

**TEXAS SOUTHMOST
COLLEGE DISTRICT**

ANNUAL FINANCIAL REPORT

For The Year Ended August 31, 2017 and 2016

Prepared by the Office of the
Vice President of Finance and Administration

TEXAS SOUTHMOST COLLEGE DISTRICT

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INTRODUCTORY SECTION

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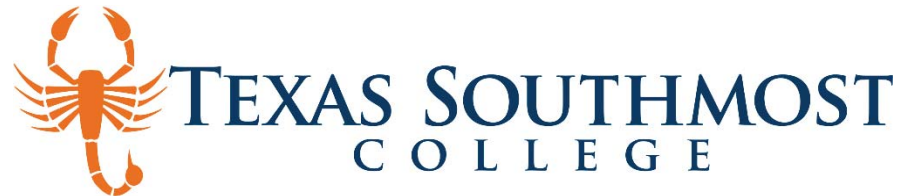
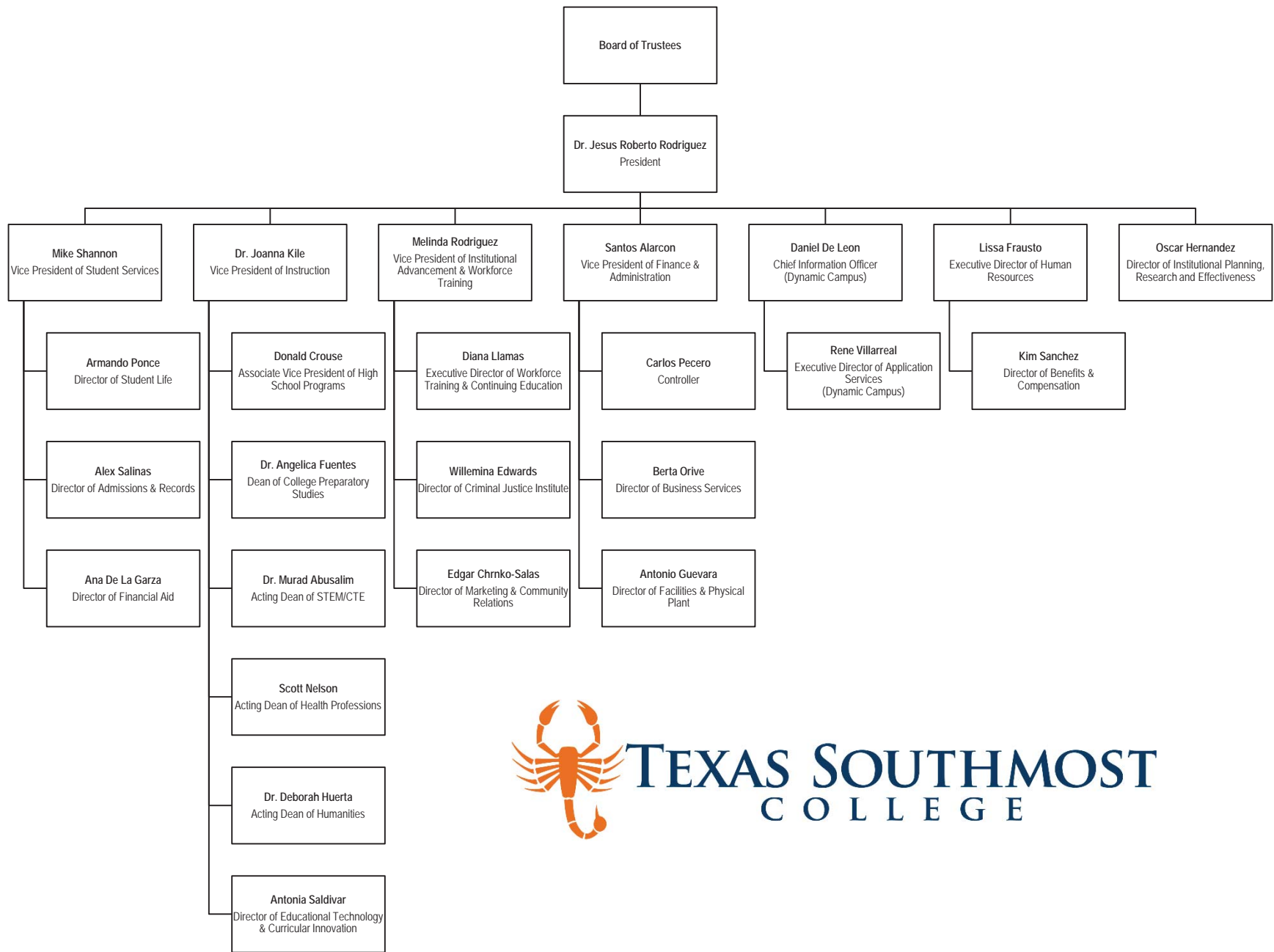
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TEXAS SOUTHMOST COLLEGE DISTRICT

ORGANIZATIONAL DATA FOR THE FISCAL YEAR 2016-2017

Board of Trustees

Officers

Adela Garza	Chairman
Juan "Trey" Mendez III, J.D.	Vice Chairman
Ruben Herrera	Secretary

Members

		<u>Term Expires</u>
Adela Garza	Olmito, Texas	May, 2020
Art Rendon	Brownsville, Texas	May, 2020
Ruben Herrera	Brownsville, Texas	May, 2022
Juan "Trey" Mendez III, J.D.	Brownsville, Texas	May, 2022
Dr. Tony Zavaleta	Brownsville, Texas	May, 2022
Reynaldo Garcia, DDS	Brownsville, Texas	May, 2018
Ramon Champion Hinojosa	Brownsville, Texas	May, 2018

Principal Administrative Officers

Dr. Jesus Rodriguez	President
Mr. Santos Alarcon	Vice President of Finance and Administration
Dr. Joanna Kile	Vice President of Instruction
Mrs. Melinda Rodriguez	Vice President of Institutional Advancement

FINANCIAL SECTION

Independent Auditors' Report

To the Board of Trustees
Texas Southmost College District
Brownsville, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the business type activities of Texas Southmost College, as of and for the years ended August 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise Texas Southmost College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Texas Southmost College's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business type activities of Texas Southmost College, as of August 31, 2017 and 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 13-26 and the pension schedules on pages 61 be presented to supplement the basic financial

statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise Texas Southmost College's basic financial statements. Schedules A through D and Schedule F of the Supplemental Information and Financial Assistance Section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), is also presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying Schedule of Expenditures of State Awards is presented for purposes of additional analysis as required by the State of Texas Single Audit Circular and is also not a required part of the basic financial statements of the Texas Southmost College.

The Supplemental Information and Financial Assistance Section schedules and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplemental Information and Financial Assistance Section schedules and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated on December 28, 2017 on our consideration of Texas Southmost College's internal control over financial reporting and on 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Texas Southmost College's internal control over financial reporting and compliance.



Brownsville, Texas
December 28, 2017

TEXAS SOUTHMOST COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

AUGUST 31, 2017

Management's Discussion and Analysis of Texas Southmost College District's (the College) financial performance provides an overview of the District's financial activities for the fiscal year ended August 31, 2017. This discussion and analysis is to be read in conjunction with the College's financial statements which begin on page 27.

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 Colleges and Universities*. The required statements are: the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position 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. As discussed in Note 27 to the financial statements, the District adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* in fiscal year 2015.

For the year ended August 31, 2015, the District implemented the provision of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contribution Made Subsequent to the Measurement Date*. The fiduciary net position of the Teacher Retirement System of Texas (TRS) has been determined on the flow of economic resources measurement focus and full accrual basis of accounting. This included for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TRS's fiduciary net position.

The notes to the financial statements starting on page 32 provide narrative explanations and additional data needed for full disclosure in the financial statements.

The Statement of Net Position

The Statement of Net Position includes all the College's assets and deferred outflows of resources and liabilities and deferred inflows of resources and change in net position as of the end of the fiscal year. The difference between assets of resources and deferred outflows and liabilities and deferred inflows of resources is the net position. Increases and decreases to net position 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 position 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 Position includes assets and liabilities, current and non-current 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 Position is divided into three major categories. The first category, net investment in capital assets, 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 Position and Notes to the financial statements.

The Statement of Revenues, Expenses and Changes in Net Position

The statement of revenues, expenses and changes in net position 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 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 state allocations and 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 position. 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 Position and in the Notes to the financial statements.

The College's net position (the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources) provides one measure of the College's financial health or financial position. Over time, increases or decreases in the College's net position 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.

In the year of implementation of GASB 68, as amended by GASB 71, a restatement to beginning net position was required for the recording of the beginning net pension liability and for the recording of deferred outflows of resources for contributions made after the measurement date of the beginning net pension liability and beginning of the reporting entity's fiscal year. See note 26 in the accompanying Notes to Financial Statements.

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, 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.

In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the College's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 61 of this report.

FINANCIAL ANALYSIS

Statement of Net Position

The following analysis focuses on the Statement of Net Position, which is condensed in Table 1. The complete Statement of Net Position can be found on page 27.

TABLE 1
CONDENSED STATEMENT OF NET POSITION
(in millions)

	August 31, 2017	August 31, 2016	August 31, 2015
Current Assets	\$ 70.2	\$ 64.2	\$ 46.7
Noncurrent Assets			
Cash and Cash Equivalents – Restricted	19.1	19.6	36.4
Capital Assets, Net of Accumulated Depreciation	126.7	131.9	135.4
Other Noncurrent Assets	-	-	0.1
Total Assets	<u>216.0</u>	<u>215.7</u>	<u>218.6</u>
Deferred Outflows of Resources	4.2	2.6	1.4
Current Liabilities	14.5	7.2	12.7
Noncurrent Liabilities	<u>65.7</u>	<u>71.7</u>	<u>75.1</u>
Total Liabilities	<u>80.2</u>	<u>78.9</u>	<u>87.8</u>
Deferred Inflow of Resources	0.6	0.2	0.6
Net Position			
Net Investment in Capital Assets	67.4	62.8	61.8
Restricted Expendable	19.1	24.5	23.7
Unrestricted	<u>52.9</u>	<u>51.9</u>	<u>46.1</u>
Total Net Position	<u>\$ 139.4</u>	<u>\$ 139.2</u>	<u>\$ 131.6</u>

Total Assets increased by \$0.3 million in fiscal year 2017. Current Assets increased by \$6.0 million, primarily due to an increase in cash equivalents, investments, receivables and prepaid expenses. Noncurrent Assets decreased by \$5.7 million and was primarily due to a decrease in Capital Assets.

Statement of Net Position (Continued)

At the end of fiscal year 2017, total liabilities decreased by \$1.2 million. Current Liabilities increased by \$7.2 million primarily due to an increase in Accounts Payable of \$2.5 million and an increase of \$4.9 million in Unearned Revenue and a decrease of \$0.2 in other liabilities. Noncurrent Liabilities decrease by \$6.0 million. Pension Liability increased by \$0.8 million. Additionally, the College issued various refunding bonds series 2017. The net effect of the refinancing, scheduled debt payments and other accounts netted a \$6.8 million decrease.

Significant changes in assets, liabilities and net position are attributable to the requirements of GASB 68, as amended by GASB Statement No. 71. Deferred outflows related (an asset) increased by \$1.6 million and deferred inflows related to pensions (a liability) increased \$0.4 million.

Total Net Position (assets and deferred outflows of resources and liabilities and deferred inflows of resources) increased by \$36.1 million over the past three fiscal years. The College experienced an increase of approximately \$0.2 million, \$5.2 million, and \$6.1 million in fiscal years 2017, 2016 and 2015 as compared to the previous respective fiscal years. Unrestricted net position – 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 \$52.9 million of total net position at August 31, 2017.

Statement of Revenues, Expenses and Changes in Net Position

The following analysis focuses on the Statement of Revenues, Expenses and Changes in Net Position presented in condensed form in Table 2. The complete Statement of Revenues, Expenses and Changes in Net Position can be found on page 27.

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

	August 31, 2017	August 31, 2016	August 31, 2015
Operating Revenues	\$ 17.8	\$ 18.6	\$ 34.9
Operating Expenses	(55.2)	(49.6)	(49.1)
Non-operating Revenue	42.3	41.7	26.1
Non-operating Expenses	(4.7)	(3.1)	(3.5)
Increase in Net Position	0.2	7.6	8.5
Adjustment to Net Position	-	-	(2.4)
Net Position - Beginning of the Year	139.2	131.6	125.5
Net Position - End of the Year	<u>\$ 139.4</u>	<u>\$ 139.2</u>	<u>\$ 131.6</u>

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.

Statement of Revenues, Expenses and Changes in Net Position (Continued)

TABLE 3
OPERATING REVENUE
(in millions)

	Fiscal Year 2017		Fiscal Year 2016		Fiscal Year 2015	
	Amount	Percentage of Total	Amount	Percentage of Total	Amount	Percentage of Total
Net Tuition and Fees	\$ 12.4	69.7%	\$ 11.9	64.0%	\$ 12.1	34.5%
Grants and Contracts	5.0	28.1%	5.6	30.1%	21.7	62.1%
Auxiliary Enterprises	0.4	2.2%	0.8	4.3%	0.9	2.5%
Other Operating Revenue	<u>0.0</u>	<u>0.0%</u>	<u>0.3</u>	<u>1.6%</u>	<u>0.3</u>	<u>0.8%</u>
Total Operating Revenue	<u>\$ 17.8</u>	<u>100.0%</u>	<u>\$ 18.6</u>	<u>100.0%</u>	<u>\$ 34.9</u>	<u>100.0%</u>

Operating revenues were affected by the following key factors:

- The cost for In-district Resident Tuition and Fees for 12 semester credit hours remained comparable to fiscal year 2016.
- Grants and Contracts remained comparable to fiscal year 2016. Title IV revenue (financial aid) is now received directly by TSC for the payment of tuition and fees and allocation of student aid to TSC students, and is categorized as non-operating revenue.
- Other changes in Net Tuition and Fees are attributed to changes in scholarships, discounts and allowances.

Statement of Revenues, Expenses and Changes in Net Position (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
NON-OPERATING REVENUE
(in millions)

	Fiscal Year 2017		Fiscal Year 2016		Fiscal Year 2015	
	Amount	Percentage of Total	Amount	Percentage of Total	Amount	Percentage of Total
State Appropriations	\$ 7.3	17.2%	\$ 7.1	17.0%	\$ 6.8	26.2%
Title IV	15.4	36.3%	14.9	35.7%	-	0.0%
Ad Valorem Taxes	18.7	44.1%	18.7	44.8%	18.4	70.6%
Investment Income	0.2	0.5%	0.1	0.2%	0.1	0.3%
Other Non-Operating Revenue	<u>0.8</u>	<u>1.9%</u>	<u>0.9</u>	<u>2.2%</u>	<u>0.7</u>	<u>2.8%</u>
Total Non-Operating Revenue	<u>\$ 42.4</u>	<u>100.0%</u>	<u>\$ 41.7</u>	<u>100.0%</u>	<u>\$ 26.1</u>	<u>100.0%</u>

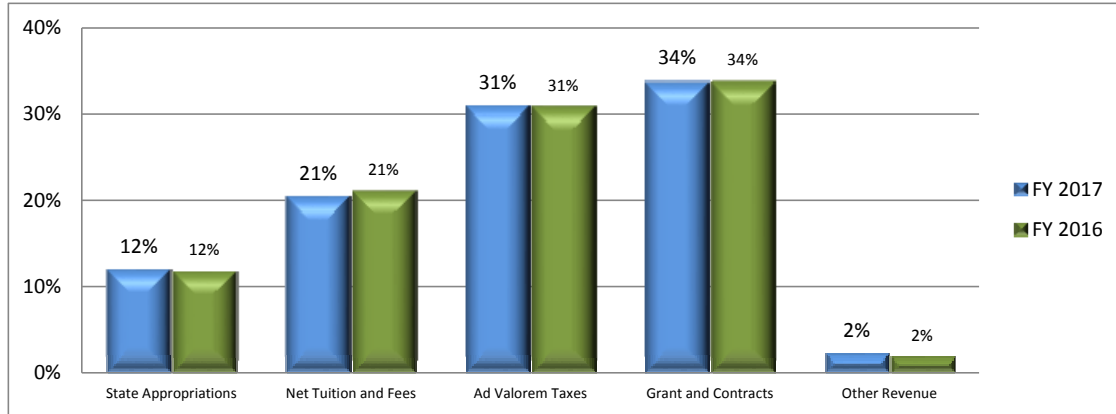
Non-operating revenues were affected by the following key factors:

- State appropriations remain comparable to the prior fiscal year. The State of Texas finalized the allocation of appropriations during the fiscal year and management had estimated this impact and adjusted the fiscal year 2018 budget accordingly.
- The Title IV revenue increase of \$0.5 million is the primary increase to non-operating revenue. It represents financial aid received directly by TSC for the payment of tuition and fees and allocation of student aid to TSC students.
- Property tax revenue increased by about \$0.3 million from fiscal year 2016 to fiscal year 2017 as a result of an increase in delinquent tax collections. Property tax revenue increased by about \$0.3 million from fiscal year 2015 to fiscal year 2016 as a result of a 1.0% increase in taxable assessed property valuations. The tax rates for the Texas Southmost College are \$0.158224, \$0.164094, and \$0.164094, per \$100 valuation for the fiscal years ended 2017, 2016 and 2015, respectively.
- Other Non-Operating Revenue remained consistent for fiscal years 2017, 2016 and 2015.
- Investment income for FY 2017 increased slightly. Late in fiscal year 2017, TSC began using LOGIC, a public funds investment pool. Investment income for FY 2016 is comparable to FY 2015.

Statement of Revenues, Expenses and Changes in Net Position (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 2017 and 2016.

**TABLE 5
TOTAL REVENUES**



In fiscal year 2017, Grant and Contracts is the largest source at 34% and 34% primarily due to federal, state and local aid received by TSC in fiscal years 2017 and 2016, respectively. State Appropriations are 12% in fiscal year 2017 of total revenues as compared to 12% in fiscal year 2016. Net Tuition and Fees in fiscal year 2017 and 2016 are 21%. Ad Valorem taxes remained consistent at 31% in fiscal years 2017 and 2016 respectively. Other Revenue is 2% in fiscal year 2017 and 2016, respectively.

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

**TABLE 6
OPERATING EXPENSES
Natural Classification
(in millions)**

	August 31, 2017	August 31, 2016	August 31, 2015
Salaries	\$ 14.3	\$ 11.3	\$ 10.5
Benefits	4.1	3.3	1.8
Other Expenses	32.7	30.8	32.8
Depreciation	4.1	4.2	3.9
Total Operating Expenses	<u>\$ 55.2</u>	<u>\$ 49.6</u>	<u>\$ 49.1</u>

Statement of Revenues, Expenses and Changes in Net Position (Continued)

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

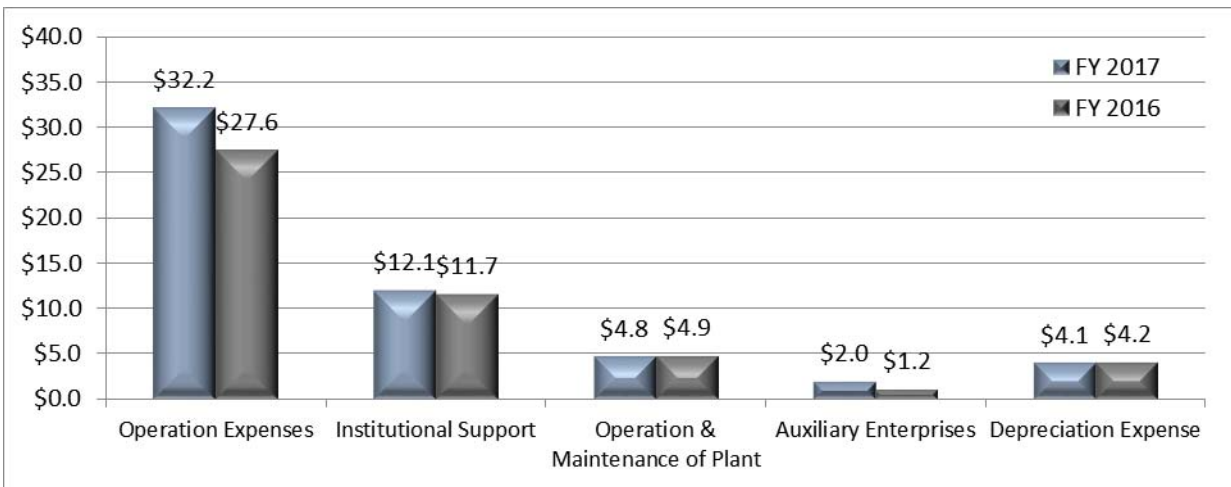
TABLE 7
OPERATING EXPENSES
Functional Classification
(in millions)

	August 31, 2017	August 31, 2016	August 31, 2015
Instruction	\$ 10.3	\$ 7.1	\$ 6.1
Public Service	0.4	0.3	0.3
Academic Support	2.3	1.8	1.7
Student Services	3.1	3.1	2.6
Institutional Support	12.1	11.7	11.9
Operations and Maintenance of Plant	4.8	4.9	4.8
Scholarships and Fellowships	16.1	15.3	16.8
Depreciation	4.1	4.2	3.9
Total Educational Activities	\$ 53.2	\$ 48.4	\$ 48.0
Auxiliary Enterprises	2.0	1.2	1.0
Total Operating Expenses	\$ 55.2	\$ 49.6	\$ 49.1

Statement of Revenues, Expenses and Changes in Net Position (Continued)

Table 8 displays a comparison of the breakdown of the expenses by functional classification for the College in Fiscal Years 2017 and 2016.

TABLE 8 OPERATING EXPENSES
Functional Classification
(in millions)



In December 2015, Texas Southmost College became a fully accredited independent community college under SACSCOC. For fiscal year 2016 and 2017, Texas Southmost College operated as a fully accredited independent community college.

Statement of Cash Flows

The Condensed Statement of Cash Flows appears in Table 9. The complete Statement of Cash Flows appears in page 29 and 30 of this report.

TABLE 9
CONDENSED STATEMENT OF CASH FLOWS
(in millions)

	August 31, 2017	August 31, 2016	August 31, 2015
Cash provided/ used by:			
Operating Activities	\$ (28.3)	\$ (34.6)	\$ (6.7)
Noncapital Financing Activities	35.4	34.7	18.5
Capital and Related Activities	(3.9)	(1.7)	(1.7)
Investing Activities	<u>(2.8)</u>	<u>0.1</u>	<u>0.1</u>
Net Increase (Decrease) In Cash	<u>\$ 0.4</u>	<u>\$ (1.5)</u>	<u>\$ 10.1</u>
Cash-Beginning of the Year	<u>75.9</u>	<u>77.4</u>	<u>67.3</u>
Cash-End of Year	<u>\$ 76.3</u>	<u>\$ 75.9</u>	<u>\$ 77.4</u>

Total Cash and Cash Equivalents increased by \$1.9 million in fiscal year 2017 and decreased by \$11.5 million in fiscal year 2016. Major factors impacting cash and cash equivalents are described below by source.

Operating Activities: During the fiscal year 2016 and fiscal year 2015, cash flows from operations resulted in an outflow of \$28.3 and \$34.6 million, respectively. The major source of cash receipts was from grant and contracts (\$3.3 in 2017 and \$4.5 in 2016) and tuition and fees, net of scholarship allowances and discounts (\$17.3 million in 2017 and \$6.1 million in 2016). The College's major cash outlay was for payments to suppliers for goods & services (\$34.7 million in 2017 and \$34.8 million in 2016) and for payments related to employees (\$14.6 in 2017 and \$11.3 in 2016).

Non-capital Financing Activities: The College had a positive cash flow of \$35.4 in fiscal year 2017 and \$34.7 million in fiscal year 2016 from the collection of Title IV allocations, property taxes and receipt of state appropriations. Property taxes were collected at a rate of 95.69% and 94.87% of the current year's tax levy for fiscal year 2017 and fiscal year 2016, respectively. (See table 10 below for more information on property taxes.)

Capital and Related Financing Activities: In fiscal year 2017, capital and related financing activities resulted in a net cash outflow of \$3.9 million. Cash outflows of \$32.8 million resulted net of the issuance of refunding bonds, principal & interest payments and bond issuance costs. In addition, cash inflows were recognized from the collection of property taxes and net sale of capital assets. Cash outflows were recognized for the related acquisition of capital assets.

Statement of Cash Flows (continued)

Investing Activities Cash flows from investing activities represent investment earnings generated from the College's various checking and certificate of deposit accounts. Investment opportunities are resulting in limited earning opportunities for short-term investments due to the economic downturn that exists in the current financial market. In fiscal year 2017, the college recognized \$2.8 million as a decrease to cash and a related increase to investments (an asset not classified with cash & cash equivalents), due to the college's participation in a public funds investment pool (LOGIC).

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 10
PROPERTY TAX INFORMATION

	August 31, 2017	August 31, 2016	August 31, 2015
Total Tax Rate per \$100	\$ 0.158224	\$ 0.164094	\$ 0.164094
Total Tax Collections	\$ 18,720,075	\$ 18,618,665	\$ 18,444,126
Tax Collection Rate	95.69%	97.09%	94.87%
Net Assessed Valuation	\$ 11,014,624,283	\$ 11,471,304,518	\$ 11,389,740,000

The College's total tax collections increased by approximately 0.5%, due to an increase in delinquent tax collections. For fiscal year 2017, the Texas Southmost College Board of Trustees adopted the same tax rate as fiscal year 2015. In August 2017, the Board of Trustees adopted the calculated roll back rate for the upcoming fiscal year. Overall, the college's tax collection rate has remained strong over the past decade.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of Fiscal Year 2017, the College had approximately \$126.7 million (net of accumulated depreciation and amortization) invested in a broad range of capital assets, including instructional and athletic facilities, maintenance of buildings equipment, and computer software. The decrease in capital assets primarily relates to the depreciation and amortization of existing capital assets.

Note 5 of the financial statements, which begin on page 38, provides further detailed information regarding the College's capital assets. Table 11 summarizes capital asset activity for the year ended August 31, 2017.

TABLE 11
CAPITAL ASSETS AT FISCAL YEAR END
(in millions)

	Balance August 31, 2016	Increases and Reclassifications	Decreases	Balance August 31, 2017
Not Depreciated	\$ 6.7	\$ -	\$ (0.2)	\$ 6.5
Buildings and Other Capital Assets	192.1	1.3	(2.6)	190.8
Less: Accumulated Depreciation and Amortization	<u>(66.9)</u>	<u>(4.1)</u>	<u>0.4</u>	<u>(70.6)</u>
Total Capital Assets	<u>\$ 131.9</u>	<u>\$ (2.8)</u>	<u>\$ (2.4)</u>	<u>\$ 126.7</u>

Debt

The College's general obligation bond ratings, as assigned by *Fitch Ratings* and *Standard and Poor's* are AA- and A+ respectively. The College's revenue bond rating is A+, as assigned by *Standard and Poor's*.

At year-end, the College had approximately \$59.2 million in total bonds payable. Notes 6 through 8 of the financial statements which begin on page 40 provide further detailed information regarding the College's debt obligations. Table 12 summarizes these amounts by type of debt instrument.

In August 2017, the College issued various 2017 refunding bonds, at a premium, in the amounts of \$20.6 million. All proceeds from the bond issuances were used to refinance most outstanding balances of the Limited Tax Bonds, Series 2008-2009 and the Maintenance Tax Notes, Series 2007-2009 and all outstanding balances of the Wellness Center Revenue Bonds Series 2005 and the Combined Fee Revenue Bonds Series 2006.

Debt (Continued)

TABLE 12
BONDS PAYABLE AT FISCAL YEAR END
(in millions)

	Balance August 31, 2016	Increase	Decrease	Balance August 31, 2017
General Obligations	\$ 52.7	\$ 7.6	\$ (14.1)	\$ 46.2
Revenue Bonds	14.7	13.0	(14.7)	13.0
Total Bonds Payable	<u>\$ 67.4</u>	<u>\$ 20.6</u>	<u>\$ (28.8)</u>	<u>\$ 59.2</u>

On August 23, 2017, the District issued \$3,305,000 in refunding bonds with an average interest rate of 4.0% to advance refund \$3,235,000 of outstanding 2008 Limited Tax Bonds with an average interest rate of 4.45% and \$1,305,000 of outstanding 2009 Limited Tax Bonds with an average interest rate of 4.0%. The net proceeds of \$3,494,995 (after payment of \$114,292 in underwriting fees, insurance, and other issuance costs) plus an additional \$1,170,285 of unspent proceeds monies were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments on 2008 Limited Tax Bonds and the 2009 Limited Tax Bonds starting in 2019 and 2020, respectively.

On August 23, 2017, the District issued \$4,300,000 in refunding bonds with an average interest rate of 4.0% to advance refund \$1,090,000 of outstanding 2007 Maintenance Tax Notes with an average interest rate of 4.50% and \$3,075,000 of outstanding 2008 Maintenance Tax Notes with an average interest rate of 4.26% and \$1,810,000 of outstanding 2009 Maintenance Tax Notes with an average interest rate of 3.82%. The net proceeds of \$4,445,781 (after payment of \$132,500 in underwriting fees, insurance, and other issuance costs) plus an additional \$1,672,126 of unspent proceeds monies were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments on 2007 Maintenance Tax Notes, 2008 Maintenance Tax Notes and the 2009 Maintenance Tax Notes starting in 2019, 2019, and 2020, respectively.

On August 29, 2017, the District issued \$4,310,000 in refunding bonds with an average interest rate of 4.0% to advance refund \$4,560,000 of outstanding 2006 Combined Fee Revenue Refunding Bonds with an average interest rate of 4.55%. The net proceeds of \$4,584,859 (after payment of \$122,759 in underwriting fees, insurance, and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2006 Combined Fee Revenue Refunding Bonds.

On August 29, 2017, the District issued \$8,730,000 in refunding bonds with an average interest rate of 4.0% to advance refund \$9,330,000 of outstanding 2005 Wellness Center Revenue Bonds with an average interest rate of 4.63%. The net proceeds of \$9,382,075 (after payment of \$171,684 in underwriting fees, insurance, and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2005 Wellness Center Revenue Bonds.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Board of Trustees adopted the effective tax rate for fiscal year 2016, which is generally attributed as no increases in taxes with a slight adjustment to the tax rate. Collections are projected to remain fairly strong. Expenditures are expected to stay in line with the projected overall increase in revenues as the institution strives to meet instructional as well as campus improvement needs.

In December 2015, the Southern Association of Colleges and Schools Commission on Colleges (SACSCOC) Annual Meeting in Houston, we received the news from the SACSCOC Board of Trustees that the Texas Southmost College District is now a separately accredited community college, and continues to operate as such, in fiscal years 2016 and 2017.

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 funds it receives. If you have questions about this report or need additional financial information, contact the Texas Southmost College District Office at (956) 295-3600.

TEXAS SOUTHMOST COLLEGE DISTRICT
Statement of Net Position
August 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 57,169,470	\$ 56,384,104
Investments	3,160,966	147,357
Accounts receivable (net)	7,702,602	5,965,574
Prepaid expenses	<u>2,138,330</u>	<u>1,747,790</u>
Total Current Assets	<u>70,171,368</u>	<u>64,244,825</u>
Noncurrent Assets		
Restricted cash and cash equivalents	19,115,393	19,535,284
Capital assets (net)	<u>126,738,813</u>	<u>131,942,158</u>
Total Noncurrent Assets	<u>145,854,206</u>	<u>151,477,442</u>
Total Assets	<u>216,025,574</u>	<u>215,722,267</u>
Deferred Outflows of Resources		
Deferred outflows related to pensions	1,452,033	816,220
Deferred refunding costs	<u>2,754,177</u>	<u>1,792,392</u>
Total Deferred Outflows of Resources	<u>4,206,210</u>	<u>2,608,612</u>
LIABILITIES		
Current Liabilities		
Accounts payable	3,335,753	845,650
Accrued liabilities	286,272	569,627
Accrued compensable absences	277,407	250,165
Unearned revenue	6,147,523	1,213,928
Bonds payable - current portion	<u>4,425,000</u>	<u>4,340,000</u>
Total Current Liabilities	<u>14,471,955</u>	<u>7,219,370</u>
Noncurrent Liabilities		
Net pension liability	3,749,661	2,952,356
Unamortized premiums on bonds	7,076,894	5,673,415
Bonds payable	<u>54,845,000</u>	<u>63,030,000</u>
Total Noncurrent Liabilities	<u>65,671,555</u>	<u>71,655,771</u>
Total Liabilities	<u>80,143,510</u>	<u>78,875,141</u>
Deferred Inflows of Resources		
Deferred inflows related to pensions	<u>621,316</u>	<u>219,848</u>
Total Deferred Inflows of Resources	<u>621,316</u>	<u>219,848</u>
NET POSITION		
Net investment in capital assets	67,468,813	62,781,822
Restricted for		
Expendable		
Endowment	1,070,147	1,017,611
Capital projects	11,137,792	14,728,070
Debt service	3,710,926	5,692,670
Scholarships	2,869,876	2,804,187
Institutional scholarships	252,159	251,966
Unrestricted	<u>52,957,245</u>	<u>51,959,564</u>
Total Net Position (Schedule D)	<u>\$ 139,466,958</u>	<u>\$ 139,235,890</u>

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

TEXAS SOUTHMOST COLLEGE DISTRICT
Statement of Revenues, Expenses and Changes in Net Position
For The Year Ended August 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
OPERATING REVENUES		
Tuition and fees (net of discounts of \$1,633,955 & \$637,152, respectively)	\$ 12,368,507	\$ 11,871,581
Federal grants and contracts	368,211	350,992
State grants and contracts	660,559	1,203,844
Local grants and contracts	3,988,202	4,009,531
Auxiliary enterprises	422,083	849,226
General operating revenues	<u>-</u>	<u>309,848</u>
Total Operating Revenues (Schedule A)	<u>17,807,562</u>	<u>18,595,022</u>
OPERATING EXPENSES		
Instruction	10,225,726	7,078,387
Public service	465,049	375,396
Academic support	2,331,056	1,802,248
Student services	3,152,196	3,135,720
Institutional support	12,129,967	11,663,230
Operation and maintenance of plant	4,826,475	4,881,808
Scholarships and fellowships	16,068,234	15,264,455
Auxiliary enterprises	1,918,405	1,199,363
Depreciation	<u>4,163,831</u>	<u>4,160,508</u>
Total Operating Expenses (Schedule B)	<u>55,280,939</u>	<u>49,561,115</u>
Operating (Loss)	<u>(37,473,377)</u>	<u>(30,966,093)</u>
Non-Operating Revenues (Expenses)		
State appropriations	7,270,390	7,142,755
Title IV	15,467,107	14,861,651
Maintenance ad valorem taxes	13,339,682	12,280,723
Debt service ad valorem taxes	5,380,393	6,337,942
Investment income	183,480	96,975
Interest on capital related debt	(2,505,888)	(3,046,367)
Gain (Loss) on sale of capital assets	(1,119,483)	-
Allowance for uncollectible expense	(445,198)	(16,184)
Other non-operating revenues	785,553	963,973
Other non-operating expenses	<u>(651,591)</u>	<u>(23,070)</u>
Total Non-Operating Revenues (Schedule C)	<u>37,704,445</u>	<u>38,598,398</u>
Increase in Net Position	<u>231,068</u>	<u>7,632,305</u>
NET POSITION		
Net Position - Beginning of Year	<u>139,235,890</u>	<u>131,603,585</u>
Net Position - End of Year	<u>\$ 139,466,958</u>	<u>\$ 139,235,890</u>

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

TEXAS SOUTHMOST COLLEGE DISTRICT
Statement of Cash Flows
For The Year Ended August 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from students and other customers	\$ 17,302,102	\$ 6,125,714
Receipts from grants and contracts	3,279,944	4,481,844
Payments to suppliers for goods or services	(34,663,660)	(34,797,505)
Payments to or on behalf of employees	(14,609,998)	(11,298,736)
Receipts from auxiliary services	422,083	849,226
Net cash (used) by operating activities	<u>(28,269,529)</u>	<u>(34,639,457)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Receipts from state appropriations	7,270,390	7,142,755
Receipts from Title IV allocations	15,467,107	14,861,651
Receipts from ad valorem taxes	13,339,682	12,280,723
Other non-capital financing revenue	785,553	963,973
Other non-capital financing expenses	(1,495,614)	(527,988)
Net cash provided by non-capital financing activities	<u>35,367,118</u>	<u>34,721,114</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Receipts from ad valorem tax revenues	5,380,393	6,337,942
Acquisition of capital assets	(1,272,527)	(702,335)
Proceeds from sale of capital assets	1,192,558	-
Proceeds on issuance of refunding debt	22,338,479	8,810,000
Payments on capital debt - principal	(29,035,000)	(13,065,000)
Payments on capital debt - interest and issuance costs	(2,505,888)	(3,046,367)
Net cash (used) by capital and related financing activities	<u>(3,901,985)</u>	<u>(1,665,760)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of investments	(2,830,129)	71,436
Net cash provided (used) by investing activities	<u>(2,830,129)</u>	<u>71,436</u>
Increase (decrease) in cash and cash equivalents	365,475	(1,512,667)
Cash and cash equivalents - September 1	<u>75,919,388</u>	<u>77,432,055</u>
Cash and cash equivalents - August 31	<u>\$ 76,284,863</u>	<u>\$ 75,919,388</u>
Cash and cash equivalents	\$ 57,169,470	\$ 39,453,499
Restricted cash and cash equivalents	<u>19,115,393</u>	<u>36,465,889</u>
Total cash and cash equivalents	<u>\$ 76,284,863</u>	<u>\$ 75,919,388</u>

TEXAS SOUTHMOST COLLEGE DISTRICT
Statement of Cash Flows
For The Year Ended August 31, 2017 and 2016
(Continued)

	<u>2017</u>	<u>2016</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating (loss)	\$ (37,473,377)	\$ (30,966,093)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:		
Depreciation expense	4,163,831	4,160,508
Changes in assets and liabilities:		
Receivables (net)	(1,737,028)	(1,082,523)
Prepaid expenses	(390,540)	(1,005,827)
Accounts payable	2,490,103	286,115
Accrued liabilities	(283,355)	180,914
Compensated absences	27,242	(156,836)
Unearned revenue	4,933,595	(6,055,715)
Net cash provided (used) by operating activities	<u>\$ (28,269,529)</u>	<u>\$ (34,639,457)</u>

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

NOTES TO FINANCIAL STATEMENTS

TEXAS SOUTHMOST COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2017 and 2016

1. Reporting Entity

Texas Southmost College was established in 1926, in accordance with the laws of the State of Texas to serve the educational needs of Brownsville and the surrounding communities. The Southmost Union Junior College District was established in 1949 and in 2005 officially changed its name to Texas Southmost College District (the District). Texas Southmost College District is considered to be a special-purpose, primary government according to the definition in Governmental Accounting Standards Board (GASB) Statement 14. While the District receives funding from local, state and federal sources, and must comply with the spending, reporting and record keeping requirements of these entities, it is not a component unit of any other governmental entity.

2. Summary of Significant Accounting Policies

Report Guidelines

The significant accounting policies followed by the District in preparing these financial statements are in accordance with the *Texas Higher Education Coordinating Board's Annual Financial Reporting Requirements for Texas Public Community Colleges*. The District applies all applicable GASB pronouncements. The District is reported as a special-purpose government engaged in business type activities.

Tuition Discounting

Texas Public Education Grants (TPEG) – Certain tuition amounts must be set aside for use as scholarships by qualifying students. This set-aside, called the TPEG, is shown with tuition and fee revenue amounts as a separate set aside amount (TEC §56.033). When the award is used by the student for tuition and fees, the District records the amount as tuition discount. If the amount is dispersed directly to the student, the District records the amount as a scholarship expense.

Title IV, Higher Education Act Program Funds – Certain Title IV HEA Program funds are received by the District to pass through to the student. These funds initially are received by the District and recorded as revenue. When the award is used by the student for tuition and fees, the amount is recorded as tuition discount. If the amount is dispersed directly to the student, the amount is recorded as a scholarship expense.

Other Tuition Discounts – The District awards tuition and fee scholarships from institutional funds to students who qualify. When these amounts are used for tuition and fees, the District records the amount as a tuition discount. If the amount is dispersed directly to the student, the District records the amount as a scholarship expense

Basis of Accounting

The financial statements of the District have been prepared on the accrual basis, whereby all revenues are recorded when earned and all expenses are recorded when they have been reduced to a legal or contractual obligation to pay.

TEXAS SOUTHMOST COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2017 and 2016

Budgetary Data

Each community college district in Texas is required by law to prepare an annual operating budget of anticipated revenues and expenditures for the fiscal year beginning September 1. The District's board of trustees adopts the budget, which is prepared on the accrual basis of accounting. A copy of the approved budget and subsequent amendments must be filed with the THECB, LBB, Legislative Reference Library, and Governor's Office of Budget and Planning by December 1.

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Deferred Outflows

In addition to assets, the District is aware that the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. Governments are permitted only to report deferred outflows in circumstances specifically authorized by the GASB. A typical deferred outflow for community colleges is a deferred charge on refunding debt.

Investments

In accordance with GASB Statement No. 31 *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, investments are reported at fair value. Fair values are based on published market rates. Short-term investments have an original maturity greater than three months but less than one year at time of purchase. The governing board has designated public funds investment pools comprised of \$3,015,246 and \$-0- for fiscal years 2017 and 2016, respectively, to be short-term investments. Long-term investments have an original maturity of greater than one year at the time of purchase.

Inventories

Inventories consist of consumable office supplies and physical plant supplies. Inventories are valued at cost and are under the charged to expense as consumed. The District inventory carrying balance is \$-0- for fiscal years ended 2017 and 2016.

Capital Assets

The District records capital assets at cost at the date of acquisition, or fair value at the date of donation. For equipment, the District's capitalization policy includes all items with a unit cost of \$5,000 or more and an estimated useful life in excess of one year. The District capitalizes renovations of \$100,000 to buildings and infrastructure and land improvements that significantly increase the value or extend the useful life of the structure. The District charges costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives to operating expense in the year in which the expense is incurred.

TEXAS SOUTHMOST COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2017 and 2016

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 50 years for buildings, 20 years for land improvements, 15 years for library books, 10 years for furniture, machinery, vehicles and other equipment and 5 years for telecommunications and peripheral equipment.

Pensions

The District participates in the Teacher Retirement System of Texas (TRS) pension plan, a multiple-employer cost-sharing-defined benefit pension plan with a special funding situation. The fiduciary net position of TRS has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes, for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

Unearned Revenue

Tuition and fees of \$6,140,197 and \$1,213,928 and federal, state, and local grants of \$7,326 and \$-0- have been reported by the District as unearned revenue at August 31, 2017 and 2016, respectively.

Deferred Inflows

In addition to liabilities, the District is aware that the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so is not recognized as an inflow of resources (revenue) until that time. Governments are permitted only to report deferred inflows in circumstances specifically authorized by the GASB.

Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, the District is aware that actual results could differ from those estimates.

Operating and Non-Operating Revenue and Expense Policy

The District distinguishes operating revenues and expenses from non-operating items. The District reports as a BTA and as a single, proprietary fund. Operating revenues and expenses generally result from providing services in connection with the college's principal ongoing operations. The principal operating revenues are tuition and related fees. The major non-operating revenues are state appropriations and property tax collections. Operating expenses include the cost of goods and services, administrative expenses, and depreciation on capital assets. The operation of a bookstore is not performed by the District.

Reclassification of Prior Year Presentation

The Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had not effect on the reported results of operations.

TEXAS SOUTHMOST COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2017 and 2016

3. Authorized Investments

Texas Southmost College District is authorized to invest in obligations and instruments as defined in the Public Funds Investment Act (Sec. 2256.001 Texas Government Code). Such investments include (1) obligations of the United States or its agencies, (2) direct obligations of the State of Texas (3) obligations of political subdivisions rated not less than "A" by a national investment rating firm, (4) certificates of deposit, and (5) other instruments and obligations authorized by statute.

In accordance with state law and the District's investment policy, investments in mutual funds and investment pools must be rated at least AAA, commercial paper must be rated at least A-1 or P-1, and investments in obligations from other states, municipalities, counties, etc. must be rated at least A. The District does not place a limit on the amount it may invest in any one issuer.

4. Deposits and Investments

Cash and Deposits included on Exhibit 1, Statement of Net Position, consist of the items reported below:

Cash and Deposits		August 31,	
		2017	2016
Bank Deposits			
Demand Deposits - Unrestricted	\$	56,534,673	\$ 56,516,525
Demand Deposits - Restricted		21,073,817	19,470,204
External investment pools		3,015,246	-
Money market		145,720	147,357
Total Bank Deposits		80,769,456	76,134,086
Cash and Cash Equivalents			
Petty Cash on Hand		500	300
Reconciling Items in Transit		(1,324,127)	(214,997)
Total	\$	79,445,829	\$ 75,919,389

Reconciliation of Deposits and Investments

Type of Security	Fair Value 8/31/2017	Fair Value 8/31/2016
Total Cash and Deposits	\$ 76,284,863	\$ 75,919,389
Total Investments	3,160,966	147,357
Total Deposits and Investments	\$ 79,445,829	\$ 76,066,746
Cash and cash equivalents	\$ 57,169,470	\$ 56,384,104
Restricted cash and cash equivalents	19,115,393	19,535,284
Investments	3,160,966	147,357
Total Deposits and Investments	\$ 79,445,829	\$ 76,066,745

TEXAS SOUTHMOST COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2017 and 2016

As of August 31, 2017 the District had the following investments:

Investment Type	Fair Value	Investment Maturities	W.A.M.
Investment Pool - LOGIC	\$ 3,015,246	Less than 1 Yr.	33 Days
Endowment Donation - Common Stock	145,720	Less than 1 Yr.	33 Days
Total Fair Value	<u>\$ 3,160,966</u>		

Local Government Investment Cooperative (LOGIC) (the “Pool”) was organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code, and operates as a public funds investment pool under the Public Funds Investment Act. LOGIC is organized and existing as a business trust under the laws of the State of Texas with all Participant funds and all investment assets held and managed in trust by a Board of Trustees for the benefit of the Participants. The Board of Trustees is LOGIC’s governing body and is comprised of employees, officers or elected officials of Participant Government Entities or individuals who do not have a business relationship with the Pool and are qualified to advise it. In order to comply with the Public Funds Investment Act, all Portfolios will maintain a AAAM or equivalent rating from at least one nationally recognized rating agency. Class A Units of LOGIC I are currently rated “AAAM” by Standard & Poor’s. LOGIC uses amortized cost to report net position to compute share prices. Accordingly, the fair value of the position in LOGIC is the same value as the value in LOGIC shares.

Interest Rate Risk – In accordance with state law and district policy, the District does not purchase any investments with maturities greater than 10 years.

Credit Risk – In accordance with state law and the District’s investment policy, investments in mutual funds and investment pools must be rated at least AAA; commercial paper must be rated at least A-1 or P-1; and investments in obligations from other states, municipalities, counties, etc., must be rated at least A as well.

Concentration of Credit Risk – The district does not place a limit on the amount the district may invest in any one issuer. Ninety-five percent (95%) of the district’s investments are in external investment pools.

Custodial Credit Risk – To control custody risk, State law and the District’s adopted Investment Policy require collateral for all time and demand deposits held in the College’s name. The custodian is required to provide original safekeeping receipts and reporting of positions and position descriptions including market value. Deposits must be collateralized to 102% (with 110% on mortgaged-backed securities), and transactions are required to be executed under a written agreement. The counter-party of each type of transaction is held contractually liable for monitoring and maintaining the required collateral margins on a daily basis. As of August 31, 2017, the Portfolio did not contain any repurchase agreements or certificates of deposit. All bank demand deposits were fully insured and collateralized. All pledged bank collateral for demand deposits was held by an independent institution outside the bank’s holding company.

At August 31, 2017, and 2016, the carrying amount of the District’s deposits was \$79,445,829 and \$76,066,746, respectively, and total bank balances equaled \$80,769,456 and \$76,134,086, respectively. Bank balances are covered by Federal depository insurance of up to \$250,000 per financial institution and \$80,519,456 and \$75,884,086 was covered by collateral pledged with securities held by the pledging financial institution’s trust department or agent in the District’s name for the years ended August 31, 2017 and 2016, respectively.

TEXAS SOUTHMOST COLLEGE DISTRICT
Notes to the Financial Statements
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Fair Value of Financial Instruments - GASB Statement No. 72, Fair Value Measurement and Application, provides a framework for measuring fair value for certain investments. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets of liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the government can access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

The fair value hierarchy Pools of investments at August 31, 2017 is as follows:

	Level 1	Level 2	Level 3	Total
External Investment Pools	\$ -	\$ 3,015,246	\$ -	\$ 3,015,246
Money Market	145,720	-	-	145,720
Total	<u>\$ 145,720</u>	<u>\$ 3,015,246</u>	<u>\$ -</u>	<u>\$ 3,160,966</u>

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TEXAS SOUTHMOST COLLEGE DISTRICT
Notes to the Financial Statements
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5. Capital Assets

Capital asset activity for the year ended August 31, 2017 was as follows:

	Balance August 31, 2016	Increases	Decreases	Reclassifications	Balance August 31, 2017
<u>Not Depreciated:</u>					
Land	\$ 6,525,905	\$ -	\$ -	\$ -	\$ 6,525,905
Construction in Progress	119,535	-	(97,678)	(21,857)	-
Subtotal	<u>6,645,440</u>	<u>-</u>	<u>(97,678)</u>	<u>(21,857)</u>	<u>6,525,905</u>
<u>Buildings and Other Capital Assets</u>					
Buildings and Building Improvements	161,318,099	-	(2,655,224)	-	158,662,875
Other Real Estate Improvements	<u>9,345,763</u>	<u>304,441</u>	<u>-</u>	<u>21,857</u>	<u>9,672,061</u>
Total Buildings and Other Real Estate Improvements	<u>170,663,862</u>	<u>304,441</u>	<u>(2,655,224)</u>	<u>21,857</u>	<u>168,334,936</u>
Library Books	8,422,239	-	-	-	8,422,239
Software and Other Intangibles	303,484	23,590	-	-	327,074
Furniture, Machinery, and Equipment	<u>12,735,344</u>	<u>944,496</u>	<u>-</u>	<u>-</u>	<u>13,679,840</u>
Subtotal	<u>21,461,067</u>	<u>968,086</u>	<u>-</u>	<u>-</u>	<u>22,429,153</u>
Total Buildings and Other Capital Assets	<u>192,124,929</u>	<u>1,272,527</u>	<u>(2,655,224)</u>	<u>21,857</u>	<u>190,764,089</u>
<u>Accumulated Depreciation:</u>					
Buildings and Building Improvements	(39,643,877)	(3,245,902)	440,861	-	(42,448,918)
Other Real Estate Improvements	<u>(7,571,710)</u>	<u>(273,773)</u>	<u>-</u>	<u>-</u>	<u>(7,845,483)</u>
Total Buildings and Other Real Estate Improvements	<u>(47,215,587)</u>	<u>(3,519,675)</u>	<u>440,861</u>	<u>-</u>	<u>(50,294,401)</u>
Library Books	(8,422,241)	-	-	-	(8,422,241)
Software and Other Intangibles	(106,951)	(38,900)	-	-	(145,851)
Furniture, Machinery, and Equipment	<u>(11,083,432)</u>	<u>(605,256)</u>	<u>-</u>	<u>-</u>	<u>(11,688,688)</u>
Subtotal	<u>(19,612,624)</u>	<u>(644,156)</u>	<u>-</u>	<u>-</u>	<u>(20,256,780)</u>
Total Accumulated Depreciation	<u>(66,828,211)</u>	<u>(4,163,831)</u>	<u>440,861</u>	<u>-</u>	<u>(70,551,181)</u>
Net Capital Assets	<u>\$ 131,942,158</u>	<u>\$ (2,891,304)</u>	<u>\$ (2,312,041)</u>	<u>\$ -</u>	<u>\$ 126,738,813</u>

TEXAS SOUTHMOST COLLEGE DISTRICT
Notes to the Financial Statements
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Capital asset activity for the year ended August 31, 2016 was as follows:

	Balance August 31, 2015	Increases	Decreases	Reclassifications	Balance August 31, 2016
<u>Not Depreciated:</u>					
Land	\$ 6,525,905	\$ -	\$ -	\$ -	\$ 6,525,905
Construction in Progress	119,535	-	-	-	119,535
Subtotal	<u>6,645,440</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,645,440</u>
<u>Buildings and Other Capital Assets</u>					
Buildings and Building Improvements	160,885,505	432,594	-	-	161,318,099
Other Real Estate Improvements	<u>9,345,763</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,345,763</u>
Total Buildings and Other Real Estate Improvements	<u>170,231,268</u>	<u>432,594</u>	<u>-</u>	<u>-</u>	<u>170,663,862</u>
Library Books	8,422,239	-	-	-	8,422,239
Software and Other Intangibles	279,090	24,394	-	-	303,484
Furniture, Machinery, and Equipment	<u>12,489,997</u>	<u>245,347</u>	<u>-</u>	<u>-</u>	<u>12,735,344</u>
Subtotal	<u>21,191,326</u>	<u>269,741</u>	<u>-</u>	<u>-</u>	<u>21,461,067</u>
Total Buildings and Other Capital Assets	<u>191,422,594</u>	<u>702,335</u>	<u>-</u>	<u>-</u>	<u>192,124,929</u>
<u>Accumulated Depreciation:</u>					
Buildings and Building Improvements	(36,284,910)	(3,358,967)	-	-	(39,643,877)
Other Real Estate Improvements	<u>(7,315,800)</u>	<u>(255,910)</u>	<u>-</u>	<u>-</u>	<u>(7,571,710)</u>
Total Buildings and Other Real Estate Improvements	<u>(43,600,710)</u>	<u>(3,614,877)</u>	<u>-</u>	<u>-</u>	<u>(47,215,587)</u>
Library Books	(8,422,241)	-	-	-	(8,422,241)
Software and Other Intangibles	(72,769)	(34,182)	-	-	(106,951)
Furniture, Machinery, and Equipment	<u>(10,571,983)</u>	<u>(511,449)</u>	<u>-</u>	<u>-</u>	<u>(11,083,432)</u>
Subtotal	<u>(19,066,993)</u>	<u>(545,631)</u>	<u>-</u>	<u>-</u>	<u>(19,612,624)</u>
Total Accumulated Depreciation	<u>(62,667,703)</u>	<u>(4,160,508)</u>	<u>-</u>	<u>-</u>	<u>(66,828,211)</u>
Net Capital Assets	<u>\$ 135,400,331</u>	<u>\$ (3,458,173)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 131,942,158</u>

TEXAS SOUTHMOST COLLEGE DISTRICT
Notes to the Financial Statements
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6. Long – Term Liabilities

	Balance August 31, 2016	Increases	Decreases	Balance August 31, 2017	Current Portion
<u>Bonds</u>					
General obligation bonds	\$ 52,725,000	\$ 7,605,000	\$ 14,100,000	\$ 46,230,000	\$ 3,650,000
Revenue bonds	14,645,000	13,040,000	14,645,000	13,040,000	775,000
Total Bonds	<u>67,370,000</u>	<u>20,645,000</u>	<u>28,745,000</u>	<u>59,270,000</u>	<u>4,425,000</u>
Unamortized premiums	5,673,415	1,894,369	490,890	7,076,894	-
Net pension liability	2,952,356	1,198,773	401,468	3,749,661	-
Total long term liabilities	<u>\$ 75,995,771</u>	<u>\$ 23,738,142</u>	<u>\$ 29,637,358</u>	<u>\$ 70,096,555</u>	<u>\$ 4,425,000</u>

	Balance August 31, 2015	Increases	Decreases	Balance August 31, 2016	Current Portion
<u>Bonds</u>					
General obligation bonds	\$ 56,250,000	\$ 8,810,000.00	\$ 12,335,000	\$ 52,725,000	\$ 3,585,000
Revenue bonds	15,375,000	-	730,000	14,645,000	755,000
Total long term liabilities	<u>71,625,000</u>	<u>8,810,000</u>	<u>13,065,000</u>	<u>67,370,000</u>	<u>4,340,000</u>
Unamortized premiums	5,363,423	761,235	451,243	5,673,415	-
Net pension liability	2,107,582	1,092,084	247,310	2,952,356	-
Total long term liabilities	<u>\$ 79,096,005</u>	<u>\$ 10,663,319</u>	<u>\$ 13,763,553</u>	<u>\$ 75,995,771</u>	<u>\$ 4,340,000</u>

7. Debt Obligations

Debt service requirements at August 31, 2017 were as follows:

For the year Ended	General Obligation Bonds			Revenue Bonds			Total Bonds		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
August 31,									
2018	\$ 3,650,000	\$ 2,430,320	\$ 6,080,320	\$ 775,000	\$ 501,316	\$ 1,276,316	\$ 4,425,000	\$ 2,931,636	\$ 7,356,636
2019	3,680,000	1,944,250	5,624,250	790,000	490,600	1,280,600	4,470,000	2,434,850	6,904,850
2020	3,835,000	1,628,125	5,463,125	815,000	459,000	1,274,000	4,650,000	2,087,125	6,737,125
2021	4,020,000	1,445,650	5,465,650	855,000	426,400	1,281,400	4,875,000	1,872,050	6,747,050
2022	4,210,000	1,254,200	5,464,200	890,000	392,200	1,282,200	5,100,000	1,646,400	6,746,400
2023-2027	20,475,000	3,223,000	23,698,000	5,010,000	1,397,600	6,407,600	25,485,000	4,620,600	30,105,600
2028-2032	6,155,000	628,788	6,783,788	3,905,000	347,600	4,252,600	10,060,000	976,388	11,036,388
2033	205,000	4,100	209,100	-	-	-	205,000	4,100	209,100
	<u>\$ 46,230,000</u>	<u>\$ 12,558,433</u>	<u>\$ 58,788,433</u>	<u>\$ 13,040,000</u>	<u>\$ 4,014,716</u>	<u>\$ 17,054,716</u>	<u>\$ 59,270,000</u>	<u>\$ 16,573,149</u>	<u>\$ 75,843,149</u>

TEXAS SOUTHMOST COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2017 and 2016

8. Advanced Refunding

Limited Tax Refunding Bonds, Series 2017

On August 23, 2017, the District issued \$3,305,000 in refunding bonds with an average interest rate of 4.0% to advance refund \$3,235,000 of outstanding 2008 Limited Tax Bonds with an average interest rate of 4.45% and \$1,305,000 of outstanding 2009 Limited Tax Bonds with an average interest rate of 4.0%. The net proceeds of \$3,494,995 (after payment of \$114,292 in underwriting fees, insurance, and other issuance costs) plus an additional \$1,170,285 of unspent proceeds monies were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments on 2008 Limited Tax Bonds and the 2009 Limited Tax Bonds starting in 2019 and 2020, respectively. As a result, that portion of the 2008 Limited Tax Bonds and the 2009 Limited Tax Bonds are considered to be defeased and the liability for that portion of those bonds has been removed from the statement of net position.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$64,715. This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being charged to operations through the year 2032 using the effective-interest method. The District completed the advance refunding to reduce its total debt service payments over the next 15 years by \$1,904,316 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$318,605.

Maintenance Tax Refunding Bonds, Series 2017

On August 23, 2017, the District issued \$4,300,000 in refunding bonds with an average interest rate of 4.0% to advance refund \$1,090,000 of outstanding 2007 Maintenance Tax Notes with an average interest rate of 4.50% and \$3,075,000 of outstanding 2008 Maintenance Tax Notes with an average interest rate of 4.26% and \$1,810,000 of outstanding 2009 Maintenance Tax Notes with an average interest rate of 3.82%. The net proceeds of \$4,445,781 (after payment of \$132,500 in underwriting fees, insurance, and other issuance costs) plus an additional \$1,672,126 of unspent proceeds monies were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments on 2007 Maintenance Tax Notes, 2008 Maintenance Tax Notes and the 2009 Maintenance Tax Notes starting in 2019, 2019, and 2020, respectively. As a result, that portion of the 2007 Maintenance Tax Notes, 2008 Maintenance Tax Notes and the 2009 Maintenance Tax Notes are considered to be defeased and the liability for that portion of those bonds has been removed from the statement of net position.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$2,874. This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being charged to operations through the year 2032 using the effective-interest method. The District completed the advance refunding to reduce its total debt service payments over the next 15 years by \$2,370,501 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$359,779.

TEXAS SOUTHMOST COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2017 and 2016

Combined Fee Revenue Refunding Bonds, Series 2017

On August 29, 2017, the District issued \$4,310,000 in refunding bonds with an average interest rate of 4.0% to advance refund \$4,560,000 of outstanding 2006 Combined Fee Revenue Refunding Bonds with an average interest rate of 4.55%. The net proceeds of \$4,584,859 (after payment of \$122,759 in underwriting fees, insurance, and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2006 Combined Fee Revenue Refunding Bonds. As a result, the Combined Fee Revenue Refunding Bonds, Series 2006 are considered to be defeased and the liability for those bonds has been removed from the statement of net position.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$250,000. This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being charged to operations through the year 2032 using the effective-interest method. The District completed the advance refunding to reduce its total debt service payments over the next 15 years by \$412,884 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$338,279.

Wellness Center Revenue Refunding Bonds, Series 2017

On August 29, 2017, the District issued \$8,730,000 in refunding bonds with an average interest rate of 4.0% to advance refund \$9,330,000 of outstanding 2005 Wellness Center Revenue Bonds with an average interest rate of 4.63%. The net proceeds of \$9,382,075 (after payment of \$171,684 in underwriting fees, insurance, and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2005 Wellness Center Revenue Bonds. As a result, the Wellness Center Revenue Bonds, Series 2005 are considered to be defeased and the liability for those bonds has been removed from the statement of net position.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$600,000. This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being charged to operations through the year 2032 using the effective-interest method. The District completed the advance refunding to reduce its total debt service payments over the next 15 years by \$919,257 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$1,097,854.

TEXAS SOUTHMOST COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2017 and 2016

9. Bonds Payable

General information related to bonds payable is summarized below:

Maintenance Tax Notes, Series 2007

- To be used for the purpose of maintenance and renovation of existing facilities
- Issued tax bonds June 15, 2007
- \$2,000,000, all authorized bonds have been issued
- Source of revenue for debt service – ad valorem tax levy

During the fiscal year ended August 31, 2017, the Series 2007 Bonds. The coupons which are callable in September 2017, totaling \$1,090,000, were refinanced with proceeds from the Maintenance Tax Refunding Bonds, Series 2017.

<u>For the year ended August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 95,000	\$ 52,306	\$ 147,306
	<u>\$ 95,000</u>	<u>\$ 52,306</u>	<u>\$ 147,306</u>

Maintenance Tax Notes, Series 2008

- To be used for the purpose of maintenance and renovation of existing facilities
- Issued tax bonds June 15, 2008
- \$5,000,000, all authorized bonds have been issued
- Source of revenue for debt service-ad valorem tax levy

During the fiscal year ended August 31, 2017, the Series 2008 Bonds. The coupons which are callable in February 2018, totaling \$3,075,000, were refinanced with proceeds from the Maintenance Tax Refunding Bonds, Series 2017.

<u>For the year ended August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 240,000	\$ 134,413	\$ 374,413
	<u>\$ 240,000</u>	<u>\$ 134,413</u>	<u>\$ 374,413</u>

Limited Tax Bond, Series 2008

- To be used for the construction and equipment of school buildings and the purchase of necessary sites
- Issued tax bonds June 15, 2008
- \$5,000,000, all authorized bonds have been issued
- Source of revenue for debt service-ad valorem tax levy

During the fiscal year ended August 31, 2017, the Series 2008 Bonds. The coupons which are callable in February 2018, totaling \$3,235,000, were refinanced with proceeds from the Limited Tax Refunding Bonds, Series 2017.

<u>For the year ended August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 25,000	\$ 142,566	\$ 167,566
	<u>\$ 25,000</u>	<u>\$ 142,566</u>	<u>\$ 167,566</u>

TEXAS SOUTHMOST COLLEGE DISTRICT
Notes to the Financial Statements
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Maintenance Tax Notes, Series 2009

- To be used for the purpose of maintenance and renovation of existing facilities
- Issued tax bonds June 18, 2009
- \$3,250,000, all authorized bonds have been issued
- Source of revenue for debt service-ad valorem tax levy

During the fiscal year ended August 31, 2017, the Series 2009 Bonds. The coupons which are callable in February 2019, totaling \$1,810,000, were refinanced with proceeds from the Maintenance Tax Refunding Bonds, Series 2017.

<u>For the year ended August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 160,000	\$ 93,225	\$ 253,225
2019	<u>170,000</u>	<u>83,825</u>	<u>253,825</u>
	<u>\$ 330,000</u>	<u>\$ 177,050</u>	<u>\$ 507,050</u>

Limited Tax Bond, Series 2009

- To be used for the construction and equipment of school buildings and to acquire property
- Issued tax bonds June 18, 2009
- \$4,000,000, all authorized bonds have been issued
- Source of revenue for debt service-ad valorem tax levy

During the fiscal year ended August 31, 2017, the Series 2008 Bonds. The coupons which are callable in February 2018, totaling \$1,305,000, were refinanced with proceeds from the Limited Tax Refunding Bonds, Series 2017.

<u>For the year ended August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 70,000	\$ 65,300	\$ 135,300
2019	<u>70,000</u>	<u>62,500</u>	<u>132,500</u>
	<u>\$ 140,000</u>	<u>\$ 127,800</u>	<u>\$ 267,800</u>

TEXAS SOUTHMOST COLLEGE DISTRICT
Notes to the Financial Statements
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Limited Tax Refunding Bond Series 2014A

- To be used for the purpose of maintenance and renovation of existing facilities
- Issued limited tax refund on November, 2014
- \$30,150,000, all authorized notes have been issued
- Source of revenue for debt service-ad valorem tax levy

Bonds payable are due in annual installments varying from \$1,460,000 to \$3,195,000 with interest at 2% to 5% and the final installment due February 2027.

<u>For the year ended August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 2,485,000	\$ 1,256,125	\$ 3,741,125
2019	2,560,000	1,130,000	3,690,000
2020	2,825,000	995,375	3,820,375
2021	2,960,000	850,750	3,810,750
2022	3,120,000	698,750	3,818,750
2023-2027	<u>12,415,000</u>	<u>1,255,875</u>	<u>13,670,875</u>
	<u>\$ 26,365,000</u>	<u>\$ 6,186,875</u>	<u>\$ 32,551,875</u>

Maintenance Tax Refunding Bonds, Series 2014B

- To be used for the purpose of maintenance and renovation of existing facilities
- Issued maintenance tax refund on November, 2014
- \$3,105,000, all authorized notes have been issued
- Source of revenue for debt service-ad valorem tax levy

Bonds payable are due in annual installments varying from \$135,000 to \$365,000 with interest at 2% to 5% and the final installment due February 2027.

<u>For the year ended August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 225,000	\$ 108,625	\$ 333,625
2019	295,000	99,350	394,350
2020	320,000	87,050	407,050
2021	335,000	75,625	410,625
2022	360,000	63,400	423,400
2023-2027	<u>1,270,000</u>	<u>106,450</u>	<u>1,376,450</u>
	<u>\$ 2,805,000</u>	<u>\$ 540,500</u>	<u>\$ 3,345,500</u>

TEXAS SOUTHMOST COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2017 and 2016

Limited Tax Refunding Bonds, Series 2015

- To be used for the purpose of maintenance and renovation of existing facilities
- Issued limited tax refund on November, 2015
- \$8,810,000, all authorized notes have been issued
- Source of revenue for debt service-ad valorem tax levy

Bonds payable are due in annual installments varying from \$110,000 to \$1,070,000 with interest at 2% to 5% and the final installment due February 2032.

<u>For the year ended August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 350,000	\$ 310,900	\$ 660,900
2019	340,000	300,550	640,550
2020	185,000	292,675	477,675
2021	190,000	287,050	477,050
2022	185,000	281,425	466,425
2023-2027	2,440,000	1,221,263	3,661,263
2028-2032	4,935,000	508,363	5,443,363
	<u>\$ 8,625,000</u>	<u>\$ 3,202,226</u>	<u>\$ 11,827,226</u>

Wellness Center Revenue Refunding Bonds, Series 2017

- To refund Wellness Center Revenue Bonds Series 2005; previously issued to construct, operate, maintain, renovate, or improve a wellness, recreational, and fitness complex
- Bonds issued on August 29, 2017
- \$8,730,000, all authorized bonds have been issued
- Source of revenue for debt service-Wellness Center Fees

Bonds payable are due in annual installments varying from \$535,000 to \$840,000 with interest at 4.0% and the final installment due August 2030.

<u>For the year ended August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 535,000	\$ 335,620	\$ 870,620
2019	545,000	327,800	872,800
2020	565,000	306,000	871,000
2021	590,000	283,400	873,400
2022	615,000	259,800	874,800
2023-2027	3,460,000	909,800	4,369,800
2028-2032	2,420,000	196,200	2,616,200
	<u>\$ 8,730,000</u>	<u>\$ 2,618,620</u>	<u>\$ 11,348,620</u>

TEXAS SOUTHMOST COLLEGE DISTRICT
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August 31, 2017 and 2016

Combined Fee Revenue Refunding Bonds, Series 2017

- To refund Combined Fee Revenue Bonds, Series 2006; previously issued to acquire land, construct and renovate buildings
- Bonds issued on August 29, 2017
- \$4,310,000 all authorized bonds have been issued
- Source of revenue for debt service - Tuition & Student Fees, interest and other investment earnings

Bonds payable are due in annual installments varying from \$240,000 to \$395,000 with interest at 4.0% and the final installment due August 2031.

<u>For the year ended August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 240,000	\$ 165,696	\$ 405,696
2019	245,000	162,800	407,800
2020	250,000	153,000	403,000
2021	265,000	143,000	408,000
2022	275,000	132,400	407,400
2023-2027	1,550,000	487,800	2,037,800
2028-2032	1,485,000	151,400	1,636,400
	<u>\$ 4,310,000</u>	<u>\$ 1,396,096</u>	<u>\$ 5,706,096</u>

Maintenance Tax Refunding Bonds, Series 2017

- To refund Maintenance Tax Notes Series 2007, 2008 & 2009; previously issued for maintenance and renovation of existing facilities
- Issued August 23, 2017
- \$4,300,000, all authorized bonds have been issued
- Source of revenue for debt service – ad valorem tax levy

Bonds payable are due in annual installments varying from \$30,000 to \$535,000 with interest at 1.875% to 4.0% and the final installment due August 2029.

<u>For the year ended August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ -	\$ 143,318	\$ 143,318
2019	245,000	141,675	386,675
2020	435,000	128,075	563,075
2021	455,000	110,275	565,275
2022	465,000	91,875	556,875
2023-2027	2,260,000	251,062	2,511,062
2028-2032	440,000	10,000	450,000
	<u>\$ 4,300,000</u>	<u>\$ 876,280</u>	<u>\$ 5,176,280</u>

TEXAS SOUTHMOST COLLEGE DISTRICT
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Limited Tax Refunding Bonds, Series 2017

- To refund Limited Tax Bonds Series 2008 and 2009; previously issued for the construction and equipment of school buildings and the purchase of necessary sites
- Issued August 23, 2017
- \$3,305,000, all authorized bonds have been issued
- Source of revenue for debt service-ad valorem tax levy

Bonds payable are due in annual installments varying from \$70,000 to \$790,000 with interest at 3.0% to 4.0% and the final installment due August 2033.

<u>For the year ended August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ -	\$ 123,542	\$ 123,542
2019	-	126,350	126,350
2020	70,000	124,950	194,950
2021	80,000	121,950	201,950
2022	80,000	118,750	198,750
2023-2027	2,090,000	388,350	2,478,350
2028-2032	780,000	110,425	890,425
2033	205,000	4,100	209,100
	<u>\$ 3,305,000</u>	<u>\$ 1,118,417</u>	<u>\$ 4,423,417</u>

10. Employees' Retirement Plan

The State of Texas has joint contributory retirement plans for almost all of its employees. One of the primary plans in which the district participates is administered by the Teacher Retirement System of Texas.

Teacher Retirement System of Texas

Plan Description

The District participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). TRS's defined benefit pension plan is established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

All employees of public, state-supported educational institutions in Texas who are employee for one-half or more of the standard work load and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system.

TEXAS SOUTHMOST COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2017 and 2016

Pension Plan Fiduciary Net Position

Detailed information about the Teacher Retirement System’s fiduciary net position is available in a separately-issued Comprehensive Annual Financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at http://www.trs.texas.gov/TRS%20Documents/cafr_2016.pdf, by writing to TRS at 1000 Red River Street, Austin, Texas, 78701-2698; or by calling (512) 542-6592.

Benefits Provided

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using a 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, whose formulas use the three highest annual salaries. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member’s age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member’s age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic cost of living adjustments (COLA). Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan Description above.

Contributions

Contribution requirements are established or amended pursuant to Article 16, Section 67 of the Texas Constitution which requires the Texas Legislature to establish a member contribution rate of not less than 6 percent of the member’s annual compensation and a state contribution rate of not less than 6 percent and not more than 10 percent of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code Section 821.006 prohibits benefit improvements if, as a result of the particular action, the time required to amortize TRS’s unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 through 2017. The 84th Texas Legislature, General Appropriations Act (GAA), established the employer contribution rates for fiscal years 2016 and 2017.

	<u>Contribution Rates</u>	
	2016	2017
Member	7.20%	7.7%
Non-Employer Contributing Entity (State)	2.89%	2.9%
Employers	3.91%	3.9%
Current fiscal year College Contributions	\$	428,658
Current fiscal year Member Contributions		757,745
FY 2016 State of Texas On-behalf Contributions		191,521

TEXAS SOUTHMOST COLLEGE DISTRICT
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As the non-employer contributing entity for public education and junior colleges, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers.

Public junior colleges or junior college districts are required to pay the employer contribution rate in the following instances:

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.
- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

In addition to the employer contributions listed above, when employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

Actuarial Assumptions

The total pension liability in the August 31, 2016 actual valuation was determined using the following assumptions:

Valuation Date	August 31, 2016
Actuarial cost Method	Individual Entry Age Normal
Asset Valuation Method	Fair Value
Single Discount Rate	8.0%
Long-term expected Investment Rate of Return*	8.0%
Last year ending August 31 in the 2016 to 2015	
Projection period (100 years)	2115
Inflation	2.5%
Payroll Growth Rate	2.0%
Salary Increases Including Inflation	3.5% to 9.5%
Benefit Changes During the Year	None
Ad hoc Post-Employment Benefit Changes	None

Actuarial methods and assumptions were updated based on a study of actual experience for the four-year period ending August 31, 2014, and adopted on September 24, 2015, by the TRS Board of Trustees, who have sole authority to determine the actuarial assumptions used for the plan. There were no changes to the actuarial assumptions or other inputs that affected the measurement of the total pension liability since the prior measurement period.

TEXAS SOUTHMOST COLLEGE DISTRICT
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There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

Discount Rate

The discount rate used to measure the total pension liability was 8.0 percent. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8 percent. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the system's target asset allocation as of August 31, 2016, are summarized below:

Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return	Expected Contribution to Long-Term Portfolio Returns*
Global Equity			
U.S.	18.00%	4.60%	1.00%
Non-U.S. Developed	13.00%	5.10%	0.80%
Emerging Markets	9.00%	5.90%	0.70%
Directional Hedge Funds	4.00%	3.20%	0.10%
Private Equity	13.00%	7.00%	1.10%
State Value			
U.S. Treasuries	11.00%	0.70%	0.10%
Absolute Return	0.00%	1.80%	0.00%
Stable Value Hedge Funds	4.00%	3.00%	0.10%
Cash	1.00%	-0.20%	0.00%
Real Return			
Global Inflation Linked Bonds	3.00%	0.90%	0.00%
Real Assets	16.00%	5.10%	1.10%
Energy and Natural Resources	3.00%	6.60%	0.20%
Commodities	0.00%	1.20%	0.00%
Risk Parity			
Risk Parity	5.00%	6.70%	0.30%
Inflation Expectation			2.20%
Alpha			1.00%
Total	100.00%		8.70%

*The Expected Contribution to Returns incorporates the volatility drag resulting from the conversion between Arithmetic and Geometric mean returns.

Source: Teacher Retirement System of Texas 2016 Comprehensive Annual Financial Report.

TEXAS SOUTHMOST COLLEGE DISTRICT
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Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the 2016 Net Pension Liability.

	1% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
Entity's proportionate share of the net pension liability:	\$5,803,212	\$3,749,661	\$2,007,835

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At August 31, 2017, the District reported a liability of \$3,749,661 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the employer were as follows:

Employer's Proportionate share of the collective net pension liability	\$3,749,661
State's proportionate share that is associated with employer	2,273,323
Total	\$6,022,984

The net pension liability was measured as of August 31, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2015 thru August 31, 2016.

At the measurement date of August 31, 2016 the employer's proportion of the collective net pension liability was 0.009922% which was an increase of .0051707% from its proportion measured as of August 31, 2015.

For the year ended August 31, 2017, the District recognized pension expense of \$235,917 and revenue of \$235,917 for support provided by the State.

TEXAS SOUTHMOST COLLEGE DISTRICT
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At August 31, 2017, the College reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experiences	\$ 58,794	\$ 111,963
Changes in actuarial assumptions	114,283	103,936
Difference between projected and actual investment earnings	293,907	405,051
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	556,391	366
Contributions paid to TRS subsequent to the measurement date	<u>428,658</u>	<u>-</u>
Total	<u>\$ 1,452,033</u>	<u>\$ 621,316</u>

The net amounts of the employer's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended <u>August 31:</u>	<u>Pension Expense Amount</u>
2017	\$ 128,430
2018	128,430
2019	330,955
2020	112,870
2021	63,059
Thereafter	66,973

Optional Retirement Plan

Plan Description Participation in the Optional Retirement Program is in lieu of participation in the Teacher Retirement System. The optional retirement program provides for the purchase of annuity contracts and operates under the provisions of the Texas Constitution, Article XVI, Sec. 67 and Texas Government Code, Title 8, Subtitle C.

Funding Policy Contribution requirements are not actuarially determined but are established and amended by the Texas Legislature. The percentages of participant salaries contributed by the state, the college, and each participant are 2.805%, 3.795% and 6.600%, respectively. The District does not contribute for employees who were participating in the optional retirement program prior to September 1, 1995. Benefits fully vest after one year plus one day of employment. Because these are individual annuity contracts, the state has no additional or unfunded liability for this program.

The retirement expense to the State for the District was \$88,862 and \$110,468 for the fiscal years ended August 31, 2017 and 2016, respectively. The amount represents the portion of expended appropriations made by the State Legislature on behalf of the District.

The total payroll for all District employees was \$13,483,560 and \$10,880,215 for fiscal years 2017 and 2016, respectively. The total payroll of employees covered by the Optional Retirement Program was \$3,167,985 and \$3,136,519 for fiscal years 2017 and 2016, respectively.

TEXAS SOUTHMOST COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2017 and 2016

11. Deferred Compensation Program

District employees may elect to defer a portion of their earnings for income tax and investment purposes pursuant to authority granted in Government Code 609.001. The plan is essentially an unfunded promise to pay by the employer to each of the plan participants. As of August 31, 2017 and 2016, the District did not have any employees participating in a deferred compensation program.

12. Compensable Absences

Full-time employees earn annual leave beginning on the first day of employment at the same rate and with the same limit as state employees as published each biennium in the General Appropriations Act. The District policy is that a full-time employee may carry his accrued leave forward from one fiscal year to another fiscal year with a maximum number or hours up to 160 for all full time staff employees. Employees with at least six months of continuous, benefits eligible, state employment prior to separation, and terminate their employment are entitled to payment for all accumulated annual leave up to the maximum allowed. Upon death of an employee, one-half of the accumulated sick leave days shall be paid to the designated beneficiary at the rate of the employee's salary at the time of death up to 336 hours provided that the employee was continually employed with TSC for 6 months prior to death. Sick leave shall also be paid to an employee who terminates or retires, provided employment by the College District has been continuous full time for at least ten years up to 336 hours.

Sick leave is accrued at the rate of 8 hours for each full month of employment for benefits-eligible employees and shall accrue to a maximum of 90 workdays (720 hours). The District's policy is to recognize the cost of sick leave when paid. The liability is not shown in the financial statements because sick leave does not qualify as a compensated absence since it is contingent on a future event (namely, illness) that is beyond the control of both the employer and the employee.

Compensable absences activity for the years ended August 31, 2017 and 2016 was as follows:

	Balance August 31, 2016	Increases	Decreases	Balance August 31, 2017
Compensable absences	<u>\$ 250,165</u>	<u>\$ 267,529</u>	<u>\$ (240,287)</u>	<u>\$ 277,407</u>
	Balance August 31, 2015	Increases	Decreases	Balance August 31, 2016
Compensable absences	<u>\$ 407,001</u>	<u>\$ 215,548</u>	<u>\$ (372,384)</u>	<u>\$ 250,165</u>

13. Pending Lawsuits and Claims

On August 31, 2017, various lawsuits and claims involving Texas Southmost College District were pending. While the ultimate liability with respect to litigation and other claims asserted against the District cannot be reasonably estimated at this time. This liability, to the extent not provided for by insurance or otherwise, is not likely to have a material effect on the District.

TEXAS SOUTHMOST COLLEGE DISTRICT
Notes to the Financial Statements
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14. Disaggregation of Receivables and Payables Balances

Receivables

Receivables at August 31, were as follows:

	<u>2017</u>	<u>2016</u>
Taxes receivable	\$ 2,304,845	\$ 2,233,243
Federal receivable	287,153	52,501
Student receivable	1,887,306	896,457
Accounts receivable	33,460	32,614
Donations receivable	814,265	346,828
Accrued interest receivable	20,855	9,534
Other receivable - due from Cameron County	217,135	188,707
Other receivable - due from UTB	<u>2,876,546</u>	<u>2,875,667</u>
Subtotal	8,441,565	6,635,551
Allowance for doubtful accounts	<u>(738,963)</u>	<u>(669,977)</u>
Total Receivables	<u>\$ 7,702,602</u>	<u>\$ 5,965,574</u>

Payables

Payables at August 31, were as follows:

	<u>2017</u>	<u>2016</u>
Vendors payable	\$ 1,410,108	\$ 845,650
Student payable	<u>1,925,645</u>	<u>-</u>
Total Payables	<u>\$ 3,335,753</u>	<u>\$ 845,650</u>

15. Contract and Grant Award

Contract and grant awards are accounted for in accordance with the requirements of the AICPA Industry Audit Guide, *Audits of Colleges and Universities*. Revenues are recognized on Exhibit 2 and Schedule A. For federal contract and grant awards, funds expended, but not collected, are reported as Federal Receivables on Exhibit 1. Non-federal contract and grant awards for which funds are expended, but not collected, are reported as accounts receivable on Exhibit 1. Contract and grant awards that are not yet funded and for which the District has not yet performed services are not included in the financial statements. There were no contracts or grants awarded during fiscal years 2017 and 2016, for which monies have not been received, nor expended.

TEXAS SOUTHMOST COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2017 and 2016

16. Ad Valorem Tax

The District's ad valorem property tax is levied each October 1st on the assessed value listed as of the prior January 1st for all real and business personal property located in the District. As of August 31:

	2017	2016
Assessed valuation of the District	\$ 12,119,257,541	\$ 12,574,878,391
Less:		
Exemptions	1,104,633,258	1,103,573,873
Net assessed valuation of the District	\$ 11,014,624,283	\$ 11,471,304,518

	2017		
	Current Operations	Debt Service	Total
Authorized tax rate per \$100 valuation	\$ 0.350000	\$ 0.500000	\$ 0.850000
Assessed tax rate per \$100 valuation	\$ 0.115745	\$ 0.042479	\$ 0.158224

	2016		
	Current Operations	Debt Service	Total
Authorized tax rate per \$100 valuation	\$ 0.350000	\$ 0.500000	\$ 0.850000
Assessed tax rate per \$100 valuation	\$ 0.107905	\$ 0.056189	\$ 0.164094

Section 130.122 of the Texas Education Code, as amended, limits a junior college district's tax rate to \$1.00 per \$100 taxable assessed valuation (of which a maximum of \$0.50 may be pledged for bond debt service), and the District is further restricted by local referendum which limits the tax rate for local maintenance to \$0.35.

Taxes levied for the years ended August 31, 2017 and 2016 amounted to \$18,909,751 and \$18,505,787, respectively including any penalty and interest assessed. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed.

TEXAS SOUTHMOST COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2017 and 2016

<u>Taxes Collected</u>	2017		
	Current Operations	Debt Service	Total
Current taxes collected	\$ 12,939,592	\$ 5,155,717	\$ 18,095,309
Delinquent taxes collected	466,583	229,766	696,349
Penalties and interest collected	328,734	154,415	483,149
Less discounts and commissions	<u>(395,227)</u>	<u>(159,505)</u>	<u>(554,732)</u>
Total Collections	<u>\$ 13,339,682</u>	<u>\$ 5,380,393</u>	<u>\$ 18,720,075</u>
<u>Taxes Collected</u>	2016		
	Current Operations	Debt Service	Total
Current taxes collected	\$ 11,813,585	\$ 6,155,446	\$ 17,969,031
Delinquent taxes collected	495,485	193,811	689,296
Penalties and interest collected	337,034	182,357	519,391
Less discounts and commissions	<u>(365,382)</u>	<u>(193,672)</u>	<u>(559,054)</u>
Total Collections	<u>\$ 12,280,723</u>	<u>\$ 6,337,942</u>	<u>\$ 18,618,665</u>

Tax collections for the years ended August 31, 2017 and 2016 were 95.69% and 97.09%, respectively of the current tax levy. Allowance for uncollectible taxes are based upon historical experience in collecting property taxes. The use of tax proceeds is restricted for the use of maintenance and/or general obligation debt service.

17. Income Taxes

The District is exempt from income taxes under internal Revenue Code Section 115, Income of States, Municipalities, Etc. although unrelated business income may be subject to income tax under internal Revenue code Section 511 (a)(2)(B), Imposition of Tax on Unrelated Business Income of Charitable, Etc. Organizations. The District had no unrelated business income tax liability for the years ended August 31, 2017, and 2016.

18. Risk Management

The District is exposed to various risks of loss related to torts, theft, damage or destruction of purchased assets. The District carries commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three years.

TEXAS SOUTHMOST COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2017 and 2016

19. Restricted Assets

As of August 31, 2017 and 2016, the balances of the restricted assets are as follows:

	<u>2017</u>	<u>2016</u>
Endowment	\$ 32	\$ 863,092
Scholarships	447,121	2,231,652
Agency funds	11,496	-
Federal awards	6,147,523	1,213,928
Restricted contributions - arts center	796	792,455
Restricted - parking	1,035,109	1,033,005
Restricted - insurance	1,139,031	1,136,716
General obligation - debt service	4,395,535	3,674,895
Revenue bond - debt service	5,186,926	5,311,139
Revenue bond - construction account	<u>751,824</u>	<u>3,278,402</u>
	<u>\$ 19,115,393</u>	<u>\$ 19,535,284</u>

20. Related Parties (Not a component unit)

The Texas Southmost College Foundation, Inc. is a nonprofit organization with the purpose of supporting the educational and other activities of the District. Texas Southmost College District does not appoint a voting majority nor does it fund or is obligated to pay debt related to this association. The District does not have the ability to significantly influence the policies of this Foundation. The Foundation solicits donations and acts as coordinator of gifts made by other parties. The District furnished certain services, such as office space, utilities and some staff assistance, at no cost to the Foundation.

21. Excess Interest and Rebatale Arbitrage

The Tax Reform Act of 1986 established arbitrage regulations that generally limit the rate or return on investment earnings of unexpended tax-exempt debt proceeds. With certain adjustments, the investment yield is limited to the interest rate on the debt itself. Federal tax code requirements now compel state and local governments to rebate defined arbitrage earnings of tax-exempt debt to the federal government every five years for as long as the bonds are outstanding. As of the audit report date, the District had received a preliminary calculation of the arbitrage amount of \$12,179 and \$12,179, which are reported as part of accrued expenses on these financial statements for the fiscal years ended 2017 and 2016, respectively.

22. Post Employment Benefits Other than Pensions

Plan Description. In addition to providing pension benefits, the state provides certain health care and life insurance benefits for retired employees. Almost all employees may become eligible for those benefits if they reach normal retirement age while working for the state. The District contributes to the State Retiree Health Plan (SRHP), a cost-sharing, multiple- employer, defined benefit postemployment healthcare plan administered by the ERS. SRHP provides medical benefits to retired employees of participating universities, community colleges, and state agencies in accordance with Chapter 1551, Texas Insurance Code. Benefit and contribution provisions of the SRHP are authorized by state law and may be amended by the Texas Legislature.

TEXAS SOUTHMOST COLLEGE DISTRICT
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The ERS issues a publicly available financial report that includes financial statements and required supplementary information for SRHP. That report may be obtained from ERS via their website at <http://www.ers.state.tx.us/>.

Funding Policy. Section 1551.055 of Chapter 1551, Texas Insurance Code, provides that contribution requirements of the plan members and the participating employers are established and may be amended by the ERS Board of Trustees. Plan members or beneficiaries receiving benefits pay any premium over and above the employer contribution.

The employer's share of the cost of retiree healthcare coverage for the current year is known as the implicit rate subsidy and is the difference between the claims costs for the retirees and the amounts contributed by the retirees. The ERS Board of Trustees sets the employer contribution rate based on the implicit rate subsidy, which is actuarially determined in accordance with the parameters of GASB Statement 45.

The employer contribution rate represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed 30 years.

Beginning September 1, 2013, SB 1812 limited the state's contribution to 50 percent of eligible employees for community colleges.

The college's contributions to SRHP for the years ended August 31, 2017, 2016, and 2015, were \$7,040, \$7,040 and \$1,160, respectively, which equaled the required contributions each year.

23. Contingencies

The District participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

REQUIRED SUPPLEMENTARY INFORMATION

TEXAS SOUTHMOST COLLEGE DISTRICT

**Schedule of Texas Southmost College's Share of Net Pension Liability
For the Year Ended August 31, 2017**

Fiscal year ending August 31 *	2016**	2015**	2014**
Total TRS' pension liability	\$ 171,797,150,487	\$ 163,887,375,172	\$ 159,496,075,886
TRS' net position	<u>(134,008,637,473)</u>	<u>(128,538,706,212)</u>	<u>(132,779,243,085)</u>
TRS' net pension liability	\$ 37,788,513,014	\$ 35,348,668,960	\$ 26,716,832,801
 TRS net position as percentage of total pension liability	 78.00%	 78.43%	 83.25%
 Texas Southmost College proportionate share of collective net pension liability (%)	 0.0099228%	 0.0083521%	 0.0078902%
 Texas Southmost College proportionate share of collective net pension liability (\$)	 \$ 3,749,661	 \$ 2,952,356	 \$ 2,107,582
Portion of NECE's total proportionate share of NPL associated with Texas Southmost College	<u>2,273,323</u>	<u>2,208,258</u>	<u>1,733,259</u>
Total	\$ 6,022,984	\$ 5,160,614	\$ 3,840,841
 Texas Southmost College covered payroll amount	 \$ 7,332,726	 \$ 5,160,612	 \$ 3,840,841
Ratio of: ER proportionate share of collective NPL / ER's covered payroll amount	51.14%	57.21%	54.87%

* The amounts presented above are as of the measurement date of the collective net pension liability, for the respective fiscal year.

** Schedule is intended to show information for 10 years. Additional years will be displayed as the become available.

TEXAS SOUTHMOST COLLEGE DISTRICT

Schedule of Texas Southmost College's Contributions
For the Year Ended August 31, 2017

Fiscal year ending August 31, *	2017**	2016**	2015**
Legally required contributions	\$ 428,658	\$ 288,513	\$ 232,578
Actual contributions	<u>(428,658)</u>	<u>288,513</u>	<u>232,578</u>
Contributions deficiency (excess)	-	-	-
 Texas Southmost College covered employee payroll amount	 \$ 9,845,820	 \$ 7,326,324	 \$ 6,341,300
Ratio of: Actual contributions / ER covered payroll amount	4.3537%	3.9380%	3.6677%

* The amounts presented above are as of the District's respective fiscal year-end.

** Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

TEXAS SOUTHMOST COLLEGE DISTRICT

**Notes to Required Supplementary Information
For the Year Ended August 31, 2017**

Change of Benefit Terms include:

A 2.0% COLA, effective September 1, 2017.

Change of Assumptions:

There have been changes of the estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation. See Notes to the Financial Statements #10 for detail.

SUPPLEMENTARY SECTION

TEXAS SOUTHMOST COLLEGE DISTRICT
Schedule of Operating Revenues
For the Year Ended August 31, 2017
(With Memorandum Totals for the Year Ended August 31, 2016)

	Unrestricted	Restricted	Total Educational Activities	Auxiliary Enterprises	2017 Total	2016 Total
Tuition:						
State funded credit courses:						
In-district resident tuition	\$ 3,645,885	\$ -	\$ 3,645,885	\$ -	\$ 3,645,885	\$ 3,044,284
Out-of-district resident tuition	649,626	-	649,626	-	649,626	484,123
Non-resident tuition	142,073	-	142,073	-	142,073	131,158
TPEG - credit (set aside)*	248,429	-	248,429	-	248,429	203,027
State funded continuing education						
TPEG - non-credit (set aside)*	-	-	-	-	-	-
Non-state funded educational programs	-	-	-	-	-	-
Total Tuition	<u>4,686,013</u>	<u>-</u>	<u>4,686,013</u>	<u>-</u>	<u>4,686,013</u>	<u>3,862,592</u>
Fees:						
Distance learning fee	-	-	-	-	-	-
Installment plan fees	-	-	-	-	-	-
Non-instructional contract training fees	5,694,927	2,069,712	7,764,639	1,755,251	9,519,890	8,830,005
Prior year tuition and fees	-	-	-	-	-	-
Total Fees	<u>5,694,927</u>	<u>2,069,712</u>	<u>7,764,639</u>	<u>1,755,251</u>	<u>9,519,890</u>	<u>8,830,005</u>
Scholarship Allowances and Discounts:						
Remissions and exemptions - state	-	-	-	-	-	-
Remissions and exemptions - local	(1,622,317)	-	(1,622,317)	(11,638)	(1,633,955)	(637,152)
Reduced tuition pilot	-	-	-	-	-	-
Other federal grants	-	-	-	-	-	-
TPEG awards	(203,441)	-	(203,441)	-	(203,441)	(183,864)
UTB Commitments	-	-	-	-	-	-
Other state grants	-	-	-	-	-	-
Rising star program	-	-	-	-	-	-
Other local grants	-	-	-	-	-	-
Total Scholarship Allowances	<u>(1,825,758)</u>	<u>-</u>	<u>(1,825,758)</u>	<u>(11,638)</u>	<u>(1,837,396)</u>	<u>(821,016)</u>
Total Net Tuition and Fees	<u>8,555,182</u>	<u>2,069,712</u>	<u>10,624,894</u>	<u>1,743,613</u>	<u>12,368,507</u>	<u>11,871,581</u>
Additional Operating Revenues:						
Federal grants and contracts	-	304,824	304,824	63,387	368,211	350,992
State grants and contracts	-	660,559	660,559	-	660,559	1,203,844
Local grants and contracts	-	2,923,802	2,923,802	1,064,400	3,988,202	4,009,531
Non-governmental grants and contracts	-	-	-	-	-	-
Sales and services of educational activities	-	-	-	-	-	-
General operating revenues	-	-	-	-	-	309,848
Total Additional Operating Revenues	<u>-</u>	<u>3,889,185</u>	<u>3,889,185</u>	<u>1,127,787</u>	<u>5,016,972</u>	<u>5,874,215</u>
Auxiliary Enterprises:						
Bookstore	-	-	-	-	-	-
Less discounts	-	-	-	-	-	-
Food service	-	-	-	-	-	-
Center for educational telecommunications	-	-	-	-	-	-
Business incubation center	-	-	-	-	-	-
Student programs	-	-	-	422,083	422,083	849,226
Net Bookstore	<u>-</u>	<u>-</u>	<u>-</u>	<u>422,083</u>	<u>422,083</u>	<u>849,226</u>
Facilities rentals	-	-	-	-	-	-
Total Net Auxiliary Enterprises	<u>-</u>	<u>-</u>	<u>-</u>	<u>422,083</u>	<u>422,083</u>	<u>849,226</u>
Total Operating Revenues	<u>\$ 8,555,182</u>	<u>\$ 5,958,897</u>	<u>\$ 14,514,079</u>	<u>\$ 3,293,483</u>	<u>\$ 17,807,562</u>	<u>\$ 18,595,022</u>
					(Exhibit 2)	(Exhibit 2)

* In accordance with Education Code 56.003, \$248,429 and \$203,027 of tuition was set aside for Texas Public Education Grants (TPEG) for the years ended August 31, 2017 and 2016, respectively.

TEXAS SOUTHMOST COLLEGE DISTRICT
Schedule of Operating Expenses by Object
For the Year Ended August 31, 2017
(With Memorandum Totals for the Year Ended August 31, 2016)

	Operating Expenses				2017 Total	2016 Total
	Salaries and Wages	Benefits		Other Expenses		
		State Benefits	Local Benefits			
Unrestricted - Educational Activities						
Instruction	\$ 6,682,244	\$ -	\$ 1,795,883	\$ 1,740,966	\$ 10,219,093	\$ 6,663,510
Public service	228,822	-	68,076	21,162	318,060	375,396
Academic support	1,376,777	-	399,385	146,883	1,923,045	1,547,490
Student services	2,137,263	-	647,535	150,401	2,935,199	3,135,720
Institutional support	1,728,544	-	549,667	7,858,809	10,137,020	9,537,784
Operation and maintenance of plant	986,394	-	354,071	3,486,010	4,826,475	4,881,808
Scholarships and fellowships	-	-	-	-	-	402,804
Contract services - UTB	-	-	-	-	-	-
Total Unrestricted Educational Activities	<u>13,140,044</u>	<u>-</u>	<u>3,814,617</u>	<u>13,404,231</u>	<u>30,358,892</u>	<u>26,544,512</u>
Restricted - Educational Activities						
Instruction	2,689	-	3,286	658	6,633	414,877
Public service	68,200	-	19,431	59,358	146,989	-
Academic support	56,696	-	12,139	339,176	408,011	254,758
Student services	215,931	-	-	1,066	216,997	-
Institutional support	-	-	-	1,992,947	1,992,947	2,125,446
Operation and maintenance of plant	-	-	-	-	-	-
Scholarships and fellowships	-	-	-	16,068,234	16,068,234	14,861,651
Total Restricted Educational Activities	<u>343,516</u>	<u>-</u>	<u>34,856</u>	<u>18,461,439</u>	<u>18,839,811</u>	<u>17,656,732</u>
Total Educational Activities	13,483,560	-	3,849,473	31,865,670	49,198,703	44,201,244
Auxiliary Enterprises	870,325	-	261,730	786,350	1,918,405	1,199,363
Depreciation Expense						
Buildings and other real estate improvements	-	-	-	3,519,675	3,519,675	3,614,877
Equipment and furniture	-	-	-	644,156	644,156	545,631
Total Operating Expenses	<u>\$ 14,353,885</u>	<u>\$ -</u>	<u>\$ 4,111,203</u>	<u>\$ 36,815,851</u>	<u>\$ 55,280,939</u> (Exhibit 2)	<u>\$ 49,561,115</u> (Exhibit 2)

TEXAS SOUTHMOST COLLEGE DISTRICT
Schedule of Non-Operating Revenues and Expenses
For the Year Ended August 31, 2017
(With Memorandum Totals for the Year Ended August 31, 2016)

	Unrestricted	Restricted	Auxiliary Enterprises	2017 Total	2016 Total
Non-Operating Revenues					
State Appropriations:					
Education and general state support	\$ 6,162,649	\$ -	\$ -	\$ 6,162,649	\$ 6,155,274
State group insurance	-	771,232	-	771,232	719,730
State retirement matching	-	319,031	17,478	336,509	267,751
Professional nursing shortage reduction	-	-	-	-	-
Total State allocations	<u>6,162,649</u>	<u>1,090,263</u>	<u>17,478</u>	<u>7,270,390</u>	<u>7,142,755</u>
Ad valorem taxes:					
Maintenance ad valorem taxes	13,339,682	-	-	13,339,682	12,280,723
Debt service ad valorem taxes	5,380,393	-	-	5,380,393	6,337,942
Investment income	64,235	116,428	2,817	183,480	96,975
Title IV	-	15,467,107	-	15,467,107	14,861,651
Other non-operating revenue	<u>548,230</u>	<u>237,323</u>	<u>-</u>	<u>785,553</u>	<u>963,973</u>
Total Non-Operating Revenues	<u>25,495,189</u>	<u>16,911,121</u>	<u>20,295</u>	<u>42,426,605</u>	<u>41,684,019</u>
Non-Operating Expenses					
Interest on capital related debt	2,505,888	-	-	2,505,888	3,046,367
(Gain) Loss on sale of capital assets	-	-	1,119,483	1,119,483	-
Allowance for uncollectible expense	-	-	445,198	445,198	16,184
Other non-operating expenses	<u>628,366</u>	<u>23,225</u>	<u>-</u>	<u>651,591</u>	<u>23,070</u>
Total Non-Operating Expenses	<u>3,134,254</u>	<u>23,225</u>	<u>1,564,681</u>	<u>4,722,160</u>	<u>3,085,621</u>
Net Non-Operating Revenues	<u>\$ 22,360,935</u>	<u>\$ 16,887,896</u>	<u>\$ (1,544,386)</u>	<u>\$ 37,704,445</u> (Exhibit 2)	<u>\$ 38,598,398</u> (Exhibit 2)

SCHEDULE D

TEXAS SOUTHMOST COLLEGE DISTRICT
Schedule of Net Position by Source and Availability
For the Year Ended August 31, 2017

(With Memorandum Totals for the Year Ended August 31, 2016)

	Detail by Source				
	Unrestricted	Restricted		Capital Assets Net of Depreciation and Related Debt	Current Year Total
		Expendable	Non-Expendable		
Current					
Unrestricted	\$ 47,560,852	\$ -	\$ -	\$ -	\$ 47,560,852
Restricted					
Scholarships	-	2,869,876	-	-	2,869,876
Institutional scholarships	252,159	-	-	-	252,159
Grants	-	-	-	-	-
Auxiliary enterprises	5,359,331	-	-	-	5,359,331
Loan	37,062	-	-	-	37,062
Endowment:					
Quasi:					
Restricted	-	1,070,147	-	-	1,070,147
Plant:					
Unexpended	-	9,652,627	-	-	9,652,627
Renewals	-	1,485,165	-	-	1,485,165
Debt Service	-	3,710,926	-	-	3,710,926
Investment in Plant	-	-	-	67,468,813	67,468,813
Total Net Position, August 31, 2017	53,209,404	18,788,741	-	67,468,813	139,466,958
Total Net Position, August 31, 2016	52,211,530	24,242,538	-	62,781,822	139,235,890
Net Increase (Decrease) in Net Position	\$ 997,874	\$ (5,453,797)	\$ -	\$ 4,686,991	\$ 231,068
					(Exhibit 2)

(Continued on page 69.)

Schedule of Net Position by Source and Availability
For the Year Ended August 31, 2017 - CONTINUED
(With Memorandum Totals for the Year Ended August 31, 2016)

	Available for Current Operations		Prior Year Total	Available for Current Operations	
	Yes	No		Yes	No
Current					
Unrestricted	\$ 47,560,852	\$ -	\$ 48,315,939	\$ 48,315,939	\$ -
Board designated	-	-	-	-	-
Restricted					
Scholarships	-	2,869,876	2,804,187	-	2,804,187
Institutional scholarships	-	252,159	251,966	-	251,966
Grants	-	-	-	-	-
Auxiliary enterprises	5,359,331	-	3,606,634	3,606,634	-
Loan	37,062	-	36,991	36,991	-
Endowment:					
Quasi:					
Unrestricted	-	-	-	-	-
Restricted	-	1,070,147	1,017,611	-	1,017,611
Endowment:					
True	-	-	-	-	-
Term (per instructions at maturity)	-	-	-	-	-
Life income contracts	-	-	-	-	-
Annuities	-	-	-	-	-
Plant:					
Unexpended	-	9,652,627	13,245,186	-	13,245,186
Renewals	-	1,485,165	1,482,884	-	1,482,884
Debt Service	-	3,710,926	5,692,670	-	5,692,670
Investment in Plant	-	67,468,813	62,781,822	-	62,781,822
Total Net Position, August 31, 2017	52,957,245	86,509,713	139,235,890	51,959,564	87,276,326
			(Exhibit 1)		
Total Net Position, August 31, 2016	51,959,564	87,276,326	131,603,585	46,080,356	85,523,229
			(Exhibit 2)		
Net Increase (Decrease) in Net Position	\$ 997,681	\$ (766,613)	\$ 7,632,305	\$ 5,879,208	\$ 1,753,097
			(Exhibit 2)		

(Continued from page 68.)

STATISTICAL SECTION

This part of the Texas Southmost College District’s comprehensive annual financial report represents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government’s overall financial health.

Contents	Page
Financial Trends	71
<i>These schedules contain trend information to help the reader understand how the District’s financial performance and well-being have changed over time.</i>	
Revenue Capacity	72
<i>These schedules contain information to help the reader assess the District’s most significant local revenue source, the property tax.</i>	
Debt Capacity	79
<i>These schedules contain trend information to help the reader assess the affordability of the District’s current levels of outstanding debt and the District’s ability to issue additional debt in the future.</i>	
Demographic and Economic Information	82
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the District’s financial activities take place.</i>	
Operating Information	84
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the District’s financial report relates to the services the District provides and the activities it performs.</i>	

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

Texas Southmost College District
 Statistical Supplement 1
 Net Position by Component
 Fiscal Years 2008 through 2017
 (unaudited)

For the Fiscal Year Ended August 31,

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Net investment in capital assets	\$67,468,813	\$62,781,822	\$61,775,918	\$56,051,793	\$62,543,113	\$61,210,428	\$61,297,681	\$61,085,182	\$56,521,297	\$50,940,113
Restricted - expendable	18,788,741	24,494,504	23,495,433	28,860,563	24,485,445	23,518,588	21,094,114	17,373,637	18,296,679	15,823,635
Unrestricted	53,209,404	51,959,564	46,332,234	40,627,486	15,493,552	12,169,263	7,864,865	7,351,688	7,320,953	5,804,727
Total primary government net position	\$ 139,466,958	\$ 139,235,890	\$ 131,603,585	\$ 125,539,842	\$ 102,522,110	\$ 96,898,279	\$ 90,256,660	\$ 85,810,507	\$ 82,138,929	\$ 72,568,475

Note: Due to reporting format and definition changes prescribed by GASB Statement 34, only fiscal years 2006-2015 are available.

Texas Southmost College District
Statistical Supplement 2
Revenues by Source
Fiscal Years 2008 through 2017
(unaudited)

For the Year Ended August 31,

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Tuition and Fees (Net of Discounts)	\$12,368,507	\$11,871,581	\$12,050,358	\$11,611,878	\$17,786,278	\$32,695,242	\$35,737,651	\$31,738,816	\$26,843,900	\$25,917,215
Governmental Grants and Contracts										
Federal Grants and Contracts	368,211	350,992	374,544	232,385	456,394	1,248,768	1,438,868	875,766	1,970,939	787,249
State Grants and Contracts	660,559	1,203,844	1,420,925	1,664,776	3,273,839	2,927,641	3,816,154	4,648,058	4,430,696	3,371,048
Local Grants and Contracts	3,988,202	4,009,531	19,902,764	16,661,900	598,780	552,828	523,780	442,644	439,772	363,885
Non-Governmental Grants and Contracts	-	-	-	-	-	-	-	-	-	-
Auxiliary enterprises	422,083	849,226	887,839	1,000,418	515,622	530,769	633,527	492,167	445,716	390,990
Other Operating Revenues	-	309,848	291,668	305,516	215,982	10,802	371,205	307,138	419,588	240,523
Total Operating Revenues	17,807,562	18,595,022	34,928,098	31,476,873	22,846,895	37,966,050	42,521,185	38,504,589	34,550,611	31,070,910
State Appropriations	7,270,390	7,142,755	6,846,957	6,954,881	11,157,850	11,320,102	12,245,588	13,770,382	13,983,572	14,153,928
Title IV	15,467,107	14,861,651	-	-	-	-	-	-	-	-
Ad Valorem Taxes	18,720,075	18,618,665	18,444,126	18,061,918	17,727,167	17,459,754	17,049,071	16,787,201	16,480,318	15,318,499
Investment income	183,480	96,975	75,556	138,139	114,246	104,516	55,346	192,016	918,907	3,172,984
Other non-operating revenues	785,553	963,973	742,363	280,664	24,291	329,965	12,780	482,710	1,646,207	63,581
Total Non-Operating Revenues	42,426,605	41,684,019	26,109,002	25,435,602	29,023,554	29,214,337	29,362,785	31,232,309	33,029,004	32,708,992
Total Revenues	\$ 60,234,167	\$ 60,279,041	\$ 61,037,100	\$ 56,912,475	\$ 51,870,449	\$ 67,180,387	\$ 71,883,970	\$ 69,736,898	\$ 67,579,615	\$ 63,779,902

For the Year Ended August 31,

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Tuition and fees (net of discounts)	20.53%	19.69%	19.74%	20.40%	34.29%	48.67%	49.72%	45.51%	39.72%	40.64%
Governmental grants and contracts										
Federal grants and contracts	0.61%	0.58%	0.61%	0.41%	0.88%	1.86%	2.00%	1.26%	2.92%	1.23%
State grants and contracts	1.10%	2.00%	2.33%	2.93%	6.31%	4.36%	5.31%	6.67%	6.56%	5.29%
Local grants and contracts	6.62%	6.65%	32.61%	29.28%	1.15%	0.82%	0.73%	0.63%	0.65%	0.57%
Non-governmental grants and contracts	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Auxiliary enterprises	0.70%	1.41%	1.45%	1.76%	0.99%	0.79%	0.88%	0.71%	0.66%	0.61%
Other operating revenues	0.00%	0.51%	0.48%	0.54%	0.42%	0.02%	0.52%	0.44%	0.62%	0.38%
Total Operating Revenues	29.56%	30.85%	57.22%	55.31%	44.05%	56.51%	59.15%	55.21%	51.13%	48.72%
State appropriations	12.07%	11.85%	11.22%	12.22%	21.51%	16.85%	17.04%	19.75%	20.69%	22.19%
Ad valorem taxes	31.08%	30.89%	30.22%	31.74%	34.18%	25.99%	23.72%	24.07%	24.39%	24.02%
Investment income	0.30%	0.16%	0.12%	0.24%	0.22%	0.16%	0.08%	0.28%	1.36%	4.97%
Other non-operating revenues	1.30%	1.60%	1.22%	0.49%	0.05%	0.49%	0.02%	0.69%	2.44%	0.10%
Total Non-Operating Revenues	44.76%	44.50%	42.78%	44.69%	55.95%	43.49%	40.85%	44.79%	48.87%	51.28%
Total Revenues	74.32%	75.35%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Note: Due to reporting format and definition changes prescribed by GASB Statement 34, only fiscal years 2005-2014 are available. In FY2004, as a result of our partnership with The University of Texas at Brownsville, a change in functional classification reporting was implemented whereby this reporting will be done at the partnership level.

Texas Southmost College District
Statistical Supplement 3
Program Expenses by Function
Fiscal Years 2008 through 2017
(unaudited)

For the Year Ended August 31,										
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Instruction	\$10,225,726	\$7,078,387	\$6,073,177	\$3,588,434	\$0	\$0	\$0	\$0	\$0	\$0
Research	-	-	-	-	-	-	-	-	-	-
Public service	465,049	375,396	278,393	162,099	-	-	-	-	-	-
Academic support	2,331,056	1,802,248	1,741,201	3,155,220	-	-	-	-	-	-
Student services	3,152,196	3,135,720	2,571,383	3,258,324	-	-	-	-	-	-
Institutional support	12,129,967	11,663,230	11,898,659	10,637,044	6,934,658	4,724,266	3,174,850	2,567,414	2,325,216	2,581,761
Operation and maintenance of plant	4,826,475	4,881,808	4,772,338	4,802,797	863,174	59,282	1,212,864	2,873,577	1,349,966	892,107
Scholarships and fellowships	16,068,234	15,264,455	16,784,115	14,215,285	-	-	-	-	-	-
Auxiliary enterprises	1,918,405	1,199,363	1,027,832	1,142,881	415,103	415,756	977,643	830,403	928,790	683,044
Depreciation	4,163,831	4,160,508	3,911,705	3,826,171	3,509,671	3,449,395	3,437,546	3,411,362	2,065,902	2,069,769
Contracted services with UTB	-	-	-	-	29,992,540	47,403,368	53,195,529	51,661,026	46,763,146	44,254,372
Total Operating Expenses	55,280,939	49,561,115	49,058,803	44,788,255	41,715,146	56,052,067	61,998,432	61,343,782	53,433,020	50,481,053
Interest on capital related debt	2,505,888	3,046,367	2,884,008	3,736,908	4,166,002	4,316,289	4,447,165	4,582,811	4,432,353	4,115,261
Other non-operating expenses	2,216,272	39,254	642,647	(16,246,147)	365,470	170,412	992,220	138,726	143,789	102,484
Total Non-Operating Expenses	4,722,160	3,085,621	3,526,655	(12,509,239)	4,531,472	4,486,701	5,439,385	4,721,537	4,576,142	4,217,745
Total Expenses	\$ 60,003,099	\$ 52,646,736	\$ 52,585,458	\$ 32,279,016	\$ 46,246,618	\$ 60,538,768	\$ 67,437,817	\$ 66,065,319	\$ 58,009,162	\$ 54,698,798

For the Year Ended August 31,										
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Instruction	17.04%	13.45%	11.55%	11.12%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Research	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Public service	0.78%	0.71%	0.53%	0.50%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Academic support	3.88%	3.42%	3.31%	9.77%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Student services	5.25%	5.96%	4.89%	10.09%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Institutional support	20.22%	22.15%	22.63%	32.95%	14.99%	7.80%	4.71%	3.89%	4.01%	4.72%
Operation and maintenance of plant	8.04%	9.27%	9.08%	14.88%	1.87%	0.10%	1.80%	4.35%	2.33%	1.63%
Scholarships and fellowships	26.78%	28.99%	31.92%	44.04%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Auxiliary enterprises	3.20%	2.28%	1.95%	3.54%	0.90%	0.69%	1.45%	1.26%	1.60%	1.25%
Depreciation	6.94%	7.90%	7.44%	11.85%	7.59%	5.70%	5.10%	5.16%	3.56%	3.78%
Contracted services with UTB	0.00%	0.00%	0.00%	0.00%	64.85%	78.30%	78.88%	78.20%	80.61%	80.91%
Total Operating Expenses	92.13%	94.14%	93.29%	138.75%	90.20%	92.59%	91.93%	92.85%	92.11%	92.29%
Interest on capital related debt	4.18%	5.79%	5.48%	11.58%	9.01%	7.13%	6.59%	6.94%	7.64%	7.52%
Loss on disposal of fixed assets	3.69%	0.07%	1.22%	-50.33%	0.79%	0.28%	1.47%	0.21%	0.25%	0.19%
Total Non-Operating Expenses	7.87%	5.86%	6.71%	-38.75%	9.80%	7.41%	8.07%	7.15%	7.89%	7.71%
Total Expenses	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Change in Net Assets										
Total governmental activities	\$ 231,068	\$ 7,632,305	\$ 8,451,642	\$ 24,633,459	\$ 5,623,831	\$ 6,641,619	\$ 4,446,153	\$ 3,671,579	\$ 9,570,453	\$ 9,081,104

Note: Due to reporting format and definition changes prescribed by GASB Statement 34, only fiscal years 2004-2013 are available. In FY2004, as a result of our partnership with The University of Texas at Brownsville, a change in functional classification reporting was implemented whereby this reporting will be done at the partnership level.

Texas Southmost College District
 Statistical Supplement 4
 Tuition and Fees
 Last Ten Academic Years
 (unaudited)

Resident
 Fees per Semester Credit Hour (SCH) and per semester

Academic Year (Fall)	In-District Tuition	Out-of-District Tuition	Building Use	General Use Fee	Institutional Support (per semester)	Student Services Fee (per semester)	Student Service	Student Union (per semester)	Computer Use	Records Fee (per semester)	Technology Fee (per semester)	Advising (per semester)	Library Fee	International Education (per semester)	Medical Services (per semester)	Student Recreation (per semester)	Athletic Fee	Cost for 12 SCH In-District	Cost for 12 SCH Out-of-District	Increase from Prior Year In-District	Increase from Prior Year Out-of-District
2016	\$ 50.00	\$ 100.00	\$ 35.00	\$ 32.00	\$ 60.00	\$ 60.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 75.00	\$ -	\$ 1,599.00	\$ 2,199.00	0.00%	0.00%
2015	50.00	100.00	35.00	32.00	60.00	60.00	-	-	-	-	-	-	-	-	-	75.00	-	1,599.00	2,199.00	-0.25%	-0.18%
2014	50.00	100.00	35.00	32.00	60.00	60.00	-	-	-	-	-	-	-	-	-	79.00	-	1,603.00	2,203.00	-4.83%	-3.56%
2013	50.00	100.00	35.00	35.00	60.00	60.00	-	45.30	-	-	-	-	-	-	-	79.00	-	1,684.30	2,284.30	-34.26%	-10.84%
2012	50.00	50.00	105.95	-	-	-	12.00	45.30	12.00	10.00	45.00	50.00	5.00	2.00	24.20	79.00	7.27	2,562.14	2,562.14	2.68%	2.68%
2011	50.00	50.00	100.65	-	-	-	-	45.30	12.00	10.00	45.00	50.00	5.00	2.00	24.20	79.00	7.00	2,495.30	2,495.30	4.72%	4.72%
2010	50.00	50.00	91.47	-	-	-	12.00	45.30	12.00	10.00	45.00	50.00	5.00	2.00	22.00	79.00	7.00	2,382.94	2,382.94	4.82%	4.82%
2009	50.00	50.00	82.50	-	-	-	12.00	45.30	12.00	10.00	45.00	50.00	5.00	2.00	20.00	79.00	7.00	2,273.30	2,273.30	4.41%	4.41%
2008	50.00	50.00	77.50	-	-	-	12.00	45.30	12.00	10.00	45.00	50.00	4.00	2.00	20.00	79.00	5.00	2,177.30	2,177.30	27.43%	12.43%
2007	31.00	50.00	66.00	-	-	-	12.00	41.56	11.00	10.00	30.00	50.00	3.00	2.00	20.00	79.00	-	1,708.56	1,936.56	6.75%	5.91%

Non - Resident
 Fees per Semester Credit Hour (SCH) and per semester

Academic Year (Fall)	Out of State Tuition	International Tuition	Building Use	General Use Fee	Institutional Support (per semester)	Student Services Fee (per semester)	Student Service	Student Union (per semester)	Computer Use	Records Fee (per semester)	Automated (per semester)	Advising (per semester)	Library Fee	International Education (per semester)	Medical Services Fees (per semester)	Student Recreation (per semester)	Athletic Fee	Cost for 12 SCH Out of State	Cost for 12 SCH International	Increase from Prior Year Out of State	Increase from Prior Year International
2016	\$ 150.00	\$ 150.00	\$ 35.00	\$ 32.00	\$ 60.00	\$ 60.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 75.00	\$ -	\$ 2,799.00	\$ 2,799.00	0.00%	0.00%
2015	150.00	150.00	35.00	32.00	60.00	60.00	-	-	-	-	-	-	-	-	-	75.00	-	2,799.00	2,799.00	-0.14%	-0.14%
2014	150.00	150.00	35.00	32.00	60.00	60.00	-	-	-	-	-	-	-	-	-	79.00	-	2,803.00	2,803.00	-29.72%	-29.72%
2013	150.00	150.00	67.00	35.00	60.00	60.00	-	45.30	-	-	-	-	-	-	-	79.00	-	3,988.30	3,988.30	-41.12%	-41.12%
2012	401.00	401.00	105.95	-	-	-	12.00	45.30	12.00	10.00	45.00	50.00	5.00	2.00	24.20	79.00	7.27	6,774.14	6,774.14	8.36%	8.36%
2011	363.00	363.00	100.65	-	-	-	12.00	45.30	12.00	10.00	45.00	50.00	5.00	2.00	24.20	79.00	7.00	6,251.30	6,251.30	2.43%	2.43%
2010	360.00	360.00	91.47	-	-	-	12.00	45.30	12.00	10.00	45.00	50.00	5.00	2.00	22.00	79.00	7.00	6,102.94	6,102.94	9.03%	9.03%
2009	327.00	327.00	82.50	-	-	-	12.00	45.30	12.00	10.00	45.00	50.00	5.00	2.00	20.00	79.00	7.00	5,597.30	5,597.30	0.86%	0.86%
2008	331.00	331.00	77.50	-	-	-	12.00	45.30	12.00	10.00	45.00	50.00	4.00	2.00	20.00	79.00	5.00	5,549.30	5,549.30	5.25%	5.25%
2007	328.00	328.00	66.00	-	-	-	12.00	41.56	11.00	10.00	30.00	50.00	3.00	2.00	20.00	79.00	-	5,272.56	5,272.56	2.81%	2.81%

Note: Includes basic enrollment tuition and fees but excludes course based fees such as laboratory fees, testing fees and certification fees.

Texas Southmost College District
Statistical Supplement 5
Assessed Value and Taxable Assessed Value of Real and Personal Property
Last Ten Fiscal Years
(unaudited)

Fiscal Year	(amounts expressed in thousands)			Ratio of Taxable Assessed Value to Assessed Value	Direct Rate		
	Assessed Valuation of Real and Personal Property	Less: Exemptions	Taxable Assessed Value (TAV)		Maintenance & Operations (a)	Debt Service (a)	Total (a)
2016-17	\$ 13,260,717	\$ 1,141,459	\$ 12,119,258	91.39%	\$ 0.112892	\$ 0.045332	\$ 0.158224
2015-16	12,574,878	1,103,574	11,471,305	91.22%	0.107905	0.056189	0.164094
2014-15	12,466,614	1,076,874	11,389,740	91.36%	0.100972	0.063122	0.164094
2013-14	12,348,966	1,034,814	11,314,152	91.62%	0.101596	0.061339	0.162935
2012-13	12,073,591	1,003,230	11,070,361	91.69%	0.101075	0.061860	0.162935
2011-12	11,882,764	1,033,040	10,849,724	91.31%	0.103723	0.060303	0.164026
2010-11	11,737,622	1,014,943	10,722,679	91.35%	0.103871	0.058552	0.162423
2009-10	11,520,282	993,745	10,526,537	91.37%	0.108949	0.052975	0.161924
2008-09	11,620,454	1,179,543	10,440,911	89.85%	0.110614	0.050475	0.161089
2007-08	10,795,407	1,056,700	9,738,707	90.21%	0.111423	0.049666	0.161089

Source: Cameron County Appraisal District

Notes: Property is assessed at fair value.

(a) per \$100 Taxable Assessed Valuation

Texas Southmost College District
Statistical Supplement 6
State Appropriation per FTSE and Contact Hour
Last Ten Fiscal Years
(unaudited)
(amounts expressed in thousands)

Fiscal Year	Appropriation per FTSE*			Appropriation per Contact Hour			
	State Appropriation	FTSE ¹ (a)	State Appropriation per FTSE	Academic Contact Hours (a)	Voc/Tech Contact Hours (b)	Total Contact Hours	State Appropriation per Contact Hour
2016-17	\$ 6,162	2,967	\$ 2,077	1,298	273	1,571	3.92
2015-16	6,155	2,082	2,956	1,070	307	1,377	4.47
2014-15	6,847	2,163	3,165	1,039	379	1,418	4.83
2013-14	6,847	2,105	3,253	995	374	1,369	5.00
2012-13	11,244	3,178	3,538	1,170	675	1,845	6.09
2011-12	11,333	5,569	2,035	2,734	805	3,539	3.20
2010-11	12,464	5,769	2,161	3,043	1,016	4,059	3.07
2009-10	14,355	5,963	2,407	2,795	1,173	3,968	3.62
2008-09	13,984	5,767	2,425	2,498	1,116	3,613	3.87
2007-08	14,154	6,287	2,251	2,682	1,152	3,834	3.69

Notes:

¹FTSE is defined as the number of fall semester credit hours divided by 15.

*Full Time Student Equivalent (FTSE)

(a) Source CBM004

(b) Source CBM004 and CBM00C

Texas Southmost College District
Statistical Supplement 7
Principal Taxpayers
Last Ten Tax Years
(unaudited)

Taxpayer	Type of Business	Taxable Assessed Value (TAV) by Tax Year (\$000 omitted)									
		2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
AEP TEXAS CENTRAL CO	Utility	\$ 164,105	\$ 54,122	\$ 48,832	\$ 44,975	\$ 36,989	\$ 35,034	\$ 39,309	\$ 26,655	\$ 25,479	\$ 23,371
AT&T	Utility	-	-	-	-	-	-	-	-	33,477	37,525
UNION PACIFIC RR CO	Transportation	50,723	24,588	-	-	-	-	-	-	-	-
CAMERON ACQUISITIONS LLC	Land	-	-	-	-	-	-	29,212	24,840	40,500	-
CBL/SUNRISE COMMONS LP	Retail	43,425	41,325	40,643	40,645	40,670	38,734	38,870	38,904	38,923	38,923
COLUMBIA VALLEY HEALTHCARE SYS LP	Service	-	29,395	29,395	29,319	29,329	29,339	29,349	31,461	31,461	31,461
CROSS VALLEY PROJECT ENTITY	Utility	46,486	-	-	-	-	-	-	-	-	-
GLH LP C/O MARSHALL HOSEL	Manufacturing	58,007	-	-	-	-	-	-	-	-	-
KEPPEL AMFELS	Shipyards	-	-	23,936	27,547	-	-	-	27,235	24,559	-
KIMCO BROWNSVILLE LP	Real Estate	-	-	-	-	-	-	-	-	-	18,113
LOS VIENTOS WINDPOWER LLC	Utility	48,415	-	-	-	-	-	-	-	-	-
PANASONIC AUTOMOTIVE ELECTRONICS	Manufacturing	103,191	-	-	-	-	-	-	-	-	-
RICH-SEAPAK CORP	Food Processor	-	24,660	204,907	-	22,036	22,140	32,572	27,674	28,450	-
SAPPHIRE VP LP	Real Estate	-	-	-	-	37,335	39,146	48,718	62,483	34,675	-
SOUTHWESTERN BELL TELE	Utility	-	-	-	-	-	23,996	26,787	31,284	-	-
TITAN WHEEL INTERNATIONAL INC	Manufacturing	-	-	-	-	-	-	-	-	-	22,912
TRANSMONTAIGNE PRODUCT SERVICE INC	Petroleum Products	-	26,211	28,056	28,490	28,755	28,005	27,691	-	-	17,726
TRICO PRODUCTS CORP	Manufacturing	33,366	34,639	31,931	26,327	31,919	33,508	26,889	29,364	33,603	36,443
VHS BROWNSVILLE HOSPITAL COMPANY, LLC	Service	73,853	28,578	28,578	29,198	30,266	-	-	-	-	-
WAL-MART REAL ESTATE BUSINESS TR	Retail	-	-	-	-	22,497	22,190	-	-	-	-
WAL-MART STORES INC	Retail	33,554	26,710	24,580	22,504	23,913	24,228	24,055	24,855	22,778	23,207
COMCAST CORP	Service	-	31,977	46,784	60,505	-	-	-	-	-	-
BAHIA MAR TOWER LLC	Real Estate	-	-	-	24,997	-	-	-	-	-	-
WAL-MART STORES TEXAS LP	Retail	-	-	-	-	-	-	-	-	-	17,315
Totals		\$ 655,125	\$ 322,205	\$ 507,643	\$ 334,506	\$ 303,708	\$ 296,320	\$ 323,452	\$ 324,755	\$ 291,127	\$ 226,474
Total Taxable Assessed Value		\$ 12,119,258	\$ 11,471,305	\$ 11,389,740	\$ 11,314,152	\$ 11,070,361	\$ 10,849,724	\$ 10,722,679	\$ 10,526,537	\$ 10,440,912	\$ 9,738,707

Taxpayer	Type of Business	% of Taxable Assessed Value (TAV) by Tax Year									
		2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
AEP TEXAS CENTRAL CO	Utility	1.35%	0.47%	0.43%	0.40%	0.33%	0.32%	0.37%	0.25%	0.24%	0.24%
AT&T	Utility	-	-	-	0.00%	-	-	-	-	0.32%	0.39%
UNION PACIFIC RR CO	Transportation	0.00	0.00	-	0.00%	-	-	-	-	-	-
CAMERON ACQUISITIONS LLC	Land	-	-	-	0.00%	-	-	0.27%	0.24%	0.39%	-
CBL/SUNRISE COMMONS LP	Retail	0.36%	0.36%	0.36%	0.36%	0.37%	0.36%	0.36%	0.37%	0.37%	0.40%
COLUMBIA VALLEY HEALTHCARE SYS LP	Service	0.00%	0.26%	0.26%	0.26%	0.26%	-	0.27%	0.30%	0.30%	0.32%
CROSS VALLEY PROJECT ENTITY	Utility	0.38%	0.00%	0.00%	0.00%	0.00%	-	0.00%	0.00%	0.00%	0.00%
GLH LP C/O MARSHALL HOSEL	Manufacturing	0.48%	0.00%	0.00%	0.00%	0.00%	-	0.00%	0.00%	0.00%	0.00%
KEPPEL AMFELS	Shipyards	0.00%	0.00%	0.21%	0.24%	-	-	-	-	0.24%	-
KIMCO BROWNSVILLE LP	Real Estate	-	-	-	0.00%	-	-	-	-	-	0.19%
LOS VIENTOS WINDPOWER LLC	Utility	0.00	-	-	0.00%	-	-	-	-	-	0.00%
PANASONIC AUTOMOTIVE ELECTRONICS	Manufacturing	0.01	-	-	0.00%	-	-	-	-	-	0.00%
RICH-SEAPAK CORP	Food Processor	0.00%	0.21%	1.80%	0.00%	0.20%	-	0.30%	0.26%	0.27%	-
SAPPHIRE VP LP	Real Estate	-	-	-	0.00%	-	0.36%	0.45%	0.59%	0.33%	-
SOUTHWESTERN BELL TELE	Utility	-	-	-	0.00%	-	0.22%	0.25%	0.30%	-	-
TITAN WHEEL INTERNATIONAL INC	Manufacturing	-	-	-	0.00%	-	-	-	-	-	0.24%
TRANSMONTAIGNE PRODUCT SERVICE INC	Petroleum Products	0.00%	0.23%	0.25%	0.25%	0.26%	0.26%	-	-	-	0.18%
TRICO PRODUCTS CORP	Manufacturing	0.28%	0.30%	0.28%	0.23%	0.29%	0.31%	-	-	0.32%	0.37%
VHS BROWNSVILLE HOSPITAL COMPANY, LLC	Service	0.61%	0.25%	0.25%	0.26%	0.27%	-	-	-	-	-
WAL-MART REAL ESTATE BUSINESS TR	Retail	-	-	-	0.00%	0.20%	0.20%	-	-	-	-
WAL-MART STORES INC	Retail	0.28%	0.23%	0.22%	0.20%	0.22%	0.22%	0.22%	0.23%	0.22%	0.24%
COMCAST CORP	Service	0.00%	0.28%	0.41%	0.53%	-	-	-	-	-	-
BAHIA MAR TOWER LLC	Real Estate	-	-	-	0.22%	-	-	-	-	-	-
WAL-MART STORES TEXAS LP	Retail	-	-	-	-	-	-	-	-	-	-
Totals		5.41%	2.81%	4.46%	2.96%	2.74%	2.73%	3.02%	3.09%	2.79%	2.33%

Source: Cameron County Appraisal District

Texas Southmost College District
Statistical Supplement 8
Property Tax Levies and Collections
Last Ten Tax Years
(unaudited)

Fiscal Year Ended August 31	Levy (a)	Cumulative Levy Adjustments	Adjusted Tax Levy (b)	Collections - Year of Levy (c)	Percentage	Prior Collections of Prior Levies (d)	Current Collections of Prior Levies (e)	Total Collections (C+D+E)	Cumulative Collections of Adjusted Levy
2017	\$ 18,909,751	\$ (90,692)	\$ 18,819,060	\$ 17,796,043	94.56%	\$ -	\$ -	\$ 17,796,043	94.56%
2016	18,505,787	243,672	18,749,459	18,045,865	96.25%	108,440	348,842	18,503,148	98.69%
2015	18,373,386	(16,477)	18,356,910	17,678,201	96.30%	117,907	383,102	18,179,210	99.03%
2014	18,122,935	(70,843)	18,052,092	17,312,141	95.90%	159,515	416,009	17,887,665	99.09%
2013	17,764,776	(67,492)	17,697,285	16,879,439	95.38%	175,113	442,922	17,497,474	98.87%
2012	17,462,677	19,431	17,482,108	16,622,407	95.08%	155,210	453,990	17,231,607	98.57%
2011	17,119,086	(42,994)	17,076,092	16,188,556	94.80%	457,456	155,210	16,801,222	98.39%
2010	16,701,520	99,611	16,801,131	15,875,009	94.49%	638,823	89,468	16,603,300	98.82%
2009	16,647,944	(26,328)	16,621,616	15,730,757	94.64%	691,811	55,737	16,478,305	99.14%
2008	15,360,034	(24,709)	15,335,325	14,498,634	94.54%	696,394	28,482	15,223,510	99.27%

Source: Cameron County Tax Assessor/Collector and District records.

(a) As reported in notes to the financial statements for the year of the levy.

(b) As of August 31st of the current reporting year.

(c) Property tax only - does not include penalties and interest

(d) Represents cumulative collections of prior years not collected in the current year or the year of the tax levy.

(e) Represents current year collections of prior years levies.

Total Collections = C + D + E

Texas Southmost College District
Statistical Supplement 9
Ratios of Outstanding Debt
Last Ten Fiscal Years
(unaudited)

For the Year Ended August 31 (amounts expressed in thousands)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
General Bonded Debt										
General obligation bonds	\$ 46,230	\$ 52,725	\$ 56,250	\$ 64,085	\$ 67,450	\$ 70,505	\$ 73,275	\$ 75,775	\$ 78,000	\$ 72,440
Notes	-	-	-	-	-	-	-	-	-	-
Less: Funds restricted for debt service	-	-	-	-	-	-	-	-	-	-
Net general bonded debt	\$ 46,230	\$ 52,725	\$ 56,250	\$ 64,085	\$ 67,450	\$ 70,505	\$ 73,275	\$ 75,775	\$ 78,000	\$ 72,440
Other Debt										
Revenue bonds	\$ 13,040	\$ 14,645	\$ 15,375	\$ 16,070	\$ 22,890	\$ 23,915	\$ 24,900	\$ 25,845	\$ 26,765	\$ 27,645
Notes	-	-	-	-	-	-	-	-	-	-
Capital lease obligations	-	-	-	-	-	-	-	-	-	-
Total Outstanding Debt	\$ 59,270	\$ 67,370	\$ 71,625	\$ 80,155	\$ 90,340	\$ 94,420	\$ 98,175	\$ 101,620	\$ 104,765	\$ 100,085
General Bonded Debt Ratios										
Per Capita	\$ 225.39	\$ 257.06	\$ 275.54	\$ 319.71	\$ 336.49	\$ 351.74	\$ 365.55	\$ 378.03	\$ 389.13	\$ 361.39
Per FTSE	15,581	25,324	26,006	20,165	21,224	22,185	23,057	23,844	24,544	22,794
As a percentage of Taxable Assessed Value	0.38%	0.46%	0.49%	0.58%	0.61%	0.64%	0.66%	0.68%	0.70%	0.65%
Total Outstanding Debt Ratios										
Per Capita	\$ 288.97	\$ 328.47	\$ 350.85	\$ 399.88	\$ 450.69	\$ 471.04	\$ 489.78	\$ 506.96	\$ 522.65	\$ 499.30
Per FTSE	19,976	32,358	33,114	25,222	28,427	29,711	30,892	31,976	32,966	31,493
As a percentage of Taxable Assessed Value	0.49%	0.59%	0.63%	0.72%	0.82%	0.85%	0.89%	0.92%	0.95%	0.90%

Notes: Ratios calculated using population and TAV from current year. Debt per student calculated using full-time-equivalent enrollment.

Texas Southmost College District
Statistical Supplement 10
Legal Debt Margin Information
Last Ten Fiscal Years
(unaudited)

For The Year Ended August 31 (amount expressed in thousands)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Taxable Assessed Value	\$ 12,119,258	\$ 11,471,305	\$ 11,389,740	\$ 11,314,152	\$ 11,070,361	\$ 10,849,724	\$ 10,722,679	\$ 10,526,537	\$ 10,440,911	\$ 9,738,707
General Obligation Bonds										
Statutory Tax Levy Limit for Debt Service	\$ 60,596	\$ 57,357	\$ 56,949	\$ 56,571	\$ 55,352	\$ 54,249	\$ 53,613	\$ 52,633	\$ 52,205	\$ 48,694
Less: Funds Restricted for Repayment of General Obligation Bonds	-	-	-	-	-	-	-	-	-	-
Total Net General Obligation Debt	60,596	57,357	56,949	56,571	55,352	54,249	53,613	52,633	52,205	48,694
Current Year Debt Service Requirements	3,585	3,420	4,355	3,365	3,055	2,770	2,500	2,225	1,690	1,560
Excess of Statutory Limit for Debt Service over Current Requirements	\$ 57,011	\$ 53,937	\$ 52,594	\$ 53,206	\$ 52,297	\$ 51,479	\$ 51,113	\$ 50,408	\$ 50,515	\$ 47,134
Net Current Requirements as a % of Statutory Limit	5.92%	5.96%	7.65%	5.95%	5.52%	5.11%	4.66%	4.23%	3.24%	3.20%

Note: Texas Education Code Section 130.122 limits the debt service tax levy of community colleges to \$0.50 per hundred dollars taxable assessed valuation.

Texas Southmost College District
Statistical Supplement 11
Pledged Revenue Coverage
Last Ten Fiscal Years
(unaudited)

Fiscal Year Ended August 31	Pledged Revenues (\$000 omitted)							Debt Service Requirements (\$000 omitted)				
	Student Union		Bookstore	Parking	Investment	Student Rec Center		Total	Principal	Interest	Total	Coverage Ratio
	Fees *	Tuition	Income	Fees	Income	Fees	Total					
2017	-	167	135	185	54	1,712	2,254	755	676	1,431	1.57	
2016	-	141	135	185	54	1,712	2,227	730	706	1,436	1.55	
2015	-	133	135	251	54	1,586	2,159	695	739	1,434	1.51	
2014	-	134	109	216	63	1,814	2,336	630	799	1,429	1.63	
2013	1,038	160	109	431	45	1,768	3,551	1,025	1,073	2,098	1.69	
2012	1,152	320	93	527	42	2,010	4,144	985	1,114	2,099	1.97	
2011	1,239	364	156	436	29	2,165	4,389	945	1,150	2,095	2.09	
2010	1,103	397	128	406	38	2,035	4,107	920	1,182	2,102	1.95	
2009	1,093	385	142	345	72	1,912	3,949	880	1,217	2,097	1.88	
2008	1,046	402	156	311	288	1,993	4,196	850	1,251	2,101	2.00	

Texas Southmost College District
Statistical Supplement 12
Demographic and Economic Statistics - Taxing District
Last Ten Fiscal Years
(unaudited)

Calendar Year	Pledged Revenues (\$000 omitted) *District Population	**Estimate District		*Cameron County	
		Personal Income (a) (thousands of dollars)	Personal Income Per Capita	Personal Income Per Capita	*Cameron County Unemployment Rate
2017	\$ 205,111	\$ 5,502,307,686	\$ 26,826		7.2%
2016	205,104	5,170,876,944	25,211		7.1%
2015	205,104	5,170,876,944	25,211		7.1%
2014	204,145	5,063,204,290	24,802		8.3%
2013	202,702	4,846,402,118	23,909		10.1%
2012	200,449	4,657,632,964	23,236		10.5%
2011	198,762	4,449,883,656	22,388		11.8%
2010	194,964	4,364,854,032	22,388		11.2%
2009	192,500	4,309,690,000	22,388		9.9%
2008	191,006	4,085,045,322	21,387		6.8%

Sources:

* Texas Association of Counties
<http://www.txcip.org/tac/census/CountyProfiles.php>

** Estimated District Personal Income (thousand of dollars) produced by multiplying Cameron County Personal Income Per Capita by the District Population. TSC District includes the following school districts: Brownsville ISD, Los Fresnos ISD, and Point Isabel ISD. TSC District population totals about 50% of Cameron County. Assumption used for TSC District per capita income equals that of Cameron County. Cameron County Total Estimated Population: 422,156 (U.S. Census Bureau)

Texas Southmost College District
Statistical Supplement 13
Principal Employers
(unaudited)

2017		
Employer	Employees	**Percentage of Total Employment
Brownsville ISD	6,682	4.69%
Cameron County	2,400	1.68%
Abundant Life Home Health	1,285	0.90%
City of Brownsville	1,227	0.86%
Caring For You Home Health	1,096	0.77%
HEB Food Stores	1,060	0.74%
Wal-Mart	1,053	0.74%
Valley Regional Medical Center	955	0.67%
Maximus	841	0.59%
Valley Baptist Medical Center	673	0.47%
Total	17,272	12.11%

Source:

*Brownsville Economic Development Council. <http://www.bedc.com/>

**Brownsville Total Employment - Texas Labor Market Review <http://www.texasworkforce.org/>

Percentage of Total Employment was calculated using Brownsville 2012 Annual Employment.

<http://www.texasworkforce.org/>

Brownsville Total Employment: 142,600

2016		
Employer	Employees	**Percentage of Total Employment
Brownsville ISD	7,670	5.48%
Cameron County	1,950	1.39%
UT Rio Grande Valley	1,734	1.24%
AMFELS	1,650	1.18%
Wal-Mart	1,413	1.01%
Abundant Life Home Health	1,300	0.93%
City of Brownsville	1,227	0.88%
Caring For You Home Health	1,200	0.86%
HEB Food Stores	975	0.70%
Maximus	950	0.68%
Total	20,069	14.35%

Source:

*Brownsville Economic Development Council. <http://www.bedc.com/>

**Brownsville Total Employment - Texas Labor Market Review <http://www.texasworkforce.org/>

Percentage of Total Employment was calculated using Brownsville 2012 Annual Employment.

<http://www.texasworkforce.org/>

Brownsville Total Employment: 139,900

2015		
Employer	Employees	**Percentage of Total Employment
Brownsville ISD	7,670	5.51%
Cameron County	1,950	1.40%
UT Rio Grande Valley	1,734	1.25%
AMFELS	1,650	1.19%
Wal-Mart	1,413	1.02%
Abundant Life Home Health	1,300	0.93%
City of Brownsville	1,227	0.88%
Caring For You Home Health	1,200	0.86%
HEB Food Stores	975	0.70%
Valley Regional Medical Center	900	0.65%
Total	20,019	14.39%

Source:

*Brownsville Economic Development Council. <http://www.bedc.com/>

**Brownsville Total Employment - Texas Labor Market Review <http://www.texasworkforce.org/>

Percentage of Total Employment was calculated using Brownsville 2012 Annual Employment.

<http://www.texasworkforce.org/>

Brownsville Total Employment: 139,100

2014		
Employer	Employees	**Percentage of Total Employment
Brownsville ISD	7,708	5.63%
Caring For You Home Health	2,635	1.92%
Cameron County	2,040	1.49%
UT Rio Grande Valley	1,625	1.19%
AMFELS	1,400	1.02%
City of Brownsville	1,200	0.88%
Abundant Life Home Health	1,200	0.88%
Wal-Mart	1,055	0.77%
HEB Food Stores	975	0.71%
Valley Regional Medical Center	786	0.57%
Total	20,624	15.05%

Source:

*Brownsville Economic Development Council. <http://www.bedc.com/>

**Brownsville Total Employment - Texas Labor Market Review <http://www.texasworkforce.org/>

Percentage of Total Employment was calculated using Brownsville 2012 Annual Employment.

<http://www.texasworkforce.org/>

Brownsville Total Employment: 137,000

Texas Southmost College District
Statistical Supplement 14
Faculty, Staff, and Administrators Statistics
Last Ten Fiscal Years
(unaudited)

		Fiscal Year									
		2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Faculty											
	Full-Time	92.0	91.0	79.0	78.0	53.0	-	-	-	-	-
	Part-Time	82.0	59.0	52.0	49.0	56.0	-	-	-	-	-
	Total	174.0	150.0	131.0	127.0	109.0	-	-	-	-	-
Percent											
	Full-Time	52.9%	60.7%	60.3%	61.4%	48.6%	0.0%	0.0%	0.0%	0.0%	0.0%
	Part-Time	47.1%	39.3%	39.7%	38.6%	51.4%	0.0%	0.0%	0.0%	0.0%	0.0%
Staff and Administrators											
	Full-Time	183.0	169.0	126.0	118.0	46.0	17.0	15.0	19.0	18.0	17.0
	Part-Time	2.0	2.0	43.0	35.0	23.0	1.0	1.0	5.0	6.0	5.0
	Total	185.0	171.0	169.0	153.0	69.0	18.0	16.0	24.0	24.0	22.0
Percent											
	Full-Time	98.9%	98.8%	74.6%	77.1%	66.7%	94.4%	93.8%	79.2%	75.0%	77.3%
	Part-Time	1.1%	1.2%	25.4%	22.9%	33.3%	5.6%	6.3%	20.8%	25.0%	22.7%
	FTSE per Full-time Faculty	32.3	22.9	27.4	27.0	60.0	0.0	0.0	0.0	0.0	0.0
	FTSE per Full-Time Staff Member	12.3	12.3	17.2	17.8	69.1	327.6	384.6	313.8	320.4	369.8
	Average Annual Faculty Salary	\$ 50,263	\$ 50,263	\$ 50,263	\$ 50,511	\$ 47,880	\$ -	\$ -	\$ -	\$ -	\$ -

Texas Southmost College District
Statistical Supplement 15
Enrollment Details
Last Five Fiscal Years
(unaudited)

Student Classification	Fall 2016		Fall 2015		Fall 2014		Fall 2013		Fall 2012	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Freshman	3,717	73.43%	2,754	67.04%	2,668	66.25%	2,656	72.31%	4,066	69.00%
Sophomore	1,105	21.83%	1,036	25.22%	921	22.87%	704	19.17%	1,297	22.01%
Associate	59	1.17%	76	1.85%	91	2.26%	61	1.66%	99	1.68%
Bachelors	25	0.49%	38	0.93%	44	1.09%	36	0.98%	57	0.97%
Unclassified	156	3.08%	204	4.97%	303	7.52%	216	5.88%	374	6.35%
Total	5,062	100.00%	4,108	100.00%	4,027	100.00%	3,673	100.00%	5,893	100.00%

Semester Hour Load	Fall 2016		Fall 2015		Fall 2014		Fall 2013		Fall 2012	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Less than 3	13	0.26%	98	2.39%	15	0.37%	21	0.57%	189	3.21%
3-5 semester hours	248	4.90%	286	6.96%	896	22.25%	557	15.16%	1,172	19.89%
6-8 Semester hours	2,228	44.01%	1,700	41.38%	1,072	26.62%	1,117	30.41%	1,716	29.12%
9-11 semester hours	933	18.43%	785	19.11%	814	20.21%	713	19.41%	988	16.77%
12-14 semester hours	1,453	28.70%	1,136	27.65%	1,148	28.51%	1,196	32.56%	1,704	28.92%
15-17 semester hours	128	2.53%	90	2.19%	76	1.89%	66	1.80%	120	2.04%
18 & over	59	1.17%	13	0.32%	6	0.15%	3	0.08%	4	0.07%
Total	5,062	100.00%	4,108	100.00%	4,027	100.00%	3,673	100.00%	5,893	100.00%

Average course load	9	9	9	9	8.2
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Tuition Status	Fall 2016		Fall 2015		Fall 2014		Fall 2013		Fall 2012	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Texas Resident (In-District)	4,496	88.82%	3,657	89.02%	3,562	88.45%	2,605	70.92%	4,600	78.06%
Texas Resident (Out-of-District)	421	8.32%	317	7.72%	292	7.25%	264	7.19%	875	14.85%
Non-Resident Tuition	49	0.97%	40	0.97%	60	1.49%	41	1.12%	120	2.04%
Foreign Resident In-Dist (HB1403)	9	0.18%	18	0.44%	28	0.70%	33	0.90%	44	0.75%
Foreign Resident Out-Dist (HB1403)	2	0.04%	-	0.00%	2	0.05%	-	0.00%	3	0.05%
Tuition Exemption/Waiver	85	1.68%	76	1.85%	83	2.06%	730	19.87%	251	4.26%
Total	5,062	100.00%	4,108	100.00%	4,027	100.00%	3,673	100.00%	5,893	100.00%

Note: Only five years of information are presented in accordance with the Budget Requirements and Annual Financial Reporting Requirements for Texas Public Community and Junior Colleges published by the Texas Higher Education Coordinating Board for fiscal year 2015.

Texas Southmost College District
Statistical Supplement 16
Student Profile
Last Five Fiscal Years
(unaudited)

Gender	Fall 2016		Fall 2015		Fall 2014		Fall 2013		Fall 2012	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Female	2,891	57.11%	2,281	55.53%	1,636	40.63%	2,115	57.58%	3,318	56.30%
Male	2,171	42.89%	1,827	44.47%	2,391	59.37%	1,558	42.42%	2,575	43.70%
Total	5,062	100.00%	4,108	100.00%	4,027	100.00%	3,673	100.00%	5,893	100.00%

Ethnic Origin	Fall 2016		Fall 2015		Fall 2014		Fall 2013		Fall 2012	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
White/Non-Hispanic	141	2.79%	127	3.09%	179	4.44%	145	3.95%	199	3.38%
Black/Non-Hispanic	7	0.14%	6	0.15%	6	0.15%	6	0.16%	15	0.25%
Hispanic	4,804	94.90%	3,718	90.51%	3,723	92.45%	3,443	93.74%	5,430	92.14%
Asian or Pacific Islander	24	0.47%	25	0.61%	28	0.70%	20	0.54%	42	0.71%
American Indian or Alaskan Native	1	0.02%	-	0.00%	1	0.02%	1	0.03%	3	0.05%
Non-Resident Aliens or Foreign Natl.	30	0.59%	193	4.70%	41	1.02%	44	1.20%	189	3.21%
Not Reported	55	1.09%	39	0.95%	49	1.22%	14	0.38%	15	0.25%
Total	5,062	100.00%	4,108	100.00%	4,027	100.00%	3,673	100.00%	5,893	100.00%

Age	Fall 2016		Fall 2015		Fall 2014		Fall 2013		Fall 2012	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Under 18	1,473	29.10%	869	21.15%	738	18.33%	661	18.00%	1,691	28.70%
18 -21	2,144	42.35%	1,831	44.57%	1,722	42.76%	1,580	43.02%	2,350	39.88%
22 - 24	603	11.91%	532	12.95%	513	12.74%	486	13.23%	612	10.39%
25 - 35 *	607	11.99%	634	15.43%	726	18.03%	598	16.28%	822	13.95%
36 - 50 **	211	4.17%	208	5.06%	288	7.15%	297	8.09%	346	5.87%
51 & over	24	0.47%	34	0.83%	40	0.99%	51	1.39%	72	1.22%
Total	5,062	100.00%	4,108	100.00%	4,027	100.00%	3,673	100.00%	5,893	100.00%

Average Age	21	21	21	23	22
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Note: Only five years of information are presented in accordance with the Budget Requirements and Annual Financial Reporting Requirements for Texas Public Community and Junior Colleges published by the Texas Higher Education Coordinating Board for fiscal year 2014.

**Texas Southmost College District
Statistical Supplement 17
Transfers to Senior Institutions
2015 Fall Students as of Fall 2016
(Includes only public senior colleges in Texas)**

	Transfer Student Count	Transfer Student Count	Transfer Student Count	Total Acad/Tech Transfer	Percent Acad/Tech Transfer
	Academic	Technical	Tech-Prep	Students	Students
University of Texas - Rio Grande Valley	269	61	-	330	72.85%
University of Texas - Austin	10	2	-	12	2.65%
University of Texas - San Antonio	13	3	-	16	3.53%
Texas A&M University - College Station	16	2	-	18	3.97%
Texas State University	12	4	-	16	3.53%
Texas A&M University - Kingsville	5	-	-	5	1.10%
Texas A&M University - Corpus Christi	4	1	-	5	1.10%
University of Houston - University Park	-	-	-	-	0.00%
University of North Texas	-	-	-	-	0.00%
University of Texas - Permian Basin	3	-	-	3	0.66%
Stephen F. Austin State University	1	-	-	1	0.22%
Texas Tech University	11	-	-	11	2.43%
University of Texas - Arlington	2	2	-	4	0.88%
Sam Houston State University	3	4	-	7	1.55%
University of Texas - Tyler	-	-	-	-	0.00%
Texas A&M International University	1	-	-	1	0.22%
Texas Women's University	-	1	-	1	0.22%
University of Houston - Downtown	14	2	-	16	3.53%
University of Texas - Dallas	-	-	-	-	0.00%
Sul Ross State University	-	-	-	-	0.00%
Texas A&M University - Commerce	-	-	-	-	0.00%
Texas A&M University - Galveston	-	-	-	-	0.00%
Texas A&M University - Texarkana	-	-	-	-	0.00%
Texas A&M University - San Antonio	1	-	-	1	0.22%
Prairie View A&M University	-	-	-	-	0.00%
University of Texas - El Paso	-	-	-	-	0.00%
Baylor College of Medicine - Academics	-	-	-	-	0.00%
Lamar University Institute of Technology	-	-	-	-	0.00%
Midwestern State University	-	-	-	-	0.00%
Sul Ross State University - Rio Grande College	-	-	-	-	0.00%
Tarleton State University	-	-	-	-	0.00%
Texas A&M University System Health Science Center	-	-	-	-	0.00%
Texas Southern University	-	-	-	-	0.00%
Texas Tech University Health Science Center	-	-	-	-	0.00%
University of Houston - Clear Lake	4	1	-	5	1.10%
University of Houston - Victoria	-	-	-	-	0.00%
University of North Texas Health Science Center	-	-	-	-	0.00%
University of Texas Health Science Center - Houston	1	-	-	1	0.22%
University of Texas Health Science Center - San Antonio	-	-	-	-	0.00%
University of Texas Medial Branch Galveston	-	-	-	-	0.00%
University of Texas Southwestern Medical Center - Dallas	-	-	-	-	0.00%
West Texas A&M University	-	-	-	-	0.00%
Angelo State University	-	-	-	-	0.00%
Totals	370	83	0	453	100.00%

**Texas Southmost College District
Statistical Supplement 18
Capital Asset Information
Fiscal Years 2013 through 2017**

	Fiscal Year				
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Academic buildings	19	19	19	19	24
Square footage (in thousands)	728	728	728	728	1,058
Libraries	1	1	1	1	2
Square footage (in thousands)	45	45	45	45	130
Number of Volumes (in thousands)	356	356	356	356	1,083
Administrative and support buildings	25	25	25	25	26
Square footage (in thousands)	560	560	560	560	614
Dormitories	-	-	-	-	1
Square footage (in thousands)	-	-	-	-	140
Number of Beds	-	-	-	-	459
Apartments	-	64	64	64	64
Square footage (in thousands)	-	67	67	67	67
Number of beds	-	140	140	140	140
Dining Facilities	-	-	-	-	-
Square footage (in thousands)	-	-	-	-	-
Average daily customers	-	-	-	-	-
Athletic Facilities	3	3	3	3	3
Square footage (in thousands)	138	138	138	138	138
Stadiums	-	-	-	-	-
Gymnasiums	2	2	2	2	2
Fitness Centers	1	1	1	1	1
Tennis Court	1	1	1	1	1
Plant facilities	6	6	6	6	7
Square footage (in thousands)	57	57	57	57	49
Transportation					
Cars	2	2	2	2	7
Light Trucks/Vans	30	25	25	25	50
Buses	-	-	-	-	2

Note: Only five years of information are presented in accordance with the Budget Requirements and Annual Financial Reporting Requirements for Texas Public Community and Junior Colleges published by the Texas Higher Education Coordinating Board for fiscal year 2015.

SINGLE AUDIT SECTION

SCHEDULE E

TEXAS SOUTHMOST COLLEGE DISTRICT

**Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2017**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Pass-Through Disbursements and Expenditures</u>
U.S. DEPARTMENT OF AGRICULTURE			
<i>Pass-through from Texas Department of Human Services:</i>			
Child Care Food Program	10.558	75G7033	\$ 25,364
Total U.S. Department of Agriculture			<u>25,364</u>
U.S. DEPARTMENT OF EDUCATION			
<i>Student Financial Aid Cluster:</i>			
SEOG	84.007		148,861
Federal Work Study Program	84.033		161,782
Federal Pell Grant Program	84.063		10,433,414
Federal Direct Student Loans	84.268		4,723,050
Total Student Financial Aid Cluster			<u>15,467,107</u>
<i>Passed through Texas Higher Education Coordinating Board:</i>			
Carl Perkins Vocational Education - Basic	84.048	84246	193,573
Total THECB			<u>193,573</u>
Total U.S. Department of Education			<u>15,660,680</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Passed Through from Texas Workforce Commission:</i>			
TANF - Governor's Summer Merit Program	93.667	031-0006	111,251
Total Texas Workforce Commission			<u>111,251</u>
<i>Pass-through from Texas Migrant Authority, Inc.:</i>			
Child Day Care Center	93.667	031-0006	38,023
Total Texas Migrant Authority, Inc.			<u>38,023</u>
Total U.S. Department of Health and Human Services			<u>149,274</u>
Total Federal Financial Assistance			<u>\$ 15,835,318</u>

Notes to schedule on following pages

TEXAS SOUTHMOST COLLEGE DISTRICT

Notes to Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2017

<u>Note 1: Federal Assistance Reconciliation</u>	Pass-Through Disbursements
Federal revenue received by Texas Southmost College District:	
Federal grants and contracts revenue per Schedule A	\$ 368,211
Federal grants and contracts revenue per Schedule C	<u>15,467,107</u>
 Total Federal Revenues	 <u>\$ 15,835,318</u>

Note 2: Significant Accounting Policies Used in Preparing the Schedule

The expenditures included in the schedule are reported for the District's fiscal year. Expenditure reports to funding agencies are prepared on the award period basis. The expenditures reported above represent funds that have been expended by the District and the University of Texas - Brownsville for the purpose of the award. The expenditures reported above may not have been reimbursed by the funding agencies as of the end of the fiscal year. Some amounts reported in the schedule may differ from amounts used in the preparation of the basic financial statements. Separate accounts are maintained for the different awards to aid in the observance of limitations and restrictions imposed by the funding agencies. The District has followed all applicable guidelines issued by various entities in the preparation of the schedule.

Note 3: Expenditures not Subject to Federal Single Audit

All expenditures are subject to Federal Single Audit

Note 4: Student Loans Processed and Administrative Costs Recovered

Department of Education	
84.268 Federal Direct Student Loans	
(includes PLUS, subsidized and unsubsidized)	
<hr/>	
New Loans Processed	\$ 5,717,907
Administrative Costs Recovered	<u>29,415</u>
Total Loans Processed & Admin Costs Recovered	<u>\$ 5,747,322</u>

Note 5: Non-monetary Federal Assistance Received

Texas Southmost College District did not receive any non-monetary federal assistance this fiscal year.

Note 6: Indirect Costs

The District did not elect to apply the 10% de minimis indirect cost rate.

TEXAS SOUTHMOST COLLEGE DISTRICT

Schedule of Expenditures of State Awards
For the Year Ended August 31, 2017

Grantor Agency/ Program Title	Grant Contract Number	Expenditures
TEXAS HIGHER EDUCATION COORDINATING BOARD		
<i>Direct</i>		
Texas Grant Program	-	\$ 4,248
Texas College Work Study	-	26,735
Texas Educational Opportunity Grant 60x30TX	-	601,349
Accelerate Texas	-	17,674
		6,567
Total Texas Higher Education Coordinating Board		<u>656,573</u>
TEXAS MILITARY DEPARTMENT		
<i>Direct</i>		
Administrative Cost Allowance Recovery - Veterans		<u>3,986</u>
Total Texas Military Department		<u>3,986</u>
Total State Financial Assistance		<u>\$ 660,559</u>
<u>Note 1: State Assistance Reconciliation</u>		
State Revenues - Per Schedule A		
State Financial Assistance per Schedule of Expenditures of State Awards		<u>\$ 660,559</u>
Total State Revenues		<u>\$ 660,559</u>

Note 2: Significant Accounting Policies Used in Preparing the Schedule

The accompanying schedule is presented using the accrual basis of accounting. See Note 2 to the financial statements for the Texas Southmost College District's significant accounting policies. These expenditures are reported on Texas Southmost College District's fiscal year. Expenditure reports to funding agencies are prepared on the award period basis.



PATTILLO, BROWN & HILL, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Trustees
Texas Southmost College District
Brownsville, Texas

We have audited, 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, the financial statements of the business type activities of Texas Southmost College as of and for the year ended August 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise Texas Southmost College's basic financial statements, and have issued our report thereon dated December 28, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Texas Southmost College's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Texas Southmost College's internal control. Accordingly, we do not express an opinion on the effectiveness of Texas Southmost College's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

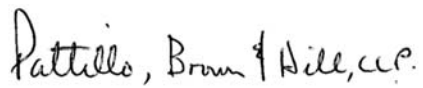
As part of obtaining reasonable assurance about whether Texas Southmost College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Public Funds Investment Act

We have performed tests designed to verify the Texas Southmost College's compliance with the requirements of the Public Funds Investment Act. During the year ended August 31, 2017, no instances of noncompliance were found. However, providing an opinion on compliance with Public Funds Investment Act was not an objective of our audit, and accordingly, we do not express an opinion.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Brownsville, Texas
December 28, 2017



PATTILLO, BROWN & HILL, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH THE UNIFORM GUIDANCE AND STATE OF TEXAS SINGLE AUDIT CIRCULAR**

To the Board of Trustees
Texas Southmost College District
Brownsville, Texas

Report on Compliance for Each Major Federal Program

We have audited Texas Southmost College's compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of Texas Southmost College's major federal programs for the year ended August 31, 2017. Texas Southmost College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Texas Southmost College's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. The State of Texas Single Audit Circular require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance that could have a direct and material effect on a major program occurred. An audit includes examining, on a test basis, evidence about Texas Southmost College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Texas Southmost College's compliance.

Opinion on Each Major Federal Program

In our opinion, Texas Southmost College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2017.

Report on Internal Control over Compliance

Management of Texas Southmost College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Texas Southmost College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Texas Southmost College's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Brownsville, Texas
December 28, 2017

TEXAS SOUTHMOST COLLEGE DISTRICT

Schedule of Findings and Questioned Costs
For the Year Ended August 31, 2017

I. Summary of Auditors' Results

Type of auditors' report on financial statements:	Unmodified.
Internal control over financial reporting: Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weakness(es)?	None reported
Internal control over major programs: Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weakness(es)?	None reported
Noncompliance which is material to the basic financial statements	No
Type of auditors' report on compliance with major programs	Unmodified.
Findings and questioned costs for federal awards as defined in Section 501(a), 2 CFR 200.510 (a) and the State of Texas Single Audit Circular	No
Dollar threshold considered between Type A and Type B federal programs	\$750,000
Dollar threshold considered between Type A and Type B state programs	\$300,000
Low risk auditee statement	No
Major federal programs	Student Financial Aid Cluster (CFDA #84.007, #84.033, #84.063, #84.268)
Major state program	Texas Educational Opportunity Grant

**II. Findings Relating to the Financial Statements which are Required to be Reported
in Accordance with Generally Accepted Government Auditing Standards**

The audit disclosed no finding required to be reported.

III. Findings and Questioned Costs for Federal Awards

None

IV. Findings and Questioned Costs for State Awards

None