

TEXAS STATE UNIVERSITY SYSTEM



COMBINED

ANNUAL FINANCIAL REPORT

Angelo State University
Lamar University
Lamar Institute of Technology
Lamar State College – Orange
Lamar State College – Port Arthur
Sam Houston State University
Sul Ross State University
Texas State University-San Marcos

Year Ended August 31, 2006

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TEXAS  **STATE**
UNIVERSITY SYSTEM

Advancing the frontiers of knowledge

REGENTS

November 20, 2006

Kent M. Adams
Beaumont, Chairman

Bernie C. Francis
Carrollton, Vice Chairman

Dora G. Alcalá
Del Rio

Frank Bartley
San Marcos, Student Regent

Alan W. Dreeben
San Antonio

John E. Dudley
Comanche

Dionicio "Don" Flores
El Paso

Ken Luce
Dallas

Pollyanna A. Stephens
San Angelo

Greg Wilkinson
Dallas

CHANCELLOR

Charles R. Matthews
Austin

SYSTEM MEMBERS

Angelo State University
San Angelo

Lamar Institute of Technology
Beaumont

Lamar State College-Orange
Orange

Lamar State College-Port Arthur
Port Arthur

Lamar University
Beaumont

Sam Houston State University
Huntsville

Sul Ross State University
Alpine

Sul Ross State University
Rio Grande College
Del Rio, Eagle Pass, Uvalde

Texas State University-San Marcos
San Marcos

Honorable Rick Perry, Governor
Honorable Carole Keeton Strayhorn, Texas Comptroller
John O'Brien, Deputy Director, Legislative Budget Board
John Keel, CPA, State Auditor

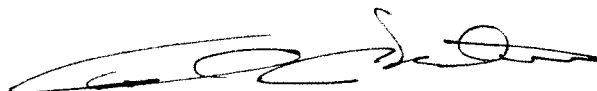
Lady and Gentlemen:

We are pleased to submit the Combined Annual Financial Report of the Texas State University System for the fiscal year ended August 31, 2006, in compliance with TEX. GOV'T CODE ANN §2101.011 and in accordance with the requirements established by the Comptroller of Public Accounts.

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

If you have any questions, please contact Roland Smith, vice chancellor for finance at (512) 463-1808.

Sincerely,



Charles R. Matthews
Chancellor

TEXAS STATE UNIVERSITY SYSTEM
Organizational Data
For the Fiscal Year Ended August 31, 2006

Board of Regents

Officers

| | |
|-------------------|---------------|
| Kent M. Adams | Chairman |
| Bernie C. Francis | Vice Chairman |

Members

| Name | City (Texas) | Term Expires |
|--------------------------|--------------|--------------|
| Kent M. Adams | Beaumont | 2/1/2007 |
| Dora G. Alcalá | Del Rio | 2/1/2009 |
| Alan W. Dreeben | San Antonio | 2/1/2007 |
| John E. Dudley | Comanche | 2/1/2009 |
| Dionicio "Don" Flores | El Paso | 2/1/2005 |
| Bernie C. Francis | Carrollton | 2/1/2009 |
| Ken Luce | Dallas | 2/1/2011 |
| Pollyanna A. Stephens | San Angelo | 2/1/2007 |
| Greg Wilkinson | Dallas | 2/1/2011 |
| Francis Bartley, Student | San Marcos | 2/1/2007 |

Administrative Officers

System Administration

| | |
|----------------------|--------------------------------------|
| Charles R. Matthews | Chancellor |
| Fernando C. Gomez | Vice Chancellor and General Counsel |
| Kenneth R. Craycraft | Vice Chancellor for Academic Affairs |
| Roland K. Smith | Vice Chancellor for Finance |
| Jerry W. Neef | Director of Audits and Analysis |

University Presidents

| | |
|-------------------|-----------------------------------|
| E. James Hindman | Angelo State University |
| James M. Simmons | Lamar University |
| J. Michael Shahan | Lamar State College - Orange |
| W. Sam Monroe | Lamar State College - Port Arthur |
| Paul Szuch | Lamar Institute of Technology |
| James F. Gaertner | Sam Houston State University |
| R. Vic Morgan | Sul Ross State University |
| Denise M. Trauth | Texas State University-San Marcos |

UNAUDITED

Texas State University System

Student Enrollment Data

For the Year Ended August 31, 2006

| TYPE OF STUDENT | NUMBER OF STUDENTS BY SEMESTER | | | |
|--|--------------------------------|---------------|------------------|---------------|
| | FALL 2005 | SPRING 2006 | SUMMER TERM 2006 | |
| | | | FIRST | SECOND |
| Texas Residents | 62,687 | 57,819 | 21,400 | 17,794 |
| Out of State (Classified as Residents) | 301 | 284 | 74 | 60 |
| Out of State | 893 | 798 | 356 | 228 |
| Foreign | 869 | 819 | 380 | 356 |
| Children of Disabled | 14 | 13 | 6 | 7 |
| Concurrent Enrollment | 255 | 195 | | |
| Foster Children of the State | 63 | 46 | 23 | 19 |
| Good Neighbor | 20 | 10 | 4 | 3 |
| High School Honor Scholarships | 75 | 68 | | |
| Hazelwood Act | 474 | 464 | 258 | 183 |
| Senior Citizens | 31 | 27 | 2 | 1 |
| Commission for the Blind/Deaf | 204 | 180 | 81 | 68 |
| Fireman Exempt | 7 | 6 | 1 | 1 |
| Thesis Only | 3 | 7 | 2 | |
| Student Service Fees | 178 | 170 | 128 | |
| Nursing | 120 | 114 | 113 | 10 |
| Faculty/Staff | 1,521 | 1,549 | 1,134 | 1,086 |
| Teaching Assistants | 146 | 135 | 21 | 21 |
| Competitive Scholarships | 620 | 497 | 385 | 397 |
| Military Personnel | 61 | 79 | 15 | 16 |
| Louisiana Adjacent County | 410 | 289 | 123 | 50 |
| Mexico Pilot | 5 | 5 | 1 | |
| National Student Exchange Program | 13 | 12 | 1 | |
| New Mexico Adjacent County | 12 | 11 | 6 | 6 |
| Texas Tomorrow Waiver | 301 | 283 | 78 | 78 |
| Adopted Students | 20 | 15 | 9 | 7 |
| Military Dependent | 4 | 5 | 4 | 4 |
| Pase | 8 | 9 | 2 | 5 |
| TANF | 1 | | | |
| H.B. 877 | | | | |
| Distance Learning | 265 | 136 | 221 | 129 |
| Family & Consumer Science Alliance Agreement | 31 | 21 | | |
| Hurricane Katrina Waiver | 13 | 10 | 1 | 0 |
| Totals | 69,625 | 64,076 | 24,829 | 20,529 |

Enrollment Data (Fall Semester)

| FISCAL YEAR | STUDENTS | SEMESTER HOURS |
|-------------|----------|----------------|
| 2006 | 69,625 | 807,474 |
| 2005 | 68,102 | 759,896 |
| 2004 | 66,121 | 738,920 |
| 2003 | 64,419 | 738,914 |
| 2002 | 61,536 | 699,134 |
| 2001 | 59,892 | 679,771 |
| 2000 | 57,807 | 656,827 |
| 1999 | 57,451 | 654,429 |
| 1998 | 56,718 | 642,345 |
| 1997 | 57,078 | 645,244 |
| 1996 | 56,139 | 633,527 |
| 1995 | 27,308 | 641,954 |

UNAUDITED
TEXAS STATE UNIVERSITY SYSTEM
Combined Statement of Net Assets
August 31, 2006

| | Total |
|---|-------------------|
| ASSETS | |
| Current Assets: | |
| Cash and Cash Equivalents | |
| Cash on Hand | \$ 261,066.02 |
| Cash in Bank | 14,009,487.20 |
| Cash in Transit/Reimbursement from Treasury | 9,390,699.43 |
| Cash in State Treasury | 56,847,464.25 |
| Cash Equivalents | 301,325,259.53 |
| Securities Lending Collateral | |
| Short Term Investments | |
| Restricted: | |
| Cash and Cash Equivalents | |
| Cash on Hand | 340.00 |
| Cash in Bank | 4,212,953.73 |
| Cash in Transit/Reimbursement from Treasury | |
| Cash in State Treasury | |
| Cash Equivalents | 20,591,852.92 |
| Short Term Investments | 198,000.00 |
| Legislative Appropriations | 72,378,620.58 |
| Investments | |
| Receivables from: | |
| Federal | 8,531,207.98 |
| Other Intergovernmental | |
| Interest and Dividends | 548,357.40 |
| Accounts Receivable | 53,847,822.45 |
| Gifts | |
| Investment Trades | |
| Other | 1,712,461.44 |
| Interfund Receivables | |
| Due From Other Agencies | 615,132.81 |
| Consumable Inventories | 1,067,756.52 |
| Merchandise Inventories | 2,347,618.26 |
| Deferred Charges | 20,889,027.51 |
| Loans and Contracts | 5,810,868.54 |
| Other Current Assets | 18,897,455.47 |
| | \$ 593,483,452.04 |
| Total Current Assets | |

UNAUDITED
TEXAS STATE UNIVERSITY SYSTEM
Combined Statement of Net Assets
August 31, 2006

| | Total |
|---|---------------------|
| Noncurrent Assets: | |
| Restricted: | |
| Cash and Cash Equivalents | |
| Cash on Hand | |
| Cash in Bank | \$ 809,066.07 |
| Cash in Transit/Reimbursement from Treasury | |
| Cash in State Treasury | |
| Cash Equivalents | 28,341,299.19 |
| Short Term Investments | |
| Receivables | 4,767,514.28 |
| Investments | 143,694,887.87 |
| Loans and Contracts | 1,373,845.27 |
| Other Assets | 2,558,763.61 |
| Loans and Contracts | 1,038,748.22 |
| Investments | 48,832,753.64 |
| Interfund Receivables | |
| Capital Assets: | |
| Non-Depreciable: | |
| Land and Land Improvements | 60,896,031.70 |
| Infrastructure | |
| Construction in Progress | 194,567,485.03 |
| Other Capital Assets | 4,508,839.69 |
| Depreciable: | |
| Buildings and Building Improvements | 1,072,659,191.16 |
| Less Accumulated Depreciation | (590,700,067.64) |
| Infrastructure | 72,448,572.72 |
| Less Accumulated Depreciation | (28,274,202.17) |
| Facilities and Other Improvements | 66,062,618.19 |
| Less Accumulated Depreciation | (27,222,053.75) |
| Furniture and Equipment | 88,606,210.31 |
| Less Accumulated Depreciation | (59,325,226.57) |
| Vehicles, Boats, and Aircraft | 11,624,084.13 |
| Less Accumulated Depreciation | (8,376,349.85) |
| Other Capital Assets | 100,799,683.81 |
| Less Accumulated Depreciation | (54,426,163.16) |
| Other Noncurrent Assets | |
| Total Non-Current Assets | 1,135,265,531.75 |
| Total Assets | \$ 1,728,748,983.79 |

UNAUDITED
TEXAS STATE UNIVERSITY SYSTEM
Combined Statement of Net Assets
August 31, 2006

| | Total |
|--|--------------------------|
| LIABILITIES | |
| Current Liabilities: | |
| Payables: | |
| Accounts | \$ 17,034,552.93 |
| Investment Trades | |
| Federal | |
| Other Intergovernmental | |
| Payroll | 28,540,462.71 |
| Other | 10,724,274.55 |
| Interfund Payable | |
| Due to Other Agencies | |
| Deferred Revenues | 194,093,992.80 |
| Notes and Loans Payable | |
| Revenue Bonds Payable | 26,030,242.45 |
| General Obligation Bonds Payable | |
| Claims and Judgements | |
| Employees' Compensable Leave | 11,367,908.51 |
| Capital Lease Obligations | 27,574.27 |
| Liabilities Payable from Restricted Assets | |
| Obligations/Reverse Purchase Agreements | |
| Obligations Under Securities Lending | |
| Funds Held for Others | 13,124,653.36 |
| Other Current Liabilities | 3,420,148.22 |
| | 304,363,809.80 |
| Total Current Liabilities | |
| Noncurrent Liabilities: | |
| Interfund Payables | |
| Notes and Loans Payable | |
| Revenue Bonds Payable | 494,615,406.62 |
| General Obligation Bonds Payable | |
| Claims and Judgements | |
| Employees Compensable Leave | 6,271,304.00 |
| Capital Lease Obligations | 32,246.58 |
| Other Non-Current Liabilities | 2,353,145.76 |
| | 503,272,102.96 |
| Total Noncurrent Liabilities | |
| Total Liabilities | \$ 807,635,912.76 |

UNAUDITED
TEXAS STATE UNIVERSITY SYSTEM
Combined Statement of Net Assets
August 31, 2006

| | Total |
|---|-------------------|
| NET ASSETS | |
| Invested in Capital Assets, Net of Related Debt | \$ 383,203,004.53 |
| Restricted for | |
| Education | 2,049,032.81 |
| Debt Retirement | (962,280.28) |
| Capital Projects | 5,181,680.56 |
| Employee Benefit | |
| Funds Held As Permanent Investments: | |
| Non-Expendable | 156,114,865.26 |
| Expendable | 11,364,944.35 |
| Other | 38,949,316.07 |
| Unrestricted | 325,212,507.73 |
| Total Net Assets | \$ 921,113,071.03 |

UNAUDITED
TEXAS STATE UNIVERSITY SYSTEM
Combined Statement of Revenues, Expenses and Changes in Net Assets
For the Fiscal Year Ended August 31, 2006

| | TOTAL |
|--|---------------------|
| OPERATING REVENUES | |
| Sales of Goods and Services | |
| Tuition and Fees (PR-Chgs for Services) | |
| Tuition and Fees - Pledged (PR-Chgs for Services) | \$ 314,091,875.29 |
| Discounts and Allowances | (55,276,928.21) |
| Professional Fees (PR-Chgs for Services) | |
| Professional Fees - Pledged (PR-Chgs for Services) | |
| Discounts and Allowances | |
| Auxiliary Enterprises (PR-Chgs for Services) | |
| Auxiliary Enterprises - Pledged (PR-Chgs for Services) | 87,460,706.34 |
| Discounts and Allowances | (7,179,561.79) |
| Other Sales of Goods and Services | 13,243,415.28 |
| Other Sales of Goods and Services - Pledged | |
| Discounts and Allowances | |
| Premium Revenue (PR-Chgs for Services) | |
| Interest and Investment Income (PR-Chgs for Services) | 305,963.00 |
| Interest and Investment Income (GR) | 152,453.89 |
| Net Increase (Decrease) Fair Market Value (PR-OP Grants/Contributions) | |
| Net Increase (Decrease) Fair Market Value (GR) | |
| Federal Revenue-Operating (PR-OP Grants/Contributions) | 84,549,758.63 |
| Federal Pass Through Revenue (PR-OP Grants/Contributions) | 24,849,141.96 |
| State Grant Revenue (PR-OP Grants/Contributions) | 2,495,992.94 |
| State Grant Pass Through Revenue (PR-OP Grants/Contributions) | 19,468,407.80 |
| Other Grants and Contracts (PR-OP Grants/Contributions) | 6,204,915.13 |
| Land Income (PR-Chgs for Services) | |
| Contributions to Retirement Systems (PR-Chgs for Services) | |
| Other Operating Revenues (PR-Chgs for Services) | 12,036,372.24 |
| Other Operating Revenues (GR) | 1,900.00 |
| Total Operating Revenues | 502,404,412.50 |
| OPERATING EXPENSES | |
| Instruction | 251,261,927.14 |
| Research | 17,916,284.06 |
| Public Service | 35,808,583.33 |
| Academic Support | 62,643,835.44 |
| Student Services | 34,418,639.08 |
| Institutional Support | 75,655,956.54 |
| Operation and Maintenance of Plant | 75,739,903.23 |
| Scholarship and Fellowships | 55,387,272.24 |
| Auxiliary Enterprise Expenditures | 111,384,374.02 |
| Depreciation and Amortization | 41,341,768.07 |
| Total Operating Expenses | 761,558,543.15 |
| Operating Income (Loss) | \$ (259,154,130.65) |

UNAUDITED
TEXAS STATE UNIVERSITY SYSTEM
Combined Statement of Revenues, Expenses and Changes in Net Assets
For the Fiscal Year Ended August 31, 2006

| | TOTAL |
|---|--------------------------|
| NONOPERATING REVENUES (EXPENSES): | |
| Legislative Revenue (GR) | \$ 252,808,454.00 |
| Additional Appropriations (GR) | 47,161,283.15 |
| HEAF Appropriation Revenue (GR) | |
| Federal Revenue Non-Operating (PR-OP Grants/Contributions) | 12,225.92 |
| Gifts (PR-OP Grants/Contributions) | 16,493,338.76 |
| Investment Income (Expense) (PR-OP Grants/Contributions) | 19,119,118.54 |
| Investment Income (Expense) (GR) | 48,839.06 |
| Loan Premium/Fees on Securities Lending (PR-OP Grants/Contributions) | |
| Investing Activities Expense | (1,804,713.05) |
| Interest Expense and Fiscal Charges | (12,249,595.34) |
| Borrower Rebates and Agent Fees | |
| Gain (Loss) on Sale of Capital Assets (GR) | (211,888.89) |
| Net Increase (Decrease) in Fair Value of Investments (PR-OP Grants/Contributions) | (234,783.82) |
| Net Increase (Decrease) in Fair Value of Investments (GR) | 1,088,624.53 |
| Settlement of Claims (PR-Chgs for Services) | (133,507.35) |
| Settlement of Claims (GR) | (127,021.99) |
| Other Nonoperating Revenues (Expenses) (PR-Chgs for Services) | 8,709,672.61 |
| Other Nonoperating Revenues (Expenses) (GR) | (935,724.12) |
| | 329,744,322.01 |
| Total Nonoperating Revenues (Expenses) | |
| Income (Loss) before Other Revenues, Expenses, Gains/Losses and Transfers | 70,590,191.36 |
| OTHER REVENUES, EXPENSES, GAINS/LOSSES AND TRANSFERS | |
| Capital Contributions | (664,024.66) |
| Capital Appropriations (HEAF) | 32,827,106.00 |
| Contributions to Permanent and Term Endowments | 2,035,815.33 |
| Special Items | (38,898,403.00) |
| Extraordinary Items | |
| Transfer In | (39,530.57) |
| Transfer Out | (2,579,236.47) |
| Legislative Transfer In | |
| Legislative Transfer Out | |
| Lapses | (139,024.92) |
| | (7,457,298.29) |
| Total Other Revenues, Expenses, Gains/Losses and Transfers | |
| CHANGE IN NET ASSETS | 63,132,893.07 |
| Net Assets, September 1 2005 | 857,712,996.84 |
| Restatements | 267,181.12 |
| | 857,980,177.96 |
| Net Assets, September 1, 2005, as Restated | |
| NET ASSETS, August 31, 2006 | \$ 921,113,071.03 |

UNAUDITED
TEXAS STATE UNIVERSITY SYSTEM
 Combined Matrix of Operating Expenses Reported by Function
 For the Fiscal Year Ended August 31, 2006

| Operating Expenses | Instruction | Research | Public Service | Academic Support | Student Services | Institutional Support | Operation and Maintenance of Plant | Scholarship and Fellowships | Auxiliary Enterprises | Depreciation and Amortization* | Total Expenses based on Sum |
|----------------------------------|--------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|------------------------------------|-----------------------------|--------------------------|--------------------------------|-----------------------------|
| Cost of Goods Sold | \$ 10,219.07 | \$ 298.00 | \$ 24,106.64 | \$ 7,593.69 | \$ 43,619.77 | \$ (2,163.06) | \$ | \$ 49.91 | \$ 6,666,275.92 | \$ | \$ 6,749,999.94 |
| Salaries and Wages | 181,575,081.25 | 9,288,654.31 | 16,221,589.73 | 32,066,006.41 | 18,434,535.75 | 46,249,554.76 | 21,706,689.00 | 2,235,448.70 | 32,516,429.60 | | 360,293,989.51 |
| Payroll Related Costs | 43,539,908.41 | 1,897,426.33 | 4,051,037.18 | 7,460,124.46 | 4,242,767.97 | 11,218,602.31 | 5,780,111.07 | 25,295.53 | 7,571,149.37 | | 85,796,422.63 |
| Professional Fees and Services | 1,134,119.31 | 2,183,871.89 | 6,331,364.36 | 1,633,004.00 | 1,266,934.16 | 6,868,874.49 | 441,665.02 | 57,383.95 | 4,116,224.03 | | 24,033,441.21 |
| Federal Pass-Through Expense | | 224,817.78 | 15,322.86 | | | | | | | | 240,140.64 |
| State Grant Pass-Through Expense | | 307,994.87 | | | | | | | | | 307,994.87 |
| Travel | 1,962,135.32 | 844,771.09 | 1,086,576.09 | 1,721,222.01 | 956,220.19 | 1,030,603.49 | 95,544.10 | 31,814.81 | 2,759,161.98 | | 10,488,049.08 |
| Materials and Supplies | 9,062,195.88 | 1,935,477.04 | 2,561,751.01 | 11,027,553.01 | 3,182,951.19 | 5,001,076.26 | 5,562,483.20 | 105,283.78 | 21,241,078.14 | | 59,669,849.51 |
| Communication and Utilities | 896,363.38 | 40,495.15 | 557,856.19 | 1,318,777.43 | 1,297,366.84 | (2,251,150.60) | 20,952,954.00 | 239.76 | 14,778,190.13 | | 37,591,112.28 |
| Repairs and Maintenance | 842,084.18 | 67,357.43 | 247,809.02 | 2,944,526.77 | 477,420.38 | 1,646,403.38 | 4,050,659.02 | 66,940.90 | 2,977,289.86 | | 13,320,490.94 |
| Rentals and Leases | 581,950.76 | 68,591.72 | 1,199,692.60 | 1,132,863.06 | 211,884.06 | 628,533.21 | 1,164,833.02 | 34,132.28 | 4,100,259.37 | | 9,122,740.08 |
| Printing and Reproduction | 709,540.00 | 61,837.52 | 457,897.15 | 347,392.31 | 673,735.36 | 739,929.88 | 20,545.92 | 18,310.67 | 417,766.99 | | 3,446,955.80 |
| Depreciation and Amortization* | | | | | | | | | | 41,341,768.07 | 41,341,768.07 |
| Bad Debt Expense | (143,142.89) | | | | (19,640.46) | 380,543.62 | | | 51,091.72 | | 268,851.99 |
| Interest | 0.27 | 0.17 | 3.49 | 1,309.74 | 0.09 | 14,219.03 | 2.38 | | 8,852.52 | | 24,387.69 |
| Scholarships | 311,139.05 | 129,460.64 | 700,364.05 | 242,710.26 | 234,602.93 | 473,613.33 | | 52,693,319.29 | 3,262,486.14 | | 58,047,685.69 |
| Claims and Judgments | 4,960.42 | 11.26 | 3,406.27 | 3,603.43 | 17,926.98 | 86,860.68 | 140.20 | | | | 116,909.24 |
| Other Operating Expenses | 10,785,372.73 | 865,218.86 | 2,349,816.69 | 2,737,148.86 | 3,398,293.87 | 3,570,455.76 | 15,954,276.30 | 119,052.66 | 10,918,118.25 | | 50,697,753.98 |
| Total Operating Expenses | \$ 251,261,927.14 | \$ 17,916,284.06 | \$ 35,808,583.33 | \$ 62,643,835.44 | \$ 34,418,639.08 | \$ 75,655,956.54 | \$ 75,739,903.23 | \$ 55,387,272.24 | \$ 111,384,374.02 | \$ 41,341,768.07 | \$ 761,558,543.15 |

UNAUDITED
TEXAS STATE UNIVERSITY SYSTEM
Combined Statement of Cash Flow
For the Fiscal Year Ended August 31, 2006

| | TOTAL |
|--|-------------------------|
| Cash Flows from Operating Activities | |
| Receipts from Customers | \$ 20,055,813.51 |
| Proceeds from Tuition and Fees | 276,502,191.95 |
| Proceeds from Research Grants and Contracts | 41,401,242.19 |
| Proceeds from Gifts | 1,907,521.55 |
| Proceeds from Loan Programs | 11,406,886.92 |
| Proceeds from Auxiliaries | 74,806,068.20 |
| Proceeds from Other Revenues | 114,672,600.97 |
| Payments to Suppliers for Goods and Services | (203,888,162.26) |
| Payments to Employees for Salaries | (349,179,137.53) |
| Payments to Employees for Benefits | (84,245,981.21) |
| Payments for Loans Provided | (11,096,932.98) |
| Payments for Other Expenses | (87,606,217.67) |
| | (195,264,106.36) |
| Net Cash Provided by Operating Activities | |
| Cash Flows from Noncapital Financing Activities | |
| Proceeds from Debt Issuance | |
| Proceeds from State Appropriations | 296,612,242.02 |
| Proceeds from Gifts | 14,958,148.39 |
| Proceeds from Endowments | 12,389,396.36 |
| Proceeds of Transfers from Other Funds | 346,249.36 |
| Proceeds from Grant Receipts | 260,270.23 |
| Proceeds from Advances from Other Funds | 482,233.63 |
| Proceeds from Loan Programs | 12,225.92 |
| Proceeds from Other Financing Activities | 4,819,642.61 |
| Proceeds from Contributed Capital | |
| Payments of Principal on Debt Issuance | (4,890,310.63) |
| Payments of Interest | |
| Payments of Other Costs of Debt Issuance | (172,430.00) |
| Payments for Transfers to Other Funds | (10,003,611.53) |
| Payments for Grant Disbursements | (185,603.02) |
| Payments for Advances to Other Funds | |
| Payments for Other Uses | 887,340.43 |
| | 887,340.43 |
| Net Cash Provided by Noncapital Financing Activities | 315,515,793.77 |
| Cash Flows from Capital and Related Financing Activities | |
| Proceeds from the Sale of Capital Assets | (211,888.89) |
| Proceeds from Debt Issuance | 2,655,116.07 |
| Proceeds from State Grants and Contracts | |
| Proceeds from Federal Grants and Contracts | |
| Proceeds from Gifts | |
| Proceeds from Other Financing Activities | 2,020,830.84 |
| Proceeds from Capital Contributions | 56,820,278.02 |
| Proceeds from Advances from Other Funds | 34,791,873.42 |
| Payments for Additions to Capital Assets | (142,946,516.08) |
| Payments of Principal on Debt | (40,596,649.00) |
| Payments for Capital Lease | (27,016.94) |
| Payments of Interest on Debt Issuance | (18,504,145.20) |
| Payments of Other Costs of Debt Issuance | (2,559,654.73) |
| | (2,559,654.73) |
| Net Cash Provided by Capital and Related Financing Activities | (108,557,772.49) |

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TEXAS STATE UNIVERSITY SYSTEM
Combined Statement of Cash Flow
For the Fiscal Year Ended August 31, 2006

| | TOTAL |
|---|---------------------|
| Cash Flows from Investing Activities | |
| Proceeds from Sales of Investments | \$ 14,600,270.94 |
| Proceeds from Interest Income | 6,238,606.69 |
| Proceeds from Investment Income | 15,929,902.80 |
| Proceeds from Principal Payments on Loans | |
| Payments to Acquire Investments | (51,494,793.03) |
| Net Cash Provided by Investing Activities | (14,726,012.60) |
| Net Increase (Decrease) in Cash and Cash Equivalents | (3,032,097.68) |
| Cash and Cash Equivalents, September 1, 2005 | 439,008,363.99 |
| Changes in Accounting Principal | |
| Changes in Reporting Entity | |
| Restatements to Beginning Cash and Cash Equivalents | (186,777.97) |
| Cash and Cash Equivalents, September 1, 2005 - Restated | 438,821,586.02 |
| Cash and Cash Equivalents, August 31, 2006 | \$ 435,789,488.34 |
| Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities | |
| Operating Income (Loss) | \$ (259,154,130.65) |
| Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities: | |
| Amortization and Depreciation | 41,341,768.07 |
| Bad Debt Expense | 268,851.99 |
| Operating Income and Cash Flow Categories: | |
| Classification Differences | (255,221.87) |
| Changes in Assets and Liabilities: | |
| (Increase) Decrease in Receivables | 4,253,955.43 |
| (Increase) Decrease in Due from Other Funds | 906,497.38 |
| (Increase) Decrease in Inventories | 94,585.52 |
| (Increase) Decrease in Prepaid Expenses | (887,801.40) |
| (Increase) Decrease in Notes Receivable | 890,468.89 |
| (Increase) Decrease in Loans & Contracts | 819,176.16 |
| (Increase) Decrease in Other Assets | 5,022,948.81 |
| (Increase) Decrease in State Appropriations | (11,386.29) |
| Increase (Decrease) in Payables | (12,242,217.27) |
| Increase (Decrease) in Deposits | 185,398.79 |
| Increase (Decrease) in Due to Other Funds | 324,973.32 |
| Increase (Decrease) in Deferred Income | 17,348,138.51 |
| Increase (Decrease) in Compensated Absence Liability | 773,279.31 |
| Increase (Decrease) in Benefits Payable | |
| Increase (Decrease) in Other Liabilities | 5,056,608.94 |
| Total Adjustments | 63,890,024.29 |
| Net Cash Provided by Operating Activities | \$ (195,264,106.36) |
| Non Cash Transactions | |
| Donation of Capital Assets | \$ 1,035,000.00 |
| Net Change in Fair Value of Investments | 744,890.80 |
| Borrowing Under Capital Lease Purchase | |
| Other | 12,706,470.53 |

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TEXAS STATE UNIVERSITY SYSTEM

NOTES TO THE FINANCIAL STATEMENTS

August 31, 2006

NOTE 1: Summary of Significant Accounting Policies

Entity

The Texas State University System (System) 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.

The Texas State University System is comprised of System Administration and the following institutions: Angelo State University, Lamar University, Sam Houston State University, Sul Ross State University, Texas State University-San Marcos, Lamar Institute of Technology, Lamar State College - Orange, and Lamar State College - Port Arthur. The System's primary role is to provide post secondary educational opportunities for the citizens of the State of Texas. The component institutions also perform research activities and provide public service programs for their constituents.

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.

Fund Structure

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

Proprietary Funds

Business Type Activity

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

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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 17.

Basis of Accounting

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

Business activity type funds (proprietary funds) are accounted for using the full 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.

Budget and Budgetary Accounting

The operating budget is prepared annually and represents appropriations authorized by the legislature and approved by the Governor (the General Appropriations Act) and other revenues generated by System Administration and the component institutions. 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**.

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Securities lent are reported as assets on the Statement of Net Assets. 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 and Prepaid Items

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. The consumption method of accounting is used to account for inventories and prepaid items that appear in the proprietary fund types. 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. Depreciation is reported on all "exhaustible" assets. "Inexhaustible" assets such as works of art and historical treasures are not depreciated. 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.

Current Receivables - Other

Other receivables include year-end revenue accruals not included in any other receivable category.

LIABILITIES

Accounts Payable

Accounts Payable represents the liability for the value of assets or services received at the Statement of Net Assets date for which payment is pending.

Current Payables - Other

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,

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and uses of leave balances by covered employees. Liabilities are reported separately as either current or non-current 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 non-current in the Statement of Net Assets.

Bonds Payable - General Obligation Bonds and Revenue Bonds

General Obligation and Revenue Bonds are accounted for in the proprietary funds by institutions of higher education. The bonds payable are reported at par less unamortized discount or plus unamortized premium. Interest expense is reported on the accrual basis, with amortization of discount or premium. Payables are reported separately as either current or non-current in the Statement of Net Assets. Bond proceeds and principal payments are reported in the Statement of Cash Flows.

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.

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 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 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 ACTIVITIES AND BALANCES

The Texas State University System has the following types of transactions among funds:

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- (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 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.
- (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 that are recorded as revenues of the recipient fund and expenditures or expenses of the disbursing fund.

The composition of Texas State University System’s Interfund activities is presented in Note 8.

| |
|-------------------------------|
| NOTE 2: Capital Assets |
|-------------------------------|

A summary of changes in Capital Assets for the year ended August 31, 2006 is presented on the next page.

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BUSINESS-TYPE ACTIVITIES

| | Balance 09/01/05 | Adjustments | Reclassifications Completed CIP | Reclassifications Ine-Int'gry Trans | Reclassifications Dec-Int'gry Trans | Additions | Deletions | Balance 08/31/06 |
|---|--------------------------|--------------------------|------------------------------------|--|--|--------------------------|--------------------------|--------------------------|
| Non-Depreciable Assets | | | | | | | | |
| Land and Land Improvements | \$ 59,581,195.66 | \$ 29,903.35 | \$ 216,191.90 | \$ - | \$ - | \$ 1,116,549.04 | \$ (47,808.25) | \$ 60,896,031.70 |
| Infrastructure | 175,484,627.75 | (3,965.13) | (61,170,377.58) | - | - | 81,061,261.19 | (804,061.20) | 194,567,485.03 |
| Construction in Progress | 4,290,657.38 | - | - | - | - | 221,582.31 | (3,400.00) | 4,508,839.69 |
| Other Assets | 239,356,480.79 | 25,938.22 | (60,954,185.68) | - | - | 82,399,392.54 | (855,269.45) | 259,972,356.42 |
| Total Non-Depreciable Assets | | | | | | | | |
| Depreciable Assets | | | | | | | | |
| Buildings and Building Improvements | 924,704,919.19 | - | 47,058,838.87 | - | - | 100,895,433.10 | - | 1,072,659,191.16 |
| Infrastructure | 59,789,649.13 | - | 12,658,923.59 | - | - | - | - | 72,448,572.72 |
| Facilities & Other Improvements | 57,861,330.14 | (29,903.35) | 1,070,784.12 | - | - | 7,160,407.28 | - | 66,062,618.19 |
| Furniture and Equipment | 85,600,860.05 | (32,827.00) | 165,639.10 | - | (8,945.00) | 6,684,678.07 | (3,803,194.91) | 88,606,210.31 |
| Vehicle, Boats & Aircraft | 10,982,400.29 | - | - | - | (8,902.00) | 906,804.54 | (256,218.70) | 11,624,084.13 |
| Other Assets | 95,008,270.18 | (46,317.73) | - | - | - | 6,112,664.32 | (274,932.96) | 100,799,683.81 |
| Total Depreciable Assets at Historical Costs | 1,233,947,428.98 | (109,048.08) | 60,954,185.68 | - | (17,847.00) | 121,759,987.31 | (4,334,346.57) | 1,412,200,360.32 |
| Less Accumulated Depreciation for: | | | | | | | | |
| Buildings and Improvements | 568,355,548.48 | - | - | - | - | 22,344,519.16 | - | 590,700,067.64 |
| Infrastructure | 26,077,894.34 | (148.81) | - | - | - | 2,196,456.64 | - | 28,274,202.17 |
| Facilities & Other Improvements | 25,201,971.72 | - | - | - | - | 2,020,082.03 | - | 27,222,053.75 |
| Furniture and Equipment | 55,880,234.42 | (10,145.73) | - | - | (8,945.00) | 6,890,385.07 | (3,426,302.19) | 59,325,226.57 |
| Vehicles, Boats & Aircraft | 7,829,529.53 | - | - | - | (8,902.00) | 781,721.85 | (225,999.53) | 8,376,349.85 |
| Other Capital Assets | 46,641,205.96 | 2,435,803.79 | - | - | - | 5,423,828.76 | (74,675.35) | 54,426,163.16 |
| Total Accumulated Depreciation | 729,986,384.45 | 2,425,509.25 | - | - | (17,847.00) | 39,656,993.51 | (3,726,977.07) | 768,324,063.14 |
| Depreciable Assets, Net | 503,961,044.53 | (2,534,557.33) | 60,954,185.68 | - | - | 82,102,993.80 | (607,369.50) | 643,876,297.18 |
| Business Type-Activities Capital Assets, Net | \$ 743,317,525.32 | \$ (2,508,619.11) | \$ - | \$ - | \$ - | \$ 164,502,386.34 | \$ (1,462,638.95) | \$ 903,848,653.60 |

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NOTE 3: Deposits, Investments, & Repurchase Agreements

The Texas State University System is authorized to invest in obligations and instruments as defined in the Public Funds Investment Act (Sec. 2256.001 Texas Government Code). Endowment Funds may be invested in accordance with the Uniform Management of Institutional Funds Act, Property Code Chapter 163. 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 Banks

As of August 31, 2006, the carrying value of demand deposits at local banks was \$19,031,507.00 as presented below:

GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES

| | |
|--|-------------------------|
| CASH IN BANK - CARRYING VALUE PER AFR | <u>\$ 19,031,507.00</u> |
| Proprietary Funds Current Assets Cash in Banks | \$ 14,009,487.20 |
| Proprietary Funds Current Assets Restricted Cash in Banks | 4,212,953.73 |
| Proprietary Funds Noncurrent Assets Restricted Cash in Banks | <u>809,066.07</u> |
| Cash in Banks per AFR | <u>\$ 19,031,507.00</u> |

At August 31, 2006, the actual balances on deposit with local banks were \$36,345,228.45.

Investments

The carrying and fair values of investments as of the Statement of Net Assets date (both short and long term) are shown on the following page:

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| GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES | <u>Fair Value</u> |
|---|-------------------------------------|
| U.S. Government | |
| U.S. Treasury Securities | \$ 2,518,625.10 |
| U.S. Government Agency Obligations | 5,824,395.84 |
| U.S. Government Agency Obligations (Texas Treasury Safekeeping) | 11,852,350.17 |
| Corporate Obligations | 61,934,119.85 |
| Corporate Obligations (Texas Treasury Safekeeping) | 282,865.73 |
| Corporate Asset and Mortgage Backed Securities | 82,134.78 |
| Equity | 17,029,764.36 |
| Repurchase Agreement | 1,059,319.96 |
| Fixed Income Money Market and Bond Mutual Fund | 63,630,682.85 |
| Other Commingled Funds | 16,522,617.71 |
| Other Commingled Funds - Texpool | 349,009,903.03 |
| Commercial Paper | 5,663,808.00 |
| Real Estate | 318,020.00 |
| Miscellaneous | <u>7,255,445.77</u> |
| Total | <u><u>\$ 542,984,053.15</u></u> |
| Consisting of the Following | |
| Proprietary Funds Current Cash Equivalents | \$ 301,325,259.53 |
| Proprietary Funds Current Restricted Cash Equivalents | 20,591,852.92 |
| Proprietary Funds Short Term Investments | 198,000.00 |
| Proprietary Funds Non-Current Restricted Cash Equivalents | 28,341,299.19 |
| Proprietary Funds Non-Current Restricted Investments | 143,694,887.87 |
| Proprietary Funds Non-Current Investments | <u>48,832,753.64</u> |
| Total as Above | <u><u>\$ 542,984,053.15</u></u> |

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The *Investment Policies* of the Texas State University System allow the investment of State funds in corporate bonds to be no more than 5% of the total portfolio. The bonds must be rated in one of the three highest rating categories (i.e. AAA to A).

Included with the Corporate Obligations are bonds owned by the Carr Foundation totaling \$53,284,918.21. The Foundation's investment policies allow 15% of its portfolio to be invested in high yield bonds. These below investment grade bonds must have a CCC rating or better. The Foundation's policies allow 100% of its portfolio to be investment grade fixed income securities. The target for investments in this type of securities is 70%.

As of August 31, 2006 the System's credit quality distribution for securities with credit risk exposure was as follows:

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STANDARDS & POOR'S

| Fund Type | GAAP Fund | Investment Type | AAA | AA | A |
|-----------|-----------|---|-----------------|---------------|---------------|
| 05 | 9999 | U.S. Government Agency Obligations | \$ 5,824,395.84 | \$ - | \$ - |
| | | U.S. Government Agency Obligations - | | | |
| 05 | 9999 | Texas Treasury Safekeeping Trust Co. | 11,852,350.17 | | |
| 05 | 9999 | Corporate Obligations | 2,378,357.50 | 13,791,099.39 | 23,569,448.72 |
| | | Corporate Obligations - | | | |
| 05 | 9999 | Texas Treasury Safekeeping Trust Co. | | 282,865.73 | |
| 05 | 9999 | Corporate Asset and Mortgage Backed Sec | 75,623.51 | 6,511.27 | |
| 05 | 9999 | Repurchase Agreement | 1,059,319.96 | | |
| 05 | 9999 | Miscellaneous - Commercial Paper | 302,304.00 | 5,361,504.00 | |
| 05 | 9999 | Miscellaneous - Municipal Bonds | 20,953.60 | | |

STANDARDS & POOR'S

| Fund Type | GAAP Fund | Investment Type | BBB | BB | B |
|-----------|-----------|-----------------------|-----------------|-----------------|-----------------|
| 05 | 9999 | Corporate Obligations | \$13,160,827.00 | \$ 4,118,225.00 | \$ 4,916,888.00 |

NOTE 4: Not Used

NOTE 5: Summary of Long-term Liabilities

Changes in Long-term Liabilities

During the year ended August 31, 2006, the following changes occurred in long-term liabilities.

| BUSINESS TYPE | BALANCE | | | AMOUNTS | |
|------------------------------|--------------------------|--------------------------|---------------------------|--------------------------|-------------------------|
| ACTIVATES | 9/1/2005 | ADDITIONS | REDUCTIONS | BALANCE 8/31/2006 | DUE WITHIN ONE YEAR |
| General Obligation B/P | \$ - | \$ - | \$ - | \$ - | \$ - |
| Revenue B/P | 386,827,674.09 | 183,510,000.00 | (49,692,025.02) | 520,645,649.07 | 26,030,242.50 |
| Compensable Leave | 16,817,580.93 | 1,174,783.87 | (353,152.29) | 17,639,212.51 | 11,367,908.51 |
| Capital Lease Obligations | 86,837.79 | - | (27,016.94) | 59,820.85 | 27,574.27 |
| Other Noncurrent Liabilities | 2,125,984.06 | 406,508.87 | (179,347.17) | 2,353,145.76 | - |
| TOTALS | \$ 405,858,076.87 | \$ 185,091,292.74 | \$ (50,251,541.42) | \$ 540,697,828.19 | \$ 37,425,725.28 |

Bonds Payable

See Note 13 for a discussion of Bonds Payable.

Compensable Leave

A state employee is entitled to be paid for any unused vacation time accrued, in the event of the

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employee's resignation, dismissal, or separation from State employment, provided the employee has had continuous employment with the State for six months. An expense and liability for Business Type Activities are recorded in the accounts as the benefits accrue to employees. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

Capital Leases

See Note 6 for a discussion of Capital Lease obligations.

NOTE 6: Capital Leases

Certain Leases to finance the purchase of equipment are capitalized at the present value of future minimum lease payments.

The following summary presents the original capitalized costs of all such property under lease as well as the accumulated depreciation at August 31, 2006.

| <u>ASSETS UNDER CAPITAL LEASES</u> | <u>AMOUNT</u> |
|------------------------------------|-----------------------------|
| Furniture and Equipment | \$ 132,377.56 |
| Less: Accumulated Depreciation | <u>(6,405.44)</u> |
| TOTAL | <u><u>\$ 125,972.12</u></u> |

Future minimum lease payments under these capital leases, together with the present value of the net minimum lease payments at August 31, 2006 follows.

| <u>FUTURE MINIMUM LEASE PAYMENTS</u> | <u>PRINCIPAL</u> | <u>INTEREST</u> |
|--------------------------------------|----------------------------|---------------------------|
| 2007 | \$ 27,574.27 | \$ 4,944.98 |
| 2008 | 28,893.85 | 1,951.07 |
| 2009 | 3,352.73 | 28.20 |
| 2010 | <u>-</u> | <u>-</u> |
| TOTALS | <u><u>\$ 59,820.85</u></u> | <u><u>\$ 6,924.25</u></u> |

NOTE 7: Operating lease Obligations

Future minimum lease rental payments under non-cancelable operating leases having an initial term in excess of one year are shown on the following page:

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| YEAR ENDING AUGUST 31, | AMOUNT |
|--|--------------------------------|
| 2007 | \$ 390,828.46 |
| 2008 | 382,113.28 |
| 2009 | 397,170.89 |
| 2010 | 397,416.05 |
| 2011 | 1,892,759.89 |
| 2012-2016 | 1,879,396.12 |
| 2017-2021 | 1,879,419.24 |
| 2022-2026 | 1,879,213.13 |
| 2027-2031 | <u>1,107,409.62</u> |
| TOTAL MINIMUM FUTURE LEASE PAYMENTS | <u>\$ 10,205,726.68</u> |

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:

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

The Texas State University System experienced routine transfers with other State agencies, which were consistent with the activities of the fund making the transfer. Repayment of interagency balances will occur within one year from the date of the financial statements. Individual balances and activity at August 31, 2006 follows:

| Required Note 8 Presentation Current Portion | INTERFUND | | PURPOSE |
|--|--------------------|--------------------|----------------|
| | RECEIVABLE | PAYABLE | |
| GENERAL REVENUE (01) | \$ - | \$ - | |
| Required Note 8 Presentation Noncurrent Portion | INTERFUND | | |
| | RECEIVABLE | PAYABLE | PURPOSE |
| GENERAL REVENUE (01) | \$ - | \$ - | |
| SPECIAL REVENUE (2) | - | - | |
| ENTERPRISE FUND (5) | - | - | |
| TOTALS | <u>\$ -</u> | <u>\$ -</u> | |

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Optional Note 8 Presentation

| | OTHER AGENCIES | | SOURCE |
|--------------------------------|----------------------|-------------|-------------|
| | DUE FROM | DUE TO | |
| GENERAL REVENUE (01) | | | |
| Appd. Fund 0001, D23 Fund 0001 | | | |
| Agency 601, D23 Fund 0006 | \$ 153,040.97 | \$ - | Federal P-T |
| Agency 701, D23 Fund 0148 | 42,782.72 | - | Federal P-T |
| Agency 730, D23 Fund 7999 | 49,950.00 | - | Federal P-T |
| Agency 781, D23 Fund 0001 | 146,855.55 | - | Federal P-T |
| Appd. Fund 0256, D23 Fund 0256 | | | |
| Agency 305, D23 Fund 0027 | 8,423.42 | - | State |
| Agency 530, D23 Fund 0001 | 13,651.39 | - | State |
| Agency 601, D23 Fund 5015 | 660.00 | - | State |
| Agency 701, D23 Fund 0148 | 55,046.98 | - | State |
| Agency 781, D23 Fund 5079 | 8,599.02 | - | State |
| Appd. Fund 0260, D23 Fund 0260 | | | |
| Agency 601, D23 Fund 5015 | 19,064.00 | - | State |
| Agency 781, D23 Fund 5079 | 59,463.22 | - | State |
| Appd. Fund 0347, D23 Fund 0347 | | | |
| Appd. Fund 5015, D23 Fund 5015 | | | |
| Agency 601, D23 Fund 5015 | 9,711.00 | - | N/A |
| Appd. Fund 5079, D23 Fund 5079 | | | |
| Agency 781, D23 Fund 5079 | 33,092.72 | - | State |
| SPECIAL REVENUE (2) | | | |
| Appd. Fund 9999, D23 Fund 9999 | | | |
| Agency 580, D23 Fund 4831 | 1,996.55 | - | State |
| Agency 601, D23 Fund 0421 | 6,006.00 | - | N/A |
| Agency 902, D23 Fund 0347 | 6,789.27 | - | N/A |
| TOTALS | \$ 615,132.81 | \$ - | |

Required Note 8 Presentation

| | LEGISLATIVE TRANSFERS | |
|------------------------|-----------------------|------|
| | IN | OUT |
| GENERAL REVENUE (0001) | \$ - | \$ - |

| |
|---------------------------------------|
| NOTE 9: Contingent Liabilities |
|---------------------------------------|

At August 31, 2006, various lawsuits and claims involving the Board of Regents, Texas State University System were pending. While the ultimate liability with respect to litigation and other claims asserted against the Board of Regents 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 Board of Regents, Texas State University System.

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NOTE 10: Not Used

NOTE 11: Risk Financing and Related Insurance

The Texas State University System is exposed to a variety of civil claims resulting from the performance of its duties. It is the System'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 Texas State University System assumes substantially all risks associated with tort and liability claims due to the performance of its duties. Currently there is no purchase of commercial insurance, nor is the System involved in any risk pool with other government entities for these risks.

The Texas State University System incurred no losses during the fiscal year ended August 31, 2006 and no claims were pending at that date.

The following Insurance coverage is maintained by the Texas State University System:

Property and other Insurance Coverage - The individual components are required by certain bond covenants to carry Fire and Extended Coverage (including boiler and flood insurance) on buildings financed through the issuance of bonds. This includes pledged Auxiliary Enterprises and other non-Educational and General Funds. The insurance protects the bond holders from a disruption to the revenue stream that is being utilized to make the bond interest and principal payments. No material property insurance claims were made during the fiscal year ending August 31, 2006.

Vehicle Insurance - 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 \$20,000/\$40,000 bodily injury and \$15,000 property damage. All vehicles owned and/or leased by the System are covered by commercial insurance contracted by the Texas State University System Administration with coverage of \$1,000,000 combined single liability. The coverage exceeds the extent of the waivers of State immunity in the Tort Claims Act.

NOTE 12: Not Used

NOTE 13: 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

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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 there from 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 Texas State University-San Marcos are subject to a prior claim for the following heretofore issued bonds of the Board on behalf of that University:

Housing System Revenue Bonds, Series 1986

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.

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- The Texas Legislature has continually appropriated General Revenue Funds as an alternative funding source through the 2006-2007 biennium, for the Tuition Revenue financed share, \$80,950,000, of the issued bonds. Funding for the 2006-2007 biennium meets the debt service for the Tuition revenue Bonds, and full funding for future bienniums is anticipated.

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 2006-2007 biennium, for the Tuition Revenue financed share, \$23,530,000, of the issued bonds. Funding for the 2006-2007 biennium's debt service meets the debt service for the Tuition Revenue Bonds, and full funding for future bienniums is anticipated.

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 Texas State University-San Marcos, 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.

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- \$12,400,000; all authorized bonds were issued.
- Bond proceeds were distributed to Texas State University-San Marcos.
- 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.

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 Texas State University-San Marcos (\$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 2006-2007 biennium, for the Tuition Revenue financed share, \$98,935,000, of the issued bonds. Funding for the 2006-2007 biennium's debt service meets the debt service for the Tuition Revenue Bonds, and full funding for future bienniums is anticipated.

Revenue Bonds Series 2003

- 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 October 7, 2003.
- \$47,635,000; all authorized bonds issued.
- Bond proceeds of \$20,500,000 was transferred to Sam Houston State University, \$27,000,000 was transferred to Texas State University-San Marcos, and \$135,000 was utilized for cost of issuance.
- 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.

Revenue and Refunding Bonds Series 2004

- To provide funds to acquire, purchase, construct, improve, renovate, enlarge, or equip property, buildings, structures, facilities, roads, or related infrastructure; refund certain outstanding debt obligations of the Board; and to pay cost of issuance related to the bonds.
- Issued December 3, 2004.

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- \$85,950,000; all authorized bonds have been issued.
- Bond proceeds were distributed to Lamar University (\$19,500,000), Sul Ross State University (\$20,240,000), and refund of certain outstanding debt and pay cost of issuance (\$46,210,000).
- Debt service payments will be made from mandatory transfers from the 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 2006-2007 biennium, for the Tuition Revenue financed share, \$31,865,395, of the issued bonds. The funding for the 2006-2007 biennium's debt service meets the debt service for the Tuition Revenue Bonds, and full funding for future bienniums is anticipated.

Revenue and Refunding Bonds Series 2005

- To provide funds to acquire, purchase, construct, improve, renovate, enlarge, or equip property, buildings, structures, facilities, roads, or related infrastructure; refund certain outstanding debt obligations of the Board; and to pay cost of issuance related to the bonds.
- Issued September 1, 2005.
- \$43,250,000; all authorized bonds have been issued.
- Bond proceeds were distributed to Sam Houston State University \$15,000,000, refund of certain outstanding debt and pay cost of issuance \$28,505.
- Debt service payments will be made from mandatory transfers from the 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 2006-2007 biennium, for the Tuition Revenue financed share, \$13,565,244, of the issued bonds. Funding for the 2006-2007 biennium meets the debt service for Tuition Revenue Bonds and full funding for future bienniums is anticipated.

Revenue System Financing Revenue Bonds, Series 2006

- To provide funds to purchase certain student housing and educational facilities located at Texas State University-San Marcos, Lamar University, and Angelo State University and financed by a Chapter 53, Texas Education Code non-profit corporation for the benefit of Texas State University System Foundation, Inc., related entities and to pay cost of issuance related to the bonds.
- Issued June 8, 2006.
- \$140,260,000; all authorized bonds have been issued.
- Debt refunded Bobcat Village Texas State University-San Marcos - \$39,075,000, San Marcos Hall Texas State University-San Marcos - \$39,690,000, Cardinal Village Lamar University - \$44,270,000, and Texan Hall Angelo State University - \$17,225,000.
- Debt service payments will be made from mandatory transfers from the universities.
- Source of revenue for debt service - Revenue Financing System.

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In addition to the outstanding bonds secured by the Texas State University System Revenue Financing System the following Texas State University San-Marcos bonds were outstanding at August 31, 2006:

Housing System Revenue Bonds, Series 1986

- To acquire an apartment complex known as Comanche Hills.
- Issued April 1, 1986.
- \$3,500,000; all authorized bonds have been issued.
- Source of revenue for debt service – Auxiliary Enterprises net operating revenues.

Utility System Revenue Bonds, Series 1996

- To improve and enlarge the utility system of the University, and to pay for issuance of bonds.
- Issued February 15, 1996.
- \$4,415,000; all authorized bonds have been issued.
- Source of revenue for debt service – Utility System net operating revenues.

DEFEASED BONDS

The following bonds are fully defeased at August 31, 2006:

ANGELO STATE UNIVERSITY

Student Housing System Revenue Bonds, series 1967-A and 1983

- To construct and/or remodel student housing.
- Issued June 1, 1967 and June 1, 1983
- \$3,500,999 (1967) and \$3,000,000 (1983); all authorized bonds have been issued.
- Housing and food service revenue.
- Outstanding par value defeased \$2,090,000 (1967) and \$470,000 (1983).
- Year defeased 1992

LAMAR UNIVERSITY

Combined Fee Revenue, Series 1979

- Year defeased 1990.

LAMAR UNIVERSITY, LAMAR INSTITUTE OF TECHNOLOGY, LAMAR STATE COLLEGE - ORANGE, AND LAMAR STATE COLLEGE - PORT ARTHUR

Combined Fee/Revenue System Refunding, Series 1990-B

- Outstanding par value defeased \$15,850,000 (1990-A) and \$1,950,000 (1990-B).
- Year defeased 1998.

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TEXAS STATE UNIVERSITY-SAN MARCOS

Student Housing System Revenue Bonds, Series 1970

- Year defeased 1987

TEXAS STATE UNIVERSITY SYSTEM

The following bonds are partially defeased at August 31, 2006:

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 2006-2007 biennium, for the Tuition Revenue financed share, \$80,950,000, of the issued bonds. Funding for the 2006-2007 biennium meets the debt service for the Tuition revenue Bonds, and full funding for future bienniums is anticipated.
- Bonds partially defeased through the issuance of Revenue and Refunding Bonds, Series 2004 and Revenue and Refunding Bonds, Series 2005 included Tuition Revenue Bonds of \$31,728,606 and \$12,177,362 for 2004 and 2005, respectively.
- Certain outstanding maturities with par values totaling \$38,080,000 were defeased in 2004 and \$13,475,000 in 2005.
- Economic gain on defeasement – Present Value Savings \$833,431.28 in 2004 and \$334,976.98 in 2005.

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.
- Bonds partially defeased through the issuance of Revenue and Refunding Bonds, Series 2005.
- Certain outstanding maturities with par values totaling \$2,700,000 including \$1,387,882 of Tuition Revenue Bonds were defeased.

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- Year defeased 2005.
- Economic gain on defeasement – Present Value Savings \$132,071.29.

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 Texas State University-San Marcos, 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.
- Bonds partially defeased through the issuance of Revenue and Refunding Bonds Series_2004
- Certain outstanding maturities with par values totaling \$7,550,000 were defeased.
- Year defeased 2004
- Economic gain on defeasement – Present Value Savings \$164,359.13.
- Certain outstanding maturities with par values totaling \$8,920,000 were defeased.
- Year defeased 2005
- Economic gain on defeasement – Present Value Savings \$112,096.59.

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 Texas State University-San Marcos.
- 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.
- Bonds partially defeased through the issuance of Revenue and Refunding Bonds, Series 2005.
- Certain outstanding maturities with par values totaling \$3,320,000 were defeased.
- Year defeased 2005.
- Economic gain on defeasement – Present Value Savings \$459,764.88.

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NOTE 14: Subsequent Events

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

NOTE 15: Not Used

NOTE 16: Not Used

NOTE 17: The Financial Reporting Entity and Joint Venture

Component Units (CUs) are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, CUs can be other organizations for which the nature and significance of their relationship with the primary government is such that exclusion would create misleading or incomplete financial statements. The System has determined that it does not have legally separate organizations that should be considered Component Units.

The following foundations and organizations, while not components units, are disclosed due to their significant relationship with the System and its components.

ANGELO STATE UNIVERSITY

Houston Harte Foundation Available

The Angelo Houston Harte Foundation Available is a non-profit organization with the sole purpose of supporting educational and other activities of the University. The assets of the foundation are managed under a Fiduciary Agreement by the Wells Fargo Bank, San Angelo, Texas. The Foundation remitted unrestricted gifts of \$110,000.00 to the University during the year ended August 31, 2006. Since the assets are managed externally; the Foundation does not have any employees. The only service 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

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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 2006 fiscal year, the Foundation received payments for oil and gas royalties, oil and gas lease rental and bonuses, and oil and gas payment commissions totaling \$60,854,601.84 and realized an appreciation on investments of \$1,145,592.59. During the 2006 fiscal year, the Foundation received payments for oil and gas royalties, oil and gas lease rentals and bonuses, and oil and gas payment commissions, and refunds totaling \$5,093,262.15.

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

The value at which oil, gas, and other mineral properties is carried on the financial statements is the value that was agreed to in the settlement with the Internal Revenue Service of the Federal Estate Tax Liability of the Estate of Robert G. Carr. No provision has been made for depletion of these properties. The interest income earned on the Trust is transferred to the Angelo State University Robert G. Carr and Nona K. Carr Scholarship and expense funds. During the 2006 fiscal year, the investment income received from the investment agent totaled \$3,746,473.44. Of this amount, \$515,000.00 was transferred by the trustees to the Foundation Trust Estate Expense Account for the payment of salaries and wages, and other operating expenses of the foundation. Disbursements from the expense account for the 2006 fiscal year totaled \$551,575.63. \$3,220,539.09 was transferred to the Angelo State University Robert G. Carr and Nona K. Carr Scholarship Foundation Account. Depository interest of \$10,934.35 was transferred. During the 2006 fiscal year, the scholarship account earned interest totaling \$204,079.32.

Total scholarships awarded prior to the 2006 fiscal year amounted to \$46,138,282.90. During the 2006 fiscal year, scholarship awards amounted to \$3,220,221.50. It is

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estimated the amount of annual scholarship awards from the scholarship fund will total \$3,000,000.00 in fiscal year 2007.

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

Other Organizations

The ASU Alumni Association contributed \$78,533.15 to the University during the 2006 fiscal year for operation of the Alumni office. The University paid \$87,782.66 above the contributed amount for maintaining the records on the students who have graduated from the University. The 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 \$250,480.91 on behalf of the University during the year ended August 31, 2006. During the year the University furnished limited staff assistance to the association.

LAMAR UNIVERSITY

Lamar University Foundation

The Lamar University Foundation is a nonprofit organization with the sole purpose of supporting educational activities of Lamar University. The Foundation solicits donations and acts as coordinator of gifts made by other parties. The Foundation remitted restricted gifts of \$787,604.81 to the University during the year ended August 31, 2006. During the fiscal year the University furnished certain services, such as office space and utilities, to the Foundation, for which the Foundation was billed at cost, \$83,109.27. Accounts receivable of \$337,949.66 is due from the Foundation at August 31, 2006.

LAMAR INSTITUTE OF TECHNOLOGY

Lamar Institute of Technology Foundation

The Lamar Institute of Technology Foundation is a non-profit organization, which was established for the purpose of cooperating with and working on behalf of the Institute. Neither the transactions of this organization nor its fund balances are reflected in the financial statements during the year ended August 31, 2006.

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The Lamar Institute of Technology Foundation gave \$10,000 in scholarship money directly to Lamar Institute of Technology students during the year ended August 31, 2006.

LAMAR STATE COLLEGE - ORANGE

Lamar State College – Orange Foundation, Inc. is a non-profit organization, which was established in December 1983, to support the development and promotion of Lamar State College – Orange, its students, faculty, staff, and physical facilities. Neither the balance nor the transactions of this organization's fund are reflected in the financial statements during the year ended August 31, 2006. Lamar State College – Orange received \$30,000 from the Lamar State College – Orange Foundation during the year ended August 31, 2006.

LAMAR STATE COLLEGE - PORT ARTHUR

Port Arthur Higher Education Foundation

The Port Arthur Higher Education Foundation is a non-profit organization, which was established for the purpose of cooperating with and working on behalf of the College. Neither the transactions of this organization nor its fund balances are reflected in the financial statements during the year ended August 31, 2006.

The Port Arthur Higher Education Foundation gave \$267,903.15 in scholarship money directly to Lamar State College-Port Arthur students during the year ended August 31, 2006.

Lamar-Port Arthur Alumni Association

The Lamar-Port Arthur Alumni Association is a non-profit organization, which was established for the purpose of cooperating with and working on behalf of the College. Neither the transactions of this organization nor its fund balances are reflected in the financial statements during the year ended August 31, 2006. The Lamar-Port Arthur Alumni Association gave \$2,750 in scholarship money directly to Lamar College-Port Arthur students during the year ended August 31, 2006.

SAM HOUSTON STATE UNIVERSITY

Sam Houston Foundation

The Sam Houston Foundation is a separate nonprofit organization which was established for the purpose of cooperating with and working on behalf of the University. Neither the balance nor the transactions of this organization's fund are reflected in the financial statements during the year ended August 31, 2006. Gifts to

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the University from the Sam Houston Foundation for fiscal year 2006 totaled \$11,000 to Restricted Funds and \$50,000 to Endowment Funds.

SHSU Lettermen's Association

The SHSU Lettermen's Association was created in October 1974 for the stated purpose of providing a means for the former students of Sam Houston State University who won varsity letters in any of the sports recognized by the Conference to gather from time to time for certain fraternal beneficiary society purposes and to encourage support of the athletic staff and athletic programs of Sam Houston State University through the efforts of its members, including donations to Sam Houston State University for use by such educational institution.

The Lettermen's Association's funds are carried on the University's books, and comprise \$16,060.03 of the Total Deposits Held in Custody for Others - Agency Funds, at August 31, 2006. Sam Houston State University has performed stewardship functions in support of this account, including the receipt of deposits and payment of expenditures. The University received a gift from the Lettermen's Association for fiscal year 2006 of \$6,000.

TEXAS STATE UNIVERSITY-SAN MARCOS

Texas State University-San Marcos Development Foundation

The Texas State University-San Marcos Development Foundation was formed exclusively for charitable, educational and scientific purposes and assist in the development of Texas State University-San Marcos. In total the Development Foundation Board reported payments of \$423,877.12 for University support and \$712,021.18 for student scholarships from Development Foundation funds during the fiscal year ended August 31, 2006. This includes restricted gifts of \$286,950 and unrestricted gifts of \$27,005. Donations to the Develop Foundation included restrictive gifts of \$1,628,095.09, temporary restricted gifts of \$1,162,012.63 and unrestricted gifts of \$3,209.30.

Texas State University-San Marcos Support Foundation

The Texas State University-San Marcos_University Support Foundation was formed for exclusively charitable, educational and scientific purposes to assist in the development of the University, to obtain and maintain the best faculty and staff available, for the establishment and maintenance of facilities and laboratories, and for the advancement of research and other literary and scientific undertakings. In Fiscal Year 2006, the Support Foundation Board reported payments of \$314,105 for University support, including payment for University provided services. This

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included a donation of \$93,843.88 to the University for the establishment of the Texas State University Support Foundation Endowment. Additionally, the Foundation donated the Fire Station Studio building and lot to the University with an appraised value of \$945,000.00.

The McCoy College of Business Administration Development Foundation

The McCoy Foundation, founded in 2004, is dedicated exclusively to the support of Texas State University-San Marcos College of Business Administration. The McCoy Foundation administers its investments and transfers designated funds to the McCoy College of Business Administration on a quarterly basis. During fiscal year 2006, the Foundation expended \$505,000 in support to the University, which provides three endowed chairs, undergraduate scholarships, graduate fellowships, faculty development, development of course materials, and student support.

Texas State University-San Marcos Alumni Association

The efforts and funds of the Texas State Alumni Association, Inc. are dedicated to the University for student scholarships, campus support, and alumni outreach activities. The Alumni Association raised \$454,414 in operating income. The accounts of the Alumni Association are carried on the University's books and comprise \$53,109 of Total Deposits Held in Custody for Others – Agency Funds at August 31, 2006.

Friends of Fine Arts

The Friends of Fine Arts and Communications, in its 26th year of service to the College of Fine Arts, supports students and the performing and visual arts at Texas State University-San Marcos. Memberships and corporate sponsorship supports the academic areas of art design, theatre and dance, music, communication, mass communication and journalism through scholarships and teaching awards.

Bobcat Athletic Foundation

The stated purpose of the Bobcat Athletic Foundation is to assist in the development and implementation of a strategic plan for athletics development including major gifts and endowments for Texas State University-San Marcos in compliance with rules and regulations set forth by the National Collegiate Athletic Association and the Board of Regents of the Texas state University System.

Texas State Parents Association

The Texas State Parents Association was founded in 1976 with the primary goal of enhancing student success by encouraging the participation of parents and students in

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programs at the University. Funds raised from memberships and donations have assisted student learning, career development, and many critical areas of the educational process.

TEXAS STATE UNIVERSITY SYSTEM

Texas State University System Foundation, Inc.

The Texas State University System Foundation, Inc. was incorporated in November, 1977. The Corporation was organized to advance education through financial support of the component institutions and system office. The Foundation is governed by a five member board appointed by the Board of Regents for the Texas State University System. During the 2002 fiscal year the Foundation created three limited liability companies (LLC) an additional LLC was created in fiscal year 2003 to act as the "Borrowers" for loan funds of bond proceeds of bonds issued by the Raven Hills Higher Education Corporation. The loan funds were used to build student housing on the campuses of Angelo State University, Lamar University, and Texas State University-San Marcos. The loans were repayable from revenues generated by the housing projects. The loans were not liabilities of System Administration or component institutions. Bonds were issued by the System on June 8, 2006 to buy the Foundation's assets for the respective universities. See Note 13, Revenue Financing Revenue Bonds, Series 2006, for the discussion of the debt

NOTE 18: Restatement of Fund Balances and Net Assets

Certain individual account balances were misstated in the Annual Financial Report for the year ended August 31, 2005. The beginning fund balance is restated to reflect the adjustments to the accounts as follows:

| | |
|--|---------------------------------|
| Net Assets - per AFR, 8/31/2005 | \$ 857,712,996.84 |
| Adjustments to Prior Year Account Balances to Reflect Actual | <u>267,181.12</u> |
| Net Assets - Restated, 8/31/2005 | <u><u>\$ 857,980,177.96</u></u> |

NOTE 19: Not Used

NOTE 20: Not Used

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NOTE 21: Donor-Restricted Endowments

| DONOR RESTRICTED ENDOWMENT | AMOUNT OF NET APPRECIATION | REPORTED IN NET ASSETS |
|-------------------------------|--------------------------------------|----------------------------|
| Endowments - True Endowments | \$ 2,573,750.17 | Restricted to Spendable |
| Endowments - True Endowments | 4,978,837.73 | Restricted to Nonspendable |
| Endowments - Term Endowments | - | Restricted to Spendable |
| TOTAL | <u><u>\$ 7,552,587.90</u></u> | |

NOTE 22: Not Used

NOTE 23: Not Used

NOTE 24: Special or Extraordinary Items

SPECIAL ITEMS

Revenue System Financing Revenue Bonds, Series 2006 were issued by System Administration to acquire the housing and educational facilities, previously owned by the Limited Liability Corporations Texan Hall, Cardinal Village, Bobcat Village and San Marcos Hall (includes San Jacinto Hall), located on the campuses of Angelo State University Lamar University and Texas State University-San Marcos, respectively. The Universities recorded the facilities' values as shown in the following schedule. The schedule also includes the amount of bonds proceeds remitted to the escrow agent by System Administration to defease the Limited Liability Companies outstanding bonds payable.

| | |
|---|----------------------------------|
| Angelo State University | |
| Texan Hall | \$ 12,924,323.73 |
| Lamar University | |
| Cardinal Village | 35,936,966.07 |
| Texas State University-San Marcos | |
| Bobcat Village | 25,000,037.91 |
| San Marcos and San Jacinto Halls | <u>31,190,986.25</u> |
| SUBTOTAL | <u>105,052,313.96</u> |
| Texas State University System - System Administration | <u>(143,950,716.96)</u> |
| NET SPECIAL ITEMS | <u><u>\$ (38,898,403.00)</u></u> |

UNAUDITED

EXTRAORDINARY ITEMS

On September 24, 2005 a massive hurricane named Rita made landfall in Southeast Texas causing widespread damages in that section of the State. The System components Lamar Institute of Technology, Lamar State College – Orange, Lamar State College – Port Arthur and Lamar University sustained extensive physical damages as well as the loss of revenue due to the reduction in enrollment of students. The components literally work around the clock to make their campuses ready for classes to resume. Their efforts made it possible to complete the fall semester on time with the returning students receiving credit for their classes.

The revenues and expenditures related to this event are included with other like accounts in the Combined Statement of Revenues, Expenses and Changes in Net Assets. The following schedule presented on the succeeding page summarizes the funds made available for the repairs and the use of these funds.

UNAUDITED

| | LAMAR | LAMAR STATE COLLEGE | | LAMAR | TOTAL |
|---|-------------------------|---------------------|---------------------|----------------------|----------------------|
| | INSTITUTE OF TECHNOLOGY | ORANGE | PORT ARTHUR | UNIVERSITY | |
| REVENUES: | | | | | |
| Insurance - | | | | | |
| Fiscal Year 2006 - Actual | \$ - | \$ - | \$ 22,850.28 | \$ - | \$ 22,850.28 |
| Federal Emergency Management Agency (FEMA) - | | | | | |
| Fiscal Year 2006 - Actual | 4,225.32 | 232,402.47 | 386,578.55 | 12,939,780.26 | 13,562,986.60 |
| Emergency Appropriations General Revenue Fund - | | | | | |
| Fiscal Year 2006 - Actual | 393,794.99 | 1,214,049.98 | 1,658,266.00 | 10,102,616.43 | 13,368,727.40 |
| Fiscal Year 2007 - Projected | 1,794,257.13 | 395,829.08 | 2,049,007.00 | 15,598,413.57 | 19,837,506.78 |
| Higher Education Recovery Award | | | | | |
| Fiscal Year 2007 - Projected | 165,529.00 | 140,431.00 | 173,695.00 | 3,151,121.00 | 3,630,776.00 |
| TOTAL REVENUES | 2,357,806.44 | 1,982,712.53 | 4,290,396.83 | 41,791,931.26 | 50,422,847.06 |
| EXPENDITURES: | | | | | |
| FEMA - | | | | | |
| Fiscal Year 2006 - Actual | 4,225.32 | 232,402.47 | 386,578.55 | 12,939,780.26 | 13,562,986.60 |
| Emergency Appropriations - | | | | | |
| Fiscal Year 2006 - Actual | 393,794.99 | 817,687.98 | 696,653.00 | 6,198,670.22 | 8,106,806.19 |
| Fiscal Year 2006 - Accrued | | | 32,000.00 | 118,321.21 | 150,321.21 |
| Fiscal Year 2007 - Projected | 1,011,996.01 | 374,898.08 | 924,007.00 | 11,882,651.50 | 14,193,552.59 |
| Local Funds to be Reimbursed - | | | | | |
| Fiscal Year 2006 - Actual | | | 439,145.11 | 713,127.69 | 1,152,272.80 |
| Fiscal Year 2007 - Projected | | | | 3,151,121.00 | 3,151,121.00 |
| Auxiliary - | | | | | |
| Fiscal Year 2006 - Actual | | | | 863,450.38 | 863,450.38 |
| Fiscal Year 2007 - Projected | | | | 1,549,700.00 | 1,549,700.00 |
| TOTAL EXPENDITURES | 1,410,016.32 | 1,424,988.53 | 2,478,383.66 | 37,416,822.26 | 42,730,210.77 |
| LOSS OF REVENUE: | | | | | |
| Fiscal Year 2006 - Projected | 758,860.00 | 396,362.00 | 961,613.00 | 3,785,625.00 | 5,902,460.00 |
| Fiscal Year 2007 - Projected | 621,000.00 | 161,362.00 | 1,093,000.00 | 589,484.00 | 2,464,846.00 |
| TOTAL LOSS OF REVENUE | 1,379,860.00 | 557,724.00 | 2,054,613.00 | 4,375,109.00 | 8,367,306.00 |
| REVENUES OVER (UNDER) EXPENDITURES AND LOSS OF REVENUES | \$ (432,069.88) | \$ - | \$ (242,599.83) | \$ - | \$ (674,669.71) |
| NUMBER OF DAYS THE INSTITUTION WAS CLOSED | | | | | |
| | 17 | 15 | 26 | 17 | |

UNAUDITED

| |
|---|
| NOTE 25: Disaggregation of Receivable and Payable Balances |
|---|

The following accounts are disaggregated as follows:

FEDERAL RECEIVABLE

| | |
|----------------|-----------------------------------|
| Education | \$ 1,475,205.78 |
| Instruction | 1,586,557.46 |
| Research | 2,314,344.31 |
| Public Service | 2,333,082.37 |
| Scholarships | 758,158.91 |
| Other | <u>63,859.15</u> |
| TOTAL | <u><u>\$ 8,531,207.98</u></u> |

OTHER RECEIVABLES - CURRENT

| | |
|----------------------------------|-----------------------------------|
| Vendor Overpayments | \$ 18,808.73 |
| Pledges Receivable | 428,949.66 |
| Notes Receivable - Student Loans | <u>1,264,703.05</u> |
| TOTAL | <u><u>\$ 1,712,461.44</u></u> |

OTHER ASSETS RESTRICTED - NON-CURRENT

| | |
|------------------------------|-------------------------------|
| Unamortized Prepaid Interest | <u><u>\$ 2,558,763.51</u></u> |
|------------------------------|-------------------------------|

OTHER PAYABLES - CURRENT

| | |
|-----------------------------|-----------------------------------|
| Accrued Interest Payable | \$ 10,163,318.93 |
| Refundable Student Deposits | 3,238,265.65 |
| Other | <u>154,444.23</u> |
| TOTAL | <u><u>\$ 3,420,148.22</u></u> |

OTHER LIABILITIES - NON-CURRENT

| | |
|-----------------------------------|-----------------------------------|
| Refundable Student Deposits | \$ 1,155,805.40 |
| U.S. Government Grants Refundable | <u>1,197,340.36</u> |
| TOTAL | <u><u>\$ 2,353,145.76</u></u> |

| |
|--------------------------|
| NOTE 26: Not Used |
|--------------------------|

UNAUDITED

TEXAS STATE UNIVERSITY SYSTEM
SCHEDULE 2A
MISCELLANEOUS BOND INFORMATION
For the Year Ended August 31, 2006

| Business Type Activity Description | Bonds Issued to Date | Range of Interest Rates | Scheduled Maturities | | First Call Date |
|---|----------------------------|-------------------------------|----------------------|--------------|-----------------------|
| | | | First Year | Last Year | |
| REVENUE BONDS Student Housing System Revenue Bonds, Southwest Texas State University Series 1986 | \$ 3,500,000.00 | 3.0% | 1988 | 2016 | 10-01-96 |
| Subtotal | <u>3,500,000.00</u> | | | | |
| Utility System Revenue Bonds Southwest Texas State University Series 1996 | 4,415,000.00 | 3.6% to 5.45% | 1997 | 2011 | 08-01-06 |
| Subtotal | <u>4,415,000.00</u> | | | | |
| Revenue Financing System Bonds Texas State University System Series 1998A | 94,540,000.00 | 4.5% to 5.5% | 2000 | 2018 | 03-15-08 |
| Series 1998B | 53,505,000.00 | 4.5% to 5.5% | 1999 | 2015 | 03-15-08 |
| Taxable Series 1998 | 15,920,000.00 | 5.52% to 6.46% | 1999 | 2010 | 03-15-08 |
| Series 2000 | 26,000,000.00 | 4.8% to 5.5% | 2001 | 2020 | 03-15-10 |
| Series 2001 | 12,400,000.00 | 4.25% to 5.25% | 2002 | 2021 | 03-15-11 |
| Series 2002 | 147,445,000.00 | 2.0% to 5.25% | 2003 | 2022 | 03-15-12 |
| Taxable Series 2002A | 14,170,000.00 | 1.875% to 4.375% | 2003 | 2011 | NA |
| Series 2003 | 47,635,000.00 | 3.625% to 4.625% | 2004 | 2023 | 03-15-13 |
| Series 2004 | 85,950,000.00 | 2.25% to 5.00% | 2005 | 2034 | 09-15-14 |
| Series 2005 | 43,250,000.00 | 3.25% to 5.0% | 2006 | 2034 | 03-15-15 |
| Series 2006 | 140,260,000.00 | 4.25% to 5.00% | 2007 | 2034 | 03-15-16 |
| Subtotal | <u>681,075,000.00</u> | | | | |
| TOTAL | <u>\$ 688,990,000.00</u> | | | | |

UNAUDITED

TEXAS STATE UNIVERSITY SYSTEM
SCHEDULE 2B
COMBINED CHANGE IN BONDED INDEBTEDNESS
For the Year Ended August 31, 2006

| Business Type Activity | Bonds Outstanding 09-01-05 | Bonds Issued | Bonds Matured | Bonds Refunded or Extinguished | Bonds Outstanding 08-31-06 | Amounts Due Within One Year |
|---|----------------------------|------------------|-----------------|--------------------------------|----------------------------|-----------------------------|
| REVENUE BONDS | | | | | | |
| Student Housing System Revenue Bonds, Southwest Texas State University | \$ 1,700,000.00 | - | \$ 130,000.00 | - | \$ 1,570,000.00 | \$ 135,000.00 |
| Series 1986 | 1,700,000.00 | - | 130,000.00 | - | 1,570,000.00 | 135,000.00 |
| Subtotal | | | | | | |
| Utility System Revenue Bonds Southwest Texas State University | 2,175,000.00 | - | 320,000.00 | - | 1,855,000.00 | 335,000.00 |
| Series 1996 | 2,175,000.00 | - | 320,000.00 | - | 1,855,000.00 | 335,000.00 |
| Subtotal | | | | | | |
| Revenue Financing System Bonds Texas State University System | 34,655,000.00 | | 4,265,000.00 | 13,475,000.00 | 16,915,000.00 | 4,495,000.00 |
| Series 1998A | 30,160,000.00 | | 2,775,000.00 | 2,700,000.00 | 24,685,000.00 | 2,840,000.00 |
| Series 1998B | 8,515,000.00 | | 1,495,000.00 | - | 7,020,000.00 | 1,590,000.00 |
| Taxable Series 1998 | 14,410,000.00 | | 985,000.00 | 8,920,000.00 | 4,505,000.00 | 1,035,000.00 |
| Series 2000 | 10,650,000.00 | | 455,000.00 | 3,320,000.00 | 6,875,000.00 | 480,000.00 |
| Series 2001 | | | | | | |
| Series 2002 | | | | | | |
| Par Value | 129,465,000.00 | | 5,290,000.00 | | 124,175,000.00 | 5,495,000.00 |
| Premium | 7,354,933.09 | | 969,404.33 | | 6,385,528.76 | 906,623.49 |
| Taxable Series 2002A | | | | | | |
| Par Value | 10,935,000.00 | | 1,625,000.00 | | 9,310,000.00 | 1,685,000.00 |
| Discount | (19,603.74) | | (5,868.10) | | (13,735.64) | (4,030.95) |
| Series 2003 | 45,190,000.00 | | 1,770,000.00 | | 43,420,000.00 | 1,825,000.00 |
| Series 2004 | | | | | | |
| Par Value | 85,715,000.00 | | | | 85,715,000.00 | 1,000,000.00 |
| Premium | 5,922,344.74 | | 708,488.79 | | 5,213,855.95 | 732,649.91 |
| Series 2005 | | 43,250,000.00 | 495,000.00 | | 42,755,000.00 | 475,000.00 |
| Series 2006 | | 140,260,000.00 | | | 140,260,000.00 | 3,005,000.00 |
| Subtotal | 382,952,674.09 | 183,510,000.00 | 20,827,025.02 | 28,415,000.00 | 517,220,649.07 | 25,560,242.45 |
| Total Revenue Bonds | \$386,827,674.09 | \$183,510,000.00 | \$21,277,025.02 | \$28,415,000.00 | \$520,645,649.07 | \$26,030,242.45 |

UNAUDITED
 TEXAS STATE UNIVERSITY SYSTEM
 SCHEDULE 2C
 DEBT SERVICE REQUIREMENTS
 For the Year Ended August 31, 2006

| <u>Business Type Activity</u> | | | |
|---------------------------------------|-----------|-------------------------|------------------------|
| Description | Year | Principal | Interest |
| Student Housing System Revenue Bonds, | | | |
| Southwest Texas State University | | | |
| Series 1986 | 2007 | \$ 135,000.00 | \$ 45,075.00 |
| | 2008 | 140,000.00 | 40,950.00 |
| | 2009 | 145,000.00 | 36,675.00 |
| | 2010 | 150,000.00 | 32,250.00 |
| | 2011 | 155,000.00 | 27,675.00 |
| | 2012-2016 | 845,000.00 | 64,875.00 |
| | | <u>\$ 1,570,000.00</u> | <u>\$ 247,500.00</u> |
| Utility System Revenue Bonds | | | |
| Southwest Texas State University | | | |
| Series 1996 | 2007 | \$ 335,000.00 | \$ 93,760.00 |
| | 2008 | 350,000.00 | 77,513.00 |
| | 2009 | 370,000.00 | 60,013.00 |
| | 2010 | 390,000.00 | 41,513.00 |
| | 2011 | 410,000.00 | 21,525.00 |
| | | <u>\$ 1,855,000.00</u> | <u>\$ 294,324.00</u> |
| Revenue Financing System Bonds | | | |
| Texas State University System | | | |
| Series 1998A | 2007 | \$ 4,495,000.00 | \$ 869,218.74 |
| | 2008 | 4,735,000.00 | 633,231.26 |
| | 2009 | - | 384,643.76 |
| | 2010 | - | 384,643.76 |
| | 2011 | - | 384,643.76 |
| | 2012-2016 | 3,190,000.00 | 1,868,218.80 |
| | 2017-2021 | 4,495,000.00 | 348,499.96 |
| | | <u>\$ 16,915,000.00</u> | <u>\$ 4,873,100.04</u> |
| Series 1998B | 2007 | \$ 2,840,000.00 | \$ 1,210,081.24 |
| | 2008 | 2,985,000.00 | 1,060,981.24 |
| | 2009 | 2,670,000.00 | 904,268.76 |
| | 2010 | 2,800,000.00 | 784,118.74 |
| | 2011 | 2,940,000.00 | 654,618.72 |
| | 2012-2016 | 10,450,000.00 | 1,172,643.74 |
| | | <u>\$ 24,685,000.00</u> | <u>\$ 5,786,712.44</u> |
| Taxable Series 1998 | 2007 | \$ 1,590,000.00 | \$ 446,864.49 |
| | 2008 | 1,695,000.00 | 347,330.50 |
| | 2009 | 1,810,000.00 | 240,376.01 |
| | 2010 | 1,925,000.00 | 124,354.98 |
| | | <u>\$ 7,020,000.00</u> | <u>\$ 1,158,925.98</u> |
| Series 2000 | 2007 | \$ 1,035,000.00 | \$ 240,612.50 |
| | 2008 | 1,090,000.00 | 184,981.26 |
| | 2009 | 1,155,000.00 | 126,393.76 |
| | 2010 | 1,225,000.00 | 64,312.50 |
| | | <u>\$ 4,505,000.00</u> | <u>\$ 616,300.02</u> |
| Series 2001 | 2007 | \$ 480,000.00 | \$ 337,837.50 |
| | 2008 | 500,000.00 | 317,437.50 |
| | 2009 | 525,000.00 | 294,937.50 |
| | 2010 | 550,000.00 | 271,312.50 |
| | 2011 | 575,000.00 | 242,437.50 |
| | 2012-2016 | - | 1,061,250.00 |
| | 2017-2021 | 4,245,000.00 | 658,500.00 |
| | | <u>\$ 6,875,000.00</u> | <u>\$ 3,183,712.50</u> |

UNAUDITED

TEXAS STATE UNIVERSITY SYSTEM
SCHEDULE 2C
DEBT SERVICE REQUIREMENTS
For the Year Ended August 31, 2006

| | | | |
|--|-----------|--------------------------|--------------------------|
| Series 2002 | 2007 | \$ 5,495,000.00 | \$ 6,080,412.56 |
| | 2008 | 5,715,000.00 | 5,860,612.54 |
| | 2009 | 6,010,000.00 | 5,574,862.54 |
| | 2010 | 6,310,000.00 | 5,274,362.52 |
| | 2011 | 6,630,000.00 | 4,958,862.42 |
| | 2012-2016 | 37,845,000.00 | 19,909,012.46 |
| | 2017-2021 | 45,650,000.00 | 9,442,999.98 |
| | 2022-2026 | 10,520,000.00 | 499,700.00 |
| | | <u>\$ 124,175,000.00</u> | <u>\$ 57,600,825.02</u> |
| Series 2002 - Premium Amortization | 2007 | \$ 906,623.49 | \$ (906,623.49) |
| | 2008 | 856,787.54 | (856,787.54) |
| | 2009 | 762,424.58 | (762,424.58) |
| | 2010 | 672,417.65 | (672,417.65) |
| | 2011 | 586,604.80 | (586,604.80) |
| | 2012-2016 | 2,125,772.62 | (2,125,772.62) |
| | 2017-2021 | 470,695.00 | (470,695.00) |
| | 2022-2026 | 4,203.08 | (4,203.08) |
| | | <u>\$ 6,385,528.76</u> | <u>\$ (6,385,528.76)</u> |
| Taxable Series 2002A | 2007 | \$ 1,685,000.00 | \$ 365,412.50 |
| | 2008 | 1,765,000.00 | 308,543.76 |
| | 2009 | 1,850,000.00 | 244,562.50 |
| | 2010 | 1,950,000.00 | 170,562.50 |
| | 2011 | 2,060,000.00 | 90,125.00 |
| | | | <u>\$ 9,310,000.00</u> |
| Taxable Series 2002A - Discount Amortization | 2007 | \$ (4,030.95) | \$ 4,030.95 |
| | 2008 | (3,926.62) | 3,926.62 |
| | 2009 | (2,383.18) | 2,383.18 |
| | 2010 | (2,486.36) | 2,486.36 |
| | 2011 | (908.53) | 908.53 |
| | | | <u>\$ (13,735.64)</u> |
| Taxable Series 2002A - Total | 2007 | \$ 1,680,969.05 | \$ 369,443.45 |
| | 2008 | 1,761,073.38 | 312,470.38 |
| | 2009 | 1,847,616.82 | 246,945.68 |
| | 2010 | 1,947,513.64 | 173,048.86 |
| | 2011 | 2,059,091.47 | 91,033.53 |
| | | | <u>\$ 9,296,264.36</u> |
| Series 2003 | 2007 | \$ 1,825,000.00 | \$ 1,870,061.24 |
| | 2008 | 1,875,000.00 | 1,803,905.00 |
| | 2009 | 1,945,000.00 | 1,735,936.26 |
| | 2010 | 2,025,000.00 | 1,665,430.00 |
| | 2011 | 2,105,000.00 | 1,584,430.02 |
| | 2012-2016 | 11,945,000.00 | 6,540,912.62 |
| | 2017-2021 | 14,780,000.00 | 3,615,946.24 |
| | 2022-2026 | 6,920,000.00 | 479,549.91 |
| | | <u>\$ 43,420,000.00</u> | <u>\$ 19,296,171.29</u> |
| Series 2004 | 2007 | \$ 1,000,000.00 | \$ 4,212,867.50 |
| | 2008 | 1,035,000.00 | 4,182,867.50 |
| | 2009 | 5,915,000.00 | 4,151,817.49 |
| | 2010 | 6,215,000.00 | 3,856,067.52 |
| | 2011 | 6,525,000.00 | 3,545,317.54 |
| | 2012-2016 | 36,345,000.00 | 11,909,087.52 |
| | 2017-2021 | 8,595,000.00 | 6,352,250.00 |
| | 2022-2026 | 10,985,000.00 | 3,976,250.00 |
| | 2027-2031 | 5,270,000.00 | 1,773,750.00 |
| | 2031-2034 | 3,830,000.00 | 389,250.00 |
| | | | <u>\$ 85,715,000.00</u> |

UNAUDITED

TEXAS STATE UNIVERSITY SYSTEM
SCHEDULE 2C
DEBT SERVICE REQUIREMENTS
For the Year Ended August 31, 2006

| | | | |
|------------------------------------|--------------------------|--------------------------|--------------------------|
| Series 2004 - Premium Amortization | 2007 | \$ 732,649.91 | \$ (732,649.91) |
| | 2008 | 750,377.47 | (750,377.47) |
| | 2009 | 770,651.60 | (770,651.60) |
| | 2010 | 663,698.47 | (663,698.47) |
| | 2011 | 564,491.89 | (564,491.89) |
| | 2012-2016 | 1,303,841.19 | (1,303,841.19) |
| | 2017-2021 | 285,373.48 | (285,373.48) |
| | 2022-2026 | 108,810.72 | (108,810.72) |
| | 2027-2031 | 27,675.41 | (27,675.41) |
| | 2031-2034 | 6,285.81 | (6,285.81) |
| | | <u>\$ 5,213,855.95</u> | <u>\$ (5,213,855.95)</u> |
| Series 2004 - Total | 2007 | \$ 1,732,649.91 | \$ 3,480,217.59 |
| | 2008 | 1,785,377.47 | 3,432,490.03 |
| | 2009 | 6,685,651.60 | 3,381,165.89 |
| | 2010 | 6,878,698.47 | 3,192,369.05 |
| | 2011 | 7,089,491.89 | 2,980,825.65 |
| | 2012-2016 | 37,648,841.19 | 10,605,246.33 |
| | 2017-2021 | 8,880,373.48 | 6,066,876.52 |
| | 2022-2026 | 11,093,810.72 | 3,867,439.28 |
| | 2027-2031 | 5,297,675.41 | 1,746,074.59 |
| | 2031-2034 | 3,836,285.81 | 382,964.19 |
| | | <u>\$ 90,928,855.95</u> | <u>\$ 39,135,669.12</u> |
| Series 2005 | 2007 | \$ 475,000.00 | \$ 2,053,912.50 |
| | 2008 | 490,000.00 | 2,038,475.00 |
| | 2009 | 970,000.00 | 2,021,325.00 |
| | 2010 | 1,025,000.00 | 1,987,375.02 |
| | 2011 | 2,380,000.00 | 1,948,937.54 |
| | 2012-2016 | 11,730,000.00 | 8,400,137.60 |
| | 2017-2021 | 20,640,000.00 | 3,369,187.50 |
| | 2022-2026 | 5,045,000.00 | 697,081.26 |
| | <u>\$ 42,755,000.00</u> | <u>\$ 22,516,431.42</u> | |
| Series 2006 | 2007 | \$ 3,005,000.00 | \$ 6,027,349.93 |
| | 2008 | 2,515,000.00 | 6,775,112.50 |
| | 2009 | 2,810,000.00 | 6,668,225.00 |
| | 2010 | 3,065,000.00 | 6,548,800.00 |
| | 2011 | 3,295,000.00 | 6,418,537.50 |
| | 2012-2016 | 19,275,000.00 | 29,559,250.00 |
| | 2017-2021 | 24,655,000.00 | 24,230,250.00 |
| | 2022-2026 | 31,455,000.00 | 17,418,750.00 |
| | 2027-2031 | 40,120,000.00 | 8,730,250.00 |
| | 2031-2034 | 10,065,000.00 | 920,000.00 |
| | <u>\$ 140,260,000.00</u> | <u>\$ 113,296,524.93</u> | |

UNAUDITED

TEXAS STATE UNIVERSITY SYSTEM
SCHEDULE 2D
COMBINED SCHEDULE OF ANALYSIS OF FUNDS AVAILABLE FOR DEBT SERVICE
For the Year Ended August 31, 2006

| Business Type Activity - Revenue Bonds | Pledged and Other Sources and Related Expenditures for the Year | | | |
|---|---|--|------------------------|-----------------------|
| | Net Available for Debt Service | | | |
| | Total Pledged and Other Sources | Operating Expenses Expenditures and Capital Outlay | Debt Service Principal | Debt Service Interest |
| Description of Issues | | | | |
| Student Housing System Revenue Bonds | | | | |
| Southwest Texas State University Series 1986 | \$ 40,588,579.00 | \$ 31,568,396.00 | \$ 130,000.00 | \$ 49,050.00 |
| Utility System Revenue Bonds | | | | |
| Southwest Texas State University Series 1996 and 1993 Refunding | 20,679,132.00 | 16,858,565.00 | 320,000.00 | 111,200.00 |
| TSUS Revenue Financing System Revenue Bonds | | | | |
| Series 1998A | | | 4,265,000.00 | 1,103,793.77 |
| Series 1998B | | | 2,775,000.00 | 1,362,706.26 |
| Taxable Series 1998 | | | 1,495,000.00 | 538,956.50 |
| Series 2000 | | | 985,000.00 | 293,556.26 |
| Series 2001 | | | 455,000.00 | 357,175.25 |
| Series 2002 | | | 5,290,000.00 | 6,292,012.50 |
| Taxable Series 2002A | | | 1,625,000.00 | 412,131.26 |
| Series 2003 | | | 1,770,000.00 | 1,934,223.76 |
| Series 2004 | | | | 4,212,867.50 |
| Series 2005 | | | 495,000.00 | 1,290,310.00 |
| Series 2006 | | | | |
| Subtotal Revenue Financing System Revenue Bonds | 316,970,314.00 | 265,093,826.00 | 19,155,000.00 | 17,797,733.06 |
| Total | \$ 378,238,025.00 | \$ 313,520,787.00 | \$ 19,605,000.00 | \$ 17,957,983.06 |

UNAUDITED

TEXAS STATE UNIVERSITY SYSTEM
SCHEDULE 2E
COMBINED SCHEDULE OF DEFEASED BONDS OUTSTANDING
For the Year Ended August 31, 2006

| <u>Description of Issues</u> | <u>Year Refunded</u> | <u>Par Value Outstanding</u> |
|--|--------------------------|----------------------------------|
| Revenue Bonds | | |
| Combined Fee Revenue Bonds | | |
| Lamar University - Beaumont | | |
| Series 1979 | 1990 | \$ 2,325,000.00 |
| Refunding, Series 1997 | 1998 | 3,630,340.03 |
| Lamar University Institute of Technology | | |
| Refunding, Series 1997 | 1998 | 493,877.99 |
| Lamar University - Orange | | |
| Refunding, Series 1997 | 1998 | 351,968.61 |
| Lamar University - Port Arthur | | |
| Refunding, Series 1997 | 1998 | 483,813.37 |
| Total Combined Fee Revenue Bonds | | <u>7,285,000.00</u> |
| Revenue Bonds | | |
| Student Housing System Revenue Bonds | | |
| Angelo State University | | |
| Series 1967A | 1992 | 185,000.00 |
| Southwest Texas State University | | |
| Series 1970 | 1987 | 735,000.00 |
| Total Student Housing System Revenue Bonds | | <u>920,000.00</u> |
| Tuition Revenue Bonds | | |
| Texas State University System | | |
| Series 1998A | 2005 | 38,080,000.00 |
| Series 2000 | 2005 | 7,550,000.00 |
| Series 1998A | 2006 | 13,475,000.00 |
| Series 1998B | 2006 | 2,700,000.00 |
| Series 2000 | 2006 | 8,920,000.00 |
| Series 2001 | 2006 | 3,320,000.00 |
| Total Tuition Revenue Bonds | | <u>74,045,000.00</u> |
| Total Defeased Bonds | | <u>\$ 82,250,000.00</u> |

UNAUDITED

TEXAS STATE UNIVERSITY SYSTEM
SCHEDULE 2F
COMBINED SCHEDULE OF EARLY EXTINGUISHMENT AND REFUNDING
For the Year Ended August 31, 2006

| Description of Issue | Category | Amount Extinguished or Refunded | Refunding Issue Par Value | Cash Flow Increase (Decrease) | Economic Gain/ (Loss) |
|---------------------------------------|--------------------|---------------------------------------|---------------------------------|-------------------------------------|-----------------------------|
| Business-Type Activities | | | | | |
| Revenue Bonds | | | | | |
| Revenue Financing System Bonds | | | | | |
| Series 1998A | Advanced Refunding | \$ 13,475,000.00 | \$ 13,480,000.00 | \$ 423,817.62 | \$ 334,976.98 |
| Series 1998B | Advanced Refunding | 2,700,000.00 | 2,665,000.00 | 157,888.20 | 132,071.29 |
| Series 2000 | Advanced Refunding | 8,920,000.00 | 9,035,000.00 | 621,017.89 | 459,764.88 |
| Series 2001 | Advanced Refunding | 3,320,000.00 | 3,325,000.00 | 141,954.58 | 112,096.59 |
| Total | | \$ 28,415,000.00 | \$ 28,505,000.00 | \$ 1,344,678.29 | \$ 1,038,909.74 |

UNAUDITED
TEXAS STATE UNIVERSITY SYSTEM
Schedule 3
Combined Recconciliation of Cash in State Treasury
August 31, 2006

| Cash in State Treasury | | Unrestricted | Restricted | Current Year Total |
|-----------------------------------|-------------|-------------------------|-------------------|---------------------------|
| Agency | Fund | | | |
| System Administration | 0283 | \$ 135,860.60 | \$ - | \$ 135,860.60 |
| Angelo State | 0227 | 3,888,100.54 | | 3,888,100.54 |
| Lamar University Beaumont | 0256 | 5,493,632.19 | | 5,493,632.19 |
| Lamar Institute of Technology | 0287 | 1,961,286.98 | | 1,961,286.98 |
| Lamar State College Orange | 0285 | 2,758,120.32 | | 2,758,120.32 |
| Lamar State College Port Arthur | 0286 | 471,200.17 | | 471,200.17 |
| Sam Houston University | 0259 | 21,134,361.29 | | 21,134,361.29 |
| Sam Houston University | 0581 | 4,728,451.93 | | 4,728,451.93 |
| Sam Houston University | 5083 | 1,599,282.26 | | 1,599,282.26 |
| Texas State University San Marcos | 0260 | 12,914,312.15 | | 12,914,312.15 |
| Sull Ross State University | 0262 | 1,762,855.82 | | 1,762,855.82 |
| TOTAL | | \$ 56,847,464.25 | \$ | \$ 56,847,464.25 |

UNAUDITED
TEXAS STATE UNIVERSITY SYSTEM
Schedule 3
Combined Recociliation of Cash in State Treasury
August 31, 2006

| Cash in State Treasury | | Unrestricted | Restricted | Current Year Total |
|-----------------------------------|-------------|-------------------------|-------------------|---------------------------|
| Agency | Fund | | | |
| System Administration | 0283 | \$ 135,860.60 | | \$ 135,860.60 |
| Angelo State | 0227 | 3,888,100.54 | | 3,888,100.54 |
| Lamar University Beaumont | 0256 | 5,493,632.19 | | 5,493,632.19 |
| Lamar Institue of Technology | 0287 | 1,961,286.98 | | 1,961,286.98 |
| Lamar State College Orange | 0285 | 2,758,120.32 | | 2,758,120.32 |
| Lamar State College Port Arthur | 0286 | 471,200.17 | | 471,200.17 |
| Sam Houston University | 0259 | 21,134,361.29 | | 21,134,361.29 |
| Sam Houston University | 0581 | 4,728,451.93 | | 4,728,451.93 |
| Sam Houston University | 5083 | 1,599,282.26 | | 1,599,282.26 |
| Texas State University San Marcos | 0260 | 12,914,312.15 | | 12,914,312.15 |
| Sull Ross State University | 0262 | 1,762,855.82 | | 1,762,855.82 |
| | | <u>\$ 56,847,464.25</u> | | <u>\$ 56,847,464.25</u> |