



# TEXAS SOUTHMOST COLLEGE DISTRICT

## ANNUAL FINANCIAL REPORT

*for* THE YEAR ENDED AUGUST 31, 2023 & 2022

**TEXAS SOUTHMOST COLLEGE DISTRICT**

**ANNUAL FINANCIAL REPORT**

**For The Years Ended August 31, 2023 and 2022**

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

# TEXAS SOUTHMOST COLLEGE DISTRICT

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## **FINANCIAL SECTION**



# Cascos & Associates, PC

Certified Public Accountants  
Audit/Accounting/Tax/Consulting

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## INDEPENDENT AUDITORS' REPORT

The Board of Trustees of  
Texas Southmost College District  
Brownsville, Texas

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the accompanying financial statements of the business-type activities of the Texas Southmost College District (the District), as of and for the year ended August 31, 2023, and 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the District as of August 31, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinions*

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison, pension and OPEB information on pages listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of expenditures of federal and state awards, as required by Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and Texas Grant Management Standards, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2023, on our consideration of the 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 solely 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 effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Cascos & Associates, PC  
Brownsville, Texas  
December 29, 2023

**TEXAS SOUTHMOST COLLEGE DISTRICT  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED AUGUST 31, 2023**

Management Discussion and Analysis is included to provide a narrative introduction, overview and analysis of the financial position and changes in financial position of the Texas Southmost College District (the "District") for the fiscal year ended August 31, 2023. The discussion is prepared by management and should be read in conjunction with the accompanying financial statements and notes.

**USING THIS ANNUAL REPORT**

The financial statements are prepared in accordance with U.S. Generally Accepted Accounting Principles (GAAP) as established by the Governmental Accounting Standards Board (GASB) and comply with reporting requirements as set by the Texas Higher Education Coordinating Board (THECB). The annual financial report is presented in a “business-type activity” format. The statements are prepared on the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided by the District and expenses and liabilities are recognized when services are provided to the District, regardless of when cash is exchanged. The notes to the financial statements are considered an integral part of the financial statements and should be read in conjunction with them. Management is responsible for both the accuracy of the data and the completeness and fairness of the presentation of the financial statements and notes.

The District’s annual financial report consists of three basic financial statements: the Statement of Net Position provides a summary of assets, liabilities and net position as of August 31, 2023; the Statement of Revenues, Expenses and Changes in Net Position provides a summary of operations for the fiscal year; and the Statement of Cash Flows provides categorized information about cash inflows and outflows for the fiscal year. Fiscal years ended August 31, 2023 and 2022 are presented in the audited financial statements. The discussion and analysis is limited to the Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position for the primary government and is designed to focus on current activities, the resulting change, and currently known facts.

***The Statement of Net Position***

The Statement of Net Position includes all the District’s assets and deferred outflows of resources and liabilities and deferred inflows of resources and change in net position as of the end of the fiscal year. The difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources is the net position. Increases and decreases to net position is one indicator of whether the overall financial condition has improved or deteriorated during the year when considered with other factors such as enrollment, contact hours of instruction, student retention, and other non-financial information. Finally, the statement of net position is useful when determining the assets available for continuing the 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 Position includes assets and liabilities, current and non-current. Current assets are those which are available to satisfy current liabilities or liabilities that are due within one year. Non-current assets include capital assets, long-term investments, and other assets, not classified as current. Non-current liabilities include bonds payable and other long-term commitments.

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

The next category is restricted net position, which is further divided into two categories: nonexpendable and expendable. Expendable restricted net position 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 position.

The final category is unrestricted net position which are assets available to the institution for any lawful purpose of the District. Further detail regarding assets, liabilities and net position is presented in the Statement of Net Position and Notes to the financial statements.

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

The Statement of Revenues, Expenses and Changes in Net Position represents the 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 position. When the contrary occurs, the result is a decrease in net position. Further detail is presented in the Statement of Revenues, Expenses and Changes in Net Position and in the notes to the financial statements.

The District's net position (the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources) provides one measure of the District's financial health or financial position. Over time, increases or decreases in the District's net position 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 cashflow 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, associated cash receipts and payments, and the effects on the financial position of both its cash and its non-cash investing, capital and financing transactions can be identified.

In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the District’s progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 50 of this report.

## FINANCIAL ANALYSIS

### *Statement of Net Position*

The following analysis focuses on the Statement of Net Position, which is condensed in Table 1. The complete Statement of Net Position can be found on page 15.

TABLE 1  
CONDENSED STATEMENT OF  
NET POSITION  
(in millions)

	Year Ended August 31, 2023	Year Ended August 31, 2022	Year Ended August 31, 2021
Current Assets	\$ 89.1	\$ 84.8	\$ 84.6
Noncurrent Assets			
Restricted Cash and Cash Equivalents	9.0	11.8	10.5
Capital Assets (net)	127.9	126.6	125.3
Total Assets	<u>226.0</u>	<u>223.2</u>	<u>220.4</u>
Deferred Outflows of Resources	11.8	7.9	10.4
Current Liabilities	14.6	16.1	14.9
Noncurrent Liabilities	47.8	56.1	69.9
Total Liabilities	<u>62.4</u>	<u>72.2</u>	<u>84.8</u>
Deferred Inflow of Resources	17.8	10.2	6.1
Net Position			
Net Investment in Capital Assets	97.5	90.8	84.4
Restricted	26.1	26.8	31.7
Unrestricted	34.0	31.0	23.8
Total Net Position	<u>\$ 157.6</u>	<u>\$ 148.6</u>	<u>\$ 139.9</u>

Total Assets increased by \$2.8 million in fiscal year 2023. Current Assets increased by \$4.3 million, primarily due to an increase in Cash and cash equivalents. Noncurrent Assets decreased by \$1.5 million and was primarily due to an increase in Restricted Cash and Cash Equivalents.

At the end of fiscal year 2023, total liabilities decreased by \$9.8 million. Current Liabilities decreased by \$1.5 million primarily due to a decrease in Accounts payable and Unearned revenue. Noncurrent Liabilities decreased by \$8.3 million primarily due to decreases in Net Pension Liability.

Changes in assets, liabilities and net position are attributable to the requirements of GASB 68 and 75. Deferred outflows (an asset) increased by \$3.9 million and deferred inflows (a liability) increased \$7.6 million.

Total Net Position (assets and deferred outflows of resources and liabilities and deferred inflows of resources) increased by \$9.0 million when compared to the prior year. The District experienced an increase of approximately \$8.7 million in fiscal year 2022, and a decrease of \$2.3 million in fiscal year 2021. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – represents \$34.0 million of total net position at August 31, 2023.

### ***Statement of Revenues, Expenses and Changes in Net Position***

The following analysis focuses on the Statement of Revenues, Expenses and Changes in Net Position presented in condensed form in Table 2. The complete Statement of Revenues, Expenses and Changes in Net Position can be found on page 16.

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

	Year Ended August 31, 2023	Year Ended August 31, 2022	Year Ended August 31, 2021
Operating Revenues	\$ 20.2	\$ 23.5	\$ 20.4
Operating Expenses	(63.7)	(64.5)	(63.9)
Non-operating Revenue	53.5	50.9	50.6
Non-operating Expenses	(0.9)	(1.2)	(1.5)
Increase (Decrease) in Net Position	9.1	8.7	5.6
Net Position - Beginning of Year	148.6	139.9	142.2
Prior Period Adjustment	-	-	(7.9)
Net Position - Beginning of Year (restated)	148.6	139.9	134.3
Net Position - End of Year	<u>\$ 157.7</u>	<u>\$ 148.6</u>	<u>\$ 139.9</u>

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

TABLE 3  
OPERATING REVENUE  
(in millions)

	Year Ended August 31, 2023		Year Ended August 31, 2022		Year Ended August 31, 2021	
	<u>Amount</u>	<u>Percentage of Total</u>	<u>Amount</u>	<u>Percentage of Total</u>	<u>Amount</u>	<u>Percentage of Total</u>
Tuition and Fees (net)	\$ 4.0	19.8%	\$ 2.2	9.4%	\$ 3.6	17.6%
Grants and Contracts	15.7	77.7%	20.9	88.9%	16.5	80.9%
Auxiliary Enterprises	<u>0.5</u>	<u>2.5%</u>	<u>0.4</u>	<u>1.7%</u>	<u>0.3</u>	<u>1.5%</u>
Total Operating Revenue	<u>\$ 20.2</u>	<u>100.0%</u>	<u>\$ 23.5</u>	<u>100.0%</u>	<u>\$ 20.4</u>	<u>100.0%</u>

Operating revenues were affected by the following key factors:

- Gross Tuition & Fees revenue increased when compared to the prior year, however, the District saw a decrease in Scholarship Allowances and Discounts (waivers) as well. As a result, Tuition and Fee (net) revenue increased overall, when compared to the prior year.
- Grants and Contracts decreased significantly when compared to fiscal year 2022. Federal Grants and Contracts decreased as a result of COVID 19 related funding. Title IV revenue (financial aid) is received directly by the District for the payment of tuition and fees and allocation of student aid to the District students, and is categorized as non-operating revenue.

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

TABLE 4  
NON-OPERATING REVENUE  
(in millions)

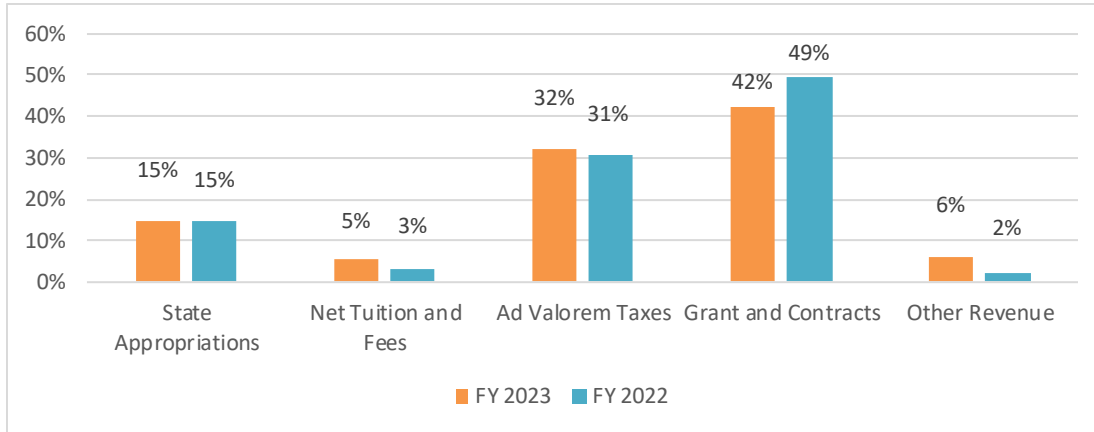
	Year Ended August 31, 2023		Year Ended August 31, 2022		Year Ended August 31, 2021	
	Amount	Percentage of Total	Amount	Percentage of Total	Amount	Percentage of Total
State Appropriations	\$ 10.7	20.0%	\$ 11.0	21.6%	\$ 8.7	17.2%
Title IV	15.4	28.8%	15.9	31.2%	17.2	34.0%
Ad Valorem Taxes	23.5	43.9%	22.8	44.8%	23.1	45.7%
Investment Income	2.7	5.0%	0.3	0.6%	0.4	0.8%
Other Non-Operating Revenue	<u>1.2</u>	<u>2.2%</u>	<u>0.9</u>	<u>1.8%</u>	<u>1.2</u>	<u>2.3%</u>
Total Non-Operating Revenue	<u>\$ 53.5</u>	<u>100.0%</u>	<u>\$ 50.9</u>	<u>100.0%</u>	<u>\$ 50.6</u>	<u>100.0%</u>

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

- State appropriations decreased by \$0.3 million from fiscal year 2022. The State of Texas finalized the allocation of appropriations in fiscal year 2021 and management had estimated this impact and adjusted the fiscal year 2023 budget accordingly.
- The Title IV revenue decreased \$0.5 million. It represents financial aid received directly by the District for the payment of tuition and fees and allocation of student aid to the District’s students.
- Property tax revenue increased by about \$0.7 million from fiscal year 2022 to fiscal year 2023 as a result of a increase in delinquent tax collections. Property tax revenue decreased \$0.3 million from fiscal year 2021 to fiscal year 2022. The tax rates for the District were \$0.144916, \$0.154636, and \$0.154636, per \$100 valuation for the fiscal years ended 2023, 2022 and 2021, respectively.
- Other Non-Operating Revenue remained consistent for fiscal years 2023 and 2022.
- Investment income for FY 2023 increased by \$2.4 million. The District used LOGIC, a public funds investment pool. In fiscal year 2021, the District supplemented its investments with Certificates of Deposit. Fiscal year 2023 continued to see a similar approach to the investment portfolio, with a stronger allocation to Certificates of Deposit.

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 2023 and 2022.

TABLE 5  
TOTAL REVENUES



In fiscal year 2023 and 2022, Grant and Contracts were the largest source at 42% and 49% primarily due to federal, state and local aid received by the District in fiscal years 2023 and 2022, respectively. State Appropriations were 15% and 15% in fiscal years 2023 and 2022 of total revenues. Net Tuition and Fees in fiscal year 2023 and 2022 were 5% and 3%. Ad Valorem taxes remained consistent at 32% and 31% in fiscal years 2023 and 2022. Other Revenue was 6% and 2% in fiscal year 2023 and 2022, respectively.

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

TABLE 6  
OPERATING EXPENSES  
Natural Classification (in millions)

	Year Ended August 31, 2023	Year Ended August 31, 2022	Year Ended August 31, 2021
Salaries	\$ 20.6	\$ 19.6	\$ 18.9
Benefits	5.9	5.4	10.3
Other Expenses	31.9	35.5	30.9
Depreciation	<u>5.3</u>	<u>4.0</u>	<u>3.8</u>
Total Operating Expenses	<u>\$ 63.7</u>	<u>\$ 64.5</u>	<u>\$ 63.9</u>

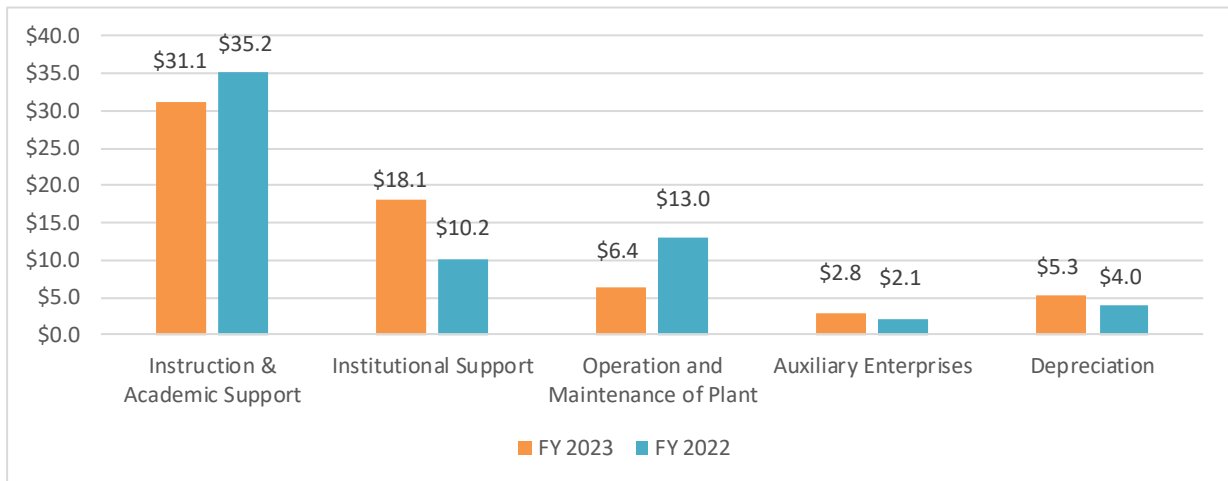
Table 7 displays the breakdown of the District’s expenses by functional classification.

TABLE 7  
OPERATING EXPENSES  
Functional Classification (in millions)

	Year Ended August 31, 2023	Year Ended August 31, 2022	Year Ended August 31, 2021
Instruction	\$ 11.3	\$ 11.0	\$ 13.4
Public service	1.8	3.0	2.5
Academic support	3.3	2.9	3.5
Student services	4.0	3.7	4.2
Institutional support	18.1	10.2	10.6
Operations and maintenance of plant	6.4	13.0	12.3
Scholarships and fellowships	10.7	14.6	12.1
Total Educational Activities	55.6	58.4	58.6
Depreciation	5.3	4.0	3.8
Auxiliary enterprises	2.8	2.1	1.5
Total Operating Expenses	<u>\$ 63.7</u>	<u>\$ 64.5</u>	<u>\$ 63.9</u>

Table 8 displays a comparison of the breakdown of the expenses by functional classification for the District in fiscal years 2023 and 2022.

TABLE 8  
OPERATING EXPENSES  
Functional Classification (in millions)



## Statement of Cash Flows

The Condensed Statement of Cash Flows appears in Table 9. The complete Statement of Cash Flows appears in page 17 and 18 of this report.

TABLE 9  
CONDENSED STATEMENT OF  
CASH FLOWS  
(in millions)

	Year Ended August 31, 2023	Year Ended August 31, 2022	Year Ended August 31, 2021
Cash provided/ used by:			
Operating Activities	\$ (38.8)	\$ (37.1)	\$ (32.0)
Non-Capital Financing Activities	45.7	45.4	44.1
Capital and Related Financing Activities	(7.9)	(6.4)	(3.6)
Investing Activities	<u>(2.0)</u>	<u>(8.8)</u>	<u>6.6</u>
Net Increase (Decrease) In Cash	(3.0)	(6.9)	15.1
Cash-Beginning of the Year	<u>27.9</u>	<u>34.8</u>	<u>19.7</u>
Cash-End of Year	<u>\$ 24.9</u>	<u>\$ 27.9</u>	<u>\$ 34.8</u>

Total Cash and Cash Equivalents decreased by \$3.0 million in fiscal year 2023 and decreased by \$6.9 million in fiscal year 2022. Major factors impacting cash and cash equivalents are described below by source, but primarily impacted by Investing Activities.

*Operating Activities:* During fiscal year 2023 and fiscal year 2022, cash flows from operations resulted in an outflow of \$38.8 and \$37.1 million, respectively. The major source of cash receipts was from students & customers and grants & contracts (\$2.5 / \$16.1 million in 2023 and \$3.2 / \$22.2 million in 2022). The District's major cash outlay was for payments to suppliers for goods & services (\$37.3 million in 2023 and \$43.2 million in 2022) and for payments related to employees (\$20.8 in 2023 and \$19.6 in 2022).

*Non-Capital Financing Activities:* The District had a positive cash flow of \$45.7 in fiscal year 2023 and \$45.4 in fiscal year 2022 from the collection of Title IV allocations, property taxes and receipt of state appropriations. Property taxes were collected at a rate of 97.30% and 97.63% of the current year's tax levy for fiscal year 2023 and fiscal year 2022, respectively. (See table 10 below for more information on property taxes.)

*Capital and Related Financing Activities:* Capital and related financing activities resulted in a net cash outflow of \$7.9 million and \$6.4 million, for fiscal years 2023 and 2022, respectively. Cash outflows of \$13.0 million and \$11.5 million resulted from principal & interest payments and acquisition of capital assets, for fiscal years 2023 and 2022, respectively. In addition, cash inflows of \$5.1 and \$5.2 million were recognized from the collection of property taxes for fiscal years 2023 and 2022, respectively.



*Investing Activities:* Cash flows from investing activities represent investment earnings generated from the District’s various checking and certificate of deposit accounts. The District recognized cash outflow of \$2.0 million and cash inflow of \$8.8 million for fiscal years 2023 and 2022, respectively. The District participates in a public funds investment pool (LOGIC), purchases certificates of deposits and maintains demand deposit accounts.

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

TABLE 10  
PROPERTY TAX INFORMATION

	Year Ended August 31, 2023	Year Ended August 31, 2022	Year Ended August 31, 2021
Total Tax Rate per \$100	\$ 0.144916	\$ 0.154636	\$ 0.154636
Total Tax Collections	23,532,748	22,795,549	23,095,338
Tax Collection Rate	97.30%	97.63%	96.62%
Net Assessed Valuation	\$ 16,591,427,292	\$ 14,666,509,824	\$ 12,836,688,690

The District’s total tax collections increased by approximately 3.23%, due to an increase in delinquent tax collections. The Texas Southmost College Board of Trustees adopted a \$0.144916 and 0.154636 per \$100 valuation tax rate for fiscal years 2023 and 2022, respectively. Overall, the District’s tax collection rate has remained strong over the past three years.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### *Capital Assets*

At the end of Fiscal Year 2023, the District had approximately \$127.9 million (net of accumulated depreciation and amortization) invested in a broad range of capital assets, including instructional and athletic facilities, maintenance of buildings, equipment, and computer software. The decrease in capital assets primarily relates to the depreciation and amortization of existing capital assets.

Note 5 of the financial statements, which begins on page 26, provides further detailed information regarding the District’s capital assets. Table 11 summarizes capital asset activity for the year ended August 31, 2023.

TABLE 11  
CAPITAL ASSETS  
(in millions)

	Balance September 1, 2022	Increases	Balance August 31, 2023
Not Depreciated	\$ 19.8	\$ (7.1)	\$ 12.7
Buildings and Other Capital Assets	187.3	13.7	201.0
Less: Accumulated Depreciation	<u>(80.5)</u>	<u>(5.3)</u>	<u>(85.8)</u>
Net Capital Assets	<u>\$ 126.6</u>	<u>\$ 1.3</u>	<u>\$ 127.9</u>

### **Debt**

The District's general obligation bond ratings, as assigned by *Standard and Poor's* are AA / STABLE. The District's revenue bond rating is AA (SPUR) / Stable, as assigned by *Standard and Poor's*.

At year-end, the District had approximately \$33.3 million in total bonds payable. Notes 6 through 8 of the financial statements which begin on page 28 provide further detailed information regarding the District's debt obligations. Table 12 summarizes these amounts by type of debt instrument.

TABLE 12  
BONDS PAYABLE  
(in millions)

	Balance September 1, 2022	Decreases	Balance August 31, 2023
General obligations	\$ 26.8	\$ (4.4)	\$ 22.4
Revenue bonds	8.9	(0.9)	8.0
Unamortized premiums	<u>3.6</u>	<u>(0.7)</u>	<u>2.9</u>
Total bonds payable	<u>\$ 39.3</u>	<u>\$ (6.0)</u>	<u>\$ 33.3</u>

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

The Board of Trustees adopted a lower tax rate than the prior year, which is generally attributed as no increases in taxes, unless property values increase. Collections are projected to remain strong. Expenditures are expected to stay in line with the projected overall increase in revenues as the institution strives to meet instructional as well as campus improvement needs.

### CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

**TEXAS SOUTHMOST COLLEGE DISTRICT  
STATEMENT OF NET POSITION**

	August 31,	
	2023	2022
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 15,844,523	\$ 16,129,234
Investments	63,606,802	58,909,624
Accounts receivable (net)	8,452,671	8,854,467
Prepaid expenses	1,169,322	863,975
<b>Total Current Assets</b>	<u>89,073,318</u>	<u>84,757,300</u>
<b>Noncurrent Assets</b>		
Restricted cash and cash equivalents	9,037,743	11,813,994
Capital assets (net)	127,942,898	126,549,011
<b>Total Noncurrent Assets</b>	<u>136,980,641</u>	<u>138,363,005</u>
<b>Total Assets</b>	<u>226,053,959</u>	<u>223,120,305</u>
<b>Deferred Outflows of Resources</b>		
Deferred outflows related to pensions	6,513,137	5,512,555
Deferred outflows related to OPEB	4,194,115	1,088,153
Deferred refunding costs	1,121,005	1,310,374
<b>Total Deferred Outflows of Resources</b>	<u>11,828,257</u>	<u>7,911,082</u>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable	1,589,185	1,737,374
Accrued liabilities	369,744	536,634
Accrued compensable absences	505,251	497,725
Funds held for others	20,135	19,943
Unearned revenue	6,548,593	7,957,966
Bonds payable - current portion	5,585,000	5,335,000
<b>Total Current Liabilities</b>	<u>14,617,908</u>	<u>16,084,642</u>
<b>Noncurrent Liabilities</b>		
Net pension liability	7,999,492	6,432,830
Net OPEB liability	12,093,401	15,711,700
Bonds payable	27,751,026	33,998,810
<b>Total Noncurrent Liabilities</b>	<u>47,843,919</u>	<u>56,143,340</u>
<b>Total Liabilities</b>	<u>62,461,827</u>	<u>72,227,982</u>
<b>Deferred Inflows of Resources</b>		
Deferred inflows related to pensions	7,771,908	8,077,626
Deferred inflows related to OPEB	9,978,351	2,135,322
<b>Total Deferred Inflows of Resources</b>	<u>17,750,259</u>	<u>10,212,948</u>
<b>NET POSITION</b>		
Net investment in capital assets	97,527,898	90,799,011
Restricted, Expendable for		
Endowment	1,156,649	1,238,702
Capital projects	9,278,493	9,119,946
Debt service	8,686,704	6,627,605
Scholarships	3,328,378	3,265,012
Institutional scholarships	261,217	256,932
Grants	229,099	220,823
Admin projects	927	1,108,895
Encumbrances	3,172,762	4,954,731
Unrestricted	34,028,003	30,998,800
<b>Total Net Position (Schedule D)</b>	<u>\$ 157,670,130</u>	<u>\$ 148,590,457</u>

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

**TEXAS SOUTHMOST COLLEGE DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**FOR THE YEAR ENDED**

	August 31,	
	2023	2022
<b>OPERATING REVENUES</b>		
Tuition and fees (net of discounts of \$12,237,625 & \$13,670,260 respectively)	\$ 3,979,891	\$ 2,230,972
Federal grants and contracts	9,951,443	14,392,297
State grants and contracts	1,836,961	1,340,753
Local grants and contracts	3,904,609	5,098,933
Auxiliary enterprises	549,800	402,700
Total Operating Revenues (Schedule A)	<u>20,222,704</u>	<u>23,465,655</u>
<b>OPERATING EXPENSES</b>		
Instruction	11,298,911	10,957,156
Public service	1,833,343	2,990,472
Academic support	3,258,823	2,911,537
Student services	3,999,784	3,681,263
Institutional support	18,103,226	10,217,046
Operation and maintenance of plant	6,461,054	13,032,052
Scholarships and fellowships	10,638,931	14,629,974
Auxiliary enterprises	2,799,562	2,121,940
Depreciation	5,326,605	3,961,016
Total Operating Expenses (Schedule B)	<u>63,720,239</u>	<u>64,502,456</u>
Operating (Loss)	<u>(43,497,535)</u>	<u>(41,036,801)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
State appropriations	10,721,565	10,973,448
Title IV	15,362,198	15,855,996
Maintenance ad valorem taxes	18,482,893	17,573,914
Debt service ad valorem taxes	5,049,855	5,221,635
Investment income	2,690,755	317,867
Interest on capital related debt	(928,364)	(1,212,869)
Other non-operating revenues	1,220,216	1,019,412
Other non-operating expenses	(21,910)	(20,936)
Total Non-Operating Revenues (Schedule C)	<u>52,577,208</u>	<u>49,728,467</u>
Increase (Decrease) in Net Position	<u>9,079,673</u>	<u>8,691,666</u>
<b>NET POSITION</b>		
Net Position - Beginning of Year	<u>148,590,457</u>	<u>139,898,791</u>
Net Position - End of Year	<u>\$ 157,670,130</u>	<u>\$ 148,590,457</u>

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

**TEXAS SOUTHMOST COLLEGE DISTRICT  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED**

	August 31,	
	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from students and other customers	\$ 2,570,518	\$ 3,159,660
Receipts from grants and contracts	16,094,809	22,190,399
Payments to suppliers for goods or services	(37,307,756)	(43,239,106)
Payments to or on behalf of employees	(20,792,871)	(19,626,191)
Receipts from auxiliary services	549,800	402,700
Net cash provided (used) by operating activities	(38,885,500)	(37,112,538)
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Receipts from state appropriations	10,721,565	10,973,448
Receipts from Title IV allocations	15,362,198	15,855,996
Receipts from ad valorem taxes	18,482,893	17,573,914
Other non-capital financing revenue	1,220,216	1,019,412
Other non-capital financing expenses	(21,910)	(20,936)
Net cash provided (used) by non-capital financing activities	45,764,962	45,401,834
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Receipts from ad valorem tax revenues	5,049,855	5,221,635
Acquisition of capital assets	(6,720,492)	(5,249,117)
Payments on capital debt - principal	(5,335,000)	(5,100,000)
Payments on capital debt - interest and issuance costs	(928,364)	(1,212,869)
Net cash provided (used) by capital and related financing activities	(7,934,001)	(6,340,351)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of investments	(2,006,423)	(8,815,089)
Net cash provided (used) by investing activities	(2,006,423)	(8,815,089)
Increase (decrease) in cash and cash equivalents	(3,060,962)	(6,866,144)
Total Cash and cash equivalents - September 1	27,943,228	34,809,372
Total Cash and cash equivalents - August 31	\$ 24,882,266	\$ 27,943,228
Cash and cash equivalents	\$ 15,844,523	\$ 16,129,234
Restricted cash and cash equivalents	9,037,743	11,813,994
Total cash and cash equivalents	\$ 24,882,266	\$ 27,943,228

**TEXAS SOUTHMOST COLLEGE DISTRICT**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED**

	August 31,	
	<u>2023</u>	<u>2022</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>		
Operating (loss)	\$ (43,497,535)	\$ (41,036,801)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:		
Depreciation expense	5,326,605	3,961,016
Changes in assets and liabilities:		
Accounts receivable (net)	401,796	1,358,416
Prepaid expenses	(305,347)	(480,760)
Accounts payable	(147,997)	16,301
Accrued liabilities	(166,890)	(11,449)
Accrued compensated absences	7,526	8,377
Deferred inflows/outflow of resources related to pensions	260,362	88,305
Deferred inflows/outflows of resources related to OPEB	1,118,768	(1,508,228)
Deferred inflows/outflows of resources related to refunding costs	(473,415)	(436,403)
Unearned revenue	(1,409,373)	928,688
Net cash provided (used) by operating activities	<u>\$ (38,885,500)</u>	<u>\$ (37,112,538)</u>

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

**TEXAS SOUTHMOST COLLEGE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED AUGUST 31, 2023 AND 2022**

**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”). The District is considered to be a special-purpose, primary government according to the definition in Governmental Accounting Standards Board (GASB) Statement 14. While the District receives funding from local, state and federal sources, and must comply with the spending, reporting and record keeping requirements of these entities, it is not a component unit of any other governmental entity.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Report Guidelines

The significant accounting policies followed by the District in preparing these financial statements are in accordance with the *Texas Higher Education Coordinating Board’s Annual Financial Reporting Requirements for Texas Public Community Colleges*. The District applies all applicable GASB pronouncements. The District is reported as a special-purpose government engaged in business type activities.

Tuition Discounting

***Texas Public Education Grants (TPEG)*** – Certain tuition amounts must be set aside for use as scholarships by qualifying students. This set-aside, called the TPEG, is shown with tuition and fee revenue amounts as a separate set aside amount (TEC §56.033). When the award is used by the student for tuition and fees, the District records the amount as tuition discount. If the amount is dispersed directly to the student, the District records the amount as a scholarship expense.

***Title IV, Higher Education Act (HEA) Program Funds*** – Certain Title IV, HEA Program funds are received by the District to pass through to the student. These funds initially are received by the District and recorded as revenue. When the award is used by the student for tuition and fees, the amount is recorded as tuition discount. If the amount is dispersed directly to the student, the amount is recorded as a scholarship expense.

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

Basis of Accounting

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

**TEXAS SOUTHMOST COLLEGE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED AUGUST 31, 2023 AND 2022**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Budgetary Data

Each community college district in Texas is required by law to prepare an annual operating budget of anticipated revenues and expenditures for the fiscal year beginning September 1. The District's board of trustees adopts the budget, which is prepared on the accrual basis of accounting. A copy of the approved budget and subsequent amendments must be filed with the THECB, LBB, 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.

Deferred Outflows

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

Investments

In accordance with GASB Statement No. 31 *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, investments are reported at fair value. Fair values are based on published market rates. Short-term investments have an original maturity greater than three months but less than one year at time of purchase. The governing board has designated public funds investment pools comprised of \$7,523,569 and \$7,329,465, donated securities of \$248,163 and \$231,797, and certificates of deposit comprised of \$55,835,070 and \$51,348,362 for fiscal years 2023 and 2022, 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, physical plant supplies and swag store goods in stock. Inventories are valued at cost and are charged to expense as consumed. The District inventory carrying balance is \$32,356 and \$24,675 for fiscal years ended 2023 and 2022, respectively.



**TEXAS SOUTHMOST COLLEGE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED AUGUST 31, 2023 AND 2022**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Capital Assets

The District records capital assets 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. The District capitalizes renovations of \$100,000 to buildings and infrastructure and land improvements that significantly increase the value or extend the useful life of the structure. The District charges costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives 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.

Other Post-Employment Benefits (OPEB)

The fiduciary net position of the Employees Retirement System of Texas (ERS) State Retiree Health Plan (SRHP) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes, for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits; OPEB expense; and information about assets, liabilities and additions to/deductions from SRHP's fiduciary net position. Benefit payments are recognized when due and are payable in accordance with the benefit terms.

Pensions

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

Unearned Revenue

Tuition and fees of \$530,373 and \$6,331,462 and federal, state, and local grants of \$6,018,220 and \$1,626,504 have been reported by the District as unearned revenue at August 31, 2023 and 2022, respectively.

Deferred Inflows

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

**TEXAS SOUTHMOST COLLEGE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED AUGUST 31, 2023 AND 2022**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Leases

Lessee: The District is a lessee for a noncancellable lease of equipment. The District recognizes lease liabilities with an initial, individual value of \$50,000 or more. In fiscal year 2023 and 2022, the College did not participate in leases meeting these criteria. Had the District participated in leases that met the criteria, it would have recognized a lease liability and an intangible right-to-use lease asset in the financial statements.

At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Lessor: The District is a lessor for the non-renewing, annually agreed upon lease of a building space. Had the District participated in leases that met the criteria, the District would have recognized a lease receivable and a deferred inflow of resources in the financial statements.

At the commencement of a lease, the District initially measures the lease receivable at the present value of fixed or minimum payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Estimates

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

Operating and Non-Operating Revenue and Expense Policy

The District distinguishes operating revenues and expenses from non-operating items. The District reports as a Business Type Activity and as a single, proprietary fund. Operating revenues and expenses generally result from providing services in connection with the college's principal ongoing operations. The principal operating revenues are tuition and related fees. The major non-operating revenues are state appropriations and property tax collections. Operating expenses include the cost of goods and services, administrative expenses, and depreciation on capital assets. The operation of a bookstore is not performed by the District.

Reclassification of Prior Year Presentation

Certain prior year amounts have been reclassified for consistency with current year's presentation. These reclassifications have no effect on the reported results of operations.

**TEXAS SOUTHMOST COLLEGE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED AUGUST 31, 2023 AND 2022**

**3. AUTHORIZED INVESTMENTS**

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

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

**4. DEPOSITS AND INVESTMENTS**

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

<b>Cash and Deposits For the Year Ended</b>		August 31,	
	2023	2022	
Bank Deposits			
Demand Deposits - Unrestricted	\$ 17,489,819	\$ 16,401,270	
Demand Deposits - Restricted	9,115,740	12,330,948	
Certificates of Deposit	55,835,070	51,348,362	
External investment pools	7,523,569	7,329,465	
Money market	248,163	231,797	
Total Bank Deposits	90,212,361	87,641,842	
Cash and Cash Equivalents			
Petty Cash on Hand	500	500	
Reconciling Items in Transit	(1,723,793)	(789,490)	
Total	\$ 88,489,068	\$ 86,852,852	

**Reconciliation of Deposits and Investments**

Type of Deposit or Investment	Fair Value 8/31/2023	Fair Value 8/31/2022
Total Cash and Deposits	\$ 24,882,266	\$ 27,943,228
Total Investments	63,606,802	58,909,624
Total Deposits and Investments	\$ 88,489,068	\$ 86,852,852
Cash and cash equivalents	\$ 15,844,523	\$ 16,129,234
Restricted cash and cash equivalents	9,037,743	11,813,994
Investments	63,606,802	58,909,624
Total Deposits and Investments	\$ 88,489,068	\$ 86,852,852

**TEXAS SOUTHMOST COLLEGE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED AUGUST 31, 2023 AND 2022**

**4. DEPOSITS AND INVESTMENTS (CONTINUED)**

As of August 31, 2023 the District had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>	<u>W.A.M.</u>
Investment Pool - LOGIC	\$ 7,523,569	Less than 1 Yr.	33 Days
Certificates of Deposit	55,835,070	Less than 1 Yr.	30-180 Days
Endowment Donation - Common Stock	248,163	Less than 1 Yr.	33 Days
Total Fair Value	<u>\$ 63,606,802</u>		

Local Government Investment Cooperative (LOGIC) (the “Pool”) was organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code, and operates as a public funds investment pool under the Public Funds Investment Act. LOGIC is organized and existing as a business trust under the laws of the State of Texas with all participant funds and all investment assets held and managed in trust by a Board of Trustees for the benefit of the participants. The Board of Trustees is LOGIC’s governing body and is comprised of employees, officers or elected officials of Participant Government Entities or individuals who do not have a business relationship with the Pool and are qualified to advise it. In order to comply with the Public Funds Investment Act, all Portfolios will maintain a AAAM or equivalent rating from at least one nationally recognized rating agency. Class A Units of LOGIC I are currently rated “AAAm” by Standard & Poor’s. LOGIC uses amortized cost to report net position to compute share prices. Accordingly, the fair value of the position in LOGIC is the same value as the value in LOGIC shares.

**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 as well.

**Concentration of Credit Risk** – The district does not place a limit on the amount the district may invest in any one issuer. Ninety-five percent (95%) of the district’s investments are in external investment pools.

**Custodial Credit Risk** – To control custody risk, State law and the District’s adopted Investment Policy require collateral for all time and demand deposits held in the College’s name. The custodian is required to provide original safekeeping receipts and reporting of positions and position descriptions including market value. Deposits must be collateralized to 102% (with 110% on mortgaged-backed securities), and transactions are required to be executed under a written agreement. The counter-party of each type of transaction is held contractually liable for monitoring and maintaining the required collateral margins on a daily basis. As of August 31, 2023, the Portfolio did not contain any repurchase agreements or certificates of deposit. All bank demand deposits were fully insured and collateralized. All pledged bank collateral for demand deposits was held by an independent institution outside the bank’s holding company.

**TEXAS SOUTHMOST COLLEGE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED AUGUST 31, 2023 AND 2022**

**4. DEPOSITS AND INVESTMENTS (CONTINUED)**

At August 31, 2023, and 2022, the carrying amount of the District’s cash on hand & deposits was \$24,882,266 and \$27,943,228, respectively, and total bank balances equaled \$26,605,559 and \$28,732,218, respectively. Bank balances are covered by Federal depository insurance of up to \$250,000 per financial institution and \$26,355,559 and \$28,482,218 was covered by collateral pledged with securities held by the pledging financial institution’s trust department or agent in the District’s name for the years ended August 31, 2023 and 2022, respectively.

**Fair Value of Financial Instruments** – GASB Statement No. 72, Fair Value Measurement and Application, provides a framework for measuring fair value for certain investments. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets of liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the government can access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

The fair value hierarchy pools of investments at August 31, 2023 is as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
External investment pools	\$ -	\$ 7,523,569	\$ -	\$ 7,523,569
Certificates of deposit	-	55,835,070	-	55,835,070
Money market	<u>248,163</u>	<u>-</u>	<u>-</u>	<u>248,163</u>
Total	<u>\$ 248,163</u>	<u>\$ 63,358,639</u>	<u>\$ -</u>	<u>\$ 63,606,802</u>

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**TEXAS SOUTHMOST COLLEGE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
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**5. CAPITAL ASSETS**

Capital asset activity for the year ended August 31, 2023 was as follows:

	Balance September 1, 2022	Increases	Decreases	Balance August 31, 2023
<u>Not Depreciated:</u>				
Land	\$ 6,525,905	\$ -	\$ -	\$ 6,525,905
Construction in progress	13,213,625	6,319,782	(13,353,215)	6,180,192
Subtotal	<u>19,739,530</u>	<u>6,319,782</u>	<u>(13,353,215)</u>	<u>12,706,097</u>
<u>Buildings and Other Capital Assets</u>				
Buildings and building improvements	158,942,429	-	-	158,942,429
Other real estate improvements	10,062,757	12,412,277	-	22,475,034
Total Buildings and Other Real Estate Improvements	<u>169,005,186</u>	<u>12,412,277</u>	<u>-</u>	<u>181,417,463</u>
Software and other intangibles	327,074	-	-	327,074
Furniture, machinery, and equipment	17,907,311	1,341,648	-	19,248,959
Subtotal	<u>18,234,385</u>	<u>1,341,648</u>	<u>-</u>	<u>19,576,033</u>
Total Buildings and Other Capital Assets	<u>187,239,571</u>	<u>13,753,925</u>	<u>-</u>	<u>200,993,496</u>
<u>Accumulated Depreciation:</u>				
Buildings and building improvements	(56,348,129)	(2,881,299)	-	(59,229,428)
Other real estate improvements	(8,712,670)	(1,317,190)	-	(10,029,860)
Total Buildings and Other Real Estate Improvements	<u>(65,060,799)</u>	<u>(4,198,489)</u>	<u>-</u>	<u>(69,259,288)</u>
Software and other intangibles	(314,716)	(12,350)	-	(327,066)
Furniture, machinery, and equipment	(15,054,575)	(1,115,766)	-	(16,170,341)
Subtotal	<u>(15,369,291)</u>	<u>(1,128,116)</u>	<u>-</u>	<u>(16,497,407)</u>
Total Accumulated Depreciation	<u>(80,430,090)</u>	<u>(5,326,605)</u>	<u>-</u>	<u>(85,756,695)</u>
Net Capital Assets	<u>\$ 126,549,011</u>	<u>\$ 14,747,102</u>	<u>\$ (13,353,215)</u>	<u>\$ 127,942,898</u>

**TEXAS SOUTHMOST COLLEGE DISTRICT  
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**5. CAPITAL ASSETS (CONTINUED)**

Capital asset activity for the year ended August 31, 2022 was as follows:

	Balance September 1, 2021	Increases	Balance August 31, 2022
<u>Not Depreciated:</u>			
Land	\$ 6,525,905	\$ -	\$ 6,525,905
Construction in progress	9,642,256	3,571,369	13,213,625
Subtotal	<u>16,168,161</u>	<u>3,571,369</u>	<u>19,739,530</u>
<u>Buildings and Other Capital Assets</u>			
Buildings and building improvements	158,942,429	-	158,942,429
Other real estate improvements	9,672,061	390,696	10,062,757
Total Buildings and Other Real Estate Improvements	<u>168,614,490</u>	<u>390,696</u>	<u>169,005,186</u>
Software and other intangibles	327,074	-	327,074
Furniture, machinery, and equipment	16,620,259	1,287,052	17,907,311
Subtotal	<u>16,947,333</u>	<u>1,287,052</u>	<u>18,234,385</u>
Total Buildings and Other Capital Assets	<u>185,561,823</u>	<u>1,677,748</u>	<u>187,239,571</u>
<u>Accumulated Depreciation:</u>			
Buildings and building improvements	(53,522,398)	(2,825,731)	(56,348,129)
Other real estate improvements	(8,526,019)	(186,651)	(8,712,670)
Total Buildings and Other Real Estate Improvements	<u>(62,048,417)</u>	<u>(3,012,382)</u>	<u>(65,060,799)</u>
Software and other intangibles	(288,203)	(26,513)	(314,716)
Furniture, machinery, and equipment	(14,132,454)	(922,121)	(15,054,575)
Subtotal	<u>(14,420,657)</u>	<u>(948,634)</u>	<u>(15,369,291)</u>
Total Accumulated Depreciation	<u>(76,469,074)</u>	<u>(3,961,016)</u>	<u>(80,430,090)</u>
Net Capital Assets	<u>\$ 125,260,910</u>	<u>\$ 1,288,101</u>	<u>\$ 126,549,011</u>

**TEXAS SOUTHMOST COLLEGE DISTRICT  
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**6. NONCURRENT LIABILITIES**

	Balance September 1, 2022	Increases	Decreases	Balance August 31, 2023	Current Portion
<u>Bonds</u>					
General obligation bonds	\$ 26,835,000	\$ -	\$ 4,410,000	\$ 22,425,000	\$ 4,620,000
Revenue bonds	8,915,000	-	925,000	7,990,000	965,000
Unamortized premiums	3,583,810	-	662,784	2,921,026	-
Total Bonds	<u>39,333,810</u>	<u>-</u>	<u>5,997,784</u>	<u>33,336,026</u>	<u>5,585,000</u>
Net pension liability	6,432,830	1,566,662	-	7,999,492	-
Net OPEB liability	15,711,700	-	3,618,299	12,093,401	-
Total Noncurrent Liabilities	<u>\$ 61,478,340</u>	<u>\$ 1,566,662</u>	<u>\$ 9,616,083</u>	<u>\$ 53,428,919</u>	<u>\$ 5,585,000</u>

	Balance September 1, 2021	Increases	Decreases	Balance August 31, 2022	Current Portion
<u>Bonds</u>					
General obligation bonds	\$ 31,045,000	\$ -	\$ 4,210,000	\$ 26,835,000	\$ 4,410,000
Revenue bonds	9,805,000	-	890,000	8,915,000	925,000
Unamortized premiums	4,209,578	-	625,768	3,583,810	-
Total Bonds	<u>45,059,578</u>	<u>-</u>	<u>5,725,768</u>	<u>39,333,810</u>	<u>5,335,000</u>
Net pension liability	14,673,927	-	8,241,097	6,432,830	-
Net OPEB liability	15,275,720	435,980	-	15,711,700	-
Total Noncurrent Liabilities	<u>\$ 75,009,225</u>	<u>\$ 435,980</u>	<u>\$ 13,966,865</u>	<u>\$ 61,478,340</u>	<u>\$ 5,335,000</u>

**7. DEBT OBLIGATIONS**

Debt service requirements at August 31, 2023 were as follows:

For the year Ended	General Obligation Bonds			Revenue Bonds			Total Bonds		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
<u>August 31,</u>									
2024	\$ 4,620,000	\$ 845,563	\$ 5,465,563	\$ 965,000	\$ 319,600	\$ 1,284,600	\$ 5,585,000	\$ 1,165,163	\$ 6,750,163
2025	4,835,000	634,250	5,469,250	1,000,000	281,000	1,281,000	5,835,000	915,250	6,750,250
2026	5,045,000	415,538	5,460,538	1,040,000	241,000	1,281,000	6,085,000	656,538	6,741,538
2027	1,565,000	275,375	1,840,375	1,080,000	199,400	1,279,400	2,645,000	474,775	3,119,775
2028	1,420,000	219,013	1,639,013	1,125,000	156,200	1,281,200	2,545,000	375,213	2,920,213
2029-2033	4,940,000	413,875	5,353,875	2,780,000	191,400	2,971,400	7,720,000	605,275	8,325,275
	<u>\$ 22,425,000</u>	<u>\$ 2,803,614</u>	<u>\$ 25,228,614</u>	<u>\$ 7,990,000</u>	<u>\$ 1,388,600</u>	<u>\$ 9,378,600</u>	<u>\$ 30,415,000</u>	<u>\$ 4,192,214</u>	<u>\$ 34,607,214</u>



**TEXAS SOUTHMOST COLLEGE DISTRICT  
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**8. BONDS PAYABLE**

General information related to bonds payable is summarized below:

Limited Tax Refunding Bond Series 2014A

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

Bonds payable are due in annual installments varying from \$2,985,000 to \$3,195,000 with interest at 2% to 5% and the final installment due February 2026.

<u>For the year ended August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 2,985,000	\$ 392,875	\$ 3,377,875
2025	3,170,000	239,000	3,409,000
2026	<u>3,195,000</u>	<u>79,875</u>	<u>3,274,875</u>
	<u>\$ 9,350,000</u>	<u>\$ 711,750</u>	<u>\$ 10,061,750</u>

Maintenance Tax Refunding Bonds, Series 2014B

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

Bonds payable are due in annual installments varying from \$285,000 to \$365,000 with interest at 2% to 5% and the final installment due February 2026.

<u>For the year ended August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 330,000	\$ 33,700	\$ 363,700
2025	290,000	18,200	308,200
2026	<u>365,000</u>	<u>5,475</u>	<u>370,475</u>
	<u>\$ 985,000</u>	<u>\$ 57,375</u>	<u>\$ 1,042,375</u>

**TEXAS SOUTHMOST COLLEGE DISTRICT  
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**8. BONDS PAYABLE (CONTINUED)**

Limited Tax Refunding Bonds, Series 2015

- To be used for the purpose of maintenance and renovation of existing facilities
- Issued limited tax refund on November 2015
- \$8,810,000, all authorized notes have been issued
- Source of revenue for debt service-ad valorem tax levy

Bonds payable are due in annual installments varying from \$380,000 to \$1,070,000 with interest at 2% to 5% and the final installment due February 2032.

<u>For the year ended August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 395,000	\$ 259,350	\$ 654,350
2025	390,000	245,600	635,600
2026	395,000	232,838	627,838
2027	880,000	210,525	1,090,525
2028	910,000	178,063	1,088,063
2029-2033	4,025,000	330,300	4,355,300
	<u>\$ 6,995,000</u>	<u>\$ 1,456,676</u>	<u>\$ 8,451,676</u>

Wellness Center Revenue Refunding Bonds, Series 2017

- To refund Wellness Center Revenue Bonds Series 2005; previously issued to construct, operate, maintain, renovate, or improve a wellness, recreational, and fitness complex
- Bonds issued on August 29, 2017
- \$8,730,000, all authorized bonds have been issued
- Source of revenue for debt service-Wellness Center Fees

Bonds payable are due in annual installments varying from \$640,000 to \$840,000 with interest at 4.0% and the final installment due August 2030.

<u>For the year ended August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 665,000	\$ 209,600	\$ 874,600
2025	690,000	183,000	873,000
2026	720,000	155,400	875,400
2027	745,000	126,600	871,600
2028	775,000	96,800	871,800
2029-2033	1,645,000	99,400	1,744,400
	<u>\$ 5,240,000</u>	<u>\$ 870,800</u>	<u>\$ 6,110,800</u>

**TEXAS SOUTHMOST COLLEGE DISTRICT  
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**8. BONDS PAYABLE (CONTINUED)**

Combined Fee Revenue Refunding Bonds, Series 2017

- To refund Combined Fee Revenue Bonds, Series 2006; previously issued to acquire land, construct and renovate buildings
- Bonds issued on August 29, 2017
- \$4,310,000 all authorized bonds have been issued
- Source of revenue for debt service - Tuition & Student Fees, interest and other investment earnings

Bonds payable are due in annual installments varying from \$285,000 to \$395,000 with interest at 4.0% and the final installment due August 2031.

<u>For the year ended August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 300,000	\$ 110,000	\$ 410,000
2025	310,000	98,000	408,000
2026	320,000	85,600	405,600
2027	335,000	72,800	407,800
2028	350,000	59,400	409,400
2029-2033	1,135,000	92,000	1,227,000
	<u>\$ 2,750,000</u>	<u>\$ 517,800</u>	<u>\$ 3,267,800</u>

Maintenance Tax Refunding Bonds, Series 2017

- To refund Maintenance Tax Notes Series 2007, 2008 & 2009; previously issued for maintenance and renovation of existing facilities
- Issued August 23, 2017
- \$4,300,000, 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 \$300,000 to \$535,000 with interest at 1.875% to 4.0% and the final installment due August 2029.

<u>For the year ended August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 500,000	\$ 58,488	\$ 558,488
2025	440,000	49,400	489,400
2026	300,000	42,000	342,000
2027	535,000	28,300	563,300
2028	410,000	9,400	419,400
2029-2033	30,000	600	30,600
	<u>\$ 2,215,000</u>	<u>\$ 188,188</u>	<u>\$ 2,403,188</u>

**TEXAS SOUTHMOST COLLEGE DISTRICT  
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**8. BONDS PAYABLE (CONTINUED)**

Limited Tax Refunding Bonds, Series 2017

- To refund Limited Tax Bonds Series 2008 and 2009; previously issued for the construction and equipment of school buildings and the purchase of necessary sites
- Issued August 23, 2017
- \$3,305,000, 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 \$100,000 to \$790,000 with interest at 3.0% to 4.0% and the final installment due August 2033.

<u>For the year ended August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 410,000	\$ 101,150	\$ 511,150
2025	545,000	82,050	627,050
2026	790,000	55,350	845,350
2027	150,000	36,550	186,550
2028	100,000	31,550	131,550
2029-2033	885,000	82,975	967,975
	<u>\$ 2,880,000</u>	<u>\$ 389,625</u>	<u>\$ 3,269,625</u>

**9. EMPLOYEES' RETIREMENT PLAN**

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

Teacher Retirement System of Texas

*Plan Description*

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

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

**TEXAS SOUTHMOST COLLEGE DISTRICT  
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**9. EMPLOYEES' RETIREMENT PLAN (CONTINUED)**

*Pension Plan Fiduciary Net Position*

Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Annual Comprehensive Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at:

<https://www.trs.texas.gov/TRS%20Documents/2023%20ACFR%20Final%2011-20-2023.pdf>

or by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

*Benefits Provided*

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description, above.

*Contributions*

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

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 86th Texas Legislature amended Texas Government Code 825.402 for member contributions and increased employee and employer contribution rates for fiscal years 2022 through 2025.

	<u>Contribution Rates</u>	
	<u>2023</u>	<u>2022</u>
Member	8.00%	8.00%
Non-Employer Contributing Entity (State)	4.00%	3.875%
Employers	4.00%	3.875%
Current fiscal year College Contributions		\$690,190
Current fiscal year Member Contributions		1,178,373
FY 2022 State of Texas On-behalf Contributions		424,411

**TEXAS SOUTHMOST COLLEGE DISTRICT  
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**9. EMPLOYEES' RETIREMENT PLAN (CONTINUED)**

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State is the employer for senior colleges, medical schools and state agencies, including TRS. In each respective role, the State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA).

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

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

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

In addition to the employer contributions listed above, there are two additional surcharges an employer is subject to:

- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.
- When employing a retiree of the Teacher Retirement System, the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

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**9. EMPLOYEES' RETIREMENT PLAN (CONTINUED)**

*Actuarial Assumptions*

The total pension liability in the August 31, 2023 actual valuation was determined using the following assumptions:

Valuation Date	Aug 31, 2022 rolled forward to Aug 31, 2023
Actuarial cost Method	Individual Entry Age Normal
Asset Valuation Method	Fair Value
Actuarial Assumptions:	
Single Discount Rate	7.00%
Long-term Expected Rate	7.00%
	4.13% - The source for the rate is the Fixed Income Market Data/Yield Curve/ Data Municipal bonds with 20 years to maturity that include only federally taxexempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index."
Municipal Bond Rate as of August 2020	
Last year ending August 31 in Projection Period (100 years)	2122
Inflation	2.3%
Salary Increases Including Inflation	2.95% to 8.95% including inflation
Ad hoc Post-Employment Benefit Changes	None

The actuarial methods and assumptions were selected by the board of trustees based upon analysis and recommendations by the system's actuary. The board of trustees has sole authority to determine the actuarial assumptions used for the plan. The actuarial methods and assumptions were primarily based on a study of actual experience for the three-year period ending August 31, 2017 and were adopted in July 2018. There were no changes to the actuarial assumptions or other inputs that affected the measurement of the total pension liability since the prior measurement period. Assumptions, methods, and plan changes were not updated from the prior year's report.

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

*Discount Rate*

The discount rate used to measure the total pension liability was 7.00 percent. The single discount rate was based on the expected rate of return on pension plan investments of 7.00 percent. The projection of cash flows used to determine the single discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity will be made at the rates set by the Legislature during the 2019 session. It is assumed that future employer and state contributions will be 8.50% of payroll in fiscal year 2022 gradually increasing to 9.55% of payroll over the next several years. This includes all employer and state contributions for active and rehired retirees.

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**9. EMPLOYEES' RETIREMENT PLAN (CONTINUED)**

Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term rate of return on pension plan investments is 7.00 percent. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the TRS' target asset allocation as of August 31, 2022, is summarized below:

Asset Class	FY 2023 Target Allocation	Long-Term Expected Geometric Real Rate of Return	Expected Contribution To Long-Term Portfolio Returns
Global Equity			
U.S.	18.00%	4.00%	1.00%
Non-U.S. Developed	13.00%	4.50%	0.90%
Emerging Markets	9.00%	4.80%	0.70%
Private Equity	14.00%	7.00%	1.50%
Stable Value			
Government Bonds	16.00%	2.50%	0.50%
Absolute Return	0.00%	3.60%	0.00%
Stable Value Hedge Funds	5.00%	4.10%	0.20%
Real Return			
Real Assets	15.00%	4.90%	1.10%
Energy and Natural Resources	6.00%	4.80%	0.40%
Commodities	0.00%	4.40%	0.00%
Risk Parity			
Risk Parity	8.00%	4.50%	0.40%
Asset allocation leverage			
Cash	2.00%	3.70%	0.00%
Asset allocation leverage	-6.00%	4.40%	-0.10%
Inflation Expectation			2.30%
Volatility Drag			-0.90%
Total	100.00%		8.00%



**TEXAS SOUTHMOST COLLEGE DISTRICT  
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**9. EMPLOYEES' RETIREMENT PLAN (CONTINUED)**

*Discount Rate Sensitivity Analysis*

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (7.00%) in measuring the 2023 Net Pension Liability.

	1% Decrease in Discount Rate (6.00%)	Discount Rate (7.00%)	1% Increase in Discount Rate (8.00%)
Entity's proportionate share of the net pension liability:	\$12,444,176	\$7,999,492	\$4,396,866

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

At August 31, 2023, the District reported a liability of \$7,999,492 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the employer were as follows:

Employer's Proportionate share of the collective net pension liability	\$ 7,999,492
State's proportionate share that is associated with employer	<u>5,399,616</u>
Total	<u><u>\$ 13,399,108</u></u>

The net pension liability was measured as of August 31, 2023 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2022 thru August 31, 2023.

At the measurement date of August 31, 2023 the employer's proportion of the collective net pension liability was 0.000134745465% which was an decrease of 0.000117854596% from its proportion measured as of August 31, 2022.

For the year ended August 31, 2023, the District recognized pension expense of \$516,142 and revenue of \$516,142 for support provided by the State.

At August 31, 2023, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**TEXAS SOUTHMOST COLLEGE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
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**9. EMPLOYEES' RETIREMENT PLAN (CONTINUED)**

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experiences	\$ 115,992	\$ 174,404
Changes in actuarial assumptions	1,490,566	371,491
Difference between projected and actual investment earnings	3,108,124	2,317,799
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	1,798,455	4,908,214
Contributions paid to TRS subsequent to the measurement date	<u>-</u>	<u>-</u>
Total	<u>\$ 6,513,137</u>	<u>\$ 7,771,908</u>

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

<u>Year ended</u>	<u>Pension Expense Amount</u>
2024	\$ 1,787,669
2025	1,653,966
2026	860,289
2027	59,588
Thereafter	43,517

**Optional Retirement Plan**

*Plan Description* 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 Legislature. The percentages of participant salaries contributed by the state, the college, and each participant are 3.300%, 3.300%, and 6.600%, respectively. The District does not contribute for employees who were participating in the optional retirement program prior to September 1, 1995. Benefits fully vest after one year plus one day of employment. Because these are individual annuity contracts, the state has no additional or unfunded liability for this program.

The retirement expense to the State for the District was \$92,554 and \$112,349 for the fiscal years ended August 31, 2023 and 2022, respectively. The amount represents the portion of expended appropriations made by the State Legislature on behalf of the District.

The total payroll for all District employees was \$20,633,507 and \$19,623,119 for fiscal years 2023 and 2022, respectively. The total payroll of employees covered by the Optional Retirement Program was \$2,804,663 and \$3,404,545 for fiscal years 2023 and 2022, respectively.

**TEXAS SOUTHMOST COLLEGE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
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**10. DEFERRED COMPENSATION PROGRAM**

District employees may elect to defer a portion of their earnings for income tax and investment purposes pursuant to authority granted in Government Code 609.001. The plan is essentially an unfunded promise to pay by the employer to each of the plan participants. As of August 31, 2023 and 2022, the District did not have any employees participating in a deferred compensation program.

**11. COMPENSABLE ABSENCES**

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

Sick leave is accrued at the rate of 8 hours for each full month of employment for benefits-eligible employees and shall accrue to a maximum of 90 workdays (720 hours). The District’s policy is to recognize the cost of sick leave when paid. The liability is not shown in the financial statements because sick leave does not qualify as a compensated absence since it is contingent on a future event (namely, illness) that is beyond the control of both the employer and the employee. Compensable absences activity for the years ended August 31, 2023 and 2022 was as follows:

	Balance September 1, 2022	Increases	Decreases	Balance August 31, 2023
Compensable absences	\$ 497,725	\$ 333,863	\$ (326,337)	\$ 505,251
	Balance September 1, 2021	Increases	Decreases	Balance August 31, 2022
Compensable absences	\$ 489,348	\$ 298,980	\$ (290,603)	\$ 497,725

**12. HEALTH CARE AND LIFE INSURANCE BENEFITS**

Certain health care and life insurance benefits for active employees are provided through an insurance company whose premiums are based on benefits paid during the previous year. The state recognizes the cost of providing their benefits by expending the annual insurance premiums. The state’s contribution per full-time employee was \$622.60 per month for the year ended August 31, 2023 (\$625 per month for fiscal year 2022) and totaled \$1,107,948 for the year ended August 31, 2023 (\$1,107,948 for the year ended August 31, 2022). The cost of providing benefits was \$2,377,459 for the year ended August 31, 2023 (\$2,421,580 for the year ended August 31, 2022). The cost of providing those benefits for retirees is not separable from the cost of providing benefits for the active employees. SB 1812, effective September 1, 2013, limits the amount of the state’s contribution to 50 percent of eligible employees in the reporting district.

**TEXAS SOUTHMOST COLLEGE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
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**13. OTHER POST-EMPLOYMENT BENEFITS**

*OPEB Plan Description*

The District participates in a cost-sharing, multiple-employer, other post-employment benefit (OPEB) plan with a special funding situation. The Texas Employees Group Benefits Program (GBP) is administered by the Employees Retirement System of Texas (ERS). The GBP provides certain postemployment health care, life and dental insurance benefits to retired employees of participating universities, community colleges, and State agencies in accordance with Chapter 1551, Texas Insurance Code. Almost all employees may become eligible for those benefits if they reach normal retirement age while working for the State and retire with at least 10 years of service to eligible entities. Surviving spouses and dependents of these retirees are also covered. Benefit and contribution provisions of the GBP are authorized by State law and may be amended by the Texas Legislature.

*OPEB Plan Fiduciary Net Position*

Detailed information about the GBP's fiduciary net position is available in the separately issued ERS Annual Comprehensive Financial Report (ACFR) that includes financial statements, notes to the financial statements and required supplementary information. That report may be obtained on the Internet at <https://ers.texas.gov/About-ERS/Reports-and-Studies/Reports-on-Overall-ERS-Operations-and-Financial-Management>; or by writing to ERS at: 200 East 18th Street, Austin, TX 78701; or by calling (877) 275-4377. The fiduciary net position of the plan has been determined using the same basis used by the OPEB plan.

*Benefits Provided*

Retiree health benefits offered through the GBP are available to most State of Texas retirees and their eligible dependents. Participants need at least ten years of service credit with an agency or institution that participates in the GBP to be eligible for GBP retiree insurance. The GBP provides self-funded group health (medical and prescription drug) benefits for eligible retirees under HealthSelect. The GBP also provides a fully insured medical benefit option for Medicare-primary participants under the HealthSelect Medicare Advantage Plan and life insurance benefits to eligible retirees via a minimum premium funding arrangement. The authority under which the obligations of the plan members and employers are established and/or may be amended is Chapter 1551, Texas Insurance Code.

*Contributions*

Section 1551.055 of Chapter 1551, Texas Insurance Code, provides that contribution requirements of the plan members and the participating employers are established and may be amended by the ERS Board of Trustees. The employer and member contribution rates are determined annually by the ERS Board of Trustees based on the recommendations of ERS staff and its consulting actuary. The contribution rates are determined based on (i) the benefit and administrative costs expected to be incurred, (ii) the funds appropriated and (iii) the funding policy established by the Texas Legislature in connection with benefits provided through the GBP. The Trustees revise benefits when necessary to match expected benefit and administrative costs with the revenue expected to be generated by the appropriated funds.

**TEXAS SOUTHMOST COLLEGE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
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**13. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)**

The following table summarizes the maximum monthly employer contribution toward eligible retirees' health and basic life premium. Retirees pay any premium over and above the employer contribution. The employer does not contribute toward dental or optional life insurance. Surviving spouses and their dependents do not receive any employer contribution. As the non-employer contributing entity (NECE), the State of Texas pays part of the premiums for the junior and community colleges.

Fiscal Years Ended August 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Retiree only	\$ 622.60	\$ 624.82
Retiree & Spouse	1,338.60	1,340.82
Retiree & Children	1,102.00	1,104.22
Retiree & Family	1,818.00	1,820.22

Contributions of premiums to the GBP plan for the current and prior fiscal year by source is summarized in the following table:

Premium Contributions by Source  
Group Benefits Program Plan  
Fiscal Years Ended August 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Current fiscal year employer contributions	\$ 1,251,742	\$ 1,523,164
Current fiscal year member contributions	454,781	306,950
2022 measurement year NECE-on-behalf contributions	1,107,948	1,164,760

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**TEXAS SOUTHMOST COLLEGE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
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**13. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)**

*Actuarial Assumptions*

The total OPEB liability was determined by an actuarial valuation as of August 31, 2022 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified (sourced from FY 2022 ERS ACFR):

Valuation Date	August 31, 2022
Actuarial Cost Method	Entry Age
Amortization Method	Level percent of pay, open
Remaining Amortization Period	30 Years
Asset Valuation Method	N/A
Discount Rate	3.59%
Aggregate Payroll Growth	2.70%
Projected Annual Salary Increase	2.30% to 8.95% (includes inflation)
Healthcare Trend Rates	5.60% for FY2024, 5.30% for FY2025, 5.00% for FY2026, 4.75% for FY2027, 4.60% for FY2028, decreasing 10 basis points per year to an ultimate rate of 4.30% for FY2031 and later years
Inflation Assumption Rate	2.3%
Mortality Assumptions:	
Service retirees, survivors and other inactive members	Tables based on TRS experience with Ultimate MP-2021 Projection Scale from the year 2021.
Disability Retirees	Tables based on Teachers Retirement System of Texas experience with Ultimate MP-2021 Projection Scale from the year 2021 using a 3-year set forward and minimum mortality rates of four per 100 male members and two per 100 female members.
Active Members	Sex Distinct Pub-2010 Amount-Weighted Below-Median Income Teacher Mortality with a 2-year set forward for males with Ultimate MP-2021 Projection Scale from the year 2010.

Many of the actuarial assumptions used in this valuation were based on the results of actuarial experience studies performed by the ERS retirement plan actuary as of August 31, 2019 and the TRS retirement plan actuary as of August 31, 2017. Several assumptions or other inputs have been updated since the prior valuation as shown in Section VI of this report.

**TEXAS SOUTHMOST COLLEGE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
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**13. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)**

*Investment Policy*

The SRHP is a pay-as-you-go plan and does not accumulate funds in advance of retirement; therefore, the assumed asset allocation and long-term expected real rate of return on investments is not applicable. The ERS's Board of Trustees adopted the amendment to the investment policy in August 2017 to require that all funds in the SRHP be invested in short-term fixed income securities and specify that the expected rate of return on these investments is 2.4%.

*Discount Rate*

Because the SRHP does not accumulate funds in advance of retirement, the discount rate that was used to measure the total OPEB liability is the municipal bond rates. The discount rate used to determine the total OPEB liability as of the end of the measurement year was 3.59% to reflect the requirements of GASB 75. The source of the municipal bond rate was the Bond Buyer Index of general obligation bonds with 20 years to maturity and mixed credit quality. The bonds' average credit quality is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard & Poor's Corp.'s AA rating. Projected cash flows into the SRHP are equal to projected benefit payments out of the plan. Because SRHP operates on a pay-as-you-go basis and is not intended to accumulate assets, there is no long-term expected rate of return on plan assets and therefore the years of projected benefit payments to which the long-term expected rate of return is applicable is zero years.

*Discount Rate Sensitivity Analysis*

The following schedule shows the impact on the District's proportionate share of the collective net OPEB Liability if the discount rate used was 1 percent less than and 1 percent greater than the discount rate that was used (3.59%) in measuring the net OPEB Liability.

	1% Decrease in Discount Rate (2.59%)	Discount Rate (3.59%)	1% Increase in Discount Rate (4.59%)
District's proportionate share of the net OPEB liability:	\$14,104,560	\$12,093,401	\$10,484,957

*Healthcare Trend Rate Sensitivity Analysis*

The initial healthcare trend rate is 7.3% and the ultimate rate is 4.5%. The following schedule shows the impact of the college's proportionate share of the collective net OPEB liability if the healthcare cost trend rate used was 1 percent less than 1 percent greater than the healthcare cost trend rate that was used (7.3%) in measuring the net OPEB liability.

	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
District's proportionate share of the net OPEB liability:	\$10,356,336	\$12,093,401	\$14,311,164

**TEXAS SOUTHMOST COLLEGE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
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**13. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)**

*OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB*

At August 31, 2023, the District reported a liability of \$12,093,401 for its proportionate share of the ERS’s net OPEB liability. This liability reflects a reduction for State support provided to the District for OPEB. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

Employer’s Proportionate share of the collective net OPEB liability	\$12,093,401
State’s proportionate share that is associated with employer	<u>1,107,948</u>
Total	<u><u>\$13,201,349</u></u>

The net OPEB liability was measured as of August 31, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The employer’s proportion of the net OPEB liability was based on the employer’s contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2021, thru August 31, 2022.

At the measurement date of August 31, 2022, the employer’s proportion of the collective net OPEB liability was 0.04245240%, which is an decrease of 0.00377514% over the proportionate share measured at August 31, 2021 (0.04622754%).

For the year ended August 31, 2023, the District recognized OPEB expense of \$2,455,798 and revenue of \$389,898 for support provided by the State.

Changes Since the Prior Actuarial Valuation – Changes to the actuarial assumptions or other inputs that affected measurement of the total OPEB liability since the prior measurement period were as follows:

- Demographic assumptions (including rates of preretirement and post-disability mortality for all State Agency members; assumed rates of termination and retirement for certain members who are Certified Peace Officers/Custodial Officers (CPO/CO); and assumed salary aggregate payroll increases and the assumed rate of general inflation) have been updated to reflect assumptions recently adopted by the System’s Board of Trustees.
- Assumed Per Capita Health Benefit Costs and Health Benefit Cost and Retiree Contribution trends have been updated to reflect recent experience and its effects on our short-term expectations.
- The percentage of current retirees and their spouses not yet eligible to participate in the HealthSelect Medicare Advantage Plan and future retirees and their spouses who will elect to participate in the plan at the earliest date at which coverage can commence. The percentage of future female retirees assumed to be married and electing coverage for their spouse.
- The proportion of future retirees assumed to cover dependent children have been updated to reflect recent plan experience and expected trends. Moreover, the PCORI fees payable under the ACA have been updated to reflect IRS Notice 2020-44.
- The discount rate assumption was changed from 2.14% to 3.59% as a result of requirements by GASB No. 74 to utilize the yield or index rate for 20-year, tax-exempt general obligation bonds rated AA/Aa (or equivalent) or higher in effect on the measurement date.



**TEXAS SOUTHMOST COLLEGE DISTRICT  
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**13. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)**

The valuation reflects the minor benefit changes that will become effective January 1, 2023, since these changes were communicated to plan members in advance of the preparation of this report. These changes, which are not expected to have a significant impact on plan costs for fiscal year 2023, are provided for in the fiscal year 2023 Assumed Per Capita Health Benefit Costs.

As of August 31, 2023, the College reported its proportionate share of the ERS plan's collective deferred outflows of resources and deferred inflows of resources related to the OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experiences	\$ -	\$ 381,561
Changes in actuarial assumptions	710,536	3,738,185
Difference between projected and actual investment earnings	2,086	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	3,481,495	5,858,605
Contributions paid to ERS subsequent to the measurement date	(2)	-
Total	\$ 4,194,115	\$ 9,978,351

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

Year ended August 31:	Pension Expense Amount
2024	\$ 1,081,462.00
2025	(1,893,867)
2026	(1,193,675)
2027	(292,742)
2028	(78,288)
Thereafter	-

**14. PENDING LAWSUITS AND CLAIMS**

On August 31, 2023, 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  
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**15. DISAGGREGATION OF RECEIVABLES AND PAYABLES BALANCES**

Receivables

Receivables at August 31, were as follows:

	<u>2023</u>	<u>2022</u>
Taxes receivable	\$ 2,100,757	\$ 2,023,111
Grants and contracts receivable	1,635,631	1,122,361
Student receivable	2,923,811	3,089,706
Donations receivable	315,070	315,070
Accrued interest receivable	1,457	30,201
Other receivable - TSCF	841,882	512,427
Other receivable - ISDs	213,610	1,301,391
Other receivable - UTRGV	<u>1,134,493</u>	<u>1,185,076</u>
Subtotal	9,166,711	9,579,343
Allowance for doubtful accounts	<u>(776,538)</u>	<u>(724,876)</u>
<b>Total Receivables</b>	<b><u>\$ 8,390,173</u></b>	<b><u>\$ 8,854,467</u></b>

Payables

Payables at August 31, were as follows:

	<u>2023</u>	<u>2022</u>
Vendors payable	\$ 1,583,312	\$ 1,714,496
Student payable	<u>5,873</u>	<u>22,878</u>
<b>Total Payables</b>	<b><u>\$ 1,589,185</u></b>	<b><u>\$ 1,737,374</u></b>

**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 District has not yet performed services are not included in the financial statements. There were no contracts or grants awarded during fiscal years 2023 and 2022, for which monies have not been received, nor expended.

**TEXAS SOUTHMOST COLLEGE DISTRICT  
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**17. AD VALOREM TAX**

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

	2023	2022
Assessed valuation of the District	\$ 19,226,737,723	\$ 16,915,600,528
Less:		
Exemptions	2,635,310,431	2,249,090,704
Net assessed valuation of the District	\$ 16,591,427,292	\$ 14,666,509,824

	2023		
	Current Operations	Debt Service	Total
	Authorized tax rate per \$100 valuation	\$ 0.350000	\$ 0.500000
Assessed tax rate per \$100 valuation	\$ 0.114260	\$ 0.030656	\$ 0.144916

	2022		
	Current Operations	Debt Service	Total
	Authorized tax rate per \$100 valuation	\$ 0.350000	\$ 0.500000
Assessed tax rate per \$100 valuation	\$ 0.119694	\$ 0.034942	\$ 0.154636

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, 2023 and 2022 amounted to \$23,954,012 and \$22,247,356, 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  
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**17. AD VALOREM TAX (CONTINUED)**

<u>Taxes Collected</u>	2023		
	Current Operations	Debt Service	Total
Current taxes collected	\$ 18,343,108	\$ 4,965,026	\$ 23,308,134
Delinquent taxes collected	373,550	132,063	505,613
Penalties and interest collected	343,255	108,409	451,664
Less discounts and commissions	<u>(577,020)</u>	<u>(155,643)</u>	<u>(732,663)</u>
Total Collections	<u>\$ 18,482,893</u>	<u>\$ 5,049,855</u>	<u>\$ 23,532,748</u>
<u>Taxes Collected</u>	2022		
	Current Operations	Debt Service	Total
Current taxes collected	\$ 16,829,428	\$ 5,042,769	\$ 21,872,197
Delinquent taxes collected	957,567	179,101	1,136,668
Penalties and interest collected	339,058	161,160	500,218
Less discounts and commissions	<u>(552,139)</u>	<u>(161,395)</u>	<u>(713,534)</u>
Total Collections	<u>\$ 17,573,914</u>	<u>\$ 5,221,635</u>	<u>\$ 22,795,549</u>

Tax collections for the years ended August 31, 2023 and 2022 were 97.30% and 97.63%, respectively of the current tax levy. Allowance for uncollectible taxes are based upon historical experience in collecting property taxes. The use of tax proceeds is restricted for the use of maintenance and/or general obligation debt service.

**18. INCOME TAXES**

The District is exempt from income taxes under internal Revenue Code Section 115, Income of States, Municipalities, Etc. although unrelated business income may be subject to income tax under internal Revenue code Section 511 (a)(2)(B), Imposition of Tax on Unrelated Business Income of Charitable, Etc. Organizations. The District had no unrelated business income tax liability for the years ended August 31, 2023, and 2022.

**19. RISK MANAGEMENT**

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

**TEXAS SOUTHMOST COLLEGE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
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**20. DESIGNATED ASSETS**

As of August 31, 2023 and 2022, the balances of designated assets are as follows:

	2023	2022
Construction & Improvements Encumbrances	\$ 206,651	\$ 3,767,651
Vendor Related Encumbrances	2,966,111	1,187,080
	\$ 3,172,762	\$ 4,954,731

**21. 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. The District does not appoint a voting majority nor does it fund or is obligated to pay debt related to this association. The District does not have the ability to significantly influence the policies of this Foundation. The Foundation solicits donations and acts as coordinator of gifts made by other parties. The District furnished certain services, such as office space, utilities and some staff assistance, at no cost to the Foundation.

**22. EXCESS INTEREST AND REBATABLE ARBITRAGE**

The Tax Reform Act of 1986 established arbitrage regulations that generally limit the rate or return on investment earnings of unexpended tax-exempt debt proceeds. With certain adjustments, the investment yield is limited to the interest rate on the debt itself. Federal tax code requirements now compel state and local governments to rebate defined arbitrage earnings of tax-exempt debt to the federal government every five years for as long as the bonds are outstanding. As of the audit report date, the District had received a preliminary calculation of the arbitrage amount of \$-0- and \$-0-, for the fiscal years ended August 31, 2023 and 2022, respectively.

**23. CONTINGENCIES**

The District participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies. Management continues monitoring all post-appeal procedures and motions.

**24. SUBSEQUENT EVENTS**

The District does not have any subsequent events they must be disclosed in paragraph form per SFAS 5 and GASB Cod. Sec. 2250.109.

End of Notes.

**TEXAS SOUTHMOST COLLEGE DISTRICT**  
**SCHEDULE OF DISTRICT'S SHARE OF NET PENSION LIABILITY**  
**FOR THE YEAR ENDED AUGUST 31, 2023**

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Texas Southmost College proportionate share of collective net pension liability (%)	0.0001347455%	0.0002526001%	0.0002739822%	0.0002512268%	0.0002306018%	0.0001307914%	0.0000992275%	0.0000835210%	0.0000789020%
Texas Southmost College proportionate share of collective net pension liability (\$)	\$ 7,999,492	\$ 6,432,830	\$ 14,673,927	\$ 13,059,553	\$ 12,692,881	\$ 4,182,006	\$ 3,749,661	\$ 2,952,356	\$ 2,107,582
Portion of NECE's total proportionate share of NPL associated with Texas Southmost College	5,399,616	(374,160)	5,039,565	-	-	2,418,491	2,273,323	2,208,258	1,733,259
Total	\$ 13,399,108	\$ 6,058,670	\$ 19,713,492	\$ 13,059,553	\$ 12,692,881	\$ 6,600,497	\$ 6,022,984	\$ 5,160,614	\$ 3,840,841
Texas Southmost College covered payroll amount	\$ 19,072,749	\$ 10,866,651	\$ 13,827,760	\$ 12,758,888	\$ 12,780,593	\$ 9,845,820	\$ 11,705,727	\$ 11,176,424	\$ 11,218,245
Ratio of: ER proportionate share of collective NPL / ER's covered payroll amount	41.94%	59.20%	106.12%	102.36%	99.31%	42.47%	32.03%	26.42%	18.79%
TRS net position as percentage of total pension liability	73.15%	88.79%	78.00%	78.00%	78.00%	82.17%	78.00%	78.43%	83.25%

Note: Only five years of data is presented in accordance with GASB #68, paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

**TEXAS SOUTHMOST COLLEGE DISTRICT  
SCHEDULE OF DISTRICT'S PENSION CONTRIBUTIONS  
FOR THE YEAR ENDED AUGUST 31, 2023**

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Legally required contributions	\$ 628,762	\$ 627,160	\$ 1,130,458	\$ 879,324	\$ 560,739	\$ 480,412	\$ 518,778	\$ 484,815	\$ 462,000
Actual contributions	(628,762)	(627,160)	(1,130,458)	(879,324)	(560,739)	(480,412)	(518,778)	(484,815)	(462,000)
Contributions deficiency (excess)	-	-	-	-	-	-	-	-	-
Texas Southmost College covered payroll amount	\$ 19,072,749	\$ 10,866,651	\$ 13,827,760	\$ 13,827,760	\$ 12,758,888	\$ 12,780,593	\$ 9,845,820	\$ 11,705,727	\$ 11,176,424
Contributions as a percentage of covered payroll	3.2967%	5.7714%	8.1753%	6.3591%	4.3949%	3.7589%	5.2690%	4.1417%	4.1337%

Note: Only five years of data is presented in accordance with GASB #68, paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

**TEXAS SOUTHMOST COLLEGE DISTRICT  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION - PENSIONS  
FOR THE YEAR ENDED AUGUST 31, 2023**

**1. Employer Contributions**

Employer contributions were taken from the TRS system called TRUST for the fiscal year ended August 31, 2023. The employer contributions are the basis of the related schedules and represent what participating employers reported to TRS for the fiscal year for their reporting entity. One year of historical reported contributions was used for purposes of preparing the Schedule of Employer's Proportionate Shares (Allocations).

There may be differences in the amount an employer has in their internal records as contributions reported to TRS and the amounts show in the allocation schedules as contributions. The reasons for those differences are explained below. The column titled "Fiscal 2023 Contributions per Trust (as adjusted (column 4) in the Schedule of Pension Amounts by Employer includes contributions owed which were extracted from TRUST plus (minus) any adjustments. The amounts best represent future contribution efforts.

Adjustments are made in the following circumstances with the treatment shown below. Not all situations noted below were applicable during the current fiscal year.

Situation:	An incomplete year (less than 12 months) of reports were filed as in the case of a new reporting entity.
Adjustment:	Amounts were annualized in accordance with prior GASB guidance.
Situation:	Negative adjustments were reported during the measurement year that pertained to a previous fiscal year.
Adjustment:	These amounts were excluded from contributions. Only negative adjustments pertaining to the current year were allowed.
Situation:	Errors were made by a reporting entity during the reporting period due to the conversion to the new TRUST system but were timely reported to TRS.
Adjustment:	Adjustments were made to report the appropriate contributions.
Situation:	A reporting entity was merged with another reporting entity during the current measurement period ending 08/31/22.
Adjustment:	Contributions are reported under both RE numbers as reported to TRS.
Situation:	A reporting entity is contributing for more than one entity under the same number in TRUST
Adjustment:	The reporting entities may need to prorate the liability for their audited financial statements between the entities using their internal records. To correct this situation in the future, additional RE numbers should be requested from TRS for each legally separate entity.

TRS relies on the accuracy of the contributions reported by the reporting entities.

**2. Changes in Measurement Date of the Total Pension Liability –Roll Forward**

A change was made to the measurement date of the total pension liability (TPL) for the year ended August 31, 2023. The actuarial valuation was performed as of August 31, 2023. Update procedures were used to roll forward the total pension liability to August 31, 2023.



**TEXAS SOUTHMOST COLLEGE DISTRICT  
SCHEDULE OF DISTRICT'S SHARE OF NET OPEB LIABILITY  
EMPLOYEE RETIREMENT SYSTEM OF TEXAS  
STATE RETIREE HEALTH PLAN  
FOR THE YEAR ENDED AUGUST 31, 2023**

	Measurement Year Ended	
	August 31,	
Fiscal year ending August 31 *	2023	2022
Texas Southmost College proportionate share of collective net OPEB liability (%)	0.04245240%	0.04379506%
Texas Southmost College proportionate share of collective net OPEB liability (\$)	\$ 12,093,401	\$ 15,711,700
State's proportionate share of net OPEB liability associated with Texas Southmost College	1,107,948	9,940,729
Total	\$ 13,201,349	\$ 25,652,429
Texas Southmost College covered payroll	\$ 19,072,749	\$ 10,866,651
College's proportionate share of collective net OPEB liability as a percentage of covered payroll	63.41%	144.59%
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	76.06%	76.06%

Note: Only two years of data is presented in accordance with GASB #75, paragraph 245. "The information for all fiscal years for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

**TEXAS SOUTHMOST COLLEGE DISTRICT  
SCHEDULE OF DISTRICT'S OPEB CONTRIBUTIONS  
EMPLOYEE RETIREMENT SYSTEM OF TEXAS  
STATE RETIREE HEALTH PLAN  
FOR THE YEAR ENDED AUGUST 31, 2023**

	Fiscal Year Ended August 31,	
	2023	2022
Legally Required Contributions	\$ 1,251,742	\$ 1,523,164
Actual Contributions	(1,251,742)	(1,523,164)
Contributions deficiency (excess)	-	-
Texas Southmost College covered payroll amount	\$ 19,072,749	\$ 10,866,651
Contributions as a percentage of covered payroll	6.5630%	14.0169%

Note: Only two years of data is presented in accordance with GASB #75, paragraph 245. "The information for all fiscal years for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

**TEXAS SOUTHMOST COLLEGE DISTRICT  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION - OPEB  
FOR THE YEAR ENDED AUGUST 31, 2023**

**1. Changes in Benefit Terms**

Under A/A #4.107 of GASB's *Implementation Guide No. 2017-2, Financial Reporting for Post-Employment Benefit Plans Other Than Pension Plans*, any plan changes that have been adopted and communicated to plan members by the time the valuation is prepared must be included in the valuation. Accordingly, the latest valuation reflects the benefit changes that became effective September 1, 2022, since these changes were communicated to plan members in advance of the preparation of the latest valuation report. The benefit changes for HealthSelect retirees and dependents for whom Medicare is not primary include:

- An increase in the out-of-pocket maximum for both HealthSelect and Consumer Directed HealthSelect.

These minor benefit changes have been reflected in the FY 2023 Assumed Per Capita Health Benefit Costs.

**2. Changes in Assumptions**

Since the last valuation of Other Postemployment Benefits (OPEB) was prepared, the following assumptions have been changed:

Demographic Assumptions

- Demographic assumptions (including rates of retirement, disability, termination and mortality, and assumed salary increases) for Higher Education members have been updated to reflect assumptions recently adopted by the Trustees from the Teacher Retirement System of Texas.
- The percentage of current retirees and their spouses not yet eligible to participate in the HealthSelect Medicare Advantage Plan and future retirees and their spouses who will elect to participate in the plan at the earliest date at which coverage can commence.
- The percentage of future retirees assumed to be married and electing coverage for their spouse have been updated to reflect recent plan experience and expected trends.

Economic Assumptions

- Assumed Expenses, assumed Per Capita Health Benefit Costs and assumed Health Benefit Cost, Retiree Contribution and Expense trends have been updated to reflect recent experience and its effects on our short-term expectations.
- The discount rate assumption was increased from 2.14% to 3.59% to utilize the updated yield or index rate for 20-year, tax-exempt general obligation municipals bonds rated AA/As (or equivalent) or higher in effect on the measurement date.

A current actuarial valuation is performed for the majority members in the Employees Retirement Fund, except those who are eligible to receive insurance coverage when combining their service credits from the Teachers Retirement System of Texas and the System. The actuarial valuation for this population is a roll-forward of the valuation that was performed for fiscal year 2022.

**TEXAS SOUTHMOST COLLEGE DISTRICT**  
**SCHEDULE OF OPERATING REVENUES**  
**FOR THE YEAR ENDED AUGUST 31, 2023**  
(With Memorandum Totals for the Year Ended August 31, 2022)

OPERATING REVENUES	Unrestricted	Restricted	Total Educational Activities	Auxiliary Enterprises	2023 Total	2022 Total
<b>Tuition:</b>						
State funded credit courses:						
In-district resident tuition	\$ 5,434,722	\$ -	\$ 5,434,722	\$ -	\$ 5,434,722	\$ 5,376,004
Out-of-district resident tuition	1,271,303	-	1,271,303	-	1,271,303	1,170,388
Non-resident tuition	151,067	-	151,067	-	151,067	151,779
TPEG - credit (set aside)*	337,034	-	337,034	-	337,034	334,064
Total Tuition	<u>7,194,126</u>	<u>-</u>	<u>7,194,126</u>	<u>-</u>	<u>7,194,126</u>	<u>7,032,235</u>
<b>Fees:</b>						
Non-instructional contract training fees	6,716,141	-	6,716,141	2,312,383	9,028,524	8,868,997
Total Fees	<u>6,716,141</u>	<u>-</u>	<u>6,716,141</u>	<u>2,312,383</u>	<u>9,028,524</u>	<u>8,868,997</u>
<b>Scholarship Allowances and Discounts:</b>						
Remissions and exemptions - Title IV	(8,180,318)	-	(8,180,318)	-	(8,180,318)	(8,798,498)
Remissions and exemptions - Local	(3,862,407)	-	(3,862,407)	-	(3,862,407)	(4,417,455)
TPEG awards	(200,034)	-	(200,034)	-	(200,034)	(454,307)
Total Scholarship Allowances	<u>(12,242,759)</u>	<u>-</u>	<u>(12,242,759)</u>	<u>-</u>	<u>(12,242,759)</u>	<u>(13,670,260)</u>
Total Net Tuition and Fees	<u>1,667,508</u>	<u>-</u>	<u>1,667,508</u>	<u>2,312,383</u>	<u>3,979,891</u>	<u>2,230,972</u>
<b>Additional Operating Revenues:</b>						
Federal grants and contracts	-	9,946,802	9,946,802	4,641	9,951,443	14,392,297
State grants and contracts	-	1,836,961	1,836,961	-	1,836,961	1,340,753
Local grants and contracts	2,619,790	784,819	3,404,609	500,000	3,904,609	5,098,933
Total Additional Operating Revenues	<u>2,619,790</u>	<u>12,568,582</u>	<u>15,188,372</u>	<u>504,641</u>	<u>15,693,013</u>	<u>20,831,983</u>
<b>Auxiliary Enterprises:</b>						
Student programs	-	-	-	549,800	549,800	402,700
Total Auxiliary Enterprises	<u>-</u>	<u>-</u>	<u>-</u>	<u>549,800</u>	<u>549,800</u>	<u>402,700</u>
Total Operating Revenues	<u>\$ 4,287,298</u>	<u>\$ 12,568,582</u>	<u>\$ 16,855,880</u>	<u>\$ 3,366,824</u>	<u>\$ 20,222,704</u> (Exhibit 2)	<u>\$ 23,465,655</u> (Exhibit 2)

\* In accordance with Education Code 56.003, \$337,034 and \$334,064 of tuition was set aside for Texas Public Education Grants (TPEG) for the years ended August 31, 2023 and 2022, respectively.

**TEXAS SOUTHMOST COLLEGE DISTRICT**  
**SCHEDULE OF OPERATING EXPENSES BY OBJECT**  
**FOR THE YEAR ENDED AUGUST 31, 2023**  
(With Memorandum Totals for the Year Ended August 31, 2022)

	Operating Expenses				2023 Total	2022 Total
	Salaries and Wages	Benefits		Other Expenses		
		State Benefits	Local Benefits			
<b>OPERATING EXPENSES</b>						
<b>Unrestricted - Educational Activities:</b>						
Instruction	\$ 8,128,015	\$ -	\$ 2,090,185	\$ 283,343	\$ 10,501,543	\$ 10,760,012
Public service	474,494	-	97,591	135,567	707,652	722,194
Academic support	1,709,305	-	520,911	186,162	2,416,378	2,543,469
Student services	2,467,545	-	851,935	174,178	3,493,658	3,325,320
Institutional support	3,215,350	-	928,584	9,892,789	14,036,723	5,194,788
Operation and maintenance of plant	1,207,350	-	445,240	4,428,511	6,081,101	12,620,944
Total Unrestricted Educational Activities	<u>17,202,059</u>	<u>-</u>	<u>4,934,446</u>	<u>15,100,550</u>	<u>37,237,055</u>	<u>35,166,727</u>
<b>Restricted - Educational Activities:</b>						
Instruction	387,056	-	82,161	328,151	797,368	197,144
Public service	640,647	-	208,357	276,687	1,125,691	2,268,278
Academic support	291,000	-	58,187	493,258	842,445	368,068
Student services	436,337	-	6,545	63,244	506,126	355,943
Institutional support	12,775	-	218,264	3,835,464	4,066,503	5,022,258
Operation and maintenance of plant	102,875	-	33,917	243,161	379,953	411,108
Scholarships and fellowships	-	-	-	10,638,931	10,638,931	14,629,974
Total Restricted Educational Activities	<u>1,870,690</u>	<u>-</u>	<u>607,431</u>	<u>15,878,896</u>	<u>18,357,017</u>	<u>23,252,773</u>
Total Educational Activities	19,072,749	-	5,541,877	30,979,446	55,594,072	58,419,500
<b>Auxiliary Enterprises</b>	1,560,758	-	353,307	885,497	2,799,562	2,121,940
<b>Depreciation Expense</b>						
Buildings and other real estate improvements	-	-	-	4,198,489	4,198,489	3,012,382
Equipment and furniture	-	-	-	1,128,116	1,128,116	948,634
Total Operating Expenses	<u>\$ 20,633,507</u>	<u>\$ -</u>	<u>\$ 5,895,184</u>	<u>\$ 37,191,548</u>	<u>\$ 63,720,239</u> (Exhibit 2)	<u>\$ 64,502,456</u> (Exhibit 2)

**TEXAS SOUTHMOST COLLEGE DISTRICT**  
**SCHEDULE OF NON-OPERATING REVENUES AND EXPENSES**  
**FOR THE YEAR ENDED AUGUST 31, 2023**

(With Memorandum Totals for the Year Ended August 31, 2022)

	Unrestricted	Restricted	2023 Total	2022 Total
<b>Non-Operating Revenues</b>				
<b>State Appropriations:</b>				
Education and general state support	\$ 9,335,003	\$ -	\$ 9,335,003	\$ 9,340,281
State group insurance	-	1,091,185	1,091,185	1,107,948
State retirement matching	-	295,377	295,377	525,219
Total State allocations	<u>9,335,003</u>	<u>1,386,562</u>	<u>10,721,565</u>	<u>10,973,448</u>
Ad valorem taxes:				
Maintenance ad valorem taxes	18,482,893	-	18,482,893	17,573,914
Debt service ad valorem taxes	-	5,049,855	5,049,855	5,221,635
Investment income	2,059,410	631,345	2,690,755	317,867
Title IV	-	15,362,198	15,362,198	15,855,996
Other non-operating revenue	<u>1,220,216</u>	<u>-</u>	<u>1,220,216</u>	<u>1,019,412</u>
Total Non-Operating Revenues	<u>31,097,522</u>	<u>22,429,960</u>	<u>53,527,482</u>	<u>50,962,272</u>
<b>Non-Operating Expenses</b>				
Interest on capital related debt	-	928,364	928,364	1,212,869
Other non-operating expenses	<u>-</u>	<u>21,910</u>	<u>21,910</u>	<u>20,936</u>
Total Non-Operating Expenses	<u>-</u>	<u>950,274</u>	<u>950,274</u>	<u>1,233,805</u>
Net Non-Operating Revenues	<u>\$ 31,097,522</u>	<u>\$ 21,479,686</u>	<u>\$ 52,577,208</u> (Exhibit 2)	<u>\$ 49,728,467</u> (Exhibit 2)

**TEXAS SOUTHMOST COLLEGE DISTRICT**  
**SCHEDULE OF NET POSITION BY SOURCE AND AVAILABILITY**  
**FOR THE YEAR ENDED AUGUST 31, 2023**  
 (With Memorandum Totals for the Year Ended August 31, 2022)

	Detail by Source				Current Year Total
	Unrestricted	Restricted		Capital Assets Net of Depreciation and Related Debt	
		Expendable	Non-Expendable		
Current					
Unrestricted	\$ 26,649,841	\$ -	\$ -	\$ -	\$ 26,649,841
Restricted					
Scholarships	-	3,328,378	-	-	3,328,378
Institutional scholarships	-	261,217	-	-	261,217
Grants	-	229,099	-	-	229,099
Admin Projects		927			927
Encumbrances	-	3,172,762	-	-	3,172,762
Auxiliary enterprises	7,307,410	-	-	-	7,307,410
Loan	70,752	-	-	-	70,752
Endowment:					
Quasi:					
Restricted	-	1,156,649	-	-	1,156,649
Plant:					
Unexpended	-	7,662,580	-	-	7,662,580
Renewals	-	1,615,913	-	-	1,615,913
Debt Service	-	8,686,704	-	-	8,686,704
Investment in Plant	-	-	-	97,527,898	97,527,898
Total Net Position, August 31, 2023	34,028,003	26,114,229	-	97,527,898	157,670,130
					(Exhibit 1)
Total Net Position, August 31, 2022	23,842,184	31,645,697	-	84,410,910	139,898,791
					(Exhibit 1)
Net Increase (Decrease) in Net Position	<u>\$ 10,185,819</u>	<u>\$ (5,531,468)</u>	<u>\$ -</u>	<u>\$ 13,116,988</u>	<u>\$ 17,771,339</u>
					(Exhibit 2)

(Continued on page 60.)

**SCHEDULE D**  
**(Continued)**

**TEXAS SOUTHMOST COLLEGE DISTRICT**  
**SCHEDULE OF NET POSITION BY SOURCE AND AVAILABILITY**  
**FOR THE YEAR ENDED AUGUST 31, 2023**  
(With Memorandum Totals for the Year Ended August 31, 2022)

	Available for Current Operations		Prior Year Total	Available for Current Operations	
	Yes	No		Yes	No
Current					
Unrestricted	\$ 26,649,841	\$ -	\$ 23,565,645	\$ 23,565,645	\$ -
Restricted					
Scholarships	-	3,328,378	3,265,012	-	3,265,012
Institutional scholarships	-	261,217	256,932	-	256,932
Grants	-	229,099	-	-	220,823
Admin Projects	-	927	1,108,895	-	1,108,895
Encumbrances	-	3,172,762	4,954,731	-	4,954,731
Auxiliary enterprises	7,307,410	-	7,363,916	7,363,916	-
Loan	70,752	-	69,239	69,239	-
Endowment:					
Quasi:					
Restricted	-	1,156,649	1,238,702	-	1,238,702
Endowment:					
Plant:					
Unexpended	-	7,662,580	7,575,216	-	7,575,216
Renewals	-	1,615,913	1,544,730	-	1,544,730
Debt Service	-	8,686,704	6,627,605	-	6,627,605
Investment in Plant	-	97,527,898	90,799,011	-	90,799,011
Total Net Position, August 31, 2023	<u>34,028,003</u>	<u>123,642,127</u>	<u>148,369,634</u> (Exhibit 1)	<u>30,998,800</u>	<u>117,591,657</u>
Total Net Position, August 31, 2022	<u>23,842,184</u>	<u>116,056,607</u>	<u>139,898,791</u> (Exhibit 2)	<u>23,842,184</u>	<u>116,056,607</u>
Net Increase (Decrease) in Net Position	<u>\$ 10,185,819</u>	<u>\$ 7,585,520</u>	<u>\$ 8,470,843</u> (Exhibit 2)	<u>\$ 7,156,616</u>	<u>\$ 1,535,050</u>

(Continued from page 59.)



**SCHEDULE E**

**TEXAS SOUTHMOST COLLEGE DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2023**

<b>Federal Grantor/Pass-Through Grantor/Program Title</b>	<b>Assistance Listing Number</b>	<b>Pass-Through Grantor's Number</b>	<b>Pass-Through Disbursements and Expenditures</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<i>Pass-through From Texas Department of Health and Human Services (TX HHS):</i>			
Child Care Food Program	10.558	75G7033	\$ 4,641
Total Passed-through from TX HHS			<u>4,641</u>
Total U.S. Department of Agriculture			<u>4,641</u>
<b>U.S. DEPARTMENT OF LABOR</b>			
<i>Pass Through From Texas Workforce Commission (TWC):</i>			
TWC Texas Talent Connection	17.207	2422WPB001	5,409
TWC Building Construction Trade	17.258	2421WOS001	108,304
Workforce Solutions Cameron Apprentice Expansion Prog.	17.285	2419AEP-TSC	3,373
Total Passed-through from TWC			<u>117,086</u>
Total U.S. Department of Labor			<u>117,086</u>
<b>U.S. DEPARTMENT OF TREASURY</b>			
<i>Pass Through From Texas Higher Education Coordinating Board (THECB):</i>			
GEER Texas Reskilling and Upskilling - Laser Welding	21.027	27290	475,491
Total Passed-through from THECB			<u>475,491</u>
Total U.S. Department of Treasury			<u>475,491</u>
<b>NATIONAL ENDOWMENT FOR THE HUMANITIES</b>			
<i>Direct Programs:</i>			
XIV Binational Literary Conference Letras en el Estuario	45.129	2020-6145	1,456
Total Direct Programs			<u>1,456</u>
Total National Endowment for the Humanities			<u>1,456</u>
<b>NATIONAL SCIENCE FOUNDATION</b>			
<i>Direct Programs:</i>			
CURM Ctr Undergrad Research Mat	47.049	1722563	5,000
Texas Tech University LSAMP	47.076	21P084-04	17,477
NSF -Advanced Technological Education	47.076	1801166	27,439
Total Direct Programs			<u>49,916</u>
Total National Science Foundation			<u>49,916</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<i>Direct Programs:</i>			
<i>Student Financial Aid Cluster:</i>			
SEOG	84.007	P007A228017	78,028
SEOG	84.007	P007A238017	196,120
Federal Work Study Program	84.033	P033A228017	325,000
Federal Work Study Program	84.033	P033A238017	50,773
Federal Pell Grant Program	84.063	P063P224633	12,147,926
Federal Direct Student Loans	84.268	P268K234633	2,564,351
Total Student Financial Aid Cluster			<u>15,362,198</u>

Notes to schedule on following pages

**SCHEDULE E**  
(Continued)

**TEXAS SOUTHMOST COLLEGE DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED AUGUST 31, 2023**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Assistance Listing Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Pass-Through Disbursements and Expenditures</u>
<i>GEER ESF:</i>			
GEER Tx Completion Repayment*	84.425C	27212	19,056
GEER Tx Reporting Modernization II*	84.425C	27587	16,015
GEER Accelerating Student Success*	84.425C	27362	38,084
GEER Accelerating Student Success*	84.425C	28427	235,950
GEER Nursing Innovation Grant Program*	84.425C	28729	408,696
GEER II Nursing Shortage Reduction Program*	84.425C	28730	38,685
GEER TX Reskill and Upskill - Education (TRUE)*	84.425C	25771	934,739
Total GEER ESF			<u>1,691,225</u>
<i>CARES HEERF:</i>			
COVID-19-Federal CARES HEERF - Student*	84.425E	P425E202046	1,532,007
COVID-19-Federal CARES HEERF - Institutional*	84.425F	P425F202562	4,088,965
Total CARES HEERF			<u>5,620,972</u>
Total Direct Programs			<u>22,674,395</u>
<i>Pass-through From Texas Higher Education Coordinating Board (THECB):</i>			
Carl Perkins Career & Tech Ed - Basic Grants	84.048	27669	309,004
Carl Perkins Career & Tech Ed - Basic Grants	84.048	27904	176,272
Total Passed-through from THECB			<u>485,276</u>
<i>Pass-through From Texas 21st Century:</i>			
TX 21st CCLC Program	84.287C	236950267110048	1,440,115
TX 21st CCLC Program	84.287C	246950337110025	58,747
Total Passed-through from Texas 21st Century			<u>1,498,862</u>
Total U.S. Department of Education			<u>24,658,533</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
<i>Pass-through From National Institute of Health:</i>			
<i>Pass-through to University of Texas - RGV</i>			
National Science Foundation Subaward	93.859	1T34GM137854	6,518
Total Passed-through from National Institute of Health			<u>6,518</u>
Total U.S. Department of Health and Human Services			<u>6,518</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u><u>\$ 25,313,641</u></u>

\* Total ALN 84.425 \$7,312,197

Notes to schedule on following pages



**SCHEDULE F**

**TEXAS SOUTHMOST COLLEGE DISTRICT  
SCHEDULE OF EXPENDITURES OF STATE AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2023**

<b>Grantor Agency/ Program Title</b>	<b>Grant Contract Number</b>	<b>Expenditures</b>
<b>TEXAS HIGHER EDUCATION COORDINATING BOARD</b>		
<i>Direct</i>		
Nursing Shortage Reduction Program	27037	\$ 37,651
Nursing Shortage Reduction Program Over 70 Program	-	4,264
Texas College Work Study	-	31,650
Texas Educational Opportunity Grant	-	776,685
Total Texas Higher Education Coordinating Board		850,250
<b>TEXAS MILITARY DEPARTMENT</b>		
<i>Direct</i>		
Administrative Cost Allowance Recovery - Veterans		6,521
Total Texas Military Department		6,521
<b>TEXAS WORKFORCE COMMISSION</b>		
<i>Direct</i>		
TWC Jobs and Education for Texans	2422JET001	333,609
TWC Skill Dev - Skills for SB	2422SSD001	52,185
TWC Skill Dev - Skills for SB	2422SDF001	103,073
TWC Skill Dev	2421SDF006	111,371
TWC Child Care Relief Fund	2921CCR006966	379,952
Total Texas Workforce Commission		980,190
<b>TOTAL EXPENDITURES OF STATE AWARDS</b>		<b>\$ 1,836,961</b>
<b><u>Note 1: State Assistance Reconciliation</u></b>		
State Revenues - Per Schedule A		
State Financial Assistance per Schedule of Expenditures of State Awards		\$ 1,836,961
Total State Revenues		\$ 1,836,961

**Note 2: Significant Accounting Policies Used in Preparing the Schedule**

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



# Cascos & Associates, PC

Certified Public Accountants  
Audit/Accounting/Tax/Consulting

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**INDEPENDENT AUDITORS' 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***

The Board of Trustees of  
Texas Southmost College District  
Brownsville, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Texas Southmost College District (the District), as of and for the year ended August 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 29, 2023.

## **Report on Internal Control over Financial Reporting**

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

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

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

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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*.



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**Public Funds Investment Act**

We have performed tests designed to verify the District’s compliance with the requirements of the Public Funds Investment Act. During the year ended August 31, 2023, no instances of noncompliance were found. However, providing an opinion on compliance with the Public Funds Investment Act was not an objective of our audit, and accordingly, we do not express an opinion.

**Purpose of this Report**

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



Cascos & Associates, PC  
Brownsville, Texas  
December 29, 2023



# Cascos & Associates, PC

Certified Public Accountants  
Audit/Accounting/Tax/Consulting

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## INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND THE TEXAS GRANT MANAGEMENT STANDARDS

The Board of Trustees of  
Texas Southmost College District  
Brownsville, Texas

### **Report on Compliance for Each Major Federal and State Program**

#### ***Opinion on Each Major Federal and State Program***

We have audited the Texas Southmost College District (the District) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* and the Texas Grant Management Standards (TxGMS) that could have a direct and material effect on each of the District's major federal and state programs for the year ended August 31, 2023. The District's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended August 31, 2023.

#### ***Basis for Opinion on Each Major Federal and State Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and TxGMS. Our responsibilities under those standards, the Uniform Guidance, and TxGMS are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal and state program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

#### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District's federal and state programs.

### ***Auditors' Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, the Uniform Guidance, and TxGMS will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal and state program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, the Uniform Guidance, and TxGMS we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance and TxGMS, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on Internal Control over Compliance**

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.



The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and TxGMS. Accordingly, this report is not suitable for any other purpose.

*Cascos & Associates, PC*

Cascos & Associates, PC  
Brownsville, Texas  
December 29, 2023

**TEXAS SOUTHMOST COLLEGE DISTRICT  
SCHEDULE OF FEDERAL AND STATE FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED AUGUST 31, 2023**

**I. Summary of the Auditors' Results:**

Financial Statements

Type of auditors' report on financial statements in accordance with GAAP:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified:	No
Significant deficiencies identified that are not considered to be material weaknesses:	None reported
Noncompliance material to the financial statements noted?	No

Federal and State Awards

Internal control over major federal programs:	
Material weakness(es) identified:	No
Significant deficiencies identified that are not considered to be material weaknesses:	None reported
Type of auditors' report on compliance with major programs:	Unmodified
Any audit findings which are required to be reported in accordance with 2 CRF 200.516(a) and TxGMS:	No

Major programs are as follows:

Federal

<u>Name of Federal or State Program:</u>	<u>ALN:</u>
GEER Texas Reskilling and Upskilling Laser Welding	21.027
21st CCLC Cycle II	84.287C
Education Stabilization Fund:	
GEEER ESF	84.425C
CARES HEERF – Student	84.425E
CARES HEERF – Institutional	84.425F

State

<u>Name of Federal or State Program:</u>	
Texas Educational Opportunity Grant	
Dollar threshold used to distinguish between Type A and Type B federal programs:	\$759,409
Dollar threshold used to distinguish between Type A and Type B state programs:	\$750,000
Low risk auditee:	Yes

**TEXAS SOUTHMOST COLLEGE DISTRICT  
SCHEDULE OF FEDERAL AND STATE FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED AUGUST 31, 2023**

**II. Financial Statement Findings**

None reported.

**III. Federal and State Award Findings and Questioned Costs**

None reported.

**TEXAS SOUTHMOST COLLEGE DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED AUGUST 31, 2023**

**Prior Findings and Questioned Costs for Federal and State Awards**

None.