



**Financial**

**Report**

**2004**

**Sam Houston State University**

*A Member of The Texas State University System*

**Huntsville, Texas**



James F. Gaertner

# Sam Houston State University

*A Member of The Texas State University System*

## OFFICE OF THE PRESIDENT

November 15, 2004

Honorable Rick Perry, Governor  
Honorable Carole Keeton Strayhorn, State Comptroller  
John O'Brien, Deputy Director, Legislative Budget Board  
Lawrence F. Alwin, 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, 2004, in compliance with TEX.GOV'T CODE ANN §2101.011 and in accordance with the requirements established by the Comptroller of Public Accounts.

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

If you have any questions, please contact Charles R. Carlow, Director of the Business Office, at (936) 294-1072. April Kmiec, Contracts & Grants Administrator, may be contacted at (936) 294-1014 for questions related to the Schedule of Expenditures of Federal Awards.

Sincerely,



Dr. James F. Gaertner  
President



**UNAUDITED**

**FINANCIAL REPORT**

**SAM HOUSTON STATE UNIVERSITY**

For the Year Ended August 31, 2004

Huntsville, Texas



**UNAUDITED**

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# Sam Houston State University

*A Member of The Texas State University System*

## BUSINESS OFFICE

November 15, 2004

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, 2004.

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

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

If you have any questions, please contact Charles R. Carlow, Director of the Business Office, at (936) 294-1072. April Kmiec, Contracts & Grants Administrator, may be contacted at (936) 294-1014 for questions related to the Schedule of Federal Financial Assistance.

Respectfully submitted,

Charles R. Carlow  
Director  
Business Office

Anne D. Heartfield, CPA  
Assistant Director  
Business Office

Sarah L. Woods, CPA  
Accountant III  
Business Office

Approved:

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





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

August 31, 2004

**OFFICERS**

Alan W. Dreeben	Chairman
Kent M. Adams	Vice Chairman

**MEMBERS**

Terms Expire February 1, 2005	
Patricia Diaz Dennis	San Antonio
Dionicio (Don) Flores	El Paso
James A. (Jimmy) Hayley	Texas City
Terms Expire February 1, 2007	
Kent M. Adams	Beaumont
Alan W. Dreeben	San Antonio
Pollyanna A. Stephens	San Angelo
Terms Expire February 1, 2009	
Dora G. Alcalá	Del Rio
John E. Dudley	Comanche
Bernie C. Francis	Carrollton

Lamar G. Urbanovsky, 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
Charles R. Carlow	Director, Business Office



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**SAM HOUSTON STATE UNIVERSITY**

**ENROLLMENT DATA**  
**For the Year Ended August 31, 2004**

Number of Students per Semester

<u>Type of Student</u>	<u>Fall</u>	<u>Spring</u>	<u>Summer Terms 2004</u>	
	<u>2003</u>	<u>2004</u>	<u>First</u>	<u>Second</u>
Texas Resident	13,033	12,391	5,115	4,248
Out-Of-State	235	227	92	54
Foreign	186	191	83	76
Concurrent Enrollment				
High School Honor Graduate				
Hazlewood Act				
Blind or Deaf Student Waivers				
Fireman Exempt				
Disabled Peace Officers				
Foster Children of the State				
Thesis Only				
Foreign Exchange Program				
<b>Totals</b>	<u>13,454</u>	<u>12,809</u>	<u>5,290</u>	<u>4,378</u>

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

<u>Fiscal Year</u>	<u>Students</u>	<u>Semester Hours</u>
2004	13,454	161,767
2003	13,091	155,186
2002	12,996	154,095
2001	12,355	147,413
2000	12,215	144,885
1999	12,205	146,026
1998	12,709	151,795
1997	12,564	151,865
1996	12,439	149,286
1995	12,906	153,943
1994	12,800	154,431
1993	12,412	150,530

\* Furnished by the Office of Institutional Research



UNAUDITED

SAM HOUSTON STATE UNIVERSITY

ENROLLMENT DATA  
For the Year Ended August 31, 2004

<u>Semester Hour Load*</u>	<u>Number of Students per Semester</u>			
	<u>Fall</u> <u>2003</u>	<u>Spring</u> <u>2004</u>	<u>Summer Terms 2004</u>	
			<u>First</u>	<u>Second</u>
20 or more semester hours	44	58	0	0
19 semester hours	152	190	0	0
18 semester hours	403	501	0	0
17 semester hours	354	378	0	0
16 semester hours	1,279	1,223	0	0
15 semester hours	2,224	1,923	0	0
14 semester hours	954	731	0	0
13 semester hours	1,983	1,590	1	0
12 semester hours	2,466	2,421	8	1
11 semester hours	97	90	3	0
10 semester hours	252	257	26	7
9 semester hours	837	946	209	45
8 semester hours	40	29	20	6
7 semester hours	134	139	319	191
6 semester hours	1,107	1,205	2,440	1,925
5 semester hours	13	7	17	9
4 semester hours	43	54	222	256
3 semester hours or less	<u>1,072</u>	<u>1,067</u>	<u>2,025</u>	<u>1,938</u>
Totals	<u>13,454</u>	<u>12,809</u>	<u>5,290</u>	<u>4,378</u>

\* Furnished by the Office of Institutional Research



**UNAUDITED**

**SAM HOUSTON STATE UNIVERSITY**

**PROPRIETARY FUND STATEMENTS**





**Sam Houston State University**  
**Statement of Net Assets**  
**August 31, 2004**

## ASSETS

## Current Assets:

## Cash and Cash Equivalents

Cash on Hand	\$24,000.00
Cash in Bank	1,906,462.57
Cash in Transit/Reimbursement from Treasury	620,086.45
Cash in State Treasury	25,863,952.54
Cash Equivalents	79,939,159.39

## Securities Lending Collateral

## Short Term Investments

## Restricted:

## Cash and Cash Equivalents

Cash on Hand	
Cash in Bank	762,854.57
Cash in Transit/Reimbursement from Treasury	
Cash in State Treasury	
Cash Equivalents	1,931,628.33

## Short Term Investments

Legislative Appropriations	4,688,950.62
----------------------------	--------------

## Investments

## Receivables from:

Federal	2,172,766.29
Other Intergovernmental	
Interest and Dividends	
Accounts Receivable	10,566,026.57
Gifts	
Other	

## Interfund Receivables

Due From Other Agencies	469,321.04
-------------------------	------------

## Consumable Inventories

Merchandise Inventories	290,400.66
-------------------------	------------

## Deferred Charges

Loans and Contracts	2,411,094.53
---------------------	--------------

Other Current Assets	7,797,995.11
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## Total Current Assets

	<u>\$139,444,698.67</u>
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## Noncurrent Assets:

## Restricted:

## Cash and Cash Equivalents

Cash on Hand	
Cash in Bank	\$83,811.11
Cash in Transit/Reimbursement from Treasury	
Cash in State Treasury	
Cash Equivalents	11,547,503.91

**Sam Houston State University**  
**Statement of Net Assets**  
**August 31, 2004**

Short Term Investments	
Receivables	
Investments	
Loans and Contracts	675,874.92
Other Assets	
Loans and Contracts	
Investments	11,851,460.14
Interfund Receivables	
Capital Assets:	
Non-Depreciable:	
Land and Land Improvements	12,427,819.66
Infrastructure	
Construction in Progress	64,308,233.99
Other Capital Assets	24,639,318.24
Depreciable:	
Buildings and Building Improvements	154,143,509.00
Less Accumulated Depreciation	(121,510,235.94)
Infrastructure	9,023,977.71
Less Accumulated Depreciation	(2,429,532.00)
Facilities and Other Improvements	13,897,563.74
Less Accumulated Depreciation	(2,662,293.07)
Furniture and Equipment	14,222,248.05
Less Accumulated Depreciation	(9,757,953.70)
Vehicles, Boats, and Aircraft	1,973,394.96
Less Accumulated Depreciation	(1,557,672.02)
Other Capital Investments	
Less Accumulated Depreciation	
Other Noncurrent Assets	113,718.20
Total Non-Current Assets	<u>\$180,990,746.90</u>
<b>Total Assets</b>	<u><u>\$320,435,445.57</u></u>

**LIABILITIES**

Current Liabilities:	
Payables From:	
Accounts	\$7,643,699.80
Federal	
Other Intergovernmental	
Payroll	
Other	382,444.67
Interfund Payable	
Due to Other Agencies	187,237.18
Deferred Revenues	35,088,316.60

**Sam Houston State University**  
**Statement of Net Assets**  
**August 31, 2004**

Notes and Loans Payable	
Revenue Bonds Payable	
General Obligation Bonds Payable	
Claims and Judgements Payable	
Employees' Compensable Leave	1,197,339.79
Capital Lease Obligations	
Liabilities Payable from Restricted Assets	
Obligations/Reverse Purchase Agreements	
Obligations Under Securities Lending	
Funds Held for Others	2,247,801.02
Other Current Liabilities	
Total Current Liabilities	<u>\$46,746,839.06</u>
Noncurrent Liabilities:	
Interfund Payable	
Notes and Loans Payable	
Revenue Bonds Payable	
General Obligation Bonds Payable	
Claims and Judgements Payable	
Employees Compensable Leave	707,498.82
Capital Lease Obligations	
Other Non-Current Liabilities	1,552,000.22
Total Noncurrent Liabilities	<u>\$2,259,499.04</u>
Total Liabilities	<u>\$49,006,338.10</u>
<b>NET ASSETS</b>	
Invested in Capital Assets, Net of Related Debt	\$156,718,378.62
Restricted for	
Education	
Debt Retirement	
Capital Projects	
Employee Benefit	
Funds Held As Permanent Investments:	
Non-Expendable	18,173,335.40
Expendable	
Other	10,369,051.61
Unrestricted	<u>86,168,341.84</u>
Total Net Assets	<u>\$271,429,107.47</u>

**Sam Houston State University**  
**Statement of Revenues, Expenses, and Changes in Net Assets**  
**For the Fiscal Year Ended August 31, 2004**

**OPERATING REVENUES**

Sales of Goods and Services	
Tuition and Fees (PR-Chgs for Services)	\$52,707,212.03
Tuition and Fees - Pledged (PR-Chgs for Services)	
Discounts and Allowances	(6,544,826.37)
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)	17,455,669.24
Auxiliary Enterprises - Pledged (PR-Chgs for Services)	
Discounts and Allowances	
Other Sales of Goods and Services	513,943.06
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 Value (PR-OP Grants/Contributions)	
Net Increase (Decrease) Fair Value (GR)	
Federal Revenue-Operating (PR-OP Grants/Contributions)	13,458,221.72
Federal Pass Through Revenue (PR-OP Grants/Contributions)	587,274.36
State Grant Revenue (PR-OP Grants/Contributions)	1,783,194.31
State Grant Pass Through Revenue (PR-OP Grants/Contributions)	3,367,943.30
Other Grants and Contracts (PR-OP Grants/Contributions)	812,289.24
Land Income (PR-Chgs for Services)	
Contributions to Retirement Systems (PR-Chgs for Services)	
Other Operating Revenues (PR-Chgs for Services)	9,809,470.28
Other Operating Revenues (GR)	
Total Operating Revenues	<u><u>\$93,950,391.17</u></u>

**OPERATING EXPENSES**

Instruction	\$38,415,656.07
Research	2,641,114.31
Public Service	8,876,328.63
Academic Support	13,933,466.84
Student Services	7,209,349.70
Institutional Support	15,865,596.41
Operation and Maintenance of Plant	8,840,630.52
Scholarship and Fellowships	9,348,184.60

**Sam Houston State University**  
**Statement of Revenues, Expenses, and Changes in Net Assets**  
**For the Fiscal Year Ended August 31, 2004**

Auxiliary Enterprise Expenditures	20,830,178.38
Depreciation and Amortization	4,009,143.19
Total Operating Expenses	<u>\$129,969,648.65</u>
Operating Income (Loss)	<u><u>(\$36,019,257.48)</u></u>

**NONOPERATING REVENUES (EXPENSES):**

Legislative Revenue (GR)	\$36,209,336.00
Additional Appropriations (GR)	8,563,604.14
HEAF Appropriation Revenue (GR)	5,864,608.00
Federal Revenue Non-Operating (PR-OP Grants/Contributions)	
Gifts (PR-OP Grants/Contributions)	2,054,731.63
Investment Income (Expense) (PR-OP Grants/Contributions)	654,898.28
Investment Income (Expense) (GR)	
Loan Premium/Fees on Securities Lending (PR-OP Grants/Contributions)	
Investing Activities Expense	(57,573.11)
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)	1,178,978.88
Net Increase (Decrease) in Fair Value of Investments (GR)	
Settlement of Claims (PR-Chgs for Services)	(181,904.35)
Settlement of Claims (GR)	(186,709.05)
Other Nonoperating Revenues (Expenses) (PR-Chgs for Services)	746,567.06
Other Nonoperating Revenues (Expenses) (GR)	
Total Nonoperating Revenues (Expenses)	<u>\$54,846,537.48</u>
Income (Loss) before Other Revenues, Expenses, Gains/Losses and Transfers	<u><u>\$18,827,280.00</u></u>

**OTHER REVENUES, EXPENSES, GAINS/**

**LOSSES AND TRANSFERS**

Capital Contributions	
Capital Appropriations (HEAF)	
Additions to Permanent and Term Endowments	
Special Items	
Extraordinary Items	
Transfers-In	\$20,845,278.90
Transfers-Out	(7,257,140.40)
Legislative Transfers-In	
Legislative Transfers-Out	
Legislative Appropriations Lapsed	

UNAUDITED

**Sam Houston State University**  
**Statement of Revenues, Expenses, and Changes in Net Assets**  
**For the Fiscal Year Ended August 31, 2004**

Total Other Revenues, Expenses, Gains/Losses and Transfers	<u>\$13,588,138.50</u>
<b>CHANGE IN NET ASSETS</b>	<u>\$32,415,418.50</u>
Total Net Assets, Beginning	\$247,035,726.31
Restatements	<u>(8,022,037.34)</u>
Total Net Assets, Beginning, as Restated	<u>\$239,013,688.97</u>
<b>TOTAL NET ASSETS, ENDING</b>	<u><u>\$271,429,107.47</u></u>

Sam Houston State University  
 Matrix of Operating Expenses Reported by Function  
 For the Fiscal Year Ended August 31, 2004

Operating Expenses	Instruction	Research	Public Service	Academic Support	Student Services	Institutional Support	Operation and Maintenance of Plant	Scholarship and Fellowships	Auxiliary Enterprise Expenditures	Depreciation and Amortization	Total Expenditures
Cost of Goods Sold	\$644.98		\$5,254.90	\$1,000.00	\$4,853.65	\$40,167.97			\$279,102.01		\$331,023.51
Salaries and Wages	30,015,059.18	\$1,217,893.19	3,544,386.78	7,145,518.05	4,816,318.67	5,207,865.97	\$4,716,406.30	\$691,501.05	6,710,361.52		64,065,310.71
Payroll Related Costs	7,327,945.08	256,840.58	930,163.11	1,745,908.23	967,871.63	1,017,960.21	1,144,854.94	86,848.55	1,570,726.09		15,049,118.42
Professional Fees and Services	2,155.97	116,990.29	1,635,104.06	138,449.58	12,651.86	79,553.40	6,218.90	37,987.00	288,238.49		2,317,349.55
Travel	41,619.60	93,199.92	253,518.07	260,920.43	31,127.66	702,860.72	920.77	65,022.21	831,126.89		2,280,316.27
Materials and Supplies	453,541.00	214,354.25	831,871.57	2,299,801.56	701,798.21	2,436,792.94	1,635,544.11	137,810.32	5,117,393.94		13,828,907.90
Communication and Utilities	32,729.50	2,456.50	137,928.54	46,147.51	178,881.29	2,471,102.06	522,069.27	1,284.26	2,091,203.43		5,483,802.36
Repairs and Maintenance	51,303.98	92,119.82	33,329.10	257,843.20	153,922.15	447,304.43	245,493.76	21,810.60	952,319.02		2,255,446.06
Rentals and Leases	89,977.01	25,757.24	467,757.94	141,468.08	14,562.91	93,261.16	2,248.11	9,420.41	354,487.06		1,198,939.92
Printing and Reproduction	11,047.13	445.93	26,127.73	42,040.22	4,482.98	189,523.23	44.96	1,026.06	117,996.50		392,734.74
Federal Pass Through Expense	238,720.75		245,405.12								484,125.87
State Grant Pass Through Expense			68,798.02					3,294,928.00			3,363,726.02
Depreciation and Amortization										4,009,143.19	4,009,143.19
Bad Debt Expense	(22,994.54)				(1,494.99)	561.28			2,698.83		(21,229.42)
Interest	3.52	1.32	25.58	226.43		1.71	2.87				261.43
Scholarships	13,000.00	33,000.00	189,582.79	1,498,772.07	16,782.50	1,014,979.54		4,890,448.37	879,794.13		8,536,359.40
Claims and Losses											0.00
Other Operating Expenses	160,902.91	588,055.27	507,075.32	355,371.48	307,591.18	2,163,661.79	566,826.53	110,097.77	1,634,730.47		6,394,312.72
<b>Total Operating Expenses</b>	<b>\$38,415,656.07</b>	<b>\$2,641,114.31</b>	<b>\$8,876,328.63</b>	<b>\$13,933,466.84</b>	<b>\$7,209,349.70</b>	<b>\$15,865,596.41</b>	<b>\$8,840,630.52</b>	<b>\$9,348,184.60</b>	<b>\$20,830,178.38</b>	<b>\$4,009,143.19</b>	<b>\$129,969,648.65</b>



**Sam Houston State University**  
**Statement of Cash Flows**  
**For the Year Ended August 31, 2004**

**Cash Flows from Operating Activities**

Receipts from Customers	
Proceeds from Tuition and Fees	\$49,302,715.52
Proceeds from Research Grants and Contracts	20,512,792.03
Proceeds from Gifts	
Proceeds from Loan Programs	3,762,792.70
Proceeds from Auxiliaries	20,233,429.87
Proceeds from Other Revenues	10,321,896.65
Payments to Suppliers for Goods and Services	(46,314,968.23)
Payments to Employees for Salaries	(64,316,700.63)
Payments to Employees for Benefits	(15,091,019.61)
Payments for Loans Provided	(4,403,350.52)
Payments for Other Expenses	
	<hr/>
Net Cash Provided (Used) by Operating Activities	(25,992,412.22)

**Cash Flows from Noncapital Financing Activities**

Proceeds from Debt Issuance	20,500,000.00
Proceeds from State Appropriations	46,522,409.55
Proceeds from Gifts	2,073,073.85
Proceeds from Endowments	
Proceeds of Transfers from Other Funds	
Proceeds from Grant Receipts	
Proceeds from Advances from Other Funds	
Proceeds from Loan Programs	
Proceeds from Other Financing	
Proceeds from Contributed Capital	
Payments of Principal on Debt Issuance	
Payments of Interest	
Payments of Other Costs of Debt Issuance	
Payments for Transfers to Other Funds	
Payments for Grant Disbursements	
Payments for Advances to Other Funds	
Payments for Other Uses	17,648.19
	<hr/>
Net Cash Provided by Noncapital Financing Activities	69,113,131.59

**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	

**Sam Houston State University**  
**Statement of Cash Flows**  
**For the Year Ended August 31, 2004**

Proceeds from Other Financing Activities	
Proceeds from Capital Contributions	
Proceeds from Advances from Other Funds	
Payments for Additions to Capital Assets	(29,245,656.38)
Payments of Principal on Debt	(7,234,083.01)
Payments for Capital Lease	
Payments of Interest on Debt Issuance	
Payments of Other Costs of Debt Issuance	
Net Cash Provided by Capital and Related Financing Activities	<u>(36,479,739.39)</u>
<b>Cash Flows from Investing Activities</b>	
Proceeds from Sales of Investments	425,862.68
Proceeds from Interest Income	746,567.06
Proceeds from Investment Income	654,898.28
Proceeds from Principal Payments on Loans	
Payments to Acquire Investments	<u>(57,573.11)</u>
Net Cash Provided by Investing Activities	<u>1,769,754.91</u>
Net Increase (Decrease) in Cash and Cash Equivalents	8,410,734.89
Cash and Cash Equivalents, September 1, 2003	114,268,723.98
Changes in Accounting Principal	
Changes in Reporting Entity	
Restatements to Beginning Cash and Cash Equivalents	
Cash and Cash Equivalents, September 1, 2003 - Restated	<u>114,268,723.98</u>
Cash and Cash Equivalents, August 31, 2004	<u>\$122,679,458.87</u>
<b>Reconciliation of Operating Income (Loss) to</b>	
<b>Net Cash Provided (Used) by Operating Activities</b>	
Operating Income (Loss)	(36,019,257.48)
Adjustments to Reconcile Operating Income	
to Net Cash Provided (Used) by Operating Activities:	
Amortization and Depreciation	4,009,143.19
Bad Debt Expense	21,229.42
Operating Income and Cash Flow Categories:	
Classification Differences	
Changes in Assets and Liabilities:	
(Increase) Decrease in Receivables	(278,577.73)

**Sam Houston State University**  
**Statement of Cash Flows**  
**For the Year Ended August 31, 2004**

Increase (Decrease) in Due from Other Funds	
(Increase) Decrease in Inventories	27,068.24
(Increase) Decrease in Prepaid Expenses	(1,518,766.87)
(Increase) Decrease in Notes Receivable	(633,576.10)
(Increase) Decrease in Loans & Contracts	
(Increase) Decrease in Other Assets	
(Increase) Decrease in State Appropriations	
Increase (Decrease) in Payables	1,829,860.36
Increase (Decrease) in Deposits	117,562.01
Increase (Decrease) in Due to Other Funds	
Increase (Decrease) in Deferred Income	6,553,247.48
Increase (Decrease) in Compensated Absence Liability	(100,344.74)
Increase (Decrease) in Benefits Payable	
Increase (Decrease) in Other Liabilities	
Total Adjustments	<u>10,026,845.26</u>
Net Cash Provided by Operating Activities	<u><u>(\$25,992,412.22)</u></u>

**Non Cash Transactions**

Donation of Capital Assets	
Net Change in Fair Value of Investments	\$753,116.20
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, 2004*

***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.

The significant accounting policies followed by Sam Houston State University in maintaining accounts and in the preparation of the preceding statements are in accordance with Texas Comptroller of Public Accounts' Annual Financial Reporting Requirements. These requirements follow, as near as practicable, the AICPA Industry Audit Guide, Audits of Colleges and Universities, 1996 Edition, as amended by AICPA Statement of Position (SOP) 74-8, Financial Accounting and Reporting by Colleges and Universities, and as modified by applicable Financial Accounting Standards Board (FASB) pronouncements issued through November 30, 1989, and as modified by all applicable Governmental Accounting Standards Board (GASB) pronouncements cited in Codification Section Co5, "Colleges and Universities." The requirements are also in substantial conformity with the Financial Accounting and Reporting Manual for Higher Education published by the National Association of College and University Business Officers (NACUBO).

Due to the significant changes related to Government Accounting Standards Board Statements No. 34/35, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments/Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments and Public Colleges and Universities*, the Comptroller of Public Accounts does not require the accompanying annual financial report to be in compliance with generally accepted accounting principles (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.

**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**

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### **Business-Type Activity**

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

### **BASIS OF ACCOUNTING**

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:

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

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### LIABILITIES

#### Accounts Payable

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

#### Other Payables

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

#### Employees' Compensable Leave Balances

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

#### Capital Lease Obligations

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

### FUND BALANCE/NET ASSETS

The difference between fund assets and liabilities is 'Net Assets' on the government-wide, proprietary and fiduciary fund statements, and the 'Fund Balance' is the difference between fund assets and liabilities on the governmental fund statements.

#### Reservations of Fund Balance

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

#### Reserved for Encumbrances

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

#### Reserved for Consumable Inventories

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

#### Unreserved/Undesignated

Other represents the unappropriated balance at year-end.

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

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bond, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

### Restricted Net Assets

Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.

### Unrestricted Net Assets

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

## INTERFUND 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 "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, 2003, there were no outstanding interfund receivables or payables.

The composition of the agency's Interfund activities and balances are presented in Note 7.



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**Note 2: Capital Assets**

A summary of changes in Capital Assets for the year ended August 31, 2004 is presented below:

	Balance 09/01/03	Adjustments	Reclassification Construction in Progress	Reclassifica- tion Transfers In	Additions	Deletions	Balance 08/31/04
<b>Business-Type Activities:</b>							
<i>Non-Depreciable Assets</i>							
Land & Improvements	\$ 12,418,188.41	\$ (3,100.00)			\$ 12,731.25		\$ 12,427,819.66
Construction in Progress	42,840,798.16		(10,775,157.38)		32,242,593.21		64,308,233.99
Other Capital Assets	23,385,412.14				1,253,906.10		24,639,318.24
<b>Total non-depreciable assets</b>	<b>78,644,398.71</b>	<b>(3,100.00)</b>	<b>(10,775,157.38)</b>		<b>33,509,230.56</b>	<b>0.00</b>	<b>101,375,371.89</b>
<i>Depreciable Assets:</i>							
Buildings & Improvements	142,875,973.30		11,267,535.70				154,143,509.00
Infrastructure	9,023,977.71						9,023,977.71
Facilities & Other Improvements	13,897,563.74						13,897,563.74
Furniture & Equipment	13,190,443.33			15,780.90	1,285,111.96	(309,683.14)	14,181,653.05
Vehicles, Boats & Aircraft	1,893,444.18			40,595.00	171,009.00	(91,058.22)	2,013,989.96
Other Capital Assets							0.00
<b>Total Depreciable Assets - Historical Costs:</b>	<b>180,881,402.26</b>	<b>0.00</b>	<b>11,267,535.70</b>	<b>56,375.90</b>	<b>1,456,120.96</b>	<b>(400,741.36)</b>	<b>193,260,693.46</b>
Less Accumulated Depreciation for:							
Buildings & Improvements	(119,307,710.85)				(2,202,525.09)		(121,510,235.94)
Infrastructure	(2,082,456.00)				(347,076.00)		(2,429,532.00)
Facilities & Other Improvements	(2,245,867.51)				(416,425.56)		(2,662,293.07)
Furniture & Equipment	(8,801,853.36)			(15,780.90)	(1,245,612.53)	305,293.09	(9,757,953.70)
Vehicles, Boats & Aircraft	(1,470,655.82)			(30,982.47)	(139,037.15)	83,003.42	(1,557,672.02)
Other Capital Assets							0.00
<b>Total Accumulated Depreciation</b>	<b>(133,908,543.54)</b>	<b>0.00</b>	<b>0.00</b>	<b>(46,763.37)</b>	<b>(4,350,676.33)</b>	<b>388,296.51</b>	<b>(137,917,686.73)</b>
Depreciable Assets, Net	46,972,858.72	0.00	11,267,535.70	9,612.53	(2,894,555.37)	(12,444.85)	55,343,006.73
<b>Business-Type Activities Capital Assets, Net</b>	<b>\$ 125,617,257.43</b>	<b>\$ (3,100.00)</b>	<b>\$ 492,378.32</b>	<b>\$ 9,612.53</b>	<b>\$ 30,614,675.19</b>	<b>\$(12,444.85)</b>	<b>\$ 156,718,378.62</b>

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

**Note 3: Deposits & Investments**

Sam Houston State University is authorized to invest in obligations and instruments as defined in the Public Funds Investment Act (Tex. Gov't Code Ann. Sec 2256.001) and the Endowment Fund, the Uniform Management of Institutional Funds Act. Such investments include (1) obligations of the United States or its agencies, (2) direct obligations of the State of Texas or its agencies, (3) obligations of political subdivisions rated not less than A by a national investment rating firm, (4) certificates of deposits, and (5) other instruments and obligations authorized by statute.

**DEPOSITS OF CASH IN BANK**

- The carrying amount of \$2,753,128.25 for Cash in Bank (including restricted assets) is presented below.
- The bank balance of Sam Houston State University has been classified according to the following risk categories:

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1. Category 1 - Insured or collateralized with securities held by the governmental entity or by its agent in the name of the governmental entity.
2. Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the governmental entity's name.
3. Category 3 - Uncollateralized (which would include any deposits collateralized with securities held by the pledging financial institutions, or by its trust department or agent but not in the governmental entity's name).

Category 1	Category 2	Category 3	Bank Balance	Carrying Amount
\$ 100,000.00	\$ 4,731,474.43	\$ 0.00	\$ 4,831,474.43	\$ 2,753,128.25

Consisting of the following:	
Demand Deposits	\$ 2,753,128.25
Cash on Hand	24,000.00
Cash in Transit to State Treasury	616,841.30
Cash in State Treasury (See Schedule 3)	25,863,952.54
Reimbursement Due From State	3,245.15
Proprietary Funds Certificates of Deposit	0.00
Fiduciary Funds Uninvested Securities Lending Cash Collateral	0.00
<b>Total Deposits Carrying Amounts</b>	<b>\$ 29,261,167.24</b>

INVESTMENTS

To comply with the reporting requirements of GASB Statement No. 3, Investments (including Repurchase Agreements and Reverse Repurchase Agreements), Sam Houston State University's investments (including temporary investments) are categorized in the tabulation entitled "Investment Categories" to give an indication of the credit risk assumed by the University at year end.

Credit risk is the risk that another party to a deposit or investment transaction will not fulfill its obligations. This is not to be confused with the market risk, which is the risk of a decline in the market value of an investment, collateral protecting a deposit, or securities underlying a repurchase agreement. Market risk is not depicted in this note.

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The following categories of credit risk are included:

- Category 1: Investments that are insured or registered or for which the securities are held by the University or its agent in the University's name.
- Category 2: Uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or University in the University's name.
- Category 3: Uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent, but not in the University's name.

**Categorized Investments:**

Type of Security	Category			Fair Value
	1	2	3	
U.S. Government Obligations	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Corporate Stock	45,063.70	0.00	0.00	\$ 45,063.70
<b>Total Categorized Investments</b>	<b>\$ 45,063.70</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>\$ 45,063.70</b>

**Uncategorized Investments:**

Texpool	93,418,291.63
Real Estate	290,920.00
Investment in Common Fund Equities	11,265,734.04
Mutual Funds	106,920.53
York Annuity Trust Certificate	142,821.87
<b>Total Investments</b>	<b>\$ 105,269,751.77</b>

<b>Consisting of the following:</b>	
Proprietary Funds Current Cash Equivalents	79,939,159.39
Proprietary Funds Current Short Term Investments	0.00
Proprietary Funds Current Invested Securities Lending Collateral	0.00
Proprietary Funds Current Restricted Cash Equivalents	1,931,628.33
Proprietary Funds Current Restricted Short Term Investments	0.00
Proprietary Funds Non-Current Restricted Cash Equivalents	11,547,503.91
Proprietary Funds Non-Current Investments	11,851,460.14
Proprietary Funds Non-Current Restricted Investments	0.00
<b>Total, As Above</b>	<b>\$ 105,269,751.77</b>

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Proprietary Funds CDs disclosed as Deposits but reported as Non-Current Restricted Short-Term Investments on Financial Statements	0.00
Fiduciary Funds Uninvested Cash Collateral disclosed as deposits but reported as Securities Lending Collateral on Financial Statement	0.00
<b>Total Investments per Financial Statements</b>	<b>\$ 134,530,919.01</b>

**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 2004.

*Note 4: Short-Term Debt*

None.

*Note 5: Summary of Long Term Liabilities*

**CHANGES IN LONG-TERM LIABILITIES**

During the year ended August 31, 2004, the following changes occurred in liabilities.

BUSINESS-TYPE ACTIVITIES	Balance 09/01/03	Additions	Reductions	Balance 08/31/04	Amounts Due Within One Year
Compensable Leave	\$ 2,005,183.35	0.00	100,344.74	\$1,904,838.61	\$1,197,339.79
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b>\$ 2,005,183.35</b>	<b>\$ 0.00</b>	<b>\$ 100,344.74</b>	<b>\$1,904,838.61</b>	<b>\$1,197,339.79</b>

**NOTES AND LOANS PAYABLE**

None.

**CLAIMS & JUDGEMENTS**

At August 31, 2004, various lawsuits and claims involving Sam Houston State University were pending.

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While the ultimate liability with respect to litigation and other claims asserted against the University cannot be reasonably estimated at this time, such liability, to the extent not provided for by insurance or otherwise, is not likely to have a material effect on the University.

**EMPLOYEES COMPENSABLE LEAVE**

Full-time State employees earn annual leave from seven to twenty hours per month depending on the 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 520 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, 2004, the accrued liability totaled \$ 1,904,838.61 .

The University made lump sum payments totaling \$ 114,719.20 for accrued vacation and/or compensatory time to employees who separated from state service during fiscal year ending August 31, 2004.

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

***Note 6: Capital Leases***

Sam Houston State University had no capital leases as of August 31, 2004.

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

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Future minimum lease rental payments under noncancellable operating leases having an initial term in excess of one year as of August 31, 2004 are:

<u>Fiscal Year</u>	<u>Minimum Future Lease Payments</u>
2005	10,213.52
2006	10,213.52
2007	<u>10,213.52</u>
Total Minimum Future Lease Rental Payments	<u>\$30,640.56</u>

<b><i>Note 8: Interfund Balances/Activities</i></b>
---

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 2004.

The agency experienced routine transfers with other state agencies, which were consistent with the activities of the fund making the transfer.

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

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<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)	\$ 197,597.82	\$	Federal P-T
<b>Federal Pass Throughs</b>			
(Agency 300, D23 Fund 7999)		\$ 25,940.31	Federal P-T
(Agency 601, D23 Fund 0006)	\$ 135,265.57		Federal P-T
(Agency 701, D23 Fund 0148)	\$ 53,465.19		Federal P-T
(Agency 730, D23 Fund 7999)		\$ 131,387.56	Federal P-T
<b>SPECIAL REVENUE (02)</b>			
<b>Appd Fund 9999, D23 Fund 9999</b>			
(Agency 302, D23 Fund 0469)	\$ 45,305.98		N/A
(Agency 601, D23 Fund 5015)	\$ 7,239.00		N/A
(Agency 300, D23 Fund 0421)	\$ 30,447.48		State P-T
(Agency 701, D23 Fund 0148)		\$29,909.31	State P-T
<b>TOTAL DUE TO AND FROM OTHER STATE AGENCIES</b>	<b>\$ 469,321.04</b>	<b>\$ 187,237.18</b>	

Legislative transfers in and out were as follows:

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	<b>Legislative Transfers In</b>	<b>Legislative Transfers Out</b>
<b>GENERAL REVENUE (01)</b>		
<b>Appd Fund 0001, D23 Fund 0001</b>		
(Agency 479, D23 Fund 0001)	\$	
(Agency 902, D23 Fund 0001)		
<b>Total Legislative Transfers</b>	<b>\$ 0.00</b>	<b>\$ 0.00</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, 2004, various lawsuits and claims involving Sam Houston State University were pending. While the ultimate liability with respect to litigation and other claims asserted against the University cannot be reasonably estimated at this time, such liability, to the extent not provided for by insurance or otherwise, is not likely to have a material effect on the University.

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

Not applicable.

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

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

Unemployment Compensation: The State provides coverage for unemployment benefits for University employees from appropriations made to the Texas Workforce Commission (TWC). The current General Appropriations Act provides that the University must reimburse the General Revenue Fund, from



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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, 2004.

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

Sam Houston State University is required by certain bond covenants to carry fire and extended coverage and boiler insurance on buildings financed through the issuance of bonds using pledged Auxiliary Enterprise or other non-Educational and General Funds. The insurance protects the bond 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, 2004.

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

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involved in any risk pools with other governmental entities.

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

***Note 12: Segment Information***

Not applicable.

***Note 13: Bonded Indebtedness***

The Board of Regents approved the order establishing the Master Resolution for the Texas State University System Revenue Financing System in August 1998. The Master Resolution provides a financing structure under which revenue supported indebtedness of the Revenue Financing System can be incurred. Each component institution and the System Administration of TSUS are members of the Revenue Financing System. The Board pledged all of the funds (revenues) and balances derived or attributable to any member of the Revenue Financing System which are lawfully available to the Board for payments on Parity Debt. Specifically exempted from pledged revenues are:

- (a) Amounts received on behalf of any member under Article 7, Section 17 of the Constitution of the State of Texas, including the income therefrom and any balances relating thereto, and
- (b) General Revenue Fund appropriations, except to the extent so specifically appropriated for debt service to the Board by the Legislature of the State of Texas.

Pledged revenue is also subject to the provisions of the "Prior Encumbered Obligations." Prior encumbered obligations means the revenues included in the Revenue Financing System for Southwest Texas State University are subject to a prior claim for the following heretofore issued bonds of the

## UNAUDITED

Board on behalf of that University that were not refunded by the issuance of Revenue Refunding Bonds, Series 1998B or Taxable Series 1998:

Housing System Revenue Bonds, Series 1986

Housing System Revenue Refunding Bonds, Series 1989

University Housing System Revenue Refunding Bonds, Series 1993

Utility System Revenue Refunding Bonds, Series 1993

University Housing System Bonds, Series 1994

University Housing System Bonds, Series 1995

Utility System Revenue Bonds, Series 1996

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

Each component institution received its portion of the bond proceeds and will account for the earnings and disbursements of the bond proceeds. Assets created and/or acquired as a result of the Revenue Financing System bond proceeds expended and subsequently capitalized are reported on the component institutions' Financial Reports in the Investment in Plant Fund. The associated bond liability and debt service activities are reported in total by the TSUS - System Administration.

## DEFEASED BONDS

### Tuition Revenue Bonds, Series 1993

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

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

### ***Note 14: Subsequent Events***

None

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

The Sam Houston Foundation is a separate nonprofit organization which was established for the purpose of cooperating with and working on behalf of the University. Neither the balance nor the transactions of this organization's fund are reflected in the financial statements during the year ended August 31, 2004.

A gift was made to the University from the Sam Houston Foundation for fiscal year 2004 of \$7,000 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 \$16,025.77 of Total Deposits Held in Custody for Others - Agency Funds, at August 31, 2004. Sam Houston State

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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 2004 of \$3,000 to Restricted Funds.

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

No material issues were noted.

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

**The Financial Reporting Entity**

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

As of August 31, 2004, Sam Houston State University does not have any component units.

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

Two Restatements were necessary to bring Sam Houston State University's beginning Net Asset balance to the correct amount.

(a) After the publication of Sam Houston State University's 2003 Annual Financial Report, but before the State of Texas Combined Annual Financial Report, an error was found in the State of Texas Property Accounting Reports for the calculation of depreciation.

(b) After the publication of the State of Texas Combined Annual Financial Report for 2003, an

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error was found on the State of Texas Property Accounting Reports in the calculation of depreciation.

Net Asset Balance August 31, 2003	\$ 247,035,726.31
(a) Restatement of Depreciation to bring SHSU balance to CAFR	<u>(7,254,491.41)</u>
Net Asset Balance August 31, 2003 per CAFR	\$ 239,781,234.90
(b) Restatement of Depreciation	<u>(767,545.93)</u>
<b>Net Asset Balance, September 1, 2004 As Restated</b>	<b>\$ 239,013,688.97</b>

***Note 21: Donor Restricted Endowments***

<u>Donor- Restricted Endowment</u>	<u>Amounts Of Net Appreciation</u>	<u>Reported in Net Assets</u>
True Endowments	\$1,706,975.14	Restricted for Nonexpendable
Term Endowments	0	Restricted for Nonexpendable
True Endowments	0	Restricted for Expendable

***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. New building projects planned or in progress include a new Business Building Annex, a Recreational Center Annex with Pool, a baseball/softball complex, and a new science building, and renovation of the existing science classroom building.

A significant increase, thirty four percent over the two fiscal years since FY02, in the designated portion

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of net assets correlates to an increase in designated tuition per semester credit hour from \$27 in FY02, to \$35 in FY03. The downturn in the economy over the last few years caused a lack of state revenues which led to fewer appropriated revenues for the University. The legislature approved Universities to set their own designated tuition level beginning with Fall 2003. As a result, designated tuition increases of \$39 are in effect for Fall '03 Semester and planned at \$46 in the Spring 04 Semester, and \$53 for the Fall 04 Semester and \$60 for the Spring 05. The legislature also provided for additional scholarship funds to be generated from a percentage of the designated funds to be collected.

The downturn in the economy over the last few years is evidenced by the depreciation of fair market value of endowments (\$1,845,392.26) that are invested in Common Fund (stock market) during the fiscal year 2002. Sam Houston State University experienced a partial recovery of that loss in fiscal year 2003 (\$1,434,864.91). As of August 31, 2004 the endowment was valued at \$23,139,747.51, which is an amount greater than original cost.

*Note 24: Special or Extraordinary Items*

None.

*Note 25: Disaggregation of Receivable and Payable Balances*

None

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SAM HOUSTON STATE UNIVERSITY  
 SCHEDULE 1A  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For the Year Ended August 31, 2004

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Federal Grantor/Pass Through Grantor/ Program Title	CFDA Number	Identifying #	Pass Through From			Direct Program Amount	Total Pass- Thru From & Direct Program
			Agy/ Univ. #	Agency or Univ. Amount	Non-State Agy Amount		
<b>U.S. Department of Justice</b>							
<i>Office of Community Oriented Policing Services</i>							
Direct Programs:							
Public Safety and Community Policing Grants	16.710			\$ -	\$ -	\$ 403,715.36	\$ 403,715.36
Pass-Through From:							
Criminal Justice Division	16.523			\$ (7,967.42)	\$ -	\$ -	\$ (7,967.42)
Total U.S. Department of Justice				\$ (7,967.42)	\$ -	\$ 403,715.36	\$ 395,747.94
<b>National Science Foundation</b>							
Direct Programs:							
Biological Sciences	47.074			-	-	\$ 39,344.23	39,344.23
Pass-Through From:							
California State University Northridge Mathematical and Physical Sciences	47.049			\$ 30,346.77			30,346.77
Southwest Texas State University Education and Human Resources	47.076		754	122,908.02	-	\$ -	122,908.02
Total National Science Foundation				\$ 153,254.79	\$ -	\$ 39,344.23	\$ 192,599.02
<b>U.S. Small Business Administration</b>							
Pass-Through From:							
University of Houston Small Business Development Center	59.037		730	\$ 122,739.17	\$ -	\$ -	\$ 122,739.17
Total U.S. Small Business Administration				\$ 122,739.17	\$ -	\$ -	\$ 122,739.17
<b>U.S. Department of Education</b>							
Direct Programs:							
Bilingual Education Program - Personnel Training	84.195			\$ -	\$ -	\$ 1,168,964.64	\$ 1,168,964.64
TRIO Student Support Services	84.042			\$ -	\$ -	\$ 127,864.20	\$ 127,864.20
TRIO McNair Post Baccalaureate Achievement	84.217					\$ 153,037.72	\$ 153,037.72
	84.325					\$ 98,230.50	\$ 98,230.50
Pass-Through From:							
Texas Education Agency							
Vocational Education - Basic Grants to States Development	84.048		701	\$ 48,481.69	\$ -	\$ -	\$ 48,481.69
Texas A&M Research Foundation Education, Research, Development, and Dissemination	84.305	S040010			\$ 21,139.80		\$ 21,139.80
Pass-Through From:							
Texas Higher Education Coordinating Board							
Math Eisenhower	84.281		781	\$ 214,219.82	-	-	214,219.82
Passed-Through From: Other Non State Entities							
Region V							
Funds for the Improvement of Education Aldine ISD	84.215			-	95,138.88	-	95,138.88
Bilingual Education Training Grants	84.195	A065		-	1,681.24	-	1,681.24
Total U.S. Department of Education				\$ 262,701.51	\$ 117,959.92	\$ 1,548,097.06	\$ 1,928,758.49
<b>Student Financial Assistance Cluster</b>							
<b>U.S. Department of Education</b>							
Direct Programs:							
Supplemental Educational Opportunity Grant	84.007			\$ -	\$ -	\$ 328,374.50	\$ 328,374.50
Federal Family Education Loan Program New Loans Processed Administrative Costs Recovered	84.032			-	-	39,303,171.28	39,303,171.28
Federal Work Study Program	84.033			-	-	\$ 204,135.63	204,135.63
Federal Perkins Loan Program New Loans Processed Administrative Costs Recovered	84.038			-	-	\$ 220,847.00	220,847.00
Federal Pell Grant Program	84.063			-	-	\$ 8,558,168.12	8,558,168.12
Total Student Financial Assistance Cluster Programs				\$ -	\$ -	\$ 48,614,696.53	\$ 48,614,696.53
<b>Research and Development (R&amp;D) Cluster</b>							
<b>U.S. Department of Defense</b>							
<i>Department of the Army, Office of the Chief of Engineers</i>							
Direct Programs:							
Fort Hood Watershed Study & WIAR continuation	12.000	DACA42-01-C-0012				21,320.66	21,320.66
TRIES - Holloman AFB Project	12.000	DACA42-02-C-0009				22,590.49	22,590.49
Pass-Through From Other Non State Entities:							
State of Arizona							

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Pass-Through To					Pass-Thru To &	
Agency Univ #	State Agy. Or Univ. Amt.	Non-State Entity Amt.	Expenditures		Expenditures	
	\$ -	\$ -	\$ 403,715.36		\$ 403,715.36	
	\$ -	\$ -	\$ (7,967.42)		\$ (7,967.42)	
	\$ -	\$ -	\$ 395,747.94		\$ 395,747.94	
	-	-	39,344.23		39,344.23	
			30,346.77		30,346.77	
			122,908.02		122,908.02	
	\$ -	\$ -	\$ 192,599.02		\$ 192,599.02	
	\$ -	\$ -	\$ 122,739.17		\$ 122,739.17	
	\$ -	\$ -	\$ 122,739.17		\$ 122,739.17	
	-	-	\$ 1,168,964.64		\$ 1,168,964.64	
	-	-	\$ 127,864.20		\$ 127,864.20	
			\$ 153,037.72		\$ 153,037.72	
			\$ 98,230.50		\$ 98,230.50	
	-	-	48,481.69		48,481.69	
			21,139.80		21,139.80	
	-	-	214,219.82		214,219.82	
	-	-	95,138.88		95,138.88	
	-	-	1,681.24		1,681.24	
	\$ -	\$ -	\$ 1,928,758.49		\$ 1,928,758.49	
	\$ -	\$ -	\$ 328,374.50		\$ 328,374.50	
	-	-	39,303,171.28		39,303,171.28	
			-		-	
			204,135.63		204,135.63	
			220,847.00		220,847.00	
	-	-	-		-	
	-	-	-		-	
	-	-	8,558,168.12		8,558,168.12	
	\$ -	\$ -	\$ 48,614,696.53		\$ 48,614,696.53	
			21,320.66		21,320.66	
	-	-	22,590.49		22,590.49	

SAM HOUSTON STATE UNIVERSITY  
 SCHEDULE IA  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For the Year Ended August 31, 2004

UNAUDITED

Federal Grantor/Pass Through Grantor/ Program Title	CFDA Number	Identifying #	Pass Through From			Direct Program Amount	Total Pass- Thru From & Direct Program	
			Agy/ Univ. #	Agency or Univ. Amount	Non-State Agy Amount			
<i>Department of Emergency &amp; Military Affairs</i>								
Cultural Resources Management Plan - Camp Navajo	12.000	KR95-0979AL		-	5,933.58	-	5,933.58	
<i>Department of the Navy, Office of Naval Research</i>								
Direct Programs:								
Basic and Applied Scientific Research	12.300			-	-	33,012.41	33,012.41	
Air Force Defense Reseach Sciences Program	12.800					703,518.97	703,518.97	
<b>U.S. Department of Justice</b>								
<i>Office of Justice Programs</i>								
Direct Programs:								
Community Prosecution and Project Safe Neighborh	16.609					487,984.31	487,984.31	
<i>National Institute of Justice</i>								
Direct Programs:								
Juvenile Justice & Delinquency Prevention - Allocation to States	16.540			-	-	-	-	
Justice Research, Development, and Evaluation Proje	16.560			-	-	158,221.48	158,221.48	
<i>Mothers Against Drunk Driving</i>								
Direct Programs:								
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580					319,276.90	319,276.90	
<i>Office of National Drug Control Policy</i>								
Direct Programs:								
Major Drug Squad Initiative - HIDTA		11PHNP522				6,194.14	6,194.14	
Major Drug Squad Initiative - HIDTA		12PHNP530				5,432.09	5,432.09	
Major Drug Squad Initiative - HIDTA		12PHNP522				47,552.07	47,552.07	
Major Drug Squad Initiative - HIDTA		13PHNP522				374,195.27	374,195.27	
Major Drug Squad Initiative - HIDTA		14PHNP522Z				150,079.64	150,079.64	
<i>National Institute for Victims Studies</i>								
Direct Programs:								
National Institute for Victim Studies	16.727			-	-	604.21	604.21	
Crime Victim Assistance/Discretionary Grants	16.582					31,009.62	31,009.62	
<b>Environmental Protection Agency</b>								
<i>Office of Research and Development</i>								
Direct Programs:								
Environmental Protection-Consolidated Research	66.500			-	-	325,644.20	325,644.20	
<b>U.S. Department of Health and Human Services</b>								
Total R&D Cluster Programs				\$	-	\$ 5,933.58	\$ 2,686,636.46	\$ 2,692,570.04
<b>Other Clusters:</b>								
<b>JTPA Cluster</b>								
<b>U.S. Department of Housing and Urban Development</b>								
Direct Programs:								
Special Projects and Economic Development Initiati	14.246					69,821.87	69,821.87	
Total Other Clusters Programs				\$	-	\$ -	\$ 69,821.87	\$ 69,821.87
<b>Total Federal Financial Assistance</b>				\$	530,728.05	\$ 123,893.50	\$ 53,362,311.51	\$ 54,016,933.06

UNAUDITED

Pass-Through To				Pass-Thru
Agency Univ #	State Agy. Or Univ. Amt.	Non-State Entity Amt.	Expenditures	To & Expenditures
	-	-	5,933.58	5,933.58
	-	-	33,012.41	33,012.41
	-	-	703,518.97	703,518.97
	-	-	487,984.31	487,984.31
	-	-	-	-
	-	-	158,221.48	158,221.48
			319,276.90	319,276.90
			6,194.14	6,194.14
			5,432.09	5,432.09
			47,552.07	47,552.07
			374,195.27	374,195.27
			150,079.64	150,079.64
			604.21	604.21
			31,009.62	31,009.62
	-	-	325,644.20	325,644.20
\$	-	\$ -	\$ 2,692,570.04	\$ 2,692,570.04
			69,821.87	69,821.87
\$	-	\$ -	\$ 69,821.87	\$ 69,821.87
\$	-	\$ -	\$ 54,016,933.06	\$ 54,016,933.06

SAM HOUSTON STATE UNIVERSITY  
 SCHEDULE 1A  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For the Year Ended August 31, 2004

UNAUDITED

Note 1 - Non Monetary Assistance

None.

Note 2 - Reconciliation

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

Governmental Funds - Federal Revenue (Exh. II)	\$ 14,045,496.08
Add: Facilities and Administrative Costs	447,418.70
Subtotal	<u>\$ 14,492,914.78</u>

Reconciling Items:

New Loans Processed:

Federal Family Education Loan Program	\$ 39,303,171.28
Federal Perkins Loan Program	<u>220,847.00</u>

Total Pass Through and Expenditures per Federal Schedule	\$ 54,016,933.06
--	------------------

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	\$ 39,303,171.28	\$ -	\$ 39,303,171.28	\$ 30,813,367.58
84.038 Federal Perkins Loan Program	<u>220,847.00</u>	<u>-</u>	<u>220,847.00</u>	<u>120,423.00</u>
Total Department of Education	\$ 39,524,018.28	\$ -	\$ 39,524,018.28	\$ 30,933,790.58

**SAM HOUSTON STATE UNIVERSITY**

**UNAUDITED**

**SCHEDULE 1B**

**SCHEDULE OF STATE GRANT PASS THROUGHS FROM/TO STATE AGENCIES**

**For the Year Ended August 31, 2004**

Pass Through From:

Office of the Governor (Agency #300)

Texas Probation Training Academy \$ 73,015.30

Texas Higher Education Coordinating Board (Agency #781)

Texas Grant Program 3,215,361.00

5th Year Accounting Scholarship 24,000.00

Texas College Work Study Program 55,567.00

Total Pass Through From Other State Agencies:

\$ 3,367,943.30

**SAM HOUSTON STATE UNIVERSITY**  
**SCHEDULE 2A**  
**MISCELLANEOUS BOND INFORMATION**  
**For the Year Ended August 31, 2004**

**UNAUDITED**

**Schedule Not Used**

**SAM HOUSTON STATE UNIVERSITY**  
**SCHEDULE 2B**  
**CHANGES IN BOND INDEBTEDNESS**  
For the Year Ended August 31, 2004

**UNAUDITED**

Schedule Not Used



**SAM HOUSTON STATE UNIVERSITY**  
**SCHEDULE 2C**  
**DEBT SERVICE REQUIREMENTS**  
For the Year Ended August 31, 2004

**UNAUDITED**

Schedule Not Used

**SAM HOUSTON STATE UNIVERSITY**  
**SCHEDULE 2D**  
**ANALYSIS OF FUNDS AVAILABLE FOR DEBT SERVICE**  
**For the Year Ended August 31, 2004**

**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, 2004**

**UNAUDITED**

<u>Description of Issuer</u>	<u>Year Refunded</u>	<u>Par Value Outstanding</u>
<b>General Obligation Bonds</b>		
Sam Houston State University does has no General Obligation Bonds defeased.		
<b>Revenue Bonds</b>		
Series of 1993 - Combined Fee Revenue Refunding Bonds	1998	800,000.00
		\$
<b>Total Defeased Revenue Bonds</b>		<u>800,000.00</u>

**SAM HOUSTON STATE UNIVERSITY**  
**SCHEDULE 3**  
**SCHEDULE OF CASH AND TEMPORARY INVESTMENTS**  
**August 31, 2004**

**UNAUDITED**

<u>Cash in State Treasury</u>	<u>Unrestricted</u>	<u>Restricted</u>	<u>Current Year Total</u>
	\$	\$	\$
Local Revenue Fund 259	19,643,982.36	0.00	19,643,982.36
Law Enforcement Mgt. Institute Fund 581	5,271,137.90	0.00	5,271,137.90
CJ Correctional Management Institue Fund 5083	948,832.28	0.00	948,832.28
	\$	\$	\$
<b>Total Cash in State Treasury (Stmt of Net Assets)</b>	<u>25,863,952.54</u>	<u>0.00</u>	<u>25,863,952.54</u>

**SAM HOUSTON STATE UNIVERSITY  
SCHEDULE 4  
HIGHER EDUCATION ASSISTANCE FUND  
For the Year Ended August 31, 2004**

**UNAUDITED**

	<u>Totals</u>
	\$
<b>Balance September 1, 2003</b>	<u>4,004,608.27</u>
<b>REVENUES</b>	
Appropriations	<u>5,864,608.00</u>
Total Revenues	<u>5,864,608.00</u>
<b>EXPENSES</b>	
Professional Fees and Services	25,148.62
Materials and Supplies	1,701,468.85
Repairs and Maintenance	176,958.05
Real Property Improvement	86,487.65
Interest	261.14
Communication and Utilities	10,307.57
Other Expenses	<u>4,436.55</u>
Total Expenses	<u>2,005,068.43</u>
	\$
<b>BALANCE AT AUGUST 31, 2004</b>	<u><u>7,864,147.84</u></u>