

TEXAS SOUTHMOST COLLEGE

**COMPREHENSIVE
ANNUAL FINANCIAL REPORT**

AUGUST 31, 2002

TEXAS SOUTHMOST COLLEGE

ORGANIZATIONAL DATA

FOR THE FISCAL YEAR 2001-2002

BOARD OF TRUSTEES

Officers

Chester Gonzalez	Chairperson
Rosemary Breedlove	Vice-chairperson
Eduardo Campirano	Secretary

Members

Mary Rose Cardenas	Brownsville, Texas	May, 2008
Rosemary Breedlove	Brownsville, Texas	May, 2004
David Oliveira	Brownsville, Texas	May, 2006
Chester Gonzalez	Brownsville, Texas	May, 2004
Dolly Zimmerman	Port Isabel, Texas	May, 2008
Dr. Roberto Robles	Brownsville, Texas	May, 2006
Eduardo Campirano	Brownsville, Texas	May, 2004

Principal Administrative Officers

Dr. Juliet V. Garcia	President, UTB/TSC
Dr. John P. Ronnau	Vice-President for Administration and Partnership Affairs, UTB/TSC
Melba M. Sanchez, CPA	District Comptroller

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TEXAS SOUTHMOST COLLEGE

ANNUAL FINANCIAL REPORT

TABLE OF CONTENTS

AUGUST 31, 2002

	<u>Exhibit</u>	<u>Page Number</u>
FINANCIAL SECTION		
Management's Discussion and Analysis		-
Independent Auditors' Report		1-2
Financial Statements		
Statement of Net Assets	1	3
Statement of Revenues, Expenses and Changes in Net Assets	2	4
Statement of Cash Flows	3	5-6
Notes to Financial Statements		7-18
OVERALL COMPLIANCE AND INTERNAL CONTROLS SECTION		
Financial Assistance Section		
Schedule of Detailed Operating Revenues	2-A	19
Detail of State Appropriations, Tuition and Fees	2-B	20
Tuition Discounting	2-C	21
Schedule of Federal Financial Assistance	2-D	22-23
Single Audit Section		
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards		24
Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133		25-26
Schedule of Findings and Questioned Costs		27
Schedule of Prior Audit Findings		28

TEXAS SOUTHMOST COLLEGE

ANNUAL FINANCIAL REPORT

TABLE OF CONTENTS

AUGUST 31, 2002

	<u>Exhibit</u>	<u>Page Number</u>
Statistical Supplement		
Headcount Enrollment		29
Property Tax Rates Assessed		30
Property Tax Rates Authorized		31
Contract Hour Information		32
Net Assessed Valuation		33
Property Tax Collected		34
State Appropriations Per FTSE		35
 SUPPLEMENTARY INFORMATION SECTION		
Report of Independent Certified Public Accountants on Supplementary Information		36
Detailed Schedule of Educational Activities by Object		37
Schedule of Revenue Compared With Budget - General and Auxiliary Enterprise Funds		38-39
Schedule of Expenditures Compared With Budget - General and Auxiliary Enterprise Funds		40-41
 Combining Fund Schedules		
Balance Sheet		42-43
Statement of Changes in Fund Balance		44
 Auxiliary Enterprise Fund		
Balance Sheet		45
Statement of Changes in Fund Balance		46
Statement of Revenue and Expenditures		47

TEXAS SOUTHMOST COLLEGE

ANNUAL FINANCIAL REPORT

TABLE OF CONTENTS

AUGUST 31, 2002

	<u>Exhibit</u>	<u>Page Number</u>
Student Assistance Fund		
Balance Sheet		48
Statement of Changes in Fund Balance		49
Statement of Revenue and Expenditures		50
Loan Fund		
Balance Sheet		51
Statement of Changes in Fund Balance		52
Endowment Fund		
Balance Sheet		53
Statement of Changes in Fund Balance		54
Plant Funds		
Balance Sheet - Unexpended Funds		55
Statement of Changes in Fund Balance - Unexpended Funds		56
Combining Balance Sheet - Renewals and Replacements		57
Combining Statement of Changes in Fund Balance - Renewals and Replacements		58
Combining Balance Sheet - Retirement of Indebtedness		59
Combining Statement of Changes in Fund Balance - Retirement of Indebtedness		60
Balance Sheet - Investment in Plant		61
Statement of Changes in Fund Balance - Investment in Plant		62
Schedule of General Fixed Assets - Investment in Plant		63-64

TEXAS SOUTHMOST COLLEGE

ANNUAL FINANCIAL REPORT

TABLE OF CONTENTS

AUGUST 31, 2002

	<u>Exhibit</u>	<u>Page Number</u>
Agency Fund		
Balance Sheet		65
Statement of Changes in Fund Balance		66
Bond Schedules		
Southmost Union Junior College District - Refunding Tax Bonds - Series 1994		67
Southmost Union Junior College District - Revenue Bonds - Series 2000		68
Southmost Union Junior College District - Revenue Bonds - Series 2002		69

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)



TEXAS SOUTHMOST COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

AUGUST 31, 2002

Management's discussion and analysis of Texas Southmost College's (the College) financial performance provides an overview of the College's financial activities for the fiscal year ended August 31, 2002. This discussion and analysis is to be read in conjunction with the College's financial statements which begin on page 3.

USING THIS ANNUAL REPORT

The financial statements presented in Exhibits 1, 2 and 3 are prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public College's and Universities*. The required statements are: the Statement of Net Assets, the Statement of Revenues, Expenses and Changes in Net Assets and the Statement of Cash Flows.

Since this is the first year of implementation of these standards and since restatement of prior year financials have not been made, our analysis of comparative balances and changes therein is limited to the current year's operations. In future years, a year to year comparative analysis will be available for the financial statements.

As a result of GASB Statements No. 34 and No. 35 implementation, there are also significant differences in the presentation and method of accounting used in these financial statements. Prior year financials were focused on fund accounting and were prepared using a modified accrual basis of accounting. The current year financials are prepared using the accrual basis of accounting, which is the same method used by most private sector companies, and focus on the financial condition of the College, results of operations and cash flows of the College as a whole.

The notes to the financial statements starting on page 7 provide narrative explanations and additional data needed for full disclosure in the financial statements.



USING THIS ANNUAL REPORT (Continued)

The supplemental section contains additional information about the College's individual funds. These sections are not required by The Texas Higher Education Coordinating Board and are provided for historical information purposes only. They are not presented in compliance with GASB No. 34 and No. 35; therefore, they are not representative of the balances of the College as accounted for in Exhibits 1, 2 and 3.

The Statement of Net Assets

The Statement of Net Assets includes all the College's assets and liabilities and change in net assets as of the end of the fiscal year. The difference between total assets and total liabilities is the net assets. Increases and decreases to net assets is one indicator of whether the overall financial condition has improved or deteriorated during the year when considered with other factors such as enrollment, contact hours of instruction, student retention and other non-financial information. Finally, the statement of net assets is useful when determining the assets available for continuing the College's operations as well as how much the College owes to vendors, bondholders, and other entities at the end of the year.

The Statement of Net Assets includes assets and liabilities, and current and non-current and net assets. Current assets are those which are available to satisfy current liabilities or liabilities that are due within one year. Non-current assets include capital assets, long-term investments and other assets, not classified as current. Non-current liabilities include bonds payable and other long-term commitments.

The Net Assets are divided into three major categories. The first category, Invested in Capital Assets Net of Related Debt, represents the College's net investment in property, plant and equipment owned by the institution. The next category is restricted net assets, which is further divided into two categories: nonexpendable and expendable. Expendable restricted net assets are available for expenditures but must be spent in accordance with the restrictions of donors and other external entities. The College only has Expendable Restricted Net Assets. The final category is Unrestricted Net Assets which are assets available to the institution for any lawful purpose of the College. Further detail regarding assets, liabilities and net assets is presented in the statement of net assets and notes to the financial statements.



The Statement of Revenues, Expenses and Changes in Net Assets

The statement of revenues, expenses and changes in net assets represents the College's overall results of operations. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred regardless of when the cash is received or paid. The statement is divided into operating revenues and expenses and non-operating revenues and expenses. The College is primarily dependent upon four sources of revenues: state appropriations, tuition and fees, grants and contracts and property taxes. Since property taxes are classified as non-operating revenues (per GASB requirements), the College will generally display an operating deficit before taking into account its non-operating revenues. Therefore, total revenues and total expenses should be considered in assessing the change in the College's financial position. When total revenues exceed total expenses, the result is an increase in net assets. When the contrary occurs, the result is a decrease in Net Assets. Further detail is presented in the Statement of Revenues, Expenses and Changes in Net Assets and in the Notes to the Financial Statements.

The College's net assets (the difference between assets and liabilities) provide one measure of the College's financial health or financial position. Over time, increases or decreases in the College's net assets are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the College, however, non-financial factors should be considered as well, such as changes in the College's enrollment, property tax base, and the condition of the College's facilities.

The Statement of Cash Flows

The Statement of Cash Flows provides the College's cash receipts and payments for the year. This statement is not intended to replicate, on a cash basis, the operating statement. Instead, it is intended to compliment the accrual-basis financial statements by providing functional information about financing, capital and investing activities. The cash flow approach concentrates on the underlying nature of a transaction.

The information contained in the Statement of Cash Flows assesses the College's ability to generate future net cash flows, meet obligations as they come due and needs for external financing. In addition, differences between operating income and associated cash receipts and payments and the effects on the financial position of both its cash and its non-cash investing, capital and financing transactions can be identified.



FINANCIAL ANALYSIS

Statement of Net Assets

The following analysis focuses on the Statement of Net assets, which is condensed in Table 1.

TABLE 1

CONDENSED STATEMENT OF NET ASSETS (in millions)

	<u>2002</u>
Current Assets	20.3
Capital Assets, Net of Accumulated Depreciation	<u>47.3</u>
Other Non-Current Assets	<u>0.1</u>
Total Assets	<u>67.7</u>
Current Liabilities	6.9
Noncurrent Liabilities	<u>18.1</u>
Total Liabilities	<u>25.0</u>
Net assets:	
Invested in capital assets, net of related debt	32.1
Restricted Expendable	7.7
Unrestricted	<u>2.9</u>
Total Net Assets	<u>42.7</u>

The College's total net assets were \$42.7 million as of August 31, 2002. The increase in total net assets as a result of this year's operations is \$2.3 million. Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – represents \$2.9 million of total net assets at August 31, 2002.



SOUTHMOST UNION JUNIOR COLLEGE DISTRICT

THE UNIVERSITY OF TEXAS AT BROWNSVILLE and TEXAS SOUTHMOST COLLEGE

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Statement of Revenues, Expenses and Changes in Net Assets

The following analysis focuses on the Statement of Revenues, Expenses and Changes in Net Assets presented in condensed form in Table 2.

TABLE 2
CONDENSED STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
(in millions)

	<u>2002</u>
Operating Revenues	34.3
Operating Expenses	38.4
Non-Operating Revenues	7.7
Non-Operating Expenses	<u>1.3</u>
INCREASE IN NET ASSETS	2.3
NET ASSETS - Beginning of Year (Restated)	<u>40.4</u>
NET ASSETS - End of Year	<u>42.7</u>

Three key sources of operating revenues for the College are: State Appropriations, Tuition and Fees (net of scholarship discounts) and Grants and Contracts.

State Appropriations remained virtually unchanged from the amounts allocated for the fiscal year ended August 31, 2001.

Tuition and Fees revenue is presented net of scholarship discounts. Tuition and Fees revenue increased due to an increase in enrollment and a \$2 increase in designated tuition.

The largest increase in Grants and Contracts came in the form of State Funds. State Grants and Contracts increased by about 40% while Federal Grants and Contracts increased by 5%. Increased enrollment for the year was a key factor in the increase of grants and contracts awarded to the College.

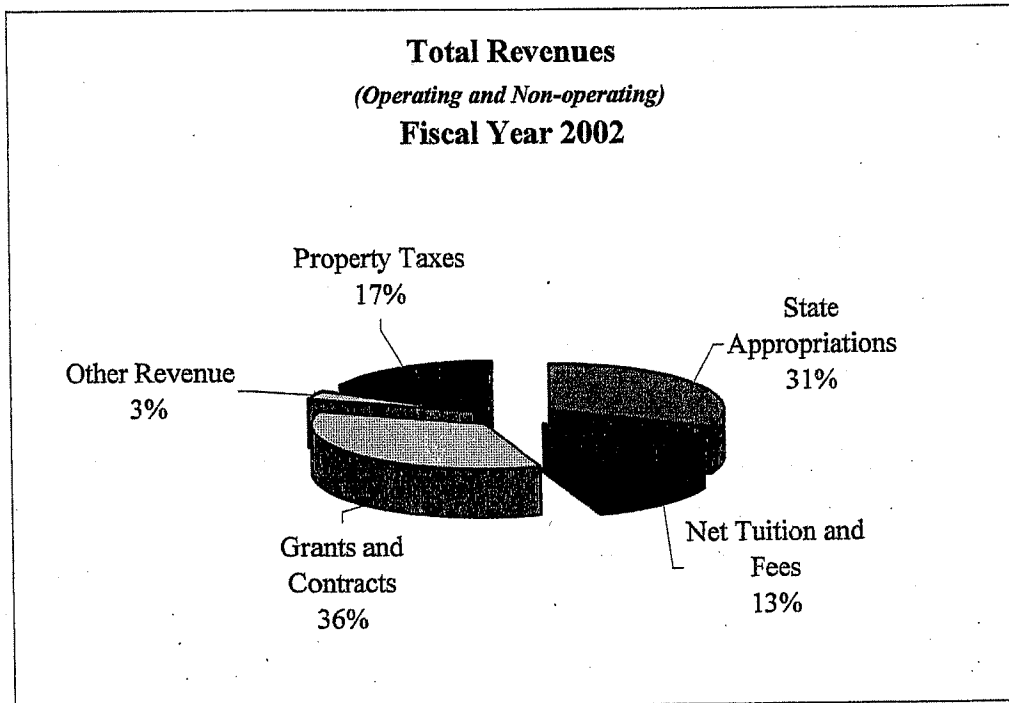


Statement of Revenues, Expenses and Changes in Net Assets (Continued)

Property taxes, which are now listed under the non-operating revenue section as per GASB 34/35, are also a key revenue source for the College. Property tax revenue increased this year as a result of a 10% increase in assessed property valuations. The tax rate for the Southmost Union Junior College District remained the same as the previous year at \$0.1314 per \$100 valuation.

Key sources of revenue in total for the College are state appropriations, grants and contracts, property taxes and tuition and fees (net of scholarship discounts). Table 3 shows the breakdown of total revenue for the College.

TABLE 3



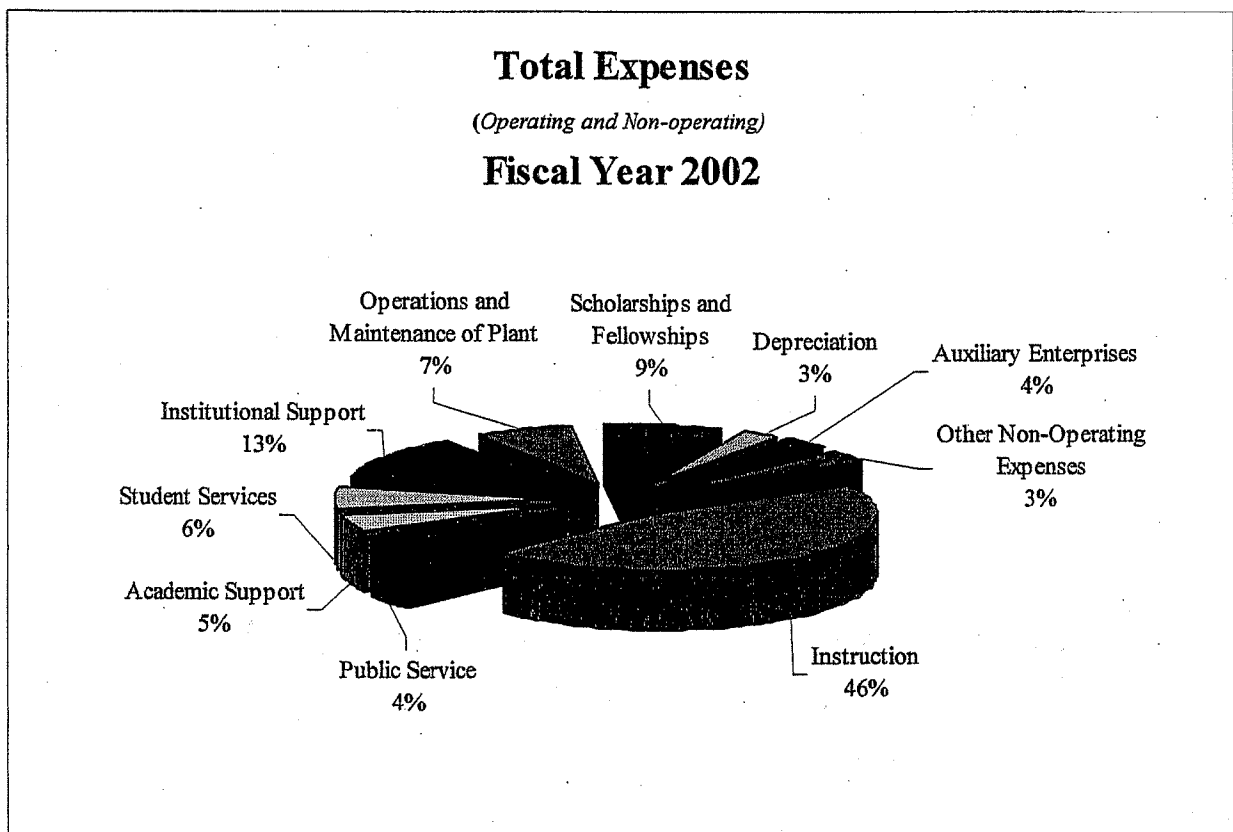
Grants and contracts made up the largest source of revenue (36%) for the College. State appropriations is the next largest at 31%. These two sources along with property tax revenue provide the bulk of the College's total revenue. Tuition and fees account for 13% of the total revenue.



Statement of Revenues, Expenses and Changes in Net Assets (Continued)

Table 4 shows the breakdown of total expenditures for the College.

TABLE 4



Almost half (46%) of the College's total expenses were geared toward providing instruction to our students. The next largest area of expense was in the way of support of the institution at 13% of total expenditures. The implementation of GASB No. 34 and 35, required the College to depreciate capital assets and record an expense for the current year depreciation of these items. This year's depreciation expense calculation accounts for 3% of the total expenses.

*Statement of Cash Flows*

The Condensed Statement of Cash Flows appears in Table 5. The complete Statement of Cash Flows appears in page 5 of this report.

TABLE 5
CONDENSED STATEMENT OF CASH FLOWS
(in millions)

	<u>2002</u>
Cash Provided/ Used By:	
Operating Activities	(3.1)
Noncapital Financing Activities	5.6
Capital and Related Financing Activities	(6.3)
Investing Activities	<u>6.5</u>
NET INCREASE (DECREASE) IN CASH	2.7
CASH - Beginning of Year	<u>10.3</u>
CASH - End of Year	<u>13.1</u>

Total Cash and Cash Equivalents increased by \$2.7 million during the year. Major factors impacting cash and cash equivalents are described below by source.

Operating Activities: Cash used for operating activities (state appropriations, tuition and fees, grants and contracts and auxiliary charges less payments to employees and suppliers and payments of scholarships and fellowships) totaled \$3.1 million. Major sources of cash provided were receipts from tuition and fees, net of scholarship allowances and discounts (\$5.7 million), state appropriations (\$13.2 million) and Federal grants and contracts (\$14.6 million). The College's major cash outlays were for payments to employees and to suppliers and for the awarding of scholarships and fellowships.

Non-capital Financing Activities: The College had a positive non-capital financing cash flow of \$5.6 million from the collection of property taxes. Property taxes were collected at a rate of 93% of the current year's tax levy. (See table 5.1 for more information on property taxes)

Capital and Related Financing Activities: The College issued a \$5 million bond and incurred \$138,250 in issuance costs. A portion of the proceeds of this bond was used to acquire the



Statement of Cash Flows (Continued)

International Technology, Education and Commerce Campus (formerly known as the Amigoland Mall) for campus expansion. Cash outlays of approximately \$6 million (from bond proceeds) were also used in the completion of the Student Union Building.

Investing Activities In the Year 2000, the College issued \$9.025 million in bonds for the construction of the Student Union building. As a result, investments were made with the funds while the project was under construction. The \$6M represents the sale of the investments which in turn was used to fund the completion of the Student Union building.

Property taxes are an essential source of revenue for the College. The following table provides information regarding tax collection and assessed valuation for the Southmost Union Junior College District.

Table 5.1

Property Tax Information

	Fiscal Year 2002	Fiscal Year 2001	% Change
Total Tax Rate per \$100	0.1314	0.1314	-
Total Tax Collections	\$ 6,809,489	\$ 6,173,265	10%
Tax Collection Rate	93.1%	93.4%	-0.3%
Assessed Valuation	\$ 5,842,242,809	\$ 5,302,263,192	10%

The District's total tax rate did not change from the previous year; however, total tax assessments increased by about 10% due to increased valuation. The District's tax collection rate decreased only slightly from the previous year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of Fiscal Year 2002, the College had approximately \$47.3 million (net of accumulated depreciation) invested in a broad range of capital assets, including instructional and athletic facilities, maintenance of buildings and equipment.



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Major capital additions included:

Buildings	\$ 9,245,356
Land	494,660
Site Improvements	297,907
Furniture & Equipment	<u>234,074</u>
Total cost of additions	\$ <u>10,271,997</u>

These additions were made to meet the needs of the steadily expanding enrollment at the College.

Debt

The College's general obligation bond ratings, as assigned by *Moody's* and *Standard and Poor's* are AAA and A- respectively.

At year-end, the College had approximately \$18.7 million in outstanding bonds versus approximately \$14.5 million the previous year. Table 6 summarizes these amounts by type of debt instrument.

Table 6

Bonds Payable at Year End
(in millions)

	Beginning of the Year	End of the Year
Refunding Tax Bonds	5.37	4.97
Student Union Building Bonds	8.89	8.73
Revenue Bonds		5.00
Total Bonds Payable	<u>14.26</u>	<u>18.70</u>

Tax bonds were issued in 1994 to refund the original 1987 tax bonds. The source of revenue for this debt service is ad valorem tax levy.



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Debt (Continued)

The Student Union Building Bonds were issued in March of 2000. They were sold for the construction, operation and maintenance of the Student Union Building. This obligation is paid by student union fees assessed to the students.

During the year, the College issued a \$5 million Revenue Bond to fund various capital projects on campus, to facilitate the acquisition of the International Technology, Education, and Commerce Campus (ITECC) and the development of the student housing project, The Village at Fort Brown, among other improvements. Pledged revenues derived from tuition and fees, student and employee parking fees and interest on investment earnings are the sources for debt service.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Board of Trustees considered many factors when establishing the fiscal year 2003 budget and tax rates. The College expects tax revenue to increase modestly during fiscal year 2003. Continued growth in the tax base, due to population growth and increased valuation, are expected to be driving forces in increased collections. The College also expects expenditures to increase as it strives to meet the needs of an expanding enrollment.

Major capital projects are underway, including The International Technology, Education and Commerce Campus (ITECC), the former Amigoland Mall, which will be renovated to house the Technical Training Center, Workforce Training and Continuing Education and other programs. The College will also expend resources to develop student housing on the former Fort Brown Hotel property, which was renamed The Village at Fort Brown.

Enrollment growth at the College continues to increase at an average rate of approximately 4%. A similar increase is expected for the coming year. In order for the College to meet the needs of its growing enrollment, it is essential that the state allocation remain at least equal to that of the previous year. Any cuts will effect direct services to students and seriously effect the College's effort to help meet the state's goal of "closing the gaps."

CONTACTING THE COLLEGE'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the College's finances and to show the College's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Vice President for Administration and Partnership Affairs Office at (956) 544-3879.

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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 FINANCIAL STATEMENTS
ACCOMPANIED BY REQUIRED SUPPLEMENTARY INFORMATION
AND OTHER SUPPLEMENTARY INFORMATION INCLUDING THE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Board of Trustees
Southmost Union Junior College District
Brownsville, Texas

Members of the Board:

We have audited the accompanying financial statements of Texas Southmost College, as of and for the year ended August 31, 2002, which collectively comprise the College's financial statements as listed in the table of contents. These financial statements are the responsibility of Texas Southmost College's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 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 respective financial position of Texas Southmost College at August 31, 2002, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2 in the notes to the financial statements, the College implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 34, *Basic Financial Statements – Management's Discussion and Analysis- for State and Local Governments*, GASB Statement No. 35, *Basic Financial Statements – Management's Discussion and Analysis for Public Colleges and Universities*, GASB Statement No. 37, *Basic Financial Statements-and Management's discussion and Analysis-for State and Local Governments: Omnibus* which provides additional guidance for the implementation of GASB Statement No. 34 and No. 35, and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, which changes note disclosure requirements for institutions, for the year ended August 31, 2002.

The accompanying required supplementary information, such as Management's Discussion and Analysis are not a required part of the financial statements but are supplementary information required by the GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

-1-

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2002, 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise Texas Southmost College's financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is not a required part of the financial statements. The individual fund financial 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 financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Patullo, Brun & Hall, C.P.A.

December 16, 2002

FINANCIAL STATEMENTS

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TEXAS SOUTHMOST COLLEGE

STATEMENT OF NET ASSETS

AUGUST 31, 2002

	Primary Institution
ASSETS	
Current Assets	
Cash & cash equivalents	\$ 13,053,475
Endowment investments	47,826
Property taxes receivable (net of allowance for doubtful accounts of \$65,567)	1,245,787
Accounts receivable (net of allowance for doubtful accounts of \$9,000)	5,525,241
Notes receivable (net of allowance for doubtful accounts of \$246,294)	169,124
Due from other governments	144,124
Other assets	119,176
Total Current Assets	<u>20,304,753</u>
Noncurrent Assets	
Unamortized bond issuance cost	129,033
Capital assets, net	47,309,046
Total Noncurrent Assets	<u>47,438,079</u>
Total Assets	<u>\$ 67,742,832</u>
LIABILITIES	
Current Liabilities	
Accounts payable	\$ 146,088
Accrued liabilities	11,249
Accrued interest payable	623,560
Due to other governments	196,295
Funds held for others	8,303
Deferred revenues	5,354,651
Bonds payable - current portion	604,140
Total Current Liabilities	<u>6,944,286</u>
Noncurrent Liabilities	
Compensated absences	4,296
Bonds payable	18,095,000
Total Noncurrent Liabilities	<u>18,099,296</u>
Total Liabilities	<u>25,043,582</u>
NET ASSETS	
Invested in capital assets, net of related debt	32,101,693
Restricted for	-
Expendable	-
Student aid	-
Instructional programs	52,620
Loans	199,227
Capital projects	5,938,249
Debt Service	1,369,053
Other	180,404
Unrestricted	2,858,004
Total Net Assets	<u>\$ 42,699,250</u>

The Notes to the Financial Statements are an integral part of this statement.

TEXAS SOUTHMOST COLLEGE
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
FOR THE YEAR ENDED AUGUST 31, 2002

	Primary Institution
REVENUES	
Operating Revenues	
State Appropriations	\$ 13,165,590
Tuition and Fees (Net of Discounts of \$8,396,782)	5,663,423
Federal Grants and Contracts	11,624,791
State Grants and Contracts	2,629,805
Non-Governmental Grants and Contracts	370,397
Auxiliary Enterprises	579,237
Other Operating Revenues	233,491
Total Operating Revenues	34,266,734
EXPENSES	
Operating Expenses	
Instruction	18,360,073
Public Service	1,721,211
Academic Support	2,016,359
Student Services	2,339,851
Institutional Support	5,044,218
Operation and Maintenance of Plant	2,863,841
Scholarships and Fellowships	3,479,593
Auxiliary Enterprises	1,500,353
Depreciation	1,109,660
Total Operating Expenses	38,435,159
Operating Income (Loss)	(4,168,425)
Non-Operating Revenues (Expenses)	
Maintenance Ad-Valorem Taxes	
Taxes for Maintenance & Operations	5,983,156
Taxes for General Obligation Bonds	1,273,004
Investment Income (Net of Investment Expenses)	483,235
Interest on Capital Related Debt	(1,285,962)
Other Non-Operating Expenses	(9,932)
Total Non-Operating Revenues (Expenses)	6,443,501
Income Before Other Revenues, Expenses, Gains & Losses	2,275,076
Other Revenues, (Expenses), Gains, (Losses)	
Capital Contributions	-
Additions to Permanent and Term Endowments	-
Special Items	-
Extraordinary Items	-
Total Other Revenues, (Expenses), Gains, (Losses)	-
Increase (Decrease) in Net Assets	2,275,076
NET ASSETS	
Net Assets - Beginning of Year (Restated)	40,424,174
Net Assets - End of Year	\$ 42,699,250

The Notes to the Financial Statements are an integral part of this statement.

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TEXAS SOUTHMOST COLLEGE

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED AUGUST 31, 2002

	<u>Primary Institution</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from students and other customers	\$ 5,663,423
Receipts of appropriations, grants, and contracts	27,790,583
Sales and services of educational activities	579,237
Other receipts	233,491
Payments to or on behalf of employees	(28,044,975)
Payments to suppliers for goods or services	(4,667,341)
Payments of scholarships and fellowships	(3,112,830)
Auxiliary enterprise payments	(1,500,353)
Net cash provided (used) by operating activities	<u>(3,058,765)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Ad valorem tax revenues	<u>5,613,191</u>
Net cash provided (used) by non-capital financing activities	<u>5,613,191</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Net proceeds from issuance of capital debt	4,861,750
Ad valorem tax revenues	1,196,298
Purchases of capital assets	(10,510,884)
Payments on capital debt and leases	(560,859)
Interest on capital related debt	(1,285,962)
Net cash provided (used) by capital and related financing activities	<u>(6,299,657)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sale and maturity of investments	6,002,541
Investment earnings	<u>483,235</u>
Net cash provided (used) by investing activities	<u>6,485,776</u>
Increase (decrease) in cash and cash equivalents	2,740,545
Cash and cash equivalents - September 1, 2001	<u>10,312,930</u>
Cash and cash equivalents - August 31, 2002	<u>\$ 13,053,475</u>

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TEXAS SOUTHMOST COLLEGE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31, 2002

	<u>Primary Institution</u>
Reconciliation of operating income (loss) to net cash used by operating activities	
Operating income (loss)	\$ (4,168,425)
Adjustments to reconcile operating loss to net cash used by operating activities	
Depreciation expense	1,109,660
Changes in assets and liabilities	
Receivables, net	(5,560,395)
Due from other governments	96,398
Other assets	124,374
Accounts payable	93,576
Due to other governments	97,210
Deferred revenue	5,140,689
Compensated absences	8,148
Net cash provided (used) by operating activities	<u>\$ (3,058,765)</u>

The Notes to the Financial Statements are an integral part of this statement.

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TEXAS SOUTHMOST COLLEGE

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2002

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*. The College applies all applicable Governmental Accounting Standards Board (GASB) pronouncements and all applicable Financial Accounting Standard Board (FASB) statements and interpretations issued on or before November 30, 1989, unless they conflict or contradict GASB pronouncements. The College has elected not to apply FASB guidance issued subsequent to November 30, 1989, unless specifically adopted by the GASB. The College is reported as a special-purpose government engaged in business-type activities.

Tuition Discounting

Texas Public Education Grants – Certain tuition amounts are required to be set aside for use as scholarships by qualifying students. This set aside, called the Texas Public Education Grant (TPEG), is shown with tuition and fee revenue amounts as a separate set aside amount (Texas Education Code §56.033). When the student uses the award for tuition, the amount is recorded as tuition and a corresponding amount is recorded as a tuition discount.

Title IV, HEA Program Funds – Certain Title IV HEA Program funds are received by the College to pass through to the student. These funds are initially received by the College and recorded as restricted revenue. When the student is awarded and uses these funds for tuition and fees, the amounts are recorded as revenue and a corresponding amount is recorded as a tuition discount.

Other Tuition Discounts – The College awards tuition and fee scholarships from institutional funds to students who qualify. When these amounts are used for tuition and fees, the amounts are recorded as tuition and fee revenue and a corresponding amount is recorded as a tuition discount.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting

The College's financial statements have been prepared on the accrual basis whereby all revenues are recorded when earned and all expenses are recorded when they have been reduced to a legal or contractual obligation to pay.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for expenditures of funds are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration. Under Texas law, appropriations lapse at August 31st, and encumbrances outstanding at that time are to be either cancelled or appropriately provided for in the subsequent year's budget. Encumbrances outstanding at year-end that are provided for in subsequent year's budget are reported as designations of net assets since they do not constitute expenditures or liabilities.

Budgetary Data

Each community college district in Texas is required by law to prepare an annual operating budget of anticipated revenues and expenditures for the fiscal year beginning September 1st. The College's Board of Trustees adopts the budget, which is prepared on the accrual basis of accounting. A copy of the approved budget must be filed with the Texas Higher Education Coordination Board, Legislative Budget Board, Legislative Reference Library, and Governor's Office of Budget and Planning.

Cash and Cash Equivalents

The College's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments

In accordance with GASB Statement No. 31 *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, investments are reported at fair value. Fair values are based on published market rates. Short-term investments have an original maturity greater than three months but less than one year at time of purchase. Long-term investments have an original maturity of greater than one year at the time of purchase.

Capital Assets

Capital assets are stated at cost. Donated capital assets are valued at their estimated fair market value on the date received. The College reports depreciation under a single-line item as a business-type unit. Depreciation is computed using the straight-line method over the estimated useful lives of the assets applying the half-year convention. The following lives are used:

Buildings	50 years
Buildings and Improvements	20 years
Furniture, Machinery and Equipment	10 years
Library Books	As long as in collection

Library books are capitalized but not depreciated. Library books will be written off as the books are removed from service.

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

Accounts Receivable

Receivables consisted of tuition & fees from students and grants & contracts at year end.

Deferred Revenues

Tuition, fees and other revenues received and related to the period after August 31, 2002 have been deferred.

Net Assets

The College's net assets are classified as follows:

Invested in Capital Assets, Net of Related Debt – This category represents the College's total investment in capital assets, net of related outstanding debt and accumulated depreciation.

Restricted Net Assets, Nonexpendable – Net assets, such as endowment and similar type trust funds, which are subject to externally imposed stipulations that the College maintain them permanently.

Restricted Net Assets, Expendable – Net assets for which the College is legally or contractually obligated to spend in accordance with external restrictions.

Unrestricted Net Assets – Unrestricted net assets are resources that are not subject to any external restrictions and may be used at the discretion of the governing board for any lawful purpose of the District.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the College's policy is to first apply the expense towards unrestricted resources, and then towards restricted resources.

Classification of Revenues

The College has classified its revenues as either operating or non-operating according to the following criteria:

Operating Revenues – Operating revenues are generated by activities that have the characteristics of exchange transactions, including student tuition and fees net of scholarship discounts and allowances; state appropriations; federal, state and local and private grants and contracts; and other revenues of a similar nature.

Non-Operating Revenues – Non-operating revenues include activities that do not have the characteristics of exchange transactions, such as property tax revenues, gifts and investment income.

Estimates

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Prior Year Restatement

In June 1999, GASB approved Statement No. 34, *Basic Financial Statements – Management’s Discussion and Analysis- for State and Local Governments*. This was followed by GASB Statement No. 35, *Basic Financial Statements – Management’s Discussion and Analysis for Public Colleges and Universities*, which extends the guidance of GASB 34 to public colleges and universities. The College implemented these changes for the year ended August 31, 2002, resulting in an entirely new financial statement presentation format. The College is reported as a special-purpose government engaged in business-type activities.

3. DEPOSITS AND INVESTMENTS

At August 31, 2002, the carrying amount of Texas Southmost College cash and demand deposits was \$13,053,475, and total bank balances equaled \$13,447,831. Bank balances of \$100,000 are covered by federal depository insurance and \$19,994,375 of securities pledged as collateral 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).

As reported on Exhibit 1, cash and demand deposits include the following:

Bank Deposits	
Demand Deposits	\$ 13,050,965
Cash and Cash Equivalents	
Petty Cash on Hand	<u>2,510</u>
Total Cash and Deposits	<u>\$ 13,053,475</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 agent 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.

3. DEPOSIT AND INVESTMENTS (Continued)

Type of Security	Categories			Carrying Amount	Market Value
	1	2	3		
Corporate Stocks	\$ 47,826	\$ -	\$ -	\$ 47,826	\$ 47,826
Totals	\$ 47,826	\$ -	\$ -	\$ 47,826	\$ 47,826

4. CAPITAL ASSETS

Capital asset activity for the College for the year ended August 31, 2002, was as follows:

	Primary Institution			
	Balance	Changes During Year		Balance
	9/1/2001 *	Additions	Reclass	8/31/02
Not Depreciated:				
Land	\$ 3,373,103	\$ 494,660	\$ -	\$ 3,867,763
Library Books	8,422,239	-	-	8,422,239
Construction in Progress	4,723,792	9,445,555	(9,206,668)	4,962,679
Subtotal	16,519,134	9,940,215	(9,206,668)	17,252,681
Other Capital Assets:				
Buildings	31,890,647	38,688	9,206,668	41,136,003
Site Improvements	5,757,790	297,907	-	6,055,697
Machinery, Equipment, Furniture & Fixtures	7,359,650	234,074	-	7,593,724
Subtotal	45,008,087	570,669	9,206,668	54,785,424
Accumulated Depreciation:				
Buildings	(13,836,044)	(608,822)	-	(14,444,866)
Site Improvements	(2,999,533)	(265,804)	-	(3,265,337)
Machinery, Equipment, Furniture & Fixtures	(6,783,822)	(235,034)	-	(7,018,856)
Subtotal	(23,619,399)	(1,109,660)	-	(24,729,059)
Net Other Capital Assets	21,388,688	(538,991)	9,206,668	30,056,365
Net Capital Assets	\$ 37,907,822	\$ 9,401,224	\$ -	\$ 47,309,046

* Beginning balances have been restated to reflect adjustments for change in capitalization policy.

5. LONG-TERM LIABILITIES

Long-term liability for the year ended August 31, 2002 was as follows:

	Balance			Balance	Current
	9/1/01	Additions	Retired		
Bonds Payable					
Series 1994	\$ 5,374,999	\$ -	\$ (405,859)	\$ 4,969,140	\$ 379,140
Series 2000	8,885,000	-	(155,000)	8,730,000	175,000
Series 2002	-	5,000,000	-	5,000,000	50,000
Total Bonds Payable	14,259,999	5,000,000	(560,859)	18,699,140	604,140
Other Liabilities					
Compensated absences	4,296	-	-	4,296	-
Total Long-term Liabilities	\$ 14,264,295	\$ 5,000,000	\$ (560,859)	\$ 18,703,436	\$ 604,140

6. **BONDS PAYABLE (Continued)**

Combined Fee Revenue Bonds, Series 2002

- To fund various capital projects and facilitate property acquisition
- Issued revenue bonds on May 30, 2002
- \$5,000,000, all authorized bonds have been issued
- Source of revenue for debt service - Tuition fees, student & employee parking fees and investment earnings

Bonds payable are due in annual installments varying from \$50,000 to \$2,295,000 with an interest rate of 5.5% with the final installment due in 2017. Future principal and interest expense requirements are summarized below for bonds and variable rate notes issued. Bond issuance costs totaled \$138,250, which is being amortized over the life of the bonds. Amortization expense for the year totaled \$9,217.

Year Ending			
<u>August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$ 50,000	\$ 308,611	\$ 358,611
2004	85,000	272,250	357,250
2005	90,000	267,575	357,575
2006	100,000	262,625	362,625
2007	120,000	257,125	377,125
Beyond 5 years	<u>4,555,000</u>	<u>1,928,850</u>	<u>6,483,850</u>
Total	<u>\$ 5,000,000</u>	<u>\$ 3,297,036</u>	<u>\$ 8,297,036</u>

7. **ADVANCE REFUNDING BONDS**

Refunded \$8,510,000 of School Building Tax Bonds, Series 1987 and 1988

- Issued refunding bonds on March 31, 1994 for \$8,509,999 with an 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.
- The refunded portion of the 1987 and 1988 Series bonds are considered fully defeased and the liability for those bonds have 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.

8. 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	2,410,000
Total		<u>\$ 8,510,000</u>

9. 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.

10. 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 Government Code 609.001. As of August 31, 2002, the College had two employees participating in the program. A total of \$4,800 in payroll deductions had been invested in approved plans during the fiscal year.

11. 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 or to the estate of an employee in the event of his/her death. 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. As of August 31, 2002, compensated absences payable consisted of \$4,296.

12. CAPITAL LEASE OBLIGATIONS

There were no capital lease obligations at August 31, 2002.

13. LITIGATION

The College's attorney reports no pending or threatened lawsuits, claims or assessments, including civil rights complaints.

14. OPERATING LEASE COMMITMENTS AND RENTAL AGREEMENTS

There were no operating lease commitments at August 31, 2002.

15. FUNDS HELD IN TRUST BY OTHERS

At August 31, 2002, there were no such funds for the benefit of the College.

16. SELF-INSURED PLANS

The College has no self-insured arrangements.

17. POST RETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

In addition to providing pension benefits, the College provides certain health care and life insurance benefits for retired employees. Almost all of the employees may become eligible for those benefits if they reach normal retirement age while working for the College. Those and similar benefits for active employees are provided through an insurance company whose premiums are based on benefits paid during the previous year. The College recognizes the cost of providing these benefits by expending the annual insurance premiums. The College contributes \$2.28 per month on \$5,000 of life insurance per employee. The College's monthly contribution per full-time employee was \$276.02 for single employees, \$381.43 for the employee and children, \$433.45 for employee and spouse, and \$538.86 for family coverage for the year ended August 31, 2002. The cost of providing those benefits for twelve active employees was \$41,086.68. At August 31, 2002, Texas Southmost College did not have any active retirees. The state group insurance amount of \$1,438,404 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.

18. RELATED PARTIES (Continued)

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 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 1999-2000 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.

- B. During the year ended August 31, 2002 total rental income recognized by TSC was \$1,471,997.
- C. Agreement for the coordination of personnel with provisions for conditions of employment by UTB.
- D. 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.

20. INTERFUND BORROWING

All interfund borrowing has been made from unrestricted funds and is payable within one year without interest.

<u>Fund</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Unrestricted Fund	\$ 123,224	\$ 296
Auxiliary Enterprises	296	-
Restricted:		
Federal restricted funds	-	123,224
Total	<u>\$ 123,520</u>	<u>\$ 123,520</u>

21. PROPERTY TAX

The College's ad valorem property tax is levied each October 1st on the assessed value listed as of the prior January 1st for all real and business personal property located in the College.

21. PROPERTY TAX (Continued)

As of August 31, 2002 the assessed valuation of the College was as follows:

Assessed Valuation of the District:	\$ 5,842,242,809
Less: Exemptions	540,161,957
Net Assessed Valuation of the District	<u>\$ 5,302,080,852</u>

	Current <u>Operations</u>	Debt <u>Service</u>	<u>Total</u>
Tax Rate per \$100 valuation authorized for	\$ 0.500000	\$ 0.500000	\$ 1.000000
Tax Rate per \$100 valuation assessed for	\$ 0.108835	\$ 0.022565	\$ 0.131400

Taxes levied for the year ended August 31, 2002 are \$6,966,934 (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 1st of the year following the year in which imposed.

<u>Taxes Collected</u>	Current <u>Operations</u>	Debt <u>Service</u>	<u>Total</u>
Current Taxes Collected	\$ 5,386,004	\$ 1,118,113	\$ 6,504,117
Delinquent Taxes Collected	220,672	65,658	286,330
Penalties and Interest Collected	166,397	46,010	212,407
Less Discounts & Commissions	(159,882)	(33,483)	(193,365)
Total Collections	<u>\$ 5,613,191</u>	<u>\$ 1,196,298</u>	<u>\$ 6,809,489</u>

Tax collections for the year ended August 31, 2002 were 93.10% 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 maintenance and operations or interest and sinking expenditures.

22. DEFERRED REVENUES

Revenues, primarily consisting of tuition and fees, 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>Description</u>	<u>Amount</u>
Tuition and Fees - Students	\$ 2,118,910
Tuition and Fees - Grants & Contracts	3,178,365
Prepaid Rentals	<u>57,376</u>
Total	<u>\$ 5,354,651</u>

23. 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, 2002.

24. 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.

25. CONSTRUCTION COMMITMENTS

At August 31, 2002, Texas Southmost College had the following construction commitments:

<u>Project</u>	<u>Remaining Balance</u>
Demolition of Compress Structure	\$ 373,777
Student Union Building	217,774
Cueto House	175,000
A/C for North & South Buildings	41,141
Total	<u>\$ 807,692</u>

26. TRANSFERS

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 3 on Schedule 2-D, 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. Since Texas Southmost College as a separate entity does not receive these federal grants, they are not reflected as revenue and are reflected as other transfers, which results in a difference in the transfers in and out.

27. COMMITMENTS AND CONTINGENCIES

The College participates in grant programs that 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.

28. RESTATEMENT OF NET ASSETS

In the preparation of the financial statements, net assets were restated due to the following:

Net Assets, Beginning of Year	\$ 64,765,422
To reflect beginning accumulated depreciation	(23,619,399)
To reflect change in capitalization policy	(1,520,965)
To reflect property taxes receivable - delinquent	799,116
Net Assets, Beginning of Year, Restated	<u>\$ 40,424,174</u>

**OVERALL COMPLIANCE AND
INTERNAL CONTROLS SECTION**

FINANCIAL ASSISTANCE SECTION

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TEXAS SOUTHMOST COLLEGE

SCHEDULE OF DETAILED OPERATING REVENUES

FOR THE YEAR ENDED AUGUST 31, 2002

	Educational Activities	Auxiliary Enterprises	Total
State Appropriations:			
Education and general support	\$ 11,655,769	\$ -	\$ 11,655,769
State group insurance	1,438,404	-	1,438,404
Noncourse-based remedial education	71,417	-	71,417
Total State Appropriations	<u>13,165,590</u>	<u>-</u>	<u>13,165,590</u>
Tuition:			
State Funded Courses			
In-district resident tuition	2,965,982	-	2,965,982
Out-of-district resident tuition	732,006	-	732,006
TPEG set aside	238,054	-	238,054
Non-resident tuition	169,537	-	169,537
Non-state funded continuing education	1,641,855	-	1,641,855
Total Tuition	<u>5,747,434</u>	<u>-</u>	<u>5,747,434</u>
Fees:			
Computer access fee	752,777	-	752,777
General fees	3,763,839	-	3,763,839
Student service fee	-	1,495,153	1,495,153
Laboratory fee	285,292	-	285,292
Automation fee	554,000	-	554,000
Student union fees	871,700	-	871,700
Other fees	309,097	280,913	590,010
Total Fees	<u>6,536,705</u>	<u>1,776,066</u>	<u>8,312,771</u>
Scholarship Allowances and Discounts:			
Scholarship allowances	(7,002,405)	(1,073,290)	(8,075,695)
Remissions and exemptions	(135,610)	(5,094)	(140,704)
TPEG allowances	(180,383)	-	(180,383)
Federal grants to students	-	-	-
Other	-	-	-
Total Scholarship Allowances	<u>(7,318,398)</u>	<u>(1,078,384)</u>	<u>(8,396,782)</u>
Total Net Tuition and Fees	<u>4,965,741</u>	<u>697,682</u>	<u>5,663,423</u>
Other Operating Revenues:			
Federal grants and contracts	11,624,791	-	11,624,791
State grants and contracts	2,629,805	-	2,629,805
Nongovernmental grants and contracts	370,397	-	370,397
Sales and services of auxiliary	-	579,237	579,237
Other operating revenues	228,791	4,700	233,491
Total Other Operating Revenues	<u>14,853,784</u>	<u>583,937</u>	<u>15,437,721</u>
Auxiliary Enterprises:			
Residential life	-	-	-
Bookstore	-	-	-
Net Resident Life and Bookstore	<u>-</u>	<u>-</u>	<u>-</u>
Total Net Auxiliary Enterprises	<u>-</u>	<u>-</u>	<u>-</u>
Total Operating Revenues	<u>\$ 32,985,115</u>	<u>\$ 1,281,619</u>	<u>\$ 34,266,734</u>

TEXAS SOUTHMOST COLLEGE

**STATEMENT OF OPERATING EXPENSES AND CAPITAL
OUTLAY BY FUNCTIONAL AND NATURAL CLASSIFICATIONS**

FOR THE YEAR ENDED AUGUST 31, 2002

	Operating Expenses				
	Faculty Salaries	Staff Salaries and Wages	Benefits		Other Expenses
			State Benefits	Local Benefits	
Educational Activities					
Instruction	\$ 9,785,133	\$ 3,761,587	\$ 908,713	\$ 1,556,472	\$ 2,348,168
Public Service	-	954,725	-	130,167	636,319
Academic Support	-	1,564,691	39,216	121,248	291,204
Student Services	-	1,901,165	65,412	109,106	630,931
Institutional Support	-	3,073,860	83,742	326,857	1,559,759
Operation and Maintenance of Plant	-	1,054,978	10,302	249,433	1,549,128
Scholarships and Fellowships	-	-	-	-	3,112,830
Total Educational Activities	<u>9,785,133</u>	<u>12,311,006</u>	<u>1,107,385</u>	<u>2,493,283</u>	<u>10,128,339</u>
Auxiliary Enterprises	-	822,207	148,225	-	529,921
Depreciation Expense	-	-	-	-	1,109,660
Total Operating Expenses	<u>\$ 9,785,133</u>	<u>\$ 13,133,213</u>	<u>\$ 1,255,610</u>	<u>\$ 2,493,283</u>	<u>\$ 11,767,920</u>

SCHEDULE 2 - B

	Memorandum Only		Total Operating Expenses and Capital Outlay
	Capital Outlay		
Total	Equipment	Facilities	
\$ 18,360,073	\$ -	\$ -	\$ 18,360,073
1,721,211	-	-	1,721,211
2,016,359	-	-	2,016,359
2,706,614	-	-	2,706,614
5,044,218	-	-	5,044,218
2,863,841	1,304,215	9,206,668	13,374,724
3,112,830	-	-	3,112,830
<u>35,825,146</u>	<u>1,304,215</u>	<u>9,206,668</u>	<u>46,336,029</u>
<u>1,500,353</u>	<u>-</u>	<u>-</u>	<u>1,500,353</u>
<u>1,109,660</u>	<u>-</u>	<u>-</u>	<u>1,109,660</u>
<u>\$ 38,435,159</u>	<u>\$ 1,304,215</u>	<u>\$ 9,206,668</u>	<u>\$ 48,946,042</u>

TEXAS SOUTHMOST COLLEGE
SCHEDULE OF TUITION AND FEE DISCOUNTING
FOR THE YEAR ENDED AUGUST 31, 2002

	Educational Activities
Scholarship Allowances and Discounts:	
Scholarship Allowances and Remissions and Exemptions:	
State Funded Courses	
In-district resident tuition	\$ (2,086,832)
Out-of-district resident tuition	(514,402)
Non-resident tuition	<u>(119,054)</u>
Total State Funded Courses	<u>(2,720,288)</u>
Computer access fee	(528,694)
General fees	(2,643,969)
Student service fee	(907,811)
Laboratory fee	(199,276)
Automation fee	(394,457)
Student union fees	(615,475)
Other fees	<u>(386,812)</u>
Total Remissions and Exemptions	<u>\$ (8,396,782)</u>

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TEXAS SOUTHMOST COLLEGE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED AUGUST 31, 2002

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Pass-Through Disbursements and 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-031-0006	\$ <u>24,434</u>
<u>U.S. Department of Labor</u>			
<i>Passed Through Texas Workforce Commission:</i>			
Texas Workforce Commission	17.250	-	<u>40,720</u>
<u>U.S. Department of Education</u>			
<i>Passed Through Texas Higher Education Coordinating Board:</i>			
Carl D. Perkins - Vocational Education	84.048	04246	<u>429,004</u>
<u>U.S. Department of Human Services</u>			
<i>Passed Through Texas Migrant Authority, Inc.:</i>			
Child Day Care Center	93.667	80030	<u>18,647</u>
<u>National Aeronautics & Space Administration</u>			
<i>Direct Program:</i>			
NASA Research Grant	43.000	NAG 9-1391	<u>94,010</u>
Total Federal Financial Assistance			<u>\$ <u>606,815</u></u>

Notes to the Schedule on the following page.

TEXAS SOUTHMOST COLLEGE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)
FOR THE YEAR ENDED AUGUST 31, 2002

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

Note 1: Federal Assistance Reconciliation

Federal revenue received by Texas Southmost College			
Federal grants and contracts - per schedule			\$ 606,815
Federal revenue received by University of Texas at Brownsville			<u>11,017,976</u>
 Total Federal Revenue			 <u>\$ 11,624,791</u>

Note 2: Significant Accounting Policies used in Preparing the Schedule

The expenditures included in the schedule are reported for the College's fiscal year. Expenditure reports to funding agencies are prepared on the award period basis. The expenditures reported above represent funds which have been expended by the College for the purpose of the award. The expenditures reported above may not have been reimbursed by the funding agencies as of the end of the fiscal year. Some amounts reported in the schedule may differ from amounts used in the preparation of the general purpose financial statements. Separate accounts are maintained for the different awards to aid in the observance of limitations and restrictions imposed by the funding agencies. The College has followed all applicable guidelines issued by various entities in the preparation of the schedule.

Note 3: Expenditures from Federal Funds Received by UTB

The following federal funds were not subject to a federal single audit at Texas Southmost College:

<u>Program Name</u>			
Federal Pell Grant Program	84.063	-	\$ 10,365,341
SEOG	84.007	-	280,576
Federal Workstudy Program	84.033	-	<u>372,059</u>
 Total			 <u>\$ 11,017,976</u>

These funds were not subject to a federal single audit at Texas Southmost College because the University of Texas at Brownsville receives certain federal funds which are disbursed to Texas Southmost College students. These funds are audited as part of UTB's audit and are not included above.



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

Members of the Board:

We have audited the financial statements of Texas Southmost College, as of and for the year ended August 31, 2002, and have issued our report thereon dated December 16, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, including the Public Funds Investment Act (Chapter 2256, Texas Government Code), 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.

This report is intended for the information of the Board of Directors, the audit committee, the administration, federal awarding agencies and pass-through entities, and is not intended to be used and should not be used by anyone other than these specified parties.

Pattillo, Brown & Hill, C.P.A.

December 16, 2002



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

Members of the Board:

Compliance

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, 2002. 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 of compliance 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 OMB 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, 2002.

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.

This report is intended for the information of the Board of Directors, the audit committee, the administration, federal awarding agencies and pass-through entities, and is not intended to be used and should not be used by anyone other than these specified parties.

Pattillo, Brown & Hill, LLP

December 16, 2002

TEXAS SOUTHMOST COLLEGE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED AUGUST 31, 2002

A. Summary of Auditors' Results

- | | |
|---|---|
| 1. Type of auditors' report on financial statements: | <i>Unqualified.</i> |
| 2. Regarding internal control over financial reporting: | |
| Material weakness(es) identified: | <i>No.</i> |
| Reportable condition(s) identified that are not considered to be material weaknesses: | <i>None reported.</i> |
| 3. Noncompliance which is material to the financial statements: | <i>No.</i> |
| 4. Regarding internal control over major programs: | |
| Material weakness(es) identified: | <i>No.</i> |
| Reportable condition(s) identified that are not considered to be material weaknesses: | <i>None reported.</i> |
| 5. Type of auditors' report on compliance for major programs: | <i>Unqualified.</i> |
| 6. Any audit findings which are required to be reported in accordance with OMB Circular A-133, Sec. 510(a): | <i>No.</i> |
| 7. Major federal programs include: | <i>CFDA 84.048 Carl D. Perkins Grant.</i> |
| 8. Dollar threshold used to distinguish between Type A and Type B programs: | <i>\$300,000.</i> |
| 9. Low risk auditee: | <i>Yes.</i> |

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

None reported.

C. Findings and Questioned Costs for Federal Awards

Program	<i>None.</i>
Findings/noncompliance	<i>None.</i>
Questioned costs	<i>Not applicable.</i>

TEXAS SOUTHMOST COLLEGE
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2002

Findings and Questioned Costs for Federal Awards

Program	<i>None.</i>
Findings/noncompliance	<i>None.</i>
Questioned costs	<i>Not applicable.</i>

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STATISTICAL SUPPLEMENT

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TEXAS SOUTHMOST COLLEGE
PROPERTY TAX RATES ASSESSED *
LAST 10 FISCAL YEARS
(UNAUDITED)

<u>Fiscal Year</u>	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>
1992-93	\$ 0.064800	\$ 0.043405	\$ 0.108205
1993-94	0.063000	0.044550	0.107550
1994-95	0.061660	0.037320	0.098980
1995-96	0.056530	0.035840	0.092370
1996-97	0.055605	0.034154	0.089759
1997-98	0.055111	0.032878	0.087989
1998-99	0.097740	0.028345	0.126085
1999-00	0.096311	0.025715	0.122026
2000-01	0.105841	0.025559	0.131400
2001-02	0.108835	0.022565	0.131400

Per \$100 Valuation

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TEXAS SOUTHMOST COLLEGE
PROPERTY TAX RATES AUTHORIZED *
LAST 10 FISCAL YEARS
(UNAUDITED)

<u>Fiscal Year</u>	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>
1992-93	\$ 0.500000	\$ 0.500000	\$ 1.000000
1993-94	0.500000	0.500000	1.000000
1994-95	0.500000	0.500000	1.000000
1995-96	0.500000	0.500000	1.000000
1996-97	0.500000	0.500000	1.000000
1997-98	0.500000	0.500000	1.000000
1998-99	0.500000	0.500000	1.000000
1999-00	0.500000	0.500000	1.000000
2000-01	0.500000	0.500000	1.000000
2001-02	0.500000	0.500000	1.000000

* Per \$100 Valuation

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TEXAS SOUTHMOST COLLEGE

CONTACT HOUR INFORMATION

LAST 10 FISCAL YEARS

(UNAUDITED)

Fiscal Year	Contact Hours		Total
	Academic	Voc Tech	
1992-93	2,079,664	921,407	3,001,071
1993-94	1,946,864	855,698	2,802,562
1994-95	2,114,512	917,633	3,032,145
1995-96	2,201,152	737,229	2,938,381
1996-97	2,357,296	768,349	3,125,645
1997-98	2,186,960	982,716	3,169,676
1998-99	2,190,320	870,372	3,060,692
1999-00	2,376,360	665,455	3,041,815
2000-01	2,349,504	574,934	2,924,438
2001-02	2,282,704	660,912	2,943,616

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TEXAS SOUTHMOST COLLEGE

NET ASSESSED VALUATION

LAST 10 FISCAL YEARS

(UNAUDITED)

<u>Fiscal Year</u>	<u>Assessed Valuation</u>	<u>Less: Exemptions</u>	<u>Net Assessed Valuation</u>
1992-93	\$ 2,899,144,430	\$ -	\$ 2,899,144,430
1993-94	3,079,170,904	-	3,079,170,904
1994-95	3,218,211,242	-	3,218,211,242
1995-96	3,333,499,914	-	3,333,499,914
1996-97	3,565,068,615	-	3,565,068,615
1997-98	3,805,347,875	-	3,805,347,875
1998-99	4,581,977,748	478,405,329	4,103,572,419
1999-00	4,944,006,077	489,425,756	4,454,580,321
2000-01	5,302,263,192	510,421,568	4,791,841,624
2001-02	5,842,242,809	540,161,957	5,302,080,852

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TEXAS SOUTHMOST COLLEGE

PROPERTY TAX COLLECTED

LAST 10 FISCAL YEARS

(UNAUDITED)

<u>Fiscal Year</u>	<u>Current Tax Collections</u>	<u>Delinquent Collections</u>	<u>Total Tax Collections</u>
1992-93	\$ 2,908,854	\$ 148,192	\$ 3,057,046
1993-94	3,053,124	134,766	3,187,890
1994-95	2,878,581	171,100	3,049,681
1995-96	2,883,363	162,381	3,045,744
1996-97	2,988,483	166,340	3,154,823
1997-98	3,197,142	193,039	3,390,181
1998-99	4,813,210	164,595	4,977,805
1999-00	5,093,585	232,749	5,326,334
2000-01	5,897,883	263,647	6,161,530
2001-02	6,504,117	286,330	6,790,447

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TEXAS SOUTHMOST COLLEGE
STATE APPROPRIATIONS PER FTSE *
LAST 10 FISCAL YEARS
(UNAUDITED)

<u>Fiscal Year</u>	<u>Appropriations Per FTSE</u>
1992-93	\$ 663
1993-94	759
1994-95	710
1995-96	705
1996-97	641
1997-98	714
1998-99	761
1999-00	786
2000-01	833
2001-02	804

* Full Time Student Equivalent

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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

Members of the Board:

Our report on our audit of the financial statements of Texas Southmost College for the year ended August 31, 2002 appears on page 1. That audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The statements and schedules included on pages 37 through 69 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 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, C.P.A.

December 16, 2002

TEXAS SOUTHMOST COLLEGE

DETAILED SCHEDULE OF EDUCATIONAL ACTIVITIES BY OBJECT

FOR THE YEAR ENDED AUGUST 31, 2002

	Educational Activities			Total Educational Activities
	Unrestricted	Restricted	Other Funds	
State Appropriations:				
Education and general support	\$ 11,655,769	\$ -	\$ -	\$ 11,655,769
State group insurance	-	1,438,404	-	1,438,404
Noncourse-based remedial education	71,417	-	-	71,417
Total State Appropriations	<u>11,727,186</u>	<u>1,438,404</u>	<u>-</u>	<u>13,165,590</u>
Tuition:				
State Funded Courses				
In-district resident tuition	2,965,982	-	-	2,965,982
Out-of-district resident tuition	732,006	-	-	732,006
TPEG set aside	238,054	-	-	238,054
Non-resident tuition	169,537	-	-	169,537
Non-state funded continuing education	1,641,855	-	-	1,641,855
Total Tuition	<u>5,747,434</u>	<u>-</u>	<u>-</u>	<u>5,747,434</u>
Fees:				
Computer access fee	752,777	-	-	752,777
General fees	3,763,839	-	-	3,763,839
Laboratory fee	285,292	-	-	285,292
Automation fee	554,000	-	-	554,000
Student union fees	-	-	871,700	871,700
Other fees	309,097	-	-	309,097
Total Fees	<u>5,665,005</u>	<u>-</u>	<u>871,700</u>	<u>6,536,705</u>
Scholarship Allowances and Discounts:				
Scholarship allowances	-	(7,182,788)	-	(7,182,788)
Remissions and exemptions	(121,932)	-	(13,678)	(135,610)
Total Scholarship Allowances	<u>(121,932)</u>	<u>(7,182,788)</u>	<u>(13,678)</u>	<u>(7,318,398)</u>
Total Net Tuition and Fees	<u>11,290,507</u>	<u>(7,182,788)</u>	<u>858,022</u>	<u>4,965,741</u>
Other Operating Revenues:				
Federal Grants and Contracts				
Federal funds received by the College	-	606,815	-	606,815
Federal funds received by the University of Texas at Brownsville	-	11,017,976	-	11,017,976
Total Federal Grants and Contracts	<u>-</u>	<u>11,624,791</u>	<u>-</u>	<u>11,624,791</u>
State grants and contracts	1,471,997	1,157,808	-	2,629,805
Nongovernmental grants and contracts	308,525	61,872	-	370,397
Other operating revenues	228,791	-	-	228,791
Total Other Operating Revenues	<u>2,009,313</u>	<u>12,844,471</u>	<u>-</u>	<u>14,853,784</u>
Total Operating Revenues	<u>\$ 25,027,006</u>	<u>\$ 7,100,087</u>	<u>\$ 858,022</u>	<u>\$ 32,985,115</u>

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TEXAS SOUTHMOST COLLEGE

SCHEDULE OF REVENUE COMPARED WITH BUDGET
GENERAL AND AUXILIARY ENTERPRISE FUNDS

FOR THE YEAR ENDED AUGUST 31, 2002

	Budget	Actual	Variance Favorable (Unfavorable)
GENERAL REVENUE:			
State Appropriations			
Education and general state support	\$ 11,640,122	\$ 11,655,769	\$ 15,647
Noncourse-based remedial education	85,082	71,417	(13,665)
<i># of Student TASP - budgeted based on previous 5</i>			
Total State Appropriations	<u>11,725,204</u>	<u>11,727,186</u>	<u>1,982</u>
Tuition and Fees			
Tuition	4,902,718	5,529,906	627,188
Computer access fee	751,989	743,779	(8,210)
Designated Tuition (General Use Fee)	3,759,946	3,718,318	(41,628)
Automation fee	486,966	542,009	55,043
Laboratory fee	104,599	282,974	178,375
Other fees	320,588	473,521	152,933
<i>1946 short</i>			
Total Tuition and Fees	<u>10,326,806</u>	<u>11,290,507</u>	<u>963,701</u>
Taxes for Current Operations	<u>4,818,146</u>	<u>5,613,191</u>	<u>795,045</u>
State Grants and Contracts			
UTB building lease	<u>1,471,997</u>	<u>1,471,997</u>	<u>-</u>
Total State Grants and Contracts	<u>1,471,997</u>	<u>1,471,997</u>	<u>-</u>
Local Grants and Contracts			
Local contracts	<u>355,775</u>	<u>308,525</u>	<u>(47,250)</u>
Total Local Grants and Contracts	<u>355,775</u>	<u>308,525</u>	<u>(47,250)</u>
Other Sources			
Interest income	100,000	98,954	(1,046)
Library/other income	100,322	24,341	(75,981)
Child care parent contribution	250,000	198,299	(51,701)
Miscellaneous	5,000	6,151	1,151
<i>over budgeted</i>			
Total Other Sources	<u>455,322</u>	<u>327,745</u>	<u>(127,577)</u>
Total General Revenue	<u>29,153,250</u>	<u>30,739,151</u>	<u>1,585,901</u>

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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, 2002

	Budget	Actual	Variance Favorable (Unfavorable)
AUXILIARY ENTERPRISES:			
Leases	640,263	441,463	(198,800)
Copier income	52,676	54,125	1,449
Interest income	20,000	17,599	(2,401)
Health insurance	14,799	14,799	-
Transfer from debt service for student union	286,060	266,096	(19,964)
Other student union revenues	55,000	4,700	(50,300)
Transfer from General Fund	630,000	630,000	-
Student service fees	1,490,077	1,490,077	-
Parking fees	275,500	266,096	(9,404)
Total Auxiliary Enterprises Funds Revenue	3,464,375	3,184,955	(279,420)
Total General and Auxiliary Enterprises Funds Revenue	\$ 32,617,625	\$ 33,924,106	\$ 1,306,481

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TEXAS SOUTHMOST COLLEGE

SCHEDULE OF EXPENDITURES COMPARED WITH BUDGET
GENERAL AND AUXILIARY ENTERPRISE FUNDS

FOR THE YEAR ENDED AUGUST 31, 2002

	Budget	Actual	Variance Favorable (Unfavorable)
GENERAL EXPENDITURES:			
General Administration and Student Services			
Government of the institution	\$ 77,100	\$ 98,103	\$ (21,003)
Executive direction and control	-	-	-
Business and fiscal management	222,388	198,005	24,383
Student admission and registration	-	-	-
Student service	-	-	-
Total General Administration and Student Services	<u>299,488</u>	<u>296,108</u>	<u>3,380</u>
General Institutional Expense	<u>1,591,300</u>	<u>1,180,149</u>	<u>411,151</u>
Staff Benefits:			
Group health insurance premiums	25,481	15,391	10,090
Old age and survivors insurance	20,255	14,862	5,393
Workmen's compensation insurance	1,734	1,287	447
Life insurance premiums	1,105	723	382
Total Staff Benefits	<u>48,575</u>	<u>32,263</u>	<u>16,312</u>
Resident Instruction:			
Subsidy to UTB	-	-	-
Tuition paid to UTB	6,677,194	6,677,194	-
Total Resident Instruction	<u>6,677,194</u>	<u>6,677,194</u>	<u>-</u>
Special Items:			
Carl Perkins vocational grant	-	-	-
Transfers to UTB	20,547,293	20,979,334	(432,041)
Total Special Items	<u>20,547,293</u>	<u>20,979,334</u>	<u>(432,041)</u>
 Total Education and General Expenditures	 <u>29,163,850</u>	 <u>29,165,048</u>	 <u>(1,198)</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, 2002

	Budget	Actual	Variance Favorable (Unfavorable)
AUXILIARY ENTERPRISES:			
Rancho Del Cielo	163,398	163,392	6
Rental and supplies for copier	50,302	51,920	(1,618)
Radio station support	30,000	30,000	-
Canyon del Novillo	26,056	19,000	7,056
Student Union	341,060	250,840	90,220
Fort Brown Memorial Center	977,877	902,949	74,928
Anniversary	50,000	50,000	-
Condominium expenses	11,000	6,125	4,875
Contingency	5,000	2,481	2,519
St. Charles Street M&O	25,000	-	25,000
Other expenses	97,800	23,646	74,154
Transfer to Restricted Parking Fund	275,500	266,096	9,404
Transfer to UTB	1,621,419	1,504,876	116,543
Total Auxiliary Enterprises	3,674,412	3,271,325	403,087
Total General and Auxiliary Enterprise Fund Expenditures	32,838,262	32,436,373	401,889
 REVENUE OVER (UNDER) EXPENDITURES	 \$ (220,637)	 \$ 1,487,733	 \$ 1,708,370

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COMBINING FUND SCHEDULES

TEXAS SOUTHMOST COLLEGE

BALANCE SHEET

AUGUST 31, 2002

	Current Funds				Loan Funds	Endowment & Similar Funds
	Unrestricted	Auxiliary Enterprises	Restricted	Total		
ASSETS						
Cash & cash equivalents	\$ 1,163,683	\$ 437,550	\$ 190,363	\$ 1,791,596	\$ 30,103	\$ 4,794
Short-term investments	-	-	-	-	-	-
Accounts receivable (net of allowance for doubtful accounts of \$9,000 for both years)	227,966	-	-	227,966	-	-
Taxes receivable (net of allowance for doubtful accounts of \$65,567 & \$60,823 at August 31, 2002 & 2001, respectively)	1,035,508	-	-	1,035,508	-	-
Prepaid assets	119,176	-	-	119,176	-	-
Due from other funds	123,224	296	-	123,520	-	-
Investments	-	-	-	-	-	47,826
Accrued interest receivable	-	-	-	-	-	-
Due from other agencies	-	-	100	100	-	-
Federal receivables	-	-	144,024	144,024	-	-
Deposits	-	-	-	-	-	-
Notes receivable (net of allowance for doubtful accounts of \$246,294 for both years)	-	-	-	-	169,124	-
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>\$ 2,669,557</u>	<u>\$ 437,846</u>	<u>\$ 334,487</u>	<u>\$ 3,441,890</u>	<u>\$ 199,227</u>	<u>\$ 52,620</u>

Plant Funds					Totals (Memorandum only)	
Unexpended	Renewals & Replacements	Retirement of Indebtedness	Investment in Plant	Agency Funds	2002	2001
\$ 7,791,672	\$ 2,263,365	\$ 1,163,137	\$ -	\$ 8,808	\$ 13,053,475	\$ 10,312,930
-	-	-	-	-	-	10,677
-	-	-	-	-	227,966	54,994
-	-	210,279	-	-	1,245,787	1,155,639
-	-	-	-	-	119,176	89,934
-	-	-	-	-	123,520	237,027
-	-	-	-	-	47,826	6,196,365
-	-	-	-	-	-	153,616
-	-	-	-	-	100	9,939
-	-	-	-	-	144,024	230,583
-	-	-	-	-	-	-
-	-	-	-	-	169,124	169,124
-	-	-	3,516,699	-	3,516,699	3,022,039
-	-	-	40,990,902	-	40,990,902	31,745,546
-	-	-	6,188,612	-	6,188,612	5,890,705
-	-	-	8,503,315	-	8,503,315	8,269,241
-	-	-	8,422,239	-	8,422,239	8,422,239
-	-	-	4,962,679	-	4,962,679	4,723,791
-	-	-	351,064	-	351,064	351,064
-	-	-	623,560	-	623,560	623,560
<u>\$ 7,791,672</u>	<u>\$ 2,263,365</u>	<u>\$ 1,373,416</u>	<u>\$ 73,559,070</u>	<u>\$ 8,808</u>	<u>\$ 88,690,068</u>	<u>\$ 81,669,013</u>

TEXAS SOUTHMOST COLLEGE

**BALANCE SHEET
(Continued)
AUGUST 31, 2002**

	Current Funds				Loan Funds	Endowment & Similar Funds
	Unrestricted	Auxiliary Enterprises	Restricted	Total		
LIABILITIES & FUND BALANCES						
Liabilities:						
Accounts payable	\$ 6,924	\$ 9,855	\$ -	\$ 16,779	\$ -	\$ -
Accrued liabilities	11,249	-	-	11,249	-	-
Due to other funds	296	-	123,224	123,520	-	-
Due to other agencies	151,538	7,865	31,364	190,767	-	-
Deferred revenues	1,035,508	57,376	-	1,092,884	-	-
Accrued compensated absences payable	-	4,296	-	4,296	-	-
Bonds payable	-	-	-	-	-	-
Funds held in custody for others	-	-	-	-	-	-
Total liabilities	1,205,515	79,392	154,588	1,439,495	-	-
Fund Balances:						
Unrestricted						
Reserved						
Encumbrances	-	-	-	-	-	-
Accounts receivable	-	-	-	-	-	-
Inventory	-	-	-	-	-	-
Unreserved						
Designated						
Capital projects	-	-	-	-	-	-
College loan funds	-	-	-	-	199,227	-
Undesignated	1,464,042	358,454	-	1,822,496	-	-
Restricted						
Institutional matching funds	-	-	-	-	-	52,620
Other	-	-	179,899	179,899	-	-
Net investment in plant	-	-	-	-	-	-
Total fund balances	1,464,042	358,454	179,899	2,002,395	199,227	52,620
Total liabilities and fund balances	\$ 2,669,557	\$ 437,846	\$ 334,487	\$ 3,441,890	\$ 199,227	\$ 52,620

Plant Funds					Totals (Memorandum only)	
Unexpended	Renewals & Replacements	Retirement of Indebtedness	Investment in Plant	Agency Funds	2002	2001
\$ 129,308	\$ -	\$ -	\$ -	\$ -	\$ 146,087	\$ 47,465
-	-	-	623,560	-	634,809	623,560
-	-	-	-	-	123,520	237,027
1,155	10	4,363	-	-	196,295	293,505
-	-	210,279	-	-	1,303,163	1,421,288
-	-	-	-	-	4,296	12,444
4,115,348	-	-	14,583,792	-	18,699,140	14,259,999
-	-	-	-	8,303	8,303	8,303
<u>4,245,811</u>	<u>10</u>	<u>214,642</u>	<u>15,207,352</u>	<u>8,303</u>	<u>21,115,613</u>	<u>16,903,591</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
3,545,861	2,263,355	-	-	-	5,809,216	4,390,584
-	-	-	-	-	199,227	198,468
-	-	-	-	-	1,822,496	2,002,177
-	-	1,158,774	-	-	1,211,394	989,365
-	-	-	-	505	180,404	135,202
-	-	-	58,351,718	-	58,351,718	57,049,626
<u>3,545,861</u>	<u>2,263,355</u>	<u>1,158,774</u>	<u>58,351,718</u>	<u>505</u>	<u>67,574,455</u>	<u>64,765,422</u>
<u>\$ 7,791,672</u>	<u>\$ 2,263,365</u>	<u>\$ 1,373,416</u>	<u>\$ 73,559,070</u>	<u>\$ 8,808</u>	<u>\$ 88,690,068</u>	<u>\$ 81,669,013</u>

TEXAS SOUTHMOST COLLEGE

STATEMENT OF CHANGES IN FUND BALANCES

FOR THE YEAR ENDED AUGUST 31, 2002

	Current Funds				Loan Funds
	Unrestricted	Auxiliary Enterprises	Restricted	Total	
REVENUES & OTHER ADDITIONS					
Unrestricted current funds revenue	\$ 30,739,151	\$ 2,372,508	\$ 1,438,404	\$ 34,550,063	\$ -
State appropriations - restricted	-	-	-	-	-
Federal grants & contracts	-	-	606,815	606,815	-
State grants & contracts	-	-	1,157,808	1,157,808	-
Local gifts, grants & contracts	-	-	61,872	61,872	-
Net increase (decrease) in fair value of investmen	-	-	-	-	-
Taxes for debt retirement	-	-	-	-	-
Investment/endowment income	-	-	2,858	2,858	759
Net decrease in bonds payable	-	-	-	-	-
Bond proceeds on sale of bonds	-	-	-	-	-
Expended for plant facilities	-	-	-	-	-
Other additions	-	-	-	-	-
Total revenues & other additions	<u>30,739,151</u>	<u>2,372,508</u>	<u>3,267,757</u>	<u>36,379,416</u>	<u>759</u>
EXPENDITURES & OTHER DEDUCTIONS					
Expenditures	29,165,048	1,500,353	14,522,006	45,187,407	-
Expended for plant facilities	-	-	-	-	-
Loan cancellations & write-offs	-	-	-	-	-
Net increase in bonds payable	-	-	-	-	-
Retirement of indebtedness - bonds	-	-	-	-	-
Interest on indebtedness	-	-	-	-	-
Other deductions	-	-	-	-	-
Other expenditures	-	-	-	-	-
Total expenditures & other deductions	<u>29,165,048</u>	<u>1,500,353</u>	<u>14,522,006</u>	<u>45,187,407</u>	<u>-</u>
TRANSFERS-ADDITIONS (DEDUCTIONS)					
Mandatory transfers	(281,253)	-	281,253	-	-
Nonmandatory transfers	(1,232,250)	(1,112,436)	-	(2,344,686)	-
Other	-	-	11,017,976	11,017,976	-
Total transfers - additions (deductions)	<u>(1,513,503)</u>	<u>(1,112,436)</u>	<u>11,299,229</u>	<u>8,673,290</u>	<u>-</u>
NET INCREASE (DECREASE) FOR THE FISCAL YEAR	<u>60,600</u>	<u>(240,281)</u>	<u>44,980</u>	<u>(134,701)</u>	<u>759</u>
FUND BALANCES, SEPTEMBER 1, 2001	<u>1,403,442</u>	<u>598,735</u>	<u>134,919</u>	<u>2,137,096</u>	<u>198,468</u>
FUND BALANCES, AUGUST 31, 2002	<u>\$ 1,464,042</u>	<u>\$ 358,454</u>	<u>\$ 179,899</u>	<u>\$ 2,002,395</u>	<u>\$ 199,227</u>

Endowment & Similar Funds	Plant Funds					Totals (Memorandum only)	
	Unexpended	Renewals & Replacements	Retirement of Indebtedness	Investment in Plant	Agency Funds	2002	2001
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 34,550,063	\$ 31,775,817
-	-	-	-	-	-	-	-
-	-	-	-	-	-	606,815	712,689
-	-	-	-	-	-	1,157,808	223,419
-	-	-	-	-	-	61,872	83,394
-	-	-	-	-	-	-	-
-	-	-	1,196,298	-	-	1,196,298	1,242,432
10,634	258,895	58,167	35,147	-	222	366,682	1,001,042
-	9,769,652	-	-	560,859	-	10,330,511	960,000
-	5,000,000	-	-	-	-	5,000,000	-
-	-	-	-	10,510,884	-	10,510,884	6,796,864
-	-	-	858,022	-	-	858,022	132,797
<u>10,634</u>	<u>15,028,547</u>	<u>58,167</u>	<u>2,089,467</u>	<u>11,071,743</u>	<u>222</u>	<u>64,638,955</u>	<u>42,928,454</u>
-	-	-	-	-	-	45,187,407	40,373,041
-	10,078,494	824,559	-	-	-	10,903,053	5,436,718
-	-	-	-	-	-	-	122,325
-	5,000,000	-	-	9,769,652	-	14,769,652	-
-	-	-	560,859	-	-	560,859	1,100,000
-	-	-	1,285,962	-	-	1,285,962	772,101
-	-	-	-	-	-	-	716
2,000	138,250	-	715	-	-	140,965	2,000
<u>2,000</u>	<u>15,216,744</u>	<u>824,559</u>	<u>1,847,536</u>	<u>9,769,652</u>	<u>-</u>	<u>72,847,898</u>	<u>47,806,901</u>
-	-	-	-	-	-	-	-
-	1,607,125	766,096	(28,536)	-	-	-	796,863
-	-	-	-	-	-	11,017,976	10,287,247
-	<u>1,607,125</u>	<u>766,096</u>	<u>(28,536)</u>	<u>-</u>	<u>-</u>	<u>11,017,976</u>	<u>11,084,110</u>
8,634	1,418,928	(296)	213,395	1,302,091	222	2,809,032	6,205,663
43,986	2,126,933	2,263,651	945,379	57,049,626	283	64,765,422	58,559,759
<u>\$ 52,620</u>	<u>\$ 3,545,861</u>	<u>\$ 2,263,355</u>	<u>\$ 1,158,774</u>	<u>\$ 58,351,718</u>	<u>\$ 505</u>	<u>\$ 67,574,455</u>	<u>\$ 64,765,422</u>

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AUXILIARY ENTERPRISE FUND

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TEXAS SOUTHMOST COLLEGE

BALANCE SHEET

AUXILIARY ENTERPRISE FUND

AUGUST 31, 2002

ASSETS

Cash in bank	\$	437,550
Investments		-
Accounts receivable		-
Due from other funds		296
Due from other agencies		-
		<hr/>
Total Assets	\$	<u>437,846</u>

LIABILITIES AND FUND BALANCE

Liabilities:		
Accounts payable	\$	9,855
Accrued compensable absences		4,296
Due to other agencies		7,865
Deferred revenue		57,376
		<hr/>
Total Liabilities		<u>79,392</u>
Fund Balance:		
Unrestricted - Undesignated		<u>358,454</u>
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Total Fund Balance		<u>358,454</u>
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Total Liabilities and Fund Balance	\$	<u>437,846</u>

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TEXAS SOUTHMOST COLLEGE
STATEMENT OF REVENUE AND EXPENDITURES

AUXILIARY ENTERPRISE FUND

FOR THE YEAR ENDED AUGUST 31, 2002

	Rancho Del Cielo	Bookstore, Cafeteria and Auditorium	Other	Combined Total
REVENUE				
Leases	\$ -	\$ 441,463	\$ -	\$ 441,463
Parking fees	-	-	266,096	266,096
Health insurance	-	-	14,799	14,799
Student service fee	-	-	1,490,077	1,490,077
Copier income	-	-	54,125	54,125
Other income	-	-	88,349	88,349
Interest income	-	-	17,599	17,599
Total Revenue	-	441,463	1,931,045	2,372,508
EXPENDITURES				
Direct expenses	163,392	-	-	163,392
Jacob Brown	-	801,608	-	801,608
Rental and supplies for copier	-	-	51,920	51,920
Supplies	-	-	9,827	9,827
Radio station support	-	-	30,000	30,000
Canyon del Novillo	-	-	19,000	19,000
Young House	-	-	20,000	20,000
Miscellaneous expense	-	-	76,128	76,128
Condominium expenses	-	-	6,125	6,125
Campus Improvements	-	-	213,941	213,941
Duffey Plaza	-	-	106,312	106,312
Student Union	-	-	2,100	2,100
Transfer to other funds	-	-	1,504,876	1,504,876
Total Expenditures	163,392	801,608	2,040,229	3,005,229
TRANSFERS-ADDITIONS (DEDUCTIONS)				
Non-mandatory transfers	-	-	392,440	392,440
Revenue over (under) Expenditures	\$ (163,392)	\$ (360,145)	\$ 283,256	\$ (240,281)

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STUDENT ASSISTANCE FUND

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TEXAS SOUTHMOST COLLEGE

BALANCE SHEET

LOCAL STUDENT ASSISTANCE FUNDS

AUGUST 31, 2002

	<u>Institutional Scholarship Grants</u>
ASSETS	
Cash in bank	\$ 164,082
Funds held by state - TPEG	100
Due from other funds	-
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Total Assets	\$ 164,182
	<hr/> <hr/>
LIABILITIES AND FUND BALANCE	
Liabilities:	
Due to other funds	\$ 264
Due to other agencies	-
	<hr/>
Total Liabilities	264
	<hr/>
Fund Balance:	
Restricted	163,918
	<hr/>
Total Fund Balance	163,918
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Total Liabilities and Fund Balance	\$ 164,182
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TEXAS SOUTHMOST COLLEGE
STATEMENT OF CHANGES IN FUND BALANCE
LOCAL STUDENT ASSISTANCE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2002

	<u>Institutional Scholarship Grants</u>
Fund Balance, September 1, 2001	\$ 112,243
Add: Revenue over expenditures	<u>51,675</u>
Fund Balance, August 31, 2002	<u><u>\$ 163,918</u></u>

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TEXAS SOUTHMOST COLLEGE
STATEMENT OF REVENUE AND EXPENDITURES
LOCAL STUDENT ASSISTANCE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2002

	<u>Institutional Scholarship Grants</u>
REVENUE	
Local grants and contracts	\$ 43,200
State grant	238,054
Interest income	<u>2,857</u>
Total Revenue	<u>284,111</u>
EXPENDITURES	
Texas public grant program	180,383
Local scholarships	<u>52,053</u>
Total Expenditures	<u>232,436</u>
Revenue over expenditures	<u><u>\$ 51,675</u></u>

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LOAN FUND

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TEXAS SOUTHMOST COLLEGE

BALANCE SHEET

LOAN FUND

AUGUST 31, 2002

	<u>Student Congress Loans</u>
ASSETS	
Cash	\$ 30,103
Loans receivable (net of allowance for bad debts of \$246,294)	<u>169,124</u>
Total Assets	<u>\$ 199,227</u>
LIABILITIES AND FUND BALANCE	
Liabilities:	
Due to UTB	<u>\$ -</u>
Total Liabilities	<u>-</u>
Fund Balance:	
Unrestricted - designated	<u>199,227</u>
Total Fund Balance	<u>199,227</u>
Total Liabilities and Fund Balance	<u>\$ 199,227</u>

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TEXAS SOUTHMOST COLLEGE
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
FOR THE YEAR ENDED AUGUST 31, 2002

	Primary Institution
REVENUES	
Operating Revenues — <i>Detail p. 19</i>	
State Appropriations	\$ 13,165,590
Tuition and Fees (Net of Discounts of \$8,396,782) <i>detail p. 21</i>	5,663,423
Federal Grants and Contracts	11,624,791
State Grants and Contracts	2,629,805
Non-Governmental Grants and Contracts	370,397
Sales and Services of <i>Auxiliary Entr.</i> Educational Activities — <i>FBMC, golf course, bookstore</i>	579,237
Other Operating Revenues — <i>Parent contributions from child care</i> <i>most of it.</i>	233,491
Total Operating Revenues	34,266,734
EXPENSES	
Operating Expenses	
Instruction	18,360,073
Public Service	1,721,211
Academic Support	2,016,359
Student Services	2,339,851
Institutional Support	5,044,218
Operation and Maintenance of Plant	2,863,841
Scholarships and Fellowships	3,479,593
Auxiliary Enterprises	1,500,353
Depreciation	1,109,660
Total Operating Expenses	38,435,159
Operating Income (Loss)	(4,168,425)
Non-Operating Revenues (Expenses)	
Maintenance Ad-Valorem Taxes	
Taxes for Maintenance & Operations	5,983,156
Taxes for General Obligation Bonds	1,273,004
Investment Income (Net of Investment Expenses)	483,235
Interest on Capital Related Debt	(1,285,962)
Other Non-Operating Expenses	(9,932)
Total Non-Operating Revenues (Expenses)	6,443,501
Income Before Other Revenues, Expenses, Gains & Losses	2,275,076
Other Revenues, (Expenses), Gains, (Losses)	
Capital Contributions	-
Additions to Permanent and Term Endowments	-
Special Items	-
Extraordinary Items	-
Total Other Revenues, (Expenses), Gains, (Losses)	-
Increase (Decrease) in Net Assets	2,275,076
NET ASSETS	
Net Assets - Beginning of Year (Restated)	40,424,174
Net Assets - End of Year	\$ 42,699,250

The Notes to the Financial Statements are an integral part of this statement.

3. DEPOSIT AND INVESTMENTS (Continued)

Type of Security	Categories			Carrying Amount	Market Value
	1	2	3		
Corporate Stocks	\$ 47,826	\$ -	\$ -	\$ 47,826	\$ 47,826
Totals	\$ 47,826	\$ -	\$ -	\$ 47,826	\$ 47,826

4. CAPITAL ASSETS

Capital asset activity for the College for the year ended August 31, 2002, was as follows:

	Balance 9/1/2001 *	Primary Institution Changes During Year		Balance 8/31/02
		Additions	Reclass	
<u>Not Depreciated:</u>				
Land	\$ 3,373,103	\$ 494,660	\$ -	\$ 3,867,763
Library Books	8,422,239	-	-	8,422,239
Construction in Progress	4,723,792	9,445,555	(9,206,668)	4,962,679
Subtotal	16,519,134	9,940,215	(9,206,668)	17,252,681
<u>Other Capital Assets:</u>				
Buildings	31,890,647	38,688	9,206,668	41,136,003
Site Improvements	5,757,790	297,907	-	6,055,697
Machinery, Equipment, Furniture & Fixtures	7,359,650	234,074	-	7,593,724
Subtotal	45,008,087	570,669	9,206,668	54,785,424
<u>Accumulated Depreciation:</u>				
Buildings	(13,836,044)	(608,822)	-	(14,444,866)
Site Improvements	(2,999,533)	(265,804)	-	(3,265,337)
Machinery, Equipment, Furniture & Fixtures	(6,783,822)	(235,034)	-	(7,018,856)
Subtotal	(23,619,399)	(1,109,660)	-	(24,729,059)
Net Other Capital Assets	21,388,688	(538,991)	9,206,668	30,056,365
Net Capital Assets	\$ 37,907,822	\$ 9,401,224	\$ -	\$ 47,309,046

Handwritten notes: RE Smith & Jackson, ITECC & other projects, ITECC (3M) SUB (GM), SUB

* Beginning balances have been restated to reflect adjustments for change in capitalization policy.

5. LONG-TERM LIABILITIES

Long-term liability for the year ended August 31, 2002 was as follows:

	Balance			Balance 8/31/02	Current Portion
	9/1/2001	Additions	Retired		
<u>Bonds Payable</u>					
Series 1994	\$ 5,374,999	\$ -	\$ (405,859)	\$ 4,969,140	\$ 379,140
Series 2000	8,885,000	-	(155,000)	8,730,000	175,000
Series 2002	-	5,000,000	-	5,000,000	50,000
Total Bonds Payable	14,259,999	5,000,000	(560,859)	18,699,140	604,140
<u>Other Liabilities</u>					
Accrued interest payable	623,560	-	-	623,560	-
Total Long-term Liabilities	\$ 14,883,559	\$ 5,000,000	\$ (560,859)	\$ 19,322,700	\$ 604,140

unspent of SM \$4,113,348

Texas Southmost College
Schedule of Fixed Assets and Depreciation
FY 2002 Additions

	Year Constructed/Purchased	PD	Year	Beginning Balance	2002	Ending Balance	Useful Life	Years in Service	Years of Service Left (after 2001)	Residual Value	Annual Depreciation	Accumulated Depreciation 8/31/2001	Current Year Depreciation	Accumulated Depreciation 8/31/2002	Net Book Value 8/31/2002
BUILDINGS															
Student Union	2002	12	2002	3,199,986	600,682.05	9,206,668	50	1	49	920,867	185,720	-	82,880	82,880	9,123,808
Jacob Brown - Metro Cabling	2002	12	2002	-	7,000	7,000	50	1	49	300	54	-	27	27	2,873
777-RioRadio Upgrade Digital Systr	2002	2	2002	-	7,080	7,080	50	1	49	709	128	-	64	64	7,026
Tandy/Gorgas - OASys Cabling	2002	9	2002	-	11,949	11,949	50	1	49	1,185	215	-	108	108	11,841
777-Insul Pipe AC	2002	4	2002	-	16,649	16,649	50	1	49	1,665	330	-	150	150	16,499
TOTALS				3,199,986	6,045,370	9,245,358				924,534	186,419		85,208	83,208	9,162,148
LAND															
RE Smith Purchase	2002	4	2002	-	389,180.1	389,180			N/A						389,180
Parking Lot (Cadena Lot 5& 1/2 of t	2002	3	2002	-	59,652.91	59,653			N/A						59,653
Parking Lot (Siguero Lot 2 & W 15	2002	6	2002	-	30,201	30,201			N/A						30,201
Parking Lot (Campos Lot 10 Bk 14	2002	9	2002	-	15,626.16	15,626			N/A						15,626
TOTALS					494,660	494,660									494,660
SITE IMPROVEMENTS															
Marcelos - Silliman Flooring	2002	2	2002	-	6,450.70	6,450	20	1	19	645	260	-	145	145	6,305
R&R Paving - Parking Lot	2002	12	2002	-	164,171.69	164,172	20	1	19	16,417	7,388	-	3,894	3,894	160,478
G&Munoz - Parking Lot	2002	8	2002	-	18,565.00	18,565	20	1	19	1,857	635	-	418	418	18,147
City of Brown/Streetcapte	2002	8	2002	-	108,720.00	108,720	20	1	19	10,872	4,142	-	2,448	2,448	105,272
TOTALS					297,906.89	297,907				28,781	13,408		6,793	6,793	281,226
LIBRARY BOOKS															
Library Books															
MACHINERY, EQUIPMENT, FURNITURE & FIXTURES															
Church Chair - FBMC	2002	2	2002	-	21,750	21,750	10	1	9	0	2175	-	1,088	1,088	20,663
Palmer - FBMC Tables	2002	5	2002	-	6,125	6,125	10	1	9	0	926	-	463	463	5,662
Neroscico - FBMC Lighting	2002	8	2002	-	61,436	61,436	10	1	9	0	6144	-	3,072	3,072	58,364
SICO - FBMC Port Riser Sys	2002	12	2002	-	102,270	102,270	10	1	9	0	10,227	-	5,114	5,114	97,157
S Tex Comm - Emerg Phones	2002	12	2002	-	12,285	12,285	10	1	9	0	1,229	-	614	614	11,671
LesFres/Gloor - Tool Crib	2002	12	2002	-	10,684	10,684	10	1	9	0	1,068	-	534	534	10,150
Waikesha - Eldman Generator	2002	12	2002	-	16,385	16,385	10	1	9	0	1,639	-	819	819	15,566
TOTAL					234,074	234,074					23,407		11,704	11,704	222,370
Work in Progress															
West Campus	2002	12	2002	-	2,882,479.7	2,882,480			N/A						2,882,480
Fort Brown	2002	12	2002	-	324,689.79	324,690			N/A						324,690
Cuero House	2002	12	2002	-	131,703.73	131,704			N/A						131,704
TOTALS					3,438,873	3,438,873									3,438,873
GRAND TOTAL OF ASSETS & DEPRECIATION				3,199,986	10,510,884	13,710,870				954,326	203,230		101,615	101,615	13,609,255

TEXAS SOUTHMOST COLLEGE

STATEMENT OF NET ASSETS

AUGUST 31, 2002

	Primary Institution
ASSETS	
Current Assets	
Cash & cash equivalents	\$ 13,053,475
Endowment investments - Jack Sullivan	47,826
Property taxes receivable (net of allowance for doubtful accounts of \$65,567) Assesd x tax rate - doubtful accts 3%	1,245,787
Accounts receivable (net of allowance for doubtful accounts of \$9,000) Fall gross tuition and fees - doubtful accts	5,525,241
Notes receivable (net of allowance for doubtful accounts of \$246,294) Emergency loans	169,124
Due from other governments Grants	144,124
Other assets Pre paid insurance	119,176
Total Current Assets	<u>20,304,753</u>
Noncurrent Assets	
Unamortized bond issuance cost	129,033
Capital assets, net - assets - depreciation see detail p. 11 item 4	47,309,046
Total Noncurrent Assets	<u>47,438,079</u>
Total Assets	<u>\$ 67,742,832</u>
LIABILITIES	
Current Liabilities	
Accounts payable	\$ 146,088
Accrued liabilities compensated absences	15,545
Due to other governments	196,295
Funds held for others Alumni Assoc.	8,303
Deferred revenues Fall tuition for next year	5,354,651
Bonds payable - current portion principal payment on bonds for next yr.	604,140
Total Current Liabilities	<u>6,325,022</u>
Noncurrent Liabilities	
Accrued interest payable - capital appreciation bond →	623,560
Bonds payable total bond debt	18,095,000
Total Noncurrent Liabilities	<u>18,718,560</u>
Total Liabilities	<u>25,043,582</u>
NET ASSETS	
Invested in capital assets, net of related debt Net capital assets - bond liability - Expendable Restricted unspent portion of 5M bond (4,115,348)	32,101,693
Student aid	-
Instructional programs	52,620
Loans	199,227
Capital projects unexpended & Renewals and replacement	5,938,249
Debt Service Retirement of indebtedness	1,369,053
Other	180,404
Unrestricted Gen & Aux fund balance	2,858,004
Total Net Assets	<u>\$ 42,699,250</u>

The Notes to the Financial Statements are an integral part of this statement.

TEXAS SOUTHMOST COLLEGE
STATEMENT OF CHANGES IN FUND BALANCE
LOAN FUND
FOR THE YEAR ENDED AUGUST 31, 2002

	<u>Student Congress Loans</u>
Fund Balance, September 1, 2001	\$ 198,468
Additions:	
Net change in notes receivable	-
Interest income	759
Total Additions	759
Deductions:	
Allowance for bad debt	-
Total Deductions	-
Fund Balance, August 31, 2002	\$ 199,227

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ENDOWMENT FUND

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TEXAS SOUTHMOST COLLEGE

BALANCE SHEET

ENDOWMENT FUND

AUGUST 31, 2002

	TSC Endowment Fund
ASSETS	
Cash in bank	\$ 4,794
Investments	<u>47,826</u>
Total Assets	<u>\$ 52,620</u>
LIABILITIES AND FUND BALANCE	
Liabilities:	
Due to TSC Foundation, Inc.	<u>\$ -</u>
Total Liabilities	<u>-</u>
Fund Balance:	
Restricted - term	52,620
Restricted - Quasi-endowment	<u>-</u>
Total Fund Balance	<u>52,620</u>
Total Liabilities and Fund Balance	<u>\$ 52,620</u>

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TEXAS SOUTHMOST COLLEGE
STATEMENT OF CHANGES IN FUND BALANCE
ENDOWMENT FUND
FOR THE YEAR ENDED AUGUST 31, 2002

	TSC Endowment Fund
Fund Balance, September 1, 2001	\$ 43,986
Additions:	
Donations	-
Investment income	10,634
Total Additions	10,634
Deductions:	
Scholarships	2,000
Unrealized loss on marketable securities	-
Total Deductions	2,000
Fund Balance, August 31, 2002	\$ 52,620

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PLANT FUNDS

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TEXAS SOUTHMOST COLLEGE

BALANCE SHEET

UNEXPENDED FUNDS

AUGUST 31, 2002

	<u>Improvement and Contingency</u>
ASSETS	
Cash in bank	\$ 7,791,672
Accrued interest	-
Investments	-
Earnest money deposit	-
	<hr/>
Total Assets	<u>\$ 7,791,672</u>
LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts payable	\$ 129,308
Due to other funds	-
Due to other agencies	1,155
Bonds payable	4,115,348
	<hr/>
Total Liabilities	4,245,811
	<hr/>
Fund Balance:	
Designated - Capital Projects	3,545,861
	<hr/>
Total Fund Balance	3,545,861
	<hr/>
Total Liabilities and Fund Balance	<u>\$ 7,791,672</u>

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TEXAS SOUTHMOST COLLEGE
STATEMENT OF CHANGES IN FUND BALANCE
UNEXPENDED FUNDS
FOR THE YEAR ENDED AUGUST 31, 2002

	<u>Improvement and Contingency</u>
Fund Balance, September 1, 2001	\$ 2,126,933
Additions:	
Investment income	258,895
Bond proceeds	5,000,000
Net decrease in bonds payable	9,769,652
Transfers in-general fund	1,607,125
Total additions	<u>16,635,672</u>
Deductions:	
Capital outlay	10,078,494
Net increase in bonds payable	5,000,000
Bond issuance costs	138,250
Total deductions	<u>15,216,744</u>
Fund Balance, August 31, 2002	<u><u>\$ 3,545,861</u></u>

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TEXAS SOUTHMOST COLLEGE

COMBINING BALANCE SHEET

RENEWALS AND REPLACEMENT

AUGUST 31, 2002

	<u>Restricted Major Restoration</u>	<u>Restricted Parking</u>	<u>Capital Expansion</u>	<u>Total</u>
ASSETS				
Cash in bank	\$ -	\$ 1,183,663	\$ 1,079,702	\$ 2,263,365
Investments	-	-	-	-
Due from other funds	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Assets	<u>\$ -</u>	<u>\$ 1,183,663</u>	<u>\$ 1,079,702</u>	<u>\$ 2,263,365</u>
LIABILITIES AND FUND BALANCE				
Liabilities				
Due to other agencies	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10</u>	<u>\$ 10</u>
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities	<u>-</u>	<u>-</u>	<u>10</u>	<u>10</u>
Fund Balance				
Unrestricted	<u>-</u>	<u>1,183,663</u>	<u>1,079,692</u>	<u>2,263,355</u>
	<hr/>	<hr/>	<hr/>	<hr/>
Total Fund Balance	<u>-</u>	<u>1,183,663</u>	<u>1,079,692</u>	<u>2,263,355</u>
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities and Fund Balance	<u>\$ -</u>	<u>\$ 1,183,663</u>	<u>\$ 1,079,702</u>	<u>\$ 2,263,365</u>

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TEXAS SOUTHMOST COLLEGE

COMBINING STATEMENT OF CHANGES IN FUND BALANCE

RENEWALS AND REPLACEMENT

FOR THE YEAR ENDED AUGUST 31, 2002

	Restricted Major Restoration	Restricted Parking	Capital Expansion	Total
Fund Balance, September 1, 2001	\$ 1,227,640	\$ 1,024,219	\$ 11,792	\$ 2,263,651
Additions:				
Transfer in-restricted major restoration	-	-	1,227,640	1,227,640
Transfer in-general fund	-	-	500,000	500,000
Transfer in-auxiliary fund	-	266,096	-	266,096
Investment income	-	25,138	33,029	58,167
Total additions	-	291,234	1,760,669	2,051,903
Deductions:				
Transfer to capital expansion	1,227,640	-	-	1,227,640
Repairs	-	26,310	692,769	719,079
Capital outlay	-	105,480	-	105,480
Total deductions	1,227,640	131,790	692,769	2,052,199
Fund Balance, August 31, 2002	\$ -	\$ 1,183,663	\$ 1,079,692	\$ 2,263,355

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TEXAS SOUTHMOST COLLEGE

COMBINING BALANCE SHEET

RETIREMENT OF INDEBTEDNESS

AUGUST 31, 2002

	Debt Service	87/88 Tax Dept. Service	Student Union Bldg.	Total
ASSETS				
Cash in bank	\$ 171,044	\$ 56,612	\$ 935,481	\$ 1,163,137
Accounts receivable	-	-	-	-
Taxes receivable	-	221,346	-	221,346
Allowance for bad debts	-	(11,067)	-	(11,067)
	<u>\$ 171,044</u>	<u>\$ 266,891</u>	<u>\$ 935,481</u>	<u>\$ 1,373,416</u>
Total Assets				
LIABILITIES AND FUND BALANCE				
Liabilities				
Deferred tax revenue	\$ -	\$ 210,279	\$ -	\$ 210,279
Due to other governments	-	-	4,363	4,363
	<u>-</u>	<u>210,279</u>	<u>4,363</u>	<u>214,642</u>
Total Liabilities				
Fund Balance				
Restricted	171,044	56,612	931,118	1,158,774
	<u>171,044</u>	<u>56,612</u>	<u>931,118</u>	<u>1,158,774</u>
Total Fund Balance				
Total Liabilities and Fund Balance	<u>\$ 171,044</u>	<u>\$ 266,891</u>	<u>\$ 935,481</u>	<u>\$ 1,373,416</u>

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TEXAS SOUTHMOST COLLEGE

STATEMENT OF CHANGES IN FUND BALANCE

RETIREMENT OF INDEBTEDNESS

FOR THE YEAR ENDED AUGUST 31, 2002

	Debt Service	87/88 Tax Dept. Service	Student Union Bldg.	Total
Fund Balance, September 1, 2001	\$ 166,732	\$ 50,164	\$ 728,483	\$ 945,379
Additions:				
Ad valorem tax	-	1,196,298	-	1,196,298
Investment income	4,312	7,305	23,530	35,147
Transfer in	-	-	858,022	858,022
Total additions	4,312	1,203,603	881,552	2,089,467
Deductions:				
Retirement of indebtedness	-	405,859	155,000	560,859
Interest on indebtedness	-	790,581	495,381	1,285,962
Transfer out	-	-	28,536	28,536
Other	-	715	-	715
Total deductions	-	1,197,155	678,917	1,876,072
Fund Balance, August 31, 2002	\$ 171,044	\$ 56,612	\$ 931,118	\$ 1,158,774

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TEXAS SOUTHMOST COLLEGE

BALANCE SHEET

INVESTMENT IN PLANT

AUGUST 31, 2002

	<u>General Fixed Assets Fund</u>
ASSETS	
Land, Buildings and Equipment:	
Land	\$ 3,050,263
Land - appraisal increase	817,500
Site improvements	6,188,612
Buildings and improvements	41,614,462
Machinery, equipment, furniture and library books	16,925,554
Construction in progress	4,962,679
Total Land, Buildings and Equipment	<u>73,559,070</u>
 Total Assets	 <u>\$ 73,559,070</u>
LIABILITIES AND NET INVESTMENT IN PLANT	
Liabilities:	
Accrued interest payable	\$ 623,560
Bonds payable - Series 1994	4,969,140
Bonds payable - Series 2000	8,730,000
Bonds payable - Series 2002	884,652
Total Liabilities	<u>15,207,352</u>
 Net Investment in Plant	 <u>58,351,718</u>
 Total Liabilities and Net Investment in Plant	 <u>\$ 73,559,070</u>

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TEXAS SOUTHMOST COLLEGE
STATEMENT OF CHANGES IN FUND BALANCE
INVESTMENT IN PLANT
FOR THE YEAR ENDED AUGUST 31, 2002

	<u>General Fixed Assets Fund</u>
Fund Balance, September 1, 2001	\$ 57,049,626
Additions:	
Reduction in long-term debt	560,859
Increase in work-in-process	9,445,555
Purchases and additions	1,065,329
Increase in buildings	9,206,668
Total additions	<u>20,278,411</u>
Deductions:	
Net increase in long-term debt	9,769,652
Decrease in work-in-process	9,206,668
Total deductions	<u>18,976,320</u>
Fund Balance, August 31, 2002	<u>\$ 58,351,718</u>

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TEXAS SOUTHMOST COLLEGE

SCHEDULE OF GENERAL FIXED ASSETS

FOR THE YEAR ENDED AUGUST 31, 2002

	Balance 8/31/01	Purchased/ Additions	Reclassifications	Balance 8/31/02
BUILDINGS				
Auto body building	\$ 87,621	\$ -	\$ -	\$ 87,621
Allied health	698,407	-	-	698,407
New Bookstore	1,993,264	-	-	1,993,264
Tandy Hall I	1,333,201	-	-	1,333,201
Tandy Hall II	2,284,741	-	-	2,284,741
A. A. Champion	100,209	-	-	100,209
Gymnasium/Tennis courts	918,472	-	-	918,472
Business services	5,565	-	-	5,565
Student Center	944,335	-	-	944,335
Library	4,232,405	-	-	4,232,405
Rusteberg	939,020	-	-	939,020
Gomez-Farias Project	5,063	-	-	5,063
Eidman Science-Math Building	911,875	-	-	911,875
Gorgas Hall improvements	1,840,788	11,949	-	1,852,737
Music Hall	94,770	-	-	94,770
Maintenance	34,898	7,090	-	41,988
PAU - B administration	222,158	-	-	222,158
PAU - B temporary office	13,444	-	-	13,444
Child care center	701,432	-	-	701,432
Cavalry barracks	558,230	-	-	558,230
Women's center	76,019	-	-	76,019
Continuing education	45,000	-	-	45,000
Athletic houses	13,143	-	-	13,143
MH Smith Memorial Amphitheater	456,808	-	-	456,808
U.S. Coast Guard Station (S.P.I.)	326,023	-	-	326,023
Security First Aid (Carpet)	888	-	-	888
Continuing education (American Legion)	78,367	-	-	78,367
Classroom/office	6,560,295	-	-	6,560,295
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 Memorial Center	2,708,573	3,000	-	2,711,573
Parking lot	15,126	-	-	15,126
Duffey Plaza	1,258,280	-	-	1,258,280
Old Bookstore	180,678	-	-	180,678
Young House	493,024	-	-	493,024
North & South Buildings (AC)	153,564	16,649	-	170,213
Fuel Storage Tank	18,430	-	-	18,430
Student Union Building	-	9,206,668	-	9,206,668
Total Buildings	32,369,106	9,245,356	-	41,614,462
CONSTRUCTION IN PROGRESS	4,723,792	9,445,555	9,206,668	4,962,679

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TEXAS SOUTHMOST COLLEGE

SCHEDULE OF GENERAL FIXED ASSETS

FOR THE YEAR ENDED AUGUST 31, 2002

	Balance 8/31/01	Purchased/ Additions	Reclassifications	Balance 8/31/02
LAND				
Land 50 yr Lease - Amphitheater	1,250	-	-	1,250
Land	485,630	-	-	485,630
Land - appraisal increase	817,500	-	-	817,500
Land - parking lot	973,904	105,480	-	1,079,384
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 - Esparza Property	26,736	-	-	26,736
Land - Lot 7, Block 32, Org townsite	39,277	-	-	39,277
Land - Compress Property	351,064	-	-	351,064
Land - RE Smith Property	-	389,180	-	389,180
Total Land	<u>3,373,103</u>	<u>494,660</u>	<u>-</u>	<u>3,867,763</u>
SITE IMPROVEMENTS				
Landscaping - T.S.C.	16,168	-	-	16,168
Landscaping - S.P.I.	3,395	-	-	3,395
Paving	412,615	182,737	-	595,352
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
Stillman flooring	-	6,450	-	6,450
Brownsville Streetscape	-	108,720	-	108,720
Total Site Improvements	<u>5,890,705</u>	<u>297,907</u>	<u>-</u>	<u>6,188,612</u>
MACHINERY, EQUIPMENT, FURNITURE & FIXTURES				
Furniture and Fixtures	8,269,241	234,074	-	8,503,315
Library Books	8,422,239	-	-	8,422,239
Total Machinery, Equipment, Furniture & Fixtures	<u>16,691,480</u>	<u>234,074</u>	<u>-</u>	<u>16,925,554</u>
Total General Fixed Assets	<u>\$ 63,048,186</u>	<u>\$ 19,717,552</u>	<u>\$ 9,206,668</u>	<u>\$ 73,559,070</u>

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AGENCY FUND

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TEXAS SOUTHMOST COLLEGE
STATEMENT OF CHANGES IN FUND BALANCE
AGENCY FUND
FOR THE YEAR ENDED AUGUST 31, 2002

	Alumni Fund
Fund Balance, September 1, 2001	\$ 283
Additions:	
Investment income	222
Total additions	222
Deductions:	
Disbursements	-
Transfer to other funds	-
Total deductions	-
Fund Balance, August 31, 2002	\$ 505

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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>
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>\$ 4,969,140</u>	<u>\$ 1,403,841</u>	<u>\$ 6,372,981</u>

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

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TEXAS SOUTHMOST COLLEGE

MATURITY SCHEDULE

**SOUTHMOST UNION JUNIOR COLLEGE DISTRICT
REVENUE BONDS - SERIES 2000**

FOR THE YEAR ENDING AUGUST 31, 2002

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$ 175,000	\$ 487,631	\$ 662,631
2004	200,000	478,881	678,881
2005	225,000	468,881	693,881
2006	235,000	457,631	692,631
2007	250,000	445,881	695,881
2008	260,000	433,131	693,131
2009	275,000	419,611	694,611
2010	290,000	405,174	695,174
2011	305,000	389,949	694,949
2012	320,000	373,784	693,784
2013	335,000	356,584	691,584
2014	355,000	338,494	693,494
2015	375,000	319,324	694,324
2016	395,000	298,699	693,699
2017	415,000	276,974	691,974
2018	440,000	253,630	693,630
2019	465,000	228,770	693,770
2020	490,000	202,265	692,265
2021	520,000	173,845	693,845
2022	550,000	143,165	693,165
2023	585,000	110,715	695,715
2024	615,000	76,200	691,200
2025	655,000	39,300	694,300
Totals	<u>\$ 8,730,000</u>	<u>\$ 7,178,519</u>	<u>\$ 15,908,519</u>

Interest on the Series 2000 bonds has been calculated at the rate of 5.0% for purpose of illustration.

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

March 27, 2003

Karen Hanson, CPA
Program Director for
Community & Technical Colleges
Texas Higher Education
Coordinating Board
P.O. Box 12788
Austin, Texas 78711

Dear Ms. Hanson:

We are responding to the letter dated March 17, 2003, which we received from the Texas Higher Education Coordinating Board regarding the Annual Financial Report for Texas Southmost College for the fiscal year ended August 31, 2002. We have addressed the observations noted within the annual financial audit and have revised the Statement of Net Assets and Notes to the Financial Statements within the attached schedules. The following revisions will be included within all subsequent audit reports.

Should you have any additional questions or comments, please do not hesitate to call our offices at (956) 544-7778. Thank you.

Sincerely,

Carlos H. Cascos, CPA, CGFM

Cc: Ms. Melba Sanchez, CPA
District Comptroller
Texas Southmost College
80 Fort Brown
Brownsville, Texas 78520

TEXAS SOUTHMOST COLLEGE

STATEMENT OF NET ASSETS

AUGUST 31, 2002

	Primary Institution
ASSETS	
Current Assets	
Cash & cash equivalents	\$ 13,053,475
Endowment investments	47,826
Property taxes receivable (net of allowance for doubtful accounts of \$65,567)	1,245,787
Accounts receivable (net of allowance for doubtful accounts of \$9,000)	5,525,241
Notes receivable (net of allowance for doubtful accounts of \$246,294)	169,124
Due from other governments	144,124
Other assets	119,176
Total Current Assets	<u>20,304,753</u>
Noncurrent Assets	
Unamortized bond issuance cost	129,033
Capital assets, net	47,309,046
Total Noncurrent Assets	<u>47,438,079</u>
Total Assets	<u>\$ 67,742,832</u>
LIABILITIES	
Current Liabilities	
Accounts payable	\$ 146,088
Accrued liabilities	11,249
Accrued interest payable	623,560
Due to other governments	196,295
Funds held for others	8,303
Deferred revenues	5,354,651
Bonds payable - current portion	604,140
Total Current Liabilities	<u>6,944,286</u>
Noncurrent Liabilities	
Compensated absences	4,296
Bonds payable	18,095,000
Total Noncurrent Liabilities	<u>18,099,296</u>
Total Liabilities	<u>25,043,582</u>
NET ASSETS	
Invested in capital assets, net of related debt	32,101,693
Restricted for	-
Expendable	-
Student aid	-
Instructional programs	52,620
Loans	199,227
Capital projects	5,938,249
Debt Service	1,369,053
Other	180,404
Unrestricted	2,858,004
Total Net Assets	<u>\$ 42,699,250</u>

The Notes to the Financial Statements are an integral part of this statement.

SCHEDULE 2 - B

	Memorandum Only		Total Operating Expenses and Capital Outlay
	Capital Outlay		
Total	Equipment	Facilities	
\$ 18,360,073	\$ -	\$ -	\$ 18,360,073
1,721,211	-	-	1,721,211
2,016,359	-	-	2,016,359
2,706,614	-	-	2,706,614
5,044,218	-	-	5,044,218
2,863,841	1,304,215	9,206,668	13,374,724
3,112,830	-	-	3,112,830
<u>35,825,146</u>	<u>1,304,215</u>	<u>9,206,668</u>	<u>46,336,029</u>
<u>1,500,353</u>	<u>-</u>	<u>-</u>	<u>1,500,353</u>
<u>1,109,660</u>	<u>-</u>	<u>-</u>	<u>1,109,660</u>
<u>\$ 38,435,159</u>	<u>\$ 1,304,215</u>	<u>\$ 9,206,668</u>	<u>\$ 48,946,042</u>



Texas Higher Education COORDINATING BOARD

FINANCE, CAMPUS PLANNING & RESEARCH DIVISION
P. O. Box 12788 Austin, Texas 78711 • 1200 East Anderson Lane 78752

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March 17, 2003

Ms. Melba Sanchez, CPA
District Comptroller
Texas Southmost College
80 Fort Brown
Brownsville, TX 78520

Dear Ms. Sanchez:

We have received the Annual Financial Report (AFR) for the Texas Southmost College. During our review we noted the following:

- On page 3, Exhibit 1, the "accrued interest payable" in the amount of \$623,560 is shown under "current liabilities". On page 11, footnote 5, Long-Term Liabilities, the same amount is shown as a long-term liability without a current portion. This liability should be treated consistently between the exhibit and the footnote. Please make the appropriate correction.
- On page 11, footnote #5, Long-Term Liabilities, the "compensated absences" entry is not included. Page 14, footnote #11, Compensated Absences payable is listed as \$4,296. The reporting of compensated absences in the Long-Term Liability footnote is required under GASB 34. The treatment of this amount should be consistent between the two footnotes. Please make the appropriate correction.
- On page 19, Schedule 2-A, there is a TPEG set aside showing in the "tuition" portion of the statement. There is not a corresponding reduction for the TPEG which was used in the "scholarship allowances and discounts". Why is there a lack of TPEG in the "scholarship allowances and discounts" section?
- On page 20, Schedule 2-B, Schedule of Operating Expenses and Capital Outlay by Functional and Natural Classifications, there is an entry for Scholarships and Fellowships in the amount of \$360,394 under Staff Salaries. Scholarships and Fellowships cannot be classified as salaries, but must be classified in the activity where it was used.


These changes will possibly affect Schedule 2-B and the notes. Would you please send errata pages and an explanation in regards to the first bullet with a transmittal?

Ms. Melba Sanchez
Page 2
March 17, 2003

letter signed by you attesting to the accuracy of the replacement pages by April 2, 2003?

Thank you for your assistance.

Sincerely,

A handwritten signature in black ink, appearing to read "Karen Hanson". The signature is written in a cursive style with a long, sweeping underline.

Karen Hanson, CPA
Program Director for Community and Technical Colleges

Cc: Dr. Deborah L. Greene, Assistant Commissioner for Finance, Campus
Planning, and Research
Jeffrey Phelps, Director of Finance

TEXAS SOUTHMOST COLLEGE

MATURITY SCHEDULE

SOUTHMOST UNION JUNIOR COLLEGE DISTRICT
REVENUE BONDS - SERIES 2002

FOR THE YEAR ENDING AUGUST 31, 2002

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$ 50,000	\$ 307,847	\$ 357,847
2004	85,000	272,250	357,250
2005	90,000	267,575	357,575
2006	100,000	262,625	362,625
2007	120,000	257,125	377,125
2008	200,000	250,525	450,525
2009	210,000	239,525	449,525
2010	225,000	227,975	452,975
2011	235,000	215,600	450,600
2012	250,000	202,675	452,675
2013	260,000	188,925	448,925
2014	275,000	174,625	449,625
2015	295,000	159,500	454,500
2016	310,000	143,275	453,275
2017	<u>2,295,000</u>	<u>126,225</u>	<u>2,421,225</u>
Totals	<u>\$ 5,000,000</u>	<u>\$ 3,296,272</u>	<u>\$ 8,296,272</u>

Interest on the Series 2002 bonds has been calculated at the rate of 5.5% for purpose of illustration.

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