Note 4: Depository Libraries for Government Publications
Not Applicable

Note 5: Unemployment Insurance
Not Applicable

Note 6: Rebate from the Special Supplemental Food Program for Women, Infant and Children (WIC)
Not Applicable

Note 7: Federal Deferred Revenue

CFDA	Balance 09/01/07	Net Change	Balance 08/31/08
17.258 WIA Adult Program	0	54,335.99	54,335.99
17.259 WIA Youth Activities	50,865.84	(50,646.06)	219.78
17.260 WIA Dislocated Workers	2,754.06	87,611.56	90,365.62
17.261 Employment and Training Pilots	3,898.75	(3,898.75)	0.00
17.801 Disabled Veterans' Outreach Program (DVOP)	2,704.99	(2,704.99)	0.00
43.001 Aerospace Education Services Program	919.86	(919.86)	0.00
84.048 Vocational Education --Basic Grants to States	7,261.60	(7,261.60)	0.00
84.063 Federal Pell Grant Program	17,687.23	(17,687.23)	0.00
84.334 Gaining Early Awareness and Readiness for Undergraduate Programs	2,405.16	(2,215.41)	189.75
84.375 Academic Competitiveness Grants	61,766.00	(61,766.00)	0.00
93.107 Model State-Supported Area Health Education Centers	0.30	(0.30)	0.00
93.558 Temporary Assistance for Needy Families	233,821.04	(233,821.04)	0.00
Total Deferred Revenue	<u>384,084.83</u>	<u>(238,973.69)</u>	<u>145,111.14</u>

The deferred revenue of \$145,111.14 are federal grant prepayments that have not been earned.

UNAUDITED

Texas State Technical College

(Agency 719)

Schedule 1B Schedule of State Grant Pass Throughs From/To State Agencies

For the Fiscal Year Ended August 31, 2008

Pass Through From:

Texas Higher Ed Coordinating Board (Agency #781)	\$	
Texas College Work Study Program		117,445.33
Texas Grants		1,356,750.00
TEOG (Texas Grants II)		934,585.00
Professional Services and grants		193,875.00
Mentorship		111,377.00
Enrollment Growth		274,234.00
Financial Air Profesional Nursing		1,348.00
Financial Air LVN Nursing		1,406.00
 Texas Workforce Commission (Agency # 320)		
Skills Development Fund		2,440,385.90
 State Energy Conservation Office (Agency #907)		69,226.38
 Total Pass Through From Other Agencies	\$	<u>5,500,632.61</u>
(Stmnt. of Rev., Exp., and Chgs. In Net Assets)		

UNAUDITED

TEXAS STATE TECHNICAL COLLEGE
(Agency 719)
Schedule 2A - Miscellaneous Bond Information
For the Fiscal Year Ended August 31, 2008

Business-Type Activities

Description of Issue	Bonds Issued to Date	Range of Interest Rates	Terms of Variable Interest Rates	Scheduled Maturities		First Call Date
				First Year	Last Year	
General Obligation Bonds						
Constitutional Appropriation Bonds Series 2005	\$ 15,695,000.00	4.00%	4.50%	2006	2015	N/A
Revenue Bonds						
Revenue Financing System Bonds Series 2002	10,880,000.00	4.00%	5.00%	2003	2022	08/01/2012
Revenue Financing System Bonds Series 2008	<u>3,125,000.00</u>	4.25%	5.00%	2008	2023	08/01/2018
Total	\$ <u>29,700,000.00</u>					

UNAUDITED

TEXAS STATE TECHNICAL COLLEGE
 (Agency 719)
 Schedule 2B - Changes in Bonded Indebtedness
 For the Fiscal Year Ended August 31, 2008

Business-Type Activities

<u>Description of Issue</u>	<u>Bonds Outstanding 09/01/2007</u>	<u>Bonds Issued</u>	<u>Bonds Matured or Retired</u>	<u>Bonds Refunded or Extinguished</u>	<u>Bonds Outstanding 08/31/2008</u>
General Obligation Bonds					
Constitutional Appropriation Bonds, Series 2005	\$ 12,830,000.00	\$	\$ 1,390,000.00	\$	\$ 11,440,000.00
Revenue Bonds					
Revenue Financing System Bonds, Series 2002	8,720,000.00		445,000.00		8,275,000.00
Revenue Financing System Bonds, Series 2008		3,125,000.00	155,000.00		2,970,000.00
Total	\$ 21,550,000.00	\$ 3,125,000.00	\$ 1,990,000.00	\$	\$ 22,685,000.00

Description of Issue	Reconciliation			Net Bonds Outstanding 08/31/2008	Amounts Due Within One Year
	Unamortized Premium	Unamortized Discount	Unamortized Gain/(Loss) on Refunding		
General Obligation Bonds					
Constitutional Appropriation Bonds, Series 2005	\$	\$	\$	\$ 11,440,000.00	\$ 1,445,000.00
Revenue Bonds					
Revenue Financing System Bonds, Series 2002				8,275,000.00	455,000.00
Revenue Financing System Bonds, Series 2008				2,970,000.00	130,000.00
Total	\$	\$	\$	\$ 22,685,000.00	\$ 2,030,000.00

UNAUDITED

TEXAS STATE TECHNICAL COLLEGE
(Agency 719)
Schedule 2C - Debt Service Requirements
For the Fiscal Year Ended August 31, 2008

Business-Type Activities

<u>Description of Issue</u>	<u>Year</u>	<u>Principal</u>	<u>Interest</u>
General Obligation Bonds			
Constitutional Appropriation Bonds			
Series 2005	2009	\$ 1,445,000.00	\$ 475,600.00
	2010	1,505,000.00	417,800.00
	2011	1,565,000.00	357,600.00
	2012	1,630,000.00	295,000.00
	2013	1,695,000.00	229,800.00
	2014-2015	<u>3,600,000.00</u>	<u>244,800.00</u>
Total		<u>\$ 11,440,000.00</u>	<u>\$ 2,020,600.00</u>

Revenue Bonds

Revenue Financing System Bonds			
Series 2002	2009	\$ 455,000.00	\$ 368,667.50
	2010	470,000.00	350,467.50
	2011	490,000.00	331,667.50
	2012	505,000.00	312,067.50
	2013	525,000.00	291,867.50
	2014-2018	2,955,000.00	1,113,325.00
	2019-2022	<u>2,875,000.00</u>	<u>366,075.00</u>
Total		<u>\$ 8,275,000.00</u>	<u>\$ 3,134,137.50</u>

Revenue Financing System Bonds			
Series 2008	2009	\$ 130,000.00	\$ 141,387.50
	2010	140,000.00	134,887.50
	2011	145,000.00	127,887.50
	2012	160,000.00	120,637.50
	2013	165,000.00	112,637.50
	2014-2018	980,000.00	429,437.50
	2019-2023	<u>1,250,000.00</u>	<u>172,987.50</u>
Total		<u>\$ 2,970,000.00</u>	<u>\$ 1,239,862.50</u>

TEXAS STATE TECHNICAL COLLEGE
 (Agency 719)
 Schedule 2D - Analysis of Funds Available for Debt Service
For the Fiscal Year Ended August 31, 2008

Business-Type Activities

Description of Issue	Application of Funds	
	Principal	Interest
General Obligation Bonds		
Constitutional Appropriation Bonds		
Series 2005	\$ 1,390,000.00	\$ 531,200.00
Total	<u>\$ 1,390,000.00</u>	<u>\$ 531,200.00</u>

Description of Issue	Pledged and Other Sources and Related Expenditures for FY 2008			
	Net Available for Debt Service			
	Total Pledged and Other Sources	Operating Expenses/ Expenditures and Capital Outlay	Debt Service	
			Principal	Interest
Revenue Bonds				
Housing System & Auxiliary Services Revenue Bonds, Series 1979	\$ REFUNDED	\$	\$	\$
Housing System & Auxiliary Services Revenue Bonds, Series 1982	REFUNDED			
Housing System & Auxiliary Services Revenue Bonds, Series 1989	REFUNDED			
Building Revenue & Refunding Revenue Bonds, Series 1992	16,121,518.04	12,966,454.83	1,175,000.00	151,562.50
Revenue Financing System Bonds, Series 2002	26,886,878.62	(A)	445,000.00	386,467.50
Revenue Financing System Bonds, Series 2008	(B)	(B)	155,000.00	24,856.25
Total	<u>\$ 43,008,396.66</u>	<u>\$ 12,966,454.83</u>	<u>\$ 1,620,000.00</u>	<u>\$ 538,030.00</u>

(A) Expenditures associated with pledged sources totaled \$25,281,076.46. (Footnote disclosure for Gross Revenue Pledges only.)

(B) The Revenue Financing System Bonds, Series 2008 were issued as parity obligations with the Revenue Financing System Bonds, Series 2002. As such, the Series 2008 issue has an equal claim to the pledged sources reported above for the Series 2002 issue and share the same expenditures that are associated with the pledged sources disclosed in footnote (A) above.

UNAUDITED

TEXAS STATE TECHNICAL COLLEGE
(Agency 719)
Schedule 3 - Reconciliation of Cash in State Treasury
August 31, 2008

<u>Cash in State Treasury</u>	<u>Unrestricted</u>	<u>Restricted</u>	<u>Current Year Total</u>
Local Revenue Fund 0237	\$ 9,411,515.37	\$	\$ 9,411,515.37
Departmental Suspense Fund Fund 0900			
Total Cash in State Treasury (Stmnt of Net Assets)	\$ <u>9,411,515.37</u>	\$ <u></u>	\$ <u>9,411,515.37</u>