

TEXAS SOUTHMOST COLLEGE

Brownsville, Texas

Comprehensive Annual Financial Report

Fiscal Year Ended August 31, 2013 and 2012



TEXAS SOUTHMOST COLLEGE DISTRICT

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TEXAS SOUTHMOST COLLEGE DISTRICT

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INTRODUCTORY SECTION



January 27, 2014

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

The comprehensive annual financial report of the Texas Southmost College for the fiscal year ended August 31, 2013 is hereby submitted. The purpose of this report is to provide detailed information concerning the financial condition and performance of the College. Responsibility for the preparation and integrity of the financial information and fairness of the presentation, including disclosures, rests with the management of the College. To the best of our knowledge, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the College. All disclosures necessary to enable the reader to gain an understanding of the College's financial activities have been included.

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

The College's financial statements, as of and for the years ended August 31, 2013 and August 31, 2012, have been audited by Pattillo, Brown & Hill, LLP, a firm of licensed certified public accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the College, for the years then ended, are free from material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and, evaluating the overall financial statement presentation. The independent auditors concluded based upon the audit; that there was a reasonable basis for rendering an unqualified opinion that the College's financial statements for the year ended August 31, 2013 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

Organization of the College

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

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

To say that the College has grown in the past 85 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 over 380 acres both on and off campus to include facilities in Brownsville, South Padre Island, and Port Mansfield.

In the spring of 1991, the Texas House of Representatives and Senate passed a bill that created The University of Texas at Brownsville (UTB) which would be in partnership with Texas Southmost College. During the fiscal year under audit, the Partnership with the College operated with a consolidated administrative and academic structure under the direction of UTB. The combined institutions enrolled in academic, occupational, and continuing education courses and the majority of the staff and instructional support were employed by the UTB/TSC partnership.

The TSC Board of Trustees and the University of Texas System Board of Regents both voted to dissolve the existing partnership between the University of Texas at Brownsville and the Texas Southmost College. Recent legislation regarding the partnership provides cooperation for each institution to achieve separate accreditation with a targeted termination by 2015. The transition teams of TSC and UT system have achieved operational separation in Fall 2013 and the teams continue to address the necessary tasks and timelines to achieve the partnership termination.

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

Mission and Values

Texas Southmost College's newly adopted mission statement is "*Transforming our communities through innovative learning opportunities.*" The newly adopted vision statement is "*Texas Southmost College will be a premier community college dedicated to student success.*" The new mission and vision statements were adopted during fiscal year 2012 with input from students, faculty, staff, business leaders, trustees and community members during numerous focus groups and community forums. To successfully fulfill the vision and mission of the college, Texas Southmost College is committed to the established values of integrity, access, service, excellence, innovation, and success.

The mission of the college is guided by the commitment to provide: (1) University transfer, career, and technical programs leading to an associate degree or certificate along with courses specializing in college preparatory and developmental education, workforce training, adult literacy, and continuing education to support the evolving needs of citizens, industry, and economic development initiatives within Cameron and Willacy Counties; (2) High-quality instruction and learning opportunities in the classroom, online, and through other delivery methods; a supportive and innovative faculty and staff; appropriate technology, equipment, and learning resources; and advising and assessment services to promote transfer to a four-year baccalaureate institution, entry or advancement in the workforce, or lifelong learning;

Mission and Values (continued)

(3) A learning-centered, service-oriented environment that celebrates diversity and inclusion; facilitates growth and development; fosters social responsibility, critical thinking, communication, and innovation; and empowers and engages students, faculty and staff to achieve personal and professional goals; and (4) Institutional effectiveness that embraces individual accountability, data-driven decision making, change, and an unending pursuit of excellence.

Local Economic Information

The College is located in Brownsville, Texas, the largest city in the Rio Grande Valley. The largest industries total 68% of the employment population and include: education and health, government, and trade, transportation, and utilities employees. Cameron County, the southern-most Texas County, is the geographical area in which the College resides. The County's estimated population for 2012 was 415,557, an increase of 2.3 percent since 2010. The County's median income per household was \$32,558 compared to the state median of \$51,563.

Major Initiatives

The College's primary focus during fiscal year 2013 has been centered on the necessary tasks needed to establish functional separation from the partnership by Fall 2013 and working towards independent accreditation by 2015. The college is working to incorporate innovative ideas while moving forward to become an independent community college. These ideas have included developing a partnership with Pearson Learning Solutions to provide fully digital course materials, personalized learning labs; a cloud-based learning management system, on-demand online tutorial service; and access to faculty development services. In addition, the College has entered into a contract with Dynamic Campus to outsource the campus technology needs which will provide for scalable and affordable solutions and necessary technical expertise in the selection and implementation of the campus enterprise system and other software and hardware needs.

Capital projects completed as a result of the \$68 million bond election passed in November of 2004 and the student assessed student recreation center fee include: Recreation Education Kinesiology Center, Library, Classroom Building, Early Childhood Center, TSC Arts Center and Renovations to the Library and the International Technology Education and Commerce Campus (ITECC). No significant capital construction projects were undertaken in fiscal year 2013.

In July, 2013, Texas Southmost College and the University of Texas System (UTS) entered into a letter of intent to sell land, sell and exchange buildings, entering into long term leases for the use of facilities, and receive cash payments and personal property. The final transaction contained cash payments to TSC of approximately \$29 million, of which approximately \$5 million will be used for the defeasance of the student union revenue bonds, and the remaining \$24 million will be available in fiscal year 2014. In addition, the transaction as provides the lease of space to UTS for over \$2 million, provides library services to TSC, continued participation in payments from UTS for the student recreation center, and a significant division of personal property to TSC. The transaction was finalized on January 27, 2014.

Financial Information

Internal Controls

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

Financial Information (Continued)

Single Audit

As a recipient of federal, state, and local financial assistance, the College also is responsible for ensuring that adequate internal control is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control is subject to periodic evaluation by management and the independent auditors of the College. As a part of the College's single audits, described earlier, tests are made to determine the adequacy of the internal controls, including that portion related to federal and state awards programs, as well as to determine that the College has complied with applicable laws and regulations. The results of the College's single audit for the fiscal year ended August 31, 2013, provided no instances of material weaknesses in internal control.

Budgeting Controls

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

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

Long-term Financial Planning and Debt Management

During fiscal year 2013, the College continued to operate within a partnership arrangement with UTB who provides the instruction and many operational aspects for the College. While the partnership is in effect, all state appropriations and all tuition and fees collected by the college are remitted to UTB in accordance with the partnership agreement. The partnership is planned to functionally end by August 31, 2013. Currently, the College administration is preparing the long-term financial plans to emerge from the partnership as a single entity. The future projections for revenue and expenses will be balanced with the challenge of providing a quality and affordable education to the students in our community. For Fall 2013, the College was able to lower tuition and fees by approximately \$1,000 for in-district students taking general education classes.

The College is authorized to sell bonds and to levy an ad valorem tax in payment of the debt by the Constitution and the laws of the State of Texas. As of August 31, 2023, the College had \$67.5 million in general obligation debt outstanding. Ad valorem property taxes to support outstanding debt are limited to a maximum rate of \$0.50 per hundred dollars of taxable appraised value. General obligation debt may be used to purchase land for sites, construct, improve, renovate and equip College facilities; to refund certain bonds of the College; and to pay the issuance costs of bonds. The last substantial change in the debt service tax rate came after November 2004 when the voters approved a \$68 million bond election.

The current year's total debt service tax rate is \$0.061860 per hundred dollars of taxable appraised value and the College's general obligation debt is currently rated AA- by Fitch Ratings and AA- by Standard and Poor's.

The College currently has \$22.9 million of revenue bonds outstanding. Revenue bonds are special obligations of the College payable as to principal and interest solely from and secured by a first lien on and a pledge of certain revenues. Revenue bonds were issued for the Student Union Building and Recreation Education and Kinesiology (REK) Center and the pledge revenue source for payment of these bonds are fees assessed to TSC and UTB students for these facilities. The Student Union Revenue bonds were defeased on January, 27, 2014. In addition, the College issued general revenue bonds for various acquisitions and improvements on campus. Pledged revenues for these obligations include tuition, parking fees, bookstore income, investment earnings, and additional income or earnings. The Standard and Poor's revenue bond rating is currently an A.

Independent Audit

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

Awards

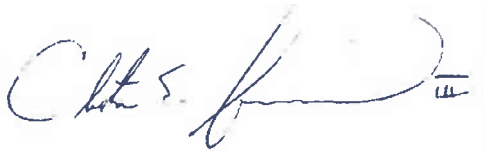
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Texas Southmost College for its comprehensive annual financial report for the fiscal years ended August 31, 2012. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

Acknowledgments

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

Warmest Regards,

A handwritten signature in blue ink, appearing to read "Chet Lewis". The signature is fluid and cursive, with a horizontal line at the end.

Chet Lewis
Vice President of Finance & Administration
Texas Southmost College



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Texas Southmost
College District**

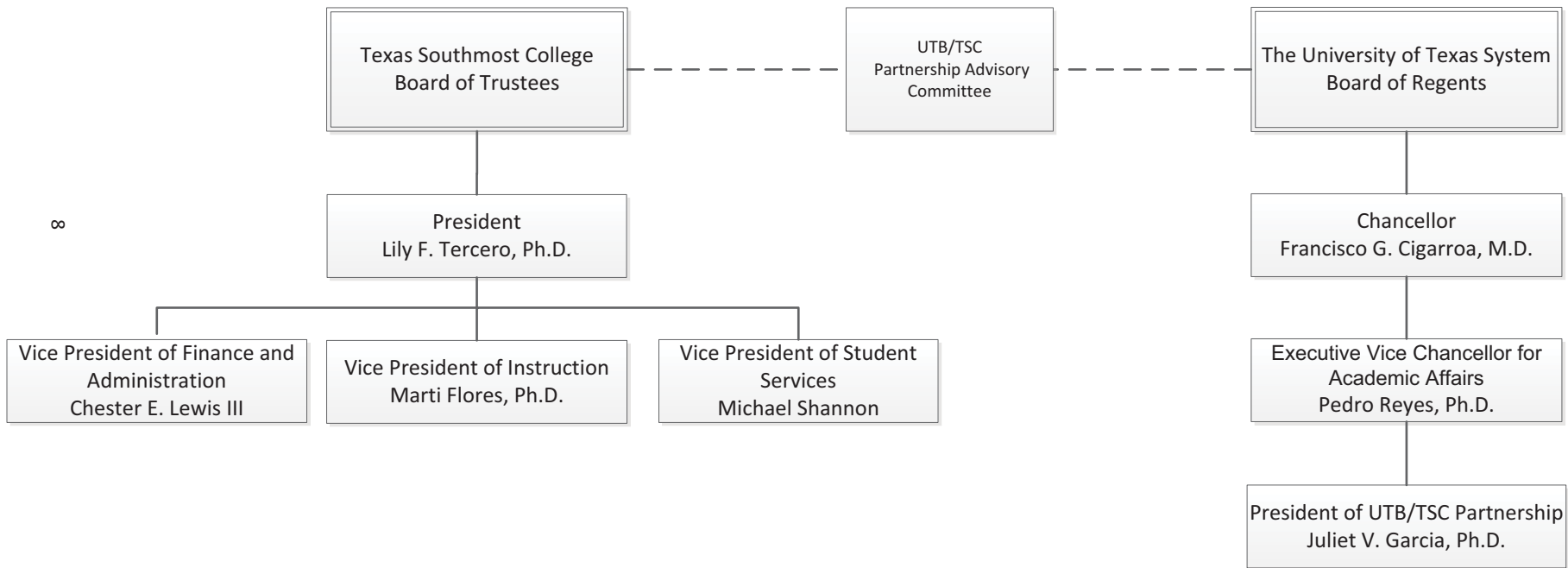
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

August 31, 2012

Executive Director/CEO

Texas Southmost College

UTB/TSC Partnership



TEXAS SOUTHMOST COLLEGE DISTRICT

ORGANIZATIONAL DATA FOR THE FISCAL YEAR 2012-2013

Board of Trustees

Officers

Francisco "Kiko" Rendon	Chairman
Adela Garza	Vice Chairman
Juan "Trey" Mendez III, J.D.	Secretary

Members

		<u>Term Expires</u>
Reynaldo Garcia, DDS	Brownsville, Texas	May, 2018
Adela Garza	Olmito, Texas	May, 2014
Ramon Champion Hinojosa	Brownsville, Texas	May, 2018
Robert Lozano, M.D., Ph.D.	Brownsville, Texas	May, 2016
Juan "Trey" Mendez III, J.D.	Brownsville, Texas	May, 2016
Francisco "Kiko" Rendon	Brownsville, Texas	May, 2016
Rene Torres	Brownsville, Texas	May, 2014

Principal Administrative Officers

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

UTB/TSC Partnership

Francisco G. Cigarroa, M.D.	Chancellor
Pedro Reyes, Ph.D.	Executive Vice Chancellor for Academic Affairs
Juliet V. Garcia, Ph.D.	President of the UTB/TSC Partnership

FINANCIAL SECTION



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

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Texas Southmost College District, as of and for the year ended August 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Texas Southmost College District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Texas Southmost College District, as of August 31, 2013 and 2012, and the respective changes in financial position, and, where applicable, cash flows thereof, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 13 through 25 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Texas Southmost College District's financial statements. The introductory section, combining and individual nonmajor fund financial statements and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2013, on our consideration of the Texas Southmost College District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Texas Southmost College District's internal control over financial reporting and compliance.



Brownsville, Texas
November 15, 2013

TEXAS SOUTHMOST COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

AUGUST 31, 2013

Management's Discussion and Analysis of Texas Southmost College District's (the College) financial performance provides an overview of the District's financial activities for the fiscal year ended August 31, 2013. This discussion and analysis is to be read in conjunction with the College's financial statements which begin on page 26.

USING THIS ANNUAL REPORT

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

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

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

The Statement of Net Position

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

The Statement of Net Position includes assets and liabilities, current and non-current 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 Position is divided into three major categories. The first category, investment in capital assets net of related debt, represents the College's net investment in property, plant and equipment owned by the institution.

USING THIS ANNUAL REPORT (Continued)

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

The Statement of Revenues, Expenses and Changes in Net Position

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

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

The Statement of Cash Flows

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

The information contained in the Statement of Cash Flows assesses the College's ability to generate future net cash flows, meet obligations as they come due and needs for external financing. In addition, differences between operating income 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 Position

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

TABLE 1
CONDENSED STATEMENT OF NET POSITION
(in millions)

	August 31, 2013	August 31, 2012	August 31, 2011
Current Assets	\$ 28.2	\$ 27.1	\$ 32.8
Noncurrent Assets			
Cash and Cash Equivalents – Restricted	18.8	16.1	14.6
Capital Assets, Net of Accumulated Depreciation	153.2	155.9	159.5
Other Noncurrent Assets	1.7	1.8	1.9
Total Assets	201.9	200.9	208.8
Current Liabilities	13.2	13.4	23.7
Noncurrent Liabilities	86.2	90.6	94.8
Total Liabilities	99.4	104.0	118.5
Net Position			
Invested in Capital Assets, Net of Related Debt	62.5	61.2	61.3
Restricted Expendable	24.5	23.2	21.1
Unrestricted	15.5	12.5	7.9
Total Net Position	\$ 102.5	\$ 96.9	\$ 90.3

Total Assets increased slightly by \$1.0 million in fiscal year 2013. Current Assets increased by \$1.1 million which was primarily due to a \$4.4 million decrease in accounts receivable net which was offset by increase in unrestricted cash and cash equivalents of \$5.5 million. Capital Assets, Net of Accumulated Depreciation also decreased by \$2.7 million which is the difference between the current year's depreciation and the additions to the buildings and equipment. The renovation of the library was the only project started and completed in the fiscal year. There were no new bond refinancing activities in the fiscal year 2013.

At the end of fiscal year 2013, total liabilities decreased by \$4.6 million. The largest portion of the decrease relates to the decrease in scheduled debt repayments of \$4.1 million and a decrease in deferred revenues of \$1.8 million, offset by an increase in accounts payable of \$1.0 million.

Statement of Net Position (Continued)

Net position (assets less liabilities) increased by \$16.7 million over the past three fiscal years. The College experienced an increase of approximately \$5.6 million, \$6.6 million and \$4.5 million in fiscal years 2013, 2012 and 2011 as compared to the previous respective fiscal years. Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – represents \$15.5 million of total net assets at August 31, 2013.

Statement of Revenues, Expenses and Changes in Net Position

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

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

	August 31, 2013	August 31, 2012	August 31, 2011
Operating Revenues	\$ 22.9	\$ 38.0	\$ 42.5
Operating Expenses	(41.8)	(56.1)	(62.0)
Non-operating Revenue	28.9	29.2	29.3
Non-operating Expenses	(4.4)	(4.5)	(5.3)
Increase in Net Position	5.6	6.6	4.5
Net Position - Beginning of the Year	96.9	90.3	85.8
Net Position - End of the Year	\$ 102.5	\$ 96.9	\$ 90.3

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

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

TABLE 3
OPERATING REVENUE
(in millions)

	Fiscal Year		Fiscal Year		Fiscal Year	
	2013		2012		2011	
	Amount	Percentage of total	Amount	Percentage of total	Amount	Percentage of total
Net Tuition and Fees	\$ 17.8	77.7%	\$ 32.7	86.3%	\$ 35.7	84.0%
Grants and Contracts	4.4	19.2%	4.8	12.4%	5.8	13.7%
Auxiliary Enterprises	0.5	2.2%	0.5	1.3%	0.6	1.4%
Other Operating Revenue	0.2	0.9%	0.0	0.0%	0.4	0.9%
Total Operating Revenue	<u>\$ 22.9</u>	<u>100.0%</u>	<u>\$ 38.0</u>	<u>100.0%</u>	<u>\$ 42.5</u>	<u>100.0%</u>

Operating revenues were affected by the following key factors:

- The cost for Resident Tuition and Fees for 12 semester credit hours increased by an average of 2.5% for fiscal year 2013 as compared to the prior fiscal year. The University of Texas at Brownsville (UTB) and the Board of Trustees have a concordance policy that assesses Tuition and Fee rates for TSC students at the same rate for UTB students.
- Other changes in Net Tuition and Fees are attributed to changes in scholarships, discounts and allowances.

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

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

TABLE 4
NON-OPERATING REVENUE
(in millions)

	Fiscal Year 2013		Fiscal Year 2012		Fiscal Year 2011	
	Amount	Percentage of total	Amount	Percentage of total	Amount	Percentage of total
State Appropriations	\$ 11.1	38.3%	\$ 11.3	38.8%	\$ 12.2	41.7%
Ad Valorem Taxes	17.7	61.1%	17.5	59.9%	17.0	58.0%
Investment Income	0.1	0.3%	0.1	0.3%	0.1	0.3%
Other Non-Operating Revenue	0.1	0.3%	0.3	1.0%	0.0	0.0%
Total Non-Operating Revenue	<u>\$ 29.0</u>	<u>100.0%</u>	<u>\$ 29.2</u>	<u>100.0%</u>	<u>\$ 29.3</u>	<u>100.0%</u>

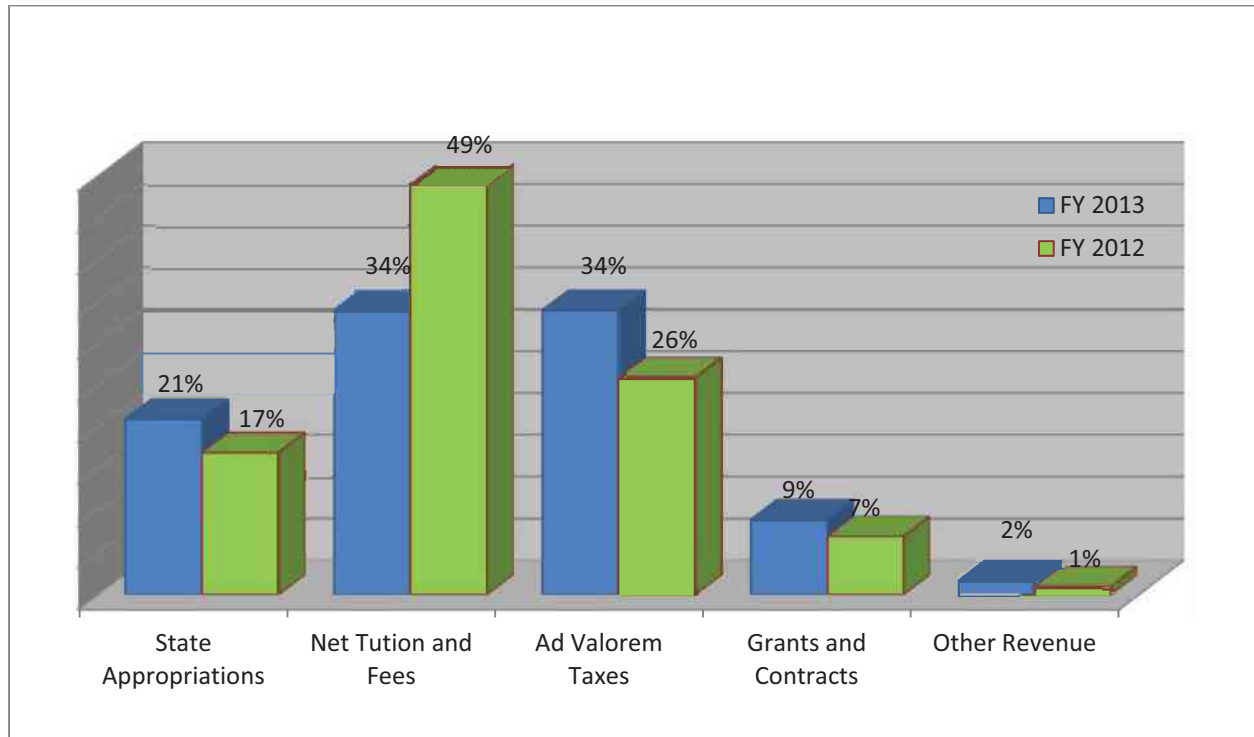
Non-operating revenues were affected by the following key factors:

- State appropriations have seen a decreasing trend over the recent fiscal years. Appropriations for the current biennia decreased 1.4% as compared to the fiscal year 2012.
- Property tax revenue increased by about \$0.2 million from fiscal year 2012 to fiscal year 2013 as a result of a 2.3% increase in taxable assessed property valuations and a 0.7% decrease to the total tax rate. Property tax revenue increased by about \$0.5 million from fiscal year 2011 to fiscal year 2012 as a result of a small increase in both taxable assessed property valuations and to the total tax rate. The tax rates for the Texas Southmost College are \$0.162935, \$0.164026 and \$0.162423 per \$100 valuation, for the fiscal years ended 2013, 2012 and 2011, respectively.
- Investment income for FY 2013 is comparable to FY 2012 and FY 2011. Earning rates for funds were low due to the low investment rates available.

Key sources of revenue in total for the College are state allocations, grants and contracts, property taxes and tuition and fees (net of scholarship discounts). Table 5 shows a comparison of the breakdown of total revenues by source for the College in Fiscal Years 2013 and 2012.

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

TABLE 5
TOTAL REVENUES



In both fiscal years 2013 and 2012, tuition and fees account for the largest source of revenue (34% and 49%, respectively) for the college. For fiscal year 2013, Ad Valorem Taxes are 34% of revenue as compared to fiscal year 2012 at 26%. State appropriations are 21% of revenues for fiscal 2013 as compared to fiscal year 2012 at 17%.

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

TABLE 6
OPERATING EXPENSES
Natural Classification
(in millions)

	August 31, 2013	August 31, 2012	August 31, 2011
Salaries	\$ 1.6	\$ 0.9	\$ 0.6
Benefits	0.2	0.2	0.1
Supplies and Services	6.5	4.1	4.7
Contracted Services - UTB	30.0	47.5	53.2
Depreciation	3.5	3.4	3.4
Total Operating Expenses	\$ 41.8	\$ 56.1	\$ 62.0

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

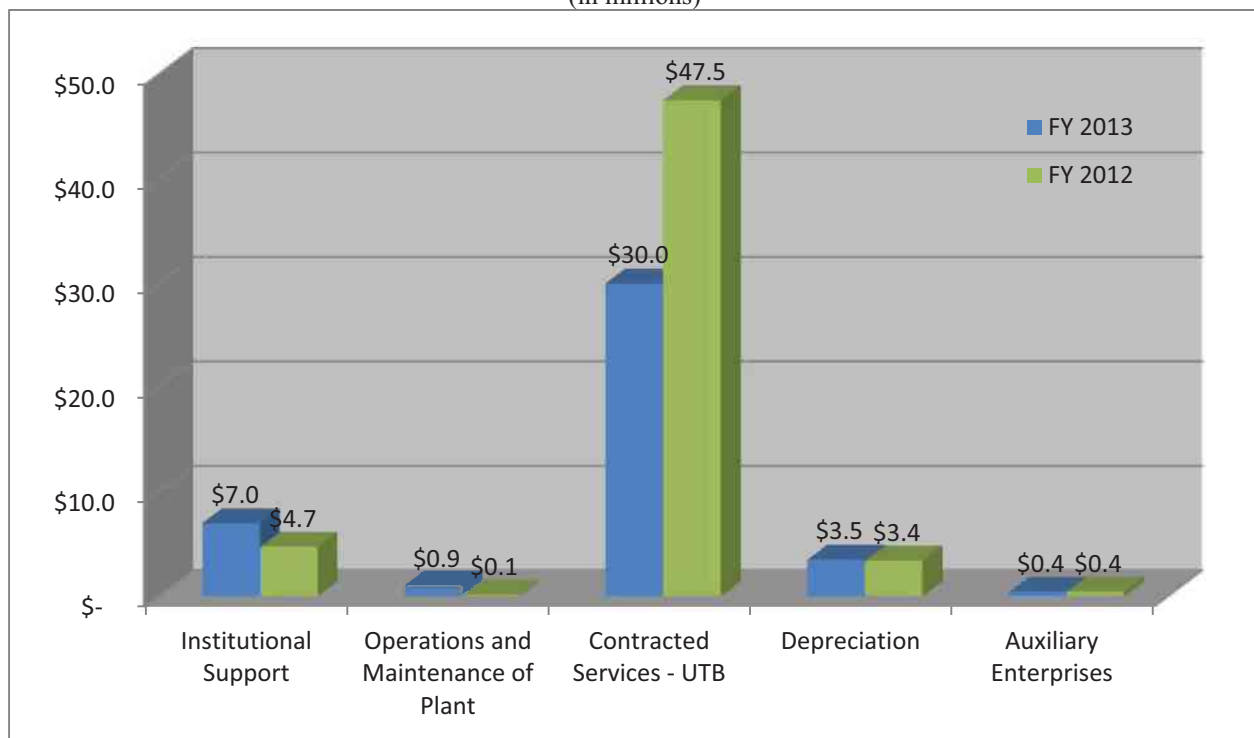
Table 7 displays the breakdown of the College’s expenses by functional classification.

TABLE 7
OPERATING EXPENSES
Functional Classification
(in millions)

	August 31, 2013	August 31, 2012	August 31, 2011
Institutional Support	\$ 7.0	\$ 4.7	\$ 3.2
Operations and Maintenance of Plant	0.9	0.1	1.2
Contracted Services - UTB	30.0	47.5	53.2
Depreciation	3.5	3.4	3.4
Total Educational Activities	41.4	55.7	61.0
Auxiliary Enterprises	0.4	0.4	1.0
Total Operating Expenses	\$ 41.8	\$ 56.1	\$ 62.0

Table 8 displays a comparison of the breakdown of the expenses by functional classification for the College in Fiscal Years 2013 and 2012.

TABLE 8
OPERATING EXPENSES
Functional Classification
(in millions)



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

For fiscal year 2013, the College operated under a partnership agreement with The University of Texas at Brownsville. Under this agreement, the College contracts with UTB to provide instruction and other related essential services. This contract is the largest expense for the College as reflected in the Contract Services-UTB category. In fiscal year 2013 and 2012, this amount represented 72% and 84% of total expenses, respectively. The University of Texas at Brownsville releases an Annual Financial Report detailing total expenses for both the College and University and should be reviewed in conjunction with this report for further information.

Statement of Cash Flows

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

TABLE 9
CONDENSED STATEMENT OF CASH FLOWS
(in millions)

	August 31, 2013	August 31, 2012	August 31, 2011
Cash provided/ used by:			
Operating Activities	\$ (11.8)	\$ (14.8)	\$ (18.5)
Noncapital Financing Activities	22.1	22.3	23.2
Capital and Related Activities	(2.3)	(1.3)	(2.8)
Investing Activities	<u>0.1</u>	<u>0.1</u>	<u>0.0</u>
Net Increase (Decrease) In Cash	<u>8.1</u>	<u>6.3</u>	<u>1.9</u>
Cash-Beginning of the Year	<u>30.5</u>	<u>24.2</u>	<u>22.3</u>
Cash-End of Year	<u><u>\$ 38.6</u></u>	<u><u>\$ 30.5</u></u>	<u><u>\$ 24.2</u></u>

Total Cash and Cash Equivalents increased by \$8.1 million during the 2013 fiscal year and increased by \$6.3 million during the 2012 fiscal year. Major factors impacting cash and cash equivalents are described below by source.

Operating Activities: During the fiscal year 2013 and fiscal year 2012, cash flows from operations resulted in an outflow of \$11.8 million and \$14.8 million, respectively. The major source of cash receipts was from tuition and fees, net of scholarship allowances and discounts (\$18.8 million in 2013 and \$32.7 million in 2012). The College's major cash outlay was for contract services with UTB (\$30.0 million in 2013 and \$47.5 million in 2012).

Non-capital Financing Activities: The College had a positive cash flow of \$22.1 million in fiscal year 2013 and \$22.3 million in fiscal year 2012 from the collection of property taxes and receipt of state appropriations. Property taxes were collected at a rate of 94.7% and 94.2% of the current year's tax levy for fiscal year 2013 and fiscal year 2012, respectively. (See table 10 below for more information on property taxes.)

Statement of Cash Flows (continued)

Capital and Related Financing Activities: In fiscal year 2013, capital and related financing activities resulted in a cash outflow of \$2.3 million. Cash outlays of approximately \$9.1 million were made for capital construction projects, purchases of land and property, and principal and interest payments for all outstanding bonds. Cash inflows were primarily from the collection of \$6.7 million of property taxes. In fiscal year 2012, capital and related financing activities resulted in a cash outflow of \$1.3 million. Cash outlays of approximately \$8.5 million were made for capital construction projects, purchases of land and property, and principal and interest payments for all outstanding bonds. Cash inflows of \$6.9 million resulted mainly from the collection of property taxes and proceeds for the sale of assets.

Investing Activities Cash flows from investing activities represent investment earnings generated from the College’s various checking and certificate of deposit accounts. The majority of investments in prior years have related to invested assets for outstanding bond proceeds. However, the bond projects have been substantially completed and no new projects were established during fiscal year 2013. In addition, any investment opportunities are resulting in limited earning opportunities for short-term investments due to the economic downturn that exists in the current financial market.

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

TABLE 10
PROPERTY TAX INFORMATION

	August 31, 2013	August 31, 2012	August 31, 2011
Total Tax Rate per \$100	\$ 0.162935	\$ 0.164026	\$ 0.162423
Total Tax Collections	\$ 17,727,167	\$ 17,459,754	\$ 17,049,071
Tax Collection Rate	94.74%	94.18%	92.63%
Assessed Valuation	\$ 11,097,815,199	\$ 10,849,724,282	\$ 10,722,679,461

The College’s total tax collections increased by approximately 1.5%, due to a 2.3% increase in assessed valuations and a 0.7% decrease in the total tax rate. For fiscal year 2013, the Texas Southmost College Board of Trustee's adopted the calculated effective tax rate. Overall, the College’s tax collection rate has remained strong over the past decade.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of Fiscal Year 2013, the College had approximately \$153.2 million (net of accumulated depreciation and amortization) invested in a broad range of capital assets, including instructional and athletic facilities, maintenance of buildings equipment and computer software. The increase in capital assets is due to the renovations in the Library and acquisitions of computer hardware and software. The primary decreases in capital assets were related to scheduled depreciation and amortization of existing capital assets.

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

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

	Balance August 31, 2012	Increase	Decrease	Balance August 31, 2013
Not Depreciated	\$ 6.1	\$ 0.5	\$ (0.8)	\$ 5.8
Buildings and Other Capital Assets	204.7	0.4	0.7	205.8
Less Accumulated Depreciation and amortization	(54.9)	0.0	(3.5)	(58.4)
Total Capital Assets	\$ 155.9	\$ 0.9	\$ (3.6)	\$ 153.2

Debt

The College's general obligation bond ratings, as assigned by *Fitch Ratings* and *Standard and Poor's* are **AA-** and **AA-** respectively. The College's revenue bond rating is **A**, as assigned by *Standard and Poor's*.

At year-end, the College had approximately \$94.7 million in outstanding debt. Notes 6 through 8 of the financial statements which begin on page 38 provide further detailed information regarding the College's debt obligations. Table 12 summarizes these amounts by type of debt instrument.

Debt (Continued)

TABLE 12
BONDS PAYABLE AT FISCAL YEAR END 2013
(in millions)

	Balance August 31, 2012	Increase	Decrease	Balance August 31, 2013
General Obligations	\$ 70.5	\$ -	\$ (3.0)	\$ 67.5
Revenue Bonds	23.9	-	(1.0)	22.9
Plus Premium on Bonds	0.7	-	(0.1)	0.6
Less Deferred Amounts on Refunding	(0.4)	-	0.0	(0.4)
Total Bonds Payable	<u>\$ 94.7</u>	<u>\$ -</u>	<u>\$ (4.1)</u>	<u>\$ 90.6</u>

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

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

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

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

There were no new issuances of general obligation bonds or revenue bonds during fiscal year 2013.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

During fiscal year 2011, the Texas Southmost College Board of Trustees established a transition team to work with the University of Texas System transition team to begin discussions to end the partnership. In October 2011, Dr. Lily Tercero was hired as the new president for TSC and she will work to reestablish the community college as an independent and fully functional college which will offer associate degrees, vocational training, certificates and continued education in the State of Texas. During fiscal year 2012, on-going work has continued towards becoming operationally separated in the fall semester of 2013 and working to become separately accredited by 2015. In fiscal year 2014, TSC began its first year of independent operations of the College.

In July 2013, TSC and University of Texas System entered into a letter of intent for the sale and exchange of buildings which bring a cash inflow to TSC of over \$28 million. A portion of the proceeds will be used to defease the remaining outstanding student union building fees revenue refunding bonds, series 2005. In addition to the property transactions, TSC anticipates renting buildings to UT system for over \$2 million in rent revenue in the upcoming fiscal year 2014. In addition, other agreements for shared use of facilities were reached for library services, student recreation facilities, and parking.

The Board of Trustees considered many factors when establishing the fiscal year 2014 budget and tax rates. Tuition and fees revenues are lowered by approximately \$1,000 per semester for in-district students taking general education courses as compared to the prior fiscal year. Texas Southmost College will examine tuition rates for the future budget and will be seeking ways to make the cost to students affordable.

The Board of Trustees adopted the same tax rate as the prior year for fiscal year 2014. Collections are projected to remain fairly strong. Expenditures are expected to stay in line with the projected overall increase in revenues as the institution strives to meet instructional as well as campus improvement needs.

CONTACTING THE COLLEGE'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the College's finances and to show the College's accountability for the funds it receives. If you have questions about this report or need additional financial information, contact the Texas Southmost College District Office at (956) 295-3600.

TEXAS SOUTHMOST COLLEGE DISTRICT
Statement of Net Position
August 31, 2013 and 2012

	2013	2012
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 19,864,197	\$ 14,396,224
Accounts receivable (net)	7,497,107	11,850,597
Prepaid expenses	851,013	838,372
Total Current Assets	28,212,317	27,085,193
Noncurrent Assets		
Restricted cash and cash equivalents	18,760,024	16,148,208
Endowment investments	95,161	77,182
Unamortized bond issuance costs	1,615,727	1,725,220
Capital assets (net)	153,174,200	155,932,027
Total Noncurrent Assets	173,645,112	173,882,637
Total Assets	201,857,429	200,967,830
LIABILITIES		
Current Liabilities		
Accounts payable	2,536,186	1,532,610
Accrued liabilities	375,936	300,922
Accrued compensable absences	107,191	64,096
Funds held for others	8,303	8,303
Deferred revenues	5,676,616	7,442,021
Bonds payable - current portion	4,435,000	4,080,000
Total Current Liabilities	13,139,232	13,427,952
Noncurrent Liabilities		
Bonds payable	86,196,087	90,641,599
Total Noncurrent Liabilities	86,196,087	90,641,599
Total Liabilities	99,335,319	104,069,551
NET POSITION		
Investment in capital assets, net of related debt	62,543,113	61,210,428
Restricted for		
Expendable		
Endowment	105,446	86,424
Capital projects	10,612,410	10,215,052
Debt service	11,262,122	10,728,868
Scholarships	2,114,356	2,086,240
Institutional scholarships	251,649	379,796
Grants	139,462	22,208
Unrestricted	15,493,552	12,169,263
Total Net Position (Schedule D)	\$ 102,522,110	\$ 96,898,279

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

TEXAS SOUTHMOST COLLEGE DISTRICT
Statement of Revenues, Expenses and Changes in Net Position
For The Year Ended August 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
OPERATING REVENUES		
Tuition and fees (net of discounts of \$2,495,768 & \$6,004,861, respectively)	\$ 17,786,278	\$ 32,695,242
Federal grants and contracts	456,394	1,248,768
State grants and contracts	3,273,839	2,927,641
Local grants and contracts	598,780	552,828
Auxiliary enterprises	515,622	530,769
General operating revenues	<u>215,982</u>	<u>10,802</u>
Total Operating Revenues (Schedule A)	<u>22,846,895</u>	<u>37,966,050</u>
OPERATING EXPENSES		
Institutional support	6,934,658	4,724,266
Operation and maintenance of plant	863,174	59,282
Auxiliary enterprises	415,103	415,756
Depreciation	3,509,671	3,449,395
Contracted services with UTB	<u>29,992,540</u>	<u>47,403,368</u>
Total Operating Expenses (Schedule B)	<u>41,715,146</u>	<u>56,052,067</u>
Operating (Loss)	<u>(18,868,251)</u>	<u>(18,086,017)</u>
Non-Operating Revenues (Expenses)		
State appropriations	11,157,850	11,320,102
Maintenance ad valorem taxes	11,011,294	11,055,321
Debt service ad valorem taxes	6,715,873	6,404,433
Investment income	96,266	90,053
Unrealized gain (loss) on investments	17,980	14,463
Interest on capital related debt	(4,166,002)	(4,316,289)
Gain (Loss) on sale of capital assets	(143,853)	(45,073)
Allowance for uncollectible expense	(87,851)	-
Other non-operating revenues	24,291	329,965
Other non-operating expenses	<u>(133,766)</u>	<u>(125,442)</u>
Total Non-Operating Revenues (Schedule C)	<u>24,492,082</u>	<u>24,727,533</u>
Increase in Net Position	<u>5,623,831</u>	<u>6,641,516</u>
NET POSITION		
Net Position - Beginning of Year	96,898,279	90,256,660
Adjustment to Net Position	<u>-</u>	<u>103</u>
Net Position - End of Year	<u>\$ 102,522,110</u>	<u>\$ 96,898,279</u>

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

TEXAS SOUTHMOST COLLEGE DISTRICT
Statement of Cash Flows
For The Year Ended August 31, 2013 and 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from students and other customers	\$ 20,590,345	\$ 32,223,736
Receipts from grants and contracts	4,329,013	4,729,237
Payments to suppliers for goods or services	127,761	303,490
Transfers to UTB	(29,992,540)	(47,403,368)
Payments to or on behalf of employees	(6,816,549)	(4,725,596)
Receipts from auxiliary services	100,519	115,013
Net cash provided (used) by operating activities	(11,661,451)	(14,757,488)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Receipts from state appropriations	11,157,850	11,320,102
Receipts from ad valorem taxes	11,011,294	11,055,321
Other non-operating revenue	24,291	329,965
Other non-operating expenses	(133,766)	(125,442)
Net cash provided by non-capital financing activities	22,059,669	22,579,946
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Allowance for uncollectible expenses	(87,851)	-
Receipts from ad valorem tax revenues	6,715,873	6,404,433
Purchase of capital assets	(895,694)	(424,886)
Proceeds from sale of capital assets	-	471,072
Payments on capital debt - principal	(4,080,000)	(3,755,000)
Payments on capital debt - interest and issuance costs	(4,067,024)	(4,217,315)
Net cash provided (used) by capital and related financing activities	(2,414,696)	(1,521,696)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	96,267	90,053
Net cash provided (used) by investing activities	96,267	90,053
Increase (decrease) in cash and cash equivalents	8,079,789	6,390,815
Cash and cash equivalents - September 1	30,544,432	24,153,617
Cash and cash equivalents - August 31	\$ 38,624,221	\$ 30,544,432
Cash and cash equivalents	\$ 19,864,197	\$ 14,396,224
Restricted cash and cash equivalents	18,760,024	16,148,208
Total cash and cash equivalents	\$ 38,624,221	\$ 30,544,432

TEXAS SOUTHMOST COLLEGE DISTRICT
Statement of Cash Flows
For The Year Ended August 31, 2013 and 2012
(Continued)

	<u>2013</u>	<u>2012</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating (loss)	\$ (18,868,251)	\$ (18,086,017)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:		
Depreciation expense	3,509,671	3,449,395
Changes in assets and liabilities:		
Receivables (net)	4,353,490	10,763,333
Prepaid expenses	(12,641)	(185,762)
Accounts payable	1,003,576	548,534
Accrued liabilities	75,014	(8,753)
Compensated absences	43,095	7,423
Deferred revenue	<u>(1,765,405)</u>	<u>(11,245,641)</u>
Net cash provided (used) by operating activities	<u>\$ (11,661,451)</u>	<u>\$ (14,757,488)</u>

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

NOTES TO FINANCIAL STATEMENTS

TEXAS SOUTHMOST COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2013 and 2012

1. Reporting Entity

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

2. Summary of Significant Accounting Policies

Report Guidelines

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

Tuition Discounting

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

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

During the fiscal year 2011, 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. 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, 2013 and 2012

Budgetary Data

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

Cash and Cash Equivalents

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

Investments

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

Pledges

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

Pledges Receivable	2013	2012
Due within one year	\$ 75,279	\$ 118,649
Due after one year	239,791	411,725
Subtotal:	315,070	530,374
Less allowance for uncollectible	(227,219)	(139,368)
Total pledges receivable	\$ 87,851	\$ 391,006

Inventories

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

TEXAS SOUTHMOST COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2013 and 2012

Capital Assets

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

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

Deferred Revenues

Tuition and fees of \$5,099,556 and \$7,442,021 have been reported as deferred revenues at August 31, 2013 and 2012, respectively.

Estimates

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

Operating and Non-Operating Revenue and Expense Policy

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

3. Authorized Investments

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

TEXAS SOUTHMOST COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2013 and 2012

4. Deposits and Investments

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

Cash and Deposits

	August 31,	
	2013	2012
Bank Deposits		
Demand Deposits - Unrestricted	\$ 19,457,923	\$ 14,422,215
Demand Deposits - Restricted	21,832,652	16,148,208
Cash and Cash Equivalents		
Petty Cash on Hand	2,910	2,610
Reconciling Items in Transit	(2,669,264)	(28,601)
Total Cash and Deposits	\$ 38,624,221	\$ 30,544,432

Reconciliation of Deposits and Investments

Type of Security	Market Value 08/31/13	Market Value 08/31/12
Total Cash and Deposits	\$ 38,624,221	\$ 30,544,432
Total Investments	95,161	77,182
Total Deposits and Investments	\$ 38,719,382	\$ 30,621,614
Cash and cash equivalents	\$ 19,864,197	\$ 14,396,224
Restricted cash and cash equivalents	18,760,024	16,148,208
Endowment investments	95,161	77,182
Total Deposits and Investments	\$ 38,719,382	\$ 30,621,614

As of August 31, 2013 the District had the following investments and maturities:

Investment Type	Fair Value
U.S. Government Securities	\$ -
U.S. Treasuries	-
Commercial Papers	-
Investment Pool	-
Certificate of Deposit	-
Common Stock	95,161
Municipal Bonds	-
Total Fair Value	\$ 95,161

TEXAS SOUTHMOST COLLEGE DISTRICT
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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, 2013 the District’s investments consisted of savings accounts which are reported as cash and cash equivalents on the Statement of Net Assets and common stocks that were donated to the District. The stocks are held in an endowment fund and have donor restrictions.

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TEXAS SOUTHMOST COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2013 and 2012

5. Capital Assets

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

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

TEXAS SOUTHMOST COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2013 and 2012

Capital asset activity for the year ended August 31, 2012 was as follows:

	Balance August 31, 2011	Increases	Decreases	Reclassifications	Balance August 31, 2012
<u>Not Depreciated:</u>					
Land	\$ 5,798,446	\$ -	\$ (39,685)	\$ -	\$ 5,758,761
Construction in Progress	424,509	310,611	-	(363,590)	371,530
Subtotal	<u>6,222,955</u>	<u>310,611</u>	<u>(39,685)</u>	<u>(363,590)</u>	<u>6,130,291</u>
<u>Buildings and Other Capital Assets</u>					
Buildings and Building Improvements	175,707,998	49,275	(539,593)	363,590	175,581,270
Other Real Estate Improvements	9,738,045	-	-	-	9,738,045
Total Buildings and Other Real Estate Improvements	<u>185,446,043</u>	<u>49,275</u>	<u>(539,593)</u>	<u>363,590</u>	<u>185,319,315</u>
Library Books	8,422,241	-	-	-	8,422,241
Furniture, machinery, and Equipment	10,865,196	65,000	-	-	10,930,196
Subtotal	<u>19,287,437</u>	<u>65,000</u>	<u>-</u>	<u>-</u>	<u>19,352,437</u>
Total Buildings and Other Capital Assets	<u>204,733,480</u>	<u>114,275</u>	<u>(539,593)</u>	<u>363,590</u>	<u>204,671,752</u>
<u>Accumulated Depreciation:</u>					
Buildings and Building Improvements	(27,623,493)	(3,020,017)	63,133	-	(30,580,377)
Other Real Estate Improvements	(6,325,218)	(179,024)	-	-	(6,504,242)
Total Buildings and Other Real Estate Improvements	<u>(33,948,711)</u>	<u>(3,199,041)</u>	<u>63,133</u>	<u>-</u>	<u>(37,084,619)</u>
Library Books	(8,422,241)	-	-	-	(8,422,241)
Furniture, machinery and equipment	(9,112,802)	(250,354)	-	-	(9,363,156)
Subtotal	<u>(17,535,043)</u>	<u>(250,354)</u>	<u>-</u>	<u>-</u>	<u>(17,785,397)</u>
Total Accumulated Depreciation	<u>(51,483,754)</u>	<u>(3,449,395)</u>	<u>63,133</u>	<u>-</u>	<u>(54,870,016)</u>
Net Capital Assets	<u>\$ 159,472,681</u>	<u>\$ (3,024,509)</u>	<u>\$ (516,145)</u>	<u>\$ -</u>	<u>\$ 155,932,027</u>

TEXAS SOUTHMOST COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2013 and 2012

6. Long – Term Liabilities

	Balance August 31, 2012	Increases	Decreases	Balance August 31, 2013	Current Portion
<u>Bonds</u>					
General obligation bonds	\$ 70,505,000	\$ -	\$ 3,055,000	\$ 67,450,000	\$ 3,365,000
Revenue bonds	23,915,000	-	1,025,000	22,890,000	1,070,000
Plus: Premium on bonds	740,506	-	53,502	687,004	-
Less: Deferred refunding					
Refunding	(438,907)	-	(42,990)	(395,917)	-
Subtotal	<u>94,721,599</u>	<u>-</u>	<u>4,090,512</u>	<u>90,631,087</u>	<u>4,435,000</u>
Total long term liabilities	<u>\$ 94,721,599</u>	<u>\$ -</u>	<u>\$ 4,090,512</u>	<u>\$ 90,631,087</u>	<u>\$ 4,435,000</u>

	Balance August 31, 2011	Increases	Decreases	Balance August 31, 2012	Current Portion
<u>Bonds</u>					
General obligation bonds	\$ 73,275,000	\$ -	\$ 2,770,000	\$ 70,505,000	\$ 3,055,000
Revenue bonds	24,900,000	-	985,000	23,915,000	1,025,000
Plus: Premium on bonds	794,008	-	53,502	740,506	-
Less: Deferred refunding					
Refunding	(481,895)	-	(42,988)	(438,907)	-
Subtotal	<u>98,487,113</u>	<u>-</u>	<u>3,765,514</u>	<u>94,721,599</u>	<u>4,080,000</u>
Total long term liabilities	<u>\$ 98,487,113</u>	<u>\$ -</u>	<u>\$ 3,765,514</u>	<u>\$ 94,721,599</u>	<u>\$ 4,080,000</u>

7. Debt Obligations

Debt service requirements (in thousands) at August 31, 2013 were as follows:

For the year Ended	Revenue Bonds			General Obligation Bonds			Total Bonds		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
August 31, 2014	\$ 1,070	\$ 1,029	\$ 2,099	\$ 3,365	\$ 2,976	\$ 6,341	\$ 4,435	\$ 4,005	\$ 8,440
2015	1,120	983	2,103	3,695	2,837	6,532	4,815	3,820	8,635
2016	1,170	933	2,103	4,045	2,685	6,730	5,215	3,619	8,834
2017	1,215	886	2,101	4,415	2,514	6,929	5,630	3,400	9,030
2018	1,260	835	2,095	3,290	2,363	5,653	4,550	3,199	7,749
2019-2023	7,170	3,323	10,493	21,605	9,213	30,818	28,775	12,536	41,311
2024-2028	6,825	1,659	8,484	20,975	3,454	24,429	27,800	5,113	32,913
2029-2033	3,060	254	3,314	5,930	662	6,592	8,990	916	9,906
2034	-	-	-	130	3	133	130	3	133
	<u>\$ 22,890</u>	<u>\$ 9,903</u>	<u>\$ 32,793</u>	<u>\$ 67,450</u>	<u>\$ 26,708</u>	<u>\$ 94,158</u>	<u>\$ 90,340</u>	<u>\$ 36,610</u>	<u>\$ 126,950</u>

TEXAS SOUTHMOST COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2013 and 2012

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 \$410,000 to \$640,000 with interest at 3% to 5% and the final installment due August 2025.

<u>For the year ended August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 410,000	\$ 259,370	\$ 669,370
2015	425,000	243,995	668,995
2016	440,000	226,995	666,995
2017	460,000	209,395	669,395
2018	475,000	190,995	665,995
2019-2023	2,700,000	642,825	3,342,825
2024-2025	1,250,000	85,050	1,335,050
	<u>\$ 6,160,000</u>	<u>\$ 1,858,625</u>	<u>\$ 8,018,625</u>

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TEXAS SOUTHMOST COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2013 and 2012

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 \$970,000 to \$1,570,000 with interest at 3% to 5% and the final installment due August 2025.

<u>For the year ended August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 970,000	\$ 635,450	\$ 1,605,450
2015	1,005,000	599,631	1,604,631
2016	1,045,000	560,933	1,605,933
2017	1,085,000	519,920	1,604,920
2018	1,130,000	476,163	1,606,163
2019-2023	6,485,000	1,557,807	8,042,807
2024-2025	3,060,000	155,000	3,215,000
	<u>\$ 14,780,000</u>	<u>\$ 4,504,904</u>	<u>\$ 19,284,904</u>

Wellness Center Revenue Bonds, Series 2005

- To construct, operate, maintain, renovate, or improve a wellness, recreational, and fitness complex
- Issued revenue bonds on October 1, 2005
- \$13,655,000, all authorized bonds have been issued
- Source of revenue for debt service-Wellness Center Fees

Bonds payable are due in annual installments varying from \$455,000 to \$935,000 with interest at 3.5% to 5% and the final installment due August 2030.

<u>For the year ended August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 455,000	\$ 525,231	\$ 980,231
2015	480,000	502,481	982,481
2016	505,000	478,481	983,481
2017	525,000	458,281	983,281
2018	545,000	435,969	980,969
2019-2023	3,100,000	1,807,225	4,907,225
2024-2028	3,860,000	1,041,875	4,901,875
2029-2030	1,825,000	138,000	1,963,000
	<u>\$ 11,295,000</u>	<u>\$ 5,387,543</u>	<u>\$ 16,682,543</u>

TEXAS SOUTHMOST COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2013 and 2012

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 \$810,000 to \$4,015,000 with interest at 4% to 5% and the final installment due August 2026.

<u>For the year ended August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 810,000	\$ 1,040,571	\$ 1,850,571
2015	1,020,000	999,921	2,019,921
2016	1,250,000	953,740	2,203,740
2017	1,205,000	902,654	2,107,654
2018	985,000	856,171	1,841,171
2019-2023	8,820,000	3,274,204	12,094,204
2024-2026	8,415,000	724,875	9,139,875
	<u>\$ 22,505,000</u>	<u>\$ 8,752,136</u>	<u>\$ 31,257,136</u>

Maintenance Tax Notes, Series 2006

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

Bonds payable are due in annual installments varying from \$215,000 to \$365,000 with interest at 4% to 4.6% and the final installment due August 2026.

<u>For the year ended August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 215,000	\$ 158,128	\$ 373,128
2015	225,000	149,215	374,215
2016	235,000	139,726	374,726
2017	245,000	129,705	374,705
2018	255,000	119,078	374,078
2019-2023	1,470,000	410,970	1,880,970
2024-2026	1,050,000	73,747	1,123,747
	<u>\$ 3,695,000</u>	<u>\$ 1,180,569</u>	<u>\$ 4,875,569</u>

TEXAS SOUTHMOST COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2013 and 2012

Combined Fee Revenue Refunding and Improvement Bonds, Series 2006

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

Bonds payable are due in annual installments varying from \$205,000 to \$430,000 with interest at 3.60% to 4.55% and the final installment due August 2031.

<u>For the year ended August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 205,000	\$ 244,794	\$ 449,794
2015	215,000	236,491	451,491
2016	225,000	227,569	452,569
2017	230,000	218,006	448,006
2018	240,000	208,116	448,116
2019-2023	1,370,000	873,011	2,243,011
2024-2028	1,715,000	532,020	2,247,020
2029-2031	1,235,000	116,483	1,351,483
	<u>\$ 5,435,000</u>	<u>\$ 2,656,490</u>	<u>\$ 8,091,490</u>

Maintenance Tax Notes, Series 2007

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

Bonds payable are due in annual installments varying from \$80,000 to \$145,000 with interest at 4.25% to 4.75% and the final installment due August 2027.

<u>For the year ended August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 80,000	\$ 67,378	\$ 147,378
2015	85,000	63,871	148,871
2016	90,000	60,130	150,130
2017	90,000	56,260	146,260
2018	95,000	52,306	147,306
2019-2023	550,000	192,648	742,648
2024-2027	540,000	52,885	592,885
	<u>\$ 1,530,000</u>	<u>\$ 545,478</u>	<u>\$ 2,075,478</u>

TEXAS SOUTHMOST COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2013 and 2012

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 \$545,000 to \$1,160,000 with interest at 4.25% to 4.75% and the final installment due August 2032.

<u>For the year ended August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 545,000	\$ 531,308	\$ 1,076,308
2015	575,000	507,508	1,082,508
2016	585,000	482,711	1,067,711
2017	905,000	450,676	1,355,676
2018	330,000	424,206	754,206
2019-2023	1,240,000	1,954,726	3,194,726
2024-2028	3,045,000	1,523,216	4,568,216
2029-2032	4,300,000	443,750	4,743,750
	<u>\$ 11,525,000</u>	<u>\$ 6,318,101</u>	<u>\$ 17,843,101</u>

Maintenance Tax Notes, Series 2008

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

Bonds payable are due in annual installments varying from \$205,000 to \$375,000 with interest at 4.10% to 4.42% and the final installment due August 2028.

<u>For the year ended August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 205,000	\$ 170,313	\$ 375,313
2015	215,000	161,913	376,913
2016	225,000	153,113	378,113
2017	235,000	143,913	378,913
2018	240,000	134,413	374,413
2019-2023	1,370,000	513,702	1,883,702
2024-2028	1,705,000	191,620	1,896,620
	<u>\$ 4,195,000</u>	<u>\$ 1,468,987</u>	<u>\$ 5,663,987</u>

TEXAS SOUTHMOST COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2013 and 2012

Limited Tax Bond, Series 2008

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

Bonds payable are due in annual installments varying from \$25,000 to \$860,000 with interest at 4.25% to 4.65% and the final installment due August 2032.

<u>For the year ended August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 110,000	\$ 160,666	\$ 270,666
2015	115,000	156,166	271,166
2016	130,000	151,266	281,266
2017	140,000	145,866	285,866
2018	25,000	142,566	167,566
2019-2023	360,000	683,983	1,043,983
2024-2028	2,060,000	366,032	2,426,032
2029-2033	815,000	105,798	920,798
	<u>\$ 3,755,000</u>	<u>\$ 1,912,343</u>	<u>\$ 5,667,343</u>

Maintenance Tax Notes, Series 2009

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

Bonds payable are due in annual installments varying from \$140,000 to \$245,000 with interest at 3.0% to 4.625% and the final installment due February 2029.

<u>For the year ended August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 140,000	\$ 110,638	\$ 250,638
2015	145,000	106,269	251,269
2016	150,000	101,475	251,475
2017	155,000	93,131	248,131
2018	160,000	93,225	253,225
2019-2023	920,000	344,383	1,264,383
2024-2028	815,000	155,514	970,514
2029	245,000	5,666	250,666
	<u>\$ 2,730,000</u>	<u>\$ 1,010,301</u>	<u>\$ 3,740,301</u>

TEXAS SOUTHMOST COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2013 and 2012

Limited Tax Bond, Series 2009

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

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

<u>For the year ended August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 290,000	\$ 101,050	\$ 391,050
2015	310,000	92,050	402,050
2016	335,000	82,375	417,375
2017	355,000	72,025	427,025
2018	70,000	65,300	135,300
2019-2023	390,000	280,941	670,941
2024-2028	285,000	211,286	496,286
2029-2033	570,000	106,563	676,563
2034	130,000	3,250	133,250
	<u>\$ 2,735,000</u>	<u>\$ 1,014,840</u>	<u>\$ 3,749,840</u>

9. Employees' Retirement Plan

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

Teacher Retirement System of Texas

Plan Description

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

TEXAS SOUTHMOST COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2013 and 2012

Funding Policy

Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. The State funding policy is as follows: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and State contribution rate of not less than 6.0% and not more than 10% of the aggregate annual compensation of all members of the system; (2) A State statute prohibits benefit improvements or contribution reductions if, as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. State law provides for a member contribution rate of 6.4% for fiscal year 2013, 2012, and 2011, and a state contribution rate of 6.4% for fiscal year 2013 and 6.00% for fiscal year 2012 and 6.644% for fiscal year 2010. In certain instances the reporting district is required to make all or a portion of the state's 6.40% contribution for fiscal year 2013 and 6.00% for fiscal year 2012 and 6.644% for fiscal year 2011.

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 6.00% in fiscal year 2013 and 2012 and 6.40% in fiscal year 2011. Participant contribution rate for fiscal years 2013, 2012, and 2011 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 \$92,708, \$54,198 and \$39,616 for the fiscal years ended August 31, 2013, 2012, and 2011, respectively. The amount represents the portion of expended appropriations made by the State Legislature on behalf of the District.

The total payroll for all District employees was \$1,563,053, \$903,297 and \$596,273 for fiscal years 2013, 2012, and 2011, respectively. The total payroll of employees covered by the Teacher Retirement System was \$1,012,638, \$647,547 and \$596,273 for the fiscal years 2013, 2012, and 2011, respectively, and the total payroll of employees covered by the Optional Retirement Program was \$464,984, \$255,750 and \$-0- for fiscal years 2013, 2012, and 2011, respectively.

TEXAS SOUTHMOST COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2013 and 2012

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, 2013, the District did not have any employees participating in a deferred compensation program.

11. Compensable Absences

Full-time employees earn annual leave beginning on the first day of employment at the same rate and with the same limit as state employees as published each biennium in the General Appropriations Act. The District policy is that a full-time employee may carry his accrued leave forward from one fiscal year to another fiscal year with a maximum number or hours up to 532 for those employees with 35 or more years of service. Employees with at least six months of continuous, benefits eligible, state employment prior to separation, and terminate their employment are entitled to payment for all accumulated annual leave up to the maximum allowed. The District recognized the accrued liability for the unpaid annual leave for in the amounts of \$107,191 and \$64,096 for August 31, 2013 and 2012. 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 accrued leave liability is shown as a current liability in the financial statements because it is contingent on a future event that may occur in the subsequent fiscal year. When the event will actually occur is beyond the control of the employer.

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

Compensable absences activity for the years ended August 31, 2013 and 2012 was as follows:

Balance August 31, 2012	<u>Increases</u>	<u>Decreases</u>	Balance August 31, 2013
<u>\$ 64,096</u>	<u>\$ 77,656</u>	<u>\$ (34,561)</u>	<u>\$ 107,191</u>
Balance August 31, 2011	<u>Increases</u>	<u>Decreases</u>	Balance August 31, 2012
<u>\$ 56,673</u>	<u>\$ 49,613</u>	<u>\$ (42,190)</u>	<u>\$ 64,096</u>

12. Pending Lawsuits and Claims

On August 31, 2013, 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.

TEXAS SOUTHMOST COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2013 and 2012

13. Disaggregation of Receivables and Payables Balances

Receivables

Receivables at August 31, were as follows:

	<u>2013</u>	<u>2012</u>
Taxes receivable	\$ 2,595,770	\$ 2,603,260
Federal receivable	90,587	94,842
Student receivable	2,873,331	-
Accounts receivable	90,410	888,379
Donations receivable	315,070	530,374
Accrued interest receivable	-	-
Other receivable - due from Cameron County	101,470	34,984
Other receivable - due from UTB	<u>660,932</u>	<u>7,968,289</u>
Subtotal	6,727,570	12,120,128
Allowance for doubtful accounts	<u>(357,007)</u>	<u>(269,531)</u>
Total Receivables	<u>\$ 6,370,563</u>	<u>\$ 11,850,597</u>

Payables

Payables at August 31, were as follows:

	<u>2013</u>	<u>2012</u>
Vendors payable	\$ 851,940	\$ 249,243
Other payables - due to UTB	<u>940,336</u>	<u>1,283,367</u>
Total Payables	<u>\$ 1,792,276</u>	<u>\$ 1,532,610</u>

14. Contract and Grant Award

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

There were no contracts or grants awarded during fiscal years 2013 and 2012, for which monies have not been received, nor expended.

15. Self-Insured Plans

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

TEXAS SOUTHMOST COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2013 and 2012

16. Post Retirement Health Care and Life Insurance Benefits

In addition to providing pension benefits, the state provides certain health care and life insurance benefits for retired employees. Almost all of the employees may become eligible for those benefits if they reach normal retirement age while working for the state. Those and similar benefits for active employees are provided through an insurance company whose premiums are based on benefits paid during the previous year. Since the on-behalf payments are made directly to the retirement plan by the State, the District would recognize the payments as revenues and expenses on its financial statements. However, at August 31, 2013 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 1st on the assessed value listed as of the prior January 1st for all real and business personal property located in the District.

As of August 31:

	<u>2013</u>	<u>2012</u>
Assessed valuation of the District	\$ 12,073,590,647	\$ 11,882,764,349
Less:		
Exemptions	<u>1,003,229,890</u>	<u>1,033,040,067</u>
Net assessed valuation of the District	<u>\$ 11,070,360,757</u>	<u>\$ 10,849,724,282</u>

	<u>2013</u>		
	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>
Authorized tax rate per \$100 valuation	<u>\$ 0.350000</u>	<u>\$ 0.500000</u>	<u>\$ 0.850000</u>
Assessed tax rate per \$100 valuation	<u>\$ 0.101075</u>	<u>\$ 0.061860</u>	<u>\$ 0.162935</u>

	<u>2012</u>		
	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>
Authorized tax rate per \$100 valuation	<u>\$ 0.350000</u>	<u>\$ 0.500000</u>	<u>\$ 0.850000</u>
Assessed tax rate per \$100 valuation	<u>\$ 0.103723</u>	<u>\$ 0.060303</u>	<u>\$ 0.164026</u>

Section 130.122 of the Texas Education Code, as amended, limits a junior college district's tax rate to \$1.00 per \$100 taxable assessed valuation (of which a maximum of \$0.50 may be pledged for bond debt service), and the District is further restricted by local referendum which limits the tax rate for local maintenance to \$0.35.

TEXAS SOUTHMOST COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2013 and 2012

Taxes levied for the years ended August 31, 2013 and 2012 amounted to \$17,730,679 and \$17,462,677, respectively including any penalty and interest assessed. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed.

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

<u>Taxes Collected</u>	2012		
	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>
Current taxes collected	\$ 10,360,795	\$ 6,086,398	\$ 16,447,193
Delinquent taxes collected	664,483	323,622	988,105
Penalties and interest collected	357,518	184,137	541,655
Less discounts and commissions	<u>(327,475)</u>	<u>(189,724)</u>	<u>(517,199)</u>
Total Collections	<u>\$ 11,055,321</u>	<u>\$ 6,404,433</u>	<u>\$ 17,459,754</u>

Tax collections for the years ended August 31, 2013 and 2012 were 94.74% and 94.18%, respectively of the current tax levy. Allowance for uncollectible taxes are based upon historical experience in collecting property taxes. The use of tax proceeds is restricted for the use of maintenance and/or general obligation debt service.

18. Income Taxes

The District is exempt from income taxes under internal Revenue Code Section 115, Income of States, Municipalities, Etc. although unrelated business income may be subject to income tax under internal Revenue code Section 511 (a)(2)(B), Imposition of Tax on Unrelated Business Income of Charitable, Etc. Organizations. The District had no unrelated business income tax liability for the years ended August 31, 2013, and 2012.

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, 2013 and 2012

20. Restricted Assets

As of August 31, 2013 and 2012, the balances of the restricted assets are as follows:

	2013	2012
Endowment	\$ 10,283	\$ 9,242
Scholarships	2,178,198	2,173,774
Federal awards	1,974,010	25,615
Restricted contributions - arts center	789,546	571,340
Restricted - parking	1,029,967	1,094,387
Restricted - insurance	1,132,543	1,130,373
General obligation - debt service	1,923,905	1,416,318
Revenue bond - debt service	6,923,221	6,934,164
Revenue bond - construction account	2,798,351	2,792,995
	\$ 18,760,024	\$ 16,148,208

21. Grants and Contract Contingencies

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

22. 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 \$61,000 and \$95,399, to UTB during the years ended August 31, 2013 and 2012, respectively. The District furnished certain services, such as office space, utilities and some staff assistance, at no cost to the Foundation.

TEXAS SOUTHMOST COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2013 and 2012

23. Excess Interest and Rebatable Arbitrage

The Tax Reform Act of 1986 established arbitrage regulations that generally limit the rate or return on investment earnings of unexpended tax-exempt debt proceeds. With certain adjustments, the investment yield is limited to the interest rate on the debt itself. Federal tax code requirements now compel state and local governments to rebate defined arbitrage earnings of tax-exempt debt to the federal government every five years for as long as the bonds are outstanding. As of the audit report date, the District had received a preliminary calculation of the arbitrage amount of \$28,760 and \$39,243, which are reported as part of accrued expenses on these financial statements for the fiscal years ended 2013 and 2012, respectively.

24. Post Employment Benefits Other than Pensions

The District does not participate in any post employment benefits.

25. Contingencies

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

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

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

26. Restatement of Prior Year

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

<u>Schedule D</u>	<u>August 31, 2012</u>		
	<u>As Previously</u>	<u>Increase</u>	<u>As</u>
NET POSITION BY SOURCE	<u>Reported</u>	<u>(Decrease)</u>	<u>Restated</u>
Debt Service	\$ 10,427,268	\$ 301,600	\$ 10,728,868
Unrestricted	12,470,863	(301,600)	12,169,263

27. Subsequent Events

The University of Texas System has passed a resolution to dissolve the partnership between the University of Texas at Brownsville and the Texas Southmost College District. Under the terms of the partnership agreement, the dissolution would take place over a five-year period, beginning with the fiscal year ended August 31, 2011. The District reports that discussions between the University of Texas System and the District continue, concerning the transition out of the current partnership agreement and possible future agreements between UT System and the District. What new agreements, if any, might result, and how this dissolution will affect the District is not immediately known.

SUPPLEMENTARY SECTION

TEXAS SOUTHMOST COLLEGE DISTRICT
Schedule of Operating Revenues
For the Year Ended August 31, 2013 and 2012

	Unrestricted	Restricted	Total Educational Activities	Auxiliary Enterprises	2013 Total	2012 Total
Tuition:						
State funded credit courses:						
In-district resident tuition	\$ 3,379,478	\$ -	\$ 3,379,478	\$ -	\$ 3,379,478	\$ 6,597,612
Out-of-district resident tuition	1,184,133	-	1,184,133	-	1,184,133	1,341,596
Non-resident tuition	897,331	-	897,331	-	897,331	2,701,187
TPEG - credit (set aside)*	202,584	-	202,584	-	202,584	512,564
State funded continuing education						
TPEG - non-credit (set aside)*	-	-	-	-	-	-
Non-state funded educational programs	-	-	-	-	-	-
Total Tuition	<u>5,663,526</u>	<u>-</u>	<u>5,663,526</u>	<u>-</u>	<u>5,663,526</u>	<u>11,152,959</u>
Fees:						
Distance learning fee	-	-	-	-	-	-
Installment plan fees	-	-	-	-	-	-
Non-instructional contract training fees	12,392,530	1,392,607	13,785,137	833,383	14,618,520	27,547,144
Prior year tuition and fees	-	-	-	-	-	-
Total Fees	<u>12,392,530</u>	<u>1,392,607</u>	<u>13,785,137</u>	<u>833,383</u>	<u>14,618,520</u>	<u>27,547,144</u>
Scholarship Allowances and Discounts:						
Remissions and exemptions - state	-	-	-	-	-	-
Remissions and exemptions - local	(1,746,910)	-	(1,746,910)	-	(1,746,910)	(2,824,602)
Reduced tuition pilot	-	-	-	-	-	(95,000)
Other federal grants	-	-	-	-	-	-
TPEG awards	(330,913)	-	(330,913)	-	(330,913)	(380,295)
UTB Commitments	(417,945)	-	(417,945)	-	(417,945)	(2,704,964)
Other state grants	-	-	-	-	-	-
Rising star program	-	-	-	-	-	-
Other local grants	-	-	-	-	-	-
Total Scholarship Allowances	<u>(2,495,768)</u>	<u>-</u>	<u>(2,495,768)</u>	<u>-</u>	<u>(2,495,768)</u>	<u>(6,004,861)</u>
Total Net Tuition and Fees	<u>15,560,288</u>	<u>1,392,607</u>	<u>16,952,895</u>	<u>833,383</u>	<u>17,786,278</u>	<u>32,695,242</u>
Additional Operating Revenues:						
Federal grants and contracts	-	456,394	456,394	-	456,394	1,248,768
State grants and contracts	-	3,273,839	3,273,839	-	3,273,839	2,927,641
Local grants and contracts	-	598,780	598,780	-	598,780	552,828
Non-governmental grants and contracts	-	-	-	-	-	-
Sales and services of educational activities	-	-	-	-	-	-
General operating revenues	215,982	-	215,982	-	215,982	10,802
Total Additional Operating Revenues	<u>215,982</u>	<u>4,329,013</u>	<u>4,544,995</u>	<u>-</u>	<u>4,544,995</u>	<u>4,740,039</u>
Auxiliary Enterprises:						
Bookstore	-	-	-	-	-	-
Less discounts	-	-	-	-	-	-
Food service	-	-	-	-	-	-
Center for educational telecommunications	-	-	-	-	-	-
Business incubation center	-	-	-	-	-	-
Student programs	-	-	-	515,622	515,622	530,769
Net Bookstore	<u>-</u>	<u>-</u>	<u>-</u>	<u>515,622</u>	<u>515,622</u>	<u>530,769</u>
Food service	-	-	-	-	-	-
Facilities rentals	-	-	-	-	-	-
Total Net Auxiliary Enterprises	<u>-</u>	<u>-</u>	<u>-</u>	<u>515,622</u>	<u>515,622</u>	<u>530,769</u>
Total Operating Revenues	<u>\$ 15,776,270</u>	<u>\$ 5,721,620</u>	<u>\$ 21,497,890</u>	<u>\$ 1,349,005</u>	<u>\$ 22,846,895</u>	<u>\$ 37,966,050</u>
					(Exhibit 2)	(Exhibit 2)

* In accordance with Education Code 56.003, \$202,584 and \$512,564 of tuition was set aside for Texas Public Education Grants (TPEG) for the years ended August 31, 2013 and 2012, respectively

TEXAS SOUTHMOST COLLEGE DISTRICT
Schedule of Operating Expenses by Object
For the Year Ended August 31, 2013 and 2012

	Operating Expenses				2013 Total	2012 Total
	Salaries and Wages	Benefits		Other Expenses		
		State Benefits	Local Benefits			
Unrestricted - Educational Activities						
Instruction	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public service	-	-	-	-	-	-
Academic support	-	-	-	-	-	-
Student services	-	-	-	-	-	-
Institutional support	1,512,116	-	217,803	5,204,739	6,934,658	4,724,266
Operation and maintenance of plant	-	-	-	863,174	863,174	59,282
Scholarships and fellowships	-	-	-	-	-	-
Contract services - UTB	-	-	-	29,992,540	29,992,540	47,403,368
Total Unrestricted Educational Activities	<u>1,512,116</u>	<u>-</u>	<u>217,803</u>	<u>36,060,453</u>	<u>37,790,372</u>	<u>52,186,916</u>
Restricted - Educational Activities						
Instruction	-	-	-	-	-	-
Public service	-	-	-	-	-	-
Academic support	-	-	-	-	-	-
Student services	-	-	-	-	-	-
Institutional support	-	-	-	-	-	-
Operation and maintenance of plant	-	-	-	-	-	-
Scholarships and fellowships	-	-	-	-	-	-
Total Restricted Educational Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Educational Activities	1,512,116	-	217,803	36,060,453	37,790,372	52,186,916
Auxiliary Enterprises	42,835	-	10,757	361,511	415,103	415,756
Depreciation Expense						
Buildings and other real estate improvements	-	-	-	3,220,658	3,220,658	3,199,040
Equipment and furniture	-	-	-	289,013	289,013	250,355
Total Operating Expenses	<u>\$ 1,554,951</u>	<u>\$ -</u>	<u>\$ 228,560</u>	<u>\$ 39,931,635</u>	<u>\$ 41,715,146</u> (Exhibit 2)	<u>\$ 56,052,067</u> (Exhibit 2)

TEXAS SOUTHMOST COLLEGE DISTRICT
Schedule of Non-Operating Revenues and Expenses
For the Year Ended August 31, 2013 and 2012

	Unrestricted	Restricted	Auxiliary Enterprises	2013 Total	2012 Total
Non-Operating Revenues					
State Appropriations:					
Education and general state support	\$ 11,157,850	\$ -	\$ -	\$ 11,157,850	\$ 11,320,102
State group insurance	-	-	-	-	-
State retirement matching	-	-	-	-	-
Professional nursing shortage reduction	-	-	-	-	-
Total State allocations	<u>11,157,850</u>	<u>-</u>	<u>-</u>	<u>11,157,850</u>	<u>11,320,102</u>
Ad valorem taxes:					
Maintenance ad valorem taxes	11,011,294	-	-	11,011,294	11,055,321
Debt service ad valorem taxes	6,715,873	-	-	6,715,873	6,404,433
Gifts	-	-	-	-	-
Investment income	34,412	61,854	-	96,266	90,053
Gain (Loss) on sale of investments	17,980	-	-	17,980	14,463
Title IV federal grants	-	-	-	-	-
Other non-operating revenue	<u>24,291</u>	<u>-</u>	<u>-</u>	<u>24,291</u>	<u>329,965</u>
Total Non-Operating Revenues	<u>28,961,700</u>	<u>61,854</u>	<u>-</u>	<u>29,023,554</u>	<u>29,214,337</u>
Non-Operating Expenses					
Interest on capital related debt	4,166,002	-	-	4,166,002	4,316,289
(Gain) Loss on sale of capital assets	143,853	-	-	143,853	45,073
Allowance for uncollectible expense	87,851	-	-	87,851	-
Other non-operating expenses	<u>133,766</u>	<u>-</u>	<u>-</u>	<u>133,766</u>	<u>125,442</u>
Total Non-Operating Expenses	<u>4,531,472</u>	<u>-</u>	<u>-</u>	<u>4,531,472</u>	<u>4,486,804</u>
Net Non-Operating Revenues	<u>\$ 24,430,228</u>	<u>\$ 61,854</u>	<u>\$ -</u>	<u>\$ 24,492,082</u> (Exhibit 2)	<u>\$ 24,727,533</u> (Exhibit 2)

TEXAS SOUTHMOST COLLEGE DISTRICT
Schedule of Net Position by Source and Availability
For the Year Ended August 31, 2013
(With Memorandum Totals for the Year Ended August 31, 2012)

	Detail by Source				
	Unrestricted	Restricted		Capital Assets Net of Depreciation and Related Debt	Current Year Total
		Expendable	Non-Expendable		
Current					
Unrestricted	\$ 14,725,205	\$ -	\$ -	\$ -	\$ 14,725,205
Restricted					
Scholarships	-	2,114,356	-	-	2,114,356
Institutional scholarships	-	251,649	-	-	251,649
Grants	-	139,462	-	-	139,462
Auxiliary enterprises	731,488	-	-	-	731,488
Loan	36,859	-	-	-	36,859
Endowment:					
Quasi:					
Restricted	-	105,446	-	-	105,446
Plant:					
Unexpended	-	9,133,238	-	-	9,133,238
Renewals	-	1,479,172	-	-	1,479,172
Debt Service	-	11,262,122	-	-	11,262,122
Investment in Plant	-	-	-	62,543,113	62,543,113
Total Net Position, August 31, 2013	15,493,552	24,485,445	-	62,543,113	102,522,110 (Exhibit 1)
Total Net Position, August 31, 2012	12,470,863	23,216,988	-	61,210,428	96,898,279 (Exhibit 1)
Adjustment to net position	(301,600)	301,600	-	-	- (Exhibit 2)
Net Increase (Decrease) in Net Position	\$ 3,324,289	\$ 966,857	\$ -	\$ 1,332,685	\$ 5,623,831 (Exhibit 2)

(Continued on page 58.)

SCHEDULE D

TEXAS SOUTHMOST COLLEGE DISTRICT
Schedule of Net Position by Source and Availability
For the Year Ended August 31, 2013 - CONTINUED
(With Memorandum Totals for the Year Ended August 31, 2012)

	Available for Current Operations		Prior Year Total	Available for Current Operations	
	Yes	No		Yes	No
Current					
Unrestricted	\$ 14,725,205	\$ -	\$ 11,403,363	\$ 11,403,363	\$ -
Restricted					
Scholarships	-	-	2,086,240	-	2,086,240
Institutional scholarships	-	-	379,796	-	379,796
Grants	-	-	22,208	-	22,208
Auxiliary enterprises	731,488	-	729,118	729,118	-
Loan	36,859	-	36,782	36,782	-
Endowment:					
Quasi:					
Restricted	-	105,446	86,424	-	86,424
Plant:					
Unexpended	-	9,133,238	9,104,734	-	9,104,734
Renewals	-	1,479,172	1,110,318	-	1,110,318
Debt Service	-	11,262,122	10,728,868	-	10,728,868
Investment in Plant	-	62,543,113	61,210,428	-	61,210,428
Total Net Position, August 31, 2013	15,493,552	84,523,091	96,898,279	12,169,263	84,729,016
Total Net Position, August 31, 2012	12,470,863	84,427,416	90,256,660	8,176,978	82,079,682
Adjustment to net position	(301,600)	301,600	103	-	103
Net Increase (Decrease) in Net Position	\$ 3,324,289	\$ (205,925)	\$ 6,641,516	\$ 3,992,285	\$ 2,649,231

(Continued from page 57.)

STATISTICAL SECTION

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

Contents	Page
Financial Trends	60
<i>These schedules contain trend information to help the reader understand how the District’s financial performance and well-being have changed over time.</i>	
Revenue Capacity	62
<i>These schedules contain information to help the reader assess the District’s most significant local revenue source, the property tax.</i>	
Debt Capacity	68
<i>These schedules contain trend information to help the reader assess the affordability of the District’s current levels of outstanding debt and the District’s ability to issue additional debt in the future..</i>	
Demographic and Economic Information	72
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the District’s financial activities take place.</i>	
Operating Information	73
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the District’s financial report relates to the services the District provides and the activities it performs.</i>	

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

Texas Southmost College District
Statistical Supplement 1
Net Position by Component
Fiscal Years 2004 to 2013
(unaudited)

	For the Fiscal Year Ended August 31,									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Invested in capital assets, net of related debt	\$62,543,113	\$61,210,428	\$61,297,681	\$61,085,182	\$56,521,297	\$50,940,113	\$49,258,626	\$43,849,871	\$25,473,960	\$42,646,742
Restricted - expendable	24,485,445	23,518,588	21,094,114	17,373,637	18,296,679	15,823,635	12,132,932	8,913,884	27,725,294	7,701,986
Unrestricted	15,493,552	12,169,263	7,864,865	7,351,688	7,320,953	5,804,727	2,095,813	3,162,896	2,645,572	2,720,170
Total primary government net position	\$ 102,522,110	\$ 96,898,279	\$ 90,256,660	\$ 85,810,507	\$ 82,138,929	\$ 72,568,475	\$ 63,487,371	\$ 55,926,651	\$ 55,844,826	\$ 53,068,898

Note: Due to reporting format and definition changes prescribed by GASB Statement 34, only fiscal years 2004-2013 are available.

Texas Southmost College District
Statistical Supplement 2
Revenues by Source
Fiscal Years 2004 to 2013
(unaudited)

For the Year Ended August 31,

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Tuition and Fees (Net of Discounts)	\$17,786,278	\$32,695,242	\$35,737,651	\$31,738,816	\$26,843,900	\$25,917,215	\$26,948,039	\$23,754,562	\$19,399,841	\$15,309,239
Governmental Grants and Contracts										
Federal Grants and Contracts	456,394	1,248,768	1,438,868	875,766	1,970,939	787,249	774,059	916,007	869,082	1,005,612
State Grants and Contracts	3,273,839	2,927,641	3,816,154	4,648,058	4,430,696	3,371,048	3,099,683	3,073,616	2,571,007	2,473,345
Local Grants and Contracts	598,780	552,828	523,780	442,644	439,772	363,885	305,541	391,678	433,976	59,098
Non-Governmental Grants and Contracts	0	0	0	0	0	0	0	0	0	1,393,286
Auxiliary enterprises	515,622	530,769	633,527	492,167	445,716	390,990	347,361	345,640	336,811	547,432
Other Operating Revenues	215,982	10,802	371,205	307,138	419,588	240,523	45,750	45,550	57,235	201,051
Total Operating Revenues	22,846,895	37,966,050	42,521,185	38,504,589	34,550,611	31,070,910	31,520,433	28,527,053	23,667,952	20,989,063
State Appropriations	11,157,850	11,320,102	12,245,588	13,770,382	13,983,572	14,153,928	12,628,144	12,270,602	10,843,232	12,016,457
Ad Valorem Taxes	17,727,167	17,459,754	17,049,071	16,787,201	16,480,318	15,318,499	13,767,626	12,234,865	9,085,985	8,466,056
Investment income	114,246	104,516	55,346	192,016	918,907	3,172,984	3,128,813	2,093,733	689,732	401,080
Other non-operating revenues	24,291	329,965	12,780	482,710	1,646,207	63,581	113,496	515,930	84,552	611,005
Total Non-Operating Revenues	29,023,554	29,214,337	29,362,785	31,232,309	33,029,004	32,708,992	29,638,079	27,115,130	20,703,501	21,494,598
Total Revenues	\$ 51,870,449	\$ 67,180,387	\$ 71,883,970	\$ 69,736,898	\$ 67,579,615	\$ 63,779,902	\$ 61,158,512	\$ 55,642,183	\$ 44,371,453	\$ 42,483,661

For the Year Ended August 31,

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Tuition and fees (net of discounts)	34.29%	48.67%	49.72%	45.51%	39.72%	40.64%	44.06%	42.69%	43.72%	36.04%
Governmental grants and contracts										
Federal grants and contracts	0.88%	1.86%	2.00%	1.26%	2.92%	1.23%	1.27%	1.65%	1.96%	2.37%
State grants and contracts	6.31%	4.36%	5.31%	6.67%	6.56%	5.29%	5.07%	5.52%	5.79%	5.82%
Local grants and contracts	1.15%	0.82%	0.73%	0.63%	0.65%	0.57%	0.50%	0.70%	0.98%	0.14%
Non-governmental grants and contracts	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	3.28%
Auxiliary enterprises	0.99%	0.79%	0.88%	0.71%	0.66%	0.61%	0.57%	0.62%	0.76%	1.29%
Other operating revenues	0.42%	0.02%	0.52%	0.44%	0.62%	0.38%	0.07%	0.08%	0.13%	0.47%
Total Operating Revenues	44.05%	56.51%	59.15%	55.21%	51.13%	48.72%	51.54%	51.27%	53.34%	49.41%
State appropriations	21.51%	16.85%	17.04%	19.75%	20.69%	22.19%	20.65%	22.05%	24.44%	28.28%
Ad valorem taxes	34.18%	25.99%	23.72%	24.07%	24.39%	24.02%	22.51%	21.99%	20.48%	19.93%
Investment income	0.22%	0.16%	0.08%	0.28%	1.36%	4.97%	5.12%	3.76%	1.55%	0.94%
Other non-operating revenues	0.05%	0.49%	0.02%	0.69%	2.44%	0.10%	0.19%	0.93%	0.19%	1.44%
Total Non-Operating Revenues	55.95%	43.49%	40.85%	44.79%	48.87%	51.28%	48.46%	48.73%	46.66%	50.59%
Total Revenues	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Note: Due to reporting format and definition changes prescribed by GASB Statement 34, only fiscal years 2004-2013 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 2004 to 2013
(unaudited)

For the Year Ended August 31,										
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Instruction	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Research	-	-	-	-	-	-	-	-	-	-
Public service	-	-	-	-	-	-	-	-	-	-
Academic support	-	-	-	-	-	-	-	-	-	-
Student services	-	-	-	-	-	-	-	-	-	-
Institutional support	6,934,658	4,724,266	3,174,850	2,567,414	2,325,216	2,581,761	2,066,398	1,742,062	1,675,074	1,763,905
Operation and maintenance of plant	863,174	59,282	1,212,864	2,873,577	1,349,966	892,107	1,225,773	1,296,191	1,110,738	1,280,925
Scholarships and fellowships	-	-	-	-	-	-	-	-	-	-
Auxiliary enterprises	415,103	415,756	977,643	830,403	928,790	683,044	614,980	686,733	526,633	1,183,702
Depreciation	3,509,671	3,449,395	3,437,546	3,411,362	2,065,902	2,069,769	2,221,288	2,181,910	1,478,895	1,327,481
Contracted services with UTB	29,992,540	47,403,368	53,195,529	51,661,026	46,763,146	44,254,372	43,854,678	40,662,560	35,814,126	32,626,780
Total Operating Expenses	41,715,146	56,052,067	61,998,432	61,343,782	53,433,020	50,481,053	49,983,117	46,569,456	40,605,466	38,182,793
Interest on capital related debt	4,166,002	4,316,289	4,447,165	4,582,811	4,432,353	4,115,261	3,506,956	2,415,978	961,286	912,383
Other non-operating expenses	365,470	170,412	992,220	138,726	143,789	102,484	107,719	54,050	28,773	23,322
Total Non-Operating Expenses	4,531,472	4,486,701	5,439,385	4,721,537	4,576,142	4,217,745	3,614,675	2,470,028	990,059	935,705
Total Expenses	\$ 46,246,618	\$ 60,538,768	\$ 67,437,817	\$ 66,065,319	\$ 58,009,162	\$ 54,698,798	\$ 53,597,792	\$ 49,039,484	\$ 41,595,525	\$ 39,118,498

For the Year Ended August 31,										
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Instruction	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Research	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Public service	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Academic support	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Student services	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Institutional support	14.99%	7.80%	4.71%	3.89%	4.01%	4.72%	3.86%	3.55%	4.03%	4.51%
Operation and maintenance of plant	1.87%	0.10%	1.80%	4.35%	2.33%	1.63%	2.29%	2.64%	2.67%	3.27%
Scholarships and fellowships	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Auxiliary enterprises	0.90%	0.69%	1.45%	1.26%	1.60%	1.25%	1.15%	1.40%	1.27%	3.03%
Depreciation	7.59%	5.70%	5.10%	5.16%	3.56%	3.78%	4.14%	4.45%	3.56%	3.39%
Contracted services with UTB	64.85%	78.30%	78.88%	78.20%	80.61%	80.91%	81.82%	82.92%	86.10%	83.40%
Total Operating Expenses	90.20%	92.59%	91.93%	92.85%	92.11%	92.29%	93.26%	94.96%	97.62%	97.61%
Interest on capital related debt	9.01%	7.13%	6.59%	6.94%	7.64%	7.52%	6.54%	4.93%	2.31%	2.33%
Loss on disposal of fixed assets	0.79%	0.28%	1.47%	0.21%	0.25%	0.19%	0.20%	0.11%	0.07%	0.06%
Total Non-Operating Expenses	9.80%	7.41%	8.07%	7.15%	7.89%	7.71%	6.74%	5.04%	2.38%	2.39%
Total Expenses	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Change in Net Assets										
Total governmental activities	\$ 5,623,831	\$ 6,641,619	\$ 4,446,153	\$ 3,671,579	\$ 9,570,453	\$ 9,081,104	\$ 7,560,720	\$ 6,602,699	\$ 2,775,928	\$ 3,365,163

Note: Due to reporting format and definition changes prescribed by GASB Statement 34, only fiscal years 2004-2013 are available. In FY2004, as a result of our partnership with The University of Texas at Brownsville, a change in functional classification reporting was implemented whereby this reporting will be done at the partnership level.

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

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

Academic Year (Fall)	In-District Tuition	Out-of-District Tuition	Building Use	Student Service	Student Union (per student)	Computer Use	Records Fee (per student)	Technology Fee (per student)	Advising (per student)	Library Fee	International Education (per student)	Medical Services (per student)	Student Recreation (per student)	Athletic Fee	Cost for 12 SCH In-District	Cost for 12 SCH Out-of-District	Increase from Prior Year In-District	Increase from Prior Year Out-of-District
2012	50	50	105.95	12	45.30	12	10	45	50	5	2	24.20	75	7.27	2,558	2,558	2.52%	2.52%
2011	50	50	100.65	12	45.30	12	10	45	50	5	2	24.20	79	7	2,495	2,495	4.72%	4.72%
2010	50	50	91.47	12	45.30	12	10	45	50	5	2	22.00	79	7	2,383	2,383	4.82%	4.82%
2009	50	50	82.50	12	45.30	12	10	45	50	5	2	20.00	79	7	2,273	2,273	4.41%	4.41%
2008	50	50	77.50	12	45.30	12	10	45	50	4	2	20.00	79	5	2,177	2,177	27.43%	12.43%
2007	31	50	66	12	41.56	11	10	30	50	3	2	20.00	79	-	1,709	1,937	6.75%	5.91%
2006	31	50	58	12	41.56	10	10	30	50	3	2	20.00	79	-	1,601	1,829	16.70%	14.32%
2005	31	50	44	10	41.56	10	10	30	25	2	2	20.00	79	-	1,372	1,600	16.77%	14.05%
2004	29	48	38	10	41.56	10	10	30	25	2	-	-	-	-	1,175	1,403	20.28%	17.61%
2003	28	46	32	10	41.56	5	5	30	-	-	-	-	-	-	977	1,193	#REF!	#REF!

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

Academic Year (Fall)	Non-Resident Tuition Out of State	Non-Resident Tuition International	Building Use	Student Service	Student Union (per student)	Computer Use	Records Fee (per student)	Automated (per student)	Advising (per student)	Library Fee	International Education (per student)	Medical Services Fees (per student)	Student Recreation (per student)	Athletic Fee	Cost for 12 SCH Out of State	Cost for 12 SCH International	Increase from Prior Year Out of State	Increase from Prior Year International
2012	401	401	105.95	12	45.30	12	10	45	50	5	2	24.20	75	7	6,770	6,770	8.30%	8.30%
2011	363	363	100.65	12	45.30	12	10	45	50	5	2	24.20	79	7	6,251	6,251	2.43%	2.43%
2010	360	360	91.47	12	45.30	12	10	45	50	5	2	22.00	79	7	6,103	6,103	9.03%	9.03%
2009	327	327	82.50	12	45.30	12	10	45	50	5	2	20.00	79	7	5,597	5,597	0.86%	0.86%
2008	331	331	77.50	12	45.30	12	10	45	50	4	2	20.00	79	5	5,549	5,549	5.25%	5.25%
2007	328	328	66	12	41.56	11	10	30	50	3	2	20.00	79	-	5,273	5,273	2.81%	2.81%
2006	325	325	58	12	41.56	10	10	30	50	3	2	20.00	79	-	5,129	5,129	4.42%	4.42%
2005	326	326	44	10	41.56	10	10	30	25	2	2	20.00	79	-	4,912	4,912	9.18%	9.18%
2004	306	306	38	10	41.56	10	10	30	25	2	-	-	-	-	4,499	4,499	11.78%	11.78%
2003	282	282	32	10	41.56	5	5	30	-	-	-	-	-	-	4,025	4,025	#REF!	#REF!

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

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

Fiscal Year	(amounts expressed in thousands)			Ratio of Taxable Assessed Value to Assessed Value	Direct Rate		
	Assessed Valuation of Real and Personal Property	Less: Exemptions	Taxable Assessed Value (TAV)		Maintenance & Operations (a)	Debt Service (a)	Total (a)
2012-13	\$ 12,073,591	\$ 1,003,230	11,070,361	91.69%	0.101075	0.061860	0.162935
2011-12	\$ 11,882,764	\$ 1,033,040	10,849,724	91.31%	0.103723	0.060303	0.164026
2010-11	11,737,622	1,014,943	10,722,679	91.35%	0.103871	0.058552	0.162423
2009-10	11,520,282	993,745	10,526,537	91.37%	0.108949	0.052975	0.161924
2008-09	11,620,454	1,179,543	10,440,911	89.85%	0.110614	0.050475	0.161089
2007-08	10,795,407	1,056,700	9,738,707	90.21%	0.111423	0.049666	0.161089
2006-07	9,771,062	984,237	8,786,825	89.93%	0.109955	0.051134	0.161089
2005-06	8,461,197	797,979	7,663,218	90.57%	0.109161	0.053611	0.162772
2004-05	7,737,975	700,869	7,037,106	90.94%	0.111825	0.016957	0.128782
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

Source: Cameron County Appraisal District

Notes: Property is assessed at full market value.

(a) per \$100 Taxable Assessed Valuation

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

Fiscal Year	Appropriation per FTSE*			Appropriation per Contact Hour			
	State Appropriation	FTSE ¹ (a)	State Appropriation per FTSE	Academic Contact Hours (a)	Voc/Tech Contact Hours (b)	Total Contact Hours	State Appropriation per Contact Hour
2012-13	\$ 11,244	3,178	\$ 3,538	1,170	675	1,845	6.09
2011-12	11,333	5,569	2,035	2,734	805	3,539	3.20
2010-11	12,464	5,769	2,161	3,043	1,016	4,059	3.07
2009-10	14,355	5,963	2,407	2,795	1,173	3,968	3.62
2008-09	13,984	5,767	2,425	2,498	1,116	3,613	3.87
2007-08	14,154	6,287	2,251	2,682	1,152	3,834	3.69
2006-07	12,468	6,405	1,947	2,849	1,148	3,997	3.12
2005-06	12,270	5,661	2,167	2,654	1,097	3,751	3.27
2004-05	10,842	5,253	2,064	2,705	965	3,671	2.95
2003-04	10,843	4,955	2,188	2,667	939	3,606	3.01

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)									
		2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
AEP TEXAS CENTRAL CO	Utility	\$ 36,989	\$ 35,034	\$ 39,309	\$ 26,655	\$ 25,479	\$ 23,371	\$ 27,168	\$ 31,920	\$ 31,920	\$ 22,661
AT&T	Utility	-	-	-	-	33,477	37,525	36,176	36,855	36,855	34,793
BROWNSVILLE MEDICAL CENTER	Service	-	-	-	-	-	-	-	-	-	-
CAMERON ACQUISITIONS LLC	Land	-	-	29,212	24,840	40,500	-	-	-	-	-
CBL/SUNRISE COMMONS LP	Retail	40,670	38,734	38,870	38,904	38,923	38,923	38,706	36,468	36,468	30,351
COLUMBIA VALLEY HEALTHCARE SYS LP	Service	29,329	29,339	29,349	31,461	31,461	31,461	35,014	35,078	35,078	35,078
H E BUTT GROCERY CO	Retail	-	-	-	-	-	-	17,265	-	17,765	17,881
KEPPEL AMFELS	Shipyards	-	-	-	27,235	24,559	-	16,018	16,018	16,018	16,498
KIMCO BROWNSVILLE LP	Real Estate	-	-	-	-	-	18,113	-	-	-	-
RICH-SEAPAK CORP	Food Processor	22,036	22,140	32,572	27,674	28,450	-	-	19,963	-	-
SAPPHIRE VP LP	Real Estate	37,335	39,146	48,718	62,483	34,675	-	-	-	-	-
SOUTHWESTERN BELL TELE	Utility	-	23,996	26,787	31,284	-	-	-	-	-	-
TEXAS AND KANSAS CITY CABLE PARTNERS	Service	-	-	-	-	-	-	-	15,594	-	15,662
TITAN WHEEL INTERNATIONAL INC	Manufacturing	-	-	-	-	-	22,912	23,765	20,201	20,201	31,030
TRANSMONTAIGNE PRODUCT SERVICE INC	Petroleum Products	28,755	28,005	27,691	-	-	17,726	15,887	-	-	-
TRICO PRODUCTS CORP	Manufacturing	31,919	33,508	26,889	29,364	33,603	36,443	39,557	36,507	36,507	30,380
VHS BROWNSVILLE HOSPITAL COMPANY, LLC	Service	30,266	-	-	-	-	-	-	-	15,841	15,841
WAL-MART REAL ESTATE BUSINESS TR	Retail	22,497	22,190	-	-	-	-	-	-	-	-
WAL-MART STORES EAST INC	Retail	-	-	-	-	-	-	-	-	-	-
WAL-MART STORES INC	Retail	23,913	24,228	24,055	24,855	22,778	23,207	20,393	-	17,364	18,162
WAL-MART STORES TEXAS LP	Retail	-	-	-	-	-	17,315	-	-	-	-
Totals		\$ 303,708	\$ 296,320	\$ 323,452	\$ 324,755	\$ 291,127	\$ 226,474	\$ 249,556	\$ 248,604	\$ 230,812	\$ 234,334
Total Taxable Assessed Value		\$ 11,070,361	\$ 10,849,724	\$ 10,722,679	\$ 10,526,537	\$ 10,440,912	\$ 9,738,707	\$ 8,786,825	\$ 7,663,218	\$ 7,037,106	\$ 6,253,829

Taxpayer	Type of Business	% of Taxable Assessed Value (TAV) by Tax Year									
		2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
AEP TEXAS CENTRAL CO	Utility	0.33%	0.32%	0.37%	0.25%	0.24%	0.24%	0.31%	0.42%	0.45%	0.36%
AT&T	Utility	-	-	-	-	0.32%	0.39%	0.41%	0.48%	0.52%	0.56%
BROWNSVILLE MEDICAL CENTER	Service	-	-	-	-	-	-	-	-	-	-
CAMERON ACQUISITIONS LLC	Land	-	-	0.27%	0.24%	0.39%	-	-	-	-	-
CBL/SUNRISE COMMONS LP	Retail	0.37%	0.36%	0.36%	0.37%	0.37%	0.40%	0.44%	0.48%	0.52%	0.49%
COLUMBIA VALLEY HEALTHCARE SYS LP	Service	0.27%	-	0.27%	0.30%	0.30%	0.40%	0.46%	0.50%	0.56%	
H E BUTT GROCERY CO	Retail	-	-	-	-	-	-	0.20%	-	0.25%	0.29%
KEPPEL AMFELS	Shipyards	-	-	-	-	0.24%	-	0.18%	0.21%	0.23%	0.26%
KIMCO BROWNSVILLE LP	Real Estate	-	-	-	-	-	0.19%	-	-	-	-
RICH-SEAPAK CORP	Food Processor	-	-	0.30%	0.26%	0.27%	-	-	0.26%	-	-
SAPPHIRE VP LP	Real Estate	0.34%	0.36%	0.45%	0.59%	0.33%	-	-	-	-	-
SOUTHWESTERN BELL TELE	Utility	0.00%	0.22%	0.25%	0.30%	-	-	-	-	-	-
TEXAS AND KANSAS CITY CABLE PARTNERS	Service	-	-	-	-	-	-	-	0.20%	-	0.25%
TITAN WHEEL INTERNATIONAL INC	Manufacturing	-	-	-	-	-	0.24%	0.27%	0.26%	0.29%	0.50%
TRANSMONTAIGNE PRODUCT SERVICE INC	Petroleum Products	0.27%	0.26%	-	-	-	0.18%	0.18%	-	-	-
TRICO PRODUCTS CORP	Manufacturing	0.29%	0.31%	-	-	0.32%	0.37%	0.45%	0.48%	0.52%	0.49%
VHS BROWNSVILLE HOSPITAL COMPANY, LLC	Service	0.28%	-	-	-	-	-	-	-	-	-
WAL-MART REAL ESTATE BUSINESS TR	Retail	0.21%	0.20%	-	-	-	-	-	-	-	-
WAL-MART STORES EAST INC	Retail	-	-	-	-	-	-	-	-	-	-
WAL-MART STORES INC	Retail	0.22%	0.22%	0.22%	0.23%	0.22%	0.24%	0.23%	0.00%	0.25%	0.29%
WAL-MART STORES TEXAS LP	Retail	-	-	-	-	-	0.00%	-	-	-	-
Totals		2.74%	2.73%	3.02%	3.09%	2.79%	2.33%	2.84%	3.24%	3.28%	3.75%

Source: Cameron County Appraisal District

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

Fiscal Year Ended August 31	Levy (a)	Cumulative Levy Adjustments	Adjusted Tax Levy (b)	Collections - Year of Levy (c)	Percentage	Prior Collections of Prior Levies (d)	Current Collections of Prior Levies (e)	Total Collections (C+D+E)	Cumulative Collections of Adjusted Levy
2013	\$ 17,764,776	\$ (42,470)	\$ 17,722,306	\$ 16,879,439	95.24%	\$ -	\$ -	\$ 16,879,439	95.24%
2012	17,462,677	19,431	17,482,108	16,622,407	95.08%	-	453,990	17,076,397	97.68%
2011	17,119,086	(42,994)	17,076,092	16,188,556	94.80%	457,456	155,210	16,801,222	98.39%
2010	16,701,520	99,611	16,801,131	15,875,009	94.49%	638,823	89,468	16,603,300	98.82%
2009	16,647,944	(26,328)	16,621,616	15,730,757	94.64%	691,811	55,737	16,478,305	99.14%
2008	15,360,034	(24,709)	15,335,325	14,498,634	94.54%	696,394	28,482	15,223,510	99.27%
2007	13,817,049	(85,488)	13,731,561	12,940,923	94.24%	679,653	15,888	13,636,464	99.31%
2006	12,262,774	(61,327)	12,201,447	11,481,393	94.10%	622,890	14,948	12,119,231	99.33%
2005	9,062,544	(56,038)	9,006,506	8,485,978	94.22%	462,464	5,012	8,953,454	99.41%
2004	8,171,491	88,777	8,260,268	7,768,246	94.04%	439,703	3,662	8,211,611	99.41%

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

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

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

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

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

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

Total Collections = C + D + E

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

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

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
General Bonded Debt										
General obligation bonds	\$ 67,450	\$ 70,505	\$ 73,275	\$ 75,775	\$ 78,000	\$ 72,440	\$ 64,000	\$ 49,490	\$ 22,280	\$ 3,600
Notes	-	-	-	-	-	-	-	-	-	-
Less: Funds restricted for debt service	-	-	-	-	-	-	-	-	-	-
Net general bonded debt	\$ 67,450	\$ 70,505	\$ 73,275	\$ 75,775	\$ 78,000	\$ 72,440	\$ 64,000	\$ 49,490	\$ 22,280	\$ 3,600
Other Debt										
Revenue bonds	\$ 22,890	\$ 23,915	\$ 24,900	\$ 25,845	\$ 26,765	\$ 27,645	\$ 28,495	\$ 28,890	\$ 13,715	\$ 13,220
Notes	-	-	-	-	-	-	-	-	-	-
Capital lease obligations	-	-	-	-	-	-	-	-	-	-
Total Outstanding Debt	\$ 90,340	\$ 94,420	\$ 98,175	\$ 101,620	\$ 104,765	\$ 100,085	\$ 92,495	\$ 78,380	\$ 35,995	\$ 16,820
General Bonded Debt Ratios										
Per Capita	\$ 336.49	\$ 351.74	\$ 365.55	\$ 378.03	\$ 389.13	\$ 361.39	\$ 319.28	\$ 246.90	\$ 111.15	\$ 17.96
Per FTSE	21,224	22,185	23,057	23,844	24,544	22,794	20,138	15,573	7,011	1,133
As a percentage of Taxable Assessed Value	0.61%	0.64%	0.66%	0.68%	0.70%	0.65%	0.58%	0.45%	0.20%	0.03%
Total Outstanding Debt Ratios										
Per Capita	\$ 450.69	\$ 471.04	\$ 489.78	\$ 506.96	\$ 522.65	\$ 499.30	\$ 461.44	\$ 391.02	\$ 179.57	\$ 83.91
Per FTSE	28,427	29,711	30,892	31,976	32,966	31,493	29,105	24,663	11,326	5,293
As a percentage of Taxable Assessed Value	0.82%	0.85%	0.89%	0.92%	0.95%	0.90%	0.84%	0.71%	0.33%	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)									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Taxable Assessed Value	\$ 11,070,361	\$ 10,849,724	\$ 10,722,679	\$ 10,526,537	\$ 10,440,911	\$ 9,738,707	\$ 8,786,826	\$ 7,663,218	\$ 7,037,107	\$ 6,253,830
General Obligation Bonds										
Statutory Tax Levy Limit for Debt Service	55,352	54,249	53,613	52,633	52,205	48,694	43,934	38,316	35,186	31,269
Less: Funds Restricted for Repayment of General Obligation Bonds	-	-	-	-	-	-	-	-	-	-
Total Net General Obligation Debt	55,352	54,249	53,613	52,633	52,205	48,694	43,934	38,316	35,186	31,269
Current Year Debt Service Requirements	3,055	2,770	2,500	2,225	1,690	1,560	1,490	2,570	1,125	990
Excess of Statutory Limit for Debt Service over Current Requirements	\$ 52,297	\$ 51,479	\$ 51,113	\$ 50,408	\$ 50,515	\$ 47,134	\$ 42,444	\$ 35,746	\$ 34,061	\$ 30,279
Net Current Requirements as a % of Statutory Limit	5.52%	5.11%	4.66%	4.23%	3.24%	3.20%	3.39%	6.71%	3.20%	3.17%

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

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

Fiscal Year Ended August 31	Pledged Revenues (\$000 omitted)							Debt Service Requirements (\$000 omitted)					
	Student Union			Bookstore		Parking		Investment		Student Rec Center		Coverage	
	Fees	Tuition	Income	Fees	Income	Fees	Income	Fees	Total	Principal	Interest	Total	Ratio
2013	\$ 1,038	\$ 160	\$ 109	\$ 431	\$ 45	\$ 1,768	\$ 3,551	\$ 1,025	\$ 1,073	\$ 2,098	1.69		
2012	1,152	320	93	527	42	2,010	4,144	985	1,114	2,099	1.97		
2011	1,239	364	156	436	29	2,165	4,389	945	1,150	2,095	2.09		
2010	1,103	397	128	406	38	2,035	4,107	920	1,182	2,102	1.95		
2009	1,093	385	142	345	72	1,912	3,949	880	1,217	2,097	1.88		
2008	1,046	402	156	311	288	1,993	4,196	850	1,251	2,101	2.00		
2007	1,075	397	145	281	278	2,086	4,262	395	1,444	1,839	2.32		
2006	1,043	341	133	345	267	2,113	4,242	295	1,046	1,341	3.16		
2005	1,017	320	170	346	354	-	2,208	380	650	1,030	2.14		
2004	1,023	302	124	326	320	-	2,095	285	751	1,036	2.02		

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

Calendar Year	Pledged Revenues (\$000 omitted) *District Population	**Estimate District Personal Income (a) (thousands of dollars)	***Cameron County Personal Income Per Capita	****Cameron County Unemployment Rate
2012	200,449	4,657,632,964	23,236	10.5%
2011	198,762	4,449,883,656	22,388	11.8%
2010	194,964	4,364,854,032	22,388	11.2%
2009	192,500	4,309,690,000	22,388	9.9%
2008	191,006	4,085,045,322	21,387	6.8%
2007	187,979	3,696,982,993	19,667	6.0%
2006	187,679	3,483,134,561	18,559	6.6%
2005	183,675	3,197,781,750	17,410	7.5%
2004	179,028	3,042,401,832	16,994	8.7%
2003	173,533	2,829,976,164	16,308	9.5%

Sources:

*District Population from U.S. Census Bureau.

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

**Estimated District Personal Income (thousand of dollars) produced by multiplying Cameron County Personal Income Per Capita by the District Population. TSC District includes the following school districts: Brownsville ISD, Los Fresnos ISD, and Point Isabel ISD. TSC District population totals about 50% of Cameron County. Assumption used for TSC District per capita income equals that of Cameron County. Cameron County Total Estimated Population: 414,123 (U.S. Census Bureau)

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

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

**** Unemployment Rate from Texas Association of Counties

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

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

N/A - Not Available

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

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

Source:

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

**Brownsville Total Employment - Texas Labor Market Review <http://www.texasworkforce.org/>

Percentage of Total Employment was calculated using Brownsville 2012 Annual Employment.

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

Brownsville Total Employment: 68,717

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

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

Source:

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

**Brownsville Total Employment - Texas Labor Market Review <http://www.texasworkforce.org/>

Percentage of Total Employment was calculated using Brownsville 2012 Annual Employment.

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

Brownsville Total Employment: 67,921

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

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

Source:

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

**Brownsville Total Employment - Texas Labor Market Review <http://www.texasworkforce.org/>

Percentage of Total Employment was calculated using Brownsville 2009 Annual Employment.

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

Brownsville Total Employment: 60,309

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

2010		
Employer	Employees	**Percentage of Total Employment
Brownsville ISD	8,186	13.47%
AMFELS	706	1.16%
UTB/TSC	2,481	4.08%
Cameron County	1,600	2.63%
Wal-Mart	1,152	1.90%
City of Brownsville	1,200	1.98%
Convergys's Corp	720	1.19%
HEB Food Stores	765	1.26%
Valley Regional Medical Center	800	1.32%
Valley Baptist Medical Center - Brownsville	910	1.50%
Total	18,520	30.48%

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 2009 Annual Employment.

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

Brownsville Total Employment: 60,756

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

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

		Fiscal Year									
		2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Faculty											
	Full-Time	53.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Part-Time	56.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Total	109.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Percent											
	Full-Time	48.6%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	Part-Time	51.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Staff and Administrators											
	Full-Time	46.0	17.0	15.0	19.0	18.0	17.0	15.0	14.0	10.0	12.0
	Part-Time	23.0	1.0	1.0	5.0	6.0	5.0	6.0	3.0	5.0	9.0
	Total	69.0	18.0	16.0	24.0	24.0	22.0	21.0	17.0	15.0	21.0
Percent											
	Full-Time	66.7%	94.4%	93.8%	79.2%	75.0%	77.3%	71.4%	82.4%	66.7%	57.1%
	Part-Time	33.3%	5.6%	6.3%	20.8%	25.0%	22.7%	28.6%	17.6%	33.3%	42.9%
	FTSE per Full-time Faculty	60.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	FTSE per Full-Time Staff Member	69.1	327.6	384.6	313.8	320.4	369.8	427.0	404.4	525.3	412.9
	Average Annual Faculty Salary	\$ 47,880	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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 16
Student Profile
Last Five Fiscal Years
(unaudited)

Gender	Fall 2012		Fall 2011		Fall 2010		Fall 2009		Fall 2008		Fall 2007	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Female	3,318	56.30%	5,889	56.07%	6,287	59.86%	7,709	58.42%	7,949	58.93%	8,171	58.14%
Male	2,575	43.70%	4,614	43.93%	4,756	45.28%	5,486	41.58%	5,541	41.07%	5,884	41.86%
Total	5,893	100.00%	10,503	100.00%	11,043	105.14%	13,195	100.00%	13,490	100.00%	14,055	100.00%

Ethnic Origin	Fall 2012		Fall 2011		Fall 2010		Fall 2009		Fall 2008		Fall 2007	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
White/Non-Hispanic	199	3.38%	4,391	41.81%	1,411	13.43%	431	3.27%	391	2.90%	492	3.50%
Black/Non-Hispanic	15	0.25%	62	0.59%	57	0.54%	36	0.27%	36	0.27%	31	0.22%
Hispanic	5,430	92.14%	5,650	53.79%	9,106	86.70%	12,247	92.82%	12,609	93.47%	13,036	92.75%
Asian or Pacific Islander	42	0.71%	118	1.12%	83	0.79%	60	0.45%	54	0.40%	71	0.51%
American Indian or Alaskan Native	3	0.05%	108	1.03%	68	0.65%	7	0.05%	8	0.06%	11	0.08%
Non-Resident Aliens or Foreign Natl.	189	3.21%	138	1.31%	251	2.39%	350	2.65%	320	2.37%	362	2.58%
Not Reported	15	0.25%	36	0.34%	67	0.64%	64	0.49%	72	0.53%	52	0.37%
Total	5,893	100.00%	10,503	100.00%	11,043	105.14%	13,195	100.00%	13,490	100.00%	14,055	100.00%

Age	Fall 2012		Fall 2011		Fall 2010		Fall 2009		Fall 2008		Fall 2007	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Under 18	1,691	28.70%	1,471	14.01%	2,176	20.72%	4,746	35.97%	5,564	41.25%	5,305	37.74%
18 -21	2,350	39.88%	4,380	41.70%	4,365	41.56%	4,117	31.20%	3,927	29.11%	4,401	31.31%
22 - 24	612	10.39%	1,504	14.32%	1,455	13.85%	1,425	10.80%	1,338	9.92%	1,489	10.59%
25 - 35	822	13.95%	2,200	20.95%	2,069	19.70%	2,000	15.16%	1,854	13.74%	1,961	13.95%
36 - 50	346	5.87%	808	7.69%	840	8.00%	792	6.00%	711	5.27%	765	5.44%
51 & over	72	1.22%	140	1.33%	138	1.31%	115	0.87%	96	0.71%	134	0.95%
Total	5,893	100.00%	10,503	100.00%	11,043	105.14%	13,195	100.00%	13,490	100.00%	14,055	100.00%

Average Age	22	24	21	21	21	21
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Note: Only five years of information are presented in accordance with the Budget Requirements and Annual Financial Reporting Requirements for Texas Public Community and Junior Colleges published by the Texas Higher Education Coordinating Board for fiscal year 2012.

**Texas Southmost College District
Statistical Supplement 17
Transfers to Senior Institutions
2011 Fall Students as of Fall 2012
(Includes only public senior colleges in Texas)**

	Transfer Student Count	Transfer Student Count	Transfer Student Count	Total Acad/Tech Transfer	Percent Acad/Tech Transfer
	Academic	Technical	Tech-Prep	Students	Students
University of Texas - Brownsville	4,165	145	143	4,453	90.36%
University of Texas - Pan American	123	4	3	130	2.64%
University of Texas - Austin	80	1	1	82	1.66%
University of Texas - San Antonio	47	0	2	49	0.99%
Texas A&M University - College Station	31	1	0	32	0.65%
Texas State University	41	1	0	42	0.85%
Texas A&M University - Kingsville	31	1	0	32	0.65%
Texas A&M University - Corpus Christi	13	1	0	14	0.28%
University of Houston - University Park	14	0	0	14	0.28%
University of North Texas	4	1	0	5	0.10%
University of Texas - Permian Basin	2	0	0	2	0.04%
Stephen F. Austin State University	2	0	0	2	0.04%
Texas Tech University	7	0	0	7	0.14%
University of Texas - Arlington	7	4	0	11	0.22%
Sam Houston State University	7	0	0	7	0.14%
University of Texas - Tyler	0	0	0	0	0.00%
Texas A&M International University	5	0	0	5	0.10%
Texas Women's University	4	0	0	4	0.08%
University of Houston - Downtown	3	0	0	3	0.06%
University of Texas - Dallas	3	0	0	3	0.06%
Sul Ross State University	1	0	0	1	0.02%
Texas A&M University - Commerce	1	0	0	1	0.02%
Texas A&M University - Galveston	0	0	0	0	0.00%
Texas A&M University - Texarkana	0	0	0	0	0.00%
Prairie View A&M University	0	0	0	0	0.00%
University of Texas - El Paso	4	0	0	4	0.08%
Baylor College of Medicine - Academics	0	0	0	0	0.00%
Lamar University Institute of Technology	1	0	0	1	0.02%
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	2	0	0	2	0.04%
Texas A&M University System Health Science Center	0	0	0	0	0.00%
Texas Southern University	1	0	0	1	0.02%
Texas Tech University Health Science Center	1	0	0	1	0.02%
University of Houston - Clear Lake	1	0	0	1	0.02%
University of Houston - Victoria	0	1	0	1	0.02%
University of North Texas Health Science Center	0	0	0	0	0.00%
University of Texas Health Science Center - Houston	8	0	0	8	0.16%
University of Texas Health Science Center - San Antonio	6	0	0	6	0.12%
University of Texas Medial Branch Galveston	2	1	0	3	0.06%
University of Texas Southwestern Medical Center - Dallas	0	0	0	0	0.00%
West Texas A&M University	1	0	0	1	0.02%
Totals	4,618	161	149	4,928	100.00%

**Texas Southmost College District
Statistical Supplement 18
Capital Asset Information
Fiscal Years 2009 to 2013**

	Fiscal Year				
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Academic buildings	24	24	24	23	22
Square footage (in thousands)	1058	1058	1058	999	942
Libraries	2	2	2	2	2
Square footage (in thousands)	130	130	130	130	130
Number of Volumes (in thousands)	1083	1083	264	298	300
Administrative and support buildings	26	26	26	23	22
Square footage (in thousands)	614	614	614	559	540
Dormitories	1	1	1	1	1
Square footage (in thousands)	140	140	140	94	94
Number of Beds	459	459	459	334	334
Apartments	64	64	66	66	66
Square footage (in thousands)	67	67	68	72	72
Number of beds	140	140	140	140	140
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	3	3	3	3
Square footage (in thousands)	138	138	138	138	138
Stadiums	0	0	0	0	0
Gymnasiums	2	2	2	2	2
Fitness Centers	1	1	1	1	1
Tennis Court	1	1	1	1	1
Plant facilities	7	7	7	7	6
Square footage (in thousands)	49	49	49	49	46
Transportation					
Cars	7	7	7	8	10
Light Trucks/Vans	50	50	50	57	66
Buses	2	2	2	2	2

Note: Only five years of information are presented in accordance with the Budget Requirements and Annual Financial Reporting Requirements for Texas Public Community and Junior Colleges published by the Texas Higher Education Coordinating Board for fiscal year 2013.

SINGLE AUDIT SECTION

TEXAS SOUTHMOST COLLEGE DISTRICT

Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2013

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Pass-Through Disbursements and Expenditures</u>
U.S. DEPARTMENT OF AGRICULTURE			
<i>Pass-through from Texas Department of Human Services:</i>			
<i>Pass-through to University of Texas - Brownsville</i>			
Child Care Food Program	10.558	75G7033	\$ 47,505
Total U.S. Department of Agriculture			<u>47,505</u>
U.S. DEPARTMENT OF EDUCATION			
<i>Passed through Texas Higher Education Coordinating Board:</i>			
<i>Pass-through to University of Texas - Brownsville:</i>			
Carl Perkins Vocational Education - Basic	84.048	84246	341,919
Total U.S. Department of Education			<u>341,919</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<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	66,970
Total U.S. Department of Health and Human Services			<u>66,970</u>
Total Federal Financial Assistance			<u>\$ 456,394</u>

Notes to schedule on following pages

TEXAS SOUTHMOST COLLEGE DISTRICT

Notes to Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2013

<u>Note 1: Federal Assistance Reconciliation</u>	Pass-Through Disbursements
Federal revenue received by Texas Southmost College District	
Federal grants and contracts revenue per Schedule A	\$ 456,394
Federal revenue received by University of Texas at Brownsville	<u>12,038,785</u>
 Total Federal Revenues	 <u>\$ 12,495,179</u>

Note 2: Significant Accounting Policies Used in Preparing the Schedule

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

Note 3: Expenditures not Subject to Federal Single Audit

The following federal funds were not subject to a federal single audit:	Amount
<u>Program Name</u>	
84.063 - Federal Pell Grant Program	\$ 12,038,785
84.007 - SEOG	132,763
84.033 - Federal Work Study Program	<u>165,653</u>
	 <u>\$ 12,337,201</u>

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

Note 4: Student Loans Processed and Administrative Costs Recovered

There were no student loans processed or administrative costs recovered.

Note 5: Non-monetary Federal Assistance Received

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

TEXAS SOUTHMOST COLLEGE DISTRICT

Notes to Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2013
(Continued)

Note 6: Amounts Passed Through by the District

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

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

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

TEXAS SOUTHMOST COLLEGE DISTRICT

**Schedule of Expenditures of State Awards
For the Year Ended August 31, 2013**

Grantor Agency/ Program Title	Grant Contract Number	Expenditures
TEXAS HIGHER EDUCATION COORDINATING BOARD		
<i>Direct</i>		
S3 Developmental Education Grant	-	\$ 116,250
<i>Pass-through to University of Texas - Brownsville</i>		
Texas Grant Program	-	867,800
Texas College Work Study	-	47,136
Texas Educational Opportunity Grant	-	502,695
Top 10%	-	36,000
Nursing Shortage Reduction Grant	-	86,366
Focus Grant	-	14,650
<i>Total Pass-through to University of Texas - Brownsville</i>		<u>1,554,647</u>
Total Texas Higher Education Coordinating Board		<u>1,670,897</u>
TEXAS WORKFORCE COMMISSION		
<i>Pass-through to University of Texas - Brownsville</i>		
Skills Development Fund	2412SDF002	249,885
Skills Development Fund	2412SDF000	25,351
Skills Small business Fund	2411SSD000	10,360
Total Texas Workforce Commission		<u>285,596</u>
SOUTHERN EDUCATION FOUNDATION		
Developmental Education Project	-	25,750
Total Southern Education Foundation		<u>25,750</u>
Total State Financial Assistance		<u>\$ 1,982,243</u>

Note 1: State Assistance Reconciliation

State Revenues - Per Schedule A		
State Financial Assistance per Schedule of Expenditures of State Awards		\$ 1,982,243
Lease payments from University of Texas - Brownsville		<u>1,291,596</u>
Total State Revenues per Schedule A		<u>\$ 3,273,839</u>

Note 2: Significant Accounting Policies Used in Preparing the Schedule

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

Note 3: Subrecipients

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



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

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

We have audited , in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Texas Southmost College District, as of and for the year ended August 31, 2013 and 2012 and the related notes to the financial statements, which collectively comprise the Texas Southmost College District's basic financial statements, and have issued our report thereon dated November 15, 2013.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Public Funds Investment Act

We have performed tests designed to verify the Texas Southmost College District's compliance with the requirements of the Public Funds Investment Act. During the year ended August 31, 2013, no instances of noncompliance were found. However, providing an opinion on compliance with the Public Funds Investment Act was not an objective of our audit, and accordingly, we do not express an opinion.

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

A handwritten signature in black ink that reads "Pattillo, Brown & Hill, C.P." The signature is written in a cursive style and is positioned above the typed name and date.

Brownsville, Texas
November 15, 2013



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

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

Report on Compliance for Each Major Federal Program

We have audited the Texas Southmost College District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Texas Southmost College District's major federal programs for the year ended August 31, 2013. Texas Southmost College District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Texas Southmost College District, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2013.

Report on Internal Control Over compliance

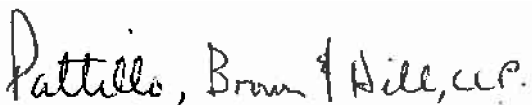
Management of the Texas Southmost College District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance referred to above. In planning and performing our audit, we considered the Texas Southmost College District's internal control over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

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

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

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

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



Brownsville, Texas
November 15, 2013

TEXAS SOUTHMOST COLLEGE DISTRICT

**Schedule of Findings and Questioned Costs
For the Year Ended August 31, 2013**

I. Summary of Auditors' Results

Type of auditors' report on financial statements:	Unmodified.
Internal control over financial reporting: Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weakness(es)?	None reported
Internal control over major programs: Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weakness(es)?	None reported
Noncompliance which is material to the basic financial statements	No
Type of auditors' report on compliance with major programs	Unmodified.
Findings and questioned costs for federal awards as defined in Section 501(a), OMB Circular A-133 and the State of Texas Single Audit Circular	No
Dollar threshold considered between Type A and Type B federal programs	\$300,000
Dollar threshold considered between Type A and Type B state programs	\$300,000
Low risk auditee statement	Yes
Major federal programs	Career and Technical Education - Basic Grants to States - Perkins IV (CFDA #84.048)
Major state program	Texas Educational Opportunity Grant Program

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

The audit disclosed no finding required to be reported.

III. Findings and Questioned Costs for Federal Awards

None

IV. Findings and Questioned Costs for State Awards

None

TEXAS SOUTHMOST COLLEGE DISTRICT

**Summary Schedule of Prior Audit Findings
For the Year Ended August 31, 2013**

V. Prior Findings and Questioned Costs for Federal and State Awards

None.

TEXAS SOUTHMOST COLLEGE DISTRICT

**Corrective Action Plan
For the Year Ended August 31, 2013**

Not applicable.