2.11.1 The institution has a sound financial base and demonstrated financial stability to support the mission of the institution and the scope of its programs and services. (Financial Resources)

Compliance Status: Non Compliance

Narrative

Action Plan
Texas A&M University-Corpus Christi has demonstrated financial stability and has a sound financial base to support the mission of the University and the scope of its programs and services [1]. The University will submit its Standard Review Report to the SACS Commission on Colleges after the Texas State Auditor's Office has completed its audit and prior to the SACS on-site visit. The following estimated timeline is provided in anticipation of meeting the compliance standard:

<table>
<thead>
<tr>
<th>Action</th>
<th>Date</th>
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<tbody>
<tr>
<td>Annual Financial Report (AFR) completed and sent to the Texas A&amp;M</td>
<td>October 7, 2009</td>
</tr>
<tr>
<td>System Office of Budgets and Accounting for Review</td>
<td></td>
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<tr>
<td>AFR finalized</td>
<td>November 3, 2009</td>
</tr>
<tr>
<td>Internal Audit work completed</td>
<td>December 14, 2009</td>
</tr>
<tr>
<td>Draft reviewed report released to Texas A&amp;M-Corpus Christi</td>
<td>January 18, 2010</td>
</tr>
</tbody>
</table>

Texas A&M University-Corpus Christi is in compliance with all other aspects of Principle 2.11.1. Over 43% of 2007-08 university expenditures are dedicated to instruction, research and public service [2]. The use of funds in this manner supports the University’s commitment to "excellence in teaching, research and service" as stated in the University mission [1].

Institutional Audit
The fiscal year 2009 audit requirement will be fulfilled by a Standard Review Report performed by the Texas State Auditor's Office [3]. The financial statements will be prepared by university financial personnel that possess credentials and skills necessary for these duties [4]. Prior to submission of the fiscal year 2009 financials, there will be a review by the Texas A&M University System's Comptroller for appropriateness and compliance with State of Texas reporting guidelines. The fiscal year 2009 Standard Review Report is anticipated to be completed by January, 2010.

Texas state agencies receive audit services provided by the Texas State Auditor’s Office; these services
include the annual audits of state financial statements. As a state agency, Texas A&M-Corpus Christi is included in those statewide audits. For example, the Statewide Single Audit Report named Texas A&M-Corpus Christi as one of these state agencies audited for the August 31, 2008 Statewide Single Audit Report [5].

Financial Position
Texas A&M University-Corpus Christi has a sound financial base and has increased total net assets, excluding plant, from $32,086,519 in FY 2005 to $43,679,705 in FY 2008, a 36.1% increase [6]. Without the entry as required by GASB 45, Other Post-employment Benefits ("OPEB") included, this increase from FY 2005 to FY 2008 is even greater, a 56.9% increase [7].

The current ratio [8] has increased from 1.25 in 2005 to 1.41 in 2008 (without Post- Employment Benefits Liability). The current ratio for years prior to 2008 cannot be restated without post-employment benefits liability since this financial statement requirement was effective beginning with FY 2008. This is an indication of accumulation of liquid assets to meet Texas A&M-Corpus Christi financial obligations and remain financially stable. State appropriations without the debt servicing appropriation, as of FY 2008, have grown in dollar value since 2005 by 18.6% [9]. The percent of state appropriation with debt servicing over total revenue has declined from 41.4% in FY 2005 to 38.6% in FY 2008 [10].

This trend is primarily due to a greater reliance on student tuition and fees to fund operations, which has grown from $28,438,147 in 2005 to $37,277,454 in 2008 [11]. Tuition and Fees Discounting has remained stable at approximately 17% of tuition and fees. In compliance with Generally Accepted Accounting Principles (GAAP), Texas A&M University-Corpus Christi discounts its tuition to qualified students using a model based on National Association of College and University Business Officers Advisory Report, 2005 [12]. Additionally, capital plans are prepared annually in April for submission to the Board with the source of funds noted [13].

Texas A&M University-Corpus Christi has experienced significant growth in plant due to approval of bond proceeds in 2000-01 biennium of $25 million and $45 million in 2006-07 biennium, with debt service provided in legislative appropriation [9] that has grown 21.7% since 2005.

Financial Reporting
The Executive Vice President for Finance and Administration designated the Associate Vice President for Finance and Administration as the financial reporting officer who is responsible for the integrity of the AFR and for the establishment of effective internal controls for its preparation [14]. Texas A&M-Corpus Christi AFR for fiscal year 2005 [15] [16] [17], 2006 [18] [19] [20], 2007 [21] [22] [23], and 2008 [24] [25] [26] have been prepared in accordance with Governmental Accounting Standards Board (GASB) requirements [27] and following reporting requirements for AFR of the State of Texas [28] and in accordance with Texas A&M University System Regulation 21.01.01 on the AFR [29]. The AFR is submitted yearly during the month of October to the System's Financial Reporting Division of the Office of the Budget and Accounting along with the management representation letter [30], where the report consolidated with the AFRs from other Texas A&M University System institutions [31]. The System’s AFR is then consolidated in the State of Texas Comprehensive Annual Financial Report [32]. A statement of financial position of unrestricted net assets, exclusive of plant assets and plant-related debt, which represents the change in unrestricted net assets attributable to operations, is also included in the FY 2008 AFR [24][25][26][33]. As part of the annual financial reporting process, the System prepared for each institution an analysis to track trends in Revenues [34], Expenditure (excluding OPEB expenses) [35], and Efficiency and Effectiveness Measures [36]. The efficiency and effectiveness measures are used by the Texas Higher Education Coordinating Board to compare Texas A&M University-Corpus Christi with other public universities and to compare it to statewide averages. These are key financial ratios which
provide the System management, the Board of Regents, and System administrators' information about financial stability of each component institution and provide financial data to support the decision making process and strategic planning initiatives.

The Texas A&M University System analyzes financial condition of each university within the system. Financial ratios, which provide the basis for a composite financial index (CFI), a four-dimensional measurement of financial health, are used to measure if an institution adequately funds its mission-critical components, facilities and programs. Target ratio value per the System is to achieve a 3.0 CFI rating. Texas A&M University-Corpus Christi's CFI for FY 2008 is 5.34 and has consistently been above the requirement since FY 2004 [37]. A larger ratio than 3.0 indicates resources are not being fully utilized.

Annual Budget
The budget development process is performed annually, although state appropriations are provided on a biennium basis. Texas employs a formula-based allocation process for institutions, operations and other support, as well as a formula basis for educational and general operations and facility costs. Other significant non-formula sources of state support that Texas A&M-Corpus Christi receives are provided for educational and general legislatively approved debt servicing [9]. Legislative revenues additionally include other non-formula sources that are provided as enhancement funds, research development funds and employment benefits for all educational and general personnel. The impact from declining levels of state appropriations and having only biennium appropriations have had an impact on the budget planning process, with a greater reliance on student tuition and fee income. In times of growing student enrollments, [38], the ability to address resource needs, shifts to tuition and fees. Increases in net tuition from 2005 of $28.4 million to $37.3 million in 2008 [11] [38]. Show the growing reliance on student related revenues.

The Budget development process begins in the fall each year with the Bursar initiating requests for new or increased student fees. Campus budget managers and deans are provided with general enrollment projections for the next fiscal year from the Office of Planning and Institutional Effectiveness for the campus as a whole and forms to provide budget information and justification [39]. A summary of all mandatory fees recommended is submitted to the President and senior administration to develop strategic plans for use of fee income [40]. For those fees that require recommendations by the Student Fee Advisory Committee, the committee reviews all requests and forwards these recommendations to the President [41]. Additionally, System Policy 26.01 - Tuition and Fees [42] requires the chancellor approve any requests to hold public hearings on increases to Designated Tuition on campus. All mandatory fees require approval by the Board of Regents [43]. Prior to Board of Regents review, comprehensive review of the use of the new or increased fees are performed at various levels by deans, the Provost, the Executive Vice President for Finance and Administration and the President for appropriateness, as well as, alignment with university strategic plans. Additionally, legislatively mandated rules exist that require some fees to be approved by a student referendum prior to final approval by the Board of Regents.

As part of the budget process, departments also begin to review results of various departmental objectives that are tied to university objectives and measure their departmental outcomes from the preceding fiscal year in the fall. Starting in 2007, the University began use of Weave Online, a Web-based tool to capture the data [44]. Prior to the use of the Weave Online system, departments prepared annual administrative unit assessment reports to their vice presidents on outcomes and measurements relative to their department. This data along with preliminary review of departmental operations for the current fiscal year are gathered to provide a basis for requesting new resources and setting priorities. Departments are provided budget instructions [45] for requesting new resources [46].
Departments are also provided historical data of prior fiscal year expenditures to assist in resource review, if requested.

Each vice president reviews the requests for additional resources from deans and department heads. Each vice president advances those requests they feel meet the strategic plans for the University and address material deficiencies in meeting departmental and university objectives or priorities. These are summarized for the President and Executive Vice President for Finance and Administration to review and provide the bases for decision making of resource allocation [47].

In spring of each year, the Chancellor requests all universities and agencies in the Texas A&M University System to prepare a programmatic budget presentation along with goals and objectives [48]. Based upon feedback from Chancellor and System staff, the President and executive staff evaluate the priority requests received for meeting strategic goals. The Texas A&M University System provides guidelines on budget preparation to assist the University [49] and the University Budget Office provides university departments with documentation to request additional funding [50]. After final allocations are determined, the Budget Director prepares documents to support allocations that are within available resources [51] for the President and later for the Board of Regents approval. Additionally, various budget narratives and supporting documents are provided to the President for later submission to the Board of Regents [52]. The budget for each institution in the System is approved prior to the beginning of the fiscal year [53]. The 2010 budget will be approved July 15, 2009.

In an effort to promote more linkage to the strategic plan and departmental objectives, as well as, effectiveness, the FY 2010 budget process will be enhanced with these key changes:

- Earlier timeframe for faculty/staff evaluations
  - Earlier salary recommendations
  - Salary changes included in Board Approved Budget
- Inclusion of new program funding commitments
- Earlier communication of allocations
  - Communication standardized and prepared by Budget Office for distribution by vice presidents
- Earlier dissemination of budget information
  - As a result, all salary changes will be included in the Board approved budget book

In May 2009, the university conducted a fiscal forum to communicate the top five requests for 2010 for each executive division and to solicit feedback on improvements or suggestions in the budget process.

**Conclusion**

Texas A&M University-Corpus Christi has a sound financial base and has demonstrated that the University has the demonstrated financial stability to support the mission and scope of the University’s programs and services. The Standard Review Report will be completed by the Texas State Auditor’s office and will be submitted before the SACS on-site visit. The University has a sound financial position and an annual budget that demonstrates sound planning and is approved by Texas A&M System Board of Regents.

**Evidence**

- UD 042 3.10.5-05 TAMUCC New Mission Statement
- UD 487 Texas A&M University-Corpus Christi Total Operating Expenditures by Function
SD 075 State Auditors Office Website for State Audit Reports
Finance and Administration Credentials
SD 076 Federal portion of the statewide single audit FY end 8-21-08
UD 488 Total Net Assets OPEB Included
UD 489 Total Net Assets OPEB Excluded
UD 490 Current Ratio
UD 491 Legislative Revenues
UD 492 Total Revenues
UD 493 Tuition and Fees
OD 081 Accounting and Reporting Scholarship Discounts
BD 120 Approval of System Capital Plan for FY 2009-FY2013, TAMUS
UD 494 Position Description Questionnaire for AVPFA
UD 495 Unaudited Balance Sheet as of 8312005
UD 496 Unaudited Revenues Expenses and Changes in Net Assets for the Year Ended 8312005
UD 497 Statement of Cash Flows for Year Ended 8312005
UD 498 Unaudited Balance Sheet as of 8312006
UD 499 Unaudited Revenues Expenses and Changes in Net Assets for the Year Ended 8312006
UD 500 Unaudited Statement of Cash Flows for Year Ended 8312006
UD 501 Unaudited Balance Sheet as of 8312007
UD 502 Unaudited Revenues Expenses and Changes in Net Assets for the Year Ended 8312007
UD 503 Unaudited Statement of Cash Flows for Year Ended 8312007
UD 504 Unaudited Balance Sheet as of 8312008
UD 505 Unaudited Revenues Expenses and Changes in Net Assets for the Year Ended 8312008
UD 506 Unaudited Statement of Cash Flows for Year Ended 8312008
OD 082 Governmental Accounting Standard Board homepage
SD 077 Reporting Requirements for Annual Financial Reports of State Agencies and Universities - July 2008 - FPP A.036
BD 30 TAMUS 21-01-01
UD 507 FY 2008 Management Representation Letter
BD 0121 Combined Texas A&M University System FY 2008 Annual Financial Report
SD 078 State of Texas Comprehensive FY 07 Annual Financial Reports
UD 508 Unaudited Statement of Unrestricted Net Asset, Exclusive of Plant, as of 8312008
BD 122 Revenue Analysis
BD 123 Expenditure Analysis
BD 124 Efficiency and Effectiveness Measures
BD 125 Financial Condition and Strategic Guidance
UD 509 Enrollment
UD 510 Request for New Fee
UD 511 Summary of Proposed Fee Changes
UD 512 FY 2009 Division of Student Affairs Budget Summary
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Confidential - Institution and SACS Agency Personnel Only