

**TEXAS SOUTHMOST
COLLEGE DISTRICT**

ANNUAL FINANCIAL REPORT

AUGUST 31, 2015 and 2014

TEXAS SOUTHMOST COLLEGE DISTRICT

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TEXAS SOUTHMOST COLLEGE DISTRICT

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INTRODUCTORY SECTION

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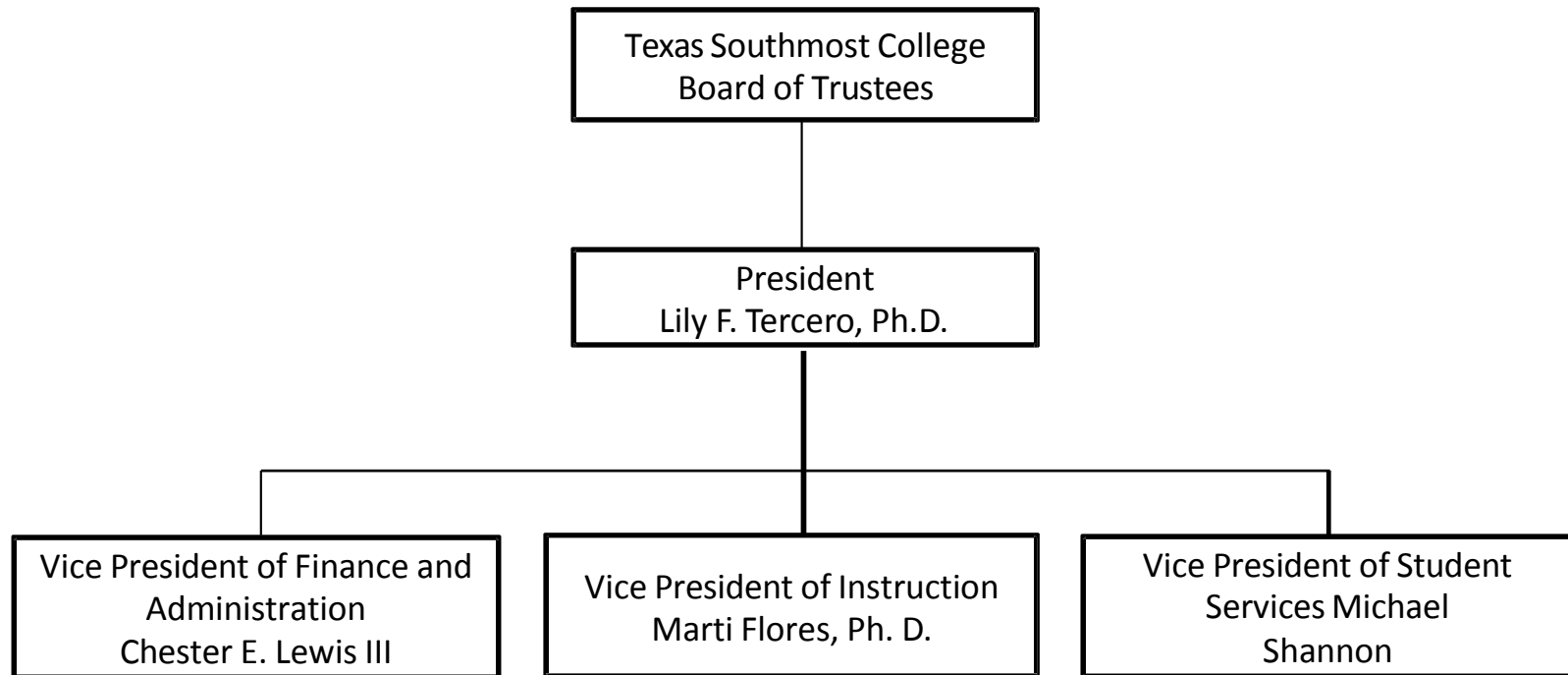
Texas Southmost College District

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

August 31, 2014

Executive Director/CEO

TEXAS SOUTHMOST COLLEGE DISTRICT



TEXAS SOUTHMOST COLLEGE DISTRICT

**ORGANIZATIONAL DATA
FOR THE FISCAL YEAR 2014-2015**

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, 2015 and 2014, 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

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

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 auditors' 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, 2015 and 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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**Governmental Audit
Quality Center**

Change in Accounting Principle

As discussed in Note 2 to the financial statements in 2015 the District adopted new accounting guidance, GASB Statement No.68, Accounting and Financial Reporting for Pensions. 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 14 through 27 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 basic financial statements. The supplementary information and financial assistance section as denoted in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the Texas Southmost College District. The accompanying schedule of expenditures of state awards is presented for purposes of additional analysis as required by the *State of Texas Single Audit Circular*, and is also not a required part of the basic financial statements of the Texas Southmost College District.

The supplementary information and financial assistance section, which includes the schedule of expenditures of federal awards and the schedule of expenditures of state awards, are the responsibility of management and was derived from and relates 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, based on our audit, the procedures performed as described above, the supplementary information and financial assistance section are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2015 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.

Pattullo, Brown & Hill, LLP

Brownsville, Texas
December 29, 2015

TEXAS SOUTHMOST COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

AUGUST 31, 2015

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, 2015. This discussion and analysis is to be read in conjunction with the College's financial statements which begin on page 28.

USING THIS ANNUAL REPORT

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

As required by GASB No. 34 and No. 35, the current and prior year financials are prepared using the accrual basis of accounting, which is the same method used by most private sector companies, and focus on the financial condition of the College, results of operations and cash flows of the College as a whole. For purposes of discussion and analysis, we have provided a year to year comparative analysis of the financial statements. As discussed in Note 27 to the financial statements, the District adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* in fiscal year 2015.

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

The notes to the financial statements starting on page 33 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.

USING THIS ANNUAL REPORT (Continued)

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.

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

The Statement of Revenues, Expenses and Changes in Net Position

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

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

In the year of implementation of GASB 68, as amended by GASB 71, a restatement to beginning net position was required for the recording of the beginning net pension liability and for the recording of deferred outflows of resources for contributions made after the measurement date of the beginning net pension liability and beginning of the reporting entity's fiscal year. See note 2 and note 27 in the accompanying Notes to Financial Statements.

Since the District does not have all the audited beginning balances for deferred inflows of resources and deferred outflows of resources related to pensions required to properly restate fiscal year 2014 financial statements, the restatement will be made directly to the beginning net position in the fiscal year 2015 financial statements as a cumulative effect of a change in accounting principle. Due to this method of recording pension amounts, comparability between fiscal years is impacted.

The Statement of Cash Flows

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

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

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

FINANCIAL ANALYSIS

Statement of Net Position

The following analysis focuses on the Statement of Net Position, which is condensed in Table 1. The complete Statement of Net Position can be found on page 28.

TABLE 1
CONDENSED STATEMENT OF NET POSITION
(in millions)

	August 31, 2015	August 31, 2014	August 31, 2013
Current Assets	\$ 46.7	\$ 55.6	\$ 28.1
Noncurrent Assets			
Cash and Cash Equivalents—Restricted	36.4	22.2	18.8
Capital Assets, Net of Accumulated Depreciation	135.4	138.0	153.2
Other Noncurrent Assets	- 0.1	- 0.2	- 0.1
Total Assets	- <u>218.6</u>	- <u>216.0</u>	- <u>200.2</u>
Deferred Outflows of Resources	1.4	0.3	0.4
Current Liabilities	12.7	14.4	13.1
Noncurrent Liabilities	- <u>69.7</u>	- <u>75.8</u>	- <u>85.9</u>
Total Liabilities	- <u>82.4</u>	- <u>90.2</u>	- <u>99.0</u>
Deferred Inflow of Resources	6.0	0.6	0.7
Net Position			
Invested in Capital Assets, Net of Related Debt	61.8	56.1	60.9
Restricted Expendable	23.7	28.8	24.5
Unrestricted	- <u>46.1</u>	- <u>40.6</u>	- <u>15.5</u>
Total Net Position	<u>\$ 131.6</u>	<u>\$ 125.5</u>	<u>\$ 100.9</u>

Total Assets increased by \$2.6 million in fiscal year 2015. Current Assets decreased by \$8.9 million which was primarily due to a \$4 million decrease in unrestricted cash and cash equivalents, and a \$4.9 million decrease in accounts receivable, net of allowances. Noncurrent Assets increased \$11.5 million due primarily to an increase in restricted cash and cash equivalents.

Statement of Net Position (Continued)

At the end of fiscal year 2015, total liabilities decreased by \$7.8 million. Noncurrent Liabilities decreased due to the refinancing of the series 2005 and 2006 Tax Bonds and series 2006 Tax Notes. The College issued Limited Tax Refunding Bond Series 2014A and the Maintenance Tax Refunding Bonds, Series 2014B. The net effect of the refinancing and scheduled debt payments account for an \$8.2 million decrease.

Significant changes in assets, liabilities and net position are attributable to implementation of GASB 68, as amended by GASB Statement No. 71. The District recorded deferred outflows related to pensions (an asset) of \$0.2 million and deferred inflows related to pensions of \$0.6 million (a liability) and a net pension liability of \$2.1 million, for an increase to liabilities of \$2.8 million.

An increase in deferred revenue, \$1.0 million, and a decrease to accounts payable, \$2.6 million, make up the remaining significant changes in total liabilities.

Total Net Position (assets and deferred outflows of resources and liabilities and deferred inflows of resources) increased by \$36.3 million over the past three fiscal years. The College experienced an increase of approximately \$6.1 million, \$24.6 million, and \$5.6 million in fiscal years 2015, 2014 and 2013 as compared to the previous respective fiscal years. Unrestricted net position – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – represents \$46.1 million of total net position at August 31, 2015.

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 29.

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

	August 31, 2015	August 31, 2014	August 31, 2013
Operating Revenues	\$ 34.9	\$ 31.5	\$ 22.8
Operating Expenses	(49.1)	(44.8)	(41.7)
Non-operating Revenue	26.1	42.1	28.9
Non-operating Expenses	(3.5)	(4.2)	(4.4)
Increase in Net Position	8.5	24.6	5.6
Adjustment to Net Position	(2.4)	-	(1.6)
Net Position - Beginning of the Year	125.5	100.9	96.9
Net Position - End of the Year	\$ 131.6	\$ 125.5	\$ 100.9

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 2015		Fiscal Year 2014		Fiscal Year 2013	
	Amount	Percentage of Total	Amount	Percentage of Total	Amount	Percentage of Total
Net Tuition and Fees	\$ 12.1	34.5%	\$ 11.6	36.8%	\$ 17.8	77.7%
Grants and Contracts	21.7	62.1%	18.6	59.0%	4.4	19.2%
Auxiliary Enterprises	0.9	2.5%	1.0	3.2%	0.5	2.2%
Other Operating Revenue	- 0.3	0.8%	- 0.3	1.0%	- 0.2	0.9%
Total Operating Revenue	<u>\$ 34.9</u>	<u>100.0%</u>	<u>\$ 31.5</u>	<u>100.0%</u>	<u>\$ 22.9</u>	<u>100.0%</u>

Operating revenues were affected by the following key factors:

- The cost for In-district Resident Tuition and Fees for 12 semester credit hours remained comparable to fiscal year 2014. Fiscal year 2014 was TSC's first year of independent operations and was no longer required to follow a tuition and fee concordance policy with the University of Texas at Brownsville (UTB). In 2014, 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 slightly in FY 2015 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. At August 31, 2015, TSC and UTB continued to be accredited as a single institution and all federal financial aid was 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 2015		Fiscal Year 2014		Fiscal Year 2013	
	Amount	Percentage of Total	Amount	Percentage of Total	Amount	Percentage of Total
State Appropriations	\$ 6.8	26.2%	\$ 7.0	16.5%	\$ 11.2	38.6%
Ad Valorem Taxes	18.4	70.6%	18.1	43.0%	17.7	61.0%
Investment Income	0.1	0.3%	0.1	0.2%	0.1	0.4%
Other Non-Operating Revenue	<u>0.7</u>	<u>2.8%</u>	<u>16.9</u>	<u>40.3%</u>	-	<u>0.0%</u>
Total Non-Operating Revenue	<u>\$ 26.1</u>	<u>100.0%</u>	<u>\$ 42.1</u>	<u>100.0%</u>	<u>\$ 29.0</u>	<u>100.0%</u>

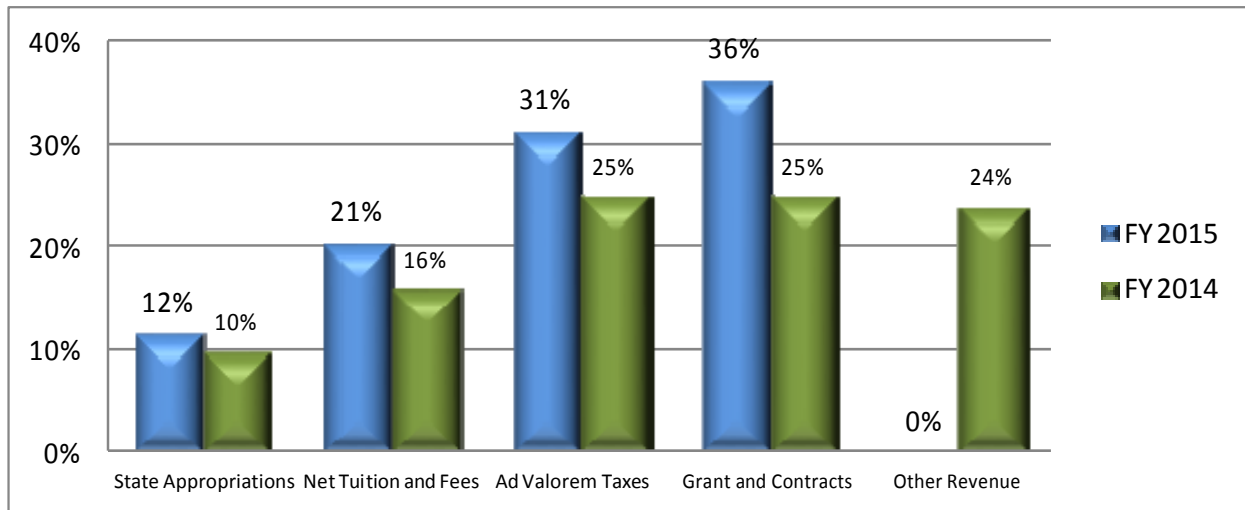
Non-operating revenues were affected by the following key factors:

- State appropriations remain comparable to the prior fiscal year. In 2014, the decrease in state appropriations was 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 2015 budget accordingly.
- Property tax revenue increased by about \$0.5 million from fiscal year 2014 to fiscal year 2015 as a result of a 1.0% increase in taxable assessed property valuations. Property tax revenue increased by about \$0.4 million from fiscal year 2013 to fiscal year 2014 as a result of a 2.0% increase in taxable assessed property valuations. The tax rates for the Texas Southmost College are \$0.164094, \$0.162935, and \$0.162935 per \$100 valuation for the fiscal years ended 2015, 2014 and 2013, respectively.
- Other Non-Operating Revenue decreased by \$16.2 in FY 2015 which is primarily due to the settlement agreement with the University of Texas System (UTS) in FY 2014 that resulted in the sale and exchange of buildings, improvements, land and personal property.
- Investment income for FY 2015 is comparable to FY 2014 and FY 2013. 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 2015 and 2014.

**TABLE 5
TOTAL REVENUES**



In fiscal year 2015, Grant and Contracts is the largest source at 36% primarily due to the transfer of financial aid received by UTB to TSC in fiscal year 2015. State Appropriations are 12% of total revenues as compared to 10% in fiscal year 2014. Net Tuition and Fees in fiscal year 2015 are 21% as compared to 16% in fiscal year 2014. Ad Valorem taxes increased to 31% from 25% in fiscal years 2015 and 2014 respectively. Other Revenue is 0% due to the one time transaction in FY2014 with UTS of the sale and/or exchange of buildings, improvements, land and personal property.

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

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

	August 31, 2015	August 31, 2014	August 31, 2013
Salaries	\$ 10.5	\$ 9.7	\$ 1.6
Benefits	1.8	2.1	0.2
Other Expenses (excluding UTB Contract)	32.8	29.2	6.5
Contracted Services - UTB	-	-	30.0
Depreciation	<u>3.9</u>	<u>3.8</u>	<u>3.5</u>
Total Operating Expenses	<u>\$ 49.1</u>	<u>\$ 44.8</u>	<u>\$ 41.8</u>

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

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

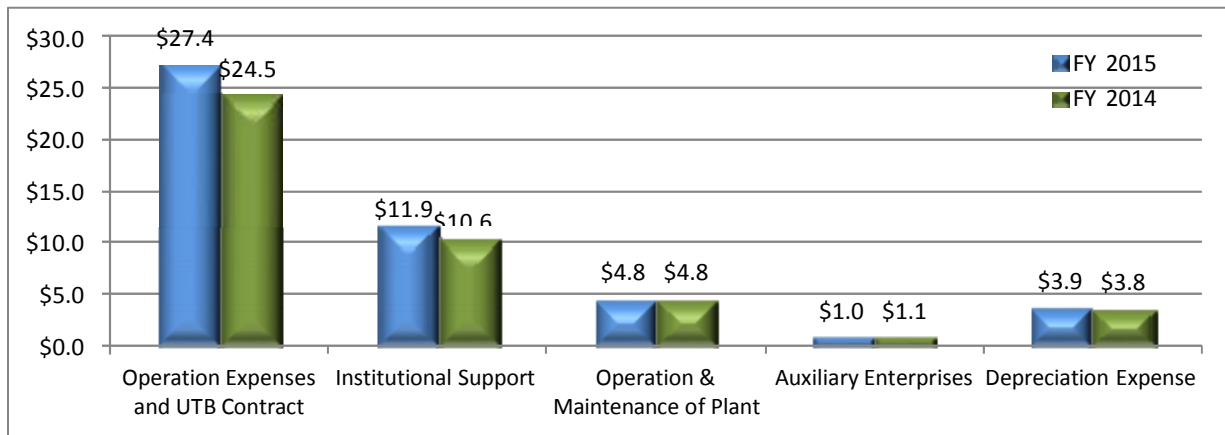
TABLE 7 OPERATING
EXPENSES
Functional Classification
(in millions)

	August 31, 2015	August 31, 2014	August 31, 2013
Instruction	\$ 6.1	\$ 3.6	\$ -
Public Service	0.3	0.2	-
Academic Support	1.7	3.2	-
Student Services	2.6	3.3	-
Institutional Support	11.9	10.6	7.0
Operations and Maintenance of Plant	4.8	4.8	0.9
Scholarships and Fellowships	16.8	14.2	-
Depreciation	3.9	3.8	3.5
Contracted Services - UTB	-	-	<u>30.0</u>
Total Educational Activities	\$ 48.0	\$ 43.7	\$ 41.4
Auxiliary Enterprises	-	<u>1.1</u>	<u>0.4</u>
Total Operating Expenses	<u>\$ 49.1</u>	<u>\$ 44.8</u>	<u>\$ 41.8</u>

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 2015 and 2014.

TABLE 8 OPERATING EXPENSES
Functional Classification
(in millions)



For fiscal year 2015, the College continued 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. In December 2015, Texas Southmost College became a fully accredited independent community college under SACSCOC.

Statement of Cash Flows

The Condensed Statement of Cash Flows appears in Table 9. The complete Statement of Cash Flows appears in page 30 and 31 of this report.

TABLE 9
CONDENSED STATEMENT OF CASH FLOWS
(in millions)

	August 31, 2015	August 31, 2014	August 31, 2013
	<u> </u>	<u> </u>	<u> </u>
Cash provided/used by:			
Operating Activities	\$ (6.7)	\$ (10.4)	\$ (11.8)
Noncapital Financing Activities	18.5	18.5	22.1
Capital and Related Activities	(1.7)	20.5	(2.3)
Investing Activities	- 0.1	- 0.1	- 0.1
Net Increase (Decrease) In Cash	<u>\$ 10.1</u>	<u>\$ 28.7</u>	<u>\$ 8.1</u>
Cash-Beginning of the Year	- 67.3	- 38.6	- 30.5
Cash-End of Year	<u>\$ 77.4</u>	<u>\$ 67.3</u>	<u>\$ 38.6</u>

Total Cash and Cash Equivalents increased by \$10.1 million in fiscal year 2015 and \$28.7 million during fiscal year 2014. Major factors impacting cash and cash equivalents are described below by source.

Operating Activities: During the fiscal year 2015 and fiscal year 2014, cash flows from operations resulted in an outflow of \$6.7 and \$10.4 million, respectively. The major source of cash receipts was from grant and contracts (\$26.6 in 2015 and \$18.6 in 2014) and tuition and fees, net of scholarship allowances and discounts (\$13.4 million in 2015 and \$8.3 million in 2014). The College's major cash outlay was for payments to suppliers and UTB (\$37.4 million in 2015 and \$29.8 million in 2014) and for payments related to employees (\$10.4 in 2015 and \$9.1 in 2014).

Non-capital Financing Activities: The College had a positive cash flow of \$18.5 in fiscal year 2015 and \$18.1 million in fiscal year 2014 from the collection of property taxes and receipt of state appropriations. Property taxes were collected at a rate of 96.1% and 94.9% of the current year's tax levy for fiscal year 2015 and fiscal year 2014, respectively. (See table 10 below for more information on property taxes.)

Capital and Related Financing Activities: In fiscal year 2015, capital and related financing activities resulted in a net cash outflow of \$1.7 million. The cash outflows net of \$7.6 million resulted from the issuance of refunding bonds, principal & interest payments and bond issuance costs. In addition, a regular cash inflow of \$7.1 million was recognized from the collection of property taxes and a cash outflow of \$1.3 million related to the acquisition of capital assets.

Statement of Cash Flows (continued)

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.

Investing Activities Cash flows from investing activities represent investment earnings generated from the College’s various checking and certificate of deposit accounts. Investment opportunities are resulting in limited earning opportunities for short-term investments due to the economic downturn that exists in the current financial market.

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, 2015	August 31, 2014	August 31, 2013
Total Tax Rate per \$100	\$ 0.164094	\$ 0.162935	\$ 0.162935
Total Tax Collections	\$ 18,444,126	\$ 17,973,708	\$ 17,727,167
Tax Collection Rate	96.09%	94.89%	94.74%
Assessed Valuation	\$ 12,493,414,367	\$ 11,319,374,157	\$ 11,097,815,199

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 2015, the Texas Southmost College Board of Trustee's adopted the same tax rate as fiscal year 2014. In August 2015, 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 2015, the College had approximately \$135.4 million (net of accumulated depreciation and amortization) invested in a broad range of capital assets, including instructional and athletic facilities, maintenance of buildings equipment, and computer software. The decrease in capital assets primarily relates to the depreciation and amortization of existing capital assets.

Note 5 of the financial statements, which begin on page 33, provides further detailed information regarding the College's capital assets. Table 11 summarizes capital asset activity for the year ended August 31, 2015.

TABLE 11
CAPITAL ASSETS AT FISCAL YEAR END 2015
(in millions)

	Balance August 31, 2014	Increases and Reclassifications	Decreases	Balance August 31, 2015
Not Depreciated	\$ 6.7	\$ -	\$ -	\$ 6.7
Buildings and Other Capital Assets	190.1	1.3	-	191.4
Less: Accumulated Depreciation and Amortization	- (58.8)	- (3.9)	-	- (62.7)
Total Capital Assets	<u>\$ 138.0</u>	<u>\$ (2.6)</u>	<u>\$ -</u>	<u>\$ 135.4</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 \$71.6 million in total bonds payable. Notes 6 through 9 of the financial statements which begin on page 41 provide further detailed information regarding the College's debt obligations. Table 12 summarizes these amounts by type of debt instrument.

In February 2015, the College issued the 2014A and 2014B refunding bonds at a premium, in the amounts of \$30 million and \$3.1 million, respectively. All proceeds from the bond issuances were used to refinance outstanding balances of the Limited Tax Bonds, Series 2005, Limited Tax Bonds, Series 2006 and Maintenance Tax Notes, Series 2006.

Debt (Continued)

TABLE 12
BONDS PAYABLE AT FISCAL YEAR END 2015
(in millions)

	Balance August 31, 2014	Increase	Decrease	Balance August 31, 2015
General Obligations	\$ 64.1	\$ 33.2	\$ (41.0)	\$ 56.3
Revenue Bonds	16.1	-	(0.7)	15.4
Plus Premium on Bonds	0.6	7.0	(1.7)	5.9
Less Deferred Amounts on	-	1.3	(0.0)	0.9
Total Bonds Payable	<u>\$ 80.4</u>	<u>\$ 41.5</u>	<u>\$ (43.4)</u>	<u>\$ 78.5</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 2016, which is generally attributed as no increases in taxes with a slight adjustment to the tax rate. Collections are projected to remain fairly strong. Expenditures are expected to stay in line with the projected overall increase in revenues as the institution strives to meet instructional as well as campus improvement needs.

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

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, 2015 and 2014

	2015	2014
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 41,025,151	\$ 45,073,385
Accounts receivable (net)	4,883,051	9,810,434
Prepaid expenses	<u>741,963</u>	<u>760,451</u>
Total Current Assets	<u>46,650,165</u>	<u>55,644,270</u>
Noncurrent Assets		
Restricted cash and cash equivalents	36,406,904	22,242,265
Endowment investments	121,818	126,697
Capital assets (net)	<u>135,400,331</u>	<u>137,993,605</u>
Total Noncurrent Assets	<u>171,929,053</u>	<u>160,362,567</u>
Total Assets	<u>218,579,218</u>	<u>216,006,837</u>
Deferred Outflows of Resources		
Deferred refunding costs	<u>1,389,979</u>	<u>352,927</u>
Total Deferred Outflows of Resources	<u>1,389,979</u>	<u>352,927</u>
LIABILITIES		
Current Liabilities		
Accounts payable	559,535	3,148,359
Accrued liabilities	388,713	443,796
Accrued compensable absences	407,001	226,603
Funds held for others	-	8,303
Unearned revenue	7,269,643	6,204,360
Bonds payable - current portion	<u>4,075,000</u>	<u>4,390,000</u>
Total Current Liabilities	<u>12,699,892</u>	<u>14,421,421</u>
Noncurrent Liabilities		
Net pension liability	2,107,582	-
Bonds payable	<u>67,550,000</u>	<u>75,765,000</u>
Total Noncurrent Liabilities	<u>69,657,582</u>	<u>75,765,000</u>
Total Liabilities	<u>82,357,474</u>	<u>90,186,421</u>
Deferred Inflows of Resources		
Unamortized premiums on bonds	<u>6,008,138</u>	<u>633,501</u>
Total Deferred Inflows of Resources	<u>6,008,138</u>	<u>633,501</u>
NET POSITION		
Investment in capital assets, net of related debt	61,775,918	56,051,793
Restricted for		
Expendable		
Endowment	960,288	288,573
Capital projects	14,524,410	15,858,072
Debt service	5,414,996	9,869,662
Scholarships	2,595,739	2,420,333
Institutional scholarships	251,878	251,786
Grants	-	172,137
Unrestricted	<u>46,080,356</u>	<u>40,627,486</u>
Total Net Position (Schedule D)	<u>\$ 131,603,585</u>	<u>\$ 125,539,842</u>

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

TEXAS SOUTHMOST COLLEGE DISTRICT
Statement of Revenues, Expenses and Changes in Net Position
For The Year Ended August 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
OPERATING REVENUES		
Tuition and fees (net of discounts of \$841,401 & \$949,910, respectively)	\$ 12,050,358	\$ 11,611,878
Federal grants and contracts	374,544	232,385
State grants and contracts	1,420,925	1,664,776
Local grants and contracts	19,902,764	16,661,900
Auxiliary enterprises	887,839	1,000,418
General operating revenues	- 291,668	- 305,516
Total Operating Revenues (Schedule A)	- <u>34,928,098</u>	- <u>31,476,873</u>
OPERATING EXPENSES		
Instruction	6,073,177	3,588,434
Public service	278,393	162,099
Academic support	1,741,201	3,155,220
Student services	2,571,383	3,258,324
Institutional support	11,898,659	10,637,044
Operation and maintenance of plant	4,772,338	4,802,797
Scholarships and fellowships	16,784,115	14,215,285
Auxiliary enterprises	1,027,832	1,142,881
Depreciation	- 3,911,705	- 3,826,171
Total Operating Expenses (Schedule B)	- <u>49,058,803</u>	- <u>44,788,255</u>
Operating (Loss)	- (14,130,705)	- (13,311,382)
No 1-Operating Revenues (Expenses)		
State appropriations	6,846,957	6,954,881
Maintenance ad valorem taxes	11,323,301	11,284,079
Debt service ad valorem taxes	7,120,825	6,777,839
Investment income	75,556	138,139
Interest on capital related debt	(2,884,008)	(3,736,908)
Gain (Loss) on sale of capital assets	-	16,671,641
Allowance for uncollectible expense	(231,726)	(415,211)
Other non-operating revenues	742,363	280,664
Other non-operating expenses	- (410,921)	- (10,283)
Total Non-Operating Revenues (Schedule C)	- <u>22,582,347</u>	- <u>37,944,841</u>
Increase in Net Position	- <u>8,451,642</u>	- <u>24,633,459</u>
NET POSITION		
Net Position - Beginning of Year	125,539,842	100,906,383
Cumulative Effect of Change in Accounting Principle	- (2,387,899)	-
Net Position - End of Year	<u>\$ 131,603,585</u>	<u>\$ 125,539,842</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, 2015 and 2014

	-	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from students and other customers	\$	13,407,309	\$ 8,245,157
Receipts from grants and contracts		26,625,616	18,559,061
Payments to suppliers for goods or services		(37,185,079)	(29,831,272)
Payments to or on behalf of employees		(10,415,343)	(9,097,924)
Receipts from auxiliary services		<u>887,839</u>	<u>1,744,191</u>
Net cash provided (used) by operating activities		<u>(6,679,658)</u>	<u>(10,380,787)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Receipts from state appropriations		6,846,957	6,954,881
Receipts from ad valorem taxes		11,323,301	11,284,079
Other non-operating revenue		742,363	280,664
Other non-operating expenses		<u>(447,838)</u>	<u>(436,009)</u>
Net cash provided by non-capital financing activities		<u>18,464,783</u>	<u>18,083,615</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Receipts from ad valorem tax revenues		7,120,825	6,777,839
Acquisition of capital assets		(1,318,431)	(23,049,902)
Disposal of capital assets		-	34,404,328
Gain from sale of capital assets		-	16,671,641
Proceeds on issuance of capital debt		37,117,459	-
Payments on capital debt - principal		(41,785,000)	(10,185,000)
Payments on capital debt - interest and issuance costs		<u>(2,884,008)</u>	<u>(3,736,908)</u>
Net cash provided (used) by capital and related financing activities		<u>(1,749,155)</u>	<u>20,881,998</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	-	<u>80,435</u>	-
Net cash provided (used) by investing activities	-	<u>80,435</u>	<u>106,603</u>
Increase (decrease) in cash and cash equivalents		10,116,405	28,691,429
Cash and cash equivalents - September 1	-	<u>67,315,650</u>	-
Cash and cash equivalents - August 31	\$	<u>77,432,055</u>	\$ <u>67,315,650</u>
Cash and cash equivalents	\$	41,025,151	\$ 45,073,385
Restricted cash and cash equivalents	-	<u>36,406,904</u>	-
Total cash and cash equivalents	\$	<u>77,432,055</u>	\$ <u>67,315,650</u>

TEXAS SOUTHMOST COLLEGE DISTRICT
Statement of Cash Flows
For The Year Ended August 31, 2015 and 2014
(Continued)

	-	<u>2015</u>	<u>2014</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating (loss)	\$	(14,130,705)	\$ (13,311,382)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:			
Depreciation expense		3,911,705	3,826,171
Changes in assets and liabilities:			
Receivables (net)		4,927,383	(2,313,327)
Prepaid expenses		18,488	90,562
Accounts payable		(2,597,127)	612,173
Accrued liabilities		(55,083)	67,860
Compensated absences		180,398	119,412
Unearned revenue	-	<u>1,065,283</u>	- <u>527,744</u>
Net cash provided (used) by operating activities	\$	<u>(6,679,658)</u>	\$ <u>(10,380,787)</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, 2015 and 2014

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 year 2015, scholarships are transferred to University of Texas – Rio Grande Valley (UTRGV) to be awarded to students. Amounts transferred to UTRGV 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 – Rio Grande Valley to be awarded to students. Amounts transferred to UTRGV 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, 2015 and 2014

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	2015	2014
Due within one year	\$ 75,279	\$ 75,279
Due after one year	<u>239,791</u>	<u>239,791</u>
Subtotal:	315,070	315,070
Less allowance for uncollectible	<u>(283,563)</u>	<u>(283,563)</u>
Total pledges receivable	<u>\$ 31,507</u>	<u>\$ 31,507</u>

Inventories

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

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, 2015 and 2014

Unearned Revenues

Tuition and fees of \$7,269,643 and \$6,204,360 have been reported as unearned revenue at August 31, 2015 and 2014, 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.

Pensions

For the year ended August 31, 2015, the District implemented the provisions of GASB Statement No. 68, Accounting and Financial Reporting for Pensions, as amended by GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. The fiduciary net position of the Teacher Retirement System of Texas (TRS) has been determined on the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

TEXAS SOUTHMOST COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2015 and 2014

Prior Year Restatement

In the year of implementation of GASB 68, as amended by GASB 71, a restatement to beginning net position will be required for the recording of the beginning net pension liability and for the recording of deferred outflows of resources for contributions made after the measurement date of the beginning net pension liability and beginning of the reporting entity's fiscal year.

Beginning Net Position as of September 1, 2014, has been restated as follows for implementation of GASB statement No. 68, Accounting and Financial Reporting for Pensions, as amended by GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date.

Prior Year Restatement of Beginning Net Position

		08/31/2015
Beginning Net Position	\$	125,539,842
Prior period adjustment-implementation of GASB 68:		
Net pension liability (measurement date as of August 31, 2014)		(2,587,907)
Deferred outflows - district or college contributions made during FY2014		200,038
Accumulated overpayment contributions		(30)
Subtotal:		(2,387,899)
Beginning Net Position as restated	\$	123,151,943

Statement of Revenue, Expenses and Changes in Net Position

	2014	2015
Increase (decrease) in net position	\$ 24,633,459	\$ 8,451,642
NET POSITION		
Net Position - Beginning of Year	100,906,383	125,539,842
Cumulative Effect of Change in Accounting Principle (Note 2)	=	(2,387,899)
Net Position - Beginning of Year, as restated	=	123,151,943
Net Position - End of Year	\$ 125,539,842	\$ 131,603,585

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, 2015 and 2014

4. Deposits and Investments

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

Cash and Deposits		August 31,	
	2015	2014	
Bank Deposits			
Demand Deposits - Unrestricted	\$ 41,905,185	\$ 45,285,156	
Demand Deposits - Restricted	35,772,109	22,300,000	
Cash and Cash Equivalents			
Petty Cash on Hand	300	300	
Reconciling Items in Transit	<u>(222,475)</u>	<u>(269,806)</u>	
Total Cash and Deposits	\$ 77,455,119	\$ 67,315,650	

Reconciliation of Deposits and Investments

Type of Security	Market Value 8/31/2015	Market Value 8/31/2014
Total Cash and Deposits	\$ 77,432,055	\$ 67,315,650
Total Investments	- <u>121,818</u>	- <u>126,697</u>
Total Deposits and Investments	\$ 77,553,873	\$ 67,442,347
Cash and cash equivalents	\$ 41,025,151	\$ 45,073,385
Restricted cash and cash equivalents	36,406,904	22,242,265
Endowment investments	- <u>121,818</u>	- <u>126,697</u>
Total Deposits and Investments	\$ 77,553,873	\$ 67,442,347

As of August 31, 2015 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	121,818
Municipal Bonds	-
Total Fair Value	\$ 121,818

TEXAS SOUTHMOST COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2015 and 2014

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, 2015, 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, 2015 and 2014

5. Capital Assets

Capital asset activity for the year ended August 31, 2015 was as follows:

	Balance August 31, 2014	Increases	Decreases	Reclassifications	Balance August 31, 2015
<u>Not Depreciated:</u>					
Land	\$ 6,525,905	\$ -	\$ -	\$ -	\$ 6,525,905
Construction in Progress	- <u>164,328</u>	- <u>119,535</u>	-	- (164,328)	- <u>119,535</u>
Subtotal	<u>6,690,233</u>	<u>119,535</u>	-	(164,328)	<u>6,645,440</u>
<u>Buildings, Real Estate Improvements and Other Capital Assets</u>					
Buildings and Building Improvements	159,901,021	820,156	-	164,328	160,885,505
Other Real Estate Improvements	- <u>9,304,980</u>	- <u>40,783</u>	-	-	- <u>9,345,763</u>
Total Buildings and Other Real Estate Improvements	<u>169,206,001</u>	<u>860,939</u>	-	<u>164,328</u>	<u>170,231,268</u>
Library Books	8,422,239	-	-	-	8,422,239
Software and other intangibles	279,090	-	-	-	279,090
Furniture, machinery, and equipment	- <u>12,152,040</u>	- <u>337,957</u>	-	-	- <u>12,489,997</u>
Subtotal	- <u>20,853,369</u>	- <u>337,957</u>	-	-	- <u>21,191,326</u>
Total Buildings, Real Estate Improvements and Other Capital Assets	- <u>190,059,370</u>	- <u>1,198,896</u>	-	- <u>164,328</u>	- <u>191,422,594</u>
<u>Accumulated Depreciation:</u>					
Buildings and Building Improvements	(33,315,209)	(2,969,701)	-	-	(36,284,910)
Other Real Estate Improvements	- (6,879,508)	- (436,292)	-	-	- (7,315,800)
Total Buildings and Other Real Estate Improvements	<u>(40,194,717)</u>	<u>(3,405,993)</u>	-	-	<u>(43,600,710)</u>
Library Books	(8,422,241)	-	-	-	(8,422,241)
Software and other intangibles	(43,465)	(29,304)	-	-	(72,769)
Furniture, machinery and equipment	- (10,095,575)	- (476,408)	-	-	- (10,571,983)
Subtotal	- (18,561,281)	- (505,712)	-	-	- (19,066,993)
Total Accumulated Depreciation	<u>(58,755,998)</u>	<u>(3,911,705)</u>	-	-	<u>(62,667,703)</u>
Net Capital Assets	<u>\$137,993,605</u>	<u>\$ (2,593,274)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$135,400,331</u>

TEXAS SOUTHMOST COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2015 and 2014

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

	Balance August 31, 2013	Increases	Decreases	Reclassifications	Balance August 31, 2014
Not Depreciated:					
Land	\$ 5,758,763	\$225,000.00	\$ (1,550,656)	\$ 2,092,798	\$ 6,525,905
Construction in Progress	-	<u>164,328</u>	-	-	<u>164,328</u>
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>
Buildings, Real Estate Improvements and Other Capital Assets					
Buildings and Building Improvements	176,318,061	21,200,506	(35,524,748)	(2,092,798)	159,901,021
Other Real Estate Improvements	<u>9,738,045</u>	<u>345,718</u>	<u>(778,783.00)</u>	-	<u>9,304,980</u>
Total Buildings and Other Real Estate Improvements	<u>186,056,106</u>	<u>21,546,224</u>	<u>(36,303,531)</u>	<u>(2,092,798)</u>	<u>169,206,001</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>12,152,040</u>
Subtotal	<u>19,739,019</u>	<u>1,114,350</u>	-	-	<u>20,853,369</u>
Total Buildings, Real Estate Improvements and Other Capital Assets	<u>205,795,125</u>	<u>22,660,574</u>	<u>(36,303,531)</u>	<u>(2,092,798)</u>	<u>190,059,370</u>
Accumulated Depreciation:					
Buildings and Building Improvements	(33,622,008)	(2,853,842)	3,160,641.00	-	(33,315,209)
Other Real Estate Improvements	<u>(6,683,266)</u>	<u>(485,460)</u>	<u>289,218.00</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>(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>(10,095,575)</u>
Subtotal	<u>(18,074,412)</u>	<u>(486,869)</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>(58,755,998)</u>
Net Capital Assets	<u>\$ 153,174,202</u>	<u>\$19,223,731</u>	<u>\$(34,404,328)</u>	<u>\$ -</u>	<u>\$137,993,605</u>

TEXAS SOUTHMOST COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2015 and 2014

6. Long – Term Liabilities

	Balance August 31, 2014	Increases	Decreases	Balance August 31, 2015	Current Portion
<u>Bonds</u>					
General obligation bonds	\$ 64,085,000	\$ 33,255,000	\$ 41,090,000	\$ 56,250,000	\$ 3,345,000
Revenue bonds	<u>16,070,000</u>	<u>-</u>	<u>695,000</u>	<u>15,375,000</u>	<u>730,000</u>
	<u>80,155,000</u>	<u>33,255,000</u>	<u>41,785,000</u>	<u>71,625,000</u>	<u>4,075,000</u>
Net pension liability	-	<u>2,107,582</u>	-	<u>2,107,582</u>	-
Total long term liabilities	<u>\$ 80,155,000</u>	<u>\$ 35,362,582</u>	<u>\$ 41,785,000</u>	<u>\$ 73,732,582</u>	<u>\$ 4,075,000</u>

	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	<u>22,890,000</u>	<u>-</u>	<u>6,820,000</u>	<u>16,070,000</u>	<u>695,000</u>
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>

7. Debt Obligations

Debt service requirements (in thousands) at August 31, 2015 were as follows:

For the year Ended August 31,	Revenue Bonds			General Obligation Bonds			Total Bonds		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2016	\$ 730,000	\$ 706,050	\$ 1,436,050	\$ 3,345,000	\$ 2,559,370	\$ 5,904,370	\$ 4,075,000	\$ 3,265,420	\$ 7,340,420
2017	755,000	676,287	1,431,287	3,475,000	2,423,346	5,898,346	4,230,000	3,099,633	7,329,633
2018	785,000	644,085	1,429,085	3,630,000	2,276,766	5,906,766	4,415,000	2,920,851	7,335,851
2019	820,000	610,482	1,430,482	3,805,000	2,100,062	5,905,062	4,625,000	2,710,544	7,335,544
2020	850,000	575,320	1,425,320	3,985,000	1,916,005	5,901,005	4,835,000	2,491,325	7,326,325
2021-2025	4,880,000	2,275,491	7,155,491	23,055,000	6,461,734	29,516,734	27,935,000	8,737,225	36,672,225
2026-2030	6,125,000	1,027,326	7,152,326	11,640,000	1,816,144	13,456,144	17,765,000	2,843,470	20,608,470
2031-2034	<u>430,000</u>	<u>19,995</u>	<u>449,995</u>	<u>3,315,000</u>	<u>204,641</u>	<u>3,519,641</u>	<u>3,745,000</u>	<u>224,636</u>	<u>3,969,636</u>
	<u>\$ 15,375,000</u>	<u>\$ 6,535,036</u>	<u>\$ 21,910,036</u>	<u>\$ 56,250,000</u>	<u>\$ 19,758,068</u>	<u>\$ 76,008,068</u>	<u>\$ 71,625,000</u>	<u>\$ 26,293,104</u>	<u>\$ 97,918,104</u>

TEXAS SOUTHMOST COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2015 and 2014

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	
		2015	2014
Student Union Building Fees			
Revenue Refunding Bonds	2005	\$ 5,750,000	\$ 5,750,000
Limited Tax Bonds, Series 2005	2014	1,381,000	-
Limited Tax Bonds, Series 2006	2014	21,695,000	-
Maintenance Tax Notes, Series 2006	2014	3,480,000	-

9. Bonds Payable

General information related to bonds payable is summarized below:

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 \$505,000 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>	Principal	Interest	Total
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	590,000	388,581	978,581
2021-2025	3,380,000	1,528,213	4,908,213
2026-2030	- 4,245,000	- 657,500	- 4,902,500
	<u>\$ 10,360,000</u>	<u>\$ 4,359,831</u>	<u>\$ 14,719,831</u>

TEXAS SOUTHMOST COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2015 and 2014

Combined Fee Revenue Refunding and Improvement Bonds, Series 2006

- To be used to refund \$4,775,000 of Revenue Bonds, Series 2002; 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 \$225,000 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>
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	260,000	186,739	446,739
2021-2025	1,500,000	747,278	2,247,278
2026-2030	1,880,000	369,826	2,249,826
2031	- 430,000	- 19,995	- 449,995
	<u>\$ 5,015,000</u>	<u>\$ 2,175,205</u>	<u>\$ 7,190,205</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 \$90,000 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>
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	105,000	43,675	148,675
2021-2025	600,000	140,038	740,038
2026-2027	- 285,000	- 13,657	- 298,657
	<u>\$ 1,365,000</u>	<u>\$ 414,229</u>	<u>\$ 1,779,229</u>

TEXAS SOUTHMOST COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2015 and 2014

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>
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	175,000	399,444	574,444
2021-2025	1,530,000	1,831,222	3,361,222
2026-2030	4,295,000	1,166,238	5,461,238
2031-2032	- 2,260,000	- 114,500	- 2,374,500
	<u>\$ 10,405,000</u>	<u>\$ 5,279,285</u>	<u>\$ 15,684,285</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 \$225,000 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>
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	265,000	114,313	379,313
2021-2025	1,490,000	394,858	1,884,858
2026-2028	- 1,070,000	- 71,538	- 1,141,538
	<u>\$ 3,775,000</u>	<u>\$ 1,136,761</u>	<u>\$ 4,911,761</u>

TEXAS SOUTHMOST COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2015 and 2014

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>
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	45,000	139,623	184,623
2021-2025	1,270,000	619,229	1,889,229
2026-2030	1,320,000	215,747	1,535,747
2031-2033	- <u>565,000</u>	- <u>39,891</u>	- <u>604,891</u>
	<u>\$ 3,530,000</u>	<u>\$ 1,595,511</u>	<u>\$ 5,125,511</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 \$150,000 to \$245,000 with interest at 3.0% to 4.625% and the final installment due February 2029.

<u>For the year ended August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	175,000	76,925	251,925
2021-2025	930,000	262,790	1,192,790
2026-2029	- <u>705,000</u>	- <u>82,023</u>	- <u>787,023</u>
	<u>\$ 2,445,000</u>	<u>\$ 793,394</u>	<u>\$ 3,238,394</u>

TEXAS SOUTHMOST COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2015 and 2014

Limited Tax Bond, Series 2009

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

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

<u>For the year ended August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	75,000	59,600	134,600
2021-2025	335,000	248,097	583,097
2026-2030	405,000	181,591	586,591
2031-2034	- 490,000	- 50,250	- 540,250
	<u>\$ 2,135,000</u>	<u>\$ 821,738</u>	<u>\$ 2,956,738</u>

Limited Tax Refunding Bond Series 2014A

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

Bonds payable are due in annual installments varying from \$1,460,000 to \$3,195,000 with interest at 2% to 5% and the final installment due February 2026.

<u>For the year ended August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 1,730,000	\$ 1,411,250	\$ 3,141,250
2017	1,460,000	1,347,450	2,807,450
2018	2,485,000	1,256,125	3,741,125
2019	2,560,000	1,130,000	3,690,000
2020	2,825,000	995,375	3,820,375
2021-2025	15,300,000	2,725,500	18,025,500
2026	- 3,195,000	- 79,875	- 3,274,875
	<u>\$ 29,555,000</u>	<u>\$ 8,945,575</u>	<u>\$ 38,500,575</u>

TEXAS SOUTHMOST COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2015 and 2014

Maintenance Tax Refunding Bonds, Series 2014B

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

Bonds payable are due in annual installments varying from \$100,000 to \$365,000 with interest at 2% to 5% and the final installment due February 2026.

<u>For the year ended August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 100,000	\$ 117,050	\$ 217,050
2017	135,000	114,025	249,025
2018	225,000	108,625	333,625
2019	295,000	99,350	394,350
2020	320,000	87,050	407,050
2021-2025	1,600,000	240,000	1,840,000
2026	- 365,000	- 5,475	- 370,475
	<u>\$ 3,040,000</u>	<u>\$ 771,575</u>	<u>\$ 3,811,575</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'

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unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. State law provides for a member contribution rate of 6.7 for fiscal year 2015, 6.4% for fiscal years 2014 and 6.4% for fiscal year 2013, and a state contribution rate of 6.8 % for fiscal year 2015, 6.8% for fiscal year 2014, and 6.4% for fiscal year 2013. 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 2015, 6.8% for fiscal year 2014, and 6.4% for fiscal year 2013.

See Note 27 *Defined Benefit Pension Plan* for additional TRS plan information.

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 2015, 6.60% in fiscal year 2014 and 6.00% in fiscal years 2013. Participant contribution rate for fiscal years 2015, 2014, and 2013 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 \$399,738, \$523,350, and \$92,708 for the fiscal years ended August 31, 2015, 2014, and 2013, 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 \$10,109,353, \$9,267,155, and \$1,563,053 for fiscal years 2015, 2014, and 2013, respectively. The total payroll of employees covered by the Teacher Retirement System was \$6,341,300, \$5,267,743, and \$1,012,638 for the fiscal years 2015, 2014, and 2013, respectively, and the total payroll of employees covered by the Optional Retirement Program was \$2,796,265, \$2,502,178, and \$464,984 for fiscal years 2015, 2014, and 2013, 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, 2015, the District did not have any employees participating in a deferred compensation program.

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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 \$407,001 and \$226,603 for August 31, 2015 and 2014. Sick leave, which is accumulated, is 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, 2015 and 2014 was as follows:

	Balance August 31, 2014	Increases	Decreases	Balance August 31, 2015
Compensable absences	\$226,603	\$370,370	\$(189,972)	\$ 407,001
	Balance August 31, 2013	Increases	Decreases	Balance August 31, 2014
Compensable absences	\$107,191	\$207,927	\$ (88,515)	\$ 226,603

13. Pending Lawsuits and Claims

On August 31, 2015, 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:

	2015	2014
Taxes receivable	\$ 2,348,452	\$ 2,521,170
Federal receivable	109,053	103,871
Student receivable	601,632	5,014,100
Accounts receivable	346,828	191,193
Donations receivable	315,070	315,070
Accrued interest receivable	9,229	10,850
Other receivable - due from Cameron County	238,257	104,915
Other receivable - due from UTB	- 1,888,674	- 2,034,190
Subtotal	5,857,195	10,295,359
Allowance for doubtful accounts	- (974,144)	- (484,925)
Total Receivables	\$ 4,883,051	\$ 9,810,434

Payables

Payables at August 31, were as follows:

	2015	2014
Vendors payable	\$ 390,082	\$ 1,464,113
Other payables - due to UTB	- 169,453	- 1,684,245
Total Payables	\$ 559,535	\$ 3,148,358

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 2015 and 2014, 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.

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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, 2015 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>2015</u>	<u>2014</u>
Assessed valuation of the District	\$ 12,493,414,367	\$ 12,354,271,633
Less:		
Exemptions	- 1,103,674,367	- 1,034,897,476
Net assessed valuation of the District	<u>\$ 11,389,740,000</u>	<u>\$ 11,319,374,157</u>

	<u>2015</u>		
	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>
Authorized tax rate per \$100 valuation	\$ 0.350000	\$ 0.500000	\$ 0.850000
Assessed tax rate per \$100 valuation	<u>\$ 0.100972</u>	<u>\$ 0.063122</u>	<u>\$ 0.164094</u>

	<u>2014</u>		
	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>
Authorized tax rate per \$100 valuation	\$ 0.350000	\$ 0.500000	\$ 0.850000
Assessed tax rate per \$100 valuation	<u>\$ 0.101596</u>	<u>\$ 0.061339</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.

Taxes levied for the years ended August 31, 2015 and 2014 amounted to \$18,373,386 and \$18,122,935, respectively including any penalty and interest assessed. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed.

TEXAS SOUTHMOST COLLEGE DISTRICT
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<u>Taxes Collected</u>	2015		
	Current Operations	Debt Service	Total
Current taxes collected	\$10,698,292	\$ 6,791,853	\$17,490,144
Delinquent taxes collected	595,228	341,574	936,801
Penalties and interest collected	371,286	200,353	571,639
Less discounts and commissions	- (341,504)	- (212,954)	- (554,458)
Total Collections	\$11,323,301	\$ 7,120,825	\$18,444,126
<u>Taxes Collected</u>	2014		
	Current Operations	Debt Service	Total
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	- (280,668)	- (167,432)	- (448,100)
Total Collections	\$ 11,284,079	\$ 6,779,839	\$18,063,918

Tax collections for the years ended August 31, 2015 and 2014 were 94.87% and 94.89%, 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, 2015, and 2014.

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.

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21. Restricted Assets

As of August 31, 2015 and 2014, the balances of the restricted assets are as follows:

	<u>2015</u>	<u>2014</u>
Endowment	\$ 835,435	\$ 160,543
Scholarships	2,141,482	2,226,022
Federal awards	18,801,518	6,396,895
Restricted contributions - arts center	791,663	790,832
Restricted - parking	1,031,972	1,030,888
Restricted - insurance	1,135,579	1,134,386
General obligation - debt service	3,131,529	2,373,481
Revenue bond - debt service	5,180,316	5,326,312
Revenue bond - construction account	<u>3,357,411</u>	<u>2,802,906</u>
	<u>\$ 36,406,904</u>	<u>\$ 22,242,265</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 – Rio Grande Valley in accordance with the partnership agreement between the two schools. UTRGV 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 UTRGV 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 UTRGV 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 UTRGV during the years ended August 31, 2015 and 2014, respectively. The District furnished certain services, such as office space, utilities and some staff assistance, at no cost to the Foundation.

24. Excess Interest and Rebtable Arbitrage

The Tax Reform Act of 1986 established arbitrage regulations that generally limit the rate or return on investment earnings of unexpended tax-exempt debt proceeds. With certain adjustments, the investment yield is limited to the interest rate on the debt itself. Federal tax code requirements now compel state and local governments to rebate defined arbitrage earnings of tax-exempt debt to the federal government every five years for as long as the bonds are outstanding. As of the audit report date, the District had received a preliminary calculation of the arbitrage amount of \$10,795 and \$12,131, which are reported as part of accrued expenses on these financial statements for the fiscal years ended 2015 and 2014, respectively.

TEXAS SOUTHMOST COLLEGE DISTRICT
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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.

27. Defined Benefit Pension Plan

Plan Description

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

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

Pension Plan Fiduciary Net Position

Detailed information about the Teacher Retirement System’s fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

TEXAS SOUTHMOST COLLEGE DISTRICT
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Benefits Provided

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

Contributions

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

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2015 and 2014.

	<u>Contribution Rates</u>	
	2015	<u>2014</u>
Member	6.7%	6.4%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
FY 2014 District or College Contributions	\$	200,038
FY 2014 State of Texas On-behalf Contributions	\$	164,160

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

Employers (public school, junior college, other entities or the State of Texas as the employer for senior universities and medical schools) are required to pay the employer contribution rate in the following instances:

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

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

Actuarial Assumptions

The total pension liability in the August 31, 2015 actual valuation was determined using the following assumptions:

Valuation Date:	August 31, 2015
<u>Actuarial cost Method:</u>	<u>Individual Entry Age Normal</u>
Amortization Method:	Level Percentage of Payroll, Open
Remaining Amortization Period:	30 years
Asset Valuation Method:	5 years Market Value
Discount Rate:	8.00%
Long-term expected Investment Rate of Return*:	8.00%
Salary Increases*:	4.25% to 7.25%
Weight-Average at Valuation Date:	5.55%
Payroll Growth Rate:	3.50%

* Includes Inflation of 3%

The actuarial methods and assumptions are primarily based on a study of actual experience for the four year period ending August 31, 2010 and adopted on April 8, 2011. With the exception of the post-retirement mortality rates for healthy lives and a minor change to the expected retirement age for inactive vested members stemming from the actuarial audit performed in the Summer of 2014, the assumptions and methods are the same as used in the prior valuation. When the mortality assumptions were adopted in 2011 they contained a significant margin for possible future mortality improvement. As of the date of the valuation there has been a significant erosion of this margin to the point that the margin has been eliminated. Therefore, the post-retirement mortality rates for current and future retirees was decreased to add additional margin for future improvement in mortality in accordance with the Actuarial Standards of Practice No. 35.

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Discount Rate

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

These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2014, as amended October 1, 2014, are summarized below:

Asset Class	Target Allocation	Real Return Geometric Basis	Long-Term Expected Portfolio Real Rate of Return
Global Equity			
U.S.	18.0%	7.0%	1.4%
Non-U.S. Developed	13.0%	7.3%	1.1%
Emerging Markets	9.0%	8.1%	0.9%
Directional Hedge Funds	4.0%	5.4%	0.2%
Private Equity	13.0%	9.2%	1.4%
State Value			
U.S. Treasuries	11.0%	2.9%	0.3%
Absolute Return	0.0%	4.0%	0.0%
Stable Value Hedge Funds	4.0%	5.2%	0.2%
Cash	1.0%	2.0%	0.0%
Real Return			
Global Inflation Linked Bonds	3.0%	3.1%	0.0%
Real Assets	16.0%	7.3%	1.5%
Energy and Natural Resources	3.0%	8.8%	0.3%
Commodities	0.0%	3.4%	0.0%
Risk Parity			
Risk Parity	5.0%	8.9%	0.4%
Alpha	-		1.0%
Total	<u>100.0%</u>		<u>8.7%</u>

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Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the 2014 Net Pension Liability.

	1% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
Entity's proportionate share of the net pension liability:	<u>\$3,766,122</u>	<u>\$2,107,582</u>	<u>\$867,304</u>

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

At August 31, 2015, the employer reported a liability of \$2,107,582 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the employer. The amount recognized by the employer as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the employer were as follows:

Employer's Proportionate share of the collective net pension liability	\$2,107,582
State's proportionate share that is associated with employer	<u>1,733,259</u>
Total	<u><u>\$3,840,841</u></u>

The net pension liability was measured as of August 31, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2013 thru August 31, 2014.

There were no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period.

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

There was a change in employer contribution requirements that occurred after the measurement date of the net pension liability and the employer's reporting date. A 1.5% contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees went into law effective 09/01/2014. The amount of the expected resultant change in the employer's proportion cannot be determined at this time.

For the year ended August 31, 2015, the employer recognized pension expense of \$160,237 and revenue of \$160,237 for support provided by the State.

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At August 31, 2015, the employer reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experiences	\$ 32,594	\$ -
Changes in actuarial assumptions	136,995	-
Difference between projected and actual investment earnings	-	644,163
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions		552
Contributions paid to TRS subsequent to the measurement date	-	-
Total	<u>\$ 169,589</u>	<u>\$ 644,715</u>

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

Year ended August 31:	Pension Expense Amount
2016	\$ (132,524)
2017	(132,524)
2018	(132,524)
2019	(132,524)
2020	28,517
Thereafter	26,543

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**REQUIRED
SUPPLEMENTARY INFORMATION**

TEXAS SOUTHMOST COLLEGE DISTRICT

**Schedule of Texas Southmost College's Share of Net Pension Liability
For the Year Ended August 31, 2015**

Fiscal year ending August 31 *	<u>2015**</u>
Total TRS' pension liability	\$ 159,496,075,886
TRS' net position	(132,779,243,085)
TRS' net pension liability	<u>\$ 26,716,832,801</u>
 TRS net position as percentage of total pension liability	 83.25%
 Texas Southmost College proportionate share of collective net pension liability (%)	 0.0078902%
 Texas Southmost College proportionate share of collective net pension liability (\$)	 \$ 2,107,582
Portion of NECE's total proportionate share of NPL associated with Texas Southmost College	<u>1,733,259</u>
Total	<u>\$ 3,840,841</u>
 Texas Southmost College covered payroll amount	 \$ 6,341,300
Ratio of: ER proportionate share of collective NPL / ER's covered payroll amount	33.24%

* The amounts presented above are as of the measurement date of the collective net pension liability.

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

TEXAS SOUTHMOST COLLEGE DISTRICT

**Schedule of Texas Southmost College's Contributions
For the Year Ended August 31, 2015**

Fiscal year ending August 31, *	2015**
Legally required contributions	\$ 232,578
Actual contributions	(232,578)
Contributions deficiency (excess)	-
 Texas Southmost College covered employee payroll amount	 \$ 6,341,300
Ratio of: Actual contributions / ER covered payroll amount	3.6677%

* The amounts presented above are as of the Texas Southmost College most recent fiscal year-end.

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

TEXAS SOUTHMOST COLLEGE DISTRICT

**Notes to Required Supplementary Information
For the Year Ended August 31, 2015**

Change of Benefit Terms include:

A 2.0% COLA, effective September 1, 2015.

Change of Assumptions:

There were no changes of assumptions for the year ended August 31, 2015.

SUPPLEMENTARY SECTION

TEXAS SOUTHMOST COLLEGE DISTRICT
Schedule of Operating Revenues
For the Year Ended August 31, 2015
 (With Memorandum Totals For The Year Ended August 31, 2014)

	Unrestricted	Restricted	Total Educational Activities	Auxiliary Enterprises	2015 Total	2014 Total
Tuition:						
State funded credit courses:						
In-district resident tuition	\$ 3,071,276	\$ -	\$ 3,071,276	\$ -	\$ 3,071,276	\$ 3,016,510
Out-of-district resident tuition	541,784	-	541,784	-	541,784	579,897
Non-resident tuition	122,240	-	122,240	-	122,240	122,515
TPEG - credit (set aside)*	212,093	-	212,093	-	212,093	237,339
State funded continuing education						
TPEG - non-credit (set aside)*	-	-	-	-	-	-
Non-state funded educational programs	-	-	-	-	-	-
Total Tuition	<u>3,947,393</u>	<u>-</u>	<u>3,947,393</u>	<u>-</u>	<u>3,947,393</u>	<u>3,956,261</u>
Fees:						
Distance learning fee	-	-	-	-	-	-
Installment plan fees	-	-	-	-	-	-
Non-instructional contract training fees	5,449,642	1,959,961	7,409,603	1,771,277	9,180,880	8,605,527
Prior year tuition and fees	-	-	-	-	-	-
Total Fees	<u>5,449,642</u>	<u>1,959,961</u>	<u>7,409,603</u>	<u>1,771,277</u>	<u>9,180,880</u>	<u>8,605,527</u>
Scholarship Allowances and Discounts:						
Remissions and exemptions - state	-	-	-	-	-	-
Remissions and exemptions - local	(841,401)	-	(841,401)	-	(841,401)	(881,794)
Reduced tuition pilot	-	-	-	-	-	-
Other federal grants	-	-	-	-	-	-
TPEG awards	(236,514)	-	(236,514)	-	(236,514)	(68,116)
UTB Commitments	-	-	-	-	-	-
Other state grants	-	-	-	-	-	-
Rising star program	-	-	-	-	-	-
Other local grants	-	-	-	-	-	-
Total Scholarship Allowances	<u>(1,077,915)</u>	<u>-</u>	<u>(1,077,915)</u>	<u>-</u>	<u>(1,077,915)</u>	<u>(949,910)</u>
Total Net Tuition and Fees	<u>8,319,120</u>	<u>1,959,961</u>	<u>10,279,081</u>	<u>1,771,277</u>	<u>12,050,358</u>	<u>11,611,878</u>
Additional Operating Revenues:						
Federal grants and contracts	-	374,544	374,544	-	374,544	232,385
State grants and contracts	-	1,420,925	1,420,925	-	1,420,925	1,664,776
Local grants and contracts	-	19,902,764	19,902,764	-	19,902,764	16,661,900
Non-governmental grants and contracts	-	-	-	-	-	-
Sales and services of educational activities	-	-	-	-	-	-
General operating revenues	291,668	-	291,668	-	291,668	305,516
Total Additional Operating Revenues	<u>291,668</u>	<u>21,698,233</u>	<u>21,989,901</u>	<u>-</u>	<u>21,989,901</u>	<u>18,864,577</u>
Auxiliary Enterprises:						
Bookstore	-	-	-	-	-	-
Less discounts	-	-	-	-	-	-
Food service	-	-	-	-	-	-
Center for educational telecommunications	-	-	-	-	-	-
Business incubation center	-	-	-	-	-	-
Student programs	-	-	-	887,839	887,839	1,000,418
Net Bookstore	-	-	-	887,839	887,839	1,000,418
Facilities rentals	-	-	-	-	-	-
Total Net Auxiliary Enterprises	<u>-</u>	<u>-</u>	<u>-</u>	<u>887,839</u>	<u>887,839</u>	<u>1,000,418</u>
Total Operating Revenues	<u>\$ 8,610,788</u>	<u>\$ 23,658,194</u>	<u>\$ 32,268,982</u>	<u>\$ 2,659,116</u>	<u>\$ 34,928,098</u>	<u>\$ 31,476,873</u>
					(Exhibit 2)	(Exhibit 2)

* In accordance with Education Code 56.003, \$212,093 and \$237,339 of tuition was set aside for Texas Public Education Grants (TPEG) for the years ended August 31, 2015 and 2014, respectively

TEXAS SOUTHMOST COLLEGE DISTRICT
Schedule of Operating Expenses by Object
For the Year Ended August 31, 2015
 (With Memorandum Totals For The Year Ended August 31, 2014)

	Operating Expenses				2015 <u>Total</u>	2014 <u>Total</u>
	<u>Salaries and Wages</u>	<u>State Benefits</u>	<u>Local Benefits</u>	<u>Other Expenses</u>		
Unrestricted - Educational Activities						
Instruction	\$ 4,776,852	\$ -	\$ 777,411	\$ 518,914	\$ 6,073,177	\$ 3,588,434
Public service	188,505	-	23,723	66,165	278,393	162,099
Academic support	1,372,360	-	156,068	212,773	1,741,201	3,155,220
Student services	1,799,415	-	235,198	536,770	2,571,383	3,258,324
Institutional support	1,290,005	-	393,403	10,215,251	11,898,659	10,637,044
Operation and maintenance of plant	682,216	-	101,705	3,988,417	4,772,338	4,802,797
Scholarships and fellowships	-	-	-	16,784,115	16,784,115	14,215,285
Contract services - UTB	-	-	-	-	-	-
Total Unrestricted Educational Activities	<u>10,109,353</u>	<u>-</u>	<u>1,687,508</u>	<u>32,322,405</u>	<u>44,119,266</u>	<u>39,819,203</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	10,109,353	-	1,687,508	32,322,405	44,119,266	39,819,203
Auxiliary Enterprises	431,305	-	70,304	526,223	1,027,832	1,142,881
Depreciation Expense						
Buildings and other real estate improvements	-	-	-	3,405,993	3,405,993	3,339,302
Equipment and furniture	-	-	-	<u>505,712</u>	<u>505,712</u>	<u>486,869</u>
Total Operating Expenses	<u>\$ 10,540,658</u>	<u>\$ -</u>	<u>\$1,757,812</u>	<u>\$36,760,333</u>	<u>\$ 49,058,803</u>	<u>\$ 44,788,255</u>
					(Exhibit 2)	(Exhibit 2)

TEXAS SOUTHMOST COLLEGE DISTRICT
Schedule of Non-Operating Revenues and Expenses
For the Year Ended August 31, 2015
(With Memorandum Totals For The Year Ended August 31, 2014)

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Auxiliary Enterprises</u>	<u>2015 Total</u>	<u>2014 Total</u>
Non-Operating Revenues					
State Appropriations:					
Education and general state support	\$ 6,846,957	-	\$ -	\$ 6,846,957	\$ 6,954,881
	\$				
State group insurance	-	-	-	-	-
State retirement matching	-	-	-	-	-
Professional nursing shortage reduction	-	-	-	-	-
Total State allocations	<u>6,846,957</u>	<u>-</u>	<u>-</u>	<u>6,846,957</u>	<u>6,954,881</u>
Ad valorem taxes:					
Maintenance ad valorem taxes	11,323,301	-	-	11,323,301	11,284,079
Debt service ad valorem taxes	7,120,825	-	-	7,120,825	6,777,839
Gifts	-	-	-	-	-
Investment income	39,388	36,168	-	75,556	138,139
Gain (Loss) on sale of investments	-	-	-	-	-
Title IV federal grants	-	-	-	-	-
Other non-operating revenue	<u>742,363</u>	<u>-</u>	<u>-</u>	<u>742,363</u>	<u>280,664</u>
Total Non-Operating Revenues	<u>19,225,877</u>	<u>36,168</u>	<u>-</u>	<u>26,109,002</u>	<u>25,435,602</u>
Non-Operating Expenses					
Interest on capital related debt	2,884,008	-	-	2,884,008	3,736,908
(Gain) Loss on sale of capital assets	-	-	-	-	(16,671,641)
Allowance for uncollectible expense	231,726	-	-	231,726	415,211
Other non-operating expenses	<u>410,921</u>	<u>-</u>	<u>-</u>	<u>410,921</u>	<u>10,283</u>
Total Non-Operating Expenses	<u>3,526,655</u>	<u>-</u>	<u>-</u>	<u>3,526,655</u>	<u>(12,509,239)</u>
Net Non-Operating Revenues	\$ 22,546,179	<u>\$ 36,168</u>	<u>\$ -</u>	<u>\$ 22,582,347</u> (Exhibit 2)	\$ 37,944,841 (Exhibit 2)

SCHEDULE D

TEXAS SOUTHMOST COLLEGE DISTRICT
Schedule of Net Position by Source and Availability
For the Year Ended August 31, 2015

(With Memorandum Totals for the Year Ended August 31, 2014)

	Detail by Source				Current Year Total
	Unrestricted	Restricted Expendable	Restricted Non-Expendable	Capital Assets Net of Depreciation and Related Debt	
Current:					
Unrestricted	\$ 43,796,668	\$ -	\$ -	\$ -	\$ 43,796,668
Restricted					
Scholarships	-	2,595,739	-	-	2,595,739
Institutional scholarships	251,878	-	-	-	251,878
Grants	-	-	-	-	-
Auxiliary enterprises	2,246,734	-	-	-	2,246,734
Loan	36,954	-	-	-	36,954
Endowment:					
Quasi:					
Restricted	-	960,288	-	-	960,288
Plant:					
Unexpended	-	13,042,559	-	-	13,042,559
Renewals	-	1,481,851	-	-	1,481,851
Debt Service	-	5,414,996	-	-	5,414,996
Investment in Plant	-	=	-	=	<u>61,775,918</u>
Total Net Position, August 31, 2015	46,332,234	23,495,433	-	61,775,918	131,603,585
					(Exhibit 1)
Total Net Position, August 31, 2014	<u>40,879,272</u>	<u>28,608,777</u>	-	<u>56,051,793</u>	<u>125,539,842</u>
					(Exhibit 1)
Adjustment to net position	(1,946,165)	(441,734)	-	=	(2,387,899)
					(Exhibit 2)
Net Increase (Decrease) in Net Position	<u>\$ 7,399,127</u>	<u>\$ (4,671,610)</u>	<u>\$ -</u>	<u>\$ 5,724,125</u>	<u>\$ 8,451,642</u>
					(Exhibit 2)

(Continued on page 69.)

Schedule of Net Position by Source and Availability
For the Year Ended August 31, 2015 - CONTINUED
(With Memorandum Totals for the Year Ended August 31, 2014)

	Available for Current Operations		Prior Year <u>Total</u>	Available for Current Operations	
	<u>Yes</u>	<u>No</u>		<u>Yes</u>	<u>No</u>
Current:					
Unrestricted	\$ 43,796,668	\$ -	\$ 39,099,891	\$ 39,099,891	\$ -
Board designated	-	-	-	-	-
Restricted					
Scholarships	-	2,595,739	2,420,333	-	2,420,333
Institutional scholarships	-	251,878	251,786	-	251,786
Grants	-	-	172,137	-	172,137
Auxiliary enterprises	2,246,734	-	1,490,679	1,490,679	-
Loan	36,954	-	36,916	36,916	-
Endowment:					
Quasi:					
Unrestricted	-	-	-	-	-
Restricted	-	960,288	288,573	-	288,573
Endowment:					
True	-	-	-	-	-
Term (per instructions at maturity)	-	-	-	-	-
Life income contracts	-	-	-	-	-
Annuities	-	-	-	-	-
Plant:					
Unexpended	-	13,042,559	14,377,301	-	14,377,301
Renewals	-	1,481,851	1,480,771	-	1,480,771
Debt Service	-	5,414,996	9,869,662	-	9,869,662
Investment in Plant	-	<u>61,775,918</u>	<u>56,051,793</u>	-	<u>56,051,793</u>
Total Net Position, August 31, 2015	46,080,356	85,523,229	125,539,842	40,627,486	84,912,356
			(Exhibit 1)		
Total Net Position, August 31, 2014	<u>40,627,486</u>	<u>84,912,356</u>	<u>125,539,842</u>	<u>40,627,486</u>	<u>84,912,356</u>
			(Exhibit 2)		
Adjustment to net position	-	-	-	-	-
			(Exhibit 2)		
Net Increase (Decrease) in Net Position	<u>\$ 5,452,870</u>	<u>\$ 610,873</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
			(Exhibit 2)		

(Continued from page 68.)

STATISTICAL SECTION

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

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

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

Texas Southmost College District
 Statistical Supplement 1
 Net Position by Component
 Fiscal Years 2006 to 2015
 (unaudited)

	For the Fiscal Year Ended August 31,									
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Invested in capital assets, net of related debt	\$61,775,918	\$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
Restricted - expendable	23,495,433	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
Unrestricted	46,332,234	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
Total primary government net position \$	131,603,585	\$ 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

Texas Southmost College District
Statistical Supplement 2
Revenues by Source
Fiscal Years 2006 to 2015
(unaudited)

	For the Year Ended August 31,									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Tuition and Fees (Net of Discounts)	\$12,050,358	\$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
Governmental Grants and Contracts										
Federal Grants and Contracts	374,544	232,385	456,394	1,248,768	1,438,868	875,766	1,970,939	787,249	774,059	916,007
State Grants and Contracts	1,420,925	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
Local Grants and Contracts	19,902,764	16,661,900	598,780	552,828	523,780	442,644	439,772	363,885	305,541	391,678
Non-Governmental Grants and Contracts	0	0	0	0	0	0	0	0	0	0
Auxiliary enterprises	887,839	1,000,418	515,622	530,769	633,527	492,167	445,716	390,990	347,361	345,640
Other Operating Revenues	291,668	305,516	215,982	10,802	371,205	307,138	419,588	240,523	45,750	45,550
Total Operating Revenue	34,928,098	31,476,873	22,846,895	37,966,050	42,521,185	38,504,589	34,550,611	31,070,910	31,520,433	28,527,053
State Appropriations	6,846,957	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
Ad Valorem Taxes	18,444,126	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
Investment income	75,556	138,139	114,246	104,516	55,346	192,016	918,907	3,172,984	3,128,813	2,093,733
Other non-operating revenues	742,363	280,664	24,291	329,965	12,780	482,710	1,646,207	63,581	113,496	515,930
Total Non-Operating Revenue	26,109,002	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
Total Revenues	\$ 61,037,100	\$ 56,912,475	\$ 51,870,449	\$ 67,180,387	\$ 71,883,970	\$ 69,736,898	\$ 67,579,615	\$ 63,779,902	\$ 61,158,512	\$ 55,642,183

	For the Year Ended August 31,									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Tuition and fees (net of discounts)	19.74%	20.40%	34.29%	48.67%	49.72%	45.51%	39.72%	40.64%	44.06%	42.69%
Governmental grants and contracts										
Federal grants and contracts	0.61%	0.41%	0.88%	1.86%	2.00%	1.26%	2.92%	1.23%	1.27%	1.65%
State grants and contracts	2.33%	2.93%	6.31%	4.36%	5.31%	6.67%	6.56%	5.29%	5.07%	5.52%
Local grants and contracts	32.61%	29.28%	1.15%	0.82%	0.73%	0.63%	0.65%	0.57%	0.50%	0.70%
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	1.45%	1.76%	0.99%	0.79%	0.88%	0.71%	0.66%	0.61%	0.57%	0.62%
Other operating revenues	0.48%	0.54%	0.42%	0.02%	0.52%	0.44%	0.62%	0.38%	0.07%	0.08%
Total Operating Revenue	57.22%	55.31%	44.05%	56.51%	59.15%	55.21%	51.13%	48.72%	51.54%	51.27%
State appropriations	11.22%	12.22%	21.51%	16.85%	17.04%	19.75%	20.69%	22.19%	20.65%	22.05%
Ad valorem taxes	30.22%	31.74%	34.18%	25.99%	23.72%	24.07%	24.39%	24.02%	22.51%	21.99%
Investment income	0.12%	0.24%	0.22%	0.16%	0.08%	0.28%	1.36%	4.97%	5.12%	3.76%
Other non-operating revenues	1.22%	0.49%	0.05%	0.49%	0.02%	0.69%	2.44%	0.10%	0.19%	0.93%
Total Non-Operating Revenue	42.78%	44.69%	55.95%	43.49%	40.85%	44.79%	48.87%	51.28%	48.46%	48.73%
Total Revenues	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Note:
As a result of our partnership agreement with The University of Texas at Brownsville, the reporting for fiscal years 2006-2012 were done at the partnership level

Texas Southmost College District
Statistical Supplement 3
Program Expenses by Function
Fiscal Years 2006 to 2015
(unaudited)

	For the Year Ended August 31,									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Instruction	\$6,073,177	\$3,588,434	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Research	-	-	-	-	-	-	-	-	-	-
Public service	278,393	162,099	-	-	-	-	-	-	-	-
Academic support	1,741,201	3,155,220	-	-	-	-	-	-	-	-
Student services	2,571,383	3,258,324	-	-	-	-	-	-	-	-
Institutional support	11,898,659	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
Operation and maintenance of plant	4,772,338	4,802,797	863,174	59,282	1,212,864	2,873,577	1,349,966	892,107	1,225,773	1,296,191
Scholarships and fellowships	16,784,115	14,215,285	-	-	-	-	-	-	-	-
Auxiliary enterprises	1,027,832	1,142,881	415,103	415,756	977,643	830,403	928,790	683,044	614,980	686,733
Depreciation	3,911,705	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
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
Total Operating Expenses	49,058,803	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
Interest on capital related debt	2,884,008	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
Other non-operating expenses	642,647	(16,246,147)	365,470	170,412	992,220	138,726	143,789	102,484	107,719	54,050
Total Non-Operating Expenses	3,526,655	(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
Total Expenses	\$ 52,585,458	\$ 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

	For the Year Ended August 31,									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Instruction	11.55%	11.12%	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	0.53%	0.50%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Academic support	3.31%	9.77%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Student services	4.89%	10.09%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Institutional support	22.63%	32.95%	14.99%	7.80%	4.71%	3.89%	4.01%	4.72%	3.86%	3.55%
Operation and maintenance of plant	9.08%	14.88%	1.87%	0.10%	1.80%	4.35%	2.33%	1.63%	2.29%	2.64%
Scholarships and fellowships	31.92%	44.04%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Auxiliary enterprises	1.95%	3.54%	0.90%	0.69%	1.45%	1.26%	1.60%	1.25%	1.15%	1.40%
Depreciation	7.44%	11.85%	7.59%	5.70%	5.10%	5.16%	3.56%	3.78%	4.14%	4.45%
Contracted services with UTB	0.00%	0.00%	64.85%	78.30%	78.88%	78.20%	80.61%	80.91%	81.82%	82.92%
Total Operating Expenses	93.29%	138.75%	90.20%	92.59%	91.93%	92.85%	92.11%	92.29%	93.26%	94.96%
Interest on capital related debt	5.48%	11.58%	9.01%	7.13%	6.59%	6.94%	7.64%	7.52%	6.54%	4.93%
Loss on disposal of fixed assets	1.22%	-50.33%	0.79%	0.28%	1.47%	0.21%	0.25%	0.19%	0.20%	0.11%
Total Non-Operating Expenses	6.71%	-38.75%	9.80%	7.41%	8.07%	7.15%	7.89%	7.71%	6.74%	5.04%
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	\$ 8,451,642	\$ 24,633,459	\$ 5,623,831	\$ 6,641,619	\$ 4,446,153	\$ 3,671,579	\$ 9,570,453	\$ 9,081,104	\$ 7,560,720	\$ 6,602,699

Note:
As a result of our partnership agreement with The University of Texas at Brownsville, the reporting for fiscal years 2006-2012 were 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
2014	\$ 50.00	\$ 100.00	\$ 35.00	\$ 32.00	\$ 60.00	\$ 60.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 79.00	\$ -	\$ 1,603.00	\$ 2,203.00	-4.83%	-3.56%
2013	\$ 50.00	\$ 100.00	\$ 35.00	\$ 35.00	\$ 60.00	\$ 60.00	\$ -	\$ 45.30	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 79.00	\$ -	\$ 1,684.30	\$ 2,284.30	-34.26%	-10.84%
2012	50.00	50.00	105.95	-	-	-	12.00	45.30	12.00	10.00	45.00	50.00	5.00	2.00	24.20	79.00	7.27	2,552.14	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	1,828.56	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%

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
2014	\$ 150.00	\$ 150.00	\$ 35.00	\$ 32.00	\$ 60.00	\$ 60.00	\$ -	\$ -	\$ -	\$ 0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 79.00	\$ -	\$ 2,803.00	\$ 2,803.00	-29.72%	-29.72%
2013	\$ 150.00	\$ 150.00	\$ 67.00	\$ 35.00	\$ 60.00	\$ 60.00	\$ 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%

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

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

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

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
2014-15	\$ 6,847	2,163	\$ 3,165	1,039	379	1,418	4.83
2013-14	6,847	2,105	3,253	995	374	1,369	5.00
2012-13	11,244	3,178	3,538	1,170	675	1,845	6.09
2011-12	11,333	5,569	2,035	2,734	805	3,539	3.20
2010-11	12,464	5,769	2,161	3,043	1,016	4,059	3.07
2009-10	14,355	5,963	2,407	2,795	1,173	3,968	3.62
2008-09	13,984	5,767	2,425	2,498	1,116	3,613	3.87
2007-08	14,154	6,287	2,251	2,682	1,152	3,834	3.69
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 CBM004 and CBM00C

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

Taxpayer	Type of Business	Taxable Assessed Value (TAV) by Tax Year (\$000 omitted)									
		2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
AEP TEXAS CENTRAL CO	Utility	\$ 48,832	\$ 44,975	\$ 36,989	\$ 35,034	\$ 39,309	\$ 26,655	\$ 25,479	\$ 23,371	\$ 27,168	\$ 31,920
AT&T	Utility	-	-	-	-	-	-	33,477	37,525	36,176	36,855
BROWNSVILLE MEDICAL CENTER	Service	-	-	-	-	-	-	-	-	-	-
CAMERON ACQUISITIONS LLC	Land	-	-	-	-	29,212	24,840	40,500	-	-	-
CBU/SUNRISE COMMONS LP	Retail	40,643	40,645	40,670	38,734	38,870	38,904	38,923	38,923	38,706	36,468
COLUMBIA VALLEY HEALTHCARE SYS LP	Service	29,395	29,319	29,329	29,339	29,349	31,461	31,461	31,461	35,014	35,078
H E BUTT GROCERY CO	Retail	-	-	-	-	-	-	-	-	17,265	-
KEPPEL AMFELS	Shipyards	23,936	27,547	-	-	-	27,235	24,559	-	16,018	16,018
KIMCO BROWNSVILLE LP	Real Estate	-	-	-	-	-	-	-	18,113	-	-
RICH-SEAPAK CORP	Food Processor	204,907	-	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
TRANSMONTAIGNE PRODUCT SERVICE INC	Petroleum Products	28,056	28,490	28,755	28,005	27,691	-	-	17,726	15,887	-
TRICO PRODUCTS CORP	Manufacturing	31,931	26,327	31,919	33,508	26,889	29,364	33,603	36,443	39,557	36,507
VHS BROWNSVILLE HOSPITAL COMPANY, LLC	Service	28,578	29,198	30,266	-	-	-	-	-	-	-
WAL-MART REAL ESTATE BUSINESS TR	Retail	-	-	22,497	22,190	-	-	-	-	-	-
WAL-MART STORES EAST INC	Retail	-	-	-	-	-	-	-	-	-	15,841
WAL-MART STORES INC	Retail	24,580	22,504	23,913	24,228	24,055	24,855	22,778	23,207	20,393	-
COMCAST CORP	Service	46,784	60,505	-	-	-	-	-	-	-	-
BAHIA MAR TOWER LLC	Real Estate	-	24,997	-	-	-	-	-	-	17,315	-
WAL-MART STORES TEXAS LP	Retail	-	-	-	-	-	-	-	-	-	-
Totals		\$ 507,643	\$ 334,506	\$ 303,708	\$ 296,320	\$ 323,452	\$ 324,755	\$ 291,127	\$ 226,474	\$ 249,556	\$ 248,604
Total Taxable Assessed Value		\$ 11,389,740	\$ 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

Taxpayer	Type of Business	% of Taxable Assessed Value (TAV) by Tax Year									
		2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
AEP TEXAS CENTRAL CO	Utility	0.43%	0.40%	0.33%	0.32%	0.37%	0.25%	0.24%	0.24%	0.31%	0.42%
AT&T	Utility	-	0.00%	-	-	-	-	0.32%	0.39%	0.41%	0.48%
BROWNSVILLE MEDICAL CENTER	Service	-	0.00%	-	-	-	-	-	-	-	-
CAMERON ACQUISITIONS LLC	Land	-	0.00%	-	-	0.27%	0.24%	0.39%	-	-	-
CBU/SUNRISE COMMONS LP	Retail	0.36%	0.36%	0.37%	0.36%	0.36%	0.37%	0.37%	0.40%	0.44%	0.48%
COLUMBIA VALLEY HEALTHCARE SYS LP	Service	0.26%	0.26%	0.28%	-	0.27%	0.30%	0.30%	0.32%	0.40%	0.46%
H E BUTT GROCERY CO	Retail	-	0.00%	-	-	-	-	-	-	0.20%	-
KEPPEL AMFELS	Shipyards	0.21%	0.24%	-	-	-	-	0.24%	-	0.18%	0.21%
KIMCO BROWNSVILLE LP	Real	-	0.00%	-	-	-	-	-	0.19%	-	-
RICH-SEAPAK CORP	Food Processor	1.80%	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%
TRANSMONTAIGNE PRODUCT SERVICE INC	Petroleum Products	0.25%	0.25%	0.26%	0.26%	-	-	-	0.18%	0.18%	-
TRICO PRODUCTS CORP	Manufacturing	0.28%	0.23%	0.29%	0.31%	-	-	0.32%	0.37%	0.45%	0.48%
VHS BROWNSVILLE HOSPITAL COMPANY, LLC	Service	0.25%	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	0.22%	0.20%	0.22%	0.22%	0.22%	0.23%	0.22%	0.24%	0.23%	0.00%
COMCAST CORP	Service	0.41%	0.53%	-	-	-	-	-	-	-	-
BAHIA MAR TOWER LLC	Real Estate	-	0.22%	-	-	-	-	-	-	-	-
WAL-MART STORES TEXAS LP	Retail	-	-	-	-	-	-	-	0.00%	-	-
Totals		4.46%	2.96%	2.74%	2.73%	3.02%	3.09%	2.79%	2.33%	2.84%	3.24%

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
2015	\$ 18,689,879	\$ (2,964)	\$ 18,373,386	\$ 17,654,226	96.09%	-	\$ 936,801	\$ 18,591,027	101.18%
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%

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)

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
General Bonded Debt										
General obligation bonds	\$ 60,605	\$ 64,085	\$ 67,450	\$ 70,505	\$ 73,275	\$ 75,775	\$ 78,000	\$ 72,440	\$ 64,000	\$ 49,490
Notes	-	-	-	-	-	-	-	-	-	-
Less: Funds restricted for debt service	-	-	-	-	-	-	-	-	-	-
Net general bonded debt	\$ 60,605	\$ 64,085	\$ 67,450	\$ 70,505	\$ 73,275	\$ 75,775	\$ 78,000	\$ 72,440	\$ 64,000	\$ 49,490
Other Debt										
Revenue bonds	\$ 16,070	\$ 21,820	\$ 22,890	\$ 23,915	\$ 24,900	\$ 25,845	\$ 26,765	\$ 27,645	\$ 28,495	\$ 28,890
Notes	-	-	-	-	-	-	-	-	-	-
Capital lease obligations	-	-	-	-	-	-	-	-	-	-
Total Outstanding Debt	\$ 76,675	\$ 85,905	\$ 90,340	\$ 94,420	\$ 98,175	\$ 101,620	\$ 104,765	\$ 100,085	\$ 92,495	\$ 78,380
General Bonded Debt Ratios										
Per Capita	\$ 296.87	\$ 319.71	\$ 336.49	\$ 351.74	\$ 365.55	\$ 378.03	\$ 389.13	\$ 361.39	\$ 319.28	\$ 246.90
Per FTSE	28,019	20,165	21,224	22,185	23,057	23,844	24,544	22,794	20,138	15,573
As a percentage of Taxable Assessed Value	0.53%	0.58%	0.61%	0.64%	0.66%	0.68%	0.70%	0.65%	0.58%	0.45%
Total Outstanding Debt Ratios										
Per Capita	\$ 375.59	\$ 428.56	\$ 450.69	\$ 471.04	\$ 489.78	\$ 506.96	\$ 522.65	\$ 499.30	\$ 461.44	\$ 391.02
Per FTSE	35,448	27,031	28,427	29,711	30,892	31,976	32,966	31,493	29,105	24,663
As a percentage of Taxable Assessed Value	0.67%	0.78%	0.82%	0.85%	0.89%	0.92%	0.95%	0.90%	0.84%	0.71%

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)

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Taxable Assessed Value	\$ 11,389,740	\$ 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
General Obligation Bonds										
Statutory Tax Levy Limit for Debt Service	\$ 56,949	\$ 56,571	\$ 55,352	\$ 54,249	\$ 53,613	\$ 52,633	\$ 52,205	\$ 48,694	\$ 43,934	\$ 38,316
Less: Funds Restricted for Repayment of General Obligation Bonds	-	-	-	-	-	-	-	-	-	-
Total Net General Obligation Debt	56,949	56,571	55,352	54,249	53,613	52,633	52,205	48,694	43,934	38,316
Current Year Debt Service Requirements	4,355	3,365	3,055	2,770	2,500	2,225	1,690	1,560	1,490	2,570
Excess of Statutory Limit for Debt Service over Current Requirements	\$ 52,594	\$ 53,206	\$ 52,297	\$ 51,479	\$ 51,113	\$ 50,408	\$ 50,515	\$ 47,134	\$ 42,444	\$ 35,746
Net Current Requirements as a % of Statutory Limit	7.65%	5.95%	5.52%	5.11%	4.66%	4.23%	3.24%	3.20%	3.39%	6.71%

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 Fees *	Tuition	Bookstore Income	Parking Fees	Investment Income	Student Rec Center Fees	Total	Principal	Interest	Total	Coverage Ratio
2015	\$ -	\$ 134	\$ 109	\$ 216	\$ 63	\$ 1,814	2,336	\$ 630	\$ 799	1,429	1.63
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
		2014	\$ 204,145	\$ 5,063,204,290
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)

2015		
Employer	Employees	**Percentage of Total Employment
Brownsville ISD	7,670	11.02%
Cameron County	1,950	2.80%
UT Rio Grande Valley	1,734	2.49%
AMFELS	1,650	2.37%
Wal-Mart	1,413	2.03%
Abundant Life Home Health	1,300	1.87%
City of Brownsville	1,227	1.76%
Caring For You Home Health	1,200	1.72%
HEB Food Stores	975	1.40%
Valley Regional Medical Center	900	1.29%
Total	20,019	28.77%

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: 69,571

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

2014		
Employer	Employees	**Percentage of Total Employment
Brownsville ISD	7,708	11.08%
Caring For You Home Health	2,635	3.79%
Cameron County	2,040	2.93%
UT Rio Grande Valley	1,625	2.34%
AMFELS	1,400	2.01%
City of Brownsville	1,200	1.72%
Abundant Life Home Health	1,200	1.72%
Wal-Mart	1,055	1.52%
HEB Food Stores	975	1.40%
Valley Regional Medical Center	786	1.13%
Total	20,624	29.64%

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.

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.

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.

Brownsville Total Employment: 67,921

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										
		2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Faculty												
	Full-Time	79.0	78.0	53.0	-	-	-	-	-	-	-	-
	Part-Time	52.0	49.0	56.0	-	-	-	-	-	-	-	-
	Total	131.0	127.0	109.0	-	-	-	-	-	-	-	-
Percent												
	Full-Time	60.3%	61.4%	48.6%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	Part-Time	39.7%	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	126.0	118.0	46.0	17.0	15.0	19.0	18.0	17.0	15.0	14.0	10.0
	Part-Time	43.0	35.0	23.0	1.0	1.0	5.0	6.0	5.0	6.0	3.0	5.0
	Total	169.0	153.0	69.0	18.0	16.0	24.0	24.0	22.0	21.0	17.0	15.0
Percent												
	Full-Time	74.6%	77.1%	66.7%	94.4%	93.8%	79.2%	75.0%	77.3%	71.4%	82.4%	66.7%
	Part-Time	25.4%	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		27.4	27.0	60.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
FTSE per Full-Time Staff Member		17.2	17.8	69.1	327.6	384.6	313.8	320.4	369.8	427.0	404.4	525.3
Average Annual Faculty Salary		\$ 50,263	\$ 50,511	\$ 47,880	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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

Student Classification	Fall 2014		Fall 2013		Fall 2012		Fall 2011		Fall 2010	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Freshman	2,668	66.25%	2,656	72.31%	4,066	69.00%	4,759	45.31%	5,546	50.22%
Sophomore	921	22.87%	704	19.17%	1,297	22.01%	3,065	29.18%	3,031	27.45%
Associate	91	2.26%	61	1.66%	99	1.68%	686	6.53%	633	5.73%
Bachelors	44	1.09%	36	0.98%	57	0.97%	155	1.48%	153	1.39%
Unclassified	303	7.52%	216	5.88%	374	6.35%	1,838	17.50%	1,680	15.21%
Total	<u>4,027</u>	<u>100.00%</u>	<u>3,673</u>	<u>100.00%</u>	<u>5,893</u>	<u>100.00%</u>	<u>10,503</u>	<u>100.00%</u>	<u>11,043</u>	<u>100.00%</u>

Semester Hour Load	Fall 2014		Fall 2013		Fall 2012		Fall 2011		Fall 2010	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Less than 3	15	0.37%	21	0.57%	189	3.21%	423	4.03%	646	6.15%
3-5 semester hours	896	22.25%	557	15.16%	1,172	19.89%	2,279	21.70%	2,569	24.46%
6-8 Semester hours	1,072	26.62%	1,117	30.41%	1,716	29.12%	2,586	24.62%	2,626	25.00%
9-11 semester hours	814	20.21%	713	19.41%	988	16.77%	2,095	19.95%	1,729	16.46%
12-14 semester hours	1,148	28.51%	1,196	32.56%	1,704	28.92%	2,852	27.15%	3,029	28.84%
15-17 semester hours	76	1.89%	66	1.80%	120	2.04%	249	2.37%	437	4.16%
18 & over	6	0.15%	3	0.08%	4	0.07%	19	0.18%	7	0.07%
Total	<u>4,027</u>	<u>100.00%</u>	<u>3,673</u>	<u>100.00%</u>	<u>5,893</u>	<u>100.00%</u>	<u>10,503</u>	<u>100.00%</u>	<u>11,043</u>	<u>105.14%</u>

Average course load 9 9 8.2 8.1 8.0

Tuition Status	Fall 2014		Fall 2013		Fall 2012		Fall 2011		Fall 2010	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Texas Resident (In-District)	3,562	88.45%	2,605	70.92%	4,600	78.06%	7,909	75.30%	7,081	67.42%
Texas Resident (Out-of-District)	292	7.25%	264	7.19%	875	14.85%	1,746	16.62%	1,254	11.94%
Non-Resident Tuition	60	1.49%	41	1.12%	120	2.04%	115	1.09%	51	0.49%
Foreign Resident In-Dist (HB1403)	28	0.70%	33	0.90%	44	0.75%	80	0.76%	103	0.98%
Foreign Resident Out-Dist (HB1403)	2	0.05%	-	0.00%	3	0.05%	13	0.12%	7	0.07%
Tuition Exemption/Waiver	83	2.06%	730	19.87%	251	4.26%	640	6.09%	2,547	24.25%
Total	<u>4,027</u>	<u>100.00%</u>	<u>3,673</u>	<u>100.00%</u>	<u>5,893</u>	<u>100.00%</u>	<u>10,503</u>	<u>100.00%</u>	<u>11,043</u>	<u>105.14%</u>

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

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

	Fall 2014		Fall 2013		Fall 2012		Fall 2011		Fall 2010	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Gender										
Female	1,636	40.63%	2,115	57.58%	3,318	56.30%	5,889	56.07%	6,287	59.86%
Male	2,391	59.37%	1,558	42.42%	2,575	43.70%	4,614	43.93%	4,756	45.28%
Total	4,027	100.00%	3,673	100.00%	5,893	100.00%	10,503	100.00%	11,043	105.14%

	Fall 2014		Fall 2013		Fall 2012		Fall 2011		Fall 2010	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Ethnic Origin										
White/Non-Hispanic	179	4.44%	145	3.95%	199	3.38%	4,391	41.81%	1,411	13.43%
Black/Non-Hispanic	6	0.15%	6	0.16%	15	0.25%	62	0.59%	57	0.54%
Hispanic	3,723	92.45%	3,443	93.74%	5,430	92.14%	5,650	53.79%	9,106	86.70%
Asian or Pacific Islander	28	0.70%	20	0.54%	42	0.71%	118	1.12%	83	0.79%
American Indian or Alaskan Native	1	0.02%	1	0.03%	3	0.05%	108	1.03%	68	0.65%
Non-Resident Aliens or Foreign Natl.	41	1.02%	44	1.20%	189	3.21%	138	1.31%	251	2.39%
Not Reported	49	1.22%	14	0.38%	15	0.25%	36	0.34%	67	0.64%
Total	4,027	100.00%	3,673	100.00%	5,893	100.00%	10,503	100.00%	11,043	105.14%

	Fall 2014		Fall 2013		Fall 2012		Fall 2011		Fall 2010	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Age										
Under 18	738	18.33%	661	18.00%	1,691	28.70%	1,471	14.01%	2,176	20.72%
18 -21	1,722	42.76%	1,580	43.02%	2,350	39.88%	4,380	41.70%	4,365	41.56%
22 - 24	513	12.74%	486	13.23%	612	10.39%	1,504	14.32%	1,455	13.85%
25 - 35 *	726	18.03%	598	16.28%	822	13.95%	2,200	20.95%	2,069	19.70%
36 - 50 **	288	7.15%	297	8.09%	346	5.87%	808	7.69%	840	8.00%
51 & over	40	0.99%	51	1.39%	72	1.22%	140	1.33%	138	1.31%
Total	4,027	100.00%	3,673	100.00%	5,893	100.00%	10,503	100.00%	11,043	105.14%

Average Age	21	23	22	24	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
2013 Fall Students as of Fall 2014
(Includes only public senior colleges in Texas)**

	Transfer Student Count	Transfer Student Count	Transfer Student Count	Total Acad/Tech Transfer	Percent Acad/Tech Transfer
	Academic	Technical	Tech-Prep	Students	Students
University of Texas - Brownsville	303	59	23	385	65.37%
University of Texas - Pan American	22	8	15	45	7.64%
University of Texas - Austin	13	-	2	15	2.55%
University of Texas - San Antonio	30	3	9	42	7.13%
Texas A&M University - College Station	29	3	5	37	6.28%
Texas State University	18	4	-	22	3.74%
Texas A&M University - Kingsville	9	2	3	14	2.38%
Texas A&M University - Corpus Christi	4	2	-	6	1.02%
University of Houston - University Park	-	-	-	-	0.00%
University of North Texas	1	-	-	1	0.17%
University of Texas - Permian Basin	-	-	-	-	0.00%
Stephen F. Austin State University	-	-	-	-	0.00%
Texas Tech University	7	-	-	7	1.19%
University of Texas - Arlington	2	3	-	5	0.85%
Sam Houston State University	4	-	-	4	0.68%
University of Texas - Tyler	-	-	-	-	0.00%
Texas A&M International University	-	-	-	-	0.00%
Texas Women's University	1	-	-	1	0.17%
University of Houston - Downtown	-	-	1	1	0.17%
University of Texas - Dallas	1	-	-	1	0.17%
Sul Ross State University	1	-	-	1	0.17%
Texas A&M University - Commerce	-	1	-	1	0.17%
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	-	-	-	-	0.00%
Baylor College of Medicine - Academics	-	-	-	-	0.00%
Lamar University Institute of Technology	-	-	-	-	0.00%
Midwestern State University	-	-	-	-	0.00%
Sul Ross State University - Rio Grande College	-	-	-	-	0.00%
Tarleton State University	-	-	-	-	0.00%
Texas A&M University System Health Science Center	-	-	-	-	0.00%
Texas Southern University	-	-	-	-	0.00%
Texas Tech University Health Science Center	-	-	-	-	0.00%
University of Houston - Clear Lake	-	-	-	-	0.00%
University of Houston - Victoria	-	1	-	1	0.17%
University of North Texas Health Science Center	-	-	-	-	0.00%
University of Texas Health Science Center - Houston	-	-	-	-	0.00%
University of Texas Health Science Center - San Antonio	-	-	-	-	0.00%
University of Texas Medial Branch Galveston	-	-	-	-	0.00%
University of Texas Southwestern Medical Center - Dallas	-	-	-	-	0.00%
West Texas A&M University	-	-	-	-	0.00%
Angelo State University	-	-	-	-	0.00%
Totals	445	86	58	589	100.00%

**Texas Southmost College District
Statistical Supplement 18
Capital Asset Information
Fiscal Years 2011 to 2015**

	Fiscal Year				
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Academic buildings	19	19	24	24	24
Square footage (in thousands)	728	728	1,058	1,058	1,058
Libraries	1	1	2	2	2
Square footage (in thousands)	45	45	130	130	130
Number of Volumes (in thousands)	356	356	1,083	1,083	264
Administrative and support buildings	25	25	26	26	26
Square footage (in thousands)	560	560	614	614	614
Dormitories	-	-	1	1	1
Square footage (in thousands)	-	-	140	140	140
Number of Beds	-	-	459	459	459
Apartments	64	64	64	64	66
Square footage (in thousands)	67	67	67	67	68
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	6	7	7	7
Square footage (in thousands)	57	57	49	49	49
Transportation					
Cars	2	2	7	7	7
Light Trucks/Vans	25	25	50	50	50
Buses	-	-	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 2015.

SINGLE AUDIT SECTION

TEXAS SOUTHMOST COLLEGE DISTRICT

Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2015

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Pass-Through Disbursements and Expenditures</u>
U.S. DEPARTMENT OF AGRICULTURE			
<i>Pass-through from Texas Department of Human Services:</i>			
Child Care Food Program	10.558	75G7033	\$ <u>26,837</u>
Total U.S. Department of Agriculture			<u>26,837</u>
U.S. DEPARTMENT OF EDUCATION			
<i>Passed through Texas Higher Education Coordinating Board:</i>			
Carl Perkins Vocational Education - Basic	84.048	84246	<u>325,784</u>
Total U.S. Department of Education			<u>325,784</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>21,923</u>
Total U.S. Department of Health and Human Services			<u>21,923</u>
Total Federal Financial Assistance			<u>\$ 374,544</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, 2015

<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	\$ 374,544
Federal revenue received by University of Texas at Brownsville	<u> -</u>
 Total Federal Revenues	 <u>\$ 374,544</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	\$ 4,904,043
84.007 - SEOG	114,990
84.033 - Federal Work Study Program	<u>133,003</u>
	 <u>\$ 5,152,036</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, 2015

(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>7,956,333</u>
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TEXAS SOUTHMOST COLLEGE DISTRICT

Schedule of Expenditures of State Awards
For the Year Ended August 31, 2015

<u>Grantor Agency/ Program Title</u>	<u>Grant Contract Number</u>	<u>Expenditures</u>
TEXAS HIGHER EDUCATION COORDINATING BOARD		
<i>Direct</i>		
Texas Grant Program	-	\$ 245,069
S3 Developmental Education Grant	-	85,000
Texas College Work Study	-	31,088
Texas Educational Opportunity Grant	-	912,751
Top 10%	-	3,000
Accelerate Texas	-	<u>37,500</u>
Total Texas Higher Education Coordinating Board		<u>1,314,408</u>
TEXAS WORKFORCE COMMISSION		
<i>Direct</i>		
Skills Development Fund	2413SDF002	<u>106,517</u>
Total Texas Workforce Commission		<u>106,517</u>
Total State Financial Assistance		<u>\$ 1,420,925</u>
<u>Note 1: State Assistance Reconciliation</u>		
State Revenues - Per Schedule A		
State Financial Assistance per Schedule of Expenditures of State Awards		\$ 1,420,925
Lease payments from University of Texas - Brownsville		<u>-</u>
Total State Revenues per Schedule A		<u>\$ 1,420,925</u>

Note 2: Significant Accounting Policies Used in Preparing the Schedule

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



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

**INDEPENDENT AUDITORS' 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
 AND THE STATE OF TEXAS SINGLE AUDIT CIRCULAR**

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 Texas Southmost College District as of and for the year ended August 31, 2015 and 2014, and the related notes to the financial statements and have issued our report thereon dated December 29, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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.

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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*.

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.

Pattillo, Brown & Hill, LLP

Brownsville, Texas
December 29, 2015



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

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
 EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
 COMPLIANCE REQUIRED BY OMB CIRCULAR A-133 AND THE
 STATE OF TEXAS SINGLE AUDIT CIRCULAR**

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

Report on Compliance for Compliance for Each Major Federal and State Program

We have audited the compliance of Texas Southmost College District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement and the State of Texas Single Audit Circular that could have a direct and material effect on each of the Texas Southmost College District's major federal and state programs for the year ended August 31, 2015. Texas Southmost College District's major federal and state programs are identified in the summary of auditors' 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.

Auditors' 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, State of Texas Single Audit Circular, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 and the State of Texas Single Audit Circular require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about 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.

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Opinion on Each Major Federal and State Program

In our opinion, 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, 2015.

Report on Internal Control over Compliance

Management of Texas Southmost College District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Texas Southmost College 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 an opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the State of Texas Single Audit Circular, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Texas Southmost College District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. 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 that testing based on the requirements of OMB Circular A-133 and the State of Texas Single Audit Circular. Accordingly, this report is not suitable for any other purpose.



Brownsville, Texas
December 29, 2015

TEXAS SOUTHMOST COLLEGE DISTRICT

**Schedule of Findings and Questioned Costs
For the Year Ended August 31, 2015**

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 Educational Opportunity Grant

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

The audit disclosed no finding required to be reported.

III. Findings and Questioned Costs for Federal Awards

None

IV. Findings and Questioned Costs for State Awards

None

TEXAS SOUTHMOST COLLEGE DISTRICT

**Summary Schedule of Prior Audit Findings
For the Year Ended August 31, 2015**

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, 2015**

Not applicable.