



TEXAS SOUTHMOST COLLEGE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED AUGUST 31, 1997

TEXAS SOUTHMOST COLLEGE

COMPREHENSIVE ANNUAL FINANCIAL REPORT

AUGUST 31, 1997

TEXAS SOUTHMOST COLLEGE

ORGANIZATIONAL DATA

FOR THE FISCAL YEAR 1996 - 1997

BOARD OF TRUSTEES

Officers

Anthony Carnesi, Jr.	Chairperson
David Oliveira	Vice-Chairperson
Chester Gonzalez	Secretary

Members

Mary Rose Cardenas	Brownsville, Texas	May, 2002
Anthony Carnesi, Jr.	Brownsville, Texas	May, 2000
Chester Gonzalez	Brownsville, Texas	May, 1998
David Oliveira	Brownsville, Texas	May, 2000
Praxedis Orive, Jr.	Brownsville, Texas	May, 1998
Dr. Joseph Zavaletta	Brownsville, Texas	May, 1998
Dolly Zimmerman	Brownsville, Texas	May, 2002

Principal Administrative Officers

Dr. Juliet V. Garcia	President, UTB/TSC
Dr. Wayne J. Moore, Jr.	Vice-President for Administration and Planning UTB/TSC
George F. Haylock, Jr.	District Office Manager
Pat Celaya	District Comptroller

TEXAS SOUTHMOST COLLEGE
COMPREHENSIVE ANNUAL FINANCIAL REPORT

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FINANCIAL SECTION

PATTILLO, BROWN, HILL & CASCOS, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

765 EAST SEVENTH STREET
SUITE A
BROWNSVILLE, TEXAS 78520
(956) 544-7778
FAX (956) 544-8465

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying general purpose financial statements of Texas Southmost College, as of and for the year ended August 31, 1997, as listed in the table of contents. These general purpose financial statements are the responsibility of Texas Southmost College's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Texas Southmost College, as of August 31, 1997, and the results of operations for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated November 14, 1997, on our consideration of Texas Southmost College's internal control structure and a report dated November 14, 1997, on its compliance with laws and regulations.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of Texas Southmost College, taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Nonprofit Organizations", and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

Pattillo, Brown, Hill & Cascos, L.L.P.

November 14, 1997

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TEXAS SOUTHMOST COLLEGE

BALANCE SHEET

AUGUST 31, 1997

(With Comparative Totals at August 31, 1996)

	Current Funds				
	<u>Unrestricted</u>	<u>Auxiliary Enterprises</u>	<u>Restricted</u>	<u>Total</u>	<u>Loan Funds</u>
ASSETS					
Cash and cash equivalents	\$3,252,502	\$ 36,534	\$ 83,237	\$3,372,273	\$ 67,969
Accounts receivable (net of allowance for doubtful accounts of \$9,000 both years)	190,654	152,182	6,497	349,333	-
Taxes receivable (net of allowance for doubtful accounts of \$18,350 & \$27,933 at August 31, 1997, and 1996 respectively)	608,881	-	-	608,881	-
Due from other funds	654,012	15,350	177,153	846,515	-
Investments	-	384,154	-	384,154	-
Accrued interest receivable	-	-	-	-	-
Due from other agencies	655,240	-	-	655,240	76,601
Federal receivables	-	-	652,473	652,473	-
Deposits	-	-	-	-	-
Notes receivable (net of allowance for doubtful accounts of \$94,148 & \$92,373 at August 31, 1997 and 1996, respectively)	-	-	-	-	9,771
Consumable inventories	-	-	-	-	-
Land	-	-	-	-	-
Buildings	-	-	-	-	-
Improvements other than buildings	-	-	-	-	-
Equipment	-	-	-	-	-
Library books	-	-	-	-	-
Construction in progress	-	-	-	-	-
Assets held in trust	-	-	-	-	-
Amounts to be provided interest payable on capital appreciation bonds	-	-	-	-	-
Total Assets	\$5,361,289	\$ 588,220	\$ 919,360	\$6,868,869	\$ 154,341
	=====	=====	=====	=====	=====

See accompanying notes to the financial statements.

EXHIBIT A

Endowment and Similar Funds	Annuity and Life Income Funds	Plant Funds				Agency Funds	Totals (Memorandum Only)	
		Unexpended	Renewals and Replacements	Retirement of Indebtedness	Investment in Plant		August 31, 1997	August 31, 1996
\$ 2,684	\$ -	\$ 84,849	\$1,028,652	\$ 233,249	\$ -	\$ 7,374	\$ 4,797,050	\$ 3,908,625
-	-	-	185	-	-	-	349,518	403,393
-	-	-	-	321,070	-	-	929,951	903,155
-	-	-	161,115	8,092	-	-	1,015,722	806,686
56,905	-	3,359,754	3,150,349	-	-	-	6,951,162	5,844,453
-	-	116,899	77,367	-	-	-	194,266	217,980
-	-	-	-	-	-	-	731,841	-
-	-	-	-	-	-	-	652,473	534,318
-	-	50,750	-	-	-	-	50,750	50,000
-	-	-	-	-	-	-	9,771	9,771
-	-	-	-	-	-	-	-	5,869
-	-	-	-	-	2,924,049	-	2,924,049	2,690,139
-	-	-	-	-	23,969,159	-	23,969,159	22,770,000
-	-	-	-	-	5,870,705	-	5,870,705	5,843,856
-	-	-	-	-	6,096,810	-	6,096,810	8,084,469
-	-	-	-	-	8,220,480	-	8,220,480	7,780,253
-	-	-	-	-	895,453	-	895,453	1,152,302
-	-	-	-	-	351,064	-	351,064	351,064
-	-	-	-	-	623,560	-	623,560	623,560
\$ 59,589	\$ -	\$3,612,252	\$4,417,668	\$ 562,411	\$48,951,280	\$ 7,374	\$64,633,784	\$61,979,893

(continued)

TEXAS SOUTHMOST COLLEGE

BALANCE SHEET

(Continued)

AUGUST 31, 1997

(With Comparative Totals at August 31, 1996)

	Current Funds				
	<u>Unrestricted</u>	<u>Auxiliary Enterprises</u>	<u>Restricted</u>	<u>Total</u>	<u>Loan Funds</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 20,373	\$ 632	\$ 167,810	\$ 188,815	\$ -
Accrued liabilities	-	-	-	-	-
Due to other funds	844,861	28,446	664,094	1,537,401	-
Due to other agencies	2,029,630	-	-	2,029,630	-
Deferred revenue	2,157,079	-	-	2,157,079	-
Accrued compensable absences payable	38,659	-	-	38,659	-
Bonds payable (net of unamortized premium discount of \$0 as of 08/31/97)	-	-	-	-	-
Funds held in custody for others	-	-	-	-	-
Total Liabilities	<u>5,090,602</u>	<u>29,078</u>	<u>831,904</u>	<u>5,951,584</u>	<u>-</u>
Fund Balance:					
Unrestricted					
Reserved					
Accounts receivable	190,654	-	-	190,654	-
Consumable inventory	-	-	-	-	-
Unreserved					
Designated					
Capital projects	-	-	-	-	-
College loan funds	-	-	-	-	90,437
Undesignated	80,033	559,142	-	639,175	-
Restricted					
Other					
Institutional matching funds	-	-	87,456	87,456	63,904
Net investment in plant	-	-	-	-	-
Total Fund Balance	<u>270,687</u>	<u>559,142</u>	<u>87,456</u>	<u>917,285</u>	<u>154,341</u>
Total Liabilities and Fund Balance	<u>\$5,361,289</u>	<u>\$ 588,220</u>	<u>\$ 919,360</u>	<u>\$6,868,869</u>	<u>\$ 154,341</u>

See accompanying notes to the financial statements

EXHIBIT A

Endowment and Similar Funds	Annuity and Life Income Funds	Plant Funds				Totals (Memorandum Only)		
		Unexpended	Renewals and Replacements	Retirement of Indebtedness	Investment in Plant	Agency Funds	August 31, 1997	August 31, 1996
\$ -	\$ -	\$ 871,202	\$ 357,186	\$ -	\$ -	\$ -	\$ 1,417,203	\$ 66,838
-	-	-	-	-	623,561	-	623,561	623,560
-	-	-	134,986	321,070	-	-	1,993,457	806,686
-	-	-	-	-	-	-	2,029,630	498,493
-	-	-	-	-	-	-	2,157,079	2,366,465
-	-	-	-	-	-	-	38,659	52,096
-	-	-	-	-	8,954,999	-	8,954,999	9,804,999
-	-	-	-	-	-	7,374	7,374	7,098
-	-	871,202	492,172	321,070	9,578,560	7,374	17,221,962	14,226,235
-	-	-	-	-	-	-	190,654	322,049
-	-	-	-	-	-	-	-	5,869
-	-	2,741,050	3,925,496	-	-	-	6,666,546	7,007,544
-	-	-	-	-	-	-	90,437	88,971
-	-	-	-	-	-	-	639,175	951,969
19,656	-	-	-	241,341	-	-	412,357	447,078
39,933	-	-	-	-	-	-	39,933	63,094
-	-	-	-	-	39,372,721	-	39,372,721	38,867,084
59,589	-	2,741,050	3,925,496	241,341	39,372,721	-	47,411,822	47,753,658
\$ 59,589	\$ -	\$3,612,252	\$4,417,668	\$ 562,411	\$48,951,280	\$ 7,374	\$64,633,784	\$61,979,893

TEXAS SOUTHMOST COLLEGE

STATEMENT OF CHANGES IN FUND BALANCES

**FOR THE YEAR ENDED AUGUST 31, 1997
(With Comparative Totals at August 31, 1996)**

	Current Funds				
	<u>Unrestricted</u>	<u>Auxiliary Enterprises</u>	<u>Restricted</u>	<u>Total</u>	<u>Loan Funds</u>
REVENUE AND OTHER ADDITIONS					
Unrestricted current funds revenue	\$24,082,100	\$1,744,722	\$ -	\$25,826,822	\$ -
State appropriations - restricted	-	-	-	-	-
Federal grants and contracts	-	-	1,174,324	1,174,324	-
State grants and contracts	-	-	247,446	247,446	-
Local gifts, grants and contracts	-	-	35,801	35,801	-
Investment/endowment income	-	-	3,288	3,288	2,276
Realized gains on investments	-	-	-	-	-
Net change in bonds payable	-	-	-	-	-
Net change in notes payable	-	-	-	-	-
Expended for plant facilities (includes \$0 charged to current funds expenditures)	-	-	-	-	-
Other additions	-	-	-	-	-
Total Revenue and Other Additions	<u>24,082,100</u>	<u>1,744,722</u>	<u>1,460,859</u>	<u>27,287,681</u>	<u>2,276</u>
EXPENDITURES AND OTHER DEDUCTIONS					
Expenditures	21,520,446	1,413,083	7,957,330	30,890,859	-
Expended for plant facilities	-	-	-	-	-
Loan cancellations and write-offs	-	-	-	-	-
Retirement of indebtedness - bonds	-	-	-	-	-
Interest on indebtedness	-	-	-	-	-
Other deductions	-	-	-	-	-
Total Expenditures and Other Deductions	<u>21,520,446</u>	<u>1,413,083</u>	<u>7,957,330</u>	<u>30,890,859</u>	<u>-</u>
TRANSFERS-ADDITIONS (DEDUCTIONS)					
Mandatory transfers					
TPEG	-	-	-	-	-
SEOG	-	-	-	-	-
Nonmandatory transfers					
Other	(3,062,279)	(275,203)	(8,857)	(3,346,339)	-
Total Transfers - Additions (Deductions)	<u>(3,062,279)</u>	<u>(275,203)</u>	<u>6,513,171</u>	<u>6,513,171</u>	<u>-</u>
NET INCREASE (DECREASE) FOR THE FISCAL YEAR	<u>(500,625)</u>	<u>56,436</u>	<u>7,843</u>	<u>(436,346)</u>	<u>2,276</u>
FUND BALANCES, SEPTEMBER 1, 1996 - RESTATED	<u>771,312</u>	<u>502,706</u>	<u>79,613</u>	<u>1,353,631</u>	<u>152,065</u>
FUND BALANCES, AUGUST 31, 1997	\$ 270,687	\$ 559,142	\$ 87,456	\$ 917,285	\$ 154,341
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See accompanying notes to the financial statements.

EXHIBIT B

Endowment and Similar Funds	Annuity and Life Income Funds	Plant Funds				Agency Funds	Totals (Memorandum Only)	
		Unexpended	Renewals and Replacements	Retirement of Indebtedness	Investment in Plant		August 31, 1997	August 31, 1996
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$25,826,822	\$24,188,375
-	-	-	-	-	-	-	-	30,248
-	-	-	-	-	-	-	1,174,324	1,363,263
-	-	-	-	-	-	-	247,446	-
-	-	-	-	-	-	-	35,801	9,171
13,640	-	160,413	250,739	19,104	-	-	449,460	223,527
-	-	-	-	-	-	-	-	1,056
-	-	-	-	-	850,000	-	850,000	800,000
-	-	-	-	-	-	-	-	-
-	-	-	-	-	1,463,805	-	1,463,805	2,205,434
-	-	-	37,071	1,209,356	-	-	1,246,427	1,556,667
<u>13,640</u>	<u>-</u>	<u>160,413</u>	<u>287,810</u>	<u>1,228,460</u>	<u>2,313,805</u>	<u>-</u>	<u>31,294,085</u>	<u>30,377,741</u>
1,600	-	-	-	-	-	-	30,892,459	28,302,525
-	-	2,288,726	1,593,730	-	-	-	3,882,456	2,381,801
-	-	-	-	850,000	-	-	850,000	17,133
-	-	-	-	456,165	-	-	456,165	800,000
-	-	-	-	870	1,808,169	-	1,809,039	516,848
<u>1,600</u>	<u>-</u>	<u>2,288,726</u>	<u>1,593,730</u>	<u>1,307,035</u>	<u>1,808,169</u>	<u>-</u>	<u>37,890,119</u>	<u>32,623,900</u>
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	1,218,030	1,875,205	-	-	-	(253,104)	-
-	-	-	-	-	-	-	6,513,171	5,890,719
<u>-</u>	<u>-</u>	<u>1,218,030</u>	<u>1,875,205</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,260,067</u>	<u>5,890,719</u>
12,040	-	(910,283)	569,285	(78,575)	505,636	-	(335,967)	3,644,560
<u>47,549</u>	<u>-</u>	<u>3,651,333</u>	<u>3,356,211</u>	<u>319,916</u>	<u>38,867,084</u>	<u>-</u>	<u>47,747,789</u>	<u>44,109,098</u>
\$ 59,589	\$ -	\$2,741,050	\$3,925,496	\$ 241,341	\$39,372,720	\$ -	\$47,411,822	\$47,753,658
=====	=====	=====	=====	=====	=====	=====	=====	=====

TEXAS SOUTHMOST COLLEGE

EXHIBIT C

STATEMENT OF CURRENT FUNDS REVENUE, EXPENDITURES
AND OTHER CHANGES

FOR THE YEAR ENDED AUGUST 31, 1997
(With Memorandum Totals for the Year Ended August 31, 1996)

	Unrestricted	Auxiliary Enterprises	Restricted	Totals (Memorandum Only)	
				1997	1996
REVENUE					
State appropriations - general revenue	\$10,320,956	\$ -	\$ -	\$10,320,956	\$10,009,120
Tuition and fees	7,876,607	1,485,386	-	9,361,993	7,935,130
Taxes for current operation	1,964,638	-	-	1,964,638	1,879,329
Federal grants and contracts	140,789	-	1,174,324	1,315,113	1,343,309
State grants and contracts	3,000,000	-	247,446	3,247,446	3,000,000
Local grants and contracts	375,702	-	35,801	411,503	897,855
Investment/endowment income	210,327	-	3,288	213,615	275,302
Sales and service of auxiliary enterprises	-	233,304	-	233,304	201,536
Other sources	-	-	-	-	-
Interest income	-	21,632	-	21,632	22,892
Gains/losses on investments	-	-	-	-	-
Miscellaneous income	193,081	4,400	-	197,481	9,127
Total Current Funds Revenue	<u>24,082,100</u>	<u>1,744,722</u>	<u>1,460,859</u>	<u>27,287,681</u>	<u>25,573,600</u>
EXPENDITURES AND MANDATORY TRANSFERS					
Educational and General:					
Instruction	-	-	-	-	119,362
Institutional support	971,384	-	-	971,384	882,049
Scholarships and fellowships	-	-	-	-	126,151
Transfers to UTB	20,549,062	-	7,957,330	28,506,392	25,986,778
Total Educational and General Expenditures	<u>21,520,446</u>	<u>-</u>	<u>7,957,330</u>	<u>29,477,776</u>	<u>27,114,340</u>
Auxiliary Enterprise Expenditures:					
Expenditures	-	202,902	-	202,902	208,905
Transfers to UTB	-	1,210,181	-	1,210,181	977,683
Total Auxiliary Enterprise Expenditures	<u>-</u>	<u>1,413,083</u>	<u>-</u>	<u>1,413,083</u>	<u>1,186,588</u>
Mandatory Transfers for:					
TPEG to restricted	-	-	-	-	-
SEOG matching	-	-	-	-	-
Total Mandatory Transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures and Mandatory Transfers	<u>21,520,446</u>	<u>1,413,083</u>	<u>7,957,330</u>	<u>30,890,859</u>	<u>28,300,928</u>
OTHER TRANSFERS AND ADDITIONS (DEDUCTIONS)					
Nonmandatory transfers	(3,062,279)	(275,203)	(8,857)	(3,346,339)	(5,804,005)
Excess of TPEC transfer over grant awarded	-	-	-	-	78,939
Federal scholarships/grants by UTB	-	-	6,513,171	6,513,171	5,890,719
Total Other Transfers and Additions (Deductions)	<u>(3,062,279)</u>	<u>(275,203)</u>	<u>6,504,314</u>	<u>3,166,832</u>	<u>165,653</u>
NET INCREASE (DECREASE) IN FUND BALANCES	<u>\$(500,625)</u>	<u>\$ 56,436</u>	<u>\$ 7,843</u>	<u>\$(436,346)</u>	<u>\$(2,561,675)</u>

See accompanying notes to the financial statements.

TEXAS SOUTHMOST COLLEGE

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 1997

1. REPORTING ENTITY

Texas Southmost College (TSC) 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 is considered to be a special purpose, primary government according to the definition in Governmental Accounting Standards Board (GASB) Statement 14. While the College receives funding from local, state, and federal sources, and must comply with the spending, reporting, and recordkeeping 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 Texas Southmost College in preparing these financial statements are in accordance with the Texas Higher Education Coordinating Board's Annual Financial Reporting Requirements for Texas Public Community and Junior Colleges. These requirements are in substantial conformity with, the AICPA Industry Audit Guide, Audits of Colleges and Universities, as amended by AICPA Statement of Position (SOP) 74-8, Financial Accounting and Reporting by Colleges and Universities, and as modified by applicable FASB pronouncements issued through November 30, 1989, and as modified by all applicable GASB pronouncements cited in Codification Section Co5, "Colleges and Universities."

Basis of Accounting

The financial statements of Texas Southmost College have been prepared on the accrual basis of accounting except that depreciation expense related to plant fund assets is not recorded. The Statement of Current Funds Revenue, Expenditures and Other Changes is a statement of financial activities of current funds related to the reporting period. It does not purport to present the results of operations or the net income or loss for the period as would a statement of income or a statement of revenues and expenses.

(continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

Encumbrances accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the Current Funds. Under Texas law, appropriations lapse at August 31, and encumbrances outstanding at that time are to be either canceled or at year-end that were provided for in the subsequent year's budget, reported as reservations of fund balance since they do not constitute expenditures or liabilities.

Inventories, consisting of consumable office supplies, are valued at cost under the "first-in, first-out" method.

To the extent that current funds are used to finance plant assets, the amounts so provided are accounted for as (1) expenditures, in the case of normal replacement of equipment, library holdings, and livestock; (2) mandatory transfers in the case of required provisions for debt amortization and interest and equipment renewal and replacement; and (3) transfers of a nonmandatory nature for all other cases.

Fund Accounting

To ensure observance of limitations and restrictions placed on the use of the resources available to the college, accounts are maintained in accordance with the principles of "fund accounting." Resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with specified activities or objectives. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined into fund groups. Accordingly, all financial transactions have been recorded by fund group.

Within each fund group, fund balances restricted by outside sources are distinguished from unrestricted funds allocated to specific purposes by action of the governing board. Externally restricted funds may only be utilized in accordance with the purposes established by the source of such funds and are in contrast with unrestricted funds over which the governing board retains full control to use in achieving any of its institutional purposes.

Endowment and Similar Funds are subject to the restrictions of gift instruments requiring in perpetuity that the principal be invested and only the income be utilized. Term endowment funds are similar to other endowment funds, except that all or part of the principal may be utilized after a stated period of time or upon the occurrence of a certain event. Funds functioning as endowments are funds that the governing board has approved to be used as endowments.

(continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Accounting (Continued)

All gains and losses arising from the sale, collection, or other disposition of investments and other noncash assets are accounted for in the fund which owned the assets. Ordinary income derived from investments, receivables, and other sources is accounted for in the fund owning such assets, except for income derived from investment of Endowment and Similar Funds. That income is accounted for in the fund to which it is restricted or, if unrestricted, as revenue in unrestricted current funds.

All other unrestricted revenue is accounted for in the appropriate unrestricted fund. Restricted gifts, grants, appropriation, endowment income, and other restricted resources are accounted for in the appropriate restricted funds. Restricted current funds are reported as revenue and expenditures when expended for current operating purposes. Contract and grant awards for the current reporting period are shown as additions to fund balances in Restricted Current Funds.

The different fund groups used at Texas Southmost College are as follows:

Current Funds

Funds available for current operating and maintenance purposes, as well as those restricted by donors and other outside agencies for specific operating purposes. Current funds are segregated into separate balanced funds groups.

Unrestricted Current Funds - Funds received by an institution that have no limitations or stipulations placed on them by external agencies or donors. The funds are used for carrying out the primary purpose of an institution, i.e. educational, research, extension and administration.

Auxiliary Enterprises - Funds for activities that serve students, faculty, or staff for charges that are directly related to, although not necessarily equal to, the cost of the service. Examples are residence halls, food services and book stores.

Restricted Current Funds - Funds available for current purposes, but with restrictions from outside agencies or persons. Revenue is reported only to the extent of expenditures for the current year.

Loan Funds

Funds available for loans to students, faculty and staff.

(continued)

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

Endowment and Similar Funds

Funds subject to restrictions of endowment and trust instruments requiring that principal be maintained and that only the income be spent.

Annuity and Life Income Funds

The Annuity Funds group consists of funds donated to an institution on the condition that the institution pay a stipulated amount of the funds to the donor or designated individual for a specified time or until the time of death of the annuitant. The Life Income Funds Group consists of funds contributed to an institution subject to the requirement that the institution periodically pay the income earned on the assets (less management expenses) to designated beneficiaries.

Plant Funds

Plant funds are divided into these separate balanced fund groups:

Unexpended - Funds for the construction, rehabilitation, and acquisition of physical properties for institutional purposes.

Renewals and Replacements - Funds accumulated for the renewal and replacement of physical plant properties.

Retirement of Indebtedness - Funds accumulated to meet debt service charges and the retirement of indebtedness.

Investment in Plant - Funds already expended for plant properties. Physical properties are stated at cost at date of acquisition or fair market value at date of donation for gifts. Depreciation on physical plant and equipment is not recorded.

Agency Funds

Funds held by the College as custodial or fiscal agent for students, faculty members, and/or others.

Memorandum Totals

The Balance Sheet in columnar form, the Statement of Changes in Fund Balances, and the Statement of Current Funds Revenue, Expenditures and Other Changes are shown with memorandum totals for the current and prior years. Interfund borrowing has not been eliminated, but has been off-set in the assets and liability sections. The memorandum totals are presented only to facilitate financial analysis and do not purport to present financial position, in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation.

(continued)

3. AUTHORIZED INVESTMENTS

While the Board of Trustees of Texas Southmost College has adopted a written investment policy regarding the investment of its funds, it had not been in compliance with the Public Funds Investment Act as amended in 1995 (Chapter 2256, Texas Government Code). The investments of the College are in compliance with the Trustees' investment policies. The Board implemented a policy at the beginning of FY 1998 that complies with the law.

4. DEPOSITS AND INVESTMENTS

At August 31, 1997, the carrying amount of Texas Southmost College deposits was \$6,074,306, and total bank balances equalled \$11,688,975. Bank balances of \$100,000 are covered by federal depository insurance and \$19,265,876 was covered by collateral pledged in Texas Southmost College's name. The collateral was held by Texas Southmost College or by its agent (Category 1). Bank balances totaling \$-0- were collateralized with securities held by the pledging financial institution's trust department or agent in Texas Southmost College's name (Category 2). There were no bank balances uncollateralized at fiscal year-end (Category 3).

Cash and Deposits

Bank Deposits		
Demand deposits		\$6,074,306
Cash and Cash Equivalents		
Petty cash on hand	\$ 2,410	
Local funds in state treasury	<u>100</u>	<u>2,510</u>
Total Cash and Deposits		<u>\$6,076,816</u>

To comply with the reporting requirements of GASB Statement No. 3, *Investments (including Repurchase Agreements), and Reverse Repurchase Agreements*, Texas Southmost College's investments are categorized under "Investment Categories" to give an indication of credit risk assumed by Texas Southmost College at year-end. Credit risk is the risk that another party to a deposit or investment transaction would not fulfill its obligations. This is not to be confused with market risk, which is the risk that the market value of an investment, collateral protecting a deposit, or securities underlying a repurchase agreement will decline. Market risk is not depicted in this note.

The following categories of credit risk are included:

- Category 1:** Investments that are insured or registered or for which the securities are held by the institution or its agent in the institution's name.
- Category 2:** Uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or institution in the institution's name.

(continued)

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

Cash and Deposits (Continued)

Category 3: Uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent, but not in the institution's name.

<u>Type of Security</u>	<u>Category</u>			<u>Carrying Amount</u>	<u>Market Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
Corporate stocks	\$ -	\$ 56,827	\$ -	\$ 56,827	\$ 56,827
Totals	\$ -	\$ 56,827	\$ -	\$ 56,827	\$ 56,827

5. **BONDS AND VARIABLE RATE NOTES PAYABLE**

General information related to bonds payable is summarized below:

- a. Library Revenue Bonds, Series 1975-A
 - To construct, improve and equip the library building
 - Issued May 31, 1975
 - \$800,000; all authorized bonds have been issued
 - Source of revenue for debt service - building use fees, library lease revenue
 - Outstanding balance at August 31, 1997, was \$-0-
- b. School Building Tax Bonds, Series 1987 - 1988
 - To construct, improve various buildings within the District
 - Issued March 12, 1987 and March 10, 1988
 - \$13,500,000; all authorized bonds have been issued
 - Source of revenue for debt service - ad valorem tax levy
 - Outstanding balance at August 31, 1997, was \$870,000
- c. Refunding Tax Bonds, Series 1994
 - To refund certain outstanding School Building Tax Bonds, Series 1987 and Series 1988

(continued)

5. BONDS AND VARIABLE RATE NOTES PAYABLE (Continued)

- Issued March 31, 1994
- Source of revenue for debt service - ad valorem tax levy
- Outstanding balance at August 31, 1997, was \$8,084,999

Bonds and variable rate notes payable are due in annual installments varying from \$155,000 to \$1,185,000 with interest rates from 3.2% to 7.7% with the final installment due in 2008. Future principal and interest expense requirements are summarized below for bonds and variable rate notes issued.

Year Ending <u>August 31,</u>	<u>Total</u>	<u>Interest</u>	<u>Principal</u>	Balance of Principal <u>Outstanding</u>
1998	\$ 1,235,631	\$ 400,631	\$ 835,000	\$ 8,119,999
1999	1,200,843	355,843	845,000	7,274,999
2000	1,254,150	314,150	940,000	6,334,999
2001	1,229,720	269,720	960,000	5,374,999
2002	1,196,440	790,581	405,859	4,969,140
2003	1,236,440	857,300	379,140	4,590,000
2004	1,210,700	220,700	990,000	3,600,000
2005	1,241,473	166,473	1,075,000	2,525,000
2006	1,222,880	107,880	1,115,000	1,410,000
2007	1,230,188	45,188	1,185,000	225,000
2008	<u>231,300</u>	<u>6,300</u>	<u>225,000</u>	<u>-</u>
	<u>\$12,489,765</u>	<u>\$ 3,534,766</u>	<u>\$ 8,954,999</u>	<u>\$ -</u>

6. ADVANCE REFUNDING BONDS

Refunded \$8,510,000 of School Building Tax Bonds, Series 1987 and 1988

- Issued refunding bonds on March 31, 1994
- \$8,509,999, all authorized bonds have been issued
- Average interest rate of bonds refunded - 7.8%
- Net proceeds from refunding series - \$8,745,865; after payment of \$170,324 in underwriting fees, insurance, and other issuance costs
- Additional \$164,260 of 1987 and 1988 Series sinking fund monies was used to purchase U.S. Government securities which were deposited in an irrevocable trust with an escrow agent to provide for all future debt payments on the 1994 Series bonds
- The refunded portion of the 1987 and 1988 Series bonds are considered fully defeased and the liability for those bonds has been removed from the Investment in Plant Fund Group
- Advance refunding of the 1987 and 1988 Series bonds reduced the College debt service payments over the next 15 years by approximately \$494,635

(continued)

6. **ADVANCE REFUNDING BONDS (Continued)**

- Economic gain - \$215,994 difference between the net present value of the old and new debt service payments.
- Accounting gain - \$383,882 accounting gain resulted from the advanced refunding.

7. **DEFEASED BONDS OUTSTANDING**

<u>Bond Issue</u>	<u>Year Refunded</u>	<u>Par Value Outstanding</u>
School Building Tax Bonds Series 1987	1994	\$ 6,100,000
School Building Tax Bonds Series 1988	1994	<u>2,410,000</u>
Total		<u>\$ 8,510,000</u>

8. **EMPLOYEES' RETIREMENT PLAN**

Plan Description

The Teacher Retirement System of Texas is a multiple-employer public employee retirement system (PERS). It is a cost-sharing PERS with one exception: All risks and costs are not shared by the employer, but are the liability of the State of Texas. By statute, the State of Texas contributes to the retirement system an amount equal to the current authorized rate times the aggregate annual compensation of all members of the retirement system during that fiscal year.

For members of the retirement system entitled to the minimum salary for certain school personnel established under §16.056, Texas Education Code, the employing District shall pay the State's contribution on the portion of the member's salary that exceeds the statutory minimum.

Types of Employees Covered

All employees of public, state-supported educational institutions in Texas who are employed for up to ½ times or more of the standard work load and who are not exempted from membership under Texas Government Code, Title 8, Subtitle C §822.002 are covered by TRS membership.

Benefit Provisions

The Teacher Retirement System of Texas administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school system of Texas. It operates primarily under the provisions of Texas Constitution, art. XVI, §67 and Texas Government Code, Title 8, Subtitle C. The system also administers proportional retirement benefits and service credit transfer under Texas Government Code, Title 8, Chapter 803 and Chapter 805, respectively.

(continued)

8. EMPLOYEES' RETIREMENT PLAN (Continued)

Service Retirement

1. Normal
 - Age 65 with five years of service
 - Age 60 with 20 years of service
 - Age 55 with 30 years of service

2. Reduced
 - Age 55 with at least five years of service
 - Any age below 55 with 30 years of service

A member is fully vested after five years of creditable service and entitled to any benefit for which eligibility requirements have been met.

FUNDING STATUS AND PROGRESS

State law provided for a state contribution rate for fiscal years 1996 and 1997 of 6.00% and a member contribution rate of 6.4% for fiscal years 1996 and 1997. These rates are set by state statutes. In certain instances, Texas Southmost College is required to make all or a portion of the State's 6% contribution.

Contribution requirements are not actuarially determined, but are legally established each biennium pursuant to the following state funding policy: (1) the state constitution requires the 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 of all members of the system during that fiscal year. (2) a state statute prohibits benefit improvements or contribution reductions 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.

Pension benefit obligation, net assets available, unfunded pension benefit obligation, and annual covered payroll for the Teacher Retirement System of Texas as of August 31, 1988 to 1996, were as follows (in billions):

(continued)

8. EMPLOYEES' RETIREMENT PLAN (Continued)

Service Retirement (Continued)

FUNDING STATUS AND PROGRESS (Continued)

<u>Fiscal Year</u>	<u>Pension Benefit Obligation</u>	<u>Net Assets Available for Benefits (Book Value) until FY 1995 FMV in FY 1996</u>	<u>Unfunded Pension Benefit Obligation</u>	<u>Annual Covered Payroll</u>
1988	\$21.8	\$17.5	\$4.3	\$ 9.2
1989	24.6	19.7	4.9	9.8
1990	27.1	21.8	5.3	10.4
1991	29.8	24.0	5.8	11.2
1992	32.0	26.1	5.9	12.0
1993	35.7	29.0	6.7	13.4
1994	36.1	33.3	2.8	14.2
1995	41.9	37.1	4.8	14.9
1996	45.4	50.1	(4.7)	16.0

OPTIONAL RETIREMENT PLAN

Administrative employees and faculty members have an option to participate in an Optional Retirement Plan. The State's contribution rate for fiscal years 1997 and 1998 is 8.5%, and a member's contribution rate is 6.65% for fiscal years 1997 and 1998. Texas Southmost College is required to make 2.5% of the State's 8.5% contribution.

9. DEFERRED COMPENSATION PROGRAM

College employees may elect to defer a portion of their earnings for income tax and investment purposes pursuant to authority granted in Senate Bill No. 872 of the 63rd Legislature. As of August 31, 1997, the College had one employee participating in the program. A total of \$1,000 in payroll deductions had been invested in approved plans during the fiscal year.

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10. COMPENSATED ABSENCES

Full-time employees earn annual leave at a rate of eight hours per month. The College's policy is that an employee may carry their accrued leave forward from one fiscal year to another fiscal year without limit. Employees with at least six months of service who terminate their employment are entitled to payment for all accumulated annual leave. The College recognized the accrued liability for the unpaid annual leave in the Unrestricted Current Fund. Sick leave, which can be accumulated to a maximum of 60 days, is earned at the rate of eight hours per month. It is paid to an employee who misses work because of illness. The College's policy is that employees who terminate employment are not entitled to payment of the accumulated sick leave. As a result, the College does not accrue the accumulated sick leave at year-end. The cost of sick leave is recognized when paid.

11. PENDING LAWSUITS AND CLAIMS

On August 31, 1997, there were no lawsuits involving Texas Southmost College. However, there was one Equal Opportunity Commission complaint filed against the College subsequent to year-end. The outcome is unknown at this time.

12. CAPITAL LEASE OBLIGATIONS

There were no capital lease obligations at August 31, 1997.

13. OPERATING LEASE COMMITMENTS AND RENTAL AGREEMENT

There were no operating lease commitments at August 31, 1997.

Rental agreements consist of the following:

A lease agreement was signed with Subway Real Estate Corp. to provide meals and beverages for the students, faculty, staff and guests. Under the terms of the agreement, Subway will pay the College a base rent at the rate of 4% of gross sales per month. This lease expires in August 1998.

The College extended its bookstore lease to Texas Book Company for an additional period from August 1, 1995 through July 5, 1998. The lease calls for a lease payment of \$95,000 per annum plus an additional 10% of gross revenue above \$1,250,000.

14. FUNDS HELD IN TRUST BY OTHERS

The balances, or transactions, of funds held in trust by others on behalf of Texas Southmost College are not reflected in the financial statements. At August 31, 1997, there were no such funds for the benefit of the College.

(continued)

15. 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. Funds received, but not expended during the reporting period, are shown as additions to fund balance on Exhibit B. Revenue is recognized on Exhibit C as funds are actually expended. For federal contract and grant awards, funds expended, but not collected, are reported as Federal Receivables on Exhibit A. Nonfederal contract and grant awards for which funds are expended, but not collected, are reported as Accounts Receivable on Exhibit A. Contract and grant awards that are not yet funded and for which the institution has not yet performed services are not included in the financial statements. Contract and grant award funds already committed, e.g. multi-year awards, or funds awarded during fiscal year 1997 for which monies have not been received nor funds expended totaled \$630,619. Of this amount, \$592,877 was from federal contract and grant awards.

16. SELF-INSURED PLANS

The College has no self-insured arrangements.

17. POST RETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

In addition to providing pension benefits, the state provides certain health care and life insurance benefits for retired employees. Almost all of the employees may become eligible for those benefits if they reach normal retirement age while working for the State. Those and similar benefits for active employees are provided through an insurance company whose premiums are based on benefits paid during the previous year. The State recognizes the cost of providing these benefits by expending the annual insurance premiums. The State contributes \$2.28 per month on \$5,000 of life insurance per employee. The State's monthly contribution per full-time employee was \$184.03 for single employees, \$367.70 for the employee and children, \$289.85 for employee and spouse, and \$367.70 for family coverage for the year ended August 31, 1997. The cost of providing those benefits for six active employees was \$17,500. At August 31, 1997, Texas Southmost College did not have any active retirees.

18. RELATED PARTIES

The TSC Foundation, Inc. is a non-profit organization with the sole purpose of supporting educational and other activities of the College. The Foundation solicits donations and acts as coordinator of a challenged grant funded by the Department of Education. It remitted restricted gifts of \$-0- to the College during the year ended August 31, 1997. During the fiscal year the College furnished certain services such as office space, utilities and staff assistance to the foundation at no cost for these services.

(continued)

18. RELATED PARTIES (Continued)

Partnership Agreement with the University of Texas at Brownsville.

On September 1, 1992, an agreement was entered into between Southmost Union Junior College District Board of Trustees and the Board of Regents of the University of Texas System on behalf of The University of Texas at Brownsville. The purpose of this agreement was to enter into an educational partnership as authorized by state law, Texas Education Code Section 51.661 et seq., to improve the continuity, quality and efficiency of educational programs and services.

This agreement is implemented by specific interagency contracts and/or leases between the parties. The interagency contracts consist of the following:

- A. Lease of TSC facilities by UTB as necessary to provide both UTB programs and TSC programs. Provisions for facility maintenance is included in the lease.

Property (Excluding Real Property)

Under this agreement TSC agrees to provide UTB, for a period of five years ending August 31, 1997, the right to use all the tangible personal property belonging to TSC for the purpose of providing educational and student services to students. UTB agrees to pay TSC \$45,489 per month during the term of the agreement. As part of the agreement, any physical property purchased by Lessee after September 1, 1992, shall become the physical property of the Lessor in a proportion equal to Lessor's funds used in the purchase. In addition, UTB is to pay TSC 2.229% per month on any additions purchased by TSC during the term of the lease agreement. For the purpose of this agreement, it is agreed that the proportion of funds used is equal to the Lessor's official fall student head count of the prior year divided by the official fall student head count of both institutions of that same year, where Lessor's students are all students not enrolled as upper division or post-graduate students.

Real Property

Under this agreement, UTB also agrees to pay TSC \$204,511 per month for the use of all real property. The lease ended August 31, 1997. These lease agreements are still being negotiated, however, new lease agreements are expected to be signed.

- B. Agreement for the coordination of personnel with provisions for conditions of employment by UTB.
- C. Agreement for the coordination and financing of programs and support services.

Payment for agreements A and B above will be in accordance with the Educational Partnership Cooperation Contract Regarding Finance and Funding. Under this contract UTB agrees to deliver all programs and provide all services for both entities. TSC will pay UTB for instruction and services for TSC students as follows:

Tuition for lower division academic and vocational courses, and all appropriations and contracts.

(continued)

19. INTERFUND BORROWING

All interfund borrowing has been made from unrestricted funds and is payable within one year without interest.

<u>Fund</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$1,311,572	\$ 852,166
Auxiliary enterprises	15,350	28,446
Restricted		
Institutional scholarships	177,144	-
Federal restricted funds	2,329	657,560
Loan Funds	-	-
Renewals and Replacements		
Restricted major restoration	-	-
Restricted parking fund	23,686	134,986
Capital expansion	134,986	-
Retirement of Indebtedness		
Systems fund	<u>8,091</u>	<u>-</u>
	<u>\$1,673,158</u>	<u>\$1,673,158</u>

20. PROPERTY TAX

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

The use of tax proceeds is restricted to either maintenance and operations or interest and sinking expenditures. Tax collections for the year ended August 31, 1997, were 93% of the current tax levy. Allowances for uncollectible taxes are based upon historical experience in collecting property taxes.

21. PROPERTY, PLANT AND EQUIPMENT

Land is valued at its original cost. \$817,500 was added to the value of the land based on a nonformal appraisal made in 1971 on the 54.5 acres occupied by the College, most of which was acquired by gift from the U.S. Government (Old Fort Brown). During the year, an additional 18.76 acres of land for \$422,100 have been added based on a nonformal appraisal made in 1995. This land was acquired by gift from the U.S. Government.

(continued)

21. **PROPERTY, PLANT AND EQUIPMENT (Continued)**

Physical plant and equipment are stated at cost on date of acquisition or fair market value at date of gift. Library books are valued at replacement cost estimated by the Library Director. Depreciation on physical plant and equipment is not recorded.

Due to a fixed asset accounting problem, we could not determine the exact additions, deletions, and other changes with an acceptable degree of confidence for machinery and equipment by category. A single adjustment was made to reconcile the general ledger to the subsidiary ledger and for report purposes it was placed into the "Other" column.

Changes in general fixed assets are as follows:

	Balance 08/31/96	Purchased/ Additions	Other*	Balance 08/31/97
BUILDINGS				
Auto Body Building	\$ 87,621	\$ -	\$ -	\$ 87,621
Allied Health	698,407	-	-	698,407
Tandy Hall I	1,209,301	-	-	1,209,301
Tandy Hall II	2,277,225	-	-	2,277,225
A. A. Champion	43,436	-	-	43,436
Gymnasium	814,002	-	-	814,002
Business Services	5,565	-	-	5,565
Student Center	944,335	-	-	944,335
Library	4,191,479	-	-	4,191,479
Rusteberg	933,684	-	-	933,684
Gomez-Farias Project (Mexico)	5,063	-	-	5,063
Eidman Science-Math Building	875,315	-	-	875,315
Gorgas Hall Improvements	1,682,096	44,906	-	1,727,002
Music Hall	94,770	-	-	94,770
Maintenance	34,898	-	-	34,898
PAU-B Administration	222,158	-	-	222,158
PAU-B Temporary Office	13,444	-	-	13,444
Child Care Center	378,509	5,524	-	384,033
Cavalry Barracks	443,891	-	-	443,891
Women's Center	76,019	-	-	76,019
Continuing Education	45,000	-	-	45,000
Athletic Houses	13,143	-	-	13,143
Marion Hedrick Smith Memorial Amphitheater	296,391	160,417	-	456,808
U.S. Coast Guard Station (S.P.I.)	320,353	-	-	320,353
Security/First Aid (Carpet)	888	-	-	888
Continuing Education (American Legion Building)	56,417	-	-	56,417
Classroom/Office	5,936,735	-	-	5,936,735
Art	673,412	-	-	673,412
Central Plant	396,443	-	-	396,443
USDA Property	-	869,502	-	869,502
Canon del Novillo	-	117,078	-	117,078
Campus-wide Signage	-	1,732	-	1,732
Total Buildings	<u>22,770,000</u>	<u>1,199,159</u>	<u>-</u>	<u>23,969,159</u>
LAND				
Land 50-year lease Amphitheater	1,250	-	-	1,250
Land	485,631	-	-	485,631
Land - appraisal increase	817,500	-	-	817,500
Land - parking lot	887,233	86,671	-	973,904
Land - 18.76 acres	422,100	-	-	422,100
Land - Canon Del Novillo	16,425	-	(3,890)	12,535
Land - Young House	60,000	981	-	60,981
Land - Lot 3, Block 6, Paredes	-	-	-	-
Subdivision	-	31,093	-	31,093
Land - Fort Brown Villas	-	119,056	-	119,056
Total Land	<u>2,690,139</u>	<u>237,800</u>	<u>(3,890)</u>	<u>2,924,049</u>

(continued)

21. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Balance <u>08/31/96</u>	Purchased/ <u>Additions</u>	<u>Other*</u>	Balance <u>08/31/97</u>
SITE IMPROVEMENTS				
Landscaping - T.S.C.	\$ 16,168	\$ -	\$ -	\$ 16,168
Landscaping - S.P.I.	3,395	-	-	3,395
Paving	392,615	-	-	392,615
Remodel courtyard fountain	18,638	-	-	18,638
Tennis courts	43,002	-	-	43,002
Reflecting pool	27,591	-	-	27,591
Gorgas Monument	24,121	-	-	24,121
Roofing	719,512	-	-	719,512
ACM Abatement	649,036	-	-	649,036
Resaca Bulkhead	281,424	-	-	281,424
Paseo	265,071	-	-	265,071
Paseo - classroom	448,523	-	-	448,523
Paseo - East	570,218	-	-	570,218
Central plant	2,280,410	-	-	2,280,410
ADA Compliance improvements	<u>104,132</u>	<u>26,849</u>	<u>-</u>	<u>130,981</u>
Total Site Improvements	<u>5,843,856</u>	<u>26,849</u>	<u>-</u>	<u>5,870,705</u>
MACHINERY, EQUIPMENT, FURNITURE AND FIXTURES				
Furniture and Fixtures	<u>15,864,722</u>	<u>-</u>	<u>(1,547,432)</u>	<u>14,317,290</u>
Grand Total	<u>\$47,168,717</u>	<u>\$1,463,808</u>	<u>\$(1,551,322)</u>	<u>\$47,081,203</u>

* Stolen, transfers, deletions, donations, auctions, and corrections.

22. DEFERRED REVENUE

Revenue, primarily consisting of tuition and fees, related to academic terms in the next fiscal year are recorded on the balance sheet as deferred revenue in the current fiscal year.

23. BUDGETARY DATA

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

24. INCOME TAXES

The College is exempt from income taxes under Internal Revenue Code Section 115, Income of States, Municipalities, Etc., although unrelated business income may be subject to income taxes under Internal Revenue Code Section 511 (a)(2)(B), Imposition of Tax on Unrelated Business Income of Charitable, Etc. Organizations. The College had no unrelated business income tax liability for the year ended August 31, 1997.

(continued)

25. COMMITMENTS

At August 31, 1997, Texas Southmost College had the following construction commitments:

Building #44, commonly called the Commandant's House, is a multi-year project of historical renovation. Grants are currently being sought to help fund the project. The Board of Trustees has set aside \$250,000 towards this project.

26. TRANSFERS IN AND OUT

At August 31, 1997, the transfers in and out between all the Texas Southmost College funds do not net to zero.

As disclosed in footnote #18, Texas Southmost College entered into an agreement with the University of Texas at Brownsville. Under this agreement, UTB receives federal/financial grants that it awards to lower division students. (See note 2 on Schedule D-3 Schedule of Federal Financial Assistance for a breakdown of these awards). These expenditures are reflected in the Texas Southmost College's financial statements as Scholarships and Fellowships under the Restricted column on Schedule C. Since these federal grants are not received by Texas Southmost College as a separate entity, they are not reflected as revenue on Schedule C. As a result, they are reflected as other transfers which results in a difference in the transfers in and out.

27. SUBSEQUENT EVENT

After the year ended August 31, 1997, the College purchased two pieces of property totaling approximately \$2,322,000 for a house and numerous properties from the City of Brownsville, Texas, including Jacob Brown Auditorium and the Fort Brown Golf Course.

PATTILLO, BROWN, HILL & CASCOS, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited the financial statements of Texas Southmost College, as of and for the year ended August 31, 1997, and have issued our report thereon dated November 14, 1997. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Texas Southmost College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance that we have reported to the management of Texas Southmost College in a separate letter dated November 14, 1997.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Texas Southmost College's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the audit committee, management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Rattillo, Braun, Hill & Carson, LLP

November 14, 1997

TEXAS SOUTHMOST COLLEGE

SCHEDULE OF CASH, CASH EQUIVALENTS AND INVESTMENTS

AUGUST 31, 1997

Current Funds

	<u>Unrestricted</u>	<u>Auxiliary Enterprises</u>	<u>Restricted</u>	<u>Loan Funds</u>
Cash on hand				
Petty cash	\$ 160	\$ 2,250	\$ -	\$ -
Cash in bank				
Demand deposits	3,252,342	101,935	83,237	67,969
Cash equivalents				
Cash in state treasury	-	-	100	-
Total Cash and Cash Equivalents	<u>3,252,502</u>	<u>104,185</u>	<u>83,337</u>	<u>67,969</u>
Long-Term Investments:				
Corporate stock	-	-	-	-
Certificates of deposit	-	316,503	-	-
Total Long-Term Investments	<u>-</u>	<u>316,503</u>	<u>-</u>	<u>-</u>
Total Cash, Cash Equivalents, and Investments	\$3,252,502 =====	\$ 420,688 =====	\$ 83,337 =====	\$ 67,969 =====

<u>Endowment and Similar Funds</u>	<u>Annuity and Life Income Funds</u>	<u>Plant Funds</u>				<u>Agency Funds</u>	<u>Total</u>
		<u>Unexpended</u>	<u>Renewals and Replacements</u>	<u>Retirement of Indebtedness</u>			
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,410	
2,684	-	256,444	2,068,992	233,249	7,374	6,074,226	
-	-	-	-	-	-	100	
<u>2,684</u>	<u>-</u>	<u>256,444</u>	<u>2,068,992</u>	<u>233,249</u>	<u>7,374</u>	<u>6,076,736</u>	
56,905	-	-	-	-	-	56,905	
-	-	<u>3,188,159</u>	<u>2,110,009</u>	-	-	<u>5,614,671</u>	
<u>56,905</u>	<u>-</u>	<u>3,188,159</u>	<u>2,110,009</u>	<u>-</u>	<u>-</u>	<u>5,671,576</u>	
\$ 59,589 =====	\$ - =====	\$3,444,603 =====	\$4,179,001 =====	\$ 233,249 =====	\$ 7,374 =====	\$11,748,312 =====	

TEXAS SOUTHMOST COLLEGE

SCHEDULE C-1

STATEMENT OF CURRENT FUND REVENUE
FOR THE YEAR ENDED AUGUST 31, 1997

	<u>Unrestricted</u>	<u>Auxiliary Enterprises</u>	<u>Restricted</u>	<u>Total</u>
State Appropriations:				
Education and general support	\$ 9,274,236	\$ -	\$ -	\$ 9,274,236
State group insurance	1,044,711	-	-	1,044,711
State retirement matching	-	-	-	-
State retirement adjustment	2,009	-	-	2,009
Total State Appropriations	<u>10,320,956</u>	<u>-</u>	<u>-</u>	<u>10,320,956</u>
Tuition and Fees:				
Tuition	4,004,180	-	-	4,004,180
Building use fee	211,409	-	-	211,409
General fees	2,493,408	-	-	2,493,408
Student service fee	-	1,187,556	-	1,187,556
Laboratory fee	83,473	-	-	83,473
Remissions and exemptions	-	-	-	-
Other fees	<u>1,084,137</u>	<u>297,830</u>	<u>-</u>	<u>1,381,967</u>
Total Tuition and Fees	<u>7,876,607</u>	<u>1,485,386</u>	<u>-</u>	<u>9,361,993</u>
Taxes for Current Operations	<u>1,964,638</u>	<u>-</u>	<u>-</u>	<u>1,964,638</u>
Federal Grants and Contracts:				
Other programs	<u>140,789</u>	<u>-</u>	<u>1,174,324</u>	<u>1,315,113</u>
Total Federal Grants and Contracts	<u>140,789</u>	<u>-</u>	<u>1,174,324</u>	<u>1,315,113</u>
State Grants and Contracts:				
Other programs	<u>3,000,000</u>	<u>-</u>	<u>247,446</u>	<u>3,247,446</u>
Total State Grants and Contracts	<u>3,000,000</u>	<u>-</u>	<u>247,446</u>	<u>3,247,446</u>
Local Grants and Contracts:				
Other programs	<u>375,702</u>	<u>-</u>	<u>35,801</u>	<u>411,503</u>
Total Local Grants and Contracts	<u>375,702</u>	<u>-</u>	<u>35,801</u>	<u>411,503</u>
Sales and Services of Auxiliary				
Activities	<u>-</u>	<u>233,304</u>	<u>-</u>	<u>233,304</u>
Other Sources:				
Gains/losses on investments	-	-	-	-
Interest income	210,327	21,632	3,288	235,247
Other miscellaneous income	<u>193,081</u>	<u>4,400</u>	<u>-</u>	<u>197,481</u>
Total Other Sources	<u>403,408</u>	<u>26,032</u>	<u>3,288</u>	<u>432,728</u>
Total Current Funds Revenue	<u>\$24,082,100</u> =====	<u>\$1,744,722</u> =====	<u>\$1,460,859</u> =====	<u>\$27,287,681</u> =====

SCHEDULES C-2 AND C-3 ARE ON PAGES 39 AND 40-41, RESPECTIVELY

TEXAS SOUTHMOST COLLEGE

SCHEDULE C-4

SCHEDULE OF CHANGES IN TAXES RECEIVABLE

FOR THE YEAR ENDED AUGUST 31, 1997

Assessed valuation of District \$3,565,068,615

	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>
Tax rate authorized per \$100 valuation	\$.055605 =====	\$.034154 =====	\$.089759 =====
Tax rate assessed per \$100 valuation	\$.055605 =====	\$.034154 =====	\$.089759 =====
Taxes receivable, August 31, 1996	\$ 607,095	\$ 323,993	\$ 931,088
Less: allowance for doubtful accounts	<u>18,213</u>	<u>9,720</u>	<u>27,933</u>
Adjusted taxes receivable, August 31, 1996	<u>588,882</u>	<u>314,273</u>	<u>903,155</u>
Taxes assessed	<u>1,982,356</u>	<u>1,217,613</u>	<u>3,199,969</u>
Taxes collected			
Current	1,851,265	1,137,218	2,988,483
Delinquent	<u>101,594</u>	<u>64,746</u>	<u>166,340</u>
Total Taxes Collected	<u>1,952,859</u>	<u>1,201,964</u>	<u>3,154,823</u>
Adjustments			
Tax adjustments	-	-	-
Allowance for doubtful accounts	<u>9,498</u>	<u>8,852</u>	<u>18,350</u>
Total Adjustments	<u>9,498</u>	<u>8,852</u>	<u>18,350</u>
Taxes Receivable, August 31, 1997	\$ 608,881 =====	\$ 321,070 =====	\$ 929,951 =====

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TEXAS SOUTHMOST COLLEGE
BONDS PAYABLE AND DEBT SERVICE REQUIREMENTS
FOR THE YEAR ENDED AUGUST 31, 1997

<u>Description</u>	<u>Bonds Issued to Date</u>	<u>Range of Interest Rates</u>	<u>Bonds Outstanding 09/01/96</u>	<u>Bonds Issued After 09/01/96</u>	<u>Bonds Matured or Retired</u>	<u>Bonds Refunded</u>	<u>Bonds Outstanding 08/31/97</u>
Library Revenue Bonds Series 1975-A	\$ 800,000	7.6-7.7%	\$ 50,000	\$ -	\$ 50,000	\$ -	\$ -
Revenue Bonds							
School Building Tax Bonds-Series 1987-1988	13,500,000	7.5%	1,520,000	-	650,000	-	870,000
Refunding Tax Bonds - Series 1994	<u>8,509,999</u>	3.2-5.6%	<u>8,234,999</u>	<u>-</u>	<u>150,000</u>	<u>-</u>	<u>8,084,999</u>
Total	\$22,809,999 =====		\$ 9,804,999 =====	\$ - =====	\$ 850,000 =====	\$ - =====	\$ 8,954,999 =====

SCHEDULE D-1

Maturities			Summary of Debt Service Requirements to Maturity						
First Year	Last Year	First Call Date	Year Ending August 31,					All Other Years	Total Requirements
			1998	1999	2000	2001	2002		
1975	1997	11/15/75	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1988	1999	02/15/88	713,950	196,460	-	-	-	-	910,410
1995	2008	02/15/95	<u>521,681</u>	<u>1,004,383</u>	<u>1,254,150</u>	<u>1,229,720</u>	<u>1,196,440</u>	<u>6,372,981</u>	<u>11,579,335</u>
			<u>\$1,235,631</u>	<u>\$1,200,843</u>	<u>\$1,254,150</u>	<u>\$1,229,720</u>	<u>\$1,196,440</u>	<u>\$6,372,981</u>	<u>\$12,489,765</u>
			=====	=====	=====	=====	=====	=====	=====

TEXAS SOUTHMOST COLLEGE

SCHEDULE OF PLEDGED REVENUE AND FUND BALANCES
FOR REVENUE BONDS OUTSTANDING

FOR THE YEAR ENDED AUGUST 31, 1997

Description	Pledged Revenue and Related Expenditures						
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
	Operating Revenue	Interest Earned on Investments	Other Pledged Revenue	Total Pledged Revenue	Other Revenue Sources	Operating Expense	Capital Outlay
Library Revenue Bonds Series 1975-A	\$ -	\$ 6,599	\$ -	\$ 6,599	\$ -	\$ 120	\$ -
School Building Tax Bonds Series 1987/1988	<u>1,209,357</u>	<u>12,505</u>	<u>-</u>	<u>1,221,862</u>	<u>-</u>	<u>750</u>	<u>-</u>
Totals	<u>\$1,209,357</u>	<u>\$ 19,104</u>	<u>\$ -</u>	<u>\$1,228,461</u>	<u>\$ -</u>	<u>\$ 870</u>	<u>\$ -</u>

<u>(a+b-c-d)</u> Net Available for Debt Service	Debt Service <u>Principal</u>	Debt Service <u>Interest</u>	<u>Restricted Account Balances</u>			
			<u>Interest and Sinking Fund</u>		<u>Bond Reserve Fund</u>	
			<u>Minimum Required</u>	<u>Actual Balance</u>	<u>Minimum Required</u>	<u>Actual Balance</u>
\$ 6,479	\$ 50,000	\$ 3,850	\$ -	\$ -	\$ -	\$ -
<u>1,221,112</u>	<u>835,000</u>	<u>400,631</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>99,106</u>
<u>\$1,227,591</u> =====	<u>\$ 885,000</u> =====	<u>\$ 404,481</u> =====	<u>\$ -</u> =====	<u>\$ -</u> =====	<u>\$ -</u> =====	<u>\$ 99,106</u> =====

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SINGLE AUDIT SECTION

PATTILLO, BROWN, HILL & CASCOS, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

765 EAST SEVENTH STREET
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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

Compliance

We have audited the compliance of Texas Southmost College, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement, that are applicable to each of its major federal programs for the year ended August 31, 1997. Texas Southmost College's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Texas Southmost College's management. Our responsibility is to express an opinion on Texas Southmost College's compliance based on our audit.

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

In our opinion, Texas Southmost College complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended August 31, 1997.

Internal Control Over Compliance

The management of Texas Southmost College is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Texas Southmost College's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the audit committee, management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Patullo, Barnhill & Casco, C.P.

November 14, 1997

TEXAS SOUTHMOST COLLEGE

SCHEDULE D-3

SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE

FOR THE YEAR ENDED AUGUST 31, 1997

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Pass-Through Disbursements and Expenditures
<u>U.S. Department of Education</u>			
<u>Direct Programs:</u>			
Academic Facilities - Interest Subsidy Grant Total			\$ - -
Passed Through Texas Higher Education Coordinating Board:			
Carl D. Perkins - Voc. Ed. 96-97	84.048*	77420246	827,636
Carl D. Perkins - Discretionary 96-97	84.048*	77150040	54,551
Carl D. Perkins - Skill Standards 96-97 Total	84.048*	77190004	<u>61,186</u> <u>943,373</u>
Total U.S. Department of Education			<u>943,373</u>
<u>U.S. Department of Labor:</u>			
Passed Through Texas Department of Commerce and:			
Cameron County Private Industry Council:			
Individual Referral Program	17.250	96-IIA-0001	60,968
Individual Referral Program		96-IIC-0002	26,544
Individual Referral Program		96-III-0003	<u>7,387</u>
Total U.S. Department of Labor			<u>94,899</u>
<u>U.S. Department of Agriculture:</u>			
Passed through Texas Department of Human Services:			
Child Care Food Program	10.558	TX-031006	<u>29,063</u>
Total U.S. Department of Agriculture			<u>29,063</u>

(continued)

TEXAS SOUTHMOST COLLEGE

SCHEDULE D-3

SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE

FOR THE YEAR ENDED AUGUST 31, 1997

<u>Federal Grantor/ Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Pass-Through Disbursements and Expenditures</u>
<u>U.S. Department of Human Services:</u>			
Passed through Texas Migrant Council, Inc.			
Child Day Care Center	13.667		<u>93,505</u>
Total U.S. Department of Human Services			<u>93,505</u>
<u>National Aeronautics and Space Administration:</u>			
Research Grant		NAGW-3060	<u>139,248</u>
Total National Aeronautics and Space Administration			<u>139,248</u>
Total Federal Financial Assistance			\$1,300,088 =====

* Denotes major federal financial assistance programs as defined by the Single Audit Act of 1984 and OMB Circular A-133.

Note 1: Federal Assistance Reconciliation

Federal revenue - per Exhibit C:		
Federal grants and contracts		\$1,300,088
Indirect Cost Recovery		<u>15,025</u>
Total Federal Revenues Per Exhibit C		\$1,315,113 =====

(continued)

TEXAS SOUTHMOST COLLEGE

SCHEDULE D-3

SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
(Continued)
FOR THE YEAR ENDED AUGUST 31, 1997

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

Note 2: Expenditures from Federal Funds Not Subject to
A-133 Audits

The University of Texas at Brownsville received the following federal funds that were disbursed to Texas Southmost College students. These funds were not subject to OMB-133 audits and therefore, are not included in the above federal schedule.

Federal Grantor

CFDA Number/Program Name

U.S. Department of Education:

Federal Pell Grant Program	84.063		\$5,932,823
SEOG	84.007		209,037
Federal Workstudy Program	84.033		<u>371,311</u>

Total Expenditures Not Subject
to A-133 Audits

\$6,513,171
=====

TEXAS SOUTHMOST COLLEGE
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED AUGUST 31, 1997

<u>Program</u>	<u>Description</u>
Type of Report on Financial Statements	Unqualified
Material Weaknesses Involving Reportable Conditions	None
Noncompliance material to the financial statements	None
Type of Report on Compliance with major programs	Unqualified
Findings and Questioned Costs for Federal Awards as Defined in OMB Circular A-133	None
Dollar Threshold Considered Between Type A and Type B Federal Programs	\$300,000
Low Risk Audit Statements	The Organization was not classified as a low-risk audit in the context of OMB Circular A-133
Major Federal Programs	Carl D. Perkins Grants CFDA 84.048

TEXAS SOUTHMOST COLLEGE
 SCHEDULE OF STATUS OF PRIOR FINDINGS
 FOR THE YEAR ENDED AUGUST 31, 1997

Program	Status of Prior Year's Noncompliance
Department of Education CFDA No. 84.048	
Time and effort reports not found	The College implemented time and effort reports on all employees who split their time among programs.
Fixed assets inventory records not maintained	The College improved in the recorded keeping of the fixed assets purchased with federal monies.
Expenditure reports did not agree to the general ledger	This problem did not occur this year.
Technical Education Performance Report was not filed on time	The report was filed on time.

SUPPLEMENTARY INFORMATION SECTION

PATTILLO, BROWN, HILL & CASCOS, L.L.P.

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**REPORT OF INDEPENDENT CERTIFIED PUBLIC
ACCOUNTANTS ON SUPPLEMENTARY INFORMATION**

To the Board of Trustees
Texas Southmost College
Brownsville, Texas

Our report on our audit of the basic financial statements of Texas Southmost College for the year ending August 31, 1997 appears on page 1. That audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The statements and schedules included on pages 37 thru 70 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information, except for those portions marked "unaudited," on which we express no opinion, have been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The information on Schedule C, C-2, and C-3 have been prepared from information provided by the University of Texas at Brownsville.

Pattillo, Brown, Hill & Casco, L.L.P.

November 14, 1997

TEXAS SOUTHMOST COLLEGE

SCHEDULE C

**STATEMENT OF CURRENT FUNDS REVENUE, EXPENDITURES
AND OTHER CHANGES**

**FOR THE YEAR ENDED AUGUST 31, 1997
(With Memorandum Totals for the Year Ended August 31, 1996)**

	Unaudited			Totals	
	Unrestricted	Auxiliary Enterprises	Restricted	(Memorandum Only)	
				1997	1996
REVENUE					
State appropriations - general revenue	\$10,320,956	\$ -	\$ -	\$10,320,956	\$10,009,120
Tuition and fees	7,876,607	1,485,386	-	9,361,993	7,935,130
Taxes for current operation	1,964,638	-	-	1,964,638	1,879,329
Federal grants and contracts	140,789	-	1,174,324	1,315,113	1,343,309
State grants and contracts	3,000,000	-	247,446	3,247,446	3,000,000
Local grants and contracts	375,702	-	35,861	411,503	897,855
Investment/endowment income	210,327	-	3,288	213,615	275,302
Sales and service of auxiliary enterprises	-	233,304	-	233,304	201,536
Other sources:					
Interest income	-	21,632	-	21,632	22,892
Gains/losses on investments	-	-	-	-	-
Miscellaneous income	193,081	4,400	-	197,481	9,127
Total Current Funds Revenue	<u>24,082,100</u>	<u>1,744,722</u>	<u>1,460,859</u>	<u>27,287,681</u>	<u>25,573,600</u>
EXPENDITURES AND MANDATORY TRANSFERS					
Educational and General:					
Instruction	10,101,436	-	243,148	10,344,584	9,404,915
Research	35,404	-	-	35,404	32,369
Public service	1,425,307	-	60,588	1,485,895	1,604,737
Academic support	1,685,407	-	631,718	2,317,125	2,088,822
Student services	1,606,491	-	508,705	2,115,196	2,126,017
Institutional support	4,234,739	-	-	4,234,739	4,004,063
Operation and maintenance of plant	2,089,368	-	-	2,089,368	1,836,547
Scholarships and fellowships	342,294	-	6,513,171	6,855,465	6,016,870
Transfers to UTB	-	-	-	-	-
Total Educational and General Expenditures	<u>21,520,446</u>	<u>-</u>	<u>7,957,330</u>	<u>29,477,776</u>	<u>27,114,340</u>
AUXILIARY ENTERPRISE EXPENDITURES	-	1,413,083	-	1,413,083	1,186,588
MANDATORY TRANSFERS					
TPEG to restricted	-	-	-	-	-
SEOG matching	-	-	-	-	-
Total Mandatory Transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures and Transfers	<u>21,520,446</u>	<u>1,413,083</u>	<u>7,957,330</u>	<u>30,890,859</u>	<u>28,300,928</u>
OTHER TRANSFERS AND ADDITIONS (DEDUCTIONS)					
Nonmandatory transfers	(3,062,279)	(275,203)	(8,857)	(3,346,339)	(5,804,005)
Excess of TPEG transfer over grant awarded	-	-	-	-	78,939
Federal scholarships/grants by UTB	-	-	6,513,171	6,513,171	5,890,719
Total Other Transfers and Additions (Deductions)	<u>(3,062,279)</u>	<u>(275,203)</u>	<u>6,504,314</u>	<u>3,166,832</u>	<u>165,653</u>
NET INCREASE (DECREASE) IN FUND BALANCES	<u>\$(500,625)</u>	<u>\$ 56,436</u>	<u>\$ 7,843</u>	<u>\$(436,346)</u>	<u>\$(2,561,675)</u>

TEXAS SOUTHMOST COLLEGE

SCHEDULE C-2

STATEMENT OF CURRENT FUNDS EXPENDITURES BY OBJECT

FOR THE YEAR ENDED AUGUST 31, 1997

	Unaudited			Total
	Salaries and Wages	Other Expenses	Capital Outlay	
UNRESTRICTED				
Education and General:				
Instruction	\$ 8,521,015	\$ 1,568,372	\$ 12,049	\$10,101,436
Research	14,224	21,180	-	35,404
Public service	719,192	698,993	7,122	1,425,307
Academic support	861,935	810,572	12,900	1,685,407
Student services	1,125,780	478,420	2,291	1,606,491
Institutional support	2,211,104	1,956,952	66,683	4,234,739
Operation and maintenance of plant	801,644	1,192,900	94,824	2,089,368
Scholarships and fellowships	9,174	333,120	-	342,294
Total Unrestricted	<u>14,264,068</u>	<u>7,060,509</u>	<u>195,869</u>	<u>21,520,446</u>
RESTRICTED				
Education and General:				
Instruction	196,088	47,060	-	243,148
Research	-	-	-	-
Public service	48,991	11,597	-	60,588
Academic support	25,055	267,038	339,625	631,718
Student services	321,307	187,398	-	508,705
Institutional support	-	-	-	-
Operation and maintenance of plant	-	-	-	-
Scholarships and fellowships	371,311	6,141,860	-	6,513,171
Total Restricted	<u>962,752</u>	<u>6,654,953</u>	<u>339,625</u>	<u>7,957,330</u>
Total Educational and General	<u>15,226,820</u>	<u>13,715,462</u>	<u>535,494</u>	<u>29,477,776</u>
AUXILIARY ENTERPRISES	<u>527,494</u>	<u>882,672</u>	<u>2,917</u>	<u>1,413,083</u>
Total Current Fund Expenditures	<u>\$15,754,314</u> =====	<u>\$14,598,134</u> =====	<u>\$ 538,411</u> =====	<u>\$30,890,859</u> =====

TEXAS SOUTHMOST COLLEGE

SCHEDULE C-3

SCHEDULE OF UNRESTRICTED CURRENT FUNDS
EDUCATIONAL AND GENERAL EXPENDITURES
SUMMARIZED BY ELEMENTS OF INSTITUTIONAL COSTS

FOR THE YEAR ENDED AUGUST 31, 1997

	<u>Restricted</u>
Instruction	
Academic Programs:	
Faculty salaries	\$ 3,376,555
Departmental operating expenses	2,257,512
Organized activities related to instructional departments	-
Total Academic Programs	<u>5,634,067</u>
Vocational Technical Programs:	
Faculty salaries	2,801,958
Departmental operating expenses	435,836
Organized activities related to instructional departments	-
Total Vocational Technical Programs	<u>3,237,794</u>
Total Instruction	<u>8,871,861</u>
Extension and Public Service	<u>1,425,307</u>
Research	<u>34,495</u>
Academic Support:	
Library	466,827
Instructional administration	1,035,998
Total Academic Support	<u>1,502,825</u>
Student Services	<u>1,392,917</u>
Scholarships and fellowships	<u>241,539</u>
Institutional Support:	
General administration	2,246,152
General institutional expense	1,426,911
Campus security	448,860
Total Institutional Support	<u>4,121,923</u>
Operation and Maintenance of Plant	
Plant support service	92,653
Building maintenance	541,215
Custodial services	278,485
Grounds maintenance	177,008
Utilities	541,184
Total Operation and Maintenance of Plant	<u>1,630,545</u>

(continued)

TEXAS SOUTHMOST COLLEGE

SCHEDULE C-3

SCHEDULE OF UNRESTRICTED CURRENT FUNDS
 EDUCATIONAL AND GENERAL EXPENDITURES
 SUMMARIZED BY ELEMENTS OF INSTITUTIONAL COSTS
 (Continued)
 FOR THE YEAR ENDED AUGUST 31, 1997

	<u>Restricted</u>
Staff Benefits:	
Groups insurance premiums	\$ 1,039,990
O.A.S.I.	1,072,385
Workers' compensation insurance	68,165
Other	<u>20,474</u>
Total Staff Benefits	<u>2,201,014</u>
Special Items:	
Major repairs and rehabilitation of buildings	<u>-</u>
Total Expenditures by Elements of Costs	\$21,422,426 =====
Reconciliation	
Total Expenditures by Function (Exh. C)	\$21,520,446
Plus:	-
Less:	
Remissions and waivers	<u>(98,020)</u>
Total Expenditures by Elements of Institutional Costs	\$21,422,426 =====

TEXAS SOUTHMOST COLLEGE

SCHEDULE OF REVENUE COMPARED WITH BUDGET
GENERAL AND AUXILIARY ENTERPRISE FUNDS

YEAR ENDED AUGUST 31, 1997

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
State Appropriations:			
Education and general state support	\$ 9,404,241	\$ 9,274,236	\$(130,005)
Noncourse-based remedial education	-	-	-
State group insurance	1,044,047	1,044,711	664
State retirement matching	-	-	-
State retirement adjustment	-	2,009	2,009
Total State Appropriations	<u>10,448,288</u>	<u>10,320,956</u>	<u>(127,332)</u>
Tuition and Fees:			
Tuition	4,386,268	4,004,181	(382,087)
Building use fee	300,000	211,409	(88,591)
General fees	2,580,200	2,493,408	(86,792)
Student service fee	-	-	-
Laboratory fee	86,230	83,472	(2,758)
Other fees	1,169,470	1,084,137	(85,333)
Remissions and exemptions	-	-	-
Total Tuition and Fees	<u>8,522,168</u>	<u>7,876,607</u>	<u>(645,561)</u>
Taxes for Current Operations	<u>1,800,000</u>	<u>1,964,638</u>	<u>164,638</u>
Federal Grants and Contracts:			
Financial aid administrative allowance	-	-	-
Veterans cost of instruction	-	-	-
College work study	-	-	-
Carl Perkins Vocational Grant and Basis	-	-	-
Child day care center	74,460	93,505	19,045
Child care food program	38,760	29,062	(9,698)
Cameron County Private Industry Council	-	-	-
Nasa research grant	12,907	18,222	5,315
Total Federal Grants and Contracts	<u>126,127</u>	<u>140,789</u>	<u>14,662</u>
State Grants and Contracts:			
UTB building lease	3,000,000	3,000,000	-
UTB first aid center	-	-	-
College work study	-	-	-
Total State Grants and Contracts	<u>3,000,000</u>	<u>3,000,000</u>	<u>-</u>

(continued)

TEXAS SOUTHMOST COLLEGE

SCHEDULE OF REVENUE COMPARED WITH BUDGET
GENERAL AND AUXILIARY ENTERPRISE FUNDS

YEAR ENDED AUGUST 31, 1997

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Local Grants and Contracts:			
Local contracts	676,890	375,702	(301,188)
Total Local Grants and Contracts	<u>676,890</u>	<u>375,702</u>	<u>(301,188)</u>
Other Sources:			
Interest income	51,800	130,327	78,527
Child care parent contribution	100,980	130,294	29,314
Other income	75,000	142,787	67,787
Total Other Sources	<u>227,780</u>	<u>403,408</u>	<u>175,628</u>
Other Financing Sources:			
Transfers from other funds	-	-	-
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>-</u>
Auxiliary Enterprises Revenue:			
Leases and rentals	146,000	205,531	59,531
Other interest income	20,000	21,632	1,632
Other income	50,000	54,798	4,797
Student service fees	1,198,518	1,187,556	(10,962)
Parking fees	260,000	275,205	15,205
Total Auxiliary Enterprises Revenue	<u>1,674,518</u>	<u>1,744,722</u>	<u>70,204</u>
Total General and Auxiliary Enterprise Funds Revenue	\$26,475,771	\$25,826,822	\$(648,949)
	=====	=====	=====

TEXAS SOUTHMOST COLLEGE

SCHEDULE OF EXPENDITURES COMPARED WITH BUDGET
GENERAL AND AUXILIARY ENTERPRISE FUNDS

YEAR ENDED AUGUST 31, 1997

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
General Administration and Student Services:			
Government of the institution	\$ 24,200	\$ 20,048	\$ 4,152
Executive direction and control	-	-	-
Business and fiscal management	293,877	293,296	581
Student admission and registration	-	-	-
Student service	-	-	-
Total General Administration and Student Services	<u>318,077</u>	<u>313,344</u>	<u>4,733</u>
General Institutional Expense	<u>736,056</u>	<u>614,865</u>	<u>121,191</u>
Staff Benefits:			
Group health insurance premiums	4,200	3,097	1,103
Old age and survivors insurance	29,325	29,239	86
Workmen's compensation insurance	2,144	2,144	-
Other staff benefits:			
Other	8,173	7,581	592
Life insurance premiums	1,315	1,113	202
ORP and TRS state contributions	-	-	-
Total Staff Benefits	<u>45,157</u>	<u>43,174</u>	<u>1,983</u>
Resident Instruction:			
Subsidy to UTB	-	-	-
Tuition paid to UTB	4,727,926	5,217,426	(489,500)
Total Resident Instruction	<u>4,727,926</u>	<u>5,217,426</u>	<u>(489,500)</u>
General Academic Courses:			
Faculty salaries	-	-	-
Department operating	-	-	-
Instructional administrative expense	-	-	-
Organized activities	-	-	-
Total General Academic Courses	<u>-</u>	<u>-</u>	<u>-</u>
Vocational - Technical Programs:			
Faculty salaries	-	-	-
Department operating expense	-	-	-
Instructional administrative expense	-	-	-
Organized activities	-	-	-
Total Vocational - Technical Programs	<u>-</u>	<u>-</u>	<u>-</u>

(continued)

TEXAS SOUTHMOST COLLEGE

SCHEDULE OF EXPENDITURES COMPARED WITH BUDGET
GENERAL AND AUXILIARY ENTERPRISE FUNDS

YEAR ENDED AUGUST 31, 1997

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Library:			
Salaries, wages and other	-	-	-
Operating expenses	-	-	-
Books and equipment	-	-	-
Total Library	<u>-</u>	<u>-</u>	<u>-</u>
Extension and Public Service:			
Community service	-	-	-
Total Extension and Public Service	<u>-</u>	<u>-</u>	<u>-</u>
Physical Plant Operation and Maintenance:			
Campus society	-	-	-
Building maintenance	-	-	-
Custodial service	-	-	-
Grounds maintenance	-	-	-
Utilities	-	-	-
Total Physical Plant Operation and Maintenance	<u>-</u>	<u>-</u>	<u>-</u>
Special Items:			
Carl Perkins Vocational Grant	-	-	-
Transfers to UTB	<u>15,436,026</u>	<u>15,331,636</u>	<u>104,390</u>
Total Special Items	<u>15,436,026</u>	<u>15,331,636</u>	<u>104,390</u>
Other Financing Sources:			
Transfers to other funds	<u>3,062,279</u>	<u>3,062,279</u>	<u>-</u>
Total Other Financing Sources	<u>3,062,279</u>	<u>3,062,279</u>	<u>-</u>
Total Education and General Expenditures	<u>\$24,325,521</u>	<u>\$24,582,724</u>	<u>\$ (257,203)</u>

(continued)

TEXAS SOUTHMOST COLLEGE

SCHEDULE OF EXPENDITURES COMPARED WITH BUDGET
GENERAL AND AUXILIARY ENTERPRISE FUNDS

(Continued)

YEAR ENDED AUGUST 31, 1997

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Auxiliary Enterprises:			
Cafeteria/bookstore expenditures	-	-	-
Copy machine expense	18,000	15,189	2,811
Rancho del Cielo:			
Direct expense	141,500	141,462	38
Radio station	30,000	22,500	7,500
Canon del Novillo	27,745	10,364	17,381
Alonso building	7,500	7,500	-
Convention center	-	-	-
Miscellaneous expense	4,325	5,887	1,562
Transfer to other funds and UTB	<u>1,479,448</u>	<u>1,485,385</u>	(5,937)
Total Auxiliary Enterprises	<u>1,708,518</u>	<u>1,688,287</u>	<u>20,231</u>
Total General and Auxiliary Enterprise Funds Expenditures	<u>26,034,039</u>	<u>26,271,011</u>	(236,972)
EXCESS REVENUE OVER (UNDER)			
EXPENDITURES	<u>441,732</u>	(444,189)	(885,921)
Total General and Auxiliary Enterprise Funds Revenue	\$26,475,771 =====	\$25,826,822 =====	

AUXILIARY ENTERPRISE FUND

TEXAS SOUTHMOST COLLEGE

BALANCE SHEET

AUXILIARY ENTERPRISE FUND

AUGUST 31, 1997

ASSETS

Petty cash	\$ 2,250
Cash in bank	34,284
Accounts receivable	152,182
Due from other funds	15,350
Investments	<u>384,154</u>
Total Assets	\$ 588,220 =====

LIABILITIES AND FUND BALANCE

Liabilities:	
Accounts payable	\$ 632
Due to other funds	<u>28,446</u>
Total Liabilities	<u>29,078</u>
Fund Balance:	
Unrestricted	<u>559,142</u>
Total Unreserved Unallocated Fund Balance	<u>559,142</u>
Total Liabilities and Fund Balance	\$ 588,220 =====

TEXAS SOUTHMOST COLLEGE
STATEMENT OF CHANGES IN FUND BALANCE
AUXILIARY ENTERPRISE FUND
YEAR ENDED AUGUST 31, 1997

Fund Balance, September 1, 1996	\$ 502,706
Add: Excess revenue over (under) expenditures	<u>56,436</u>
Fund Balance, August 31, 1997	\$ 559,142 =====

TEXAS SOUTHMOST COLLEGE
STATEMENT OF REVENUE AND EXPENDITURES
AUXILIARY ENTERPRISE FUND
YEAR ENDED AUGUST 31, 1997

	<u>Rancho Del Cielo</u>	<u>Bookstore and Cafeteria</u>	<u>Other</u>	<u>Combined Total</u>
REVENUE				
Leases	\$ -	\$ 205,531	\$ -	\$ 205,531
Parking fees	-	-	275,205	275,205
Health insurance	-	-	22,625	22,625
Student service fee	-	-	1,187,556	1,187,556
Copier income	-	-	27,773	27,773
Miscellaneous income	-	-	4,400	4,400
Interest income	-	-	21,632	21,632
Total Revenue	<u>-</u>	<u>205,531</u>	<u>1,539,191</u>	<u>1,744,722</u>
EXPENDITURES				
Direct expenses	141,462	-	5,886	147,348
Rental and supplies for copier	-	-	15,189	15,189
Radio station support	-	-	22,500	22,500
Canyon del Novillo	-	-	10,364	10,364
Alonso building project	-	-	7,500	7,500
Transfer to other funds	-	-	1,485,385	1,485,385
Total Expenditures	<u>141,462</u>	<u>-</u>	<u>1,546,824</u>	<u>1,688,286</u>
Excess Revenue over (under) Expenditures	\$(141,462)	\$ 205,531	\$(7,633)	\$ 56,436
	=====	=====	=====	=====

STUDENT ASSISTANCE FUNDS

TEXAS SOUTHMOST COLLEGE
COMBINING BALANCE SHEET
LOCAL STUDENT ASSISTANCE FUNDS
AUGUST 31, 1997

	<u>Institutional Scholarship Grants</u>
ASSETS	
Cash in bank	\$ 82,710
Funds held by state - TPEG	100
Due from other funds	<u>177,144</u>
Total Assets	\$ 259,954 =====
LIABILITIES AND FUND BALANCE	
Liabilities:	
Due to UTB	\$ <u>163,732</u>
Total Liabilities	<u>163,732</u>
Fund Balance:	
Restricted	<u>96,222</u>
Total Fund Balance	<u>96,222</u>
Total Liabilities and Fund Balance	\$ 259,954 =====

TEXAS SOUTHMOST COLLEGE
STATEMENT OF CHANGES IN FUND BALANCES
LOCAL STUDENT ASSISTANCE FUND
YEAR ENDED AUGUST 31, 1997

	Institutional Scholarship Grants
Fund Balance, September 1, 1996	\$ 79,614
Add: Excess revenue over (under) expenditures	<u>16,608</u>
Fund Balance, August 31, 1997	\$ 96,222 =====

TEXAS SOUTHMOST COLLEGE
COMBINING STATEMENT OF REVENUE AND EXPENDITURES
LOCAL STUDENT ASSISTANCE FUNDS
YEAR ENDED AUGUST 31, 1997

	<u>Institutional Scholarship Grants</u>
REVENUE	
Local grants and contracts	\$ 67,790
State grant	176,459
Interest income	<u>3,197</u>
Total Revenue	<u>247,446</u>
EXPENDITURES	
Texas Public Grant Program	163,048
Local scholarships	<u>67,790</u>
Total Expenditures	<u>230,838</u>
Excess Revenue over (under) expenditures	\$ 16,608 =====

LOAN FUNDS

TEXAS SOUTHMOST COLLEGE

COMBINING BALANCE SHEET

LOAN FUND

AUGUST 31, 1997

	<u>Student Congress Loans</u>
ASSETS	
Cash	\$ 67,969
Loans receivable (net of allowance for bad debts of \$94,148)	9,777
Due from other funds	-
Due from UTB	<u>76,601</u>
Total Assets	\$ 154,341 =====
LIABILITIES AND FUND BALANCE	
Liabilities:	
Due to federal government	\$ -
Total Liabilities	<u>-</u>
Fund Balance:	
Unrestricted - designated	<u>154,341</u>
Total Fund Balance	<u>154,341</u>
Total Liabilities and Fund Balance	\$ 154,341 =====

TEXAS SOUTHMOST COLLEGE
COMBINING STATEMENT OF CHANGES IN FUND BALANCES
LOAN FUND
YEAR ENDED AUGUST 31, 1997

	<u>Student Congress Loans</u>
Fund Balance, September 1, 1996	\$ 152,065
Additions:	
Miscellaneous income	2,276
Interest income	-
Increase in receivables	-
Transfers from other funds	-
Total Additions	154,341
Deductions:	
Allowance for bad debt	-
Total Deductions	-
Fund Balance, August 31, 1997	\$ 154,341 =====

ENDOWMENT FUNDS

TEXAS SOUTHMOST COLLEGE

COMBINING BALANCE SHEET

ENDOWMENT FUND

AUGUST 31, 1997

	TSC Endowment Fund
ASSETS	
Cash in bank	\$ 2,684
Investments	<u>56,905</u>
Total Assets	\$ 59,589 =====
LIABILITIES AND FUND BALANCE	
Liabilities:	
Due to TSC Foundation, Inc.	\$ <u> -</u>
Total Liabilities	<u> -</u>
Fund Balance:	
Restricted - term	19,656
Restricted - Quasi-endowment	<u>39,933</u>
Total Fund Balance	<u>59,589</u>
Total Liabilities and Fund Balance	\$ 59,589 =====

TEXAS SOUTHMOST COLLEGE
COMBINING STATEMENT OF CHANGES IN FUND BALANCES
ENDOWMENT FUNDS
YEAR ENDED AUGUST 31, 1997

	<u>TSC Endowment Fund</u>
Fund Balance, September 1, 1996	\$ 47,549
Additions:	
Donations	-
Interest and dividends	12,374
Unrealized gain on marketable securities	1,266
Less: Scholarship	1,600
Net Increase	12,040
Fund Balance, August 31, 1997	\$ 59,589 =====

PLANT FUNDS

TEXAS SOUTHMOST COLLEGE

BALANCE SHEET

UNEXPENDED FUNDS

AUGUST 31, 1997

	<u>Improvement and Contingency</u>
ASSETS	
Cash in bank	\$ 84,349
Accrued interest	116,899
Investments	3,359,754
Earnest money deposit	<u>50,750</u>
Total Assets	\$3,612,252 =====
LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts payable	\$ <u>871,202</u>
Total Liabilities	<u>871,202</u>
Fund Balance:	
Unrestricted	<u>2,741,050</u>
Total Fund Balance	<u>2,741,050</u>
Total Liabilities and Fund Balance	\$3,612,252 =====

TEXAS SOUTHMOST COLLEGE
STATEMENT OF CHANGES IN FUND BALANCE
UNEXPENDED FUNDS
YEAR ENDED AUGUST 31, 1997

	<u>Improvement and Contingency</u>
Fund Balance, September 1, 1996	\$3,651,333
Additions:	
Investment income	160,413
Transfers in from other funds	<u>1,218,030</u>
Less:	
Capital outlay	<u>2,288,726</u>
Net Decrease	<u>(910,283)</u>
Fund Balance, August 31, 1997	\$2,741,050 =====

TEXAS SOUTHMOST COLLEGE

COMBINING BALANCE SHEET

RENEWALS AND REPLACEMENT

AUGUST 31, 1997

	Restricted Major Restoration Fund	Restricted Parking Fund	Capital Expansion Fund	Total
ASSETS				
Cash in bank	\$ 455,931	\$ 487,730	\$ 87,991	\$1,028,652
Accounts receivable	-	-	185	185
Accrued interest	77,367	-	-	77,367
Due from other funds	-	23,686	137,429	161,115
Investments	<u>3,150,349</u>	<u>-</u>	<u>-</u>	<u>3,150,349</u>
Total Assets	\$3,683,647 =====	\$ 511,416 =====	\$ 222,605 =====	\$4,417,668 =====
LIABILITIES AND FUND BALANCE				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 357,186	\$ 357,186
Due to other funds	<u>-</u>	<u>134,986</u>	<u>-</u>	<u>134,986</u>
Total Liabilities	<u>-</u>	<u>134,986</u>	<u>357,186</u>	<u>492,172</u>
Fund Balance:				
Unrestricted	<u>3,683,647</u>	<u>376,430</u>	<u>(134,581)</u>	<u>3,925,496</u>
Total Fund Balance	<u>3,683,647</u>	<u>376,430</u>	<u>(134,581)</u>	<u>3,925,496</u>
Total Liabilities and Fund Balance	\$3,683,647 =====	\$ 511,416 =====	\$ 222,605 =====	\$4,417,668 =====

TEXAS SOUTHMOST COLLEGE
STATEMENT OF CHANGES IN FUND BALANCE
RENEWALS AND REPLACEMENT
YEAR ENDED AUGUST 31, 1997

	Restricted Major Restoration Fund	Restricted Parking Fund	Capital Expansion Fund	<u>Total</u>
Fund Balance, September 1, 1996	\$ <u>3,057,748</u>	\$ <u>288,579</u>	\$ <u>9,884</u>	\$ <u>3,356,211</u>
Add:				
Transfer in-unexpended funds	-	-	300,000	300,000
Transfer in-general fund	700,000	-	900,000	1,600,000
Transfer in-auxiliary fund	-	275,205	200,560	475,765
Investment income	225,899	13,206	11,634	250,739
Other income	-	-	37,071	37,071
	<u>925,899</u>	<u>288,411</u>	<u>1,449,265</u>	<u>2,663,575</u>
Less:				
Transfer to capital expense	300,000	200,560	-	500,560
Repairs	-	-	244,959	244,959
Capital outlay	-	-	<u>1,348,771</u>	<u>1,348,771</u>
	<u>300,000</u>	<u>200,560</u>	<u>1,593,730</u>	<u>2,094,290</u>
Net Increase (Decrease)	<u>625,899</u>	<u>87,851</u>	<u>(144,465)</u>	<u>569,285</u>
Fund Balance, August 31, 1997	\$3,683,647 =====	\$ 376,430 =====	\$(134,581) =====	\$3,925,496 =====

TEXAS SOUTHMOST COLLEGE

COMBINING BALANCE SHEETS

RETIREMENT OF INDEBTEDNESS

AUGUST 31, 1997

	<u>Debt Service</u>	87/88 <u>Tax Dept. Service</u>	<u>Total</u>
ASSETS			
Cash in bank	\$142,235	\$ 91,014	\$ 233,249
Accounts receivable	-	-	-
Taxes receivable	-	339,643	339,643
Allowance for bad debts	-	(18,573)	(18,573)
Due from other funds	-	<u>8,092</u>	<u>8,092</u>
Total Assets	\$142,235 =====	\$420,176 =====	\$ 562,411 =====
LIABILITIES AND FUND BALANCE			
Liabilities:			
Due to other funds	\$ -	\$ -	\$ -
Deferred tax revenue	-	<u>321,070</u>	<u>321,070</u>
Total Liabilities	<u>-</u>	<u>321,070</u>	<u>321,070</u>
Fund Balance:			
Restricted	<u>142,235</u>	<u>99,106</u>	<u>241,341</u>
Total Fund Balance	<u>142,235</u>	<u>99,106</u>	<u>241,341</u>
Total Liabilities and Fund Balance	\$142,235 =====	\$420,176 =====	\$ 562,411 =====

TEXAS SOUTHMOST COLLEGE

COMBINING STATEMENT OF CHANGES IN FUND BALANCES

RETIREMENT OF INDEBTEDNESS

YEAR ENDED AUGUST 31, 1997

	Systems Fund	Debt Service	87/88 Tax Dept. Service	Total
Fund Balance, September 1, 1996	\$ -	\$ 189,606	\$ 130,310	\$ 319,916
Add:				
Ad valorem tax	-	-	1,209,356	1,209,356
Investment income	-	6,599	12,505	19,104
	<u>-</u>	<u>6,599</u>	<u>1,221,861</u>	<u>1,228,460</u>
Less:				
Retirement of indebtedness	-	50,000	800,000	850,000
Interest on indebtedness	-	3,850	452,315	456,165
Other	-	120	750	870
	<u>-</u>	<u>53,970</u>	<u>1,253,065</u>	<u>1,307,035</u>
Net Decrease	<u>-</u>	<u>(47,371)</u>	<u>(31,204)</u>	<u>(78,573)</u>
Fund Balance, August 31, 1997	\$ - =====	\$ 142,235 =====	\$ 99,106 =====	\$ 241,341 =====

TEXAS SOUTHMOST COLLEGE

BALANCE SHEET

INVESTMENT IN PLANT

AUGUST 31, 1997

	<u>General Fixed Assets Fund</u>
ASSETS	
Land, Buildings and Equipment:	
Land	\$ 2,106,549
Land - appraisal increase	817,500
Site improvements	5,870,705
Buildings and improvements	23,969,159
Machinery, equipment, furniture and library books	14,317,290
Assets held in trust	351,064
Construction in progress	895,453
Amounts to be provided	<u>623,560</u>
Total Land, Buildings and Equipment	<u>48,951,280</u>
Total Assets	\$48,951,280 =====
LIABILITIES AND NET INVESTMENT IN PLANT	
Liabilities:	
Accrued interest payable	\$ 623,561
Bonds payable	<u>8,954,999</u>
Total Liabilities	<u>9,578,560</u>
Net Investment in Plant	<u>39,372,720</u>
Total Liabilities and Net Investment in Plant	\$48,951,280 =====

TEXAS SOUTHMOST COLLEGE
STATEMENT OF CHANGES IN FUND BALANCE
INVESTMENT IN PLANT
YEAR ENDED AUGUST 31, 1997

	<u>General Fixed Assets Fund</u>
Fund Balance, September 1, 1996	\$38,867,084
Add:	
Reduction in long-term debt	850,000
Purchases additions	1,463,805
	<u>2,313,805</u>
Less: Decrease in assets	1,551,322
Decrease in work-in-process	<u>256,847</u>
	1,808,169
Net Increase	<u>505,636</u>
Fund Balance, August 31, 1997	\$39,372,720 =====

TEXAS SOUTHMOST COLLEGE
SCHEDULE OF GENERAL FIXED ASSETS

INVESTMENT IN PLANT

YEAR ENDED AUGUST 31, 1997

	<u>Balance</u> <u>08/31/96</u>	<u>Purchased/</u> <u>Additions</u>	<u>Other*</u>	<u>Balance</u> <u>08/31/97</u>
BUILDINGS				
Auto body building	\$ 87,621	\$ -	\$ -	\$ 87,621
Allied health	698,407	-	-	698,407
Tandy Hall I	1,209,301	-	-	1,209,301
Tandy Hall II	2,277,225	-	-	2,277,225
A. A. Champion	43,436	-	-	43,436
Gymnasium	814,002	-	-	814,002
Business services	5,565	-	-	5,565
Student center	944,335	-	-	944,335
Library	4,191,479	-	-	4,191,479
Rusteberg	933,684	-	-	933,684
Gomez-Farias Project	5,063	-	-	5,063
Eidman Science-Math Building	875,315	-	-	875,315
Gorgas Hall improvements	1,682,096	44,906	-	1,727,002
Music Hall	94,770	-	-	94,770
Maintenance	34,898	-	-	34,898
PAU-B administration	222,158	-	-	222,158
PAU-B temporary office	13,444	-	-	13,444
Child care center	378,509	5,524	-	384,033
Cavalry barracks	443,891	-	-	443,891
Women's center	76,019	-	-	76,019
Continuing education	45,000	-	-	45,000
Athletic houses	13,143	-	-	13,143
Marion Hedrick Smith Memorial Amphitheater	296,391	160,417	-	456,808
U.S. Coast Guard Station (S.P.I.)	320,353	-	-	320,353
Security/First Aid (Carpet)	888	-	-	888
Continuing education (American Legion Building)	56,417	-	-	56,417
Classroom/office	5,936,735	-	-	5,936,735
Art	673,412	-	-	673,443
Central plant	396,443	-	-	-
USDA property	-	869,502	-	869,502
Canon del Novillo	-	117,078	-	117,078
Campus-wide Signage	-	1,732	-	1,732
Total Buildings	<u>22,770,000</u>	<u>1,199,159</u>	<u>-</u>	<u>23,969,159</u>

(continued)

TEXAS SOUTHMOST COLLEGE

SCHEDULE OF GENERAL FIXED ASSETS

INVESTMENT IN PLANT

(Continued)

YEAR ENDED AUGUST 31, 1997

	Balance 08/31/96	Purchased/ Additions	Other*	Balance 08/31/97
LAND				
Land 50-year Lease				
AmphitheaterLand	\$ 1,250	\$ -	\$ -	\$ 1,250
Land	485,630	-	-	485,630
Land - appraisal increase	817,500	-	-	817,500
Land - parking lot	887,233	86,671	-	973,904
Land - 18.76 acres	422,100	-	-	422,100
Land - Canon del Novillo	16,425	-	(3,890)	12,535
Land - Young House	60,000	981	-	60,981
Land - Lot 3, Block 6, Paredes Subdivision	-	31,093	-	31,093
Land - Fort Brown Villas	-	119,056	-	119,056
Total Land	<u>2,690,138</u>	<u>237,801</u>	<u>(3,890)</u>	<u>2,924,049</u>
SITE IMPROVEMENTS				
Landscaping - T.S.C.	16,168	-	-	16,168
Landscaping - S.P.I.	3,395	-	-	3,395
Paving	392,615	-	-	392,615
Remodel courtyard fountain	18,638	-	-	18,638
Tennis courts	43,002	-	-	43,002
Reflecting pool	27,591	-	-	27,591
Gorgas monument	24,121	-	-	24,121
Roofing	719,512	-	-	719,512
ACM abatement	649,036	-	-	649,036
Resaca Bulkhead	281,424	-	-	281,424
Paseo	265,071	-	-	265,071
Paseo - classroom	448,523	-	-	448,523
Paseo - east	570,218	-	-	570,218
Central plant	2,280,410	-	-	2,280,410
ADA compliance improvements	104,132	26,849	-	130,981
Total Site Improve- ments	<u>5,843,856</u>	<u>26,849</u>	<u>-</u>	<u>5,870,705</u>
MACHINERY, EQUIPMENT, FURNI- TURE AND FIXTURES				
	<u>15,864,722</u>	<u>-</u>	<u>(1,547,432)</u>	<u>14,317,290</u>
Total General Fixed Assets	<u>\$47,168,717</u> =====	<u>\$1,463,808</u> =====	<u>\$(1,551,322)</u> =====	<u>\$47,081,203</u> =====

AGENCY FUNDS

TEXAS SOUTHMOST COLLEGE

COMBINING BALANCE SHEET

AGENCY FUNDS

AUGUST 31, 1997

	<u>Alumni Fund</u>
ASSETS	
Cash in bank	\$ <u>7,374</u>
Total Assets	\$ 7,374 =====
LIABILITIES AND FUND BALANCE	
Liabilities:	
Funds held in custody for others	\$ <u>7,374</u>
Total Liabilities	<u>7,374</u>
Fund Balance:	
Restricted	-
Unrestricted	-
Total Fund Balance	<u>-</u>
Total Liabilities and Fund Balance	\$ 7,374 =====

TEXAS SOUTHMOST COLLEGE
COMBINING STATEMENT OF CHANGES IN FUND BALANCES
AGENCY FUNDS
YEAR ENDED AUGUST 31, 1997

	Alumni Fund
Fund Balance, September 1, 1996	\$ -
Add: Interest	-
Less:	
Disbursements	-
Transfer to other funds	-
	-
Net Increase	-
Fund Balance, August 31, 1997	\$ -
	=====

BOND SCHEDULES

TEXAS SOUTHMOST COLLEGE

MATURITY SCHEDULE

SOUTHMOST UNION JUNIOR COLLEGE DISTRICT
SCHOOL BUILDING TAX BONDS
SERIES 1987 AND 1988

YEAR ENDING AUGUST 31,

<u>Year Ending</u>	<u>Series 1987 and 1988</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
1998	\$ 680,000	\$ 33,950	\$ 713,950
1999	<u>190,000</u>	<u>6,460</u>	<u>196,460</u>
Totals	\$ 870,000 =====	\$ 40,410 =====	\$ 910,410 =====

Interest on the Series 1988 bonds has been calculated at the rate of 7.50% for purposes of illustration.

TEXAS SOUTHMOST COLLEGE

MATURITY SCHEDULE

SOUTHMOST UNION JUNIOR COLLEGE DISTRICT
REFUNDING TAX BONDS -
SERIES 1994

YEAR ENDING AUGUST 31,

<u>Year Ending</u>	<u>Series 1994 Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
1998	\$ 155,000	\$ 366,681	\$ 521,681
1999	655,000	349,383	1,004,383
2000	940,000	314,150	1,254,150
2001	960,000	269,720	1,229,720
2002	405,859	790,581	1,196,440
2003	379,140	857,300	1,236,440
2004	990,000	220,700	1,210,700
2005	1,075,000	166,473	1,241,473
2006	1,115,000	107,880	1,222,880
2007	1,185,000	45,188	1,230,188
2008	<u>225,000</u>	<u>6,300</u>	<u>231,300</u>
Totals	\$8,084,999 =====	\$3,494,356 =====	\$11,579,355 =====

Interest on the Series 1988 bonds has been calculated at the rate of 7.50% for purposes of illustration.

TEXAS SOUTHMOST COLLEGE

SCHEDULE C-1

STATEMENT OF CURRENT FUND REVENUE

FOR THE YEAR ENDED AUGUST 31, 1997

	<u>Unrestricted</u>	<u>Auxiliary Enterprises</u>	<u>Restricted</u>	<u>Total</u>
State Appropriations:				
Education and general support	\$ 9,274,236	\$ -	\$ -	\$ 9,274,236
State group insurance	1,044,711	-	-	1,044,711
State retirement matching	-	-	-	-
State retirement adjustment	2,009	-	-	2,009
Total State Appropriations	<u>10,320,956</u>	<u>-</u>	<u>-</u>	<u>10,320,956</u>
Tuition and Fees:				
Tuition	4,004,180	-	-	4,004,180
Building use fee	211,409	-	-	211,409
General fees	2,493,408	-	-	2,493,408
Student service fee	-	1,187,556	-	1,187,556
Laboratory fee	83,473	-	-	83,473
Remissions and exemptions	-	-	-	-
Other fees	1,084,137	297,830	-	1,381,967
Total Tuition and Fees	<u>7,876,607</u>	<u>1,485,386</u>	<u>-</u>	<u>9,361,993</u>
Taxes for Current Operations	<u>1,964,638</u>	<u>-</u>	<u>-</u>	<u>1,964,638</u>
Federal Grants and Contracts:				
Other programs	<u>140,789</u>	<u>-</u>	<u>1,174,324</u>	<u>1,315,113</u>
Total Federal Grants and Contracts	<u>140,789</u>	<u>-</u>	<u>1,174,324</u>	<u>1,315,113</u>
State Grants and Contracts:				
Other programs	<u>3,000,000</u>	<u>-</u>	<u>247,446</u>	<u>3,247,446</u>
Total State Grants and Contracts	<u>3,000,000</u>	<u>-</u>	<u>247,446</u>	<u>3,247,446</u>
Local Grants and Contracts:				
Other programs	<u>375,702</u>	<u>-</u>	<u>35,801</u>	<u>411,503</u>
Total Local Grants and Contracts	<u>375,702</u>	<u>-</u>	<u>35,801</u>	<u>411,503</u>
Sales and Services of Auxiliary				
Activities	<u>-</u>	<u>233,304</u>	<u>-</u>	<u>233,304</u>
Other Sources:				
Gains/losses on investments	-	-	-	-
Interest income	210,327	21,632	3,288	235,247
Other miscellaneous income	193,081	4,400	-	197,481
Total Other Sources	<u>403,408</u>	<u>26,032</u>	<u>3,288</u>	<u>432,728</u>
Total Current Funds Revenue	<u>\$24,082,100</u> =====	<u>\$1,744,722</u> =====	<u>\$1,460,859</u> =====	<u>\$27,287,681</u> =====