

OFFICIAL STATEMENT DATED DECEMBER 2, 2008

NEW ISSUE - BOOK-ENTRY ONLY

RATINGS: Fitch: "AA+"
S&P: "AA"
(See "RATINGS" herein)

In the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel, interest on the Bonds (defined herein) will be excludable from gross income for federal income tax purposes under statutes, regulations, court decisions, and published rulings existing on the date thereof subject to the matters described under "TAX MATTERS" herein, including the alternative minimum tax consequences on corporations.

\$10,200,000
STATE OF TEXAS
CONSTITUTIONAL APPROPRIATION BONDS
(STEPHEN F. AUSTIN STATE UNIVERSITY)
SERIES 2008

Dated Date: December 15, 2008

Due: October 15, as shown below

Interest Accrual Date: December 18, 2008

The \$10,200,000 State of Texas Constitutional Appropriation Bonds (Stephen F. Austin State University), Series 2008 described herein (the "Bonds") are being issued by the Board of Regents of Stephen F. Austin State University (the "Board" or the "Issuer") and are payable solely from an irrevocable pledge of the Higher Education Fund Pledged Revenues (as defined herein) being up to 50% of the money annually allocated to Stephen F. Austin State University (the "University") pursuant to Article VII, Section 17, of the Texas Constitution (the "Constitutional Provision") which Constitutional Provision appropriates the first \$262,500,000 coming into the State Treasury not otherwise appropriated by the Texas Constitution to various State universities including the amount allocated to the University. For each State fiscal year beginning with the State fiscal year ending August 31, 2008, the University became authorized to pledge up to 50% of the \$7,025,771 allocated annually to the University. See "SECURITY FOR THE BONDS" and "SOURCE OF PAYMENT". Beginning in the State's fiscal year commencing September 1, 2010, the Texas Legislature must review, or provide for a review, of the allocation formula used to determine the annual appropriations made under the Constitutional Provision, and, at that time, adjustments may be made in the allocation formula; provided, that no adjustment may be made if such adjustment will prevent the payment of principal and interest on the Bonds.

Interest on the Bonds will accrue from the Delivery Date, defined below, and will be payable April 15, 2009, and each April 15 and October 15 thereafter, calculated on the basis of a 360-day year composed of twelve 30-day months. The Bonds are initially issuable only to Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC") pursuant to the book-entry-only system described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the purchasers thereof. Interest on and principal of the Bonds will be payable by Wells Fargo Bank, N.A., the initial Paying Agent/Registrar, to Cede & Co., which will make distribution of the amounts so paid to the beneficial owners of the Bonds. See "DESCRIPTION OF THE BONDS-Book-Entry Only System."

The Bonds will mature, bear interest, and have initial yields as follows:

Maturity ⁽¹⁾ (October 15)	Amount	Interest Rate	Initial Price or Yield	CUSIP Numbers ⁽²⁾	Maturity ⁽¹⁾ (October 15)	Amount	Interest Rate	Initial Price or Yield	CUSIP Numbers ⁽²⁾
2009	\$ 870,000	4.000 %	2.000	882721 8F3	2014	\$ 1,030,000	5.000 %	3.650	882721 8L0
2010	900,000	4.000	2.550	882721 8G1	2015	1,065,000	5.000	3.880	882721 8M8
2011	930,000	4.000	2.800	882721 8H9	2016	1,105,000	4.000	4.130	882721 8N6
2012	960,000	5.000	3.200	882721 8J5	2017	1,150,000	4.300	4.400	882721 8P1
2013	995,000	5.000	3.450	882721 8K2	2018	1,195,000	4.500	4.600	882721 8Q9

(1) The Bonds are not subject to redemption prior to maturity.

(2) CUSIP numbers have been assigned to the Bonds by CUSIP Service Bureau and are included solely for the convenience of the owners of the Bonds. Neither the University nor the Financial Advisor shall be responsible for the selection or the correctness of the CUSIP numbers shown herein.

THE COMPTROLLER OF PUBLIC ACCOUNTS OF THE STATE (THE "COMPTROLLER") CURRENTLY PROVIDES AND INTENDS TO CONTINUE TO PROVIDE CURRENT INFORMATION CONCERNING THE FINANCIAL CONDITION OF STATE GOVERNMENT, AND THE COMPTROLLER AND THE UNIVERSITY HAVE AGREED FOR THE BENEFIT OF THE HOLDERS OF THE BONDS TO PROVIDE CERTAIN UPDATED INFORMATION AND NOTICES WHILE THE BONDS REMAIN OUTSTANDING. See "CONTINUING DISCLOSURE OF INFORMATION".

THE BONDS ARE NOT GENERAL OBLIGATIONS OF THE BOARD, THE UNIVERSITY OR THE STATE OF TEXAS. OWNERS HAVE NO RIGHTS AGAINST ANY OTHER ENTITY OF THE STATE OF TEXAS, THE PHYSICAL PROPERTY PROVIDED BY THE BONDS OR ANY FUNDS TO BE RAISED BY TAXATION EXCEPT THE HIGHER EDUCATION FUND PURSUANT TO THE CONSTITUTIONAL PROVISION. See "SECURITY FOR THE BONDS" and "SOURCE OF PAYMENT."

The Bonds are offered when, as and if issued, subject to approval of legality by the Attorney General of the State of Texas and the opinion of McCall, Parkhurst & Horton L.L.P., Austin, Texas, Bond Counsel. The Bonds are expected to be available for delivery through DTC on or about December 18, 2008 (the "Delivery Date").

STEPHEN F. AUSTIN STATE UNIVERSITY

Board of Regents

<u>Name</u>	<u>Residence</u>	<u>Term Expiration</u>
Mr. Joe Max Green, Chair	Nacogdoches	January 31, 2009
Mr. James Thompson, Vice Chair	Sugar Land	January 31, 2011
Mr. Melvin R. White, Secretary	Pflugerville	January 31, 2011
Ms. Valerie E. Ertz	Dallas	January 31, 2009
Mr. Paul G. Pond	Dallas	January 31, 2009
Mr. Richard B. Boyer	The Colony	January 31, 2011
Mr. Carlos Z. Amaral	Plano	January 31, 2013
Mr. James H. Dickerson	New Braunfels	January 31, 2013
Mr. John R. (Bob) Garrett	Tyler	January 31, 2013
Ms. Lacey A. Claver (Student Regent)	Nacogdoches	May 31, 2009

Certain Appointed Officials

<u>Name</u>	<u>Title</u>	<u>Length of Service at University</u>
Dr. L. Baker Pattillo	President	42 years
Mr. Danny R. Gallant	Vice President for Finance and Administration	25 years
Ms. Dora Fuselier	Controller	12 years
Ms. R. Yvette Clark	General Counsel	16 years

CONSULTANTS

Financial Advisor
First Southwest Company
Dallas, Texas

Bond Counsel
McCall, Parkhurst & Horton LLP
Austin, Texas

For additional information regarding the University, please contact:

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Ms. Mary Williams
Senior Vice President
First Southwest Company
325 North St. Paul Suite 800
Dallas, Texas 75201
(214) 953-4021

SALE AND DISTRIBUTION OF THE BONDS

Use of Official Statement

No dealer, broker, salesman or other person has been authorized by the Board to give any information or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representation must not be relied upon as having been authorized by the Board. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement, nor any sale made hereunder, shall, under any circumstances, create any implication that there has been no change in the affairs of the Board since the date hereof. This Official Statement is submitted in connection with the sale of securities referred to herein and in no instance may this Official Statement be reproduced or used for any other purpose.

THIS OFFICIAL STATEMENT IS INTENDED TO REFLECT FACTS AND CIRCUMSTANCES ON THE DATE OF THIS OFFICIAL STATEMENT OR ON SUCH OTHER DATE OR AT SUCH OTHER TIME AS IDENTIFIED HEREIN. NO ASSURANCE CAN BE GIVEN THAT SUCH INFORMATION MAY NOT BE MISLEADING AT A LATER DATE. CONSEQUENTLY, RELIANCE ON THIS OFFICIAL STATEMENT AT TIMES SUBSEQUENT TO THE ISSUANCE OF THE BONDS DESCRIBED HEREIN SHOULD NOT BE MADE ON THE ASSUMPTION THAT ANY SUCH FACTS OR CIRCUMSTANCES ARE UNCHANGED.

THE BOARD MAKES NO REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY ("DTC") OR ITS BOOK-ENTRY ONLY SYSTEM, AS SUCH INFORMATION WAS FURNISHED BY DTC.

Marketability

The prices and other terms with respect to the offering and sale of the Bonds may be changed from time to time by the Initial Purchaser after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Bonds into investment accounts. IN CONNECTION WITH THE OFFERING OF THE BONDS, THE INITIAL PURCHASER MAY OVER - ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

Securities Laws

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THE SECURITIES OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

No registration statement relating to the Bonds has been filed with the United States Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon an exemption provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been registered or qualified under the securities laws of any other jurisdiction. The Board assumes no responsibility for the registration or qualification for sale or other disposition of the Bonds under the securities laws of any jurisdiction in which the Bonds may be offered, sold or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions.

The statements contained in this Official Statement, and in other information provided by the Board, that are not purely historical are forward-looking statements, including statements regarding the Board's expectations, hopes, intentions or strategies regarding the future. All forward-looking statements included in this Official Statement are based on information available to the Board on the date hereof, and the Board assumes no obligation to update any such forward-looking statements.

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The cover page hereof, this page, the appendices included herein and any addenda, supplement or amendment hereto, are part of this Official Statement.

OFFICIAL STATEMENT
relating to
\$10,200,000
STATE OF TEXAS
CONSTITUTIONAL APPROPRIATION BONDS
(STEPHEN F. AUSTIN STATE UNIVERSITY)
SERIES 2008

INTRODUCTION

The purpose of this Official Statement, which includes the cover page and the Appendices hereto, is to provide certain information regarding the issuance by the Board of Regents of Stephen F. Austin State University (the "Board"), acting separately and independently for and on behalf of Stephen F. Austin State University (the "University"), of a series of its bonds, entitled "State of Texas Constitutional Appropriation Bonds (Stephen F. Austin State University), Series 2008" (the "Bonds"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Resolution, except as otherwise indicated herein.

On November 6, 1984 and again on November 2, 1993, the people of Texas adopted amendments to the provisions of Article VII, Section 17, of the Texas Constitution (the "Constitutional Provision"), which provide that in the State fiscal year beginning September 1, 1985, and each fiscal year thereafter, there is to be appropriated out of the first money coming into the State Treasury not otherwise appropriated by the Constitution \$100 million to be used by eligible agencies and institutions of higher education for certain delineated purposes. Said funds are known as the Higher Education Fund ("HEF"). The amended provisions further provide that the governing boards of the eligible institutions may "issue bonds and notes for the purposes of refunding bonds or notes issued under this section or prior law, acquiring land, either with or without permanent improvements, constructing and equipping buildings or other permanent improvements and for major repair and rehabilitation of building or other permanent improvements, and may pledge 50 percent of the money allocated to such governing board pursuant to this section of the constitution to secure the payment of the principal and interest of such bonds or notes."

In 1985, the 69th Legislature of the State of Texas enacted "The Excellence in Higher Education Act" (Chapter 62, Texas Education Code, as amended) (the "Act"). The Act allocated, by an equitable allocation formula, the \$100,000,000 annual constitutional appropriation among the various eligible agencies and institutions of higher education for a ten year period. The Act allowed for adjustment of the allocation formula for the five year period beginning September 1, 1990. For the two-year period that begins on September 1, 2007, the Act allocates \$7,025,771 to the University each fiscal year. Beginning in the State's fiscal year commencing September 1, 2010, the Texas Legislature must review, or provide for a review, of the allocation formula used to determine the annual appropriations made under the Constitutional Provision, and, at that time, adjustments may be made in the allocation formula; provided, that no adjustment may be made if such adjustment will prevent the payment of principal and interest on the Bonds.

On November 2, 1993, the people of the State of Texas adopted by vote, amendments to Article 7, Section 17, of the Texas Constitution, which increased the dedicated HEF money to \$175 million. For State fiscal years commencing on and after September 1, 2007, the 79th Legislature increased the dedicated HEF money to \$262.5 million. The 79th Legislature allocated the HEF money for the State fiscal years commencing on September 1, 2007 and September 1, 2008 as shown on the following page:

[Remainder of this page intentionally left blank]

<u>AMOUNT</u>	<u>ELIGIBLE INSTITUTION</u>
\$ 3,434,348	Midwestern State University
26,137,233	University of North Texas
8,139,391	University of North Texas Health Science Center at Fort Worth
12,882,348	The University of Texas - Pan American
4,186,790	The University of Texas at Brownsville
7,025,771	Stephen F. Austin State University
	To the following component institutions of the Texas State University System:
11,210,508	Lamar University
1,115,048	Lamar State College - Orange
1,190,119	Lamar State College - Port Arthur
9,916,306	Sam Houston State University
19,799,276	Texas State University - San Marcos
2,043,772	Sul Ross State University
379,831	Sul Ross State University - Rio Grande College
11,156,463	Texas Southern University
	To the following component institutions of the Texas Tech University System:
26,829,477	Texas Tech University
17,849,441	Texas Tech University Health Sciences Center
3,585,802	Angelo State University
8,424,209	Texas Woman's University
	To the following component institutions of the University of Houston System:
35,276,140	University of Houston
2,282,883	University of Houston - Victoria
6,001,337	University of Houston - Clear Lake
9,628,151	University of Houston - Downtown
	To the following component institutions of The Texas A&M University System:
8,278,993	Texas A&M University - Corpus Christi
3,130,211	Texas A&M International University
5,052,232	Texas A&M University - Kingsville
4,776,890	West Texas A&M University
5,345,678	Texas A&M University - Commerce
1,646,352	Texas A&M University - Texarkana
5,775,000	Texas State Technical College Station Administration and the following component campuses, but not its extension centers or programs:
	Texas State Technical College - Harlingen
	Texas State Technical College - Marshall
	Texas State Technical College - West Texas
	Texas State Technical College - Waco

The Bonds are a special obligation of the Board payable together with any Additional Bonds which the Board reserves the right to issue in accordance with the provisions of the Resolution, solely from the Higher Education Fund Pledged Revenues which is 50% of the allocation appropriated to the University pursuant to the Constitutional Provision and the Act as described above. No Additional Bonds may be issued in the future that would cause the payments of the principal of and interest on such Additional Bonds, when aggregated with the payments of principal of and interest on the Bonds, in any fiscal year to exceed 50% of the amount appropriated to the University by the Act, as such amount may be adjusted in accordance with the Constitutional Provision and the Act. The Bonds shall mature serially or otherwise in not more than ten years from the Dated Date. **THE BONDHOLDERS WILL NOT HAVE THE RIGHT TO DEMAND PAYMENT OF THE BONDS OR INTEREST THEREON OUT OF ANY FUNDS RAISED OR TO BE RAISED BY TAXATION, OR FROM ANY OTHER FUNDS, EXCEPT FROM THE HIGHER EDUCATION FUND PLEDGED REVENUES.** No part of the physical property financed by the Bond proceeds is encumbered by any lien or security interest for the benefit of the Bonds. All bonds issued under these provisions must be competitively bid and are subject to Texas Attorney General approval. Bonds approved by the Texas Attorney General shall be incontestable.

DESCRIPTION OF THE BONDS

General

The Bonds will be issued only as fully registered bonds, without coupons, in any integral multiple of \$5,000 principal amount within a stated maturity, will be dated December 15, 2008, and will accrue interest from their Delivery Date. Interest on the Bonds is payable on April 15 and October 15 of each year, commencing April 15, 2009 and will be calculated on the basis of a 360-day year composed of twelve 30-day months. The Bonds mature on October 15 in the years and in the principal amounts set forth on the cover page hereof.

If the specified date for any payment of principal of, or interest on the Bonds is a Saturday, Sunday, or legal holiday or equivalent (other than a moratorium) for banking institutions generally in the city of the place of payment for the Bonds, such payment may be made on the next succeeding day which is not one of the foregoing days without additional interest and with the same force and effect as if made on the specified date for such payment.

Purpose of Financing

The Bonds are being issued for the purpose of providing a portion of the funds to (i) complete construction and equipment of the Early Childhood Research Center and (ii) pay certain costs related to the issuance of the Bonds. In March 2008, the Texas Public Finance Authority issued \$20,175,000 in Revenue Financing System Bonds, Series 2008 for the University to begin construction of the Early Childhood Research Center. The proceeds of the Bonds are expected to complete construction and equipment of the Early Childhood Research Center.

Sources and Uses of Funds

The proceeds of the Bonds are expected to be approximately applied as follows:

<u>Sources of Funds:</u>	
Principal	\$10,200,000.00
Bid Premium	<u>81,600.00</u>
Total	\$10,281,600.00
 <u>Uses of Funds:</u>	
Construction Fund	\$10,200,000.00
Costs of Issuance	80,000.00
Additional Proceeds	<u>1,600.00</u>
Total	\$10,281,600.00

Transfer, Exchange, and Registration

Upon surrender for transfer of any Bond at the place of payment, the University will execute, and the Paying Agent/Registrar will authenticate and deliver, in the name of the designated transferee or transferee, one or more new fully registered Bonds of the same stated maturity, of any authorized denominations, and of a like aggregate principal amount. At the option of the Holder, Bonds may be exchanged for other Bonds of the same stated maturity, of any authorized denominations, and of like aggregate principal amount, upon surrender of the Bonds to be exchanged at the place of payment for the Bonds. Whenever any Bonds are so surrendered for exchange, the University will execute, and the Paying Agent/Registrar shall authenticate and deliver, the Bonds which the Holder of Bonds making the exchange is entitled to receive. Every Bond presented or surrendered for transfer or exchange will be duly endorsed, or accompanied by a written instrument of transfer in form satisfactory to the University and the Paying Agent/Registrar duly executed, by the Holder thereof or his attorney duly authorized in writing. No service charge will be made to the Holder for any registration, transfer, or exchange of Bonds, but the University or the Paying Agent/Registrar may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer or exchange of Bonds.

Paying Agent/Registrar

The Paying Agent/Registrar may be removed from its duties at any time with or without cause by action of the Board and not less than 30 days notice to each Holder specifying the substitution of another Paying Agent/Registrar, the effective date thereof, and the address of such successor Paying Agent/Registrar, *but* no such removal is effective until such successor has accepted the duties of the Paying Agent/Registrar. Every Paying Agent/Registrar appointed will at all times be a corporation organized and doing business under the laws of the United States of America or of any state, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least \$10,000,000, subject to supervision or examination by federal or state authority, registered as a transfer agent with the Securities and Exchange Commission, and having an office designated in the notice to Holders as the place of payment.

Record Date for Interest Payment

The regular record date (“Regular Record Date”) for the interest payable on any interest payment date means the last day (whether or not a business day) of the calendar month next preceding each interest payment date.

The interest payable on, and paid or duly provided for on or within 10 days after, any interest payment date will be paid to the person in whose name a Bond (or one or more predecessor Bonds evidencing the same debt) is registered at the close of business on the Regular Record Date for such interest. Any such interest not so paid or duly provided for will cease to be payable to the Person in whose name such Bond is registered on such Regular Record Date, and will be paid to the Person in whose name this Bond (or one or more Predecessor Bonds) is registered at the close of business on a Special Record Date for the payment of such Defaulted Interest to be fixed by the Paying Agent/Registrar, notice whereof being given to the Holders of the Bonds not less than 10 days prior to the Special Record Date.

Book-Entry-Only System

The following information has been furnished by The Depository Trust Company, New York, New York (“DTC”), for use in disclosure documents such as this Official Statement. None of the Board, the Financial Advisor or the Initial Purchaser make any representation or warranty regarding the information furnished by DTC.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Paying Agent/Registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Board as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Board or Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent/Registrar, or the Board, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Board or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Board or the Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The Board may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Board believes to be reliable, but the Board takes no responsibility for the accuracy thereof.

Use of Certain Terms in Other Sections of this Official Statement. In reading this Official Statement it should be understood while the Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Resolution will be given only to DTC.

THE PAYING AGENT/REGISTRAR AND THE BOARD, SO LONG AS THE DTC BOOK-ENTRY SYSTEM IS USED FOR THE BONDS, WILL SEND ANY NOTICE OF PROPOSED AMENDMENT TO RESOLUTION OR OTHER NOTICES WITH RESPECT TO THE BONDS ONLY TO DTC. ANY FAILURE BY DTC TO ADVISE ANY DTC PARTICIPANT OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT TO NOTIFY THE BENEFICIAL OWNERS, OF ANY NOTICES AND THEIR CONTENTS OR EFFECT WILL NOT AFFECT THE VALIDITY OF ANY ACTION PREMISED ON ANY SUCH NOTICE.

TABLE 1 - DEBT SERVICE REQUIREMENTS

Fiscal Year Ending 8/31	The Bonds		
	Principal	Interest	Total Debt Service
2009	\$ -	\$ 148,826	\$ 148,826
2010	870,000	440,525	1,310,525
2011	900,000	405,125	1,305,125
2012	930,000	368,525	1,298,525
2013	960,000	325,925	1,285,925
2014	995,000	277,050	1,272,050
2015	1,030,000	226,425	1,256,425
2016	1,065,000	174,050	1,239,050
2017	1,105,000	125,325	1,230,325
2018	1,150,000	78,500	1,228,500
2019	1,195,000	26,888	1,221,888
	<u>\$10,200,000</u>	<u>\$ 2,597,163</u>	<u>\$ 12,797,163</u>

SECURITY FOR THE BONDS

The Bonds will be payable, on a parity with any Additional Bonds of the University which are similarly secured, solely from the Higher Education Fund Pledged Revenues.

SOURCE OF PAYMENT

Beginning September 1, 1995, and each Fiscal year thereafter, there was appropriated by the Texas Constitution out of the first money coming into the State Treasury not otherwise appropriated by the Texas Constitution \$175,000,000 (\$262,500,000 for the State fiscal years commencing on and after September 1, 2007) to be used by eligible agencies and institutions of higher education. The Texas Legislature may, by two-thirds vote of the membership of each house of the legislature, at a later date create institutions of higher education, and, when created, such institutions may be entitled to participate in the funding provided by the Constitutional Provision. Beginning in the State's fiscal year commencing September 1, 2010, the Texas Legislature must review, or provide for a review, of the allocation formula used to determine the annual appropriations made under the Constitutional Provision, and, at that time, adjustments may be made in the allocation formula for the ensuing five years; provided, that the Texas Legislature may not adjust the appropriation in such a way as to impair any obligation created by the issuance of bonds or notes in accordance with the Constitutional Provision, including the Bonds. For the period that begins on September 1, 2007, the Act allocates \$7,025,711 to the University for each fiscal year. The Board has pledged 50 percent of the money allocated (and to be allocated) to secure the payment of the principal of and interest on the Bonds, and any Additional Bonds which the Board reserves the right to issue in accordance with the provisions of the Resolution.

The Comptroller of Public Accounts of the State of Texas (the "Comptroller") is authorized by the Act and the Resolution to transfer funds sufficient to pay principal as it matures and interest as it accrues directly to the Paying Agent/Registrar on receipt of a claim and issuance of a warrant or wire in accordance with statutory procedures. The Board has covenanted to comply with such statutory procedures so that the warrant or wire will issue not less than 15 days prior to any Interest Payment Date.

The Bonds are special obligations payable solely from, and secured by 50% of the University's annual HEF appropriation of the "first money" coming into the State Treasury and not otherwise appropriated by the Texas Constitution as above described. Such prior appropriations include money required to be placed in the State's special revenue and trust funds. Other obligations of the State which are likewise secured by "first money" and which are prior in time to the Bonds are the Texas Water Development Bonds, Texas Park Development Bonds, Texas College Student Loan Bonds, Farm and Ranch Loan Security Bonds, the Veterans Land Board Bonds, other general obligation bonds authorized to be issued and constitutional appropriation bonds issued by other eligible universities. See APPENDIX A for a description of the authorized and outstanding debt of the State of Texas. The Bondholders will not have the right to demand payment of the Bonds or interest thereon out of any funds raised or to be raised by taxation, or from any other funds, except as described above. No part of the physical property financed by the Bond proceeds is encumbered by any mortgage or security interest for the benefit of the Bondholders.

SUMMARY OF SELECTED PROVISIONS OF THE RESOLUTION

The following is a summary of selected provisions of the Resolution. This summary does not purport to be a complete recitation of the Resolution to which reference is hereby made for a full and complete statement of the provisions contained therein. All capitalized terms not defined herein shall have the meaning ascribed to them in the Resolution

Allocation to State Treasury

(a) The University's annual allocation of money pursuant to the Constitutional Provision and the Act will be retained in the general revenue fund of the State Treasury until paid out on receipt of a claim and issuance of a wire or warrant. The Comptroller (or its successor) will account for the University's annual allocation and expenditures made from such allocation.

(b) After all payments required for the payment of principal and interest on the Bonds in any fiscal year have been made, any monies remaining pledged to payment of the Bonds and not required for making such payments during such fiscal year may be used by the Board for any purposes permitted by the Constitutional Provision.

Procedure for Remitting to Paying Agent/Registrar

(a) The Act requires the Comptroller to distribute funds allocated under the Act upon presentation of claims and the issuance of warrants or a wire in accordance with the provisions of the Act. Not less than 25 days prior to each scheduled interest and/or principal payment date of the Bonds, the University shall submit a purchase voucher or other claim to the Comptroller for monies in the general revenue fund dedicated to the Higher Education Fund necessary to pay the principal of and interest on the Bonds as the same shall mature or come due. Upon receiving such purchase voucher or claim, the Comptroller shall draw all necessary and proper warrants or wires against the general revenue dedicated to the Higher Education Fund, in order to carry out the purpose of the Resolution, to the end that money will be available at the Paying Agent/Registrar in ample time to pay the principal of and interest on the Bonds, as such principal and interest, respectively, matures and comes due and shall draw such warrants or wires on or before April 15, 2009, and on or before April 15 and October 15 of each year while any of the Bonds are outstanding and unpaid. **As used in this Section, the term “warrant” shall include the use of the electronic funds transfer system established and operated by the Comptroller in accordance with the provisions of applicable law, including, without limitation, the provisions of Section 403.016, Texas Government Code.**

(b) The Comptroller will promptly deliver on April 15 or October 15 the funds so requested by the University to the Paying Agent/Registrar, either (i) by means of electronic funds transfer, or (ii) if the University reasonably determines that the receipt of such funds by the Paying Agent/Registrar by means of electronic funds transfer would be impractical, by written warrant to be made payable to the order of the Paying Agent /Registrar, and delivered to the Paying Agent/Registrar by first-class mail, postage prepaid. Upon receipt of such warrant by the Paying Agent/Registrar, the Paying Agent/Registrar shall give telephonic notice to the Board (thereafter confirmed in writing by first-class mail, postage prepaid) that such warrant has been received.

(c) If the Board fails to receive a copy of such notice within ten days of such April 15 or October 15, it shall notify the Comptroller of such failure to receive such notice, and take such measures as may be necessary to direct the Comptroller to make the required payments described in paragraph (a) above to the Paying Agent/Registrar. Anything to the contrary notwithstanding, in no event shall the Board submit or cause to be submitted to the Comptroller purchase vouchers in amounts in excess of the amounts permitted by law to be made available for the payment of debt service on the Bonds and any Additional Bonds secured by Higher Education Fund Pledged Revenues.

The Board has created and established a separate fund known as the “Stephen F. Austin State University Constitutional Appropriation Bonds Interest and Sinking Fund” (herein called “Interest and Sinking Fund”), to be maintained at the Paying Agent/Registrar. The Paying Agent/Registrar is directed to deposit to the credit of the Interest and Sinking Fund any monies received by it from transfers from the general revenue fund, and any accrued interest on the Bonds. From the monies on deposit in the Interest and Sinking Fund, the Paying Agent/Registrar shall pay the interest on and the principal of the Bonds (and any other Additional Bonds of the University which are similarly secured) in accordance with the provisions of the Resolution.

All monies on deposit to the credit of the Interest and Sinking Fund will be secured by the pledge of securities or insured as provided by law, in a principal amount at all times not less than the amount of monies on deposit in the Interest and Sinking Fund.

Projects Fund

A separate and special fund called the “Higher Education Fund Bonds Projects Fund” (the “Projects Fund”) is created in the Resolution and established by the University with its depository bank and the same shall be maintained and used solely as provided in the Resolution. The University will deposit or cause to be deposited into the Projects Fund all of the proceeds from the sale of the Bonds. The Projects Funds will be drawn on to pay the costs of the Projects and to pay the costs of issuing the Bonds.

Additional Bonds

A. *Reservation to Issue Additional Bonds.* The University reserves in the Resolution the right to issue Additional Bonds in such amounts as are required for the purpose of financing any project permitted by the Constitutional Provision or refunding any Outstanding Bonds. Payment of such Additional Bonds, when issued and delivered, shall be secured by a pledge of the Higher Education Fund Pledged Revenues, in the same manner and to the same extent as any outstanding parity bonds; and all of the Bonds shall in all respects be on a parity and of equal dignity. The Additional Bonds may be issued in one or more series, be in various principal amounts, mature at different times, bear interest at different rates, be payable in such installments, be redeemable prior to maturity with or without premium on whatever terms or prices, and contain such other provisions as may be provided in the bond resolution whereunder the Additional Bonds may be issued.

B. *Conditions for Issuance.* No installment or series of Additional Bonds shall be issued unless:

- (i) A certificate is executed by the Chair of the Board of Regents or the Vice President of Finance and Administration to the effect that no default exists in connection with any of the covenants or requirements of the resolution or resolutions authorizing the issuance of all then Outstanding Bonds and Additional Bonds;
- (ii) A certificate of the Comptroller that money appropriated pursuant to the Constitutional Provision and the Act, or any amendment thereto, will provide sufficient money to pay the principal of and interest on the Additional Bonds;
- (iii) The provisions for the issuance of such Additional Bonds will preserve the primary sources for the payment thereof and for the security thereof as set forth in the Constitutional Provision; and
- (iv) Additional Bonds shall not be issued in principal amounts or bear interest at rates that shall cause the aggregate payments of the principal and interest on the Bonds in a Fiscal Year to exceed 50% of the money appropriated to the University by the Act.

Remedies of Bondholders

The Resolution recognizes all rights available to the holders of the Bonds under the Constitution and laws of the State, by suit for mandamus or otherwise, to compel the performance of their official duties by the Board, its officers and employees, and by other officers of the State to the end that the principal of and interest on the Bonds may be paid promptly.

DESCRIPTION OF STEPHEN F. AUSTIN STATE UNIVERSITY

General

The University was created by the 36th Texas Legislature in 1921. From its inception as primarily a college for teacher training, the University's scope has been greatly expanded to that of a regional university.

The University is located in Nacogdoches, Texas, the county seat of Nacogdoches County. Nacogdoches, one of the oldest cities in Texas, was originally established in 1716 as the site of the Guadalupe de Nacogdoches Mission. Today it is a city of approximately 30,000 people with an economy based on timber, agriculture, poultry production, fertilizer and feed producing plants, and wood processing, as well as general commerce.

The main campus includes over 400 acres, part of the original homestead of Thomas J. Rusk, an early Texas patriot and United States Senator. In addition, the University maintains a university farm of 699 acres for beef and poultry production; an experimental forest in southwestern Nacogdoches County; and a forestry field station on Lake Sam Rayburn. The main campus hosts 28 major instructional buildings and 16 residence halls. The central library houses over 560,000 books and over 1,640,000 general collection items. The University operates a Forestry Library which, in addition to a general forestry collection, contains a highly regarded repository by the Forest History

Collection. Other facilities of special interest at the University include the Soils Testing Laboratory, the Forestry Research Laboratory and the Seed Testing Laboratory. At August 31, 2008, the cost value of all University capital assets net of depreciation was over \$176 million.

Curriculum

The University is a state-supported coeducational institution of higher learning. It is organized into six separate colleges that include the Colleges of Business, Education, Fine Arts, Forestry and Agriculture, Liberal and Applied Arts, and Sciences and Mathematics. These colleges currently offer 83 different baccalaureate degrees in over 120 subject areas. In addition, the graduate colleges offers master's degrees in Fine Arts, Arts, Business, Administration, Education, Forestry, and Science in 46 separate programs, and doctoral degrees in Forestry and Education.

Administration of the University

The University is governed by a governing board of regents (the "Board") consisting of ten members who are appointed by the Governor of the State with the advice and consent of the State Senate. Texas Education Code §106.13 requires the Governor to make appointments from different geographical locations in the State. Each member holds office for a term of six years, except the student regent which holds a term of one year, with the terms of three members expiring on January 31, of each odd numbered year. Each member holds office until a successor is appointed and has qualified. Each member is eligible for reappointment. Members serve without compensation, but are entitled to reimbursement for actual reasonable expenses incurred in performing their duties of office.

The members of the Board elect one of the members to serve as Chair of the Board. The Chair presides at all meetings and performs such other duties as may be prescribed from time to time by the Board and by State law. In addition, the members of the Board elect one of the members to serve as Vice Chair to perform the duties of the Chair when the Chair is not present or is incapable of performing such duties. The Board also appoints a Secretary from its members, to perform the duties prescribed by the Board.

The current members of the Board, their occupations and their terms of office are as follows:

JOE MAX GREEN, *Chair and Board Member*. Chairman and CEO of Joe Max Green / Insurance Concepts, Nacogdoches, Texas. Mr. Green is a resident of Nacogdoches, Texas. His current term on the Board expires on January 31, 2009.

JAMES THOMPSON, *Vice Chair and Board Member*. President and Founder of Team Associates, Inc. Mr. Thompson is a resident of Sugar Land, Texas. His current term on the Board expires on January 31, 2011.

MELVIN R. WHITE, *Secretary and Board Member*. Founder of Digital Workforce Academy, Inc. Mr. White is a resident of Pflugerville, Texas. His current term on the Board expires on January 31, 2011.

CARLOS Z. AMARAL, *Board Member*. President and CEO of Sequoia Network Services. Mr. Amaral is a resident of Plano, Texas. His current term on the Board expires on January 31, 2013.

RICHARD B. BOYER, *Board Member*. Corporate Compliance Officer for Pinnacle Partners in Medicine in Dallas. Mr. Boyer is a resident of The Colony, Texas. His current term on the Board expires on January 31, 2011.

JAMES H. DICKERSON, *Board Member*. Retired. Mr. Dickerson is a resident of New Braunfels, Texas. His current term on the Board expires on January 31, 2013.

VALERIE E. ERTZ, *Board Member*. President and Owner of VEE Services, Inc. Ms. Ertz is a resident of Dallas, Texas. Her current term on the Board expires on January 31, 2009.

JOHN R. GARRETT, *Board Member*. Residential and commercial real estate developer and President of Fair Oil Company. Mr. Garrett is a resident of Tyler, Texas. His current term on the Board expires on January 31, 2013.

PAUL G. POND, *Board Member*. Western Regional Director of Private Estates for Stewart Enterprises in Dallas. Mr. Pond is a resident of Dallas, Texas. His current term on the Board expires on January 31, 2009.

LACEY A. CLAVER, *Student Regent*. Senior at the University where she serves as Director of Jack Camp as an SFA 101 Instructor and is the President of the Traditions Council. Ms. Claver is a resident of Joshua, Texas. Her current term on the Board expires on May 31, 2009.

The University’s enabling statute, Chapter 101 of the Texas Education Code, provides that the University is to be administered by a President who is appointed by the Board and who holds office for such term as the Board may decide. The President of the University serves as its chief executive officer and is responsible for the administration and leadership of the University. Among other duties and powers the President is responsible for directing financial management of the University in conformity with all laws and regulations and to provide uniformity in data collection and financial reporting procedures.

The following is a biographical summary of certain of the University’s key administrative personnel:

DR. L. BAKER PATTILLO, *President*. After graduating from the University, Dr. Pattillo joined the University as Assistant Director of Placement and Student Financial Aid in 1966. Subsequently he was Director of Placement and Student Financial Aid, Dean of Student Services, Vice President for Student Affairs and Vice President for University Affairs.

DANNY R. GALLANT, *Vice President for Finance and Administration*. Mr. Gallant served in the U.S. Army from 1973 to 1976 and has been a part of the University for 28 years, first arriving as a student in 1980. Upon completion of his undergraduate degree, he accepted a full-time position as an accountant. Subsequently he was Assistant Business Manager, Business Manager, Director of Financial Services, Associate Vice President for Budget and Finance and Interim Vice President for Finance and Administration.

DORA FUSELIER, *Controller*. Ms. Fuselier is a certified public accountant. She originally joined the University in 1996 as the Manager of Financial Reporting. She has served as Controller since 1999.

R. YVETTE CLARK, *General Counsel*. Ms. Clark has served as General Counsel to the University from 1992 to present.

Financial Support

As a State institution, the University receives approximately thirty-five percent (35%) of its operating funds from State appropriations. Other revenues are derived from student tuition and fees and auxiliary enterprises such as residence and dining halls and grants and contracts.

Enrollment

TABLE 2 - University Enrollment Data

Following is headcount enrollment by semester for Fiscal Years 2004-2008:

Fiscal Year	Fall Semester	Spring Semester	Summer Session	
			First Term	Second Term
2004	11,408	10,623	4,870	4,545
2005	11,287	10,564	4,844	4,249
2006	11,435	10,628	4,624	4,132
2007	11,756	10,822	4,441	4,089
2008	11,607	10,648	4,494	4,033
2009	11,990	(1)	(1)	(1)

(1) Data not yet available.

Retirement Systems

The retirement expense to the State for the participants was \$2,482,719.95 for the fiscal year ended August 31, 2008. This amount represents the portion of expended appropriations made by the Texas Legislature on behalf of the University.

Selected Financial Information of the University

For additional financial information concerning the University, see “APPENDIX D – SELECTED FINANCIAL INFORMATION OF THE UNIVERSITY.”

The tables and information included in APPENDIX D are intended solely to provide additional information concerning the University and its operations and financial condition. However, the Bonds are not secured by or payable from any funds or revenues of the Board or the University, except for the revenues described under the caption “SECURITY FOR THE BONDS” herein. Also see “SOURCE FOR PAYMENT” for additional information concerning the source of revenues pledged to secure payment of the Bonds.

TAX MATTERS

Tax Exemption

On the date of initial delivery of the Bonds, Bond Counsel will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof (“Existing Law”), (i) interest on the Bonds for federal income tax purposes will be excludable from the “gross income” of the holders thereof and (ii) the Bonds will not be treated as “specified private activity bonds” the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the “Code”). Except as stated above, Bond Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds. See “APPENDIX B - FORM OF BOND COUNSEL OPINION.”

In rendering its opinion, Bond Counsel will rely upon (a) certain information and representations of the Board including information and representations contained in the Board’s federal tax certificate and (b) covenants of the Board contained in the bond documents relating to certain matters including arbitrage, the use of the proceeds of the Bonds and the property to be financed therewith. Failure by the Board to observe or comply with the aforementioned representations or covenants could cause the interest on the Bonds to become taxable retroactively to the date of issuance.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Bonds in order for interest on the Bonds to be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Bonds to be included in gross income retroactively to the date of issuance of the Bonds. The opinion of Bond Counsel is conditioned on compliance by the Board with such requirements, and Bond Counsel has not been retained to monitor compliance with these requirements subsequent to the issuance of the Bonds.

Bond Counsel’s opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations, and covenants. Bond Counsel’s opinion is not a guarantee of a result. Existing Law is subject to change by the Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership, or disposition of the Bonds.

A ruling was not sought from the Internal Revenue Service by the Board with respect to the Bonds or the projects financed with the proceeds of the Bonds. No assurances can be given as to whether or not the Internal Revenue Service will commence an audit of the Bonds, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an Internal Revenue Service audit is commenced, under current procedures the Internal

Revenue Service is likely to treat the Board as the taxpayer and the Bondholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

Federal Income Tax Accounting Treatment of Original Issue Discount

The initial public offering price to be paid for certain Bonds, as stated on the front cover of the Official Statement is less than the principal amount thereof or one or more periods for the payment of interest on the Bonds may not be equal to the accrual period or be in excess of one year (the “Original Issue Discount Bonds”). The difference between (i) the “stated redemption price at maturity” of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond constitutes original issue discount. The “stated redemption price at maturity” means the sum of all payments to be made on the Bonds less the amount of all periodic interest payments. Periodic interest payments and payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under Existing Law, any owner who has purchased such Original Issue Discount Bond in the initial public offering is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the period that such Original Issue Discount Bond continues to be owned by such owner. For a discussion of certain collateral federal tax consequences, see discussion set forth above.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Bond was held by such initial owner) is includable in gross income.

Under Existing Law, the original issue discount on each Original Issue Discount Bond is accrued daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the date of the Bonds and ratably within each such six-month period) and the accrued amount is added to an initial owner’s basis for such Original Issue Discount Bond for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (a) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Original Issue Discount Bond.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Original Issue Discount Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. All owners of Original Issue Discount Bonds should consult their own tax advisors with respect to the determination for federal, state and local income tax purposes of the treatment of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Bonds.

Collateral Federal Income Tax Consequences

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Bonds. This discussion is based on existing statutes, regulations, published rulings and court decisions, all of which are subject to change or modification, retroactively.

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, owners of interests in a FASIT, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, certain S corporations with accumulated earnings and profits and excess passive investment

income, foreign corporations subject to the branch profits tax and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE BONDS.

Interest on the Bonds will be includable as an adjustment for “adjusted current earnings” to calculate the alternative minimum tax imposed on corporations by section 55 of the Code. Section 55 of the Code imposes a tax equal to 20 percent for corporations, or 26 percent for noncorporate taxpayers (28 percent for taxable income exceeding \$175,000), of the taxpayer’s “alternative minimum taxable income,” if the amount of such alternative minimum tax is greater than the taxpayer’s regular income tax for the taxable year.

Under Section 6012 of the Code, holders of tax-exempt obligations, such as the Bonds, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation.

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Bonds, if such obligation was acquired at a “market discount” and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to “market discount bonds” to the extent such gain does not exceed the accrued market discount of such bonds; although for this purpose, a *de minimis* amount of market discount is ignored. A “market discount bond” is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the “revised issue price” (i.e., a market discount plus accrued original issue discount). The “accrued market discount” is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

State, Local and Foreign Taxes

Investors should consult their own tax advisors concerning the tax implications of the purchase, ownership or disposition of the Bonds under applicable state or local laws. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not United States persons.

LEGAL INVESTMENTS IN TEXAS

The Bonds are legal and authorized investments for banks, savings banks, trust companies, building and loan associations, savings and loan associations, insurance companies, fiduciaries and trustees, and for the sinking funds of cities, towns, villages, school districts, and other political subdivisions or public agencies of the State. The Bonds are eligible to secure deposits of public funds of the State, its agencies and political subdivisions, and are legal security for those deposits to the extent of their market value. The Texas Public Funds Investment Act provides that a city, county, or school district may invest in the Bonds. No investigation has been made of other laws, regulations, or investment criteria which might limit the ability of such institutions or entities to invest in the Bonds, or which might limit the suitability of the Bonds to secure the funds of such entities. No review by the Board has been made of the laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

LEGAL MATTERS

The Board will furnish a complete transcript of proceedings had incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and legally binding special obligations of the Board payable from the sources described herein and the legal opinion of McCall, Parkhurst & Horton L.L.P., Austin, Texas, Bond Counsel, a copy of the proposed form of which is attached as APPENDIX B, to the effect that the Bonds are valid, legally binding, and enforceable special obligations of the Board and are payable from the sources described herein. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the

issuance and delivery of the Bonds, or which would affect the provisions made for their payment or security, or in any manner questioning the validity of said Bonds will also be furnished. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Notice of Sale and Bidding Instructions, the Official Bid Form and the Official Statement, and such firms have not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in their capacity as Bond Counsel, such firms have reviewed the information describing the Bonds in the Official Statement to verify that such description conforms to the provisions of the Resolution. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent on the sale and delivery of the Bonds. The legal opinion will accompany the Bonds deposited with DTC or will be printed on the Bonds in the event of the discontinuance of the Book-Entry-Only-System.

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of the transaction opined upon, or of the future performance of the parties to the transaction, nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

Forward-Looking Statements

The statements contained in this Official Statement and in any other information provided by the Board that are not purely historical are forward-looking statements, including statements regarding the Board's expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the Board on the date hereof, and the Board assumes no obligation to update any such forward-looking statements. It is important to note that the Board's actual results could differ materially from those in such forward-looking statements.

The forward-looking statements included herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal, and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners, and competitors, and legislative, judicial, and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the Board. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate.

RATINGS

Fitch Ratings ("Fitch") has assigned a rating of "AA+" to the Bonds and Standard & Poor's Ratings Services, A Division of McGraw-Hill Companies, Inc. ("S&P") has assigned a rating of "AA" to the Bonds. An explanation of the significance of each such rating may be obtained from the company furnishing the rating. The ratings reflect only the views of such organizations at the time the ratings are given, and the Board makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by such rating companies, if circumstances so warrant. Any such downward revision or withdrawal of either rating may have an adverse effect on the market price of the Bonds.

FINANCIAL ADVISOR

First Southwest Company is employed as Financial Advisor to the Board in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. First Southwest Company has agreed, in its Financial Advisory contract, not to bid for the Bonds, either independently or as a member of a syndicate organized to submit a bid for the Bonds. First Southwest Company, in its capacity as Financial Advisor, does not assume any responsibility for the

information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

The Financial Advisor to the Board has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the Board and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

PENDING LITIGATION

Neither the Board nor the University is a party to any litigation or other proceeding pending or, to the Board's knowledge, threatened, in any court, agency or other administrative body (either state or federal) which, if decided adversely to the Board or the University, would have a material adverse effect on the financial condition of the University. On the date of delivery of the Bonds to the Initial Purchaser, the Board will execute and deliver to the Initial Purchaser a certificate to the effect that no litigation of any nature has been filed or is pending, as of that date, to restrain or enjoin the issuance or delivery of the Bonds or which would affect the provisions made for their payment or security, or in any manner questioning the validity of the Bonds.

CONTINUING DISCLOSURE OF INFORMATION

Continuing Disclosure Undertaking of the Board

General. In the Resolution the Board has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The Board is required to observe its agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the Board will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to certain information vendors. This information will be available to securities brokers and others who subscribe to receive the information from the vendors.

Annual Reports. The Board will provide certain updated financial information and operating data to certain information vendors annually. The information to be updated by the Board includes all quantitative financial information and operating data with respect to the Board of the general type included in this Official Statement contained in APPENDIX C and APPENDIX D. The Board will update and provide this information within 180 days the end of each fiscal year. The Board will provide the updated information to each nationally recognized municipal securities information repository ("NRMSIR") and to any state information depository ("SID") that is designated by the State and approved by the staff of the United States Securities and Exchange Commission (the "SEC").

The Board may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by the Rule. The updated information provided by the Board will be provided on a cash basis, or such other basis as the Board may be required to employ from time to time pursuant to state law or regulation, and will not be audited.

The State's current Fiscal Year end is August 31. Accordingly, the Board must provide updated information within 180 days following August 31 of each year, unless the State changes its Fiscal Year. If the State changes its Fiscal Year, the Board will notify each NRMSIR and any SID of the change.

Material Event Notices. The Board will also provide timely notices of certain events to certain information vendors. The Board will provide notice of any of the following events with respect to the Bonds, if such event is material to a decision to purchase or sell the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions or events affecting the tax-exempt status of the Bonds; (7) modifications to rights of holders of the Bonds; (8) Bond calls; (9) defeasances; (10) release, substitution, or sale of property securing

repayment of the Bonds and (11) rating changes. In addition, the Board will provide timely notice of any failure by the Board to provide information, data, or financial statements in accordance with its agreement described above under “- Continuing Disclosure Undertaking of the Board - *Annual Reports*.” The Board will provide each notice described in this paragraph to any SID and to either each NRMSIR or the Municipal Securities Rulemaking Board (“MSRB”).

Continuing Disclosure Undertaking of the Comptroller

General. The Comptroller currently provides and intends to continue to provide current information concerning the financial condition of State government, and the Comptroller has agreed for the benefit of the holders of the Bonds to provide certain updated information and notices while the Bonds remain outstanding. The Board and the legal and beneficial owners of the Bonds are third-party beneficiaries of the Comptroller’s agreement. The Comptroller is required to observe this agreement for so long as the Bonds may be paid from money drawn on the State’s General Revenue Fund. Under the agreement, the Comptroller will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to certain information vendors. This information will be available to securities brokers and others who subscribe to receive the information from the vendors.

In addition to the information that the Comptroller has agreed to provide annually as described below, the Comptroller currently prepares an updated disclosure appendix quarterly for use in State agency securities offerings. This disclosure appendix is incorporated herein as described in APPENDIX A. The Comptroller intends to continue to prepare or supplement such an appendix quarterly and to provide each such update or supplement of the information to vendors to whom the Comptroller must provide annual information in accordance with its disclosure agreement. In addition, the Comptroller publishes, and intends to continue to publish, a monthly publication, ***Fiscal Notes***, which includes key economic indicators for the State’s economy as well as monthly statements of cash condition, revenues, and expenses for State Government funds on a combined basis. Bondholders may subscribe to ***Fiscal Notes*** by writing to Fiscal Notes, Comptroller of Public Accounts, P.O. Box 13528, Austin, Texas 78711-3528 or by subscribing at www.cpa.state.tx.us/comptrol/fnotes/fnhome.html. Information about State government may also be obtained by contacting the Comptroller’s ***BBS Window on State Government*** via the Internet at www.cpa.state.tx.us or via the Worldwide Web at www.window.state.tx.us or by calling 1-800-227-8392.

Annual Reports. The Comptroller will provide certain updated financial information and operating data to certain information vendors annually. The information to be updated includes all quantitative financial information and operating data with respect to the State of the general type referred to in APPENDIX A to this Official Statement in Tables A-1 through A-14 and A-31 (however, only actual tax collections and revenues in Table A-10 will be updated) and under the headings “EDUCATION” and “RETIREMENT SYSTEMS”. The Comptroller will update and provide this information within 195 days after the end of each fiscal year. The Comptroller will provide the updated information to each NRMSIR and to any SID that is designated by the State of Texas and approved by the staff of the SEC.

The Comptroller may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12. The updated information provided by the Comptroller will be provided on a cash basis and will not be audited, but the Comptroller will provide audited financial statements of the State prepared in accordance with generally accepted accounting principles for governmental entities when the State Auditor completes its statutorily required audit of such financial statements. The accounting principles pursuant to which such financial statements must be prepared may be changed from time to time to comply with State law.

The State’s current fiscal year end is August 31. Accordingly, it must provide updated information within 195 days thereof in each year unless the State changes its fiscal year. If the State changes its fiscal year, the Comptroller will notify each NRMSIR and any SID of the change.

Material Event Notices. The Comptroller will also provide timely notice of its failure to provide information, data, or financial statements in accordance with its agreement described above under “- Continuing Disclosure Undertaking of the Comptroller - *Annual Reports*.” Each notice described in this paragraph will be provided to any SID and to either each NRMSIR or the MSRB.

Availability of Information from NRMSIRs and SID

The Board and the Comptroller have agreed to provide the foregoing information only to NRMSIRs and any SID. The information will be available to holders of Bonds only if the holders comply with the procedures and pay the charges established by such information vendors or obtain the information through securities brokers who do so, except as otherwise available under the Texas Open Records Act.

The Municipal Advisory Council of Texas has been designated by the State as a qualified SID, and the SEC has determined that it is a qualified SID. The address of the Municipal Advisory Council is 600 West 8th Street, P.O. Box 2177, Austin, Texas 78768-2177, and its telephone number is 512/476-6947.

Limitations and Amendments

The Board and the Comptroller have agreed to update information and to provide notices of material events only as described above. Neither has agreed to provide other information that may be relevant or material to a complete presentation of the Board's or the State's financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. Neither makes any representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. Each disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of such person's continuing disclosure agreement or from any statement made pursuant to such person's agreement, although holders of Bonds may seek a writ of mandamus to compel the Board and the Comptroller to comply with their agreements.

The Board and the Comptroller may amend their continuing disclosure agreements to adapt to changed circumstances that arise from a change in legal requirements, a change in the identity, nature, status or type of operations of the Board or the State if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with SEC Rule 15c2-12 and either the holders of a majority in aggregate principal amount of the outstanding Bonds consent or any person unaffiliated with the Board, the Comptroller and the State (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the beneficial owners of such Bonds. If the Board or the Comptroller so amends such person's agreement, such person must include with the next financial information and operating data provided in accordance with such person's agreement described above under "*Annual Reports*" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of information and data provided. The Board and the Comptroller may also amend their continuing disclosure agreements if the SEC amends or repeals the applicable provisions of SEC Rule 15c2-12 or a court of final jurisdiction enters judgment that such provisions of SEC Rule 15c2-12 are invalid, but only if and to the extent that such amendment would not have prevented an underwriter from lawfully purchasing or selling the Bonds in the primary offering of the Bonds..

Compliance with Prior Agreements

During the last five years, neither the Board nor the Comptroller has failed to comply in any material respect with any continuing disclosure agreement made by such person in accordance with the Rule.

CERTIFICATION OF THE OFFICIAL STATEMENT

At the time of payment for and delivery of the Bonds, the Initial Purchaser will be furnished a certificate, executed by proper officers, acting in their official capacity, to the effect that to the best of their knowledge and belief: (a) the description and statements of or pertaining to the Board contained in its Official Statement, and any addenda, supplement or amendment thereto, on the date of such Official Statement, on the date of sale of said Bonds and the acceptance of the best bid therefor, and on the date of the delivery, were and are true and correct in all material respects; (b) insofar as the Board and its affairs, including its financial affairs, are concerned, such Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (c) insofar as the descriptions and statements, including financial data, of or pertaining to entities, other than the Board, and their activities contained in such Official Statement are concerned, such statements and date have been obtained from sources which the Board believes to be reliable and the Board has no

reason to believe that they are untrue in any material respect; (d) there has been no material adverse change in the financial condition of the Board since the date of the last audited financial statements of the Board.

INITIAL PURCHASER

After requesting competitive bids for the Bonds, the Board accepted the bid of Southwest Securities, Inc., (the "Initial Purchaser") to purchase the Bonds at a price of par plus a cash premium of \$81,600.00. The Initial Purchaser can give no assurance that any trading market will be developed for the Bonds after their sale by the Board to the Initial Purchaser. The Board has no control over the price at which the Bonds are subsequently sold and the initial yield at which the Bonds will be priced and reoffered will be established by and will be the responsibility of the Initial Purchaser.

CONCLUDING STATEMENT

The financial data and other information contained herein have been obtained from the Board's records, audited financial statements and other sources which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents, and resolutions contained in this Official Statement are made subject to all of the provisions of such statutes, documents, and resolution. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

The Resolution authorizing the issuance of the Bonds also approved the form and content of this Official Statement, and authorized the undersigned to approve any addenda, supplement, or amendment thereto, and authorize its further use in the reoffering of the Bonds by the Initial Purchaser.

/s/ Joe Max Green
Chair, Board of Regents
Stephen F. Austin State University

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APPENDIX A

STATE OF TEXAS

The Comptroller has filed with each NRMSIR and the SID the APPENDIX A for the State dated November 2008. Such APPENDIX A is hereby incorporated by reference into this Official Statement. Copies of APPENDIX A may be examined at the offices of each NRMSIR and the SID in accordance with the applicable rules of each such entity governing the examination of such information. APPENDIX A is also available via the Worldwide Web at www.window.state.tx.us/treasops/bondapp.html.

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APPENDIX B

FORM OF BOND COUNSEL OPINION

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LAW OFFICES
M^cCALL, PARKHURST & HORTON L.L.P.

717 NORTH HARWOOD
SUITE 900
DALLAS, TEXAS 75201-6587
TELEPHONE: 214 754-9200
FACSIMILE: 214 754-9250

600 CONGRESS AVENUE
SUITE 1800
AUSTIN, TEXAS 78701-3248
TELEPHONE: 512 478-3805
FACSIMILE: 512 472-0871

700 N. ST. MARY'S STREET
SUITE 1525
SAN ANTONIO, TEXAS 78205-3503
TELEPHONE: 210 225-2800
FACSIMILE: 210 225-2984

[An opinion in substantially the following form will be delivered by McCall, Parkhurst & Horton L.L.P., Bond Counsel, upon the delivery of the Bonds, assuming no material changes in facts or law.]

**STATE OF TEXAS
CONSTITUTIONAL APPROPRIATION BONDS
(STEPHEN F. AUSTIN STATE UNIVERSITY),
SERIES 2008
IN THE PRINCIPAL AMOUNT OF \$10,200,000**

AS BOND COUNSEL for the Board of Regents, Stephen F. Austin State University (the "Issuer"), we have examined into the legality and validity of the issue of bonds described above (the "Bonds"), which bear interest from the date and mature on the dates specified on the face of the Bonds, and being subject to redemption, all in accordance with the resolution authorizing the issuance of such Bonds and the pricing certificate authorized in the resolution (collectively, the "Bond Resolution"). Terms used herein and not otherwise defined shall have the meaning given in the Bond Resolution.

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and laws of the State of Texas, a transcript of certified proceedings of the Issuer, and other pertinent instruments relating to the authorization, issuance, and delivery of the Bonds, including one of the executed Bonds.

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Bonds have been duly authorized, issued, and delivered, all in accordance with law; and that, except as may be limited by laws applicable to the Issuer relating to bankruptcy, reorganization and other similar matters affecting creditors' rights, or by general principles of equity which permit the exercise of judicial discretion, the Bonds constitute valid and legally binding special obligations of the Issuer secured by and payable from a lien on and pledge of the higher education fund Pledged Revenues being up to 50% of the money appropriated annually by the Constitutional Provision and allocated by the Act to the Issuer to the extent necessary to pay debt service on the Bonds and any Additional Bonds.

IT IS FURTHER OUR OPINION, except as discussed below, that the interest on the Bonds is excludable from the gross income of the owners thereof for federal income tax purposes under the statutes, regulations, published rulings, and court decisions existing on the date of this opinion. We are further of the opinion that the Bonds are not "specified private activity bonds" and

that, accordingly, interest on the Bonds will not be included as an individual or corporate alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). In expressing the aforementioned opinions, we have relied on certain representations, the accuracy of which we have not independently verified, and assume compliance by the Issuer with certain covenants, regarding the use and investment of the proceeds of the Bonds and the use of the property financed therewith. We call your attention to the fact that if such representations are determined to be inaccurate or upon a failure by the Issuer to comply with such covenants, interest on the Bonds may become includable in gross income retroactively to the date of issuance of the Bonds.

OUR OPINIONS ARE BASED ON EXISTING LAW, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of a result and are not binding on the Internal Revenue Service (the "Service"); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the Issuer as the taxpayer. We observe that the Issuer has covenanted not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

EXCEPT AS STATED ABOVE, we express no opinion as to any other federal, state, or local tax consequences of acquiring, carrying, owning, or disposing of the Bonds. In particular, but not by way of limitation, we express no opinion with respect to the federal, state or local tax consequences arising from the enactment of any pending or future legislation.

WE CALL YOUR ATTENTION TO THE FACT that the interest on tax-exempt obligations, such as the Bonds, is included in a corporation's alternative minimum taxable income for purposes of determining the alternative minimum tax imposed on corporations by section 55 of the Code.

WE EXPRESS NO OPINION as to any insurance policies issued with respect to the payments due for the principal of and interest on the Bonds, nor as to any such insurance policies issued in the future.

THE ISSUER has reserved the right, subject to the restrictions stated in the Bond Resolution to amend the Bond Resolution. The Issuer also has reserved the right, subject to the restrictions stated in the Bond Resolution, to issue Additional Bonds which also may be secured by and payable from a lien on and pledge of the higher education fund Pledged Revenues on a parity with the lien securing the Bonds.

THE REGISTERED OWNERS of the Bonds shall never have the right to demand payment of the principal thereof or interest thereon out of any funds raised or to be raised by taxation, or from any source whatsoever other than specified in the Bond Resolution.

OUR SOLE ENGAGEMENT in connection with the issuance of the Bonds is as Bond Counsel for the Issuer, and, in that capacity, we have been engaged by the Issuer for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Bonds for federal income tax purposes, and for no other reason or purpose. We have not been requested to investigate or verify, and have not independently investigated or verified any records, data, or other material relating to the financial condition or capabilities of the Issuer, or the disclosure thereof in connection with the sale of the Bonds, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Bonds and have relied solely on certificates executed by officials of the Issuer as to the current outstanding indebtedness of the Issuer and the sufficiency of the Higher Education Fund Pledged Revenues of the Issuer. Our role in connection with the Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

THE FOREGOING OPINIONS represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result.

Respectfully,

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APPENDIX C

FINANCIAL REPORT OF STEPHEN F. AUSTIN STATE UNIVERSITY

FOR THE YEAR ENDED AUGUST 31, 2008

Stephen F. Austin State University

Unaudited Financial Report
For the Year Ended
August 31, 2008

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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, 2008

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

Lady and Gentlemen:

We are pleased to submit the Annual Financial Report of Stephen F. Austin State University for the year ended August 31, 2008, 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 Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, the Comptroller of Public Accounts does not require the accompanying annual financial report to comply with all the requirements in this statement. The financial report will be considered for audit by the State Auditor as part of the audit of the State of Texas Comprehensive Annual Financial Report; therefore, an opinion has not been expressed on the financial statements and related information contained in this report.

If you have any questions, please contact Dora Fuselier at (936) 468-2112. 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, 2008

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, 2008.

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 at (936) 468-2112.

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, 2008**

Board of Regents

Officers

Joe Max Green, Chair
James A. Thompson, Vice-Chair
Melvin R. White, Secretary

Members

Name	Town	Term Expires January 31,
Valerie E. Ertz	Dallas, Texas	2009
Joe Max Green	Nacogdoches, Texas	2009
Paul G. Pond	Dallas, Texas	2009
Richard B. Boyer	The Colony, Texas	2011
James A. Thompson	Sugar Land, Texas	2011
Melvin R. White	Pflugerville, Texas	2011
Carlos Z. Amaral	Plano, Texas	2013
James H. Dickerson	New Braunfels, Texas	2013
John R. Garrett	Tyler, Texas	2013
Lacy A. Claver (student)	Nacogdoches, Texas	2009

President

Baker Pattillo, Ed.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, 2008

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 1921. It is located in Nacogdoches in the Pineywoods area of East Texas. The University enrolls nearly 12,000 students in 6 colleges and 35 academic units and awards degrees at the bachelor's, master's and doctoral levels. The main campus includes 406 acres, part of the original homestead of Thomas J. Rusk, early Texas patriot and United States Senator.

The University is accredited by the Commission on Colleges of the Southern Association of Colleges and Schools. 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 2008 with comparative information for 2007. 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

- Tuition revenue bonds were issued for \$20.175 million for an Early Childhood Research Center in March 2008.
- Construction expenditures for new and renovated facilities totaled approximately \$16.3 million.
- An application for a University Charter School was approved by the Texas Education Agency.
- A comprehensive multi-year project to upgrade the finance, student, financial aid and human resources computer software system began in February 2008.

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, 2008. 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 Higher Education Funds (HEF), 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, 2008 and 2007 follows:

Statement of Net Assets		
	2008	2007
		(as restated)
Assets		
Current Assets	\$115,613,208.72	\$103,054,862.97
Non-Current Assets		
Other Non-Current Assets	40,466,523.46	38,689,506.06
Capital Assets, Net of Depreciation	<u>176,191,173.84</u>	<u>167,299,079.67</u>
Total Assets	<u>332,270,906.02</u>	<u>309,043,448.70</u>
Liabilities		
Current Liabilities	82,984,550.77	77,677,069.27
Non-Current Liabilities	<u>131,616,137.07</u>	<u>118,982,174.64</u>
Total Liabilities	<u>214,600,687.84</u>	<u>196,659,243.91</u>
Net Assets		
Invested in Capital Assets, Net of Related Debt	51,007,200.01	47,963,435.32
Restricted		
Expendable	19,169,309.22	19,451,117.01
Non-Expendable	6,434,474.01	6,297,795.55
Unrestricted	<u>41,059,234.94</u>	<u>38,671,856.91</u>
Total Net Assets	<u>\$117,670,218.18</u>	<u>\$112,384,204.79</u>

In fiscal year 2008, total assets of the University increased approximately \$23.2 million from the previous fiscal year. Current assets increased approximately \$12.6 million. This change is primarily attributed to the influx of cash from the proceeds of the \$20.175 million bond sale offset by expenditures related to the bond financed project of approximately \$9.6 million. Capital assets, net of depreciation increased approximately \$8.9 million. This is attributed to capital outlay expenditures, including new construction projects, of \$19 million offset by depreciation expenditures of \$9.9 million. Other non-current assets increases of \$1.8 million were primarily attributed to increased student loans receivables and student accounts receivables, net of the allowances for doubtful accounts.

Total liabilities increased by approximately \$18 million. Current liabilities increased by approximately \$5.3 million. This change is attributed to the increase in deferred revenues related to tuition and fees and room and board rate increases and increased enrollment for fall 2008. These charges to students prior to year end

are not recognized as fiscal year 2007-2008 revenues but are instead recognized as deferred revenues. The increase of approximately \$12.6 million in non-current liabilities is attributed primarily to the net change in bonds payable, which includes the \$20.175 million bond proceeds offset by current year principal payments of \$7.1 million.

Net assets, invested in capital assets, net of related debt increased approximately \$3 million. As discussed above, this is attributed to capital outlay expenditures of approximately \$19 million offset by both expensed depreciation and net changes in bonds payable.

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 revenues received for providing goods and services to the various constituencies of the University. Operating expenses are expenses paid to acquire goods and services provided in return for operating revenues 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 legislative revenue and other appropriations.

A summarized comparison of the University's Statement of Revenues, Expenses, and Changes in Net Assets at August 31, 2008 and 2007 follows:

Statement of Revenues, Expenses, and Changes in Net Assets

	<u>2008</u>	<u>2007</u>
Operating Revenues:		
Net Student Tuition and Fees	\$ 57,283,473.97	\$ 48,426,477.78
Net Auxiliary Enterprise Revenues	26,523,065.92	24,659,762.37
Grants and Contracts	26,532,117.00	24,325,322.26
Other Operating Revenues	<u>5,650,830.25</u>	<u>5,184,261.74</u>
Total Operating Revenues	115,989,487.14	102,595,824.15
Total Operating Expenses	<u>170,907,876.31</u>	<u>160,686,655.96</u>
Operating Income (Loss)	<u>(54,918,389.17)</u>	<u>(58,090,831.81)</u>
Non-Operating Revenues (Expenses):		
Legislative Revenue (State)	43,677,367.00	40,045,552.50
Additional Appropriations	10,756,380.31	9,824,597.22
Gifts	2,467,781.75	2,247,463.40
Net Investment Income (Loss)	2,534,013.79	3,061,716.91
Net Increase (Decrease) in Fair Value of Investments	(171,139.60)	167,467.21
Interest Expenses and Fiscal Charges	(5,216,737.93)	(3,487,419.12)
Net Other Non-Operating Revenues (Expenses)	<u>(127,838.09)</u>	<u>247,551.97</u>
Total Non-Operating Revenues (Expenses)	<u>53,919,827.23</u>	<u>52,106,930.09</u>
Income (Loss) Before Other Revenues, Expenses, Gains or Losses	(998,561.94)	(5,983,901.72)
Other Revenues, Expenses, Gains (Losses) and Transfers	<u>6,284,575.33</u>	<u>6,460,080.20</u>

Change in Net Assets	<u>5,286,013.39</u>	<u>476,178.48</u>
Net Assets, Beginning of Year	113,091,719.44	112,615,540.96
Restatements	<u>(707,514.65)</u>	
Restated Net Assets, Beginning of Year	<u>112,384,204.79</u>	<u>112,615,540.96</u>
Net Assets, End of Year	<u><u>\$117,670,218.18</u></u>	<u><u>\$113,091,719.44</u></u>

Some of the fiscal year 2008 highlights presented in the Statement of Revenues, Expenses, and Changes in Net Assets are as follows:

- Net student tuition and fees increased by approximately \$8.9 million in 2008. This is due to increased tuition and fees of \$32 per semester credit hour.
- Net auxiliary enterprise revenues increased approximately \$1.9 million. This is attributed to increased room and board charges and the increased demand because of the new housing facilities.
- Grants and Contracts income increased by \$2.2 million. This is primarily attributed to an increase in Pell grants revenue of \$1 million and increased revenue for the University's Columbia Regional Geospatial Service Center.
- Legislative Revenue increased by \$3.6 million. This is primarily attributed to the additional appropriations available for payments of Tuition Revenue Bonds of \$3.2 million. \$550,000 associated with the special tuition revenue bond appropriation is included in both legislative appropriations as revenue and lapsed appropriations as an expense.
- Interest expenses and fiscal charges increased approximately \$1.7 million. While the amounts paid for bond interest did not change significantly from that paid in 2007, the difference is related to the amounts capitalized in 2007 since interest paid in that year for bonds issued to finance the recreation and student centers was included as capitalized interest.

The following data summarizes the operating expenses in the natural classification expense categories for the fiscal years ended August 31, 2008 and 2007:

Operating Expenses:	<u>2008</u>	<u>2007</u>
Cost of Goods Sold	\$7,793,097.40	\$6,570,531.92
Salaries and Wages	75,959,932.65	70,782,231.07
Payroll Related Costs	19,572,226.46	18,445,775.37
Professional Fees and Services	1,624,462.25	1,477,896.43
Travel	2,278,772.90	2,026,919.96
Materials and Supplies	15,038,190.40	17,184,358.00
Communications and Utilities	11,788,437.97	11,475,014.90
Repairs and Maintenance	3,895,941.33	3,114,488.84
Rentals and Leases	2,110,335.99	1,682,376.41
Printing and Reproduction	698,274.37	662,365.70
Federal and State Pass-Through Expenses	1,056,689.99	727,341.29
Depreciation	9,939,710.39	7,715,953.32
Bad Debt Expense	317,074.39	212,877.49
Scholarships	13,152,370.79	13,125,624.35
Other Operating Expenses	<u>5,682,359.03</u>	<u>5,482,900.91</u>
Total Operating Expenses	<u><u>\$170,907,876.31</u></u>	<u><u>\$160,686,655.96</u></u>

Some of the 2008 fiscal year highlights presented in the Operating Expenses are:

- Cost of Goods Sold increased approximately \$1.2 million. This is attributed to increased food costs for meals served to students.
- Salaries and benefits increased by approximately \$6.4 million. This increase is due to 3% merit pool raises and equity adjustments given to employees.
- Materials and supplies decreased approximately \$2.1 million. In 2007, this category included purchases of furniture and equipment related to both the new Baker Pattillo Student Center and the Student Recreation Center that did not meet capitalization thresholds. While new construction costs were incurred in 2008 associated with the Early Childhood Research Center, the project had not progressed to the stage of completion where costs are incurred associated with furniture and equipment purchases.
- Depreciation increased approximately \$2.2 million. This is attributed to completion of the Baker Pattillo Student Center and the Student Recreation Center, which were moved from the non-depreciable category of construction in progress to depreciable capital assets.

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, 2008 and 2007 follows:

	<u>2008</u>	<u>2007</u>
Net Cash Provided (Used) by:		
Operating Activities	\$(44,148,037.15)	\$(45,392,669.46)
Non-Capital Financing Activities	58,538,156.92	56,210,426.77
Capital and Related Financing Activities	(3,482,477.66)	(31,355,738.83)
Investing Activities	(8,331,429.66)	4,796,139.27
Increase (Decrease) in Cash and Cash Equivalents	2,576,212.45	(15,741,842.25)
Cash and Cash Equivalents, Beginning of Year	<u>67,639,266.16</u>	<u>83,381,108.41</u>
Cash and Cash Equivalents, End of Year	<u>\$ 70,215,478.61</u>	<u>\$ 67,639,266.16</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 Governmental Accounting Standards Board (GASB) Statement No. 35, they must be classified as Non-Capital Financing Activities instead of Operating Activities.

While there was not a significant change in cash used for Operating Activities or Non-Capital Financing Activities, there was a change of approximately \$27.8 million in Capital and Related Financing Activities. The change in this category is primarily attributed to the proceeds from the 2008 bond sale of \$20.175 million for the Early Childhood Research Center. Also, a portion of this change can be attributed to the reduction in capital outlay expenditures of approximately \$10.3 million from that of 2007, since both the student and recreation centers were substantially completed in 2007. In addition, the state capital appropriations for Higher Education Funds (HEF) increased in 2008 by \$2.3 million.

The \$13.1 million change reported in cash used for investing activities is primarily attributed to the balance of the investment of the unspent 2008 bond proceeds offset by the use of the balance of the invested bond proceeds from the 2005 issue for completion of the Student Recreation Center.

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 \$19 million in fiscal year 2008 and approximately \$29.3 million in fiscal year 2007.

In fiscal year 2007, the Texas Legislature approved tuition revenue bond funding for \$30.178 million for University educational projects previously authorized but not funded in the 2005 legislative session. These projects included funding for the Early Childhood Research Center and deferred maintenance projects. Tuition revenue bonds of \$20.175 million were issued in March 2008 partially to finance the Early Childhood Research Center. The University anticipates issuing the balance of the approved funding of \$10 million for the deferred maintenance projects in fiscal year 2009. Debt was structured to use approximately \$2.6 million of appropriations committed to this issue with the payment made in April 2008. The University was able to structure the first bond payment of the 2008 issue to use \$2.6 million of these appropriated amounts.

Credit ratings assigned to the bonds issued in March 2008 were Aaa from Moody's Corporation (unchanged from the previous issues) and AAA from Fitch Ratings. The outlook from Fitch Ratings was upgraded from negative to stable.

In addition, during 2007, the Texas Legislature authorized \$13 million of special tuition revenue bond funding for the University to construct the Richard and Lucille Dewitt School of Nursing facility on property donated by the family to the University. The gift was formally acknowledged by the University on June 20, 2007, but as a condition of the gift, the business remained on the property until October 1, 2008. Because of the timing of the business relocation and construction program requirements, bonds were not issued in fiscal year 2008. In 2008, \$550,000 of appropriations that could be used only for debt service for these bonds lapsed because the bonds were not issued prior to year end and no debt service expenses were incurred. The University anticipates issuing tuition revenue bonds for this project in fiscal year 2009.

In fiscal year 2005, the University hired an architect to design a multi-million dollar baseball and softball stadium complex. The project was re-evaluated in January 2008 based on donations received at that time, and the decision was made not to construct the stadium. Donors were given the option to have their donations applied to other University projects or have their money returned. Because amounts spent on the project of \$707,514 were previously capitalized, a restatement of the prior fund balance was made to adjust the net assets, invested in capital assets, net of related debt and the construction in progress asset accounts.

Two parcels of real estate adjacent to the University campus were purchased during the year. Total cost for these additions was approximately \$500,000.

Other gifts and pledges of approximately \$400,000 will be used to enhance the City of Nacogdoches baseball park and were used to make renovations to the Department of Accounting. Pledges made in previous years of \$400,000 were used to build a field house at the tennis complex in 2008.

ECONOMIC OUTLOOK

Management is not aware of any known facts, decisions, or conditions that are expected to have a material effect on the financial position or results of operations during the fiscal year 2009. The University plans to issue HEF General Obligation bonds in December 2008 for approximately \$10.6 million for completion of the Early Childhood Research Center. Additionally, in spring 2009, the University plans to issue \$23 million of tuition revenue bonds, combining the commitments for the nursing facility and deferred maintenance projects.

Initial indicators for fall 2008 looked positive with fall enrollment showing an increase in reported semester credit hours. The fall 2008 enrollment of 11,990 was the highest headcount in ten years. Campus improvements and increased marketing efforts are expected to have a continued positive impact on enrollment.

SIGNIFICANT EVENTS

Mr. Danny Gallant was named Vice President of Finance and Administration in 2008.

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STEPHEN F. AUSTIN STATE UNIVERSITY
 Agency No. 765
 Statement of Net Assets
 For the Fiscal Year Ended August 31, 2008

ASSETS	2008	2007 as restated
Current Assets		
Cash and Cash Equivalents:		
Cash on Hand	\$ 871,812.74	\$ 520,001.50
Cash in Bank	4,233,332.56	7,087,516.93
Cash in Transit/Reimburse from Treasury	99,271.31	487,706.52
Cash in State Treasury	481,282.27	430,903.08
Cash Equivalents	54,445,434.09	45,732,078.12
Short Term Investments	0.00	83,350.58
Restricted:		
Cash and Cash Equivalents		
Cash in Bank	6,986,059.24	7,777,773.26
Cash Equivalents	2,807,476.80	5,293,513.28
Short Term Investments:		
Proceeds from Bond Sales	9,707,334.88	0.00
Legislative Appropriations	3,610,014.16	5,802,594.98
Receivables:		
Intergovernmental Receivables:		
Federal	1,222,141.47	1,889,221.41
State	996,177.47	910,913.04
Interest and Dividends	252,750.28	167,034.69
Student Receivable	8,038,232.97	7,621,658.46
Accounts Receivable	2,289,664.02	1,848,481.92
Gifts/Pledges Receivables	253,550.00	450,000.00
Due From Other Agencies:		
Federal	1,425,621.96	0.00
State	0.00	72,211.89
Consumable Inventories	544,637.83	498,488.59
Prepaid Items	14,739,801.17	13,539,851.55
Student Loans Receivables	2,608,613.50	2,841,563.17
Total Current Assets	115,613,208.72	103,054,862.97

UNAUDITED

STEPHEN F. AUSTIN STATE UNIVERSITY
 Agency No. 755
 Statement of Net Assets
 For the Fiscal Year Ended August 31, 2008

	2008	2007 as restated
Noncurrent Assets		
Restricted:		
Cash Equivalents	290,809.60	309,773.47
Investments		
Endowments	9,181,498.97	9,752,936.66
Student Loans Receivables	6,086,764.84	5,277,188.75
Allowance for Doubtful Accounts	(704,718.49)	(387,644.10)
Unrestricted:		
Investments:		
Operating	20,114,261.56	19,117,412.45
Quasi-Endowments	4,082,180.20	3,841,688.73
Student Accounts Receivables	5,426,100.84	4,364,905.21
Allowance for Doubtful Accounts	(4,010,374.06)	(3,586,755.11)
Capital Assets, Non-depreciable:		
Land and Land Improvements	6,928,322.11	6,692,351.91
Construction in Progress	11,415,080.37	48,326,253.57
Other Capital Assets	650,144.27	650,144.27
Capital Assets, Depreciable:		
Buildings and Building Improvements	283,414,626.65	230,725,818.00
Less Accumulated Depreciation	(142,589,339.97)	(136,048,182.71)
Infrastructure	10,183,040.07	10,183,040.07
Less Accumulated Depreciation	(4,635,297.38)	(4,049,557.94)
Facilities and Other Improvements	6,393,859.30	6,607,889.30
Less Accumulated Depreciation	(3,612,359.40)	(3,524,502.84)
Furniture and Equipment	18,567,887.95	17,440,931.86
Less Accumulated Depreciation	(13,769,787.70)	(13,059,908.44)
Vehicles, Boats, and Aircraft	4,330,492.63	4,286,074.68
Less Accumulated Depreciation	(3,406,301.20)	(3,415,081.66)
Other Capital Assets	15,220,787.14	15,076,416.59
Less Accumulated Depreciation	(12,899,981.00)	(12,592,606.99)
Total Noncurrent Assets	216,657,697.30	205,988,585.73
Total Assets	\$ 332,270,906.02	\$ 309,043,448.70

UNAUDITED

STEPHEN F. AUSTIN STATE UNIVERSITY
 Agency No. 755
 Statement of Net Assets
 For the Fiscal Year Ended August 31, 2008

	2008	2007 as restated
LIABILITIES		
Current Liabilities:		
Payables:		
Accounts Payable	2,989,728.36	4,215,953.96
Payroll Payable	5,784,403.74	5,610,550.55
Deposits	385,862.00	284,100.85
Benefits Payable	1,592,852.47	1,388,898.55
Due to Other Agencies	75,472.87	0.00
Deferred Revenues:		
Tuition and Fees	33,546,338.91	31,557,048.09
Sales and Services	16,332,284.24	14,810,081.63
Grants and Contracts	664,907.87	547,008.34
Employees' Compensable Leave	397,563.43	323,897.38
Capital Lease Obligations	18,175.27	73,577.38
Revenue Bonds Payable	4,000,000.00	3,705,000.00
Tuition Revenue Bonds Payable	1,475,000.00	820,000.00
Accrued Bond Interest Payable	2,205,051.12	1,996,701.10
Funds Held for Others	10,609,743.24	10,155,974.48
Payable From Restricted Assets	2,907,167.25	2,188,276.96
Total Current Liabilities	<u>82,984,550.77</u>	<u>77,677,069.27</u>
Noncurrent Liabilities:		
Deposits	1,031,018.99	709,163.37
Capital Lease Obligations	27,798.35	38,216.94
Employees' Compensable Leave	2,797,319.73	2,604,794.33
Revenue Bonds Payable	96,575,000.00	100,575,000.00
Tuition Revenue Bonds Payable	31,185,000.00	15,055,000.00
Total Noncurrent Liabilities	<u>131,616,137.07</u>	<u>118,982,174.64</u>
Total Liabilities	<u>\$ 214,600,687.84</u>	<u>\$ 196,659,243.91</u>
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	51,007,200.01	47,963,435.32
Restricted for:		
Capital Projects	2,620,479.94	2,218,218.42
Funds Held as Permanent Investments:		
Non-Expendable	6,434,474.01	6,297,795.55
Expendable	2,719,692.56	3,465,590.84
Other	13,829,136.72	13,767,307.75
Unrestricted	41,059,234.94	38,671,856.91
Total Net Assets	<u>\$ 117,670,218.18</u>	<u>\$ 112,384,204.79</u>

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STEPHEN F. AUSTIN STATE UNIVERSITY

Agency No. 755

Statement of Revenues, Expenses, and Changes in Net Assets
For the Fiscal Year Ended August 31, 2008

	<u>2008</u>	<u>2007</u>
Operating Revenues:		
Sales of Goods and Services		
Tuition & Fees - Pledged	\$ 67,239,335.84	\$ 57,443,265.35
Tuition & Fees - Non-Pledged	3,436,715.83	3,294,241.01
Discounts and Allowances	(13,392,577.70)	(12,311,028.58)
Auxiliary Enterprise - Pledged	30,791,331.57	28,323,272.44
Auxiliary Enterprise - Non-Pledged	1,152,566.59	1,411,209.41
Discounts and Allowances	(5,420,832.24)	(5,074,719.48)
Other Sales of Goods and Svcs - Pledged	4,428,406.35	3,754,490.44
Other Sales of Goods and Svcs - Non-Pledged	1,028,787.38	1,230,398.42
Interest and Investment Income	189,528.85	188,607.69
Federal Revenue	17,431,335.02	15,503,619.93
Federal Pass-Through Revenue	3,321,741.43	3,237,153.76
State Grant Revenue	837,983.13	786,906.25
State Grant Pass-Through Revenue	4,042,864.40	3,878,375.45
Local Contracts and Grants	595,523.14	502,474.77
Other Contracts and Grants	302,669.88	416,792.10
Other Operating Revenues - Pledged	4,107.67	10,765.19
Total Operating Revenues	<u>115,989,487.14</u>	<u>102,595,824.15</u>
Operating Expenses:		
Cost of Goods Sold	7,793,097.40	6,570,531.92
Salaries and Wages	75,959,932.65	70,782,231.07
Payroll Related Costs	19,572,226.46	18,445,775.37
Professional Fees and Services	1,624,462.25	1,477,896.43
Travel	2,278,772.90	2,026,919.96
Materials and Supplies	15,038,190.40	17,184,358.00
Communication and Utilities	11,788,437.97	11,475,014.90
Repairs and Maintenance	3,895,941.33	3,114,488.84
Rentals and Leases	2,110,335.99	1,682,376.41
Printing and Reproduction	698,274.37	662,365.70
Federal Pass-Through Expenditure	1,056,689.99	663,594.88
State Pass-Through Expenditure	0.00	63,746.41
Depreciation	9,939,710.39	7,715,953.32
Bad Debt Expense	317,074.39	212,877.49
Interest Expense	476.06	943.66
Scholarships	13,152,370.79	13,125,624.35
Claims and Settlements	250.00	45.00
Other Operating Expenses	5,681,632.97	5,481,912.25
Total Operating Expenses	<u>170,907,876.31</u>	<u>160,686,855.96</u>
Operating Income (Loss)	<u>(54,918,389.17)</u>	<u>(58,090,831.81)</u>

UNAUDITED

STEPHEN F. AUSTIN STATE UNIVERSITY
 Agency No. 765
 Statement of Revenues, Expenses, and Changes in Net Assets
 For the Fiscal Year Ended August 31, 2008

	<u>2008</u>	<u>2007</u>
Non-Operating Revenues (Expenses):		
Legislative Revenue	43,677,367.00	40,045,552.50
Additional Appropriations	10,756,380.31	9,824,597.22
Federal Pass Through Revenue	0.00	13,611.22
Gifts - Nonpledged	2,431,849.99	2,247,463.40
Gifts - Pledged	35,931.76	0.00
Land Income	3,200.00	100.00
Other Rental Income	2,767.59	0.00
Investment Income - Pledged	2,405,550.47	2,370,880.14
Investment Income - Non-Pledged	290,619.25	369,273.39
Net Increase (Decrease) Fair Value - Pledged	325,691.67	167,467.21
Net Increase (Decrease) Fair Value - Nonpledged	(496,831.27)	0.00
Investing Activities Expenses	(80,558.91)	(16,753.30)
Income on Loans Receivable	(115,694.24)	217,006.40
Interest Income on Capital Investments-Pledged	34,097.22	121,310.28
Interest Expenses and Fiscal Charges	(5,216,737.93)	(3,487,419.12)
Gain (Loss) on Sale of Capital Assets	(119,971.47)	(16,040.01)
Settlement of Claims	(12,219.21)	260,510.76
Other Non-Operating Expenses	(1,615.00)	(10,630.00)
Total Non-Operating Revenues (Expenses)	<u>53,919,827.23</u>	<u>52,106,930.09</u>
Income (Loss) Before Other Revenues, Expenses, Gains/Losses and Transfers	<u>(998,561.94)</u>	<u>(5,983,901.72)</u>
Other Revenues, Expenses, Gains/Losses and Transfers		
Capital Contributions	372,360.77	1,795,674.26
Capital Appropriations (Higher Education Fund)	7,025,771.00	4,683,847.00
Additions to Permanent and Term Endowments	136,678.46	835,173.22
Lapsed Appropriations	(550,000.00)	0.00
Transfers In	0.00	0.00
Transfers Out	(700,234.90)	(854,614.28)
Total Other Revenue, Expenses, Gain/Losses and Transfers	<u>6,284,575.33</u>	<u>6,460,080.20</u>
Change in Net Assets	<u>5,286,013.39</u>	<u>476,178.48</u>
Net Assets, Beginning of Year	113,091,719.44	112,615,540.96
Restatements	(707,514.65)	0.00
Net Assets, Beginning of Year, as Restated	<u>112,384,204.79</u>	<u>112,615,540.96</u>
Net Assets, August 31, 2008	<u>\$ 117,670,218.18</u>	<u>\$ 113,091,719.44</u>

See accompanying Notes to the Financial Statements

UNAUDITED

STEPHEN F. AUSTIN STATE UNIVERSITY
 Agency No. 755
 Matrix of Operating Expenses by Function
 For the Fiscal Year Ended August 31, 2008

<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	\$ 632.95	\$ 0.00	\$ 2,221.58	\$ 65,546.92	\$ 15,850.12	\$ (327.84)
Salaries and Wages	38,751,660.13	3,561,451.75	426,096.06	6,184,632.04	4,951,944.81	6,869,671.79
Payroll Related Costs	8,274,255.47	723,032.59	71,343.08	1,377,327.52	1,013,592.58	3,663,892.87
Professional Fees and Services	293,669.40	248,577.76	101,491.06	124,841.68	170,650.55	119,195.79
Travel	508,973.48	216,292.08	24,370.95	360,387.19	181,292.48	125,012.29
Materials and Supplies	3,066,852.43	817,931.94	254,737.10	1,532,608.31	1,484,551.10	2,101,364.69
Communications and Utilities	134,197.94	18,179.96	1,756.32	905,217.43	84,341.02	(199,603.44)
Repairs and Maintenance	281,790.42	90,980.71	12,037.60	177,565.78	148,930.33	715,037.35
Rentals and Leases	533,408.90	211,008.86	105,079.35	47,284.76	267,832.48	170,717.31
Printing and Reproduction	147,978.04	14,567.48	97,639.40	99,476.89	339,214.67	(255,815.65)
Federal Pass-Through Expense	0.00	1,055,193.64	1,496.35	0.00	0.00	0.00
State Pass-Through Expense	0.00	0.00	0.00	0.00	0.00	0.00
Depreciation	0.00	0.00	0.00	0.00	0.00	0.00
Bad Debt Expense	0.00	0.00	0.00	0.00	317,074.39	0.00
Interest	0.00	0.00	0.00	0.00	0.00	360.26
Scholarships	0.00	0.00	0.00	0.00	0.00	0.00
Claims and Judgments	0.00	0.00	0.00	0.00	0.00	0.00
Other Operating Expenses	1,441,749.40	182,741.05	75,014.26	350,613.72	350,160.86	1,382,462.99
	<u>\$ 53,415,168.56</u>	<u>\$ 7,139,957.82</u>	<u>\$ 1,173,283.11</u>	<u>\$ 11,225,502.24</u>	<u>\$ 9,325,435.37</u>	<u>\$ 14,691,968.41</u>

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STEPHEN F. AUSTIN STATE UNIVERSITY
 Agency No. 755
 Matrix of Operating Expenses by Function
 For the Fiscal Year Ended August 31, 2008

<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	\$ 6,970.20	\$ 0.00	\$ 7,702,203.47	\$ 0.00	\$ 7,793,097.40
Salaries and Wages	4,611,217.50	0.00	10,603,258.57	0.00	75,959,932.65
Payroll Related Costs	1,352,069.43	0.00	3,096,712.92	0.00	19,572,226.46
Professional Fees and Services	225,171.80	0.00	340,864.41	0.00	1,624,462.25
Travel	11,641.37	0.00	850,803.06	0.00	2,278,772.90
Materials and Supplies	2,862,928.61	0.00	2,917,216.22	0.00	15,038,190.40
Communications and Utilities	6,057,401.31	0.00	4,786,947.43	0.00	11,788,437.97
Repairs and Maintenance	46,211.70	0.00	2,443,387.44	0.00	3,895,941.33
Rentals and Leases	54,253.31	0.00	720,751.04	0.00	2,110,335.99
Printing and Reproduction	1,964.65	0.00	253,248.89	0.00	698,274.37
Federal Pass-Through Expense	0.00	0.00	0.00	0.00	1,058,689.99
State Pass-Through Expense	0.00	0.00	0.00	0.00	0.00
Depreciation	0.00	0.00	0.00	9,939,710.39	9,939,710.39
Bad Debt Expense	0.00	0.00	0.00	0.00	317,074.39
Interest	115.80	0.00	0.00	0.00	476.06
Scholarships	0.00	13,152,370.79	0.00	0.00	13,152,370.79
Claims and Judgments	0.00	0.00	250.00	0.00	250.00
Other Operating Expenses	686,829.50	0.00	1,212,061.19	0.00	5,681,632.97
	<u>\$ 15,916,774.98</u>	<u>\$ 13,152,370.79</u>	<u>\$ 34,927,704.64</u>	<u>\$ 9,939,710.39</u>	<u>\$ 170,807,876.31</u>

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STEPHEN F. AUSTIN STATE UNIVERSITY
 Agency No. 755
 Statement of Cash Flows
 For the Fiscal Year Ended August 31, 2008

	<u>2008</u>	<u>2007</u>
Cash Flows From Operating Activities		
Proceeds Received from Tuition and Fees	\$ 58,218,613.60	\$ 51,280,878.87
Proceeds Received from Auxiliary Services	28,045,268.53	26,257,550.71
Proceeds Received from Other Sales and Services	5,411,044.49	4,986,997.57
Proceeds from Grants and Contracts	25,616,095.14	23,982,124.28
Proceeds from Interest Income	189,528.85	631,202.73
Proceeds from Other Revenues	4,107.67	10,765.19
Payments to Suppliers for Goods and Services	(52,576,553.28)	(50,138,407.58)
Payments to Employees for Salaries	(75,519,888.01)	(70,502,991.55)
Payments to Employees for Benefits	(19,368,272.54)	(18,429,018.97)
Payments for Loans Issued to Students and Employees	(692,320.66)	1,692,826.38
Proceeds from Other Activities	321,605.62	(58,097.28)
Payments to Students for Scholarships	(13,796,790.50)	(15,105,556.15)
Payments for Interest Expense	(476.06)	(943.66)
Net Cash Provided (Used) by Operating Activities	<u>(44,148,037.15)</u>	<u>(45,392,669.46)</u>
Cash Flows from Noncapital Financing Activities		
Proceeds from State Appropriations	56,076,328.13	54,627,928.24
Proceeds from Gifts	2,467,781.75	2,247,463.40
Payments of Transfers to Other Agencies	(700,234.90)	(540,080.44)
Payments for Claims and Settlements	(12,219.21)	260,510.76
Payments for Other Expenses	(1,615.00)	(10,630.00)
Proceeds from the Sale of Endowment Investments	708,116.15	(374,765.19)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>58,538,156.92</u>	<u>56,210,426.77</u>
Cash Flows from Capital and Related Financing Activities		
Proceeds from Sale of Capital Assets	43,142.50	-
Proceeds from Debt Issuance	20,182,756.68	-
Proceeds from State Appropriations-Higher Education Funds (HEF)	7,025,771.00	4,683,847.00
Proceeds from Capital Grants and Gifts	568,810.77	39,285.48
Proceeds from Other Financing Activities	3,200.00	100.00
Proceeds from Other Rental Income	2,767.59	-
Payments for Net Increase (Decrease) in Fair Value	(171,139.60)	-
Proceeds from Interest on Capital Investments	34,097.22	121,310.28
Payments for Additions to Capital Assets	(18,994,918.53)	(27,900,800.66)
Payments of Principal on Capital Debt	(7,168,577.38)	(4,734,970.23)
Payments of Interest on Capital Debt	(5,008,387.91)	(3,584,510.70)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(3,482,477.66)</u>	<u>(31,355,738.83)</u>
Cash Flows from Investing Activities		
Payments for the Purchase of Investments	(1,153,990.00)	912,186.83
Proceeds from Interest Income from Investments	2,529,895.22	2,890,867.44
Payments for the Purchase of Investments with Bond Proceeds	(9,707,334.88)	993,085.00
Net Cash Provided (Used) by Investing Activities	<u>(8,331,429.66)</u>	<u>4,796,139.27</u>
Increase (Decrease) in Cash and Cash Equivalents	<u>\$ 2,576,212.45</u>	<u>\$ (15,741,842.25)</u>

See accompanying Notes to the Financial Statements

STEPHEN F. AUSTIN STATE UNIVERSITY
Agency No. 755
Statement of Cash Flows
For the Fiscal Year Ended August 31, 2008

	<u>2008</u>	<u>2007</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Operating Income (Loss)	\$ (54,918,389.17)	\$ (58,090,831.81)
Amorization and Depreciation	9,939,710.39	7,715,953.32
Bad Debt Expense	317,074.39	212,877.49
Operating Income and Cash Flow Categories		
Changes in Current Assets and Liabilities		
(Increase) Decrease in Legislative Appropriations	2,192,580.82	4,757,778.52
(Increase) Decrease in Receivables	(79,491.01)	(4,146,657.01)
(Increase) Decrease in Inventories	(46,149.24)	2,108.71
(Increase) Decrease in Loans to Students	117,255.43	516,536.99
(Increase) Decrease in Prepaid Expenses	(1,199,949.62)	(1,427,256.26)
(Increase) Decrease in Due from Other Agencies	(1,353,410.16)	30,408.94
Increase (Decrease) in Payables	(27,767.05)	1,282,819.26
Increase (Decrease) in Due to Other Agencies	75,472.87	-
Increase (Decrease) in Deferred Income	3,629,392.96	5,997,652.40
Increase (Decrease) in Compensated Absences	73,666.05	33,813.56
Increase (Decrease) in Current Portion of Bonds Payable	1,158,350.02	106,438.04
Increase (Decrease) in Assets Held for Others	453,768.76	(594,708.23)
Changes in Non-Current Assets and Liabilities		
Increase (Decrease) in Compensated Absences	192,525.40	203,209.24
Increase (Decrease) in Deposits Payable	321,855.62	(58,052.28)
(Increase) Decrease in Student Receivables	(637,576.68)	1,303,166.83
(Increase) Decrease in Loans to Students	(809,576.09)	1,176,289.39
Cash Reported in Other Categories		
Increase (Decrease) in Legislative Appropriations	(2,192,580.82)	(4,757,778.52)
Increase (Decrease) of Gifts Receivable	(196,450.00)	450,000.00
(Increase) Decrease in Current Portion of Bonds Payable	(1,158,350.02)	(106,438.04)
Net Cash Provided (Used) by Operating Activities	<u>\$ (44,148,037.15)</u>	<u>\$ (45,392,669.46)</u>
Cash and Cash Equivalents, August 31, 2007	\$ 67,639,266.16	\$ 83,381,108.41
Increase (Decrease) in Cash and Cash Equivalents	<u>2,576,212.45</u>	<u>(15,741,842.25)</u>
Cash and Cash Equivalents, August 31, 2008	<u>\$ 70,215,478.61</u>	<u>\$ 67,639,266.16</u>
Displayed as:		
Cash on Hand	\$ 871,812.74	\$ 520,001.50
Cash in Bank	4,233,332.56	7,087,516.93
Cash in Transit/Reimb. Due from Treasury	99,271.31	487,706.52
Cash in State Treasury	481,282.27	430,903.08
Cash Equivalents	54,445,434.09	45,732,078.12
Cash in Bank, Restricted	8,986,059.24	7,777,773.26
Cash Equivalents, Restricted	2,807,476.80	5,293,513.28
Non-Current Cash Equivalents, Restricted	290,809.60	309,773.47
	<u>\$ 70,215,478.61</u>	<u>\$ 67,639,266.16</u>

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NOTE 1: Summary of Significant Accounting Policies

Entity

Stephen F. Austin State University (the University) is an agency of the State of Texas (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 15.

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.

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 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.

Fund Structure

The accompanying financial statements are presented on the basis of funds, each of which is considered a separate accounting entity.

Proprietary Fund Type

Enterprise Funds

Enterprise Funds are used to account for any activity for which a fee is charged to external users for goods or services. Activities must be reported as Enterprise Funds if any one of the following criteria is met.

1. The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity.
2. Laws or regulations require that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges.
3. The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs.

Fiduciary Fund Types

Fiduciary Funds account for assets held by the University in a trustee capacity or as an agent for individuals, private organizations, and/or other governments.

Agency Funds

Agency Funds are used to account for assets the University holds on behalf of others in a purely custodial capacity. Agency Funds involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments. These funds are recognized on the Statement of Net Assets in Restricted Cash and Funds Held for Others.

Basis of Accounting

The basis of accounting determines when revenues and expenditures or expenses are recognized in the accounts reported in the financial statements. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus.

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Proprietary Funds are accounted for on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time liabilities are incurred, subject to materiality. Proprietary Funds distinguish operating from non-operating items. Operating revenues and expenses result from providing services or producing and delivering goods in connection with the Proprietary Funds principal ongoing operations. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets, and other expenses.

Budget and Budgetary Accounting

The State of Texas budget is prepared biennially and represents appropriations authorized by the Legislature and approved by the Governor through the General Appropriations Act. Additionally, the University prepares an annual budget which represents anticipated sources of revenue and authorized uses. This budget is approved by the Board of Regents. Unencumbered appropriations are generally subject to lapse 60 days after the end of the fiscal year for which they were appropriated.

Assets, Liabilities, and Net Assets

ASSETS

Cash and Cash Equivalents

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

Restricted Assets

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

Inventories

Inventories include both merchandise inventories on hand for sale and consumable inventories. Inventories are valued at cost. The cost of these items is expensed when the items are sold or consumed.

Deferred Charges

Deferred charges include prepaid expenses attributable to a subsequent fiscal year, including scholarships attributed to the 2008 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 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.

Current Receivables

Current receivables are specified in the Statement of Net Assets. They include amounts that are reasonably expected to be received in fiscal year 2009.

Non-current Receivables

Non-current 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 2009.

LIABILITIES

Accounts Payable

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

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Notes to the Financial Statements
August 31, 2008

Other Payables

Other Payables are the accrual at year-end of expenditure transactions not included in any of the other payable descriptions.

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. Liabilities are reported separately as either current or non-current in the Statement of Net Assets. These obligations are normally paid from the same funding source from which the 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 contingent upon the continued appropriation funding by the Legislature. Liabilities are reported separately in the Statement of Net Assets as either current, for the amounts due within one year, or non-current, 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 non-current, for the amounts due thereafter. Bonds payable are recorded at par. 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 non-current, for the amounts due thereafter. Bonds payable are recorded at par. 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 non-current, for the amounts due thereafter. Bonds payable are recorded at par. Interest expense is reported on the accrual basis.

NET ASSETS

The difference between fund assets and liabilities is "Net Assets" on the proprietary fund statements.

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 net asset 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.

INTERFUND ACTIVITIES AND BALANCES

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.

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- Reimbursements: Repayments from funds responsible for expenditures or expenses to funds that made the actual payment. Reimbursements of expenditures made by one fund for another that are recorded as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund. Reimbursements are not displayed in the financial statements.
- Interfund Receivables and Payables: Interfund loans are reported as interfund receivables and payables. If repayment is due during the current year or soon thereafter, it is classified as "Current"; repayment for two or more years is classified as "Non-current."
- 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 8.

NOTE 2: Capital Assets

Revenue received from the sale of surplus property has been transferred to Unappropriated General Revenue in accordance with HB7, Sec. 20.

A summary of changes in Capital Assets for the year ended August 31, 2008, is presented below:

BUSINESS-TYPE ACTIVITIES	Balance 09/01/07	Adj.	Reclassifications Completed CIP	Additions	Deletions	Balance 08/31/08
Non-Depreciable Assets						
Land and Land Improvements	\$ 6,692,351.91	\$ -	\$ -	\$ 235,970.20	\$ -	\$ 6,928,322.11
Construction in Progress	49,033,768.22	(707,514.65)	(53,257,760.21)	16,346,587.01	-	11,415,080.37
Other Assets	650,144.27	-	-	-	-	650,144.27
Total Non-Depreciable Assets	56,376,264.40	(707,514.65)	(53,257,760.21)	16,582,557.21	-	18,993,546.75
Depreciable Assets						
Buildings and Bldg Improvements	230,725,818.00	-	53,257,760.21	198,923.44	(767,875.00)	283,414,626.65
Infrastructure	10,183,040.07	-	-	-	-	10,183,040.07
Facilities & Other Improvements	6,607,889.30	-	-	-	(214,030.00)	6,393,859.30
Furniture and Equipment	17,440,931.86	-	-	1,680,716.13	(553,760.04)	18,567,887.95
Vehicle, Boats & Aircraft	4,286,074.68	-	-	345,195.67	(300,777.72)	4,330,492.63
Other Assets	15,076,416.59	-	-	187,526.08	(43,155.53)	15,220,787.14
Total Depreciable Assets at Historical Costs	284,320,170.50	-	53,257,760.21	2,412,361.32	(1,879,598.29)	338,110,693.74
Less Accumulated Depreciation for:						
Buildings and Improvements	(136,048,182.71)	-	-	(7,270,638.51)	729,481.25	(142,589,339.97)
Infrastructure	(4,049,557.94)	-	-	(585,739.44)	-	(4,635,297.38)
Facilities & Other Improvements	(3,524,502.84)	-	-	(205,409.51)	117,552.95	(3,612,359.40)
Furniture and Equipment	(13,059,908.44)	-	-	(1,255,930.56)	546,051.30	(13,769,787.70)
Vehicles, Boats & Aircraft	(3,415,081.66)	-	-	(279,320.11)	288,100.57	(3,406,301.20)
Other Capital Assets	(12,592,606.99)	-	-	(342,672.26)	35,298.25	(12,899,981.00)
Total Accumulated Depreciation	(172,689,840.58)	-	-	(9,939,710.39)	1,716,484.32	(180,913,066.65)
Depreciable Assets, Net	111,630,329.92	-	53,257,760.21	(7,527,349.07)	(163,113.97)	157,197,627.09
Business-Type Activities Capital Assets, Net	\$ 168,006,594.32	\$(707,514.65)	\$ -	\$ 9,055,208.14	\$ (163,113.97)	\$ 176,191,173.84

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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, 2008, the carrying amount of deposits was \$19,185,820.37 as presented below:

Business-Type Activities

CASH IN BANK – CARRYING VALUE	\$19,185,820.37
Less: Certificates of Deposit included in carrying value and reported as non-current investments	7,966,428.57
Less: Uninvested Securities Lending Cash Collateral included in carrying value and reported as Securities Lending Collateral	0.00
Less: Securities Lending CD Collateral included in carrying value and reported as Securities Lending Collateral	0.00
Cash in Bank per AFR	\$11,219,391.80
Proprietary Funds Current Assets Cash in Bank	\$4,233,332.56
Proprietary Funds Current Assets Restricted Cash in Bank	6,986,059.24
Proprietary Funds Non-Current Restricted Cash in Bank	0.00
Cash in Bank per AFR	\$11,219,391.80

These amounts consist of all cash in local 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 included in non-current investments.

As of August 31, 2008, the total bank balance was as follows:

Business-Type Activities	\$20,539,358.15	Fiduciary Funds	\$0.00
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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 or 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 Article 2529d, the Public Funds Collateral Act. Evidence of the pledged collateral associated with bank demand accounts shall be maintained by the University Controller.

Amounts insured by the FDIC were \$517,216.81. Although there were no significant violations of legal provisions during the fiscal year, in April, 2008 \$35,736 of the University's deposits were briefly uninsured and uncollateralized. The bank balances at August 31, 2008 that are exposed to custodial credit risks are as follows:

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
\$0.00	\$20,022,141.34	\$0.00

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Investments

The fair value of the University's investments as of August 31, 2008 is presented below:

Business-Type Activities	Fair Value
U.S. Government	
U.S. Treasury Securities	\$17,766,464.23
U.S. Treasury Strips	0.00
U.S. Treasury TIPS	0.00
U.S. Government Agency Obligations (Ginnie Mae, Fannie Mae, Freddie Mac, Sallie Mae, etc)	9,550,131.16
U.S. Government Agency Obligations (Texas Treasury Safekeeping Trust Co)	0.00
Corporate Obligations	1,911,328.59
Corporate Asset and Mortgage Backed Securities	0.00
Equity	3,426,106.00
International Obligations (Government and Corp)	103,930.00
International Equity	930,741.03
Repurchase Agreement	0.00
Repurchase Agreement (Texas Treasury Safekeeping Trust Co)	0.00
Fixed Income Money Market and Bond Mutual Fund	3,591,888.07
Other Commingled Funds	0.00
International Other Commingled Funds	0.00
Other Commingled Funds (Texpool)	25,109,242.35
Commercial Paper	0.00
Securities Lending Collateral Investment Pool	0.00
Real Estate	0.00
Alternative Investments	1,430,146.33
Miscellaneous (political subdivision, bankers' acceptance, negotiable CD)	0.00
Total	\$63,819,977.76

Displayed on Statement of Net Assets as:	
Current Assets:	
Cash Equivalents	\$54,445,434.09
Short-Term Investments: Proceeds from Bond Sales	9,707,334.88
Restricted Cash Equivalents	2,807,476.80
Non-Current Assets:	
Restricted:	
Cash Equivalents	290,809.60
Investments: Endowments	9,181,498.97
Unrestricted:	
Investments: Quasi-Endowments	4,082,180.20
Investments: Operating	20,114,261.56
Subtotal	100,628,996.10
Less: Certificates of Deposit	7,966,428.57
Less: Sweep accounts reported as current cash equivalents	28,842,589.77
Total	\$63,819,977.76

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Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Stephen F. Austin State University Board Policy C-41, *Investments*, limits investments in the following: bankers acceptances must be rated not less than A-1 or P-1 or equivalent by at least one nationally recognized credit rating agency; commercial paper must be rated not less than A-1 or P-1 or equivalent by at least two nationally recognized credit rating agencies or one nationally recognized credit rating agency and fully secured by an irrevocable letter of credit issued by a bank.

As of August 31, 2008, the University's credit quality distribution for securities with credit risk exposure was as follows:

Standard & Poor's

Investment Type	AAA	AA	A	NR
U.S. Government Agency Obligations (Excludes obligations explicitly guaranteed by the U.S. Government)	\$9,550,131.16	\$0.00	\$0.00	\$0.00
U.S. Government Agency Obligations (Texas Treasury Safekeeping Trust Co)	0.00	0.00	0.00	0.00
Corporate Obligations	1,636,864.00	171,599.12	102,865.47	0.00
Corporate Asset and Mortgage Backed Securities	0.00	0.00	0.00	0.00
International Obligations	0.00	103,930.00	0.00	0.00
Repurchase Agreements	0.00	0.00	0.00	0.00
Alternative Investments	0.00	0.00	0.00	1,430,146.33
	AAAf	AAf	Unrated	
Fixed Income Money Market and Bond Mutual Fund	\$0.00	\$0.00	\$3,591,888.07	
	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, 2008, 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. There were no significant violations of legal or contractual provisions during the year.

As of August 31, 2008, the University was not participating in reverse repurchase agreements.

Securities Lending

The University did not participate in securities lending transactions during fiscal year 2008.

Derivative Investing

The University did not participate in derivative investing transactions during fiscal year 2008.

NOTE 4: Short-Term Debt

The University had no short-term debt as of August 31, 2008.

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NOTE 5: Summary of Long-Term Liabilities

Changes in Long-Term Liabilities

During the year ended August 31, 2008, the following changes occurred in liabilities:

Business-Type Activities	Balance 09/01/07	Additions	Reductions	Balance 08/31/08	Amounts Due Within One Year	Amounts Due Thereafter
Revenue Bonds Payable	\$104,280,000.00	\$0.00	\$3,705,000.00	\$100,575,000.00	\$4,000,000.00	\$96,575,000.00
Tuition Revenue Bonds Payable	15,875,000.00	20,175,000.00	3,390,000.00	32,660,000.00	1,475,000.00	31,185,000.00
Capital Lease Obligations	111,794.32	7,756.68	73,577.38	45,973.62	18,175.27	27,798.35
Employees' Compensable Leave	2,928,691.71	549,984.32	283,792.87	3,194,883.16	397,563.43	2,797,319.73
Total Business-Type Activities	\$123,195,486.03	\$20,732,741.00	\$7,452,370.25	\$136,475,856.78	\$5,890,738.70	\$130,585,118.08

Deposits Payable

Deposits payable are also included in long term liabilities, but are not presented on this table. This liability includes both students' general deposits and housing deposits. A calculation is made of the estimated amounts that will be refunded within the next year. The portion that is estimated to be paid within one year is included in current liabilities.

Claims and Judgments

The University had no unpaid settlements or judgments as of August 31, 2008.

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 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.

NOTE 6: 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, have been recorded at the present value of the future minimum lease payments at the inception of the lease. The following is a summary of original capitalized costs of all such property under lease as well as the accumulated depreciation as of August 31, 2008:

Assets Under Capital Leases	Business-Type Activities
Furniture and Equipment	\$889,917.94
Less: Accumulated Depreciation	810,763.10
Vehicles	375,000.00
Less: Accumulated Depreciation	193,750.00
Total	\$260,404.84

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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 Lease Payments	Business-Type Activities		
	Principal	Interest	Total
2009	\$18,175.27	\$1,581.16	\$19,756.43
2010	13,982.81	1,272.87	15,255.68
2011	10,474.83	568.87	11,043.70
2012	1,625.11	130.13	1,755.24
2013	1,715.60	46.99	1,762.59
2014-2018	0.00	0.00	0.00
Total Minimum Lease Payments	\$45,973.62	\$3,600.02	\$49,573.64
Less: Amount Representing Interest at Various Rates			3,600.02
Present Value of Net Minimum Lease Payments			\$45,973.62

NOTE 7: Operating Lease Obligations

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

Fund Type	Amount
Enterprise Fund	\$392,681.61

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

Year Ended August 31	
2009	\$331,439.39
2010	260,183.66
2011	157,308.08
2012	101,101.96
2013	24,469.50
2014-2018	0.00

NOTE 8: Interfund Balances/Activities

As explained in Note 1 on Interfund Activities and Balances, there are numerous transactions between funds and agencies. At year-end amounts to be received or paid are reported as:

- Interfund Receivables or Interfund Payables
- Due From Other Agencies or Due To Other Agencies
- Due From Other Funds or Due To Other Funds
- Transfers In or Transfers Out
- Legislative Transfers In or Legislative Transfers Out

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

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Individual balances and activity at August 31, 2008, follows:

	Due From Other Agencies	Due To Other Agencies	Source
ENTERPRISE FUND (05)			
Appd Fund 5015, D23 Fund 5015			
Agency 601, D23 Fund 5015	\$3,807.73		State Pass Through
ENTERPRISE FUND (05)			
Appd Fund 9999, D23 Fund 7999			
Agency 721, D23 Fund 7999		\$5,564.08	Federal Pass Through
Agency 781, D23 Fund 0001		41,759.68	State Pass Through
Agency 781, D23 Fund 0001		28,149.11	Federal Pass Through
Agency 771, D23 Fund 0148	86,744.97		Federal Pass Through
Agency 723, D23 Fund 7999	16,822.96		Federal Pass Through
Agency 401, D23 Fund 0449	1,186,720.31		Federal Pass Through
Agency 530, D23 Fund 0001	90,598.66		Federal Pass Through
Agency 580, D23 Fund 4831	8,224.13		State Pass Through
Agency 582, D23 Fund 1531	1,064.82		State Pass Through
Agency 701, D23 Fund 0148	11,239.42		Federal Pass Through
Agency 721, D23 Fund 7999	3,973.45		Federal Pass Through
Agency 781, D23 Fund 0824	3,566.78		State Pass Through
Agency 802, D23 Fund 0920	10,414.86		State Pass Through
Agency 907, D23 Fund 0224	2,443.87		Federal Pass Through
Total Due From/To Other Agencies	\$1,425,621.96	\$75,472.87	

	Transfer In	Transfer out	Purpose (Disclosure Required)
ENTERPRISE FUND (05)			
Agency 781, D23 Fund 0001		\$1,786.00	Doctoral Set-Aside
Total Transfers for Fund 0261		1,786.00	
ENTERPRISE FUND (05)			
Appd Fund 5103, D23 Fund 5103			
Agency 781, D23 Fund 5103		698,448.90	Texas B-On-Time
Total Transfers for Fund 5103		698,448.90	
Total Transfers		\$700,234.90	

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

NOTE 9: Contingent Liabilities

As of August 31, 2008, there were no lawsuits pending; however, some miscellaneous claims involving the University 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.

NOTE 10: Continuance Subject to Review (Not Applicable)

NOTE 11: Risk Financing and Related Insurance

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.

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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 \$274,608.20 was executed on behalf of the University for Worker's Compensation Insurance during the year ended August 31, 2008. A mid-year assessment adjustment in the amount of \$12,911.49 for 2008 was paid in April 2008 and recorded as an 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 percent time. The coverages are provided through the State, under the Texas Employees Group Benefits Program (GBP), which is administered by Blue Cross Blue Shield of Texas. 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 \$5,582,606.27 for the year ended August 31, 2008.

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 2008, 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 \$25,000 per injured person, up to a total of \$50,000 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 \$500,000 combined single limit for bodily injury and property damage. One vehicle, a 56-passenger bus, carries a \$1,000,000 limit per contractual requirements. The annual premium was \$67,131.00 with a deductible paid of \$5,187.16.

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 12: Segment Information (Not Applicable)

NOTE 13: Bonded Indebtedness

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; and Schedule 2F, Early Extinguishment and Refunding.

General information related to bonds payable is summarized below:

Board of Regents of Stephen F. Austin State University Revenue Financing System, Texas Public Finance Authority Revenue Bonds - Series 1998

- To provide funds for renovations to Miller Science Building.
- Issued 9-1-98.
- \$6,000,000; all authorized bonds have been issued.
- Source of revenue for debt service:
 - Pledged Student Tuition
 - Other Pledged Revenues
- Changes in Debt: Paid during fiscal year \$270,000; Outstanding at year end \$3,965,000.

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Board of Regents of Stephen F. Austin State University Revenue Financing System, Texas Public Finance Authority Revenue Bonds - Series 2000

- To provide funds for improvements to residence halls and student apartments.
- Issued 3-1-00.
- \$7,000,000; all authorized bonds have been issued.
- Source of revenue for debt service:
 - Pledged Student Tuition
 - Other Pledged Revenues
- Changes in Debt: Paid during fiscal year \$1,000,000; Outstanding at year end \$2,000,000.

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; all authorized bonds have been issued.
- Source of revenue for debt service:
 - Pledged Student Tuition
 - Other Pledged Revenues
- Changes in Debt: Paid during fiscal year \$550,000; Outstanding at year end \$11,090,000.

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

- To provide funds for renovation of the stadium press box.
- Issued 12-19-02.
- \$1,320,000; all authorized bonds have been issued.
- Source of revenue for debt service:
 - Pledged Student Tuition
 - Other Pledged Revenues
- Changes in Debt: Paid during fiscal year \$170,000; Outstanding at year end \$555,000.

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; 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: Paid during fiscal year \$965,000; Outstanding at year end \$23,195,000.

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; 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: Paid during fiscal year \$195,000; Outstanding at year end \$4,895,000.

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

- 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.

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- Issued 6-23-05.
- \$17,215,000; 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: Paid during fiscal year \$610,000; Outstanding at year end \$16,020,000.

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; 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: Paid during fiscal year \$765,000; Outstanding at year end \$53,910,000.

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

- To provide funds to construct a new educational resource center facility which will provide an Early Childhood laboratory for the College of Education and a charter school campus.
- Issued 03-04-08.
- \$20,175,000; 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: Issued during fiscal year \$20,175,000; Paid during fiscal year \$2,570,000; Outstanding at year end \$17,605,000.

Advance Refunding Bonds

No bonds were advance refunded during the year.

NOTE 14: Subsequent Events

During the 80th regular session of the Texas Legislature, legislators approved \$30,178,000 in funding for the University for Tuition Revenue Bonds for projects previously approved but not funded during the 79th legislative session. These projects included requests for funding for the Education Research Center and deferred maintenance projects. The Board of Regents asked for authorization to build an Education Research Center at a project cost not to exceed \$28,000,000. Bonds were issued in 2008 for \$20,175,000 for the Education Research Center. The balance of the project will be funded with general obligation (HEF) bonds. The University plans to issue those remaining bonds in December 2008.

Also, during the 80th regular session, legislators authorized \$13,000,000 of additional Tuition Revenue Bond funding for the University to construct a nursing facility on property donated to the University. This gift is contingent on the University's ability to use the building as a nursing facility within three years after the donor vacates the property. In October, 2007, the Board of Regents authorized the University to seek approval from the Texas Higher Education Coordinating Board for the construction of a nursing facility at a project cost not to exceed \$13,000,000. The University plans to issue those bonds with the balance of the \$10,000,000 approved for deferred maintenance projects in 2009.

NOTE 15: Related Parties

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

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Quarterjack Club. Since the University's Board of Regents is not financially accountable for these entities and does not appoint their board members, they are not considered Related Parties per GASB Statement 14, *The Financial Reporting Entity*, and GASB Statement 39, *Determining Whether Certain Organizations Are Component Units*. Accordingly, their financial data are not included in this financial report.

The Stephen F. Austin State University Foundation, Inc. is a non-profit organization with the sole purpose of supporting the educational and other activities of the University. The Foundation solicits donations and acts as coordinator of gifts made by other parties for the use and benefit of the University. The University's Vice President for Development 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 provides personnel, office space, equipment and supplies as necessary for the Foundation to carry out its responsibilities 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 Development 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 Tip-In Club is a non-profit organization which exists with the sole purpose of supporting the Lumberjack Basketball program. It solicits donations, 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 activity to ensure compliance with National Collegiate Athletic Association's (NCAA) requirements.

The Stephen F. Austin Quarterjack Club is a non-profit organization which exists with the sole purpose of supporting the Lumberjack Football program. It solicits donations, manages and holds gifts for the sole benefit of the men's intercollegiate football 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 activity to ensure compliance with National Collegiate Athletic Association's (NCAA) requirements.

NOTE 16: Stewardship, Compliance, and Accountability

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

NOTE 17: The Financial Reporting Entity and Joint Ventures

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.

NOTE 18: Restatement of Net Assets

In 2008, the University discontinued plans to construct a baseball stadium. Capitalized costs of \$707,514.65 associated with architect fees and flood plain studies included in the prior year Construction in Progress were reclassified as a restatement of Net Assets, Invested in Capital Assets, Net of Related Debt.

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NOTE 19: Employees Retirement 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 6.58% and 6.4 %, respectively, of annual compensation. TRS does not separately account for each of its component government agencies, since the Retirement System 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 the optional retirement program 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 optional retirement program 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 1995 are 8.5% and 6.65% by the State and each participant, respectively. The State's contribution is comprised of 6.58% from the ORP appropriation and 1.92% from other funding sources. The 6.58% contribution is mandatory with the other 1.92% being at the discretion of the Board. 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 6.58% 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 27, paragraph 27(d) requires that university system offices and independent universities that administer the ORP must disclose the amounts contributed by members and by the employer for that plan. The amount contributed by the University employees for the 2008 fiscal year was \$1,930,515.00 and the amount contributed by the University was \$2,177,789.00.

NOTE 20: 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., sec 609.001. 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.

NOTE 21: Donor-Restricted Endowments

Donor-Restricted Endowment	Amounts of Net Appreciation	Reported in Net Assets
True Endowments	\$2,712,406.86	Funds Held as Permanent Endowments, Expendable
Term Endowments	7,285.70	Funds Held as Permanent Endowments, Expendable
Total	\$2,719,692.56	

The University spending policy was revised in 2007. The policy provides for a target distribution rate of between 4 and 5 percent. 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 will be added to a contingency reserve that may be distributed during years of poor investment performance. In 2008, 4% of total earnings was distributed to scholarship accounts and 2.4% was added back to the balance of each individual endowment account. No amounts were added to the contingency reserve account.

NOTE 22: Management Discussion and Analysis

See Pages 4-10.

Austin State Uni
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Notes to the Financial Statements
August 31, 2008

NOTE 23: Post Employment Health Care and Life Insurance Benefits (Not Applicable)

NOTE 24: Special or Extraordinary Items (Not Applicable)

NOTE 25: Disaggregation of Receivable and Payable Balances

Accounts Receivables

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

Accounts Receivables Category	Current Amount
3 rd Party Contracts on Student Receivables	\$1,598,974.06
Private Grants and Contracts Receivables	191,360.26
Miscellaneous Receivables	499,329.70
Total	\$2,289,664.02

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 Payables, as reported in the Statement of Net Assets, are as follows:

Accounts Payables Category	Current Amount
Payables on Construction Activity	\$62,629.41
Utility Payables	762,892.39
Bookstore Payables	576,955.81
Procurement Card Payables	503,180.17
Miscellaneous	1,084,070.58
Total	\$2,989,728.36

NOTE 26: Termination Benefits – Not Applicable

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STEPHEN F. AUSTIN STATE UNIVERSITY
 Agency No. 755
 Schedule 1-A-Schedule of Expenditures of Federal Awards
 For the Fiscal Year Ended August 31, 2008

Federal Grantor/ Pass-Through Grantor Program Title	CFDA Number	Agy/ Univ #	Pass-Through From	
			Agencies Or Univ Amount	Non-State Entities Amount
U.S. Department of Agriculture				
Direct Programs:				
Forestry Research	10.652		\$ 0.00	\$ 0.00
Cooperative Forestry Assistance	10.664			
Total U. S. Department of Agriculture			<u>0.00</u>	<u>0.00</u>
U.S. Department of Defense				
State Memorandum of Agreement Program for the Reimbursement of Technical Services Pass-Through From:	12.113			
Readiness Sustainment Maintenance Program Pass-Through From:	12.402			
Adjutant General's Department		401	1,480,320.64	
Readiness Sustainment Maintenance Program Pass-Through From:	12.402			
Adjutant General's Department Pass Through To: University of Texas at El Paso		401	935,502.06	
Readiness Sustainment Maintenance Program Pass-Through From:	12.402			
Adjutant General's Department Pass Through To: Texas Tech University		401	99,998.11	
Total U.S. Department of Defense			<u>2,525,820.81</u>	<u>0.00</u>
U.S. Department of the Interior				
Direct Programs:				
National Natural Landmarks Program	15.910			
Total U.S. Department of the Interior			<u>0.00</u>	<u>0.00</u>
U.S. Department of State				
Educational Exchange Scholar-in-Residence	19.431			
Total U.S. Department of State			<u>0.00</u>	<u>0.00</u>
Office of Personnel Management				
Intergovernmental Personnel Act (IPA) Mobility Program	27.011			
Total Office of Personnel Management			<u>0.00</u>	<u>0.00</u>
National Foundation on the Arts and the Humanities				
Promotion of the Arts-Partnership Agreements	45.025			
Promotion of the Humanities-Division of Preservation and Access	45.149			
National Leadership Grants	45.312			
Total National Foundation on the Arts and the Humanities			<u>0.00</u>	<u>0.00</u>
National Science Foundation				
Education and Human Resources	47.076			
Total National Science Foundation			<u>0.00</u>	<u>0.00</u>
Environmental Protection Agency				
Pass-Through From:				
Water Protection Coordination Grants to States Pass-Through From:	66.474			
Texas Commission on Environmental Quality		582	177.81	
Water Protection Coordination Grants to States Texas Commission on Environmental Quality Pass-Through To: University of Texas at El Paso	66.474	582	1,496.35	
Total Environmental Protection Agency			<u>1,674.16</u>	<u>0.00</u>
U.S. Department of Energy				
Renewable Energy Research and Development	81.087			1,092.83
Pass-Through From:				
State Energy Program	81.041			
Pass-Through From:				
Comptroller-State Energy Conservation Office		907	21,624.88	
Total U.S. Department of Energy			<u>21,624.88</u>	<u>1,092.83</u>

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Direct Program Amount	Total PT From & Direct Program	Pass-Through To			Expenditures Amount	Total PT To & Expenditures
		Agy #/ Univ. #	State Agy Or Univ. Amount	Non-State Entities Amount		
\$ 45,967.88 4,970.14	\$ 45,967.88 4,970.14		\$ 0.00	\$ 0.00	\$ 45,967.88 4,970.14	\$ 45,967.88 4,970.14
<u>50,938.02</u>	<u>50,938.02</u>		<u>0.00</u>	<u>0.00</u>	<u>50,938.02</u>	<u>50,938.02</u>
20,966.03	20,966.03			20,966.03	20,966.03	20,966.03
	1,490,320.64			1,490,320.64	1,490,320.64	1,490,320.64
	935,502.06				935,502.06	935,502.06
						0.00
		724	935,502.06			
	99,998.11				99,998.11	99,998.11
		733	99,998.11		0.00	
<u>20,966.03</u>	<u>2,546,786.84</u>		<u>1,035,500.17</u>	<u>0.00</u>	<u>1,511,286.67</u>	<u>2,546,786.84</u>
4,997.70	4,997.70			4,997.70	4,997.70	4,997.70
<u>4,997.70</u>	<u>4,997.70</u>		<u>0.00</u>	<u>0.00</u>	<u>4,997.70</u>	<u>4,997.70</u>
81,376.73	81,376.73		0.00	0.00	81,376.73	81,376.73
<u>81,376.73</u>	<u>81,376.73</u>		<u>0.00</u>	<u>0.00</u>	<u>81,376.73</u>	<u>81,376.73</u>
13,249.34	13,249.34			13,249.34	13,249.34	13,249.34
<u>13,249.34</u>	<u>13,249.34</u>		<u>0.00</u>	<u>0.00</u>	<u>13,249.34</u>	<u>13,249.34</u>
1,500.00 5,000.00	1,500.00 5,000.00			1,500.00 5,000.00	1,500.00 5,000.00	1,500.00 5,000.00
233,543.41	233,543.41			233,543.41	233,543.41	233,543.41
<u>240,043.41</u>	<u>240,043.41</u>		<u>0.00</u>	<u>0.00</u>	<u>240,043.41</u>	<u>240,043.41</u>
227,299.97	227,299.97			227,299.97	227,299.97	227,299.97
<u>227,299.97</u>	<u>227,299.97</u>		<u>0.00</u>	<u>0.00</u>	<u>227,299.97</u>	<u>227,299.97</u>
	177.81			177.81	177.81	177.81
	1,496.35			0.00	1,496.35	1,496.35
				0.00	0.00	0.00
		724	1,496.35		0.00	
<u>0.00</u>	<u>1,674.16</u>		<u>1,496.35</u>	<u>0.00</u>	<u>177.81</u>	<u>1,674.16</u>
	1,092.83			1,092.83	1,092.83	1,092.83
	0.00			0.00	0.00	0.00
	0.00			0.00	0.00	0.00
	0.00			0.00	0.00	0.00
	21,624.88			21,624.88	21,624.88	21,624.88
<u>0.00</u>	<u>22,717.71</u>		<u>0.00</u>	<u>0.00</u>	<u>22,717.71</u>	<u>22,717.71</u>

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STEPHEN F. AUSTIN STATE UNIVERSITY
 Agency No. 765
 Schedule 1-A-Schedule of Expenditures of Federal Awards
 For the Fiscal Year Ended August 31, 2008

Federal Grantor/ Pass-Through Grantor Program Title	CFDA Number	Pass-Through From		
		Agy/ Univ. #	Agencies Or Univ. Amount	Non-State Entities Amount
U.S. Department of Education				
Tech-Prep Education	84.243			3,751.92
Direct Programs:				
Undergraduation International Studies and Foreign Language Program	84.016			
Perkins Loan Cancellations	84.037			
Rehabilitation Long-Term Training	84.129			
Special Education--Personnel Preparation to Improve Services and Results for Children with Disabilities	84.325			
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334			
Transition Teaching	84.350			
School Leadership	84.363			
Pass-Through From:				
Vocational Education--Basic Grants to States	84.048			
Pass-Through From:				
Texas Education Agency		701	112,238.36	
Vocational Education--Basic Grants to States	84.048			
Pass-Through From:				
Texas Higher Education Coordinating Board		781	(895.07)	
Improving Teacher Quality State Grants	84.367			
Pass-Through From:				
University of Texas at Austin		721	52,895.19	
Improving Teacher Quality State Grants	84.367			
Pass-Through From:				
Texas Higher Education Coordinating Board		781	19,677.54	
Total U.S. Department of Education			<u>183,916.02</u>	<u>3,751.92</u>
U.S. Department of Health and Human Services				
Direct Programs:				
Geriatric Education Centers	93.969			
Pass-Through From:				
Model State-Supported Area Health Education Centers	93.107			
Pass-Through From:				
University of Texas Medical Branch Galveston		723	82,330.20	
Foster Care--Title IV-E	93.658			
Pass-Through From:				
Department of Family and Protective Services		630	159,060.75	
Geriatric Education Centers	93.969			
Pass-Through From:				
University of Texas Medical Branch at Galveston		723	6,779.52	
Total U.S. Department of Health & Human Services			<u>248,170.47</u>	<u>0.00</u>
RESEARCH & DEVELOPMENT CLUSTER				
U.S. Department of Agriculture				
Direct Programs:				
Agricultural Research--Basic and Applied Research	10.001			
Forestry Research	10.652			
Plant Materials for Conservatoin	10.905			
Wildlife Habitat Incentive Program	10.914			
Total U. S. Department of Agriculture			<u>0.00</u>	<u>0.00</u>
U.S. Department of Defense				
Military Medical Research and Development	12.420			
Total U.S. Department of Defense			<u>0.00</u>	<u>0.00</u>
U.S. Department of the Interior				
Fish and Wildlife Management Assistance	15.608			
Migratory Bird Joint Ventures	15.637			
Migratory Bird Conservation	15.647			
U.S. Geological Survey--Research and Data Acquisition	15.808			
U.S. Geological Survey--Research and Data Acquisition	15.808			
Pass-Through To:				
University of Texas at Austin				

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Direct Program Amount	Total PT From & Direct Program	Pass-Through To		Expenditures Amount	Total PT To & Expenditures
		Agy #/ Univ. #	State Agy. Or Univ Amount		
	3,751.92			3,751.92	3,751.92
34,023.91	34,023.91			34,023.91	34,023.91
165,113.00	165,113.00			165,113.00	165,113.00
316,118.22	316,118.22			316,118.22	316,118.22
				0.00	0.00
132,094.19	132,094.19			132,094.19	132,094.19
1,009,399.75	1,009,399.75			1,009,399.75	1,009,399.75
579,929.59	579,929.59			579,929.59	579,929.59
239,905.49	239,905.49			239,905.49	239,905.49
	112,238.36			112,238.36	112,238.36
	(895.07)			(895.07)	(895.07)
	52,895.19			52,895.19	52,895.19
	19,677.54			19,677.54	19,677.54
				0.00	
<u>2,476,584.15</u>	<u>2,664,252.09</u>		<u>0.00</u>	<u>2,664,252.09</u>	<u>2,664,252.09</u>
0.09	0.09			0.09	0.09
	82,330.20			82,330.20	82,330.20
	159,060.75			159,060.75	159,060.75
	6,779.52			6,779.52	6,779.52
				0.00	0.00
<u>0.09</u>	<u>248,170.56</u>		<u>0.00</u>	<u>248,170.56</u>	<u>248,170.56</u>
115,491.72	115,491.72			115,491.72	115,491.72
495,952.01	495,952.01			495,952.01	495,952.01
2,490.19	2,490.19			2,490.19	2,490.19
(157.89)	(157.89)			(157.89)	(157.89)
<u>613,776.03</u>	<u>613,776.03</u>		<u>0.00</u>	<u>613,776.03</u>	<u>613,776.03</u>
19,219.58	19,219.58			19,219.58	19,219.58
<u>19,219.58</u>	<u>19,219.58</u>		<u>0.00</u>	<u>19,219.58</u>	<u>19,219.58</u>
1,662.73	1,662.73			1,662.73	1,662.73
18,813.23	18,813.23			18,813.23	18,813.23
5,393.27	5,393.27			5,393.27	5,393.27
65,649.62	65,649.62			65,649.62	65,649.62
5,564.08	5,564.08				
		721	5,564.08		5,564.08

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STEPHEN F. AUSTIN STATE UNIVERSITY
 Agency No. 765
 Schedule 7-A-Schedule of Expenditures of Federal Awards
 For the Fiscal Year Ended August 31, 2008

Federal Grantor/ Pass-Through Grantor Program Title	CFDA Number	Pass-Through From		
		Agy/ Univ #	Agencies Or Univ. Amount	Non-State Entities Amount
U.S. Geological Survey--Research and Data Acquisition Pass-Through To: University of Texas at El Paso	15.808			
U.S. Geological Survey--Research and Data Acquisition Pass-Through To: University of Houston	15.808			
U.S. Geological Survey--Research and Data Acquisition Pass-Through To: Texas Tech University	15.808			
U.S. Geological Survey--Research and Data Acquisition Pass-Through To: University of Texas at San Antonio	15.808			
U.S. Geological Survey--Research and Data Acquisition Pass-Through To: Texas State University - San Marcos	15.808			
Total U.S. Department of the Interior			<u>0.00</u>	<u>0.00</u>
National Science Foundation				
Biological Sciences	47.074			
Social, Behavioral, and Economic Sciences	47.075			
Education and Human Resources	47.076			
Total National Science Foundation			<u>0.00</u>	<u>0.00</u>
Environmental Protection Agency				
Congressionally Mandated Projects	66.202			
Total Environmental Protection Agency			<u>0.00</u>	<u>0.00</u>
U.S. Department of Education				
Fund for the Improvement of Postsecondary Education	84.116			
Fund for the Improvement of Postsecondary Education Pass-Through To: Lamar State College-Orange	84.116			
Bilingual Education-Professional Development School Leadership	84.195			
Total U.S. Department of Education			<u>0.00</u>	<u>0.00</u>
CHILD CARE CLUSTER				
U.S. Department of Health and Human Services				
Child Care and Development Block Grant	93.575			40,471.30
Total U.S. Department of Health & Human Services			<u>0.00</u>	<u>40,471.30</u>
SPECIAL EDUCATION CLUSTER				
U.S. Department of Education				
Pass-Through From: Special Education--Grants to States	84.027			
Pass-Through From: Texas A&M University - Texarkana Special Education--Grants to States	84.027	764	23,892.00	
Pass-Through From: Texas School for the Blind & Visually Impaired		771	316,643.09	
Total U.S. Department of Education			<u>340,535.09</u>	<u>0.00</u>
STUDENT FINANCIAL ASSISTANCE CLUSTER				
U.S. Department of Education				
Direct Programs:				
Federal Supplemental Educational Opportunity Grants	84.007			
Federal Family Education Loans	84.032			
Federal Work-Study Program	84.033			
Federal Perkins Loan Program--Federal Capital Contributions	84.038			
Federal Pell Grant Program	84.063			
Academic Competitiveness Grants	84.375			
National Science and Mathematics Access to Retain Talent (SMART) Grants	84.376			
Total U.S. Department of Education			<u>0.00</u>	<u>0.00</u>
Total Expenditures of Federal Awards			<u>\$ 3,321,741.43</u>	<u>\$ 45,316.05</u>

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Direct Program Amount	Total PT From & Direct Program	Pass-Through To			Expenditures Amount	Total PT To & Expenditures
		Agy # Univ. #	State Agy. Or Univ. Amount	Non-State Entities Amount		
2,978.95	2,978.95					
		724	2,978.95			2,978.95
2,415.55	2,415.55	730	2,415.55			2,415.55
2,635.33	2,635.33	733	2,635.33			2,635.33
2,099.56	2,099.56	743	2,099.56			2,099.56
3,000.00	3,000.00	754	3,000.00			3,000.00
<u>110,212.32</u>	<u>110,212.32</u>		<u>18,693.47</u>	<u>0.00</u>	<u>91,518.85</u>	<u>110,212.32</u>
2,583.06	2,583.06			2,583.06		2,583.06
24,865.33	24,865.33			24,865.33		24,865.33
71,740.66	71,740.66			71,740.66		71,740.66
<u>99,189.05</u>	<u>99,189.05</u>		<u>0.00</u>	<u>0.00</u>	<u>99,189.05</u>	<u>99,189.05</u>
16,887.84	16,887.84			16,887.84		16,887.84
<u>16,887.84</u>	<u>16,887.84</u>		<u>0.00</u>	<u>0.00</u>	<u>16,887.84</u>	<u>16,887.84</u>
176,950.67	176,950.67			176,950.67		176,950.67
1,000.00	1,000.00					1,000.00
264,419.47	264,419.47	787	1,000.00	264,419.47		264,419.47
75,910.92	75,910.92			75,910.92		75,910.92
<u>518,281.06</u>	<u>518,281.06</u>		<u>1,000.00</u>	<u>517,281.06</u>	<u>0.00</u>	<u>518,281.06</u>
	40,471.30			40,471.30		40,471.30
<u>0.00</u>	<u>40,471.30</u>		<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>40,471.30</u>
	23,892.00			23,892.00		23,892.00
	316,643.09			316,643.09		316,643.09
<u>0.00</u>	<u>340,535.09</u>		<u>0.00</u>	<u>0.00</u>	<u>340,535.09</u>	<u>340,535.09</u>
369,122.00	369,122.00			369,122.00		369,122.00
52,525,580.83	52,525,580.83			52,525,580.83		52,525,580.83
593,241.52	593,241.52			593,241.52		593,241.52
1,154,246.00	1,154,246.00			1,154,246.00		1,154,246.00
11,223,594.13	11,223,594.13			11,223,594.13		11,223,594.13
600,343.00	600,343.00			600,343.00		600,343.00
106,697.00	106,697.00			106,697.00		106,697.00
<u>66,572,824.48</u>	<u>66,572,824.48</u>		<u>0.00</u>	<u>0.00</u>	<u>66,572,824.48</u>	<u>66,572,824.48</u>
<u>\$ 71,065,845.80</u>	<u>\$ 74,432,903.28</u>		<u>\$ 1,056,689.99</u>	<u>\$ 0.00</u>	<u>\$ 73,376,213.29</u>	<u>\$ 74,432,903.28</u>

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STEPHEN F. AUSTIN STATE UNIVERSITY
Agency No. 755
Schedule 1-A-Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended August 31, 2008

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	\$17,431,395.02
Federal Pass-Through Revenue	3,321,741.43
Federal Pass-Through Non-Operating	0.00
Subtotal	<u>20,753,136.45</u>
Reconciling Items:	
Non-monetary:	0.00
New Loans Processed:	
GSL/SLS/PLUS Loans	52,525,580.83
Federal Perkins Loans	<u>1,154,246.00</u>
Total Pass-Through and Expenditures per Federal Schedule	<u><u>\$74,432,963.28</u></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	\$1,154,246.00	\$89,059.00	\$1,243,305.00	\$5,534,457.90
Department of Education 84.032 GSL/SLS/Plus Loans	52,525,580.83		52,525,580.83	
Total Department of Education	\$53,679,826.83	\$89,059.00	\$53,768,885.83	\$5,534,457.90

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 9-1-07	\$129,515.83
Increase (Decrease)	<u>31,291.28</u>
Federal Deferred Revenue 8-31-08	<u><u>\$160,807.11</u></u>

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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, 2008**

Pass Through From:

Operating:

Texas Commission on Environmental Quality (Agy #582)	
Deep-Rooted Sedge	\$6,663.41
Texas Water Development Board (Agy #580)	
Large Woody Debris	3,245.03
Texas Parks & Wildlife (Agy #802)	
Contaminant Levels	10,414.86
Texas Higher Ed. Coord. Board (Agy #781)	
At Risk Nursing Students	61,589.78
Deep E TX P16 Council	7,889.15
P-16 Special Advisor	5,351.17
Professional Nursing	6,639.00
TEXAS Grant Program	3,846,480.00
College Work Study Program	84,592.00
Engineering Scholarships	5,000.00
5th Year Accounting Scholarships	5,000.00
	<hr/>
Total Operating Pass-Through From Other Agencies	<u><u>\$4,042,864.40</u></u>

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STEPHEN F. AUSTIN STATE UNIVERSITY
Agency No. 755
Schedule 2A - Miscellaneous Bond Information
For the Fiscal Year Ended August 31, 2008

Description of Issue	Bonds Issued to Date	Range of Interest Rates		Scheduled Maturities		First Call Date
				First Year	Last Year	
Business-Type Activities						
Revenue Bonds - Self Supporting						
Rev Fin Sys Bds Ser '00	\$ 7,000,000.00	5.125	5.375	2003	2009	n/a
Rev Fin Sys Bds Ser '02 (A)	1,320,000.00	3.590	3.590	2003	2010	n/a
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	2026	10/15/2015
Rev Fin Sys Bds Ser '05 (A)	55,365,000.00	3.500	5.000	2006	2026	10/15/2015
	<u>\$ 112,390,000.00</u>					
Tuition Revenue Bonds - Self-Supporting						
Rev Fin Sys Bds Ser '98	\$ 6,000,000.00	3.650	5.250	1999	2018	10/15/2008
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
	<u>\$ 40,245,000.00</u>					
General Obligation Bonds - Not Self-Supporting						
N/A	\$ 0.00					
	<u>\$ 0.00</u>					

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STEPHEN F. AUSTIN STATE UNIVERSITY
 Agency No. 755
 Schedule 2B-Changes In Bonded Indebtedness
 For the Fiscal Year Ended August 31, 2008

Description of Issue	Bonds Outstanding 9/1/07	Bonds Issued	Bonds Matured or Retired	Bonds Refunded or Extinguished	Bonds Outstanding 8/31/08
Business-Type Activities					
Revenue Bonds - Self Supporting					
Rev Fin Sys Bds Ser '00	\$ 3,000,000.00	\$ -	\$ 1,000,000.00	\$ -	\$ 2,000,000.00
Rev Fin Sys Bds Ser '02 (A)	725,000.00	-	170,000.00	-	555,000.00
Rev Fin Sys Bds Ser '04	24,160,000.00	-	965,000.00	-	23,195,000.00
Rev Fin Sys Bds Ser '04 (A)	5,090,000.00	-	195,000.00	-	4,895,000.00
Rev Fin Sys Bds Ser '05	16,630,000.00	-	610,000.00	-	16,020,000.00
Rev Fin Sys Bds Ser '05 (A)	54,675,000.00	-	765,000.00	-	53,910,000.00
Tuition Revenue Bonds - Self-Supporting					
Rev Fin Sys Bds Ser '98	4,235,000.00	-	270,000.00	-	3,965,000.00
Rev Fin Sys Bds Ser '02	11,840,000.00	-	550,000.00	-	11,090,000.00
Rev Fin Sys Bds Ser '08	-	20,175,000.00	2,570,000.00	-	17,605,000.00
General Obligation Bonds - Not Self-Supporting					
N/A	-	-	-	-	-
	<u>\$ 120,155,000.00</u>	<u>\$ 20,175,000.00</u>	<u>\$ 7,085,000.00</u>	<u>\$ -</u>	<u>\$ 133,235,000.00</u>

UNAUDITED

STEPHEN F. AUSTIN STATE UNIVERSITY
 Agency No. 755
 Schedule 2B-Changes in Bonded Indebtedness
 For the Fiscal Year Ended August 31, 2008

(For Proprietary Funds only: Reconciliation)

Description of Issue	Unamortized Premium	Unamortized Discount	Issuance Costs	Gain/(Loss) on Refunding	Net Bonds Outstanding 8/31/08	Amounts Due Within One Year
Business-Type Activities						
Revenue Bonds - Self Supporting						
Rev Fin Sys Bds Ser '00	\$ -	\$ -	\$ -	\$ -	\$ 2,000,000.00	\$ 1,000,000.00
Rev Fin Sys Bds Ser '02 (A)	-	-	-	-	555,000.00	180,000.00
Rev Fin Sys Bds Ser '04	-	-	-	-	23,195,000.00	990,000.00
Rev Fin Sys Bds Ser '04 (A)	-	-	-	-	4,895,000.00	205,000.00
Rev Fin Sys Bds Ser '05	-	-	-	-	16,020,000.00	630,000.00
Rev Fin Sys Bds Ser '05 (A)	-	-	-	-	53,910,000.00	985,000.00
Tuition Revenue Bonds - Self-Supporting						
Rev Fin Sys Bds Ser '98	-	-	-	-	3,965,000.00	280,000.00
Rev Fin Sys Bds Ser '02	-	-	-	-	11,090,000.00	575,000.00
Rev Fin Sys Bds Ser '08	-	-	-	-	17,605,000.00	620,000.00
General Obligation Bonds - Not Self-Support						
N/A	-	-	-	-	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 133,235,000.00</u>	<u>\$ 5,475,000.00</u>

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STEPHEN F. AUSTIN STATE UNIVERSITY
 Agency No. 755
 Schedule 2C - Debt Service Requirements
 For the Fiscal Year Ended August 31, 2008

Description of Issue	FY	Principal	Interest
Business-Type Activities			
Revenue Bonds - Self Supporting			
Rev Fin Sys Bds Ser '00	2009	\$ 1,000,000.00	\$ 80,000.00
Rev Fin Sys Bds Ser '00	2010	1,000,000.00	26,875.00
		2,000,000.00	106,875.00
Rev Fin Sys Bds Ser '02 (A)	2009	180,000.00	16,693.50
Rev Fin Sys Bds Ser '02 (A)	2010	185,000.00	10,141.75
Rev Fin Sys Bds Ser '02 (A)	2011	190,000.00	3,410.50
		555,000.00	30,245.75
Rev Fin Sys Bds Ser '04	2009	990,000.00	905,956.26
Rev Fin Sys Bds Ser '04	2010	1,015,000.00	878,387.51
Rev Fin Sys Bds Ser '04	2011	1,050,000.00	843,431.26
Rev Fin Sys Bds Ser '04	2012	1,095,000.00	800,531.26
Rev Fin Sys Bds Ser '04	2013	1,140,000.00	755,831.26
Rev Fin Sys Bds Ser '04	2014-2018	6,430,000.00	3,042,556.30
Rev Fin Sys Bds Ser '04	2019-2023	7,845,000.00	1,615,300.05
Rev Fin Sys Bds Ser '04	2024-2025	3,630,000.00	159,453.14
		23,195,000.00	9,001,447.04
Rev Fin Sys Bds Ser '04 (A)	2009	205,000.00	202,878.76
Rev Fin Sys Bds Ser '04 (A)	2010	210,000.00	194,578.76
Rev Fin Sys Bds Ser '04 (A)	2011	220,000.00	185,978.76
Rev Fin Sys Bds Ser '04 (A)	2012	230,000.00	176,978.76
Rev Fin Sys Bds Ser '04 (A)	2013	240,000.00	167,578.76
Rev Fin Sys Bds Ser '04 (A)	2014-2018	1,350,000.00	682,748.80
Rev Fin Sys Bds Ser '04 (A)	2019-2023	1,665,000.00	370,291.30
Rev Fin Sys Bds Ser '04 (A)	2024-2025	775,000.00	36,190.64
		4,895,000.00	2,017,224.54
Rev Fin Sys Bds Ser '05	2009	630,000.00	710,300.00
Rev Fin Sys Bds Ser '05	2010	655,000.00	676,568.75
Rev Fin Sys Bds Ser '05	2011	675,000.00	641,656.25
Rev Fin Sys Bds Ser '05	2012	700,000.00	605,562.50
Rev Fin Sys Bds Ser '05	2013	725,000.00	568,156.25
Rev Fin Sys Bds Ser '05	2014-2018	4,075,000.00	2,247,843.75
Rev Fin Sys Bds Ser '05	2019-2023	4,960,000.00	1,299,418.75
Rev Fin Sys Bds Ser '05	2024-2026	3,600,000.00	234,600.00
		16,020,000.00	6,984,106.25

UNAUDITED

STEPHEN F. AUSTIN STATE UNIVERSITY
Agency No. 755
Schedule 2C - Debt Service Requirements
For the Fiscal Year Ended August 31, 2008

Description of Issue	FY	Principal	Interest
Rev Fin Sys Bds Ser '05 (A)	2009	995,000.00	2,458,081.26
Rev Fin Sys Bds Ser '05 (A)	2010	1,100,000.00	2,421,418.76
Rev Fin Sys Bds Ser '05 (A)	2011	2,195,000.00	2,362,384.38
Rev Fin Sys Bds Ser '05 (A)	2012	2,290,000.00	2,279,662.50
Rev Fin Sys Bds Ser '05 (A)	2013	2,395,000.00	2,188,825.00
Rev Fin Sys Bds Ser '05 (A)	2014-2018	14,025,000.00	9,026,250.00
Rev Fin Sys Bds Ser '05 (A)	2019-2023	18,010,000.00	5,115,112.50
Rev Fin Sys Bds Ser '05 (A)	2024-2026	12,900,000.00	887,175.00
		53,910,000.00	26,738,909.40
Tuition Revenue Bonds - Self-Supporting			
Rev Fin Sys Bds Ser '98	2009	280,000.00	185,147.50
Rev Fin Sys Bds Ser '98	2010	295,000.00	172,350.00
Rev Fin Sys Bds Ser '98	2011	310,000.00	158,582.50
Rev Fin Sys Bds Ser '98	2012	320,000.00	143,932.50
Rev Fin Sys Bds Ser '98	2013	340,000.00	128,252.50
Rev Fin Sys Bds Ser '98	2014-2018	1,965,000.00	368,296.25
Rev Fin Sys Bds Ser '98	2019	455,000.00	11,375.00
		3,965,000.00	1,167,936.25
Rev Fin Sys Bds Ser '02	2009	575,000.00	493,775.00
Rev Fin Sys Bds Ser '02	2010	605,000.00	469,418.75
Rev Fin Sys Bds Ser '02	2011	635,000.00	443,068.75
Rev Fin Sys Bds Ser '02	2012	665,000.00	414,612.50
Rev Fin Sys Bds Ser '02	2013	695,000.00	384,012.50
Rev Fin Sys Bds Ser '02	2014-2018	3,980,000.00	1,425,773.75
Rev Fin Sys Bds Ser '02	2019-2022	3,935,000.00	400,381.25
		11,090,000.00	4,031,042.50
Rev Fin Sys Bds Ser '08	2009	620,000.00	716,100.00
Rev Fin Sys Bds Ser '08	2010	645,000.00	690,800.00
Rev Fin Sys Bds Ser '08	2011	665,000.00	664,600.00
Rev Fin Sys Bds Ser '08	2012	685,000.00	637,600.00
Rev Fin Sys Bds Ser '08	2013	710,000.00	609,700.00
Rev Fin Sys Bds Ser '08	2014-2018	3,905,000.00	2,594,362.50
Rev Fin Sys Bds Ser '08	2019-2023	4,660,000.00	1,681,375.00
Rev Fin Sys Bds Ser '08	2024-2028	5,715,000.00	628,012.50
		17,605,000.00	8,222,550.00
Total Debt Service		\$ 133,235,000.00	\$ 58,300,336.73

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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, 2008

<u>Description of Issue</u>	<u>Application of Funds</u>		<u>Comment</u>
	<u>2008 Principal</u>	<u>2008 Interest</u>	
Not Applicable			

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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, 2008

Description of Issue	Net Available for Debt Service		Debt Service		Comment
	Total Pledged and Other Sources	Operating Expenses/Expenditures and Capital Outlay	2008 Principal	2008 Interest	
Business-Type Activities					
Revenue Bonds - Self Supporting					
Rev Fin Sys Bds Ser '00	*	\$ -	\$ 1,000,000.00	\$ 132,500.00	\$ 112,812.50 **
Rev Fin Sys Bds Ser '02 (A)	*	-	170,000.00	22,976.00	20,687.38 **
Rev Fin Sys Bds Ser '04	*	-	965,000.00	930,425.01	922,282.83 **
Rev Fin Sys Bds Ser '04 (A)	*	-	195,000.00	210,878.76	207,953.76 **
Rev Fin Sys Bds Ser '05	*	-	610,000.00	739,037.50	744,887.50 **
Rev Fin Sys Bds Ser '05 (A)	*	-	765,000.00	2,488,881.26	2,478,840.64 **
Tuition Revenue Bonds - Self-Supporting					
Rev Fin Sys Bds Ser '98	*	-	270,000.00	197,112.50	192,758.75 **
Rev Fin Sys Bds Ser '02	*	-	550,000.00	516,275.00	508,025.00 **
Rev Fin Sys Bds Ser '08	*	-	2,570,000.00	94,675.83	367,863.33 **
			<u>\$ 7,095,000.00</u>	<u>\$ 5,332,761.86</u>	5,556,111.69
		Interest Capitalized			(367,863.33) ***
		Interest Expensed			<u>\$ 5,188,248.36</u>

Note: Expenditures associated with operations which generated the pledged revenues are \$ 68,191,746.68 for fiscal year 2008.

* The \$105,264,452.56 represents the total available pledged revenue and other sources for parity issues for fiscal year 2008.

Analysis of Pledged and Other Sources:	Pledged Sources	
	Tuition	\$ 18,181,030.90
	Designated Tuition	30,495,007.40
	Student Center Fees	2,108,796.00
	Lab Fees	319,778.50
	Other Fees	16,134,723.04
	Sales & Services	35,219,737.92
	Investment Income	2,765,339.36
	Gifts	35,931.76
	Other Income	4,107.68
		<u>\$105,264,452.56</u>

** Amounts represent interest expense on accrual basis as reported on the financial statements

*** Capitalized interest.

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STEPHEN F. AUSTIN STATE UNIVERSITY
Agency No. 755
Schedule 2E - Defeased Bonds Outstanding
For the Fiscal Year Ended August 31, 2008

<u>Description of Issue</u>	<u>Year Refunded</u>	<u>Par Value Outstanding</u>
Revenue Bonds		
Building Revenue Bonds, Series 1965-B	1991	\$1,215,000.00
Housing System Revenue Bonds, Series 1962-D	1991	962,000.00
Housing System Revenue Bonds, Series 1963-A	1991	424,000.00
Housing System Revenue Bonds, Series 1964	1991	420,000.00
		<u>\$3,021,000.00</u>

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STEPHEN F. AUSTIN STATE UNIVERSITY
Agency No. 755
Schedule 2F - Current Year Early Extinguishment and Refunding
For the Fiscal Year Ended August 31, 2008

For Refunding Only

<u>Description of Issue</u>	<u>Category</u>	<u>Amount Extinguished or Refunded</u>	<u>Refunding Issue Par Value</u>	<u>Cash Flow Increase (Decrease)</u>	<u>Economic Gain/Loss</u>
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Not Applicable

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STEPHEN F. AUSTIN STATE UNIVERSITY
Agency No. 755
Schedule 3 - Reconciliation of Cash in State Treasury
August 31, 2008

<u>Cash in State Treasury</u>	<u>Unrestricted</u>	<u>Restricted</u>	Current Year <u>Total</u>
Special Mineral Fund 0241	\$ 3,200.00	\$ 0.00	\$ 3,200.00
Local Revenue Fund 0261	<u>478,082.27</u>	<u>0.00</u>	<u>478,082.27</u>
Total Cash in State Treasury (Stmt of Net Assets)	<u>\$ 481,282.27</u>	<u>\$ 0.00</u>	<u>\$ 481,282.27</u>

APPENDIX D

SELECTED FINANCIAL INFORMATION OF THE UNIVERSITY

General Description

The University was created by the 36th Texas Legislature in 1921. From its inception as primarily a college for teacher training, the University's scope has been greatly expanded to that of a regional university.

The University is located in Nacogdoches, Texas, the county seat of Nacogdoches County. Nacogdoches, one of the oldest cities in Texas, was originally established in 1716 as the site of the Guadalupe de Nacogdoches Mission. Today it is a city of approximately 30,000 people with an economy based on timber, agriculture, poultry production, fertilizer and feed producing plants, and wood processing, as well as general commerce.

The main campus includes over 400 acres, part of the original homestead of Thomas J. Rusk, an early Texas patriot and United States Senator. In addition, the University maintains a university farm of 699 acres for beef and poultry production; an experimental forest in southwestern Nacogdoches County; and a forestry field station on Lake Sam Rayburn. The main campus hosts 28 major instructional buildings and 16 residence halls. The central library houses over 560,000 books and over 1,640,000 general collection items. The University operates a Forestry Library which, in addition to a general forestry collection, contains a highly regarded repository by the Forest History Collection. Other facilities of special interest at the University include the Soils Testing Laboratory, the Forestry Research Laboratory and the Seed Testing Laboratory. At August 31, 2008, the cost value of all University capital assets net of depreciation was over \$176 million.

Curriculum

The University is a comprehensive institution serving students (97% Texas residents) through a variety of undergraduate and graduate programs. More than 80 undergraduate programs and 46 Master's programs are available in six colleges (Business, Education, Fine Arts, Forestry and Agriculture, Liberal and Applied Arts and Sciences and Mathematics). The Master's degrees include two terminal degree programs, the Master of Fine Arts in Art and Master of Social Work. Additionally, the University offers the Doctor of Philosophy in Forestry and the Doctor of Education in Educational Leadership.

First Time Freshman Statistics

	Fall Semester Enrollment for Fiscal Year: ⁽¹⁾				
	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Men	859	858	845	757	632
Women	1,451	1,324	1,401	1,164	1,052
Total	<u>2,310</u>	<u>2,182</u>	<u>2,246</u>	<u>1,921</u>	<u>1,684</u>
% Change	5.87%	-2.85%	16.92%	14.07%	-3.99%
One Year Retention Rate ⁽²⁾	63%	64%	64%	67%	66%

Source: Stephen F. Austin State University Office of Institutional Research.

⁽¹⁾ Represents Full-Time Enrollment Students.

⁽²⁾ One-year retention rates for the fall year are return rates for first-time, full-time freshman enrolled in the prior fall term.

Table 1 – Enrollment Data ⁽¹⁾

Type of Student	Fiscal Year 2009	Fiscal Year 2008			
	Fall 2008	Summer II 2008	Summer I 2008	Spring 2008	Fall 2007
Texas Resident	11,538	3,861	4,323	10,263	11,203
Out of State	270	93	69	210	247
Foreign	174	63	63	170	156
Inter-institutional	8	16	39	5	1
Total	11,990	4,033	4,494	10,648	11,607
High School scholarship	20	0	0	19	26
Hazelwood Act	48	26	25	39	37
St. Commission Blind/Deaf	56	25	20	47	40
Orphaned Children of Public Employees	5	0	1	4	4
Foster Care	15	7	5	13	14
Distance Education	551	(2)	(2)	(2)	(2)
Other Exemptions and Out of State Waivers	356	105	103	351	397

Source: Stephen F. Austin Bursar Office, Report RFA110, RFA520E and BFA062.

⁽²⁾ Distance Education waiver implemented in Fall 2008.

Stephen F. Austin State University
Fall Enrollment Trend

Fall Enrollment Trend Data		
Fiscal Year	Students	Semester Hours
2009	11,990	148,790
2008	11,607	145,669
2007	11,756	146,554
2006	11,435	142,247
2005	11,287	138,654
2004	11,408	140,221
2003	11,356	141,479
2002	11,569	146,739
2001	11,484	145,499
2000	11,919	150,767
1999	12,132	153,555
1998	12,041	152,503
1997	11,690	147,577
1996	11,758	147,842
1995	12,206	153,533
1994	12,493	159,649
1993	12,721	162,372
1992	12,687	162,639
1991	12,815	163,916

Source: Stephen F. Austin State University Office of Institutional Research.

⁽¹⁾ Includes combined headcount number for Undergraduate and Graduate students.

Degrees Awarded by School and Percent of Total

	For Fiscal Year Ended August 31,									
	2008		2007		2006		2005		2004	
Business	306	13.45%	307	13.91%	325	15.01%	311	13.69%	365	16.86%
Education	603	26.51%	598	27.10%	583	26.93%	559	24.61%	541	24.99%
Fine Arts	147	6.46%	102	4.62%	101	4.67%	125	5.50%	89	4.11%
Forestry and Agriculture	83	3.65%	76	3.44%	71	3.28%	117	5.15%	36	1.66%
Liberal and Applied Arts	475	20.88%	480	21.75%	444	20.51%	491	21.62%	498	23.00%
Sciences & Mathematics	198	8.70%	171	7.75%	176	8.13%	182	8.01%	188	8.68%
Graduate	463	20.35%	473	21.43%	465	21.48%	486	21.40%	448	20.69%
Total	2,275	100.00%	2,207	100.00%	2,165	100.00%	2,271	100.00%	2,165	100.00%

Source: Stephen F. Austin State University Office of Institutional Research.

Faculty Profile

During the fall semester 2008, the University employed 477 full-time instructional faculty and 174 part-time faculty (excludes teaching assistants).

The following data apply to the full-time faculty:

<u>Academic Credentials</u>	<u>Number</u>	<u>Academic Rank</u>	<u>Number</u>	<u>% Tenured</u>
Doctorate	314	Professor	99	100.00%
Master's Degree (or equivalent)	155	Associate Professor	85	95.29%
Other	8	Assistant Professor	147	0.12%
		Instructor	62	0.05%
		Lecturer	36	0.00%
		Visiting Professor	8	0.00%
		Adjunct	40	0.00%
	<u>477</u>	Total	<u>477</u>	<u>41.93%</u>

Source: Stephen F. Austin State University Office of Institutional Research.

Deposits and Investments

In 2005, the University implemented GASB Statement No. 40, Deposit and Investment Risk Disclosures, an amendment to GASB Statement No. 3. This statement establishes and modifies disclosure requirements related to investment risks: credit risk including custodial credit risk and concentrations of credit risk, interest rate risk, and foreign currency risk. The statement also establishes and modifies disclosure requirements for deposit risks: custodial credit risk and foreign credit risk. See "APPENDIX C – FINANCIAL REPORT OF STEPHEN F. AUSTIN FOR THE YEAR ENDED AUGUST 31, 2008 – NOTE 3."

Deposits of Cash in Bank

The University invests its funds under authority of provisions of the Texas Education Code, the Texas Property Code, and the Public Funds Investment Act, Chapter 2256, Texas Government Code (the "PFIA"). At August 31, 2008, the carrying amount of the University's deposits was \$19,185,820.37 and total cash balances equaled \$20,539,358.15. Bank balances of \$517,216.81 were covered by federal depository insurance, \$20,022,141.34 was covered by collateral pledged in the University's name and no amount was uninsured and uncollateralized. The collateral was held in the safekeeping departments of unrelated banks that act as the pledging banks' agents. Cash and Temporary Investments, as reported on the Balance Sheet contained in APPENDIX C.

Investments

As of August 31, 2008, the fair value of cash and investments are as presented below:.

Displayed on Statement of Net Assets as:	
Current Assets:	
Cash Equivalents	\$ 54,445,434.09
Short-Term Investments	9,707,334.88
Restricted Cash Equivalents	2,807,476.80
Non-Current Assets:	
Restricted	
Cash Equivalents	290,809.60
Endowment	9,181,498.97
Quasi-Endowments	4,082,180.20
Investments-Operating	20,114,261.56
Subtotal	100,628,996.10
Less: Certificates of Deposit	(7,966,428.57)
Less: Sweep accounts reported current cash equivalents	(28,842,589.77)
Total Investments	<u>\$ 63,819,977.76</u>

Investments by Category:

	Fair Value
	<u>8/31/2008</u>
U.S. Treasury Securities	\$ 17,766,464.23
U.S. Government Agency Obligations	9,550,131.16
Corporate Obligations	1,911,328.59
Equity	3,426,106.00
International Obligations (Government and Corp)	103,930.00
International Equity	930,741.03
Fixed Income Money Market and Bond Mutual Fund	3,591,888.07
Other Commingled Funds (Texpool)	25,109,242.35
Alternative Investments	1,430,146.33
Total Investments	<u>\$ 63,819,977.76</u>

Endowments

The University's spending policy was revised in fiscal year 2007. The new policy provides for a target distribution rate of between 4% and 5%. 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 will be added to a contingency reserve that may be distributed during years of poor investment performance. In 2008, 4.00% of total earnings were distributed to scholarship accounts, 2.43% were added back to the balance of each individual endowment account and 0.00 % were added to a contingency reserve.

Retirement Plans

The retirement expense to the State for the participants was \$2,482,719.95 for the fiscal year ended August 31, 2008. This amount represents the portion of expended appropriations made by the Texas Legislature on behalf of the University.

SELECTED FINANCIAL INFORMATION

Financial Reports

The Vice President of Finance and Administration is responsible for the operational activities and financial management of Stephen F. Austin State University's debt, cash, risk, budgets, accounting, financial statements, and investment management of the operating and endowment funds.

State CAFR

The State issues an audited Comprehensive Annual Financial Report ("CAFR"), prepared in accordance with generally accepted accounting principles, for the State as a whole. The CAFR is normally available in April of each year. The CAFR is prepared by the Comptroller of Public Accounts and is audited by the State Auditor's Office. The State Auditor expresses an opinion on the CAFR but does not express an opinion on the financial reports of individual member units, including those of Stephen F. Austin State University.

The Fiscal Year of the State and Stephen F. Austin State University begins on September 1 of each year. Annually, not later than November 20th, an unaudited financial report dated as of August 31, prepared from the books of Stephen F. Austin State University, must be delivered to the Governor and the State Comptroller of Public Accounts. In certifying the financial reports included in the CAFR, the State Auditor examines the financial records of Stephen F. Austin State University. *No independent audit in support of this detailed review is required or obtained by Stephen F. Austin State University.*

Stephen F. Austin State University Financial Reports

Stephen F. Austin State University is an agency of the State and its financial records reflect compliance with applicable State statutes and regulations. The significant accounting policies followed by the University in maintaining accounts and in the preparation of the financial statements are materially in accordance with "Texas Comptroller of Public Accounts' Annual Financial Reporting Requirements." The requirements are also in substantial conformity with the Financial Accounting and Reporting Manual for Higher Education as revised by GASB No. 34 and No. 35, published by the National Association of College and University Business Officers (NACUBO).

During Fiscal Year 2004, the State and the University implemented GASB Statement No. 39 ("GASB 39") "Determining Whether Certain Organizations Are Component Units, an amendment of GASB Statement No. 14." GASB 39 requires state and local governments to report legally separate, tax exempt organizations as discrete component units if they meet the following criteria: (1) the economic resources raised and held by the affiliated organization almost entirely are for the benefit of the governmental entity; (2) the governmental entity is entitled to or has the ability to access the funds raised by the affiliated organization; and (3) the funds held by the affiliated organization are material to the governmental entity's financial statements.

Stephen F. Austin State University's financial reports cover all financial operations of Stephen F. Austin State University and does not contain any component units.

Attached to this Official Statement as "APPENDIX C – FINANCIAL REPORT OF STEPHEN F. AUSTIN FOR THE YEAR ENDED AUGUST 31, 2008" is the most recent unaudited annual financial report for the University. The University's unaudited financial statements consist of the Statement of Net Assets as of August 31, 2008, the Statement of Revenues, Expenses and Changes in Net Assets for the Year Ended August 31, 2008 and the Statement of Cash Flows for the Year Ended August 31, 2008.

Table 2 - Statement of Revenues, Expenses, and Changes in Net Assets

The table on the following pages presents the Statement of Revenues, Expenses and Changes in Net Assets for Fiscal Years 2008, 2007, 2006, 2005 and 2004.

	For Fiscal Years Ending August 31,				
	2008	2007	2006	2005 ⁽¹⁾	2004 ⁽²⁾
Operating Revenues:					
Sales of Goods and Services					
Tuition & Fees - Pledged	\$ 67,239,336	\$ 57,443,265	\$ 51,289,442	\$ 44,887,862	\$ 15,109,307
Tuition & Fees - Non-Pledged	3,436,716	3,294,241	3,129,963	3,026,693	25,785,234
Tuition - Discounts/Allowances	(13,392,578)	(12,311,029)	(10,604,734)	(8,663,434)	(9,159,866)
Auxiliary Enterprise - Pledged	30,791,332	28,323,272	22,694,200	20,512,199	23,318,865
Auxiliary Enterprise - Non-Pledged	1,152,567	1,411,209	889,554	945,004	856,109
Auxiliary Enterprise - Discounts/Allowances	(5,420,832)	(5,074,719)	(4,180,322)	(3,708,889)	-
Other Sales of Goods and Svcs - Pledged	4,428,406	3,754,490	3,682,579	3,136,212	3,107,420
Other Sales of Goods and Svcs - Non-Pledged	1,028,787	1,230,398	1,171,220	815,526	951,007
Interest and Investment Income (PR)	189,529	188,608	183,728	65,316	162,706
Federal Revenue	17,431,335	15,503,620	14,842,223	13,945,060	13,745,946
Federal Pass Through Revenue	3,321,741	3,237,154	4,235,374	849,382	862,899
State Grant Revenue	837,983	786,906	575,061	468,160	526,954
State Grant Pass Through Revenue	4,042,864	3,878,375	4,367,220	4,230,341	3,738,735
Local Contracts and Grants	595,523	502,475	238,027	355,812	477,714
Other Contracts and Grants	302,670	416,792	651,246	837,666	1,528,371
Other Operating Revenues	4,108	10,765	21,191	64,011	54,180
Total Operating Revenues	115,989,487	102,595,824	93,185,972	81,766,923	81,065,581
Operating Expenses:					
Cost of Goods Sold	7,793,097	6,570,532	5,811,669	5,376,380	9,306,295
Salaries and Wages	75,959,933	70,782,231	67,752,061	64,118,502	60,891,741
Payroll Related Costs	19,572,226	18,445,775	17,332,491	16,081,665	15,498,873
Professional Fees and Services	1,624,462	1,477,896	1,674,622	1,710,449	2,655,657
Travel	2,278,773	2,026,920	1,924,836	1,934,403	1,648,298
Materials and Supplies ⁽³⁾	15,038,190	17,184,358	12,129,681	5,472,001	4,551,086
Communication and Utilities	11,788,438	11,475,015	10,966,934	9,180,234	7,652,475
Repairs and Maintenance	3,895,941	3,114,489	1,938,882	1,639,948	2,310,878
Rentals and Leases	2,110,336	1,682,376	1,789,196	1,252,072	1,230,924
Printing and Reproduction	698,274	662,366	631,263	550,108	349,959
Federal Pass Through Expenditure	1,056,690	663,595	799,018	75,133	179,102
State Pass Through Expenditure	-	63,746	-	-	-
Depreciation	9,939,710	7,715,953	5,724,050	4,058,098	3,554,046
Bad Debt Expense	317,074	212,877	5,645	(5,155)	63,444
Interest Expense	476	944	516	1,624	950
Scholarships	13,152,371	13,125,624	11,191,935	11,138,205	12,520,348
Claims and Settlements	250	45	6,436	28,000	-
Other Operating Expenses ⁽³⁾	5,681,633	5,481,912	5,631,531	8,444,881	9,455,750
Total Operating Expenses	170,907,876	160,686,656	145,310,764	131,056,548	131,869,826
Operating Income (Loss)	(54,918,389)	(58,090,832)	(52,124,791)	(49,289,625)	(50,804,245)

⁽¹⁾ In 2005, the University began including statutory tuition as pledged tuition.

⁽²⁾ In 2004, Discounts/Allowances were applied to tuition and fees only.

⁽³⁾ Furniture, equipment and other controlled expenditures that do not meet capitalization thresholds were recognized as Other Operating Expenses until fiscal year ending August 31, 2006.

Source: Unaudited Financial Reports for the year ended August 31, 2008, 2007, 2006, 2005 and 2004.

Table 2 - Statement of Revenues, Expenses, and Changes in Net Assets - (continued)

	For Fiscal Years Ending August 31,				
	2008	2007	2006	2005	2004
Nonoperating Revenues (Expenses):					
Legislative Revenue	\$ 43,677,367	\$ 40,045,553	\$ 40,092,510	\$ 38,026,807	\$ 37,875,140
Additional Appropriations	10,756,380	9,824,597	9,590,476	8,886,299	9,083,776
Federal Pass Through Revenue	-	13,611	-	-	-
Gifts (Nonpledged)	2,431,850	2,247,463	2,298,280	2,399,512	1,948,462
Gifts - (Pledged)	35,932	-	-	-	-
Land Income	3,200	100	700	-	-
Other Rental Income	2,768	-	-	-	-
Investment Income (Pledged)	2,405,550	2,370,880	1,536,190	1,074,910	848,391
Investment Income (Non-Pledged)	290,619	369,273	291,448	460,561	273,564
Net Increase (Decrease) Fair Value (Pledged)	325,692	167,467	103,580	(233,699)	(81,412)
Net Increase (Decrease) Fair Value (Nonpledged)	(496,831)	-	-	-	-
Investing Activities Expenses	(80,559)	(16,753)	(90,156)	(107,183)	(16,272)
Interest on Loans Receivable	(115,694)	217,006	139,804	144,903	-
Interest on Capital Investments (Pledged)	34,097	121,310	1,302,184	225,664	308
Interest Expenses and Fiscal charges	(5,216,738)	(3,487,419)	(1,743,338)	(1,021,076)	(396,692)
Gain(Loss) on Sale of Capital Assets	(119,971)	(16,040)	(123,501)	(42,260)	(467,664)
Unrealized Gain (Loss) on Capital Investments	-	-	-	-	99,154
Settlement of Claims	(12,219)	260,511	40,567	20,000	(359)
Other Nonoperating Revenues	-	-	-	89,152	85,723
Other Nonoperating Expenses	(1,615)	(10,630)	(6,905)	(1,151)	-
Total Nonoperating Revenues (Expenses)	<u>53,919,827</u>	<u>52,106,930</u>	<u>53,431,839</u>	<u>49,922,439</u>	<u>49,252,119</u>
Income (Loss) before Other Revenues, Expenses, Gains/Losses and Transfers	(998,562)	(5,983,902)	1,307,048	632,814	(1,552,126)
Other Revenues, Expenses, Gains/Losses and Transfers					
Capital Contributions	372,361	1,795,674	-	-	-
Capital Appropriations (HEF)	7,025,771	4,683,847	4,683,847	6,633,109	6,633,109
Additions to Permanent and Term Endowments	136,678	835,173	551,399	582,393	657,016
Lapsed Appropriations	(550,000)	-	-	-	-
Transfers-In/(Out) to other state agencies	(700,235)	(854,614)	(507,293)	(227,476)	(101,975)
Total Other Revenue, Expenses, Gain/Losses and Transfers	<u>6,284,575</u>	<u>6,460,080</u>	<u>4,727,953</u>	<u>6,988,026</u>	<u>7,188,150</u>
Change in Net Assets	<u>5,286,013</u>	<u>476,178</u>	<u>6,035,001</u>	<u>7,620,840</u>	<u>5,636,024</u>
Beginning Net Assets	113,091,719	112,615,541	108,454,259	115,410,271	107,089,945
Restatements	(707,515)	-	(1,873,719)	(14,576,852)	2,684,302
Total Net Assets, September 1, as Restated	<u>112,384,205</u>	<u>112,615,541</u>	<u>106,580,540</u>	<u>100,833,419</u>	<u>109,774,247</u>
Total Net Assets, August 31	<u>\$117,670,218</u>	<u>\$113,091,719</u>	<u>\$112,615,541</u>	<u>\$108,454,259</u>	<u>\$115,410,271</u>

Source: Unaudited Financial Reports for the year ended August 31, 2008, 2007, 2006, 2005 and 2004.

Funding for the University

Funding for the University for the Fiscal Year ended August 31, 2008 consisted of government appropriations; tuition and student fees; gifts, investment and endowment income; sales and services, and other sources; auxiliary enterprises; and other sources. The amounts and the sources of such funding vary from year to year; there is no guarantee that the source or amounts of such funding will remain the same in future years.

Tuition and Fee

Each Texas public university granting degrees charges tuition and fees as set by the State Legislature and the Board under Chapters 54 and 55 of the Texas Education Code. Prior to a change in law effective for the Fall 2003 semester, the amount charged by the University for tuition and the designated tuition fee was subject to a per-semester-credit-hour cap set by the Texas Legislature, which permitted undergraduate tuition applicable to State residents to be charged up to up to \$96 per semester credit hour for the 2004-2005 academic year, up to \$100 per semester credit hour in the 2005-2006 academic year and thereafter. Tuition and fee charges subsequent to deregulation for the 2008-09 academic year are comprised of “State Mandated Tuition” and “Board Designated Tuition,” as further described below.

State Mandated Tuition

Section 54.051, Texas Education Code, currently permits (i) undergraduate tuition applicable to state residents to be charged up to \$50 per semester credit hour for the 2008-09 academic year; and (ii) tuition of a non-resident student at a general academic teaching institution or medical and dental unit to be increased to an amount equal to the average of the non-resident undergraduate tuition charged to a resident of the State at a public state university in each of the five most populous states other than this State (the amount of which would be computed by the Coordinating Board for each academic year). For the 2008-09 academic year, the Coordinating Board computed \$331 per semester credit hour for non-resident undergraduate tuition. The tuition rates described above are referred to in this document as “State Mandated Tuition”. Section 56.033 of the Texas Education Code requires that not less than 15% of each resident student’s tuition charge and 3% of each non-resident student’s tuition charge be set aside for Texas Public Education Grants. Section 56.095 of the Texas Education Code authorizes each institution to set aside \$2 for each semester hour for which a doctoral student is enrolled pursuant to the Doctoral Loan Incentive Program.

Board Designated Tuition

During the regular session of the 78th Texas Legislature that ended June 2, 2003, the Texas Legislature approved and the Governor signed into law House Bill 3015, which provided for the deregulation of a portion of tuition that a governing board of an institution of higher education, such as the Board, has the authority to charge under Section 54.0513 of the Texas Education Code. Effective with the tuition that was charged for the Fall 2003 semester, a governing board may charge any student an amount (referred to as “Board Designated Tuition”) that it considers necessary for the effective operation of the institution. The new legislation also granted authority to the governing board to set a different tuition rate for each program and course level offered by the institution. This new authority offers more opportunity for the University to develop a tuition schedule that assists in meeting its strategic objectives in terms of access, affordability, effective use of campus resources, and improvement of graduation rates. The Board has authorized the Board Designated Tuition rate, beginning with the 2008 fall semester, at \$106 per semester credit hour for all University students. No less than 20% of the Board designated tuition charged to resident undergraduate students in excess of \$46 per semester hour will be set aside to provide financial assistance to resident undergraduate students, consistent with the provisions of Texas Education Code, Section 56.011. No less than 15% of the Board Designated tuition charged to resident graduate students in excess of \$46 per semester hour will be set aside to provide financial assistance to resident graduate students, consistent with the provisions of Texas Education Code Section 56.012.

Board Authorized Tuition

Section 54.008 of the Texas Education Code permits the governing board of each institution to set tuition for graduate programs for that institution at a rate that is at least equal to that of the State Mandated tuition, but that is not more than twice that rate. Between the maximum and minimum rates, the Board may set the differential tuition among programs offered by an institution of higher education. The Board has set graduate tuition at an additional \$30 per semester hour for both resident and non-resident graduate University students.

Set forth below is a table showing the State Mandated tuition, Board Designated tuition, Board Authorized tuition, mandatory fees, and the amount set aside for financial assistance to resident and non-resident students for the 2008-09 academic year based on 15 semester credit hours per semester for undergraduate students and nine semester credit hours per semester for graduate students.

**State Mandated Tuition, Board Designated Tuition, Board Authorized Tuition,
Mandatory Fees And Financial Set-Aside
2008-2009 Academic year
Based on 15 Undergraduate and 9 Graduate Credit Hours per Fall & Spring Semesters**

	State Mandated Tuition	Board Designated Tuition	Board Authorized Tuition	Mandatory Fees	Total Tuition and Fees	Financial Assistance Set-Aside ⁽¹⁾
Resident Undergraduate	\$ 750	\$ 1,590	\$ -	\$ 876	\$ 3,216	\$ 293
Non-resident Undergraduate	4,965	1,590	-	876	7,431	149
Resident Masters	450	954	270	626	2,300	149
Non-resident Masters	2,979	954	270	626	4,829	89
Resident Doctoral	450	954	270	626	2,300	167
Non-resident Doctoral	2,979	954	270	626	4,829	107

⁽¹⁾ Total tuition and fees includes amounts required to be set aside for financial assistance according to Texas Education Code. The set-aside amounts are calculated as follows: from State Mandated tuition not less than 15% of each resident student's tuition charge and 3% of each non-resident student's tuition charge is set aside for Texas Public Education Grants (Section 56.033); \$2 for each semester hour for which a doctoral student is enrolled is set aside for the Doctoral Loan Incentive Program (Section 56.095); from Board Designated tuition no less than 20% charged to resident undergraduate students in excess of \$46 per semester hour (Section 56.011) and no less than 15% charged to resident graduate students in excess of \$46 per semester hour is set aside for financial assistance (Section 56.012). Of the set-aside from Board Designated tuition for resident undergraduate students, 5% is deposited in the State Treasury into the Texas B-On-Time Loan Program (Section 56.465).

Most of the debt issued for the University is payable from tuition, fees, rentals, rates and other revenues which revenues are separate from the Higher Education Fund Pledged Revenues pledged to the Bonds.

State Government Appropriations

The operations of the University are heavily dependent upon the continued support of the State through biennial appropriations of general revenues. The University receives a significant portion of its operating funds from State appropriations. The Board has no assurance that the Texas Legislature will continue to appropriate to the University the general revenue funds of the State at the same levels as in previous years. Future levels of State support are dependent upon the ability and willingness of the Texas Legislature to make appropriations to the University taking into consideration the availability of financial resources and other potential uses of such resources.

For fiscal years 2008 and 2009, State appropriations comprised approximately 33% of the University revenues. See "Table 3 - Statement of Revenues, Expenses and Changes in Net Assets". The State Legislature finished its last regular session on May 28, 2007. State appropriations to most institutions of higher education (including the University) were flat compared to prior years.

Private Financial Support

In Fiscal Years 2006-2008, SFASU received contributions (gifts, grants and contracts) averaging \$3.5 million annually from the private sector.

Financing Programs

The Board, pursuant to constitutional and statutory provisions, is authorized to issue debt in a number of distinct forms with which to finance capital improvements. The University has another financing program in addition to the Revenue Financing System.

Higher Education Fund Bonds

Pursuant to the Higher Education Fund (“HEF”) program, established by Article VII, Section 17 of the Texas Constitution, the University is qualified to receive an annual allocation from amounts constitutionally appropriated to institutions of higher education that are not entitled to participate in Permanent University Fund bond financing in order to fund permanent improvements (except those for auxiliary enterprises). Under this program, the Board is authorized to issue bonds and notes to finance permanent improvements at such institutions and to pledge up to 50% of its allocation to secure the payment of principal of and interest on the bonds and notes. The Series 2008 HEF Bonds constitute the University’s only outstanding HEF bonds. See – “SECURITY FOR THE BONDS – Additional Obligations.”

Table 3 - Outstanding Indebtedness

The University after delivery of the Bonds will have outstanding the following described indebtedness:

Revenue Financing System Obligations ⁽¹⁾	
Revenue Financing System Revenue Bonds, Series 1998	\$ 3,685,000
Revenue Financing System Revenue Bonds, Series 2000	1,000,000
Revenue Financing System Revenue Bonds, Series 2002	10,515,000
Revenue Financing System Revenue Bonds, Series 2002A	375,000
Revenue Financing System Revenue Bonds, Series 2004	22,205,000
Revenue Financing System Revenue Bonds, Series 2004A	4,690,000
Revenue Financing System Revenue Bonds, Series 2005	15,390,000
Revenue Financing System Revenue Bonds, Series 2005A	52,915,000
Revenue Financing System Revenue Bonds, Series 2008	16,985,000
TOTAL REVENUE FINANGING SYSTEM OBLIGATIONS	<u>\$ 127,760,000</u>
Constitutional Appropriation Obligations	
Constitutional Appropriation Bonds, Series 2008	\$ 10,200,000
TOTAL OBLIGATIONS	<u>\$ 137,960,000</u>

The University has a long range capital improvement plan to maintain and expand the facilities of the campus. The University currently anticipates the issuance of approximately \$23,000,000 of Revenue Financing System Obligations for the remaining tuition revenue bond authorization in early 2009 for a Nursing School Facility and deferred maintenance items. The University also anticipates the issuance of approximately \$12,000,000 in bonds in 2009/2010 for parking facilities on campus. See “-Financing Programs” for information concerning the University’s other financing programs.

⁽¹⁾ Revenue Financing System Obligations are payable from tuition, fees, rentals, rates and other revenues unrelated to the Higher Education Fund Pledged Revenues.

Investment Policy and Procedures

Management of Investments

As provided in the Texas Education Code, each member of the Board has the legal responsibilities of a fiduciary in the management of funds under the control of the University. All investments are made in accordance with applicable State and federal regulations. The Board has provided for centralized investment management under the direction of the Vice President for Finance and Administration. Investments are managed both internally by University staff, and externally, by unaffiliated investment managers. The Board receives quarterly reports regarding asset allocation, investment returns, and comparative investment results and indices.

Authorized Investments

All available funds held by the University are authorized to be invested in accordance with the Public Funds Investment Act and with the written investment policy of the Board. Investments are to be made with the judgment and care, under the circumstances then prevailing, that persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not in regard to speculation, but in regard to permanent disposition of their funds, considering the probable income therefrom as well as the probable increase in value and the safety of their capital. In the management of University investments, consideration is given to the requirements of liquidity, diversification, safety of principal, yield, maturity, quality, and capability of investment management, with primary emphasis on safety of principal.

Investment Programs

The University invests public funds in its custody with primary emphasis on the preservation and safety of the principal amount. Secondly, investments must be of sufficient liquidity to meet the day-to-day cash requirements of the University. Finally, the University invests to maximize yield within the two previously indicated standards. All investments within this scope conform to applicable State statutes and local rules governing the investment of public funds. Deposits and investments in other than United States Treasury or Agency securities or money market funds invested in United States Treasury or Agency securities are secured by depository pledges of collateral with market value no less than 100% of the value of the deposits and investments. Diversification maximums and actual investment levels for eligible securities as of August 31, 2008 were:

	<u>Maximum</u>	<u>Actual</u>
United States Treasury or Government securities	100.00%	26.69%
United States Agency securities	50.00%	0.00%
Mortgage-backed securities	25.00%	15.14%
Corporate Obligations	50.00%	0.77%
Fully insured or collateralized certificates of deposit	100.00%	11.04%
Bankers' acceptances	25.00%	0.00%
Commercial paper	25.00%	2.02%
Repurchase agreements	100.00%	0.00%
Registered money-market funds	100.00%	1.08%
Local Government Investment Pool	100.00%	34.63%
Equities	70.00%	6.01%
Alternative Investments	25.00%	1.97%
Cash held in the State Treasury	100.00%	0.66%
		<u>100.00%</u>

Endowments

Although not pledged to the payment of debt obligations, the University is benefited by endowments valued at August 31, 2008, of \$13,763,202.91. As of August 31, 2008, endowment funds under the direct control of the University had a book value of \$9,154,166.57 and consisted of marketable securities and investments.

Other Capital Improvement Needs and Recent Debt Issuance

During the 80th regular session of the Texas Legislature, the legislature approved \$30,178,000 in funding for the University through the issuance of Tuition Revenue Bonds for projects previously approved but not funded during the 79th legislative session. These projects included requests for funding for the Education Research Center and deferred maintenance projects. In addition, legislation enacted during the 80th regular session of the Texas Legislature approved \$13 million in funding for the University through the issuance of Tuition Revenue Bonds for the expansion of the school of nursing at the University. In March 2008, the University issued its \$20,175,000 Texas Public Finance Authority Stephen F. Austin State University Revenue Financing Revenue Bonds, Series 2008 to provide financing for a portion of the cost to construct the Early Childhood Research Center. The remaining costs associated with the construction of the Early Childhood Research Center will be financed with proceeds of the Bonds. The University anticipates the issuance of \$23 million in Revenue Financing System Bonds in early 2009.

Debt Management

Debt management of the University is the responsibility of the Board. The Board evaluates the University's financing needs pursuant to a debt capacity analysis and annual funding requirements determined by the capital budget. Once complete, a request for financing is submitted to the Bond Review Board. Issuance of debt requires approval of the Board and the Texas Bond Review Board.

Financial Advisory Services
Provided By

