



# TEXAS SOUTHMOST COLLEGE DISTRICT

BROWNSVILLE, TEXAS

Comprehensive Annual Financial Report

Fiscal Year Ended August 31, 2007

**TEXAS SOUTHMOST COLLEGE DISTRICT**  
**Brownsville, Texas**

**COMPREHENSIVE**  
**ANNUAL FINANCIAL REPORT**

**For the Fiscal Years Ended August 31, 2007 and 2006**

Prepared by:  
Texas Southmost College District  
Finance Office

TEXAS SOUTHMOST COLLEGE DISTRICT

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# INTRODUCTORY SECTION



TEXAS SOUTHMOST COLLEGE DISTRICT

THE UNIVERSITY OF TEXAS AT BROWNSVILLE and TEXAS SOUTHMOST COLLEGE

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

December 20, 2007

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

The comprehensive annual financial report of the Texas Southmost College District (the District) for the fiscal year ended August 31, 2007 is hereby submitted. The purpose of this report is to provide detailed information concerning the financial condition and performance of the District. Responsibility for the preparation and integrity of the financial information and fairness of the presentation, including disclosures, rests with the management of the District. To the best of our knowledge, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The financial statements are prepared in accordance with Generally Accepted Accounting Principles (GAAP) as established by the Financial Accounting Standards Board (FASB) and the Governmental Accounting Standards Board (GASB) and comply with *Annual Financial Requirements for Texas Public Community and Junior Colleges* as set forth by the Texas Higher Education Coordinating Board (THECB). The notes to the financial statements are provided in the financial section and are considered essential to fair presentation and adequate disclosure for this financial report. The notes include the Summary of Significant Accounting Policies for the District and other necessary disclosures of important matters relating to the financial position of the District. The notes are an integral part of the financial statements and should be read in conjunction with them. Further, this letter of transmittal and the financial statements should be read in conjunction with the Management's Discussion and Analysis (pages 12 – 22) which focuses on the current activities, decisions, and currently known facts to provide an overview of the financial statements and reasons for significant changes from the prior year.

The District's financial statements have been audited by Long Chilton, LLP, a firm of licensed certified public accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the District for the years ended August 31, 2007 and 2006 are free from material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and, evaluating the overall financial statement presentation. The independent auditor concluded based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the District's financial statement for the years ended August 31, 2007 and 2006 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

The comprehensive annual financial report is presented in five sections: introductory, financial, federal single audit, state single audit, and statistical. The introductory section includes this transmittal letter, the District's organizational chart and a list of the District's principal elected and appointed officials. The financial section includes the independent auditor's report, management's discussion and analysis, the statements of net assets, the statements of revenues, expenses and changes in net assets, the statements of cash flows, notes to the financial statements and required supplemental information. The single audit report sections contain the schedules and reports required by statute. The statistical section includes selected unaudited financial and demographic information presented on a multi-year basis.

### **Organization of the District**

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

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

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

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

The partnership with the District operates with a consolidated administrative and academic structure under the direction of UTB. The combined institutions currently enroll over 16,000 students per long semester in academic, occupational and continuing education courses and over 2,000 staff and instructional support are employed by UTB. The partnership offers students a seamless transition from a community college to a university, which has allowed the institutions to attract and retain students on a campus that the community helped realize over 80 years ago.

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

### **Mission and Values**

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

The mission of the UTB/TSC partnership is to provide accessible, affordable, postsecondary education of high quality, to conduct research which expands knowledge and to present programs of workforce training and continuing education, public service, and cultural value. The partnership combines the strengths of the community

college and those of a university by increasing student access and eliminating inter-institutional barriers while fulfilling the distinctive responsibilities of each type of institution.

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

### **Local Economic Information**

The District is located in Brownsville Texas, the largest city in the Rio Grande Valley. From 2005 to 2006, Brownsville grew by 2.8 percent. The main elements that contributed to the exploding population were high birth rates, international trade, inbound migration, and a booming economy. Education and health services sectors are now the largest employers which grew by 35.4 percent from 20,600 in 2001 to 27,900 employees. Cameron County, the southern-most Texas County, is the geographical area in which the District operates. The County's population for 2006 was 387,717, an increase of 15.7 percent since 2000. The County's median income per household was \$26,719 compared to the state median of \$41,645.

### **Major Initiatives**

The District has devoted significant time and effort in planning for the future. During 2006, the District continued major construction and renovation projects as defined in its current facilities master plan in order to provide space for 20,000 students by 2010 to meet the state's "Closing the Gaps" initiative of increasing participation in higher education. Programs such as the Dual Enrollment program which allow students at local high schools to enroll in college courses while still in high school has helped increase enrollment and provided an excellent opportunity to encourage students to continue their post secondary studies.

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

### **Financial Information**

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

*Single Audit.* As a recipient of federal, state, and local financial assistance, the District also is responsible for ensuring that adequate internal control is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control is subject to periodic evaluation by management and the independent auditors of the District. As a part of the District's single audits, described earlier, tests are made to determine the adequacy of the internal control, including that portion related to federal and state awards programs, as well as to determine that the District has complied with applicable laws and regulations. The results of the District's single audit for the fiscal year ended August 31, 2007, provided no instances of material weaknesses in internal control.

*Budgeting Controls.* The District continues to apply budgetary controls and accounting on a fund basis. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the District's Board of Trustees. Activities of the unrestricted general, campus facilities and auxiliary funds, restricted parking and insurance funds and retirement of indebtedness funds are



included in the annual appropriated budget. The District also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Encumbered amounts lapse at year-end. However, encumbrances are re-appropriated as part of the next year's budget. All funds are included in the consolidated financial statements presented, although the funds are not separately reported in the CAFR under GASB 34 and 35 (see Note 2 to the Financial Statements, Summary of Significant Accounting Policies, pages 28-30).

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

### **Debt Management**

The District is authorized to sell bonds and to levy an ad valorem tax in payment of the debt by the Constitution and the laws of the State of Texas. At August 31, 2007, the District had \$64 million in general obligation debt outstanding. Ad valorem property taxes to support outstanding debt are limited to a maximum rate of \$.50 per hundred dollars of taxable appraised value. General obligation debt may be used to purchase land for sites, construct, improve, renovate and equip District facilities; to refund certain bonds of the District; and to pay the issuance costs of bonds. The last substantial change in the debt service tax rate came after November 2004 when the voters approved a \$68 million bond election. The current year's total debt service tax rate is \$.051134 per hundred dollars of taxable appraised value and the District's general obligation debt is currently rated AA- by Fitch Ratings and A+ by Standard and Poor's.

The District currently has \$28,495,000 of revenue bonds outstanding. Revenue bonds are special obligations of the District payable as to principal and interest solely from and secured by a first lien on and a pledge of certain revenues. Revenue bonds were issued for the Student Union Building and Student Recreation Center and the pledge revenue source for payment of these bonds are fees assessed to TSC and UTB students for these facilities. In addition, the District issued general revenue bonds for various acquisitions and improvements on campus. Pledged revenues for these obligations include tuition, parking fees, bookstore income, investment earnings and additional income or earnings. The District's revenue bonds are rated A by Standard and Poor's.

### **Cash Management**

During the year, cash was invested in interest-bearing checking, savings, certificates of deposit and repurchase agreement accounts. At August 31, 2007, the District had short term investments of \$86 million. Short-term investments are liquidated as necessary to provide funds for current operations, payment of current liabilities and capital construction projects underway. The average yield on investments was 3.6 percent, and investment income was \$3.1 million for the year ended August 31, 2007.

The District's investment policy, which is reviewed and updated annually, is designed to minimize credit and market risks while maintaining a competitive yield on the portfolio. Accordingly, bank deposits were either insured by federal depository insurance or collateralized throughout the year. Notes 3 and 4 to the Financial Statements provide details of the District's investment portfolio and more fully describe the credit risk.

### **Risk Management**

Risk management is an ongoing process by which financial loss and exposure to risk is assessed and action is taken to minimize risk, to transfer risk and to finance risk through various devices, including insurance. All areas of the District are reviewed for possible risk management and loss-control activities. The administration of the District review the amount of insurance the District carries and the amount of risk the District assumes through coinsurance and deductible on an annual basis. After in-depth analysis and discussions, a recommendation is made to the Board of Trustees for the various insurance coverages which include: Property, Flood, General Liability, Educators Legal Liability, Automobile Liability and Crime.

## Independent Audit

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

## Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awards a Certificate of Achievement that is valid for a period of one year. In order to be awarded a Certificate of Achievement, a District must publish an easily readable and efficiently organized comprehensive annual financial report. The report must satisfy both generally accepted accounting principles and applicable legal requirements.

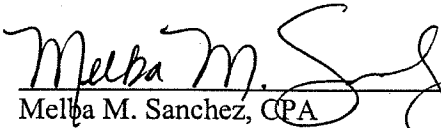
Although this is Texas Southmost College District's first compilation of a comprehensive annual financial report, we believe that this report will meet the Certificate of Achievement Program's requirements and are submitting this report to the GFOA in anticipation that a Certificate of Achievement will be awarded to Texas Southmost College District.

## Acknowledgments

I am very grateful to 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 District. I would also like to acknowledge the President and the UTB division of Business Affairs for providing the resources necessary to prepare this financial report. The preparation of this report could not have been accomplished without the services of the entire staff of the District's Finance and Operations departments. I thank and greatly appreciate all the staff that assisted and contributed to the preparation of this report. I would also like to thank the accounting firm of Long Chilton, LLC for their assistance and the timely completion of this audit.

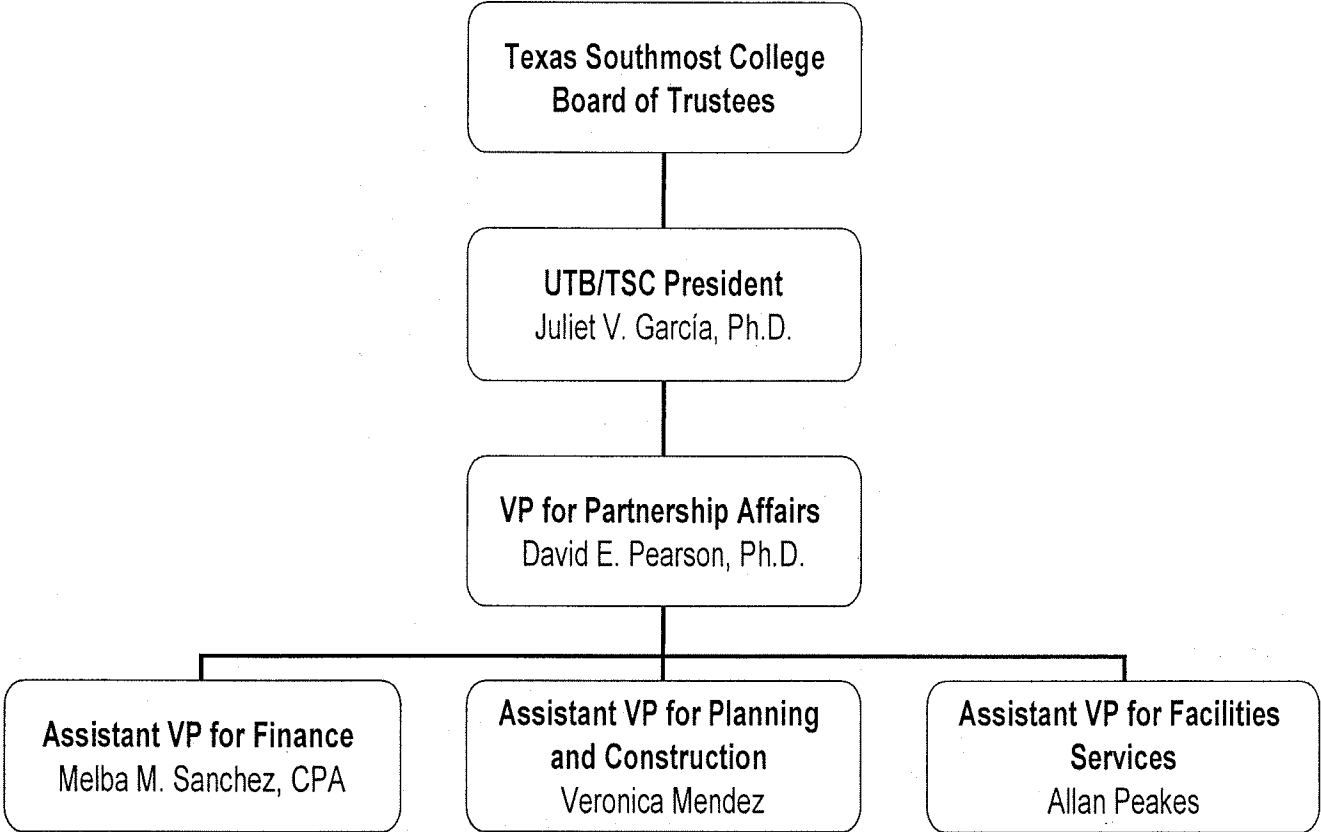
Sincerely,

**TEXAS SOUTHMOST COLLEGE DISTRICT**

  
\_\_\_\_\_  
Melba M. Sanchez, CPA  
Assistant Vice President for Finance

# Texas Southmost College District

## ORGANIZATIONAL CHART



TEXAS SOUTHMOST COLLEGE DISTRICT

ORGANIZATIONAL DATA

FOR THE FISCAL YEAR 2007

Board of Trustees

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Officers

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

Members

Term Expires

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

Principal Administrative Officers

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

## **FINANCIAL SECTION**

## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the Texas Southmost College District (the District) as of and for the years ended August 31, 2007 and 2006, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Texas Southmost College District, as of August 31, 2007, and the respective changes in financial position, and cash flows thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2007, on our consideration of the Texas Southmost College District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 12 through 22, are not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of

management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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



**LONG CHILTON, LLP**  
*Certified Public Accountants*

Brownsville, Texas  
December 20, 2007

TEXAS SOUTHMOST COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

August 31, 2007

Management's Discussion and Analysis of Texas Southmost College District's (the District) financial performance provides an overview of the District's financial activities for the fiscal year ended August 31, 2007. This discussion and analysis is to be read in conjunction with the District's financial statements which begin on page 23.

**USING THIS ANNUAL REPORT**

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

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

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

***The Statement of Net Assets***

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

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

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



## USING THIS ANNUAL REPORT – CONTINUED

### *The Statement of Revenues, Expenses and Changes in Net Assets*

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

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

### *The Statement of Cash Flows*

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

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

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## FINANCIAL ANALYSIS

### *Statement of Net Assets*

The following analysis focuses on the Statement of Net Assets, which is condensed in Table I. The complete Statement of Net Assets appears on page 23 of this report.

**TABLE I**  
**CONDENSED STATEMENT OF NET ASSETS**  
(in millions)

	<u>August 31,</u> <u>2007</u>	<u>August 31,</u> <u>2006</u>	<u>August 31,</u> <u>2005</u>
Current Assets	\$ 24.9	\$ 20.4	\$ 19.8
Noncurrent Assets			
Cash and Cash Equivalents - Restricted	79.7	69.0	22.5
Capital Assets, Net of Accumulated Depreciation	70.7	59.2	60.7
Other Non-Current Assets	1.9	1.7	0.8
Total Assets	177.2	150.4	103.8
Current Liabilities	23.2	17.5	14.9
Noncurrent Liabilities	90.5	76.9	33.0
Total Liabilities	113.7	94.4	47.9
Net assets:			
Invested in capital assets, net of related debt	49.3	43.9	25.5
Restricted Expendable	12.1	8.9	27.7
Unrestricted	2.1	3.1	2.6
Total Net Assets	\$ 63.5	\$ 55.9	\$ 55.8

Total Assets increased by \$26.9 million. The major factors affecting this net increase are the sale and reinvestment of the following: \$14 million in general obligation tax bonds and \$2 million in maintenance tax notes. These issuances will be used for various construction and renovation projects on campus which began in current and prior fiscal years. In addition, capital assets increased due to continued progress on the various construction projects on campus.

Total liabilities increased by \$19.3 million. Included in this increase are \$14 million in general obligation tax bonds and \$2 million in maintenance tax notes. Accounts payable also increased by over \$4 million due to pending payments to contractors for capital construction projects and to UTB for contractual obligations as per the partnership agreement.

Net assets (assets less liabilities) increased slightly in fiscal year 2007, from \$55.9 million at August 31, 2006 to \$63.5 million at August 31, 2007. Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – represents \$2.1 million of total net assets at August 31, 2007.

FINANCIAL ANALYSIS – Continued

*Statement of Revenues, Expenses and Changes in Net Assets*

The following analysis focuses on the Statement of Revenues, Expenses and Changes in Net Assets presented in condensed form in Table 2. The complete Statement of Revenues, Expenses, and Changes in Net Assets appear on page 24 of this report.

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

	<b>Fiscal Year <u>2007</u></b>	<b>Fiscal Year <u>2006</u></b>	<b>Fiscal Year <u>2005</u></b>
Operating Revenues	\$ 31.5	\$ 28.5	\$ 23.7
Operating Expenses	50.0	46.5	40.6
Non-Operating Revenues	29.7	27.1	20.7
Non-Operating Expenses	<u>3.6</u>	<u>2.5</u>	<u>1.0</u>
<b>INCREASE IN NET ASSETS</b>	<b>\$ 7.6</b>	<b>\$ 6.6</b>	<b>\$ 2.8</b>
<b>NET ASSETS - Beginning of Year</b>	<b>\$ 55.9</b>	<b>\$ 55.8</b>	<b>\$ 53.1</b>
Prior Period Adjustments		(6.5)	
<b>NET ASSETS - End of Year</b>	<b>\$ <u>63.5</u></b>	<b>\$ <u>55.9</u></b>	<b>\$ <u>55.8</u></b>

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

**TABLE 3**  
**OPERATING REVENUE**  
(in millions)

	<b>Fiscal Year 2007</b>		<b>Fiscal Year 2006</b>		<b>Fiscal Year 2005</b>	
	<u>Amount</u>	<u>Percentage of Total</u>	<u>Amount</u>	<u>Percentage of Total</u>	<u>Amount</u>	<u>Percentage of Total</u>
Net Tuition and Fees	26.9	85.4%	23.8	83.5%	19.4	81.9%
Grants and Contracts	4.2	13.3%	4.4	15.4%	3.9	16.4%
Auxiliary Enterprises	0.3	1.0%	0.3	1.1%	0.4	1.6%
Other Operating Revenues	0.1	0.3%	0.0	0.0%	0.1	0.1%
<b>Total Operating Revenues</b>	<b>\$ <u>31.5</u></b>	<b>100.0%</b>	<b>\$ <u>28.5</u></b>	<b>100.0%</b>	<b>\$ <u>23.7</u></b>	<b>100.0%</b>

*Statement of Revenues, Expenses and Changes in Net Assets – Continued*

Operating revenues were affected by the following key factors:

- Tuition and fees (net of scholarship discounts) increased as a result of the following: per semester credit hour credit increases of \$14 for building use fee, \$1 for Library and \$2 for Student Services and a per student increase of \$25 for advising for all students. Although the District experienced a 25% increase in enrollment, it is important to note that the majority of this increase is attributed to Dual Enrollment students at local high schools who receive waivers for all tuition and fees.
- Grants and Contracts revenues decreased slightly primarily as a result of a decrease in the Carl Perkins program.

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

**TABLE 4**  
**NON-OPERATING REVENUE**  
(in millions)

	Fiscal Year 2007		Fiscal Year 2006		Fiscal Year 2005	
	Amount	Percentage of Total	Amount	Percentage of Total	Amount	Percentage of Total
State Appropriations	12.6	42.6%	12.3	45.4%	10.8	52.2%
Ad Valorem Taxes	13.8	46.6%	12.2	45.1%	9.1	44.0%
Investment Income	3.1	10.5%	2.1	7.7%	0.7	3.4%
Other Non-Operating Revenues	0.1	0.3%	0.5	1.8%	0.1	0.4%
Total Non-Operating Revenues	\$ 29.6	100.0%	\$ 27.1	100.0%	\$ 20.7	100.0%

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

- State appropriations were awarded for the 2006-2007 biennia therefore this award remained fairly flat from fiscal year to fiscal year. Appropriations for the current biennia increased 13% as compared to the 2004-2005 biennia.
- Property tax revenue increased by about \$1.5 million as a result of a 14.6% increase in taxable assessed property valuations. The effects of this increase in valuations were partially offset with a decrease in the tax rate for the Texas Southmost College District from \$0.162772 per \$100 valuation in fiscal year 2006 to \$0.161089 per \$100 valuation in fiscal year 2007.

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

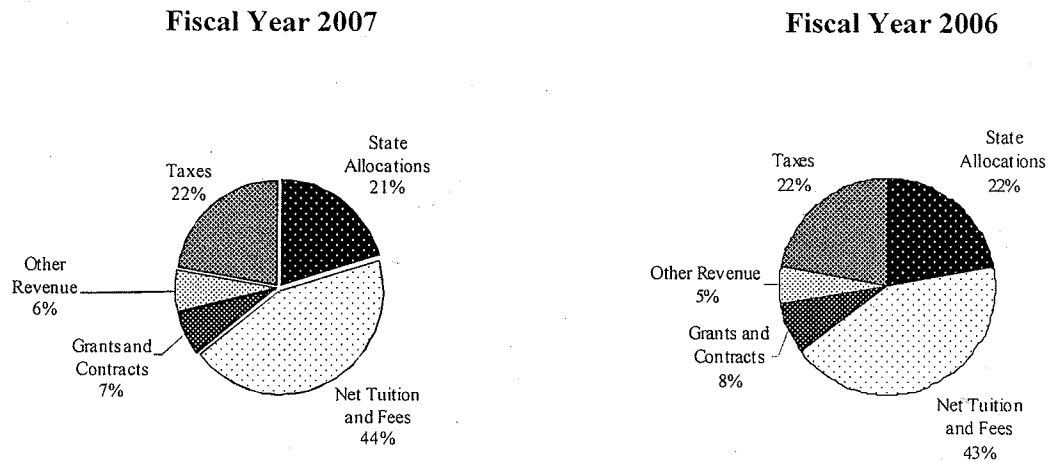
**Table 5**  
**PROPERTY TAX INFORMATION**

	<u>Fiscal Year</u> <u>2007</u>	<u>Fiscal Year</u> <u>2006</u>	<u>Percent</u> <u>Change</u>
Total Tax Rate per \$100	\$ 0.161089	\$ 0.162772	-1%
Total Tax Collections	\$ 13,767,626	\$ 12,234,865	13%
Tax Collection Rate	94.64%	94.01%	-
Assessed Valuation	\$8,786,825,986	\$7,663,218,167	14.7%

The District's total tax assessments increased by almost 13% due to a 14.7% increase in valuation and due to a slight decrease in the total tax rate. Overall, the District's tax collection rate has remained strong over the past decade.

Key sources of revenue in total for the District are state allocations, grants and contracts, property taxes and tuition and fees (net of scholarship discounts). Table 6 shows a comparison of the breakdown of total revenues by source for the District in fiscal years 2007 and 2006.

**TABLE 6**  
**TOTAL REVENUES**  
**(Operating and Non-operating)**



In both fiscal year 2007 and 2006, tuition and fees account for the largest source of revenue (44% and 43%, respectively) for the District. State allocations are the next largest revenue source at 21% in fiscal year 2007 and 22% in fiscal year 2006. Property taxes as a percentage of total revenues remained relatively flat from fiscal year 2006 to 2007.

*Statement of Revenues, Expenses and Changes in Net Assets – Continued*

Table 7 displays the breakdown of operating expenses by natural classification for the District.

**TABLE 7**  
**OPERATING EXPENSES**  
**Natural Classification**  
(in millions)

	<b>Fiscal Year <u>2007</u></b>	<b>Fiscal Year <u>2006</u></b>	<b>Fiscal Year <u>2005</u></b>
Salaries	\$ 0.6	\$ 0.5	\$ 0.3
Benefits	0.1	0.1	0.0
Supplies and Services	3.3	3.6	2.9
Contract Services - UTB	43.8	40.2	35.9
Depreciation	<u>2.2</u>	<u>2.2</u>	<u>1.5</u>
Total Operating Expenses	<u>\$ 50.0</u>	<u>\$ 46.6</u>	<u>\$ 40.6</u>

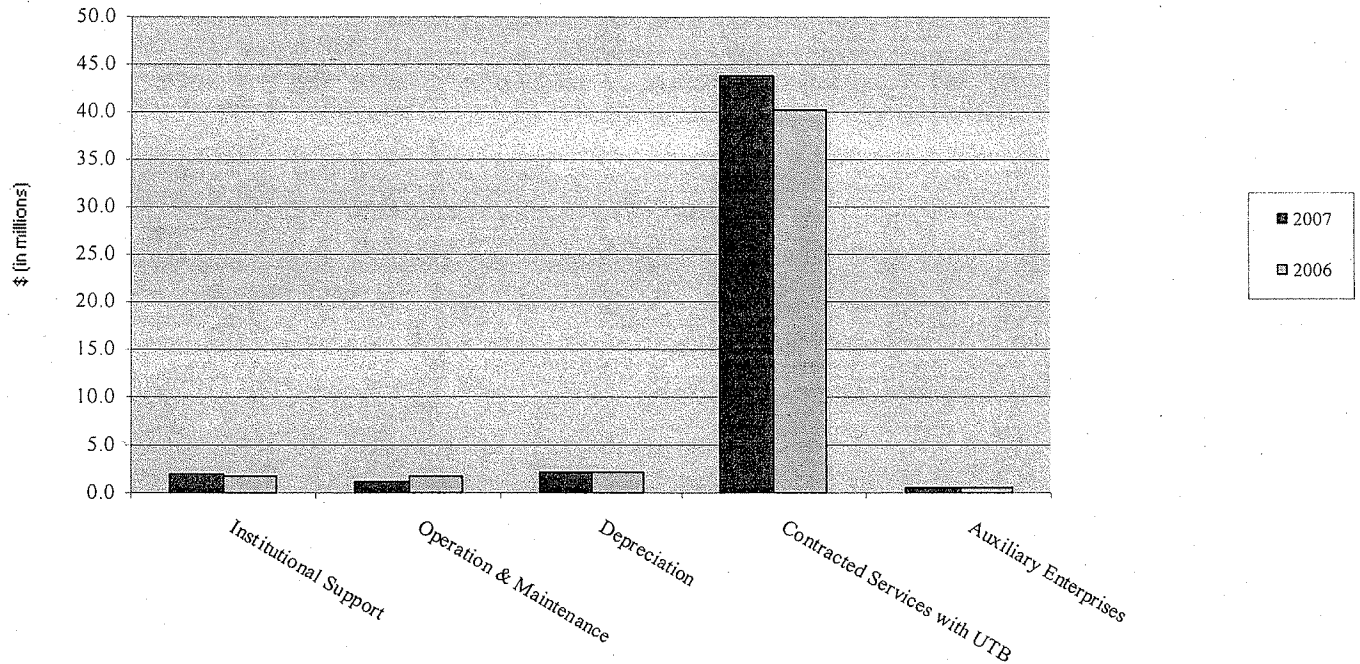
Table 8 displays the breakdown of the District's expenses by functional classification.

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

	<b><u>2007</u></b>	<b><u>2006</u></b>	<b><u>2005</u></b>
<u>Educational and General</u>			
Institutional Support	\$ 2.1	\$ 1.7	\$ 1.7
Operation and Maintenance of Plant	1.2	1.7	1.1
Contract Services - UTB	43.9	40.3	35.8
Depreciation	<u>2.2</u>	<u>2.2</u>	<u>1.5</u>
Total Educational Activities	49.4	45.9	40.1
Auxiliary Enterprises	<u>0.6</u>	<u>0.7</u>	<u>0.5</u>
Total Operating Expenses	<u>\$ 50.0</u>	<u>\$ 46.6</u>	<u>\$ 40.6</u>

Table 9 also displays the breakdown of the District's expenses by functional classification.

**TABLE 9**  
**OPERATING EXPENSES**  
**Functional Classification**  
 (in millions)



The District operates under a partnership agreement with The University of Texas at Brownsville (UTB). Under this agreement, the District contracts with UTB to provide instruction and other related essential services. This contract is the largest expense for the District as is reflected in the Contract Services-UTB category. In fiscal year 2006 and 2007, this amount represented 86% and 88% of total expenses, respectively. The increase of \$3.6 million from fiscal year 2006 to fiscal year 2007 is primarily as a result of increased tuition and fees that are committed to the partnership under the agreement. The University of Texas at Brownsville releases an Annual Financial Report detailing total expenses for both the District and University and should be reviewed in conjunction with this report for further information.

**Statement of Cash Flows**

The Condensed Statement of Cash Flows appears in Table 10. The complete Statement of Cash Flows appears on page 25 and 26 of this report.

*Statement of Cash Flows – Continued*

**TABLE 10**  
**CONDENSED STATEMENT OF CASH FLOWS**  
(in millions)

	2007	2006	2005
Cash Provided/ Used By:			
Operating Activities	\$ (13.3)	\$ (14.2)	\$ (15.7)
Noncapital Financing Activities	23.1	20.6	18.6
Capital and Related Financing Activities	0.5	36.5	16.4
Investing Activities	2.8	1.6	0.8
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>\$ 13.1</b>	<b>\$ 44.5</b>	<b>\$ 20.1</b>
<b>CASH - Beginning of Year</b>	<b>\$ 73.2</b>	<b>\$ 28.7</b>	<b>\$ 8.6</b>
<b>CASH - End of Year</b>	<b>\$ 86.4</b>	<b>\$ 73.2</b>	<b>\$ 28.7</b>

Total Cash and Cash Equivalents increased by \$13.2 million during the year. Major factors impacting cash and cash equivalents are described below by source.

*Operating Activities:* Cash flows from operations resulted in an outflow of \$13.3 million. The major source of cash receipts was from tuition and fees, net of scholarship allowances and discounts (\$25.4 million). The District's major cash outlay was for contract services with UTB (\$41.2 million).

*Non-capital Financing Activities:* The District had a positive cash flow of \$23.1 million from the collection of property taxes and receipt of state appropriations. Property taxes were collected at a rate of 94.6% of the current year's tax levy. (See Table 5 on page 16 for more information on property taxes.)

*Capital and Related Financing Activities:* Capital and related financing activities resulted in a cash inflow of \$5 million. Cash outlays of approximately \$19.8 million were made for capital construction projects, purchases of land and property, and principal and interest payments for all outstanding bonds. Cash inflows of \$20.3 million resulted from the issuance of \$14 million in tax bonds and \$2 million in maintenance tax notes.

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

*Investing Activities:* Cash flows from investing activities represent investment earnings generated from the District's various checking, savings and certificate of deposit accounts. The District nearly doubled earnings on investments from prior year due to the investment of additional bond proceeds.

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## CAPITAL ASSET AND DEBT ADMINISTRATION

### *Capital Assets*

At the end of fiscal year 2007 the District had approximately \$70.7 million (net of accumulated depreciation) invested in a broad range of capital assets, including instructional and athletic facilities, maintenance of buildings and equipment. Additions to capital assets totaled \$13.7 million and approximately \$11 million of the additions are for construction in progress on the various bond financed projects that have begun on campus. The most advanced construction projects include the ITECC Thermal Plant and Recreation Center. Nearly \$3 million was added for the purchase of condominiums on the peninsula, lots on Jackson Street, a newly constructed Pedestrian Bridge and various major renovation projects on campus.

Note 5 of the financial statements which begins on page 31 provides further detailed information regarding the District's capital assets. Table 11 summarizes capital asset activity for the year ended August 31, 2007.

**TABLE 11**  
**Capital Assets at Fiscal Year End 2007**

	(in millions)			Balance August 31, 2007
	Balance September 1, 2006	Increases	Decreases	
	Not Depreciated	\$ 8.94	\$ 13.14	
Buildings and Other Capital Assets	\$ 88.62	\$ 0.66	\$ -	\$ 89.28
Less Accumulated Depreciation	\$ (38.36)	\$ (2.22)	\$ -	\$ (40.58)
<b>Net Capital Assets</b>	<b>\$ 59.20</b>	<b>\$ 11.57</b>	<b>\$ 0.04</b>	<b>\$ 70.73</b>

### *Debt*

The District's general obligation bond ratings, as assigned by Fitch Ratings and Standard and Poor's are AA- and A+ respectively. The rating for revenue bonds as assigned by Standard and Poor's is A. The District's bond ratings have remained stable as a result of strong financial stability.

At year-end, the District had approximately \$92.9 million in outstanding debt. Notes 6 through 10 of the financial statements which begin on page 33 provide further detailed information regarding the District's debt obligations. Table 12 summarizes these amounts by type of debt instrument.

**TABLE 12**  
**Bonds Payable at Fiscal Year End 2007**  
(in millions)

	Balance September 1, 2006	Increases	Decreases	Balance August 31, 2007
	General Obligation Bonds			\$ 49.49
Revenue Bonds	\$ 28.89	\$ -	\$ 0.40	\$ 28.49
Plus Premium on Bonds	\$ 1.05	\$ -	\$ 0.03	\$ 1.02
Less Deferred Amounts on Refunding	\$ (0.70)	\$ -	\$ (0.04)	\$ (0.65)
<b>Total Bonds Payable</b>	<b>\$ 78.74</b>	<b>\$ 16.00</b>	<b>\$ 1.88</b>	<b>\$ 92.86</b>

## CAPITAL ASSET AND DEBT ADMINISTRATION – CONTINUED

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

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

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

In February 2005, the District made the first bond issuance for \$19.805 million out of the total \$68 million in bonds that were approved by the voters in November of 2004. The second issuance for \$24.945 million was made in April 2006 and the third issuance for \$14 million was made in June 2007. 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 and June 2007, the District also issued \$4.835 million and \$2 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.

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## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The Board of Trustees considered many factors when establishing the fiscal year 2008 budget and tax rates. Tuition and fees revenues are expected to remain flat or decrease slightly as a result of a large increase in dual enrollment students at the high schools for whom tuition and fees are waived. District student enrollment is expected to stay flat and tuition rates and fees are expected to increase modestly. The District expects tax revenue to increase slightly during fiscal year 2008. Continued growth in the tax base, due to population growth and increased valuation, are expected to be driving forces in increased collections. State allocations for the District are projected to increase by approximately \$1.6 million in the coming year as per the 80<sup>th</sup> Legislative Session. Expenditures are expected to stay in line with the projected overall increase in revenues as the institution strives to meet the needs of future expanding enrollment.

In November 2004, the voters approved a \$68 million bond election. As a result, seven major capital projects are in the planning, design and construction phases. These projects include: Music Education Complex, Renovations at ITECC, Early Childhood Development Center, Campus Parking, Library and Library Improvements and Classroom Buildings. In addition, a Recreation, Education and Kinesiology Center is under construction and expected to be complete in the late Fall of 2008. This center is being funded through a combination of bond proceeds and student fees.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

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

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## TEXAS SOUTHMOST COLLEGE DISTRICT

## STATEMENTS OF NET ASSETS

August 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 6,665,423	\$ 4,168,092
Accounts receivable (net)	17,806,331	15,235,041
Prepaid expenses	<u>421,533</u>	<u>943,483</u>
<b>Total Current Assets</b>	<u>24,893,287</u>	<u>20,346,616</u>
<b>Noncurrent Assets:</b>		
Restricted cash and cash equivalents	79,703,664	69,044,048
Endowment investments	67,616	60,085
Unamortized bond issuance cost	1,807,489	1,679,087
Capital assets (net)	<u>70,733,779</u>	<u>59,197,956</u>
<b>Total Noncurrent Assets</b>	<u>152,312,548</u>	<u>129,981,176</u>
<b>Total Assets</b>	<u>177,205,835</u>	<u>150,327,792</u>
<b>LIABILITIES</b>		
<b>Current Liabilities:</b>		
Accounts payable	6,495,138	2,349,066
Accrued liabilities	822,690	894,101
Funds held for others	8,304	8,304
Deferred revenues	13,471,044	12,373,700
Bonds payable – current portion	<u>2,410,000</u>	<u>1,885,000</u>
<b>Total Current Liabilities</b>	<u>23,207,176</u>	<u>17,510,171</u>
<b>Noncurrent Liabilities:</b>		
Accrued compensable absences	55,150	39,308
Bonds payable	<u>90,456,138</u>	<u>76,851,662</u>
<b>Total Noncurrent Liabilities</b>	<u>90,511,288</u>	<u>76,890,970</u>
<b>Total Liabilities</b>	<u>113,718,464</u>	<u>94,401,141</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	49,258,626	43,849,871
Restricted for:		
Expendable		
Endowment	73,386	65,327
Capital projects	2,389,239	2,492,072
Debt service	9,538,910	6,238,343
Other	131,397	118,142
Unrestricted	<u>2,095,813</u>	<u>3,162,896</u>
<b>Total Net Assets (Schedule D)</b>	<u>\$ 63,487,371</u>	<u>\$ 55,926,651</u>

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

## TEXAS SOUTHMOST COLLEGE DISTRICT

## STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

Years Ended August 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
<b>Operating Revenues</b>		
Tuition and fees (net of discounts of \$1,720,630 and \$1,849,598, respectively)	\$ 26,948,039	\$ 23,754,562
Federal grants and contracts	774,059	916,007
State grants and contracts	3,099,683	3,073,616
Local grants and contracts	305,541	391,678
Auxiliary enterprises	347,361	345,640
General operating revenues	<u>45,750</u>	<u>45,550</u>
Total Operating Revenues (Schedule A)	31,520,433	28,527,053
<b>Operating Expenses</b>		
Institutional support	2,066,398	1,739,662
Operation and maintenance of plant	1,225,773	1,704,455
Auxiliary enterprises	614,980	686,733
Depreciation	2,221,288	2,181,910
Contracted services with UTB	<u>43,854,678</u>	<u>40,256,696</u>
Total Operating Expenses (Schedule B)	49,983,117	46,569,456
<b>Operating Loss</b>	(18,462,684)	(18,042,403)
<b>Non-Operating Revenues (Expenses)</b>		
State appropriations	12,628,144	12,270,602
Maintenance ad valorem taxes	9,281,055	8,243,681
Debt Service ad valorem taxes	4,486,571	3,991,184
Donation	-	988,476
Disposition of fixed asset	-	(552,407)
Investment income	3,128,813	2,093,733
Interest on capital related debt	(3,506,956)	(2,415,978)
Other non-operating revenues	113,496	79,861
Other non-operating expenses	<u>(107,719)</u>	<u>(54,050)</u>
Net Non-Operating Revenues (Schedule C)	26,023,404	24,645,102
<b>Increase in Net Assets</b>	7,560,720	6,602,699
<b>Net Assets</b>		
Net assets – beginning of year	55,926,651	55,844,826
Prior period adjustment	-	(6,520,874)
Net assets – end of year	<u>\$ 63,487,371</u>	<u>\$ 55,926,651</u>

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

## TEXAS SOUTHMOST COLLEGE DISTRICT

**STATEMENTS OF CASH FLOWS**  
Years Ended August 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from students and other customers	\$ 25,356,036	\$ 24,040,766
Receipts from grants and contracts	2,979,676	4,415,939
Payments to suppliers for goods and services	(1,117,175)	(2,411,253)
Transfers to UTB	(41,175,017)	(40,254,739)
Payments to or on behalf of employees	-	(455,673)
Other receipts	<u>697,905</u>	<u>421,919</u>
Net cash used by operating activities	<u>(13,258,575)</u>	<u>(14,243,041)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>		
Receipts from state appropriations	12,628,144	12,270,602
Receipts from ad valorem taxes	9,106,055	8,225,398
Other receipts	<u>1,400,495</u>	<u>79,861</u>
Net cash provided by non-capital financing activities	<u>23,134,694</u>	<u>20,575,861</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Proceeds on issuance of capital debt	15,886,073	49,714,174
Proceeds from ad valorem taxes	4,428,900	3,824,319
Purchases of capital assets	(13,757,112)	(7,140,798)
Payments on capital debt – principal	(1,885,000)	(7,640,000)
Payments on capital debt – interest	<u>(4,168,987)</u>	<u>(2,280,967)</u>
Net cash provided by capital and related financing activities	<u>503,874</u>	<u>36,476,728</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Interest on investments	<u>2,776,954</u>	<u>1,747,057</u>
Net cash provided by investing activities	<u>2,776,954</u>	<u>1,747,057</u>
Increase (Decrease) In Cash and Cash Equivalents	13,156,947	44,556,605
Cash and Cash Equivalents – September 1	<u>73,212,140</u>	<u>28,655,535</u>
Cash and Cash Equivalents – August 31	<u>\$ 86,369,087</u>	<u>\$ 73,212,140</u>

(Continued)

## TEXAS SOUTHMOST COLLEGE DISTRICT

**STATEMENT OF CASH FLOWS – CONTINUED**

Years Ended August 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
<b>RECONCILIATION OF NET OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>		
Operating loss	(18,462,684)	(18,042,403)
Adjustments to reconcile net loss to net cash provided (used)		
by operating activities:		
Depreciation expense	2,221,288	2,181,910
<b>Changes in assets and liabilities:</b>		
Receivables (net)	(2,571,290)	(1,537,337)
Prepaid expenses	601,424	(438,943)
Accounts payable	4,402,356	1,603,691
Accrued liabilities	(531,171)	94,245
Compensated absences	(15,842)	6,887
Deferred revenue	<u>1,097,344</u>	<u>1,888,909</u>
Net cash used by operating activities	<u>\$ (13,258,575)</u>	<u>\$ (14,243,041)</u>

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

Cash paid during the year for:		
Interest	4,168,987	2,280,967
Income taxes	-	-

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

## **NOTES TO FINANCIAL STATEMENTS**



TEXAS SOUTHMOST COLLEGE DISTRICT  
**NOTES TO THE FINANCIAL STATEMENTS**  
August 31, 2007 and 2006

**1. Reporting Entity**

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

**2. Summary of Significant Accounting Policies**

*Reporting Guidelines*

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

*Tuition Discounting*

Texas Public Education Grants

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

Other Tuition Discounts

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

*Basis of Accounting*

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

*Budgetary Data*

Each community college in Texas is required by law to prepare an annual operating budget of anticipated revenues and expenses for the fiscal year beginning September 1. The College's Board of Trustees adopts the budget, which is prepared on the accrual basis of accounting. A copy of the approved budget and subsequent amendments must

TEXAS SOUTHMOST COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

August 31, 2007 and 2006

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

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

*Cash and Cash Equivalents*

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

*Investments*

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

*Inventories*

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

*Capital Assets*

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

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

*Deferred Revenues*

Tuition and fees of \$13,471,044 and \$12,373,700 have been reported as deferred revenues at August 31, 2007 and 2006, respectively.

*Estimates*

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

TEXAS SOUTHMOST COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

August 31, 2007 and 2006

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

*Operating and Non-Operating Revenue and Expense Policy*

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

3. **Authorized Investments**

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

4. **Deposits and Investments**

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

**Cash and Deposits**

	<u>2007</u>	<u>2006</u>
Bank Deposits		
Demand Deposits – Unrestricted	\$ 6,662,813	\$ 4,165,482
Demand Deposits – Restricted	79,703,664	69,044,048
Cash and Cash Equivalents		
Petty Cash on Hand	2,610	2,610
Total Cash and Deposits	<u>\$ 86,369,087</u>	<u>\$ 73,212,140</u>

**Reconciliation of Deposits and Investments to Exhibit 1**

<u>Type of Security</u>	Market Value August 31, <u>2007</u>	Market Value August 31, <u>2006</u>
Total Cash and Deposits	\$ 86,369,087	\$ 73,212,140
Total Investments	<u>67,616</u>	<u>60,085</u>
Total Deposits and Investments	<u>\$ 86,436,703</u>	<u>\$ 73,272,225</u>
Cash and Temporary Investments (Exhibit 1)	\$ 6,665,423	\$ 4,168,092
Cash and Temporary Investments – Restricted (Exhibit 1)	79,703,664	69,044,048
Investments (Exhibit 1)	<u>67,616</u>	<u>60,085</u>
Total Deposits and Investments	<u>\$ 86,436,703</u>	<u>\$ 73,272,225</u>

TEXAS SOUTHMOST COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

August 31, 2007 and 2006

4. **Deposits and Investments – Continued**

As of August 31, 2007 the District had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in years) 8 -10</u>
U.S. Government Securities	\$ -	\$ -
U.S. Treasuries	-	-
Commercial Paper	-	-
Investment Pool	-	-
Certificate of Deposit	-	-
Common Stock	67,616	20,593
Municipal Bonds	-	-
Total Fair Value	<u>\$ 67,616</u>	<u>\$ 20,593</u>

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

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

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

At August 31, 2007 the District’s investments consisted of savings accounts which are reported as cash and cash equivalents on the Statement of Net Assets and common stocks that were donated to the District. The stocks are held in an endowment fund and have donor restrictions.

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

Capital assets activity for the year ended August 31, 2007 was as follows:

	<u>Balance September 1, 2006</u>	<u>Increases</u>	<u>Decreases</u>	<u>Reclassification</u>	<u>Balance August 31, 2007</u>
<b>Not Depreciated:</b>					
Land	\$ 4,167,523	\$ 387,501	\$ -	\$ -	\$ 4,555,024
Construction in Process	<u>4,768,935</u>	<u>12,747,689</u>	<u>(36,315)</u>	-	<u>17,480,309</u>
Subtotal	<u>8,936,458</u>	<u>13,135,190</u>	<u>(36,315)</u>	-	<u>22,035,333</u>

TEXAS SOUTHMOST COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

August 31, 2007 and 2006

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

	Balance September 1, 2006	Increases	Decreases	Reclassification	Balance August 31, 2007
<u>Buildings and Other Capital Assets:</u>					
Buildings and Building Improvements	63,673,006	476,455	-	-	64,149,461
Other Real Estate Improvements	7,854,235	181,782	-	-	8,036,017
Total Buildings and Other Real Estate Improvements	71,527,241	658,237	-	-	72,185,478
Library Books	8,422,239	-	-	-	8,422,239
Furniture, Machinery, and Equipment	8,671,001	-	-	-	8,671,001
Total Buildings and Other Capital Assets	88,620,481	658,237	-	-	89,278,718
<u>Accumulated Depreciation:</u>					
Buildings and Building Improvements	(18,285,304)	(1,076,517)	-	-	(19,361,821)
Other Real Estate Improvements	(4,617,390)	(343,239)	-	-	(4,960,629)
Total Buildings and Other Real Estate Improvements	(22,902,694)	(1,419,756)	-	-	(24,322,450)
Library Books	(7,439,645)	(561,483)	-	-	(8,001,128)
Furniture, Machinery, and Equipment	(8,016,644)	(240,049)	-	-	(8,256,693)
Total Accumulated Depreciation	(38,358,983)	(2,221,288)	-	-	(40,580,271)
Total Buildings and Other Capital Assets	50,261,498	(1,563,051)	-	-	48,698,447
Net Capital Assets	\$ 59,197,956	\$ 11,572,139	\$ (36,315)	\$ -	\$ 70,733,779

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

	Balance September 1, 2005	Increases	Decreases	Reclassification	Balance August 31, 2006
<u>Not Depreciated:</u>					
Land	\$ 3,809,383	\$ 358,140	\$ -	\$ -	\$ 4,167,523
Construction in Process	43,461	4,725,474	-	-	4,768,935
Subtotal	3,852,844	5,083,614	-	-	8,936,458
<u>Buildings and Other Capital Assets:</u>					
Buildings and Building Improvements	61,779,379	2,446,034	(552,407)	-	63,673,006
Other Real Estate Improvements	7,257,233	597,002	-	-	7,854,235
Total Buildings and Other Real Estate Improvements	69,036,612	3,043,036	(552,407)	-	71,527,241
Library Books	8,422,239	-	-	-	8,422,239
Furniture, Machinery, and Equipment	8,671,001	-	-	-	8,671,001
Total Buildings and Other Capital Assets	86,129,852	3,043,036	(552,407)	-	88,620,481

TEXAS SOUTHMOST COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

August 31, 2007 and 2006

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

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

6. Long-Term Liabilities

Long-term liability activity for the year ended August 31, 2007 was as follows:

	Balance September 1, 2006	Additions	Reductions	Balance August 31, 2007	Current Portion
<u>Bonds</u>					
General Obligation Bonds	\$ 49,490,000	\$ 16,000,000	\$ 1,490,000	\$64,000,000	\$ 1,560,000
Revenue Bonds	28,890,000	-	395,000	28,495,000	850,000
Plus Premium on Bonds	1,053,505	-	28,514	1,024,992	-
Less Deferred Amounts on Refunding	(696,843)	-	(42,989)	(653,854)	-
Subtotal	<u>78,736,662</u>	<u>16,000,000</u>	<u>1,870,525</u>	<u>92,866,138</u>	<u>2,410,000</u>
Accrued Compensable Absences	<u>39,308</u>	<u>15,842</u>	<u>-</u>	<u>55,150</u>	<u>-</u>
Total Long-term Liabilities	<u>\$ 78,775,970</u>	<u>\$ 16,015,842</u>	<u>\$ 1,870,525</u>	<u>\$ 92,921,288</u>	<u>\$ 2,410,000</u>

TEXAS SOUTHMOST COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

August 31, 2007 and 2006

6. Long-Term Liabilities – Continued

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

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

7. Debt Obligations

Debt service requirements at August 31, 2007 were as follows (amounts in 000's):

For the Year Ended August 31,	General Obligation Bonds			Revenue Bonds			Total Bonds	
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest
2008	\$ 1,560	\$ 2,954	\$ 4,514	\$ 850	\$ 1,251	\$ 2,101	\$ 2,410	\$ 4,205
2009	420	2,792	3,212	880	1,217	2,097	1,300	4,009
2010	1,610	2,755	4,365	920	1,182	2,102	2,530	3,937
2011	1,875	2,693	4,568	945	1,150	2,095	2,820	3,843
2012	2,155	2,619	4,774	985	1,114	2,099	3,140	3,733
2013-2017	14,610	11,543	26,153	5,600	4,904	10,504	20,210	16,447
2018-2022	17,080	8,204	25,284	6,865	3,618	10,483	23,945	11,822
2023-2027	19,445	3,405	22,850	7,170	1,991	9,161	26,615	5,396
2028-2033	<u>5,245</u>	<u>682</u>	<u>5,927</u>	<u>4,280</u>	<u>463</u>	<u>4,743</u>	<u>9,525</u>	<u>1,145</u>
	<u>\$ 64,000</u>	<u>\$ 37,646</u>	<u>\$ 101,646</u>	<u>\$ 28,495</u>	<u>\$ 16,890</u>	<u>\$ 45,385</u>	<u>\$ 92,495</u>	<u>\$ 54,537</u>

TEXAS SOUTHMOST COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

August 31, 2007 and 2006

8. Bonds Payable

General information related to bonds payable is summarized below:

Student Union Building Fees Revenue Bonds, Series 2000

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

Bonds payable are due in annual installments varying from \$260,000 to \$275,000 with interest rates ranging from 5.0% to 6.0% with the final installment due in 2009. Future principal and interest expense requirements are summarized below.

Year Ending August 31,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 260,000	\$ 27,957	\$ 287,957
2009	<u>275,000</u>	<u>14,437</u>	<u>289,437</u>
Total	<u>\$ 535,000</u>	<u>\$ 42,394</u>	<u>\$ 577,394</u>

Limited Tax Refunding Bonds, Series 2004

- To refund certain outstanding Refunding Tax Bonds, Series 1994
- Issued refunding bonds on February 18, 2004
- \$3,600,000, all authorized bonds have been issued
- Source of revenue for debt service – ad valorem tax levy

Bond payable is due in the final installment of \$180,000 with interest at 2.25% in February 2008.

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

Year Ending August 31,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 180,000	\$ 2,025	\$ 182,025
Total	<u>\$ 180,000</u>	<u>\$ 2,025</u>	<u>\$ 182,025</u>



TEXAS SOUTHMOST COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

August 31, 2007 and 2006

8. Bonds Payable – Continued

Student Union Building Fees Revenue Refunding Bonds, Series 2005

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

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

Year Ending August 31,	Principal	Interest	Total
2008	\$ 65,000	\$ 315,603	\$ 380,603
2009	65,000	313,653	378,653
2010	360,000	311,540	671,540
2011	370,000	299,840	669,840
2012	380,000	286,890	666,890
2013-2017	2,130,000	1,213,345	3,343,345
2018-2022	2,585,000	751,610	3,336,610
2023-2027	1,840,000	167,260	2,007,260
2028-2033	-	-	-
Total	<u>\$ 7,795,000</u>	<u>\$ 3,659,741</u>	<u>\$ 11,454,741</u>

Limited Tax Bonds, Series 2005

- To be used for the construction and equipment of school buildings and purchase of necessary sites
- Issued tax bonds on February 15, 2005
- \$18,365,000, all authorized bonds have been issued
- Source of revenue for debt service – ad valorem tax levy

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

Year Ending August 31,	Principal	Interest	Total
2008	\$ -	\$ 765,775	\$ 765,775
2009	-	765,775	765,775
2010	855,000	752,950	1,607,950
2011	880,000	726,925	1,606,925
2012	910,000	698,938	1,608,938
2013-2017	5,045,000	2,984,222	8,029,222
2018-2022	6,195,000	1,845,470	8,040,470
2023-2027	4,480,000	343,500	4,823,500
2028-2033	-	-	-
Total	<u>\$ 18,365,000</u>	<u>\$ 8,883,555</u>	<u>\$ 27,248,555</u>

TEXAS SOUTHMOST COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

August 31, 2007 and 2006

8. Bonds Payable – Continued

Wellness Center Revenue Bonds, Series 2005

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

Bonds payable are due in annual installments varying from \$360,000 to \$935,000 with interest at 3.5% to 5% and the final payment due in August 2030.

<u>Year Ending August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 360,000	\$ 622,556	\$ 982,556
2009	370,000	609,956	979,956
2010	385,000	597,006	982,006
2011	395,000	583,531	978,531
2012	415,000	567,731	982,731
2013-2017	2,400,000	2,511,455	4,911,455
2018-2022	2,970,000	1,935,769	4,905,769
2023-2027	3,690,000	1,215,800	4,905,800
2028-2033	2,670,000	271,500	2,941,500
Total	<u>\$ 13,655,000</u>	<u>\$ 8,915,304</u>	<u>\$22,570,304</u>

Limited Tax Bonds, Series 2006

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

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

<u>Year Ending August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ -	\$ 1,147,784	\$ 1,147,784
2009	-	1,147,784	1,147,784
2010	395,000	1,139,884	1,534,884
2011	485,000	1,122,284	1,607,284
2012	580,000	1,100,621	1,680,621
2013-2017	4,940,000	4,971,626	9,911,626
2018-2022	7,765,000	3,658,625	11,423,625
2023-2027	10,455,000	1,196,625	11,651,625
2028-2033	-	-	-
Total	<u>\$ 24,620,000</u>	<u>\$ 15,485,233</u>	<u>\$ 40,105,233</u>

TEXAS SOUTHMOST COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

August 31, 2007 and 2006

8. Bonds Payable – Continued

Maintenance Tax Notes, Series 2006

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

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

<u>Year Ending August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 170,000	\$ 204,628	\$ 374,628
2009	180,000	197,628	377,628
2010	185,000	190,328	375,328
2011	195,000	182,728	377,728
2012	200,000	174,828	374,828
2013-2017	1,130,000	743,402	1,873,402
2018-2022	1,405,000	474,715	1,879,715
2023-2027	1,370,000	129,080	1,499,080
2028-2033	-	-	-
Total	<u>\$ 4,835,000</u>	<u>\$ 2,297,337</u>	<u>\$ 7,132,337</u>

Combined Fee Revenue Refunding and Improvement Bonds, Series 2006

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

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

TEXAS SOUTHMOST COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

August 31, 2007 and 2006

8. Bonds Payable – Continued

Combined Fee Revenue Refunding and Improvement Bonds, Series 2006 – Continued

<u>Year Ending August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 165,000	\$ 285,223	\$ 450,223
2009	170,000	279,241	449,241
2010	175,000	273,036	448,036
2011	180,000	266,561	446,561
2012	190,000	259,811	449,811
2013-2017	1,070,000	1,179,356	2,249,356
2018-2022	1,310,000	930,891	2,240,891
2023-2027	1,640,000	607,485	2,247,485
2028-2033	1,610,000	191,254	1,801,254
Total	<u>\$ 6,510,000</u>	<u>\$ 4,272,858</u>	<u>\$ 10,782,858</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 \$145,000 to \$65,000, with interest at 4.25% to 4.75%, and the final installment due February 15, 2007.

<u>Year Ending August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 115,000	\$ 101,451	\$ 216,451
2009	65,000	82,784	147,784
2010	70,000	79,915	149,915
2011	70,000	76,940	146,940
2012	75,000	73,859	148,859
2013-2017	420,000	318,310	738,310
2018-2022	525,000	216,685	741,685
2023-2027	660,000	81,154	741,154
2028-2033	-	-	-
Total	<u>\$ 2,000,000</u>	<u>\$ 1,031,098</u>	<u>\$ 3,031,098</u>

Limited Tax Bond, Series 2007

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

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

TEXAS SOUTHMOST COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

August 31, 2007 and 2006

8. Bonds Payable – Continued

Limited Tax Bond, Series 2007 – Continued

Year Ending August 31,	Principal	Interest	Total
2008	\$ 1,095,000	\$ 732,820	\$ 1,827,820
2009	175,000	597,820	772,820
2010	105,000	591,870	696,870
2011	245,000	584,433	829,433
2012	390,000	570,939	960,939
2013-2017	3,075,000	2,524,973	5,599,973
2018-2022	1,190,000	2,008,638	3,198,638
2023-2027	2,480,000	1,654,885	4,134,885
2028-2033	5,245,000	682,375	5,927,375
Total	\$ 14,000,000	\$ 9,948,753	\$ 23,948,753

9. Advanced Refunding Bonds

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

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

10. Defeased Bonds Outstanding

In prior years, the District has defeased various bond issues by creating separate irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase U.S government securities that were placed in the trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the statement of net assets. As of August 31, 2007, the amount of defeased debt outstanding but removed from the statement of net assets is as follows:

Bond Issue	Year Refunded	Par Value Outstanding
Refunding Tax Bonds Series 1994	2004	\$ 225,000
Student Fees Revenue Bonds Series 2000	2005	7,110,000
Total		\$ 7,335,000

TEXAS SOUTHMOST COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

August 31, 2007 and 2006

11. **Unissued Debt**

Authorized and unissued general obligations bonds at August 31, 2007 are as follows:

<u>Date Bonds Authorized</u>	<u>Bonds Authorized</u>	<u>Bonds Issued</u>	<u>Unissued Bonds</u>
November 2004	\$68,000,000	\$59,000,000	\$9,000,000

12. **Employees' Retirement Plan**

The State of Texas has joint contributory retirement plans for almost all its employees. One of the primary plans in which the District participates is administered by the Teacher Retirement System of Texas. The percentages of participant salaries currently contributed by the state and by each participant are 6.0% and 6.4%, respectively, of annual compensation.

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

The state has also established an optional retirement program for institutions of higher education. Participation in the optional retirement program is in lieu of participation in the Teacher Retirement System. The optional retirement program provides for the purchase of annuity contracts. The percentages of participant salaries currently contributed by the state and each participant are 6.0% and 6.4%, 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 \$32,022 and \$25,793 for the fiscal years ended August 31, 2007 and 2006, respectively. This amount represents the portion of expended appropriations made by the State Legislature on behalf of the District.

The total payroll for all District employees was \$533,705 and \$429,880 for fiscal years 2007 and 2006, respectively. The total payroll of employees covered by the Teacher Retirement System was \$448,934 and \$397,080 for fiscal years 2007 and 2006, respectively, and the total payroll of employees covered by the Optional Retirement System was \$84,771 and \$32,800 for fiscal years 2007 and 2006, respectively.

13. **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, 2007, the District did not have any employees participating in a deferred compensation program.

TEXAS SOUTHMOST COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

August 31, 2007 and 2006

14. **Compensable Absences**

Full-time employees earn annual leave beginning on the first day of employment at the same rate and with the same limit as state employees as published each biennium in the General Appropriations Act. Employees who have completed six months of continuous employment are entitled to be paid for any unused vacation upon termination of employment. The District recognized the accrued liability for the unpaid annual leave in the amounts of \$55,150 for 2007 and \$39,308 for 2006. Sick leave is earned at the rate of 8 hours per month and may accumulate to a maximum of 60 working days. The District's policy is to recognize the cost of sick leave when paid.

15. **Pending Lawsuits and Claims**

On August 31, 2007, there were no lawsuits or claims involving Texas Southmost College District.

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

Receivables

Receivables at August 31, 2007 and 2006 were as follows:

	<u>2007</u>	<u>2006</u>
Taxes Receivable	\$ 2,137,119	\$ 1,891,579
Federal Receivable	190,677	195,031
Accounts Receivable	25,441	40,563
Accrued Interest Receivables	221,666	575,036
Other Receivable – Due from Cameron County	37,913	-
Other Receivable – Due from UTB	<u>15,300,373</u>	<u>12,627,412</u>
Subtotal	<u>17,913,188</u>	<u>15,329,621</u>
Allowance for Doubtful Accounts	<u>(106,857)</u>	<u>(94,580)</u>
<b>TOTAL RECEIVABLES</b>	<b><u>\$ 17,806,331</u></b>	<b><u>\$ 15,235,041</u></b>

Payables

Payables at August 31, 2007 and 2006 were as follows:

	<u>2007</u>	<u>2006</u>
Vendors Payable	\$ 3,135,418	\$ 1,671,007
Salaries and Benefits Payable	-	-
Other Payable – Due to UTB	<u>3,359,720</u>	<u>678,059</u>
Subtotal	<u>6,495,138</u>	<u>2,349,066</u>
Allowance for Doubtful Accounts	<u>-</u>	<u>-</u>
<b>TOTAL PAYABLES</b>	<b><u>\$ 6,495,138</u></b>	<b><u>\$ 2,349,066</u></b>

TEXAS SOUTHMOST COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

August 31, 2007 and 2006

17. **Contract and Grant Awards**

Contract and grant awards are accounted for in accordance with the requirements of the AICPA Industry Audit Guide, *Audits of Colleges and Universities*. Revenues are recognized on Exhibit 2 and Schedule A. For federal contract and grant awards, funds expended, but not collected, are reported as Federal Receivables on Exhibit 1. Non-federal contract and grant awards for which funds are expended, but not collected, are reported as Accounts Receivable on Exhibit 1. Contract and grant awards that are not yet funded and for which the institution has not yet performed services are not included in the financial statements. There were no contracts or grants awarded during fiscal year 2007 and 2006 for which monies have not been received nor funds expended.

18. **Self-Insured Plans**

The District has various self-insured arrangements for coverage in the areas of employee health insurance, worker's compensation, unemployment compensation, and medical liability. Employee health and medical liability plans are funded. Worker's compensation and unemployment compensation plans are on a pay-as-you-go basis, in which no assets are set aside.

19. **Post-Retirement Health Care, and Life Insurance Benefits**

In addition to providing pension benefits, the state provides certain health care and life insurance benefits for retired employees. Almost all of the employees may become eligible for those benefits if they reach normal retirement age while working for the state. Those and similar benefits for active employees are provided through an insurance company whose premiums are based on benefits paid during the previous year. At August 31, 2007 the District did not have any retired employees participating in post-retirements health care and life insurance benefits.

20. **Ad Valorem Tax**

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

At August 31:

	<u>2007</u>	<u>2006</u>
Assessed Valuation for the District	\$9,771,062,370	\$8,461,197,202
Less: Exemptions	984,236,384	797,979,035
Less: Abatements	-	-
Net Assessed Valuation for the District	<u>\$8,786,825,986</u>	<u>\$7,663,218,167</u>

	<u>2007</u>			<u>2006</u>		
	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>
Authorized Tax Rate per \$100 valuation	\$ .350000	\$ .500000	\$ .850000	\$ .350000	\$ .500000	\$ .850000
Assessed Tax Rate per \$100 valuation	\$ 0.109955	\$ 0.051134	\$ 0.161089	\$ 0.109161	\$ 0.053611	\$ .162772



TEXAS SOUTHMOST COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

August 31, 2007 and 2006

20. **Ad Valorem Tax** – Continued

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, 2007 and 2006 amounted to \$13,817,049 and \$12,262,774, 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.

	2007			2006		
	Current Operations	Debt Service	Total	Current Operations	Debt Service	Total
Current Taxes Collected	\$ 8,765,566	\$ 4,310,453	\$13,076,019	\$ 7,618,404	\$ 3,909,745	\$11,528,149
Delinquent Taxes Collected	\$ 485,322	\$ 182,877	\$ 668,199	\$ 567,193	\$ 107,291	\$ 674,484
Penalties and Interest Collected	\$ 296,865	\$ 116,523	\$ 413,388	\$ 294,855	\$ 87,546	\$ 382,401
Less:						
Discounts and Commissions	<u>(266,698)</u>	<u>(123,282)</u>	<u>(389,980)</u>	<u>\$ (236,771)</u>	<u>\$ (113,398)</u>	<u>\$ (350,169)</u>
Total Collections	<u>\$ 9,281,055</u>	<u>\$ 4,486,571</u>	<u>\$13,767,626</u>	<u>\$ 8,243,681</u>	<u>\$ 3,991,184</u>	<u>\$12,234,865</u>

Tax collections for the years ended August 31, 2007 and 2006 were 94.64 percent and 94.01 percent, respectively, of the current tax levy. Allowance for uncollectible taxes are based upon historical experience in collecting property taxes. The use of tax proceeds is restricted for the use of maintenance and/or general obligation debt service.

21. **Income Taxes**

The District is exempt from income taxes under Internal Revenue Code Section 115, Income of States, Municipalities, Etc., although unrelated business income may be subject to income taxes under Internal Revenue Code Section 511 (a)(2)(B), Imposition of Tax on Unrelated Business Income of Charitable, Etc. Organizations. The District had no unrelated business income tax liability for the years ended August 31, 2007 and 2006.

22. **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, 2007 and 2006

23. Construction Commitments

At August 31, 2007 and 2006, Texas Southmost College District had the following construction commitments:

<u>Project</u>	<u>2007 Remaining Balance</u>	<u>2006 Remaining Balance</u>
Physical Plant Metal Buildings	\$ -	\$ 18,027
Kraigher House Renovations	-	37,835
Chilled Water Line Replacement	-	71,449
Thermal Plant Renovations	1,100,000	3,214,671
Wellness, Recreation & Kinesiology Complex	17,523,721	1,160,291
University Boulevard Parking Lot	-	266,662
Oliveira Library	1,400,000	-
ITECC	8,200,000	-
Bond Projects	54,000	-
East Library	7,800,000	-
Large Classrooms	5,600,000	-
Small Classrooms	2,700,000	-
Early Childhood Studies	2,800,000	-
Music Education	5,600,000	-
Total	<u>\$ 52,777,721</u>	<u>\$ 4,768,935</u>

24. Grants and Contract Contingencies

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

25. Related Parties

The Texas Southmost College Foundation, Inc. is a nonprofit organization with the purpose of supporting the educational and other activities of the District. Texas Southmost College District does not appoint a voting majority nor does it fund or is obligated to pay debt related to this association. The District does not have the ability to significantly influence the policies of this Foundation. The Foundation solicits donations and acts as coordinator of gifts made by other parties. It remitted unrestricted gifts of \$268,632 and \$209,808 to UTB during the years ended August 31, 2007 and 2006. The District furnished certain services, such as office space, utilities and some staff assistance, at no cost to the Foundation.

TEXAS SOUTHMOST COLLEGE DISTRICT  
**NOTES TO THE FINANCIAL STATEMENTS**  
August 31, 2007 and 2006

**26. Prior Period Adjustment**

An adjustment was made at August 31, 2006, to increase accumulated depreciation by \$6,878,163 to record prior year depreciation on library books; and the "Due to UTB" was decreased by \$357,289. The net affect of these adjustments was to decrease Investment in Capital Assets by \$6,878,163 and increase Unrestricted Net Assets by \$357,289.

**27. Excess Interest and Rebatable Arbitrage**

The Tax Reform Act of 1986 established arbitrage regulations that generally limit the rate of return on investment earnings of unexpended tax-exempt debt proceeds. With certain adjustments, the investment yield is limited to the interest rate on the debt itself. Federal tax code requirements now compel state and local governments to rebate defined arbitrage earnings of tax-exempt debt to the federal government every five years for as long as the bonds are outstanding. As of the audit report date, the District had received a preliminary calculation of the arbitrage amount (\$281,695), which is reported as part of accrued expenses on these financial statements.

## TEXAS SOUTHMOST COLLEGE DISTRICT

## SCHEDULE OF OPERATING REVENUES

Year Ended August 31, 2007 (With Memorandum Totals for the Year Ended August 31, 2006)

	Unrestricted	Restricted	Total Educational Activities	Auxiliary Enterprises	2007 Total	2006 Total
Tuition:						
State funded credit courses:						
In-district resident tuition	\$ 5,030,843	\$ -	\$ 5,030,843	\$ -	\$ 5,030,843	\$ 4,926,125
Out-of-district resident tuition	1,891,952	-	1,891,952	-	1,891,952	1,601,546
Non-resident tuition	528,111	-	528,111	-	528,111	1,310,835
TPEG – credit (set aside) *	364,763	-	364,763	-	364,763	342,768
State-funded continuing education						
TPEG – non-credit (set aside)*	-	-	-	-	-	-
Non-state funded educational programs	-	-	-	-	-	-
Total Tuition	<u>7,815,669</u>	<u>-</u>	<u>7,815,669</u>	<u>-</u>	<u>7,815,669</u>	<u>8,181,274</u>
Fees:						
Distance learning fee	-	-	-	-	-	-
Installment plan fees	-	-	-	-	-	-
Non-instructional contract training fees	17,466,743	1,293,236	18,759,979	2,093,022	20,853,000	17,422,885
Prior year tuition and fees	-	-	-	-	-	-
Total Fees	<u>17,466,743</u>	<u>1,293,236</u>	<u>18,759,979</u>	<u>2,093,022</u>	<u>20,853,000</u>	<u>17,422,885</u>
Scholarship Allowances and Discounts:						
Remissions and exemptions – state	-	-	-	-	-	-
Remissions and exemptions – local	(1,258,892)	-	(1,258,892)	-	(1,258,892)	(1,478,733)
Reduced tuition paid	(95,000)	-	(95,000)	-	(95,000)	(43,500)
Title IV federal grant	-	-	-	-	-	-
Other federal grants	-	-	-	-	-	-
TPEG awards	(366,738)	-	(366,738)	-	(366,738)	(327,364)
Other state grants	-	-	-	-	-	-
Rising Star program	-	-	-	-	-	-
Other local grants	-	-	-	-	-	-
Total Scholarship Allowances	<u>(1,720,630)</u>	<u>-</u>	<u>(1,720,630)</u>	<u>-</u>	<u>(1,720,630)</u>	<u>(1,849,597)</u>
Total net tuition and fees	<u>23,561,782</u>	<u>1,293,236</u>	<u>24,855,018</u>	<u>2,093,022</u>	<u>26,948,039</u>	<u>23,754,562</u>
Additional Operating Revenues:						
Federal grants and contracts	-	774,059	774,059	-	774,059	916,007
State grants and contracts	-	3,099,683	3,099,683	-	3,099,683	3,073,616
Local grants and contracts	-	305,541	305,541	-	305,541	391,678
Non-governmental grants and contracts	-	-	-	-	-	-
Sales and services of educational activities	-	-	-	-	-	-
General operating revenues	45,750	-	45,750	-	45,750	45,550
Total additional operating revenues	<u>45,750</u>	<u>4,179,283</u>	<u>4,225,033</u>	<u>-</u>	<u>4,225,033</u>	<u>4,426,851</u>
Auxiliary Enterprises:						
Bookstore	-	-	-	-	-	-
Less Discounts	-	-	-	-	-	-
Food Service	-	-	-	-	-	-
Center for Educational Telecommunications	-	-	-	-	-	-
Business Incubation Center	-	-	-	-	-	-
Universities Center	-	-	-	-	-	-
Student Programs	-	-	-	347,361	347,361	345,640
Total net auxiliary enterprises	<u>-</u>	<u>-</u>	<u>-</u>	<u>347,361</u>	<u>347,361</u>	<u>345,640</u>
Total Operating Revenues	<u>\$ 23,607,532</u>	<u>\$ 5,472,519</u>	<u>\$ 29,080,051</u>	<u>\$ 2,440,383</u>	<u>\$ 31,520,433</u>	<u>\$ 28,527,053</u>

(Exhibit 2)

(Exhibit 2)

- In accordance with Education Code 56.033, \$364,763 and \$342,768 for years August 31, 2007 and 2006, respectively, of tuition was set aside for Texas Public Education grants (TPEG).

## TEXAS SOUTHMOST COLLEGE DISTRICT

## SCHEDULE OF OPERATING EXPENSES BY OBJECT

Year Ended August 31, 2007 (With Memorandum Totals for the Year Ended August 31, 2006)

	Operating Expenses					2007 Total	2006 Total
	Salaries and Wages	Benefits		Other Expenses			
		State	Local				
Unrestricted – Educational Activities							
Instruction	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public Service	-	-	-	-	-	-	-
Academic Support	-	-	-	-	-	-	-
Student Services	-	-	-	-	-	-	-
Institutional Support	511,814	-	62,699	1,491,885	2,066,398	1,739,662	
Operation and Maintenance of Plant	-	-	-	1,225,773	1,225,773	1,704,455	
Scholarships and Fellowships	-	-	-	-	-	-	-
Contract Services – UTB	-	-	-	43,854,678	43,854,678	40,256,696	
Total Unrestricted Educational Activities	511,814	-	62,699	46,572,336	47,146,849	43,700,813	
Restricted – Educational Activities							
Instruction	-	-	-	-	-	-	-
Public Service	-	-	-	-	-	-	-
Academic Support	-	-	-	-	-	-	-
Student Services	-	-	-	-	-	-	-
Institutional Support	-	-	-	-	-	-	-
Operation and Maintenance of Plant	-	-	-	-	-	-	-
Scholarships and Fellowships	-	-	-	-	-	-	-
Total Restricted Educational Activities	-	-	-	-	-	-	-
Total Educational Activities	511,814	-	62,699	46,572,336	47,146,849	43,700,813	
Auxiliary Enterprises	60,669	-	12,780	541,531	614,980	686,733	
Depreciation Expense – Buildings and other real estate improvements	-	-	-	1,419,756	1,419,756	1,370,488	
Depreciation Expense – Equipment and furniture	-	-	-	801,532	801,532	811,422	
Total Operating Expenses	\$ 572,483	\$ -	\$ 75,479	\$ 49,335,155	\$ 49,983,117	\$ 46,569,456	
					(Exhibit 2)	(Exhibit 2)	

## TEXAS SOUTHMOST COLLEGE DISTRICT

## SCHEDULE OF NON-OPERATING REVENUES AND EXPENSES

Year Ended August 31, 2007 (With Memorandum Totals for the Year Ended August 31, 2006)

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Auxiliary Enterprises</u>	<u>2007 Total</u>	<u>2006 Total</u>
NON-OPERATING REVENUES:					
State Appropriations:					
Education and general state support	\$ 12,468,175	\$ -	\$ -	\$ 12,468,175	\$ 12,269,816
State group insurance	-	-	-	-	-
State retirement matching	-	-	-	-	-
Remedial education	-	-	-	-	-
Professional Nursing Shortage Reduction Funding		159,969	-	159,969	786
Total State Appropriations	<u>12,468,175</u>	<u>159,969</u>	<u>-</u>	<u>12,628,144</u>	<u>12,270,602</u>
Maintenance ad valorem taxes	9,281,055	-	-	9,281,055	8,243,681
Debt service ad valorem taxes	4,486,571	-	-	4,486,571	3,991,184
Donations	-	-	-	-	988,476
Disposition of fixed assets	-	-	-	-	(552,407)
Investment income	202,702	2,926,111	-	3,128,813	2,093,733
Gain on sale of investment	-	-	-	-	-
Contributions in aid of construction	-	-	-	-	-
Gain on disposal of capital assets	-	-	-	-	-
Other non-operating revenue	<u>113,496</u>	<u>-</u>	<u>-</u>	<u>113,496</u>	<u>79,861</u>
	14,083,824	2,926,111	-	17,009,935	14,844,528
Total non-operating revenues	26,551,999	3,086,080	-	29,638,079	27,115,130
NON-OPERATING EXPENSES:					
Interest on capital related debt	-	3,506,956	-	3,506,956	2,415,978
Other non-operating expense	<u>107,719</u>	<u>-</u>	<u>-</u>	<u>107,719</u>	<u>54,050</u>
Total non-operating expenses	<u>107,719</u>	<u>3,506,956</u>	<u>-</u>	<u>3,614,675</u>	<u>2,470,028</u>
Net non-operating revenues	<u>\$ 26,444,280</u>	<u>\$ (420,876)</u>	<u>\$ -</u>	<u>\$ 26,023,404</u>	<u>\$ 24,645,102</u>

(Exhibit 2) (Exhibit 2)

## TEXAS SOUTHMOST COLLEGE DISTRICT

## SCHEDULE OF NET ASSETS BY SOURCE AND AVAILABILITY

Year Ended August 31, 2007 (With Memorandum Totals for the Year Ended August 31, 2006)

	Detail by Source				
	Unrestricted	Restricted		Capital Assets Net of Depreciation and Related Debt	Total
		Expendable	Non-Expendable		
Current:					
Unrestricted	\$ 2,060,449	\$ -	\$ -	\$ -	\$ 2,060,449
Board Designated	-	-	-	-	-
Restricted	-	131,397	-	-	131,397
Auxiliary enterprises	-	-	-	-	-
Loan	35,364	-	-	-	35,364
Endowment:					
Quasi:					
Unrestricted	-	-	-	-	-
Restricted	-	73,386	-	-	73,386
Endowment					
True	-	-	-	-	-
Term (per instructions at maturity)	-	-	-	-	-
Life Income Contracts	-	-	-	-	-
Annuities	-	-	-	-	-
Plant:					
Unexpended	-	1,758,743	-	-	1,758,743
Renewals	-	630,496	-	-	630,496
Debt Service	-	9,538,910	-	-	9,538,910
Investment in Plant	-	-	-	49,258,626	49,258,626
 Total Net Assets, August 31, 2007	 \$ 2,095,813	 \$ 12,132,932	 \$ -	 \$ 49,258,626	 \$ 63,487,371 (Exhibit 1)
 Total Net Assets, August 31, 2006	 <u>3,162,896</u>	 <u>8,913,884</u>	 <u>-</u>	 <u>43,849,871</u>	 <u>55,926,651</u> (Exhibit 1)
 Prior Period Adjustment	 -	 -	 -	 -	 -
 Net Increase (Decrease) in Net Assets	 <u>\$ (1,067,083)</u>	 <u>\$ 3,219,048</u>	 <u>\$ -</u>	 <u>\$ 5,408,755</u>	 <u>\$ 7,560,720</u> (Exhibit 2)

(Continued on page 51)

Available for Current Operations
----------------------------------

<u>Yes</u>	<u>No</u>
\$ 2,060,449	\$ -
-	-
131,397	-
-	-
-	35,364
-	-
73,386	-
-	-
-	-
-	-
-	-
1,758,743	-
630,496	-
-	9,538,910
<u>49,258,626</u>	<u>-</u>
\$ 53,913,097	\$ 9,574,274
<u>49,656,959</u>	<u>6,269,692</u>
<u>-</u>	<u>-</u>
<u>\$ 4,256,138</u>	<u>\$ 3,304,582</u>

(Continued from page 50)



## **SINGLE AUDIT SECTION**

## TEXAS SOUTHMOST COLLEGE DISTRICT

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended August 31, 2007

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Pass-Through Disbursements and Expenditures</u>
<u>U.S. Department of Agriculture</u>			
<i>Passed Through Texas Department of Human Services:</i>			
<i>Passed through to University of Texas – Brownsville</i>			
Child Care Food Program	10.558	75G7033	\$ 19,169
<u>U.S. Department of Education</u>			
<i>Passed Through Texas Higher Education Coordinating Board:</i>			
<i>Passed through to University of Texas – Brownsville</i>			
Carl D. Perkins – Vocational Education	84.048	74246	687,908
Leveraging Educational Assistance Partnership	84.069A	-	19,372
Special Leveraging Educational Assistance Partnership	84.069B	-	<u>32,688</u>
Total Department of Education			<u>739,968</u>
<u>U.S. Department of Human Services</u>			
<i>Passed Through Texas Migrant Authority, Inc.:</i>			
<i>Passed through to University of Texas – Brownsville</i>			
Child Day Care Center	93.667	031-0006	<u>14,922</u>
Total Federal Awards Expended			<u>\$ 774,059</u>

Notes to the Schedule on the following page.

## TEXAS SOUTHMOST COLLEGE DISTRICT

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS – CONTINUED

For The Year Ended August 31, 2007

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Pass-Through Disbursements and Expenditures</u>
<u>Note 1: Federal Assistance Reconciliation</u>			
Federal revenue received by Texas Southmost College District			
Federal grants and contracts – per schedule			\$ 774,059
Federal revenue received by University of Texas at Brownsville			15,685,454
Total Federal Revenue			<u>\$ 16,459,513</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 which 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 from Federal Funds Received by University of Texas – Brownsville

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

<u>Program Name</u>	<u>CFDA No.</u>		<u>Amount</u>
Federal Pell Gant Program	84.063	-	\$ 14,989,652
SEOG	84.007	-	291,290
Federal Work Study Program	84.033	-	<u>404,512</u>
			<u>\$ 15,685,454</u>

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

## TEXAS SOUTHMOST COLLEGE DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS – CONTINUED**

For The Year Ended August 31, 2007

Note 4: Subrecipients

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

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

<u>Program Title</u>	<u>CFDA No.</u>	<u>Amount</u>
Title III Endowment College Grant Program	84.031	\$6,312,475

## TEXAS SOUTHMOST COLLEGE DISTRICT

## SCHEDULE OF EXPENDITURES OF STATE AWARDS

For The Year Ended August 31, 2007

<u>Grantor Agency/Program Title</u>	<u>Number</u>	<u>Expenditures</u>
Texas Higher Education Coordinating Board Texas Grant Program	-	\$ 1,501,605
Texas College Work Study	-	83,342
Texas B-On-Time Program	-	19,920
Texas Educational Opportunity Grant	-	<u>135,240</u>
Total State Awards Expended	-	<u>\$ 1,740,107</u>

Note 1: State Assistance Reconciliation

State revenues per Schedule of Expenditures of State Awards	
State financial assistance	\$ 1,740,107
Lease payments from University of Texas – Brownsville	<u>1,359,576</u>
Total State Revenues per Schedule A	<u>\$ 3,099,683</u>

Note 2: Significant Accounting Policies used in Preparing the Schedule

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

Note 3: Subrecipients

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

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

Board of Trustees  
Texas Southmost College District  
Brownsville, Texas

We have audited the basic financial statements of Texas Southmost College District, as of and for the year ended August 31, 2007, and have issued our report thereon dated December 20, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of the Texas Southmost College District, in a separate letter dated December 20, 2007.

This report is intended solely for the information and use of the Board of Trustees, management, the audit committee, and the Texas Higher Education Coordinating Board and is not intended to be and should not be used by anyone other than these specified parties.



**LONG CHILTON, LLP**  
*Certified Public Accountants*

Brownsville, Texas  
December 20, 2007

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

Board of Trustees  
Texas Southmost College District  
Brownsville, Texas

Compliance

We have audited the compliance of Texas Southmost College District with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* and the State of Texas Single Audit Circular that are applicable to each of its major federal/state programs for the year ended August 31, 2007. Texas Southmost College District's major federal/state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal/state programs is the responsibility of Texas Southmost College District's management. Our responsibility is to express an opinion on Texas Southmost College District's compliance based on our audit.

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

In our opinion, Texas Southmost College District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal/state programs for the year ended August 31, 2007.

Internal Control Over Compliance

The management of Texas Southmost College District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal/state programs. In planning and performing our audit, we considered Texas Southmost College District's internal control over compliance with requirements that could have a direct and material effect on a major federal/state program in order to determine our auditing procedures for the purpose of expressing our opinion on



compliance but, not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Texas Southmost College District's internal control over compliance.

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

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

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

This report is intended solely for the information and use of the Board of Trustees, management, the audit committee, and the Texas Higher Education Coordinating Board and is not intended to be and should not be used by anyone other than these specified parties



**LONG CHILTON, LLP**  
*Certified Public Accountants*

Brownsville, Texas  
December 20, 2007

TEXAS SOUTHMOST COLLEGE DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS – FEDERAL/STATE AWARDS  
Year Ended August 31, 2007

I. SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ Yes       X  No
- Significant deficiencies identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes       X  None Reported
- Noncompliance material to financial statements noted? \_\_\_\_\_ Yes       X  No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? \_\_\_\_\_ Yes       X  No
- Significant deficiencies identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes       X  None Reported

State Awards

Internal control over major programs:

- Material weakness(es) identified? \_\_\_\_\_ Yes       X  No
- Significant deficiencies identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes       X  None Reported

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

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



TEXAS SOUTHMOST COLLEGE

**CORRECTIVE ACTION PLAN**

Year Ended August 31, 2007

No matters to be reported.

TEXAS SOUTHMOST COLLEGE DISTRICT  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
Year Ended August 31, 2007

No matters noted in prior year.

**STATISTICAL SECTION – UNAUDITED**

Texas Southmost College District  
 Statistical Supplement I  
 Net Assets by Component  
 Fiscal Years 2003 to 2007  
 (unaudited)  
 (amounts expressed in thousands)

	For the Fiscal Year Ended August 31,				
	2007	2006	2005	2004	2003
Invested in capital assets, net of related debt	\$49,258,626	\$43,849,871	\$25,473,960	\$42,646,742	\$36,019,942
Restricted - expendable	12,132,932	8,913,884	27,725,294	7,701,986	10,608,833
Unrestricted	2,095,813	3,162,896	2,645,572	2,720,170	2,508,789
<b>Total primary government net assets</b>	<b>\$ 63,487,371</b>	<b>\$ 55,926,651</b>	<b>\$ 55,844,826</b>	<b>\$ 53,068,898</b>	<b>\$ 49,137,564</b>

**Note:** Due to reporting format and definition changes prescribed by GASB Statement 34, only fiscal years 2003-2007 are available.

Texas Southmost College District  
Statistical Supplement 2  
Revenues by Source  
Fiscal Years 2003 to 2007  
(unaudited)

For the Year Ended August 31,					
(amounts expressed in thousands)					
	2007	2006	2005	2004	2003
Tuition and Fees (Net of Discounts)	\$26,948,039	\$23,754,562	\$19,399,841	\$15,309,239	\$6,112,863
Governmental Grants and Contracts					
Federal Grants and Contracts	774,059	916,007	869,082	1,005,612	14,057,456
State Grants and Contracts	3,099,683	3,073,616	2,571,007	2,473,345	3,081,108
Local Grants and Contracts	305,541	391,678	433,976	59,098	-
Non-Governmental Grants and Contracts	0	0	0	1,393,286	4,759,617
Auxiliary enterprises	347,361	345,640	336,811	547,432	742,322
Other Operating Revenues	45,750	45,550	57,235	201,051	236,688
<b>Total Operating Revenues</b>	<b>31,520,433</b>	<b>28,527,053</b>	<b>23,667,952</b>	<b>20,989,063</b>	<b>28,990,054</b>
State Appropriations	12,628,144	12,270,602	10,843,232	12,016,457	12,768,785
Ad Valorem Taxes	13,767,626	12,234,865	9,085,985	8,466,056	7,692,138
Investment income	3,128,813	2,093,733	689,732	401,080	446,359
Other non-operating revenues	113,496	515,930	84,552	611,005	-
<b>Total Non-Operating Revenues</b>	<b>29,638,079</b>	<b>27,115,130</b>	<b>20,703,501</b>	<b>21,494,598</b>	<b>20,907,282</b>
<b>Total Revenues</b>	<b>\$ 61,158,512</b>	<b>\$ 55,642,183</b>	<b>\$ 44,371,453</b>	<b>\$ 42,483,661</b>	<b>\$ 49,897,336</b>

For the Year Ended August 31,					
(amounts expressed in thousands)					
	2007	2006	2005	2004	2003
Tuition and fees (net of discounts)	44.06%	42.69%	43.72%	36.04%	12.25%
Governmental grants and contracts					
Federal grants and contracts	1.27%	1.65%	1.96%	2.37%	28.17%
State grants and contracts	5.07%	5.52%	5.79%	5.82%	6.17%
Local grants and contracts	0.50%	0.70%	0.98%	0.14%	0.00%
Non-governmental grants and contracts	0.00%	0.00%	0.00%	3.28%	9.54%
Auxiliary enterprises	0.57%	0.62%	0.76%	1.29%	1.49%
Other operating revenues	0.07%	0.08%	0.13%	0.47%	0.47%
<b>Total Operating Revenues</b>	<b>51.54%</b>	<b>51.27%</b>	<b>53.34%</b>	<b>49.41%</b>	<b>58.10%</b>
State appropriations	20.65%	22.05%	24.44%	28.28%	25.59%
Ad valorem taxes	22.51%	21.99%	20.48%	19.93%	15.42%
Investment income	5.12%	3.76%	1.55%	0.94%	0.89%
Other non-operating revenues	0.19%	0.93%	0.19%	1.44%	0.00%
<b>Total Non-Operating Revenues</b>	<b>48.46%</b>	<b>48.73%</b>	<b>46.66%</b>	<b>50.59%</b>	<b>41.90%</b>
<b>Total Revenues</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

**Note:** Due to reporting format and definition changes prescribed by GASB Statement 34, only fiscal years 2003-2007 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 2003 to 2007  
(unaudited)

For the Year Ended August 31,					
(amounts expressed in thousands)					
	2007	2006	2005	2004	2003
Instruction	\$0	\$0	\$0	\$0	\$13,700,777
Research	-	-	-	-	-
Public service	-	-	-	-	649,697
Academic support	-	-	-	-	4,076,422
Student services	-	-	-	-	4,896,742
Institutional support	2,066,398	1,742,062	1,675,074	1,763,905	6,730,881
Operation and maintenance of plant	1,225,773	1,296,191	1,110,738	1,280,925	3,375,284
Scholarships and fellowships	-	-	-	-	5,668,667
Auxiliary enterprises	614,980	686,733	526,633	1,183,702	1,556,738
Depreciation	2,221,288	2,181,910	1,478,895	1,327,481	1,257,306
Contracted services with UTB	43,854,678	40,662,560	35,814,126	32,626,780	-
<b>Total Operating Expenses</b>	<b>49,983,117</b>	<b>46,569,456</b>	<b>40,605,466</b>	<b>38,182,793</b>	<b>41,912,514</b>
Interest on capital related debt	3,506,956	2,415,978	961,286	912,383	1,652,778
Other non-operating expenses	107,719	54,050	28,773	23,322	-
<b>Total Non-Operating Expenses</b>	<b>3,614,675</b>	<b>2,470,028</b>	<b>990,059</b>	<b>935,705</b>	<b>1,652,778</b>
<b>Total Expenses</b>	<b>\$ 53,597,792</b>	<b>\$ 49,039,484</b>	<b>\$ 41,595,525</b>	<b>\$ 39,118,498</b>	<b>\$ 43,565,292</b>

For the Year Ended August 31,					
(amounts expressed in thousands)					
	2007	2006	2005	2004	2003
Instruction	0.00%	0.00%	0.00%	0.00%	31.45%
Research	0.00%	0.00%	0.00%	0.00%	0.00%
Public service	0.00%	0.00%	0.00%	0.00%	1.49%
Academic support	0.00%	0.00%	0.00%	0.00%	9.36%
Student services	0.00%	0.00%	0.00%	0.00%	11.24%
Institutional support	3.86%	3.55%	4.03%	4.51%	15.45%
Operation and maintenance of plant	2.29%	2.64%	2.67%	3.27%	7.75%
Scholarships and fellowships	0.00%	0.00%	0.00%	0.00%	13.01%
Auxiliary enterprises	1.15%	1.40%	1.27%	3.03%	3.57%
Depreciation	4.14%	4.45%	3.56%	3.39%	2.89%
Contracted services with UTB	81.82%	82.92%	86.10%	83.40%	0.00%
<b>Total Operating Expenses</b>	<b>93.26%</b>	<b>94.96%</b>	<b>97.62%</b>	<b>97.61%</b>	<b>96.21%</b>
Interest on capital related debt	6.54%	4.93%	2.31%	2.33%	3.79%
Loss on disposal of fixed assets	0.20%	0.11%	0.07%	0.06%	0.00%
<b>Total Non-Operating Expenses</b>	<b>6.74%</b>	<b>5.04%</b>	<b>2.38%</b>	<b>2.39%</b>	<b>3.79%</b>
<b>Total Expenses</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

**Note:** Due to reporting format and definition changes prescribed by GASB Statement 34, only fiscal years 2003-2007 are available. In FY2004, as a result of our partnership with The University of Texas at Brownsville, a change in functional classification reporting was implemented whereby this reporting will be done at the partnership level.

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

Academic Year (Fall)	Resident														Increase from Prior Year In-District	
	In-District Tuition	Out-of-District Tuition	Building Use	Student Service	Student Union (per student)	Computer Use	Records Fee (per student)	Automated (per student)	Advising (per student)	Library Fee	International Education (per student)	Medical Services Fees (per student)	Student Recreation (per student)	Cost for 12 SCH In-District		Cost for 12 SCH Out-of-District
2006	\$ 31	\$ 50	58	12	41.56	10	10	30	50	3	2	20	79	1,601	1,829	16.70%
2005	31	50	44	10	41.56	10	10	30	25	2	2	20	79	1,600	1,600	16.77%
2004	29	48	38	10	41.56	10	10	30	25	2	2	20	79	1,403	1,403	20.28%
2003	28	46	32	10	41.56	5	5	30	25	2	2	20	79	1,175	1,175	17.81%
2002	26	42	25	10	41.56	5	5	30	25	2	2	20	79	977	977	12.43%
2001	24	42	25	10	41.56	5	5	30	25	2	2	20	79	869	869	3.30%
2000	23	42	18	10	37.78	5	5	30	25	2	2	20	79	841	841	12.19%
1999	22	42	18	9.10	37.78	5	5	10	25	2	2	20	79	714	942	2.21%
1998	21	42	18	8.25	34.35	5	5	10	25	2	2	20	79	689	939	8.81%
1997	20	42	18	8.25	34.35	5	5	10	25	2	2	20	79	642	894	1.90%

Academic Year (Fall)	Non-Resident														Increase from Prior Year Out of State	
	Non-Resident Tuition	Non-Resident Tuition International	Building Use	Student Service	Student Union (per student)	Computer Use	Records Fee (per student)	Automated (per student)	Advising (per student)	Library Fee	International Education (per student)	Medical Services Fees (per student)	Student Recreation (per student)	Cost for 12 SCH Out of State		Cost for 12 SCH International
2006	\$ 325	\$ 325	58	12	41.56	10	10	30	50	3	2	20	79	5,129	5,129	4.42%
2005	326	326	44	10	41.56	10	10	30	25	2	2	20	79	4,912	4,912	9.18%
2004	306	306	38	10	41.56	10	10	30	25	2	2	20	79	4,489	4,489	11.78%
2003	282	282	32	10	41.56	5	5	30	25	2	2	20	79	4,025	4,025	8.76%
2002	262	262	23	10	41.56	5	5	30	25	2	2	20	79	3,701	3,701	3.11%
2001	253	253	23	10	37.78	5	5	30	25	2	2	20	79	3,589	3,589	2.60%
2000	235	235	18	9.10	37.78	5	5	10	25	2	2	20	79	3,498	3,498	0.44%
1999	254	254	18	9.10	34.35	5	5	10	25	2	2	20	79	3,483	3,483	3.10%
1998	249	249	18	8.25	34.35	5	5	10	25	2	2	20	79	3,378	3,378	3.10%
1997	248	248	18	8.25	34.35	5	5	10	25	2	2	20	79	3,366	3,366	0.36%

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 Property  
Last Ten Fiscal Years  
(unaudited)

Fiscal Year	(amounts expressed in thousands)			Ratio of Taxable Assessed Value to Assessed Value	Direct Rate		
	Assessed Valuation of Property	Less: Exemptions	Taxable Assessed Value (TAV)		Maintenance & Operations (a)	Debt Service (a)	Total (a)
2006-07	9,801,255,522	1,014,429,536	8,786,825,986	89.65%	\$ 0.109955	\$ 0.051134	\$ 0.161089
2005-06	8,461,197,202	797,979,035	7,663,218,167	90.57%	0.109161	0.053611	0.162772
2004-05	7,737,975,139	700,868,645	7,037,106,494	90.94%	0.111825	0.016957	0.128782
2003-04	6,861,888,479	608,058,623	6,253,829,856	91.14%	0.112041	0.019359	0.131400
2002-03	6,370,265,887	560,124,453	5,810,141,434	91.21%	0.110120	0.021280	0.131400
2001-02	5,842,242,809	540,161,957	5,302,080,852	90.75%	0.108835	0.022565	0.131400
2000-01	5,302,263,192	510,421,568	4,791,841,624	90.37%	0.105841	0.025559	0.131400
1999-00	4,944,006,077	489,425,756	4,454,580,321	90.10%	0.096311	0.025715	0.122026
1998-99	4,581,977,748	478,405,329	4,103,572,419	89.56%	0.097740	0.028345	0.126085
1997-98	4,259,701,126	446,872,135	3,812,828,991	89.51%	0.055111	0.032878	0.087989

Source: Cameron County Appraisal District

Notes: Property is assessed at full market value.

(a) per \$100 Taxable Assessed Valuation

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

Fiscal Year	Appropriation per FTSE			Appropriation per Contact Hour			
	State Appropriation	FTSE <sup>1</sup> (a)	State Appropriation per FTSE	Academic Contact Hours (a)	Voc/Tech Contact Hours (b)	Total Contact Hours	State Appropriation per Contact Hour
2006-07	\$ 12,468	6,405	\$ 1,947	2,849	1,148	3,997	\$ 3.12
2005-06	12,270	5,661	2,167	2,654	1,097	3,751	3.27
2004-05	10,842	5,253	2,064	2,705	965	3,671	2.95
2003-04	10,843	4,955	2,188	2,667	939	3,606	3.01
2002-03	10,840	4,537	2,389	2,409	1,039	3,449	3.14
2001-02	11,656	4,056	2,874	2,283	806	3,088	3.77
2000-01	11,954	4,243	2,817	2,350	753	3,102	3.85
1999-00	11,648	4,440	2,623	2,376	665	3,042	3.83
1998-99	10,763	4,003	2,689	2,190	870	3,061	3.52
1997-98	10,351	4,129	2,507	2,187	989	3,176	3.26

Notes:

<sup>1</sup>Full time Student Equivalent (FTSE) is defined as the number of fall semester credit hours divided by 15.

(a) Source Coordinating Board Management Report (CBM004)

(b) Source Coordinating Board Management Report (CBM00C)

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

Taxpayer	Taxable Assessed Value (TAV) by Tax Year (\$000 omitted)									
	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
TRICO PRODUCTS CORP	39,556,907	36,506,957	36,506,957	30,379,707	28,303,378	26,548,626	36,095,437	34,874,962	34,003,588	37,047,255
CBJ/SUNRISE COMMONS LP	38,706,222	36,488,106	36,488,106	30,350,833	38,577,490	41,436,230	41,486,050	39,491,800	38,045,050	39,783,210
SOUTHWESTERN BELL TELEPHONE CO	36,176,400	36,855,373	36,855,373	34,792,665	34,121,106	34,560,954	35,560,609	32,277,205	31,823,988	20,474,790
COLUMBIA VALLEY HEALTHCARE SYS LP	35,014,370	35,077,650	35,077,650	22,660,846	21,480,740	17,099,680	15,695,630	-	-	-
AEP TEXAS CENTRAL CO	27,165,280	31,919,902	31,919,902	31,029,544	36,538,195	37,014,454	36,882,132	33,482,283	23,717,397	18,536,747
TITAN WHEEL INTERNATIONAL INC	23,765,286	20,200,926	20,200,926	18,161,854	17,532,355	18,043,365	-	16,881,362	17,085,295	-
WAL-MART STORES INC	20,393,172	-	17,765,179	17,881,326	18,014,354	19,468,778	19,720,502	28,219,261	22,844,972	21,354,301
H E BUTT GROCERY CO	17,264,868	-	16,018,397	16,497,975	15,057,820	15,057,820	15,399,145	24,638,425	24,281,056	-
KEPPEL AMFELS	16,018,397	-	16,018,397	-	-	-	-	-	-	-
TRANSMONTAIGNE PRODUCT SERVICE INC	15,886,921	-	-	-	-	-	-	-	-	-
WAL-MART STORES EAST INC	-	15,840,854	15,840,854	-	-	-	-	-	-	-
TEXAS AND KANSAS CITY CABLE PARTNERS	-	15,594,270	-	15,662,120	15,478,710	-	-	-	-	-
BROWNSVILLE MEDICAL CENTER	-	-	-	-	15,825,679	15,825,679	15,736,638	24,834,879	22,422,419	21,497,330
VF IMAGEWEAR (EAST) INC	-	-	-	-	-	27,430,063	-	-	-	16,310,366
RICH-SEAPAK CORP	-	19,962,822	-	-	-	-	-	21,870,089	24,421,468	-
BROWNSVILLE SUNRISE DEVELOPERS LP	-	-	-	-	-	-	-	19,507,975	20,166,774	-
DELPHI AUTOMOTIVE SYSTEMS LLC	-	-	-	-	-	-	-	-	-	28,935,860
GENERAL MOTORS CORP	-	-	-	-	-	-	-	-	-	16,953,986
SAINT GOBAIN PRODUCTS INC	-	-	-	-	-	-	-	-	-	13,928,885
OCEAN GARDEN PRODUCTS INC	-	-	-	-	-	-	-	-	-	-
<b>Totals</b>	<b>\$ 269,950,823</b>	<b>\$ 264,445,157</b>	<b>\$ 264,017,162</b>	<b>\$ 252,494,520</b>	<b>\$ 240,929,827</b>	<b>\$ 252,485,849</b>	<b>\$ 257,964,217</b>	<b>\$ 278,738,880</b>	<b>\$ 256,481,936</b>	<b>\$ 234,822,740</b>

Total Taxable Assessed Value \$ 8,786,825,986 \$ 7,663,218,167 \$ 7,037,106,494 \$ 6,253,829,856 \$ 5,810,141,434 \$ 5,302,080,652 \$ 4,791,841,624 \$ 4,454,560,321 \$ 4,103,572,419 \$ 3,612,828,591

Taxpayer	% of Taxable Assessed Value (TAV) by Tax Year									
	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
TRICO PRODUCTS CORP	0.45%	0.48%	0.52%	0.49%	0.49%	0.50%	0.75%	0.76%	0.83%	0.97%
CBJ/SUNRISE COMMONS LP	0.44%	0.48%	0.52%	0.49%	0.66%	0.76%	0.87%	0.89%	0.93%	1.04%
SOUTHWESTERN BELL TELEPHONE CO	0.41%	0.46%	0.50%	0.56%	0.59%	0.65%	0.74%	0.72%	0.78%	0.54%
COLUMBIA VALLEY HEALTHCARE SYS LP	0.40%	0.46%	0.50%	0.36%	0.37%	0.32%	0.33%	-	-	-
AEP TEXAS CENTRAL CO	0.31%	0.42%	0.45%	0.36%	0.63%	0.70%	0.77%	0.75%	0.58%	-
TITAN WHEEL INTERNATIONAL INC	0.27%	0.26%	0.29%	0.50%	0.30%	0.34%	0.41%	0.38%	0.42%	0.49%
WAL-MART STORES INC	0.23%	-	0.25%	0.29%	0.31%	0.37%	0.41%	0.63%	0.56%	0.56%
H E BUTT GROCERY CO	0.20%	-	0.25%	0.29%	0.26%	0.28%	0.32%	0.55%	0.59%	-
KEPPEL AMFELS	0.18%	0.21%	0.23%	0.26%	-	-	-	-	-	-
TRANSMONTAIGNE PRODUCT SERVICE INC	0.18%	-	0.23%	-	-	-	-	-	-	-
WAL-MART STORES EAST INC	-	0.21%	0.23%	-	0.27%	-	-	-	-	-
TEXAS AND KANSAS CITY CABLE PARTNERS	-	0.20%	-	0.25%	0.27%	0.30%	0.33%	0.56%	0.55%	0.56%
BROWNSVILLE MEDICAL CENTER	-	-	-	-	0.27%	0.52%	-	-	-	-
VF IMAGEWEAR (EAST) INC	-	0.28%	-	-	-	-	0.46%	0.55%	0.54%	0.43%
RICH-SEAPAK CORP	-	-	-	-	-	-	0.41%	0.44%	-	0.49%
BROWNSVILLE SUNRISE DEVELOPERS LP	-	-	-	-	-	-	-	-	-	-
DELPHI AUTOMOTIVE SYSTEMS LLC	-	-	-	-	-	-	-	-	-	0.76%
GENERAL MOTORS CORP	-	-	-	-	-	-	-	-	-	0.44%
SAINT GOBAIN PRODUCTS INC	-	-	-	-	-	-	-	-	-	0.37%
OCEAN GARDEN PRODUCTS INC	-	-	-	-	-	-	-	-	-	-
<b>Totals</b>	<b>3.07%</b>	<b>3.45%</b>	<b>3.75%</b>	<b>4.04%</b>	<b>4.15%</b>	<b>4.76%</b>	<b>5.38%</b>	<b>6.26%</b>	<b>6.25%</b>	<b>6.16%</b>

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

Fiscal Year Ended August 31	Levy (a)	Cumulative Levy Adjustments	Adjusted Tax Levy (b)	Collections - Year of Levy (c)	Percentage	Prior Collections of Prior Levies (d)	Current Collections of Prior Levies (e)	Total Collections (C+D+E)	Cumulative Collections of Adjusted Levy
2007	\$ 13,817,049	\$ (42,196)	\$ 13,774,853	\$ 12,951,824	94.03%			12,951,824	94.03%
2006	12,262,774	(24,889)	\$ 12,237,885	11,491,160	93.90%	-	397,917	11,889,077	97.15%
2005	9,062,544	2,240	\$ 9,064,783	8,492,378	93.69%	270,028.22	93,320	8,855,726	97.69%
2004	8,171,491	110,135	\$ 8,281,626	7,773,604	93.87%	330,245.24	44,936	8,148,786	98.40%
2003	7,634,474	(4,397)	\$ 7,630,077	7,138,365	93.56%	373,422.74	27,785	7,539,573	98.81%
2002	6,967,041	(14,612)	\$ 6,952,429	6,540,106	94.07%	331,034.03	15,248	6,886,389	99.05%
2001	6,296,480	(3,392)	\$ 6,293,088	5,922,310	94.11%	318,469.81	10,913	6,251,693	99.34%
2000	5,435,718	(11,533)	\$ 5,424,185	5,094,837	93.93%	291,681.15	7,168	5,393,686	99.44%
1999	5,168,116	(4,631)	\$ 5,163,485	4,843,577	93.80%	280,252.64	5,670	5,129,499	99.34%
1998	3,354,755	(46)	\$ 3,354,709	3,137,512	93.53%	182,018.42	2,569	3,322,100	99.03%

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)									
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
<b>General Bonded Debt</b>										
General obligation bonds	\$ 64,000	\$ 49,490	\$ 22,280	\$ 3,600	\$ 4,590	\$ 4,969	\$ 5,375	\$ 6,335	\$ 7,275	\$ 8,120
Notes	-	-	-	-	-	-	-	-	-	-
Less: Funds restricted for debt service	-	-	-	-	-	-	-	-	-	-
Net general bonded debt	\$ 64,000	\$ 49,490	\$ 22,280	\$ 3,600	\$ 4,590	\$ 4,969	\$ 5,375	\$ 6,335	\$ 7,275	\$ 8,120
<b>Other Debt</b>										
Revenue bonds	\$ 28,495	\$ 28,890	\$ 13,715	\$ 13,220	\$ 13,505	\$ 13,730	\$ 8,885	\$ 9,025	\$ -	\$ -
Total Outstanding Debt	\$ 92,495	\$ 78,380	\$ 35,995	\$ 16,820	\$ 18,095	\$ 18,699	\$ 14,260	\$ 15,360	\$ 7,275	\$ 8,120
<b>General Bonded Debt Ratios</b>										
Per Capita	\$ 341.01	\$ 263.69	\$ 118.71	\$ 19.18	\$ 24.46	\$ 26.48	\$ 28.64	\$ 33.75	\$ 38.76	\$ 43.27
Per FTSE	9,992	7,727	3,479	562	717	776	839	989	1,136	1,268
As a percentage of Taxable Assessed Value	0.73%	0.56%	0.25%	0.04%	0.05%	0.06%	0.06%	0.07%	0.08%	0.09%
<b>Total Outstanding Debt Ratios</b>										
Per Capita	\$ 492.84	\$ 417.63	\$ 191.79	\$ 89.62	\$ 96.41	\$ 99.63	\$ 75.98	\$ 81.84	\$ 38.76	\$ 43.27
Per FTSE	14,441	12,237	5,620	2,626	2,825	2,919	2,226	2,398	1,136	1,268
As a percentage of Taxable Assessed Value	1.05%	0.89%	0.41%	0.19%	0.21%	0.21%	0.16%	0.17%	0.08%	0.09%

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)

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Taxable Assessed Value	\$ 8,766,825,986	\$ 7,663,218,167	\$ 7,037,106,494	\$ 6,253,629,856	\$ 5,810,141,434	\$ 5,302,060,852	\$ 4,791,841,624	\$ 4,454,580,321	\$ 4,103,572,419	\$ 3,812,828,991
<b>General Obligation Bonds</b>										
Statutory Tax Levy Limit for Debt Service	43,934,130	38,316,091	35,185,532	31,269,149	29,050,707	26,510,404	23,959,208	22,272,902	20,517,862	19,064,145
Less: Funds Restricted for Repayment of General Obligation Bonds										
Total Net General Obligation Debt	43,934,130	38,316,091	35,185,532	31,269,149	29,050,707	26,510,404	23,959,208	22,272,902	20,517,862	19,064,145
Current Year Debt Service Requirements	1,490,000	2,570,000	1,125,000	990,000	379,140	405,859	960,000	940,000	845,000	835,000
Excess of Statutory Limit for Debt Service over Current Requirements	\$ 42,444,130	\$ 35,746,091	\$ 34,060,532	\$ 30,279,149	\$ 28,671,567	\$ 26,104,545	\$ 22,999,208	\$ 21,332,902	\$ 19,672,862	\$ 18,229,145
Net Current Requirements as a % of Statutory Limit	3.35%	6.71%	3.20%	3.17%	1.31%	1.53%	4.01%	4.22%	4.12%	4.35%

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



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

Revenue Bonds

Fiscal Year Ended August 31	Pledged Revenues (\$000 omitted)								Debt Service Requirements (\$000 omitted)			
	Student Union		Bookstore	Parking	Investment	Student Rec Center		Total	Principal	Interest	Total	Coverage Ratio
	Fees	Tuition	Income	Fees	Income	Fees						
2007	\$ 1,075	\$ 397	\$ 145	\$ 281	\$ 278	\$ 2,086	4,262	\$ 395	\$ 1,444	1,839	2.32	
2006	1,043	341	133	345	267	2,113	4,242	295	1,046	1,341	3.16	
2005	1,017	320	170	346	354	-	2,208	380	650	1,030	2.14	
2004	1,023	302	124	326	320	-	2,095	285	751	1,036	2.02	
2003	960	280	183	308	380	-	2,111	225	795	1,020	2.07	
2002	858	-	-	-	-	-	858	155	495	650	1.32	
2001	797	-	-	-	-	-	797	140	502	642	1.24	
2000	751	-	-	-	-	-	751	-	198	198	3.79	
1999	-	-	-	-	-	-	-	-	-	-	-	
1998	-	-	-	-	-	-	-	-	-	-	-	

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

Calendar Year	*District Population	**Estimate District Personal Income (a) (thousands of dollars)	***Cameron County Personal Income Per Capita	Cameron County Unemployment Rate
2006	187,679	N/A	N/A	6.6%
2005	183,675	3,197,781,750	17,410	7.5%
2004	179,028	3,042,401,832	16,994	8.7%
2003	173,533	2,829,976,164	16,308	9.5%
2002	167,553	2,687,885,226	16,042	9.0%
2001	161,975	2,516,443,600	15,536	7.9%
2000	153,502	2,289,175,326	14,913	7.0%
1999	N/A	N/A	14,072	N/A
1998	N/A	N/A	13,767	N/A
1997	N/A	N/A	13,125	N/A

**Sources:**

\*District Population from U.S. Census Bureau.

Note: City Population data available from U.S. Census Bureau within the district boundaries were totaled for District Population. <http://www.census.gov/>

\*\*Estimated District Personal Income (thousand of dollars) produced by multiplying Cameron County Personal Income Per Capita by the District Population. TSC District includes the following school districts: Brownsville ISD, Los Fresnos ISD, and Point Isabel ISD. TSC District population totals about 50% of Cameron County. Assumption used for TSC District per capita income equals that of Cameron County. Cameron County Total Population: 387,717 (U.S. Census Bureau)

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

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

N/A - Not Available

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

Employer	*Number of Employees	**Percentage of Total Employment (2)
Brownsville ISD	7,508	12.89%
AMFELS	2,900	4.98%
UTB/TSC	2,222	3.82%
Cameron County	2,100	3.61%
Wal-Mart	1,147	1.97%
City of Brownsville	1,172	2.01%
Convergys's Corp	718	1.23%
HEB Food Stores	865	1.49%
Valley Regional Medical Center	750	1.29%
Valley Baptist Medical Center - Brownsville	725	1.25%
<b>Total</b>	<b>20,107</b>	<b>34.53%</b>

**Source:**

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

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

Percentage of Total Employment was calculated using Brownsville 2006 Annual Employment.

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

Brownsville Total Employment: 58,230

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

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

	Fiscal Year									
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
<b>Faculty</b>										
Full-Time	0	0	0	0	0	0	0	0	0	0
Part-Time	0	0	0	0	0	0	0	0	0	0
Total	0	0	0	0	0	0	0	0	0	0
<b>Percent</b>										
Full-Time	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Part-Time	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Staff and Administrators</b>										
Full-Time	15	14	10	12	19	15	14	13	15	15
Part-Time	6	3	5	9	46	22	13	17	27	21
Total	21	17	15	21	65	37	27	30	42	36
<b>Percent</b>										
Full-Time	71.4%	82.4%	66.7%	57.1%	29.2%	40.5%	51.9%	43.3%	35.7%	41.7%
Part-Time	28.6%	17.6%	33.3%	42.9%	70.8%	59.5%	48.1%	56.7%	64.3%	58.3%
<b>FTSE per Full-time Faculty</b>										
FTSE per Full-time Faculty	0	0	0	0	0	0	0	0	0	0
<b>FTSE per Full-Time Staff Member</b>										
FTSE per Full-Time Staff Member	427.0	404.4	525.3	412.9	238.8	270.4	303.1	341.5	266.9	275.3
<b>Average Annual Faculty Salary</b>										
Average Annual Faculty Salary	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

**Notes:**

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

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

Student Classification	Fall 2006		Fall 2005		Fall 2004		Fall 2003		Fall 2002	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Freshman	8,002	60.62%	5,707	54.26%	4,768	51.85%	4,156	49.75%	3,943	50.50%
Sophomore	2,930	22.20%	2,855	27.15%	2,622	28.52%	2,408	28.82%	2,186	28.00%
Associate	562	4.26%	490	4.66%	411	4.47%	367	4.39%	282	3.61%
Bachelors	135	1.02%	111	1.06%	91	0.99%	84	1.01%	63	0.81%
Unclassified	1,571	11.90%	1,354	12.87%	1,303	14.17%	1,339	16.03%	1,334	17.09%
<b>Total</b>	<b>13,200</b>	<b>100.00%</b>	<b>10,517</b>	<b>100.00%</b>	<b>9,195</b>	<b>100.00%</b>	<b>8,354</b>	<b>100.00%</b>	<b>7,808</b>	<b>100.00%</b>

Semester Hour Load	Fall 2006		Fall 2005		Fall 2004		Fall 2003		Fall 2002	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Less than 3	617	4.67%	358	3.40%	148	1.61%	133	1.59%	125	1.60%
3-5 semester hours	4,418	33.47%	2,635	25.05%	1,729	18.80%	1,324	15.85%	1,405	17.99%
6-8 Semester hours	2,690	20.38%	2,221	21.12%	2,305	25.07%	2,294	27.46%	2,124	27.20%
9-11 semester hours	1,700	12.88%	1,652	15.71%	1,506	16.38%	1,464	17.52%	1,410	18.06%
12-14 semester hours	3,262	24.71%	3,243	30.84%	3,142	34.17%	2,733	32.71%	2,374	30.40%
15-17 semester hours	442	3.35%	324	3.08%	301	3.27%	325	3.89%	304	3.89%
18 & over	71	0.54%	84	0.80%	64	0.70%	81	0.97%	66	0.85%
<b>Total</b>	<b>13,200</b>	<b>100.00%</b>	<b>10,517</b>	<b>100.00%</b>	<b>9,195</b>	<b>100.00%</b>	<b>8,354</b>	<b>100.00%</b>	<b>7,808</b>	<b>100.00%</b>

Average course load	7.4	8.2	8.7	8.9	8.7
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Tuition Status	Fall 2006		Fall 2005		Fall 2004		Fall 2003		Fall 2002	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Texas Resident (In-District)	7,217	54.67%	7,144	67.93%	6,890	74.93%	6,590	78.88%	6,198	79.38%
Texas Resident (Out-of-District)	1,300	9.85%	1,271	12.09%	1,003	10.91%	992	11.87%	864	11.07%
Non-Resident Tuition	43	0.33%	33	0.31%	33	0.36%	30	0.36%	25	0.32%
Foreign Resident In-Dist (HB1403)	136	1.03%	136	1.29%	128	1.39%	88	1.05%	60	0.77%
Foreign Resident Out-Dist (HB1403)	17	0.13%	11	0.10%	7	0.08%	3	0.04%	2	0.03%
Tuition Exemption/Waiver	4,487	33.99%	1,922	18.28%	1,134	12.33%	651	7.79%	659	8.44%
<b>Total</b>	<b>13,200</b>	<b>100.00%</b>	<b>10,517</b>	<b>100.00%</b>	<b>9,195</b>	<b>100.00%</b>	<b>8,354</b>	<b>100.00%</b>	<b>7,808</b>	<b>100.00%</b>

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

Gender	Fall 2006		Fall 2005		Fall 2004		Fall 2003		Fall 2002	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Female	7,617	57.70%	6,193	58.89%	5,354	58.23%	4,885	58.47%	4,646	59.50%
Male	5,583	42.30%	4,324	41.11%	3,841	41.77%	3,469	41.53%	3,162	40.50%
Total	13,200	100.00%	10,517	100.00%	9,195	100.00%	8,354	100.00%	7,808	100.00%

Ethnic Origin	Fall 2006		Fall 2005		Fall 2004		Fall 2003		Fall 2002	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
White/Non-Hispanic	477	3.61%	417	3.97%	406	4.42%	370	4.43%	335	4.29%
Black/Non-Hispanic	28	0.21%	22	0.21%	12	0.13%	15	0.18%	10	0.13%
Hispanic	12,169	92.19%	9,779	92.98%	8,555	93.04%	7,745	92.71%	7,290	93.37%
Asian or Pacific Islander	61	0.46%	52	0.49%	29	0.32%	35	0.42%	30	0.38%
American Indian or Alaskan Native	9	0.07%	9	0.09%	5	0.05%	7	0.07%	4	0.04%
Non-Resident Aliens or Foreign Natl.	412	3.12%	190	1.81%	172	1.64%	157	1.49%	126	1.20%
Not Reported	44	0.33%	48	0.46%	16	0.15%	25	0.24%	13	0.12%
Total	13,200	100.00%	10,517	100.00%	9,195	99.74%	8,354	99.53%	7,808	99.53%

Age	Fall 2006		Fall 2005		Fall 2004		Fall 2003		Fall 2002	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Under 18	3,958	29.98%	1,813	17.24%	828	9.00%	375	4.49%	458	5.87%
18 - 21	4,690	35.53%	4,274	40.64%	4,088	44.46%	3,738	44.75%	3,292	42.16%
22 - 24	1,467	11.11%	1,487	14.14%	1,453	15.80%	1,375	16.46%	1,316	16.85%
25 - 35	2,141	16.22%	2,054	19.53%	1,972	21.45%	1,981	23.71%	1,878	24.05%
36 - 50	805	6.10%	741	7.05%	725	7.88%	770	9.22%	755	9.67%
51 & over	139	1.05%	148	1.41%	129	1.40%	115	1.38%	109	1.40%
Total	13,200	100.00%	10,517	100.00%	9,195	100.00%	8,354	100.00%	7,808	100.00%

Average Age	22	23	24	25	25
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Texas Southmost College District  
Statistical Supplement 17  
Transfers to Senior Institutions  
2004 Fall Students as of Fall 2005  
(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
University of Texas - Brownsville	1,129	23	75	1,227	71.63%
University of Texas - Pan American	82	13	3	98	5.72%
University of Texas - Austin	53	33	4	90	5.25%
University of Texas - San Antonio	81	7	1	89	5.20%
Texas A&M University - College Station	45	15	0	60	3.50%
Texas State University	30	9	2	41	2.39%
Texas A&M University - Kingsville	14	2	0	16	0.93%
Texas A&M University - Corpus Christi	13	5	0	18	1.05%
University of Houston - University Park	11	1	0	12	0.70%
University of North Texas	13	1	0	14	0.82%
University of Texas - Permian Basin	7	0	0	7	0.41%
Stephen F. Austin State University	1	0	0	1	0.06%
Texas Tech University	2	1	0	3	0.18%
University of Texas - Arlington	3	0	0	3	0.18%
Sam Houston State University	5	1	1	7	0.41%
University of Texas - Tyler	0	0	0	0	0.00%
Texas A&M International University	1	0	0	1	0.06%
Texas Women's University	3	2	0	5	0.29%
University of Houston - Downtown	2	2	1	5	0.29%
University of Texas - Dallas	0	0	0	0	0.00%
Sul Ross State University	2	0	0	2	0.12%
Texas A&M University - Texarkana	1	0	0	1	0.06%
Texas A&M University - Galveston	1	0	0	1	0.06%
Angelo State University	0	0	0	0	0.00%
Prairie View A&M University	0	0	0	0	0.00%
University of Texas - El Paso	2	0	0	2	0.12%
Baylor College of Medicine - Academics	1	0	0	1	0.06%
Lamar University Institute of Technology	0	0	0	0	0.00%
Midwestern State University	0	0	0	0	0.00%
Sul Ross State University - Rio Grande College	0	1	0	1	0.06%
Tarleton State University	1	0	0	1	0.06%
Texas A&M University System Health Science Center	0	0	0	0	0.00%
Texas Southern University	1	0	0	1	0.06%
Texas Tech University Health Science Center	0	0	0	0	0.00%
University of Houston - Clear Lake	0	0	0	0	0.00%
University of Houston - Victoria	1	0	0	1	0.06%
University of North Texas Health Science Center - Forth Worth	0	0	0	0	0.00%
University of Texas Health Science Center - Houston	2	0	0	2	0.12%
University of Texas Health Science Center - San Antonio	1	1	0	2	0.12%
University of Texas Medial Branch Galveston	0	0	0	0	0.00%
University of Texas Southwestern Medical Center - Dallas	0	0	0	0	0.00%
West Texas A&M University	1	0	0	1	0.06%
<b>Totals</b>	<b>1,509</b>	<b>117</b>	<b>87</b>	<b>1,713</b>	<b>100.00%</b>

Texas Southmost College District  
Statistical Supplement 18  
Capital Asset Information  
Fiscal Years 2003 to 2007

	Fiscal Year				
	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Academic buildings	19	19	19	19	19
Square footage (in thousands)	827	827	705	705	705
Libraries	1	1	1	1	1
Square footage (in thousands)	85	85	85	85	85
Number of Volumes (in thousands)	310	300	288	276	252
Administrative and support buildings	22	22	21	20	20
Square footage (in thousands)	588	588	587	579	579
Dormitories	1	1	1	1	1
Square footage (in thousands)	94	94	94	94	94
Number of Beds	325	257	257	257	257
Apartments	8	0	0	0	0
Square footage (in thousands)	31	0	0	0	0
Number of beds	95	0	0	0	0
Dining Facilities	0	0	0	0	0
Square footage (in thousands)	0	0	0	0	0
Average daily customers	0	0	0	0	0
Athletic Facilities	2	2	2	2	2
Square footage (in thousands)	29	29	29	29	29
Stadiums	0	0	0	0	0
Gymnasiums	1	1	1	1	1
Fitness Centers	0	0	0	0	0
Tennis Court	1	1	1	1	1
Plant facilities	5	15	15	15	15
Square footage (in thousands)	45	78	78	78	78
Transportation					
Cars	16	18	18	13	12
Light Trucks/Vans	53	45	45	35	34
Buses	2	2	1	1	1