

**TEXAS SOUTHMOST COLLEGE DISTRICT
BROWNSVILLE, TEXAS**

**COMPREHENSIVE
ANNUAL FINANCIAL REPORT**

For the Fiscal Years Ended August 31, 2009 and 2008

TEXAS SOUTHMOST COLLEGE DISTRICT
Brownsville, Texas

COMPREHENSIVE
ANNUAL FINANCIAL REPORT

For the Fiscal Years Ended August 31, 2009 and 2008

Prepared by:
Texas Southmost College District
Finance Office

TEXAS SOUTHMOST COLLEGE DISTRICT

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INTRODUCTORY SECTION



TEXAS SOUTHMOST COLLEGE DISTRICT

THE UNIVERSITY OF TEXAS AT BROWNSVILLE and TEXAS SOUTHMOST COLLEGE

80 Fort Brown • Brownsville, Texas 78520 • (956) 882-7728 • Fax: (956) 882-3827

January 21, 2009

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

The comprehensive annual financial report of the Texas Southmost College District for the fiscal year ended August 31, 2009 is hereby submitted. The purpose of this report is to provide detailed information concerning the financial condition and performance of the District. Responsibility for the preparation and integrity of the financial information and fairness of the presentation, including disclosures, rests with the management of the District. To the best of our knowledge, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

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

The District's financial statements have been audited by Long Chilton, LLP, a firm of licensed certified public accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the District for the years ended August 31, 2009 and 2008 are free from material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and, evaluating the overall financial statement presentation. The independent auditor concluded based up on the audit, that there was a reasonable basis for rendering an unqualified opinion that the District's financial statement for the years ended August 31, 2009 and 2008 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

Organization of the District

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

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

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

In the spring of 1991, the Texas House of Representative and Senate passed a bill that would create The University of Texas at Brownsville which would be in partnership with Texas Southmost College. This was just the beginning of a successful partnership between a university and community college.

The Partnership with the District operates with a consolidated administrative and academic structure under the direction of UTB. The combined institutions currently enroll over 20,000 students per long semester in academic, occupational and continuing education courses and over 2,400 staff and instructional support are employed by UTB and TSC. The Partnership offers students a seamless transition from a community college to a university, which has allowed the institutions to attract and retain students on a campus that the community helped realize over 80 years ago.

The District operates as a community college under the laws of the State of Texas and is governed by the elected District Board comprised of seven members serving six-year staggered terms. Elections are held every two years in May. The Board of Trustees is charged with policy-making and supervisory functions and delegates administrative responsibilities to the UTB/TSC President who is the chief administrative officer of the District.

Mission and Values

The University of Texas at Brownsville and Texas Southmost College Partnership offers Certificates, and Associate, Baccalaureate, Graduate and Doctoral degrees in liberal arts, the sciences, and professional programs designed to meet student demand as well as regional, national, and international needs.

The mission of The University of Texas at Brownsville and Texas Southmost College (UTB/TSC) Partnership is to provide accessible, affordable, postsecondary education of high quality, to conduct research which expands knowledge and to present programs of workforce training and continuing education, public service, and cultural value. The partnership combines the strengths of the community college and those of a university by increasing student access and eliminating inter-institutional barriers while fulfilling the distinctive responsibilities of each type of institution.

UTB/TSC is committed to excellence. It is dedicated to stewardship, service, openness, accessibility, efficiency, and citizenship. UTB/TSC is committed to students, participatory governance, liberal education, the expansion of the application of knowledge, human dignity, the convening of cultures and respect for the environment.

Local Economic Information

The District is located in Brownsville Texas, the largest city in the Rio Grande Valley. From 2005 to 2008, Brownsville grew by 4.8 percent. The main elements that contributed to the exploding population were high birth rates, international trade and inbound migration. Education, government and industrial sectors are now the largest employers with a total of more than 20,000 employees. Cameron County, the southern-most Texas county, is the geographical area in which the District operates. The County's population for 2008 was 392,736, an increase of 17.2 percent since 2000. The County's median income per household was \$30,024 compared to the state median of \$52,355.

Major Initiatives

The District has devoted significant time and effort in planning for the future. During fiscal year 2009, the District completed and continued major construction and renovation projects as defined in its current facilities master plan in order to provide space for 20,000 students by 2010 to meet the state's "Closing the Gaps" initiative of increasing participation in higher education. Programs such as the Dual Enrollment program which allow students at local high schools to enroll in college courses while still in high school has helped increase enrollment and provided an excellent opportunity to encourage students to continue their post secondary studies.

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

Financial Information

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

Single Audit. As a recipient of federal, state, and local financial assistance, the District also is responsible for ensuring that adequate internal control is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control is subject to periodic evaluation by management and the independent auditors of the District. As a part of the District's single audits, described earlier, test are made to determine the adequacy of the internal control, including that portion related to federal and state awards programs, as well as to determine that the District has complied with applicable laws and regulations. The results of the District's single audit for the fiscal year ended August 31, 2009, provided no instances of material weaknesses in internal control.

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

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

Debt Management

The District is authorized to sell bonds and to levy an ad valorem tax in payment of the debt by the Constitution and the laws of the State of Texas. At August 31, 2009, the District had \$78 million in general obligation debt outstanding. Ad valorem property taxes to support outstanding debt are limited to a maximum rate of \$.50 per hundred dollars of taxable appraised value. General obligation debt may be used to purchase land for sites, construct, improve, renovate and equip District facilities; to refund certain bonds of the District; and to pay the issuance costs of bonds. The last substantial change in the debt service tax rate came after November 2004 when the voters approved a \$68 million bond election. The current year's total debt service tax rate is \$.050475 per hundred dollars of taxable appraised value and the District's general obligation debt is currently rated AA- by Fitch Ratings and AA by Standard and Poor's. It is important to note that Standard and Poor's general obligation bond rating was upgraded this year from an A+ to a AA as a result of the District's limited capital needs, long-term planning and strong financial position.

The District currently has \$26.8 million of revenue bonds outstanding. Revenue bonds are special obligations of the District payable as to principal and interest solely from and secured by a first lien on and a pledge of certain revenues. Revenue bonds were issued for the Student Union Building and Recreation Education and Kinesiology (REK) Center and the pledge revenue source for payment of these bonds are fees assessed to TSC and UTB students for these facilities. In addition, the District issued general revenue bonds for various acquisitions and improvements on campus. Pledged revenues for these obligations include tuition, parking fees, bookstore income, investment earnings and additional income or earnings. The District's revenue bonds are rated A by Standard and Poor's.

Independent Audit

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

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Texas Southmost College District for its comprehensive annual financial report for the fiscal year ended August 31, 2008. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

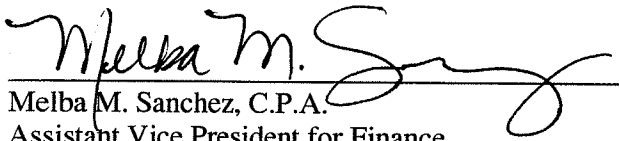
A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting to the GFOA to determine its eligibility for another certificate.

Acknowledgments

I would like to thank and commend the Board of Trustees and UTB/TSC President for their unfailing support in maintaining the highest standards of professionalism in the planning, administration and oversight of the financial operations of the District. I would also like to acknowledge the UTB division of Business Affairs for providing the resources necessary to prepare this financial report. The preparation of this report could not have been accomplished without the services of the entire staff of the District's Finance and Operations departments. I thank and greatly appreciate all the staff that assisted and contributed to the preparation of this report. I would also like to thank the accounting firm of Long Chilton, LLP for their assistance in the completion of this audit.

Sincerely,

TEXAS SOUTHMOST COLLEGE DISTRICT


Melba M. Sanchez, C.P.A.
Assistant Vice President for Finance

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Texas Southmost College
District

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
August 31, 2008

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



A stylized handwritten signature in black ink, consisting of several loops and a long horizontal stroke at the end.

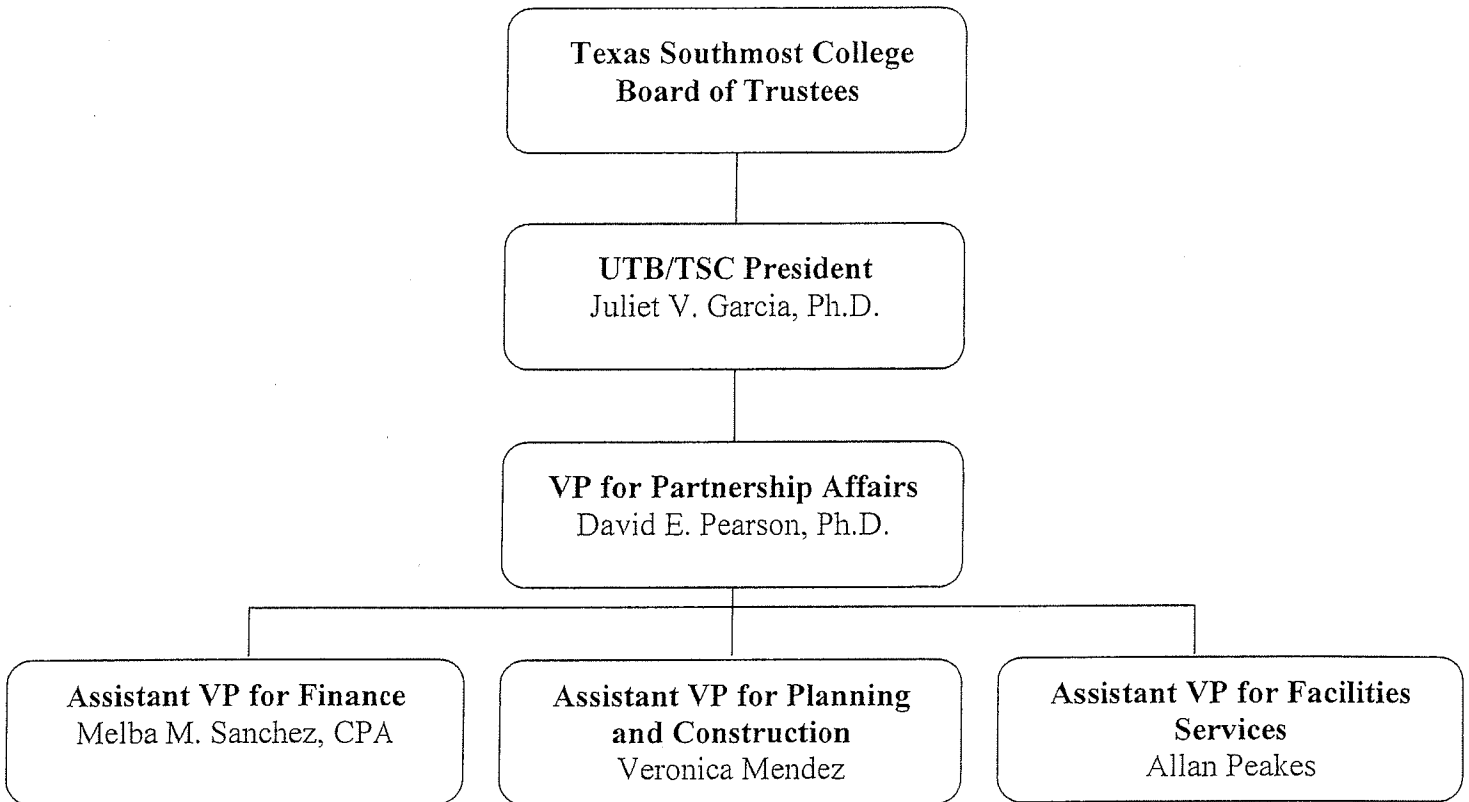
President

A handwritten signature in black ink that reads "Jeffrey R. Emer".

Executive Director

Texas Southmost College District

ORGANIZATIONAL CHART



TEXAS SOUTHMOST COLLEGE DISTRICT

ORGANIZATIONAL DATA

FOR THE FISCAL YEAR 2009

Board of Trustees

Officers

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

Members

Term Expires

Adela Garza	Olmito, Texas	May, 2014
Rene Torres	Brownsville, Texas	May, 2014
Chester Gonzalez	Brownsville, Texas	May, 2010
Eduardo A. Campirano	Brownsville, Texas	May, 2010
Rosemary Breedlove	Los Fresnos, Texas	May, 2010
Dr. Roberto Robles	Brownsville, Texas	May, 2012
David G. Oliveira	Brownsville, Texas	May, 2012

Principal Administrative Officers

Dr. Juliet V. Garcia	President, UTB/TSC
Dr. David E. Pearson	Vice-President for Partnership Affairs, UTB/TSC
Melba M. Sanchez, CPA	Assistant Vice President of Finance

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the Texas Southmost College District ("District") as of and for the years ended August 31, 2009 and 2008, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Texas Southmost College District, as of August 31, 2009 and 2008, and the respective changes in financial position, and cash flows thereof, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2010, on our consideration of the Texas Southmost College District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 13 through 25, are 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 conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Texas Southmost College District's basic financial statements. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying supplementary data, schedule of expenditures of federal awards, and schedule of expenditures of state awards are presented for purposes of additional analysis as required by the Annual Financial Reporting Requirements for Texas Public Community and Junior Colleges guide as set forth by the Texas Higher Education Coordinating Board, the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State of Texas Single Audit Circular, and are also not a required part of the basic financial statements of Texas Southmost College District. The supplementary data, schedule of expenditures of federal awards, and schedule of expenditures of state awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Long Chilton, LLP

LONG CHILTON, LLP
Certified Public Accountants

Brownsville, Texas
January 18, 2010

TEXAS SOUTHMOST COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

AUGUST 31, 2009

Management's Discussion and Analysis of Texas Southmost College District's (the District) financial performance provides an overview of the District's financial activities for the fiscal year ended August 31, 2009. This discussion and analysis is to be read in conjunction with the District's financial statements which begin on page 26.

USING THIS ANNUAL REPORT

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

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

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

The Statement of Net Assets

The Statement of Net Assets includes all the District'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 District's operations as well as how much the District owes to vendors, bondholders, and other entities at the end of the year.

The Statement of Net Assets includes current and non-current assets and liabilities, 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 District'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 District 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 District. Further detail regarding assets, liabilities and net assets is presented in the Statement of Net Assets and Notes to the financial statements.

USING THIS ANNUAL REPORT
(Continued)

The Statement of Revenues, Expenses and Changes in Net Assets

The Statement of Revenues, Expenses and Changes in Net Assets represents the District'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 District is primarily dependent upon four sources of revenues: state allocations, tuition and fees, grants and contracts and property taxes. Since state allocations and property taxes are classified as non-operating revenues (per GASB requirements), the District 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 District'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 District's net assets (the difference between assets and liabilities) provide one measure of the District's financial health or financial position. Over time, increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the District, however, non-financial factors should be considered as well, such as changes in the District's enrollment, property tax base, and the condition of the District's facilities.

The Statement of Cash Flows

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

FINANCIAL ANALYSIS

Statement of Net Assets

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

TABLE 1
CONDENSED STATEMENT OF NET ASSETS
(in millions)

	<u>August 31,</u> <u>2009</u>	<u>August 31,</u> <u>2008</u>	<u>August 31,</u> <u>2007</u>
Current Assets	\$ 30.3	\$ 26.2	\$ 24.9
Noncurrent Assets			
Cash and Cash Equivalents - Restricted	24.9	59.1	79.7
Capital Assets, Net of Accumulated Depreciation	153.4	109.9	70.7
Other Non-Current Assets	2.0	2.0	1.9
Total Assets	<u>210.6</u>	<u>197.2</u>	<u>177.2</u>
Current Liabilities	26.5	26.7	23.2
Noncurrent Liabilities	102.0	97.9	90.5
Total Liabilities	<u>128.5</u>	<u>124.6</u>	<u>113.7</u>
Net assets:			
Invested in capital assets, net of related debt	56.5	50.9	49.3
Restricted Expendable	18.3	15.9	12.1
Unrestricted	7.3	5.8	2.1
Total Net Assets	<u>\$ 82.1</u>	<u>\$ 72.6</u>	<u>\$ 63.5</u>

Total Assets increased by more than \$13 million in fiscal year 2009. The major factor affecting this net increase is an approximate \$44 million in additional capital assets, net of accumulated depreciation, as some construction projects have reached completion and progress aggressively continues on the remaining construction projects on campus. During the year, the District sold and reinvested \$4 million in general obligation tax bonds and \$3.25 million in maintenance tax notes for the various construction and renovation projects on campus. This increase of \$7.25 million in Restricted Cash and Cash Equivalents was offset by more than \$41 million in funds disbursed for the construction projects and therefore significantly decreased the Restricted Cash and Cash Equivalents asset accounts by more than \$34 million. The increase in total assets of \$20 million from fiscal year 2007 to fiscal year 2008 was primarily due to approximately \$40 million in additional capital assets net of accumulated depreciation and a \$20.6 million decrease in Restricted Cash and Cash Equivalents. Although additional restricted funds of \$5 million in general obligation tax bonds and \$5 million in maintenance tax notes were received, over \$30 million were expended on the construction projects in progress.

Statement of Net Assets (Continued)

At the end of fiscal year 2009, total liabilities increased by almost \$4 million. Included in this increase are \$4 million in general obligation tax bonds and \$3.25 million in maintenance tax notes, offset by approximately \$2.5 million of debt repayment. Accounts payable decreased by over \$2.8 million. As construction projects came to a close and were winding down at year end, pending payments to contractors decreased. Deferred revenues increased by approximately \$2 million primarily due to increases in tuition and fee and student enrollment. These revenues are payable to UTB for contractual obligations as per the Partnership agreement. Total liabilities increased by \$11 million from fiscal year 2007 to fiscal year 2008. Included in this increase were \$5 million in general obligation tax bonds, \$5 million in maintenance tax notes and a \$2 million increase in accounts payable to contractors and to UTB.

Net assets (assets less liabilities) increased by almost \$20 million over the past three fiscal years. The District experienced an increase of approximately \$9.1 million from fiscal year 2007 to fiscal year 2008 and subsequently approximately \$9.5 million, from fiscal year 2008 to fiscal year 2009. Net assets are \$82.1 million at August 31, 2009. Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – represents \$7.3 million of total net assets at August 31, 2009.

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. The complete Statement of Revenues, Expenses and Changes in Net Assets can be found on page 27.

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

	<u>Fiscal Year</u> <u>2009</u>	<u>Fiscal Year</u> <u>2008</u>	<u>Fiscal Year</u> <u>2007</u>
Operating Revenues	\$ 34.6	\$ 31.1	\$ 31.5
Operating Expenses	(53.4)	(50.5)	(50.0)
Non-Operating Revenues	33.0	32.7	29.7
Non-Operating Expenses	<u>(4.6)</u>	<u>(4.2)</u>	<u>(3.6)</u>
INCREASE IN NET ASSETS	\$ 9.6	\$ 9.1	\$ 7.7
NET ASSETS - Beginning of Year	\$ <u>72.6</u>	\$ <u>63.5</u>	\$ <u>55.9</u>
Prior Period Adjustments			
NET ASSETS - End of Year	\$ <u><u>82.1</u></u>	\$ <u><u>72.6</u></u>	\$ <u><u>63.5</u></u>

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

Table 3 details the District'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)

	Fiscal Year 2009		Fiscal Year 2008		Fiscal Year 2007	
	<u>Amount</u>	<u>Percentage of Total</u>	<u>Amount</u>	<u>Percentage of Total</u>	<u>Amount</u>	<u>Percentage of Total</u>
Net Tuition and Fees	26.8	77.4%	26.0	83.6%	26.9	85.3%
Grants and Contracts	6.8	19.8%	4.5	14.6%	4.2	13.3%
Auxiliary Enterprises	0.5	1.4%	0.4	1.3%	0.3	1.1%
Other Operating Revenues	0.5	1.4%	0.2	0.6%	0.1	0.3%
Total Operating Revenues	\$ 34.6	100.0%	\$ 31.1	100.0%	\$ 31.5	100.0%

Operating revenues were affected by the following key factors:

- The District experienced a 4% decrease in enrollment as a result of the implementation of Satisfactory Academic Progress (SAP) requirements in the Spring of 2008. Failure to meet SAP requirements, which consist of maintaining a cumulative 2.0 GPA and a 70% completion rate of credit hours attempted, results in further enrollment implications which include probation and/or suspension. Although enrollment decreased, tuition and fees (net of scholarship discounts) increased slightly due to tuition and fee increases. The following tuition and fee increases were implemented during the fiscal year: per semester credit hour credit increases of \$19 for tuition for in-district students only, \$11.50 for building use fee, \$1 for computer use fee, \$1 for library fee and \$5 for a new athletics fee and per student increases of \$3.74 for the student union and \$15 for automation.
- Grants and Contracts revenues increased by \$2.3 million as a result of a Texas Workforce Commission grant for over \$.5 million, an Economic Development Administration (EDA) grant of \$1.2 million, an additional \$.2 million in Texas Grant and other additional state grant programs.

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

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

TABLE 4
NON-OPERATING REVENUE
(in millions)

	Fiscal Year 2009		Fiscal Year 2008		Fiscal Year 2007	
	Percentage		Percentage		Percentage	
	<u>Amount</u>	<u>of Total</u>	<u>Amount</u>	<u>of Total</u>	<u>Amount</u>	<u>of Total</u>
State Appropriations	14.0	42.3%	14.2	43.4%	12.6	42.2%
Ad Valorem Taxes	16.5	49.9%	15.3	46.8%	13.7	46.0%
Investment Income	0.9	2.8%	3.2	9.8%	3.1	11.4%
Other Non-Operating Revenues	1.6	5.0%	0.0	0.0%	0.1	0.4%
Total Non-Operating Revenues	\$ 33.0	100.0%	\$ 32.7	100.0%	\$ 29.6	100.0%

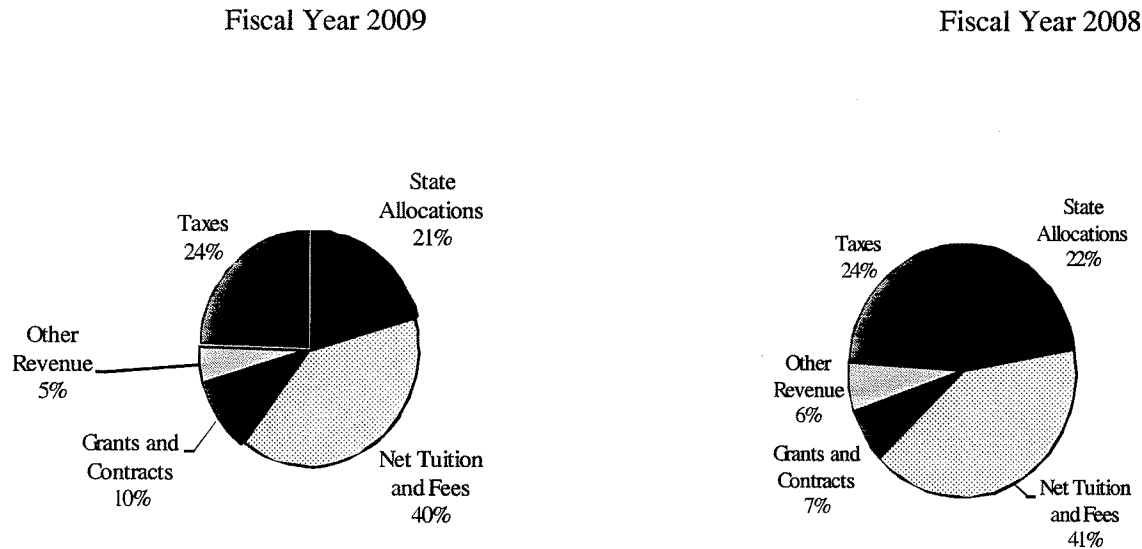
Non-operating revenues were affected by the following key factors:

- State appropriations were awarded for the 2008-2009 biennia and were therefore relatively flat from fiscal year to fiscal year with the exception of less than \$.2 million in nursing program funding in fiscal year 2008. Appropriations for the current biennia increased 12% as compared to the 2006-2007 biennia.
- Property tax revenue increased by about \$1.2 million from fiscal year 2008 to fiscal year 2009 as a result of a 7.2% increase in taxable assessed property valuations. From fiscal year 2007 to fiscal year 2008, property tax revenues increased by \$1.5 million as a result of a 10.8% increase in taxable assessed property valuations. The tax rate for the Texas Southmost College District has remained the same over the past three fiscal years at \$0.161089 per \$100 valuation.
- Investment income decreased dramatically from fiscal year 2008 to fiscal year 2009 by more than 70% as a result of restricted funds expended on capital construction projects and a decrease in earnings rates upon completion of contract terms for bond funds invested. Investment income from fiscal year 2007 to 2008 remained flat.
- Other non-operating revenues increased substantially from fiscal year 2008 to fiscal year 2009 as a result of more than \$1.5 million in donations for the completion of the Arts Center under construction.

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

Key sources of revenue in total for the District 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 District in Fiscal Years 2009 and 2008.

TABLE 5
Total Revenues
(Operating and Non-operating)



In both fiscal year 2009 and 2008, tuition and fees account for the largest source of revenue (40% and 41%, respectively) for the District. State allocations are the next largest revenue source at 21% in fiscal year 2009 and 22% in fiscal year 2008. Property taxes as a percentage of total revenues are constant at 24% in fiscal year 2009 and 2008.

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

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

TABLE 6
OPERATING EXPENSES
Natural Classification
(in millions)

	<u>Fiscal Year</u> <u>2009</u>	<u>Fiscal Year</u> <u>2008</u>	<u>Fiscal Year</u> <u>2007</u>
Salaries	\$ 0.9	\$ 0.7	\$ 0.6
Benefits	0.1	0.1	0.1
Supplies and Services	3.5	3.3	3.3
Contract Services - UTB	46.8	44.3	43.8
Depreciation	2.1	2.1	2.2
Total Operating Expenses	<u>\$ 53.4</u>	<u>\$ 50.5</u>	<u>\$ 50.0</u>

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

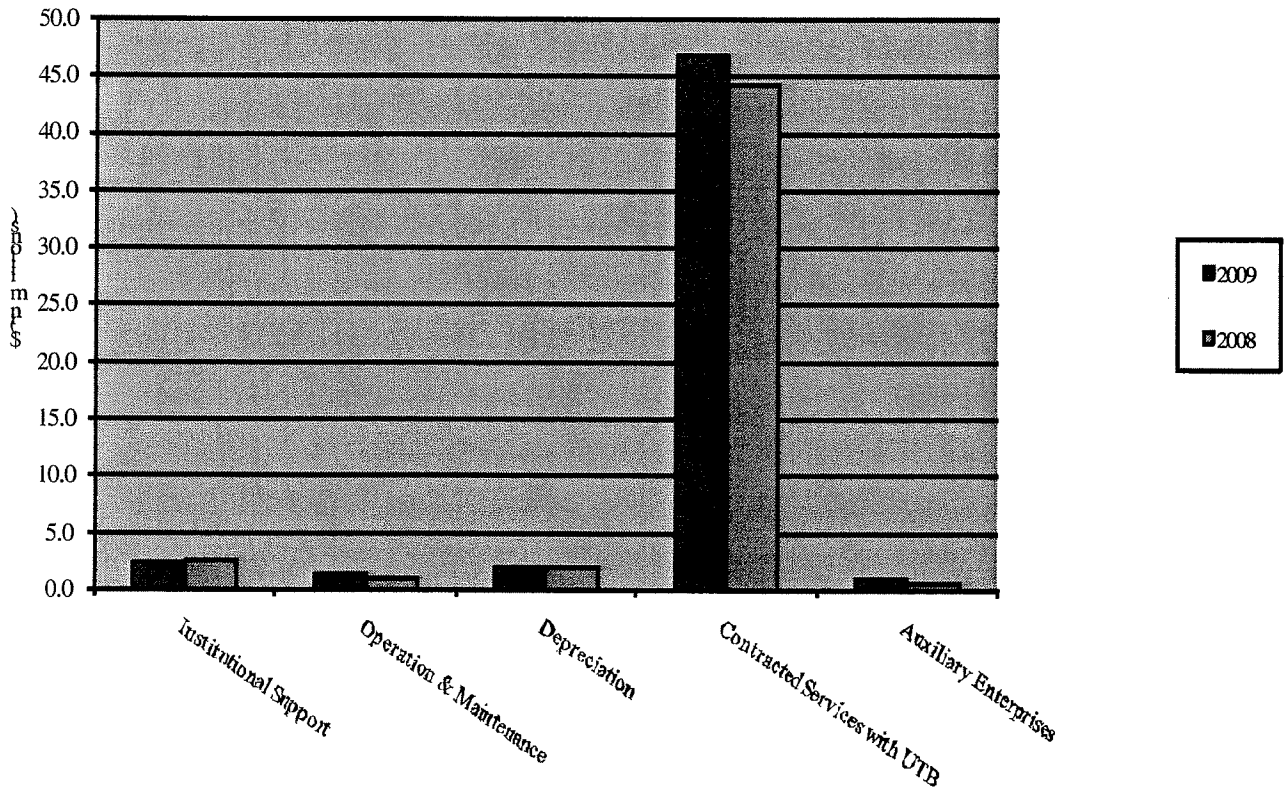
TABLE 7
OPERATING EXPENSES
Functional Classification
(in millions)

	<u>Fiscal Year</u> <u>2009</u>	<u>Fiscal Year</u> <u>2008</u>	<u>Fiscal Year</u> <u>2007</u>
<u>Educational and General</u>			
Institutional Support	\$ 2.3	\$ 2.6	\$ 2.1
Operation and Maintenance of Plant	1.3	0.9	1.2
Contract Services - UTB	46.8	44.3	43.9
Depreciation	2.1	2.1	2.2
Total Educational Activities	<u>52.5</u>	<u>49.8</u>	<u>49.4</u>
Auxiliary Enterprises	0.9	0.7	0.6
Total Operating Expenses	<u>\$ 53.4</u>	<u>\$ 50.5</u>	<u>\$ 50.0</u>

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

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

**TABLE 8
OPERATING EXPENSES
Functional Classification
(in millions)**



The District operates under a partnership agreement with The University of Texas at Brownsville. Under this agreement, the District contracts with UTB to provide instruction and other related essential services. This contract is the largest expense for the District as is reflected in the Contract Services-UTB category. In fiscal year 2008 and 2009, this amount represented 88% of total expenses. The University of Texas at Brownsville releases an Annual Financial Report detailing total expenses for both the District and University and should be reviewed in conjunction with this report for further information.

Statement of Cash Flows

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

TABLE 9
CONDENSED STATEMENT OF CASH FLOWS
(in millions)

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Cash Provided/ Used By:			
Operating Activities	\$ (17.7)	\$ (18.1)	\$ (13.2)
Noncapital Financing Activities	25.3	24.6	23.1
Capital and Related Financing Activities	(41.5)	(27.9)	0.5
Investing Activities	<u>0.9</u>	<u>3.5</u>	<u>2.8</u>
NET INCREASE (DECREASE) IN CASH	\$ (33.0)	\$ (17.9)	\$ 13.2
CASH - Beginning of Year	\$ 68.5	\$ 86.4	\$ 73.2
CASH - End of Year	<u>\$ 35.5</u>	<u>\$ 68.5</u>	<u>\$ 86.4</u>

Total Cash and Cash Equivalents decreased by \$33 million during the 2009 fiscal year and decreased by \$17.9 million during the 2008 fiscal year. Major factors impacting cash and cash equivalents are described below by source.

Operating Activities: During the fiscal year 2009 and fiscal year 2008, cash flows from operations resulted in an outflow of \$17.7 million and \$18.1 million, respectively. The major source of cash receipts was from tuition and fees, net of scholarship allowances and discounts (\$29 million in 2009 and \$25.7 million in 2008). The District's major cash outlay was for contract services with UTB (\$48.4 million in 2009 and \$44.5 million in 2008).

Non-capital Financing Activities: The District had a positive cash flow of \$25.3 million in fiscal year 2009 and \$24.6 million in fiscal year 2008 from the collection of property taxes and receipt of state appropriations. Property taxes were collected at a rate of 93.9% and 94.9% of the current year's tax levy for fiscal year 2009 and fiscal year 2008, respectively. (See table 10 below for more information on property taxes.)

Capital and Related Financing Activities: In fiscal year 2009, capital and related financing activities resulted in a cash outflow of \$41.5 million. Cash outlays of approximately \$55.5 million were made for capital construction projects, purchases of land and property, and principal and interest payments for all outstanding bonds. Cash inflows of \$14 million resulted from the issuance of \$4 million in tax bonds, \$3.25 million in maintenance tax notes and \$5.1 from the collection of property taxes to fund the debt resulting from the \$68 million in bonds that were approved by the voters in November 2004. During the fiscal year, \$1.6 million in contributions were solicited as a result of a capital campaign to raise funds for the construction of the Arts Center. In fiscal year 2008, capital and related financing activities resulted in a cash outflow of \$27.9 million. Cash outlays of approximately \$42.6 million for capital construction projects, purchases of land and property and principal and interest payments for all outstanding bonds were offset by inflows of \$14.7 million from the issuance of \$5 million in tax bonds, \$5 million in maintenance tax notes and \$4.6 million in property taxes to fund debt service requirements.

Investing Activities: Cash flows from investing activities represent investment earnings generated from the District's various checking, savings and certificate of deposit accounts. While earnings increased by about 25% from fiscal year 2007 to fiscal year 2008 due to the investment of additional bond proceeds and favorable fixed earnings rates, earnings on investments from fiscal year 2008 to fiscal year 2009 decreased dramatically despite additional bond proceeds available for investment. This decrease in investment returns is consistent with the economic downturn in the market and is as a result of further depletion of prior year investment of bond proceeds as construction projects reached completion or are near completion.

Statement of Cash Flows (Continued)

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

TABLE 10
PROPERTY TAX INFORMATION

	Fiscal Year 2009	Fiscal Year 2008	Percent Change
Total Tax Rate per \$100	\$ 0.161089	\$ 0.161089	0%
Total Tax Collections	\$ 16,480,318	\$ 15,318,499	7.6%
Tax Collection Rate	93.93%	94.90%	-
Assessed Valuation	\$10,440,911,521	\$9,738,709,903	7.2%

The District's total tax assessments increased by approximately 7.6% due to a 7.2% increase in assessed valuations. Overall, the District's tax collection rate has remained strong over the past decade.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of Fiscal Year 2009 the District had approximately \$153.4 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 \$45.5 million of which \$44 million were for construction in progress on the various bond financed projects that have begun on campus. \$72.6 million in construction projects were completed in fiscal year 2009 which include the ITECC Renovations, Recreation, Education and Kinesiology (REK) Center, the Library and Classroom Building. The Early Childhood Center, Arts Center, Oliveira Library renovations and campus parking projects are expected to be complete in fiscal year 2010.

Note 5 of the financial statements which begins on page 35 provides further detailed information regarding the District's capital assets. Table 11 summarizes capital asset activity for the year ended August 31, 2009.

TABLE 11
CAPITAL ASSETS AT FISCAL YEAR END 2009
(in millions)

	Balance September 1, 2008	Increases	Decreases	Balance August 31, 2009
Not Depreciated	\$ 61.5	\$ 44.7	\$ (72.6)	\$ 33.7
Buildings and Other Capital Assets	\$ 91.0	\$ 73.4	\$ -	\$ 164.4
Less Accumulated Depreciation	\$ (42.7)	\$ (2.1)	\$ -	\$ (44.7)
Total Capital Assets	\$ 109.9	\$ 116.1	\$ (72.6)	\$ 153.4

Debt

The District's general obligation bond ratings, as assigned by Fitch Ratings and Standard and Poor's are AA- and AA respectively. Standard and Poor's bond rating was upgraded this year from an A+ to a AA as a result of the District's limited capital needs, long-term planning and strong financial position. The rating for revenue bonds as assigned by Standard and Poor's is A. All other ratings have remained stable.

At year-end, the District had approximately \$105.2 million in outstanding debt. Notes 6 through 8 of the financial statements which begin on page 36 provide further detailed information regarding the District's debt obligations. Table 12 summarizes these amounts by type of debt instrument.

TABLE 12
BONDS PAYABLE AT FISCAL YEAR END 2009
(in millions)

	Balance September 1, 2008	Increases	Decreases	Balance August 31, 2009
General Obligation Bonds	\$ 72.4	\$ 7.3	\$ 1.7	\$ 78.0
Revenue Bonds	\$ 27.7	\$ -	\$ 0.8	\$ 26.9
Plus Premium on Bonds	\$ 1.0	\$ -	\$ 0.1	\$ 0.9
Less Deferred Amounts on Refunding	\$ (0.6)	\$ -	\$ -	\$ (0.6)
Total Bonds Payable	\$ 100.5	\$ 7.3	\$ 2.6	\$ 105.2

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

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Board of Trustees considered many factors when establishing the fiscal year 2010 budget and tax rates. Tuition and fees revenues are expected to remain flat or increase slightly as a result of a large increase in dual enrollment students at the high schools for whom tuition and fees are waived. College student enrollment is expected to stay flat and tuition rates and fees are expected to increase modestly. The District expects a minimal tax revenue increase during fiscal year 2010 as a result of a small growth in the tax base, due to population growth, decreased valuations as a result of Hurricane Dolly damage and the state of the real estate market. Collections are projected to remain fairly strong. Expenditures are expected to stay in line with the projected overall increase in revenues as the institution strives to meet instructional as well as campus improvement needs.

In November 2004, the voters approved a \$68 million bond election. Seven major capital projects were planned with these bonds funds and additional funds leveraged throughout the project timelines. The Recreation, Education and Kinesiology (REK) Center was completed in March of 2009. This center was funded through a combination of bond proceeds and student fees. Renovations at ITECC were completed very early in the fiscal year and a Library and a Classroom Building were also completed in May of 2009. The following projects are currently underway and projected to be complete in fiscal year 2010: The Arts Center, Early Childhood Development Center, Campus Parking, and Library Improvements.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the funds it receives. If you have questions about this report or need additional financial information, contact the Texas Southmost College District Office at (956) 882-6567.

TEXAS SOUTHMOST COLLEGE DISTRICT

STATEMENTS OF NET ASSETS

August 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 10,531,559	\$ 9,398,187
Accounts receivable (net)	19,146,830	16,260,046
Prepaid expenses	595,041	512,291
Total current assets	<u>30,273,430</u>	<u>26,170,524</u>
Noncurrent Assets:		
Restricted cash and cash equivalents	24,898,660	59,058,311
Endowment investments	53,810	63,479
Unamortized bond issuance cost	2,053,689	2,014,615
Capital assets (net)	153,363,438	109,857,928
Total noncurrent assets	<u>180,369,597</u>	<u>170,994,333</u>
Total Assets	<u>210,643,027</u>	<u>197,164,857</u>
LIABILITIES		
Current Liabilities:		
Accounts payable	5,664,890	8,512,690
Accrued liabilities	2,541,701	2,435,004
Accrued compensable absences - current portion	31,395	25,617
Funds held for others	8,304	8,304
Deferred revenues	15,123,717	13,113,016
Bonds payable - current portion	3,145,000	2,570,000
Total current liabilities	<u>26,515,007</u>	<u>26,664,631</u>
Noncurrent Liabilities:		
Accrued compensable absences	36,112	31,958
Bonds payable	101,952,980	97,899,794
Total noncurrent liabilities	<u>101,989,092</u>	<u>97,931,752</u>
Total Liabilities	<u>128,504,099</u>	<u>124,596,383</u>
NET ASSETS		
Investment in capital assets, net of related debt	56,521,296	50,940,112
Restricted for:		
Expendable		
Endowment	61,590	70,226
Capital Projects	8,170,429	5,304,582
Debt Service	9,206,720	9,507,128
Other	857,940	941,699
Unrestricted	7,320,953	5,804,727
Total Net Assets (Schedule D)	<u>\$ 82,138,928</u>	<u>\$ 72,568,474</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, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Operating Revenues		
Tuition and fees (net of discounts of \$4,810,809 and \$2,041,289 respectively)	\$ 26,843,900	\$ 25,917,215
Federal grants and contracts	1,970,939	787,249
State grants and contracts	4,430,696	3,371,048
Local grants and contracts	439,772	363,885
Auxillary enterprises	445,716	390,990
General operating revenues	419,588	240,523
Total Operating Revenues (Schedule A)	<u>34,550,611</u>	<u>31,070,910</u>
Operating Expenses		
Institutional support	2,325,216	2,581,761
Operation and maintenance of plant	1,349,966	892,107
Auxiliary enterprises	928,790	683,044
Depreciation	2,065,902	2,069,769
Contracted Services with UTB	46,763,146	44,254,372
Total Operating Expenses (Schedule B)	<u>53,433,020</u>	<u>50,481,053</u>
Operating Loss	(18,882,409)	(19,410,143)
Non-Operating Revenues (Expenses)		
State appropriations	13,983,572	14,153,928
Maintenance ad valorem taxes	11,325,004	10,561,799
Debt Service ad valorem taxes	5,155,314	4,756,700
Investment income	928,574	3,177,121
Unrealized gain/loss on investment	(9,667)	(4,137)
Interest on capital related debt	(4,432,353)	(4,115,261)
Other non-operating revenues	1,646,207	63,581
Other non-operating expenses	(143,789)	(102,484)
Net Non-operating Revenues (Schedule C)	<u>28,452,862</u>	<u>28,491,247</u>
Increase in Net Assets	<u>9,570,453</u>	<u>9,081,104</u>
Net Assets		
Net assets - beginning of year	<u>72,568,475</u>	<u>63,487,371</u>
Net assets - end of year	<u>\$ 82,138,928</u>	<u>\$ 72,568,475</u>

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

TEXAS SOUTHMOST COLLEGE DISTRICT

STATEMENTS OF CASH FLOW
Years Ended August 31, 2009 and 2008

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from students and other customers	\$ 29,014,237	\$ 25,704,166
Receipts from grants and contracts	6,816,883	4,477,953
Payments to suppliers for goods and services	(3,421,823)	(3,326,990)
Transfers to UTB	(48,441,594)	(44,536,969)
Payments to or on behalf of employees	(1,256,126)	(895,488)
Receipts from auxliary services	(409,655)	390,990
Net cash provided (used) by operating activites	(17,698,078)	(18,186,338)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Receipts from state appropriations	13,983,572	14,153,928
Receipts from ad valorem taxes	11,272,424	10,486,139
Net cash provided (used) by non-capital financing activities	25,255,996	24,640,067
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds on issuance of capital debt	7,250,000	10,000,000
Contributions	1,646,207	63,581
Proceeds from ad valorem taxes	5,116,070	4,648,916
Purchases of capital assets	(48,269,659)	(35,749,735)
Payments on capital debt - principal	(2,660,887)	(2,603,470)
Payments on capital debt - interest and issue costs	(4,615,760)	(4,257,060)
Net cash provided (used) by capital and related financing activities	(41,534,029)	(27,897,768)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	949,832	3,531,450
Net cash provided (used) by investing activities	949,832	3,531,450
Increase (Decrease) In Cash and Cash Equivalents	(33,026,279)	(17,912,589)
Cash and Cash Equivalents - September 1	68,456,498	86,369,087
Cash and Cash Equivalents - August 31	\$ 35,430,219	\$ 68,456,498

(Continued)

TEXAS SOUTHMOST COLLEGE DISTRICT
STATEMENTS OF CASH FLOW - CONTINUED
 Years Ended August 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
RECONCILIATION OF NET OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating loss	\$ (18,882,409)	\$ (19,410,143)
Adjustments to reconcile net loss to net cash provided (used) by operating activities:		
Depreciation expense	2,065,902	2,069,769
Changes in assets and liabilities:		
Receivables (net)	(2,843,550)	1,558,596
Prepaid expenses	(82,750)	(90,758)
Accounts payable	25,256	(1,980,422)
Accrued liabilities	(1,159)	22,222
Compensated absences	9,932	2,425
Deferred revenue	2,010,700	(358,027)
	<u>\$ (17,698,078)</u>	<u>\$ (18,186,338)</u>
Net cash provided (used) by operating activities		
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES		
Decrease in fair value of investments	\$ (9,667)	\$ (4,137)

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

NOTES TO FINANCIAL STATEMENTS

TEXAS SOUTHMOST COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2009 and 2008

1. Reporting Entity

Texas Southmost College was established in 1926, in accordance with the laws of the State of Texas, to serve the educational needs of Brownsville and the surrounding communities. The Southmost Union Junior College District was established in 1949 and in 2005 officially changed its name to Texas Southmost College District (the District). Texas Southmost College District is considered to be a special purpose, primary government according to the definition in Governmental Accounting Standards Board (GASB) Statement 14. While the District receives funding from local, state and federal sources, and must comply with the spending, reporting and record keeping requirements of these entities, it is not a component unit of any other governmental entity.

2. Summary of Significant Accounting Policies

Reporting Guidelines

The significant accounting policies followed by the District in preparing these financial statements are in accordance with the *Texas Higher Education Coordinating Board's Annual Financial Reporting Requirements for Texas Public Community and Junior Colleges*. The District applies all applicable GASB Pronouncements and all applicable Financial Accounting Standard Board (FASB) Statements and interpretations issued on or before November 30, 1989, unless they conflict or contradict GASB pronouncements. The District has elected not to apply FASB guidance issued subsequent to November 30, 1989, unless specifically adopted by the GASB. The District is reported as a special-purpose government engaged in business-type activities.

Tuition Discounting

Texas Public Education Grants

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

Scholarship Allowances and Discounts

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

At the beginning of the fiscal year, the District established the TSC Trustee Scholarship in order to provide a scholarship to all in-district students taking lower division courses who meet satisfactory academic progress criteria. The scholarship is also available to all in-district students meeting satisfactory academic progress criteria who are enrolled in upper division courses and are taking 15 or more credit hours per semester. Amounts transferred to UTB are recorded as tuition discounts.

Basis of Accounting

The financial statements of the District have been prepared on the accrual basis whereby all revenues are recorded when earned and all expenses are recorded when they have been reduced to a legal or contractual obligation to pay.

TEXAS SOUTHMOST COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

August 31, 2009 and 2008

2. Summary of Significant Accounting Policies – Continued

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

Investments

In accordance with GASB 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, investments are reported at fair value. Fair values are based on published market rates. Short-term investments have an original maturity greater than three months but less than one year at time of purchase.

(The governing board has designated public funds investment pools comprised of \$ 2,009,388 and \$53,588,630 at August 31, 2009 and 2008, respectively to be short-term investments). Long-term investments have an original maturity of greater than one year at the time of purchase.

Pledges

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

<u>Pledges Receivable</u>	<u>Amount</u>
Due within one year	\$ 282,168
Due after one year	<u>833,155</u>
Total pledges receivable	<u>\$ 1,115,323</u>

Inventories

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

Capital Assets

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

TEXAS SOUTHMOST COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

August 31, 2009 and 2008

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

Capital Assets – Continued

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 \$15,123,717 and \$13,113,016 have been reported as deferred revenues at August 31, 2009 and 2008, respectively.

Estimates

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

Operating and Non-Operating Revenue and Expense Policy

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

3. **Authorized Investments**

Texas Southmost College District is authorized to invest in obligations and instruments as defined in the Public Funds Investment Act (Sec. 2256.001 Texas Government Code). Such investments include (1) obligations of the United States or its agencies, (2) direct obligations of the State of Texas or its agencies, (3) obligations of political subdivisions rated not less than A by a national investment rating firm, (4) certificates of deposit, and (5) other instruments and obligations authorized by statute.

4. **Deposits and Investments**

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

	<u>2009</u>	<u>2008</u>
Bank Deposits		
Demand Deposits – Unrestricted	\$ 10,528,949	\$ 9,395,577
Demand Deposits – Restricted	24,898,660	59,058,311
Cash and Cash Equivalents		
Petty Cash on Hand	<u>2,610</u>	<u>2,610</u>
Total Cash and Deposits	<u>\$ 35,430,219</u>	<u>\$ 68,456,498</u>

TEXAS SOUTHMOST COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
 August 31, 2009 and 2008

4. **Deposits and Investments – Continued**

Reconciliation of Deposits and Investments

<u>Type of Security</u>	Market Value August 31, <u>2009</u>	Market Value August 31, <u>2008</u>
Total Cash and Deposits	\$ 35,430,219	\$ 68,456,498
Total Investments	<u>53,810</u>	<u>63,479</u>
Total Deposits and Investments	<u>\$ 35,484,029</u>	<u>\$ 68,519,977</u>
Cash and Temporary Investments	\$ 10,531,559	\$ 9,398,187
Cash and Temporary Investments – Restricted	24,898,660	59,058,311
Investments	<u>53,810</u>	<u>63,479</u>
Total Deposits and Investments	<u>\$ 35,484,029</u>	<u>\$ 68,519,977</u>

As of August 31, 2009 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	53,810	19,884
Municipal Bonds	-	-
Total Fair Value	<u>\$ 53,810</u>	<u>\$ 19,884</u>

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

Credit Risk – In accordance with state law and the District’s investment policy, investments in mutual funds, and investment pools must be rated at least AAA, commercial paper must be rated at least A-1 or P-1, and investments in obligations from other states, municipalities, counties, etc. must be rated at least A. The District does not place a limit on the amount it may invest in any one issuer.

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

At August 31, 2009 the District’s investments consisted of savings accounts which are reported as cash and cash equivalents on the Statement of Net Assets and common stocks that were donated to the District. The stocks are held in an endowment fund and have donor restrictions.

TEXAS SOUTHMOST COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
August 31, 2009 and 2008

5. Capital Assets

Capital assets activity for the year ended August 31, 2009 was as follows:

	Balance September 1, 2008	Increases	Decreases	Reclassification	Balance August 31, 2009
Not Depreciated:					
Land	\$ 4,703,834	\$ 719,691	\$ -	\$ -	\$ 5,423,525
Construction in Process	56,813,165	44,025,646	-	(72,562,288)	28,276,523
Subtotal	61,516,999	44,745,337	-	(72,562,288)	33,700,048
Buildings and Other Capital Assets:					
Buildings and Building Improvements	64,875,721	-	-	70,929,558	135,805,279
Other Real Estate Improvements	9,022,008	-	-	-	9,022,008
Total Buildings and Other Real Estate Improvements	73,897,729	-	-	70,929,558	144,827,287
Library Books	8,422,239	-	-	-	8,422,239
Furniture, Machinery, and Equipment	8,671,001	826,075	-	1,632,730	11,129,806
Total Buildings and Other Capital Assets	90,990,969	826,075	-	72,562,288	164,379,332
Accumulated Depreciation:					
Buildings and Building Improvements	(20,384,058)	(1,604,278)	-	-	(21,988,336)
Other Real Estate Improvements	(5,346,999)	(385,532)	-	-	(5,732,531)
Total Buildings and Other Real Estate Improvements	(25,731,057)	(1,989,810)	-	-	(27,720,867)
Library Books	(8,422,241)	-	-	-	(8,422,241)
Furniture, Machinery, and Equipment	(8,496,742)	(76,092)	-	-	(8,572,834)
Total Accumulated Depreciation	(42,650,040)	(2,065,902)	-	-	(44,715,942)
Net Capital Assets	\$109,857,928	\$ 43,505,510	\$ -	\$ -	\$153,363,438

Capital assets activity for the year ended August 31, 2008 was as follows:

	Balance September 1, 2007	Increases	Decreases	Reclassification	Balance August 31, 2008
Not Depreciated:					
Land	\$ 4,555,024	\$ 148,810	\$ -	\$ -	\$ 4,703,834
Construction in Process	17,480,309	39,981,574	-	(648,718)	56,813,165
Subtotal	22,035,333	40,130,384	-	(648,718)	61,516,999
Buildings and Other Capital Assets:					
Buildings and Building Improvements	64,149,461	726,260	-	-	64,875,721
Other Real Estate Improvements	8,036,016	337,274	-	648,718	9,022,008
Total Buildings and Other Real Estate Improvements	72,185,477	1,063,534	-	648,718	73,897,729
Library Books	8,422,239	-	-	-	8,422,239
Furniture, Machinery, and Equipment	8,671,001	-	-	-	8,671,001
Total Buildings and Other Capital Assets	89,278,717	1,063,534	-	648,718	90,990,969

TEXAS SOUTHMOST COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

August 31, 2009 and 2008

5. Capital Assets – Continued

	Balance September 1, 2007	Increases	Decreases	Reclassification	Balance August 31, 2008
Accumulated Depreciation:					
Buildings and Building Improvements	(19,361,821)	(1,022,237)	-	-	(20,384,058)
Other Real Estate Improvements	(4,960,629)	(386,370)	-	-	(5,346,999)
Total Buildings and Other Real Estate Improvements	(24,322,450)	(1,408,607)	-	-	(25,731,057)
Library Books	(8,001,128)	(421,113)	-	-	(8,422,241)
Furniture, Machinery, and Equipment	(8,256,693)	(240,049)	-	-	(8,496,742)
Total Accumulated Depreciation	(40,580,271)	(2,069,769)	-	-	(42,650,040)
Net Capital Assets	<u>\$ 70,733,779</u>	<u>\$39,124,149</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$109,857,928</u>

6. Long-Term Liabilities

Long-term liability activity for the year ended August 31, 2009 was as follows:

	Balance September 1, 2008	Additions	Reductions	Balance August 31, 2009	Current Portion
Bonds					
General Obligation Bonds	\$ 72,440,000	\$ 7,250,000	\$ 1,690,000	\$ 78,000,000	\$ 2,225,000
Revenue Bonds	27,645,000	-	880,000	26,765,000	920,000
Plus: Premium on Bonds	995,658	(39,530)	55,273	900,855	-
Less: Deferred Amounts on Refunding	(610,864)	-	(42,989)	(567,875)	-
Subtotal	<u>100,469,794</u>	<u>7,210,470</u>	<u>2,582,284</u>	<u>105,097,980</u>	<u>3,145,000</u>
Accrued Compensable Absences	<u>57,575</u>	<u>54,235</u>	<u>44,303</u>	<u>67,507</u>	<u>31,395</u>
Total Long-term Liabilities	<u>\$ 100,527,369</u>	<u>\$ 7,264,705</u>	<u>\$ 2,626,587</u>	<u>\$105,165,487</u>	<u>\$ 3,176,395</u>

TEXAS SOUTHMOST COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
 August 31, 2009 and 2008

6. Long-Term Liabilities – Continued

Long-term liability activity for the year ended August 31, 2008 was as follows:

	Balance September 1, 2007	Additions	Reductions	Balance August 31, 2008	Current Portion
Bonds					
General Obligation Bonds	\$ 64,000,000	\$ 10,000,000	\$ 1,560,000	\$ 72,440,000	\$ 1,690,000
Revenue Bonds	28,495,000	-	850,000	27,645,000	880,000
Plus Premium on Bonds	1,024,992	29,597	58,931	995,658	-
Less Deferred Amounts on Refunding	(653,854)	-	(42,990)	(610,864)	-
Subtotal	<u>92,866,138</u>	<u>10,029,597</u>	<u>2,425,941</u>	<u>100,469,794</u>	<u>2,570,000</u>
Accrued Compensable Absences	<u>55,150</u>	<u>5,188</u>	<u>2,763</u>	<u>57,575</u>	<u>25,617</u>
Total Long-term Liabilities	<u>\$ 92,921,288</u>	<u>\$ 10,034,785</u>	<u>\$ 2,428,704</u>	<u>\$ 100,527,369</u>	<u>\$ 2,595,617</u>

7. Debt Obligations

Debt service requirements at August 31, 2009 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
2010	\$ 2,225	\$ 3,407	\$ 5,632	\$ 920	\$ 1,182	\$ 2,102	\$ 3,145	\$ 4,589
2011	2,500	3,303	5,803	945	1,150	2,095	3,445	4,453
2012	2,770	3,209	5,979	985	1,114	2,099	3,755	4,323
2013	3,055	3,101	6,156	1,025	1,073	2,098	4,080	4,174
2014	3,365	2,976	6,341	1,070	1,029	2,099	4,435	4,005
2015-2019	19,060	12,610	31,670	6,080	4,419	10,499	25,140	17,029
2020-2024	23,465	8,176	31,641	7,485	3,010	10,495	30,950	11,186
2025-2029	16,920	2,545	19,465	6,480	1,338	7,818	23,400	3,883
2030-2034	4,640	401	5,041	1,775	106	1,881	6,415	507
	<u>\$ 78,000</u>	<u>\$ 39,728</u>	<u>\$ 117,728</u>	<u>\$ 26,765</u>	<u>\$ 14,421</u>	<u>\$ 41,186</u>	<u>\$ 104,765</u>	<u>\$ 54,149</u>

TEXAS SOUTHMOST COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
 August 31, 2009 and 2008

8. Bonds Payable

General information related to bonds payable is summarized below:

Student Union Building Fees Revenue Refunding Bonds, Series 2005

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

Bonds payable are due in annual installments varying from \$325,000 to \$640,000 with interest at 3% to 5% and the final installment due August 2025.

<u>Year Ending</u> <u>August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 360,000	\$ 311,540	\$ 671,540
2011	370,000	299,840	669,840
2012	380,000	286,890	666,890
2013	395,000	273,590	668,590
2014	410,000	259,370	669,370
2015-2019	2,295,000	1,043,375	3,338,375
2020-2024	2,815,000	527,080	3,342,080
2025-2029	640,000	28,800	668,800
Total	<u>\$ 7,665,000</u>	<u>\$ 3,030,485</u>	<u>\$ 10,695,485</u>

TEXAS SOUTHMOST COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

August 31, 2009 and 2008

8. Bonds Payable – Continued

Limited Tax Bonds, Series 2005

- To be used for the construction and equipment of school buildings and purchase of necessary sites
- Issued tax bonds on February 15, 2005
- \$19,805,000, all authorized bonds have been issued
- Source of revenue for debt service – ad valorem tax levy

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

<u>Year Ending August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 855,000	\$ 752,950	\$ 1,607,950
2011	880,000	726,925	1,606,925
2012	910,000	698,938	1,608,938
2013	940,000	668,288	1,608,288
2014	970,000	635,450	1,605,450
2015-2019	5,450,000	2,580,585	8,030,585
2020-2024	6,790,000	1,249,619	8,039,619
2025-2029	1,570,000	39,250	1,609,250
Total	<u>\$ 18,365,000</u>	<u>\$ 7,352,005</u>	<u>\$ 25,717,005</u>

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.

<u>Year Ending August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 385,000	\$ 597,006	\$ 982,006
2011	395,000	583,531	978,531
2012	415,000	567,731	982,731
2013	435,000	546,981	981,981
2014	455,000	525,231	980,231
2015-2019	2,625,000	2,288,018	4,913,018
2020-2024	3,235,000	1,671,469	4,906,469
2025-2029	4,045,000	856,075	4,901,075
2030-2034	935,000	46,750	981,750
Total	<u>\$ 12,925,000</u>	<u>\$ 7,682,792</u>	<u>\$ 20,607,792</u>

TEXAS SOUTHMOST COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

August 31, 2009 and 2008

8. Bonds Payable – Continued

Limited Tax Bonds, Series 2006

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

Bonds payable are due in annual installments varying from \$395,000 to \$4,015,000 with interest at 4% to 5% and the final installment due August 2026.

<u>Year Ending August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 395,000	\$ 1,139,884	\$ 1,534,884
2011	485,000	1,122,284	1,607,284
2012	580,000	1,100,621	1,680,621
2013	655,000	1,074,740	1,729,740
2014	810,000	1,040,571	1,850,571
2015-2019	5,670,000	4,521,011	10,191,011
2020-2024	9,750,000	2,832,929	12,582,929
2025-2029	6,275,000	357,625	6,632,625
Total	<u>\$ 24,620,000</u>	<u>\$ 13,189,665</u>	<u>\$ 37,809,665</u>

Maintenance Tax Notes, Series 2006

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

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.

<u>Year Ending August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 185,000	\$ 190,328	\$ 375,328
2011	195,000	182,728	377,728
2012	200,000	174,828	374,828
2013	210,000	166,628	376,628
2014	215,000	158,128	373,128
2019-2023	1,230,000	645,413	1,875,413
2024-2028	1,535,000	343,792	1,878,792
2024-2028	715,000	33,236	748,236
Total	<u>\$ 4,485,000</u>	<u>\$ 1,895,081</u>	<u>\$ 6,380,081</u>

TEXAS SOUTHMOST COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

August 31, 2009 and 2008

8. Bonds Payable – Continued

Combined Fee Revenue Refunding and Improvement Bonds, Series 2006

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

Notes payable are due in annual installments varying from \$165,000 to \$430,000 with interest at 3.6% to 4.55% and the final installment due August 2031.

<u>Year Ending August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 175,000	\$ 273,036	\$ 448,036
2011	180,000	266,561	446,561
2012	190,000	259,811	449,811
2013	195,000	252,496	447,496
2014	205,000	244,794	449,794
2015-2019	1,160,000	1,087,858	2,247,858
2020-2024	1,435,000	811,921	2,246,921
2025-2029	1,795,000	452,862	2,247,862
2030-2034	840,000	59,055	899,055
Total	\$ 6,175,000	\$ 3,708,394	\$ 9,883,394

Maintenance Tax Notes, Series 2007

- To be used for the purpose of maintenance and renovation of existing facilities
- Issued tax bonds June 15, 2007
- \$2,000,000, all authorized bonds have been issued
- Source of revenue for debt service – ad valorem tax levy

Bonds payable are due in annual installments varying from \$145,000 to \$65,000, with interest at 4.25% to 4.75%, and the final installment due February 2027.

<u>Year Ending August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 70,000	\$ 79,915	\$ 149,915
2011	70,000	76,940	146,940
2012	75,000	73,859	148,859
2013	75,000	70,671	145,671
2014	80,000	67,378	147,378
2015-2019	460,000	280,730	740,730
2020-2024	575,000	167,088	742,088
2025-2029	415,000	30,282	445,282
Total	\$ 1,820,000	\$ 846,863	\$ 2,666,863

TEXAS SOUTHMOST COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
 August 31, 2009 and 2008

8. Bonds Payable – Continued

Limited Tax Bond, Series 2007

- To be used for the construction and equipment of school buildings and the purchase of necessary sites
- Issued tax bonds June 15, 2007
- \$14,000,000, all authorized bonds have been issued
- Source of revenue for debt service – ad valorem tax levy

Bonds payable are due in annual installments varying from \$1,095,000 to \$105,000, with interest at 4.25% to 4.75%, and the final installment due August 2032.

<u>Year Ending August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 105,000	\$ 591,870	\$ 696,870
2011	245,000	584,433	829,433
2012	390,000	570,939	960,939
2013	465,000	552,770	1,017,770
2014	545,000	531,308	1,076,308
2015-2019	2,720,000	2,275,389	4,995,389
2020-2024	1,310,000	1,896,810	3,206,810
2025-2029	3,645,000	1,360,969	5,005,969
2030-2034	3,305,000	253,625	3,558,625
Total	\$ 12,730,000	\$ 8,618,113	\$ 21,348,113

Maintenance Tax Notes, Series 2008

- To be used for the purpose of maintenance and renovation of existing facilities
- Issued tax bonds June 15, 2008
- \$5,000,000, all authorized bonds have been issued
- Source of revenue for debt service – ad valorem tax levy

Bonds payable are due in annual installments varying from \$375,000 to \$100,000, with interest at 4.10% to 4.42%, and the final installment due February 2028.

<u>Year Ending August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 100,000	\$ 199,213	\$ 299,213
2011	185,000	193,513	378,513
2012	185,000	186,113	371,113
2013	200,000	178,413	378,413
2014	205,000	170,313	375,313
2015-2019	1,165,000	717,965	1,882,965
2020-2024	1,430,000	455,877	1,885,877
2025-2029	1,395,000	124,832	1,519,832
Total	\$ 4,865,000	\$ 2,226,239	\$ 7,091,239

TEXAS SOUTHMOST COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

August 31, 2009 and 2008

8. Bonds Payable – Continued

Limited Tax Bond, Series 2008

- To be used for the construction and equipment of school buildings and the purchase of necessary sites
- Issued tax bonds June 15, 2008
- \$5,000,000, all authorized bonds have been issued
- Source of revenue for debt service – ad valorem tax levy

Bonds payable are due in annual installments varying from \$1,135,000 to \$25,000, with interest at 4.25% to 4.65%, and the final installment due August 2032.

<u>Year Ending August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ -	\$ 167,266	\$ 167,266
2011	-	167,266	167,266
2012	-	167,266	167,266
2013	110,000	165,066	275,066
2014	110,000	160,666	270,666
2015-2019	445,000	737,187	1,182,187
2020-2024	705,000	661,351	1,366,351
2025-2029	1,760,000	283,185	2,043,185
2030-2034	735,000	69,954	804,954
Total	\$ 3,865,000	\$ 2,579,207	\$ 6,444,207

Maintenance Tax Notes, Series 2009

- To be used for the purpose of maintenance and renovation of existing facilities
- Issued tax bonds June 18, 2009
- \$3,250,000, all authorized bonds have been issued
- Source of revenue for debt service – ad valorem tax levy

Bonds payable are due in annual installments varying from \$245,000 to \$115,000, with interest at 3.0% to 4.625%, and the final installment due February 2029.

<u>Year Ending August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 115,000	\$ 136,668	\$ 251,668
2011	130,000	122,675	252,675
2012	135,000	118,700	253,700
2013	140,000	114,663	254,663
2014	140,000	110,638	250,638
2015-2019	780,000	477,925	1,257,925
2020-2024	960,000	304,133	1,264,133
2025-2029	850,000	117,604	967,604
Total	\$ 3,250,000	\$ 1,503,006	\$ 4,753,006

TEXAS SOUTHMOST COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
August 31, 2009 and 2008

8. **Bonds Payable – Continued**

Limited Tax Bond, Series 2009

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

Bonds payable are due in annual installments varying from \$400,000 to 70,000, with interest at 3.0% to 5.0%, and the final installment due August 2034.

<u>Year Ending August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 400,000	\$ 148,898	\$ 548,898
2011	310,000	126,700	436,700
2012	295,000	117,625	412,625
2013	260,000	109,300	369,300
2014	290,000	101,050	391,050
2015-2019	1,140,000	374,250	1,514,250
2020-2024	410,000	264,054	674,054
2025-2029	295,000	197,986	492,986
2030-2034	600,000	77,497	677,497
Total	\$ 4,000,000	\$ 1,517,360	\$ 5,517,360

9. **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 District participates is administered by the Teacher Retirement System of Texas.

Teacher Retirement System of Texas

Plan Description

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

TEXAS SOUTHMOST COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2009 and 2008

9. **Employees' Retirement Plan** – Continued

Teacher Retirement System of Texas – Continued

Funding Policy

Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. The state funding policy is as follows: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10% of the aggregate annual compensation of all members of the system; (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of a the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. State law provides for a member contribution rate of 6.4% for fiscal years 2009, 2008, and 2007, and a state contribution rate of 6.58% for fiscal years 2009 and 2008, and 6.0% for fiscal year 2007. In certain instances the reporting district is required to make all or a portion of the state's 6.58% contribution for fiscal years 2009 and 2008, and 6.0% for fiscal year 2007.

Optional Retirement Plan

Plan Description

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

Funding Policy

Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. The percentages of participant salaries contributed by the state are 6.58% in fiscal year 2009, 6.58% in 2008, and 6.0% in fiscal year 2007. Participant contribution rate for fiscal years 2009, 2008, 2007 was 6.65%. The District does not contribute for employees who were participating in the optional retirement program prior to September 1, 1995. Benefits fully vest after one year plus one day of employment. Because these are individual annuity contracts, the state has no additional or unfunded liability for this program.

The retirement expense to the State for the District was \$56,869, \$45,901, and \$32,022 for the fiscal years ended August 31, 2009, 2008 and 2007, respectively. This amount represents the portion of expended appropriations made by the State Legislature on behalf of the District.

The total payroll for all District employees was \$864,278, \$697,584, and \$533,705 for fiscal years 2009, 2008, 2007, respectively. The total payroll of employees covered by the Teacher Retirement System was \$759,743, \$596,094, and \$448,934 for the fiscal years 2009, 2008, 2007, respectively, and the total payroll of employees covered by the Optional Retirement Program was \$104,535, \$101,490, and \$84,771 for fiscal years 2009, 2008, 2007, respectively.

TEXAS SOUTHMOST COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

August 31, 2009 and 2008

10. **Deferred Compensation Program**

District employees may elect to defer a portion of their earnings for income tax and investment purposes pursuant to authority granted in Government Code 609.001. The plan is essentially an unfunded promise to pay by the employer to each of the plan participants.

As of August 31, 2009, the District did not have any employees participating in a deferred compensation program.

11. **Compensable Absences**

Full-time employees earn annual leave beginning on the first day of employment at the same rate and with the same limit as state employees as published each biennium in the General Appropriations Act. The District policy is that a full-time employee may carry his accrued leave forward from one fiscal year to another fiscal year with a maximum number of hours up to 532 for those employees with 35 or more years of service. Employees with at least six months of continuous, benefits eligible, state employment prior to separation, and terminate their employment are entitled to payment for all accumulated annual leave up to the maximum allowed. The District recognized the accrued liability for the unpaid annual leave for in the amounts of \$67,507 and \$57,575 for August 31, 2009 and 2008. Sick leave, which is accumulated without limit, is earned at the rate of 8 hours per month. It is paid to an employee who misses work from an illness or to the estate of an employee in the event of his/her death. A deceased employee's estate is entitled to payment for unused annual leave if the employee had at least six months of continuous, state employment at the time of death. The District's policy is to recognize the cost of sick leave when paid. The liability is not shown in the financial statements because sick leave does not qualify as a compensated absence since it is contingent on a future event (namely, illness) that is beyond the control of both the employer and the employee.

12. **Pending Lawsuits and Claims**

On August 31, 2009, various lawsuits and claims involving Texas Southmost College District were pending. While the ultimate liability with respect to litigation and other claims asserted against the District cannot be reasonably estimated at this time, this liability, to the extent not provided for by insurance or otherwise, is not likely to have a material effect on the District.

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

Receivables

Receivables at August 31, 2009 and 2008 were as follows:

	<u>2009</u>	<u>2008</u>
Taxes Receivable	\$ 2,426,871	\$ 2,330,215
Federal Receivable	259,430	234,906
Accounts Receivable	36,529	35,321
Donations Receivable	1,115,323	-
Accrued Interest Receivables	1,943	50,533

TEXAS SOUTHMOST COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

August 31, 2009 and 2008

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

Receivables – Continued

	<u>2009</u>	<u>2008</u>
Other Receivable – Due from Cameron County	50,419	55,713
Other Receivable – Due from UTB	<u>15,377,659</u>	<u>13,669,869</u>
Subtotal	<u>19,268,174</u>	<u>16,376,557</u>
Allowance for Doubtful Accounts	<u>(121,344)</u>	<u>(116,511)</u>
TOTAL RECEIVABLES	<u>\$ 19,146,830</u>	<u>\$ 16,260,046</u>

Payables

Payables at August 31, 2009 and 2008 were as follows:

	<u>2009</u>	<u>2008</u>
Vendors Payable	\$ 4,260,336	\$ 7,133,392
Other Payable – Due to UTB	<u>1,404,554</u>	<u>1,379,298</u>
Subtotal	<u>5,664,890</u>	<u>8,512,690</u>
Allowance for Doubtful Accounts	<u>-</u>	<u>-</u>
TOTAL PAYABLES	<u>\$ 5,664,890</u>	<u>\$ 8,512,690</u>

14. **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 2009 and 2008, for which monies have not been received nor funds expended, except for the American Recovery and Reinvestment Act (ARRA) funds, of which \$212,439 was received, but not expended.

These monies will be used to provide competitive salaries and wages in order to retain faculty and staff by providing merit increases, exceptional merit increases, market adjustments, and promotion and tenure adjustments. The vast majority of the faculty and staff for the university are the recipients of the salary and wages. The estimate of the equivalent average of FTEs of the \$212,439 would be approximately 3.82 FTEs. No ARRA funds were spent, allocated or encumbered prior to August 31, 2009.

TEXAS SOUTHMOST COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

August 31, 2009 and 2008

15. Self-Insured Plans

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

16. Post-Retirement Health Care, and Life Insurance Benefits

In addition to providing pension benefits, the state provides certain health care and life insurance benefits for retired employees. Almost all of the employees may become eligible for those benefits if they reach normal retirement age while working for the state. Those and similar benefits for active employees are provided through an insurance company whose premiums are based on benefits paid during the previous year. At August 31, 2009 the District did not have any retired employees participating in post-retirements health care and life insurance benefits.

17. Ad Valorem Tax

The District'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 District district.

At August 31:

	<u>2009</u>	<u>2008</u>
Assessed Valuation for the District	\$11,620,454,541	\$10,795,407,567
Less: Exemptions	1,179,543,020	1,056,700,664
Less: Abatements	-	-
Net Assessed Valuation for the District	<u>\$ 10,440,911,521</u>	<u>\$ 9,738,706,903</u>

	<u>2009</u>			<u>2008</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 (Maximum per enabling legislation)	\$.350000	\$.500000	\$.850000	\$.350000	\$.500000	\$.850000
Assessed Tax Rate per \$100 valuation	\$ 0.110614	\$ 0.050475	\$ 0.161089	\$ 0.111423	\$ 0.049666	\$ 0.161089

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, 2009 and 2008 amounted to \$16,647,944 and \$15,360,034, respectively including any penalty and interest assessed. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed.

TEXAS SOUTHMOST COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
August 31, 2009 and 2008

17. Ad Valorem Tax – Continued

	2009			2008		
	Current Operations	Debt Service	Total	Current Operations	Debt Service	Total
Current Taxes Collected	\$10,787,565	\$ 4,849,517	\$15,637,082	\$10,030,910	\$ 4,546,488	\$14,577,398
Delinquent Taxes Collected	\$ 543,608	\$ 232,395	\$ 776,003	\$ 510,905	\$ 211,615	\$ 722,520
Penalties and Interest Collected	\$ 319,825	\$ 213,899	\$ 533,724	\$ 322,167	\$ 133,016	\$ 455,183
Less: Discounts and Commissions	<u>(325,994)</u>	<u>(140,497)</u>	<u>(466,491)</u>	<u>(302,183)</u>	<u>(134,420)</u>	<u>(436,603)</u>
Total Collections	<u>\$11,325,004</u>	<u>\$ 5,155,314</u>	<u>\$16,480,318</u>	<u>\$10,561,799</u>	<u>\$ 4,756,699</u>	<u>\$15,318,498</u>

Tax collections for the years ended August 31, 2009 and 2008 were 93.93 percent and 94.90 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.

18. Income Taxes

The District is exempt from income taxes under Internal Revenue Code Section 115, Income of States, Municipalities, Etc., although unrelated business income may be subject to income taxes under Internal Revenue Code Section 511 (a)(2)(B), Imposition of Tax on Unrelated Business Income of Charitable, Etc. Organizations. The District had no unrelated business income tax liability for the years ended August 31, 2009 and 2008.

19. Risk Management

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

TEXAS SOUTHMOST COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

August 31, 2009 and 2008

20. **Restricted Assets**

The balances of the restricted assets are as follows:

	<u>2009</u>	<u>2008</u>
Endowments	\$ 7,780	\$ 6,748
Scholarships	769,466	86,377
Federal awards	67,175	50,184
Restricted contributions – Arts Center	509,487	31,692
General obligation – debt service	2,666,423	1,741,510
Revenue bond – debt service	7,568,624	7,396,856
Revenue bond – construction account	<u>13,309,705</u>	<u>49,744,944</u>
	<u>\$ 24,898,660</u>	<u>\$ 59,058,311</u>

21. **Construction Commitments**

At August 31, 2009 and 2008, Texas Southmost College District had the following construction commitments:

<u>Project</u>	<u>2009 Remaining Balance</u>	<u>2008 Remaining Balance</u>
Thermal Plant Renovations	\$ -	\$ 533,281
Wellness, Recreation & Kinesiology Complex	423,453	6,381,336
Oliveira Library	2,296,000	1,400,000
ITECC	-	2,077,214
Bond Projects	-	16,038
East Library	-	6,339,467
Large Classrooms	890,752	4,997,546
Early Childhood Studies	472,837	2,781,593
Music Education	<u>5,243,426</u>	<u>17,791,603</u>
Total	<u>\$ 9,326,468</u>	<u>\$ 42,318,078</u>

22. **Grants and Contract Contingencies**

The District participates in various grant programs that are governed by various rules and regulations of the grantor agencies. All grants and contracts of the District are passed through to the University of Texas – Brownsville in accordance with the partnership agreement between the two schools. UTB meets all the characteristics of a subrecipient as outlined in Circular A-133 however; it is not being treated as a subrecipient because the partnership agreement is intended to allow UTB to act for and on behalf of the District. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent UTB has not complied with the rules and regulations governing the grants, the District would be held accountable and any refund of money received may be required and the collectibility of any related receivable may be impaired. In the opinion of the District's management, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

TEXAS SOUTHMOST COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2009 and 2008

23. Related Parties (Not a component unit)

The Texas Southmost College Foundation, Inc. is a nonprofit organization with the purpose of supporting the educational and other activities of the District. Texas Southmost College District does not appoint a voting majority nor does it fund or is obligated to pay debt related to this association. The District does not have the ability to significantly influence the policies of this Foundation. The Foundation solicits donations and acts as coordinator of gifts made by other parties. It remitted unrestricted gifts of \$152,201 and \$211,784 to UTB during the years ended August 31, 2009 and 2008. The District furnished certain services, such as office space, utilities and some staff assistance, at no cost to the Foundation.

24. Excess Interest and Rebtable Arbitrage

The Tax Reform Act of 1986 established arbitrage regulations that generally limit the rate of return on investment earnings of unexpended tax-exempt debt proceeds. With certain adjustments, the investment yield is limited to the interest rate on the debt itself. Federal tax code requirements now compel state and local governments to rebate defined arbitrage earnings of tax-exempt debt to the federal government every five years for as long as the bonds are outstanding. As of the audit report date, the District had received a preliminary calculation of the arbitrage amount \$437,561, which is reported as part of accrued expenses on these financial statements.

25. Post Employment Benefits Other than Pensions

The District does not participate in any post employment benefits.

SUPPLEMENTARY SECTION

TEXAS SOUTHMOST COLLEGE DISTRICT

SCHEDULE OF OPERATING REVENUES

Year Ended August 31, 2009 (With Memorandum Totals for the Year Ended August 31, 2008)

	Unrestricted	Restricted	Total Educational Activities	Auxiliary Enterprises	2009 Total	2008 Total
Tuition:						
State funded credit courses:						
In-district resident tuition	\$ 6,866,194	\$ -	\$ 6,866,194	\$ -	\$ 6,866,194	\$ 5,035,538
Out-of-district resident tuition	1,529,720	-	1,529,720	-	1,529,720	1,769,057
Non-resident tuition	425,648	-	425,648	-	425,648	419,166
TPEG - credit (set aside) *	563,003	-	563,003	-	563,003	395,379
State-funded continuing education						
TPEG - non-credit (set aside) *	-	-	-	-	-	-
Non-state funded educational programs						
Total Tuition	<u>9,384,565</u>	<u>-</u>	<u>9,384,565</u>	<u>-</u>	<u>9,384,565</u>	<u>7,619,140</u>
Fees:						
Distance learning fee	-	-	-	-	-	-
Installment plan fees	-	-	-	-	-	-
Non-instructional contract training fees	19,081,661	1,438,839	20,520,500	1,749,644	22,270,144	20,339,364
Prior year tuition and fees	-	-	-	-	-	-
Total Fees	<u>19,081,661</u>	<u>1,438,839</u>	<u>20,520,500</u>	<u>1,749,644</u>	<u>22,270,144</u>	<u>20,339,364</u>
Scholarship allowances and discounts:						
Remissions and exemptions - state	-	-	-	-	-	-
Remissions and exemptions - local	(1,544,546)	-	(1,544,546)	-	(1,544,546)	(1,673,182)
Reduced tuition pilot	(95,000)	-	(95,000)	-	(95,000)	(95,000)
Title IV federal grants	-	-	-	-	-	-
Other federal grants	-	-	-	-	-	-
TPEG awards	(664,406)	-	(664,406)	-	(664,406)	(273,107)
TSC Trustee Scholarship	(2,506,857)	-	(2,506,857)	-	(2,506,857)	-
Other state grants	-	-	-	-	-	-
Rising Star program	-	-	-	-	-	-
Other local grants	-	-	-	-	-	-
Total Scholarship Allowances	<u>(4,810,809)</u>	<u>-</u>	<u>(4,810,809)</u>	<u>-</u>	<u>(4,810,809)</u>	<u>(2,041,289)</u>
Total net tuition and fees	<u>23,655,417</u>	<u>1,438,839</u>	<u>25,094,256</u>	<u>1,749,644</u>	<u>26,843,900</u>	<u>25,917,215</u>
Additional operating revenues:						
Federal grants and contracts	-	1,970,939	1,970,939	-	1,970,939	787,249
State grants and contracts	-	4,430,696	4,430,696	-	4,430,696	3,371,048
Local grants and contracts	-	439,772	439,772	-	439,772	363,885
Non-governmental grants and contracts	-	-	-	-	-	-
Sales and services of educational activities	-	-	-	-	-	-
General operating revenues	419,588	-	419,588	-	419,588	240,523
Total additional operating revenues	<u>419,588</u>	<u>6,841,407</u>	<u>7,260,995</u>	<u>-</u>	<u>7,260,995</u>	<u>4,762,705</u>
Auxiliary Enterprises:						
Bookstore	-	-	-	-	-	-
Less Discounts	-	-	-	-	-	-
Food Service	-	-	-	-	-	-
Center for Educational Telecommunications	-	-	-	-	-	-
Business Incubation Center	-	-	-	-	-	-
Universities Center	-	-	-	-	-	-
Student Programs	-	-	-	445,716	445,716	390,990
Total net auxiliary enterprises	<u>-</u>	<u>-</u>	<u>-</u>	<u>445,716</u>	<u>445,716</u>	<u>390,990</u>
Total Operating Revenues	<u>\$ 24,075,005</u>	<u>\$ 8,280,246</u>	<u>\$ 32,355,251</u>	<u>\$ 2,195,360</u>	<u>\$ 34,550,611</u>	<u>\$ 31,070,910</u>
					(Exhibit 2)	(Exhibit 2)

* In accordance with Education Code 56.033, \$563,003 and \$395,379 for years August 31, 2009 and 2008, 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, 2009 (with Memorandum Totals for the Year Ended August 31, 2008)

	Operating Expenses				2009 Total	2008 Total
	Salaries and Wages	Benefits		Other Expenses		
		State	Local			
Unrestricted - Educational Activities						
Instruction	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public Service	-	-	-	-	-	-
Academic Support	-	-	-	-	-	-
Student Services	-	-	-	-	-	-
Institutional Support	833,432	-	130,843	1,360,941	2,325,216	2,581,761
Operation and Maintenance of Plant	-	-	-	1,349,966	1,349,966	892,107
Scholarships and Fellowships	-	-	-	-	-	-
Contract Services - UTB	-	-	-	46,763,146	46,763,146	44,254,372
Total Unrestricted Educational Activities	833,432	-	130,843	49,474,053	50,438,328	47,728,240
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	833,432	-	130,843	49,474,053	50,438,328	47,728,240
Auxiliary Enterprises	63,738	-	16,683	848,369	928,790	683,044
Depreciation Expense - Buildings and other real estate improvements	-	-	-	1,989,810	1,989,810	1,408,607
Depreciation Expense - Equipment and furniture	-	-	-	76,092	76,092	661,162
Total Operating Expenses	\$ 897,170	\$ -	\$ 147,526	\$ 52,388,324	\$ 53,433,020	\$ 50,481,053
					(Exhibit 2)	(Exhibit 2)

TEXAS SOUTHMOST COLLEGE DISTRICT

SCHEDULE OF NON-OPERATING REVENUES AND EXPENSES
 Year Ended August 31, 2009 (with Memorandum Totals for the Year Ended August 31, 2008)

	Unrestricted	Restricted	Auxiliary Enterprises	2009 Total	2008 Total
NON-OPERATING REVENUES:					
State Appropriations					
Education and general state support	\$ 13,982,821	\$ -	\$ -	\$ 13,982,821	\$ 13,982,821
State group insurance	-	-	-	-	-
State retirement matching	-	-	-	-	-
Remedial education	-	-	-	-	-
Professional nursing shortage reduction	-	751	-	751	171,107
SBDC state match	-	-	-	-	-
Total State Appropriations	<u>13,982,821</u>	<u>751</u>	<u>-</u>	<u>13,983,572</u>	<u>14,153,928</u>
Maintenance ad valorem taxes	11,325,004	-	-	11,325,004	10,561,799
Debt service ad valorem taxes	5,155,314	-	-	5,155,314	4,756,700
Gifts	-	-	-	-	-
Investment income	45,159	886,423	-	931,582	3,172,984
Gain (Loss) on sale of investment	(12,675)	-	-	(12,675)	-
Contributions in aid of construction	-	-	-	-	-
Other non-operating revenue	1,646,207	-	-	1,646,207	63,581
Total non-operating revenues	<u>32,141,830</u>	<u>887,174</u>	<u>-</u>	<u>33,029,004</u>	<u>32,708,992</u>
NON-OPERATING EXPENSES:					
Interest on capital related debt	-	4,432,353	-	4,432,353	4,115,261
Loss on disposal of capital assets	-	-	-	-	-
Other non-operating expense	143,789	-	-	143,789	102,484
Total non-operating expenses	<u>143,789</u>	<u>4,432,353</u>	<u>-</u>	<u>4,576,142</u>	<u>4,217,745</u>
Net Non-operating revenues	<u>\$ 31,998,041</u>	<u>\$ (3,545,179)</u>	<u>\$ -</u>	<u>\$ 28,452,862</u>	<u>\$ 28,491,247</u>
				(Exhibit 2)	(Exhibit 2)

TEXAS SOUTHMOST COLLEGE DISTRICT

SCHEDULE OF NET ASSETS BY SOURCE AND AVAILABILITY
 Year Ended August 31, 2009 (with Memorandum Totals for the Year Ended August 31, 2008)

	Detail by Source				
	Unrestricted	Restricted		Capital Assets Net of Depreciation & Related Debt	Total
		Expendable	Non-Expendable		
Current:					
Unrestricted	\$ 7,157,784	\$ -	\$ -	\$ -	\$ 7,157,784
Board Designated	-	-	-	-	-
Restricted	-	857,940	-	-	857,940
Auxiliary enterprises	126,663	-	-	-	126,663
Loan	36,506	-	-	-	36,506
Endowment:					
Quasi:					
Unrestricted	-	-	-	-	-
Restricted	-	61,590	-	-	61,590
Endowment					
True	-	-	-	-	-
Term (per instructions at maturity)	-	-	-	-	-
Life Income Contracts	-	-	-	-	-
Annuities	-	-	-	-	-
Plant:					
Unexpended	-	7,483,118	-	-	7,483,118
Renewals	-	687,311	-	-	687,311
Debt Service	-	9,206,720	-	-	9,206,720
Investment in Plant	-	-	-	56,521,296	56,521,296
 Total Net Assets, August 31, 2009	 \$ 7,320,953	 \$ 18,296,679	 \$ -	 \$ 56,521,296	 \$ 82,138,928
					(Exhibit 1)
Total Net Assets, August 31, 2008	5,804,727	15,823,635	-	50,940,113	72,568,475
					(Exhibit 1)
Net Increase (Decrease) in Net Assets	\$ 1,516,226	\$ 2,473,044	\$ -	\$ 5,581,183	\$ 9,570,453
					(Exhibit 2)

(Continued on page 57)

TEXAS SOUTHMOST COLLEGE DISTRICT

SCHEDULE OF NET ASSETS BY SOURCE AND AVAILABILITY - CONTINUED
 Year Ended August 31, 2009 (with Memorandum Totals for the Year Ended August 31, 2008)

Available for Current Operations			
Yes	No		
\$ 7,157,784			
857,940			
	36,506		
61,590			
7,483,118			
687,311		9,206,720	
56,521,296			
\$ 72,769,039	\$ 9,243,226		
62,847,935	9,543,424		
\$ 9,921,104	\$ (300,198)		

(Continued from page 56)

STATISTICAL SECTION

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

Contents	Page
Financial Trends	58
<i>These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.</i>	
Revenue Capacity	61
<i>These schedules contain information to help the reader assess the District's most significant local revenue source, the property tax.</i>	
Debt Capacity	67
<i>These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.</i>	
Demographic and Economic Information	70
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.</i>	
Operating Information	72
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.</i>	

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

Texas Southmost College District
Statistical Supplement I
Net Assets by Component
Fiscal Years 2002 to 2009
(unaudited)

	For the Fiscal Year Ended August 31,							
	2009	2008	2007	2006	2005	2004	2003	2002
Invested in capital assets, net of related debt	\$56,521,296	\$50,940,113	\$49,258,626	\$43,849,871	\$25,473,960	\$42,646,742	\$36,019,942	\$32,101,693
Restricted - expendable	18,296,679	15,823,635	12,132,932	8,913,884	27,725,294	7,701,986	10,608,833	7,739,553
Unrestricted	7,320,953	5,804,727	2,095,813	3,162,896	2,645,572	2,720,170	2,508,789	2,858,004
Total primary government net assets	\$ 82,138,928	\$ 72,568,475	\$ 63,487,371	\$ 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 2002-2009 are available.

Texas Southmost College District
Statistical Supplement 2
Revenues by Source
Fiscal Years 2002 to 2009
(unaudited)

	For the Year Ended August 31,							
	2009	2008	2007	2006	2005	2004	2003	2002
Tuition and Fees (Net of Discounts)	\$26,843,900	\$25,917,215	\$26,948,039	\$23,754,562	\$19,399,841	\$15,309,239	\$6,112,863	\$5,663,423
Governmental Grants and Contracts								
Federal Grants and Contracts	1,970,939	787,249	774,059	916,007	869,082	1,005,612	14,057,456	11,624,791
State Grants and Contracts	4,430,696	3,371,048	3,098,683	3,073,616	2,571,007	2,473,345	3,081,108	2,629,805
Local Grants and Contracts	439,772	363,885	305,541	391,678	433,976	59,088	-	-
Non-Governmental Grants and Contracts	0	0	0	0	0	1,393,286	4,759,617	370,397
Auxiliary enterprises	445,716	390,990	347,361	345,640	336,811	547,432	742,322	579,237
Other Operating Revenues	419,588	240,523	45,750	45,550	57,235	201,051	236,888	233,491
Total Operating Revenues	34,550,611	31,070,910	31,520,433	28,527,053	23,667,952	20,989,063	28,990,054	21,101,144
State Appropriations	13,983,572	14,153,928	12,628,144	12,270,602	10,843,232	12,016,457	12,768,785	13,165,590
Ad Valorem Taxes	16,480,318	15,318,499	13,767,626	12,234,865	9,085,985	8,466,056	7,692,138	7,256,160
Investment income	918,907	3,172,984	3,128,813	2,093,733	689,732	401,080	446,359	483,235
Other non-operating revenues	1,646,207	63,581	113,496	515,930	84,552	611,005	-	-
Total Non-Operating Revenues	33,029,004	32,708,992	29,638,079	27,115,130	20,703,501	21,494,598	20,907,282	20,904,985
Total Revenues	\$ 67,579,615	\$ 63,779,902	\$ 61,158,512	\$ 55,642,183	\$ 44,371,453	\$ 42,483,661	\$ 49,897,336	\$ 42,006,129

	For the Year Ended August 31,							
	2009	2008	2007	2006	2005	2004	2003	2002
Tuition and fees (net of discounts)	39.72%	40.64%	44.06%	42.69%	43.72%	36.04%	12.25%	13.48%
Governmental grants and contracts								
Federal grants and contracts	2.92%	1.23%	1.27%	1.65%	1.96%	2.37%	28.17%	27.67%
State grants and contracts	6.56%	5.29%	5.07%	5.52%	5.79%	5.82%	6.17%	6.26%
Local grants and contracts	0.65%	0.57%	0.50%	0.70%	0.98%	0.14%	0.00%	0.00%
Non-governmental grants and contracts	0.00%	0.00%	0.00%	0.00%	0.00%	3.28%	9.54%	0.88%
Auxiliary enterprises	0.66%	0.61%	0.57%	0.62%	0.76%	1.49%	1.38%	1.38%
Other operating revenues	0.62%	0.38%	0.07%	0.08%	0.13%	0.47%	0.47%	0.56%
Total Operating Revenues	51.13%	48.72%	51.54%	51.27%	53.34%	49.41%	58.10%	50.23%
State appropriations	20.69%	22.19%	20.65%	22.05%	24.44%	28.28%	25.59%	31.34%
Ad valorem taxes	24.39%	24.02%	22.51%	21.99%	20.48%	19.93%	15.42%	17.27%
Investment income	1.36%	4.97%	5.12%	3.76%	1.55%	0.94%	0.89%	1.15%
Other non-operating revenues	2.44%	0.10%	0.19%	0.93%	0.19%	1.44%	0.00%	0.00%
Total Non-Operating Revenues	48.87%	51.28%	48.46%	48.73%	46.66%	50.59%	41.90%	49.77%
Total Revenues	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Note: Due to reporting format and definition changes prescribed by GASB Statement 34, only fiscal years 2002-2009 are available. In FY2004, as a result of our partnership with The University of Texas at Brownsville, a change in functional classification reporting was implemented whereby this reporting will be done at the partnership level.

Texas Southmost College District
Statistical Supplement 3
Program Expenses by Function
Fiscal Years 2002 to 2009
(unaudited)

For the Year Ended August 31,

	2009	2008	2007	2006	2005	2004	2003	2002
Instruction	\$0	\$0	\$0	\$0	\$0	\$0	\$13,700,777	\$18,360,073
Research	-	-	-	-	-	-	-	-
Public service	-	-	-	-	-	-	649,697	1,721,211
Academic support	-	-	-	-	-	-	4,076,422	2,016,359
Student services	-	-	-	-	-	-	4,896,742	2,339,851
Institutional support	2,325,216	2,581,761	2,066,398	1,742,062	1,675,074	1,763,905	6,730,881	5,044,218
Operation and maintenance of plant	1,349,966	892,107	1,225,773	1,296,191	1,110,738	1,280,925	3,375,284	2,863,841
Scholarships and fellowships	-	-	-	-	-	-	5,668,667	3,479,593
Auxiliary enterprises	928,790	683,044	614,980	686,733	526,633	1,183,702	1,566,738	1,500,353
Depreciation	2,065,902	2,069,769	2,221,288	2,181,910	1,478,895	1,327,481	-	-
Contracted services with UTB	46,763,146	44,254,372	43,854,678	40,662,560	35,814,126	32,626,780	-	-
Interest on capital related debt	53,433,020	50,481,053	49,983,117	48,569,456	40,605,466	38,182,793	41,912,514	38,435,159
Other non-operating expenses	4,432,353	4,115,261	3,506,956	2,415,978	981,286	912,383	1,652,778	1,285,962
Total Operating Expenses	143,789	102,484	107,719	54,050	28,773	23,322	-	9,932
Total Non-Operating Expenses	4,576,142	4,217,745	3,614,675	2,470,028	990,059	935,705	1,652,778	1,295,894
Total Expenses	\$ 58,009,162	\$ 54,698,798	\$ 53,597,792	\$ 49,039,484	\$ 41,595,525	\$ 39,118,498	\$ 43,565,292	\$ 39,731,053

For the Year Ended August 31,

	2009	2008	2007	2006	2005	2004	2003	2002
Instruction	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	31.45%	46.21%
Research	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Public service	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	1.49%	4.33%
Academic support	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	9.36%	5.08%
Student services	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	11.24%	5.89%
Institutional support	4.01%	4.72%	3.86%	3.55%	4.03%	4.51%	15.45%	12.70%
Operation and maintenance of plant	2.33%	1.63%	2.29%	2.64%	2.67%	3.27%	7.75%	7.21%
Scholarships and fellowships	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	13.01%	8.76%
Auxiliary enterprises	1.60%	1.25%	1.15%	1.40%	1.27%	3.03%	3.57%	3.78%
Depreciation	3.56%	3.78%	4.14%	4.45%	3.56%	3.99%	2.89%	2.79%
Contracted services with UTB	80.61%	80.91%	81.82%	82.92%	86.10%	83.40%	0.00%	0.00%
Total Operating Expenses	92.11%	92.29%	93.26%	94.96%	97.62%	97.61%	96.21%	96.74%
Interest on capital related debt	7.64%	7.52%	6.54%	4.93%	2.31%	2.33%	3.79%	3.24%
Loss on disposal of fixed assets	0.25%	0.19%	0.20%	0.11%	0.07%	0.06%	0.00%	0.02%
Total Non-Operating Expenses	7.89%	7.71%	6.74%	5.04%	2.38%	2.39%	3.79%	3.26%
Total Expenses	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Change in Net Assets	\$ 9,570,453	\$ 9,081,104	\$ 7,560,720	\$ 6,602,699	\$ 2,775,928	\$ 3,365,163	\$ 6,332,044	\$ 2,275,076
Total governmental activities								

Note: Due to reporting format and definition changes prescribed by GASB Statement 34, only fiscal years 2002-2009 are available. In FY2004, as a result of our partnership with The University of Texas at Brownsville, a change in functional classification reporting was implemented whereby this reporting will be done at the partnership level.

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

Academic Year (Fall)	Resident Fees per Semester Credit Hour (SCH) and per Student													
	In-District Tuition	Out-of-District Tuition	Building Use	Student Service	Student Union (per student)	Computer Use	Records Fee (per student)	Automated (per student)	Advising (per student)	Library Fee	International Education (per student)	Medical Services (per student)	Student Recreation (per student)	Athletic Fee
2008	50	50	77.50	12	45.30	12	10	45	50	4	2	20	79	5
2007	31	50	66	12	41.56	11	10	30	50	3	2	20	79	
2006	31	50	58	12	41.56	10	10	30	50	3	2	20	79	
2005	31	50	44	10	41.56	10	10	30	25	2	2	20	79	
2004	29	48	38	10	41.56	10	10	30	25	2				
2003	28	46	32	10	41.56	5	5	30						
2002	26	42	25	10	41.56	5	5	30						
2001	24	42	25	10	37.78	5	5	30						
2000	23	42	18	9.10	37.78	5	5	10						
1999	22	42	18	9.10	34.35	5	5	10						

Academic Year (Fall)	Non - Resident Fees per Semester Credit Hour (SCH) and per Student													
	Non-Resident Tuition Out of State	Non-Resident Tuition International	Building Use	Student Service	Student Union (per student)	Computer Use	Records Fee (per student)	Automated (per student)	Advising (per student)	Library Fee	International Education (per student)	Medical Services (per student)	Student Recreation (per student)	Athletic Fee
2008	331	331	77.50	12	45.30	12	10	45	50	4	2	20	79	5
2007	328	328	66	12	41.56	11	10	30	50	3	2	20	79	
2006	325	325	58	12	41.56	10	10	30	50	3	2	20	79	
2005	326	326	44	10	41.56	10	10	30	25	2	2	20	79	
2004	306	306	38	10	41.56	10	10	30	25	2				
2003	282	282	32	10	41.56	5	5	30						
2002	262	262	25	10	41.56	5	5	30						
2001	253	253	25	10	37.78	5	5	30						
2000	255	255	18	9.10	37.78	5	5	10						
1999	254	254	18	9.10	34.35	5	5	10						

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

Continued on page 62

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

Academic Year (Fall)	Cost for...12		Cost for...12		Increase from		Increase from	
	SCH In-	District	SCH Out-of-	District	Prior Year In-	District	Prior Year Out-of-	District
2008	2,177	2,177	2,177	2,177	27.43%	27.43%	12.43%	12.43%
2007	1,709	1,937	1,937	1,937	6.75%	6.75%	5.91%	5.91%
2006	1,601	1,829	1,829	1,829	16.70%	16.70%	14.32%	14.32%
2005	1,372	1,600	1,600	1,600	16.77%	16.77%	14.05%	14.05%
2004	1,175	1,403	1,403	1,403	20.28%	20.28%	17.61%	17.61%
2003	977	1,193	1,193	1,193	12.43%	12.43%	12.45%	12.45%
2002	869	1,061	1,061	1,061	3.30%	3.30%	0.36%	0.36%
2001	841	1,057	1,057	1,057	17.76%	17.76%	12.19%	12.19%
2000	714	942	942	942	2.21%	2.21%	0.37%	0.37%
1999	699	939	939	939				

Academic Year (Fall)	Cost for...12		Cost for...12		Increase from		Increase from	
	SCH Out of State	International	SCH Out of State	International	Prior Year Out of State	Out of State	Prior Year International	International
2008	5,549	5,549	5,549	5,549	5.25%	5.25%	5.25%	5.25%
2007	5,273	5,273	5,273	5,273	2.81%	2.81%	2.81%	2.81%
2006	5,129	5,129	5,129	5,129	4.42%	4.42%	4.42%	4.42%
2005	4,912	4,912	4,912	4,912	9.18%	9.18%	9.18%	9.18%
2004	4,499	4,499	4,499	4,499	11.78%	11.78%	11.78%	11.78%
2003	4,025	4,025	4,025	4,025	8.76%	8.76%	8.76%	8.76%
2002	3,701	3,701	3,701	3,701	3.11%	3.11%	3.11%	3.11%
2001	3,589	3,589	3,589	3,589	2.60%	2.60%	2.60%	2.60%
2000	3,498	3,498	3,498	3,498	0.44%	0.44%	0.44%	0.44%
1999	3,483	3,483	3,483	3,483				

Continued from page 61

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

Fiscal Year	Assessed Valuation of Property	Less: Exemptions	Taxable Assessed Value (TAV)	Ratio of Taxable Assessed Value to Assessed Value	Direct Rate			Total (a)
					Maintenance & Operations (a)	Debt Service (a)		
2008-09	11,620,454	1,179,543	10,440,911	89.85%	\$ 0.110614	\$ 0.050475	\$	0.161089
2007-08	10,795,407	1,056,700	9,738,707	90.21%	0.111423	0.049666		0.161089
2006-07	9,771,062	984,237	8,786,825	89.93%	0.109955	0.051134		0.161089
2005-06	8,461,197	797,979	7,663,218	90.57%	0.109161	0.053611		0.162772
2004-05	7,737,975	700,869	7,037,106	90.94%	0.111825	0.016957		0.128782
2003-04	6,861,888	608,059	6,253,829	91.14%	0.112041	0.019359		0.131400
2002-03	6,370,266	560,124	5,810,142	91.21%	0.110120	0.021280		0.131400
2001-02	5,842,243	540,162	5,302,081	90.75%	0.108835	0.022565		0.131400
2000-01	5,302,263	510,422	4,791,841	90.37%	0.105841	0.025559		0.131400
1999-00	4,944,006	489,426	4,454,580	90.10%	0.096311	0.025715		0.122026

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

Texas Southmost College District
Statistical Supplement 6
State Appropriation per FTSE and Contact Hour
Last Ten Fiscal Years

(unaudited)
(amounts expressed in thousands)

Fiscal Year	State Appropriation \$	State Appropriation per FTSE ¹ (a)	State Appropriation per FTSE	Academic Contact Hours		Voc/Tech Contact Hours		Total Contact Hours	State Appropriation per Contact Hour
				(a)	(b)	(a)	(b)		
2008-09	13,984	5,767	2,425	2,498	1,116	3,613	\$	3.87	
2007-08	14,154	6,287	2,251	2,682	1,152	3,834		3.69	
2006-07	12,468	6,405	1,947	2,849	1,148	3,997		3.12	
2005-06	12,270	5,661	2,167	2,654	1,097	3,751		3.27	
2004-05	10,842	5,253	2,064	2,705	965	3,671		2.95	
2003-04	10,843	4,955	2,188	2,667	939	3,606		3.01	
2002-03	10,840	4,537	2,389	2,409	1,039	3,449		3.14	
2001-02	11,656	4,056	2,874	2,283	806	3,088		3.77	
2000-01	11,954	4,243	2,817	2,350	753	3,102		3.85	
1999-00	11,648	4,440	2,623	2,376	665	3,042		3.83	

Notes:

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

*Full Time Student Equivalent (FTSE)

(a) Source CBM004

(b) Source CBM00C

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

Taxpayer	Type of Business	Taxable Assessed Value (TAV) by Tax Year (\$000 omitted)									
		2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
CBLSUNRISE COMMONS LP	Retail	38,923	38,923	38,706	36,468	36,468	30,351	-	-	-	-
AT&T	Utility	33,477	37,525	36,176	36,855	36,855	34,793	38,577	41,436	41,496	39,492
TRICO PRODUCTS CORP	Manufacturing	33,603	36,443	39,557	36,507	36,507	30,380	28,303	26,549	36,095	34,875
COLUMBIA VALLEY HEALTHCARE SYS LP	Service	31,461	31,461	35,014	35,078	35,078	35,078	34,121	34,561	35,561	32,277
AEP TEXAS CENTRAL CO	Utility	25,479	23,371	27,168	31,920	31,920	22,661	21,481	17,100	15,696	-
WAL-MART STORES INC	Retail	22,778	23,207	20,393	17,364	17,364	18,162	17,532	18,043	16,881	16,881
TITAN WHEEL INTERNATIONAL INC	Manufacturing	-	22,912	23,765	20,201	20,201	31,030	36,538	37,014	36,682	33,482
KIMCO BROWNSVILLE LP	Real Estate	-	18,113	-	-	-	-	-	-	-	-
TRANSMONTAIGNE PRODUCT SERVICE INC	Petroleum Products	-	17,726	15,887	-	-	-	-	-	-	-
WAL-MART STORES TEXAS LP	Retail	-	17,315	-	-	-	-	-	-	-	-
H E BUTT GROCERY CO	Retail	-	17,265	17,265	17,765	17,881	18,014	18,014	19,469	19,721	28,219
KEPPEL AMFELS	Shipyard	24,559	16,018	16,018	16,018	16,498	15,058	15,058	15,389	15,389	24,658
WAL-MART STORES EAST INC	Retail	-	-	-	15,941	15,841	-	-	-	-	-
TEXAS AND KANSAS CITY CABLE PARTNERS	Service	-	-	-	15,594	-	15,662	15,479	-	-	-
BROWNSVILLE MEDICAL CENTER	-	-	-	-	-	-	-	15,826	15,826	15,737	24,835
VF IMAGEWEAR (EAST) INC	-	-	-	-	-	-	-	27,430	-	-	-
RICH-SEAPAK CORP	Food Processor	28,450	-	-	19,963	-	-	-	-	21,870	24,421
BROWNSVILLE SUNRISE DEVELOPERS LP	Real Estate	-	-	-	-	-	-	-	-	19,508	19,617
DELPHI AUTOMOTIVE SYSTEMS LLC	Manufacturing	-	-	-	-	-	-	-	-	-	-
CAMERON ACQUISITIONS LLC	Land	40,500	-	-	-	-	-	-	-	-	-
SAPPHIRE VP LP	Real Estate	34,675	-	-	-	-	-	-	-	-	-
Totals		313,905	266,966	269,949	264,445	264,017	252,496	240,929	252,486	257,965	278,737
Total Taxable Assessed Value		\$ 10,440,912	\$ 9,738,707	\$ 8,786,825	\$ 7,665,218	\$ 7,037,106	\$ 6,253,829	\$ 5,810,142	\$ 5,302,081	\$ 4,791,841	\$ 4,454,550

Taxpayer	Type of Business	% of Taxable Assessed Value (TAV) by Tax Year									
		2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
CBLSUNRISE COMMONS LP	Retail	0.37%	0.40%	0.44%	0.48%	0.52%	0.49%	-	-	-	-
AT&T	Utility	0.32%	0.38%	0.41%	0.48%	0.52%	0.56%	0.66%	0.78%	0.87%	0.89%
TRICO PRODUCTS CORP	Manufacturing	0.32%	0.37%	0.45%	0.48%	0.52%	0.49%	0.49%	0.50%	0.75%	0.78%
COLUMBIA VALLEY HEALTHCARE SYS LP	Service	0.30%	0.32%	0.40%	0.46%	0.50%	0.56%	0.59%	0.65%	0.74%	0.72%
AEP TEXAS CENTRAL CO	Utility	0.24%	0.24%	0.31%	0.42%	0.45%	0.36%	0.37%	0.32%	0.33%	-
WAL-MART STORES INC	Retail	0.22%	0.24%	0.23%	-	0.25%	0.29%	0.30%	0.34%	-	0.38%
TITAN WHEEL INTERNATIONAL INC	Manufacturing	-	0.24%	0.27%	0.26%	0.29%	0.50%	0.63%	0.70%	0.77%	0.75%
KIMCO BROWNSVILLE LP	Real	-	0.19%	-	-	-	-	-	-	-	-
TRANSMONTAIGNE PRODUCT SERVICE INC	Petroleum Products	-	0.18%	0.18%	-	-	-	-	-	-	-
WAL-MART STORES TEXAS LP	Retail	-	0.18%	-	-	-	-	-	-	-	-
H E BUTT GROCERY CO	Retail	-	-	0.20%	-	0.25%	0.29%	0.31%	0.37%	0.41%	0.63%
KEPPEL AMFELS	Shipyard	0.24%	-	0.18%	0.21%	0.23%	0.26%	0.26%	0.28%	0.32%	0.55%
WAL-MART STORES EAST INC	Retail	-	-	-	0.21%	0.23%	-	-	-	-	-
TEXAS AND KANSAS CITY CABLE PARTNERS	Service	-	-	-	0.20%	-	0.25%	0.27%	-	-	-
BROWNSVILLE MEDICAL CENTER	-	-	-	-	-	-	-	0.27%	-	-	-
VF IMAGEWEAR (EAST) INC	-	-	-	-	-	-	-	0.27%	-	-	-
RICH-SEAPAK CORP	Food Processor	0.27%	-	-	0.26%	-	-	-	-	0.33%	0.56%
BROWNSVILLE SUNRISE DEVELOPERS LP	Real	-	-	-	-	-	-	-	-	0.48%	0.55%
DELPHI AUTOMOTIVE SYSTEMS LLC	Manufacturing	-	-	-	-	-	-	-	-	0.41%	0.44%
CAMERON ACQUISITIONS LLC	Land	0.39%	-	-	-	-	-	-	-	-	-
SAPPHIRE VP LP	Real Estate	0.33%	-	-	-	-	-	-	-	-	-
Totals		3.01%	2.74%	3.07%	3.45%	3.75%	4.04%	4.15%	4.76%	5.38%	6.26%

Source: Cameron County Appraisal District

Texas Southmost College District
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		Current Collections of Prior Levies (e)	Total Collections (C+D+E)	Cumulative Collections of Adjusted Levy
						Prior Levies (d)	Current Collections of Prior Levies (e)			
2009	\$ 16,647,944	\$ (23,650)	\$ 16,624,294	\$ 15,730,757	94.63%				15,730,757	94.63%
2008	15,360,034	(28,172)	15,331,862	14,498,634	94.57%		417,868	417,868	14,916,502	97.29%
2007	13,817,049	(84,765)	13,732,284	12,940,923	94.24%	403,508.86	134,729	134,729	13,479,160	98.16%
2006	12,262,774	(56,322)	12,206,452	11,481,393	94.06%	501,685.97	49,777	49,777	12,032,856	98.58%
2005	9,062,544	(51,180)	9,011,363	8,485,978	94.17%	405,522.30	24,796	24,796	8,916,297	98.95%
2004	8,171,491	93,912	8,265,403	7,768,246	93.99%	401,735.50	15,102	15,102	8,185,083	99.03%
2003	7,634,474	(9,741)	7,624,733	7,132,350	93.54%	416,648.16	9,045	9,045	7,558,043	99.13%
2002	6,967,041	(18,406)	6,948,635	6,534,050	94.03%	356,635.48	6,093	6,093	6,896,779	99.25%
2001	6,296,480	5,394	6,301,874	5,919,601	93.93%	336,977.31	4,626	4,626	6,261,204	99.35%
2000	5,435,718	2,330	5,438,049	5,091,965	93.64%	303,536.63	3,237	3,237	5,398,739	99.28%

Source: Cameron County Tax Assessor/Collector and District records.

(a) As reported in notes to the financial statements for the year of the levy.

(b) As of August 31st of the current reporting year.

(c) Property tax only - does not include penalties and interest

(d) Represents cumulative collections of prior years not collected in the current year or the year of the tax levy.

(e) Represents current year collections of prior years levies.

Total Collections = C + D + E

Texas Southmost College District
Statistical Supplement 9
Ratios of Outstanding Debt
Last Ten Fiscal Years
(unaudited)

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

	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
General Bonded Debt										
General obligation bonds	\$ 78,000	\$ 72,440	\$ 64,000	\$ 49,490	\$ 22,280	\$ 3,600	\$ 4,590	\$ 4,969	\$ 5,375	\$ 6,335
Notes	-	-	-	-	-	-	-	-	-	-
Less: Funds restricted for debt service	-	-	-	-	-	-	-	-	-	-
Net general bonded debt	\$ 78,000	\$ 72,440	\$ 64,000	\$ 49,490	\$ 22,280	\$ 3,600	\$ 4,590	\$ 4,969	\$ 5,375	\$ 6,335
Other Debt										
Revenue bonds	\$ 26,765	\$ 27,645	\$ 28,495	\$ 28,890	\$ 13,715	\$ 13,220	\$ 13,505	\$ 13,730	\$ 8,885	\$ 9,025
Total Outstanding Debt	\$ 104,765	\$ 100,085	\$ 92,495	\$ 78,380	\$ 35,995	\$ 16,820	\$ 18,095	\$ 18,699	\$ 14,260	\$ 15,360

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General Bonded Debt Ratios

Per Capita	\$ 408.36	\$ 379.26	\$ 335.07	\$ 259.10	\$ 116.65	\$ 18.85	\$ 24.03	\$ 26.02	\$ 28.14	\$ 33.17
Per FTE	13,525	12,561	11,098	8,582	3,863	624	796	862	932	1,098
As a percentage of Taxable Assessed Value	0.75%	0.69%	0.61%	0.47%	0.21%	0.03%	0.04%	0.05%	0.05%	0.06%

Total Outstanding Debt Ratios

Per Capita	\$ 548.49	\$ 523.99	\$ 484.25	\$ 410.35	\$ 188.45	\$ 88.06	\$ 94.74	\$ 97.90	\$ 74.66	\$ 80.42
Per FTE	18,166	17,355	16,039	13,591	6,242	2,917	3,138	3,242	2,473	2,663
As a percentage of Taxable Assessed Value	1.00%	0.96%	0.89%	0.75%	0.34%	0.16%	0.17%	0.18%	0.14%	0.15%

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

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

	For the Year Ended August 31 (amount expressed in thousands)									
	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Taxable Assessed Value	\$ 10,440,911	\$ 9,738,707	\$ 8,786,826	\$ 7,663,218	\$ 7,037,107	\$ 6,253,830	\$ 5,810,141	\$ 5,302,081	\$ 4,791,842	\$ 4,454,580
General Obligation Bonds										
Statutory Tax Levy Limit for Debt Service	52,205	48,694	43,934	38,316	35,186	31,269	28,051	26,510	23,959	22,273
Less: Funds Restricted for Repayment of General Obligation Bonds										
Total Net General Obligation Debt	52,205	48,694	43,934	38,316	35,186	31,269	29,051	26,510	23,959	22,273
Current Year Debt Service Requirements	1,690	1,560	1,490	2,570	1,125	990	380	406	960	940
Excess of Statutory Limit for Debt Service over Current Requirements	\$ 50,515	\$ 47,134	\$ 42,444	\$ 35,746	\$ 34,061	\$ 30,279	\$ 28,671	\$ 26,104	\$ 22,999	\$ 21,333
Net Current Requirements as a % of Statutory Limit	3.24%	3.20%	3.39%	6.71%	3.20%	3.17%	1.31%	1.53%	4.01%	4.22%

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

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

Revenue Bonds

Fiscal Year Ended August 31	Pledged Revenues (\$000 omitted)										Debt Service Requirements (\$000 omitted)		
	Student Union Fees	Tuition	Bookstore Income	Parking Fees	Investment Income	Student Rec Center Fees	Total	Principal	Interest	Total	Coverage Ratio		
2009	\$ 1,093	\$ 385	\$ 142	\$ 345	\$ 72	\$ 1,912	\$ 3,949	\$ 880	\$ 1,217	\$ 2,097	1.88		
2008	1,046	402	156	311	288	1,993	4,196	850	1,251	2,101	2.00		
2007	1,075	397	145	281	278	2,086	4,262	395	1,444	1,839	2.32		
2006	1,043	341	133	345	267	2,113	4,242	295	1,046	1,341	3.16		
2005	1,017	320	170	346	354	-	2,208	380	650	1,030	2.14		
2004	1,023	302	124	326	320	-	2,095	285	751	1,036	2.02		
2003	960	280	183	308	380	-	2,111	225	795	1,020	2.07		
2002	858	-	-	-	-	-	858	155	495	650	1.32		
2001	797	-	-	-	-	-	797	140	502	642	1.24		
2000	751	-	-	-	-	-	751	-	198	198	3.79		

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

Calendar Year	*District Population	**Estimate District Personal Income (a) (thousands of dollars)	***Cameron County Personal Income Per Capita		Cameron County Unemployment Rate
			Income Per Capita	Rate	
2008	191,006	N/A	N/A	19,667	6.8%
2007	187,979	3,696,982,993		18,559	6.0%
2006	187,679	3,483,134,561		17,410	6.6%
2005	183,675	3,197,781,750		16,994	7.5%
2004	179,028	3,042,401,832		16,308	8.7%
2003	173,533	2,829,976,164		16,042	9.5%
2002	167,553	2,687,885,226		15,536	9.0%
2001	161,975	2,516,443,600		14,913	7.9%
2000	153,502	2,289,175,326		14,072	7.0%
1999	N/A	N/A			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: 392,736 (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 District
Statistical Supplement 13
Principal Employers
(Unaudited)

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

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

Note: Information for the years prior to 2007 is unavailable. Information is reported prospectively, beginning with 2007.

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

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 2007 Annual Employment. <http://www.texasworkforce.org/>
Brownsville Total Employment: 58,107
Note: Employer data was not available for Los Fresnos ISD and Point Isabel ISD.

2007		
Employer	*Number of Employees	**Percentage of Total Employment (%)
Brownsville ISD	7,508	12.89%
AMFELS	2,900	4.98%
UTB/TSC	2,222	3.82%
Cameron County	2,100	3.61%
Wal-Mart	1,147	1.97%
City of Brownsville	1,172	2.01%
Convergys's Corp	718	1.23%
HEB Food Stores	865	1.49%
Valley Regional Medical Center	750	1.29%
Valley Baptist Medical Center - Brownsville	725	1.25%
Total	20,107	34.54%

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 2006 Annual Employment. <http://www.texasworkforce.org/>
Brownsville Total Employment: 58,230
Note: Employer data was not available for Los Fresnos ISD and Point Isabel ISD.

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

	Fiscal Year									
	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000

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	18	17	15	14	10	12	19	15	14	13
Part-Time	6	5	6	3	5	9	46	22	13	17
Total	24	22	21	17	15	21	65	37	27	30

Percent										
Full-Time	75.0%	77.3%	71.4%	82.4%	66.7%	57.1%	29.2%	40.5%	51.9%	43.3%
Part-Time	25.0%	22.7%	28.6%	17.6%	33.3%	42.9%	70.8%	59.5%	48.1%	56.7%

FTSE per Full-time Faculty	0	0	0	0	0	0	0	0	0	0
FTSE per Full-Time Staff Member	320.4	369.8	427.0	404.4	525.3	412.9	238.8	270.4	303.1	341.5
Average Annual Faculty Salary	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

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

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

Student Classification	Fall 2008		Fall 2007		Fall 2006		Fall 2005		Fall 2004	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Freshman	8,709	64.56%	8,955	63.71%	8,002	60.62%	5,707	54.26%	4,768	51.85%
Sophomore	2,597	19.25%	2,833	20.16%	2,930	22.20%	2,855	27.15%	2,622	28.52%
Associate	572	4.24%	583	4.15%	562	4.26%	490	4.66%	411	4.47%
Bachelors	125	0.93%	110	0.78%	135	1.02%	111	1.06%	91	0.99%
Unclassified	1,487	11.02%	1,574	11.20%	1,571	11.90%	1,354	12.87%	1,303	14.17%
Total	13,490	100.00%	14,055	100.00%	13,200	100.00%	10,517	100.00%	9,195	100.00%

Semester Hour Load	Fall 2008		Fall 2007		Fall 2006		Fall 2005		Fall 2004	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Less than 3	1,745	12.94%	1,362	9.69%	617	4.67%	358	3.40%	148	1.61%
3-5 semester hours	4,665	34.58%	4,911	34.94%	4,418	33.47%	2,635	25.05%	1,729	18.80%
6-8 Semester hours	2,608	19.33%	2,687	19.12%	2,690	20.38%	2,221	21.12%	2,305	25.07%
9-11 semester hours	1,669	12.37%	1,803	12.83%	1,700	12.88%	1,652	15.71%	1,506	16.38%
12-14 semester hours	2,415	17.90%	2,780	19.78%	3,262	24.71%	3,243	30.84%	3,142	34.17%
15-17 semester hours	365	2.71%	447	3.18%	442	3.35%	324	3.08%	301	3.27%
18 & over	23	0.17%	65	0.46%	71	0.54%	84	0.80%	64	0.70%
Total	13,490	100.00%	14,055	100.00%	13,200	100.00%	10,517	100.00%	9,195	100.00%

Average course load 6.5 6.9 7.4 8.2 8.7

Tuition Status	Fall 2008		Fall 2007		Fall 2006		Fall 2005		Fall 2004	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Texas Resident (In-District)	6,133	45.46%	6,766	48.14%	7,217	54.67%	7,144	67.93%	6,890	74.93%
Texas Resident (Out-of-District)	1,187	8.80%	1,217	8.66%	1,300	9.85%	1,271	12.09%	1,003	10.91%
Non-Resident Tuition	38	0.28%	37	0.26%	43	0.33%	33	0.31%	33	0.36%
Foreign Resident In-Dist (HB1403)	127	0.94%	120	0.85%	136	1.03%	136	1.29%	128	1.39%
Foreign Resident Out-Dist (HB1403)	13	0.10%	12	0.09%	17	0.13%	11	0.10%	7	0.08%
Tuition Exemption/Waiver	5,992	44.42%	5,903	42.00%	4,487	33.99%	1,922	18.28%	1,134	12.33%
Total	13,490	100.00%	14,055	100.00%	13,200	100.00%	10,517	100.00%	9,195	100.00%

Note: Only five years of information are presented in accordance with the Budget Requirements and Annual Financial Reporting Requirements for Texas Public Community and Junior Colleges published by the Texas Higher Education Coordinating Board for fiscal year 2008.

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

	Fall 2008		Fall 2007		Fall 2006		Fall 2005		Fall 2004	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Gender										
Female	7,949	58.93%	8,171	58.14%	7,617	57.70%	6,193	58.89%	5,354	58.23%
Male	5,541	41.07%	5,884	41.86%	5,583	42.30%	4,324	41.11%	3,841	41.77%
Total	13,490	100.00%	14,055	100.00%	13,200	100.00%	10,517	100.00%	9,195	100.00%

	Fall 2008		Fall 2007		Fall 2006		Fall 2005		Fall 2004	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Ethnic Origin										
White/Non-Hispanic	391	2.90%	492	3.50%	477	3.61%	417	3.97%	406	4.42%
Black/Non-Hispanic	36	0.27%	31	0.22%	28	0.21%	22	0.21%	12	0.13%
Hispanic	12,609	93.47%	13,036	92.75%	12,169	92.19%	9,779	92.98%	8,555	93.04%
Asian or Pacific Islander	54	0.40%	71	0.51%	61	0.46%	52	0.49%	29	0.32%
American Indian or Alaskan Native	8	0.06%	11	0.08%	9	0.07%	9	0.09%	5	0.05%
Non-Resident Aliens or Foreign Nati.	320	2.37%	362	2.58%	412	3.12%	190	1.81%	172	1.87%
Not Reported	72	0.53%	52	0.37%	44	0.33%	48	0.46%	16	0.17%
Total	13,490	100.00%	14,055	100.00%	13,200	100.00%	10,517	100.00%	9,195	100.00%

	Fall 2008		Fall 2007		Fall 2006		Fall 2005		Fall 2004	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Age										
Under 18	5,564	41.25%	5,305	37.74%	3,958	29.98%	1,813	17.24%	828	9.00%
18 - 21	3,927	29.11%	4,401	31.31%	4,690	35.53%	4,274	40.64%	4,088	44.46%
22 - 24	1,338	9.92%	1,489	10.59%	1,467	11.11%	1,487	14.14%	1,453	15.80%
25 - 35	1,854	13.74%	1,961	13.95%	2,141	16.22%	2,054	19.53%	1,972	21.45%
36 - 50	711	5.27%	765	5.44%	805	6.10%	741	7.05%	725	7.88%
51 & over	96	0.71%	134	0.95%	139	1.05%	148	1.41%	129	1.40%
Total	13,490	100.00%	14,055	100.00%	13,200	100.00%	10,517	100.00%	9,195	100.00%

Average Age	21	21	22	23	24

Note: Only five years of information are presented in accordance with the Budget Requirements and Annual Financial Reporting Requirements for Texas Public Community and Junior Colleges published by the Texas Higher Education Coordinating Board for fiscal year 2008.

**Texas Southmost College District
Statistical Supplement 17
Transfers to Senior Institutions
2007 Fall Students as of Fall 2008
(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	Technical	Tech-Prep	Acad/Tech	Tech-Prep	Students	Students	Transfer	Transfer
University of Texas - Brownsville	1,510	70	83	1,663	72.43%					
University of Texas - Pan American	99	28	2	129	5.62%					
University of Texas - Austin	110	7	1	118	5.14%					
University of Texas - San Antonio	76	16	3	95	4.14%					
Texas A&M University - College Station	83	10	1	94	4.09%					
Texas State University	37	4	0	41	1.79%					
Texas A&M University - Kingsville	24	7	3	34	1.48%					
Texas A&M University - Corpus Christi	15	4	0	19	0.83%					
University of Houston - University Park	19	0	0	19	0.83%					
University of North Texas	11	0	1	12	0.52%					
University of Texas - Permian Basin	5	0	0	5	0.00%					
Stephen F. Austin State University	11	1	0	12	0.26%					
Texas Tech University	6	2	0	8	0.48%					
University of Texas - Arlington	11	0	3	14	0.61%					
Sam Houston State University	2	0	0	2	0.09%					
University of Texas - Tyler	1	0	0	1	0.04%					
Texas A&M International University	2	0	0	2	0.09%					
Texas Women's University	3	0	0	3	0.13%					
University of Houston - Downtown	2	0	0	2	0.09%					
University of Texas - Dallas	1	0	0	1	0.04%					
Sul Ross State University	1	0	0	1	0.04%					
Texas A&M University - Commerce	4	0	0	4	0.17%					
Texas A&M University - Galveston	0	0	0	0	0.00%					
Angelo State University	0	0	0	0	0.00%					
Prairie View A&M University	1	1	0	2	0.09%					
University of Texas - El Paso	0	0	0	0	0.00%					
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	6	0	0	6	0.26%					
Texas A&M University System Health Science Center	0	0	0	0	0.00%					
Texas Southern University	2	0	0	2	0.09%					
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	3	0	0	3	0.13%					
University of North Texas Health Science Center - Fort Worth	2	0	0	2	0.09%					
University of Texas M.D. Anderson Cancer Center	1	0	0	1	0.04%					
University of Texas Health Science Center - San Antonio	0	0	0	0	0.00%					
University of Texas Medical Branch Galveston	1	0	0	1	0.04%					
University of Texas Southwestern Medical Center - Dallas	0	0	0	0	0.00%					
West Texas A&M University	1	0	0	1	0.04%					
Totals	2,049	150	97	2,296	100.00%					

Texas Southmost College District
Statistical Supplement 18
Capital Asset Information
Fiscal Years 2005 to 2009

	Fiscal Year				
	<u>2008</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Academic buildings	22	19	19	19	19
Square footage (in thousands)	942	827	827	827	705
Libraries	2	1	1	1	1
Square footage (in thousands)	130	85	85	85	85
Number of Volumes (in thousands)	300	320	310	300	288
Administrative and support buildings	22	22	22	22	21
Square footage (in thousands)	540	588	588	588	587
Dormitories	1	1	1	1	1
Square footage (in thousands)	94	94	94	94	94
Number of Beds	334	334	325	257	257
Apartments	66	11	8	0	0
Square footage (in thousands)	72	65	31	0	0
Number of beds	140	108	95	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	3	2	2	2	2
Square footage (in thousands)	138	29	29	29	29
Stadiums	0	0	0	0	0
Gymnasiums	2	1	1	1	1
Fitness Centers	1	0	0	0	0
Tennis Court	1	1	1	1	1
Plant facilities	6	5	5	15	15
Square footage (in thousands)	46	45	45	78	78
Transportation					
Cars	10	14	16	18	18
Light Trucks/Vans	66	64	53	45	45
Buses	2	2	2	2	1

Note: Only five years of information are presented in accordance with the Budget Requirements and Annual Financial Reporting Requirements for Texas Public Community and Junior Colleges published by the Texas Higher Education Coordinating Board for fiscal year 2009.

SINGLE AUDIT SECTION

TEXAS SOUTHMOST COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended August 31, 2009

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures and Pass- Through Disbursements	
			Grantee	Grantor
<u>U.S. Department of Agriculture</u>				
<i>Pass-through from Texas Department of Human Services:</i>				
<i>Pass-through to University of Texas – Brownsville</i>				
Child Care Food Program	10.558	75G7033	\$ -	\$ 28,784
Total U.S. Department of Housing and Urban Development				
<u>U.S. Department of Commerce</u>				
Economic Development Agency	11.309		\$ 1,625,000	\$ 1,250,000
Total U.S. Department of Commerce			\$ 1,625,000	\$ 1,250,000
<u>U.S. Department of Education</u>				
<i>Pass-through Texas Higher Education Coordinating Board:</i>				
<i>Pass-through to University of Texas – Brownsville:</i>				
Carl Perkins Vocational Education – Basic	84.048	84246	\$ -	\$ 623,039
Leveraging Educational Assistance Partnerships	84.069A		-	17,057
Special Leveraging Educational Assistance Partnership	84.069B		-	21,941
Total Department of Education			\$ -	\$ 662,037
<u>Department of Human and Human Services</u>				
<i>Pass-through from Texas Migrant Authority, Inc.:</i>				
<i>Pass-through to University of Texas – Brownsville</i>				
Child Day Care Center	93.667	031-0006	\$ -	\$ 30,118
Total U.S. Department of Health and Human Services			\$ -	\$ 30,118
Total Federal Financial Assistance			\$ 1,625,000	\$ 1,970,939

Notes to schedule on following pages.

TEXAS SOUTHMOST COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS – CONTINUED

For the Year Ended August 31, 2009

	Pass-Through Disbursements
<u>Note 1: Federal Assistance Reconciliation</u>	
Federal revenue received by Texas Southmost College District	
Federal grants and contracts – per schedule	\$ 1,970,939
Federal revenue received by University of Texas at Brownsville	<u>15,321,366</u>
 Total Federal Revenue	 <u>\$ 17,292,305</u>

Note 2: Significant Accounting Policies used in Preparing the Schedule

The expenditures included in the schedule are reported for the District’s fiscal year. Expenditure reports to funding agencies are prepared on the award period basis. The expenditures reported above represent funds that have been expended by the District and the University of Texas – Brownsville for the purpose of the award. The expenditures reported above may not have been reimbursed by the funding agencies as of the end of the fiscal year. Some amounts reported in the schedule may differ from amounts used in the preparation of the basic financial statements. Separate accounts are maintained for the different awards to aid in the observance of limitations and restrictions imposed by the funding agencies. The District has followed all applicable guidelines issued by various entities in the preparation of the schedule.

Note 3: Expenditures Not Subject to Federal Single Audit

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

<u>Program Name</u>	<u>Amount</u>
84.063 - Federal Pell Gant Program	\$ 14,695,106
84.007 - SEOG	270,913
84.033 - Federal Work Study Program	<u>355,347</u>
	 <u>\$ 15,321,366</u>

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

Note 4: Student Loans Processed and Administrative Costs Recovered

There were no student loans processed or administrative costs recovered.

Note 5: Non-monetary Federal Assistance Received

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

TEXAS SOUTHMOST COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS – CONTINUED

For the Year Ended August 31, 2009

Note 6: Amounts Passed Through by the College

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

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

84.031 - Title III Endowment College Grant Program	<u>\$ 4,966,408</u>
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TEXAS SOUTHMOST COLLEGE DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
 For the Year Ended August 31, 2009

<u>Grantor Agency/Program Title</u>	<u>Expenditures</u>
<i>Texas Higher Education Coordinating Board</i>	
<i>Pass-through to University of Texas - Brownsville</i>	
Texas Grant Program	\$ 1,945,715
Texas Educational Aide Exemption	166,204
Texas College Access Challenge Grant	34,224
Texas Early High School Grant	105,753
Texas College Work Study	54,142
Texas Educational Opportunity Grant	<u>212,790</u>
Subtotal	<u>\$ 2,518,828</u>
<i>Texas Workforce Commission</i>	
Texas Southmost College in Partnership with Offshore Drilling Consortium	<u>\$ 552,292</u>
Total State Financial Assistance	<u>\$ 3,071,120</u>

Note 1: State Assistance Reconciliation

State Revenues – Per Schedule A	
State Financial Assistance per Schedule of Expenditures of State Awards	\$ 3,071,120
Lease payments from University of Texas – Brownsville	<u>1,359,576</u>
Total State Revenues per Schedule A	<u>\$ 4,430,696</u>

Note 2: Significant Accounting Policies Used in Preparing the Schedule

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

Note 3: Subrecipients

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

**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 basic financial statements of Texas Southmost College District, as of and for the year ended August 31, 2009, and have issued our report thereon dated January 18, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Texas Southmost College District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Texas Southmost College District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Texas Southmost College District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Texas Southmost College District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Texas Southmost College District's financial statements that is more than inconsequential will not be prevented or detected by the Texas Southmost College District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Texas Southmost College District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be a material weakness, as defined above.

Compliance and Other Matters

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

We noted certain matters that we reported to management of the Texas Southmost College District, in a separate letter dated January 18, 2010.

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

Long Chilton, LLP
LONG CHILTON, LLP
Certified Public Accountants

Brownsville, Texas
January 18, 2010

**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* and the State of Texas Single Audit Circular that are applicable to each of its major federal/state programs for the year ended August 31, 2009. Texas Southmost College District's major federal/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/state programs is the responsibility of Texas Southmost College District's management. Our responsibility is to express an opinion on Texas Southmost College District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standard*, issued by the Comptroller General of the United States; and OMB Circular A133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State of Texas Single Audit Circular. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal/state program occurred. An audit includes examining, on a test basis, evidence about Texas Southmost College District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Texas Southmost College District's compliance with those requirements.

In our opinion, Texas Southmost College District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal/state programs for the year ended August 31, 2009. However, the results of our auditing procedures disclosed instances of noncompliance with those requirement, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items FCF 2009-01.

Internal Control Over Compliance

The management of Texas Southmost College District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to

federal/state programs. In planning and performing our audit, we considered Texas Southmost College District's internal control over compliance with requirements that could have a direct and material effect on a major federal/state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance but, not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Texas Southmost College District's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal/state program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal/state program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal/state program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal/state program will not be prevented or detected by any entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Texas Southmost College's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Texas Southmost College's response and, accordingly, we express no opinion on it.

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


LONG CHILTON, LLP
Certified Public Accountants

Brownsville, Texas
January 18, 2010

TEXAS SOUTHMOST COLLEGE DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS – FEDERAL/STATE AWARDS
Year Ended August 31, 2009

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
- Significant deficiencies 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
- Significant deficiencies 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
- Significant deficiencies 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

Identification of major programs:

CFDA Numbers

84.048
11.307

N/A
N/A

Name of Federal/State Program or Cluster

Federal –
Carl D. Perkins
Economic Development Administration

State –
Texas Grant Program
Texas Workforce Commission

TEXAS SOUTHMOST COLLEGE DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS – FEDERAL/STATE AWARDS – CONTINUED
Year Ended August 31, 2009

I. SUMMARY OF INDEPENDENT AUDITOR'S RESULTS – CONTINUED

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

No findings noted in current year audit.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL/STATE AWARDS

Texas Workforce Commission
TWC Contract No. 2407SDF001
Grant period: August 29, 2007 – May 31, 2009

FCF 2009-1

Condition -

- Course completion hours for 10 trainees reported to TWC were different than the hours supported by the sign-in sheets
- One trainee completed the 3D Drafting course ACE 0898.01 as indicated by the sign-in sheets but his status on Colleague appeared as "Deleted 1/09/09"
- Trainees participating in courses ACE 0503.01 and ACE 0496.05 did not obtain a grade even though they completed the course based on the sign-in sheets
- One trainee did not complete the course ACE 0496.08, only 184 hrs of 360 hrs were completed, yet he was issued a satisfactory grade "S"

Cause -

The list of participants was not reviewed prior to submission to TWC.

Effect -

TWC received incorrect data.

Recommendation -

It is recommend UTB review the training records and correct the issues noted above and contact TWC to determine if a new file needs to be submitted.

TEXAS SOUTHMOST COLLEGE DISTRICT

CORRECTIVE ACTION PLAN

Year Ended August 31, 2009

FCF 2009-1 Texas Workforce Commission Grant

TWC Contract No. 2407SDF001

Grant period: August 29, 2007 – May 31, 2009

Condition:

- Course completion hours for 10 trainees reported to TWC were different than the hours supported by the sign-in sheets
- One trainee completed the 3D Drafting course ACE 0898.01 as indicated by the sign-in sheets but his status on Colleague appeared as "Deleted 1/09/09"
- Trainees participating in courses ACE 0503.01 and ACE 0496.05 did not obtain a grade even though they completed the course based on the sign-in sheets
- One trainee did not complete the course ACE 0496.08, only 184 hrs of 360 hrs were completed, yet he was issued a satisfactory grade "S"

Criteria:

TWC Contract Attachment Section 7.5 – Reporting requirements.

Cause:

The list of participants was not reviewed prior to submission to TWC.

Effect:

TWC received incorrect data.

Recommendation:

It is recommend UTB review the training records and correct the issues noted above and contact TWC to determine if a new file needs to be submitted.

Response:

UTB/TSC will review the training records and correct the issues noted above and contact TWC to determine if a new file needs to be submitted.

TEXAS SOUTHMOST COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended August 31, 2009

II. FINANCIAL STATEMENT FINDINGS

None Reported.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL/STATE AWARDS

FCF 2008-1

Condition – The administrative analyst's time and effort reports for the period from May to August 2008 were not prepared. A review of the time reports showed a standard allocation of time being charged to the program each day and the monthly activity log also reflected a standard percentage allocation.

Cause – Administrators salary can be based on estimates or budgeted amounts, however, the time reports should be reflective of the actual time spent on the federal program and not just a fixed hour or percent.

Effect – Time reports are not reflective of the actual time charged to the federal program.

Recommendation – The District should instruct administrative personnel to prepare time reports that are as close as possible to actual time spent on the program.

Status – Time and Effort Report training was conducted for all the Carl Perkins supervisors. All supervisors certify reconciliations on a monthly basis to adequately reflect time spent on tasks.

FCF 2008-2

Condition – Logs maintained by tutors and lab specialists do not support the amount of time charged to the program. Computations showing the percentage of time spent working with vocational-technical students as opposed to academic students to determine if the proper salaries are being charged to the program are not being done.

Cause – Salaries charged to the program are not supported by proper documentation.

Effect – Time logs are not reflective of the actual time spent working with vocational-technical students.

Recommendation – All personnel should maintain logs showing the time spent working with vocational-technical students as well as academic students. Each month the administrator should calculate the time spent working with vocational-technical students and allocate the employee's salary accordingly.

Questioned Costs – \$31,536.94

Status – Complete records are kept of all students receiving Carl Perkins' services. Staff reviews each student's eligibility, length of services received and by whom. Supervisors calculate the amount of time spent by each Carl Perkins staff member with students on a monthly basis.