



TEXAS SOUTHMOST COLLEGE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED AUGUST 31, 1995

TEXAS SOUTHMOST COLLEGE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
AUGUST 31, 1995

TEXAS SOUTHMOST COLLEGE
ORGANIZATIONAL DATA
For the Fiscal Year 1994 - 1995

Board of Trustees

Officers

Mary Rose Cardenas	Chairperson
Praxedis Orive, Jr.	Vice-Chairperson
Chester Gonzalez	Secretary

Members

		Term Expires
Mary Rose Cardenas	Brownsville, Texas	May, 1996
Praxedis Orive, Jr.	Brownsville, Texas	May, 1998
Anthony Carnesi, Jr.	Brownsville, Texas	May, 2000
Dr. Joseph Zavaletta	Brownsville, Texas	May, 1998
Chester Gonzalez	Brownsville, Texas	May, 1998
Dolly Zimmerman	Brownsville, Texas	May, 1996
David Oliveira	Brownsville, Texas	May, 2000

Principal Administrative Officers

Michael Putegnat	Executive Director/Secretary
Hector H. Garcia	Controller

TEXAS SOUTHMOST COLLEGE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
AUGUST 31, 1995

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FINANCIAL SECTION



LONG, CHILTON, PAYTE & HARDIN, LLP

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Trustees
Texas Southmost College

We have audited the accompanying general-purpose financial statements of Texas Southmost College, as of and for the year ended August 31, 1995, as listed in the table of contents. These general-purpose financial statements are the responsibility of Texas Southmost College management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of Texas Southmost College, as of August 31, 1995, in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated October 31, 1995 on our consideration of Texas Southmost College's internal control structure and a report dated October 31, 1995 on its compliance with laws and regulations.

Long, Chilton, Payte & Hardin CPA

LONG, CHILTON, PAYTE & HARDIN, LLP
Certified Public Accountants

Brownsville, Texas
October 31, 1995

TEXAS SOUTHMOST COLLEGE

EXHIBIT A

BALANCE SHEET

August 31, 1995

With Memorandum Totals At August 31, 1994

CURRENT FUNDS

	<u>Unrestricted</u>	<u>Auxiliary Enterprises</u>	<u>Restricted</u>	<u>Total</u>	<u>Loan Funds</u>
ASSETS					
Cash and Cash Equivalents (Sch. A-1)	\$6,122,598	\$ 385,621	\$ 30,840	\$6,539,059	\$ 37,878
Short-Term Investments (Sch. A-1)					
Balance in State Appropriations					
Accounts Receivable (net of allowance for doubtful accounts of \$-0- at August 31, 1995)	306,798	95,145		401,943	76,601
Taxes Receivable (net of allowance for doubtful accounts of \$267,414 and \$17,779 at August 31, 1995 and 1994) (Sch. C-4)	407,734			407,734	
Due From Other Funds	341,018		148,956	489,974	13,305
Investments (Sch. A-2)					
Accrued Interest Receivable					
Prepaid Expenses	76,250			76,250	
Deferred Charges					
Federal Receivables			400,282	400,282	
Deposits					
Notes Receivable (net of allowance for doubtful accounts of \$75,241)					12,804
Bond Proceeds Receivable					
Consumable Inventories	5,869			5,869	
Inventories, for resale					
Land					
Buildings					
Improvements Other Than Buildings					
Equipment					
Library Books					
Museums and Art Collections					
Construction in Progress					
Assets Held in Trust					
Amounts to be Provided					
Total Assets	<u>\$ 7,260,267</u>	<u>\$ 480,766</u>	<u>\$ 580,078</u>	<u>\$ 8,321,111</u>	<u>\$ 140,588</u>

Endowment and Similar Funds	Annuity and Life Income Funds	PLANT FUNDS				Agency Funds	TOTALS MEMORANDUM ONLY	
		Unexpended	Renewals and Replac- ements	Retirement of Indebt- edness	Investment in Plant		Current Year	Prior Year
\$ 2,503	\$	\$1,062,934	\$ 261,308	\$ 302,673	\$	\$ 6,824	\$ 8,213,179	\$ 5,181,855
							0	1,500,000
							0	0
				16,469			495,013	495,765
				236,427			644,161	576,192
		1,834,819		87,012			2,425,110	81,778
43,396							43,396	24,775
194		6,902					7,096	12,062
							76,250	148,060
							0	859,476
							400,282	424,222
		50,000					50,000	50,000
							12,804	7,534
							5,869	1,485
					2,343,065		2,343,065	1,540,606
					22,319,214		22,319,214	21,863,492
					5,806,635		5,806,635	5,773,801
					8,326,340		8,326,340	8,462,854
					7,870,228		7,870,228	6,787,053
							0	0
					54,784		54,784	116,650
					351,064		351,064	351,064
					550,476		550,476	481,186
<u>\$ 46,093</u>	<u>\$ 0</u>	<u>\$ 2,954,655</u>	<u>\$ 261,308</u>	<u>\$ 642,581</u>	<u>\$47,621,806</u>	<u>\$ 6,824</u>	<u>\$59,994,966</u>	<u>\$54,739,910</u>

TEXAS SOUTHWEST COLLEGE

Exhibit A

BALANCE SHEET

August 31, 1995

With Memorandum Totals At August 31, 1994

	CURRENT FUNDS				
	Unrestricted	Auxiliary Enterprises	Restricted	Total	Loan Funds
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	\$ 147,470	\$	\$	\$ 147,470	\$
Accrued Liabilities					
Deposits Payable					
Due To Other Funds	2,063,013		353,960	2,416,973	
Due To Other Agencies		214	215,312	215,526	
Deferred Revenues	1,589,273			1,589,273	
Accrued Compensable Absences Payable	32,238			32,238	
Annuities Payable					
Bonds Payable (net of Unamortized Premium/ Discount of \$0 as of 8/31/95) (Sch. D-1)					
Notes and Loans Payable					
Lease-Purchase Agreements Payable					
Funds Held in Custody for Others					
Total Liabilities	<u>3,831,994</u>	<u>214</u>	<u>569,272</u>	<u>4,401,480</u>	<u>0</u>
Fund Balance:					
Unrestricted					
Reserved	\$	\$	\$	\$	\$
Encumbrances					
Accounts Receivable	306,798	95,145		401,943	
Consumable Inventory	5,869			5,869	
Prepaid Expenses					
Unreserved					
Designated					
Future Operating Budget(s)					
Capital Projects					
College Loan Funds					
Undesignated	3,115,606	385,407		3,501,013	90,123
Restricted					
Encumbrances					
Other			10,806	10,806	
U.S. Government Grants Refundable					
Institutional Matching Funds					50,465
Net Investment in Plant					
Total Fund Balances (Exh. B)	<u>3,428,273</u>	<u>480,552</u>	<u>10,806</u>	<u>3,919,631</u>	<u>140,588</u>
Total Liabilities and Fund Balances	<u>\$ 7,260,267</u>	<u>\$ 480,766</u>	<u>\$ 580,078</u>	<u>\$ 8,321,111</u>	<u>\$ 140,588</u>

The accompanying notes are an integral part of these financial statements.

Endowment and Similar Funds	Annuity and Life Income Funds	PLANT FUNDS				Agency Funds	TOTALS MEMORANDUM ONLY	
		Unexpended	Renewals and Replaces- ments	Retirement of Indebt- edness	Investment in Plant		Current Year	Prior Year
\$ 13	\$	\$ 373	\$ 78,683	\$	\$ 550,476	\$	\$ 226,539	\$ 721,224
							550,476	481,186
			7,774	363			0	100
				236,427			2,425,110	81,778
							215,526	0
							1,825,700	2,063,419
							32,238	14,398
							0	0
					10,604,999		10,604,999	11,374,999
							0	0
							0	20,576
						6,824	6,824	6,731
<u>13</u>	<u>0</u>	<u>373</u>	<u>86,457</u>	<u>236,790</u>	<u>11,155,475</u>	<u>6,824</u>	<u>15,887,412</u>	<u>14,764,411</u>
\$	\$	\$	\$	\$	\$	\$	\$	\$
							401,943	413,659
							5,869	148,060
		2,954,282	174,851				3,129,133	1,679,149
							90,123	84,388
							3,501,013	3,586,134
46,080				405,791			462,677	527,004
							50,465	37,160
<u>46,080</u>	<u>0</u>	<u>2,954,282</u>	<u>174,851</u>	<u>405,791</u>	<u>36,466,331</u>	<u>0</u>	<u>36,466,331</u>	<u>33,499,945</u>
<u>46,093</u>	<u>0</u>	<u>2,954,655</u>	<u>261,308</u>	<u>642,581</u>	<u>47,621,806</u>	<u>6,824</u>	<u>59,994,966</u>	<u>54,739,910</u>

TEXAS SOUTHMOST COLLEGE

Exhibit B

STATEMENT OF CHANGES IN FUND BALANCES
For the Year Ended August 31, 1995
With Memorandum Totals For the Year Ended August 31, 1994

	CURRENT FUNDS				
	Unrestricted	Auxiliary Enterprises	Restricted	Total	Loan Funds
REVENUES AND OTHER ADDITIONS					
Unrestricted Current Funds Revenue (Exh. C)	\$21,432,300	\$ 2,329,280	\$	\$23,761,580	\$
State Appropriations - Restricted			23,299	23,299	
Federal Grants and Contracts			1,441,917	1,441,917	
State Grants and Contracts			206,827	206,827	
Local Gifts, Grants and Contracts			68,933	68,933	
Private Gifts, Grants and Contracts				0	
Investment Income/Endowment Income				0	459
Realized Gains on Investments				0	
Interest on Loan Receivable				0	
U.S. Government Advances				0	
Net Change in Bonds Payable				0	
Net Change in Notes Payable				0	
Expended for Plant Facilities (Includes \$30,653 Charged to Current Funds Expenditures)				0	
Other Additions			5,540	5,540	15,590
Total Revenues and Other Additions	\$21,432,300	\$ 2,329,280	\$ 1,746,516	\$25,508,096	\$ 16,049
EXPENDITURES AND OTHER DEDUCTIONS					
Expenditures (Exh. C)	20,993,427	794,603	7,617,659	29,405,689	
Expended for Plant Facilities				0	
Lapsed Appropriations				0	
Indirect Costs Recovered				0	
Refunded to Grantors				0	
Loan Cancellations and Write Offs				0	10,314
Administrative and Collection Costs				0	
Retirement of Indebtedness - Bonds				0	
Interest on Indebtedness				0	
Net Realized Losses on Investments				0	
Disposal of Plant Facilities				0	
Other Deductions				0	
Total Expenditures and Other Deductions	\$20,993,427	\$ 794,603	\$ 7,617,659	\$29,405,689	\$ 10,314
TRANSFERS-ADDITIONS/(DEDUCTIONS)					
Mandatory Transfers					
Retirement of Indebtedness				0	
Building Use Fees				0	
Tuition				0	
TPEG	(136,823)		123,518	(13,305)	13,305
SEOG Matching			(45,799)	(45,799)	
CWS Matching				0	
Other	288,136		5,798,964	6,087,100	
Non-Mandatory Transfers	(986,171)	(1,396,828)		(2,382,999)	
Total Transfers - Additions (Deductions)	(834,858)	(1,396,828)	5,876,683	3,644,997	13,305
NET INCREASE/(DECREASE) FOR THE FISCAL YEAR	(395,985)	137,849	5,540	(252,596)	19,040
FUND BALANCES, September 1, 1994:	\$ 3,805,929	\$ 341,924	\$ 7,262	\$ 4,155,115	\$ 121,548
Restatements (Prior Period Adjustments)	18,329	779	(1,996)	17,112	
FUND BALANCES September 1, 1994 - Restated	<u>3,824,258</u>	<u>342,703</u>	<u>5,266</u>	<u>4,172,227</u>	<u>121,548</u>
FUND BALANCES, August 31, 1995 (Exh. A)	<u>\$ 3,428,273</u>	<u>\$ 480,552</u>	<u>\$ 10,806</u>	<u>\$ 3,919,631</u>	<u>\$ 140,588</u>

The accompanying notes are an integral part of these financial statements.

Endowment and Similar Funds	Annuity and Life Income Funds	PLANT FUNDS				TOTALS MEMORANDUM ONLY		
		Unexpended	Renewals and Replacements	Retirement of Indebtedness	Investment in Plant	Agency Funds	Current Year	Prior Year
\$	\$	\$	\$	\$	\$	\$	\$ 23,761,580	\$ 22,965,264
				19,954			23,299	21,263
							1,461,871	1,415,305
							206,827	215,330
							68,933	534,476
							0	70
1,271		71,836	18,448	10,482			102,496	94,032
18,622							18,622	0
							0	0
							0	0
					770,000		770,000	600,000
					20,535		20,535	117,875
					2,342,976		2,342,976	672,963
		422,100	412	1,494,715			1,938,357	1,968,195
\$ 19,893	\$ 0	\$ 493,936	\$ 18,860	\$ 1,525,151	\$ 3,133,511	\$ 0	\$ 30,715,496	\$ 28,604,773
1,462		380,359	749,928				29,407,151	29,075,715
							1,130,287	904,737
							0	0
							0	0
							0	0
							10,314	23,361
							0	0
				770,000			770,000	600,000
				577,695			577,695	682,494
							0	11,845
							0	0
		422,100		1,352	167,125		590,577	7,789,925
\$ 1,462	\$ 0	\$ 802,459	\$ 749,928	\$ 1,349,047	\$ 167,125	\$ 0	\$ 32,486,024	\$ 39,088,077
							0	0
							0	0
							0	0
							0	0
							(45,799)	(26,541)
							0	0
		1,827,045	660,000	(316,169)			6,087,100	5,943,911
		1,827,045	660,000	(316,169)			(212,123)	(3,966,855)
0	0	1,827,045	660,000	(316,169)	0	0	5,829,178	1,950,515
18,431	0	1,518,522	(71,068)	(140,065)	2,966,386	0	4,058,650	(8,532,789)
\$ 27,649	\$ 0	\$ 1,435,760	\$ 243,389	\$ 492,093	\$ 33,499,945	\$ 0	\$ 39,975,499	\$ 48,401,547
	0		2,530	53,763		0	73,405	106,741
27,649	0	1,435,760	245,919	545,856	33,499,945	0	40,048,904	48,508,288
\$ 46,080	\$ 0	\$ 2,954,282	\$ 174,851	\$ 405,791	\$ 36,466,331	\$ 0	\$ 44,107,554	\$ 39,975,499

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TEXAS SOUTHMOST COLLEGE

Exhibit C

STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES AND OTHER CHANGES

For the Year Ended August 31, 1995
With Memorandum Totals For the Year Ended August 31, 1994

	Unrestricted	Auxiliary Enterprises	Restricted	TOTALS MEMORANDUM ONLY	
				Current Year	Prior Year
REVENUES					
State Appropriations - General Revenue	\$10,581,352	\$ -	\$ 23,299	\$10,604,651	\$10,660,183
Contribution and Fees	6,378,498	1,517,978	-	7,896,476	7,268,080
Charges for Current Operation	1,938,934	-	-	1,938,934	1,879,907
Federal Grants and Contracts	-	-	1,441,917	1,441,917	1,395,351
State Grants and Contracts	1,927,795	-	206,827	2,134,622	2,132,419
Local Grants and Contracts	121,392	576,188	68,933	766,513	1,157,612
Private Gifts, Grants and Contracts	-	-	-	-	-
Investment/Endowment Income	259,319	-	-	259,319	172,190
Sales & Service of Educational Activities	-	-	-	-	-
Sales & Service of Auxiliary Enterprises	-	194,338	-	194,338	212,302
Other Sources	-	-	-	-	-
Interest Income	-	15,776	-	15,776	9,379
Gains/Losses on Investments	-	25,000	-	25,000	9,371
Miss Income	225,010	-	-	225,010	234,890
Total Current Funds Revenues	<u>21,432,300</u> (Exh. B)	<u>2,329,280</u> (Exh. B)	<u>1,740,976</u>	<u>25,502,556</u>	<u>25,131,684</u>
EXPENDITURES AND MANDATORY TRANSFERS:					
Educational and General					
Instruction	-	-	154,015	154,015	132,148
Research	-	-	-	-	-
Public Service	-	-	-	-	-
Academic Support	-	-	-	-	-
Student Services	-	-	-	-	-
Institutional Support	818,339	-	23,299	841,638	685,866
Operation and Maintenance of Plant	-	-	-	-	-
Scholarships and Fellowships	-	-	147,723	147,723	178,313
Transfers to UTB	20,175,088	-	7,292,622	27,467,710	27,231,783
Total Educational and General Expenditures	<u>20,993,427</u> (Exh. B)	<u>-</u>	<u>7,617,659</u> (Exh. B)	<u>28,611,086</u>	<u>28,228,110</u>
Auxiliary Enterprise Expenditures					
Expenditures	-	97,265	-	97,265	164,282
Transfers to UTB	-	697,338	-	697,338	678,769
	-	794,603 (Exh. B)	-	794,603	843,051
Mandatory Transfers for:					
TPEG to Restricted and Loan Fund	(136,823)	-	123,518	(13,305)	(10,476)
SEOG Matching	-	-	(45,799)	(45,799)	(26,541)
SW Matching	-	-	-	-	-
Principal and interest	-	-	-	-	-
Renewals and replacements	-	-	-	-	-
Non-mandatory transfers	-	-	-	-	-
Total expenditures and transfers	<u>21,130,250</u>	<u>794,603</u>	<u>7,539,940</u>	<u>29,464,793</u>	<u>29,108,178</u>
Other transfers and additions/(deductions):					
Non-mandatory transfers	(986,171)	(1,396,828)	-	(2,382,999)	(2,134,079)
Federal Scholarships/Grants by UTB	288,136	-	5,798,964	6,087,100	5,943,911
Excess of restricted receipts over transfers to revenues	-	-	-	-	(1,996)
Excess expenditures by UTB	-	-	-	-	59,891
Refunded to grantors	-	-	-	-	-
Unrestricted gifts allocated to other funds	-	-	-	-	-
Portion of funds functioning as endowment gains appropriated	-	-	-	-	-
Net increase (decrease) in fund balances	<u>\$ (395,985)</u>	<u>\$ 137,849</u>	<u>\$ -</u>	<u>\$ (258,136)</u>	<u>\$ (108,767)</u>

The accompanying notes are an integral part of these financial statements.

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TEXAS SOUTHMOST COLLEGE

NOTES TO FINANCIAL STATEMENTS

August 31, 1995

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 Public and the surrounding communities. The Southmost Union Junior College District was established in 1949 and is considered to be a special purpose, primary government according to the definition in Governmental Accounting Standards Board (GASB) Statement 14. While the College receives funding from local, state, and federal sources, and must comply with the spending, reporting, and recordkeeping requirements of these entities, it is not a component unit of any other governmental entity.

2. **Summary of Significant Accounting Policies**

Report Guidelines

The significant accounting policies followed by TSC 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 GASB statements, the AICPA Industry Audit Guide, *Audits of Colleges and Universities*, 1994, and *Financial Accounting and Reporting Manual for Higher Education*, 1990 edition as published by NACUBO and are enumerated in the following paragraphs.

Basis of Accounting

The financial statements of Texas Southmost College have been prepared on accrual basis except depreciation expenses related to plant fund assets is not recorded. The statement of current funds revenues and expenditures 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.

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 financial statements, funds that have similar characteristics have been combined into fund groups. Accordingly, all financial transactions have been recorded and reported by fund group.

TEXAS SOUTHMOST COLLEGE

NOTES TO FINANCIAL STATEMENTS - CONTINUED

August 31, 1995

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 endowments 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 use 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 which owned the assets. Ordinary income derived from investments, receivables, and other sources is accounted for in the fund owning such assets, except for income derived from investment of Endowment and Similar Funds. That income is accounted for in the fund to which it is restricted or, if unrestricted, as revenues 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 revenues and expenditures when expended for current operating purposes. Contract and grant awards for the current reporting period are shown as additions to fund balances in Restricted Current Funds.

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

Current Funds

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

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

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

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

TEXAS SOUTHMOST COLLEGE

NOTES TO FINANCIAL STATEMENTS - CONTINUED
August 31, 1995

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.

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 and fair market value at August 31, 1995 for livestock. 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 and Expenditures are shown with memorandum totals for the current and prior years. Interfund borrowing has not been eliminated, but has been off-set in the assets and liability sections. The memorandum totals are presented only to facilitate financial analysis and do not purport to present financial position, in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation.

TEXAS SOUTHMOST COLLEGE

NOTES TO FINANCIAL STATEMENTS - CONTINUED

August 31, 1995

3. **Authorized Investments**

Texas Southmost College is authorized to invest in obligations and instruments as defined in the Public Funds Investment Act of 1987 (Art. 842a-2, Texas Revised Civil Statutes). 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, 1995, the carrying amount of Texas Southmost College deposits was \$8,210,669, and total bank balances equalled \$9,198,553. Bank balances of \$100,000 are covered by federal depository insurance and \$9,098,553 was covered by collateral pledged in Texas Southmost College's name. The collateral was held in the safekeeping departments of unrelated banks which act as the pledging bank's agents (Category 1). No bank balances were uncollateralized at fiscal year end (Category 3). Cash and Deposits include as reported on Exhibit A, Balance Sheet, consist of the items reported below.

Cash and Deposits

Bank Deposits		
Demand Deposits		\$ 8,210,669
Cash and Cash Equivalents		
Petty Cash on Hand	\$ 2,410	
Local Funds in State Treasury	<u>100</u>	
		<u>2,510</u>
Total Cash and Deposits		<u>\$ 8,213,179</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 will 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.

TEXAS SOUTHMOST COLLEGE

NOTES TO FINANCIAL STATEMENTS - CONTINUED
August 31, 1995

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	Category			Carrying Amount	Market Value
	1	2	3		
U.S. Government Securities	\$	\$	\$	\$	\$
Real Estate Mortgage and Other Notes					
Corporate Stocks		43,396		43,396	43,396
Repurchase Agreements					
TOTALS	<u>\$ -</u>	<u>\$ 43,396</u>	<u>\$ -</u>	<u>\$ 43,396</u>	<u>\$ 43,396</u>

5. **Inventory**

Inventory consists of consumable supplies. Inventory is stated at cost.

6. **Bonds and Variable Rate Notes Payable**

General information related to bonds payable is summarized below:

- a. • Library Revenue Bonds, Series 1975-A.
 - To construct, improve and equip the library building.
 - Issued May 31, 1975.
 - \$800,000; all authorized bonds have been issued.
 - Source of revenue for debt service -- Building Use fees, Library lease revenue.
 - Outstanding balance at August 31, 1995 was \$100,000.00.
- b. • Eidman Science - Math Building, Series 1970.
 - To construct the Science - Math Building.
 - Issued November 15, 1970.
 - \$650,000; all authorized bonds have been issued.
 - Source of revenue for debt service -- Building Use fees, Department of Education annual interest grant.
 - Outstanding balance at August 31, 1995 was \$60,000.00.

TEXAS SOUTHMOST COLLEGE

NOTES TO FINANCIAL STATEMENTS - CONTINUED

August 31, 1995

- c. • School Building Tax Bonds, Series 1987 - 1988.
 - To construct, improve various building within the District.
 - Issued March 12, 1987 and March 10, 1988.
 - \$13,500,000; all authorized bonds have been issued.
 - Source of revenue for debt service -- Ad Valorem Tax levy.
 - Outstanding balance at August 31, 1995 was \$2,070,000.00.
- d. • Refunding Tax Bonds, Series 1994.
 - To refund certain outstanding School Building Tax Bonds, Series 1987 and Series 1988.
 - Issued March 31, 1994.
 - \$8,509,999.30; all authorized bonds have been issued.
 - Source of revenue for debt service -- Ad Valorem Tax Levy.
 - Outstanding balance at August 31, 1995 was \$8,374,999.00.

Bonds and variable rate notes payable are due in annual installments varying from \$40,000 to \$540,000 with interest rates from 7.5% to 7.7% with the final installment due in 2008. The principal and interest expense for the next five years and beyond is summarized below for bonds and variable rate notes issued.

Year Ending August 31,	Total	Interest	Principal	Balance of Principal Outstanding
				\$10,604,999
1996	\$ 1,316,848	\$ 516,848	\$ 800,000	9,804,999
1997	1,306,166	456,166	850,000	8,954,999
1998	1,235,631	400,631	835,000	8,119,999
1999	1,200,843	355,843	845,000	7,274,999
2000	1,254,150	314,150	940,000	6,334,999
2001	1,229,720	269,720	960,000	5,374,999
2002	1,196,440	790,581	405,859	4,969,140
2003	1,236,440	857,300	379,140	4,590,000
2004	1,210,700	220,700	990,000	3,600,000
2005	1,241,473	166,473	1,075,000	2,525,000
2006	1,222,880	107,880	1,115,000	1,410,000
2007	1,230,188	45,188	1,185,000	225,000
2008	231,300	6,300	225,000	-
	<u>\$15,112,779</u>	<u>\$ 4,507,780</u>	<u>\$10,604,999</u>	

