

ANGELO STATE UNIVERSITY

SAN ANGELO, TEXAS

FINANCIAL REPORT

**FOR THE YEAR ENDING
AUGUST 31, 2006**

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

ANGELO STATE UNIVERSITY

San Angelo, Texas

ANNUAL FINANCIAL REPORT

Year Ended August 31, 2006

A MEMBER OF THE TEXAS STATE UNIVERSITY SYSTEM

**ANGELO STATE UNIVERSITY
FY 2006 FINANCIAL REPORT**

TABLE OF CONTENTS

	Page
LETTER OF TRANSMITTAL	1
ORGANIZATIONAL DATA	3
ENROLLMENT DATA	4
PROPRIETARY FUND FINANCIAL STATEMENTS (PRIMARY STATEMENTS)	
STATEMENT OF NET ASSETS	5
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS	9
MATRIX OF OPERATING EXPENSES REPORTED BY FUNCTION	12
STATEMENT OF CASH FLOWS	13
NOTES TO THE FINANCIAL STATEMENTS	16
SUPPLEMENTAL SUPPORTING INFORMATION	
SCHEDULES:	
1A - Schedule of Expenditures of Federal Awards	30
1B - Schedule of State Grant Pass-Throughs To/From State Agencies	33
2A - Miscellaneous Bond Information	34
2B - Changes in Bonded Indebtedness	35
2E - Defeased Bonds Outstanding	36
3 - Reconciliation of Cash in State Treasury	37
4 - Higher Education Assistance Fund	38

November 17, 2006

The Honorable Rick Perry
Governor of Texas

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

The Honorable Carole Keeton Strayhorn
Texas Comptroller

Mr. John Keel, 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, 2006, 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 statewide requirements embedded in 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 comply with all the requirements in this statement. 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. Angie Rios may be contacted at (325) 942-2014 ext. 278 for questions related to the Schedule of Expenditures of Federal Awards.

Sincerely,

Dr. E. James Hindman
President

November 17, 2006

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, 2006.

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. Angie Rios 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
Controller

Janet Coleman
Director of Accounting

Christina Chavez
Accountant

Angie Rios
Accountant

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**ANGELO STATE UNIVERSITY
ORGANIZATIONAL DATA
For the Fiscal Year 2005 - 2006**

**BOARD OF REGENTS
TEXAS STATE UNIVERSITY SYSTEM**

OFFICERS

Kent M. Adams	Chairman
Bernie C. Francis	Vice Chairman
Charles R. Matthews	Chancellor

MEMBERS

<u>Name</u>	<u>Residence</u>	<u>Term Expires February 1</u>
Dionicio Flores *	El Paso, Texas	2005
Kent M. Adams	Beaumont, Texas	2007
Alan W. Dreeben	Schertz, Texas	2007
Pollyanna A. Stephens	San Angelo, Texas	2007
Dora G. Alcala	Del Rio, Texas	2009
John E. Dudley	Comanche, Texas	2009
Bernie C. Francis	Addison, Texas	2009
Ken Luce	Irving, Texas	2011
Greg Wilkinson	Plano, Texas	2011

* The Regents continue to serve at August 31, 2006 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

Frederic Dietz	Dean of Admissions
Angela Balch	Registrar

**ANGELO STATE UNIVERSITY
ENROLLMENT DATA
For the Fiscal Year 2005-2006**

<u>TYPE OF STUDENT</u>	Number of Students by Semester			
	<u>Fall 2005</u>	<u>Spring 2006</u>	<u>Summer Terms 2006</u>	
			<u>First</u>	<u>Second</u>
Texas Resident	6,051	5,429	1,900	1,663
Out-of State	28	19	7	5
Foreign	3	5	2	1
High School Honor Scholarship	24	21	0	0
Hazlewood Act	36	42	13	16
State Commission for the Blind	14	12	5	5
	<u>6,156</u>	<u>5,528</u>	<u>1,927</u>	<u>1,690</u>

ENROLLMENT TREND DATA

(Fall Semester)

<u>FISCAL YEAR</u>	<u>STUDENTS</u>	<u>SEMESTER HOURS</u>
2006	6,156	78,137
2005	6,137	77,184
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

* Furnished by the Office of the Registrar.

Statement of Net Assets
 Angelo State University
 Statement of Net Assets
 August 31, 2006

	<u>Total</u>
ASSETS	
Current Assets:	
Cash and Cash Equivalents	
Cash on Hand	\$ 14,541.20
Cash in Bank	4,516,702.14
Cash in Transit/Reimbursement from Treasury	3,300,517.32
Cash in State Treasury	3,888,100.54
Cash Equivalents	31,229,871.79
Securities Lending Collateral	
Short Term Investments	
Restricted:	
Cash and Cash Equivalents	
Cash on Hand	20.00
Cash in Bank	765,947.02
Cash in Transit/Reimbursement from Treasury	
Cash in State Treasury	
Cash Equivalents	4,777,212.67
Short Term Investments	
Legislative Appropriations	5,445,478.73
Investments	
Receivables from:	
Federal	140,833.69
Other Intergovernmental	
Interest and Dividends	87,600.70
Accounts Receivable	5,797,442.44
Gifts	
Other Notes Receivable - Loan Funds	1,264,703.05
Interfund Receivables	
Due From Other Agencies	
Consumable Inventories	245,601.15
Merchandise Inventories	
Deferred Charges	13,395,398.56
Loans and Contracts	
Other Current Assets	
Total Current Assets	<u>74,869,971.00</u>

Statement of Net Assets
Angelo State University
Statement of Net Assets
August 31, 2006

	<u>Total</u>
Noncurrent Assets:	
Restricted:	
Cash and Cash Equivalents	
Cash on Hand	\$
Cash in Bank	
Cash in Transit/Reimbursement from Treasury	
Cash in State Treasury	
Cash Equivalents	
Short Term Investments	
Receivables:	
Investments	
Loans and Contracts	
Other Assets	
Loans and Contracts	
Investments	84,051,780.34
Interfund Receivables	
Capital Assets:	
Non-Depreciable:	
Land and Land Improvements	2,336,255.97
Infrastructure	
Construction in Progress	2,030,867.71
Other Capital Assets (Museum)	275,805.00
Depreciable:	
Buildings and Building Improvements	130,153,492.93
Less Accumulated Depreciation	(60,425,203.61)
Infrastructure	4,677,058.01
Less Accumulated Depreciation	(1,055,597.44)
Facilities and Other Improvements	6,329,094.34
Less Accumulated Depreciation	(3,111,106.00)
Furniture and Equipment	10,013,576.28
Less Accumulated Depreciation	(7,525,943.32)
Vehicles, Boats, and Aircraft	1,234,448.65
Less Accumulated Depreciation	(1,014,886.88)
Other Capital Investments	6,254,019.17
Less Accumulated Depreciation	(4,797,267.90)
Other Noncurrent Assets	
Total Non-Current Assets	<u>169,426,393.25</u>
Total Assets	\$ <u>244,296,364.25</u>

Statement of Net Assets
 Angelo State University
 Statement of Net Assets
 August 31, 2006

	<u>Total</u>
LIABILITIES	
Current Liabilities:	
Payables From:	
Accounts	\$ 3,258,988.27
Federal	
Other Intergovernmental	
Payroll	3,224,373.33
Other	
Interfund Payable	
Due to Other Agencies	3,431.29
Deferred Revenues	17,672,417.73
Notes and Loans Payable	
Revenue Bonds Payable	
General Obligation Bonds Payable	
Claims and Judgements Payable	
Employees' Compensable Leave	242,705.53
Capital Lease Obligations	
Liabilities Payable from Restricted Assets	
Obligations/Reverse Purchase Agreements	
Obligations Under Securities Lending	
Funds Held for Others	7,456,270.96
Other Current Liabilities	<u>290,230.00</u>
Total Current Liabilities	<u>32,148,417.11</u>
Noncurrent Liabilities:	
Interfund Payable	
Notes and Loans Payable	
Revenue Bonds Payable	
General Obligation Bonds Payable	
Claims and Judgements Payable	
Employees Compensable Leave	1,118,000.51
Capital Lease Obligations	
Other Non-Current Liabilities	<u>515,307.65</u>
Total Noncurrent Liabilities	<u>1,633,308.16</u>
Total Liabilities	<u>\$ 33,781,725.27</u>

Statement of Net Assets
 Angelo State University
 Statement of Net Assets
 August 31, 2006

	<u>Total</u>
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	\$ 85,374,612.91
Restricted for	
Education	
Debt Retirement	
Capital Projects	
Employee Benefit	
Funds Held As Permanent Investments:	
Non-Expendable	80,940,829.76
Expendable	
Other	11,571,373.84
Unrestricted	<u>32,627,822.47</u>
Total Net Assets	<u>\$ 210,514,638.98</u>

Angelo State University
Statement of Revenues, Expenses, and Changes in Net Assets
For the Fiscal Year Ended August 31, 2006

	<u>Total</u>
OPERATING REVENUES	
Sales of Goods and Services	
Tuition and Fees (PR-Chgs for Services)	\$ 25,140,664.55
Tuition and Fees - Pledged (PR-Chgs for Services)	
Discounts and Allowances	(6,275,025.65)
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)	7,249,198.29
Auxiliary Enterprises - Pledged (PR-Chgs for Services)	
Discounts and Allowances	(1,857,353.70)
Other Sales of Goods and Services	1,774,886.81
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)	8,194,652.48
Federal Pass Through Revenue (PR-OP Grants/Contributions)	233,539.12
State Grant Revenue (PR-OP Grants/Contributions)	533,343.73
State Grant Pass Through Revenue (PR-OP Grants/Contributions)	2,874,337.57
Other Grants and Contracts (PR-OP Grants/Contributions)	325,579.46
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>38,193,822.66</u>

Angelo State University
Statement of Revenues, Expenses, and Changes in Net Assets
For the Fiscal Year Ended August 31, 2006

	<u>Total</u>
OPERATING EXPENSES:	
Instruction	\$ 29,806,933.20
Research	769,403.18
Public Service	1,561,010.76
Academic Support	3,545,284.86
Student Services	3,148,309.98
Institutional Support	10,239,023.74
Operation and Maintenance of Plant	6,802,259.85
Scholarship and Fellowships	2,531,833.66
Auxiliary Enterprise Expenditures	12,113,776.34
Depreciation and Amortization	4,888,493.53
Total Operating Expenses	<u>75,406,329.10</u>
Operating Income (Loss)	<u>\$ (37,212,506.44)</u>
NONOPERATING REVENUES (EXPENSES)	
Legislative Revenue (GR)	\$ 24,956,669.00
Additional Appropriations (GR)	4,901,311.53
HEAF Appropriation Revenue (GR)	
Federal Revenue Non-Operating (PR-OP Grants/Contributions)	12,225.92
Gifts (PR-OP Grants/Contributions)	642,631.78
Investment Income (Expense) (PR-OP Grants/Contributions)	6,127,228.19
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)	(1,982,437.06)
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)	3,590,706.81
Other Nonoperating Revenues (Expenses) (GR)	
Total Nonoperating Revenues (Expenses)	<u>38,248,336.17</u>
Income (Loss) before Other Revenues, Expenses, Gains/Losses and Transfers	<u>1,035,829.73</u>

Angelo State University
Statement of Revenues, Expenses, and Changes in Net Assets
For the Fiscal Year Ended August 31, 2006

	<u>Total</u>
OTHER REVENUES, EXPENSES, GAINS/ LOSSES AND TRANSFERS	
Capital Contributions	\$
Capital Appropriations (HEAF)	2,390,535.00
Additions to Permanent and Term Endowments	
Special Items	12,924,323.73
Extraordinary Items	
Transfers-In	
Transfers-Out	(855,031.76)
Legislative Transfers-In	
Legislative Transfers-Out	(4,082,755.25)
Legislative Appropriations Lapsed	<u>(49,324.75)</u>
CHANGE IN NET ASSETS	<u>11,363,576.70</u>
Net Assets, Beginning	199,151,062.28
Restatements	
Net Assets, Beginning, as Restated	<u>199,151,062.28</u>
NET ASSETS, ENDING	<u>\$ 210,514,638.98</u>

UNAUDITED

Angelo State University
 Matrix of Operating Expenses Reported by Function
 For the Fiscal Year Ended August 31, 2006

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	17,312,019.64	461,567.04	781,395.64	1,845,182.32	1,922,428.82	6,431,398.53	2,409,093.09		2,682,474.36		33,845,559.44
Payroll Related Costs	4,602,477.57	86,462.94	146,263.57	514,981.34	427,867.42	698,987.94	565,441.92		549,302.14		7,591,784.84
Professional Fees and Services	47,372.86	1,886.00	38,897.72	3,901.00	80,590.47	593,545.15	11,212.35		422,476.16		1,199,881.71
Travel	295,883.66	29,919.59	11,924.91	68,211.71	63,036.47	88,892.37	29,018.17		272,011.37		858,898.25
Materials and Supplies	175,757.64	6,805.43	31,322.73	29,175.81	147,187.39	256,127.62	117,157.96		221,387.79		984,922.37
Communication and Utilities	56,220.67	1,947.42	147,903.44	14,108.87	15,670.12	114,725.64	2,522,560.96		1,635,783.67		4,508,920.79
Repairs and Maintenance	124,296.50	747.83	38,253.08	35,522.07	71,012.11	116,956.80	286,282.69		554,790.73		1,227,861.81
Rentals and Leases	62,726.05	2,047.94	2,698.96	5,609.54	24,396.67	25,001.24	12,868.92		386,646.03		521,995.35
Printing and Reproduction	36,172.89	507.72	11,865.78	35,086.06	122,195.65	91,148.36	3,435.61		67,509.96		367,922.03
Federal Pass Through Expense											
State Grant Pass Through Expense											
Depreciation and Amortization										4,888,493.53	4,888,493.53
Bad Debt Expense											
Interest		0.05		3.61							3.66
Scholarships								2,531,833.66			2,531,833.66
Claims and Losses											
Other Operating Expenses	7,094,005.72	177,511.22	350,484.93	993,502.53	273,924.86	1,822,240.09	845,188.18		5,321,394.13		16,878,251.66
Total Operating Expenses	<u>29,806,933.20</u>	<u>769,403.18</u>	<u>1,561,010.76</u>	<u>3,545,284.86</u>	<u>3,148,309.98</u>	<u>10,239,023.74</u>	<u>6,802,259.85</u>	<u>2,531,833.66</u>	<u>12,113,776.34</u>	<u>4,888,493.53</u>	<u>75,406,329.10</u>

Angelo State University
Statement of Cash Flows
For the Year Ended August 31, 2006

	<u>Total</u>
Cash Flows from Operating Activities	
Receipts from Customers	\$ 8,960,355.82
Proceeds from Tuition and Fees	21,871,511.84
Proceeds from Research Grants and Contracts	236,169.74
Proceeds from Gifts	
Proceeds from Loan Programs	1,068,563.58
Proceeds from Auxiliaries	
Proceeds from Other Revenues	11,921,884.02
Payments to Suppliers for Goods and Services	
Payments to Employees for Salaries	(33,845,559.44)
Payments to Employees for Benefits	(7,591,784.84)
Payments for Loans Provided	(757,865.96)
Payments for Other Expenses	<u>(30,203,920.28)</u>
Net Cash Provided (Used) by Operating Activities	<u>(28,340,645.52)</u>
Cash Flows from Noncapital Financing Activities	
Proceeds from Debt Issuance	
Proceeds from State Appropriations	33,312,897.03
Proceeds from Gifts	1,175,974.64
Proceeds from Endowments	288,418.31
Proceeds of Transfers from Other Funds	(78,954.13)
Proceeds from Grant Receipts	
Proceeds from Advances from Other Funds	
Proceeds from Loan Programs	12,225.92
Proceeds from Other Financing	
Proceeds from Contributed Capital	
Payments of Principal on Debt Issuance	(4,890,310.63)
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>(1,879,482.27)</u>
Net Cash Provided by Noncapital Financing Activities	<u>27,940,768.87</u>

Angelo State University
Statement of Cash Flows
For the Year Ended August 31, 2006

	<u>Total</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Operating Income (Loss)	\$ (37,212,506.44)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:	
Amortization and Depreciation	4,888,493.53
Bad Debt Expense	
Operating Income and Cash Flow Categories:	
Classification Differences	(260,599.17)
Changes in Assets and Liabilities:	
(Increase) Decrease in Receivables	212,852.18
Increase (Decrease) in Due from Other Funds	12,862.04
(Increase) Decrease in Inventories	55,900.99
(Increase) Decrease in Prepaid Expenses	(4,205,473.89)
(Increase) Decrease in Notes Receivable	473,857.68
(Increase) Decrease in Loans & Contracts	
(Increase) Decrease in Other Assets	3,220,677.99
(Increase) Decrease in State Appropriations	
Increase (Decrease) in Payables	(902,052.90)
Increase (Decrease) in Deposits	(8,078.00)
Increase (Decrease) in Due to Other Funds	3,431.29
Increase (Decrease) in Deferred Income	4,771,651.43
Increase (Decrease) in Compensated Absence Liability	134,358.95
Increase (Decrease) in Benefits Payable	
Increase (Decrease) in Other Liabilities	<u>473,978.80</u>
Total Adjustments	<u>8,871,860.92</u>
Net Cash Provided by Operating Activities	<u>\$ (28,340,645.52)</u>

Non Cash Transactions

Donation of Capital Assets	\$
Net Change in Fair Value of Investments	(1,982,437.06)
Equipment Transfers	(17,847.00)
Disposal of Plant Facilities	(131,578.65)
Acquisition of Texan Hall	12,855,896.18

ANGELO STATE UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
Year Ended August 31, 2006

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 basis 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 is 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.

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.

ANGELO STATE UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
Year Ended August 31, 2006

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. For reporting purposes, this account includes cash on hand, cash in local banks, cash in transit, and cash in the Treasury.

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.

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.

ANGELO STATE UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
Year Ended August 31, 2006

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. GASB Statement No. 16, Accounting for Compensated Absences, establishes the standards of accounting and reporting for compensated absences (i.e., vacation, unpaid overtime, and sick leave) by State entities.

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.

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.

**ANGELO STATE UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
Year Ended August 31, 2006**

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, 2006 is presented in Note 8.

NOTE 2: Capital Assets

	PRIMARY GOVERNMENT							
	Balance 09/01/05	Adjustments	Reclassifications			Additions	Deletions	Balance 08/31/06
			Completed CIP	Inc-Int'agy Trans	Dec-Int'agy Trans			
Governmental activities:								
Non-depreciable Assets								
Land and Land Improvements	\$ 2,336,255.97							\$ 2,336,255.97
Infrastructure	0.00							0.00
Construction in Progress	441,710.25		(154,801.37)			1,749,053.83	(5,095.00)	2,030,867.71
Other Capital Assets	275,805.00							275,805.00
Total non-depreciable assets:	<u>\$ 3,053,771.22</u>	<u>\$ 0.00</u>	<u>\$ (154,801.37)</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 1,749,053.83</u>	<u>\$ (5,095.00)</u>	<u>\$ 4,642,928.68</u>
Depreciable Assets								
Building and Building Improvements	\$ 117,297,596.75					12,855,896.18		\$ 130,153,492.93
Infrastructure	4,677,058.01							4,677,058.01
Facilities and Other Improvements	5,767,102.45		41,191.12			520,800.77		6,329,094.34
Furniture and Equipment	9,330,746.54		113,610.25		(8,945.00)	676,845.67	(98,681.18)	10,013,576.28
Vehicle, Boats, and Aircraft	1,216,260.39				(8,902.00)	27,090.26		1,234,448.65
Other Capital Assets	6,108,716.37					183,955.15	(38,652.35)	6,254,019.17
Total depreciable assets at historical cost:	<u>\$ 144,397,480.51</u>	<u>\$ 0.00</u>	<u>\$ 154,801.37</u>	<u>\$ 0.00</u>	<u>\$ (17,847.00)</u>	<u>\$ 14,264,588.03</u>	<u>\$ (137,333.53)</u>	<u>\$ 158,661,689.38</u>
Less Accumulated Depreciation for:								
Buildings and Improvements	\$ 56,872,866.16					3,552,337.45		\$ 60,425,203.61
Infrastructure	913,592.20					142,005.24		1,055,597.44
Facilities and Other Improvements	2,820,575.99					290,530.01		3,111,106.00
Furniture and Equipment	6,877,733.33				(8,945.00)	743,825.10	(86,670.11)	7,525,943.32
Vehicle, Boats, and Aircraft	925,810.54				(8,902.00)	97,978.34		1,014,886.88
Other Capital Assets	4,630,933.40				0.00	204,986.85	(38,652.35)	4,797,267.90
Total accumulated depreciation:	<u>\$ 73,041,511.62</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ (17,847.00)</u>	<u>\$ 5,031,662.99</u>	<u>\$ (125,322.46)</u>	<u>\$ 77,930,005.15</u>
Depreciable Assets Net	<u>71,355,968.89</u>	<u>0.00</u>	<u>154,801.37</u>	<u>0.00</u>	<u>0.00</u>	<u>9,232,925.04</u>	<u>(12,011.07)</u>	<u>80,731,684.23</u>
Governmental activities capital assets, net:	<u>\$ 74,409,740.11</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 10,981,978.87</u>	<u>\$ (17,106.07)</u>	<u>\$ 85,374,612.91</u>

ANGELO STATE UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
Year Ended August 31, 2006

NOTE 3: Deposits, Investments, and Repurchase Agreements

Angelo State University is authorized by statute to make investments following "prudent person rule". There were no significant violations of legal provisions during the period.

Deposits of Cash in Bank

As of August 31, 2006, the carrying amount of deposits was \$5,282,649.16 (including Restricted Assets) as presented below.

Governmental and Business-Type Activities

CASH IN BANK - CARRYING VALUE	\$5,282,649.16
Less: Certificates of Deposit included in carrying value and reported as Cash Equivalent	0.00
Less: Uninvested Securities Lending Cash Collateral included in carrying value and reported as Securities Lending Collateral	0.00
Less: Securities Lending CD Collateral included in carrying value and reported as Securities Lending Collateral	0.00
Cash in Bank per AFR	<u>\$5,282,649.16</u>
Governmental Funds Current Assets Cash in Bank	\$4,516,702.14
Governmental Funds Current Assets Restricted Cash in Bank	<u>765,947.02</u>
Cash in Bank per AFR	<u>\$5,282,649.16</u>

These amounts consist of all cash in local banks and a portion of short-term investments. These amounts are included on the Combined Statement of Net Assets as part of the "Cash and Cash Equivalents" and "Securities Lending Collateral" accounts.

As of August 31, 2006, the total bank balance was as follows:

Governmental and Business-Type Activities	\$5,755,984.61
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Investments

As of August 31, 2006, the fair value of investments are as presented below.

Governmental and Business-Type Activities	<u>Fair Value</u>
U. S. Government	
U. S. Treasury Securities	\$2,518,625.10
U. S. Treasury Strips	
U. S. Treasury TIPS	
U. S. Government Agency Obligations (Ginnie Mae, Fannie Mae, Freddie Mac, Sallie Mae, etc.)	5,824,395.84
U. S. Government Agency Obligations (Texas Treasury Safekeeping Trust Co)	
Corporate Obligations	53,284,918.21
Corporate Asset and Mortgage Backed Securities	75,623.51
Equity	10,237,503.35
International Obligations (Govt and Corp)	
International Equity	
Repurchase Agreement	
Repurchase Agreement (Texas Treasury Safekeeping Trust Co)	
Fixed Income Money Market and Bond Mutual Fund	3,210,862.38
Other Commingled Funds	2,062,018.23
Other Commingled Funds (Texpool)	36,007,084.46
Commercial Paper	
Securities Lending Collateral Investment Pool	
Real Estate	
Misc (alternative investments, limited partnerships, guaranteed investment contract, Political subdivision, bankers' acceptance, negotiable CD)	6,837,833.72
Total	<u>\$120,058,864.80</u>

ANGELO STATE UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
Year Ended August 31, 2006

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The general investment policy of the agency limits investments in debt securities that are not in the top three investment grade ratings issued by nationally recognized statistical rating organizations to 5% total investments. As of August 31, 2006, the agency's credit quality distribution for securities with credit risk exposure was as follow.

Standard & Poor's

Fund Type	GAAP Fund	Investment Type	AAA	AA	A	
		Corporate Obligations	1,871,377.50	8,863,188.50	20,853,437.97	
		Government Agencies	5,824,395.84			
		CMO's	75,623.51			
		Municipal Bonds & Other	20,953.60			

Standard & Poor's

Fund Type	GAAP Fund	Investment Type	BBB	BB	B	
		Corporate Obligations	13,160,827.00	3,619,199.25	4,916,888.00	

Concentration of credit risk is the risk of loss attributable to the magnitude of investment in a single issuer. As of August 31, 2006 the agency's concentration of credit risk is as follows.

Fund Type	GAAP Fund	Issuer	Carry Value	% of total portfolio
		None		

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, 2006.

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 comprise less than 1% of total investments as of August 31, 2006, with a reported value of \$75,623.51.

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.

ANGELO STATE UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
Year Ended August 31, 2006

NOTE 4: Short-Term Debt

Angelo State University had no short-term debt as of August 31, 2006.

NOTE 5: Summary of Long Term Liabilities

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.

Changes in Long-Term Liabilities

During the year ended August 31, 2006, the following changes occurred in liabilities:

Governmental Activities	Balance 9-1-05	Additions	Reductions	Balance 8-31-06	Amounts Due Within One Year
Compensable Leave	\$ 1,226,347.09	\$ 242,705.53	\$ 108,346.58	\$ 1,360,706.04	\$ 242,705.53
U.S. Government Grants Refundable	530,752.92	42,589.90	58,035.17	515,307.65	
Total Governmental Activities	<u>\$ 1,757,100.01</u>	<u>\$ 285,295.43</u>	<u>\$ 166,381.75</u>	<u>\$ 1,876,013.69</u>	<u>\$ 242,705.53</u>

NOTE 6: Capital Leases

Section not applicable.

NOTE 7: Operating Lease Obligations

Section not applicable.

ANGELO STATE UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
Year Ended August 31, 2006

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.

<u>Current Portion</u>	<u>Current Interfund Receivable</u>	<u>Current Interfund Payable</u>	<u>Purpose</u>
General Revenue (001)	\$ 0.00	\$ 0.00	
Total Interfund Receivable/Payable	\$ 0.00	\$ 0.00	
<u>Non-Current Portion</u>			
General Revenue (001)	\$ 0.00	\$ 0.00	
Total Interfund Receivable/Payable	\$ 0.00	\$ 0.00	
	<u>TRANSFERS IN</u>	<u>TRANSFERS OUT</u>	
Institutional Funds (7999) Appd Fund 7999, D23 Fund 7999 (Agency 758, D23 Fund 7999)	\$	\$ (758,230.63)	
General Revenue (001) Appd Fund 0347, D23 Fund 0347 (Agency 902, D23 Fund 0347)		(258.63)	
General Revenue (5103) Appd Fund 5103, D23 Fund 5103 (Agency 781, D23 Fund 5103)		(78,695.50)	
Institutional Funds (7999) Appd Fund 7999, D23 Fund 7999 (Agency 671, D23 Fund 7999)		(17,847.00)	
	<u>\$ 0.00</u>	<u>\$ (855,031.76)</u>	
	<u>Legislative TRANSFERS IN</u>	<u>Legislative TRANSFERS OUT</u>	
General Revenue (001) Appd Fund 0001, D23 Fund 0001 (Agency 758, D23 Fund 0001)	\$ 0.00	\$ (4,082,755.25)	
Total Legislative Transfers	\$ 0.00	\$ (4,082,755.25)	
	<u>Due From Other Agencies</u>	<u>Due To Other Agencies</u>	
Institutional Funds (7999) Appd Fund 7999, D23 Fund 7999 (Agency 758, D23 Fund 7999)	\$ 0.00	\$ 3,431.29	
Total Due From/To Other Agencies	\$ 0.00	\$ 3,431.29	

ANGELO STATE UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
Year Ended August 31, 2006

NOTE 9: Contingent Liabilities

As of August 31, 2006, there were no lawsuits or claims pending against the University.

The University has deferred federal revenue in the amount of \$109,700.95.

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, 2006.

The administration of the State's employee's workers' compensation program is vested with the State Office of Risk Management (SORM). In accordance with H.B. No. 1203, 77th 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 were 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 are 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 \$ 0.00 loss during the fiscal year ended August 31, 2006 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.
- b.
 - 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.

ANGELO STATE UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
Year Ended August 31, 2006

- Each loss incident is subject to a \$1,000 deductible.

NOTE 12: Segment Information

Section not applicable.

NOTE 13: Bonded Indebtedness

All bonded indebtedness for Angelo State University is issued by System Administration through the Texas State University System Revenue Financing System. System Administration and each component institution within the system are members of the Revenue Financing System. The Board of Regents pledged all of the funds (revenues) and balances derived or attributable to any member of the Revenue Financing System that is lawfully available to the Board for payments on Parity Debt.

System Administration issued the debt; therefore, the bonds payable attributable to the University are included with the Bonds Payable reported by System Administration. The University must repay the debt that was issued on its behalf; consequently, the following debt amortization schedule is presented for informational purposes only:

**DEBT SERVICE REQUIREMENTS ATTRIBUTABLE
TO ANGELO STATE UNIVERSITY**

DESCRIPTION	YEAR	PRINCIPAL	INTEREST	TOTAL
All Issues	2006	\$ 2,649,081.64	\$ 2,122,562.20	\$ 4,771,643.84
	2007	3,051,586.06	2,820,903.23	5,872,489.29
	2008	3,130,382.16	2,778,974.86	5,909,357.02
	2009	3,267,072.70	2,618,787.99	5,885,860.69
	2010	3,466,050.24	2,463,724.96	5,929,775.20
	2011-2015	18,953,206.49	9,632,756.29	28,585,962.78
	2016-2020	13,880,901.04	5,155,534.99	19,036,436.03
	2021-2025	5,813,397.79	2,616,221.36	8,429,619.15
	2026-2030	4,425,000.00	1,488,000.00	5,913,000.00
	2031-2033	3,210,000.00	326,500.00	3,536,500.00
TOTALS		<u>\$ 61,846,678.12</u>	<u>\$ 32,023,965.88</u>	<u>\$ 93,870,644.00</u>

A portion of the debt represents Tuition Revenue Bonds that the Legislature has historically provided General Revenue Appropriations to meet the debt service requirements. The University was appropriated \$4,132,080 during the current fiscal year for the debt service. The University expects future Legislative appropriations to meet the debt service for Tuition Revenue Bonds.

ANGELO STATE UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
Year Ended August 31, 2006

NOTE 14: Subsequent Events

The Board of Regents approved the issuance of \$23,475,000 of revenue bonds on February 17, 2006 at its regular quarterly meeting. The bonds are a part of the Eleventh Supplemental Resolution in a series of bonds utilizing the Revenue Financing System pursuant to the Master Resolution. The proceeds will be used to finance new student housing on the Angelo State University campus. The bond sale was held on September 1, 2006.

NOTE 15: Related Parties

Section not applicable.

NOTE 16: Stewardship, Compliance, and Accountability

Section not applicable.

NOTE 17: The Financial Reporting Entity

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 \$110,000.00 to the University during the year ended August 31, 2006. Since the assets are managed externally, the Foundation does not have any employees. The only services provided by the University are 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

ANGELO STATE UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
Year Ended August 31, 2006

Prior to the 2006 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 \$60,854,601.86 and realized an appreciation on investments of \$1,142,592.59. During the 2006 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 \$5,093,262.15.

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 2006 fiscal year, the investment income received from the investment agent totaled \$3,746,473.44. Of this amount, \$515,000.00 was transferred by the 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 2006 fiscal year totaled \$551,575.63. \$3,220,539.09 was transferred to the Angelo State University Robert G. Carr and Nona K. Carr Scholarship Foundation Account. Depository interest of \$10,934.35 was transferred. During the 2006 fiscal year, the scholarship account earned interest totaling \$204,079.32.

Total scholarships awarded prior to the 2006 fiscal year amounted to \$46,138,282.90. During the 2006 fiscal year, scholarship awards amounted to \$3,220,221.50. It is estimated that the amount of annual scholarship awards from the scholarship fund will total \$3,000,000.00 in fiscal year 2007.

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 \$78,533.15 to the University during the 2006 fiscal year for operation of the Alumni office. The University paid \$87,782.66 above the contributed amount for maintaining the records on the students who have graduated from the University.

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 \$250,480.91 on behalf of the University during the year ended August 31, 2006. During the year the University furnished limited staff assistance to the association.

NOTE 18: Restatement of Fund Balance/Net Assets

Section not applicable.

NOTE 19: Employees Retirement Plans

Section not applicable.

**ANGELO STATE UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
Year Ended August 31, 2006**

NOTE 20: Deferred Compensation

Section not applicable.

NOTE 21: Donor Restricted Endowments

Section not applicable.

NOTE 22: Management Discussion & Analysis

Section not applicable.

NOTE 23: Post Employment Health Care and Life Insurance Benefits

Section not applicable.

NOTE 24: Special and Extraordinary Items

Revenue System Financing Revenue Bonds, Series 2006 were issued by System Administration to acquire the housing and educational facilities, previously owned by the Cardinal Village Limited Liability Corporation, located on the University's campus. The facilities' recorded value by the University, in the amount of \$12,924,323.73, is presented as a Special Item.

ANGELO STATE UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
Year Ended August 31, 2006

NOTE 25: Disaggregation of Receivable and Payable Balances

A. Federal Receivable

<u>Federal Receivable Program</u>	<u>Amount</u>
Research	\$ 52,442.20
Public Services	67,301.49
Scholarships & Fellowships	21,090.00
Total Net Federal Receivable	\$ 140,833.69
<u><i>As Reported on the Financial Statements</i></u>	
Current Federal Receivable	\$ 140,833.69
Noncurrent Federal Receivable	
Total Net Federal Receivable	\$ 140,833.69

B. Other Receivables - Current

<u>Type</u>	
Notes Receivable - Student Loan Funds	\$ 1,264,703.05
	\$ 1,264,703.05

C. Other Liabilities - Current

<u>Type</u>	
Deposits from Students	\$ 290,230.00
	\$ 290,230.00

D. Other Liabilities - Non-Current

<u>Type</u>	
U.S. Government Grants Refundable	\$ 515,307.65
	\$ 515,307.65

NOTE 26: Termination Benefits

Section not applicable.

Angelo State University
Schedule 1A - Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended August 31, 2006

Federal Grantor/Pass-Through Grantor/ Program Title	CFDA Number	Identifying #	Pass-Through From			Direct Program Amount
			Agy/Univ #	Agy/Univ Amount	Non-State Entity Amount	
U. S. Department of Agriculture						
Pass-Through From:						
Sul Ross State University						
USDA Rio Grande Valley Aerial Videography	10.200		756	\$ (626)	\$	\$
USDA Rio Grande Valley Mammals	10.200		756	6,162		
USDA Rio Grande Valley Mammals 2	10.200		756	27,265		
USDA Rio Grande Valley Giant Reed	10.200		756	14,798		
Direct Programs:						
NSIIC Food Pre-Cooked Lamb & Goat	10.774					15,953
Total U.S. Department of Agriculture				<u>47,599</u>		<u>15,953</u>
U. S. Department of the Interior						
Direct Programs:						
Chisos Mt. Hedgehog Cactus	15.808					
National Park Service Experimental Population	15.808					2,593
Total U.S. Department of the Interior						<u>2,593</u>
National Science Foundation						
Pass-Through From:						
Texas Engineering Experiment Station						
TEES/NSF Prime Grant	47.049	32525-5581B-AS	716	40,264		
Direct Programs:						
NSF MRI (Sauncy)	47.049					
Total National Science Foundation				<u>40,264</u>		
U. S. Small Business Administration						
Pass-Through From:						
University of Texas San Antonio						
Small Business Development Center	59.037		743	145,676		
Total U. S. Small Business Administration				<u>145,676</u>		
U. S. Department of Education						
Direct Programs:						
Business and International Education	84.153					11,107
Pearl of the Concho Writing	84.928					31,391
Total U.S. Department of Education						<u>42,498</u>
Dept. of Health & Human Services						
Direct Programs:						
Nurse Traineeships	93.358					19,600
Nurse Faculty Loan Program	93.264					12,226
NIH Toddlers' Verb Acquisitions	93.865					90
Total Dept. of Health & Human Services						<u>31,915</u>
Student Financial Assistance Cluster						
U. S. Department of Education						
Direct Programs:						
Federal Supplemental Educational Opportunity	84.007					328,472
Federal Family Education Loan	84.032					
New Loans Processed						16,045,845
Administrative Costs Recovered						
Federal Work-Study Program	84.033					148,917
Federal Perkins Loan Program	84.038					
New Loans Processed						86,878
Administrative Costs Recovered						
Federal Pell Grant Program	84.063					<u>7,636,531</u>
Total Student Financial Assistance Cluster Programs						<u>24,246,643</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE				\$ <u>233,539</u>	\$ <u>0</u>	\$ <u>24,339,602</u>

Total Pass-Thru From & Direct Program	Pass-Through To		Expenditures Amount	Total PT to and Expenditures
	Agy #/ Univ.#	State Agy. or Univ. Amount		
\$ (626)	\$	\$	\$ (626)	\$ (626)
6,162			6,162	6,162
27,265			27,265	27,265
14,798			14,798	14,798
15,953			15,953	15,953
<u>63,552</u>			<u>63,552</u>	<u>63,552</u>
2,593			2,593	2,593
<u>2,593</u>			<u>2,593</u>	<u>2,593</u>
40,264			40,264	40,264
<u>40,264</u>			<u>40,264</u>	<u>40,264</u>
145,676			145,676	145,676
<u>145,676</u>			<u>145,676</u>	<u>145,676</u>
11,107			11,107	11,107
31,391			31,391	31,391
<u>42,498</u>			<u>42,498</u>	<u>42,498</u>
19,600			19,600	19,600
12,226			12,226	12,226
90			90	90
<u>31,915</u>			<u>31,915</u>	<u>31,915</u>
328,472			328,472	328,472
16,045,845			16,045,845	16,045,845
148,917			148,917	148,917
86,878			86,878	86,878
7,636,531			7,636,531	7,636,531
<u>24,246,643</u>			<u>24,246,643</u>	<u>24,246,643</u>
\$ <u>24,573,141</u>	\$	\$	\$ <u>24,573,141</u>	\$ <u>24,573,141</u>

Angelo State University
Schedule 1A - Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended August 31, 2006

Note 2: Reconciliation:

Federal Revenues - per Statement of Combined Revenues, Expenses and Net Assets:	
Federal Revenue-Operating	\$ 8,194,652
Federal Pass-Through Grants from Other State Agencies	233,539
Reconciling Items:	
<hr/>	
Subtotal	8,428,192
Reconciling Items:	
ADD:	
New Loans Processed:	
Federal Family Education Loan Program	16,045,845
Federal Perkins Loan Program	86,878
Nurse Faculty Loan Program	12,226
Total Pass-Through & Expenditures Per Federal Schedule	<u>\$ 24,573,141</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	\$ 16,045,845	\$	\$ 16,045,845	\$
84.038 Federal Perkins Loan Program	86,878		86,878	570,711
93.264 Nurse Faculty Loan Program	12,226		12,226	
Total Department of Education	<u>\$ 16,144,949</u>	<u>\$ 0</u>	<u>\$ 16,144,949</u>	<u>\$ 570,711</u>

The Perkins Loan Program has been outsourced to Panhandle Plains Student Loan Services.

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 9-1-05	\$ 70,035
Increase (Decrease)	39,666
Federal Deferred Revenue 8-31-06	<u>\$ 109,701</u>

UNAUDITED

Angelo State University
Schedule 1B - Schedule of State Grant Pass Throughs From/To State Agencies
For the Fiscal Year Ended August 31, 2006

Pass Through From:

Texas Higher Education Coordinating Board (Agy #781)	
Nursing Grant Retention	\$ 20,960.25
Financial Aid-Professional Nursing	8,178.00
College Work Study	36,161.32
Texas Grants	2,805,553.00
5th Year Accounting	<u>3,485.00</u>
Total Pass Through From Other Agencies (Exh. II)	\$ <u><u>2,874,337.57</u></u>

Pass Through To:

Total Pass Through To Other Agencies (Exh. II)	\$ <u><u>0.00</u></u>
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Angelo State University
Schedule 2A - Miscellaneous Bond Information
For the Fiscal Year Ended August 31, 2006
(Amounts in Thousands)

Description of Issue	Bonds Issued to Date	Range of Interest Rates	Terms of Variable Interest Rate	Scheduled Maturities		First Call Date
				First Year	Last Year	

SCHEDULE NOT USED

Angelo State University
Schedule 2E - Defeased Bonds Outstanding
For the Year Ended August 31, 2006

<u>Description of Issues</u>	<u>Year</u> <u>Refunded</u>	<u>Par Value</u> <u>Outstanding</u>
Revenue Bonds		
STUD HSNB SYS REV BDS SER '67A	1992	\$ 185,000.00
		<hr/>
	\$	<u><u>185,000.00</u></u>

Angelo State University
Schedule 3 - Reconciliation of Cash in State Treasury
For the Year Ended August 31, 2006

<u>Cash in State Treasury</u>	<u>Unrestricted</u>	<u>Restricted</u>	<u>Current Year Total</u>
Local Revenue Fund 0227	\$ <u>3,888,100.54</u>	\$ <u> </u>	\$ <u>3,888,100.54</u>
Total Cash in State Treasury (Stmnt of Net Assets)	\$ <u><u>3,888,100.54</u></u>	\$ <u><u>0.00</u></u>	\$ <u><u>3,888,100.54</u></u>

Angelo State University
Schedule 4 - Higher Education Assistance Fund
For the Fiscal Year Ended August 31, 2006

	<u>Total</u>
Balances - September 1, 2005	\$ 5,229,291.03
Revenues	
HEAF Appropriation	<u>2,390,535.00</u>
Total Revenues	<u>2,390,535.00</u>
Expenses	
Salaries and Wages	464,722.97
Payroll Related Costs	106,981.39
Professional Fees and Services	790,350.43
Materials and Supplies	287,263.18
Communication and Utilities	6,439.02
Repairs and Maintenance	100,222.49
Rentals and Leases	
Printing and Reproduction	90,668.60
Interest	
Capital Outlay	680,142.49
Other Expenses	<u>988,003.79</u>
Total Expenses	<u>3,514,794.36</u>
Other Revenues (Expenses), Gains/(Losses) and Transfers	
Transfer to Unexpended Plant	
Adjustment to prior year expense	<u>59,505.98</u>
Total Other Revenues (Expenses), Gains/(Losses) and Transfers	<u>59,505.98</u>
Balance at August 31, 2006	\$ <u><u>4,164,537.65</u></u>