



# TEXAS SOUTHMOST COLLEGE DISTRICT

BROWNSVILLE, TEXAS

Comprehensive Annual Financial Report

Fiscal Year Ended August 31, 2007

**TEXAS SOUTHMOST COLLEGE DISTRICT**  
**Brownsville, Texas**

**COMPREHENSIVE**  
**ANNUAL FINANCIAL REPORT**

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

Prepared by:  
Texas Southmost College District  
Finance Office

TEXAS SOUTHMOST COLLEGE DISTRICT

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# INTRODUCTORY SECTION



TEXAS SOUTHMOST COLLEGE DISTRICT

THE UNIVERSITY OF TEXAS AT BROWNSVILLE and TEXAS SOUTHMOST COLLEGE

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December 20, 2007

To the Members of the Board of Trustees, Administration, Taxpayers of the Texas Southmost College District and to the citizens of the Texas Southmost College District service area:

The comprehensive annual financial report of the Texas Southmost College District (the District) for the fiscal year ended August 31, 2007 is hereby submitted. The purpose of this report is to provide detailed information concerning the financial condition and performance of the District. Responsibility for the preparation and integrity of the financial information and fairness of the presentation, including disclosures, rests with the management of the District. To the best of our knowledge, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The financial statements are prepared in accordance with Generally Accepted Accounting Principles (GAAP) as established by the Financial Accounting Standards Board (FASB) and the Governmental Accounting Standards Board (GASB) and comply with *Annual Financial Requirements for Texas Public Community and Junior Colleges* as set forth by the Texas Higher Education Coordinating Board (THECB). The notes to the financial statements are provided in the financial section and are considered essential to fair presentation and adequate disclosure for this financial report. The notes include the Summary of Significant Accounting Policies for the District and other necessary disclosures of important matters relating to the financial position of the District. The notes are an integral part of the financial statements and should be read in conjunction with them. Further, this letter of transmittal and the financial statements should be read in conjunction with the Management's Discussion and Analysis (pages 12 – 22) which focuses on the current activities, decisions, and currently known facts to provide an overview of the financial statements and reasons for significant changes from the prior year.

The District's financial statements have been audited by Long Chilton, LLP, a firm of licensed certified public accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the District for the years ended August 31, 2007 and 2006 are free from material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and, evaluating the overall financial statement presentation. The independent auditor concluded based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the District's financial statement for the years ended August 31, 2007 and 2006 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The District is required to undergo an annual federal single audit in conformity with the provisions of the Single Audit Act Amendments of 1996, and U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and an annual state single audit in conformity with the Texas Governor's Office of Budget and Planning *Uniform Grant Management Standards Single Audit Circular*. Information related to these single audits, including the schedule of federal expenditures of awards, schedule of state expenditures of awards, and auditor's reports on compliance and on internal controls is included in the federal and state single audit sections of this report.

The comprehensive annual financial report is presented in five sections: introductory, financial, federal single audit, state single audit, and statistical. The introductory section includes this transmittal letter, the District's organizational chart and a list of the District's principal elected and appointed officials. The financial section includes the independent auditor's report, management's discussion and analysis, the statements of net assets, the statements of revenues, expenses and changes in net assets, the statements of cash flows, notes to the financial statements and required supplemental information. The single audit report sections contain the schedules and reports required by statute. The statistical section includes selected unaudited financial and demographic information presented on a multi-year basis.

### **Organization of the District**

The idea of a junior college campus in Brownsville was once only a vision in the minds of community leaders. This vision began the journey to reality in the spring of 1926 when a committee was formed and the support of the School Board and various community organizations was obtained to form a junior college.

In August of 1926, the School Board voted to install the junior college and named it The Junior College of the Lower Rio Grande Valley. On September 21, 1926, The Junior College of the Lower Rio Grande Valley opened its doors and the College's five faculty members welcomed 84 students to the first classes held at the Brownsville High School. In 1931, The Junior College of the Lower Rio Grande Valley was renamed Brownsville Junior College. Classes would continue to be taught and graduation ceremonies would continue to be held at the Brownsville High School until 1948 when Brownsville Junior College was located on its own campus, the historic Fort Brown.

To say that the District has grown in the past 80 years is an understatement. The District has grown both in terms of size and enrollment. Texas Southmost College, as it was once again renamed in 1949, has expanded from the 47 acres on the site of old Fort Brown to 380 acres both on and off campus to include facilities in Brownsville, South Padre Island, Port Mansfield and Raymondville.

In the spring of 1991, the Texas House of Representatives and Senate passed a bill that would create The University of Texas at Brownsville (UTB) which would be in partnership with Texas Southmost College. This was just the beginning of a successful partnership between a university and community college.

The partnership with the District operates with a consolidated administrative and academic structure under the direction of UTB. The combined institutions currently enroll over 16,000 students per long semester in academic, occupational and continuing education courses and over 2,000 staff and instructional support are employed by UTB. The partnership offers students a seamless transition from a community college to a university, which has allowed the institutions to attract and retain students on a campus that the community helped realize over 80 years ago.

The District operates as a community college under the laws of the State of Texas and is governed by the elected District Board comprised of seven members serving six-year staggered terms. Elections are held every two years in May. The Board of Trustees is charged with policy-making and supervisory functions and delegates administrative responsibilities to the University of Texas at Brownsville and Texas Southmost College (UTB/TSC) President who is the chief administrative officer of the District.

### **Mission and Values**

The University of Texas at Brownsville and Texas Southmost College partnership offers Certificates, and Associate, Baccalaureate, and Graduate degrees in liberal arts, the sciences, and professional programs designed to meet student demand as well as regional, national, and international needs.

The mission of the UTB/TSC partnership is to provide accessible, affordable, postsecondary education of high quality, to conduct research which expands knowledge and to present programs of workforce training and continuing education, public service, and cultural value. The partnership combines the strengths of the community

college and those of a university by increasing student access and eliminating inter-institutional barriers while fulfilling the distinctive responsibilities of each type of institution.

UTB/TSC is committed to excellence. It is dedicated to stewardship, service, openness, accessibility, efficiency, and citizenship. UTB/TSC is committed to students, participatory governance, liberal education, the expansion of the application of knowledge, human dignity, the convening of cultures and respect for the environment.

### **Local Economic Information**

The District is located in Brownsville Texas, the largest city in the Rio Grande Valley. From 2005 to 2006, Brownsville grew by 2.8 percent. The main elements that contributed to the exploding population were high birth rates, international trade, inbound migration, and a booming economy. Education and health services sectors are now the largest employers which grew by 35.4 percent from 20,600 in 2001 to 27,900 employees. Cameron County, the southern-most Texas County, is the geographical area in which the District operates. The County's population for 2006 was 387,717, an increase of 15.7 percent since 2000. The County's median income per household was \$26,719 compared to the state median of \$41,645.

### **Major Initiatives**

The District has devoted significant time and effort in planning for the future. During 2006, the District continued major construction and renovation projects as defined in its current facilities master plan in order to provide space for 20,000 students by 2010 to meet the state's "Closing the Gaps" initiative of increasing participation in higher education. Programs such as the Dual Enrollment program which allow students at local high schools to enroll in college courses while still in high school has helped increase enrollment and provided an excellent opportunity to encourage students to continue their post secondary studies.

Capital construction projects planned and under construction as a result of the \$68 million bond election passed in November of 2004 and as a result of the student's vote to assess themselves a student recreation center fee include: Wellness Recreation Center, Library, Small Classrooms, Large Classrooms, Early Childhood Center, Music Education Building and Renovations to the Library and International Technology Education and Commerce Campus (ITECC).

### **Financial Information**

*Internal Controls.* District Management is responsible for establishing and maintaining internal controls designed to ensure that the assets of the District are protected from loss, theft, or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

*Single Audit.* As a recipient of federal, state, and local financial assistance, the District also is responsible for ensuring that adequate internal control is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control is subject to periodic evaluation by management and the independent auditors of the District. As a part of the District's single audits, described earlier, tests are made to determine the adequacy of the internal control, including that portion related to federal and state awards programs, as well as to determine that the District has complied with applicable laws and regulations. The results of the District's single audit for the fiscal year ended August 31, 2007, provided no instances of material weaknesses in internal control.

*Budgeting Controls.* The District continues to apply budgetary controls and accounting on a fund basis. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the District's Board of Trustees. Activities of the unrestricted general, campus facilities and auxiliary funds, restricted parking and insurance funds and retirement of indebtedness funds are