

## 2.11.1

### Financial Resources

The institution has a sound financial base and demonstrated financial stability to support the mission of the institution and the scope of its programs and services.

The member institution provides the following financial statements: (1) an institutional audit (or Standard Review Report issued in accordance with Statements on Standards for Accounting and Review Services issued by the AICPA for those institutions audited as part of a systemwide or statewide audit) and written institutional management letter for the most recent fiscal year prepared by an independent certified public accountant and/or an appropriate governmental auditing agency employing the appropriate audit (or Standard Review Report) guide; (2) a statement of financial position of unrestricted net assets, exclusive of plant assets and plant-related debt, which represents the change in unrestricted net assets attributable to operations for the most recent year; and (3) an annual budget that is preceded by sound planning, is subject to sound fiscal procedures, and is approved by the governing board.

Audit requirements for applicant institutions may be found in the Commission policy "Accreditation Procedures for Applicant Institutions."

### Judgment

Compliant    Non-Compliant    Not Applicable

### Compliance Report Narrative

*Note: Text for all linked documents below can be increased/decreased for ease of reading by pressing your keyboard's Ctrl key while rotating the mouse wheel.*

Angelo State University has a sound financial base and demonstrated financial stability to support the mission of the institution and the scope of its programs and services.

#### FINANCIAL STATEMENTS

Angelo State University is in partial compliance with Core Requirement 2.11.1. At the time of this submission, financial statements for the fiscal year ending August 31, 2012 are not available. The following financial statements will be provided in February 2013 and will complete the compliance requirements for this standard:

- **Standard Review Report and institutional management letter**—Each fiscal year, ASU prepares an Annual Financial Report and submits it to the Texas State Comptroller's Office. The ASU financial information is then audited as part of the Texas statewide audit. The Texas State Auditor's Office will conduct a review of ASU's Annual Financial Report for Fiscal Year 2012 in accordance with the Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants, and the office will then prepare a Standard Review Report and an institutional management letter.
- **Statement of Unrestricted Net Assets**—The ASU Controller's Office prepares a statement of the financial position of net assets that specifically identifies unrestricted net assets exclusive of plant and plant-related debt. The statement represents the change in unrestricted net assets attributable to operations. See, for example, the [Statement of Financial Position of Unrestricted Net Assets, Exclusive of Plant Assets and Plant Related Debt for the year ended August 31, 2011](#).

The fiscal records of ASU are maintained using a modified accrual basis of accounting. Most internal financial reports use this basis. However, balances and activities included in most external reports, including the Annual Financial Report that is submitted to the state, are converted to a full accrual basis of accounting in compliance with Governmental Accounting Standards Board (GASB) statements 34 and 35.

#### BUDGET PLANNING AND FISCAL PROCEDURES

As a component institution of the Texas Tech University System (TTU System), ASU is governed by the Board of Regents of the TTU System (See Core Requirement 2.2, Governing board). The rules and

procedures related to budget planning and other fiscal management issues are described in *The Rules and Regulations of the Board of Regents of the Texas Tech University System* ([Chapter 7, Regents' Rules](#)).

As described in the *Regents' Rules*, the board and the principal officers of the TTU System have fiduciary responsibilities in the administration of all funds subject to the control and management of the TTU System ([Section 07.01, Regents' Rules](#)). The system-wide Office of Audit Services has been established to assist the Board of Regents and other units of the Texas Tech University System in identifying, avoiding, and mitigating risks, as summarized in Comprehensive Standard 3.10.3, Control of finances.

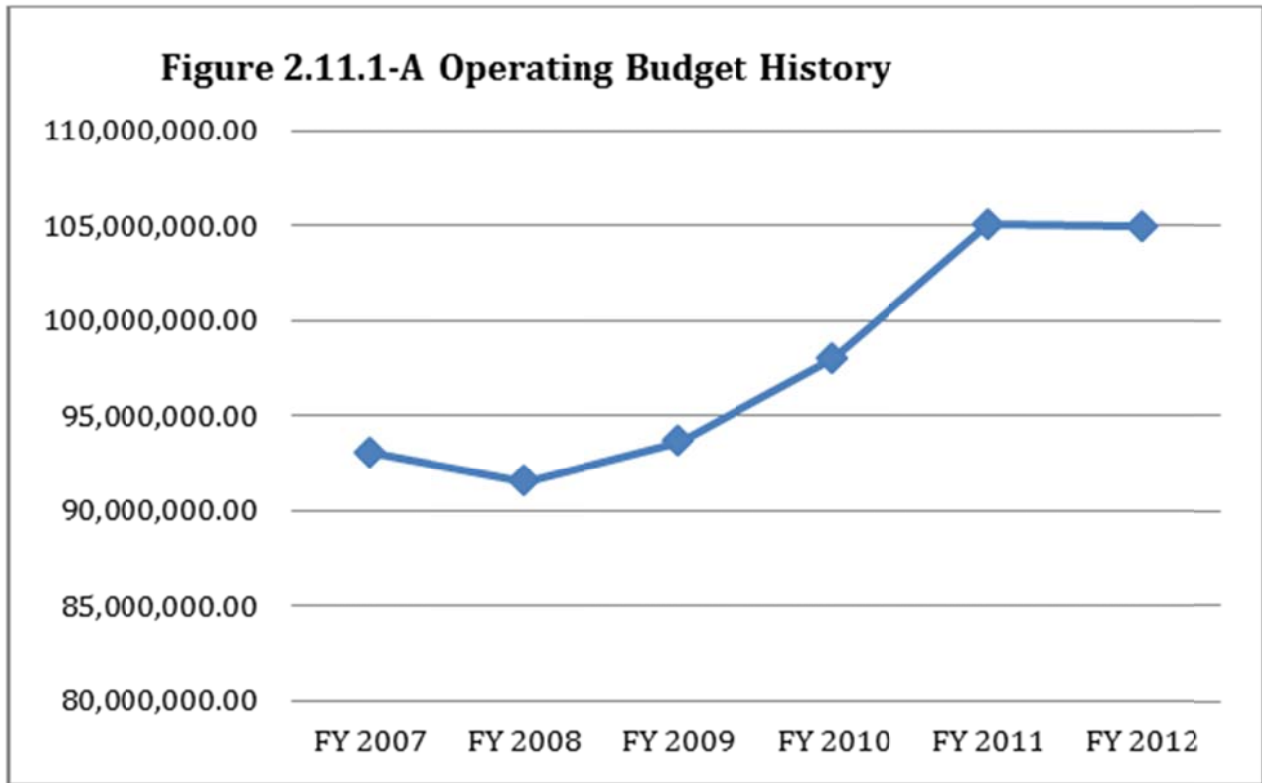
According to the board's budget rules and procedures, the board is required by law to approve an annual budget covering the operation of the ensuing fiscal year ([Section 07.04, Regents' Rules](#)). This budget is prepared within the limits of revenue available from legislative appropriations from the State of Texas and estimated local and other funds. The budget is constructed along organizational lines using appropriate fund groupings required by state law or recommended by the State Auditor's Office or the State Comptroller's Office.

Each year, budget and salary policies are outlined by ASU administrators, including the vice president for finance and administration, the president, and the chancellor. The Budget Office prepares specific budget instructions and budget targets for units at the dean and vice presidential level in accordance with these policies. The office also prepares guidelines related to salary increase policies.

Departments update, balance, and approve the budget information through the Strategic Planning Online (SPOL) system. Once the budgets are approved by all levels, the Budget Office balances the entire budget and prepares the Summary Operating Budget. The vice president for finance and administration presents this summary to the president. In addition, the vice president for finance and administration briefs the board's Finance Committee prior to the meeting.

When approved by the Board of Regents, the new budget is loaded into the institution's accounting, human resources, and payroll systems for the new fiscal year. A detailed Operating Budget Book is then posted on RamPort. Revisions to the approved budget may be made through a Budget Adjustment form or a Personnel Action form. Depending on its scope, a budget revision may require approval of the Budget Office, vice presidents, the president, the chancellor, or the board.

The ASU operating budget for fiscal year 2012 was approved by the Board of Regents on August 5, 2011 ([BOR Minutes Section XV. D.1](#)). Current and past operating budgets can be accessed in summary on the [ASU accountability web page](#). The [ASU Operating Budget Summary for Fiscal Year 2012](#) is attached. As indicated in Figure 2.11.1-A, the ASU operating budget has increased by over 13 percent since 2007.



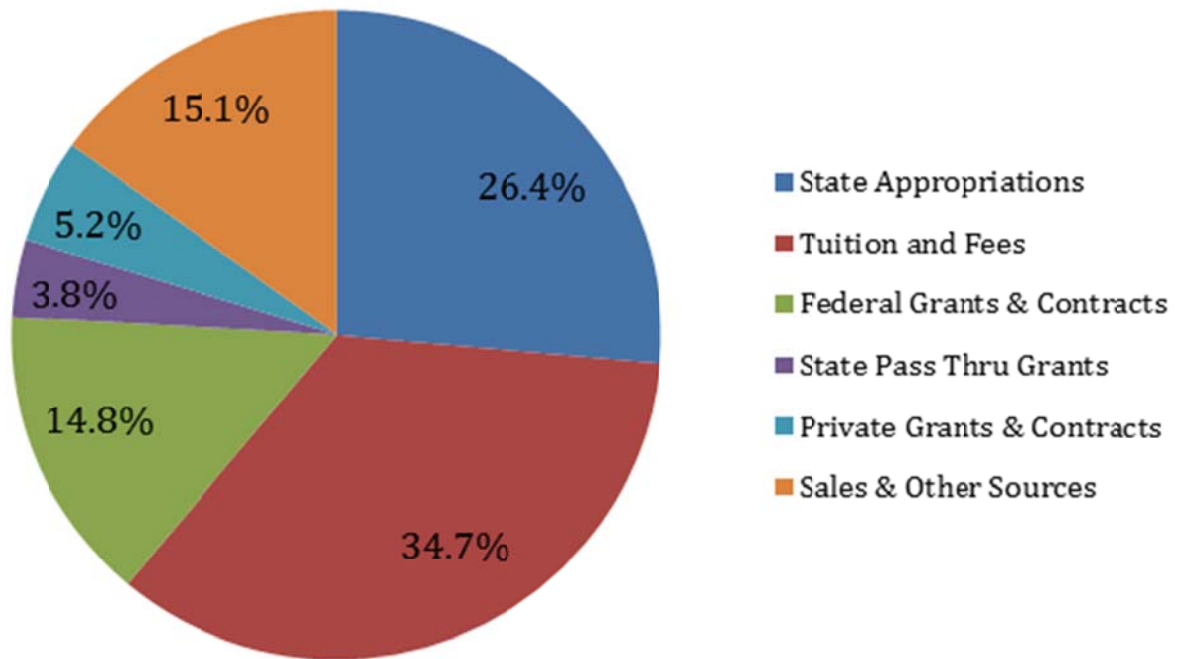
**FINANCIAL STABILITY**

The recent financial history of ASU demonstrates financial stability as evidenced by growth in revenue and enrollment, consistently high bond ratings, effective fund raising endeavors, and other indicators of financial stability and health, as outlined below and detailed in Comprehensive Standard 3.10.1, Financial stability.

**Sources of Revenue**

A key to maintaining the fiscal stability of ASU is the diversification of the institution’s academic and business portfolio. The educational, research, and service components of the ASU mission provide the institution with diversified sources of revenue, including state appropriations, tuition and fees, grants and contracts, and other sources. The lack of dependence on any one source of funding allows the institution to maintain flexibility and financial stability in times of economic change.

**Figure 2.11.1-BASU's Major Revenue Sources**



**NOTE: Percentages based on operating revenues for fiscal year 2011.**

ASU has seen growth in most of its major revenue streams over the past three years (details provided in Comprehensive Standard 3.10.1, Financial stability). As indicated in the figure above, some revenue streams, such as tuition and fee revenues and state appropriations, represent a large percentage of the institution's total revenues and have a significant impact on the institution's annual operating budget. The Budget Office of ASU uses a proactive approach to ensure proper management of these resources and adequate funding for future operations.

The Budget Office prepares the Legislative Appropriations Request to obtain adequate resources from the state and analyzes all current and pending legislation to identify state actions that could affect the institution. This proactive approach allows the institution to develop contingency plans when faced with potential budget cuts, while simultaneously preparing documentation to support requests for funding. In recent years, the institution's state-appropriation revenues have remained steady at approximately \$33.9 million.

### **Bond Ratings**

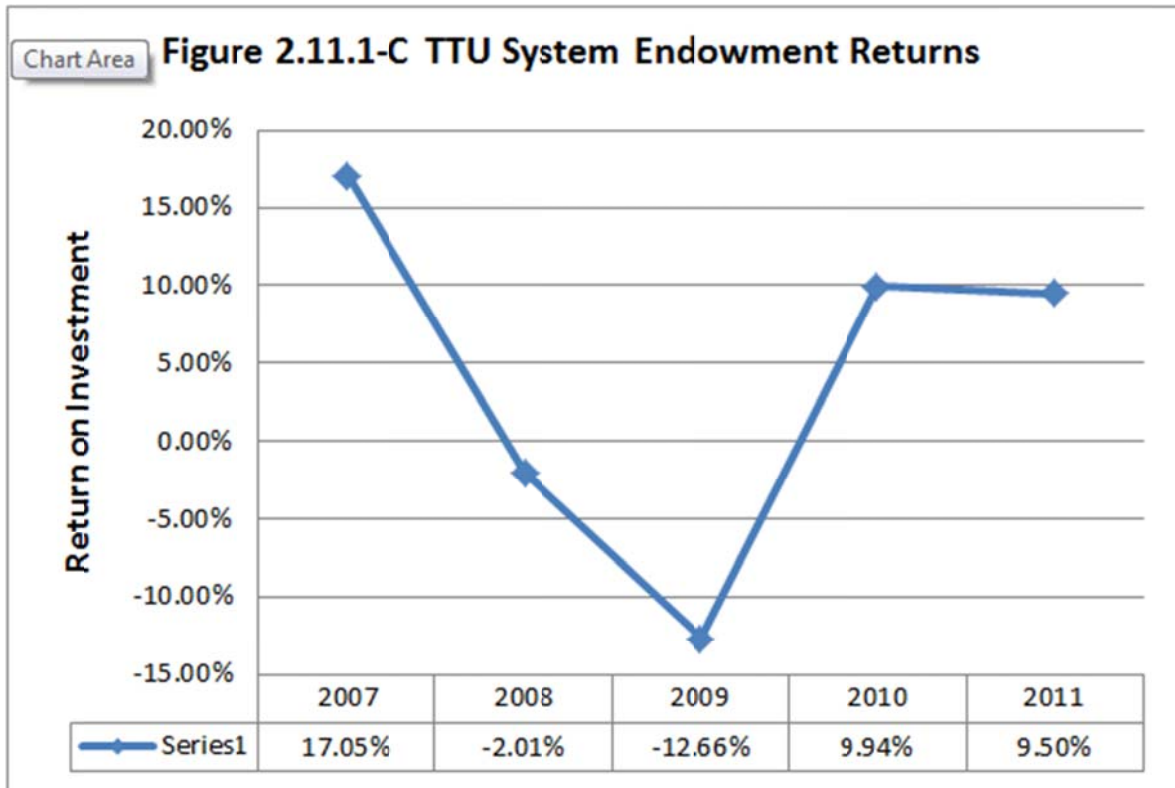
Private independent rating services consistently assign high credit-quality investment grades to the TTU System. Current ratings for the TTU System are as follows:

- Fitch Ratings: AA
- Standard & Poor's Rating Services: AA
- Moody's Investors Service: Aa2

Sample ratings reports for the TTU System are attached ([Fitch Ratings Report on TTU System](#) and [Standard & Poor's Rating Services Report on TTU System](#)).

### **Endowment Returns**

The National Association of College and University Business Officers (NACUBO) Endowment Study is the largest and longest running annual survey studying the endowment holdings of higher education institutions and their foundations. Eight hundred and twenty-three institutions in the United States and Canada participated in the 2011 NACUBO Endowment Study. Among these institutions, the TTU System ranked in the ninth decile for the rate of return on its endowments in 2011. However, for the three- and five-year rate of return on its endowment, the TTU System was ranked in the sixth and fifth deciles, respectively. The TTU System endowment returns for 2007–2011 are represented in Figure 2.11.1-C.



For more information about the institution’s investment strategies and endowment assets, please see Comprehensive Standard 3.10.1, Financial stability.

### Capital Campaign and Fund Raising

In September 2005, ASU launched a capital campaign with a goal of raising \$25 million in private funds. Donor prospects were identified, including individuals, corporations, businesses, and foundations. Funds were raised for faculty development, scholarships, programs, and capital expenses. During this campaign, Lloyd and Sherry Norris donated \$1 million to establish the Norris Family Chair in International Business, the first endowed chair at the university.

One of the primary objectives of the \$25 million capital campaign was to broaden the base of support to the university. As of December 2011, the campaign had received gifts from 5,516 donors totaling \$26.7 million; of the 5,516 donors, 3,786 were first-time donors. Due to the success of the campaign, the goal was increased to \$35 million.

Fund raising aimed at increasing ASU endowment funds is coordinated internally through the Office of Development under the direction of the ASU president. In addition, the ASU Foundation, Inc., an independent, separately incorporated foundation, solicits gifts in support of Angelo State University. Additional information on fund raising is provided in Comprehensive Standard 3.10.1, Financial stability.

### Off Site Team Comments

Since the FY 12 Audited Financial Statement and management letter are yet to be completed and are required, the university is non-compliant at this time. There is only one year’s budget (FY12) presented in the documentation; there are no audited financial statements or management letters for FY10 and FY11.

The Board of Regents' authorization resolution should reflect the current year authorization; however, only the FY12 budget approval dated August 5, 2011 is presented. Positive enrollment growth trends are evident through the TTUS Fitch Ratings Report.

The Financial Statements for FY 2009, 2010 and 2011 presented in Section 3.10.1 reflect financial stability with diverse and growing revenue sources. Growth of the operating and non-operating revenues along with controlled expenses indicates proper management, confirmed by a healthy Current Ratio in FY 2011.

The Compliance Report contains evidence of budget planning and structured approval processes up through the Board of Regents.

## **University Response**

The ASU operating budget for fiscal year 2013 was approved by the Board of Regents on August 9, 2012 ([BOR Minutes Section VII. C.1](#) is the BOR authorization resolution). As requested by the Off-site Team, the [ASU Operating Budget Summary for Fiscal Year 2013](#) is attached. The [current independent financial review letter](#), [management letter](#), and [FY12 State Auditor's Office financial review](#) are included.

As an agency of the State, ASU prepares an Annual Financial Report each November and submits it to the Texas State Comptroller's Office. ASU's financial information is then compiled with and audited as part of the Texas statewide audit and is not required to be audited independently; therefore, there are no individually audited financial statements or management letters for FY10 and FY11. Independent financial reviews and management letters are completed when required by SACS and delivered to institutions from the State by February 1.