



SOUTHMOST UNION JUNIOR COLLEGE DISTRICT

ANNUAL FINANCIAL REPORT

YEAR ENDED AUGUST 31, 2004

TEXAS SOUTHMOST COLLEGE

ANNUAL FINANCIAL REPORT

AUGUST 31, 2004

TEXAS SOUTHMOST COLLEGE
ANNUAL FINANCIAL REPORT

TABLE OF CONTENTS

| | <u>Page Number</u> |
|--|------------------------|
| Organization Data | |
| Names and Terms of the Board of Trustees | |
| Principal Administrative Officers and the Business and Financial Staff | 4 |
| Independent Auditor's Report | 5-6 |
| Management's Discussion and Analysis | 7-19 |
| Exhibits | |
| 1 Statement of Net Assets | 20 |
| 2 Statement of Revenues, Expenses, and Changes in Net Assets | 21 |
| 3 Statement of Cash Flows | 22-23 |
| Notes to the Financial Statements | 24-37 |
| Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Governmental Auditing Standards</i> | 38-39 |
| Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133 and the State of Texas Single Audit Circular | 40-41 |
| Schedules | |
| A Schedule of Operating Revenues | 42-43 |
| B Schedule of Operating Expenses by Object | 44 |
| C Schedule of Non-Operating Revenues and Expenses | 45 |
| D Schedule of Net Assets by Source and Availability | 46-47 |
| E Schedule of Expenditures of Federal Awards | 48-50 |
| F Schedule of Expenditures of State Awards | 51 |
| Schedule of Findings and Questioned Costs – Federal/State Awards | 52-53 |
| Schedule of Corrective Action for Audit Finding and Questioned Costs | 54 |
| Summary Schedule of Prior Audit Findings | 55 |

TEXAS SOUTHMOST COLLEGE
ANNUAL FINANCIAL REPORT

TABLE OF CONTENTS – CONTINUED

| | <u>Page Number</u> |
|---------------------------------|------------------------|
| Statistical Supplement | |
| Revenue by Source | 57 |
| Headcount Enrollments Trend | 58 |
| Ad Valorem Tax Rates Assessed | 59 |
| Ad Valorem Tax Rates Authorized | 60 |
| Net Assessed Valuation | 61 |
| Ad Valorem Taxes Collected | 62 |
| Contact Hour History | 63 |
| State Allocations per FTSE | 64 |

TEXAS SOUTHMOST COLLEGE

ORGANIZATIONAL DATA

FOR THE FISCAL YEAR 2004

Board of Trustees

Officers

| | |
|--------------------|------------------|
| Chester Gonzalez | Chairperson |
| Rosemary Breedlove | Vice-chairperson |
| Eduardo Campirano | Secretary |

Members

Term Expires
August 31

| | | |
|--------------------|--------------------|-----------|
| Mary Rose Cardenas | 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 |
| Veronica Mendez | Assistant Vice President for Administration and Partnership Affairs |
| Melba M. Sanchez, CPA | District Controller |

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Southmost Union Junior College District
Brownsville, Texas

We have audited the accompanying basic financial statements of Texas Southmost College as of and for the year ended August 31, 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 audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2004 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 audit.

The accompanying management's discussion and analysis on pages 7 through 19 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of 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 black ink, appearing to read "Long Chilton" followed by a stylized flourish.

Brownsville, Texas
November 24, 2004



TEXAS SOUTHMOST COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS

AUGUST 31, 2004

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, 2004. This discussion and analysis is to be read in conjunction with the College's financial statements which begin on page 20.

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.

The presentation of financial statements in this report are for current year operations. As a result of our Partnership with The University of Texas at Brownsville (UTB), it was determined that expense reporting by functional classifications should be done by the UTB/TSC partnership financial statements. Therefore, the financial statements as presented in this report are limited to the current year's operations and are not comparative to the prior fiscal year. In future years, a year to year comparative analysis will be included in for the financial statements.

As required by GASB Statements No. 34 and No. 35, the current year financials are prepared using the accrual basis of accounting, is the same method used by most private sector companies. They focus on the financial condition of the College, results of operations and cash flows of the College as a whole.

