

TEXAS SOUTHMOST COLLEGE

ANNUAL FINANCIAL REPORT

AUGUST 31, 2005

TEXAS SOUTHMOST COLLEGE
ANNUAL FINANCIAL REPORT

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TEXAS SOUTHMOST COLLEGE

ORGANIZATIONAL DATA

FOR THE FISCAL YEAR 2005

Board of Trustees

Officers

Chester Gonzalez	Chairperson
Rosemary Breedlove	Vice-chairperson
Eduardo Campirano	Secretary

Members

		Term Expires <u>August 31</u>
Roman Esparza	Brownsville, Texas	May, 2008
Rosemary Breedlove	Brownsville, Texas	May, 2010
David Oliveira	Brownsville, Texas	May, 2006
Chester Gonzalez	Brownsville, Texas	May, 2010
Dolly Zimmerman	Port Isabel, Texas	May, 2008
Dr. Roberto Robles	Brownsville, Texas	May, 2006
Eduardo Campirano	Brownsville, Texas	May, 2010

Principal Administrative Officers

Dr. Juliet V. Garcia	President, UTB/TSC
Dr. John P. Ronnau	Vice President for Administration and Partnership Affairs, UTB/TSC
Melba M. Sanchez, CPA	District Controller

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Texas Southmost College District
Brownsville, Texas

We have audited the accompanying basic financial statements of Texas Southmost College as of and for the years ended August 31, 2005 and 2004, 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes 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, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Texas Southmost College as of August 31, 2005 and 2004, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2005 on our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

The accompanying management's discussion and analysis on pages 7 through 21 is not a required part of the basic 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 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 of Texas Southmost College taken as a whole. The accompanying supplementary information, as described in the table of contents, is presented for purposes of additional analysis and is 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 the portion marked "unaudited" 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.

A handwritten signature in cursive script, appearing to read "Long Chelton" followed by a flourish.

Brownsville, Texas
November 15, 2005

TEXAS SOUTHMOST COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS

AUGUST 31, 2005

Management's Discussion and Analysis of Texas Southmost College's (the College) financial performance provides an overview of the College's financial activities for the fiscal year ended August 31, 2005. This discussion and analysis is to be read in conjunction with the College's financial statements which begin on page 22.

USING THIS ANNUAL REPORT

The financial statements presented in Exhibits 1, 2 and 3 are prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public College's and Universities*. The required statements are: the Statement of Net Assets, the Statement of Revenues, Expenses and Changes in Net Assets and the Statement of Cash Flows.

As required by GASB No. 34 and No. 35, the current and prior year financials are prepared using the accrual basis of accounting, which is the same method used by most private sector companies, and focus on the financial condition of the College, results of operations and cash flows of the College as a whole. For purposes of discussion and analysis, we have provided a year to year comparative analysis of the financial statements.

The notes to the financial statements starting on page 26 provide narrative explanations and additional data needed for full disclosure in the financial statements.

USING THIS ANNUAL REPORT

(Continued)

The Statement of Net Assets

The Statement of Net Assets includes all the College's assets and liabilities and change in net assets as of the end of the fiscal year. The difference between total assets and total liabilities is the net assets. Increases and decreases to net assets is one indicator of whether the overall financial condition has improved or deteriorated during the year when considered with other factors such as enrollment, contact hours of instruction, student retention and other non-financial information. Finally, the statement of net assets is useful when determining the assets available for continuing the College's operations as well as how much the College owes to vendors, bondholders, and other entities at the end of the year.

The Statement of Net Assets includes assets and liabilities, and current and non-current and net assets. Current assets are those which are available to satisfy current liabilities or liabilities that are due within one year. Non-current assets include capital assets, long-term investments and other assets, not classified as current. Non-current liabilities include bonds payable and other long-term commitments.

The Net Assets are divided into three major categories. The first category, Invested in Capital Assets Net of Related Debt, represents the College's net investment in property, plant and equipment owned by the institution. The next category is restricted net assets, which is further divided into two categories: nonexpendable and expendable. Expendable restricted net assets are available for expenditures but must be spent in accordance with the restrictions of donors and other external entities. The College only has Expendable Restricted Net Assets. The final category is Unrestricted Net Assets which are assets available to the institution for any lawful purpose of the College. Further detail regarding assets, liabilities and net assets is presented in the statement of net assets and notes to the financial statements.

The Statement of Revenues, Expenses and Changes in Net Assets

The statement of revenues, expenses and changes in net assets represents the College's overall results of operations. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred regardless of when the cash is received or paid. The statement is divided into

The Statement of Revenues, Expenses and Changes in Net Assets (continued)

operating revenues and expenses and non-operating revenues and expenses. The College is primarily dependent upon four sources of revenues: state allocations, tuition and fees, grants and contracts and property taxes. Since property taxes are classified as non-operating revenues (per GASB requirements), the College will generally display an operating deficit before taking into account its non-operating revenues. Therefore, total revenues and total expenses should be considered in assessing the change in the College's financial position. When total revenues exceed total expenses, the result is an increase in net assets. When the contrary occurs, the result is a decrease in Net Assets. Further detail is presented in the Statement of Revenues, Expenses and Changes in Net Assets and in the Notes to the Financial Statements.

The College's net assets (the difference between assets and liabilities) provide one measure of the College's financial health or financial position. Over time, increases or decreases in the College's net assets are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the College, however, non-financial factors should be considered as well, such as changes in the College's enrollment, property tax base, and the condition of the College's facilities.

The Statement of Cash Flows

The Statement of Cash Flows provides the College's cash receipts and payments for the year. This statement is not intended to replicate, on a cash basis, the operating statement. Instead, it is intended to compliment the accrual-basis financial statements by providing functional information about financing, capital and investing activities. The cash flow approach concentrates on the underlying nature of a transaction.

The information contained in the Statement of Cash Flows assesses the College's ability to generate future net cash flows, meet obligations as they come due and needs for external financing. In addition, differences between operating income and associated cash receipts and payments and the effects on the financial position of both its cash and its non-cash investing, capital and financing transactions can be identified.

FINANCIAL ANALYSIS

Statement of Net Assets

The following analysis focuses on the Statement of Net Assets, which is condensed in Table 1.

TABLE 1
CONDENSED STATEMENT OF NET ASSETS
(in millions)

	<u>August 31,</u> <u>2005</u>	<u>August 31,</u> <u>2004</u>	<u>Change</u>
Current Assets	\$ 19.8	\$ 18.6	\$ 1.2
Noncurrent Assets			
Cash and Cash Equivalents - Restricted	22.5	1.4	21.1
Capital Assets, Net of Accumulated Depreciation	60.7	59.5	1.2
Other Non-Current Assets	<u>0.8</u>	<u>0.2</u>	<u>0.5</u>
Total Assets	<u>103.8</u>	<u>79.7</u>	<u>24.1</u>
Current Liabilities	14.9	11.2	3.7
Noncurrent Liabilities	<u>33.0</u>	<u>15.4</u>	<u>17.5</u>
Total Liabilities	<u>47.9</u>	<u>26.7</u>	<u>21.3</u>
Net assets:			
Invested in capital assets, net of related debt	25.5	42.6	-17.2
Restricted Expendable	27.8	7.7	20.1
Unrestricted	<u>2.6</u>	<u>2.7</u>	<u>-0.1</u>
Total Net Assets	\$ <u>55.9</u>	\$ <u>53.1</u>	\$ <u>2.8</u>

Total Assets increased by \$24.1 million. The major factor affecting this net increase is the sale and reinvestment of \$19.8 million in general obligation tax bonds for construction and renovation projects on campus beginning in fiscal year 2006.

Statement of Net Assets (continued)

Total liabilities increased by \$21.3 million. Included in this amount are: an increase of \$19.8 million in general obligation tax bonds and an increase in deferred revenues of \$1.8 million which represents tuition and fees for the Fall 2005 semester and is indicative of a growing enrollment.

Net assets (assets less liabilities) increased by 5% in fiscal year 2005, from \$53.1 million at August 31, 2004 to \$55.9 million at August 31, 2005. Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – represents \$2.6 million of total net assets at August 31, 2005.

Statement of Revenues, Expenses and Changes in Net Assets

The following analysis focuses on the Statement of Revenues, Expenses and Changes in Net Assets presented in condensed form in Table 2.

TABLE 2
CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
(in millions)

	Fiscal Year <u>2005</u>	Fiscal Year <u>2004</u>	<u>Change</u>
Operating Revenues	\$ 23.7	\$ 21.0	\$ 2.7
Operating Expenses	40.6	38.2	2.4
Non-Operating Revenues	20.7	21.5	(0.8)
Non-Operating Expenses	<u>1.0</u>	<u>0.9</u>	<u>0.1</u>
INCREASE IN NET ASSETS	\$ 2.8	\$ 3.4	\$ (0.6)
NET ASSETS - Beginning of Year	\$ <u>53.1</u>	\$ <u>49.1</u>	\$ <u>4.0</u>
Prior Period Adjustments		0.6	(0.6)
NET ASSETS - End of Year	\$ <u>55.9</u>	\$ <u>53.1</u>	\$ <u>2.8</u>

Statement of Revenues, Expenses and Changes in Net Assets (continued)

Table 3 details the College's sources of operating revenue. The key sources of operating revenues are: Tuition and Fees (net of scholarship discounts) and Grants and Contracts.

OPERATING REVENUE

(in millions)

	Fiscal Year 2005		Fiscal Year 2004		Increase/ (Decrease)
	<u>Amount</u>	<u>Percentage of Total</u>	<u>Amount</u>	<u>Percentage of Total</u>	
Net Tuition and Fees	19.4	81.8%	15.3	73.2%	4.1
Grants and Contracts	3.9	16.6%	4.9	23.4%	(1.0)
Auxiliary Enterprises	0.3	1.3%	0.6	2.4%	(0.3)
Other Operating Revenues	<u>0.1</u>	<u>0.3%</u>	<u>0.2</u>	<u>1.0%</u>	<u>(0.1)</u>
Total Operating Revenues	\$ <u>23.7</u>	<u>100.0%</u>	\$ <u>21.0</u>	<u>100.0%</u>	\$ <u>2.7</u>

Operating revenues were affected by the following key factors:

- Tuition and fees (net of scholarship discounts) increased as a result of a 4% increase in enrollment. Other factors affecting the tuition and fee increase are a \$1 per semester credit hour increase in resident in-district tuition, a \$2 per semester credit hour increase in resident out-of-district tuition, a \$24 per semester credit hour increase in non-resident tuition, an increase of \$6 in building use fee, a \$5 increase in computer use fee, the assessment of a \$25 advising fee for all students and the implementation of \$2 library fee.
- Grants and Contracts revenues decreased primarily as a result of non-governmental grants and contracts received in fiscal year 2004. The College was awarded a grant in the amount of \$5.5 million from the Greater Brownsville Investment Corporation (GBIC) over a two year period beginning in 2002 for the renovation of the College's International Technology Education and Commerce Campus (ITECC). The Department of Education also awarded the College a \$1 million grant for the renovation of space at the ITECC for the International Innovation Center. The remaining balance of these awards was received in fiscal year 2004.

Statement of Revenues, Expenses and Changes in Net Assets (continued)

Table 4 details the College's sources of non-operating revenues. The key sources of non-operating revenues are: State Appropriations and Ad Valorem Taxes.

TABLE 4
OPERATING REVENUE
(in millions)

	Fiscal Year 2005		Fiscal Year 2004		Increase/ (Decrease)
	<u>Amount</u>	<u>Percentage of Total</u>	<u>Amount</u>	<u>Percentage of Total</u>	
State Appropriations	10.8	52.2%	12.0	55.9%	(1.2)
Ad Valorem Taxes	9.1	44.0%	8.5	39.4%	0.6
Investment Income	0.7	3.4%	0.4	1.9%	0.3
Gain on Disposal of Capital Assets	0.0	0.0%	0.4	2.0%	(0.4)
Other Non-Operating Revenues	<u>0.1</u>	<u>0.4%</u>	<u>0.2</u>	<u>0.8%</u>	<u>(0.1)</u>
Total Non-Operating Revenues	\$ <u>20.7</u>	<u>100.0%</u>	\$ <u>21.5</u>	<u>100.0%</u>	\$ <u>(0.8)</u>

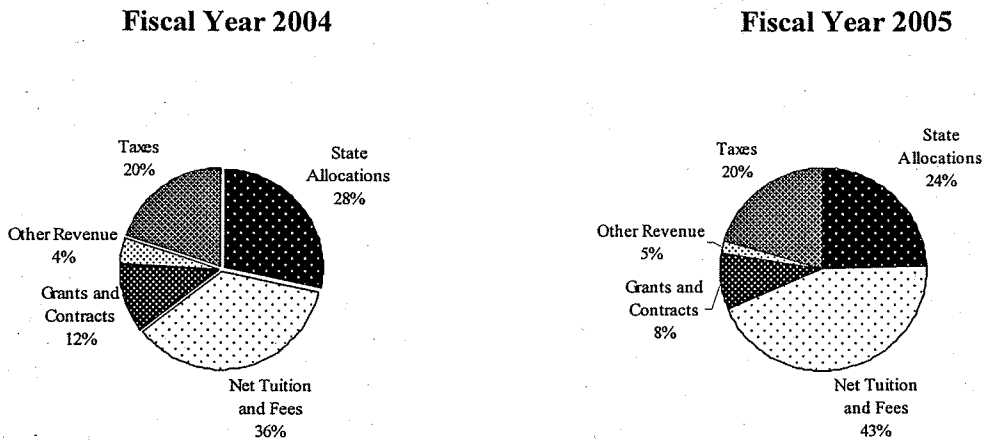
Non-operating revenues were affected by the following key factors:

- State appropriations were awarded for the 2004-2005 biennia and remained flat year over year, however, Table 4 reflects a reduction due to a change in reporting for insurance appropriations. Insurance appropriations are made to TSC under the University of Texas System and beginning with fiscal year 2005 will be reported in the UTB/TSC partnership financial statements.
- Property tax revenue increased by more than \$0.6 million as a result of an 11% increase in assessed property valuations. The tax rate for the Texas Southmost College District was reduced from \$0.1314 per \$100 valuation in fiscal year 2004 to \$0.128782 per \$100 valuation in fiscal year 2005.

Statement of Revenues, Expenses and Changes in Net Assets (continued)

Key sources of revenue in total for the College are state allocations, grants and contracts, property taxes and tuition and fees (net of scholarship discounts). Table 5 shows a comparison of the breakdown of total revenues by source for the College in Fiscal Years 2005 and 2004.

TABLE 5
Total Revenues
(Operating and Non-operating)



In both fiscal year 2004 and 2005, tuition and fees account for the largest source of revenue (36% and 43%, respectively) for the College. State allocations are the next largest revenue source at 28% in fiscal year 2004 and 24% in fiscal year 2005. Property taxes have remained steady at 20% of total revenues.

Statement of Revenues, Expenses and Changes in Net Assets (continued)

Table 6 displays the breakdown of operating expenses by natural classification for the College.

TABLE 6
Natural Classification
(in millions)

	<u>Fiscal Year</u> <u>2005</u>	<u>Fiscal Year</u> <u>2004</u>	<u>Change</u>
Salaries	\$ 0.3	\$ 0.4	\$ (0.1)
Benefits	0.1	0.1	0.0
Supplies and Services	2.9	3.8	-0.9
Contract Services - UTB	35.8	32.6	3.2
Depreciation	<u>1.5</u>	<u>1.3</u>	<u>0.2</u>
Total Operating Expenses	\$ <u>40.6</u>	\$ <u>38.2</u>	\$ <u>2.4</u>

Table 7 displays the breakdown of the College's expenses by functional classification.

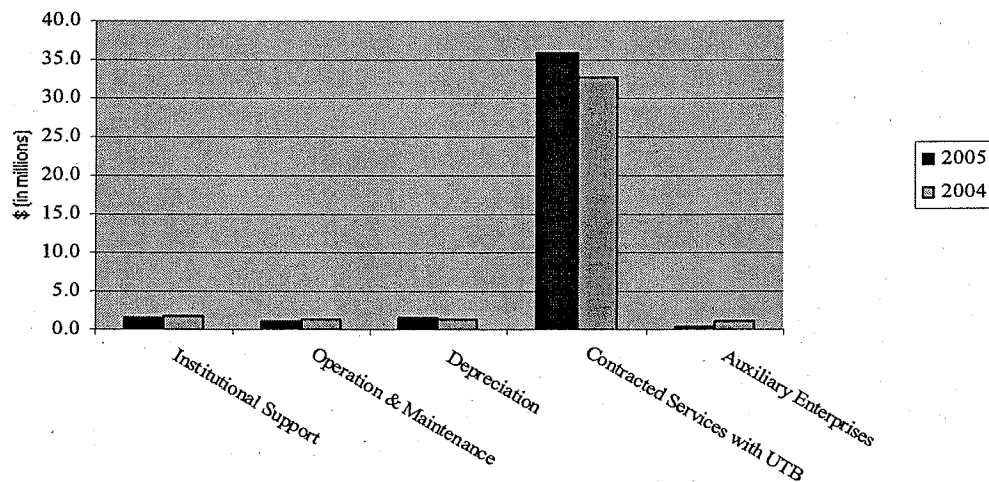
TABLE 7
OPERATING EXPENSES
Functional Classification
(in millions)

	<u>2005</u>	<u>2004</u>	<u>Change</u>
<u>Educational and General</u>			
Institutional Support	\$ 1.7	\$ 1.8	\$ (0.1)
Operation and Maintenance of Plant	1.1	1.3	(0.2)
Contract Services - UTB	35.8	32.6	3.2
Depreciation	<u>1.5</u>	<u>1.3</u>	<u>0.2</u>
Total Educational Activities	40.1	37.0	3.1
Auxiliary Enterprises	<u>0.5</u>	<u>1.2</u>	<u>(0.7)</u>
Total Operating Expenses	\$ <u>40.6</u>	\$ <u>38.2</u>	\$ <u>2.4</u>

Statement of Revenues, Expenses and Changes in Net Assets (continued)

Table 8 also displays the breakdown of the College's expenses by functional classification.

TABLE 8
OPERATING EXPENSES
Functional Classification
(in millions)



The College operates under a partnership agreement with The University of Texas at Brownsville. Under this agreement, the College contracts with UTB to provide instruction and other related essential services. This contract is the largest expense for the College as is reflected in the Contract Services-UTB category. In fiscal year 2004 and 2005, this amount represented 85% and 88% of total expenses, respectively. The increase of \$3.5 million from fiscal year 2004 to fiscal year 2005 is primarily as a result of increased tuition and fees that are committed to the partnership under the agreement. The University of Texas at Brownsville releases an Annual Financial Report detailing total expenses for both the College and University and should be reviewed in conjunction with this report for further information.

Statement of Cash Flows

The Condensed Statement of Cash Flows appears in Table 9. The complete Statement of Cash Flows appears in page 24 and 25 of this report.

TABLE 9
CONDENSED STATEMENT OF CASH FLOWS
(in millions)

	<u>2005</u>	<u>2004</u>	<u>Change</u>
Cash Provided/ Used By:			
Operating Activities	\$ (15.7)	\$ (13.5)	\$ (2.2)
Noncapital Financing Activities	18.6	19.5	(0.9)
Capital and Related Financing Activities	16.4	(7.3)	23.7
Investing Activities	<u>0.7</u>	<u>0.4</u>	<u>0.3</u>
NET INCREASE (DECREASE) IN CASH	\$ 20.0	\$ (0.9)	\$ 20.9
CASH - Beginning of Year	\$ <u>8.7</u>	\$ <u>9.6</u>	<u>(1.0)</u>

Total Cash and Cash Equivalents increased by \$20.0 million during the year. Major factors impacting cash and cash equivalents are described below by source.

Operating Activities: Cash flows from operating resulted in an outflow of \$15.7 million. The major sources of cash receipts was from tuition and fees, net of scholarship allowances and discounts (\$19.4 million). The College's major cash outlay was for contract services with UTB (\$37.5 million).

Non-capital Financing Activities: The College had a positive cash flow of \$18.6 million from the collection of property taxes and receipt of state appropriations. Property taxes were collected at a rate of 95% of the current year's tax levy. (See table 9.1 below for more information on property taxes.)

Capital and Related Financing Activities: Capital and related financing activities resulted in a cash inflow of \$16.4 million. Cash outlays of approximately \$13 million were made for continued renovations of ITECC, purchases of land and property, the refunding of debt for the Student Union revenue bonds (\$7.1 million) and principal and interest payments for all outstanding bonds. Cash inflows of \$29.4 million resulted from the collection of property taxes for the funding of the College's 1987/88 debt service obligation, issuance of tax bonds (\$19.8 million) and for the reissuance of bonds for the Student Union (\$7.9 million).

Statement of Cash Flows (continued)

Investing Activities: Cash flows from investing activities represent investment earnings generated from the College's various checking and savings accounts.

Property taxes are an essential source of revenue for the College. The following table provides information regarding tax collection and assessed valuation for the Texas Southmost College District.

Table 9.1
Property Tax Information

	<u>Fiscal Year</u> <u>2005</u>	<u>Fiscal Year</u> <u>2004</u>	<u>Percent</u> <u>Change</u>
Total Tax Rate per \$100	\$ 0.128782	\$ 0.131400	-1.9%
Total Tax Collections	\$ 9,085,985	\$ 8,466,056	7.3%
Tax Collection Rate	94.9%	97.8%	-
Assessed Valuation	\$7,037,106,494	\$6,218,793,871	13.1%

The District's total tax rate decreased slightly by 1.9% from the previous year; however, total tax assessments increased by about 13.1% due to increased valuation. The District's tax collection rate has remained strong over the past two years.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of Fiscal Year 2005 the College had approximately \$60.7 million (net of accumulated depreciation) invested in a broad range of capital assets, including instructional and athletic facilities, maintenance of buildings and equipment. Additions to capital assets totaled \$2.5 million and approximately \$2.0 million of the additions were for renovation of the International Technology Education and Commerce Campus (ITECC).

In fiscal year 2002, the College purchased a former shopping mall facility in an effort to meet the needs of a growing Community University. The College continues the process of renovating this facility called the ITECC which houses the College's workforce training and continuing education programs, technical training programs and other academic programs and provides space for a variety of community projects.

Debt (continued)

In February 2005, the College made the first bond issuance out of the total \$68 million in bonds that were approved by the voters in September of 2004. The issuance was for \$19.8 million and will be used for the construction of seven major capital projects on campus.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Board of Trustees considered many factors when establishing the fiscal year 2006 budget and tax rates. The College expects tax revenue to increase modestly during fiscal year 2006. Continued growth in the tax base, due to population growth and increased valuation, are expected to be driving forces in increased collections. State allocations for the College are projected to increase by \$2.3 million in the coming year; however expenditures are expected to increase by more than this amount as the institution strives to meet the needs of an expanding enrollment.

In November 2004, the voters approved a \$68 million bond election. As a result, seven major capital projects are in the planning and design phases. These projects include: Music Education Complex, Renovations at ITECC, Early Childhood Development Center, Biomedical Research Facility, Campus Parking, Library, Library Improvements and Classroom Buildings. In addition, plans are also underway for a Wellness, Recreation and Kinesiology Complex, which is being funded through a combination of bond proceeds and student fees.

Enrollment growth at the College continues to increase at an average rate of approximately 6%. A similar increase is expected for the coming year. In order for the College to meet the needs of its growing enrollment, it is essential that the state allocation remain at least equal to that of the previous year. Any cuts will further affect direct services to students and seriously effect the College's effort to help meet the state's goal of "closing the gaps."

CONTACTING THE COLLEGE'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the College's finances and to show the College's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Vice President for Administration and Partnership Affairs at (956) 882-6567.

TEXAS SOUTHMOST COLLEGE

STATEMENTS OF NET ASSETS

August 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
ASSETS		
Current Assets:		
Cash and cash equivalents (Note 4)	\$ 6,116,884	\$ 7,191,013
Accounts receivable – net (Note 14)	13,169,042	10,943,230
Prepaid expenses	504,540	450,784
Total Current Assets	<u>19,790,466</u>	<u>18,585,027</u>
Noncurrent Assets:		
Restricted – cash and cash equivalents (Note 4)	22,538,651	1,396,831
Endowment Investments (Note 4)	56,113	50,935
Unamortized bond issuance cost	716,217	179,339
Capital assets net (Note 5)	<u>60,683,786</u>	<u>59,507,652</u>
Total Noncurrent Assets	<u>83,994,767</u>	<u>61,134,757</u>
Total Assets	<u>103,785,233</u>	<u>79,719,784</u>
LIABILITIES		
Current Liabilities:		
Accounts payable (Note 14)	1,102,663	1,088,076
Accrued liabilities	386,186	5,493
Funds held for others	8,303	8,303
Deferred revenues	10,484,791	8,664,222
Bonds payable – current portion (Note 6)	<u>2,965,000</u>	<u>1,440,000</u>
Total Current Liabilities	<u>14,946,943</u>	<u>11,206,094</u>
Noncurrent Liabilities:		
Accrued compensable absences	32,421	23,882
Bonds payable (Note 6)	<u>32,961,043</u>	<u>15,420,910</u>
Total Noncurrent Liabilities	<u>32,993,464</u>	<u>15,444,792</u>
Total Liabilities	<u>47,940,407</u>	<u>26,650,886</u>
NET ASSETS		
Invested in capital assets, net of related debt	25,473,960	42,646,742
Restricted for:		
Expendable		
Endowment	61,007	55,522
Capital Projects	23,834,686	4,950,474
Debt Service	3,728,115	2,605,510
Other	101,486	90,480
Unrestricted	<u>2,645,572</u>	<u>2,720,170</u>
Total Net Assets (Schedule D)	<u>\$ 55,844,826</u>	<u>\$ 53,068,898</u>

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

TEXAS SOUTHMOST COLLEGE

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 Years Ended August 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Operating Revenues		
Tuition and Fees (net of discounts of \$1,272,943 and \$2,942,520, respectively)	\$ 19,399,841	\$ 15,309,239
Federal Grants and Contracts	869,082	1,005,612
State Grants and Contracts	2,571,007	2,473,345
Local Grants and Contracts	433,976	59,098
Non-Governmental Grants and Contracts	-	1,393,286
Auxiliary Enterprises (net of discounts)	336,811	547,432
General Operating Revenues	<u>57,235</u>	<u>201,051</u>
Total Operating Revenues (Schedule A)	23,667,952	20,989,063
Operating Expenses		
Institutional Support	1,675,074	1,763,905
Operation and Maintenance of Plant	1,110,738	1,280,925
Auxiliary Enterprises	526,633	1,183,702
Depreciation	1,478,895	1,327,481
Contracted services with UTB	<u>35,814,126</u>	<u>32,626,780</u>
Total Operating Expenses (Schedule B)	<u>40,605,466</u>	<u>38,182,793</u>
Operating Loss	(16,937,514)	(17,193,730)
Non-Operating Revenues (Expenses)		
State Appropriations	10,843,232	12,016,457
Maintenance Ad Valorem Taxes	7,878,273	7,172,781
Debt Service Ad Valorem Taxes	1,207,712	1,293,275
Investment income	689,732	401,080
Interest on Capital Related Debt	(961,286)	(912,383)
Gain on Disposal of Capital Assets	-	432,392
Other Non-Operating Revenues	84,552	178,613
Other Non-Operating Expenses	<u>(28,773)</u>	<u>(23,322)</u>
Net Non-Operating Revenues (Schedule C)	<u>19,713,442</u>	<u>20,558,893</u>
Increase in Net Assets	2,775,928	3,365,163
Net Assets		
Net Assets – Beginning of Year	53,068,898	49,137,564
Prior Period Adjustments	-	566,171
Net Assets – End of Year	<u>\$ 55,844,826</u>	<u>\$ 53,068,898</u>

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

