

**TEXAS SOUTHMOST
COLLEGE DISTRICT**

ANNUAL FINANCIAL REPORT

AUGUST 31, 2012

TEXAS SOUTHMOST COLLEGE DISTRICT

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INTRODUCTORY SECTION

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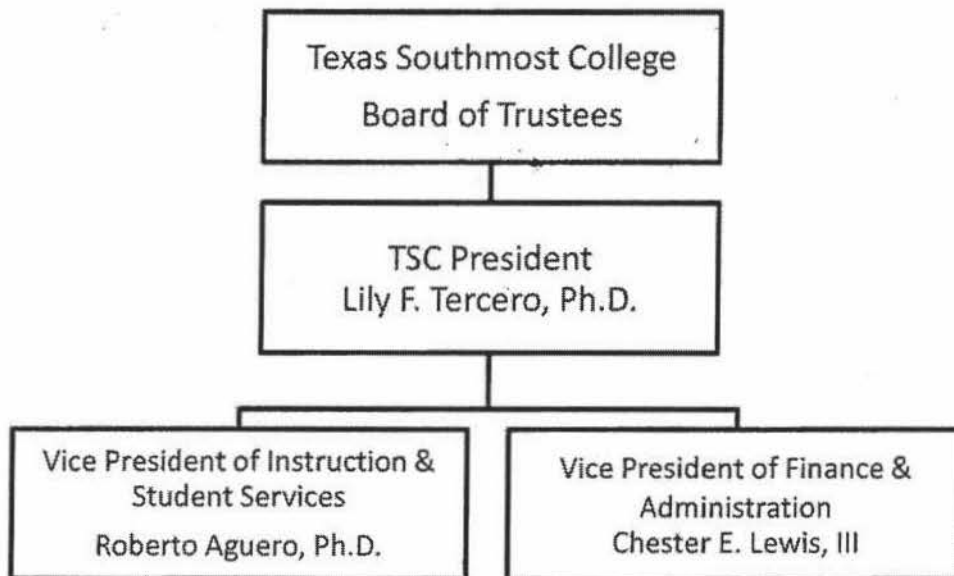
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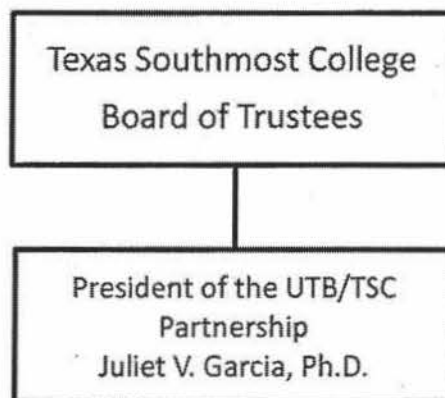
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Texas Southmost College



UTB/TSC Partnership



TEXAS SOUTHMOST COLLEGE DISTRICT

**ORGANIZATIONAL DATA
FOR THE FISCAL YEAR 2011-2012**

Board of Trustees

Officers

Francisco "Kiko" Rendon	Chairman
Adela Garza	Vice Chairman
Juan "Trey" Mendez III, J.D.	Secretary

Members

		<u>Term Expires</u>
Reynaldo Garcia, DDS	Brownsville, Texas	May, 2018
Adela Garza	Olmito, Texas	May, 2014
Ramon Champion Hinojosa	Brownsville, Texas	May, 2018
Robert Lozano, M.D., Ph.D.	Brownsville, Texas	May, 2016
Juan "Trey" Mendez III, J.D.	Brownsville, Texas	May, 2016
Francisco "Kiko" Rendon	Brownsville, Texas	May, 2016
Rene Torres	Brownsville, Texas	May, 2014

Principal Administrative Officers

Lily F. Tercero, Ph.D.	TSC President
Roberto Aguero, Ph.D.	Vice President of Instruction and Student Services
Chester E. Lewis III	Vice President of Finance and Administration
Juliet V. Garcia, Ph.D.	President of the UTB/TSC Partnership

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the Texas Southmost College District, as of and for the year ended August 31, 2012 and 2011, as listed in the table of contents. These financial statements are the responsibility of the Texas Southmost College District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Texas Southmost College District, as of August 31, 2012 and 2011, and the respective changes in financial position, and cash flows thereof, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 7, 2013, on our consideration of the Texas Southmost College District'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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 13 through 25 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Texas Southmost College District's financial statements as a whole. The supplementary information and financial assistance section as denoted in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the Texas Southmost College District. 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 District. The supplementary information and financial assistance section, which includes the schedule of expenditures of federal awards and the schedule of expenditures of state awards are the responsibility of management and were derived from and relate directly to underlying accounting and other records used to prepare the financial statements. The 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole. The introductory section has 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 it.

Patillo, Brown & Hill, CPA

January 7, 2013

TEXAS SOUTHMOST COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

AUGUST 31, 2012

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, 2012. This discussion and analysis is to be read in conjunction with the College's financial statements which begin on page 26.

USING THIS ANNUAL REPORT

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

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

The notes to the financial statements starting on page 31 provide narrative explanations and additional data needed for full disclosure in the financial statements.

The Statement of Net Assets

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

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

The Net Assets are divided into three major categories. The first category, invested in capital assets net of related debt, represents the College's net investment in property, plant and equipment owned by the institution.

USING THIS ANNUAL REPORT (Continued)

The next category is restricted net assets, which is further divided into two categories: nonexpendable and expendable. Expendable restricted net assets are available for expenditures but must be spent in accordance with the restrictions of donors and other external entities. The College only has expendable restricted net assets. The final category is unrestricted net assets which are assets available to the institution for any lawful purpose of the College. Further detail regarding assets, liabilities and net assets is presented in the Statement of Net Assets and Notes to the financial statements.

The Statement of Revenues, Expenses and Changes in Net Assets

The statement of revenues, expenses and changes in net assets represents the College's overall results of operations. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred regardless of when the cash is received or paid. The statement is divided into 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 assets. When the contrary occurs, the result is a decrease in net assets. Further detail is presented in the Statement of Revenues, Expenses and Changes in Net Assets and in the Notes to the financial statements.

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

The Statement of Cash Flows

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

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

FINANCIAL ANALYSIS

Statement of Net Assets

The following analysis focuses on the Statement of Net Assets, which is condensed in Table 1. The complete Statement of Net Assets can be found on page 26.

TABLE 1
CONDENSED STATEMENT OF NET ASSETS
(in millions)

	August 31, 2012	August 31, 2011	August 31, 2010
Current Assets	\$ 27.1	\$ 32.8	\$ 29.2
Noncurrent Assets			
Cash and Cash Equivalents – Restricted	16.1	14.6	15.2
Capital Assets, Net of Accumulated Depreciation	155.9	159.5	162.7
Other Noncurrent Assets	1.8	1.9	2.1
Total Assets	200.9	208.8	209.2
Current Liabilities	13.4	23.7	24.8
Noncurrent Liabilities	90.6	94.8	98.6
Total Liabilities	104.0	118.5	123.4
Net Assets			
Invested in Capital Assets, Net of Related Debt	61.5	61.3	61.1
Restricted Expendable	23.2	21.1	17.3
Unrestricted	12.2	7.9	7.4
Total Net Assets	\$ 96.9	\$ 90.3	\$ 85.8

Total Assets decreased slightly by \$7.9 million in fiscal year 2012. Current Assets decreased by \$5.7 million which was primarily due to a \$10.8 million decrease in accounts receivable net which was offset by increase in unrestricted cash and cash equivalents of \$4.8 million. Capital Assets, Net of Accumulated Depreciation also decreased by \$3.6 million which is primarily due to current year depreciation. There were no significant new projects or bond refinancing activity in the fiscal year 2012.

At the end of fiscal year 2012, total liabilities decreased by \$14.5 million. The largest portion of the decrease relates to the decrease deferred revenues of \$11.2 million which correlates with the decrease in accounts receivable. These deferred revenues are payable to UTB for contractual obligations as per the Partnership agreement and represent a timing difference between fiscal years. In addition, approximately \$3.6 million of scheduled debt repayments are attributed to the remaining decrease in total liabilities.

Statement of Net Assets (Continued)

Net assets (assets less liabilities) increased by \$14.8 million over the past three fiscal years. The College experienced an increase of approximately \$6.6 million, \$4.5 million and \$3.7 million in fiscal years 2012, 2011 and 2010 as compared to the previous respective fiscal years. Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – represents \$12.2 million of total net assets at August 31, 2012. The increase of \$4.3 million over the prior year represents a \$6.0 million over the fiscal year 2012 budget.

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

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

	August 31, 2012	August 31, 2011	August 31, 2010
	\$	\$	\$
Operating Revenues	38.0	42.5	38.5
Operating Expenses	(56.1)	(62.0)	(61.3)
Non-operating Revenue	29.2	29.3	31.2
Non-operating Expenses	(4.5)	(5.3)	(4.7)
Increase in Net Assets	6.6	4.5	3.7
Net Assets - Beginning of the Year	90.3	85.8	82.1
	\$	\$	\$
Net Assets - End of the Year	96.9	90.3	85.8

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 Assets (Continued)

TABLE 3
OPERATING REVENUE
(in millions)

	Fiscal Year		Fiscal Year		Fiscal Year	
	2012		2011		2010	
	Amount	Percentage of total	Amount	Percentage of total	Amount	Percentage of total
Net Tuition and Fees	\$ 32.7	86.3%	\$ 35.7	84.0%	\$ 31.7	82.3%
Grants and Contracts	4.8	12.4%	5.8	13.7%	6.0	15.6%
Auxiliary Enterprises	0.5	1.3%	0.6	1.4%	0.5	1.3%
Other Operating Revenue	-	0.0%	0.4	0.9%	0.3	0.8%
Total Operating Revenue	<u>\$ 38.0</u>	<u>100.0%</u>	<u>\$ 42.5</u>	<u>100.0%</u>	<u>\$ 38.5</u>	<u>100.0%</u>

Operating revenues were affected by the following key factors:

- The College experienced a 4.5% decrease in full time student equivalent enrollment during fiscal year 2012 as compared to the prior fiscal year.
- The cost for Resident Tuition and Fees for 12 semester credit hours increased by an average of 4.7% for fiscal year 2012 as compared to the prior fiscal year. The University of Texas at Brownsville (UTB) and the Board of Trustees have a concordance policy that assesses Tuition and Fee rates for TSC students at the same rate for UTB students.
- Other changes in Net Tuition and Fees are attributed to changes in scholarships, discounts and allowances.

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

Table 4 details the College's sources of non-operating revenues. The key sources of non-operating revenues are state appropriations and ad valorem taxes.

TABLE 4
NON-OPERATING REVENUE
(in millions)

	Fiscal Year 2012		Fiscal Year 2011		Fiscal Year 2010	
	Amount	Percentage of total	Amount	Percentage of total	Amount	Percentage of total
State Appropriations	\$ 11.3	38.7%	\$ 12.2	41.6%	\$ 13.8	44.2%
Ad Valorem Taxes	17.5	59.9%	17.0	58.0%	16.8	53.8%
Investment Income	0.1	0.3%	0.1	0.3%	0.2	0.6%
Other Non-Operating Revenue	0.3	1.0%	-	0.0%	0.4	1.3%
Total Non-Operating Revenue	\$ 29.2	100.0%	\$ 29.3	100.0%	\$ 31.2	100.0%

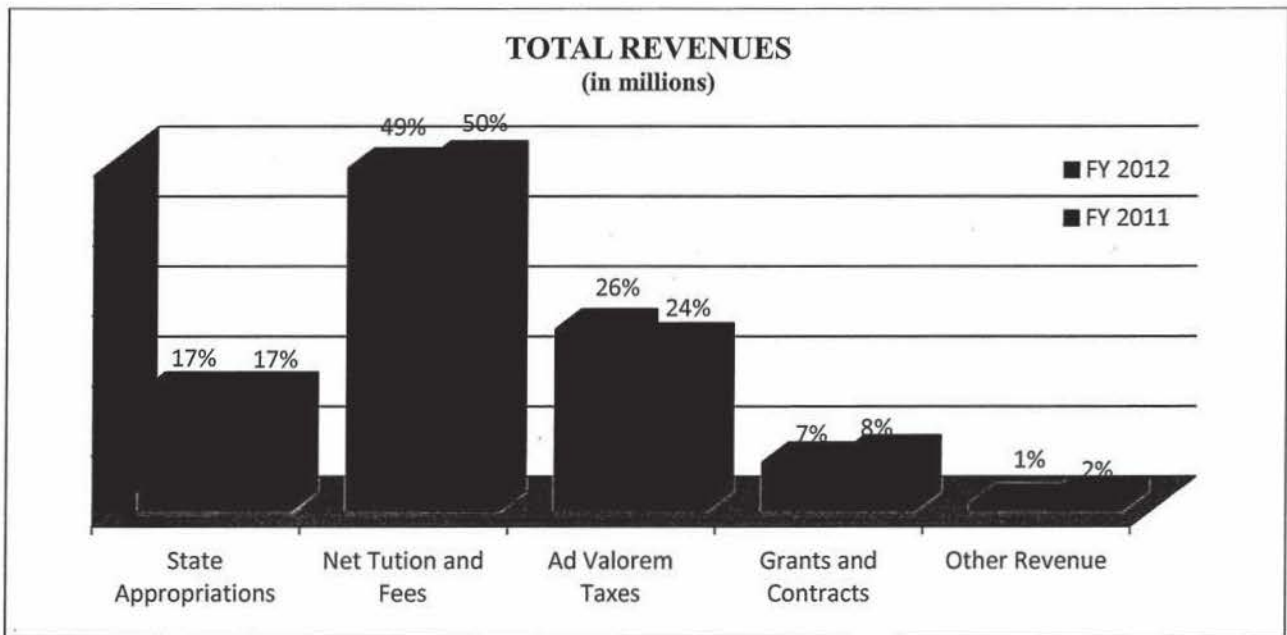
Non-operating revenues were affected by the following key factors:

- State appropriations have seen decreasing trend over the recent fiscal years. Appropriations for the current biennia decreased 8% as compared to the fiscal year 2011.
- Property tax revenue increased by about \$0.4 million from fiscal year 2011 to fiscal year 2012 as a result of a 1.1% increase in taxable assessed property valuations and a 1.0% increase to the total tax rate. Property tax revenue increased by about \$0.2 million from fiscal year 2010 to fiscal year 2011 as a result of a small increase in both taxable assessed property valuations and to the total tax rate. The tax rates for the Texas Southmost College are \$0.164026, \$0.162423 and \$0.161924 per \$100 valuation, for the fiscal years ended 2012, 2011 and 2010, respectively.
- Investment income has been consistent for FY 2012 is comparable to FY 2011 and FY 2010. All major bond projects have been completed through FY 2012. Earning rates for funds are also lower due to the overall decrease investment rates available.

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 2012 and 2011.

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

TABLE 5



In both fiscal year 2012 and 2011, tuition and fees account for the largest source of revenue (49% and 50%, respectively) for the college. For fiscal year 2012, Ad Valorem Taxes are 26% of revenue as compared to fiscal year 2011 at 24%. State appropriations were constant as a percentage of revenue for fiscal 2012 and fiscal 2011 at 17%.

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

TABLE 6
OPERATING REVENUES
Natural Classification
(in millions)

	August 31, 2012	August 31, 2011	August 31, 2010
Salaries	\$ 0.9	\$ 0.6	\$ 0.9
Benefits	0.2	0.1	0.2
Supplies and Services	4.1	4.7	5.1
Contracted Services - UTB	47.5	53.2	51.7
Depreciation	3.4	3.4	3.4
Total Operating Expenses	\$ 56.1	\$ 62.0	\$ 61.3

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

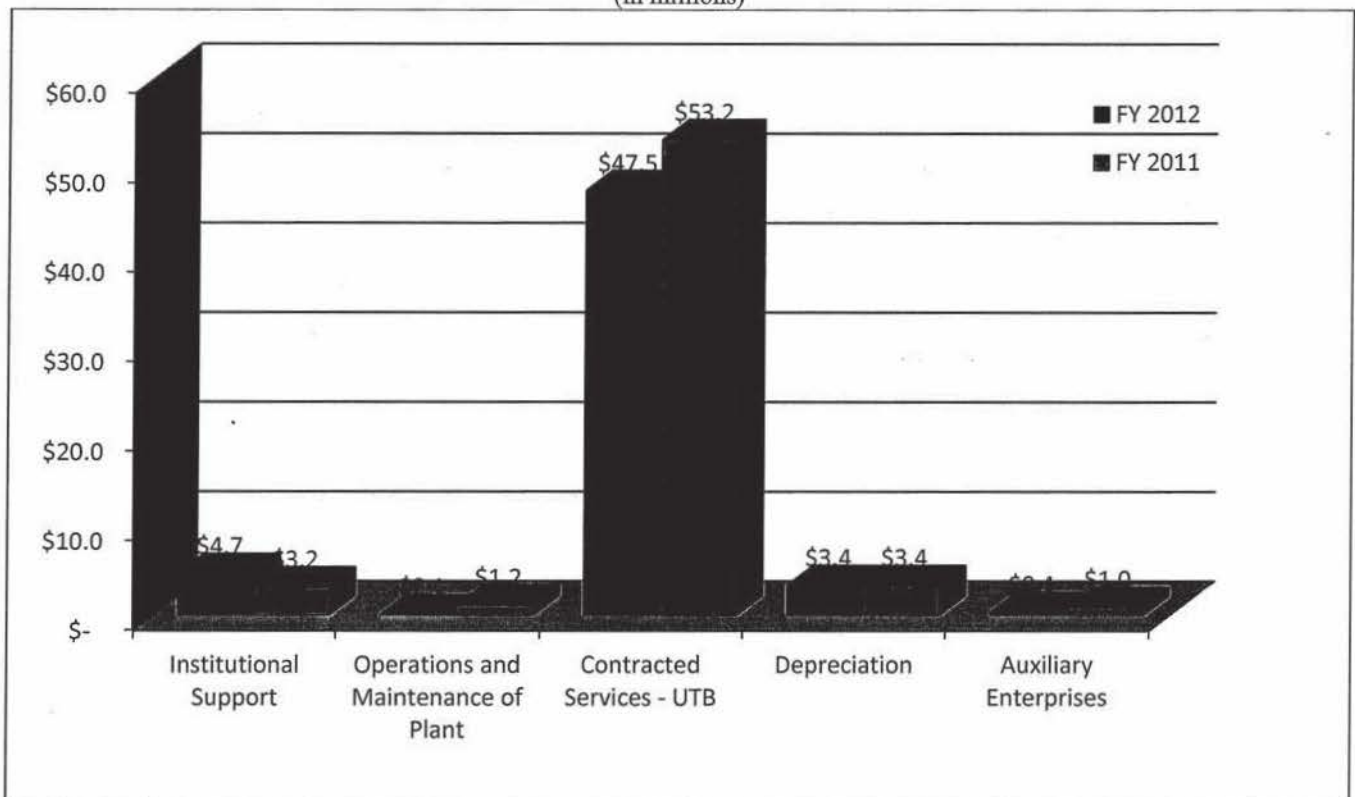
Table 7 displays the breakdown of the College's expenses by functional classification.

TABLE 7
OPERATING EXPENSES
Functional Classification
(in millions)

	August 31, 2012	August 31, 2011	August 31, 2010
Institutional Support	\$ 4.7	\$ 3.2	\$ 2.6
Operations and Maintenance of Plant	0.1	1.2	2.8
Contracted Services - UTB	47.5	53.2	51.7
Depreciation	3.4	3.4	3.4
Total Educational Activities	55.7	61.0	60.5
Auxiliary Enterprises	0.4	1.0	0.8
Total Operating Expenses	\$ 56.1	\$ 62.0	\$ 61.3

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

TABLE 8
OPERATING EXPENSES
Functional Classification
(in millions)



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

The College operates under a partnership agreement with The University of Texas at Brownsville. Under this agreement, the College contracts with UTB to provide instruction and other related essential services. This contract is the largest expense for the College as is reflected in the Contract Services-UTB category. In fiscal year 2012 and 2011, this amount represented 84% and 86% of total expenses, respectively. The University of Texas at Brownsville releases an Annual Financial Report detailing total expenses for both the College and University and should be reviewed in conjunction with this report for further information.

Statement of Cash Flows

The Condensed Statement of Cash Flows appears in Table 9. The complete Statement of Cash Flows appears in page 28 and 29 of this report.

TABLE 9
CONDENSED STATEMENT OF CASH FLOWS
(in millions)

	August 31, 2012	August 31, 2011	August 31, 2010
Cash provided/ used by:			
Operating Activities	\$ (14.8)	\$ (18.5)	\$ (22.0)
Noncapital Financing Activities	22.3	23.2	25.1
Capital and Related Activities	(1.3)	(2.8)	(16.4)
Investing Activities	0.1	-	0.2
Net Increase (Decrease) In Cash	6.3	1.9	(13.1)
Cash-Beginning of the Year	24.2	22.3	35.4
Cash-End of Year	\$ 30.5	\$ 24.2	\$ 22.3

Total Cash and Cash Equivalents increased by \$6.3 million during the 2012 fiscal year and increased by \$1.9 million during the 2011 fiscal year. Major factors impacting cash and cash equivalents are described below by source.

Operating Activities: During the fiscal year 2012 and fiscal year 2011, cash flows from operations resulted in an outflow of \$14.8 million and \$18.5 million, respectively. The major source of cash receipts was from tuition and fees, net of scholarship allowances and discounts (\$32.7 million in 2012 and \$35.7 million in 2011). The College's major cash outlay was for contract services with UTB (\$47.5 million in 2012 and \$53.2 million in 2011).

Non-capital Financing Activities: The College had a positive cash flow of \$22.3 million in fiscal year 2012 and \$23.2 million in fiscal year 2011 from the collection of property taxes and receipt of state appropriations. Property taxes were collected at a rate of 94.2% and 92.6% of the current year's tax levy for fiscal year 2012 and fiscal year 2011, respectively. (See table 10 below for more information on property taxes.)

Statement of Cash Flows (continued)

Capital and Related Financing Activities: In fiscal year 2012, capital and related financing activities resulted in a cash outflow of \$1.3 million. Cash outlays of approximately \$8.5 million were made for capital construction projects, purchases of land and property, and principal and interest payments for all outstanding bonds. Cash inflows were primarily from the collection of \$7.2 million of property taxes, proceeds from the sale of assets and contributions. In fiscal year 2011, capital and related financing activities resulted in a cash outflow of \$2.8 million. Cash outlays of approximately \$9.1 million were made for capital construction projects, purchases of land and property, and principal and interest payments for all outstanding bonds. Cash inflows of \$6.4 million resulted mainly from the collection of property taxes and proceeds for the sale of 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. The majority of investments in prior years have related to invested assets for outstanding bond proceeds. However, the bond projects have been substantially completed and no new projects were established during fiscal year 2012. In addition, any investment opportunities are resulting in limited earning opportunities for short-term investments due to the economic downturn that exists in the current financial market.

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, 2012	August 31, 2011	August 31, 2010
Total Tax Rate per \$100	\$ 0.164026	\$ 0.162423	\$ 0.161924
Total Tax Collections	\$ 17,459,754	\$ 17,049,071	\$ 16,787,201
Tax Collection Rate	94.18%	92.63%	93.62%
Assessed Valuation	\$ 10,849,724,282	\$ 10,722,679,461	\$ 10,526,537,297

The College's total tax collections increased by approximately 2.4%, due to a 1.2% increase in assessed valuations and a 1.0% increase in the total tax rate. For fiscal year 2012, the Texas Southmost College Board of Trustee's adopted the calculated effective tax rate. Overall, the College's tax collection rate has remained strong over the past decade.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of Fiscal Year 2012 the College had approximately \$155.9 million (net of accumulated depreciation) invested in a broad range of capital assets, including instructional and athletic facilities, maintenance of buildings and equipment. There were no significant increases in capital assets in FY 2012. The primary decreases in capital assets were related to scheduled depreciation of existing capital assets.

Note 5 of the financial statements, which begin on page 36, provides further detailed information regarding the College's capital assets. Table 11 summarizes capital asset activity for the year ended August 31, 2012.

TABLE 11
CAPITAL ASSETS AT FISCAL YEAR END 2012
(in millions)

	Balance August 31, 2011	Increase	Decrease	Balance August 31, 2012
Not Depreciated	\$ 6.2	\$ 0.30	\$ (0.4)	\$ 6.1
Buildings and Other Capital Assets	204.7	0.1	(0.1)	204.7
Less Accumulated Depreciation	(51.4)	-	(3.5)	(54.9)
Total Capital Assets	\$ 159.5	\$ 0.4	\$ (4.0)	\$ 155.9

Debt

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

At year-end, the College had approximately \$94.7 million in outstanding debt. Notes 6 through 8 of the financial statements which begin on page 38 provide further detailed information regarding the College's debt obligations. Table 12 summarizes these amounts by type of debt instrument.

Debt (Continued)

TABLE 12
BONDS PAYABLE AT FISCAL YEAR END 2012
(in millions)

	Balance August 31, 2011	Increase	Decrease	Balance August 31, 2012
General Obligations	\$ 73.3	\$ -	\$ (2.80)	\$ 70.5
Revenue Bonds	24.9	-	(1.0)	23.9
Plus Premium on Bonds	0.8	-	(0.1)	0.7
Less Deferred Amounts on Refunding	(0.5)	-	0.1	(0.4)
Total Bonds Payable	\$ 98.5	\$ -	\$ (3.8)	\$ 94.7

The Student Union Building Bonds were issued in March of 2000. They were sold for the construction, operation and maintenance of the Student Union Building. \$7.1 million of the bonds outstanding for the Student Union Building were refunded in 2005. This obligation is paid by student union fees assessed to the students.

In May 2002, the College issued a \$5 million Revenue Bond to fund various capital projects on campus. These projects included the ITECC and the development of the student housing project, The Village at Fort Brown, among other improvements. \$4.775 million of these revenue bonds were refunded and an additional \$1.815 million were secured for campus improvements for a total of \$6.590 million in 2006. Pledged revenues derived from tuition and fees, student and employee parking fees and interest on investment earnings are the sources for debt service.

In February 2005, the College made the first bond issuance for \$19.805 million out of the total \$68 million in bonds that were approved by the voters in November of 2004. The second issuance for \$24.945 million was made in April 2006, the third issuance for \$14 million was made in June 2007, the fourth issuance for \$5 million was made in June 2008 and the fifth and final issuance for \$4 million was made in June 2009. These issuances will be used for the construction of seven major capital projects on campus. The source of revenue for this debt service is ad valorem tax levy.

In May 2006, June 2007, June 2008 and June 2009 the College also issued \$4.835 million, \$2 million, \$5 million and \$3.25 million respectively in Maintenance Tax Notes to fund various renovation and restoration projects on campus. The source of revenue for this debt service is ad valorem tax levy.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

On November 10, 2010, the University of Texas Board of Regents voted to terminate the existing partnership with Texas Southmost College. On February 17, 2011, the Texas Southmost College Board of Trustees voted to create an independent community college and reaffirmed the decision to separate on March 22, 2011. On June 20, 2011, the Texas Legislature passed a new and amended law to clear a path to allow for the separation of the partnership and the establishment of an independent university and an independent community college. The new legislation provides a termination date for the partnership of August 31, 2015, or to the extent necessary to ensure accreditation. Until separate accreditation is achieved, TSC students are accredited under the UTB/TSC accreditation. While the partnership is in existence, the University of Texas at Brownsville will continue to manage the majority of the instructional and operational functions of the college during fiscal year 2013.

During fiscal year 2011, the Texas Southmost College Board of Trustees established a transition team to work with the University of Texas System transition team to begin discussions to end the partnership. In October 2011, Dr. Lily Tercero was hired as the new president for TSC and she will work to reestablish the community college as an independent and fully functional college which will offer associate degrees, vocational training, certificates and continued education in the State of Texas. In November 2011, Dr. Tercero selected two vice presidents to form the core of an executive team that will work with her on many transition issues including accreditation, academic programs, personnel, facilities, budgeting, affordability, technology and all other services that are necessary for the reemergence of the community college. During fiscal year 2012, on-going work has continued towards becoming operationally separated in the fall semester of 2013 and working to become separately accredited by 2015.

The Board of Trustees considered many factors when establishing the fiscal year 2012 budget and tax rates. Tuition and fees revenues are expected to increase slightly over the prior fiscal year. No significant changes to total enrollment were anticipated during the budget process. The transition team for Texas Southmost College will be examining tuition rates for the future budget and will be seeking ways to make the cost to students affordable.

The Board of Trustees adopted the effective tax rate for fiscal year 2013, 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.

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) 882-3456.

TEXAS SOUTHMOST COLLEGE DISTRICT
Statement of Net Assets
August 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 14,396,224	\$ 9,566,424
Accounts receivable (net)	11,850,597	22,613,827
Prepaid expenses	838,372	652,610
Total Current Assets	<u>27,085,193</u>	<u>32,832,861</u>
Noncurrent Assets		
Restricted cash and cash equivalents	16,148,208	14,587,193
Endowment investments	77,182	62,719
Unamortized bond issuance costs	1,725,220	1,834,708
Capital assets (net)	155,932,027	159,472,681
Total Noncurrent Assets	<u>173,882,637</u>	<u>175,957,301</u>
Total Assets	<u>200,967,830</u>	<u>208,790,162</u>
LIABILITIES		
Current Liabilities		
Accounts payable	1,532,610	984,076
Accrued liabilities	300,922	309,675
Accrued compensable absences	64,096	56,673
Funds held for others	8,303	8,303
Deferred revenues	7,442,021	18,687,662
Bonds payable - current portion	4,080,000	3,755,000
Total Current Liabilities	<u>13,427,952</u>	<u>23,801,389</u>
Noncurrent Liabilities		
Bonds payable	90,641,599	94,732,113
Total Noncurrent Liabilities	<u>90,641,599</u>	<u>94,732,113</u>
Total Liabilities	<u>104,069,551</u>	<u>118,533,502</u>
NET ASSETS		
Investment in capital assets, net of related debt	61,512,027	61,297,681
Restricted for		
Expendable		
Endowment	86,424	71,278
Capital projects	10,215,052	8,934,475
Debt service	10,427,268	10,002,815
Other	2,488,244	2,085,546
Unrestricted	12,169,264	7,864,865
Total Net Assets (Schedule D)	<u>\$ 96,898,279</u>	<u>\$ 90,256,660</u>

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

TEXAS SOUTHMOST COLLEGE DISTRICT
Statement of Revenues, Expenses and Changes in Net Assets
For The Year Ended August 31, 2012 and 2011

	2012	2011
OPERATING REVENUES		
Tuition and fees (net of discounts of \$6,004,861 & \$6,329,049, respectively)	\$ 32,695,242	\$ 35,737,651
Federal grants and contracts	1,248,768	1,438,868
State grants and contracts	2,927,641	3,816,154
Local grants and contracts	552,828	523,780
Auxiliary enterprises	530,769	633,527
General operating revenues	10,802	371,205
Total Operating Revenues (Schedule A)	37,966,050	42,521,185
OPERATING EXPENSES		
Institutional support	4,724,266	3,174,850
Operation and maintenance of plant	59,282	1,212,864
Auxiliary enterprises	415,756	977,643
Depreciation	3,449,395	3,437,546
Contracted services with UTB	47,403,368	53,195,529
Total Operating Expenses (Schedule B)	56,052,067	61,998,432
Operating (Loss)	(18,086,017)	(19,477,247)
Non-Operating Revenues (Expenses)		
State appropriations	11,320,102	12,245,588
Maintenance ad valorem taxes	11,055,321	10,918,168
Debt service ad valorem taxes	6,404,433	6,130,903
Investment income	90,053	46,076
Unrealized gain (loss) on investments	14,463	9,270
Interest on capital related debt	(4,316,289)	(4,447,165)
Gain (Loss) on sale of capital assets	(45,073)	(664,308)
Allowance for uncollectible expense	-	(139,368)
Other non-operating revenues	329,965	12,780
Other non-operating expenses	(125,442)	(127,437)
Total Non-Operating Revenues (Schedule C)	24,727,533	23,984,507
Increase in Net Assets	6,641,516	4,507,260
NET ASSETS		
Net Assets - Beginning of Year	90,256,660	85,810,507
Adjustment to Net Assets	103	(61,107)
Net Assets - End of Year	\$ 96,898,279	\$ 90,256,660

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, 2012 and 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from students and other customers	\$ 32,223,736	\$ 36,470,293
Receipts from grants and contracts	4,729,237	5,778,802
Payments to suppliers for goods or services	303,490	(5,556,405)
Transfers to UTB	(47,403,368)	(51,484,234)
Payments to or on behalf of employees	(4,725,596)	(3,563,043)
Receipts from auxiliary services	115,013	(344,116)
Net cash provided (used) by operating activities	(14,757,488)	(18,698,703)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Receipts from state appropriations	11,320,102	12,245,588
Receipts from ad valorem taxes	11,055,321	10,918,168
Net cash provided by non-capital financing activities	22,375,423	23,163,756
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Contributions	329,965	12,780
Other non-operating expenses	(125,442)	-
Allowance for uncollectible expenses	-	(139,368)
Receipts from ad valorem tax revenues	6,404,433	6,130,903
Purchase of capital assets	(424,886)	(1,157,782)
Proceeds from sale of capital assets	471,072	288,427
Payments on capital debt - principal	(3,755,000)	(3,445,000)
Payments on capital debt - interest and issuance costs	(4,217,315)	(4,347,733)
Net cash provided (used) by capital and related financing activities	(1,317,173)	(2,657,773)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	90,053	46,128
Net cash provided (used) by investing activities	90,053	46,128
Increase (decrease) in cash and cash equivalents	6,390,815	1,853,408
Cash and cash equivalents - September 1	24,153,617	22,300,209
Cash and cash equivalents - August 31	\$ 30,544,432	\$ 24,153,617
Cash and cash equivalents	\$ 14,396,224	\$ 9,566,424
Restricted cash and cash equivalents	16,148,208	14,587,193
Total cash and cash equivalents	\$ 30,544,432	\$ 24,153,617

TEXAS SOUTHMOST COLLEGE DISTRICT
Statement of Cash Flows
For The Year Ended August 31, 2012 and 2011
(Continued)

	2012	2011
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating (loss)	\$ (18,086,017)	\$ (19,477,247)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:		
Depreciation expense	3,449,395	3,437,546
Changes in assets and liabilities:		
Receivables (net)	10,763,333	(1,139,834)
Prepaid expenses	(185,762)	(23,795)
Accounts payable	548,534	(2,608,451)
Accrued liabilities	(8,753)	(392,259)
Compensated absences	7,423	4,066
Deferred revenue	(11,245,641)	1,501,271
Net cash provided (used) by operating activities	\$ (14,757,488)	\$ (18,698,703)

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, 2012 and 2011

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 and Junior Colleges*. The District applies all applicable GASB pronouncements and all applicable Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, unless they conflict or contradict GASB pronouncements. The District has elected not to apply FASB guidance issued subsequent to November 30, 1989, unless specifically adopted by the GASB. The District is reported as a special-purpose government engaged in business type activities.

Tuition Discounting

Texas Public Education Grants – Certain tuition amounts are required to be set aside for use as scholarships by qualifying students. This set aside, called the Texas Public Education Grant (TPEG), is shown with tuition and fee revenue amounts as a separate set aside amount (Texas Education Code §56.033). Scholarships are transferred to University of Texas – Brownsville (UTB) to be awarded to students. Amounts transferred to UTB are recorded as tuition discounts.

Scholarship Allowances and Discounts – The District awards tuition and fee scholarships from institutional funds to students who qualify. Scholarships are transferred to University of Texas – Brownsville to be awarded to students. Amounts transferred to UTB are recorded as tuition discounts.

During the fiscal year 2011, the District established the TSC Trustee Scholarship in order to provide a scholarship to all in district students taking lower division courses who meet satisfactory academic progress criteria. Amounts transferred to UTB are recorded as tuition discounts.

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, 2012 and 2011

2. Summary of Significant Accounting Policies (continued)

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 1st. 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 Texas Higher Education Coordination Board, Legislative Budget Board, Legislative Reference Library, and Governor's Office of Budget and Planning by December 1st.

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.

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. Long-term investments have an original maturity of greater than one year at the time of purchase.

Pledges

Conditional pledges to be received in future periods, and intentions to pledge, are recognized when the specified conditions are met or the promise is made. These pledges are restricted for the Arts Center.

Pledges Receivable	2012	2011
Due within one year	\$ 118,649	\$ 170,507
Due after one year	411,725	616,061
Subtotal:	530,374	786,568
Less allowance for uncollectible	(139,368)	(139,368)
Total pledges receivable	\$ 391,006	\$ 647,200

Inventories

Inventories consist of consumable office supplies, physical plant supplies. Inventories are valued at cost and are under the charged to expense as consumed.

TEXAS SOUTHMOST COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2012 and 2011

2. Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets are recorded 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. Renovations of \$100,000 to buildings, infrastructure and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are charged to operating expense in the year in which the expense is incurred.

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.

Deferred Revenues

Tuition and fees of \$7,442,021 and \$18,687,662 have been reported as deferred revenues at August 31, 2012, and 2011, respectively.

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, 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. Operating revenues and expenses generally result from providing services in connection with the District'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 sales and services, administrative expenses, and depreciation on capital assets. The Bookstore is not operated by the District.

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 or its agencies, (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.

TEXAS SOUTHMOST COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2012 and 2011

4. Deposits and Investments

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

Cash and Deposits

	August 31,	
	2012	2011
Bank Deposits		
Demand Deposits - Unrestricted	\$ 14,422,215	\$ 9,563,814
Demand Deposits - Restricted	16,148,208	14,587,193
Cash and Cash Equivalents		
Petty Cash on Hand	2,610	2,610
Disbursements in Transit	(28,601)	-
Total Cash and Deposits	\$ 30,544,432	\$ 24,153,617

Reconciliation of Deposits and Investments

Type of Security	Market Value 8/31/2012	Market Value 8/31/2011
Total Cash and Deposits	\$ 30,544,432	\$ 24,153,617
Total Investments	77,182	62,719
Total Deposits and Investments	\$ 30,621,614	\$ 24,216,336
Cash and Temporary Investments	\$ 14,396,224	\$ 9,566,424
Cash and Temporary Investments - Restricted	16,148,208	14,587,193
Investments	77,182	62,719
Total Deposits and Investments	\$ 30,621,614	\$ 24,216,336

As of August 31, 2012 the District had the following investments and maturities:

Investment Type	Fair Value
U.S. Government Securities	\$ -
U.S. Treasuries	-
Commercial Papers	-
Investment Pool	-
Certificate of Deposit	-
Common Stock	77,182
Municipal Bonds	-
Total Fair Value	\$ 77,182

TEXAS SOUTHMOST COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2012 and 2011

4. Deposits and Investments (Continued)

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. The District does not place a limit on the amount it may invest in any one issuer.

Custodial Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. In accordance with state law and District policy, the District requires monthly reports with market values of pledged securities from all financial institutions with which the District has collateralized deposits.

At August 31, 2012 the District’s investments consisted of savings accounts which are reported as cash and cash equivalents on the Statement of Net Assets and common stocks that were donated to the District. The stocks are held in an endowment fund and have donor restrictions.

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TEXAS SOUTHMOST COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2012 and 2011

5. Capital Assets

Capital asset activity for the year ended August 31, 2012 was as follows:

	Balance August 31, 2011	Increases	Decreases	Reclassifications	Balance August 31, 2012
<u>Not Depreciated:</u>					
Land	\$ 5,798,446	\$ -	\$ (39,685)	\$ -	\$ 5,758,761
Construction in Progress	424,509	310,611	-	(363,590)	371,530
Subtotal	<u>6,222,955</u>	<u>310,611</u>	<u>(39,685)</u>	<u>(363,590)</u>	<u>6,130,291</u>
<u>Buildings and Other Capital Assets</u>					
Buildings and Building Improvements	175,707,998	49,275	(539,593)	363,590	175,581,270
Other Real Estate Improvements	9,738,045	-	-	-	9,738,045
Total Buildings and Other Real Estate Improvements	<u>185,446,043</u>	<u>49,275</u>	<u>(539,593)</u>	<u>363,590</u>	<u>185,319,315</u>
Library Books	8,422,241	-	-	-	8,422,241
Furniture, machinery, and Equipment	10,865,196	65,000	-	-	10,930,196
Subtotal	<u>19,287,437</u>	<u>65,000</u>	<u>-</u>	<u>-</u>	<u>19,352,437</u>
Total buildings and Other Capital Assets	<u>204,733,480</u>	<u>114,275</u>	<u>(539,593)</u>	<u>363,590</u>	<u>204,671,752</u>
<u>Accumulated Depreciation:</u>					
Buildings and Building Improvements	(27,623,493)	(3,020,017)	63,133	-	(30,580,377)
Other Real Estate Improvements	(6,325,218)	(179,024)	-	-	(6,504,242)
Total Buildings and Other Real Estate Improvements	<u>(33,948,711)</u>	<u>(3,199,041)</u>	<u>63,133</u>	<u>-</u>	<u>(37,084,619)</u>
Library Books	(8,422,241)	-	-	-	(8,422,241)
Furniture, Machinery, and Equipment	(9,112,802)	(250,354)	-	-	(9,363,156)
Subtotal	<u>(17,535,043)</u>	<u>(250,354)</u>	<u>-</u>	<u>-</u>	<u>(17,785,397)</u>
Total Accumulated Depreciation	<u>(51,483,754)</u>	<u>(3,449,395)</u>	<u>63,133</u>	<u>-</u>	<u>(54,870,016)</u>
Net Capital Assets	<u>\$ 159,472,681</u>	<u>\$ (3,024,509)</u>	<u>\$ (516,145)</u>	<u>\$ -</u>	<u>\$ 155,932,027</u>

TEXAS SOUTHMOST COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2012 and 2011

5. Capital Assets (Continued)

Capital asset activity for the year ended August 31, 2011 was as follows:

	Balance August 31, 2010	Increases	Decreases	Reclassifications	Balance August 31, 2011
<u>Not Depreciated:</u>					
Land	\$ 5,603,707	\$ 194,739	\$ -	\$ -	\$ 5,798,446
Construction in Progress	7,963,812	648,063	-	(8,187,366)	424,509
Subtotal	<u>13,567,519</u>	<u>842,802</u>	<u>-</u>	<u>(8,187,366)</u>	<u>6,222,955</u>
<u>Buildings and Other Capital Assets</u>					
Buildings and Building Improvements	168,339,944	314,978	(1,033,831)	8,086,907	175,707,998
Other Real Estate Improvements	9,738,045	-	-	-	9,738,045
Total Buildings and Other Real Estate Improvements	<u>178,077,989</u>	<u>314,978</u>	<u>(1,033,831)</u>	<u>8,086,907</u>	<u>185,446,043</u>
Library Books	8,422,239	-	-	2	8,422,241
Furniture, machinery and equipment	10,764,739	-	-	100,457	10,865,196
Subtotal	<u>19,186,978</u>	<u>-</u>	<u>-</u>	<u>100,459</u>	<u>19,287,437</u>
Total Buildings and Other Capital Assets	<u>197,264,967</u>	<u>314,978</u>	<u>(1,033,831)</u>	<u>8,187,366</u>	<u>204,733,480</u>
<u>Accumulated Depreciation:</u>					
Buildings and Building Improvements	(24,713,329)	(2,991,260)	81,096	-	(27,623,493)
Other Real Estate Improvements	(6,146,194)	(179,024)	-	-	(6,325,218)
Total Buildings and Other Real Estate Improvements	<u>(30,859,523)</u>	<u>(3,170,284)</u>	<u>81,096</u>	<u>-</u>	<u>(33,948,711)</u>
Library Books	(8,422,241)	-	-	-	(8,422,241)
Furniture, machinery and equipment	(8,845,540)	(267,262)	-	-	(9,112,802)
Subtotal	<u>(17,267,781)</u>	<u>(267,262)</u>	<u>-</u>	<u>-</u>	<u>(17,535,043)</u>
Total Accumulated Depreciation	<u>(48,127,304)</u>	<u>(3,437,546)</u>	<u>81,096</u>	<u>-</u>	<u>(51,483,754)</u>
Net Capital Assets	<u>\$162,705,182</u>	<u>\$ (2,279,766)</u>	<u>\$ (952,735)</u>	<u>\$ -</u>	<u>\$159,472,681</u>

TEXAS SOUTHMOST COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2012 and 2011

6. Long – Term Liabilities

	Balance August 31, 2011	Increases	Decreases	Balance August 31, 2012	Current Portion
Bonds					
General obligation bonds	\$ 73,275,000	\$ -	\$ 2,770,000	\$ 70,505,000	\$ 3,055,000
Revenue bonds	24,900,000	-	985,000	23,915,000	1,025,000
Plus: Premium on bonds	794,008	-	53,502	740,506	-
Less: Deferred refunding					
Refunding	(481,895)	-	(42,988)	(438,907)	-
Subtotal	<u>98,487,113</u>	<u>-</u>	<u>3,765,514</u>	<u>94,721,599</u>	<u>4,080,000</u>
Total long term liabilities	<u>\$ 98,487,113</u>	<u>\$ -</u>	<u>\$ 3,765,514</u>	<u>\$ 94,721,599</u>	<u>\$ 4,080,000</u>

	Balance August 31, 2010	Increases	Decreases	Balance August 31, 2011	Current Portion
Bonds					
General obligation bonds	\$ 75,775,000	\$ -	\$ 2,500,000	\$ 73,275,000	\$ 2,770,000
Revenue bonds	25,845,000	-	945,000	24,900,000	985,000
Plus: Premium on bonds	847,512	3,980	57,484	794,008	-
Less: Deferred refunding					
Refunding	(525,339)	-	(43,444)	(481,895)	-
Subtotal	<u>101,942,173</u>	<u>3,980</u>	<u>3,459,040</u>	<u>98,487,113</u>	<u>3,755,000</u>
Accrued compensated absences	<u>52,607</u>	<u>4,066</u>	<u>56,673</u>	<u>-</u>	<u>-</u>
Total long term liabilities	<u>\$ 101,994,780</u>	<u>\$ 8,046</u>	<u>\$ 3,515,713</u>	<u>\$ 98,487,113</u>	<u>\$ 3,755,000</u>

7. Debt Obligations

Debt service requirements (in thousands) at August 31, 2012 were as follows:

For the year Ended August 31,	Revenue Bonds			General Obligation Bonds			Total Bonds		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2013	\$ 1,025	\$ 1,073	\$ 2,098	\$ 3,055	\$ 3,101	\$ 6,156	\$ 4,080	\$ 4,174	\$ 8,254
2014	1,070	1,029	2,099	3,365	2,976	6,341	4,435	4,005	8,440
2015	1,120	983	2,103	3,695	2,837	6,532	4,815	3,820	8,635
2016	1,170	933	2,103	4,045	2,685	6,730	5,215	3,619	8,834
2017	1,215	886	2,101	4,415	2,514	6,929	5,630	3,400	9,030
2018-2022	6,865	3,618	10,483	19,865	10,150	30,015	26,730	13,769	40,499
2023-2027	7,170	1,991	9,161	24,270	4,541	28,811	31,440	6,531	37,971
2028-2032	4,280	463	4,743	7,345	988	8,333	11,625	1,450	13,075
2033-2034	-	-	-	450	17	467	450	17	467
	<u>\$ 23,915</u>	<u>\$ 10,976</u>	<u>\$ 34,891</u>	<u>\$ 70,505</u>	<u>\$ 29,808</u>	<u>\$100,313</u>	<u>\$ 94,420</u>	<u>\$ 40,784</u>	<u>\$135,204</u>

TEXAS SOUTHMOST COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2012 and 2011

8. Bonds Payable

General information related to bonds payable is summarized below:

Student Union Building Fees Revenue Refunding Bonds, Series 2005

- To refund in advance a portion of the District's outstanding debt, to wit \$7,110,000
- Issued refunding bonds on February 17, 2005
- \$7,985,000, all authorized bonds have been issued
- Source of revenue for debt service – Student Union Building Fees charged to UTB/TSC students and interest earned on the District's funds

Bonds payable are due in annual installments varying from \$370,000 to \$640,000 with interest at 3% to 5% and the final installment due August 2025.

<u>For the year ended August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 395,000	\$ 273,590	\$ 668,590
2014	410,000	259,370	669,370
2015	425,000	243,995	668,995
2016	440,000	226,995	666,995
2017	460,000	209,395	669,395
2018-2022	2,585,000	751,610	3,336,610
2023-2025	1,840,000	167,260	2,007,260
	<u>\$ 6,555,000</u>	<u>\$ 2,132,215</u>	<u>\$ 8,687,215</u>

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TEXAS SOUTHMOST COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2012 and 2011

8. Bonds Payable (Continued)

Limited Tax Bonds, Series 2005

- To be used for the construction and equipment of school buildings and purchase of necessary sites
- Issued tax bonds on February 15, 2005
- \$19,805,000, 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 \$880,000 to \$1,570,000 with interest at 3% to 5% and the final installment due August 2025.

<u>For the year ended August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 940,000	\$ 668,288	\$ 1,608,288
2014	970,000	635,450	1,605,450
2015	1,005,000	599,631	1,604,631
2016	1,045,000	560,933	1,605,933
2017	1,085,000	519,920	1,604,920
2018-2022	6,195,000	1,845,470	8,040,470
2023-2025	4,480,000	343,500	4,823,500
	<u>\$ 15,720,000</u>	<u>\$ 5,173,192</u>	<u>\$ 20,893,192</u>

Wellness Center Revenue Bonds, Series 2005

- To construct, operate, maintain, renovate, or improve a wellness, recreational, and fitness complex
- Issued revenue bonds on October 1, 2005
- \$13,655,000, all authorized bonds have been issued
- Source of revenue for debt service-Wellness Center Fees

Bonds payable are due in annual installments varying from \$395,000 to \$935,000 with interest at 3.5% to 5% and the final installment due August 2030.

<u>For the year ended August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 435,000	\$ 546,981	\$ 981,981
2014	455,000	525,231	980,231
2015	480,000	502,481	982,481
2016	505,000	478,481	983,481
2017	525,000	458,281	983,281
2018-2022	2,970,000	1,935,769	4,905,769
2023-2027	3,690,000	1,215,800	4,905,800
2028-2030	2,670,000	271,500	2,941,500
	<u>\$ 11,730,000</u>	<u>\$ 5,934,524</u>	<u>\$ 17,664,524</u>

TEXAS SOUTHMOST COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2012 and 2011

8. Bonds Payable (Continued)

Limited Tax Bonds, Series 2006

- To be used for the construction and equipment of school building and the purchase of the necessary sites
- Issued tax bonds on April 1, 2006
- \$24,945,000, 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 \$485,000 to \$4,015,000 with interest at 4% to 5% and the final installment due August 2026.

<u>For the year ended August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 655,000	\$ 1,074,740	\$ 1,729,740
2014	810,000	1,040,571	1,850,571
2015	1,020,000	999,921	2,019,921
2016	1,250,000	953,740	2,203,740
2017	1,205,000	902,654	2,107,654
2018-2022	7,765,000	3,658,625	11,423,625
2023-2026	10,455,000	1,196,625	11,651,625
	<u>\$ 23,160,000</u>	<u>\$ 9,826,876</u>	<u>\$ 32,986,876</u>

Maintenance Tax Notes, Series 2006

- To be used for the purpose of maintenance and renovation of existing facilities
- Issued maintenance tax notes on April 1, 2006
- \$4,835,000, 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 \$195,000 to \$365,000 with interest at 4% to 4.6% and the final installment due August 2026.

<u>For the year ended August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 210,000	\$ 166,628	\$ 376,628
2014	215,000	158,128	373,128
2015	225,000	149,215	374,215
2016	235,000	139,726	374,726
2017	245,000	129,705	374,705
2018-2022	1,405,000	474,715	1,879,715
2023-2026	1,370,000	129,080	1,499,080
	<u>\$ 3,905,000</u>	<u>\$ 1,347,197</u>	<u>\$ 5,252,197</u>

TEXAS SOUTHMOST COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2012 and 2011

8. Bonds Payable (Continued)

Combined Fee Revenue Refunding and Improvement Bonds, Series 2006

- To be used to refund Revenue Bonds 2002 to wit \$4,775,000 and to acquire land, construct and renovate buildings
- Issued refunding and improvement bonds on May 1, 2006
- \$6,590,000 all authorized bonds have been issued
- Source of revenue for debt service-Tuition fees, parking fees, net proceeds of the bookstore, interest and other investment earnings

Bonds payable are due in annual installments varying from \$180,000 to \$430,000 with interest at 3.60% to 4.55% and the final installment due August 2031.

<u>For the year ended August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 195,000	\$ 252,496	\$ 447,496
2014	205,000	244,794	449,794
2015	215,000	236,491	451,491
2016	225,000	227,569	452,569
2017	230,000	218,006	448,006
2018-2022	1,310,000	930,891	2,240,891
2023-2027	1,640,000	607,485	2,247,485
2028-2031	1,610,000	191,254	1,801,254
	<u>\$ 5,630,000</u>	<u>\$ 2,908,986</u>	<u>\$ 8,538,986</u>

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

Bonds payable are due in annual installments varying from \$70,000 to \$145,000 with interest at 4.25% to 4.75% and the final installment due August 2027.

<u>For the year ended August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 75,000	\$ 70,671	\$ 145,671
2014	80,000	67,378	147,378
2015	85,000	63,871	148,871
2016	90,000	60,130	150,130
2017	90,000	56,260	146,260
2018-2022	525,000	216,685	741,685
2023-2027	660,000	81,154	741,154
	<u>\$ 1,605,000</u>	<u>\$ 616,149</u>	<u>\$ 2,221,149</u>

TEXAS SOUTHMOST COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2012 and 2011

8. Bonds Payable (Continued)

Limited Tax Bond, Series 2007

- To be used for the construction and equipment of school buildings and the purchase of necessary sites
- Issued tax bonds June 15, 2007
- \$14,000,000, 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 \$245,000 to \$1,160,000 with interest at 4.25% to 4.75% and the final installment due August 2032.

<u>For the year ended August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 465,000	\$ 552,770	\$ 1,017,770
2014	545,000	531,308	1,076,308
2015	575,000	507,508	1,082,508
2016	585,000	482,711	1,067,711
2017	905,000	450,676	1,355,676
2018-2022	1,190,000	2,008,638	3,198,638
2023-2027	2,480,000	1,654,885	4,134,885
2028-2032	5,245,000	682,375	5,927,375
	<u>\$ 11,990,000</u>	<u>\$ 6,870,871</u>	<u>\$ 18,860,871</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

Bonds payable are due in annual installments varying from \$185,000 to \$375,000 with interest at 4.10% to 4.42% and the final installment due August 2028.

<u>For the year ended August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 200,000	\$ 178,413	\$ 378,413
2014	205,000	170,313	375,313
2015	215,000	161,913	376,913
2016	225,000	153,113	378,113
2017	235,000	143,913	378,913
2018-2022	1,315,000	568,471	1,883,471
2023-2027	1,625,000	263,061	1,888,061
2028	375,000	8,203	383,203
	<u>\$ 4,395,000</u>	<u>\$ 1,647,400</u>	<u>\$ 6,042,400</u>

TEXAS SOUTHMOST COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2012 and 2011

8. Bonds Payable (Continued)

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

Bonds payable are due in annual installments varying from \$25,000 to \$860,000 with interest at 4.25% to 4.65% and the final installment due August 2032.

<u>For the year ended August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 110,000	\$ 165,066	\$ 275,066
2014	110,000	160,666	270,666
2015	115,000	156,166	271,166
2016	130,000	151,266	281,266
2017	140,000	145,866	285,866
2018-2022	215,000	696,170	911,170
2023-2027	2,150,000	456,867	2,606,867
2028-2032	700,000	140,833	840,833
2033	195,000	4,509	199,509
	<u>\$ 3,865,000</u>	<u>\$ 2,077,409</u>	<u>\$ 5,942,409</u>

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

Bonds payable are due in annual installments varying from \$130,000 to \$245,000 with interest at 3.0% to 4.625% and the final installment due February 2029.

<u>For the year ended August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 140,000	\$ 114,663	\$ 254,663
2014	140,000	110,638	250,638
2015	145,000	106,269	251,269
2016	150,000	101,475	251,475
2017	155,000	93,131	248,131
2018-2022	880,000	384,808	1,264,808
2023-2027	780,000	191,548	971,548
2028-2029	480,000	22,432	502,432
	<u>\$ 2,870,000</u>	<u>\$ 1,124,964</u>	<u>\$ 3,994,964</u>

TEXAS SOUTHMOST COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2012 and 2011

8. Bonds Payable (Continued)

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

Bonds payable are due in annual installments varying from \$70,000 to \$355,000 with interest at 3% to 5% and the final installment due August 2034.

<u>For the year ended August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 260,000	\$ 109,300	\$ 369,300
2014	290,000	101,050	391,050
2015	310,000	92,050	402,050
2016	335,000	82,375	417,375
2017	355,000	72,025	427,025
2018-2022	375,000	296,800	671,800
2023-2027	270,000	223,789	493,789
2028-2032	545,000	133,876	678,876
2033-2034	255,000	12,875	267,875
	<u>\$ 2,995,000</u>	<u>\$ 1,124,140</u>	<u>\$ 4,119,140</u>

9. 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 Texas Southmost College District contributes to the Teacher Retirement System of Texas (TRS), a cost sharing, multiple employer defined benefit pension plan. TRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems of Texas. It operates primarily under the provision of the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C. The Texas state legislature has the authority to establish and amend benefit provisions of the pension plan. TRS issues a publically available financial report with required supplementary information which can be obtained from www.trs.state.tx.us, under the TRS Publications heading.

TEXAS SOUTHMOST COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2012 and 2011

9. **Employees' Retirement Plan** (Continued)

Teacher Retirement System of Texas (Continued)

Funding Policy

Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. The State funding policy is as follows: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and State contribution rate of not less than 6.0% and not more than 10% of the aggregate annual compensation of all members of the system; (2) A State statute prohibits benefit improvements or contribution reductions if, as a result of the particular action, the time required to amortize TRS' 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. State law provides for a member contribution rate of 6.4% for fiscal year 2012, 2011, and 2010, and a state contribution rate of 6.00% for fiscal year 2012 and 6.644% for fiscal years 2011 and 2010. In certain instances the reporting district is required to make all or a portion of the state's 6.00% contribution for fiscal year 2012 and 6.644% for fiscal years 2011 and 2010.

Optional Retirement Plan

Plan Description

The state has also established an optional retirement program for institutions of higher education. 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 State legislature. The percentages of participant salaries contributed by the state are 6.00% in fiscal year 2012 and 6.40% in fiscal years 2011 and 2010. Participant contribution rate for fiscal years 2012, 2011, and 2010 was 6.65%. 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 \$54,198, \$39,616 and \$52,474 for the fiscal years ended August 31, 2012, 2011, and 2010, 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 \$903,297, \$596,273 and \$819,905 for fiscal years 2012, 2011, and 2010, respectively. The total payroll of employees covered by the Teacher Retirement System was \$647,547, \$596,273 and \$740,719 for the fiscal years 2012, 2011, and 2010, respectively, and the total payroll of employees covered by the Optional Retirement Program was \$255,750, \$0.00 and \$79,186 for fiscal years 2012, 2011, and 2010, respectively.

TEXAS SOUTHMOST COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2012 and 2011

10. 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, 2012, the District did not have any employees participating in a deferred compensation program.

11. 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 532 for those employees with 35 or more years of service. 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. The District recognized the accrued liability for the unpaid annual leave for in the amounts of \$64,096 and \$56,673 for August 31, 2012 and 2011. Sick leave, which is accumulated without limit, is earned at the rate of 8 hours per month. It is paid to an employee who misses work from an illness or to the estate of an employee in the event of his/her death. A deceased employee's estate is entitled to payment for unused annual leave if the employee had at least six months of continuous, state employment at the time of death. 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.

12. Pending Lawsuits and Claims

On August 31, 2012, 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.

13. Disaggregation of Receivables and Payables Balances

Receivables

Receivables at August 31, were as follows:

	2012	2011
Taxes receivable	\$ 2,603,260	\$ 2,659,971
Federal receivable	94,842	141,082
Accounts receivable	888,379	150,191
Donations receivable	530,374	786,568
Accrued interest receivable	-	-
Other receivable - due from Cameron County	34,984	59,002
Other receivable - due from UTB	7,968,289	19,089,380
Subtotal	12,120,128	22,886,194
Allowance for doubtful accounts	(269,531)	(272,367)
Total Receivables	\$ 11,850,597	\$ 22,613,827

TEXAS SOUTHMOST COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2012 and 2011

13. Disaggregation of Receivables and Payables Balances (Continued)

Payables

Payables at August 31, were as follows:

	2012	2011
Vendors payable	\$ 249,243	\$ 215,358
Other payables - due to UTB	1,283,367	768,718
Total Payables	\$ 1,532,610	\$ 984,076

14. 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 2012 and 2011, for which monies have not been received, nor expended.

15. Self-Insured Plans

The District has various self-insured arrangements for coverage in the areas of employee health insurance, worker's compensation, unemployment compensation, and medical liability. Employee health and medical liability plans are funded. Worker's compensation and unemployment compensation plans are on a pay-as-you-go basis, in which no assets are set aside. Accrued liabilities are generally based on actuarial valuation and represent the present value of unpaid expected claims. Estimated future payments for incurred claims are charged to current operations.

16. Post Retirement Health Care and Life Insurance Benefits

In addition to providing pension benefits, the state provides certain health care and life insurance benefits for retired employees. Almost all of the employees may become eligible for those benefits if they reach normal retirement age while working for the state. Those and similar benefits for active employees are provided through an insurance company whose premiums are based on benefits paid during the previous year. Since the on-behalf payments are made directly to the retirement plan by the State, the District would recognize the payments as revenues and expenses on its financial statements. However, at August 31, 2012 the District did not have any retired employees participating in post-retirements health care and life insurance benefits.

TEXAS SOUTHMOST COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2012 and 2011

17. 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:

	2012	2011
Assessed valuation of the District	\$ 11,882,764,349	\$ 11,737,622,400
Less:		
Exemptions	1,033,040,067	1,014,942,939
Abatements	-	-
Net assessed valuation of the District	<u>\$ 10,849,724,282</u>	<u>\$ 10,722,679,461</u>

	2012		
	Current Operations	Debt Service	Total
Authorized tax rate per \$100 valuation	<u>\$ 0.350000</u>	<u>\$ 0.500000</u>	<u>\$ 0.850000</u>
Assessed tax rate per \$100 valuation	<u>\$ 0.103723</u>	<u>\$ 0.060303</u>	<u>\$ 0.164026</u>

	2011		
	Current Operations	Debt Service	Total
Authorized tax rate per \$100 valuation	<u>\$ 0.350000</u>	<u>\$ 0.500000</u>	<u>\$ 0.850000</u>
Assessed tax rate per \$100 valuation	<u>\$ 0.103871</u>	<u>\$ 0.058552</u>	<u>\$ 0.162423</u>

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, 2012 and 2011 amounted to \$17,462,677 and \$17,416,098, 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.

	2012		
<u>Taxes Collected</u>	Current Operations	Debt Service	Total
Current taxes collected	\$ 10,360,795	\$ 6,086,398	\$ 16,447,193
Delinquent taxes collected	664,483	323,622	988,105
Penalties and interest collected	357,518	184,137	541,655
Less discounts and commissions	<u>(327,475)</u>	<u>(189,724)</u>	<u>(517,199)</u>
Total Collections	<u>\$ 11,055,321</u>	<u>\$ 6,404,433</u>	<u>\$ 17,459,754</u>

TEXAS SOUTHMOST COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2012 and 2011

17. Ad Valorem Tax (Continued)

<u>Taxes Collected</u>	2011		
	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>
Current taxes collected	\$ 10,277,825	\$ 5,855,041	\$ 16,132,866
Delinquent taxes collected	611,242	284,337	895,579
Penalties and interest collected	349,232	171,041	520,273
Less discounts and commissions	(320,131)	(179,516)	(499,647)
Total Collections	<u>\$ 10,918,168</u>	<u>\$ 6,130,903</u>	<u>\$ 17,049,071</u>

Tax collections for the years ended August 31, 2012 and 2011 were 94.18% and 92.63%, 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.

18. 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, 2012, and 2011.

19. 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.

20. Restricted Assets

As of August 31, 2012 and 2011, the balances of the restricted assets are as follows:

	<u>2012</u>	<u>2011</u>
Endowment	\$ 9,242	\$ 8,559
Scholarships	2,173,774	1,910,849
Federal awards	25,615	15,926
Restricted contributions - arts center	571,340	310,377
General obligation - debt service	2,716,908	2,716,908
Revenue bond - debt service	6,934,164	6,824,109
Revenue bond - construction account	2,792,995	2,800,465
	<u>\$ 15,224,038</u>	<u>\$ 14,587,193</u>

TEXAS SOUTHMOST COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2012 and 2011

21. Construction Commitments

At August 31, 2012 and 2011, the Texas Southmost College District had the following construction commitments:

	2012	2011
MRC N/S chilled water piping replacement	\$ -	\$ 389,250
	\$ -	\$ 389,250

22. Grants and Contract Contingencies

The District participates in various grant programs that are governed by various rules and regulations of the grantor agencies. All grants and contracts of the District are passed through to the University of Texas – Brownsville in accordance with the partnership agreement between the two schools. UTB meets all the characteristics of a subrecipient as outlined in Circular A-133 however; it is not being treated as a subrecipient because the partnership agreement is intended to allow UTB to act for and on behalf of the District. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent UTB has not complied with the rules and regulations governing the grants, the District would be held accountable and any refund of money received may be required and the collectability of any related receivable may be impaired. In the opinion of the District’s management, 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 financial statements for such contingencies.

23. 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. It remitted unrestricted gifts of \$95,399 and \$126,865, to UTB during the years ended August 31, 2012 and 2011, respectively. The District furnished certain services, such as office space, utilities and some staff assistance, at no cost to the Foundation.

24. Excess Interest and Rebatable 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 \$39,243 and \$42,617, which are reported as part of accrued expenses on these financial statements for the fiscal years ended 2012 and 2011, respectively.

25. Post Employment Benefits Other than Pensions

The District does not participate in any post employment benefits.

TEXAS SOUTHMOST COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2012 and 2011

26. Contingencies

Texas Constitution article 16, section 67(b)(3) provides that the State of Texas must contribute “not less than six percent nor more than ten percent of the aggregate compensation paid to individuals participating in the system”, referring to the State’s Teacher Retirement System (TRS) including the related faculty Optional Retirement Program (ORP).

During the 2011 legislative session, the Texas legislature appropriated retirement funds for various types of educational institutions other than community and junior colleges in satisfaction of this requirement, but the community college appropriations restricted the State’s contribution to TRS/ORP on behalf of community colleges to only six percent of each district’s unrestricted General Revenue appropriation for each year of the biennium state budget.

There is no pending litigation concerning this issue to construe the constitutional funding requirements; or to hold that the State biennium appropriations satisfy those requirements; or to attempt to collect any shortfall contributions from any community college district.

27. Subsequent Events

The University of Texas System has passed a resolution to dissolve the partnership between the University of Texas at Brownsville and the Texas Southmost College District. Under the terms of the partnership agreement, the dissolution would take place over a five-year period, beginning with the fiscal year ended August 31, 2011. The District reports that discussions between the University of Texas System and the District continue, concerning the transition out of the current partnership agreement and possible future agreements between UT System and the District. What new agreements, if any, might result, and how this dissolution will affect the District is not immediately known.

SUPPLEMENTARY SECTION

TEXAS SOUTHMOST COLLEGE DISTRICT
Schedule of Operating Revenues
For the Year Ended August 31, 2012 and 2011

	Unrestricted	Restricted	Total Educational Activities	Auxiliary Enterprises	2012 Total	2011 Total
Tuition:						
State funded credit courses:						
In-district resident tuition	\$ 6,597,612	\$ -	\$ 6,597,612	\$ -	\$ 6,597,612	\$ 7,632,463
Out-of-district resident tuition	1,341,596	-	1,341,596	-	1,341,596	1,510,617
Non-resident tuition	2,701,187	-	2,701,187	-	2,701,187	2,576,707
TPEG - credit (set aside)*	512,564	-	512,564	-	512,564	571,817
State funded continuing education						
TPEG - non-credit (set aside)*	-	-	-	-	-	-
Non-state funded educational programs	-	-	-	-	-	-
Total Tuition	<u>11,152,959</u>	<u>-</u>	<u>11,152,959</u>	<u>-</u>	<u>11,152,959</u>	<u>12,291,604</u>
Fees:						
Distance learning fee	-	-	-	-	-	-
Installment plan fees	-	-	-	-	-	-
Non-instructional contract training fees	24,058,206	1,616,530	25,674,736	1,872,408	27,547,144	29,775,096
Prior year tuition and fees	-	-	-	-	-	-
Total Fees	<u>24,058,206</u>	<u>1,616,530</u>	<u>25,674,736</u>	<u>1,872,408</u>	<u>27,547,144</u>	<u>29,775,096</u>
Scholarship Allowances and Discounts:						
Remissions and exemptions - state	-	-	-	-	-	-
Remissions and exemptions - local	(2,824,602)	-	(2,824,602)	-	(2,824,602)	(2,713,740)
Reduced tuition pilot	(95,000)	-	(95,000)	-	(95,000)	(95,000)
Other federal grants	-	-	-	-	-	-
TPEG awards	(380,295)	-	(380,295)	-	(380,295)	(518,243)
UTB Commitments	(2,704,964)	-	(2,704,964)	-	(2,704,964)	(3,002,066)
Other state grants	-	-	-	-	-	-
Rising star program	-	-	-	-	-	-
Other local grants	-	-	-	-	-	-
Total Scholarship Allowances	<u>(6,004,861)</u>	<u>-</u>	<u>(6,004,861)</u>	<u>-</u>	<u>(6,004,861)</u>	<u>(6,329,049)</u>
Total Net Tuition and Fees	<u>29,206,304</u>	<u>1,616,530</u>	<u>30,822,834</u>	<u>1,872,408</u>	<u>32,695,242</u>	<u>35,737,651</u>
Additional Operating Revenues:						
Federal grants and contracts	-	1,248,768	1,248,768	-	1,248,768	1,438,868
State grants and contracts	-	2,927,641	2,927,641	-	2,927,641	3,816,154
Local grants and contracts	-	552,828	552,828	-	552,828	523,780
Non-governmental grants and contracts	-	-	-	-	-	-
Sales and services of educational activities	-	-	-	-	-	-
General operating revenues	10,802	-	10,802	-	10,802	371,205
Total Additional Operating Revenues	<u>10,802</u>	<u>4,729,237</u>	<u>4,740,039</u>	<u>-</u>	<u>4,740,039</u>	<u>6,150,007</u>
Auxiliary Enterprises:						
Bookstore	-	-	-	-	-	-
Less discounts	-	-	-	-	-	-
Food service	-	-	-	-	-	-
Center for educational telecommunications	-	-	-	-	-	-
Business incubation center	-	-	-	-	-	-
Student programs	-	-	-	530,769	530,769	633,527
Net Bookstore	-	-	-	<u>530,769</u>	<u>530,769</u>	<u>633,527</u>
Food service	-	-	-	-	-	-
Facilities rentals	-	-	-	-	-	-
Total Net Auxiliary Enterprises	<u>-</u>	<u>-</u>	<u>-</u>	<u>530,769</u>	<u>530,769</u>	<u>633,527</u>
Total Operating Revenues	<u>\$ 29,217,106</u>	<u>\$ 6,345,767</u>	<u>\$ 35,562,873</u>	<u>\$ 2,403,177</u>	<u>\$ 37,966,050</u>	<u>\$ 42,521,185</u>
					(Exhibit 2)	(Exhibit 2)

* In accordance with Education Code 56.003, \$512,564 and \$571,817 of tuition was set aside for Texas Public Education Grants (TPEG) for the years ended August 31, 2012 and 2011, respectively.

TEXAS SOUTHMOST COLLEGE DISTRICT
 Schedule of Operating Expenses by Object
 For the Year Ended August 31, 2012 and 2011

	Operating Expenses				2012 Total	2011 Total
	Salaries and Wages	State Benefits	Local Benefits	Other Expenses		
Unrestricted - Educational Activities						
Instruction	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public service	-	-	-	-	-	-
Academic support	-	-	-	-	-	-
Student services	-	-	-	-	-	-
Institutional support	879,595	-	140,590	3,704,081	4,724,266	3,174,850
Operation and maintenance of plant	-	-	-	59,282	59,282	1,212,864
Scholarships and fellowships	-	-	-	-	-	-
Contract services - UTB	-	-	-	47,403,368	47,403,368	53,195,529
Total Unrestricted Educational Activities	<u>879,595</u>	<u>-</u>	<u>140,590</u>	<u>51,166,731</u>	<u>52,186,916</u>	<u>57,583,243</u>
Restricted - Educational Activities						
Instruction	-	-	-	-	-	-
Public service	-	-	-	-	-	-
Academic support	-	-	-	-	-	-
Student services	-	-	-	-	-	-
Institutional support	-	-	-	-	-	-
Operation and maintenance of plant	-	-	-	-	-	-
Scholarships and fellowships	-	-	-	-	-	-
Total Restricted Educational Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Educational Activities	879,595	-	140,590	51,166,731	52,186,916	57,583,243
Auxiliary Enterprises	34,643	-	7,092	374,021	415,756	977,643
Depreciation Expense						
Buildings and other real estate improvements	-	-	-	3,199,040	3,199,040	3,170,284
Equipment and furniture	-	-	-	250,355	250,355	267,262
Total Operating Expenses	<u>\$ 914,238</u>	<u>\$ -</u>	<u>\$ 147,682</u>	<u>\$ 54,990,147</u>	<u>\$ 56,052,067</u> (Exhibit 2)	<u>\$ 61,998,432</u> (Exhibit 2)

TEXAS SOUTHMOST COLLEGE DISTRICT
Schedule of Non-Operating Revenues and Expenses
For the Year Ended August 31, 2012 and 2011

	Unrestricted	Restricted	Auxiliary Enterprises	2012 Total	2011 Total
Non-Operating Revenues					
State Appropriations:					
Education and general state support	\$ 11,320,102	\$ -	\$ -	\$ 11,320,102	\$ 12,245,588
State group insurance	-	-	-	-	-
State retirement matching	-	-	-	-	-
Professional nursing shortage reduction	-	-	-	-	-
Total State allocations	<u>11,320,102</u>	<u>-</u>	<u>-</u>	<u>11,320,102</u>	<u>12,245,588</u>
Ad valorem taxes:					
Maintenance ad valorem taxes	11,055,321	-	-	11,055,321	10,918,168
Debt service ad valorem taxes	6,404,433	-	-	6,404,433	6,130,903
Gifts	-	-	-	-	-
Investment income	29,942	60,111	-	90,053	46,076
Gain (Loss) on sale of investments	14,463	-	-	14,463	9,270
Title IV federal grants	-	-	-	-	-
Other non-operating revenue	<u>329,965</u>	<u>-</u>	<u>-</u>	<u>329,965</u>	<u>12,780</u>
Total Non-Operating Revenues	<u>29,154,226</u>	<u>60,111</u>	<u>-</u>	<u>29,214,337</u>	<u>29,362,785</u>
Non-Operating Expenses					
Interest on capital related debt	4,316,289	-	-	4,316,289	4,447,165
(Gain) Loss on sale of capital assets	45,073	-	-	45,073	664,308
Allowance for uncollectible expense	-	-	-	-	139,368
Other non-operating expenses	<u>125,442</u>	<u>-</u>	<u>-</u>	<u>125,442</u>	<u>127,437</u>
Total Non-Operating Expenses	<u>4,486,804</u>	<u>-</u>	<u>-</u>	<u>4,486,804</u>	<u>5,378,278</u>
Net Non-Operating Revenues	<u>\$ 24,667,422</u>	<u>\$ 60,111</u>	<u>\$ -</u>	<u>\$ 24,727,533</u> (Exhibit 2)	<u>\$ 23,984,507</u> (Exhibit 2)

TEXAS SOUTHMOST COLLEGE DISTRICT
Schedule of Net Assets by Source and Availability
For the Year Ended August 31, 2012
(With Memorandum Totals for the Year Ended August 31, 2011)

	Detail by Source				Current Year Total
	Unrestricted	Restricted		Capital Assets Net of Depreciation and Related Debt	
		Expendable	Non-Expendable		
Current					
Unrestricted	\$ 11,403,364	\$ -	\$ -	\$ -	\$ 11,403,364
Board designated	-	-	-	-	-
Restricted	-	2,488,244	-	-	2,488,244
Auxiliary enterprises	729,118	-	-	-	729,118
Loan	36,782	-	-	-	36,782
Endowment:					
Quasi:					
Unrestricted	-	-	-	-	-
Restricted	-	86,424	-	-	86,424
Endowment:					
True	-	-	-	-	-
Term (per instructions at maturity)	-	-	-	-	-
Life income contracts	-	-	-	-	-
Annuities	-	-	-	-	-
Plant:					
Unexpended	-	9,104,734	-	-	9,104,734
Renewals	-	1,110,318	-	-	1,110,318
Debt Service	-	10,427,268	-	-	10,427,268
Investment in Plant	-	-	-	61,512,027	61,512,027
Total Net Assets, August 31, 2012	12,169,264	23,216,988	-	61,512,027	96,898,279
Total Net Assets, August 31, 2011	7,864,865	21,094,114	-	61,297,681	90,256,660
Adjustment to net assets	103	-	-	-	103
Net Increase (Decrease) in Net Assets	\$ 4,304,296	\$ 2,122,874	\$ -	\$ 214,346	\$ 6,641,516

(Continued on page 58.)

SCHEDULE D

TEXAS SOUTHMOST COLLEGE DISTRICT
 Schedule of Net Assets by Source and Availability
 For the Year Ended August 31, 2012 - CONTINUED
 (With Memorandum Totals for the Year Ended August 31, 2011)

	Available for Current Operations		Prior Year Total	Available for Current Operations	
	Yes	No		Yes	No
Current					
Unrestricted	\$ 11,403,364	\$ -	\$ 7,254,841	\$ 7,254,841	\$ -
Board designated	-	-	-	-	-
Restricted	-	2,488,244	2,085,546	-	2,085,546
Auxiliary enterprises	729,118	-	573,333	573,333	-
Loan	36,782	-	36,691	36,691	-
Endowment:					
Quasi:					
Unrestricted	-	-	-	-	-
Restricted	-	86,424	71,278	-	71,278
Endowment:					
True	-	-	-	-	-
Term (per instructions at maturity)	-	-	-	-	-
Life income contracts	-	-	-	-	-
Annuities	-	-	-	-	-
Plant:					
Unexpended	-	9,104,734	8,329,870	-	8,329,870
Renewals	-	1,110,318	604,605	-	604,605
Debt Service	-	10,427,268	10,002,815	-	10,002,815
Investment in Plant	-	61,512,027	61,297,681	-	61,297,681
Total Net Assets, August 31, 2012	12,169,264	84,729,015	90,256,660	7,864,865	82,391,795
Total Net Assets, August 31, 2011	7,351,688	78,458,819	85,810,507	7,351,688	78,458,819
Adjustment to net assets	103	-	(61,107)	-	(61,107)
Net Increase (Decrease) in Net Assets	\$ 4,817,473	\$ 6,270,196	\$ 4,507,260	\$ 513,177	\$ 3,994,083

(Continued from page 57.)

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	60
<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	62
<i>These schedules contain information to help the reader assess the District's most significant local revenue source, the property tax.</i>	
Debt Capacity	68
<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	72
<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	73
<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 I
Net Assets by Component
Fiscal Years 2003 to 2012
(unaudited)

	For the Fiscal Year Ended August 31,									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Invested in capital assets, net of related debt	\$61,512,027	\$61,297,681	\$61,085,182	\$56,521,297	\$50,940,113	\$49,258,626	\$43,849,871	\$25,473,960	\$42,646,742	\$36,019,942
Restricted - expendable	23,216,988	21,094,114	17,373,637	18,296,679	15,823,635	12,132,932	8,913,884	27,725,294	7,701,986	10,608,833
Unrestricted	12,169,264	7,864,865	7,351,688	7,320,953	5,804,727	2,095,813	3,162,896	2,645,572	2,720,170	2,508,789
Total primary government net assets	\$ 96,898,279	\$ 90,256,660	\$ 85,810,507	\$ 82,138,929	\$ 72,568,475	\$ 63,487,371	\$ 55,926,651	\$ 55,844,826	\$ 53,068,898	\$ 49,137,564

Note: Due to reporting format and definition changes prescribed by GASB Statement 34, only fiscal years 2003-2012 are available.

Texas Southmost College District
Statistical Supplement 2
Revenues by Source
Fiscal Years 2003 to 2012
(unaudited)

	For the Year Ended August 31,									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Tuition and Fees (Net of Discounts)	\$32,695,242	\$35,737,651	\$31,738,816	\$26,843,900	\$25,917,215	\$26,948,039	\$23,754,562	\$19,399,841	\$15,309,239	\$6,112,863
Governmental Grants and Contracts										
Federal Grants and Contracts	1,248,768	1,438,868	875,766	1,970,939	787,249	774,059	916,007	869,082	1,005,612	14,057,456
State Grants and Contracts	2,927,641	3,816,154	4,648,058	4,430,696	3,371,048	3,099,683	3,073,616	2,571,007	2,473,345	3,081,108
Local Grants and Contracts	552,828	523,780	442,644	439,772	363,885	305,541	391,678	433,976	59,098	-
Non-Governmental Grants and Contracts	0	0	0	0	0	0	0	0	1,393,286	4,759,617
Auxiliary enterprises	530,769	633,527	492,167	445,716	390,990	347,361	345,640	336,811	547,432	742,322
Other Operating Revenues	10,802	371,205	307,138	419,588	240,523	45,750	45,550	57,235	201,051	236,688
Total Operating Revenues	37,966,050	42,521,185	38,504,589	34,550,611	31,070,910	31,520,433	28,527,053	23,667,952	20,989,063	28,990,054
State Appropriations	11,320,102	12,245,588	13,770,382	13,983,572	14,153,928	12,628,144	12,270,602	10,843,232	12,016,457	12,768,785
Ad Valorem Taxes	17,459,754	17,049,071	16,787,201	16,480,318	15,318,499	13,767,626	12,234,865	9,085,985	8,466,056	7,692,138
Investment income	104,516	55,346	192,016	918,907	3,172,984	3,128,813	2,093,733	689,732	401,080	446,359
Other non-operating revenues	329,965	12,780	482,710	1,646,207	63,581	113,496	515,930	84,552	611,005	-
Total Non-Operating Revenues	29,214,337	29,362,785	31,232,309	33,029,004	32,708,992	29,638,079	27,115,130	20,703,501	21,494,598	20,907,282
Total Revenues	\$ 67,180,387	\$ 71,883,970	\$ 69,736,898	\$ 67,579,615	\$ 63,779,902	\$ 61,158,512	\$ 55,642,183	\$ 44,371,453	\$ 42,483,661	\$ 49,897,336

	For the Year Ended August 31,									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Tuition and fees (net of discounts)	48.67%	49.72%	45.51%	39.72%	40.64%	44.06%	42.69%	43.72%	36.04%	12.25%
Governmental grants and contracts										
Federal grants and contracts	1.86%	2.00%	1.26%	2.92%	1.23%	1.27%	1.65%	1.96%	2.37%	28.17%
State grants and contracts	4.36%	5.31%	6.67%	6.56%	5.29%	5.07%	5.52%	5.79%	5.82%	6.17%
Local grants and contracts	0.82%	0.73%	0.63%	0.65%	0.57%	0.50%	0.70%	0.98%	0.14%	0.00%
Non-governmental grants and contracts	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	3.28%	9.54%
Auxiliary enterprises	0.79%	0.88%	0.71%	0.66%	0.61%	0.57%	0.62%	0.76%	1.29%	1.49%
Other operating revenues	0.02%	0.52%	0.44%	0.62%	0.38%	0.07%	0.08%	0.13%	0.47%	0.47%
Total Operating Revenues	56.51%	59.15%	55.21%	51.13%	48.72%	51.54%	51.27%	53.34%	49.41%	58.10%
State appropriations	16.85%	17.04%	19.75%	20.69%	22.19%	20.65%	22.05%	24.44%	28.28%	25.59%
Ad valorem taxes	25.99%	23.72%	24.07%	24.39%	24.02%	22.51%	21.99%	20.48%	19.93%	15.42%
Investment income	0.16%	0.08%	0.28%	1.36%	4.97%	5.12%	3.76%	1.55%	0.94%	0.89%
Other non-operating revenues	0.49%	0.02%	0.69%	2.44%	0.10%	0.19%	0.93%	0.19%	1.44%	0.00%
Total Non-Operating Revenues	43.49%	40.85%	44.79%	48.87%	51.28%	48.46%	48.73%	46.66%	50.59%	41.90%
Total Revenues	100.00%	100.00%	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 2003-2012 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 2002 to 2011
(unaudited)

For the Year Ended August 31,										
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Instruction	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$13,700,777
Research	-	-	-	-	-	-	-	-	-	-
Public service	-	-	-	-	-	-	-	-	-	649,697
Academic support	-	-	-	-	-	-	-	-	-	4,076,422
Student services	-	-	-	-	-	-	-	-	-	4,896,742
Institutional support	4,724,266	3,174,850	2,567,414	2,325,216	2,581,761	2,066,398	1,742,062	1,675,074	1,763,905	6,730,881
Operation and maintenance of plant	59,282	1,212,864	2,873,577	1,349,966	892,107	1,225,773	1,296,191	1,110,738	1,280,925	3,375,284
Scholarships and fellowships	-	-	-	-	-	-	-	-	-	5,668,667
Auxiliary enterprises	415,756	977,643	830,403	928,790	683,044	614,980	686,733	526,633	1,183,702	1,556,738
Depreciation	3,449,395	3,437,546	3,411,362	2,065,902	2,069,769	2,221,288	2,181,910	1,478,895	1,327,481	1,257,306
Contracted services with UTB	47,403,368	53,195,529	51,661,026	46,763,146	44,254,372	43,854,678	40,662,560	35,814,126	32,626,780	-
Total Operating Expenses	56,052,067	61,998,432	61,343,782	53,433,020	50,481,053	49,983,117	46,569,456	40,605,466	38,182,793	41,912,514
Interest on capital related debt	4,316,289	4,447,165	4,582,811	4,432,353	4,115,261	3,506,956	2,415,978	961,286	912,383	1,652,778
Other non-operating expenses	170,412	992,220	138,726	143,789	102,484	107,719	54,050	28,773	23,322	-
Total Non-Operating Expenses	4,486,701	5,439,385	4,721,537	4,576,142	4,217,745	3,614,675	2,470,028	990,059	935,705	1,652,778
Total Expenses	\$ 60,538,768	\$ 67,437,817	\$ 66,065,319	\$ 58,009,162	\$ 54,698,798	\$ 53,597,792	\$ 49,039,484	\$ 41,595,525	\$ 39,118,498	\$ 43,565,292

For the Year Ended August 31,										
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Instruction	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	31.45%
Research	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Public service	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	1.49%
Academic support	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	9.36%
Student services	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	11.24%
Institutional support	7.80%	4.71%	3.89%	4.01%	4.72%	3.86%	3.55%	4.03%	4.51%	15.45%
Operation and maintenance of plant	0.10%	1.80%	4.35%	2.33%	1.63%	2.29%	2.64%	2.67%	3.27%	7.75%
Scholarships and fellowships	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	13.01%
Auxiliary enterprises	0.69%	1.45%	1.26%	1.60%	1.25%	1.15%	1.40%	1.27%	3.03%	3.57%
Depreciation	5.70%	5.10%	5.16%	3.56%	3.78%	4.14%	4.45%	3.56%	3.39%	2.89%
Contracted services with UTB	78.30%	78.88%	78.20%	80.61%	80.91%	81.82%	82.92%	86.10%	83.40%	0.00%
Total Operating Expenses	92.59%	91.93%	92.85%	92.11%	92.29%	93.26%	94.96%	97.62%	97.61%	96.21%
Interest on capital related debt	7.13%	6.59%	6.94%	7.64%	7.52%	6.54%	4.93%	2.31%	2.33%	3.79%
Loss on disposal of fixed assets	0.28%	1.47%	0.21%	0.25%	0.19%	0.20%	0.11%	0.07%	0.06%	0.00%
Total Non-Operating Expenses	7.41%	8.07%	7.15%	7.89%	7.71%	6.74%	5.04%	2.38%	2.39%	3.79%
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										
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Total governmental activities	\$ 6,641,619	\$ 4,446,153	\$ 3,671,579	\$ 9,570,453	\$ 9,081,104	\$ 7,560,720	\$ 6,602,699	\$ 2,775,928	\$ 3,365,163	\$ 6,332,044

Note: Due to reporting format and definition changes prescribed by GASB Statement 34, only fiscal years 2002-2009 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 Student																			
Academic Year (Fall)	In-District Tuition	Out-of-District Tuition	Building Use	Student Service	Student Union (per student)	Computer Use	Records Fee (per student)	Automated (per student)	Advising (per student)	Library Fee	International Education (per student)	Medical Services (per student)	Student Recreation (per student)	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	
2011	50	50	100.65	12	45.30	12	10	45	50	5	2	24.20	79	7	2,495	2,495	4.72%	4.72%	
2010	50	50	91.47	12	45.30	12	10	45	50	5	2	22.00	79	7	2,383	2,383	4.82%	4.82%	
2009	50	50	82.50	12	45.30	12	10	45	50	5	2	20.00	79	7	2,273	2,273	4.41%	4.41%	
2008	50	50	77.50	12	45.30	12	10	45	50	4	2	20.00	79	5	2,177	2,177	27.43%	12.43%	
2007	31	50	66	12	41.56	11	10	30	50	3	2	20.00	79	-	1,709	1,937	6.75%	5.91%	
2006	31	50	58	12	41.56	10	10	30	50	3	2	20.00	79	-	1,601	1,829	16.70%	14.32%	
2005	31	50	44	10	41.56	10	10	30	25	2	2	20.00	79	-	1,372	1,600	16.77%	14.05%	
2004	29	48	38	10	41.56	10	10	30	25	2	-	-	-	-	1,175	1,403	20.28%	17.61%	
2003	28	46	32	10	41.56	5	5	30	-	-	-	-	-	-	977	1,193	12.43%	12.45%	
2002	26	42	25	10	41.56	5	5	30	-	-	-	-	-	-	869	1,061	3.28%	0.34%	

Non - Resident Fees per Semester Credit Hour (SCH) and per Student																			
Academic Year (Fall)	Non-District Tuition Out of State	Non-Resident Tuition International	Building Use	Student Service	Student Union (per student)	Computer Use	Records Fee (per student)	Automated (per student)	Advising (per student)	Library Fee	International Education (per student)	Medical Services Fees (per student)	Student Recreation (per student)	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	
2011	363	363	100.65	12	45.30	12	10	45	50	5	2	24.20	79	7	6,251	6,251	2.43%	2.43%	
2010	360	360	91.47	12	45.30	12	10	45	50	5	2	22.00	79	7	6,103	6,103	9.03%	9.03%	
2009	327	327	82.50	12	45.30	12	10	45	50	5	2	20.00	79	7	5,597	5,597	0.86%	0.86%	
2008	331	331	77.50	12	45.30	12	10	45	50	4	2	20.00	79	5	5,549	5,549	5.25%	5.25%	
2007	328	328	66	12	41.56	11	10	30	50	3	2	20.00	79	-	5,273	5,273	2.81%	2.81%	
2006	325	325	58	12	41.56	10	10	30	50	3	2	20.00	79	-	5,129	5,129	4.42%	4.42%	
2005	326	326	44	10	41.56	10	10	30	25	2	2	20.00	79	-	4,912	4,912	9.18%	9.18%	
2004	306	306	38	10	41.56	10	10	30	25	2	-	-	-	-	4,499	4,499	11.78%	11.78%	
2003	282	282	32	10	41.56	5	5	30	-	-	-	-	-	-	4,025	4,025	8.76%	8.76%	
2002	262	262	25	10	41.56	5	5	30	-	-	-	-	-	-	3,701	3,701	3.11%	3.11%	

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)				Direct Rate			
	Assessed Valuation of Real and Personal Property	Less: Exemptions	Taxable Assessed Value (TAV)	Ratio of Taxable Assessed Value to Assessed Value	Maintenance & Operations (a)	Debt Service (a)	Total (a)	
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	
2006-07	9,771,062	984,237	8,786,825	89.93%	0.109955	0.051134	0.161089	
2005-06	8,461,197	797,979	7,663,218	90.57%	0.109161	0.053611	0.162772	
2004-05	7,737,975	700,869	7,037,106	90.94%	0.111825	0.016957	0.128782	
2003-04	6,861,888	608,059	6,253,829	91.14%	0.112041	0.019359	0.131400	
2002-03	6,370,266	560,124	5,810,142	91.21%	0.110120	0.021280	0.131400	

Source: Cameron County Appraisal District

Notes: Property is assessed at full market 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
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
2006-07	12,468	6,405	1,947	2,849	1,148	3,997	3.12
2005-06	12,270	5,661	2,167	2,654	1,097	3,751	3.27
2004-05	10,842	5,253	2,064	2,705	965	3,671	2.95
2003-04	10,843	4,955	2,188	2,667	939	3,606	3.01
2002-03	10,840	4,537	2,389	2,409	1,039	3,449	3.14

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 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)									
		2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
AEP TEXAS CENTRAL CO	Utility	\$ 35,034	\$ 39,309	\$ 26,655	\$ 25,479	\$ 23,371	\$ 27,168	\$ 31,920	\$ 31,920	\$ 22,661	\$ 21,481
AT&T	Utility	-	-	-	33,477	37,525	36,176	36,855	36,855	34,793	38,577
BROWNSVILLE MEDICAL CENTER	Service	-	-	-	-	-	-	-	-	-	15,826
CAMERON ACQUISITIONS LLC	Land	-	29,212	24,840	40,500	-	-	-	-	-	-
CBL/SUNRISE COMMONS LP	Retail	38,734	38,870	38,904	38,923	38,923	38,706	36,468	36,468	30,351	-
COLUMBIA VALLEY HEALTHCARE SYS LP	Service	29,339	29,349	31,461	31,461	31,461	35,014	35,078	35,078	35,078	34,121
H E BUTT GROCERY CO	Retail	-	-	-	-	-	17,265	-	17,765	17,881	18,014
KEPPEL AMFELS	Shipyards	-	-	27,235	24,559	-	16,018	16,018	16,018	16,498	15,058
KIMCO BROWNSVILLE LP	Real Estate	-	-	-	-	18,113	-	-	-	-	-
RICH-SEAPAK CORP	Food Processor	22,140	32,572	27,674	28,450	-	-	19,963	-	-	-
SAPPHIRE VP LP	Real Estate	39,146	48,718	62,483	34,675	-	-	-	-	-	-
SOUTHWESTERN BELL TELE	Utility	23,996	26,787	31,284	-	-	-	-	-	-	-
TEXAS AND KANSAS CITY CABLE PARTNERS	Service	-	-	-	-	-	-	15,594	-	15,662	15,479
TITAN WHEEL INTERNATIONAL INC	Manufacturing	-	-	-	-	22,912	23,765	20,201	20,201	31,030	36,538
TRANSMONTAIGNE PRODUCT SERVICE INC	Petroleum Products	28,005	27,691	-	-	17,726	15,887	-	-	-	-
TRICO PRODUCTS CORP	Manufacturing	33,508	26,889	29,364	33,603	36,443	39,557	36,507	36,507	30,380	28,303
WAL-MART REAL ESTATE BUSINESS TR	Retail	22,190	-	-	-	-	-	-	-	-	-
WAL-MART STORES EAST INC	Retail	-	-	-	-	-	-	15,841	15,841	-	-
WAL-MART STORES INC	Retail	24,228	24,055	24,855	22,778	23,207	20,393	-	17,364	18,162	17,532
WAL-MART STORES TEXAS LP	Retail	-	-	-	-	17,315	-	-	-	-	-
Totals		\$ 296,320	\$ 323,452	\$ 324,755	\$ 291,127	\$ 226,474	\$ 249,556	\$ 248,604	\$ 230,812	\$ 234,334	\$ 223,397
Total Taxable Assessed Value		\$ 10,849,724	\$ 10,722,679	\$ 10,526,537	\$ 10,440,912	\$ 9,738,707	\$ 8,786,825	\$ 7,663,218	\$ 7,037,106	\$ 6,253,829	\$ 5,810,142

Taxpayer	Type of Business	% of Taxable Assessed Value (TAV) by Tax Year									
		2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
AEP TEXAS CENTRAL CO	Utility	0.32%	0.37%	0.25%	0.24%	0.24%	0.31%	0.42%	0.45%	0.36%	0.37%
AT&T	Utility	-	-	-	0.32%	0.39%	0.41%	0.48%	0.52%	0.56%	0.66%
BROWNSVILLE MEDICAL CENTER	Service	-	-	-	-	-	-	-	-	-	0.27%
CAMERON ACQUISITIONS LLC	Land	-	0.27%	0.24%	0.39%	-	-	-	-	-	-
CBL/SUNRISE COMMONS LP	Retail	0.36%	0.36%	0.37%	0.37%	0.40%	0.44%	0.48%	0.52%	0.49%	-
COLUMBIA VALLEY HEALTHCARE SYS LP	Service	-	0.27%	0.30%	0.30%	0.32%	0.40%	0.46%	0.50%	0.56%	0.59%
H E BUTT GROCERY CO	Retail	-	-	-	-	-	0.20%	-	0.25%	0.29%	0.31%
KEPPEL AMFELS	Shipyards	-	-	-	0.24%	-	0.18%	0.21%	0.23%	0.26%	0.26%
KIMCO BROWNSVILLE LP	Real Estate	-	-	-	-	0.19%	-	-	-	-	-
RICH-SEAPAK CORP	Food Processor	-	0.30%	0.26%	0.27%	-	-	0.26%	-	-	-
SAPPHIRE VP LP	Real Estate	0.36%	0.45%	0.59%	0.33%	-	-	-	-	-	-
SOUTHWESTERN BELL TELE	Utility	0.22%	0.25%	0.30%	-	-	-	-	-	-	-
TEXAS AND KANSAS CITY CABLE PARTNERS	Service	-	-	-	-	-	-	0.20%	-	0.25%	0.27%
TITAN WHEEL INTERNATIONAL INC	Manufacturing	-	-	-	-	0.24%	0.27%	0.26%	0.29%	0.50%	0.63%
TRANSMONTAIGNE PRODUCT SERVICE INC	Petroleum Products	0.26%	-	-	-	0.18%	0.18%	-	-	-	-
TRICO PRODUCTS CORP	Manufacturing	0.31%	-	-	0.32%	0.37%	0.45%	0.48%	0.52%	0.49%	0.49%
WAL-MART REAL ESTATE BUSINESS TR	Retail	0.20%	-	-	-	-	-	-	-	-	-
WAL-MART STORES EAST INC	Retail	-	-	-	-	-	-	-	-	-	-
WAL-MART STORES INC	Retail	0.22%	0.22%	0.23%	0.22%	0.24%	0.23%	0.00%	0.25%	0.29%	0.30%
WAL-MART STORES TEXAS LP	Retail	-	-	-	-	0.00%	-	-	-	-	-
Totals		2.73%	3.02%	3.09%	2.79%	2.33%	2.84%	3.24%	3.28%	3.75%	3.84%

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
2012	\$ 17,462,677	\$ 15,063	\$ 17,477,740	\$ 16,622,407	95.11%			\$ 16,622,407	95.11%
2011	17,119,086	(50,066)	17,069,020	16,188,556	94.84%		457,456	16,646,012	97.52%
2010	16,701,520	93,172	16,794,692	15,875,009	94.52%	463,505	175,318	16,513,832	98.33%
2009	16,647,944	(31,635)	16,616,309	15,730,757	94.67%	593,907	97,904	16,422,568	98.83%
2008	15,360,034	(22,039)	15,337,995	14,498,634	94.53%	643,595	52,799	15,195,028	99.07%
2007	13,817,049	(83,467)	13,733,582	12,940,923	94.23%	648,231	31,422	13,620,576	99.18%
2006	12,262,774	(59,467)	12,203,307	11,481,393	94.08%	605,290	17,601	12,104,284	99.19%
2005	9,062,544	(54,717)	9,007,827	8,485,978	94.21%	455,015	7,449	8,948,442	99.34%
2004	8,171,491	90,048	8,261,539	7,768,246	94.03%	435,196	4,507	8,207,949	99.35%
2003	7,634,474	(12,906)	7,621,568	7,132,350	93.58%	436,140	3,530	7,572,020	99.35%

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)

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
General Bonded Debt										
General obligation bonds	\$ 70,505	\$ 73,275	\$ 75,775	\$ 78,000	\$ 72,440	\$ 64,000	\$ 49,490	\$ 22,280	\$ 3,600	\$ 4,590
Notes	-	-	-	-	-	-	-	-	-	-
Less: Funds restricted for debt service	-	-	-	-	-	-	-	-	-	-
Net general bonded debt	\$ 70,505	\$ 73,275	\$ 75,775	\$ 78,000	\$ 72,440	\$ 64,000	\$ 49,490	\$ 22,280	\$ 3,600	\$ 4,590
Other Debt										
Revenue bonds	\$ 23,915	\$ 24,900	\$ 25,845	\$ 26,765	\$ 27,645	\$ 28,495	\$ 28,890	\$ 13,715	\$ 13,220	\$ 13,505
Notes	-	-	-	-	-	-	-	-	-	-
Capital lease obligations	-	-	-	-	-	-	-	-	-	-
Total Outstanding Debt	\$ 94,420	\$ 98,175	\$ 101,620	\$ 104,765	\$ 100,085	\$ 92,495	\$ 78,380	\$ 35,995	\$ 16,820	\$ 18,095
General Bonded Debt Ratios										
Per Capita	\$ 354.72	\$ 368.66	\$ 381.23	\$ 392.43	\$ 364.46	\$ 321.99	\$ 248.99	\$ 112.09	\$ 18.11	\$ 23.09
Per FTSE	12,660	13,158	13,607	14,006	13,008	11,492	8,887	4,001	646	824
As a percentage of Taxable Assessed Value	0.65%	0.68%	0.70%	0.72%	0.67%	0.59%	0.46%	0.21%	0.03%	0.04%
Total Outstanding Debt Ratios										
Per Capita	\$ 475.04	\$ 493.93	\$ 511.26	\$ 527.09	\$ 503.54	\$ 465.36	\$ 394.34	\$ 181.10	\$ 84.62	\$ 91.04
Per FTSE	16,955	17,629	18,247	18,812	17,972	16,609	14,074	6,463	3,020	3,249
As a percentage of Taxable Assessed Value	0.87%	0.90%	0.94%	0.97%	0.92%	0.85%	0.72%	0.33%	0.16%	0.17%

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)									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Taxable Assessed Value	\$ 10,849,724	\$ 10,722,679	\$ 10,526,537	\$ 10,440,911	\$ 9,738,707	\$ 8,786,826	\$ 7,663,218	\$ 7,037,107	\$ 6,253,830	\$ 5,810,141
General Obligation Bonds										
Statutory Tax Levy Limit for Debt Service	54,249	53,613	52,633	52,205	48,694	43,934	38,316	35,186	31,269	29,051
Less: Funds Restricted for Repayment of General Obligation Bonds										
Total Net General Obligation Debt	54,249	53,613	52,633	52,205	48,694	43,934	38,316	35,186	31,269	29,051
Current Year Debt Service Requirements	2,770	2,500	2,225	1,690	1,560	1,490	2,570	1,125	990	380
Excess of Statutory Limit for Debt Service over Current Requirements	\$ 51,479	\$ 51,113	\$ 50,408	\$ 50,515	\$ 47,134	\$ 42,444	\$ 35,746	\$ 34,061	\$ 30,279	\$ 28,671
Net Current Requirements as a % of Statutory Limit	5.11%	4.68%	4.23%	3.24%	3.20%	3.39%	6.71%	3.20%	3.17%	1.31%

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 Income	Parking Fees	Investment Income	Student Rec Center		Principal	Interest	Total	Coverage Ratio
	Fees	Tuition	Fees				Total					
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	
2007	1,075	397	145	281	278	2,086	4,262	395	1,444	1,839	2.32	
2006	1,043	341	133	345	267	2,113	4,242	295	1,046	1,341	3.16	
2005	1,017	320	170	346	354	-	2,208	380	650	1,030	2.14	
2004	1,023	302	124	326	320	-	2,095	285	751	1,036	2.02	
2003	960	280	183	308	380	-	2,111	225	795	1,020	2.07	

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 Personal Income (a) (thousands of dollars)	***Cameron County Personal Income Per Capita	****Cameron County Unemployment Rate
2011	198,762	N/A	N/A	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%
2007	187,979	3,696,982,993	19,667	6.0%
2006	187,679	3,483,134,561	18,559	6.6%
2005	183,675	3,197,781,750	17,410	7.5%
2004	179,028	3,042,401,832	16,994	8.7%
2003	173,533	2,829,976,164	16,308	9.5%
2002	167,553	2,687,885,226	16,042	9.0%

Sources:

*District Population from U.S. Census Bureau.

Note: City Population data available from U.S. Census Bureau within the district boundaries were totaled for District Population.

**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: 414,123 (U.S. Census Bureau)

***Cameron County Personal Income from U.S. Bureau of Economic Analysis.
<http://www.bea.gov/beahome.html>

**** Unemployment Rate from Texas Association of Counties

Cameron County Unemployment Rate from Texas Association of Counties (Cameron County Profile).

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

N/A - Not Available

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

2012		
Employer	Employees	**Percentage of Total Employment
Brownsville ISD	7,708	11.35%
UTB/TSC	2,343	3.45%
Cameron County	2,040	3.00%
AMFELS	1,650	2.43%
City of Brownsville	1,200	1.77%
Wal-Mart	1,055	1.55%
HEB Food Stores	975	1.44%
Valley Regional Medical Center	786	1.16%
Valley Baptist Medical Center - Brownsville	738	1.09%
Convergys's Corp	623	0.92%
Total	19,118	28.15%

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: 67,921

Note: Employer data was not available for Los Fresnos ISD and Point Isabel ISD.

2010		
Employer	Employees	**Percentage of Total Employment
Brownsville ISD	8,186	13.47%
AMFELS	706	1.16%
UTB/TSC	2,481	4.08%
Cameron County	1,600	2.63%
Wal-Mart	1,152	1.90%
City of Brownsville	1,200	1.98%
Convergys's Corp	720	1.19%
HEB Food Stores	765	1.26%
Valley Regional Medical Center	800	1.32%
Valley Baptist Medical Center - Brownsville	910	1.50%
Total	18,520	30.48%

Source:

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

**Brownsville Total Employment - Texas Workforce Commission. <http://www.texasworkforce.org/>

Percentage of Total Employment was calculated using Brownsville 2009 Annual Employment. <http://www.texasworkforce.org/>

Brownsville Total Employment: 60,756

Note: Employer data was not available for Los Fresnos ISD and Point Isabel ISD.

2011		
Employer	Employees	**Percentage of Total Employment
Brownsville ISD	7,434	12.33%
UTB/TSC	2,386	3.96%
Cameron County	2,076	3.44%
AMFELS	1,300	2.16%
City of Brownsville	1,178	1.95%
Wal-Mart	1,174	1.95%
HEB Food Stores	975	1.62%
Valley Regional Medical Center	757	1.26%
Valley Baptist Medical Center - Brownsville	717	1.19%
Convergys's Corp	623	1.03%
Total	18,620	30.87%

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 2009 Annual Employment. <http://www.texasworkforce.org/>

Brownsville Total Employment: 60,309

Note: Employer data was not available for Los Fresnos ISD and Point Isabel ISD.

2009		
Employer	Employees	**Percentage of Total Employment
Brownsville ISD	8,200	14.07%
AMFELS	1,907	3.27%
UTB/TSC	2,407	4.13%
Cameron County	1,900	3.26%
Wal-Mart	1,123	1.93%
City of Brownsville	1,179	2.02%
Convergys's Corp	720	1.24%
HEB Food Stores	970	1.66%
Valley Regional Medical Center	710	1.22%
Valley Baptist Medical Center - Brownsville	920	1.58%
Total	20,036	34.48%

Source:

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

**Brownsville Total Employment - Texas Workforce Commission. <http://www.texasworkforce.org/>

Percentage of Total Employment was calculated using Brownsville 2008 Annual Employment. <http://www.texasworkforce.org/>

Brownsville Total Employment: 58,270

Note: Employer data was not available for Los Fresnos ISD and Point Isabel ISD.

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

		Fiscal Year									
		2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Faculty											
	Full-Time	0	0	0	0	0	0	0	0	0	0
	Part-Time	0	0	0	0	0	0	0	0	0	0
	Total	0	0	0	0	0	0	0	0	0	0
Percent											
	Full-Time	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	Part-Time	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Staff and Administrators											
	Full-Time	17	15	19	18	17	15	14	10	12	19
	Part-Time	1	1	5	6	5	6	3	5	9	46
	Total	18	16	24	24	22	21	17	15	21	65
Percent											
	Full-Time	94.4%	93.8%	79.2%	75.0%	77.3%	71.4%	82.4%	66.7%	57.1%	29.2%
	Part-Time	5.6%	6.3%	20.8%	25.0%	22.7%	28.6%	17.6%	33.3%	42.9%	70.8%
FTSE per Full-time Faculty		0	0	0	0	0	0	0	0	0	0
FTSE per Full-Time Staff Member		327.6	384.6	313.8	320.4	369.8	427.0	404.4	525.3	412.9	238.8
Average Annual Faculty Salary		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

Notes:

Per Partnership agreement with The University of Texas at Brownsville (UTB), all faculty and staff, with the exceptions noted above, are employees of UTB therefore, instruction and administration for the College are conducted by UTB.

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

	Fall 2011		Fall 2010		Fall 2009		Fall 2008		Fall 2007	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Gender										
Female	5,889	56.07%	6,287	59.86%	7,709	58.42%	7,949	58.93%	8,171	58.14%
Male	4,614	43.93%	4,756	45.28%	5,486	41.58%	5,541	41.07%	5,884	41.86%
Total	<u>10,503</u>	<u>100.00%</u>	<u>11,043</u>	<u>105.14%</u>	<u>13,195</u>	<u>100.00%</u>	<u>13,490</u>	<u>100.00%</u>	<u>14,055</u>	<u>100.00%</u>

	Fall 2011		Fall 2010		Fall 2009		Fall 2008		Fall 2007	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Ethnic Origin										
White/Non-Hispanic	4,391	41.81%	1,411	13.43%	431	3.27%	391	2.90%	492	3.50%
Black/Non-Hispanic	62	0.59%	57	0.54%	36	0.27%	36	0.27%	31	0.22%
Hispanic	5,650	53.79%	9,106	86.70%	12,247	92.82%	12,609	93.47%	13,036	92.75%
Asian or Pacific Islander	118	1.12%	83	0.79%	60	0.45%	54	0.40%	71	0.51%
American Indian or Alaskan Native	108	1.03%	68	0.65%	7	0.05%	8	0.06%	11	0.08%
Non-Resident Aliens or Foreign Natl.	138	1.31%	251	2.39%	350	2.65%	320	2.37%	362	2.58%
Not Reported	36	0.34%	67	0.64%	64	0.49%	72	0.53%	52	0.37%
Total	<u>10,503</u>	<u>100.00%</u>	<u>11,043</u>	<u>105.14%</u>	<u>13,195</u>	<u>100.00%</u>	<u>13,490</u>	<u>100.00%</u>	<u>14,055</u>	<u>100.00%</u>

	Fall 2011		Fall 2010		Fall 2009		Fall 2008		Fall 2007	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Age										
Under 18	1,471	14.01%	2,176	20.72%	4,746	35.97%	5,564	41.25%	5,305	37.74%
18 -21	4,380	41.70%	4,365	41.56%	4,117	31.20%	3,927	29.11%	4,401	31.31%
22 - 24	1,504	14.32%	1,455	13.85%	1,425	10.80%	1,338	9.92%	1,489	10.59%
25 - 35	2,200	20.95%	2,069	19.70%	2,000	15.16%	1,854	13.74%	1,961	13.95%
36 - 50	808	7.69%	840	8.00%	792	6.00%	711	5.27%	765	5.44%
51 & over	140	1.33%	138	1.31%	115	0.87%	96	0.71%	134	0.95%
Total	<u>10,503</u>	<u>100.00%</u>	<u>11,043</u>	<u>105.14%</u>	<u>13,195</u>	<u>100.00%</u>	<u>13,490</u>	<u>100.00%</u>	<u>14,055</u>	<u>100.00%</u>

Average Age	24	21	21	21	21
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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 2012.

**Texas Southmost College District
Statistical Supplement 17
Transfers to Senior Institutions
2010 Fall Students as of Fall 2011
(Includes only public senior colleges in Texas)**

	Transfer Student Count	Transfer Student Count	Transfer Student Count	Total Acad/Tech Transfer Students	Percent Acad/Tech Transfer Students
University of Texas - Brownsville	1,612	53	58	1,723	75.31%
University of Texas - Pan American	93	9	6	108	4.72%
University of Texas - Austin	105	2	0	107	4.68%
University of Texas - San Antonio	73	2	1	76	3.32%
Texas A&M University - College Station	63	1	2	66	2.88%
Texas State University	64	0	0	64	2.80%
Texas A&M University - Kingsville	40	5	1	46	2.01%
Texas A&M University - Corpus Christi	13	0	1	14	0.61%
University of Houston - University Park	13	0	0	13	0.57%
University of North Texas	13	0	0	13	0.57%
University of Texas - Permian Basin	2	0	0	2	0.09%
Stephen F. Austin State University	1	0	0	1	0.04%
Texas Tech University	9	0	0	9	0.39%
University of Texas - Arlington	6	0	1	7	0.31%
Sam Houston State University	6	0	0	6	0.26%
University of Texas - Tyler	2	0	0	2	0.09%
Texas A&M International University	0	0	0	0	0.00%
Texas Women's University	2	0	0	2	0.09%
University of Houston - Downtown	0	1	0	1	0.04%
University of Texas - Dallas	3	0	0	3	0.13%
Sul Ross State University	1	0	0	1	0.04%
Texas A&M University - San Antonio	1	0	0	1	0.04%
Texas A&M University - Galveston	1	0	0	1	0.04%
Texas A&M University - Texarkana	0	0	0	0	0.00%
Prairie View A&M University	1	0	0	1	0.04%
University of Texas - El Paso	1	0	0	1	0.04%
Baylor College of Medicine - Academics	0	0	0	0	0.00%
Lamar University Institute of Technology	1	0	0	1	0.04%
Midwestern State University	0	0	0	0	0.00%
Sul Ross State University - Rio Grande College	0	0	0	0	0.00%
Tarleton State University	0	0	0	0	0.00%
Texas A&M University System Health Science Center	1	0	0	1	0.04%
Texas Southern University	4	0	0	4	0.17%
Texas Tech University Health Science Center	0	0	0	0	0.00%
University of Houston - Clear Lake	0	0	0	0	0.00%
University of Houston - Victoria	0	0	0	0	0.00%
University of North Texas Health Science Center	1	0	0	1	0.04%
University of Texas Health Science Center - Houston	3	1	0	4	0.17%
University of Texas Health Science Center - San Antonio	5	0	1	6	0.26%
University of Texas Medial Branch Galveston	2	0	0	2	0.09%
University of Texas Southwestern Medical Center - Dallas	0	0	0	0	0.00%
West Texas A&M University	0	1	0	1	0.04%
Totals	2,142	75	71	2,288	100.00%

**Texas Southmost College District
Statistical Supplement 18
Capital Asset Information
Fiscal Years 2008 to 2012**

	Fiscal Year				
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Academic buildings	24	24	23	22	19
Square footage (in thousands)	1058	1058	999	942	827
Libraries	2	2	2	2	1
Square footage (in thousands)	130	130	130	130	85
Number of Volumes (in thousands)	1083	264	298	300	320
Administrative and support buildings	26	26	23	22	22
Square footage (in thousands)	614	614	559	540	588
Dormitories	1	1	1	1	1
Square footage (in thousands)	140	140	94	94	94
Number of Beds	459	459	334	334	334
Apartments	64	66	66	66	11
Square footage (in thousands)	67	68	72	72	65
Number of beds	140	140	140	140	108
Dining Facilities	0	0	0	0	0
Square footage (in thousands)	0	0	0	0	0
Average daily customers	0	0	0	0	0
Athletic Facilities	3	3	3	3	2
Square footage (in thousands)	138	138	138	138	29
Stadiums	0	0	0	0	0
Gymnasiums	2	2	2	2	1
Fitness Centers	1	1	1	1	0
Tennis Court	1	1	1	1	1
Plant facilities	7	7	7	6	5
Square footage (in thousands)	49	49	49	46	45
Transportation					
Cars	7	7	8	10	14
Light Trucks/Vans	50	50	57	66	64
Buses	2	2	2	2	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 2012.

SINGLE AUDIT SECTION

SCHEDULE E

TEXAS SOUTHMOST COLLEGE DISTRICT

**Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2012**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Pass-Through Disbursements and Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
<i>Pass-through from Texas Department of Human Services:</i>			
<i>Pass-through to University of Texas - Brownsville</i>			
Child Care Food Program	10.558	75G7033	\$ 45,250
Total U.S. Department of Agriculture			<u>45,250</u>
U.S. DEPARTMENT OF ENERGY			
<i>Passed Through from Texas Comptroller of Public Accounts</i>			
<i>Passed Through to University of Texas - Brownsville:</i>			
ARRA - State Energy Conservation Office-Distributed			
Renewable Energy Program	81.128	-	<u>802,036</u>
Total U.S. Department of Health and Human Services			<u>802,036</u>
U.S. DEPARTMENT OF EDUCATION			
<i>Passed through Texas Higher Education Coordinating Board:</i>			
<i>Pass-through to University of Texas - Brownsville:</i>			
Carl Perkins Vocational Education - Basic	84.048	84246	<u>329,081</u>
Total U.S. Department of Education			<u>329,081</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Pass-through from Texas Migrant Authority, Inc.:</i>			
<i>Pass-through to University of Texas - Brownsville</i>			
Child Day Care Center	93.667	031-0006	<u>72,401</u>
Total U.S. Department of Health and Human Services			<u>72,401</u>
Total Federal Financial Assistance			<u>\$ 1,248,768</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, 2012

<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	\$ 1,248,768
Federal revenue received by University of Texas at Brownsville	<u>21,824,151</u>
 Total Federal Revenues	 <u>\$ 23,072,919</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

The following federal funds were not subject to a federal single audit:

<u>Program Name</u>	Amount
84.063 - Federal Pell Grant Program	\$ 21,264,293
84.007 - SEOG	226,507
84.033 - Federal Work Study Program	<u>333,351</u>
	 <u>\$ 21,824,151</u>

These were not subject to federal single audit because the University of Texas - Brownsville receives certain federal funds which are disbursed to Texas Southmost College students. These funds are audited as part of UTB's audit and are not included above.

Note 4: Student Loans Processed and Administrative Costs Recovered

There were no student loans processed or administrative costs recovered.

Note 5: Non-monetary Federal Assistance Received

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

TEXAS SOUTHMOST COLLEGE DISTRICT

Notes to Schedule of Expenditures of Federal Awards
 For the Year Ended August 31, 2012
 (Continued)

Note 6: Amounts Passed Through by the District

Under a partnership agreement with the University of Texas - Brownsville (UTB), UTB agreed to receive, administer, spend and comply with the grant requirements of all federal grants. All expenditures presented in the schedule were passed-through to UTB. UTB meets all the characteristics of a subrecipient as outlined in Circular A-133; however, it is not being treated as a subrecipient because the partnership agreement is intended to allow UTB to act for and on behalf of the District.

The following amounts were passed-through to the listed subrecipients by the District. These amounts were from the Endowment College Grant program, CFDA 84.031 from U.S. Department of Education. Under the grant's guidelines, the corpus plus 50% of the aggregate earnings were restricted for a 20 year period ending June 2009. Funds are now unrestricted.

84.031 - Title III Endowment College Grant Program	\$ <u>6,257,886</u>
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TEXAS SOUTHMOST COLLEGE DISTRICT

Schedule of Expenditures of State Awards
For the Year Ended August 31, 2012

Grantor Agency/ Program Title	Grant Contract Number	Expenditures
TEXAS HIGHER EDUCATION COORDINATING BOARD		
<i>Pass-through to University of Texas - Brownsville</i>		
Texas Grant Program	-	\$ 971,272
Texas Early High School Grant	-	84,604
Texas College Work Study	-	48,788
Texas Educational Opportunity Grant	-	327,230
Top 10%	-	80,000
Nursing Shortage Reduction Grant	-	12,478
Focus Grant	-	33,100
Total pass-through Texas Higher Education Coordinating Board		<u>\$ 1,557,472</u>
TEXAS WORKFORCE COMMISSION		
<i>Pass-through to University of Texas - Brownsville</i>		
Skills Development Fund	-	77,132
Skills Small business Fund	-	1,440
Total pass-through Texas Higher Education Coordinating Board		<u>\$ 78,572</u>
Total State Financial Assistance		<u>\$ 1,636,044</u>
<u>Note 1: State Assistance Reconciliation</u>		
State Revenues - Per Schedule A		
State Financial Assistance per Schedule of Expenditures of State Awards		\$ 1,636,044
Lease payments from University of Texas - Brownsville		<u>1,291,597</u>
Total State Revenues per Schedule A		<u>\$ 2,927,641</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.

Note 3: Subrecipients

Under a partnership agreement with the University of Texas - Brownsville (UTB), UTB agreed to receive, administer, spend and comply with the grant requirements of all state grants. All of the expenditures presented in the schedule were passed-through to UTB. UTB meets all the characteristics of a subrecipient as outlined in State Single Audit Circular, however, it is not being treated as a subrecipient because the partnership agreement is intended to allow UTB to act for and on behalf of the District.



**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 the financial statements of the Texas Southmost College District, as of and for the year ended August 31, 2012 and 2011 and have issued our report thereon dated January 7, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of Texas Southmost College District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Texas Southmost College District's internal control over financial reporting as a basis for designing our auditing procedures 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 District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Texas Southmost College District's internal control over financial reporting.

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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Texas Southmost College District's financial statements are free of 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 District's compliance with the requirements of the Public Funds Investment Act. During the year ended August 31, 2012, no instances of noncompliance were found. However, providing an opinion on compliance with the Public Funds Investment Act was not an objective of our audit, and accordingly, we do not express an opinion.

This report is intended solely for the information and use of the audit committee, the board of trustees, management, others within the entity, the Texas Higher Education Coordinating Board, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Pattillo, Brown & Hill, LLP.

January 7, 2013



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

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL
EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

Compliance

We have audited the Texas Southmost College District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Texas Southmost College District's major federal programs for the year ended August 31, 2012. Texas Southmost College District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Texas Southmost College District's management. Our responsibility is to express an opinion on the Texas Southmost College District's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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. An audit includes examining, on a test basis, evidence about the Texas Southmost College District'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. Our audit does not provide a legal determination of the Texas Southmost College District's compliance with those requirements.

In our opinion, the Texas Southmost College District, complied, in all material respects, with the 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, 2012.

Internal Control Over Compliance

Management of the Texas Southmost College District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Texas Southmost College District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 the Texas Southmost College District'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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the audit committee, the board of trustees, management, others within the entity, the Texas Higher Education Coordinating Board, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Patricia Bonville, C.P.A.

January 7, 2013

TEXAS SOUTHMOST COLLEGE DISTRICT

**Schedule of Findings and Questioned Costs
For the Year Ended August 31, 2012**

I. Summary of Auditors' Results

Type of auditors' report on financial statements:	Unqualified.
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	Unqualified.
Findings and questioned costs for federal awards as defined in Section 501(a), OMB Circular A-133 and the State of Texas Single Audit Circular	No
Dollar threshold considered between Type A and Type B federal programs	\$300,000
Dollar threshold considered between Type A and Type B state programs	\$300,000
Low risk auditee statement	Yes
Major federal programs	Career and Technical Education - Basic Grants to States - Perkins IV (CFDA #84.048) ARRA - Energy Efficiency and Conservation Block Grant Program (CFDA #81.128)
Major state program	Texas Grant Program

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

TEXAS SOUTHMOST COLLEGE DISTRICT

**Summary Schedule of Prior Audit Findings
For the Year Ended August 31, 2012**

V. Prior Findings and Questioned Costs for Federal and State Awards

None.

TEXAS SOUTHMOST COLLEGE DISTRICT

**Corrective Action Plan
For the Year Ended August 31, 2012**

Not applicable.