



**ANNUAL  
FINANCIAL  
REPORT**

---

**for the fiscal year ended August 31, 2005**

**SAM HOUSTON STATE UNIVERSITY**  
Huntsville, Texas

*Sam Houston State University is a Member of  
The Texas State University System*



# Sam Houston State University

*A Member of The Texas State University System*

## OFFICE OF THE PRESIDENT

James F. Gaertner

November 15, 2005

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

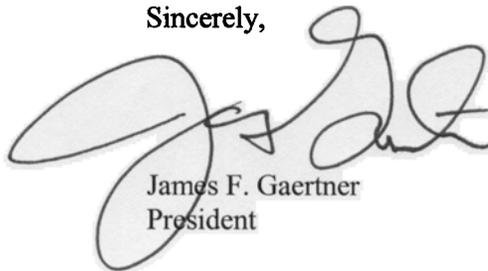
Lady and Gentlemen:

We are pleased to submit the Annual Financial Report of Sam Houston State University for the year ended August 31, 2005, in compliance with TEX.GOV'T CODE ANN §2101.011 and in accordance with the requirements established by the Comptroller of Public Accounts.

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

If you have any questions, please contact Charles R. Carlow, Director of the Business Office, at (936) 294-1072. Paige Smith, Director of Administrative Accounting, may be contacted at (936) 294-1091 for questions related to the Schedule of Expenditures of Federal Awards.

Sincerely,



James F. Gaertner  
President

*Sam Houston State University is an Equal Opportunity/Affirmative Action Institution*

Box 2026 · Huntsville, Texas 77341-2026 · 936-294-1013 · Fax 936-294-1465 · gaertner@shsu.edu



**UNAUDITED**

**FINANCIAL REPORT**

**SAM HOUSTON STATE UNIVERSITY**

For the Year Ended August 31, 2005

Huntsville, Texas



**UNAUDITED**

**TABLE OF CONTENTS**

	<b>Page</b>
Letter of Transmittal .....	vii
Organizational Data .....	ix
Enrollment Data .....	xi
<b>Proprietary Funds Financial Statements</b>	
Statement of Net Assets .....	1
Statement of Revenues, Expenses, and Changes in Net Assets.....	5
Matrix of Operating Expenses Reported by Function .....	8
Statement of Cash Flows .....	9
Notes to the Financial Statements.....	12
<b>Supplemental Supporting Information</b>	
1A Schedule of Expenditures of Federal Awards.....	32
1B Schedule of State Grant Pass-Throughs To/From State Agencies.....	39
2A Miscellaneous Bond Information.....	40
2B Changes in Bonded Indebtedness .....	41
2C Debt Service Requirements.....	42
2D Analysis of Funds Available for Debt Service .....	43
2E Defeased Bonds Outstanding.....	44
2F Early Extinguishment and Refunding.....	45
3 Schedule of Cash and Temporary Investments.....	46
4 Higher Education Assistance Fund.....	47





# Sam Houston State University

*A Member of The Texas State University System*

## BUSINESS OFFICE

November 15, 2005

Dr. James F. Gaertner, President  
Sam Houston State University  
Huntsville, Texas 77341

Dear Dr. Gaertner:

Submitted herein is the Annual Financial Report of Sam Houston State University for the fiscal year ended August 31, 2005.

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

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

If you have any questions, please contact Charles R. Carlow, Director of the Business Office, at (936) 294-1072. Paige Smith, Director of Administrative Accounting, may be contacted at (936) 294-1091 for questions related to the Schedule of Federal Financial Assistance.

Respectfully submitted,

Charles R. Carlow  
Director  
Business Office

Anne D. Heartfield, CPA  
Assistant Director  
Business Office

Sarah L. Woods, CPA  
Accountant III  
Business Office

Approved:

Jack C. Parker, CPA  
Vice President for Finance  
and Operations

*Sam Houston State University is an Equal Opportunity/Affirmative Action Institution*

Huntsville, Texas 77341-2027 · 936-294-1072 · Fax 936-294-3776 · [bus\\_office@shsu.edu](mailto:bus_office@shsu.edu)



**UNAUDITED**  
**BOARD OF REGENTS**  
**TEXAS STATE UNIVERSITY SYSTEM**

August 31, 2005

**OFFICERS**

Alan W. Dreeben  
Kent M. Adams

Chairman  
Vice Chairman

**MEMBERS**

Terms Expire February 1, 2005

Dionicio (Don) Flores  
James A. (Jimmy) Hayley

El Paso  
Texas City

Terms Expire February 1, 2007

Kent M. Adams  
Alan W. Dreeben  
Pollyanna A. Stephens

Beaumont  
San Antonio  
San Angelo

Terms Expire February 1, 2009

Dora G. Alcalá  
John E. Dudley  
Bernie C. Francis

Del Rio  
Comanche  
Carrollton

Charles R. Matthews, Chancellor

**ADMINISTRATIVE OFFICIALS**  
**SAM HOUSTON STATE UNIVERSITY**

**PRESIDENT**

James F. Gaertner

**FISCAL OFFICE**

Jack C. Parker, CPA

Jacque Gilliam, CPA

Charles R. Carlow

Vice President for Finance  
and Operations  
Associate Vice President for  
Finance and Operations  
Director, Business Office



**UNAUDITED**

**SAM HOUSTON STATE UNIVERSITY**

**ENROLLMENT DATA  
For the Year Ended August 31, 2005**

Number of Students per Semester

<u>Type of Student</u>	<u>Fall</u>	<u>Spring</u>	<u>Summer Terms 2005</u>	
	<u>2004</u>	<u>2005</u>	<u>First</u>	<u>Second</u>
Texas Resident	13,809	13,069	5,167	4,197
Out-Of-State	245	230	84	70
Foreign	202	195	83	73
Concurrent Enrollment				
High School Honor Graduate	12	11		
Hazlewood Act	54	60	53	34
Blind or Deaf Student Waivers	23	25	12	5
Fireman Exempt	6	6		
Disabled Peace Officers				
Foster Children of the State	18	15	8	7
Thesis Only				
Foreign Exchange Program				
<b>Totals</b>	<b>14,369</b>	<b>13,611</b>	<b>5,407</b>	<b>4,386</b>

**ENROLLMENT TREND DATA \*  
(Fall Semester)**

<u>Fiscal Year</u>	<u>Students</u>	<u>Semester Hours</u>
2005	14,369	172,686
2004	13,454	161,767
2003	13,091	155,186
2002	12,996	154,095
2001	12,355	147,413
2000	12,215	144,885
1999	12,205	146,026
1998	12,709	151,795
1997	12,564	151,865
1996	12,439	149,286
1995	12,906	153,943
1994	12,800	154,431

\* Furnished by the Office of Institutional Research



UNAUDITED

SAM HOUSTON STATE UNIVERSITY

ENROLLMENT DATA  
For the Year Ended August 31, 2005

<u>Semester Hour Load*</u>	<u>Number of Students per Semester</u>			
	<u>Fall</u> <u>2004</u>	<u>Spring</u> <u>2005</u>	<u>Summer Terms 2005</u>	
			<u>First</u>	<u>Second</u>
20 or more semester hours	38	48	0	0
19 semester hours	123	202	0	0
18 semester hours	413	487	0	0
17 semester hours	390	425	0	0
16 semester hours	1,436	1,457	0	0
15 semester hours	2,168	2,008	0	0
14 semester hours	1,010	793	0	0
13 semester hours	2,199	1,761	1	0
12 semester hours	2,726	2,490	7	1
11 semester hours	113	100	3	0
10 semester hours	303	288	40	8
9 semester hours	918	1,018	237	45
8 semester hours	49	30	22	10
7 semester hours	137	165	335	255
6 semester hours	1,208	1,315	2,478	2,010
5 semester hours	5	4	32	9
4 semester hours	55	62	214	215
3 semester hours or less	<u>1,078</u>	<u>958</u>	<u>2,038</u>	<u>1,833</u>
Totals	<u>14,369</u>	<u>13,611</u>	<u>5,407</u>	<u>4,386</u>

\* Furnished by the Office of Institutional Research



**UNAUDITED**

**SAM HOUSTON STATE UNIVERSITY**

**PROPRIETARY FUND STATEMENTS**

**Sam Houston State University**  
**Statement of Net Assets**  
**August 31, 2005**

UNAUDITED

ASSETS

Current Assets:

Cash and Cash Equivalents

Cash on Hand	\$24,550.00
Cash in Bank	(198,428.35)
Cash in Transit/Reimbursement from Treasury	2,139,554.39
Cash in State Treasury	24,078,111.96
Cash Equivalents	67,159,972.22

Securities Lending Collateral

Short Term Investments

Restricted:

Cash and Cash Equivalents

Cash on Hand	
Cash in Bank	130,540.09
Cash in Transit/Reimbursement from Treasury	
Cash in State Treasury	
Cash Equivalents	3,777,945.28

Short Term Investments

Legislative Appropriations 5,246,673.23

Investments

Receivables from:

Federal	3,398,891.76
Other Intergovernmental	
Interest and Dividends	
Accounts Receivable	6,393,010.68
Gifts	
Investment Trades	
Other	

Interfund Receivables

Due From Other Agencies 420,435.78

Consumable Inventories

Merchandise Inventories 292,355.55

Deferred Charges

Loans and Contracts 2,278,270.44

Other Current Assets 9,690,232.19

Total Current Assets \$124,832,115.22

**Sam Houston State University**  
**Statement of Net Assets**  
**August 31, 2005**

UNAUDITED

Noncurrent Assets:

Restricted:

Cash and Cash Equivalents

Cash on Hand

Cash in Bank

\$193,572.82

Cash in Transit/Reimbursement from Treasury

Cash in State Treasury

Cash Equivalents

2,548,635.23

Short Term Investments

Receivables

Investments

24,404,143.15

Loans and Contracts

Other Assets

Loans and Contracts

642,330.65

Investments

Interfund Receivables

Capital Assets:

Non-Depreciable:

Land and Land Improvements

12,456,614.66

Infrastructure

Construction in Progress

69,217,535.05

Other Capital Assets

759,903.50

Depreciable:

Buildings and Building Improvements

177,983,746.27

Less Accumulated Depreciation

(123,113,569.44)

Infrastructure

9,023,977.71

Less Accumulated Depreciation

(2,776,608.00)

Facilities and Other Improvements

14,295,682.24

Less Accumulated Depreciation

(3,096,180.47)

Furniture and Equipment

14,986,997.41

Less Accumulated Depreciation

(10,207,925.83)

Vehicles, Boats, and Aircraft

2,227,109.90

Less Accumulated Depreciation

(1,621,900.86)

Other Capital Investments

8,909,665.23

Less Accumulated Depreciation

(6,057,450.71)

Other Noncurrent Assets

1,233,487.87

Total Non-Current Assets

\$192,009,766.38

**Total Assets**

\$316,841,881.60

**Sam Houston State University**  
**Statement of Net Assets**  
**August 31, 2005**

UNAUDITED

**LIABILITIES**

Current Liabilities:

Payables From:

Accounts	\$2,883,787.54
Investment Trades	
Federal	
Other Intergovernmental	
Payroll	3,481,138.52
Other	467,894.17
Interfund Payable	
Due to Other Agencies	160,422.82
Deferred Revenues	39,739,747.48
Notes and Loans Payable	
Revenue Bonds Payable	
General Obligation Bonds Payable	
Claims and Judgements Payable	
Employees' Compensable Leave	1,590,285.37
Capital Lease Obligations	
Liabilities Payable from Restricted Assets	
Obligations/Reverse Purchase Agreements	
Obligations Under Securities Lending	
Funds Held for Others	2,395,796.53
Other Current Liabilities	
	<hr/>
Total Current Liabilities	<u>\$50,719,072.43</u>

Noncurrent Liabilities:

Interfund Payable	
Notes and Loans Payable	
Revenue Bonds Payable	
General Obligation Bonds Payable	
Claims and Judgements Payable	
Employees Compensable Leave	845,245.69
Capital Lease Obligations	
Other Non-Current Liabilities	<u>1,481,756.05</u>
Total Noncurrent Liabilities	<u>\$2,327,001.74</u>
	<hr/>
Total Liabilities	<u><u>\$53,046,074.17</u></u>

**Sam Houston State University**  
**Statement of Net Assets**  
**August 31, 2005**

UNAUDITED

**NET ASSETS**

Invested in Capital Assets, Net of Related Debt	\$162,987,596.66
Restricted for	
Education	
Debt Retirement	
Capital Projects	
Employee Benefit	
Funds Held As Permanent Investments:	
Non-Expendable	20,629,642.62
Expendable	
Other	12,438,067.79
Unrestricted	<u>67,740,500.36</u>
Total Net Assets	\$263,795,807.43

**Sam Houston State University**  
**Statement of Revenues, Expenses, and Changes in Net Assets**  
**For the Fiscal Year Ended August 31, 2005**

UNAUDITED

**OPERATING REVENUES**

Sales of Goods and Services	
Tuition and Fees (PR-Chgs for Services)	\$64,858,927.00
Tuition and Fees - Pledged (PR-Chgs for Services)	
Discounts and Allowances	(13,110,815.54)
Hospitals (PR-Chgs for Services)	
Hospitals - Pledged (PR-Chgs for Services)	
Discounts and Allowances	
Professional Fees (PR-Chgs for Services)	
Professional Fees - Pledged (PR-Chgs for Services)	
Discounts and Allowances	
Auxiliary Enterprises (PR-Chgs for Services)	20,014,328.51
Auxiliary Enterprises - Pledged (PR-Chgs for Services)	
Discounts and Allowances	
Other Sales of Goods and Services	715,208.39
Other Sales of Goods and Services - Pledged	
Discounts and Allowances	
Premium Revenue (PR-Chgs for Services)	
Interest and Investment Income (PR-Chgs for Services)	
Interest and Investment Income (GR)	
Net Increase (Decrease) Fair Market Value (PR-OP Grants/Contributions)	
Net Increase (Decrease) Fair Market Value (GR)	
Federal Revenue-Operating (PR-OP Grants/Contributions)	16,726,182.35
Federal Pass Through Revenue (PR-OP Grants/Contributions)	706,732.31
State Grant Revenue (PR-OP Grants/Contributions)	1,183,018.98
State Grant Pass Through Revenue (PR-OP Grants/Contributions)	3,929,165.75
Other Grants and Contracts (PR-OP Grants/Contributions)	1,685,835.33
Land Income (PR-Chgs for Services)	
Contributions to Retirement Systems (PR-Chgs for Services)	
Other Operating Revenues (PR-Chgs for Services)	8,761,603.79
Other Operating Revenues (GR)	
Total Operating Revenues	<u>\$105,470,186.87</u>

**OPERATING EXPENSES**

Instruction	40,824,414.14
Research	2,860,287.23
Public Service	10,900,442.64
Academic Support	16,534,688.09
Student Services	8,158,943.08
Institutional Support	19,036,543.63
Operation and Maintenance of Plant	11,003,640.04
Scholarship and Fellowships	7,092,430.29
Auxiliary Enterprise Expenditures	23,085,625.83
Depreciation and Amortization	3,256,266.27

**Sam Houston State University**  
**Statement of Revenues, Expenses, and Changes in Net Assets**  
**For the Fiscal Year Ended August 31, 2005**

UNAUDITED

Total Operating Expenses	<u>\$142,753,281.24</u>
Operating Income (Loss)	<u>(\$37,283,094.37)</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>	
Legislative Revenue (GR)	\$36,214,444.48
Additional Appropriations (GR)	8,820,316.87
HEAF Appropriation Revenue (GR)	
Federal Revenue Non-Operating (PR-OP Grants/Contributions)	
Gifts (PR-OP Grants/Contributions)	2,427,268.01
Investment Income (Expense) (PR-OP Grants/Contributions)	1,038,611.91
Investment Income (Expense) (GR)	
Loan Premium/Fees on Securities Lending (PR-OP Grants/Contributions)	
Investing Activities Expense	(80,191.85)
Interest Expense and Fiscal Charges	
Borrower Rebates and Agent Fees	
Gain (Loss) on Sale of Capital Assets (GR)	
Net Increase (Decrease) in Fair Value of Investments (PR-OP Grants/Contributions)	2,126,182.24
Net Increase (Decrease) in Fair Value of Investments (GR)	
Settlement of Claims (PR-Chgs for Services)	(34,604.67)
Settlement of Claims (GR)	(136,035.94)
Other Nonoperating Revenues (Expenses) (PR-Chgs for Services)	1,858,862.08
Other Nonoperating Revenues (Expenses) (GR)	
Total Nonoperating Revenues (Expenses)	<u>\$52,234,853.13</u>
Income (Loss) before Other Revenues, Expenses, Gains/Losses and Transfers	\$14,951,758.76
<b>OTHER REVENUES, EXPENSES, GAINS/ LOSSES AND TRANSFERS</b>	
Capital Contributions	
Capital Appropriations (HEAF)	5,864,608.00
Additions to Permanent and Term Endowments	
Special Items	
Extraordinary Items	
Transfers-In	395,083.39
Transfers-Out	(6,351,151.16)
Legislative Transfers-In	
Legislative Transfers-Out	(1,267,478.00)
Legislative Appropriations Lapsed	(39,632.21)
Total Other Revenues, Expenses, Gains/Losses and Transfers	<u>(1,398,569.98)</u>

**Sam Houston State University**  
**Statement of Revenues, Expenses, and Changes in Net Assets**  
**For the Fiscal Year Ended August 31, 2005**

UNAUDITED

<b>CHANGE IN NET ASSETS</b>	<u>\$13,553,188.78</u>
Total Net Assets, Beginning	271,429,107.47
Restatements	<u>(21,186,488.82)</u>
Total Net Assets, Beginning, as Restated	<u>250,242,618.65</u>
<b>TOTAL NET ASSETS, ENDING</b>	<u><u>\$263,795,807.43</u></u>

**Sam Houston State University**  
**Matrix of Operating Expenses Reported by Function**  
**For the Fiscal Year Ended August 31, 2005**

UNAUDITED

<u>Operating Expenses</u>	Instruction	Research	Public Service	Academic Support	Student Services	Institutional Support	Operation and Maintenance of Plant	Scholarship and Fellowships	Auxiliary Enterprise Expenditures	Depreciation and Amortization	Total Expenditures
Cost of Goods Sold			\$503.88	\$5,565.68	\$31,728.79	\$50,467.59			\$309,152.59		\$397,418.53
Salaries and Wages	\$32,196,758.75	\$1,444,284.11	4,401,651.94	9,352,460.33	5,173,167.61	5,532,385.85	\$5,023,235.65	\$525,813.70	7,320,325.35		70,970,083.29
Payroll Related Costs	7,356,883.25	306,739.56	1,096,311.49	2,163,745.37	1,042,946.75	1,971,923.85	1,141,976.43	27,101.51	1,749,702.16		16,857,330.37
Professional Fees and Services	37,043.99	133,543.80	1,853,307.12	167,586.39	25,267.00	164,109.34	8,306.00	8,693.60	157,372.24		2,555,229.48
Federal Pass Through Expense			51,668.62								51,668.62
State Grant Pass Through Expense											0.00
Travel	51,822.64	69,757.25	291,964.56	339,667.20	42,646.46	776,418.32	373.36	45,822.89	985,492.88		2,603,965.56
Materials and Supplies	544,133.28	278,814.84	1,005,984.00	3,071,099.75	878,060.89	3,315,692.59	1,041,153.62	135,466.35	6,178,233.09		16,448,638.41
Communication and Utilities	28,543.47	16,651.22	183,115.82	63,214.53	219,698.25	2,990,823.51	383,972.68	1,147.24	2,479,819.46		6,366,986.18
Repairs and Maintenance	50,201.06	2,353.19	81,857.11	603,640.65	155,014.49	267,889.92	260,773.35	96,216.79	971,074.94		2,489,021.50
Rentals and Leases	86,544.26	51,149.09	619,634.00	146,239.63	36,210.82	104,505.77	9,128.19	1,874.29	396,684.70		1,451,970.75
Printing and Reproduction	10,235.40	4,010.16	2,308.26	34,741.29	9,743.70	117,821.75	(1,041.76)	900.25	91,739.40		270,458.45
Depreciation and Amortization										\$3,256,266.27	3,256,266.27
Bad Debt Expense	159,987.38				11,155.28	89,291.79			85,351.96		345,786.41
Interest	2.05	0.39	14.26	0.71		0.11	0.24		12.05		29.81
Scholarships	13,980.00	32,450.00	475,436.77	171,408.01	20,200.00	957,066.80		6,194,072.49	271,302.25		8,135,916.32
Claims and Losses											0.00
Other Operating Expenses	288,278.61	520,533.62	836,684.81	415,318.55	513,103.04	2,698,146.44	3,135,762.28	55,321.18	2,089,362.76		10,552,511.29
<b>Total Operating Expenses</b>	<b>\$40,824,414.14</b>	<b>\$2,860,287.23</b>	<b>\$10,900,442.64</b>	<b>\$16,534,688.09</b>	<b>\$8,158,943.08</b>	<b>\$19,036,543.63</b>	<b>\$11,003,640.04</b>	<b>\$7,092,430.29</b>	<b>\$23,085,625.83</b>	<b>\$3,256,266.27</b>	<b>\$142,753,281.24</b>

**Sam Houston State University**  
**Statement of Cash Flows**  
**For the Year Ended August 31, 2005**

UNAUDITED

**Cash Flows from Operating Activities**

Receipts from Customers	
Proceeds from Tuition and Fees	\$61,369,275.07
Proceeds from Research Grants and Contracts	23,304,815.90
Proceeds from Gifts	0.00
Proceeds from Loan Programs	4,673,036.56
Proceeds from Auxiliaries	18,893,289.61
Proceeds from Other Revenues	9,494,279.21
Payments to Suppliers for Goods and Services	(55,154,295.01)
Payments to Employees for Salaries	(70,127,662.85)
Payments to Employees for Benefits	(16,857,330.37)
Payments for Loans Provided	(4,484,614.49)
Payments for Other Expenses	
	<hr/>
Net Cash Provided (Used) by Operating Activities	<u>(\$28,889,206.37)</u>

**Cash Flows from Noncapital Financing Activities**

Proceeds from Debt Issuance	
Proceeds from State Appropriations	\$44,437,406.53
Proceeds from Gifts	1,307,498.34
Proceeds from Endowments	
Proceeds of Transfers from Other Funds	
Proceeds from Grant Receipts	
Proceeds from Advances from Other Funds	
Proceeds from Loan Programs	
Proceeds from Other Financing	
Proceeds from Contributed Capital	
Payments of Principal on Debt Issuance	
Payments of Interest	
Payments of Other Costs of Debt Issuance	
Payments for Transfers to Other Funds	
Payments for Grant Disbursements	
Payments for Advances to Other Funds	
Payments for Other Uses	214,804.19
	<hr/>
Net Cash Provided by Noncapital Financing Activities	<u>\$45,959,709.06</u>

**Cash Flows from Capital and Related Financing Activities**

Proceeds from the Sale of Capital Assets	
Proceeds from Debt Issuance	
Proceeds from State Grants and Contracts	
Proceeds from Federal Grants and Contracts	
Proceeds from Gifts	
Proceeds from Other Financing Activities	

**Sam Houston State University**  
**Statement of Cash Flows**  
**For the Year Ended August 31, 2005**

UNAUDITED

Proceeds from Capital Contributions	
Proceeds from Advances from Other Funds	
Payments for Additions to Capital Assets	(\$24,847,365.13)
Payments of Principal on Debt	(7,438,924.16)
Payments for Capital Lease	
Payments of Interest on Debt Issuance	
Payments of Other Costs of Debt Issuance	
	<hr/>
Net Cash Provided by Capital and Related Financing Activities	<u>(\$32,286,289.29)</u>

**Cash Flows from Investing Activities**

Proceeds from Sales of Investments	\$32,708.54
Proceeds from Interest Income	1,858,862.08
Proceeds from Investment Income	1,038,611.91
Proceeds from Principal Payments on Loans	
Payments to Acquire Investments	<u>(10,539,401.16)</u>
Net Cash Provided by Investing Activities	<u>(\$7,609,218.63)</u>

Net Increase (Decrease) in Cash and Cash Equivalents	(\$22,825,005.23)
Cash and Cash Equivalents, September 1, 2004	122,679,458.87
Changes in Accounting Principal	
Changes in Reporting Entity	
Restatements to Beginning Cash and Cash Equivalents	
	<hr/>
Cash and Cash Equivalents, September 1, 2004 - Restated	<u>122,679,458.87</u>
Cash and Cash Equivalents, August 31, 2005	<u><u>\$99,854,453.64</u></u>

**Reconciliation of Operating Income (Loss) to  
Net Cash Provided (Used) by Operating Activities**

Operating Income (Loss)	(\$37,283,094.37)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:	
Amortization and Depreciation	\$3,256,266.27
Bad Debt Expense	345,786.41
Operating Income and Cash Flow Categories: Classification Differences	
Changes in Assets and Liabilities:	
(Increase) Decrease in Receivables	2,601,104.01
Increase (Decrease) in Due from Other Funds	
(Increase) Decrease in Inventories	(1,954.89)

**Sam Houston State University**  
**Statement of Cash Flows**  
**For the Year Ended August 31, 2005**

UNAUDITED

(Increase) Decrease in Prepaid Expenses	(1,892,237.08)
(Increase) Decrease in Notes Receivable	151,349.09
(Increase) Decrease in Loans & Contracts	
(Increase) Decrease in Other Assets	
(Increase) Decrease in State Appropriations	
Increase (Decrease) in Payables	(1,278,773.74)
Increase (Decrease) in Deposits	30,224.60
Increase (Decrease) in Due to Other Funds	
Increase (Decrease) in Deferred Income	4,651,430.88
Increase (Decrease) in Compensated Absence Liability	530,692.45
Increase (Decrease) in Benefits Payable	
Increase (Decrease) in Other Liabilities	
Total Adjustments	<u>\$8,393,888.00</u>
Net Cash Provided by Operating Activities	<u><u>(\$28,889,206.37)</u></u>

**Non Cash Transactions**

Donation of Capital Assets	
Net Change in Fair Value of Investments	\$2,126,182.24
Borrowing Under Capital Lease Purchase	
Other	

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**SAM HOUSTON STATE UNIVERSITY**  
**NOTES TO THE FINANCIAL STATEMENTS**

*For the Year Ended August 31, 2005*

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

**GENERAL INTRODUCTION**

Sam Houston State University is an agency of the State of Texas and a component of The Texas State University System and its financial records comply with applicable State statutes and regulations. This includes compliance with the Texas Comptroller of Public Accounts' Reporting Requirements for State Agencies.

Sam Houston State University serves the state by providing a high quality education to residents of the state.

Sam Houston State University includes within this report all components as determined by an analysis of their relationship to Sam Houston State University as list below.

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 financial statements of Sam Houston State University have been prepared on the basis of funds, each of which is considered a separate accounting entity. The fund designation for institutions of higher education is Business-Type Activity within the Proprietary Fund Type.

**Proprietary Fund Types**

**Business-Type Activity**

Business type funds are used for activities that are financed through the charging of fees 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.

**BASIS OF ACCOUNTING**

## UNAUDITED

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 type activity funds (proprietary funds) are accounted for on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time liabilities are incurred. Proprietary funds distinguish operating from non-operating items. Operating revenues and expenses result from providing services or producing and delivering goods in connection with the proprietary fund's 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 budget is prepared biennially and represents appropriations authorized by the legislature and approved by the Governor (the General Appropriations Act).

Unencumbered appropriations are generally subject to lapse 60 days after the end of the fiscal year for which they were appropriated.

### **ASSETS, LIABILITIES, AND FUND BALANCES/NET ASSETS**

#### **ASSETS**

##### Cash and Cash Equivalents

All highly liquid investments with a maturity of three months or less at the time of purchase are considered cash and cash equivalents.

##### Securities Lending Collateral

The University reports investments at fair value in the Statement of Net Assets with the following exceptions. (Fair value is the amount at which an investment could be exchanged in a current transaction between parties, other than in a forced or liquidation sale.) The exceptions are as follows:

1. Nonparticipating contracts, such as nonnegotiable certificates of deposit with redemption terms that do not consider market rates, are reported using a cost-based measure, provided that the fair value of those contracts is not significantly affected by the financial institution's credit standing or other relevant factors.
2. Money market investments and participating interest-earning investment contracts that mature within one year or less of the date of their acquisition may be reported at amortized cost, assuming that the investment is not affected by the financial institution's credit standing or other relevant factors.
3. For real estate, mortgages, venture capital, limited partnerships, and future and

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forward contracts, etc. held by non-external pool entities, fair value is not permitted. Instead, amortized cost or historical cost should be used.

### Restricted Assets

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

### Inventories

Inventories include both merchandise inventories on hand for sale and consumable inventories. Inventories are valued at cost, generally utilizing the last-in, first-out method. Inventories for governmental fund types are the purchase method of accounting. The consumption method of accounting is used to account for inventories that appear in the proprietary fund types and the government-wide statements. The cost of these items is expended 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 any purchased, at appraised fair value as of the date of acquisition. Purchases of assets by governmental funds are reported as expenditures. Depreciation is reported on all "exhaustible" assets. "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.

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

### Other Receivables

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

## **LIABILITIES**

### Accounts Payable

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

### Other Payables

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

### Employees' Compensable Leave Balances

## UNAUDITED

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

### Capital Lease Obligations

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

## **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.

### Reservations of Fund Balance

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

### Reserved for Encumbrances

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

### Reserved for Consumable Inventories

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

### Unreserved/Undesignated

Other represents the unappropriated balance at year-end.

### Invested In Capital Assets, Net Of Related Debt

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bond, notes, and other debt 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

## UNAUDITED

preceding categories. Unrestricted net assets often have constraints on resources, which are imposed by management, but can be removed or modified.

### **INTERFUND TRANSACTIONS AND BALANCES**

The agency has the following types of transactions among funds:

1. **Transfers:** Legally required transfers that are reported when incurred as ‘Transfers In’ by the recipient fund and as ‘Transfers Out’ by the disbursing fund.
2. **Reimbursements:** Reimbursements are repayments from funds responsible for expenditures or expenses to funds that made the actual payment. Reimbursements of expenditures made by one fund for another 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. At August 31, 2005, there were no outstanding interfund receivables or payables.  
The composition of the agency’s Interfund activities and balances are presented in Note 7.

UNAUDITED

**Note 2: Capital Assets**

A summary of changes in Capital Assets for the year ended August 31, 2005 is presented below:

	Balance 09/01/04	Adjustments	Reclassification Construction in Progress	Reclassif- ication Transfers In	Additions	Deletions	Balance 08/31/05
<b>Business-Type Activities:</b>							
<b>Non-Depreciable Assets</b>							
Land & Improvements	\$ 12,427,819.66				\$ 28,795.00		\$ 12,456,614.66
Construction in Progress	64,308,233.99		(26,157,870.45)		31,067,171.51		69,217,535.05
Other Capital Assets	24,639,318.24	(23,879,414.74)					759,903.50
<b>Total non-depreciable assets</b>	<b>101,375,371.89</b>	<b>(23,879,414.74)</b>	<b>(26,157,870.45)</b>	<b>0.00</b>	<b>31,095,966.51</b>	<b>0.00</b>	<b>82,434,053.21</b>
<b>Depreciable Assets:</b>							
Buildings & Improvements	154,143,509.00		25,728,163.46			(1,887,926.19)	177,983,746.27
Infrastructure	9,023,977.71						9,023,977.71
Facilities & Other Improvements	13,897,563.74		398,118.50				14,295,682.24
Furniture & Equipment	14,181,653.05				1,789,980.60	(984,636.24)	14,986,997.41
Vehicles, Boats & Aircraft	2,013,989.96				313,717.00	(100,597.06)	2,227,109.90
Other Capital Assets	0.00	8,392,608.23			517,057.00		8,909,665.23
<b>Total Depreciable Assets - Historical Costs:</b>	<b>193,260,693.46</b>	<b>8,392,608.23</b>	<b>26,126,281.96</b>	<b>0.00</b>	<b>2,620,754.60</b>	<b>(2,973,159.49)</b>	<b>227,427,178.76</b>
Less Accumulated Depreciation for:							
Buildings & Improvements	(121,510,235.94)				(3,396,863.34)	1,793,529.84	(123,113,569.44)
Infrastructure	(2,429,532.00)				(347,076.00)		(2,776,608.00)
Facilities & Other Improvements	(2,662,293.07)				(433,887.40)		(3,096,180.47)
Furniture & Equipment	(9,757,953.70)				(1,351,649.83)	901,677.70	(10,207,925.83)
Vehicles, Boats & Aircraft	(1,557,672.02)				(158,847.70)	94,618.86	(1,621,900.86)
Other Capital Assets		(5,699,682.31)			(357,768.40)		(6,057,450.71)
<b>Total Accumulated Depreciation</b>	<b>(137,917,686.73)</b>	<b>(5,699,682.31)</b>	<b>0.00</b>	<b>0.00</b>	<b>(6,046,092.67)</b>	<b>2,789,826.40</b>	<b>(146,873,635.31)</b>
Depreciable Assets, Net	55,343,006.73	2,692,925.92	26,126,281.96	0.00	(3,425,338.07)	(183,333.09)	80,553,543.45
<b>Business-Type Activities Capital Assets, Net</b>	<b>\$ 156,718,378.62</b>	<b>\$21,186,488.82</b>	<b>\$ (31,588.49)</b>	<b>\$ 0.00</b>	<b>\$27,670,628.44</b>	<b>\$ (183,333.09)</b>	<b>\$ 162,987,596.66</b>

★ Adjustment column includes GASB 34 fund type changes, capitalization threshold changes, assets that were not previously reported and accumulated.

**Note 3: Deposits & Investments**

Sam Houston State University is authorized by statute to make investments following the “prudent person rule.” There were no significant violations of legal provisions during the period.

**Deposits of Cash in Bank**

As of August 31, 2005, the carrying amount of deposits was \$125,684.56 as presented below.

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<b>Governmental and Business-Type Activities</b>	
CASH IN BANK – CARRYING VALUE	\$ 125,684.56
Less: Certificates of Deposit included in carrying value and reported as Cash Equivalent	0.00
Less: Uninvested Securities Lending Cash Collateral included in carrying value and reported as Securities Lending Collateral	0.00
Less: Securities Lending CD Collateral included in carrying value and reported as Securities Lending Collateral	0.00
Cash In Bank per AFR	\$ 125,684.56
Governmental Funds Current Assets Cash in Bank	
Governmental Funds Current Assets Restricted Cash in Bank	
Governmental Funds Non-Current Assets Restricted Cash in Bank	
Proprietary Funds Current Assets Cash in Bank	(198,428.35)
Proprietary Funds Current Assets Restricted Cash in Bank	130,540.09
Proprietary Funds Non-Current Restricted Cash in Bank	193,572.82
Cash in Bank per AFR	\$ 125,684.56

These amounts consist of all cash in local banks and a portion of short-term investments. These amounts are included on the Combined Statement of Net Assets as part of the “Cash and Cash Equivalents” and “Securities Lending Collateral” accounts.

As of August 31, 2005, the total bank balance was as follows.

Governmental and Business-Type Activities	\$3,998,767.26	Fiduciary Funds		Discrete Component Units	
---	----------------	-----------------	--	--------------------------	--

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the agency will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The agency does not have a deposit policy for custodial credit risk. As of August 31, 2005, Sam Houston State University was not subject to custodial credit risk for deposits.

Foreign currency risk for deposits is the risk that changes in exchange rates will adversely affect the deposit. The agency’s policy is to limit deposits subject to foreign currency risk to 5% of total deposits. Sam Houston State University held no exposure to foreign currency risk for deposits as of August 31, 2005.

**Investments**

Sam Houston State University invests its endowment funds to provide funding for scholarships, fellowships, professorships, academic chairs, and other uses as specified by donors. Investments of University funds for endowments and quasi endowments shall be accomplished in accordance with the following principals:

UNAUDITED

1. There are two primary investment objectives. One is to provide a continuing and dependable cash payout, stable, and preferably growing in real terms, after giving effect to inflation. The second is to cause the total value of the funds to appreciate, over time, exclusive of growth derived from donations.
  
2. The cash payout requirement for endowment and quasi endowment funds are significant and continuous. Income must be sufficient to provide an adequate cash stream to support the programs for which the endowments and quasi endowment accounts need to appreciate to insure preservation of purchasing power, and also to satisfy the need for future growth in payouts.
  
3. The endowment and quasi endowment funds will be invested to meet these objectives, by maximizing returns consistent with an appropriate level of risk and subject to generation of adequate current income. Additionally, the investments shall be diversified at all times to provide reasonable assurance that investment in a single security, a class of securities, or industry will not have an excessive impact on the funds.

As of August 31, 2005, the carrying value and fair value of investments are as presented below.

<b>Governmental and Business-Type Activities</b>	<b>Carrying Value</b>	<b>Fair Value</b>
U.S. Government		
U.S. Treasury Securities		
U.S. Treasury Strips		
U.S. Treasury TIPS		
U.S. Government Agency Obligations (Ginnie Mae, Fannie Mae, Freddie Mac, Sallie Mae, etc)		
U.S. Government Agency Obligations (Texas Treasury Safekeeping Trust Co)		
Corporate Obligations		
Corporate Asset and Mortgage Backed Securities		
Equity		
International Obligations (Govt and Corp)		
International Equity		
Repurchase Agreement		
Repurchase Agreement (Texas Treasury Safekeeping Trust Co)		
Fixed Income Money Market and Bond Mutual Fund		23,799,204.09
Other Commingled Funds		291,443.38
Other Commingled Funds (Texpool)		73,486,552.73
Commercial Paper		
Securities Lending Collateral Investment Pool		
Real Estate		290,920.00
Misc (alternative investments, limited partnerships, guaranteed investment contract, political subdivision, bankers' acceptance, negotiable CD)		22,575.68
<b>Total</b>		<b>\$97,890,695.88</b>

UNAUDITED

The Miscellaneous category consists of one investment type, defined portfolios, Nuveen Unit Trusts. These are non-rated investments in municipal bonds.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the agency will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The agency’s investment policy limits holding of securities by counterparties to those involved with securities lending. As of August 31, 2005, Sam Houston State University had no investments subject to custodial credit risk.

Foreign currency risk for investments is the risk that changes in exchange rates will adversely affect the investment. The agency’s policy is to limit investments subject to foreign currency risk to 5% of total investments. As of August 31, 2005 Sam Houston State University was not subject to foreign currency risk.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The general investment policy of the agency limits investments in debt securities that are not in the top three investment grade ratings issued by nationally recognized statistical rating organizations to 5% of total investments. As of August 31, 2005, Sam Houston State University was not subject to credit risk.

Moody's

<b>Fund Type</b>	<b>GAAP Fund</b>	<b>Investment Type</b>	<b>Aaa</b>	<b>Aa</b>	<b>A</b>	<b>Baa</b>
XX	XXXX	U.S. Government Agency Obligations (Exclude obligations explicitly guaranteed by the U.S. Government such as Ginnie Mae. GSEs such as Fannie Mae have implicit U.S. Government guarantees and therefore are considered to have credit risk and require disclosure of credit quality.)				
		U.S. Government Agency Obligations (Texas Treasury Safekeeping Trust Co)				
		Corporate Obligations				
		Corporate Asset and Mortgage Backed Securities				
		International Obligation				
		Repurchase Agreement (only when the securities underlying repurchase agreements are subject to credit risk disclosure)				
		Repurchase Agreement (Texas Treasury Safekeeping Trust Co)				
		Fixed Income Money Market and Bond Mutual Fund				
		Misc				
		Commercial Paper				
		Misc				

UNAUDITED

*Standard & Poor's*

<b>Fund Type</b>	<b>GAAP Fund</b>	<b>Investment Type</b>	<b>AAA</b>	<b>AA</b>	<b>A</b>	<b>BB</b>
		U.S. Government Agency Obligations (Exclude obligations explicitly guaranteed by the U.S. Government such as Ginnie Mae. GSEs such as Fannie Mae have implicit U.S. Government guarantees and therefore are considered to have credit risk and require disclosure of credit quality.)				
		U.S. Government Agency Obligations (Texas Treasury Safe-keeping Trust Co)				
		Corporate Obligations				
		Corporate Asset and Mortgage Backed Securities				
		International Obligation				
		Repurchase Agreement				
		Repurchase Agreement (Texas Treasury Safekeeping Trust Co)				
		Misc				
		Fixed Income Money Market and Bond Mutual Fund				
		Commercial Paper				
		Misc				

*Fitch*

<b>Fund Type</b>	<b>GAAP Fund</b>	<b>Investment Type</b>	<b>AAA</b>	<b>AA</b>	<b>A</b>	<b>BBB</b>
		U.S. Government Agency Obligations (Exclude obligations explicitly guaranteed by the U.S. Government such as Ginnie Mae. GSEs such as Fannie Mae have implicit U.S. Government guarantees and therefore are considered to have credit risk and require disclosure of credit quality.)				
		U.S. Government Agency Obligations (Texas Treasury Safe-keeping Trust Co)				
		Corporate Obligations				
		Corporate Asset and Mortgage Backed Securities				
		International Obligation				
		Repurchase Agreement				
		Repurchase Agreement (Texas Treasury Safekeeping Trust Co)				
		Misc				
		Fixed Income Money Market and Bond Mutual Fund				
		Commercial Paper				
		Misc				

*Unrated*

		Corporate Obligations				
		International Obligations				

Concentration of credit risk is the risk of loss attributable to the magnitude of investment in a single

UNAUDITED

issuer. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this disclosure requirement. As of August 31, 2005, Sam Houston State University was not subject to concentration of credit risk.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Sam Houston State University is not required to disclose interest rate risk.

**REVERSE REPURCHASE, SECURITIES LENDING, DERIVATIVE INVESTING**

Sam Houston State University did not participate in Reverse Repurchase Agreements, Securities Lending, or Derivative Investing during fiscal year 2005.

*Note 4: Short-Term Debt*

None.

*Note 5: Summary of Long Term Liabilities*

**CHANGES IN LONG-TERM LIABILITIES**

During the year ended August 31, 2005, the following changes occurred in liabilities.

<b>BUSINESS-TYPE ACTIVITIES</b>	Balance 09/01/04	Additions	Reductions	Balance 08/31/05	Amounts Due Within One Year
Compensable Leave	\$ 1,904,838.61	530,692.45	0.00	\$ 2,435,531.06	\$1,590,285.37
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b>\$ 1,904,838.61</b>	<b>\$ 530,692.45</b>	<b>\$ 0.00</b>	<b>\$ 2,435,531.06</b>	<b>\$1,590,285.37</b>

**NOTES AND LOANS PAYABLE**

None.

**CLAIMS & JUDGEMENTS**

At August 31, 2005, various lawsuits and claims involving Sam Houston State University were pending. While the ultimate liability with respect to litigation and other claims asserted against the University cannot be reasonably estimated at this time, such liability, to the extent not provided for by insurance or otherwise, is not likely to have a material effect on the University.

**EMPLOYEES COMPENSABLE LEAVE**

Full-time State employees earn annual leave from seven to twenty hours per month depending on the

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respective employee's years of State employment. The State's policy is that an employee may carry his accrued leave forward from one fiscal year to another fiscal year with a maximum number of hours up to 532 for those employees with 35 or more years of State service. Employees with at least six months of State service, who terminate their employment, are entitled to payment for all accumulated annual leave up to the maximum allowed. The University recognizes the accrued liability for the unpaid annual leave in the Unrestricted Current Funds. For the year ended August 31, 2005, the accrued liability totaled \$ 2,435,531.06 .

The University made lump sum payments totaling \$252,519.55 for accrued vacation and/or compensatory time to employees who separated from state service during fiscal year ending August 31, 2005.

Sick leave, the accumulation of which is unlimited, is earned at the rate of eight hours per month and is paid only when an employee is off due to illness or to the estate of an employee in the event of his/her death. The maximum sick leave that may be paid an employee's estate is one-half of the employee's accumulated entitlement or 336 hours, whichever is less. The University's policy is to recognize the cost of sick leave when paid and the liability is not shown in the financial statements since experience indicates the expenditure for sick leave to be minimal.

***Note 6: Capital Leases***

Sam Houston State University had no capital leases as of August 31, 2005.

***Note 7: Operating Lease Operations***

Future minimum lease rental payments under noncancellable operating leases having an initial term in excess of one year as of August 31, 2005 are:

<u>Fiscal Year</u>	<u>Minimum Future Lease Payments</u>
2006	10,213.52
2007	10,213.52
2008	<u>2,553.38</u>
Total Minimum Future Lease Rental Payments	<u><u>\$22,980.42</u></u>

***Note 8: Interfund Balances/Activities***

As explained in Note 1 on Interfund Transactions and Balances, there are transactions between funds and agencies.

UNAUDITED

At year-end amounts to be received or paid are reported as (when applicable):

- Interfund Receivables or Interfund Payables - None
- Due From Other Agencies or Due To Other Agencies - See Schedule 1A - *Schedule of Expenditures of Federal Awards*, and Schedule 1B - *Schedule of Grant Pass Through From/To State Agencies*
- Due From Other Funds or Due To Other Funds - None
- Transfers in or transfers out -
- Legislative Transfers In or Legislative Transfers Out - See below.

Sam Houston State University has not participated in any interfund borrowing during fiscal year 2005.

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

Individual balances and activity at August 31, 2005, follows:

<b>Current Portion</b>	<b>Current Interfund Receivable</b>	<b>Current Interfund Payable</b>	<b>Purpose (Disclosure required)</b>
<b>GENERAL (01)</b>			
Total Interfund Receivable/Payable			

<b>Non-Current Portion</b>	<b>Non-Current Interfund Receivable</b>	<b>Non-Current Interfund Payable</b>	<b>Purpose (Disclosure required)</b>
GENERAL REVENUE (01)			
SPECIAL REVENUE (2)			
Appd Fund 0210 and D23 Fund 0210 (Agency 700, D23 Fund 0400)			
ENTERPRISE FUND (05)			
Appd Fund 9999, D23 Fund 1999 (Agency 700, D23 Fund 0500)			
<b>Total Interfund Receivable/Payable</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>

UNAUDITED

	Due From Other Agencies	Due to Other Agencies	Source
<b>GENERAL (01)</b>			
<b>Appd Fund 0001, D23 Fund 0001</b>			
(Agency 781, D23 Fund 0001)	\$ 78,008.74		Federal P-T
<b>Federal Pass Throughs</b>			
(Agency 300, D23 Fund 7999)			Federal P-T
(Agency 601, D23 Fund 0006)	\$ 90,628.59		Federal P-T
(Agency 701, D23 Fund 0148)	\$ 43,569.48		Federal P-T
(Agency 730, D23 Fund 7999)		\$ 149,435.99	Federal P-T
(Agency 723, D23 Fund 7999)	\$ 17.26		Federal P-T
(Agency 756, D23 Fund 7999)	\$ 117,135.48		Federal P-T
(Agency 405, D23 Fund 0006)		\$ 10,986.83	Federal P-T
<b>SPECIAL REVENUE (02)</b>			
<b>Appd Fund 9999, D23 Fund 9999</b>			
(Agency 302, D23 Fund 0469)	\$ 51,849.13		N/A
(Agency 601, D23 Fund 5015)	\$ 9,593.00		N/A
(Agency 902, D23 Fund 0347)	\$ 26,191.20		N/A
(Agency 300, D23 Fund 0421)	\$ 3,442.90		State P-T
<b>TOTAL DUE TO AND FROM OTHER STATE AGENCIES</b>	<b>\$ 420,435.78</b>	<b>\$ 160,422.82</b>	

Legislative transfers in and out were as follows:

	Legislative Transfers In	Legislative Transfers Out
<b>GENERAL REVENUE (01)</b>		
<b>Appd Fund 0001, D23 Fund 0001</b>		
(Agency 758, D23 Fund 0001)		\$ 1,267,478.00
(Agency 902, D23 Fund 0001)		
<b>Total Legislative Transfers</b>	<b>\$ 0.00</b>	<b>\$ 1,267,478.00</b>

The Federal and State Grant Pass Through information is provided on Schedule 1A - *Schedule of Expenditures of Federal Awards*, and Schedule 1B - *Schedule of Grant Pass Through From/To State Agencies*, respectively.

UNAUDITED

***Note 9: Contingent Liabilities***

At August 31, 2005, various lawsuits and claims involving Sam Houston State University were pending. While the ultimate liability with respect to litigation and other claims asserted against the University cannot be reasonably estimated at this time, such liability, to the extent not provided for by insurance or otherwise, is not likely to have a material effect on the University.

***Note 10: Continuance Subject to Review***

Not applicable.

***Note 11: Risk Financing and Related Insurance***

Sam Houston State University is self-insured by the State of Texas for coverage in the areas of workers' compensation and unemployment compensation.

Unemployment Compensation: The State provides coverage for unemployment benefits for University employees from appropriations made to the Texas Workforce Commission (TWC). The current General Appropriations Act provides that the University must reimburse the General Revenue Fund, from University appropriations, 50% of the unemployment benefits paid for State funded positions and 100% of the cost for unemployment compensation for any positions paid from funds held in local bank accounts and local funds held in the State Treasury. The Comptroller of Public Accounts determines the proportionate amount to be reimbursed from each appropriated fund type. The unemployment benefit plan is on a pay-as-you-go basis, in which no assets are set aside to be accumulated for the payment of claims. It is estimated that there were no material liabilities as of August 31, 2005.

Workers' Compensation: The administration of the State's employee workers' compensation program is vested with the State Office of Risk Management (SORM). In accordance with H.B. No. 1203, 77<sup>th</sup> Legislature, SORM developed and imposed a formula driven charge for workers' compensation costs upon participating agencies. The workers' compensation assessment is prepaid to SORM through an Interagency Contract for risk management services and workers' compensation coverage for its employees in compliance with TEX.LABOR CODE Chapter 412 and Chapter 501. The assessment for SHSU for FY 2004 was \$334,951.88. The assessment for SHSU for FY 2005 is \$236,639.91.

Sam Houston State University is required by certain bond covenants to carry fire and extended coverage and boiler insurance on buildings financed through the issuance of bonds using pledged Auxiliary Enterprise or other non-Educational and General Funds. The insurance protects the bond

UNAUDITED

holders from a disruption to the revenue stream that is being utilized to make the bond interest and principal payments. Sam Houston State University had no insurance claims made during the fiscal year ended August 31, 2005.

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 Sam Houston State University are covered by one of two commercial insurance policies specifically customized for the Texas State University System. Both policies provide coverage to the extent of \$1,000,000 combined single liability. The coverage exceeds the extent of the waivers of state immunity specified in the Texas Tort Claims Act, Civil Properties and Remedies Code Section 101.023.

Sam Houston State University is exposed to a variety of civil claims resulting from the performance of its duties. It is University policy to periodically assess the proper combination of commercial insurance and retention of risk to cover losses to which it may be exposed.

The University 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 University involved in any risk pools with other governmental entities.

The University's liabilities are reported when it is both probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Liabilities are reevaluated periodically to consider current settlements, frequency of claims, past experience and economic factors. There have been no significant reductions in insurance coverage in the past year and losses did not exceed coverages or funding arrangements during the past three years.

***Note 12: Segment Information***

Not applicable.

***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 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

## UNAUDITED

of the State of Texas, including the income therefrom and any balances relating thereto, and

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

Pledged revenue is also subject to the provisions of the “Prior Encumbered Obligations.” Prior encumbered obligations means the revenues included in the Revenue Financing System for 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 that were not refunded by the issuance of Revenue Refunding Bonds, Series 1998B or Taxable Series 1998:

Housing System Revenue Bonds, Series 1986

Housing System Revenue Refunding Bonds, Series 1989

University Housing System Revenue Refunding Bonds, Series 1993

Utility System Revenue Refunding Bonds, Series 1993

University Housing System Bonds, Series 1994

University Housing System Bonds, Series 1995

Utility System Revenue Bonds, Series 1996

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

Each component institution received its portion of the bond proceeds and will account 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 in the Investment in Plant Fund. The associated bond liability and debt service activities are reported in total by the TSUS - System Administration.

### **DEFEASED BONDS**

#### **Tuition Revenue Bonds, Series 1993**

- To provide funds to acquire, purchase, construct, improve, renovate, enlarge, or equip property, buildings, structures, facilities, roads or related infrastructure for institutions at the following branches or entities of the Texas State University System, Angelo State University, Sam Houston State University, Texas State University - San Marcos, and Sul Ross State University.

UNAUDITED

Issued December 1, 1993.  
\$27,000,000; all authorized bonds have been issued.  
Bond proceeds were distributed to the four component universities.  
The debt has been retained on the books of System Administration.  
Debt service payments will be made from transfers from the respective universities.  
Tuition from System Universities is pledged.  
The Texas Legislature has continually appropriated General Revenue Funds as an alternative funding source through the 2002-2003 Biennium and is expected to continue in the future.  
Outstanding par value defeased \$22,545,000.

***Note 14: Subsequent Events***

None

***Note 15: Related Parties - Relationships with Sam Houston Foundation and SHSU Letterman's Association***

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, 2005.

A gift was made to the University from the Sam Houston Foundation for fiscal year 2005 of \$8,900.00 to Restricted Funds.

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 \$17,703.51 of Total Deposits Held in Custody for Others - Agency Funds, at August 31, 2005. Sam Houston State University has performed stewardship functions in support of this account, including the receipt of deposits and payment of expenditures. A gift was made to the University from the Lettermen's Associations for fiscal year 2005 of \$3,000 to Restricted Funds.

***Note 16: Stewardship, Compliance and Accountability***

No material issues were noted.

UNAUDITED

**Note 17: The Financial Reporting Entity and Joint Ventures**

**The Financial Reporting Entity**

Sam Houston State University is an agency of the State of Texas and a component of the Texas State University System and its financial records comply with applicable State statutes and regulations. As required by generally accepted accounting principles, these financial statements present Sam Houston State University (the primary government) and its component units, if applicable.

As of August 31, 2005, Sam Houston State University does not have any component units.

**Note 18: Restatement of Fund Balances/Net Assets**

Due to a new interpretation of the reporting guidelines, two restatements were necessary to bring Sam Houston State University's beginning Net Capital Asset balance to the correct amount.

(a) The value of Library Books was restated for periodicals which are no longer considered capital purchases.

(b) The determination of Library Books as depreciable assets caused the beginning balance to be restated due to recognition of depreciation as of September 1, 2004.

Net Carrying Value of Net Assets, September 1, 2004	\$271,429,107.47
(a) Restatement of Library Books	(15,486,806.51)
(b) Restatement of Depreciation	<u>( 5,699,682.31)</u>
Total Net Assets As Restated, September 1, 2004	\$250,242,618.65

**Note 21: Donor Restricted Endowments**

<u>Donor- Restricted Endowment</u>	<u>Amounts Of Net Appreciation</u>	<u>Reported in Net Assets</u>
True Endowments	\$2,456,307.22	Restricted for Nonexpendable
Term Endowments	0	Restricted for Nonexpendable
True Endowments	0	Restricted for Expendable

UNAUDITED

***Note 22: Management Discussion and Analysis (Material Changes to AFR)***

The following events occurred at Sam Houston State University:

Assets and liabilities have increased substantially in the prior year due to increased issuance of bonds, the receipt of bond proceeds and the increase in capital assets due to building projects financed by the bonds. Building projects planned or in progress include a Housing Project #3, a visitor's center, and an Academic Building V, a total of \$62.2 million.

A significant increase, 220% over the fiscal years since FY02, in the designated portion of net assets correlates to an increase in designated tuition per semester credit hour from \$27 in FY02, to \$60 in FY04. The downturn in the economy over the last few years caused a reduction of state revenues which led to fewer appropriated revenues for the University. The legislature approved Universities to set their own designated tuition level beginning with Fall 2003. As a result, designated tuition increases of \$43 are in effect for Fall '05 Semester and planned at \$70 in the Spring 06 Semester. The legislature also provided for additional scholarship funds to be generated from a percentage of the designated funds to be collected.

***Note 24: Special or Extraordinary Items***

None.

***Note 25: Disaggregation of Receivable and Payable Balances***

None

**SAM HOUSTON STATE UNIVERSITY**  
**SCHEDULE 1A**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended August 31, 2005**

Federal Grantor/Pass Through Grantor/ Program Title	CFDA Number	Identifying #	Pass Through From			Direct Program Amount	Total Pass- Thru From & Direct Program
			Agy/ Univ. #	Agency or Univ. Amount	Non-State Agy Amount		
<b>U.S. Department of Justice</b>							
Pass-Through From: Other Non State Entities:							
International Law Enforcement Association	16.000						
<i>Pass-Through From:</i>							
<i>New Mexico Institute of Mining &amp; Technology</i>		ILEA		\$ -	\$ 396,729.46	\$ -	\$ 396,729.46
<i>Office of Community Oriented Policing Services</i>							
Direct Programs:							
Public Safety and Community Policing Grants	16.710			-	-	781,798.70	781,798.70
<i>Office of Justice Programs</i>							
<i>Office of the Police Corps and Law Enforcement Education</i>							
Direct Programs:							
Police Corps	16.712			-	-	417,504.42	417,504.42
Total U.S. Department of Justice				\$ -	\$ 396,729.46	\$ 1,199,303.12	\$ 1,596,032.58
<b>National Science Foundation</b>							
Pass-Through From: Other Non State Entities:							
Mathematical and Physical Sciences	47.049						
<i>Pass-Through From:</i>							
<i>California State University Northridge</i>		A388		\$ -	\$ 29,681.01	\$ -	\$ 29,681.01
Direct Programs:							
Biological Sciences	47.074			-	-	91,417.74	91,417.74
Pass-Through From:							
Education and Human Resources	47.076						
<i>Pass-Through From:</i>							
<i>Texas State University - San Marcos</i>			754	(20,814.14)	-	-	(20,814.14)
Total National Science Foundation				\$ (20,814.14)	\$ 29,681.01	\$ 91,417.74	\$ 100,284.61
<b>U.S. Small Business Administration</b>							
Pass-Through From:							
Small Business Development Center	59.037						
<i>Pass-Through From:</i>							
<i>University of Houston</i>			730	\$ 121,827.97	\$ -	\$ -	\$ 121,827.97
Total U.S. Small Business Administration				\$ 121,827.97	\$ -	\$ -	\$ 121,827.97
<b>U.S. Department of Education</b>							
Passed-Through From: Other Non State Entities:							
History Collaboration	84.000						
<i>Pass-Through From:</i>							
<i>Region VI</i>		A482		\$ -	\$ 47,907.18	\$ -	\$ 47,907.18
Funds for the Improvement of Education	84.215						
<i>Pass-Through From:</i>							
<i>Region V</i>		A483		-	103,181.20	-	103,181.20
Direct Programs:							
Bilingual Education Program - FAME	84.000	A032		-	-	2,356.83	2,356.83
Bilingual Education Program - Personnel Training	84.000	A031		-	-	106,318.90	106,318.90
TRIAD	84.000	A015		-	-	369,041.96	369,041.96
Special Education--Personnel Preparation to Improve Services & Results for Children with Disabilities	84.325			-	-	114,582.99	114,582.99
Rural Education Achievement Program	84.358			-	-	89,998.74	89,998.74
Pass-Through From:							
Math Eisenhower	84.000	84.281					
<i>Pass-Through From:</i>							
<i>Texas Higher Education Coordinating Board</i>			781	124,746.33	-	-	124,746.33

<u>Pass-Through To</u>				<u>Pass-Thru</u>
<u>Agency</u>	<u>State Agy. Or</u>	<u>Non-State</u>		<u>To &amp;</u>
<u>Univ #</u>	<u>Univ. Amt.</u>	<u>Entity Amt.</u>	<u>Expenditures</u>	<u>Expenditures</u>
	\$ -	\$ -	\$ 396,729.46	\$ 396,729.46
	-	-	781,798.70	781,798.70
	-	-	417,504.42	417,504.42
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,596,032.58</u>	<u>\$ 1,596,032.58</u>

	\$ -	\$ -	\$ 29,681.01	\$ 29,681.01
	-	-	91,417.74	91,417.74
	-	-	(20,814.14)	(20,814.14)
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 100,284.61</u>	<u>\$ 100,284.61</u>

	\$ -	\$ -	\$ 121,827.97	\$ 121,827.97
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 121,827.97</u>	<u>\$ 121,827.97</u>

	\$ -	\$ -	\$ 47,907.18	\$ 47,907.18
	-	-	103,181.20	103,181.20
	-	-	2,356.83	2,356.83
	-	-	106,318.90	106,318.90
	-	-	369,041.96	369,041.96
	-	-	114,582.99	114,582.99
	-	-	89,998.74	89,998.74
	-	-	124,746.33	124,746.33

**SAM HOUSTON STATE UNIVERSITY**  
**SCHEDULE 1A**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended August 31, 2005**

Federal Grantor/Pass Through Grantor/ Program Title	CFDA Number	Identifying #	Pass Through From			Direct Program Amount	Total Pass- Thru From & Direct Program
			Agy/ Univ. #	Agency or Univ. Amount	Non-State Agy Amount		
Vocational Education - Basic Grants to States Developme <i>Pass-Through From:</i> <i>Texas Education Agency</i>	84.048		701	38,104.29	-	-	38,104.29
Leveraging Educational Leadership Partnership <i>Pass-Through From:</i> <i>Texas Higher Education Coordinating Board</i>	84.069		781	37,830.00	-	-	37,830.00
Total U.S. Department of Education				\$ 200,680.62	\$ 151,088.38	\$ 682,299.42	\$ 1,034,068.42
<b>U.S. Department of Health and Human Services</b>							
Direct Programs:							
Mentoring Prisoners of Children <i>Health Resource and Services Administration</i>	93.616			\$ -	\$ -	\$ 76,032.13	\$ 76,032.13
Pass-Through From:							
Geriatric Education Centers <i>Pass-Through From:</i> <i>University of Texas Medical Branch at Galveston</i>	93.969		723	6,821.26	-	-	6,821.26
Total U.S. Department of Health and Human Services				\$ 6,821.26	\$ -	\$ 76,032.13	\$ 82,853.39
<b>Highway Safety Cluster</b>							
<b>U.S. Department of Transportation</b>							
Pass-Through From:							
State and Community Highway Safety <i>Pass-Through From:</i> <i>Texas Department of Transportation</i>	20.600		601	\$ 280,712.46	\$ -	\$ -	\$ 280,712.46
Total U.S. Department of Transportation				\$ 280,712.46	\$ -	\$ -	\$ 280,712.46
<b>Research and Development (R&amp;D) Cluster</b>							
<b>U.S. Department of Agriculture</b>							
Passed-Through From: Other Non State Entities							
Grants for Agricultural Research, Special Research Grants <i>Pass-Through From:</i> <i>??</i>	10.200	A163		\$ -	\$ 60,254.24	\$ -	\$ 60,254.24
Direct Programs:							
Forest Health Protection	10.680			-	-	9,248.61	9,248.61
Passed-Through From:							
Grants for Agricultural Research, Special Research Grants <i>Pass-Through From:</i> <i>Sul Ross State University (TSUS)</i>	10.200		756	117,504.14	-	-	117,504.14
Total U.S. Department of Agriculture				\$ 117,504.14	\$ 60,254.24	\$ 9,248.61	\$ 187,006.99
<b>U.S. Department of Defense</b>							
Direct Programs:							
TRIES - Holloman AFB Project	12.000	DACA42-02-C-0009		\$ -	\$ -	\$ 5,308.37	\$ 5,308.37
Basic and Applied Scientific Research	12.300			-	-	24,940.36	24,940.36
Air Force Defense Reseach Sciences Program	12.800					730,617.12	730,617.12
Total U.S. Department of Defense				\$ -	\$ -	\$ 760,865.85	\$ 760,865.85
<b>U.S. Department of Justice</b>							
Direct Programs:							
<i>Office of National Drug Control Policy</i>							
Major Drug Squad Initiative - HIDTA	16.000	11PHNP522		\$ -	\$ -	\$ 260.52	\$ 260.52
Major Drug Squad Initiative - HIDTA	16.000	12PHNP530		-	-	238.60	238.60
Major Drug Squad Initiative - HIDTA	16.000	13PHNP522		-	-	59,473.12	59,473.12
Major Drug Squad Initiative - HIDTA	16.000	14PHNP522Z		-	-	656,612.53	656,612.53
Major Drug Squad Initiative - HIDTA	16.000	15PHNP522Z		-	-	199,752.48	199,752.48
<i>National Institute of Justice</i>							

<u>Pass-Through To</u>				
<u>Agency Univ #</u>	<u>State Agy. Or Univ. Amt.</u>	<u>Non-State Entity Amt.</u>	<u>Expenditures</u>	<u>Pass-Thru To &amp; Expenditures</u>
	-	-	38,104.29	38,104.29
	-	-	37,830.00	37,830.00
	\$ -	\$ -	\$ 1,034,068.42	\$ 1,034,068.42
	\$ -	\$ -	\$ 76,032.13	\$ 76,032.13
	-	-	6,821.26	6,821.26
	\$ -	\$ -	\$ 82,853.39	\$ 82,853.39
	\$ -	\$ -	\$ 280,712.46	\$ 280,712.46
	\$ -	\$ -	\$ 280,712.46	\$ 280,712.46
	\$ -	\$ -	\$ 60,254.24	\$ 60,254.24
	-	-	9,248.61	9,248.61
	-	-	117,504.14	117,504.14
	\$ -	\$ -	\$ 187,006.99	\$ 187,006.99
	\$ -	\$ -	\$ 5,308.37	\$ 5,308.37
	-	-	24,940.36	24,940.36
	-	-	730,617.12	730,617.12
	\$ -	\$ -	\$ 760,865.85	\$ 760,865.85
	\$ -	\$ -	\$ 260.52	\$ 260.52
	-	-	238.60	238.60
	-	-	59,473.12	59,473.12
	-	-	656,612.53	656,612.53
	-	-	199,752.48	199,752.48

**SAM HOUSTON STATE UNIVERSITY**  
**SCHEDULE 1A**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended August 31, 2005**

Federal Grantor/Pass Through Grantor/ Program Title	CFDA Number	Pass Through From			Direct Program Amount	Total Pass- Thru From & Direct Program	
		Identifying #	Agy/ Univ. #	Agency or Univ. Amount			Non-State Agy Amount
Justice Research, Development, and Evaluation Project Grants	16.560			-	-	280,783.04	280,783.04
<i>Mothers Against Drunk Driving</i>							
<b>Enforcement</b>							
Assistance Discretionary Grants Program	16.580			-	-	316,113.14	316,113.14
<i>Office of Justice Programs</i>							
Community Prosecution and Project Safe Neighborhoods	16.609			-	-	869,800.83	869,800.83
Total U.S. Department of Justice				\$ -	\$ -	\$ 2,383,034.26	\$ 2,383,034.26
<b>Environmental Protection Agency</b>							
<i>Office of Research and Development</i>							
Direct Programs:							
Environmental Protection-Consolidated Research	66.500			-	-	\$ 129,903.66	129,903.66
Total U.S. Environmental Protection Agency				\$ -	\$ -	\$ 129,903.66	\$ 129,903.66
<b>U.S. Department of Education</b>							
Pass-Through from Other Non-State Entities:							
Education Research, Development and Dissemination	84.305			\$ -	\$ 80,568.65	\$ -	\$ 80,568.65
Total U.S. Department of Education				\$ -	\$ 80,568.65	\$ -	\$ 80,568.65
<b>Student Financial Assistance Cluster</b>							
<b>U.S. Department of Education</b>							
Direct Programs:							
Supplemental Educational Opportunity Grant	84.007			\$ -	\$ -	\$ 294,717.75	\$ 294,717.75
Federal Family Education Loan Program	84.032			-	-	52,674,564.91	52,674,564.91
Federal Work Study Program	84.033			-	-	249,074.34	249,074.34
Federal Perkins Loan Program	84.038			-	-	81,564.00	81,564.00
Federal Pell Grant Program	84.063			-	-	9,700,738.16	9,700,738.16
Total U.S. Department of Education				\$ -	\$ -	\$ 63,000,659.16	\$ 63,000,659.16
<b>TRIO Cluster</b>							
<b>U.S. Department of Education</b>							
Direct Programs:							
TRIO - Student Support Services	84.042			\$ -	\$ -	\$ 237,265.08	\$ 237,265.08
TRIO - McNair Post-Baccalaureate Achievement	84.217			-	-	193,960.49	193,960.49
Total U.S. Department of Education				\$ -	\$ -	\$ 431,225.57	\$ 431,225.57
<b>Total Federal Financial Assistance</b>				\$ 706,732.31	\$ 718,321.74	\$ 68,763,989.52	\$ 70,189,043.57

Pass-Through To				
Agency Univ #	State Agy. Or Univ. Amt.	Non-State Entity Amt.	Expenditures	Pass-Thru To & Expenditures
	-	-	280,783.04	280,783.04
	-	-	316,113.14	316,113.14
	-	-	869,800.83	869,800.83
\$	-	\$ -	\$ 2,383,034.26	\$ 2,383,034.26
	-	-	129,903.66	129,903.66
\$	-	\$ -	\$ 129,903.66	\$ 129,903.66
\$	-	\$ -	\$ 80,568.65	\$ 80,568.65
\$	-	\$ -	\$ 80,568.65	\$ 80,568.65
\$	-	\$ -	\$ 294,717.75	\$ 294,717.75
	-	-	52,674,564.91	52,674,564.91
	-	-	249,074.34	249,074.34
	-	-	81,564.00	81,564.00
	-	-	9,700,738.16	9,700,738.16
\$	-	\$ -	\$ 63,000,659.16	\$ 63,000,659.16
\$	-	\$ -	\$ 237,265.08	\$ 237,265.08
	-	-	193,960.49	193,960.49
\$	-	\$ -	\$ 431,225.57	\$ 431,225.57
\$	-	\$ -	\$ 70,189,043.57	\$ 70,189,043.57

**SAM HOUSTON STATE UNIVERSITY**  
**SCHEDULE 1A**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended August 31, 2005**

**UNAUDITED**

**Note 1 - Non Monetary Assistance**

None.

**Note 2 - Reconciliation**

Per Combined Governmental Operating Statement  
Statement of Activities and Proprietary Statement of Changes in Revenues, Expenses and Net Assets

Governmental Funds - Federal Revenue (Exh. II)	\$16,920,865.58
Add: Facilities and Administrative Costs	<u>512,049.08</u>
Subtotal	\$17,432,914.66
Reconciling Items:	
New Loans Processed:	
Federal Family Education Loan Program	\$52,674,564.91
Federal Perkins Loan Program	<u>81,564.00</u>
Total Pass Through and Expenditures per Federal Schedule	<u><u>\$70,189,043.57</u></u>

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

Federal Grantor/ CFDA number/Program Name	New Loans Processed	Admin. Costs Recovered	Total Loans Processed & Admin. Costs Recovered	Ending Balances of Previous Years' Loans
U.S. Department of Education				
84.032 Federal Family Education Loan Program	\$52,674,564.91	-	\$52,674,564.91	
84.038 Federal Perkins Loan Program	81,564.00	-	81,564.00	
Total Department of Education	\$52,756,128.91	-	\$52,756,128.91	-

SAM HOUSTON STATE UNIVERSITY  
 SCHEDULE 1B  
 SCHEDULE OF STATE GRANT PASS THROUGHS FROM/TO STATE AGENCIES  
 For the Year Ended August 31, 2005

Pass Through From:

Office of the Governor (Agency #300)	
Texas Probation Training Academy	\$ 17,420.78
Texas Higher Education Coordinating Board (Agency #781)	
Texas Grant Program	3,834,120.00
5th Year Accounting Scholarship	15,109.00
Texas College Work Study Program	62,515.97
	<hr/>
Total Pass Through From Other State Agencies:	<u>\$ 3,929,165.75</u>

**SAM HOUSTON STATE UNIVERSITY**  
**SCHEDULE 2A**  
**MISCELLANEOUS BOND INFORMATION**  
**For the Year Ended August 31, 2005**

**UNAUDITED**

**Schedule Not Used**

**SAM HOUSTON STATE UNIVERSITY**  
**SCHEDULE 2B**  
**CHANGES IN BOND INDEBTEDNESS**  
**For the Year Ended August 31, 2005**

**UNAUDITED**

**Schedule Not Used**

**SAM HOUSTON STATE UNIVERSITY**  
**SCHEDULE 2C**  
**DEBT SERVICE REQUIREMENTS**  
**For the Year Ended August 31, 2005**

**UNAUDITED**

**Schedule Not Used**

**SAM HOUSTON STATE UNIVERSITY**  
**SCHEDULE 2D**  
**ANALYSIS OF FUNDS AVAILABLE FOR DEBT SERVICE**  
**For the Year Ended August 31, 2005**

**UNAUDITED**

**Business Type Activities**  
**General Obligation Bonds**

**Schedule Not Used**

**Business Type Activities**  
**Revenue Bonds**

**Schedule Not Used**

**SAM HOUSTON STATE UNIVERSITY**  
**SCHEDULE 2E**  
**DEFEASED BONDS OUTSTANDING**  
**For the Year Ended August 31, 2005**

UNAUDITED

<u>Description of Issuer</u>	<u>Year Refunded</u>	<u>Par Value Outstanding</u>
<b>General Obligation Bonds</b>		\$
Sam Houston State University does has no General Obligation Bonds defeased.		
<b>Revenue Bonds</b>		
Series of 1993 - Combined Fee Revenue Refunding Bonds	1998	0.00
		\$
<b>Total Defeased Revenue Bonds</b>		<u>0.00</u>

**SAM HOUSTON STATE UNIVERSITY**  
**SCHEDULE 2F**  
**EARLY EXTINGUISHMENT AND REFUNDING**  
**For the Year Ended August 31, 2005**

**UNAUDITED**

**Business Type Activities**  
**General Obligation Bonds**

**Schedule Not Used**

**Business Type Activities**  
**Revenue Bonds**

**Schedule Not Used**

**SAM HOUSTON STATE UNIVERSITY**  
**SCHEDULE 3**  
**Reconciliation of Cash in State Treasury**  
**August 31, 2005**

**UNAUDITED**

<b>Cash in State Treasury</b>	<b>Unrestricted</b>	<b>Restricted</b>	<b>Current Year Total</b>
	\$	\$	\$
Local Revenue Fund 259	17,657,053.38	0.00	17,657,053.38
Law Enforcement Mgt. Institute Fund 581	5,182,177.27	0.00	5,182,177.27
CJ Correctional Management Institute Fund 5083	1,238,881.31	0.00	1,238,881.31
	\$	\$	\$
<b>Total Cash in State Treasury (Stmnt of Net Assets)</b>	<u><u>24,078,111.96</u></u>	<u><u>0.00</u></u>	<u><u>24,078,111.96</u></u>

**SAM HOUSTON STATE UNIVERSITY  
SCHEDULE 4  
HIGHER EDUCATION ASSISTANCE FUND  
For the Year Ended August 31, 2005**

**UNAUDITED**

	<u>Totals</u>
	\$
<b>Balance September 1, 2004</b>	<u>2,965,447.70</u>
<b>REVENUES</b>	
Appropriations	<u>5,864,608.00</u>
Total Revenues	<u>5,864,608.00</u>
<b>EXPENSES</b>	
Professional Fees and Services	47,256.00
Materials and Supplies	2,091,062.86
Communications and Utilities	1,643.09
Repairs and Maintenance	468,104.65
Rent	1,407.00
Interest	40.58
Real Property	85,191.47
Other Expenses	<u>18,857.80</u>
Total Expenses	<u>2,713,563.45</u>
	\$
<b>BALANCE AT AUGUST 31, 2005</b>	<u><u>6,116,492.25</u></u>