

TEXAS SOUTHMOST COLLEGE DISTRICT
BROWNSVILLE, TEXAS

Comprehensive Annual Financial Report

Fiscal Year Ended August 31, 2008

**TEXAS SOUTHMOST COLLEGE DISTRICT
BROWNSVILLE, TEXAS**

**COMPREHENSIVE
ANNUAL FINANCIAL REPORT**

For the Fiscal Years Ended August 31, 2008 and 2007

TEXAS SOUTHMOST COLLEGE DISTRICT
Brownsville, Texas

COMPREHENSIVE
ANNUAL FINANCIAL REPORT

For the Fiscal Years Ended August 31, 2008 and 2007

Prepared by:
Texas Southmost College District
Finance Office

TEXAS SOUTHMOST COLLEGE DISTRICT

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTORY SECTION	
Transmittal Letter.....	2
GFOA Certificate of Achievement	7
Organizational Chart.....	8
Organizational Data.....	9
FINANCIAL SECTION	
Independent Auditor’s Report on Financial Statements	11
Management’s Discussion and Analysis.....	13
Basic Financial Statements	
Exhibit 1 – Statements of Net Assets	26
Exhibit 2 – Statements of Revenues, Expenses and Changes in Net Assets	27
Exhibit 3 – Statements of Cash Flows.....	28
Notes to Financial Statements	31
SUPPLEMENTARY SECTION	
Schedule A – Schedule of Operating Revenues.....	52
Schedule B – Schedule of Operating Expenses by Object.....	53
Schedule C – Schedule of Non-Operating Revenues and Expenses	54
Schedule D – Schedule of Net Assets by Source and Availability	55
STATISTICAL SECTION	
Net Assets by Component.....	58
Revenues by Source.....	59
Program Expenses by Function	60
Tuition and Fees.....	61
Assessed Value and Taxable Assessed Value of Property.....	63

State Appropriation per FTSE and Contact Hour	64
Principal Taxpayers	65
Property Tax Levies and Collections	66
Ratios of Outstanding Debt.....	67
Legal Debt Margin Information.....	68
Pledged Revenue Coverage	69
Demographic and Economic Statistics – Taxing District	70
Principal Employers.....	71
Faculty, Staff and Administrators Statistics.....	72
Enrollment Details	73
Student Profile	74
Transfers to Senior Institutions	75
Capital Asset Information	76

SINGLE AUDIT SECTION

Schedule E – Schedule of Expenditures of Federal Awards.....	78
Schedule F – Schedule of Expenditures of State Awards.....	81
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	82
Independent Auditor’s 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	84
Schedule of Findings and Questions Costs - Federal/State Awards	86
Corrective Action Plan.....	89
Summary Schedule of Prior Audit Findings.....	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

December 16, 2008

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 (District) for the fiscal year ended August 31, 2008 is hereby submitted. The purpose of this report is to provide detailed information concerning the financial condition and performance of the District. Responsibility for the preparation and integrity of the financial information and fairness of the presentation, including disclosures, rests with the management of the District. To the best of our knowledge, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

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

The District's financial statements have been audited by Long Chilton, LLP, a firm of licensed certified public accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the District for the years ended August 31, 2008 and 2007 are free from material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and, evaluating the overall financial statement presentation. The independent auditor concluded based up on the audit, that there was a reasonable basis for rendering an unqualified opinion that the District's financial statement for the years ended August 31, 2008 and 2007 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 District's five faculty members welcomed 84 students to the first classes held at the Brownsville High School. In 1931, The Junior College of the Lower Rio Grande Valley was renamed Brownsville Junior College. Classes would continue to be taught and graduation ceremonies would continue to be held at the Brownsville High School until 1948 when Brownsville Junior College was located on its own campus, the historic Fort Brown.

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

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

The Partnership with the District operates with a consolidated administrative and academic structure under the direction of UTB. The combined institutions currently enroll over 14,000 students per long semester in academic, occupational and continuing education courses and over 2,000 staff and instructional support are employed by UTB. The Partnership offers students a seamless transition from a community college to a university, which has allowed the institutions to attract and retain students on a campus that the community helped realize over 80 years ago.

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

Mission and Values

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

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

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

Local Economic Information

The District is located in Brownsville Texas, the largest city in the Rio Grande Valley. From 2005 to 2007, Brownsville grew by 3.0 percent. The main elements that contributed to the exploding population were high birth rates, international trade, inbound migration, and a booming economy. Education and health services sectors are now the largest employers which grew by 40.3 percent from 20,600 in 2001 to 28,900 employees. Cameron county, the southern-most Texas county, is the geographical area in which the District operates. The County's population for 2007 was 387,210, an increase of 15.5 percent since 2000. The County's median income per household was \$27,672 compared to the state median of \$44,922.

Major Initiatives

The District has devoted significant time and effort in planning for the future. During 2007, the District continued major construction and renovation projects as defined in its current facilities master plan in order to provide space for 20,000 students by 2010 to meet the state's "Closing the Gaps" initiative of increasing participation in higher education. Programs such as the Dual Enrollment program which allow students at local high schools to enroll in college courses while still in high school has helped increase enrollment and provided an excellent opportunity to encourage students to continue their post secondary studies.

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

Financial Information

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

Single Audit. As a recipient of federal, state, and local financial assistance, the District also is responsible for ensuring that adequate internal control is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control is subject to periodic evaluation by management and the independent auditors of the District. As a part of the District's single audits, described earlier, tests are made to determine the adequacy of the internal control, including that portion related to federal and state awards programs, as well as to determine that the District has complied with applicable laws and regulations. The results of the District's single audit for the fiscal year ended August 31, 2008, provided no instances of material weaknesses in internal control.

Budgeting Controls. The District continues to apply budgetary controls and accounting on a fund basis. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the District's Board of Trustees. Activities of the unrestricted general, campus facilities and auxiliary funds, restricted parking and insurance funds and retirement of indebtedness funds are included in the annual appropriated budget. The District also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Encumbered amounts lapse at year-end. However, encumbrances are re-appropriated as part of the next year's budget. All funds are included in the consolidated financial statements presented, although the funds are not separately reported in the CAFR under GASB 34 and 35 (see Note 2 to the Financial Statements, Summary of Significant Accounting Policies, pages 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, 2008, the District had \$72.4 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 \$.049666 per hundred dollars of taxable appraised value and the District's general obligation debt is currently rated AA- by Fitch Ratings and A+ by Standard and Poor's.

The District currently has \$27.6 of revenue bonds outstanding. Revenue bonds are special obligations of the District payable as to principal and interest solely from and secured by a first lien on and a pledge of certain revenues. Revenue bonds were issued for the Student Union Building and Student Recreation Center and the pledge revenue source for payment of these bonds are fees assessed to TSC and UTB students for these facilities. In addition, the District issued general revenue bonds for various acquisitions and improvements on campus. Pledged revenues for these obligations include tuition, parking fees, bookstore income, investment earnings and additional income or earnings. The District's revenue bonds are rated A by Standard and Poor's.

Cash Management

During the year, cash was invested in interest-bearing checking, savings, certificates of deposit and repurchase agreement accounts. At August 31, 2008, the District had short term investments of \$54 million. Short-term investments are liquidated as necessary to provide funds for current operations, payment of current liabilities and capital construction projects underway. The average yield on investments was 3.6 percent, and investment income was \$3.2 million for the year ended August 31, 2008.

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

Risk Management

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

The District currently has 17 employees. As a result, workers' compensation insurance is secured through a program that is administered by Texas Association of School Boards (TASB). A premium is paid based on an experience adjusted rate and the annual payroll. For unemployment compensation, the District elects to pay as a reimbursing employer to the Texas Workforce Commission. This plan requires that the District pay amounts equal to the amount of benefits which were paid to a former employee in lieu of taxes.

Independent Audit

State statutes require an annual audit by independent certified public accountants. The purpose of an independent audit is to provide assurance, based on independent review and testing, that the basic financial statements and accompanying notes are fairly stated in all material respects. The District's Board of Trustees selected the accounting firm of Long Chilton, 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 Section.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Texas Southmost College District for its comprehensive annual financial report for the fiscal year ended August 31, 2007. 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.

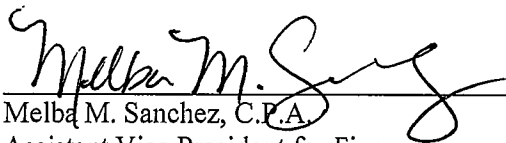
A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting to the GFOA to determine its eligibility for another certificate.

Acknowledgments

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

Sincerely,

TEXAS SOUTHMOST COLLEGE DISTRICT



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

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

Texas Southmost College
District, Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
August 31, 2007

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



A handwritten signature in black ink, appearing to read "M. L. Post".

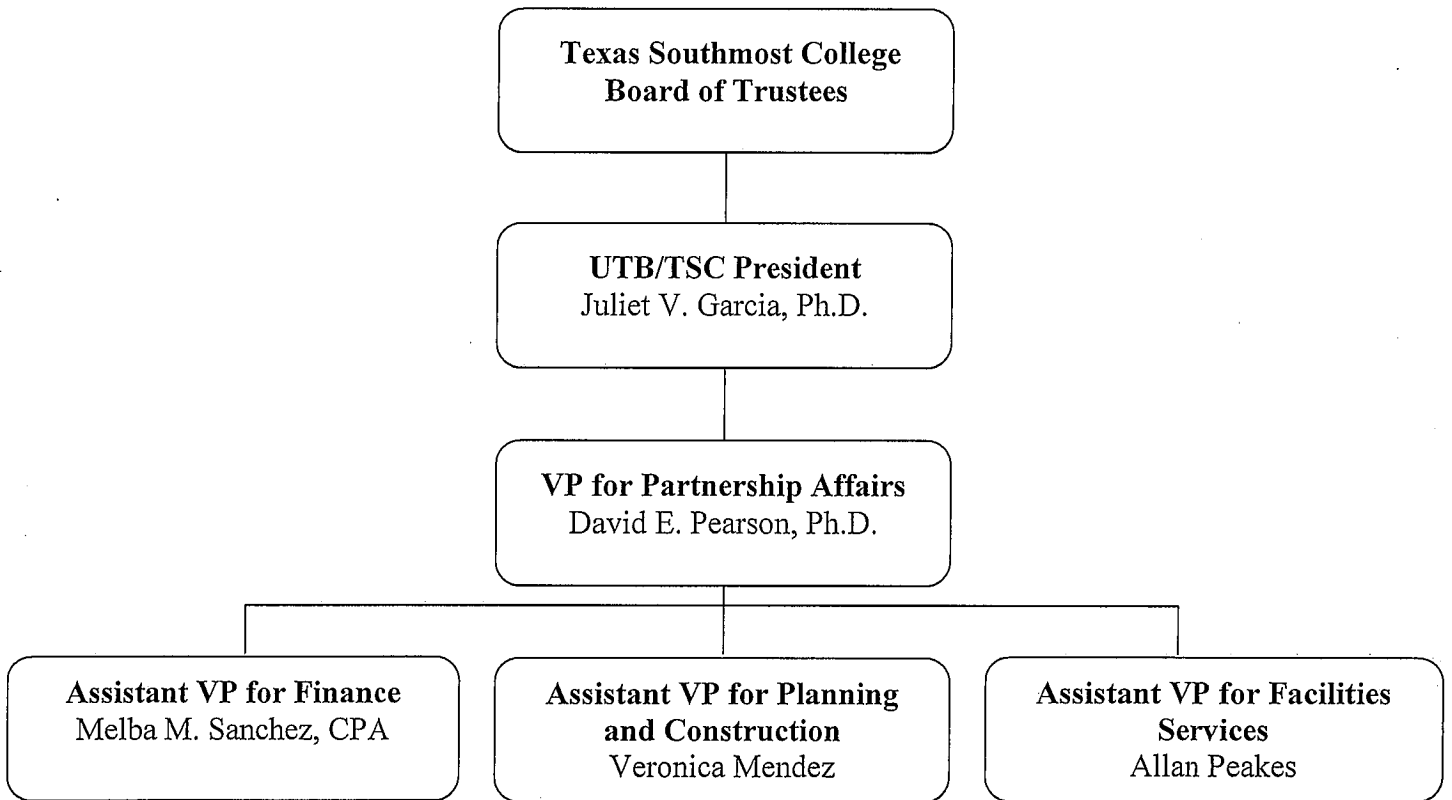
President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

Executive Director

Texas Southmost College District

ORGANIZATIONAL CHART



TEXAS SOUTHMOST COLLEGE DISTRICT

ORGANIZATIONAL DATA

FOR THE FISCAL YEAR 2008

Board of Trustees

Officers

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

Members

Term Expires

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

Principal Administrative Officers

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

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the Texas Southmost College District (the District) as of and for the years ended August 31, 2008 and 2007, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2008, on our consideration of the Texas Southmost College District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 13 through 25, are not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Long Chilton, LLP

LONG CHILTON, LLP
Certified Public Accountants

Brownsville, Texas
December 5, 2008

TEXAS SOUTHMOST COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

August 31, 2008

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, 2008. 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. The next category is restricted net assets, which is further divided into two categories: nonexpendable and expendable. Expendable restricted net assets are available for expenditures but must be spent in accordance with the restrictions of donors and other external entities. The District only has expendable restricted net assets. The final category is unrestricted net assets which are assets available to the institution for any lawful purpose of the District. Further detail regarding assets, liabilities and net assets is presented in the Statement of Net Assets and Notes to the financial statements.

USING THIS ANNUAL REPORT – CONTINUED

The Statement of Revenues, Expenses and Changes in Net Assets

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

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

The Statement of Cash Flows

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

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

(This space intentionally left blank)

FINANCIAL ANALYSIS

Statement of Net Assets

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

TABLE 1
Condensed Statement of Net Assets
(in millions)

	<u>Fiscal Year 2008</u>	<u>Fiscal Year 2007</u>	<u>Fiscal Year 2006</u>
Current Assets	\$ 26.2	\$ 24.9	\$ 20.4
Noncurrent Assets			
Cash and Cash Equivalents - Restricted	59.1	79.7	69.0
Capital Assets, Net of Accumulated Depreciation	109.9	70.7	59.2
Other Non-Current Assets	2.0	1.9	1.7
Total Assets	<u>197.2</u>	<u>177.2</u>	<u>150.3</u>
Current Liabilities	26.7	23.2	17.5
Noncurrent Liabilities	97.9	90.5	76.9
Total Liabilities	<u>124.6</u>	<u>113.7</u>	<u>94.4</u>
Net assets:			
Invested in capital assets, net			
of related debt	50.9	49.3	43.9
Restricted Expendable	15.9	12.1	8.9
Unrestricted	5.8	2.1	3.1
Total Net Assets	<u>\$ 72.6</u>	<u>\$ 63.5</u>	<u>\$ 55.9</u>

Total Assets increased by \$20 million in fiscal year 2008. The major factor affecting this net increase is the approximately \$40 million in additional capital assets, net of accumulated depreciation as progress continues on the various construction projects on campus. Restricted Cash and Cash Equivalents decreased significantly by more than \$20 million as funds were used for the various construction projects. During the year, the District sold and reinvested \$5 million in general obligation tax bonds and \$5 million in maintenance tax notes. These issuances will be used for various construction and renovation projects on campus which began in current and prior fiscal years. The increase in total net assets of \$7.6 million from fiscal year 2006 to fiscal year 2007 was primarily due to debt issuances of \$14 million in general obligation tax bonds and \$2 million in maintenance tax notes and to the increase in capital assets for progress on the construction projects of approximately \$11.5 million.

At the end of fiscal year 2008, total liabilities increased by \$11 million. Included in this increase are \$5 million in general obligation tax bonds and \$5 million in maintenance tax notes. Accounts payable also increased by over \$2 million due to pending payments to contractors for capital construction projects and to the University of Texas – Brownsville (UTB) for contractual obligations as per the Partnership agreement. Total liabilities increased by \$19.3 million from fiscal year 2006 to fiscal year 2007. Included in this increase are \$14 million in general obligation tax bonds, \$2 million in maintenance tax notes and an increase in accounts payable of over \$4 million.

FINANCIAL ANALYSIS – CONTINUED

Statement of Net Assets – Continued

Net assets (assets less liabilities) have increased slightly over the past three fiscal years. The District experienced an increase of \$7.6 million from fiscal year 2006 to fiscal year 2007 and subsequently another \$9.1 million increase from fiscal year 2007 to fiscal year 2008. Net assets are \$72.6 million at August 31, 2008. 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 \$5.8 million of total net assets at August 31, 2008.

Statement of Revenues, Expenses and Changes in Net Assets

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

TABLE 2
Condensed Statement of Revenues, Expenses and Changes in Net Assets
(in millions)

	Fiscal Year 2008	Fiscal Year 2007	Fiscal Year 2006
Operating Revenues	\$ 31.1	\$ 31.5	\$ 28.5
Operating Expenses	(50.5)	(50.0)	(46.6)
Non-Operating Revenues	32.7	29.7	27.1
Non-Operating Expenses	(4.2)	(3.6)	(2.4)
INCREASE IN NET ASSETS	\$ 9.1	\$ 7.6	\$ 6.6
NET ASSETS - Beginning of Year	\$ 63.5	\$ 55.9	\$ 55.8
Prior Period Adjustments			(6.5)
NET ASSETS - End of Year	\$ 72.6	\$ 63.5	\$ 55.9

(This space intentionally left blank)

FINANCIAL ANALYSIS – CONTINUED

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 Revenues
(in millions)

	Fiscal Year		Fiscal Year		Fiscal Year	
	2008		2007		2006	
	<u>Amount</u>	<u>Percentage of Total</u>	<u>Amount</u>	<u>Percentage of Total</u>	<u>Amount</u>	<u>Percentage of Total</u>
Net Tuition and Fees	\$ 25.9	83.5%	\$ 26.9	85.5%	\$ 23.8	83.3%
Grants and Contracts	4.5	14.6%	4.2	13.3%	4.4	15.4%
Auxiliary Enterprises	0.4	1.3%	0.3	1.1%	0.3	1.2%
Other Operating Revenues	0.2	0.6%	0.1	0.1%	0.0	0.1%
Total Operating Revenues	\$ 31.0	100.0%	\$ 31.5	100.0%	\$ 28.5	100.0%

Operating revenues were affected by the following key factors:

- Although the District experienced a 6.5% increase in enrollment, it is important to note that the majority of this increase is attributed to Dual Enrollment students at local high schools who receive waivers for all tuition and fees. Tuition and fees (net of scholarship discounts) decreased due to enrollment decreases excluding dual enrollment students. The following tuition and fee increases were implemented during the fiscal year: per semester credit hour credit increases of \$8 for building use fee, and \$1 for computer use.
- Grants and Contracts revenues increased slightly primarily as a result of an increase in the federal, state and local programs.

(This space intentionally left blank)

FINANCIAL ANALYSIS – CONTINUED

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 Revenues
(in millions)

	Fiscal Year		Fiscal Year		Fiscal Year	
	2008		2007		2006	
	<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	\$ 14.2	43.4%	\$ 12.6	42.2%	\$ 12.3	45.3%
Ad Valorem Taxes	15.3	46.8%	13.8	46.0%	12.2	45.1%
Investment Income	3.2	9.8%	3.1	11.4%	2.1	7.7%
Other Non-Operating Revenues	-	0.0%	0.1	0.4%	0.5	1.9%
Total Non-Operating Revenues	\$ 32.7	100.0%	\$ 29.6	100.0%	\$ 27.1	100.0%

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

- State appropriations were awarded for the 2008-2009 biennia and resulted in an increase from fiscal year to fiscal year. Appropriations for the current biennia increased 12% as compared to the 2006-2007 biennia.
- Property tax revenue increased by about \$1.5 million from fiscal year 2007 to fiscal year 2008 as a result of a 10.8% increase in taxable assessed property valuations. From fiscal year 2006 to fiscal year 2007, property tax revenues increased by \$1.6 million as a result of a 14.6% increase in taxable assessed property valuations. The tax rate for the Texas Southmost College District decreased from \$0.162772 per \$100 valuation in fiscal year 2006 to \$0.161089 per \$100 valuation in fiscal year 2007 and remained same from fiscal year 2007 to fiscal year 2008 at \$0.161089 per \$100 valuation.

(This space intentionally left blank)

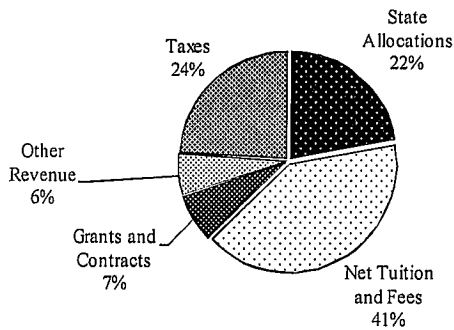
FINANCIAL ANALYSIS – CONTINUED

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

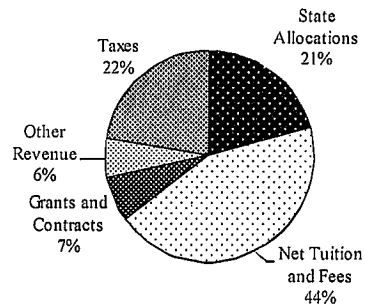
Key sources of revenue in total for the District are state allocations, grants and contracts, property taxes and tuition and fees (net of scholarship discounts). Table 5 shows a comparison of the breakdown of total revenues by source for the District in Fiscal Years 2008 and 2007.

TABLE 5
Total Revenues
(Operating and Non-operating)

Fiscal Year 2008



Fiscal Year 2007



In both fiscal year 2008 and 2007, tuition and fees account for the largest source of revenue (41% and 44%, respectively) for the District. State allocations are the next largest revenue source at 22% in fiscal year 2008 and 21% in fiscal year 2007. Property taxes as a percentage of total revenues increased slightly from 22% in fiscal year 2007 to 24% in fiscal year 2008.

(This space intentionally left blank)

FINANCIAL ANALYSIS – CONTINUED

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

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

TABLE 6
Operating Expenses
Natural Classification
(in millions)

	<u>Fiscal Year</u> <u>2008</u>	<u>Fiscal Year</u> <u>2007</u>	<u>Fiscal Year</u> <u>2006</u>
Salaries	\$ 0.7	\$ 0.6	\$ 0.5
Benefits	0.1	0.1	0.1
Supplies and Services	3.3	3.3	3.6
Contract Services - UTB	44.3	43.8	40.2
Depreciation	2.1	2.2	2.2
Total Operating Expenses	<u>\$ 50.5</u>	<u>\$ 50.0</u>	<u>\$ 46.6</u>

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

TABLE 7
Operating Expenses
Functional Classification
(in millions)

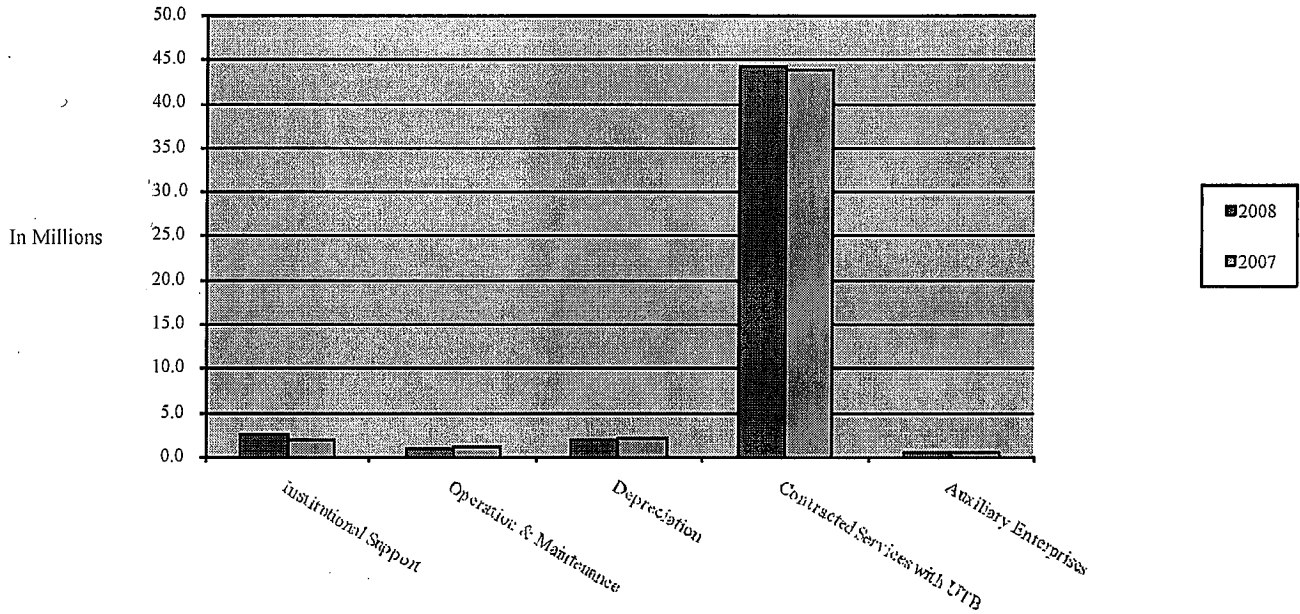
	<u>Fiscal Year</u> <u>2008</u>	<u>Fiscal Year</u> <u>2007</u>	<u>Fiscal Year</u> <u>2006</u>
<u>Educational and General</u>			
Institutional Support	\$ 2.6	\$ 2.1	\$ 1.7
Operation and Maintenance of Plant	0.9	1.2	1.7
Contract Services - UTB	44.2	43.9	40.3
Depreciation	2.1	2.2	2.2
Total Educational Activities	<u>49.8</u>	<u>49.4</u>	<u>45.9</u>
Auxiliary Enterprises	0.7	0.6	0.7
Total Operating Expenses	<u>\$ 50.5</u>	<u>\$ 50.0</u>	<u>\$ 46.6</u>

FINANCIAL ANALYSIS – CONTINUED

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 – 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 2007 and 2008, this amount represented 88% of total expenses, which is a slight increase from 86% of total expenses in fiscal year 2006. The University of Texas – 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.

FINANCIAL ANALYSIS – CONTINUED

Statement of Cash Flows

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

TABLE 9
Condensed Statement of Cash Flows
(in millions)

	<u>Fiscal Year 2008</u>	<u>Fiscal Year 2007</u>	<u>Fiscal Year 2006</u>
Cash Provided/ Used By:			
Operating Activities	\$ (18.1)	\$ (13.2)	\$ (14.2)
Noncapital Financing Activities	24.6	23.1	20.6
Capital and Related Financing Activities	(27.9)	0.5	36.5
Investing Activities	<u>3.5</u>	<u>2.8</u>	<u>1.6</u>
NET INCREASE (DECREASE) IN CASH	\$ (17.9)	\$ 13.2	\$ 44.5
CASH - Beginning of Year	\$ <u>86.4</u>	\$ <u>73.2</u>	\$ <u>28.7</u>
CASH - End of Year	\$ <u><u>68.5</u></u>	\$ <u><u>86.4</u></u>	\$ <u><u>73.2</u></u>

Total cash and cash equivalents decreased by \$17.9 million during the 2008 fiscal year and increased by \$13.2 million during the 2007 fiscal year. Major factors impacting cash and cash equivalents are described below by source.

Operating Activities: During fiscal year 2008 and fiscal year 2007, cash flows from operations resulted in an outflow of \$18.1 million and \$13.2 million, respectively. The major source of cash receipts in both of the fiscal years was from tuition and fees, net of scholarship allowances and discounts (\$25.5 million in 2008 and \$25.4 in 2007). The District's major cash outlay was for contract services with UTB (\$44.5 million in 2008 and \$40.6 million in 2007).

Non-capital Financing Activities: The District had a positive cash flow of \$24.6 million in fiscal year 2008 and \$23.1 million in fiscal year 2007 from the collection of property taxes and receipt of state appropriations. Property taxes were collected at a rate of 94.9% and 94.6% of the current year's tax levy for fiscal year 2008 and fiscal year 2007, respectively. (See table 10 below for more information on property taxes.)

Capital and Related Financing Activities: In fiscal year 2008, capital and related financing activities resulted in a cash outflow of \$27.9 million. Cash outlays of approximately \$42.6 million were made for capital construction projects, purchases of land and property, and principal and interest payments for all outstanding bonds. Cash inflows of \$14.7 million resulted from the issuance of \$5 million in tax bonds, \$5 million in maintenance tax notes and \$4.6 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 and from the 1987/88 debt service obligation. During the fiscal year, contributions were solicited as a result of a capital campaign to raise funds for the construction of the Arts Center. These efforts are expected to continue in the coming years. In fiscal year 2007, capital and related financing activities resulted in a cash inflow of \$.5 million. Cash outlays of approximately \$19.8 million for capital construction projects, purchases of land and property and principal and interest payments for all outstanding bond were offset by inflows of \$20.3 million from the issuance of \$14 million in tax bonds, \$2 million in maintenance tax notes and \$4.3 million in property taxes to fund debt service requirements.

FINANCIAL ANALYSIS – CONTINUED

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 nearly doubled from fiscal year 2006 to fiscal year 2007 due to the investment of additional bond proceeds, earnings on investments from fiscal year 2007 to fiscal year 2008 remained relatively flat despite additional bond proceed investments due to the decrease in investment returns as is consistent with the economic downturn in the market and to the depletion of prior year investment of bond proceeds.

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

	<u>Fiscal Year 2008</u>	<u>Fiscal Year 2007</u>	<u>Percent Change</u>
Total Tax Rate per \$100	\$ 0.161089	\$ 0.161089	0%
Total Tax Collections	\$ 15,318,499	\$ 13,767,626	11.3%
Tax Collection Rate	94.90%	94.64%	-
Assessed Valuation	\$ 9,738,706,903	\$ 8,786,825,986	10.8%

The District's total tax assessments increased by almost 11.3% due to a 10.8% 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 2008 the District had approximately \$109.9 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 \$41.2 million and \$39.3 million of the additions were for construction in progress on the various bond financed projects that have begun on campus. Construction projects near completion include the ITECC Thermal Plant and Recreation Center. Significant progress has also been made on the Library, Classroom Building, Early Childhood Center and Arts Center.

CAPITAL ASSET AND DEBT ADMINISTRATION – CONTINUED

Capital Assets – Continued

Note 5 of the financial statements which begins on page 34 provides further detailed information regarding the District's capital assets. Table 11 summarizes capital asset activity for the year ended August 31, 2008.

TABLE 11
Capital Assets at Fiscal Year End 2008
(in millions)

	Balance September 1, 2007	Increases	Decreases	Reclass	Balance August 31, 2008
Not Depreciated	\$ 22.0	\$ 40.1	\$ -	\$ (0.6)	\$ 61.5
Buildings and Other Capital Assets	89.3	1.1	-	0.6	91.0
Less Accumulated Depreciation	(40.6)	(2.1)	-	-	(42.7)
Total Capital Assets	\$ 70.7	\$ 39.1	\$ -	\$ -	\$ 109.8

Debt

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

At year-end, the District had approximately \$100.5 million in outstanding debt. Notes 6 through 10 of the financial statements which begin on page 36 provide further detailed information regarding the District's debt obligations. Table 12 summarizes these amounts by type of debt instrument.

TABLE 12
Bonds Payable at Fiscal Year End 2008
(in millions)

	Balance September 1, 2007	Increases	Decreases	Balance August 31, 2008
General Obligation Bonds	\$ 64.0	\$ 10.0	\$ 1.6	\$ 72.4
Revenue Bonds	28.5	-	0.9	27.6
Plus Premium on Bonds	1.1	-	0.0	1.1
Less Deferred Amounts on Refunding	(0.6)	-	(0.0)	(0.6)
Total Bonds Payable	\$ 93.0	\$ 10.0	\$ 2.5	\$ 100.5

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

CAPITAL ASSET AND DEBT ADMINISTRATION – CONTINUED

Debt – Continued

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

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

In February 2005, the District made the first bond issuance for \$19.805 million out of the total \$68 million in bonds that were approved by the voters in November of 2004. The second issuance for \$24.945 million was made in April 2006, the third issuance for \$14 million was made in June 2007 and the fourth issuance for \$5 million was made in June 2008. 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, and June 2008, the District also issued \$4.835 million, \$2 million, and \$5 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 2009 budget and tax rates. Tuition and fees revenues are expected to remain flat or decrease slightly as a result of a large increase in dual enrollment students at the high schools for whom tuition and fees are waived. College student enrollment is expected to stay flat and tuition rates and fees are expected to increase modestly. The District expects tax revenue to increase slightly during fiscal year 2009. Continued growth in the tax base, due to population growth and increased valuation, are expected to be driving forces in increased collections. Expenditures are expected to stay in line with the projected overall increase in revenues as the institution strives to meet instructional as well as campus improvement needs.

In November 2004, the voters approved a \$68 million bond election. As a result, seven major capital projects are in the planning, design and construction phases. These projects include: The Arts Center, Renovations at ITECC, Early Childhood Development Center, Campus Parking, Library and Library Improvements and Classroom Buildings. In addition, a Recreation, Education and Kinesiology Center is under construction and expected to be complete in 2009. This center is being funded through a combination of bond proceeds and student fees.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

TEXAS SOUTHMOST COLLEGE DISTRICT

STATEMENTS OF NET ASSETS

August 31, 2008 and 2007

	2008	2007
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 9,398,187	\$ 6,665,423
Accounts receivable (net)	16,260,046	17,806,331
Prepaid expenses	512,291	421,533
Total current assets	26,170,524	24,893,287
Noncurrent Assets:		
Restricted cash and cash equivalents	59,058,311	79,703,664
Endowment investments	63,479	67,616
Unamortized bond issuance cost	2,014,615	1,807,489
Capital assets (net)	109,857,928	70,733,779
Total noncurrent assets	170,994,333	152,312,548
Total Assets	197,164,857	177,205,835
LIABILITIES		
Current Liabilities:		
Accounts payable	8,512,690	6,495,138
Accrued liabilities	2,435,004	822,690
Accrued compensable absences - current portion	25,617	18,037
Funds held for others	8,304	8,304
Deferred revenues	13,113,016	13,471,044
Bonds payable - current portion	2,570,000	2,410,000
Total current liabilities	26,664,631	23,225,213
Noncurrent Liabilities:		
Accrued compensable absences	31,958	37,113
Bonds payable	97,899,794	90,456,138
Total noncurrent liabilities	97,931,752	90,493,251
Total Liabilities	124,596,383	113,718,464
NET ASSETS		
Investment in capital assets, net of related debt	50,940,113	49,258,626
Restricted for:		
Expendable		
Endowment	70,226	73,386
Capital Projects	5,304,582	2,389,239
Debt Service	9,507,128	9,538,910
Other	941,699	131,397
Unrestricted	5,804,727	2,095,813
Total Net Assets (Schedule D)	\$ 72,568,475	\$ 63,487,371

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

TEXAS SOUTHMOST COLLEGE DISTRICT

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Years Ended August 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Operating Revenues		
... Tuition and fees (net of discounts of \$2,041,289 ... and \$1,720,630, respectively)	\$ 25,917,215	\$ 26,948,039
... Federal grants and contracts	787,249	774,059
... State grants and contracts	3,371,048	3,099,683
... Local grants and contracts	363,885	305,541
... Auxillary enterprises	390,990	347,361
... General operating revenues	240,523	45,750
... Total Operating Revenues (Schedule A)	<u>31,070,910</u>	<u>31,520,433</u>
Operating Expenses		
... Institutional support	2,581,761	2,066,398
... Operation and maintenance of plant	892,107	1,225,773
... Auxiliary enterprises	683,044	614,980
... Depreciation	2,069,769	2,221,288
... Contracted Services with UTB	44,254,372	43,854,678
... Total Operating Expenses (Schedule B)	<u>50,481,053</u>	<u>49,983,117</u>
Operating Loss	...(19,410,143)	...(18,462,684)
Non-Operating Revenues (Expenses)		
... State appropriations	14,153,928	12,628,144
... Maintenance ad valorem taxes	10,561,799	9,281,055
... Debt Service ad valorem taxes	4,756,700	4,486,571
... Investment income	3,177,121	3,121,283
... Unrealized gain/loss on investment	(4,137)	7,530
... Interest on capital related debt	(4,115,261)	(3,506,956)
... Other non-operating revenues	63,581	113,496
... Other non-operating expenses	(102,484)	(107,719)
... Net Non-operating Revenues (Schedule C)	<u>28,491,247</u>	<u>26,023,404</u>
Increase in Net Assets	<u>9,081,104</u>	<u>7,560,720</u>
Net Assets		
... Net assets - beginning of year	63,487,371	55,926,651
... Net assets - end of year	<u>\$ 72,568,475</u>	<u>\$ 63,487,371</u>

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

TEXAS SOUTHMOST COLLEGE DISTRICT

STATEMENTS OF CASH FLOW
Years Ended August 31, 2008 and 2007

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from students and other customers	\$ 25,704,166	\$ 25,356,036
Receipts from grants and contracts	4,477,953	2,979,676
Payments to suppliers for goods and services	(3,326,990)	(1,117,175)
Transfers to UTB	(44,536,969)	(40,562,300)
Payments to or on behalf of employees	(895,488)	(612,717)
Receipts from auxiliary services	390,990	697,905
Net cash provided (used) by operating activities	(18,186,338)	(13,258,575)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Receipts from state appropriations	14,153,928	12,628,144
Receipts from ad valorem taxes	10,486,139	9,106,055
Non-capital	-	1,400,495
Net cash provided (used) by investing activities	24,640,067	23,134,694
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds on issuance of capital debt	10,000,000	15,886,073
Contributions	63,581	-
Proceeds from ad valorem taxes	4,648,916	4,428,900
Purchases of capital assets	(35,749,735)	(13,757,112)
Payments on capital debt - principal	(2,603,470)	(1,885,000)
Payments on capital debt - interest and issue costs	(4,257,060)	(4,168,987)
Net cash provided (used) by financing activities	(27,897,768)	503,874
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	3,531,450	2,776,954
Net cash provided (used) by investing activities	3,531,450	2,776,954
Increase (Decrease) In Cash and Cash Equivalents	(17,912,589)	13,156,947
Cash and Cash Equivalents - September 1	86,369,087	73,212,140
Cash and Cash Equivalents - August 31	\$ 68,456,498	\$ 86,369,087

(Continued)

TEXAS SOUTHMOST COLLEGE DISTRICT
STATEMENTS OF CASH FLOW - CONTINUED
 Years Ended August 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
RECONCILIATION OF NET OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating loss	\$ (19,410,143)	\$ (18,462,684)
Adjustments to reconcile net loss to net cash provided (used) by operating activities:		
Depreciation expense	2,069,769	2,221,288
Changes in assets and liabilities:		
Receivables (net)	1,558,596	(2,571,290)
Prepaid expenses	(90,758)	601,424
Accounts payable	(1,980,422)	4,402,356
Accrued liabilities	22,222	(531,171)
Compensated absences	(358,027)	(15,842)
Deferred revenue	<u>2,425</u>	<u>1,097,344</u>
Net cash provided (used) by operating activities	<u>\$ (18,186,338)</u>	<u>\$ (13,258,575)</u>
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES		
Decrease in fair value of investments	\$ (4,137)	\$ 7,530

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

NOTES TO FINANCIAL STATEMENTS

TEXAS SOUTHMOST COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

August 31, 2008 and 2007

1. **Reporting Entity**

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

2. **Summary of Significant Accounting Policies**

Reporting Guidelines

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

Tuition Discounting

Texas Public Education Grants

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

Other Tuition Discounts

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

Basis of Accounting

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

Budgetary Data

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

TEXAS SOUTHMOST COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

August 31, 2008 and 2007

2. Summary of Significant Accounting Policies – Continued

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

Cash and Cash Equivalents

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

Investments

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

(The governing board has designated public funds investment pools comprised of \$53,588,630 and \$86,369,087 at August 31, 2008 and 2007, respectively to be short-term investments). Long-term investments have an original maturity of greater than one year at the time of purchase.

Inventories

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

Capital Assets

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

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

Deferred Revenues

Tuition and fees of \$13,113,016 and \$13,471,044 have been reported as deferred revenues at August 31, 2008 and 2007, respectively.

Estimates

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

TEXAS SOUTHMOST COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

August 31, 2008 and 2007

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

Operating and Non-Operating Revenue and Expense Policy

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

3. **Authorized Investments**

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

4. **Deposits and Investments**

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

Cash and Deposits

	<u>2008</u>	<u>2007</u>
Bank Deposits		
Demand Deposits – Unrestricted	\$ 9,395,577	\$ 6,662,813
Demand Deposits – Restricted	59,058,311	79,703,664
Cash and Cash Equivalents		
Petty Cash on Hand	<u>2,610</u>	<u>2,610</u>
Total Cash and Deposits	<u>\$ 68,456,498</u>	<u>\$ 86,369,087</u>

Reconciliation of Deposits and Investments to Exhibit 1

<u>Type of Security</u>	Market Value August 31, <u>2008</u>	Market Value August 31, <u>2007</u>
Total Cash and Deposits	\$ 68,456,498	\$ 86,369,087
Total Investments	<u>63,479</u>	<u>67,616</u>
Total Deposits and Investments	<u>\$ 68,519,977</u>	<u>\$ 86,436,703</u>
Cash and Temporary Investments (Exhibit 1)	\$ 9,398,187	\$ 6,665,423
Cash and Temporary Investments – Restricted (Exhibit 1)	59,058,311	79,703,664
Investments (Exhibit 1)	<u>63,479</u>	<u>67,616</u>
Total Deposits and Investments	<u>\$ 68,519,977</u>	<u>\$ 86,436,703</u>

TEXAS SOUTHMOST COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

August 31, 2008 and 2007

4. **Deposits and Investments – Continued**

As of August 31, 2008 the District had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in years) 8 -10</u>
U.S. Government Securities	\$ -	\$ -
U.S. Treasuries	-	-
Commercial Paper	-	-
Investment Pool	-	-
Certificate of Deposit	-	-
Common Stock	63,479	18,615
Municipal Bonds	-	-
Total Fair Value	<u>\$ 63,479</u>	<u>\$ 18,615</u>

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

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

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

At August 31, 2008 the District’s investments consisted of savings accounts which are reported as cash and cash equivalents on the Statement of Net Assets and common stocks that were donated to the District. The stocks are held in an endowment fund and have donor restrictions.

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

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

	<u>Balance September 1, 2007</u>	<u>Increases</u>	<u>Decreases</u>	<u>Reclassification</u>	<u>Balance August 31, 2008</u>
<u>Not Depreciated:</u>					
Land	\$ 4,555,024	\$ 148,810	\$ -	\$ -	\$ 4,703,834
Construction in Process	17,480,309	39,981,574	-	(648,718)	56,813,165
Subtotal	22,035,333	40,130,384	-	(648,718)	61,516,999

TEXAS SOUTHMOST COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

August 31, 2008 and 2007

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

	Balance September 1, 2007	Increases	Decreases	Reclassification	Balance August 31, 2008
Buildings and Other Capital Assets:					
Buildings and Building Improvements	64,149,461	726,260	-	-	64,875,721
Other Real Estate Improvements	8,036,017	337,274	-	648,718	9,022,008
Total Buildings and Other Real Estate Improvements	72,185,478	1,063,534	-	648,718	73,897,729
Library Books	8,422,239	-	-	-	8,422,239
Furniture, Machinery, and Equipment	8,671,001	-	-	-	8,671,001
Total Buildings and Other Capital Assets	89,278,718	1,063,534	-	-	90,990,969
Accumulated Depreciation:					
Buildings and Building Improvements	(19,361,821)	(1,022,237)	-	-	(20,384,058)
Other Real Estate Improvements	(4,960,629)	(386,370)	-	-	(5,346,999)
Total Buildings and Other Real Estate Improvements	(24,322,450)	(1,408,607)	-	-	(25,731,057)
Library Books	(8,001,128)	(421,113)	-	-	(8,422,241)
Furniture, Machinery, and Equipment	(8,256,693)	(240,049)	-	-	(8,496,742)
Total Accumulated Depreciation	(40,580,271)	(2,069,769)	-	-	(42,650,040)
Net Capital Assets	<u>\$ 70,733,779</u>	<u>\$39,124,149</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$109,857,928</u>

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

	Balance September 1, 2006	Increases	Decreases	Reclassification	Balance August 31, 2007
Not Depreciated:					
Land	\$ 4,167,523	\$ 387,501	\$ -	\$ -	\$ 4,555,024
Construction in Process	4,768,935	12,747,689	(36,315)	-	17,480,309
Subtotal	8,936,458	13,135,190	(36,315)	-	22,035,333
Buildings and Other Capital Assets:					
Buildings and Building Improvements	63,673,006	476,455	-	-	64,149,461
Other Real Estate Improvements	7,854,235	181,782	-	-	8,036,017
Total Buildings and Other Real Estate Improvements	71,527,241	658,237	-	-	72,185,478
Library Books	8,422,239	-	-	-	8,422,239
Furniture, Machinery, and Equipment	8,671,001	-	-	-	8,671,001
Total Buildings and Other Capital Assets	88,620,481	658,237	-	-	89,278,718

TEXAS SOUTHMOST COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
August 31, 2008 and 2007

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

	Balance September 1, 2006	Increases	Decreases	Reclassification	Balance August 31, 2007
Accumulated Depreciation:					
Buildings and Building Improvements	(18,285,304)	(1,076,517)	-	-	(19,361,821)
Other Real Estate Improvements	(4,617,390)	(343,239)	-	-	(4,960,629)
Total Buildings and Other Real Estate Improvements	(22,902,694)	(1,419,756)	-	-	(24,322,450)
Library Books	(7,439,645)	(561,483)	-	-	(8,001,128)
Furniture, Machinery, and Equipment	(8,016,644)	(240,049)	-	-	(8,256,693)
Total Accumulated Depreciation	(38,358,983)	(2,221,288)	-	-	(40,580,271)
Net Capital Assets	\$ 59,197,956	\$11,572,139	\$ (36,315)	\$ -	\$ 70,733,779

6. Long-Term Liabilities

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

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

TEXAS SOUTHMOST COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

August 31, 2008 and 2007

6. Long-Term Liabilities – Continued

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

	Balance September 1, 2006	Additions	Reductions	Balance August 31, 2007	Current Portion
Bonds					
General Obligation Bonds	\$ 49,490,000	\$ 16,000,000	\$ 1,490,000	\$64,000,000	\$ 1,560,000
Revenue Bonds	28,890,000	-	395,000	28,495,000	850,000
Plus Premium on Bonds	1,053,505	78,349	106,862	1,024,992	-
Less Deferred Amounts on Refunding	<u>(696,843)</u>	<u>-</u>	<u>(42,989)</u>	<u>(653,854)</u>	<u>-</u>
Subtotal	<u>78,736,662</u>	<u>16,078,349</u>	<u>1,948,873</u>	<u>92,866,138</u>	<u>2,410,000</u>
Accrued Compensable Absences	<u>39,308</u>	<u>20,644</u>	<u>4,802</u>	<u>55,150</u>	<u>18,037</u>
Total Long-term Liabilities	<u>\$ 78,775,970</u>	<u>\$ 16,098,993</u>	<u>\$ 1,953,675</u>	<u>\$92,921,288</u>	<u>\$ 2,428,037</u>

7. Debt Obligations

Debt service requirements at August 31, 2008 were as follows (amounts in 000's):

For the Year Ended August 31,	General Obligation Bonds			Revenue Bonds			Total Bonds	
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest
2009	\$ 1,690	\$ 3,256	\$ 4,946	\$ 880	\$ 1,217	\$ 2,097	\$ 2,570	\$ 4,473
2010	1,710	3,121	4,831	920	1,182	2,102	2,630	4,303
2011	2,060	3,054	5,114	945	1,150	2,095	3,005	4,204
2012	2,340	2,973	5,313	985	1,114	2,099	3,325	4,087
2013	2,655	2,877	5,532	1,025	1,073	2,098	3,680	3,950
2014-2018	16,700	12,458	29,158	5,835	4,666	10,501	22,535	17,124
2019-2023	20,295	8,588	28,883	7,170	3,323	10,493	27,465	11,911
2024-2028	19,875	3,087	22,962	6,825	1,659	8,484	26,700	4,746
2029-2033	<u>5,115</u>	<u>550</u>	<u>5,665</u>	<u>3,060</u>	<u>254</u>	<u>3,314</u>	<u>8,175</u>	<u>804</u>
	<u>\$ 72,440</u>	<u>\$ 39,964</u>	<u>\$ 112,404</u>	<u>\$ 27,645</u>	<u>\$ 15,638</u>	<u>\$ 43,283</u>	<u>\$ 100,085</u>	<u>\$ 55,602</u>

TEXAS SOUTHMOST COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

August 31, 2008 and 2007

8. Bonds Payable

General information related to bonds payable is summarized below:

Student Union Building Fees Revenue Bonds, Series 2000

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

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

<u>Year Ending August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 275,000	\$ 14,437	\$ 289,437
Total	<u>\$ 275,000</u>	<u>\$ 14,437</u>	<u>\$ 289,437</u>

Student Union Building Fees Revenue Refunding Bonds, Series 2005

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

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

<u>Year Ending August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 65,000	\$ 313,653	\$ 378,653
2010	360,000	311,540	671,540
2011	370,000	299,840	669,840
2012	380,000	286,890	666,890
2013	395,000	273,590	668,590
2014-2018	2,210,000	1,130,750	3,340,750
2019-2023	2,700,000	642,825	3,342,825
2024-2028	1,250,000	85,050	1,335,050
2029-2033	-	-	-
Total	<u>\$ 7,730,000</u>	<u>\$ 3,344,138</u>	<u>\$ 11,074,138</u>

TEXAS SOUTHMOST COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

August 31, 2008 and 2007

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
- \$18,365,000, all authorized bonds have been issued
- Source of revenue for debt service – ad valorem tax levy

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

<u>Year Ending August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ -	\$ 765,775	\$ 765,775
2010	855,000	752,950	1,607,950
2011	880,000	726,925	1,606,925
2012	910,000	698,938	1,608,938
2013	940,000	668,288	1,608,288
2014-2018	5,235,000	2,792,097	8,027,097
2019-2023	6,485,000	1,557,807	8,042,807
2024-2028	3,060,000	155,000	3,215,000
2029-2033	-	-	-
Total	<u>\$ 18,365,000</u>	<u>\$ 8,117,780</u>	<u>\$ 26,482,780</u>

Wellness Center Revenue Bonds, Series 2005

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

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

<u>Year Ending August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 370,000	\$ 609,956	\$ 979,956
2010	385,000	597,006	982,006
2011	395,000	583,531	978,531
2012	415,000	567,731	982,731
2013	435,000	546,981	981,981
2014-2018	2,510,000	2,400,443	4,910,443
2019-2023	3,100,000	1,807,225	4,907,225
2024-2028	3,860,000	1,041,875	4,901,875
2029-2033	1,825,000	138,000	1,963,000
Total	<u>\$ 13,295,000</u>	<u>\$ 8,292,748</u>	<u>\$21,587,748</u>

TEXAS SOUTHMOST COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

August 31, 2008 and 2007

8. Bonds Payable – Continued

Limited Tax Bonds, Series 2006

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

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

<u>Year Ending August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ -	\$ 1,147,784	\$ 1,147,784
2010	395,000	1,139,884	1,534,884
2011	485,000	1,122,284	1,607,284
2012	580,000	1,100,621	1,680,621
2013	655,000	1,074,740	1,729,740
2014-2018	5,270,000	4,753,057	10,023,057
2019-2023	8,820,000	3,274,204	12,094,204
2024-2028	8,415,000	724,875	9,139,875
2029-2033	-	-	-
Total	<u>\$ 24,620,000</u>	<u>\$ 14,337,449</u>	<u>\$ 38,957,449</u>

Maintenance Tax Notes, Series 2006

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

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

<u>Year Ending August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 180,000	\$ 197,628	\$ 377,628
2010	185,000	190,328	375,328
2011	195,000	182,728	377,728
2012	200,000	174,828	374,828
2013	210,000	166,628	376,628
2014-2018	1,175,000	695,852	1,870,852
2019-2023	1,470,000	410,970	1,880,970
2024-2028	1,050,000	73,747	1,123,747
2029-2033	-	-	-
Total	<u>\$ 4,665,000</u>	<u>\$ 2,092,709</u>	<u>\$ 6,757,709</u>

TEXAS SOUTHMOST COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

August 31, 2008 and 2007

8. Bonds Payable – Continued

Combined Fee Revenue Refunding and Improvement Bonds, Series 2006

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

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

<u>Year Ending August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 170,000	\$ 279,241	\$ 449,241
2010	175,000	273,036	448,036
2011	180,000	266,561	446,561
2012	190,000	259,811	449,811
2013	195,000	252,496	447,496
2014-2018	1,115,000	1,134,976	2,249,976
2019-2023	1,370,000	873,011	2,243,011
2024-2028	1,715,000	532,020	2,247,020
2029-2033	1,235,000	116,483	1,351,483
Total	<u>\$ 6,345,000</u>	<u>\$ 3,987,635</u>	<u>\$ 10,332,635</u>

Maintenance Tax Notes, Series 2007

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

Bonds payable are due in annual installments varying from \$145,000 to \$65,000, with interest at 4.25% to 4.75%, and the final installment due February 15, 2007.

<u>Year Ending August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 65,000	\$ 82,784	\$ 147,784
2010	70,000	79,915	149,915
2011	70,000	76,940	146,940
2012	75,000	73,859	148,859
2013	75,000	70,671	145,671
2014-2018	440,000	299,945	739,945
2019-2023	550,000	192,648	742,648
2024-2028	540,000	52,885	592,885
2029-2033	-	-	-
Total	<u>\$ 1,885,000</u>	<u>\$ 929,647</u>	<u>\$ 2,814,647</u>

TEXAS SOUTHMOST COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
August 31, 2008 and 2007

8. Bonds Payable – Continued

Limited Tax Bond, Series 2007

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

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

<u>Year Ending August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 175,000	\$ 597,820	\$ 772,820
2010	105,000	591,870	696,870
2011	245,000	584,433	829,433
2012	390,000	570,939	960,939
2013	465,000	552,770	1,017,770
2014-2018	2,940,000	2,396,409	5,336,409
2019-2023	1,240,000	1,954,726	3,194,726
2024-2028	3,045,000	1,523,216	4,568,216
2029-2033	4,300,000	443,750	4,743,750
Total	<u><u>\$ 12,905,000</u></u>	<u><u>\$ 9,215,933</u></u>	<u><u>\$ 22,120,933</u></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 \$375,000 to \$100,000, with interest at 4.10% to 4.42%, and the final installment due February 15, 2028.

<u>Year Ending August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 135,000	\$ 238,348	\$ 373,348
2010	100,000	199,213	299,213
2011	185,000	193,513	378,513
2012	185,000	186,113	371,113
2013	200,000	178,413	378,413
2014-2018	1,120,000	763,665	1,883,665
2019-2023	1,370,000	513,702	1,883,702
2024-2028	1,705,000	191,620	1,896,620
2029-2033	-	-	-
Total	<u><u>\$ 5,000,000</u></u>	<u><u>\$ 2,464,587</u></u>	<u><u>\$ 7,464,587</u></u>

TEXAS SOUTHMOST COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

August 31, 2008 and 2007

8. **Bonds Payable – Continued**

Limited Tax Bond, Series 2008

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

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

<u>Year Ending August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 1,135,000	\$ 225,411	\$ 1,360,411
2010	-	167,266	167,266
2011	-	167,266	167,266
2012	-	167,266	167,266
2013	110,000	165,066	275,066
2014-2018	520,000	756,530	1,276,530
2019-2023	360,000	683,983	1,043,983
2024-2028	2,060,000	366,032	2,426,032
2029-2033	815,000	105,798	920,798
Total	<u>\$ 5,000,000</u>	<u>\$ 2,804,618</u>	<u>\$ 7,804,618</u>

9. **Defeased Bonds Outstanding**

In prior years, the District has defeased various bond issues by creating separate irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the statement of net assets. As of August 31, 2008, the amount of defeased debt outstanding but removed from the statement of net assets is as follows:

<u>Bond Issue</u>	<u>Year Refunded</u>	<u>Par Value Outstanding</u>
Student Fees Revenue Bonds Series 2000	2005	\$ 7,110,000
Total		<u>\$ 7,110,000</u>

10. **Unissued Debt**

Authorized and unissued general obligations bonds at August 31, 2008 are as follows:

<u>Date Bonds Authorized</u>	<u>Bonds Authorized</u>	<u>Bonds Issued</u>	<u>Unissued Bonds</u>
November 2004	\$68,000,000	\$63,800,000	\$4,200,000

TEXAS SOUTHMOST COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

August 31, 2008 and 2007

11. **Employees' Retirement Plan**

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

Teacher Retirement System of Texas

Plan Description

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

Funding Policy

Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. The state funding policy is as follows: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10% of the aggregate annual compensation of all members of the system; (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of a the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. State law provides for a member contribution rate of 6.4% for fiscal years 2008, 2007, and 2006 and a state contribution rate of 6.58% for fiscal year 2008 and 6.0% for fiscal years 2007, and 2006. In certain instances the reporting district is required to make all or a portion of the state's 6.58% contribution for fiscal year 2008 and 6.0% for fiscal years 2007 and 2006.

Optional Retirement Plan

Plan Description

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

Funding Policy

Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. The percentages of participant salaries contributed by the state are 6.58% in fiscal year 2008, and 6.0% in fiscal years 2007 and 2006. Participant contribution rate for fiscal years 2008, 2007 and 2006 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.

TEXAS SOUTHMOST COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

August 31, 2008 and 2007

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

Optional Retirement Plan – Continued

Funding Policy – Continued

The retirement expense to the State for the District was \$45,901, \$32,022, and \$25,793 for the fiscal years ended August 31, 2008, 2007 and 2006, respectively. This amount represents the portion of expended appropriations made by the State Legislature on behalf of the District.

The Total payroll for all District employees was \$697,584, \$533,705, and \$429,880 for fiscal years 2008, 2007, and 2006, respectively. The total payroll of employees covered by the Teacher Retirement System was \$596,094, \$448,934, and \$397,080 for the fiscal years 2008, 2007, and 2006, respectively, and the total payroll of employees covered by the Optional Retirement Program was \$101,490, \$84,771, and \$32,800 for fiscal years 2008, 2007, and 2006, respectively.

12. **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, 2008, the District did not have any employees participating in a deferred compensation program.

13. **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 an employee may carry his accrued leave forward from one fiscal year to another fiscal year with a maximum number of hours up to 388 for those employees with 20-25 years of service. Employees with at least six months of service who 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 \$57,575 and \$55,150 for August 31, 2008 and 2007. 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. The maximum sick leave that may be paid an employee's estate is one-half of the employee's accumulated entitlement up to 336 hours, provided the employee was continually employed with the District for at least six months 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.

14. **Pending Lawsuits and Claims**

On August 31, 2008, various lawsuits and claims involving Texas Southmost College District were pending. While the ultimate liability with respect to litigation and other claims asserted against the District cannot be reasonably estimated at this time, this liability, to the extent not provided for by insurance or otherwise, is not likely to have a material effect on the District.

TEXAS SOUTHMOST COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

August 31, 2008 and 2007

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

Receivables

Receivables at August 31, 2008 and 2007 were as follows:

	<u>2008</u>	<u>2007</u>
Taxes Receivable	\$ 2,330,215	\$ 2,137,119
Federal Receivable	234,906	190,677
Accounts Receivable	35,321	25,441
Accrued Interest Receivables	50,533	221,666
Other Receivable – Due from Cameron County	55,713	37,913
Other Receivable – Due from UTB	<u>13,669,869</u>	<u>15,300,372</u>
Subtotal	<u>16,376,557</u>	<u>17,913,188</u>
Allowance for Doubtful Accounts	<u>(116,511)</u>	<u>(106,857)</u>
TOTAL RECEIVABLES	<u>\$ 16,260,046</u>	<u>\$ 17,806,331</u>

Payables

Payables at August 31, 2008 and 2007 were as follows:

	<u>2008</u>	<u>2007</u>
Vendors Payable	\$ 7,133,392	\$ 3,135,418
Other Payable – Due to UTB	<u>1,379,298</u>	<u>3,359,720</u>
Subtotal	<u>8,512,690</u>	<u>6,495,138</u>
Allowance for Doubtful Accounts	<u>-</u>	<u>-</u>
TOTAL PAYABLES	<u>\$ 8,512,690</u>	<u>\$ 6,495,138</u>

16. **Contract and Grant Awards**

Contract and grant awards are accounted for in accordance with the requirements of the AICPA Industry Audit Guide, *Audits of Colleges and Universities*. Revenues are recognized on Exhibit 2 and Schedule A. For federal contract and grant awards, funds expended, but not collected, are reported as Federal Receivables on Exhibit 1. Non-federal contract and grant awards for which funds are expended, but not collected, are reported as Accounts Receivable on Exhibit 1. Contract and grant awards that are not yet funded and for which the institution has not yet performed services are not included in the financial statements. There were no contracts or grants awarded during fiscal year 2008 and 2007 for which monies have not been received nor funds expended.

TEXAS SOUTHMOST COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

August 31, 2008 and 2007

17. 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.

18. 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, 2008 the District did not have any retired employees participating in post-retirements health care and life insurance benefits.

19. Ad Valorem Tax

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

At August 31:

	<u>2008</u>	<u>2007</u>
Assessed Valuation for the District	\$10,795,407,567	\$9,771,062,370
Less: Exemptions	1,056,700,664	984,236,384
Less: Abatements	<u>-</u>	<u>-</u>
Net Assessed Valuation for the District	<u>\$ 9,738,706,903</u>	<u>\$8,786,825,986</u>

	<u>2008</u>			<u>2007</u>		
	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>
Authorized Tax Rate per \$100 valuation	\$.350000	\$.500000	\$.850000	\$.350000	\$.500000	\$.850000
Assessed Tax Rate per \$100 valuation	\$ 0.111423	\$ 0.049666	\$ 0.161089	\$ 0.109955	\$ 0.051134	\$ 0.161089

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

Taxes levied for the years ended August 31, 2008 and 2007 amounted to \$15,360,034 and \$13,817,049, respectively including any penalty and interest assessed. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed.

TEXAS SOUTHMOST COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

August 31, 2008 and 2007

19. Ad Valorem Tax – Continued

	2008			2007		
	Current Operations	Debt Service	Total	Current Operations	Debt Service	Total
Current Taxes Collected	\$10,030,910	\$ 4,546,488	\$14,577,398	\$ 8,765,556	\$ 4,310,453	\$13,076,009
Delinquent Taxes Collected	\$ 510,905	\$ 211,615	\$ 722,520	\$ 485,322	\$ 182,877	\$ 668,199
Penalties and Interest Collected	\$ 322,167	\$ 133,016	\$ 455,183	\$ 296,865	\$ 116,523	\$ 413,388
Less:						
Discounts and Commissions	<u>(302,183)</u>	<u>(134,420)</u>	<u>(436,603)</u>	<u>\$ (266,698)</u>	<u>\$ (123,282)</u>	<u>\$ (389,980)</u>
Total Collections	<u>\$10,561,799</u>	<u>\$ 4,756,699</u>	<u>\$15,318,498</u>	<u>\$ 9,281,045</u>	<u>\$ 4,486,571</u>	<u>\$13,767,616</u>

Tax collections for the years ended August 31, 2008 and 2007 were 94.90 percent and 94.64 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.

20. Income Taxes

The District is exempt from income taxes under Internal Revenue Code Section 115, Income of States, Municipalities, Etc., although unrelated business income may be subject to income taxes under Internal Revenue Code Section 511 (a)(2)(B), Imposition of Tax on Unrelated Business Income of Charitable, Etc. Organizations. The District had no unrelated business income tax liability for the years ended August 31, 2008 and 2007.

21. Risk Management

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

TEXAS SOUTHMOST COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

August 31, 2008 and 2007

22. Restricted Assets

The balances of the restricted assets are as follows:

Endowments	\$ 6,748
Scholarships	86,377
Federal awards	50,184
Restricted contributions – Arts Center	31,692
General obligation – debt service	1,741,510
Revenue bond – debt service	7,396,856
Revenue bond – construction account	<u>49,744,944</u>
	<u>\$ 59,058,311</u>

23. Construction Commitments

At August 31, 2008 and 2007, Texas Southmost College District had the following construction commitments:

<u>Project</u>	<u>2008 Remaining Balance</u>	<u>2007 Remaining Balance</u>
Thermal Plant Renovations	\$ 533,281	\$ 1,100,000
Wellness, Recreation & Kinesiology Complex	6,381,336	17,523,721
Oliveira Library	1,400,000	1,400,000
ITECC	2,077,214	8,200,000
Bond Projects	16,038	54,000
East Library	6,339,467	7,800,000
Large Classrooms	4,997,546	5,600,000
Small Classrooms	-	2,700,000
Early Childhood Studies	2,781,593	2,800,000
Music Education	<u>17,791,603</u>	<u>5,600,000</u>
Total	<u>\$ 42,318,078</u>	<u>\$ 52,777,721</u>

24. Grants and Contract Contingencies

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

TEXAS SOUTHMOST COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

August 31, 2008 and 2007

25. 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 \$211,784 and \$268,632 to UTB during the years ended August 31, 2008 and 2007. The District furnished certain services, such as office space, utilities and some staff assistance, at no cost to the Foundation.

26. Excess Interest and Rebatable Arbitrage

The Tax Reform Act of 1986 established arbitrage regulations that generally limit the rate of return on investment earnings of unexpended tax-exempt debt proceeds. With certain adjustments, the investment yield is limited to the interest rate on the debt itself. Federal tax code requirements now compel state and local governments to rebate defined arbitrage earnings of tax-exempt debt to the federal government every five years for as long as the bonds are outstanding. As of the audit report date, the District had received a preliminary calculation of the arbitrage amount \$464,893, which is reported as part of accrued expenses on these financial statements.

27. Post Employment Benefits Other than Pensions

The District does not participate in any post employment benefits.

28. Reclassifications

Certain items in the financial statements for 2007 have been reclassified to conform to current year presentation. Such reclassification had no effect on net income.

SUPPLEMENTARY SECTION

TEXAS SOUTHMOST COLLEGE DISTRICT

SCHEDULE OF OPERATING REVENUES

Year Ended August 31, 2008 (With Memorandum Totals for the Year Ended August 31, 2007)

	Unrestricted	Restricted	Total Educational Activities	Auxiliary Enterprises	2008 Total	2007 Total
Tuition:						
.. State funded credit courses:						
..... In-district resident tuition	\$ 5,035,538	\$ -	\$ 5,035,538	\$ -	\$ 5,035,538	\$ 5,030,843
..... Out-of-district resident tuition	1,769,057	-	1,769,057	-	1,769,057	1,891,952
..... Non-resident tuition	419,166	-	419,166	-	419,166	528,111
..... TPEG - credit (set aside) *	395,379	-	395,379	-	395,379	364,763
.. State-funded continuing education						
..... TPEG - non-credit (set aside) *	-	-	-	-	-	-
.. Non-state funded educational programs						
..... Total Tuition	<u>7,619,140</u>	<u>-</u>	<u>7,619,140</u>	<u>-</u>	<u>7,619,140</u>	<u>7,815,669</u>
Fees:						
.. Distance learning fee	-	-	-	-	-	-
.. Installment plan fees	-	-	-	-	-	-
.. Non-instructional contract training fees	20,339,364	-	20,339,364	-	20,339,364	20,853,000
.. Prior year tuition and fees	-	-	-	-	-	-
..... Total Fees	<u>20,339,364</u>	<u>-</u>	<u>20,339,364</u>	<u>-</u>	<u>20,339,364</u>	<u>20,853,000</u>
Scholarship allowances and discounts:						
.. Remissions and exemptions - state	-	-	-	-	-	-
.. Remissions and exemptions - local	(1,673,182)	-	(1,673,182)	-	(1,673,182)	(1,258,892)
.. Reduced tuition pilot	(95,000)	-	(95,000)	-	(95,000)	(95,000)
.. Title IV federal grants	-	-	-	-	-	-
.. Other federal grants	-	-	-	-	-	-
.. TPEG awards	(273,107)	-	(273,107)	-	(273,107)	(366,738)
.. Other state grants	-	-	-	-	-	-
.. Rising Star program	-	-	-	-	-	-
.. Other local grants	-	-	-	-	-	-
..... Total Scholarship Allowances	<u>(2,041,289)</u>	<u>-</u>	<u>(2,041,289)</u>	<u>-</u>	<u>(2,041,289)</u>	<u>(1,720,630)</u>
..... Total net tuition and fees	<u>25,917,215</u>	<u>-</u>	<u>25,917,215</u>	<u>-</u>	<u>25,917,215</u>	<u>26,948,039</u>
Additional operating revenues:						
.. Federal grants and contracts	-	787,249	787,249	-	787,249	774,059
.. State grants and contracts	-	3,371,048	3,371,048	-	3,371,048	3,099,683
.. Local grants and contracts	-	363,885	363,885	-	363,885	305,541
.. Non-governmental grants and contracts	-	-	-	-	-	-
.. Sales and services of educational activities	-	-	-	-	-	-
.. General operating revenues	240,523	-	240,523	-	240,523	45,750
..... Total additional operating revenues	<u>240,523</u>	<u>4,522,182</u>	<u>4,762,705</u>	<u>-</u>	<u>4,762,705</u>	<u>4,225,033</u>
Auxiliary Enterprises:						
.. Bookstore	-	-	-	-	-	-
..... Less Discounts	-	-	-	-	-	-
.. Food Service	-	-	-	-	-	-
.. Center for Educational Telecommunications	-	-	-	-	-	-
.. Business Incubation Center	-	-	-	-	-	-
.. Universities Center	-	-	-	-	-	-
.. Student Programs	-	-	-	390,990	390,990	347,361
..... Total net auxiliary enterprises	<u>-</u>	<u>-</u>	<u>-</u>	<u>390,990</u>	<u>390,990</u>	<u>347,361</u>
Total Operating Revenues	<u>\$ 26,157,738</u>	<u>\$ 4,522,182</u>	<u>\$ 30,679,920</u>	<u>\$ 390,990</u>	<u>\$ 31,070,910</u>	<u>\$ 31,520,433</u>
					(Exhibit 2)	(Exhibit 2)

* In accordance with Education Code 56.033, \$395,379 and \$364,763 for years August 31, 2008 and 2007, respectively, of tuition was set aside for Texas Public Education grants (TPEG).

TEXAS SOUTHMOST COLLEGE DISTRICT

SCHEDULE OF OPERATING EXPENSES BY OBJECT

Year Ended August 31, 2008 (with Memorandum Totals for the Year Ended August 31, 2007)

	Operating Expenses				2008 Total	2007 Total
	Salaries and Wages	Benefits		Other Expenses		
		State	Local			
Unrestricted - Educational Activities						
Instruction	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public Service	-	-	-	-	-	-
Academic Support	-	-	-	-	-	-
Student Services	-	-	-	-	-	-
Institutional Support	687,868	-	101,894	1,791,999	2,581,761	2,066,398
Operation and Maintenance of Plant	-	-	-	892,107	892,107	1,225,773
Scholarships and Fellowships	-	-	-	-	-	-
Contract Services - UTB	-	-	-	44,254,372	44,254,372	43,854,678
Total Unrestricted Educational Activities	687,868	0	101,894	46,938,478	47,728,240	47,146,849
Restricted - Educational Activities						
Instruction	-	-	-	-	-	-
Public Service	-	-	-	-	-	-
Academic Support	-	-	-	-	-	-
Student Services	-	-	-	-	-	-
Institutional Support	-	-	-	-	-	-
Operation and Maintenance of Plant	-	-	-	-	-	-
Scholarships and Fellowships	-	-	-	-	-	-
Total Restricted Educational Activities	0	0	-	0	0	0
Total Educational Activities	687,868	0	101,894	46,938,478	47,728,240	47,146,849
Auxiliary Enterprises	61,882	-	16,568	604,594	683,044	614,980
Depreciation Expense - Buildings and other real estate improvements	-	-	-	1,408,607	1,408,607	1,419,756
Depreciation Expense - Equipment and furniture	-	-	-	661,162	661,162	801,532
Total Operating Expenses	\$ 749,750	\$ -	\$ 118,462	\$ 49,612,841	\$ 50,481,053	\$ 49,983,117
					(Exhibit 2)	(Exhibit 2)

TEXAS SOUTHMOST COLLEGE DISTRICT

SCHEDULE OF NON-OPERATING REVENUES AND EXPENSES

Year Ended August 31, 2008 (with Memorandum Totals for the Year Ended August 31, 2007)

	Unrestricted	Restricted	Auxiliary Enterprises	2008 Total	2007 Total
NON-OPERATING REVENUES:					
State Appropriations					
Education and general state support	\$ 13,982,821	\$ -	\$ -	\$ 13,982,821	\$ 12,468,175
State group insurance	-	-	-	-	-
State retirement matching	-	-	-	-	-
Remedial education	-	-	-	-	-
Professional nursing shortage reduction	-	171,107	-	171,107	159,969
SBDC state match	-	-	-	-	-
Total State Appropriations	<u>13,982,821</u>	<u>171,107</u>	<u>-</u>	<u>14,153,928</u>	<u>12,628,144</u>
Maintenance ad valorem taxes	10,561,799	-	-	10,561,799	9,281,055
Debt service ad valorem taxes	4,756,700	-	-	4,756,700	4,486,571
Gifts	-	-	-	-	-
Investment income	210,621	2,962,363	-	3,172,984	3,128,813
Gain on sale of investment	-	-	-	-	-
Contributions in aid of construction	-	-	-	-	-
Other non-operating revenue	<u>63,581</u>	<u>-</u>	<u>-</u>	<u>63,581</u>	<u>113,496</u>
Total non-operating revenues	<u>29,575,522</u>	<u>3,133,470</u>	<u>-</u>	<u>32,708,992</u>	<u>29,638,079</u>
NON-OPERATING EXPENSES:					
Interest on capital related debt	-	4,115,261	-	4,115,261	3,506,956
Loss on disposal of capital assets	-	-	-	-	-
Other non-operating expense	<u>102,484</u>	<u>-</u>	<u>-</u>	<u>102,484</u>	<u>107,719</u>
Total non-operating expenses	102,484	4,115,261	-	4,217,745	3,614,675
Net Non-operating revenues	<u>\$ 29,473,038</u>	<u>\$ (981,791)</u>	<u>\$ -</u>	<u>\$ 28,491,247</u>	<u>\$ 26,023,404</u>
				(Exhibit 2)	(Exhibit 2)

TEXAS SOUTHMOST COLLEGE DISTRICT

SCHEDULE OF NET ASSETS BY SOURCE AND AVAILABILITY

Year Ended August 31, 2008 (with Memorandum Totals for the Year Ended August 31, 2007)

	Detail by Source				
	Unrestricted	Restricted		Capital Assets Net of Depreciation & Related Debt	Total
		Expendable	Non-Expendable		
Current:					
Unrestricted	\$ 5,591,315	\$ -	\$ -	\$ -	\$ 5,591,315
Board Designated	-	-	-	-	-
Restricted	-	941,699	-	-	941,699
Auxiliary enterprises	177,116	-	-	-	177,116
Loan	36,296	-	-	-	36,296
Endowment:					
Quasi:					
Unrestricted	-	-	-	-	-
Restricted	-	70,226	-	-	70,226
Endowment					
True	-	-	-	-	-
Term (per instructions at maturity)	-	-	-	-	-
Life Income Contracts	-	-	-	-	-
Annuities	-	-	-	-	-
Plant:					
Unexpended	-	4,468,345	-	-	4,468,345
Renewals	-	836,237	-	-	836,237
Debt Service	-	9,507,128	-	-	9,507,128
Investment in Plant	-	-	-	50,940,113	50,940,113
Total Net Assets, August 31, 2008	\$ 5,804,727	\$ 15,823,635	\$ -	\$ 50,940,113	\$ 72,568,475
Total Net Assets, August 31, 2007	2,095,813	12,132,932	-	49,258,626	63,487,371
Net Increase (Decrease) in Net Assets	\$ 3,708,914	\$ 3,690,703	\$ -	\$ 1,681,487	\$ 9,081,104

(Continued on page 56)

TEXAS SOUTHMOST COLLEGE DISTRICT

SCHEDULE OF NET ASSETS BY SOURCE AND AVAILABILITY - CONTINUED
 Year Ended August 31, 2008 (with Memorandum Totals for the Year Ended August 31, 2007)

Available for Current Operations	
Yes	No
\$ 5,591,315	
941,699	
	36,296
70,226	
4,468,345	
836,237	
50,940,113	9,507,128
\$ 62,847,935	\$ 9,543,424
53,913,097	9,574,274
\$ 8,934,838	\$ (30,850)

STATISTICAL SECTION

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

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

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

Texas Southmost College District
Statistical Supplement 1
Net Assets by Component
Fiscal Years 2002 to 2008
(unaudited)

	For the Fiscal Year Ended August 31,						
	2008	2007	2006	2005	2004	2003	2002
Invested in capital assets, net of related debt	\$50,940,113	\$49,258,626	\$43,849,871	\$25,473,960	\$42,646,742	\$36,019,942	\$32,101,693
Restricted - expendable	15,823,635	12,132,932	8,913,884	27,725,294	7,701,986	10,608,833	7,739,553
Unrestricted	5,804,727	2,095,813	3,162,896	2,645,572	2,720,170	2,508,789	2,858,004
Total primary government net assets	\$ 72,568,475	\$ 63,487,371	\$ 55,926,651	\$ 55,844,826	\$ 53,068,898	\$ 49,137,564	\$ 42,699,250

Note: Due to reporting format and definition changes prescribed by GASB Statement 34, only fiscal years 2002-2008 are available.

Texas Southmost College District
Statistical Supplement 2
Revenues by Source
Fiscal Years 2002 to 2008
(unaudited)

For the Year Ended August 31,

	2008	2007	2006	2005	2004	2003	2002
Tuition and Fees (Net of Discounts)	\$25,917,215	\$26,948,039	\$23,754,562	\$19,399,841	\$15,309,239	\$6,112,863	\$5,663,423
Governmental Grants and Contracts							
Federal Grants and Contracts	787,249	774,059	916,007	869,082	1,005,612	14,057,456	11,624,791
State Grants and Contracts	3,371,048	3,099,683	3,073,616	2,571,007	2,473,345	3,081,108	2,629,805
Local Grants and Contracts	363,885	305,541	391,678	433,976	59,098	-	-
Non-Governmental Grants and Contracts	0	0	0	0	1,393,286	4,759,617	370,397
Auxiliary enterprises	390,990	347,361	345,640	336,811	547,432	742,322	579,237
Other Operating Revenues	240,523	45,750	45,550	57,235	201,051	236,688	233,491
Total Operating Revenues	31,070,910	31,520,433	28,527,053	23,667,952	20,989,063	28,990,054	21,101,144
State Appropriations	14,153,928	12,628,144	12,270,602	10,843,232	12,016,457	12,768,785	13,165,590
Ad Valorem Taxes	15,318,499	13,767,626	12,234,865	9,085,985	8,466,056	7,692,138	7,256,160
Investment income	3,177,121	3,128,813	2,093,733	689,732	401,080	446,359	483,235
Other non-operating revenues	63,581	113,496	515,930	84,552	611,005	-	-
Total Non-Operating Revenues	32,713,129	29,638,079	27,115,130	20,703,501	21,494,598	20,907,282	20,904,985
Total Revenues	\$ 63,784,039	\$ 61,158,512	\$ 55,642,183	\$ 44,371,453	\$ 42,483,661	\$ 49,897,336	\$ 42,006,129

For the Year Ended August 31,

	2008	2007	2006	2005	2004	2003	2002
Tuition and fees (net of discounts)	40.63%	44.06%	42.69%	43.72%	36.04%	12.25%	13.48%
Governmental grants and contracts							
Federal grants and contracts	1.23%	1.27%	1.65%	1.96%	2.37%	28.17%	27.67%
State grants and contracts	5.29%	5.07%	5.52%	5.79%	5.82%	6.17%	6.26%
Local grants and contracts	0.57%	0.50%	0.70%	0.98%	0.14%	0.00%	0.00%
Non-governmental grants and contracts	0.00%	0.00%	0.00%	0.00%	3.28%	9.54%	0.88%
Auxiliary enterprises	0.61%	0.57%	0.62%	0.76%	1.29%	1.49%	1.38%
Other operating revenues	0.38%	0.07%	0.08%	0.13%	0.47%	0.47%	0.56%
Total Operating Revenues	48.71%	51.54%	51.27%	53.34%	49.41%	58.10%	50.23%
State appropriations	22.19%	20.65%	22.05%	24.44%	28.28%	25.59%	31.34%
Ad valorem taxes	24.02%	22.51%	21.99%	20.48%	19.93%	15.42%	17.27%
Investment income	4.98%	5.12%	3.76%	1.55%	0.94%	0.89%	1.15%
Other non-operating revenues	0.10%	0.19%	0.93%	0.19%	1.44%	0.00%	0.00%
Total Non-Operating Revenues	51.29%	48.46%	48.73%	46.66%	50.59%	41.90%	49.77%
Total Revenues	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Note: Due to reporting format and definition changes prescribed by GASB Statement 34, only fiscal years 2002-2008 are available. In FY2004, as a result of our partnership with The University of Texas at Brownsville, a change in functional classification reporting was implemented whereby this reporting will be done at the partnership level.

Texas Southmost College District
Statistical Supplement 3
Program Expenses by Function
Fiscal Years 2002 to 2008
(unaudited)

For the Year Ended August 31,

	2008	2007	2006	2005	2004	2003	2002
Instruction	\$0	\$0	\$0	\$0	\$0	\$13,700,777	\$18,360,073
Research	-	-	-	-	-	-	-
Public service	-	-	-	-	-	649,697	1,721,211
Academic support	-	-	-	-	-	4,076,422	2,016,359
Student services	-	-	-	-	-	4,896,742	2,339,851
Institutional support	2,581,761	2,066,398	1,742,062	1,675,074	1,763,905	6,730,881	5,044,218
Operation and maintenance of plant	892,107	1,225,773	1,296,191	1,110,738	1,280,925	3,375,284	2,863,841
Scholarships and fellowships	-	-	-	-	-	5,668,667	3,479,593
Auxiliary enterprises	683,044	614,980	686,733	526,633	1,183,702	1,556,738	1,500,353
Depreciation	2,069,769	2,221,288	2,181,910	1,478,895	1,327,481	1,257,306	1,109,660
Contracted services with UTB	44,254,372	43,854,678	40,662,560	35,814,126	32,626,780	-	-
Total Operating Expenses	50,481,053	49,983,117	46,569,456	40,605,466	38,182,793	41,912,514	38,435,159
Interest on capital related debt	4,115,261	3,506,956	2,415,978	961,286	912,383	1,652,778	1,285,962
Other non-operating expenses	102,484	107,719	54,050	28,773	23,322	-	9,932
Total Non-Operating Expenses	4,217,745	3,614,675	2,470,028	990,059	935,705	1,652,778	1,295,894
Total Expenses	\$ 54,698,798	\$ 53,597,792	\$ 49,039,484	\$ 41,595,525	\$ 39,118,498	\$ 43,565,292	\$ 39,731,053

For the Year Ended August 31,

	2008	2007	2006	2005	2004	2003	2002
Instruction	0.00%	0.00%	0.00%	0.00%	0.00%	31.45%	46.21%
Research	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Public service	0.00%	0.00%	0.00%	0.00%	0.00%	1.49%	4.33%
Academic support	0.00%	0.00%	0.00%	0.00%	0.00%	9.36%	5.08%
Student services	0.00%	0.00%	0.00%	0.00%	0.00%	11.24%	5.89%
Institutional support	4.72%	3.86%	3.55%	4.03%	4.51%	15.45%	12.70%
Operation and maintenance of plant	1.63%	2.29%	2.64%	2.67%	3.27%	7.75%	7.21%
Scholarships and fellowships	0.00%	0.00%	0.00%	0.00%	0.00%	13.01%	8.76%
Auxiliary enterprises	1.25%	1.15%	1.40%	1.27%	3.03%	3.57%	3.78%
Depreciation	3.78%	4.14%	4.45%	3.56%	3.39%	2.89%	2.79%
Contracted services with UTB	80.91%	81.82%	82.92%	86.10%	83.40%	0.00%	0.00%
Total Operating Expenses	92.29%	93.26%	94.96%	97.62%	97.61%	96.21%	96.74%
Interest on capital related debt	7.52%	6.54%	4.93%	2.31%	2.33%	3.79%	3.24%
Loss on disposal of fixed assets	0.19%	0.20%	0.11%	0.07%	0.06%	0.00%	0.02%
Total Non-Operating Expenses	7.71%	6.74%	5.04%	2.38%	2.39%	3.79%	3.26%
Total Expenses	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Change in Net Assets							
Total governmental activities	\$ 9,081,104	\$ 7,560,720	\$ 6,602,699	\$ 2,775,928	\$ 3,365,163	\$ 6,332,044	\$ 2,275,076

Note: Due to reporting format and definition changes prescribed by GASB Statement 34, only fiscal years 2002-2008 are available. In FY2004, as a result of our partnership with The University of Texas at Brownsville, a change in functional classification reporting was implemented whereby this reporting will be done at the partnership level.

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

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

Academic Year (Fall)	In-District Tuition	Out-of-District Tuition	Building Use	Student Service	Student Union (per student)	Computer Use	Records Fee (per student)	Automated (per student)	Advising (per student)	Library Fee	International Education (per student)	Medical Services (per student)	Student Recreation (per student)
2007	31	50	66	12	41.56	11	10	30	50	3	2	20	79
2006	31	50	58	12	41.56	10	10	30	50	3	2	20	79
2005	31	50	44	10	41.56	10	10	30	25	2	2	20	79
2004	29	48	38	10	41.56	10	10	30	25	2			
2003	28	46	32	10	41.56	5	5	30					
2002	26	42	25	10	41.56	5	5	30					
2001	24	42	25	10	37.78	5	5	30					
2000	23	42	18	9.10	37.78	5	5	10					
1999	22	42	18	9.10	34.35	5	5	10					
1998	21	42	18	8.25		5	5	10					

61

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

Academic Year (Fall)	Non-Resident Tuition Out of State	Non-Resident Tuition International	Building Use	Student Service	Student Union (per student)	Computer Use	Records Fee (per student)	Automated (per student)	Advising (per student)	Library Fee	International Education (per student)	Medical Services Fees (per student)	Student Recreation (per student)
2007	328	328	66	12	41.56	11	10	30	50	3	2	20	79
2006	325	325	58	12	41.56	10	10	30	50	3	2	20	79
2005	326	326	44	10	41.56	10	10	30	25	2	2	20	79
2004	306	306	38	10	41.56	10	10	30	25	2			
2003	282	282	32	10	41.56	5	5	30					
2002	262	262	25	10	41.56	5	5	30					
2001	253	253	25	10	37.78	5	5	30					
2000	255	255	18	9.10	37.78	5	5	10					
1999	254	254	18	9.10	34.35	5	5	10					
1998	249	249	18	8.25		5	5	10					

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

Continued on page 62

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

Academic Year (Fall)	Cost for 12 SCH In-District	Cost for 12 SCH Out-of-District	Increase from Prior Year In- District	Increase from Prior Year Out-of- District
2007	1,709	1,937	6.75%	5.91%
2006	1,601	1,829	16.70%	14.32%
2005	1,372	1,600	16.77%	14.05%
2004	1,175	1,403	20.28%	17.61%
2003	977	1,193	12.43%	12.45%
2002	869	1,061	3.30%	0.36%
2001	841	1,057	17.76%	12.19%
2000	714	942	2.21%	0.37%
1999	699	939	8.81%	4.98%
1998	642	894		

Academic Year (Fall)	Cost for 12 SCH Out of State	Cost for 12 SCH International	Increase from Prior Year Out of State	Increase from Prior Year International
2007	5,273	5,273	2.81%	2.81%
2006	5,129	5,129	4.42%	4.42%
2005	4,912	4,912	9.18%	9.18%
2004	4,499	4,499	11.78%	11.78%
2003	4,025	4,025	8.76%	8.76%
2002	3,701	3,701	3.11%	3.11%
2001	3,589	3,589	2.60%	2.60%
2000	3,498	3,498	0.44%	0.44%
1999	3,483	3,483	3.10%	3.10%
1998	3,378	3,378		

Continued from page 61

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

Fiscal Year	(amounts expressed in thousands)			Ratio of Taxable Assessed Value to Assessed Value	Direct Rate		
	Assessed Valuation of Property	Less: Exemptions	Taxable Assessed Value (TAV)		Maintenance & Operations (a)	Debt Service (a)	Total (a)
2007-08	10,795,407	1,056,700	9,738,707	90.21%	\$ 0.111423	\$.....0.049666	\$.....0.161089
2006-07	9,771,062	984,237	8,786,825	89.93%	0.109955	0.051134	0.161089
2005-06	8,461,197	797,979	7,663,218	90.57%	0.109161	0.053611	0.162772
2004-05	7,737,975	700,869	7,037,106	90.94%	0.111825	0.016957	0.128782
2003-04	6,861,888	608,059	6,253,829	91.14%	0.112041	0.019359	0.131400
2002-03	6,370,266	560,124	5,810,142	91.21%	0.110120	0.021280	0.131400
2001-02	5,842,243	540,162	5,302,081	90.75%	0.108835	0.022565	0.131400
2000-01	5,302,263	510,422	4,791,841	90.37%	0.105841	0.025559	0.131400
1999-00	4,944,006	489,426	4,454,580	90.10%	0.096311	0.025715	0.122026
1998-99	4,581,978	478,405	4,103,573	89.56%	0.097740	0.028345	0.126085

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

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

Fiscal Year	Appropriation per FTSE*			Appropriation per Contact Hour			State Appropriation per Contact Hour
	State Appropriation	FTSE ¹ (a)	State Appropriation..... per FTSE	Academic... Contact..... Hours..... (a)	Voc/Tech... Contact..... Hours..... (b)	Total Contact... Hours	
2007-08	\$..... 14,154	..... 6,287	\$..... 2,251	..... 2,682	..... 1,152	..... 3,834	\$..... 3.69
2006-07	..... 12,468	..... 6,405	..... 1,947	..... 2,849	..... 1,148	..... 3,997	..... 3.12
2005-06	..... 12,270	..... 5,661	..... 2,167	..... 2,654	..... 1,097	..... 3,751	..... 3.27
2004-05	..... 10,842	..... 5,253	..... 2,064	..... 2,705	..... 965	..... 3,671	..... 2.95
2003-04	..... 10,843	..... 4,955	..... 2,188	..... 2,667	..... 939	..... 3,606	..... 3.01
2002-03	..... 10,840	..... 4,537	..... 2,389	..... 2,409	..... 1,039	..... 3,449	..... 3.14
2001-02	..... 11,656	..... 4,056	..... 2,874	..... 2,283	..... 806	..... 3,088	..... 3.77
2000-01	..... 11,954	..... 4,243	..... 2,817	..... 2,350	..... 753	..... 3,102	..... 3.85
1999-00	..... 11,648	..... 4,440	..... 2,623	..... 2,376	..... 665	..... 3,042	..... 3.83
1998-99	..... 10,763	..... 4,003	..... 2,689	..... 2,190	..... 870	..... 3,061	..... 3.52

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)									
		2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
CBL/SUNRISE COMMONS LP	Retail	\$ 38,923	\$ 38,706	\$ 36,468	\$ 36,468	\$ 30,351	\$ -	\$ -	\$ -	\$ -	\$ -
AT&T	Utility	37,525	36,176	36,855	36,855	34,793	38,577	41,436	41,496	39,492	38,045
TRICO PRODUCTS CORP	Manufacturing	36,443	39,557	36,507	36,507	30,380	28,303	26,549	36,095	34,875	34,003
COLUMBIA VALLEY HEALTHCARE SYS LP	Service	31,461	35,014	35,078	35,078	35,078	34,121	34,561	35,561	32,277	31,824
AEP TEXAS CENTRAL CO	Utility	23,371	27,168	31,920	31,920	22,661	21,481	17,100	15,696	-	-
WAL-MART STORES INC	Retail	23,207	20,393	-	17,364	18,162	17,532	18,043	-	16,881	17,085
TITAN WHEEL INTERNATIONAL INC	Manufacturing	22,912	23,765	20,201	20,201	31,030	36,538	37,014	36,882	33,482	23,717
KIMCO BROWNSVILLE LP	Real	18,113	-	-	-	-	-	-	-	-	-
TRANSMONTAIGNE PRODUCT SERVICE INC	Petroleum Products	17,726	15,887	-	-	-	-	-	-	-	-
WAL-MART STORES TEXAS LP	Retail	17,315	-	-	-	-	-	-	-	-	-
H E BUTT GROCERY CO	Retail	-	17,265	-	17,765	17,881	18,014	19,469	19,721	28,219	22,845
KEPPEL AMFELS	Shipyards	-	16,018	16,018	16,018	16,498	15,058	15,058	15,399	24,638	24,281
WAL-MART STORES EAST INC	Retail	-	-	15,841	15,841	-	-	-	-	-	-
TEXAS AND KANSAS CITY CABLE PARTNERS	-	-	-	15,594	-	15,662	15,479	-	-	-	-
BROWNSVILLE MEDICAL CENTER	Service	-	-	-	-	-	15,826	15,826	15,737	24,835	22,422
VF IMAGEWEAR (EAST) INC	-	-	-	-	-	-	-	27,430	-	-	-
RICH-SEAPAK CORP	Food Processor	-	-	19,963	-	-	-	-	21,870	24,421	22,101
BROWNSVILLE SUNRISE DEVELOPERS LP	Real	-	-	-	-	-	-	-	19,508	19,617	-
DELPHI AUTOMOTIVE SYSTEMS LLC	Manufacturing	-	-	-	-	-	-	-	-	-	20,157
Totals		\$ 266,996	\$ 269,949	\$ 264,445	\$ 264,017	\$ 252,496	\$ 240,929	\$ 252,486	\$ 257,965	\$ 278,737	\$ 256,480
Total Taxable Assessed Value		\$ 9,738,707	\$ 8,786,825	\$ 7,663,218	\$ 7,037,106	\$ 6,253,829	\$ 5,810,142	\$ 5,302,081	\$ 4,791,841	\$ 4,454,580	\$ 4,103,573

65

Taxpayer	Type of Business	% of Taxable Assessed Value (TAV) by Tax Year									
		2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
CBL/SUNRISE COMMONS LP	Retail	0.40%	0.44%	0.48%	0.52%	0.49%	-	-	-	-	-
AT&T	Utility	0.39%	0.41%	0.48%	0.52%	0.56%	0.66%	0.78%	0.87%	0.89%	0.93%
TRICO PRODUCTS CORP	Manufacturing	0.37%	0.45%	0.48%	0.52%	0.49%	0.49%	0.50%	0.75%	0.78%	0.83%
COLUMBIA VALLEY HEALTHCARE SYS LP	Service	0.32%	0.40%	0.46%	0.50%	0.56%	0.59%	0.65%	0.74%	0.72%	0.78%
AEP TEXAS CENTRAL CO	Utility	0.24%	0.31%	0.42%	0.45%	0.36%	0.37%	0.32%	0.33%	-	-
WAL-MART STORES INC	Retail	0.24%	0.23%	-	0.25%	0.29%	0.30%	0.34%	-	0.38%	0.42%
TITAN WHEEL INTERNATIONAL INC	Manufacturing	0.24%	0.27%	0.26%	0.29%	0.50%	0.63%	0.70%	0.77%	0.75%	0.58%
KIMCO BROWNSVILLE LP	Real	0.19%	-	-	-	-	-	-	-	-	-
TRANSMONTAIGNE PRODUCT SERVICE INC	Petroleum Products	0.18%	0.18%	-	-	-	-	-	-	-	-
WAL-MART STORES TEXAS LP	Retail	0.18%	-	-	-	-	-	-	-	-	-
H E BUTT GROCERY CO	Retail	-	0.20%	-	0.25%	0.29%	0.31%	0.37%	0.41%	0.63%	0.56%
KEPPEL AMFELS	Shipyards	-	0.18%	0.21%	0.23%	0.26%	0.26%	0.28%	0.32%	0.55%	0.59%
WAL-MART STORES EAST INC	Retail	-	-	0.21%	0.23%	-	-	-	-	-	-
TEXAS AND KANSAS CITY CABLE PARTNERS	-	-	-	0.20%	-	0.25%	0.27%	-	-	-	-
BROWNSVILLE MEDICAL CENTER	Service	-	-	-	-	-	0.27%	0.30%	0.33%	0.56%	0.55%
VF IMAGEWEAR (EAST) INC	-	-	-	-	-	-	-	0.52%	-	-	-
RICH-SEAPAK CORP	Food Processor	-	-	0.28%	-	-	-	-	0.46%	0.55%	0.54%
BROWNSVILLE SUNRISE DEVELOPERS LP	Real	-	-	-	-	-	-	-	0.41%	0.44%	-
DELPHI AUTOMOTIVE SYSTEMS LLC	Manufacturing	-	-	-	-	-	-	-	-	-	0.49%
Totals		2.74%	3.07%	3.45%	3.75%	4.04%	4.15%	4.76%	5.38%	6.26%	6.25%

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

Fiscal Year Ended August 31	Levy (a)	Cumulative Levy Adjustments	Adjusted Tax Levy (b)	Collections - Year of Levy (c)	Percentage	Prior Collections of Prior Levies (d)	Current Collections of Prior Levies (e)	Total Collections (C+D+E)	Cumulative Collections of Adjusted Levy
2008	\$ 15,360,034	\$ (5,090)	\$ 15,354,944	\$ 14,498,634	94.42%			14,498,634	94.42%
2007	13,817,049	(70,501)	\$ 13,746,548	12,940,923	94.14%	-	403,509	13,344,432	97.07%
2006	12,262,774	(43,518)	\$ 12,219,256	11,481,393	93.96%	397,917.22	103,769	11,983,079	98.07%
2005	9,062,544	(50,943)	\$ 9,011,601	8,485,978	94.17%	363,347.97	42,571	8,891,897	98.67%
2004	8,171,491	94,013	\$ 8,265,504	7,768,246	93.98%	375,181.71	26,554	8,169,982	98.84%
2003	7,634,474	(9,477)	\$ 7,624,997	7,132,350	93.54%	401,207.96	15,440	7,548,998	99.00%
2002	6,967,041	(17,624)	\$ 6,949,417	6,534,050	94.02%	346,282.33	10,353	6,890,685	99.15%
2001	6,296,480	6,136	\$ 6,302,616	5,919,601	93.92%	329,382.95	7,594	6,256,578	99.27%
2000	5,435,718	2,958	\$ 5,438,676	5,091,965	93.63%	298,849.38	4,687	5,395,501	99.21%
1999	5,168,116	(4,211)	\$ 5,163,905	4,839,139	93.71%	285,922.20	3,421	5,128,482	99.31%

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

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

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

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

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

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

Total Collections = C + D + E

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

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

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
General Bonded Debt										
General obligation bonds	\$ 72,440	\$ 64,000	\$ 49,490	\$ 22,280	\$ 3,600	\$ 4,590	\$ 4,969	\$ 5,375	\$ 6,335	\$ 7,275
Notes	-	-	-	-	-	-	-	-	-	-
Less: Funds restricted for debt service	-	-	-	-	-	-	-	-	-	-
Net general bonded debt	\$ 72,440	\$ 64,000	\$ 49,490	\$ 22,280	\$ 3,600	\$ 4,590	\$ 4,969	\$ 5,375	\$ 6,335	\$ 7,275
Other Debt										
Revenue bonds	\$ 27,645	\$ 28,495	\$ 28,890	\$ 13,715	\$ 13,220	\$ 13,505	\$ 13,730	\$ 8,885	\$ 9,025	-
Total Outstanding Debt	\$ 100,085	\$ 92,495	\$ 78,380	\$ 35,995	\$ 16,820	\$ 18,095	\$ 18,699	\$ 14,260	\$ 15,360	\$ 7,275

67.

General Bonded Debt Ratios										
Per Capita	\$ 385.36	\$ 340.46	\$ 263.27	\$ 118.52	\$ 19.15	\$ 24.42	\$ 26.43	\$ 28.59	\$ 33.70	\$ 38.70
Per FTSE	11,522	10,180	7,872	3,544	573	730	790	855	1,008	1,157
As a percentage of Taxable Assessed Value	0.74%	0.66%	0.51%	0.23%	0.04%	0.05%	0.05%	0.06%	0.07%	0.07%
Total Outstanding Debt Ratios										
Per Capita	\$ 532.43	\$ 492.05	\$ 416.96	\$ 191.48	\$ 89.48	\$ 96.26	\$ 99.47	\$ 75.86	\$ 81.71	\$ 38.70
Per FTSE	15,919	14,712	12,467	5,725	2,675	2,878	2,974	2,268	2,443	1,157
As a percentage of Taxable Assessed Value	1.03%	0.95%	0.80%	0.37%	0.17%	0.19%	0.19%	0.15%	0.16%	0.07%

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

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

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

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Taxable Assessed Value	\$ 9,738,707	\$ 8,786,826	\$ 7,663,218	\$ 7,037,107	\$ 6,253,830	\$ 5,810,141	\$ 5,302,081	\$ 4,791,842	\$ 4,454,580	\$ 4,103,572
General Obligation Bonds										
Statutory Tax Levy Limit for Debt Service	48,694	43,934	38,316	35,186	31,269	29,051	26,510	23,959	22,273	20,518
Less: Funds Restricted for Repayment of General Obligation Bonds	-	-	-	-	-	-	-	-	-	-
Total Net General Obligation Debt	48,694	43,934	38,316	35,186	31,269	29,051	26,510	23,959	22,273	20,518
Current Year Debt Service Requirements	1,560	1,490	2,570	1,125	990	380	406	960	940	845
Excess of Statutory Limit for Debt Service over Current Requirements	\$ 47,134	\$ 42,444	\$ 35,746	\$ 34,061	\$ 30,279	\$ 28,671	\$ 26,104	\$ 22,999	\$ 21,333	\$ 19,673
Net Current Requirements as a % of Statutory Limit	3.20%	3.39%	6.71%	3.20%	3.17%	1.31%	1.53%	4.01%	4.22%	4.12%

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

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

Revenue Bonds

Fiscal Year Ended August 31	Pledged Revenues (\$000 omitted)							Debt Service Requirements (\$000 omitted)			
	Student Union	Tuition	Bookstore Income	Parking Fees	Investment Income	Student Rec Center Fees	Total	Principal	Interest	Total	Coverage Ratio
	2008	\$ 1,046	402	\$ 156	\$ 311	\$ 288	\$ 1,993	\$ 4,196	\$ 850	\$ 1,251	\$ 2,101
2007	1,075	397	145	281	278	2,086	4,262	395	1,444	1,839	2.32
2006	1,043	341	133	345	267	2,113	4,242	295	1,046	1,341	3.16
2005	1,017	320	170	346	354	-	2,208	380	650	1,030	2.14
2004	1,023	302	124	326	320	-	2,095	285	751	1,036	2.02
2003	960	280	183	308	380	-	2,111	225	795	1,020	2.07
2002	858	-	-	-	-	-	858	155	495	650	1.32
2001	797	-	-	-	-	-	797	140	502	642	1.24
2000	751	-	-	-	-	-	751	-	198	198	3.79
1999	-	-	-	-	-	-	-	-	-	-	-

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

Calendar Year	*District Population	**Estimate District Personal Income (a) (thousands of dollars)	***Cameron County Personal Income Per Capita	Cameron County Unemployment Rate
2007	187,979	N/A	N/A	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%
1999	N/A	N/A	14,072	N/A
1998	N/A	N/A	13,767	N/A

Sources:

*District Population from U.S. Census Bureau.

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

**Estimated District Personal Income (thousand of dollars) produced by multiplying Cameron County Personal Income Per Capita by the District Population. TSC District includes the following school districts: Brownsville ISD, Los Fresnos ISD, and Point Isabel ISD. TSC District population totals about 50% of Cameron County. Assumption used for TSC District per capita income equals that of Cameron County. Cameron County Total Population: 387,210 (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)**

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

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

Source:

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

Source:

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

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

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

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

Brownsville Total Employment: 58,230

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

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

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

	Fiscal Year									
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
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	17	15	14	10	12	19	15	14	13	15
Part-Time	5	6	3	5	9	46	22	13	17	27
Total	22	21	17	15	21	65	37	27	30	42
Percent										
Full-Time	77.3%	71.4%	82.4%	66.7%	57.1%	29.2%	40.5%	51.9%	43.3%	35.7%
Part-Time	22.7%	28.6%	17.6%	33.3%	42.9%	70.8%	59.5%	48.1%	56.7%	64.3%
FTSE per Full-time Faculty	0	0	0	0	0	0	0	0	0	0
FTSE per Full-Time Staff Member	369.8	427.0	404.4	525.3	412.9	238.8	270.4	303.1	341.5	266.9
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 2007		Fall 2006		Fall 2005		Fall 2004		Fall 2003	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Freshman	8,955	63.71%	8,002	60.62%	5,707	43.23%	4,768	45.34%	4,156	45.20%
Sophomore	2,833	20.16%	2,930	22.20%	2,855	21.63%	2,622	24.93%	2,408	26.19%
Associate	583	4.15%	562	4.26%	490	3.71%	411	3.91%	367	3.99%
Bachelors	110	0.78%	135	1.02%	111	0.84%	91	0.87%	84	0.91%
Unclassified	1,574	11.20%	1,571	11.90%	1,354	10.26%	1,303	12.39%	1,339	14.56%
Total	14,055	100.00%	13,200	100.00%	10,517	79.67%	9,195	87.43%	8,354	90.85%

Semester Hour Load	Fall 2007		Fall 2006		Fall 2005		Fall 2004		Fall 2003	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Less than 3	1362	9.69%	617	4.67%	358	2.71%	148	1.41%	133	1.45%
3-5 semester hours	4,911	34.94%	4,418	33.47%	2,635	19.96%	1,729	16.44%	1,324	14.40%
6-8 Semester hours	2,687	19.12%	2,690	20.38%	2,221	16.83%	2,305	21.92%	2,294	24.95%
9-11 semester hours	1,803	12.83%	1,700	12.88%	1,652	12.52%	1,506	14.32%	1,464	15.92%
12-14 semester hours	2,780	19.78%	3,262	24.71%	3,243	24.57%	3,142	29.88%	2,733	29.72%
15-17 semester hours	447	3.18%	442	3.35%	324	2.45%	301	2.86%	325	3.53%
18 & over	65	0.46%	71	0.54%	84	0.64%	64	0.61%	81	0.88%
Total	14,055	100.00%	13,200	100.00%	10,517	79.67%	9,195	87.43%	8,354	90.85%

Average course load 6.9 7.4 8.2 8.7 8.9

Tuition Status	Fall 2007		Fall 2006		Fall 2005		Fall 2004		Fall 2003	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Texas Resident (In-District)	6,766	48.14%	7,217	54.67%	7,144	54.12%	6,890	65.51%	6,590	71.67%
Texas Resident (Out-of-District)	1,217	8.66%	1,300	9.85%	1,271	9.63%	1,003	9.54%	992	10.79%
Non-Resident Tuition	37	0.26%	43	0.33%	33	0.25%	33	0.31%	30	0.33%
Foreign Resident In-Dist (HB1403)	120	0.85%	136	1.03%	136	1.03%	128	1.22%	88	0.96%
Foreign Resident Out-Dist (HB1403)	12	0.09%	17	0.13%	11	0.08%	7	0.07%	3	0.03%
Tuition Exemption/Waiver	5,903	42.00%	4,487	33.99%	1,922	14.56%	1,134	10.78%	651	7.08%
Total	14,055	100.00%	13,200	100.00%	10,517	79.67%	9,195	87.43%	8,354	90.85%

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

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

	Fall 2007		Fall 2006		Fall 2005		Fall 2004		Fall 2003	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Gender										
Female	8,171	58.14%	7,617	57.70%	6,193	58.89%	5,354	58.23%	4,885	58.47%
Male	5,884	41.86%	5,583	42.30%	4,324	41.11%	3,841	41.77%	3,469	41.53%
Total	<u>14,055</u>	<u>100.00%</u>	<u>13,200</u>	<u>100.00%</u>	<u>10,517</u>	<u>100.00%</u>	<u>9,195</u>	<u>100.00%</u>	<u>8,354</u>	<u>100.00%</u>

	Fall 2007		Fall 2006		Fall 2005		Fall 2004		Fall 2003	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Ethnic Origin										
White/Non-Hispanic	492	3.50%	477	3.61%	417	3.97%	406	4.42%	370	4.43%
Black/Non-Hispanic	31	0.22%	28	0.21%	22	0.21%	12	0.13%	15	0.18%
Hispanic	13,036	92.75%	12,169	92.19%	9,779	92.98%	8,555	93.04%	7,745	92.71%
Asian or Pacific Islander	71	0.51%	61	0.46%	52	0.49%	29	0.32%	35	0.42%
American Indian or Alaskan Native	11	0.08%	9	0.07%	9	0.07%	5	0.04%	7	0.05%
Non-Resident Aliens or Foreign Natl.	362	2.58%	412	3.12%	190	1.44%	172	1.30%	157	1.19%
Not Reported	52	0.37%	44	0.33%	48	0.36%	16	0.12%	25	0.19%
Total	<u>14,055</u>	<u>100.00%</u>	<u>13,200</u>	<u>100.00%</u>	<u>10,517</u>	<u>99.52%</u>	<u>9,195</u>	<u>99.36%</u>	<u>8,354</u>	<u>99.17%</u>

	Fall 2007		Fall 2006		Fall 2005		Fall 2004		Fall 2003	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Age										
Under 18	5,305	37.74%	3,958	29.98%	1,813	17.24%	828	9.00%	375	4.49%
18 -21	4,401	31.31%	4,690	35.53%	4,274	40.64%	4,088	44.46%	3,738	44.75%
22 - 24	1,489	10.59%	1,467	11.11%	1,487	14.14%	1,453	15.80%	1,375	16.46%
25 - 35	1,961	13.95%	2,141	16.22%	2,054	19.53%	1,972	21.45%	1,981	23.71%
36 - 50	765	5.44%	805	6.10%	741	7.05%	725	7.88%	770	9.22%
51 & over	134	0.95%	139	1.05%	148	1.41%	129	1.40%	115	1.38%
Total	<u>14,055</u>	<u>100.00%</u>	<u>13,200</u>	<u>100.00%</u>	<u>10,517</u>	<u>100.00%</u>	<u>9,195</u>	<u>100.00%</u>	<u>8,354</u>	<u>100.00%</u>

Average Age	21	22	23	24	25
-------------	----	----	----	----	----

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

Texas Southmost College District
Statistical Supplement 17
Transfers to Senior Institutions
2006 Fall Students as of Fall 2007
(Includes only public senior colleges in Texas)

	Transfer Student Count	Transfer Student Count	Transfer Student Count	Total Acad/Tech Transfer	Percent Acad/Tech Transfer
	Academic	Technical	Tech-Prep	Students	Students
University of Texas - Brownsville	1,263	87	69	1,419	68.42%
University of Texas - Pan American	109	19	13	141	6.80%
University of Texas - Austin	80	22	1	103	4.97%
University of Texas - San Antonio	97	22	1	120	5.79%
Texas A&M University - College Station	65	16	6	87	4.19%
Texas State University	38	4	2	44	2.12%
Texas A&M University - Kingsville	32	5	1	38	1.83%
Texas A&M University - Corpus Christi	13	4	0	17	0.82%
University of Houston - University Park	12	1	0	13	0.63%
University of North Texas	12	2	0	14	0.68%
University of Texas - Permian Basin	4	0	0	4	0.19%
Stephen F. Austin State University	2	2	0	4	0.19%
Texas Tech University	9	3	0	12	0.58%
University of Texas - Arlington	8	0	0	8	0.39%
Sam Houston State University	9	1	1	11	0.53%
University of Texas - Tyler	3	0	0	3	0.14%
Texas A&M International University	1	0	0	1	0.05%
Texas Women's University	6	0	1	7	0.34%
University of Houston - Downtown	5	0	0	5	0.24%
University of Texas - Dallas	3	0	0	3	0.14%
Sul Ross State University	1	0	0	1	0.05%
Texas A&M University - Texarkana	0	0	0	0	0.00%
Texas A&M University - Galveston	0	0	0	0	0.00%
Angelo State University	1	1	0	2	0.10%
Prairie View A&M University	0	0	0	0	0.00%
University of Texas - El Paso	2	0	0	2	0.10%
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	0	0	0	0	0.00%
Texas A&M University System Health Science Center	1	0	0	1	0.05%
Texas Southern University	1	0	0	1	0.05%
Texas Tech University Health Science Center	0	0	0	0	0.00%
University of Houston - Clear Lake	1	0	0	1	0.05%
University of Houston - Victoria	0	0	0	0	0.00%
University of North Texas Health Science Center - Forth Worth	0	0	0	0	0.00%
University of Texas Health Science Center - Houston	3	1	0	4	0.19%
University of Texas Health Science Center - San Antonio	2	0	0	2	0.10%
University of Texas Medial Branch Galveston	5	0	0	5	0.24%
University of Texas Southwestern Medical Center - Dallas	0	0	0	0	0.00%
West Texas A&M University	1	0	0	1	0.05%
Totals	1,789	190	95	2,074	100.00%

**Texas Southmost College District
Statistical Supplement 18
Capital Asset Information
Fiscal Years 2004 to 2008**

	Fiscal Year				
	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Academic buildings	19	19	19	19	19
Square footage (in thousands)	827	827	827	705	705
Libraries	1	1	1	1	1
Square footage (in thousands)	85	85	85	85	85
Number of Volumes (in thousands)	320	310	300	288	276
Administrative and support buildings	22	22	22	21	20
Square footage (in thousands)	588	588	588	587	579
Dormitories	1	1	1	1	1
Square footage (in thousands)	94	94	94	94	94
Number of Beds	334	325	257	257	257
Apartments	11	8	0	0	0
Square footage (in thousands)	65	31	0	0	0
Number of beds	108	95	0	0	0
Dining Facilities	0	0	0	0	0
Square footage (in thousands)	0	0	0	0	0
Average daily customers	0	0	0	0	0
Athletic Facilities	2	2	2	2	2
Square footage (in thousands)	29	29	29	29	29
Stadiums	0	0	0	0	0
Gymnasiums	1	1	1	1	1
Fitness Centers	0	0	0	0	0
Tennis Court	1	1	1	1	1
Plant facilities	5	5	15	15	15
Square footage (in thousands)	45	45	78	78	78
Transportation					
Cars	14	16	18	18	13
Light Trucks/Vans	64	53	45	45	35
Buses	2	2	2	1	1

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

SINGLE AUDIT SECTION

TEXAS SOUTHMOST COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended August 31, 2008

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Pass-Through Disbursements and Expenditures</u>
<u>U.S. Department of Agriculture</u>			
<i>Passed Through Texas Department of Human Services:</i>			
<i>Passed through to University of Texas – Brownsville</i>			
Child Care Food Program	10.558	75G7033	\$ <u>18,361</u>
<u>U.S. Department of Education</u>			
<i>Passed Through Texas Higher Education Coordinating Board:</i>			
<i>Passed through to University of Texas – Brownsville</i>			
Carl D. Perkins – Vocational Education	84.048	84246	685,821
Leveraging Educational Assistance Partnership	84.069A	-	21,215
Special Leveraging Educational Assistance Partnership	84.069B	-	<u>28,139</u>
Total Department of Education			<u>735,175</u>
<u>U.S. Department of Human Services</u>			
<i>Passed Through Texas Migrant Authority, Inc.:</i>			
<i>Passed through to University of Texas – Brownsville</i>			
Child Day Care Center	93.667	031-0006	<u>33,713</u>
Total Federal Awards Expended			\$ <u>787,249</u>

Notes to the Schedule on the following page.

TEXAS SOUTHMOST COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS – CONTINUED

For The Year Ended August 31, 2008

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Pass-Through Disbursements and Expenditures
---	---------------------------	-------------------------------------	--

Note 1: Federal Assistance Reconciliation

Federal revenue received by Texas Southmost College District			
Federal grants and contracts – per schedule			\$ 787,249
Federal revenue received by University of Texas at Brownsville			<u>14,832,833</u>
Total Federal Revenue			<u>\$ 15,620,082</u>

Note 2: Significant Accounting Policies used in Preparing the Schedule

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

Note 3: Expenditures from Federal Funds Received by University of Texas – Brownsville

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

<u>Program Name</u>	<u>CFDA No.</u>		<u>Amount</u>
Federal Pell Gant Program	84.063	-	\$ 14,148,089
SEOG	84.007	-	296,524
Federal Work Study Program	84.033	-	<u>388,220</u>
			<u>\$ 14,832,833</u>

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

TEXAS SOUTHMOST COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS – CONTINUED
 For The Year Ended August 31, 2008

Note 4: Subrecipients

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

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

<u>Program Title</u>	<u>CFDA No.</u>	<u>Amount</u>
Title III Endowment College Grant Program	84.031	\$5,460,855

TEXAS SOUTHMOST COLLEGE DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
 For The Year Ended August 31, 2008

<u>Grantor Agency/Program Title</u>	<u>Number</u>	<u>Expenditures</u>
Texas Higher Education Coordinating Board		
Texas Grant Program	-	\$ 1,739,302
Texas College Work Study	-	61,875
Texas B-On Time Program	-	8,391
Texas Educational Opportunity Grant	-	<u>201,905</u>
Total State Awards Expended	-	<u>\$ 2,011,473</u>

Note 1: State Assistance Reconciliation

State revenues per Schedule of Expenditures of State Awards	
State financial assistance	\$ 2,011,473
Lease payments from University of Texas – Brownsville	<u>1,359,576</u>
Total State Revenues per Schedule A	<u>\$ 3,371,049</u>

Note 2: Significant Accounting Policies used in Preparing the Schedule

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

Note 3: Subrecipients

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

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

Board of Trustees
Texas Southmost College District
Brownsville, Texas

We have audited the basic financial statements of Texas Southmost College District, as of and for the year ended August 31, 2008, and have issued our report thereon dated December 5, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of the Texas Southmost College District, in a separate letter dated December 5, 2008.

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

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

Long Chilton, LLP
LONG CHILTON, LLP
Certified Public Accountants

Brownsville, Texas
December 5, 2008

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

Board of Trustees
Texas Southmost College District
Brownsville, Texas

Compliance

We have audited the compliance of Texas Southmost College District with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* and the State of Texas Single Audit Circular that are applicable to each of its major federal/state programs for the year ended August 31, 2008. Texas Southmost College District's major federal/state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal/state programs is the responsibility of Texas Southmost College District's management. Our responsibility is to express an opinion on Texas Southmost College District's compliance based on our audit.

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

In our opinion, Texas Southmost College District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal/state programs for the year ended August 31, 2008. However, the results of our auditing procedures disclosed instances of noncompliance with those requirement, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned cots as items FCF 2008-01 and FCF 2008-2.

Internal Control Over Compliance

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

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

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

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

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

This report is intended solely for the information and use of the Board of Trustees, management, the audit committee, Texas Higher Education Coordinating Board, 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

Long Chilton, LLP

LONG CHILTON, LLP

Certified Public Accountants

Brownsville, Texas
December 5, 2008

TEXAS SOUTHMOST COLLEGE DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS – FEDERAL/STATE AWARDS

Year Ended August 31, 2008

I. SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

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

State Awards

Internal control over major programs:

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

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

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

TEXAS SOUTHMOST COLLEGE DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS – FEDERAL/STATE AWARDS – CONTINUED
Year Ended August 31, 2008

I. SUMMARY OF INDEPENDENT AUDITOR’S RESULTS – CONTINUED

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal/State Program or Cluster</u>
84.048	Federal – Carl D. Perkins
N/A	State – Texas Grant Program
Dollar threshold used to distinguish between type A and type B programs	\$ <u>300,000</u>
Auditee qualified as low-risk auditee?	<u> X </u> Yes <u> </u> No

II. FINANCIAL STATEMENT FINDINGS

No findings noted in current year audit.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL/STATE AWARDS

U.S. Department of Education
Carl D. Perkins – Vocational Education CFDA 84.048

FCF 2008-1

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

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

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

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

TEXAS SOUTHMOST COLLEGE DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS – FEDERAL/STATE AWARDS – CONTINUED
Year Ended August 31, 2008

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL/STATE AWARDS – CONTINUED

FCF 2008-2

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

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

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

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

Questioned Costs - \$31,536.94

TEXAS SOUTHMOST COLLEGE

CORRECTIVE ACTION PLAN

Year Ended August 31, 2008

FCF 2008-1

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

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

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

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

Action Taken – Sponsored Programs will conduct Time and Effort Report training for all the Carl Perkins supervisors as soon as possible. All supervisors will be certifying reconciliations on a monthly basis adequately reflecting time spent on tasks.

FCF 2008-2

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

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

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

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

Questioned Costs - \$31,536.94

Action Taken – Complete records will be kept of all students receiving Carl Perkins services. Staff will review each student’s eligibility, length of services received and by whom. Supervisors will calculate the amount of time spent by each Carl Perkins staff member with students on a monthly basis.

TEXAS SOUTHMOST COLLEGE DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended August 31, 2008

No matters noted in prior year.