



# TEXAS SOUTHMOST COLLEGE DISTRICT

## ANNUAL FINANCIAL REPORT

*for* THE YEAR ENDED AUGUST 31, 2025 & 2024

**TEXAS SOUTHMOST COLLEGE DISTRICT**

**ANNUAL FINANCIAL REPORT**

**For The Years Ended August 31, 2025 and 2024**

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

# TEXAS SOUTHMOST COLLEGE DISTRICT

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# Cascos & Associates, PC

Certified Public Accountants  
Audit/Accounting/Tax/Consulting

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## INDEPENDENT AUDITORS' REPORT

To 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, 2025, and 2024, 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, 2025, 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.

#### **Emphasis of Matter**

##### *Change in Accounting Principle*

As described in the notes to the financial statements, in 2025, the District adopted new accounting guidance, GASB Statement No. 101, Compensated Absences. Our opinion is not modified with respect to this matter.

##### *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 combining and individual nonmajor fund financial statements and schedule of expenditures of federal 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 the 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 combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2025, 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 District's internal control over financial reporting and compliance.



Cascos & Associates, PC  
Brownsville, Texas  
December 31, 2025

## **FINANCIAL SECTION**

**TEXAS SOUTHMOST COLLEGE DISTRICT  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED AUGUST 31, 2025**

Management’s 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, 2025. 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, 2025; 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, 2025 and 2024 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 53 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, 2025	Year Ended August 31, 2024	Year Ended August 31, 2023
Current Assets	\$ 105.1	\$ 92.3	\$ 89.1
Noncurrent Assets			
Restricted Cash and Cash Equivalents	11.9	8.6	9.0
Capital Assets (net)	122.7	124.6	127.9
Total Assets	239.7	225.5	226.0
Deferred Outflows of Resources	10.1	6.6	11.8
Current Liabilities	17.6	9.5	14.6
Noncurrent Liabilities	40.7	41.8	47.8
Total Liabilities	58.3	51.3	62.4
Deferred Inflow of Resources	10.7	13.7	17.8
Net Position			
Net Investment in Capital Assets	103.6	99.8	97.5
Restricted	35.9	26.5	26.2
Unrestricted	41.3	40.9	34.0
Total Net Position	\$ 180.8	\$ 167.2	\$ 157.7

Total Assets increased by \$14.2 million in fiscal year 2025. Current Assets increased by \$12.8 million, primarily due to an increase in Cash and cash equivalents. Noncurrent Assets increased by \$1.4 million and was primarily due to a decrease in Capital Assets (net).

At the end of fiscal year 2025, total liabilities increased by \$7 million. Current Liabilities increased by \$8.1 million primarily due to an increase in Unearned revenue and an offsetting increase in OPEB liability. Noncurrent Liabilities decreased by \$1.1 million primarily due to decreases in Bonds payable.

Changes in assets, liabilities and net position are attributable to the requirements of GASB 68 and 75. Deferred outflows (an asset) increased by \$3.5 million and deferred inflows (a liability) decreased \$3.0 million.

Total Net Position (assets and deferred outflows of resources and liabilities and deferred inflows of resources) increased by \$13.6 million when compared to the prior year. The District experienced an increase of approximately \$9.5 million in fiscal year 2024, and an increase of \$9.1 million in fiscal year 2023. 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 \$41.3 million of total net position at August 31, 2025.

***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, 2025	Year Ended August 31, 2024	Year Ended August 31, 2023
Operating Revenues	\$ 13.6	\$ 13.9	\$ 20.2
Operating Expenses	(69.7)	(68.7)	(63.7)
Non-operating Revenue	70.2	65.0	53.5
Non-operating Expenses	<u>(0.5)</u>	<u>(0.7)</u>	<u>(0.9)</u>
Increase (Decrease) in Net Position	13.6	9.5	9.1
Net Position - Beginning of Year	<u>167.2</u>	<u>157.7</u>	<u>148.6</u>
Net Position - End of Year	<u><u>\$ 180.8</u></u>	<u><u>\$ 167.2</u></u>	<u><u>\$ 157.7</u></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, 2025		Year Ended August 31, 2024		Year Ended August 31, 2023	
	Amount	Percentage of Total	Amount	Percentage of Total	Amount	Percentage of Total
Tuition and Fees (net)	\$ 3.6	26.5%	\$ 3.2	23.0%	\$ 4.0	19.8%
Grants and Contracts	9.1	66.9%	9.9	71.2%	15.7	77.7%
Auxiliary Enterprises	<u>0.9</u>	<u>6.6%</u>	<u>0.8</u>	<u>5.8%</u>	<u>0.5</u>	<u>2.5%</u>
Total Operating Revenue	<u>\$ 13.6</u>	<u>100.0%</u>	<u>\$ 13.9</u>	<u>100.0%</u>	<u>\$ 20.2</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, while the District also saw an increase 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 slightly when compared to fiscal year 2024. 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)

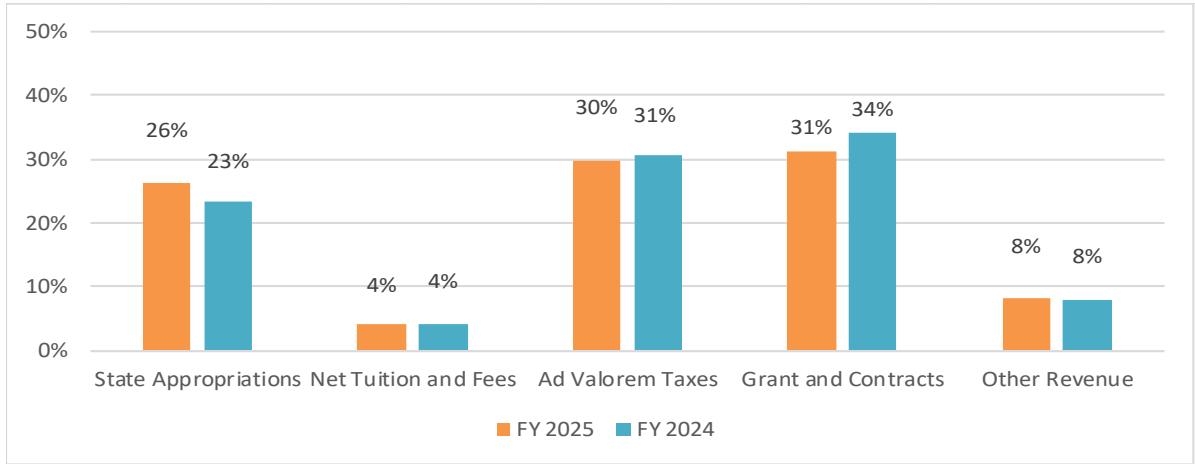
	Year Ended August 31, 2025		Year Ended August 31, 2024		Year Ended August 31, 2023	
	Amount	Percentage of Total	Amount	Percentage of Total	Amount	Percentage of Total
State Appropriations	\$ 22.1	31.48%	\$ 18.4	28.31%	\$ 10.7	20.00%
Title IV	17.2	24.50%	17.0	26.15%	15.4	28.79%
Ad Valorem Taxes	25.0	35.61%	24.1	37.08%	23.5	43.93%
Investment Income	4.3	6.13%	4.0	6.15%	2.7	5.05%
Other Non-Operating Revenue	<u>1.6</u>	<u>2.28%</u>	<u>1.5</u>	<u>2.31%</u>	<u>1.2</u>	<u>2.24%</u>
Total Non-Operating Revenue	<u>\$ 70.2</u>	<u>100.00%</u>	<u>\$ 65.0</u>	<u>100.00%</u>	<u>\$ 53.5</u>	<u>100.00%</u>

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

- State appropriations increased by \$3.7 million from fiscal year 2024. The State of Texas finalized the allocation of appropriations in fiscal year 2023 and management had estimated this impact and adjusted the fiscal year 2025 budget accordingly.
- The Title IV revenue increased \$0.2 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 \$0.9 million from fiscal year 2024 to fiscal year 2025 as a result of an increase in delinquent tax collections. The tax rates for the District were \$0.115117, \$0.119767, and \$0.144916, per \$100 valuation for the fiscal years ended 2025, 2024 and 2023, respectively.
- Other Non-Operating Revenue remained consistent for fiscal years 2025 and 2024.
- Investment income for FY 2025 increased by \$0.3 million. The District used LOGIC, a public funds investment pool. In fiscal year 2022, the District supplemented its investments with Certificates of Deposit. Fiscal year 2025 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 2025 and 2024.

TABLE 5  
TOTAL REVENUES



In fiscal year 2025 and 2024, Grant and Contracts were the largest source at 31% and 34% primarily due to federal, state and local aid received by the District in fiscal years 2025 and 2024, respectively. State Appropriations were 26% and 23% in fiscal years 2025 and 2024 of total revenues. Net Tuition and Fees in fiscal year 2025 and 2024 were 4% and 4%. Ad Valorem taxes remained consistent at 30% and 31% in fiscal years 2025 and 2024. Other Revenue was 8% and 8% in fiscal year 2025 and 2024, 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, 2025	Year Ended August 31, 2024	Year Ended August 31, 2023
Salaries	\$ 26.2	\$ 24.1	\$ 20.6
Benefits	6.8	8.2	5.9
Other Expenses	31.2	29.6	31.9
Depreciation	5.5	6.8	5.3
Total Operating Expenses	<u>\$ 69.7</u>	<u>\$ 68.7</u>	<u>\$ 63.7</u>

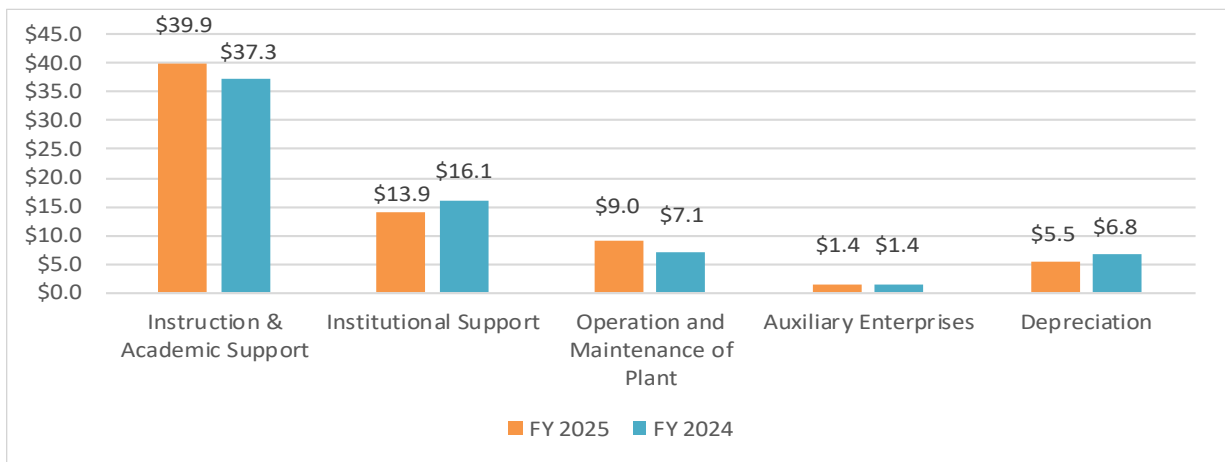
Table 7 displays the breakdown of the District’s expenses by functional classification.

TABLE 7  
OPERATING EXPENSES  
Functional Classification (in millions)

	Year Ended August 31, 2025	Year Ended August 31, 2024	Year Ended August 31, 2023
Instruction	\$ 13.7	\$ 12.6	\$ 11.3
Public service	5.1	4.6	1.8
Academic support	4.4	4.3	3.3
Student services	6.3	5.5	4.0
Institutional support	13.9	16.1	18.1
Operations and maintenance of plant	9.0	7.1	6.4
Scholarships and fellowships	10.4	10.3	10.7
Total Educational Activities	62.8	60.5	55.6
Auxiliary enterprises	1.4	1.4	2.8
Depreciation	5.5	6.8	5.3
Total Operating Expenses	<u>\$ 69.7</u>	<u>\$ 68.7</u>	<u>\$ 63.7</u>

Table 8 displays a comparison of the breakdown of the expenses by functional classification for the District in fiscal years 2025 and 2024.

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 of this report.

TABLE 9  
CONDENSED STATEMENT OF  
CASH FLOWS  
(in millions)

	Year Ended August 31, 2025	Year Ended August 31, 2024	Year Ended August 31, 2023
Net Cash provided/ used by:			
Operating Activities	\$ (44.0)	\$ (53.6)	\$ (38.8)
Non-Capital Financing Activities	61.1	56.4	45.7
Capital and Related Financing Activities	(5.0)	(5.2)	(7.9)
Investing Activities	<u>3.8</u>	<u>(8.8)</u>	<u>(2.0)</u>
Net Increase (Decrease) In Cash	15.9	(11.2)	(3.0)
Cash-Beginning of the Year	<u>13.6</u>	<u>24.8</u>	<u>27.9</u>
Cash-End of Year	<u>\$ 29.5</u>	<u>\$ 13.6</u>	<u>\$ 24.9</u>

Total Cash and Cash Equivalents increased by \$15.9 million in fiscal year 2025 and decreased by \$11.3 million in fiscal year 2024. Major factors impacting cash and cash equivalents are described below by source, but primarily impacted by Investing Activities.

*Operating Activities:* During fiscal year 2025 and fiscal year 2024, cash flows from operations resulted in an outflow of \$44.0 and \$53.6 million, respectively. The major source of cash receipts was from students & customers and grants & contracts (\$9.5 million in 2025 and \$8.7 million in 2024). The District's major cash outlay was for payments to suppliers for goods & services (\$37.9 million in 2025 and \$36.5 million in 2024) and for payments related to employees (\$25.7 in 2025 and \$24.1 in 2024).

*Non-Capital Financing Activities:* The District had a positive cash flow of \$61.1 in fiscal year 2025 and \$56.4 in fiscal year 2024 from the collection of Title IV allocations, property taxes and receipt of state appropriations. Property taxes were collected at a rate of 96.46% and 96.17% of the current year's tax levy for fiscal year 2025 and fiscal year 2024, 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 \$5.0 million and \$5.2 million, for fiscal years 2025 and 2024, respectively. Cash outflows remained consistent at \$9.8 million due to principal & interest payments and acquisition of capital assets, for fiscal years 2025 and 2024, respectively. In addition, cash inflows of \$4.8 and \$4.6 million were recognized from the collection of property taxes for fiscal years 2025 and 2024, 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 inflow of \$3.8 million and cash outflow of \$8.8 million for fiscal years 2025 and 2024, 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, 2025	Year Ended August 31, 2024	Year Ended August 31, 2023
Total Tax Rate per \$100	\$ 0.115117	\$ 0.119767	\$ 0.144916
Total Tax Collections	25,076,697	24,091,949	23,532,748
Tax Collection Rate	96.46%	96.17%	97.30%
Net Assessed Valuation	\$ 22,540,874,472	\$ 19,843,754,675	\$ 16,591,427,292

The District’s total tax collections increased by approximately 4.09%, due to an increase in delinquent tax collections. The Texas Southmost College Board of Trustees adopted a \$0.115117 and 0.119767 per \$100 valuation tax rate for fiscal years 2025 and 2024, 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 2025, the District had approximately \$122.6 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 27, provides further detailed information regarding the District’s capital assets. Table 11 summarizes capital asset activity for the year ended August 31, 2025.

TABLE 11  
CAPITAL ASSETS  
(in millions)

	Balance August 31, 2024	Increases	Decreases	Balance August 31, 2025
Not Depreciated	\$ 10.1	\$ 3.2	\$ (1.7)	\$ 11.6
Buildings and Other Capital Assets	207.1	2.0	-	209.1
Less: Accumulated Depreciation	<u>(92.6)</u>	<u>(5.5)</u>	<u>-</u>	<u>(98.1)</u>
Net Capital Assets	<u>\$ 124.6</u>	<u>\$ (0.3)</u>	<u>\$ (1.7)</u>	<u>\$ 122.6</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 \$20.4 million in total bonds payable. Notes 6 through 8 of the financial statements which begin on page 29 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 August 31, 2024	Decreases	Balance August 31, 2025
General obligations	\$ 17.8	\$ (4.8)	\$ 13.0
Revenue bonds	7.0	(1.0)	6.0
Unamortized premiums	<u>2.3</u>	<u>(0.9)</u>	<u>1.4</u>
Total bonds payable	<u>\$ 27.1</u>	<u>\$ (6.7)</u>	<u>\$ 20.4</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.

## **BASIC FINANCIAL STATEMENTS**

**TEXAS SOUTHMOST COLLEGE DISTRICT**  
**STATEMENT OF NET POSITION**  
**August 31, 2025 and 2024**

**EXHIBIT 1**

	2025	2024
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 17,606,126	\$ 5,016,318
Investments	77,001,858	76,422,865
Accounts receivable (net)	9,105,625	9,615,794
Prepaid expenses	1,391,241	1,246,183
<b>Total Current Assets</b>	105,104,850	92,301,160
<b>Noncurrent Assets</b>		
Restricted cash and cash equivalents	11,902,010	8,644,592
Capital assets (net)	122,639,724	124,629,367
<b>Total Noncurrent Assets</b>	134,541,734	133,273,959
<b>Total Assets</b>	239,646,584	225,575,119
<b>Deferred Outflows of Resources</b>		
Deferred outflows related to pensions	4,382,411	5,046,920
Deferred outflows related to OPEB	5,012,442	627,485
Deferred refunding costs	742,266	931,637
<b>Total Deferred Outflows of Resources</b>	10,137,119	6,606,042
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable	3,767,740	2,041,485
Accrued liabilities	710,145	268,118
Accrued compensable absences	641,832	597,830
Funds held for others	26,703	24,500
Unearned revenue	6,330,288	757,070
Bonds payable - current portion	6,085,000	5,835,000
<b>Total Current Liabilities</b>	17,561,708	9,524,003
<b>Noncurrent Liabilities</b>		
Net pension liability	9,463,266	9,333,755
Net OPEB liability	16,867,357	11,196,347
Bonds payable	14,368,015	21,290,259
<b>Total Noncurrent Liabilities</b>	40,698,638	41,820,361
<b>Total Liabilities</b>	58,260,346	51,344,364
<b>Deferred Inflows of Resources</b>		
Deferred inflows related to pensions	5,149,278	5,739,002
Deferred inflows related to OPEB	5,546,537	7,946,721
<b>Total Deferred Inflows of Resources</b>	10,695,815	13,685,723
<b>NET POSITION</b>		
Net investment in capital assets	103,644,724	99,799,367
Restricted, Expendable for		
Expendable		
Endowment	1,211,883	1,244,778
Capital projects	7,881,869	7,782,886
Debt service	9,444,919	8,310,486
Scholarships	298,631	753,125
Institutional scholarships	271,528	266,691
Grants	194,616	91,245
Admin projects	972	951
Encumbrances	16,611,238	8,007,102
Unrestricted	41,267,162	40,894,443
<b>Total Net Position (Schedule D)</b>	\$ 180,827,542	\$ 167,151,074

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, 2025 and 2024**

	2025	2024
<b>OPERATING REVENUES</b>		
Tuition and fees (net of discounts of \$14,189,635 & \$13,530,547 respectively)	\$ 3,606,457	\$ 3,190,526
Federal grants and contracts	3,501,333	4,723,834
State grants and contracts	2,242,988	2,055,640
Local grants and contracts	3,330,613	3,156,011
Auxiliary enterprises	925,232	794,535
Total Operating Revenues (Schedule A)	13,606,623	13,920,546
<b>OPERATING EXPENSES</b>		
Instruction	13,666,666	12,647,058
Public service	5,096,327	4,595,930
Academic support	4,371,163	4,283,231
Student services	6,347,097	5,464,594
Institutional support	13,895,087	16,071,588
Operation and maintenance of plant	9,044,718	7,086,500
Scholarships and fellowships	10,362,118	10,303,683
Auxiliary enterprises	1,394,836	1,410,903
Depreciation	5,532,177	6,815,877
Total Operating Expenses (Schedule B)	69,710,189	68,679,364
Operating (Loss)	(56,103,566)	(54,758,818)
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
State appropriations	22,059,222	18,385,520
Title IV	17,160,686	17,007,920
Maintenance ad valorem taxes	20,254,907	19,465,519
Debt service ad valorem taxes	4,821,791	4,626,430
Investment income	4,334,982	3,964,777
Interest on capital related debt	(476,202)	(728,349)
Other non-operating revenues	1,637,210	1,544,619
Other non-operating expenses	(12,562)	(26,674)
Total Non-Operating Revenues (Schedule C)	69,780,034	64,239,762
Increase (Decrease) in Net Position (Schedule D)	13,676,468	9,480,944
<b>NET POSITION</b>		
Net Position - Beginning of Year	167,151,074	157,670,130
Net Position - End of Year	\$ 180,827,542	\$ 167,151,074

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, 2025 and 2024**

	2025	2024
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from students and other customers	9,179,675	(2,600,997)
Receipts from grants and contracts	9,585,103	8,772,362
Payments to suppliers for goods or services	(37,931,909)	(36,480,086)
Payments to or on behalf of employees	(25,734,382)	(24,080,540)
Receipts from auxiliary services	925,232	794,535
Net cash provided (used) by operating activities	(43,976,281)	(53,594,726)
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Receipts from state appropriations	22,059,222	18,385,520
Receipts from Title IV allocations	17,160,686	17,007,920
Receipts from ad valorem taxes	20,254,907	19,465,519
Other non-capital financing revenue	1,637,210	1,581,636
Other non-capital financing expenses	(12,562)	(26,674)
Net cash provided (used) by non-capital financing activities	61,099,463	56,413,921
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Receipts from ad valorem tax revenues	4,821,791	4,626,430
Acquisition of capital assets	(3,542,534)	(3,502,346)
Payments on capital debt - principal	(5,835,000)	(5,585,000)
Payments on capital debt - interest and issuance costs	(476,202)	(728,349)
Net cash provided (used) by capital and related financing activities	(5,031,945)	(5,189,265)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of investments	3,755,989	(8,851,286)
Net cash provided (used) by investing activities	3,755,989	(8,851,286)
Increase (decrease) in cash and cash equivalents	15,847,226	(11,221,356)
Total Cash and cash equivalents - September 1	13,660,910	24,882,266
Total Cash and cash equivalents - August 31	29,508,136	13,660,910
Cash and cash equivalents	17,606,126	5,016,318
Restricted cash and cash equivalents	11,902,010	8,644,592
Total cash and cash equivalents	29,508,136	13,660,910

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

	August 31,	
	2025	2024
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>		
Operating (loss)	(56,103,566)	(54,758,818)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:		
Depreciation expense	5,532,177	6,815,877
Changes in assets and liabilities:		
Accounts receivable (net)	510,169	(1,163,123)
Prepaid expenses	(145,058)	(76,861)
Accounts payable	1,728,458	456,665
Accrued liabilities	442,027	(101,626)
Accrued compensated absences	44,002	92,579
Deferred inflows/outflow of resources related to pensions	204,296	767,574
Deferred inflows/outflows of resources related to OPEB	(1,114,131)	637,946
Deferred inflows/outflows of resources related to refunding costs	(647,873)	(473,416)
Unearned revenue	5,573,218	(5,791,523)
Net cash provided (used) by operating activities	<u>(43,976,281)</u>	<u>(53,594,726)</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, 2025 AND 2024**

**1. 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, 2025 AND 2024**

**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. 72 *Fair Value Measurement and Application*, 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 \$6,375,452 and \$6,186,987 donated securities of \$315,552 and \$286,679, and certificates of deposit comprised of \$70,310,854 and \$69,949,199 for fiscal years 2025 and 2024, 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 \$35,796 and \$48,807 for fiscal years ended 2025 and 2024, respectively.

**TEXAS SOUTHMOST COLLEGE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED AUGUST 31, 2025 AND 2024**

**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 \$530,600 and \$520,623 and federal, state, and local grants of \$5,799,688 and \$236,448 have been reported by the District as unearned revenue at August 31, 2025 and 2024, 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, 2025 AND 2024**

**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 2025 and 2024, 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.

Accounting Change – Implementation of GASB 101

In the presentation of the financial statements, no adjustments to net position were required or made to adjust for changes related to GASB 101.

**TEXAS SOUTHMOST COLLEGE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED AUGUST 31, 2025 AND 2024**

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

Subscription-Based IT Arrangements

Subscription-based IT arrangements (SBITAs) are defined as a contractual agreement that conveys control of the right of use of another entity's information technology software for a minimum contractual period of greater than one year in an exchange or exchange-like transaction. The College has entered into various subscription-based information technology arrangements. At the commencement of an SBITA, the College initially measures the subscription liability at the present value of payments expected to be made during the subscription term. The subscription liability is subsequently reduced by the principal portion of SBITA payments. Interest expense is recognized over time based on the current balance of the SBITA and the implicit interest rate. The subscription asset is initially measured as the subscription liability adjusted for SBITA payments made at or before the commencement date and certain initial implementation costs. Subsequently, the subscription asset is amortized on a straight-line basis over the shorter of the subscription term or the useful life of the underlying assets.

Key estimates and judgments related to SBITAs include how the College determines (1) the discount rate it uses to discount the expected subscription payments to present value, (2) subscription term, and (3) subscription payments.

- The College uses its incremental borrowing rate as the discount rate for SBITAs.
- The subscription term includes the noncancellable period of the SBITA.
- Subscription payments included in the measurement of the subscription liability are composed of fixed payments, variable payments fixed in substance or that depend on an index or a rate, termination penalties if the College is reasonably certain to exercise such option, subscription contract incentives receivable from the vendor, and any other payments that are reasonably certain of being required based on an assessment of all relevant factors.

The College monitors changes in circumstances that would require a re-measurement of its SBITAs and will re-measure the components if certain changes occur that are expected to significantly affect the amount of the subscription asset or subscription liability.

**3. AUTHORIZED INVESTMENTS**

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

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

**TEXAS SOUTHMOST COLLEGE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED AUGUST 31, 2025 AND 2024**

**4. DEPOSITS AND INVESTMENTS**

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

**Cash and Deposits  
For the Year Ended August 31, 2025 and 2024**

	2025	2024
Bank Deposits		
Demand Deposits - Unrestricted	\$ 17,306,986	\$ 5,942,442
Demand Deposits - Restricted	12,992,982	8,758,687
Certificates of Deposit	70,310,854	69,949,199
External investment pools	6,375,452	6,186,987
Money market	315,552	286,679
Total Bank Deposits	\$ 107,301,826	\$ 91,123,994
Cash and Cash Equivalents		
Petty Cash on Hand	\$ 500	\$ 500
Reconciling Items in Transit	(792,332)	(1,040,719)
Total	\$ 106,509,994	\$ 90,083,775

**Reconciliation of Deposits and Investments**

Type of Deposit or Investment	Fair Value 8/31/2025	Fair Value 8/31/2024
Total Cash and Deposits	\$ 29,508,136	\$ 13,660,910
Total Investments	77,001,858	76,422,865
Total Deposits and Investments	\$ 106,509,994	\$ 90,083,775
Cash and cash equivalents	\$ 17,606,126	\$ 5,016,318
Restricted cash and cash equivalents	11,902,010	8,644,592
Investments	77,001,858	76,422,865
Total Deposits and Investments	\$ 106,509,994	\$ 90,083,775

**TEXAS SOUTHMOST COLLEGE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED AUGUST 31, 2025 AND 2024**

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

As of the August 31, 2025 the District had the following investments:

Investment Type	Fair Value	Investment Maturities	W.A.M.
Investment Pool - LOGIC	\$ 6,375,452	Less than 1 Yr.	33 Days
Certificates of Deposit	70,310,854	Less than 1 Yr.	30-180 Days
Endowment Donation - Common Stock	<u>315,552</u>	Less than 1 Yr.	33 Days
Total Fair Value	<u>\$ 77,001,858</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 fund’s 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, 2025, 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, 2025 AND 2024**

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

At August 31, 2025, and 2024, the carrying amount of the District’s cash on hand & deposits was \$29,508,135 and \$13,660,910, respectively, and total bank balances equaled \$30,299,968 and \$14,701,129, respectively. Bank balances are covered by Federal depository insurance of up to \$250,000 per financial institution and \$30,049,968 and \$14,451,129 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, 2025 and 2024, 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, 2025 is as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
External investment pools	\$ -	\$ 6,375,452	\$ -	\$ 6,375,452
Certificates of deposit	-	70,310,854	-	70,310,854
Money market	<u>315,552</u>	<u>-</u>	<u>-</u>	<u>315,552</u>
Total	<u>\$ 315,552</u>	<u>\$ 76,686,306</u>	<u>\$ -</u>	<u>\$ 77,001,858</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, 2025 was as follows:

	Balance September 1, 2024	Increases	Decreases	Balance August 31, 2025
<u>Not Depreciated:</u>				
Land	\$ 6,525,905	\$ -	\$ -	\$ 6,525,905
Construction in progress	3,584,167	3,260,176	(1,698,834)	5,145,509
Subtotal	<u>10,110,072</u>	<u>3,260,176</u>	<u>(1,698,834)</u>	<u>11,671,414</u>
<u>Buildings and Other Capital Assets</u>				
Buildings and building improvements	158,942,429	-	-	158,942,429
Other real estate improvements	<u>28,326,733</u>	<u>1,698,834</u>	<u>-</u>	<u>30,025,567</u>
Total Buildings and Other Real Estate Improvements	<u>187,269,162</u>	<u>1,698,834</u>	<u>-</u>	<u>188,967,996</u>
Software and other intangibles	327,074	-	-	327,074
Furniture, machinery, and equipment	<u>19,495,631</u>	<u>282,358</u>	<u>-</u>	<u>19,777,989</u>
Subtotal	<u>19,822,705</u>	<u>282,358</u>	<u>-</u>	<u>20,105,063</u>
Total Buildings and Other Capital Assets	<u>207,091,867</u>	<u>1,981,192</u>	<u>-</u>	<u>209,073,059</u>
<u>Accumulated Depreciation:</u>				
Buildings and building improvements	(63,297,072)	(2,880,578)	-	(66,177,650)
Other real estate improvements	<u>(11,624,282)</u>	<u>(1,646,868)</u>	<u>-</u>	<u>(13,271,150)</u>
Total Buildings and Other Real Estate Improvements	<u>(74,921,354)</u>	<u>(4,527,446)</u>	<u>-</u>	<u>(79,448,800)</u>
Software and other intangibles	(327,074)	-	-	(327,074)
Furniture, machinery, and equipment	<u>(17,324,144)</u>	<u>(1,004,731)</u>	<u>-</u>	<u>(18,328,875)</u>
Subtotal	<u>(17,651,218)</u>	<u>(1,004,731)</u>	<u>-</u>	<u>(18,655,949)</u>
Total Accumulated Depreciation	<u>(92,572,572)</u>	<u>(5,532,177)</u>	<u>-</u>	<u>(98,104,749)</u>
Net Capital Assets	<u>\$ 124,629,367</u>	<u>\$ (290,809)</u>	<u>\$ (1,698,834)</u>	<u>\$ 122,639,724</u>

**TEXAS SOUTHMOST COLLEGE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED AUGUST 31, 2025 AND 2024**

**5. CAPITAL ASSETS (CONTINUED)**

Capital asset activity for the year ended August 31, 2024 was as follows:

	Balance September 1, 2023	Increases	Decreases	Balance August 31, 2024
<u>Not Depreciated:</u>				
Land	\$ 6,525,905	\$ -	\$ -	\$ 6,525,905
Construction in progress	6,180,192	3,255,674	(5,851,699)	3,584,167
Subtotal	<u>12,706,097</u>	<u>3,255,674</u>	<u>(5,851,699)</u>	<u>10,110,072</u>
<u>Buildings and Other Capital Assets</u>				
Buildings and building improvements	158,942,429	-	-	158,942,429
Other real estate improvements	22,475,034	5,851,699	-	28,326,733
Total Buildings and Other Real Estate Improvements	<u>181,417,463</u>	<u>5,851,699</u>	<u>-</u>	<u>187,269,162</u>
Software and other intangibles	327,074	-	-	327,074
Furniture, machinery, and equipment	19,248,959	246,672	-	19,495,631
Subtotal	<u>19,576,033</u>	<u>246,672</u>	<u>-</u>	<u>19,822,705</u>
Total Buildings and Other Capital Assets	<u>200,993,496</u>	<u>6,098,371</u>	<u>-</u>	<u>207,091,867</u>
<u>Accumulated Depreciation:</u>				
Buildings and building improvements	(59,229,428)	(4,067,644)	-	(63,297,072)
Other real estate improvements	(10,029,860)	(1,594,422)	-	(11,624,282)
Total Buildings and Other Real Estate Improvements	<u>(69,259,288)</u>	<u>(5,662,066)</u>	<u>-</u>	<u>(74,921,354)</u>
Software and other intangibles	(327,066)	(8)	-	(327,074)
Furniture, machinery, and equipment	(16,170,341)	(1,153,803)	-	(17,324,144)
Subtotal	<u>(16,497,407)</u>	<u>(1,153,811)</u>	<u>-</u>	<u>(17,651,218)</u>
Total Accumulated Depreciation	<u>(85,756,695)</u>	<u>(6,815,877)</u>	<u>-</u>	<u>(92,572,572)</u>
Net Capital Assets	<u>\$ 127,942,898</u>	<u>\$ 2,538,168</u>	<u>\$ (5,851,699)</u>	<u>\$ 124,629,367</u>

**TEXAS SOUTHMOST COLLEGE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
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**6. NONCURRENT LIABILITIES**

	Balance August 31, 2024	Increases	Decreases	Balance August 31, 2025	Current Portion
<u>Bonds</u>					
General obligation bonds	\$ 17,805,000	\$ -	\$ 4,835,000	\$ 12,970,000	\$ 5,045,000
Revenue bonds	7,025,000	-	1,000,000	6,025,000	1,040,000
Unamortized premiums	2,295,259	-	837,244	1,458,015	-
Total Bonds	<u>27,125,259</u>	<u>-</u>	<u>6,672,244</u>	<u>20,453,015</u>	<u>6,085,000</u>
Net pension liability	9,333,755	129,511	-	9,463,266	-
Net OPEB liability	11,196,347	5,671,010	-	16,867,357	-
Total Noncurrent Liabilities	<u>\$ 47,655,361</u>	<u>\$ 5,800,521</u>	<u>\$ 6,672,244</u>	<u>\$ 46,783,638</u>	<u>\$ 6,085,000</u>

	Balance August 31, 2023	Increases	Decreases	Balance August 31, 2024	Current Portion
<u>Bonds</u>					
General obligation bonds	\$ 22,425,000	\$ -	\$ 4,410,000	\$ 17,805,000	\$ 4,835,000
Revenue bonds	7,990,000	-	925,000	7,025,000	1,000,000
Unamortized premiums	2,921,026	-	662,784	2,295,259	-
Total Bonds	<u>33,336,026</u>	<u>-</u>	<u>5,997,784</u>	<u>27,125,259</u>	<u>5,835,000</u>
Net pension liability	7,999,492	1,566,662	-	9,333,755	-
Net OPEB liability	12,093,401	-	3,618,299	11,196,347	-
Total Noncurrent Liabilities	<u>\$ 53,428,919</u>	<u>\$ 1,566,662</u>	<u>\$ 9,616,083</u>	<u>\$ 47,655,361</u>	<u>\$ 5,835,000</u>

**7. DEBT OBLIGATIONS**

Debt service requirements at August 31, 2025 were as follows:

For the year Ended	General Obligation Bonds			Revenue Bonds			Total Bonds		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
August 31,									
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	1,070,000	224,750	1,294,750	1,170,000	111,200	1,281,200	2,240,000	335,950	2,575,950
2030-2033	3,870,000	243,525	4,113,525	1,610,000	80,200	1,690,200	5,480,000	323,725	5,803,725
	<u>\$ 12,970,000</u>	<u>\$ 1,378,201</u>	<u>\$ 14,348,201</u>	<u>\$ 6,025,000</u>	<u>\$ 788,000</u>	<u>\$ 6,813,000</u>	<u>\$ 18,995,000</u>	<u>\$ 2,166,201</u>	<u>\$ 21,161,201</u>

**TEXAS SOUTHMOST COLLEGE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED AUGUST 31, 2025 AND 2024**

**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>
2026	\$ 3,195,000	\$ 79,875	\$ 3,274,875
2027	-	-	-
2028	-	-	-
2029	-	-	-
2030	-	-	-
2031-2035	-	-	-
	<u>\$ 3,195,000</u>	<u>\$ 79,875</u>	<u>\$ 3,274,875</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 \$290,000 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>
2026	\$ 365,000	\$ 5,475	\$ 370,475
2027	-	-	-
2028	-	-	-
2029	-	-	-
2030	-	-	-
2031-2035	-	-	-
	<u>\$ 365,000</u>	<u>\$ 5,475</u>	<u>\$ 370,475</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 \$390,000 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>
2026	\$ 395,000	\$ 232,838	\$ 627,838
2027	880,000	210,525	1,090,525
2028	910,000	178,063	1,088,063
2029	945,000	142,100	1,087,100
2030	985,000	103,500	1,088,500
2031-2035	2,095,000	84,700	2,179,700
	<u>\$ 6,210,000</u>	<u>\$ 951,726</u>	<u>\$ 7,161,726</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 \$690,000 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>
2026	\$ 720,000	\$ 155,400	\$ 875,400
2027	745,000	126,600	871,600
2028	775,000	96,800	871,800
2029	805,000	65,800	870,800
2030	840,000	33,600	873,600
2031-2035	-	-	-
	<u>\$ 3,885,000</u>	<u>\$ 478,200</u>	<u>\$ 4,363,200</u>

**TEXAS SOUTHMOST COLLEGE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
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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>
2026	\$ 320,000	\$ 85,600	\$ 405,600
2027	335,000	72,800	407,800
2028	350,000	59,400	409,400
2029	365,000	45,400	410,400
2030	375,000	30,800	405,800
2031-2035	395,000	15,800	410,800
	<u>\$ 2,140,000</u>	<u>\$ 309,800</u>	<u>\$ 2,449,800</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>
2026	\$ 300,000	\$ 42,000	\$ 342,000
2027	535,000	28,300	563,300
2028	410,000	9,400	419,400
2029	30,000	600	30,600
2030	-	-	-
2031-2035	-	-	-
	<u>\$ 1,275,000</u>	<u>\$ 80,300</u>	<u>\$ 1,355,300</u>

**TEXAS SOUTHMOST COLLEGE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
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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>
2026	\$ 790,000	\$ 55,350	\$ 845,350
2027	150,000	36,550	186,550
2028	100,000	31,550	131,550
2029	95,000	82,050	177,050
2030	190,000	22,900	212,900
2031-2035	600,000	32,425	632,425
	<u>\$ 1,925,000</u>	<u>\$ 260,825</u>	<u>\$ 2,185,825</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/Pages/about\\_archive\\_cafr.aspx](https://www.trs.texas.gov/Pages/about_archive_cafr.aspx) (select *About TRS*, then *Publications*, then *Financial Reports*) or by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698.

*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.

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

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 2020 through 2025.

	<u>Contribution Rates</u>	
	<u>2024</u>	<u>2023</u>
Member	8.250%	8.00%
Non-Employer Contributing Entity (State)	4.125%	4.000%
Employers	4.125%	4.000%
Current fiscal year College Contributions		\$792,657
Current fiscal year Member Contributions		1,500,287
FY 2024 State of Texas On-behalf Contributions		609,403

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.

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

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

*Actuarial Assumptions*

The total pension liability in the August 31, 2024 actual valuation was determined using the following assumptions:

Valuation Date	August 31, 2024
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%
Municipal Bond Rate as of August 2020	3.870%
Last year ending August 31 in Projection Period (100 years)	2123
Inflation	2.30%
Salary Increases Including Inflation	2.95% to 8.95%
Payroll Growth Rate	2.90%
Benefit Changes During the Year	None
Ad hoc Post-Employment Benefit Changes	None

*Discount Rate*

The single discount rate used to measure the total pension liability was 7.00%. The single discount rate was based on the expected rate of return on pension plan investments of 7.00%. The projection of cash flows used to determine this single discount rate assumed that contributions from active members, 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 9.54% of payroll in fiscal year 2025 and thereafter. This includes all employer and state contributions for active and rehired retirees.

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected 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.

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

The long-term rate of return on pension plan investments is 7.00%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimated of geometric real rates of return for each major asset class included in the system's target asset allocation as of August 31, 2024 are summarized below:

Asset Class	Target Allocation %**	Long-Term Expected Geometric Real Rate of Return***	Expected Contribution To Long-Term Portfolio Returns
Global Equity			
U.S.	18.0%	4.4%	1.0%
Non-U.S. Developed	13.0%	4.2%	0.8%
Emerging Markets	9.0%	5.2%	0.7%
Private Equity*	14.0%	6.7%	1.2%
Stable Value			
Government Bonds	16.0%	1.9%	0.4%
Absolute Return*	0.0%	3.0%	0.0%
Stable Value Hedge Funds	5.0%	4.0%	0.2%
Real Return			
Real Assets	15.0%	6.6%	1.2%
Energy and Natural Resources	6.0%	5.6%	0.4%
Commodities	0.0%	2.5%	0.0%
Risk Parity			
Risk Parity	8.0%	4.0%	0.4%
Asset allocation leverage			
Cash	2.0%	1.0%	0.0%
Asset allocation leverage	-6.0%	1.3%	-0.1%
Inflation Expectation			2.4%
Volatility Drag****			-0.7%
Expected Return	100.00%		7.9%

\* Absolute Return includes Credit Sensitive Investments.

\*\* Target allocation are based on the FY2024 policy model.

\*\*\* Capital Market Assumptions (CMA) come from 2024 SAA Study CMA Survey (as of 12/31/2023).

\*\*\*\* The volatility drags results from the conversion between arithmetic and geometric mean returns.

**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 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:	\$ 15,115,233	\$ 9,463,266	\$ 4,780,209

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

At August 31, 2025, the District reported a liability of \$9,463,266 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	\$ 9,463,266
State's proportionate share that is associated with employer	6,605,595
Total	\$ 16,068,861

The net pension liability was measured as of August 31, 2024 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, 2023 thru August 31, 2024.

At the measurement date of August 31, 2024, the employer's proportion of the collective net pension liability was 0.000154921722% which was an increase of 0.0000019040126% from its proportion measured as of August 31, 2023.

For the year ended August 31, 2025, the District recognized pension expense of \$692,284 and revenue of \$692,284 for support provided by the State.

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

At August 31, 2025, 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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experiences	\$ 521,602	\$ 73,885
Changes in actuarial assumptions	488,609	65,506
Difference between projected and actual investment earnings	2,272,199	2,214,675
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	1,100,001	2,795,212
Contributions paid to TRS subsequent to the measurement date	-	-
Total	\$ 4,382,411	\$ 5,149,278

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

Year ended August 31:	Pension Expense Amount
2025	\$ (632,201)
2026	179,566
2027	(398,912)
2028	(60,714)
2029	145,394
Thereafter	-

**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 \$109,310 and \$108,113 for the fiscal years ended August 31, 2025 and 2024, 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 \$26,220,411 and \$24,071,493 for fiscal years 2025 and 2024, respectively. The total payroll of employees covered by the Optional Retirement Program was \$3,312,424 and \$3,276,152 for fiscal years 2025 and 2024, respectively.

**TEXAS SOUTHMOST COLLEGE DISTRICT  
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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, 2025 and 2024, 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 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, 2025 and 2024 was as follows:

	Balance September 1, 2024	Increases	Decreases	Balance August 31, 2025
Compensable absences	\$ 597,830	\$ 44,002	\$ -	\$ 641,832
	Balance August 31, 2023	Increases	Decreases	Balance August 31, 2024
Compensable absences	\$ 505,251	\$ 92,579	\$ -	\$ 597,830

**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 \$625 per month for the year ended August 31, 2025 (\$625 per month for fiscal year 2024) and totaled \$975,919 for the year ended August 31, 2025 (\$961,082 for the year ended August 31, 2024). The cost of providing benefits was \$2,482,045 for the year ended August 31, 2025 (\$2,895,599 for the year ended August 31, 2024). 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  
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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://www.ers.texas.gov/about-ers/reports-and-studies/reports-on-overall-ers-operations-and-financial-ma/2024-acfr> 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  
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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.

Maximum Monthly Employer Contribution Retiree Health and Basic Life Premium Fiscal Year 2024 (Measurement Year)	
Retiree only	\$ 625
Retiree & Spouse	1,341
Retiree & Children	1,104
Retiree & Family	1,820

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, 2024 and 2023		
	<u>2024</u>	<u>2023</u>
Employers	\$ 1,743,029	\$ 1,251,742
Members	516,666	454,781
Non-employer Contributing Entity (State of Texas)	985,476	1,107,948

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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, 2024 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified (sourced from FY 2024 ERS ACFR):

Valuation date	August 31, 2024
Actuarial cost method	Entry Age
Last experience study	
<i>Higher Education members</i>	7-year period from September 1, 2010 to August 31, 2017
Actuarial assumptions:	
Discount rate	3.87%
Projected annual salary increase	2.3% to 8.95%, including inflation
Annual healthcare trend rate	
<i>Health Select</i>	5.60% for FY2026, 5.60% for FY2027, 5.25% for FY2028, 5.0% for FY2029, 4.75% for FY2030, 4.50% for FY2031, decreasing 10 basis points per year to an ultimate rate of 4.30% for FY2033
<i>Health Select Medicare Advantage</i>	36.00% for FY2026, 8.00% for FY2027, 5.25% for FY2028, 5.00% for FY2029, 4.75% for FY2030, 4.50% for FY2031 decreasing 10 basis points per year to an ultimate rate of 4.30% for FY2033
<i>Pharmacy</i>	11.50% for FY2026, 11.00% for FY2027, 10.00% for FY 2028, 8.50% for FY2029, 7.00% for FY2030, decreasing 100 basis points per year to 5.00% for FY2032 and 4.30% for FY2033 and later years
Inflation assumption rate	2.30%
Ad hoc post-employment benefit changes	None.
Mortality Rates	
<i>Service retirees, survivors and other inactive members</i>	Tables based on TRS experience with Ultimate MP Projection Scale from the year 2021
<i>Disability Retirees</i>	Tables based on TRS experience with Ultimate MP Projection Scale from the year 2018 using a 3-year set forward and minimum mortality rates of four per 100 male members and two per 100 female members
<i>Active Members</i>	Sex Distinct RP-2010 Amount-weighted Below-Median Income Teacher Mortality with a 2-year set forward for males with Ultimate MP Projection Scale from the year 2010

**TEXAS SOUTHMOST COLLEGE DISTRICT  
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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 2022 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 3.9%.

*Discount Rate*

Because the GBP does not accumulate funds in advance of retirement, the discount rate that was used to measure the total OPEB liability is the municipal bonds rate. This discount rate used to determine the total OPEB liability as of the beginning of the measurement year was 3.81%. The discount rate used to measure the total OPEB liability as of the end of the measurement year was 3.87%, which amounts to a increase of .06%. 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 plan are equal to the projected benefit payments out of the plan. Because the plan 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.

The assumption of the discount rate is summarized below:

Assumptions for Single Discount Rate  
ERS Group Benefits Program Plan

Expected investment rate of return	Not applicable because the plan operates on a pay-as-you-go basis
Municipal bond rate	3.87%
Year fiduciary net position depleted	2025
Single discount rate	0.0387

*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 (3.87%) in measuring the net OPEB Liability.

	1% Decrease in Discount Rate (2.87%)	Discount Rate (3.87%)	1% Increase in Discount Rate (4.87%)
District's proportionate share of the net OPEB liability:	\$19,625,267	\$16,867,357	\$14,654,103

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

*Healthcare Trend Rate Sensitivity Analysis*

The initial healthcare trend rate is 5.60% and the ultimate rate is 4.3%. 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 (5.6%) in measuring the net OPEB liability.

	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
District's proportionate share of the net OPEB liability:	\$14,473,040	\$16,867,357	\$19,919,465

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

At August 31, 2025, the District reported a liability of \$16,867,357 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	\$16,867,357
State's proportionate share that is associated with employer	1,107,948
Total	\$17,975,305

The net OPEB liability was measured as of August 31, 2024, 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, 2023, thru August 31, 2024.

At the measurement date of August 31, 2024, the employer's proportion of the collective net OPEB liability was 0.05755679%, which is an increase of 0.53366153% over the proportionate share measured at August 31, 2023 (0.04190637%).

For the year ended August 31, 2025, the District recognized OPEB expense of \$527,484 and revenue of \$527,484 for support provided by the State.

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

*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

- Percentage of current retirees and retiree spouses not yet eligible to participate in the HealthSelect Medicare Advantage Plan and future retirees and retiree spouses who will elect to participate in the plan at the earliest date at which coverage can commence.
- Percentage of future retirees assumed to be married and electing coverage for their spouse.
- Percentage of future retirees assumed to elect health coverage at retirement and future retirees expected to receive the Opt-Out credit at retirement
- Percentage of Higher Education vested terminated members assumed to have terminated less than one year before valuation date.

Economic Assumptions

- Assumed Per Capital Health Benefit Costs and Health Benefit Cost and Retiree Contribution trends have been updated since the previous valuation to reflect recent health plan experience and its effects on our short-term expectations.
- Annual rate of increase in the Patient-Centered Outcomes Research Institute fee payable under the Affordable Care Act has been updated to reflect recent health plan experience and its effects on our short-term expectations.
- Assumed expenses directly related to the payment of GBP HealthSelect medical benefits have been updated to reflect recent contract revisions.

Other Inputs

- The discount rate was changed from 3.81% to 3.87% as a result of requirements by GASB No. 75 to reflect 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.
- The change in the discount rate was made to comport with the requirements of GASB No. 74.

Minor benefit revisions have been adopted since the prior valuation. These changes, which are not expected to have a significant impact on plan costs for FY2025, are provided in the FY2025 Assumed Per Capita Health Benefit Costs.

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

As of August 31, 2025, 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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experiences	\$ -	\$ 278,292
Changes in actuarial assumptions	923,480	3,360,105
Difference between projected and actual investment earnings	-	645
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	4,088,962	1,907,495
Contributions paid to ERS subsequent to the measurement date	-	-
Total	<u>\$ 5,012,442</u>	<u>\$ 5,546,537</u>

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:

<u>Year ended August 31:</u>	<u>Pension Expense Amount</u>
2026	\$ (1,521,215)
2027	(509,633)
2028	65,110
2029	865,838
2030	565,805
Thereafter	-

**14. PENDING LAWSUITS AND CLAIMS**

On August 31, 2025, 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>2025</u>	<u>2024</u>
Taxes receivable	\$ 2,398,873	\$ 2,308,914
Grants and contracts receivable	941,203	2,148,107
Student receivable	3,198,915	3,089,561
Donations receivable	315,070	315,070
Accrued interest receivable	-	1,457
Other receivable - TSCF	1,260,333	875,876
Other receivable - ISDs	734,114	504,201
Other receivable - UTRGV	<u>1,114,481</u>	<u>1,213,329</u>
Subtotal	9,962,989	10,456,515
Allowance for doubtful accounts	<u>(857,364)</u>	<u>(840,721)</u>
<b>Total Receivables</b>	<b><u>\$ 9,105,625</u></b>	<b><u>\$ 9,615,794</u></b>

Payables

Payables at August 31, were as follows:

	<u>2025</u>	<u>2024</u>
Vendors payable	\$ 3,707,823	\$ 2,026,569
Student payable	<u>59,917</u>	<u>14,916</u>
<b>Total Payables</b>	<b><u>\$ 3,767,740</u></b>	<b><u>\$ 2,041,485</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 2025 and 2024, 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:

	2025	2024
Assessed valuation of the District	\$ 28,163,734,213	\$ 24,396,028,937
Less:		
Exemptions	5,622,859,741	4,552,274,262
Net assessed valuation of the District	\$ 22,540,874,472	\$ 19,843,754,675

	2025		
	Current Operations	Debt Service	Total
	Authorized tax rate per \$100 valuation	\$ 0.350000	\$ 0.500000
Assessed tax rate per \$100 valuation	\$ 0.093166	\$ 0.021951	\$ 0.115117
	2024		
	Current Operations	Debt Service	Total
Authorized tax rate per \$100 valuation	\$ 0.350000	\$ 0.500000	\$ 0.850000
Assessed tax rate per \$100 valuation	\$ 0.097081	\$ 0.022686	\$ 0.119767

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, 2025 and 2024 amounted to \$25,816,209 and \$24,813,774 respectively including any penalty and interest assessed. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed.

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**TEXAS SOUTHMOST COLLEGE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED AUGUST 31, 2025 AND 2024**

**17. AD VALOREM TAX (CONTINUED)**

<u>Taxes Collected</u>	2025		
	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>
Current taxes collected	\$ 20,161,750	\$ 4,740,734	\$ 24,902,484
Delinquent taxes collected	311,976	91,945	403,921
Penalties and interest collected	404,494	136,240	540,734
Less discounts and commissions	<u>(623,313)</u>	<u>(147,127)</u>	<u>(770,440)</u>
Total Collections	<u>\$ 20,254,907</u>	<u>\$ 4,821,791</u>	<u>\$ 25,076,698</u>

<u>Taxes Collected</u>	2024		
	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>
Current taxes collected	\$ 19,342,371	\$ 4,522,037	\$ 23,864,408
Delinquent taxes collected	367,070	110,336	477,406
Penalties and interest collected	363,883	136,549	500,432
Less discounts and commissions	<u>(607,805)</u>	<u>(142,492)</u>	<u>(750,297)</u>
Total Collections	<u>\$ 19,465,519</u>	<u>\$ 4,626,430</u>	<u>\$ 24,091,949</u>

Tax collections for the years ended August 31, 2025 and 2024 were 96.46% and 96.17%, respectively of the current tax levy. Allowance for uncollectible taxes is 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, 2025, and 2024.

**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  
FOR THE YEARS ENDED AUGUST 31, 2025 AND 2024**

**20. DESIGNATED ASSETS**

As of August 31, 2025 and 2024, the balances of designated assets are as follows:

	2025	2024
Construction & Improvements Encumbrances	\$ 12,971,141	\$ 3,323,829
Vendor Related Encumbrances	3,640,097	4,683,273
	\$ 16,611,238	\$ 8,007,102

**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, 2025 and 2024, 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 that must be disclosed in paragraph form per SFAS 5 and GASB Cod. Sec. 2250.109.

End of Notes.

## **REQUIRED SUPPLEMENTARY SECTION**

**TEXAS SOUTHMOST COLLEGE DISTRICT  
SCHEDULE OF DISTRICT'S SHARE OF NET PENSION LIABILITY  
FOR THE YEAR ENDED AUGUST 31, 2025**

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Texas Southmost College proportionate share of collective net pension liability (%)	0.0001549217%	0.0001358816%	0.0001347455%	0.0002526001%	0.0002739822%	0.0002512268%	0.0002306018%	0.0001307914%	0.0000992275%	0.0000835210%
Texas Southmost College proportionate share of collective net pension liability (\$)	9,463,266	\$ 9,333,755	\$ 7,999,492	\$ 6,432,830	\$ 14,673,927	\$ 13,059,553	\$ 12,692,881	\$ 4,182,006	\$ 3,749,661	\$ 2,952,356
Portion of NECE's total proportionate share of NPL associated with Texas Southmost College	6,605,595	6,487,857	5,399,616	(374,160)	5,039,565	-	-	2,418,491	2,273,323	2,208,258
Total	\$ 16,068,861	\$ 15,821,612	\$ 13,399,108	\$ 6,058,670	\$ 19,713,492	\$ 13,059,553	\$ 12,692,881	\$ 6,600,497	\$ 6,022,984	\$ 5,160,614
Texas Southmost College covered payroll amount	23,035,697.00	\$ 21,168,735	\$ 19,072,749	\$ 10,866,651	\$ 13,827,760	\$ 12,758,888	\$ 12,780,593	\$ 9,845,820	\$ 11,705,727	\$ 11,176,424
Ratio of: ER proportionate share of collective NPL / ER's covered payroll amount	41.08%	44.09%	41.94%	59.20%	106.12%	102.36%	99.31%	42.47%	32.03%	26.42%
TRS net position as percentage of total pension liability	77.51%	73.15%	88.79%	78.00%	78.00%	78.00%	78.00%	78.00%	78.43%	83.25%

Note: The amounts presented above are as of the measurement date of the collective net pension liability. GASB Statement 68 and No. 71 were implemented during fiscal year 2015 and prior years were not restated. Ten year trend information will be presented prospectively. See the related notes to the required supplementary schedules.

**TEXAS SOUTHMOST COLLEGE DISTRICT**  
**SCHEDULE OF DISTRICT'S PENSION CONTRIBUTIONS**  
**FOR THE YEAR ENDED AUGUST 31, 2025**

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Legally required contributions	\$ 873,039	\$ 698,464	\$ 628,762	\$ 627,160	\$ 1,130,458	\$ 879,324	\$ 560,739	\$ 480,412	\$ 518,778	\$ 484,815	\$ 462,000
Actual contributions	(873,039)	(698,464)	(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	\$ 23,519,182	\$ 21,168,735	\$ 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	3.7120%	3.2995%	3.2967%	5.7714%	8.1753%	6.3591%	4.3949%	3.7589%	5.2690%	4.1417%	4.1337%

Note: The amounts presented above are as of the District's most recent fiscal year-end. GASB Statement No. 68 and 71 were implemented during fiscal year 2015 and prior years were not restated. Ten year trend information will be presented prospectively. See the accompanying notes to required supplemental schedules.

**TEXAS SOUTHMOST COLLEGE DISTRICT  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION - PENSIONS  
FOR THE YEAR ENDED AUGUST 31, 2025**

**1. Changes in Benefit Terms**

No changes in benefit terms occurred for the year ended August 31, 2025.

**2. Changes in Actuarial Methods and Assumptions**

The actuarial valuation was performed as of August 31, 2023. Update procedures were used to roll forward the total pension liability to August 31, 2024.

The actuarial assumptions used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of 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, 2025**

	Measurement Year Ended	
	August 31,	
Fiscal year ending August 31 *	2024	2023
Texas Southmost College proportionate share of collective net OPEB liability (%)	0.05755679%	0.04190637%
Texas Southmost College proportionate share of collective net OPEB liability (\$)	\$ 16,867,357	\$ 11,196,347
State's proportionate share of net OPEB liability associated with Texas Southmost College	<u>11,473,529</u>	<u>9,926,198</u>
Total	<u>\$ 28,340,886</u>	<u>\$ 21,122,545</u>
Texas Southmost College covered payroll	\$ 23,519,182	\$ 21,168,735
College's proportionate share of collective net OPEB liability as a percentage of covered payroll	71.72%	52.89%
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	0.47%	0.63%

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, 2025**

	Fiscal Year Ended	
	August 31,	
	2024	2023
Legally Required Contributions	\$ 1,830,185	\$ 1,251,742
Actual Contributions	(1,830,185)	(1,251,742)
Contributions deficiency (excess)	-	-
Texas Southmost College covered payroll amount	\$ 23,519,182	\$ 19,072,749
Contributions as a percentage of covered payroll	7.7817%	6.5630%

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, 2025**

The total OPEB Liability was determined by an actuarial valuation as of August 31, 2024 using the following actuarial assumptions:

Valuation date	August 31, 2024
Actuarial cost method	Entry Age
Amortization method	Level Percent of payroll, open
Remaining amortization period	30 years
Asset valuation method	N/A
Discount rate	3.87%
Projected annual salary increase (includes inflation)	2.30% to 8.95%
Annual healthcare trend rate	
HealthSelect	5.60% for 2026, 5.60% for 2027, 5.25% for 2028, 5.00% for 2029, 4.75% for 2030, 4.50% for FY2031, decreasing 10 basis points per year to an ultimate rate of 4.30% for 2033 and later years
HealthSelect Medicare Advantage	36.00% for 2026, 8.00% for 2027, 5.25% for 2028, 5.00% for 2029, 4.75% for 2030, 4.50% for 2031 decreasing 10 basis points per year to an ultimate rate of 4.30% for 2033 and later years
Pharmacy	11.50% for 2026, 11.00% for 2027, 10.00% for 2028, 8.50% for 2029, 7.00% for 2030, decreasing 100 basis points per year to an ultimate rate of 5.00% for 2032 and 4.30% for 2033 and later years
Inflation assumption rate	2.30%
Ad hoc postemployment benefit changes	None
Mortality assumptions:	
Service retirees, survivors and other inactive Members	Tables based on TRS experience Ultimate MP Projection Scale from year 2021.
Disability retirees	Tables based on TRS experience with Ultimate MP 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 Projection Scale from the year 2010.

*Source: 2024 ERS ACFR.*

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, 2021 and the TRS retirement plan actuary as of August 31, 2021.

## **SUPPLEMENTARY SECTION**

**TEXAS SOUTHMOST COLLEGE DISTRICT**  
**SCHEDULE OF OPERATING REVENUES**  
**FOR THE YEAR ENDED AUGUST 31, 2025**  
(With Memorandum Totals for the Year Ended August 31, 2024)

OPERATING REVENUES	Unrestricted	Restricted	Total Educational Activities	Auxiliary Enterprises	2025 Total	2024 Total
<b>Tuition:</b>						
State funded credit courses:						
In-district resident tuition	\$ 5,643,720	\$ -	\$ 5,643,720	\$ -	\$ 5,643,720	\$ 5,576,951
Out-of-district resident tuition	2,075,917	-	2,075,917	-	2,075,917	1,790,924
Non-resident tuition	206,491	-	206,491	-	206,491	175,293
TPEG - credit (set aside)*	360,798	-	360,798	-	360,798	358,246
Total Tuition	<u>8,286,926</u>	<u>-</u>	<u>8,286,926</u>	<u>-</u>	<u>8,286,926</u>	<u>7,901,414</u>
<b>Fees:</b>						
Non-instructional contract training fees	<u>8,528,332</u>	<u>-</u>	<u>8,528,332</u>	<u>980,834</u>	<u>9,509,166</u>	<u>8,819,659</u>
Total Fees	<u>8,528,332</u>	<u>-</u>	<u>8,528,332</u>	<u>980,834</u>	<u>9,509,166</u>	<u>8,819,659</u>
<b>Scholarship Allowances and Discounts:</b>						
Remissions and exemptions - Title IV	(8,879,878)	-	(8,879,878)	-	(8,879,878)	(8,832,090)
Remissions and exemptions - Local	(4,902,669)	-	(4,902,669)	-	(4,902,669)	(4,208,731)
TPEG awards	(407,088)	-	(407,088)	-	(407,088)	(489,726)
Total Scholarship Allowances	<u>(14,189,635)</u>	<u>-</u>	<u>(14,189,635)</u>	<u>-</u>	<u>(14,189,635)</u>	<u>(13,530,547)</u>
Total Net Tuition and Fees	<u>2,625,623</u>	<u>-</u>	<u>2,625,623</u>	<u>980,834</u>	<u>3,606,457</u>	<u>3,190,526</u>
<b>Additional Operating Revenues:</b>						
Federal grants and contracts	-	3,501,333	3,501,333	-	3,501,333	4,723,834
State grants and contracts	-	2,242,988	2,242,988	-	2,242,988	2,055,640
Local grants and contracts	<u>2,604,802</u>	<u>225,811</u>	<u>2,830,613</u>	<u>500,000</u>	<u>3,330,613</u>	<u>3,156,011</u>
Total Additional Operating Revenues	<u>2,604,802</u>	<u>5,970,132</u>	<u>8,574,934</u>	<u>500,000</u>	<u>9,074,934</u>	<u>9,935,485</u>
<b>Auxiliary Enterprises:</b>						
Student programs	<u>-</u>	<u>-</u>	<u>-</u>	<u>925,232</u>	<u>925,232</u>	<u>794,535</u>
Total Auxiliary Enterprises	<u>-</u>	<u>-</u>	<u>-</u>	<u>925,232</u>	<u>925,232</u>	<u>794,535</u>
Total Operating Revenues	<u>\$ 5,230,425</u>	<u>\$ 5,970,132</u>	<u>\$ 11,200,557</u>	<u>\$ 2,406,066</u>	<u>\$ 13,606,623</u> (Exhibit 2)	<u>\$ 13,920,546</u> (Exhibit 2)

\* In accordance with Education Code 56.003, \$360,798 and \$358,246 of tuition was set aside for Texas Public Education Grants (TPEG) for the years ended August 31, 2025 and 2024, respectively.

**TEXAS SOUTHMOST COLLEGE DISTRICT**  
**SCHEDULE OF OPERATING EXPENSES BY OBJECT**  
**FOR THE YEAR ENDED AUGUST 31, 2025**  
 (With Memorandum Totals for the Year Ended August 31, 2024)

	Operating Expenses				2025 Total	2024 Total
	Salaries and Wages	Benefits		Other Expenses		
		State Benefits	Local Benefits			
<b>OPERATING EXPENSES</b>						
<b>Unrestricted - Educational Activities:</b>						
Instruction	\$ 10,325,640	\$ -	\$ 2,513,633	\$ 553,137	\$ 13,392,410	\$ 12,340,415
Public service	1,731,254	-	493,716	373,406	2,598,376	2,234,219
Academic support	1,992,496	-	619,222	656,150	3,267,868	2,955,758
Student services	4,349,597	-	1,207,469	234,915	5,791,981	4,936,049
Institutional support	1,254,083	-	1,013,683	11,617,433	13,885,199	16,061,330
Operation and maintenance of plant	3,866,112	-	425,284	4,753,322	9,044,718	6,888,736
Total Unrestricted Educational Activities	<u>23,519,182</u>	<u>-</u>	<u>6,273,007</u>	<u>18,188,363</u>	<u>47,980,552</u>	<u>45,416,507</u>
<b>Restricted - Educational Activities:</b>						
Instruction	10,698	-	2,720	260,838	274,256	306,643
Public service	977,200	-	281,214	1,239,537	2,497,951	2,361,711
Academic support	584,024	-	49,722	469,549	1,103,295	1,327,473
Student services	489,425	-	233	65,458	555,116	528,545
Institutional support	7,650	-	2,238	-	9,888	10,258
Operation and maintenance of plant	-	-	-	-	-	197,764
Scholarships and fellowships	-	-	-	10,362,118	10,362,118	10,303,683
Total Restricted Educational Activities	<u>2,068,997</u>	<u>-</u>	<u>336,127</u>	<u>12,397,500</u>	<u>14,802,624</u>	<u>15,036,077</u>
Total Educational Activities	25,588,179	-	6,609,134	30,585,863	62,783,176	60,452,584
<b>Auxiliary Enterprises</b>	632,232	-	158,761	603,843	1,394,836	1,410,903
<b>Depreciation Expense</b>						
Buildings and other real estate improvements	-	-	-	4,527,446	4,527,446	5,662,066
Equipment and furniture	-	-	-	1,004,731	1,004,731	1,153,811
Total Operating Expenses	<u>\$ 26,220,411</u>	<u>\$ -</u>	<u>\$ 6,767,895</u>	<u>\$ 36,721,883</u>	<u>\$ 69,710,189</u> (Exhibit 2)	<u>\$ 68,679,364</u> (Exhibit 2)

**TEXAS SOUTHMOST COLLEGE DISTRICT**  
**SCHEDULE OF NON-OPERATING REVENUES AND EXPENSES**  
**FOR THE YEAR ENDED AUGUST 31, 2025**  
(With Memorandum Totals for the Year Ended August 31, 2024)

	<u>Unrestricted</u>	<u>Restricted</u>	<u>2025 Total</u>	<u>2024 Total</u>
<b>Non-Operating Revenues</b>				
<b>State Appropriations:</b>				
Education and general state support	\$ 20,281,709	\$ -	\$ 20,281,709	\$ 16,714,041
State group insurance	-	975,919	975,919	961,082
State retirement matching	-	801,594	801,594	710,397
Total State allocations	<u>20,281,709</u>	<u>1,777,513</u>	<u>22,059,222</u>	<u>18,385,520</u>
Ad valorem taxes:				
Maintenance ad valorem taxes	20,254,907	-	20,254,907	19,465,519
Debt service ad valorem taxes	-	4,821,791	4,821,791	4,626,430
Investment income	3,655,890	679,092	4,334,982	3,964,777
Title IV	-	17,160,686	17,160,686	17,007,920
Other non-operating revenue	<u>1,389,909</u>	<u>247,301</u>	<u>1,637,210</u>	<u>1,544,619</u>
Total Non-Operating Revenues	<u>45,582,415</u>	<u>24,686,383</u>	<u>70,268,798</u>	<u>64,994,785</u>
<b>Non-Operating Expenses</b>				
Interest on capital related debt	-	476,202	476,202	728,349
Other non-operating expenses	-	12,562	12,562	26,674
Total Non-Operating Expenses	<u>-</u>	<u>488,764</u>	<u>488,764</u>	<u>755,023</u>
Net Non-Operating Revenues	<u>\$ 45,582,415</u>	<u>\$ 24,197,619</u>	<u>\$ 69,780,034</u> (Exhibit 2)	<u>\$ 64,239,762</u> (Exhibit 2)

**SCHEDULE D**

**TEXAS SOUTHMOST COLLEGE DISTRICT  
SCHEDULE OF NET POSITION BY SOURCE AND AVAILABILITY  
FOR THE YEAR ENDED AUGUST 31, 2025  
(With Memorandum Totals for the Year Ended August 31, 2024)**

	Detail by Source				
	Unrestricted	Restricted		Capital Assets Net of Depreciation and Related Debt	Current Year Total
		Expendable	Non-Expendable		
Current					
Unrestricted	\$ 39,016,589	\$ -	\$ -	\$ -	\$ 39,016,589
Restricted					
Scholarships	-	298,631	-	-	298,631
Institutional scholarships	-	271,528	-	-	271,528
Grants	-	194,616	-	-	194,616
Admin Projects	-	972	-	-	972
Encumbrances	-	16,611,238	-	-	16,611,238
Auxiliary enterprises	2,104,678	-	-	-	2,104,678
Loan	145,895	-	-	-	145,895
Endowment:					
Quasi:					
Restricted	-	1,211,883	-	-	1,211,883
Plant:					
Unexpended	-	7,872,774	-	-	7,872,774
Renewals	-	9,095	-	-	9,095
Debt Service	-	9,444,919	-	-	9,444,919
Investment in Plant	-	-	-	103,644,724	103,644,724
Total Net Position, August 31, 2025	41,267,162	35,915,656	-	103,644,724	180,827,542 (Exhibit 1)
Total Net Position, August 31, 2024	40,894,443	26,457,264	-	99,799,367	167,151,074 (Exhibit 1)
Net Increase (Decrease) in Net Position	\$ 372,719	\$ 9,458,392	\$ -	\$ 3,845,357	\$ 13,676,468 (Exhibit 2)

(Continued on page 63.)

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

**TEXAS SOUTHMOST COLLEGE DISTRICT**  
**SCHEDULE OF NET POSITION BY SOURCE AND AVAILABILITY**  
**FOR THE YEAR ENDED AUGUST 31, 2025**  
(With Memorandum Totals for the Year Ended August 31, 2024)

	Available for Current Operations		Prior Year Total	Available for Current Operations	
	Yes	No		Yes	No
Current					
Unrestricted	39,016,589	-	39,053,955	39,053,955	-
Restricted					
Scholarships	-	298,631	753,125	-	753,125
Institutional scholarships	-	271,528	266,691	-	266,691
Grants	-	194,616	91,245	-	91,245
Admin Projects	-	972	951	-	951
Encumbrances	-	16,611,238	8,007,102	-	8,007,102
Auxiliary enterprises	2,104,678	-	1,733,450	1,733,450	-
Loan	145,895	-	107,038	107,038	-
Endowment:					
Quasi:					
Restricted	-	1,211,883	1,244,778	-	1,244,778
Plant:					
Unexpended	-	7,872,774	7,774,166	-	7,774,166
Renewals	-	9,095	8,720	-	8,720
Debt Service	-	9,444,919	8,310,486	-	8,310,486
Investment in Plant	-	103,644,724	99,799,367	-	99,799,367
Total Net Position, August 31, 2025	41,267,162	139,560,380	167,151,074 (Exhibit 1)	40,894,443	126,256,631
Total Net Position, August 31, 2024	40,894,443	126,256,631	157,670,130 (Exhibit 2)	34,028,003	123,642,127
Net Increase (Decrease) in Net Position	372,719	13,303,749	9,480,944 (Exhibit 2)	6,866,440	2,614,504

(Continued from page 62.)

## **SINGLE AUDIT SECTION**

**SCHEDULE E**

**TEXAS SOUTHMOST COLLEGE DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2025**

<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>			
<i>Pass-through to University of Texas - RGV</i>			
Child and Adult Care Food Program	10.558	75G7033	\$ 13,710
Total Passed-through from TX HHS			<u>13,710</u>
Total U.S. Department of Agriculture			<u>13,710</u>
<b>U.S. DEPARTMENT OF LABOR</b>			
<i>Pass-through From Texas Workforce Commission (TWC):</i>			
TWC Apprenticeship Texas Expansion	17.285	2423ATG001	104,311
TWC Building Construction Trade	17.258	2423WOS002	<u>101,782</u>
Total Passed-through from TWC			<u>206,093</u>
Total U.S. Department of Labor			<u>206,093</u>
<b>NATIONAL ENDOWMENT FOR THE HUMANITIES</b>			
<i>Direct Programs:</i>			
UTRGV Partnership in Multi-messenger Astronomy	47.049	2319063	22,231
Texas Tech University LSAMP	47.076	21P084-04	<u>38,526</u>
Total Direct Programs			<u>60,757</u>
Total Endowment For The Humanities			<u>60,757</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<i>Direct Programs:</i>			
<i>Student Financial Aid Cluster:</i>			
SEOG	84.007	P007A248017	306,100
SEOG	84.007	P007A258017	89,200
Federal Work Study Program	84.033	P033A248017	444,142
Federal Work Study Program	84.033	P033A258017	8,276
Federal Pell Grant Program	84.063	P063Q244633	4,632
Federal Pell Grant Program	84.063	P063P244633	13,329,782
Federal Pell Grant Program	84.063	P063P254633	678,372
Federal Direct Student Loans	84.268	P268K244633	<u>2,300,182</u>
Total Student Financial Aid Cluster			<u>17,160,686</u>
Total Direct Programs			<u>17,160,686</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, 2025**

<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 EDUCATION</b>			
<i>Pass-through From Texas Higher Education Coordinating Board (THECB):</i>			
Career & Technical Educational Perkins Equity Access	84.048A	29631	295,960
Carl Perkins Career & Technical Education - Basic Grants	84.048A	1201	264,593
CTE-THECB Leadership Perkins Leadership	84.048A	1147	86,571
Total Passed-through from THECB			<u>647,124</u>
 <i>Pass-through From Texas 21st Century:</i>			
TX 21st CCLC Program	84.287C	256950337110044	1,828,893
Stronger OST	84.287C	S287C230044	212,876
Total Passed-through from Texas 21st Century			<u>2,041,769</u>
Total U.S. Department of Education			<u>19,849,579</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>			
Skills for Small Business 2024-2024	93.575	2424SSD001	74,036
Child Care Center	93.667	031-0006	3,779
National Science Foundation Subaward	93.859	1T34GM137854	5,352
Total Passed-through from National Institute of Health			<u>83,167</u>
Total U.S. Department of Health and Human Services			<u>83,167</u>
 <b>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</b>			
<i>Direct Programs:</i>			
Americorps Texas	94.006	22AFGTX001	428,113
Americorps Vista	94.013	20VSWTX008	20,600
Total Direct Programs			<u>448,713</u>
Total Corporation for National and Community Service			<u>448,713</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u><u>\$ 20,662,019</u></u>

Notes to schedule on following pages

**TEXAS SOUTHMOST COLLEGE DISTRICT  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2025**

<b><u>Note 1: Federal Assistance Reconciliation</u></b>	<b>Pass-Through Disbursements</b>
Federal revenue received by Texas Southmost College District:	
Federal grants and contracts revenue per Schedule A	\$ 3,501,333
Federal grants and contracts revenue per Schedule C	<u>17,160,686</u>
Total Federal Revenues	<u>\$ 20,662,019</u>

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

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

**Note 3: Expenditures not Subject to Federal Single Audit**

All expenditures are subject to Federal Single Audit.

**Note 4: Student Loans Processed and Administrative Costs Recovered**

Department of Education	
84.268 Federal Direct Student Loans	
(includes PLUS, subsidized and unsubsidized)	
<hr/>	
New Loans Processed	\$ 2,300,182
Administrative Costs Recovered	<u>-</u>
Total Loans Processed & Admin Costs Recovered	<u>\$ 2,300,182</u>

**Note 5: Non-monetary Federal Assistance Received**

The District did not receive any non-monetary federal assistance this fiscal year.

**Note 6: Indirect Costs**

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

**SCHEDULE F**

**TEXAS SOUTHMOST COLLEGE DISTRICT  
SCHEDULE OF EXPENDITURES OF STATE AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2025**

<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 Innovation Grant Program	29998	\$ 38,208
Nursing Shortage Reduction Program	27037	71,730
Nursing Student Scholarship Program	-	16,806
Texas College Work Study	-	34,434
Texas Educational Opportunity Grant - Initial	n/a	722,000
Texas Educational Opportunity Grant - Renewal	B.1.10	942,000
Texas Reskilling & Upskilling through Education	00312	85,938
Texas Reskilling & Upskilling through Education	01510	166,744
Total Texas Higher Education Coordinating Board		<u>2,077,860</u>
<b>TEXAS MILITARY DEPARTMENT</b>		
<i>Direct</i>		
Administrative Cost Allowance Recovery - Veterans	-	310
Total Texas Military Department		<u>310</u>
<b>TEXAS WORKFORCE COMMISSION</b>		
<i>Direct</i>		
State Energy Conservation Office	CM24089	94,493
Jobs and Education for Texas	2424JET001	70,325
Total Texas Workforce Commission		<u>164,818</u>
<b>TOTAL EXPENDITURES OF STATE AWARDS</b>		<u>\$ 2,242,988</u>

**Note 1: State Assistance Reconciliation**

State Revenues - Per Schedule A		
State Financial Assistance per Schedule of Expenditures of State Awards		\$ 2,242,988
State Revenue Recognized - Pension & OPEB		<u>-</u>
Total State Revenues		<u>\$ 2,242,988</u>

**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*

To 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 the Texas Southmost College District (the "District"), as of and for the year ended August 31, 2025, 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 31, 2025.

### 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 were not 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*.

**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, 2025, 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 31, 2025



# 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

To 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's (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, 2025. 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, 2025.

#### *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 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 Auditors' 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 31, 2025

**TEXAS SOUTHMOST COLLEGE DISTRICT  
SCHEDULE OF FEDERAL AND STATE FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED AUGUST 31, 2025**

**I. Summary of 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 weakness(es)?	None reported
Noncompliance material to the basic financial statements noted?	No

Federal & State Awards

Internal control over major programs: Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weakness(es)?	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:

<u>Name of Federal or State Program:</u>	<u>ALN:</u>
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Federal

Student Financial Aid Cluster	84.007, 84.033, 84.063, 84.268
21st CCLC Cycle II	84.287C

State

Texas Educational Opportunity Grant	N/A
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Dollar threshold considered between Type A and Type B federal programs	\$750,000
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Dollar threshold considered between Type A and Type B state programs	\$750,000
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Low risk auditee:	Yes
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**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, 2025**

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

None.