

ANNUAL FINANCIAL REPORT

of

TEXAS SOUTHERN UNIVERSITY

(An Agency of State of Texas)

**For the Year Ended
August 31, 2011**

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TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

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INTRODUCTORY SECTION

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TEXAS SOUTHERN UNIVERSITY
3100 CLEBURNE STREET • HOUSTON, TEXAS 77004
713-313-7011

VICE PRESIDENT
DIVISION OF ADMINISTRATION & FINANCE
OFFICE: 713-313-7302; FAX: 713-313-7070

November 18, 2011

The Honorable Glenn O. Lewis, Chairman
TSU Board of Regents
3100 Cleburne Street
Hannah Hall, Room 104
Houston, TX 77004

We are pleased to submit this independently audited Annual Financial Report for the fiscal year ended August 31, 2011 for Texas Southern University (“TSU”). There have been many positive outcomes that have occurred during the fiscal year 2011:

- All reporting requirements removed, and a commendation was received from the accrediting agency Southern Association of Colleges and Schools for the financial accomplishments; and
- The issuance of \$31.5 MM in Tuition Revenue Bonds for the construction of the Leonard H. O. Spearman Technology Building.

TSU’s administration is responsible for establishing and maintaining internal controls designed to ensure that the assets of the university are protected from loss, theft, or misuse. Management also ensures that adequate accounting processes are in place to allow for the preparation of financial statements, in conformity with governmental accounting standards. Internal control is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of controls should not exceed the benefits expected to be derived, and (2) the evaluation of cost and benefits require estimates and judgments by management.

We believe TSU’s accounting controls provide reasonable assurance that errors or irregularities that could be material to the financial statements are prevented, or would be detected within a timely period, by employees in the normal course of performing their assigned function.

TSU is one of the nations largest Historically Black Colleges and Universities and possesses an impressive array of undergraduate and graduate programs, a diverse faculty, 80-plus student

organizations, and an alumni network comprised of educators, entrepreneurs, public servants, lawyers, pilots, artist and more. The campus encompasses 150 acres and serves as a cornerstone for developing the greatest potential in leaders from various socio-economic, cultural and racial backgrounds.

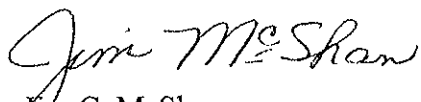
Texas Southern University is located in Houston, Texas-the seat of Harris County (the most populous county in the state), the fourth largest city in the US, and one of the fastest-growing and forward-moving cities in the world. Houston's economy is based on petrochemicals, shipping, refining, chemicals, space exploration, manufacturing, education, and tourism. As residents of this international city, Texas Southern students are afforded numerous and unique opportunities and experiences.

TSU is situated in the heart of the city, in Houston's historic Third Ward, giving its students and faculty easy access to the Museum District, neighboring educational institutions (Houston Community College, the University of Houston, Rice University, and the University of St. Thomas), the Texas Medical Center, City Hall, downtown Houston, and all of the city's major freeways.

The preparation of this report was accomplished with the dedicated services of the entire accounting staff and the cooperation of other departments within Business Affairs. We would like to express our appreciation to all members within the Division of Administration and Finance, Internal Audit staff, and others who assisted and contributed to the preparation of this report. Credit must also be given to the Board of Regents and the State of Texas for their continued interest and support in planning and conducting the financial operations of TSU in a responsible and professional manner.

This financial report is designed to provide a general overview of Texas Southern University's finances for interested parties. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Executive Director of Business Affairs, 3100 Cleburne Street, Suite 145, Houston, TX 77004-4501.

Sincerely,



Jim C. McShan

Vice President for Administration and Finance

TEXAS SOUTHERN UNIVERSITY
(An Agency of State of Texas)
BOARD OF REGENTS
August 31, 2011

Officers

Glenn O. Lewis, Chair
Dionicio Flores, Vice Chair
Curtistene McCowan, Second Vice Chair
Richard Salwen, Secretary
Steven R. Champion, Student Regent

Members

Glenn O. Lewis, Chair	Fort Worth
Richard Salwen, Secretary	Austin
Richard C. Holland	Plano
Terms Expire February 1, 2013	

Dionicio Flores, Vice Chair	El Paso
Curtistene McCowan, Second Vice Chair	De Soto
Marilyn A. Rose	Houston
Terms Expire February 1, 2015	

Gary Bledsoe	Austin
Samuel Bryant	Austin
Richard Knight, Jr	Dallas
Terms Expire February 1, 2017	

Steven R. Champion, Student Regent	Houston
Term Expire May 31, 2012	

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TEXAS SOUTHERN UNIVERSITY
(An Agency of State of Texas)
UNIVERSITY ADMINISTRATION
August 31, 2011

University Administration

John M. Rudley, Ed.D	President
Janis J. Newman	Chief of Staff
Sunny E. Ohia, Ph.D	Provost/Vice President for Academic Affairs and Research
James M. Douglas, J.D.	Executive Vice President
Andrew C. Hughey, J.D.	General Counsel
Jim C. McShan, CPA	Vice President for Administration and Finance
William T. Saunders, J.D.	Vice President for Student Services and Dean of Students
Wendy H. Adair	Vice President for University Advancement
Charles F. McClelland, Ph.D	Athletics Director

Fiscal Administration

Beverly W. Ruffin, CPA	Executive Director of Business Affairs
Gregory L. Williams	Executive Director of Procurement Services
Louis Edwards	Treasurer
Lavonda Horn	Associate Director of General Accounting

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

To the Board of Regents of
Texas Southern University:

We have audited the accompanying Statement of Net Assets of Texas Southern University ("TSU"), an Agency of the State of Texas, as of August 31, 2011, and the related statements of revenues, expenses, and changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of TSU's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the financial statements of TSU are intended to present the financial position and the changes in financial position and cash flows of only that portion of the business-type activities of the State of Texas that is attributable to the transactions of TSU. They do not purport to, and do not, present fairly the financial position of the State of Texas as of August 31, 2011, the changes in its financial position, or its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of TSU as of August 31, 2011, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2011 on our consideration of TSU's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

Providing Governmental & Nonprofit Audits Sealed with Excellence

Generally accepted accounting principles in the United States of America require that the Management's Discussion and Analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise TSU's basic financial statements. The introductory section and required supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining fund statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and required supplementary information have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

BELT HARRIS PECHACEK, LLLP

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas
November 14, 2011

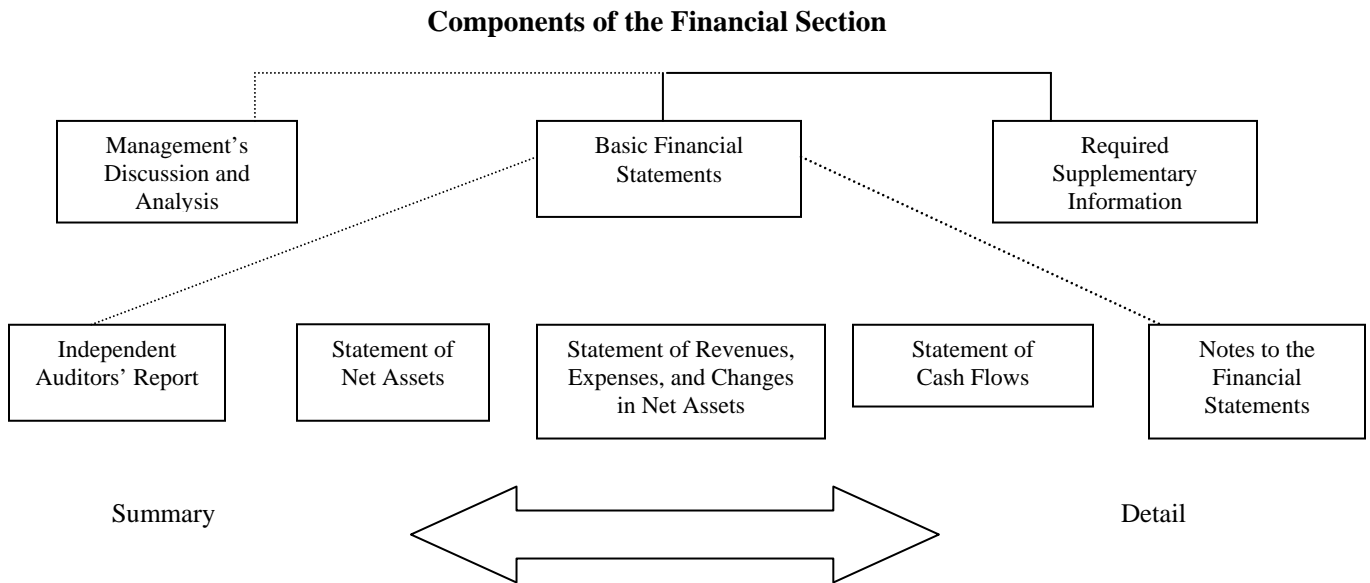
MANAGEMENT'S DISCUSSION
AND ANALYSIS

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TEXAS SOUTHERN UNIVERSITY
 (An Agency of the State of Texas)
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
 August 31, 2011

The purpose of the Management's Discussion and Analysis (MD&A) is to give the readers an objective and easily readable analysis of the annual financial activities of Texas Southern University (TSU). The analysis is based on currently known facts, decisions, or economic conditions. It presents short and long-term analysis of TSU's activities, compares current year results with those of the prior year, and discusses the positive and negative aspects of that comparison. GASB Statement No. 34 establishes the content of the minimum requirements for the MD&A. Please read the MD&A in conjunction with TSU's financial statements, which follow this document.

THE STRUCTURE OF OUR ANNUAL REPORT



The annual financial report is presented as compliant with the financial reporting model in effect pursuant to GASB Statement No. 34. The financial reporting model requires certain basic financial statements as well as a Management's Discussion and Analysis (MD&A) and certain other Required Supplementary Information (RSI). The basic financial statements include statement of net assets; statement of revenues, expenses, and changes in net assets; statement of cash flows; and notes to the financial statements.

Basic Financial Statements

The basic financial statements report information for TSU as a whole. These statements include transactions and balances relating to all assets, including infrastructure capital assets. These statements are designed to provide information about cost of services, operating results, and financial position of TSU as an economic entity. The statement of net assets and the statement of revenues, expenses, and changes in net assets, which appear first in the financial statements, report information on TSU's activities that enable the reader to understand the financial condition of TSU. These statements are prepared using the *accrual basis of accounting*, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account even if cash has not yet changed hands.

TEXAS SOUTHERN UNIVERSITY
(An Agency of the State of Texas)
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
August 31, 2011

The statement of net assets presents information on all of TSU's assets and liabilities. The difference between the two is reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of TSU is improving or deteriorating. Other nonfinancial factors, such as TSU's customer base and the condition of TSU's infrastructure, need to be considered to assess the overall health of TSU.

The statement of revenues, expenses, and changes in net assets presents information showing how TSU's net assets changed during the most recent year. All changes in the net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows – the accrual method.

The statement of cash flows presents information about TSU's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

The basic financial statements can be found after the MD&A within this report.

FINANCIAL ANALYSIS OF TSU

As noted earlier, net assets may serve over time as a useful indicator of TSU's financial position. Assets exceed liabilities by \$139,954,869.60 as of August 31, 2011. As required by GASB Statement No. 34, a comparative analysis has been presented as a component of the MD&A. The largest portion of TSU's net assets (36 percent) reflects its investments in capital assets (e.g., land, buildings and improvements, equipment, construction in progress, and infrastructure), less any debt used to acquire those assets that is still outstanding. TSU uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although TSU's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.

TEXAS SOUTHERN UNIVERSITY
 (An Agency of the State of Texas)
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
August 31, 2011

Condensed Statement of Net Assets

The following table reflects the condensed Statement of Net Assets:

CONDENSED STATEMENT OF NET ASSETS

	2011	2010
Current and other assets	\$ 99,706,057.35	\$ 107,249,675.44
Restricted assets	77,918,312.16	37,176,942.01
Capital assets, net	179,697,084.58	184,244,541.70
Total Assets	357,321,454.09	328,671,159.15
Current liabilities	97,577,051.28	78,808,653.69
Noncurrent liabilities	119,789,533.21	102,988,648.01
Total Liabilities	217,366,584.49	181,797,301.70
Invested in capital assets, net of related debt	50,524,453.25	73,458,437.18
Restricted for:		
Capital projects	9,827,017.64	1,756,419.73
Debt service	2,212,772.49	449,337.73
Other	33,998,968.20	31,494,538.50
Unrestricted	43,391,658.02	39,715,124.31
Total Net Assets	\$139,954,869.60	\$146,873,857.45

Unrestricted net assets increased by \$3,676,533.71 from \$39,715,124.31 to \$43,391,658.02 at year end. Unrestricted net assets are assets that can be used to finance day-to-day operations without constraints established by debt covenants and enabling legislation. The majority of this increase can be attributed to an increase in tuition and fees and new online courses.

TEXAS SOUTHERN UNIVERSITY
 (An Agency of the State of Texas)
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
 August 31, 2011

Statement of Revenues, Expenses, and Changes in Net Assets

<u>Operating Revenues</u>	<u>2011</u>	<u>2010</u>
Tuition and fees, pledged	\$ 82,995,832.95	\$ 76,139,146.44
Discount on tuition and fees	(25,028,288.30)	(22,068,813.00)
Auxiliary enterprises, pledged	8,996,962.66	12,118,191.03
Other sales of goods and services, pledged	18,956.06	82,349.59
Federal revenue	44,945,212.20	50,586,841.93
Federal pass through revenue	2,472,982.67	10,553,849.34
State revenue	4,246,178.32	1,498,412.00
State pass through revenue	6,566,174.46	5,587,697.24
Other operating contract and grants, pledged	909,196.47	1,866,264.67
Other operating revenue	4,837,181.32	2,658,292.78
Total Operating Revenues	<u>130,960,388.81</u>	<u>139,022,232.02</u>
<u>Operating Expenses</u>		
Salaries and wages	89,549,622.30	86,118,451.31
Payroll related costs	20,689,213.82	21,536,320.43
Professional fees and services	9,204,597.92	9,031,176.09
Travel	2,977,531.08	3,124,377.49
Materials and supplies	11,149,178.46	14,854,426.50
Communication and utilities	6,861,485.30	5,553,340.06
Repairs and maintenance	5,258,096.71	6,624,311.11
Rentals and leases	2,543,897.76	2,078,025.43
Printing and reproductions	554,256.61	578,284.23
Federal pass through expenditures	31,473.33	
Bad debt expense	2,175,970.90	3,261,993.72
Scholarships	28,029,175.32	25,157,274.92
Other operating expenses	13,972,909.95	11,571,739.31
Depreciation	13,501,068.16	12,497,322.99
Total Operating Expenses	<u>206,498,477.62</u>	<u>201,987,043.59</u>
Operating (Loss)	<u>\$ (75,538,088.81)</u>	<u>\$ (62,964,811.57)</u>

TEXAS SOUTHERN UNIVERSITY
 (An Agency of the State of Texas)
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
August 31, 2011

<u>Nonoperating Revenues (Expenses)</u>	<u>2011</u>	<u>2010</u>
State appropriations	\$ 54,863,698.00	\$ 57,082,216.00
Additional appropriations	10,302,617.48	10,987,734.02
Gifts received	666,559.42	1,305,397.19
Interest income	1,633,697.21	1,136,361.93
Investing expenses	(242,810.00)	(208,543.00)
Interest expense	(5,815,479.26)	(5,454,611.81)
Net increase (decrease) in fair value of investments	3,146,802.01	1,265,227.00
Other non-operating	(4,218,167.68)	(3,317,849.10)
Total Nonoperating Revenues	<u>60,336,917.18</u>	<u>62,795,932.23</u>
Income Before Other Revenues, Gains, and Transfers	<u>(15,201,171.63)</u>	<u>(168,879.34)</u>
<u>Other Revenues, Expenses, Gains, and Transfers</u>		
Capital appropriations, HEAF	8,894,700.00	11,283,387.00
Additions to endowments	64,057.56	30,631.32
Lapsed appropriations	(558.48)	(154,500.73)
Transfer to state	(676,015.30)	(687,353.48)
Total Other Revenues, Expenses Gains, and Transfers	<u>8,282,183.78</u>	<u>10,472,164.11</u>
Change in Net Assets	<u>(6,918,987.85)</u>	<u>10,303,284.77</u>
Beginning net assets	<u>146,873,857.45</u>	<u>136,570,572.68</u>
Ending Net Assets	<u>\$ 139,954,869.60</u>	<u>\$ 146,873,857.45</u>

For the year ended August 31, 2011, total revenue was \$205,637,779.03. Total revenue decreased by \$12,315,704.14 or (six percent). TSU's total net assets decreased by \$6,918,987.85 or (five percent). This primary decrease was due to revenue auxiliary enterprise housing units and a decrease in capital appropriations.

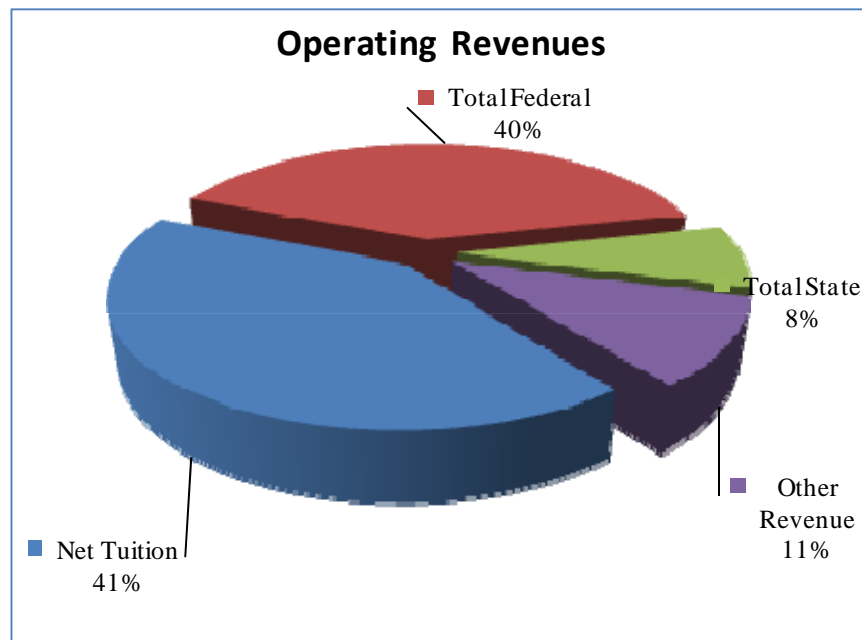
TEXAS SOUTHERN UNIVERSITY
(An Agency of the State of Texas)
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
August 31, 2011

Expenses totaled \$212,556,766.88 for the year ended August 31, 2011. This represents an increase of \$4,906,568.48 from last year. The majority of this increase can be attributed to increases in scholarships related to Pell awards, as well as, a reclassification of expenditures from professional fees per state classification.

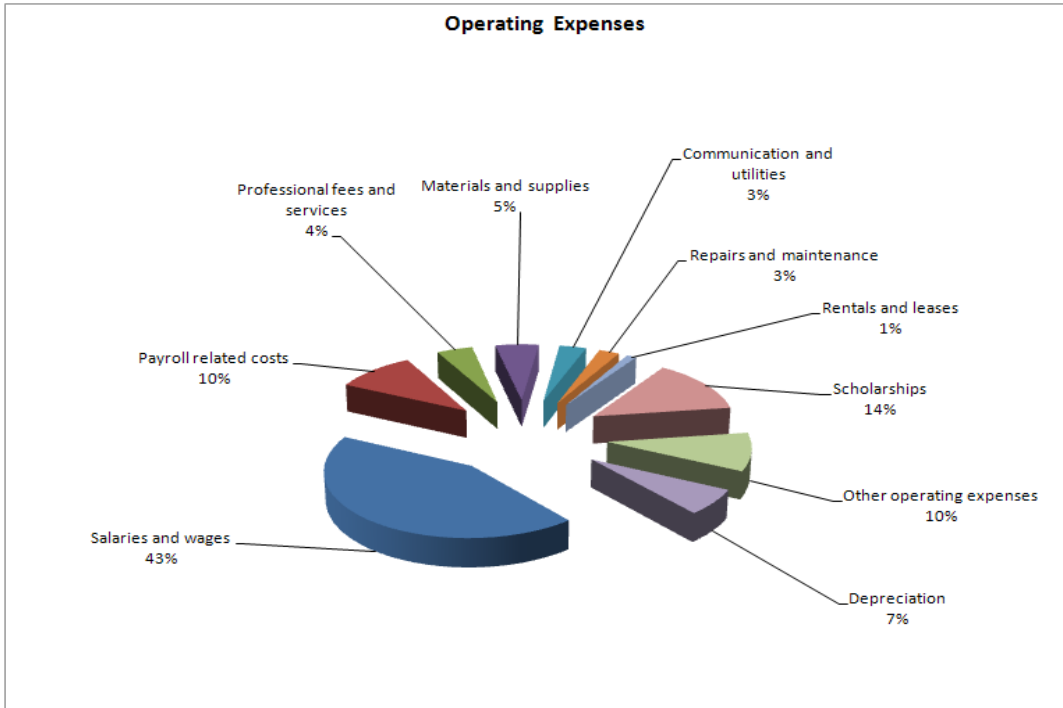
Key elements to these changes are as follows:

- Operating revenues decreased by \$8,061,843.21 due to decreased Auxiliary Enterprise Housing unit revenue and Federal Awards expiring in FY10.
- Non-operating revenues (expenses) decreased by \$4,253,860.93 due to a decrease in appropriations funding received from the State.
- Operating expenses increased by \$3,507,688.86 (two percent) as a result of an increased amount scholarship awarded to students.
- Non-operating expenses increased by \$395,134.45 (seven percent) due to an increase in interest expense from additional bonds received in fiscal year 2011.
- Depreciation expense increased \$1,003,745.17 (eight percent) due to capital asset deletion.

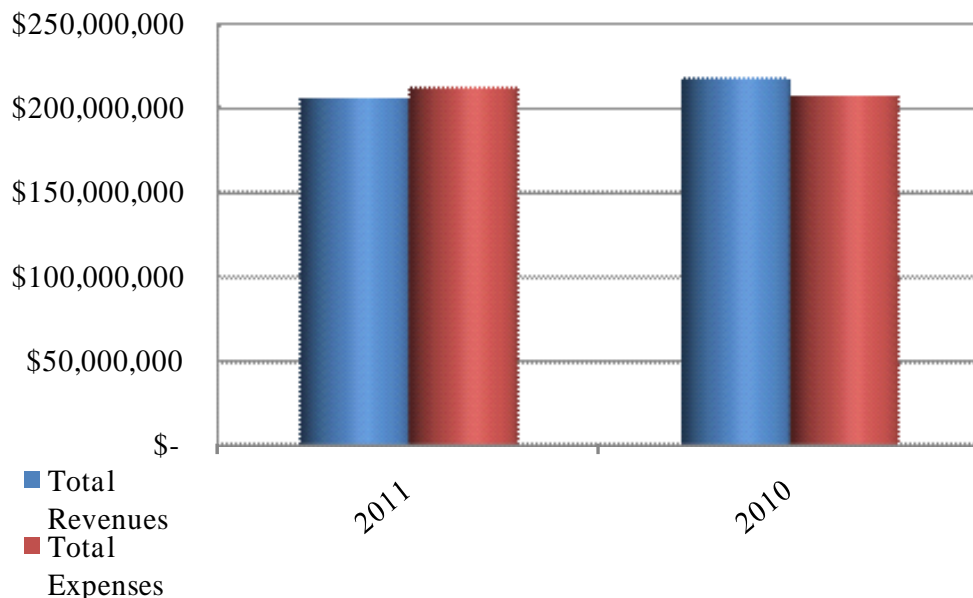
Graphic presentations of selected data from the summary tables follow to assist in the analysis of TSU's activities.



TEXAS SOUTHERN UNIVERSITY
 (An Agency of the State of Texas)
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
 August 31, 2011



Revenues and Expenses



TEXAS SOUTHERN UNIVERSITY
(An Agency of the State of Texas)
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
August 31, 2011

CAPITAL ASSETS

At year end, TSU had invested \$179,697,084.58 in a variety of capital assets and infrastructure (net of accumulated depreciation). This represents a net decrease of \$4,547,457.12.

Major capital asset events during the current year include the following:

- Building improvements completed at a cost of \$1,939,573.24.
- Various building renovations and equipment were added as construction in progress at a total cost of \$2,635,585.19.
- Construction is about to commence on the New Leonard Spearman Technology building estimated to cost \$31.5 million as the architectural services have almost been concluded.

More detailed information about TSU's capital assets is presented in the notes to the financial statements.

LONG-TERM DEBT

TSU's Revenue Bonds carry the rating of "Baa3" with Moody's Investors Service. At year end, TSU had \$109,360,522.54 in revenue bonds outstanding versus \$86,812,825.48 last year. TSU had \$19,091,784.79 general obligation bonds outstanding compared to \$23,732,379.72 last year. More detailed information about TSU's long-term liabilities is presented in the notes to the financial statements.

ECONOMIC FACTORS

TSU suffered budget reductions in FY11 due to a five percent reduction of State funding across the board and a decrease in State and Capital Appropriations which caused a significant reduction in force at year end. In addition to State funding, the University received less Federal grant awards due to the recession in the economy.

CONTACTING TSU'S FINANCIAL MANAGEMENT

This financial report is designed to provide our students, alumni, citizens, taxpayers, and creditors with a general overview of TSU's finances and to show TSU's accountability for the money it received. If you have questions about this report or need additional financial information, contact the Texas Southern University Finance Department, 3100 Cleburne Street, Houston, Texas 77004.

BASIC FINANCIAL STATEMENTS

TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

STATEMENT OF NET ASSETS

August 31, 2011

	<u>2011</u>
<u>Assets</u>	
Current Unrestricted Assets	
Cash on hand	\$ 3,225.00
Cash in transit	444.69
Cash in bank	21,492,766.49
Cash in state treasury	10,461,068.50
Balance in state appropriations	7,052,458.17
Accounts receivable, net	17,108,797.88
Due from federal government	20,158,441.84
Due from state government	15,028.26
Other receivables	139,081.22
Gifts receivable, net	1,390,000.00
Due from other agencies	2,447.41
Inventories	194,775.12
Prepaid items	18,319,039.01
Total Current Unrestricted Assets	<u>96,337,573.59</u>
Current Restricted Assets	
Cash and cash equivalents	34,732,019.57
Investments	7,770,572.41
Total Current Restricted Assets	<u>42,502,591.98</u>
Total Current Assets	<u>138,840,165.57</u>
Noncurrent Restricted Assets	
Noncurrent investments	35,415,720.18
Total Noncurrent Restricted Assets	<u>35,415,720.18</u>
Noncurrent Unrestricted Assets	
Notes receivable, net	2,303,633.66
Deferred charges	1,064,850.10
Nondepreciable capital assets:	
Land	16,000,028.13
Construction in progress	2,635,585.19
Historical treasures and works of art	2,868,943.42
Total Nondepreciable Capital Assets	<u>21,504,556.74</u>
Depreciable capital assets:	
Buildings and building improvements	315,077,294.59
Infrastructure	6,528,360.95
Equipment	23,999,761.76
Library books	29,191,698.28
Less accumulated depreciation	<u>(216,604,587.74)</u>
Total Net Depreciable Capital Assets	<u>158,192,527.84</u>
Total Noncurrent Assets	<u>218,481,288.52</u>
Total Assets	<u>\$ 357,321,454.09</u>

TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

STATEMENT OF NET ASSETS (Continued)

August 31, 2011

	<u>2011</u>
Liabilities	
Current Liabilities	
Accounts payable	\$ 4,688,061.15
Salaries payable	6,885,760.01
Due to state	2,868.10
Due to other agencies	31,473.33
Interest payable	2,169,584.65
Escheat payable	441,786.71
Deferred revenue	51,832,395.54
Student refunds payable	2,385,583.92
Other payables	14,057,792.11
Notes payable due in one year	360,162.00
Revenue bonds due in one year	7,480,000.00
General obligation bonds due in one year	4,770,000.00
Compensated absences payable due in one year	2,471,583.76
Total Current Liabilities	<u>97,577,051.28</u>
Noncurrent Liabilities	
Notes payable due in more than one year	360,162.00
Revenue bonds due in more than one year (net of premiums and discounts)	101,880,522.54 -
General obligation bonds due in more than one year (net of premiums and discounts)	14,321,784.79 -
Compensated absences payable due in more than one year	2,352,238.62
Arbitrage payable	64,825.26
Due to Perkins Loan Program	-
Accrued claims and judgments	810,000.00
Total Noncurrent Liabilities	<u>119,789,533.21</u>
Total Liabilities	<u>217,366,584.49</u>
Net Assets	
Invested in capital assets, net of related debt	50,524,453.25
Restricted for:	
Capital projects	9,827,017.64
Debt service	2,212,772.49
Loans	164,378.63
Other purposes	573,164.69
Endowments	33,261,424.88
Unrestricted	43,391,658.02
Total Net Assets	<u>\$ 139,954,869.60</u>

See Notes to Financial Statements.

TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET ASSETS

For the year ended August 31, 2011

	<u>2011</u>
<u>Operating Revenues</u>	
Tuition and fees, pledged	\$ 82,995,832.95
Discount on tuition and fees	(25,028,288.30)
Auxiliary enterprises, pledged	8,996,962.66
Other sales of goods and services, pledged	18,956.06
Federal revenue	44,977,359.07
Federal pass through revenue	2,472,982.67
State revenue	4,246,178.32
State pass through revenue	6,566,174.46
Other operating contract and grants, pledged	877,049.60
Other operating revenue	4,837,181.32
Total Operating Revenues	<u>130,960,388.81</u>
<u>Operating Expenses</u>	
Salaries and wages	89,549,622.30
Payroll related costs	20,689,213.82
Professional fees and services	9,204,597.92
Travel	2,977,531.08
Materials and supplies	11,149,178.46
Communication and utilities	6,861,485.30
Repairs and maintenance	5,258,096.71
Rentals and leases	2,543,897.76
Printing and reproductions	554,256.61
Federal pass through expenditures	31,473.33
Bad debt expense	2,175,970.90
Scholarships	28,029,175.32
Other operating expenses	13,972,909.95
Depreciation and amortization	13,501,068.16
Total Operating Expenses	<u>206,498,477.62</u>
Operating (Loss)	<u>\$ (75,538,088.81)</u>

TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET ASSETS (Continued)

For the year ended August 31, 2011

	<u>2011</u>
<u>Nonoperating Revenues (Expenses)</u>	
State appropriations	\$ 54,863,698.00
Additional appropriations	10,302,617.48
Gifts received	666,559.42
Interest income	1,633,697.21
Investing expenses	(242,810.00)
Interest expense	(5,815,479.26)
Net increase in fair value of investments	3,146,802.01
Other non-operating	(4,218,167.68)
Total Nonoperating Revenues	<u>60,336,917.18</u>
Income Before Other Revenues, Expenses, Gains, and Transfers	<u>(15,201,171.63)</u>
<u>Other Revenues, Expenses, Gains, and Transfers</u>	
Capital appropriations, HEAF	8,894,700.00
Additions to endowments	64,057.56
Returned lapsed appropriations	(558.48)
Transfer to state	(676,015.30)
Total Other Revenues, Expenses, Gains (Losses), and Transfers	<u>8,282,183.78</u>
Change in Net Assets	<u>(6,918,987.85)</u>
Beginning net assets	<u>146,873,857.45</u>
Ending Net Assets	<u>\$ 139,954,869.60</u>

See Notes to Financial Statements.

TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

STATEMENT OF CASH FLOWS

For the year ended August 31, 2011

<u>Cash Flows from Operating Activities</u>	<u>2011</u>
Proceeds from tuition and fees	\$ 58,177,015.25
Proceeds from auxiliary enterprises	8,996,962.66
Proceeds from federal grants and contracts	39,179,316.03
Proceeds from state grants and contracts	10,813,725.28
Proceeds from other revenues	6,446,963.03
Payments to employees for salaries and wages	(89,253,247.29)
Payments for employee related costs	(20,616,451.06)
Payments for other expenses	(71,699,432.45)
Net Cash (Used) by Operating Activities	<u>(57,955,148.55)</u>
 <u>Cash Flows from Noncapital Financing Activities</u>	
Receipts from state appropriations	77,968,024.83
Receipts from gifts and endowments	273,454.06
Net Cash Provided by Noncapital Financing Activities	<u>78,241,478.89</u>
 <u>Cash Flows from Capital and Related Financing Activities</u>	
Acquisition and construction of capital assets	(6,930,343.71)
Principal paid on capital debt	(18,386,526.33)
Interest and fiscal agent fees paid	(5,944,356.35)
Bond issue receipts	31,500,000.00
Net Cash Provided by Capital and Related Financing Activities	<u>238,773.61</u>
 <u>Cash Flows from Investing Activities</u>	
Sale of investments	252,601.00
Purchase of investments	(2,019,907.41)
Payments received on notes receivable	(78,700.66)
Interest received	1,390,887.21
Net Cash (Used) by Investment Activities	<u>(455,119.86)</u>
 Net Increase in Cash and Cash Equivalents	20,069,984.09
 Beginning cash and cash equivalents	46,619,540.16
Ending Cash and Cash Equivalents	<u>\$ 66,689,524.25</u>
 Unrestricted cash and cash equivalents	31,957,504.68
Restricted cash and cash equivalents	34,732,019.57
Ending Cash and Cash Equivalents	<u>\$ 66,689,524.25</u>

See Notes to Financial Statements.

TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

STATEMENT OF CASH FLOWS (Continued)

For the year ended August 31, 2011

	<u>2011</u>
Reconciliation of Operating (Loss) to Net Cash (Used) by Operating Activities	
Operating (Loss)	\$ (75,538,088.81)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	13,501,068.16
Changes in Operating Assets and Liabilities:	
(Increase) Decrease in:	
Accounts receivable, net	(2,084,222.12)
Due from federal government	(8,238,878.84)
Other receivables	701,957.74
Inventories	23,055.67
Prepaid items	(4,659,445.98)
Increase (Decrease) in:	
Accounts payable	(1,594,514.52)
Salaries payable	296,375.01
Due to state	(19.90)
Escheat payable	354,277.71
Deferred revenue	9,573,038.54
Student refunds payable	(81,842.08)
Other current liabilities	9,719,328.11
Compensated absences	72,762.76
Net Cash (Used) by Operating Activities	<u><u>\$ (57,955,148.55)</u></u>

See Notes to Financial Statements.

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TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

NOTES TO FINANCIAL STATEMENTS

For the Year Ended August 31, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Texas Southern University (TSU), reported as a business-type activity in the State of Texas' Comprehensive Annual Financial Report, have been prepared in conformity with generally accepted accounting principles (GAAP) for local governmental units and with State statutes. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

TSU's annual financial report is prepared to satisfy both the requirements of GAAP and the Texas Comptroller of Public Accounts' (the Comptroller) requirements as specified in the Comptroller's *Reporting Requirements for Annual Financial Reports of State Agencies and Universities*. The Comptroller specifies, among other items, account captions, note organization, and does not allow the rounding of financial statement amounts to whole dollars.

The most significant accounting and reporting policies of TSU are described in the following notes to the financial statements.

A. Reporting Entity

TSU is an agency of the State of Texas (State). TSU serves the State by providing education, research, and extension work in the fields of the arts, business, education, law, pharmacy, public affairs, science, and technology. No component units have been identified which should be presented within TSU's report.

B. Financial Statement Presentation

These financial statements include implementation of (GASB) Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*. Requirements of the statement include the following:

- A Management's Discussion and Analysis (MD&A) section providing an analysis of TSU's overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all of TSU's activities.

Statement No. 35 established standards for external financial reporting for all public colleges and universities, which includes a statement of net assets, a statement of revenues, expenses, and changes in net assets, and a statement of cash flows. It requires the classification of net assets into three components – invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

- **Invested in capital assets, net of related debt** - This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- **Restricted** - This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

TEXAS SOUTHERN UNIVERSITY
(An Agency of the State of Texas)
NOTES TO FINANCIAL STATEMENTS, Continued
For the Year Ended August 31, 2011

- **Unrestricted** - This component of net assets consists of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

C. Measurement Focus and Basis of Accounting

For financial reporting purposes, TSU is considered a special-purpose government engaged only in business-type activities. Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods or services. Accordingly, TSU’s financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recorded when an obligation has been incurred. TSU applies all GASB pronouncements and applicable Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989. Subsequent to this date, TSU accounts for its activities as presented by GASB.

D. Budgets and Budgetary Accounting

The budget is prepared biennially and represents appropriations authorized by the legislature and approved by the Governor (the General Appropriation Act). Unencumbered appropriations are generally subject to lapse 60 days after the end of the fiscal year for which they were appropriated.

E. Assets, Liabilities, and Net Assets

1. Cash and Cash Equivalents

TSU’s cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

2. Balance in State Appropriations

This item represents the balance of general revenue funds at August 31, 2011 as calculated in the Texas Comptroller’s General Revenue Reconciliation.

3. Current Receivables – Other

Other receivables include year-end accruals. All receivables are shown net of an allowance for uncollectible accounts.

4. Investments

In accordance with GASB Statement No. 31, *Accounting and Reporting for Certain Investments and External Investment Pools*, TSU reports all investments at fair value. Changes in unrealized gain (loss) on the carrying value of the investments are reported as a component of investment income in the statement of revenues, expenses, and changes in net assets.

5. Restricted Assets

Restricted assets include monies or other resources restricted by legal or contractual requirements, including those related to sponsored programs, donors, bond covenants, and loan agreements. Restricted assets are utilized first where applicable.

TEXAS SOUTHERN UNIVERSITY
 (An Agency of the State of Texas)
NOTES TO FINANCIAL STATEMENTS, Continued
 For the Year Ended August 31, 2011

6. Inventories and Prepaid Items

Inventories are valued at cost, utilizing the first-in and first-out method. The consumption method of accounting is used, meaning these items are expensed when the items are consumed. Certain payments to vendors made in advance of the scheduled due date have been recorded as prepaid items.

7. Capital Assets

Capital assets are defined by the State as follows:

<u>Class of Asset</u>	<u>Threshold</u>
Land and Land Improvements	Capitalize all
Buildings and Building Improvements	\$100,000
Facilities & Other Improvements	\$100,000
Infrastructure-Depreciable	\$500,000
Infrastructure-Non-Depreciable	Capitalize all
Furniture & Equipment/Vehicles	\$5,000
Library Books (collections)	Capitalize all
Works of Art/Historical Treasures	Capitalize all
Leasehold Improvements	\$100,000
Internally Generated Computer Software	\$1,000,000
Other Computer Software	\$100,000
Land Use Rights – Permanent	Capitalize all
Land Use Right – Term	\$100,000
Other Intangible Capital Assets	\$100,000
Construction in Progress	Capitalize all

These assets are capitalized at cost. Donated capital assets are recorded at estimated fair market value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed. Depreciation is reported on all exhaustible assets. Inexhaustible assets such as works of art and historical treasures are not depreciated. Assets are depreciated or amortized over the estimated useful life of the asset using the straight-line method over the following estimated useful years:

<u>Asset Description</u>	<u>Estimated Useful Life</u>
Buildings and improvements	15 to 50 years
Machinery and equipment	3 to 10 years
Infrastructure	30 to 50 years
Computer software	5 to 6 years
Land use rights	10 years
Capital leases	5 years

8. Accounts Payable

TEXAS SOUTHERN UNIVERSITY
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NOTES TO FINANCIAL STATEMENTS, Continued
For the Year Ended August 31, 2011

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

9. Compensated Absences

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. These obligations are normally paid from the same funding source from which each employee's salary or wage compensation was paid.

10. Bonds Payable – General Obligation Bonds

General obligation bonds are reported as short-term liabilities (current for amounts due within one year) and long-term liabilities (noncurrent for amounts due thereafter) in the statement of net assets. The bonds are reported at par, net of unamortized premiums, discounts, issuance costs, and gains (losses) on bond refunding activities, if applicable.

11. Bonds Payable – Revenue Bonds

Revenue bonds are reported as short-term liabilities (current for amounts due within one year) and long-term liabilities (noncurrent for amounts due thereafter in the statement of net assets). The bonds are reported at par, net of unamortized premiums, discounts, issuance costs and gains (losses) on bond refunding activities, if applicable.

12. Net Assets

The difference between fund assets and liabilities is "net assets."

F. Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

G. Operating versus Non-operating Revenues

TSU categorizes revenues as operating versus non-operating following the State Comptroller of Public Account's guidelines. Generally, all revenues are considered operating revenue unless they are non-exchange transactions, such as State Appropriation, gifts, or investment related earnings.

H. Restricted versus Unrestricted Resources

Expenses incurred by TSU for items that could be applied to restricted or unrestricted sources are first applied to unrestricted sources, unless such items were specifically budgeted for use from a restricted source.

I. Economic Dependency

TEXAS SOUTHERN UNIVERSITY
(An Agency of the State of Texas)
NOTES TO FINANCIAL STATEMENTS, Continued
For the Year Ended August 31, 2011

TSU relies extensively on State appropriations as well as resources from grantor agencies to support its operations.

NOTE 2: CAPITAL ASSETS

A summary of changes in capital assets for the year ended August 31, 2011 is as follows:

TEXAS SOUTHERN UNIVERSITY
(An Agency of the State of Texas)
NOTES TO FINANCIAL STATEMENTS, Continued
For the Year Ended August 31, 2011

ACTIVITIES	Balance 9/1/2010	Adjustments	Reclassifications Completed CIP	Additions	Deletions	Balance 8/31/2011
Non-depreciable or Non-amortizable Assets						
Land and Land Improvements	\$ 15,877,301.13	\$ -	\$ -	\$ 122,727.00	\$ -	\$ 16,000,028.13
Infrastructure	-	-	-	-	-	-
Construction in Progress	657,204.19	-	(1,911,476.41)	3,973,492.41	(83,635.00)	2,635,585.19
Other Tangible Capital Assets	2,868,943.42	-	-	-	-	2,868,943.42
Land Use Rights - Permanent	-	-	-	-	-	-
Other Tangible Capital Assets- Perm	-	-	-	-	-	-
Total Non-depreciable Non-amortizable	19,403,448.74	-	(1,911,476.41)	4,096,219.41	(83,635.00)	21,504,556.74
Depreciable Assets						
Buildings and Building Improvements	296,854,081.88	-	1,691,390.20	248,183.04	-	298,793,655.12
Infrastructure	6,528,360.95	-	-	-	-	6,528,360.95
Facilities and Other Improvements	15,144,001.92	-	125,063.55	-	-	15,269,065.47
Furniture and Equipment	22,217,918.48	(29,802.00)	95,022.66	1,717,516.35	(2,115,182.45)	21,885,473.04
Vehicle, Boats and Aircraft	1,620,499.23	-	-	139,731.11	(125,846.00)	1,634,384.34
Other Capital Assets	28,147,087.63	-	-	2,852,611.82	(793,427.17)	30,206,272.28
Total Depreciable Assets at Historical	370,511,950.09	(29,802.00)	1,911,476.41	4,958,042.32	(3,034,455.62)	374,317,211.20
Less Accumulated Depreciation for:						
Buildings and Building Improvements	(165,989,689.27)	-	-	(7,578,847.20)	-	(173,568,536.47)
Infrastructure	(853,776.67)	-	-	(312,191.52)	-	(1,165,968.19)
Facilities and Other Improvements	(9,288,172.67)	-	-	(1,095,491.56)	-	(10,383,664.23)
Furniture and Equipment	(13,261,570.23)	3,227.59	-	(1,956,461.35)	2,115,182.45	(13,099,621.54)
Vehicle, Boats and Aircraft	(1,048,811.88)	-	-	(145,421.23)	125,846.00	(1,068,387.11)
Other Capital Assets	(15,625,612.58)	-	-	(1,513,688.97)	-	(17,139,301.55)
Total Accumulated Depreciation	(206,067,633.30)	3,227.59	-	(12,602,101.83)	2,241,028.45	(216,425,479.09)
Depreciable Assets, Net	164,444,316.79	(26,574.41)	1,911,476.41	(7,644,059.51)	(793,427.17)	157,891,732.11
Intangible Capital Assets- Amortizable						
Land Use Rights - Term	-	-	-	-	-	-
Computer Software - Intangible	479,904.38	-	-	-	-	479,904.38
Other Intangible Capital Assets	-	-	-	-	-	-
Total Intangible Capital Assets	479,904.38	-	-	-	-	479,904.38
Less Accumulated Amortization for:						
Land Use Rights - Term	-	-	-	-	-	-
Computer Software - Intangible	(83,128.21)	-	-	(95,980.44)	-	(179,108.65)
Other Intangible Capital Assets	-	-	-	-	-	-
Total Accumulated Amortization	(83,128.21)	-	-	(95,980.44)	-	(179,108.65)
Intangible Capital Assets - Amortizable	396,776.17	-	-	(95,980.44)	-	300,795.73
Activities Capital Assets - Net.	\$ 184,244,541.70	\$ (26,574.41)	\$ -	\$ (3,643,820.54)	\$ (877,062.17)	\$ 179,697,084.58

TEXAS SOUTHERN UNIVERSITY
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NOTES TO FINANCIAL STATEMENTS, Continued
For the Year Ended August 31, 2011

Construction commitments outstanding at year end were as follows:

Bldg	Overall Project	Total Spent To
No. Project Description/ Project Manager	Budget	Date
125 Central Plant / Chiller and Pump Replacement Project	\$ 258,360.00	\$ 175,170.00
125 Central Plant / Chiller and Pump Replacement Project	15,845.00	11,883.75
125 Central Plant / Chiller and Pump Replacement Project	1,396,608.00	-
125 Central Plant / Chiller and Pump Replacement Project	120,840.00	-
125 Central Plant / Chiller and Pump Replacement Project	6,330.00	-
149 Education Building Auditorium A/V renovations (Equipment)	166,160.00	-
149 Education Building Auditorium A/V renovations (labor)	33,360.00	-
161 Fuel Tanks	4,800.00	-
163 New Technology Building	32,249,431.05	749,431.05
136 KTSU RADIO TOWER	333,519.00	-
Campus Solar Pedestrian Lighting / Entire Campus	263,000.00	97,500.00
105 Fairchild Hall Museum Roof Replacement	495,000.00	415,307.27
105 Fairchild Hall-Sanitary Sewer Relocation Design	15,998.00	14,781.70
147 Law School / Elevator #2	65,563.00	-
114 University Courtyard 6 Elevator Cabs	17,235.50	17,235.00
115 Tierwester Oaks 6 Elevator Cabs	17,235.50	17,235.00
150 Jesse H Jones Front Door Replacement	16,620.00	-
150 Business School Auditorium 113/ Carpet	9,405.77	8,423.27
101 Hannah Hall, Server room Liebert System	72,541.00	-
109 Rhinhart Classroom Stage Renovation	99,546.00	-
102 Gray Hall Rm 200, 134 and 107 entrance door replacement	18,114.00	-
102 Gray Hall Rm 108	19,103.00	8,740.00
103 R.J. Terry Library Fire Pump Replacement	63,865.15	1,209.60
129 Lanier East Fire Alarm and Door Deficiencies Repair	12,200.00	12,196.00
INOO Majestic Theater/ Off Campus Project	170,527.00	50,000.00
165 New Science Building Inspection/Verification Services for the Exhaust Fans Project	4,000.00	-
114 University Courtyard 3, 5 Entrance Doors	12,190.00	9,740.00
115 Tierwester Oaks 3, 5 Entrance Doors	12,190.00	9,740.00
154 Durley Field Track Replacement	543,887.00	-
102 Gray Hall Rm 200, 134 and 107 entrance door replacement	543,887.00	-
114 Tierwester Oaks 3, 5 and UC-2 Entrance Doors	18,114.00	-
114 Tierwester Oaks 3, 5 and UC-2 Entrance Doors	3,268.00	-
	2,250.00	-
TOTAL	\$ 37,080,992.97	\$ 1,598,592.64

TEXAS SOUTHERN UNIVERSITY
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NOTES TO FINANCIAL STATEMENTS, Continued
For the Year Ended August 31, 2011

TSU's capital assets, buildings not used at year end are as follows:

Building	Net Book Value
Richfield Manor	\$ 1,825,320.41
YMCA Building	1,486,648.68
Total	\$ 3,311,969.09

NOTE 3: DEPOSITS AND INVESTMENTS

A. Deposits of Cash in Bank

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, TSU's deposits may not be returned to it. As of August 31, 2011, TSU's deposits were fully collateralized.

	Amount
Cash and cash equivalents per statement of cash flows	\$ 66,689,524.25
Less:	
Cash on hand	3,225.00
Cash in treasury	10,461,068.50
Total Cash in Bank	\$ 56,225,230.75
Unrestricted cash in bank:	\$ 21,493,211.18
Restricted cash in bank:	34,732,019.57
Total Cash in Bank	\$ 56,225,230.75

B. Investments

TSU has adopted written investment policies regarding the investment of its endowment and non-endowed funds. All investments shall be made in accordance with applicable laws, the investment policies, and resolutions of the Board of Regents. In summary, TSU is authorized to invest in the following:

- Direct obligations of the U.S. Government or its agencies and instrumentalities
- Obligations of this State, or its agencies or its instrumentalities
- Fully collateralized certificates of deposit
- Fully collateralized repurchase agreements or reverse repurchase agreements
- Bankers acceptance notes
- Commercial paper
- Mutual funds
- Investment pools
- Cash management and fixed income funds exempt from federal income taxation
- Negotiable certificates of deposit
- Corporate bonds rated in one of the two highest categories

TEXAS SOUTHERN UNIVERSITY
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NOTES TO FINANCIAL STATEMENTS, Continued
For the Year Ended August 31, 2011

As of August 31, 2011, TSU had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>
U.S. Government Agency Obligations	\$ 7,459,103.49
U.S. Treasury Securities	784,803.75
Equity	18,951,080.47
Corporate Obligations	5,122,943.69
Commerical Paper	779,968.80
International Obligations	1,331,515.95
Fixed Income Money Market Funds	43,055,531.28
Total Fair Value	<u>\$ 77,484,947.43</u>

Credit risk. Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization (NRSRO). TSU's investment policy limits investments in obligations of states, agencies, counties, cities, and other political subdivisions of any investments rated greater than A or its equivalent. Corporate bonds, debentures, or similar debt instruments must be rated by a nationally recognized investment rating firm in one of the two highest long-term rating categories, without regard to gradation within those categories. The following table presents each applicable investment type grouped by rating as of August 31, 2011:

Standard & Poor

<u>Investment Type</u>	<u>AAA</u>	<u>AA</u>	<u>AA+</u>	<u>AA-</u>	<u>A</u>
U.S. Treasury Securities	\$ 784,803.75	\$ -	\$ -	\$ -	\$ -
U.S. Treasury Strips	-	-	-	-	-
U.S. Government Agency Obligations	5,919,583.50	-	-	-	-
Corporate Obligations	1,325,034.23	181,525.06	-	-	728,870.34
International Obligations	-	-	-	-	-

Standard & Poor

<u>Investment Type</u>	<u>A+</u>	<u>A-</u>	<u>BBB</u>	<u>BBB+</u>	<u>BBB-</u>
U.S. Treasury Securities	\$ -	\$ -	\$ -	\$ -	\$ -
U.S. Treasury Strips	-	-	-	-	-
U.S. Government Agency Obligations	-	-	-	-	-
Corporate Obligations	114,812.32	118,445.47	935,936.86	677,394.76	767,174.67
International Obligations	-	51,693.00	-	73,801.36	264,612.67

Unrated

<u>Investment Type</u>	
U.S. Government Agency Obligations	\$ 1,539,519.99
Equity	18,951,080.47
Corporate Obligations	273,749.98
Commercial Paper	779,968.80
International Equity	941,408.92
Fixed Income Money Market Funds	43,054,758.12

TEXAS SOUTHERN UNIVERSITY
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NOTES TO FINANCIAL STATEMENTS, Continued
For the Year Ended August 31, 2011

Concentration of credit risk – investments. TSU’s investment policy contains diversification as an investment risk but does not contain any limitation on a dollar amount that may be invested in a specific maturity, issuer, or class of investment for its non-endowment funds.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, TSU will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. TSU’s investment policy requires safekeeping securities at financial institutions, avoiding physical possession. Further, all trades, where applicable, are executed by delivery versus payment to ensure that securities are deposited in TSU’s safekeeping account prior to the release of funds.

Interest rate risk-investments. For an investment, this is the risk that changes in interest rates will adversely affect the fair value of an investment.

The following table demonstrates TSU’s interest rate risk.

Investment Type	Fair Value	Investment Maturities (in Years)				
		Stocks	Less Than 1	1 to 5	6 to 10	More than 10
Agency Discount Securities	\$ 5,423,800.29	\$ -	\$ 5,423,800.29	\$ -	\$ -	\$ -
Agencies	2,035,303.20	-	269,987.30	888,561.48	177,563.47	699,190.95
Treasuries	784,803.75	-	-	-	-	784,803.75
Common Stock	18,951,080.47	18,951,080.47	-	-	-	-
Corporate Obligations	5,122,943.69	-	-	643,330.49	1,729,331.50	2,750,281.70
Commercial Paper Securities	779,968.80	-	779,968.80	-	-	-
Foreign Obligations	1,331,515.95	941,408.92	-	316,305.67	-	73,801.36
Money Market Funds	43,055,531.28	-	43,055,531.28	-	-	-
Total	\$ 77,484,947.43	\$ 19,892,489.39	\$ 49,529,287.67	\$ 1,848,197.64	\$ 1,906,894.97	\$ 4,308,077.76

NOTE 4: SHORT-TERM DEBT

TSU does not have any short-term debt.

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NOTE 5: SUMMARY OF LONG-TERM LIABILITIES

During the year ended August 31, 2011, the following changes occurred in reported in the long-term liabilities:

<u>Long-Term Liabilities</u>	<u>Balance 9/1/2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 8/31/2011</u>	<u>Amounts Due within One Year</u>	<u>Amounts Due Thereafter</u>
General Obligation Bonds Payable						
Series 2004 Const. Approp.	\$ 4,905,000.00	\$ -	\$ 1,150,000.00	\$ 3,755,000.00	\$ 1,200,000.00	\$ 2,555,000.00
Series 2005 Const. Approp.	18,585,000.00	-	3,430,000.00	15,155,000.00	3,570,000.00	11,585,000.00
Premiums	242,379.72	-	60,594.93	181,784.79	0.00	181,784.79
Total general obligation bonds	<u>23,732,379.72</u>	<u>-</u>	<u>4,640,594.93</u>	<u>19,091,784.79</u>	<u>4,770,000.00</u>	<u>14,321,784.79</u>
Revenue Bonds Payable						
Series 1998 A-1	10,545,000.00	-	1,115,000.00	9,430,000.00	1,170,000.00	8,260,000.00
Series 1998 A-2 Improvement	7,135,000.00	-	930,000.00	6,205,000.00	970,000.00	5,235,000.00
Series 1998 B Improvement	9,395,000.00	-	480,000.00	8,915,000.00	500,000.00	8,415,000.00
Series 2002	34,300,000.00	-	2,120,000.00	32,180,000.00	2,225,000.00	29,955,000.00
Series 2003	21,580,000.00	-	1,235,000.00	20,345,000.00	1,290,000.00	19,055,000.00
Series 2004	1,675,000.00	-	400,000.00	1,275,000.00	410,000.00	865,000.00
Series 2011	-	31,500,000.00	2,260,000.00	29,240,000.00	915,000.00	28,325,000.00
Premiums & discounts	2,182,825.48	243,535.46	168,767.48	1,770,522.54	-	1,770,522.54
Total revenue bonds	<u>86,812,825.48</u>	<u>31,743,535.46</u>	<u>8,708,767.48</u>	<u>109,360,522.54</u> *	<u>7,480,000.00</u>	<u>101,880,522.54</u>
				0.00		
Note Payable	240,900.05	720,324.00	240,900.05	720,324.00	360,162.00	360,162.00
	<u>240,900.05</u>	<u>720,324.00</u>	<u>240,900.05</u>	<u>720,324.00</u> *	<u>360,162.00</u>	<u>360,162.00</u>
Other Liabilities:						
Accrued Claims and Judgements	810,000.00	-	-	810,000.00	-	810,000.00
Compensated Absences	4,509,080.00	250,403.94	64,338.44	4,823,822.38	2,471,583.76	2,352,238.62
Total Other Liabilities	<u>5,319,080.00</u>	<u>250,403.94</u>	<u>-</u>	<u>5,633,822.38</u>	<u>2,471,583.76</u>	<u>3,162,238.62</u>
Total	<u>\$ 116,105,185.25</u>	<u>\$ 32,714,263.40</u>	<u>\$ 13,590,262.46</u>	<u>\$ 134,806,453.71</u>	<u>\$ 15,081,745.76</u>	<u>\$ 119,724,707.95</u>
Long-term Debt Due in More Than One Year				<u>\$ 119,724,707.95</u>		
*Debt associated with capital assets				<u>\$ 129,172,631.33</u>		

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Annual debt service requirements to maturity for revenue bonds are as follows:

Year Ending Aug. 31	Revenue Bonds	
	Principal	Interest
2012	\$ 7,480,000.00	\$ 5,567,339.40
2013	7,820,000.00	5,222,844.39
2014	8,195,000.00	4,842,975.63
2015	8,170,000.00	4,421,621.26
2016	8,595,000.00	3,993,931.26
2017-2021	39,040,000.00	13,727,756.26
2022-2026	19,175,000.00	5,406,125.03
2027-2031	9,115,000.00	1,588,275.00
Total	\$ 107,590,000.00	\$ 44,770,868.23

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending Aug. 31	General Obligations Bonds	
	Principal	Interest
2012	\$ 4,770,000.00	\$ 685,000.00
2013	4,960,000.00	491,400.00
2014	5,165,000.00	290,000.00
2015	4,015,000.00	80,300.00
2016	-	-
Total	\$ 18,910,000.00	\$ 1,546,700.00

A. Notes and Loans Payable

A non interest bearing note payable consists of agreed installment payments on Leasehold improvements at Lone Star College of \$360,162 due on October 15, 2011.

The annual payment schedule by year are tabulated below:

Year Ending Aug. 31	Note Payable	
	Principal	Interest
2012	\$ 360,162.00	\$ -
2013	360,162.00	-
2014	-	-
2015	-	-
2016	-	-
Total	\$ 720,324.00	\$ -

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B. Accrued Claims and Judgments

1. Student Rights

The lawsuit against TSU involved a jury awarding compensatory and punitive damages of \$600,000, not including the claimed attorney fees in excess of \$150,000 alleged violations of first amendment rights and for malicious prosecution and false arrest under State law. TSU has filed motions for judgment or new trial; however, the courts have not ruled on TSU's motion. Although TSU is continuing to vigorously defend its position, because of the ongoing nature of the dispute, an accrued liability for claims and judgment of \$750,000 has been recorded.

2. Cape Conroe

TSU reached a tentative settlement of \$60,000 for ongoing dispute with a property owners association for their fees on lots owned by TSU in Montgomery County. An accrued liability for claims and judgments has been recorded.

C. Compensated Absences

A State employee is entitled to be paid for all unused vacation time accrued, in the event of the employee's resignation, dismissal, or separation from State employment, provided the employee has had continuous employment with the State for six months. An expense and liability are recorded as the benefits accrue to employees. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits. This obligation is usually paid from the same funding source from which the employee's salary or wage compensation was paid.

D. Arbitrage Liability

The Tax Reform Act of 1986 instituted certain arbitrage consisting of complex regulations with respect to issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service at least every five years for applicable bond issues. Accordingly, there is the risk that if such calculations are not performed or are not performed correctly; a substantial liability to TSU could result. TSU periodically engages an arbitrage consultant to perform the calculations in accordance with the Internal Revenue Service's rules and regulations and the arbitrage liability is adjusted accordingly.

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NOTE 6: BONDED INDEBTEDNESS

Refunding Revenue Bonds, Series 1998A-1

Purpose	To defease and advance refund all of the outstanding bonds of TSU.
Amount of Issue	\$20,305,000; all authorized have been issued
Issue Date	01-14-1999
Type of Bond	Revenue Bond – Self Supporting
Reporting	Business-Type Activities
Source of Revenue	Pledged Revenues
Change in Debt	None

Improvement Revenue Bonds, Series 1998A-2

Purpose	To acquire, purchase, improve, renovate, enlarge, or equip property, buildings, structures, roads, or related infrastructure improvements for TSU, including certain deferred maintenance projects of TSU.
Amount of Issue	\$18,000,000; all authorized have been issued
Issue Date	01-14-1999
Type of Bond	Revenue Bond – Self Supporting
Reporting	Business-Type Activities
Source of Revenue	Pledged Revenues
Change in Debt	Defeased \$3,090,000

Improvement Revenue Bonds, Series 1998B

Purpose	To construct and equip a recreational facility at TSU.
Amount of Issue	\$12,920,000; all authorized have been issued
Issue Date	01-14-1999
Type of Bond	Revenue Bond – Self Supporting
Reporting	Business-Type Activities
Source of Revenue	Pledged Revenues
Change in Debt	None

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Revenue Bonds, Series 2002

Purpose	To construct and equip a new science building; to renovate TSU's student center; to renovate TSU's law school building; and to renovate other campus facilities including electrical and mechanical systems.
Amount of Issue	\$48,065,000; all authorized have been issued
Issue Date	04-25-2002
Type of Bond	Revenue Bond – Self Supporting
Reporting	Business-Type Activities
Source of Revenue	Pledged Revenues
Change in Debt	None

Revenue Bonds, Series 2003

Purpose	To renovate TSU's Ernest S. Sterling Student Life Center, Thurgood Marshall School of Law, and School of Technology; and to repair and renovate other campus infrastructure.
Amount of Issue	\$27,240,000; all authorized have been issued
Issue Date	06-26-2003
Type of Bond	Revenue Bond – Self Supporting
Reporting	Business-Type Activities
Source of Revenue	Pledged Revenues
Change in Debt	None

Revenue Bonds, Series 2004

Purpose	To restore TSU facilities and related infrastructure damaged by Tropical Storm Allison.
Amount of Issue	\$3,500,000; all authorized have been issued
Issue Date	04-14-2004
Type of Bond	Revenue Bond – Self Supporting
Reporting	Business-Type Activities
Source of Revenue	Pledged Revenues
Change in Debt	None

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Revenue Bonds, Series 2011

Purpose	To construct the New Leonard Spearman Technology Building.
Amount of Issue	\$31,500,000; all authorized have been issued
Issue Date	11-01-2010
Type of Bond	Revenue Bond – Self Supporting
Reporting	Business-Type Activities
Source of Revenue	Pledged Revenues
Change in Debt	None

General Obligation Bonds

Constitutional Appropriation Bonds, Series 2004

Purpose	To finance the construction and equipping of buildings, including School of Public Affairs, Science Building, and a campus radio station.
Amount of Issue	\$11,100,000; all authorized have been issued
Issue Date	07-27-2004
Type of Bond	General Obligation Bond – Non Self Supporting
Reporting	Business-Type Activities
Source of Revenue	Constitutional Appropriations
Change in Debt	None

General Obligation Bonds

Constitutional Appropriation Bonds, Series 2005

Purpose	To finance the construction and equipping of buildings or other permanent improvements, including a School of Public Affairs; to finance the performance of major repair or rehabilitation of buildings; to finance the purchase of capital equipment and other equipment authorized to be purchased with Higher Education Assistance Funds; and to finance the payment of certain costs related to the issuance of the bonds.
Amount of Issue	\$30,935,000; all authorized have been issued
Issue Date	08-01-2005
Type of Bond	General Obligation Bond – Non Self Supporting

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Reporting	Business-Type Activities
Source of Revenue	Constitutional Appropriations
Change in Debt	None

NOTE 7: CAPITAL LEASES

Capital leases are used to finance the purchase of property and are capitalized at the present value of future minimum lease payments. As of August 31, 2011, TSU had not entered into any contractual agreements that could be deemed a capital lease obligation.

NOTE 8: OPERATING LEASES

Future minimum lease rental payments under non-cancelable operating leases having an initial term in excess of one year are as follows:

<u>Year Ending Aug. 31</u>	<u>Minimum Lease Payments</u>
2012	\$ 700,937.52
2013	-
2014	-
2015	-
2016	-
Total	<u>\$ 700,937.52</u>

Current payments under non-cancelable operating leases were \$700,937.52.

NOTE 9: RETIREMENT PLANS

A. Teacher Retirement System (TRS)

The State of Texas has joint contributory retirement plans for substantially all its employees. One of the primary plans in which TSU participates is a cost-sharing, multi-employer, public employee retirement system administered by the Teacher Retirement System of Texas (TRS). TRS is primarily funded through State and employee contributions. Depending upon the source of funding for a participant's salary, TSU may be required to make contributions in lieu of the State.

All TSU personnel employed in a position on a half time or greater basis for four and a half months or more are eligible for membership in TRS. Members with at least five years of service at age 65 or any combination of age plus years of service which equals 80, have a vested right to retirement benefits. Additionally, reduced benefits are available at age 55 with at least five years of service or at any age below 50 with 30 years of service. Members are fully vested after five years of service and are entitled to any benefits for which the eligibility requirements have been met.

TRS contribution rates for both employers and employees are not actuarially determined but are legally established by the State Legislature. Contributions by employees are 6.64 percent of gross earnings. Depending upon the source of funding for the employee's compensation, the State or TSU contributes a percentage of participant salaries totaling

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6 percent of annual compensation. TSU's contributions to TRS for the year ended August 31, 2011 were \$2,028,435.14, which equaled the amount of the required contributions for the year.

TRS does not separately account for each of its component government agencies since the retirement system itself bears sole responsibility for retirement commitments beyond contributions fixed by the State Legislature. Further information regarding actuarial assumptions and conclusions, together with audited financial statements are included in the retirement system's annual financial report, which may be found on the TRS website at www.trs.state.tx.us.

B. Optional Retirement Program (ORP)

The State of Texas has also established an Optional Retirement Program (ORP) for institutions of higher education. Participation in the ORP is in lieu of participation in TRS. The ORP provides for the purchase of annuity contracts and mutual funds. Participants are vested in the employer contributions after one year and one day of service. The contributory percentages of participant salaries currently provided by the State of Texas and each participant are 6.4 percent and 6.65 percent, respectively. Depending upon the source of funding for the employee's compensation, TSU may be required to make the employer contributions in lieu of the State. Additionally, the State or TSU must make additional contributions above six percent depending upon the employee's date of hire. Since these are individual annuity contracts, the State and TSU have no additional or unfunded liability for this program.

	<u>Year ended</u> <u>Aug. 31, 2011</u>
Employee Contributions	\$ 2,195,159.17
Employer Contributions	<u>2,503,871.12</u>
Total	<u><u>\$ 4,699,030.29</u></u>

NOTE 10 and 11: RETIREMENT PLANS

These notes are not applicable to TSU.

NOTE 12: INTERFUND BALANCES AND ACTIVITIES

TSU reports their financial statements in accordance with GASB Statement No. 35. The statement requires TSU to report as one fund. Accordingly, no interfund balances and activities are reported.

NOTE 13: CONTINUANCE SUBJECT TO REVIEW

TSU's continuance is not subject to review.

NOTE 14: RESTATEMENT OF NET ASSETS

TSU does not have any restatement of net assets.

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NOTE 15: CONTINGENT LIABILITIES

A. Grants

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time, although TSU expects such amounts, if any, to be immaterial.

B. Performance Based Energy Conservation Agreement

The lawsuit against TSU concerns a contractual dispute involving approximately \$11.1 million in equipment and services for alleged breach of a performance-based energy conservation agreement. Part of the case has been dismissed by the Court of Appeals.

C. Lawsuits

In addition to the case identified in note 5.b, TSU is a defendant in numerous lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of TSU's management that resolution of these matters will not have a material adverse effect of the financial condition of TSU.

D. Parking Garage

Effective September, 2009 Central Houston Parking, L.L.C. (CHP) terminated the management agreement with Integrity Parking Systems, L.L.C., an Ohio limited liability company, who since closing of bond transaction in 2004 acted as manager of the parking facility and Texas Southern University (TSU) assumed the role as manager. Terms of the new agreement allow for all parking receipts to be retained by TSU and all other terms and conditions remain unchanged. As a result, revenue allocations are not made to the debt service reserve fund through the trustee and TSU is obligated for any budget shortfalls related to annual debt service payments. Accordingly, TSU prepaid annual debt service payments of \$1.8 million and \$1.6 million in fiscal year 2010 and 2011, respectively.

Additionally, Letter of Credit renewal risk exists through BNP Paribas as the issuing bank and volatile credit markets which allow only for annual renewals. This is mitigated by the recent upgrade by Fitch and Moody's Investor Services to investment grade rating for the University's debt of BBB and Baa3, respectively. As such, options for refinancing this debt through more traditional credit products become viable.

In conjunction with this agreement, CHP received funding in the form of a loan from bonds issued by the Crawford Education Facilities Corporation (Corporation) for the purposes stated above. The Corporation was created by the City of Crawford, Texas, for the purposes of aiding a borrower (one or more) as that term is defined in Sections 53.02(11) and 53A.02(11) of the Texas Education Code in providing educational facilities and housing facilities and facilities incidental, subordinate or related thereto or appropriate in connection therewith in accordance with and subject to the provisions of Chapters 53 and 53A of the Texas Education Code, as amended, all to be done on behalf of the City and as its duly constituted authority and instrumentality. The Corporation is governed by a seven member Board of Directors appointed by the City Council of the City of Crawford, Texas.

The Corporation issued Variable Rate Demand Parking System Revenue Bonds, Series 2004A (University Parking System Project) (2004A Bonds) and Variable Rate Demand Parking System Revenue and Refunding Bonds, Series 2004B (University System Parking Project) (Taxable) (2004B Bonds), collectively referred to as the 2004 Bonds, pursuant to a Trust Indenture between CHP and The Bank of New York Trust Company, N.A., as Bond Trustee. The

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2004 Bonds are payable from funds drawn on an irrevocable letter of credit issued by BNP Paribas pursuant to an Amended and Restated Letter of Credit and Reimbursement Agreement between BNP Paribas and CHP.

The 2004 Bonds are secured in part by (i) a Leasehold Deed of Trust, Security Agreement, and Assignment of Leases and Rents dated as of November 1, 2004 (Leasehold Deed of Trust), pursuant to which CHP will grant for the benefit of BNP Paribas a first mortgage lien on its leasehold interest in the premises obtained under this lease and a security interest in certain personal property, and will assign and pledge to BNP Paribas, CHP's interest in the leases, rents, issues, profits, revenues, income, receipts, moneys, royalties, rights, and benefits of and derived from the premises and (ii) an Assignment of Contract Documents dated as of November 1, 2004 (Assignment of Contracts), pursuant to which CHP will assign certain contract documents to BNP Paribas.

The 2004 Bonds are also secured by (i) the Second Lien Leasehold Deed of Trust and Assignment of Rents and Leases, Security Agreement, and Fixture Filing dated as of November 1, 2004 (Subordinate Deed of Trust), pursuant to which CHP will grant for the benefit of The Bank of New York Trust Company, N.A. a second mortgage lien on its leasehold interest in the premises and a security interest in the facility equipment and will assign and pledge to The Bank of New York Trust Company, N.A., CHP's interest in the leases, rents, issues, profits, revenues, income, receipts, monies, royalties, rights, and benefits of and derived from the premises and (ii) an Assignment of Contracts Document dated as of November 1, 2004 ("Assignment of Contracts") pursuant to which CHP will assign certain contract documents to the BNP Paribas (the Loan Agreement, the Leasehold Deed of Trust, the Subordinate Leasehold Deed of Trust, the Assignment of Contracts, the Development Agreement, the Construction Contract, the Indenture, the Letter of Credit Agreement, the Parking Management Agreement and other instruments executed by CHP in connection with the issuance of the bonds collectively referred to herein as the Bond Documents.

In connection with the issuance of the bonds and in accordance with the trust indenture, the bond trustee will establish various accounts for the payment of project costs and debt service as well as operation and maintenance of the facilities upon completion of the project. These accounts include a replacement reserve and operation and maintenance fund.

Title to the land shall at all times be vested completely with TSU. Title to any improvements on the land, including the facilities and facilities equipment, shall at all times be vested completely in CHP.

The term of the lease is through March 1, 2033, the stated maturity date of the 2004 bonds or upon earlier or later satisfaction of all reimbursement obligations by CHP. During the term, CHP shall pay TSU base rent in the amount of \$1,000 per academic year, adjusted each academic year by an amount equal to the prior Consumer Price Index for the preceding calendar year.

In addition to the base rent, CHP shall pay directly to TSU \$400,000 in a manner to be agreed upon by CHP and TSU as the initial payment for additional security provided by TSU in connection with CHP's operation of the facilities and the shuttle system. Such additional payments shall be paid each September 1 and may be adjusted annually in an amount to be mutually agreed upon by both parties.

CHP shall be responsible for the leasing, management, operation, and maintenance of the land and project (parking facilities), including, but not limited to the retail space (Retail Space) located on the ground level of each parking garage facility, in accordance with this lease, all applicable laws and TSU regulations without cost or expense to TSU. In connection with the retail space, TSU reserves the right to approve all potential tenants before CHP may lease such premises. CHP shall have the right to delegate some or all of such responsibilities to a manager approved by TSU by entering into a management agreement.

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The lease agreement also establishes a committee (committee) to assist with communication between TSU and CHP. The committee is composed of three representatives appointed by TSU and three representatives appointed by CHP. TSU and CHP may also each appoint an alternate. The committee is responsible for approval of an annual budget, appointment of any successors as manager, and approval of the policies and operating procedures governing the project.

During the term, TSU shall pay all parking revenues received from the sale of parking permits (on behalf of CHP) by wire transfer to the bond trustee to deposit in the pledged revenue fund, no later than 20 days after received. CHP shall deliver all revenues collected by CHP or on its behalf, in connection with the operation of the facilities, to bond trustee, on or before the 12th day of each month beginning September 12, 2004 and continuing thereafter during the term. CHP shall direct the payments as outlined in the annual budget and bond indenture through the bond trustee.

In the Transportation Agreement between TSU and CHP, it obligates TSU to pay a shuttle fee that, when combined with the revenues derived from the imposition of parking fees, will result in a combined debt service coverage ratio of at least 1.25:1.00. The debt service coverage ratio is defined as the amount required to be on deposit in the debt service fund divided by the maximum annual debt service requirement of any year in which the bonds remain outstanding. Accordingly, TSU is essentially obligated for any budget shortfalls related to debt service payments on the 2004 bonds. Interest on the debt is calculated under the terms of the agreement using a variable weekly rate, variable monthly rate, term rate and bank bond rate. A simple 5 percent rate is used for the purpose of estimating debt service requirements. Actual requirements could vary significantly.

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Estimated debt service requirements are as follows:

<u>Year Ending Aug.31</u>	<u>Principal</u>	<u>Variable Interest Estimated at 5%</u>	<u>Total Estimated Annual Amount</u>
2012	\$ 910,000	\$ 1,618,250	\$ 2,528,250
2013	945,000	1,572,750	2,517,750
2014	970,000	1,525,500	2,495,500
2015	1,005,000	1,477,000	2,482,000
2016	1,035,000	1,426,750	2,461,750
2017	1,070,000	1,375,000	2,445,000
2018	1,105,000	1,321,500	2,426,500
2019	1,140,000	1,266,250	2,406,250
2020	1,175,000	1,209,250	2,384,250
2021	1,215,000	1,150,500	2,365,500
2022	1,255,000	1,089,750	2,344,750
2023	1,295,000	1,027,000	2,322,000
2024	1,335,000	962,250	2,297,250
2025	1,380,000	895,500	2,275,500
2026	1,425,000	826,500	2,251,500
2027	1,470,000	755,250	2,225,250
2028	1,520,000	681,750	2,201,750
2029	1,570,000	605,750	2,175,750
2030	1,620,000	527,250	2,147,250
2031	1,675,000	446,250	2,121,250
2032	1,725,000	362,500	2,087,500
2033	1,785,000	276,250	2,061,250
2034	1,840,000	187,000	2,027,000
2035	1,900,000	95,000	1,995,000
Total	<u>\$ 32,365,000</u>	<u>\$ 22,680,750</u>	<u>\$ 55,045,750</u>

CHP shall be responsible for charging parking rates for the Facilities during each academic year at the rates jointly determined by the annual budget for such academic year; provided that the parking rates shall be established as shall be necessary to assure maximum occupancy and use of the facilities and the services related thereto, together with the shuttle payment, satisfy the applicable covenants contained in any permitted mortgage, including together with the other amounts available for such purpose, the payment of the debt service on any debt secured by the permitted mortgage or the bond documents.

Unless a foreclosure has occurred, and subject to the terms and conditions of the Permitted Mortgage, TSU may, at any time after the tenth anniversary of this lease, purchase CHP's leasehold estate in the premises and the facility

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equipment, including CHP's capital equipment which has been purchased or leased on terms exceeding ten years. The purchase price will be the fair market value of CHP's leasehold interest in the premises and facility equipment, but in no event shall the purchase price be less than the unpaid principal of the debt secured by the permitted mortgage, together with accrued interest to the date of repayment of the indebtedness and the satisfaction of any obligation related thereto.

E. Student Housing - Tierwester Oaks and Richfield Manor Apartments

On February 1, 2003, TSU entered into a lease agreement (Agreement) with Houston Student Housing II, LLC (HSH) for the purpose of leasing land to HSH to develop, construct, operate, and lease facilities on the land for eligible residents to provide student housing.

In conjunction with this agreement, HSH received funding in the form of a loan from bonds issued by the City of Houston Higher Education Finance Corporation (the "Corporation") for the purposes stated above. The Corporation was created by the City of Houston, Texas, for the purposes of exercising powers granted under Chapter 53 Texas Education Code, as amended, including Sections 53.35(b), 53A.35 and 53B.47(e) thereof, (Act) including (i) aiding educational institutions specified in the act in providing educational facilities and housing facilities and facilities incidental, subordinate, or related thereto or appropriate in connection therewith and (ii) issuing securities to obtain funds to purchase or to make student or parent loans in accordance with and subject to the provisions of the act generally, all to be done on behalf of the City and as its duly constituted authority and instrumentality. The corporation is governed by a Board of Directors consisting of not less than seven, nor more than eleven directors, appointed by the Mayor and confirmed by the City Council of the City of Houston, Texas.

The Corporation issued Variable Rate Demand Housing Revenue Bonds (Tierwester Oaks and Richfield Manor Projects), Series 2003A, and Variable Rate Demand Housing Revenue Bonds (Tierwester Oaks and Richfield Manor Projects), Series 2003B, pursuant to a trust indenture between the Corporation and The Bank of New York Trust Company of Florida, N.A., as bond trustee.

The bonds will be payable from funds drawn on an irrevocable letter of credit issued by The Bank of New York pursuant to a Letter of Credit and Reimbursement Agreement between The Bank of New York and HSH.

The irrevocable letter of credit will be secured by (i) a Leasehold Deed of Trust and Assignment of Rents and Leases and Fixture Filing dated as of February 1, 2003 (Leasehold Deed of Trust), pursuant to which HSH will grant for the benefit of the Bank of New York a first mortgage lien on its leasehold interest in the premises and a security interest in the facility equipment and will assign and pledge to the Bank of New York HSH's interest in the leases, rents, issues, profits, revenues, income, receipts, monies, royalties, rights, and benefits of and derived from the premises and (ii) an Assignment of Contracts Document dated as of February 1, 2003 (Assignment of Contracts) pursuant to which HSH will assign certain contract documents to the Bank of New York (the Loan Agreement, this Lease, the Leasehold Deed of Trust, the Subordinate Leasehold Deed of Trust, the Assignment of Contracts, the Development Agreement, the Construction Contract, the Indenture, the Letter of Credit Agreement, the Management Agreement and other instruments executed by HSH in connection with the issuance of the bonds collectively referred to herein as the "Bond Documents").

The bonds will be secured by (i) the Subordinated Leasehold Deed of Trust and Assignment of Rents and Leases and Fixture dated as of February 1, 2003 (Subordinate Deed of Trust), pursuant to which HSH will grant for the benefit of The Bank of New York Trust Company of Florida, N.A., a second mortgage lien on its leasehold interest in the premises and a security interest in the facility equipment and will assign and pledge to The Bank of New York Trust Company of Florida, N.A. HSH's interest in the leases, rents, issues, profits, revenues, income, receipts, moneys, royalties, rights and benefits of and derived from the premises and (ii) an Assignment of Contracts Documents dated

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as of February 1 2003 (Assignment of Contracts) pursuant to which HSH will assign certain contract documents to the Bank of New York (the Loan Agreement, the Leasehold Deed of Trust, the Subordinate Leasehold Deed of Trust, the Assignment of Contracts, the Development Agreement, the Construction Contract, the Indenture, the Letter of Credit Agreement, the Management Agreement and other instruments executed by HSH in connection with the issuance of the bonds collectively referred to herein as the Bond Documents.

In connection with the issuance of the bonds and in accordance with the trust indenture, the bond trustee will establish various accounts for the payment of project costs and debt service as well as operation and maintenance of the facilities upon completion of the project.

The term of the lease is through March 1, 2033, the stated maturity date of the 2003 bonds or upon earlier or later satisfaction of all reimbursement obligations by HSH. During the term, HSH shall pay the TSU base rent in monthly installments not to exceed \$1,000 per month, adjusted each academic year by an amount equal to the prior Consumer Price Index for the preceding calendar year.

Ownership of the land shall at all times during the term be vested completely with TSU. Ownership of any improvements on the land, including the facilities (but excluding existing improvements at Richfield Manor owned by TSU), and the facility equipment shall at all times during the term be vested completely with HSH.

Upon issuance of the bonds, HSH paid \$5,150,849 to Fannie Mae to retire a loan made to TSU that was used to acquire the sites for the development of the project in October 2002.

HSH shall be responsible for the leasing, management, operation, and maintenance of the land and project in accordance with this lease, all applicable laws and TSU regulations without cost or expense to TSU. HSH shall have the right to delegate some or all of such responsibilities to a manager approved by TSU by entering into a management agreement.

The lease agreement also establishes a committee (committee) to assist with communication between TSU and HSH. The committee is composed of three representatives appointed by TSU and three representatives appointed by HSH. TSU and HSH may also each appoint an alternate. The committee is responsible for approval of an annual budget, appointment of any successors as manager, and approval of the policies and operating procedures governing the project.

Unless a foreclosure has occurred, and subject to the terms and conditions of the permitted mortgages, TSU may at any time after the tenth anniversary of this lease purchase HSH's leasehold estate in the premises and the facility equipment. The purchase price will be the fair market value of HSH's leasehold interest in the premises and facility equipment, but in no event shall the purchase price be less than the unpaid principal of the debt secured by the permitted mortgages, together with accrued interest to the date of repayment of the indebtedness and the satisfaction of any obligation related thereto.

Each semester, TSU shall assign First Priority Occupants to the facilities prior to assigning such first priority occupants to any other TSU sponsored housing facility until (based on signed housing contracts) the Facilities have achieved minimum occupancy. TSU shall notify the first priority occupants of their assignment to the facilities by written notice.

With respect to any semester for which the facilities have not achieved the minimum occupancy by the date that is fifteen (15) days prior to the commencement of such semester, and subject to TSU's right to terminate this obligation without it being a default under this lease agreement, if it does not annually appropriate permitted funds of TSU to meet the obligations, TSU shall execute and deliver housing contracts for the number of additional units in the

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facilities necessary for the project, when taking into account signed housing contracts, to achieve break-even occupancy. Such housing contracts will name the Director of Housing for TSU or its designated assigned occupant as the occupant under such housing contract(s). TSU shall be liable for payment of all occupancy rentals and deposits required under each such housing contract; provided, however, that upon assignment by TSU to its designated assigned occupant, such assigned occupant and not TSU shall be responsible for such charges. Upon receipt of such housing contracts, the units covered by such housing contracts shall be deemed for all purposes to have been leased to an assigned occupant and shall be included in the calculation of minimum occupancy for the project for such semester. TSU shall pay, in accordance with the terms of the housing contracts, to HSH the occupancy rental for housing contracts executed by TSU pursuant to this section which have not been assigned to an assigned occupant. TSU may, at its option, direct HSH to apply any operating reserve in excess of \$25,000 to offset TSU's obligations. Notwithstanding TSU's direction for HSH to apply the operating reserve to offset TSU's obligations, any such payment by TSU shall only be made from annually appropriated funds of TSU as permitted by law.

HSH shall charge occupancy rentals to assigned occupants of the facilities during each academic year at the rates jointly determined by the annual budget for such academic year. The occupancy rentals shall be established as shall be necessary to (i) assure maximum occupancy and use of the facilities and the services related thereto; (ii) satisfy the applicable covenants contained in any permitted mortgages, including the payment of the debt service on any debt secured by the permitted mortgages or the bond documents, the reserve amounts and all other payments and charges required under the permitted mortgages and the bond documents; and (iii) generate sufficient revenues for the payment of all other annual expenses. Accordingly, TSU is essentially obligated for any budget shortfalls related to debt service payments on the bonds. Interest on the debt is calculated under the terms of the agreement using a variable rate. A simple 5 percent rate is used for the purpose of estimating debt service requirements. Actual requirements could vary significantly.

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 For the Year Ended August 31, 2011

Estimated debt service requirements are as follows:

Year Ending Aug.31	Principal	Variable Interest Estimated at 5%	Total Estimated Annual Amount
2012	\$ 690,000	\$ 1,046,000	\$ 1,736,000
2013	710,000	1,011,500	1,721,500
2014	735,000	976,000	1,711,000
2015	755,000	939,250	1,694,250
2016	775,000	901,500	1,676,500
2017	800,000	862,750	1,662,750
2018	820,000	822,750	1,642,750
2019	845,000	781,750	1,626,750
2020	870,000	739,500	1,609,500
2021	895,000	696,000	1,591,000
2022	920,000	651,250	1,571,250
2023	950,000	605,250	1,555,250
2024	975,000	557,750	1,532,750
2025	1,005,000	509,000	1,514,000
2026	1,035,000	458,750	1,493,750
2027	1,065,000	407,000	1,472,000
2028	1,095,000	353,750	1,448,750
2029	1,130,000	299,000	1,429,000
2030	1,160,000	242,500	1,402,500
2031	1,195,000	184,500	1,379,500
2032	1,230,000	124,750	1,354,750
2033	1,265,000	63,250	1,328,250
Total	\$ 20,920,000	\$ 13,233,750	\$ 34,153,750

HSH shall arrange for each assigned occupant to execute and deliver to HSH a housing contract. TSU will have no obligation to HSH if any assigned occupant fails to pay the occupancy rentals in accordance with the terms of its housing contract.

NOTE 16: SUBSEQUENT EVENTS

Texas Southern University through the Historically Black College/University (HBCU) capital financing program under the auspices of the US. Department of Education secured \$64,180 million in bonds proceeds on September 22, 2011 to purchase Tiewester Oaks and the University Courtyard apartment complexes, as well as the Parking Garage in execution of the board resolution made in June 2011.

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NOTE 17: RISK FINANCING AND RELATED INSURANCE

TSU is exposed to a variety of civil claims resulting from the performance of its duties. It is TSU's policy to periodically assess the proper combination of commercial insurance and retention of risk to cover losses to which it may be exposed. TSU assumes substantially all risks associated with tort and liability claims due to the performance of its duties.

TSU has commercial insurance policies for general liability, directors and officers, and commercial property. There were no significant reductions in insurance coverage in the past year and losses did not exceed funding arrangements for the past three years. As disclosed in Note 16, there were no subsequent events at year end. Currently, TSU is not involved in any risk pools with other government entities.

TSU has various self-insured arrangements for coverage in the areas of employee health insurance, workers' compensation, unemployment compensation, and medical malpractice. Employee health and medical malpractice plans are funded.

The State provides coverage for workers' compensation and unemployment benefits from appropriations made to other State agencies for TSU employees. The current General Appropriations Act provides that TSU must reimburse the general revenue fund consolidated, from TSU appropriations, one-half of the unemployment benefits and 25 percent of the workers' compensation benefits paid for former and current employees. The Comptroller of Public Accounts determines the proportionate amount to be reimbursed from each appropriated fund type. TSU must reimburse the general revenue fund 100 percent of the cost for workers' compensation and unemployment compensation for any employees paid from funds held in local bank accounts and local funds held in the State treasury. Workers' compensation and unemployment plans are on a pay-as-you-go basis, in which no assets are set aside to be accumulated for the payment of claims. No material outstanding claims are pending at August 31, 2011.

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. However, TSU has chosen to carry liability insurance on its licensed vehicles in the amount of \$250,000 / \$500,000 bodily injury and \$100,000 property damage, the extent of the waivers of State sovereign immunity specified in the tort claims act.

NOTE 18: MANAGEMENT'S DISCUSSION AND ANALYSIS

Although normally included as Note 18 following the Comptroller's requirements, Management's Discussion and Analysis is included as a separate section in the front of this report.

NOTE 19: THE FINANCIAL REPORTING ENTITY

A. Related Parties

TSU is affiliated with the Texas Southern University Foundation. The stated purpose of the foundation is "to solicit and receive gifts, grants, devices or bequests and to maintain, use and apply the income there from and the principal thereof exclusively for charitable, scientific, literary or educational activities in order to aid and benefit Texas Southern University." According to foundation bylaws, the President of TSU, and a representative of TSU's Board of Regents shall be ex officio members of the foundation's Board of Directors with full voting rights.

TSU is also affiliated with the Texas Southern University Alumni Association. The alumni association is a non-profit organization created for the purpose of promoting, fostering, and advancing the educational goals of TSU and

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NOTES TO FINANCIAL STATEMENTS, Continued
For the Year Ended August 31, 2011

the interests and welfare of its students; to provide the means for continuing relationships between TSU, former students, the community; and to enable them to contribute to and share in the progress of TSU.

All former students are eligible for membership in the alumni association. The Board of Directors of the alumni association is elected by the membership. TSU administration has no controlling interest in the alumni association.

The financial statements of TSU encompass the financial activity only of TSU. TSU does not have any component entities that should be included in these financial statements.

NOTE 20: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

TSU has no material violations of finance related legal and contract provisions. Per the laws of the State of Texas, TSU cannot spend amounts in excess of appropriations granted by the Texas Legislature and there are no deficits reported in net assets.

NOTE 21: N/A

Note 21 is not applicable to the Texas State Comptroller's AFR report requirements process.

NOTE 22: DONOR-RESTRICTED ENDOWMENTS

<u>Donor-Restricted Endowments</u>	<u>Amount of Net Appreciation (Depreciation)</u>	<u>Reported in Net Assets</u>
True Endowments	\$ 2,424,541.01	Restricted for expendable
Term Endowments	722,261.00	Restricted for expendable
Total	<u>\$ 3,146,802.01</u>	

In the table above, amounts reported as "Net Appreciation" represent net appreciation on investments of donor or constitutionally restricted endowments that are available for authorization for expenditure by the TSU Board of Regents. For donor restricted endowments, pursuant to the Uniform Management of Institutional Funds Act, as adopted by Texas, the TSU Board of Regents may distribute net appreciation, realized and unrealized, in the fair market value of the assets of endowment holdings over the historic dollar value of the gifts, to the extent prudent.

NOTE 23: SPECIAL AND EXTRAORDINARY ITEMS

TSU does not have any special and extraordinary items to report during the year ended August 31, 2011.

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NOTES TO FINANCIAL STATEMENTS, Continued
For the Year Ended August 31, 2011

NOTE 24: DISAGGREGATION OF RECEIVABLE BALANCES

Aggregate receivables as reported on the Statement of Net Assets as of August 31, 2011, are detailed as follows:

<u>Receivables</u>	<u>Balance</u>
Student Accounts	\$ 24,809,638.76
Third Party Accounts	108,263.45
Less Allowance	(7,809,104.33)
Total	<u>\$ 17,108,797.88</u>

NOTE 25: TERMINATION BENEFITS

There were no nonroutine, widespread voluntary or involuntary termination arrangements that involved a substantial number of individual employees or group of employees meeting the criteria for liability recognition.

NOTE 26: SEGMENT INFORMATION

TSU does not have any segments requiring segment reporting.

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SUPPLEMENTARY INFORMATION

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TEXAS SOUTHERN UNIVERSITY

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SCHEDULE OF OPERATING EXPENSES

For the Year Ended August 31, 2011

Expenses by Natural Classification

	<u>2011</u>
Salaries and wages	\$ 89,549,622.30
Payroll related costs	20,689,213.82
Professional fees and services	9,204,597.92
Travel	2,977,531.08
Materials and supplies	11,149,178.46
Communication and utilities	6,861,485.30
Repairs and maintenance	5,258,096.71
Rentals and leases	2,543,897.76
Printing and reproductions	554,256.61
Federal pass through expenditures	31,473.33
Bad debt expense	2,175,970.90
Scholarships	28,029,175.32
Other operating expenses	13,972,909.95
Depreciation	13,501,068.16
Total Operating Expenses by Natural Class	\$ 206,498,477.62

Expenses by NACUBO Classification

	<u>2011</u>
Instruction	\$ 70,639,782.85
Research	6,317,855.90
Public Service	1,365,247.15
Academic Support	14,398,303.78
Student Services	13,035,294.78
Institutional Support	30,634,946.53
Operation & Maintenance of Plant	16,996,555.24
Scholarships and Fellowships	24,146,351.81
Auxiliary	15,463,071.42
Depreciation	13,501,068.16
Total Operating Expenses by NACUBO Class	\$ 206,498,477.62

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SCHEDULE 1A - SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

August 31, 2011

FEDERAL GRANTOR/ PASS THROUGH GRANTOR/ PROGRAM TITLE	CFDA Number	Identifying Number	Pass Through From		
			Agy./ Univ. #	Agencies Or Univ. Amount	Non-State Entities Amount
U.S. Department of Defense					
Pass Through From:		DUNS#050298975			
Basic and Applied Scientific Research	12.300	UTA09-000083	721	\$ 51,970.00	
Total U.S. Department of Defense				<u>\$ 51,970.00</u>	<u>\$ -</u>
U.S. Department of Housing & Urban Development					
Direct Program:					
Historically Black Colleges & Universities Program	14.520	DUNS#050298975			
Total U.S. Department of Housing and Urban Development				<u>\$ -</u>	<u>\$ -</u>
U.S. Department of Transportation					
Other Federal Awards Expended					
Direct Program:		DUNS#050298975			
Eisenhower Fellowships	20.000	DDEHBC-05X-00103, 154, 155,159			
Total U.S. Department of Transportation				<u>\$ -</u>	<u>\$ -</u>
National Aeronautics & Space Administration					
Pass Through From:					
Aerospace Education Services Program	43.001	DUNS#050298975	721	\$ 14,946.12	
Total National Aeronautics & Space Administration				<u>\$ 14,946.12</u>	<u>\$ -</u>
Institute of Museum & Library Sciences					
Museum Grants for African American History and Culture	45.309	DUNS#050298975			
National Leadership Grants	45.312	DUNS#050298975			
Total Institute of Museum & Library Sciences				<u>\$ -</u>	<u>\$ -</u>
National Science Foundation					
Education & Human Resources	47.076	DUNS#050298975			
Pass Through From:					
University of Houston					
Education & Human Resources	47.076	R-09-0169	730	\$ 145,038.73	
Total National Science Foundation				<u>\$ 145,038.73</u>	<u>\$ -</u>

Direct Program Amount	Total PT From & Direct Program	Pass Through To			Expenditures Amount	Total PT To & Expenditures
		Agy./ Univ. #	Agencies Or Univ. Amount	Non-State Entities Amount		
	\$ 51,970.00				\$ 51,970.00	\$ 51,970.00
<u>\$ -</u>	<u>\$ 51,970.00</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 51,970.00</u>	<u>\$ 51,970.00</u>	<u>\$ 51,970.00</u>
\$ 173,345.80	\$ 173,345.80				\$ 173,345.80	\$ 173,345.80
<u>\$ 173,345.80</u>	<u>\$ 173,345.80</u>	<u>\$ -</u>	<u>\$ -</u>	<u>173,345.80</u>	<u>173,345.80</u>	<u>173,345.80</u>
\$ 16,956.12	\$ 16,956.12				\$ 16,956.12	\$ 16,956.12
<u>\$ 16,956.12</u>	<u>\$ 16,956.12</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,956.12</u>	<u>\$ 16,956.12</u>	<u>\$ 16,956.12</u>
	\$ 14,946.12				\$ 14,946.12	\$ 14,946.12
<u>\$ -</u>	<u>\$ 14,946.12</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,946.12</u>	<u>\$ 14,946.12</u>	<u>\$ 14,946.12</u>
\$ 2,893.80	\$ 2,893.80				\$ 2,893.80	\$ 2,893.80
\$ 31,054.48	\$ 31,054.48				\$ 31,054.48	\$ 31,054.48
<u>\$ 33,948.28</u>	<u>\$ 33,948.28</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,948.28</u>	<u>\$ 33,948.28</u>	<u>\$ 33,948.28</u>
\$ 203,677.32	\$ 203,677.32				\$ 203,677.32	\$ 203,677.32
	\$ 145,038.73				\$ 145,038.73	\$ 145,038.73
<u>\$ 203,677.32</u>	<u>\$ 348,716.05</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 348,716.05</u>	<u>\$ 348,716.05</u>	<u>\$ 348,716.05</u>

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SCHEDULE 1A - SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)

August 31, 2011

FEDERAL GRANTOR/ PASS THROUGH GRANTOR/ PROGRAM TITLE	CFDA Number	Identifying Number	Pass Through From		Non-State Entities Amount
			Agy./ Univ. #	Agencies Or Univ. Amount	
U. S. Nuclear Regulatory Commission					
Direct Program:					
Nuclear Education Grant Program	77.006	DUNS#050298975			
Scholarship and Fellowship Program	77.008	DUNS#050298975			
Total U. S Nuclear Regulatory			\$	-	\$ -
U.S. Department of Education					
Direct Program:					
Higher Education-Institutional Aid	84.031	DUNS#050298975			
Minority Science and Engineering Improvement	84.120	DUNS#050298975			
College Access Challenge Grant Program	84.378	DUNS#050298975	781	\$ 29,000.00	
State Fiscal Stabilization Fund Cluster:					
Pass Through From:					
Texas Higher Education Coordinating Board State Fiscal Stabilization Fund (SFSF) Government Services, Recovery Act	84.397	DUNS#050298975	781	\$ 843,304.00	
Special Education Cluster:					
Pass Through From:					
Texas A&M University-Texarkana Special Education-Grants to States	84.027	DUNS#050298975	764	\$ 36,025.60	
Total U.S. Department of Education			\$	908,329.60	\$ -
Department of Health and Human Services					
Direct Programs:					
ARRA - Scholarships for Disadvantaged Students	93.407	DUNS#050298975			
Pass Through From:					
Morehouse School of Medicine Substance Abuse & Mental Health Services	93.243	TI-020447			\$ 460.00
Baylor College of Medicine Geriatric Education Centers	93.969	1D31HP0882101			\$ 37,160.38

Direct Program Amount	Total PT From & Direct Program	Pass Through To			Expenditures Amount	Total PT To & Expenditures
		Agy./ Univ. #	Agencies Or Univ. Amount	Non-State Entities Amount		
\$ 72,966.32	\$ 72,966.32				\$ 72,966.32	\$ 72,966.32
\$ 48,428.37	\$ 48,428.37				\$ 48,428.37	\$ 48,428.37
<u>\$ 121,394.69</u>	<u>\$ 121,394.69</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 121,394.69</u>	<u>\$ 121,394.69</u>	
\$ 8,735,553.71	\$ 8,735,553.71				\$ 8,735,553.71	\$ 8,735,553.71
\$ 155,324.92	\$ 155,324.92				\$ 155,324.92	\$ 155,324.92
	\$ 29,000.00				\$ 29,000.00	\$ 29,000.00
	\$ 843,304.00				\$ 843,304.00	\$ 843,304.00
	\$ 36,025.60				\$ 36,025.60	\$ 36,025.60
<u>\$ 9,133,668.01</u>	<u>\$ 10,041,997.61</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,799,208.23</u>	<u>\$ 9,799,208.23</u>	
\$ 24,800.00	\$ 24,800.00				\$ 24,800.00	\$ 24,800.00
	\$ 460.00				\$ 460.00	\$ 460.00
	\$ 37,160.38		\$ 37,160.38			\$ 37,160.38

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SCHEDULE 1A - SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)

August 31, 2011

FEDERAL GRANTOR/ PASS THROUGH GRANTOR/ PROGRAM TITLE	CFDA Number	Identifying Number	Pass Through From		
			Agy./ Univ. #	Agencies Or Univ. Amount	Non-State Entities Amount
Community Services Block Grant Cluster:					
Pass Through From:					
Gulf Coast Community Services Association					
ARRA - Community Services Block Grant	93.710	GCCSA 101909		\$	745.00
ARRA - Community Services Block Grant	93.710	GCCSA140CT09		\$	1,787.07
ARRA - Community Services Block Grant	93.710	GCCSA140CT09DTP		\$	10,945.83
ARRA - Community Services Block Grant	93.710	GCCSA 102010		\$	4,400.00
Total Department of Health and Human Services				\$	-
Public Assistance Cluster:					
U. S. Department of Homeland Security					
Pass Through From:					
Texas Department of Public Safety					
Disaster Grants-Public Assistance	97.036	DUNS#050298975	405	\$	1,319,207.46
Total U. S. Department of Homeland Security				\$	1,319,207.46
Student Financial Assistance Cluster:					
U. S. Department of Education					
Direct Program:					
Federal Supplemental Educational Opportunity Grants	84.007	DUNS#050298975			
Federal Supplemental Educational Opportunity Grants Administrative Cost	84.007	DUNS#050298975			
Federal Family Education Loans	84.032	DUNS#050298975			
Federal Work Study Program	84.033	DUNS#050298975			
Federal Perkins Loans Program: Fed Capital Contribution	84.038	DUNS#050298975			
Federal Perkins Loans Program: Administrative Cost Recovered	84.038	DUNS#050298975			
Federal Pell Grant Program	84.063	DUNS#050298975			
Federal Direct Student Loans	84.268	DUNS#050298975			
Academic Competitiveness Grant	84.375	DUNS#050298975			
National Science & Mathematics Access to Retain Talent (SMART) Grants	84.376	DUNS#050298975			
TEACH Grants	84.379	DUNS#050298975			

Direct Program Amount	Total PT From & Direct Program	Pass Through To			Expenditures Amount	Total PT To & Expenditures
		Agy./ Univ. #	Agencies Or Univ. Amount	Non-State Entities Amount		
	\$ 745.00			\$ 745.00		\$ 745.00
	\$ 1,787.07			\$ 1,787.07		\$ 1,787.07
	\$ 10,945.83			\$ 10,945.83		\$ 10,945.83
	\$ 4,400.00			\$ 4,400.00		\$ 4,400.00
<u>\$ 24,800.00</u>	<u>\$ 80,298.28</u>	<u>\$ -</u>	<u>\$ 55,038.28</u>	<u>\$ 25,260.00</u>		<u>\$ 80,298.28</u>
	\$ 1,319,207.46			\$ 1,319,207.46		\$ 1,319,207.46
<u>\$ -</u>	<u>\$ 1,319,207.46</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,319,207.46</u>		<u>\$ 1,319,207.46</u>
\$ 557,147.55	\$ 557,147.55			\$ 557,147.55		\$ 557,147.55
\$ 27,857.38	\$ 27,857.38			\$ 27,857.38		\$ 27,857.38
\$ (20,852.19)	\$ (20,852.19)			\$ (20,852.19)		\$ (20,852.19)
\$ 1,252,067.38	\$ 1,252,067.38			\$ 1,252,067.38		\$ 1,252,067.38
\$ 184,731.00	\$ 184,731.00			\$ 184,731.00		\$ 184,731.00
\$ 9,236.55	\$ 9,236.55			\$ 9,236.55		\$ 9,236.55
\$ 25,800,255.08	\$ 25,800,255.08			\$ 25,800,255.08		\$ 25,800,255.08
\$ 107,451,081.00	\$ 107,451,081.00			\$ 107,451,081.00		\$ 107,451,081.00
\$ 431,815.75	\$ 431,815.75			\$ 431,815.75		\$ 431,815.75
\$ 185,288.00	\$ 185,288.00			\$ 185,288.00		\$ 185,288.00
\$ 113,500.00	\$ 113,500.00			\$ 113,500.00		\$ 113,500.00

TEXAS SOUTHERN UNIVERSITY

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SCHEDULE 1A - SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)

August 31, 2011

FEDERAL GRANTOR/ PASS THROUGH GRANTOR/ PROGRAM TITLE	CFDA Number	Identifying Number	Pass Through From		
			Agy./ Univ. #	Agencies Or Univ. Amount	Non-State Entities Amount
Direct Program:					
U.S. Department of Health and Human Services Scholarships For Health Professions Students From Disadvantaged Backgrounds	93.925	DUNS#050298975			
Total Student Financial Assistance Cluster			\$ -	\$ -	
Research and Development (R&D) Cluster:					
U.S. Department of Defense					
Direct Program:					
Military Medical Research and Development	12.420	DUNS#050298975			
U.S. Department of Defense					
Direct Program:					
Naval Air War Center (PAX) Agreement	12.000	DUNS#050298975 N00421-11-P-0032			
Pass Through From:					
Clarkson Aerospace Corporation					
Air Force Defense Research Sciences Program	12.800	10-S567-0016-02-C1			\$ 35,111.00
Air Force Defense Research Sciences Program	12.800	TSU08-S567-011-02-C1			
USAF/Defense Research Science Prog	12.800	10-S567-013-02-C1			\$ 100,972.50
University of Texas- Austin					
U. S. Department of Transportation	20.000	EHBC05X0010315415	721	\$	30,157.76

Direct Program Amount	Total PT From & Direct Program	Pass Through To		Expenditures Amount	Total PT To & Expenditures
		Agy./ Univ. #	Agencies Or Univ. Amount		
\$ 696,950.00	\$ 696,950.00			\$ 696,950.00	\$ 696,950.00
<u>\$ 136,689,077.50</u>	<u>\$ 136,689,077.50</u>		<u>\$ -</u>	<u>\$ 135,992,127.50</u>	<u>\$ 136,689,077.50</u>
\$ 192,831.52	\$ 192,831.52	506		\$ 192,831.52	\$ 192,831.52
\$ 51,771.62	\$ 51,771.62			\$ 51,771.62	\$ 51,771.62
	\$ 35,111.00			\$ 35,111.00	\$ 35,111.00
\$ 56,669.37	\$ 56,669.37			\$ 56,669.37	\$ 56,669.37
	\$ 100,972.50			\$ 100,972.50	\$ 100,972.50
\$ 15,414.37	\$ 45,572.13			\$ 45,572.13	\$ 45,572.13

TEXAS SOUTHERN UNIVERSITY

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SCHEDULE 1A - SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)

August 31, 2011

FEDERAL GRANTOR/ PASS THROUGH GRANTOR/ PROGRAM TITLE	CFDA Number	Identifying Number	Pass Through From		
			Agy./ Univ. #	Agencies Or Univ. Amount	Non-State Entities Amount
National Aeronautics & Space Administration					
Other Federal Awards Expended					
Direct Program:					
The NASA Research Center for Biotechnology and Environmental Health (2688)					
	43.000	DUNS#050298975 NNX10AQ16A			
	43.000	NNX11AD38G DUNS#050298975			
Pass Through To:					
The University of Houston					
	43.000	DUNS#050298975 NNX08BA47A			
	43.000	DUNS#050298975			
Pass Through From Other Non-State Entities:					
United Negro College Fund Special Programs					
	43.000	UNCFSP UNIMET			\$ 28,753.07
	43.000	NNA06CB141-1			\$ 103,140.00
	43.000	UTB09-01			\$ 29,850.22
	43.000	UNCFSP NSTI UNEEC			\$ 67,312.59
Universities Space Research Association					
	43.000	INJ06HG25A-09940-115			\$ 47,558.47
Research and Development (R&D) Cluster (Con't)					
National Science Foundation					
Direct Program:					
	47.070	DUNS#050298975			
	47.076	DUNS#050298975			
	47.082	DUNS#050298975			

Pass Through From:

Direct Program Amount	Total PT From & Direct Program	Pass Through To			Expenditures Amount	Total PT To & Expenditures
		Agy./ Univ. #	Agencies Or Univ. Amount	Non-State Entities Amount		
\$ 1,128,327.46	\$ 1,128,327.46	730	\$ 41,653.04		\$ 1,086,674.42	\$ 1,128,327.46
\$ 20,224.00	\$ 20,224.00				\$ 20,224.00	\$ 20,224.00
\$ 35,333.98	\$ 35,333.98	730	\$ 35,064.31		\$ 269.67	\$ 35,333.98
\$ 21,103.58	\$ 21,103.58		\$ 21,103.58			\$ 21,103.58
	\$ 28,753.07			\$ 28,753.07		\$ 28,753.07
	\$ 103,140.00			\$103,140.00		\$ 103,140.00
	\$ 29,850.22			\$ 29,850.22		\$ 29,850.22
	\$ 67,312.59			\$ 67,312.59		\$ 67,312.59
	\$ 47,558.47			\$ 47,558.47		\$ 47,558.47
\$ 15,089.93	\$ 15,089.93				\$ 15,089.93	\$ 15,089.93
\$ 875,708.19	\$ 875,708.19				\$ 875,708.19	\$ 875,708.19
\$ 21,816.66	\$ 21,816.66				\$ 21,816.66	\$ 21,816.66

TEXAS SOUTHERN UNIVERSITY

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SCHEDULE 1A - SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)

August 31, 2011

FEDERAL GRANTOR/ PASS THROUGH GRANTOR/ PROGRAM TITLE	CFDA Number	Identifying Number	Pass Through From		
			Agy./ Univ. #	Agencies Or Univ. Amount	Non-State Entities Amount
U.S. Department of Education					
Direct Program:					
National Institute on Disability & Rehabilitation Research	84.133	DUNS#050298975			
Pass Through From:					
Department of Health and Human Services					
Direct Program:					
Trans-NIH Recovery Act Research Support	93.701	DUNS#050298975	724	\$ 3,333.00	
National Center for Research Resources	93.389	DUNS#050298975			
Centers for Medicare and Medicaid Services (CMS) Research Demonstrations and Evaluations	93.779	DUNS#050298975			
Heart and Vascular Diseases Research	93.837	DUNS#050298975			
Pass Through From:					
DHHS/Westat-Patient Centered Care Collaborative T Improve Minority Health Initiative TSU	93.000	8821S001			\$ 42,394.62
U.S. Department of Homeland Security					
Direct Program:					
Petrochemical Transport Security	97.061	DUNS#050298975			
Pass Through To: Texas Engineering Experiment Station					
Dev Petrochem Incident Location Sys	97.061	DUNS#050298975			
Pass Through From:					
Louisiana State University Center for Excellence for Natural Disasters	97.061	5-36435			\$ 7,833.16
Rutgers University Center of Excellence Command	97.061	2009-ST-0001-CCI1002			\$ 17,537.39
			<u>\$ 33,490.76</u>	<u>\$ 480,463.02</u>	
Total Research and Development Cluster Programs					
U. S. Department of Education					
Direct Program:					
TRIO: Student Support Services	84.042	DUNS#050298975			
TRIO: Talent Search	84.044	DUNS#050298975			
TRIO: Upward Bound	84.047	DUNS#050298975			
TRIO: Educational Opportunity Centers	84.066	DUNS#050298975			
TRIO: McNair Post-Baccalaureate Achievement	84.217	DUNS#050298975			
			<u>\$ -</u>	<u>\$ -</u>	
Total TRIO Cluster Programs					
			<u>\$ 2,472,982.67</u>	<u>\$ 535,961.30</u>	

Direct Program Amount	Total PT From & Direct Program	Pass Through To			Expenditures Amount	Total PT To & Expenditures
		Agy./ Univ. #	Agencies Or Univ. Amount	Non-State Entities Amount		
\$ 77,302.78	\$ 77,302.78				\$ 77,302.78	\$ 77,302.78
\$ 2,745.64	\$ 6,078.64				\$ 6,078.64	\$ 6,078.64
\$ 698,330.53	\$ 698,330.53				\$ 698,330.53	\$ 698,330.53
\$ 88,857.91	\$ 88,857.91				\$ 88,857.91	\$ 88,857.91
\$ 279,777.11	\$ 279,777.11				\$ 279,777.11	\$ 279,777.11
	\$ 42,394.62				\$ 42,394.62	\$ 42,394.62
\$ 181,580.47	\$ 181,580.47		\$ 10,892.20		\$ 170,688.27	\$ 181,580.47
\$ 233,125.92	\$ 233,125.92				\$ 233,125.92	\$ 233,125.92
	\$ 7,833.16			\$ 7,833.16		\$ 7,833.16
	\$ 17,537.39			\$ 17,537.39		\$ 17,537.39
<u>\$ 3,996,011.04</u>	<u>\$ 4,509,964.82</u>	<u>\$ 108,713.13</u>	<u>\$ 494,737.77</u>	<u>\$ 3,906,513.92</u>	<u>\$ 4,509,964.82</u>	
\$ 30,108.68	\$ 30,108.68				\$ 30,108.68	\$ 30,108.68
\$ 553,520.13	\$ 553,520.13				\$ 553,520.13	\$ 553,520.13
\$ 419,819.74	\$ 419,819.74				\$ 419,819.74	\$ 419,819.74
\$ 307,695.77	\$ 307,695.77				\$ 307,695.77	\$ 307,695.77
\$ 235,967.04	\$ 235,967.04				\$ 235,967.04	\$ 235,967.04
<u>\$ 1,547,111.36</u>	<u>\$ 1,547,111.36</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,547,111.36</u>	<u>\$ 1,547,111.36</u>	<u>\$ 1,547,111.36</u>
<u>\$ 151,939,990.12</u>	<u>\$ 154,948,934.09</u>	<u>\$ 108,713.13</u>	<u>\$ 549,776.05</u>	<u>\$ 153,350,705.53</u>	<u>\$ 154,706,144.71</u>	

TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

SCHEDULE 1B - STATE GRANT PASS THROUGH FROM/TO STATE AGENCIES

For the Year Ended August 31, 2011

Pass Through From:

University of Texas System (Agency# 720.0002)	\$	15,740.00
Texas Higher Education Coordinating Board (Agency# 781.0007)		46,929.43
Texas Higher Education Coordinating Board (Agency# 781.0008)		5,796,405.00
Texas Higher Education Coordinating Board (Agency# 781.0017)		50,050.00
Texas Higher Education Coordinating Board (Agency# 781.0023)		177,917.00
Texas Higher Education Coordinating Board (Agency# 781.0024)		20,805.00
Texas Higher Education Coordinating Board (Agency# 781.0026)		28,408.15
Texas Higher Education Coordinating Board (Agency# 781.0028)		112,000.00
Texas Higher Education Coordinating Board (Agency# 781.0036)		19,940.70
Texas Higher Education Coordinating Board (Agency# 781.0037)		297,979.18
Total Pass Through From Other Agencies	\$	<u><u>6,566,174.46</u></u>

TEXAS SOUTHERN UNIVERSITY
 (An Agency of the State of Texas)
SCHEDULE 2A - MISCELLANEOUS BOND INFORMATION
 For the Year Ended August 31, 2011

Business-Type Activities

Description	Interest Rate	Maturity Dates		First Call Date	Original Issue
		First Year	Last Year		
General Obligation Bonds- Not Self Supporting					
Series 2004 Constitutional Appropriation	3.00-4.00%	2005	2014	n/a	\$ 11,100,000.00
Series 2005 Constitutional Appropriation	3.00-4.00%	2005	2014	n/a	30,935,000.00
Revenue Bonds- Self Supporting					
Series 1998 A-1 Refunding	3.10-4.75%	1999	2017	5/1/2009	20,305,000.00
Series 1998 A-2 Improvement	3.10-5.13%	1999	2018	5/1/2009	18,000,000.00
Series 1998 B Improvement	3.50-5.13%	2001	2023	5/1/2009	12,920,000.00
Series 2002	4.00-5.50%	2002	2021	5/1/2012	48,065,000.00
Series 2003	2.00-5.00%	2006	2023	5/1/2013	27,240,000.00
Series 2004	2.50-3.70%	2006	2014	n/a	3,500,000.00
Series 2011	4.00-6.75%	2011	2030	5/1/2021	31,500,000.00
Total General Bonded Debt					<u>\$ 203,565,000.00</u>

TEXAS SOUTHERN UNIVERSITY
 (An Agency of the State of Texas)
SCHEDULE 2B - CHANGES IN BOND INDEBTEDNESS
 For the Year Ended August 31, 2011

Description	Beginning Balance	Bonds Issued	Bonds Matured or Retired	Bonds Refunded or Extinguished	Ending Balance	Amounts Due Within One Year
General Obligation Bonds- Not Self Supporting						
Series 2004 Constitutional Appropriation	\$ 4,905,000.00	\$ -	\$ 1,150,000.00	\$ -	\$ 3,755,000.00	\$ 1,200,000.00
Series 2005 Constitutional Appropriation	18,585,000.00	-	3,430,000.00	-	15,155,000.00	3,570,000.00
Revenue Bonds- Self Supporting						
Series 1998 A-1 Refunding	10,545,000.00	-	1,115,000.00	-	9,430,000.00	1,170,000.00
Series 1998 A-2 Improvement	7,135,000.00	-	930,000.00	-	6,205,000.00	970,000.00
Series 1998 B Improvement	9,395,000.00	-	480,000.00	-	8,915,000.00	500,000.00
Series 2002	34,300,000.00	-	2,120,000.00	-	32,180,000.00	2,225,000.00
Series 2003	21,580,000.00	-	1,235,000.00	-	20,345,000.00	1,290,000.00
Series 2004	1,675,000.00	-	400,000.00	-	1,275,000.00	410,000.00
Series 2011	-	31,500,000.00	2,260,000.00	-	29,240,000.00	915,000.00
Total General Bonded Debt	\$ 108,120,000.00	\$ 31,500,000.00	\$ 13,120,000.00	\$ -	\$ 126,500,000.00	\$ 12,250,000.00

TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

SCHEDULE 2C - DEBT SERVICE REQUIREMENTS

For the Year Ended August 31, 2011

Year Ending Aug. 31	Series 1998 A-1 Refunding Bonds			Series 1998 A-2 Improvement Bonds			Series 1998 B Improvement Bonds		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2012	\$ 1,170,000.00	\$ 412,457.50	\$ 1,582,457.50	\$ 970,000.00	\$ 288,583.76	\$ 1,258,583.76	\$ 500,000.00	\$ 410,868.76	\$ 910,868.76
2013	1,220,000.00	359,267.50	1,579,267.50	1,015,000.00	241,234.38	1,256,234.38	530,000.00	384,475.01	914,475.01
2014	1,275,000.00	302,492.50	1,577,492.50	1,070,000.00	187,806.25	1,257,806.25	555,000.00	356,671.88	911,671.88
2015	1,340,000.00	241,677.50	1,581,677.50	1,125,000.00	131,559.38	1,256,559.38	585,000.00	327,459.38	912,459.38
2016	1,405,000.00	176,818.75	1,581,818.75	1,185,000.00	72,365.63	1,257,365.63	615,000.00	296,709.38	911,709.38
2017-2021	3,020,000.00	145,112.50	3,165,112.50	840,000.00	21,000.00	861,000.00	3,565,000.00	1,000,612.50	4,565,612.50
2022-2026	-	-	-	-	-	-	2,565,000.00	176,737.50	2,741,737.50
2027-2031	-	-	-	-	-	-	-	-	-
Total	\$ 9,430,000.00	\$ 1,637,826.25	\$ 11,067,826.25	\$ 6,205,000.00	\$ 942,549.40	\$ 7,147,549.40	\$ 8,915,000.00	\$ 2,953,534.41	\$ 11,868,534.41

Year Ending Aug. 31	Series 2011 Revenue Bonds			Series 2002 Revenue Bonds			Series 2003 Revenue Bonds		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2012	\$ 915,000.00	\$ 1,762,987.50	\$ 2,677,987.50	\$ 2,225,000.00	\$ 1,643,059.38	\$ 3,868,059.38	\$ 1,290,000.00	\$ 1,004,075.00	\$ 2,294,075.00
2013	960,000.00	1,717,237.50	2,677,237.50	2,325,000.00	1,543,237.50	3,868,237.50	1,345,000.00	946,025.00	2,291,025.00
2014	1,005,000.00	1,669,237.50	2,674,237.50	2,440,000.00	1,424,987.50	3,864,987.50	1,410,000.00	885,500.00	2,295,500.00
2015	1,060,000.00	1,618,987.50	2,678,987.50	2,580,000.00	1,286,937.50	3,866,937.50	1,480,000.00	815,000.00	2,295,000.00
2016	1,110,000.00	1,565,987.50	2,675,987.50	2,725,000.00	1,141,050.00	3,866,050.00	1,555,000.00	741,000.00	2,296,000.00
2017-2021	6,500,000.00	6,883,318.76	13,383,318.76	16,115,000.00	3,217,712.50	19,332,712.50	9,000,000.00	2,460,000.00	11,460,000.00
2022-2026	8,575,000.00	4,810,281.28	13,385,281.28	3,770,000.00	96,606.25	3,866,606.25	4,265,000.00	322,500.00	4,587,500.00
2027-2030	9,115,000.00	1,588,275.00	10,703,275.00	-	-	-	-	-	-
Total	\$ 29,240,000.00	\$ 21,616,312.54	\$ 50,856,312.54	\$ 32,180,000.00	\$ 10,353,590.63	\$ 42,533,590.63	\$ 20,345,000.00	\$ 7,174,100.00	\$ 27,519,100.00

Year Ending Aug. 31	Series 2004 Revenue Bonds			Series 2004 Constitutional Appropriation Bonds			Series 2005 Constitutional Appropriation Bonds		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2012	\$ 410,000.00	\$ 45,307.50	\$ 455,307.50	\$ 1,200,000.00	\$ 150,200.00	\$ 1,350,200.00	\$ 3,570,000.00	\$ 534,800.00	\$ 4,104,800.00
2013	425,000.00	31,367.50	456,367.50	1,250,000.00	102,200.00	1,352,200.00	3,710,000.00	389,200.00	4,099,200.00
2014	440,000.00	16,280.00	456,280.00	1,305,000.00	52,200.00	1,357,200.00	3,860,000.00	237,800.00	4,097,800.00
2015	-	-	-	-	-	-	4,015,000.00	80,300.00	4,095,300.00
2016	-	-	-	-	-	-	-	-	-
Total	\$ 1,275,000.00	\$ 92,955.00	\$ 1,367,955.00	\$ 3,755,000.00	\$ 304,600.00	\$ 4,059,600.00	\$ 15,155,000.00	\$ 1,242,100.00	\$ 16,397,100.00

TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

SCHEDULE 2D - ANALYSIS OF FUND AVAILABLE FOR DEBT SERVICE

For the Year Ended August 31, 2011

Business-Type Activities

Application of Funds

General Obligation Bonds

Constitutional Appropriation Bonds, Series 2004 and 2005
Total

	Principal		Interest
	\$ 4,580,000.00		\$ 868,125.00
	\$ 4,580,000.00		\$ 868,125.00

Pledged and Other Sources and Related Expenditures for FY 2011

Revenue Bonds

BOND SERIES 98A1-A2&B&C, 2002,2003&2004
Total

	Net Available for Debt Service		Debt Service	
	Total Pledged and Other Sources	Operating Expenses/ Expenditures and Capital Outlay	Principal	Interest
	\$ 73,440,238.04	\$ 54,245,109.54	\$ 8,540,000.00	\$ 4,572,518.84
	\$ 73,440,238.04	\$ 54,245,109.54	\$ 8,540,000.00	\$ 4,572,518.84