

TEXAS SOUTHMOST COLLEGE

COMPREHENSIVE
ANNUAL FINANCIAL REPORT

AUGUST 31, 1998

TEXAS SOUTHMOST COLLEGE
ORGANIZATIONAL DATA
FOR THE FISCAL YEAR 1997-1998

BOARD OF TRUSTEES

Officers

Mary Rose Cardenas	Chairperson
Prax Orive	Vice - Chairperson
Rosemary Breedlove	Secretary

Members

Mary Rose Cardenas	Brownsville, Texas	May, 2002
Prax Orive	Brownsville, Texas	May, 2004
Rosemary Breedlove	Brownsville, Texas	May, 2004
David Oliveira	Brownsville, Texas	May, 2000
Chester Gonzalez	Brownsville, Texas	May, 2004
Dolly Zimmerman	Port Isabel, Texas	May, 2002
Dr. Roberto Robles	Brownsville, Texas	May, 2000

Principal Administrative Officers

Dr. Juliet V. Garcia	President, UTB/TSC
Dr. Antonio Zavaletta	Vice-President for Administration And Planning UTB/TSC
George F. Haylock, Jr.	District Office Manager
Pat Celaya	District Comptroller

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COMPREHENSIVE ANNUAL FINANCIAL REPORT

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FINANCIAL SECTION

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

INDEPENDENT AUDITORS' REPORT

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, 1998, as listed in the table of contents. These 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Texas Southmost College, as of August 31, 1998, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have issued a report dated November 6, 1998, on our consideration of Texas Southmost College's internal control structure and a report dated November 6, 1998, 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.

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

November 6, 1998

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TEXAS SOUTHMOST COLLEGE

BALANCE SHEET

AUGUST 31, 1998

(With comparative totals at August 31, 1997)

	Current Funds				
	Unrestricted	Auxiliary Enterprises	Restricted	Total	Loan Funds
ASSETS					
Cash & cash equivalents	\$ 1,625,459	\$ 35,264	\$ 12,681	\$ 1,673,404	\$ 79,482
Accounts receivable (net of allowance for doubtful accounts of \$9,000 both years)	568,968	141,875	-	710,843	-
Taxes receivable (net of allowance for doubtful accounts of \$30,601 & \$18,350 at August 31, 1998 & 1997, respectively)	581,414	-	-	581,414	-
Due from other funds	826,465	38,820	197,210	1,062,495	-
Investments	20,024	415,712	-	435,736	-
Accrued interest receivable	-	698	-	698	-
Due from other agencies	-	1,374	6,498	7,872	76,601
Federal receivables	-	-	466,966	466,966	-
Deposits	-	-	-	-	-
Notes receivable (net of allowance for doubtful accounts of \$114,333 & \$94,148 at August 31, 1998 & 1997, respectively)	-	-	-	-	19,542
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	<u>\$ 3,622,330</u>	<u>\$ 633,743</u>	<u>\$ 683,355</u>	<u>\$ 4,939,428</u>	<u>\$ 175,625</u>

See accompanying notes to the financial statements.

EXHIBIT A

Endowment & similar funds	Annuity & life income funds	Plant Funds					Totals (Memorandum only)	
		Unexpended	Renewals & Replacements	Retirement of Indebtedness	Investment in Plant	Agency Funds	1998	1997
\$ 2,978	\$ -	\$ 581,823	\$ 1,120,848	\$ 263,300	\$ -	\$ 7,661	\$ 3,729,496	\$ 4,797,050
-	-	-	185	-	-	-	711,028	349,518
-	-	-	-	306,210	-	-	887,624	929,951
-	-	2,308	94,751	15,599	-	-	1,175,153	1,015,722
46,005	-	1,250,479	3,329,182	-	-	-	5,061,402	6,951,162
-	-	3,488	5,532	-	-	-	9,718	194,266
-	-	-	-	-	-	-	84,473	731,841
-	-	-	-	-	-	-	466,966	652,473
-	-	50,250	-	-	-	-	50,250	50,750
-	-	-	-	-	-	-	19,542	9,771
-	-	-	-	-	-	-	-	-
-	-	-	-	-	2,995,303	-	2,995,303	2,924,049
-	-	-	-	-	26,543,958	-	26,543,958	23,969,159
-	-	-	-	-	5,870,705	-	5,870,705	5,870,705
-	-	-	-	-	15,475,639	-	15,475,639	6,096,810
-	-	-	-	-	1,195,505	-	1,195,505	8,220,480
-	-	-	-	-	351,064	-	351,064	895,453
-	-	-	-	-	-	-	-	351,064
-	-	-	-	-	623,560	-	623,560	623,560
<u>\$ 48,983</u>	<u>\$ -</u>	<u>\$ 1,888,348</u>	<u>\$ 4,550,498</u>	<u>\$ 585,109</u>	<u>\$ 53,055,734</u>	<u>\$ 7,661</u>	<u>\$ 65,251,386</u>	<u>\$ 64,633,784</u>

TEXAS SOUTHMOST COLLEGE
BALANCE SHEET
(Continued)
AUGUST 31, 1998
(With comparative totals at August 31, 1997)

	Current Funds				Loan Funds
	Unrestricted	Auxiliary Enterprises	Restricted	Total	
LIABILITIES & FUND BALANCES					
Liabilities:					
Accounts payable	\$ 36,515	\$ 62,698	\$ -	\$ 99,213	\$ -
Accrued liabilities	-	-	-	-	-
Due to other funds	251,569	57,076	472,612	781,257	-
Due to other agencies	2,470,823	6,689	116,309	2,593,821	-
Deferred revenue	581,414	66,330	-	647,744	-
Accrued compensable absences payable	11,322	2,743	-	14,065	-
Bonds payable (net of unamortized premium discount of \$0 as of 8/31/98 & 8/31/97)	-	-	-	-	-
Funds held in custody for others	-	-	-	-	-
Total liabilities	<u>3,351,643</u>	<u>195,536</u>	<u>588,921</u>	<u>4,136,100</u>	<u>-</u>
Fund balance:					
Unrestricted					
Reserved					
Accounts receivable	-	-	-	-	-
Consumable inventory	-	-	-	-	-
Unreserved					
Designated					
Capital projects	-	-	-	-	-
College loan funds	-	-	-	-	175,625
Undesignated	270,687	438,207	-	708,894	-
Restricted					
Other	-	-	94,434	94,434	-
Institutional matching funds	-	-	-	-	-
Net investment in plant	-	-	-	-	-
Total fund balance	<u>270,687</u>	<u>438,207</u>	<u>94,434</u>	<u>803,328</u>	<u>175,625</u>
Total liabilities and fund balance	<u>\$ 3,622,330</u>	<u>\$ 633,743</u>	<u>\$ 683,355</u>	<u>\$ 4,939,428</u>	<u>\$ 175,625</u>

See accompanying notes to the financial statements.

EXHIBIT A

Endowment & similar funds	Annuity & life income funds	Plant Funds					Totals (Memorandum only)	
		Unexpended	Renewals & Replacements	Retirement of Indebtedness	Investment in Plant	Agency Funds	1998	1997
\$ -	\$ -	\$ 327	\$ 2,068	\$ -	\$ -	\$ -	\$ 101,608	\$ 1,417,202
-	-	-	-	-	623,560	-	623,560	623,561
-	-	391,899	1,997	-	-	-	1,175,153	1,993,457
-	-	692	190	-	-	-	2,594,703	2,029,630
-	-	-	-	306,210	-	-	953,954	2,157,079
-	-	-	-	-	-	-	14,065	38,659
-	-	-	-	-	8,119,999	-	8,119,999	8,954,999
-	-	-	-	-	-	7,661	7,661	7,374
-	-	<u>392,918</u>	<u>4,255</u>	<u>306,210</u>	<u>8,743,559</u>	<u>7,661</u>	<u>13,590,703</u>	<u>17,221,961</u>
-	-	-	-	-	-	-	-	190,654
-	-	-	-	-	-	-	-	-
-	-	1,495,430	4,546,243	-	-	-	6,041,673	6,666,546
-	-	-	-	-	-	-	175,625	90,437
-	-	-	-	-	-	-	708,894	639,175
21,851	-	-	-	278,899	-	-	395,184	412,357
27,132	-	-	-	-	-	-	27,132	39,933
-	-	-	-	-	44,312,175	-	44,312,175	39,372,721
<u>48,983</u>	<u>-</u>	<u>1,495,430</u>	<u>4,546,243</u>	<u>278,899</u>	<u>44,312,175</u>	<u>-</u>	<u>51,660,683</u>	<u>47,411,823</u>
<u>\$ 48,983</u>	<u>\$ -</u>	<u>\$ 1,888,348</u>	<u>\$ 4,550,498</u>	<u>\$ 585,109</u>	<u>\$ 53,055,734</u>	<u>\$ 7,661</u>	<u>\$ 65,251,386</u>	<u>\$ 64,633,784</u>

TEXAS SOUTHMOST COLLEGE

STATEMENT OF CHANGES IN FUND BALANCES

FOR THE YEAR ENDED AUGUST 31, 1998
(With comparative totals at August 31, 1997)

	Current Funds				Loan Funds
	Unrestricted	Auxiliary Enterprises	Restricted	Total	
REVENUE AND OTHER ADDITIONS					
Unrestricted current funds revenue	\$ 26,164,078	\$ 2,055,131	\$ -	\$ 28,219,209	\$ -
State appropriations - restricted	-	-	-	-	-
Federal grants & contracts	-	-	1,106,544	1,106,544	-
State grants & contracts	-	-	196,576	196,576	-
Local gifts, grants & contracts	-	-	64,433	64,433	-
Investment/endowment income	-	-	4,051	4,051	2,656
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	-	-	-	-	31,731
Total revenue & other additions	<u>26,164,078</u>	<u>2,055,131</u>	<u>1,371,604</u>	<u>29,590,813</u>	<u>34,387</u>
EXPENDITURES & OTHER DEDUCTIONS					
Expenditures	23,791,221	1,910,077	9,043,244	34,744,542	-
Expended for plant facilities	-	-	-	-	-
Loan cancellations & write-offs	-	-	-	-	-
Retirement of indebtedness - bonds	-	-	-	-	-
Interest on indebtedness	-	-	-	-	-
Other deductions	-	-	-	-	21,960
Total expenditures & other deductions	<u>23,791,221</u>	<u>1,910,077</u>	<u>9,043,244</u>	<u>34,744,542</u>	<u>21,960</u>
TRANSFERS-ADDITIONS (DEDUCTIONS)					
Nonmandatory transfers	(2,372,857)	(265,989)	(225,000)	(2,863,846)	-
Other	-	-	7,903,618	7,903,618	-
Total transfers - additions (deductions)	<u>(2,372,857)</u>	<u>(265,989)</u>	<u>7,678,618</u>	<u>5,039,772</u>	<u>-</u>
NET INCREASE (DECREASE) FOR THE FISCAL YEAR					
	<u>-</u>	<u>(120,935)</u>	<u>6,978</u>	<u>(113,957)</u>	<u>12,427</u>
FUND BALANCES, SEPTEMBER 1, 1997					
-RESTATED	<u>270,687</u>	<u>559,142</u>	<u>87,456</u>	<u>917,285</u>	<u>163,198</u>
FUND BALANCES, END OF YEAR					
	<u>\$ 270,687</u>	<u>\$ 438,207</u>	<u>\$ 94,434</u>	<u>\$ 803,328</u>	<u>\$ 175,625</u>

See accompanying notes to the financial statements.

EXHIBIT B

Endowment & similar funds	Annuity & life income funds	Plant Funds					Totals (Memorandum only)	
		Unexpended	Renewals & Replacements	Retirement of Indebtedness	Investment in Plant	Agency Funds	1998	1997
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 25,826,822	
-	-	-	-	-	-	-	-	
-	-	-	-	-	-	1,106,544	1,174,324	
-	-	-	-	-	-	196,576	247,446	
-	-	-	-	-	-	64,433	35,801	
912	-	151,576	206,843	14,785	-	380,823	449,460	
-	-	-	-	-	-	-	-	
-	-	-	-	-	835,000	835,000	850,000	
-	-	-	-	-	-	-	-	
-	-	-	-	-	3,804,402	3,804,402	1,463,805	
-	-	-	-	1,258,904	300,053	1,590,688	1,246,427	
<u>912</u>	<u>-</u>	<u>151,576</u>	<u>206,843</u>	<u>1,273,689</u>	<u>4,939,455</u>	<u>36,197,675</u>	<u>31,294,085</u>	
11,518	-	-	-	-	-	34,756,060	30,892,459	
-	-	3,034,044	552,085	-	-	3,586,129	3,882,456	
-	-	-	-	-	-	-	-	
-	-	-	-	835,000	-	835,000	850,000	
-	-	-	-	400,631	-	400,631	456,165	
-	-	-	-	500	-	22,460	1,809,039	
<u>11,518</u>	<u>-</u>	<u>3,034,044</u>	<u>552,085</u>	<u>1,236,131</u>	<u>-</u>	<u>39,600,280</u>	<u>37,890,119</u>	
-	-	1,636,848	965,989	-	-	(261,009)	(253,104)	
-	-	-	-	-	-	7,903,618	6,513,171	
-	-	<u>1,636,848</u>	<u>965,989</u>	<u>-</u>	<u>-</u>	<u>7,642,609</u>	<u>6,260,067</u>	
(10,606)	-	(1,245,620)	620,747	37,558	4,939,455	4,240,004	(335,967)	
59,589	-	2,741,050	3,925,496	241,341	39,372,720	47,420,679	47,747,789	
<u>\$ 48,983</u>	<u>\$ -</u>	<u>\$ 1,495,430</u>	<u>\$ 4,546,243</u>	<u>\$ 278,899</u>	<u>\$ 44,312,175</u>	<u>\$ 51,660,683</u>	<u>\$ 47,411,822</u>	

TEXAS SOUTHMOST COLLEGE
STATEMENT OF CURRENT FUNDS REVENUE, EXPENDITURES
AND OTHER CHANGES
FOR THE YEAR ENDED AUGUST 31, 1998
(With comparative totals for the year ended August 31, 1997)

	Unrestricted	Auxiliary Enterprises	Restricted	Totals (Memorandum only)	
				1998	1997
REVENUE					
State appropriations - general revenue	\$ 11,505,760	\$ -	\$ -	\$ 11,505,760	\$ 10,320,956
Tuition & fees	8,426,273	1,489,534		9,915,807	9,361,993
Taxes for current operation	2,107,988			2,107,988	1,964,638
Federal grants & contracts	115,995		1,106,543	1,222,538	1,315,113
State grants & contracts	3,191,730		196,576	3,388,306	3,247,446
Local grants & contracts	428,480		64,434	492,914	411,503
Investment/endowment income	145,790			145,790	213,615
Sales & service of auxiliary enterprises		505,196		505,196	233,304
Other sources				-	-
Interest income		47,016	4,051	51,067	21,632
Gains/losses on investments				-	-
Miscellaneous income	242,062	13,385	-	255,447	197,481
Total current funds revenue	<u>26,164,078</u>	<u>2,055,131</u>	<u>1,371,604</u>	<u>29,590,813</u>	<u>27,287,681</u>
EXPENDITURES & MANDATORY TRANSFERS					
Educational & general:					
Instruction	-	-	-	-	-
Institutional support	730,214		534,544	1,264,758	971,384
Scholarships & fellowships	-	-	-	-	-
Transfers to UTB	23,061,007	-	8,508,700	31,569,707	28,506,392
Total educational & general expenditures	<u>23,791,221</u>	<u>-</u>	<u>9,043,244</u>	<u>32,834,465</u>	<u>29,477,776</u>
Auxiliary enterprise expenditures:					
Expenditures	-	673,147	-	673,147	202,902
Transfers to UTB	-	1,236,930	-	1,236,930	1,210,181
Total auxiliary enterprise expenditures	<u>-</u>	<u>1,910,077</u>	<u>-</u>	<u>1,910,077</u>	<u>1,413,083</u>
Total expenditures & mandatory transfers	<u>23,791,221</u>	<u>1,910,077</u>	<u>9,043,244</u>	<u>34,744,542</u>	<u>30,890,859</u>
OTHER TRANSFERS & ADDITIONS (DEDUCTIONS)					
Nonmandatory transfers	(2,372,857)	(265,989)	(225,000)	(2,863,846)	(3,346,339)
Excess of TPEG transfer over grant awarded	-	-	-	-	-
Federal scholarships/grants by UTB	-	-	7,903,618	7,903,618	6,513,171
Total other transfers & additions (deductions)	<u>(2,372,857)</u>	<u>(265,989)</u>	<u>7,678,618</u>	<u>5,039,772</u>	<u>3,166,832</u>
NET INCREASE (DECREASE) IN FUND BALANCES	<u>\$ -</u>	<u>\$ (120,935)</u>	<u>\$ 6,978</u>	<u>\$ (113,957)</u>	<u>\$ (436,346)</u>

See accompanying notes to the financial statements.

TEXAS SOUTHMOST COLLEGE

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 1998

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)

4. DEPOSITS AND INVESTMENTS(Continued)

Cash and Deposits (Continued)

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

Type of Security	Category			Carrying Amount	Market Value
	1	2	3		
Money Market	\$ 209,203	\$ -	\$ -	\$ 209,203	\$ 209,203
Corporate Stocks	45,910	-	-	45,910	45,910
Totals	\$ <u>255,113</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>255,113</u>	\$ <u>255,113</u>

At August 31, 1998, Texas Southmost College has \$209,203 in money market accounts with a brokerage firm. The Securities Investment Protection Corp (SIPC) protects these accounts up to \$500,000. In addition the brokerage firm has commercial insurance which provides an additional \$49.5 million of account protection.

5. BONDS AND VARIABLE RATE NOTES PAYABLE

General information related to bonds payable is summarized below:

- a. School Building Tax Bonds, Series 1987 - 1988

To construct, improve various buildings within the District

Issued March 12, 1997 and March 10, 1998

\$13,500,000; all authorized bonds have been issued

Source of revenue for debt service - ad valorem tax levy

Outstanding balance at August 31, 1998, was \$190,000

- a. Refunding Tax Bonds, Series 1994

To refund certain outstanding School Building 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, 1998, was \$7,929,999

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.

<u>Year Ending August 31,</u>	<u>Total</u>	<u>Interest</u>	<u>Principal</u>	<u>Balance of Principal Outstanding</u>
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>\$11,254,134</u>	<u>\$ 3,134,135</u>	<u>\$ 8,119,999</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><u>\$ 8,510,000</u></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 50 with 30 years of service

2. Reduced
 - Age 55 with at least five years of service
 - Any age below 50 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 1998 and 1997 of 6.00% and a member contribution rate of 6.4% for fiscal years 1998 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.

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the System's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among PERS and employers.

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 1997, 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
1997	50.0	62.2	(12.2)	17.0

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 1998 and 1997 is 8.5%, and a member's contribution rate is 6.65% for fiscal years 1998 and 1997. 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, 1998, the College had two employees participating in the program. A total of \$4,500 in payroll deductions had been invested in approved plans during the fiscal year.

(continued)

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, 1998, there were no lawsuits involving Texas Southmost College. One Equal Opportunity Commission complaint filed against the College in the current fiscal year has not been pursued further.

12. CAPITAL LEASE OBLIGATIONS

There were no capital lease obligations at August 31, 1998.

13. OPERATING LEASE COMMITMENTS AND RENTAL AGREEMENT

There were no operating lease commitments at August 31, 1998.

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 1999.

The College has been operating month to month without a bookstore lease to Texas Book Company since July 5, 1998. The College has been operating under the terms of the lease which expired July 5, 1998 which calls for a lease payment of \$95,000 per annum plus an additional 10% of gross revenue above \$1,250,000. The College is currently negotiating a new lease agreement.

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, 1998, 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.

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 College 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 College. 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 College recognizes the cost of providing these benefits by expending the annual insurance premiums. The College contributes \$2.28 per month on \$5,000 of life insurance per employee. The College's monthly contribution per full-time employee was \$190.73 for single employees, \$263.29 for the employee and children, \$299.09 for employee and spouse, and \$371.65 for family coverage for the year ended August 31, 1998. The cost of providing those benefits for fourteen active employees was \$33,900. At August 31, 1998 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, 1998. 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

Under this agreement TSC agrees to provide UTB, until termination of the UTB/TSC partnership or until mutually agreed by both parties, or until either party terminates the lease in accordance with the provisions set forth in the lease, the right to use all real property and the tangible personal property belonging to TSC for the purpose of providing educational and student services to students. UTB agrees to pay TSC per year in equal monthly payments during the term of this lease a gross square foot amount equal to the gross square foot rate paid by the UT Board of Regents to Southmost District in the 1998-1999 biennium adjusted for inflation each biennium by the previous two year average of the annual Consumer Price Index for all items less food and energy as reported by the US Bureau of Labor Statistics.

During the year ended August 31, 1998 total rental income recognized by TSC was \$3,191,730.

- 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	\$ 826,465	\$ 251,569
Auxiliary enterprises	38,820	57,076
Restricted		
Institutional scholarships	196,899	-
Federal restricted funds	311	472,612
Loan Funds	-	-
Unexpended Funds	2,308	391,899
Renewals and Replacements		
Restricted major restoration	52,546	-
Restricted parking fund	42,205	-
Capital expansion	-	1,997
Retirement of Indebtedness		
Systems fund	<u>15,599</u>	<u>-</u>
	<u>\$1,175,153</u>	<u>\$1,175,153</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, 1998, were 94% 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 prior 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

Changes in general fixed assets are as follows:

	Balance 08/31/97	Purchased/ Additions	Retirements	Balance 08/31/98
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	1,727,002	-	-	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	384,033	252,347	-	636,380
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	456,808	-	-	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	6,823	-	8,555
Jacob Brown Civic Center	-	2,300,503	-	2,300,503
Parking lot	-	15,126	-	15,126
Total Buildings	<u>23,969,159</u>	<u>2,574,799</u>	<u>-</u>	<u>26,543,958</u>
LAND				
Land AmphitheaterLand	1,250	-	-	1,250
Land	485,630	-	-	485,630
Land - appraisal increase	817,500	-	-	817,500
Land - parking lot	973,904	-	-	973,904
Land - 18.76 acres	422,100	-	-	422,100
Land - Canon del Novillo	12,535	-	-	12,535
Land - Young House	60,981	-	-	60,981
Land - Lot 3, Block 6, Paredes Subdivision	31,093	-	-	31,093
Land - Fort Brown Villas	119,056	-	-	119,056
Land - Lot 5, Block 6, Paredes Subdivision	-	31,977	-	31,977
Land - Lot 7, Block 32, Original townsite	-	39,277	-	39,277
Total Land	<u>2,924,049</u>	<u>71,254</u>	<u>-</u>	<u>2,995,303</u>

(continued)

21. PROPERTY PLANT AND EQUIPMENT (Continued)

	Balance 08/31/97	Purchased/ Additions	Retirements	Balance 08/31/98
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	130,981	-	-	130,981
Total Site Improvements	5,870,705	-	-	5,870,705
MACHINERY, EQUIPMENT, FURNITURE AND FIXTURES				
	14,317,290	1,158,349	-	15,475,639
Total General Fixed Assets \$	47,081,203	\$ 3,804,402	\$ -	\$ 50,885,605

22. DEFERRED REVENUE

Deferred revenue at year end consisted of the following:

<u>Revenue Description</u>	<u>Fund</u>	<u>Deferred Amount</u>
Net tax revenue	Unrestricted	\$ 581,414
Deposits on rentals	Auxiliary Exnterprises	66,330
Net tax revenue	Retirement of Indebtedness	306,210
		\$ 953,954

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, 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, 1998.

(continued)

25. COMMITMENTS

At August 31, 1998, Texas Southmost College had the following construction commitments:

Project	Remaining Balance
Guerra Child Care Roof Renovation	\$252,347
Gorgas, Champion & Calvary Roof Renovations	150,390
Tandy & American Legion Reroofing	79,871
Young House Renovation	200,000
Structured Cabling Installation	<u>133,500</u>
	<u>\$ 816,108</u>

26. TRANSFERS IN AND OUT

At August 31, 1998, 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. YEAR 2000 READINESS

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other equipment that make operations beyond the year 1999 troublesome. For many years, programmers eliminated the first two digits from a year when writing programs. For example, programmers would designate January 1, 1965 as "01/01/65" instead of "01/01/1965." On January 1, 2000 at 12:00:01 a.m., the internal clock in computers and other equipment will roll over from "12/31/99" to "01/01/00." Unfortunately, many programs (if not corrected) will not be able to distinguish between the year 2000 and the year 1900. This may cause the programs to process data inaccurately or to stop processing data altogether. Another factor that may cause problems in programs is the leap year calculation. Some programs are unable to detect the year 2000 as a leap year.

Problems affecting a wide range of governmental activities will likely result if computers and other electronic equipment that are dependent upon date-sensitive coding are not corrected. These problems have the potential for causing a disruption of government services.

During the year ending August 31, 1998, the College did not spend any monies to make computer systems and other systems year 2000-compliant.

The following stages of work have been identified by GASB Technical Bulletin 98-a, "Disclosures about Year 2000 Resources Committed," as necessary to implement a year-2000 compliant system. These stages were adapted by the GASB from U.S. Securities and Exchange Commission ("SEC"), Division of Market Regulation Year 2000 ("Y2K") Work Program (January 1998).

(continued)

27. YEAR 2000 READINESS (continued)

1. Awareness Stage – Encompasses establishing a budget and project plan for dealing with the year 2000 issue.
2. Assessment Stage – When the organization begins the actual process of identifying all of its systems (preparing an inventory) and individual components of the systems. An organization may decide to review all system components for year 2000 compliance or, through a risk analysis, identify only mission-critical systems to check for compliance.
3. Remediation Stage – When the organization actually makes changes to systems. This stage deals primarily with the technical issues of converting existing systems, or switching to compliant systems. During this stage, decisions are made on how to make the systems year 2000-compliant, and the required system changes are made.
4. Validation/Testing Stage – When the organization determines that no errors were introduced during the conversion process. The development of test data and test scripts, the running of test scripts, and the review of test results are crucial for this stage of the conversion process to be successful. If the testing results show anomalies, the tested area needs to be corrected and retested.
5. Implementation Stage – When a tested year 2000-compliant system is ready to use.

The College currently is in the assessment stage as defined above.

Disclosures as an Issuer of Municipal Securities

Since the College is an issuer of municipal securities, the following disclosures are made in accordance with U.S. Securities and Exchange Commission's "Statement of the Commission Regarding Disclosure of Year 2000 Issues and Consequences by Public Companies, Investment Advisors, Investment Companies, and Municipal Securities Issuers" (17 CFR Parts 231, 241, 276), section III. C., "Guidance for Year 2000 Disclosure for Municipal Issuers" (Statement"). These disclosures are made in addition to the applicable disclosures made in the preceding paragraphs of this note.

For issuers of municipal securities, year 2000 issues may be divided into three categories: internal, external and mechanical. These categories of issues are defined by the Statement as follows:

1. Internal Issues

Internal year 2000 issues may arise from an issuer's own operations and materially affect its creditworthiness and ability to make timely payment of its obligations.

(continued)

27. YEAR 2000 READINESS (continued)

2. External Issues

External year 2000 issues may arise from parties, other than an issuer, that provide payments that support the debt service on an issuer's municipal securities, or the impact of year 2000 problems facing other external parties on the issuer's own ability to satisfy its responsibilities.

3. Mechanical Issues

Mechanical year 2000 issues may arise if year 2000 problems disrupt the actual mechanical process used to send payment to bondholders or the ability to assess and collect ad valorem taxes and allocate receipts and disbursements to proper funds in a timely manner to make debt service payments when due. While year 2000 problems may not directly affect an issuer's ability to pay debt service, they may affect an issuer's general accounting and payment functions, which may be material to investors.

The District's management believes that each of these three categories of issues has been adequately considered in the planning and implementation of its work in preparing for the year 2000.

28. USE OF ESTIMATES IN THE PREPARATION OF FINANCIAL STATEMENTS

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

29. RISK MANAGEMENT

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

30. PRIOR PERIOD ADJUSTMENT

A prior period adjustment in the amount of \$8,857 was reported in the Student Congress Loan Fund. The adjustment resulted from a transfer from Local Student Assistance Funds which had been recorded by only one fund.

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

**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 general purpose financial statements of Texas Southmost College, as of and for the year ended August 31, 1998, and have issued our report thereon dated November 6, 1998. 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 general purpose 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.

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 general purpose 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. However, we noted certain other matters involving the internal control over financial reporting, which we have reported to management in a separate letter dated November 6, 1998.

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.

Pattillo, Brown, Hill & Cascos, c.c.p.

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

November 6, 1998

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TEXAS SOUTHMOST COLLEGE

SCHEDULE OF CASH, CASH EQUIVALENTS AND INVESTMENTS

AUGUST 31, 1998

	Current Funds			
	<u>Unrestricted</u>	<u>Auxiliary Enterprises</u>	<u>Restricted</u>	<u>Loan Funds</u>
Cash on hand				
Petty cash	\$ 160	\$ 2,350	\$ -	\$ -
Cash in bank				
Demand deposits	1,625,299	32,914	12,581	79,482
Cash equivalents				
Cash in state treasury	-	-	100	-
Total Cash and cash Equivalents	<u>1,625,459</u>	<u>35,264</u>	<u>12,681</u>	<u>79,482</u>
Short-Term Investments				
Money Market accounts	<u>20,024</u>	<u>70,725</u>	<u>-</u>	<u>-</u>
Total Short-Term Investments	<u>20,024</u>	<u>70,725</u>	<u>-</u>	<u>-</u>
Long-Term Investments				
Corporate stock	-	-	-	-
Certificates of deposit	<u>-</u>	<u>344,987</u>	<u>-</u>	<u>-</u>
Total Long-Term Investments	<u>-</u>	<u>344,987</u>	<u>-</u>	<u>-</u>
Total Investments	<u>20,024</u>	<u>415,712</u>	<u>-</u>	<u>-</u>
Total Cash, Cash & Equivalents, and Investments	<u>\$ 1,645,483</u>	<u>\$ 450,976</u>	<u>\$ 12,681</u>	<u>\$ 79,482</u>

SCHEDULE A-1

Endowment and Similar Funds	Annuity and Life Income Funds	Plant Funds				Agency Funds	Total
		Unexpended	Renewals and Replacements	Retirement of Indebtedness			
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,510	
2,978	-	581,823	1,120,848	263,300	7,661	3,726,886	
-	-	-	-	-	-	100	
<u>2,978</u>	<u>-</u>	<u>581,823</u>	<u>1,120,848</u>	<u>263,300</u>	<u>7,661</u>	<u>3,729,496</u>	
95	-	75,296	43,063	-	-	209,203	
<u>95</u>	<u>-</u>	<u>75,296</u>	<u>43,063</u>	<u>-</u>	<u>-</u>	<u>209,203</u>	
45,910	-	-	-	-	-	45,910	
<u>-</u>	<u>-</u>	<u>1,175,183</u>	<u>3,286,119</u>	<u>-</u>	<u>-</u>	<u>4,806,289</u>	
<u>45,910</u>	<u>-</u>	<u>1,175,183</u>	<u>3,286,119</u>	<u>-</u>	<u>-</u>	<u>4,852,199</u>	
<u>46,005</u>	<u>-</u>	<u>1,250,479</u>	<u>3,329,182</u>	<u>-</u>	<u>-</u>	<u>5,061,402</u>	
<u>\$ 48,983</u>	<u>\$ -</u>	<u>\$ 1,832,302</u>	<u>\$ 4,450,030</u>	<u>\$ 263,300</u>	<u>\$ 7,661</u>	<u>\$ 8,790,898</u>	

TEXAS SOUTHMOST COLLEGE

SCHEDULE C-1

STATEMENT OF CURRENT FUND REVENUE

FOR THE YEAR ENDED AUGUST 31, 1998

	Unrestricted	Auxiliary Enterprises	Restricted	Total
State Appropriations:				
Education and general support	\$ 10,350,731	\$ -	\$ -	\$ 10,350,731
State group insurance	1,079,205	-	-	1,079,205
Noncourse-based remedial education	75,824	-	-	75,824
Total State Appropriations	<u>11,505,760</u>	<u>-</u>	<u>-</u>	<u>11,505,760</u>
Tuition and Fees:				
Tuition	4,460,832	-	-	4,460,832
Building use fee	216,841	-	-	216,841
Computer access fee	757,393	-	-	757,393
General fees	2,572,663	-	-	2,572,663
Student service fee	-	1,223,545	-	1,223,545
Laboratory fee	99,021	-	-	99,021
Remissions and exemptions	-	-	-	-
Other fees	319,523	265,989	-	585,512
Total Tuition and Fees	<u>8,426,273</u>	<u>1,489,534</u>	<u>-</u>	<u>9,915,807</u>
Taxes for Current Operations	<u>2,107,988</u>	<u>-</u>	<u>-</u>	<u>2,107,988</u>
Federal Grants and Contracts:				
Other programs	<u>115,995</u>	<u>-</u>	<u>1,106,544</u>	<u>1,222,539</u>
Total Federal Grants and Contracts	<u>115,995</u>	<u>-</u>	<u>1,106,544</u>	<u>1,222,539</u>
State Grants and Contracts:				
Other programs	<u>3,191,730</u>	<u>-</u>	<u>196,576</u>	<u>3,388,306</u>
Total State Grants and Contracts	<u>3,191,730</u>	<u>-</u>	<u>196,576</u>	<u>3,388,306</u>
Local Grants and Contracts:				
Other programs	<u>428,480</u>	<u>-</u>	<u>64,433</u>	<u>492,913</u>
Total Local Grants and Contracts	<u>428,480</u>	<u>-</u>	<u>64,433</u>	<u>492,913</u>
Sales and Services of Auxiliary				
Activities	<u>-</u>	<u>505,196</u>	<u>-</u>	<u>505,196</u>
Other Sources:				
Interest income	145,790	47,016	4,051	196,857
Other miscellaneous income	<u>242,062</u>	<u>13,385</u>	<u>-</u>	<u>255,447</u>
Total Other Sources	<u>387,852</u>	<u>60,401</u>	<u>4,051</u>	<u>452,304</u>
Total Current Funds Revenue	<u>\$ 26,164,078</u>	<u>\$ 2,055,131</u>	<u>\$ 1,371,604</u>	<u>\$ 29,590,813</u>

SCHEDULES C-2 AND C-3 ARE ON PAGES 40 AND 41-42 RESPECTIVELY

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TEXAS SOUTHMOST COLLEGE

SCHEDULE C-4

SCHEDULE OF CHANGES IN TAXES RECEIVABLE

FOR THE YEAR ENDED AUGUST 31, 1998

Assessed valuation of District	\$	<u>3,805,347,875</u>			
		<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>	
Tax rate authorized per \$100 valuation	\$	<u>0.055111</u>	\$ <u>0.032878</u>	\$ <u>0.087989</u>	
Tax rate assessed per \$100 valuation	\$	<u>0.055111</u>	\$ <u>0.032878</u>	\$ <u>0.087989</u>	
Taxes receivable, August 31, 1997	\$	636,592	\$ 339,643	\$ 976,235	
Less: allowance for doubtful accounts		<u>27,711</u>	<u>18,573</u>	<u>46,284</u>	
Adjusted taxes receivable, August 31, 1997		<u>608,881</u>	<u>321,070</u>	<u>929,951</u>	
Taxes assessed		<u>2,097,165</u>	<u>1,251,122</u>	<u>3,348,287</u>	
Taxes collected					
Current		2,001,912	1,195,230	3,197,142	
Delinquent		<u>119,830</u>	<u>73,209</u>	<u>193,039</u>	
Total taxes collected		<u>2,121,742</u>	<u>1,268,439</u>	<u>3,390,181</u>	
Adjustments					
Tax adjustments		-	-	-	
Allowance for doubtful accounts		<u>(2,890)</u>	<u>2,457</u>	<u>(433)</u>	
Total adjustments		<u>(2,890)</u>	<u>2,457</u>	<u>(433)</u>	
Taxes Receivable, August 31, 1998	\$	<u>581,414</u>	\$ <u>306,210</u>	\$ <u>887,624</u>	

TEXAS SOUTHMOST COLLEGE
BONDS PAYABLE AND DEBT SERVICE REQUIREMENTS
FOR THE YEAR ENDED AUGUST 31, 1998

Description	Bonds Issued to Date	Range of Interest Rates	Bonds Outstanding 09/01/97	Bonds Issued After 09/01/97	Bonds Matured or Retired	Bonds Outstanding 09/01/98	First Year
School Building Tax Bonds-Series 1987-88	\$ 13,500,000	7.5%	\$ 870,000	\$ -	\$ 680,000	\$ 190,000	1988
Refunding Tax Bonds - Series 1994	<u>8,509,999</u>	3.2-5.6%	<u>8,084,999</u>	<u>-</u>	<u>155,000</u>	<u>7,929,999</u>	1995
Total	\$ <u><u>22,009,999</u></u>		\$ <u><u>8,954,999</u></u>	\$ <u><u>-</u></u>	\$ <u><u>835,000</u></u>	\$ <u><u>8,119,999</u></u>	

SCHEDULE D-1

Maturities		Summary of Debt Service Requirements to Maturity						
Last Year	First Call Date	Year Ending August 31,					All Other Years	Total Requirements
		1999	2000	2001	2002	2003		
1999	02/15/88	\$ 196,460	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 196,460
2008	02/15/95	<u>1,004,383</u>	<u>1,254,150</u>	<u>1,229,720</u>	<u>1,196,440</u>	<u>1,236,440</u>	<u>5,136,541</u>	<u>11,057,674</u>
		<u>\$ 1,200,843</u>	<u>\$ 1,254,150</u>	<u>\$ 1,229,720</u>	<u>\$ 1,196,440</u>	<u>\$ 1,236,440</u>	<u>\$ 5,136,541</u>	<u>\$ 11,254,134</u>

TEXAS SOUTHMOST COLLEGE

**SCHEDULE OF PLEDGED REVENUE AND FUND BALANCES
FOR REVENUE BONDS OUTSTANDING**

FOR THE YEAR ENDED AUGUST 31, 1998

Description	Pledged Revenue and Related Expenditures						
	Operating Revenue	Interest Earned on Investments	Other Pledged Revenue	(a)	(b)	(c)	(d)
				Total Pledged Revenue	Other Revenue Source	Operating Expense	Capital Outlay
School Building Tax Bonds Series 1987/88	\$ 1,258,904	\$ 8,251	\$ -	\$ 1,267,155	\$ -	\$ 500	\$ -

SCHEDULE D-2

(a+b-c-d)	Restricted Account Balances					
Net Available for Debt Service	Debt Service Principal	Debt Service Interest	Interest and Sinking Fund		Bond Reserve Fund	
			Minimum Required	Actual Balance	Minimum Required	Actual Balance
\$ <u>1,266,655</u> \$	\$ <u>835,000</u> \$	\$ <u>400,631</u> \$	\$ -	\$ -	-	\$ <u>278,899</u>

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SINGLE AUDIT SECTION

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

**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

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, 1998. 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 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 Office of Management and Budget 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, 1998.

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 operations that we consider to be material weaknesses.

However, we noted certain matters involving the internal control structure and its operation that we have reported to the management of Texas Southmost College in a separate letter dated November 6, 1998.

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.

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

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

November 6, 1998

TEXAS SOUTHMOST COLLEGE

SCHEDULE D-3

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED AUGUST 31, 1998

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 Agriculture</u>			
Passed Through Texas Department of Human Services:			
Child Care Food Program	10.558	TX-031006	\$ <u>26,096</u>
Total U.S. Department of Agriculture			<u>26,096</u>
<u>U.S. Department of Human Services</u>			
Passed Through Texas Migrant Authority, Inc.			
Child Day Care Center	13.667		<u>71,677</u>
Total U.S. Department of Human Services			<u>71,677</u>
<u>U.S. Department of Labor</u>			
Passed Through Texas Department of Commerce and:			
Texas Workforce Commission			
Individual Referral Program	17.250	97-IIA-0001	91,651
Individual Referral Program		97-IIC-0002	37,522
Individual Referral Program		97-III-0003	<u>12,186</u>
Total U.S. Department of Labor			<u>141,359</u>
<u>U.S. Department of Education</u>			
Passed Through Texas Higher Education Coordinating Board:			
Carl D. Perkins - Voc. Ed. 97-98	84.048	88420246	778,382
Carl D. Perkins - Discretionary 97-98		88150040	<u>51,700</u>
Total U.S. Department of Education			<u>830,082</u>

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TEXAS SOUTHMOST COLLEGE

SCHEDULE D-3

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED AUGUST 31, 1998

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Pass-Through Disbursements and Expenditures
<u>National Aeronautics and Space</u>			
<u>Administration</u>			
Research Grant	43.000	NAG 9-933	135,102
Total National Aeronautics and Space Administration			<u>135,102</u>
Total Federal Awards Expended			<u>\$ 1,204,316</u>

* 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			\$ 1,204,316
Indirect Cost Recovery			<u>18,222</u>
Total Federal Revenue Per Exhibit C			<u>\$ 1,222,538</u>

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TEXAS SOUTHMOST COLLEGE

SCHEDULE D-3

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED AUGUST 31, 1998

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 A-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		\$ 7,256,064
SEOG	84.007		241,493
Federal Workstudy Program	84.033		406,061
Total Expenditures Not Subject to A-133 Audits			\$ 7,903,618

Note 3: Significant accounting policies for Federal Awards

Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as deferred revenues until earned.

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TEXAS SOUTHMOST COLLEGE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 1998

A. Summary of Auditors' Results

Program	Description
Type of Report On Financial Statements	Unqualified
Material Weaknesses Involving Reportable Conditions	None
Noncompliance material to the financial statements	None
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

B. Findings Relating to the Financial Statements which are Required to be Reported in accordance with Generally Accepted Government Auditing Standards

None

C. Findings and Questioned Costs for Federal Awards

Program	None
Finding/Noncompliance	None
Questioned Costs	Not applicable

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TEXAS SOUTHMOST COLLEGE

SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 1998

Findings and Questioned Costs for Federal Awards

Program	None
Finding/Noncompliance	None
Questioned Costs	Not applicable

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TEXAS SOUTHMOST COLLEGE
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 1998

Not applicable

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

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

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

Our report on our audit of the general purpose financial statements of Texas Southmost College for the year ended August 31, 1998 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 40 through 72 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.

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

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

November 6, 1998

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TEXAS SOUTHMOST COLLEGE

SCHEDULE C

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

(Continued)

FOR THE YEAR ENDED AUGUST 31, 1998

(With comparative totals for the year ended August 31, 1997)

	Unaudited			Totals	
	Unrestricted	Auxiliary Enterprises	Restricted	(Memorandum only)	
				1998	1997
MANDATORY TRANSFERS					
TPEG to restricted	-	-	-	-	-
SEOG to matching	-	-	-	-	-
Total mandatory transfers	-	-	-	-	-
Total expenditures and transfers	23,791,221	1,910,077	9,043,244	34,744,542	30,890,859
OTHER TRANSFERS AND ADDITIONS (DEDUCTIONS)					
Nonmandatory transfers	(2,372,857)	(265,989)	(225,000.00)	(2,863,846)	(3,346,339)
Excess of TPEG transfer over grant a	-	-	-	-	-
Federal scholarships/grants by UTB	-	-	7,903,618	7,903,618	6,513,171
Total Other Transfers and Additions (Deductions)	(2,372,857)	(265,989)	7,678,618	5,039,772	3,166,832
NET INCREASE (DECREASE) IN FUND BALANCE	<u>\$ -</u>	<u>\$ (120,935)</u>	<u>\$ 6,978</u>	<u>\$ (113,957)</u>	<u>\$ (436,346)</u>

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TEXAS SOUTHMOST COLLEGE

SCHEDULE C-2

STATEMENT OF CURRENT FUNDS EXPENDITURES BY OBJECT

FOR THE YEAR ENDED AUGUST 31, 1998

	Unaudited			
	Salaries and Wages	Other Expenses	Capital Outlay	Total
UNRESTRICTED				
Education and General:				
Instruction	\$ 8,717,513	\$ 2,468,967	\$ 42,089	\$ 11,228,569
Research	16,438	164,611	3,286	184,335
Public Service	1,249,377	887,162	13,533	2,150,072
Academic Support	1,207,638	1,204,382	49,427	2,461,447
Student Services	1,225,259	666,779	15,532	1,907,570
Institutional Support	2,722,412	1,600,889	104,850	4,428,151
Operation and Maintenance of Plant	488,058	600,112	24,085	1,112,255
Scholarships and Fellowships	28,790	290,032	-	318,822
Total Unrestricted	<u>15,655,485</u>	<u>7,882,934</u>	<u>252,802</u>	<u>23,791,221</u>
RESTRICTED				
Education and General:				
Instruction	333,660	83,208	4,689	421,557
Research	-	-	-	-
Public Service	41,223	11,200	-	52,423
Academic Support	79,076	151,089	81,031	311,196
Student Services	153,756	134,041	22,271	310,068
Institutional Support	41,048	3,334	-	44,382
Operation and Maintenance of Plant	-	-	-	-
Scholarships and Fellowships	406,061	7,497,557	-	7,903,618
Total Restricted	<u>1,054,824</u>	<u>7,880,429</u>	<u>107,991</u>	<u>9,043,244</u>
Total Educational and General	<u>16,710,309</u>	<u>15,763,363</u>	<u>360,793</u>	<u>32,834,465</u>
AUXILIARY ENTERPRISES	<u>607,381</u>	<u>1,266,467</u>	<u>36,229</u>	<u>1,910,077</u>
Total Current Fund Expenditures	<u>\$ 17,317,690</u>	<u>\$ 17,029,830</u>	<u>\$ 397,022</u>	<u>\$ 34,744,542</u>

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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, 1998

	<u>Unrestricted</u>
Instruction	
Academic Programs:	
Faculty salaries	\$ 6,171,008
Departmental operating expenses	676,183
Organized activities related to instructional departments	-
Total Academic Programs	<u>6,847,191</u>
Vocational Technical Programs:	
Faculty salaries	1,879,064
Departmental operating expenses	413,176
Organized activities related to instructional departments	-
Total Vocational Technical Programs	<u>2,292,240</u>
Total Instruction	<u>9,139,431</u>
Extension and Public Service	<u>2,150,072</u>
Research	<u>181,260</u>
Academic Support:	
Library	1,308,631
Instructional administration	793,396
Total Academic Support	<u>2,102,027</u>
Student Services	<u>1,554,638</u>
Scholarships and fellowships	<u>123,729</u>
Institutional Support:	
General administration	3,063,190
General institutional expense	579,584
Campus security	257,129
Total Institutional Support	<u>3,899,903</u> ✓

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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, 1998

	<u>Unrestricted</u>
Operation and Maintenance of Plant	
Plant support service	182,913
Building maintenance	353,229
Custodial services	263,175
Grounds maintenance	126,935
Utilities	140,880
Total Operation and Maintenance of Plant	1,067,132
Staff Benefits:	
Group insurance premiums	1,041,210
O.A.S.I.	1,123,314
Workers' Compensation Insurance	59,770
Other	1,160,285
Total Staff Benefits	3,384,579
Special Items	
Major repairs and rehabilitation of buildings	-
Total Expenditures by Elements of Costs	\$ 23,602,771
Reconciliation	
Total Expenditures by Function (Exhibit C)	\$ 23,791,221
Plus:	-
Less:	
Remissions and waivers	(188,450)
Total Expenditures by Elements of Institutional Costs	\$ 23,602,771

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TEXAS SOUTHMOST COLLEGE

**SCHEDULE OF REVENUE COMPARED WITH BUDGET
GENERAL AND AUXILIARY ENTERPRISE FUNDS**

FOR THE YEAR ENDED AUGUST 31, 1998

	Budget	Actual	Variance Favorable (Unfavorable)
State Appropriations			
Education and general state support	\$ 10,325,816	\$ 10,350,731	\$ 24,915
Noncourse-based remedial education	54,360	75,824	21,464
State group insurance	1,076,794	1,079,205	2,411
State retirement matching	-	-	-
Total State Appropriations	11,456,970	11,505,760	48,790
Tuition and Fees			
Tuition	4,523,748	4,460,832	(62,916)
Building use fee	200,000	216,841	16,841
Computer access fee	738,480	757,393	18,913
General fees	2,632,464	2,572,663	(59,801)
Student service fee	-	-	-
Laboratory fee	92,935	99,021	6,086
Other fees	316,183	319,523	3,340
Remissions and exemptions	-	-	-
Total Tuition and Fees	8,503,810	8,426,273	(77,537)
Taxes for Current Operations	2,057,834	2,107,988	50,154
Federal Grants and Contracts			
Carl Perkins Vocational Grant and Basis	-	-	-
Child care center income	94,658	71,677	(22,981)
Child care food program	26,096	26,096	-
NASA research grant	12,907	18,222	5,315
Total Federal Grants and Contracts	133,661	115,995	(17,666)
State Grants and Contracts			
UTB building lease	3,191,730	3,191,730	-
Total State Grants and Contracts	3,191,730	3,191,730	-

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TEXAS SOUTHMOST COLLEGE

**SCHEDULE OF REVENUE COMPARED WITH BUDGET
GENERAL AND AUXILIARY ENTERPRISE FUNDS**

(Continued)

FOR THE YEAR ENDED AUGUST 31, 1998

	Budget	Actual	Variance Favorable (Unfavorable)
Local Grants and Contracts			
Local contracts	462,668	428,480	(34,188)
Total Local Grants and Contracts	462,668	428,480	(34,188)
Other Sources			
Interest Income	55,000	145,790	90,790
Library Income	25,000	25,322	322
Child care parent contribution	137,246	137,246	-
TPEG Lower Division	-	-	-
Other Income	36,700	79,494	42,794
Total Other Sources	253,946	387,852	133,906
Other Financing Sources			
Transfers from other funds	-	335,957	335,957
Total Other Financing Sources	-	335,957	335,957
Auxiliary Enterprises Revenue			
Lease and rentals	415,900	486,825	70,925
Copier income	30,000	18,371	(11,629)
Other interest income	21,735	47,016	25,281
Other income	13,385	13,385	-
Student service fees	1,223,545	1,223,545	-
Parking fees	265,989	265,989	-
Total Auxiliary Enterprises Revenue	1,970,554	2,055,131	84,577
Total General and Auxiliary Enterprise Funds Revenue	\$ 28,031,173	\$ 28,555,166	\$ 523,993

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TEXAS SOUTHMOST COLLEGE

**SCHEDULE OF EXPENDITURES COMPARED WITH BUDGET
GENERAL AND AUXILIARY ENTERPRISE FUNDS**

FOR THE YEAR ENDED AUGUST 31, 1998

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
General Administration and Student Services:			
Government of the institution	\$ 59,224	\$ 52,326	\$ 6,898
Executive direction and control	-	-	-
Business and fiscal management	323,013	318,957	4,056
Student admission and registration	-	-	-
Student service	-	-	-
Total General Administration and Student Services	<u>382,237</u>	<u>371,283</u>	<u>10,954</u>
General Institutional Expense	<u>932,471</u>	<u>545,647</u>	<u>386,824</u>
Staff Benefits:			
Group health insurance premiums	20,050	20,050	-
Old age and survivors insurance	30,167	29,735	432
Workmen's compensation insurance	3,439	1,138	2,301
Other staff benefits:			
Other	6,100	1,418	4,682
Life insurance premiums	1,820	943	877
Total Staff Benefits	<u>61,576</u>	<u>53,284</u>	<u>8,292</u>
Resident Instruction:			
Subsidy to UTB	-	-	-
Tuition paid to UTB	5,305,910	5,865,946	(560,036)
Total Resident Instruction	<u>5,305,910</u>	<u>5,865,946</u>	<u>(560,036)</u>
Special Items:			
Carl Perkins Vocational Grant	-	-	-
Transfers to UTB	16,854,197	16,730,061	124,136
Total Special Items	<u>16,854,197</u>	<u>16,730,061</u>	<u>124,136</u>
Other Financing Sources:			
Transfers to other funds	2,672,805	2,933,814	(261,009)
Total Other Financing Sources	<u>2,672,805</u>	<u>2,933,814</u>	<u>(261,009)</u>
Total Education and General Expenditures	<u>26,209,196</u>	<u>26,500,035</u>	<u>(290,839)</u>

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TEXAS SOUTHMOST COLLEGE

**SCHEDULE OF EXPENDITURES COMPARED WITH BUDGET
GENERAL AND AUXILIARY ENTERPRISE FUNDS**

(Continued)

FOR THE YEAR ENDED AUGUST 31, 1998

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Auxiliary Enterprises:			
Rancho Del Cielo	\$ 148,729	\$ 146,166	\$ 2,563
Rental and supplies for copier	18,000	11,480	6,520
Supplies	-	17,794	(17,794)
Radio station support	30,000	30,000	-
Canyon del Novillo	33,000	26,469	6,531
Gorgas Science Foundation Special	7,500	-	7,500
Golf Course	69,000	-	69,000
Jacob Brown	518,174	402,844	115,330
Compress property	1,257	312	945
Miscellaneous expense	3,489	23,428	(19,939)
Condominium expenses	7,154	7,154	-
Alonso building project	-	7,500	(7,500)
Transfer to other funds	265,989	265,989	-
Transfer to UTB	1,236,930	1,236,930	-
Total Auxiliary Enterprises	<u>2,339,222</u>	<u>2,176,066</u>	<u>163,156</u>
 Total General and Auxiliary Enterprise Fund Expenditures	 <u>28,548,418</u>	 <u>28,676,101</u>	 <u>(127,683)</u>
 EXCESS REVENUE OVER (UNDER) EXPENDITURES	 <u>(517,245)</u>	 <u>(120,935)</u>	 <u>396,310</u>
 Total General and Auxiliary Enterprise Funds Revenue	 <u>\$ 28,031,173</u>	 <u>\$ 28,555,166</u>	

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AUXILIARY ENTERPRISE FUND

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TEXAS SOUTHMOST COLLEGE

BALANCE SHEET

AUXILIARY ENTERPRISE FUND

AUGUST 31, 1998

ASSETS

Cash in bank	\$	35,264
Accrued interest		698
Investments		415,712
Accounts receivable		141,875
Due from other agencies		1,374
Due from other funds		<u>38,820</u>
Total Assets	\$	<u><u>633,743</u></u>

LIABILITIES AND FUND BALANCE

Liabilities:

Accounts payable	\$	62,698
Accrued compensable absences payable		2,743
Due to other agencies		6,689
Deferred revenue		66,330
Due to other funds		<u>57,076</u>

Total Liabilities 195,536

Fund Balance:

Unrestricted

Total Unreserved Unallocated
Fund Balance 438,207

Total Liabilities and Fund Balance \$ 633,743

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TEXAS SOUTHMOST COLLEGE
STATEMENT OF CHANGES IN FUND BALANCE
AUXILIARY ENTERPRISE FUND
FOR THE YEAR ENDED AUGUST 31, 1998

Fund Balance, September 1, 1997	\$ 559,142
Add: Excess revenue over (under) expenditures	<u>(120,935)</u>
Fund Balance, August 31, 1998	<u>\$ 438,207</u>

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TEXAS SOUTHMOST COLLEGE

STATEMENT OF REVENUE AND EXPENDITURES

AUXILIARY ENTERPRISE FUND

FOR THE YEAR ENDED AUGUST 31, 1998

	<u>Rancho Del Cielo</u>	<u>Bookstore, Cafeteria and Auditorium</u>	<u>Other</u>	<u>Combined Total</u>
REVENUE				
Leases	\$ -	\$ 477,261	\$ -	\$ 477,261
Parking fees	-	-	265,989	265,989
Health insurance	-	-	13,385	13,385
Student service fee	-	-	1,223,545	1,223,545
Copier income	-	-	18,371	18,371
Miscellaneous income	-	-	9,564	9,564
Interest income	-	-	47,016	47,016
Total Revenue	<u>-</u>	<u>477,261</u>	<u>1,577,870</u>	<u>2,055,131</u>
EXPENDITURES				
Direct expenses	146,166	-	-	146,166
Jacob Brown	-	-	402,844	402,844
Compress property	-	-	312	312
Rental and supplies for copier	-	-	11,480	11,480
Supplies	-	-	17,794	17,794
Radio station support	-	-	30,000	30,000
Canyon del Novillo	-	-	26,469	26,469
Miscellaneous expense	-	-	23,428	23,428
Condominium expenses	-	-	7,154	7,154
Alonso building project	-	-	7,500	7,500
Transfer to other funds	-	-	265,989	265,989
Transfer to other funds	-	-	1,236,930	1,236,930
Total Expenditures	<u>146,166</u>	<u>-</u>	<u>2,029,900</u>	<u>2,176,066</u>
Excess Revenue over (under) Expenditures	<u>\$ (146,166)</u>	<u>\$ 477,261</u>	<u>\$ (452,030)</u>	<u>\$ (120,935)</u>

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STUDENT ASSISTANCE FUND

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TEXAS SOUTHMOST COLLEGE
BALANCE SHEET
LOCAL STUDENT ASSISTANCE FUNDS
AUGUST 31, 1998

		<u>Institutional Scholarship Grants</u>
ASSETS		
Cash in bank	\$	8,929
Funds held by state - TPEG		100
Due from other funds		<u>196,899</u>
Total Assets	\$	<u><u>205,928</u></u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Due to other agencies	\$	<u>112,232</u>
Total Liabilities		<u>112,232</u>
Fund Balance:		
Restricted		<u>93,696</u>
Total Fund Balance		<u>93,696</u>
Total Liabilities and Fund Balance	\$	<u><u>205,928</u></u>

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TEXAS SOUTHMOST COLLEGE
STATEMENT OF CHANGES IN FUND BALANCE
LOCAL STUDENT ASSISTANCE FUNDS
FOR THE YEAR ENDED AUGUST 31, 1998

		<u>Institutional Scholarship Grants</u>
Fund Balance, September 1, 1997, as previously reported	\$	96,222
Prior period adjustment		<u>(8,857)</u>
Fund Balance, September 1, 1997 - restated		87,365
Add: Excess revenue over (under) expenditures		<u>6,331</u>
Fund Balance, August 31, 1998	\$	<u><u>93,696</u></u>

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TEXAS SOUTHMOST COLLEGE
STATEMENT OF REVENUES AND EXPENDITURES
LOCAL STUDENT ASSISTANCE FUNDS
FOR THE YEAR ENDED AUGUST 31, 1998

	<u>Institutional Scholarship Grants</u>
REVENUE	
Local grants and contracts	\$ 64,433
State grant	196,576
Interest income	<u>3,404</u>
Total Revenue	<u>264,413</u>
EXPENDITURES	
Texas Public Grant Program	193,649
Local Scholarships	<u>64,433</u>
Total Expenditures	<u>258,082</u>
Excess Revenue over (under) expenditures	<u><u>\$ 6,331</u></u>

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LOAN FUND

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TEXAS SOUTHMOST COLLEGE

BALANCE SHEET

LOAN FUND

AUGUST 31, 1998

	<u>Student Congress Loans</u>
ASSETS	
Cash	\$ 79,482
Loans receivable (net of allowance for bad debts of \$114,333)	19,542
Due from UTB	<u>76,601</u>
Total Assets	\$ <u><u>175,625</u></u>
LIABILITIES AND FUND BALANCE	
Liabilities:	
Due to federal government	\$ <u>-</u>
Total Liabilities	<u>-</u>
Fund Balance:	
Unrestricted - designated	<u>175,625</u>
Total Fund Balance	<u>175,625</u>
Total Liabilities and Fund Balance	\$ <u><u>175,625</u></u>

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TEXAS SOUTHMOST COLLEGE
STATEMENT OF CHANGES IN FUND BALANCE
LOAN FUND
FOR THE YEAR ENDED AUGUST 31, 1998

		<u>Student Congress Loans</u>
Fund Balance, September 1, 1997 as previously reported	\$	154,341
Prior period adjustment		<u>8,857</u>
Fund Balance, September 1, 1997 - restated		163,198
Additions:		
Interest income		2,656
Increase in receivables		<u>31,731</u>
Total Additions		<u>34,387</u>
Deductions:		
Allowance for bad debt		<u>21,960</u>
Total Deductions		<u>21,960</u>
Fund Balance, August 31, 1998	\$	<u><u>175,625</u></u>

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ENDOWMENT FUND

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TEXAS SOUTHMOST COLLEGE

BALANCE SHEET

ENDOWMENT FUND

AUGUST 31, 1998

	<u>TSC Endowment Fund</u>
ASSETS	
Cash in bank	\$ 2,978
Investments	<u>46,005</u>
Total Assets	<u>\$ 48,983</u>
LIABILITIES AND FUND BALANCE	
Liabilities:	
Due to TSC Foundation, Inc.	\$ <u>-</u>
Total Liabilities	<u>-</u>
Fund Balance:	
Restricted - term	21,851
Restricted - Quasi-endowment	<u>27,132</u>
Total Fund Balance	<u>48,983</u>
Total Liabilities and Fund Balance	<u>\$ 48,983</u>

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TEXAS SOUTHMOST COLLEGE
STATEMENT OF CHANGES IN FUND BALANCE
ENDOWMENT FUND
FOR THE YEAR ENDED AUGUST 31, 1998

	TSC Endowment <u>Fund</u>
Fund Balance, September 1, 1997	\$ 59,589
Additions:	
Donations	-
Interest and dividends	912
Total Additions	<u>912</u>
Less:	
Scholarships	600
Unrealized loss on marketable securities	10,918
Total Deductions	<u>11,518</u>
Fund Balance, August 31, 1998	\$ <u><u>48,983</u></u>

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PLANT FUNDS

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TEXAS SOUTHMOST COLLEGE

BALANCE SHEET

UNEXPENDED FUNDS

AUGUST 31, 1998

	<u>Improvement and Contingency</u>
ASSETS	
Cash in bank	\$ 581,823
Accrued interest	3,488
Investments	1,250,479
Earnest money deposit	50,250
Due from other funds	<u>2,308</u>
Total Assets	\$ <u><u>1,888,348</u></u>
LIABILITIES AND EQUITY	
Liabilities:	
Accounts payable	\$ 327
Due to other agencies	692
Due to other funds	<u>391,899</u>
Total Liabilities	<u>392,918</u>
Fund Balance:	
Designated - Capital Projects	<u>1,495,430</u>
Total Fund Balance	<u>1,495,430</u>
Total Liabilities and Fund Balance	\$ <u><u>1,888,348</u></u>

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TEXAS SOUTHMOST COLLEGE
STATEMENT OF CHANGES IN FUND BALANCE

UNEXPENDED FUNDS

FOR THE YEAR ENDED AUGUST 31, 1998

		<u>Improvement and Contingency</u>
Fund Balance, September 1, 1997	\$	2,741,050
Additions:		
Investment income		151,576
Transfers in from other funds		1,972,805
Total additions		<u>2,124,381</u>
Less:		
Capital Outlay		3,034,044
Transfer out to other funds		335,957
Total deductions		<u>3,370,001</u>
Fund Balance, August 31, 1998	\$	<u><u>1,495,430</u></u>

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TEXAS SOUTHMOST COLLEGE

COMBINING BALANCE SHEET

RENEWALS AND REPLACEMENT

AUGUST 31, 1998

	<u>Restricted Major Restoration Fund</u>	<u>Restricted Parking Fund</u>	<u>Capital Expansion Fund</u>	<u>Total</u>
ASSETS				
Cash in bank	\$ 50,670	\$ 461,041	\$ 652,200	\$ 1,163,911
Accounts receivable	-	-	185	185
Accrued interest	5,532	-	-	5,532
Due from other funds	52,546	42,205	-	94,751
Investments	<u>3,286,119</u>	<u>-</u>	<u>-</u>	<u>3,286,119</u>
Total Assets	\$ <u>3,394,867</u>	\$ <u>503,246</u>	\$ <u>652,385</u>	\$ <u>4,550,498</u>
LIABILITIES AND FUND BALANCE				
Liabilities				
Accounts Payable	\$ -	\$ -	\$ 2,068	\$ 2,068
Due to other funds	-	-	1,997	1,997
Due to other agencies	-	190	-	190
Total Liabilities	<u>-</u>	<u>190</u>	<u>4,065</u>	<u>4,255</u>
Fund Balance				
Unrestricted	<u>3,394,867</u>	<u>503,056</u>	<u>648,320</u>	<u>4,546,243</u>
Total Fund Balance	<u>3,394,867</u>	<u>503,056</u>	<u>648,320</u>	<u>4,546,243</u>
Total Liabilities and Fund Balance	\$ <u>3,394,867</u>	\$ <u>503,246</u>	\$ <u>652,385</u>	\$ <u>4,550,498</u>

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TEXAS SOUTHMOST COLLEGE
COMBINING STATEMENT OF CHANGES IN FUND BALANCES
RENEWALS AND REPLACEMENT
FOR THE YEAR ENDED AUGUST 31, 1998

	Restricted Major Restoration Fund	Restricted Parking Fund	Capital Expansion Fund	Total
Fund Balance, September 1, 1997	\$ 3,683,647	\$ 376,430	\$ (134,581)	\$ 3,925,496
Add:				
Transfer in-restricted major restoration	-	-	477,195	477,195
Transfer in-general fund	-	-	700,000	700,000
Transfer in-auxiliary fund	-	265,989	-	265,989
Investment income	188,415	14,934	3,494	206,843
Total additions	<u>188,415</u>	<u>280,923</u>	<u>1,180,689</u>	<u>1,650,027</u>
Less:				
Transfer to capital expense	477,195	-	-	477,195
Repairs	-	20,854	345,194	366,048
Capital Outlay	-	133,443	52,594	186,037
Total deductions	<u>477,195</u>	<u>154,297</u>	<u>397,788</u>	<u>1,029,280</u>
Fund Balance, August 31, 1998	\$ <u><u>3,394,867</u></u>	\$ <u><u>503,056</u></u>	\$ <u><u>648,320</u></u>	\$ <u><u>4,546,243</u></u>

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TEXAS SOUTHMOST COLLEGE

COMBINING BALANCE SHEETS

RETIREMENT OF INDEBTEDNESS

AUGUST 31, 1998

	<u>Debt Service</u>	<u>87/88 Tax Dept. Service</u>	<u>Total</u>
ASSETS			
Cash in bank	\$ 148,769	\$ 114,531	\$ 263,300
Taxes receivable	-	322,326	322,326
Allowance for bad debts	-	(16,116)	(16,116)
Due from other funds	-	15,599	15,599
	<u> </u>	<u> </u>	<u> </u>
Total Assets	\$ <u>148,769</u>	\$ <u>436,340</u>	\$ <u>585,109</u>
LIABILITIES AND FUND BALANCE			
Liabilities			
Due to other funds	\$ -	\$ -	\$ -
Deferred tax revenue	-	306,210	306,210
Total Liabilities	<u> </u>	<u>306,210</u>	<u>306,210</u>
Fund Balance			
Restricted	148,769	130,130	278,899
Total Fund Balance	<u>148,769</u>	<u>130,130</u>	<u>278,899</u>
Total Liabilities and Fund Balance	\$ <u>148,769</u>	\$ <u>436,340</u>	\$ <u>585,109</u>

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TEXAS SOUTHMOST COLLEGE
STATEMENT OF CHANGES IN FUND BALANCE
RETIREMENT OF INDEBTEDNESS
FOR THE YEAR ENDED AUGUST 31, 1998

	<u>Debt Service</u>	<u>87/88 Tax Dept. Service</u>	<u>Total</u>
Fund Balance, September 1, 1997	\$ 142,235	\$ 99,106	\$ 241,341
Add:			
Ad valorem tax	-	1,258,904	1,258,904
Investment income	<u>6,534</u>	<u>8,251</u>	<u>14,785</u>
	<u>6,534</u>	<u>1,267,155</u>	<u>1,273,689</u>
Total additions			
Less:			
Retirement of indebtedness	-	835,000	835,000
Interest on indebtedness	-	400,631	400,631
Other	<u>-</u>	<u>500</u>	<u>500</u>
Total deductions	<u>-</u>	<u>1,236,131</u>	<u>1,236,131</u>
Fund Balance, August 31, 1998	<u>\$ 148,769</u>	<u>\$ 130,130</u>	<u>\$ 278,899</u>

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TEXAS SOUTHMOST COLLEGE

BALANCE SHEET

INVESTMENT IN PLANT

AUGUST 31, 1998

	<u>General Fixed Assets Fund</u>
ASSETS	
Land, Buildings and Equipment:	
Land	\$ 2,177,803
Land - appraisal increase	817,500
Site improvements	5,870,705
Buildings and improvements	26,543,959
Machinery, equipment, furniture and library books	15,475,638
Assets held in trust	351,064
Construction in progress	1,195,505
Amounts to be provided	623,560
Total Land, Buildings and Equipment	<u>53,055,734</u>
Total Assets	<u>\$ 53,055,734</u>
LIABILITIES AND NET INVESTMENT IN PLANT	
Liabilities:	
Accrued interest payable	\$ 623,560
Bonds payable	8,119,999
Total Liabilities	<u>8,743,559</u>
Net Investment in Plant	<u>44,312,175</u>
Total Liabilities and Net Investment in Plant	<u>\$ 53,055,734</u>

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TEXAS SOUTHMOST COLLEGE

SCHEDULE OF GENERAL FIXED ASSETS

INVESTMENT IN PLANT

FOR THE YEAR ENDED AUGUST 31, 1998

	Balance 08/31/97	Purchased/ Additions	Retirements	Balance 08/31/98
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	1,727,002	-	-	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	384,033	252,347	-	636,380
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	456,808	-	-	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	6,823	-	8,555
Jacob Brown Civic Center	-	2,300,503	-	2,300,503
Parking lot	-	15,126	-	15,126
Total Buildings	<u>23,969,159</u>	<u>2,574,799</u>	<u>-</u>	<u>26,543,958</u>

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TEXAS SOUTHMOST COLLEGE

SCHEDULE OF GENERAL FIXED ASSETS

INVESTMENT IN PLANT

(Continued)

FOR THE YEAR ENDED AUGUST 31, 1998

	Balance 08/31/97	Purchased/ Additions	Retirements	Balance 08/31/98
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	973,904	-	-	973,904
Land - 18.76 acres	422,100	-	-	422,100
Land - Canon del Novillo	12,535	-	-	12,535
Land - Young House	60,981	-	-	60,981
Land - Lot 3, Block 6, Paredes Subdivision	31,093	-	-	31,093
Land - Fort Brown Villas	119,056	-	-	119,056
Land - Lot 5, Block 6, Paredes Subdivision	-	31,977	-	31,977
Land - Lot 7, Block 32, Original townsite	-	39,277	-	39,277
Total Land	<u>2,924,049</u>	<u>71,254</u>	<u>-</u>	<u>2,995,303</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	130,981	-	-	130,981
Total Site Improvements	<u>5,870,705</u>	<u>-</u>	<u>-</u>	<u>5,870,705</u>
MACHINERY, EQUIPMENT, FURNI- TURE AND FIXTURES				
	<u>14,317,290</u>	<u>1,158,349</u>	<u>-</u>	<u>15,475,639</u>
Total General Fixed Assets	<u>\$ 47,081,203</u>	<u>\$ 3,804,402</u>	<u>\$ -</u>	<u>\$ 50,885,605</u>

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AGENCY FUND

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TEXAS SOUTHMOST COLLEGE

BALANCE SHEET

AGENCY FUND

AUGUST 31, 1998

	<u>Alumni Fund</u>
ASSETS	
Cash in bank	\$ <u>7,661</u>
Total Assets	\$ <u><u>7,661</u></u>
LIABILITIES AND FUND BALANCE	
Liabilities:	
Funds held in custody for others	\$ <u>7,661</u>
Total liabilities	<u>7,661</u>
Fund Balance:	
Restricted	-
Unrestricted	<u>-</u>
Total Fund Balance	<u>-</u>
Total Liabilities and Fund Balance	\$ <u><u>7,661</u></u>

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TEXAS SOUTHMOST COLLEGE
STATEMENT OF CHANGES IN FUND BALANCE
AGENCY FUND
FOR THE YEAR ENDED AUGUST 31, 1998

	<u>Alumni</u> <u>Fund</u>
Fund Balance, September 1, 1997	\$ <u>-</u>
Add:	
Interest	-
Total additions	<u>-</u>
Less:	
Disbursements	-
Transfer to other funds	-
Total deductions	<u>-</u>
Fund Balance, August 31, 1998	\$ <u><u>-</u></u>

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BOND SCHEDULES

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TEXAS SOUTHMOST COLLEGE

MATURITY SCHEDULE

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

FOR THE YEAR ENDING AUGUST 31,

<u>Year Ending</u>	<u>Series 1987 and 1988</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
1999	\$ <u>190,000</u>	\$ <u>6,460</u>	\$ <u>196,460</u>

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

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TEXAS SOUTHMOST COLLEGE

MATURITY SCHEDULE

**SOUTHMOST UNION JUNIOR COLLEGE DISTRICT
REFUNDING TAX BONDS -
SERIES 1994**

FOR THE YEAR ENDING AUGUST 31,

<u>Year Ending</u>	<u>Series 1994 Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	<u>\$ 7,929,999</u>	<u>\$ 3,127,675</u>	<u>\$ 11,057,674</u>

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

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