



TEXAS  
SOUTHMOST COLLEGE

TEXAS SOUTHMOST COLLEGE  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
YEAR ENDED AUGUST 31, 1992

TEXAS SOUTHMOST COLLEGE  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
AUGUST 31, 1992

TEXAS SOUTHMOST COLLEGE

**ORGANIZATIONAL DATA**  
For the Fiscal Year 1991 - 1992

Board of Trustees

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Officers

Mary Rose Cardenas	Chairperson
Ricardo Efrain Lara	Vice-Chairperson
Praxedis Orive	Secretary

Members

		Term Expires
Mary Rose Cardenas	Brownsville, Texas	May, 1996
Ricardo Efrain Lara	Brownsville, Texas	May, 1994
Praxedis Orive	Brownsville, Texas	May, 1998
Anthony Carnesi, Jr.	Brownsville, Texas	May, 1994
Dr. Joseph Zavaletta	Brownsville, Texas	May, 1998
Chester Gonzalez	Brownsville, Texas	May, 1998
Leon Belila	Brownsville, Texas	May, 1996

Key Officers

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Dr. Juliet V. Garcia, Ph. D.	President
Dr. Wayne J. Moore, Ph. D.	Vice-President For Administrative Affairs
Michael Putegnat	Executive Director

TEXAS SOUTHMOST COLLEGE  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
AUGUST 31, 1992

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**FINANCIAL SECTION**



LONG, CHILTON, PAYTE & HARDIN, LLP

CERTIFIED PUBLIC ACCOUNTANTS • MANAGEMENT CONSULTANTS

Members - Division of Firms - American Institute of CPAs

Stephen A. New, CPA
Debra J. Gentry, CPA
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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Trustees
Texas Southmost College

We have audited the accompanying balance sheet of Texas Southmost College, as of August 31, 1992, and the related statements of changes in fund balances and current funds revenues, expenditures and other changes for the year then ended, as listed in the table of contents. These financial statements are the responsibility of Texas Southmost College management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Texas Southmost College, as of August 31, 1992, and the changes in fund balances and the current funds revenue, expenditures and other changes for the year then ended in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The combining and individual fund and account group financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements of Texas Southmost College. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

Long, Chilton, Payte & Hardin
LONG, CHILTON, PAYTE & HARDIN, LLP
Certified Public Accountants

Brownsville, Texas
November 30, 1992



## TEXAS SOUTHMOST COLLEGE

## EXHIBIT A

## BALANCE SHEET

August 31, 1992

With Comparative Totals At August 31, 1991

## CURRENT FUNDS

	Unrestricted	Auxiliary Enterprises	Restricted	Total	Loan Funds
<b>ASSETS</b>					
Cash and Cash Equivalents (Sch. A-1)	\$2,780,631	\$ 132,130	\$ 393,573	\$3,306,334	\$ 83,810
Balance in State Appropriations					
Accounts Receivable	247,561	90,927	556,088	894,576	
Taxes Receivable (net of allowance for doubtful accounts of \$14,408 at August 31, 1992)	296,438			296,438	
Due From Other Funds	561,850		3,449	565,299	
Due From Other Agencies	913,884			913,884	
Investments (Sch. A-2)					
Accrued Interest Receivable					
Prepaid Expenses					
Deferred Charges					
Federal Receivables					
Contract and Grant Awards			41,243	41,243	
Deposits					
Notes Receivable (net of allowance for doubtful accounts of \$41,565)					31,436
Bond Proceeds Receivable					
Variable Rate Notes Receivable					
Consumable Inventories					
Inventories, at cost					
Land					
Buildings					
Improvements Other Than Buildings					
Equipment					
Library Books					
Museums and Art Collections					
Assets Held in Trust					
Construction in Progress					
<b>Total Assets</b>	<b>\$ 4,800,364</b>	<b>\$ 223,057</b>	<b>\$ 994,353</b>	<b>\$ 6,017,774</b>	<b>\$ 115,246</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts Payable	\$ 180,545	\$	\$	\$ 180,545	\$
Accrued Liabilities					
Deposits Payable	100			100	
Due To Other Funds		17	732,845	732,862	
Due To Other Agencies			3,053	3,053	33,642
Deferred Revenues	1,685,208			1,685,208	
Deferred Lease Obligations					
Accrued Compensable Absences Payable					
Annuities Payable					
Bonds Payable					
Variable Rate Notes Payable					
Lease-Purchase Agreements Payable					
Assets Held in Trust					
Funds Held in Custody for Others					
<b>Total Liabilities</b>	<b>1,865,853</b>	<b>17</b>	<b>735,898</b>	<b>2,601,768</b>	<b>33,642</b>

Endowment and Similar Funds	PLANT FUNDS				TOTALS MEMORANDUM ONLY		
	Unexpended	Renewals and Replaces- ments	Retirement of Indebt- edness	Investment in Plant	Agency Funds	Current Year	Prior Year
\$ 66,223	\$ 10,462	\$ 282,956	\$ 204,533	\$	\$ 46,421	\$ 4,000,739	\$ 6,228,790
111		370	222,506			1,117,563	367,744
90	1,084	160,950	169,439 6,613			465,877 734,036 913,884	457,022 157,293 394,186
3,728,674 17,946	1,881					3,728,674 19,827	3,564,586
							541,570
						41,243	51,427
						31,436	8,424
				1,049,650		1,049,650	994,764
				21,623,458		21,623,458	21,414,019
				5,590,510		5,590,510	5,590,510
				8,329,272		8,329,272	7,615,072
				10,290,253		10,290,253	2,000,000
				351,064		351,064	
				8,318		8,318	
<u>\$3,813,044</u>	<u>\$ 13,427</u>	<u>\$ 444,276</u>	<u>\$ 603,091</u>	<u>\$47,242,525</u>	<u>\$ 46,421</u>	<u>\$58,295,804</u>	<u>\$49,385,407</u>
\$	\$	\$ 4,981	\$	\$	\$	\$ 185,526	\$ 346,482
		1,084			90	100 734,036 36,695	157,293 207,598
			169,439			1,854,647	2,057,263
				12,525,000		12,525,000	13,220,000
				238,548		238,548	380,653
					33,442	33,442	
		<u>6,065</u>	<u>169,439</u>	<u>12,763,548</u>	<u>33,532</u>	<u>15,607,994</u>	<u>16,369,289</u>

TEXAS SOUTHMOST COLLEGE

Exhibit A

BALANCE SHEET - CONTINUED

August 31, 1992

With Comparative Totals At August 31, 1991

	CURRENT FUNDS				
	Unrestricted	Auxiliary Enterprises	Restricted	Total	Loan Funds
Fund Balance:	\$2,934,511	\$ 223,040	\$ 258,455	\$3,416,006	\$ 81,604
Unrestricted					
Reserved	\$	\$	\$	\$	\$
Encumbrances	389,256			389,256	
Accounts Receivable					
Goods for Resale Inventory					
Consumable Supplies Inventory					
Prepaid Expenses					
Imprest Funds					
Unreserved					
Allocated					
Balances Subject to Reappropriation					
Future Operating Budget(s)					
Capital Projects					
Inventories					
Student Service Fees					
Service Department Operating Funds					
Student Loan Programs					
Other					
Unallocated	2,545,255	223,040		2,768,295	105,444
Restricted					
Restricted - Encumbered					
Restricted - Other			258,455	258,455	(23,840)
U.S. Government Grants Refundable					
Endowment					
Term Endowment					
Funds Functioning as Endowment - Restricted					
Funds Functioning as Endowment - Unrestricted					
Unexpended Plant					
Restricted					
Unrestricted					
Renewals and Replacements					
Restricted					
Unrestricted					
Retirement of indebtedness					
Restricted					
Unrestricted					
Net Investment in Plant					
Total Fund Balances (Exh. B)	<u>2,934,511</u>	<u>223,040</u>	<u>258,455</u>	<u>3,416,006</u>	<u>81,604</u>
Total Liabilities and Fund Balances	<u>\$ 4,800,364</u>	<u>\$ 223,057</u>	<u>\$ 994,353</u>	<u>\$ 6,017,774</u>	<u>\$ 115,246</u>

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

Endowment and Similar Funds	PLANT FUNDS				TOTALS MEMORANDUM ONLY		
	Unexpended	Renewals and Replace- ments	Retirement of Indebt- edness	Investment in Plant	Agency Funds	Current Year	Prior Year
\$3,813,044	\$ 13,427	\$ 438,211	\$ 433,652	\$34,478,977	\$ 12,889	\$42,687,810	\$33,016,118
\$	\$	\$	\$	\$	\$	\$ 389,256	\$ 311,873
					12,889	2,886,628	3,867,416
						234,615	(22,960)
3,813,044						3,813,044	3,641,178
	13,427					13,427	606,223
		438,211				438,211	(68,054)
			433,652			433,652	666,730
				34,478,977		34,478,977	24,013,712
<u>3,813,044</u>	<u>13,427</u>	<u>438,211</u>	<u>433,652</u>	<u>34,478,977</u>	<u>12,889</u>	<u>42,687,810</u>	<u>33,016,118</u>
<u>\$3,813,044</u>	<u>\$ 13,427</u>	<u>\$ 444,276</u>	<u>\$ 603,091</u>	<u>\$47,242,525</u>	<u>\$ 46,421</u>	<u>\$58,295,804</u>	<u>\$49,385,407</u>

TEXAS SOUTHMOST COLLEGE

Exhibit B

STATEMENT OF CHANGES IN FUND BALANCES  
For the Year Ended August 31, 1992  
With Comparative Totals For the Year Ended August 31, 1991

CURRENT FUNDS

	Unrestricted	Auxiliary Enterprises	Restricted	Total	Loan Funds
FUND BALANCES, September 1, 1991:	\$ 3,741,658	\$ 190,885	\$ 201,366	\$ 4,133,909	\$ (22,960)
Restatements (Prior Period Adjustments)		(617)	(66,505)	(67,122)	112,009
FUND BALANCES September 1, 1991 - Restated	<u>3,741,658</u>	<u>190,268</u>	<u>134,861</u>	<u>4,066,787</u>	<u>89,049</u>
REVENUES AND OTHER ADDITIONS					
Unrestricted Current Funds Revenue (Exh. C)	19,222,144	200,218		19,422,362	
Federal Appropriations					
State Appropriations - Restricted			797,209	797,209	
Federal Grants and Contracts			4,726,521	4,726,521	
State Grants and Contracts			25,865	25,865	
Local Gifts, Grants and Contracts			391,049	391,049	
Private Gifts, Grants and Contracts					
Investment Income					
Endowment Income					
Realized Gains on Investments					
U.S. Government Advances					
Retirement of Indebtedness					
Variable Rate Note Proceeds					
Expended for Plant Facilities (Includes \$24,014 Charged to Current Funds Expenditures)					
Other Interest Income			3,981	3,981	429
Other Revenues					191
Other Additions					
Total Revenues and Other Additions	<u>\$19,222,144</u>	<u>\$ 200,218</u>	<u>\$ 5,944,625</u>	<u>\$25,366,987</u>	<u>\$ 620</u>
EXPENDITURES AND OTHER DEDUCTIONS					
Expenditures (Exh. C)	19,625,462	167,446	6,018,034	25,810,942	
Expended for Plant Facilities					
Lapsed Appropriations					
Indirect Costs Recovered					
Refunded to Grantors					
Loan Cancellations and Write Offs					1,492
Administrative and Collection Costs					8
Retirement of Indebtedness and Expense:					
Bonds					
Variable Rate Notes					
Net Realized Losses on Investments					
Interest on Indebtedness					
Disposal of Plant Facilities					
Other Deductions					41,565
Total Expenditures and Other Deductions	<u>\$19,625,462</u>	<u>\$ 167,446</u>	<u>\$ 6,018,034</u>	<u>\$25,810,942</u>	<u>\$ 43,065</u>
TRANSFERS-ADDITIONS/(DEDUCTIONS)					
Mandatory Transfers					
Retirement of Indebtedness					
Building Use Fees	(390,626)			(390,626)	
Tuition					
Operations					
Auxiliary Enterprises					
Designated Funds					
Unexpended Plant Funds					
Revenue Bonds					
Renewals and Replacements					
Loan Fund Matching/Grant Matching					
Scholarships	(143,393)		610	(142,783)	
Non-Mandatory Transfers	130,190		196,393	326,583	35,000
Total Transfers - Additions (Deductions)	<u>(403,829)</u>		<u>197,003</u>	<u>(206,826)</u>	<u>35,000</u>
NET INCREASE/(DECREASE) FOR THE FISCAL YEAR	(807,147)	32,772	123,594	(650,781)	(7,445)
FUND BALANCES, August 31, 1992	<u>\$ 2,934,511</u>	<u>\$ 223,040</u>	<u>\$ 258,455</u>	<u>\$ 3,416,006</u>	<u>\$ 81,604</u>

See accompanying Summary of Significant Accounting Policies and Notes to the Financial Statements.

Endowment and Similar Funds	PLANT FUNDS				TOTALS MEMORANDUM ONLY		
	Unexpended	Renewals and Replaces- ments	Retirement of Indebt- edness	Investment in Plant	Agency Funds	Current Year	Prior Year
\$3,641,178	\$ 606,223	\$ (68,054)	\$ 666,730	\$24,013,712	\$ 12,499	\$32,983,237	\$31,520,775
<u>3,641,178</u>	<u>606,223</u>	<u>(68,054)</u>	<u>666,730</u>	<u>24,013,712</u>	<u>12,499</u>	<u>33,028,124</u>	<u>31,520,775</u>
						19,422,362	16,789,890
			19,954			797,209	
						4,746,475	4,206,607
						25,865	34,296
						391,049	488,848
167,406	18,268	5,833	33,898			225,405	65,477
				837,106		837,106	558,737
				920,756		920,756	
		638,714	1,304,883		6,292	10,702	2,352,315
5,514				8,707,403		1,943,597	3,272
<u>\$ 172,920</u>	<u>\$ 18,268</u>	<u>\$ 644,547</u>	<u>\$1,358,735</u>	<u>\$10,465,265</u>	<u>6,292</u>	<u>8,713,108</u>	<u>2,520,657</u>
						<u>\$38,033,634</u>	<u>\$27,020,099</u>
						25,810,942	21,963,717
						1,492	
						8	
			695,000			695,000	470,000
			906,432				948,370
		910,296	2,312		5,902	960,075	2,033,928
<u>\$</u>	<u>\$</u>	<u>\$ 910,296</u>	<u>\$1,603,744</u>	<u>\$</u>	<u>\$ 5,902</u>	<u>\$28,373,949</u>	<u>\$25,524,756</u>
			390,626				
(610)						(143,393)	
(444)	(611,064)	772,014	(378,695)			143,393	
(1,054)	(611,064)	772,014	11,931				
171,866	(592,796)	506,265	(233,078)	10,465,265	390	9,659,685	1,495,343
<u>\$3,813,044</u>	<u>\$ 13,427</u>	<u>\$ 438,211</u>	<u>\$ 433,652</u>	<u>\$34,478,977</u>	<u>\$ 12,889</u>	<u>\$42,687,810</u>	<u>\$33,016,118</u>

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TEXAS SOUTHWEST COLLEGE

Exhibit C

STATEMENT OF CURRENT FUNDS REVENUES EXPENDITURES AND OTHER CHANGES

For the Year Ended August 31, 1992  
With Comparative Totals For the Year Ended August 31, 1991

	Unrestricted	Auxiliary Enterprises	Restricted	Total	TOTALS MEMORANDUM ONLY	
					Current Year	Prior Year
<b>REVENUES</b>						
State Appropriations - General Revenue	\$9,652,585	\$ -	\$ 797,209	\$10,449,794	\$10,449,794	\$ 8,479,663
Local Funds:						
Tuition (Net of TPEG \$143,393)	3,297,227	-	-	3,297,227	3,297,222	4,159,742
Tuition Remissions and Exemptions	29,052	-	-	29,052	29,052	-
Student Service Fees	665,787	-	-	665,787	665,787	-
Taxes for Current Operation	1,835,766	-	-	1,835,766	1,835,766	-
Sales & Service of Educational Activities	-	-	-	-	-	-
Other Sources	301,738	-	-	301,738	301,738	2,356,758
General Fees	755,987	-	-	755,987	755,987	-
Federal Grants and Contracts	1,566,564	-	4,726,521	6,293,085	6,293,085	1,188,246
State Grants and Contracts	69,008	-	25,865	94,873	94,873	69,008
Local Grants and Contracts	873,763	-	391,049	1,264,812	1,264,812	371,556
Private Gifts, Grants and Contracts	-	-	-	-	-	-
Investment Income	-	-	-	-	-	-
Endowment Income	-	-	-	-	-	-
Auxiliary Enterprises	-	-	-	-	-	-
Leases and Rental Income	-	193,909	-	193,909	193,909	157,266
Other Interest Income	174,667	6,309	3,981	184,957	184,957	7,651
Other Gains/Losses on Investments	-	-	-	-	-	-
Total Current Funds Revenues	<u>\$19,222,144</u> (Exh. B)	<u>\$ 200,218</u> (Exh. B)	<u>\$ 5,944,625</u>	<u>\$25,366,987</u>	<u>\$25,366,987</u>	<u>\$16,789,890</u>
<b>EXPENDITURES AND MANDATORY TRANSFERS:</b>						
Educational and General	-	-	-	-	-	-
Instruction	11,988,579	-	797,209	12,785,788	12,785,788	10,372,261
Research	-	-	-	-	-	-
Public Service	715,255	-	-	715,255	715,255	520,925
Academic Support	1,020,131	-	-	1,020,131	1,020,131	1,000,973
Student Services	1,138,972	-	-	1,138,972	1,138,972	1,064,481
Institutional Support	2,728,618	-	-	2,728,618	2,728,618	2,307,689
Operation and Maintenance of Plant	1,973,959	-	-	1,973,959	1,973,959	1,677,202
Scholarships and Fellowships	59,948	-	-	59,948	59,948	66,819
Grants and Scholarships	-	-	5,220,825	5,220,825	5,220,825	-
Total Educational and General						
Expenditures (Sch. C-2)	19,625,462	-	6,018,034	25,643,496	25,643,496	17,010,350
Auxiliary Enterprise						
Expenditures (Sch. C-2)	-	167,446	-	167,446	167,446	147,174
Mandatory Transfers for:						
Building Use Fees	390,626	-	-	390,626	390,626	-
Principal and interest	-	-	-	-	-	-
Renewals and replacements	-	-	-	-	-	-
Matching grant	-	-	-	-	-	-
Scholarships	143,393	-	(144,003)	(610)	(610)	43,182
Non-mandatory transfers	(130,190)	-	-	(130,190)	(130,190)	(296,664)
Total expenditures and transfers	<u>20,029,291</u>	<u>167,446</u>	<u>5,874,031</u>	<u>26,070,768</u>	<u>26,070,768</u>	<u>16,904,042</u>
Other transfers and additions/ (deductions):						
Other Transfers	-	-	53,000	53,000	53,000	-
Refunded to grantors	-	-	-	-	-	-
Unrestricted gifts allocated to other funds	-	-	-	-	-	-
Portion of funds functioning as endowment gains appropriated	-	-	-	-	-	-
Net increase (decrease) in fund balances	<u>\$ (807,147)</u>	<u>\$ 32,772</u>	<u>\$ 123,594</u>	<u>\$ (650,781)</u>	<u>\$ (650,781)</u>	<u>\$ (114,152)</u>

See accompanying Notes to the Financial Statements.



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NOTES TO FINANCIAL STATEMENTS

August 31, 1992

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting**

The financial statements of Texas Southmost College have been prepared on accrual basis. 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.

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.

TEXAS SOUTHMOST COLLEGE

NOTES TO FINANCIAL STATEMENTS - CONTINUED

August 31, 1992

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**

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.

**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:

TEXAS SOUTHMOST COLLEGE

NOTES TO FINANCIAL STATEMENTS - CONTINUED

August 31, 1992

**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, 1992 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.

**Other Significant Accounting Policies**

Other significant accounting policies are in the financial statements and their notes.

**1. 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.

TEXAS SOUTHMOST COLLEGE

NOTES TO FINANCIAL STATEMENTS - CONTINUED

August 31, 1992

2. Deposits and Investments

At August 31, 1992, the carrying amount of Texas Southmost College deposits was \$4,000,739, and total bank balances equalled \$3,975,428 . Bank balances of \$749,707 are covered by federal depository insurance and \$3,248,632 was covered by collateral pledged in Texas Southmost College name. The collateral was held in the safekeeping departments of unrelated banks which act as the pledging bank's agents (Category 1). Cash and Deposits include as reported on Exhibit A, Balance Sheet, consist of the items reported below.

Cash and Deposits

Bank Deposits		
Demand Deposits		\$ 3,975,428
Cash and Cash Equivalents		
Petty Cash on Hand	\$ 3,300	
Change For Registration	21,911	
Local Funds in State Treasury	100	
Reimbursements in Transit	-	
	<u>          </u>	<u>25,311</u>
Total Cash and Deposits		<u>\$ 4,000,739</u>

To comply with the reporting requirements of GASB Statement No. 3, Texas Southmost College 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.
- 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.

TEXAS SOUTHMOST COLLEGE

NOTES TO FINANCIAL STATEMENTS - CONTINUED

August 31, 1992

Investment Categories

<u>Type of Security</u>	<u>Category</u>			<u>Carrying Amount</u>	<u>Market Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
U.S. Treasury Bills	\$3,700,608	\$	\$	\$3,700,608	\$3,700,608
Real Estate Mortgage and Other Notes					
Corporate Stocks		28,066		28,066	28,066
Repurchase Agreements					
<b>TOTALS</b>	<u>\$3,700,608</u>	<u>\$ 28,066</u>	<u>\$ -</u>	<u>\$3,728,674</u>	<u>\$3,728,674</u>

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

- 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.
- 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.
- 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.

TEXAS SOUTHMOST COLLEGE

NOTES TO FINANCIAL STATEMENTS - CONTINUED

August 31, 1992

Bonds and variable rate notes payable are due in annual installments varying from \$40,000 to \$350,000 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,	<u>Total</u>	<u>Interest</u>	<u>Principal</u>	Balance of Principal Outstanding
1993	\$ 1,411,797	\$ 861,797	\$ 550,000	\$11,975,000
1994	1,413,945	813,945	600,000	11,975,000
1995	1,397,593	762,593	635,000	10,740,000
1996	1,369,325	709,325	660,000	10,080,000
1997	1,355,475	655,475	700,000	9,380,000
1998	1,269,850	589,850	680,000	8,700,000
1999	1,235,975	545,975	690,000	8,010,000
2000	1,288,125	498,125	790,000	7,320,000
2001	1,260,438	445,438	815,000	6,405,000
2002	1,230,275	390,275	840,000	5,565,000
2003	1,270,325	330,325	940,000	4,625,000
2004	1,240,163	265,163	975,000	3,650,000
2005	1,273,438	198,438	1,075,000	2,575,000
2006	1,254,938	129,938	1,125,000	1,450,000
2007	1,256,750	56,750	1,200,000	250,000
2008	259,375	9,375	250,000	
	<u>\$19,787,787</u>	<u>\$ 7,262,787</u>	<u>\$12,525,000</u>	

**4. Employees' Retirement Plan**

The State of Texas has joint contributory retirement plans for almost all its employees. One of the primary plans in which the college participates is administered by the Teacher Retirement System of Texas. The percentages of participant salaries currently contributed by the state and by each participant are 7.31% and 6.40% respectively, of annual compensation.

The state 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 Teacher Retirement System. The optional retirement program provides for the purchase of annuity contracts. The percentages of participant salaries currently contributed by the state, the Institution and each participant are 7.31% and 1.19% and 6.65%, respectively. Since these are individual annuity contracts, the state has no additional or unfunded liability for this program.

The retirement expense to the state for the college was \$797,209 for the fiscal year ended August 31, 1992. This amount represents the portion of expended appropriations made by the state Legislature on behalf of the college.

