ANGELO STATE UNIVERSITY

San Angelo, Texas



ANNUAL FINANCIAL REPORT

Year Ended August 31, 2002

A MEMBER OF THE TEXAS STATE UNIVERSITY SYSTEM

ANGELO STATE UNIVERSITY FINANCIAL REPORT

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ANGELO STATE UNIVERSITY

OFFICE OF THE PRESIDENT

Box 11007, ASU Station • San Angelo, Texas 76909 • Phone 915-942-2073 • Fax 915-942-2038 • Email president@angelo.edu

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November 20, 2002

The Honorable Rick Perry Governor of Texas

Mr. John Keel, CPA Director, Legislative Budget Board

The Honorable Carole Keaton Rylander Comptroller of Public Accounts

Mr. Lawrence F. Alwin, CPA State Auditor

Lady and Gentlemen:

We are pleased to submit the Annual Financial Report of Angelo State University for the year ended August 31, 2002, in compliance with TEX. GOV'T CODE ANN §2101.011 and in accordance with the requirements established by the Comptroller of Public Accounts.

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

If you have any questions, please contact Denise Brodnax, at 915-942-2017. Cathy Morgan may be contacted at (915) 942-2014 for questions related to the Schedule of Expenditures of Federal Awards.

Sincerely,
James Hindman

President



Angelo State University

OFFICE OF THE VICE PRESIDENT FOR FISCAL AFFAIRS

Box 11009, ASU Station • San Angelo, Texas 76909 • Phone 915-942-2017 • Fax 915-942-2271 • Email: fiscal.affairs@angelo.edu

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November 20, 2002

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

Dear Dr. Hindman:

Submitted herein is the Annual Financial Report of Angelo State University for the fiscal year ended August 31, 2002.

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

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

If you have any questions, please contact Denise Brodnax at (915)942-2017. Cathy Morgan, may be contacted at (915) 942-2014 for questions related to the Schedule of Expenditures of Federal Awards.

A. E. Hawin

Respectfully submitted.

Sharon K. Meyer Vice President for

Finance and Administration

Denise Brodnax

Accountant

Ross E. Harris

Business Manager

Cathy Morgan Accountant

Christina Chavez

Accountant

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ANGELO STATE UNIVERSITY ORGANIZATIONAL DATA For the Fiscal Year 2001 - 2002

BOARD OF REGENTS TEXAS STATE UNIVERSITY SYSTEM

OFFICERS

Dionicio Flores John P. Hageman Lamar G. Urbanovsky Chairman Vice Chairman Chancellor

MEMBERS

N	D 1 J	Term Expires
<u>Name</u>	<u>Residence</u>	<u>February 1</u>
Dionicio Flores	El Paso, Texas	2005
John P. Hageman	Round Rock, Texas	2003
Kent M. Adams	Beaumont, Texas	2007
Patricia Diaz Dennis	San Antonio, Texas	2005
Alan W. Dreeben	Schertz, Texas	2007
James A. Hayley	Texas City, Texas	2005
Nancy R. Neal	Lubbock, Texas	2003
Pollyanna A. Stephens *	San Angelo, Texas	2007
James L. Sweatt III	DeSoto, Texas	2003

^{*} The Regents continue to serve at August 31, 2002 pending their reappointment or the appointment of their successors. Mr. Villarreal was subsequently appointed to another State board and no longer serves.

PRESIDENT

Dr. E. James Hindman

OFFICE OF FISCAL AFFAIRS

Sharon K. Meyer Ross E. Harris Vice President for Finance and Administration Business Manager

ADMISSIONS & REGISTRAR

Mary Ragland Monique Cossich Registrar Director of Admissions

ANGELO STATE UNIVERSITY ENROLLMENT DATA For the Fiscal Year 2001-2002

	Number of Students by Semester			
TYPE OF STUDENT	Fall 2001	Spring 2002	<u>Summer Te</u> <u>First</u>	erms 2002 Second
Texas Resident Out-of State Foreign High School Honor Scholarship Hazlewood Act State Commission for the Blind	6,190 12 5 27 17 <u>11</u>	5,605 7 6 25 16 11	2,267 5 0 0 13	1,991 3 0 0 14 3
	6,262	<u>5,670</u>	2,293	2,011

ENROLLMENT TREND DATA

(Fall Semester)

FISCAL YEAR	<u>STUDENTS</u>	<u>SEMESTER HOURS</u>
2002	6,262	78,342
2001	6,309	78,455
2000	6,220	77,135
1999 1998	6,315 6,234	77,133 77,109 75,953
1997	6,198	75,132
1996	6,103	73,023
1995	6,276	75,447
1994	6,100	72,749
1993	6,102	73,717
1992	6,128	73,829

^{*} Furnished by the Office of the Registrar.

62,454,985.93

Angelo State University Statement of Net Assets August 31, 2002

	_	Total
ASSETS		
Current Assets:		
Cash and Cash Equivalents		
Cash on Hand	\$	12,856.20
Cash in Bank		2,004,869.56
Reimbursement due from Treasury		976,977.04
Cash in State Treasury		6,389,567.29
Securities Lending Collateral		
Cash Equivalents		28,921,021.62
Short-term Investments		
Restricted:		
Cash and Cash Equivalents		
Cash on Hand		20.00
Cash in Bank		(365,372.88)
Cash in Federal Treasury		
Cash in State Treasury		
Cash Equivalents		4,842,585.29
Short-term Investments		
Loans and Contracts		
Legislative Appropriations		8,467,108.96
Net Receivables:		
Intergovernmental Receivables		
Federal Receivables		465,789.60
Other Intergovernmental Rec.		
Interest and Dividends		87,326.73
Accounts Receivables		2,019,917.22
Gifts Receivable		
Other Receivables		1,233,254.00
Interfund Receivables		
Due From Other Agencies		21,620.23
Consumable Inventories		315,536.27
Merchandise Inventories		
Deferred Charges		7,061,908.80
Loans and Contracts		
Other Current Assets	_	

Total Current Assets

Angelo State University Statement of Net Assets August 31, 2002

	Total
	
Non-current Assets:	
Restricted:	
Cash in Bank	\$
Cash in State Treasury	
Cash Equivalents	
Receivables:	
Investments	
Loans and Contracts	
Other Assets	
Loans and Contracts	
Investments	66,691,605.75
Interfund Receivables	
Capital Assets, non-depreciable:	
Land and Land Improvements	2,197,372.20
Construction in Progress	23,070,416.58
Library Materials	12,394,081.82
Museum and Art Collection	256,290.00
Capital Assets, depreciable:	
Buildings and Building Improvements	78,872,156.14
Less Accumulated Depreciation	(49,262,035.32)
Infrastructure	4,677,058.01
Less Accumulated Depreciation	(487,576.48)
Facilities and Other Improvements	5,378,206.47
Less Accumulated Depreciation	(1,976,366.00)
Furniture and Equipment	9,276,894.23
Less Accumulated Depreciation	(6,101,415.47)
Vehicles, Boats, and Aircraft	1,499,618.37
Less Accumulated Depreciation	(1,021,224.08)
Other Capital Investments	
Less Accumulated Depreciation	
Other Non-current Assets	
Total Non-current Assets	145,465,082.22
Total Assets	\$ <u>207,920,068.15</u>

Angelo State University Statement of Net Assets August 31, 2002

August 31, 200	12
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		Total
Current Liabilities:		
Payables from:		
Accounts Payable	\$	4,615,633.02
Federal Payables		
Other Intergovernmental Payables		
Interfund Payable		
Due to Other Funds		
Due to Other Agencies		1,207.37
Deferred Revenues		8,187,404.40
Employees' Compensable Leave		224,777.89
Claims and Judgements Payable		
Capital Lease Obligations		
Notes and Loans Payable		
Liabilities Payable from Restricted Assets		
General Obligation Bonds Payable		
Revenue Bonds Payable		
Funds Held for Others		3,074,220.14
Obligations/Securities Lending		
Other Current Liabilities		321,835.00
Total Current Liabilities	_	16,425,077.82
Non-current Liabilities:		
Interfund Payable		
Claims and Judgements Payable		
Capital Lease Obligations		
Employees Compensable Leave		709,271.16
Notes and Loans Payable		474,106.41
Revenue Bonds Payable		
General Obligation Bonds Payable		
Liabilities Payable From Restricted Assets		
Other Non-current Liabilities	_	
Total Non-current Liabilities		1,183,377.57
otal Liabilities		17,608,455.39

Angelo State University Statement of Net Assets August 31, 2002

	Total
Net Assets:	\$
Invested in Capital Assets, Net ofRelated Debt	78,773,476.47
Restricted for:	
Debt Retirement	
Other Restricted	
Non-expendable	63,569,891.13
Permanent University Fund	
by Grantor	
by Contributor	
by Other	
Expendable	
by Grantor	
by Contributor	
by Other	9,450,850.33
Unrestricted	38,517,394.83
Total Net Assets	\$ <u>190,311,612.76</u>

^{*} Capital Assets maybe shown net of depreciation with details presented in Note 2.

Angelo State University

Statement of Revenues, Expenses and

Changes in Net Assets

For the Fiscal Year Ended August 31, 2002

	Total	
OPERATING REVENUES:		
Sales of Goods and Services (PR-Chgs for Services)		
Net Tuition and Fees	\$	11,951,765.26
Net Hospitals		
Net Professional Fees		
Net Auxiliary Enterprises		7,182,237.68
Net Other Sales of Goods and Services		809,430.92
Premium Revenue (PR-Chgs for Services)		
Interest and Investment Income (PR-Chgs for Services)		
Interest and Investment Income (PR-OP Grants/Contributions)		34,245.25
Interest and Investment Income (GR)		
Net Increase (Decrease) Fair Value (PR-OP Grants/Contributions)		
Net Increase (Decrease) Fair Value (GR)		
Federal Revenue-Operating (PR-OP Grants/Contributions)		6,107,957.08
Federal Pass Through Revenue (PR-OP Grants/Contributions)		
State Grant Revenue (PR-OP Grants/Contributions)		1,403,963.77
State Grant Pass Through Revenue (PR-OP Grants/Contributions)		1,609,672.70
Other Grants and Contracts-Operating (PR-OP Grants/Contributions)		304,178.96
Expended for Plant Facilities		
Land Income (PR-Chgs for Services)		
Contributions to Retirement Systems (PR-Chgs for Services)		
Other Operating Revenues (GR)		
Other Operating Revenues (PR-Chgs for Services)		
Total Operating Revenues		29,403,451.62
OPERATING EXPENSES		
Instruction		26,924,984.09
Research		770,042.39
Public Service		1,963,786.43
Academic Support		2,520,498.38
Student Services		2,541,633.59
Institutional Support		5,731,362.52
Operation and Maintenance of Plant		4,847,631.31
Scholarship and Fellowships		1,774,445.26
Auxiliary Enterprise Expenditures		10,766,099.63
Depreciation and Amortization		2,404,005.95
Total Operating Expenses		60,244,489.55
Operating Income (Loss)		(30,841,037.93)

Angelo State University

Statement of Revenues, Expenses and

Changes in Net Assets

For the Fiscal Year Ended August 31, 2002

	Total
ONOPERATING REVENUES (EXPENSES)	
Legislative Revenue (GR)	\$ 29,438,373.22
Additional Appropriations (GR)	
HEAF Appropriation Revenue (GR)	
Federal Revenue Non-Operating (PR-OP Grants/Contributions)	
Gifts (PR-OP Grants/Contributions)	1,878,084.98
Investment Income (PR-OP Grants/Contributions)	4,677,307.84
Investment Income (GR)	
Expended for Plant	
Loan Premium/Fees on Securities Lending (PR-OP Grants/Contributions)	
Investing Activities Expense	
Interest Expense and Fiscal Charges	
Indirect Costs	
Borrower Rebates and Agent Fees	
Gain (Loss) on Sale of Capital Assets (GR)	
Net Increase (Decrease) in Fair Value of Investments (PR-OP	
Grants/Contributions)	(1,806,147.13)
Net Increase (Decrease) in Fair Value of Investments (GR)	
Settlement of Claims (PR-Chgs for Services)	
Settlement of Claims (GR)	
Disposal of Plant Facilities	(1,148,835.82)
Other Nonoperating Revenues (Expenses) (PR-Chgs for Services)	(2,385,439.02)
Other Nonoperating Revenues (Expenses) (GR)	
Total Nonoperating Revenues (Expenses)	 30,653,344.07
Income (Loss) before Other Revenues, Expenses,	
Gains. Losses and Transfers	 (187,693.86)
THER REVENUES, (EXPENSES), GAINS/(LOSSES) & TRANSFERS	
Capital Contributions	3,887,211.00
Additions to Permanent and Term Endowments	
Special Items	
Extraordinary Items	
Transfers-In	43,511.00
Transfers-Out	(3,941,202.21)
Legislative Transfers-In	197,452.74
Legislative Transfers-Out	
Legislative Appropriations Lapsed	

Angelo State University
Statement of Revenues, Expenses and
Changes in Net Assets
For the Fiscal Year Ended August 31, 2002

	Total			
Change in Net Assets	\$ (721.33)			
Total Net Assets, September 1, 2001	258,662,719.18			
Restatements	(68,350,385.09)			
Total Net Assets, September 1, 2001, as Restated	190,312,334.09			
Total Net Assets, August 31, 2002	\$190,311,612.76			

Angelo State University

Matrix of Operating Expenses Reported by Function
For the Fiscal Year Ended August 31, 2002

				Academic	Student	Institutional	M&O of	Scholarships &		Depreciation &	Tota!
Operating Expenses	Instruction	Research	Public Service	Support	Services	Support	Plant	Fellowships	Auxiliary	Amortization	Expenditures
Cost of Goods Sold											
Salaries and Wages	14,917,636.92	430,211.81	702,859.45	1,484,310.33	1,473,735.65	3,308,131.78	1,590,050.19	40,689.92	2,995,443.17		26,943,069.22
Payroll Related Costs	4,203,985.85	82,167.46	142,684.96	445,595.49	383,125.72	522,904.80	490,741.64	5,461.34	352,800.80		6,629,468.06
Professional Fees and Services	76,441.61	2,440.00	128,442.45	13,968.00	1,489.00	209,421.38	14,133.31		96,816.58		543,152.33
Travel	244,358.46	15,932.78	28,930.68	32,223.40	32,424.16	38,457.03	5,010.16		198,344.26		595,680.93
Materials and Supplies	308,098.06	11,702.71	34,228.61	20,271.96	33,869.89	170,058.92	95,098.61		151,184.37		824,513.13
Communication and Utilities	67,179.76	210.46	107,592.04	14,199.56	15,814.94	32,638.99	1,267,629.39		1,296,769.70		2,802,034.84
Repairs and Maintenance	144,124.96	88,954.37	266,837.77	30,808.95	73,152.49	119,188.09	205,309.83		634,450.24		1,562,826.70
Rentals and Leases	70,266.20	2,017.16	8,312.83	10,683.04	18,471.37	24,332.44	8,998.48		164,281.20		307,362.72
Printing and Reproduction	54,410.84	320.71	24,250.07	21,945.16	132,055.26	120,327.05	5,791.88		163,865.34		522,966.31
Federal Pass Through Expense											
State Grant Pass Through Expense											
Depreciation and Amortization										2,404,005.95	2,404,005.95
Bad Debt Expense											
Interest	86.24	2.17	0.03	1.36	6.22	12.98	(1.15)				107.85
Scholarships								1,741,274.00	705,521.75		2,446,795.75
Claims and Losses											
Other Operating Expenses	6,838,395.19	136,082.76	519,647.54	446,491.13	377,488.89	1,185,889.06	1,164,868.97	,,,,	3,993,642.22		14,662,505.76
Total Operating Expenses	26,924,984.09	770,042.39	1,963,786.43	2,520,498.38	2,541,633.59	5,731,362.52	4,847,631.31	1,787,425.26	10,753,119.63	2,404,005.95	60,244,489.55

Angelo State University

Statement of Cash Flows

For the Fiscal Year Ended August 31, 2002

	Total
ash Flows from Operating Activities	
Proceeds Received from Students	\$ 11,802,658.87
Proceeds Received from Customers	7,677,424.83
Proceeds from Loan Programs	751,311.03
Proceeds from Other Revenues	9,180,215.45
Payments to Suppliers for Goods and Services	
Payments to Employees	(33,425,010.08)
Payments for Loans Provided	(1,188,219.96)
Payments for Other Expenses	(22,972,625.71)
Net Cash Provided (Used) by Operating Activities	(28,174,245.57)
ash Flows from Non-capital Financing Activities	
Proceeds from State Appropriations	33,345,997.08
Proceeds from Debt Issuance	
Proceeds of Transfers from Other Agencies	240,963.74
Proceeds from Other Revenues	1,605,689.96
Proceeds from Contributed Capital	
Payments of Principal on Debt Issuance	
Payments of Interest	
Payments of Other Costs of Debt Issuance	
Payments for Transfers to Other Agencies	(3,941,202.21)
Payments for Other Uses	(2,702,419.95)
let Cash Provided by Noncapital Financing Activities	28,549,028.62
Cash Flows from Capital and Related Financing Activities	
Proceeds from Disposal of Capital Assets	54,481.02
Proceeds from Debt Issuance	
Payments for Additions to Capital Assets	(8,543,781.96)
Payments of Principal on Debt Issuance	•
Payments of Interest on Debt Issuance	
Payments of Other Costs of Debt Issuance	
Net Cash Used by Capital and Related Financing Activities	(8,489,300.94)
Cash Flows from Investing Activities	
Proceeds from Sales of Investments	41,566,353.04
Proceeds from Interest and Investment Income	4,732,980.91
Proceeds from Principal Payments on Loans	
Payments to Acquire Investments	(40,102,366.39)
Net Cash Provided by Investing Activities	6,196,967.56

Angelo State University

Statement of Cash Flows

For the Fiscal Year Ended August 31, 2002

	Total
Increase (Decrease) in Cash and Cash Equivalents	(1,917,550.33)
Cash and Cash Equivalents, September 1, 2001	44,700,074.45
Restatements to Beginning Cash and Cash Equivalents	
Cash and Cash Equivalents, August 31, 2002	\$42,782,524.12
Cash and Temporary Investments/ Restricted	\$
Cash and Temporary Investments (Balance Sheet)	42,782,524.12
Temporary Investments not considered Cash Equivalents	
Cash and Cash Equivalents, August 31, 2002	\$42,782,524.12
Reconciliation of Operating Income (Loss) to	
Net Cash Provided (Used) by Operating Activities	
Operating Income (Loss)	(30,841,037.93)
Adjustments to Reconcile Operating Income	
to Net Cash Provided (Used) by Operating Activities:	
Amortization and Depreciation	2,404,005.95
Operating Income and Cash Flow Categories	
Classification Differences	642,266.65
Changes in Assets and Liabilities:	
(Increase) Decrease in Receivables	(1,841,427.87)
(Increase) Decrease in Due From Other Agency	21,620.23
(Increase) Decrease in Inventories	205,280.52
(Increase) Decrease in Loans & Contracts	
(Increase) Decrease in Other Assets	
(Increase) Decrease in Prepaid Expenses	844,714.25
Increase (Decrease) in Payables	951,290.09
Increase (Decrease) in Due to Other Agency	(1,207.37)
Increase (Decrease) in Deferred Revenue	(72,739.30)
Increase (Decrease) in Other Liabilities	(487,010.79)
Total Adjustments	2,666,792.36
Net Cash Provided by Operating Activities	\$(28,174,245.57)
Non Cash Transactions:	
Net Increase (Decrease) in FMV of Investments	(1,806,147.13)

NOTE 1: Summary Of Significant Accounting Policies

Entity

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

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

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

FUND STRUCTURE

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

Proprietary Funds

Business Type Activity

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

Component Units

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

Basis of Accounting

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

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

BUDGETS AND BUDGETARY ACCOUNTING

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

ASSETS, LIABILITIES, AND FUND BALANCES/NET ASSETS

Assets

Cash and Cash Equivalents

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

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

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

Inventories

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

Capital Assets

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

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

Other Receivables

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

Liabilities

Accounts Payable

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

Other Payables

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

Employees' Compensable Leave Balances

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

Capital Lease Obligations

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

Bonds Payable - General Obligation Bonds

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

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

Bonds Payable - Revenue Bonds

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

Fund Balance/Net Assets

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

Reservation of Fund Balance

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

Reserve for Encumbrances

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

Reserve for Consumable Inventories

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

Unreserved/Undesignated

This represents the unappropriated balance at year-end.

Invested in Capital Assets, Net of Related Debt

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

Restricted Net Assets

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

Unrestricted Net Assets

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

Interfund Transactions and Balances

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

- (1) Transfers: Legally required transfers that are reported when incurred as "Transfers In" by the recipient fund and as "Transfers Out" by the disbursing fund.
- (2) Reimbursements: Reimbursements are repayments from funds responsible for expenditures or expenses to funds that made the actual payment. Reimbursements of expenditures, made by one fund for another, are recorded as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund. Reimbursements are not displayed in the financial statements.
- (3) Interfund receivables and payables: Interfund loans are reported as interfund receivables and payables. If repayment is due during the current year or soon thereafter, it is classified as "Current," repayment for two (or more) years is classified as "Non-Current."
- (4) Interfund Sales and Purchases: Charges or collections for services rendered by one fund to another are recorded as revenues of the recipient fund and expenditures or expenses of the disbursing fund. The composition of Angelo State University's Interfund receivables and payables at August 31, 2002 is presented in Note 7.

NOTE 2: Capital Assets

PRIMARY GOVERNMENT

			PRIMART GOVERNMENT			
	Balance 09/01/01	Adjustments	Reclassification	Additions	Deletions	Balance 08/31/02
Governmental activities:						
Non-depreciable Assets:						
Land and Land Improvements	\$' 2,197,372.20 \$	\$	s \$	\$	\$	2,197,372.20
Infrastructure						
Construction in Progress	18,189,851.97			5,809,091.27	928,526.66	23,070,416.58
Other Capital Assets	12,040,049.76	7,740.00	(2,840.00)	629,862.06	24,440.00	12,650,371.82
Total non-depreciable assets	32,427,273.93	7,740.00	(2,840.00)	6,438,953.33	952,966.66	37,918,160.60
Depreciable Assets:						
Building and Building Improvements	78,469,592.37	(897,008.84)	402,223.01	897,349.60		78,872,156.14
Infrastructure		(1,464,880.19)	6,141,938.20			4,677,058.01
Facilities and Other Improvements	11,201,255.98	(719,024.03)	(6,013,513.32)	909,487.84		5,378,206.47
Furniture and Equipment	19,612,818.77	(8,326,053.09)	(2,089,920.24)	998,171.23	918,122.44	9,276,894.23
Vehicle, Boats, and Aircraft			1,562,112.35	74,388.90	136,882.88	1,499,618.37
Other Capital Assets	72,190.50	(72,190.50)				
Total depreciable assets at historical cost	109,355,857.62	(11,479,156.65)	2,840,00	2,879,397.57	1,055,005.32	99,703,933.22
Less Accumulated Depreciation for:						
Buildings and Improvements		(49,262,035.32)				(49,262,035.32)
Infrastructure		(487,576.48)				(487,576.48)
Facilities and Other Improvements		(1,976,366.00)				(1,976,366,00)
Furniture and Equipment		(6,101,415.47)				(6,101,415.47)
Vehicle, Boats, and Aircraft		(1,021,224.08)				(1,021,224.08)
Other Capital Assets						
Total accumulated depreciation		(58,848,617.35)				(58,848,617.35)
Depreciable assets, net	109,355,857.62	(70,327,774.00)		2,879,397.57	1,055,005.32	40,855,315.87
Governmental activity's capital assets, net	\$ 141,783,131.55 \$	(70,320,034.00)	\$ 0.00\$	9,318,350.90\$	2,007,971.98 \$	78,773,476.47

Adjustment Column Worksheet

	GASB34/35		Capitalization			
	Fund Type		Threshold	Accumulated	Other	Total
	Changes	Infrastructure	Changes	Depreciation	Adjustments	Adjustments
Governmental activities:						
Non-depreciable Assets:						
Land and Land Improvements	\$	\$	\$ \$	s	\$	
Infrastructure						
Construction in Progress						
Other Capital Assets					7,740.00	7,740.00
Total non-depreciable assets					7,740.00	7,740.00
Depreciable Assets:						
Building and Building Improvements			(897,008.84)		-	(897,008.84)
Infrastructure			(1,464,880.19)			(1,464,880.19)
Facilities and Other Improvements			(719,024.03)			(719,024.03)
Furniture and Equipment			(8,349,808.22)		23,755.13	(8,326,053.09)
Vehicle, Boats, and Aircraft						
Other Capital Assets			(2,800.00)		(69,390.50)	(72,190.50)
Total depreciable assets at historical cost			(11,433,521.28)		(45,635,37)	(11,479,156.65)
Less Accumulated Depreciation for:						
Buildings and Improvements				(49,262,035.32)		(49,262,035.32)
Infrastructure				(487,576.48)		(487,576.48)
Furniture and Equipment		•		(1,976,366.00)		(1,976,366.00)
Vehicle, Boats, and Aircraft				(6,101,415.47)		(6,101,415.47)
Other Capital Assets				(1,021,224.08)		(1,021,224.08)
Total accumulated depreciation:				(58,848,617.35)		(58,848,617.35)
Depreciable Assets, net			(11,433,521.28)	(58,848,617.35)		(70,327,774.00)
Governmental activities' capital assets, net:	\$ 0.00	\$ 0.00	(11,433,521.28) \$	(58,848,617.35)\$	(37,895.37) \$	(70,320,034.00)

NOTE 3: Deposits and Investments

Authorized Investments

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

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

Deposits of Cash in Bank

- A. The carrying amount of \$1,639,496.68 for Cash in Bank (including restricted assets) is presented below.
- B. The bank balance of Angelo State University has been classified according to the following risk categories:
 - Category 1: Insured or collateralized with securities held by its agent in the name of the governmental entity.
 - Category 2: Collateralized with securities held by the pledging financial institution's trust department or agent in the governmental entity's name.
 - Category 3: Uncollateralized (which would include any deposits collateralized with securities held by the pledging financial institutions, or by its trust department or agent but not in the governmental entity's name).

Unaudited 22

ANGELO STATE UNIVERSITY NOTES TO THE FINANCIAL STATEMENTS Year Ended August 31, 2002

 Carrying Amount
 Bank Balance
 Category 1

 \$1,639,496.68
 \$2,411,456.15
 \$2,411,456.15

Cash and Deposits

Bank Deposits

Demand Deposits 1,639,496.68

1,639,496.68

Cash and Cash Equivalents

Petty Cash on Hand 12,876.20
Local Funds in State Treasury 6,389,567.29
Reimbursement in Transit 976,977.04

7,379,420.53
Total Cash and Deposits \$9,018,917.21

INVESTMENTS

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

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

The following categories of credit risk are included:

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

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

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

Investment Categories:	Category 1	Reported Value
Type of Security		
U.S. Treasury Bills and Notes	2,942,270.75	2,942,270.75
U.S. Government Securities	1,958,552.17	1,958,552.17
Collateralized Mortgage Obligations	48,846.04	48,846.04
Mutual Fund/Unit Trust	2,003,656.24	2,003,656.24
Municipal Bonds	22,127.00	22,127.00
Corporate Bonds	42,866,104.43	42,866,104.43
Common Stock - Equities	9,503,732.31	9,503,732.31
Fiduciary Cash and Equivalents	508,483.09	508,483.09
TOTALS	<u>\$59,853,772.03</u>	\$59,853,772.03
Uncategorized Investments:		
Texpool		33,763,606.91
Mineral Interests		6,837,833.72
TOTAL INVESTMENTS		\$100,455,212.66
Total Cash/Deposits		9,018,917.21
Total Investments		100,455,212.66
TOTAL DEPOSITS AND INVESTMENTS		\$109,474,129.87
Cash and Temporary Investments (Exh. A)		42,782,524.12
Investments (Exh. A)		66,691,605.75
TOTAL DEPOSITS AND INVESTMENTS (Exh. A)		\$109,474,129.87

Reverse Repurchase Agreements

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

Securities Lending

Angelo State University does not participate in a security lending program. The Agency had no securities out on loan to broker/dealers at August 31, 2002.

Derivative Investing

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

Angelo State University's investments in derivatives comprises less than 1% of total investments as of August 31, 2002, with a reported value of \$48,846.04.

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

NOTE 4: Summary of Long Term Liabilities

Changes in Long-Term Liabilities

During the year ended August 31, 2002, the following changes occurred in liabilities:

Governmental Activities		Balance 9-1-01	Additions	 Reductions	Balance 8-31-02	 Amounts Due Within One Year
Compensable Leave U.S. Government Grants Refunda	\$ ble	786,521.85 453,887.26	\$ 224,777.89 20,727.37	\$ 77,250.69 508.22	\$ 934,049.05 474,106.41	\$ 224,777.89
Total Governmental Activities	\$	1,240,409.11	\$ 245,505.26	\$ 77,758.91	\$ 1,408,155.46	\$ 224,777.89

Employees Compensable Leave

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

NOTE 5: Capital Leases

Section not applicable.

NOTE 6: Operating Lease Obligations

Section not applicable.

NOTE 7: Interfund Balances/Activity

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

	Current Interfund Receivable		Current Interfund Payable	
\$	0	\$	0	
\$	0	\$	0	
	Non-Current Interfund Receivable		Non-Current Interfund Payable	Purpose
\$	0	\$	0	
\$ 	0	\$	0	
	Legislative TRANSFERS IN		Legislative TRANSFERS OUT	
\$_	197,452.74	\$		
\$	197,452.74	\$	0	
		Interfund Receivable S 0 S 0 Non-Current Interfund Receivable S 0 S 0 Legislative TRANSFERS IN	Interfund Receivable \$	Interfund Receivable

NOTE 8: Employees Retirement Plan

The State of Texas has joint contributory retirement plans for substantially all its employees. One plan in which Angelo State University participates is administered by the Teachers Retirement System of Texas. Future pension costs are the liabilities of the Retirement System.

The State has also established an optional retirement program for institutions of higher education. Participation in the optional retirement program is in lieu of participation in the Teacher Retirement System. The optional retirement program provides for the purchase of annuity contracts. Since these are individual annuity contracts, the State has no additional or unfunded liability for this program.

NOTE: 9 Deferred Compensation

State 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' participation. Both plans are administered by the Employees Retirement System.

The State also administers another plan: "TexaSaver" created in accordance with Internal Revenue Code Sec. 401 (k). The assets of this plan do not belong to the State. The State has no liability related to this plan.

NOTE 10: Contingent Liabilities

At August 31, 2002, there were no lawsuits or claims pending against the University.

Note 11: Continuance Subject To Review

Section not applicable.

NOTE 12: Risk Financing and Related Insurance

The State provides coverage for unemployment compensation benefits from appropriations made to other State agencies for Angelo State University employees. The current General Appropriations Act provides that Angelo State University must reimburse General Revenue Fund-Consolidated, from Angelo State University appropriations, one-half of the unemployment benefits paid for former and current employees. The Comptroller of Public Accounts determines the proportionate amount to be reimbursed from each appropriated fund type. Angelo State University must

reimburse the General Revenue Fund one hundred percent of the cost for workers' compensation and for any employees paid from funds held in local bank accounts. The unemployment plan is on a pay-as-you-go basis, in which no assets are set aside to be accumulated for the payment of claims. No material outstanding claims are pending at August 31,2002.

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

Angelo State University incurred no losses during the fiscal year ended August 31, 2002 and no claims were pending at that date.

- (a) Due to the diverse risk exposure of the University, the insurance portfolio contains a comprehensive variety of coverage. Texas statutes require participation of all state agencies, directors and officers liability, and property and casualty programs. In addition to these basic policies, the University's Department of Risk Management establishes guidelines in risk assessment, risk avoidance, risk acceptance and risk transfer.
 - The buildings and contents are insured for replacement value. Each loss incident is subject to a \$100,000 deductible.
 - University automobiles are insured for liability only. Leased vehicles have liability and collision coverage.
 - Each loss incident is subject to a \$500 deductible.

NOTE 13: Segment Information

Section not applicable.

NOTE 14: Bonded Indebtedness

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

(a) amounts received on behalf of any member under Article 7, Section 17 of the Constitution of the State of Texas, including the income therefrom and any balances relating thereto, and

(b) General Revenue Fund appropriations, except to the extent so specifically appropriated for debt service to the Board by the Legislature of the State of Texas.

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

Housing System Revenue Bonds, Series 1986

Housing System Revenue Refunding Bonds, Series 1989

University Housing System Revenue Refunding Bonds, Series 1993

Utility System Revenue Refunding Bonds, Series 1993

University Housing System Bonds, Series 1994

University Housing System Bonds, Series 1995

Utility System Revenue Bonds, Series 1996

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

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

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

Revenue Bonds. Series 1998A

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

Revenue Refunding Bonds. Series 1998B

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

Revenue Refunding Bonds. Taxable Series 1998

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

Revenue Bonds Series 2000

- To provide funds to acquire, purchase, construct, improve, renovate, enlarge, or equip the property, buildings, structures, facilities, roads, or related infrastructure and to pay any costs related to the issuance of the bonds.
- Issued September 26, 2000.
- \$26,000,000; all authorized bonds were issued.
- Bond proceeds of \$10,000,000 and \$16,000,000 were distributed to Sam Houston State University and Southwest Texas State University, respectively.
- The debt has been retained on the books of System Administration.
- Debt service payments will be made from mandatory transfers from the respective universities.
- Source of revenue for debt service Revenue Financing System.

Revenue Bonds Series 2001

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

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

Constitutional Appropriation Bonds, Series 1998

- To provide funds to acquire, construct, improve, renovate, enlarge, or equip property, buildings, structures, or facilities and for paying costs related to the issuance of the Bonds.
- Issued April 30, 1998.
- \$26,460,000; all authorized bonds have been issued.
- Bond proceeds were distributed to Southwest Texas State University.
- The debt has been retained on the books of System Administration.

- The Bonds are payable solely from a first lien on the pledge of up to one-half of the annual appropriation to the Board from the State Treasury pursuant to Article 7, Section 17 of the Texas Constitution, as amended and Chapter 62, Texas Education Code, as amended.

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

NOTE 15: Subsequent Events

The Board of Regents approved, at its August, 2002 Board meeting, the issuance of a sixth series of bonds utilizing the Revenue Financing System pursuant to the Master Resolution. The bonds are titled Revenue Financing System Revenue and Refunding Bonds, Series 2002 and Taxable Series 2002A. The bond proceeds were delivered to the System on October 17, 2002. A description of the sixth and seventh series follows:

Revenue and Refunding Series 2002 and Taxable Series 2002A

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

NOTE 16: Related Parties

Angelo State University Foundation

The Angelo State University Foundation is a non-profit organization with the sole purpose of supporting educational and other activities of the University. The assets of the foundation are managed under a Fiduciary Agreement by the Wells Fargo Bank, San Angelo, Texas. The Foundation remitted unrestricted gifts of \$90,000.00 to the University during the year ended August 31, 2002. Since the assets are managed externally, the Foundation does not have any employees. The only services provided by the University is the keeping of the minutes.

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

On September 1, 1980 the Robert G. Carr Estate transferred certain assets

totaling \$6,815,644.46 to the Board of Regents, Texas State University System, trustees of the Robert G. Carr and Nona K. Carr Scholarship Foundation that was established for the benefit of Angelo State University under provisions of the Last Will and Testament of Robert G. Carr whose death occurred on March 17, 1978.

This principal fund included \$2,986,879.74 in cash, and \$3,828,764.72 in oil, gas, and mineral properties.

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

Prior to the 2002 fiscal year, the Foundation received payments for oil and gas royalties, oil and gas lease rental and bonuses, and oil and gas payment commissions totaling \$49,038,488.86 and realized an appreciation on investments of \$2,759,616.12. During the 2002 fiscal year, the Foundation received payments for oil and gas royalties, oil and gas lease rentals and bonuses, and oil and gas payment commissions, and refunds totaling \$2,269,946.85.

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

The value at which oil, gas, and other mineral properties is carried on the financial statements is the value that was agreed to in the settlement with the Internal Revenue Service of the Federal Estate Tax Liability of the Estate of Robert G. Carr. No provision has been made for depletion of these properties. The interest income earned on the Trust is transferred to the Angelo State University Robert G. Carr and Nona K. Carr Scholarship and expense funds. During the 2002 fiscal year, the investment income received from the investment agent totaled \$3,204,772.44. Of this amount, \$495,000.00 was transferred by the trustees to the Foundation Trust Estate Expense Account for the payment of salaries and wages, and other operating expenses of the foundation. Disbursements from the expense account for the 2002 fiscal year totaled \$436,777.91. \$2,707,461.01 was transferred to the Angelo State University Robert G. Carr and Nona K. Carr Scholarship Foundation Account. Depository interest of \$2,311.43 was transferred.

During the 2002 fiscal year, the scholarship account earned interest totaling \$79,231.88.

Total scholarships awarded prior to the 2002 fiscal year amounted to \$35,838,010.87. During the 2002 fiscal year, scholarship awards amounted to \$2,934,631.52. It is estimated that the amount of annual scholarship awards from the scholarship fund will total \$2,900,000.00 in fiscal year 2003.

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

Other Organizations

The Ex-Students Association contributed \$132,328.13 to the University during the 2002 fiscal year for operation of the Alumni office. The University paid \$88,723.13 above the contributed amount for maintaining the records on the

students who have graduated from the University. The University also provided office space and utilities to the Alumni Office.

The ASU President's Circle is a non-profit organization with the sole purpose of supporting educational and other activities of the University. The Foundation solicits donations and acts a Coordinator of Gifts made by other parties. The association expended \$78,816.03 on behalf of the University during the year ended August 31, 2002. During the year the University furnished limited staff assistance to the association.

NOTE 17: Stewardship. Compliance and Accountability

Section not applicable.

NOTE 18: The Financial Reporting Entity

Section not applicable.

NOTE 19: Restatement of Net Assets

As a result of the adoption of GASB No. 34, the University was required to make certain changes in accounting principles, specifically the adoption of depreciation on capital assets. Net assets at 9-1-01 were reduced by \$56,444,611.40 for the cumulative effect of these changes on years prior to FY 2002. As a result of a change in capitalization threshold, the University recorded a decrease to Net Assets of \$11,431,667.28 at 9-1-01. U.S. Government Grants Refundable of \$474,106.41 was moved from being classified as fund balance and is now being shown as a long-term liability.

NOTE 20: Donor-Restricted Endowments

ASU did not have any donor-restricted endowments.

NOTE 21: Pledged/Non-Pledged Revenues and Discounts and Allowances

Revenue Tuition and Fees	Gross Receipts Pledged	Gross Receipts Non-Pledged \$ 17,403,051.67		Net Receipts 11,951,765.26
Auxiliary Enterprises		7,182,237.68		7,182,237.68
Net Other Sales of Goods and Services		809,430.92	<u></u>	809,430.92
	\$0.00	\$ 25,394,720.27	\$ <u>(5,451,286.41)</u> \$	19,943,433.86

NOTE 22: Management Discussion and Analysis

Angelo State University Schedule 1A - Schedule of Expenditures of Federal Awards For the Fiscal Year Ended August 31, 2002

Federal Grantor/Pass-Through Grantor/ Program Title	CFDA Number	Identifying #			-Through Fro Agy/Univ Amount	Non-State Entity Amount		Direct Program Amount
U. S. Department of Agriculture Direct Programs: USDA Chlorate Supplementation	10.001			\$		\$	\$	60,538
Pass-Through From: Texas Agricultural Experiment Station Mesquite Encroachment Total U.S. Department of Agriculture	10.200		556	_			_	60,538
U. S. Department of the Interior Direct Programs:					•			
Seed Germination Poppy Mallow Total U.S. Department of the Interior	15.600 15.600	020/1140 020/1141		_			_	2891 2,891
National Science Foundation	2,			-		_	_	2,031
Pass-Through From: Texas Engineering Experiment Station TEES/NSF Prime Grant	47.049	32525-5581	716		35,021			
Direct Programs: Biodiversity Database NSF MRI Sauncy	47.074 47.041	·						13,527 111,849
NSF RUI DMR - 0210947 Total National Science Foundation	47.041			_	35,021		=	10,701 136,077
U. S. Small Business Administration Pass-Through From: University of Texas San Antonio								
Small Business Development Center Total U. S. Small Business Administration	59.037		743	-	169,254 169,254		=	
U. S. Department of Education Direct Programs:								
Business and International Education PLAIT II PLAIT III	84.153 84.342 84.342	020/1150						51,307 614 143,366
Pass-Through From: Southwest Texas State University Extending Regional Studies Total U.S. Department of Education	84.116		754	-	504 504		_	195,287
Dept. of Health & Human Services Direct Programs:								
Nurse Traineeships Total Dept. of Health & Human Services	93.358	020/1172		-			_	3,400 3,400
Student Financial Assistance Cluster U. S. Department of Education Direct Programs:								
Federal Supplemental Educational Opport Federal Family Education Loan New Loans Processed	u 84.007 84.032							259,115 12,071,988
Administrative Costs Recovered Federal Work-Study Program	84.033							206,034
Federal Perkins Loán Program New Loans Processed Administrative Costs Recovered	84.038							101,907
Federal Pell Grant Program Total Student Financial Assistance Cluster Pro	84.063 ograms	•		-				5,086,276 17,725,321
Research & Development (R&D) Cluster Department of Energy Pass-Through From: Other Non-State Entities: University of California								
Lawrence Livermore National Laboratory Preparation of Carbon Samples Total R&D Cluster Programs	81.000	B501664		-			_	
TOTAL FEDERAL FINANCIAL ASSISTANCE					204,779	¢ (7)		18,123,515

Total Pass- Thru From & Direct Program		Agy #/ Univ.#	Pass-Through To State Agy. or Univ. Amount	Non-State Entities Amt.	Ex	penditures Amount	Total PT to and Expenditures		
\$	60,538		\$	\$	\$	60,538	\$	60,538	
-	60,538					60,538		60,538	
	2,891					2,891		2,891	
-	2,891					2,891		2,891	
	35,021					35,020		35,020	
	13,527 111,849					13,527 111,849		13,527	
_	10,701					10,701	<u> </u>	111,849 10,701	
-	171,098		*********			171,098		171,098	
-	169,254 169,254					169,254 169,254		169,254 169,254	
-						100,00		,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	
	51,307 614					51,307 615		51,307 615	
	143,366					143,366		143,366	
-	504 195,791					504 195,792		504 195,792	
-								,	
-	3,400 3,400					3,400 3,400	_	3,400 3,400	
	259,115					259,115		259,115	
	12,071,988					12,071,988		12,071,988	
	206,034					206,034		206,034	
	101,907					101,907		101,907	
	5,086,276 17,725,321					5,086,277 17,725,32 <u>1</u>		5,086,277 17,725,321	
	(7)					(7)		(7) (7)	
•			\$0	\$ 0			•		
\$	18,328,287		a	\$0	\$	18,328,287	\$	<u>18,328,287</u>	

Angelo State University Schedule 1A - Schedule of Expenditures of Federal Awards For the Fiscal Year Ended August 31, 2002

Note 2: Reconciliation:

Federal Revenues - per Statement of Combined Revenues, Expenses and Net Assets: Federal Revenue-Operating Federal Pass-Through Grants from Other State Agencies	\$ 6,107,957
Reconciling Items: Difference Between Federal Revenues and Federal Expenses	46,435
Total Federal Pass-Through Grants from Other State Agencies	
Subtotal	6,154,392
Reconciling Items:	
ADD:	
New Loans Processed:	40 074 000
Federal Family Education Loan Program	12,071,988
Federal Perkins Loan Program	101,907
Total Pass-Through & Expenditures Per Federal Schedule	\$ <u>18,328,287</u>

Note 3: Student Loans Processed & Administrative Costs Recovered

		Admin.	Total Loans Processed &	Ending Balances
Federal Grantor/	New Loans	Costs	Admin. Costs	of Previous
CFDA Number/Program Name	Processed	Recovered	Recovered	Years' Loans
U.S. Department of Education				
84.032 Federal Family Education Loans	\$ 12,071,988	\$	\$ 12,071,988	\$
84.038 Federal Perkins Loan Program	101,907		101,907	638,402
Total Department of Education	\$ <u>12,173,895</u>	\$ <u>0.</u> 00	\$ <u>12,173,895</u>	\$638,402

Note 5: Depository Libraries for Government Publications

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

Angelo State University Schedule 1B - Schedule of State Grant Pass Throughs From/To State Agencies For the Fiscal Year Ended August 31, 2002

Pass Through From: Texas Higher Educatio

Texas Higher Education Coordinating Board (Agy#781)	
Developmental Education	\$ 31,811.70
Advance Technology Program	52,483.00
College Work Study	17,223.00
Texas Grants	1,496,636.00
5th Year Accounting	11,519.00
Total Pass Through From Other Agencies (Exh. II)	\$ 1,609,672.70

Pass Through To:

Total Pass Through To Other Agencies (Exh. II)	\$ 0.0	00
Total Face Involgit To Other rigoriolog (EATI II)	Ψ	

Angelo State University
Schedule 2A - Miscellaneous Bond Information
For the Fiscal Year Ended August 31, 2002
(Amounts in Thousands)

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

SCHEDULE NOT USED

Angelo State University Schedule 2B - Changes in Bonded Indebtedness For the Year Ended August 31, 2002

Description of Issue	Outs	•	onds N	Bonds Matured Retired	Bonds Refunded or Extinguished	Bonds Outstanding 8-31-02	Amts Due Within One Year
	\$	\$	\$	\$		\$	
			SCHE	EDULE NOT	USED		
TOTAL	 \$	0.00 \$	0.00 \$	0.00 \$	0.00	\$ 0.00	\$ 0.00

Angelo State University Schedule 2E - Defeased Bonds O utstanding For the Fiscal Year Ended August 31, 2002

Description of Issues	Year Refunded	Par Value Outstanding
Revenue Bonds		
STUD HSNG SYS REV BDS SER '67A BLDG USE FEE AND COMB FEE	1992 \$	855,000.00
REV REF VDS SER '94	1999	515,000.00
	. \$	1,370,000.00

Angelo State University Schedule 3 - Reconciliation of Cash in State Treasury For the Year Ended August 31, 2002

Cash in State Treasury		Unrestricted	Restricted	Curre	ent Year Total
Local Revenue Fund 0227	\$_	6,389,567.29	\$	\$	6,389,567.29
Total Cash in State Treasury(Strnt of Net Assets)	\$	6,389,567.29	\$ 0.00	\$	6,389,567.29

Angelo State University Schedule 4 - Higher Education Assistance Fund For the Fiscal Year Ended August 31, 2002

	Total
Balances - September 1, 2001	\$ 7,266,667.14
Revenues	
HEAF Appropriation	3,887,211.00
Total Revenues	3,887,211.00
Expenses	
Professional Fees and Services	214,503.28
Materials and Supplies	574,698.79
Communication and Utilities	97,914.02
Repairs and Maintenance	1,039,035.20
Rentals and Leases	2,375.37
Printing and Reproduction	17,107.90
Interest	113.98
Capital Outlay	2,245,239.70
Other Expenses	802,170.09
Total Expenses	4,993,158.33
Other Revenues (Expenses), Gains/(Losses)	
and Transfers	
Transfer to Unexpended Plant	
Adjustment to prior year expense	
Total Other Revenues (Expenses), Gains/(Losses)	
and Transfers	
Balance at August 31, 2002	\$ <u>6,160,719.81</u>