

**ANGELO STATE UNIVERSITY**

**San Angelo, Texas**



**ANNUAL  
FINANCIAL REPORT**

**Year Ended August 31, 2004**

**A MEMBER OF THE TEXAS STATE UNIVERSITY SYSTEM**

ANGELO STATE UNIVERSITY  
FY 2004 FINANCIAL REPORT

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ANGELO STATE UNIVERSITY  
OFFICE OF THE PRESIDENT

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ASU Station #11007 • San Angelo, Texas 76909-1007 • Phone 325-942-2073 • Fax 325-942-2038 • Email: president@angelo.edu

November 20, 2004

The Honorable Rick Perry  
Governor of Texas

Mr. John O'Brian  
Deputy Director, Legislative Budget Board

The Honorable Carole Keeton Strayhorn  
Comptroller of Public Accounts

Mr. Lawrence F. Alwin, CPA  
State Auditor

Lady and Gentlemen:

We are pleased to submit the Annual Financial Report of Angelo State University for the year ended August 31, 2004, in compliance with TEX. GOV'T CODE ANN §2101.011 and in accordance with the requirements established by the Comptroller of Public Accounts.

Due to the significant changes related to Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, the Comptroller of Public Accounts does not require the accompanying annual financial report to be in compliance with GAAP. The financial report will be considered for audit by the State Auditor as part of the audit of the State of Texas Comprehensive Annual Financial Report; therefore, an opinion has not been expressed on the financial statements and related information contained in this report.

If you have any questions, please contact Denise Brodnax at (325) 942-2014. Maggie Pepper may be contacted at (325) 942-2014 ext. 278 for questions related to the Schedule of Expenditures of Federal Awards.

Sincerely,

A handwritten signature in black ink that reads "James Hindman".

James Hindman  
President



ANGELO STATE UNIVERSITY  
OFFICE OF THE VICE PRESIDENT FOR FINANCE AND ADMINISTRATION

Box 11009, ASU Station • San Angelo, Texas 76909 • Phone 915-942-2017 • Fax 915-942-2271

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November 20, 2004

Dr. E. James Hindman  
President  
Angelo State University  
2601 West Avenue N  
San Angelo, Texas 76909

Dear Dr. Hindman:


Submitted herein is the Annual Financial Report of Angelo State University for the fiscal year ended August 31, 2004.


The financial statements in this report have been prepared in conformity with the General Provisions of the Appropriations Act, Article IX, and in accordance with the requirements established by the Comptroller of Public Accounts.

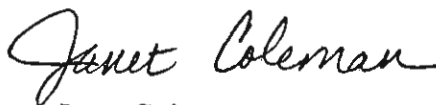
The accompanying Annual Financial Report will be considered for audit by the State Auditor as part of the audit of the State's Comprehensive Annual Report; therefore, an opinion has not been expressed on the statements and related information contained in this report.

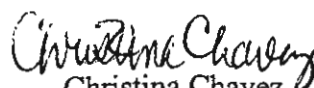
If you have any questions, please contact Denise Brodnax at (325)942-2014. Maggie Pepper may be contacted at (325) 942-2014 ext. 278 for questions related to the Schedule of Expenditures of Federal Awards.

Respectfully submitted,

  
Sharon K. Meyer  
Vice President for  
Finance and Administration

  
Denise Brodnax  
Denise Brodnax  
Controller

  
Janet Coleman  
Director of Accounting

  
Christina Chavez  
Accountant

  
Maggie Pepper  
Accountant

mal

ANGELO STATE UNIVERSITY  
 ORGANIZATIONAL DATA  
 For the Fiscal Year 2003 - 2004

BOARD OF REGENTS  
TEXAS STATE UNIVERSITY SYSTEM

OFFICERS

Alan W. Dreeben	Chairman
Kent M. Adams	Vice Chairman
Lamar G. Urbanovsky	Chancellor

MEMBERS

<u>Name</u>	<u>Residence</u>	<u>Term Expires February 1</u>
Dionicio Flores	El Paso, Texas	2005
John E. Dudley	Comanche, Texas	2009
Kent M. Adams	Beaumont, Texas	2007
Patricia Diaz Dennis	San Antonio, Texas	2005
Alan W. Dreeben	Schertz, Texas	2007
James A. Hayley	Texas City, Texas	2005
Dora G. Alcala	Del Rio, Texas	2009
Pollyanna A. Stephens *	San Angelo, Texas	2007
Bernie C. Francis	Addison, Texas	2009

\* The Regents continue to serve at August 31, 2004 pending their reappointment or the appointment of their successors.

PRESIDENT

Dr. E. James Hindman

OFFICE OF FINANCE AND ADMINISTRATION

Sharon K. Meyer	Vice President for Finance and Administration
Denise Brodnax	Controller

ADMISSIONS & REGISTRAR

Dr. Herb Tolbert	Dean of Admissions
Cam Stone	Interim Registrar

**ANGELO STATE UNIVERSITY**  
**ENROLLMENT DATA**  
**For the Fiscal Year 2003-2004**

<u>TYPE OF STUDENT</u>	<u>Number of Students by Semester</u>			
	<u>Fall 2003</u>	<u>Spring 2004</u>	<u>Summer Terms 2004</u>	
			<u>First</u>	<u>Second</u>
Texas Resident	5,954	5,419	1,949	1,804
Out-of State	19	18	5	7
Foreign	6	7	0	0
High School Honor Scholarship	23	22	0	0
Hazlewood Act	27	32	17	17
State Commission for the Blind	14	8	4	4
	<u>6,043</u>	<u>5,506</u>	<u>1,975</u>	<u>1,832</u>

ENROLLMENT TREND DATA

(Fall Semester)

<u>FISCAL YEAR</u>	<u>STUDENTS</u>	<u>SEMESTER HOURS</u>
2004	6,043	75,269
2003	6,268	78,076
2002	6,262	78,342
2001	6,309	78,455
2000	6,220	77,135
1999	6,315	77,109
1998	6,234	75,953
1997	6,198	75,132
1996	6,103	73,023
1995	6,276	75,447
1994	6,100	72,749
1993	6,102	73,717

\* Furnished by the Office of the Registrar.

Statement of Net Assets  
 Angelo State University  
 Statement of Net Assets  
 August 31, 2004

	<u>Total</u>
<b>ASSETS</b>	
Current Assets:	
Cash and Cash Equivalents	
Cash on Hand	\$ 15,791.20
Cash in Bank	3,999,427.50
Cash in Transit/Reimbursement from Treasury	35,843.63
Cash in State Treasury	5,687,617.93
Cash Equivalents	37,029,042.87
Securities Lending Collateral	
Short Term Investments	
Restricted:	
Cash and Cash Equivalents	
Cash on Hand	20.00
Cash in Bank	713,251.17
Cash in Transit/Reimbursement from Treasury	
Cash in State Treasury	
Cash Equivalents	4,590,432.83
Short Term Investments	
Legislative Appropriations	8,575,560.46
Investments	
Receivables from:	
Federal	236,277.84
Other Intergovernmental	
Interest and Dividends	61,187.05
Accounts Receivable	6,799,245.12
Gifts	
Other	1,436,665.63
Interfund Receivables	
Due From Other Agencies	67.72
Consumable Inventories	296,313.74
Merchandise Inventories	
Deferred Charges	8,512,982.11
Loans and Contracts	
Other Current Assets	
Total Current Assets	<u>77,989,726.80</u>

Statement of Net Assets  
 Angelo State University  
 Statement of Net Assets  
 August 31, 2004

	<u>Total</u>
Noncurrent Assets:	
Restricted:	
Cash and Cash Equivalents	
Cash on Hand	\$
Cash in Bank	
Cash in Translt/Reimbursement from Treasury	
Cash in State Treasury	
Cash Equivalents	
Short Term Investments	
Receivables:	
Investments	
Loans and Contracts	
Other Assets	
Loans and Contracts	
Investments	74,817,653.06
Interfund Receivables	
Capital Assets:	
Non-Depreciable:	
Land and Land Improvements	2,336,255.97
Infrastructure	
Construction In Progress	12,878,823.10
Other Capital Assets (Library & Museum)	13,834,413.37
Depreciable:	
Buildings and Building Improvements	102,491,544.27
Less Accumulated Depreciation	(53,766,381.73)
Infrastructure	4,677,058.01
Less Accumulated Depreciation	(771,586.96)
Facilities and Other Improvements	5,767,102.45
Less Accumulated Depreciation	(2,558,478.47)
Furniture and Equipment	9,622,489.34
Less Accumulated Depreciation	(6,983,779.68)
Vehicles, Boats, and Aircraft	1,266,426.37
Less Accumulated Depreciation	(896,676.66)
Other Capital Investments	
Less Accumulated Depreciation	
Other Noncurrent Assets	
Total Non-Current Assets	<u>162,714,862.44</u>
<b>Total Assets</b>	<b>\$ <u>240,704,589.24</u></b>



Statement of Net Assets  
 Angelo State University  
 Statement of Net Assets  
 August 31, 2004

	<u>Total</u>
<b>LIABILITIES</b>	
Current Liabilities:	
Payables From:	
Accounts	\$ 5,327,818.22
Federal	
Other Intergovernmental	
Payroll	2,545,738.24
Other	
Interfund Payable	
Due to Other Agencies	
Deferred Revenues	14,335,224.83
Notes and Loans Payable	
Revenue Bonds Payable	
General Obligation Bonds Payable	
Claims and Judgements Payable	
Employees' Compensable Leave	147,715.47
Capital Lease Obligations	
Liabilities Payable from Restricted Assets	
Obligations/Reverse Purchase Agreements	
Obligations Under Securities Lending	
Funds Held for Others	3,325,905.03
Other Current Liabilities	<u>319,720.00</u>
Total Current Liabilities	<u>26,002,121.79</u>
Noncurrent Liabilities:	
Interfund Payable	
Notes and Loans Payable	501,162.75
Revenue Bonds Payable	
General Obligation Bonds Payable	
Claims and Judgements Payable	
Employees Compensable Leave	929,527.98
Capital Lease Obligations	
Other Non-Current Liabilities	
Total Noncurrent Liabilities	<u>1,430,690.73</u>
<b>Total Liabilities</b>	<b>\$ <u>27,432,812.52</u></b>

Statement of Net Assets  
 Angelo State University  
 Statement of Net Assets  
 August 31, 2004

	<u>Total</u>
<b>NET ASSETS</b>	
Invested in Capital Assets, Net of Related Debt	\$ 87,897,209.38
Restricted for	
Education	
Debt Retirement	
Capital Projects	
Employee Benefit	
Funds Held As Permanent Investments:	
Non-Expendable	73,212,545.19
Expendable	
Other	10,464,666.01
Unrestricted	<u>41,697,356.14</u>
<b>Total Net Assets</b>	<b><u>\$ 213,271,776.72</u></b>

Angelo State University  
Statement of Revenues, Expenses, and Changes in Net Assets  
For the Fiscal Year Ended August 31, 2004

	<u>Total</u>
<b>OPERATING REVENUES</b>	
Sales of Goods and Services	
Tuition and Fees (PR-Chgs for Services)	\$ 20,369,007.25
Tuition and Fees - Pledged (PR-Chgs for Services)	
Discounts and Allowances	(3,896,374.50)
Hospitals (PR-Chgs for Services)	
Hospitals - Pledged (PR-Chgs for Services)	
Discounts and Allowances	
Professional Fees (PR-Chgs for Services)	
Professional Fees - Pledged (PR-Chgs for Services)	
Discounts and Allowances	
Auxiliary Enterprises (PR-Chgs for Services)	6,654,081.12
Auxiliary Enterprises - Pledged (PR-Chgs for Services)	
Discounts and Allowances	(1,416,546.15)
Other Sales of Goods and Services	1,631,353.55
Other Sales of Goods and Services - Pledged	
Discounts and Allowances	
Premium Revenue (PR-Chgs for Services)	
Interest and Investment Income (PR-Chgs for Services)	
Interest and Investment Income (GR)	
Net Increase (Decrease) Fair Value (PR-OP Grants/Contributions)	
Net Increase (Decrease) Fair Value (GR)	
Federal Revenue-Operating (PR-OP Grants/Contributions)	6,495,197.49
Federal Pass Through Revenue (PR-OP Grants/Contributions)	197,684.25
State Grant Revenue (PR-OP Grants/Contributions)	294,898.32
State Grant Pass Through Revenue (PR-OP Grants/Contributions)	2,405,272.44
Other Grants and Contracts (PR-OP Grants/Contributions)	454,143.29
Land Income (PR-Chgs for Services)	
Contributions to Retirement Systems (PR-Chgs for Services)	
Other Operating Revenues (PR-Chgs for Services)	
Other Operating Revenues (GR)	
Total Operating Revenues	<u>33,188,717.06</u>

Angelo State University  
Statement of Revenues, Expenses, and Changes in Net Assets  
For the Fiscal Year Ended August 31, 2004

	<u>Total</u>
<b>OPERATING EXPENSES:</b>	
Instruction	\$ 27,379,713.52
Research	722,236.70
Public Service	1,539,603.82
Academic Support	2,789,623.33
Student Services	2,331,815.61
Institutional Support	8,432,583.94
Operation and Maintenance of Plant	6,281,231.83
Scholarship and Fellowships	2,387,166.50
Auxiliary Enterprise Expenditures	9,355,534.30
Depreciation and Amortization	<u>3,255,313.14</u>
Total Operating Expenses	<u>64,474,822.69</u>
Operating Income (Loss)	<u>\$ (31,286,105.63)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Legislative Revenue (GR)	\$ 23,851,054.00
Additional Appropriations (GR)	4,629,465.31
HEAF Appropriation Revenue (GR)	3,887,211.00
Federal Revenue Non-Operating (PR-OP Grants/Contributions)	
Gifts (PR-OP Grants/Contributions)	1,025,049.89
Investment Income (Expense) (PR-OP Grants/Contributions)	4,385,363.80
Investment Income (Expense) (GR)	
Loan Premium/Fees on Securities Lending (PR-OP Grants/Contributions)	
Investing Activities Expense	
Interest Expense and Fiscal Charges	
Borrower Rebates and Agent Fees	
Gain (Loss) on Sale of Capital Assets (GR)	
Net Increase (Decrease) in Fair Value of Investments (PR-OP Grants/Contributions)	1,317,465.34
Net Increase (Decrease) in Fair Value of Investments (GR)	
Settlement of Claims (PR-Chgs for Services)	
Settlement of Claims (GR)	
Other Nonoperating Revenues (Expenses) (PR-Chgs for Services)	(625,937.33)
Other Nonoperating Revenues (Expenses) (GR)	
Total Nonoperating Revenues (Expenses)	<u>38,469,672.01</u>
Income (Loss) before Other Revenues, Expenses,	
Gains/Losses and Transfers	<u>7,183,566.38</u>

Angelo State University  
Statement of Revenues, Expenses, and Changes in Net Assets  
For the Fiscal Year Ended August 31, 2004

	<u>Total</u>
<b>OTHER REVENUES, EXPENSES, GAINS/ LOSSES AND TRANSFERS</b>	
Capital Contributions	\$
Capital Appropriations (HEAF)	
Additions to Permanent and Term Endowments	
Special Items	
Extraordinary Items	
Transfers-In	
Transfers-Out	(5,072,143.55)
Legislative Transfers-In	
Legislative Transfers-Out	
Legislative Appropriations Lapsed	
<b>CHANGE IN NET ASSETS</b>	<u>2,111,422.83</u>
Net Assets, Beginning	211,160,353.89
Restatements	
Net Assets, Beginning, as Restated	<u>211,160,353.89</u>
<b>NET ASSETS, ENDING</b>	<u>\$ 213,271,776.72</u>

UNAUDITED

Angelo State University  
 Matrix of Operating Expenses Reported by Function  
 For the Fiscal Year Ended August 31, 2004

Operating Expenses	Instruction	Research	Public Service	Academic Support	Student Services	Institutional Support	Operation and Maintenance of Plant	Scholarship and Fellowships	Auxiliary Enterprise Expenditures	Depreciation and Amortization	Total Expenditures
Cost of Goods Sold											
Salaries and Wages	14,988,031.47	462,297.61	727,306.01	1,530,086.12	1,426,238.62	4,682,530.34	1,918,836.95		2,335,452.93		28,068,780.05
Payroll Related Costs	4,191,809.50	83,128.56	126,690.85	444,647.74	368,851.53	524,756.48	516,333.91		249,213.44		6,505,432.01
Professional Fees and Services	32,955.85	2,630.69	94,011.76	824.50	2,050.00	285,222.96	3,106.50		281,733.15		702,535.41
Travel	181,469.66	27,196.08	14,774.01	31,153.28	41,550.33	75,907.66	7,246.66		201,465.82		580,763.50
Materials and Supplies	231,885.15	14,918.46	31,637.63	25,632.14	39,310.90	234,115.57	98,113.15		206,994.95		882,807.95
Communication and Utilities	68,140.37	464.33	143,356.79	13,483.64	11,301.77	96,149.32	2,435,054.31		1,546,290.66		4,314,241.19
Repairs and Maintenance	87,902.95	102.90	19,287.16	32,564.78	82,250.06	243,594.62	168,202.92		251,553.24		885,458.63
Rentals and Leases	65,705.28	1,775.40	5,618.49	8,762.22	26,262.58	23,561.08	12,198.12		334,768.09		478,651.26
Printing and Reproduction	48,092.34	843.93	13,485.92	27,641.69	98,942.73	134,541.07	5,958.01		88,072.67		417,578.36
Federal Pass Through Expense											
State Grant Pass Through Expense											
Depreciation and Amortization										3,255,313.14	3,255,313.14
Bad Debt Expense											
Interest					11.27		17.85				29.12
Scholarships								2,387,166.50	810,136.37		3,197,302.87
Claims and Losses											
Other Operating Expenses	7,485,720.95	128,878.74	363,435.20	674,627.22	235,045.82	2,132,204.84	1,116,163.45		3,049,852.98		15,185,929.20
<b>Total Operating Expenses</b>	<b>27,379,713.52</b>	<b>722,236.70</b>	<b>1,539,603.82</b>	<b>2,789,623.33</b>	<b>2,331,815.61</b>	<b>8,432,583.94</b>	<b>6,281,231.83</b>	<b>2,387,166.50</b>	<b>9,355,534.30</b>	<b>3,255,313.14</b>	<b>64,474,822.69</b>

**Angelo State University**  
**Statement of Cash Flows**  
**For the Year Ended August 31, 2004**

	<u>Total</u>
<b>Cash Flows from Operating Activities</b>	
Receipts from Customers	\$ 6,716,329.37
Proceeds from Tuition and Fees	17,371,559.09
Proceeds from Research Grants and Contracts	729,504.03
Proceeds from Gifts	
Proceeds from Loan Programs	973,427.42
Proceeds from Auxiliaries	
Proceeds from Other Revenues	9,175,149.39
Payments to Suppliers for Goods and Services	
Payments to Employees for Salaries	(28,068,780.05)
Payments to Employees for Benefits	(6,505,432.01)
Payments for Loans Provided	(1,829,037.48)
Payments for Other Expenses	<u>(23,098,088.56)</u>
Net Cash Provided (Used) by Operating Activities	<u>(24,535,368.80)</u>
<b>Cash Flows from Noncapital Financing Activities</b>	
Proceeds from Debt Issuance	
Proceeds from State Appropriations	32,464,951.03
Proceeds from Gifts	1,079,099.75
Proceeds from Endowments	614,553.75
Proceeds of Transfers from Other Funds	(1,612.22)
Proceeds from Grant Receipts	
Proceeds from Advances from Other Funds	
Proceeds from Loan Programs	
Proceeds from Other Financing	
Proceeds from Contributed Capital	
Payments of Principal on Debt Issuance	(5,027,797.45)
Payments of Interest	
Payments of Other Costs of Debt Issuance	
Payments for Transfers to Other Funds	
Payments for Grant Disbursements	
Payments for Advances to Other Funds	
Payments for Other Uses	<u>(3,018,082.98)</u>
Net Cash Provided by Noncapital Financing Activities	<u>26,111,111.88</u>

Angelo State University  
Statement of Cash Flows  
For the Year Ended August 31, 2004

	<u>Total</u>
<b>Cash Flows from Capital and Related Financing Activities</b>	
Proceeds from the Sale of Capital Assets	\$
Proceeds from Debt Issuance	
Proceeds from State Grants and Contracts	
Proceeds from Federal Grants and Contracts	
Proceeds from Gifts	
Proceeds from Other Financing Activities	
Proceeds from Capital Contributions	
Proceeds from Advances from Other Funds	
Payments for Additions to Capital Assets	(11,045,690.34)
Payments of Principal on Debt Issuance	
Payments for Capital Lease	
Payments of Interest on Debt Issuance	
Payments of Other Costs of Debt Issuance	
Payments for Other Uses	<u>633,367.51</u>
Net Cash Provided by Capital and Related Financing Activities	<u>(10,412,322.83)</u>
<b>Cash Flows from Investing Activities</b>	
Proceeds from Sales of Investments	2,906,124.20
Proceeds from Interest Income	144,308.10
Proceeds from Investment Income	4,254,770.22
Proceeds from Principal Payments on Loans	
Payments to Acquire Investments	<u>(2,934,427.98)</u>
Net Cash Provided by Investing Activities	<u>4,370,774.54</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(4,465,805.21)
Cash and Cash Equivalents, September 1, 2003	56,537,232.34
Changes in Accounting Principal	
Changes in Reporting Entity	
Restatements to Beginning Cash and Cash Equivalents	
Cash and Cash Equivalents, September 1, 2003 - Restated	<u>56,537,232.34</u>
Cash and Cash Equivalents, August 31, 2004	<u>\$ 52,071,427.13</u>



Angelo State University  
Statement of Cash Flows  
For the Year Ended August 31, 2004

	<u>Total</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>	
Operating Income (Loss)	\$ (31,286,105.63)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:	
Amortization and Depreciation	3,255,313.14
Bad Debt Expense	
Operating Income and Cash Flow Categories:	
Classification Differences	(236,179.58)
Changes in Assets and Liabilities:	
(Increase) Decrease In Receivables	402,550.24
Increase (Decrease) In Due from Other Funds	17,674.06
(Increase) Decrease In Inventories	38,866.78
(Increase) Decrease In Prepaid Expenses	(1,461,222.11)
(Increase) Decrease In Notes Receivable	(184,268.97)
(Increase) Decrease In Loans & Contracts	
(Increase) Decrease In Other Assets	(16,381.21)
(Increase) Decrease in State Appropriations	
Increase (Decrease) in Payables	4,300,694.71
Increase (Decrease) in Deposits	10,440.00
Increase (Decrease) in Due to Other Funds	
Increase (Decrease) in Deferred Income	580,913.32
Increase (Decrease) in Compensated Absence Liability	83,511.62
Increase (Decrease) in Benefits Payable	
Increase (Decrease) in Other Liabilities	<u>(41,175.17)</u>
Total Adjustments	<u>6,750,736.83</u>
Net Cash Provided by Operating Activities	\$ <u>(24,535,368.80)</u>
<b>Non Cash Transactions</b>	
Donation of Capital Assets	\$
Net Change in Fair Value of Investments	1,317,465.34
Equipment Transfers	(42,733.88)
Disposal of Plant Facilities	(977,791.16)

ANGELO STATE UNIVERSITY  
NOTES TO THE FINANCIAL STATEMENTS  
Year Ended August 31, 2004

Unaudited 16

**NOTE 1: Summary Of Significant Accounting Policies**

**Entity**

Angelo State University is considered an Institution of Higher Education of the State of Texas, and its financial records comply with state statutes and regulations. This includes compliance with the Texas Comptroller of Public Accounts' Reporting Requirements for State Institutions of Higher Education.

Angelo State University serves the state by offering a wide range of academic programs leading to baccalaureates and masters degrees. Angelo State University is committed to providing educational excellence for Texas.

Due to the significant changes related to Governmental Accounting Standards Board Statement No 34., *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, the Comptroller of Public Accounts does not require the accompanying annual financial report to be in compliance with generally accepted accounting principles (GAAP). The financial report will be considered for audit by the State Auditor as part of the audit of the State of Texas Comprehensive Annual Financial Report; therefore, an opinion has not been expressed on the financial statements and related information contained in this report.

**FUND STRUCTURE**

The accompanying financial statements are presented on the bases of funds. A fund is considered a separate accounting entity. The fund designation for institutions of higher education is a Business Type Activity within the Proprietary Fund Type.

**Proprietary Funds**

Business Type Activity

Business type funds are used for activities that are financed through the charging of fees and sales for goods or services to the ultimate user. Institutions of higher education are required to report their financial activities as business type; because, the predominance of their funding comes through charges to students, sales of goods and services, and grant revenues.

**Component Units**

The fund types of the individual discrete component units are available from the component units' separately issued financial statements. Additional information about component units can be found in Note 18.

**Basis of Accounting**

The basis of accounting determines when revenues and expenditures or expenses are recognized in the accounts reported in the financial statements. The accounting and financial reporting treatment applied to a fund are determined by its measurement focus. Business activity type funds (proprietary funds) are accounted for on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time liabilities are incurred. Proprietary funds distinguish operating from non-operating items. Operating revenues and expenses result from providing services or producing and delivering goods in connection with the proprietary funds principal ongoing operations. Operating expenses for the proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets.

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NOTES TO THE FINANCIAL STATEMENTS  
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**BUDGETS AND BUDGETARY ACCOUNTING**

The budget is prepared biennially and represents appropriations authorized by the legislature and approved by the Governor (the General Appropriations Act). Unencumbered appropriations are generally subject to lapse 60 days after the end of the fiscal year for which they were appropriated.

**ASSETS, LIABILITIES, AND FUND BALANCES/NET ASSETS**

Assets

Cash and Cash Equivalents

Short-term highly liquid investments with an original maturity of three months or less are considered cash equivalents.

Securities Lending Collateral Investments are stated at fair value in all funds except pension trust funds in accordance with **GASB Statement 31-Accounting and Financial Reporting for Certain Investments and for External Investment Pools**. For pension trust funds, investments are required to be reported at fair value using the accrual basis of accounting in accordance with **GASB Statement 25 - Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans**. Securities lent are reported as assets on the balance sheet. The costs of securities lending transactions are reported as expenditures or expenses in the Operating Statement. These costs are reported at gross.

Restricted Assets Restricted assets include monies or other resources restricted by legal or contractual requirements. These assets include proceeds of enterprise fund general obligation and revenue bonds and revenues set aside for statutory or contractual requirements. Assets held in reserve for guaranteed student loan defaults are also included.

Inventories

Inventories include both merchandise inventories on hand for sale and consumable inventories. Inventories are valued at cost, generally utilizing the last-in, first-out method. Inventories for governmental fund types are the purchase method of accounting. The consumption method of accounting is used to account for inventories that appear in the proprietary fund types and the government-wide statements. The cost of these items is expensed when the items are consumed.

Capital Assets

Assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year should be capitalized. These assets are capitalized at cost or, if not purchased, at appraised fair value as of the date of acquisition. Purchases of assets by governmental funds are reported as expenditures. Depreciation is reported on all "exhaustible" assets. "Inexhaustible" assets such as works of art and historical treasures are not depreciated. A road and highway infrastructure is reported on the modified basis. Assets are depreciated over the estimated useful life of the asset using the straight-line method.

All capital assets acquired by proprietary funds or trust funds are reported at cost or estimated historical cost, if actual historical cost is not available. Donated assets are reported at fair value on the acquisition date. Depreciation is charged to operations over the estimated useful life of each asset, using the straight-line method.

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Other Receivables

Other receivables include year-end accruals not included in any other receivable category. This account can appear in governmental and proprietary fund types.

Liabilities

Accounts Payable

Accounts Payable represents the liability for the value of assets or services received at the balance sheet date for which payment is pending.

Other Payables

Other payables are the accrual at year-end of expenditure transactions not included in any of the other payable descriptions. Other payables may be included in either the governmental or proprietary fund types.

Employees' Compensable Leave Balances

Employees' Compensable Leave Balances represent the liability that becomes "due" upon the occurrence of relevant events such as resignation, retirements, and uses of leave balances by covered employees. Liabilities are reported separately as either current or noncurrent in the statement of net assets.

Capital Lease Obligations

Capital Lease Obligations represent the liability for future lease payments under capital lease contracts contingent upon the appropriation of funding by the Legislature. Liabilities are reported separately as either current or noncurrent in the statement of net assets.

Bonds Payable - General Obligation Bonds

The unmatured principal of general obligations bonds are accounted for in the Long-term Liabilities column. Payables are reported separately as either current or noncurrent in the statement of net assets.

Bonds payable are recorded at par. The bond proceeds are accounted for as an "Other Financing Source" in the governmental funds when received, and expenditures for payment of principal and interest are recorded in the Debt Service funds when paid. These amounts are adjusted in the Long-term Liabilities column.

Bonds Payable - Revenue Bonds

Revenue bonds are generally accounted for in the proprietary funds. The bonds payable are reported at par less unamortized discount or plus unamortized premiums. Interest expense is reported on the accrual basis, with amortization of discount or premium. Payables are reported separately as either current or noncurrent in the statement of net assets.

Fund Balance/Net Assets

The difference between fund assets and liabilities is "Net Assets" on the government-wide, proprietary and fiduciary fund statements, and the "Fund Balance" is the difference between fund assets and liabilities on the governmental fund statements.

Reservation of Fund Balance

Fund balances for governmental funds are classified as either reserved or unreserved in the fund financial statements. Reservations are legally restricted to a specific future use or not available for expenditure.

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Reserve for Encumbrances

This represents commitments of the value of contracts awarded or assets ordered prior to year end but not received as of that date. Encumbrances are not included with expenditures or liabilities. They represent current resources designated for specific expenditures in subsequent operating periods.

Reserve for Consumable Inventories

This represents the amount of supplies, postage, and prepaid assets to be used in the next fiscal year.

Unreserved/Undesignated

This represents the unappropriated balance at year-end.

Invested in Capital Assets, Net of Related Debt

Invested in capital assets, net of related debt consists of capital assets. Net of accumulated depreciation and reduced by outstanding balances for bond, notes, and other debt, are attributed to the acquisition, construction, or improvement of those assets.

Restricted Net Assets

Restricted net assets results when constraints placed on net assets uses either are externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Assets

Unrestricted net assets consist of net assets, which do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources, which are imposed by management, but can be removed or modified.

Interfund Transactions and Balances

Angelo State University has the following types of transactions among funds:

- (1) Transfers: Legally required transfers that are reported when incurred as "Transfers In" by the recipient fund and as "Transfers Out" by the disbursing fund.
- (2) Reimbursements: Reimbursements are repayments from funds responsible for expenditures or expenses to funds that made the actual payment. Reimbursements of expenditures, made by one fund for another, are recorded as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund. Reimbursements are not displayed in the financial statements.
- (3) Interfund receivables and payables: Interfund loans are reported as interfund receivables and payables. If repayment is due during the current year or soon thereafter, it is classified as "Current," repayment for two (or more) years is classified as "Non-Current."
- (4) Interfund Sales and Purchases: Charges or collections for services rendered by one fund to another are recorded as revenues of the recipient fund and expenditures or expenses of the disbursing fund. The composition of Angelo State University's Interfund receivables and payables at August 31, 2004 is presented in Note 7.

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**NOTE 2: Capital Assets**

	PRIMARY GOVERNMENT							Balance 08/31/04
	Balance 09/01/03	Adjustments	Reclassifications			Additions	Deletions	
			Completed CIP	Inc-Int'gy Trans	Dec-Int'gy Trans			
<b>Governmental activities:</b>								
<b>Non -depreciable Assets</b>								
Land and Land Improvements	2,223,472.20					112,783.77		2,336,255.97
Infrastructure	0.00							0.00
Construction In Progress	28,100,357.11		-23,851,719.72			9,263,553.22	-633,367.51	12,878,823.10
Other Capital Assets	13,234,270.27					633,373.10	-33,230.00	13,834,413.37
<b>Total non-depreciable assets:</b>	<b>43,558,099.58</b>	<b>0.00</b>	<b>-23,851,719.72</b>	<b>0.00</b>	<b>0.00</b>	<b>10,009,710.09</b>	<b>-666,597.51</b>	<b>29,049,492.44</b>
<b>Depreciable Assets</b>								
Building and Building Improvements	78,978,056.14		23,462,823.74			50,664.39		102,481,544.27
Infrastructure	4,677,058.01							4,677,058.01
Facilities and Other Improvements	5,378,206.47		388,885.98					5,767,102.45
Furniture and Equipment	9,817,438.74				-42,733.88	891,429.43	-843,642.95	9,622,489.34
Vehicle, Boats, and Aircraft	1,273,458.15					94,711.43	-101,743.21	1,266,426.37
Other Capital Assets	0.00							0.00
<b>Total depreciable assets at historical cost:</b>	<b>99,824,215.51</b>	<b>0.00</b>	<b>23,851,719.72</b>	<b>0.00</b>	<b>-42,733.88</b>	<b>1,036,805.25</b>	<b>-945,386.16</b>	<b>123,824,620.44</b>
<b>Less Accumulated Depreciation for:</b>								
Buildings and Improvements	51,004,845.33					2,761,536.40		53,766,381.73
Infrastructure	629,581.72					142,005.24		771,586.96
Facilities and Other Improvements	2,259,381.80					299,096.67		2,558,478.47
Furniture and Equipment	6,944,817.21					806,012.97	-867,050.50	6,883,779.68
Vehicle, Boats, and Aircraft	882,964.30					115,455.57	-101,743.21	896,678.66
Other Capital Assets	0.00	0.00			0.00			0.00
<b>Total accumulated depreciation:</b>	<b>61,721,590.36</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>4,224,106.85</b>	<b>-968,793.71</b>	<b>64,976,903.50</b>
<b>Depreciable Assets Net</b>	<b>38,202,625.15</b>	<b>0.00</b>	<b>23,851,719.72</b>	<b>0.00</b>	<b>-42,733.88</b>	<b>-3,187,301.60</b>	<b>23,407.55</b>	<b>58,847,716.94</b>
<b>Governmental activities capital assets, net:</b>	<b>81,760,724.73</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>-42,733.88</b>	<b>6,822,408.49</b>	<b>-643,189.96</b>	<b>87,897,209.38</b>

**NOTE 3: Deposits and Investments**

**Authorized Investments**

Angelo State University is authorized to invest in obligations and instruments as defined in the Public Funds Investment Act (Sec. 2256.001, Texas Government Code) and for the Endowment Fund, the Uniform Management of Institutional Act. Such investments include:

1. obligations of the United States or its agencies,
2. direct obligations of the State of Texas or its agencies,
3. obligations of political subdivisions rated not less than "A" by a national investment rating firm,
4. certificates of deposit, and
5. other instruments and obligations authorized by statute.

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**Deposits of Cash in Bank**

- A. The carrying amount of \$4,712,678.67 for Cash in Bank (including restricted assets) is presented below.
- B. The bank balance of Angelo State University has been classified according to the following risk categories:

**Category 1:** Insured or collateralized with securities held by its agent in the name of the governmental entity.

**Category 2:** Collateralized with securities held by the pledging financial institution's trust department or agent in the governmental entity's name.

**Category 3:** Uncollateralized (which would include any deposits collateralized with securities held by the pledging financial institutions, or by its trust department or agent but not in the governmental entity's name).

<u>Carrying Amount</u>	<u>Bank Balance</u>	<u>Category 1</u>
\$4,712,678.67	\$1,655,441.36	\$1,655,441.36
 <u>Cash and Deposits</u>		
Bank Deposits		
Demand Deposits	<u>4,712,678.67</u>	
		4,712,678.67
Cash and Cash Equivalents		
Petty Cash on Hand	15,811.20	
Local Funds in State Treasury	5,687,617.93	
Reimbursement in Transit	<u>35,843.63</u>	
		<u>\$ 5,739,272.76</u>
Total Cash and Deposits		<u>\$10,451,951.43</u>

**INVESTMENTS**

To comply with the reporting requirements of GASB Statement No. 3 *Investments (including Repurchase Agreements), and Reverse Repurchase Agreements*, Angelo State University's investments are categorized in the tabulation titled "Investment Categories" to give an indication of credit risk assumed by Angelo State University at year end.

Credit risk is the risk that another party to a deposit or investment transaction will not fulfill its obligations. This is not to be confused with market risk which is the risk that the market value of an investment, collateral protecting a deposit, or securities underlying a repurchase agreement will decline. Market risk is not depicted in this note.

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The following categories of credit risk are included:

**Category 1:** Investments that are insured or registered or for which the securities are held by the institution or its agent in the institution's name.

**Category 2:** Uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or institution in the institution's name

**Category 3:** Uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent but not in the institutions's name.

<u>Investment Categories:</u>	Category 1	Reported Value
<u>Type of Security</u>		
U.S. Treasury Bills and Notes	2,282,170.80	2,282,170.80
U.S. Government Securities	1,982,793.70	1,982,793.70
Collateralized Mortgage Obligations	6,892.28	6,892.28
Mutual Fund/Unit Trust	2,552,001.93	2,552,001.93
Municipal Bonds	17,764.15	17,764.15
Corporate Bonds	50,583,257.37	50,583,257.37
Common Stock - Equities	10,302,776.46	10,302,776.46
Fiduciary Cash and Equivalents	<u>252,162.65</u>	<u>252,162.65</u>
<b>TOTALS</b>	<b><u>67,979,819.34</u></b>	<b><u>67,979,819.34</u></b>

Uncategorized Investments:

Texpool	41,619,475.70
Mineral Interests	<u>6,837,833.72</u>
<b>TOTAL INVESTMENTS</b>	<b><u>116,437,128.76</u></b>

Total Investments consist of the following:

Proprietary Funds Current Cash Equivalents	41,619,475.70
Proprietary Funds Non-Current Restricted Investments	<u>74,817,653.06</u>
<b>Total Investments per Financial Statements</b>	<b><u>116,437,128.76</u></b>

**Reverse Repurchase Agreements**



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Angelo State University, by statute, is authorized to enter into reverse repurchase agreements. A reverse repurchase agreement is a transaction in which a broker-dealer or financial institution transfers cash to the university and the university transfers securities to the broker-dealer and promises to repay the cash plus interest in exchange for the same or similar securities. Credit risk exposure for the university arises when a broker-dealer does not return the securities or their value at the conclusion of the reverse repurchase agreement. There were no significant violations of legal or contractual provisions during the year.

<b>NOTE 4: Short - Term Debt</b>
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Angelo State University had no short-term debt as of August 31, 2004.

**Securities Lending**

Angelo State University does not participate in a security lending program. The Agency had no securities out on loan to broker/dealers at August 31, 2004.

**Derivative Investing**

Derivatives are financial instruments (securities or contracts) whose value is linked to, or "derived" from, changes in interest rates, currency rates, and stock and commodity prices. Derivatives cover a broad range of financial instruments, such as forwards, futures, options, swaps, and mortgage derivatives. These mortgage derivatives are influenced by changes in interest rates, the current economic climate, and the geographic make-up of underlying mortgage loans. There are varying degrees of risk associated with mortgage derivatives. For example, Planned Amortization Class (PACS) with narrow collars would be considered moderate to high risks. In contrast, principal only (PO) and interest only (IO) strips are considered higher risk Collateralized Mortgage Obligations (CMO's).

Angelo State University's investments in derivatives comprises less than 1% of total investments as of August 31, 2004, with a reported value of \$6,892.28.

The majority of these investments were purchased prior to fiscal year 1995. In 1995, the Texas Legislature took steps to limit state entities' and local governments' ability to invest in high risk derivatives by amending the Public Funds Investment Act. These statutory limitations do not apply to certain funds institutions of higher education having total endowments of at least \$95 million. Angelo State University is in compliance with the Public Funds Investment Act.

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**NOTE 5: Summary of Long Term Liabilities**

**Changes in Long-Term Liabilities**

During the year ended August 31, 2004, the following changes occurred in liabilities:

Governmental Activities	Balance 9-1-03	Additions	Reductions	Balance 8-31-04	Amounts Due Within One Year
Compensable Leave	\$ 993,731.83	\$ 147,715.47	\$ 64,203.85	\$ 1,077,243.45	\$ 147,715.47
U.S. Government Grants Refundable	486,857.62	19,590.90	5,285.77	501,162.75	
<b>Total Governmental Activities</b>	<b>\$ 1,480,589.45</b>	<b>\$ 167,306.37</b>	<b>\$ 69,489.62</b>	<b>\$ 1,578,406.20</b>	<b>\$ 147,715.47</b>

**Employees Compensable Leave**

A state employee is entitled to be paid for all unused vacation time accrued, in the event of the employee's resignation, dismissal, or separation from State employment, provided the employee has had continuous employment with the State for six months. Expenditures for accumulated annual leave balances are recognized in the period paid or taken in governmental fund types. For these fund types, the liability for unpaid benefits is recorded in the Statement of Net Assets. An expense and liability for proprietary fund types are recorded in the proprietary fund as the benefits accrue to employees. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

**NOTE 6: Capital Leases**

Section not applicable.

**NOTE 7: Operating Lease Obligations**

Section not applicable.

**NOTE 8: Interfund Balances/Activity**

Angelo State University experienced routine transfers with other state agencies, which were consistent with the activities of the fund making the transfer. Repayment of interfund balances will occur within one year from the date of the financial statement.

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<u>Current Portion</u>	<u>Current Interfund Receivable</u>	<u>Current Interfund Payable</u>
General Revenue (001)	\$ 0.00	\$ 0.00
<b>Total Interfund Receivable/Payable</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>

<u>Non-Current Portion</u>	<u>Non-Current Interfund Receivable</u>	<u>Non-Current Interfund Payable</u>	<u>Purpose</u>
General Revenue (001)	\$ 0.00	\$ 0.00	
<b>Total Interfund Receivable/Payable</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>	

	<u>TRANSFERS IN</u>	<u>TRANSFERS OUT</u>
Institutional Funds (7999) Appd Fund 7999, D23 Fund 7999 (Agency 758, D23 Fund 7999)	\$	\$ (5,027,797.45)
General Revenue (001) Appd Fund 0347, D23 Fund 0347 (Agency 902, D23 Fund 0347)		(1,612.22)
Institutional Funds (7999) Appd Fund 7999, D23 Fund 7999 (Agency 655, D23 Fund 7999)		(42,733.88)
	<u>\$ 0.00</u>	<u>\$ (5,072,143.55)</u>

	<u>Legislative TRANSFERS IN</u>	<u>Legislative TRANSFERS OUT</u>
General Revenue (001)	\$ 0.00	\$ 0.00
<b>Total Legislative Transfers</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>

	<u>Due From Other Agencies</u>	<u>Due To Other Agencies</u>	<u>Source</u>
General Revenue (001) Appd Fund 0347, D23 Fund 0347 (Agency 902, D23 Fund 0347)	\$ 67.72	\$ 0.00	Transfer
<b>Total Due From/To Other Agencies</b>	<b>\$ 67.72</b>	<b>\$ 0.00</b>	

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Year Ended August 31, 2004

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**Note 9: Contingent Liabilities**

As of August 31, 2004, there were no lawsuits or claims pending against the University.

The University has deferred federal revenue in the amount of \$157,391.53.

**Note 10: Continuance Subject To Review**

Section not applicable.

**NOTE 11: Risk Financing and Related Insurance**

The State provides coverage for unemployment compensation benefits from appropriations made to other State agencies for Angelo State University employees. The current General Appropriations Act provides that Angelo State University must reimburse General Revenue Fund-Consolidated, from Angelo State University appropriations, one-half of the unemployment benefits paid for former and current employees. The Comptroller of Public Accounts determines the proportionate amount to be reimbursed from each appropriated fund type. Angelo State University must reimburse the General Revenue Fund one hundred percent of the cost for workers' compensation and for any employees paid from funds held in local bank accounts. The unemployment plan is on a pay-as-you-go basis, in which no assets are set aside to be accumulated for the payment of claims. No material outstanding claims are pending at August 31, 2004.

The administration of the State's employees workers' compensation program is vested with the State Office of Risk Management (SORM). In accordance with H.B. No. 1203, 77<sup>th</sup> Legislature, SORM developed and imposed a formula driven charge for workers' compensation costs upon participating agencies, which included System Administration. Prior year costs to State agencies was predicated upon actual losses sustained for worker's compensation, a refunding model. The SORM developed formula, a prepaid model, included factors in addition to actual losses that caused the cost of workers' compensation to increase for most participating agencies. Workers' compensation cost imposed upon agencies is paid through transfers to SORM from appropriations and or funds in the same proportion from which salaries are paid. SORM does reimburse an agency for a portion of its workers' compensation costs paid from the agency's General Revenue Fund appropriations.

Angelo State University incurred a \$73,209.00 loss during the fiscal year ended August 31, 2004 and \$ 0.00 in claims pending at that date.

- (a) Due to the diverse risk exposure of the University, the insurance portfolio contains a comprehensive variety of coverage. Texas statutes require participation of all state agencies, directors and officers liability, employee blanket bond and property and casualty programs. In addition to these basic policies, the University's Department of Risk Management establishes guidelines in risk assessment, risk avoidance, risk acceptance and risk transfer.

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- The auxiliary buildings and contents are insured for replacement value. Each loss incident is subject to a \$100,000 deductible.
- University automobiles are insured for liability only. Leased vehicles have liability and collision coverage.
- Each loss incident is subject to a \$1000 deductible.

**NOTE 12: Segment Information**

Section not applicable.

**NOTE 13: Bonded Indebtedness**

The Board of Regents approved the order establishing the Master Resolution for the Texas State University System Revenue Financing System in August 1998. The Master Resolution provides a financing structure under which revenue supported indebtedness of the Revenue Financing System can be incurred. Each component institution and the System Administration of TSUS are members of the Revenue Financing System. The Board pledged all of the funds (revenues) and balances derived or attributable to any member of the Revenue Financing System which are lawfully available to the Board for payments on Parity Debt. Specifically exempted from pledged revenues are:

- (a) amounts received on behalf of any member under Article 7, Section 17 of the Constitution of the State of Texas, including the income therefrom and any balances relating thereto, and
- (b) General Revenue Fund appropriations, except to the extent so specifically appropriated for debt service to the Board by the Legislature of the State of Texas.

Pledged revenue is also subject to the provisions of the "Prior Encumbered Obligations". Prior encumbered obligations means the revenues included in the Revenue Financing System for Texas State University-San Marcos are subject to a prior claim for the following heretofore issued bonds of the Board on behalf of that University that were not refunded by the issuance of Revenue Refunding Bonds, Series 1998B or Taxable Series 1998 :

Housing System Revenue Bonds, Series 1986

Housing System Revenue Refunding Bonds, Series 1989

University Housing System Revenue Refunding Bonds, Series 1993

Utility System Revenue Refunding Bonds, Series 1993

University Housing System Bonds, Series 1994

University Housing System Bonds, Series 1995

Utility System Revenue Bonds, Series 1996

Members may use the Revenue Financing System as a long-term debt program to acquire,

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purchase, construct, improve, renovate, enlarge, or equip property, buildings, structures, facilities, roads, or related infrastructure. An institution's request for the use of the Revenue Financing System is evaluated for an adequate revenue stream and bonding capacity for the specific institution prior to Board approval of issuing additional parity debt.

Each component institution receives its portion of the bond proceeds and accounts for the earnings and disbursements of the bond proceeds. Assets created and/or acquired as a result of the Revenue Financing System bond proceeds expended and subsequently capitalized are reported on the component institutions' Financial Reports. The associated bond liability and debt service activities are reported in total by the TSUS - System Administration.

The following bonds have been issued utilizing the Revenue Financing System:

Revenue Bonds. Series 1998A

- To acquire, purchase, construct, improve, renovate, enlarge or equip the property, buildings, structures, facilities, roads or related infrastructures for the members of the Revenue Financing System and to pay costs of issuance related to the bonds.
- Issued September 16, 1998.
- \$94,540,000; all authorized bonds have been issued.
- Bond proceeds were distributed to the TSUS components.
- Debt service payments will be made from mandatory transfers from the respective universities.
- Source of revenue for debt service - Revenue Financing System.
- The Texas Legislature has continually appropriated General Revenue Funds as an alternative funding source through the 2002-2003 Biennium, for the Tuition Revenue financed share, \$80,950,000, of the issued bonds, and is expected to continue in the future.

Revenue Refunding Bonds. Series 1998B

- To provide funds to refund certain obligations of the Board and to pay costs of issuance related to the bonds.
- Issued September 16, 1998.
- \$53,505,000; all authorized bonds have been issued.
- Source of revenue for debt service - Revenue Financing System.
- The Texas Legislature has continually appropriated General Revenue Funds as an alternative funding source through the 2002-2003 Biennium, for the Tuition Revenue financed share, \$23,530,000, of the issued bonds, and is expected to continue in the future.

Revenue Refunding Bonds. Taxable Series 1998

- To provide funds to refund certain obligations of the Board and to pay costs of issuance related to the bonds.
- Issued September 16, 1998.
- \$15,920,000; all authorized bonds have been issued.
- Source of revenue for debt service - Revenue Financing System.

Revenue Bonds Series 2000

- To provide funds to acquire, purchase, construct, improve, renovate, enlarge, or equip the property, buildings, structures, facilities, roads, or related infrastructure and to pay any costs related to the issuance of the bonds.
- Issued September 26, 2000.
- \$26,000,000; all authorized bonds were issued.
- Bond proceeds of \$10,000,000 and \$16,000,000 were distributed to Sam Houston

ANGELO STATE UNIVERSITY  
NOTES TO THE FINANCIAL STATEMENTS  
Year Ended August 31, 2004

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- State University and Southwest Texas State University, respectively.
- The debt has been retained on the books of System Administration.
- Debt service payments will be made from mandatory transfers from the respective universities.
- Source of revenue for debt service - Revenue Financing System.

Revenue Bonds Series 2001

- To provide funds to acquire, purchase, construct, improve, renovate, enlarge, or equip the property, buildings, structures, facilities, roads, or related infrastructure and to pay any costs related to the issuance of the bonds.
- Issued June 21, 2001.
- \$12,400,000; all authorized bonds were issued.
- Bond proceeds were distributed to Southwest Texas State University.
- The debt has been retained on the books of System Administration.
- Debt service payments will be made from mandatory transfers from the University.
- Source of revenue for debt service - Revenue Financing System.

Revenue and Refunding Series 2002 and Taxable Series 2002A

- To acquire, purchase, construct, improve, renovate, enlarge or equip the property, buildings, structures, facilities or related infrastructures for component institutions (\$147,445,000). To refund certain taxable outstanding bond issues for Southwest Texas State University (\$14,170,000). Bond proceeds were also used to pay costs of issuance related to the bonds.
- Issued October 17, 2002.
- \$161,615,000; all authorized bonds have been issued.
- Bond proceeds were delivered to the TSUS components.
- Debt service payments will be made from mandatory transfers from the respective universities.
- Source of revenue for debt service - Revenue Financing System.
- The Texas Legislature has appropriated General Revenue Funds as an alternative funding source in the 2002-2003 Biennium, for the Tuition Revenue financed share, \$98,935,000, of the issued bonds, and is expected to continue in the future.

The Board has also approved the issuance of bonds secured by the pledge of a portion of its allocation from the Higher Education Assistance Fund. A description of these bonds follows:

Constitutional Appropriation Bonds, Series 1998

- To provide funds to acquire, construct, improve, renovate, enlarge, or equip property, buildings, structures, or facilities and for paying costs related to the issuance of the Bonds.
- Issued April 0, 1998.
- \$26,460,000; all authorized bonds have been issued.
- Bond proceeds were distributed to Southwest Texas State University.
- The debt has been retained on the books of System Administration.
- The Bonds are payable solely from a first lien on the pledge of up to one-half of the annual appropriation to the Board from the State Treasury pursuant to Article 7, Section 17 of the Texas Constitution, as amended and Chapter 62, Texas Education Code, as amended.

Bond principal is due in annual installments, with interest being paid semi-annually, total yearly payments vary from \$7,374,188 to \$20,046,870 with interest rates from 4.5% to 6.46%. The final installment is due in 2018.

ANGELO STATE UNIVERSITY  
NOTES TO THE FINANCIAL STATEMENTS  
Year Ended August 31, 2004

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**NOTE 14: Subsequent Events**

Section not applicable.

**NOTE 15: Related Parties**

**Houston Harte Foundation Available**

The Houston Harte Foundation Available is a non-profit organization with the sole purpose of supporting educational and other activities of the University. The assets of the foundation are managed under a Fiduciary Agreement by the Wells Fargo Bank, San Angelo, Texas. The Foundation remitted unrestricted gifts of \$60,000.00 to the University during the year ended August 31, 2004. Since the assets are managed externally, the Foundation does not have any employees. The only services provided by the University is the keeping of the minutes.

**Robert G. Carr and Nona K. Carr Scholarship Foundation:**

On September 1, 1980 the Robert G. Carr Estate transferred certain assets totaling \$6,815,644.46 to the Board of Regents, Texas State University System, trustees of the Robert G. Carr and Nona K. Carr Scholarship Foundation that was established for the benefit of Angelo State University under provisions of the Last Will and Testament of Robert G. Carr whose death occurred on March 17, 1978. This principal fund included \$2,986,879.74 in cash, and \$3,828,764.72 in oil, gas, and mineral properties.

On September 1, 1989 the Nona K. Carr Estate transferred certain assets totaling \$5,098,287.68 to the Board of Regents, Texas State University System, trustees of the Robert G. Carr and Nona K. Carr Scholarship Fund that was established for the benefit of Angelo State University under provision of the last will and testament of Robert G. Carr. Nona K. Carr died on June 17, 1987. This principal fund included \$2,089,218.68 in cash and \$3,009,069.00 in oil, gas, and mineral properties.

Prior to the 2004 fiscal year, the Foundation received payments for oil and gas royalties, oil and gas lease rental and bonuses, and oil and gas payment commissions totaling \$53,962,608.88 and realized an appreciation on investments of \$1,272,624.96. During the 2004 fiscal year, the Foundation received payments for oil and gas royalties, oil and gas lease rentals and bonuses, and oil and gas payment commissions, and refunds totaling \$2,906,124.20.

All principal fund cash that is received by the Foundation is transferred to Wells Fargo Bank, San Angelo as master custodian for investment with Vaughan, Nelson, Scarborough & McCullough, L.P. and Fountain Capital Management, L.L.C. as investment managers for the Foundation.

The value at which oil, gas, and other mineral properties is carried on the financial statements is the value that was agreed to in the settlement with the Internal Revenue Service of the Federal Estate Tax Liability of the Estate of Robert G. Carr. No provision has been made for depletion of these properties. The interest income earned on the Trust is transferred to the Angelo State University Robert G. Carr and Nona K. Carr Scholarship and expense funds. During the 2004 fiscal year, the investment income received from the investment agent totaled \$3,342,959.84. Of this amount, \$545,000.00 was transferred by the



ANGELO STATE UNIVERSITY  
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Year Ended August 31, 2004

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trustees to the Foundation Trust Estate Expense Account for the payment of salaries and wages, and other operating expenses of the foundation. Disbursements from the expense account for the 2004 fiscal year totaled \$550,494.11. \$2,796,827.82 was transferred to the Angelo State University Robert G. Carr and Nona K. Carr Scholarship Foundation Account. Depository interest of \$1,132.02 was transferred. There was also a prior year correction of 12,586.77.

During the 2004 fiscal year, the scholarship account earned interest totaling \$35,643.37.

Total scholarships awarded prior to the 2004 fiscal year amounted to \$41,186,100.89. During the 2004 fiscal year, scholarship awards amounted to \$2,247,664.50. It is estimated that the amount of annual scholarship awards from the scholarship fund will total \$2,300,000.00 in fiscal year 2005.

The records of the Foundation are audited annually by the firm of Armstrong, Backus and Company, San Angelo, Texas.

**Other Organizations**

The ASU Alumni Association contributed \$51,211.61 to the University during the 2004 fiscal year for operation of the Alumni office. The University paid \$127,401.49 above the contributed amount for maintaining the records on the students who have graduated from the University. The University also provided office space and utilities to the Alumni Office.

The ASU Foundation is a non-profit organization with the sole purpose of supporting educational and other activities of the University. The Foundation solicits donations and acts a Coordinator of Gifts made by other parties. The association expended \$158,484.91 on behalf of the University during the year ended August 31, 2004. During the year the University furnished limited staff assistance to the association.

**NOTE 16: Stewardship. Compliance and Accountability**

Section not applicable.

**NOTE 17: The Financial Reporting Entity**

Section not applicable.

**NOTE 18: Restatement of Fund Balance/Net Assets**

Section not applicable.

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Year Ended August 31, 2004

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**NOTE 19: Employees Retirement Plans**

Section not applicable.

**NOTE 20: Deferred Compensation**

Section not applicable.

**NOTE 21: Donor Restricted Endowments**

Section not applicable.

**NOTE 22: Management Discussion and Analysis**

Section not applicable.

**NOTE 23: Post Employment Health Care and Life Insurance Benefits**

Section not applicable.

**NOTE 24: Special or Extraordinary Items**

Section not applicable.

**NOTE 25: Disaggregation of Receivable and Payable Balances**

Section not applicable.

UNAUDITED

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Angelo State University  
Schedule 1A - Schedule of Expenditures of Federal Awards  
For the Fiscal Year Ended August 31, 2004

Federal Grantor/Pass-Through Grantor/ Program Title	CFDA Number	Identifying #	Pass-Through From		Non-State Entity Amount	Direct Program Amount
			Agy/Univ #	Agy/Univ Amount		
<b>U. S. Department of Agriculture</b>						
Pass-Through From:						
Sul Ross State University						
USDA Rio Grande Valley Aerial Videography	10.200		756	\$ 8,849	\$	\$
USDA Rio Grande Valley Mammals	10.200		756	7,071		
Direct Programs:						
NSIIC Food Safety Lab	10.774	1227/7616				650,000
Total U.S. Department of Agriculture				<u>15,920</u>		<u>650,000</u>
<b>U. S. Department of the Interior</b>						
Direct Programs:						
Chisos Mt. Hedgehog Cactus	15.808	020/1145				(2,243)
National Park Service Experimental Populatio	15.808	020/1140				4,729
Total U.S. Department of the Interior						<u>2,486</u>
<b>National Science Foundation</b>						
Pass-Through From:						
Texas Engineering Experiment Station						
TEES/NSF Prime Grant	47.049	32525-5581	716	34,287		
Direct Programs:						
NSF MRI (Sauncy)	47.049					(152)
NSF RUI DMR (Sauncy)	47.049					(18,716)
NSF EAR (Satterfield)	47.050					18,110
Total National Science Foundation				<u>34,287</u>		<u>(758)</u>
<b>U. S. Small Business Administration</b>						
Pass-Through From:						
University of Texas San Antonio						
Small Business Development Center	59.037		743	147,477		
Total U. S. Small Business Administration				<u>147,477</u>		
<b>U. S. Department of Education</b>						
Direct Programs:						
Business and International Education	84.153					(14,677)
PLAIT II	84.342	020/1151				(37,819)
Pearl of the Concho Writing	84.928					22,213
Total U.S. Department of Education						<u>(30,283)</u>
<b>Dept. of Health &amp; Human Services</b>						
Direct Programs:						
Nurse Traineeships	93.358	020/1172				17,226
NIH Toddlers' Verb Acquisitions	93.865	020/1226				(48,428)
Total Dept. of Health & Human Services						<u>(31,202)</u>
<b>Student Financial Assistance Cluster</b>						
<b>U. S. Department of Education</b>						
Direct Programs:						
Federal Supplemental Educational Opportunity	84.007					196,951
Federal Family Education Loan	84.032					
New Loans Processed						14,022,381
Administrative Costs Recovered						
Federal Work-Study Program	84.033					206,839
Federal Perkins Loan Program	84.038					
New Loans Processed						86,000
Administrative Costs Recovered						
Federal Pell Grant Program	84.063					5,501,164
Total Student Financial Assistance Cluster Programs						<u>20,013,335</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE				\$ <u>197,684</u>	\$ <u>0</u>	\$ <u>20,603,578</u>

Total Pass-Thru From & Direct Program	Agy #/ Univ.#	Pass-Through To State Agy. or Univ. Amount	Non-State Entities Amt.	Expenditures Amount	Total PT to and Expenditures
\$ 8,849		\$	\$	\$ 8,849	\$ 8,849
7,071				7,071	7,071
650,000				650,000	650,000
<u>665,920</u>				<u>665,920</u>	<u>665,920</u>
(2,243)				(2,243)	(2,243)
4,729				4,729	4,729
<u>2,486</u>				<u>2,486</u>	<u>2,486</u>
34,287				34,287	34,287
(152)				(152)	(152)
(18,716)				(18,716)	(18,716)
18,110				18,110	18,110
<u>33,529</u>				<u>33,529</u>	<u>33,529</u>
147,477				147,477	147,477
<u>147,477</u>				<u>147,477</u>	<u>147,477</u>
(14,677)				(14,677)	(14,677)
(37,819)				(37,819)	(37,819)
22,213				22,213	22,213
<u>(30,283)</u>				<u>(30,283)</u>	<u>(30,283)</u>
17,226				17,226	17,226
(48,428)				(48,428)	(48,428)
<u>(31,202)</u>				<u>(31,202)</u>	<u>(31,202)</u>
196,951				196,951	196,951
14,022,381				14,022,381	14,022,381
206,839				206,839	206,839
86,000				86,000	86,000
5,501,164				5,501,164	5,501,164
<u>20,013,335</u>				<u>20,013,335</u>	<u>20,013,335</u>
\$ <u>20,801,262</u>		\$ 0	\$ 0	\$ <u>20,801,262</u>	\$ <u>20,801,262</u>

Angelo State University  
 Schedule 1A - Schedule of Expenditures of Federal Awards  
 For the Fiscal Year Ended August 31, 2004

**Note 2: Reconciliation:**

Federal Revenues - per Statement of Combined Revenues, Expenses and Net Assets:	
Federal Revenue-Operating	\$ 6,495,197
Federal Pass-Through Grants from Other State Agencies	197,684
Reconciling Items:	
Deferred Revenue	
Prior Year Adjustment	<u>                    </u>
Subtotal	6,692,881
Reconciling Items:	
ADD:	
New Loans Processed:	
Federal Family Education Loan Program	14,022,381
Federal Perkins Loan Program	<u>86,000</u>
Total Pass-Through & Expenditures Per Federal Schedule	<u>\$ 20,801,262</u>

**Note 3: Student Loans Processed & Administrative Costs Recovered**

Federal Grantor/ CFDA Number/Program Name	New Loans Processed	Admin. Costs Recovered	Total Loans Processed & Admin. Costs Recovered	Ending Balances of Previous Years' Loans
<i>U.S. Department of Education</i>				
84.032 Federal Family Education Loans	\$ 14,022,381	\$	\$ 14,022,381	\$
84.038 Federal Perkins Loan Program	<u>86,000</u>	<u>                    </u>	<u>86,000</u>	<u>618,273</u>
Total Department of Education	<u>\$ 14,108,381</u>	<u>\$ 0</u>	<u>\$ 14,108,381</u>	<u>\$ 618,273</u>

**Note 4: Government Publications**

The University participates as a depository library in the Government Printing Office's Depository Libraries for Government Publication program, CFDA #40.001. The University is the legal custodian of government publications, which remain the property of the federal government. The publications are not assigned a value by the Government Printing Office.

**Note 8: Federal Deferred Revenue**

Federal Deferred Revenue 9-1-03	\$
Increase (Decrease)	<u>157,392</u>
Federal Deferred Revenue 8-31-04	<u>\$ 157,392</u>

**Angelo State University**  
**Schedule 1B - Schedule of State Grant Pass Throughs From/To State Agencies**  
**For the Fiscal Year Ended August 31, 2004**

**Pass Through From:**

Texas Higher Education Coordinating Board (Agy #781)	
Texas Grants	\$ 2,271,346.47
General Academic Enrollment Growth	86,328.00
College Work Study	40,956.97
5th Year Accounting	<u>6,641.00</u>
 Total Pass Through From Other Agencies (Exh. II)	 <u>\$ 2,405,272.44</u>

**Pass Through To:**

 Total Pass Through To Other Agencies (Exh. II)	 <u>\$ 0.00</u>
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Angelo State University  
Schedule 2A - Miscellaneous Bond Information  
For the Fiscal Year Ended August 31, 2004  
(Amounts in Thousands)

Description	Bonds	Range of Interest Rates	Scheduled Maturities		First
	Issued to Date		First Year	Last Year	Call Date

SCHEDULE NOT USED

Angelo State University  
Schedule 2B - Changes in Bonded Indebtedness  
For the Year Ended August 31, 2004

Description of Issue	Bonds Outstanding 9-1-03	Bonds Issued	Bonds Matured or Retired	Bonds Refunded or Extinguished	Bonds Outstanding 8-31-04	Amts Due Within One Year
	\$	\$	\$	\$	\$	
SCHEDULE NOT USED						
TOTAL	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00



Angelo State University  
 Schedule 2E - Defeased Bonds Outstanding  
 For the Year Ended August 31, 2004

Description of Issues	Year Refunded	Par Value Outstanding
<b>Revenue Bonds</b>		
STUD HSNB SYS REV BDS SER '87A	1992	\$ 535,000.00
		<u>535,000.00</u>
		\$ <u>535,000.00</u>

Angelo State University  
Schedule 3 - Reconciliation of Cash in State Treasury  
For the Year Ended August 31, 2004

<u>Cash in State Treasury</u>	<u>Unrestricted</u>	<u>Restricted</u>	<u>Current Year Total</u>
Local Revenue Fund 0227	\$ 5,687,617.93	\$ _____	\$ 5,687,617.93
<b>Total Cash in State Treasury (Stmt of Net Assets)</b>	<b>\$ 5,687,617.93</b>	<b>\$ 0.00</b>	<b>\$ 5,687,617.93</b>

Angelo State University  
 Schedule 4 - Higher Education Assistance Fund  
 For the Fiscal Year Ended August 31, 2004

	<u>Total</u>
<b>Balances - September 1, 2003</b>	\$ 7,106,132.94
<b>Revenues</b>	
HEAF Appropriation	<u>3,887,211.00</u>
Total Revenues	<u>3,887,211.00</u>
<b>Expenses</b>	
Salaries and Wages	196,314.85
Professional Fees and Services	549,658.40
Materials and Supplies	379,784.24
Communication and Utilities	9,788.09
Repairs and Maintenance	375,058.68
Rentals and Leases	1,235.00
Printing and Reproduction	71,987.07
Interest	
Capital Outlay	1,838,702.36
Other Expenses	<u>524,696.82</u>
Total Expenses	<u>3,947,225.51</u>
<b>Other Revenues (Expenses), Gains/(Losses) and Transfers</b>	
Transfer to Unexpended Plant	
Adjustment to prior year expense	<u>14,138.17</u>
Total Other Revenues (Expenses), Gains/(Losses) and Transfers	<u>14,138.17</u>
<b>Balance at August 31, 2004</b>	<b>\$ <u>7,060,256.60</u></b>