

**TEXAS SOUTHMOST
COLLEGE DISTRICT**

**COMPREHENSIVE
ANNUAL FINANCIAL REPORT**

AUGUST 31, 2010

TEXAS SOUTHMOST COLLEGE DISTRICT

TABLE OF CONTENTS

	<u>Page Number</u>
INTRODUCTORY SECTION	
Transmittal Letter	2
GFOA Certificate of Achievement	7
Organizational Chart	8
Organizational Data	9
FINANCIAL SECTION	
Independent Auditors' Report on Financial Statements	11
Management's Discussion and Analysis	13
Basic Financial Statements	
Exhibit 1 - Statement of Net Assets	26
Exhibit 2 - Statement of Revenues, Expenses and Changes in Net Assets	27
Exhibit 3 - Statement of Cash Flows	28
Notes to Financial Statements	31
SUPPLEMENTARY SECTION	
Schedule A - Schedule of Operating Revenues	54
Schedule B - Schedule of Operating Expenses by Object	55
Schedule C - Schedule of Non-Operating Revenues and Expenses	56
Schedule D - Schedule of Net Assets by Source and Availability	57
STATISTICAL SECTION	
Net Assets by Component	60
Revenues by Source	61
Program Expenses by Function	62
Tuition and Fees	63
Assessed Value and Taxable Assessed Value of Property	65
State Appropriation per FTSE and Contact Hour	66
Principal Taxpayers	67
Property Tax Levies and Collections	68
Ratios of Outstanding Debt	69
Legal Debt Margin Coverage	70
Pledged Revenue Coverage	71
Demographic and Economic Statistics - Taxing District	72
Principal Employers	73
Faculty, Staff and Administrator's Statistics	74
Enrollment Details	75
Student Profile	76
Transfers to Senior Institutions	77
Capital Asset Information	78
SINGLE AUDIT SECTION	
Schedule E - Schedule of Expenditures of Federal Awards	80
Schedule F - Schedule of Expenditures of State Awards	83
Independent Auditors' Report on Interanal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	84

TEXAS SOUTHMOST COLLEGE DISTRICT

TABLE OF CONTENTS

(Continued)

	<u>Page Number</u>
SINGLE AUDIT SECTION (Continued)	
Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance With OMB Circular A-133 and State of Texas Single Audit Circular	86
Schedule of Findings and Questions Costs - Federal/State Awards	88
Summary Schedule of Prior Audit Findings	89
Corrective Action Plan	90

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

February 14, 2011

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

The comprehensive annual financial report of the Texas Southmost College District for the fiscal year ended August 31, 2010 is hereby submitted. The purpose of this report is to provide detailed information concerning the financial condition and performance of the District. Responsibility for the preparation and integrity of the financial information and fairness of the presentation, including disclosures, rests with the management of the District. To the best of our knowledge, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

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

The District's financial statements, as of and for the year ended August 31, 2010, have been audited by Pattillo, Brown & Hill, LLP, a firm of licensed certified public accountants. The District's financial statements, as of and for the year ended August 31, 2009, 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 then ended, are free from material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and, evaluating the overall financial statement presentation. The independent auditors concluded based up on the audit, that there was a reasonable basis for rendering an unqualified opinion that the District's financial statements for the year ended August 31, 2010 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

Organization of the District

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

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

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

In the spring of 1991, the Texas House of Representative and Senate passed a bill that would create The University of Texas at Brownsville which would be in partnership with Texas Southmost College. During the fiscal year under audit, the Partnership with the District operated with a consolidated administrative and academic structure under the direction of UTB. The combined institutions enrolled over 20,000 students per long semester in academic, occupational and continuing education courses and over 2,400 staff and instructional support are employed by UTB and TSC.

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

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

Mission and Values

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

The mission of The University of Texas at Brownsville and Texas Southmost College (UTB/TSC) Partnership is to provide accessible, affordable, postsecondary education of high quality, to conduct research which expands knowledge and 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.

Mission and Values (Continued)

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. Education, government and industrial sectors are now the largest employers with a total of more than 20,000 employees. Cameron County, the southern-most Texas county, is the geographical area in which the District operates. The County's estimated population for 2009 was 396,371, an increase of 18.2 percent since 2000. The County's median income per household was \$30,024 compared to the state median of \$52,355.

Major Initiatives

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

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

In 2009, a \$4,000,000 bond issuance was approved. This was the 5th and last installment of the \$68 million dollar bonds. In 2009, the District also issued \$3.25 million in Maintenance Tax Notes. The proceeds have, and will continue to be used, to maintain and renovate existing facilities, finance the acquisition of property and finance equipment and school building construction.

In 2010, the District completed \$32.8 million in capital construction projects and has another \$12.7 million in the construction in progress phase.

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.

Financial Information (Continued)

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 controls, 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, 2010, provided no instances of material weaknesses in internal control.

Budgeting Controls

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

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

Debt Management

The District is authorized to sell bonds and to levy an ad valorem tax in payment of the debt by the Constitution and the laws of the State of Texas. At August 31, 2010, the District had \$75.8 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 \$.052975 per hundred dollars of taxable appraised value and the District's general obligation debt is currently rated AA by Fitch Ratings and AA by Standard and Poor's.

The District currently has \$25.8 million of revenue bonds outstanding. Revenue bonds are special obligations of the District payable as to principal and interest solely from and secured by a first lien on and a pledge of certain revenues. Revenue bonds were issued for the Student Union Building and Recreation Education and Kinesiology (REK) Center and the pledge revenue source for payment of these bonds are fees assessed to TSC and UTB students for these facilities. In addition, the District issued general revenue bonds for various acquisitions and improvements on campus. Pledged revenues for these obligations include tuition, parking fees, bookstore income, investment earnings and additional income or earnings. It is important to note that Standard and Poor's revenue bond rating was upgraded this year from an A to A+ as a result of consistently positive operations.

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 Pattillo, Brown & Hill, LLP. In addition to meeting the requirements set forth in the state statutes, their audit also was designed to meet the requirements of the Federal Single Audit Act Amendments of 1996 and related OMB Circular A-133 and the State Single Audit related to the Uniform Grant Management Standards Single Audit Circular. The auditor's reports related specifically to the single audits are included in the Single Audit Sections.

Awards

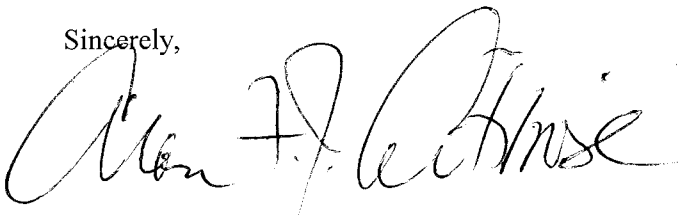
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Texas Southmost College District for its comprehensive annual financial report for the fiscal years ended August 31, 2009. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

Acknowledgments

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

Sincerely,

A handwritten signature in black ink, appearing to read "Alan F. J. Artibise". The signature is fluid and cursive, written over a light blue horizontal line.

Dr. Alan F. J. Artibise
Provost, The University of Texas at Brownsville
and Texas Southmost College

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Texas Southmost College
District, Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
August 31, 2009

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



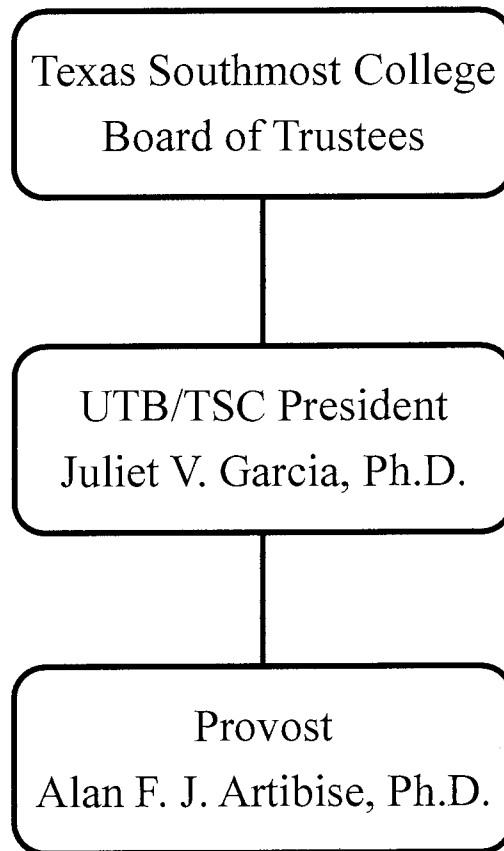
President



Executive Director

Texas Southmost College District

ORGANIZATIONAL CHART



TEXAS SOUTHMOST COLLEGE DISTRICT

**ORGANIZATIONAL DATA
FOR THE FISCAL YEAR 2009-2010**

Board of Trustees

Officers

Francisco "Kiko" Rendon	Chairman
Roberto Robles, MD	Vice Chairman
Adela Garza	Secretary

Members

		<u>Term Expires</u>
David G. Oliveira	Brownsville, Texas	May, 2012
Rene Torres	Brownsville, Texas	May, 2014
Robert Lozano, MD, PhD	Brownsville, Texas	May, 2016
Juan "Trey" Mendez	Brownsville, Texas	May, 2016
Francisco "Kiko" Rendon	Brownsville, Texas	May, 2016
Roberto Robles, MD	Brownsville, Texas	May, 2012
Adela Garza	Olmito, Texas	May, 2014

Principal Administrative Officers

Dr. Juliet V. Garcia	President
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FINANCIAL SECTION



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

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the Texas Southmost College District, as of and for the year ended August 31, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Texas Southmost College 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 and the standards applicable to financial audits contained in the *State of Texas Single Audit Circular*. 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 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, 2010, and the respective changes in financial position, and cash flows, where applicable, 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* and the *State of Texas Single Audit Circular*, we have also issued our report dated January 28, 2011, 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 the *State of Texas Single Audit Circular* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 13 through 25, is not a required part of the basic financial statements but are 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 supplementary information and financial assistance section as denoted in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the Texas Southmost College District. The accompanying schedule of expenditures of State Awards is presented for purposes of additional analysis as required by the *State of Texas Single Audit Circular*, and is also not a required part of the basic financial statements of Texas Southmost College District. Such information has 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 statistical supplement section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Patullo, Brown & Hill, C.P.A.

January 28, 2011

TEXAS SOUTHMOST COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

AUGUST 31, 2010

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, 2010. This discussion and analysis is to be read in conjunction with the District's financial statements which begin on page 26.

USING THIS ANNUAL REPORT

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

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

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

The Statement of Net Assets

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

The Statement of Net Assets includes 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.

USING THIS ANNUAL REPORT

(Continued)

The next category is restricted net assets, which is further divided into two categories: nonexpendable and expendable. Expendable restricted net assets are available for expenditures but must be spent in accordance with the restrictions of donors and other external entities. The 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.

The Statement of Revenues, Expenses and Changes in Net Assets

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

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

The Statement of Cash Flows

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

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

FINANCIAL ANALYSIS

Statement of Net Assets

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

TABLE 1
CONDENSED STATEMENT OF NET ASSETS
(in millions)

	August 31, 2010	August 31, 2009	August 31, 2008
Current Assets	\$ 29.2	\$ 30.3	\$ 26.2
Noncurrent Assets			
Cash and Cash Equivalents - Restricted	15.2	24.9	59.1
Capital Assets, Net of Accumulated Depreciation	162.7	153.4	109.9
Other Noncurrent Assets	2.1	2.1	2.1
Total Assets	209.2	210.7	197.3
Current Liabilities	24.8	26.5	26.7
Noncurrent Liabilities	98.6	102.0	97.9
Total Liabilities	123.4	128.5	124.6
Net Assets			
Invested in Capital Assets, Net of Related Debt	61.1	56.5	50.9
Restricted Expendable	17.3	18.3	15.8
Unrestricted	7.4	7.3	5.8
Total Net Assets	\$ 85.8	\$ 82.1	\$ 72.5

Total Assets decreased slightly by \$1.5 million in fiscal year 2010. The factors affecting this net decrease are the use of Restricted Cash and Cash Equivalents and additions to Capital Assets, Net of Accumulated Depreciation. Some construction projects have reached completion and progress continues on the remaining construction projects on campus. In the prior year, the District sold and reinvested \$4 million in general obligation tax bonds and \$3.25 million in maintenance tax notes for the various construction and renovation projects on campus. This prior year increase of \$7.25 million in Restricted Cash and Cash Equivalents was offset by more than \$41 million in funds disbursed, in the prior year, for the construction projects and therefore significantly decreased the Restricted Cash and Cash Equivalents asset accounts by more than \$34 million.

Statement of Net Assets (Continued)

At the end of fiscal year 2010, total liabilities decreased by almost \$5.1 million. Included in this decrease are \$3.1 million of debt repayment. During fiscal year 2009, total liabilities increased by almost \$4 million. Included in this increase are \$4 million in general obligation tax bonds and \$3.25 million in maintenance tax notes, offset by approximately \$2.5 million of debt repayment. Accounts payable decreased by over \$2.8 million. As construction projects came to a close and were winding down at year end, pending payments to contractors decreased. Deferred revenues increased by approximately \$2 million primarily due to increases in tuition and fee and student enrollment. These revenues are payable to UTB for contractual obligations as per the Partnership agreement.

Net assets (assets less liabilities) increased by almost \$13.3 million over the past three fiscal years. The District experienced an increase of approximately \$9.6 million from fiscal year 2008 to fiscal year 2009 and subsequently approximately \$3.7 million, from fiscal year 2009 to fiscal year 2010. Net assets are \$85.8 million at August 31, 2010. Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – represents \$7.4 million of total net assets at August 31, 2010.

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

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

	August 31, <u>2010</u>	August 31, <u>2009</u>	August 31, <u>2008</u>
Operating Revenues	\$ 38.5	\$ 34.6	\$ 31.1
Operating Expenses	(61.3)	(53.4)	(50.5)
Non-operating Revenue	31.2	33.0	32.7
Non-operating Expenses	<u>(4.7)</u>	<u>(4.7)</u>	<u>(4.2)</u>
Increase in Net Assets	<u>3.7</u>	<u>9.5</u>	<u>9.1</u>
Net Assets - Beginning of the Year	<u>82.1</u>	<u>72.6</u>	<u>63.5</u>
Net Assets - End of the Year	\$ <u><u>85.8</u></u>	\$ <u><u>82.1</u></u>	\$ <u><u>72.6</u></u>

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

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

TABLE 3
OPERATING REVENUE
(in millions)

	Fiscal Year 2010		Fiscal Year 2009		Fiscal Year 2008	
	Percentage		Percentage		Percentage	
	<u>Amount</u>	<u>of Total</u>	<u>Amount</u>	<u>of Total</u>	<u>Amount</u>	<u>of Total</u>
Net Tuition and Fees	\$ 31.7	82.3%	\$ 26.8	77.9%	\$ 25.9	83.5%
Grants and Contracts	6.0	15.6%	6.8	19.8%	4.5	14.5%
Auxiliary Enterprises	0.5	1.3%	0.4	1.2%	0.4	1.3%
Other Operating Revenue	0.3	0.8%	0.4	1.2%	0.2	0.6%
Total Operating Revenue	<u>\$ 38.5</u>	<u>100.0%</u>	<u>\$ 34.4</u>	<u>100.0%</u>	<u>\$ 31.0</u>	<u>100.0%</u>

Operating revenues were affected by the following key factors:

- The District experienced a 4.4% increase in enrollment, when compared to the prior fiscal year.
- In 2009, the District had a 4% decrease in enrollment as a result of the implementation of Satisfactory Academic Progress (SAP) requirements in the Spring of 2008.
- Failure to meet SAP requirements, which consist of maintaining a cumulative 2.0 GPA and a 70% completion rate of credit hours attempted, results in further enrollment implications which included probation and/or suspension.
- Grants and Contracts revenues decreased by \$0.8 million as a result of the Texas Workforce Commission discontinuing its state funded grant.

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

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

TABLE 4
NON-OPERATING REVENUE
(in millions)

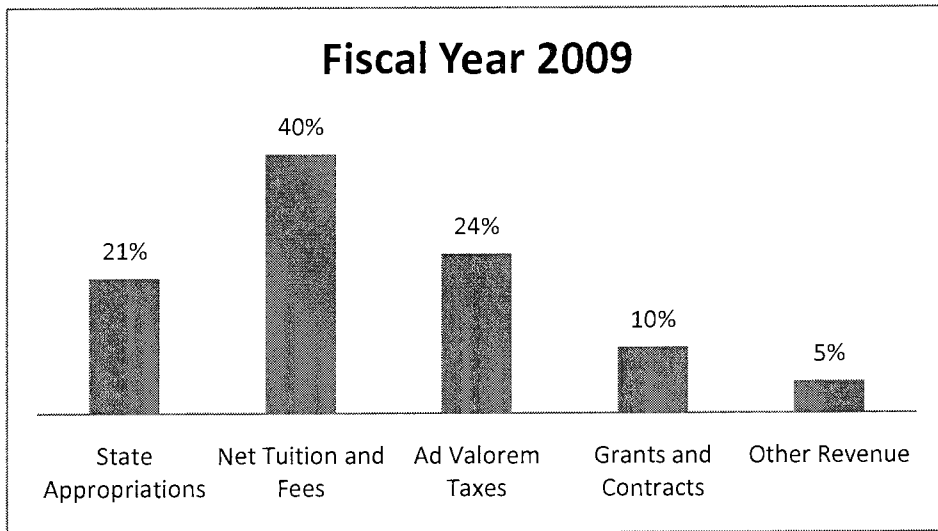
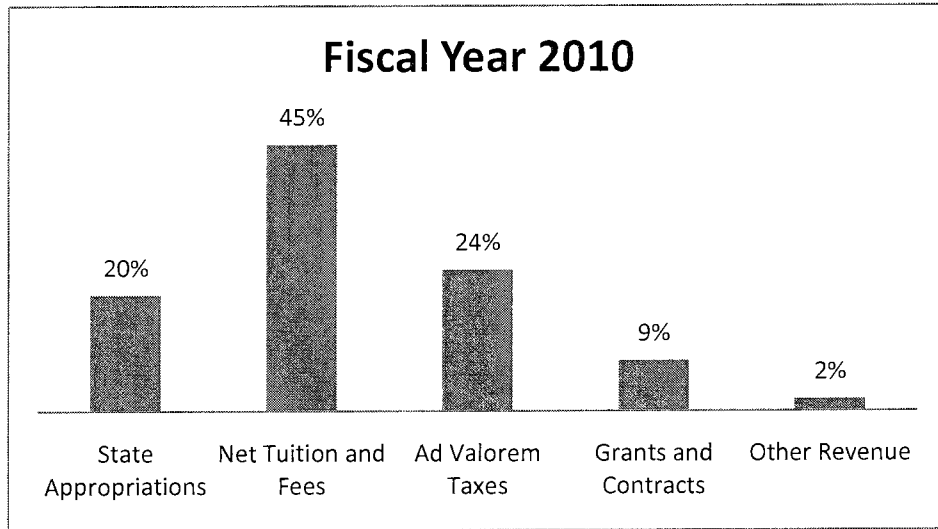
	Fiscal Year 2010		Fiscal Year 2009		Fiscal Year 2008	
	<u>Amount</u>	<u>Percentage of Total</u>	<u>Amount</u>	<u>Percentage of Total</u>	<u>Amount</u>	<u>Percentage of Total</u>
State Appropriations	\$ 13.8	44.2%	\$ 14.0	42.4%	\$ 14.2	43.3%
Ad Valorem Taxes	16.8	53.8%	16.5	50.0%	15.3	46.6%
Investment Income	0.2	0.6%	0.9	2.7%	3.2	9.8%
Other Non-Operating Revenue	0.4	1.3%	1.6	4.8%	0.1	0.3%
Total Non-Operating Revenue	<u>\$ 31.2</u>	<u>100.0%</u>	<u>\$ 33.0</u>	<u>100.0%</u>	<u>\$ 32.8</u>	<u>100.0%</u>

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

- State appropriations have seen a slight decreasing trend over the past three fiscal years. Appropriations for the current biennia decreased 1.43% as compared to the 2008-2009 biennia. More significant reductions to state appropriations are expected for the 2012-2013 biennia.
- Property tax revenue increased by about \$0.3 million from fiscal year 2009 to fiscal year 2010 as a result of a small increase in taxable assessed property valuations and a small increase to the total tax rate. Property tax revenue increased by about \$1.2 million from fiscal year 2008 to fiscal year 2009 as a result of a 7.2% increase in taxable assessed property valuations. The tax rate for the Texas Southmost College District is \$0.161924 and \$0.161089 and \$0.161089 per \$100 valuation, for the fiscal years ended 2010, 2009 and 2008, respectively.
- Investment income decreased dramatically over the last three fiscal years as a result of restricted funds expended on capital construction projects and a decrease in earnings rates upon completion of contract terms for bond funds invested.
- Other non-operating revenues increased substantially from fiscal year 2008 to fiscal year 2009 as a result of more than \$1.5 million in donations for the completion of the Arts Center under construction.

Key sources of revenue in total for the District are state allocations, grants and contracts, property taxes and tuition and fees (net of scholarship discounts). Table 5 shows a comparison of the breakdown of total revenues by source for the District in Fiscal Years 2010 and 2009.

TABLE 5
Total Revenues
(Operating and Non-operating)



In both fiscal year 2010 and 2009, tuition and fees account for the largest source of revenue (45% and 40%, respectively) for the District. State allocations are also a large revenue source at 20% in fiscal year 2010 and 21% in fiscal year 2009. Property taxes as a percentage of total revenues are constant at 24% in fiscal year 2010 and 2009.

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

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

TABLE 6
OPERATING EXPENSES
Natural Classification
(in millions)

	August 31, 2010	August 31, 2009	August 31, 2008
Salaries	\$ 0.9	\$ 0.9	\$ 0.7
Benefits	0.2	0.1	0.1
Supplies and Services	5.1	3.6	3.3
Contracted Services - UTB	51.7	46.8	44.3
Depreciation	<u>3.4</u>	<u>2.1</u>	<u>2.1</u>
Total Operating Expenses	\$ <u>61.3</u>	\$ <u>53.5</u>	\$ <u>50.5</u>

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

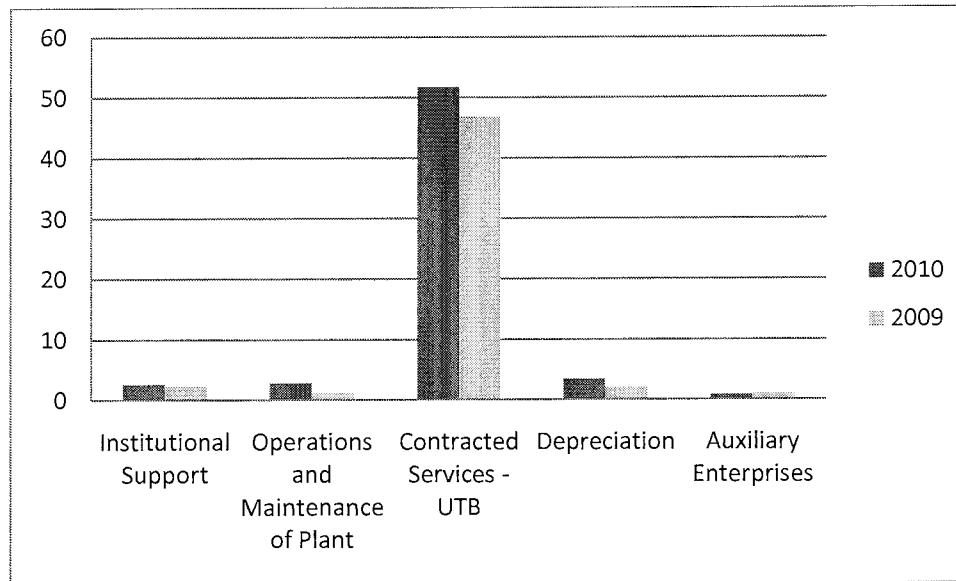
TABLE 7
OPERATING EXPENSES
Functional Classification
(in millions)

	August 31, 2010	August 31, 2009	August 31, 2008
Institutional Support	\$ 2.6	\$ 2.3	\$ 2.6
Operations and Maintenance of Plant	2.8	1.3	0.9
Contracted Services - UTB	51.7	46.8	44.3
Depreciation	<u>3.4</u>	<u>2.1</u>	<u>2.1</u>
Total Educational Activities	60.5	52.5	49.9
Auxiliary Enterprises	<u>0.8</u>	<u>0.9</u>	<u>0.7</u>
Total Operating Expenses	\$ <u>61.3</u>	\$ <u>53.4</u>	\$ <u>50.6</u>

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

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

TABLE 8
OPERATING EXPENSES
Functional Classification
(in millions)



The District operates under a partnership agreement with The University of Texas at Brownsville. Under this agreement, the District contracts with UTB to provide instruction and other related essential services. This contract is the largest expense for the District as is reflected in the Contract Services-UTB category. In fiscal year 2010 and 2009, this amount represented 51.7% and 46.8% of total expenses, respectively. The University of Texas at Brownsville releases an Annual Financial Report detailing total expenses for both the District and University and should be reviewed in conjunction with this report for further information.

Statement of Cash Flows

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

TABLE 9
CONDENSED STATEMENT OF CASH FLOWS
(in millions)

	August 31, 2010	August 31, 2009	August 31, 2008
Cash provided / used by:			
Operating Activities	\$ (22.0)	\$ (17.7)	\$ (18.1)
Noncapital Financing Activities	25.1	25.2	24.6
Capital and Related Activities	(16.4)	(41.5)	(27.9)
Investing Activities	<u>0.2</u>	<u>0.9</u>	<u>3.5</u>
Net Increase (Decrease) In Cash	<u>(13.1)</u>	<u>(33.1)</u>	<u>(17.9)</u>
Cash - Beginning of the Year	<u>35.4</u>	<u>68.5</u>	<u>86.4</u>
Cash - End of Year	<u>\$ 22.3</u>	<u>\$ 35.4</u>	<u>\$ 68.5</u>

Total Cash and Cash Equivalents decreased by \$13.1 million during the 2010 fiscal year and decreased by \$33.1 million during the 2009 fiscal year. Major factors impacting cash and cash equivalents are described below by source.

Operating Activities: During the fiscal year 2010 and fiscal year 2009, cash flows from operations resulted in an outflow of \$22.0 million and \$17.7 million, respectively. The major source of cash receipts was from tuition and fees, net of scholarship allowances and discounts (\$31.7 million in 2010 and \$29.0 million in 2009). The District's major cash outlay was for contract services with UTB (\$52.7 million in 2010 and \$48.4 million in 2009).

Non-capital Financing Activities: The District had a positive cash flow of \$25.1 million in fiscal year 2010 and \$25.2 million in fiscal year 2009 from the collection of property taxes and receipt of state appropriations. Property taxes were collected at a rate of 93.6% and 93.9% of the current year's tax levy for fiscal year 2010 and fiscal year 2009, respectively. (See table 10 below for more information on property taxes.)

Capital and Related Financing Activities: In fiscal year 2010, capital and related financing activities resulted in a cash outflow of \$16.4 million. Cash outlays of approximately \$22.2 million were made for capital construction projects, purchases of land and property, and principal and interest payments for all outstanding bonds. Cash inflows of \$6.0 million resulted mainly from the collection of property taxes. In fiscal year 2009, capital and related financing activities resulted in a cash outflow of \$41.5 million. Cash outlays of approximately \$55.5 million were made for capital construction projects, purchases of land and property, and principal and interest payments for all outstanding bonds. Cash inflows of \$14 million resulted from the issuance of \$4 million in tax bonds, \$3.25 million in maintenance tax notes and \$5.1 from the collection of property taxes to fund the debt resulting from the \$68 million in bonds that were approved by the voters in November 2004. During the fiscal year 2009, \$1.6 million in contributions were solicited as a result of a capital campaign to raise funds for the construction of the Arts Center.

Statement of Cash Flows (Continued)

Investing Activities Cash flows from investing activities represent investment earnings generated from the District's various checking, savings and certificate of deposit accounts. While earnings increased by about 25% from fiscal year 2007 to fiscal year 2008 due to the investment of additional bond proceeds and favorable fixed earnings rates, earnings on investments from fiscal year 2008 to fiscal year 2009 decreased dramatically despite additional bond proceeds available for investment. This decrease in investment returns was consistent with the economic downturn in the market. Investment earnings continued to decrease in fiscal year 2010 as a result of further depletion of prior year investment of bond proceeds as construction projects reached completion.

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

TABLE 10
PROPERTY TAX INFORMATION
(in millions)

	August 31, 2010	August 31, 2009	August 31, 2008
Total Tax Rate per \$100	\$ 0.161924	\$ 0.161089	\$ 0.161089
Total Tax Collections	\$ 16,787,201	\$ 16,480,318	\$ 15,318,499
Tax Collection Rate	93.62%	93.93%	94.90%
Assessed Valuation	\$ 10,526,537,297	\$ 10,440,911,521	\$ 9,738,709,903

The District's total tax assessments increased by approximately 1.86%, due to a 0.82% increase in assessed valuations. Overall, the District's tax collection rate has remained strong over the past decade.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of Fiscal Year 2010 the District had approximately \$162.7 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 \$12.7 million of which \$12.6 million were for construction in progress on the various bond financed projects that on campus. \$32.8 million in construction projects were completed in fiscal year 2010 which include, among other projects, the Classroom Building, the Early Childhood Center, the Music Education / Fine Arts Center, and the Commandant's House.

Capital Assets (Continued)

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, 2010.

TABLE 11
CAPITAL ASSETS AT FISCAL YEAR END 2010
(in millions)

	Balance September 1, 2009	Increase	Decrease	Balance August 31, 2010
Not Depreciated	\$ 33.7	\$ 12.7	\$ (32.8)	\$ 13.6
Buildings and Other Capital Assets	164.4	0.0	32.8	197.2
Less Accumulated Depreciation	(44.7)	(3.4)	-	(48.1)
Total Capital Assets	<u>\$ 153.4</u>	<u>\$ 9.3</u>	<u>\$ -</u>	<u>\$ 162.7</u>

Debt

The District's general obligation bond ratings, as assigned by *Fitch Ratings* and *Standard and Poor's* are AA- and AA respectively. *Standard and Poor's* revenue bond rating was upgraded this year from A to A+ as a result of consistently positive operations.

At year-end, the District had approximately \$101.9 million in outstanding debt. Notes 6 through 8 of the financial statements which begin on page 31 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 2010
(in millions)

	Balance September 1, 2009	Increase	Decrease	Balance August 31, 2010
General Obligation Bonds	\$ 78.0	\$ -	\$ (2.2)	\$ 75.8
Revenue Bonds	26.8	-	(1.0)	25.8
Plus Premium on Bonds	0.9	-	(0.1)	0.8
Less Deferred Amounts on Refunding	(0.6)	-	0.1	(0.5)
Total Bonds Payable	<u>\$ 105.1</u>	<u>\$ -</u>	<u>\$ (3.2)</u>	<u>\$ 101.9</u>

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

Debt (Continued)

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

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

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Board of Trustees considered many factors when establishing the fiscal year 2011 budget and tax rates. Tuition and fees revenues are expected to remain flat or increase slightly as a result of a large increase in dual enrollment students at the high schools for whom tuition and fees are waived. College student enrollment is expected to stay flat and tuition rates and fees are expected to increase modestly. The District expects a minimal tax revenue increase during fiscal year 2011 as a result of a small growth in the tax base, due to population growth and the state of the real estate market. Collections are projected to remain fairly strong. Expenditures are expected to stay in line with the projected overall increase in revenues as the institution strives to meet instructional as well as campus improvement needs.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

TEXAS SOUTHMOST COLLEGE DISTRICT
Statement of Net Assets
August 31, 2010
(with memorandum totals for the year ended August 31, 2009)

	2010	2009
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 7,075,966	\$ 10,531,559
Accounts receivable (net)	21,535,100	19,146,830
Prepaid expenses	628,815	595,041
Total Current Assets	29,239,881	30,273,430
Noncurrent Assets		
Restricted cash and cash equivalents	15,224,243	24,898,660
Endowment investments	53,501	53,810
Unamortized bond issuance costs	1,944,198	2,053,689
Capital assets (net)	162,705,182	153,363,438
Total Noncurrent Assets	179,927,124	180,369,597
Total Assets	209,167,005	210,643,027
LIABILITIES		
Current Liabilities		
Accounts payable	3,465,090	5,664,890
Accrued liabilities	701,934	2,541,701
Accrued compensable absences - current portion	-	31,395
Funds held for others	8,303	8,304
Deferred revenues	17,186,391	15,123,717
Bonds payable - current portion	3,445,000	3,145,000
Total Current Liabilities	24,806,718	26,515,007
Noncurrent Liabilities		
Accrued compensable absences	52,607	36,112
Bonds payable	98,497,173	101,952,980
Total Noncurrent Liabilities	98,549,780	101,989,092
Total Liabilities	123,356,498	128,504,099
NET ASSETS		
Investment in capital assets, net of related debt	61,085,182	56,521,296
Restricted for		
Expendable		
Endowment	61,877	61,590
Capital projects	6,337,715	8,170,429
Debt service	9,365,290	9,206,720
Other	1,608,755	857,940
Unrestricted	7,351,688	7,320,953
Total Net Assets (Schedule D)	\$ 85,810,507	\$ 82,138,928

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

TEXAS SOUTHMOST COLLEGE DISTRICT
Statement of Revenues, Expenses and Changes in Net Assets
For The Year Ended August 31, 2010
(with memorandum totals for the year ended August 31, 2009)

	<u>2010</u>	<u>2009</u>
OPERATING REVENUES		
Tuition and fees (net of discounts of \$4,873,087 & \$4,810,809, respectively)	\$ 31,738,816	\$ 26,843,900
Federal grants and contracts	875,766	1,970,939
State grants and contracts	4,648,058	4,430,696
Local grants and contracts	442,644	439,772
Auxiliary enterprises	492,167	445,716
General operating revenues	<u>307,138</u>	<u>419,588</u>
Total Operating Revenues (Schedule A)	<u>38,504,589</u>	<u>34,550,611</u>
OPERATING EXPENSES		
Institutional support	2,567,414	2,325,216
Operation and maintenance of plant	2,873,577	1,349,966
Auxiliary enterprises	830,403	928,790
Depreciation	3,411,362	2,065,902
Contracted services with UTB	<u>51,661,026</u>	<u>46,763,146</u>
Total Operating Expenses (Schedule B)	<u>61,343,782</u>	<u>53,433,020</u>
Operating (Loss)	<u>(22,839,193)</u>	<u>(18,882,409)</u>
Non-Operating Revenues (Expenses)		
State appropriations	13,770,382	13,983,572
Maintenance ad valorem taxes	11,303,940	11,325,004
Debt service ad valorem taxes	5,483,261	5,155,314
Investment income	192,016	918,907
Interest on capital related debt	(4,582,811)	(4,432,353)
Other non-operating expenses	<u>(138,726)</u>	<u>(143,789)</u>
Total Non-Operating Revenues (Schedule C)	<u>26,028,062</u>	<u>26,806,655</u>
Capital Contributions	<u>482,710</u>	<u>1,646,207</u>
Increase in Net Assets	<u>3,671,579</u>	<u>9,570,453</u>
NET ASSETS		
Net Assets - Beginning of Year	<u>82,138,928</u>	<u>72,568,475</u>
Net Assets - End of Year	<u>\$ 85,810,507</u>	<u>\$ 82,138,928</u>

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

TEXAS SOUTHMOST COLLEGE DISTRICT
Statement of Cash Flows
For The Year Ended August 31, 2010
(with memorandum totals for the year ended August 31, 2009)

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from students and other customers	\$ 31,720,358	\$ 29,014,237
Receipts from grants and contracts	5,966,468	6,816,883
Payments to suppliers for goods or services	(4,031,692)	(3,421,823)
Transfers to UTB	(52,736,485)	(48,441,594)
Payments to or on behalf of employees	(2,587,212)	(1,256,126)
Receipts from auxiliary services	(338,236)	(409,655)
Net cash provided (used) by operating activities	(22,006,799)	(17,698,078)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Receipts from state appropriations	13,770,382	13,983,572
Receipts from ad valorem taxes	11,303,940	11,272,424
Net cash provided by non-capital financing activities	25,074,322	25,255,996
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds on issuance of capital debt	-	7,250,000
Contributions	482,710	1,646,207
Other non-operating expenses	(138,726)	-
Receipts from ad valorem tax revenues	5,483,261	5,116,070
Purchase of capital assets	(12,753,106)	(48,269,659)
Payments on capital debt - principal	(3,145,000)	(2,660,887)
Payments on capital debt - interest and issuance costs	(6,318,688)	(4,615,760)
Net cash provided (used) by capital and related financing activities	(16,389,549)	(41,534,029)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	192,016	949,832
Net cash provided (used) by investing activities	192,016	949,832
Increase (decrease) in cash and cash equivalents	(13,130,010)	(33,026,279)
Cash and cash equivalents - September 1	35,430,219	68,456,498
Cash and cash equivalents - August 31	\$ 22,300,209	\$ 35,430,219
Cash and cash equivalents	\$ 7,075,966	\$ 10,531,559
Restricted cash and cash equivalents	15,224,243	24,898,660
Total cash and cash equivalents	\$ 22,300,209	\$ 35,430,219

TEXAS SOUTHMOST COLLEGE DISTRICT
Statement of Cash Flows
For The Year Ended August 31, 2010
(with memorandum totals for the year ended August 31, 2009)
(Continued)

	2010	2009
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating (loss)	\$ (22,839,193)	\$ (19,687,539)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:		
Depreciation expense	3,411,362	1,053,398
Changes in assets and liabilities:		
Receivables (net)	(2,388,270)	(151,444)
Prepaid expenses	(33,774)	-
Accounts payable	(2,199,800)	(52,972)
Accrued liabilities	(4,898)	85,344
Compensated absences	(14,900)	(1,337,873)
Deferred revenue	2,062,674	230,053
Net cash provided (used) by operating activities	\$ (22,006,799)	\$ (19,861,033)

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

NOTES TO FINANCIAL STATEMENTS

TEXAS SOUTHMOST COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2010 and 2009

1. Reporting Entity

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

2. Summary of Significant Accounting Policies

Report Guidelines

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

Tuition Discounting

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

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

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

Basis of Accounting

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

TEXAS SOUTHMOST COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2010 and 2009

2. Summary of Significant Accounting Policies (continued)

Budgetary Data

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

Cash and Cash Equivalents

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

Investments

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

(The governing board has designated public funds investment pools comprised of \$114,606 and \$2,009,388 at August 31, 2010, and 2009, respectively, to be short-term investments.) Long-term investments have an original maturity of greater than one year at the time of purchase.

Pledges

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

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

Inventories

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

TEXAS SOUTHMOST COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2010 and 2009

2. Summary of Significant Accounting Policies (continued)

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 \$17,186,391 and \$15,123,717 and federal, have been reported as deferred revenues at August 31, 2010, and 2009, respectively.

Estimates

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

Operating and Non-Operating Revenue and Expense Policy

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

3. Authorized Investments

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

TEXAS SOUTHMOST COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2010 and 2009

4. Deposits and Investments

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

Cash and Deposits

	August 31,	
	2010	2009
Bank Deposits		
Demand Deposits - Unrestricted	\$ 7,073,356	\$ 10,528,949
Demand Deposits - Restricted	15,224,243	24,898,660
Cash and Cash Equivalents		
Petty Cash on Hand	2,610	2,610
Total Cash and Deposits	\$ 22,300,209	\$ 35,430,219

Reconciliation of Deposits and Investments

Type of Security	Market Value 8/31/2010	Market Value 8/31/2009
Total Cash and Deposits	\$ 22,300,209	\$ 35,430,219
Total Investments	53,501	53,810
Total Deposits and Investments	\$ 22,353,710	\$ 35,484,029
Cash and Temporary Investments	\$ 7,099,893	\$ 10,531,559
Cash and Temporary Investments - Restricted	15,200,316	24,898,660
Investments	53,501	53,810
Total Deposits and Investments	\$ 22,353,710	\$ 35,484,029

As of August 31, 2010 the District had the following investments:

Investment Type	Fair Value
U.S. Government Securities	\$ -
U.S. Treasuries	-
Commercial Papers	-
Investment Pool	-
Certificate of Deposit	-
Common Stock	53,501
Municipal Bonds	-
Total Fair Value	\$ 53,501

TEXAS SOUTHMOST COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2010 and 2009

4. Deposits and Investments (Continued)

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

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

At August 31, 2010 the District’s investments consisted of savings accounts which are reported as cash and cash equivalents on the Statement of Net Assets and common stocks that were donated to the District. The stocks are held in an endowment fund and have donor restrictions.

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TEXAS SOUTHMOST COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2010 and 2009

5. Capital Assets

Capital asset activity for the year ended August 31, 2010 was as follows:

	Balance September 1, 2009	Increases	Decreases	Reclassifications	Balance August 31, 2010
<u>Not Depreciated:</u>					
Land	\$ 5,423,525	\$ 180,182	\$ -	\$ -	\$ 5,603,707
Construction in Progress	28,276,523	12,532,666	-	(32,845,377)	7,963,812
Subtotal	<u>33,700,048</u>	<u>12,712,848</u>	<u>-</u>	<u>(32,845,377)</u>	<u>13,567,519</u>
<u>Buildings and Other Capital Assets</u>					
Buildings and Building Improvements	135,805,279	40,258	-	32,494,407	168,339,944
Other Real Estate Improvements	9,022,008	-	-	716,037	9,738,045
Total Buildings and Other Real Estate Improvements	144,827,287	40,258	-	33,210,444	178,077,989
Library Books	8,422,239	-	-	-	8,422,239
Furniture, machinery, and Equipment	11,129,806	-	-	(365,067)	10,764,739
Subtotal	<u>19,552,045</u>	<u>-</u>	<u>-</u>	<u>(365,067)</u>	<u>19,186,978</u>
Total Buildings and Other Capital Assets	<u>164,379,332</u>	<u>40,258</u>	<u>-</u>	<u>32,845,377</u>	<u>197,264,967</u>
<u>Accumulated Depreciation:</u>					
Buildings and Building Improvements	(21,988,336)	(2,724,993)	-	-	(24,713,329)
Other Real Estate Improvements	(5,732,531)	(413,663)	-	-	(6,146,194)
Total Buildings and Other Real Estate Improvements	(27,720,867)	(3,138,656)	-	-	(30,859,523)
Library Books	(8,422,241)	-	-	-	(8,422,241)
Furniture, Machinery, and Equipment	(8,572,834)	(272,706)	-	-	(8,845,540)
Subtotal	<u>(16,995,075)</u>	<u>(272,706)</u>	<u>-</u>	<u>-</u>	<u>(17,267,781)</u>
Total Accumulated Depreciation	<u>(44,715,942)</u>	<u>(3,411,362)</u>	<u>-</u>	<u>-</u>	<u>(48,127,304)</u>
Net Capital Assets	<u>\$ 153,363,438</u>	<u>\$ 9,341,744</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 162,705,182</u>

TEXAS SOUTHMOST COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2010 and 2009

5. Capital Assets (Continued)

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

	Balance September 1, 2008	Increases	Decreases	Reclassifications	Balance August 31, 2009
<u>Not Depreciated:</u>					
Land	\$ 4,703,834	\$ 719,691	\$ -	\$ -	\$ 5,423,525
Construction in Progress	56,813,165	44,025,646	-	(72,562,288)	28,276,523
Subtotal	<u>61,516,999</u>	<u>44,745,337</u>	<u>-</u>	<u>(72,562,288)</u>	<u>33,700,048</u>
<u>Buildings and Other Capital Assets</u>					
Buildings and Building Improvements	64,875,721	-	-	70,929,558	135,805,279
Other Real Estate Improvements	9,022,008	-	-	-	9,022,008
Total Buildings and Other Real Estate Improvements	73,897,729	-	-	70,929,558	144,827,287
Library Books	8,422,239	-	-	-	8,422,239
Furniture, machinery, and Equipment	8,671,001	826,075	-	1,632,730	11,129,806
Subtotal	<u>17,093,240</u>	<u>826,075</u>	<u>-</u>	<u>1,632,730</u>	<u>19,552,045</u>
Total Buildings and Other Capital Assets	<u>90,990,969</u>	<u>826,075</u>	<u>-</u>	<u>72,562,288</u>	<u>164,379,332</u>
<u>Accumulated Depreciation:</u>					
Buildings and Building Improvements	(20,384,058)	(1,604,278)	-	-	(21,988,336)
Other Real Estate Improvements	(5,346,999)	(385,532)	-	-	(5,732,531)
Total Buildings and Other Real Estate Improvements	(25,731,057)	(1,989,810)	-	-	(27,720,867)
Library Books	(8,422,241)	-	-	-	(8,422,241)
Furniture, Machinery, and Equipment	(8,496,742)	(76,092)	-	-	(8,572,834)
Subtotal	<u>(16,918,983)</u>	<u>(76,092)</u>	<u>-</u>	<u>-</u>	<u>(16,995,075)</u>
Total Accumulated Depreciation	<u>(42,650,040)</u>	<u>(2,065,902)</u>	<u>-</u>	<u>-</u>	<u>(44,715,942)</u>
Net Capital Assets	<u>\$ 109,857,928</u>	<u>\$ 43,505,510</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 153,363,438</u>

TEXAS SOUTHMOST COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2010 and 2009

6. Long – Term Liabilities

	Balance September 1, 2009	Increases	Decreases	Balance August 31, 2010	Current Portion
<u>Bonds</u>					
General obligation bonds	\$ 78,000,000	\$ -	\$ 2,225,000	\$ 75,775,000	\$ 2,500,000
Revenue bonds	26,765,000	-	920,000	25,845,000	945,000
Plus: Premium on bonds	900,855	5,194	58,537	847,512	-
Less: Deferred refunding	(567,875)	-	(42,536)	(525,339)	-
	<u>105,097,980</u>	<u>5,194</u>	<u>3,161,001</u>	<u>101,942,173</u>	<u>3,445,000</u>
<u>Accrued compensated absences</u>	<u>67,507</u>	<u>304</u>	<u>15,204</u>	<u>52,607</u>	<u>-</u>
Total long term liabilities	<u>\$ 105,165,487</u>	<u>\$ 5,498</u>	<u>\$ 3,176,205</u>	<u>\$ 101,994,780</u>	<u>\$ 3,445,000</u>

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

7. Debt Obligations

Debt service requirements at August 31, 2010 were as follows:

For the Year Ended	Revenue Bonds			General Obligation Bonds			Total Bonds	
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest
August 31,								
2011	\$ 945	\$ 1,150	\$ 2,095	\$ 2,500	\$ 3,303	\$ 5,803	\$ 3,445	\$ 4,453
2012	985	1,114	2,099	2,770	3,209	5,979	3,755	4,323
2013	1,025	1,073	2,098	3,055	3,101	6,156	4,080	4,174
2014	1,070	1,029	2,099	3,365	2,976	6,341	4,435	4,005
2015-2019	6,080	4,419	10,499	19,060	12,610	31,670	25,140	17,029
2020-2024	7,485	3,010	10,495	23,465	8,176	31,641	30,950	11,186
2025-2027	6,480	1,338	7,818	16,920	2,545	19,465	23,400	3,883
2030-2034	1,775	106	1,881	4,640	401	5,041	6,415	507
2035-2039	-	-	-	-	-	-	-	-
Totals	<u>\$ 25,845</u>	<u>\$ 13,239</u>	<u>\$ 39,084</u>	<u>\$ 75,775</u>	<u>\$ 36,321</u>	<u>\$ 112,096</u>	<u>\$ 101,620</u>	<u>\$ 49,560</u>

TEXAS SOUTHMOST COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2010 and 2009

8. Bonds Payable

General information related to bonds payable is summarized below:

Student Union Building Fees Revenue Refunding Bonds, Series 2005

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

Bonds payable are due in annual installments varying from \$370,000 to \$640,000 with interest at 3% to 5% and the final installment due August 2025.

<u>For the year ended August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 370,000	\$ 299,840	\$ 669,840
2012	380,000	286,890	666,890
2013	395,000	273,590	668,590
2014	410,000	259,370	669,370
2015	425,000	243,995	668,995
2016-2020	2,385,000	951,080	3,336,080
2021-2025	2,940,000	404,180	3,344,180
	<u>\$ 7,305,000</u>	<u>\$ 2,718,945</u>	<u>\$ 10,023,945</u>

TEXAS SOUTHMOST COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2010 and 2009

8. Bonds Payable (Continued)

Limited Tax Bonds, Series 2005

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

Bonds payable are due in annual installments varying from \$880,000 to \$1,570,000 with interest at 3% to 5% and the final installment due August 2025.

<u>For the year ended August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 880,000	\$ 726,925	\$ 1,606,925
2012	910,000	698,938	1,608,938
2013	940,000	668,288	1,608,288
2014	970,000	635,450	1,605,450
2015	1,005,000	599,631	1,604,631
2016-2020	5,685,000	2,350,467	8,035,467
2021-2025	7,120,000	919,356	8,039,356
	<u>\$ 17,510,000</u>	<u>\$ 6,599,055</u>	<u>\$ 24,109,055</u>

Wellness Center Revenue Bonds, Series 2005

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

Bonds payable are due in annual installments varying from \$395,000 to \$935,000 with interest at 3.5% to 5% and the final installment due August 2030.

<u>For the year ended August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 395,000	\$ 583,531	\$ 978,531
2012	415,000	567,731	982,731
2013	435,000	546,981	981,981
2014	455,000	525,231	980,231
2015	480,000	502,481	982,481
2016-2020	2,735,000	2,174,118	4,909,118
2021-2025	3,380,000	1,528,213	4,908,213
2026-2030	4,245,000	657,500	4,902,500
	<u>\$ 12,540,000</u>	<u>\$ 7,085,786</u>	<u>\$ 19,625,786</u>

TEXAS SOUTHMOST COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2010 and 2009

8. Bonds Payable (Continued)

Limited Tax Bonds, Series 2006

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

Bonds payable are due in annual installments varying from \$485,000 to \$4,015,000 with interest at 4% to 5% and the final installment due August 2026.

<u>For the year ended August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 485,000	\$ 1,122,284	\$ 1,607,284
2012	580,000	1,100,621	1,680,621
2013	655,000	1,074,740	1,729,740
2014	810,000	1,040,571	1,850,571
2015	1,020,000	999,921	2,019,921
2016-2020	6,245,000	4,268,256	10,513,256
2021-2025	10,415,000	2,343,013	12,758,013
2026	4,015,000	100,375	4,115,375
	<u>\$ 24,225,000</u>	<u>\$ 12,049,781</u>	<u>\$ 36,274,781</u>

Maintenance Tax Notes, Series 2006

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

Bonds payable are due in annual installments varying from \$195,000 to \$365,000 with interest at 4% to 4.6% and the final installment due August 2026.

<u>For the year ended August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 195,000	\$ 182,728	\$ 377,728
2012	200,000	174,828	374,828
2013	210,000	166,628	376,628
2014	215,000	158,128	373,128
2015	225,000	149,215	374,215
2016-2020	1,285,000	591,856	1,876,856
2021-2025	1,605,000	272,975	1,877,975
2026	365,000	8,395	373,395
	<u>\$ 4,300,000</u>	<u>\$ 1,704,753</u>	<u>\$ 6,004,753</u>

TEXAS SOUTHMOST COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2010 and 2009

8. Bonds Payable (Continued)

Combined Fee Revenue Refunding and Improvement Bonds, Series 2006

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

Bonds payable are due in annual installments varying from \$180,000 to \$430,000 with interest at 3.60% to 4.55% and the final installment due August 2031.

<u>For the year ended August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 180,000	\$ 266,561	\$ 446,561
2012	190,000	259,811	449,811
2013	195,000	252,496	447,496
2014	205,000	244,794	449,794
2015	215,000	236,491	451,491
2016-2020	1,205,000	1,038,106	2,243,106
2021-2025	1,500,000	747,278	2,247,278
2026-2030	1,880,000	369,826	2,249,826
2031	430,000	19,995	449,995
	<u>\$ 6,000,000</u>	<u>\$ 3,435,358</u>	<u>\$ 9,435,358</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 \$70,000 to \$145,000 with interest at 4.25% to 4.75% and the final installment due August 2027.

<u>For the year ended August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 70,000	\$ 76,940	\$ 146,940
2012	75,000	73,859	148,859
2013	75,000	70,671	145,671
2014	80,000	67,378	147,378
2015	85,000	63,871	148,871
2016-2020	480,000	260,534	740,534
2021-2025	600,000	140,038	740,038
2026-2027	285,000	13,657	298,657
	<u>\$ 1,750,000</u>	<u>\$ 766,948</u>	<u>\$ 2,516,948</u>

TEXAS SOUTHMOST COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2010 and 2009

8. Bonds Payable (Continued)

Limited Tax Bond, Series 2007

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

Bonds payable are due in annual installments varying from \$245,000 to \$1,160,000 with interest at 4.25% to 4.75% and the final installment due August 2032.

<u>For the year ended August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 245,000	\$ 584,433	\$ 829,433
2012	390,000	570,939	960,939
2013	465,000	552,770	1,017,770
2014	545,000	531,308	1,076,308
2015	575,000	507,508	1,082,508
2016-2020	2,320,000	2,167,325	4,487,325
2021-2025	1,530,000	1,831,222	3,361,222
2026-2030	4,295,000	1,166,238	5,461,238
2031-2032	<u>2,260,000</u>	<u>114,500</u>	<u>2,374,500</u>
	<u>\$ 12,625,000</u>	<u>\$ 8,026,243</u>	<u>\$ 20,651,243</u>

Maintenance Tax Notes, Series 2008

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

Bonds payable are due in annual installments varying from \$185,000 to \$375,000 with interest at 4.10% to 4.42% and the final installment due August 2028.

<u>For the year ended August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 185,000	\$ 193,513	\$ 378,513
2012	185,000	186,113	371,113
2013	200,000	178,413	378,413
2014	205,000	170,313	375,313
2015	215,000	161,913	376,913
2016-2020	1,215,000	670,365	1,885,365
2021-2025	1,490,000	394,858	1,884,858
2026-2028	<u>1,070,000</u>	<u>71,538</u>	<u>1,141,538</u>
	<u>\$ 4,765,000</u>	<u>\$ 2,027,026</u>	<u>\$ 6,792,026</u>

TEXAS SOUTHMOST COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2010 and 2009

8. Bonds Payable (Continued)

Limited Tax Bond, Series 2008

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

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

<u>For the year ended August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ -	\$ 167,266	\$ 167,266
2012	-	167,266	167,266
2013	110,000	165,066	275,066
2014	110,000	160,666	270,666
2015	115,000	156,166	271,166
2016-2020	375,000	720,644	1,095,644
2021-2025	1,270,000	619,229	1,889,229
2026-2030	1,320,000	215,747	1,535,747
2031-2032	565,000	39,891	604,891
	<u>\$ 3,865,000</u>	<u>\$ 2,411,941</u>	<u>\$ 6,276,941</u>

Maintenance Tax Notes, Series 2009

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

Bonds payable are due in annual installments varying from \$130,000 to \$245,000 with interest at 3.0% to 4.625% and the final installment due February 2029.

<u>For the year ended August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 130,000	\$ 122,675	\$ 252,675
2012	135,000	118,700	253,700
2013	140,000	114,663	254,663
2014	140,000	110,638	250,638
2015	145,000	106,269	251,269
2016-2020	810,000	448,581	1,258,581
2021-2025	930,000	262,790	1,192,790
2026-2029	705,000	82,023	787,023
	<u>\$ 3,135,000</u>	<u>\$ 1,366,339</u>	<u>\$ 4,501,339</u>

TEXAS SOUTHMOST COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2010 and 2009

8. Bonds Payable (Continued)

Limited Tax Bond, Series 2009

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

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

<u>For the year ended August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 310,000	\$ 126,700	\$ 436,700
2012	295,000	117,625	412,625
2013	260,000	109,300	369,300
2014	290,000	101,050	391,050
2015	310,000	92,050	402,050
2016-2020	905,000	341,800	1,246,800
2021-2025	335,000	248,098	583,098
2026-2030	405,000	181,592	586,592
2031-2034	490,000	50,250	540,250
	<u>\$ 3,600,000</u>	<u>\$ 1,368,465</u>	<u>\$ 4,968,465</u>

9. Employees' Retirement Plan

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

Teacher Retirement System of Texas

Plan Description

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

TEXAS SOUTHMOST COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2010 and 2009

9. Employees' Retirement Plan

Funding Policy

Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. The state funding policy is as follows: (1) The state constitution required the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10% of the aggregate annual compensation of all members of the system; (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of a particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. State law provides for a member contribution rate of 6.40% for fiscal years 2010, 2009 and 2008, and a state contribution rate of 6.40% for fiscal year 2010 and 6.58% for fiscal years 2009 and 2008. In certain instances the reporting district is required to make all or a portion of the state's 6.40% contribution for fiscal year 2010 and 6.58% for fiscal years 2009 and 2008.

Optional Retirement Plan

Plan Description

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

Fund Policy

Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. The percentages of participant salaries contributed by the state are 6.40 % in fiscal year 2010 and 6.58% in fiscal year 2009 and 2008. Participant contribution rate for fiscal years 2010, 2009 and 2008 was 6.65%. The District does not contribute for employees who were participating in the optional retirement program prior to September 1, 1995. Benefits fully vest after one year plus one day of employment. Because these are individual annuity contracts, the state has no additional or unfunded liability for this program.

The retirement expense to the State for the District was \$52,474, \$56,869 and \$45,901 for the fiscal years ended August 31, 2010, 2009 and 2008, respectively. The amount represents the portion of expended appropriations made by the State Legislature on behalf of the District.

The total payroll for all District employees was \$819,905, \$864,278, and \$697,584 for fiscal years 2010, 2009 and 2008, respectively. The total payroll of employees covered by the Teacher Retirement System was \$740,719, \$759,743 and \$596,094 for the fiscal years 2010, 2009 and 2008, respectively, and the total payroll of employees covered by the Optional Retirement Program was \$79,185, \$104,535 and \$101,490 for fiscal years 2010, 2009, 2008, respectively.

TEXAS SOUTHMOST COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2010 and 2009

10. Deferred Compensation Program

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

As of August 31, 2010, the District did not have any employees participating in a deferred compensation program.

11. Compensable Absences

Full-time employees earn annual leave beginning on the first day of employment at the same rate and with the same limit as state employees as published each biennium in the General Appropriations Act. The District policy is that a full-time employee may carry his accrued leave forward from one fiscal year to another fiscal year with a maximum number or hours up to 532 for those employees with 35 or more years of service. Employees with at least six months of continuous, benefits eligible, state employment prior to separation, and terminate their employment are entitled to payment for all accumulated annual leave up to the maximum allowed. The District recognized the accrued liability for the unpaid annual leave for in the amounts of \$52,607 and \$67,507 for August 31, 2010 and 2009. Sick leave, which is accumulated without limit, is earned at the rate of 8 hours per month. It is paid to an employee who misses work from an illness or to the estate of an employee in the event of his/her death. A deceased employee's estate is entitled to payment for unused annual leave if the employee had at least six months of continuous, state employment at the time of death. The District's policy is to recognize the cost of sick leave when paid. The liability is not shown in the financial statements because sick leave does not qualify as a compensated absence since it is contingent on a future event (namely, illness) that is beyond the control of both the employer and the employee.

12. Pending Lawsuits and Claims

On August 31, 2010, various lawsuits and claims involving Texas Southmost college District were pending. While the ultimate liability with respect to litigation and other claims asserted against the District cannot be reasonably estimated at this time. This liability, to the extent not provided for by insurance or otherwise, is not likely to have a material effect on the District.

13. Disaggregation of Receivables and Payables Balances

Receivables

Receivables at August 31, 2010 and 2009 were as follows:

	2010	2009
Taxes receivable	\$ 2,621,619	\$ 2,426,871
Federal receivable	200,120	259,430
Accounts receivable	31,858	36,529
Donations receivable	1,115,323	1,115,323
Accrued interest receivable	182	1,943
Other receivable - due from cameron county	54,336	50,419
Other receivable - due from UTB	17,642,742	15,377,659
Subtotal	21,666,180	19,268,174
Allowance for doubtful accounts	(131,080)	(121,344)
Total Receivables	\$21,535,100	\$19,146,830

TEXAS SOUTHMOST COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2010 and 2009

13. Disaggregation of Receivables and Payables Balances (Continued)

Payables

Payables at August 31, 2010 and 2009 were as follows:

	2010	2009
Vendors payable	\$ 985,077	\$ 4,260,336
Other payables - due to UTB	2,480,013	1,404,554
Total Payables	\$ 3,465,090	\$ 5,664,890

14. Contract and Grant Award

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

There were no contracts or grants awarded during fiscal year 2010, for which monies have not been received, nor expended.

In fiscal year 2009, received \$212,439 in grant monies for the American Recovery and Reinvestment Act (ARRA) funds, but had not expended those funds in fiscal year 2009. All of those grant monies have been expended as of August 31, 2010.

These monies were used to provide competitive salaries and wages in order to retain faculty and staff by providing merit increases, exceptional merit increases, market adjustments, and promotion and tenure adjustments. The vast majority of the faculty and staff for the university were the recipients of the salary and wages.

15. Self-Insured Plans

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

16. Post Retirement Health Care and Life Insurance Benefits

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

TEXAS SOUTHMOST COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2010 and 2009

17. Ad Valorem Tax

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

As of August 31:

	<u>2010</u>	<u>2009</u>
Assessed valuation of the district	\$ 11,520,282,554	\$ 11,620,454,541
Less:		
Exemptions	993,745,257	1,179,543,020
Abatements	-	-
Net assessed valuation of the district	<u>\$ 10,526,537,297</u>	<u>\$ 10,440,911,521</u>

	<u>2010</u>		
	<u>Current</u>	<u>Debt</u>	<u>Total</u>
	<u>Operations</u>	<u>Service</u>	
Authorized taxrate per \$100 valuation	<u>\$ 0.350000</u>	<u>\$ 0.500000</u>	<u>\$ 0.850000</u>
Assessed taxrate per \$100 valuation	<u>\$ 0.108949</u>	<u>\$ 0.052975</u>	<u>\$ 0.161924</u>

	<u>2009</u>		
	<u>Current</u>	<u>Debt</u>	<u>Total</u>
	<u>Operations</u>	<u>Service</u>	
Authorized taxrate per \$100 valuation	<u>\$ 0.350000</u>	<u>\$ 0.500000</u>	<u>\$ 0.850000</u>
Assessed taxrate per \$100 valuation	<u>\$ 0.110614</u>	<u>\$ 0.050475</u>	<u>\$ 0.161089</u>

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

Taxes levied for the years ended August 31, 2010 and 2009 amounted to \$17,044,990 and \$16,647,944, respectively including any penalty and interest assessed. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed.

	<u>2010</u>		
	<u>Current</u>	<u>Debt</u>	<u>Total</u>
<u>Taxes Collected</u>	<u>Operations</u>	<u>Service</u>	
Current taxes collected	\$ 10,718,786	\$ 5,238,367	\$ 15,957,153
Delinquent taxes collected	573,008	252,241	825,249
Penalties and interest collected	338,223	151,181	489,404
Less discounts and commissions	<u>(326,077)</u>	<u>(158,528)</u>	<u>(484,605)</u>
Total Collections	<u>\$ 11,303,940</u>	<u>\$ 5,483,261</u>	<u>\$ 16,787,201</u>

TEXAS SOUTHMOST COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2010 and 2009

17. Ad Valorem Tax (Continued)

<u>Taxes Collected</u>	2009		
	Current Operations	Debt Service	Total
Current taxes collected	\$ 10,787,565	\$ 4,849,517	\$ 15,637,082
Delinquent taxes collected	543,608	232,395	776,003
Penalties and interest collected	319,825	213,899	533,724
Less discounts and commissions	(325,994)	(140,497)	(466,491)
Total Collections	<u>\$ 11,325,004</u>	<u>\$ 5,155,314</u>	<u>\$ 16,480,318</u>

Tax collections for the years ended August 31, 2010 and 2009 were 93.62 percent and 93.93 percent, respectively of the current tax levy. Allowance for uncollectible taxes are based upon historical experience in collecting property taxes. The use of tax proceeds is restricted for the use of maintenance and/or general obligation debt service.

18. Income Taxes

The District is exempt from income taxes under internal Revenue Code Section 115, Income of States, Municipalities, Etc. although unrelated business income may be subject to income tax under internal Revenue code Section 511 (a)(2)(B), Imposition of Tax on Unrelated Business Income of Charitable, Etc. Organizations. The District had no unrelated business income tax liability for the years ended August 31, 2010, and 2009.

19. Risk Management

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

20. Restricted Assets

As of August 31, 2010 and 2009, the balances of the restricted assets are as follows:

	2010	2009
Endowment	\$ 8,376	\$ 7,780
Scholarships	1,465,352	769,466
Federal awards	51,145	67,175
Restricted contributions - arts center	81,297	509,487
General obligation - debt service	2,022,247	2,666,423
Revenue bond - debt service	7,349,464	7,568,624
Revenue bond - construction account	4,246,362	13,309,705
	<u>\$ 15,224,243</u>	<u>\$ 24,898,660</u>

21. Construction Commitments

TEXAS SOUTHMOST COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2010 and 2009

At August 31, 2010 and 2009, the Texas Southmost College District had the following construction commitments:

	<u>2010</u>	<u>2009</u>
Wellness, recreation & kinesiology complex	\$ 128,800	\$ 423,453
Oliveira library	57,316	2,296,000
Large classrooms	-	890,752
Early childhood studies	5,256	472,837
Music education	-	<u>5,243,426</u>
	<u>\$ 191,372</u>	<u>\$ 9,326,468</u>

22. Grants and Contract Contingencies

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

23. Related Parties (Not a component unit)

The Texas Southmost College Foundation, Inc. is a nonprofit organization with the purpose of supporting the educational and other activities of the District. Texas Southmost College District does not appoint a voting majority nor does it fund or is obligated to pay debt related to this association. The District does not have the ability to significantly influence the policies of this Foundation. The Foundation solicits donations and acts as coordinator of gifts made by other parties. It remitted unrestricted gifts of \$214,066 and \$152,201 to UTB during the years ended August 31, 2010 and 2009. The District furnished certain services, such as office space, utilities and some staff assistance, at no cost to the Foundation.

24. Excess Interest and Rebatale Arbitrage

The Tax Reform Act of 1986 established arbitrage regulations that generally limit the rate or return on investment earnings of unexpended tax-exempt debt proceeds. With certain adjustments, the investment yield is limited to the interest rate on the debt itself. Federal tax code requirements now compel state and local governments to rebate defined arbitrage earnings of tax-exempt debt to the federal government every five years for as long as the bonds are outstanding. As of the audit report date, the District had received a preliminary calculation of the arbitrage amount of \$433,811 and \$437,561, which are reported as part of accrued expenses on these financial statements for the fiscal years ended 2010 and 2009, respectively.

25. Post Employment Benefits Other than Pensions

TEXAS SOUTHMOST COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2010 and 2009

The District does not participate in any post employment benefits.

26. Subsequent Events

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

SUPPLEMENTARY SECTION

TEXAS SOUTHMOST COLLEGE DISTRICT
Schedule of Operating Revenues
For the Year Ended August 31, 2010
(with memorandum totals for the year ended August 31, 2009)

	Unrestricted	Restricted	Total Educational Activities	Auxiliary Enterprises	2010 Total	2009 Total
Tuition:						
State funded credit courses:						
In-district resident tuition	\$ 7,604,853	\$ -	\$ 7,604,853	\$ -	\$ 7,604,853	\$ 6,866,194
Out-of-district resident tuition	1,668,932	-	1,668,932	-	1,668,932	1,529,720
Non-resident tuition	526,302	-	526,302	-	526,302	425,648
TPEG - credit (set aside)*	525,761	-	525,761	-	525,761	563,003
State funded continuing education						
TPEG - non-credit (set aside)*	-	-	-	-	-	-
Non-state funded educational programs	-	-	-	-	-	-
Total Tuition	<u>10,325,848</u>	<u>-</u>	<u>10,325,848</u>	<u>-</u>	<u>10,325,848</u>	<u>9,384,565</u>
Fees:						
Distance learning fee	-	-	-	-	-	-
Installment plan fees	-	-	-	-	-	-
Non-instructional contract training fees	22,807,728	1,509,381	24,317,109	1,968,946	26,286,055	22,270,144
Prior year tuition and fees	-	-	-	-	-	-
Total Fees	<u>22,807,728</u>	<u>1,509,381</u>	<u>24,317,109</u>	<u>1,968,946</u>	<u>26,286,055</u>	<u>22,270,144</u>
Scholarship Allowances and Discounts:						
Remissions and exemptions - state	-	-	-	-	-	-
Remissions and exemptions - local	(1,563,694)	-	(1,563,694)	-	(1,563,694)	(1,544,546)
Reduced tuition pilot	(95,000)	-	(95,000)	-	(95,000)	(95,000)
Other federal grants	-	-	-	-	-	-
TPEG awards	(456,123)	-	(456,123)	-	(456,123)	(664,406)
TSC trustee scholarship	(2,758,270)	-	(2,758,270)	-	(2,758,270)	(2,506,857)
Other state grants	-	-	-	-	-	-
Rising star program	-	-	-	-	-	-
Other local grants	-	-	-	-	-	-
Total Scholarship Allowances	<u>(4,873,087)</u>	<u>-</u>	<u>(4,873,087)</u>	<u>-</u>	<u>(4,873,087)</u>	<u>(4,810,809)</u>
Total Net Tuition and Fees	<u>28,260,489</u>	<u>1,509,381</u>	<u>29,769,870</u>	<u>1,968,946</u>	<u>31,738,816</u>	<u>26,843,900</u>
Additional Operating Revenues:						
Federal grants and contracts	-	875,766	875,766	-	875,766	1,970,939
State grants and contracts	-	4,648,058	4,648,058	-	4,648,058	4,430,696
Local grants and contracts	-	442,644	442,644	-	442,644	439,772
Non-governmental grants and contracts	-	-	-	-	-	-
Sales and services of educational activities	-	-	-	-	-	-
General operating revenues	307,138	-	307,138	-	307,138	419,588
Total Additional Operating Revenues	<u>307,138</u>	<u>5,966,468</u>	<u>6,273,606</u>	<u>-</u>	<u>6,273,606</u>	<u>7,260,995</u>
Auxiliary Enterprises:						
Bookstore	-	-	-	-	-	-
Less discounts	-	-	-	-	-	-
Food service	-	-	-	-	-	-
Center for educational telecommunications	-	-	-	-	-	-
Business incubation center	-	-	-	-	-	-
Student programs	-	-	-	492,167	492,167	445,716
Net Bookstore	<u>-</u>	<u>-</u>	<u>-</u>	<u>492,167</u>	<u>492,167</u>	<u>445,716</u>
Food service	-	-	-	-	-	-
Facilities rentals	-	-	-	-	-	-
Total Net Auxiliary Enterprises	<u>-</u>	<u>-</u>	<u>-</u>	<u>492,167</u>	<u>492,167</u>	<u>445,716</u>
Total Operating Revenues	<u>\$ 28,567,627</u>	<u>\$ 7,475,849</u>	<u>\$ 36,043,476</u>	<u>\$ 2,461,113</u>	<u>\$ 38,504,589</u>	<u>\$ 34,550,611</u>
					(Exhibit 2)	(Exhibit 2)

* In accordance with Education Code 56.003, \$525,761 and \$563,003 of tuition was set aside for Texas Public Education Grants (TPEG) for the years ended August 31, 2010 and 2009, respectively.

TEXAS SOUTHMOST COLLEGE DISTRICT
Schedule of Operating Expenses by Object
For the Year Ended August 31, 2010
(with memorandum totals for the year ended August 31, 2009)

	Operating Expenses			2010 Total	2009 Total
	Salaries and Wages	State Benefits	Local Benefits		
Unrestricted - Educational Activities					
Instruction	\$ -	\$ -	\$ -	\$ -	\$ -
Public service	-	-	-	-	-
Academic support	-	-	-	-	-
Student services	-	-	-	-	-
Institutional support	841,743	-	138,964	1,586,707	2,325,216
Operation and maintenance of plant	-	-	-	2,873,577	1,349,966
Scholarships and fellowships	-	-	-	-	-
Contract services - UTB	-	-	-	51,661,026	46,763,146
Total Unrestricted Educational Activities	841,743	-	138,964	56,121,310	57,102,017
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	841,743	-	138,964	56,121,310	57,102,017
Auxiliary Enterprises	64,376	-	17,606	748,421	928,790
Depreciation Expense					
Buildings and other real estate improvements	-	-	-	3,138,656	1,989,810
Equipment and furniture	-	-	-	272,706	76,092
Total Operating Expenses	\$ 906,119	\$ -	\$ 156,570	\$ 60,281,093	\$ 61,343,782
				(Exhibit 2)	(Exhibit 2)

TEXAS SOUTHMOST COLLEGE DISTRICT
Schedule of Non-Operating Revenues and Expenses
For the Year Ended August 31, 2010
(with memorandum totals for the year ended August 31, 2009)

	Unrestricted	Restricted	Auxiliary Enterprises	2010 Total	2009 Total
Non-Operating Revenues					
State Appropriations:					
Education and general state support	\$ 13,770,382	\$ -	\$ -	\$ 13,770,382	\$ 13,982,821
State group insurance	-	-	-	-	-
State retirement matching	-	-	-	-	-
Professional nursing shortage reduction	-	-	-	-	751
Total State allocations	<u>13,770,382</u>	<u>-</u>	<u>-</u>	<u>13,770,382</u>	<u>13,983,572</u>
Ad valorem taxes:					
Maintenance ad valorem taxes	11,303,940	-	-	11,303,940	11,325,004
Debt service ad valorem taxes	5,483,261	-	-	5,483,261	5,155,314
Gifts	-	-	-	-	-
Investment income	25,249	167,015	-	192,264	931,582
Gain (Loss) on sale of investments	(248)	-	-	(248)	(12,675)
Title IV federal grants	-	-	-	-	-
Total Non-Operating Revenues	<u>30,582,584</u>	<u>167,015</u>	<u>-</u>	<u>30,749,599</u>	<u>31,382,797</u>
Non-Operating Expenses					
Interest on capital related debt	4,582,811	-	-	4,582,811	4,432,353
Loss on disposal of capital assets	-	-	-	-	-
Other non-operating expenses	138,729	-	-	138,726	143,789
Total Non-Operating Expenses	<u>4,721,540</u>	<u>-</u>	<u>-</u>	<u>4,721,537</u>	<u>4,576,142</u>
Net Non-Operating Revenues	<u>\$ 25,861,044</u>	<u>\$ 167,015</u>	<u>\$ -</u>	<u>\$ 26,028,062</u> (Exhibit 2)	<u>\$ 26,806,655</u> (Exhibit 2)

TEXAS SOUTHMOST COLLEGE DISTRICT
Schedule of Net Assets by Source and Availability
For the Year Ended August 31, 2010
(with memorandum totals for the year ended August 31, 2009)

	Detail by Source				Current Year Total
	Unrestricted	Restricted		Capital Assets Net of Depreciation and Related Debt	
		Expendable	Non-Expendable		
Current					
Unrestricted	\$ 7,205,140	\$ -	\$ -	\$ -	\$ 7,205,140
Board designated	-	-	-	-	-
Restricted	-	1,608,755	-	-	1,608,755
Auxiliary enterprises	109,945	-	-	-	109,945
Loan	36,603	-	-	-	36,603
Endowment:					
Quasi:					
Unrestricted	-	-	-	-	-
Restricted	-	61,877	-	-	61,877
Endowment:					
True	-	-	-	-	-
Term (per instructions at maturity)	-	-	-	-	-
Life income contracts	-	-	-	-	-
Annuities	-	-	-	-	-
Plant:					
Unexpended	-	6,070,915	-	-	6,070,915
Renewals	-	266,800	-	-	266,800
Debt Service	-	9,365,290	-	-	9,365,290
Investment in Plant	-	-	-	61,085,182	61,085,182
Total Net Assets, August 31, 2010	7,351,688	17,373,637	-	61,085,182	85,810,507 (Exhibit 1)
Total Net Assets, August 31, 2009	7,320,953	18,296,679	-	56,521,296	82,138,928 (Exhibit 1)
Net Increase (Decrease) in Net Assets	\$ 30,735	\$ (923,042)	\$ -	\$ 4,563,886	\$ 3,671,579 (Exhibit 2)

(Continued on page 58.)

SCHEDULE D

	Available for Current Operations		Prior Year Total	Available for Current Operations	
	Yes	No		Yes	No
Current					
Unrestricted	\$ 7,205,140	\$ -	\$ 7,157,784	\$ 7,157,784	\$ -
Board designated	-	-	-	-	-
Restricted	-	1,608,755	857,940	-	857,940
Auxiliary enterprises	109,945	-	126,663	126,663	-
Loan	36,603	-	36,506	36,506	-
Endowment:					
Quasi:					
Unrestricted	-	-	-	-	-
Restricted	-	61,877	61,590	-	61,590
Endowment:					
True	-	-	-	-	-
Term (per instructions at maturity)	-	-	-	-	-
Life income contracts	-	-	-	-	-
Annuities	-	-	-	-	-
Plant:					
Unexpended	-	6,070,915	7,483,118	-	7,483,118
Renewals	-	266,800	687,311	-	687,311
Debt Service	-	9,365,290	9,206,720	-	9,206,720
Investment in Plant	-	61,085,182	56,521,296	-	56,521,296
Total Net Assets, August 31, 2010	7,351,688	78,458,819	82,138,928	7,320,953	74,817,975
			(Exhibit 1)		
Total Net Assets, August 31, 2009	-	-	72,568,475	66,763,748	5,804,727
			(Exhibit 2)		
Net Increase (Decrease) in Net Assets	\$ 7,351,688	\$ 78,458,819	\$ 9,570,453	\$ (59,442,795)	\$ 69,013,248
			(Exhibit 2)		

(Continued from page 57.)

STATISTICAL SECTION

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

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

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

Texas Southmost College District
Statistical Supplement I
Net Assets by Component
Fiscal Years 2003 to 2010
(unaudited)

	For the Fiscal Year Ended August 31,							
	2010	2009	2008	2007	2006	2005	2004	2003
Invested in capital assets, net of related debt	\$61,085,182	\$56,521,297	\$50,940,113	\$49,258,626	\$43,849,871	\$25,473,960	\$42,646,742	\$36,019,942
Restricted - expendable	17,373,637	18,296,679	15,823,635	12,132,932	8,913,884	27,725,294	7,701,986	10,608,833
Unrestricted	7,351,688	7,320,953	5,804,727	2,095,813	3,162,896	2,645,572	2,720,170	2,508,789
Total primary government net assets	\$ 85,810,507	\$ 82,138,929	\$ 72,568,475	\$ 63,487,371	\$ 55,926,651	\$ 55,844,826	\$ 53,068,898	\$ 49,137,564

Note: Due to reporting format and definition changes prescribed by GASB Statement 34, only fiscal years 2002-2010 are available.

Texas Southmost College District
Statistical Supplement 2
Revenues by Source
Fiscal Years 2003 to 2010
(unaudited)

	For the Year Ended August 31,							
	2010	2009	2008	2007	2006	2005	2004	2003
Tuition and Fees (Net of Discounts)	\$31,738,816	\$26,843,900	\$25,917,215	\$26,948,039	\$23,754,562	\$19,389,841	\$15,308,239	\$6,112,863
Governmental Grants and Contracts								
Federal Grants and Contracts	875,766	1,970,939	787,249	774,059	916,007	869,082	1,005,612	14,057,456
State Grants and Contracts	4,848,058	4,430,686	3,371,048	3,089,683	3,073,616	2,571,007	2,473,345	3,081,108
Local Grants and Contracts	442,844	439,772	363,885	305,541	391,678	433,976	59,098	-
Non-governmental Grants and Contracts	0	0	0	0	0	0	1,393,286	4,759,617
Auxiliary enterprises	492,167	445,716	390,990	347,361	345,640	336,811	547,432	742,322
Other Operating Revenues	307,138	419,588	240,523	45,750	45,550	57,235	201,051	236,688
Total Operating Revenues	38,504,589	34,550,611	31,070,910	31,520,433	28,527,053	23,667,952	20,989,063	28,990,054
State Appropriations	13,770,382	13,983,572	14,153,928	12,628,144	12,270,602	10,843,232	12,016,457	12,768,785
Ad Valorem Taxes	16,787,201	16,480,318	15,318,499	13,767,626	12,234,865	9,085,985	8,466,056	7,692,138
Investment Income	192,016	918,907	3,172,984	3,128,813	2,093,733	689,732	401,080	446,359
Other non-operating revenues	482,710	1,646,207	63,581	113,486	515,930	84,552	611,000	-
Total Non-Operating Revenues	31,232,309	33,029,004	32,708,992	29,638,079	27,115,130	20,703,501	21,494,598	20,907,282
Total Revenues	\$ 69,736,898	\$ 67,579,615	\$ 63,779,902	\$ 61,158,512	\$ 55,642,183	\$ 44,371,453	\$ 42,483,661	\$ 49,897,336

	For the Year Ended August 31,							
	2010	2009	2008	2007	2006	2005	2004	2003
Tuition and fees (net of discounts)	45.51%	39.72%	40.84%	44.06%	42.69%	43.72%	36.04%	12.25%
Governmental grants and contracts								
Federal grants and contracts	1.26%	2.92%	1.23%	1.27%	1.65%	1.96%	2.37%	28.17%
State grants and contracts	6.67%	6.56%	5.29%	5.07%	5.52%	5.79%	5.82%	6.17%
Local grants and contracts	0.63%	0.65%	0.57%	0.50%	0.70%	0.98%	0.14%	0.00%
Non-governmental grants and contracts	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	3.28%	9.54%
Auxiliary enterprises	0.71%	0.66%	0.61%	0.66%	0.62%	0.76%	1.29%	1.49%
Other operating revenues	0.44%	0.62%	0.38%	0.07%	0.08%	0.13%	0.47%	0.47%
Total Operating Revenues	55.21%	51.13%	48.72%	51.54%	51.27%	53.34%	49.41%	58.10%
State appropriations	19.75%	20.69%	22.19%	20.65%	22.05%	24.44%	28.28%	25.59%
Ad valorem taxes	24.07%	24.39%	24.02%	22.51%	21.99%	20.48%	19.93%	15.42%
Investment income	0.28%	1.36%	4.97%	5.12%	3.76%	1.55%	0.94%	0.89%
Other non-operating revenues	0.69%	2.44%	0.10%	0.19%	0.93%	1.44%	1.44%	0.00%
Total Non-Operating Revenues	44.79%	48.87%	51.28%	48.46%	48.73%	46.66%	50.59%	41.90%
Total Revenues	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Note: Due to reporting format and definition changes prescribed by GASB Statement 34, only fiscal years 2003-2010 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 2010
(unaudited)

	For the Year Ended August 31,									
	2010	2009	2008	2007	2006	2005	2004	2003		
Instruction	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Research	-	-	-	-	-	-	-	-	-	-
Public service	-	-	-	-	-	-	-	-	-	-
Academic support	-	-	-	-	-	-	-	-	-	649,697
Student services	-	-	-	-	-	-	-	-	-	4,076,422
Institutional support	2,567,414	2,325,216	2,581,761	2,066,398	1,742,062	1,675,074	1,763,905	6,730,881	4,896,742	6,730,881
Operation and maintenance of plant	2,873,577	1,349,966	892,107	1,225,773	1,296,191	1,110,738	1,280,925	3,375,284	5,668,667	3,375,284
Scholarships and fellowships	-	-	-	-	-	-	-	-	-	-
Auxiliary enterprises	830,403	928,790	683,044	614,980	686,733	526,633	1,183,702	1,556,738	1,556,738	1,556,738
Depreciation	3,411,362	2,065,902	2,069,769	2,221,288	2,181,910	1,478,895	1,327,481	1,327,481	1,327,481	1,327,481
Contracted services with UTB	51,661,026	46,763,146	44,254,372	43,854,372	40,662,560	35,814,126	32,626,780	-	-	-
Total Operating Expenses	61,343,782	53,433,020	50,481,053	49,983,117	46,569,456	40,605,466	38,182,793	41,912,514	41,912,514	41,912,514
Interest on capital related debt	4,582,811	4,432,353	4,115,261	3,506,956	2,415,978	961,286	912,383	1,652,778	1,652,778	1,652,778
Other non-operating expenses	138,726	143,789	102,484	107,719	54,050	28,773	23,322	-	-	-
Total Non-Operating Expenses	4,721,537	4,576,142	4,217,745	3,614,675	2,470,028	990,059	935,705	1,652,778	1,652,778	1,652,778
Total Expenses	\$ 66,065,319	\$ 58,009,162	\$ 54,698,798	\$ 53,597,792	\$ 49,039,484	\$ 41,595,525	\$ 39,118,488	\$ 43,565,292	\$ 43,565,292	\$ 43,565,292

	For the Year Ended August 31,									
	2010	2009	2008	2007	2006	2005	2004	2003		
Instruction	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Research	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Public service	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Academic support	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	1.49%
Student services	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	9.36%
Institutional support	3.89%	4.01%	4.72%	3.86%	3.25%	4.03%	4.51%	15.45%	11.24%	15.45%
Operation and maintenance of plant	4.35%	2.33%	1.63%	2.29%	2.42%	2.67%	3.27%	7.75%	3.27%	7.75%
Scholarships and fellowships	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	13.01%
Auxiliary enterprises	1.26%	1.60%	1.25%	1.15%	1.28%	1.27%	3.03%	3.57%	3.03%	3.57%
Depreciation	5.16%	3.56%	3.78%	4.14%	4.07%	3.56%	3.39%	2.89%	3.39%	2.89%
Contracted services with UTB	78.20%	80.61%	80.91%	81.82%	75.87%	86.10%	83.40%	0.00%	83.40%	0.00%
Total Operating Expenses	92.85%	92.11%	92.29%	93.26%	86.89%	97.62%	97.61%	96.21%	97.61%	96.21%
Interest on capital related debt	6.94%	7.64%	7.52%	6.54%	4.51%	2.31%	2.33%	3.79%	2.33%	3.79%
Loss on disposal of fixed assets	0.21%	0.25%	0.19%	0.20%	0.11%	0.07%	0.06%	0.00%	0.06%	0.00%
Total Non-Operating Expenses	7.15%	7.89%	7.71%	6.74%	4.62%	2.38%	2.39%	3.79%	2.39%	3.79%
Total Expenses	100.00%	100.00%	100.00%	100.00%	91.50%	100.00%	100.00%	100.00%	100.00%	100.00%

	For the Year Ended August 31,									
	2010	2009	2008	2007	2006	2005	2004	2003		
Change in Net Assets	\$ 3,671,579	\$ 9,570,453	\$ 9,081,104	\$ 7,560,720	\$ 6,602,699	\$ 2,775,928	\$ 3,365,163	\$ 6,332,044	\$ 6,332,044	\$ 6,332,044
Total governmental activities										

Note: Due to reporting format and definition changes prescribed by GASB Statement 34, only fiscal years 2003-2010 are available. In FY2004, as a result of our partnership with The University of Texas at Brownsville, a change in functional classification reporting was implemented whereby this reporting will be done at the partnership level.

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

Academic Year (Fall)	Resident Fees per Semester Credit Hour (SCH) and per Student													
	In-District Tuition	Out-of-District Tuition	Building Use	Student Service	Student Union (per student)	Computer Use	Records Fee (per student)	Automated (per student)	Advising (per student)	Library Fee	International Education (per student)	Medical Services (per student)	Student Recreation (per student)	Athletic Fee
2009	50	50	82.50	12	45.30	12	10	45	50	5	2	20	79	7
2008	50	50	77.50	12	45.30	12	10	45	50	4	2	20	79	5
2007	31	50	66	12	41.56	11	10	30	50	3	2	20	79	
2006	31	50	58	12	41.56	10	10	30	50	3	2	20	79	
2005	31	50	44	10	41.56	10	10	30	25	2	2	20	79	
2004	29	48	38	10	41.56	10	10	30	25	2				
2003	28	46	32	10	41.56	5	5	30						
2002	26	42	25	10	41.56	5	5	30						
2001	24	42	25	10	37.78	5	5	30						
2000	23	42	18	9.10	37.78	5	5	10						

Academic Year (Fall)	Non-Resident Fees per Semester Credit Hour (SCH) and per Student													
	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)	Athletic Fee
2009	327	327	82.50	12	45.30	12	10	45	50	5	2	20	79	7
2008	331	331	77.50	12	45.30	12	10	45	50	4	2	20	79	5
2007	328	328	66	12	41.56	11	10	30	50	3	2	20	79	
2006	325	325	58	12	41.56	10	10	30	50	3	2	20	79	
2005	326	326	44	10	41.56	10	10	30	25	2	2	20	79	
2004	306	306	38	10	41.56	10	10	30	25	2				
2003	282	282	32	10	41.56	5	5	30						
2002	262	262	25	10	41.56	5	5	30						
2001	253	253	25	10	37.78	5	5	30						
2000	255	255	18	9.10	37.78	5	5	10						

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

(Continued on page 64)

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

Cost for 12 SCH In-District	Cost for 12 SCH Out-of-District	Increase from Prior Year In-District	Increase from Prior Year Out-of-District
\$ 2,273	\$ 2,273	4.41%	4.41%
2,177	2,177	27.43%	12.43%
1,709	1,937	6.75%	5.91%
1,601	1,829	16.70%	14.32%
1,372	1,600	16.77%	14.05%
1,175	1,403	20.28%	17.61%
977	1,193	12.43%	12.45%
869	1,061	3.30%	0.36%
841	1,057	17.76%	12.19%
714	942		

Cost for 12 SCH Out of State	Cost for 12 SCH International	Increase from Prior Year Out of State	Increase from Prior Year International
\$ 5,597	\$ 5,597	0.86%	0.86%
5,549	5,549	5.25%	5.25%
5,273	5,273	2.81%	2.81%
5,129	5,129	4.42%	4.42%
4,912	4,912	9.18%	9.18%
4,499	4,499	11.78%	11.78%
4,025	4,025	8.76%	8.76%
3,701	3,701	3.11%	3.11%
3,569	3,569	2.60%	2.60%
3,498	3,498		

(Continued from page c3)

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

Fiscal Year	Assessed Valuation of Real and Personal Property	(amounts expressed in thousands)		Ratio of Taxable Assessed Value to Assessed Value	Maintenance & Operations (a)	Debt Service (a)	Total (a)
		Less: Exemptions	Taxable Assessed Value (TAV)				
2009-10	\$ 11,520,282	\$ 993,745	10,526,537	91.37%	\$ 0.108949	\$ 0.052975	\$ 0.161924
2008-09	11,620,454	1,179,543	10,440,911	89.85%	0.110614	0.050475	0.161089
2007-08	10,795,407	1,056,700	9,738,707	90.21%	0.111423	0.049666	0.161089
2006-07	9,771,062	984,237	8,786,825	89.93%	0.109955	0.051134	0.161089
2005-06	8,461,197	797,979	7,663,218	90.57%	0.109161	0.053611	0.162772
2004-05	7,737,975	700,869	7,037,106	90.94%	0.111825	0.016957	0.128782
2003-04	6,861,888	608,059	6,253,829	91.14%	0.112041	0.019359	0.131400
2002-03	6,370,266	560,124	5,810,142	91.21%	0.110120	0.021280	0.131400
2001-02	5,842,243	540,162	5,302,081	90.75%	0.108835	0.022565	0.131400
2000-01	5,302,263	510,422	4,791,841	90.37%	0.105841	0.025559	0.131400

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

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

(unaudited)
 (amounts expressed in thousands)

Fiscal Year	State Appropriation	Appropriation per FTSE*		Appropriation per Contact Hour			
		State Appropriation	FTSE ¹ (a)	State Appropriation per FTSE	Academic Contact Hours (a)	Voc/Tech Contact Hours (b)	Total Contact Hours
2009-10	\$ 14,355	\$ 5,963	2,407	2,795	1,173	3,968	\$ 3.62
2008-09	13,984	5,767	2,425	2,498	1,116	3,613	3.87
2007-08	14,154	6,287	2,251	2,682	1,152	3,834	3.69
2006-07	12,468	6,405	1,947	2,849	1,148	3,997	3.12
2005-06	12,270	5,661	2,167	2,654	1,097	3,751	3.27
2004-05	10,842	5,253	2,064	2,705	965	3,671	2.95
2003-04	10,843	4,955	2,188	2,667	939	3,606	3.01
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

Notes:

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

*Full Time Student Equivalent (FTSE)

(a) Source CBM004

(b) Source CBM00C

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

Taxpayer	Type of Business	Taxable Assessed Value (TAV) by Tax Year (\$000 omitted)									
		2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
CSUNIRISE COMMONS LP	Retail	38,904	38,923	38,923	38,706	36,468	36,468	30,351	-	-	-
AT&T	Utility	38,477	33,603	37,525	36,176	36,855	34,793	36,577	41,436	41,486	41,486
TRICO PRODUCTS CORP	Manufacturing	29,364	31,461	36,443	39,557	36,507	30,360	28,303	26,549	36,095	36,095
COLUMBIA VALLEY HEALTHCARE SYS LP	Service	31,461	31,461	31,461	35,014	35,078	35,078	34,121	34,561	35,581	35,581
AEP TEXAS CENTRAL CO	Utility	26,655	25,479	23,371	27,168	31,920	31,920	22,661	21,481	17,100	15,686
WAL-MART STORES INC	Retail	24,855	22,778	20,393	20,393	17,364	18,162	17,532	18,043	-	-
TITAN WHEEL INTERNATIONAL INC	Manufacturing	-	22,912	23,765	20,201	20,201	31,030	36,538	37,014	36,882	36,882
KIMCO BROWNSVILLE LP	Real Estate	-	-	18,113	-	-	-	-	-	-	-
TRANSMONTAIGNE PRODUCT SERVICE INC	Petroleum Products	-	-	17,726	15,887	-	-	-	-	-	-
WAL-MART STORES TEXAS LP	Retail	-	-	17,315	-	-	-	-	-	-	-
H E BUTT GROCERY CO	Retail	-	-	-	17,285	-	17,785	18,014	19,469	19,721	19,721
KEPPEL AMFELS	Shipyard	27,235	24,559	-	16,018	16,018	16,498	15,058	15,058	15,399	15,399
WAL-MART STORES EAST INC	Retail	-	-	-	15,941	15,941	15,841	-	-	-	-
TEXAS AND KANSAS CITY CABLE PARTNERS	Service	-	-	-	-	15,594	15,662	15,479	15,826	15,737	15,737
BROWNSVILLE MEDICAL CENTER	-	-	-	-	-	-	-	-	-	-	-
VF IMAGWEAR (EAST) INC	-	-	-	-	-	-	-	-	-	-	-
RICH-SEAPAK CORP	Food Processor	27,674	28,460	-	19,963	-	-	-	27,430	21,670	21,670
BROWNSVILLE SUNRISE DEVELOPERS LP	Real Estate	-	-	-	-	-	-	-	-	-	-
DELPHI AUTOMOTIVE SYSTEMS LLC	Manufacturing	-	-	-	-	-	-	-	-	-	-
CAMERON ACQUISITIONS LLC	Land	24,840	40,500	-	-	-	-	-	-	-	-
SAPPHIRE VP LP	Real Estate	52,483	34,675	-	-	-	-	-	-	-	-
SOUTHWESTERN BELL TELE	Utility	31,284	-	-	-	-	-	-	-	-	-
UNITED LAUNCH ALLIANCE LLC	-	-	-	-	-	-	-	-	-	-	-
UNION PACIFIC RR CO	-	-	-	-	-	-	-	-	-	-	-
Totals		324,755	313,595	266,986	269,949	264,445	252,168	240,929	252,486	257,565	257,565
Total Taxable Assessed Value		\$ 10,526,537	\$ 10,440,912	\$ 9,736,707	\$ 8,786,925	\$ 7,663,218	\$ 7,037,106	\$ 6,253,929	\$ 5,810,142	\$ 5,302,081	\$ 4,791,841

Taxpayer	Type of Business	% of Taxable Assessed Value (TAV) by Tax Year									
		2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
CSUNIRISE COMMONS LP	Retail	0.37%	0.37%	0.40%	0.44%	0.48%	0.52%	0.49%	-	-	-
AT&T	Utility	-	0.32%	0.39%	0.41%	0.48%	0.52%	0.56%	0.66%	0.78%	0.87%
TRICO PRODUCTS CORP	Manufacturing	-	0.32%	0.37%	0.45%	0.48%	0.52%	0.49%	0.49%	0.50%	0.75%
COLUMBIA VALLEY HEALTHCARE SYS LP	Service	0.30%	0.30%	0.32%	0.40%	0.46%	0.50%	0.56%	0.59%	0.65%	0.74%
AEP TEXAS CENTRAL CO	Utility	0.25%	0.24%	0.24%	0.31%	0.42%	0.45%	0.38%	0.37%	0.32%	0.39%
WAL-MART STORES INC	Retail	0.24%	0.22%	0.24%	0.23%	-	0.25%	0.28%	0.30%	0.34%	-
TITAN WHEEL INTERNATIONAL INC	Manufacturing	-	0.24%	0.24%	0.27%	0.26%	0.29%	0.50%	0.63%	0.70%	0.77%
KIMCO BROWNSVILLE LP	Real	-	-	0.19%	-	-	-	-	-	-	-
TRANSMONTAIGNE PRODUCT SERVICE INC	Petroleum Products	-	-	0.18%	0.18%	-	-	-	-	-	-
WAL-MART STORES TEXAS LP	Retail	-	-	0.19%	-	-	-	-	-	-	-
H E BUTT GROCERY CO	Retail	-	-	-	0.20%	-	0.25%	0.28%	0.31%	0.37%	0.41%
KEPPEL AMFELS	Shipyard	-	0.24%	-	0.18%	0.21%	0.23%	0.26%	0.26%	0.29%	0.32%
WAL-MART STORES EAST INC	Retail	-	-	-	-	0.21%	0.23%	-	-	-	-
TEXAS AND KANSAS CITY CABLE PARTNERS	Service	-	-	-	-	0.20%	-	0.25%	0.27%	-	-
BROWNSVILLE MEDICAL CENTER	-	-	-	-	-	-	-	-	0.27%	0.30%	0.33%
VF IMAGWEAR (EAST) INC	-	-	-	-	-	-	-	-	0.27%	0.52%	0.68%
RICH-SEAPAK CORP	Food Processor	0.26%	0.27%	-	-	0.26%	-	-	-	-	0.41%
BROWNSVILLE SUNRISE DEVELOPERS LP	Real	-	-	-	-	-	-	-	-	-	-
DELPHI AUTOMOTIVE SYSTEMS LLC	Manufacturing	-	-	-	-	-	-	-	-	-	-
CAMERON ACQUISITIONS LLC	Land	0.24%	0.39%	-	-	-	-	-	-	-	-
SAPPHIRE VP LP	Real Estate	0.59%	0.33%	-	-	-	-	-	-	-	-
SOUTHWESTERN BELL TELE	Utility	0.30%	0.30%	-	-	-	-	-	-	-	-
Totals		3.05%	3.01%	2.74%	3.07%	3.45%	3.75%	4.04%	4.15%	4.76%	5.38%

Source: Cameron County Appraisal District

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

Fiscal Year Ended August 31	Levy (a)	Cumulative Levy Adjustments	Adjusted Tax Levy (b)	Collections - Year of Levy (c)	Percentage	Prior Collections of		Current Collections of	Total Collections (C+D+E)	Cumulative Collections of Adjusted Levy
						Prior Levies (d)	Prior Levies (e)			
2010	\$ 16,701,520	\$ 111,360	\$ 16,812,880	\$ 15,875,009	94.42%				15,875,009	94.42%
2009	16,647,944	(40,234)	16,607,709	15,730,757	94.72%		412,419		16,143,176	97.20%
2008	15,360,034	(24,993)	15,335,041	14,498,634	94.55%	417,867.54	151,625		15,068,126	98.26%
2007	13,817,049	(83,750)	13,733,299	12,940,923	94.23%	538,237.37	69,364		13,548,524	98.65%
2006	12,262,774	(56,502)	12,206,272	11,481,393	94.06%	551,462.61	37,916		12,070,772	98.89%
2005	9,062,544	(52,212)	9,010,332	8,485,978	94.18%	430,318.68	16,358		8,932,654	99.14%
2004	8,171,491	92,241	8,263,732	7,768,246	94.00%	416,837.26	10,310		8,195,393	99.17%
2003	7,634,474	(10,870)	7,623,604	7,132,350	93.56%	425,693.40	6,216		7,564,260	99.22%
2002	6,967,041	(19,455)	6,947,585	6,534,050	94.05%	362,728.71	3,233		6,900,012	99.32%
2001	6,296,480	4,089	6,300,568	5,919,601	93.95%	341,603.06	2,758		6,263,962	99.42%

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)

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
General Bonded Debt										
General obligation bonds	\$ 75,775	\$ 78,000	\$ 72,440	\$ 64,000	\$ 49,490	\$ 22,280	\$ 3,600	\$ 4,590	\$ 4,969	\$ 5,375
Notes	-	-	-	-	-	-	-	-	-	-
Less: Funds restricted for debt service	-	-	-	-	-	-	-	-	-	-
Net general bonded debt	\$ 75,775	\$ 78,000	\$ 72,440	\$ 64,000	\$ 49,490	\$ 22,280	\$ 3,600	\$ 4,590	\$ 4,969	\$ 5,375
Other Debt										
Revenue bonds	\$ 25,845	\$ 26,765	\$ 27,645	\$ 28,495	\$ 28,890	\$ 13,715	\$ 13,220	\$ 13,505	\$ 13,730	\$ 8,885
Notes	-	-	-	-	-	-	-	-	-	-
Capital lease obligations	-	-	-	-	-	-	-	-	-	-
Total Outstanding Debt	\$ 101,620	\$ 104,765	\$ 100,085	\$ 92,495	\$ 78,380	\$ 35,995	\$ 16,820	\$ 18,095	\$ 18,699	\$ 14,260

General Bonded Debt Ratios

Per Capita	\$ 393.64	\$ 405.19	\$ 376.31	\$ 332.47	\$ 257.09	\$ 115.74	\$ 18.70	\$ 23.84	\$ 25.81	\$ 27.92
Per FTSE	12,708	13,081	12,148	10,733	8,300	3,736	604	770	833	901
As a percentage of Taxable Assessed Value	0.73%	0.75%	0.69%	0.61%	0.47%	0.21%	0.03%	0.04%	0.05%	0.05%

Total Outstanding Debt Ratios

Per Capita	\$ 527.90	\$ 544.23	\$ 519.92	\$ 480.49	\$ 407.17	\$ 186.99	\$ 87.38	\$ 94.00	\$ 97.14	\$ 74.08
Per FTSE	17,042	17,569	16,784	15,511	13,144	6,036	2,821	3,035	3,136	2,391
As a percentage of Taxable Assessed Value	0.87%	1.00%	0.96%	0.89%	0.75%	0.34%	0.16%	0.17%	0.18%	0.14%

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)

Legal Debt Margin Information

	For the Year Ended August 31 (amount expressed in thousands)									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Taxable Assessed Value	\$ 10,526,537	\$ 10,440,911	\$ 9,738,707	\$ 8,766,826	\$ 7,663,218	\$ 7,037,107	\$ 6,253,830	\$ 5,810,141	\$ 5,302,081	\$ 4,791,842
General Obligation Bonds										
Statutory Tax Levy Limit for Debt Service	\$ 52,633	\$ 52,205	\$ 48,694	\$ 43,934	\$ 38,316	\$ 35,186	\$ 31,269	\$ 29,051	\$ 26,510	\$ 23,959
Less: Funds Restricted for Repayment of General Obligation Bonds										
Total Net General Obligation Debt	52,633	52,205	48,694	43,934	38,316	35,186	31,269	29,051	26,510	23,959
Current Year Debt Service Requirements	2,225	1,690	1,560	1,490	2,570	1,125	990	380	406	960
Excess of Statutory Limit for Debt Service over Current Requirements	\$ 50,408	\$ 50,515	\$ 47,134	\$ 42,444	\$ 35,746	\$ 34,061	\$ 30,279	\$ 28,671	\$ 26,104	\$ 22,999
Net Current Requirements as a % of Statutory Limit	4.23%	3.24%	3.20%	3.39%	6.71%	3.20%	3.17%	1.31%	1.53%	4.01%

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 II
 Pledged Revenue Coverage
 Last Ten Fiscal Years
 (unaudited)

Revenue Bonds

Fiscal Year Ended August 31	Pledged Revenues (\$000 omitted)										Debt Service Requirements (\$000 omitted)		
	Student Union Fees		Tuition	Bookstore Income	Parking Fees	Investment Income	Rec Center Fees	Total	Principal	Interest	Total	Coverage Ratio	
2010	\$ 1,103	\$ 397	\$ 128	\$ 406	\$ 38	\$ 2,035	\$ 4,107	\$ 920	\$ 1,180	\$ 2,100	1.96		
2009	1,093	385	142	345	72	1,912	3,949	880	1,217	2,097	1.88		
2008	1,046	402	156	311	288	1,993	4,196	850	1,251	2,101	2.00		
2007	1,075	397	145	281	278	2,086	4,262	395	1,444	1,839	2.32		
2006	1,043	341	133	345	267	2,113	4,242	295	1,046	1,341	3.16		
2005	1,017	320	170	346	354	-	2,208	380	650	1,030	2.14		
2004	1,023	302	124	326	320	-	2,095	285	751	1,036	2.02		
2003	960	280	183	308	380	-	2,111	225	795	1,020	2.07		
2002	858	-	-	-	-	-	858	155	495	650	1.32		
2001	797	-	-	-	-	-	797	140	502	642	1.24		

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)		***Cameron County Personal Income Per Capita		Cameron County Unemployment Rate
		(thousands of dollars)				
2009	192,500	N/A	N/A	N/A	N/A	9.9%
2008	191,006	\$ 4,085,045,322	\$ 21,387			6.8%
2007	187,979	3,696,982,993	19,667			6.0%
2006	187,679	3,483,134,561	18,559			6.6%
2005	183,675	3,197,781,750	17,410			7.5%
2004	179,028	3,042,401,832	16,994			8.7%
2003	173,533	2,829,976,164	16,308			9.5%
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%

Sources:

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

**Estimated District Personal Income (thousand of dollars) produced by multiplying Cameron County Personal Income Per Capita by the District Population. TSC District includes the following school districts: Brownsville ISD, Los Fresnos ISD, and Point Isabel ISD. TSC District population totals about 50% of Cameron County. Assumption used for TSC District per capita income equals that of Cameron County. Cameron County Total Population: 392,736 (U.S. Census Bureau)

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

Cameron County Unemployment Rate from Texas Association of Counties (Cameron County Profile).
<http://www.county.org/>
N/A - Not Available

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

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

Source:
 *Brownsville Economic Development Council. <http://www.bedc.com/>
 **Brownsville Total Employment - Texas Workforce Commission. <http://www.texasworkforce.org/>
 Percentage of Total Employment was calculated using Brownsville 2009 Annual Employment. <http://www.texasworkforce.org/>
 Brownsville Total Employment: 60,756
 Note: Employer data was not available for Los Fresnos ISD and Point Isabel ISD.

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

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

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

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

Source:
 *Brownsville Economic Development Council. <http://www.bedc.com/>
 **Brownsville Total Employment - Texas Workforce Commission. <http://www.texasworkforce.org/>
 Percentage of Total Employment was calculated using Brownsville 2007 Annual Employment. <http://www.texasworkforce.org/>
 Brownsville Total Employment: 58,107
 Note: Employer data was not available for Los Fresnos ISD and Point Isabel ISD.

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

Source:
 *Brownsville Economic Development Council. <http://www.bedc.com/>
 **Brownsville Total Employment - Texas Workforce Commission. <http://www.texasworkforce.org/>
 Percentage of Total Employment was calculated using Brownsville 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 Administrator's Statistics
 Last Ten Fiscal Years
 (unaudited)

	Fiscal Year									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Faculty										
Full-Time	0	0	0	0	0	0	0	0	0	0
Part-Time	0	0	0	0	0	0	0	0	0	0
Total	0	0	0	0	0	0	0	0	0	0
Percent										
Full-Time	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Part-Time	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Staff and Administrators										
Full-Time	19	18	17	15	14	10	12	19	15	14
Part-Time	5	6	5	6	3	5	9	46	22	13
Total	24	24	22	21	17	15	21	65	37	27
Percent										
Full-Time	79.2%	75.0%	77.3%	71.4%	82.4%	66.7%	57.1%	29.2%	40.5%	51.9%
Part-Time	20.8%	25.0%	22.7%	28.6%	17.6%	33.3%	42.9%	70.8%	59.5%	48.1%
FTSE per Full-time Faculty	0	0	0	0	0	0	0	0	0	0
FTSE per Full-Time Staff Member	313.8	320.4	369.8	427.0	404.4	525.3	412.9	238.8	270.4	303.1
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 2009		Fall 2008		Fall 2007		Fall 2006		Fall 2005	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Freshman	8,170	61.92%	8,709	64.56%	8,955	63.71%	8,002	60.62%	5,707	43.23%
Sophomore	2,754	20.87%	2,597	19.25%	2,833	20.16%	2,930	22.20%	2,855	21.63%
Associate	592	4.49%	572	4.24%	583	4.15%	562	4.26%	490	3.71%
Bachelors	152	1.15%	125	0.93%	110	0.78%	135	1.02%	111	0.84%
Unclassified	1,527	11.57%	1,487	11.02%	1,574	11.20%	1,571	11.90%	1,354	10.26%
Total	13,195	100.00%	13,490	100.00%	14,055	100.00%	13,200	100.00%	10,517	79.67%
Semester Hour Load										
Less than 3	1,417	10.74%	1,745	12.94%	1,362	9.69%	617	4.67%	358	2.71%
3-5 semester hours	4,259	32.28%	4,665	35.35%	4,911	34.94%	4,418	33.47%	2,635	19.96%
6-8 Semester hours	2,723	20.64%	2,608	19.77%	2,687	19.12%	2,690	20.38%	2,221	16.83%
9-11 semester hours	1,714	12.99%	1,669	12.65%	1,803	12.83%	1,700	12.88%	1,652	12.52%
12-14 semester hours	2,677	20.29%	2,415	18.30%	2,780	19.78%	3,262	24.71%	3,243	24.57%
15-17 semester hours	395	2.99%	365	2.77%	447	3.18%	442	3.35%	324	2.45%
18 & over	10	0.08%	23	0.17%	65	0.46%	71	0.54%	84	0.64%
Total	13,195	100.00%	13,490	101.95%	14,055	100.00%	13,200	100.00%	10,517	79.67%
Average course load	6.9		6.5		6.9		7.4		8.2	
Tuition Status										
Texas Resident (In-District)	6,733	51.03%	6,133	46.48%	6,766	50.16%	7,217	54.67%	7,144	54.12%
Texas Resident (Out-of-District)	1,179	8.94%	1,187	9.00%	1,217	9.02%	1,300	9.85%	1,271	9.63%
Non-Resident Tuition	40	0.30%	38	0.29%	37	0.27%	43	0.33%	33	0.25%
Foreign Resident In-Dist (HB1403)	123	0.93%	127	0.96%	120	0.89%	136	1.03%	136	1.03%
Foreign Resident Out-Dist (HB1403)	12	0.09%	13	0.10%	12	0.09%	17	0.13%	11	0.08%
Tuition Exemption/Waiver	5,108	38.71%	5,992	45.41%	5,903	43.76%	4,487	33.99%	1,922	14.56%
Total	13,195	100.00%	13,490	102.24%	14,055	104.19%	13,200	100.00%	10,517	79.67%

Note: Only five years of information are presented in accordance with the Budget Requirements and Annual Financial Reporting Requirements for Texas Public Community and Junior Colleges published by the Texas Higher Education Coordinating Board for fiscal year 2010.

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

	Fall 2009		Fall 2008		Fall 2007		Fall 2006		Fall 2005	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Gender										
Female	7,709	58.42%	7,949	58.93%	8,171	58.14%	7,617	57.70%	6,193	58.89%
Male	5,486	41.58%	5,541	41.07%	5,884	41.86%	5,583	42.30%	4,324	41.11%
Total	13,195	100.00%	13,490	100.00%	14,055	100.00%	13,200	100.00%	10,517	100.00%
Ethnic Origin										
White/Non-Hispanic	431	3.27%	391	2.90%	492	3.50%	477	3.61%	417	3.97%
Black/Non-Hispanic	36	0.27%	36	0.27%	31	0.22%	28	0.21%	22	0.21%
Hispanic	12,247	92.82%	12,609	93.47%	13,036	92.75%	12,169	92.19%	9,779	92.98%
Asian or Pacific Islander	60	0.45%	54	0.40%	71	0.51%	61	0.46%	52	0.49%
American Indian or Alaskan Native	7	0.05%	8	0.06%	11	0.08%	9	0.07%	9	0.09%
Non-Resident Aliens or Foreign Natl.	350	2.65%	320	2.37%	362	2.58%	412	3.12%	190	1.81%
Not Reported	64	0.49%	72	0.53%	52	0.37%	44	0.33%	48	0.46%
Total	13,195	100.00%	13,490	100.00%	14,055	100.00%	13,200	100.00%	10,517	100.00%
Age										
Under 18	4,746	35.97%	5,564	41.25%	5,305	37.74%	3,958	29.98%	1,813	17.24%
18 -21	4,117	31.20%	3,927	29.11%	4,401	31.31%	4,690	35.53%	4,274	40.64%
22 - 24	1,425	10.80%	1,338	9.92%	1,489	10.59%	1,467	11.11%	1,487	14.14%
25 - 35	2,000	15.16%	1,854	13.74%	1,961	13.95%	2,141	16.22%	2,054	19.53%
36 - 50	792	6.00%	711	5.27%	765	5.44%	805	6.10%	741	7.05%
51 & over	115	0.87%	96	0.71%	134	0.95%	139	1.05%	148	1.41%
Total	13,195	100.00%	13,490	100.00%	14,055	100.00%	13,200	100.00%	10,517	100.00%
Average Age	21		21		21		22		23	

Note: Only five years of information are presented in accordance with the Budget Requirements and Annual Financial Reporting Requirements for Texas Public Community and Junior Colleges published by the Texas Higher Education Coordinating Board for fiscal year 2010.

**Texas Southmost College District
Statistical Supplement 17
Transfers to Senior Institutions
2008 Fall Students as of Fall 2009
(Includes only public senior colleges in Texas)**

	Transfer Student Count Academic	Transfer Student Count Technical	Transfer Student Count Tech-Prep	Total Acad/Tech Transfer Students	Percent Acad/Tech Transfer Students
University of Texas - Brownsville	1,512	69	67	1,648	74.74%
University of Texas - Pan American	84	15	2	101	4.58%
University of Texas - Austin	113	6	0	119	5.40%
University of Texas - San Antonio	64	7	2	73	3.31%
Texas A&M University - College Station	57	8	0	65	2.95%
Texas State University	35	5	0	40	1.81%
Texas A&M University - Kingsville	34	5	1	40	1.81%
Texas A&M University - Corpus Christi	17	4	0	21	0.95%
University of Houston - University Park	17	0	0	17	0.77%
University of North Texas	11	0	0	11	0.50%
University of Texas - Permian Basin	4	0	0	4	0.18%
Stephen F. Austin State University	2	0	0	2	0.09%
Texas Tech University	9	3	1	13	0.59%
University of Texas - Arlington	8	0	0	8	0.36%
Sam Houston State University	9	1	1	11	0.50%
University of Texas - Tyler	0	0	0	0	0.00%
Texas A&M International University	2	0	0	2	0.09%
Texas Women's University	2	0	0	2	0.09%
University of Houston - Downtown	0	1	0	1	0.05%
University of Texas - Dallas	1	0	0	1	0.05%
Sul Ross State University	0	0	0	0	0.00%
Texas A&M University - Commerce	2	0	0	2	0.09%
Texas A&M University - Galveston	0	0	0	0	0.00%
Angelo State University	1	0	0	1	0.05%
Prairie View A&M University	1	0	0	1	0.05%
University of Texas - El Paso	2	1	0	3	0.14%
Baylor College of Medicine - Academics	0	0	0	0	0.00%
Lamar University Institute of Technology	0	0	0	0	0.00%
Midwestern State University	0	0	0	0	0.00%
Sul Ross State University - Rio Grande College	0	0	0	0	0.00%
Tarleton State University	1	0	0	1	0.05%
Texas A&M University System Health Science Center	3	0	0	3	0.14%
Texas Southern University	2	0	0	2	0.09%
Texas Tech University Health Science Center	0	0	0	0	0.00%
University of Houston - Clear Lake	0	1	0	1	0.05%
University of Houston - Victoria	0	1	0	1	0.05%
University of North Texas Health Science Center - Fort Worth	0	0	0	0	0.00%
University of Texas Health Science Center - Houston	5	0	0	5	0.23%
University of Texas Health Science Center - San Antonio	5	0	0	5	0.23%
University of Texas Medical Branch Galveston	1	0	0	1	0.05%
University of Texas Southwestern Medical Center - Dallas	0	0	0	0	0.00%
West Texas A&M University	0	0	0	0	0.00%
Totals	2,005	126	74	2,205	100.00%

Texas Southmost College District
Statistical Supplement 18
Capital Asset Information
Fiscal Years 2006 to 2010

	Fiscal Year				
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Academic buildings	23	22	19	19	19
Square footage (in thousands)	999	942	827	827	827
Libraries	2	2	1	1	1
Square footage (in thousands)	130	130	85	85	85
Number of Volumes (in thousands)	298	300	320	310	300
Administrative and support buildings	23	22	22	22	22
Square footage (in thousands)	559	540	588	588	588
Dormitories	1	1	1	1	1
Square footage (in thousands)	94	94	94	94	94
Number of Beds	334	334	334	325	257
Apartments	66	66	11	8	0
Square footage (in thousands)	72	72	65	31	0
Number of beds	140	140	108	95	0
Dining Facilities	0	0	0	0	0
Square footage (in thousands)	0	0	0	0	0
Average daily customers	0	0	0	0	0
Athletic Facilities	3	3	2	2	2
Square footage (in thousands)	138	138	29	29	29
Stadiums	0	0	0	0	0
Gymnasiums	2	2	1	1	1
Fitness Centers	1	1	0	0	0
Tennis Court	1	1	1	1	1
Plant facilities	7	6	5	5	15
Square footage (in thousands)	49	46	45	45	78
Transportation					
Cars	8	10	14	16	18
Light Trucks/Vans	57	66	64	53	45
Buses	2	2	2	2	2

Note: Only five years of information are presented in accordance with the Budget Requirements and Annual Financial Reporting Requirements for Texas Public Community and Junior Colleges published by the Texas Higher Education Coordinating Board for fiscal year 2010.

SINGLE AUDIT SECTION

TEXAS SOUTHMOST COLLEGE DISTRICT

Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2010

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures and Pass- Through Disbursements	
			Grantee	Grantor
U.S. DEPARTMENT OF AGRICULTURE				
<i>Pass-through from Texas Department of Human Services:</i>				
<i>Pass-through to University of Texas - Brownsville</i>				
Child Care Food Program	10.558	75G7033	\$ -	\$ 28,307
Total U.S. Department of Agriculture			-	28,307
U.S. DEPARTMENT OF LABOR				
<i>Pass-through from Texas Workforce Commission:</i>				
WIA - Youth Stimulus	17.259		-	73,244
Total U.S. Department of Labor			-	73,244
U.S. DEPARTMENT OF EDUCATION				
<i>Passed through Texas Higher Education Coordinating Board:</i>				
<i>Pass-through to University of Texas - Brownsville:</i>				
Carl Perkins Vocational Education - Basic	84.048	84246	-	481,500
Leveraging Educational Assistance Partnerships	84.069A		-	16,784
Special Leveraging Educational Assistance Partnership	84.069B		-	21,581
State Fiscal Stabilization Fund - Government Services	84.397A		-	212,439
Total U.S. Department of Education			-	732,304
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
<i>Pass-through from Texas Migrant Authority, Inc.:</i>				
<i>Pass-through to University of Texas - Brownsville</i>				
Child Day Care Center	93.667	031-0006	-	41,911
Total U.S. Department of Health and Human Services			-	41,911
Total Federal Financial Assistance			\$ -	\$ 875,766

Notes to schedule on following pages

TEXAS SOUTHMOST COLLEGE DISTRICT

Notes to Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2010

<u>Note 1: Federal Assistance Reconciliation</u>	Pass-Through Disbursements
Federal revenue received by Texas Southmost College District	
Federal grants and contracts revenue per Schedule A	\$ 875,766
Federal revenue received by University of Texas at Brownsville	<u>23,009,471</u>
 Total Federal Revenues	 <u>\$ 23,885,237</u>

Note 2: Significant Accounting Policies Used in Preparing the Schedule

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

Note 3: Expenditures not Subject to Federal Single Audit

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

<u>Program Name</u>	Amount
84.063 - Federal Pell Grant Program	\$ 22,333,081
84.007 - SEOG	235,734
84.033 - Federal Work Study Program	<u>440,656</u>
	 <u>\$ 23,009,471</u>

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

Note 4: Student Loans Processed and Administrative Costs Recovered

There were no student loans processed or administrative costs recovered.

Note 5: Non-monetary Federal Assistance Received

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

TEXAS SOUTHMOST COLLEGE DISTRICT

Notes to Schedule of Expenditures of Federal Awards
 For the Year Ended August 31, 2010
 (Continued)

Note 6: Amounts Passed Through by the District

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

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

84.031 - Title III Endowment College Grant Program	<u>\$ 5,123,017</u>
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TEXAS SOUTHMOST COLLEGE DISTRICT

Schedule of Expenditures of State Awards
For the Year Ended August 31, 2010

Grantor Agency/ Program Title	Grant Contract Number	Expenditures
TEXAS HIGHER EDUCATION COORDINATING BOARD		
<i>Pass-through to University of Texas - Brownsville</i>		
Texas Grant Program	-	\$ 1,772,469
Texas Educational Aide Exemption	-	147,817
Texas College Access Challenge Grant	-	36,462
Texas Early High School Grant	-	144,089
Texas College Work Study	-	55,410
Texas Educational Opportunity Grant	-	339,511
Top 10%	-	166,643
Jet Grant	-	41,569
Nursing Shortage Reduction Grant	-	583,787
Vocational Nursing Scholarship	-	725
Total pass-through Texas Higher Education Coordinating Board		<u>\$ 3,288,482</u>
Total State Financial Assistance		<u>\$ 3,288,482</u>

Note 1: State Assistance Reconciliation

State Revenues - Per Schedule A	
State Financial Assistance per Schedule of Expenditures of State Awards	\$ 3,288,482
Lease payments from University of Texas - Brownsville	<u>1,359,576</u>
Total State Revenues per Schedule A	<u>\$ 4,648,058</u>

Note 2: Significant Accounting Policies Used in Preparing the Schedule

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

Note 3: Subrecipients

Under a partnership agreement with the University of Texas - Brownsville (UTB), UTB agreed to receive, administer, spend and comply with the grant requirements of all state grants. All of the expenditures presented in the schedule were passed-through to UTB. UTB meets all the characteristics of a 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.



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

**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 AND THE STATE OF TEXAS
SINGLE AUDIT CIRCULAR**

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

We have audited the financial statements of the Texas Southmost College District, as of and for the year ended August 31, 2010 and have issued our report thereon dated January 28, 2011. 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 and the standards applicable to financial audits contained in the *State of Texas Single Audit Circular*.

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 the Texas Southmost College District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the 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 the 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 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 internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, 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* or the *State of Texas Single Audit Circular*.

Public Funds Investment Act

We have performed tests designed to verify the District's compliance with the requirements of the Public Funds Investment Act. During the year ended August 31, 2010, no instances of noncompliance were found.

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

Pattillo, Brown & Hill, LLP

January 28, 2011



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

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

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

Compliance

We have audited the compliance of Texas Southmost College District, with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended August 31, 2010. Texas Southmost College District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. We have audited the compliance of Texas Southmost College District, with the types of compliance requirements described in the *State of Texas Single Audit Circular* that are applicable to each of its major state programs for the year ended August 31, 2010. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major 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 Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the standards applicable to financial audits contained in the *State of Texas Single Audit Circular*. Those standards, OMB Circular A-133, and the *State of Texas Single Audit Circular* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about 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 and state programs for the year ended August 31, 2010.

Internal Control Over Compliance

The management of Texas Southmost College District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Texas Southmost College District's internal control over compliance with the requirements that could have a direct and material effect on a major federal or state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 or 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 or state program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal or 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 or state program will not be prevented or detected by the 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 management, the audit committee, Board of Trustees, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Patullo, Brown & Hill LLP

January 28, 2011

TEXAS SOUTHMOST COLLEGE DISTRICT

Schedule of Findings and Questioned Costs
For the Year Ended August 31, 2010

I. Summary of Auditors' Results

Type of auditors' report on financial statements:	Unqualified.
Internal control over financial reporting: Material weakness(es) identified?	None.
Significant deficiencies identified that are not considered to be material weakness(es)?	None.
Internal control over major programs: Material weakness(es) identified?	None.
Significant deficiencies identified that are not considered to be material weakness(es)?	None.
Noncompliance which is material to the basic financial statements	None.
Type of auditors' report on compliance with major programs	Unqualified.
Findings and questioned costs for federal awards as defined in Section 501(a), OMB Circular A-133 and the State of Texas Single Audit Circular	None.
Dollar threshold considered between Type A and Type B federal programs	\$300,000
Dollar threshold considered between Type A and Type B state programs	\$300,000
Low risk auditee statement	Yes
Major federal programs	WIA - Youth Stimulus (CFDA #17.259) SFSF - Government Services (CFDA #84.397A)
Major state program	Texas Grant Program Texas Nursing Shortage Program

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

The audit disclosed no finding required to be reported.

III. Findings and Questioned Costs for Federal Awards

None

IV. Findings and Questioned Costs for State Awards

None

TEXAS SOUTHMOST COLLEGE DISTRICT

**Summary Schedule of Prior Audit Findings
For the Year Ended August 31, 2010**

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

Major Program: Texas Workforce Commission

Finding #FCF 2009-1

Condition

Course completion hours for 10 trainees reported to TWC were different than the hours supported by the sign-in sheets.

One trainee completed the 3D Drafting course ACE 0898.01 as indicated by the sign-in sheets but his status on Colleague appeared as "Deleted 1/09/09".

Trainees participating in courses ACE 0503.01 and ACE 0496.05 did not obtain a grade even though they completed the course based on the sign-in sheets.

One trainee did not complete the course ACE 0496.08, only 184 hrs of 360 hrs were completed, yet he was issued a satisfactory grade "S".

Cause

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

Effect

TWC received incorrect data.

Recommendation

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

Current Year Status

No exceptions found as a result of our testing.

TEXAS SOUTHMOST COLLEGE DISTRICT

CORRECTIVE ACTION PLAN

Year Ended August 31, 2010

Not applicable.