

# STEPHEN F. AUSTIN STATE UNIVERSITY



Unaudited Financial Report  
For the Year Ended  
August 31, 2012

BAKER PATTILLO, PRESIDENT  
DANNY GALLANT, VICE PRESIDENT FOR FINANCE AND ADMINISTRATION

NACOGDOCHES, TEXAS

# Stephen F. Austin State University

Unaudited Financial Report  
For the Year Ended  
August 31, 2012

# STEPHEN F. AUSTIN STATE UNIVERSITY

## TABLE OF CONTENTS

	Page
Letter to Oversight Agencies .....	i
Letter of Transmittal .....	ii
Organizational Data .....	iii
Management's Discussion and Analysis .....	1
Statement of Net Assets .....	12
Statement of Revenues, Expenses, and Changes in Net Assets .....	16
Matrix of Operating Expenses by Function .....	18
Statement of Cash Flows .....	20
Notes to the Financial Statements .....	22
SCHEDULES:	
1-A Schedule of Expenditures of Federal Awards.....	40
1-B State Grant Pass-Through From/To State Agency .....	47
2-A Miscellaneous Bond Information .....	49
2-B Changes in Bonded Indebtedness .....	50
2-C Debt Service Requirement .....	54
2-D Analysis of Funds Available for Debt Service-General Obligation Bonds.....	56
2-D Analysis of Funds Available for Debt Service-Revenue Bonds .....	57
2-E Defeased Bonds Outstanding .....	58
2-F Current Year Early Extinguishment and Refunding .....	59
3 Reconciliation of Cash in State Treasury .....	60



# STEPHEN F. AUSTIN STATE UNIVERSITY

## Office of the President

P.O. Box 6078, SFA Station • Nacogdoches, Texas 75962-6078  
Phone (936) 468-2201 • Fax (936) 468-2202

November 20, 2012

Honorable Rick Perry, Governor  
Honorable Susan Combs, Texas Comptroller of Public Accounts  
John O'Brien, Director, Legislative Budget Board  
John Keel, CPA, State Auditor

Dear Lady and Gentlemen:

We are pleased to submit the annual financial report of Stephen F. Austin State University for the year ended August 31, 2012, in compliance with Texas Government Code Annotated, Section 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 (GASB) 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 (CAFR)*. 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 Ms. Dora Fuselier at (936) 468-2112. Ms. Letitia Hamilton may be contacted at (936) 468-2250 for questions related to the Schedule of Expenditures of Federal Awards.

Sincerely,

Baker Pattillo  
President



# STEPHEN F. AUSTIN STATE UNIVERSITY

## Office of the Controller

P.O. Box 13035, SFA Station • Nacogdoches, Texas 75962-3035  
Phone (936) 468-2303 • Fax (936) 468-2207

November 20, 2012

Dr. Baker Pattillo  
President  
Stephen F. Austin State University  
P. O. Box 6078, SFA Station  
Nacogdoches, Texas 75962

Dear Dr. Pattillo:

Submitted herein is the Annual Financial Report of Stephen F. Austin State University for the fiscal year ended August 31, 2012.

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 of Texas Comprehensive Annual Financial Report (CAFR). 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 me.

Sincerely,

Dora Fuselier, C.P.A.  
Controller

Approved:

Danny Gallant  
Vice President for Finance and Administration

**STEPHEN F. AUSTIN STATE UNIVERSITY  
ORGANIZATIONAL DATA  
August 31, 2012**

---

**Board of Regents**

**Officers**

John R. Garrett, Chairman  
Steve D. McCarty, Vice Chairman  
James H. Dickerson, Secretary

**Members**

<b>Name</b>	<b>Town</b>	<b>Term Expires</b>
Carlos Z. Amaral	Plano, Texas	January 31, 2013
James H. Dickerson	New Braunfels, Texas	January 31, 2013
John R. Garrett	Tyler, Texas	January 31, 2013
Scott H. Coleman	Houston, Texas	January 31, 2015
Steve D. McCarty	Alto, Texas	January 31, 2015
Constance M. Ware	Marshall, Texas	January 31, 2015
Brigittee C. Henderson	Lufkin, Texas	January 31, 2017
Kenton E. Schaefer	Brownsville, Texas	January 31, 2017
Ralph C. Todd	Carthage, Texas	January 31, 2017
Jourdan Dukes (student)	Dallas, Texas	May 31, 2013

---

**President**

Baker Pattillo, Ph.D.

---

**Finance and Administration**

Vice President - Danny Gallant  
Controller - Dora Fuselier, C.P.A.  
Assistant Controller - Dannette Sales, C.P.A.

# STEPHEN F. AUSTIN STATE UNIVERSITY

## Management's Discussion and Analysis

### Unaudited

For the Year Ended August 31, 2012

#### INTRODUCTION

Stephen F. Austin State University (the University) is a comprehensive regional public institution of higher education and an agency of the State of Texas. Named for the "Father of Texas," the University was founded in 1923. It is located in Nacogdoches in the Pineywoods area of East Texas. The main campus includes more than 400 acres, including part of the original homestead of Thomas J. Rusk, early Texas patriot and United States Senator. In fall 2011, the University enrolled nearly 13,000 students in 34 academic units and 6 colleges. Degrees are awarded at the bachelor's, master's, and doctoral levels.

The University is accredited by the Southern Association of Colleges and Schools Commission on Colleges. Specific academic programs hold numerous other accreditations.

The University does not include any blended components in the Financial Statements.

#### OVERVIEW OF THE FINANCIAL STATEMENTS AND FINANCIAL ANALYSIS

Stephen F. Austin State University presents in this discussion and analysis the Financial Statements for fiscal year 2012 with comparative information for 2011. This discussion, prepared by management, will focus on the University's current year data, trends in data, and overview of the financial activities for the year. It should be read in conjunction with the accompanying Financial Statements and Notes, which offer various financial definitions and accounting information.

Three primary statements are presented: Statement of Net Assets; Statement of Revenues, Expenses, and Changes in Net Assets; and Statement of Cash Flows. The Financial Statements are prepared in accordance with requirements established by the Texas Comptroller of Public Accounts.

#### FINANCIAL HIGHLIGHTS

- Enrollment for the 2011 fall semester of 12,903 was one of the highest in the University's history.
- Capitalized expenditures totaled approximately \$11.8 million. Expenditures for projects funded with bond proceeds accounted for approximately \$3.5 million. These included final payments to contractors on a parking garage and freshman residence hall which opened in the spring of 2011 and fall of 2011 respectively. Other major capital expenditures included payments for the comprehensive energy management performance contract of \$4.5 million and the purchase of computer hardware and software of \$2 million.
- The University completed a project related to a comprehensive energy management program. This \$17.2 million project utilized capital from a revolving loan fund from the State Energy Conservation Office (SECO) funded with American Recovery and Reinvestment Act (ARRA) funds and institutional Higher Education Fund appropriations (HEF). Work on the project began in August 2010 and was completed in April 2012. Expenditures of \$12.7 million were made during fiscal year 2011 in conjunction with this project, and \$4.5 million was spent in fiscal year 2012. The total portion attributed to SECO was \$13.3 million, and the HEF portion was \$3.9 million. The savings in utility costs will be used to repay the debt.
- The University converted its current database to the Oracle Exadata platform. This move was made after the software conversion to Banner to provide more memory and faster transaction times. The total project cost was \$2.5 million.

## CONDENSED FINANCIAL INFORMATION AND FINANCIAL HIGHLIGHTS

### *Statement of Net Assets*

The Statement of Net Assets presents the assets, liabilities, and net assets of the University at a specific point in time, in this case August 31, 2012. Net assets are the difference between total assets and total liabilities and represent the residual interest in the University's assets after liabilities are deducted. "Net Assets" are presented in three major categories: Invested in Capital Assets, Net of Related Debt; Restricted Net Assets; and Unrestricted Net Assets. The Invested in Capital Assets, Net of Related Debt category identifies the equity in property, plant, and equipment owned by the University. Restricted Net Assets are either expendable or non-expendable. Expendable restricted net assets may be expended only for the purposes designated by the external donor or provider of the assets. Non-expendable net assets are comprised entirely of funds held as permanent endowments. Unrestricted Net assets are available for any lawful purpose of the University. Although Unrestricted Net Assets are not subject to externally imposed stipulations, these assets may have other commitments for various future uses in support of the University's mission. These include commitments for encumbrances outstanding at year-end. Also, recognized in Unrestricted Net Assets are unspent HEF appropriations, which have restrictions imposed by the State of Texas. Assets and liabilities are generally measured using current values, except capital assets, which are stated at historical cost less an allowance for depreciation.

The Statement of Net Assets presents a snapshot view of assets available for use in the University's continuing operations and enables readers to determine the amounts owed to others. Over time, increases or decreases in net assets are indicators of the improvement or decline of the financial health of the University.

A summarized comparison of the University's Statement of Net Assets at August 31, 2012, and 2011 follows:

### Statement of Net Assets

	August 31, 2012	August 31, 2011 (Restated)
<b>Assets</b>		
Current Assets	\$ 133,607,393.64	\$ 139,300,730.71
Noncurrent Assets		
Other Noncurrent Assets	49,832,153.30	48,628,559.12
Capital Assets, Net of Depreciation	234,904,814.82	239,797,378.65
<b>Total Assets</b>	<u>418,344,361.76</u>	<u>427,726,668.48</u>
<b>Liabilities</b>		
Current Liabilities	108,811,334.55	109,063,684.64
Noncurrent Liabilities	174,956,361.19	185,036,481.36
<b>Total Liabilities</b>	<u>283,767,695.74</u>	<u>294,100,166.00</u>
<b>Net Assets</b>		
Invested in Capital Assets, Net of Related Debt	54,154,929.36	56,048,575.84
Restricted Net Assets		
Expendable	17,018,328.90	16,843,484.77
Non-expendable	6,965,104.29	6,867,650.39
Unrestricted Net Assets	56,438,303.47	53,866,791.48
<b>Total Net Assets</b>	<u>\$ 134,576,666.02</u>	<u>\$ 133,626,502.48</u>



In fiscal year 2012, total assets of the University decreased approximately \$9.4 million from the previous fiscal year. This change was attributed to both a reduction in current assets of \$5.7 million and a reduction in noncurrent assets of \$3.7 million. Cash and cash equivalents and short term investments decreased \$1.3 million, which is offset by an increase in noncurrent investments.

Legislative appropriations decreased by \$2.7 million. These are funds held at the State Comptroller's Office on the University's behalf and are drawn down either as direct payments to vendors or for reimbursements to the University of expenditures paid with local bank funds. In fiscal year 2012, the University used \$3.9 million of balances in HEF legislative appropriations to fund the comprehensive energy management program instead of borrowing the balance from SECO. The current unspent balance of \$2.2 million is attributed primarily to the timing of HEF expenditures and reimbursements. The University has authority to carry these balances forward to a subsequent year.

Receivables recognized in current assets decreased approximately \$3 million. This decrease includes a reduction in the loan proceeds set up as a receivable from SECO of \$1.6 million. The intergovernmental receivables category includes amounts due from the federal government for reimbursements for the Direct Loan program of \$11.8 million. In fiscal year 2012, these receivables were \$12.4 million, accounting for an additional \$.6 million of the change. Due from other state agencies did not change significantly. This balance includes \$2.9 million related to payments due the University for costs associated with the Columbia Regional Geospatial Service Center. The University has not received reimbursements for expenditures related to this federally funded earmark since 2010.

Prepaid items (primarily scholarships awarded for the subsequent fiscal year) increased \$1 million. This is related to the timing of the distribution of scholarships awarded for the subsequent fall semester, which is reported as prepaid scholarships instead of fiscal year 2012 expenses.

Increases in noncurrent assets other than capital assets were approximately \$1.2 million. This was attributed primarily to an increase of \$1.1 million in noncurrent investments. Changes in the noncurrent portion of student loan receivables and student account receivables are minimized by the offsetting increase in the allowance for doubtful accounts, resulting in a minimal net increase in long term receivables.

Capital assets, net of depreciation, decreased approximately \$4.9 million. This is mainly attributed to capital expenditures of \$11.8 million offset by depreciation and amortization expenditures of \$16.3 million. As projects funded with bond proceeds are completed, they are reclassified from construction in progress to their related capital asset account (buildings, infrastructure, facilities, equipment, etc.). In fiscal year 2012, projects of \$11.1 million were reclassified from the non-depreciable construction in progress to depreciable categories, accounting for the increase in depreciation expense this year.

Total liabilities decreased by approximately \$10.3 million. Of this amount, current liabilities increased by approximately \$.3 million. This is attributed to a number of factors. Of this total, \$2.9 million is due to the increase in fall 2012 deferred revenues related to tuition, fees, room and board rate increases and from increased enrollment. These deferred revenues relate to amounts billed to students for the subsequent fall semester. Notes and loans payable increased by \$2.3 million, related to the current portion of the SECO loan payable and the note payable for the Oracle Exadata platform conversion. These increases were offset by decreases in accounts payable of \$1.8 million and restricted funds payable of \$2.6 million. These amounts decreased because of reduced construction activity on campus and the payables related to those activities. Funds held for others are fiduciary funds held by the University on behalf of others. At year-end, undisbursed student refunds of nearly \$15.4 million were accounted for in this category. These refunds were held on the students' behalf until disbursed after the twelfth class day of each semester. This amount decreased from the previous year by nearly \$1.2 million.

Of the \$10.1 million decrease in noncurrent liabilities, \$10.3 million is attributed to the decrease in long term debt recognized in the categories of capital lease obligations, notes and loans payable and bonds payable. The employees' compensable leave category increased by approximately \$.2 million which reflects the liability of the University for unpaid compensable leave at year end.

Fiscal year 2011 Net Assets have been restated for amounts related to unspent bond proceeds. These adjustments are explained in Note 14. Based on the restated numbers, Invested in Capital Assets, Net of Related Debt decreased

by \$1.9 million. This category represents all the University's capitalized assets, net of accumulated depreciation and debt used to finance those assets. The decrease reflects the increased depreciation expense which offset the capital additions. Other restricted net assets increased by \$.3 million. This is attributed primarily to the increased value of endowments.

Unrestricted Net Assets increased by \$2.6 million. This is attributed primarily to savings from different budget initiatives including the comprehensive energy management program and limited salary increases for employees.

***Statement of Revenues, Expenses, and Changes in Net Assets***

Changes in total net assets are based on the activity shown on the Statement of Revenues, Expenses, and Changes in Net Assets. This statement presents operating revenues and expenses, non-operating revenues and expenses, and other gains and losses.

Operating revenues are received for providing goods and services to the various constituencies of the University. Operating expenses include salaries, wages, goods and services needed to carry out the mission of the University. Non-operating revenues are those for which no goods or services have been provided. This category includes State appropriations, Pell grants, and other federal revenues.

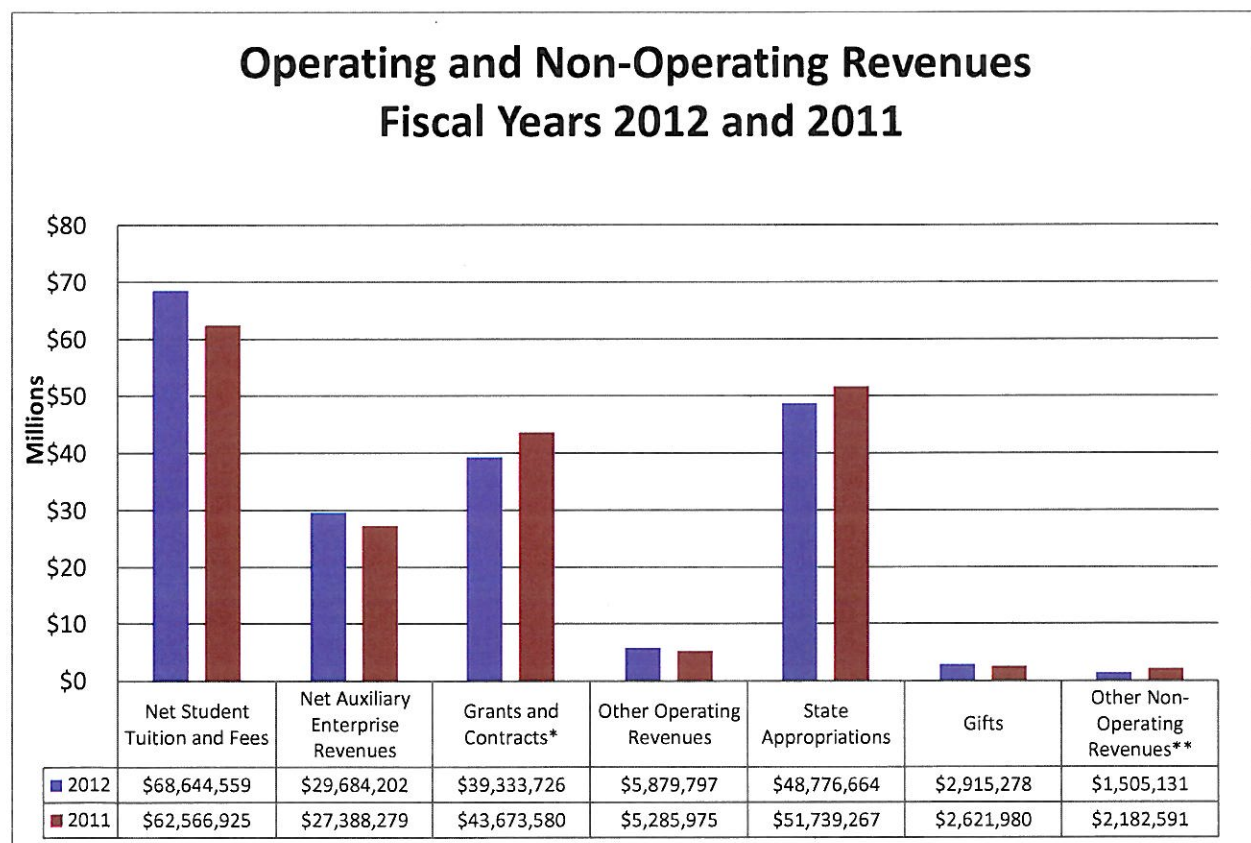
A summarized comparison of the University's Statement of Revenues, Expenses, and Changes in Net Assets for the years ended August 31, 2012, and 2011 follows:

**Statement of Revenues, Expenses, and Changes in Net Assets**

	<u>2012</u>	<u>2011</u>
<b>Operating Revenues:</b>		
Net Student Tuition and Fees	\$68,644,559.02	\$62,566,924.73
Net Auxiliary Enterprise Revenues	29,684,202.03	27,388,279.34
Grants and Contracts	17,132,999.96	20,526,925.81
Other Operating Revenues	5,879,796.83	5,285,975.28
<b>Total Operating Revenues</b>	<u>121,341,557.84</u>	<u>115,768,105.16</u>
<b>Total Operating Expenses</b>	<u>195,816,149.68</u>	<u>194,771,813.21</u>
<b>Operating Income (Loss)</b>	<u>(74,474,591.84)</u>	<u>(79,003,708.05)</u>
<b>Non-Operating Revenues (Expenses):</b>		
Legislative Revenue (State)	37,349,153.00	40,703,316.00
Additional Appropriations	11,427,511.29	11,035,951.04
Federal Revenues - Non-Operating	22,200,726.00	23,146,654.43
Gifts	2,915,277.55	2,621,979.50
Net Investment Income (Loss)	1,083,054.15	2,025,167.15
Net Increase in Fair Value of Investments	588,653.08	123,164.25
Interest Expenses and Fiscal Charges	(7,448,097.23)	(6,794,445.77)
Net Other Non-Operating Revenues (Expenses)	(166,576.52)	34,259.74
<b>Total Non-Operating Revenues (Expenses)</b>	<u>67,949,701.32</u>	<u>72,896,046.34</u>

<b>Income (Loss) Before Other Revenues, Expenses, Gains or Losses</b>	(6,524,890.52)	(6,107,661.71)
<b>Other Revenues, Expenses, Gains (Losses) and Transfers</b>	7,475,054.06	7,899,469.41
<b>Change in Net Assets</b>	950,163.54	1,791,807.70
<b>Net Assets, Beginning of Year</b>	133,645,332.79	131,924,940.60
Restatements	(18,830.31)	(71,415.51)
<b>Restated Net Assets, Beginning of Year</b>	133,626,502.48	131,853,525.09
<b>Net Assets, End of Year</b>	\$134,576,666.02	\$133,645,332.79

The following graph represents operating and non-operating revenues by major source:



\* *Grants and Contracts includes both Operating and Non-Operating Grants and Contracts.*

\*\**Other Non-Operating Revenues includes Net Investment Income, Net Increase (Decrease) in Fair Value of Investments, and Other Non-Operating Revenues.*

Some of the fiscal year 2012 highlights presented in the Statement of Revenues, Expenses, and Changes in Net Assets are as follows:

- There was a \$6.1 million increase in net tuition and fees. Gross tuition increased by \$5.3 million, which was attributed to both increased enrollment and higher tuition and fee rates. The University uses a formula provided by the National Association of College and University Business Officers (NACUBO) to calculate

tuition discounts, which takes into account student charges, payments both to and from students, loan proceeds, contractual payments made on a student's behalf, and scholarships. (See chart below.)

- Net auxiliary enterprise revenues increased approximately \$2.3 million. This is primarily attributed to the increased housing rates and the opening of the freshman residence hall in fall 2011. Gross auxiliary enterprise revenues – pledged increased approximately \$2.1 million. (See chart below.)

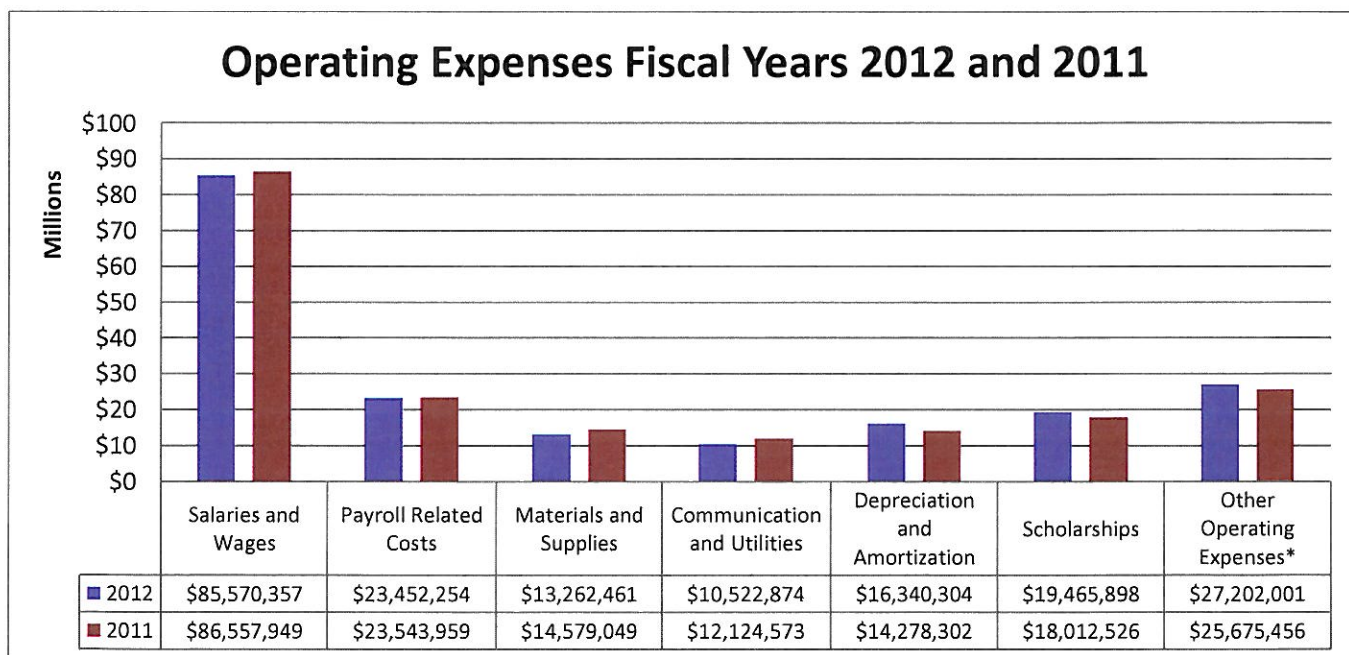
<b>Gross Student Revenues, Exemptions, Discounts and Allowances</b>			
	<b>2012</b>	<b>2011</b>	<b>Net Change</b>
Tuition and Fees - Pledged	\$87,270,382.96	\$81,947,512.20	\$5,322,870.76
Tuition and Fees - Non-Pledged	3,746,882.38	3,720,664.27	26,218.11
Discounts	(21,764,584.55)	(22,928,225.79)	1,163,641.24
Allowances for Doubtful Accounts	(608,121.77)	(173,025.95)	(435,095.82)
Net Student Tuition and Fees	<u>\$68,644,559.02</u>	<u>\$62,566,924.73</u>	<u>\$6,077,634.29</u>
Auxiliary Enterprises - Pledged	\$37,657,107.00	\$35,544,871.90	\$2,112,235.10
Discounts	(9,004,789.22)	(9,513,227.46)	508,438.24
Allowances for Doubtful Accounts	(642,343.75)	(201,377.97)	(440,965.78)
Auxiliary Enterprises - Non-Pledged	1,674,228.00	1,558,012.87	116,215.13
Net Auxiliary Enterprise Revenues	<u>\$29,684,202.03</u>	<u>\$27,388,279.34</u>	<u>\$2,295,922.69</u>

- Grants and contracts income recognized in both operating and non-operating income decreased by \$3.4 million. This is attributed to decreased federal funding for research and scholarships of \$1.6 million. Operating grants funded by the State for scholarships decreased \$1.3 million. Non-operating grants and contracts revenue decreased \$.9 million. These decreases were attributed to decreases in Pell grants of \$.3 million and discontinuance of funding related to the stimulus package of \$.6 million.
- There was a \$3.4 million decrease in State appropriations. This decrease follows the decreases of \$4.5 million in 2011 and \$3.4 million in 2010. This trend has caused the University to rely more on tuition and fees.

The following data summarizes the operating expenses in the natural classification expense categories for the fiscal years ended August 31, 2012, and 2011:

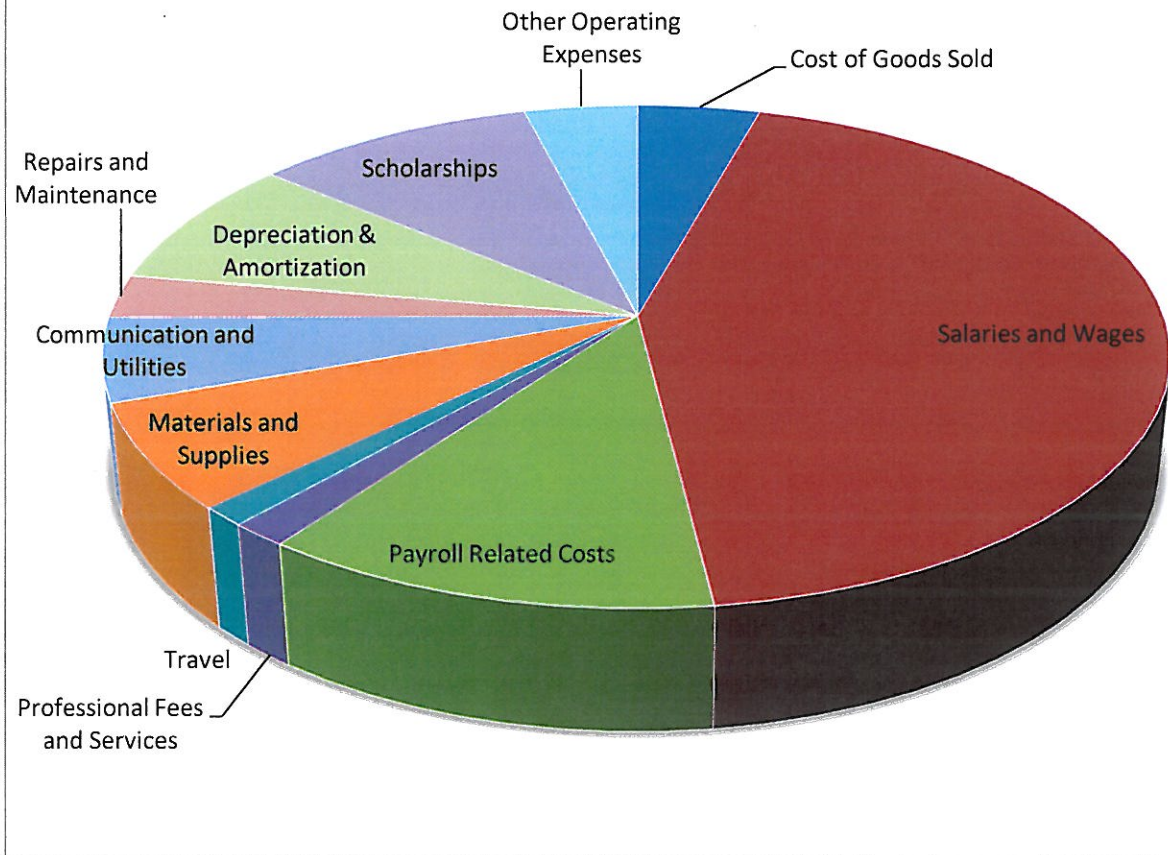
	<u>2012</u>	<u>2011</u>
Cost of Goods Sold	\$ 8,496,255.55	\$ 9,021,470.61
Salaries and Wages	85,570,357.18	86,557,949.01
Payroll Related Costs	23,452,253.88	23,543,958.72
Professional Fees and Services	2,991,987.00	1,840,279.45
Travel	2,401,547.81	1,818,166.42
Materials and Supplies	13,262,460.98	14,579,048.60
Communication and Utilities	10,522,873.94	12,124,573.22
Repairs and Maintenance	5,458,902.90	4,322,203.73
Rentals and Leases	1,737,543.19	1,671,271.76
Printing and Reproduction	561,080.71	586,971.98
Federal Pass-Through Expenditure	17,983.55	250,386.64
Federal Pass-Through Expenditure to Non-State Entities	560,449.30	839,517.65
State Pass-Through Expenditure	45,412.54	0.00
Amortization	618,865.29	446,492.78
Depreciation	15,721,439.19	13,831,809.65
Bad Debt Expense	354,349.43	82,668.21
Scholarships	19,465,898.38	18,012,525.58
Other Operating Expenses	4,576,488.86	5,242,519.20
	<u>\$ 195,816,149.68</u>	<u>\$ 194,771,813.21</u>

Following is a graphic presentation of the major operating expense categories for the fiscal years ended August 31, 2012, and 2011:



\*Other Operating Expenses includes Cost of Goods Sold, Professional Fees and Services, Travel, Repairs and Maintenance, Rentals and Leases, Printing and Reproduction, Federal and State Pass-Through Expenses, Bad Debt Expense, and Other Operating Expenses.

## Operating Expenses by Category Fiscal Year 2012



Some of the fiscal year 2012 significant changes from the prior year for operating expenses are:

- Salaries and wages and payroll related costs decreased by approximately \$1 million. This decrease is attributed to a hiring freeze and a restructured pay scale for summer teaching assignments. Salaries and wages and payroll related costs account for more than half of the University's operating budget.
- Professional fees and services increased by \$1.2 million. This increase is partially attributed to a partnership the university has with a vendor to market specific online degree programs. The increase is also attributed to architect and engineering fees expensed this year. In the previous fiscal year, most of these costs were capitalized in connection with projects funded with bond proceeds.
- Repairs and maintenance increased by \$1.1 million. This is primarily attributed to maintenance projects that did not meet capitalization thresholds. These projects included renovation of three residence halls and the soccer field.
- Depreciation increased by \$1.9 million. This is attributed to the completion of several projects. Costs previously captured as construction in progress were reclassified into depreciable categories. \$11.1 million was reclassified from construction in progress.
- Communication and utilities decreased by \$1.6 million. This is partially attributed to savings achieved from the comprehensive energy management program. Additionally, the moderate weather conditions in this fiscal year helped reduce utility costs.
- Reported scholarships increased by \$1.5 million. However, scholarships actually awarded to students decreased \$1.4 million. A portion of scholarships has been reclassified as either tuition discounts or auxiliary discounts using the NACUBO discount formula. The discount calculation takes into account all aid to the student. The gross amounts and related reclassifications are shown below:

<b>Gross Scholarships and Related Discounts Applied to Revenues</b>			
	<b>2012</b>	<b>2011</b>	<b>Net Change</b>
Student Loans (includes Perkins, Direct Loans, PLUS loans distributed to student accounts)	\$ 88,611,272.16	\$ 91,037,853.39	\$ (2,426,581.23)
Gross Scholarships	46,893,961.83	48,252,103.47	(1,358,141.64)
Scholarships- Reclassed to Tuition Discounts	(18,423,274.23)	(20,726,350.43)	2,303,076.20
Scholarships- Reclassed to Auxiliary Enterprises	(9,004,789.22)	(9,513,227.46)	508,438.24
Scholarships (as reported)	<u>\$ 19,465,898.38</u>	<u>\$ 18,012,525.58</u>	<u>\$ 1,453,372.80</u>

### **Statement of Cash Flows**

The Statement of Cash Flows provides details about the University's major sources and uses of cash during the year. It presents detailed information about the cash activity and an indication of the University's liquidity and ability to meet cash obligations. There are four categories of cash flow activity:

1. Cash Flows from Operating Activities – the net cash used by operating activities
2. Cash Flows from Non-Capital Financing Activities – the net cash received and spent for non-operating, non-capital financing, and non-investing purposes
3. Cash Flows from Capital and Related Financing Activities – the net cash from capital and related financing activities that is used to acquire, construct, or improve capital assets
4. Cash Flows from Investing Activities – the net cash from the acquisition and disposition of debt or equity instruments

The sum of the Net Cash Provided (Used) by these four activity types is the Increase (Decrease) in Cash and Cash Equivalents.

The final section of the Statement of Cash Flows reconciles the Net Cash Provided (Used) by Operating Activities to the Operating Income (Loss) reflected on the Statement of Revenues, Expenses, and Changes in Net Assets. A summarized comparison of the Statement of Cash Flows at August 31, 2012, and 2011 follows:

	<b>2012</b>	<b>2011</b>
Net Cash Provided (Used) by:		
Operating Activities	\$(58,910,125.18)	\$(71,158,009.88)
Non-Capital Financing Activities	75,383,553.05	75,138,231.60
Capital and Related Financing Activities	(18,514,792.61)	(29,063,275.75)
Investing Activities	(4,343,739.10)	127,523.98
Increase (Decrease) in Cash and Cash Equivalents	<u>(6,385,103.84)</u>	<u>(24,955,530.05)</u>
Cash and Cash Equivalents, Beginning of Year	<u>67,563,592.68</u>	<u>92,519,122.73</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 61,178,488.84</u></u>	<u><u>\$ 67,563,592.68</u></u>

Net Cash Provided (Used) by Operating Activities should be viewed together with Net Cash Provided (Used) by Non-Capital Financing Activities. State appropriations are significant sources of recurring revenue in support of operating expenses, but under GASB Statement No. 35 they must be classified as Non-Capital Financing Activities instead of Operating Activities. Additionally, Pell grants revenue is classified as a non-operating activity since this is considered a non-exchange activity.

Cash used for Operating Activities decreased \$12.2 million. This is attributed to several factors. The University had increased cash flows of approximately \$7.3 million from student payments for tuition and fees and auxiliary services. Additionally, proceeds received from grants and contracts increased by \$8.6 million. This was due primarily to the timing of the drawdowns from the federal government for reimbursements on the student Direct Loan program. Payments to vendors for goods and services were reduced by \$1.5 million. Payments to students for scholarships in excess of tuition and fees increased \$6 million and payments to employees for salaries and benefits decreased by \$1.4 million.

There were no significant changes related to cash flows from Non-Capital Financing Activities in fiscal year 2012 from the prior year amounts.

Net cash used for Capital and Related Financing Activities decreased by \$10.5 million. This is attributed to the decrease in the proceeds of debt of \$9.9 million offsetting the decrease of capital expenditures of \$23.1 million. Other factors included an increase in the use of funds for principal and interest payments on debt of \$2.3 million.

The change in net cash used for Investing Activities was approximately \$4.5 million. Invested bond proceeds have been drawn down and attributed to a net decrease in cash provided from investment activities of \$14.1 million. This was offset by a reduction in the proceeds from operating investments of \$10 million.

### **CAPITAL ASSET AND DEBT ADMINISTRATION**

The University continues to improve its campus through development and renewal of its facilities and other capital assets. Capital additions totaled approximately \$11.8 million in fiscal year 2012, \$34.7 million in fiscal year 2011, and \$31.5 million in fiscal year 2010. Unspent bond proceeds of approximately \$2 million related to the nursing building and deferred maintenance projects have been committed to new projects. Unspent bond proceeds from the freshman residence hall of approximately \$6 million may be used to pay down the debt.

As part of the comprehensive energy management program, initiatives to reduce energy costs were funded with two loans from SECO. Of the total project cost of \$17.2 million, \$12.7 million was spent in 2011 and \$4.5 was spent in 2012. Instead of borrowing money from SECO to finance the balance of the project, the University used available HEF funds of \$3.9 million and only borrowed an additional \$.5 million this year from SECO. Additionally, the debt was structured to reduce interest payments over the next ten years. These initiatives have already resulted in utility cost savings to the University.

The University also borrowed \$2.5 million to finance the conversion of the database to the Oracle Exadata platform. This change was made in order for customer support to be provided for the Banner enterprise software system. Payments on this three-year note began in fiscal year 2012.

### **ECONOMIC OUTLOOK**

Management is not aware of any facts, decisions, or conditions that are expected to have a material effect on the financial position or results of operations during the fiscal year 2013. Enrollment trends continue to remain positive. Fall 2012 enrollment of 12,999 was the highest in the University's history. Housing for the student body for fall 2012 was at 96 percent capacity. Campus improvements and increased marketing efforts are expected to have a continued positive impact on enrollment.

In fiscal year 2013, the 83<sup>rd</sup> Legislature of Texas will meet. Funding levels for education are expected to be a topic for consideration. After experiencing two years of declining appropriations for higher education, University administration is hopeful that higher education will be funded at constant or increased levels in the next biennium.

### **SIGNIFICANT EVENTS**

Management is not aware of any significant events that impacted the financial statements this year.



THIS PAGE LEFT INTENTIONALLY BLANK

## UNAUDITED

**STEPHEN F. AUSTIN STATE UNIVERSITY**  
**Agency No. 755**  
**Statement of Net Assets**  
**For the Fiscal Year Ended August 31, 2012**

<b>ASSETS</b>	<b>2012</b>	<b>2011 as restated</b>
<b>Current Assets</b>		
Cash and Cash Equivalents:		
Cash on Hand	\$ 159,676.40	\$ 384,729.55
Cash in Bank	46,318,847.62	43,107,678.00
Cash in Transit/Reimburse from Treasury	523,826.81	448,952.33
Cash in State Treasury	1,365,832.90	2,092,404.21
Cash Equivalents	0.00	13,146.31
Short Term Investments	20,142,762.12	15,050,015.15
Restricted:		
Cash and Cash Equivalents		
Cash in Bank	12,810,305.11	17,342,430.78
Cash Equivalents	0.00	4,174,251.50
Legislative Appropriations	2,216,431.50	4,954,019.89
Receivables:		
Intergovernmental Receivables:		
Federal	12,422,142.25	13,163,719.82
Other Intergovernmental	200,423.56	346,113.31
Interest and Dividends	145,884.17	155,511.15
Student Receivable	7,540,380.28	8,052,996.73
Accounts Receivable	2,168,509.45	3,762,968.12
Due From Other Agencies:		
Federal	3,546,790.61	3,569,434.78
State	163,853.20	76,364.66
Consumable Inventories	664,958.82	521,147.99
Prepaid Items	20,896,770.37	19,885,973.49
Student Loans Receivables	2,319,998.47	2,198,872.94
<b>Total Current Assets</b>	<u>133,607,393.64</u>	<u>139,300,730.71</u>

UNAUDITED

**STEPHEN F. AUSTIN STATE UNIVERSITY**  
**Agency No. 755**  
**Statement of Net Assets**  
**For the Fiscal Year Ended August 31, 2012**

	<u>2012</u>	<u>2011</u> <u>as restated</u>
<b>Noncurrent Assets</b>		
Restricted:		
Investments		
Endowments	10,071,151.36	9,768,026.03
Student Loans Receivables	6,363,176.11	5,805,563.90
Allowance for Doubtful Accounts	(1,497,535.51)	(1,143,186.08)
Unrestricted:		
Investments:		
Operating	28,465,861.15	27,850,384.56
Quasi-Endowments	4,901,299.19	4,743,564.62
Student Accounts Receivables	8,229,683.16	7,055,222.73
Allowance for Doubtful Accounts	(6,701,482.16)	(5,451,016.64)
Capital Assets, Non-depreciable:		
Land and Land Improvements	7,551,432.05	7,454,729.87
Construction in Progress	244,040.52	8,365,739.35
Other Capital Assets	697,419.27	697,419.27
Capital Assets, Depreciable:		
Buildings and Building Improvements	360,494,860.36	356,822,875.02
Less Accumulated Depreciation	(176,689,598.49)	(165,291,219.08)
Infrastructure	11,506,504.57	11,506,504.57
Less Accumulated Depreciation	(7,084,009.91)	(6,397,777.96)
Facilities and Other Improvements	33,141,312.02	20,521,023.28
Less Accumulated Depreciation	(6,450,155.49)	(4,844,969.33)
Furniture and Equipment	19,205,010.32	17,588,009.31
Less Accumulated Depreciation	(12,649,352.11)	(11,480,779.56)
Vehicles, Boats, and Aircraft	4,877,619.27	4,908,404.99
Less Accumulated Depreciation	(3,898,296.65)	(3,742,650.70)
Other Capital Assets	15,857,605.95	15,844,193.08
Less Accumulated Depreciation	(13,934,125.99)	(13,727,978.52)
Intangible Assets	6,503,245.09	5,434,641.49
Less Accumulated Depreciation	(4,468,695.96)	(3,860,786.43)
<b>Total Noncurrent Assets</b>	<u>284,736,968.12</u>	<u>288,425,937.77</u>
<b>Total Assets</b>	<u>418,344,361.76</u>	<u>427,726,668.48</u>

UNAUDITED

STEPHEN F. AUSTIN STATE UNIVERSITY  
 Agency No. 755  
 Statement of Net Assets  
 For the Fiscal Year Ended August 31, 2012

	<u>2012</u>	<u>2011</u> as restated
<b>LIABILITIES</b>		
<b>Current Liabilities:</b>		
Payables:		
Accounts Payable	3,198,236.01	5,027,858.48
Payroll Payable	6,246,555.70	6,241,824.00
Deposits	2,610,282.62	2,219,972.22
Benefits Payable	1,788,863.38	2,043,975.52
Other Intergovernmental Payables	0.00	359,756.26
Due to Other Agencies	1,291,849.00	802,817.08
Deferred Revenues:		
Tuition and Fees	42,747,490.70	39,898,860.93
Sales and Services	19,078,313.69	19,022,439.28
Grants and Contracts	644,094.18	783,586.81
Employees' Compensable Leave	427,056.61	412,217.76
Capital Lease Obligations	83,512.94	76,480.37
Notes and Loans Payable	2,277,545.52	0.00
Revenue Bonds Payable	5,815,000.00	5,610,000.00
Tuition Revenue Bonds Payable	2,670,000.00	2,580,000.00
General Obligation Bonds Payable	960,000.00	930,000.00
Accrued Bond Interest Payable	2,708,947.52	2,927,654.96
Funds Held for Others	15,244,277.44	16,525,762.72
Payable From Restricted Assets	1,019,309.24	3,600,478.25
<b>Total Current Liabilities</b>	<u>108,811,334.55</u>	<u>109,063,684.64</u>
<b>Noncurrent Liabilities:</b>		
Capital Lease Obligations	169,607.23	222,510.26
Employees' Compensable Leave	3,440,096.38	3,249,697.38
Notes and Loans Payable	12,001,657.58	12,774,273.72
Revenue Bonds Payable	110,380,000.00	116,195,000.00
Tuition Revenue Bonds Payable	42,425,000.00	45,095,000.00
General Obligation Bonds Payable	6,540,000.00	7,500,000.00
<b>Total Noncurrent Liabilities</b>	<u>174,956,361.19</u>	<u>185,036,481.36</u>
<b>Total Liabilities</b>	<u>283,767,695.74</u>	<u>294,100,166.00</u>
<b>NET ASSETS</b>		
Invested in Capital Assets, Net of Related Debt	54,154,929.36	56,048,575.84
Restricted for:		
Capital Projects	102,271.09	146,578.07
Funds Held as Permanent Investments:		
Non-Expendable	6,965,104.29	6,867,650.39
Expendable	2,780,007.29	2,623,017.96
Other	14,136,050.52	14,073,888.74
Unrestricted	56,438,303.47	53,866,791.48
<b>Total Net Assets</b>	<u>\$ 134,576,666.02</u>	<u>\$ 133,626,502.48</u>

See accompanying Notes to the Financial Statements

THIS PAGE LEFT INTENTIONALLY BLANK

UNAUDITED

**STEPHEN F. AUSTIN STATE UNIVERSITY**  
**Agency No. 755**  
**Statement of Revenues, Expenses, and Changes in Net Assets**  
**For the Fiscal Year Ended August 31, 2012**

	<u>2012</u>	<u>Revised 2011</u>
<b>Operating Revenues:</b>		
Sales of Goods and Services		
Tuition & Fees - Pledged	\$ 87,270,382.96	\$ 81,947,512.20
Tuition & Fees - Non-Pledged	3,746,882.38	3,720,664.27
Discounts and Allowances	(22,372,706.32)	(23,101,251.74)
Auxiliary Enterprise - Pledged	37,657,107.00	35,544,871.90
Auxiliary Enterprise - Non-Pledged	1,674,228.00	1,558,012.87
Discounts and Allowances	(9,647,132.97)	(9,714,605.43)
Other Sales of Goods and Svcs - Pledged	4,720,708.35	4,377,701.63
Other Sales of Goods and Svcs - Non-Pledged	1,138,967.78	892,220.97
Federal Revenue	4,905,792.84	5,551,982.01
Federal Pass-Through Rev from Non-State Agency	147,136.55	477,654.55
Federal Pass-Through Revenue	1,790,496.19	2,513,990.43
State Grant Revenue	0.00	0.00
State Grant Pass-Through Revenue	9,231,391.07	10,669,026.66
Local Contracts and Grants	669,382.76	697,923.56
Other Contracts and Grants	388,800.55	616,348.60
Other Operating Revenues - Pledged	20,120.70	16,052.68
<b>Total Operating Revenues</b>	<u>121,341,557.84</u>	<u>115,768,105.16</u>
<b>Operating Expenses:</b>		
Cost of Goods Sold	8,496,255.55	9,021,470.61
Salaries and Wages	85,570,357.18	86,557,949.01
Payroll Related Costs	23,452,253.88	23,543,958.72
Professional Fees and Services	2,991,987.00	1,840,279.45
Travel	2,401,547.81	1,818,166.42
Materials and Supplies	13,262,460.98	14,579,048.60
Communication and Utilities	10,522,873.94	12,124,573.22
Repairs and Maintenance	5,458,902.90	4,322,203.73
Rentals and Leases	1,737,543.19	1,671,271.76
Printing and Reproduction	561,080.71	586,971.98
Federal Pass-Through Expenditure	17,983.55	250,386.64
Federal Pass-Through Expenditure to Non-State Entities	560,449.30	839,517.65
State Pass-Through Expenditure	45,412.54	0.00
Amortization	618,865.29	446,492.78
Depreciation	15,721,439.19	13,831,809.65
Bad Debt Expense	354,349.43	82,668.21
Interest Expense	363.75	617.60
Scholarships	19,465,898.38	18,012,525.58
Claims and Settlements	0.00	0.00
Other Operating Expenses	4,576,125.11	5,241,901.60
<b>Total Operating Expenses</b>	<u>195,816,149.68</u>	<u>194,771,813.21</u>
<b>Operating Income (Loss)</b>	<u>(74,474,591.84)</u>	<u>(79,003,708.05)</u>
<b>Non-Operating Revenues (Expenses):</b>		
Legislative Revenue	37,349,153.00	40,703,316.00
Additional Appropriations	11,427,511.29	11,035,951.04
Federal Revenue	22,200,726.00	22,517,882.43

See accompanying Notes to the Financial Statements

## UNAUDITED

STEPHEN F. AUSTIN STATE UNIVERSITY  
 Agency No. 755  
 Statement of Revenues, Expenses, and Changes in Net Assets  
 For the Fiscal Year Ended August 31, 2012

	<u>2012</u>	<u>Revised 2011</u>
Federal Pass Through Revenue	0.00	628,772.00
Gifts - Nonpledged	2,905,360.90	2,540,830.37
Gifts - Pledged	9,916.65	81,149.13
Land Income	0.00	0.00
Other Rental Income	117,072.66	81,815.22
Investment Income - Pledged	854,126.18	955,636.63
Investment Income - Non-Pledged	172,227.13	952,078.49
Net Increase (Decrease) Fair Value - Pledged	113,742.06	72,097.20
Net Increase (Decrease) Fair Value - Nonpledged	475,603.29	62,995.02
Investing Activities Expenses	(103,106.61)	(91,587.55)
Income on Loans Receivable	150,476.78	141,412.80
Interest Income on Capital Investments-Pledged	9,330.67	67,626.78
Net Increase (Decrease) Fair Value-Capital Investments-Pledged	(692.27)	(11,927.97)
Interest Expenses and Fiscal Charges	(7,448,097.23)	(6,794,445.77)
Gain (Loss) on Sale of Capital Assets	(378,656.54)	(32,753.62)
Settlement of Claims	959.58	117,944.89
Other Non-Operating Revenues (Expenses)	94,047.78	(132,746.75)
Total Non-Operating Revenues (Expenses)	<u>67,949,701.32</u>	<u>72,896,046.34</u>
<b>Income (Loss) Before Other Revenues, Expenses, Gains/Losses and Transfers</b>	<u>(6,524,890.52)</u>	<u>(6,107,661.71)</u>
<b>Other Revenues, Expenses, Gains/Losses and Transfers</b>		
Capital Contributions	87,702.27	342,971.00
Capital Appropriations (Higher Education Fund)	8,425,937.00	8,425,937.00
Additions to Permanent and Term Endowments	97,453.90	207,126.38
Transfers Out	(1,136,039.11)	(1,076,564.97)
Total Other Revenue, Expenses, Gain/Losses and Transfers	<u>7,475,054.06</u>	<u>7,899,469.41</u>
<b>Change in Net Assets</b>	<u>950,163.54</u>	<u>1,791,807.70</u>
Net Assets, Beginning of Year	133,645,332.79	131,924,940.60
Restatements	(18,830.31)	(71,415.51)
Net Assets, Beginning of Year, as Restated	<u>133,626,502.48</u>	<u>131,853,525.09</u>
<b>Net Assets, August 31, 2012</b>	<u>\$ 134,576,666.02</u>	<u>\$ 133,645,332.79</u>

See accompanying Notes to the Financial Statements

STEPHEN F. AUSTIN STATE UNIVERSITY  
 Agency No. 755  
 Matrix of Operating Expenses by Function  
 For the Fiscal Year Ended August 31, 2012

UNAUDITED

<u>Operating Expenses</u>	<u>Instruction</u>	<u>Research</u>	<u>Public Service</u>	<u>Academic Support</u>	<u>Student Services</u>	<u>Institutional Support</u>
Cost of Goods Sold	\$ 0.00	\$ 0.00	\$ 17,926.08	\$ 112,369.64	\$ 34,411.91	\$ (79.65)
Salaries and Wages	42,885,057.11	3,197,636.33	1,147,658.58	7,366,118.15	9,108,237.43	8,739,063.47
Payroll Related Costs	9,805,561.77	611,367.22	198,027.56	1,636,587.34	2,102,210.07	4,964,975.97
Professional Fees and Services	494,545.08	437,509.72	371,502.82	684,281.42	106,064.98	53,909.91
Travel	354,721.37	170,176.20	37,052.84	832,983.35	1,041,547.05	58,499.69
Materials and Supplies	2,989,794.98	457,471.05	516,286.41	1,341,283.67	2,143,075.96	1,239,105.44
Communications and Utilities	294,179.34	31,322.84	9,079.18	1,217,395.39	204,701.99	(36,968.68)
Repairs and Maintenance	318,804.76	32,263.50	17,325.28	256,011.63	405,771.83	1,618,839.13
Rentals and Leases	324,536.23	23,234.91	170,558.36	82,068.80	730,960.38	76,861.85
Printing and Reproduction	127,896.74	18,517.04	134,488.76	84,949.81	288,357.37	(220,779.34)
Federal Pass-Through Expenses	0.00	66,200.76	501,148.20	11,083.89	0.00	0.00
State Pass-Through Expense	0.00	0.00	45,412.54	0.00	0.00	0.00
Depreciation and Amortization	0.00	0.00	0.00	0.00	0.00	0.00
Bad Debt Expense	0.00	0.00	0.00	0.00	354,349.43	0.00
Interest	3.86	0.07	4.67	0.00	0.00	153.60
Scholarships	0.00	0.00	0.00	0.00	0.00	0.00
Other Operating Expenses	346,783.58	74,143.47	102,344.28	345,213.98	1,487,047.51	1,385,709.80
<b>Total Operating Expenses</b>	<b>\$ 57,941,884.82</b>	<b>\$ 5,119,843.11</b>	<b>\$ 3,268,815.56</b>	<b>\$ 13,970,347.07</b>	<b>\$ 18,006,735.91</b>	<b>\$ 17,879,291.19</b>



STEPHEN F. AUSTIN STATE UNIVERSITY  
 Agency No. 755  
 Matrix of Operating Expenses by Function  
 For the Fiscal Year Ended August 31, 2012

UNAUDITED

<u>Operating Expenses</u>	<u>Operation and Maintenance of Plant</u>	<u>Scholarships and Fellowships</u>	<u>Auxiliary Enterprises</u>	<u>Depreciation and Amortization</u>	<u>Total Expenses</u>
Cost of Goods Sold	\$ 0.00	\$ 0.00	\$ 8,331,627.57	\$ 0.00	\$ 8,496,255.55
Salaries and Wages	4,278,896.45	0.00	8,847,689.66	0.00	85,570,357.18
Payroll Related Costs	1,304,675.28	0.00	2,828,848.67	0.00	23,452,253.88
Professional Fees and Services	501,391.31	0.00	342,781.76	0.00	2,991,987.00
Travel	(293,211.21)	0.00	199,778.52	0.00	2,401,547.81
Materials and Supplies	2,420,617.44	0.00	2,154,826.03	0.00	13,262,460.98
Communications and Utilities	4,085,843.05	0.00	4,717,320.83	0.00	10,522,873.94
Repairs and Maintenance	1,706,021.45	0.00	1,103,865.32	0.00	5,458,902.90
Rentals and Leases	45,122.42	0.00	284,200.24	0.00	1,737,543.19
Printing and Reproduction	8,133.06	0.00	119,517.27	0.00	561,080.71
Federal Pass-Through Expenses	0.00	0.00	0.00	0.00	578,432.85
State Pass-Through Expense	0.00	0.00	0.00	0.00	45,412.54
Depreciation and Amortization	0.00	0.00	0.00	16,340,304.48	16,340,304.48
Bad Debl Expense	0.00	0.00	0.00	0.00	354,349.43
Interest	199.03	0.00	2.52	0.00	363.75
Scholarships	0.00	19,465,898.38	0.00	0.00	19,465,898.38
Other Operating Expenses	459,119.75	0.00	375,762.74	0.00	4,576,125.11
<b>Total Operating Expenses</b>	<b>\$ 14,516,808.03</b>	<b>\$ 19,465,898.38</b>	<b>\$ 29,306,221.13</b>	<b>\$ 16,340,304.48</b>	<b>\$ 195,816,149.68</b>

## UNAUDITED

**STEPHEN F. AUSTIN STATE UNIVERSITY**  
**Agency No. 755**  
**Statement of Cash Flows**  
**For the Fiscal Year Ended August 31, 2012**

	<u>2012</u>	<u>2011 as restated</u>
<b>Cash Flows from Operating Activities</b>		
Proceeds Received from Tuition and Fees	\$ 72,081,810.33	\$ 65,453,435.80
Proceeds Received from Auxiliary Services	29,740,076.44	29,000,422.13
Proceeds Received from Other Sales and Services	5,715,865.30	5,325,400.37
Proceeds from Grants and Contracts	14,740,191.54	6,165,402.45
Proceeds from Other Revenues	20,120.70	16,052.68
Payments to Suppliers for Goods and Services	(50,243,940.99)	(51,700,863.63)
Payments to Employees for Salaries	(85,360,387.63)	(87,267,462.41)
Payments to Employees for Benefits	(23,707,366.02)	(23,235,688.61)
Proceeds (Payments) of Loans Issued to Students and Employees	(528,260.96)	438,713.99
Proceeds (Payments) from Other Activities	-	(1,339.19)
Payments to Students for Scholarships	(21,367,870.14)	(15,351,465.86)
Payments for Interest Expense	(363.75)	(617.60)
Net Cash Provided (Used) by Operating Activities	<u>(58,910,125.18)</u>	<u>(71,158,009.88)</u>
<b>Cash Flows from Noncapital Financing Activities</b>		
Proceeds from State Appropriations	51,514,252.68	51,045,340.87
Proceeds from Non-Operating Grants and Contracts	22,200,726.00	23,146,654.43
Proceeds from Gifts	2,915,277.55	2,621,979.50
Payments of Transfers to Other Agencies	(1,136,039.11)	(1,076,564.97)
Proceeds from Claims and Settlements	959.58	117,944.89
Proceeds (Payments) from Other Revenues	94,047.78	(132,746.75)
Proceeds (Payments) from Endowment Investments	(205,671.43)	(584,376.37)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>75,383,553.05</u>	<u>75,138,231.60</u>
<b>Cash Flows from Capital and Related Financing Activities</b>		
Proceeds from Sale of Capital Assets	3,104.19	17,188.41
Proceeds from Debt Issuance	3,202,222.52	13,135,349.75
Proceeds from State Appropriations-Higher Education Funds (HEF)	8,425,937.00	8,425,937.00
Proceeds from Contributions	87,702.27	342,971.00
Proceeds from Other Financing Activities	-	-
Proceeds from Other Rental Income	117,072.66	81,815.22
Proceeds from Interest on Capital Investments	8,638.40	55,698.81
Payments for Additions to Capital Assets	(11,829,501.38)	(34,918,907.63)
Payments of Principal on Capital Debt	(10,863,163.60)	(9,428,310.99)
Payments of Interest on Capital Debt	(7,666,804.67)	(6,775,017.32)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(18,514,792.61)</u>	<u>(29,063,275.75)</u>
<b>Cash Flows from Investing Activities</b>		
Proceeds (Payments) from Investments	(5,865,958.13)	(15,927,024.87)
Proceeds from Interest Income from Investments	932,873.68	1,816,549.61
Net Increase (Decrease) in Fair Value	589,345.35	135,092.22
Proceeds (Payments) from Redemption of Bond Investments	-	14,102,907.02
Net Cash Provided (Used) by Investing Activities	<u>(4,343,739.10)</u>	<u>127,523.98</u>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	<b>\$ <u>(6,385,103.84)</u></b>	<b>\$ <u>(24,955,530.05)</u></b>

## UNAUDITED

STEPHEN F. AUSTIN STATE UNIVERSITY  
 Agency No. 755  
 Statement of Cash Flows  
 For the Fiscal Year Ended August 31, 2012

	<u>2012</u>	<u>2011 as restated</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>		
Operating Income (Loss)	\$ (74,474,591.84)	\$ (79,003,708.05)
Amortization and Depreciation	16,340,304.48	14,278,302.43
Bad Debt Expense	354,349.43	82,668.21
Operating Income and Cash Flow Categories		
Changes in Current Assets and Liabilities		
(Increase) Decrease in Legislative Appropriations	2,737,588.39	(693,926.17)
(Increase) Decrease in Receivables	3,003,969.42	(11,977,697.16)
(Increase) Decrease in Inventories	(143,810.83)	55,477.77
(Increase) Decrease in Loans to Students	29,351.25	313,359.96
(Increase) Decrease in Prepaid Expenses	(1,010,796.88)	(321,774.68)
(Increase) Decrease in Due from Other Agencies	(64,844.37)	(86,723.38)
Increase (Decrease) in Payables	(4,270,861.52)	(1,843,505.70)
Increase (Decrease) in Due to Other Agencies	129,275.66	327,939.20
Increase (Decrease) in Deferred Income	2,765,011.55	3,564,800.99
Increase (Decrease) in Compensated Absences	14,838.85	(169,176.02)
Increase (Decrease) in Current Portion of Bonds & Int. Payable	106,292.56	(204,280.90)
Increase (Decrease) in Assets Held for Others	(1,281,485.28)	2,472,059.31
Increase (Decrease) in Other Current Liabilities	-	(1,339.19)
Changes in Non-Current Assets and Liabilities		
Increase (Decrease) in Notes Payable for Non-capitalized Exp	-	245,999.68
Increase (Decrease) in Compensated Absences	190,399.00	(36,745.13)
Increase (Decrease) in Deposits Payable	-	-
(Increase) Decrease in Student Receivables	76,005.09	817,119.89
(Increase) Decrease in Loans to Students	(557,612.21)	125,354.03
Cash Reported in Other Categories		
Increase (Decrease) in Legislative Appropriations	(2,737,588.39)	693,926.17
Increase (Decrease) in Investment Activity	(9,626.98)	(422.04)
Increase (Decrease) of Gifts Receivable	-	-
(Increase) Decrease in Current Portion of Bonds Payable	(106,292.56)	204,280.90
Net Cash Provided (Used) by Operating Activities	<u>\$ (58,910,125.18)</u>	<u>\$ (71,158,009.88)</u>
Cash and Cash Equivalents, August 31, 2011	\$ 67,563,592.68	\$ 92,519,122.73
Increase (Decrease) in Cash and Cash Equivalents	<u>(6,385,103.84)</u>	<u>(24,955,530.05)</u>
Cash and Cash Equivalents, August 31, 2012	<u>\$ 61,178,488.84</u>	<u>\$ 67,563,592.68</u>
Displayed as:		
Cash on Hand	\$ 159,676.40	\$ 384,729.55
Cash in Bank	46,318,847.62	43,107,678.00
Cash in Transit/Reimb. Due from Treasury	523,826.81	448,952.33
Cash in State Treasury	1,365,832.90	2,092,404.21
Cash Equivalents	-	13,146.31
Cash in Bank, Restricted	12,810,305.11	17,342,430.78
Cash Equivalents, Restricted	-	4,174,251.50
Non-Current Cash Equivalents, Restricted	-	-
	<u>\$ 61,178,488.84</u>	<u>\$ 67,563,592.68</u>

See accompanying Notes to the Financial Statements

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

**Entity**

Stephen F. Austin State University (the University) is an agency of the State of Texas (the State). The University's financial records comply with State statutes and regulations. This includes compliance with the Texas Comptroller of Public Accounts' *Reporting Requirements for Annual Financial Reports of State Agencies and Universities*.

The University serves the State as a public institution of higher education.

The University has six related entities. The University has determined no related entity is a reportable component unit of Stephen F. Austin State University. These related entities are listed in Note 19.

Due to the statewide requirements embedded in Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements — and Management's Discussion and Analysis — for State and Local Governments* and GASB Statement No. 35, *Basic Financial Statements — and Management's Discussion and Analysis — for Public Colleges and Universities*, the Comptroller of Public Accounts does not require the accompanying annual financial report to comply with all the requirements in these Statements. 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.

The University follows the "business-type activities" reporting requirement of GASB Statement No. 34 that provides a comprehensive one-line look at the University's financial activities.

Blended Component Units

No component unit has been identified which should be reported as a blended unit.

Discretely Presented Component Units

No component unit has been identified which should be discretely presented.

**Fund Structure**

**Basis of Accounting – Proprietary Fund Accounting**

Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial positions, and cash flows. The financial statements of the University have been prepared on the accrual basis. Accrual accounting attempts to record a transaction's financial effects in the period in which the transaction occurred, rather than when funds are received or paid. Revenues are recorded when they are earned or when the University has a right to receive the revenues. Expenses are recognized at the time liabilities are incurred.

There are four essential elements of accrual accounting. They are:

- Deferral of expenditures and the subsequent amortization of the deferred costs.
- Deferral of revenues until they are earned.
- Capitalization of certain expenses and the subsequent depreciation of the capitalized costs.
- The accruals of revenues that have been earned and expenses that have been incurred.

Proprietary funds use the flow of economic resources measurement focus, which is similar to the focus used by commercial entities. Proprietary funds focus on whether the enterprise is economically better off as a result of the events and transactions that occurred during the fiscal period reported. Transactions and events that improved an enterprise's financial position are reported as revenues or gains. Transactions and events that diminished the economic position of the enterprise are reported as expenses or losses. Both current and long-term assets and liabilities are shown on the Statement of Net Assets.

The Statement of Revenues, Expenses, and Changes in Net Assets is segregated into operating and non-operating sections.

Generally, operating activities are those that directly result from the provision of goods and services to

Stephen F. Austin State University-755  
UNAUDITED  
Notes to the Financial Statements  
August 31, 2012

customers or are directly related to the principal and usual activity of an enterprise. GASB Statement No. 34 indicates that a consideration for defining a proprietary fund's operating revenues and expenditures is how individual transactions would be classified for purposes of preparing a Statement of Cash Flows according to GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*.

Since certain grants are actually contracts for services, they are classified as operating activities. State appropriations and certain grants, such as the Pell grants, are reported as non-operating activities even though they are directly related to the principal and usual activity of the University. These are considered non-exchange transactions, and are therefore considered non-operating revenues.

**Budget and Budgetary Accounting**

The University prepares an annual budget which represents anticipated sources of revenue and authorized uses. This budget is approved by the University's Board of Regents. Unencumbered appropriations are generally subject to lapse 60 days after the end of the fiscal year for which they were appropriated. Budget information is not included in the Annual Financial Report.

**Assets, Liabilities, and Net Assets**

**Assets**

Assets are reported separately as either current or noncurrent in the Statement of Net Assets.

**Cash and Cash Equivalents**

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

**Restricted Assets**

Restricted assets include monies or other resources restricted by legal or contractual requirements. These assets include proceeds of proprietary fund general obligation and revenue bonds and revenues set aside for statutory or contractual requirements.

**Inventories**

Inventories include both merchandise inventories on hand for sale and consumable inventories. Inventories are valued using the average cost method. The consumption method of accounting is used to account for inventories and prepaid items. The cost of these items is expensed when the items are sold or consumed.

**Prepaid Items**

Prepaid items include prepaid expenses attributable to a subsequent fiscal year, including scholarships attributed to the 2012 fall semester.

**Capital Assets**

Equipment with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year is capitalized. Buildings, infrastructure, facilities, and other assets are capitalized when they meet thresholds set by the State. These assets are capitalized and reported at cost or, if not purchased, at appraised fair value on the date of acquisition. Depreciation is reported on all "exhaustible" assets. "Inexhaustible" assets, such as works of art and historical treasures, are not depreciated. Assets are depreciated over the estimated useful life of the asset using the straight-line method of depreciation.

**Other Receivables - Current and Noncurrent**

Current receivables are specified in the Statement of Net Assets. They include amounts that are reasonably expected to be received in fiscal year 2013. Noncurrent receivables are those receivables that are not expected to be collected within one year. Included in this category are student accounts receivables and loan receivables that are not expected to be received during fiscal year 2013. The disaggregation of other receivables as reported in the financial statements is shown in Note 24, "Disaggregation of Receivable and Payable Balances."

## Liabilities

Liabilities are reported separately as either current or noncurrent in the Statement of Net Assets.

### 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 – Current and Noncurrent

The disaggregation of other payables as reported in the financial statements is shown in Note 24, “Disaggregation of Receivable and Payable Balances.”

### Employees' Compensable Leave Balances

Employees' Compensable Leave Balances represent the liability that becomes "due" upon the occurrence of relevant events such as resignations, retirements, and uses of leave balances by covered employees. These obligations are normally paid from the same funding source from which the covered employee's salary or wage compensation was paid.

### Capital Lease Obligations

Capital Lease Obligations represent the liability for future lease payments under capital lease contracts. Liabilities are reported separately in the Statement of Net Assets as either current, for the amounts due within one year, or noncurrent, for the amounts due thereafter.

### Bonds Payable - Revenue Bonds

The principal of revenue bonds is reported separately in the Statement of Net Assets as either current, for the amounts due within one year, or noncurrent, for the amounts due thereafter. Bonds payable are recorded at par value. Interest expense is reported on the accrual basis.

### Bonds Payable - Tuition Revenue Bonds

The principal of tuition revenue bonds is reported separately in the Statement of Net Assets as either current, for the amounts due within one year, or noncurrent, for the amounts due thereafter. Bonds payable are recorded at par value. Interest expense is reported on the accrual basis.

### Bonds Payable - General Obligation Bonds

The principal of general obligation bonds is reported separately in the Statement of Net Assets as either current, for the amounts due within one year, or noncurrent, for the amounts due thereafter. Bonds payable are recorded at par. Interest expense is reported on the accrual basis.

## Net Assets

The difference between assets and liabilities is “Net Assets” on the Statement of Net Assets.

### 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 bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

### Restricted Net Assets

Restricted net assets result when constraints placed on their use are either 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 that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but these constraints can be removed or modified.

Stephen F. Austin State University-755  
UNAUDITED  
Notes to the Financial Statements  
August 31, 2012

**Interfund Activities and Transactions**

The University has the following types of transactions among State appropriated funds and other State agencies:

- Transfers – Legally required transfers that are reported when incurred as “Transfers In” by the recipient fund or State agency and as “Transfers Out” by the disbursing fund or State agency.
- Reimbursements – Reimbursements of expenditures made by one State agency for another are recorded as expenditures by the reimbursing State agency and as a reduction of expenditures by the reimbursed State agency. Reimbursements are not displayed in the financial statements.
- Interfund Receivables and Payables – Interfund receivables and payables are recorded as “Due from Other Agencies” or “Due to Other Agencies” on the Statement of Net Assets. Repayments due during the current year are classified as "Current"; repayments due thereafter are classified as "Noncurrent."
- Interfund Sales and Purchases – Charges or collections for services rendered by one fund to another that are recorded as revenues of the recipient fund and expenditures or expenses of the disbursing fund.

The composition of the University's interfund activities and balances are presented in Note 12.

Stephen F. Austin State University-755  
UNAUDITED  
Notes to the Financial Statements  
August 31, 2012

**NOTE 2: Capital Assets**

A summary of changes in Capital Assets for the year ended August 31, 2012, is presented below:

	Balance		Reclassifications			Balance
	09/01/2011	Adjustments	Completed CIP	Additions	Deletions	8/31/2012
<b>BUSINESS-TYPE ACTIVITIES</b>						
<b>Non-depreciable or Non-amortizable Assets</b>						
Land and Land Improvements	\$7,454,729.87	-	-	\$96,702.18	-	\$7,551,432.05
Infrastructure	-	-	-	-	-	-
Construction in Progress	8,365,739.35	-	(11,108,730.76)	2,987,031.93	-	244,040.52
Other Tangible Capital Assets	697,419.27	-	-	-	-	697,419.27
Total Non-depreciable or Non-amortizable Assets	16,517,888.49	-	(11,108,730.76)	3,083,734.11	-	8,492,891.84
<b>Depreciable Assets</b>						
Buildings and Building Improvements	356,822,875.02	-	2,962,208.38	979,362.57	(269,585.61)	360,494,860.36
Infrastructure	11,506,504.57	-	-	-	-	11,506,504.57
Facilities and Other Improvements	20,521,023.28	-	10,474,602.11	2,145,686.63	-	33,141,312.02
Furniture and Equipment	17,588,009.31	-	-	1,999,802.36	(382,801.35)	19,205,010.32
Vehicle, Boats and Aircraft	4,908,404.99	-	-	90,450.28	(121,236.00)	4,877,619.27
Other Capital Assets	15,844,193.08	-	(2,328,079.73)	2,469,461.07	(127,968.47)	15,857,605.95
Total Depreciable Assets	427,191,010.25	-	11,108,730.76	7,684,762.91	(901,591.43)	445,082,912.49
Less Accumulated Depreciation for:						
Buildings and Building Improvements	(165,291,219.08)	-	-	(11,403,295.64)	4,916.23	(176,689,598.49)
Infrastructure	(6,397,777.96)	-	-	(686,231.95)	-	(7,084,009.91)
Facilities and Other Improvements	(4,844,969.33)	-	-	(1,605,186.16)	-	(6,450,155.49)
Furniture and Equipment	(11,480,779.56)	-	-	(1,535,839.38)	367,266.83	(12,649,352.11)
Vehicles, Boats and Aircraft	(3,742,650.70)	-	-	(276,881.95)	121,236.00	(3,898,296.65)
Other Capital Assets	(13,727,978.52)	-	-	(214,004.11)	7,856.64	(13,934,125.99)
Total Accumulated Depreciation	(205,485,375.15)	-	-	(15,721,439.19)	501,275.70	(220,705,538.64)
Depreciable Assets, Net	221,705,635.10	-	11,108,730.76	(8,036,676.28)	(400,315.73)	224,377,373.85
<b>Amortizable Assets - Intangible</b>						
Computer Software	5,477,241.49	(42,600.00)	-	1,079,559.36	(10,955.76)	6,503,245.09
Total Amortizable Assets - Intangible	5,477,241.49	(42,600.00)	-	1,079,559.36	(10,955.76)	6,503,245.09
Less Accumulated Amortization for:						
Computer Software	(3,884,556.12)	23,769.69	-	(618,865.29)	10,955.76	(4,468,695.96)
Total Accumulated Amortization	(3,884,556.12)	23,769.69	-	(618,865.29)	10,955.76	(4,468,695.96)
Amortizable Assets - Intangible, Net	1,592,685.37	(18,830.31)	-	460,694.07	-	2,034,549.13
<b>Business-Type Activities Capital Assets, Net</b>	<b>\$239,816,208.96</b>	<b>\$(18,830.31)</b>	<b>-</b>	<b>\$(4,492,248.10)</b>	<b>\$(400,315.73)</b>	<b>\$234,904,814.82</b>



Stephen F. Austin State University-755  
 UNAUDITED  
 Notes to the Financial Statements  
 August 31, 2012

**NOTE 3: Deposits, Investments and Repurchase Agreements**

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

**Deposits of Cash in Bank**

As of August 31, 2012, the carrying amount of deposits was \$93,126,477.13 as presented below:

CASH IN BANK – CARRYING AMOUNT	\$93,126,477.13
Less: Certificates of Deposit included in carrying amount and reported as Current or Noncurrent Assets, as appropriate	(33,997,324.40)
Less: Uninvested Securities Lending Cash Collateral included in carrying amount and reported as Securities Lending Collateral	0.00
Less: Securities Lending CD Collateral included in carrying amount and reported as Securities Lending Collateral	0.00
Total Cash in Bank per AFR	\$59,129,152.73

Proprietary Funds Current Assets Cash in Bank	\$46,318,847.62
Proprietary Funds Current Assets Restricted Cash in Bank	12,810,305.11
Proprietary Funds Noncurrent Assets Restricted Cash in Bank	0.00
Cash in Bank per AFR	\$59,129,152.73

These amounts consist of all cash in banks. These amounts are included on the Statement of Net Assets as part of the "Cash and Cash Equivalents" accounts, except for the certificates of deposit, which are recorded as Investments.

As of August 31, 2012, the total bank balance was as follows:

Business-Type Activities	\$ 94,446,908.47	Fiduciary Funds	\$0.00
--------------------------	------------------	-----------------	--------

**Custodial credit risk for deposits** is the risk that, in the event of the failure of a depository financial institution, the University will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Stephen F. Austin State University Board Policy C-41, *Investments*, states that all deposits shall be secured by a pledge of collateral with a market value equal to no less than 100% of the deposits less any amount insured by the FDIC or FSLIC and pursuant to Chapter 2257, the Public Funds Collateral Act.

At August 31, 2012, amounts insured by the FDIC were \$1,297,291.91. The bank balances at August 31, 2012, that were exposed to custodial credit risks were as follows:

Fund Type	GAAP Fund	Uninsured and uncollateralized	Uninsured and collateralized with securities held by the pledging financial institution	Uninsured and collateralized with securities held by the pledging financial institution's trust department or agent but not in the University's name
7999	9999	\$0.00	\$93,149,616.56	\$0.00

Stephen F. Austin State University-755  
 UNAUDITED  
 Notes to the Financial Statements  
 August 31, 2012

**Investments**

The fair value of the University's investments as of August 31, 2012, is presented below:

Business-Type Activities	Fair Value
U.S. Government	
U.S. Treasury Securities	\$11,123,403.37
U.S. Government Agency Obligations Fannie Mae	296,533.95
U.S. Government Agency Obligations Freddie Mac	1,197,564.17
U.S. Government Agency Obligations (Texas Treasury Safekeeping Trust)	0.00
Corporate Obligations	6,498,202.15
Corporate Asset and Mortgage Backed Securities	0.00
Equity	4,162,737.89
International Obligations (Government and Corporate)	2,773,034.03
International Equity	1,122,603.11
Fixed Income Money Market and Bond Mutual Fund	1,254,025.78
Other Commingled Funds (Texpool)	0.00
Alternative Investments	1,155,644.97
<b>Total Investments</b>	<b>\$29,583,749.42</b>

<b>Displayed on Statement of Net Assets as:</b>	
<b>Current Assets:</b>	
Cash Equivalents	\$0.00
Short-Term Investments: Certificates of Deposit	20,142,762.12
Restricted Cash Equivalents	0.00
Restricted Short-Term Investments	0.00
<b>Noncurrent Assets:</b>	
<b>Restricted:</b>	
Investments: Endowments	10,071,151.36
<b>Unrestricted:</b>	
Investments: Quasi-Endowments	4,901,299.19
Investments: Operating	28,465,861.15
<b>Subtotal</b>	<b>63,581,073.82</b>
Less: Certificates of Deposit	(33,997,324.40)
<b>Total</b>	<b>\$29,583,749.42</b>

**Credit risk** is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Stephen F. Austin State University Board Policy C-41, *Investments*, addresses credit risks by authorizing investments only in certain types of securities.

Stephen F. Austin State University-755  
 UNAUDITED  
 Notes to the Financial Statements  
 August 31, 2012

As of August 31, 2012, the Standard & Poor's credit quality ratings of the University's investments by type of securities with credit risk exposure were as follows:

Investment Type	AAA	AA	A	NR
U.S. Government Agency Obligations (Excludes obligations explicitly guaranteed by the U.S. Government)	\$0.00	\$1,494,098.12	\$0.00	\$0.00
U.S. Government Agency Obligations (Texas Treasury Safekeeping Trust Co)	0.00	0.00	0.00	0.00
Corporate Obligations	479,255.70	4,009,208.81	2,009,737.64	0.00
Corporate Asset and Mortgage Backed Securities	0.00	0.00	0.00	0.00
International Obligations	0.00	2,673,760.35	99,273.68	0.00
Repurchase Agreements	0.00	0.00	0.00	0.00
Alternative Investments	0.00	0.00	0.00	1,155,644.97
	AAAf	AAf	Unrated	
Fixed Income Money Market and Bond Mutual Fund	\$0.00	\$0.00	\$1,254,025.78	
	A-1	A-2	A-3	
Commercial Paper	\$0.00	\$0.00	\$0.00	

**Concentration of credit risk** is the risk of loss attributable to the magnitude of investment in a single issuer. As of August 31, 2012, the University's concentration of credit risk is immaterial to any single issuer.

**Reverse Repurchase Agreements**

The 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.

As of August 31, 2012, the University was not participating in reverse repurchase agreements.

**Securities Lending**

In securities lending transactions, the University would transfer its securities to broker-dealers and other entities for collateral – which may be cash or securities – and simultaneously agrees to return the collateral for cash or the same securities in the future. The University did not participate in securities lending transactions during fiscal year 2012.

<b>NOTE 4: Short-Term Debt</b>
--------------------------------

The University had no short-term debt as of August 31, 2012.

Stephen F. Austin State University-755  
UNAUDITED  
Notes to the Financial Statements  
August 31, 2012

**NOTE 5: Long-Term Liabilities**

**Changes in Long-Term Liabilities**

During the year ended August 31, 2012, the following changes occurred in long-term liabilities:

Business-Type Activities	Balance 09/01/11	Additions	Reductions	Balance 08/31/12	Amounts Due Within One Year	Amounts Due Thereafter
Revenue Bonds Payable	\$121,805,000.00	\$0.00	\$5,610,000.00	\$116,195,000.00	\$5,815,000.00	\$110,380,000.00
Tuition Revenue Bonds Payable	47,675,000.00	0.00	2,580,000.00	45,095,000.00	2,670,000.00	42,425,000.00
General Obligation Bonds Payable	8,430,000.00	0.00	930,000.00	7,500,000.00	960,000.00	6,540,000.00
Capital Lease Obligations	298,990.63	36,523.00	82,393.46	253,120.17	83,512.94	169,607.23
Employees' Compensable Leave	3,661,915.14	523,544.47	318,306.62	3,867,152.99	427,056.61	3,440,096.38
Notes & Loans Payable	12,774,273.72	3,165,699.52	1,660,770.14	14,279,203.10	2,277,545.52	12,001,657.58
Total Business-Type Activities	\$194,645,179.49	\$3,725,766.99	\$11,181,470.22	\$187,189,476.26	\$12,233,115.07	\$174,956,361.19

**Notes and Loans Payable**

Notes payable consists of amounts used to finance the acquisition of mainframe computer equipment. Loans payable consists of amounts used to finance a comprehensive energy management program. The debt service requirements for notes and loans payable are as follows:

**Note and Loan Payments by year**

Payment date	Principal	Interest	Total
FY 2013	\$2,277,545.52	\$62,151.54	\$2,339,697.06
FY 2014	2,089,528.96	250,168.10	2,339,697.06
FY 2015	1,308,193.43	198,242.57	1,506,436.00
FY 2016	1,334,357.30	172,078.70	1,506,436.00
FY 2017	1,360,646.11	145,789.89	1,506,436.00
FY 2018-2022	5,908,931.78	307,725.71	6,216,657.49
Total Payments	\$14,279,203.10	\$1,136,156.51	\$15,415,359.61

**Claims and Judgments**

The University had no unpaid settlements or judgments as of August 31, 2012.

**Employees' Compensable Leave**

A State employee is entitled to be paid for all unused vacation time (annual leave) 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 at least six months. The University reports the liability for the unpaid annual leave in the Statement of Net Assets. No liability is recorded for sick pay benefits.

<b>NOTE 6: Bonded Indebtedness</b>
------------------------------------

**Bonds Payable**

Detailed supplemental bond information is disclosed in:  
Schedule 2A – Miscellaneous Bond Information  
Schedule 2B – Changes in Bonded Indebtedness  
Schedule 2C – Debt Service Requirements  
Schedule 2D – Analysis of Funds Available for Debt Service  
Schedule 2E – Defeased Bonds Outstanding  
Schedule 2F – Early Extinguishment and Refunding

General information related to bonds is summarized below:

**Texas Public Finance Authority Stephen F. Austin State University Revenue Financing System Revenue Bonds - Series 2002**

- To provide funds for construction of a facility to replace the Birdwell Building, construction of a new Telecommunications and Networking building, renovations to Power Plant, and renovations to existing structures at the University.
- Issued 7-9-02.
- \$14,070,000.00; All authorized bonds have been issued.
- Source of revenue for debt service:
  - Pledged Student Tuition
  - Other Pledged Revenues
- Changes in Debt: Principal paid during fiscal year \$665,000.00; Outstanding at year end \$8,610,000.00.

**Texas Public Finance Authority Stephen F. Austin State University Revenue Financing System Revenue Bonds - Series 2004**

- To provide funds for renovation and expansion, and equipment for the Student Center.
- Issued 2-18-04.
- \$26,030,000.00; All authorized bonds have been issued.
- Source of revenue for debt service:
  - Pledged Student Tuition
  - Pledged Student Center Fees
  - Other Pledged Revenues
- Changes in Debt: Principal paid during fiscal year \$1,095,000.00; Outstanding at year end \$19,045,000.00.

**Texas Public Finance Authority Stephen F. Austin State University Revenue Financing System Revenue Bonds - Series 2004(A)**

- To provide funds to construct a 400-space parking garage adjacent to the Student Center.
- Issued 8-17-04.
- \$5,460,000.00; All authorized bonds have been issued.
- Source of revenue for debt service:
  - Pledged Student Tuition
  - Pledged Student Center Fees
  - Other Pledged Revenues
- Changes in Debt: Principal paid during fiscal year \$230,000.00; Outstanding at year end \$4,030,000.00.

**Texas Public Finance Authority Stephen F. Austin State University Revenue Financing System Revenue Bonds - Series 2005**

Stephen F. Austin State University-755  
UNAUDITED  
Notes to the Financial Statements  
August 31, 2012

- To provide funds to construct a new student residence hall and associated parking garage; and to pay the costs related to the issuance of the bonds.
- Issued 6-23-05.
- \$17,215,000.00; All authorized bonds have been issued.
- Source of revenue for debt service: Pledged Revenues consisting of Unrestricted Current Funds Revenues excluding: remissions, governmental appropriations and gifts, grants and contracts within the Educational and General Fund Group; Higher Education Funds; and student service fees and private gifts in the Auxiliary Fund Group.
- Changes in Debt: Principal paid during fiscal year \$700,000.00; Outstanding at year end \$13,360,000.00.

**Texas Public Finance Authority Stephen F. Austin State University Revenue Financing System Revenue Bonds - Series 2005(A)**

- To provide funds to construct a new student residence hall and associated parking garage; to construct a new student recreational center and to pay the costs related to the issuance of the bonds.
- Issued 11-02-05.
- \$55,365,000.00; All authorized bonds have been issued.
- Source of revenue for debt service:
  - Pledged Recreational Sports Fee
  - Other Pledged Revenues consisting of Unrestricted Current Funds Revenues excluding: remissions, governmental appropriations and gifts, grants, and contracts within the Educational and General Fund Group; Higher Education Funds; and student service fees and private gifts in the Auxiliary Fund Group.
- Changes in Debt: Principal paid during fiscal year \$2,290,000.00; Outstanding at year end \$47,330,000.00.

**Texas Public Finance Authority Stephen F. Austin State University Revenue Financing System Revenue Bonds - Series 2008**

- To provide funds to construct a new Early Childhood Research Center which will provide an early childhood laboratory for the College of Education and a charter school campus.
- Issued 03-04-08.
- \$20,175,000.00; All authorized bonds have been issued.
- Source of revenue for debt service: Pledged revenues consisting of Unrestricted Current Fund Revenues excluding: remissions, governmental appropriations and gifts, grants, and contracts within the Educational and General Fund Group; Higher Education Funds; and student service fees and private gifts in the Auxiliary Fund Group.
- Changes in Debt: Principal paid during fiscal year \$685,000.00; Outstanding at year end \$14,990,000.00.

**State of Texas Constitutional Appropriation Bonds Stephen F. Austin State University - Series 2008**

- To provide a portion of the funds to complete construction and equip the Early Childhood Research Center and pay certain costs related to the issuance of the bonds.
- Issued 12-18-08.
- \$10,200,000.00; All authorized bonds have been issued.
- Source of revenue for debt service: Pledged revenues consisting of Higher Education Funds.
- Changes in Debt: Principal paid during fiscal year \$930,000.00; Outstanding at year end \$7,500,000.00.

**Texas Public Finance Authority Stephen F. Austin State University Revenue Financing System Revenue Bonds - Series 2009**

- To provide funds to construct a new nursing facility expansion and provide campus-wide deferred maintenance to multiple buildings.
- Issued 02-04-09.
- \$23,615,000.00; All authorized bonds have been issued.
- Source of revenue for debt service: Pledged revenues consisting of Unrestricted Current Fund Revenues excluding: remissions, governmental appropriations and gifts, grants, and contracts within the Educational and General Fund Group; Higher Education Funds; and student service fees and private gifts in the Auxiliary Fund Group.
- Changes in Debt: Principal paid during fiscal year \$840,000.00; Outstanding at year end \$19,410,000.00.
- Revenue Financing System Bonds issued include a Serial Bond of \$1,715,000.00, a Capital Appreciation Bond (CAB) of \$209,575.00, and Current Interest Serial Bonds of \$21,070,000.00.

Stephen F. Austin State University-755  
 UNAUDITED  
 Notes to the Financial Statements  
 August 31, 2012

**Texas Public Finance Authority Stephen F. Austin State University Revenue Financing System Revenue Bonds - Series 2010**

- To provide funds to construct a new freshman residence hall and adjacent parking garage.
- Issued 04-01-10.
- \$35,035,000.00; All authorized bonds have been issued.
- Source of revenue for debt service: Pledged unappropriated fund balances available at the beginning of the year. Pledged revenues consist of Unrestricted Current Fund Revenues excluding: remissions, governmental appropriations and gifts, grants, and contracts within the Educational and General Fund Group; and student service fees and private gifts in the Auxiliary Fund Group.
- Changes in Debt: Principal paid during fiscal year \$1,295,000.00; Outstanding at year end \$32,430,000.00.

**Texas Public Finance Authority Stephen F. Austin State University Revenue Financing System Revenue Bonds - Series 2010A**

- To refund outstanding Board of Regents of Stephen F. Austin State University Revenue Financing System, Texas Public Finance Authority Revenue Bonds - Series 1998.
- Issued 04-01-10.
- \$3,415,000.00; All authorized bonds have been issued.
- Source of revenue for debt service: Pledged unappropriated fund balances available at the beginning of the year. Pledged revenues consist of Unrestricted Current Fund Revenues excluding: remissions, governmental appropriations and gifts, grants, and contracts within the Educational and General Fund Group; and student service fees and private gifts in the Auxiliary Fund Group.
- Changes in Debt: Principal paid during fiscal year \$390,000.00; Outstanding at year end \$2,085,000.00.

**NOTE 7: Derivative Instruments**

The University did not participate in derivative activity during fiscal year 2012.

**NOTE 8: Leases**

**Operating Leases**

Included in the expenditures reported in the financial statements are the following amounts of rent paid or due under operating lease obligations:

<u>Fund Type</u>	<u>Amount</u>
Proprietary Fund	\$310,994.71

Future minimum lease rental payments under non-cancelable operating leases having an initial term in excess of one year are as follows:

<b>Future Minimum Operating Lease Payments Year Ending August 31</b>	
2013	\$264,664.52
2014	178,386.77
2015	87,959.81
2016	37,069.48
2017	6,836.07
2018-2022	0.00
<b>Total Future Minimum Lease Rental Payments</b>	<b>\$574,916.65</b>

**Capital Leases**

The University has entered into long-term leases for financing the purchase of certain capital assets. Such leases are classified as capital leases for accounting purposes and, therefore, are recorded at the present value of the future

Stephen F. Austin State University-755  
 UNAUDITED  
 Notes to the Financial Statements  
 August 31, 2012

minimum lease payments at the inception of the lease. Following is a summary of original capitalized costs of all such property under lease as well as the accumulated depreciation as of August 31, 2012:

Assets Under Capital Leases Year Ended Aug. 31, 2012	Business-Type Activities
Furniture and Equipment	\$451,939.44
Less: Accumulated Depreciation	139,817.21
Vehicles	0.00
Less: Accumulated Depreciation	0.00
<b>Total</b>	<b>\$312,122.23</b>

Future minimum lease payments under these capital leases, together with the present value of the net minimum lease payments at fiscal year-end, are as follows:

Future Minimum Capital Lease Payments Year Ending August 31	Business-Type Activities		
	Principal	Interest	Total
2013	\$83,512.94	\$3,624.73	\$87,137.67
2014	80,630.49	2,495.58	83,126.07
2015	80,114.94	1,457.28	81,572.22
2016	8,861.80	504.32	9,366.12
2017	0.00	0.00	0.00
2018-2022	0.00	0.00	0.00
<b>Total Future Minimum Lease Payments</b>	<b>\$253,120.17</b>	<b>\$8,081.91</b>	<b>\$261,202.08</b>
Less: Amount Representing Interest at Various Rates			8,081.91
<b>Present Value of Net Minimum Lease Payments</b>			<b>\$253,120.17</b>

**NOTE 9: Pension Plans**

The State of Texas has joint contributory retirement plans for all of its benefits-eligible employees. One of the primary plans in which the University participates is administered by the Teacher Retirement System of Texas (TRS). The contributory percentages of participant salaries currently provided by the State and by each participant are 6.0% and 6.4%, respectively, of annual compensation. TRS does not separately account for each of its component government agencies since TRS itself bears sole responsibility for retirement commitments beyond contributions fixed by the State Legislature. Further information regarding actuarial assumptions and conclusions, together with audited financial statements, are included in TRS' annual financial report.

The State has also established an Optional Retirement Program (ORP) for institutions of higher education for certain administrative personnel and faculty. Participation in ORP is in lieu of participation in TRS, and the selection to participate in ORP must be made in the first 90 days of eligibility. The ORP allows participants to select from a variety of companies for the purchase of annuity contracts or to invest in mutual funds. The contributory percentages on salaries for participants entering the program prior to September 1, 1995, are 8.5% and 6.65% by the State and each participant, respectively. The State's contribution is comprised of 6.0% from the ORP appropriation and 2.5% from other funding sources. The 6.0% contribution is mandatory with the other 2.5% being at the discretion of the University's Board of Regents. The Board has approved the additional contributions for these employees. The contributory percentages on salaries for participants entering the program after August 31, 1995, are 6.0% and 6.65% by the State and each participant, respectively. Since these are individual annuity contracts or mutual fund investments, the University has no additional or unfunded liability for this program.

GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, paragraph 27(d) requires universities that administer the ORP to disclose the amounts contributed by members and by the employer for that plan. Following are the ORP contributions made for the 2012 fiscal year:

	Year Ended Aug. 31, 2012
Member Contributions	\$1,978,369.32



Stephen F. Austin State University-755  
 UNAUDITED  
 Notes to the Financial Statements  
 August 31, 2012

Employer Contributions	\$2,057,510.86
<b>Total</b>	<b>\$4,035,880.18</b>

**NOTE 10: Deferred Compensation**

University employees may elect to defer a portion of their earnings for income tax and investment purposes pursuant to authority granted in the TEX. GOV'T. CODE ANN., Chapter 609. Two plans are available for employees: the 403(b) Tax Sheltered Annuity (TSA) plan and the Texasaver 457(b) plan. The TSA is administered by Stephen F. Austin State University. The 457(b) plan is administered by the Employees Retirement System of Texas. The assets of these plans do not belong to the University or to the State, and thus they have no liability related to the plans.

**NOTE 11: Post-employment Health Care and Life Insurance Benefits - (Not Applicable)**

**NOTE 12: Interfund Activity and Transactions**

The University experienced routine transfers with other State agencies that 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.

Following are individual balances and activity as of August 31, 2012:

	Due From Other Agencies	Due To Other Agencies	Source
ENTERPRISE FUND (05)			
Appd Fund 5015, D23 Fund 5015			
Agency 608, D23 Fund 5015	\$4,286.25		State Pass Through
Appd Fund 5140, D23 Fund 5140			
Agency 608, D23 Fund 5140	3,430.34		State Pass Through
Appd Fund 9999, D23 Fund 7999			
Agency 724, D23 Fund 7999		\$299,395.11	Federal Pass Through
Agency 733, D23 Fund 7999		415,441.02	Federal Pass Through
Agency 781, D23 Fund 0001		236,501.09	State Pass Through
Agency 735, D23 Fund 7999		2,428.80	Federal Pass Through
Agency 787, D23 Fund 7999		12,385.69	State Pass Through
Agency 781, D23 Fund 0824		129,368.67	State Pass Through
Agency 734, D23 Fund 7999		196,328.62	Federal Pass Through
Agency 401, D23 Fund 0449	2,948,191.90		Federal Pass Through
Agency 530, D23 Fund 0001	32,495.57		Federal Pass Through
Agency 556, D23 Fund 7999	13,386.26		Federal Pass Through
Agency 580, D23 Fund 4831	10,822.80		State Pass Through
Agency 582, D23 Fund 4153	0.00		Federal Pass Through
Agency 701, D23 Fund 0148	234,550.28		Federal Pass Through
Agency 701, D23 Fund 0369	1,437.57		Federal Pass Through
Agency 723, D23 Fund 7999	9,697.84		Federal Pass Through
Agency 701, D23 Fund 0001	0.00		State Pass Through
Agency 771, D23 Fund 0001	124,691.17		Federal Pass Through
Agency 781, D23 Fund 0001	112,701.97		State Pass Through
Agency 781, D23 Fund 0001	92,821.59		Federal Pass Through
Agency 802, D23 Fund 0920	4,211.00		State Pass Through
Agency 802, D23 Fund 0931	85,337.31		Federal Pass Through
Agency 802, D23 Fund 0951	4,181.12		Federal Pass Through
Agency 802, D23 Fund 5043	12,651.30		State Pass Through
Agency 802, D23 Fund 5153	15,749.54		State Pass Through
<b>Total Due From/To Other Agencies</b>	<b>\$3,710,643.81</b>	<b>\$1,291,849.00</b>	

Stephen F. Austin State University-755  
UNAUDITED  
Notes to the Financial Statements  
August 31, 2012

The detailed State Grant Pass-Through information is listed on Schedule 1-B - Schedule of State Grant Pass-Through From/To State Agencies.

**NOTE 13: Continuance Subject to Review - (Not Applicable)**

**NOTE 14: Adjustments to Fund Balances and Net Assets**

In fiscal year 2012, the University converted from the statewide property accounting system (SPA) to an internal fixed asset reporting system. During this conversion, two pieces of software were discovered to have been added into the property system in error in 2008. The value of the two assets and their related accumulated amortization were removed from the asset categories for "Computer Software" and "Accumulated Amortization for Computer Software," with a related decrease to the Net Asset account "Invested in Capital Assets, Net of Related Debt." The adjustments were for \$42,600.00, \$23,769.69, and \$18,830.31, respectively, and are reported in Note 2. Also, in fiscal year 2011, "Net Assets, Restricted for Capital Projects" incorrectly included amounts related to unspent bond proceeds. To correct this, "Investment in Plant, Net of Related Debt" was reduced by \$1,713,689.12, "Net Assets Restricted for Capital Projects" was reduced by \$7,234,461.54, and "Unrestricted Net Assets" was increased by \$8,948,150.66.

**NOTE 15: Contingencies and Commitments**

Unpaid Claims and Lawsuits

As of August 31, 2012, two lawsuits with the University or its officers named as a defendant and some miscellaneous claims were pending. While the ultimate liability with respect to pending claims asserted against the University cannot be reasonably estimated at this time, such liability, to the extent not provided for by insurance or otherwise, is not likely to have a material effect on the University.

Federal Assistance

The University receives federal financial assistance for specific purposes that are subject to review or audit by the federal grantor agencies. Entitlement to this assistance is generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of assistance for allowable purposes. Such audits could lead to requests for reimbursements to grantor agencies for expenditures disallowed under the terms of the grant. Based on prior experience, management believes such disallowance, if any, will be immaterial.

Arbitrage

Rebatable arbitrage is defined by Internal Revenue Code, Section 148, as earnings on investments purchased with the gross proceeds of a bond issue in excess of the amount that would have been earned if the investment were invested at a yield equal to the yield on the bond issue. The rebatable arbitrage must be paid to the federal government.

The University monitors its investments to restrict earnings to a yield less than the bond issue and, therefore, limits any arbitrage liability. The University estimates that rebatable arbitrage liability, if any, will be immaterial to its overall financial conditions.

**NOTE 16: Subsequent Events - (Not Applicable)**

**NOTE 17: Risk Management**

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; losses resulting from providing health and other medical benefits to employees; and natural disasters. It is the University's policy to periodically assess the proper combination of commercial insurance and retention of risk to cover losses to which it may be exposed. The methods the University uses to handle each of these risks are summarized below.

Injuries to Employees: Employees of the University are covered by a workers' compensation insurance policy provided by the State Office of Risk Management (SORM). SORM assesses the University an amount for the insurance coverage in accordance with 28 T.A.C. 251.507. An Interagency Contract in the amount of \$171,040.78 was executed on behalf of the University for Worker's Compensation Insurance during the year ended August 31, 2012. A mid-year assessment adjustment in the amount of \$28,138.54 for 2012 was paid in May 2012 and recorded as a increase in current year expenditures.

Provision for Health and Other Medical Benefits: Employees of the University are eligible for health insurance and optional coverage(s) if they are employed at least 50% time. The coverage is provided through the State, under the Texas Employees Group Benefits Program (GBP), which was administered by Blue Cross Blue Shield of Texas. As of September 1, 2012 the plan will be administered by Health Select. Eligible employees may select health, dental, life, accidental death and dismemberment, dependent life, and long and short-term disability coverage. All risks associated with these benefits are passed to the GBP. The costs of health insurance coverage are jointly paid by the State and the University as follows: 100% for full-time employees and 50% for their dependents; 50% for part-time employees and 25% for their dependents. Employees hired on or after September 1, 2003, have a 90-day waiting period to participate in health insurance coverage. Contributions made by the State on behalf of the University for health and other medical benefits were \$6,265,593.00 for the year ended August 31, 2012.

Damage to Property: The University is required by certain bond covenants to carry fire and extended coverage and boiler insurance on buildings financed through the issuance of bonds. The insurance protects the bondholders from a disruption to the revenue stream that is being utilized to make the bond interest and principal payments. In fiscal year 2012, there were no damage claims.

The Texas Motor Vehicle Safety Responsibility Act requires that every non-governmental vehicle operated on a State highway be insured for minimum limits of liability in the amount of \$30,000 per injured person, up to a total of \$60,000 for everyone injured in an accident (bodily injury) and \$25,000 for property damage. However, the University has chosen to carry liability insurance on its licensed vehicles in the amount of \$250,000/\$500,000/\$100,000. The University also carries physical damage for vehicles six years and newer. One vehicle, a 56-passenger bus, carries a \$1,000,000 limit per contractual requirements. The annual premium was \$58,344.00 with a deductible paid of \$2,428.00.

Torts and Other Risks: The University is exposed to a variety of civil claims resulting from the performance of its duties. The University has purchased commercial insurance to address this risk.

**NOTE 18: Management's Discussion and Analysis (MD&A)**

See *Management's Discussion and Analysis* at the beginning of this financial report.

**NOTE 19: The Financial Reporting Entity**

The University is an agency of the State of Texas. The ten members of its Board of Regents are appointed by the Governor, and include one non-voting student Regent. The University has no component units or joint ventures.

Six entities exist to benefit the University: Stephen F. Austin State University Foundation, Inc.; SFA Real Estate Foundation, Inc.; Stephen F. Austin State University Alumni Association, Inc.; Stephen F. Austin State University Alumni Foundation, Inc.; Stephen F. Austin State University Tip-In Club; and, Stephen F. Austin State University Quarterjack Club. Since the University's Board of Regents is not financially accountable for these entities and does

Stephen F. Austin State University-755  
UNAUDITED  
Notes to the Financial Statements  
August 31, 2012

not appoint their board members, they are not considered Related Parties per GASB Statement No.14, *The Financial Reporting Entity*, and GASB Statement 39, *Determining Whether Certain Organizations Are Component Units —an amendment of GASB Statement No. 14*. Accordingly, their financial data are not included in this financial report.

The Stephen F. Austin State University Foundation, Inc. is a non-profit organization operating exclusively to solicit, receive, hold, invest, and expend private funds for the sole benefit of the University. The University's Vice President for University Advancement serves as the Executive Director of the Foundation and the University's President may serve as an ex officio, non-voting member of the Foundation's Board of Trustees. This Board of Trustees is a separate governing body from the University's Board of Regents, acting autonomously and with no overlapping members. The University provides certain personnel, office space, utilities, equipment and supplies to assist the Foundation in carrying out its mission and activities.

The SFA Real Estate Foundation, Inc. is a non-profit organization with the sole purpose of supporting the mission of the University. It receives, holds, manages, and controls real property gifts or acquisitions which benefit the University. The University's Vice President for University Advancement serves as the Executive Director of the Foundation and the University's President may serve as an ex officio, non-voting member of the Foundation's Board of Trustees. The University furnishes certain services, such as office space, utilities, and some staff assistance, to the Foundation.

The Stephen F. Austin State University Alumni Association, Inc. is a non-profit organization dedicated to serving the alumni, friends, and current students of the University through programs, scholarships, and activities that create an attitude of continued loyalty and support. The University's Executive Director for Alumni Affairs serves as the Executive Director of the Alumni Association. The Alumni Association compensates the University for a portion of their employee support costs. The University provides certain services, such as office space, utilities, some staff assistance, and custodial services, to the Association.

The Stephen F. Austin State University Alumni Foundation, Inc. is a non-profit organization which exists to award scholarships to students at the University. The Alumni Foundation is housed within the Alumni Association. Therefore, the University provides the same office space, utilities, staff assistance, and custodial services for the Alumni Foundation as it does for the Alumni Association.

The Stephen F. Austin State University Tip-In Club is a non-profit organization which exists for the sole purpose of supporting the Lumberjack Basketball program. It solicits donations and manages and holds gifts for the sole benefit of the intercollegiate men's basketball program. The University's Athletic Director serves as an ex officio, non-voting member of the Club's Board of Directors and reviews and approves activities to ensure compliance with National Collegiate Athletic Association (NCAA) requirements.

The Stephen F. Austin State University Quarterjack Club is a non-profit organization which exists for the sole purpose of supporting the Lumberjack Football program. This organization has been dormant for several years. The University's Athletic Director serves as an ex officio, non-voting member of the Club's Board of Directors and reviews and approves activities to ensure compliance with NCAA requirements.

<b>NOTE 20: Stewardship, Compliance and Accountability</b>
--

The University administration is unaware of any non-compliance items.

<b>NOTE 21: (Not Applicable)</b>
----------------------------------

Stephen F. Austin State University-755  
 UNAUDITED  
 Notes to the Financial Statements  
 August 31, 2012

**NOTE 22: Donor Restricted Endowments**

Donor Restricted Endowment	Amounts of Net Appreciation	Reported in Net Assets
True Endowments	\$155,213.98	Funds Held as Permanent Endowments, Expendable
Term Endowments	1,775.35	Funds Held as Permanent Endowments, Expendable
Total	\$156,989.33	Change in Net Assets, Expendable

The University spending policy provides for a target distribution rate of between 4% and 5% annually. If returns permit, an amount equal to the rate of inflation will be added back to each endowment principal balance. Additionally, if there are any returns beyond the inflation rate, then this amount may be added to a contingency reserve for distribution during years of poor investment performance. In 2012, account managers were given the option to replenish principal balances in order to offset prior year losses rather than make distributions, subject to the endowment agreements. Accordingly, 3.83% of total earnings was distributed to spending accounts and 1.65% was added back to the balance of endowment accounts. In fiscal year 2012, no amount was added to the contingency reserve account.

**NOTE 23: Extraordinary and Special Items - (Not Applicable)**

**NOTE 24: Disaggregation of Receivable and Payable Balances**

**Accounts Receivables**

The components of Current Accounts Receivable, as reported in the Statement of Net Assets, are as follows:

Accounts Receivable Category	Current Amount
3 <sup>rd</sup> Party Contracts for Student Payments	\$1,888,151.36
Miscellaneous Receivables	280,358.10
Total	\$2,168,509.45

Of these amounts, there are no significant receivable balances that the University does not expect to collect within the next fiscal year.

**Accounts Payables**

The components of Current Accounts Payable, as reported in the Statement of Net Assets, are as follows:

Accounts Payable Category	Current Amount
Payables on Construction Activity	\$245,769.44
Utility Payables	600,259.83
Procurement Card Payables	539,415.27
Food Service Payable	813,602.94
Student Activities Payable	93,849.00
Miscellaneous	905,339.53
Total	\$3,198,236.01

**NOTE 25: Termination Benefits – (Not Applicable)**

**NOTE 26: Segment Information - (Not Applicable)**

UNAUDITED

STEPHEN F. AUSTIN STATE UNIVERSITY  
 Agency No. 755  
 Schedule 1-A-Schedule of Expenditures of Federal Awards  
 For the Fiscal Year Ended August 31, 2012

Federal Grantor/ Pass-Through Grantor Program Title	CFDA Number	NSE Name/ Identifying Number	Pass-Through From		
			Agy/ Univ. #	Agencies Or Univ. Amount	Non-State Entities Amount
<b>U.S. Department of Agriculture</b>					
Direct Programs:					
Grants for Agriculture Research, Special Research Grants	10.200			\$ 0.00	\$ 0.00
Forestry Research	10.652				
Urban and Community Forestry Program	10.675				
<b>Totals - U. S. Department of Agriculture</b>				<u>0.00</u>	<u>0.00</u>
<b>U.S. Department of Defense</b>					
State Memorandum of Agreement Program for the Reimbursement of Technical Services	12.113				
<b>Totals - U.S. Department of Defense</b>				<u>0.00</u>	<u>0.00</u>
<b>U.S. Department of the Interior</b>					
National Historic Landmark	15.912	City of Nacogdoches/ 202151			6,540.68
Direct Programs:					
National Historic Landmark	15.912				
<b>Totals - U.S. Department of the Interior</b>				<u>0.00</u>	<u>6,540.68</u>
<b>National Endowment For The Humanities</b>					
Promotion of the Humanities Federal/State Partnership	45.129	Humanities Texas/ 203811			1,050.00
Direct Programs:					
Promotion of the Humanities Division of Preservation & Access	45.149				
<b>Totals - National Endowment For The Humanities</b>				<u>0.00</u>	<u>1,050.00</u>
<b>National Science Foundation</b>					
Education and Human Resources	47.076				
Pass Through To: University of Texas at Austin					
ARRA - Trans-NSF Recovery Act Research Support	47.082				
<b>Totals - National Science Foundation</b>				<u>0.00</u>	<u>0.00</u>
<b>U.S. Department of Education</b>					
Rehabilitation Long-Term Training	84.129				
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334				
Transition to Teaching	84.350				
Pass-Through From:					
Career and Technical Education -- Basic Grants to States	84.048				
Pass-Through From:					
Texas Education Agency			701	716,914.52	
Improving Teacher Quality State Grants	84.367				
Pass-Through From:					
Texas Higher Education Coordinating Board			781	87,886.72	
College Access Challenge Grant Program	84.378				
Pass-Through From:					
Texas Higher Education Coordinating Board			781	59,032.56	
ARRA-Education Jobs Fund	84.410				
Pass-Through From:					
Texas Education Agency			701	44,934.00	
<b>Totals - U.S. Department of Education</b>				<u>908,767.80</u>	<u>0.00</u>
<b>U.S. Department of Health and Human Services</b>					
Direct Programs:					
Rural Health Care Services Outreach and Rural Health Network Development and Small Health Care Provider Quality Improvement Program	93.912				
Pass-Through From:					
Area Health Education Centers Point of Service Maintenance and Enhancement Awards	93.107				

UNAUDITED

Direct Program Amount	Total PT From & Direct Program	Pass-Through To		Expenditures Amount	Total PT To & Expenditures
		Agy #/ Univ. #	State Agy. Or Univ. Amount		
\$ 14,627.99	\$ 14,627.99		\$ 0.00	\$ 14,627.99	\$ 14,627.99
5,551.94	5,551.94			5,551.94	5,551.94
13,072.71	13,072.71			13,072.71	13,072.71
<u>33,252.64</u>	<u>33,252.64</u>		<u>0.00</u>	<u>33,252.64</u>	<u>33,252.64</u>
287,160.40	287,160.40			287,160.40	287,160.40
<u>287,160.40</u>	<u>287,160.40</u>		<u>0.00</u>	<u>287,160.40</u>	<u>287,160.40</u>
	6,540.68			6,540.68	6,540.68
24,537.91	24,537.91			24,537.91	24,537.91
<u>24,537.91</u>	<u>31,078.59</u>		<u>0.00</u>	<u>31,078.59</u>	<u>31,078.59</u>
	1,050.00			1,050.00	1,050.00
6,000.00	6,000.00			6,000.00	6,000.00
<u>6,000.00</u>	<u>7,050.00</u>		<u>0.00</u>	<u>7,050.00</u>	<u>7,050.00</u>
142,220.51	142,220.51			131,136.62	142,220.51
		721	11,083.89		
240,332.54	240,332.54			240,332.54	240,332.54
<u>382,553.05</u>	<u>382,553.05</u>		<u>11,083.89</u>	<u>371,469.16</u>	<u>382,553.05</u>
191,180.26	191,180.26			191,180.26	191,180.26
835,253.28	835,253.28			339,222.53	835,253.28
184,047.30	184,047.30			184,047.30	184,047.30
	716,914.52			161,925.67	716,914.52
	87,886.72			87,886.72	87,886.72
	59,032.56			59,032.56	59,032.56
	44,934.00			44,934.00	44,934.00
<u>1,210,480.84</u>	<u>2,119,248.64</u>		<u>0.00</u>	<u>1,618,100.44</u>	<u>2,119,248.64</u>
(669.31)	(669.31)			(669.31)	(669.31)
	85,355.03			85,355.03	85,355.03

UNAUDITED

STEPHEN F. AUSTIN STATE UNIVERSITY  
 Agency No. 755  
 Schedule 1-A-Schedule of Expenditures of Federal Awards  
 For the Fiscal Year Ended August 31, 2012

Federal Grantor/ Pass-Through Grantor Program Title	CFDA Number	NSE Name/ Identifying Number	Pass-Through From		Non-State Entities Amount
			Agy/ Univ. #	Agencies Or Univ. Amount	
Pass-Through From: University of Texas Medical Branch Galveston			723	85,355.03	
Foster Care--Title IV-E	93.658				
Pass-Through From: Department of Family and Protective Services			530	110,517.99	
Geriatric Education Centers	93.969				
Pass-Through From: University of Texas Medial Branch at Galveston			723	20,860.61	
<b>Totals - U.S. Department of Health &amp; Human Services</b>				<u>216,733.63</u>	<u>0.00</u>
Corporation for National and Community Service Program Development and Innovation Grants	94.007	Missouri Campus Compact/203771			500.80
<b>Totals - Corporation for National and Community Service</b>				<u>0.00</u>	<u>500.80</u>
<b>RESEARCH &amp; DEVELOPMENT CLUSTER</b>					
<b>U.S. Department of Agriculture</b>					
Direct Programs:					
Grants for Agricultural Research, Special Research Grants	10.200				
Cooperative Forestry Research	10.202				
Higher Education Challenge Grants	10.217				
Forestry Research	10.652				
<b>Totals - U. S. Department of Agriculture</b>				<u>0.00</u>	<u>0.00</u>
<b>U.S. Department of Defense</b>					
Aquatic Plant Control	12.100				
Collaborative Research and Development	12.114				
Military Medical Research and Development	12.420				
Mathematical Sciences Grants Program	12.901				
<b>Totals - U.S. Department of Defense</b>				<u>0.00</u>	<u>0.00</u>
<b>U.S. Department of the Interior</b>					
National Land Remote Sensing Education Outreach and Research	15.815	America View/ AV04-TX01 202091			1,574.79
		America View/ AV04-TX01 202092			13,449.63
		America View/ AV04-TX01 202093			2,732.28
Direct Programs:					
Migratory Bird Monitoring, Assessment and Conservation	15.655				
National Historic Landmark	15.912				
Rivers, Trails and Conservation Assistance	15.921				
Cooperative Research and Training Programs-Resources of the National Park System	15.945				
Pass-Through From: Wildlife Restoration and Basic Hunter Education	15.611				
Pass-Through From: Parks and Wildlife Department			802	85,878.51	
State Wildlife Grants	15.634				
Pass-Through From: Parks and Wildlife Department			802	699.49	
National Land Remote Sensing Education Outreach and Research	15.815				4,470.86
Pass-Through To: University of Texas at Austin		America View/ AV04-TX01			
National Land Remote Sensing Education Outreach and Research	15.815				2,428.80
Pass-Through To: Midwestern State University		America View/ AV04-TX01			



UNAUDITED

Direct Program Amount	Total PT From & Direct Program	Pass-Through To		Expenditures Amount	Total PT To & Expenditures
		Agy #/ Univ. #	State Agy. Or Univ. Amount		
	110,517.99			110,517.99	110,517.99
	20,860.61			20,860.61	20,860.61
<u>(669.31)</u>	<u>216,064.32</u>		<u>0.00</u>	<u>216,064.32</u>	<u>216,064.32</u>
	500.80			500.80	500.80
<u>0.00</u>	<u>500.80</u>		<u>0.00</u>	<u>500.80</u>	<u>500.80</u>
191,175.02	191,175.02			191,175.02	191,175.02
357,942.07	357,942.07			357,942.07	357,942.07
92,430.13	92,430.13			59,279.61	92,430.13
3,802.55	3,802.55			3,802.55	3,802.55
<u>645,349.77</u>	<u>645,349.77</u>		<u>0.00</u>	<u>612,199.25</u>	<u>645,349.77</u>
(1.79)	(1.79)			(1.79)	(1.79)
5,890.62	5,890.62			5,890.62	5,890.62
(59.42)	(59.42)			(59.42)	(59.42)
3,359.66	3,359.66			3,359.66	3,359.66
<u>9,189.07</u>	<u>9,189.07</u>		<u>0.00</u>	<u>9,189.07</u>	<u>9,189.07</u>
	1,574.79			1,574.79	1,574.79
	13,449.63			13,449.63	13,449.63
	2,732.28			2,732.28	2,732.28
122,363.95	122,363.95			122,363.95	122,363.95
6,058.15	6,058.15			6,058.15	6,058.15
6,755.32	6,755.32			6,755.32	6,755.32
19,978.60	19,978.60			4,930.07	19,978.60
	85,878.51			85,878.51	85,878.51
	699.49			699.49	699.49
	4,470.86				4,470.86
		721	4,470.86		
	2,428.80				2,428.80
		735	2,428.80		

UNAUDITED

STEPHEN F. AUSTIN STATE UNIVERSITY  
 Agency No. 755  
 Schedule 1-A-Schedule of Expenditures of Federal Awards  
 For the Fiscal Year Ended August 31, 2012

Federal Grantor/ Pass-Through Grantor Program Title	CFDA Number	NSE Name/ Identifying Number	Pass-Through From		Non-State Entities Amount
			Agy/ Univ. #	Agencies Or Univ. Amount	
<b>Totals - U.S. Department of the Interior</b>				<u>86,578.00</u>	<u>24,656.36</u>
National Aeronautics & Space Administration Science	43.001	Oregon State University/ 200813			6,083.71
	43.001	Sigma Space Corp/ 202591			34,934.24
<b>Totals - National Aeronautics &amp; Space Administration</b>				<u>0.00</u>	<u>41,017.95</u>
National Science Foundation Direct Programs:					
Social, Behavioral, and Economic Sciences	47.075				
Education and Human Resources	47.076				
<b>Totals - National Science Foundation</b>				<u>0.00</u>	<u>0.00</u>
<b>Environmental Protection Agency</b>					
Pass-Through From:					
Nonpoint Source Implementation Grants	66.460				
Pass-Through From:					
Texas AgriLife Research			556	50,725.63	
<b>Totals - Environmental Protection Agency</b>				<u>50,725.63</u>	<u>0.00</u>
<b>U.S. Department of Education</b>					
Direct Programs:					
English Language Acquisition Grants	84.365				
<b>Totals - U.S. Department of Education</b>				<u>0.00</u>	<u>0.00</u>
<b>U.S. Department of Health and Human Services</b>					
Occupational Safety and Health Program	93.262	University of Iowa/ 203851			10,363.27
Special Projects of National Significance	93.928	Special Health Resources of TX, Inc/ 200801			42,618.89
		Special Health			20,388.60
<b>Totals - U.S. Department of Health and Human Services</b>				<u>0.00</u>	<u>73,370.76</u>
<b>SPECIAL EDUCATION (IDEA) CLUSTER</b>					
<b>U.S. Department of Education</b>					
Special Education--Grants to States	84.027				
Pass-Through From:					
Texas Education Agency			701	27,334.80	
Special Education--Grants to States	84.027				
Pass-Through From:					
Texas School for the Blind & Visually Impaired			771	500,356.33	
<b>Totals - U.S. Department of Education</b>				<u>527,691.13</u>	<u>0.00</u>
<b>STUDENT FINANCIAL ASSISTANCE CLUSTER</b>					
<b>U.S. Department of Education</b>					
Direct Programs:					
Federal Supplemental Educational Opportunity Grants	84.007				
Federal Work-Study Program	84.033				
Federal Perkins Loan Program Federal Capital Contributions	84.038				
Federal Pell Grant Program	84.063				
Federal Direct Student Loans	84.268				
Academic Competitiveness Grants	84.375				
Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	84.379				
<b>Totals - U.S. Department of Education</b>				<u>0.00</u>	<u>0.00</u>
<b>Total Expenditures of Federal Awards</b>				<u>\$ 1,790,496.19</u>	<u>\$ 147,136.55</u>

UNAUDITED

Direct Program Amount	Total PT From & Direct Program	Pass-Through To		Expenditures Amount	Total PT To & Expenditures
		Agy #/ Univ. #	State Agy. Or Univ. Amount		
155,156.02	266,390.38		6,899.66	254,560.65	266,390.38
	6,083.71			6,083.71	6,083.71
	34,934.24			13,713.73	34,934.24
0.00	41,017.95		0.00	19,797.44	41,017.95
3,694.60	3,694.60			3,694.60	3,694.60
110,122.23	110,122.23			110,122.23	110,122.23
113,816.83	113,816.83		0.00	113,816.83	113,816.83
	50,725.63			50,725.63	50,725.63
0.00	50,725.63		0.00	50,725.63	50,725.63
620,496.34	620,496.34			620,496.34	620,496.34
620,496.34	620,496.34		0.00	620,496.34	620,496.34
	10,363.27			10,363.27	10,363.27
	42,618.89			42,618.89	42,618.89
	20,388.60			20,388.60	20,388.60
0.00	73,370.76		0.00	73,370.76	73,370.76
	27,334.80			27,334.80	27,334.80
	500,356.33			500,356.33	500,356.33
0.00	527,691.13		0.00	527,691.13	527,691.13
318,536.00	318,536.00			318,536.00	318,536.00
613,666.28	613,666.28			613,666.28	613,666.28
787,815.00	787,815.00			787,815.00	787,815.00
22,200,726.00	22,200,726.00			22,200,726.00	22,200,726.00
82,446,156.00	82,446,156.00			82,446,156.00	82,446,156.00
(375.00)	(375.00)			(375.00)	(375.00)
486,642.00	486,642.00			486,642.00	486,642.00
106,853,166.28	106,853,166.28		0.00	106,853,166.28	106,853,166.28
\$ 110,340,489.84	\$ 112,278,122.58	\$ 17,983.55	\$ 560,449.30	\$ 111,699,689.73	\$ 112,278,122.58

**STEPHEN F. AUSTIN STATE UNIVERSITY**  
**Agency No. 755**  
**Schedule 1-A-Schedule of Expenditures of Federal Awards**  
**For the Fiscal Year Ended August 31, 2012**

**Note 1 - Nonmonetary Assistance - N/A**

**Note 2 - Reconciliation**

Below is a reconciliation of the total of federal pass through and federal expenditures as reported on the Schedule of Federal Financial Assistance to the total of federal revenues and federal grant pass-through revenues as reported in the general-purpose financial statements. Generally, federal funds are not earned until expended; therefore, federal revenues equal federal expenditures for the reporting period.

Per Combined Statement of Changes in Revenues, Expenses and Net Assets

Federal Revenue Operating	\$ 4,905,792.84
Federal Pass-Through Revenue	1,790,496.19
Federal Pass-Through from Non-State Agency	147,136.55
Federal Non-Operating	<u>22,200,726.00</u>
Subtotal	<u>29,044,151.58</u>

**Reconciling Items:**

Non-monetary:	0.00
New Loans Processed:	
GSL/SLS/PLUS Loans	0.00
Federal Direct Student Loans (Direct Loans)	82,446,156.00
Federal Perkins Loans	<u>787,815.00</u>
Total Pass-Through and Expenditures per Federal Schedule	<u>\$ 112,278,122.58</u>

**Note 3 - Student Loans Processed and Administrative Costs Recovered**

Federal Grantor/CFDA Number/ Program Name	New Loans Processed	Admin Costs Recovered	Total Loans Processed & Admin Costs Recovered	End Balances of Previous Year's Loans
Department of Education 84.038 Federal Perkins Loans	\$ 787,815.00	\$ -	\$ 787,815.00	\$ 5,070,456.31
Department of Education 84.268 Federal Direct Student Loans (Direct Loans)	82,446,156.00	-	82,446,156.00	-
Total Department of Education	\$ 83,233,971.00	\$ -	\$ 83,233,971.00	\$ 5,070,456.31

**Note 4 - Depository Libraries for Government Publications - N/A**

**Note 5 - Unemployment Insurance - N/A**

**Note 6 - Rebates from the Special Supplemental Food Program for Women, Infant and Children (WIC) - N/A**

**Note 7 - Federal Deferred Revenue**

Federal Deferred Revenue 9-1-11	\$ 229,981.68
Increase (Decrease)	8,898.73
Federal Deferred Revenue 8-31-12	<u>\$ 238,880.41</u>

UNAUDITED

STEPHEN F. AUSTIN STATE UNIVERSITY

Agency No. 755

Schedule 1-B - Schedule of State Grant Pass-Through From/To State Agencies  
For The Fiscal Year Ended August 31, 2012

Pass Through From:

Operating:

Texas State Board of Public Accountancy (Agy #487) Fifth Year Accounting Student Scholarship Program	\$ 10,500.00	\$ 10,500.00
Texas Water Development Board (Agy #580) WSC - Research	13,177.34	13,177.34
Texas Education Agency (Agy #701) Foundation School Program (FSP)-Formula	1,685,384.00	1,685,384.00
UT-System (Agy #720) Joint Admission Medical Program (JAMP)	31,923.59	31,923.59
Texas Higher Ed. Coord. Board (Agy #781) Nursing & Allied Health	\$115,814.59	
TEXAS Grant Program	5,585,000.00	
Professional Nursing Shortage Reduction Program	129,009.91	
Promote Participation & Success	12,618.68	
College Work Study Program	75,097.22	
College Readiness Initiative	600,396.94	
Top 10% Scholarships	893,547.00	
Combat Exemption Prog SB297	(1,358.70)	
Early High School Program HB1479	47,163.40	
Certified Edu Aide Program	(298.00)	
Outreach and Success	(718.68)	
		7,456,272.36
Texas Parks & Wildlife (Agy #802) Nacogdoches Naturally CO-OP	\$ 34,133.78	34,133.78
		<u>\$ 9,231,391.07</u>
Total Operating Pass-Through From Other Agencies		<u>\$ 9,231,391.07</u>

Pass Through To:

Operating:

SETX P-16 Advisors (Agy #787)	\$ 45,412.54	45,412.54
		<u>45,412.54</u>
Total Operating Pass-Through To Other Agencies		<u>\$ 45,412.54</u>

THIS PAGE LEFT INTENTIONALLY BLANK

UNAUDITED

**STEPHEN F. AUSTIN STATE UNIVERSITY**  
**Agency No. 755**  
**Schedule 2A - Miscellaneous Bond Information**  
**For the Fiscal Year Ended August 31, 2012**

Description of Issue	Bonds Issued to Date	Range of Interest Rates		Scheduled Maturities		First Call Date
				First Year	Last Year	
<b>Business-Type Activities</b>						
Revenue Bonds - Self Supporting						
Rev Fin Sys Bds Ser '04	\$ 26,030,000.00	2.000	4.375	2005	2024	10/15/2013
Rev Fin Sys Bds Ser '04 (A)	5,460,000.00	4.000	4.625	2005	2024	10/15/2013
Rev Fin Sys Bds Ser '05	17,215,000.00	4.000	5.250	2006	2025	10/15/2015
Rev Fin Sys Bds Ser '05 (A)	55,365,000.00	3.500	5.000	2006	2025	10/15/2015
Rev Fin Sys Bds Ser '10	35,035,000.00	2.000	5.000	2010	2029	10/15/2020
	<u>139,105,000.00</u>					
Tuition Revenue Bonds - Self-Supporting						
Rev Fin Sys Bds Ser '02	14,070,000.00	4.000	5.000	2002	2021	10/15/2012
Rev Fin Sys Bds Ser '08	20,175,000.00	3.500	5.000	2008	2027	10/15/2017
Rev Fin Sys Bds Ser '09	23,615,000.00	3.750	5.000	2009	2029	10/15/2017
Rev Fin Sys Bds Ser '10 (A)	3,415,000.00	2.000	3.000	2010	2016	10/15/2020
	<u>61,275,000.00</u>					
Total Revenue Bonds	<u>200,380,000.00</u>					
General Obligation Bonds - Not Self-Supporting						
Constitutional Apprn Bds Ser '08	10,200,000.00	4.000	5.000	2009	2018	n/a
Total General Obligation Bonds	<u>10,200,000.00</u>					
Grand Total	<u>\$ 210,580,000.00</u>					

UNAUDITED

**STEPHEN F. AUSTIN STATE UNIVERSITY**  
**Agency No. 755**  
**Schedule 2B-Changes in Bonded Indebtedness**  
**For the Fiscal Year Ended August 31, 2012**

Description of Issue	Bonds Outstanding 9/1/11	Bonds Issued	Bonds Matured or Retired
<b>Business-Type Activities</b>			
<b>Revenue Bonds - Self Supporting</b>			
Rev Fin Sys Bds Ser '04	\$ 20,140,000.00	\$ -	\$ 1,095,000.00
Rev Fin Sys Bds Ser '04 (A)	4,260,000.00	-	230,000.00
Rev Fin Sys Bds Ser '05	14,060,000.00	-	700,000.00
Rev Fin Sys Bds Ser '05 (A)	49,620,000.00	-	2,290,000.00
Rev Fin Sys Bds Ser '10	33,725,000.00	-	1,295,000.00
	<u>121,805,000.00</u>	-	<u>5,610,000.00</u>
<b>Tuition Revenue Bonds - Self-Supporting</b>			
Rev Fin Sys Bds Ser '02	9,275,000.00	-	665,000.00
Rev Fin Sys Bds Ser '08	15,675,000.00	-	685,000.00
Rev Fin Sys Bds Ser '09	20,250,000.00	-	840,000.00
Rev Fin Sys Bds Ser '10 (A)	2,475,000.00	-	390,000.00
	<u>47,675,000.00</u>	-	<u>2,580,000.00</u>
<b>Total Revenue Bonds</b>	<u>169,480,000.00</u>	-	<u>8,190,000.00</u>
<b>General Obligation Bonds - Not Self-Supporting</b>			
Constitutional Apprn Bds Ser '08	8,430,000.00	-	930,000.00
	<u>\$ 177,910,000.00</u>	<u>\$ -</u>	<u>\$ 9,120,000.00</u>



UNAUDITED

**STEPHEN F. AUSTIN STATE UNIVERSITY**  
**Agency No. 755**  
**Schedule 2B-Changes in Bonded Indebtedness**  
**For the Fiscal Year Ended August 31, 2012**

Description of Issue	Bonds Refunded or Extinguished	Bonds Outstanding 8/31/12
<b>Business-Type Activities</b>		
<b>Revenue Bonds - Self Supporting</b>		
Rev Fin Sys Bds Ser '04	\$ -	\$ 19,045,000.00
Rev Fin Sys Bds Ser '04 (A)	-	4,030,000.00
Rev Fin Sys Bds Ser '05	-	13,360,000.00
Rev Fin Sys Bds Ser '05 (A)	-	47,330,000.00
Rev Fin Sys Bds Ser '10	-	32,430,000.00
	-	116,195,000.00
<b>Tuition Revenue Bonds - Self-Supporting</b>		
Rev Fin Sys Bds Ser '02	-	8,610,000.00
Rev Fin Sys Bds Ser '08	-	14,990,000.00
Rev Fin Sys Bds Ser '09	-	19,410,000.00
Rev Fin Sys Bds Ser '10 (A)	-	2,085,000.00
	-	45,095,000.00
<b>Total Revenue Bonds</b>	-	161,290,000.00
<b>General Obligation Bonds - Not Self-Supporting</b>		
Constitutional Apprn Bds Ser '08	-	7,500,000.00
	\$ -	\$ 168,790,000.00

UNAUDITED

**STEPHEN F. AUSTIN STATE UNIVERSITY**  
**Agency No. 755**  
**Schedule 2B-Changes in Bonded Indebtedness**  
**For the Fiscal Year Ended August 31, 2012**

Description of Issue	Unamortized Premium	Unamortized Discount	Gain/(Loss) on Refunding	Net Bonds Outstanding 8/31/12
<b>Business-Type Activities</b>				
<b>Revenue Bonds - Self Supporting</b>				
Rev Fin Sys Bds Ser '04	\$ -	\$ -	\$ -	\$ 19,045,000.00
Rev Fin Sys Bds Ser '04 (A)	-	-	-	4,030,000.00
Rev Fin Sys Bds Ser '05	-	-	-	13,360,000.00
Rev Fin Sys Bds Ser '05 (A)	-	-	-	47,330,000.00
Rev Fin Sys Bds Ser '10	-	-	-	32,430,000.00
	-	-	-	116,195,000.00
<b>Tuition Revenue Bonds - Self-Supporting</b>				
Rev Fin Sys Bds Ser '02	-	-	-	8,610,000.00
Rev Fin Sys Bds Ser '08	-	-	-	14,990,000.00
Rev Fin Sys Bds Ser '09	-	-	-	19,410,000.00
Rev Fin Sys Bds Ser '10 (A)	-	-	-	2,085,000.00
	-	-	-	45,095,000.00
<b>Total Revenue Bonds</b>	-	-	-	161,290,000.00
<b>General Obligation Bonds - Not Self-Supporting</b>				
Constitutional Apprn Bds Ser '08	-	-	-	7,500,000.00
	\$ -	\$ -	\$ -	\$ 168,790,000.00

UNAUDITED

**STEPHEN F. AUSTIN STATE UNIVERSITY**  
**Agency No. 755**  
**Schedule 2B-Changes in Bonded Indebtedness**  
**For the Fiscal Year Ended August 31, 2012**

Description of Issue	Amounts Due Within One Year
<b>Business-Type Activities</b>	
<b>Revenue Bonds - Self Supporting</b>	
Rev Fin Sys Bds Ser '04	\$ 1,140,000.00
Rev Fin Sys Bds Ser '04 (A)	240,000.00
Rev Fin Sys Bds Ser '05	725,000.00
Rev Fin Sys Bds Ser '05 (A)	2,395,000.00
Rev Fin Sys Bds Ser '10	1,315,000.00
	<u>5,815,000.00</u>
<b>Tuition Revenue Bonds - Self-Supporting</b>	
Rev Fin Sys Bds Ser '02	695,000.00
Rev Fin Sys Bds Ser '08	710,000.00
Rev Fin Sys Bds Ser '09	865,000.00
Rev Fin Sys Bds Ser '10 (A)	400,000.00
	<u>2,670,000.00</u>
<b>Total Revenue Bonds</b>	<u>8,485,000.00</u>
<b>General Obligation Bonds - Not Self-Supporting</b>	
Constitutional Apprn Bds Ser '08	960,000.00
	<u>\$ 9,445,000.00</u>

UNAUDITED

STEPHEN F. AUSTIN STATE UNIVERSITY  
 Agency No. 755  
 Schedule 2C - Debt Service Requirements  
 For the Fiscal Year Ended August 31, 2012

Description of Issue	FY	Principal	Interest	Total
<b>Business-Type Activities</b>				
Revenue Bonds - Self Supporting				
Rev Fin Sys Bds Ser '04	2013	\$ 1,140,000.00	\$ 755,831.26	\$ 1,895,831.26
Rev Fin Sys Bds Ser '04	2014	1,185,000.00	709,331.26	1,894,331.26
Rev Fin Sys Bds Ser '04	2015	1,235,000.00	660,931.26	1,895,931.26
Rev Fin Sys Bds Ser '04	2016	1,285,000.00	610,531.26	1,895,531.26
Rev Fin Sys Bds Ser '04	2017	1,335,000.00	558,131.26	1,893,131.26
Rev Fin Sys Bds Ser '04	2018-2022	7,535,000.00	1,926,637.55	9,461,637.55
Rev Fin Sys Bds Ser '04	2023-2025	5,330,000.00	351,746.90	5,681,746.90
		<u>19,045,000.00</u>	<u>5,573,140.75</u>	<u>24,618,140.75</u>
Rev Fin Sys Bds Ser '04 (A)	2013	240,000.00	167,578.76	407,578.76
Rev Fin Sys Bds Ser '04 (A)	2014	250,000.00	157,778.76	407,778.76
Rev Fin Sys Bds Ser '04 (A)	2015	260,000.00	147,578.76	407,578.76
Rev Fin Sys Bds Ser '04 (A)	2016	270,000.00	136,978.76	406,978.76
Rev Fin Sys Bds Ser '04 (A)	2017	280,000.00	125,978.76	405,978.76
Rev Fin Sys Bds Ser '04 (A)	2018-2022	1,590,000.00	440,668.80	2,030,668.80
Rev Fin Sys Bds Ser '04 (A)	2023-2025	1,140,000.00	80,246.90	1,220,246.90
		<u>4,030,000.00</u>	<u>1,256,809.50</u>	<u>5,286,809.50</u>
Rev Fin Sys Bds Ser '05	2013	725,000.00	568,156.25	1,293,156.25
Rev Fin Sys Bds Ser '05	2014	755,000.00	529,306.25	1,284,306.25
Rev Fin Sys Bds Ser '05	2015	785,000.00	488,881.25	1,273,881.25
Rev Fin Sys Bds Ser '05	2016	815,000.00	446,881.25	1,261,881.25
Rev Fin Sys Bds Ser '05	2017	845,000.00	408,587.50	1,253,587.50
Rev Fin Sys Bds Ser '05	2018-2022	4,750,000.00	1,497,550.00	6,247,550.00
Rev Fin Sys Bds Ser '05	2023-2026	4,685,000.00	410,656.25	5,095,656.25
		<u>13,360,000.00</u>	<u>4,350,018.75</u>	<u>17,710,018.75</u>
Rev Fin Sys Bds Ser '05 (A)	2013	2,395,000.00	2,188,825.00	4,583,825.00
Rev Fin Sys Bds Ser '05 (A)	2014	2,510,000.00	2,078,175.00	4,588,175.00
Rev Fin Sys Bds Ser '05 (A)	2015	2,655,000.00	1,949,050.00	4,604,050.00
Rev Fin Sys Bds Ser '05 (A)	2016	2,800,000.00	1,812,675.00	4,612,675.00
Rev Fin Sys Bds Ser '05 (A)	2017	2,950,000.00	1,668,925.00	4,618,925.00
Rev Fin Sys Bds Ser '05 (A)	2018-2022	17,180,000.00	5,953,537.50	23,133,537.50
Rev Fin Sys Bds Ser '05 (A)	2023-2026	16,840,000.00	1,566,175.00	18,406,175.00
		<u>47,330,000.00</u>	<u>17,217,362.50</u>	<u>64,547,362.50</u>
Rev Fin Sys Bds Ser '10	2013	1,315,000.00	1,261,987.50	2,576,987.50
Rev Fin Sys Bds Ser '10	2014	1,345,000.00	1,235,387.50	2,580,387.50
Rev Fin Sys Bds Ser '10	2015	1,380,000.00	1,204,687.50	2,584,687.50
Rev Fin Sys Bds Ser '10	2016	1,415,000.00	1,166,212.50	2,581,212.50
Rev Fin Sys Bds Ser '10	2017	1,455,000.00	1,123,162.50	2,578,162.50
Rev Fin Sys Bds Ser '10	2018-2022	8,105,000.00	4,799,268.75	12,904,268.75
Rev Fin Sys Bds Ser '10	2023-2027	10,160,000.00	2,750,156.25	12,910,156.25
Rev Fin Sys Bds Ser '10	2028-2030	7,255,000.00	483,850.01	7,738,850.01
		<u>32,430,000.00</u>	<u>14,024,712.51</u>	<u>46,454,712.51</u>
Total Revenue Bonds - Self Supporting		<u>116,195,000.00</u>	<u>42,422,044.01</u>	<u>158,617,044.01</u>

UNAUDITED

STEPHEN F. AUSTIN STATE UNIVERSITY  
 Agency No. 755  
 Schedule 2C - Debt Service Requirements  
 For the Fiscal Year Ended August 31, 2012

Description of Issue	FY	Principal	Interest	Total
<b>Tuition Revenue Bonds - Self-Supporting</b>				
Rev Fin Sys Bds Ser '02	2013	695,000.00	384,012.50	1,079,012.50
Rev Fin Sys Bds Ser '02	2014	725,000.00	353,150.00	1,078,150.00
Rev Fin Sys Bds Ser '02	2015	760,000.00	321,585.00	1,081,585.00
Rev Fin Sys Bds Ser '02	2016	795,000.00	287,556.25	1,082,556.25
Rev Fin Sys Bds Ser '02	2017	830,000.00	251,192.50	1,081,192.50
Rev Fin Sys Bds Ser '02	2018-2022	4,805,000.00	612,671.25	5,417,671.25
		<u>8,610,000.00</u>	<u>2,210,167.50</u>	<u>10,820,167.50</u>
Rev Fin Sys Bds Ser '08	2013	710,000.00	609,700.00	1,319,700.00
Rev Fin Sys Bds Ser '08	2014	730,000.00	580,900.00	1,310,900.00
Rev Fin Sys Bds Ser '08	2015	755,000.00	553,087.50	1,308,087.50
Rev Fin Sys Bds Ser '08	2016	780,000.00	524,275.00	1,304,275.00
Rev Fin Sys Bds Ser '08	2017	805,000.00	488,550.00	1,293,550.00
Rev Fin Sys Bds Ser '08	2018-2022	4,490,000.00	1,868,550.00	6,358,550.00
Rev Fin Sys Bds Ser '08	2023-2027	5,465,000.00	861,718.75	6,326,718.75
Rev Fin Sys Bds Ser '08	2028	1,255,000.00	26,668.75	1,281,668.75
		<u>14,990,000.00</u>	<u>5,513,450.00</u>	<u>20,503,450.00</u>
Rev Fin Sys Bds Ser '09	2013	865,000.00	740,318.75	1,605,318.75
Rev Fin Sys Bds Ser '09	2014	885,000.00	719,525.00	1,604,525.00
Rev Fin Sys Bds Ser '09	2015	905,000.00	696,018.75	1,601,018.75
Rev Fin Sys Bds Ser '09	2016	935,000.00	670,718.75	1,605,718.75
Rev Fin Sys Bds Ser '09	2017	960,000.00	643,462.50	1,603,462.50
Rev Fin Sys Bds Ser '09	2018-2022	5,310,000.00	2,697,818.75	8,007,818.75
Rev Fin Sys Bds Ser '09	2023-2027	6,505,000.00	1,509,468.75	8,014,468.75
Rev Fin Sys Bds Ser '09	2028-2029	3,045,000.00	152,268.75	3,197,268.75
		<u>19,410,000.00</u>	<u>7,829,600.00</u>	<u>27,239,600.00</u>
Rev Fin Sys Bds Ser '10 (A)	2013	400,000.00	46,275.00	446,275.00
Rev Fin Sys Bds Ser '10 (A)	2014	405,000.00	38,225.00	443,225.00
Rev Fin Sys Bds Ser '10 (A)	2015	420,000.00	28,925.00	448,925.00
Rev Fin Sys Bds Ser '10 (A)	2016	425,000.00	18,362.50	443,362.50
Rev Fin Sys Bds Ser '10 (A)	2017	435,000.00	6,525.00	441,525.00
		<u>2,085,000.00</u>	<u>138,312.50</u>	<u>2,223,312.50</u>
<b>Total Tuition Revenue Bonds - Self-Supporting</b>		<u>45,095,000.00</u>	<u>15,691,530.00</u>	<u>60,786,530.00</u>
<b>Total Revenue Bonds</b>		<u>161,290,000.00</u>	<u>58,113,574.01</u>	<u>219,403,574.01</u>
Constitutional Apprn Bds Ser '08	2013	960,000.00	325,925.00	1,285,925.00
Constitutional Apprn Bds Ser '08	2014	995,000.00	277,050.00	1,272,050.00
Constitutional Apprn Bds Ser '08	2015	1,030,000.00	226,425.00	1,256,425.00
Constitutional Apprn Bds Ser '08	2016	1,065,000.00	174,050.00	1,239,050.00
Constitutional Apprn Bds Ser '08	2017	1,105,000.00	125,325.00	1,230,325.00
Constitutional Apprn Bds Ser '08	2018-2019	2,345,000.00	105,387.50	2,450,387.50
<b>Total General Obligation Bonds</b>		<u>7,500,000.00</u>	<u>1,234,162.50</u>	<u>8,734,162.50</u>
<b>Total Debt Service</b>		<u>\$ 168,790,000.00</u>	<u>59,347,736.51</u>	<u>\$ 228,137,736.51</u>

UNAUDITED

**STEPHEN F. AUSTIN STATE UNIVERSITY**

**Agency No. 755**

**Schedule 2D - Analysis of Funds Available for Debt Service - General Obligation Bonds**

**For the Fiscal Year Ended August 31, 2012**

Description of Issue	Application of Funds		Accrual Basis
	2012 Principal	2012 Interest	Int Exp
General Obligation Bonds - Not Self-Supporting			
Constitutional Apprn Bds Series 2008	\$ 930,000.00	\$ 368,525.00	\$354,575.00

UNAUDITED

STEPHEN F. AUSTIN STATE UNIVERSITY  
 Agency No. 755  
 Schedule 2D - Analysis of Funds Available for Debt Service - Revenue Bonds  
 For the Fiscal Year Ended August 31, 2012

Description of Issue	Net Available for Debt Service		Debt Service		Accrual Basis
	Total Pledged and Other Sources	Operating Expenses/Expenditures and Capital Outlay	2012 Principal	2012 Interest	Interest Expense
<b>Business-Type Activities</b>					
Revenue Bonds - Self Supporting					
Rev Fin Sys Bds Ser '04	*	-	\$ 1,095,000.00	\$ 800,531.26	\$ 784,106.26
Rev Fin Sys Bds Ser '04 (A)	*	-	230,000.00	176,978.76	173,528.76
Rev Fin Sys Bds Ser '05	*	-	700,000.00	605,562.50	591,781.25
Rev Fin Sys Bds Ser '05 (A)	*	-	2,290,000.00	2,279,662.50	2,247,459.37
Rev Fin Sys Bds Ser '10	*	-	1,295,000.00	1,288,087.50	1,278,375.00
Tuition Revenue Bonds - Self-Supporting					
Rev Fin Sys Bds Ser '02	*	-	665,000.00	414,612.50	403,390.62
Rev Fin Sys Bds Ser '08	*	-	685,000.00	637,600.00	627,325.00
Rev Fin Sys Bds Ser '09	*	-	840,000.00	759,500.00	752,412.50
Rev Fin Sys Bds Ser '10 (A)	*	-	390,000.00	54,175.00	51,250.00
			\$ 8,190,000.00	\$ 7,016,710.02	\$ 6,909,628.76

Note: Expenditures associated with operations which generated the pledged revenues are \$ 77,358,872.92 for fiscal year 2012.

Analysis of Pledged and Other Sources:	Pledged Sources	
	Tuition and Fees	\$ 87,270,382.96
	Sales and Services	42,377,815.35
	Other Sources	1,007,236.23
	Total Revenues	130,655,434.54
	Pledged Auxiliary	
	Unappropriated Balance	10,777,347.39
	Total Pledged Revenues	\$ 141,432,781.93

UNAUDITED

**STEPHEN F. AUSTIN STATE UNIVERSITY**  
**Agency No. 755**  
**Schedule 2E - Defeased Bonds Outstanding**  
**For the Fiscal Year Ended August 31, 2012**

<u>Description of Issue</u>	<u>Year Refunded</u>	<u>Par Value Outstanding</u>
<b>Revenue Bonds</b>		
Building Revenue Bonds, Series 1965-B	1991	\$ 590,000.00
Housing System Revenue Bonds, Series 1962-D	1991	177,000.00
Housing System Revenue Bonds, Series 1963-A	1991	89,000.00
Housing System Revenue Bonds, Series 1964	1991	160,000.00
		<u>\$ 1,016,000.00</u>



UNAUDITED

STEPHEN F. AUSTIN STATE UNIVERSITY  
Agency No. 755  
Schedule 2F - Current Year Early Extinguishment and Refunding  
For the Fiscal Year Ended August 31, 2012

Description of Issue	Category	Amount Extinguished or Refunded	Refunding Issue Par Value	For Refunding Only	
				Cash Flow Increase (Decrease)	Economic Gain/Loss

UNAUDITED

STEPHEN F. AUSTIN STATE UNIVERSITY

Agency No. 755

Schedule 3 - Reconciliation of Cash in State Treasury

August 31, 2012

<u>Cash in State Treasury</u>	<u>Unrestricted</u>	<u>Restricted</u>	Current Year <u>Total</u>
Special Mineral Fund 0241	\$ 0.00	\$ 0.00	\$ 0.00
Local Revenue Fund 0261	<u>1,365,832.90</u>	<u>0.00</u>	<u>1,365,832.90</u>
 Total Cash in State Treasury (Stmt of Net Assets)	 <u>\$ 1,365,832.90</u>	 <u>\$ 0.00</u>	 <u>\$ 1,365,832.90</u>