



**ANNUAL
FINANCIAL
REPORT**

for the fiscal year ended August 31, 2006

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, 2006

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

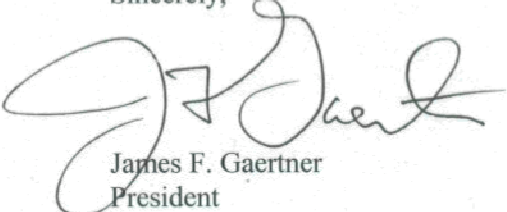
Lady and Gentlemen:

We are pleased to submit the Annual Financial Report of Sam Houston State University for the year ended August 31, 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 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 Anne Heartfield, 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

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, 2006

Huntsville, Texas

UNAUDITED

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Sam Houston State University

A Member of The Texas State University System

BUSINESS OFFICE

November 15, 2006

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, 2006.

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 Anne Heartfield, 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,

Anne D. Heartfield, MBA, CPA
Director
Business Office

Sarah L. Woods, CPA
Assistant Director
Business Office

Paige Smith, MBA, CIA, CPA
Director
Administrative Accounting

Charles Carlow
Director (Retired)
Business Office
AFR Consultant

Donna Slott
Accountant III
Business Office

Approved:

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

UNAUDITED
BOARD OF REGENTS
TEXAS STATE UNIVERSITY SYSTEM

August 31, 2006

OFFICERS

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

MEMBERS

| | |
|-------------------------------|---------|
| Terms Expire February 1, 2005 | |
| Dionicio "Don" Flores | El Paso |

| | |
|--|-------------|
| Terms Expire February 1, 2007 | |
| Kent Adams | Beaumont |
| Alan W. Dreeben | San Antonio |
| Pollyanna A. Stephens | San Angelo |
| Francis "Frank" Bartley (Student Regent) | San Marcos |

| | |
|-------------------------------|------------|
| Terms Expire February 1, 2009 | |
| Dora G. Alcalá | Del Rio |
| John E. Dudley | Comanche |
| Bernie C. Francis | Carrollton |

| | |
|-------------------------------|--------|
| Terms Expire February 1, 2011 | |
| Ken Luce | Dallas |
| Greg Wilkinson | Dallas |

Charles R. Matthews, Chancellor

ADMINISTRATIVE OFFICIALS
SAM HOUSTON STATE UNIVERSITY

PRESIDENT

James F. Gaertner

FISCAL OFFICE

| | |
|----------------------|--|
| Jack C. Parker, CPA | Vice President for Finance and Operations |
| Jacque Gilliam, CPA | Associate Vice President for Finance and Operations |
| Anne Heartfield, CPA | Director, Business Office |

UNAUDITED

Sam Houston State University

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 | 12,602 | 11,738 | 4,054 | 2,954 |
| Out of State (Classified as Residents) | | | | |
| Out of State | 249 | 250 | 102 | 63 |
| Foreign | 197 | 195 | 65 | 65 |
| Children of Disabled | 4 | 4 | 1 | 2 |
| Concurrent Enrollment | | | | |
| Foster Children of the State | 8 | 8 | 6 | 7 |
| Good Neighbor | 3 | 4 | | 2 |
| High School Honor Scholarships | 15 | 14 | | |
| Hazelwood Act | 77 | 73 | 49 | 28 |
| Senior Citizens | | | | |
| Commission for the Blind/Deaf | 22 | 22 | 9 | 10 |
| Fireman Exempt | | | | |
| Thesis Only | | | | |
| Student Service Fees | | | | |
| Nursing | | | | |
| Faculty/Staff | 1,477 | 1,508 | 1,110 | 1,061 |
| Teaching Assistants | 129 | 126 | 15 | 15 |
| Competitive Scholarships | 164 | 80 | 150 | 150 |
| Military Personnel | 53 | 59 | 11 | 12 |
| Louisiana Adjacent County | 4 | 0 | 0 | 0 |
| Mexico Pilot | | | | |
| National Student Exchange Program | 2 | 2 | | |
| New Mexico Adjacent County | 4 | 0 | 0 | 0 |
| Texas Tomorrow Waiver | 295 | 278 | 78 | 76 |
| Adopted Students | 9 | 8 | 5 | 5 |
| Military Dependent | 4 | 4 | 4 | 4 |
| Pase | | | | |
| TANF | | | | |
| H.B. 877 | | | | |
| Distance Learning | 37 | 37 | 21 | 12 |
| Totals | <u>15,355</u> | <u>14,410</u> | <u>5,680</u> | <u>4,466</u> |

Enrollment Data (Fall Semester)

| | STUDENTS | SEMESTER HOURS |
|-----------------|----------|----------------|
| September, 2005 | 15,355 | 186,807 |
| September, 2006 | 15,903 | 195,709 |

UNAUDITED

SAM HOUSTON STATE UNIVERSITY

PROPRIETARY FUND STATEMENTS

Sam Houston State University
Statement of Net Assets
August 31, 2006

UNAUDITED

| | <u>Total</u> |
|---|----------------------|
| ASSETS | |
| Current Assets: | |
| Cash and Cash Equivalents | |
| Cash on Hand | \$ 24,350.00 |
| Cash in Bank | 2,492,246.54 |
| Cash in Transit/Reimbursement from Treasury | 795,727.72 |
| Cash in State Treasury | 27,462,095.48 |
| Cash Equivalents | 41,221,234.05 |
| Securities Lending Collateral | |
| Short Term Investments | |
| Restricted: | |
| Cash and Cash Equivalents | |
| Cash on Hand | |
| Cash in Bank | 987,133.27 |
| Cash in Transit/Reimbursement from Treasury | |
| Cash in State Treasury | |
| Cash Equivalents | 5,029,379.89 |
| Short Term Investments | |
| Legislative Appropriations | 6,838,432.99 |
| Investments | |
| Receivables from: | |
| Federal | 1,628,547.65 |
| Other Intergovernmental | |
| Interest and Dividends | |
| Accounts Receivable | 9,378,745.05 |
| Gifts | |
| Investment Trades | |
| Other | |
| Interfund Receivables | |
| Due From Other Agencies | 759,199.70 |
| Consumable Inventories | |
| Merchandise Inventories | 253,946.77 |
| Deferred Charges | |
| Loans and Contracts | 2,605,933.08 |
| Other Current Assets | <u>10,351,624.77</u> |
| Total Current Assets | \$ 109,828,596.96 |

Sam Houston State University
Statement of Net Assets
August 31, 2006

UNAUDITED

| | <u>Total</u> |
|---|---------------------------------|
| Noncurrent Assets: | |
| Restricted: | |
| Cash and Cash Equivalents | |
| Cash on Hand | |
| Cash in Bank | \$ 579,428.10 |
| Cash in Transit/Reimbursement from Treasury | |
| Cash in State Treasury | |
| Cash Equivalents | 4,646,178.82 |
| Short Term Investments | |
| Receivables | 404,015.73 |
| Investments | 59,643,107.53 |
| Loans and Contracts | 509,701.30 |
| Other Assets | |
| Loans and Contracts | |
| Investments | |
| Interfund Receivables | |
| Capital Assets: | |
| Non-Depreciable: | |
| Land and Land Improvements | 12,577,654.09 |
| Infrastructure | |
| Construction in Progress | 79,289,664.11 |
| Other Capital Assets | 759,903.50 |
| Depreciable: | |
| Buildings and Building Improvements | 191,053,972.71 |
| Less Accumulated Depreciation | (127,270,885.66) |
| Infrastructure | 9,023,977.71 |
| Less Accumulated Depreciation | (3,123,684.00) |
| Facilities and Other Improvements | 14,776,308.24 |
| Less Accumulated Depreciation | (3,540,801.38) |
| Furniture and Equipment | 16,447,872.48 |
| Less Accumulated Depreciation | (11,189,739.32) |
| Vehicles, Boats, and Aircraft | 2,181,056.71 |
| Less Accumulated Depreciation | (1,624,116.27) |
| Other Capital Assets | 9,323,458.96 |
| Less Accumulated Depreciation | (6,360,121.13) |
| Other Noncurrent Assets | |
| Total Non-Current Assets | <u>\$ 248,106,952.23</u> |
| Total Assets | <u><u>\$ 357,935,549.19</u></u> |

| | Total |
|--|-------------------------|
| LIABILITIES | |
| Current Liabilities: | |
| Payables: | |
| Accounts | \$ 1,567,517.44 |
| Investment Trades | |
| Federal | |
| Other Intergovernmental | |
| Payroll | 3,926,876.14 |
| Other | 552,346.79 |
| Interfund Payable | |
| Due to Other Agencies | 24,052.52 |
| Deferred Revenues | 44,571,145.26 |
| Notes and Loans Payable | |
| Revenue Bonds Payable | |
| General Obligation Bonds Payable | |
| Claims and Judgements | |
| Employees' Compensable Leave | 1,724,962.04 |
| Capital Lease Obligations | |
| Liabilities Payable from Restricted Assets | |
| Obligations/Reverse Purchase Agreements | |
| Obligations Under Securities Lending | |
| Funds Held for Others | 3,408,130.96 |
| Other Current Liabilities | |
| Total Current Liabilities | <u>\$ 55,775,031.15</u> |
| Noncurrent Liabilities: | |
| Interfund Payables | |
| Notes and Loans Payable | |
| Revenue Bonds Payable | |
| General Obligation Bonds Payable | |
| Claims and Judgements | |
| Employees Compensable Leave | \$ 983,660.87 |
| Capital Lease Obligations | |
| Other Non-Current Liabilities | 1,360,444.05 |
| Total Noncurrent Liabilities | <u>\$ 2,344,104.92</u> |
| Total Liabilities | <u>\$ 58,119,136.07</u> |

Sam Houston State University
Statement of Net Assets
August 31, 2006

UNAUDITED

| | Total |
|---|---------------------------------|
| NET ASSETS | |
| Invested in Capital Assets, Net of Related Debt | \$ 182,324,520.75 |
| Restricted for | |
| Education | |
| Debt Retirement | |
| Capital Projects | |
| Employee Benefit | |
| Funds Held As Permanent Investments: | |
| Non-Expendable | 25,596,863.35 |
| Expendable | |
| Other | 13,175,933.34 |
| Unrestricted | <u>78,719,095.68</u> |
| Total Net Assets | <u><u>\$ 299,816,413.12</u></u> |

Sam Houston State University
Statement of Revenues, Expenses, and Changes in Net Assets
For the Fiscal Year Ended August 31, 2006

UNAUDITED

| | <u>Total</u> |
|--|---------------------------|
| OPERATING REVENUES | |
| Sales of Goods and Services | |
| Tuition and Fees (PR-Chgs for Services) | \$ 74,946,418.25 |
| Tuition and Fees - Pledged (PR-Chgs for Services) | |
| Discounts and Allowances | (12,603,252.95) |
| 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) | 23,165,184.49 |
| Auxiliary Enterprises - Pledged (PR-Chgs for Services) | |
| Discounts and Allowances | |
| Other Sales of Goods and Services | 927,447.09 |
| 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) | 17,936,094.05 |
| Federal Pass Through Revenue (PR-OP Grants/Contributions) | 674,809.81 |
| State Grant Revenue (PR-OP Grants/Contributions) | 652,161.15 |
| State Grant Pass Through Revenue (PR-OP Grants/Contributions) | 5,569,449.88 |
| Other Grants and Contracts (PR-OP Grants/Contributions) | 481,736.85 |
| Land Income (PR-Chgs for Services) | |
| Contributions to Retirement Systems (PR-Chgs for Services) | |
| Other Operating Revenues (PR-Chgs for Services) | 9,812,725.90 |
| Other Operating Revenues (GR) | |
| Total Operating Revenues | <u>\$ 121,562,774.52</u> |
| OPERATING EXPENSES | |
| Instruction | \$ 45,367,409.27 |
| Research | 3,142,936.92 |
| Hospitals and Clinics | |
| Public Service | 14,956,338.32 |
| Academic Support | 20,813,211.35 |
| Student Services | 12,774,250.83 |
| Institutional Support | 8,737,379.38 |
| Operation and Maintenance of Plant | 12,467,051.23 |
| Scholarship and Fellowships | 10,970,274.33 |
| Auxiliary Enterprise Expenditures | 25,332,746.54 |
| Depreciation and Amortization | 6,235,712.45 |
| Total Operating Expenses | <u>\$ 160,797,310.62</u> |
| Operating Income (Loss) | <u>\$ (39,234,536.10)</u> |

Sam Houston State University
Statement of Revenues, Expenses, and Changes in Net Assets
For the Fiscal Year Ended August 31, 2006

UNAUDITED

| | <u>Total</u> |
|--|-------------------------------|
| NONOPERATING REVENUES (EXPENSES): | |
| Legislative Revenue (GR) | \$ 39,456,068.00 |
| Additional Appropriations (GR) | 9,990,174.55 |
| HEAF Appropriation Revenue (GR) | |
| Federal Revenue Non-Operating (PR-OP Grants/Contributions) | |
| Gifts (PR-OP Grants/Contributions) | 6,139,349.39 |
| Investment Income (Expense) (PR-OP Grants/Contributions) | 1,942,794.50 |
| Investment Income (Expense) (GR) | (148,466.15) |
| Loan Premium/Fees on Securities Lending (PR-OP Grants/Contributions) | |
| Investing Activities Expense | |
| 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/Contrib) | 1,276,271.98 |
| Net Increase (Decrease) in Fair Value of Investments (GR) | |
| 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) | 3,656,047.14 |
| Other Nonoperating Revenues (Expenses) (GR) | |
| | <hr/> |
| Total Nonoperating Revenues (Expenses) | \$ 62,051,710.07 |
| | |
| Income (Loss) before Other Revenues, Expenses, Gains/Losses and Transfers | \$ 22,817,173.97 |
| OTHER REVENUES, EXPENSES, GAINS/LOSSES AND TRANSFERS | |
| Capital Contributions | |
| Capital Appropriations (HEAF) | 6,610,870.00 |
| Contributions to Permanent and Term Endowments | |
| Special Items | |
| Extraordinary Items | |
| Transfer In | 14,960,469.43 |
| Transfer Out | (6,283,747.71) |
| Legislative Transfer In | |
| Legislative Transfer Out | (2,072,987.86) |
| Lapses | (11,172.14) |
| | |
| Total Other Revenues, Expenses, Gains/Losses and Transfers | <hr/> 13,203,431.72 |
| | |
| CHANGE IN NET ASSETS | <hr/> \$ 36,020,605.69 |
| | |
| Net Assets, September 1 2005 | \$ 263,795,807.43 |
| Restatements | |
| | <hr/> |
| Net Assets, September 1, 2005, as Restated | \$ 263,795,807.43 |
| | |
| NET ASSETS, August 31, 2006 | <hr/> <hr/> \$ 299,816,413.12 |

Sam Houston State University
 Matrix of Operating Expenses Reported by Function
 For the Fiscal Year Ended August 31, 2006

UNAUDITED

| Operating Expenses | Instruction | Research | Hospitals and Clinics | Public Service | Academic Support | Student Services | Institutional Support | Operation and Maintenance of Plant | Scholarship and Fellowships | Auxiliary Enterprises | Depreciation and Amortization* | Total Expenses |
|----------------------------------|-------------------------|------------------------|--------------------------|-------------------------|-------------------------|-------------------------|--------------------------|--|--------------------------------|--------------------------|--------------------------------------|--------------------------|
| Cost of Goods Sold | \$ - | \$ - | | \$ 24,106.64 | \$ 2,476.70 | \$ 39,319.20 | \$ (2,937.06) | \$ - | \$ 49.91 | \$ 530,167.87 | | \$ 593,183.26 |
| Salaries and Wages | 36,009,640.96 | 1,498,344.38 | | 6,161,542.02 | 9,372,927.80 | 6,471,252.84 | 5,431,572.78 | 4,811,906.18 | 469,602.58 | 8,059,602.74 | | 78,286,392.28 |
| Payroll Related Costs | 8,415,081.17 | 310,495.39 | | 1,866,231.06 | 1,891,822.85 | 1,365,433.07 | 1,762,685.18 | 1,130,330.52 | 5,042.68 | 2,035,735.91 | | 18,782,857.83 |
| Professional Fees and Services | 76,090.26 | 102,880.72 | | 1,437,335.09 | 119,047.25 | 12,586.57 | 132,858.60 | 57,526.69 | 2,139.95 | 141,216.36 | | 2,081,681.49 |
| Federal Pass-Through Expense | | | | 385,322.86 | | | | | | | | 385,322.86 |
| State Grant Pass-Through Expense | | | | | | | | | | | | - |
| Travel | 41,074.76 | 127,240.89 | | 347,200.45 | 978,420.58 | 347,265.42 | 113,889.09 | 3,977.47 | 26,169.15 | 662,403.99 | | 2,647,641.80 |
| Materials and Supplies | 416,309.71 | 338,174.33 | | 1,144,478.50 | 5,103,471.04 | 1,289,464.35 | 1,231,544.95 | 882,475.39 | 70,147.67 | 6,579,676.91 | | 17,055,742.85 |
| Communication and Utilities | 29,931.02 | 2,382.54 | | 232,523.87 | 595,658.64 | 359,153.72 | 41,685.36 | 3,757,225.75 | 239.76 | 3,044,394.21 | | 8,063,194.87 |
| Repairs and Maintenance | 55,657.37 | 13,105.50 | | 66,422.75 | 852,078.11 | 199,656.16 | 174,447.53 | 318,730.42 | 66,940.90 | 785,634.65 | | 2,532,673.39 |
| Rentals and Leases | 68,559.29 | 23,185.17 | | 969,834.82 | 221,489.77 | 63,246.59 | 72,437.24 | 869.05 | 32,342.28 | 449,675.55 | | 1,901,639.76 |
| Printing and Reproduction | 27.40 | 2,144.00 | | 33,262.31 | 77,998.01 | 110,063.71 | 101,265.87 | - | 17,265.67 | 55,523.35 | | 397,550.32 |
| Depreciation and Amortization* | | | | | | | | | | | 6,235,712.45 | 6,235,712.45 |
| Bad Debt Expense | (143,142.89) | - | | - | - | (19,640.46) | (69,842.65) | - | - | (52,502.66) | | (285,128.66) |
| Interest | 0.27 | 0.12 | | 3.49 | 16.91 | 0.09 | - | 2.38 | - | - | | 23.26 |
| Scholarships | 15,950.00 | 25,950.00 | | 480,256.11 | 60,705.50 | 52,434.50 | 500.00 | - | 10,194,265.91 | 723,851.23 | | 11,553,913.25 |
| Claims and Judgments | | | | | | | | | | | | - |
| Other Operating Expenses | 382,229.95 | 699,033.88 | | 1,807,818.35 | 1,537,098.19 | 2,484,015.07 | (252,727.51) | 1,504,007.38 | 86,067.87 | 2,317,366.43 | | 10,564,909.61 |
| Total Operating Expenses | \$ 45,367,409.27 | \$ 3,142,936.92 | \$ - | \$ 14,956,338.32 | \$ 20,813,211.35 | \$ 12,774,250.83 | \$ 8,737,379.38 | \$ 12,467,051.23 | \$ 10,970,274.33 | \$ 25,332,746.54 | \$ 6,235,712.45 | \$ 160,797,310.62 |

* Depreciation and Amortization may be allocated to the various functions or shown entirely in the Depreciation and Amortization column

| | <u>Total</u> |
|---|--|
| Cash Flows from Operating Activities | |
| Receipts from Customers | |
| Proceeds from Tuition and Fees | \$ 66,335,819.65 |
| Proceeds from Research Grants and Contracts | 26,419,507.26 |
| Proceeds from Gifts | |
| Proceeds from Loan Programs | 4,393,534.29 |
| Proceeds from Auxiliaries | 23,212,711.01 |
| Proceeds from Other Revenues | 9,217,616.82 |
| Payments to Suppliers for Goods and Services | (59,454,221.13) |
| Payments to Employees for Salaries | (77,544,943.64) |
| Payments to Employees for Benefits | (18,782,857.83) |
| Payments for Loans Provided | (4,632,299.66) |
| Payments for Other Expenses | |
| | <u>Net Cash Provided by Operating Activities</u> |
| | <u>\$ (30,835,133.23)</u> |
| Cash Flows from Noncapital Financing Activities | |
| Proceeds from Debt Issuance | |
| Proceeds from State Appropriations | \$ 47,843,310.65 |
| Proceeds from Gifts | 6,968,821.53 |
| 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 Activities | |
| 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 | 14,647,100.94 |
| | <u>Net Cash Provided by Noncapital Financing Activities</u> |
| | <u>\$ 69,459,233.12</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 | |
| Proceeds from Capital Contributions | |
| Proceeds from Advances from Other Funds | |
| Payments for Additions to Capital Assets | \$ (18,961,766.54) |
| Payments of Principal on Debt | (7,766,696.21) |
| Payments for Capital Lease | |
| Payments of Interest on Debt Issuance | |
| Payments of Other Costs of Debt Issuance | |
| | <u>Net Cash Provided by Capital and Related Financing Activities</u> |
| | <u>\$ (26,728,462.75)</u> |

Sam Houston State University
Statement of Cash Flows
For the Fiscal Year Ended August 31, 2006

UNAUDITED

| | <u>Total</u> |
|--|---------------------------|
| Cash Flows from Investing Activities | |
| Proceeds from Sales of Investments | \$ 1,377,495.80 |
| Proceeds from Interest Income | 3,656,047.14 |
| Proceeds from Investment Income | 1,942,794.50 |
| Proceeds from Principal Payments on Loans | |
| Payments to Acquire Investments | <u>(35,488,654.35)</u> |
| Net Cash Provided by Investing Activities | <u>\$ (28,512,316.91)</u> |
| | |
| Net Increase (Decrease) in Cash and Cash Equivalents | \$ (16,616,679.77) |
| Cash and Cash Equivalents, September 1, 2005 | 99,854,453.64 |
| Changes in Accounting Principal | |
| Changes in Reporting Entity | |
| Restatements to Beginning Cash and Cash Equivalents | |
| Cash and Cash Equivalents, September 1, 2005 - Restated | <u>\$ 99,854,453.64</u> |
| Cash and Cash Equivalents, August 31, 2006 | <u>\$ 83,237,773.87</u> |
| | |
| Reconciliation of Operating Income to Net Cash Provided by Operating Activities | |
| Operating Income (Loss) | \$ (39,234,536.10) |
| Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities: | |
| Amortization and Depreciation | 6,235,712.45 |
| Bad Debt Expense | (285,128.66) |
| Operating Income and Cash Flow Categories: | |
| Classification Differences | |
| Changes in Assets and Liabilities: | |
| (Increase) Decrease in Receivables | (930,261.60) |
| Increase (Decrease) in Due from Other Funds | |
| (Increase) Decrease in Inventories | 38,408.78 |
| (Increase) Decrease in Prepaid Expenses | (661,392.58) |
| (Increase) Decrease in Notes Receivable | (239,589.95) |
| (Increase) Decrease in Loans & Contracts | |
| (Increase) Decrease in Other Assets | |
| (Increase) Decrease in State Appropriations | |
| Increase (Decrease) in Payables | (870,532.48) |
| Increase (Decrease) in Deposits | 7,697.28 |
| Increase (Decrease) in Due to Other Funds | |
| Increase (Decrease) in Deferred Income | 4,831,397.78 |
| Increase (Decrease) in Compensated Absence Liability | 273,091.85 |
| Increase (Decrease) in Benefits Payable | |
| Increase (Decrease) in Other Liabilities | |
| Total Adjustments | <u>\$ 8,399,402.87</u> |
| Net Cash Provided by Operating Activities | <u>\$ (30,835,133.23)</u> |
| | |
| Non Cash Transactions | |
| Donation of Capital Assets | |
| Net Change in Fair Value of Investments | \$ 1,276,271.98 |
| 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, 2006

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 listed 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.

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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 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.

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3. For real estate, mortgages, venture capital, limited partnerships, and future and 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.

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Employees' Compensable Leave Balances

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

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Unrestricted Net Assets

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

INTERFUND TRANSACTIONS AND BALANCES

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, 2006, there were no outstanding interfund receivables or payables.
The composition of the agency's Interfund activities and balances are presented in Note 8.

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Note 2: Capital Assets

A summary of changes in Capital Assets for the year ended August 31, 2006 is presented below:

| | Balance 09/01/05 | Adjustments | Reclassification Construction in Progress | Reclassif- ication Transfers In | Additions | Deletions | Balance 08/31/06 |
|---|--------------------------|-----------------------|---|--|-------------------------|-----------------------|--------------------------|
| Business-Type Activities: | | | | | | | |
| Non-Depreciable Assets | | | | | | | |
| Land & Improvements | \$ 12,456,614.66 | | \$ 127,575.68 | | \$ 4,995.00 | \$ (11,531.25) | \$ 12,577,654.09 |
| Construction in Progress | 69,217,535.05 | (3,965.13) | (13,730,456.97) | | 23,806,551.16 | | 79,289,664.11 |
| Other Capital Assets | 759,903.50 | | | | | | 759,903.50 |
| Total non-depreciable assets | 82,434,053.21 | (3,965.13) | (13,602,881.29) | 0.00 | 23,811,546.16 | (11,531.25) | 92,627,221.70 |
| Depreciable Assets: | | | | | | | |
| Buildings & Improvements | 177,983,746.27 | | 13,070,226.44 | | | | 191,053,972.71 |
| Infrastructure | 9,023,977.71 | | | | | | 9,023,977.71 |
| Facilities & Other Improvements | 14,295,682.24 | | 480,626.00 | | | | 14,776,308.24 |
| Furniture & Equipment | 14,986,997.41 | (7,850.00) | 52,028.85 | | 1,917,221.19 | (500,524.97) | 16,447,872.48 |
| Vehicles, Boats & Aircraft | 2,227,109.90 | | | | 108,540.00 | (154,593.19) | 2,181,056.71 |
| Other Capital Assets | 8,909,665.23 | (38,563.07) | | | 452,356.80 | | 9,323,458.96 |
| Total Depreciable Assets - Historical Costs: | 227,427,178.76 | (46,413.07) | 13,602,881.29 | 0.00 | 2,478,117.99 | (655,118.16) | 242,806,646.81 |
| Less Accumulated Depreciation for: | | | | | | | |
| Buildings & Improvements | (123,113,569.44) | | | | (4,157,316.22) | | (127,270,885.66) |
| Infrastructure | (2,776,608.00) | | | | (347,076.00) | | (3,123,684.00) |
| Facilities & Other Improvements | (3,096,180.47) | | | | (444,620.91) | | (3,540,801.38) |
| Furniture & Equipment | (10,207,925.83) | 196.23 | | | (1,434,328.77) | 452,319.05 | (11,189,739.32) |
| Vehicles, Boats & Aircraft | (1,621,900.86) | | | | (156,808.60) | 154,593.19 | (1,624,116.27) |
| Other Capital Assets | (6,057,450.71) | | | | (302,670.42) | | (6,360,121.13) |
| Total Accumulated Depreciation | (146,873,635.31) | 196.23 | 0.00 | 0.00 | (6,842,820.92) | 606,912.24 | (153,109,347.76) |
| Depreciable Assets, Net | 80,553,543.45 | (46,216.84) | 13,602,881.29 | 0.00 | (4,364,702.93) | (48,205.92) | 89,697,299.05 |
| Business-Type Activities Capital Assets, Net | \$ 162,987,596.66 | \$ (50,181.97) | \$ 0.00 | \$ 0.00 | \$ 19,446,843.23 | \$ (59,737.17) | \$ 182,324,520.75 |

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

Note 3: Deposits, Investments & Repurchase Agreements

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, 2006, the carrying amount of deposits was \$4,058,807.91 as presented below.

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| | |
|--|-----------------|
| Governmental and Business-Type Activities | |
| CASH IN BANK – CARRYING VALUE | \$ 4,058,807.91 |
| 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 | \$ 4,058,807.91 |
| 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 | 2,492,246.54 |
| Proprietary Funds Current Assets Restricted Cash in Bank | 987,133.27 |
| Proprietary Funds Non-Current Restricted Cash in Bank | 579,428.10 |
| Cash in Bank per AFR | \$ 4,058,807.91 |

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, 2006, the total bank balance was as follows.

| | | | | | |
|---|----------------|-----------------|--|--------------------------|--|
| Governmental and Business-Type Activities | \$7,247,931.48 | 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, 2006, 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, 2006.

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:

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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, 2006, the carrying value and fair value of investments are as presented below.

| | Carrying Value | Fair Value |
|---|---------------------------|--------------------------|
| Governmental and Business-Type Activities | | |
| 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 | | \$59,029,119.40 |
| Other Commingled Funds | | 323,068.13 |
| Other Commingled Funds (Texpool) | | 50,896,792.76 |
| 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) | | |
| Total | | \$ 110,539,900.29 |

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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, 2006, 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, 2006 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, 2006, Sam Houston State University was not subject to credit risk.

Concentration of credit risk is the risk of loss attributable to the magnitude of investment in a single 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, 2006, 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 2006.

Note 4: Short-Term Debt

None.

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Note 5: Summary of Long Term Liabilities

CHANGES IN LONG-TERM LIABILITIES

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

| BUSINESS-TYPE ACTIVITIES | Balance 09/01/05 | Additions | Reductions | Balance 08/31/06 | Amounts Due Within One Year |
|---|-----------------------|----------------------|---------------------|-----------------------|--------------------------------|
| Compensable Leave | \$ 2,435,531.06 | 273,091.85 | 0.00 | \$2,708,622.91 | \$ 1,724,962.04 |
| Other Non-current Liabilities | 1,481,756.05 | | 121,312.00 | 1,360,444. 05 | 0.00 |
| TOTAL BUSINESS-TYPE ACTIVITIES | \$3,917,287.11 | \$ 273,091.85 | \$121,312.00 | \$4,069,066.96 | \$ 1,724,962.04 |

NOTES AND LOANS PAYABLE

None.

CLAIMS & JUDGEMENTS

At August 31, 2006, 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 eight to twenty-one hours per month depending on the 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, 2006, the accrued liability totaled \$ 2,708,622.91 .

The University made lump sum payments totaling \$213,689.38 for accrued vacation and/or compensatory time to employees who separated from state service during fiscal year ending August 31, 2006.

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.

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Note 6: Capital Leases

Sam Houston State University had no capital leases as of August 31, 2006.

Note 7: Operating Lease Obligations

Future minimum lease rental payments under noncancellable operating leases having an initial term in excess of one year as of August 31, 2006 are:

| <u>Fiscal Year</u> | <u>Minimum Future Lease Payments</u> |
|--|--------------------------------------|
| 2007 | 20,997.48 |
| 2008 | 20,997.48 |
| 2009 | 20,997.48 |
| 2010 | 20,997.48 |
| 2011 | <u>13,998.32</u> |
| Total Minimum Future Lease Rental Payments | <u>\$97,988.24</u> |

Note 8: Interfund Balances/Activities

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

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 2006.

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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, 2006, follows:

| Current Portion | Current Interfund Receivable | Current Interfund Payable | Purpose (Disclosure required) |
|------------------------------------|-------------------------------------|----------------------------------|--------------------------------------|
| GENERAL (01) | | | |
| Total Interfund Receivable/Payable | | | |

| Non-Current Portion | Non-Current Interfund Receivable | Non-Current Interfund Payable | Purpose (Disclosure required) |
|--|---|--------------------------------------|--------------------------------------|
| 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) | | | |
| Total Interfund Receivable/Payable | -0- | -0- | -0- |

| | Due From Other Agencies | Due to Other Agencies | Source |
|---|--------------------------------|------------------------------|---------------|
| GENERAL (01) | | | |
| Appd Fund 0001, D23 Fund 0001 (Agency 781, D23 Fund 0001) | \$ 146,855.55 | | Federal P-T |
| Federal Pass Throughs | | | |
| (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 756, D23 Fund 7999) | \$ 134,780.67 | | Federal P-T |
| State Pass Throughs | | | |
| (Agency 754, D23 Fund 7999) | \$ 222,078.79 | | State P-T |
| (Agency 754, D23 Fund 7999) | | \$ 18,509.58 | State P-T |
| (Agency 758, D23 Fund 7999) | | \$ 5,542.94 | N/A |

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| | | | |
|---|----------------------|---------------------|-----|
| SPECIAL REVENUE (02) | | | |
| Appd Fund 9999, D23 Fund 9999 | | | |
| (Agency 601, D23 Fund 5015) | \$ 9,711.00 | | N/A |
| TOTAL DUE TO AND FROM OTHER STATE AGENCIES | \$ 759,199.70 | \$ 24,052.52 | |

Legislative transfers in and out were as follows:

| | Legislative Transfers In | Legislative Transfers Out |
|--------------------------------------|--------------------------|---------------------------|
| GENERAL REVENUE (01) | | |
| Appd Fund 0001, D23 Fund 0001 | | |
| (Agency 758, D23 Fund 0001) | | \$ 2,072,987.86 |
| Total Legislative Transfers | \$ 0.00 | \$ 2,072,987.86 |

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.

Note 9: Contingent Liabilities

At August 31, 2006, 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.

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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, 2006.

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, 77th 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 2005 was \$236,639.91. The assessment for SHSU for FY 2007 was \$237,890.91.

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 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, 2006.

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.

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Note 12: Segment Information

Not applicable.

Note 13: Bonded Indebtedness

All bonded indebtedness for Sam Houston State University is issued by System Administration through the Texas State University System Revenue Financing System. System Administration and each component institution within the System are members of the Revenue Financing System. The Board of Regents pledged all of the funds (revenues) and balances derived or attributable to any member of the Revenue Financing System that is lawfully available to the Board for payments on Parity Debt.

System Administration issues the debt; therefore, the bonds payable attributable to the University are included with the Bonds Payable reported by System Administration. The University must repay the debt that was issued on its behalf; consequently, the following debt amortization schedule is presented for informational purposes, only:

DEBT SERVICE REQUIREMENTS ATTRIBUTABLE
TO SAM HOUSTON STATE UNIVERSITY

| DESCRIPTION | YEAR | PRINCIPAL | INTEREST | TOTAL |
|-------------|-----------|--------------|--------------|---------------|
| All issues | 2007 | \$4,215,304 | \$4,341,557 | \$8,556,861 |
| | 2008 | 4,372,376 | 4,163,995 | 8,536,371 |
| | 2009 | 4,569,686 | 3,959,824 | 8,529,510 |
| | 2010 | 4,783,117 | 3,749,190 | 8,532,307 |
| | 2011 | 5,006,814 | 3,524,530 | 8,531,344 |
| | 2012-2016 | 27,005,369 | 13,963,730 | 40,969,099 |
| | 2017-2021 | 29,911,353 | 6,945,022 | 36,856,375 |
| | 2022-2026 | 11,586,250 | 1,071,090 | 12,657,340 |
| TOTALS | | \$91,450,269 | \$41,718,938 | \$133,169,207 |

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A portion of the debt represents Tuition Revenue Bonds that the Legislature has historically provided General Revenue Appropriations to meet the debt service requirements. The University was appropriated \$2,080,339 during the current fiscal year for the debt service. The University expects future Legislative appropriations to meet the debt service for Tuition Revenue Bonds.

Note 14: Subsequent Events

None

Note 15: Related Parties

None

Note 16: Stewardship, Compliance and Accountability

No material issues were noted.

Note 17: The Financial Reporting Entity and Joint Ventures

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 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 were made to the University from the Sam Houston Foundation for fiscal year 2006 of \$11,000.00 to Restricted Funds and \$50,000.00 to Endowment 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.

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The Lettermen's Association's funds are carried on the University's books, and comprise \$16,060.03 of 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. A gift was made to the University from the Lettermen's Associations for fiscal year 2006 of \$6,000 to Restricted Funds.

Note 18: Restatement of Fund Balances/Net Assets

None.

Note 19: Employees Retirement Plans

Not Used.

Note 20: Deferred Compensation

Not Used.

Note 21: Donor Restricted Endowments

| <u>Donor- Restricted Endowment</u> | <u>Amounts Of Net Appreciation</u> | <u>Reported in Net Assets</u> |
|--|--|-----------------------------------|
| True Endowments | \$4,967,220.73 | 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 \$30 million academic building, a \$35 million performing arts center, a \$1 million recreation area and a \$7 million university dining facility.

A significant increase, 187% 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 \$70 in FY06. 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. Designated tuition is planned at \$89 for the Fall '07 Semester. Additional scholarship funds to be generated from a percentage of the designated funds collected each semester were provided by the legislation.

Note 23: Post Employment Health Care and Life Insurance Benefits

Not Used.

Note 24: Special or Extraordinary Items

None.

Note 25: Disaggregation of Receivable and Payable Balances

Sam Houston State University had the following aggregate receivable and payable balances as of August 31, 2006:

UNAUDITED

A. Federal Receivables

| | |
|--------------------------------|------------------------|
| <u>Federal Receivable</u> | |
| Instructional and Departmental | \$ 153,126.12 |
| Research | 440,382.91 |
| Public Service | 872,044.97 |
| Scholarships and Fellowships | <u>162,993.65</u> |
| Total Net Federal Receivable | <u>\$ 1,628,547.65</u> |

As Reported on the Financial Statements

| | |
|--------------------------------|------------------------|
| Current Federal Receivable | \$ 1,628,547.65 |
| Non-Current Federal Receivable | <u>0.00</u> |
| Total Net Federal Receivable | <u>\$ 1,628,547.65</u> |

B. Other Payables - Non-Current

The amount shown on the Statement of Net Assets for "Other Non-Current Liabilities," consists of the following:

| <u>Type</u> | <u>Amount</u> |
|--|------------------------|
| U.S. Government Grants Refundable (Perkins/NDSL) | \$ 678,411.34 |
| Student Deposit Payables | <u>682,032.71</u> |
| Total | <u>\$ 1,360,444.05</u> |

Note 26: Termination Benefits

None.

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SAM HOUSTON STATE UNIVERSITY
SCHEDULE 1A
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended August 31, 2006

| Federal Grantor/Pass Through Grantor/ Program Title | CFDA Number | Identifying # | Pass Through From | | | Direct Program Amount |
|--|----------------|---------------------------|--------------------|---------------------------|-------------------------|-----------------------------|
| | | | Agy/ Univ. # | Agency or Univ. Amount | Non-State Agy Amount | |
| U.S. Department of Housing and Urban Development | | | | | | |
| Direct Programs: | | | | | | |
| Community Development Block Grants/Economic Development Initiative | 14.246 | | | \$ - | \$ - | \$ 230.45 |
| Totals - U.S. Department of Housing and Urban Development | | | | \$ - | \$ - | \$ 230.45 |
| U.S. Department of Justice | | | | | | |
| <i>Office of Community Oriented Policing Services</i> | | | | | | |
| Direct Programs: | | | | | | |
| Public Safety and Community Policing Grants | 16.710 | | | \$ - | \$ - | \$ 362,547.20 |
| Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program | 16.580 | | | - | - | 187,736.63 |
| Police Corps | 16.712 | | | - | - | 66,505.61 |
| International Law Enforcement Association | 16.000 | S-INLEC-01-CA-0002 | | - | 355,397.41 | - |
| <i>Pass-Through From:</i> | | | | | | |
| New Mexico Institute of Mining & Technology | | | | | | |
| Public Safety and Community Policing Grants | 16.710 | 2004-CK-WX-K014 COPS DNA | | - | - | 139,126.97 |
| Public Safety and Community Policing Grants | 16.710 | 2004-CK-WX-0288 COPS Tech | | - | - | 597,335.03 |
| Digital Forensic Training | 16.000 | 2005-DD-BS-1127 | | - | - | 5,000.00 |
| Preserving Digital Evidence | 16.000 | 2005-DD-BX-1235 | | - | - | 20,868.25 |
| Forensic Crime Lab Census | 16.000 | 2006-BJ-CX-K005 | | - | - | 118,551.42 |
| Public Safety and Community Policing Grants | 16.710 | 92834 | | - | 44,964.13 | - |
| <i>Pass-Through From:</i> | | | | | | |
| University of Tennessee | | | | | | |
| | | | | | - | - |
| Totals - U.S. Department of Justice | | | | \$ - | \$ 400,361.54 | \$ 1,497,671.11 |
| General Services Administration | | | | | | |
| <i>Pass-Through From:</i> | | | | | | |
| Donation of Federal Personal Property (Non-monetary) | 39.003 | | | \$ - | \$ - | \$ - |
| <i>Pass-Through From:</i> | | | | | | |
| Building & Procurement Commission | | | 303 | 1,265.07 | - | \$ - |
| Totals - General Services Administration | | | | \$ 1,265.07 | \$ - | \$ - |
| National Science Foundation | | | | | | |
| Direct Programs: | | | | | | |
| Biological Sciences | 47.074 | | | \$ - | \$ - | \$ 123,122.62 |
| Education and Human Resources | 47.076 | 60952 | | - | 6,847.86 | \$ - |
| Totals - National Science Foundation | | | | \$ - | \$ 6,847.86 | \$ 123,122.62 |
| Small Business Administration | | | | | | |
| <i>Pass-Through From:</i> | | | | | | |
| Small Business Development Center | 59.037 | | | \$ - | \$ - | \$ - |
| <i>Pass-Through From:</i> | | | | | | |
| University of Houston | | | 730 | 126,675.43 | - | - |
| Totals - U.S. Small Business Administration | | | | \$ 126,675.43 | \$ - | \$ - |
| U.S. Department of Education | | | | | | |
| <i>Pass-Through From:</i> | | | | | | |

UNAUDITED

| Total Pass-Thru From & Direct Program | Pass-Through To | | | Expenditures | Pass-Thru To & Expenditures |
|---------------------------------------|-----------------|--------------------------|-----------------------|------------------------|-----------------------------|
| | Agency Univ # | State Agy. Or Univ. Amt. | Non-State Entity Amt. | | |
| \$ 230.45 | \$ - | \$ - | \$ - | \$ 230.45 | \$ 230.45 |
| <u>\$ 230.45</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 230.45</u> | <u>\$ 230.45</u> |
| \$ 362,547.20 | \$ - | \$ - | \$ - | \$ 362,547.20 | \$ 362,547.20 |
| 187,736.63 | | | | 187,736.63 | 187,736.63 |
| 66,505.61 | | - | - | 66,505.61 | 66,505.61 |
| 355,397.41 | | - | - | 355,397.41 | 355,397.41 |
| | | | | - | - |
| 139,126.97 | | - | - | 139,126.97 | 139,126.97 |
| 597,335.03 | | - | - | 597,335.03 | 597,335.03 |
| 5,000.00 | | - | - | 5,000.00 | 5,000.00 |
| 20,868.25 | | - | - | 20,868.25 | 20,868.25 |
| 118,551.42 | | - | - | 118,551.42 | 118,551.42 |
| 44,964.13 | | - | - | 44,964.13 | 44,964.13 |
| - | | - | - | - | - |
| <u>\$ 1,898,032.65</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,898,032.65</u> | <u>\$ 1,898,032.65</u> |
| \$ 1,265.07 | \$ - | \$ - | \$ - | \$ 1,265.07 | \$ 1,265.07 |
| - | | - | - | - | - |
| <u>\$ 1,265.07</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,265.07</u> | <u>\$ 1,265.07</u> |
| \$ 123,122.62 | \$ - | \$ - | \$ - | \$ 123,122.62 | \$ 123,122.62 |
| 6,847.86 | | - | - | 6,847.86 | 6,847.86 |
| <u>\$ 129,970.48</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 129,970.48</u> | <u>\$ 129,970.48</u> |
| \$ 126,675.43 | \$ - | \$ - | \$ - | \$ 126,675.43 | \$ 126,675.43 |
| - | | - | - | - | - |
| <u>\$ 126,675.43</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 126,675.43</u> | <u>\$ 126,675.43</u> |

SAM HOUSTON STATE UNIVERSITY
SCHEDULE 1A
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended August 31, 2006

| Federal Grantor/Pass Through Grantor/ Program Title | CFDA Number | Identifying # | Pass Through From | | | Direct Program Amount |
|--|----------------|------------------|--------------------|---------------------------|-------------------------|-----------------------------|
| | | | Agy/ Univ. # | Agency or Univ. Amount | Non-State Agy Amount | |
| Teacher Quality Enhancement Grants | 84.336 | | | \$ - | \$ - | \$ - |
| <i>Pass-Through From:</i> | | | | | | |
| <i>Texas Higher Education Coordinating Board</i> | | | 781 | 88,821.04 | - | - |
| Eisenhower Professional Development State Grants | 84.281 | | | | - | - |
| <i>Pass-Through From:</i> | | | | | | |
| <i>Texas Higher Education Coordinating Board</i> | | | 781 | 285.08 | - | - |
| Vocational Education - Basic Grants to States | 84.048 | | | | - | - |
| <i>Pass-Through From:</i> | | | | | | |
| <i>Texas Education Agency</i> | | | 701 | (775.98) | - | - |
| Direct Programs: | | | | | | |
| Bilingual Education Program - Personnel Training | 84.195 | | | - | - | 317,911.07 |
| Special Education - Personnel Preparation to Improve Services and Results for Children With Disabilities | 84.325 | | | - | - | 168,843.52 |
| Passed through From Region V Service Center History Collaboration | 84.000 | A482 | | - | 14,209.12 | - |
| Passed through From Region VI Service Center Funds for the Improvement of Education | 84.215 | A483 | | - | 107,689.64 | - |
| Passed through From Region V Service Center Extreme Makeover | 84.000 | A484 | | - | 54,193.17 | - |
| Totals - U.S. Department of Education | | | | \$ 88,330.14 | \$ 176,091.93 | \$ 486,754.59 |
| U.S. Department of Health and Human Services | | | | | | |
| Direct Programs: | | | | | | |
| Mentoring Prisoners of Children | 93.616 | | | \$ - | \$ - | \$ 68,483.23 |
| Allergy, Immunology and Transplantation Research | 93.855 | 1-R15A1067305-01 | | - | - | 9,326.65 |
| Totals - U.S. Department of Health and Human Services | | | | \$ - | \$ - | \$ 77,809.88 |
| <u>Highway Safety Cluster</u> | | | | | | |
| U.S. Department of Transportation | | | | | | |
| <i>Pass-Through From:</i> | | | | | | |
| State and Community Highway Safety | 20.600 | | | \$ - | \$ - | \$ - |
| <i>Pass-Through From:</i> | | | | | | |
| <i>Texas Department of Transportation</i> | | | 601 | 277,521.09 | - | - |
| Totals - U.S. Department of Transportation | | | | \$ 277,521.09 | \$ - | \$ - |
| <u>Research and Development (R&D) Cluster</u> | | | | | | |
| U.S. Department of Agriculture | | | | | | |
| <i>Pass-Through From:</i> | | | | | | |
| Grants for Agricultural Research, Special Research Grants | 10.200 | | | \$ - | \$ - | \$ - |
| <i>Pass-Through From:</i> | | | | | | |
| <i>Sul Ross State University (TSUS)</i> | | | 756 | 151,329.55 | - | - |
| Direct Programs: | | | | | | |
| Grants for Agricultural Research, Special Research Grants | 10.200 | | | - | - | 157,204.80 |
| Forest Health Protection | 10.680 | | | - | - | 8,696.76 |
| Forestry Research | 10.652 | | | - | - | 350.00 |

UNAUDITED

| Total Pass- Thru From & Direct Program | Pass-Through To | | | Expenditures | Pass-Thru To & Expenditures |
|--|------------------|-----------------------------|--------------------------|----------------------|-----------------------------------|
| | Agency Univ # | State Agy. Or Univ. Amt. | Non-State Entity Amt. | | |
| \$ 88,821.04 | \$ - | \$ - | \$ - | \$ 88,821.04 | \$ 88,821.04 |
| - | - | - | - | - | - |
| 285.08 | - | - | - | 285.08 | 285.08 |
| - | - | - | - | - | - |
| (775.98) | - | - | - | (775.98) | (775.98) |
| - | - | - | - | - | - |
| 317,911.07 | - | - | - | 317,911.07 | 317,911.07 |
| 168,843.52 | - | - | - | 168,843.52 | 168,843.52 |
| 14,209.12 | - | - | - | 14,209.12 | 14,209.12 |
| 107,689.64 | - | - | - | 107,689.64 | 107,689.64 |
| 54,193.17 | - | - | - | 54,193.17 | 54,193.17 |
| <u>\$ 751,176.66</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 751,176.66</u> | <u>\$ 751,176.66</u> |
| \$ 68,483.23 | \$ - | \$ - | \$ - | \$ 68,483.23 | \$ 68,483.23 |
| 9,326.65 | - | - | - | 9,326.65 | 9,326.65 |
| <u>\$ 77,809.88</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 77,809.88</u> | <u>\$ 77,809.88</u> |
| \$ 277,521.09 | \$ - | \$ - | \$ - | \$ 277,521.09 | \$ 277,521.09 |
| - | - | - | - | - | - |
| <u>\$ 277,521.09</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 277,521.09</u> | <u>\$ 277,521.09</u> |
| \$ 151,329.55 | \$ - | \$ - | \$ - | \$ 151,329.55 | \$ 151,329.55 |
| - | - | - | - | - | - |
| 157,204.80 | - | - | - | 157,204.80 | 157,204.80 |
| 8,696.76 | - | - | - | 8,696.76 | 8,696.76 |
| 350.00 | - | - | - | 350.00 | 350.00 |

SAM HOUSTON STATE UNIVERSITY
SCHEDULE 1A
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended August 31, 2006

| Federal Grantor/Pass Through Grantor/ Program Title | CFDA Number | Identifying # | Pass Through From | | | Direct Program Amount |
|--|----------------|---------------------|--------------------|---------------------------|-------------------------|-----------------------------|
| | | | Agy/ Univ. # | Agency or Univ. Amount | Non-State Agy Amount | |
| Agricultural and Rural Economic Research | 10.250 | | | - | - | 21,466.42 |
| Totals - U.S. Department of Agriculture | | | | \$ 151,329.55 | \$ - | \$ 187,717.98 |
| U.S. Department of Defense | | | | | | |
| Direct Programs: | | | | | | |
| Air Force Defense Reseach Sciences Program | 12.800 | | | \$ - | \$ - | \$ 478,832.98 |
| <i>Pass-Through To:</i> | | | | | | |
| <i>Texas State University - San Marcos (TSUS)</i> | | | | - | - | - |
| Fort Hood Watershed Study & WIAR continuation | 12.000 | DACA42-01-C-0012 | | - | - | 19,766.85 |
| TRIES - Holloman AFB Project | 12.000 | DACA42-02-C-0009 | | - | - | 10,137.42 |
| ISC Navy Contract | 12.000 | N00167-06-C-0007 | | - | - | 73,911.10 |
| Basic and Applied Scientific Research | 12.300 | USACERL | | - | - | 62,274.96 |
| Totals - U.S. Department of Defense | | | | \$ - | \$ - | \$ 644,923.31 |
| U.S. Department of Justice | | | | | | |
| Direct Programs: | | | | | | |
| Community Prosecution and Project Safe Neighborhood | 16.609 | | | \$ - | \$ - | \$ 755,345.59 |
| <i>Pass-Through To:</i> | | | | | | |
| <i>Attorney General</i> | | | | - | - | - |
| National Institute of Justice Research, Evaluation, and Development Project Grants | 16.609 | | | - | - | 347,823.53 |
| <i>Pass-Through To:</i> | | | | | | |
| <i>Texas State University - San Marcos (TSUS)</i> | | | | - | - | - |
| Major Drug Squad Initiative - HIDTA | | I1PHNP522 | | - | - | 327.23 |
| Major Drug Squad Initiative - HIDTA | | I2PHNP522 | | - | - | 436.68 |
| Major Drug Squad Initiative - HIDTA | | 13PHNP522 | | - | - | 463.57 |
| Major Drug Squad Initiative - HIDTA | | 14PHNP522Z | | - | - | 29,296.86 |
| Major Drug Squad Initiative - HIDTA | | 14PHNP522Z-FBI 2005 | | - | - | 1,830.00 |
| Major Drug Squad Initiative - HIDTA | | 15PHNP522Z | | - | - | 1,115,257.32 |
| Major Drug Squad Initiative - HIDTA | | 16PHNP522Z | | - | - | 8,305.19 |
| Totals - U.S. Department of Justice | | | | \$ - | \$ - | \$ 2,259,085.97 |
| National Science Foundation | | | | | | |
| Passed through from California State University Northridge Mathematical and Physical Sciences | 47.049 | F-02-1545-1.0 | | \$ - | \$ 36,395.22 | \$ - |
| Totals - National Science Foundation | | | | \$ - | \$ 36,395.22 | \$ - |
| Environmental Protection Agency | | | | | | |
| Direct Programs: | | | | | | |
| Environmental Protection Consolidated Research | 66.500 | | | \$ - | \$ - | \$ 387,021.36 |
| Totals - Environmental Protection Agency | | | | \$ - | \$ - | \$ 387,021.36 |
| U.S. Department of Education | | | | | | |

UNAUDITED

| Total Pass-Thru From & Direct Program | Pass-Through To | | | Expenditures | Pass-Thru To & Expenditures |
|---------------------------------------|-----------------|--------------------------|-----------------------|------------------------|-----------------------------|
| | Agency Univ # | State Agy. Or Univ. Amt. | Non-State Entity Amt. | | |
| 21,466.42 | | - | - | 21,466.42 | 21,466.42 |
| <u>\$ 339,047.53</u> | | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 339,047.53</u> | <u>\$ 339,047.53</u> |
| | | | | | |
| \$ 478,832.98 | | \$ - | \$ - | \$ 358,832.98 | \$ 478,832.98 |
| - | 754 | 120,000.00 | - | - | \$ - |
| 19,766.85 | | | | 19,766.85 | 19,766.85 |
| 10,137.42 | | - | - | 10,137.42 | 10,137.42 |
| 73,911.10 | | - | - | 73,911.10 | 73,911.10 |
| 62,274.96 | | - | - | 62,274.96 | 62,274.96 |
| <u>\$ 644,923.31</u> | | <u>\$ 120,000.00</u> | <u>\$ -</u> | <u>\$ 524,923.31</u> | <u>\$ 644,923.31</u> |
| | | | | | |
| \$ 755,345.59 | | \$ - | \$ - | \$ 740,022.73 | \$ 755,345.59 |
| - | 302 | 15,322.86 | - | - | \$ - |
| 347,823.53 | | - | - | 97,823.53 | 347,823.53 |
| - | 754 | 250,000.00 | - | - | \$ - |
| 327.23 | | - | - | 327.23 | 327.23 |
| 436.68 | | - | - | 436.68 | 436.68 |
| 463.57 | | - | - | 463.57 | 463.57 |
| 29,296.86 | | - | - | 29,296.86 | 29,296.86 |
| 1,830.00 | | - | - | 1,830.00 | 1,830.00 |
| 1,115,257.32 | | - | - | 1,115,257.32 | 1,115,257.32 |
| 8,305.19 | | - | - | 8,305.19 | 8,305.19 |
| <u>\$ 2,259,085.97</u> | | <u>\$ 265,322.86</u> | <u>\$ -</u> | <u>\$ 1,993,763.11</u> | <u>\$ 2,259,085.97</u> |
| | | | | | |
| \$ 36,395.22 | | \$ - | \$ - | \$ 36,395.22 | \$ 36,395.22 |
| <u>\$ 36,395.22</u> | | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 36,395.22</u> | <u>\$ 36,395.22</u> |
| | | | | | |
| \$ 387,021.36 | | \$ - | \$ - | \$ 387,021.36 | \$ 387,021.36 |
| <u>\$ 387,021.36</u> | | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 387,021.36</u> | <u>\$ 387,021.36</u> |

SAM HOUSTON STATE UNIVERSITY
SCHEDULE 1A
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended August 31, 2006

| Federal Grantor/Pass Through Grantor/ Program Title | CFDA Number | Identifying # | Pass Through From | | | Direct Program Amount |
|--|----------------|------------------|--------------------|---------------------------|-------------------------|-----------------------------|
| | | | Agy/ Univ. # | Agency or Univ. Amount | Non-State Agy Amount | |
| Pass-Through From: | | | | | | |
| Improving Teacher Quality State Grants | 84.367 | | | \$ - | \$ - | \$ - |
| <i>Pass-Through From:</i> | | | | | | |
| <i>Texas State University - San Marcos (TSUS)</i> | | | 756 | 5,568.31 | - | - |
| Improving Teacher Quality State Grants | 84.367 | | | - | - | - |
| <i>Pass-Through From:</i> | | | | | | |
| <i>University of Texas at Austin</i> | | | 721 | 25,385.17 | - | - |
| <i>Passed-Through from Texas A&M Research Foundation</i> | | | | | | |
| Education, Research, Development and Dissemination | 84.305 | S040010 | | - | 105,811.72 | - |
| Totals - U.S. Department of Defense | | | | \$ 30,953.48 | \$ 105,811.72 | \$ - |
| <u>Student Financial Assistance Cluster</u> | | | | | | |
| U.S. Department of Education | | | | | | |
| Direct Programs: | | | | | | |
| Federal Pell Grant Program | 84.063 | | | \$ - | \$ - | \$ 10,534,076.60 |
| Supplemental Educational Opportunity Grant | 84.007 | | | - | - | 317,352.75 |
| Federal Perkins Loan Program | 84.038 | | | - | - | 15,709.00 |
| Federal Work Study Program | 84.033 | | | - | - | 286,960.47 |
| Federal Family Education Loan Program | 84.032 | | | - | - | 53,287,599.39 |
| Totals - U.S. Department of Education | | | | \$ - | \$ - | \$ 64,441,698.21 |
| <u>TRIO Cluster</u> | | | | | | |
| U.S. Department of Education | | | | | | |
| Direct Programs: | | | | | | |
| TRIO - Student Support Services | 84.042 | | | \$ - | \$ - | \$ 3,783.14 |
| TRIO - McNair Post Baccalaureate Achievement | 84.217 | | | - | - | 404,075.67 |
| Totals - U.S. Department of Education | | | | \$ - | \$ - | \$ 407,858.81 |
| Total Federal Financial Assistance | | | | \$ 676,074.76 | \$ 725,508.27 | \$ 70,513,894.29 |

UNAUDITED

| Total Pass-Thru From & Direct Program | Pass-Through To | | | Expenditures | Pass-Thru To & Expenditures |
|---------------------------------------|----------------------|--------------------------|-----------------------|-------------------------|-----------------------------|
| | Agency Univ # | State Agy. Or Univ. Amt. | Non-State Entity Amt. | | |
| \$ 5,568.31 | \$ - | \$ - | \$ - | \$ 5,568.31 | \$ 5,568.31 |
| - | - | - | - | - | - |
| 25,385.17 | - | - | - | 25,385.17 | 25,385.17 |
| - | - | - | - | - | - |
| 105,811.72 | - | - | - | 105,811.72 | 105,811.72 |
| <u>\$ 136,765.20</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 136,765.20</u> | <u>\$ 136,765.20</u> |
| | | | | | |
| \$ 10,534,076.60 | \$ - | \$ - | \$ - | \$ 10,534,076.60 | \$ 10,534,076.60 |
| 317,352.75 | - | - | - | 317,352.75 | 317,352.75 |
| 15,709.00 | - | - | - | 15,709.00 | 15,709.00 |
| 286,960.47 | - | - | - | 286,960.47 | 286,960.47 |
| 53,287,599.39 | - | - | - | 53,287,599.39 | 53,287,599.39 |
| <u>\$ 64,441,698.21</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 64,441,698.21</u> | <u>\$ 64,441,698.21</u> |
| | | | | | |
| \$ 3,783.14 | \$ - | \$ - | \$ - | \$ 3,783.14 | \$ 3,783.14 |
| 404,075.67 | - | - | - | 404,075.67 | 404,075.67 |
| <u>\$ 407,858.81</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 407,858.81</u> | <u>\$ 407,858.81</u> |
| <u>\$ 71,915,477.32</u> | <u>\$ 385,322.86</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 71,530,154.46</u> | <u>\$ 71,915,477.32</u> |

Note 1 - Non Monetary Assistance

UNAUDITED

**Federal Surplus Property Program
Texas Building and Procurement Commission**

Pass-Through Amount: \$ 1,265.07 FMV for account #42840
 CFDA Number: 39.003
 Program: Donation of Federal Surplus Personal Property
 Grantor: U.S. General Services Administration

The pass through amount was found by multiplying the "net cost" by .233 (the FMV Factor).

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 - (SRECNA) | \$ 17,936,094.05 |
| Federal Pass-Through Revenue from Other State Agencies (SRECNA) | \$ 674,809.81 |
| Reconciling Items: | |
| Non-monetary Items | |
| Donation of Federal Surplus Personal Property | \$ 1,265.07 |
| New Loans Processed: | |
| Federal Family Education Loan Program | 53,287,599.39 |
| Federal Perkins Loan Program | <u>15,709.00</u> |
| Total Pass Through and Expenditures per Federal Schedule | <u><u>\$ 71,915,477.32</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 | \$ 53,287,599.39 | \$ - | \$ 53,287,599.39 | \$ - |
| 84.038 Federal Perkins Loan Program | <u>15,709.00</u> | <u>-</u> | <u>15,709.00</u> | <u>87,554.52</u> |
| Total Department of Education | <u><u>\$ 53,303,308.39</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 53,303,308.39</u></u> | <u><u>\$ 87,554.52</u></u> |

**SAM HOUSTON STATE UNIVERSITY
SCHEDULE 1B**

UNAUDITED

**SCHEDULE OF STATE GRANT PASS THROUGH FROM/TO STATE AGENCIES
For the Year Ended August 31, 2006**

Pass Through From:

| | |
|---|-------------------------------|
| Texas State University - San Marcos (Agency #754, Fund 7999) Crime Stoppers | \$ 21,028.29 |
| Texas State University - San Marcos (Agency #754, Fund 7999) EPIC MEL | \$ 227,422.50 |
| Texas State University - San Marcos (Agency #754, Fund 7999) No Child Left Behind | \$ 131,053.83 |
| Texas Higher Education Coordinating Board (Agency #781, Fund 001) Texas Grant Program | 5,043,680.26 |
| Texas College Work Study Program | 58,265.00 |
| Advanced Research Program | 70,000.00 |
| Texas Higher Education Coordinating Board (Agency #781, Fund 0106) 5th Year Accounting Scholarship | 18,000.00 |
| Total Pass Through From Other State Agencies: | <u><u>\$ 5,569,449.88</u></u> |

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

UNAUDITED

Schedule Not Used

SAM HOUSTON STATE UNIVERSITY
SCHEDULE 2B
CHANGES IN BOND INDEBTEDNESS
For the Year Ended August 31, 2006

UNAUDITED

Schedule Not Used

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

UNAUDITED

Schedule Not Used

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

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, 2006

UNAUDITED

Schedule Not Used

SAM HOUSTON STATE UNIVERSITY
SCHEDULE 2F
EARLY EXTINGUISHMENT AND REFUNDING
For the Year Ended August 31, 2006

UNAUDITED

Business Type Activities
General Obligation Bonds

Schedule Not Used

Business Type Activities
Revenue Bonds

Schedule Not Used

| Cash in State Treasury | Unrestricted | Restricted | Current Year Total |
|---|-------------------------|-------------------|---------------------------|
| Local Revenue Fund 02XX | \$ 21,134,361.29 | | \$ 21,134,361.29 |
| Departmental Suspense Fund 0900 | | | |
| U.S. Savings Bond Account Fund 0901 | | | |
| Correction Account for Direct Deposit Fund 0980 | | | |
| Direct Deposit Hold - Transmit Account Fund 0979 | | | |
| Texas State University System Special Mineral Fund 0283 | | | |
| Bill Blackwood Law Enforcement Management Institute Fund 0581 | 4,728,451.93 | | 4,728,451.93 |
| Correctional Management Institute and Criminal Justice Center Fund 5083 | 1,599,282.26 | | 1,599,282.26 |
| Total Cash in State Treasury (stmt of Net Assets) | \$ 27,462,095.48 | \$ - | \$ 27,462,095.48 |

**SAM HOUSTON STATE UNIVERSITY
SCHEDULE 4
HIGHER EDUCATION ASSISTANCE FUND
For the Year Ended August 31, 2006**

UNAUDITED

| | <u>Totals</u> |
|-----------------------------------|----------------------------|
| | \$ |
| Balance September 1, 2005 | <u>2,965,447.70</u> |
| REVENUES | |
| Appropriations | <u>6,610,870.00</u> |
| Total Revenues | <u>6,610,870.00</u> |
| EXPENSES | |
| Professional Fees and Services | 11,470.00 |
| Materials and Supplies | 2,386,497.16 |
| Repairs and Maintenance | 432,252.34 |
| Service | 1,897.50 |
| Interest | 2.55 |
| Real Property | 227,056.26 |
| Other Expenses | <u>16,153.00</u> |
| Total Expenses | <u>3,075,328.81</u> |
| | \$ |
| BALANCE AT AUGUST 31, 2006 | <u><u>6,500,988.89</u></u> |