



# **TEXAS SOUTHMOST COLLEGE**

**Brownsville, Texas**

**Comprehensive Annual Financial Report**

**Fiscal Year Ended August 31, 2011**



**TEXAS SOUTHMOST  
COLLEGE DISTRICT**

**COMPREHENSIVE  
ANNUAL FINANCIAL REPORT**

**AUGUST 31, 2011**

# TEXAS SOUTHMOST COLLEGE DISTRICT

## TABLE OF CONTENTS

	<u>Page Number</u>
<b>INTRODUCTORY SECTION</b>	
Transmittal Letter	2
GFOA Certificate of Achievement	7
Organizational Chart	8
Organizational Data	9
<b>FINANCIAL SECTION</b>	
Independent Auditors' Report on Financial Statements	11
Management's Discussion and Analysis	13
Basic Financial Statements	
Exhibit 1 - Statement of Net Assets	26
Exhibit 2 - Statement of Revenues, Expenses and Changes in Net Assets	27
Exhibit 3 - Statement of Cash Flows	28
Notes to Financial Statements	31
<b>SUPPLEMENTARY SECTION</b>	
Schedule A - Schedule of Operating Revenues	54
Schedule B - Schedule of Operating Expenses by Object	55
Schedule C - Schedule of Non-Operating Revenues and Expenses	56
Schedule D - Schedule of Net Assets by Source and Availability	57
<b>STATISTICAL SECTION</b>	
Net Assets by Component	60
Revenues by Source	61
Program Expenses by Function	62
Tuition and Fees	63
Assessed Value and Taxable Assessed Value of Property	65
State Appropriation per FTSE and Contact Hour	66
Principal Taxpayers	67
Property Tax Levies and Collections	68
Ratios of Outstanding Debt	69
Legal Debt Margin Coverage	70
Pledged Revenue Coverage	71
Demographic and Economic Statistics - Taxing District	72
Principal Employers	73
Faculty, Staff and Administrator's Statistics	74
Enrollment Details	75
Student Profile	76
Transfers to Senior Institutions	77
Capital Asset Information	78
<b>SINGLE AUDIT SECTION</b>	
Schedule E - Schedule of Expenditures of Federal Awards	80
Schedule F - Schedule of Expenditures of State Awards	83
Independent Auditors' Report on Interanal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	84

**TEXAS SOUTHMOST COLLEGE DISTRICT**

**TABLE OF CONTENTS**

(Continued)

	<b><u>Page Number</u></b>
<b>SINGLE AUDIT SECTION</b> (Continued)	
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 and the State of Texas Single Audit Circular	86
Schedule of Findings and Questions Costs - Federal/State Awards	88
Summary Schedule of Prior Audit Findings	89
Corrective Action Plan	90

# **INTRODUCTORY SECTION**



# TEXAS SOUTHMOST COLLEGE DISTRICT

80 Fort Brown ♦ Brownsville, Texas 78520 ♦ (956) 882-3879 ♦ Fax (956) 882-8811

January 19, 2012

To the Members of the Board of Trustees, Administration, Taxpayers of the Texas Southmost College District and to the citizens of the Texas Southmost College service area:

The comprehensive annual financial report of the Texas Southmost College for the fiscal year ended August 31, 2011 is hereby submitted. The purpose of this report is to provide detailed information concerning the financial condition and performance of the College. Responsibility for the preparation and integrity of the financial information and fairness of the presentation, including disclosures, rests with the management of the College. To the best of our knowledge, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the College. All disclosures necessary to enable the reader to gain an understanding of the College's financial activities have been included.

The financial statements are prepared in accordance with Generally Accepted Accounting Principles (GAAP) as established by the Financial Accounting Standards Board (FASB) and the Governmental Accounting Standards Board (GASB) and comply with Annual Financial Requirements for Texas Public Community and Junior Colleges as set forth by the Texas Higher Education Coordinating Board (THECB). The Notes to the Financial Statements are provided in the financial section and are considered essential to fair presentation and adequate disclosure for this financial report. The Notes include the Summary of Significant Accounting Policies for the College and other necessary disclosures of important matters relating to the financial position of the College. The notes are an integral part of the financial statements and should be read in conjunction with them. Further, this letter of transmittal and the financial statements should be read in conjunction with the Management's Discussion and Analysis (pages 13 - 25) which focuses on the current activities, decisions, and currently known facts to provide an overview of the financial statements and reasons for significant changes from the prior year.

The College's financial statements, as of and for the years ended August 31, 2011 and August 31, 2010, have been audited by Pattillo, Brown & Hill, LLP, a firm of licensed certified public accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the College, for the years then ended, are free from material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and, evaluating the overall financial statement presentation. The independent auditors concluded based upon the audit; that there was a reasonable basis for rendering an unqualified opinion that the College's financial statements for the year ended August 31, 2011 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The College is required to undergo an annual federal single audit in conformity with the provisions of the Single Audit Act Amendments of 1996, and U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and an annual state single audit in conformity with the Texas Governor's Office of Budget and Planning *Uniform Grant Management Standards Single Audit Circular*. Information related to these single audits, including the schedule of federal expenditures of awards, schedule of state expenditures of awards, and auditor's reports' on compliance and on internal controls is included in the federal and state single audit sections of this report.

## **Organization of the College**

The idea of a junior college campus in Brownsville was once only a vision in the minds of community leaders. This vision began the journey to reality in the spring of 1926 when a committee was formed and the support of the School Board and various community organizations was obtained to form a junior college.

In August of 1926, the School Board voted to install the junior college and named it The Junior College of the Lower Rio Grande Valley. On September 21, 1926, The Junior College of the Lower Rio Grande Valley opened its doors and the College's five faculty members welcomed 84 students to the first classes held at the Brownsville High School. In 1931, The Junior College of the Lower Rio Grande Valley was renamed Brownsville Junior College. Classes would continue to be taught and graduation ceremonies would continue to be held at the Brownsville High School until 1948 when Brownsville Junior College was located on its own campus, the historic Fort Brown.

To say that the College has grown in the past 80 years is an understatement. The College has grown both in terms of size and enrollment. Texas Southmost College, as it was once again renamed in 1949, has expanded from the 47 acres on the site of old Fort Brown to 380 acres both on and off campus to include facilities in Brownsville, South Padre Island, Port Mansfield and Raymondville.

In the spring of 1991, the Texas House of Representative and Senate passed a bill that would create The University of Texas at Brownsville (UTB) which would be in partnership with Texas Southmost College. During the fiscal year under audit, the Partnership with the College operated with a consolidated administrative and academic structure under the direction of UTB. The combined institutions enrolled over 15,000 students per long semester in academic, occupational and continuing education courses and over 2,300 staff and instructional support are employed by the UTB/TSC partnership.

The TSC Board of Trustees and the University of Texas System has both voted to dissolve the existing partnership between the University of Texas at Brownsville and the Texas Southmost College. Recent legislation regarding the partnership provides cooperation for each institution to achieve separate accreditation with a targeted termination date of August 15, 2015 for the existing partnership agreement. The transition teams of TSC and UT system have begun to meet to determine the necessary tasks and timelines to achieve the partnership termination.

The College operates as a community college under the laws of the State of Texas and is governed by the elected Board comprised of seven members serving six-year staggered terms. Elections are held every two years in May. The Board of Trustees is charged with policy-making and supervisory functions and delegates administrative responsibilities within the partnership to the UTB/TSC President. The Board of Trustees has hired a TSC president who oversees the TSC functions that are not governed by the UTB/TSC partnership agreement.

## **Mission and Values**

Texas Southmost College offers programs leading to certificates of completion and associate degrees, developmental education to prepare students for college-level work, occupational and technical programs to prepare students for immediate employment, academic courses of study to develop the core skills, understandings, and knowledge appropriate for baccalaureate programs, and continuing education, counseling, guidance, adult literacy and personal enrichment.

Texas Southmost College advances economic and social development, enhances the quality of life, encourages respect for the environment, cultivates personal enrichment, and expands knowledge in service to its community. It convenes the cultures of its community and fosters an appreciation for the unique heritage of the Lower Rio Grande Valley. It provides academic leadership in the intellectual, social, cultural, and economic life of the region it serves.

## **Mission and Values (Continued)**

Texas Southmost College places excellence in teaching and learning at the core of its commitments. It seeks to help students at all levels develop the skills which will sustain life-long learning while respecting the dignity of each learner and the needs of the entire community.

## **Local Economic Information**

The College is located in Brownsville, Texas, the largest city in the Rio Grande Valley. The largest industries that make most 67% of the employment population include: education and health, government, and trade, transportation, and utilities employees. Cameron County, the southern-most Texas county, is the geographical area in which the College operates. The County's estimated population for 2010 was 406,220, an increase of 21.2 percent since 2000. The County's median income per household was \$31,264 compared to the state median of \$49,646.

## **Major Initiatives**

The College has devoted significant time and effort in planning for the future. During fiscal year 2010, the College completed and continued major construction and renovation projects as defined in its current facilities master plan in order to provide space for 20,000 students by 2010 to meet the state's "Closing the Gaps" initiative of increasing participation in higher education. Programs such as the Dual Enrollment program which allow students at local high schools to enroll in college courses while still in high school has helped increase enrollment and provided an excellent opportunity to encourage students to continue their post-secondary studies.

Capital construction projects completed and under construction as a result of the \$68 million bond election passed in November of 2004 and as a result of the student's vote to assess themselves a student recreation center fee include: Recreation Education and Kinesiology Center, Library, Classroom Building, Early Childhood Center, Arts Center and Renovations to the Library and International Technology Education and Commerce Campus (ITECC).

In 2009, a \$4,000,000 bond issuance was approved. This was the 5<sup>th</sup> and last installment of the \$68 million dollar bonds. In 2009, the College also issued \$3.25 million in Maintenance Tax Notes. The proceeds have, and will continue to be used, to maintain and renovate existing facilities, finance the acquisition of property and finance equipment and school building construction.

In 2011, the College completed \$8.2 million in capital construction projects and has another \$0.4 million in the construction in progress phase.

## **Financial Information**

### *Internal Controls*

College management is responsible for establishing and maintaining internal controls designed to ensure that the assets of the College are protected from loss, theft, or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.



## **Financial Information (Continued)**

### *Single Audit*

As a recipient of federal, state, and local financial assistance, the College also is responsible for ensuring that adequate internal control is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control is subject to periodic evaluation by management and the independent auditors of the College. As a part of the College's single audits, described earlier, tests are made to determine the adequacy of the internal controls, including that portion related to federal and state awards programs, as well as to determine that the College has complied with applicable laws and regulations. The results of the College's single audit for the fiscal year ended August 31, 2011, provided no instances of material weaknesses in internal control.

### *Budgeting Controls*

The College continues to apply budgetary controls and accounting on a fund basis. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the College's Board of Trustees. Activities of the unrestricted general, campus facilities and auxiliary funds, restricted parking, scholarship and insurance funds and retirement of indebtedness funds are included in the annual appropriated budget. The College also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Encumbered amounts lapse at year-end, however, encumbrances are re-appropriated as part of the next year's budget. All funds are included in the consolidated financial statements presented, although the funds are not separately reported in the CAFR under GASB 34 and 35 (see Note 2 to the Financial Statements, Summary of Significant Accounting Policies, pages 31-33).

As demonstrated by the statements and schedules included in the financial section of this report, the College continues to meet its responsibility for sound financial management.

### **Long-term Financial Planning and Debt Management**

The College still operates within a partnership arrangement with UTB who provides the instruction and many operational aspects for the College. While the partnership is in effect, all state appropriations and all tuition and fees collected by the college are remitted to UTB in accordance with the partnership agreement. The partnership is planned to end by August 31, 2012. Currently, the College administration is preparing the long-term financial plans to emerge from the partnership as a single entity. The future projections for revenue and expenses will be balanced with the challenge of providing a quality and affordable education to the students in our community. The college is working with consultants during the negotiation phases of the termination of that partnership relationship.

The College is authorized to sell bonds and to levy an ad valorem tax in payment of the debt by the Constitution and the laws of the State of Texas. As of August 31, 2011, the College had \$73.3 million in general obligation debt outstanding. Ad valorem property taxes to support outstanding debt are limited to a maximum rate of \$0.50 per hundred dollars of taxable appraised value. General obligation debt may be used to purchase land for sites, construct, improve, renovate and equip College facilities; to refund certain bonds of the College; and to pay the issuance costs of bonds. The last substantial change in the debt service tax rate came after November 2004 when the voters approved a \$68 million bond election.

The current year's total debt service tax rate is \$0.058552 per hundred dollars of taxable appraised value and the College's general obligation debt is currently rated AA by Fitch Ratings and AA- by Standard and Poor's.

The College currently has \$24.9 million of revenue bonds outstanding. Revenue bonds are special obligations of the College payable as to principal and interest solely from and secured by a first lien on and a pledge of certain revenues. Revenue bonds were issued for the Student Union Building and Recreation Education and Kinesiology (REK) Center and the pledge revenue source for payment of these bonds are fees assessed to TSC and UTB students for these facilities. In addition, the College issued general revenue bonds for various acquisitions and improvements on campus. Pledged revenues for these obligations include tuition, parking fees, bookstore income, investment earnings and additional income or earnings. The Standard and Poor's revenue bond rating is currently an A.

## **Independent Audit**

State statutes require an annual audit by independent certified public accountants. The purpose of an independent audit is to provide assurance, based on independent review and testing, that the basic financial statements and accompanying notes are fairly stated in all material respects. The College's Board of Trustees selected the accounting firm of Pattillo, Brown & Hill, LLP. In addition to meeting the requirements set forth in the state statutes, their audit also was designed to meet the requirements of the Federal Single Audit Act Amendments of 1996 and related OMB Circular A-133 and the State Single Audit related to the Uniform Grant Management Standards Single Audit Circular. The auditor's reports related specifically to the single audits are included in the Single Audit Sections.

## **Awards**

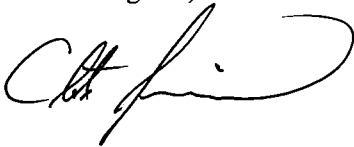
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Texas Southmost College for its comprehensive annual financial report for the fiscal years ended August 31, 2010. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting to the GFOA to determine its eligibility for another certificate.

## **Acknowledgments**

I would like to thank and commend the Board of Trustees and the TSC President for their unfailing support in maintaining the highest standards of professionalism in the planning, administration and oversight of the financial operations of the College. I would also like to acknowledge the assistance provided by the UTB departments of accounting and finance, financial aid, facilities and institutional effectiveness. The preparation of this report could not have been accomplished without the services of the entire staff of the College's Finance and Operations departments. I thank and greatly appreciate all the staff that assisted and contributed to the preparation of this report. I would also like to thank the accounting firm of Pattillo, Brown & Hill, LLP for their assistance in the completion of this audit.

Warmest Regards,



Chet Lewis  
Vice President of Finance and Administration  
Texas Southmost College

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

Texas Southmost College  
District

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
August 31, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



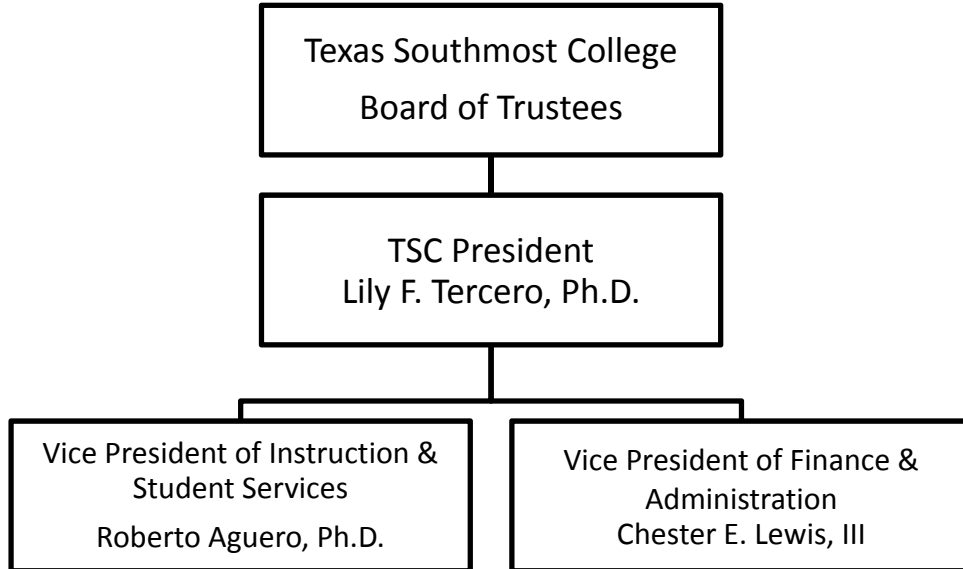
*Linda C. Davison*

President

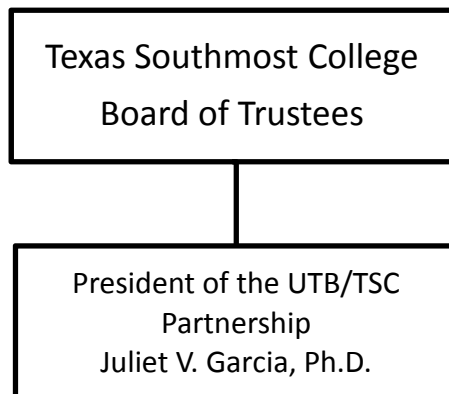
*Jeffrey R. Enen*

Executive Director

# Texas Southmost College



## UTB/TSC Partnership



# TEXAS SOUTHMOST COLLEGE DISTRICT

## ORGANIZATIONAL DATA FOR THE FISCAL YEAR 2010-2011

### Board of Trustees

#### Officers

Francisco "Kiko" Rendon	Chairman
Roberto Robles, MD	Vice Chairman
Adela Garza	Secretary

#### Members

		<u>Term Expires</u>
David G. Oliveira	Brownsville, Texas	May, 2012
Rene Torres	Brownsville, Texas	May, 2014
Robert Lozano, MD, PhD	Brownsville, Texas	May, 2016
Juan "Trey" Mendez	Brownsville, Texas	May, 2016
Francisco "Kiko" Rendon	Brownsville, Texas	May, 2016
Roberto Robles, MD	Brownsville, Texas	May, 2012
Adela Garza	Olmito, Texas	May, 2014

#### Principal Administrative Officers

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

## **FINANCIAL SECTION**



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

## 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 years ended August 31, 2011 and 2010, which collectively comprise the District's basic financial statements 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 and the standards applicable to financial audits contained in the *State of Texas Single Audit Circular*. 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, 2011 and 2010, 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 6, 2011, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information 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 introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying supplementary section, schedule of expenditures of federal awards and schedule of expenditures of state awards are presented for purposes of additional analysis as required by the Annual Financial Reporting Requirements for Texas Public Community and Junior Colleges guide as set forth by the Texas Higher Education Coordinating Board, the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State of Texas Single Audit Circular and are also not a required part of the basic financial statements of the Texas Southmost College District. The supplementary section, schedule of expenditures of federal awards and schedule of expenditures of state awards have been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare 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 financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Pattillo, Brown & Hill, C.P.

January 6, 2011



**TEXAS SOUTHMOST COLLEGE DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**AUGUST 31, 2011**

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, 2011. 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)

	<u>August 31,</u> 2011	<u>August 31,</u> 2010	<u>August 31,</u> 2009
Current Assets	\$ 32.8	\$ 29.2	\$ 30.3
Noncurrent Assets			
Cash and Cash Equivalents - Restricted	14.6	15.2	24.9
Capital Assets, Net of Accumulated Depreciation	159.5	162.7	153.3
Other Noncurrent Assets	<u>1.9</u>	<u>2.1</u>	<u>2.1</u>
Total Assets	<u>208.8</u>	<u>209.2</u>	<u>210.6</u>
Current Liabilities	23.7	24.8	26.5
Noncurrent Liabilities	<u>94.8</u>	<u>98.6</u>	<u>102.0</u>
Total Liabilities	118.5	123.4	128.5
Net Assets			
Invested in Capital Assets, Net of Related Debt	61.3	61.1	56.5
Restricted Expendable	21.1	17.3	18.3
Unrestricted	<u>7.9</u>	<u>7.4</u>	<u>7.3</u>
Total Net Assets	\$ <u>90.3</u>	\$ <u>85.8</u>	\$ <u>82.1</u>

Total Assets decreased slightly by \$0.4 million in fiscal year 2011. Total Assets decreased slightly by \$0.4 million in fiscal year 2011. Current Assets increased \$3.6 million in fiscal year 2011 with offsetting decreases which were primarily from a \$3.2 million decrease in Capital Assets, Net of Accumulated Depreciation. The decrease was attributed to the \$3.1 million of depreciation expense for fiscal year 2011. There were no significant new projects or bond refinancing activity in the fiscal year 2011.

*Statement of Net Assets* (Continued)

At the end of fiscal year 2011, total liabilities decreased by \$4.9 million. Included in this decrease are \$3.8 million of debt repayment. During fiscal year 2010, total liabilities decreased by almost \$5.1 million. Included in this decrease are \$3.1 million of debt repayment. Accounts payable decreased by \$2 million. As construction projects came to a close, pending payments to contractors decreased. Deferred revenues increased by approximately \$1.5 million primarily due to increases in tuition and fee and student enrollment. These revenues are payable to UTB for contractual obligations as per the Partnership agreement.

Net assets (assets less liabilities) increased by \$17.7 million over the past three fiscal years. The College experienced an increase of approximately \$4.5 million, \$3.7 million and \$9.5 million in fiscal years 2011, 2010 and 2009 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 \$7.9 million of total net assets at August 31, 2011.

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, 2011	August 31, 2010	August 31, 2009
	<u>          </u>	<u>          </u>	<u>          </u>
Operating Revenues	\$ 42.5	\$ 38.5	\$ 34.6
Operating Expenses	(62.0)	(61.3)	(53.4)
Non-operating Revenue	29.3	31.2	33.0
Non-operating Expenses	<u>(5.3)</u>	<u>(4.7)</u>	<u>(4.7)</u>
 Increase in Net Assets	 <u>4.5</u>	 <u>3.7</u>	 <u>9.5</u>
 Net Assets - Beginning of the Year	 <u>85.8</u>	 <u>82.1</u>	 <u>72.6</u>
Net Assets - End of the Year	\$ <u><u>90.3</u></u>	\$ <u><u>85.8</u></u>	\$ <u><u>82.1</u></u>

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

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

TABLE 3  
OPERATING REVENUE  
(in millions)

	Fiscal Year 2011		Fiscal Year 2010		Fiscal Year 2009	
	Percentage		Percentage		Percentage	
	<u>Amount</u>	<u>of Total</u>	<u>Amount</u>	<u>of Total</u>	<u>Amount</u>	<u>of Total</u>
Net Tuition and Fees	\$ 35.7	84.0%	\$ 31.7	82.3%	\$ 26.8	77.9%
Grants and Contracts	5.8	13.7%	6.0	15.6%	6.8	19.8%
Auxiliary Enterprises	0.6	1.4%	0.5	1.3%	0.4	1.2%
Other Operating Revenue	0.4	0.9%	0.3	0.8%	0.4	1.1%
Total Operating Revenue	<u>\$ 42.5</u>	<u>100.0%</u>	<u>\$ 38.5</u>	<u>100.0%</u>	<u>\$ 34.4</u>	<u>100.0%</u>

Operating revenues were affected by the following key factors:

- The College experienced a 1.8% increase in enrollment during fiscal year 2011 as compared to the prior fiscal year.
- Tuition and Fees increased by an average of 4.7% for fiscal year 2011 as compared to the prior fiscal year. For fiscal year 2011, Tuition and Fees are by The University of Texas at Brownsville and the Board of Trustees have a concordance policy for the same Tuition and Fees.
- Other changes in Net Tuition and Fees are attributed to changes in scholarships, discounts and allowances.

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 2011		Fiscal Year 2010		Fiscal Year 2009	
	Percentage		Percentage		Percentage	
	<u>Amount</u>	<u>of Total</u>	<u>Amount</u>	<u>of Total</u>	<u>Amount</u>	<u>of Total</u>
State Appropriations	\$ 12.2	41.6%	\$ 13.8	44.2%	\$ 14.0	42.4%
Ad Valorem Taxes	17.0	58.0%	16.8	53.8%	16.5	50.0%
Investment Income	0.1	0.4%	0.2	0.6%	0.9	2.7%
Other Non-Operating Revenue	-	0.0%	0.4	1.4%	1.6	4.9%
Total Non-Operating Revenue	<u>\$ 29.3</u>	<u>100.0%</u>	<u>\$ 31.2</u>	<u>100.0%</u>	<u>\$ 33.0</u>	<u>100.0%</u>

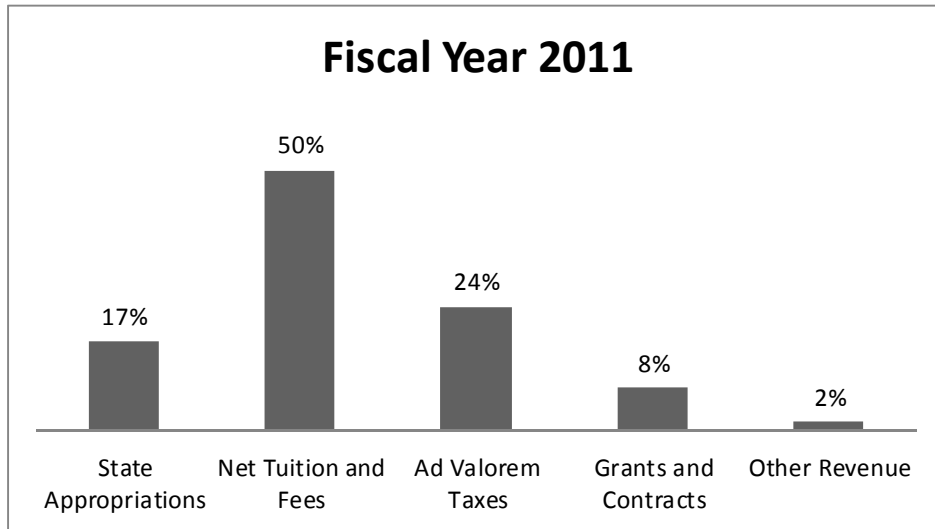
**Statement of Revenues, Expenses and Changes in Net Assets (Continued)**

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

- State appropriations have seen decreasing trend over the past two fiscal years. Appropriations for the current biennia decreased 13% as compared to the 2008-2009 biennia.
- 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 taxable assessed property valuations and a small increase to the total tax rate. Property tax revenue increased by about \$0.3 million from fiscal year 2009 to fiscal year 2010 as a result of a small increase in both taxable assessed property valuations and to the total tax rate. The tax rate for the Texas Southmost College College is \$0.162423 and \$0.161924 and \$0.161089 per \$100 valuation, for the fiscal years ended 2011, 2010 and 2009, respectively.
- Investment income experienced significant decrease over the last three fiscal years as a result of restricted funds expended on capital construction projects and the additional impact of decrease in earnings rates available for invested assets.

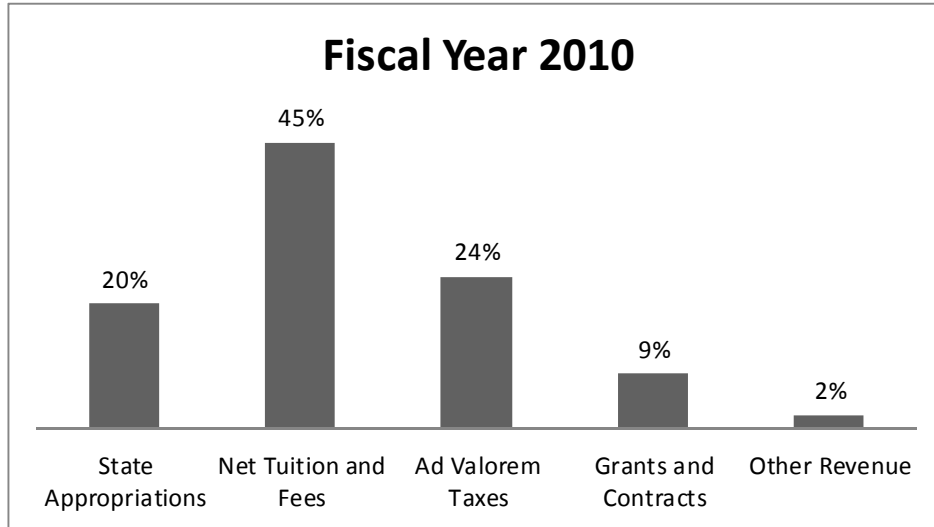
Key sources of revenue in total for the College are state allocations, grants and contracts, property taxes and tuition and fees (net of scholarship discounts). Table 5 shows a comparison of the breakdown of total revenues by source for the College in Fiscal Years 2010 and 2009.

TABLE 5  
TOTAL REVENUES  
(operating and non-operating)



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

TABLE 5  
TOTAL REVENUES  
(operating and non-operating)  
(Continued)



In both fiscal year 2011 and 2010, tuition and fees account for the largest source of revenue (50% and 45%, respectively) for the college. State appropriations are also a large revenue source at 17% in fiscal year 2011 and 20% in fiscal year 2010. Property taxes as a percentage of total revenues are constant at 24% in fiscal year 2010 and 2009.

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

TABLE 6  
OPERATING EXPENSES  
Natural Classification  
(in millions)

	August 31, 2011	August 31, 2010	August 31, 2009
Salaries	\$ 0.6	\$ 0.9	\$ 0.9
Benefits	0.1	0.2	0.1
Supplies and Services	4.7	5.1	3.6
Contracted Services - UTB	53.2	51.7	46.8
Depreciation	<u>3.4</u>	<u>3.4</u>	<u>2.1</u>
Total Operating Expenses	\$ <u><u>62.0</u></u>	\$ <u><u>61.3</u></u>	\$ <u><u>53.5</u></u>

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

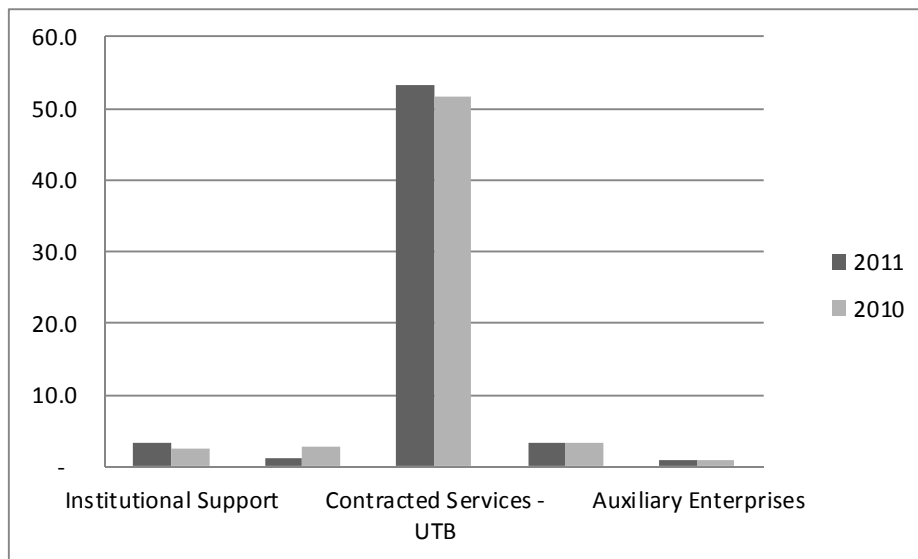
Table 7 displays the breakdown of the College’s expenses by functional classification.

TABLE 7  
OPERATING EXPENSES  
Functional Classification  
(in millions)

	August 31, <u>2011</u>	August 31, <u>2010</u>	August 31, <u>2009</u>
Institutional Support	\$ 3.2	\$ 2.6	\$ 2.3
Operations and Maintenance of Plant	1.2	2.8	1.3
Contracted Services - UTB	53.2	51.7	46.8
Depreciation	<u>3.4</u>	<u>3.4</u>	<u>2.1</u>
Total Educational Activities	61.0	60.5	52.5
Auxiliary Enterprises	<u>1.0</u>	<u>0.8</u>	<u>0.9</u>
Total Operating Expenses	\$ <u><u>62.0</u></u>	\$ <u><u>61.3</u></u>	\$ <u><u>53.4</u></u>

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 2011 and 2010, this amount represented 86% and 84% 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, 2011	August 31, 2010	August 31, 2009
Cash provided / used by:			
Operating Activities	\$ (18.5)	\$ (22.0)	\$ (17.7)
Noncapital Financing Activities	23.2	25.1	25.2
Capital and Related Activities	(2.8)	(16.4)	(41.5)
Investing Activities	<u>-</u>	<u>0.2</u>	<u>0.9</u>
Net Increase (Decrease) In Cash	<u>1.9</u>	<u>(13.1)</u>	<u>(33.1)</u>
Cash - Beginning of the Year	<u>22.3</u>	<u>35.4</u>	<u>68.5</u>
Cash - End of Year	\$ <u><u>24.2</u></u>	\$ <u><u>22.3</u></u>	\$ <u><u>35.4</u></u>

Total Cash and Cash Equivalents increased by \$1.9 million during the 2011 fiscal year and decreased by \$13.1 million during the 2010 fiscal year. Major factors impacting cash and cash equivalents are described below by source.

*Operating Activities:* During the fiscal year 2011 and fiscal year 2010, cash flows from operations resulted in an outflow of \$18.5 million and \$22.0 million, respectively. The major source of cash receipts was from tuition and fees, net of scholarship allowances and discounts (\$35.7 million in 2011 and \$31.7 million in 2010). The College's major cash outlay was for contract services with UTB (\$53.2 million in 2011 and \$51.7 million in 2010).

*Non-capital Financing Activities:* The College had a positive cash flow of \$23.2 million in fiscal year 2011 and \$25.1 million in fiscal year 2010 from the collection of property taxes and receipt of state appropriations. Property taxes were collected at a rate of 92.6% and 93.6% of the current year's tax levy for fiscal year 2011 and fiscal year 2010, respectively. (See table 10 below for more information on property taxes.)

**Statement of Cash Flows (Continued)**

*Capital and Related Financing Activities:* In fiscal year 2011, capital and related financing activities resulted in a cash outflow of \$2.8 million. Cash outlays of approximately \$8.9 million were made for capital construction projects, purchases of land and property, and principal and interest payments for all outstanding bonds. Cash inflows of \$6.1 million resulted mainly from the collection of property taxes. In fiscal year 2010, capital and related financing activities resulted in a cash outflow of \$16.4 million. Cash outlays of approximately \$22.2 million were made for capital construction projects, purchases of land and property, and principal and interest payments for all outstanding bonds. Cash inflows of \$5.8 million resulted mainly from the collection of property taxes.

*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 2011. 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 TAX INFORMATION**

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, 2011	August 31, 2010	August 31, 2009
Total Tax Rate per \$100	\$ 0.162423	\$ 0.161924	\$ 0.161089
Total Tax Collections	\$ 17,049,071	\$ 16,787,201	\$ 16,480,318
Tax Collection Rate	92.63%	93.62%	93.93%
Assessed Valuation	\$ 10,722,679,461	\$ 10,526,537,297	\$ 10,440,911,521

The College's total tax assessments increased by approximately 1.6%, due to a 1.9% increase in assessed valuations. 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 2011 the College had approximately \$159.5 million (net of accumulated depreciation) invested in a broad range of capital assets, including instructional and athletic facilities, maintenance of buildings and equipment. Additions to capital assets totaled \$1.1 million of which \$0.8 million were for construction in progress on the various projects on campus. \$8.2 million in construction projects were completed in fiscal year 2011 which include, renovations of the Oliveira Library, Commissary building, Advising Center, Cortez Allied Health Center and the Athletic Zone.

Note 5 of the financial statements which begins 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, 2011.

TABLE 11  
CAPITAL ASSETS AT FISCAL YEAR END 2011  
(in millions)

	Balance September 1, 2010	Increase	Decrease	Balance August 31, 2011
Not Depreciated	\$ 13.6	\$ 0.8	\$ (8.2)	\$ 6.2
Buildings and Other Capital Assets	197.2	0.3	7.2	204.7
Less Accumulated Depreciation	<u>(48.1)</u>	<u>(3.4)</u>	<u>0.1</u>	<u>(51.4)</u>
Total Capital Assets	<u>\$ 162.7</u>	<u>\$ (2.3)</u>	<u>\$ (0.9)</u>	<u>\$ 159.5</u>

### *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 \$98.4 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 2011  
(in millions)

	Balance September 1, 2010	Increase	Decrease	Balance August 31, 2011
General Obligation Bonds	\$ 75.8	\$ -	\$ (2.5)	\$ 73.3
Revenue Bonds	25.8	-	(0.9)	24.9
Plus Premium on Bonds	0.8	-	(0.1)	0.7
Less Deferred Amounts on Refunding	(0.5)	-	-	(0.5)
Total Bonds Payable	<u>\$ 101.9</u>	<u>\$ -</u>	<u>\$ (3.5)</u>	<u>\$ 98.4</u>

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. 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 the upcoming fiscal year.

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.

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 2012, 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) 882-3879.

**TEXAS SOUTHMOST COLLEGE DISTRICT**  
**Statement of Net Assets**  
**August 31, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 9,566,424	\$ 7,075,966
Accounts receivable (net)	22,613,827	21,535,100
Prepaid expenses	652,610	628,815
<b>Total Current Assets</b>	<u>32,832,861</u>	<u>29,239,881</u>
<b>Noncurrent Assets</b>		
Restricted cash and cash equivalents	14,587,193	15,224,243
Endowment investments	62,719	53,501
Unamortized bond issuance costs	1,834,708	1,944,198
Capital assets (net)	159,472,681	162,705,182
<b>Total Noncurrent Assets</b>	<u>175,957,301</u>	<u>179,927,124</u>
<b>Total Assets</b>	<u>208,790,162</u>	<u>209,167,005</u>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable	984,076	3,465,090
Accrued liabilities	309,675	701,934
Accrued compensable absences	56,673	52,607
Funds held for others	8,303	8,303
Deferred revenues	18,687,662	17,186,391
Bonds payable - current portion	3,755,000	3,445,000
<b>Total Current Liabilities</b>	<u>23,801,389</u>	<u>24,859,325</u>
<b>Noncurrent Liabilities</b>		
Bonds payable	94,732,113	98,497,173
<b>Total Noncurrent Liabilities</b>	<u>94,732,113</u>	<u>98,497,173</u>
<b>Total Liabilities</b>	<u>118,533,502</u>	<u>123,356,498</u>
<b>NET ASSETS</b>		
Investment in capital assets, net of related debt	61,297,681	61,085,182
Restricted for		
Expendable		
Endowment	71,278	61,877
Capital projects	8,934,475	6,337,715
Debt service	10,002,815	9,365,290
Other	2,085,546	1,608,755
Unrestricted	7,864,865	7,351,688
<b>Total Net Assets (Schedule D)</b>	<u>\$ 90,256,660</u>	<u>\$ 85,810,507</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, 2011 and 2010**

	2011	2010
<b>OPERATING REVENUES</b>		
Tuition and fees (net of discounts of \$6,329,049 & \$4,873,087, respectively)	\$ 35,737,651	\$ 31,738,816
Federal grants and contracts	1,438,868	875,766
State grants and contracts	3,816,154	4,648,058
Local grants and contracts	523,780	442,644
Auxiliary enterprises	633,527	492,167
General operating revenues	371,205	307,138
Total Operating Revenues (Schedule A)	42,521,185	38,504,589
<b>OPERATING EXPENSES</b>		
Institutional support	3,174,850	2,567,414
Operation and maintenance of plant	1,212,864	2,873,577
Auxiliary enterprises	977,643	830,403
Depreciation	3,437,546	3,411,362
Contracted services with UTB	53,195,529	51,661,026
Total Operating Expenses (Schedule B)	61,998,432	61,343,782
Operating (Loss)	(19,477,247)	(22,839,193)
<b>Non-Operating Revenues (Expenses)</b>		
State appropriations	12,245,588	13,770,382
Maintenance ad valorem taxes	10,918,168	11,303,940
Debt service ad valorem taxes	6,130,903	5,483,261
Investment income	46,076	192,264
Unrealized gain (loss) on investments	9,270	(248)
Interest on capital related debt	(4,447,165)	(4,582,811)
Gain (Loss) on sale of capital assets	(664,308)	-
Allowance for uncollectible expense	(139,368)	-
Other non-operating revenues	12,780	482,710
Other non-operating expenses	(127,437)	(138,726)
Total Non-Operating Revenues (Schedule C)	23,984,507	26,510,772
Increase in Net Assets	4,507,260	3,671,579
<b>NET ASSETS</b>		
Net Assets - Beginning of Year	85,810,507	82,138,928
Adjustment to Net Assets	(61,107)	-
Net Assets - End of Year	\$ 90,256,660	\$ 85,810,507

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, 2011 and 2010**

	2011	2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from students and other customers	\$ 36,470,293	\$ 31,720,358
Receipts from grants and contracts	5,778,802	5,966,468
Payments to suppliers for goods or services	(5,556,405)	(4,170,418)
Transfers to UTB	(51,484,234)	(52,736,485)
Payments to or on behalf of employees	(3,563,043)	(2,587,212)
Receipts from auxiliary services	(344,116)	(338,236)
Net cash provided (used) by operating activities	(18,698,703)	(22,145,525)
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Receipts from state appropriations	12,245,588	13,770,382
Receipts from ad valorem taxes	10,918,168	11,303,940
Net cash provided by non-capital financing activities	23,163,756	25,074,322
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Contributions	12,780	482,710
Allowance for uncollectible expense	(139,368)	-
Receipts from ad valorem tax revenues	6,130,903	5,483,261
Purchase of capital assets	(1,157,782)	(12,753,106)
Proceeds from sale of capital assets	288,427	-
Payments on capital debt - principal	(3,445,000)	(3,145,000)
Payments on capital debt - interest and issuance costs	(4,347,733)	(6,318,688)
Net cash provided (used) by capital and related financing activities	(2,657,773)	(16,250,823)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest on investments	46,128	192,016
Net cash provided (used) by investing activities	46,128	192,016
Increase (decrease) in cash and cash equivalents	1,853,408	(13,130,010)
Cash and cash equivalents - September 1	22,300,209	35,430,219
Cash and cash equivalents - August 31	\$ 24,153,617	\$ 22,300,209
Cash and cash equivalents	\$ 9,566,424	\$ 7,075,966
Restricted cash and cash equivalents	14,587,193	15,224,243
Total cash and cash equivalents	\$ 24,153,617	\$ 22,300,209



**TEXAS SOUTHMOST COLLEGE DISTRICT**  
**Statement of Cash Flows**  
**For The Year Ended August 31, 2011 and 2010**  
(Continued)

	<u>2011</u>	<u>2010</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>		
Operating (loss)	\$ (19,477,247)	\$ (22,839,193)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:		
Depreciation expense	3,437,546	3,411,362
Changes in assets and liabilities:		
Receivables (net)	(1,139,834)	(2,388,270)
Prepaid expenses	(23,795)	(33,774)
Accounts payable	(2,608,451)	(2,338,526)
Accrued liabilities	(392,259)	(4,898)
Compensated absences	4,066	(14,900)
Deferred revenue	<u>1,501,271</u>	<u>2,062,674</u>
Net cash provided (used) by operating activities	<u>\$ (18,698,703)</u>	<u>\$ (22,145,525)</u>

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

## **NOTES TO FINANCIAL STATEMENTS**

**TEXAS SOUTHMOST COLLEGE DISTRICT**  
**Notes to the Financial Statements**  
**August 31, 2011 and 2010**

**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.

At the beginning of the fiscal year, 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. The scholarship is also available to all in-district students meeting satisfactory academic progress criteria who are enrolled in upper division courses and are taking 15 or more credit hours per semester. 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, 2011 and 2010**

**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 1<sup>st</sup>. 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 1<sup>st</sup>.

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.

(The governing board has designated public funds investment pools comprised of \$-0- and \$114,606 at August 31, 2011, and 2010, respectively, to be short-term investments.) 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	Amount
Due within one year	\$ 170,507
Due after one year	616,061
Subtotal:	786,568
Less allowance for uncollectible	(139,368)
Total pledges receivable	<u>\$ 647,200</u>

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, 2011 and 2010**

**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 \$18,687,662 and \$17,186,391 have been reported as deferred revenues at August 31, 2011, and 2010, 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, 2011 and 2010**

**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,	
	2011	2010
Bank Deposits		
Demand Deposits - Unrestricted	\$ 9,563,814	\$ 7,073,356
Demand Deposits - Restricted	14,587,193	15,224,243
Cash and Cash Equivalents		
Petty Cash on Hand	2,610	2,610
Total Cash and Deposits	\$ 24,153,617	\$ 22,300,209

**Reconciliation of Deposits and Investments**

Type of Security	Market Value 8/31/2011	Market Value 8/31/2010
Total Cash and Deposits	\$ 24,153,617	\$ 22,300,209
Total Investments	62,719	53,501
Total Deposits and Investments	\$ 24,216,336	\$ 22,353,710
Cash and Temporary Investments	\$ 9,566,424	\$ 7,099,893
Cash and Temporary Investments - Restricted	14,587,193	15,200,316
Investments	62,719	53,501
Total Deposits and Investments	\$ 24,216,336	\$ 22,353,710

As of August 31, 2011 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	62,719
Municipal Bonds	-
Total Fair Value	\$ 62,719

**TEXAS SOUTHMOST COLLEGE DISTRICT**  
**Notes to the Financial Statements**  
**August 31, 2011 and 2010**

**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, 2011 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, 2011 and 2010**

**5. Capital Assets**

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

	Balance September 1, 2010	Increases	Decreases	Reclassifications	Balance August 31, 2011
<b><u>Not Depreciated:</u></b>					
Land	\$ 5,603,707	\$ 194,741	\$ -	\$ -	\$ 5,798,448
Construction in Progress	7,963,812	648,063	-	(8,187,366)	424,509
Subtotal	<u>13,567,519</u>	<u>842,804</u>	<u>-</u>	<u>(8,187,366)</u>	<u>6,222,957</u>
<b><u>Buildings and Other Capital Assets</u></b>					
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	178,077,989	314,978	(1,033,831)	8,086,907	185,446,043
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>
<b><u>Accumulated Depreciation:</u></b>					
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	(30,859,523)	(3,170,284)	81,096	-	(33,948,711)
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>\$ (2,279,764)</u>	<u>\$ (952,735)</u>	<u>\$ -</u>	<u>\$ 159,472,683</u>



**TEXAS SOUTHMOST COLLEGE DISTRICT**  
**Notes to the Financial Statements**  
**August 31, 2011 and 2010**

**5. Capital Assets (Continued)**

Capital asset activity for the year ended August 31, 2010 was as follows:

	Balance September 1, 2009	Increases	Decreases	Reclassifications	Balance August 31, 2010
<b><u>Not Depreciated:</u></b>					
Land	\$ 5,423,525	\$ 180,182	\$ -	\$ -	\$ 5,603,707
Construction in Progress	28,276,523	12,532,666	-	(32,845,377)	7,963,812
Subtotal	<u>33,700,048</u>	<u>12,712,848</u>	<u>-</u>	<u>(32,845,377)</u>	<u>13,567,519</u>
<b><u>Buildings and Other Capital Assets</u></b>					
Buildings and Building Improvements	135,805,279	40,258	-	32,494,407	168,339,944
Other Real Estate Improvements	9,022,008	-	-	716,037	9,738,045
Total Buildings and Other Real Estate Improvements	144,827,287	40,258	-	33,210,444	178,077,989
Library Books	8,422,239	-	-	-	8,422,239
Furniture, machinery and equipment	11,129,806	-	-	(365,067)	10,764,739
Subtotal	<u>19,552,045</u>	<u>-</u>	<u>-</u>	<u>(365,067)</u>	<u>19,186,978</u>
Total Buildings and Other Capital Assets	<u>164,379,332</u>	<u>40,258</u>	<u>-</u>	<u>32,845,377</u>	<u>197,264,967</u>
<b><u>Accumulated Depreciation:</u></b>					
Buildings and Building Improvements	(21,988,336)	(2,724,993)	-	-	(24,713,329)
Other Real Estate Improvements	(5,732,531)	(413,663)	-	-	(6,146,194)
Total Buildings and Other Real Estate Improvements	(27,720,867)	(3,138,656)	-	-	(30,859,523)
Library Books	(8,422,241)	-	-	-	(8,422,241)
Furniture, machinery and equipment	(8,572,834)	(272,706)	-	-	(8,845,540)
Subtotal	<u>(16,995,075)</u>	<u>(272,706)</u>	<u>-</u>	<u>-</u>	<u>(17,267,781)</u>
Total Accumulated Depreciation	<u>(44,715,942)</u>	<u>(3,411,362)</u>	<u>-</u>	<u>-</u>	<u>(48,127,304)</u>
Net Capital Assets	<u>\$ 153,363,438</u>	<u>\$ 9,341,744</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 162,705,182</u>

**TEXAS SOUTHMOST COLLEGE DISTRICT**  
**Notes to the Financial Statements**  
**August 31, 2011 and 2010**

**6. Long – Term Liabilities**

	Balance September 1, 2010	Increases	Decreases	Balance August 31, 2011	Current Portion
<b><u>Bonds</u></b>					
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>
<u>Accrued compensated absences</u>	<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>

	Balance September 1, 2009	Increases	Decreases	Balance August 31, 2010	Current Portion
<b><u>Bonds</u></b>					
General obligation bonds	\$ 78,000,000	\$ -	\$ 2,225,000	\$ 75,775,000	\$ 2,500,000
Revenue bonds	26,765,000	-	920,000	25,845,000	945,000
Plus: Premium on bonds	900,855	5,194	58,537	847,512	-
Less: Deferred refunding	(567,875)	-	(42,536)	(525,339)	-
Subtotal	<u>105,097,980</u>	<u>5,194</u>	<u>3,161,001</u>	<u>101,942,173</u>	<u>3,445,000</u>
<u>Accrued compensated absences</u>	<u>67,507</u>	<u>304</u>	<u>15,204</u>	<u>52,607</u>	<u>-</u>
Total long term liabilities	<u>\$ 105,165,487</u>	<u>\$ 5,498</u>	<u>\$ 3,176,205</u>	<u>\$ 101,994,780</u>	<u>\$ 3,445,000</u>

**7. Debt Obligations**

Debt service requirements (in thousands) at August 31, 2011 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
2012	\$ 985	\$ 1,114	\$ 2,099	\$ 2,770	\$ 3,209	\$ 5,979	\$ 3,755	\$ 4,323	\$ 8,078
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
2017-2021	6,590	3,898	10,488	19,590	11,003	30,593	26,180	14,902	41,082
2022-2026	7,495	2,331	9,826	27,110	5,778	32,888	34,605	8,109	42,714
2027-2031	5,445	728	6,173	7,725	1,354	9,079	13,170	2,082	15,252
2032-2034	-	-	-	1,920	76	1,996	1,920	76	1,996
	<u>\$ 24,900</u>	<u>\$ 12,090</u>	<u>\$ 36,990</u>	<u>\$ 73,275</u>	<u>\$ 33,017</u>	<u>\$ 106,292</u>	<u>\$ 98,175</u>	<u>\$ 45,107</u>	<u>\$ 143,282</u>

**TEXAS SOUTHMOST COLLEGE DISTRICT**  
**Notes to the Financial Statements**  
**August 31, 2011 and 2010**

**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>
2012	\$ 380,000	\$ 286,890	\$ 666,890
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
2017-2021	2,485,000	854,155	3,339,155
2022-2025	2,400,000	274,110	2,674,110
	<u>\$ 6,935,000</u>	<u>\$ 2,419,105</u>	<u>\$ 9,354,105</u>

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**TEXAS SOUTHMOST COLLEGE DISTRICT**  
**Notes to the Financial Statements**  
**August 31, 2011 and 2010**

**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>
2012	\$ 910,000	\$ 698,938	\$ 1,608,938
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
2017-2021	5,930,000	2,107,640	8,037,640
2022-2025	5,830,000	601,250	6,431,250
	<u>\$ 16,630,000</u>	<u>\$ 5,872,130</u>	<u>\$ 22,502,130</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>
2012	\$ 415,000	\$ 567,731	\$ 982,731
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
2017-2021	2,850,000	2,058,406	4,908,406
2022-2026	3,530,000	1,377,694	4,907,694
2027-2030	3,475,000	445,250	3,920,250
	<u>\$ 12,145,000</u>	<u>\$ 6,502,255</u>	<u>\$ 18,647,255</u>

**TEXAS SOUTHMOST COLLEGE DISTRICT**  
**Notes to the Financial Statements**  
**August 31, 2011 and 2010**

**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>
2012	\$ 580,000	\$ 1,100,621	\$ 1,680,621
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
2017-2021	6,840,000	3,985,279	10,825,279
2022-2026	12,585,000	1,772,625	14,357,625
	<u>\$ 23,740,000</u>	<u>\$ 10,927,497</u>	<u>\$ 34,667,497</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>
2012	\$ 200,000	\$ 174,828	\$ 374,828
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
2017-2021	1,345,000	535,025	1,880,025
2022-2026	1,675,000	198,475	1,873,475
	<u>\$ 4,105,000</u>	<u>\$ 1,522,025</u>	<u>\$ 5,627,025</u>

**TEXAS SOUTHMOST COLLEGE DISTRICT**  
**Notes to the Financial Statements**  
**August 31, 2011 and 2010**

**8. Bonds Payable (Continued)**

Combined Fee Revenue Refunding and Improvement Bonds, Series 2006

- To be used 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>
2012	\$ 190,000	\$ 259,811	\$ 449,811
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
2017-2021	1,255,000	985,836	2,240,836
2022-2026	1,565,000	679,125	2,244,125
2027-2031	1,970,000	282,675	2,252,675
	<u>\$ 5,820,000</u>	<u>\$ 3,168,797</u>	<u>\$ 8,988,797</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>
2012	\$ 75,000	\$ 73,859	\$ 148,859
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
2017-2021	500,000	239,242	739,242
2022-2026	630,000	111,413	741,413
2027	145,000	3,444	148,444
	<u>\$ 1,680,000</u>	<u>\$ 690,008</u>	<u>\$ 2,370,008</u>

**TEXAS SOUTHMOST COLLEGE DISTRICT**  
**Notes to the Financial Statements**  
**August 31, 2011 and 2010**

**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>
2012	\$ 390,000	\$ 570,939	\$ 960,939
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
2017-2021	1,915,000	2,076,070	3,991,070
2022-2026	1,760,000	1,754,504	3,514,504
2027-2031	4,985,000	937,000	5,922,000
2032	1,160,000	29,000	1,189,000
	<u>\$ 12,380,000</u>	<u>\$ 7,441,810</u>	<u>\$ 19,821,810</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>
2012	\$ 185,000	\$ 186,113	\$ 371,113
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
2017-2021	1,265,000	620,593	1,885,593
2022-2026	1,555,000	330,680	1,885,680
2027-2028	730,000	32,375	762,375
	<u>\$ 4,580,000</u>	<u>\$ 1,833,513</u>	<u>\$ 6,413,513</u>

**TEXAS SOUTHMOST COLLEGE DISTRICT**  
**Notes to the Financial Statements**  
**August 31, 2011 and 2010**

**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>
2012	\$ -	\$ 167,266	\$ 167,266
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
2017-2021	300,000	706,876	1,006,876
2022-2026	2,075,000	547,627	2,622,627
2027-2031	640,000	171,820	811,820
2032-2033	385,000	17,922	402,922
	<u>\$ 3,865,000</u>	<u>\$ 2,244,675</u>	<u>\$ 6,109,675</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>
2012	\$ 135,000	\$ 118,700	\$ 253,700
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
2017-2021	845,000	416,554	1,261,554
2022-2026	745,000	225,667	970,667
2027-2029	705,000	49,698	754,698
	<u>\$ 3,005,000</u>	<u>\$ 1,243,664</u>	<u>\$ 4,248,664</u>



**TEXAS SOUTHMOST COLLEGE DISTRICT**  
**Notes to the Financial Statements**  
**August 31, 2011 and 2010**

**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>
2012	\$ 295,000	\$ 117,625	\$ 412,625
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
2017-2021	650,000	315,825	965,825
2022-2026	255,000	235,342	490,342
2027-2031	520,000	159,573	679,573
2032-2034	375,000	28,625	403,625
	<u>\$ 3,290,000</u>	<u>\$ 1,241,765</u>	<u>\$ 4,531,765</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](http://www.trs.state.tx.us), under the TRS Publications heading.

**TEXAS SOUTHMOST COLLEGE DISTRICT**  
**Notes to the Financial Statements**  
**August 31, 2011 and 2010**

**9. Employees' Retirement Plan**

*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 required the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a 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 a 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 6.40% for fiscal years 2010, 2009 and 2008, and a state contribution rate of 6.40% for fiscal year 2010 and 6.58% for fiscal years 2009 and 2008. In certain instances the reporting district is required to make all or a portion of the state's 6.40% for fiscal year 2010 and 6.58% for fiscal years 2009 and 2008.

Optional Retirement Plan

*Plan Description*

The state has also established an option 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.

*Fund 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 6.40% for fiscal year 2010 and 6.58% for fiscal years 2009 and 2008. Participant contribution rate for fiscal years 2010, 2009 and 2008 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 \$52,474, \$56,869 and \$45,901 for the fiscal years ended August 31, 2010, 2009 and 2008, respectively. The amount represents the portion of expended appropriations made by the State Legislature on behalf of the District. Since the on-behalf payments are made directly to the retirement plan by the State, the District recognized the payments as revenues and expenses on its financial statements.

The total payroll for all District employees was \$819,905, \$864,278 and \$697,584 for fiscal years 2010, 2009 and 2008, respectively. The total payroll of employees covered by the Teacher Retirement System was \$740,719, \$759,743 and \$596,094 for the fiscal years 2010, 2009 and 2008, respectively, and the total payroll of employees covered by the Optional Retirement Program was \$79,185, \$104,535 and \$101,490 for fiscal years 2010, 2009 and 2008, respectively.

**TEXAS SOUTHMOST COLLEGE DISTRICT**  
**Notes to the Financial Statements**  
**August 31, 2011 and 2010**

**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, 2011, 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 \$56,673 and \$52,607 for August 31, 2011 and 2010. 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, 2011, 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, 2011 and 2010 were as follows:

	<u>2011</u>	<u>2010</u>
Taxes receivable	\$ 2,659,971	\$ 2,621,619
Federal receivable	141,082	200,120
Accounts receivable	150,191	31,858
Donations receivable	786,568	1,115,323
Accrued interest receivable	-	182
Other receivable - due from Cameron County	59,002	54,336
Other receivable - due from UTB	19,089,380	17,642,742
Subtotal	<u>22,886,194</u>	<u>21,666,180</u>
Allowance for doubtful accounts	<u>(272,367)</u>	<u>(131,080)</u>
<b>Total Receivables</b>	<b><u><u>\$ 22,613,827</u></u></b>	<b><u><u>\$ 21,535,100</u></u></b>

**TEXAS SOUTHMOST COLLEGE DISTRICT**  
**Notes to the Financial Statements**  
**August 31, 2011 and 2010**

**13. Disaggregation of Receivables and Payables Balances** (Continued)

Payables

Payables at August 31, 2011 and 2010 were as follows:

	2011	2010
Vendors payable	\$ 215,358	\$ 985,077
Other payables - due to UTB	768,718	2,480,013
<b>Total Payables</b>	<b>\$ 984,076</b>	<b>\$ 3,465,090</b>

**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 2011 and 2010, 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, 2011 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, 2011 and 2010**

**17. Ad Valorem Tax**

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

As of August 31:

	<u>2011</u>	<u>2010</u>
Assessed valuation of the District	\$ 11,737,622,400	\$ 11,520,282,554
Less:		
Exemptions	1,014,942,939	993,745,257
Abatements	-	-
Net assessed valuation of the District	<u>\$ 10,722,679,461</u>	<u>\$ 10,526,537,297</u>

	<u>2011</u>		
	<u>Current</u>	<u>Debt</u>	
	<u>Operations</u>	<u>Service</u>	<u>Total</u>
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>

	<u>2010</u>		
	<u>Current</u>	<u>Debt</u>	
	<u>Operations</u>	<u>Service</u>	<u>Total</u>
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>\$ 0.108949</u>	<u>\$ 0.052975</u>	<u>\$ 0.161924</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, 2011 and 2010 amounted to \$17,416,098 and \$17,044,990, 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.

	<u>2011</u>		
	<u>Current</u>	<u>Debt</u>	
<u>Taxes Collected</u>	<u>Operations</u>	<u>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>

**TEXAS SOUTHMOST COLLEGE DISTRICT**  
**Notes to the Financial Statements**  
**August 31, 2011 and 2010**

**17. Ad Valorem Tax** (Continued)

<u>Taxes Collected</u>	2010		
	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>
Current taxes collected	\$ 10,718,786	\$ 5,238,367	\$ 15,957,153
Delinquent taxes collected	573,008	252,241	825,249
Penalties and interest collected	338,223	151,181	489,404
Less discounts and commissions	(326,077)	(158,528)	(484,605)
Total Collections	<u>\$ 11,303,940</u>	<u>\$ 5,483,261</u>	<u>\$ 16,787,201</u>

Tax collections for the years ended August 31, 2011 and 2010 were 92.63% and 93.62%, 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, 2011, and 2010.

**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, 2011 and 2010, the balances of the restricted assets are as follows:

	<u>2011</u>	<u>2010</u>
Endowment	\$ 8,559	\$ 8,376
Scholarships	1,910,849	1,465,352
Federal awards	15,926	51,145
Restricted contributions - arts center	310,377	81,297
General obligation - debt service	2,716,908	2,022,247
Revenue bond - debt service	6,824,109	7,349,464
Revenue bond - construction account	2,800,465	4,246,362
	<u>\$ 14,587,193</u>	<u>\$ 15,224,243</u>

**TEXAS SOUTHMOST COLLEGE DISTRICT**  
**Notes to the Financial Statements**  
**August 31, 2011 and 2010**

**21. Construction Commitments**

At August 31, 2011 and 2010, the Texas Southmost College District had the following construction commitments:

	2011	2010
MRC N/S chilled water piping replacement	\$ 389,250	\$ -
Wellness, recreation & kinesiology complex	-	128,800
Oliveira library	-	57,316
Early childhood studies	-	5,256
	<u>\$ 389,250</u>	<u>\$ 191,372</u>

**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 \$126,865 and \$214,066, to UTB during the years ended August 31, 2011 and 2010, 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 Rebtable 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 \$42,617 and \$433,811, which are reported as part of accrued expenses on these financial statements for the fiscal years ended 2011 and 2010, respectively.

**TEXAS SOUTHMOST COLLEGE DISTRICT**  
**Notes to the Financial Statements**  
**August 31, 2011 and 2010**

**25. Post Employment Benefits Other than Pensions**

The District does not participate in any post employment benefits.

**26. 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 the next five years, beginning with the current fiscal year. 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, 2011 and 2010**

	Unrestricted	Restricted	Total Educational Activities	Auxiliary Enterprises	2011 Total	2010 Total
<b>Tuition:</b>						
State funded credit courses:						
In-district resident tuition	\$ 7,632,463	\$ -	\$ 7,632,463	\$ -	\$ 7,632,463	\$ 7,604,853
Out-of-district resident tuition	1,510,617	-	1,510,617	-	1,510,617	1,668,932
Non-resident tuition	2,576,707	-	2,576,707	-	2,576,707	526,302
TPEG - credit (set aside)*	571,817	-	571,817	-	571,817	525,761
State funded continuing education						
TPEG - non-credit (set aside)*	-	-	-	-	-	-
Non-state funded educational programs	-	-	-	-	-	-
Total Tuition	<u>12,291,604</u>	<u>-</u>	<u>12,291,604</u>	<u>-</u>	<u>12,291,604</u>	<u>10,325,848</u>
<b>Fees:</b>						
Distance learning fee	-	-	-	-	-	-
Installment plan fees	-	-	-	-	-	-
Non-instructional contract training fees	26,030,344	1,612,783	27,643,127	2,131,969	29,775,096	26,286,055
Prior year tuition and fees	-	-	-	-	-	-
Total Fees	<u>26,030,344</u>	<u>1,612,783</u>	<u>27,643,127</u>	<u>2,131,969</u>	<u>29,775,096</u>	<u>26,286,055</u>
<b>Scholarship Allowances and Discounts:</b>						
Remissions and exemptions - state	-	-	-	-	-	-
Remissions and exemptions - local	(2,713,740)	-	(2,713,740)	-	(2,713,740)	(1,563,694)
Reduced tuition pilot	(95,000)	-	(95,000)	-	(95,000)	(95,000)
Other federal grants	-	-	-	-	-	-
TPEG awards	(518,243)	-	(518,243)	-	(518,243)	(456,123)
TSC trustee scholarship	(3,002,066)	-	(3,002,066)	-	(3,002,066)	(2,758,270)
Other state grants	-	-	-	-	-	-
Rising star program	-	-	-	-	-	-
Other local grants	-	-	-	-	-	-
Total Scholarship Allowances	<u>(6,329,049)</u>	<u>-</u>	<u>(6,329,049)</u>	<u>-</u>	<u>(6,329,049)</u>	<u>(4,873,087)</u>
Total Net Tuition and Fees	<u>31,992,899</u>	<u>1,612,783</u>	<u>33,605,682</u>	<u>2,131,969</u>	<u>35,737,651</u>	<u>31,738,816</u>
<b>Additional Operating Revenues:</b>						
Federal grants and contracts	-	1,438,868	1,438,868	-	1,438,868	875,766
State grants and contracts	-	3,816,154	3,816,154	-	3,816,154	4,648,058
Local grants and contracts	-	523,780	523,780	-	523,780	442,644
Non-governmental grants and contracts	-	-	-	-	-	-
Sales and services of educational activities	-	-	-	-	-	-
General operating revenues	371,205	-	371,205	-	371,205	307,138
Total Additional Operating Revenues	<u>371,205</u>	<u>5,778,802</u>	<u>6,150,007</u>	<u>-</u>	<u>6,150,007</u>	<u>6,273,606</u>
<b>Auxiliary Enterprises:</b>						
Bookstore	-	-	-	-	-	-
Less discounts	-	-	-	-	-	-
Food service	-	-	-	-	-	-
Center for educational telecommunications	-	-	-	-	-	-
Business incubation center	-	-	-	-	-	-
Student programs	-	-	-	633,527	633,527	492,167
Net Bookstore	<u>-</u>	<u>-</u>	<u>-</u>	<u>633,527</u>	<u>633,527</u>	<u>492,167</u>
Food service	-	-	-	-	-	-
Facilities rentals	-	-	-	-	-	-
Total Net Auxiliary Enterprises	<u>-</u>	<u>-</u>	<u>-</u>	<u>633,527</u>	<u>633,527</u>	<u>492,167</u>
Total Operating Revenues	<u>\$ 32,364,104</u>	<u>\$ 7,391,585</u>	<u>\$ 39,755,689</u>	<u>\$ 2,765,496</u>	<u>\$ 42,521,185</u>	<u>\$ 38,504,589</u>
					(Exhibit 2)	(Exhibit 2)

\* In accordance with Education Code 56.003, \$571,817 and \$525,761 of tuition was set aside for Texas Public Education Grants (TPEG) for the years ended August 31, 2011 and 2010, respectively.

**TEXAS SOUTHMOST COLLEGE DISTRICT**  
**Schedule of Operating Expenses by Object**  
**For the Year Ended August 31, 2011 and 2010**

	Operating Expenses				2011 Total	2010 Total
	Salaries and Wages	Benefits		Other Expenses		
		State Benefits	Local Benefits			
<b>Unrestricted - Educational Activities</b>						
Instruction	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public service	-	-	-	-	-	-
Academic support	-	-	-	-	-	-
Student services	-	-	-	-	-	-
Institutional support	553,964	-	104,226	2,516,660	3,174,850	2,567,414
Operation and maintenance of plant	-	-	-	1,212,864	1,212,864	2,873,577
Scholarships and fellowships	-	-	-	-	-	-
Contract services - UTB	-	-	-	53,195,529	53,195,529	51,661,026
<b>Total Unrestricted Educational Activities</b>	<u>553,964</u>	<u>-</u>	<u>104,226</u>	<u>56,925,053</u>	<u>57,583,243</u>	<u>57,102,017</u>
<b>Restricted - Educational Activities</b>						
Instruction	-	-	-	-	-	-
Public service	-	-	-	-	-	-
Academic support	-	-	-	-	-	-
Student services	-	-	-	-	-	-
Institutional support	-	-	-	-	-	-
Operation and maintenance of plant	-	-	-	-	-	-
Scholarships and fellowships	-	-	-	-	-	-
<b>Total Restricted Educational Activities</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Educational Activities</b>	553,964	-	104,226	56,925,053	57,583,243	57,102,017
<b>Auxiliary Enterprises</b>	64,776	-	18,621	894,246	977,643	830,403
Depreciation Expense						
Buildings and other real estate improvements	-	-	-	3,170,284	3,170,284	3,138,656
Equipment and furniture	-	-	-	267,262	267,262	272,706
<b>Total Operating Expenses</b>	<u>\$ 618,740</u>	<u>\$ -</u>	<u>\$ 122,847</u>	<u>\$ 61,256,845</u>	<u>\$ 61,998,432</u> (Exhibit 2)	<u>\$ 61,343,782</u> (Exhibit 2)

**TEXAS SOUTHMOST COLLEGE DISTRICT**  
**Schedule of Non-Operating Revenues and Expenses**  
**For the Year Ended August 31, 2011 and 2010**

	Unrestricted	Restricted	Auxiliary Enterprises	2011 Total	2010 Total
<b>Non-Operating Revenues</b>					
<b>State Appropriations:</b>					
Education and general state support	\$ 12,245,588	\$ -	\$ -	\$ 12,245,588	\$ 13,770,382
State group insurance	-	-	-	-	-
State retirement matching	-	-	-	-	-
Professional nursing shortage reduction	-	-	-	-	-
Total State allocations	<u>12,245,588</u>	<u>-</u>	<u>-</u>	<u>12,245,588</u>	<u>13,770,382</u>
Ad valorem taxes:					
Maintenance ad valorem taxes	10,918,168	-	-	10,918,168	11,303,940
Debt service ad valorem taxes	6,130,903	-	-	6,130,903	5,483,261
Gifts	-	-	-	-	-
Investment income	14,819	31,257	-	46,076	192,264
Gain (Loss) on sale of investments	9,270	-	-	9,270	(248)
Title IV federal grants	-	-	-	-	-
Other non-operating revenue	<u>12,780</u>	<u>-</u>	<u>-</u>	<u>12,780</u>	<u>482,710</u>
Total Non-Operating Revenues	<u>29,331,528</u>	<u>31,257</u>	<u>-</u>	<u>29,362,785</u>	<u>31,232,309</u>
<b>Non-Operating Expenses</b>					
Interest on capital related debt	4,447,165	-	-	4,447,165	4,582,811
(Gain) Loss on sale of capital assets	664,308	-	-	664,308	-
Allowance for uncollectible expense	139,368	-	-	139,368	-
Other non-operating expenses	<u>127,437</u>	<u>-</u>	<u>-</u>	<u>127,437</u>	<u>138,726</u>
Total Non-Operating Expenses	<u>5,378,278</u>	<u>-</u>	<u>-</u>	<u>5,378,278</u>	<u>4,721,537</u>
Net Non-Operating Revenues	<u>\$ 23,953,250</u>	<u>\$ 31,257</u>	<u>\$ -</u>	<u>\$ 23,984,507</u> (Exhibit 2)	<u>\$ 26,510,772</u> (Exhibit 2)

**SCHEDULE D**

**TEXAS SOUTHMOST COLLEGE DISTRICT**  
**Schedule of Net Assets by Source and Availability**  
**For the Year Ended August 31, 2011**  
(With Memorandum Totals for the Year Ended August 31, 2010)

	Detail by Source				
	Unrestricted	Restricted		Capital Assets Net of Depreciation and Related Debt	Current Year Total
		Expendable	Non-Expendable		
Current					
Unrestricted	\$ 7,254,841	\$ -	\$ -	\$ -	\$ 7,254,841
Board designated	-	-	-	-	-
Restricted	-	2,085,546	-	-	2,085,546
Auxiliary enterprises	573,333	-	-	-	573,333
Loan	36,691	-	-	-	36,691
Endowment:					
Quasi:					
Unrestricted	-	-	-	-	-
Restricted	-	71,278	-	-	71,278
Endowment:					
True	-	-	-	-	-
Term (per instructions at maturity)	-	-	-	-	-
Life income contracts	-	-	-	-	-
Annuities	-	-	-	-	-
Plant:					
Unexpended	-	8,329,870	-	-	8,329,870
Renewals	-	604,605	-	-	604,605
Debt Service	-	10,002,815	-	-	10,002,815
Investment in Plant	-	-	-	61,297,681	61,297,681
Total Net Assets, August 31, 2011	7,864,865	21,094,114	-	61,297,681	90,256,660
					(Exhibit 1)
Total Net Assets, August 31, 2010	7,351,688	17,373,637	-	61,085,182	85,810,507
					(Exhibit 1)
Adjustment to net assets	-	(61,107)	-	-	(61,107)
					(Exhibit 2)
Net Increase (Decrease) in Net Assets	\$ 513,177	\$ 3,781,584	\$ -	\$ 212,499	\$ 4,507,260
					(Exhibit 2)

(Continued on page 58.)

**SCHEDULE D**

**TEXAS SOUTHMOST COLLEGE DISTRICT**  
**Schedule of Net Assets by Source and Availability**  
**For the Year Ended August 31, 2011 - CONTINUED**  
 (With Memorandum Totals for the Year Ended August 31, 2010)

	Available for Current Operations		Prior Year Total	Available for Current Operations	
	Yes	No		Yes	No
Current					
Unrestricted	\$ 7,254,841	\$ -	\$ 7,205,140	\$ 7,205,140	\$ -
Board designated	-	-	-	-	-
Restricted	-	2,085,546	1,608,755	-	1,608,755
Auxiliary enterprises	573,333	-	109,945	109,945	-
Loan	36,691	-	36,603	36,603	-
Endowment:					
Quasi:					
Unrestricted	-	-	-	-	-
Restricted	-	71,278	61,877	-	61,877
Endowment:					
True	-	-	-	-	-
Term (per instructions at maturity)	-	-	-	-	-
Life income contracts	-	-	-	-	-
Annuities	-	-	-	-	-
Plant:					
Unexpended	-	8,329,870	6,070,915	-	6,070,915
Renewals	-	604,605	266,800	-	266,800
Debt Service	-	10,002,815	9,365,290	-	9,365,290
Investment in Plant	-	61,297,681	61,085,182	-	61,085,182
Total Net Assets, August 31, 2011	<u>7,864,865</u>	<u>82,391,795</u>	<u>85,810,507</u>	<u>7,351,688</u>	<u>78,458,819</u>
Total Net Assets, August 31, 2010	<u>7,351,688</u>	<u>78,458,819</u>	<u>82,138,928</u>	<u>7,320,953</u>	<u>74,817,975</u>
Adjustment to net assets	-	(61,107)	-	-	-
Net Increase (Decrease) in Net Assets	<u>\$ 513,177</u>	<u>\$ 3,994,083</u>	<u>\$ 3,671,579</u>	<u>\$ 30,735</u>	<u>\$ 3,640,844</u>

(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.

<b>Contents</b>	<b>Page</b>
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 2002 to 2011  
(unaudited)

	For the Fiscal Year Ended August 31,										
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	
Invested in capital assets, net of related debt	\$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	\$32,101,693	
Restricted - expendable	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	7,739,553	
Unrestricted	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	2,858,004	
<b>Total primary government net assets</b>	<b>\$ 90,256,660</b>	<b>\$ 85,810,507</b>	<b>\$ 82,138,929</b>	<b>\$ 72,568,475</b>	<b>\$ 63,487,371</b>	<b>\$ 55,926,651</b>	<b>\$ 55,844,826</b>	<b>\$ 53,068,898</b>	<b>\$ 49,137,564</b>	<b>\$ 42,699,250</b>	

**Note:** Due to reporting format and definition changes prescribed by GASB Statement 34, only fiscal years 2002-2011 are available



Texas Southmost College District  
Statistical Supplement 2  
Revenues by Source  
Fiscal Years 2002 to 2011  
(unaudited)

	For the Year Ended August 31,										
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	
Tuition and Fees (Net of Discounts)	\$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	\$5,663,423	
Governmental Grants and Contracts											
Federal Grants and Contracts	1,438,868	875,766	1,970,939	787,249	774,059	916,007	869,082	1,005,612	14,057,456	11,624,791	
State Grants and Contracts	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	2,629,805	
Local Grants and Contracts	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	1,393,286	4,759,617	370,397	
Auxiliary enterprises	633,527	492,167	445,716	390,990	347,361	345,640	336,811	547,432	742,322	579,237	
Other Operating Revenues	371,205	307,138	419,588	240,523	45,750	45,550	57,235	201,051	236,688	233,491	
<b>Total Operating Revenues</b>	<b>42,521,185</b>	<b>38,504,589</b>	<b>34,550,611</b>	<b>31,070,910</b>	<b>31,520,433</b>	<b>28,527,053</b>	<b>23,667,952</b>	<b>20,989,063</b>	<b>28,980,054</b>	<b>21,101,144</b>	
State Appropriations	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	13,165,590	
Ad Valorem Taxes	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	7,256,160	
Investment income	55,346	192,016	918,907	3,172,984	3,128,813	2,093,733	689,732	401,080	446,359	483,235	
Other non-operating revenues	12,780	482,710	1,646,207	63,581	113,496	515,930	84,552	611,005	-	-	
<b>Total Non-Operating Revenues</b>	<b>29,362,785</b>	<b>31,232,309</b>	<b>33,029,004</b>	<b>32,708,992</b>	<b>29,638,079</b>	<b>27,115,130</b>	<b>20,703,501</b>	<b>21,494,598</b>	<b>20,907,282</b>	<b>20,904,985</b>	
<b>Total Revenues</b>	<b>\$ 71,883,970</b>	<b>\$ 69,736,898</b>	<b>\$ 67,579,615</b>	<b>\$ 63,779,902</b>	<b>\$ 61,158,512</b>	<b>\$ 55,642,183</b>	<b>\$ 44,371,453</b>	<b>\$ 42,483,661</b>	<b>\$ 49,897,336</b>	<b>\$ 42,006,129</b>	

	For the Year Ended August 31,										
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	
Tuition and fees (net of discounts)	49.72%	45.51%	39.72%	40.64%	44.06%	42.69%	43.72%	36.04%	12.25%	13.48%	
Governmental grants and contracts											
State grants and contracts	2.00%	1.26%	2.92%	1.23%	1.27%	1.65%	1.96%	2.37%	28.17%	27.67%	
Local grants and contracts	5.31%	6.67%	6.56%	5.29%	5.07%	5.52%	5.79%	5.82%	6.17%	6.26%	
Non-governmental grants and contracts	0.73%	0.63%	0.65%	0.57%	0.50%	0.70%	0.98%	0.14%	0.00%	0.00%	
Auxiliary enterprises	0.88%	0.71%	0.66%	0.61%	0.57%	0.62%	0.76%	1.29%	9.54%	0.88%	
Other operating revenues	0.52%	0.44%	0.62%	0.38%	0.07%	0.08%	0.13%	0.47%	1.49%	1.38%	
<b>Total Operating Revenues</b>	<b>59.15%</b>	<b>55.21%</b>	<b>51.13%</b>	<b>48.72%</b>	<b>51.54%</b>	<b>51.27%</b>	<b>53.34%</b>	<b>49.41%</b>	<b>58.10%</b>	<b>50.23%</b>	
State appropriations	17.04%	19.75%	20.69%	22.19%	20.65%	22.05%	24.44%	28.28%	25.59%	31.34%	
Ad valorem taxes	23.72%	24.07%	24.39%	24.02%	22.51%	21.99%	20.48%	19.93%	15.42%	17.27%	
Investment income	0.08%	0.28%	1.36%	4.97%	3.76%	3.76%	1.55%	0.94%	0.89%	1.15%	
Other non-operating revenues	0.02%	0.89%	2.44%	0.10%	0.19%	0.93%	0.19%	1.44%	0.00%	0.00%	
<b>Total Non-Operating Revenues</b>	<b>40.85%</b>	<b>44.79%</b>	<b>48.87%</b>	<b>51.28%</b>	<b>48.46%</b>	<b>48.73%</b>	<b>46.66%</b>	<b>50.59%</b>	<b>41.90%</b>	<b>49.77%</b>	
<b>Total Revenues</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	

**Note:** Due to reporting format and definition changes prescribed by GASB Statement 34, only fiscal years 2002-2011 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,

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Instruction	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$13,700,777	\$18,360,073
Research	-	-	-	-	-	-	-	-	-	-
Public service	-	-	-	-	-	-	-	-	649,697	1,721,211
Academic support	-	-	-	-	-	-	-	-	4,076,422	2,016,359
Student services	-	-	-	-	-	-	-	-	4,896,742	2,339,851
Institutional support	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	5,044,218
Operation and maintenance of plant	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	2,863,841
Scholarships and fellowships	-	-	-	-	-	-	-	-	5,668,667	3,479,593
Auxiliary enterprises	977,643	830,403	928,790	683,044	614,980	686,733	526,633	1,183,702	1,556,738	1,500,353
Depreciation	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	1,109,660
Contracted services with UTB	53,195,529	51,661,026	46,763,146	44,254,372	43,854,678	40,662,560	36,814,126	32,626,780	-	-
Interest on capital related debt	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	38,435,159
Other non-operating expenses	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	1,285,962
Total Operating Expenses	992,220	138,726	143,789	102,484	107,719	54,050	28,773	23,322	-	-
Total Non-Operating Expenses	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	1,295,894
Total Expenses	\$ 6,743,817	\$ 66,065,319	\$ 58,009,162	\$ 54,698,798	\$ 53,597,792	\$ 49,039,484	\$ 41,595,525	\$ 39,118,498	\$ 43,565,292	\$ 38,731,053

For the Year Ended August 31,

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Instruction	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	46.21%
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%	1.49%	4.33%
Academic support	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	9.36%	5.08%
Student services	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	11.24%	5.89%
Institutional support	4.71%	3.89%	4.01%	4.72%	3.86%	3.55%	4.03%	4.51%	15.45%	12.70%
Operation and maintenance of plant	1.80%	4.35%	2.33%	1.63%	2.29%	2.64%	2.67%	3.27%	7.75%	7.21%
Scholarships and fellowships	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	13.01%	8.76%
Auxiliary enterprises	5.10%	1.26%	1.60%	3.78%	1.15%	4.45%	3.56%	3.39%	3.78%	3.78%
Depreciation	78.88%	5.16%	80.61%	80.91%	81.82%	82.92%	86.10%	83.40%	2.89%	2.79%
Contracted services with UTB	91.93%	78.20%	92.11%	92.29%	93.26%	94.96%	97.62%	97.61%	96.21%	96.74%
Interest on capital related debt	6.59%	6.94%	9.11%	7.52%	6.54%	4.93%	2.31%	2.33%	3.79%	3.24%
Loss on disposal of fixed assets	1.47%	0.21%	0.25%	0.19%	0.20%	0.11%	0.07%	0.06%	0.00%	0.02%
Total Operating Expenses	8.07%	7.15%	7.89%	7.71%	6.74%	5.04%	2.38%	2.39%	3.79%	3.26%
Total Non-Operating 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	\$ 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	\$ 2,275,076
Total governmental activities										

**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)

Academic Year (Fall)	Resident													
	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
2010	50	50	91.47	12	45.30	12	10	45	50	5	2	22	79	7
2009	50	50	82.50	12	45.30	12	10	45	50	5	2	20	79	7
2008	50	50	77.50	12	45.30	12	10	45	50	4	2	20	79	5
2007	31	50	66	12	41.56	11	10	30	50	3	2	20	79	
2006	31	50	58	12	41.56	10	10	30	50	3	2	20	79	
2005	31	50	44	10	41.56	10	10	30	25	2	2	20	79	
2004	29	48	38	10	41.56	10	10	30	25	2		20		
2003	28	46	32	10	41.56	5	5	30						
2002	26	42	25	10	41.56	5	5	30						
2001	24	42	25	10	37.78	5	5	30						

Academic Year (Fall)	Non - Resident													
	Non-Resident 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 (per student)	Student Recreation (per student)	Athletic Fee
2010	360	360	91.47	12	45.30	12	10	45	50	5	2	22	79	7
2009	327	327	82.50	12	45.30	12	10	45	50	5	2	20	79	7
2008	331	331	77.50	12	45.30	12	10	45	50	4	2	20	79	5
2007	328	328	66	12	41.56	11	10	30	50	3	2	20	79	
2006	325	325	58	12	41.56	10	10	30	50	3	2	20	79	
2005	326	326	44	10	41.56	10	10	30	25	2	2	20	79	
2004	306	306	38	10	41.56	10	10	30	25	2		20		
2003	282	282	32	10	41.56	5	5	30						
2002	262	262	25	10	41.56	5	5	30						
2001	253	253	25	10	37.78	5	5	30						

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 4**  
**Tuition and Fees**  
**Last Ten Academic Years**  
**(unaudited)**  
**(Continued)**

<b>Cost for 12 SCH In-District</b>	<b>Cost for 12 SCH Out-of-District</b>	<b>Increase from Prior Year In- District</b>	<b>Increase from Prior Year Out-of- District</b>
2,383	2,383	4.82%	4.82%
2,273	2,273	4.41%	4.41%
2,177	2,177	27.43%	12.43%
1,709	1,937	6.75%	5.91%
1,601	1,829	16.70%	14.32%
1,372	1,600	16.77%	14.05%
1,175	1,403	20.28%	17.61%
977	1,193	12.43%	12.45%
869	1,061	3.30%	0.36%
841	1,057	17.76%	12.18%

<b>Cost for 12 SCH Out of State</b>	<b>Cost for 12 SCH International</b>	<b>Increase from Prior Year Out of State</b>	<b>Increase from Prior Year International</b>
6,103	6,103	9.03%	9.03%
5,597	5,597	0.86%	0.86%
5,549	5,549	5.25%	5.25%
5,273	5,273	2.81%	2.81%
5,129	5,129	4.42%	4.42%
4,912	4,912	9.18%	9.18%
4,499	4,499	11.78%	11.78%
4,025	4,025	8.76%	8.76%
3,701	3,701	3.11%	3.11%
3,589	3,589	2.60%	2.60%

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)
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
2001-02	5,842,243	540,162	5,302,081	90.75%	0.108835	0.022565	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	State Appropriation	FTSE <sup>1</sup> (a)	Appropriation per FTSE*		Appropriation per Contact Hour		
			State Appropriation per FTSE	State Appropriation per Contact Hour	Academic Contact Hours (a)	Voc/Tech Contact Hours (b)	Total Contact Hours
2010-11	\$ 12,464	5,769	\$ 2,161	\$ 3.07	3,043	1,016	4,059
2009-10	14,355	5,963	2,407	3.62	2,795	1,173	3,968
2008-09	13,984	5,767	2,425	3.87	2,498	1,116	3,613
2007-08	14,154	6,287	2,251	3.69	2,682	1,152	3,834
2006-07	12,468	6,405	1,947	3.12	2,849	1,148	3,997
2005-06	12,270	5,661	2,167	3.27	2,654	1,097	3,751
2004-05	10,842	5,253	2,064	2.95	2,705	965	3,671
2003-04	10,843	4,955	2,188	3.01	2,667	939	3,606
2002-03	10,840	4,537	2,389	3.14	2,409	1,039	3,449
2001-02	11,656	4,056	2,874	3.77	2,283	806	3,088
2000-01	11,954	4,243	2,817	3.85	2,350	753	3,102

Notes:

<sup>1</sup>FTSE 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)									
		2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
AEP TEXAS CENTRAL CO	Utility	\$ 39,309	\$ 26,655	\$ 25,479	\$ 23,371	\$ 27,168	\$ 31,920	\$ 31,920	\$ 22,661	\$ 21,461	\$ 17,100
AT&T	Utility	-	-	33,477	37,525	36,176	36,855	36,855	34,793	38,577	41,436
BROWNSVILLE MEDICAL CENTER	Service	-	-	-	-	-	-	-	-	-	15,826
BROWNSVILLE SUNRISE DEVELOPERS LP	Real Estate	-	-	-	-	-	-	-	-	-	-
CAMERON ACQUISITIONS LLC	Land	29,212	24,840	40,500	-	-	-	-	-	-	-
CBL/SUNRISE COMMONS LP	Retail	38,870	38,904	38,923	38,923	38,706	36,468	30,351	30,351	-	
COLUMBIA VALLEY HEALTHCARE SYS LP	Service	29,349	31,461	31,461	31,461	35,014	35,078	35,078	34,121	34,561	
DELPHI AUTOMOTIVE SYSTEMS LLC	Manufacturing	-	-	-	-	-	-	-	-	-	-
H E BUTT GROCERY CO	Retail	-	-	-	-	17,265	17,765	17,765	17,981	18,014	19,469
KEPPEL AMFELS	Shipyard	-	27,225	24,559	-	16,016	16,018	16,018	16,498	15,058	15,058
KIMCO BROWNSVILLE LP	Real Estate	-	-	-	18,113	-	-	-	-	-	-
RICH-SEAPAK CORP	Food Processor	32,572	27,674	28,450	-	19,963	-	-	-	-	-
SAPPHIRE VP LP	Real Estate	48,718	62,483	34,675	-	-	-	-	-	-	-
SOUTHWESTERN BELL TELE	Utility	26,787	31,284	-	-	-	-	-	-	-	-
TEXAS AND KANSAS CITY CABLE PARTNERS	-	-	-	-	22,912	23,765	20,201	20,201	15,662	15,479	-
TITAN WHEEL INTERNATIONAL INC	Manufacturing	-	-	-	17,726	15,887	-	31,030	-	36,538	37,014
TRANSMONTAIGNE PRODUCT SERVICE INC	Petroleum Products	27,691	26,889	33,603	36,443	39,557	36,507	30,380	28,303	26,549	
TRICO PRODUCTS CORP	Manufacturing	-	-	-	-	-	-	-	-	-	-
UNION PACIFIC RR CO	Manufacturing	-	-	-	-	-	-	-	-	-	-
UNITED LAUNCH ALLIANCE LLC	-	-	-	-	-	-	-	-	-	-	27,430
VF IMAGEWEAR (EAST) INC	Retail	-	-	-	-	-	15,841	15,841	-	-	-
WAL-MART STORES EAST INC	Retail	24,055	24,655	22,778	23,207	20,393	17,364	18,162	17,532	18,043	
WAL-MART STORES INC	Retail	-	-	-	17,315	-	-	-	-	-	-
WAL-MART STORES TEXAS LP	Retail	323,452	324,755	281,127	226,474	249,556	246,604	230,812	234,334	223,387	207,013
<b>Totals</b>		<b>\$ 10,722,649</b>	<b>\$ 10,526,537</b>	<b>\$ 10,440,912</b>	<b>\$ 9,738,707</b>	<b>\$ 8,786,825</b>	<b>\$ 7,663,218</b>	<b>\$ 7,037,106</b>	<b>\$ 6,253,829</b>	<b>\$ 5,810,142</b>	<b>\$ 5,302,081</b>

Taxpayer	Type of Business	% of Taxable Assessed Value (TAV) by Tax Year									
		2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
AEP TEXAS CENTRAL CO	Utility	0.37%	0.24%	0.24%	0.24%	0.31%	0.43%	0.45%	0.36%	0.37%	0.32%
AT&T	Service	-	-	0.32%	0.39%	0.41%	0.48%	0.52%	0.56%	0.66%	0.78%
BROWNSVILLE MEDICAL CENTER	Real	-	-	-	-	-	-	-	-	0.27%	0.30%
BROWNSVILLE SUNRISE DEVELOPERS LP	Real	-	-	-	-	-	-	-	-	-	-
CAMERON ACQUISITIONS LLC	Land	0.27%	0.24%	0.39%	0.40%	0.44%	0.46%	0.52%	0.49%	-	-
CBL/SUNRISE COMMONS LP	Retail	0.36%	0.37%	0.37%	0.40%	0.40%	0.46%	0.50%	0.56%	0.59%	0.65%
COLUMBIA VALLEY HEALTHCARE SYS LP	Service	0.27%	0.30%	0.30%	0.32%	0.40%	0.46%	0.50%	0.56%	0.59%	0.65%
DELPHI AUTOMOTIVE SYSTEMS LLC	Manufacturing	-	-	-	-	-	-	-	-	-	-
H E BUTT GROCERY CO	Retail	-	-	-	-	0.20%	0.20%	0.25%	0.29%	0.31%	0.37%
KEPPEL AMFELS	Shipyard	-	0.24%	0.24%	-	0.18%	0.21%	0.23%	0.26%	0.26%	0.28%
KIMCO BROWNSVILLE LP	Real	-	-	-	0.19%	-	-	-	-	-	-
RICH-SEAPAK CORP	Food Processor	0.30%	0.26%	0.27%	-	0.26%	-	-	-	-	-
SAPPHIRE VP LP	Real Estate	0.45%	0.59%	0.33%	-	-	-	-	-	-	-
SOUTHWESTERN BELL TELE	Utility	0.25%	0.30%	-	-	-	-	-	-	-	-
TEXAS AND KANSAS CITY CABLE PARTNERS	-	-	-	-	-	-	0.20%	-	0.25%	0.27%	-
TITAN WHEEL INTERNATIONAL INC	Manufacturing	-	-	-	0.24%	0.27%	0.28%	0.29%	0.50%	0.63%	0.70%
TRANSMONTAIGNE PRODUCT SERVICE INC	Petroleum Products	0	0	-	0.18%	0.18%	-	-	-	-	-
TRICO PRODUCTS CORP	Manufacturing	0	0	0.32%	0.37%	0.45%	0.46%	0.52%	0.49%	0.49%	0.50%
UNION PACIFIC RR CO	-	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
UNITED LAUNCH ALLIANCE LLC	-	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
VF IMAGEWEAR (EAST) INC	-	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
WAL-MART STORES EAST INC	Retail	-	-	-	-	-	0.00%	0.00%	-	-	-
WAL-MART STORES INC	Retail	0.22%	0.00%	0.00%	0.00%	0.00%	-	0.00%	0.00%	0.00%	0.52%
WAL-MART STORES TEXAS LP	Retail	-	-	-	0.00%	0.00%	0	0	-	-	-
<b>Totals</b>		<b>3.07%</b>	<b>3.09%</b>	<b>2.79%</b>	<b>2.39%</b>	<b>2.84%</b>	<b>3.24%</b>	<b>3.28%</b>	<b>3.75%</b>	<b>3.84%</b>	<b>3.90%</b>

**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
2011	\$ 17,119,086	\$ (39,991)	\$ 17,079,095	\$ 16,188,556	94.79%			\$ 16,188,556	94.79%
2010	16,701,520	88,401	16,789,921	15,875,009	94.55%		463,505	16,338,514	97.31%
2009	16,647,944	(41,299)	16,606,645	15,730,757	94.73%	412,418.96	181,488	16,324,664	98.30%
2008	15,360,034	(25,619)	15,334,415	14,498,634	94.55%	569,492.31	74,103	15,142,229	98.75%
2007	13,817,049	(83,954)	13,733,095	12,940,923	94.23%	607,601.30	40,629	13,589,153	98.95%
2006	12,262,774	(59,865)	12,202,909	11,481,393	94.09%	589,378.58	15,911	12,086,683	99.05%
2005	9,062,544	(54,521)	9,008,023	8,485,978	94.20%	446,676.38	8,338	8,940,992	99.26%
2004	8,171,491	90,726	8,262,217	7,768,246	94.02%	427,147.03	8,049	8,203,442	99.29%
2003	7,634,474	(12,397)	7,622,077	7,132,350	93.57%	431,909.80	4,231	7,568,491	99.30%
2002	6,967,041	(20,858)	6,946,183	6,534,050	94.07%	365,961.54	2,756	6,902,768	99.37%

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)

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
<b>General Bonded Debt</b>										
General obligation bonds	\$ 73,275	\$ 75,775	\$ 78,000	\$ 72,440	\$ 64,000	\$ 49,490	\$ 22,280	\$ 3,600	\$ 4,590	\$ 4,969
Notes	-	-	-	-	-	-	-	-	-	-
Less: Funds restricted for debt service	-	-	-	-	-	-	-	-	-	-
Net general bonded debt	\$ 73,275	\$ 75,775	\$ 78,000	\$ 72,440	\$ 64,000	\$ 49,490	\$ 22,280	\$ 3,600	\$ 4,590	\$ 4,969
<b>Other Debt</b>										
Revenue bonds	\$ 24,900	\$ 25,845	\$ 26,765	\$ 27,645	\$ 28,495	\$ 28,890	\$ 13,715	\$ 13,220	\$ 13,505	\$ 13,730
Notes	-	-	-	-	-	-	-	-	-	-
Capital lease obligations	-	-	-	-	-	-	-	-	-	-
Total Outstanding Debt	\$ 98,175	\$ 101,620	\$ 104,765	\$ 100,085	\$ 92,495	\$ 78,380	\$ 35,995	\$ 16,820	\$ 18,095	\$ 18,699

**General Bonded Debt Ratios**

Per Capita	\$ 375.84	\$ 388.66	\$ 400.07	\$ 371.56	\$ 328.27	\$ 253.84	\$ 114.28	\$ 18.46	\$ 23.54	\$ 25.49
Per FTSE	12,702	13,135	13,521	12,557	11,094	8,579	3,862	624	796	861
As a percentage of Taxable Assessed Value	0.68%	0.71%	0.73%	0.68%	0.60%	0.46%	0.21%	0.03%	0.04%	0.05%

**Total Outstanding Debt Ratios**

Per Capita	\$ 503.55	\$ 521.22	\$ 537.36	\$ 513.35	\$ 474.42	\$ 402.02	\$ 184.62	\$ 86.27	\$ 92.81	\$ 95.91
Per FTSE	17,018	17,615	18,160	17,349	16,033	13,586	6,239	2,916	3,137	3,241
As a percentage of Taxable Assessed Value	0.92%	0.95%	0.98%	0.93%	0.86%	0.73%	0.34%	0.16%	0.17%	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)

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Taxable Assessed Value	\$ 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	\$ 5,302,081
<b>General Obligation Bonds</b>										
Statutory Tax Levy Limit for Debt Service	53.613	52.633	52.205	48.694	43.934	38.316	35,186	31,269	29,051	26,510
Less: Funds Restricted for Repayment of General Obligation Bonds										
Total Net General Obligation Debt	53.613	52.633	52.205	48.694	43.934	38,316	35,186	31,269	29,051	26,510
Current Year Debt Service Requirements	2.500	2,225	1,690	1,560	1,490	2,570	1,125	990	380	406
Excess of Statutory Limit for Debt Service over Current Requirements	\$ 51,113	\$ 50,408	\$ 50,515	\$ 47,134	\$ 42,444	\$ 35,746	\$ 34,061	\$ 30,279	\$ 28,671	\$ 26,104
Net Current Requirements as a % of Statutory Limit	4.66%	4.23%	3.24%	3.20%	3.39%	6.71%	3.20%	3.17%	1.31%	1.53%

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)

**Revenue Bonds**

Fiscal Year Ended August 31	Pledged Revenues (\$000 omitted)										Debt Service Requirements (\$000 omitted)		
	Student Union Fees	Tuition	Bookstore Income	Parking Fees	Investment Income	Student Rec Center Fees	Total	Principal	Interest	Total	Coverage Ratio		
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		
2002	858	-	-	-	-	-	858	155	495	650	1.32		

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

Calendar Year	*District Population	**Estimate District Personal Income (a)		***Cameron County Personal Income		****Cameron County Unemployment Rate
		(thousands of dollars)	(a)	Per Capita	Per Capita	
2010	194,964	N/A	N/A	N/A	N/A	11.2%
2009	192,500	4,309,690,000	22,388	22,388	22,388	9.9%
2008	191,006	4,085,045,322	21,387	21,387	21,387	6.8%
2007	187,979	3,696,982,993	19,667	19,667	19,667	6.0%
2006	187,679	3,483,134,561	18,559	18,559	18,559	6.6%
2005	183,675	3,197,781,750	17,410	17,410	17,410	7.5%
2004	179,028	3,042,401,832	16,994	16,994	16,994	8.7%
2003	173,533	2,829,976,164	16,308	16,308	16,308	9.5%
2002	167,553	2,687,885,226	16,042	16,042	16,042	9.0%
2001	161,975	2,516,443,600	15,536	15,536	15,536	7.9%

**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 Population: 406,220 (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.county.org/>  
N/A - Not Available

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

2011		
Employer	*Number of Employees	**Percentage of Total Employment (2)
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%
<b>Total</b>	<b>18,620</b>	<b>30.87%</b>

**Source:**  
 \*Brownsville Economic Development Council. <http://www.bede.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.

2010		
Employer	*Number of Employees	**Percentage of Total Employment (2)
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%
<b>Total</b>	<b>18,520</b>	<b>30.48%</b>

**Source:**  
 \*Brownsville Economic Development Council. <http://www.bede.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.

2009		
Employer	*Number of Employees	**Percentage of Total Employment (2)
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%
<b>Total</b>	<b>20,036</b>	<b>34.48%</b>

**Source:**  
 \*Brownsville Economic Development Council. <http://www.bede.com/>  
 \*\*Brownsville Total Employment - Texas Workforce Commission. <http://www.texasworkforce.org/>  
 Percentage of Total Employment was calculated using Brownsville 2008 Annual Employment.  
 Brownsville Total Employment: 58,270  
 Note: Employer data was not available for Los Fresnos ISD and Point Isabel ISD.

2008		
Employer	*Number of Employees	**Percentage of Total Employment (2)
Brownsville ISD	7,321	12.60%
AMFELS	2,441	4.20%
UTB/TSC	2,180	3.75%
Cameron County	1,800	3.10%
Wal-Mart	1,227	2.11%
City of Brownsville	1,191	2.05%
Convergys's Corp	700	1.20%
HEB Food Stores	892	1.54%
Valley Regional Medical Center	752	1.29%
Valley Baptist Medical Center - Brownsville	900	1.55%
<b>Total</b>	<b>19,404</b>	<b>33.39%</b>

**Source:**  
 \*Brownsville Economic Development Council. <http://www.bede.com/>  
 \*\*Brownsville Total Employment - Texas Workforce Commission. <http://www.texasworkforce.org/>  
 Percentage of Total Employment was calculated using Brownsville 2007 Annual Employment.  
 Brownsville Total Employment: 58,107  
 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									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
<b>Faculty</b>										
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
<b>Percent</b>										
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%
<b>Staff and Administrators</b>										
Full-Time	15	19	18	17	15	14	10	12	19	15
Part-Time	1	5	6	5	6	3	5	9	46	22
Total	16	24	24	22	21	17	15	21	65	37
<b>Percent</b>										
Full-Time	93.8%	79.2%	75.0%	77.3%	71.4%	82.4%	66.7%	57.1%	29.2%	40.5%
Part-Time	6.3%	20.8%	25.0%	22.7%	28.6%	17.6%	33.3%	42.9%	70.8%	59.5%
FTSE per Full-time Faculty	0	0	0	0	0	0	0	0	0	0
FTSE per Full-Time Staff Member	384.6	313.8	320.4	369.8	427.0	404.4	525.3	412.9	238.8	270.4
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 15**  
**Enrollment Details**  
**Last Five Fiscal Years**  
(unaudited)

Student Classification	Fall 2010		Fall 2009		Fall 2008		Fall 2007		Fall 2006	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Freshman	5,546	50.22%	8,170	61.92%	8,709	64.56%	8,955	63.71%	8,002	60.62%
Sophomore	3,031	27.45%	2,754	20.87%	2,597	19.25%	2,833	20.16%	2,930	22.20%
Associate	633	5.73%	592	4.49%	572	4.24%	583	4.15%	562	4.26%
Bachelors	153	1.39%	152	1.15%	125	0.93%	110	0.78%	135	1.02%
Unclassified	1,680	15.21%	1,527	11.57%	1,487	11.02%	1,574	11.20%	1,571	11.90%
<b>Total</b>	<b>11,043</b>	<b>100.00%</b>	<b>13,195</b>	<b>100.00%</b>	<b>13,490</b>	<b>100.00%</b>	<b>14,055</b>	<b>100.00%</b>	<b>13,200</b>	<b>100.00%</b>

Semester Hour Load	Fall 2010		Fall 2009		Fall 2008		Fall 2007		Fall 2006	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Less than 3	646	5.85%	1,417	10.74%	1,745	12.94%	1,362	9.69%	617	4.67%
3-5 semester hours	2,569	23.26%	4,259	32.28%	4,665	34.58%	4,911	34.94%	4,418	33.47%
6-8 Semester hours	2,626	23.78%	2,723	20.64%	2,608	19.33%	2,687	19.12%	2,690	20.38%
9-11 semester hours	1,729	15.66%	1,714	12.99%	1,669	12.37%	1,803	12.83%	1,700	12.88%
12-14 semester hours	3,029	27.43%	2,677	20.29%	2,415	17.90%	2,780	19.78%	3,262	24.71%
15-17 semester hours	437	3.96%	395	2.99%	365	2.71%	447	3.18%	442	3.35%
18 & over	7	0.06%	10	0.08%	23	0.17%	65	0.46%	71	0.54%
<b>Total</b>	<b>11,043</b>	<b>100.00%</b>	<b>13,195</b>	<b>100.00%</b>	<b>13,490</b>	<b>100.00%</b>	<b>14,055</b>	<b>100.00%</b>	<b>13,200</b>	<b>100.00%</b>

Tuition Status	Fall 2010		Fall 2009		Fall 2008		Fall 2007		Fall 2006	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Texas Resident (In-District)	7,081	64.12%	6,733	51.03%	6,133	45.46%	6,766	48.14%	7,217	54.67%
Texas Resident (Out-of-District)	1,254	11.36%	1,179	8.94%	1,187	8.80%	1,217	8.66%	1,300	9.85%
Non-Resident Tuition	51	0.46%	40	0.30%	38	0.28%	37	0.26%	43	0.33%
Foreign Resident In-Dist (HB1403)	103	0.93%	123	0.93%	127	0.94%	120	0.85%	136	1.03%
Foreign Resident Out-Dist (HB1403)	7	0.06%	12	0.09%	13	0.10%	12	0.09%	17	0.13%
Tuition Exemption/Waiver	2,547	23.06%	5,108	38.71%	5,992	44.42%	5,903	42.00%	4,487	33.99%
<b>Total</b>	<b>11,043</b>	<b>100.00%</b>	<b>13,195</b>	<b>100.00%</b>	<b>13,490</b>	<b>100.00%</b>	<b>14,055</b>	<b>100.00%</b>	<b>13,200</b>	<b>100.00%</b>

Average course load

8.0

6.9

6.5

6.9

7.4

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 2011.

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

Gender	Fall 2010		Fall 2009		Fall 2008		Fall 2007		Fall 2006	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Female	6,287	56.93%	7,709	58.42%	7,949	58.93%	8,171	58.14%	7,617	57.70%
Male	4,756	43.07%	5,486	41.58%	5,541	41.07%	5,884	41.86%	5,583	42.30%
Total	11,043	100.00%	13,195	100.00%	13,490	100.00%	14,055	100.00%	13,200	100.00%

Ethnic Origin	Fall 2010		Fall 2009		Fall 2008		Fall 2007		Fall 2006	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
White/Non-Hispanic	1,411	12.78%	431	3.27%	391	2.90%	492	3.50%	477	3.61%
Black/Non-Hispanic	57	0.52%	36	0.27%	36	0.27%	31	0.22%	28	0.21%
Hispanic	9,106	82.46%	12,247	92.82%	12,609	93.47%	13,036	92.75%	12,169	92.19%
Asian or Pacific Islander	83	0.75%	60	0.45%	54	0.40%	71	0.51%	61	0.46%
American Indian or Alaskan Native	68	0.62%	7	0.05%	8	0.06%	11	0.08%	9	0.07%
Non-Resident Aliens or Foreign Natl.	251	2.27%	350	2.65%	320	2.37%	362	2.58%	412	3.12%
Not Reported	67	0.61%	64	0.49%	72	0.53%	52	0.37%	44	0.33%
Total	11,043	100.00%	13,195	100.00%	13,490	100.00%	14,055	100.00%	13,200	100.00%

Age	Fall 2010		Fall 2009		Fall 2008		Fall 2007		Fall 2006	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Under 18	2,176	19.70%	4,746	35.97%	5,564	41.25%	5,305	37.74%	3,958	29.98%
18 - 21	4,365	39.53%	4,117	31.20%	3,927	29.11%	4,401	31.31%	4,690	35.53%
22 - 24	1,455	13.18%	1,425	10.80%	1,338	9.92%	1,489	10.59%	1,467	11.11%
25 - 35	2,069	18.74%	2,000	15.16%	1,854	13.74%	1,961	13.95%	2,141	16.22%
36 - 50	840	7.61%	792	6.00%	711	5.27%	765	5.44%	805	6.10%
51 & over	138	1.25%	115	0.87%	96	0.71%	134	0.95%	139	1.05%
Total	11,043	100.00%	13,195	100.00%	13,490	100.00%	14,055	100.00%	13,200	100.00%

Average Age	21	21	21	21	22

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 2011.



Texas Southmost College District  
Statistical Supplement 17  
Transfers to Senior Institutions  
2009 Fall Students as of Fall 2010  
(Includes only public senior colleges in Texas)

	Transfer Student Count		Transfer Student Technical	Transfer Student Tech-Prep	Total Acad/Tech Transfer Students	Percent Acad/Tech Transfer Students
	Academic	Technical				
University of Texas - Brownsville	1,615	59	80	1,754	75.44%	
University of Texas - Pan American	98	13	3	114	4.90%	
University of Texas - Austin	139	7	0	146	6.28%	
University of Texas - San Antonio	59	5	1	65	2.80%	
Texas A&M University - College Station	64	1	2	67	2.88%	
Texas State University	40	0	1	41	1.76%	
Texas A&M University - Corpus Christi	29	5	2	36	1.55%	
Texas A&M University - University Park	14	7	0	21	0.90%	
University of Houston - University Park	11	0	0	11	0.47%	
University of North Texas	4	0	0	4	0.17%	
University of Texas - Permian Basin	3	0	0	3	0.13%	
Stephen F. Austin State University	1	0	0	1	0.04%	
Texas Tech University	12	0	0	12	0.52%	
University of Texas - Arlington	3	0	0	3	0.13%	
Sam Houston State University	6	0	0	6	0.26%	
University of Texas - Tyler	1	0	0	1	0.04%	
Texas A&M International University	1	0	0	1	0.04%	
Texas Women's University	4	0	1	5	0.22%	
University of Houston - Downtown	4	0	0	4	0.17%	
University of Texas - Dallas	1	0	0	1	0.04%	
Sul Ross State University	1	0	0	1	0.04%	
Texas A&M University - San Antonio	2	0	0	2	0.09%	
Texas A&M University - Galveston	1	0	0	1	0.04%	
Texas A&M University - Texarkana	1	0	0	1	0.04%	
Prairie View A&M University	0	0	0	0	0.00%	
University of Texas - El Paso	4	1	0	5	0.22%	
Baylor College of Medicine - Academics	0	0	0	0	0.00%	
Lamar University Institute of Technology	0	0	0	0	0.00%	
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	1	0	0	1	0.04%	
Texas A&M University System Health Science Center	1	0	0	1	0.04%	
Texas Southern University	4	1	0	5	0.22%	
Texas Tech University Health Science Center	1	1	0	2	0.09%	
University of Houston - Clear Lake	0	0	0	0	0.00%	
University of Houston - Victoria	1	0	0	1	0.04%	
University of North Texas Health Science Center - Forth Worth	0	0	0	0	0.00%	
University of Texas Health Science Center - Houston	2	0	0	2	0.09%	
University of Texas Health Science Center - San Antonio	4	0	0	4	0.17%	
University of Texas Medical Branch Galveston	3	0	0	3	0.13%	
University of Texas Southwestern Medical Center - Dallas	0	0	0	0	0.00%	
West Texas A&M University	0	0	0	0	0.00%	
<b>Totals</b>	<b>2,135</b>	<b>100</b>	<b>90</b>	<b>2,325</b>	<b>100.00%</b>	

**Texas Southmost College District  
Statistical Supplement 18  
Capital Asset Information  
Fiscal Years 2006 to 2011**

**PENDING INFORMATION FROM UTB**

	Fiscal Year					
	2011	2010	2009	2008	2007	2006
Academic buildings	24	23	22	19	19	19
Square footage (in thousands)	1058	999	942	827	827	827
Libraries	2	2	2	1	1	1
Square footage (in thousands)	130	130	130	85	85	85
Number of Volumes (in thousands)	264	298	300	320	310	300
Administrative and support buildings	26	23	22	22	22	22
Square footage (in thousands)	614	559	540	588	588	588
Dormitories	1	1	1	1	1	1
Square footage (in thousands)	140	94	94	94	94	94
Number of Beds	459	334	334	334	325	257
Apartments	66	66	66	11	8	0
Square footage (in thousands)	68	72	72	65	31	0
Number of beds	140	140	140	108	95	0
Dining Facilities	0	0	0	0	0	0
Square footage (in thousands)	0	0	0	0	0	0
Average daily customers	0	0	0	0	0	0
Athletic Facilities	3	3	3	2	2	2
Square footage (in thousands)	138	138	138	29	29	29
Stadiums	0	0	0	0	0	0
Gymnasiums	2	2	2	1	1	1
Fitness Centers	1	1	1	0	0	0
Tennis Court	1	1	1	1	1	1
Plant facilities	7	7	6	5	5	15
Square footage (in thousands)	49	49	46	45	45	78
Transportation						
Cars	7	8	10	14	16	18
Light Trucks/Vans	50	57	66	64	53	45
Buses	2	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 2010.

## **SINGLE AUDIT SECTION**

**SCHEDULE E**

**TEXAS SOUTHMOST COLLEGE DISTRICT**

**Schedule of Expenditures of Federal Awards  
For the Year Ended August 31, 2011**

<b>Federal Grantor/Pass-Through Grantor/Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grantor's Number</b>	<b>Pass-Through Disbursements and Expenditures</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<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	\$ 33,295
Total U.S. Department of Agriculture			<u>33,295</u>
<b>U.S. DEPARTMENT OF LABOR</b>			
<i>Pass-through from Texas Workforce Commission:</i>			
ARRA - WIA-Youth Stimulus	17.259	2410XSW000	<u>129,915</u>
Total U.S. Department of Labor			<u>129,915</u>
<b>U.S. DEPARTMENT OF ENERGY</b>			
<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>715,182</u>
Total U.S. Department of Health and Human Services			<u>715,182</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<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	450,664
Leveraging Educational Assistance Partnerships	84.069A	9100854M	17,530
Special Leveraging Educational Assistance Partnership	84.069B	9100855M	23,908
Statewide Longitudinal Data Systems	84.372B	9107249M	<u>3,514</u>
Total U.S. Department of Education			<u>495,616</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
<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>64,860</u>
Total U.S. Department of Health and Human Services			<u>64,860</u>
Total Federal Financial Assistance			<u>\$ 1,438,868</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, 2011**

<b><u>Note 1: Federal Assistance Reconciliation</u></b>	<b>Pass-Through Disbursements</b>
Federal revenue received by Texas Southmost College District	
Federal grants and contracts revenue per Schedule A	\$ 1,438,868
Federal revenue received by University of Texas at Brownsville	<u>26,188,616</u>
 Total Federal Revenues	 <u>\$ 27,627,484</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:	<b>Amount</b>
<u>Program Name</u>	
84.063 - Federal Pell Grant Program	\$ 25,596,014
84.007 - SEOG	266,155
84.033 - Federal Work Study Program	<u>326,447</u>
	 <u>\$ 26,188,616</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, 2011  
(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 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>5,751,803</u>
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TEXAS SOUTHMOST COLLEGE DISTRICT

Schedule of Expenditures of State Awards  
For the Year Ended August 31, 2011

Grantor Agency/ Program Title	Grant Contract Number	Expenditures
<b>TEXAS HIGHER EDUCATION COORDINATING BOARD</b>		
<i>Pass-through to University of Texas - Brownsville</i>		
Texas Grant Program	-	\$ 1,321,650
Texas Educational Aide Exemption	-	128,398
Texas Early High School Grant	-	190,389
Texas College Work Study	-	49,051
Texas Educational Opportunity Grant	-	368,606
Top 10%	-	138,495
Jet Grant	-	41,568
Nursing Shortage Reduction Grant	-	217,500
Skills Development Small Business Initiative	-	200
Vocational Nursing Scholarship	-	721
Total pass-through Texas Higher Education Coordinating Board		<u>\$ 2,456,578</u>
Total State Financial Assistance		<u>\$ 2,456,578</u>

**Note 1: State Assistance Reconciliation**

State Revenues - Per Schedule A		
State Financial Assistance per Schedule of Expenditures of State Awards		\$ 2,456,578
Lease payments from University of Texas - Brownsville		<u>1,359,576</u>
Total State Revenues per Schedule A		<u>\$ 3,816,154</u>

**Note 2: Significant Accounting Policies Used in Preparing the Schedule**

The accompany 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.



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

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

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

We have audited the basic financial statements of the Texas Southmost College District, as of and for the year ended August 31, 2011 and have issued our report thereon dated January 6, 2011. 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**

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 the 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 designated to identify all deficiencies in internal control over the 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 District's compliance with the requirements of the Public Funds Investment Act. During the year ended August 31, 2011 no instances of noncompliance were found.

We noted certain matters that we reported to management of Texas Southmost College District, in a separate letter dated January 6, 2012.

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

*Patullo, Brown & Hill, C.P.A.*

January 6, 2012



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  
AND THE STATE OF TEXAS SINGLE AUDIT CIRCULAR**

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

**Compliance**

We have audited the compliance of Texas Southmost College District, with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and the *State of Texas Single Audit Circular* that could have a direct and material effect on each of Texas Southmost College District's major federal and state programs for the year ended August 31, 2011. Texas Southmost College District's major programs are identified in the summary of auditors' 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 programs is the responsibility of Texas Southmost College District's management. Our responsibility is to express an opinion on 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*; and the standards applicable to financial audits contained in the *State of Texas Single Audit Circular*. Those standards, OMB Circular A-133, and the *State of Texas Single Audit Circular* 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 or state program occurred. An audit includes examining, on a test basis, evidence about 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 Texas Southmost College District's compliance with those requirements.

In our opinion, Texas Southmost College District, complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended August 31, 2011.

**Internal Control Over Compliance**

Management of 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 Texas Southmost College District's internal control over compliance with the requirements that could have a direct and material effect on a major federal or state program in order 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 and the *State of Texas Single Audit Circular*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Texas Southmost College 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 or state 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 designated 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 management, the audit committee, the Board of Trustees, others within the entity, the Texas Higher Education Coordinating Board, federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Patullo, Don Hill, C.P.*

January 6, 2012

**TEXAS SOUTHMOST COLLEGE DISTRICT**

**Schedule of Findings and Questioned Costs  
For the Year Ended August 31, 2011**

**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	ARRA - WIA Cluster (CFDA #17.258, 17.259 and 17.260) ARRA - Energy Efficiency and Conservation Block Grant Program (CFDA #84.128)
Major state program	Texas Grant Program Texas Educational Opportunity Grant

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

The audit disclosed no finding required to be reported.

**III. Findings and Questioned Costs for Federal Awards**

None

**IV. Findings and Questioned Costs for State Awards**

None

**TEXAS SOUTHMOST COLLEGE DISTRICT**

**Summary Schedule of Prior Audit Findings  
For the Year Ended August 31, 2011**

**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, 2011**

Not applicable.