

**TEXAS SOUTHMOST
COLLEGE DISTRICT**

ANNUAL FINANCIAL REPORT

AUGUST 31, 2014 and 2013

TEXAS SOUTHMOST COLLEGE DISTRICT

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INTRODUCTORY SECTION

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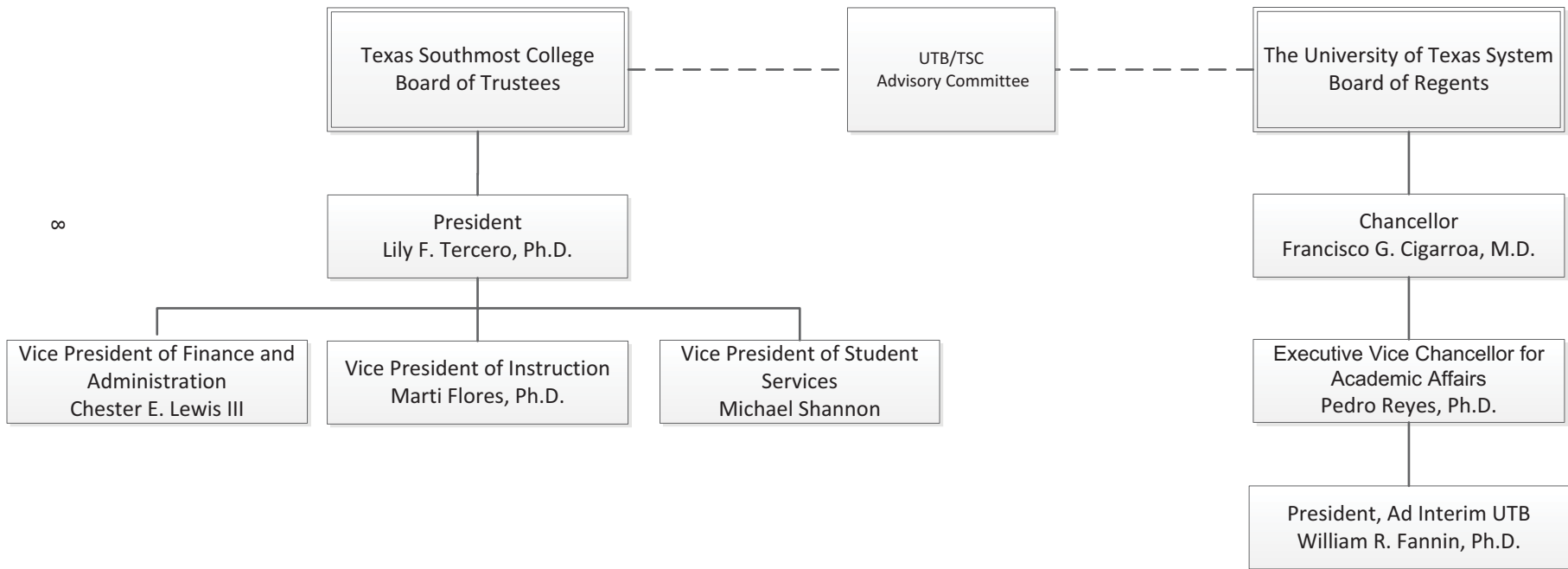
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

August 31, 2013

Executive Director/CEO

Texas Southmost College

UTB/TSC



TEXAS SOUTHMOST COLLEGE DISTRICT

ORGANIZATIONAL DATA FOR THE FISCAL YEAR 2013-2014

Board of Trustees

Officers

Francisco "Kiko" Rendon	Chairman
Juan "Trey" Mendez III, J.D.	Vice Chairman
Ed Rivera	Secretary

Members

		<u>Term Expires</u>
Adela Garza	Olmito, Texas	May, 2020
Art Rendon	Brownsville, Texas	May, 2020
Ed Rivera	Laguna Vista, Texas	May, 2016
Juan "Trey" Mendez III, J.D.	Brownsville, Texas	May, 2016
Francisco "Kiko" Rendon	Brownsville, Texas	May, 2016
Reynaldo Garcia, DDS	Brownsville, Texas	May, 2018
Ramon Champion Hinojosa	Brownsville, Texas	May, 2018

Principal Administrative Officers

Lily F. Tercero, Ph.D.	TSC President
Chester E. Lewis III	Vice President of Finance and Administration
Marti Flores, Ed. D.	Vice President of Instruction
Mike Shannon	Vice President of Student Services

UTB/TSC

Francisco G. Cigarroa, M.D.	Chancellor
Pedro Reyes, Ph.D.	Executive Vice Chancellor for Academic Affairs
Dr. William R. Fannin, Ph.D.	President, ad Interim UTB

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Texas Southmost College District, as of and for the year ended August 31, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Texas Southmost College District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Texas Southmost College District, as of August 31, 2014 and 2013, and the respective changes in financial position, and, where applicable, cash flows thereof, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, in 2014 the District adopted new accounting guidance, GASB Statement No. 65, Items Previously Reported as Assets and Liabilities. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

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. The introductory section, combining and individual nonmajor fund financial statements and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2014, on our consideration of the Texas Southmost College District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Texas Southmost College District's internal control over financial reporting and compliance.



Brownsville, Texas
November 12, 2014

TEXAS SOUTHMOST COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

AUGUST 31, 2014

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, 2014. This discussion and analysis is to be read in conjunction with the College's financial statements which begin on page 27.

USING THIS ANNUAL REPORT

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

As required by GASB No. 34 and No. 35, the current and prior year financials are prepared using the accrual basis of accounting, which is the same method used by most private sector companies, and focus on the financial condition of the College, results of operations and cash flows of the College as a whole. For purposes of discussion and analysis, we have provided a year to year comparative analysis of the financial statements. As discussed in Note 27 to the financial statements, the District adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* in fiscal year 2014.

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

The Statement of Net Position

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

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

The Net Position is divided into three major categories. The first category, investment 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 Position and Notes to the financial statements.

The Statement of Revenues, Expenses and Changes in Net Position

The statement of revenues, expenses and changes in net position represents the College's overall results of operations. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred regardless of when the cash is received or paid. The statement is divided into operating revenues and expenses and non-operating revenues and expenses. The College is primarily dependent upon four sources of revenues: state allocations, tuition and fees, grants and contracts and property taxes. Since state allocations and property taxes are classified as non-operating revenues (per GASB requirements), the College will generally display an operating deficit before taking into account its non-operating revenues. Therefore, total revenues and total expenses should be considered in assessing the change in the College's financial position. When total revenues exceed total expenses, the result is an increase in net position. When the contrary occurs, the result is a decrease in net assets. Further detail is presented in the Statement of Revenues, Expenses and Changes in Net Position and in the Notes to the financial statements.

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

The Statement of Cash Flows

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

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

FINANCIAL ANALYSIS

Statement of Net Position

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

TABLE 1
CONDENSED STATEMENT OF NET POSITION
(in millions)

	August 31, 2014	August 31, 2013	August 31, 2012
Current Assets	\$ 55.6	\$ 28.1	\$ 27.1
Noncurrent Assets			
Cash and Cash Equivalents – Restricted	22.2	18.8	16.1
Capital Assets, Net of Accumulated Depreciation	138.0	153.2	155.9
Other Noncurrent Assets	0.2	0.1	1.8
Total Assets	<u>216.0</u>	<u>200.2</u>	<u>200.9</u>
Deferred Outflows of Resources	0.3	0.4	-
Current Liabilities	14.4	13.1	13.4
Noncurrent Liabilities	75.8	85.9	90.6
Total Liabilities	<u>90.2</u>	<u>99.0</u>	<u>104.0</u>
Deferred Inflow of Resources	0.6	0.7	-
Net Position			
Invested in Capital Assets, Net of Related Debt	56.1	60.9	61.5
Restricted Expendable	28.8	24.5	23.2
Unrestricted	40.6	15.5	12.2
Total Net Position	<u>\$ 125.5</u>	<u>\$ 100.9</u>	<u>\$ 96.9</u>

Total Assets increased by \$15.8 million in fiscal year 2014. Current Assets increased by \$27.5 million which was primarily due to a \$25.2 million increase in cash and cash equivalents, and a \$2.3 increase in accounts receivable net. The increase in cash and cash equivalents is primarily due to the settlement agreement with the University of Texas System (UTS). Capital Assets, Net of Accumulated Depreciation decreased by \$15.2 million related to sale of assets to UTS, the demolition of an old student housing facility, the net difference from the current year's depreciation, and the new additions to the buildings and equipment. There were no new bond financing activities in the fiscal year 2014.

Statement of Net Position (Continued)

At the end of fiscal year 2014, total liabilities decreased by \$8.8 million. The largest portion of the decrease is related to the decrease in Noncurrent Liabilities which include the defeasance of the Student Union Building Fee Revenue Bonds of \$6.2 million and scheduled debt repayments of \$4.0 million, offset by an increase in current liabilities of \$1.3 million.

Total Net Position (assets and deferred outflows of resources and liabilities and deferred inflows of resources) increased by \$35.2 million over the past three fiscal years. The College experienced an increase of approximately \$24.6 million, \$5.6 million, and \$6.6 million in fiscal years 2014, 2013 and 2012 as compared to the previous respective fiscal years. In fiscal year 2013, a prior period adjustment was recorded to net position resulting in a decrease of \$1.6 million from the implementation of GASB No. 65. Additional explanation of the adjustment is explained in Note 27 to the financial statements. Unrestricted net position – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – represents \$40.6 million of total net position at August 31, 2014.

Statement of Revenues, Expenses and Changes in Net Position

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

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

	August 31, 2014	August 31, 2013	August 31, 2012
Operating Revenues	\$ 31.5	\$ 22.8	\$ 38.0
Operating Expenses	(44.8)	(41.7)	(56.1)
Non-operating Revenue	42.1	28.9	29.2
Non-operating Expenses	(4.2)	(4.4)	(4.5)
Increase in Net Position	24.6	5.6	6.6
Adjustment to Net Position	-	(1.6)	-
Net Position - Beginning of the Year	100.9	96.9	90.3
Net Position - End of the Year	\$ 125.5	\$ 100.9	\$ 96.9

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

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

TABLE 3
OPERATING REVENUE
(in millions)

	Fiscal Year		Fiscal Year		Fiscal Year	
	2014		2013		2012	
	Amount	Percentage of total	Amount	Percentage of total	Amount	Percentage of total
Net Tuition and Fees	\$ 11.6	36.8%	\$ 17.8	77.7%	\$ 32.7	86.3%
Grants and Contracts	18.6	59.0%	4.4	19.2%	4.8	12.4%
Auxiliary Enterprises	1.0	3.2%	0.5	2.2%	0.5	1.3%
Other Operating Revenue	0.3	1.0%	0.2	0.9%	0.0	0.0%
Total Operating Revenue	<u>\$ 31.5</u>	<u>100.0%</u>	<u>\$ 22.9</u>	<u>100.0%</u>	<u>\$ 38.0</u>	<u>100.0%</u>

Operating revenues were affected by the following key factors:

- The cost for In-district Resident Tuition and Fees for 12 semester credit hours decreased by an average of 35.6% for fiscal year 2014 as compared to the prior fiscal year. With the first year of independent operations that no longer required TSC to follow a tuition and fee concordance policy with the University of Texas at Brownsville (UTB), the Board of Trustees adopted an independent rate that lowered tuition and fees to rates that were more consistent with tuition and fees of community colleges in the State of Texas.
- Grants and Contracts increased in FY 2014 primarily due to remittance of financial aid received by UTB to TSC for the payment of tuition and fees and allocation of student aid to TSC students. Currently, TSC and UTB continue to be accredited as a single institution and all federal financial aid is received by UTB for students attending TSC.
- Other changes in Net Tuition and Fees are attributed to changes in scholarships, discounts and allowances.

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

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

TABLE 4
NON-OPERATING REVENUE
(in millions)

	Fiscal Year 2014		Fiscal Year 2013		Fiscal Year 2012	
	Amount	Percentage of total	Amount	Percentage of total	Amount	Percentage of total
State Appropriations	\$ 7.0	16.5%	\$ 11.2	38.6%	\$ 11.3	41.7%
Ad Valorem Taxes	18.1	43.0%	17.7	61.0%	17.5	58.0%
Investment Income	0.1	0.2%	0.1	0.4%	0.1	0.3%
Other Non-Operating Revenue	16.9	40.3%	-	0.0%	0.3	0.0%
Total Non-Operating Revenue	\$ 42.1	100.0%	\$ 29.0	100.0%	\$ 29.2	100.0%

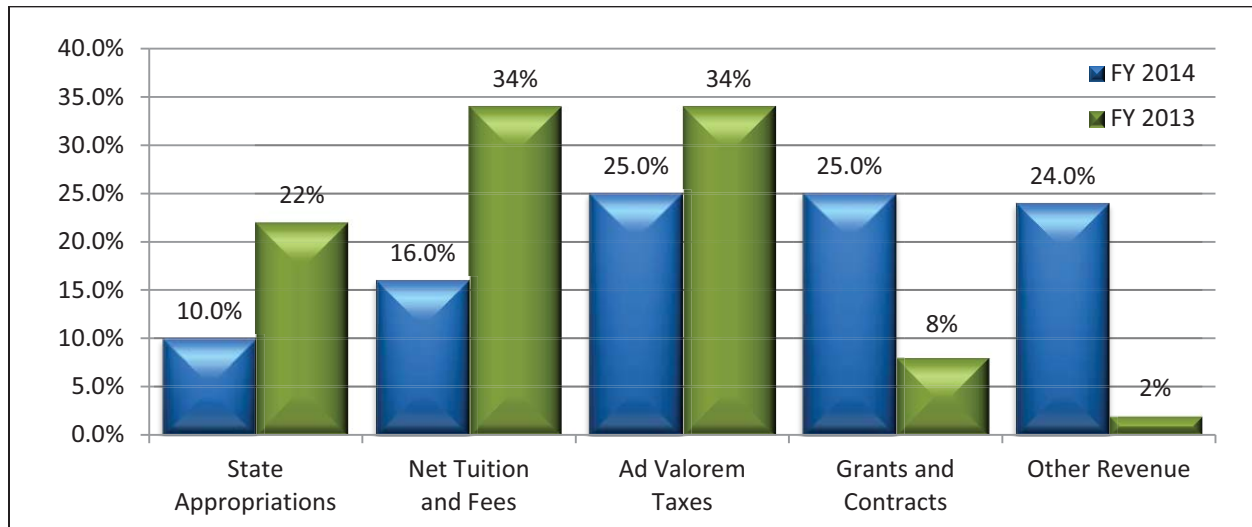
Non-operating revenues were affected by the following key factors:

- The decrease in state appropriations of \$4.2 million is primarily due to the adjustment in contact hours reported to the state on behalf of the College and adjustments related to transition funding related to operational separation of the College from UTB. The State of Texas finalized the allocation of appropriations during the fiscal year and management had estimated this impact and adjusted the fiscal year 2014 budget accordingly.
- Property tax revenue increased by about \$0.6 million from fiscal year 2013 to fiscal year 2014 as a result of a 2.0% increase in taxable assessed property valuations with the same total tax rate as the prior year. Property tax revenue increased by about \$0.7 million from fiscal year 2012 to fiscal year 2013 as a result of a 2.3% increase in taxable assessed property valuations and a 0.7% decrease to the total tax rate. The tax rates for the Texas Southmost College are \$0.162935, \$0.162935, and \$0.164026 per \$100 valuation for the fiscal years ended 2014, 2013 and 2012, respectively.
- Other Non-Operating Revenue increased by \$16.9 in FY 2014 which is primarily due to the settlement agreement with the University of Texas System (UTS) that resulted in the sale and exchange of buildings, improvements, land and personal property.
- Investment income for FY 2014 is comparable to FY 2013 and FY 2012. Earning rates for funds are also low due to the overall decrease investment rates available.

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

Key sources of revenue in total for the College are state allocations, grants and contracts, property taxes, and tuition and fees (net of scholarship discounts). Table 5 shows a comparison of the breakdown of total revenues by source for the College in Fiscal Years 2014 and 2013.

TABLE 5
TOTAL REVENUES



In fiscal year 2014, Other Revenue is the largest source at 24% due to the one time transaction with UTS of the sale and/or exchange of buildings, improvements, land and personal property. State Appropriations are 10% of total revenues as compared to 22% in fiscal year 2013. Net Tuition and Fees in fiscal year 2014 are 16% in fiscal year 2014 as compared to 34% in fiscal year 2013. Ad Valorem taxes decreased to 25% from 34% in fiscal years 2014 and 2013 respectively. Grants and Contracts increased to 25% from 8% in fiscal years 2014 and 2013 respectively, primarily due to the transfer of financial aid received by UTB to TSC in fiscal year 2014.

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

TABLE 6
OPERATING EXPENSES
Natural Classification
(in millions)

	August 31, 2013	August 31, 2013	August 31, 2012
Salaries	\$ 9.7	\$ 1.6	\$ 0.9
Benefits	2.1	0.2	0.2
Other Expenses (excluding UTB Contract)	29.2	6.5	4.1
Contracted Services - UTB	-	30.0	47.5
Depreciation	3.8	3.5	3.4
Total Operating Expenses	\$ 44.8	\$ 41.8	\$ 56.1

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

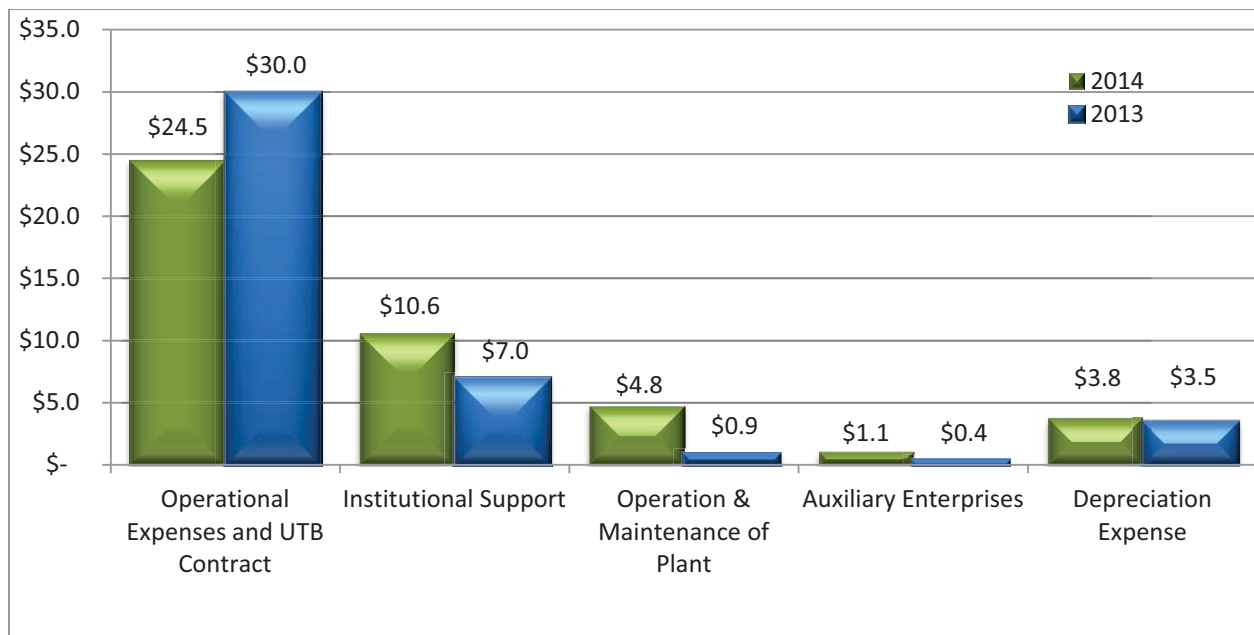
Table 7 displays the breakdown of the College's expenses by functional classification.

TABLE 7 OPERATING EXPENSES Functional Classification (in millions)			
	August 31, 2014	August 31, 2013	August 31, 2012
Instruction	\$ 3.6	\$ -	\$ -
Public Service	0.2	-	-
Academic Support	3.2	-	-
Student Services	3.3	-	-
Institutional Support	10.6	7.0	4.7
Operations and Maintenance of Plant	4.8	0.9	0.1
Scholarships and Fellowships	14.2	-	-
Depreciation	3.8	3.5	3.4
Contracted Services - UTB	-	30.0	47.5
Total Educational Activities	43.7	41.4	55.7
Auxiliary Enterprises	1.1	0.4	0.4
Total Operating Expenses	\$ 44.8	\$ 41.8	\$ 56.1

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

Table 8 displays a comparison of the breakdown of the expenses by functional classification for the College in Fiscal Years 2014 and 2013.

TABLE 8
OPERATING EXPENSES
Functional Classification
(in millions)



For fiscal year 2014, the College began independent operations while maintaining a combined accreditation with The University of Texas at Brownsville. During fiscal year 2013, the College had contracted with UTB to provide instruction and other related essential services and would incur expenses as reflected in the Contract Services - UTB category. In fiscal year 2014, the College began independent operations and incurred expenses related to instruction, student services, academic support, and other normal operating functions related to operating a community college. For fiscal year 2013, The University of Texas at Brownsville released 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 29 and 30 of this report.

TABLE 9
CONDENSED STATEMENT OF CASH FLOWS
(in millions)

	August 31, 2014	August 31, 2013	August 31, 2012
Cash provided/ used by:			
Operating Activities	\$ (10.4)	\$ (11.8)	\$ (14.8)
Noncapital Financing Activities	18.5	22.1	22.3
Capital and Related Activities	20.5	(2.3)	(1.3)
Investing Activities	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>
Net Increase (Decrease) In Cash	<u>28.7</u>	<u>8.1</u>	<u>6.3</u>
Cash-Beginning of the Year	<u>38.6</u>	<u>30.5</u>	<u>24.2</u>
Cash-End of Year	<u>\$ 67.3</u>	<u>\$ 38.6</u>	<u>\$ 30.5</u>

Total Cash and Cash Equivalents increased by 28.7 million in fiscal year 2014 and \$8.1 million during fiscal year 2013. Major factors impacting cash and cash equivalents are described below by source.

Operating Activities: During the fiscal year 2014 and fiscal year 2013, cash flows from operations resulted in an outflow of \$10.4 and \$11.8 million, respectively. The major source of cash receipts was from grant and contracts (\$18.6 in 2014 and \$4.3 in 2013) and tuition and fees, net of scholarship allowances and discounts (\$8.3 million in 2014 and \$20.6 million in 2013). The College's major cash outlay was for payments to suppliers and UTB (\$29.8 million in 2014 and \$30.0 in 2013) and for payments related to employees (\$9.1 in 2014 and \$6.9 in 2013).

Non-capital Financing Activities: The College had a positive cash flow of \$18.1 in fiscal year 2014 and \$22.1 million in fiscal year 2013 from the collection of property taxes and receipt of state appropriations. Property taxes were collected at a rate of 94.9% and 94.7% of the current year's tax levy for fiscal year 2014 and fiscal year 2013, respectively. (See table 10 below for more information on property taxes.)

Capital and Related Financing Activities: In fiscal year 2014, capital and related financing activities resulted in a net cash inflow of \$20.5 million. The cash inflows net of \$13.7 million resulted from the University of Texas System transaction, the defeasance of the student union building bonds and the regularly scheduled principal and interest payments for the remaining outstanding bonds, and other capital asset transactions. In addition, a regular cash inflow of \$6.8 million was recognized from the collection of property taxes related to bond financings.

Statement of Cash Flows (continued)

In fiscal year 2013, capital and related financing activities resulted in a cash outflow of \$2.3 million. Cash outlays of approximately \$9.1 million were made for capital construction projects, purchases of land and property, and principal and interest payments for all outstanding bonds. Cash inflows were primarily from the collection of \$6.7 million 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 2014. In addition, any investment opportunities are resulting in limited earning opportunities for short-term investments due to the economic downturn that exists in the current financial market.

Property taxes are an essential source of revenue for the College. The following table provides information regarding tax collection and assessed valuation for the Texas Southmost College District.

TABLE 10
PROPERTY TAX INFORMATION

	August 31, 2014	August 31, 2013	August 31, 2012
Total Tax Rate per \$100	\$ 0.162935	\$ 0.162935	\$ 0.164026
Total Tax Collections	\$ 17,973,708	\$ 17,727,167	\$ 17,459,754
Tax Collection Rate	94.89%	94.74%	94.18%
Assessed Valuation	\$ 11,319,374,157	\$ 11,097,815,199	\$ 10,849,724,282

The College’s total tax collections increased by approximately 1.4%, due to a 2.0% gross increase in assessed valuations and no change to in the total tax rate. For fiscal year 2014, the Texas Southmost College Board of Trustee's adopted the same tax rate as fiscal year 2013. In August 2014, the Board of Trustees adopted the calculated effective tax rate for the upcoming fiscal year. Overall, the College’s tax collection rate has remained strong over the past decade.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of Fiscal Year 2014, the College had approximately \$138.0 million (net of accumulated depreciation and amortization) invested in a broad range of capital assets, including instructional and athletic facilities, maintenance of buildings equipment, and computer software. The increase in capital assets primarily relates to the receipt of buildings and personal property owned by UTB which were part of the settlement agreement with UTS. The primary decreases in capital assets were related to the exchange and sale of buildings, improvements and land in the agreement with UTS, the demolition of a student housing facility that was no longer needed for operations, the sale of buildings and improvements to the City of Brownsville, and scheduled depreciation and amortization of existing capital assets.

Note 5 of the financial statements, which begin on page 36, provides further detailed information regarding the College's capital assets. Table 11 summarizes capital asset activity for the year ended August 31, 2013.

TABLE 11
CAPITAL ASSETS AT FISCAL YEAR END 2013
(in millions)

	Balance August 31, 2013	Increases and Reclassifications	Decreases	Balance August 31, 2014
Not Depreciated	\$ 5.8	\$ 2.5	\$ (1.6)	\$ 6.7
Buildings and Other Capital Assets	205.8	20.6	(36.3)	190.1
Less: Accumulated Depreciation and Amortization	(58.4)	(3.8)	3.4	(58.8)
Total Capital Assets	<u>\$ 153.2</u>	<u>\$ 19.3</u>	<u>\$ (34.5)</u>	<u>\$ 138.0</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 \$80.4 million in total bonds payable. 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 2013
(in millions)

	Balance August 31, 2013	Increase	Decrease	Balance August 31, 2013
General Obligations	\$ 67.5	\$ -	\$ (3.4)	\$ 64.1
Revenue Bonds	22.9	-	(6.8)	16.1
Plus Premium on Bonds	0.6	-	-	0.6
Less Deferred Amounts on Refunding	(0.4)	-	-	(0.4)
Total Bonds Payable	<u>\$ 90.6</u>	<u>\$ -</u>	<u>\$ (10.2)</u>	<u>\$ 80.4</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. During fiscal year 2014, the Student Union Building Bonds were defeased as part of the transaction to sell the Student Union Building to UTS. The decrease in Revenue Bonds includes the removal of the \$6.2 million of principal that was outstanding at August 31, 2013.

In May 2002, the College issued a \$5 million Revenue Bond to fund various capital projects on campus. These projects included the ITECC, the development of the Village at Fort Brown student housing project, and 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 fiscal year 2014, the Village at Fort Brown was demolished and the land will be held for possible development in the future.

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

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

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. During fiscal year 2012, on-going work has continued towards becoming operationally separated in the fall semester of 2013 and working to become separately accredited by 2015. In fiscal year 2014, TSC began its first year of independent operations of the college.

In January 2014, TSC and University of Texas System entered into a settlement agreement for the sale and exchange of buildings, land, improvements and personal property which resulted in the cash inflow to TSC of over \$29 million. Approximately \$5 million of the proceeds and the balance held in the debt reserve fund was used to defease the student union building fees revenue refunding bonds, series 2005. In addition to the property transactions, TSC entered into facility leasing arrangements with UT system for over \$2 million in rent revenue in fiscal year 2014.

The Board of Trustees considered many factors when establishing the fiscal year 2014 budget and tax rates. Tuition and fees revenues are lowered by approximately \$1,000 per semester for in-district students taking general education courses as compared to the prior fiscal year. For the fiscal year 2015 budget, the Board of Trustees lowered the tuition and fees rates due to the elimination of the student union fee of \$45.30 per student semester. Texas Southmost College will examine 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 2015, 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) 295-3600.

TEXAS SOUTHMOST COLLEGE DISTRICT
Statement of Net Position
August 31, 2014 and 2013

	2014	2013
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 45,073,385	\$ 19,864,197
Accounts receivable (net)	9,810,434	7,497,107
Prepaid expenses	760,451	851,013
Total Current Assets	55,644,270	28,212,317
Noncurrent Assets		
Restricted cash and cash equivalents	22,242,265	18,760,024
Endowment investments	126,697	95,161
Capital assets (net)	137,993,605	153,174,200
Total Noncurrent Assets	160,362,567	172,029,385
Total Assets	216,006,837	200,241,702
Deferred Outflows of Resources		
Deferred refunding costs	352,927	395,917
Total Deferred Outflows of Resources	352,927	395,917
LIABILITIES		
Current Liabilities		
Accounts payable	3,148,359	2,536,186
Accrued liabilities	443,796	375,936
Accrued compensable absences	226,603	107,191
Funds held for others	8,303	8,303
Unearned revenue	6,204,360	5,676,616
Bonds payable - current portion	4,390,000	4,435,000
Total Current Liabilities	14,421,421	13,139,232
Noncurrent Liabilities		
Bonds payable	75,765,000	85,905,000
Total Noncurrent Liabilities	75,765,000	85,905,000
Total Liabilities	90,186,421	99,044,232
Deferred Inflows of Resources		
Unamortized premiums on bonds	633,501	687,004
Total Deferred Inflows of Resources	633,501	687,004
NET POSITION		
Investment in capital assets, net of related debt	56,051,793	60,927,386
Restricted for		
Expendable		
Endowment	288,573	105,446
Capital projects	15,858,072	10,612,410
Debt service	9,869,662	11,262,122
Scholarships	2,420,333	2,114,356
Institutional scholarships	251,786	251,649
Grants	172,137	139,462
Unrestricted	40,627,486	15,493,552
Total Net Position (Schedule D)	\$ 125,539,842	\$ 100,906,383

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

TEXAS SOUTHMOST COLLEGE DISTRICT
Statement of Revenues, Expenses and Changes in Net Position
For The Year Ended August 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
OPERATING REVENUES		
Tuition and fees (net of discounts of \$949,910 & \$2,495,768, respectively)	\$ 11,611,878	\$ 17,786,278
Federal grants and contracts	232,385	456,394
State grants and contracts	1,664,776	3,273,839
Local grants and contracts	16,661,900	598,780
Auxiliary enterprises	1,000,418	515,622
General operating revenues	<u>305,516</u>	<u>215,982</u>
Total Operating Revenues (Schedule A)	<u>31,476,873</u>	<u>22,846,895</u>
OPERATING EXPENSES		
Instruction	3,588,434	6,934,658
Public service	162,099	-
Academic support	3,155,220	-
Student services	3,258,324	-
Institutional support	10,637,044	-
Operation and maintenance of plant	4,802,797	863,174
Scholarships and fellowships	14,215,285	-
Auxiliary enterprises	1,142,881	415,103
Depreciation	3,826,171	3,509,671
Contracted services with UTB	-	29,992,540
Total Operating Expenses (Schedule B)	<u>44,788,255</u>	<u>41,715,146</u>
Operating (Loss)	<u>(13,311,382)</u>	<u>(18,868,251)</u>
Non-Operating Revenues (Expenses)		
State appropriations	6,954,881	11,157,850
Maintenance ad valorem taxes	11,284,079	11,011,294
Debt service ad valorem taxes	6,777,839	6,715,873
Investment income	138,139	96,266
Unrealized gain (loss) on investments	-	17,980
Interest on capital related debt	(3,736,908)	(4,166,002)
Gain (Loss) on sale of capital assets	16,671,641	(143,853)
Allowance for uncollectible expense	(415,211)	(87,851)
Other non-operating revenues	280,664	24,291
Other non-operating expenses	<u>(10,283)</u>	<u>(133,766)</u>
Total Non-Operating Revenues (Schedule C)	<u>37,944,841</u>	<u>24,492,082</u>
Increase in Net Position	<u>24,633,459</u>	<u>5,623,831</u>
NET POSITION		
Net Position - Beginning of Year	100,906,383	96,898,279
Adjustment to Net Position	<u>-</u>	<u>(1,615,727)</u>
Net Position - End of Year	<u>\$ 125,539,842</u>	<u>\$ 100,906,383</u>

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

TEXAS SOUTHMOST COLLEGE DISTRICT
Statement of Cash Flows
For The Year Ended August 31, 2014 and 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from students and other customers	\$ 8,245,157	\$ 20,590,345
Receipts from grants and contracts	18,559,061	4,329,013
Payments to suppliers for goods or services	(29,831,272)	127,761
Transfers to UTB	-	(29,992,540)
Payments to or on behalf of employees	(9,097,924)	(6,904,400)
Receipts from auxiliary services	1,744,191	100,519
Net cash provided (used) by operating activities	(10,380,787)	(11,749,302)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Receipts from state appropriations	6,954,881	11,157,850
Receipts from ad valorem taxes	11,284,079	11,011,294
Other non-operating revenue	280,664	24,291
Other non-operating expenses	(436,009)	(133,766)
Net cash provided by non-capital financing activities	18,083,615	22,059,669
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Receipts from ad valorem tax revenues	6,777,839	6,715,873
Acquisition of capital assets	(23,049,902)	(895,694)
Disposal of capital assets	34,404,328	-
Gain from sale of capital assets	16,671,641	-
Payments on capital debt - principal	(10,185,000)	(4,080,000)
Payments on capital debt - interest and issuance costs	(3,736,908)	(4,067,024)
Net cash provided (used) by capital and related financing activities	20,881,998	(2,326,845)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	106,603	96,267
Net cash provided (used) by investing activities	106,603	96,267
Increase (decrease) in cash and cash equivalents	28,691,429	8,079,789
Cash and cash equivalents - September 1	38,624,221	30,544,432
Cash and cash equivalents - August 31	\$ 67,315,650	\$ 38,624,221
Cash and cash equivalents	\$ 45,073,385	\$ 19,864,197
Restricted cash and cash equivalents	22,242,265	18,760,024
Total cash and cash equivalents	\$ 67,315,650	\$ 38,624,221

TEXAS SOUTHMOST COLLEGE DISTRICT
Statement of Cash Flows
For The Year Ended August 31, 2014 and 2013
(Continued)

	<u>2014</u>	<u>2013</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating (loss)	\$ (13,311,382)	\$ (18,086,017)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:		
Depreciation expense	3,826,171	3,449,395
Changes in assets and liabilities:		
Receivables (net)	(2,313,327)	10,763,333
Prepaid expenses	90,562	(185,762)
Accounts payable	612,173	548,534
Accrued liabilities	67,860	(8,753)
Compensated absences	119,412	7,423
Unearned revenue	527,744	(11,245,641)
Net cash provided (used) by operating activities	<u>\$ (10,380,787)</u>	<u>\$ (14,757,488)</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, 2014 and 2013

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). For fiscal 2013 only, 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.

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.

Budgetary Data

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

TEXAS SOUTHMOST COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2014 and 2013

Cash and Cash Equivalents

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

Investments

In accordance with GASB Statement No. 31 *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, investments are reported at fair value. Fair values are based on published market rates. Short-term investments have an original maturity greater than three months but less than one year at time of purchase. Long-term investments have an original maturity of greater than one year at the time of purchase.

Pledges

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

Pledges Receivable	2014	2013
Due within one year	\$ 75,279	\$ 75,279
Due after one year	239,791	239,791
Subtotal:	315,070	315,070
Less allowance for uncollectible	(283,563)	(227,219)
Total pledges receivable	\$ 31,507	\$ 87,851

Inventories

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

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.

TEXAS SOUTHMOST COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2014 and 2013

Unearned Revenues

Tuition and fees of \$6,204,360 and \$5,099,556 have been reported as unearned revenue at August 31, 2014 and 2013, respectively.

Deferred Inflows

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

Deferred Outflows

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

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, 2014 and 2013

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,	
	2014	2013
Bank Deposits		
Demand Deposits - Unrestricted	\$ 45,285,156	\$ 19,457,923
Demand Deposits - Restricted	22,300,000	21,832,652
Cash and Cash Equivalents		
Petty Cash on Hand	300	2,910
Reconciling Items in Transit	<u>(269,806)</u>	<u>(2,669,264)</u>
Total Cash and Deposits	<u>\$ 67,315,650</u>	<u>\$ 38,624,221</u>

Reconciliation of Deposits and Investments

	Market Value 08/31/14	Market Value 08/31/13
Total Cash and Deposits	\$ 67,315,650	\$ 38,624,221
Total Investments	126,697	95,161
Total Deposits and Investments	<u>\$ 67,442,347</u>	<u>\$ 38,719,382</u>
Cash and cash equivalents	\$ 45,073,385	\$ 19,864,197
Restricted cash and cash equivalents	22,242,265	18,760,024
Endowment investments	126,697	95,161
Total Deposits and Investments	<u>\$ 67,442,347</u>	<u>\$ 38,719,382</u>

As of August 31, 2014 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	126,697
Municipal Bonds	<u>-</u>
Total Fair Value	<u>\$ 126,697</u>

TEXAS SOUTHMOST COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2014 and 2013

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, 2014, 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, 2014 and 2013

5. Capital Assets

Capital asset activity for the year ended August 31, 2014 was as follows:

	Balance August 31, 2013	Increases	Decreases	Reclassifications	Balance August 31, 2014
<u>Not Depreciated:</u>					
Land	\$ 5,758,763	\$ 225,000	\$ (1,550,656)	\$ 2,092,798	\$ 6,525,905
Construction in Progress	-	164,328	-	-	164,328
Subtotal	<u>5,758,763</u>	<u>389,328</u>	<u>(1,550,656)</u>	<u>2,092,798</u>	<u>6,690,233</u>
<u>Buildings and Other Capital Assets</u>					
Buildings and Building Improvements	176,318,059	21,200,506	(35,524,748)	(2,092,798)	159,901,019
Other Real Estate Improvements	<u>9,738,045</u>	<u>345,718</u>	<u>(778,783)</u>	<u>-</u>	<u>9,304,980</u>
Total Buildings and Other Real Estate Improvements	<u>186,056,104</u>	<u>21,546,224</u>	<u>(36,303,531)</u>	<u>(2,092,798)</u>	<u>169,205,999</u>
Library Books	8,422,239	-	-	-	8,422,239
Software and other intangibles	141,610	137,480	-	-	279,090
Furniture, machinery, and equipment	<u>11,175,170</u>	<u>976,870</u>	<u>-</u>	<u>-</u>	<u>12,152,040</u>
Subtotal	<u>19,739,019</u>	<u>1,114,350</u>	<u>-</u>	<u>-</u>	<u>20,853,369</u>
Total Buildings and Other Capital Assets	<u>205,795,123</u>	<u>22,660,574</u>	<u>(36,303,531)</u>	<u>(2,092,798)</u>	<u>190,059,368</u>
<u>Accumulated Depreciation:</u>					
Buildings and Building Improvements	(33,622,008)	(2,853,842)	3,160,641	-	(33,315,209)
Other Real Estate Improvements	<u>(6,683,266)</u>	<u>(485,460)</u>	<u>289,218</u>	<u>-</u>	<u>(6,879,508)</u>
Total Buildings and Other Real Estate Improvements	<u>(40,305,274)</u>	<u>(3,339,302)</u>	<u>3,449,859</u>	<u>-</u>	<u>(40,194,717)</u>
Library Books	(8,422,241)	-	-	-	(8,422,241)
Software and other intangibles	(14,161)	(29,304)	-	-	(43,465)
Furniture, machinery and equipment	<u>(9,638,010)</u>	<u>(457,565)</u>	<u>-</u>	<u>-</u>	<u>(10,095,575)</u>
Subtotal	<u>(18,074,412)</u>	<u>(486,869)</u>	<u>-</u>	<u>-</u>	<u>(18,561,281)</u>
Total Accumulated Depreciation	<u>(58,379,686)</u>	<u>(3,826,171)</u>	<u>3,449,859</u>	<u>-</u>	<u>(58,755,998)</u>
Net Capital Assets	<u>\$ 153,174,200</u>	<u>\$ 19,223,731</u>	<u>\$ (34,404,328)</u>	<u>\$ -</u>	<u>\$ 137,993,603</u>

TEXAS SOUTHMOST COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2014 and 2013

Capital asset activity for the year ended August 31, 2013 was as follows:

	Balance August 31, 2012	Increases	Decreases	Reclassifications	Balance August 31, 2013
Not Depreciated:					
Land	\$ 5,758,763	\$ -	\$ -	\$ -	\$ 5,758,763
Construction in Progress	371,531	492,198	-	(863,729)	-
Subtotal	<u>6,130,294</u>	<u>492,198</u>	<u>-</u>	<u>(863,729)</u>	<u>5,758,763</u>
Buildings and Other Capital Assets					
Buildings and Building Improvements	175,581,270	16,912	-	719,877	176,318,059
Other Real Estate Improvements	9,738,045	-	-	-	9,738,045
Total Buildings and Other Real Estate Improvements	<u>185,319,315</u>	<u>16,912</u>	<u>-</u>	<u>719,877</u>	<u>186,056,104</u>
Library Books	8,422,241	-	-	(2)	8,422,239
Software and other intangibles	-	141,610	-	-	141,610
Furniture, machinery, and equipment	10,930,196	244,974	-	-	11,175,170
Subtotal	<u>19,352,437</u>	<u>386,584</u>	<u>-</u>	<u>(2)</u>	<u>19,739,019</u>
Total Buildings and Other Capital Assets	<u>204,671,752</u>	<u>403,496</u>	<u>-</u>	<u>719,875</u>	<u>205,795,123</u>
Accumulated Depreciation:					
Buildings and Building Improvements	(30,580,377)	(3,041,633)	-	2	(33,622,008)
Other Real Estate Improvements	(6,504,242)	(179,025)	-	1	(6,683,266)
Total Buildings and Other Real Estate Improvements	<u>(37,084,619)</u>	<u>(3,220,658)</u>	<u>-</u>	<u>3</u>	<u>(40,305,274)</u>
Library Books	(8,422,241)	-	-	-	(8,422,241)
Software and other intangibles	-	(14,161)	-	-	(14,161)
Furniture, machinery and equipment	(9,363,156)	(274,852)	-	(2)	(9,638,010)
Subtotal	<u>(17,785,397)</u>	<u>(289,013)</u>	<u>-</u>	<u>(2)</u>	<u>(18,074,412)</u>
Total Accumulated Depreciation	<u>(54,870,016)</u>	<u>(3,509,671)</u>	<u>-</u>	<u>1</u>	<u>(58,379,686)</u>
Net Capital Assets	<u>\$ 155,932,030</u>	<u>\$ (2,613,977)</u>	<u>\$ -</u>	<u>\$ (143,853)</u>	<u>\$ 153,174,200</u>

TEXAS SOUTHMOST COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2014 and 2013

6. Long – Term Liabilities

	Balance August 31, 2013	Increases	Decreases	Balance August 31, 2014	Current Portion
<u>Bonds</u>					
General obligation bonds	\$ 67,450,000	\$ -	\$ 3,365,000	\$ 64,085,000	\$ 3,695,000
Revenue bonds	22,890,000	-	6,820,000	16,070,000	695,000
Total long term liabilities	<u>\$ 90,340,000</u>	<u>\$ -</u>	<u>\$ 10,185,000</u>	<u>\$ 80,155,000</u>	<u>\$ 4,390,000</u>

	Balance August 31, 2012	Increases	Decreases	Balance August 31, 2013	Current Portion
<u>Bonds</u>					
General obligation bonds	\$ 70,505,000	\$ -	\$ 3,055,000	\$ 67,450,000	\$ 3,365,000
Revenue bonds	23,915,000	-	1,025,000	22,890,000	1,070,000
Total long term liabilities	<u>\$ 94,420,000</u>	<u>\$ -</u>	<u>\$ 4,080,000</u>	<u>\$ 90,340,000</u>	<u>\$ 4,435,000</u>

7. Debt Obligations

Debt service requirements (in thousands) at August 31, 2014 were as follows:

For the year Ended	Revenue Bonds			General Obligation Bonds			Total Bonds		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
August 31, 2015	\$ 695	\$ 739	\$ 1,434	\$ 3,695	\$ 2,837	\$ 6,532	\$ 4,390	\$ 3,576	\$ 7,966
2016	730	706	1,436	4,045	2,685	6,730	4,775	3,392	8,167
2017	755	676	1,431	4,415	2,514	6,929	5,170	3,190	8,360
2018	785	644	1,429	3,290	2,363	5,653	4,075	3,008	7,083
2019	820	610	1,430	3,615	2,211	5,826	4,435	2,821	7,256
2020-2024	4,670	2,483	7,153	23,465	8,176	31,641	28,135	10,659	38,794
2025-2029	5,840	1,309	7,149	16,920	2,545	19,465	22,760	3,854	26,614
2030-2034	1,775	106	1,881	4,640	401	5,041	6,415	507	6,922
	<u>\$ 16,070</u>	<u>\$ 7,274</u>	<u>\$ 23,344</u>	<u>\$ 64,085</u>	<u>\$ 23,732</u>	<u>\$ 87,817</u>	<u>\$ 80,155</u>	<u>\$ 31,006</u>	<u>\$ 111,161</u>

8. Defeased Bonds Outstanding

The Student Union Building Fees Revenue Refunding Bonds, Series 2005 have been defeased by the District during the fiscal year ended August 31, 2014. Monies were placed in an escrow fund to provide for the future debt service payments. Accordingly, the trust account assets and defeased bonds are not included in the District's financial statements.

The District had the following defeased bonds outstanding at August 31, :

Bond Issue	Year Refunded	Par Value Outstanding	
		2014	2013
Student Union Building Fees Revenue Refunding Bonds	2005	\$ 5,750,000	\$ 6,160,000

TEXAS SOUTHMOST COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2014 and 2013

9. Bonds Payable

General information related to bonds payable is summarized below:

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 \$1,005,000 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>
2015	\$ 1,005,000	\$ 599,631	\$ 1,604,631
2016	1,045,000	560,933	1,605,933
2017	1,085,000	519,920	1,604,920
2018	1,130,000	476,163	1,606,163
2019	1,185,000	423,938	1,608,938
2020-2024	6,790,000	1,249,619	8,039,619
2025	<u>1,570,000</u>	<u>39,250</u>	<u>1,609,250</u>
	<u>\$ 13,810,000</u>	<u>\$ 3,869,454</u>	<u>\$ 17,679,454</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 \$480,000 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>
2015	\$ 480,000	\$ 502,481	\$ 982,481
2016	505,000	478,481	983,481
2017	525,000	458,281	983,281
2018	545,000	435,969	980,969
2019	570,000	412,806	982,806
2020-2024	3,235,000	1,671,469	4,906,469
2025-2029	4,045,000	856,075	4,901,075
2030	<u>935,000</u>	<u>46,750</u>	<u>981,750</u>
	<u>\$ 10,840,000</u>	<u>\$ 4,862,312</u>	<u>\$ 15,702,312</u>

TEXAS SOUTHMOST COLLEGE DISTRICT
Notes to the Financial Statements
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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 \$985,000 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>
2015	\$ 1,020,000	\$ 999,921	\$ 2,019,921
2016	1,250,000	953,740	2,203,740
2017	1,205,000	902,654	2,107,654
2018	985,000	856,171	1,841,171
2019	1,210,000	808,525	2,018,525
2020-2024	9,750,000	2,832,929	12,582,929
2025-2026	6,275,000	357,625	6,632,625
	<u>\$ 21,695,000</u>	<u>\$ 7,711,565</u>	<u>\$ 29,406,565</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 \$225,000 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>
2015	\$ 225,000	\$ 149,215	\$ 374,215
2016	235,000	139,726	374,726
2017	245,000	129,705	374,705
2018	255,000	119,078	374,078
2019	270,000	107,689	377,689
2020-2024	1,535,000	343,792	1,878,792
2025-2026	715,000	33,236	748,236
	<u>\$ 3,480,000</u>	<u>\$ 1,022,441</u>	<u>\$ 4,502,441</u>

TEXAS SOUTHMOST COLLEGE DISTRICT
Notes to the Financial Statements
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Combined Fee Revenue Refunding and Improvement Bonds, Series 2006

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

Bonds payable are due in annual installments varying from \$215,000 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>
2015	\$ 215,000	\$ 236,491	\$ 451,491
2016	225,000	227,569	452,569
2017	230,000	218,006	448,006
2018	240,000	208,116	448,116
2019	250,000	197,676	447,676
2020-2024	1,435,000	811,921	2,246,921
2025-2029	1,795,000	452,862	2,247,862
2030-2031	840,000	59,055	899,055
	<u>\$ 5,230,000</u>	<u>\$ 2,411,696</u>	<u>\$ 7,641,696</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 \$85,000 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>
2015	\$ 85,000	\$ 63,871	\$ 148,871
2016	90,000	60,130	150,130
2017	90,000	56,260	146,260
2018	95,000	52,306	147,306
2019	100,000	48,163	148,163
2020-2024	575,000	167,088	742,088
2025-2027	415,000	30,282	445,282
	<u>\$ 1,450,000</u>	<u>\$ 478,100</u>	<u>\$ 1,928,100</u>

TEXAS SOUTHMOST COLLEGE DISTRICT
Notes to the Financial Statements
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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 \$175,000 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>
2015	\$ 575,000	\$ 507,508	\$ 1,082,508
2016	585,000	482,711	1,067,711
2017	905,000	450,676	1,355,676
2018	330,000	424,206	754,206
2019	325,000	410,288	735,288
2020-2024	1,310,000	1,896,810	3,206,810
2025-2029	3,645,000	1,360,969	5,005,969
2030-2032	3,305,000	253,625	3,558,625
	<u>\$ 10,980,000</u>	<u>\$ 5,786,793</u>	<u>\$ 16,766,793</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 \$215,000 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>
2015	\$ 215,000	\$ 161,913	\$ 376,913
2016	225,000	153,113	378,113
2017	235,000	143,913	378,913
2018	240,000	134,413	374,413
2019	250,000	124,613	374,613
2020-2024	1,430,000	455,877	1,885,877
2025-2028	1,395,000	124,832	1,519,832
	<u>\$ 3,990,000</u>	<u>\$ 1,298,674</u>	<u>\$ 5,288,674</u>

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Notes to the Financial Statements
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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>
2015	\$ 115,000	\$ 156,166	\$ 271,166
2016	130,000	151,266	281,266
2017	140,000	145,866	285,866
2018	25,000	142,566	167,566
2019	35,000	141,323	176,323
2020-2024	705,000	661,351	1,366,351
2025-2029	1,760,000	283,185	2,043,185
2030-2033	735,000	69,954	804,954
	<u>\$ 3,645,000</u>	<u>\$ 1,751,677</u>	<u>\$ 5,396,677</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 \$0 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>
2015	\$ 145,000	\$ 106,269	\$ 251,269
2016	150,000	101,475	251,475
2017	155,000	93,131	248,131
2018	160,000	93,225	253,225
2019	170,000	83,825	253,825
2020-2024	960,000	304,133	1,264,133
2025-2029	850,000	117,605	967,605
	<u>\$ 2,590,000</u>	<u>\$ 899,663</u>	<u>\$ 3,489,663</u>

TEXAS SOUTHMOST COLLEGE DISTRICT
Notes to the Financial Statements
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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 \$0 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>
2015	\$ 310,000	\$ 92,050	\$ 402,050
2016	335,000	82,375	417,375
2017	355,000	72,025	427,025
2018	70,000	65,300	135,300
2019	70,000	62,500	132,500
2020-2024	410,000	264,054	674,054
2025-2029	295,000	197,986	492,986
2030-2034	600,000	77,500	677,500
	<u>\$ 2,445,000</u>	<u>\$ 913,790</u>	<u>\$ 3,358,790</u>

10. Employees' Retirement Plan

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

Teacher Retirement System of Texas

Plan Description

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

Funding Policy

Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. The State funding policy is as follows: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and State contribution rate of not less than 6.0% and not more than 10% of the aggregate annual compensation of all members of the system; (2) A State statute prohibits benefit improvements or contribution reductions if, as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. State law provides for a

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member contribution rate of 6.4% for fiscal years 2014, 2013, and 2012, and a state contribution rate of 6.8% for fiscal year 2014, 6.4% for fiscal year 2013 and 6.00% for fiscal year 2012. In certain instances the reporting district is required to make all or a portion of the state's contribution rate of 6.8% for fiscal year 2014, 6.4% for fiscal year 2013 and 6.00% for fiscal year 2012.

Optional Retirement Plan

Plan Description

The state has also established an optional retirement program for institutions of higher education. Participation in the Optional Retirement Program is in lieu of participation in the Teacher Retirement System. The optional retirement program provides for the purchase of annuity contracts and operates under the provisions of the Texas Constitution, Article XVI, Sec. 67 and Texas Government Code, Title 8, Subtitle C.

Funding Policy

Contribution requirements are not actuarially determined but are established and amended by the Texas State legislature. The percentages of participant salaries contributed by the state are 6.60% in fiscal year 2014 and 6.00% in fiscal years 2013 and 2012. Participant contribution rate for fiscal years 2014, 2013, and 2012 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 \$523,350, \$92,708 and \$54,198 for the fiscal years ended August 31, 2014, 2013, and 2012, respectively. The amount represents the portion of expended appropriations made by the State Legislature on behalf of the District.

The total payroll for all District employees was \$9,267,155, \$1,563,053 and \$903,297 for fiscal years 2014, 2013, and 2012, respectively. The total payroll of employees covered by the Teacher Retirement System was \$5,267,743, \$1,012,638 and \$647,547 for the fiscal years 2014, 2013, and 2012, respectively, and the total payroll of employees covered by the Optional Retirement Program was \$2,502,178, \$464,984 and \$255,750 for fiscal years 2014, 2013, and 2012, respectively.

11. Deferred Compensation Program

District employees may elect to defer a portion of their earnings for income tax and investment purposes pursuant to authority granted in Government Code 609.001. The plan is essentially an unfunded promise to pay by the employer to each of the plan participants. As of August 31, 2014, the District did not have any employees participating in a deferred compensation program.

12. Compensable Absences

Full-time employees earn annual leave beginning on the first day of employment at the same rate and with the same limit as state employees as published each biennium in the General Appropriations Act. The District policy is that a full-time employee may carry his accrued leave forward from one fiscal year to another fiscal year with a maximum number or hours up to 160 for all full time staff employees. Employees with at least six months of continuous, benefits eligible, state employment prior to separation, and terminate their employment are entitled to payment for all accumulated annual leave up to the maximum allowed. The District recognized the accrued liability for the unpaid annual leave for in the amounts of \$226,603 and \$107,191 for August 31, 2014 and 2013. Sick leave, which is accumulated, is

TEXAS SOUTHMOST COLLEGE DISTRICT
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earned at the rate of 8 hours per month and has a limit of 720 hours. Sick leave is accrued at the rate of 8 hours for each full month of employment for benefits-eligible employees and shall accrue to a maximum of 90 workdays (720 hours). Upon death of an employee, one-half of the accumulated sick leave days shall be paid to the designated beneficiary at the rate of the employee's salary at the time of death up to 336 hours provided that the employee was continually employed with TSC for 6 months prior to death. Sick leave shall also be paid to an employee who terminates or retires, provided employment by the College District has been continuous full time for at least ten years up to 336 hours.

The accrued leave liability is shown as a current liability in the financial statements because it is contingent on a future event that may occur in the subsequent fiscal year. When the event will actually occur is beyond the control of the employer.

The District's policy is to recognize the cost of sick leave when paid. The liability is not shown in the financial statements because sick leave does not qualify as a compensated absence since it is contingent on a future event (namely, illness) that is beyond the control of both the employer and the employee.

Compensable absences activity for the years ended August 31, 2014 and 2013 was as follows:

	Balance August 31, 2013	Increases	Decreases	Balance August 31, 2014
Compensable absences	\$ 107,191	\$ 207,927	\$ (88,515)	\$ 226,603
	Balance August 31, 2012	Increases	Decreases	Balance August 31, 2013
Compensable absences	\$ 64,096	\$ 77,656	\$ (34,561)	\$ 107,191

13. Pending Lawsuits and Claims

On August 31, 2014, 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.

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14. Disaggregation of Receivables and Payables Balances

Receivables

Receivables at August 31, were as follows:

	2014	2013
Taxes receivable	\$ 2,521,170	\$ 2,595,770
Federal receivable	103,871	90,587
Student receivable	5,014,100	2,873,331
Accounts receivable	191,193	90,410
Donations receivable	315,070	315,070
Accrued interest receivable	10,850	-
Other receivable - due from Cameron County	104,915	101,470
Other receivable - due from UTB	<u>2,034,190</u>	<u>660,932</u>
Subtotal	10,295,359	6,727,570
Allowance for doubtful accounts	<u>(484,925)</u>	<u>(357,007)</u>
Total Receivables	<u>\$ 9,810,434</u>	<u>\$ 6,370,563</u>

Payables

Payables at August 31, were as follows:

	2014	2013
Vendors payable	\$ 1,464,113	\$ 851,940
Other payables - due to UTB	<u>1,684,245</u>	<u>940,336</u>
Total Payables	<u>\$ 3,148,358</u>	<u>\$ 1,792,276</u>

15. Contract and Grant Award

Contract and grant awards are accounted for in accordance with the requirements of the AICPA Industry Audit Guide, *Audits of Colleges and Universities*. Revenues are recognized on Exhibit 2 and Schedule A. For federal contract and grant awards, funds expended, but not collected, are reported as Federal Receivables on Exhibit 1. Non-federal contract and grant awards for which funds are expended, but not collected, are reported as accounts receivable on Exhibit 1. Contract and grant awards that are not yet funded and for which the District has not yet performed services are not included in the financial statements.

There were no contracts or grants awarded during fiscal years 2014 and 2013, for which monies have not been received, nor expended.

16. 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.

TEXAS SOUTHMOST COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2014 and 2013

17. 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, 2014 the District did not have any retired employees participating in post-retirements health care and life insurance benefits.

18. Ad Valorem Tax

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

As of August 31:

	<u>2014</u>	<u>2013</u>
Assessed valuation of the District	\$ 12,354,271,633	\$ 12,073,590,647
Less:		
Exemptions	<u>1,034,897,476</u>	<u>1,003,229,890</u>
Net assessed valuation of the District	<u>\$ 11,319,374,157</u>	<u>\$ 11,070,360,757</u>

	<u>2014</u>		
	<u>Current</u>	<u>Debt</u>	<u>Total</u>
	<u>Operations</u>	<u>Service</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>\$ 0.101596</u>	<u>\$ 0.061339</u>	<u>\$ 0.162935</u>

	<u>2013</u>		
	<u>Current</u>	<u>Debt</u>	<u>Total</u>
	<u>Operations</u>	<u>Service</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>\$ 0.101075</u>	<u>\$ 0.061860</u>	<u>\$ 0.162935</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.

TEXAS SOUTHMOST COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2014 and 2013

Taxes levied for the years ended August 31, 2014 and 2013 amounted to \$18,122,935 and \$17,730,679, 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>Taxes Collected</u>	2014		
	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>
Current taxes collected	\$ 10,637,128	\$ 6,417,522	\$ 17,054,650
Delinquent taxes collected	560,309	342,682	902,991
Penalties and interest collected	367,310	187,067	554,377
Less discounts and commissions	<u>(335,777)</u>	<u>(202,532)</u>	<u>(538,309)</u>
Total Collections	<u>\$ 11,228,969</u>	<u>\$ 6,744,739</u>	<u>\$ 17,973,708</u>

<u>Taxes Collected</u>	2013		
	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>
Current taxes collected	\$ 10,393,756	\$ 6,404,430	\$ 16,798,186
Delinquent taxes collected	601,923	324,996	926,919
Penalties and interest collected	345,299	187,551	532,850
Less discounts and commissions	<u>(329,684)</u>	<u>(201,104)</u>	<u>(530,788)</u>
Total Collections	<u>\$ 11,011,294</u>	<u>\$ 6,715,873</u>	<u>\$ 17,727,167</u>

Tax collections for the years ended August 31, 2014 and 2013 were 94.89% and 94.74%, 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.

19. 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, 2014, and 2013.

20. Risk Management

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

TEXAS SOUTHMOST COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2014 and 2013

21. Restricted Assets

As of August 31, 2014 and 2013, the balances of the restricted assets are as follows:

	<u>2014</u>	<u>2013</u>
Endowment	\$ 160,543	\$ 10,283
Scholarships	2,226,022	2,178,198
Federal awards	6,396,895	1,974,010
Restricted contributions - arts center	790,832	789,546
Restricted - parking	1,030,888	1,029,967
Restricted - insurance	1,134,386	1,132,543
General obligation - debt service	2,373,481	1,923,905
Revenue bond - debt service	5,326,312	6,923,221
Revenue bond - construction account	2,802,906	2,798,351
	<u>\$ 22,242,265</u>	<u>\$ 18,760,024</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 \$0 and \$61,000, to UTB during the years ended August 31, 2014 and 2013, respectively. The District furnished certain services, such as office space, utilities and some staff assistance, at no cost to the Foundation.

TEXAS SOUTHMOST COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2014 and 2013

24. Excess Interest and Rebatable Arbitrage

The Tax Reform Act of 1986 established arbitrage regulations that generally limit the rate or return on investment earnings of unexpended tax-exempt debt proceeds. With certain adjustments, the investment yield is limited to the interest rate on the debt itself. Federal tax code requirements now compel state and local governments to rebate defined arbitrage earnings of tax-exempt debt to the federal government every five years for as long as the bonds are outstanding. As of the audit report date, the District had received a preliminary calculation of the arbitrage amount of \$12,131 and \$28,760, which are reported as part of accrued expenses on these financial statements for the fiscal years ended 2014 and 2013, respectively.

25. Post Employment Benefits Other than Pensions

The District does not participate in any post employment benefits.

26. Contingencies

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

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

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

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TEXAS SOUTHMOST COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2014 and 2013

27. Prior Period Adjustment to Net Position for Change in Accounting

As a result of implementing GASB Statement No. 65, The District has decreased beginning net position as of September 1, 2013 by \$1,615,727. The decrease results from no longer deferring and amortizing bond issuance costs.

Unamortized premiums on bonds, previously reported as a component of non-current liabilities, has been reclassified to deferred inflows of resources. The effect of these changes decreases non-current liabilities by \$633,501 and \$687,004 for fiscal years ended August 31, 2014 and 2013, respectively. These changes do not impact net position.

Deferred refunding costs, previously reported as a component of current assets, has been reclassified to deferred outflows of resources. The effect of these changes decreases current assets by \$352,927 and \$395,917 for fiscal years ended August 31, 2014 and 2013, respectively. These changes do not impact net position.

The restatements of prior period balances are summarized in the schedule below:

	August 31, 2013		
	As Previously Reported	Increase (Decrease)	As Restated
<u>Exhibit 1</u>			
NET POSITION			
Invested in Capital Assets, Net	\$ 62,543,113	\$ (1,615,727)	\$ 60,927,386
<u>Exhibit 2</u>			
NET POSITION			
Net Position - End of Year	102,522,110	(1,615,727)	100,906,383
<u>Schedule D</u>			
NET POSITION BY SOURCE			
Invested in Capital Assets, Net	62,543,113	(1,615,727)	60,927,386

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SUPPLEMENTARY SECTION

TEXAS SOUTHMOST COLLEGE DISTRICT
Schedule of Operating Revenues
For the Year Ended August 31, 2014 and 2013

	Unrestricted	Restricted	Total Educational Activities	Auxiliary Enterprises	2014 Total	2013 Total
Tuition:						
State funded credit courses:						
In-district resident tuition	\$ 3,016,510	\$ -	\$ 3,016,510	\$ -	\$ 3,016,510	\$ 3,379,478
Out-of-district resident tuition	579,897	-	579,897	-	579,897	1,184,133
Non-resident tuition	122,515	-	122,515	-	122,515	897,331
TPEG - credit (set aside)*	237,339	-	237,339	-	237,339	202,584
State funded continuing education						
TPEG - non-credit (set aside)*	-	-	-	-	-	-
Non-state funded educational programs	-	-	-	-	-	-
Total Tuition	<u>3,956,261</u>	<u>-</u>	<u>3,956,261</u>	<u>-</u>	<u>3,956,261</u>	<u>5,663,526</u>
Fees:						
Distance learning fee	-	-	-	-	-	-
Installment plan fees	-	-	-	-	-	-
Non-instructional contract training fees	5,123,305	1,924,308	7,047,613	1,557,914	8,605,527	14,618,520
Prior year tuition and fees	-	-	-	-	-	-
Total Fees	<u>5,123,305</u>	<u>1,924,308</u>	<u>7,047,613</u>	<u>1,557,914</u>	<u>8,605,527</u>	<u>14,618,520</u>
Scholarship Allowances and Discounts:						
Remissions and exemptions - state	-	-	-	-	-	-
Remissions and exemptions - local	(881,794)	-	(881,794)	-	(881,794)	(1,746,910)
Reduced tuition pilot	-	-	-	-	-	-
Other federal grants	-	-	-	-	-	-
TPEG awards	(68,116)	-	(68,116)	-	(68,116)	(330,913)
UTB Commitments	-	-	-	-	-	(417,945)
Other state grants	-	-	-	-	-	-
Rising star program	-	-	-	-	-	-
Other local grants	-	-	-	-	-	-
Total Scholarship Allowances	<u>(949,910)</u>	<u>-</u>	<u>(949,910)</u>	<u>-</u>	<u>(949,910)</u>	<u>(2,495,768)</u>
Total Net Tuition and Fees	<u>8,129,656</u>	<u>1,924,308</u>	<u>10,053,964</u>	<u>1,557,914</u>	<u>11,611,878</u>	<u>17,786,278</u>
Additional Operating Revenues:						
Federal grants and contracts	-	232,385	232,385	-	232,385	456,394
State grants and contracts	-	1,664,776	1,664,776	-	1,664,776	3,273,839
Local grants and contracts	-	16,661,900	16,661,900	-	16,661,900	598,780
Non-governmental grants and contracts	-	-	-	-	-	-
Sales and services of educational activities	-	-	-	-	-	-
General operating revenues	305,516	-	305,516	-	305,516	215,982
Total Additional Operating Revenues	<u>305,516</u>	<u>18,559,061</u>	<u>18,864,577</u>	<u>-</u>	<u>18,864,577</u>	<u>4,544,995</u>
Auxiliary Enterprises:						
Bookstore	-	-	-	-	-	-
Less discounts	-	-	-	-	-	-
Food service	-	-	-	-	-	-
Center for educational telecommunications	-	-	-	-	-	-
Business incubation center	-	-	-	-	-	-
Student programs	-	-	-	1,000,418	1,000,418	515,622
Net Bookstore	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,000,418</u>	<u>1,000,418</u>	<u>515,622</u>
Facilities rentals	-	-	-	-	-	-
Total Net Auxiliary Enterprises	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,000,418</u>	<u>1,000,418</u>	<u>515,622</u>
Total Operating Revenues	<u>\$ 8,435,172</u>	<u>\$ 20,483,369</u>	<u>\$ 28,918,541</u>	<u>\$ 2,558,332</u>	<u>\$ 31,476,873</u> (Exhibit 2)	<u>\$ 22,846,895</u> (Exhibit 2)

* In accordance with Education Code 56.003, \$237,339 and \$202,584 of tuition was set aside for Texas Public Education Grants (TPEG) for the years ended August 31, 2014 and 2013, respectively.

TEXAS SOUTHMOST COLLEGE DISTRICT
Schedule of Operating Expenses by Object
For the Year Ended August 31, 2014 and 2013

	Operating Expenses				2014 Total	2013 Total
	Salaries and Wages	Benefits		Other Expenses		
		State Benefits	Local Benefits			
Unrestricted - Educational Activities						
Instruction	\$ 2,979,272	\$ -	\$ 584,076	\$ 25,086	\$ 3,588,434	\$ -
Public service	97,206	-	18,011	46,882	162,099	-
Academic support	2,388,796	-	347,313	419,111	3,155,220	-
Student services	2,289,683	-	430,216	538,425	3,258,324	-
Institutional support	921,077	-	455,379	9,260,588	10,637,044	6,934,658
Operation and maintenance of plant	591,121	-	136,033	4,075,643	4,802,797	863,174
Scholarships and fellowships	-	-	-	14,215,285	14,215,285	-
Contract services - UTB	-	-	-	-	-	29,992,540
Total Unrestricted Educational Activities	<u>9,267,155</u>	<u>-</u>	<u>1,971,028</u>	<u>28,581,020</u>	<u>39,819,203</u>	<u>37,790,372</u>
Restricted - Educational Activities						
Instruction	-	-	-	-	-	-
Public service	-	-	-	-	-	-
Academic support	-	-	-	-	-	-
Student services	-	-	-	-	-	-
Institutional support	-	-	-	-	-	-
Operation and maintenance of plant	-	-	-	-	-	-
Scholarships and fellowships	-	-	-	-	-	-
Total Restricted Educational Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Educational Activities	9,267,155	-	1,971,028	28,581,020	39,819,203	37,790,372
Auxiliary Enterprises	448,157	-	134,871	559,853	1,142,881	415,103
Depreciation Expense						
Buildings and other real estate improvements	-	-	-	-	3,339,302	3,220,658
Equipment and furniture	-	-	-	-	486,869	289,013
Total Operating Expenses	<u>\$ 9,715,312</u>	<u>\$ -</u>	<u>\$2,105,899</u>	<u>\$29,140,873</u>	<u>\$ 44,788,255</u> (Exhibit 2)	<u>\$ 41,715,146</u> (Exhibit 2)

TEXAS SOUTHMOST COLLEGE DISTRICT
Schedule of Non-Operating Revenues and Expenses
For the Year Ended August 31, 2014 and 2013

	Unrestricted	Restricted	Auxiliary Enterprises	2014 Total	2013 Total
Non-Operating Revenues					
State Appropriations:					
Education and general state support	\$ 6,954,881	\$ -	\$ -	\$ 6,954,881	\$ 11,157,850
State group insurance	-	-	-	-	-
State retirement matching	-	-	-	-	-
Professional nursing shortage reduction	-	-	-	-	-
Total State allocations	<u>6,954,881</u>	<u>-</u>	<u>-</u>	<u>6,954,881</u>	<u>11,157,850</u>
Ad valorem taxes:					
Maintenance ad valorem taxes	11,284,079	-	-	11,284,079	11,011,294
Debt service ad valorem taxes	6,777,839	-	-	6,777,839	6,715,873
Gifts	-	-	-	-	-
Investment income	49,476	88,663	-	138,139	96,266
Gain (Loss) on sale of investments	-	-	-	-	17,980
Title IV federal grants	-	-	-	-	-
Other non-operating revenue	<u>280,664</u>	<u>-</u>	<u>-</u>	<u>280,664</u>	<u>24,291</u>
Total Non-Operating Revenues	<u>25,346,939</u>	<u>88,663</u>	<u>-</u>	<u>25,435,602</u>	<u>29,023,554</u>
Non-Operating Expenses					
Interest on capital related debt	3,736,908	-	-	3,736,908	4,166,002
(Gain) Loss on sale of capital assets	(16,671,641)	-	-	(16,671,641)	143,853
Allowance for uncollectible expense	415,211	-	-	415,211	87,851
Other non-operating expenses	<u>10,283</u>	<u>-</u>	<u>-</u>	<u>10,283</u>	<u>133,766</u>
Total Non-Operating Expenses	<u>(12,509,239)</u>	<u>-</u>	<u>-</u>	<u>(12,509,239)</u>	<u>4,531,472</u>
Net Non-Operating Revenues	<u>\$ 37,856,178</u>	<u>\$ 88,663</u>	<u>\$ -</u>	<u>\$ 37,944,841</u> (Exhibit 2)	<u>\$ 24,492,082</u> (Exhibit 2)

TEXAS SOUTHMOST COLLEGE DISTRICT
Schedule of Net Position by Source and Availability
For the Year Ended August 31, 2014
 (With Memorandum Totals for the Year Ended August 31, 2013)

	Detail by Source				
	Unrestricted	Restricted		Capital Assets Net of Depreciation and Related Debt	Current Year Total
		Expendable	Non-Expendable		
Current					
Unrestricted	\$ 39,099,891	\$ -	\$ -	\$ -	\$ 39,099,891
Restricted					
Scholarships	-	2,420,333	-	-	2,420,333
Institutional scholarships	-	251,786	-	-	251,786
Grants	-	172,137	-	-	172,137
Auxiliary enterprises	1,490,679	-	-	-	1,490,679
Loan	36,916	-	-	-	36,916
Endowment:					
Quasi:					
Restricted	-	288,573	-	-	288,573
Plant:					
Unexpended	-	14,377,301	-	-	14,377,301
Renewals	-	1,480,771	-	-	1,480,771
Debt Service	-	9,869,662	-	-	9,869,662
Investment in Plant	-	-	-	56,051,793	56,051,793
Total Net Position, August 31, 2014	<u>40,627,486</u>	<u>28,860,563</u>	<u>-</u>	<u>56,051,793</u>	<u>125,539,842</u> (Exhibit 1)
Total Net Position, August 31, 2013	<u>15,493,552</u>	<u>24,485,445</u>	<u>-</u>	<u>60,927,386</u>	<u>100,906,383</u> (Exhibit 1)
Adjustment to net position	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u> (Exhibit 2)
Net Increase (Decrease) in Net Position	<u>\$ 25,133,934</u>	<u>\$ 4,375,118</u>	<u>\$ -</u>	<u>\$ (4,875,593)</u>	<u>\$ 24,633,459</u> (Exhibit 2)

(Continued on page 58.)

SCHEDULE D

TEXAS SOUTHMOST COLLEGE DISTRICT
Schedule of Net Position by Source and Availability
For the Year Ended August 31, 2014 - CONTINUED
(With Memorandum Totals for the Year Ended August 31, 2013)

	Available for Current Operations		Prior Year Total	Available for Current Operations	
	Yes	No		Yes	No
Current					
Unrestricted	\$ 39,099,891	\$ -	\$ 14,725,205	\$ 14,725,205	\$ -
Restricted					
Scholarships	-	2,420,333	2,114,356	-	2,114,356
Institutional scholarships	-	251,786	251,649	-	251,649
Grants	-	172,137	139,462	-	139,462
Auxiliary enterprises	1,490,679	-	731,488	731,488	-
Loan	36,916	-	36,859	36,859	-
Endowment:					
Quasi:					
Restricted	-	288,573	105,446	-	105,446
Plant:					
Unexpended	-	14,377,301	9,133,238	-	9,133,238
Renewals	-	1,480,771	1,479,172	-	1,479,172
Debt Service	-	9,869,662	11,262,122	-	11,262,122
Investment in Plant	-	56,051,793	60,927,386	-	60,927,386
Total Net Position, August 31, 2014	40,627,486	84,912,356	100,906,383	15,493,552	85,412,831
Total Net Position, August 31, 2013	15,493,552	87,028,558	96,898,279	12,169,263	84,729,016
Adjustment to net position	-	-	(1,615,727)	-	(1,615,727)
Net Increase (Decrease) in Net Position	\$ 25,133,934	\$ (2,116,202)	\$ 5,623,831	\$ 3,324,289	\$ 2,299,542

(Continued from page 57.)

STATISTICAL SECTION

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

Contents	Page
Financial Trends	61
<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	63
<i>These schedules contain information to help the reader assess the District’s most significant local revenue source, the property tax.</i>	
Debt Capacity	69
<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	73
<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	74
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the District’s financial report relates to the services the District provides and the activities it performs.</i>	

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

Texas Southmost College District
Statistical Supplement 1
Net Position by Component
Fiscal Years 2005 to 2014
(unaudited)

	For the Fiscal Year Ended August 31,									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Invested in capital assets, net of related debt	\$56,051,793	\$62,543,113	\$61,210,428	\$61,297,681	\$61,085,182	\$56,521,297	\$50,940,113	\$49,258,626	\$43,849,871	\$25,473,960
Restricted - expendable	28,860,563	24,485,445	23,518,588	21,094,114	17,373,637	18,296,679	15,823,635	12,132,932	8,913,884	27,725,294
Unrestricted	40,627,486	15,493,552	12,169,263	7,864,865	7,351,688	7,320,953	5,804,727	2,095,813	3,162,896	2,645,572
Total primary government net position	\$ 125,539,842	\$ 102,522,110	\$ 96,898,279	\$ 90,256,660	\$ 85,810,507	\$ 82,138,929	\$ 72,568,475	\$ 63,487,371	\$ 55,926,651	\$ 55,844,826

Note: Due to reporting format and definition changes prescribed by GASB Statement 34, only fiscal years 2005-2014 are available.

Texas Southmost College District
Statistical Supplement 2
Revenues by Source
Fiscal Years 2005 to 2014
(unaudited)

For the Year Ended August 31,										
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Tuition and Fees (Net of Discounts)	\$11,611,878	\$17,786,278	\$32,695,242	\$35,737,651	\$31,738,816	\$26,843,900	\$25,917,215	\$26,948,039	\$23,754,562	\$19,399,841
Governmental Grants and Contracts										
Federal Grants and Contracts	232,385	456,394	1,248,768	1,438,868	875,766	1,970,939	787,249	774,059	916,007	869,082
State Grants and Contracts	1,664,776	3,273,839	2,927,641	3,816,154	4,648,058	4,430,696	3,371,048	3,099,683	3,073,616	2,571,007
Local Grants and Contracts	16,661,900	598,780	552,828	523,780	442,644	439,772	363,885	305,541	391,678	433,976
Non-Governmental Grants and Contracts	0	0	0	0	0	0	0	0	0	0
Auxiliary enterprises	100,418	515,622	530,769	633,527	492,167	445,716	390,990	347,361	345,640	336,811
Other Operating Revenues	305,516	215,982	10,802	371,205	307,138	419,588	240,523	45,750	45,550	57,235
Total Operating Revenues	30,576,873	22,846,895	37,966,050	42,521,185	38,504,589	34,550,611	31,070,910	31,520,433	28,527,053	23,667,952
State Appropriations	6,954,881	11,157,850	11,320,102	12,245,588	13,770,382	13,983,572	14,153,928	12,628,144	12,270,602	10,843,232
Ad Valorem Taxes	18,061,918	17,727,167	17,459,754	17,049,071	16,787,201	16,480,318	15,318,499	13,767,626	12,234,865	9,085,985
Investment income	138,139	114,246	104,516	55,346	192,016	918,907	3,172,984	3,128,813	2,093,733	689,732
Other non-operating revenues	280,664	24,291	329,965	12,780	482,710	1,646,207	63,581	113,496	515,930	84,552
Total Non-Operating Revenues	25,435,602	29,023,554	29,214,337	29,362,785	31,232,309	33,029,004	32,708,992	29,638,079	27,115,130	20,703,501
Total Revenues	\$ 56,012,475	\$ 51,870,449	\$ 67,180,387	\$ 71,883,970	\$ 69,736,898	\$ 67,579,615	\$ 63,779,902	\$ 61,158,512	\$ 55,642,183	\$ 44,371,453

For the Year Ended August 31,										
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Tuition and fees (net of discounts)	20.73%	34.29%	48.67%	49.72%	45.51%	39.72%	40.64%	44.06%	42.69%	43.72%
Governmental grants and contracts										
Federal grants and contracts	0.41%	0.88%	1.86%	2.00%	1.26%	2.92%	1.23%	1.27%	1.65%	1.96%
State grants and contracts	2.97%	6.31%	4.36%	5.31%	6.67%	6.56%	5.29%	5.07%	5.52%	5.79%
Local grants and contracts	29.75%	1.15%	0.82%	0.73%	0.63%	0.65%	0.57%	0.50%	0.70%	0.98%
Non-governmental grants and contracts	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Auxiliary enterprises	0.18%	0.99%	0.79%	0.88%	0.71%	0.66%	0.61%	0.57%	0.62%	0.76%
Other operating revenues	0.55%	0.42%	0.02%	0.52%	0.44%	0.62%	0.38%	0.07%	0.08%	0.13%
Total Operating Revenues	54.59%	44.05%	56.51%	59.15%	55.21%	51.13%	48.72%	51.54%	51.27%	53.34%
State appropriations	12.42%	21.51%	16.85%	17.04%	19.75%	20.69%	22.19%	20.65%	22.05%	24.44%
Ad valorem taxes	32.25%	34.18%	25.99%	23.72%	24.07%	24.39%	24.02%	22.51%	21.99%	20.48%
Investment income	0.25%	0.22%	0.16%	0.08%	0.28%	1.36%	4.97%	5.12%	3.76%	1.55%
Other non-operating revenues	0.50%	0.05%	0.49%	0.02%	0.69%	2.44%	0.10%	0.19%	0.93%	0.19%
Total Non-Operating Revenues	45.41%	55.95%	43.49%	40.85%	44.79%	48.87%	51.28%	48.46%	48.73%	46.66%
Total Revenues	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

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

Texas Southmost College District
Statistical Supplement 3
Program Expenses by Function
Fiscal Years 2005 to 2014
(unaudited)

For the Year Ended August 31,										
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Instruction	\$3,588,434	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Research	-	-	-	-	-	-	-	-	-	-
Public service	162,099	-	-	-	-	-	-	-	-	-
Academic support	3,155,220	-	-	-	-	-	-	-	-	-
Student services	3,258,324	-	-	-	-	-	-	-	-	-
Institutional support	10,637,044	6,934,658	4,724,266	3,174,850	2,567,414	2,325,216	2,581,761	2,066,398	1,742,062	1,675,074
Operation and maintenance of plant	4,802,797	863,174	59,282	1,212,864	2,873,577	1,349,966	892,107	1,225,773	1,296,191	1,110,738
Scholarships and fellowships	14,215,285	-	-	-	-	-	-	-	-	-
Auxiliary enterprises	1,142,881	415,103	415,756	977,643	830,403	928,790	683,044	614,980	686,733	526,633
Depreciation	3,826,171	3,509,671	3,449,395	3,437,546	3,411,362	2,065,902	2,069,769	2,221,288	2,181,910	1,478,895
Contracted services with UTB	-	29,992,540	47,403,368	53,195,529	51,661,026	46,763,146	44,254,372	43,854,678	40,662,560	35,814,126
Total Operating Expenses	44,788,255	41,715,146	56,052,067	61,998,432	61,343,782	53,433,020	50,481,053	49,983,117	46,569,456	40,605,466
Interest on capital related debt	3,736,908	4,166,002	4,316,289	4,447,165	4,582,811	4,432,353	4,115,261	3,506,956	2,415,978	961,286
Other non-operating expenses	(16,246,147)	365,470	170,412	992,220	138,726	143,789	102,484	107,719	54,050	28,773
Total Non-Operating Expenses	(12,509,239)	4,531,472	4,486,701	5,439,385	4,721,537	4,576,142	4,217,745	3,614,675	2,470,028	990,059
Total Expenses	\$ 32,279,016	\$ 46,246,618	\$ 60,538,768	\$ 67,437,817	\$ 66,065,319	\$ 58,009,162	\$ 54,698,798	\$ 53,597,792	\$ 49,039,484	\$ 41,595,525

For the Year Ended August 31,										
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Instruction	11.12%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Research	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Public service	0.50%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Academic support	9.77%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Student services	10.09%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Institutional support	32.95%	14.99%	7.80%	4.71%	3.89%	4.01%	4.72%	3.86%	3.55%	4.03%
Operation and maintenance of plant	14.88%	1.87%	0.10%	1.80%	4.35%	2.33%	1.63%	2.29%	2.64%	2.67%
Scholarships and fellowships	44.04%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Auxiliary enterprises	3.54%	0.90%	0.69%	1.45%	1.26%	1.60%	1.25%	1.15%	1.40%	1.27%
Depreciation	11.85%	7.59%	5.70%	5.10%	5.16%	3.56%	3.78%	4.14%	4.45%	3.56%
Contracted services with UTB	0.00%	64.85%	78.30%	78.88%	78.20%	80.61%	80.91%	81.82%	82.92%	86.10%
Total Operating Expenses	138.75%	90.20%	92.59%	91.93%	92.85%	92.11%	92.29%	93.26%	94.96%	97.62%
Interest on capital related debt	11.58%	9.01%	7.13%	6.59%	6.94%	7.64%	7.52%	6.54%	4.93%	2.31%
Loss on disposal of fixed assets	-50.33%	0.79%	0.28%	1.47%	0.21%	0.25%	0.19%	0.20%	0.11%	0.07%
Total Non-Operating Expenses	-38.75%	9.80%	7.41%	8.07%	7.15%	7.89%	7.71%	6.74%	5.04%	2.38%
Total Expenses	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Change in Net Assets										
Total governmental activities	\$ 23,733,459	\$ 5,623,831	\$ 6,641,619	\$ 4,446,153	\$ 3,671,579	\$ 9,570,453	\$ 9,081,104	\$ 7,560,720	\$ 6,602,699	\$ 2,775,928

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

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

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

Academic Year (Fall)	In-District Tuition	Out-of-District Tuition	Building Use	General Use Fee	Institutional Support (per student)	Student Services Fee (per student)	Student Service	Student Union (per student)	Computer Use	Records Fee (per student)	Technology Fee (per student)	Advising (per student)	Library Fee	International Education (per student)	Medical Services (per student)	Student Recreation (per student)	Athletic Fee	Cost for 12 SCH In-District	Cost for 12 SCH Out-of-District	Increase from Prior Year In-District	Increase from Prior Year Out-of-District
2013	\$ 50.00	\$ 100.00	\$ 35.00	\$ 35.00	\$ 60.00	\$ 60.00	\$ -	\$ 45.30	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 79.00	\$ -	\$ 1,684.30	\$ 2,284.30	-34.26%	-10.84%	
2012	50.00	50.00	105.95	-	-	-	12.00	45.30	12.00	10.00	45.00	50.00	5.00	2.00	24.20	79.00	7.27	2,562.14	2,562.14	2.68%	2.68%
2011	50.00	50.00	100.65	-	-	-	12.00	45.30	12.00	10.00	45.00	50.00	5.00	2.00	24.20	79.00	7.00	2,495.30	2,495.30	4.72%	4.72%
2010	50.00	50.00	91.47	-	-	-	12.00	45.30	12.00	10.00	45.00	50.00	5.00	2.00	22.00	79.00	7.00	2,382.94	2,382.94	4.82%	4.82%
2009	50.00	50.00	82.50	-	-	-	12.00	45.30	12.00	10.00	45.00	50.00	5.00	2.00	20.00	79.00	7.00	2,273.30	2,273.30	4.41%	4.41%
2008	50.00	50.00	77.50	-	-	-	12.00	45.30	12.00	10.00	45.00	50.00	4.00	2.00	20.00	79.00	5.00	2,177.30	2,177.30	27.43%	12.43%
2007	31.00	50.00	66.00	-	-	-	12.00	41.56	11.00	10.00	30.00	50.00	3.00	2.00	20.00	79.00	-	1,708.56	1,936.56	6.75%	5.91%
2006	31.00	50.00	58.00	-	-	-	12.00	41.56	10.00	10.00	30.00	50.00	3.00	2.00	20.00	79.00	-	1,600.56	1,628.56	16.70%	14.32%
2005	31.00	50.00	44.00	-	-	-	10.00	41.56	10.00	10.00	30.00	25.00	2.00	2.00	20.00	79.00	-	1,371.56	1,599.56	16.77%	14.05%
2004	29.00	48.00	38.00	-	-	-	10.00	41.56	10.00	10.00	30.00	25.00	2.00	-	-	-	-	1,174.56	1,402.56	20.22%	17.00%

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

Academic Year (Fall)	Out of State- Tuition	International- Tuition	Building Use	General Use Fee	Institutional Support (per student)	Student Services Fee (per student)	Student Service	Student Union (per student)	Computer Use	Records Fee (per student)	Automated (per student)	Advising (per student)	Library Fee	International Education (per student)	Medical Services Fees (per student)	Student Recreation (per student)	Athletic Fee	Cost for 12 SCH Out of State	Cost for 12 SCH International	Increase from Prior Year Out of State	Increase from Prior Year International
2013	\$ 150.00	\$ 150.00	\$ 67.00	\$ 35.00	\$ 60.00	\$ 60.00	\$ 60.00	\$ 45.30	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 79.00	\$ -	\$ 3,988.30	\$ 3,988.30	-41.12%	-41.12%	
2012	401.00	401.00	105.95	-	-	-	12.00	45.30	12.00	10.00	45.00	50.00	5.00	2.00	24.20	79.00	7.27	6,774.14	6,774.14	8.36%	8.36%
2011	363.00	363.00	100.65	-	-	-	12.00	45.30	12.00	10.00	45.00	50.00	5.00	2.00	24.20	79.00	7.00	6,251.30	6,251.30	2.43%	2.43%
2010	360.00	360.00	91.47	-	-	-	12.00	45.30	12.00	10.00	45.00	50.00	5.00	2.00	22.00	79.00	7.00	6,102.94	6,102.94	9.03%	9.03%
2009	327.00	327.00	82.50	-	-	-	12.00	45.30	12.00	10.00	45.00	50.00	5.00	2.00	20.00	79.00	7.00	5,597.30	5,597.30	0.86%	0.86%
2008	331.00	331.00	77.50	-	-	-	12.00	45.30	12.00	10.00	45.00	50.00	4.00	2.00	20.00	79.00	5.00	5,549.30	5,549.30	5.25%	5.25%
2007	328.00	328.00	66.00	-	-	-	12.00	41.56	11.00	10.00	30.00	50.00	3.00	2.00	20.00	79.00	-	5,272.56	5,272.56	2.81%	2.81%
2006	325.00	325.00	58.00	-	-	-	12.00	41.56	10.00	10.00	30.00	50.00	3.00	2.00	20.00	79.00	-	5,128.56	5,128.56	4.42%	4.42%
2005	326.00	326.00	44.00	-	-	-	10.00	41.56	10.00	10.00	30.00	25.00	2.00	2.00	20.00	79.00	-	4,911.56	4,911.56	9.18%	9.18%
2004	306.00	306.00	38.00	-	-	-	10.00	41.56	10.00	10.00	30.00	25.00	2.00	-	-	-	-	4,498.56	4,498.56	11.77%	11.77%

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

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

Fiscal Year	(amounts expressed in thousands)			Ratio of Taxable Assessed Value to Assessed Value	Direct Rate		
	Assessed Valuation of Real and Personal Property	Less: Exemptions	Taxable Assessed Value (TAV)		Maintenance & Operations (a)	Debt Service (a)	Total (a)
2013-14	\$ 12,348,966	\$ 1,034,814	\$ 11,314,152	91.62%	\$ 0.101596	\$ 0.061339	\$ 0.162935
2012-13	12,073,591	1,003,230	11,070,361	91.69%	0.101075	0.061860	0.162935
2011-12	11,882,764	1,033,040	10,849,724	91.31%	0.103723	0.060303	0.164026
2010-11	11,737,622	1,014,943	10,722,679	91.35%	0.103871	0.058552	0.162423
2009-10	11,520,282	993,745	10,526,537	91.37%	0.108949	0.052975	0.161924
2008-09	11,620,454	1,179,543	10,440,911	89.85%	0.110614	0.050475	0.161089
2007-08	10,795,407	1,056,700	9,738,707	90.21%	0.111423	0.049666	0.161089
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

Source: Cameron County Appraisal District

Notes: Property is assessed at full market value.

(a) per \$100 Taxable Assessed Valuation

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

Fiscal Year	Appropriation per FTSE*			Appropriation per Contact Hour			
	State Appropriation	FTSE ¹ (a)	State Appropriation per FTSE	Academic Contact Hours (a)	Voc/Tech Contact Hours (b)	Total Contact Hours	State Appropriation per Contact Hour
2013-14	\$ 11,158	2,105	\$ 5,301	450	186	636	17.54
2012-13	11,244	3,178	3,538	1,170	675	1,845	6.09
2011-12	11,333	5,569	2,035	2,734	805	3,539	3.20
2010-11	12,464	5,769	2,161	3,043	1,016	4,059	3.07
2009-10	14,355	5,963	2,407	2,795	1,173	3,968	3.62
2008-09	13,984	5,767	2,425	2,498	1,116	3,613	3.87
2007-08	14,154	6,287	2,251	2,682	1,152	3,834	3.69
2006-07	12,468	6,405	1,947	2,849	1,148	3,997	3.12
2005-06	12,270	5,661	2,167	2,654	1,097	3,751	3.27
2004-05	10,842	5,253	2,064	2,705	965	3,671	2.95

Notes:

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

*Full Time Student Equivalent (FTSE)

(a) Source CBM004

(b) Source CBM00C

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

Taxpayer	Type of Business	Taxable Assessed Value (TAV) by Tax Year (\$000 omitted)									
		2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
AEP TEXAS CENTRAL CO	Utility	\$ 44,975	\$ 36,989	\$ 35,034	\$ 39,309	\$ 26,655	\$ 25,479	\$ 23,371	\$ 27,168	\$ 31,920	\$ 31,920
AT&T	Utility	-	-	-	-	-	33,477	37,525	36,176	36,855	36,855
BROWNSVILLE MEDICAL CENTER	Service	-	-	-	-	-	-	-	-	-	-
CAMERON ACQUISITIONS LLC	Land	-	-	-	29,212	24,840	40,500	-	-	-	-
CBL/SUNRISE COMMONS LP	Retail	40,645	40,670	38,734	38,870	38,904	38,923	38,923	38,706	36,468	36,468
COLUMBIA VALLEY HEALTHCARE SYS LP	Service	29,319	29,329	29,339	29,349	31,461	31,461	31,461	35,014	35,078	35,078
H E BUTT GROCERY CO	Retail	-	-	-	-	-	-	-	17,265	-	17,765
KEPPEL AMFELS	Shipyard	27,547	-	-	-	27,235	24,559	-	16,018	16,018	16,018
KIMCO BROWNSVILLE LP	Real Estate	-	-	-	-	-	-	18,113	-	-	-
RICH-SEAPAK CORP	Food Processor	-	22,036	22,140	32,572	27,674	28,450	-	-	19,963	-
SAPPHIRE VP LP	Real Estate	-	37,335	39,146	48,718	62,483	34,675	-	-	-	-
SOUTHWESTERN BELL TELE	Utility	-	-	23,996	26,787	31,284	-	-	-	-	-
TEXAS AND KANSAS CITY CABLE PARTNERS	Service	-	-	-	-	-	-	-	-	15,594	-
TITAN WHEEL INTERNATIONAL INC	Manufacturing	-	-	-	-	-	-	22,912	23,765	20,201	20,201
TRANSMONTAIGNE PRODUCT SERVICE INC	Petroleum Products	28,490	28,755	28,005	27,691	-	-	17,726	15,887	-	-
TRICO PRODUCTS CORP	Manufacturing	26,327	31,919	33,508	26,889	29,364	33,603	36,443	39,557	36,507	36,507
VHS BROWNSVILLE HOSPITAL COMPANY, LLC	Service	29,198	30,266	-	-	-	-	-	-	-	-
WAL-MART REAL ESTATE BUSINESS TR	Retail	-	22,497	22,190	-	-	-	-	-	15,841	15,841
WAL-MART STORES EAST INC	Retail	-	-	-	-	-	-	-	-	-	-
WAL-MART STORES INC	Retail	22,504	23,913	24,228	24,055	24,855	22,778	23,207	20,393	-	17,364
COMCAST CORP	Service	60,505	-	-	-	-	-	-	-	-	-
BAHIA MAR TOWER LLC	Real Estate	24,997	-	-	-	-	-	-	-	-	-
WAL-MART STORES TEXAS LP	Retail	-	-	-	-	-	-	17,315	-	-	-
Totals		\$ 334,506	\$ 303,708	\$ 296,320	\$ 323,452	\$ 324,755	\$ 291,127	\$ 226,474	\$ 249,556	\$ 248,604	\$ 230,812
Total Taxable Assessed Value		\$ 11,314,152	\$ 11,070,361	\$ 10,849,724	\$ 10,722,679	\$ 10,526,537	\$ 10,440,912	\$ 9,738,707	\$ 8,786,825	\$ 7,663,218	\$ 7,037,106

Taxpayer	Type of Business	% of Taxable Assessed Value (TAV) by Tax Year									
		2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
AEP TEXAS CENTRAL CO	Utility	0.40%	0.33%	0.32%	0.37%	0.25%	0.24%	0.24%	0.31%	0.42%	0.45%
AT&T	Utility	0.00%	-	-	-	-	0.32%	0.39%	0.41%	0.48%	0.52%
BROWNSVILLE MEDICAL CENTER	Service	0.00%	-	-	-	-	-	-	-	-	-
CAMERON ACQUISITIONS LLC	Land	0.00%	-	-	0.27%	0.24%	0.39%	-	-	-	-
CBL/SUNRISE COMMONS LP	Retail	0.36%	0.37%	0.36%	0.36%	0.37%	0.37%	0.40%	0.44%	0.48%	0.52%
COLUMBIA VALLEY HEALTHCARE SYS LP	Service	0.26%	0.26%	-	0.27%	0.30%	0.30%	0.32%	0.40%	0.46%	0.50%
H E BUTT GROCERY CO	Retail	0.00%	-	-	-	-	-	-	0.20%	-	0.25%
KEPPEL AMFELS	Shipyard	0.24%	-	-	-	-	0.24%	-	0.18%	0.21%	0.23%
KIMCO BROWNSVILLE LP	Real	0.00%	-	-	-	-	-	0.19%	-	-	-
RICH-SEAPAK CORP	Food Processor	0.00%	0.20%	-	0.30%	0.26%	0.27%	-	-	0.26%	-
SAPPHIRE VP LP	Real Estate	0.00%	0.34%	0.36%	0.45%	0.59%	0.33%	-	-	-	-
SOUTHWESTERN BELL TELE	Utility	0.00%	-	0.22%	0.25%	0.30%	-	-	-	-	-
TEXAS AND KANSAS CITY CABLE PARTNERS	Service	0.00%	-	-	-	-	-	-	-	0.20%	-
TITAN WHEEL INTERNATIONAL INC	Manufacturing	0.00%	-	-	-	-	-	0.24%	0.27%	0.26%	0.29%
TRANSMONTAIGNE PRODUCT SERVICE INC	Petroleum Products	0.25%	0.26%	0.26%	-	-	-	0.18%	0.18%	-	-
TRICO PRODUCTS CORP	Manufacturing	0.23%	0.29%	0.31%	-	-	0.32%	0.37%	0.45%	0.48%	0.52%
VHS BROWNSVILLE HOSPITAL COMPANY, LLC	Service	0.26%	0.27%	-	-	-	-	-	-	-	-
WAL-MART REAL ESTATE BUSINESS TR	Retail	0.00%	0.20%	0.20%	-	-	-	-	-	-	-
WAL-MART STORES EAST INC	Retail	0.00%	-	-	-	-	-	-	-	-	-
WAL-MART STORES INC	Retail	0.20%	0.22%	0.22%	0.22%	0.23%	0.22%	0.24%	0.23%	0.00%	0.25%
COMCAST CORP	Service	0.53%	-	-	-	-	-	-	-	-	-
BAHIA MAR TOWER LLC	Real Estate	0.22%	-	-	-	-	-	-	-	-	-
WAL-MART STORES TEXAS LP	Retail	-	-	-	-	-	-	0.00%	-	-	-
Totals		2.96%	2.74%	2.73%	3.02%	3.09%	2.79%	2.33%	2.84%	3.24%	3.28%

Source: Cameron County Appraisal District

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

Fiscal Year Ended August 31	Levy (a)	Cumulative Levy Adjustments	Adjusted Tax Levy (b)	Collections - Year of Levy (c)	Percentage	Prior Collections of Prior Levies (d)	Current Collections of Prior Levies (e)	Total Collections (C+D+E)	Cumulative Collections of Adjusted Levy
2014	\$ 18,122,935	\$ (45,546)	\$ 18,077,390	\$ 17,112,052	94.66%	-	\$ 731,766	\$ 17,843,818	98.71%
2013	17,764,776	(42,470)	17,722,306	16,879,439	95.24%	-	-	16,879,439	95.24%
2012	17,462,677	19,431	17,482,108	16,622,407	95.08%	-	453,990	17,076,397	97.68%
2011	17,119,086	(42,994)	17,076,092	16,188,556	94.80%	457,456	155,210	16,801,222	98.39%
2010	16,701,520	99,611	16,801,131	15,875,009	94.49%	638,823	89,468	16,603,300	98.82%
2009	16,647,944	(26,328)	16,621,616	15,730,757	94.64%	691,811	55,737	16,478,305	99.14%
2008	15,360,034	(24,709)	15,335,325	14,498,634	94.54%	696,394	28,482	15,223,510	99.27%
2007	13,817,049	(85,488)	13,731,561	12,940,923	94.24%	679,653	15,888	13,636,464	99.31%
2006	12,262,774	(61,327)	12,201,447	11,481,393	94.10%	622,890	14,948	12,119,231	99.33%
2005	9,062,544	(56,038)	9,006,506	8,485,978	94.22%	462,464	5,012	8,953,454	99.41%

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)

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
General Bonded Debt										
General obligation bonds	\$ 64,085	\$ 67,450	\$ 70,505	\$ 73,275	\$ 75,775	\$ 78,000	\$ 72,440	\$ 64,000	\$ 49,490	\$ 22,280
Notes	-	-	-	-	-	-	-	-	-	-
Less: Funds restricted for debt service	-	-	-	-	-	-	-	-	-	-
Net general bonded debt	\$ 64,085	\$ 67,450	\$ 70,505	\$ 73,275	\$ 75,775	\$ 78,000	\$ 72,440	\$ 64,000	\$ 49,490	\$ 22,280
Other Debt										
Revenue bonds	\$ 21,820	\$ 22,890	\$ 23,915	\$ 24,900	\$ 25,845	\$ 26,765	\$ 27,645	\$ 28,495	\$ 28,890	\$ 13,715
Notes	-	-	-	-	-	-	-	-	-	-
Capital lease obligations	-	-	-	-	-	-	-	-	-	-
Total Outstanding Debt	\$ 85,905	\$ 90,340	\$ 94,420	\$ 98,175	\$ 101,620	\$ 104,765	\$ 100,085	\$ 92,495	\$ 78,380	\$ 35,995
General Bonded Debt Ratios										
Per Capita	\$ 319.71	\$ 336.49	\$ 351.74	\$ 365.55	\$ 378.03	\$ 389.13	\$ 361.39	\$ 319.28	\$ 246.90	\$ 111.15
Per FTSE	20,165	21,224	22,185	23,057	23,844	24,544	22,794	20,138	15,573	7,011
As a percentage of Taxable Assessed Value	0.58%	0.61%	0.64%	0.66%	0.68%	0.70%	0.65%	0.58%	0.45%	0.20%
Total Outstanding Debt Ratios										
Per Capita	\$ 428.56	\$ 450.69	\$ 471.04	\$ 489.78	\$ 506.96	\$ 522.65	\$ 499.30	\$ 461.44	\$ 391.02	\$ 179.57
Per FTSE	27,031	28,427	29,711	30,892	31,976	32,966	31,493	29,105	24,663	11,326
As a percentage of Taxable Assessed Value	0.78%	0.82%	0.85%	0.89%	0.92%	0.95%	0.90%	0.84%	0.71%	0.33%

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)									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Taxable Assessed Value	\$ 11,314,152	\$ 11,070,361	\$ 10,849,724	\$ 10,722,679	\$ 10,526,537	\$ 10,440,911	\$ 9,738,707	\$ 8,786,826	\$ 7,663,218	\$ 7,037,107
General Obligation Bonds										
Statutory Tax Levy Limit for Debt Service	\$ 56,571	\$ 55,352	\$ 54,249	\$ 53,613	\$ 52,633	\$ 52,205	\$ 48,694	\$ 43,934	\$ 38,316	\$ 35,186
Less: Funds Restricted for Repayment of General Obligation Bonds	-	-	-	-	-	-	-	-	-	-
Total Net General Obligation Debt	56,571	55,352	54,249	53,613	52,633	52,205	48,694	43,934	38,316	35,186
Current Year Debt Service Requirements	3,365	3,055	2,770	2,500	2,225	1,690	1,560	1,490	2,570	1,125
Excess of Statutory Limit for Debt Service over Current Requirements	\$ 53,206	\$ 52,297	\$ 51,479	\$ 51,113	\$ 50,408	\$ 50,515	\$ 47,134	\$ 42,444	\$ 35,746	\$ 34,061
Net Current Requirements as a % of Statutory Limit	5.95%	5.52%	5.11%	4.66%	4.23%	3.24%	3.20%	3.39%	6.71%	3.20%

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

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

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

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

Calendar Year	Pledged Revenues (\$000 omitted) *District Population	**Estimate District Personal Income (a) (thousands of dollars)	***Cameron County Personal Income Per Capita	****Cameron County Unemployment Rate
2013	\$ 202,702	\$ 4,846,402,118	\$ 23,909	10.1%
2012	200,449	4,657,632,964	23,236	10.5%
2011	198,762	4,449,883,656	22,388	11.8%
2010	194,964	4,364,854,032	22,388	11.2%
2009	192,500	4,309,690,000	22,388	9.9%
2008	191,006	4,085,045,322	21,387	6.8%
2007	187,979	3,696,982,993	19,667	6.0%
2006	187,679	3,483,134,561	18,559	6.6%
2005	183,675	3,197,781,750	17,410	7.5%
2004	179,028	3,042,401,832	16,994	8.7%

Sources:

*District Population from U.S. Census Bureau.

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

**Estimated District Personal Income (thousand of dollars) produced by multiplying Cameron County Personal Income Per Capita by the District Population. TSC District includes the following school districts: Brownsville ISD, Los Fresnos ISD, and Point Isabel ISD. TSC District population totals about 50% of Cameron County. Assumption used for TSC District per capita income equals that of Cameron County. Cameron County Total Estimated Population: 417,276 (U.S. Census Bureau)

***Cameron County Personal Income from U.S. Bureau of Economic Analysis.

<http://www.bea.gov/beahome.html>

**** Unemployment Rate from Texas Association of Counties

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

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

N/A - Not Available

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

2014		
Employer	Employees	**Percentage of Total Employment
Brownsville ISD	7,708	11.03%
Caring For You Home Health	2,635	3.77%
Cameron County	2,040	2.92%
UT Rio Grande Valley	1,625	2.33%
AMFELS	1,400	2.00%
City of Brownsville	1,200	1.72%
Abundant Life Home Health	1,200	1.72%
Wal-Mart	1,055	1.51%
HEB Food Stores	975	1.40%
Valley Regional Medical Center	786	1.12%
Total	20,624	29.51%

Source:

*Brownsville Economic Development Council. <http://www.bedc.com/>
 **Brownsville Total Employment - Texas Labor Market Review <http://www.texasworkforce.org/>
 Percentage of Total Employment was calculated using Brownsville 2012 Annual Employment. <http://www.texasworkforce.org/>
 Brownsville Total Employment: 69,878
 Note: Employer data was not available for Los Fresnos ISD and Point Isabel ISD.

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

Source:

*Brownsville Economic Development Council. <http://www.bedc.com/>
 **Brownsville Total Employment - Texas Labor Market Review <http://www.texasworkforce.org/>
 Percentage of Total Employment was calculated using Brownsville 2012 Annual Employment. <http://www.texasworkforce.org/>
 Brownsville Total Employment: 67,921
 Note: Employer data was not available for Los Fresnos ISD and Point Isabel ISD.

2013		
Employer	Employees	**Percentage of Total Employment
Brownsville ISD	7,708	11.22%
Cameron County	2,040	2.97%
AMFELS	1,650	2.40%
University of Texas at Brownsville	1,622	2.36%
City of Brownsville	1,200	1.75%
Wal-Mart	1,055	1.54%
HEB Food Stores	975	1.42%
Valley Regional Medical Center	786	1.14%
Valley Baptist Medical Center - Brownsville	738	1.07%
Convergys's Corp	623	0.91%
Total	18,397	26.77%

Source:

*Brownsville Economic Development Council. <http://www.bedc.com/>
 **Brownsville Total Employment - Texas Labor Market Review <http://www.texasworkforce.org/>
 Percentage of Total Employment was calculated using Brownsville 2012 Annual Employment. <http://www.texasworkforce.org/>
 Brownsville Total Employment: 68,717
 Note: Employer data was not available for Los Fresnos ISD and Point Isabel ISD.

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

Source:

*Brownsville Economic Development Council. <http://www.bedc.com/>
 **Brownsville Total Employment - Texas Labor Market Review <http://www.texasworkforce.org/>
 Percentage of Total Employment was calculated using Brownsville 2009 Annual Employment. <http://www.texasworkforce.org/>
 Brownsville Total Employment: 60,309
 Note: Employer data was not available for Los Fresnos ISD and Point Isabel ISD.

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

		Fiscal Year									
		2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Faculty											
	Full-Time	78.0	53.0	-	-	-	-	-	-	-	-
	Part-Time	49.0	56.0	-	-	-	-	-	-	-	-
	Total	127.0	109.0	-	-	-	-	-	-	-	-
Percent											
	Full-Time	61.4%	48.6%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	Part-Time	38.6%	51.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Staff and Administrators											
	Full-Time	118.0	46.0	17.0	15.0	19.0	18.0	17.0	15.0	14.0	10.0
	Part-Time	35.0	23.0	1.0	1.0	5.0	6.0	5.0	6.0	3.0	5.0
	Total	153.0	69.0	18.0	16.0	24.0	24.0	22.0	21.0	17.0	15.0
Percent											
	Full-Time	77.1%	66.7%	94.4%	93.8%	79.2%	75.0%	77.3%	71.4%	82.4%	66.7%
	Part-Time	22.9%	33.3%	5.6%	6.3%	20.8%	25.0%	22.7%	28.6%	17.6%	33.3%
	FTSE per Full-time Faculty	74.2	60.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	FTSE per Full-Time Staff Member	49.0	69.1	327.6	384.6	313.8	320.4	369.8	427.0	404.4	525.3
	Average Annual Faculty Salary	\$ 50,511	\$ 47,880	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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

Gender	Fall 2013		Fall 2012		Fall 2011		Fall 2010		Fall 2009	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Female	2,115	57.58%	3,318	56.30%	5,889	56.07%	6,287	59.86%	7,709	58.42%
Male	1,558	42.42%	2,575	43.70%	4,614	43.93%	4,756	45.28%	5,486	41.58%
Total	3,673	100.00%	5,893	100.00%	10,503	100.00%	11,043	105.14%	13,195	100.00%

Ethnic Origin	Fall 2013		Fall 2012		Fall 2011		Fall 2010		Fall 2009	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
White/Non-Hispanic	145	3.95%	199	3.38%	4,391	41.81%	1,411	13.43%	431	3.27%
Black/Non-Hispanic	6	0.16%	15	0.25%	62	0.59%	57	0.54%	36	0.27%
Hispanic	3,443	93.74%	5,430	92.14%	5,650	53.79%	9,106	86.70%	12,247	92.82%
Asian or Pacific Islander	20	0.54%	42	0.71%	118	1.12%	83	0.79%	60	0.45%
American Indian or Alaskan Native	1	0.03%	3	0.05%	108	1.03%	68	0.65%	7	0.05%
Non-Resident Aliens or Foreign Natl.	44	1.20%	189	3.21%	138	1.31%	251	2.39%	350	2.65%
Not Reported	14	0.38%	15	0.25%	36	0.34%	67	0.64%	64	0.49%
Total	3,673	100.00%	5,893	100.00%	10,503	100.00%	11,043	105.14%	13,195	100.00%

Age	Fall 2013		Fall 2012		Fall 2011		Fall 2010		Fall 2009	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Under 18	661	18.00%	1,691	28.70%	1,471	14.01%	2,176	20.72%	4,746	35.97%
18 -21	1,580	43.02%	2,350	39.88%	4,380	41.70%	4,365	41.56%	4,117	31.20%
22 - 24	486	13.23%	612	10.39%	1,504	14.32%	1,455	13.85%	1,425	10.80%
25 - 35 *	598	16.28%	822	13.95%	2,200	20.95%	2,069	19.70%	2,000	15.16%
36 - 50 **	297	8.09%	346	5.87%	808	7.69%	840	8.00%	792	6.00%
51 & over	51	1.39%	72	1.22%	140	1.33%	138	1.31%	115	0.87%
Total	3,673	100.00%	5,893	100.00%	10,503	100.00%	11,043	105.14%	13,195	100.00%

Average Age	23	22	24	21	21
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Note: Only five years of information are presented in accordance with the Budget Requirements and Annual Financial Reporting Requirements for Texas Public Community and Junior Colleges published by the Texas Higher Education Coordinating Board for fiscal year 2014.

**Texas Southmost College District
Statistical Supplement 17
Transfers to Senior Institutions
2012 Fall Students as of Fall 2013
(Includes only public senior colleges in Texas)**

	Transfer Student Count	Transfer Student Count	Transfer Student Count	Total Acad/Tech Transfer Students	Percent Acad/Tech Transfer Students
	Academic	Technical	Tech-Prep		
University of Texas - Brownsville	1,282	137	129	1,548	84.73%
University of Texas - Pan American	75	4	6	85	4.65%
University of Texas - Austin	25	1	-	26	1.42%
University of Texas - San Antonio	25	1	1	27	1.48%
Texas A&M University - College Station	28	1	1	30	1.64%
Texas State University	24	-	2	26	1.42%
Texas A&M University - Kingsville	18	1	1	20	1.09%
Texas A&M University - Corpus Christi	10	1	1	12	0.66%
University of Houston - University Park	7	-	-	7	0.38%
University of North Texas	4	1	1	6	0.33%
University of Texas - Permian Basin	8	2	-	10	0.55%
Stephen F. Austin State University	1	-	-	1	0.05%
Texas Tech University	7	-	-	7	0.38%
University of Texas - Arlington	5	5	-	10	0.55%
Sam Houston State University	2	-	-	2	0.11%
University of Texas - Tyler	-	-	-	-	0.00%
Texas A&M International University	-	-	-	-	0.00%
Texas Women's University	1	-	-	1	0.05%
University of Houston - Downtown	-	-	-	-	0.00%
University of Texas - Dallas	-	-	-	-	0.00%
Sul Ross State University	-	-	-	-	0.00%
Texas A&M University - Commerce	-	-	-	-	0.00%
Texas A&M University - Galveston	-	-	-	-	0.00%
Texas A&M University - Texarkana	-	-	-	-	0.00%
Prairie View A&M University	-	-	-	-	0.00%
University of Texas - El Paso	-	1	-	1	0.05%
Baylor College of Medicine - Academics	-	-	-	-	0.00%
Lamar University Institute of Technology	-	-	-	-	0.00%
Midwestern State University	-	-	-	-	0.00%
Sul Ross State University - Rio Grande College	-	-	-	-	0.00%
Tarleton State University	-	-	-	-	0.00%
Texas A&M University System Health Science Center	-	-	-	-	0.00%
Texas Southern University	1	-	-	1	0.05%
Texas Tech University Health Science Center	1	-	-	1	0.05%
University of Houston - Clear Lake	-	-	-	-	0.00%
University of Houston - Victoria	1	-	-	1	0.05%
University of North Texas Health Science Center	-	-	-	-	0.00%
University of Texas Health Science Center - Houston	1	-	-	1	0.05%
University of Texas Health Science Center - San Antonio	-	-	-	-	0.00%
University of Texas Medial Branch Galveston	1	-	-	1	0.05%
University of Texas Southwestern Medical Center - Dallas	-	-	-	-	0.00%
West Texas A&M University	2	-	-	2	0.11%
Angelo State University	1	-	-	1	0.05%
Totals	1,530	155	142	1,827	100.00%

**Texas Southmost College District
Statistical Supplement 18
Capital Asset Information
Fiscal Years 2010 to 2014**

	Fiscal Year				
	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Academic buildings	19	24	24	24	23
Square footage (in thousands)	728	1,058	1,058	1,058	999
Libraries	1	2	2	2	2
Square footage (in thousands)	45	130	130	130	130
Number of Volumes (in thousands)	356	1,083	1,083	264	298
Administrative and support buildings	25	26	26	26	23
Square footage (in thousands)	560	614	614	614	559
Dormitories	-	1	1	1	1
Square footage (in thousands)	-	140	140	140	94
Number of Beds	-	459	459	459	334
Apartments	64	64	64	66	66
Square footage (in thousands)	67	67	67	68	72
Number of beds	140	140	140	140	140
Dining Facilities	-	-	-	-	-
Square footage (in thousands)	-	-	-	-	-
Average daily customers	-	-	-	-	-
Athletic Facilities	3	3	3	3	3
Square footage (in thousands)	138	138	138	138	138
Stadiums	-	-	-	-	-
Gymnasiums	2	2	2	2	2
Fitness Centers	1	1	1	1	1
Tennis Court	1	1	1	1	1
Plant facilities	6	7	7	7	7
Square footage (in thousands)	57	49	49	49	49
Transportation					
Cars	2	7	7	7	8
Light Trucks/Vans	25	50	50	50	57
Buses	-	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 2014.

SINGLE AUDIT SECTION

SCHEDULE E

TEXAS SOUTHMOST COLLEGE DISTRICT

**Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2014**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Pass-Through Disbursements and Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
<i>Pass-through from Texas Department of Human Services:</i>			
Child Care Food Program	10.558	75G7033	\$ 39,303
Total U.S. Department of Agriculture			<u>39,303</u>
U.S. DEPARTMENT OF EDUCATION			
<i>Passed through Texas Higher Education Coordinating Board:</i>			
Statewide Data Systems	84.372	R372A090010	3,514
Carl Perkins Vocational Education - Basic	84.048	84246	<u>165,239</u>
Total U.S. Department of Education			<u>168,753</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Pass-through from Texas Migrant Authority, Inc.:</i>			
Child Day Care Center	93.667	031-0006	<u>24,329</u>
Total U.S. Department of Health and Human Services			<u>24,329</u>
Total Federal Financial Assistance			<u>\$ 232,385</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, 2014

<u>Note 1: Federal Assistance Reconciliation</u>	Pass-Through Disbursements
Federal revenue received by Texas Southmost College District	
Federal grants and contracts revenue per Schedule A	\$ 232,385
Federal revenue received by University of Texas at Brownsville	<u>6,223,662</u>
 Total Federal Revenues	 <u>\$ 6,456,047</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:	Amount
<u>Program Name</u>	
84.063 - Federal Pell Grant Program	\$ 5,948,448
84.007 - SEOG	105,250
84.033 - Federal Work Study Program	<u>169,964</u>
	 <u>\$ 6,223,662</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, 2014
 (Continued)

Note 6: Amounts Passed Through by the District

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

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

84.031 - Title III Endowment College Grant Program	\$ <u>6,954,704</u>
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SCHEDULE F

TEXAS SOUTHMOST COLLEGE DISTRICT

**Schedule of Expenditures of State Awards
For the Year Ended August 31, 2014**

Grantor Agency/ Program Title	Grant Contract Number	Expenditures
TEXAS HIGHER EDUCATION COORDINATING BOARD		
<i>Direct</i>		
Texas Grant Program	-	\$ 851,681
S3 Developmental Education Grant	-	118,750
Texas College Work Study	-	60,797
Texas Educational Opportunity Grant	-	537,240
Top 10%	-	10,000
Nursing Shortage Reduction Grant	-	-
Focus Grant	-	6,250
Total Texas Higher Education Coordinating Board		<u>1,584,718</u>
TEXAS WORKFORCE COMMISSION		
<i>Direct</i>		
Skills Development Fund	2413SDF002	75,103
Skills Development Fund	2413SDF002-1	(14,285)
Skills Small business Fund	2413SSD000	9,240
Total Texas Workforce Commission		<u>70,058</u>
COMMUNITIES FOUNDATION OF TEXAS		
<i>Direct</i>		
Project Strength Mentor Grant	-	10,000
Total Southern Education Foundation		<u>10,000</u>
Total State Financial Assistance		<u>\$ 1,664,776</u>
<u>Note 1: State Assistance Reconciliation</u>		
State Revenues - Per Schedule A		
State Financial Assistance per Schedule of Expenditures of State Awards		\$ 1,664,776
Lease payments from University of Texas - Brownsville		<u>-</u>
Total State Revenues per Schedule A		<u>\$ 1,664,776</u>

Note 2: Significant Accounting Policies Used in Preparing the Schedule

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

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

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

We have audited , in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Texas Southmost College District, as of and for the year ended August 31, 2014 and 2013 and the related notes to the financial statements, which collectively comprise the Texas Southmost College District's basic financial statements, and have issued our report thereon dated November 12, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

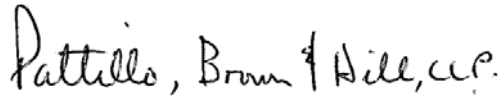
As part of obtaining reasonable assurance about whether the Texas Southmost College District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have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

Public Funds Investment Act

We have performed tests designed to verify the Texas Southmost College District's compliance with the requirements of the Public Funds Investment Act. During the year ended August 31, 2014, no instances of noncompliance were found. However, providing an opinion on compliance with the Public Funds Investment Act was not an objective of our audit, and accordingly, we do not express an opinion.

Purpose of this Report

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



Brownsville, Texas
November 12, 2014

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

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

Report on Compliance for Each Major Federal and State Program

We have audited the Texas Southmost College District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Texas Southmost College District's major federal and state programs for the year ended August 31, 2014. Texas Southmost College District's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal and state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Texas Southmost College District's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the Texas Southmost College District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal and State Program

In our opinion, the Texas Southmost College District, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended August 31, 2014.

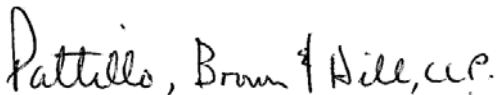
Report on Internal Control Over compliance

Management of the Texas Southmost College District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance referred to above. In planning and performing our audit, we considered the Texas Southmost College District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Texas Southmost College District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of the testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Brownsville, Texas
November 12, 2014

TEXAS SOUTHMOST COLLEGE DISTRICT

**Schedule of Findings and Questioned Costs
For the Year Ended August 31, 2014**

I. Summary of Auditors' Results

Type of auditors' report on financial statements:	Unmodified.
Internal control over financial reporting: Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weakness(es)?	None reported
Internal control over major programs: Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weakness(es)?	None reported
Noncompliance which is material to the basic financial statements	No
Type of auditors' report on compliance with major programs	Unmodified.
Findings and questioned costs for federal awards as defined in Section 501(a), 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	None.
Major state program	Texas Grant Program

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

The audit disclosed no finding required to be reported.

III. Findings and Questioned Costs for Federal Awards

None

IV. Findings and Questioned Costs for State Awards

None

TEXAS SOUTHMOST COLLEGE DISTRICT

**Summary Schedule of Prior Audit Findings
For the Year Ended August 31, 2014**

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, 2014**

Not applicable.