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**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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## **FINANCIAL SECTION**

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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 LLP*

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		
<b>ASSETS</b>						
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		
<b>LIABILITIES &amp; FUND BALANCES</b>						
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	-	-	-	-	-	-
<b>Total liabilities</b>	<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	-	-	-	-	-	-
<b>Total fund balance</b>	<u>118,577</u>	<u>505,112</u>	<u>63,057</u>	<u>686,746</u>	<u>118,097</u>	<u>48,670</u>
<b>Total liabilities and fund balance</b>	<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	
<b>REVENUE AND OTHER ADDITIONS</b>					
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>
<b>EXPENDITURES &amp; OTHER DEDUCTIONS</b>					
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>
<b>TRANSFERS-ADDITIONS (DEDUCTIONS)</b>					
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>
<b>NET INCREASE (DECREASE) FOR THE FISCAL YEAR</b>					
	<u>(152,110)</u>	<u>66,905</u>	<u>(31,377)</u>	<u>(116,582)</u>	<u>2,779</u>
<b>FUND BALANCES, SEPTEMBER 1, 1998</b>					
	270,687	438,207	94,434	803,328	175,625
<b>PRIOR PERIOD ADJUSTMENTS</b>					
	-	-	-	-	60,307
<b>FUND BALANCES, AUGUST 31, 1999</b>					
	<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
<b>REVENUE</b>					
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>
<b>EXPENDITURES &amp; MANDATORY TRANSFERS</b>					
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>
<b>OTHER TRANSFERS &amp; ADDITIONS (DEDUCTIONS)</b>					
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>
<b>NET INCREASE (DECREASE) IN</b>					
<b>FUND BALANCES</b>	<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 no 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>

