



**ANNUAL  
FINANCIAL  
REPORT**

---

**for the fiscal year ended August 31, 2007**

**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, 2007

Honorable Rick Perry, Governor  
Honorable Susan Combs, State Comptroller  
John O'Brien, Director, Legislative Budget Board  
John Keel, CPA, State Auditor

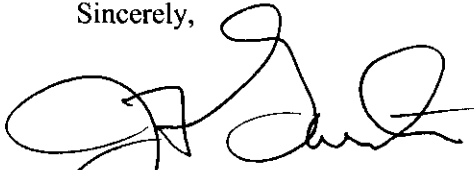
Lady and Gentlemen:

We are pleased to submit the Annual Financial Report of Sam Houston State University for the year ended August 31, 2007, in compliance with TEX.GOV'T CODE ANN §2101.011 and in accordance with the requirements established by the Comptroller of Public Accounts.

Due to the statewide requirements embedded in Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, the Comptroller of Public Accounts does not require the accompanying annual financial report to comply with all 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 (CAFR); 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. Mike Chavarria, Director of Contracts and Grants, may be contacted at (936) 294-1092 for questions related to the Schedule of Expenditures of Federal Awards.

Sincerely,



James F. Gaertner  
President



**UNAUDITED**

**FINANCIAL REPORT**

**SAM HOUSTON STATE UNIVERSITY**

For the Year Ended August 31, 2007

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 .....	7
Statement of Cash Flows .....	8
Notes to the Financial Statements.....	10
<b>Supplemental Supporting Information</b>	
1A Schedule of Expenditures of Federal Awards.....	32
1B Schedule of State Grant Pass-Throughs To/From State Agencies.....	41
2A Miscellaneous Bond Information.....	42
2B Changes in Bonded Indebtedness .....	43
2C Debt Service Requirements.....	44
2D Analysis of Funds Available for Debt Service .....	45
2E Defeased Bonds Outstanding.....	46
2F Early Extinguishment and Refunding.....	47
3 Schedule of Cash and Temporary Investments.....	48
4 Higher Education Assistance Fund.....	49





# Sam Houston State University

*A Member of The Texas State University System*

## BUSINESS OFFICE

November 15, 2007

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, 2007.

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. Mike Chavarria, Director of Contracts and Grants, may be contacted at (936) 294-1092 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

Mike Chavarria, CPA, CRA  
Director  
Contracts & Grants

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

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

Huntsville, Texas 77341-2027 · 936-294-1072 · Fax 936-294-3776 · bus\_eah@shsu.edu





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

August 31, 2007

**OFFICERS**

Bernie C. Francis Acting Chairman

**MEMBERS**

Terms Expire February 1, 2005 Dionicio "Don" Flores	El Paso
Terms Expire February 1, 2008 Magdalena Manzano (Student Regent)	Huntsville
Terms Expire February 1, 2009 Dora G. Alcalá John E. Dudley Bernie C. Francis	Del Rio Comanche Carrollton
Terms Expire February 1, 2011 Ron Blatchley Greg Wilkinson	Bryan Dallas
Term Expires February 1, 2013 Charlie Amato Trisha S. Pollard Michael Truncale	San Antonio Bellaire Beaumont

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, 2007

TYPE OF STUDENT	NUMBER OF STUDENTS BY SEMESTER			
	FALL 2006	SPRING 2007	SUMMER TERM 2007	
			FIRST	SECOND
Texas Residents	11,637	10,520	3,302	2,356
Out of State (Classified as Residents)				
Out of State	236	203	86	50
Foreign	236	235	70	59
Children of Disabled	4	4	2	2
Concurrent Enrollment				
Foster Children of the State	8	4	4	5
Good Neighbor	1	0	0	0
High School Honor Scholarships	19	18	0	0
Hazelwood Act	91	89	52	46
Senior Citizens	1	1	1	1
Commission for the Blind/Deaf	26	22	14	13
Fireman Exempt				
Thesis Only				
Student Service Fees				
Nursing				
Faculty/Staff	1,574	1,584	1,196	1,134
Teaching Assistants	132	133	9	9
Competitive Scholarships	126	147	144	144
Military Personnel	60	89	12	8
Louisiana Adjacent County	1	1	1	1
Mexico Pilot				
National Student Exchange Program	5	5	0	0
New Mexico Adjacent County	3	2	1	1
Texas Tomorrow Waiver	10	7	0	10
Adopted Students	9	7	3	3
Military Dependent	2	2	2	2
Pase				
TANF				
H.B. 877				
Distance Learning	1,777	1,929	1,167	924
Family & Consumer Science Alliance Agreement	2	4	9	1
Hurricane Katrina Waiver.				
Totals	<u>15,960</u>	<u>15,006</u>	<u>6,075</u>	<u>4,769</u>

Enrollment Data (Fall Semester )

	STUDENTS	SEMESTER HOURS
September, 2006	15,960	193,964
September, 2007	16,445	200,661



**UNAUDITED**

**SAM HOUSTON STATE UNIVERSITY**

**PROPRIETARY FUND STATEMENTS**



**Sam Houston State University**  
**Statement of Net Assets**  
**August 31, 2007**

**UNAUDITED**

ASSETS

Current Assets:

Cash and Cash Equivalents	\$	
Cash on Hand		24,350.00
Cash in Bank		1,679,447.73
Cash in Transit/Reimbursement from Treasury		2,813,332.38
Cash in State Treasury		23,959,116.97
Cash Equivalents		50,977,676.52
Securities Lending Collateral		
Short Term Investments		
Restricted:		
Cash and Cash Equivalents		
Cash on Hand		
Cash in Bank		(551,831.71)
Cash in Transit/Reimbursement from Treasury		
Cash in State Treasury		
Cash Equivalents		6,728,662.65
Short Term Investments		
Legislative Appropriations		8,478,829.75
Investments		
Receivables from:		
Federal		4,956,929.15
Other Intergovernmental		
Interest and Dividends		
Accounts Receivable		8,904,585.30
Gifts		
Investment Trades		
Other		
Interfund Receivables		
Due From Other Agencies		596,033.01
Consumable Inventories		
Merchandise Inventories		289,326.21
Deferred Charges		
Loans and Contracts		1,954,469.72
Other Current Assets		13,922,714.36

Total Current Assets	\$	<u>124,733,642.04</u>
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**Sam Houston State University**  
**Statement of Net Assets**  
**August 31, 2007**

**UNAUDITED**

Noncurrent Assets:	
Restricted:	
Cash and Cash Equivalents	\$
Cash on Hand	
Cash in Bank	566,267.31
Cash in Transit/Reimbursement from Treasury	
Cash in State Treasury	
Cash Equivalents	9,115,738.34
Short Term Investments	
Receivables	489,370.87
Investments	62,089,131.13
Loans and Contracts	
Other Assets	
Loans and Contracts	386,591.49
Investments	
Interfund Receivables	
Capital Assets:	
Non-Depreciable:	
Land and Land Improvements	12,894,758.59
Infrastructure	
Construction in Progress	11,919,031.95
Other Capital Assets	759,903.50
Depreciable:	
Buildings and Building Improvements	263,035,863.89
Less Accumulated Depreciation	(132,928,101.51)
Infrastructure	9,023,977.71
Less Accumulated Depreciation	(3,470,760.00)
Facilities and Other Improvements	17,363,516.24
Less Accumulated Depreciation	(4,037,059.35)
Furniture and Equipment	18,489,796.20
Less Accumulated Depreciation	(12,104,808.52)
Vehicles, Boats, and Aircraft	2,419,663.25
Less Accumulated Depreciation	(1,696,702.91)
Other Capital Assets	9,834,853.99
Less Accumulated Depreciation	(6,670,996.85)
Other Noncurrent Assets	
Total Non-Current Assets	<u>\$ 257,480,035.32</u>
Total Assets	<u><u>\$ 382,213,677.36</u></u>

**Sam Houston State University**  
**Statement of Net Assets**  
**August 31, 2007**

**UNAUDITED**

**LIABILITIES**

Current Liabilities:	\$	
Payables:		
Accounts		2,353,586.90
Investment Trades		
Federal		
Other Intergovernmental		
Payroll		4,238,947.29
Other		
Interfund Payable		
Due to Other Agencies		147,400.21
Deferred Revenues		53,072,031.16
Notes and Loans Payable		
Revenue Bonds Payable		
General Obligation Bonds Payable		
Claims and Judgements		
Employees' Compensable Leave		1,856,148.21
Capital Lease Obligations		105,664.78
Liabilities Payable from Restricted Assets		
Obligations/Reverse Purchase Agreements		
Obligations Under Securities Lending		
Funds Held for Others		2,318,677.59
Other Current Liabilities		620,728.37
		<hr/>
Total Current Liabilities	\$	<u>64,713,184.51</u>
Noncurrent Liabilities:		
Interfund Payables	\$	
Notes and Loans Payable		
Revenue Bonds Payable		
General Obligation Bonds Payable		
Claims and Judgements		
Employees Compensable Leave		1,089,155.24
Capital Lease Obligations		385,356.66
Other Non-Current Liabilities		1,233,918.08
		<hr/>
Total Noncurrent Liabilities	\$	<u>2,708,429.98</u>
Total Liabilities	\$	<u><u>67,421,614.49</u></u>

**Sam Houston State University**  
**Statement of Net Assets**  
**August 31, 2007**

**UNAUDITED**

**NET ASSETS**

Invested in Capital Assets, Net of Related Debt	\$	184,341,914.74
Restricted for		
Education		
Debt Retirement		
Capital Projects		
Employee Benefit		
Funds Held As Permanent Investments:		
Non-Expendable		31,985,985.93
Expendable		
Other		16,465,408.48
Unrestricted		<u>81,998,753.72</u>
Total Net Assets	\$	<u><u>314,792,062.87</u></u>

**Sam Houston State University**  
**Statement of Revenues, Expenses, and Changes in Net Assets**  
**For the Fiscal Year Ended August 31, 2007**

**UNAUDITED**

**OPERATING REVENUES**

Sales of Goods and Services	\$	
Tuition and Fees (PR-Chgs for Services)		81,752,548.46
Tuition and Fees - Pledged (PR-Chgs for Services)		
Discounts and Allowances		(14,015,848.90)
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)		23,953,460.32
Auxiliary Enterprises - Pledged (PR-Chgs for Services)		
Discounts and Allowances		
Other Sales of Goods and Services		1,563,367.90
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)		17,701,604.86
Federal Pass Through Revenue (PR-OP Grants/Contributions)		685,003.03
State Grant Revenue (PR-OP Grants/Contributions)		879,544.02
State Grant Pass Through Revenue (PR-OP Grants/Contributions)		5,244,644.06
Other Grants and Contracts (PR-OP Grants/Contributions)		749,581.08
Land Income (PR-Chgs for Services)		
Contributions to Retirement Systems (PR-Chgs for Services)		
Other Operating Revenues (PR-Chgs for Services)		10,316,652.68
Other Operating Revenues (GR)		
Total Operating Revenues	\$	128,830,557.51

**OPERATING EXPENSES**

Instruction	\$	50,340,736.23
Research		3,393,367.93
Hospitals and Clinics		
Public Service		15,472,809.12
Academic Support		22,976,058.95
Student Services		12,831,764.60
Institutional Support		11,819,157.81
Operation and Maintenance of Plant		13,934,085.39
Scholarship and Fellowships		13,123,272.87
Auxiliary Enterprise Expenditures		25,982,947.51
Depreciation and Amortization		7,799,081.38
Total Operating Expenses	\$	177,673,281.79
Operating Income (Loss)	\$	(48,842,724.28)

**Sam Houston State University**  
**Statement of Revenues, Expenses, and Changes in Net Assets**  
**For the Fiscal Year Ended August 31, 2007**

**UNAUDITED**

**NONOPERATING REVENUES (EXPENSES):**

Legislative Revenue (GR)	\$	39,348,827.00
Additional Appropriations (GR)		10,856,488.03
HEAF Appropriation Revenue (GR)		
Federal Revenue Non-Operating (PR-OP Grants/Contributions)		
Gifts (PR-OP Grants/Contributions)		8,261,059.96
Investment Income (Expense) (PR-OP Grants/Contributions)		4,579,703.27
Investment Income (Expense) (GR)		
Loan Premium/Fees on Securities Lending (PR-OP Grants/Contributions)		
Investing Activities Expense		(82,222.12)
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)		158,905.63
Net Increase (Decrease) in Fair Value of Investments (GR)		
Settlement of Claims (PR-Chgs for Services)		(86,680.35)
Settlement of Claims (GR)		(136,854.45)
Other Nonoperating Revenues (Expenses) (PR-Chgs for Services)		3,470,112.18
Other Nonoperating Revenues (Expenses) (GR)		
Total Nonoperating Revenues (Expenses)	<u>\$</u>	<u>66,369,339.15</u>
Income (Loss) before Other Revenues, Expenses, Gains/Losses and Transfers	<u>\$</u>	<u>17,526,614.87</u>

**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		
Transfer Out		(7,115,724.86)
Legislative Transfer In		
Legislative Transfer Out		(2,080,339.00)
Lapses		
Total Other Revenues, Expenses, Gains/Losses and Transfers	<u>\$</u>	<u>(2,585,193.86)</u>

CHANGE IN NET ASSETS	<u>\$</u>	<u>14,941,421.01</u>
Net Assets, September 1 2006	\$	299,816,413.12
Restatements		34,228.74
Net Assets, September 1, 2006, as Restated	<u>\$</u>	<u>299,850,641.86</u>
NET ASSETS, August 31, 2007	<u>\$</u>	<u>314,792,062.87</u>

Sam Houston State University  
 Matrix of Operating Expenses Reported by Function  
 For the Fiscal Year Ended August 31, 2007

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	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Salaries and Wages	40,235,799.79	1,600,413.36		7,022,414.45	9,431,991.21	7,166,687.36	5,458,718.10	5,058,607.73	616,934.28	8,578,807.08		85,170,373.36
Payroll Related Costs	9,461,244.59	324,081.20		2,131,577.76	1,894,317.07	1,513,606.08	2,103,454.13	1,197,276.86	6,412.21	2,214,212.36		20,846,182.25
Professional Fees and Services	78,480.62	79,846.29		2,028,242.04	116,851.26	37,047.59	19,457.18	8,206.33	250.00	56,281.08		2,424,662.39
Federal Pass-Through Expense				65,539.02								65,539.02
State Grant Pass-Through Expense												0.00
Travel	37,659.07	146,341.18		369,571.88	1,163,513.08	459,461.50	167,912.86	3,858.92	33,116.74	871,866.82		3,252,102.05
Materials and Supplies	273,282.87	241,605.39		1,006,688.06	5,883,734.75	1,590,154.31	2,697,194.37	969,138.93	186,522.67	6,902,227.50		19,750,528.85
Communication and Utilities	15,486.98	38,361.33		247,284.85	1,182,245.11	391,317.72	52,675.54	3,471,235.89	570.00	3,032,911.48		8,432,088.90
Repairs and Maintenance	4,504.41	3,662.46		49,337.98	787,702.78	230,920.24	72,802.18	297,590.51	130,988.72	485,206.78		2,062,716.06
Rentals and Leases	18,925.56	33,218.99		1,034,383.67	353,492.86	143,918.62	121,700.08	13,014.40	5,186.23	485,051.99		2,178,892.40
Printing and Reproduction	5,389.06	1,359.20		25,312.56	67,501.73	169,827.40	197,532.39		1,589.70	104,208.41		572,720.45
Depreciation and Amortization*											7,799,081.38	7,799,081.38
Bad Debt Expense	61,331.85			4,058.67	14.31	7,960.84	30,170.57			32,859.82		132,323.08
Interest	0.51					2.60	106.46		0.00			4,182.55
Scholarships	23,476.89	30,675.00		412,686.60	48,174.00	59,082.00	1,350.00		12,088,024.87	560,109.18		13,223,578.54
Claims and Judgments												0.00
Other Operating Expenses	125,154.04	893,803.53		1,030,280.99	2,046,502.79	1,012,599.53	893,857.95	2,915,155.82	53,677.45	2,274,985.48		11,246,017.58
<b>Total Operating Expenses</b>	<b>\$ 50,340,736.23</b>	<b>\$ 3,393,367.93</b>	<b>\$ 0.00</b>	<b>\$ 15,472,809.12</b>	<b>\$ 22,976,058.95</b>	<b>\$ 12,831,764.80</b>	<b>\$ 11,819,157.81</b>	<b>\$ 13,934,085.39</b>	<b>\$ 13,123,272.87</b>	<b>\$ 25,982,947.51</b>	<b>\$ 7,799,081.38</b>	<b>\$ 177,673,281.79</b>

**Sam Houston State University**  
**Statement of Cash Flows**  
**For the Fiscal Year Ended August 31, 2007**

**UNAUDITED**

**Cash Flows from Operating Activities**

Receipts from Customers	\$	
Proceeds from Tuition and Fees		71,218,473.36
Proceeds from Research Grants and Contracts		27,444,517.87
Proceeds from Gifts		0.00
Proceeds from Loan Programs		5,080,427.93
Proceeds from Auxiliaries		24,837,906.07
Proceeds from Other Revenues		10,976,845.12
Payments to Suppliers for Goods and Services		(66,678,044.37)
Payments to Employees for Salaries		(84,621,621.67)
Payments to Employees for Benefits		(20,846,182.25)
Payments for Loans Provided		(4,330,291.17)
Payments for Other Expenses		
		<hr/>
Net Cash Provided by Operating Activities	\$	(36,917,969.11)

**Cash Flows from Noncapital Financing Activities**

Proceeds from Debt Issuance	\$	
Proceeds from State Appropriations		48,564,918.27
Proceeds from Gifts		8,160,516.75
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		(1,666,410.05)
		<hr/>
Net Cash Provided by Noncapital Financing Activities	\$	55,059,024.97

**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		(3,127,376.11)
Payments of Principal on Debt		(8,556,127.60)
Payments for Capital Lease		(78,229.26)
Payments of Interest on Debt Issuance		
Payments of Other Costs of Debt Issuance		
		<hr/>
Net Cash Provided by Capital and Related Financing Activities	\$	(11,761,732.97)

**Cash Flows from Investing Activities**

Proceeds from Sales of Investments	\$	5,588,617.35
Proceeds from Interest Income		3,485,300.25
Proceeds from Investment Income		4,579,703.27

**Sam Houston State University**  
**Statement of Cash Flows**  
**For the Fiscal Year Ended August 31, 2007**

**UNAUDITED**

Proceeds from Principal Payments on Loans	\$	
Payments to Acquire Investments		(7,957,957.44)
Net Cash Provided by Investing Activities	<u>\$</u>	<u>5,695,663.43</u>

Net Increase (Decrease) in Cash and Cash Equivalents	\$	12,074,986.32
Cash and Cash Equivalents, September 1, 2006		83,237,773.87
Changes in Accounting Principal		
Changes in Reporting Entity		
Restatements to Beginning Cash and Cash Equivalents		
Cash and Cash Equivalents, September 1, 2006 - Restated	<u>\$</u>	<u>83,237,773.87</u>
Cash and Cash Equivalents, August 31, 2007	<u>\$</u>	<u>95,312,760.19</u>

**Reconciliation of Operating Income to  
Net Cash Provided by Operating Activities**

Operating Income (Loss)	<u>\$</u>	<u>(48,842,724.28)</u>
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Amortization and Depreciation	\$	7,799,081.38
Bad Debt Expense		132,323.08
Operating Income and Cash Flow Categories: Classification Differences		
Changes in Assets and Liabilities:		
(Increase) Decrease in Receivables		(2,986,544.83)
Increase (Decrease) in Due from Other Funds		
(Increase) Decrease in Inventories		(35,379.44)
(Increase) Decrease in Prepaid Expenses		(3,571,089.59)
(Increase) Decrease in Notes Receivable		721,685.76
(Increase) Decrease in Loans & Contracts		
(Increase) Decrease in Other Assets		
(Increase) Decrease in State Appropriations		
Increase (Decrease) in Payables		1,098,140.61
Increase (Decrease) in Deposits		(5,256.98)
Increase (Decrease) in Due to Other Funds		
Increase (Decrease) in Deferred Income		8,535,114.64
Increase (Decrease) in Compensated Absence Liability		236,680.54
Increase (Decrease) in Benefits Payable		
Increase (Decrease) in Other Liabilities		
Total Adjustments	<u>\$</u>	<u>11,924,755.17</u>
Net Cash Provided by Operating Activities	<u>\$</u>	<u>(36,917,969.11)</u>

**Non Cash Transactions**

Donation of Capital Assets	\$	
Net Change in Fair Value of Investments		158,905.63
Borrowing Under Capital Lease Purchase		491,021.44
Other		



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

*For the Year Ended August 31, 2007*

***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.

## UNAUDITED

### 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.

## UNAUDITED

### 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, 2007, there were no outstanding interfund receivables or payables.  
The composition of the agency's Interfund activities and balances are presented in Note 8.

UNAUDITED

**Note 2: Capital Assets**

A summary of changes in Capital Assets for the year ended August 31, 2007 is presented below:

	Balance 09/01/06	Adjustments	Reclassification Completed CIP	Reclassif- ication Transfers In	Additions	Deletions	Balance 08/31/07
<b>Business-Type Activities:</b>							
<b>Non-Depreciable Assets</b>							
Land & Improvements	\$ 12,577,654.09		\$ 315,904.50		\$ 1,200.00		\$ 12,894,758.59
Construction in Progress	79,289,664.11	(261,678.83)	(76,170,797.42)		9,061,844.09		11,919,031.95
Other Capital Assets	759,903.50						759,903.50
<b>Total non-depreciable assets</b>	<b>92,627,221.70</b>	<b>(261,678.83)</b>	<b>(75,854,892.92)</b>	<b>0.00</b>	<b>9,063,044.09</b>	<b>0.00</b>	<b>25,573,694.04</b>
<b>Depreciable Assets:</b>							
Buildings & Improvements	191,053,972.71		73,257,185.32			(1,275,294.14)	263,035,863.89
Infrastructure	9,023,977.71						9,023,977.71
Facilities & Other Improvements	14,776,308.24		2,587,208.00				17,363,516.24
Furniture & Equipment	16,447,872.48		10,499.60		2,613,939.90	(582,515.78)	18,489,796.20
Vehicles, Boats & Aircraft	2,181,056.71				366,287.23	(127,680.69)	2,419,663.25
Other Capital Assets	9,323,458.96	(45,513.89)			556,908.92		9,834,853.99
<b>Total Depreciable Assets - Historical Costs:</b>	<b>242,806,646.81</b>	<b>(45,513.89)</b>	<b>75,854,892.92</b>	<b>0.00</b>	<b>3,537,136.05</b>	<b>(1,985,490.61)</b>	<b>320,167,671.28</b>
Less Accumulated Depreciation for:							
Buildings & Improvements	(127,270,885.66)				(6,868,745.28)	1,211,529.43	(132,928,101.51)
Infrastructure	(3,123,684.00)				(347,076.00)		(3,470,760.00)
Facilities & Other Improvements	(3,540,801.38)				(496,257.97)		(4,037,059.35)
Furniture & Equipment	(11,189,739.32)				(1,466,161.77)	551,092.57	(12,104,808.52)
Vehicles, Boats & Aircraft	(1,624,116.27)				(174,265.13)	101,678.49	(1,696,702.91)
Other Capital Assets	(6,360,121.13)				(310,875.72)		(6,670,996.85)
<b>Total Accumulated Depreciation</b>	<b>(153,109,347.76)</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>(9,663,381.87)</b>	<b>1,864,300.49</b>	<b>(160,908,429.14)</b>
Depreciable Assets, Net	89,697,299.05	(45,513.89)	75,854,892.92	0.00	(6,126,245.82)	(121,190.12)	159,259,242.14
<b>Business-Type Activities Capital Assets, Net</b>	<b>\$ 182,324,520.75</b>	<b>\$ (307,192.72)</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>\$ 2,936,798.27</b>	<b>\$ (121,190.12)</b>	<b>\$ 184,832,936.18</b>

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

The balance on August 31, 2007 represents capital assets net of depreciation; however, on the annual financial statement this amount is shown net of depreciation and capital lease obligation.

Net Carrying Value of Plant, Aug 31, 2007	\$184,832,936.18
Less: Capital Lease Payable	<u>491,021.44</u>
Net Investment in Plant, Aug 31, 2007	<u>\$184,341,914.74</u>

**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, 2007, the carrying amount of deposits was \$1,693,883.33 as presented below.

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<b>Governmental and Business-Type Activities</b>	
CASH IN BANK – CARRYING VALUE	<b>\$1,693,883.33</b>
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	\$ 1,693,883.33
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	1,679,447.73
Proprietary Funds Current Assets Restricted Cash in Bank	(551,831.71)
Proprietary Funds Non-Current Restricted Cash in Bank	566,267.31
Cash in Bank per AFR	\$ 1,693,883.33

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, 2007, the total bank balance was as follows.

Governmental and Business-Type Activities	\$4,634,555.33	Fiduciary Funds		Discrete Component Units	
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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, 2007, 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, 2007.

**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, 2007, the carrying value and fair value of investments are as presented below.

	<b>Carrying Value</b>	<b>Fair Value</b>
<b>Governmental and Business-Type Activities</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		61,820,576.35
Other Commingled Funds		268,554.78
Other Commingled Funds (Texpool)		66,822,077.51
Commercial Paper		
Securities Lending Collateral Investment Pool		
Real Estate		
Misc (alternative investments, limited partnerships, guaranteed investment contract, political subdivision, bankers' acceptance, negotiable CD)		
<b>Total</b>		<b>\$ 128,911,208.64</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, 2007, 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, 2007 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, 2007, 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, 2007, 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 2007.

#### ***Note 4: Short-Term Debt***

None.

UNAUDITED

**Note 5: Summary of Long Term Liabilities**

**CHANGES IN LONG-TERM LIABILITIES**

During the year ended August 31, 2007, the following changes occurred in liabilities.

BUSINESS-TYPE ACTIVITIES	Balance 09/01/06	Additions	Reductions	Balance 08/31/07	Amounts Due Within One Year
Compensable Leave	\$ 2,708,622.91	\$ 236,680.54	\$ 0.00	\$ 2,945,303.45	\$ 1,856,148.21
Other Non-current Liabilities	\$ 1,360,444.05	\$ 0.00	\$ 126,525.97	\$ 1,233,918.08	\$ 0.00
Capital Lease	\$ 0.00	\$ 569,250.70	\$ 78,229.26	\$ 491,021.44	\$ 105,664.78
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b>\$ 4,069,066.96</b>	<b>\$ 805,931.24</b>	<b>\$ 204,755.23</b>	<b>\$ 4,670,242.97</b>	<b>\$ 1,961,812.99</b>

**NOTES AND LOANS PAYABLE**

None.

**CLAIMS & JUDGEMENTS**

At August 31, 2007, 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, 2007, the accrued liability totaled \$ 2,945,303.45 .

The University made lump sum payments totaling \$288,608.92 for accrued vacation and/or compensatory time to employees who separated from state service during fiscal year ending August 31, 2007.

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

UNAUDITED

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**

The University has entered into long-term leases for financing the purchase of certain capital assets. Such leases are classified as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments at the inception of the lease. The following is a summary of original capitalized costs of all such property under lease as well as the accumulated depreciation as of August 31, 2007.

Assets Under Capital Leases  
Year Ending August 31, 2007

Class of Property	Primary Government						Discretely Presented Component Units		
	Governmental Activities			Business-Type Activities			Assets Under Capital Lease	Accumulated Depreciation	Total
	Assets Under Capital Lease	Accumulated Depreciation	Total	Assets Under Capital Lease	Accumulated Depreciation	Total			
Land									
Buildings									
Furniture & Equipment				569,250.70	6,776.78	562,473.92			
Vehicles, Boats, etc.									
Totals				569,250.70	6,776.78	562,473.92			

Future minimum lease payments under these capital leases, together with the present value of the net minimum lease payments at fiscal year-end, are as follows:

Future Capital Lease Payments  
Year Ending August 31, 2007

Year	Primary Government						Discretely Presented Component Units		
	Government Activities			Business-Type Activities			Principal	Interest	Total Future Min. Lease Payments
	Principal	Interest	Total Future Min. Lease Payments	Principal	Interest	Total Future Min. Lease Payments			
2008			105,664.78	22,135.03	127,799.81			127,799.81	
2009			102,818.80	24,981.01	127,799.81			127,799.81	
2010			109,461.96	18,337.85	127,799.81			127,799.81	
2011			103,430.17	11,265.44	114,695.61			114,695.61	
2012			69,645.73	3,404.31	73,050.00			73,050.00	
Totals			491,021.44	80,123.64	571,145.04			571,145.04	

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**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, 2007 are:

<u>Fiscal Year</u>	<u>Minimum Future Lease Payments</u>
2008*	49,475.04
2009*	49,475.04
2010*	24,882.84
2011*	17,166.98
Total Minimum Future Lease Rental Payments	<u>\$140,999.90</u>

\*Lease payments were reported inaccurately in FY 2006 Annual Financial Report.

**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 2007.

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, 2007, follows:

UNAUDITED

<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>

	<b>Due From Other Agencies</b>	<b>Due to Other Agencies</b>	<b>Source</b>
<b>GENERAL (01)</b>			
<b>Appd Fund 0001, D23 Fund 0001</b>			
(Agency 781, D23 Fund 0001)	\$ 323.52		FEDERAL P-T
<b>Federal Pass Throughs</b>			
(Agency 556, D23 Fund 7999)	\$ 81,488.07		FEDERAL P-T
(Agency 601, D23 Fund 0006)	\$ 192,924.36		FEDERAL P-T
(Agency 701, D23 Fund 0148)	\$ 6,283.97		FEDERAL P-T
(Agency 712, D23 Fund 7999)		\$ 7,528.14	FEDERAL P-T
(Agency 721, D23 Fund 7999)		\$ 69,355.54	FEDERAL P-T
(Agency 730, D23 Fund 7999)	\$ 46,910.33		FEDERAL P-T
(Agency 756, D23 Fund 7999)	\$ 185,158.17		FEDERAL P-T
<b>State Pass Throughs</b>			
(Agency 754, D23 Fund 7999)	\$ 32,856.29		STATE P-T
(Agency 754, D23 Fund 7999)		\$ 57,359.41	STATE P-T

UNAUDITED

<b>SPECIAL REVENUE (02)</b>			
<b>Appd Fund 9999, D23 Fund 9999</b>			
(Agency 758, D23 Fund 9999)	\$ 733.50	\$ 13,157.12	N/A
(Agency 601, D23 Fund 5015)	\$ 10,176.00		N/A
(Agency 781, D23 Fund 5103)	\$ 39,178.80		N/A
<b>TOTAL DUE TO AND FROM OTHER STATE AGENCIES</b>	<b>\$ 596,033.01</b>	<b>\$ 147,400.21</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)		\$ 2,080,339.00
<b>Total Legislative Transfers</b>	<b>\$ 0.00</b>	<b>\$ 2,080,339.00</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.

***Note 9: Contingent Liabilities***

At August 31, 2007, 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.

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***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, 2007.

**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 2007 was \$237,890.91. The assessment for SHSU for FY 2008 is \$243,571.92

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, 2007.

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.

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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***

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:



UNAUDITED

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	4,163,994	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	40,969,098
	2017-2021	29,911,353	6,945,021	36,856,374
	2022-2026	11,586,250	1,071,091	12,657,341
TOTALS		\$91,450,269	\$41,718,937	\$133,169,206

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

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***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, 2007.

Gifts were made to the University from the Sam Houston Foundation for fiscal year 2007 of \$14,000 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 \$21,855.83 of Total Deposits Held in Custody for Others - Agency Funds, at August 31, 2007. 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 2007 of \$5,000 to Restricted Funds.

UNAUDITED

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

A restatement was necessary to bring Sam Houston State University's beginning Net Asset balance to the correct amount.

After the publication of Sam Houston State University's 2006 Annual Financial Report, but before the State of Texas Combined Annual Financial Report, an error was found in the reporting of Federal Deferred Revenue. To correct this error, Deferred Revenue was reduced by \$34,228.74, and Federal Revenues were increased by the same amount, resulting in an increase in FY 2006 Fund Balance.

Net Asset Balance, August 31,2006	\$299,816,413.12
Restatement of Fund Balance to bring SHSU balance to CAFR	<u>34,228.74</u>
Net Asset Balance, August 31,2006	\$299,850,641.86

***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	\$6,389,122.58	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:

For the Fall 2007 Semester, the University has enjoyed a 3.27% increase in student enrollment, or 511 students, giving SHSU a total enrollment of 16,416 students. In addition, the SAT average for SHSU's incoming freshmen is 1032, which is 35 points above the state average and 11 points above the national average.

Academic growth includes new doctorates in history and math education, pending approval by the Texas Higher Education Coordinating Board and bringing SHSU's total number of doctorates to seven; a Bachelor of Science in History; a Master of Science in Accounting; a Master of Science in Information Assurance and Security; and a Master of Arts in Speech Communications.

Current areas of the University's physical growth include the \$2.25 million mall area extension, scheduled to be complete by October 2007; new surface parking where the Colony Apartments are located will add 350 new spaces by November 2007; and the \$30 million classroom and office building, the College of Humanities and Social Sciences, is expected to be completed by September of 2008.

Future construction projects that have been planned, some of which are awaiting approval by the Texas State University System Board of Regents, include a \$7.25 million dining facility across from the Student Health Center, with construction expected to begin in May 2008; and a \$35 million performing arts building for dance, music and theatre with a 15-18 month construction phase anticipated to begin in the summer of 2008.

***Note 23: Post Employment Health Care and Life Insurance Benefits***

Not Used.

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

None.

UNAUDITED

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

Sam Houston State University had the following aggregate receivable and payable balances as of August 31, 2007:

A. Federal Receivables

<u>Federal Receivable</u>	
Instructional and Departmental	\$ 351,877.60
Research	836,049.64
Public Service	2,503,790.09
Scholarships and Fellowships	<u>1,265,211.82</u>
Total Net Federal Receivable	<u>\$4,956,929.15</u>

As Reported on the Financial Statements

Current Federal Receivable	\$4,956,929.15
Non-Current Federal Receivable	<u>0.00</u>
Total Net Federal Receivable	<u>\$4,956,929.15</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)	\$ 625,523.93
Student Deposit Payables	<u>608,394.15</u>
Total	<u>\$1,233,918.08</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, 2007**

Federal Grantor/Pass Through Grantor/ Program Title	CFDA Number	Identifying #	Pass Through From		Direct Program Amount
			Agy/ Univ. #	Agency or Univ. Amount	
<b>U.S. Department of Agriculture</b>					
Direct Programs:					
Agricultural and Rural Economic Research	10.200				2,146.08
			\$	-	\$ 2,146.08
<b>U.S. Department of Justice</b>					
<i>Office of Community Oriented Policing Services</i>					
Direct Programs:					
National Institute of Justice, Research Evaluation, and Development Project Grants	16.560				24,652.94
Byrne Formula Grant Program	16.579				1,011,074.36
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580			-	371,956.67
Community Prosecution and Project Safe Neighborhood <i>Pass Through To:</i> Office of Attorney General	16.609				678,054.98
<i>Pass Through To:</i> Department of Public Safety					
Public Safety Partnership and Community Policing Gran	16.710			-	246,410.04
Special Data Collection and Statistical Studies	16.734			-	90,432.61
<i>Pass-Through From:</i>					
New Mexico Institute of Mining & Technology	16.000	ILEA-NMIMT			387,581.29
National Institute of Justice, Research Evaluation, and Development Project Grants	16.560	A224			22,495.45
		D797			66,467.37
		D745		-	5,035.87
		D749		-	54,937.25
				-	-
Totals - U.S. Department of Justice			\$	-	\$ 536,517.23
			\$	-	\$ 2,422,581.60
<b>National Science Foundation</b>					
<i>Pass-Through From:</i>					
Social Behavioral, and Economic Sciences	47.075			\$ -	\$ 15,493.57
Education and Human Resources	47.076		712		-
<i>Pass-Through From:</i>					
<i>Texas Engineering Experiment Station</i>			712	2,675.17	
Totals - National Science Foundation			\$	2,675.17	\$ 15,493.57
			\$	-	\$ -
<b>Small Business Administration</b>					
<i>Pass-Through From:</i>					
Small Business Development Center	59.037			\$ -	\$ -
<i>Pass-Through From:</i>					
<i>University of Houston</i>			730	113,668.54	-
Totals - U.S. Small Business Administration			\$	113,668.54	\$ -
			\$	-	\$ -

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.		
2,146.08				2,146.08	2,146.08
<u>\$ 2,146.08</u>	<u>\$ -</u>	<u>\$ -</u>		<u>\$ 2,146.08</u>	<u>\$ 2,146.08</u>
24,652.94				24,652.94	24,652.94
1,011,074.36				1,011,074.36	1,011,074.36
371,956.67				371,956.67	371,956.67
678,054.98				612,515.96	678,054.98
	302	1,736.47		-	-
	405	63,802.55		-	-
246,410.04		-	-	246,410.04	246,410.04
90,432.61		-	-	90,432.61	90,432.61
387,581.29				387,581.29	387,581.29
22,495.45				22,495.45	22,495.45
66,467.37				66,467.37	66,467.37
5,035.87		-	-	5,035.87	5,035.87
54,937.25		-	-	54,937.25	54,937.25
-		-	-	-	-
<u>\$ 2,959,098.83</u>	<u>\$ 65,539.02</u>	<u>\$ -</u>		<u>\$ 2,893,559.81</u>	<u>\$ 2,959,098.83</u>
\$ 15,493.57	\$ -	\$ -		\$ 15,493.57	\$ 15,493.57
2,675.17		-	-	2,675.17	2,675.17
<u>\$ 18,168.74</u>	<u>\$ -</u>	<u>\$ -</u>		<u>\$ 18,168.74</u>	<u>\$ 18,168.74</u>
\$ 113,668.54	\$ -	\$ -		\$ 113,668.54	\$ 113,668.54
-		-	-	-	-
<u>\$ 113,668.54</u>	<u>\$ -</u>	<u>\$ -</u>		<u>\$ 113,668.54</u>	<u>\$ 113,668.54</u>



**SAM HOUSTON STATE UNIVERSITY**  
**SCHEDULE 1A**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended August 31, 2007**

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	
<b>U.S. Department of Education</b>						
Pass-Through From:						
Teacher Quality Enhancement Grants	84.336			\$ -	\$ -	\$ -
Pass-Through From:						
University of Texas at Austin			721	123,237.13		
Eisenhower Professional Development State Grants	84.281					
Pass-Through From:						
Texas Higher Education Coordinating Board			781			
Vocational Education - Basic Grants to States	84.048					
Pass-Through From:						
Texas Education Agency			701	38.67		
Direct Programs:						
Bilingual Education Program - Personnel Training	84.195					204,398.29
Passed Through TexasA&M Research Foundation Project ELLA	84.305				63,594.87	
Special Education - Personnel Preparation to Improve Services and Results for Children With Disabilities	84.325					156,294.59
Passed through From Region V Service Center History Collaboration	84.000	A482		-	12,958.10	-
Passed through From Region VI Service Center Funds for the Improvement of Education	84.215	A483		-	115,653.92	-
Passed through From Region V Service Center Extreme Makeover	84.000	A484		-	100,250.19	-
Totals - U.S. Department of Education				\$ 123,275.80	\$ 292,457.08	\$ 360,692.88
<b>U.S. Department of Health and Human Services</b>						
Direct Programs:						
Mentoring Prisoners of Children	93.616			\$ -	\$ -	\$ 72,802.42
Inhalent Abuse Across Generations	93.279				13,906.73	
Totals - U.S. Department of Health and Human Services				\$ -	\$ 13,906.73	\$ 72,802.42
<b>Highway Safety Cluster</b>						
<b>U.S. Department of Transportation</b>						
Pass-Through From:						
State and Community Highway Safety	20.600			\$ -	\$ -	\$ -
Pass-Through From:						
Texas Department of Transportation			601	73,233.24	-	-
Pass-Through From:						
State and Community Highway Safety	20.601			\$ -	\$ -	\$ -
Pass-Through From:						
Texas Department of Transportation			601	207,500.29	-	-
Totals - U.S. Department of Transportation				\$ 280,733.53	\$ -	\$ -

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.		
\$ 123,237.13	\$ -	\$ -	\$ -	\$ 123,237.13	\$ 123,237.13
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
38.67	-	-	-	38.67	38.67
-	-	-	-	-	-
204,398.29	-	-	-	204,398.29	204,398.29
63,594.87	-	-	-	63,594.87	63,594.87
156,294.59	-	-	-	156,294.59	156,294.59
12,958.10	-	-	-	12,958.10	12,958.10
115,653.92	-	-	-	115,653.92	115,653.92
100,250.19	-	-	-	100,250.19	100,250.19
<u>\$ 776,425.76</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 776,425.76</u>	<u>\$ 776,425.76</u>
\$ 72,802.42	\$ -	\$ -	\$ -	\$ 72,802.42	\$ 72,802.42
\$ 13,906.73	\$ -	\$ -	\$ -	\$ 13,906.73	\$ 13,906.73
<u>\$ 86,709.15</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 86,709.15</u>	<u>\$ 86,709.15</u>
\$ 73,233.24	\$ -	\$ -	\$ -	\$ 73,233.24	\$ 73,233.24
-	-	-	-	-	-
\$ 207,500.29	\$ -	\$ -	\$ -	\$ 207,500.29	\$ 207,500.29
-	-	-	-	-	-
<u>\$ 280,733.53</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 280,733.53</u>	<u>\$ 280,733.53</u>

SAM HOUSTON STATE UNIVERSITY  
SCHEDULE 1A  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended August 31, 2007

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	
<b>Research and Development (R&amp;D) Cluster</b>						
<b>U.S. Department of Agriculture</b>						
Pass-Through From:						
Grants for Agricultural Research, Special Research Grants	10.200			\$ -	\$ -	\$ 153.96
<i>Pass-Through From:</i>						
<i>Sul Ross State University (TSUS)</i>			756	83,284.09	-	-
Direct Programs:						
Grants for Agricultural Research, Special Research Grants	10.200			-	-	-
Forest Health Protection	10.680			-	-	10,710.99
Forestry Research	10.652			-	-	505.50
Agricultural and Rural Economic Research	10.250			-	-	-
Totals - U.S. Department of Agriculture				\$ 83,284.09	\$ -	\$ 11,370.45
<b>U.S. Department of Defense</b>						
Direct Programs:						
Air Force Defense Reseach Sciences Program	12.800			\$ -	\$ -	\$ 17,903.37
TRIES - Holloman AFB Project	12.000	DACA42-02-C-0009		-	-	8,593.24
ISC Navy Contract	12.000	N00167-06-C-0007		-	-	853,214.54
Basic and Applied Scientific Research	12.300	USACERL		-	-	11,794.47
Totals - U.S. Department of Defense				\$ -	\$ -	\$ 891,505.62
<b>National Science Foundation</b>						
Mathematical and Physical Sciences	47.049			\$ -	\$ -	\$ 63,334.72
Biological Sciences	47.074			\$ -	\$ -	\$ 83,694.75
Totals - National Science Foundation				\$ -	\$ -	\$ 147,029.47
<b>U.S. Department of Health and Human Services</b>						
Direct Programs:						
Drug Abuse and Addiction Research Programs	93.279			\$ -	\$ -	\$ 67,798.34
Allergy, Immunology and Transportation Research	93.855					57,217.18
Pass Through from :						
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853					
Pass Through From:						
Texas Agricultural Experiment Station			556	81,488.07		
Totals - U.S. Department of Health and Human Services				\$ 81,488.07	\$ -	\$ 125,015.52

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.		
\$ 83,438.05	\$ -	\$ -	\$ -	\$ 83,438.05	\$ 83,438.05
-	-	-	-	-	-
-	-	-	-	-	-
10,710.99	-	-	-	10,710.99	10,710.99
505.50	-	-	-	505.50	505.50
-	-	-	-	-	-
<u>\$ 94,654.54</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 94,654.54</u>	<u>\$ 94,654.54</u>
\$ 17,903.37	\$ -	\$ -	\$ -	17,903.37	17,903.37
8,593.24	-	-	-	8,593.24	8,593.24
853,214.54	-	-	-	853,214.54	853,214.54
11,794.47	-	-	-	11,794.47	11,794.47
<u>\$ 891,505.62</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 891,505.62</u>	<u>\$ 891,505.62</u>
\$ 63,334.72	\$ -	\$ -	\$ -	63,334.72	63,334.72
\$ 83,694.75	\$ -	\$ -	\$ -	83,694.75	83,694.75
<u>\$ 147,029.47</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 147,029.47</u>	<u>\$ 147,029.47</u>
\$ 67,798.34	\$ -	\$ -	\$ -	67,798.34	67,798.34
\$ 57,217.18	\$ -	\$ -	\$ -	57,217.18	57,217.18
\$ 81,488.07	\$ -	\$ -	\$ -	81,488.07	81,488.07
<u>\$ 206,503.59</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 206,503.59</u>	<u>\$ 206,503.59</u>

SAM HOUSTON STATE UNIVERSITY  
SCHEDULE 1A  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended August 31, 2007

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	
<b>U.S. Department of Energy</b>						
Pass-Through From:						
Measurement of Constants for Crystalline Explosives	81.000			\$ -	\$ 27,328.20	\$ -
Totals - U.S. Department of Energy				\$ -	\$ 27,328.20	\$ -
<b>U.S. Department of Education</b>						
Pass-Through From:						
Improving Teacher Quality State Grants	84.367			-	-	-
Pass-Through From:						
University of Texas at Austin			721	(122.17)	-	-
Totals - U.S. Department of Education				\$ (122.17)	\$ -	\$ -
<b>Student Financial Assistance Cluster</b>						
<b>U.S. Department of Education</b>						
Direct Programs:						
Federal Pell Grant Program	84.063			\$ -	\$ -	\$ 11,476,611.11
Supplemental Educational Opportunity Grant	84.007			-	-	454,435.50
Federal Work Study Program	84.033			-	-	374,343.01
Federal Family Education Loan Program	84.032			-	-	60,412,490.21
Federal Perkins Loan Program	84.038			-	-	6,000.00
Totals - U.S. Department of Education				\$ -	\$ -	\$ 72,723,879.83
<b>TRIO Cluster</b>						
<b>U.S. Department of Education</b>						
Direct Programs:						
TRIO - Student Support Services	84.042			\$ -	\$ -	
TRIO - McNair Post Baccalaureate Achievement	84.217			-	-	477,368.39
Totals - U.S. Department of Education				\$ -	\$ -	\$ 477,368.39
<b>Total Federal Financial Assistance</b>				\$ 685,003.03	\$ 885,702.81	\$ 77,234,392.26

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.		
\$ 27,328.20	\$ -	\$ -	\$ -	\$ 27,328.20	\$ 27,328.20
<u>\$ 27,328.20</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,328.20</u>	<u>\$ 27,328.20</u>
(122.17)	-	-	-	(122.17)	(122.17)
-	-	-	-	-	-
<u>\$ (122.17)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (122.17)</u>	<u>\$ (122.17)</u>
\$ 11,476,611.11	\$ -	\$ -	\$ -	\$ 11,476,611.11	\$ 11,476,611.11
454,435.50	-	-	-	454,435.50	454,435.50
374,343.01	-	-	-	374,343.01	374,343.01
60,412,490.21	-	-	-	60,412,490.21	60,412,490.21
6,000.00	-	-	-	6,000.00	6,000.00
<u>\$ 72,723,879.83</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 72,723,879.83</u>	<u>\$ 72,723,879.83</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
477,368.39	-	-	-	477,368.39	477,368.39
<u>\$ 477,368.39</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 477,368.39</u>	<u>\$ 477,368.39</u>
<u>\$ 78,805,098.10</u>	<u>\$ 65,539.02</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 78,739,559.08</u>	<u>\$ 78,805,098.10</u>

**Note 1 - Non Monetary Assistance**

UNAUDITED

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

Pass-Through Amount: \$ - FMV for account #42840  
 CFDA Number: 00.000  
 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)	\$ 17,701,604.86
Federal Pass-Through Revenue from Other State Agencies (SRECNA)	\$ 685,003.03
Subtotal	<u>\$ 18,386,607.89</u>
Reconciling Items:	
Non-monetary Items	
Donation of Federal Surplus Personal Property	\$ -
New Loans Processed:	
Federal Family Education Loan Program	60,412,490.21
Federal Perkins Loan Program	<u>6,000.00</u>
Total Pass Through and Expenditures per Federal Schedule	<u><u>\$ 78,805,098.10</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	\$ 60,412,490.21	\$ -	\$ 60,412,490.21	\$ -
84.038 Federal Perkins Loan Program	6,000.00	-	6,000.00	
<b>Total Department of Education</b>	<u><u>\$ 60,418,490.21</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 60,418,490.21</u></u>	<u><u>\$ -</u></u>

**SAM HOUSTON STATE UNIVERSITY**

UNAUDITED

**SCHEDULE 1B**

**SCHEDULE OF STATE GRANTS PASS THROUGH FROM/TO STATE AGENCIES**

**For the Year Ended August 31, 2007**

**Pass Through From:**

Texas State University - San Marcos (Agy 754)

LEP Math Initiative	\$	(235.60)
EPIC MEL		55,406.22
No Child Left Behind		149,881.44

Texas Higher Education Coordinating Board (Agy 781)

Texas Grant Program	\$	4,969,270.00
5th Year Accounting Scholarship		6,000.00
Texas College Work Study Program		64,322.00

**Total State Pass-Thru Grant Revenue** \$ 5,244,644.06

**Pass Through To:**

None



**SAM HOUSTON STATE UNIVERSITY**  
**SCHEDULE 2A**  
**MISCELLANEOUS BOND INFORMATION**  
**For the Year Ended August 31, 2007**

**UNAUDITED**

**Schedule Not Used**

**SAM HOUSTON STATE UNIVERSITY**  
**SCHEDULE 2B**  
**CHANGES IN BOND INDEBTEDNESS**  
**For the Year Ended August 31, 2007**

**UNAUDITED**

**Schedule Not Used**

**SAM HOUSTON STATE UNIVERSITY**  
**SCHEDULE 2C**  
**DEBT SERVICE REQUIREMENTS**  
**For the Year Ended August 31, 2007**

**UNAUDITED**

**Schedule Not Used**

**SAM HOUSTON STATE UNIVERSITY**  
**SCHEDULE 2D**  
**ANALYSIS OF FUNDS AVAILABLE FOR DEBT SERVICE**  
**For the Year Ended August 31, 2007**

**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, 2007**

**UNAUDITED**

**Schedule Not Used**

**SAM HOUSTON STATE UNIVERSITY**  
**SCHEDULE 2F**  
**EARLY EXTINGUISHMENT AND REFUNDING**  
**For the Year Ended August 31, 2007**

**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, 2007

UNAUDITED

<b>Cash in State Treasury</b>	<b>Unrestricted</b>	<b>Restricted</b>	<b>Current Year Total</b>
Local Revenue Fund 02XX	\$ 18,397,164.94	\$	\$ 18,397,164.94
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	3,516,690.25		3,516,690.25
Correctional Management Institute and Criminal Justice Center Fund 5083	2,045,261.78		2,045,261.78
<b>Total Cash in State Treasury (Statement of Net Assets)</b>	<b>\$ 23,959,116.97</b>	<b>\$ 0.00</b>	<b>\$ 23,959,116.97</b>

**SAM HOUSTON STATE UNIVERSITY  
SCHEDULE 4  
HIGHER EDUCATION ASSISTANCE FUND  
For the Year Ended August 31, 2007**

**UNAUDITED**

	<u>Totals</u>
	\$
<b>Balance September 1, 2006</b>	<u>6,500,988.89</u>
<b>REVENUES</b>	
Appropriations	<u>6,610,870.00</u>
Total Revenues	<u>6,610,870.00</u>
<b>EXPENSES</b>	
Professional Fees and Services	14,610.61
Materials and Supplies	2,702,033.63
Repairs and Maintenance	380,174.98
Service	
Interest	14.02
Real Property	42,290.00
Other Expenses	<u>116,780.79</u>
Total Expenses	<u>3,255,904.03</u>
	\$
<b>BALANCE AT AUGUST 31, 2007</b>	<u><u>9,855,954.86</u></u>