

**TEXAS SOUTHMOST
COLLEGE DISTRICT**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For The Year Ended August 31, 2016 and 2015

Prepared by the Office of the
Vice President of Finance and Administration

TEXAS SOUTHMOST COLLEGE DISTRICT

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INTRODUCTORY SECTION

December 23, 2016

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, 2016 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 – 26) 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, 2016 and August 31, 2015, 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, 2016 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. 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 2016. The transition teams of TSC and UT system have achieved operational separation in Fall 2013 and the teams have completed the necessary tasks within the prescribed 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 to the TSC President, who oversees all TSC functions.

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

Mission and Values (Continued)

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;

(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 67% 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 2015 was 420,392, an increase of 3.5 percent since 2010. The County's median income per household was \$34,044 compared to the state median of \$53,207.

Major Initiatives

The College has now achieved independent accreditation by SACSCOC. The college continues to incorporate innovative ideas while functioning as 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 continues to 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.

No significant capital construction projects were undertaken in fiscal year 2016. On November 9, 2015, the District issued \$8,810,000 in Refunding Bonds. All proceeds from the bond issuances were used to advance refund \$8,915,000 of outstanding 2007 Maintenance Tax Notes.

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, 2016, 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 32-35).

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

In prior fiscal years, the College operated as a single combined entity with UTB to facilitate federal student aid awards. UTB would draw down federal student aid awards under the same federal identification number and TSC participated in the distribution of the awards to TSC students. The comprehensive annual financial report for the year ended August 31, 2016 now details Title IV federal awards for TSC, separate from the UT system. Additionally, TSC will no longer draw down federal student aid awards in conjunction with UTB, starting in fiscal year 2017.

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, 2016, the College had \$52.7 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 \$0.056189 per hundred dollars of taxable appraised value and the College's general obligation debt is currently rated AA- by Fitch Ratings and A+ by Standard and Poor's.

The College currently has \$15.4 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.

Long-term Financial Planning and Debt Management (Continued)

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, 2015. 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, 2015. 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 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 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,



Mike Shannon, Interim President
Texas Southmost College District



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

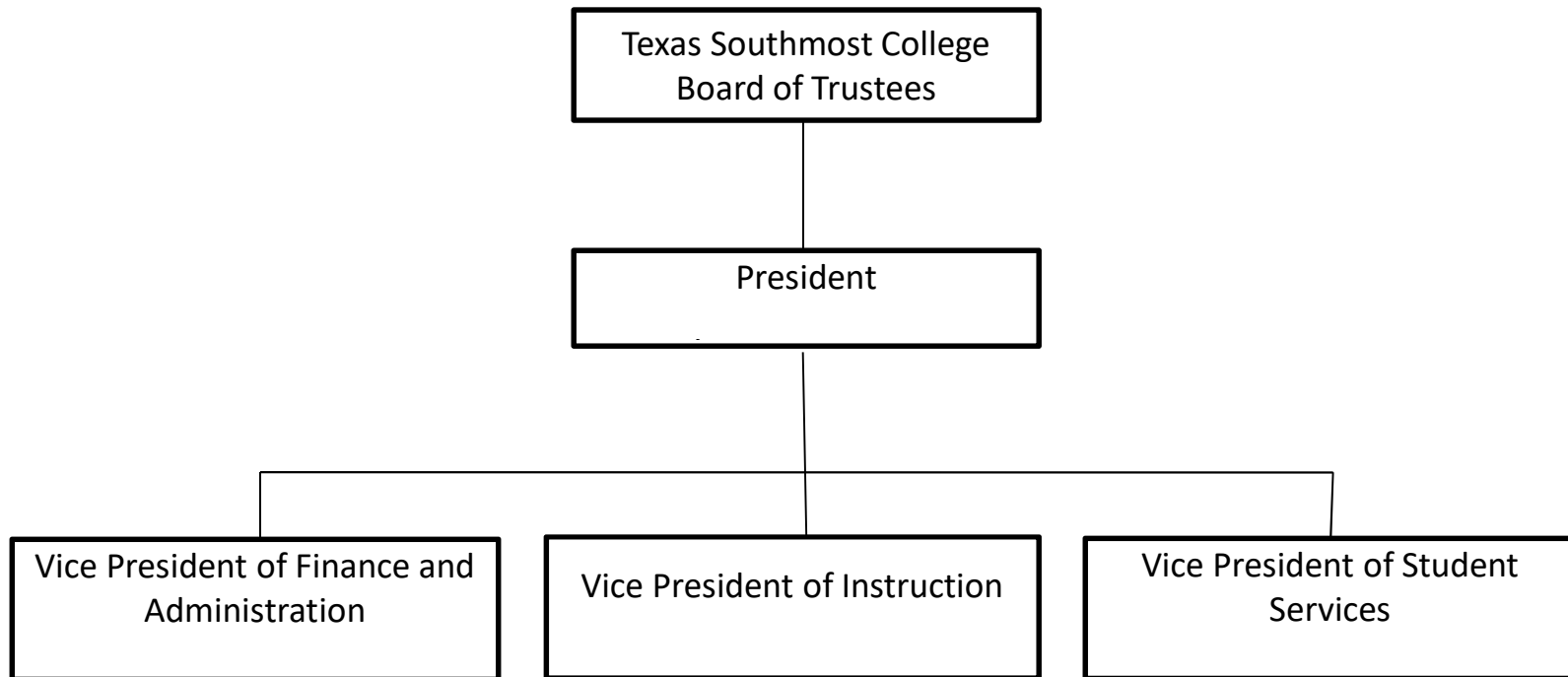
Texas Southmost College District

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

August 31, 2015

Executive Director/CEO

TEXAS SOUTHMOST COLLEGE DISTRICT



TEXAS SOUTHMOST COLLEGE DISTRICT

ORGANIZATIONAL DATA FOR THE FISCAL YEAR 2015-2016

Board of Trustees

Officers

Adela Garza	Chairman
Juan "Trey" Mendez III, J.D.	Vice Chairman
Ruben Herrera	Secretary

Members

		<u>Term Expires</u>
Adela Garza	Olmito, Texas	May, 2020
Art Rendon	Brownsville, Texas	May, 2020
Ruben Herrera	Brownsville, Texas	May, 2022
Juan "Trey" Mendez III, J.D.	Brownsville, Texas	May, 2022
Dr. Tony Zavaleta	Brownsville, Texas	May, 2022
Reynaldo Garcia, DDS	Brownsville, Texas	May, 2018
Ramon Champion Hinojosa	Brownsville, Texas	May, 2018

Principal Administrative Officers

Mike Shannon	Interim TSC President
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FINANCIAL SECTION

Independent Auditors' Report

To the Board of Trustees
Texas Southmost College
Brownsville, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of Texas Southmost College, as of and for the years ended August 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise Texas Southmost College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Texas Southmost College as of August 31, 2016 and 2015, and the changes in its financial position and its cash flows for the years then ended in accordance 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 – 26 and the pension schedules on pages 59 - 61 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 an opinion on the financial statements that collectively comprise Texas Southmost College's basic financial statements. Schedules A through D and Schedule F of the Supplemental Information and Financial Assistance 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, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), is also presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying Schedule of Expenditures of State Awards is presented for purposes of additional analysis as required by the State of Texas Single Audit Circular and is also not a required part of the basic financial statements of the Texas Southmost College.

The Supplemental Information and Financial Assistance Section schedules 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 Supplemental Information and Financial Assistance Section schedules 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2016 on our consideration of Texas Southmost College'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 Texas Southmost College's internal control over financial reporting and compliance.

Pattillo, Brown & Hill, LLP

Brownsville, Texas
December 23, 2016

TEXAS SOUTHMOST COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

AUGUST 31, 2016

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, 2016. This discussion and analysis is to be read in conjunction with the College's financial statements which begin on page 27.

USING THIS ANNUAL REPORT

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

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

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

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

The Statement of Net Position

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

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

The Net Position is divided into three major categories. The first category, net investment in capital assets, represents the College's net investment in property, plant and equipment owned by the institution.

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

The Statement of Revenues, Expenses and Changes in Net Position

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

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

In the year of implementation of GASB 68, as amended by GASB 71, a restatement to beginning net position was required for the recording of the beginning net pension liability and for the recording of deferred outflows of resources for contributions made after the measurement date of the beginning net pension liability and beginning of the reporting entity's fiscal year. See note 26 in the accompanying Notes to Financial Statements.

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

The Statement of Cash Flows

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

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

In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the College's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 59 of this report.

FINANCIAL ANALYSIS

Statement of Net Position

The following analysis focuses on the Statement of Net Position, which is condensed in Table I. The complete Statement of Net Position can be found on page 27.

TABLE I
CONDENSED STATEMENT OF NET POSITION
(in millions)

	August 31, 2016	August 31, 2015	August 31, 2014
Current Assets	\$ 47.1	\$ 46.7	\$ 55.6
Noncurrent Assets			
Cash and Cash Equivalents – Restricted	36.5	36.4	22.2
Capital Assets, Net of Accumulated Depreciation	131.9	135.4	138.0
Other Noncurrent Assets	0.2	0.1	0.2
Total Assets	215.7	218.6	216.0
Deferred Outflows of Resources	2.6	1.4	0.3
Current Liabilities	7.2	12.7	14.4
Noncurrent Liabilities	71.7	75.1	75.8
Total Liabilities	78.9	87.8	90.2
Deferred Inflow of Resources	0.2	0.6	0.6
Net Position			
Net Investment in Capital Assets	62.8	61.8	56.1
Restricted Expendable	24.5	23.7	28.8
Unrestricted	51.9	46.1	40.6
Total Net Position	\$ 139.2	\$ 131.6	\$ 125.5

Total Assets increased by \$2.6 million in fiscal year 2015. Current Assets increased by \$0.4 million which was primarily due to a \$1.6 million decrease in unrestricted cash and cash equivalents, and a \$2 million increase in accounts receivable and prepaid expenses. Noncurrent Assets decreased \$2.9 million due primarily to a decrease in Capital Assets, Net of Accumulated Depreciation.

Statement of Net Position (Continued)

At the end of fiscal year 2016, total liabilities decreased by \$8.9 million. Noncurrent Liabilities decreased due to a decrease in unearned revenue of \$6.1 million. Additionally, the College issued Limited Tax Refunding Bond Series 2015. The net effect of the refinancing, scheduled debt payments and other accounts netted a \$2.8 million decrease.

Significant changes in assets, liabilities and net position are attributable to implementation of GASB 68, as amended by GASB Statement No. 71. The District recorded deferred outflows related to pensions (an asset) of \$0.2 million and deferred inflows related to pensions of \$0.5 million (a liability) and a net pension liability of \$2.9 million.

Total Net Position (assets and deferred outflows of resources and liabilities and deferred inflows of resources) increased by \$36.3 million over the past three fiscal years. The College experienced an increase of approximately \$5.2 million, \$6.1 million, and \$24.6 million in fiscal years 2016, 2015 and 2014 as compared to the previous respective fiscal years. Unrestricted net position – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – represents \$51.3 million of total net position at August 31, 2016.

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, 2016	August 31, 2015	August 31, 2014
Operating Revenues	\$ 18.6	\$ 34.9	\$ 31.5
Operating Expenses	(49.6)	(49.1)	(44.8)
Non-operating Revenue	41.7	26.1	42.1
Non-operating Expenses	(3.1)	(3.5)	(4.2)
Increase in Net Position	7.6	8.5	24.6
Adjustment to Net Position	-	(2.4)	-
Net Position - Beginning of the Year	131.6	125.5	100.9
Net Position - End of the Year	\$ 139.2	\$ 131.6	\$ 125.5

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 2016		Fiscal Year 2015		Fiscal Year 2014	
	Amount	Percentage of Total	Amount	Percentage of Total	Amount	Percentage of Total
Net Tuition and Fees	\$ 11.9	64.0%	\$ 12.1	34.5%	\$ 11.6	36.8%
Grants and Contracts	5.6	30.1%	21.7	62.1%	18.6	59.0%
Auxiliary Enterprises	0.8	4.3%	0.9	2.5%	1.0	3.2%
Other Operating Revenue	<u>0.3</u>	<u>1.6%</u>	<u>0.3</u>	<u>0.8%</u>	<u>0.3</u>	<u>1.0%</u>
Total Operating Revenue	<u>\$ 18.6</u>	<u>100.0%</u>	<u>\$ 34.9</u>	<u>100.0%</u>	<u>\$ 31.5</u>	<u>100.0%</u>

Operating revenues were affected by the following key factors:

- The cost for In-district Resident Tuition and Fees for 12 semester credit hours remained comparable to fiscal year 2015. Fiscal year 2013 was TSC's first year of independent operations and was no longer required to follow a tuition and fee concordance policy with the University of Texas at Brownsville (UTB). In 2013, the Board of Trustees adopted an independent rate that lowered tuition and fees to rates that were more consistent with tuition and fees of community colleges in the State of Texas.
- Grants and Contracts decreased in FY 2016 primarily due to financial aid received directly by TSC for the payment of tuition and fees and allocation of student aid to TSC students, which now is categorized as non-operating revenue. At August 31, 2015, TSC and UTB continued to be accredited as a single institution and all federal financial aid was received by UTB for students attending TSC.
- Other changes in Net Tuition and Fees are attributed to changes in scholarships, discounts and allowances.

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

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

TABLE 4
NON-OPERATING REVENUE
(in millions)

	Fiscal Year 2016		Fiscal Year 2015		Fiscal Year 2014	
	Amount	Percentage of Total	Amount	Percentage of Total	Amount	Percentage of Total
State Appropriations	\$ 7.1	17.0%	\$ 6.8	26.2%	\$ 7.0	16.5%
Title IV	14.9	35.7%	-	0.0%	-	0.0%
Ad Valorem Taxes	18.7	44.8%	18.4	70.6%	18.1	43.0%
Investment Income	0.1	0.2%	0.1	0.3%	0.1	0.2%
Other Non-Operating Revenue	<u>0.9</u>	<u>2.2%</u>	<u>0.7</u>	<u>2.8%</u>	<u>16.9</u>	<u>40.3%</u>
Total Non-Operating Revenue	<u>\$ 41.7</u>	<u>100.0%</u>	<u>\$ 26.1</u>	<u>100.0%</u>	<u>\$ 42.1</u>	<u>100.0%</u>

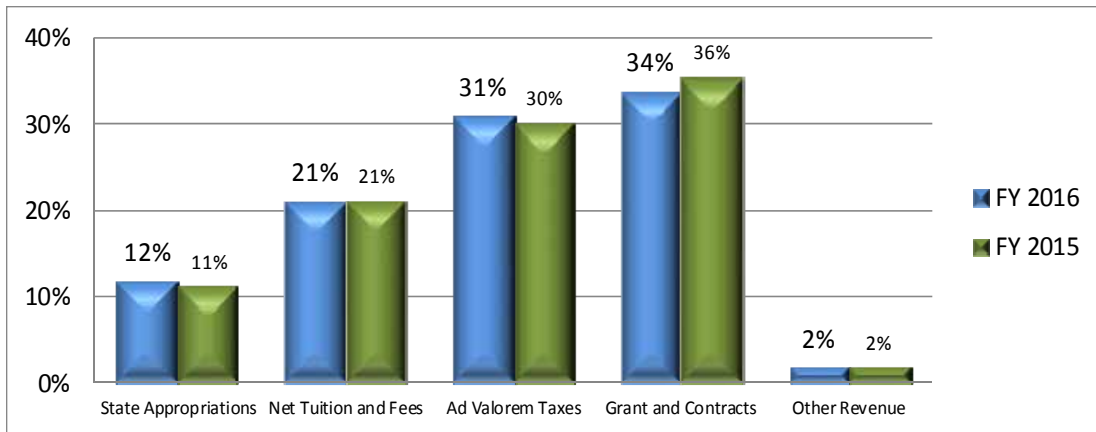
Non-operating revenues were affected by the following key factors:

- State appropriations remain comparable to the prior fiscal year. In 2016, the slight increase in state appropriations was primarily due to the reporting of state group insurance and state retirement matching contributions. The State of Texas finalized the allocation of appropriations during the fiscal year and management had estimated this impact and adjusted the fiscal year 2017 budget accordingly.
- The Title IV revenue increase of \$14.9 million is the primary increase to non-operating revenue. It represents financial aid received directly by TSC for the payment of tuition and fees and allocation of student aid to TSC students.
- Property tax revenue increased by about \$0.3 million from fiscal year 2015 to fiscal year 2016 as a result of a 1.0% increase in taxable assessed property valuations. Property tax revenue increased by about \$0.3 million from fiscal year 2014 to fiscal year 2015 as a result of a 1.0% increase in taxable assessed property valuations. The tax rates for the Texas Southmost College are \$0.164094, \$0.164094, and \$0.162935, per \$100 valuation for the fiscal years ended 2016, 2015 and 2014, respectively.
- Other Non-Operating Revenue remained consistent from FY 2016 to FY 2015. Other Non-Operating Revenue decreased by \$16.2 in FY 2015 which was primarily due to the settlement agreement with the University of Texas System (UTS) in FY 2014 that resulted in the sale and exchange of buildings, improvements, land and personal property.
- Investment income for FY 2016 is comparable to FY 2015 and FY 2014. Earning rates for funds are also low due to the overall decrease investment rates available.

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

Key sources of revenue in total for the College are state allocations, grants and contracts, property taxes, and tuition and fees (net of scholarship discounts). Table 5 shows a comparison of the breakdown of total revenues by source for the College in Fiscal Years 2015 and 2014.

**TABLE 5
TOTAL REVENUES**



In fiscal year 2016, Grant and Contracts is the largest source at 36% and 34% primarily due to federal, state and local aid received by TSC in fiscal years 2016 and 2015, respectively. State Appropriations are 11% in fiscal year 2016 of total revenues as compared to 12% in fiscal year 2015. Net Tuition and Fees in fiscal year 2016 and 2015 are 21%. Ad Valorem taxes increased to 30% from 31% in fiscal years 2016 and 2015 respectively. Other Revenue is 2% in fiscal year 2016 and 2015, respectively.

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

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

	August 31, 2016	August 31, 2015	August 31, 2014
Salaries	\$ 11.3	\$ 10.5	\$ 9.7
Benefits	3.3	1.8	2.1
Other Expenses	30.8	32.8	29.2
Depreciation	4.2	3.9	3.8
Total Operating Expenses	<u>\$ 49.6</u>	<u>\$ 49.1</u>	<u>\$ 44.8</u>

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

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

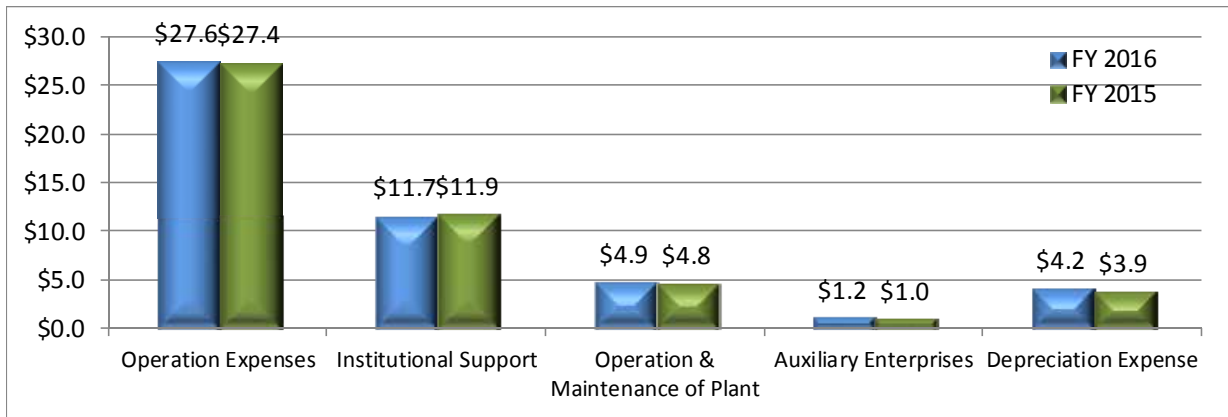
TABLE 7
OPERATING EXPENSES
Functional Classification
(in millions)

	August 31, 2016	August 31, 2015	August 31, 2014
	<u> </u>	<u> </u>	<u> </u>
Instruction	\$ 7.1	\$ 6.1	\$ 3.6
Public Service	0.3	0.3	0.2
Academic Support	1.8	1.7	3.2
Student Services	3.1	2.6	3.3
Institutional Support	11.7	11.9	10.6
Operations and Maintenance of Plant	4.9	4.8	4.8
Scholarships and Fellowships	15.3	16.8	14.2
Depreciation	<u>4.2</u>	<u>3.9</u>	<u>3.8</u>
Total Educational Activities	\$ 48.4	\$ 48.0	\$ 43.7
Auxiliary Enterprises	<u>1.2</u>	<u>1.0</u>	<u>1.1</u>
Total Operating Expenses	<u>\$ 49.6</u>	<u>\$ 49.1</u>	<u>\$ 44.8</u>

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

Table 8 displays a comparison of the breakdown of the expenses by functional classification for the College in Fiscal Years 2016 and 2015.

TABLE 8 OPERATING EXPENSES
Functional Classification
(in millions)



During fiscal year 2013, the College had contracted with UTB to provide instruction and other related essential services and would incur expenses as reflected in the Contract Services - UTB category. In fiscal year 2014, the College began independent operations and incurred expenses related to instruction, student services, academic support, and other normal operating functions related to operating a community college. In December 2015, Texas Southmost College became a fully accredited independent community college under SACSCOC. In fiscal year 2015, the College continued independent operations while maintaining a combined accreditation with The University of Texas at Brownsville. For fiscal year 2016, Texas Southmost College operated as a fully accredited independent community college.

Statement of Cash Flows

The Condensed Statement of Cash Flows appears in Table 9. The complete Statement of Cash Flows appears in page 29 and 30 of this report.

TABLE 9
CONDENSED STATEMENT OF CASH FLOWS
(in millions)

	August 31, 2016	August 31, 2015	August 31, 2014
Cash provided/ used by:			
Operating Activities	\$ (34.6)	\$ (6.7)	\$ (10.4)
Noncapital Financing Activities	34.7	18.5	18.5
Capital and Related Activities	(1.7)	(1.7)	20.5
Investing Activities	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>
Net Increase (Decrease) In Cash	<u>\$ (1.5)</u>	<u>\$ 10.1</u>	<u>\$ 28.7</u>
Cash-Beginning of the Year	<u>77.4</u>	<u>67.3</u>	<u>38.6</u>
Cash-End of Year	<u>\$ 75.9</u>	<u>\$ 77.4</u>	<u>\$ 67.3</u>

Total Cash and Cash Equivalents decreased by \$1.5 million in fiscal year 2016 and \$10.1 million during fiscal year 2015. Major factors impacting cash and cash equivalents are described below by source.

Operating Activities: During the fiscal year 2016 and fiscal year 2015, cash flows from operations resulted in an outflow of \$34.6 and \$6.7 million, respectively. The major source of cash receipts was from grant and contracts (\$4.5 in 2016 and \$26.6 in 2015) and tuition and fees, net of scholarship allowances and discounts (\$6.1 million in 2016 and \$13.4 million in 2015). The College's major cash outlay was for payments to suppliers and UTB (\$34.8 million in 2016 and \$37.4 million in 2015) and for payments related to employees (\$11.3 in 2016 and \$10.4 in 2015).

Non-capital Financing Activities: The College had a positive cash flow of \$34.7 in fiscal year 2016 and \$18.5 million in fiscal year 2015 from the collection of Title IV allocations, property taxes and receipt of state appropriations. Property taxes were collected at a rate of 97.09% and 94.9% of the current year's tax levy for fiscal year 2016 and fiscal year 2015, respectively. (See table 10 below for more information on property taxes.)

Capital and Related Financing Activities: In fiscal year 2016, capital and related financing activities resulted in a net cash outflow of \$1.7 million. The cash outflows net of \$7.3 million resulted from the issuance of refunding bonds, principal & interest payments and bond issuance costs. In addition, a regular cash inflow of \$6.3 million was recognized from the collection of property taxes and a cash outflow of \$0.7 million related to the acquisition of capital assets.

Statement of Cash Flows (continued)

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

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

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

TABLE 10
PROPERTY TAX INFORMATION

	August 31, 2016	August 31, 2015	August 31, 2014
Total Tax Rate per \$100	\$ 0.164094	\$ 0.164094	\$ 0.162935
Total Tax Collections	\$ 18,618,665	\$ 18,444,126	\$ 17,973,708
Tax Collection Rate	97.09%	94.87%	94.89%
Net Assessed Valuation	\$ 11,471,304,518	\$ 11,389,740,000	\$ 11,319,374,157

The College’s total tax collections increased by approximately 2.2%, due to a 1% gross increase in assessed valuations and no change to in the total tax rate. For fiscal year 2016, the Texas Southmost College Board of Trustee's adopted the same tax rate as fiscal year 2015. In August 2015, the Board of Trustees adopted the calculated effective tax rate for the upcoming fiscal year. Overall, the College’s tax collection rate has remained strong over the past decade.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of Fiscal Year 2016, the College had approximately \$131.9 million (net of accumulated depreciation and amortization) invested in a broad range of capital assets, including instructional and athletic facilities, maintenance of buildings equipment, and computer software. The decrease in capital assets primarily relates to the depreciation and amortization of existing capital assets.

Note 5 of the financial statements, which begin on page 37, provides further detailed information regarding the College's capital assets. Table 11 summarizes capital asset activity for the year ended August 31, 2016.

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

	Balance August 31, 2015	Increases and Reclassifications	Decreases	Balance August 31, 2016
Not Depreciated	\$ 6.7	\$ -	\$ -	\$ 6.7
Buildings and Other Capital Assets	191.4	0.7	-	192.1
Less: Accumulated Depreciation and Amortization	(62.7)	(4.2)	-	(66.9)
Total Capital Assets	\$ 135.4	\$ (3.5)	\$ -	\$ 131.9

Debt

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

At year-end, the College had approximately \$67.4 million in total bonds payable. Notes 6 through 8 of the financial statements which begin on page 39 provide further detailed information regarding the College's debt obligations. Table 12 summarizes these amounts by type of debt instrument.

In November 2015, the College issued the 2015 refunding bonds at a premium, in the amounts of \$8.8 million. All proceeds from the bond issuances were used to refinance outstanding balances of the Limited Tax Bonds, Series 2007.

Debt (Continued)

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

	Balance			Balance
	August 31, 2015	Increase	Decrease	August 31, 2016
General Obligations	\$ 56.3	\$ 8.8	\$ (12.4)	\$ 52.7
Revenue Bonds	15.4	-	(0.7)	14.7
Total Bonds Payable	<u>\$ 71.7</u>	<u>\$ 8.8</u>	<u>\$ (13.1)</u>	<u>\$ 67.4</u>

The Student Union Building Bonds were issued in March of 2000. They were sold for the construction, operation and maintenance of the Student Union Building. \$7.1 million of the bonds outstanding for the Student Union Building were refunded in 2005. This obligation is paid by student union fees assessed to the students. During fiscal year 2014, the Student Union Building Bonds were defeased as part of the transaction to sell the Student Union Building to UTS. The decrease in Revenue Bonds includes the removal of the \$6.2 million of principal that was outstanding at August 31, 2013.

In May 2002, the College issued a \$5 million Revenue Bond to fund various capital projects on campus. These projects included the ITECC, the development of the Village at Fort Brown student housing project, and other improvements. \$4.775 million of these revenue bonds were refunded and an additional \$1.815 million were secured for campus improvements for a total of \$6.590 million in 2006. Pledged revenues derived from tuition and fees, student and employee parking fees, and interest on investment earnings are the sources for debt service. In fiscal year 2014, the Village at Fort Brown was demolished and the land will be held for possible development in the future.

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

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

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

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

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

The Board of Trustees adopted the effective tax rate for fiscal year 2016, which is generally attributed as no increases in taxes with a slight adjustment to the tax rate. Collections are projected to remain fairly strong. Expenditures are expected to stay in line with the projected overall increase in revenues as the institution strives to meet instructional as well as campus improvement needs.

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

CONTACTING THE COLLEGE'S FINANCIAL MANAGEMENT

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

TEXAS SOUTHMOST COLLEGE DISTRICT
Statement of Net Position
August 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 39,453,499	\$ 41,025,151
Accounts receivable (net)	5,965,574	4,883,051
Prepaid expenses	<u>1,747,790</u>	<u>741,963</u>
Total Current Assets	<u>47,166,863</u>	<u>46,650,165</u>
Noncurrent Assets		
Restricted cash and cash equivalents	36,465,889	36,406,904
Endowment investments	147,357	121,818
Capital assets (net)	<u>131,942,158</u>	<u>135,400,331</u>
Total Noncurrent Assets	<u>168,555,404</u>	<u>171,929,053</u>
Total Assets	<u>215,722,267</u>	<u>218,579,218</u>
Deferred Outflows of Resources		
Deferred outflows related to pensions	816,220	169,589
Deferred refunding costs	<u>1,792,392</u>	<u>1,220,390</u>
Total Deferred Outflows of Resources	<u>2,608,612</u>	<u>1,389,979</u>
LIABILITIES		
Current Liabilities		
Accounts payable	845,650	559,535
Accrued liabilities	569,627	388,713
Accrued compensable absences	250,165	407,001
Unearned revenue	1,213,928	7,269,643
Bonds payable - current portion	<u>4,340,000</u>	<u>4,075,000</u>
Total Current Liabilities	<u>7,219,370</u>	<u>12,699,892</u>
Noncurrent Liabilities		
Net pension liability	2,952,356	2,107,582
Unamortized premiums on bonds	5,673,415	5,363,423
Bonds payable	<u>63,030,000</u>	<u>67,550,000</u>
Total Noncurrent Liabilities	<u>71,655,771</u>	<u>75,021,005</u>
Total Liabilities	<u>78,875,141</u>	<u>87,720,897</u>
Deferred Inflows of Resources		
Deferred inflows related to pensions	<u>219,848</u>	<u>644,715</u>
Total Deferred Inflows of Resources	<u>219,848</u>	<u>644,715</u>
NET POSITION		
Net investment in capital assets	62,781,822	61,775,918
Restricted for		
Expendable		
Endowment	1,017,611	960,288
Capital projects	14,728,070	14,524,410
Debt service	5,692,670	5,414,996
Scholarships	2,804,187	2,595,739
Institutional scholarships	251,966	251,878
Unrestricted	<u>51,959,564</u>	<u>46,080,356</u>
Total Net Position (Schedule D)	<u>\$ 139,235,890</u>	<u>\$ 131,603,585</u>

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

TEXAS SOUTHMOST COLLEGE DISTRICT
Statement of Revenues, Expenses and Changes in Net Position
For The Year Ended August 31, 2016 and 2015

	2016	2015
OPERATING REVENUES		
Tuition and fees (net of discounts of \$637,152 & \$841,401, respectively)	\$ 11,871,581	\$ 12,050,358
Federal grants and contracts	350,992	374,544
State grants and contracts	1,203,844	1,420,925
Local grants and contracts	4,009,531	19,902,764
Auxiliary enterprises	849,226	887,839
General operating revenues	309,848	291,668
Total Operating Revenues (Schedule A)	18,595,022	34,928,098
OPERATING EXPENSES		
Instruction	7,078,387	6,073,177
Public service	375,396	278,393
Academic support	1,802,248	1,741,201
Student services	3,135,720	2,571,383
Institutional support	11,663,230	11,898,659
Operation and maintenance of plant	4,881,808	4,772,338
Scholarships and fellowships	15,264,455	16,784,115
Auxiliary enterprises	1,199,363	1,027,832
Depreciation	4,160,508	3,911,705
Total Operating Expenses (Schedule B)	49,561,115	49,058,803
Operating (Loss)	(30,966,093)	(14,130,705)
Non-Operating Revenues (Expenses)		
State appropriations	7,142,755	6,846,957
Title IV	14,861,651	-
Maintenance ad valorem taxes	12,280,723	11,323,301
Debt service ad valorem taxes	6,337,942	7,120,825
Investment income	96,975	75,556
Interest on capital related debt	(3,046,367)	(2,884,008)
Allowance for uncollectible expense	(16,184)	(231,726)
Other non-operating revenues	963,973	742,363
Other non-operating expenses	(23,070)	(410,921)
Total Non-Operating Revenues (Schedule C)	38,598,398	22,582,347
Increase in Net Position	7,632,305	8,451,642
NET POSITION		
Net Position - Beginning of Year	131,603,585	125,539,842
Cumulative Effect of Change in Accounting Principle	-	(2,387,899)
Net Position - End of Year	\$ 139,235,890	\$ 131,603,585

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, 2016 and 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from students and other customers	\$ 6,125,714	\$ 13,407,309
Receipts from grants and contracts	4,481,844	26,625,616
Payments to suppliers for goods or services	(34,797,505)	(37,185,079)
Payments to or on behalf of employees	(11,298,736)	(10,415,343)
Receipts from auxiliary services	849,226	887,839
Net cash provided (used) by operating activities	(34,639,457)	(6,679,658)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Receipts from state appropriations	7,142,755	6,846,957
Receipts from Title IV allocations	14,861,651	-
Receipts from ad valorem taxes	12,280,723	11,323,301
Other non-capital financing revenue	963,973	742,363
Other non-capital financing expenses	(527,988)	(447,838)
Net cash provided by non-capital financing activities	34,721,114	18,464,783
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Receipts from ad valorem tax revenues	6,337,942	7,120,825
Acquisition of capital assets	(702,335)	(1,318,431)
Proceeds on issuance of capital debt	8,810,000	37,117,459
Payments on capital debt - principal	(13,065,000)	(41,785,000)
Payments on capital debt - interest and issuance costs	(3,046,367)	(2,884,008)
Net cash provided (used) by capital and related financing activities	(1,665,760)	(1,749,155)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	71,436	80,435
Net cash provided (used) by investing activities	71,436	80,435
Increase (decrease) in cash and cash equivalents	(1,512,667)	10,116,405
Cash and cash equivalents - September 1	77,432,055	67,315,650
Cash and cash equivalents - August 31	\$ 75,919,388	\$ 77,432,055
Cash and cash equivalents	\$ 39,453,499	\$ 41,025,151
Restricted cash and cash equivalents	36,465,889	36,406,904
Total cash and cash equivalents	\$ 75,919,388	\$ 77,432,055

TEXAS SOUTHMOST COLLEGE DISTRICT
Statement of Cash Flows
For The Year Ended August 31, 2016 and 2015
(Continued)

	2016	2015
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating (loss)	\$ (30,966,093)	\$ (14,130,705)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:		
Depreciation expense	4,160,508	3,911,705
Changes in assets and liabilities:		
Receivables (net)	(1,082,523)	4,927,383
Prepaid expenses	(1,005,827)	18,488
Accounts payable	286,115	(2,597,127)
Accrued liabilities	180,914	(55,083)
Compensated absences	(156,836)	180,398
Unearned revenue	(6,055,715)	1,065,283
Net cash provided (used) by operating activities	\$ (34,639,457)	\$ (6,679,658)

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, 2016 and 2015

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. 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). When the award for tuition is used by the student, the amount is recorded as tuition and a corresponding amount is recorded as a tuition discount. If the amount is dispersed directly to the student, the amount is recorded as a scholarship expense.

Scholarship Allowances and Discounts – The District awards tuition and fee scholarships from institutional funds to students who qualify. When these amounts are used for tuition and fees, the amounts are recorded as tuition and fee revenue and a corresponding amount as recorded as a tuition discount. If the amount is dispersed directly to the student, the amount is recorded as a scholarship expense.

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, 2016 and 2015

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	2016	2015
Due within one year	\$ -	\$ 75,279
Due after one year	315,070	239,791
Subtotal:	-	315,070
Less allowance for uncollectible	(315,070)	(283,563)
Total pledges receivable	\$ -	\$ 31,507

Inventories

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

Capital Assets

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

TEXAS SOUTHMOST COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2016 and 2015

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 Inflows

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

Deferred Outflows

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

Estimates

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

Operating and Non-Operating Revenue and Expense Policy

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

Pensions

The District participates in the Teacher Retirement System of Texas (TRS) pension plan, a multiple-employer cost sharing defined benefit pension plan with a special funding situation. The fiduciary net position of the Teacher Retirement System of Texas (TRS) has been determined on the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

TEXAS SOUTHMOST COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2016 and 2015

Prior Year Restatement

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

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

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

Statement of Revenue, Expenses and Changes in Net Position

	<u>2015</u>
Increase (decrease) in net position	\$ 8,451,642
NET POSITION	
Net Position - Beginning of Year	125,539,842
Cumulative Effect of Change in Accounting Principle	<u>(2,387,899)</u>
Net Position - Beginning of Year, as restated	<u>123,151,943</u>
Net Position - End of Year	<u>\$ 131,603,585</u>

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 (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.

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.

TEXAS SOUTHMOST COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2016 and 2015

4. Deposits and Investments

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

Cash and Deposits		August 31,	
	2016	2015	
Bank Deposits			
Demand Deposits - Unrestricted	\$ 39,585,920	\$ 41,905,185	
Demand Deposits - Restricted	36,548,166	35,772,109	
Cash and Cash Equivalents			
Petty Cash on Hand	300	300	
Reconciling Items in Transit	(214,997)	(222,475)	
Total Cash and Deposits	\$ 75,919,389	\$ 77,455,119	

Reconciliation of Deposits and Investments

Type of Security	Fair Value 8/31/2016	Fair Value 8/31/2015
Total Cash and Deposits	\$ 75,919,389	\$ 77,432,055
Total Investments	147,357	121,818
Total Deposits and Investments	\$ 76,066,746	\$ 77,553,873
Cash and cash equivalents	\$ 39,453,499	\$ 41,025,151
Restricted cash and cash equivalents	36,465,889	36,406,904
Endowment investments	147,357	121,818
Total Deposits and Investments	\$ 76,066,746	\$ 77,553,873

Custodial Risk – In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. In accordance with state law and District policy, the District requires monthly reports with fair values of pledged securities from all financial institutions with which the District has collateralized deposits.

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TEXAS SOUTHMOST COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2016 and 2015

5. Capital Assets

Capital asset activity for the year ended August 31, 2016 was as follows:

	Balance August 31, 2015	Increases	Decreases	Reclassifications	Balance August 31, 2016
<u>Not Depreciated:</u>					
Land	\$ 6,525,905	\$ -	\$ -	\$ -	\$ 6,525,905
Construction in Progress	119,535	-	-	-	119,535
Subtotal	<u>6,645,440</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,645,440</u>
<u>Buildings and Other Capital Assets</u>					
Buildings and Building Improvements	160,885,505	432,594	-	-	161,318,099
Other Real Estate Improvements	9,345,763	-	-	-	9,345,763
Total Buildings and Other Real Estate Improvements	<u>170,231,268</u>	<u>432,594</u>	<u>-</u>	<u>-</u>	<u>170,663,862</u>
Library Books	8,422,239	-	-	-	8,422,239
Software and other intangibles	279,090	24,394	-	-	303,484
Furniture, machinery, and equipment	12,489,997	245,347	-	-	12,735,344
Subtotal	<u>21,191,326</u>	<u>269,741</u>	<u>-</u>	<u>-</u>	<u>21,461,067</u>
Total Buildings and Other Capital Assets	<u>191,422,594</u>	<u>702,335</u>	<u>-</u>	<u>-</u>	<u>192,124,929</u>
<u>Accumulated Depreciation:</u>					
Buildings and Building Improvements	(36,284,910)	(3,358,967)	-	-	(39,643,877)
Other Real Estate Improvements	(7,315,800)	(255,910)	-	-	(7,571,710)
Total Buildings and Other Real Estate Improvements	<u>(43,600,710)</u>	<u>(3,614,877)</u>	<u>-</u>	<u>-</u>	<u>(47,215,587)</u>
Library Books	(8,422,241)	-	-	-	(8,422,241)
Software and other intangibles	(72,769)	(34,182)	-	-	(106,951)
Furniture, machinery and equipment	(10,571,983)	(511,449)	-	-	(11,083,432)
Subtotal	<u>(19,066,993)</u>	<u>(545,631)</u>	<u>-</u>	<u>-</u>	<u>(19,612,624)</u>
Total Accumulated Depreciation	<u>(62,667,703)</u>	<u>(4,160,508)</u>	<u>-</u>	<u>-</u>	<u>(66,828,211)</u>
Net Capital Assets	<u>\$ 135,400,331</u>	<u>\$ (3,458,173)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 131,942,158</u>

TEXAS SOUTHMOST COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2016 and 2015

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

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

TEXAS SOUTHMOST COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2016 and 2015

6. Long – Term Liabilities

	Balance August 31, 2015	Increases	Decreases	Balance August 31, 2016	Current Portion
<u>Bonds</u>					
General obligation bonds	\$ 56,250,000	\$ 8,810,000	\$ 12,335,000	\$ 52,725,000	\$ 3,585,000
Revenue bonds	<u>15,375,000</u>	<u>-</u>	<u>730,000</u>	<u>14,645,000</u>	<u>755,000</u>
Total Bonds	<u>71,625,000</u>	<u>8,810,000</u>	<u>13,065,000</u>	<u>67,370,000</u>	<u>4,340,000</u>
Unamortized premiums	<u>5,363,423</u>	<u>761,235</u>	<u>451,243</u>	<u>5,673,415</u>	<u>-</u>
Net pension liability	<u>2,107,582</u>	<u>1,092,084</u>	<u>247,310</u>	<u>2,952,356</u>	<u>-</u>
Total long term liabilities	<u>\$ 79,096,005</u>	<u>\$ 10,663,319</u>	<u>\$ 13,763,553</u>	<u>\$ 75,995,771</u>	<u>\$ 4,340,000</u>

	Balance August 31, 2014	Increases	Decreases	Balance August 31, 2015	Current Portion
<u>Bonds</u>					
General obligation bonds	\$ 64,085,000	\$33,255,000.00	\$ 41,090,000	\$ 56,250,000	\$ 3,345,000
Revenue bonds	<u>16,070,000</u>	<u>-</u>	<u>695,000</u>	<u>15,375,000</u>	<u>730,000</u>
Total long term liabilities	<u>80,155,000</u>	<u>33,255,000</u>	<u>41,785,000</u>	<u>71,625,000</u>	<u>4,075,000</u>
Unamortized premiums	<u>633,501</u>	<u>4,811,836</u>	<u>81,914</u>	<u>5,363,423</u>	<u>-</u>
Net pension liability	<u>-</u>	<u>2,107,582</u>	<u>-</u>	<u>2,107,582</u>	<u>-</u>
Total long term liabilities	<u>\$ 80,788,501</u>	<u>\$ 40,174,418</u>	<u>\$ 41,866,914</u>	<u>\$ 79,096,005</u>	<u>\$ 4,075,000</u>

7. Debt Obligations

Debt service requirements (in thousands) at August 31, 2016 were as follows:

For the year Ended August 31,	Revenue Bonds			General Obligation Bonds			Total Bonds		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2017	\$ 755,000	\$ 676,287	\$ 1,431,287	\$ 3,585,000	\$ 2,289,920	\$ 5,874,920	\$ 4,340,000	\$ 2,966,207	\$ 7,306,207
2018	785,000	644,085	1,429,085	3,650,000	2,163,460	5,813,460	4,435,000	2,807,545	7,242,545
2019	820,000	610,482	1,430,482	3,820,000	1,990,324	5,810,324	4,640,000	2,600,806	7,240,806
2020	850,000	575,320	1,425,320	3,995,000	1,809,236	5,804,236	4,845,000	2,384,556	7,229,556
2021	895,000	538,068	1,433,068	4,190,000	1,618,950	5,808,950	5,085,000	2,157,018	7,242,018
2022-2026	5,095,000	2,056,819	7,151,819	24,170,000	4,867,366	29,037,366	29,265,000	6,924,185	36,189,185
2027-2031	5,445,000	727,925	6,172,925	7,485,000	1,114,397	8,599,397	12,930,000	1,842,322	14,772,322
2032-2034	-	-	-	1,830,000	67,947	1,897,947	1,830,000	67,947	1,897,947
	<u>\$14,645,000</u>	<u>\$ 5,828,986</u>	<u>\$20,473,986</u>	<u>\$52,725,000</u>	<u>\$15,921,600</u>	<u>\$68,646,600</u>	<u>\$67,370,000</u>	<u>\$21,750,586</u>	<u>\$89,120,586</u>

TEXAS SOUTHMOST COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2016 and 2015

8. Advanced Refunding

On November 9, 2015, the District issued \$8,810,000 in Refunding Bonds with an average interest rate of 3.1 percent to advance refund \$8,915,000 of outstanding 2007 Maintenance Tax Notes with an average interest rate of 4.9 percent. The net proceeds of \$9,375,026 (after payment of \$196,209 in underwriting fees, insurance, and other issuance costs) plus an additional \$126,970 of unrestricted monies were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2007 Maintenance Tax Notes. As a result, the 2007 Maintenance Tax Notes are considered to be defeased and the liability for those bonds has been removed from the statement of net position.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$547,822. This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being charged to operations through the year 2032 using the effective-interest method. The District completed the advance refunding to reduce its total debt service payments over the next 16 years by \$1,441,967 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$1,143,163.

9. Bonds Payable

General information related to bonds payable is summarized below:

Wellness Center Revenue Bonds, Series 2005

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

Bonds payable are due in annual installments varying from \$525,000 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>
2017	\$ 525,000	\$ 458,281	\$ 983,281
2018	545,000	435,969	980,969
2019	570,000	412,806	982,806
2020	590,000	388,581	978,581
2021	620,000	362,769	982,769
2022-2026	3,530,000	1,377,694	4,907,694
2027-2030	<u>3,475,000</u>	<u>445,250</u>	<u>3,920,250</u>
	<u>\$ 9,855,000</u>	<u>\$ 3,881,350</u>	<u>\$ 13,736,350</u>

TEXAS SOUTHMOST COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2016 and 2015

Combined Fee Revenue Refunding and Improvement Bonds, Series 2006

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

Bonds payable are due in annual installments varying from \$230,000 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>
2017	\$ 230,000	\$ 218,006	\$ 448,006
2018	240,000	208,116	448,116
2019	250,000	197,676	447,676
2020	260,000	186,739	446,739
2021	275,000	175,299	450,299
2022-2026	1,565,000	679,125	2,244,125
2027-2031	1,970,000	282,675	2,252,675
	<u>\$ 4,790,000</u>	<u>\$ 1,947,636</u>	<u>\$ 6,737,636</u>

Maintenance Tax Notes, Series 2007

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

Bonds payable are due in annual installments varying from \$90,000 to \$145,000 with interest at 4.25% to 4.75% and the final installment due August 2027.

<u>For the year ended August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 90,000	\$ 56,260	\$ 146,260
2018	95,000	52,306	147,306
2019	100,000	48,163	148,163
2020	105,000	43,675	148,675
2021	110,000	38,838	148,838
2022-2026	630,000	111,413	741,413
2027	145,000	3,444	148,444
	<u>\$ 1,275,000</u>	<u>\$ 354,099</u>	<u>\$ 1,629,099</u>

TEXAS SOUTHMOST COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2016 and 2015

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

During the fiscal year ended August 31, 2016, the District refinanced a portion of the Series 2007 bonds. The coupons which are callable in February 2017, totaling \$8,810,000, were refinanced with proceeds from Limited Tax Refunding Bonds, Series 2015.

Bonds payable are due in an annual installment of \$905,000 with interest at 4.25%.

<u>For the year ended August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 905,000	\$ -	\$ 905,000
	<u>\$ 905,000</u>	<u>\$ -</u>	<u>\$ 905,000</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 \$235,000 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>
2017	\$ 235,000	\$ 143,913	\$ 378,913
2018	240,000	134,413	374,413
2019	250,000	124,613	374,613
2020	265,000	114,313	379,313
2021	275,000	103,341	378,341
2022-2026	1,555,000	330,680	1,885,680
2027-2028	730,000	32,375	762,375
	<u>\$ 3,550,000</u>	<u>\$ 983,648</u>	<u>\$ 4,533,648</u>

TEXAS SOUTHMOST COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2016 and 2015

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>
2017	\$ 140,000	\$ 145,866	\$ 285,866
2018	25,000	142,566	167,566
2019	35,000	141,323	176,323
2020	45,000	139,623	184,623
2021	55,000	137,498	192,498
2022-2026	2,075,000	547,627	2,622,627
2027-2031	640,000	171,820	811,820
2032-2033	385,000	17,922	402,922
	<u>\$ 3,400,000</u>	<u>\$ 1,444,245</u>	<u>\$ 4,844,245</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 \$155,000 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>
2017	\$ 155,000	\$ 93,131	\$ 248,131
2018	160,000	93,225	253,225
2019	170,000	83,825	253,825
2020	175,000	76,925	251,925
2021	185,000	69,448	254,448
2022-2026	745,000	225,667	970,667
2027-2029	705,000	49,698	754,698
	<u>\$ 2,295,000</u>	<u>\$ 691,919</u>	<u>\$ 2,986,919</u>

TEXAS SOUTHMOST COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2016 and 2015

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>
2017	\$ 355,000	\$ 72,025	\$ 427,025
2018	70,000	65,300	135,300
2019	70,000	62,500	132,500
2020	75,000	59,600	134,600
2021	80,000	56,400	136,400
2022-2026	255,000	235,341	490,341
2027-2031	520,000	159,572	679,572
2032-2034	375,000	28,625	403,625
	<u>\$ 1,800,000</u>	<u>\$ 739,363</u>	<u>\$ 2,539,363</u>

Limited Tax Refunding Bond Series 2014A

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

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

<u>For the year ended August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 1,460,000	\$ 1,347,450	\$ 2,807,450
2018	2,485,000	1,256,125	3,741,125
2019	2,560,000	1,130,000	3,690,000
2020	2,825,000	995,375	3,820,375
2021	2,960,000	850,750	3,810,750
2022-2026	15,535,000	1,954,625	17,489,625
	<u>\$ 27,825,000</u>	<u>\$ 7,534,325</u>	<u>\$ 35,359,325</u>

TEXAS SOUTHMOST COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2016 and 2015

Maintenance Tax Refunding Bonds, Series 2014B

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

Bonds payable are due in annual installments varying from \$135,000 to \$365,000 with interest at 2% to 5% and the final installment due February 2026.

<u>For the year ended August 31.</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 135,000	\$ 114,025	\$ 249,025
2018	225,000	108,625	333,625
2019	295,000	99,350	394,350
2020	320,000	87,050	407,050
2021	335,000	75,625	410,625
2022-2026	1,630,000	169,850	1,799,850
	<u>\$ 2,940,000</u>	<u>\$ 654,525</u>	<u>\$ 3,594,525</u>

Limited Tax Refunding Bonds, Series 2015

- To be used for the purpose of maintenance and renovation of existing facilities
- Issued limited tax refund on November, 2015
- \$8,810,000, 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 \$110,000 to \$1,070,000 with interest at 2% to 5% and the final installment due February 2032.

<u>For the year ended August 31.</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 110,000	\$ 317,250	\$ 427,250
2018	350,000	310,900	660,900
2019	340,000	300,550	640,550
2020	185,000	292,675	477,675
2021	190,000	287,050	477,050
2022-2026	1,745,000	1,292,163	3,037,163
2027-2031	4,745,000	697,488	5,442,488
2032	1,070,000	21,400	1,091,400
	<u>\$ 8,735,000</u>	<u>\$ 3,519,476</u>	<u>\$ 12,254,476</u>

10. Employees' Retirement Plan

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

TEXAS SOUTHMOST COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2016 and 2015

Teacher Retirement System of Texas

Plan Description

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

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

Pension Plan Fiduciary Net Position

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

Benefits Provided

TRS provides service and disability requirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries time years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit.

There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislatures as noted in the Plan description in (A) above.

Contributions

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

TEXAS SOUTHMOST COLLEGE DISTRICT
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Employee contribution rates are set in state status, Texas Government Code 825.402. Senate Bills 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015. The 84th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2016 and 2017.

<u>Contribution Rates</u>		
	<u>2015</u>	<u>2016</u>
Member	6.7%	7.2%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
FY 2016 District or College Contributions	\$ 325,306	
FY 2016 Member Contributions	\$ 542,620	
FY 2015 State of Texas On-behalf Contributions	\$ 185,033	

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

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

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

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

TEXAS SOUTHMOST COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2016 and 2015

Actuarial Assumptions

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

Actuarial Assumptions:

Valuation Date	August 31, 2015
Actuarial cost Method	Individual Entry Age Normal
Asset Valuation Method	Fair Value
Single Discount Rate	8.00%
Long-term expected Investment Rate of Return*	8.00%
Inflation	2.50%
Salary Increases Including Inflation	3.5% to 9.5%
Payroll Growth Rate	2.50%
Benefit Changes During the Year	None
Ad hoc Post-Employment Benefit Changes	None

** Includes Inflation of 2.5%*

The actuarial methods and assumptions are primarily based on a study of actual experience for the four year period ending August 31, 2014 and adopted on September 24, 2015, by the TRS Board of Trustees, who have sole authority to determine the actuarial assumptions used for the plan. The most significant changes were related to the update of the post-retirement mortality rates based on the most recent TRS member experience and the decrease in the assumption for general wage inflation from 3.0% to 2.5%. Other changes to overall assumptions and methods had a minor impact on the results of the actuarial valuation and their related pension liability.

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

Discount Rate

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

These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

TEXAS SOUTHMOST COLLEGE DISTRICT
Notes to the Financial Statements
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Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2015, are summarized below:

Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return	Expected Contribution to Long-Term Portfolio Returns*
Global Equity			
U.S.	18.00%	4.60%	1.00%
Non-U.S. Developed	13.00%	5.10%	0.80%
Emerging Markets	9.00%	5.90%	0.70%
Directional Hedge Funds	4.00%	3.20%	0.10%
Private Equity	13.00%	7.00%	1.10%
State Value			
U.S. Treasuries	11.00%	0.70%	0.10%
Absolute Return	0.00%	1.80%	0.00%
Stable Value Hedge Funds	4.00%	3.00%	0.10%
Cash	1.00%	-0.20%	0.00%
Real Return			
Global Inflation Linked Bonds	3.00%	0.90%	0.00%
Real Assets	16.00%	5.10%	1.10%
Energy and Natural Resources	3.00%	6.60%	0.20%
Commodities	0.00%	1.20%	0.00%
Risk Parity			
Risk Parity	5.00%	6.70%	0.30%
Inflation Expectation			2.20%
Alpha			1.00%
Total	<u>100.00%</u>		<u>8.70%</u>

*The Expected Contribution to Returns incorporates the volatility drag resulting from the conversion between Arithmetic and Geometric mean returns.

Source: Teacher Retirement System of Texas 2015 Comprehensive Annual Financial Report.

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the 2015 Net Pension Liability.

	1% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
Entity's proportionate share of the net pension liability:	\$4,625,786	\$2,952,356	\$1,558,493

TEXAS SOUTHMOST COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2016 and 2015

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

At August 31, 2016, the District reported a liability of \$2,952,356 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the employer were as follows:

Employer's Proportionate share of the collective net pension liability	\$2,952,356
State's proportionate share that is associated with employer	<u>2,208,256</u>
Total	<u><u>\$5,160,612</u></u>

The net pension liability was measured as of August 31, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2014 thru August 31, 2015.

At the measurement date of August 31, 2015 the employer's proportion of the collective net pension liability was 0.0083521% which was a decrease of 0.0004619% from its proportion measured as of August 31, 2014.

For the year ended August 31, 2016, the College recognized pension expense of \$314,641 and revenue of \$314,641 for support provided by the State.

At August 31, 2016, the College reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experiences	\$ 27,107	\$ 113,462
Changes in actuarial assumptions	113,934	105,327
Difference between projected and actual investment earnings	243,978	
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	105,895	1,059
Contributions paid to TRS subsequent to the measurement date	<u>325,306</u>	<u>-</u>
Total	<u><u>\$ 816,220</u></u>	<u><u>\$ 219,848</u></u>

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

Year ended August 31:	Pension Expense Amount
2017	\$ 29,962
2018	29,962
2019	29,963
2020	191,002
2021	7,535
Thereafter	(17,358)

TEXAS SOUTHMOST COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2016 and 2015

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, the college, and each participant are 3.3%, 3.3% and 6.65%, respectively. 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 \$448,378 and \$399,738 for the fiscal years ended August 31, 2016 and 2015, respectively. The amount represents the portion of expended appropriations made by the State Legislature on behalf of the District.

The total payroll for all District employees was \$10,880,215 and \$10,109,353 for fiscal years 2016 and 2015, respectively. The total payroll of employees covered by the Optional Retirement Program was \$3,136,519 and \$2,796,265 for fiscal years 2016 and 2015, respectively.

11. Deferred Compensation Program

District employees may elect to defer a portion of their earnings for income tax and investment purposes pursuant to authority granted in Government Code 609.001. The plan is essentially an unfunded promise to pay by the employer to each of the plan participants. As of August 31, 2016 and 2015, the District did not have any employees participating in a deferred compensation program.

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TEXAS SOUTHMOST COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2016 and 2015

12. Compensable Absences

Full-time employees earn annual leave beginning on the first day of employment at the same rate and with the same limit as state employees as published each biennium in the General Appropriations Act. The District policy is that a full-time employee may carry his accrued leave forward from one fiscal year to another fiscal year with a maximum number or hours up to 160 for all full time staff employees. Employees with at least six months of continuous, benefits eligible, state employment prior to separation, and terminate their employment are entitled to payment for all accumulated annual leave up to the maximum allowed. Upon death of an employee, one-half of the accumulated sick leave days shall be paid to the designated beneficiary at the rate of the employee's salary at the time of death up to 336 hours provided that the employee was continually employed with TSC for 6 months prior to death. Sick leave shall also be paid to an employee who terminates or retires, provided employment by the College District has been continuous full time for at least ten years up to 336 hours.

Sick leave is accrued at the rate of 8 hours for each full month of employment for benefits-eligible employees and shall accrue to a maximum of 90 workdays (720 hours). 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, 2016 and 2015 was as follows:

	Balance August 31, 2015	Increases	Decreases	Balance August 31, 2016
Compensable absences	<u>\$ 407,001</u>	<u>\$ 215,548</u>	<u>\$ (372,384)</u>	<u>\$ 250,165</u>
	Balance August 31, 2014	Increases	Decreases	Balance August 31, 2015
Compensable absences	<u>\$ 226,603</u>	<u>\$ 370,370</u>	<u>\$ (189,972)</u>	<u>\$ 407,001</u>

13. Pending Lawsuits and Claims

On August 31, 2016, 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, 2016 and 2015

14. Disaggregation of Receivables and Payables Balances

Receivables

Receivables at August 31, were as follows:

	2016	2015
Taxes receivable	\$ 2,233,243	\$ 2,348,452
Federal receivable	52,501	109,053
Student receivable	896,457	601,632
Accounts receivable	32,614	346,828
Donations receivable	346,828	315,070
Accrued interest receivable	9,534	9,229
Other receivable - due from Cameron County	188,707	238,257
Other receivable - due from UTB	2,875,667	1,888,674
Subtotal	6,635,551	5,857,195
Allowance for doubtful accounts	(669,977)	(974,144)
Total Receivables	\$ 5,965,574	\$ 4,883,051

Payables

Payables at August 31, were as follows:

	2016	2015
Vendors payable	\$ 845,650	\$ 390,082
Other payables - due to UTB	-	169,453
Total Payables	\$ 845,650	\$ 559,535

15. Contract and Grant Award

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

There were no contracts or grants awarded during fiscal years 2016 and 2015, for which monies have not been received, nor expended.

16. Self-Insured Plans

The District has various self-insured arrangements for worker's compensation coverage. Worker's compensation are on a pay-as-you-go basis, in which no assets are set aside. Estimated future payments for incurred claims are charged to current operations.

17. Post Retirement Health Care and Life Insurance Benefits

In addition to providing pension benefits, the state provides certain health care and life insurance benefits for retired employees. Almost all of the employees may become eligible for those benefits if they reach normal retirement age while working for the state. Those and similar benefits for active employees are provided through an insurance company whose premiums are based on benefits paid during the previous year.

TEXAS SOUTHMOST COLLEGE DISTRICT
Notes to the Financial Statements
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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, 2016 the District did not have any retired employees participating in post-retirements health care and life insurance benefits.

18. Ad Valorem Tax

The District's ad valorem property tax is levied each October 1st on the assessed value listed as of the prior January 1st for all real and business personal property located in the District. As of August 31:

	2016	2015
Assessed valuation of the District	\$ 12,574,878,391	\$ 12,493,414,367
Less:		
Exemptions	1,103,573,873	1,103,674,367
Net assessed valuation of the District	\$ 11,471,304,518	\$ 11,389,740,000

	2016		
	Current Operations	Debt Service	Total
	Authorized tax rate per \$100 valuation	\$ 0.350000	\$ 0.500000
Assessed tax rate per \$100 valuation	\$ 0.107905	\$ 0.056189	\$ 0.164094

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

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

Taxes levied for the years ended August 31, 2016 and 2015 amounted to \$18,505,787 and \$18,373,386, respectively including any penalty and interest assessed. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed.

TEXAS SOUTHMOST COLLEGE DISTRICT
Notes to the Financial Statements
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<u>Taxes Collected</u>	2016		
	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>
Current taxes collected	\$ 11,813,585	\$ 6,155,446	\$ 17,969,031
Delinquent taxes collected	495,485	193,811	689,296
Penalties and interest collected	337,034	182,357	519,391
Less discounts and commissions	<u>(365,382)</u>	<u>(193,672)</u>	<u>(559,054)</u>
Total Collections	<u>\$ 12,280,723</u>	<u>\$ 6,337,942</u>	<u>\$ 18,618,665</u>

<u>Taxes Collected</u>	2015		
	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>
Current taxes collected	\$ 10,698,292	\$ 6,791,853	\$ 17,490,144
Delinquent taxes collected	595,228	341,574	936,801
Penalties and interest collected	371,286	200,353	571,639
Less discounts and commissions	<u>(341,504)</u>	<u>(212,954)</u>	<u>(554,458)</u>
Total Collections	<u>\$ 11,323,301</u>	<u>\$ 7,120,825</u>	<u>\$ 18,444,126</u>

Tax collections for the years ended August 31, 2016 and 2015 were 97.09% and 94.87%, respectively of the current tax levy. Allowance for uncollectible taxes are based upon historical experience in collecting property taxes. The use of tax proceeds is restricted for the use of maintenance and/or general obligation debt service.

19. Income Taxes

The District is exempt from income taxes under internal Revenue Code Section 115, Income of States, Municipalities, Etc. although unrelated business income may be subject to income tax under internal Revenue code Section 511 (a)(2)(B), Imposition of Tax on Unrelated Business Income of Charitable, Etc. Organizations. The District had no unrelated business income tax liability for the years ended August 31, 2016, and 2015.

20. Risk Management

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

TEXAS SOUTHMOST COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2016 and 2015

21. Restricted Assets

As of August 31, 2016 and 2015, the balances of the restricted assets are as follows:

	2016	2015
Endowment	863,092	835,435
Scholarships	2,231,652	2,141,482
Federal awards	18,144,533	18,801,518
Restricted contributions - arts center	792,455	791,663
Restricted - parking	1,033,005	1,031,972
Restricted - insurance	1,136,716	1,135,579
General obligation - debt service	3,674,895	3,131,529
Revenue bond - debt service	5,311,139	5,180,316
Revenue bond - construction account	3,278,402	3,357,411
	\$ 36,465,889	\$ 36,406,904

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. The District furnished certain services, such as office space, utilities and some staff assistance, at no cost to the Foundation.

23. Excess Interest and Rebutable Arbitrage

The Tax Reform Act of 1986 established arbitrage regulations that generally limit the rate or return on investment earnings of unexpended tax-exempt debt proceeds. With certain adjustments, the investment yield is limited to the interest rate on the debt itself. Federal tax code requirements now compel state and local governments to rebate defined arbitrage earnings of tax-exempt debt to the federal government every five years for as long as the bonds are outstanding. As of the audit report date, the District had received a preliminary calculation of the arbitrage amount of \$12,179 and \$10,795, which are reported as part of accrued expenses on these financial statements for the fiscal years ended 2016 and 2015, respectively.

24. Post Employment Benefits Other than Pensions

Plan Description. In addition to providing pension benefits, the state provides certain health care and life insurance benefits for retired employees. Almost all employees may become eligible for those benefits if they reach normal retirement age while working for the state. Sample Community College contributes to the State Retiree Health Plan (SRHP), a cost-sharing, multiple- employer, defined benefit postemployment healthcare plan administered by the ERS. SRHP provides medical benefits to retired employees of participating universities, community colleges, and state agencies in accordance with Chapter 1551, Texas Insurance Code. Benefit and contribution provisions of the SRHP are authorized by state law and may be amended by the Texas Legislature.

TEXAS SOUTHMOST COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2016 and 2015

The ERS issues a publicly available financial report that includes financial statements and required supplementary information for SRHP. That report may be obtained from ERS via their website at <http://www.ers.state.tx.us/>.

Funding Policy. Section 1551.055 of Chapter 1551, Texas Insurance Code, provides that contribution requirements of the plan members and the participating employers are established and may be amended by the ERS Board of Trustees. Plan members or beneficiaries receiving benefits pay any premium over and above the employer contribution.

The employer's share of the cost of retiree healthcare coverage for the current year is known as the implicit rate subsidy and is the difference between the claims costs for the retirees and the amounts contributed by the retirees. The ERS Board of Trustees sets the employer contribution rate based on the implicit rate subsidy, which is actuarially determined in accordance with the parameters of GASB Statement 45.

The employer contribution rate represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed 30 years.

Beginning September 1, 2013, SB 1812 limited the state's contribution to 50 percent of eligible employees for community colleges.

The college's contributions to SRHP for the years ended August 31, 2016, 2015, and 2014, were \$7,040, \$1,160 and \$-0-, respectively, which equaled the required contributions each year.

25. Contingencies

The District participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable may be impaired. In the opinion of the District, 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 basic financial statements for such contingencies.

**REQUIRED
SUPPLEMENTARY INFORMATION**

TEXAS SOUTHMOST COLLEGE DISTRICT

**Schedule of Texas Southmost College's Share of Net Pension Liability
For the Year Ended August 31, 2016**

Fiscal year ending August 31 *	2016**	2015**
Total TRS' pension liability	\$ 163,887,375,172	\$ 159,496,075,886
TRS' net position	<u>(128,538,706,212)</u>	<u>(132,779,243,085)</u>
TRS' net pension liability	\$ 35,348,668,960	\$ 26,716,832,801
TRS net position as percentage of total pension liability	78.43%	83.25%
Texas Southmost College proportionate share of collective net pension liability (%)	0.0083521%	0.0078902%
Texas Southmost College proportionate share of collective net pension liability (\$)	\$ 2,952,356	\$ 2,107,582
Portion of NECE's total proportionate share of NPL associated with Texas Southmost College	<u>2,208,258</u>	<u>1,733,259</u>
Total	\$ 744,098	\$ 3,840,841
Texas Southmost College covered payroll amount	\$ 7,326,324	\$ 6,341,300
Ratio of: ER proportionate share of collective NPL / ER's covered payroll amount	40.30%	33.24%

* The amounts presented above are as of the measurement date of the collective net pension liability, for the respective fiscal year.

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

TEXAS SOUTHMOST COLLEGE DISTRICT

**Schedule of Texas Southmost College's Contributions
For the Year Ended August 31, 2016**

Fiscal year ending August 31, *	2016**	2015**
Legally required contributions	\$ 288,513	\$ 232,578
Actual contributions	288,513	232,578
Contributions deficiency (excess)	-	-
 Texas Southmost College covered employee payroll amount	 \$ 7,326,324	 \$ 6,341,300
Ratio of: Actual contributions / ER covered payroll amount	3.9380%	3.6677%

* The amounts presented above are as of the District's respective fiscal year-end.

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

TEXAS SOUTHMOST COLLEGE DISTRICT

**Notes to Required Supplementary Information
For the Year Ended August 31, 2016**

Change of Benefit Terms include:

A 2.0% COLA, effective September 1, 2016.

Change of Assumptions:

There have been changes of the estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation. See Notes to the Financial Statements #10 for detail.

SUPPLEMENTARY SECTION

TEXAS SOUTHMOST COLLEGE DISTRICT
Schedule of Operating Revenues
For the Year Ended August 31, 2016
(With Memorandum Totals for the Year Ended August 31, 2015)

	Unrestricted	Restricted	Total Educational Activities	Auxiliary Enterprises	2016 Total	2015 Total
Tuition:						
State funded credit courses:						
In-district resident tuition	\$ 3,044,284	\$ -	\$ 3,044,284	\$ -	\$ 3,044,284	\$ 3,071,276
Out-of-district resident tuition	484,123	-	484,123	-	484,123	541,784
Non-resident tuition	131,158	-	131,158	-	131,158	122,240
TPEG - credit (set aside)*	203,027	-	203,027	-	203,027	212,093
State funded continuing education						
TPEG - non-credit (set aside)*	-	-	-	-	-	-
Non-state funded educational programs	-	-	-	-	-	-
Total Tuition	<u>3,862,592</u>	<u>-</u>	<u>3,862,592</u>	<u>-</u>	<u>3,862,592</u>	<u>3,947,393</u>
Fees:						
Distance learning fee	-	-	-	-	-	-
Installment plan fees	-	-	-	-	-	-
Non-instructional contract training fees	5,224,214	1,937,720	7,161,934	1,668,071	8,830,005	9,180,880
Prior year tuition and fees	-	-	-	-	-	-
Total Fees	<u>5,224,214</u>	<u>1,937,720</u>	<u>7,161,934</u>	<u>1,668,071</u>	<u>8,830,005</u>	<u>9,180,880</u>
Scholarship Allowances and Discounts:						
Remissions and exemptions - state	-	-	-	-	-	-
Remissions and exemptions - local	(637,152)	-	(637,152)	-	(637,152)	(841,401)
Reduced tuition pilot	-	-	-	-	-	-
Other federal grants	-	-	-	-	-	-
TPEG awards	(183,864)	-	(183,864)	-	(183,864)	(236,514)
UTB Commitments	-	-	-	-	-	-
Other state grants	-	-	-	-	-	-
Rising star program	-	-	-	-	-	-
Other local grants	-	-	-	-	-	-
Total Scholarship Allowances	<u>(821,016)</u>	<u>-</u>	<u>(821,016)</u>	<u>-</u>	<u>(821,016)</u>	<u>(1,077,915)</u>
Total Net Tuition and Fees	<u>8,265,790</u>	<u>1,937,720</u>	<u>10,203,510</u>	<u>1,668,071</u>	<u>11,871,581</u>	<u>12,050,358</u>
Additional Operating Revenues:						
Federal grants and contracts	-	350,992	350,992	-	350,992	374,544
State grants and contracts	-	1,203,844	1,203,844	-	1,203,844	1,420,925
Local grants and contracts	-	4,009,531	4,009,531	-	4,009,531	19,902,764
Non-governmental grants and contracts	-	-	-	-	-	-
Sales and services of educational activities	-	-	-	-	-	-
General operating revenues	309,848	-	309,848	-	309,848	291,668
Total Additional Operating Revenues	<u>309,848</u>	<u>5,564,367</u>	<u>5,874,215</u>	<u>-</u>	<u>5,874,215</u>	<u>21,989,901</u>
Auxiliary Enterprises:						
Bookstore	-	-	-	-	-	-
Less discounts	-	-	-	-	-	-
Food service	-	-	-	-	-	-
Center for educational telecommunications	-	-	-	-	-	-
Business incubation center	-	-	-	-	-	-
Student programs	-	-	-	849,226	849,226	887,839
Net Bookstore	<u>-</u>	<u>-</u>	<u>-</u>	<u>849,226</u>	<u>849,226</u>	<u>887,839</u>
Facilities rentals	-	-	-	-	-	-
Total Net Auxiliary Enterprises	<u>-</u>	<u>-</u>	<u>-</u>	<u>849,226</u>	<u>849,226</u>	<u>887,839</u>
Total Operating Revenues	<u>\$ 8,575,638</u>	<u>\$ 7,502,087</u>	<u>\$ 16,077,725</u>	<u>\$ 2,517,297</u>	<u>\$ 18,595,022</u>	<u>\$ 34,928,098</u>
					(Exhibit 2)	(Exhibit 2)

* In accordance with Education Code 56.003, \$203,027 and \$212,093 of tuition was set aside for Texas Public Education Grants (TPEG) for the years ended August 31, 2016 and 2015, respectively.

TEXAS SOUTHMOST COLLEGE DISTRICT
Schedule of Operating Expenses by Object
For the Year Ended August 31, 2016
(With Memorandum Totals for the Year Ended August 31, 2015)

	Operating Expenses				2016 <u>Total</u>	2015 <u>Total</u>
	Salaries and Wages	State Benefits	Local Benefits	Other Expenses		
Unrestricted - Educational Activities						
Instruction	\$ 5,071,491	\$ -	\$ 1,397,834	\$ 194,185	\$ 6,663,510	\$ 6,073,177
Public service	227,448	-	72,411	75,537	375,396	278,393
Academic support	1,191,603	-	355,887	-	1,547,490	1,741,201
Student services	1,948,954	-	585,135	601,631	3,135,720	2,571,383
Institutional support	1,330,173	-	375,994	7,831,617	9,537,784	11,898,659
Operation and maintenance of plant	842,251	-	304,382	3,735,175	4,881,808	4,772,338
Scholarships and fellowships	-	-	-	402,804	402,804	16,784,115
Contract services - UTB	-	-	-	-	-	-
Total Unrestricted Educational Activities	<u>10,611,920</u>	<u>-</u>	<u>3,091,643</u>	<u>12,840,949</u>	<u>26,544,512</u>	<u>44,119,266</u>
Restricted - Educational Activities						
Instruction	54,846	-	14,332	345,699	414,877	-
Public service	-	-	-	-	-	-
Academic support	189,832	-	1,687	63,239	254,758	-
Student services	-	-	-	-	-	-
Institutional support	23,617	-	-	2,101,829	2,125,446	-
Operation and maintenance of plant	-	-	-	-	-	-
Scholarships and fellowships	-	-	-	14,861,651	14,861,651	-
Total Restricted Educational Activities	<u>268,295</u>	<u>-</u>	<u>16,019</u>	<u>17,372,418</u>	<u>17,656,732</u>	<u>-</u>
Total Educational Activities	10,880,215	-	3,107,662	30,213,367	44,201,244	44,119,266
Auxiliary Enterprises	442,599	-	182,423	574,341	1,199,363	1,027,832
Depreciation Expense						
Buildings and other real estate improvements	-	-	-	3,614,877	3,614,877	3,405,993
Equipment and furniture	-	-	-	545,631	545,631	505,712
Total Operating Expenses	<u>\$ 11,322,814</u>	<u>\$ -</u>	<u>\$ 3,290,085</u>	<u>\$ 34,948,216</u>	<u>\$ 49,561,115</u> (Exhibit 2)	<u>\$ 49,058,803</u> (Exhibit 2)

TEXAS SOUTHMOST COLLEGE DISTRICT
Schedule of Non-Operating Revenues and Expenses
For the Year Ended August 31, 2016

(With Memorandum Totals for the Year Ended August 31, 2015)

	Unrestricted	Restricted	Auxiliary Enterprises	2016 Total	2015 Total
Non-Operating Revenues					
State Appropriations:					
Education and general state support	\$ 6,155,274	\$ -	\$ -	\$ 6,155,274	\$ 6,846,957
State group insurance	-	719,730	-	719,730	-
State retirement matching	-	267,751	-	267,751	-
Professional nursing shortage reduction	-	-	-	-	-
Total State allocations	<u>6,155,274</u>	<u>987,481</u>	<u>-</u>	<u>7,142,755</u>	<u>6,846,957</u>
Ad valorem taxes:					
Maintenance ad valorem taxes	12,280,723	-	-	12,280,723	11,323,301
Debt service ad valorem taxes	6,337,942	-	-	6,337,942	7,120,825
Gifts	-	-	-	-	-
Investment income	34,230	61,714	1,031	96,975	75,556
Title IV	-	14,861,651	-	14,861,651	-
Other non-operating revenue	<u>865,539</u>	<u>98,434</u>	<u>-</u>	<u>963,973</u>	<u>742,363</u>
Total Non-Operating Revenues	<u>19,518,434</u>	<u>15,021,799</u>	<u>1,031</u>	<u>41,684,019</u>	<u>26,109,002</u>
Non-Operating Expenses					
Interest on capital related debt	3,046,367	-	-	3,046,367	2,884,008
Allowance for uncollectible expense	16,184	-	-	16,184	231,726
Other non-operating expenses	<u>23,070</u>	<u>-</u>	<u>-</u>	<u>23,070</u>	<u>410,921</u>
Total Non-Operating Expenses	<u>3,085,621</u>	<u>-</u>	<u>-</u>	<u>3,085,621</u>	<u>3,526,655</u>
Net Non-Operating Revenues	<u>\$ 22,588,087</u>	<u>\$ 16,009,280</u>	<u>\$ 1,031</u>	<u>\$ 38,598,398</u> (Exhibit 2)	<u>\$ 22,582,347</u> (Exhibit 2)

TEXAS SOUTHMOST COLLEGE DISTRICT
Schedule of Net Position by Source and Availability
For the Year Ended August 31, 2016

(With Memorandum Totals for the Year Ended August 31, 2015)

	Detail by Source				Current Year Total
	Unrestricted	Restricted		Capital Assets Net of Depreciation and Related Debt	
		Expendable	Non-Expendable		
Current					
Unrestricted	\$ 48,315,939	\$ -	\$ -	\$ -	\$ 48,315,939
Restricted					
Scholarships	-	2,804,187	-	-	2,804,187
Institutional scholarships	251,966	-	-	-	251,966
Grants	-	-	-	-	-
Auxiliary enterprises	3,606,634	-	-	-	3,606,634
Loan	36,991	-	-	-	36,991
Endowment:					
Quasi:					
Restricted	-	1,017,611	-	-	1,017,611
Plant:					
Unexpended	-	13,245,186	-	-	13,245,186
Renewals	-	1,482,884	-	-	1,482,884
Debt Service	-	5,692,670	-	-	5,692,670
Investment in Plant	-	-	-	62,781,822	62,781,822
Total Net Position, August 31, 2016	52,211,530	24,242,538	-	62,781,822	139,235,890
					(Exhibit 1)
Total Net Position, August 31, 2015	46,332,234	23,495,433	-	61,775,918	131,603,585
					(Exhibit 1)
Adjustment to net position	-	-	-	-	-
					(Exhibit 2)
Net Increase (Decrease) in Net Position	\$ 5,879,296	\$ 747,105	\$ -	\$ 1,005,904	\$ 7,632,305
					(Exhibit 2)

(Continued on page 67.)

Schedule of Net Position by Source and Availability
For the Year Ended August 31, 2016 - CONTINUED
(With Memorandum Totals for the Year Ended August 31, 2015)

	Available for Current Operations		Prior Year Total	Available for Current Operations	
	Yes	No		Yes	No
Current					
Unrestricted	\$ 48,315,939	\$ -	\$ 43,796,668	\$ 43,796,668	\$ -
Board designated	-	-	-	-	-
Restricted					
Scholarships	-	2,804,187	2,595,739	-	2,595,739
Institutional scholarships	-	251,966	251,878	-	251,878
Grants	-	-	-	-	-
Auxiliary enterprises	3,606,634	-	2,246,734	2,246,734	-
Loan	36,991	-	36,954	36,954	-
Endowment:					
Quasi:					
Unrestricted	-	-	-	-	-
Restricted	-	1,017,611	960,288	-	960,288
Endowment:					
True	-	-	-	-	-
Term (per instructions at maturity)	-	-	-	-	-
Life income contracts	-	-	-	-	-
Annuities	-	-	-	-	-
Plant:					
Unexpended	-	13,245,186	13,042,559	-	13,042,559
Renewals	-	1,482,884	1,481,851	-	1,481,851
Debt Service	-	5,692,670	5,414,996	-	5,414,996
Investment in Plant	-	62,781,822	61,775,918	-	61,775,918
Total Net Position, August 31, 2016	51,959,564	87,276,326	131,603,585	46,080,356	85,523,229
			(Exhibit 1)		
Total Net Position, August 31, 2015	46,080,356	85,523,229	125,539,842	40,627,486	84,912,356
			(Exhibit 2)		
Adjustment to net position	-	-	(2,387,899)	(2,387,899)	-
			(Exhibit 2)		
Net Increase (Decrease) in Net Position	\$ 5,879,208	\$ 1,753,097	\$ 8,451,642	\$ 7,840,769	\$ 610,873
			(Exhibit 2)		

(Continued from page 66.)

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	69
<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	70
<i>These schedules contain information to help the reader assess the District's most significant local revenue source, the property tax.</i>	
Debt Capacity	77
<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	80
<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	82
<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 2007 to 2016
(unaudited)

For the Fiscal Year Ended August 31,

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Net investment in capital assets	\$62,781,822	\$61,775,918	\$56,051,793	\$62,543,113	\$61,210,428	\$61,297,681	\$61,085,182	\$56,521,297	\$50,940,113	\$49,258,626
Restricted - expendable	24,494,504	23,495,433	28,860,563	24,485,445	23,518,588	21,094,114	17,373,637	18,296,679	15,823,635	12,132,932
Unrestricted	51,959,564	46,332,234	40,627,486	15,493,552	12,169,263	7,864,865	7,351,688	7,320,953	5,804,727	2,095,813
Total primary government net position	\$ 139,235,890	\$ 131,603,585	\$ 125,539,842	\$ 102,522,110	\$ 96,898,279	\$ 90,256,660	\$ 85,810,507	\$ 82,138,929	\$ 72,568,475	\$ 63,487,371

Note: Due to reporting format and definition changes prescribed by GASB Statement 34, only fiscal years 2006-2015 are available.

Texas Southmost College District
Statistical Supplement 2
Revenues by Source
Fiscal Years 2007 to 2016
(unaudited)

	For the Year Ended August 31,									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Tuition and Fees (Net of Discounts)	\$11,871,581	\$12,050,358	\$11,611,878	\$17,786,278	\$32,695,242	\$35,737,651	\$31,738,816	\$26,843,900	\$25,917,215	\$26,948,039
Governmental Grants and Contracts										
Federal Grants and Contracts	350,992	374,544	232,385	456,394	1,248,768	1,438,868	875,766	1,970,939	787,249	774,059
State Grants and Contracts	1,203,844	1,420,925	1,664,776	3,273,839	2,927,641	3,816,154	4,648,058	4,430,696	3,371,048	3,099,683
Local Grants and Contracts	4,009,531	19,902,764	16,661,900	598,780	552,828	523,780	442,644	439,772	363,885	305,541
Non-Governmental Grants and Contracts	-	-	-	-	-	-	-	-	-	-
Auxiliary enterprises	849,226	887,839	1,000,418	515,622	530,769	633,527	492,167	445,716	390,990	347,361
Other Operating Revenues	309,848	291,668	305,516	215,982	10,802	371,205	307,138	419,588	240,523	45,750
Total Operating Revenues	18,595,022	34,928,098	31,476,873	22,846,895	37,966,050	42,521,185	38,504,589	34,550,611	31,070,910	31,520,433
State Appropriations	7,142,755	6,846,957	6,954,881	11,157,850	11,320,102	12,245,588	13,770,382	13,983,572	14,153,928	12,628,144
Title IV	14,861,651	-	-	-	-	-	-	-	-	-
Ad Valorem Taxes	18,618,665	18,444,126	18,061,918	17,727,167	17,459,754	17,049,071	16,787,201	16,480,318	15,318,499	13,767,626
Investment income	96,975	75,556	138,139	114,246	104,516	55,346	192,016	918,907	3,172,984	3,128,813
Other non-operating revenues	963,973	742,363	280,664	24,291	329,965	12,780	482,710	1,646,207	63,581	113,496
Total Non-Operating Revenues	41,684,019	26,109,002	25,435,602	29,023,554	29,214,337	29,362,785	31,232,309	33,029,004	32,708,992	29,638,079
Total Revenues	\$ 60,279,041	\$ 61,037,100	\$ 56,912,475	\$ 51,870,449	\$ 67,180,387	\$ 71,883,970	\$ 69,736,898	\$ 67,579,615	\$ 63,779,902	\$ 61,158,512

	For the Year Ended August 31,									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Tuition and fees (net of discounts)	19.69%	19.74%	20.40%	34.29%	48.67%	49.72%	45.51%	39.72%	40.64%	44.06%
Governmental grants and contracts										
Federal grants and contracts	0.58%	0.61%	0.41%	0.88%	1.86%	2.00%	1.26%	2.92%	1.23%	1.27%
State grants and contracts	2.00%	2.33%	2.93%	6.31%	4.36%	5.31%	6.67%	6.56%	5.29%	5.07%
Local grants and contracts	6.65%	32.61%	29.28%	1.15%	0.82%	0.73%	0.63%	0.65%	0.57%	0.50%
Non-governmental grants and contracts	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Auxiliary enterprises	1.41%	1.45%	1.76%	0.99%	0.79%	0.88%	0.71%	0.66%	0.61%	0.57%
Other operating revenues	0.51%	0.48%	0.54%	0.42%	0.02%	0.52%	0.44%	0.62%	0.38%	0.07%
Total Operating Revenues	30.85%	57.22%	55.31%	44.05%	56.51%	59.15%	55.21%	51.13%	48.72%	51.54%
State appropriations	11.85%	11.22%	12.22%	21.51%	16.85%	17.04%	19.75%	20.69%	22.19%	20.65%
Ad valorem taxes	30.89%	30.22%	31.74%	34.18%	25.99%	23.72%	24.07%	24.39%	24.02%	22.51%
Investment income	0.16%	0.12%	0.24%	0.22%	0.16%	0.08%	0.28%	1.36%	4.97%	5.12%
Other non-operating revenues	1.60%	1.22%	0.49%	0.05%	0.49%	0.02%	0.69%	2.44%	0.10%	0.19%
Total Non-Operating Revenues	44.50%	42.78%	44.69%	55.95%	43.49%	40.85%	44.79%	48.87%	51.28%	48.46%
Total Revenues	75.35%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

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

Texas Southmost College District
Statistical Supplement 3
Program Expenses by Function
Fiscal Years 2007 to 2016
(unaudited)

For the Year Ended August 31,

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Instruction	\$7,078,387	\$6,073,177	\$3,588,434	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Research	-	-	-	-	-	-	-	-	-	-
Public service	375,396	278,393	162,099	-	-	-	-	-	-	-
Academic support	1,802,248	1,741,201	3,155,220	-	-	-	-	-	-	-
Student services	3,135,720	2,571,383	3,258,324	-	-	-	-	-	-	-
Institutional support	11,663,230	11,898,659	10,637,044	6,934,658	4,724,266	3,174,850	2,567,414	2,325,216	2,581,761	2,066,398
Operation and maintenance of plant	4,881,808	4,772,338	4,802,797	863,174	59,282	1,212,864	2,873,577	1,349,966	892,107	1,225,773
Scholarships and fellowships	15,264,455	16,784,115	14,215,285	-	-	-	-	-	-	-
Auxiliary enterprises	1,199,363	1,027,832	1,142,881	415,103	415,756	977,643	830,403	928,790	683,044	614,980
Depreciation	4,160,508	3,911,705	3,826,171	3,509,671	3,449,395	3,437,546	3,411,362	2,065,902	2,069,769	2,221,288
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
Total Operating Expenses	49,561,115	49,058,803	44,788,255	41,715,146	56,052,067	61,998,432	61,343,782	53,433,020	50,481,053	49,983,117
Interest on capital related debt	3,046,367	2,884,008	3,736,908	4,166,002	4,316,289	4,447,165	4,582,811	4,432,353	4,115,261	3,506,956
Other non-operating expenses	39,254	642,647	(16,246,147)	365,470	170,412	992,220	138,726	143,789	102,484	107,719
Total Non-Operating Expenses	3,085,621	3,526,655	(12,509,239)	4,531,472	4,486,701	5,439,385	4,721,537	4,576,142	4,217,745	3,614,675
Total Expenses	\$ 52,646,736	\$ 52,585,458	\$ 32,279,016	\$ 46,246,618	\$ 60,538,768	\$ 67,437,817	\$ 66,065,319	\$ 58,009,162	\$ 54,698,798	\$ 53,597,792

For the Year Ended August 31,

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Instruction	13.45%	11.55%	11.12%	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	0.71%	0.53%	0.50%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Academic support	3.42%	3.31%	9.77%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Student services	5.96%	4.89%	10.09%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Institutional support	22.15%	22.63%	32.95%	14.99%	7.80%	4.71%	3.89%	4.01%	4.72%	3.86%
Operation and maintenance of plant	9.27%	9.08%	14.88%	1.87%	0.10%	1.80%	4.35%	2.33%	1.63%	2.29%
Scholarships and fellowships	28.99%	31.92%	44.04%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Auxiliary enterprises	2.28%	1.95%	3.54%	0.90%	0.69%	1.45%	1.26%	1.60%	1.25%	1.15%
Depreciation	7.90%	7.44%	11.85%	7.59%	5.70%	5.10%	5.16%	3.56%	3.78%	4.14%
Contracted services with UTB	0.00%	0.00%	0.00%	64.85%	78.30%	78.88%	78.20%	80.61%	80.91%	81.82%
Total Operating Expenses	94.14%	93.29%	138.75%	90.20%	92.59%	91.93%	92.85%	92.11%	92.29%	93.26%
Interest on capital related debt	5.79%	5.48%	11.58%	9.01%	7.13%	6.59%	6.94%	7.64%	7.52%	6.54%
Loss on disposal of fixed assets	0.07%	1.22%	-50.33%	0.79%	0.28%	1.47%	0.21%	0.25%	0.19%	0.20%
Total Non-Operating Expenses	5.86%	6.71%	-38.75%	9.80%	7.41%	8.07%	7.15%	7.89%	7.71%	6.74%
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	\$ 7,632,305	\$ 8,451,642	\$ 24,633,459	\$ 5,623,831	\$ 6,641,619	\$ 4,446,153	\$ 3,671,579	\$ 9,570,453	\$ 9,081,104	\$ 7,560,720

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	General Use Fee	Institutional Support (per student)	Student Services Fee (per student)	Student Service	Student Union (per student)	Computer Use	Records Fee (per student)	Technology Fee (per student)	Advising (per student)	Library Fee	International Education (per student)	Medical Services (per student)	Student Recreation (per student)	Athletic Fee	Cost for 12 SCH In-District	Cost for 12 SCH Out-of-District	Increase from Prior Year In-District	Increase from Prior Year Out-of-District
2015	\$ 50.00	\$ 100.00	\$ 35.00	\$ 32.00	\$ 60.00	\$ 60.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 75.00	\$ -	\$ 1,599.00	\$ 2,199.00	-0.25%	-0.18%
2014	50.00	100.00	35.00	32.00	60.00	60.00	-	-	-	-	-	-	-	-	-	79.00	-	1,603.00	2,203.00	-4.83%	-3.56%
2013	50.00	100.00	35.00	35.00	60.00	60.00	-	45.30	-	-	-	-	-	-	-	79.00	-	1,684.30	2,284.30	-34.26%	-10.84%
2012	50.00	50.00	105.95	-	-	-	12.00	45.30	12.00	10.00	45.00	50.00	5.00	2.00	24.20	79.00	7.27	2,562.14	2,562.14	2.68%	2.68%
2011	50.00	50.00	100.65	-	-	-	12.00	45.30	12.00	10.00	45.00	50.00	5.00	2.00	24.20	79.00	7.00	2,495.30	2,495.30	4.72%	4.72%
2010	50.00	50.00	91.47	-	-	-	12.00	45.30	12.00	10.00	45.00	50.00	5.00	2.00	22.00	79.00	7.00	2,382.94	2,382.94	4.82%	4.82%
2009	50.00	50.00	82.50	-	-	-	12.00	45.30	12.00	10.00	45.00	50.00	5.00	2.00	20.00	79.00	7.00	2,273.30	2,273.30	4.41%	4.41%
2008	50.00	50.00	77.50	-	-	-	12.00	45.30	12.00	10.00	45.00	50.00	4.00	2.00	20.00	79.00	5.00	2,177.30	2,177.30	27.43%	12.43%
2007	31.00	50.00	66.00	-	-	-	12.00	41.56	11.00	10.00	30.00	50.00	3.00	2.00	20.00	79.00	-	1,708.56	1,936.56	6.75%	5.91%
2006	31.00	50.00	58.00	-	-	-	12.00	41.56	10.00	10.00	30.00	50.00	3.00	2.00	20.00	79.00	-	1,600.56	1,828.56	16.70%	14.32%

Non - Resident Fees per Semester Credit Hour (SCH) and per Student																					
Academic Year (Fall)	Out of State- Tuition	International- Tuition	Building Use	General Use Fee	Institutional Support (per student)	Student Services Fee (per student)	Student Service	Student Union (per student)	Computer Use	Records Fee (per student)	Automated (per student)	Advising (per student)	Library Fee	International Education (per student)	Medical Services Fees (per student)	Student Recreation (per student)	Athletic Fee	Cost for 12 SCH Out of State	Cost for 12 SCH International	Increase from Prior Year Out of State	Increase from Prior Year International
2015	\$ 150.00	\$ 150.00	\$ 35.00	\$ 32.00	\$ 60.00	\$ 60.00	\$ -	\$ -	\$ -	0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 75.00	\$ -	\$ 2,799.00	\$ 2,799.00	-0.14%	-0.14%
2014	150.00	150.00	35.00	32.00	60.00	60.00	-	-	-	-	-	-	-	-	-	79.00	-	2,803.00	2,803.00	-29.72%	-29.72%
2013	150.00	150.00	67.00	35.00	60.00	60.00	-	45.30	-	-	-	-	-	-	-	79.00	-	3,988.30	3,988.30	-41.12%	-41.12%
2012	401.00	401.00	105.95	-	-	-	12.00	45.30	12.00	10.00	45.00	50.00	5.00	2.00	24.20	79.00	7.27	6,774.14	6,774.14	8.36%	8.36%
2011	363.00	363.00	100.65	-	-	-	12.00	45.30	12.00	10.00	45.00	50.00	5.00	2.00	24.20	79.00	7.00	6,251.30	6,251.30	2.43%	2.43%
2010	360.00	360.00	91.47	-	-	-	12.00	45.30	12.00	10.00	45.00	50.00	5.00	2.00	22.00	79.00	7.00	6,102.94	6,102.94	9.03%	9.03%
2009	327.00	327.00	82.50	-	-	-	12.00	45.30	12.00	10.00	45.00	50.00	5.00	2.00	20.00	79.00	7.00	5,597.30	5,597.30	0.86%	0.86%
2008	331.00	331.00	77.50	-	-	-	12.00	45.30	12.00	10.00	45.00	50.00	4.00	2.00	20.00	79.00	5.00	5,549.30	5,549.30	5.25%	5.25%
2007	328.00	328.00	66.00	-	-	-	12.00	41.56	11.00	10.00	30.00	50.00	3.00	2.00	20.00	79.00	-	5,272.56	5,272.56	2.81%	2.81%
2006	325.00	325.00	58.00	-	-	-	12.00	41.56	10.00	10.00	30.00	50.00	3.00	2.00	20.00	79.00	-	5,128.56	5,128.56	4.42%	4.42%

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)
2015-16	\$ 12,574,878	\$ 1,103,574	\$ 11,471,305	91.22%	\$ 0.107905	\$ 0.056189	\$ 0.164094
2014-15	12,466,614	1,076,874	11,389,740	91.36%	0.100972	0.063122	0.164094
2013-14	12,348,966	1,034,814	11,314,152	91.62%	0.101596	0.061339	0.162935
2012-13	12,073,591	1,003,230	11,070,361	91.69%	0.101075	0.061860	0.162935
2011-12	11,882,764	1,033,040	10,849,724	91.31%	0.103723	0.060303	0.164026
2010-11	11,737,622	1,014,943	10,722,679	91.35%	0.103871	0.058552	0.162423
2009-10	11,520,282	993,745	10,526,537	91.37%	0.108949	0.052975	0.161924
2008-09	11,620,454	1,179,543	10,440,911	89.85%	0.110614	0.050475	0.161089
2007-08	10,795,407	1,056,700	9,738,707	90.21%	0.111423	0.049666	0.161089
2006-07	9,771,062	984,237	8,786,825	89.93%	0.109955	0.051134	0.161089

Source: Cameron County Appraisal District

Notes: Property is assessed at fair 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
2015-16	\$ 6,847	2,082	\$ 3,289	1,070	307	1,377	4.97
2014-15	6,847	2,163	3,165	1,039	379	1,418	4.83
2013-14	6,847	2,105	3,253	995	374	1,369	5.00
2012-13	11,244	3,178	3,538	1,170	675	1,845	6.09
2011-12	11,333	5,569	2,035	2,734	805	3,539	3.20
2010-11	12,464	5,769	2,161	3,043	1,016	4,059	3.07
2009-10	14,355	5,963	2,407	2,795	1,173	3,968	3.62
2008-09	13,984	5,767	2,425	2,498	1,116	3,613	3.87
2007-08	14,154	6,287	2,251	2,682	1,152	3,834	3.69
2006-07	12,468	6,405	1,947	2,849	1,148	3,997	3.12
2005-06	12,270	5,661	2,167	2,654	1,097	3,751	3.27
2004-05	10,842	5,253	2,064	2,705	965	3,671	2.95

Notes:

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

*Full Time Student Equivalent (FTSE)

(a) Source CBM004

(b) Source CBM004 and CBM00C

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

Taxpayer	Type of Business	Taxable Assessed Value (TAV) by Tax Year (\$000 omitted)									
		2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
AEP TEXAS CENTRAL CO	Utility	\$ 54,122	\$ 48,832	\$ 44,975	\$ 36,989	\$ 35,034	\$ 39,309	\$ 26,655	\$ 25,479	\$ 23,371	\$ 27,168
AT&T	Utility	-	-	-	-	-	-	-	33,477	37,525	36,176
UNION PACIFIC RR CO	Transportation	24,588	-	-	-	-	-	-	-	-	-
CAMERON ACQUISITIONS LLC	Land	-	-	-	-	-	29,212	24,840	40,500	-	-
CBL/SUNRISE COMMONS LP	Retail	41,325	40,643	40,645	40,670	38,734	38,870	38,904	38,923	38,923	38,706
COLUMBIA VALLEY HEALTHCARE SYS LP	Service	29,395	29,395	29,319	29,329	29,339	29,349	31,461	31,461	31,461	35,014
H E BUTT GROCERY CO	Retail	-	-	-	-	-	-	-	-	-	17,265
KEPPEL AMFELS	Shipyards	-	23,936	27,547	-	-	-	27,235	24,559	-	16,018
KIMCO BROWNSVILLE LP	Real Estate	-	-	-	-	-	-	-	-	18,113	-
RICH-SEAPAK CORP	Food Processor	24,660	204,907	-	22,036	22,140	32,572	27,674	28,450	-	-
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	-	-	-	-	-	-	-	-	-	-
TITAN WHEEL INTERNATIONAL INC	Manufacturing	-	-	-	-	-	-	-	-	22,912	23,765
TRANSMONTAIGNE PRODUCT SERVICE INC	Petroleum Products	26,211	28,056	28,490	28,755	28,005	27,691	-	-	17,726	15,887
TRICO PRODUCTS CORP	Manufacturing	34,639	31,931	26,327	31,919	33,508	26,889	29,364	33,603	36,443	39,557
VHS BROWNSVILLE HOSPITAL COMPANY, LLC	Service	28,578	28,578	29,198	30,266	-	-	-	-	-	-
WAL-MART REAL ESTATE BUSINESS TR	Retail	-	-	-	22,497	22,190	-	-	-	-	-
WAL-MART STORES EAST INC	Retail	-	-	-	-	-	-	-	-	-	-
WAL-MART STORES INC	Retail	26,710	24,580	22,504	23,913	24,228	24,055	24,855	22,778	23,207	20,393
COMCAST CORP	Service	31,977	46,784	60,505	-	-	-	-	-	-	-
BAHIA MAR TOWER LLC	Real Estate	-	-	24,997	-	-	-	-	-	-	-
WAL-MART STORES TEXAS LP	Retail	-	-	-	-	-	-	-	-	17,315	-
Totals		\$ 322,205	\$ 507,643	\$ 334,506	\$ 303,708	\$ 296,320	\$ 323,452	\$ 324,755	\$ 291,127	\$ 226,474	\$ 249,556
Total Taxable Assessed Value		\$ 11,471,305	\$ 11,389,740	\$ 11,314,152	\$ 11,070,361	\$ 10,849,724	\$ 10,722,679	\$ 10,526,537	\$ 10,440,912	\$ 9,738,707	\$ 8,786,825

Taxpayer	Type of Business	% of Taxable Assessed Value (TAV) by Tax Year									
		2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
AEP TEXAS CENTRAL CO	Utility	0.47%	0.43%	0.40%	0.33%	0.32%	0.37%	0.25%	0.24%	0.24%	0.31%
AT&T	Utility	-	-	0.00%	-	-	-	-	0.32%	0.39%	0.41%
UNION PACIFIC RR CO	Transportation	0.00	-	0.00%	-	-	-	-	-	-	-
CAMERON ACQUISITIONS LLC	Land	-	-	0.00%	-	-	0.27%	0.24%	0.39%	-	-
CBL/SUNRISE COMMONS LP	Retail	0.36%	0.36%	0.36%	0.37%	0.36%	0.36%	0.37%	0.37%	0.40%	0.44%
COLUMBIA VALLEY HEALTHCARE SYS LP	Service	0.26%	0.26%	0.26%	0.26%	-	0.27%	0.30%	0.30%	0.32%	0.40%
H E BUTT GROCERY CO	Retail	-	-	0.00%	-	-	-	-	-	-	0.20%
KEPPEL AMFELS	Shipyards	0.00%	0.21%	0.24%	-	-	-	-	0.24%	-	0.18%
KIMCO BROWNSVILLE LP	Real Estate	-	-	0.00%	-	-	-	-	-	0.19%	-
RICH-SEAPAK CORP	Food Processor	0.21%	1.80%	0.00%	0.20%	-	0.30%	0.26%	0.27%	-	-
SAPPHIRE VP LP	Real Estate	-	-	0.00%	0.34%	0.36%	0.45%	0.59%	0.33%	-	-
SOUTHWESTERN BELL TELE	Utility	-	-	0.00%	-	0.22%	0.25%	0.30%	-	-	-
TEXAS AND KANSAS CITY CABLE PARTNERS	Service	-	-	0.00%	-	-	-	-	-	-	-
TITAN WHEEL INTERNATIONAL INC	Manufacturing	-	-	0.00%	-	-	-	-	-	0.24%	0.27%
TRANSMONTAIGNE PRODUCT SERVICE INC	Petroleum Products	0.23%	0.25%	0.25%	0.26%	0.26%	-	-	-	0.18%	0.18%
TRICO PRODUCTS CORP	Manufacturing	0.30%	0.28%	0.23%	0.29%	0.31%	-	-	0.32%	0.37%	0.45%
VHS BROWNSVILLE HOSPITAL COMPANY, LLC	Service	0.25%	0.25%	0.26%	0.27%	-	-	-	-	-	-
WAL-MART REAL ESTATE BUSINESS TR	Retail	-	-	0.00%	0.20%	0.20%	-	-	-	-	-
WAL-MART STORES EAST INC	Retail	-	-	0.00%	-	-	-	-	-	-	-
WAL-MART STORES INC	Retail	0.23%	0.22%	0.20%	0.22%	0.22%	0.22%	0.23%	0.22%	0.24%	0.23%
COMCAST CORP	Service	0.28%	0.41%	0.53%	-	-	-	-	-	-	-
BAHIA MAR TOWER LLC	Real Estate	-	-	0.22%	-	-	-	-	-	-	-
WAL-MART STORES TEXAS LP	Retail	-	-	-	-	-	-	-	-	0.00%	-
Totals		2.81%	4.46%	2.96%	2.74%	2.73%	3.02%	3.09%	2.79%	2.33%	2.84%

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
2016	\$ 18,505,787	\$ 243,672	\$ 18,749,459	\$ 18,045,865	96.25%	\$ -	\$ -	\$ 18,045,865	96.25%
2015	18,373,386	(16,477)	18,356,910	17,678,201	96.30%	117,907	383,102	18,179,210	99.03%
2014	18,122,935	(70,843)	18,052,092	17,312,141	95.90%	159,515	416,009	17,887,665	99.09%
2013	17,764,776	(67,492)	17,697,285	16,879,439	95.38%	175,113	442,922	17,497,474	98.87%
2012	17,462,677	19,431	17,482,108	16,622,407	95.08%	155,210	453,990	17,231,607	98.57%
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%

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)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
General Bonded Debt										
General obligation bonds	\$ 51,820	\$ 56,250	\$ 64,085	\$ 67,450	\$ 70,505	\$ 73,275	\$ 75,775	\$ 78,000	\$ 72,440	\$ 64,000
Notes	-	-	-	-	-	-	-	-	-	-
Less: Funds restricted for debt service	-	-	-	-	-	-	-	-	-	-
Net general bonded debt	\$ 51,820	\$ 56,250	\$ 64,085	\$ 67,450	\$ 70,505	\$ 73,275	\$ 75,775	\$ 78,000	\$ 72,440	\$ 64,000
Other Debt										
Revenue bonds	\$ 14,645	\$ 15,375	\$ 16,070	\$ 22,890	\$ 23,915	\$ 24,900	\$ 25,845	\$ 26,765	\$ 27,645	\$ 28,495
Notes	-	-	-	-	-	-	-	-	-	-
Capital lease obligations	-	-	-	-	-	-	-	-	-	-
Total Outstanding Debt	\$ 66,465	\$ 71,625	\$ 80,155	\$ 90,340	\$ 94,420	\$ 98,175	\$ 101,620	\$ 104,765	\$ 100,085	\$ 92,495
General Bonded Debt Ratios										
Per Capita	\$ 252.65	\$ 275.54	\$ 319.71	\$ 336.49	\$ 351.74	\$ 365.55	\$ 378.03	\$ 389.13	\$ 361.39	\$ 319.28
Per FTSE	24,890	26,006	20,165	21,224	22,185	23,057	23,844	24,544	22,794	20,138
As a percentage of Taxable Assessed Value	0.45%	0.49%	0.58%	0.61%	0.64%	0.66%	0.68%	0.70%	0.65%	0.58%
Total Outstanding Debt Ratios										
Per Capita	\$ 324.06	\$ 350.85	\$ 399.88	\$ 450.69	\$ 471.04	\$ 489.78	\$ 506.96	\$ 522.65	\$ 499.30	\$ 461.44
Per FTSE	31,924	33,114	25,222	28,427	29,711	30,892	31,976	32,966	31,493	29,105
As a percentage of Taxable Assessed Value	0.58%	0.63%	0.72%	0.82%	0.85%	0.89%	0.92%	0.95%	0.90%	0.84%

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)									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Taxable Assessed Value	\$ 11,471,305	\$ 11,389,740	\$ 11,314,152	\$ 11,070,361	\$ 10,849,724	\$ 10,722,679	\$ 10,526,537	\$ 10,440,911	\$ 9,738,707	\$ 8,786,826
General Obligation Bonds										
Statutory Tax Levy Limit for Debt Service	\$ 57,357	\$ 56,949	\$ 56,571	\$ 55,352	\$ 54,249	\$ 53,613	\$ 52,633	\$ 52,205	\$ 48,694	\$ 43,934
Less: Funds Restricted for Repayment of General Obligation Bonds	-	-	-	-	-	-	-	-	-	-
Total Net General Obligation Debt	57,357	56,949	56,571	55,352	54,249	53,613	52,633	52,205	48,694	43,934
Current Year Debt Service Requirements	3,420	4,355	3,365	3,055	2,770	2,500	2,225	1,690	1,560	1,490
Excess of Statutory Limit for Debt Service over Current Requirements	\$ 53,937	\$ 52,594	\$ 53,206	\$ 52,297	\$ 51,479	\$ 51,113	\$ 50,408	\$ 50,515	\$ 47,134	\$ 42,444
Net Current Requirements as a % of Statutory Limit	5.96%	7.65%	5.95%	5.52%	5.11%	4.66%	4.23%	3.24%	3.20%	3.39%

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		Total	Principal	Interest	Total	Coverage Ratio
	Fees *	Tuition	Income	Fees	Income	Fees						
2016	\$ -	\$ 141	\$ 135	\$ 185	\$ 54	\$ 1,712	2,227	\$ 706	\$ 730	1,436	1.55	
2015	-	133	135	251	54	1,586	2,159	695	739	1,434	1.51	
2014	-	134	109	216	63	1,814	2,336	630	799	1,429	1.63	
2013	1,038	160	109	431	45	1,768	3,551	1,025	1,073	2,098	1.69	
2012	1,152	320	93	527	42	2,010	4,144	985	1,114	2,099	1.97	
2011	1,239	364	156	436	29	2,165	4,389	945	1,150	2,095	2.09	
2010	1,103	397	128	406	38	2,035	4,107	920	1,182	2,102	1.95	
2009	1,093	385	142	345	72	1,912	3,949	880	1,217	2,097	1.88	
2008	1,046	402	156	311	288	1,993	4,196	850	1,251	2,101	2.00	
2007	1,075	397	145	281	278	2,086	4,262	395	1,444	1,839	2.32	

**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		*Cameron County Personal Income Per Capita	*Cameron County Unemployment Rate
		Personal Income (a) (thousands of dollars)	Personal Income		
2015	\$ 205,104	\$ 5,170,876,944	\$ 25,211	7.1%	
2014	204,145	5,063,204,290	24,802	8.3%	
2013	202,702	4,846,402,118	23,909	10.1%	
2012	200,449	4,657,632,964	23,236	10.5%	
2011	198,762	4,449,883,656	22,388	11.8%	
2010	194,964	4,364,854,032	22,388	11.2%	
2009	192,500	4,309,690,000	22,388	9.9%	
2008	191,006	4,085,045,322	21,387	6.8%	
2007	187,979	3,696,982,993	19,667	6.0%	
2006	187,679	3,483,134,561	18,559	6.6%	

Sources:

* Texas Association of Counties
<http://www.txcip.org/tac/census/CountyProfiles.php>

** 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: 422,156 (U.S. Census Bureau)

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

2016		
Employer	Employees	**Percentage of Total Employment
Brownsville ISD	7,670	5.36%
Cameron County	1,950	1.36%
UT Rio Grande Valley	1,734	1.21%
AMFELS	1,650	1.15%
Wal-Mart	1,413	0.99%
Abundant Life Home Health	1,300	0.91%
City of Brownsville	1,227	0.86%
Caring For You Home Health	1,200	0.84%
HEB Food Stores	975	0.68%
Maximus	950	0.66%
Total	20,069	14.03%

Source:

*Brownsville Economic Development Council. <http://www.bede.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: 143,000

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

2015		
Employer	Employees	**Percentage of Total Employment
Brownsville ISD	7,670	5.51%
Cameron County	1,950	1.40%
UT Rio Grande Valley	1,734	1.25%
AMFELS	1,650	1.19%
Wal-Mart	1,413	1.02%
Abundant Life Home Health	1,300	0.93%
City of Brownsville	1,227	0.88%
Caring For You Home Health	1,200	0.86%
HEB Food Stores	975	0.70%
Valley Regional Medical Center	900	0.65%
Total	20,019	14.39%

Source:

*Brownsville Economic Development Council. <http://www.bede.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: 139,100

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

2014		
Employer	Employees	**Percentage of Total Employment
Brownsville ISD	7,708	5.63%
Caring For You Home Health	2,635	1.92%
Cameron County	2,040	1.49%
UT Rio Grande Valley	1,625	1.19%
AMFELS	1,400	1.02%
City of Brownsville	1,200	0.88%
Abundant Life Home Health	1,200	0.88%
Wal-Mart	1,055	0.77%
HEB Food Stores	975	0.71%
Valley Regional Medical Center	786	0.57%
Total	20,624	15.05%

Source:

*Brownsville Economic Development Council. <http://www.bede.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: 137,000

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

2013		
Employer	Employees	**Percentage of Total Employment
Brownsville ISD	7,708	5.71%
Cameron County	2,040	1.51%
AMFELS	1,650	1.22%
University of Texas at Brownsville	1,622	1.20%
City of Brownsville	1,200	0.89%
Wal-Mart	1,055	0.78%
HEB Food Stores	975	0.72%
Valley Regional Medical Center	786	0.58%
Valley Baptist Medical Center - Brownsville	738	0.55%
Convergys's Corp	623	0.46%
Total	18,397	13.62%

Source:

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

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

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

Brownsville Total Employment: 135,100

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									
		2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Faculty											
Full-Time		91.0	79.0	78.0	53.0	-	-	-	-	-	-
Part-Time		59.0	52.0	49.0	56.0	-	-	-	-	-	-
Total		150.0	131.0	127.0	109.0	-	-	-	-	-	-
Percent											
Full-Time		60.7%	60.3%	61.4%	48.6%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Part-Time		39.3%	39.7%	38.6%	51.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Staff and Administrators											
Full-Time		169.0	126.0	118.0	46.0	17.0	15.0	19.0	18.0	17.0	15.0
Part-Time		2.0	43.0	35.0	23.0	1.0	1.0	5.0	6.0	5.0	6.0
Total		171.0	169.0	153.0	69.0	18.0	16.0	24.0	24.0	22.0	21.0
Percent											
Full-Time		98.8%	74.6%	77.1%	66.7%	94.4%	93.8%	79.2%	75.0%	77.3%	71.4%
Part-Time		1.2%	25.4%	22.9%	33.3%	5.6%	6.3%	20.8%	25.0%	22.7%	28.6%
FTSE per Full-time Faculty		22.9	27.4	27.0	60.0	0.0	0.0	0.0	0.0	0.0	0.0
FTSE per Full-Time Staff Member		12.3	17.2	17.8	69.1	327.6	384.6	313.8	320.4	369.8	427.0
Average Annual Faculty Salary		\$ 50,263	\$ 50,263	\$ 50,511	\$ 47,880	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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

Student Classification	Fall 2015		Fall 2014		Fall 2013		Fall 2012		Fall 2011	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Freshman	2,754	67.04%	2,668	66.25%	2,656	72.31%	4,066	69.00%	4,759	45.31%
Sophomore	1,036	25.22%	921	22.87%	704	19.17%	1,297	22.01%	3,065	29.18%
Associate	76	1.85%	91	2.26%	61	1.66%	99	1.68%	686	6.53%
Bachelors	38	0.93%	44	1.09%	36	0.98%	57	0.97%	155	1.48%
Unclassified	204	4.97%	303	7.52%	216	5.88%	374	6.35%	1,838	17.50%
Total	4,108	100.00%	4,027	100.00%	3,673	100.00%	5,893	100.00%	10,503	100.00%

Semester Hour Load	Fall 2015		Fall 2014		Fall 2013		Fall 2012		Fall 2011	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Less than 3	98	2.39%	15	0.37%	21	0.57%	189	3.21%	423	4.03%
3-5 semester hours	286	6.96%	896	22.25%	557	15.16%	1,172	19.89%	2,279	21.70%
6-8 Semester hours	1,700	41.38%	1,072	26.62%	1,117	30.41%	1,716	29.12%	2,586	24.62%
9-11 semester hours	785	19.11%	814	20.21%	713	19.41%	988	16.77%	2,095	19.95%
12-14 semester hours	1,136	27.65%	1,148	28.51%	1,196	32.56%	1,704	28.92%	2,852	27.15%
15-17 semester hours	90	2.19%	76	1.89%	66	1.80%	120	2.04%	249	2.37%
18 & over	13	0.32%	6	0.15%	3	0.08%	4	0.07%	19	0.18%
Total	4,108	100.00%	4,027	100.00%	3,673	100.00%	5,893	100.00%	10,503	100.00%

Average course load 9 9 9 8.2 8.1

Tuition Status	Fall 2015		Fall 2014		Fall 2013		Fall 2012		Fall 2011	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Texas Resident (In-District)	3,657	89.02%	3,562	88.45%	2,605	70.92%	4,600	78.06%	7,909	75.30%
Texas Resident (Out-of-District)	317	7.72%	292	7.25%	264	7.19%	875	14.85%	1,746	16.62%
Non-Resident Tuition	40	0.97%	60	1.49%	41	1.12%	120	2.04%	115	1.09%
Foreign Resident In-Dist (HB1403)	18	0.44%	28	0.70%	33	0.90%	44	0.75%	80	0.76%
Foreign Resident Out-Dist (HB1403)	-	0.00%	2	0.05%	-	0.00%	3	0.05%	13	0.12%
Tuition Exemption/Waiver	76	1.85%	83	2.06%	730	19.87%	251	4.26%	640	6.09%
Total	4,108	100.00%	4,027	100.00%	3,673	100.00%	5,893	100.00%	10,503	100.00%

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

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

Gender	Fall 2015		Fall 2014		Fall 2013		Fall 2012		Fall 2011	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Female	2,281	55.53%	1,636	40.63%	2,115	57.58%	3,318	56.30%	5,889	56.07%
Male	1,827	44.47%	2,391	59.37%	1,558	42.42%	2,575	43.70%	4,614	43.93%
Total	<u>4,108</u>	<u>100.00%</u>	<u>4,027</u>	<u>100.00%</u>	<u>3,673</u>	<u>100.00%</u>	<u>5,893</u>	<u>100.00%</u>	<u>10,503</u>	<u>100.00%</u>

Ethnic Origin	Fall 2015		Fall 2014		Fall 2013		Fall 2012		Fall 2011	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
White/Non-Hispanic	127	3.09%	179	4.44%	145	3.95%	199	3.38%	4,391	41.81%
Black/Non-Hispanic	6	0.15%	6	0.15%	6	0.16%	15	0.25%	62	0.59%
Hispanic	3,718	90.51%	3,723	92.45%	3,443	93.74%	5,430	92.14%	5,650	53.79%
Asian or Pacific Islander	25	0.61%	28	0.70%	20	0.54%	42	0.71%	118	1.12%
American Indian or Alaskan Native	-	0.00%	1	0.02%	1	0.03%	3	0.05%	108	1.03%
Non-Resident Aliens or Foreign Natl.	193	4.70%	41	1.02%	44	1.20%	189	3.21%	138	1.31%
Not Reported	39	0.95%	49	1.22%	14	0.38%	15	0.25%	36	0.34%
Total	<u>4,108</u>	<u>100.00%</u>	<u>4,027</u>	<u>100.00%</u>	<u>3,673</u>	<u>100.00%</u>	<u>5,893</u>	<u>100.00%</u>	<u>10,503</u>	<u>100.00%</u>

Age	Fall 2015		Fall 2014		Fall 2013		Fall 2012		Fall 2011	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Under 18	869	21.15%	738	18.33%	661	18.00%	1,691	28.70%	1,471	14.01%
18 -21	1,831	44.57%	1,722	42.76%	1,580	43.02%	2,350	39.88%	4,380	41.70%
22 - 24	532	12.95%	513	12.74%	486	13.23%	612	10.39%	1,504	14.32%
25 - 35 *	634	15.43%	726	18.03%	598	16.28%	822	13.95%	2,200	20.95%
36 - 50 **	208	5.06%	288	7.15%	297	8.09%	346	5.87%	808	7.69%
51 & over	34	0.83%	40	0.99%	51	1.39%	72	1.22%	140	1.33%
Total	<u>4,108</u>	<u>100.00%</u>	<u>4,027</u>	<u>100.00%</u>	<u>3,673</u>	<u>100.00%</u>	<u>5,893</u>	<u>100.00%</u>	<u>10,503</u>	<u>100.00%</u>

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

**Texas Southmost College District
Statistical Supplement 17
Transfers to Senior Institutions
2014 Fall Students as of Fall 2015
(Includes only public senior colleges in Texas)**

	Transfer Student Count	Transfer Student Count	Transfer Student Count	Total Acad/Tech Transfer Students	Percent Acad/Tech Transfer Students
	Academic	Technical	Tech-Prep		
University of Texas - Brownsville	-	-	-	-	0.00%
University of Texas - Pan American	226	89	-	315	69.54%
University of Texas - Austin	9	7	-	16	3.53%
University of Texas - San Antonio	16	11	-	27	5.96%
Texas A&M University - College Station	15	6	-	21	4.64%
Texas State University	9	7	-	16	3.53%
Texas A&M University - Kingsville	7	2	-	9	1.99%
Texas A&M University - Corpus Christi	-	7	-	7	1.55%
University of Houston - University Park	-	-	-	-	0.00%
University of North Texas	1	-	-	1	0.22%
University of Texas - Permian Basin	1	-	-	1	0.22%
Stephen F. Austin State University	-	1	-	1	0.22%
Texas Tech University	6	-	-	6	1.32%
University of Texas - Arlington	1	2	-	3	0.66%
Sam Houston State University	1	1	-	2	0.44%
University of Texas - Tyler	1	-	-	1	0.22%
Texas A&M International University	1	-	-	1	0.22%
Texas Women's University	-	1	-	1	0.22%
University of Houston - Downtown	11	2	-	13	2.87%
University of Texas - Dallas	-	1	-	1	0.22%
Sul Ross State University	-	-	-	-	0.00%
Texas A&M University - Commerce	-	-	-	-	0.00%
Texas A&M University - Galveston	-	-	-	-	0.00%
Texas A&M University - Texarkana	-	-	-	-	0.00%
Prairie View A&M University	-	-	-	-	0.00%
University of Texas - El Paso	-	-	-	-	0.00%
Baylor College of Medicine - Academics	-	-	-	-	0.00%
Lamar University Institute of Technology	-	-	-	-	0.00%
Midwestern State University	-	-	-	-	0.00%
Sul Ross State University - Rio Grande College	-	-	-	-	0.00%
Tarleton State University	-	-	-	-	0.00%
Texas A&M University System Health Science Center	-	-	-	-	0.00%
Texas Southern University	1	-	-	1	0.22%
Texas Tech University Health Science Center	-	-	-	-	0.00%
University of Houston - Clear Lake	7	2	-	9	1.99%
University of Houston - Victoria	-	-	-	-	0.00%
University of North Texas Health Science Center	-	-	-	-	0.00%
University of Texas Health Science Center - Houston	-	-	-	-	0.00%
University of Texas Health Science Center - San Antonio	-	-	-	-	0.00%
University of Texas Medial Branch Galveston	-	-	-	-	0.00%
University of Texas Southwestern Medical Center - Dallas	-	-	-	-	0.00%
West Texas A&M University	-	-	-	-	0.00%
Angelo State University	1	-	-	1	0.22%
Totals	314	139	0	453	100.00%

**Texas Southmost College District
Statistical Supplement 18
Capital Asset Information
Fiscal Years 2012 to 2016**

	Fiscal Year				
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Academic buildings	19	19	19	24	24
Square footage (in thousands)	728	728	728	1,058	1,058
Libraries	1	1	1	2	2
Square footage (in thousands)	45	45	45	130	130
Number of Volumes (in thousands)	356	356	356	1,083	1,083
Administrative and support buildings	25	25	25	26	26
Square footage (in thousands)	560	560	560	614	614
Dormitories	-	-	-	1	1
Square footage (in thousands)	-	-	-	140	140
Number of Beds	-	-	-	459	459
Apartments	64	64	64	64	64
Square footage (in thousands)	67	67	67	67	67
Number of beds	140	140	140	140	140
Dining Facilities	-	-	-	-	-
Square footage (in thousands)	-	-	-	-	-
Average daily customers	-	-	-	-	-
Athletic Facilities	3	3	3	3	3
Square footage (in thousands)	138	138	138	138	138
Stadiums	-	-	-	-	-
Gymnasiums	2	2	2	2	2
Fitness Centers	1	1	1	1	1
Tennis Court	1	1	1	1	1
Plant facilities	6	6	6	7	7
Square footage (in thousands)	57	57	57	49	49
Transportation					
Cars	2	2	2	7	7
Light Trucks/Vans	25	25	25	50	50
Buses	-	-	-	2	2

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

SINGLE AUDIT SECTION

TEXAS SOUTHMOST COLLEGE DISTRICT

Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2016

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Pass-Through Disbursements and Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
<i>Pass-through from Texas Department of Human Services:</i>			
Child Care Food Program	10.558	75G7033	\$ 23,850
Total U.S. Department of Agriculture			<u>23,850</u>
U.S. DEPARTMENT OF EDUCATION			
<i>Direct:</i>			
SEOG	84.007		121,450
Federal Work Study Program	84.033		145,541
Federal Pell Grant Program	84.063		9,023,848
Federal Direct Student Loans	84.268		<u>5,570,812</u>
			<u>14,861,651</u>
<i>Passed through Texas Higher Education Coordinating Board:</i>			
Carl Perkins Vocational Education - Basic	84.048	84246	<u>297,533</u>
Total U.S. Department of Education			<u>297,533</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Pass-through from Texas Migrant Authority, Inc.:</i>			
Child Day Care Center	93.667	031-0006	<u>29,609</u>
Total U.S. Department of Health and Human Services			<u>29,609</u>
Total Federal Financial Assistance			<u>\$ 15,212,643</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, 2016

<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	\$ 350,992
Federal grants and contracts revenue per Schedule C	<u>14,861,651</u>
 Total Federal Revenues	 <u>\$ 15,212,643</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

All expenditures are subject to Federal Single Audit

Note 4: Student Loans Processed and Administrative Costs Recovered

Department of Education	
84.268 Federal Direct Student Loans	
(includes PLUS, subsidized and unsubsidized)	
<hr/>	
New Loans Processed	\$ 5,570,812
Administrative Costs Recovered	<u>-</u>
Total Loans Processed & Admin Costs Recovered	<u>\$ 5,570,812</u>

Note 5: Non-monetary Federal Assistance Received

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

Note 6: Indirect Costs

The District did not elect to apply the 10% de minimis indirect cost rate.

TEXAS SOUTHMOST COLLEGE DISTRICT

Schedule of Expenditures of State Awards
For the Year Ended August 31, 2016

Grantor Agency/ Program Title	Grant Contract Number	Expenditures
TEXAS HIGHER EDUCATION COORDINATING BOARD		
<i>Direct</i>		
Texas Grant Program	-	\$ 88,464
S3 Developmental Education Grant	-	118,268
Texas College Work Study	-	26,345
Texas Educational Opportunity Grant	-	686,616
Texas Success Center - CCP	-	96,000
60x30TX	-	50,000
Governor's Merit Program	-	25,651
Accelerate Texas	-	112,500
Total Texas Higher Education Coordinating Board		<u>1,203,844</u>
Total State Financial Assistance		<u>\$ 1,203,844</u>

Note 1: State Assistance Reconciliation

State Revenues - Per Schedule A		
State Financial Assistance per Schedule of Expenditures of State Awards		\$ 1,203,844
Total State Revenues		<u>\$ 1,203,844</u>

Note 2: Significant Accounting Policies Used in Preparing the Schedule

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

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

To the Board of Trustees
Texas Southmost College
Brownsville, Texas

We have audited, 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, the financial statements of Texas Southmost College as of and for the years ended August 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise Texas Southmost College's basic financial statements, and have issued our report thereon dated December 23, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Texas Southmost College'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Texas Southmost College's internal control. Accordingly, we do not express an opinion on the effectiveness of Texas Southmost College'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 over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting 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 Texas Southmost College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Public Funds Investment Act

We have performed test designed to verify the Texas Southmost College's compliance with the requirements of the Public Funds Investment Act. During the year ended August 31, 2016, no instances of noncompliance were found. However, providing an opinion on compliance with the Public Funds Investment Act was not an objective of our audit, and accordingly, we do not express an opinion.

Purpose of this Report

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

Handwritten signature in cursive script: Patricia Brown Hill, C.P.A.

Brownsville, Texas
December 23, 2016



**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
 AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
 WITH THE UNIFORM GUIDANCE AND STATE OF TEXAS SINGLE AUDIT CIRCULAR**

To the Board of Trustees
 Texas Southmost College
 Brownsville, Texas

Report on Compliance for Each Major Federal Program

We have audited Texas Southmost College’s compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* and *State of Texas Single Audit Circular* that could have a direct and material effect on each of Texas Southmost College’s major federal programs for the year ended August 31, 2016. Texas Southmost College’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.

Auditors’ Responsibility

Our responsibility is to express an opinion on compliance for each of Texas Southmost College’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 the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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. The State of Texas Single Audit Circular require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about Texas Southmost College’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Texas Southmost College complied, in all material respects, with the types of 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, 2016.

Report on Internal Control over Compliance

Management of Texas Southmost College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Texas Southmost College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Texas Southmost College'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 that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Brownsville, Texas
December 23, 2016

TEXAS SOUTHMOST COLLEGE DISTRICT

**Schedule of Findings and Questioned Costs
For the Year Ended August 31, 2016**

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), 2 CFR 200.510 (a) and the State of Texas Single Audit Circular	No
Dollar threshold considered between Type A and Type B federal programs	\$750,000
Dollar threshold considered between Type A and Type B state programs	\$750,000
Low risk auditee statement	No
Major federal programs	Student Financial Aid Cluster (CFDA #84.007, #84.033, #84.063, #84.268)
Major state program	Texas Educational Opportunity Grant

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

The audit disclosed no finding required to be reported.

III. Findings and Questioned Costs for Federal Awards

None

IV. Findings and Questioned Costs for State Awards

None

TEXAS SOUTHMOST COLLEGE DISTRICT

**Summary Schedule of Prior Audit Findings
For the Year Ended August 31, 2016**

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, 2016**

Not applicable.