



**SOUTHMOST UNION JUNIOR COLLEGE DISTRICT
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED AUGUST 31, 1999**

TEXAS SOUTHMOST COLLEGE

**COMPREHENSIVE
ANNUAL FINANCIAL REPORT**

AUGUST 31, 1999

TEXAS SOUTHMOST COLLEGE

ORGANIZATIONAL DATA

FOR THE FISCAL YEAR 1998-1999

BOARD OF TRUSTEES

Officers

Mary Rose Cardenas	Chairperson
Rosemary Breedlove	Secretary

Members

Mary Rose Cardenas	Brownsville, Texas	May, 2002
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. Wayne J. Moore	Vice-President for Administration and Partnership Affairs, UTB/TSC
George F. Haylock, Jr.	District Office Manager
Pat Celaya	District Comptroller

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TEXAS SOUTHMOST COLLEGE

COMPREHENSIVE ANNUAL FINANCIAL REPORT

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

**Independent Auditors' Report on General Purpose
Financial Statements and Supplementary Schedules
of Expenditures of Federal Awards**

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, 1999, as listed in the table of contents. These general purpose financial statements are the responsibility of Texas Southmost College's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Texas Southmost College at August 31, 1999, 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 also issued our report dated November 11, 1999, on our consideration of Texas Southmost College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

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 required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, and the combining statements and other schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements. Such information, except for that portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

Pattillo Brown & Hill L.L.P.

November 11, 1999

FINANCIAL STATEMENTS

TEXAS SOUTHMOST COLLEGE

BALANCE SHEET

AUGUST 31, 1999

(with memorandum totals at August 31, 1998)

	Current Funds				Loan Funds	Endowment & Similar Funds
	Unrestricted	Auxiliary Enterprises	Restricted	Total		
ASSETS						
Cash & cash equivalents	\$ 1,108,416	\$ 80,832	\$ 400,292	\$ 1,589,540	\$ 82,575	\$ 3,802
Short-term investments	20,813	144,407	-	165,220	-	95
Accounts receivable (net of allowance for doubtful accounts of \$9,000 both years)	1,569,693	5,521	-	1,575,214	-	-
Taxes receivable (net of allowance for doubtful accounts of \$40,069 & \$30,601 at August 31, 1999 & 1998, respectively)	657,521	-	-	657,521	-	-
Due from other funds	595,779	47,373	191,762	834,914	-	-
Investments	-	361,032	-	361,032	-	44,381
Accrued interest receivable	-	919	-	919	-	-
Due from other agencies	-	14,428	6,498	20,926	-	392
Federal receivables	-	-	254,836	254,836	-	-
Deposits	-	-	-	-	-	-
Notes receivable (net of allowance for doubtful accounts of \$114,648 & \$114,333 at August 31, 1999 & 1998, respectively)	-	-	-	-	92,668	-
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>\$ 3,952,222</u>	<u>\$ 654,512</u>	<u>\$ 853,388</u>	<u>\$ 5,460,122</u>	<u>\$ 175,243</u>	<u>\$ 48,670</u>

See accompanying notes to the financial statements.

EXHIBIT A

Plant Funds					Totals (Memorandum only)	
Unexpended	Renewals & Replacements	Retirement of Indebtedness	Investment in Plant	Agency Funds	1999	1998
\$ 54,353	\$ 848,021	\$ 275,380	\$ -	\$ 7,959	\$ 2,861,630	\$ 3,729,496
2,849,027	154,372	-	-	-	3,168,714	209,203
-	185	-	-	-	1,575,399	711,028
-	-	324,561	-	-	982,082	887,624
558,407	40,465	-	-	-	1,433,786	1,175,153
1,229,841	1,907,490	-	-	-	3,542,744	4,852,199
3,130	4,855	-	-	-	8,904	9,718
124	-	-	-	-	21,442	84,473
-	-	-	-	-	254,836	466,966
50,250	-	-	-	-	50,250	50,250
-	-	-	-	-	92,668	19,542
-	-	-	-	-	-	-
-	-	-	2,995,303	-	2,995,303	2,995,303
-	-	-	27,171,372	-	27,171,372	26,543,958
-	-	-	5,870,705	-	5,870,705	5,870,705
-	-	-	7,845,638	-	7,845,638	7,255,159
-	-	-	8,422,239	-	8,422,239	8,220,480
-	-	-	1,419,250	-	1,419,250	1,195,505
-	-	-	351,064	-	351,064	351,064
-	-	-	623,560	-	623,560	623,560
<u>\$ 4,745,132</u>	<u>\$ 2,955,388</u>	<u>\$ 599,941</u>	<u>\$ 54,699,131</u>	<u>\$ 7,959</u>	<u>\$ 68,691,586</u>	<u>\$ 65,251,386</u>

TEXAS SOUTHMOST COLLEGE

BALANCE SHEET

(Continued)

AUGUST 31, 1999

(with memorandum totals at August 31, 1998)

	Current Funds				Loan Funds	Endowment & Similar Funds
	Unrestricted	Auxiliary Enterprises	Restricted	Total		
LIABILITIES & FUND BALANCES						
Liabilities:						
Accounts payable	\$ 10,123	\$ 15,530	\$ 236,883	\$ 262,536	\$ -	\$ -
Accrued liabilities	-	-	-	-	-	-
Due to other funds	789,135	55,733	550,043	1,394,911	27,500	-
Due to other agencies	2,364,776	1,188	3,405	2,369,369	29,646	-
Deferred revenue	657,523	73,194	-	730,717	-	-
Accrued compensable absences payable	12,088	3,755	-	15,843	-	-
Bonds payable	-	-	-	-	-	-
Funds held in custody for others	-	-	-	-	-	-
Total liabilities	<u>3,833,645</u>	<u>149,400</u>	<u>790,331</u>	<u>4,773,376</u>	<u>57,146</u>	<u>-</u>
Fund balance:						
Unrestricted						
Reserved						
Accounts receivable	-	-	-	-	-	-
Consumable inventory	-	-	-	-	-	-
Unreserved						
Designated						
Capital projects	-	-	-	-	-	-
College loan funds	-	-	-	-	118,097	-
Undesignated	118,577	505,112	-	623,689	-	-
Restricted						
Other	-	-	63,057	63,057	-	21,020
Institutional matching funds	-	-	-	-	-	27,650
Net investment in plant	-	-	-	-	-	-
Total fund balance	<u>118,577</u>	<u>505,112</u>	<u>63,057</u>	<u>686,746</u>	<u>118,097</u>	<u>48,670</u>
Total liabilities and fund balance	<u>\$ 3,952,222</u>	<u>\$ 654,512</u>	<u>\$ 853,388</u>	<u>\$ 5,460,122</u>	<u>\$ 175,243</u>	<u>\$ 48,670</u>

See accompanying notes to the financial statements.

EXHIBIT A

Plant Funds					Totals (Memorandum only)	
Unexpended	Renewals & Replacements	Retirement of Indebtedness	Investment in Plant	Agency Funds	1999	1998
\$ 37,644	\$ 105,723	\$ -	\$ -	\$ -	\$ 405,903	\$ 101,608
-	-	-	623,560	-	623,560	623,560
2,968	8,407	-	-	-	1,433,786	1,175,153
2,304	930	-	-	-	2,402,249	2,594,703
-	-	324,561	-	-	1,055,278	953,954
-	-	-	-	-	15,843	14,065
-	-	-	7,274,999	-	7,274,999	8,119,999
-	-	-	-	7,959	7,959	7,661
<u>42,916</u>	<u>115,060</u>	<u>324,561</u>	<u>7,898,559</u>	<u>7,959</u>	<u>13,219,577</u>	<u>13,590,703</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
4,702,216	2,840,328	-	-	-	7,542,544	6,041,673
-	-	-	-	-	118,097	175,625
-	-	-	-	-	623,689	708,894
-	-	275,380	-	-	359,457	395,184
-	-	-	-	-	27,650	27,132
-	-	-	46,800,572	-	46,800,572	44,312,175
<u>4,702,216</u>	<u>2,840,328</u>	<u>275,380</u>	<u>46,800,572</u>	<u>-</u>	<u>55,472,009</u>	<u>51,660,683</u>
<u>\$ 4,745,132</u>	<u>\$ 2,955,388</u>	<u>\$ 599,941</u>	<u>\$ 54,699,131</u>	<u>\$ 7,959</u>	<u>\$ 68,691,586</u>	<u>\$ 65,251,386</u>

TEXAS SOUTHMOST COLLEGE

STATEMENT OF CHANGES IN FUND BALANCES

FOR THE YEAR ENDED AUGUST 31, 1999
(with memorandum totals at August 31, 1998)

	Current Funds				Loan Funds
	Unrestricted	Auxiliary Enterprises	Restricted	Total	
REVENUE AND OTHER ADDITIONS					
Unrestricted current funds revenue	\$ 25,846,721	\$ 1,960,305	\$ 1,100,790	\$ 28,907,816	\$ -
State appropriations - restricted	-	-	-	-	-
Federal grants & contracts	-	-	1,389,866	1,389,866	-
State grants & contracts	-	-	58,146	58,146	-
Local gifts, grants & contracts	-	-	-	-	-
Investment/endowment income	-	-	6,289	6,289	3,094
Realized gains on investments	-	-	-	-	-
Net change in bonds payable	-	-	-	-	-
Net change in notes payable	-	-	-	-	-
Expended for plant facilities (includes \$623,270 charged to current funds expenditures)	-	-	-	-	-
Other additions	-	-	-	-	-
Total revenue & other additions	<u>25,846,721</u>	<u>1,960,305</u>	<u>2,555,091</u>	<u>30,362,117</u>	<u>3,094</u>
EXPENDITURES & OTHER DEDUCTIONS					
Expenditures	22,741,153	1,984,062	11,068,926	35,794,141	-
Expended for plant facilities	-	-	-	-	-
Loan cancellations & write-offs	-	-	-	-	-
Retirement of indebtedness - bonds	-	-	-	-	-
Interest on indebtedness	-	-	-	-	-
Other deductions	-	-	-	-	315
Total expenditures & other deductions	<u>22,741,153</u>	<u>1,984,062</u>	<u>11,068,926</u>	<u>35,794,141</u>	<u>315</u>
TRANSFERS-ADDITIONS (DEDUCTIONS)					
Mandatory transfers	(255,409)	-	255,409	-	-
Nonmandatory transfers	(3,002,269)	90,662	-	(2,911,607)	-
Other	-	-	8,227,049	8,227,049	-
Total transfers - additions (deductions)	<u>(3,257,678)</u>	<u>90,662</u>	<u>8,482,458</u>	<u>5,315,442</u>	<u>-</u>
NET INCREASE (DECREASE) FOR THE FISCAL YEAR					
	<u>(152,110)</u>	<u>66,905</u>	<u>(31,377)</u>	<u>(116,582)</u>	<u>2,779</u>
FUND BALANCES, SEPTEMBER 1, 1998					
	270,687	438,207	94,434	803,328	175,625
PRIOR PERIOD ADJUSTMENTS					
	-	-	-	-	60,307
FUND BALANCES, AUGUST 31, 1999					
	<u>\$ 118,577</u>	<u>\$ 505,112</u>	<u>\$ 63,057</u>	<u>\$ 686,746</u>	<u>\$ 118,097</u>

See accompanying notes to the financial statements.

EXHIBIT B

Endowment & Similar Funds	Plant Funds					Agency Funds	Totals (Memorandum only)	
	Unexpended	Renewals & Replacements	Retirement of Indebtedness	Investment in Plant	1999		1998	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 28,907,816	\$ 28,219,209	
-	-	-	-	-	-	-	-	
-	-	-	-	-	-	1,389,866	1,106,544	
-	-	-	-	-	-	58,146	196,576	
-	-	-	-	-	-	-	64,433	
1,287	133,804	167,939	16,945	-	-	329,358	380,823	
-	-	-	-	-	-	-	-	
-	-	-	-	845,000	-	845,000	835,000	
-	-	-	-	-	-	-	-	
-	-	-	-	1,419,681	-	1,419,681	3,804,402	
-	-	-	1,180,454	223,716	-	1,404,170	1,590,688	
<u>1,287</u>	<u>133,804</u>	<u>167,939</u>	<u>1,197,399</u>	<u>2,488,397</u>	<u>-</u>	<u>34,354,037</u>	<u>36,197,675</u>	
1,600	-	-	-	-	-	35,795,741	34,756,060	
-	479,287	1,233,192	-	-	-	1,712,479	3,586,129	
-	-	-	-	-	-	-	-	
-	-	-	845,000	-	-	845,000	835,000	
-	-	-	355,842	-	-	355,842	400,631	
-	-	-	76	-	-	391	22,460	
<u>1,600</u>	<u>479,287</u>	<u>1,233,192</u>	<u>1,200,918</u>	<u>-</u>	<u>-</u>	<u>38,709,453</u>	<u>39,600,280</u>	
-	-	-	-	-	-	-	-	
-	3,552,269	(640,662)	-	-	-	-	(261,009)	
-	-	-	-	-	-	8,227,049	7,903,618	
<u>-</u>	<u>3,552,269</u>	<u>(640,662)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,227,049</u>	<u>7,642,609</u>	
(313)	3,206,786	(1,705,915)	(3,519)	2,488,397	-	3,871,633	4,240,004	
48,983	1,495,430	4,546,243	278,899	44,312,175	-	51,660,683	47,420,679	
-	-	-	-	-	-	60,307	-	
<u>\$ 48,670</u>	<u>\$ 4,702,216</u>	<u>\$ 2,840,328</u>	<u>\$ 275,380</u>	<u>\$ 46,800,572</u>	<u>\$ -</u>	<u>\$ 55,472,009</u>	<u>\$ 51,660,683</u>	

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TEXAS SOUTHMOST COLLEGE

STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES
AND OTHER CHANGESFOR THE YEAR ENDED AUGUST 31, 1999
(with memorandum totals for the year ended August 31, 1998)

	Unrestricted	Auxiliary Enterprises	Restricted	Totals (Memorandum only)	
				1999	1998
REVENUE					
State appropriations - general revenue	\$ 10,835,700	\$ -	\$ 1,100,790	\$ 11,936,490	\$ 11,505,760
Tuition & fees	8,252,657	1,429,829	-	9,682,486	9,915,807
Taxes for current operation	3,792,223	-	-	3,792,223	2,107,988
Federal grants & contracts	-	-	1,389,866	1,389,866	1,222,538
State grants & contracts	2,353,509	-	58,146	2,411,655	3,388,306
Local grants & contracts	272,024	-	-	272,024	492,914
Investment/endowment income	103,023	-	-	103,023	145,790
Sales & service of auxiliary enterprises	-	496,184	-	496,184	505,196
Other sources					
Interest income	-	23,794	6,289	30,083	51,067
Gains/losses on investments	-	-	-	-	-
Miscellaneous income	237,585	10,498	-	248,083	255,447
Total current funds revenue	<u>25,846,721</u>	<u>1,960,305</u>	<u>2,555,091</u>	<u>30,362,117</u>	<u>29,590,813</u>
EXPENDITURES & MANDATORY TRANSFERS					
Educational & general:					
Instruction	-	-	-	-	-
Institutional support	570,911	-	584,716	1,155,627	1,264,758
Scholarships & fellowships	-	-	-	-	-
Transfers to UTB	22,170,242	-	1,100,790	23,271,032	31,569,707
Total educational & general expenditures	<u>22,741,153</u>	<u>-</u>	<u>1,685,506</u>	<u>24,426,659</u>	<u>32,834,465</u>
Auxiliary enterprise expenditures:					
Expenditures	-	803,072	-	803,072	673,147
Transfers to UTB	-	1,180,990	9,383,420	10,564,410	1,236,930
Total auxiliary enterprise expenditures	<u>-</u>	<u>1,984,062</u>	<u>9,383,420</u>	<u>11,367,482</u>	<u>1,910,077</u>
Mandatory transfers to:					
TPEG to restricted	255,409	-	(255,409)	-	-
Total expenditures & mandatory transfers	<u>22,996,562</u>	<u>1,984,062</u>	<u>10,813,517</u>	<u>35,794,141</u>	<u>34,744,542</u>
OTHER TRANSFERS & ADDITIONS (DEDUCTIONS)					
Nonmandatory transfers	(3,002,269)	90,662	-	(2,911,607)	(2,863,846)
Excess of TPEG transfer over grant awarded	-	-	-	-	-
Federal scholarships/grants by UTB	-	-	8,227,049	8,227,049	7,903,618
Total other transfers & additions (deductions)	<u>(3,002,269)</u>	<u>90,662</u>	<u>8,227,049</u>	<u>5,315,442</u>	<u>5,039,772</u>
NET INCREASE (DECREASE) IN					
FUND BALANCES	<u>\$ (152,110)</u>	<u>\$ 66,905</u>	<u>\$ (31,377)</u>	<u>\$ (116,582)</u>	<u>\$ (113,957)</u>

See accompanying notes to the financial statements.

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TEXAS SOUTHMOST COLLEGE

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 1999

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 record keeping requirements of these entities, it is not a component unit of any other governmental entity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Report Guidelines

The significant accounting policies followed by 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 general purpose financial statements of Texas Southmost College have been prepared on the accrual basis of accounting except for depreciation expense related to plant fund assets which is not recorded. The Statement of Current Funds Revenues, 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.

Encumbrance 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 appropriately provided for in the subsequent year's budget. Encumbrances outstanding at year end that were provided for in the subsequent year's budget are 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.

(continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

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 non-mandatory 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 general purpose 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.

All gains and losses arising from the sale, collection, or other disposition of investments and other noncash assets are accounted for in the fund that 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 is shown as additions to fund balances in Restricted Current Funds.

(continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Accounting (Continued)

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 bookstores.

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.

Endowment and Similar Funds:

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

Annuity and Life Income Funds:

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

Plant Funds:

Plant funds are divided into these separate balanced fund groups:

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

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

(continued)

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

Fund Accounting (Continued)

Plant Funds (continued):

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

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

Agency Funds:

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

Memorandum Totals

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

3. **AUTHORIZED INVESTMENTS**

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

4. **DEPOSITS AND INVESTMENTS**

At August 31, 1999, the carrying amount of Texas Southmost College demand deposits was \$2,859,020, and total bank balances equaled \$3,078,474. Bank balances of \$100,000 are covered by federal depository insurance and \$14,988,765 was covered by collateral pledged in Texas Southmost College's name. The collateral was held by Texas Southmost College or by its agent (Category 1). There were no bank balances which were collateralized with securities held by the pledging financial institution's trust department or agent in Texas Southmost College's name (Category 2). There were no bank balances uncollateralized at fiscal year-end (Category 3).

(continued)

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

As reported on Exhibit A, cash and demand deposits include the following:

Cash and Demand Deposits

Bank Deposits			
Demand deposits			\$ 2,859,020
Cash and Cash Equivalents			
Petty cash on hand	\$	2,510	
Local funds in state treasury		<u>100</u>	<u>2,610</u>
Total			<u>\$ 2,861,630</u>

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

The following categories of credit risk are included:

- Category 1* - Investments that are insured or registered or for which the securities are held by the institution or its agent in the institution's name.
- Category 2* - Uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or institution in the institution's name.
- Category 3* - Uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent, but not in the institution's name.

Type of Security	Categories			Carrying Amount	Market Value
	1	2	3		
Money Markets	\$ 3,168,714	\$ -	\$ -	\$ 3,168,714	\$ 3,168,714
Certificates of Deposit	3,498,363	-	-	3,498,363	3,498,363
Corporate Stocks	<u>44,381</u>	<u>-</u>	<u>-</u>	<u>44,381</u>	<u>44,381</u>
Totals	<u>\$ 6,711,458</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,711,458</u>	<u>\$ 6,711,458</u>

5. BONDS PAYABLE

General information related to bonds payable is summarized below:

Refunding Tax Bonds, Series 1994

- To refund certain outstanding School Building Tax Bonds, Series 1987 and Series 1988
- Issued refunding bonds on March 31, 1994
- \$8,509,999, all authorized bonds have been issued
- Source of revenue for debt service - ad valorem tax levy

Bonds payable are due in annual installments with interest rates ranging from 3.2% to 5.6% with the final installment due in 2008. Future principal and interest expense requirements are summarized below for bonds and variable rate notes issued.

Year Ending August 31,	Principal	Interest	Total	Balance of Principal Outstanding
2000	\$ 940,000	\$ 314,150	\$ 1,254,150	\$ 6,334,999
2001	960,000	269,720	1,229,720	5,374,999
2002	405,859	790,581	1,196,440	4,969,140
2003	379,140	857,300	1,236,440	4,590,000
2004	990,000	220,700	1,210,700	3,600,000
2005	1,075,000	166,473	1,241,473	2,525,000
2006	1,115,000	107,880	1,222,880	1,410,000
2007	1,185,000	45,188	1,230,188	225,000
2008	225,000	6,300	231,300	-
	<u>\$ 7,274,999</u>	<u>\$ 2,778,292</u>	<u>\$ 10,053,291</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 - 7.5%
- 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.

(continued)

6. ADVANCE REFUNDING BONDS (Continued)

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

7. DEFEASED BONDS OUTSTANDING

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

8. EMPLOYEES' RETIREMENT PLAN

The State of Texas has joint contributory retirement plans for almost all of its employees. One of the primary plans in which Texas Southmost College participated is administered by the Texas Retirement System of Texas. The percentages of participant salaries currently contributed by the state and by each participant are 6.0% and 6.4% respectively, of annual compensation.

The Teacher Retirement System does not separately account for each of its component government agencies, because it bears sole responsibility for retirement commitments beyond contributions fixed by the Legislature.

The State of Texas has also established an optional retirement program for institutions of higher education. Participation in the optional retirement program is in lieu of participation in the Texas Retirement System. The optional retirement program provides for the purchase of annuity contracts. The percentages of participant salaries currently contributed by the state and each participant are 6.0% and 6.65%, respectively. Since these are individual annuity contracts, the state has no additional or unfunded liability for this program.

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, 1999, the College had two employees participating in the program. A total of \$11,400 in payroll deductions had been invested in approved plans during the fiscal year.

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. LITIGATION

The College is a party in one litigation matter under which it may be required to pay certain monies upon a decision of the court. The College's attorney reports a contingent liability based on the amount of damages alleged in the case. However, it is the opinion of the College's attorney that this case is covered by liability insurance. In the opinion of the College's management, the outcome of this lawsuit will not have a material adverse effect on the accompanying financial statements and, accordingly, no provision or loss has been recorded.

12. CAPITAL LEASE OBLIGATIONS

There were no capital lease obligations at August 31, 1999.

13. OPERATING LEASE COMMITMENTS AND RENTAL AGREEMENTS

There were no operating lease commitments at August 31, 1999.

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 25, 2000.

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

At August 31, 1999, there were no such funds for the benefit of the College.

15. SELF-INSURED PLANS

The College has no self-insured arrangements.

16. CONTRACT AND GRANT AWARDS

Contract and grant awards are accounted for in accordance with the requirements of the AICPA Industry Audit Guide, *Audits of Colleges and Universities*. 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.

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, 1999. The cost of providing those benefits for fourteen active employees was \$28,546. At August 31, 1999, Texas Southmost College did not have any active retirees. The state group insurance amount of \$1,100,790 was transferred to UTB.

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. 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.

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.

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

(continued)

18. RELATED PARTIES (Continued)

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, 1999 total rental income recognized by TSC was \$2,353,509.

- 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.

Payments 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.

19. INTERFUND BORROWING

All inter-fund 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	\$ 595,779	\$ 789,135
Auxiliary Enterprises	47,373	55,733
Restricted:		
Institutional scholarships	191,762	-
Federal restricted funds	-	550,043
Loan Funds	-	27,500
Unexpended Funds	558,407	2,968
Renewals and Replacements:		
Restricted parking fund	40,465	-
Capital expansion	-	8,407
	<u>\$ 1,433,786</u>	<u>\$ 1,433,786</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.

As of August 31, 1999 the assessed valuation of the District was as follows:

Assessed Valuation of the District:	\$ 4,581,977,748
Less: Exemptions	478,405,329
Less: Abatements	-
Net Assessed Valuation of the District	<u>\$ 4,103,572,419</u>

	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>
Tax Rate per \$100 valuation authorized for	\$ 0.09774	\$ 0.028345	\$ 0.126085
Tax Rate per \$100 valuation assessed for	\$ 0.09774	\$ 0.028345	\$ 0.126085

Taxes levied for the year ended August 31, 1999 are \$5,173,989 (which includes any penalty and interest assessed, if applicable). Taxes are due on receipt of the tax bill and become delinquent if not paid before February 1 of the year following the year in which imposed.

<u>Taxes Collected</u>	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>
Current Taxes Collected	\$ 3,729,375	\$ 1,083,835	\$ 4,813,210
Delinquent Taxes Collected	102,182	62,413	164,595
Penalties and Interest Collected	99,073	42,730	141,803
Less Discounts & Commissions	<u>(138,407)</u>	<u>(8,524)</u>	<u>(146,931)</u>
Total Collections	<u>\$ 3,792,223</u>	<u>\$ 1,180,454</u>	<u>\$ 4,972,677</u>

Tax collections for the year ended August 31, 1999 were 93.03% of the current tax levy. Allowances for uncollectable taxes are based upon historical experience in collecting property taxes. The use of tax proceeds is restricted to either to maintenance and operations or interest and sinking expenditures.

21. DEFERRED REVENUE

Revenues, primarily consisting of tuition, fees and housing charges, related to academic terms in the next fiscal year are recorded on the balance sheet as deferred revenue in the current fiscal year. Deferred revenue at year end consisted of the following:

<u>Revenue Description</u>	<u>Fund</u>	<u>Amount</u>
Net Tax Revenue	Unrestricted	\$ 657,523
Prepaid Rentals	Auxiliary	73,194
Net Tax Revenue	Retirement of Indebtedness	<u>324,561</u>
Total		<u>\$ 1,055,278</u>

22. **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. 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 8/31/98	Purchased/ Additions	Retirements	Balance 8/31/99
BUILDINGS				
Auto body building	\$ 87,621	\$ -	\$ -	\$ 87,621
Allied health	698,407	-	-	698,407
Tandy Hall I	1,209,301	123,900	-	1,333,201
Tandy Hall II	2,277,225	-	-	2,277,225
A. A. Champion	43,436	41,098	-	84,534
Gymnasium	814,002	10,337	-	824,339
Business services	5,565	-	-	5,565
Student Center	944,335	-	-	944,335
Library	4,191,479	-	-	4,191,479
Rusteberg	933,684	5,336	-	939,020
Gomez-Farias Project	5,063	-	-	5,063
Eidman Science-Math Building	875,315	-	-	875,315
Gorgas Hall improvements	1,727,002	92,699	-	1,819,701
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	636,380	65,052	-	701,432
Cavalry barracks	443,891	18,170	-	462,061
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	320,353	-	-	320,353
Security First Aid (Carpet)	888	-	-	888
Continuing education (American Legion Building)	56,417	19,229	-	75,646
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	8,555	-	-	8,555
Jacob Brown Civic Center	2,300,503	251,592	-	2,552,095
Parking lot	15,126	-	-	15,126
Total Buildings	<u>26,543,959</u>	<u>627,413</u>	<u>-</u>	<u>27,171,372</u>

(continued)

22. PROPERTY, PLANT AND EQUIPMENT (Continued)

LAND

Land 50-year Lease				
Amphitheater Land	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>2,995,303</u>	<u>-</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,
FURNITURE & FIXTURES**

Furniture and Fixtures	7,255,159	590,479	-	7,845,638
Library Books	8,220,480	201,759	-	8,422,239
Total Machinery, Equipment, Furniture & Fixtures	<u>15,475,639</u>	<u>792,238</u>	<u>-</u>	<u>16,267,877</u>
Total General Fixed Assets	<u>\$ 50,885,606</u>	<u>\$ 1,419,651</u>	<u>\$ -</u>	<u>\$ 52,305,257</u>

23. RISK MANAGEMENT

The College 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.

24. CONSTRUCTION COMMITMENTS

At August 31, 1999, Texas Southmost College had the following construction commitments:

<u>Project</u>	<u>Remaining Balance</u>
Gorgas, Champion & Cavalry roof renovation	\$ 21,220
American Legion parking lot	97,179
Tandy & American Legion re-roofing	10,237
Structured cabling project	<u>245,972</u>
Total	<u>\$ 374,608</u>

25. 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.

26. 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, 1999.

27. TRANSFERS

At August 31, 1999, 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 Texas Southmost College as a separate entity does not receive these federal grants, 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.

28. PRIOR PERIOD ADJUSTMENT

A prior period adjustment in the amount of \$60,307 was reported in the Student Congress Loan Fund. The adjustment resulted from a transfer from the Student Assistance Fund to UTB for loans UTB had administered in prior years.

29. 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.

30. COMMITMENTS AND CONTINGENCIES

The College participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the College has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable may be impaired. In the opinion of the College's management, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

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PATTILLO, BROWN & HILL, 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, 1999, and have issued our report thereon dated November 11, 1999. 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 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 11, 1999.

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, LLP.

November 11, 1999

SCHEDULES

TEXAS SOUTHMOST COLLEGE

SCHEDULE OF CASH, CASH EQUIVALENTS AND INVESTMENTS

AUGUST 31, 1999

	Current Funds			
	Unrestricted	Auxiliary Enterprises	Restricted	Loan Funds
Cash on hand				
Petty cash	\$ 160	\$ 2,350	\$ -	\$ -
Cash in bank				
Demand deposits	1,108,256	78,482	400,192	82,575
Cash equivalents				
Cash in state treasury	-	-	100	-
Total Cash and Cash Equivalents	<u>1,108,416</u>	<u>80,832</u>	<u>400,292</u>	<u>82,575</u>
Short-Term Investments				
Money market accounts	<u>20,813</u>	<u>144,407</u>	<u>-</u>	<u>-</u>
Total Short-Term Investments	<u>20,813</u>	<u>144,407</u>	<u>-</u>	<u>-</u>
Long-Term Investments				
Corporate stock	-	-	-	-
Certificates of deposit	<u>-</u>	<u>361,032</u>	<u>-</u>	<u>-</u>
Total Long-Term Investments	<u>-</u>	<u>361,032</u>	<u>-</u>	<u>-</u>
Total Investments	<u>20,813</u>	<u>505,439</u>	<u>-</u>	<u>-</u>
Total Cash, Cash Equivalents and Investments	<u>\$ 1,129,229</u>	<u>\$ 586,271</u>	<u>\$ 400,292</u>	<u>\$ 82,575</u>

SCHEDULE A-1

Endowment and Similar Funds	Annuity & Life Income Funds	Plant Funds				Agency Funds	Total
		Unexpended	Renewals and Replacements	Retirement of Indebtedness			
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,510	
3,802	-	54,353	848,021	275,380	7,959	2,859,020	
-	-	-	-	-	-	100	
<u>3,802</u>	<u>-</u>	<u>54,353</u>	<u>848,021</u>	<u>275,380</u>	<u>7,959</u>	<u>2,861,630</u>	
<u>95</u>	<u>-</u>	<u>2,849,027</u>	<u>154,372</u>	<u>-</u>	<u>-</u>	<u>3,168,714</u>	
<u>95</u>	<u>-</u>	<u>2,849,027</u>	<u>154,372</u>	<u>-</u>	<u>-</u>	<u>3,168,714</u>	
44,381	-	-	-	-	-	44,381	
-	-	1,229,841	1,907,490	-	-	3,498,363	
<u>44,381</u>	<u>-</u>	<u>1,229,841</u>	<u>1,907,490</u>	<u>-</u>	<u>-</u>	<u>3,542,744</u>	
<u>44,476</u>	<u>-</u>	<u>4,078,868</u>	<u>2,061,862</u>	<u>-</u>	<u>-</u>	<u>6,711,458</u>	
<u>\$ 48,278</u>	<u>\$ -</u>	<u>\$ 4,133,221</u>	<u>\$ 2,909,883</u>	<u>\$ 275,380</u>	<u>\$ 7,959</u>	<u>\$ 9,573,088</u>	

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TEXAS SOUTHMOST COLLEGE

SCHEDULE OF CHANGES IN FUND BALANCES
UNRESTRICTED CURRENT FUNDS - AUXILIARY FUNDS

FOR THE YEAR ENDED AUGUST 31, 1999

	Student Services	Jacob Brown Convention Center	Other	Total
REVENUES				
Sales and services	\$ -	\$ 471,243	\$ 21,716	\$ 492,959
Student parking fees	259,338	-	-	259,338
Student service fees	1,180,990	-	-	1,180,990
Miscellaneous income	-	-	27,018	27,018
Total revenues	<u>1,440,328</u>	<u>471,243</u>	<u>48,734</u>	<u>1,960,305</u>
EXPENDITURES				
Salaries and wages	-	149,482	-	149,482
Other operating expenses	-	375,595	31,813	407,408
Capital outlay	-	15,210	-	15,210
Subsidy expenses	-	-	187,765	187,765
Miscellaneous expenses	-	-	43,207	43,207
Total expenditures	<u>-</u>	<u>540,287</u>	<u>262,785</u>	<u>803,072</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,440,328</u>	<u>(69,044)</u>	<u>(214,051)</u>	<u>1,157,233</u>
TRANSFERS-ADDITIONS (DEDUCTIONS)				
Transfers to UTB	(1,180,990)	-	-	(1,180,990)
Unrestricted funds	(259,338)	-	350,000	90,662
Total transfers - additions(deductions)	<u>(1,440,328)</u>	<u>-</u>	<u>350,000</u>	<u>(1,090,328)</u>
NET INCREASE (DECREASE) FOR THE FISCAL YEAR	<u>-</u>	<u>(69,044)</u>	<u>135,949</u>	<u>66,905</u>
FUND BALANCES, SEPTEMBER 1, 1998	<u>-</u>	<u>(44,780)</u>	<u>482,987</u>	<u>438,207</u>
FUND BALANCES, AUGUST 31, 1999	<u>\$ -</u>	<u>\$ (113,824)</u>	<u>\$ 618,936</u>	<u>\$ 505,112</u>

TEXAS SOUTHMOST COLLEGE

SCHEDULE OF TRANSFERS

FOR THE YEAR ENDED AUGUST 31, 1999

FUNDS TRANSFERRED FROM:

	<u>Amount</u>	<u>Unrestricted</u>	<u>Auxiliary Enterprises</u>
MANDATORY			
Unrestricted Funds			
TPEG Resident	\$ 189,373	\$ -	\$ -
TPEG Foreign	2,389	-	-
Top 10%	38,447	-	-
Top 5%	25,200	-	-
Total Unrestricted Funds	<u>255,409</u>	<u>-</u>	<u>-</u>
Total Mandatory Transfers	<u>255,409</u>	<u>-</u>	<u>-</u>
NONMANDATORY			
Unrestricted Funds			
Construction projects	1,952,269	-	-
Capital improvements	350,000	-	350,000
Major repairs	700,000	-	-
Total Unrestricted Funds	<u>3,002,269</u>	<u>-</u>	<u>350,000</u>
Auxiliary Enterprise Funds			
Student parking fees	259,338	-	-
Student service fees	1,180,990	1,180,990	-
Total Auxiliary Enterprise Funds	<u>1,440,328</u>	<u>1,180,990</u>	<u>-</u>
Renewals & Replacements			
Construction projects	1,600,000	-	-
Total Renewals & Replacements	<u>1,600,000</u>	<u>-</u>	<u>-</u>
Total Non-Mandatory Transfers	<u>6,042,597</u>	<u>1,180,990</u>	<u>350,000</u>
Total Transfers Among Funds	<u>\$ 6,298,006</u>	<u>\$ 1,180,990</u>	<u>\$ 350,000</u>

FUNDS TRANSFERRED TO:

<u>Restricted</u>	<u>Loan Funds</u>	<u>Endowment & Similar</u>	<u>Unexpended Plant</u>	<u>Renewals & Replacements</u>	<u>Retirement of Indebtedness</u>
\$ 189,373	\$ -	\$ -	\$ -	\$ -	\$ -
2,389	-	-	-	-	-
38,447	-	-	-	-	-
25,200	-	-	-	-	-
<u>255,409</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>255,409</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	1,952,269	-	-
-	-	-	-	-	-
-	-	-	-	700,000	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>1,952,269</u>	<u>700,000</u>	<u>-</u>
-	-	-	-	259,338	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>259,338</u>	<u>-</u>
-	-	-	1,600,000	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>1,600,000</u>	<u>-</u>	<u>-</u>
-	-	-	3,552,269	959,338	-
<u>\$ 255,409</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,552,269</u>	<u>\$ 959,338</u>	<u>\$ -</u>

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TEXAS SOUTHWEST COLLEGE

DETAIL OF STATE APPROPRIATIONS AND TUITION AND FEES

FOR THE YEAR ENDED AUGUST 31, 1999

	Unrestricted	Auxiliary Enterprises	Restricted	Total
State Appropriations:				
Education and general support	\$ 10,762,740	\$ -	\$ -	\$ 10,762,740
State group insurance	-	-	1,100,790	1,100,790
Noncourse-based remedial education	72,960	-	-	72,960
Total State Appropriations	10,835,700	-	1,100,790	11,936,490
Tuition and Fees:				
Tuition	4,341,380	-	-	4,341,380
Building use fee	-	-	-	-
Computer access fee	742,281	-	-	742,281
General fees	2,663,105	-	-	2,663,105
Student service fee	-	1,170,491	-	1,170,491
Laboratory fee	91,623	-	-	91,623
Remissions and exemptions	-	-	-	-
Other fees	414,268	259,338	-	673,606
Total Tuition and Fees	8,252,657	1,429,829	-	9,682,486
Taxes for Current Operations	3,792,223	-	-	3,792,223
Federal Grants and Contracts:				
Other programs	-	-	1,389,866	1,389,866
Total Federal Grants and Contracts	-	-	1,389,866	1,389,866
State Grants and Contracts:				
Other programs	2,353,509	-	-	2,353,509
Total State Grants and Contracts	2,353,509	-	-	2,353,509
Local Grants and Contracts:				
Other programs	272,024	-	58,146	330,170
Total Local Grants and Contracts	272,024	-	58,146	330,170
Sales and Services of Auxiliary				
Activities	-	496,184	-	496,184
Other Sources:				
Interest income	103,023	23,794	6,289	133,106
Other miscellaneous income	237,585	10,498	-	248,083
Total Other Sources	340,608	34,292	6,289	381,189
Total Current Funds Revenue	\$ 25,846,721	\$ 1,960,305	\$ 2,555,091	\$ 30,362,117

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TEXAS SOUTHMOST COLLEGE

STATEMENT OF CURRENT FUNDS EXPENDITURES BY OBJECT

FOR THE YEAR ENDED AUGUST 31, 1999

	Unaudited				Total
	Salaries and Wages	Staff Benefits	Other Expenses	Capital Outlay	
UNRESTRICTED					
Education and General:					
Instruction	\$ 9,994,364	\$ 1,905,872	\$ 239,293	\$ 44,459	\$ 12,183,988
Research	11,056	1,455	3,126	-	15,637
Public Service	909,177	105,260	726,427	65,671	1,806,535
Academic Support	1,138,627	202,621	598,230	27,479	1,966,957
Student Services	1,333,533	276,511	332,852	1,562	1,944,458
Institutional Support	1,977,381	458,094	624,457	72,049	3,131,981
Operation and Maintenance of Plant	517,364	120,744	532,388	31,140	1,201,636
Scholarships and Fellowships	11,834	1,718	476,409	-	489,961
Total Unrestricted	<u>15,893,336</u>	<u>3,072,275</u>	<u>3,533,182</u>	<u>242,360</u>	<u>22,741,153</u>
RESTRICTED					
Education and General:					
Instruction	348,438	24,745	121,295	-	494,478
Public Service	39,437	23,380	12,250	-	75,067
Academic Support	105,738	115,580	18,712	323,618	563,648
Student Services	528,533	166,749	129,381	38,960	863,623
Institutional Support	189,403	20,249	-	-	209,652
Scholarships and Fellowships	473,166	-	8,389,292	-	8,862,458
Total Restricted	<u>1,684,715</u>	<u>350,703</u>	<u>8,670,930</u>	<u>362,578</u>	<u>11,068,926</u>
Total Educational and General	<u>17,578,051</u>	<u>3,422,978</u>	<u>12,204,112</u>	<u>604,938</u>	<u>33,810,079</u>
AUXILIARY ENTERPRISES	<u>379,855</u>	<u>28,965</u>	<u>1,556,910</u>	<u>18,332</u>	<u>1,984,062</u>
Total Current Fund Expenditures	<u>\$ 17,957,906</u>	<u>\$ 3,451,943</u>	<u>\$ 13,761,022</u>	<u>\$ 623,270</u>	<u>\$ 35,794,141</u>

TEXAS SOUTHMOST COLLEGE

BONDS PAYABLE AND DEBT SERVICE REQUIREMENTS

FOR THE YEAR ENDED AUGUST 31, 1999

Description	Bonds Issued to Date	Range of Interest Rates	Bonds Outstanding 8/31/98	Bonds	Bonds Matured or Retired	Bonds Outstanding 8/31/99	Maturities		
				Issued After 8/31/98			First Year	Last Year	First Call Date
School Building Tax Bonds-Series 1987/88	\$13,500,000	7.5%	\$ 190,000	\$ -	\$ 190,000	\$ -	1988	1999	02/15/88
Refunding Tax Bonds - Series 1994	<u>8,509,999</u>	3.2-5.6%	<u>7,929,999</u>	<u>-</u>	<u>655,000</u>	<u>7,274,999</u>	1995	2008	02/15/95
Total	<u>\$22,009,999</u>		<u>\$ 8,119,999</u>	<u>\$ -</u>	<u>\$ 845,000</u>	<u>\$ 7,274,999</u>			

SCHEDULE D-1

Summary of Debt Service Requirements to Maturity

Year Ending August 31,					All Other Years	Total Requirements
2000	2001	2002	2003	2004		
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<u>1,254,150</u>	<u>1,229,720</u>	<u>1,196,440</u>	<u>1,236,440</u>	<u>1,210,700</u>	<u>3,925,841</u>	<u>10,053,291</u>
<u>\$ 1,254,150</u>	<u>\$ 1,229,720</u>	<u>\$ 1,196,440</u>	<u>\$ 1,236,440</u>	<u>\$ 1,210,700</u>	<u>\$ 3,925,841</u>	<u>\$ 10,053,291</u>

SCHEDULE D-2

<u>Net Available for Debt Service</u>	<u>Debt Service Principal</u>	<u>Debt Service Interest</u>	<u>Restricted Account Balances</u>			
			<u>Interest and Sinking Fund</u>		<u>Bond Reserve Fund</u>	
			<u>Minimum Required</u>	<u>Actual Balance</u>	<u>Minimum Required</u>	<u>Actual Balance</u>
<u>\$ -</u>	<u>\$ 7,274,999</u>	<u>\$ 349,383</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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TEXAS SOUTHMOST COLLEGE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED AUGUST 31, 1999

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Agriculture</u>			
<i>Passed Through Texas Department of Human Services:</i>			
Child Care Food Program	10.558	TX-0310006	\$ <u>32,986</u>
<u>U.S. Department of Human Services</u>			
<i>Passed Through Texas Migrant Authority, Inc.:</i>			
Child Day Care Center	93.667	-	<u>81,467</u>
<u>U.S. Department of Labor</u>			
<i>Passed Through Texas Department of Commerce & Texas Workforce Commission:</i>			
Individual Referral Program	17.250	98-A-0101	<u>244,795</u>
<u>U.S. Department of Education</u>			
<i>Passed Through Texas Higher Education Coordinating Board:</i>			
Carl D. Perkins - Voc. Ed. 97-98	84.048	99420246	949,554
Carl D. Perkins - Discretionary 97-98	84.048	99150050	45,973
Carl D. Perkins - Voc. Ed. 97-98	84.048	99160038	27,892
Carl D. Perkins - Discretionary 97-98	84.048	99100015	7,199
Total U.S. Department of Education			<u>1,030,618</u>
Total Expenditures of Federal Awards			<u>\$ 1,389,866</u>

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

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TEXAS SOUTHMOST COLLEGE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

(Continued)

FOR THE YEAR ENDED AUGUST 31, 1999

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

Note 1: Federal Assistance Reconciliation

Federal revenue per Exhibit C			
Federal grants and contracts			\$ 1,389,866
Total Federal Revenue per Exhibit C			<u>\$ 1,389,866</u>

Note 2: Expenditures from Federal Funds Received by UTB

The University of Texas @ Brownsville receives certain federal funds which are disbursed to Texas Southmost College students. These federal funds are audited as part of UTB's audit and are not included above. These are as follows:

<u>Program Name</u>			
Federal Pell Grant Program	84.063	-	\$ 7,514,105
SEOG	84.007	-	314,777
Federal Workstudy Program	84.033	-	<u>398,167</u>
Total			<u>\$ 8,227,049</u>

Note 3: Significant Accounting Policies Used in Preparing the Schedule

The accompanying schedule is presented using the accrual basis of accounting. See Note 2 to the financial statements for Texas Southmost College's significant accounting policies. These expenditures are reported on the College's fiscal year.

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SINGLE AUDIT SECTION

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PATTILLO, BROWN & HILL, 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, 1999. 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, 1999.

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 11, 1999.

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, Bruner & Hill, C.P.

November 11, 1999

TEXAS SOUTHMOST COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 1999

A. Summary of Auditors' Results

Program	Description
Type of report on financial statements	Unqualified
Reportable conditions	None
Material weaknesses involving reportable conditions	None
Noncompliance material to the financial statements	None
Type of report on compliance with major programs	Unqualified
Findings and questioned costs for federal awards as defined in section .510(a), OMB Circular A-133	None
Dollar threshold considered between Type A and Type B federal programs	\$300,000
Low risk auditee 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
Findings/noncompliance	None
Questioned costs	Not applicable

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TEXAS SOUTHMOST COLLEGE
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 1999

Findings and Questioned Costs for Federal Awards

Program	None
Findings/noncompliance	None
Questioned costs	Not applicable

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TEXAS SOUTHMOST COLLEGE
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 1999

Not applicable

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SUPPLEMENTARY INFORMATION SECTION

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PATTILLO, BROWN & HILL, 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, 1999 appears on page 1. That audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The statements and schedules included on pages 37 through 65 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 do not express an opinion, have been subjected to the auditing procedures applied in the audit of the general purpose 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.

Pattillo, Brown & Hill, L.P.

November 11, 1999

TEXAS SOUTHMOST COLLEGE

SUPPLEMENTARY INFORMATION

AUGUST 31, 1999

Year 2000 Issue

In accordance with Governmental Accounting Standards Board ("GASB") Technical Bulletin 98-1, "Disclosures about Year 2000 Issues," as amended by GASB Technical Bulletin 99-1, following are disclosures about year 2000 issues in general and of the stages of work in process or completed at year end by Texas Southmost College to address year 2000 issues for computer systems and other electronic equipment.

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, 1999, the College did not spend significant amount of 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 Issues," as necessary to implement a year-2000 compliant system. These stages were adopted by the GASB from U.S. Securities and Exchange Commission ("SEC"), *Division of Market Regulation Year 2000 ("Y2K") Work Program (January 1998)*.

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.

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Year 2000 Issue (Continued)

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 Validation/Testing 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. The Statement defines these categories of issues 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.

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 College'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. However, consideration of issues is not a guarantee that the College is or will become year 2000 compliant.

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TEXAS SOUTHMOST COLLEGE

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

FOR THE YEAR ENDED AUGUST 31, 1999

	Budget	Actual	Variance Favorable (Unfavorable)
GENERAL REVENUE:			
State Appropriations			
Education and general state support	\$ 10,736,757	\$ 10,762,740	\$ 25,983
Noncourse-based remedial education	54,360	72,960	18,600
Total State Appropriations	10,791,117	10,835,700	44,583
Tuition and Fees			
Tuition	4,811,293	4,341,380	(469,913)
Computer access fee	772,789	742,281	(30,508)
General fees	2,782,042	2,663,105	(118,937)
Laboratory fee	95,723	91,623	(4,100)
Other fees	315,388	414,268	98,880
Total Tuition and Fees	8,777,235	8,252,657	(524,578)
Taxes for Current Operations	3,992,939	3,792,223	(200,716)
State Grants and Contracts			
UTB building lease	2,353,509	2,353,509	-
Total State Grants and Contracts	2,353,509	2,353,509	-
Local Grants and Contracts			
Local contracts	367,753	272,024	(95,729)
Total Local Grants and Contracts	367,753	272,024	(95,729)
Other Sources			
Interest Income	75,000	103,023	28,023
Library Income	-	-	-
Child care parent contribution	143,220	143,220	-
TPEG Lower Division	-	-	-
Other Income	143,000	94,365	(48,635)
Total Other Sources	361,220	340,608	(20,612)
Total General Revenue	26,643,773	25,846,721	(797,052)

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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, 1999

	Budget	Actual	Variance Favorable (Unfavorable)
AUXILIARY ENTERPRISES FUNDS REVENUE:			
Leases	522,568	471,243	(51,325)
Copier income	15,800	21,716	5,916
Interest income	50,000	23,794	(26,206)
Health insurance and miscellaneous	17,900	13,723	(4,177)
Student service fee	1,228,735	1,170,491	(58,244)
Parking fees	275,500	259,338	(16,162)
Total Auxiliary Enterprises Funds Revenue	2,110,503	1,960,305	(150,198)
Total General and Auxiliary Enterprises Funds Revenue	\$ 28,754,276	\$ 27,807,026	\$ (947,250)

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TEXAS SOUTHMOST COLLEGE

SCHEDULE OF EXPENDITURES COMPARED WITH BUDGET
GENERAL AND AUXILIARY ENTERPRISE FUNDS

FOR THE YEAR ENDED AUGUST 31, 1999

	Budget	Actual	Variance Favorable (Unfavorable)
General Administration and Student Services:			
Government of the institution	\$ 27,400	\$ 32,936	\$ (5,536)
Executive direction and control	-	-	-
Business and fiscal management	220,969	194,059	26,910
Student admission and registration	-	-	-
Student service	-	-	-
Total General Administration and Student Services	<u>248,369</u>	<u>226,995</u>	<u>21,374</u>
General Institutional Expense	<u>882,415</u>	<u>801,223</u>	<u>81,192</u>
Staff Benefits:			
Group health insurance premiums	20,103	16,243	3,860
Old age and survivors insurance	15,850	14,700	1,150
Workmen's compensation insurance	1,212	1,052	160
Other staff benefits:			
Other	-	-	-
Life insurance premiums	<u>872</u>	<u>698</u>	<u>174</u>
Total Staff Benefits	<u>38,037</u>	<u>32,693</u>	<u>5,344</u>
Resident Instruction:			
Subsidy to UTB	-	-	-
Tuition paid to UTB	<u>5,858,458</u>	<u>5,813,859</u>	<u>44,599</u>
Total Resident Instruction	<u>5,858,458</u>	<u>5,813,859</u>	<u>44,599</u>
Special Items:			
Carl Perkins Vocational Grant	-	-	-
Transfers to UTB	<u>18,380,094</u>	<u>15,866,383</u>	<u>2,513,711</u>
Total Special Items	<u>18,380,094</u>	<u>15,866,383</u>	<u>2,513,711</u>
Total Education and General Expenditures	<u>25,407,373</u>	<u>22,741,153</u>	<u>2,666,220</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, 1999

	Budget	Actual	Variance Favorable (Unfavorable)
Auxiliary Enterprises:			
Rancho Del Cielo	123,006	123,006	-
Rental and supplies for copier	30,400	31,813	(1,413)
Supplies	-	19,736	(19,736)
Radio station support	30,000	30,000	-
Canyon del Novillo	35,500	27,259	8,241
Gorgas Science Foundation Special	7,500	-	7,500
Golf Course	88,800	-	88,800
Jacob Brown	679,417	520,551	158,866
Compress property	4,500	-	4,500
Miscellaneous expense	5,000	35,774	(30,774)
Condominium expenses	8,000	7,433	567
Alonso building project	-	7,500	(7,500)
Transfer to UTB	1,242,235	1,180,990	61,245
Total Auxiliary Enterprises	2,254,358	1,984,062	270,296
 Total General and Auxiliary Enterprise Fund Expenditures	 27,661,731	 24,725,215	 2,936,516
 REVENUE OVER (UNDER) EXPENDITURES	 1,092,545	 3,081,811	 1,989,266
 Total General and Auxiliary Enterprise Funds Revenue	 \$ 28,754,276	 \$ 27,807,026	 \$ (947,250)

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AUXILIARY ENTERPRISE FUND

TEXAS SOUTHMOST COLLEGE

BALANCE SHEET

AUXILIARY ENTERPRISE FUND

AUGUST 31, 1999

ASSETS

Cash in bank	\$	80,832
Accrued interest		919
Investments		505,439
Accounts receivable		5,521
Due from other agencies		14,428
Due from other funds		<u>47,373</u>
Total Assets	\$	<u><u>654,512</u></u>

LIABILITIES AND FUND BALANCE

Liabilities:		
Accounts payable	\$	15,530
Accrued compensable absences payable		3,755
Due to other agencies		1,188
Deferred revenue		73,194
Due to other funds		<u>55,733</u>
Total Liabilities		<u>149,400</u>
Fund Balance:		
Unrestricted		
Total Unreserved Unallocated Fund Balance		<u>505,112</u>
Total Liabilities and Fund Balance	\$	<u><u>654,512</u></u>

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TEXAS SOUTHMOST COLLEGE
STATEMENT OF CHANGES IN FUND BALANCE
AUXILIARY ENTERPRISE FUND
FOR THE YEAR ENDED AUGUST 31, 1999

Fund Balance, September 1, 1998	\$ 438,207
Add: Revenue over expenditures	<u>66,905</u>
Fund Balance, August 31, 1999	<u><u>\$ 505,112</u></u>

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TEXAS SOUTHMOST COLLEGE

STATEMENT OF REVENUE AND EXPENDITURES

AUXILIARY ENTERPRISE FUND

FOR THE YEAR ENDED AUGUST 31, 1999

	Rancho Del Cielo	Bookstore, Cafeteria and Auditorium	Other	Combined Total
REVENUE				
Leases	\$ -	\$ 471,243	\$ -	\$ 471,243
Parking fees	-	-	259,338	259,338
Health insurance	-	-	10,498	10,498
Student service fee	-	-	1,170,491	1,170,491
Copier income	-	-	21,716	21,716
Miscellaneous income	-	-	3,225	3,225
Interest income	-	-	23,794	23,794
Total Revenue	-	471,243	1,489,062	1,960,305
EXPENDITURES				
Direct expenses	123,006	-	-	123,006
Jacob Brown	-	-	520,551	520,551
Compress property	-	-	-	-
Rental and supplies for copier	-	-	31,813	31,813
Supplies	-	-	19,736	19,736
Radio station support	-	-	30,000	30,000
Canyon del Novillo	-	-	27,259	27,259
Miscellaneous expense	-	-	35,774	35,774
Condominium expenses	-	-	7,433	7,433
Alonso building project	-	-	7,500	7,500
Transfer to other funds	-	-	1,180,990	1,180,990
Total Expenditures	123,006	-	1,861,056	1,984,062
TRANSFERS-ADDITIONS (DEDUCTIONS)				
Non-mandatory transfers	-	-	90,662	90,662
Revenue over (under) Expenditures	\$ (123,006)	\$ 471,243	\$ (281,332)	\$ 66,905

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STUDENT ASSISTANCE FUND

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TEXAS SOUTHMOST COLLEGE

BALANCE SHEET

STUDENT ASSISTANCE FUND

AUGUST 31, 1999

	Institutional Scholarship Grants
ASSETS	
Cash in bank	\$ 96,546
Funds held by state - TPEG	100
Due from other funds	<u>191,762</u>
Total Assets	<u>\$ 288,408</u>
LIABILITIES AND FUND BALANCE	
Liabilities:	
Due to other agencies	<u>\$ 232,805</u>
Total Liabilities	<u>232,805</u>
Fund Balance:	
Restricted	<u>55,603</u>
Total Fund Balance	<u>55,603</u>
Total Liabilities and Fund Balance	<u>\$ 288,408</u>

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TEXAS SOUTHMOST COLLEGE
STATEMENT OF CHANGES IN FUND BALANCE
STUDENT ASSISTANCE FUND
FOR THE YEAR ENDED AUGUST 31, 1999

	<u>Institutional Scholarship Grants</u>
Fund Balance, September 1, 1998	\$ 93,696
Deduct: Revenue under expenditures	<u>(38,093)</u>
Fund Balance, August 31, 1999	<u><u>\$ 55,603</u></u>

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TEXAS SOUTHMOST COLLEGE
STATEMENT OF REVENUE AND EXPENDITURES
STUDENT ASSISTANCE FUND
FOR THE YEAR ENDED AUGUST 31, 1999

	<u>Institutional Scholarship Grants</u>
REVENUE	
Local grants and contracts	\$ 63,647
State grant	191,762
Interest income	<u>2,950</u>
Total Revenue	<u>258,359</u>
EXPENDITURES	
Texas public grant program	232,805
Local scholarships	<u>63,647</u>
Total Expenditures	<u>296,452</u>
Revenue (under) expenditures	<u>\$ (38,093)</u>

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LOAN FUND

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TEXAS SOUTHMOST COLLEGE

BALANCE SHEET

LOAN FUND

AUGUST 31, 1999

	<u>Student Congress Loans</u>
ASSETS	
Cash	\$ 82,575
Loans receivable (net of allowance for bad debts of \$114,648)	92,668
Due from UTB	<u>-</u>
Total Assets	<u>\$ 175,243</u>
LIABILITIES AND FUND BALANCE	
Liabilities:	
Due to general fund	\$ 27,500
Due to UTB	<u>29,646</u>
Total Liabilities	<u>57,146</u>
Fund Balance:	
Unrestricted - designated	<u>118,097</u>
Total Fund Balance	<u>118,097</u>
Total Liabilities and Fund Balance	<u>\$ 175,243</u>

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TEXAS SOUTHMOST COLLEGE
STATEMENT OF CHANGES IN FUND BALANCE
LOAN FUND
FOR THE YEAR ENDED AUGUST 31, 1999

	<u>Student Congress Loans</u>
Fund Balance, September 1, 1998 as previously reported	\$ 175,625
Prior period adjustment	<u>(60,307)</u>
Fund Balance, September 1, 1998 - restated	115,318
Additions:	
Interest income	<u>3,094</u>
Total Additions	<u>3,094</u>
Deductions:	
Allowance for bad debt	<u>315</u>
Total Deductions	<u>315</u>
Fund Balance, August 31, 1999	<u>\$ 118,097</u>

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ENDOWMENT FUND

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TEXAS SOUTHMOST COLLEGE

BALANCE SHEET

ENDOWMENT FUND

AUGUST 31, 1999

	<u>TSC Endowment Fund</u>
ASSETS	
Cash in bank	\$ 3,802
Investments	44,476
Due from other agencies	<u>392</u>
Total Assets	<u>\$ 48,670</u>

LIABILITIES AND FUND BALANCE

Liabilities:	
Due to TSC Foundation, Inc.	\$ <u>-</u>
Total Liabilities	<u>-</u>
Fund Balance:	
Restricted - term	21,020
Restricted - Quasi-endowment	<u>27,650</u>
Total Fund Balance	<u>48,670</u>
Total Liabilities and Fund Balance	<u>\$ 48,670</u>

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TEXAS SOUTHMOST COLLEGE
STATEMENT OF CHANGES IN FUND BALANCE
ENDOWMENT FUND
FOR THE YEAR ENDED AUGUST 31, 1999

	TSC Endowment Fund
Fund Balance, September 1, 1998	\$ 48,983
Additions:	
Donations	-
Interest and dividends	1,287
Total Additions	1,287
Deductions:	
Scholarships	1,600
Unrealized loss on marketable securities	-
Total Deductions	1,600
Fund Balance, August 31, 1999	\$ 48,670

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PLANT FUNDS

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TEXAS SOUTHMOST COLLEGE

BALANCE SHEET

UNEXPENDED FUNDS

AUGUST 31, 1999

	Improvement and Contingency
ASSETS	
Cash in bank	\$ 54,353
Accrued interest	3,130
Investments	4,078,868
Earnest money deposit	50,250
Due from other agencies	124
Due from other funds	<u>558,407</u>
Total Assets	<u>\$ 4,745,132</u>
LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts payable	\$ 37,644
Due to other funds	2,968
Due to other agencies	<u>2,304</u>
Total Liabilities	<u>42,916</u>
Fund Balance:	
Designated - Capital Projects	<u>4,702,216</u>
Total Fund Balance	<u>4,702,216</u>
Total Liabilities and Fund Balance	<u>\$ 4,745,132</u>

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TEXAS SOUTHMOST COLLEGE
STATEMENT OF CHANGES IN FUND BALANCE
UNEXPENDED FUNDS
FOR THE YEAR ENDED AUGUST 31, 1999

	<u>Improvement and Contingency</u>
Fund Balance, September 1, 1998	\$ 1,495,450
Additions:	
Investment income	133,804
Transfers in from other funds	<u>3,552,269</u>
Total Additions	<u>3,686,073</u>
Deductions:	
Capital outlay	479,307
Transfers out to other funds	<u>-</u>
Total Deductions	<u>479,307</u>
Fund Balance, August 31, 1999	<u>\$ 4,702,216</u>

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TEXAS SOUTHMOST COLLEGE

COMBINING BALANCE SHEET

RENEWALS AND REPLACEMENT

AUGUST 31, 1999

	Restricted Major Restoration	Restricted Parking	Capital Expansion	Total
ASSETS				
Cash in bank	\$ 10,441	\$ 680,758	\$ 156,822	\$ 848,021
Accounts receivable	-	-	185	185
Accrued interest	4,855	-	-	4,855
Due from other funds	-	40,465	-	40,465
Investments	<u>1,917,598</u>	<u>-</u>	<u>144,264</u>	<u>2,061,862</u>
Total Assets	<u>\$ 1,932,894</u>	<u>\$ 721,223</u>	<u>\$ 301,271</u>	<u>\$ 2,955,388</u>
LIABILITIES AND FUND BALANCE				
Liabilities				
Accounts Payable	\$ -	\$ -	\$ 105,723	\$ 105,723
Due to other funds	-	-	8,407	8,407
Due to other agencies	-	930	-	930
Total Liabilities	<u>-</u>	<u>930</u>	<u>114,130</u>	<u>115,060</u>
Fund Balance				
Unrestricted	<u>1,932,894</u>	<u>720,293</u>	<u>187,141</u>	<u>2,840,328</u>
Total Fund Balance	<u>1,932,894</u>	<u>720,293</u>	<u>187,141</u>	<u>2,840,328</u>
Total Liabilities and Fund Balance	<u>\$ 1,932,894</u>	<u>\$ 721,223</u>	<u>\$ 301,271</u>	<u>\$ 2,955,388</u>

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TEXAS SOUTHMOST COLLEGE
COMBINING STATEMENT OF CHANGES IN FUND BALANCE
RENEWALS AND REPLACEMENT
FOR THE YEAR ENDED AUGUST 31, 1999

	Restricted Major Restoration	Restricted Parking	Capital Expansion	Total
Fund Balance, September 1, 1998	\$ 3,394,867	\$ 503,056	\$ 648,320	\$ 4,546,243
Additions:				
Transfer in-restricted major restoration	-	-	-	-
Transfer in-general fund	-	-	700,000	700,000
Transfer in-auxiliary fund	-	259,338	-	259,338
Investment income	138,027	18,061	11,851	167,939
Total Additions	<u>138,027</u>	<u>277,399</u>	<u>711,851</u>	<u>1,127,277</u>
Deductions:				
Transfer to capital expense	1,600,000	-	-	1,600,000
Repairs	-	60,162	1,173,030	1,233,192
Capital outlay	-	-	-	-
Total Deductions	<u>1,600,000</u>	<u>60,162</u>	<u>1,173,030</u>	<u>2,833,192</u>
Fund Balance, August 31, 1999	<u>\$ 1,932,894</u>	<u>\$ 720,293</u>	<u>\$ 187,141</u>	<u>\$ 2,840,328</u>

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TEXAS SOUTHMOST COLLEGE

COMBINING BALANCE SHEET

RETIREMENT OF INDEBTEDNESS

AUGUST 31, 1999

	Debt Service	87/88 Tax Dept. Service	Total
ASSETS			
Cash in bank	\$ 154,561	\$ 120,819	\$ 275,380
Taxes receivable	-	336,180	336,180
Allowance for bad debts	-	(11,620)	(11,620)
Due from other funds	-	-	-
Total Assets	\$ 154,561	\$ 445,379	\$ 599,940
LIABILITIES AND FUND BALANCE			
Liabilities			
Due to other funds	\$ -	\$ -	\$ -
Deferred tax revenue	-	324,561	324,561
Total Liabilities	-	324,561	324,561
Fund Balance			
Restricted	154,561	120,818	275,379
Total Fund Balance	154,561	120,818	275,379
Total Liabilities and Fund Balance	\$ 154,561	\$ 445,379	\$ 599,940

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TEXAS SOUTHMOST COLLEGE
STATEMENT OF CHANGES IN FUND BALANCE
RETIREMENT OF INDEBTEDNESS
FOR THE YEAR ENDED AUGUST 31, 1999

	Debt Service	87/88 Tax Dept. Service	Total
Fund Balance, September 1, 1998	\$ 148,769	\$ 130,130	\$ 278,899
Additions:			
Ad valorem tax	-	1,180,454	1,180,454
Investment income	5,792	11,154	16,946
Total Additions	<u>5,792</u>	<u>1,191,608</u>	<u>1,197,400</u>
Deductions:			
Retirement of indebtedness	-	845,000	845,000
Interest on indebtedness	-	355,844	355,844
Other	-	76	76
Total Deductions	<u>-</u>	<u>1,200,920</u>	<u>1,200,920</u>
Fund Balance, August 31, 1999	<u>\$ 154,561</u>	<u>\$ 120,818</u>	<u>\$ 275,379</u>

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TEXAS SOUTHMOST COLLEGE

BALANCE SHEET

INVESTMENT IN PLANT

AUGUST 31, 1999

	<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	27,171,372
Machinery, equipment, furniture and library books	16,267,877
Assets held in trust	351,064
Construction in progress	1,419,250
Amounts to be provided	<u>623,560</u>
Total Land, Buildings and Equipment	<u>54,699,131</u>
 Total Assets	 <u>\$ 54,699,131</u>
LIABILITIES AND NET INVESTMENT IN PLANT	
Liabilities:	
Accrued interest payable	\$ 623,560
Bonds payable	<u>7,274,999</u>
Total Liabilities	<u>7,898,559</u>
 Net Investment in Plant	 <u>46,800,572</u>
 Total Liabilities and Net Investment in Plant	 <u>\$ 54,699,131</u>

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TEXAS SOUTHMOST COLLEGE
STATEMENT OF CHANGES IN FUND BALANCE
INVESTMENT IN PLANT
FOR THE YEAR ENDED AUGUST 31, 1999

	<u>General Fixed Assets Fund</u>
Fund Balance, September 1, 1998	\$ 44,312,175
Additions:	
Reduction in long-term debt	845,000
Increase in work-in-process	223,716
Purchases and additions	<u>1,419,681</u>
Total Additions	<u>2,488,397</u>
Deductions:	
Decrease in assets	-
Decrease in work-in-process	<u>-</u>
Total Deductions	<u>-</u>
Fund Balance, August 31, 1999	<u>\$ 46,800,572</u>

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TEXAS SOUTHMOST COLLEGE

SCHEDULE OF GENERAL FIXED ASSETS

INVESTMENT IN PLANT

FOR THE YEAR ENDED AUGUST 31, 1999

	<u>Balance 8/31/98</u>	<u>Purchased/ Additions</u>	<u>Retirements</u>	<u>Balance 8/31/99</u>
BUILDINGS				
Auto body building	\$ 87,621	\$ -	\$ -	\$ 87,621
Allied health	698,407	-	-	698,407
Tandy Hall I	1,209,301	123,900	-	1,333,201
Tandy Hall II	2,277,225	-	-	2,277,225
A. A. Champion	43,436	41,098	-	84,534
Gymnasium	814,002	10,337	-	824,339
Business services	5,565	-	-	5,565
Student Center	944,335	-	-	944,335
Library	4,191,479	-	-	4,191,479
Rusteberg	933,684	5,336	-	939,020
Gomez-Farias Project	5,063	-	-	5,063
Eidman Science-Math Building	875,315	-	-	875,315
Gorgas Hall improvements	1,727,002	92,699	-	1,819,701
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	636,380	65,052	-	701,432
Cavalry barracks	443,891	18,170	-	462,061
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	19,229	-	75,646
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	8,555	-	-	8,555
Jacob Brown Civic Center	2,300,503	251,592	-	2,552,095
Parking lot	15,126	-	-	15,126
Total Buildings	<u>26,543,959</u>	<u>627,413</u>	<u>-</u>	<u>27,171,372</u>

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TEXAS SOUTHMOST COLLEGE
SCHEDULE OF GENERAL FIXED ASSETS
INVESTMENT IN PLANT
(Continued)
FOR THE YEAR ENDED AUGUST 31, 1999

	Balance 8/31/98	Purchased/ Additions	Retirements	Balance 8/31/99
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>2,995,303</u>	<u>-</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				
Furniture and Fixtures	7,255,159	590,479	-	7,845,638
Library Books	8,220,480	201,759	-	8,422,239
Total General Fixed Assets	<u>\$ 50,885,606</u>	<u>\$ 1,419,651</u>	<u>\$ -</u>	<u>\$ 52,305,257</u>

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AGENCY FUND

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TEXAS SOUTHMOST COLLEGE

BALANCE SHEET

AGENCY FUND

AUGUST 31, 1999

Alumni
Fund

ASSETS

Cash in bank	\$	<u>7,959</u>
Total Assets	\$	<u><u>7,959</u></u>

LIABILITIES AND FUND BALANCE

Liabilities:

Funds held in custody for others	\$	<u>7,959</u>
Total liabilities		<u>7,959</u>

Fund Balance:

Restricted		-
Unrestricted		-
Total Fund Balance		<u>-</u>

Total Liabilities and Fund Balance	\$	<u><u>7,959</u></u>
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TEXAS SOUTHMOST COLLEGE
STATEMENT OF CHANGES IN FUND BALANCE
AGENCY FUND
FOR THE YEAR ENDED AUGUST 31, 1999

	Alumni Fund
Fund Balance, September 1, 1998	\$ -
Additions:	
Interest	-
Total Additions	-
Deductions:	
Disbursements	-
Transfer to other funds	-
Total Deductions	-
Fund Balance, August 31, 1999	\$ -

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BOND SCHEDULES

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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>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 7,274,999</u>	<u>\$ 2,778,292</u>	<u>\$ 10,053,291</u>

Interest on the Series 1994 bonds has been calculated at the rate of 7.50% for purpose of illustration.

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