

TEXAS SOUTHMOST COLLEGE DISTRICT

ANNUAL FINANCIAL REPORT

AUGUST 31, 2006

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**Administration &
Partnership Affairs**

TEXAS SOUTHMOST COLLEGE DISTRICT
ANNUAL FINANCIAL REPORT

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TEXAS SOUTHMOST COLLEGE DISTRICT
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TEXAS SOUTHMOST COLLEGE DISTRICT

ORGANIZATIONAL DATA

FOR THE FISCAL YEAR 2006

Board of Trustees

Officers

Chester Gonzalez	Chairperson
Rosemary Breedlove	Vice-chairperson
Eduardo A. Campirano	Secretary

Members

Term Expires

Roman Esparza	Brownsville, Texas	May, 2008
Rosemary Breedlove	Brownsville, Texas	May, 2010
David G. Oliveira	Brownsville, Texas	May, 2012
Chester Gonzalez	Brownsville, Texas	May, 2010
Dolly Zimmerman	Port Isabel, Texas	May, 2008
Dr. Roberto Robles	Brownsville, Texas	May, 2012
Eduardo A. Campirano	Brownsville, Texas	May, 2010

Principal Administrative Officers

Dr. Juliet V. Garcia	President, UTB/TSC
Dr. Wayne J. Moore	Vice President for Administration and Partnership Affairs, UTB/TSC
Melba M. Sanchez, CPA	District Controller

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Texas Southmost College District
Brownsville, Texas

We have audited the accompanying financial statements of Texas Southmost College District, as of and for the years ended August 31, 2006 and 2005 as listed in the table of contents. These financial statements are the responsibility of the College's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Texas Southmost College District, as of August 31, 2006 and 2005, and the changes in its net assets and, cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis information on pages 7 through 22, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements of Texas Southmost College District taken as a whole. The accompanying supplementary information on pages 63 through 80 is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards and schedule of expenditures of state awards are 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 the State of Texas Single Audit Circular, and are also not a required part of the financial statements. Such information, except for the portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the

audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

A handwritten signature in cursive script, appearing to read "Long Chilton LLP".

Brownsville, Texas
November 7, 2006

TEXAS SOUTHMOST COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS

AUGUST 31, 2006

Management's Discussion and Analysis of Texas Southmost College's (the College) financial performance provides an overview of the College's financial activities for the fiscal year ended August 31, 2006. This discussion and analysis is to be read in conjunction with the College's financial statements which begin on page 23.

USING THIS ANNUAL REPORT

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

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

The notes to the financial statements starting on page 27 provide narrative explanations and additional data needed for full disclosure in the financial statements.

USING THIS ANNUAL REPORT (Continued)

The Statement of Net Assets

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

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

The Net Assets are divided into three major categories. The first category, Invested in Capital Assets Net of Related Debt, represents the College's net investment in property, plant and equipment owned by the institution. The next category is restricted net assets, which is further divided into two categories: nonexpendable and expendable. Expendable restricted net assets are available for expenditures but must be spent in accordance with the restrictions of donors and other external entities. The College only has Expendable Restricted Net Assets. The final category is Unrestricted Net Assets which are assets available to the institution for any lawful purpose of the College. Further detail regarding assets, liabilities and net assets is presented in the statement of net assets and notes to the financial statements.

The Statement of Revenues, Expenses and Changes in Net Assets

The statement of revenues, expenses and changes in net assets represents the College's overall results of operations. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred regardless of when the cash is received or paid. The statement is divided into operating revenues and expenses and non-operating revenues and expenses. The College is primarily

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

dependent upon four sources of revenues: state allocations, tuition and fees, grants and contracts and property taxes. Since state allocations and property taxes are classified as non-operating revenues (per GASB requirements), the College will generally display an operating deficit before taking into account its non-operating revenues. Therefore, total revenues and total expenses should be considered in assessing the change in the College's financial position. When total revenues exceed total expenses, the result is an increase in net assets. When the contrary occurs, the result is a decrease in Net Assets. Further detail is presented in the Statement of Revenues, Expenses and Changes in Net Assets and in the Notes to the Financial Statements.

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

The Statement of Cash Flows

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

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

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FINANCIAL ANALYSIS

Statement of Net Assets

The following analysis focuses on the Statement of Net Assets, which is condensed in Table 1.

TABLE 1
CONDENSED STATEMENT OF NET ASSETS
(in millions)

	August 31, <u>2006</u>	August 31, <u>2005</u>	August 31, <u>2004</u>
Current Assets	\$ 20.3	\$ 19.8	\$ 18.6
Noncurrent Assets			
Cash and Cash Equivalents - Restricted	69.1	22.5	1.4
Capital Assets, Net of Accumulated Depreciation	59.2	60.7	59.5
Other Non-Current Assets	<u>1.7</u>	<u>0.8</u>	<u>0.2</u>
Total Assets	<u>150.3</u>	<u>103.8</u>	<u>79.7</u>
Current Liabilities	17.5	14.9	11.2
Noncurrent Liabilities	<u>76.9</u>	<u>33.0</u>	<u>15.4</u>
Total Liabilities	<u>94.4</u>	<u>47.9</u>	<u>26.6</u>
Net assets:			
Invested in capital assets, net of related debt	42.9	25.5	42.6
Restricted Expendable	8.8	27.7	7.7
Unrestricted	<u>4.2</u>	<u>2.6</u>	<u>2.7</u>
Total Net Assets	\$ <u>55.9</u>	\$ <u>55.8</u>	\$ <u>53.0</u>

Total Assets increased by \$46.5 million. The major factors affecting this net increase are the sale and reinvestment of the following: \$13.6 million in Wellness Center revenue bonds, \$24.945 million in general obligation tax bonds, \$4.835 million in maintenance tax notes and \$6.590 million in revenue refunding and improvement bonds. All issuances will be used for various construction and renovation projects on campus which began this fiscal year.

Statement of Net Assets (continued)

Total liabilities increased by \$46.5 million. Included in this increase are: \$13.655 in Wellness Center revenue bonds, \$24.945 million in general obligation tax bonds, \$4.835 million in maintenance tax notes and an additional \$1.815 million in revenue refunding and improvement bonds. Deferred revenues also increase by almost \$1.9 million which represents tuition and fees for the Fall 2006 semester and is indicative of a growing enrollment.

Net assets (assets less liabilities) increased slightly in fiscal year 2006, from \$55.844 million at August 31, 2005 to \$55.926 million at August 31, 2006. Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – represents \$4.2 million of total net assets at August 31, 2006.

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Statement of Revenues, Expenses and Changes in Net Assets

The following analysis focuses on the Statement of Revenues, Expenses and Changes in Net Assets presented in condensed form in Table 2.

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

	Fiscal Year <u>2006</u>	Fiscal Year <u>2005</u>	Fiscal Year <u>2004</u>
Operating Revenues	\$ 28.5	\$ 23.7	\$ 21.0
Operating Expenses	46.6	40.6	38.2
Non-Operating Revenues	27.1	20.7	21.5
Non-Operating Expenses	<u>2.5</u>	<u>1.0</u>	<u>0.9</u>
INCREASE IN NET ASSETS	\$ 6.5	\$ 2.8	\$ 3.4
NET ASSETS - Beginning of Year	\$ <u>55.9</u>	\$ <u>53.1</u>	\$ <u>49.1</u>
Prior Period Adjustments	-6.5		0.6
NET ASSETS - End of Year	\$ <u>55.8</u>	\$ <u>55.9</u>	\$ <u>53.1</u>

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

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.

TABLE 3
OPERATING REVENUE
(in millions)

	<u>Fiscal Year</u> 2006		<u>Fiscal Year</u> 2005		<u>Increase/</u> <u>(Decrease)</u>
	<u>Amount</u>	<u>Percentage</u> <u>of Total</u>	<u>Amount</u>	<u>Percentage</u> <u>of Total</u>	
Net Tuition and Fees	\$ 23.8	83.3%	\$ 19.4	82.0%	\$ 4.4
Grants and Contracts	4.4	15.3%	3.9	16.4%	0.5
Auxiliary Enterprises	0.3	1.2%	0.3	1.4%	0.0
Other Operating Revenues	<u>0.0</u>	<u>0.2%</u>	<u>0.1</u>	<u>0.2%</u>	<u>(0.0)</u>
Total Operating Revenues	<u>\$ 28.6</u>	<u>100.1%</u>	<u>\$ 23.7</u>	<u>100.0%</u>	<u>\$ 4.9</u>

Operating revenues were affected by the following key factors:

- Tuition and fees (net of scholarship discounts) increased as a result of a 14% increase in enrollment. Other factors affecting the tuition and fee increase are: a \$2 per semester credit hour increase in resident in-district tuition, a \$2 per semester credit hour increase in resident out-of-district tuition, a \$20 per semester credit hour increase in non-resident tuition, an increase of \$6 in building use fee and the implementation of a \$2 international education fee, \$20 medical services fee and \$70 student recreation fee for all students.
- Grants and Contracts revenues increased primarily as a result of an increase in Texas Grant Program awards which increased from \$1.049 million to \$1.420 million. In addition, Texas Educational Opportunity Grant Program (TEOG) awards in the amount of \$.153 million were made available to students.

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

Table 4 details the College's sources of non-operating revenues. The key sources of non-operating revenues are: State Appropriations and Ad Valorem Taxes.

NON-OPERATING REVENUE

(in millions)

	Fiscal Year 2006		Fiscal Year 2005		Increase/ (Decrease)
	<u>Amount</u>	<u>Percentage of Total</u>	<u>Amount</u>	<u>Percentage of Total</u>	
State Appropriations	\$ 12.3	45.3%	\$ 10.8	52.4%	\$ 1.4
Ad Valorem Taxes	12.2	45.1%	9.1	43.9%	3.1
Investment Income	2.1	7.7%	0.7	3.3%	1.4
Other Non-Operating Revenues	<u>0.5</u>	<u>1.9%</u>	<u>0.1</u>	<u>0.4%</u>	<u>0.4</u>
Total Non-Operating Revenues	<u>\$ 27.1</u>	<u>100.0%</u>	<u>\$ 20.7</u>	<u>100.0%</u>	<u>\$ 6.3</u>

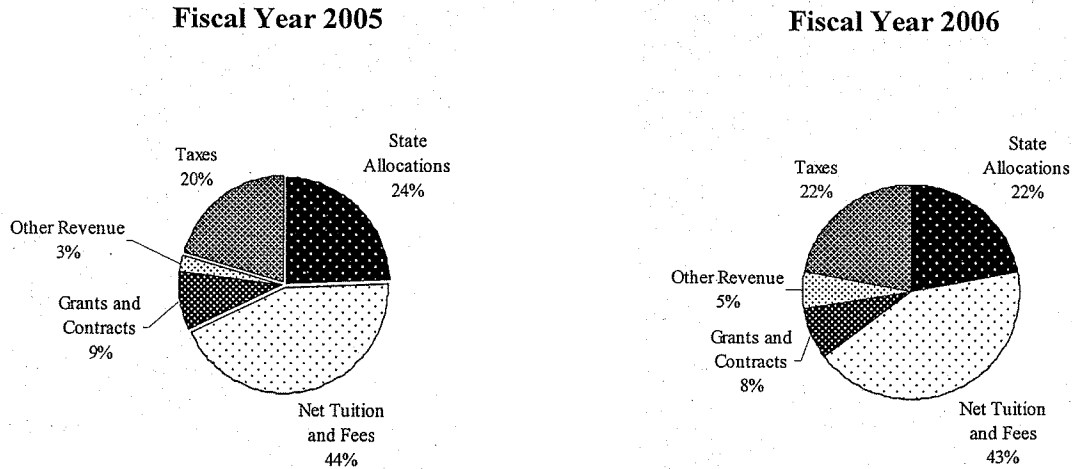
Non-operating revenues were affected by the following key factors:

- State appropriations were awarded for the 2006-2007 biennia and increased 13% as compared to the 2004-2005 biennia.
- Property tax revenue increased by more than \$3 million as a result of a 16% increase in assessed property valuations and the increase in tax rate resulting from the \$68 million in bonds that were approved by the voters in November 2004. The tax rate for the Texas Southmost College District was increased from \$0.128782 per \$100 valuation in fiscal year 2005 to \$0.162772 per \$100 valuation in fiscal year 2006.

Statement of Revenues, Expenses and Changes in Net Assets (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 2006 and 2005.

TABLE 5
Total Revenues
(Operating and Non-operating)



In both fiscal year 2005 and 2006, tuition and fees account for the largest source of revenue (44% and 43%, respectively) for the College. State allocations are the next largest revenue source at 24% in fiscal year 2005 and 22% in fiscal year 2006. Property taxes increased from 20% to 22% of total revenues in fiscal year 2005 and 2006, respectively.

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

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

TABLE 6
OPERATING EXPENSES
Natural Classification
(in millions)

	Fiscal Year	Fiscal Year	
	<u>2006</u>	<u>2005</u>	<u>Change</u>
Salaries	\$ 0.5	\$ 0.3	\$ 0.1
Benefits	0.1	0.0	0.0
Supplies and Services	3.6	2.9	0.7
Contract Services - UTB	40.3	35.8	4.4
Depreciation	<u>2.2</u>	<u>1.5</u>	<u>0.7</u>
Total Operating Expenses	\$ <u>46.7</u>	\$ <u>40.5</u>	\$ <u>5.9</u>

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

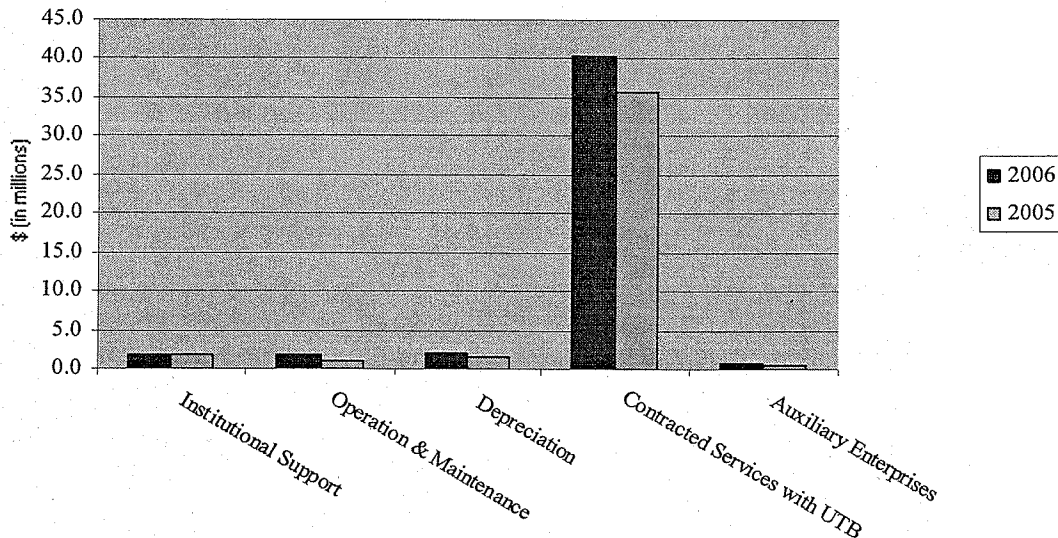
TABLE 7
OPERATING EXPENSES
Functional Classification
(in millions)

	<u>2006</u>	<u>2005</u>	<u>Change</u>
<u>Educational and General</u>			
Institutional Support	\$ 1.7	\$ 1.7	\$ 0.1
Operation and Maintenance of Plant	1.7	1.1	0.6
Contract Services - UTB	40.3	35.8	4.4
Depreciation	<u>2.2</u>	<u>1.5</u>	<u>0.7</u>
Total Educational Activities	45.9	40.1	5.8
Auxiliary Enterprises	<u>0.7</u>	<u>0.5</u>	<u>0.2</u>
Total Operating Expenses	\$ <u>46.6</u>	\$ <u>40.6</u>	\$ <u>6.0</u>

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

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

TABLE 8
OPERATING EXPENSES
Functional Classification
(in millions)



The College operates under a partnership agreement with The University of Texas at Brownsville. Under this agreement, the College contracts with UTB to provide instruction and other related essential services. This contract is the largest expense for the College as is reflected in the Contract Services-UTB category. In fiscal year 2005 and 2006, this amount represented 88% and 86% of total expenses, respectively. The increase of \$6 million from fiscal year 2005 to fiscal year 2006 is primarily as a result of increased tuition and fees that are committed to the partnership under the agreement. The University of Texas at Brownsville releases an Annual Financial Report detailing total expenses for both the College and University and should be reviewed in conjunction with this report for further information.

Statement of Cash Flows

The Condensed Statement of Cash Flows appears in Table 9. The complete Statement of Cash Flows appears in page 25 and 26 of this report.

TABLE 9
CONDENSED STATEMENT OF CASH FLOWS
(in millions)

	<u>2006</u>	<u>2005</u>	<u>Change</u>
Cash Provided/ Used By:			
Operating Activities	\$ (14.2)	\$ (15.7)	\$ 1.4
Noncapital Financing Activities	20.6	18.6	1.9
Capital and Related Financing Activities	36.5	16.4	20.0
Investing Activities	<u>1.8</u>	<u>0.7</u>	<u>1.1</u>
NET INCREASE (DECREASE) IN CASH	\$ 44.7	\$ 20.0	\$ 24.4
CASH - Beginning of Year	\$ <u>28.6</u>	\$ <u>8.6</u>	<u>20.0</u>
CASH - End of Year	\$ <u>73.4</u>	\$ <u>28.6</u>	<u>44.5</u>

Total Cash and Cash Equivalents increased by \$44.6 million during the year. Major factors impacting cash and cash equivalents are described below by source.

Operating Activities: Cash flows from operating resulted in an outflow of \$14.2 million. The major sources of cash receipts was from tuition and fees, net of scholarship allowances and discounts (\$23.8 million). The College's major cash outlay was for contract services with UTB (\$40.3 million).

Non-capital Financing Activities: The College had a positive cash flow of \$20.6 million from the collection of property taxes and receipt of state appropriations. Property taxes were collected at a rate of 94% of the current year's tax levy. (See table 10 below for more information on property taxes.)

Capital and Related Financing Activities: Capital and related financing activities resulted in a cash inflow of \$36.5 million. Cash outlays of approximately \$17 million were made for construction of property, purchases of land and property and principal and interest payments for all outstanding bonds. Cash inflows of \$53.5 million resulted from the issuance of the following bonds: \$13.655 million in Wellness Center revenue bonds, \$24.945 million in tax bonds, \$4.835 million in maintenance tax notes and \$6.590 in

Statement of Cash Flows (continued)

combined fee revenue refunding and improvement bonds. Additional cash inflows were generated from the collection of property taxes resulting from the \$68 million in bonds that were approved by the voters in November 2004 and from the 1987/88 debt service obligation.

Investing Activities Cash flows from investing activities represent investment earnings generated from the College's various checking, savings and certificate of deposit accounts. The College almost tripled earnings on investments from prior year due to the investment of bond proceeds from the various issuances.

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

	Fiscal Year <u>2006</u>	Fiscal Year <u>2005</u>	Percent <u>Change</u>
Total Tax Rate per \$100	\$ 0.162772	\$ 0.128782	26.4%
Total Tax Collections	\$ 11,491,160	\$ 8,492,378	7.3%
Tax Collection Rate	93.7%	93.8%	-
Assessed Valuation	\$8,786,825,986	\$7,663,218,167	14.7%

The District's total tax rate increased by more than 26 % from the previous year due to the additional tax rate for the service of debt as approved by the voters in November 2004. Total tax assessments increased by about 35% due to this increase in tax rate and an increase in valuation of 14.7%. Overall, the District's tax collection rate has remained strong over the past decade.

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CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of Fiscal Year 2006 the College had approximately \$59.2 million (net of accumulated depreciation) invested in a broad range of capital assets, including instructional and athletic facilities, maintenance of buildings and equipment. Additions to capital assets totaled \$7.8 million and approximately \$5 million of the additions are for construction in progress on the various bond projects that have begun on campus. The most advanced construction projects include the ITECC Thermal Plant and Recreation Center. Another \$2 million was added for the gift of property received in Raymondville and the purchase of condominiums on the peninsula.

Debt

The College's general obligation bond ratings, as assigned by *Fitch Ratings* and *Standard and Poor's* are AA- and A+ respectively. The rating for revenue bonds as assigned by *Standard and Poor's* is A. The College's bond ratings improved due to its increased financial stability.

At year-end, the College had approximately \$78.4 million in outstanding debt. Table 11 summarizes these amounts by type of debt instrument.

TABLE 11
Bonds Payable at Fiscal Year End 2006
(in millions)

	Beginning of the Year	End of the Year
1987/1988 Tax Bonds/1994 & 2004 Refunded	\$ 2.48	\$ 1.35
2000 Student Union Revenue Bonds/2005 Refunded	8.94	8.65
2002 General Revenue Bond/2006 Refunded & Improvement	4.78	6.59
2005 Tax Bonds	19.81	18.37
2005 Wellness Center Revenue Bonds	0.00	13.66
2006 Tax Bonds	0.00	24.95
2006 Maintenance Tax Notes	0.00	4.84
Total Bonds Payable	\$ 36.01	\$ 78.41

Debt (continued)

Tax bonds were issued in 2004 to refund the 1994 bonds which had refunded the original 1987 tax bonds. The source of revenue for this debt service is ad valorem tax levy.

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

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

In February 2005, the College made the first bond issuance for \$19.805 million out of the total \$68 million in bonds that were approved by the voters in November of 2004. The second issuance for \$24.945 million was made in April 2006. 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, the College also issued \$4.835 million 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

The Board of Trustees considered many factors when establishing the fiscal year 2007 budget and tax rates. Tuition and fees revenues are expected to modestly increase due to increases in enrollment, tuition rates and fees. The College expects tax revenue to increase slightly during fiscal year 2007. Continued growth in the tax base, due to population growth and increased valuation, are expected to be driving forces in increased collections. State allocations for the College are projected to remain flat in the coming year. Expenditures are expected to increase by more than this amount as the institution strives to meet the needs of an expanding enrollment.

In November 2004, the voters approved a \$68 million bond election. As a result, seven major capital projects are in the planning, design and construction phases. These projects include: Music Education Complex, Renovations at ITECC, Early Childhood Development Center, Campus Parking, Library and Library Improvements and Classroom Buildings. In addition, a Recreation, Education and Kinesiology Center is in the early stages of construction. This center is being funded through a combination of bond proceeds and student fees.

Enrollment growth at the College continues to increase at an average rate of approximately 25%. A similar increase is expected for the coming year. In order for the College to meet the needs of its growing enrollment, it is essential that the state allocation remain at least equal to that of the previous year. Any cuts will further affect direct services to students and seriously affect the College's effort to help meet the state's goal of "closing the gaps."

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 money it receives. If you have questions about this report or need additional financial information, contact the Vice President for Administration and Partnership Affairs at (956) 882-6567.

TEXAS SOUTHMOST COLLEGE DISTRICT

STATEMENTS OF NET ASSETS

August 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 4,168,092	\$ 6,116,884
Accounts receivable (net)	15,235,041	13,169,042
Prepaid expenses	943,483	504,540
Total Current Assets	<u>20,346,616</u>	<u>19,790,466</u>
Noncurrent Assets:		
Restricted cash and cash equivalents	69,044,048	22,538,651
Endowment Investments	60,085	56,113
Unamortized bond issuance cost	1,679,087	716,217
Capital assets (net)	<u>59,197,956</u>	<u>60,683,786</u>
Total Noncurrent Assets	<u>129,981,176</u>	<u>83,994,767</u>
Total Assets	<u>150,327,792</u>	<u>103,785,233</u>
LIABILITIES		
Current Liabilities:		
Accounts payable	2,349,066	1,102,663
Accrued liabilities	894,101	386,186
Funds held for others	8,304	8,303
Deferred revenues	12,373,700	10,484,791
Bonds payable – current portion	<u>1,885,000</u>	<u>2,965,000</u>
Total Current Liabilities	<u>17,510,171</u>	<u>14,946,943</u>
Noncurrent Liabilities:		
Accrued compensable absences	39,308	32,421
Bonds payable	<u>76,851,662</u>	<u>32,961,043</u>
Total Noncurrent Liabilities	<u>76,890,970</u>	<u>32,993,464</u>
Total Liabilities	<u>94,401,141</u>	<u>47,940,407</u>
NET ASSETS		
Invested in capital assets, net of related debt	42,925,888	25,473,960
Restricted for:		
Expendable		
Endowment	65,327	61,007
Capital Projects	2,378,534	23,834,686
Debt Service	6,238,343	3,728,115
Other	118,142	101,486
Unrestricted	<u>4,200,417</u>	<u>2,645,572</u>
Total Net Assets (Schedule D)	<u>\$ 55,926,651</u>	<u>\$ 55,844,826</u>

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

TEXAS SOUTHMOST COLLEGE DISTRICT

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

Years Ended August 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Operating Revenues		
Tuition and Fees (net of discounts of \$1,849,598 and \$1,272,943, respectively)	\$ 23,754,562	\$ 19,399,841
Federal Grants and Contracts	916,007	869,082
State Grants and Contracts	3,073,616	2,571,007
Local Grants and Contracts	391,678	433,976
Auxiliary Enterprises	345,640	336,811
General Operating Revenues	<u>45,550</u>	<u>57,235</u>
Total Operating Revenues (Schedule A)	28,527,053	23,667,952
Operating Expenses		
Institutional Support	1,739,662	1,675,074
Operation and Maintenance of Plant	1,704,455	1,110,738
Auxiliary Enterprises	686,733	526,633
Depreciation	2,181,910	1,478,895
Contracted services with UTB	<u>40,256,696</u>	<u>35,814,126</u>
Total Operating Expenses (Schedule B)	<u>46,569,456</u>	<u>40,605,466</u>
Operating Loss	(18,042,403)	(16,937,514)
Non-Operating Revenues (Expenses)		
State Appropriations	12,270,602	10,843,232
Maintenance Ad Valorem Taxes	8,243,681	7,878,273
Debt Service Ad Valorem Taxes	3,991,184	1,207,712
Donation	988,476	-
Disposition of Fixed Asset	(552,407)	-
Investment Income	2,093,733	689,732
Interest on Capital Related Debt	(2,415,978)	(961,286)
Other Non-Operating Revenues	79,861	84,552
Other Non-Operating Expenses	<u>(54,050)</u>	<u>(28,773)</u>
Net Non-Operating Revenues (Schedule C)	<u>24,645,102</u>	<u>19,713,442</u>
Increase in Net Assets	6,602,699	2,775,928
Net Assets		
Net Assets – Beginning of Year	55,844,826	53,068,898
Prior Period Adjustments	<u>(6,520,874)</u>	<u>-</u>
Net Assets – End of Year	<u>\$ 55,926,651</u>	<u>\$ 55,844,826</u>

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

TEXAS SOUTHMOST COLLEGE DISTRICT

STATEMENTS OF CASH FLOWS
Years Ended August 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from students and other customers	\$ 24,040,766	\$ 21,154,130
Receipts from grants and contracts	4,415,939	3,623,356
Payments to suppliers for goods and services	(2,411,253)	(2,976,283)
Transfers to UTB	(40,254,739)	(37,474,485)
Payments to or on behalf of employees	(455,673)	(333,171)
Other receipts	<u>421,919</u>	<u>315,116</u>
Net cash used by operating activities	<u>(14,243,041)</u>	<u>(15,691,337)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Receipts from state appropriations	12,270,602	10,843,232
Receipts from ad valorem taxes	8,225,398	7,734,773
Other receipts	79,861	56,176
Other payments	<u>-</u>	<u>(2,085)</u>
Net cash provided by non-capital financing activities	<u>20,575,861</u>	<u>18,632,096</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds on issuance of capital debt	49,714,174	28,240,030
Proceeds from ad valorem taxes	3,824,319	1,204,246
Purchases of capital assets	(7,140,798)	(2,655,029)
Payments on capital debt – principal	(7,640,000)	(9,711,774)
Payments on capital debt – interest	<u>(2,280,967)</u>	<u>(635,095)</u>
Net cash used by capital and related financing activities	<u>36,476,728</u>	<u>16,442,378</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest on investments	<u>1,747,057</u>	<u>684,554</u>
Net cash provided by investing activities	<u>1,747,057</u>	<u>684,554</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	44,556,605	20,067,691
CASH AND CASH EQUIVALENTS – September 1	<u>28,655,535</u>	<u>8,587,844</u>
CASH AND CASH EQUIVALENTS – August 31	<u>\$ 73,212,140</u>	<u>\$ 28,655,535</u>

(Continued)

TEXAS SOUTHMOST COLLEGE DISTRICT

STATEMENT OF CASH FLOWS – CONTINUED

Years Ended August 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
RECONCILIATION OF NET OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating loss	(18,042,403)	(16,937,514)
Adjustments to reconcile net loss to net cash provided (used) by operating activities:		
Depreciation expense	2,181,910	1,478,895
Changes in assets and liabilities:		
Receivables (net)	(1,537,337)	(2,078,847)
Prepaid expenses	(438,943)	(53,756)
Accounts payable	1,603,691	70,777
Accrued liabilities	94,245	-
Compensated absences	6,887	8,539
Deferred revenue	<u>1,888,909</u>	<u>1,820,569</u>
Net cash used by operating activities	<u>\$ (14,243,041)</u>	<u>\$ (15,691,337)</u>

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

Cash paid during the year for:		
Interest	2,280,967	961,286
Income taxes	-	-

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

TEXAS SOUTHMOST COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended August 31, 2006

1. Reporting Entity

Texas Southmost College (TSC) 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. 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 College 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

Reporting Guidelines

The significant accounting policies followed by the College 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 College applies all applicable GASB Pronouncements and all applicable Financial Accounting Standard Board (FASB) Statements and interpretations issued on or before November 30, 1989, unless they conflict or contradict GASB pronouncements. The College has elected not to apply FASB guidance issued subsequent to November 30, 1989, unless specifically adopted by the GASB. The College is reported as a special-purpose government engaged in business-type activities.

Tuition Discounting

Texas Public Education Grants

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

Other Tuition Discounts

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

Basis of Accounting

The financial statements of the College 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 in Texas is required by law to prepare an annual operating budget of anticipated revenues and expenses for the fiscal year beginning September 1. The College'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

TEXAS SOUTHMOST COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended August 31, 2006

2. **Summary of Significant Accounting Policies** – Continued

be filed with the Texas Higher Education Coordinating Board, Legislative Budget Board, Legislative Reference Library, and Governor's Office of Budget and Planning by December 1.

Cash and Cash Equivalents

The College'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 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.

Capital Assets

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

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

Deferred Revenues

Tuition and fees of \$12,373,700 and \$10,484,791 have been reported as deferred revenues at August 31, 2006 and 2005, respectively.

Estimates

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

Operating and Non-Operating Revenue and Expense Policy

The College distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the College's principal ongoing operations. The principal operating revenues are tuition and related fees. The major non-operating revenue are state appropriations and property tax collections. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. The operation of the Bookstore is not performed by the College.

TEXAS SOUTHMOST COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

Year Ended August 31, 2006

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.

4. Deposits and Investments

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

Cash and Deposits

	<u>2006</u>	<u>2005</u>
Bank Deposits		
Demand Deposits – Unrestricted	\$ 4,165,482	\$ 6,114,274
Demand Deposits – Restricted	69,044,048	22,538,651
Cash and Cash Equivalents		
Petty Cash on Hand	<u>2,610</u>	<u>2,610</u>
Total Cash and Deposits	<u>\$ 73,212,140</u>	<u>\$ 28,655,535</u>

Reconciliation of Deposits and Investments to Exhibit 1

<u>Type of Security</u>	Market Value August 31, <u>2006</u>	Market Value August 31, <u>2005</u>
Total Cash and Deposits	\$ 73,212,140	\$ 28,655,535
Total Investments	<u>60,085</u>	<u>56,113</u>
Total Deposits and Investments	<u>\$ 73,272,225</u>	<u>\$ 28,711,648</u>
Cash and Temporary Investments (Exhibit 1)	\$ 4,168,092	\$ 6,116,884
Cash and Temporary Investments – Restricted (Exhibit 1)	69,044,048	22,538,651
Investments (Exhibit 1)	<u>60,085</u>	<u>56,113</u>
Total Deposits and Investments	<u>\$ 73,272,225</u>	<u>\$ 28,711,648</u>

TEXAS SOUTHMOST COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended August 31, 2006

4. **Deposits and Investments – Continued**

As of August 31, 2006 the District had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in years) 8 -10</u>
U.S. Government Securities	\$ -	\$ -
U.S. Treasuries	-	-
Commercial Paper	-	-
Investment Pool	-	-
Certificate of Deposit	-	-
Common Stock	60,085	21,017
Municipal Bonds	-	-
Total Fair Value	<u>\$ 60,085</u>	<u>\$ 21,017</u>

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

Custodial Credit Risk – In accordance with the state law and College policy, the College requires monthly reports with market values of pledged securities from all financial institutions with which the College has collateralized deposits.

At August 31, 2006 the College’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 College. The stocks are held in an endowment fund and have donor restrictions.

5. **Capital Assets (With Estimate of Library Book Depreciation)**

Capital assets activity for the year ended August 31, 2006 was as follows:

	<u>Balance September 1, 2005</u>	<u>Increases</u>	<u>Decreases</u>	<u>Reclassification</u>	<u>Balance August 31, 2006</u>
<u>Not Depreciated:</u>					
Land	\$ 3,809,383	\$ 358,140	\$ -	\$ -	\$ 4,167,523
Library Books	8,422,239	-	-	-	8,422,239
Construction in Process	43,461	4,725,474	-	-	4,768,935
Subtotal	<u>12,275,083</u>	<u>5,083,614</u>	<u>-</u>	<u>-</u>	<u>17,358,697</u>
<u>Buildings and Other Capital Assets:</u>					
Buildings and Building Improvements	61,779,379	2,446,034	(552,407)	-	63,673,006
Other Real Estate Improvements	7,257,233	597,002	-	-	7,854,235
Total Buildings and Other Real Estate Improvements	69,036,612	3,043,036	(552,407)	-	71,527,241
Furniture, Machinery, and Equipment	8,671,001	-	-	-	8,671,001
Total Buildings and Other Capital Assets	<u>77,707,613</u>	<u>3,043,036</u>	<u>(552,407)</u>	<u>-</u>	<u>80,198,242</u>

TEXAS SOUTHMOST COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended August 31, 2006

5. **Capital Assets (With Estimate of Library Book Depreciation) – Continued**

	Balance September 1, 2005	Increases	Decreases	Reclassification	Balance August 31, 2006
<u>Accumulated Depreciation:</u>					
Buildings and Building Improvements	(17,232,352)	(1,052,952)	-	-	(18,285,304)
Other Real Estate Improvements	(4,299,854)	(317,536)	-	-	(4,617,390)
Total Buildings and Other Real Estate Improvements	(21,532,206)	(1,370,488)	-	-	(22,902,694)
Library Books	-	(561,482)	(6,878,163)	-	(7,439,645)
Furniture, Machinery, and Equipment	(7,766,704)	(249,940)	-	-	(8,016,644)
Total Accumulated Depreciation	(29,298,910)	(2,181,910)	(6,878,163)	-	(38,358,983)
Total Buildings and Other Capital Assets	48,408,703	861,126	(7,430,570)	-	41,839,259
Net Capital Assets	<u>\$ 60,683,786</u>	<u>\$ 5,944,740</u>	<u>\$ (7,430,570)</u>	<u>\$ -</u>	<u>\$ 59,197,956</u>

Capital assets activity for the year ended August 31, 2005 was as follows:

	Balance September 1, 2004	Increases	Decreases	Reclassification	Balance August 31, 2005
<u>Not Depreciated:</u>					
Land	\$ 3,649,560	\$ 159,823	\$ -	\$ -	\$ 3,809,383
Library Books	8,422,239	-	-	-	8,422,239
Construction in Process	13,081,067	-	-	(13,037,606)	43,461
Subtotal	25,152,866	159,823	-	(13,037,606)	12,275,083
<u>Buildings and Other Capital Assets:</u>					
Buildings and Building Improvements	46,246,567	2,495,206	-	13,037,606	61,779,379
Other Real Estate Improvements	7,257,233	-	-	-	7,257,233
Total Buildings and Other Real Estate Improvements	53,503,800	2,495,206	-	13,037,606	69,036,612
Furniture, Machinery, and Equipment	8,671,001	-	-	-	8,671,001
Total Buildings and Other Capital Assets	62,174,801	2,495,206	-	13,037,606	77,707,613

TEXAS SOUTHMOST COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended August 31, 2006

5. **Capital Assets (With Estimate of Library Book Depreciation) – Continued**

	<u>Balance September 1, 2004</u>	<u>Increases</u>	<u>Decreases</u>	<u>Reclassification</u>	<u>Balance August 31, 2005</u>
<u>Accumulated Depreciation:</u>					
Buildings and Building Improvements	(16,313,446)	(918,906)	-	-	(17,232,352)
Other Real Estate Improvements	(3,991,667)	(308,187)	-	-	(4,299,854)
Total Buildings and Other Real Estate Improvements	(20,305,113)	(1,227,093)	-	-	(21,532,006)
Furniture, Machinery, and Equipment	(7,514,902)	(251,802)	-	-	(7,766,704)
Total Accumulated Depreciation	(27,820,015)	(1,478,895)	-	-	(29,298,910)
 Total Buildings and Other Capital Assets	 <u>34,354,786</u>	 <u>1,016,311</u>	 <u>-</u>	 <u>13,037,606</u>	 <u>48,408,703</u>
Net Capital Assets	<u>\$ 59,507,652</u>	<u>\$ 1,176,134</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 60,683,786</u>

6. **Long-Term Liabilities**

Long-term liability activity for the year ended August 31, 2006 was as follows:

	<u>Balance September 1, 2005</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance August 31, 2006</u>	<u>Current Portion</u>
<u>Bonds</u>					
General obligation bonds	\$ 22,280,000	\$ 29,780,000	\$ 2,570,000	\$49,490,000	\$ 1,490,000
Revenue bonds	13,715,000	20,245,000	5,070,000	28,890,000	395,000
Plus premium on bonds	490,939	613,940	51,374	1,053,505	-
Less deferred amounts on Refunding	(559,896)	(169,940)	(32,993)	(696,843)	-
Subtotal	<u>35,926,043</u>	<u>50,469,000</u>	<u>7,658,381</u>	<u>78,736,662</u>	<u>1,885,000</u>
 <u>Accrued compensable absences</u>	 <u>32,421</u>	 <u>6,887</u>	 <u>-</u>	 <u>39,308</u>	 <u>-</u>
 Total long-term liabilities	 <u>\$ 35,958,464</u>	 <u>\$ 50,475,887</u>	 <u>\$ 7,658,381</u>	 <u>\$ 78,775,970</u>	 <u>\$ 1,885,000</u>

TEXAS SOUTHMOST COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended August 31, 2006

6. **Long-Term Liabilities – Continued**

Long-term liability activity for the year ended August 31, 2005 was as follows:

	Balance September 1, 2004	Additions	Reductions	Balance August 31, 2005	Current Portion
Bonds					
General obligation bonds	\$ 3,600,000	\$ 19,805,000	\$ 1,125,000	\$22,280,000	\$ 2,570,000
Revenue bonds	13,220,000	7,985,000	7,490,000	13,715,000	395,000
Plus premium on bonds	40,910	473,831	(23,802)	490,939	-
Less deferred amounts on Refunding	-	(571,561)	11,665	(559,896)	-
Subtotal	<u>16,860,910</u>	<u>27,692,270</u>	<u>8,602,863</u>	<u>35,926,043</u>	<u>2,965,000</u>
Accrued compensable absences	<u>23,882</u>	<u>8,539</u>	<u>-</u>	<u>32,421</u>	<u>-</u>
Total long-term liabilities	<u>\$ 16,884,792</u>	<u>\$ 27,700,809</u>	<u>\$ 8,602,863</u>	<u>\$ 35,958,464</u>	<u>\$ 2,965,000</u>

7. **Debt Obligations**

Debt service requirements at August 31, 2006 were as follows (amounts in 000's):

For the Year Ended August 31,	General Obligation Bonds			Revenue Bonds			Total Bonds	
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest
2007	\$ 1,490	\$ 2,655	\$ 4,145	\$ 395	\$ 1,352	\$ 1,747	\$ 1,885	\$ 4,007
2008	350	2,120	2,470	850	1,251	2,101	1,200	3,371
2009	180	2,111	2,291	880	1,217	2,097	1,060	3,328
2010	1,435	2,096	3,531	920	1,182	2,102	2,355	3,278
2011	1,560	1,305	2,865	945	1,150	2,095	2,505	2,455
2012-2016	10,270	9,287	19,557	5,370	5,133	10,503	15,640	14,420
2017-2021	14,115	6,871	20,986	6,590	3,898	10,488	20,705	10,769
2022-2026	20,090	2,890	22,980	7,495	2,331	9,826	27,585	5,221
2027-2032	-	-	-	5,445	727	6,172	5,445	727
	<u>\$ 49,490</u>	<u>\$ 29,335</u>	<u>\$ 78,825</u>	<u>\$ 28,890</u>	<u>\$ 18,241</u>	<u>\$ 47,131</u>	<u>\$ 78,380</u>	<u>\$ 47,576</u>

TEXAS SOUTHMOST COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended August 31, 2006

8. Bonds Payable

General information related to bonds payable is summarized below:

Student Union Building Fees Revenue Bonds, Series 2000

- To refinance, construct, operate, maintain, renovate and improve the Student Union Building used by the students
- Issued revenue bonds on February 1, 2000
- \$9,025,000, all authorized bonds have been issued
- Source of revenue for debt service – Student Union fees and investment income.

Bonds payable are due in annual installments varying from \$250,000 to \$275,000 with interest rates ranging from 5.0% to 6.0% with the final installment due in 2009. Future principal and interest expense requirements are summarized below.

<u>Year Ending August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 250,000	\$ 40,707	\$ 290,707
2008	260,000	27,957	287,957
2009	<u>275,000</u>	<u>14,437</u>	<u>289,437</u>
Total	<u>\$ 785,000</u>	<u>\$ 83,101</u>	<u>\$ 868,101</u>

Limited Tax Refunding Bonds, Series 2004

- To refund certain outstanding Refunding Tax Bonds, Series 1994
- Issued refunding bonds on February 18, 2004
- \$3,600,000, 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 \$180,000 to \$165,000 with interest at 2.25% and the final installment due in February 2008.

TEXAS SOUTHMOST COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

Year Ended August 31, 2006

8. Bonds Payable – Continued

Future principal and interest expense requirements are summarized below. Bond issuance costs totaled \$97,478 and bond premium totaled \$47,884 which is amortized over the life of the bonds. Amortization expense for the years totaled \$24,369 and \$11,974, respectively.

Year Ending August 31,	Principal	Interest	Total
2007	\$ 1,165,000	\$ 17,156	\$ 1,182,156
2008	180,000	2,025	182,025
Total	<u>\$ 1,345,000</u>	<u>\$ 19,181</u>	<u>\$ 1,364,181</u>

Student Union Building Fees Revenue Refunding Bonds, Series 2005

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

Bonds payable are due in annual installments varying from \$65,000 to \$640,000 with interest at 3% to 5% and the final installment due August 2025.

Year Ending August 31,	Principal	Interest	Total
2007	\$ 65,000	\$ 317,553	\$ 382,553
2008	65,000	315,603	380,603
2009	65,000	313,653	378,653
2010	360,000	311,540	671,540
2011	370,000	299,840	669,840
Beyond 5 years	<u>6,935,000</u>	<u>2,419,105</u>	<u>9,354,105</u>
Total	<u>\$ 7,860,000</u>	<u>\$ 3,977,294</u>	<u>\$ 11,837,294</u>

Limited Tax Bonds, Series 2005

- To be used for the construction and equipment of school buildings and purchase of necessary sites.
- Issued tax bonds on February 15, 2005.
- Source of revenue for debt service – ad valorem tax levy.

TEXAS SOUTHMOST COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

Year Ended August 31, 2006

8. Bonds Payable – Continued

Bonds payable are due in annual installments varying from \$855,000 to \$1,570,000 with interest at 3% to 5% and the final installment due August 2025.

Year Ending August 31,	Principal	Interest	Total
2007	\$ -	\$ 765,775	\$ 765,775
2008	-	765,775	765,775
2009	-	765,775	765,775
2010	855,000	752,950	1,607,950
2011	880,000	726,925	1,606,925
Beyond 5 years	16,630,000	5,872,127	22,502,127
Total	\$ 18,365,000	\$ 9,649,327	\$ 28,014,327

Wellness Center Revenue Bonds, Series 2005

- To finance, 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 \$360,000 to \$935,000 with interest at 3.5% to 5% and the final payment due in August 2030.

Year Ending August 31,	Principal	Interest	Total
2007	\$ -	\$ 622,556	\$ 622,556
2008	360,000	622,556	982,556
2009	370,000	609,956	979,956
2010	385,000	597,006	982,006
2011	395,000	583,531	978,531
Beyond 5 Years	8,027,860	10,619,395	18,647,255
Total	\$ 9,537,860	\$ 13,655,000	\$ 23,192,860

Limited Tax Bonds, Series 2006

- To be used for the construction and equipment of school building and the purchase of the necessary sites.
- Issued tax bonds on April 1, 2006.
- \$24,945,000, all authorized bonds have been issued.
- Source of revenue for debt service-ad valorem tax levy.

TEXAS SOUTHMOST COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended August 31, 2006

8. Bonds Payable – Continued

Bonds payable are due in annual installments varying from \$325,000 to \$4,015,000 with interest at 4% to 5% and the final installment due August 2026.

Year Ending August 31,	Principal	Interest	Total
2007	\$ 325,000	\$ 1,586,353	\$ 1,911,353
2008	-	1,147,784	1,147,784
2009	-	1,147,784	1,147,784
2010	395,000	1,139,884	1,534,884
2011	485,000	1,122,284	1,607,284
Beyond 5 Years	23,740,000	10,927,496	34,667,496
Total	\$ 24,945,000	\$ 17,071,585	\$ 42,016,585

Maintenance Tax Notes, Series 2006

- To be used for the purpose of maintenance and renovation of existing facilities.
- Issued maintenance tax notes on April 1, 2006.
- \$4,835,000, all authorized notes have been issued.
- Source of revenue for debt service –ad valorem tax levy.

Notes payable are due in annual installments varying from \$170,000 to \$365,000 with interest at 4% to 4.6% and the final installment due August 2026.

Year Ending August 31,	Principal	Interest	Total
2007	\$ -	\$ 285,460	\$ 285,460
2008	170,000	204,628	374,628
2009	180,000	197,628	377,628
2010	185,000	190,328	375,328
2011	195,000	182,728	377,728
Beyond 5 Years	4,105,000	1,522,020	5,627,020
Total	\$ 4,835,000	\$ 2,582,792	\$ 7,417,792

TEXAS SOUTHMOST COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended August 31, 2006

8. Bonds Payable – Continued

Combined Fee Revenue Refunding and Improvement Bonds, Series 2006

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

Notes payable are due in annual installments varying from \$80,000 to \$430,000 with interest at 3.6% to 4.55% and the final installment due August 2031.

Year Ending August 31,	Principal	Interest	Total
2007	\$ 80,000	\$ 371,332	\$ 451,332
2008	165,000	285,223	450,223
2009	170,000	279,241	449,241
2010	175,000	273,036	448,036
2011	180,000	266,561	446,561
Beyond 5 Years	5,820,000	3,168,799	8,988,799
Total	\$ 6,590,000	\$ 4,644,192	\$ 11,234,192

9. Advanced Refunding Bonds

Refunded \$4,775,000 of Combined Fee Revenue Bonds, Series 2002

- Issued refunding bonds on May 1, 2006.
- \$6,590,000, all authorized bonds have been issued.
- Revenue Bonds – Combined Fee Revenue Refunding and Improvement Bonds, Series, 2006.
- Average interest rate of bonds refunded – 5.5%.
- Net proceeds of Refunding Series -- \$7,415,217; after payment of \$131,800 in underwriting fees, insurance, and other issue costs.
- The Combined Fee Revenue Bonds, Series 2002 are considered fully defeased and the liability of those bonds has been removed from the Investment in Plant Fund Group. At year end, there were no defeased bonds outstanding.
- Economic Gain – \$1,258,139 difference between the net present value of the old and new debt service payments.
- Accounting Gain – \$533,393 accounting gain was resulted from the advanced refunding.

TEXAS SOUTHMOST COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended August 31, 2006

10. Defeased Bonds Outstanding

In prior years, the District has defeased various bond issues by creating separate irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase U.S government securities that were placed in the trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the statement of net assets. As of August 31, 2006, the amount of defeased debt outstanding but removed from the statement of net assets is as follows:

<u>Bond Issue</u>	<u>Year Refunded</u>	<u>Par Value Outstanding</u>
Refunding Tax Bonds Series 1994	2004	\$ 1,410,000
Student Fees Revenue Bonds Series 2000	2005	<u>7,110,000</u>
Total		<u>\$ 8,520,000</u>

11. Employees' Retirement Plan

The State of Texas has joint contributory retirement plans for almost all its employees. One of the primary plans in which the College participates is administered by the Teacher Retirement System of Texas. The percentages of participant salaries currently contributed by the state and by each participant are 6.0% and 6.65%, respectively, of annual compensation.

The Teacher Retirement System does not separately account for each of its component government agencies because it bears sole responsibility for retirement commitments beyond contributions fixed by the Legislature.

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. The percentages of participant salaries currently contributed by the state and each participant are 6.0% and 6.65%, respectively. The College 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 College was \$25,793 and \$18,072 for the fiscal years ended August 31, 2006 and 2005, respectively. This amount represents the portion of expended appropriations made by the State Legislature on behalf of the College.

The total payroll for all College employees was \$429,880 and \$286,349 for fiscal years 2006 and 2005, respectively. The total payroll of employees covered by the Teacher Retirement System was \$397,080 and \$229,162 for fiscal years 2006 and 2005, respectively, and the total payroll of employees covered by the Optional Retirement System was \$32,800 and \$72,043 for fiscal years 2006 and 2005, respectively.

TEXAS SOUTHMOST COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

Year Ended August 31, 2006

12. **Deferred Compensation Program**

College 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, 2006, the College did not have any employees participating in a deferred compensation program.

13. **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. Employees who have completed six months of continuous employment are entitled to be paid for any unused vacation upon termination of employment. The College recognized the accrued liability for the unpaid annual leave for in the amounts of \$39,308 for 2006 and \$32,421 for 2005. Sick leave is earned at the rate of 8 hours per month and may accumulate to a maximum of 60 working days. The College's policy is to recognize the cost of sick leave when paid.

14. **Pending Lawsuits and Claims**

On August 31, 2006, there were no lawsuits or claims involving Texas Southmost College.

15. **Disaggregation of Receivables and Payables Balances**

Receivables

Receivables at August 31, 2006 and 2005 were as follows:

	<u>2006</u>	<u>2005</u>
Taxes Receivable	\$ 1,891,579	\$ 1,696,685
Federal Receivable	195,031	228,544
Accounts Receivable	40,563	72,416
Accrued interest receivables	575,036	231,523
Other Receivable – Due from UTB	<u>12,627,412</u>	<u>11,024,708</u>
Subtotal	<u>15,329,621</u>	<u>13,253,876</u>
Allowance for Doubtful Accounts	<u>94,580</u>	<u>84,834</u>
TOTAL RECEIVABLES	<u>\$ 15,235,041</u>	<u>\$ 13,169,042</u>

TEXAS SOUTHMOST COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended August 31, 2006

15. **Disaggregation of Receivables and Payables Balances – Continued**

Payables

Payables at August 31, 2006 and 2005 were as follows:

	<u>2006</u>	<u>2005</u>
Vendors Payable	\$ 1,671,007	\$ 61,390
Salaries and Benefits Payable	-	7,882
Other Payable – Due to UTB	<u>678,059</u>	<u>1,033,391</u>
Subtotal	<u>2,349,066</u>	<u>1,102,663</u>
Allowance for Doubtful Accounts	<u>-</u>	<u>-</u>
TOTAL PAYABLES	<u>\$ 2,349,066</u>	<u>\$ 1,102,663</u>

16. **Contract and Grant Awards**

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 institution has not yet performed services are not included in the financial statements. There were no contracts or grants awarded during fiscal year 2006 and 2005 for which monies have not been received nor funds expended.

17. **Self-Insured Plans**

The College 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.

18. **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. At August 31, 2006 the College did not have any retired employees participating in post-retirements health care and life insurance benefits.

TEXAS SOUTHMOST COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

Year Ended August 31, 2006

19. Ad Valorem Tax

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

At August 31,:

	<u>2006</u>	<u>2005</u>
Assessed Valuation for the College:	\$8,461,197,202	\$7,737,975,139
Less: Exemptions	797,979,035	700,868,645
Less: Abatements	-	-
Net Assessed Valuation for the College	<u>\$7,663,218,167</u>	<u>\$7,037,106,494</u>

	<u>2006</u>			<u>2005</u>		
	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>
Authorized Tax Rate per \$100 valuation	\$.350000	\$.500000	\$.850000	\$.350000	\$.500000	\$.850000
Assessed Tax Rate per \$100 valuation	\$ 0.109161	\$ 0.053611	\$ 0.162772	\$ 0.111825	\$ 0.016957	\$.128782

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, 2006 and 2005 amounted to \$12,262,774 and \$9,062,544, respectively including any penalty and interest assessed. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed.

	<u>2006</u>			<u>2005</u>		
	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>
Current Taxes Collected	\$ 7,618,404	\$ 3,909,745	\$11,528,149	\$ 7,498,528	\$ 1,120,231	\$ 8,618,759
Delinquent Taxes Collected	\$ 567,193	\$ 107,291	\$ 674,484	\$ 357,126	\$ 72,360	\$ 429,486
Penalties and Interest Collected	\$ 294,855	\$ 87,546	\$ 382,401	\$ 245,108	\$ 49,195	\$ 294,303
Less: Discounts and Commissions	<u>\$ (236,771)</u>	<u>\$ (113,398)</u>	<u>\$ (350,169)</u>	<u>\$ (222,489)</u>	<u>\$ (34,074)</u>	<u>\$ (256,563)</u>
Total Collections	<u>\$ 8,243,681</u>	<u>\$ 3,991,184</u>	<u>\$12,234,865</u>	<u>\$ 7,878,273</u>	<u>\$ 1,207,712</u>	<u>\$ 9,085,985</u>

TEXAS SOUTHMOST COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

Year Ended August 31, 2006

19. **Ad Valorem Tax – Continued**

Tax collections for the years ended August 31, 2006 and 2005 were 72.81 percent and 94.98 percent, 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.

20. **Income Taxes**

The College 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 taxes under Internal Revenue Code Section 511 (a)(2)(B), Imposition of Tax on Unrelated Business Income of Charitable, Etc. Organizations. The College had no unrelated business income tax liability for the years ended August 31, 2006 and 2005.

21. **Risk Management**

The College is exposed to various risks of loss related to torts, theft, damage or destruction of purchased assets. The College 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.

22. **Construction Commitments**

At August 31, 2006 and 2005, Texas Southmost College had the following construction commitments:

<u>Project</u>	<u>2006 Remaining Balance</u>	<u>2005 Remaining Balance</u>
Physical Plant Metal Bldgs.	\$ 18,027	\$ -
Kraigher House Renovations	37,835	-
Chilled Water Line Replacement	71,449	-
Thermal Plant Renovations	3,214,671	-
Wellness, Recreation & Kinesiology Complex	1,160,291	-
University Boulevard Parking Lot	266,662	1,179,396
GYM Repairs	-	65,974
ITECC: Campus Cooling Tower	-	395,000
Total	<u>\$ 4,768,935</u>	<u>\$ 1,640,355</u>

TEXAS SOUTHMOST COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

Year Ended August 31, 2006

23. Grants and Contract Contingencies

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

24. Related Parties

The Texas Southmost College Foundation, Inc. is a nonprofit organization with the purpose of supporting the educational and other activities of the College. Texas Southmost College does not appoint a voting majority nor does it fund or is obligated to pay debt related to this association. The College 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 \$209,808 and \$230,028 to UTB during the years ended August 31, 2006 and 2005. The College furnished certain services, such as office space, utilities and some staff assistance, at no cost to the Foundation.

25. Prior Period Adjustment

An adjustment was made to increase accumulated depreciation by \$6,878,163 to record prior year depreciation on library books; and the "Due to UTB" was decreased by \$357,289. These net affect of these adjustments was to decrease Investment in Capital Assets by \$6,878,163 and increase Unrestricted Net Assets by \$357,289.

**INDEPENDENT AUDITOR'S 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**

Board of Trustees
Texas Southmost College District
Brownsville, Texas

We have audited the financial statements of Texas Southmost College District as of and for the year ended August 31, 2006, and have issued our report thereon dated November 7, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered Texas Southmost College District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

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

Public Funds Investment Act

We have performed tests designed to verify the College's compliance with the requirements of the Public Funds Investment Act. During the year ended August 31, 2006, no instances of noncompliance were found.

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

A handwritten signature in cursive script that reads "Long Chilton" followed by a stylized flourish.

Brownsville, Texas
November 7, 2006

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND
THE STATE OF TEXAS SINGLE AUDIT CIRCULAR**

Board of Trustees
Texas Southmost College District
Brownsville, Texas

Compliance

We have audited the compliance of Texas Southmost College District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that are applicable to each of its major federal programs and the State of Texas Single Audit Circular that are applicable to each of its major state programs for the year ended August 31, 2006. The College's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal and state programs is the responsibility of the College's management. Our responsibility is to express an opinion on the College's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the State of Texas Single Audit Circular. Those standards, OMB Circular A-133 and 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 College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the College's compliance with those requirements.

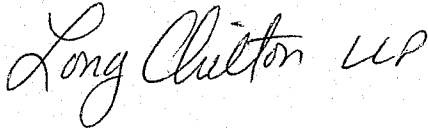
In our opinion, Texas Southmost College complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal and state programs for the years ended August 31, 2006.

Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal or state program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

A handwritten signature in cursive script that reads "Long Clifton LLP".

Brownsville, Texas
November 7, 2006

TEXAS SOUTHMOST COLLEGE DISTRICT

SCHEDULE OF OPERATING REVENUES

Year Ended August 31, 2006 (With Memorandum Totals for the Year Ended August 31, 2005)

	Unrestricted	Restricted	Total Educational Activities	Auxiliary Enterprises	2006 Total	2005 Total
Tuition:						
State funded credit courses:						
In-district resident tuition	\$ 4,926,125	\$ -	\$ 4,926,125	\$ -	\$ 4,926,125	\$ 4,323,570
Out-of-district resident tuition	1,601,546	-	1,601,546	-	1,601,546	1,004,320
Non-resident tuition	1,310,835	-	1,310,835	-	1,310,835	1,148,992
TPEG – credit (set aside) *	342,768	-	342,768	-	342,768	325,111
State-funded continuing education						
TPEG – non-credit (set aside)*	-	-	-	-	-	-
Non-state funded educational programs	-	-	-	-	-	-
Total Tuition	<u>8,181,274</u>	<u>-</u>	<u>8,181,274</u>	<u>-</u>	<u>8,181,274</u>	<u>6,801,993</u>
Fees:						
Distance learning fee	-	-	-	-	-	-
Installment plan fees	-	-	-	-	-	-
Non-instructional contract training fees	14,297,617	1,351,252	15,648,869	1,774,016	17,422,885	13,870,791
Prior year tuition and fees	-	-	-	-	-	-
Total Fees	<u>14,297,617</u>	<u>1,351,252</u>	<u>15,648,869</u>	<u>1,774,016</u>	<u>17,422,885</u>	<u>13,870,791</u>
Scholarship Allowances and Discounts:						
Remissions and exemptions – state	-	-	-	-	-	-
Remissions and exemptions – local	(1,478,733)	-	(1,478,733)	-	(1,478,733)	(887,517)
Reduced tuition paid	(43,500)	-	(43,500)	-	(43,500)	(62,700)
Title IV federal grant	-	-	-	-	-	-
Other federal grants	-	-	-	-	-	-
TPEG awards	(327,364)	-	(327,364)	-	(327,364)	(322,726)
Other state grants	-	-	-	-	-	-
Rising Star program	-	-	-	-	-	-
Other local grants	-	-	-	-	-	-
Total Scholarship Allowances	<u>(1,849,597)</u>	<u>-</u>	<u>(1,849,597)</u>	<u>-</u>	<u>(1,849,597)</u>	<u>(1,272,943)</u>
Total net tuition and fees	<u>20,629,294</u>	<u>1,351,252</u>	<u>21,980,546</u>	<u>1,774,016</u>	<u>23,754,562</u>	<u>19,399,841</u>
Additional Operating Revenues:						
Federal grants and contracts	-	916,007	916,007	-	916,007	869,082
State grants and contracts	-	3,073,616	3,073,616	-	3,073,616	2,571,007
Local grants and contracts	-	391,678	391,678	-	391,678	433,976
Non-governmental grants and contracts	-	-	-	-	-	-
Sales and services of educational activities	-	-	-	-	-	-
General operating revenues	45,550	-	45,550	-	45,550	57,235
Total additional operating revenues	<u>45,550</u>	<u>4,381,301</u>	<u>4,426,851</u>	<u>-</u>	<u>4,426,851</u>	<u>3,931,300</u>
Auxiliary Enterprises:						
Bookstore	-	-	-	-	-	-
Less Discounts	-	-	-	-	-	-
Food Service	-	-	-	-	-	-
Center for Educational Telecommunications	-	-	-	-	-	-
Business Incubation Center	-	-	-	-	-	-
Universities Center	-	-	-	-	-	-
Student Programs	-	-	-	345,640	345,640	336,811
Total net auxiliary enterprises	<u>-</u>	<u>-</u>	<u>-</u>	<u>345,640</u>	<u>345,640</u>	<u>336,811</u>
Total Operating Revenues	<u>\$ 20,674,844</u>	<u>\$ 5,732,553</u>	<u>\$ 26,407,397</u>	<u>\$ 2,119,656</u>	<u>\$ 28,527,053</u>	<u>\$ 23,667,952</u>
					(Exhibit 2)	(Exhibit 2)

* In accordance with Education Code 56.033, \$342,768 and \$325,111 for years August 31, 2006 and 2005, respectively, of tuition was set aside for Texas Public Education grants (TPEG).

TEXAS SOUTHMOST COLLEGE DISTRICT

SCHEDULE OF OPERATING EXPENSES BY OBJECT

Year Ended August 31, 2006 (With Memorandum Totals for the Year Ended August 31, 2005)

	Operating Expenses					2006 Total	2005 Total
	Salaries and Wages	Benefits		Other Expenses			
		State	Local				
Unrestricted – Educational Activities							
Instruction	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public Service	-	-	-	-	-	-	-
Academic Support	-	-	-	-	-	-	-
Student Services	-	-	-	-	-	-	-
Institutional Support	398,993	-	71,506	1,269,163	1,739,662	1,675,074	
Operation and Maintenance of Plant	-	-	-	1,704,455	1,704,455	1,110,738	
Scholarships and Fellowships	-	-	-	-	-	-	-
Contract Services – UTB	-	-	-	40,256,696	40,256,696	35,814,126	
Total Unrestricted Educational Activities	398,993	-	71,506	43,230,314	43,700,813	38,599,938	
Restricted – Educational Activities							
Instruction	-	-	-	-	-	-	-
Public Service	-	-	-	-	-	-	-
Academic Support	-	-	-	-	-	-	-
Student Services	-	-	-	-	-	-	-
Institutional Support	-	-	-	-	-	-	-
Operation and Maintenance of Plant	-	-	-	-	-	-	-
Scholarships and Fellowships	-	-	-	-	-	-	-
Total Restricted Educational Activities	-	-	-	-	-	-	-
Total Educational Activities	398,993	-	71,506	43,230,314	43,700,813	38,599,938	
Auxiliary Enterprises	58,054	-	15,721	612,958	686,733	526,633	
Depreciation Expense – Buildings and other real estate improvements	-	-	-	1,370,488	1,370,488	1,227,093	
Depreciation Expense – Equipment and furniture	-	-	-	811,422	811,422	251,802	
Total Operating Expenses	\$ 457,047	\$ -	\$ 87,227	\$ 46,025,182	\$ 46,569,456	\$ 40,605,466	
					(Exhibit 2)	(Exhibit 2)	

TEXAS SOUTHMOST COLLEGE DISTRICT

SCHEDULE OF NON-OPERATING REVENUES AND EXPENSES

Year Ended August 31, 2006 (With Memorandum Totals for the Year Ended August 31, 2005)

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Auxiliary Enterprises</u>	<u>2006 Total</u>	<u>2005 Total</u>
NON-OPERATING REVENUES:					
State Appropriations:					
Education and general state support	\$ 12,269,816	\$ -	\$ -	\$ 12,269,816	\$ 10,842,363
State group insurance	-	-	-	-	1,173,915
State retirement matching	-	-	-	-	-
Remedial education	-	-	-	-	-
Nursing growth	786	-	-	786	869
Total State Appropriations	<u>12,270,602</u>	<u>-</u>	<u>-</u>	<u>12,270,602</u>	<u>10,843,232</u>
Maintenance ad valorem taxes	8,243,681	-	-	8,243,681	7,878,273
Debt service ad valorem taxes	3,991,184	-	-	3,991,184	1,207,712
Donations	-	988,476	-	988,476	-
Disposition of fixed assets	-	(552,407)	-	(552,407)	-
Investment income	170,976	1,922,757	-	2,093,733	689,732
Gain on sale of investment	-	-	-	-	-
Contributions in aid of construction	-	-	-	-	-
Gain on disposal of capital assets	-	-	-	-	-
Other non-operating revenue	79,861	-	-	79,861	84,552
	<u>12,485,702</u>	<u>2,358,826</u>	<u>-</u>	<u>14,844,528</u>	<u>9,860,269</u>
Total non-operating revenues	25,021,397	2,093,733	-	27,115,130	20,703,501
NON-OPERATING EXPENSES:					
Interest on capital related debt	-	2,415,978	-	2,415,978	961,286
Other non-operating expense	54,050	-	-	54,050	28,773
Total non-operating expenses	<u>54,050</u>	<u>2,415,978</u>	<u>-</u>	<u>2,470,028</u>	<u>990,059</u>
Net non-operating revenues	<u>\$ 24,967,347</u>	<u>\$ (322,245)</u>	<u>\$ -</u>	<u>\$ 24,645,102</u>	<u>\$ 19,713,442</u>
				(Exhibit 2)	(Exhibit 2)

Available for Current Operations

<u>Yes</u>	<u>No</u>
\$ 4,169,068	\$ -
-	-
118,142	-
-	-
-	31,349
-	-
65,327	-
-	-
-	-
-	-
1,931,843	-
446,691	-
-	6,238,343
<u>42,925,888</u>	<u>-</u>
\$ 49,656,959	\$ 6,269,692
<u>51,879,530</u>	<u>3,733,771</u>
<u>-</u>	<u>-</u>
<u>\$ (2,222,571)</u>	<u>\$ 2,535,921</u>

TEXAS SOUTHMOST COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended August 31, 2006

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Pass-Through Disbursements and Expenditures
<u>U.S. Department of Agriculture</u>			
<i>Passed Through Texas Department of Human Services:</i>			
<i>Passed through to University of Texas – Brownsville</i>			
Child Care Food Program	10.558	75G7033	\$ <u>12,990</u>
<u>U.S. Department of Education</u>			
<i>Passed Through Texas Higher Education Coordinating Board:</i>			
<i>Passed through to University of Texas – Brownsville</i>			
Carl D. Perkins – Vocational Education	84.048	44246	831,477
Leveraging Educational Assistance Partnership	84.069A	-	18,404
Special Leveraging Educational Assistance Partnership	84.069B	-	<u>30,621</u>
Total Department of Education			<u>880,502</u>
<u>U.S. Department of Human Services</u>			
<i>Passed Through Texas Migrant Authority, Inc.:</i>			
<i>Passed through to University of Texas – Brownsville</i>			
Child Day Care Center	93.667	031-0006	<u>22,515</u>
Total Federal Awards Expended			<u>\$ 916,007</u>

Notes to the Schedule on the following page.

TEXAS SOUTHMOST COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS – CONTINUED

For The Year Ended August 31, 2006

<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>Note 1: Federal Assistance Reconciliation</u>			
Federal revenue received by Texas Southmost College			
Federal grants and contracts – per schedule			\$ 916,008
Federal revenue received by University of Texas at Brownsville			15,054,014
Total Federal Revenue			<u>\$ 15,970,022</u>

Note 2: Significant Accounting Policies used in Preparing the Schedule

The expenditures included in the schedule are reported for the College's fiscal year. Expenditure reports to funding agencies are prepared on the award period basis. The expenditures reported above represent funds which have been expended by the College 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 College has followed all applicable guidelines issued by various entities in the preparation of the schedule.

Note 3: Expenditures from Federal Funds Received by UTB

The following federal funds were not subject to a federal single audit of Texas Southmost College:

<u>Program Name</u>			
Federal Pell Gant Program	84.063	-	\$ 14,382,330
SEOG	84.007	-	305,921
Federal Work Study Program	84.033	-	<u>365,763</u>
			<u>\$ 15,054,014</u>

These funds were not subject to a federal single audit at Texas Southmost College because the University of Texas at 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.

TEXAS SOUTHMOST COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS – CONTINUED

For The Year Ended August 31, 2006

<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>
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Note 4: Subrecipients

Under a partnership agreement with the University of Texas – Brownsville (UTB), UTB agreed to receive, administer, spend and comply with the grant requirements of all federal grants. All of the expenditures presented in the schedule with the exception of the Public Works and Development Facilities Grant 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 College.

The College is the primary recipient of an Endowment Challenge Grant from the Department of Education which was passed-through to the Texas Southmost College Foundation, Inc. Under the grant's guidelines the corpus plus 50% of the aggregate earnings are restricted for a 20 year period ending June 2009.

<u>Program Title</u>	<u>CFDA No.</u>	<u>Amount</u>
Title III Endowment College Grant Program	84.031	\$5,753,725

TEXAS SOUTHMOST COLLEGE DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
 For The Year Ended August 31, 2006

<u>Grantor Agency/Program Title</u>	<u>Number</u>	<u>Expenditures</u>
Texas Higher Education Coordinating Board Texas Grant Program	-	\$ 1,419,540
Texas College Work Study	-	127,540
Texas B-On Time Program	-	13,477
Texas Educational Opportunity Grant	-	153,485
Total State Awards Expended	-	<u>\$ 1,714,041</u>

Note 1: State Assistance Reconciliation

State revenues per Schedule of Expenditures of State Awards	
State financial assistance	\$ 1,714,041
Lease payments from University of Texas – Brownsville	<u>1,359,575</u>
Total State Revenues per Schedule A	<u>\$ 3,073,616</u>

Note 2: Significant Accounting Policies used in Preparing the Schedule

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

Note 3: Subrecipients

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

TEXAS SOUTHMOST COLLEGE DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS – FEDERAL/STATE AWARDS

Year Ended August 31, 2006

I. SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Reportable condition(s) identified that are not considered to be material weaknesses? Yes None Reported
- Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Reportable condition(s) identified that are not considered to be material weaknesses? Yes None Reported

State Awards

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Reportable condition(s) identified that are not considered to be material weaknesses? Yes None Reported

Type of auditors' report issued on compliance for major programs: Unqualified

- Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? Yes No

TEXAS SOUTHMOST COLLEGE DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS – FEDERAL/STATE AWARDS – CONTINUED
 Year Ended August 31, 2006

I. SUMMARY OF INDEPENDENT AUDITOR'S RESULTS – CONTINUED

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal/State Program or Cluster</u>
84.048	Federal – Carl D. Perkins
N/A	State – Texas Grant Program

Dollar threshold used to distinguish between
 type A and type B programs

\$ 300,000

Auditee qualified as low-risk auditee?

Yes No

II. FINANCIAL STATEMENT FINDINGS

A. Reportable Conditions in Internal Control

No matters were reported

B. Compliance Findings

No matters were reported

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL/STATE AWARDS

No matters were reported

TEXAS SOUTHMOST COLLEGE DISTRICT

SCHEDULE OF CORRECTIVE ACTION FOR AUDIT FINDING AND QUESTIONED COSTS
For The Year Ended August 31, 2006

This schedule is not applicable.

TEXAS SOUTHMOST COLLEGE

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For The Year Ended August 31, 2006

None noted in prior year.

STATISTICAL SUPPLEMENT

Texas Southmost College
 Statistical Supplement I
 Net Assets by Component
 Fiscal Years 2002 to 2006
 (unaudited)
 (amounts expressed in thousands)

For the Fiscal Year Ended August 31,

	2006	2005	2004	2003	2002
Invested in capital assets, net of related debt	\$42,925,888	\$25,473,960	\$42,646,742	\$36,019,942	\$32,101,693
Restricted - expendable	8,800,346	27,725,294	7,701,986	10,608,833	7,739,553
Unrestricted	4,200,417	2,645,572	2,720,170	2,508,789	2,858,004
Total primary government net assets	\$ 55,926,651	\$ 55,844,826	\$ 53,068,898	\$ 49,137,564	\$ 42,699,250

Note: Due to reporting format and definition changes prescribed by GASB Statement 34, only fiscal years 2002-2006 are available.

Texas Southmost College
Statistical Supplement 2
Revenues by Source
Fiscal Years 2002 to 2006
(unaudited)

For the Year Ended August 31,					
(amounts expressed in thousands)					
	2006	2005	2004	2003	2002
Tuition and Fees (Net of Discounts)	\$23,754,562	\$19,399,841	\$15,309,239	\$6,112,863	\$5,663,423
Governmental Grants and Contracts					
Federal Grants and Contracts	916,007	869,082	1,005,612	14,057,456	11,624,791
State Grants and Contracts	3,083,616	2,571,007	2,473,345	3,081,108	2,629,805
Local Grants and Contracts	381,678	433,976	59,098	-	-
Non-Governmental Grants and Contracts	0	0	1,393,286	4,759,617	370,397
Auxiliary enterprises	345,640	336,811	547,432	742,322	579,237
Other Operating Revenues	45,550	57,235	201,051	236,688	233,491
Total Operating Revenues	28,527,053	23,667,952	20,989,063	28,990,054	21,101,144
State Appropriations	12,270,602	10,843,232	12,016,457	12,768,785	13,165,590
Ad Valorem Taxes	12,234,865	9,085,985	8,466,056	7,692,138	7,256,160
Investment income	2,093,733	689,732	401,080	446,359	483,235
Other non-operating revenues	515,930	84,552	611,005	-	-
Total Non-Operating Revenues	27,115,130	20,703,501	21,494,598	20,907,282	20,904,985
Total Revenues	\$ 55,642,183	\$ 44,371,453	\$ 42,483,661	\$ 49,897,336	\$ 42,006,129

For the Year Ended August 31,					
(amounts expressed in thousands)					
	2006	2005	2004	2003	2002
Tuition and fees (net of discounts)	42.69%	43.72%	36.04%	12.25%	13.48%
Governmental grants and contracts					
Federal grants and contracts	1.65%	1.96%	2.37%	28.17%	27.67%
State grants and contracts	5.54%	5.79%	5.82%	6.17%	6.26%
Local grants and contracts	0.69%	0.98%	0.14%	0.00%	0.00%
Non-governmental grants and contracts	0.00%	0.00%	3.28%	9.54%	0.88%
Auxiliary enterprises	0.62%	0.76%	1.29%	1.49%	1.38%
Other operating revenues	0.08%	0.13%	0.47%	0.47%	0.56%
Total Operating Revenues	51.27%	53.34%	49.41%	58.10%	50.23%
State appropriations	22.05%	24.44%	28.28%	25.59%	31.34%
Ad valorem taxes	21.99%	20.48%	19.93%	15.42%	17.27%
Investment income	3.76%	1.55%	0.94%	0.89%	1.15%
Other non-operating revenues	0.93%	0.19%	1.44%	0.00%	0.00%
Total Non-Operating Revenues	48.73%	46.66%	50.59%	41.90%	49.77%
Total Revenues	100.00%	100.00%	100.00%	100.00%	100.00%

Note: Due to reporting format and definition changes prescribed by GASB Statement 34, only fiscal years 2002-2006 are available. In FY2004, as a result of our partnership with The University of Texas at Brownsville, a change in functional classification reporting was implemented whereby this reporting will be done at the partnership level.

Texas Southmost College
Statistical Supplement 3
Program Expenses by Function
Fiscal Years 2002 to 2006
(unaudited)

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

	2006	2005	2004	2003	2002
Instruction	\$0	\$0	\$0	\$13,700,777	\$18,360,073
Research	-	-	-	-	-
Public service	-	-	-	649,697	1,721,211
Academic support	-	-	-	4,076,422	2,016,359
Student services	-	-	-	4,896,742	2,339,851
Institutional support	1,742,062	1,675,074	1,763,905	6,730,881	5,044,218
Operation and maintenance of plant	1,296,191	1,110,738	1,280,925	3,375,284	2,863,841
Scholarships and fellowships	-	-	-	5,668,667	3,479,593
Auxiliary enterprises	686,733	526,633	1,183,702	1,556,738	1,500,353
Depreciation	2,181,910	1,478,895	1,327,481	1,257,306	1,109,660
Contracted services with UTB	40,662,560	35,814,126	32,626,780	-	-
Total Operating Expenses	46,569,456	40,605,466	38,182,793	41,912,514	38,435,159
Interest on capital related debt	-	961,286	912,383	1,652,778	1,285,962
Other non-operating expenses	-	28,773	23,322	-	9,932
Total Non-Operating Expenses	-	990,059	935,705	1,652,778	1,295,894
Total Expenses	\$ 46,569,456	\$ 41,595,525	\$ 39,118,498	\$ 43,565,292	\$ 39,731,053

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

	2006	2005	2004	2003	2002
Instruction	0.00%	0.00%	0.00%	31.45%	46.21%
Research	0.00%	0.00%	0.00%	0.00%	0.00%
Public service	0.00%	0.00%	0.00%	1.49%	4.33%
Academic support	0.00%	0.00%	0.00%	9.36%	5.08%
Student services	0.00%	0.00%	0.00%	11.24%	5.89%
Institutional support	3.74%	4.03%	4.51%	15.45%	12.70%
Operation and maintenance of plant	2.78%	2.67%	3.27%	7.75%	7.21%
Scholarships and fellowships	0.00%	0.00%	0.00%	13.01%	8.76%
Auxiliary enterprises	1.47%	1.27%	3.03%	3.57%	3.78%
Depreciation	4.69%	3.56%	3.39%	2.89%	2.79%
Contracted services with UTB	87.32%	86.10%	83.40%	0.00%	0.00%
Total Operating Expenses	100.00%	97.62%	97.61%	96.21%	96.74%
Interest on capital related debt	0.00%	2.31%	2.33%	3.79%	3.24%
Loss on disposal of fixed assets	0.00%	0.07%	0.06%	0.00%	0.02%
Total Non-Operating Expenses	0.00%	2.38%	2.39%	3.79%	3.26%
Total Expenses	100.00%	100.00%	100.00%	100.00%	100.00%

Note: Due to reporting format and definition changes prescribed by GASB Statement 34, only fiscal years 2002-2006 are available. In FY2004, as a result of our partnership with The University of Texas at Brownsville, a change in functional classification reporting was implemented whereby this reporting will be done at the partnership level.

Texas Southmost College Statistical Supplement 4 Tuition and Fees Last Ten Academic Years (unaudited)	Resident														Non - Resident																	
	Fees per Semester Credit Hour (SCH) and per Student														Fees per Semester Credit Hour (SCH) and per Student																	
Academic Year (FY)	In-District Tuition	Out-of-District Tuition	Building Use	Student Service	Student Union (per student)	Computer Use	Records Fee (per student)	Automated (per student)	Advising (per student)	Library Fee	International Education (per student)	Medical Services (per student)	Student Recreation (per student)	Cost for 12 SCH In-District	Increase from Prior Year In-District	Increase from Prior Year Out-of-District	Non-Resident Tuition Out of State	Non-Resident Tuition International	Building Use	Student Service	Student Union (per student)	Computer Use	Records Fee (per student)	Automated (per student)	Advising (per student)	Library Fee	International Education (per student)	Medical Services Fees (per student)	Student Recreation (per student)	Cost for 12 SCH Out of State	Increase from Prior Year Out of State	Increase from Prior Year International
2005	\$ 31	\$ 50	44	10	41.56	10	10	30	25	2	2	20	79	\$ 1,372	16.77%	14.05%	\$ 326	\$ 326	44	10	41.56	10	10	30	25	2	2	20	79	\$ 4,912	9.18%	9.18%
2004	28	48	38	10	41.56	10	10	30	25	2	2	20	79	1,175	20.28%	17.61%	306	306	38	10	41.56	10	10	30	25	2	2	20	79	4,499	11.78%	11.78%
2003	28	46	32	10	41.56	5	5	30	25	2	2	20	79	977	12.43%	12.43%	282	282	32	10	41.56	5	5	30	25	2	2	20	79	4,025	8.76%	8.76%
2002	26	42	25	10	41.56	5	5	30	25	2	2	20	79	869	3.30%	0.36%	282	282	25	10	41.56	5	5	30	25	2	2	20	79	3,701	3.11%	3.11%
2001	24	42	25	10	37.78	5	5	30	25	2	2	20	79	841	17.76%	12.19%	253	253	25	10	37.78	5	5	30	25	2	2	20	79	3,589	2.60%	2.60%
2000	23	42	18	9.10	37.78	5	5	10	25	2	2	20	79	714	0.37%	0.37%	253	253	18	9.10	37.78	5	5	10	25	2	2	20	79	3,498	0.44%	0.44%
1999	22	42	18	9.10	34.35	5	5	10	25	2	2	20	79	689	8.81%	4.98%	254	254	18	9.10	34.35	5	5	10	25	2	2	20	79	3,453	3.10%	3.10%
1998	21	42	18	8.25	34.35	5	5	10	25	2	2	20	79	642	1.50%	0.00%	249	249	18	8.25	34.35	5	5	10	25	2	2	20	79	3,378	0.38%	0.38%
1997	20	42	18	8.25	34.35	5	5	10	25	2	2	20	79	630	1.54%	0.00%	248	248	18	8.25	34.35	5	5	10	25	2	2	20	79	3,366	0.72%	0.72%
1996	19	42	18	8.25	34.35	5	5	10	25	2	2	20	79	619			246	246	18	8.25	34.35	5	5	10	25	2	2	20	79	3,342		

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

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

Fiscal Year	(amounts expressed in thousands)			Ratio of Taxable Assessed Value to Assessed Value	Direct Rate		
	Assessed Valuation of Property	Less: Exemptions	Taxable Assessed Value (TAV)		Maintenance & Operations (a)	Debt Service (a)	Total (a)
2005-06	9,801,255,522	1,014,429,536	8,786,825,986	89.65%	\$ 0.109161	\$ 0.053611	\$ 0.162772
2004-05	8,461,197,202	797,979,035	7,663,218,167	90.57%	0.111825	0.016957	0.128782
2003-04	7,737,975,139	700,868,645	7,037,106,494	90.94%	0.112041	0.019359	0.131400
2002-03	6,861,888,479	608,058,623	6,253,829,856	91.14%	0.110120	0.021280	0.131400
2001-02	6,370,265,887	560,124,453	5,810,141,434	91.21%	0.108835	0.022565	0.131400
2000-01	5,842,242,809	540,161,957	5,302,080,852	90.75%	0.105841	0.025559	0.131400
1999-00	5,302,263,192	510,421,568	4,791,841,624	90.37%	0.096311	0.025715	0.122026
1998-99	4,944,006,077	489,425,756	4,454,580,321	90.10%	0.097740	0.028345	0.126085
1997-98	4,581,977,748	478,405,329	4,103,572,419	89.56%	0.055111	0.032878	0.087989
1996-97	4,259,701,126	446,872,135	3,812,828,991	89.51%	0.055605	0.034154	0.089759

Source: Cameron County Appraisal District
 Notes: Property is assessed at full market value.
 (a) per \$100 Taxable Assessed Valuation

Texas Southmost College
 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
2005-06	\$ 12,270	5,661	\$ 2,167	2,654	1,097	3,750.983	\$ 3.27
2004-05	10,842	5,253	2,064	2,705	965	3,670.534	2.95
2003-04	10,843	4,955	2,188	2,667	939	3,605.958	3.01
2002-03	10,840	4,537	2,389	2,409	1,039	3,448.559	3.14
2001-02	11,656	4,056	2,874	2,283	806	3,088.209	3.77
2000-01	11,954	4,243	2,817	2,350	753	3,102.407	3.85
1999-00	11,648	4,440	2,623	2,376	665	3,041.815	3.83
1998-99	10,763	4,003	2,689	2,190	870	3,060.692	3.52
1997-98	10,351	4,129	2,507	2,187	989	3,176.020	3.26
1996-97	9,274	4,146	2,237	2,357	768	3,125.645	2.97

Notes:

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

- (a) Source CBM004
- (b) Source CBM00C

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

Taxpayer	Type of Business	Taxable Assessed Value (TAV) by Tax Year (\$000 omitted)									
		2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
TRICO PRODUCTS CORP	Manufacturing	\$ 39,556,907	\$ 36,506,957	\$ 30,379,707	\$ 28,303,378	\$ 26,548,626	\$ 36,095,437	\$ 34,874,962	\$ 34,003,588	\$ 37,047,255	Not Available
CBL/SUNRISE COMMONS LP	Retail	38,706,222	36,469,106	30,350,833	-	-	-	-	-	-	Not Available
SOUTHWESTERN BELL TELEPHONE CO	Utility	36,176,400	36,855,373	34,792,665	38,577,490	41,436,230	41,496,050	39,491,800	38,045,050	39,793,210	Not Available
COLUMBIA VALLEY HEALTHCARE SYS LP	Service	35,014,370	35,077,650	35,077,650	34,121,106	34,560,954	35,560,609	32,277,205	31,823,988	20,474,790	Not Available
AEP TEXAS CENTRAL CO	Utility	27,168,280	31,919,902	22,660,846	21,460,740	17,099,680	15,695,630	-	-	-	Not Available
TITAN WHEEL INTERNATIONAL INC	Manufacturing	23,765,286	20,200,826	31,029,544	36,538,195	37,014,454	36,882,132	33,482,283	23,717,397	-	Not Available
WAL-MART STORES INC	Retail	20,393,172	17,363,910	18,161,854	17,532,355	18,043,365	-	16,881,362	17,085,295	18,536,747	Not Available
H E BUTT GROCERY CO	Retail	17,264,868	17,765,179	17,881,326	18,014,354	19,468,778	19,720,502	28,219,261	22,844,972	21,354,301	Not Available
KEPPEL AMPFELS	Shipyard	15,018,397	16,018,397	16,497,975	15,057,820	15,057,820	15,399,145	24,638,425	24,281,056	-	Not Available
TRANSMONTAIGNE PRODUCT SERVICE INC	-	15,886,921	-	-	-	-	-	-	-	-	Not Available
WAL-MART STORES EAST INC	Retail	-	15,840,854	-	-	-	-	-	-	-	Not Available
TEXAS AND KANSAS CITY CABLE PARTNERS	-	-	-	15,662,120	15,478,710	-	-	-	-	-	Not Available
BROWNSVILLE MEDICAL CENTER	Service	-	-	-	15,825,679	15,825,679	15,736,638	24,834,879	22,422,419	21,497,330	Not Available
VF IMAGEWEAR (EAST) INC	-	-	-	-	27,430,063	-	-	-	-	-	Not Available
RICH-SEAPAK CORP	Food Processor	-	-	-	-	-	21,870,099	24,421,468	22,101,397	16,310,366	Not Available
BROWNSVILLE SUNRISE DEVELOPERS LP	-	-	-	-	-	-	19,507,975	19,617,235	-	-	Not Available
DELPHI AUTOMOTIVE SYSTEMS LLC	Manufacturing	-	-	-	-	-	-	-	20,156,774	-	Not Available
GENERAL MOTORS CORP	Manufacturing	-	-	-	-	-	-	-	-	28,935,860	Not Available
SAINT GOBAIN PRODUCTS INC	Manufacturing	-	-	-	-	-	-	-	-	16,953,996	Not Available
OCEAN GARDEN PRODUCTS INC	-	-	-	-	-	-	-	-	-	13,928,885	Not Available
Totals		\$ 269,950,823	\$ 264,017,162	\$ 252,494,520	\$ 240,929,827	\$ 252,485,649	\$ 257,964,217	\$ 278,738,880	\$ 256,481,936	\$ 234,822,740	\$ -
Total Taxable Assessed Value		\$ 6,786,825,986	\$ 7,663,218,167	\$ 7,037,106,494	\$ 6,253,829,856	\$ 5,810,141,434	\$ 5,302,080,852	\$ 4,791,841,624	\$ 4,454,580,321	\$ 4,103,572,419	\$ 3,812,828,391

Taxpayer	Type of Business	% of Taxable Assessed Value (TAV) by Tax Year									
		2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
TRICO PRODUCTS CORP	Manufacturing	0.45%	0.48%	0.43%	0.45%	0.46%	0.68%	0.73%	0.76%	0.90%	Not Available
CBL/SUNRISE COMMONS LP	-	0.44%	0.48%	0.43%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	Not Available
SOUTHWESTERN BELL TELEPHONE CO	Utility	0.41%	0.48%	0.49%	0.62%	0.71%	0.78%	0.82%	0.85%	0.97%	Not Available
COLUMBIA VALLEY HEALTHCARE SYS LP	Service	0.40%	0.46%	0.50%	0.55%	0.59%	0.67%	0.67%	0.71%	0.50%	Not Available
AEP TEXAS CENTRAL CO	-	0.31%	0.42%	0.32%	0.34%	0.29%	0.30%	0.00%	0.00%	0.00%	Not Available
TITAN WHEEL INTERNATIONAL INC	Manufacturing	0.27%	0.26%	0.44%	0.58%	0.64%	0.70%	0.70%	0.53%	0.00%	Not Available
WAL-MART STORES INC	Retail	0.23%	0.23%	0.26%	0.28%	0.31%	-	0	0	0	Not Available
H E BUTT GROCERY CO	Retail	0.20%	0.23%	0.25%	0.29%	0	0	0	0	0	Not Available
KEPPEL AMPFELS	-	0.18%	0	0	0	0	0	0	0	-	Not Available
TRANSMONTAIGNE PRODUCT SERVICE INC	-	0.18%	0.00%	-	-	-	-	-	-	-	Not Available
WAL-MART STORES EAST INC	Retail	-	0.21%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	Not Available
TEXAS AND KANSAS CITY CABLE PARTNERS	-	-	-	0	0	-	-	-	0.00%	0.00%	Not Available
BROWNSVILLE MEDICAL CENTER	Service	-	-	-	0	0	0	0	0	0.52%	Not Available
VF IMAGEWEAR (EAST) INC	-	-	-	-	-	0	-	-	-	-	Not Available
RICH-SEAPAK CORP	-	-	-	-	-	-	0	0.51%	0.50%	0.40%	Not Available
BROWNSVILLE SUNRISE DEVELOPERS LP	-	-	-	-	-	-	0.37%	0.41%	0.00%	-	Not Available
DELPHI AUTOMOTIVE SYSTEMS LLC	Manufacturing	-	-	-	-	0.00%	0.00%	0.00%	-	0	Not Available
GENERAL MOTORS CORP	Manufacturing	-	-	-	-	0.00%	0.00%	0.00%	-	0	Not Available
SAINT GOBAIN PRODUCTS INC	Manufacturing	-	-	-	0.00%	0.00%	0.00%	-	-	0	Not Available
OCEAN GARDEN PRODUCTS INC	-	-	-	0.00%	0.00%	0.00%	-	-	-	0	Not Available
Totals		3.07%	3.45%	3.29%	3.85%	4.35%	4.87%	5.82%	5.76%	5.72%	0.00%

Source: Cameron County Appraisal District

Texas Southmost College
Statistical Supplement 8
Property Tax Levies and Collections
Last Ten Tax Years
(unaudited)
(amounts expressed in thousands)

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
2006	\$ 12,262,774		\$ 12,262,774	\$ 11,491,160	93.71%	-		11,491,160	93.71%
2005	9,062,544	(6,295)	\$ 9,056,248	8,492,378	93.77%	-	278,233	8,770,611	96.85%
2004	8,171,491	103,461	\$ 8,274,952	7,773,604	93.94%	243,591.69	93,542	8,110,738	98.02%
2003	7,634,474	(9,330)	\$ 7,625,144	7,138,365	93.62%	325,857.51	52,838	7,517,061	98.58%
2002	6,967,041	(22,882)	\$ 6,944,159	6,540,106	94.18%	310,080.64	29,060	6,879,247	99.07%
2001	6,296,480	(8,078)	\$ 6,288,402	5,922,310	94.18%	296,675.71	21,307	6,240,292	99.23%
2000	5,435,718	(15,588)	\$ 5,420,130	5,094,837	94.00%	281,707.54	13,876	5,390,420	99.45%
1999	5,168,116	(10,261)	\$ 5,157,854	4,843,577	93.91%	277,039.11	8,757	5,129,373	99.45%
1998	3,354,755	(7,474)	\$ 3,347,281	3,137,512	93.73%	186,053.85	3,346	3,326,912	99.39%
1997	3,199,876	(6,472)	\$ 3,193,404	2,986,327	93.52%	179,794.60	2,500	3,168,622	99.22%
1996	Not Available	Not Available	Not Available	Not Available	Not Available	Not Available	Not Available	Not Available	Not Available

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.

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

	For the Year Ended August 31 (amount expressed in thousands)									
	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Taxable Assessed Value	\$ 8,786,825,986	\$ 7,663,218,167	\$ 7,037,106,494	\$ 6,253,829,856	\$ 5,810,141,434	\$ 5,302,080,852	\$ 4,791,841,624	\$ 4,454,580,321	\$ 4,103,572,419	\$ 3,812,828,991
General Obligation Bonds	43,934,130	38,316,091	35,185,532	31,269,149	29,050,707	26,510,404	23,959,208	22,272,902	20,517,862	19,064,145
Statutory Tax Levy Limit for Debt Service										
Less: Funds Restricted for Repayment of General Obligation Bonds										
Total Net General Obligation Debt	43,934,130	38,316,091	35,185,532	31,269,149	29,050,707	26,510,404	23,959,208	22,272,902	20,517,862	19,064,145
Current Year Debt Service Requirements	2,570,000	1,125,000	990,000	379,140	405,859	960,000	940,000	845,000	835,000	850,000
Excess of Statutory Limit for Debt Service over Current Requirements	\$ 41,364,130	\$ 37,191,091	\$ 34,195,532	\$ 30,890,009	\$ 28,644,848	\$ 25,550,404	\$ 23,019,208	\$ 21,427,902	\$ 19,682,862	\$ 18,214,145
Net Current Requirements as a % of Statutory Limit	5.85%	2.94%	2.81%	1.21%	1.40%	3.62%	3.92%	3.79%	4.07%	4.46%

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
 Statistical Supplement 9
 Ratios of Outstanding Debt
 Last Ten Fiscal Years
 (unaudited)

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

	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
General Bonded Debt										
General obligation bonds	\$ 49,490	\$ 22,280	\$ 3,600	\$ 4,590	\$ 4,969	\$ 5,375	\$ 6,335	\$ 7,275	\$ 8,120	\$ 8,955
Notes										
Less: Funds restricted for debt service										
Net general bonded debt	\$ 49,490	\$ 22,280	\$ 3,600	\$ 4,590	\$ 4,969	\$ 5,375	\$ 6,335	\$ 7,275	\$ 8,120	\$ 8,955
Other Debt										
Revenue bonds	\$ 28,875	\$ 13,715	\$ 13,220	\$ 13,505	\$ 13,730	\$ 8,885	\$ 9,025	\$ -	\$ -	\$ -
Total Outstanding Debt	\$ 78,365	\$ 35,995	\$ 16,820	\$ 18,095	\$ 18,699	\$ 14,260	\$ 15,360	\$ 7,275	\$ 8,120	\$ 8,955

(The amounts for Other Debt are not from Exhibit 1 of Sample CC. They are for illustration only)

General Bonded Debt Ratios										
Per Capita	\$ 269.44	\$ 121.30	\$ 19.60	\$ 24.99	\$ 27.05	\$ 29.26	\$ 34.49	\$ 39.61	\$ 44.21	\$ 48.75
Per FTSE	8,742	3,936	636	811	878	949	1,119	1,285	1,434	1,582
As a percentage of Taxable Assessed Value	0.56%	0.25%	0.04%	0.05%	0.06%	0.06%	0.07%	0.08%	0.09%	0.10%
Total Outstanding Debt Ratios										
Per Capita	\$ 426.65	\$ 195.97	\$ 91.57	\$ 98.52	\$ 101.81	\$ 77.64	\$ 83.63	\$ 39.61	\$ 44.21	\$ 48.75
Per FTSE	13,843	6,358	2,971	3,196	3,303	2,519	2,713	1,285	1,434	1,582
As a percentage of Taxable Assessed Value	0.89%	0.41%	0.19%	0.21%	0.21%	0.16%	0.17%	0.08%	0.09%	0.10%

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

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

Revenue Bonds

Fiscal Year Ended August 31	Pledged Revenues (\$000 omitted)				Student		Debt Service Requirements (\$000 omitted)			Coverage Ratio
	Student Union Fees	Tuition	Bookstore Income	Parking Fees	Investment Income	Rec Center Fees	Principal	Interest	Total	
2006	\$ 1,043	\$ 341	\$ 133	\$ 345	\$ 267	\$ 2,113	\$ 295	\$ 1,046	1,341	3.16
2005	1,017	320	170	346	354	-	380	650	1,030	2.14
2004	1,023	302	124	326	320	-	285	751	1,036	2.02
2003	960	280	183	308	380	-	225	795	1,020	2.07
2002	858	-	-	-	-	-	155	495	650	1.32
2001	797	-	-	-	-	-	140	502	642	1.24
2000	751	-	-	-	-	-	-	198	198	3.79
1999	-	-	-	-	-	-	-	-	-	-
1998	-	-	-	-	-	-	-	-	-	-
1997	-	-	-	-	-	-	-	-	-	-

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

Calendar Year	*District Population	**Estimate District Personal Income (a) (thousands of dollars)	***Cameron County Personal Income Per Capita	Cameron County Unemployment Rate
2005	183,675	N/A	N/A	7.5%
2004	179,028	3,042,401,832	16,994	8.7%
2003	173,533	2,829,976,164	16,308	9.5%
2002	167,553	2,687,885,226	16,042	9.0%
2001	161,975	2,516,443,600	15,536	7.9%
2000	153,502	2,289,175,326	14,913	7.0%
1999	N/A	N/A	14,072	N/A
1998	N/A	N/A	13,767	N/A
1997	N/A	N/A	13,125	N/A
1996	N/A	N/A	12,524	N/A

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. <http://www.census.gov/>

**Estimated District Personal Income (thousand of dollars) produced by multiplying Cameron County Personal Income Per Capita by the District Population. TSC District includes the following school districts: Brownsville ISD, Los Fresnos ISD, and Point Isabel ISD. TSC District population totals about 50% of Cameron County. Assumption used for TSC District per capita income equals that of Cameron County. Cameron County Total Population: 374,081 (U.S. Census Bureau)

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

Cameron County Unemployment Rate from Texas Association of Counties (Cameron County Profile). <http://www.county.org/>

N/A - Not Available

**Texas Southmost College
 Statistical Supplement 13
 Principal Employers
 Current Fiscal Year
 (unedited)**

Employer	*Number of Employees	**Percentage of Total Employment (2)
Brownsville ISD	7,080	12.86%
AMFELS	2,273	4.13%
UTB/TSC	2,077	3.77%
Cameron County	1,838	3.34%
Wal-Mart	1,174	2.13%
City of Brownsville	1,174	2.13%
Convergys's Corp	800	1.45%
HEB Food Stores	760	1.38%
Valley Regional Medical Center	757	1.38%
Valley Baptist Medical Center - Brownsville	717	1.30%
Total	18,650	33.87%

Source:

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

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

Percentage of Total Employment was calculated using Brownsville 2005 Annual Employment.

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

Brownsville Total Employment: 55,043

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

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

	Fiscal Year									
	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Faculty										
Full-Time	0	0	0	0	0	0	0	0	0	0
Part-Time	0	0	0	0	0	0	0	0	0	0
Total	0	0	0	0	0	0	0	0	0	0
Percent										
Full-Time	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Part-Time	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Staff and Administrators										
Full-Time	14	10	12	19	15	14	13	15	15	10
Part-Time	3	5	9	46	22	13	17	27	21	5
Total	17	15	21	65	37	27	30	42	36	15
Percent										
Full-Time	82.4%	66.7%	57.1%	29.2%	40.5%	51.9%	43.3%	35.7%	41.7%	66.7%
Part-Time	17.6%	33.3%	42.9%	70.8%	59.5%	48.1%	56.7%	64.3%	58.3%	33.3%
FTSE per Full-time Faculty	0	0	0	0	0	0	0	0	0	0
FTSE per Full-Time Staff Member	404.4	525.3	412.9	238.8	270.4	303.1	341.5	266.9	275.3	414.6
Average Annual Faculty Salary	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

Notes:

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

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

Student Classification	Fall 2005		Fall 2004		Fall 2003		Fall 2002		Fall 2001	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Freshman	5,707	54.26%	4,768	51.85%	4,156	49.75%	3,943	50.50%	3,504	48.60%
Sophomore	2,855	27.15%	2,622	28.52%	2,408	28.82%	2,186	28.00%	2,046	28.38%
Associate	490	4.66%	411	4.47%	367	4.39%	282	3.61%	271	3.76%
Bachelors	111	1.06%	91	0.99%	84	1.01%	63	0.81%	73	1.01%
Unclassified	1,354	12.87%	1,303	14.17%	1,339	16.03%	1,334	17.09%	1,316	18.25%
Total	10,517	100.00%	9,195	100.00%	8,354	100.00%	7,808	100.00%	7,210	100.00%

Semester Hour Load	Fall 2005		Fall 2004		Fall 2003		Fall 2002		Fall 2001	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Less than 3	358	3.40%	148	1.61%	133	1.59%	125	1.60%	131	1.82%
3-5 semester hours	2,635	25.05%	1,729	18.80%	1,324	15.85%	1,405	17.99%	1,466	20.33%
6-8 Semester hours	2,221	21.12%	2,305	25.07%	2,294	27.46%	2,124	27.20%	1,861	25.81%
9-11 semester hours	1,652	15.71%	1,506	16.38%	1,464	17.52%	1,410	18.06%	1,395	19.35%
12-14 semester hours	3,243	30.84%	3,142	34.17%	2,733	32.71%	2,374	30.40%	2,077	28.81%
15-17 semester hours	324	3.08%	301	3.27%	325	3.89%	304	3.89%	267	3.70%
18 & over	84	0.80%	64	0.70%	81	0.97%	66	0.85%	13	0.18%
Total	10,517	100.00%	9,195	100.00%	8,354	100.00%	7,808	100.00%	7,210	100.00%

Average course load	8.2	8.7	8.9	8.7	8.5
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Tuition Status	Fall 2005		Fall 2004		Fall 2003		Fall 2002		Fall 2001	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Texas Resident (In-District)	7,144	67.93%	6,890	74.93%	6,590	78.88%	6,198	79.38%	6,262	86.85%
Texas Resident (Out-of-District)	1,271	12.09%	1,003	10.91%	992	11.87%	864	11.07%	812	11.26%
Non-Resident Tuition	33	0.31%	33	0.36%	30	0.36%	25	0.32%	47	0.65%
Foreign Resident In-Dist (HB1403)	136	1.29%	128	1.39%	88	1.05%	60	0.77%	11	0.15%
Foreign Resident Out-Dist (HB1403)	11	0.10%	7	0.08%	3	0.04%	2	0.03%	0	0.00%
Tuition Exemption/Waiver	1,922	18.28%	1,134	12.33%	651	7.79%	659	8.44%	78	1.08%
Total	10,517	100.00%	9,195	100.00%	8,354	100.00%	7,808	100.00%	7,210	100.00%

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

Gender	Fall 2005		Fall 2004		Fall 2003		Fall 2002		Fall 2001	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Female	6,193	58.89%	5,354	58.23%	4,885	58.47%	4,646	59.50%	4,334	60.11%
Male	4,324	41.11%	3,841	41.77%	3,469	41.53%	3,162	40.50%	2,876	39.89%
Total	10,517	100.00%	9,195	100.00%	8,354	100.00%	7,808	100.00%	7,210	100.00%

Ethnic Origin	Fall 2005		Fall 2004		Fall 2003		Fall 2002		Fall 2001	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
White/Non-Hispanic	417	3.97%	406	4.42%	370	4.43%	335	4.29%	309	4.29%
Black/Non-Hispanic	22	0.21%	12	0.13%	15	0.18%	10	0.13%	19	0.26%
Hispanic	9,779	92.98%	8,555	93.04%	7,745	92.71%	7,290	93.37%	6,801	94.33%
Asian or Pacific Islander	52	0.49%	29	0.32%	35	0.42%	30	0.38%	17	0.24%
American Indian or Alaskan Native	9	0.09%	5	0.05%	7	0.07%	4	0.04%	4	0.04%
Non-Resident Aliens or Foreign Natl.	190	1.81%	172	1.64%	157	1.49%	126	1.20%	48	0.46%
Not Reported	48	0.46%	16	0.15%	25	0.24%	13	0.12%	12	0.11%
Total	10,517	100.00%	9,195	99.74%	8,354	99.53%	7,808	99.53%	7,210	99.72%

Age	Fall 2005		Fall 2004		Fall 2003		Fall 2002		Fall 2001	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Under 18	1,813	17.24%	828	9.00%	375	4.49%	458	5.87%	442	6.13%
18 -21	4,274	40.64%	4,088	44.46%	3,738	44.75%	3,292	42.16%	3,095	42.93%
22 - 24	1,487	14.14%	1,453	15.80%	1,375	16.46%	1,316	16.85%	1,232	17.09%
25 - 35	2,054	19.53%	1,972	21.45%	1,981	23.71%	1,878	24.05%	1,756	24.36%
36 - 50	741	7.05%	725	7.88%	770	9.22%	755	9.67%	599	8.31%
51 & over	148	1.41%	129	1.40%	115	1.38%	109	1.40%	86	1.19%
Total	10,517	100.00%	9,195	100.00%	8,354	100.00%	7,808	100.00%	7,210	100.00%

Average Age	23	24	25	25	24
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Texas Southmost College
Statistical Supplement 17
Transfers to Senior Institutions
2003 Fall Students as of Fall 2004
(Includes only public senior colleges in Texas)

	Transfer Student Count	Transfer Student Count	Transfer Student Count	Total Acad/Tech Transfer Students	Percent Acad/Tech Transfer Students
	Academic	Technical	Tech-Prep		
University of Texas - Brownsville	1,029	19	84	1,132	70.62%
University of Texas - Pan American	81	33	4	118	7.36%
University of Texas - Austin	47	44	1	92	5.74%
University of Texas - San Antonio	52	21	2	75	4.68%
Texas A&M University - College Station	37	17	1	55	3.43%
Texas State University	17	9	1	27	1.68%
Texas A&M University - Kingsville	15	3	0	18	1.12%
Texas A&M University - Corpus Christi	5	6	1	12	0.75%
University of Houston - University Park	9	3	0	12	0.75%
University of North Texas	7	4	0	11	0.69%
University of Texas - Permian Basin	7	0	0	7	0.44%
Stephen F. Austin State University	2	3	0	5	0.31%
Texas Tech University	2	3	0	5	0.31%
University of Texas - Arlington	4	1	0	5	0.31%
Sam Houston State University	3	1	0	4	0.25%
University of Texas - Tyler	4	0	0	4	0.25%
Texas A&M International University	3	0	0	3	0.19%
Texas Women's University	1	2	0	3	0.19%
University of Houston - Downtown	1	1	1	3	0.19%
University of Texas - Dallas	3	0	0	3	0.19%
Sul Ross State University	2	0	0	2	0.12%
Texas A&M University - Commerce	2	0	0	2	0.12%
Texas A&M University - Galveston	1	1	0	2	0.12%
Angelo State University	0	1	0	1	0.06%
Prairie View A&M University	1	0	0	1	0.06%
University of Texas - El Paso	1	0	0	1	0.06%
Baylor College of Medicine - Academics	0	0	0	0	0.00%
Lamar University Institute of Technology	0	0	0	0	0.00%
Midwestern State University	0	0	0	0	0.00%
Sul Ross State University - Rio Grande College	0	0	0	0	0.00%
Tarleton State University	0	0	0	0	0.00%
Texas A&M University System Health Science Center	0	0	0	0	0.00%
Texas Southern University	0	0	0	0	0.00%
Texas Tech University Health Science Center	0	0	0	0	0.00%
University of Houston - Clear Lake	0	0	0	0	0.00%
University of Houston - Victoria	0	0	0	0	0.00%
University of North Texas Health Science Center - Forth Worth	0	0	0	0	0.00%
University of Texas Health Science Center - Houston	0	0	0	0	0.00%
University of Texas Health Science Center - San Antonio	0	0	0	0	0.00%
University of Texas Medial Branch Galveston	0	0	0	0	0.00%
University of Texas Southwestern Medical Center - Dallas	0	0	0	0	0.00%
West Texas A&M University	0	0	0	0	0.00%
Totals	1,336	172	95	1,603	100.00%

**Texas Southmost College
Statistical Supplement 18
Capital Asset Information
Fiscal Years 2002 to 2006**

	Fiscal Year				
	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Academic buildings	19	19	19	19	16
Square footage (in thousands)	827	705	705	705	577
Libraries	1	1	1	1	1
Square footage (in thousands)	85	85	85	85	85
Number of Volumes (in thousands)	300	288	276	252	240
Administrative and support buildings	22	21	20	20	14
Square footage (in thousands)	588	587	579	579	185
Dormitories	1	1	1	1	1
Square footage (in thousands)	94	94	94	94	94
Number of Beds	257	257	257	257	257
Apartments	0	0	0	0	0
Square footage (in thousands)	0	0	0	0	0
Number of beds	0	0	0	0	0
Dining Facilities	0	0	0	0	0
Square footage (in thousands)	0	0	0	0	0
Average daily customers	0	0	0	0	0
Athletic Facilities	2	2	2	2	2
Square footage (in thousands)	29	29	29	29	29
Stadiums	0	0	0	0	0
Gymnasiums	1	1	1	1	1
Fitness Centers	0	0	0	0	0
Tennis Court	1	1	1	1	1
Plant facilities	15	15	15	15	15
Square footage (in thousands)	78	78	78	78	78
Transportation					
Cars	18	18	13	12	12
Light Trucks/Vans	45	45	35	34	30
Buses	2	1	1	1	1