

ANNUAL FINANCIAL REPORT

OF

ANGELO STATE UNIVERSITY

FOR THE YEAR ENDED AUGUST 31, 2011

SAN ANGELO, TEXAS

A MEMBER OF THE TEXAS TECH UNIVERSITY SYSTEM

**ANGELO STATE UNIVERSITY
FY 2011 FINANCIAL REPORT**

TABLE OF CONTENTS

	<u>Page</u>
LETTER OF TRANSMITTAL	1
ORGANIZATIONAL DATA	3
PROPRIETARY FUND FINANCIAL STATEMENTS (PRIMARY STATEMENTS)	
STATEMENT OF NET ASSETS	4
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS	5
MATRIX OF OPERATING EXPENSES REPORTED BY NATURAL CLASSIFICATION	6
STATEMENT OF CASH FLOWS	7
NOTES TO THE FINANCIAL STATEMENTS	8
SUPPLEMENTAL SUPPORTING INFORMATION	
SCHEDULES:	
1A - Schedule of Expenditures of Federal Awards	24
1B - Schedule of State Grant Pass-Throughs To/From State Agencies	27
2A - Miscellaneous Bond Information	28
2B - Changes in Bonded Indebtedness	29
2C - Debt Service Requirements	30
2D - Analysis of Funds Available for Debt Service	31
2E - Defeased Bonds Outstanding	32
2F - Early Extinguishment and Refunding	33
3 - Reconciliation of Cash in State Treasury	34



ANGELO STATE UNIVERSITY

Office of the President

November 18, 2011

The Honorable Rick Perry
Governor of Texas

Mr. John O'Brien
Director, Legislative Budget Board

The Honorable Susan Combs
Texas Comptroller

Mr. John Keel, CPA
State Auditor

Lady and Gentlemen:

We are pleased to submit the Annual Financial Report of Angelo State University for the year ended August 31, 2011, in compliance with TEX. GOV'T CODE ANN §2101.011 and in accordance with the requirements established by the Comptroller of Public Accounts.

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

If you have any questions, please contact Denise Brodnax at (325) 942-2014. Janet Coleman may be contacted at (325) 942-2014 for questions related to the Schedule of Expenditures of Federal Awards.

Sincerely,



Dr. Joseph C. Rallo
President

November 18, 2011



ANGELO STATE UNIVERSITY

Office of the Vice President for Finance and Administration

Dr. Joseph C. Rallo
President
Angelo State University
2601 West Avenue N
San Angelo, Texas 76909

Dear Dr. Rallo:

Submitted herein is the Annual Financial Report of Angelo State University for the fiscal year ended August 31, 2011.

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

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

If you have any questions, please contact Denise Brodnax at (325) 942-2014. Janet Coleman may be contacted at (325) 942-2014 for questions related to the Schedule of Expenditures of Federal Awards.

Respectfully submitted,

Michael Reid
Vice President for
Finance and Administration

Denise Brodnax
Denise Brodnax
Controller

Janet Coleman
Director of Accounting

Christina Chavez
Accountant

Jackie Baxter
Accountant

Peggy Castro
Accountant

**ANGELO STATE UNIVERSITY
ORGANIZATIONAL DATA
For the Fiscal Year 2011 - 2012**

**BOARD OF REGENTS
TEXAS TECH UNIVERSITY SYSTEM**

OFFICERS

Jerry E. Turner
Kent Hance

Chairman
Chancellor

MEMBERS

<u>Name</u>	<u>Residence</u>	<u>Term Expires February 1</u>
L. Frederick 'Rick' Francis	El Paso, Tx	2013
John F. Scovell	Dallas, Tx	2013
Jerry E. Turner	Blanco, Tx	2013
John Huffaker	Amarillo, Tx	2015
Mickey L. Long	Midland, Tx	2015
Nancy R. Neal	Lubbock, Tx	2015
Larry K. Anders	Dallas, Tx	2017
Debbie Montford	San Antonio, Tx	2017
John F. Steinmetz	Lubbock, Tx	2017

PRESIDENT

Dr. Joseph C. Rallo

OFFICE OF FINANCE AND ADMINISTRATION

Michael Reid
Denise Brodnax

Vice President for Finance and Administration
Controller

ADMISSIONS & REGISTRAR

Megan Wheeler
Cindy Weeaks

Interim Director of Admissions
Registrar

Angelo State University
Statement of Net Assets (Unaudited)
August 31, 2011

ASSETS

Current Assets:

Cash and Cash Equivalents (Note 1)	\$ 30,968,769.18
Restricted:	
Cash and Cash Equivalents (Note 1)	848,800.40
Legislative Appropriations	4,608,524.34
Receivables from:	
Federal Receivables	22,495,549.16
Student Receivables	8,217,305.95
Accounts Receivables	898,719.15
Due From Other Agencies	439,546.59
Merchandise Inventories	2,609.34
Prepaid Expenses	6,466,238.22
Consumable Inventories	300,473.70
Loans and Notes Receivable, net	787,618.44
Total Current Assets	<u>76,034,154.47</u>

Noncurrent Assets:

Investments (Note 3)	112,866,504.63
Capital Assets (Note 2)	
Non-Depreciable	34,572,636.50
Depreciable	182,182,173.10
Accumulated Depreciation	(94,412,000.83)
Amortizable	1,418,446.29
Accumulated Amortization	(1,303,652.86)
Total Non-Current Assets	<u>235,324,106.83</u>

Total Assets \$ 311,358,261.30

LIABILITIES

Current Liabilities:

Accounts Payable	\$ 2,075,930.62
Payroll Payable	3,622,780.18
Due to Other Agencies	2,000.00
Deferred Revenues	30,936,442.35
Revenue Bonds Payable (Note 5)	1,405,000.00
Employees' Compensable Leave (Note 5)	355,160.44
Commercial Paper Payable (Note 5)	32,363,673.16
Funds Held for Others	16,035,298.14
Other Current Liabilities	7,650.00
Total Current Liabilities	<u>86,803,934.89</u>

Non-current Liabilities:

Employees Compensable Leave (Note 5)	1,689,702.07
Revenue Bonds Payable (Note 5)	30,755,000.00
Other Non-Current Liabilities	490,769.37
Total Non-Current Liabilities	<u>32,935,471.44</u>

Total Liabilities \$ 119,739,406.33

NET ASSETS

Invested in Capital Assets, Net of Related Debt	\$ 55,032,242.76
Restricted:	
Non-Expendable:	
Endowments	113,612,199.20
Expendable:	
Higher Education Assistance Fund	2,343,523.38
Other	12,127,743.06
Unrestricted (Note 1)	8,503,146.57
Total Net Assets	<u>191,618,854.97</u>

Total Liabilities and Net Assets \$ 311,358,261.30

See Accompanying Notes to the Financial Statements

Angelo State University
Statement of Revenues, Expenses, and Changes in Net Assets (Unaudited)
For the Fiscal Year Ended August 31, 2011

5

OPERATING REVENUES

Sales of Goods and Services	
Tuition and Fees - Pledged	\$ 43,244,366.96
Discounts and Allowances	(6,111,966.00)
Auxiliary Enterprises - Pledged	15,163,065.33
Discounts and Allowances	(3,269,534.59)
Other Sales of Goods and Services - Pledged	1,323,580.34
Federal Revenue-Operating (Sch 1A)	3,794,025.32
Federal Pass Through Revenue (Sch 1A)	667,290.54
State Grant Pass Through Revenue (Sch 1B)	4,935,707.87
Nongovernmental Grants and Contracts	805,305.09
Total Operating Revenues	<u>60,551,840.86</u>

OPERATING EXPENSES:

Instruction	45,387,825.25
Research	1,093,330.69
Public Service	1,889,832.70
Academic Support	5,843,904.74
Student Services	5,274,331.61
Institutional Support	14,420,849.25
Operation and Maintenance of Plant	7,234,872.37
Scholarship and Fellowships	8,541,091.27
Auxiliary Enterprise Expenditures	15,233,242.73
Depreciation and Amortization	6,563,226.17
Total Operating Expenses	<u>111,482,506.78</u>
Operating Income (Loss)	<u>(50,930,665.92)</u>

NONOPERATING REVENUES (EXPENSES)

Federal Revenue-Nonoperating (Sch 1A)	12,902,981.00
Federal Pass Through Revenue-Nonoperating (Sch 1A)	1,551,723.91
Legislative Revenue	30,170,086.72
Gifts	1,759,038.12
Investment Income	8,609,983.79
Interest Expense on Capital Asset Financing	(1,851,263.05)
Gain (Loss) on Disposal of Capital Assets	(5,728.86)
Net Increase (Decrease) in Fair Value of Investments	3,772,588.76
Other Nonoperating Revenues	30,219,386.96
Other Nonoperating Expenses	(28,672,643.92)
Total Nonoperating Revenues (Expenses)	58,456,151.43

Income (Loss) before Other Revenues, Expenses, Gains/Losses and Transfers 7,525,485.51

OTHER REVENUES, EXPENSES, GAINS/LOSSES AND TRANSFERS

Capital Appropriations (HEAF)	3,743,027.00
Transfers Out - TTU System Admin (Note 12)	(154,971.13)
Transfers In - Texas Tech Foundation, Inc. (Note 12)	58,267.68
Transfers Out - Other State Agencies (Note 12)	(2,764,556.92)
Legislative Transfers-Out (Note 12)	(3,001,487.38)
Legislative Appropriations Lapsed	(786.40)
Total Other Revenues, Expenses, Gains, Losses, and Transfers	<u>(2,120,507.15)</u>

Total Changes in Net Assets \$ 5,404,978.36

 Beginning Net Assets (September 1, 2010) 186,213,876.61

Ending Net Assets (August 31, 2011) \$ 191,618,854.97

See Accompanying Notes to the Financial Statements

Angelo State University
 Matrix of Operating Expenses by Natural Classification
 For the Fiscal Year Ended August 31, 2011

Function	Salaries and Wages	Payroll Related Costs	Professional Fees and Services	Travel	Materials and Supplies
Instruction	\$ 22,237,311.64	\$ 6,471,545.01	\$ 137,696.84	\$ 894,583.49	\$ 1,013,591.11
Research	650,964.82	164,895.18	-	38,678.64	101,549.81
Public Service	1,005,652.95	180,885.86	138,491.42	33,860.95	209,903.46
Academic Support	2,545,993.53	848,960.75	7,803.71	122,829.86	417,721.59
Student Services	3,258,347.20	873,966.03	177,255.66	80,825.69	260,277.32
Institutional Support	8,654,548.38	2,242,168.87	176,090.82	151,451.53	587,079.14
Operation and Maintenance of Plant	2,098,928.09	724,889.23	32,607.47	12,172.83	565,047.68
Scholarships and Fellowships					
Auxiliary Enterprises	5,833,153.63	1,278,152.68	60,847.18	323,768.08	4,240,235.04
Depreciation and Amortization					
Total Operating Expenses	\$ 46,284,900.24	\$ 12,785,463.61	\$ 730,793.10	\$ 1,658,171.07	\$ 7,395,405.15

Function	Communication and Utilities	Repairs and Maintenance	Rentals and Leases	Printing and Reproduction	Federal Pass Thru Expense
Instruction	\$ 373,784.55	\$ 228,396.84	\$ 92,560.90	\$ 54,772.40	\$ -
Research	368.98	19.90	421.00	190.19	-
Public Service	9,982.12	2,554.34	21,761.75	14,732.87	-
Academic Support	135,943.82	79,448.76	13,749.16	18,209.36	-
Student Services	18,808.84	36,298.88	24,791.63	31,211.11	-
Institutional Support	227,229.37	745,668.48	101,079.14	123,132.17	-
Operation and Maintenance of Plant	2,382,118.86	652,532.52	153,193.00	400.25	-
Scholarships and Fellowships					
Auxiliary Enterprises	1,487,110.08	1,098,955.97	242,616.34	59,883.84	-
Depreciation and Amortization					
Total Operating Expenses	\$ 4,635,346.62	\$ 2,843,875.69	\$ 650,172.92	\$ 302,532.19	\$ -

Function	State Pass Thru Expense	Depreciation and Amortization	Bad Debt	Interest	Scholarships
Instruction	\$ -	\$ -	\$ -	\$ 2.30	\$ -
Research	-	-	-	3.74	-
Public Service	-	-	-	-	-
Academic Support	-	-	-	51.61	-
Student Services	-	-	-	116.67	-
Institutional Support	-	-	264,118.81	-	-
Operation and Maintenance of Plant	-	-	-	-	-
Scholarships and Fellowships	-	-	-	-	8,541,091.27
Auxiliary Enterprises	-	-	-	-	-
Depreciation and Amortization	-	6,563,226.17	-	-	-
Total Operating Expenses	\$ -	\$ 6,563,226.17	\$ 264,118.81	\$ 174.32	\$ 8,541,091.27

Function	Other Operating	Grand Total
Instruction	\$ 13,883,580.17	\$ 45,387,825.25
Research	136,238.43	1,093,330.69
Public Service	272,006.98	1,889,832.70
Academic Support	1,653,192.59	5,843,904.74
Student Services	512,432.58	5,274,331.61
Institutional Support	1,148,282.54	14,420,849.25
Operation and Maintenance of Plant	612,982.44	7,234,872.37
Scholarships and Fellowships		8,541,091.27
Auxiliary Enterprises	608,519.89	15,233,242.73
Depreciation and Amortization		6,563,226.17
Total Operating Expenses	\$ 18,827,235.62	\$ 111,482,506.78

Angelo State University
Statement of Cash Flows (Unaudited)
For the Year Ended August 31, 2011

7

Cash Flows from Operating Activities	
Tuition and Fees	\$ 39,055,687.09
Grants and Contracts	4,132,763.01
Sales and Services of Auxiliary Enterprises	11,905,155.81
Other Sales and Services	2,065,376.79
Payments - Other Sales and Services	(41,866.36)
Collections for Loans Issued to Students	508,947.10
Payments - Aux. Sales & Services	(22,597.39)
Payments for Loans Issued to Students	(355,877.80)
Payments to Employees - Salaries	(46,284,900.24)
Payments to Employees - Benefits	(12,785,463.61)
Payments for Other Operating Activities	(17,281,713.08)
Net Cash Provided (Used) by Operating Activities	<u>(19,104,488.68)</u>
Cash Flows from Noncapital Financing Activities	
State Appropriations	28,940,301.62
Noncapital Gifts	1,453,573.73
Noncapital Grants	14,455,704.91
Transfers to/from Other State Agencies:	
TTUS System Office	(165,850.13)
TTUS System Office - Legislative Transfer	(120,628.00)
TTU	10,879.00
TT Foundation, Inc	58,267.68
Texas B-On-Time	(443,903.94)
TPFA	(503,485.84)
Other Noncapital Financing Activities	(30,630,168.70)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>13,054,690.33</u>
Cash Flows from Capital and Related Financing Activities	
Proceeds from Capital Debt Issuance	20,544,101.16
Capital Appropriations	3,743,027.00
Purchases of Capital Assets	(25,264,561.12)
Principal Paid on Capital Debt	(6,397,922.56)
Payments of Interest on Debt Issuance	(1,851,263.05)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(9,226,618.57)</u>
Cash Flows from Investing Activities	
Proceeds from Investment Sales and Maturities	6,632,915.25
Interest and Dividends Received	8,609,983.79
Purchases of Investments	(6,643,041.63)
Net Cash Provided by Investing Activities	<u>8,599,857.41</u>
TOTAL NET CASH FLOWS	\$ (6,676,559.51)
Beginning Cash and Cash Equivalents, September 1, 2010	38,494,129.09
Ending Cash and Cash Equivalents, August 31, 2011	<u>\$ 31,817,569.58</u>
Reconciliation of Operating Income (Loss) to	
Net Cash Provided (Used) by Operating Activities	
Operating Income (Loss)	\$ (50,930,665.92)
Adjustments:	
Depreciation Expense	6,563,226.17
Bad Debt Expense	264,118.81
(Increase) Decrease in Accounts Receivables	(5,499,319.35)
Increase (Decrease) in Due from Other Agency	(222,651.91)
(Increase) Decrease in Loans and Notes Receivable	192,621.38
(Increase) Decrease in Inventory	(33,279.60)
(Increase) Decrease in Prepaid Expenses	31,515,089.60
Increase (Decrease) in Accounts Payable	(2,702,800.81)
Increase (Decrease) in Payrolls Payable	(817,241.46)
Increase (Decrease) in Due to Other Funds	(49,107.88)
Increase (Decrease) in Deferred Revenue	2,015,170.02
Increase (Decrease) in Compensable Leave	164,492.24
Increase (Decrease) in Other Liabilities	435,860.03
Net Cash Used for Operating Activities	<u>(19,104,488.68)</u>
Non-Cash Transactions	
Donation of Capital Assets	\$ 278,636.97
Net Change in Fair Value of Investments	3,772,588.76
Disposal of Plant Facilities	(686,623.55)

ANGELO STATE UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
Year Ended August 31, 2011

NOTE 1: Summary of Significant Accounting Policies

ENTITY

Angelo State University is considered an Institution of Higher Education of the State of Texas, and its financial records comply with state statutes and regulations. This includes compliance with the Texas Comptroller of Public Accounts *Reporting Requirements for State Institutions of Higher Education*. Angelo State University serves the state by offering a wide range of academic programs leading to baccalaureates and masters degrees. Angelo State University is committed to providing educational excellence for Texas.

Due to the statewide requirements embedded in GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, the Comptroller of Public Accounts does not require the accompanying annual financial report to comply with all the requirements in this statement. The financial report will be considered for audit by the state auditor as part of the audit of the state of Texas Comprehensive Annual Financial Report; therefore, an opinion has not been expressed on the financial statements and related information contained in this report.

FUND STRUCTURE

The accompanying financial statements are presented on the basis of funds. A fund is considered a separate accounting entity. The fund designation for institutions of higher education is a Business Type Activity within the Proprietary Fund Type.

Proprietary Funds

Business Type Activity

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

Component Units

The fund types of the individual discrete component units are available from the component units' separately issued financial statements. Additional information about component units can be found in Note 19.

Basis of Accounting

The basis of accounting determines when revenues and expenditures or expenses are recognized in the accounts reported in the financial statements. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus.

Business activity type funds (proprietary funds) are accounted for on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time liabilities are incurred. Proprietary funds distinguish operating from non-operating items. Operating revenues and expenses result from providing services or producing and delivering goods in connection with the proprietary funds principal ongoing operations. Operating expenses for the proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets.

BUDGETS AND BUDGETARY ACCOUNTING

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

ANGELO STATE UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
Year Ended August 31, 2011

ASSETS, LIABILITIES, AND FUND BALANCES/NET ASSETS

Assets

Cash and Cash Equivalents

Short-term highly liquid investments with an original maturity of three months or less are considered cash equivalents. For reporting purposes, this account includes cash on hand, cash in local banks, cash in transit, and cash in the Treasury.

Cash and Cash Equivalents as reported on the Statement of Net Assets.

	<u>Current</u> <u>Unrestricted</u>	<u>Current</u> <u>Restricted</u>	<u>Total</u>
Cash on Hand	\$ 12,148.30	\$ 60.00	\$ 12,208.30
Cash in Bank	6,424,441.92	(892,571.99)	5,531,869.93
Cash in State Treasury	893,479.11		893,479.11
Reimbursement Due from Treasury	2,270,462.49		2,270,462.49
TexPool	21,367,558.56	1,741,312.39	23,108,870.95
TexPool - TTUS	678.80		678.80
Total Cash and Cash Equivalents	\$ 30,968,769.18	\$ 848,800.40	\$ 31,817,569.58

Securities Lending Collateral

Investments are stated at fair value in all funds except pension trust funds in accordance with GASB Statement 31 - *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. For pension trust funds, investments are required to be reported at fair value using the accrual basis of accounting in accordance with GASB Statement 25 - *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*.

Securities lent are reported as assets on the balance sheet. The costs of securities lending transactions are reported as expenditures or expenses in the Operating Statement. These costs are reported at gross.

Restricted Assets

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

Inventories

Inventories include both merchandise inventories on hand for sale and consumable inventories. Inventories are valued at cost, generally utilizing the last-in, first-out method. The consumption method of accounting is used to account for inventories that appear in the proprietary fund types and the government-wide statements. The cost of these items is expensed when the items are consumed.

Capital Assets

Assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year should be capitalized. These assets are capitalized at cost or, if not purchased, at appraised fair value as of the date of acquisition. Purchases of assets by governmental funds are reported as expenditures. Depreciation is reported on all "exhaustible" assets. "Inexhaustible" assets such as works of art and historical treasures are not depreciated. A road and highway infrastructure is reported on the modified accrual basis. Assets are depreciated over the estimated useful life of the asset using the straight-line method.

ANGELO STATE UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
Year Ended August 31, 2011

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

Other Receivables

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

Liabilities

Accounts Payable

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

Other Payables

Other payables are the accrual at year-end of expenditure transactions not included in any of the other payable descriptions. Other payables may be included in either the governmental or proprietary fund types.

Employees' Compensable Leave Balances

Employees' Compensable Leave Balances represent the liability that becomes 'due' upon the occurrence of relevant events such as resignation, retirements, and uses of leave balances by covered employees. Liabilities are reported separately as either current or noncurrent in the statement of net assets. GASB Statement No. 16, Accounting for Compensated Absences, establishes the standards of accounting and reporting for compensated absences (i.e., vacation, unpaid overtime, and sick leave) by State entities.

Capital Lease Obligations

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

Bonds Payable - General Obligation Bonds

The unmatured principal of general obligations bonds are accounted for in the Long-term Liabilities column. Payables are reported separately as either current or noncurrent in the statement of net assets.

Bonds payable are recorded at par. The bond proceeds are accounted for as an "Other Financing Source" in the governmental funds when received, and expenditures for payment of principal and interest are recorded in the Debt Service funds when paid. These amounts are adjusted in the Long-term Liabilities column.

Bonds Payable - Revenue Bonds

Revenue bonds are generally accounted for in the proprietary funds. The bonds payable are reported at par less unamortized discount or plus unamortized premiums. Interest expense is reported on the accrual basis, with amortization of discount or premium. Payables are reported separately as either current or noncurrent in the statement of net assets.

Fund Balance/Net Assets

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

Reservation of Fund Balance

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

ANGELO STATE UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
Year Ended August 31, 2011

Reserve for Encumbrances

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

Reserve for Consumable Inventories

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

Unreserved/Undesignated

This represents the unappropriated balance at year-end.

Invested in Capital Assets, Net of Related Debt

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

Restricted Net Assets

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

Unrestricted Net Assets

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

Unrestricted Net Assets as reported on the Statement of Net Assets:

Reserved for:

Encumbrances	\$ 13,829,939.94
State Appropriations to be Lapsed	1,280.84
Petty Cash	11,943.30
Accounts Receivable	9,109,628.02
Consumable Supplies Inventory	303,083.04
Prepaid Expenses	1,921,527.33
Communication Reserve	282,311.72
Band Uniforms	28,000.00
Future Operating Budgets	85,370.00
Unreserved	<u>(17,069,937.62)</u>
Total Unrestricted Net Assets	<u>\$ 8,503,146.57</u>

Interfund Transactions and Balances

Angelo State University has the following types of transactions among funds:

1. Transfers: Legally required transfers that are reported when incurred as 'Transfers In' by the recipient fund and as 'Transfers Out' by the disbursing fund.
2. Reimbursements: Reimbursements are repayments from funds responsible for expenditures or expenses to funds that made the actual payment. Reimbursements of expenditures, made by one fund for another, are recorded as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund. Reimbursements are not displayed in the financial statements.

ANGELO STATE UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
Year Ended August 31, 2011

3. Interfund receivables and payables: Interfund loans are reported as interfund receivables and payables. If repayment is due during the current year or soon thereafter, it is classified as 'Current, repayment for two (or more) years is classified as 'Non-Current'.
4. Interfund Sales and Purchases: Charges or collections for services rendered by one fund to another are recorded as revenues of the recipient fund and expenditures or expenses of the disbursing fund. The composition of Angelo State University's Interfund receivables and payables at August 31, 2011 is presented in Note 12.

NOTE 2: Capital Assets

	Balance 9/1/2010	Adjustments	Reclassifications			Additions	Deletions	Balance 8/31/2011
			Completed CIP	Inc-Int'gy Trans	Dec-Int'gy Trans			
Business-type activities:								
Non-depreciable/Non-amortizable Assets								
Land and Land Improvements Infrastructure	\$2,554,755.97							\$2,554,755.97
Construction in Progress	8,217,768.66		(\$595,416.22)			\$24,039,136.12		31,661,488.56
Other Tangible Capital Assets	277,755.00					78,636.97		356,391.97
Other Intangible Capital Assets								
Total Non-depreciable assets	\$11,050,279.63	\$0.00	(\$595,416.22)	\$0.00	\$0.00	\$24,117,773.09	\$0.00	\$34,572,636.50
Depreciable Assets								
Building and Building Improvements Infrastructure	\$151,325,699.87		\$595,416.22			\$203,579.04		\$152,124,695.13
Facilities and Other Improvements	5,286,500.06							5,286,500.06
Furniture and Equipment	6,993,141.06							6,993,141.06
Vehicle, Boats, and Aircraft	8,713,849.69	\$355,590.71				\$1,010,421.71	(\$669,301.51)	9,410,560.60
Other Capital Assets	1,443,546.97					77,737.27	(23,050.90)	1,498,233.34
Total Depreciable Assets	\$180,526,493.74	\$325,140.55	\$595,416.22	\$0.00	\$0.00	\$1,427,475.00	(\$692,352.41)	\$182,182,173.10
Accumulated Depreciation								
Buildings and Improvements Infrastructure	(\$70,398,746.99)					(\$4,926,612.16)		(\$75,325,359.15)
Facilities and Other Improvements	(1,750,585.40)					(202,949.40)		(1,953,534.80)
Furniture and Equipment	(4,297,784.20)					(324,749.57)		(4,622,533.77)
Vehicle, Boats, and Aircraft	(5,662,873.74)					(767,410.01)	\$663,572.65	(5,766,711.10)
Other Capital Assets	(1,135,738.76)					(81,882.96)	23,050.90	(1,194,570.82)
Total Accumulated Depreciation	(\$88,622,883.60)	\$0.00	\$0.00	\$0.00	\$0.00	(\$6,475,740.78)	\$686,623.55	(\$94,412,000.83)
Amortizable Assets-Intangible								
Computer Software	\$1,418,446.29							\$1,418,446.29
Total Amortizable Assets-Intangible	\$1,418,446.29	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$1,418,446.29
Accumulated Amortization								
Computer Software	(\$1,216,167.47)					(\$87,485.39)		(\$1,303,652.86)
Total Accumulated Amortization	(\$1,216,167.47)	\$0.00	\$0.00	\$0.00	\$0.00	(\$87,485.39)	\$0.00	(\$1,303,652.86)
Total Business-Type Activities	\$103,156,168.59	\$325,140.55	\$0.00	\$0.00	\$0.00	\$18,982,021.92	(\$5,728.86)	\$122,457,602.20

NOTE 3: Deposits, Investments, and Repurchase Agreements

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

Deposits of Cash in Bank

As of August 31, 2011, the carrying amount of deposits was \$5,531,869.93 (including Restricted Assets) as presented below.

ANGELO STATE UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
Year Ended August 31, 2011

Governmental and Business-Type Activities

CASH IN BANK - CARRYING VALUE	\$ 5,531,869.93
Less: Certificates of Deposit included in carrying value and reported as Cash Equivalent	0.00
Less: Uninvested Securities Lending Cash Collateral included in carrying value and reported as Securities Lending Collateral	0.00
Less: Securities Lending CD Collateral included in carrying value and reported as Securities Lending Collateral	0.00
Cash in Bank per AFR	<u>\$ 5,531,869.93</u>
Governmental Funds Current Assets Cash in Bank	\$ 6,424,441.92
Governmental Funds Current Assets Restricted Cash in Bank	<u>(892,571.99)</u>
Cash in Bank per AFR	<u>\$ 5,531,869.93</u>

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

As of August 31, 2011, the total bank balance was as follows:

Governmental and Business-Type Activities \$8,339,294.56

Investments

As of August 31, 2011, the fair value of investments is as presented below.

Governmental and Business-Type Activities	Fair Value
U. S. Government	\$
U. S. Treasury Securities	
U. S. Treasury Strips	
U. S. Treasury TIPS	
U. S. Government Agency Obligations (Ginnie Mae, Fannie Mae, Freddie Mac, Sallie Mae, etc.)	
U. S. Government Agency Obligations (Texas Treasury Safekeeping Trust Co)	
Corporate Obligations	
Corporate Asset and Mortgage Backed Securities	1,420.19
Equity	2,877,293.88
International Obligations (Govt and Corp)	251,859.58
International Equity	
Repurchase Agreement	
Repurchase Agreement (Texas Treasury Safekeeping Trust Co)	
Fixed Income Money Market and Bond Mutual Fund	11,888,131.59
Mutual Funds	1,029,553.47
Other Commingled Funds	11,010,950.06
Other Commingled Funds (Texpool)	23,109,549.75
International Other Commingled Funds	10,971,658.60
Commercial Paper	
Securities Lending Collateral Investment Pool	
Real Estate	10,250,536.82
Externally Managed Investments	64,585,100.44
Misc (alternative investments, limited partnerships, guaranteed investment contract, Political subdivision, bankers' acceptance, negotiable CD)	
Total	<u>\$ 135,976,054.38</u>

ANGELO STATE UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
Year Ended August 31, 2011

Foreign currency risk for investments is the risk that changes in exchange rates will adversely affect the investment. The exposure to foreign currency risk as of August 31, 2011, is as follows.

<u>Fund Type</u>	<u>GAAP Fund</u>	<u>Foreign Currency</u>	<u>International Obligation</u>	<u>International Other Commingled Funds</u>
05	9999	Argentine peso		83,490.07
05	9999	Australian dollar		123,419.19
05	9999	Bermudan dollar		
05	9999	Brazilian real		729,225.94
05	9999	Bulgarian lev		
05	9999	Canadian dollar		206,384.31
05	9999	Cayman dollar		
05	9999	Chilean Peso	33,581.28	62,427.56
05	9999	Chinese yuan	27,984.40	785,029.72
05	9999	Colombian peso	27,984.40	
05	9999	Czech koruna		85,315.62
05	9999	Danish krone		17,250.15
05	9999	Egyptian pound		46,314.19
05	9999	Euro	50,371.91	1,294,590.28
05	9999	Hong Kong dollar		352,542.07
05	9999	Hungarian forint		
05	9999	Indian rupee		257,529.57
05	9999	Indonesian rupiah		122,468.40
05	9999	New Israel shekel	2,798.44	
05	9999	Japanese yen		1,313,154.90
05	9999	Jordanian dinar		
05	9999	Malaysian ringgit		58,150.96
05	9999	Mexican peso	2,798.44	422,450.03
05	9999	Moroccan dirham		
05	9999	New Zealand dollar		5,028.19
05	9999	Norwegian krone		45,482.26
05	9999	Pakistani rupee		
05	9999	Peruvian nuevo sol	19,589.08	55,969.54
05	9999	Phillippino peso		55,969.54
05	9999	Polish zloty		
05	9999	Pound sterling		1,178,204.53
05	9999	Romanian leu		
05	9999	Russian ruble		115,574.60
05	9999	Singapore dollar		238,602.19
05	9999	South African rand	69,960.99	553,016.05
05	9999	South Korean won		780,083.59
05	9999	Swedish krona		104,876.32
05	9999	Swiss franc		843,249.75
05	9999	New Taiwan dollar		634,064.76
05	9999	Thai baht		272,253.93
05	9999	New Turkish lira		129,540.39
05	9999	Uruguay peso	16,790.64	
		Total	<u>251,859.58</u>	<u>10,971,658.60</u>

**ANGELO STATE UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
Year Ended August 31, 2011**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The general investment policy of the agency limits investments in debt securities that are not in the top three investment grade ratings issued by nationally recognized statistical rating organizations to 5% total investments. As of August 31, 2011, the agency's credit quality distribution for securities with credit risk exposure was as follow:

Standard & Poor's

Fund Type	GAAP Fund	Investment Type	AAA	AA	A	
		CMO's	1,420.19			
		International Obligations		14,859.72	20,400.63	

Standard & Poor's

Fund Type	GAAP Fund	Investment Type	BBB	BB	B	Unrated
		International Obligations	85,884.12	56,164.68		74,550.43

Concentration of credit risk is the risk of loss attributable to the magnitude of investment in a single issuer. As of August 31, 2011 the agency's concentration of credit risk is as follows.

Fund Type	GAAP Fund	Issuer	Carry Value	% of total portfolio
		None		

Securities Lending

Angelo State University does not participate in a security lending program. The Agency had no securities out on loan to broker/dealers at August 31, 2011.

NOTE 4: Short-Term Debt

Angelo State University had no short-term debt as of August 31, 2011.

NOTE 5: Long Term Liabilities

Employees Compensable Leave

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. Expenditures for accumulated annual leave balances are recognized in the period paid or taken in governmental fund types. For these fund types, the liability for unpaid benefits is recorded in the Statement of Net Assets. An expense and liability for proprietary fund types are recorded in the proprietary fund as the benefits accrue to employees. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

Changes in Long-Term Liabilities

During the year ended August 31, 2011, the following changes occurred in liabilities:

Business Type Activities	Balance 9/1/2010	Additions	Reductions	Balance 8/31/2011	Amounts Due Within One Year
Compensable Leave	\$ 1,880,370.27	\$ 355,160.44	\$ 190,668.20	\$ 2,044,862.51	\$ 355,160.44
Commercial Paper Payable	12,139,572.00	20,578,000.00	353,898.84	32,363,673.16	32,363,673.16
Revenue Bonds	33,505,000.00		1,345,000.00	32,160,000.00	1,405,000.00
Total Governmental Activities	\$ 47,524,942.27	\$ 20,933,160.44	\$ 1,889,567.04	\$ 66,568,535.67	\$ 34,123,833.60

ANGELO STATE UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
Year Ended August 31, 2011

Bonds Payable

See Note 6 for detailed information on bond liability balances and transactions.

Notes and Loan Payable

The TTUSA's Revenue Financing System commercial paper program is comprised of variable rate demand notes with a maximum maturity of 270 days. The issuance of commercial paper notes may not exceed, in aggregate, the principal amount of \$150,000,000. In practice, the System rolls, pays off, and/or issues new commercial paper at each maturity. Commercial paper assists as interim funding until long term bonds are approved and issued or revenues and gifts are received to retire the debt.

Additional TTUSA Revenue Financing System Commercial Paper Notes, Series A in the amount \$20,578,000 were issued during the fiscal year to finance various Angelo State University capital projects and notes in the amount \$353,898.84 matured. The outstanding balance at August 31, 2011, is \$32,363,673.16 with an average interest rate of .22% for the outstanding issues. The Texas Tech University System will provide liquidity support for \$150,000,000 in commercial paper notes by utilizing available funds of the System in lieu of or in addition to bank liquidity support.

Summary of Debt Service Requirements to Maturity Year Ending August 31, 2011

2012	2013	2014	2015	2016	All Other Years	Total Requirements
\$ 32,460,764.18	\$	\$	\$	\$	\$	\$ 32,460,764.18

NOTE 6: Bonded Indebtedness

On October 21, 1993, the governing board of the Texas Tech University System established a Revenue Financing System for the purpose of providing a financing structure for all revenue supported indebtedness of Texas Tech University System components. The source of revenues for debt service issued under the Revenue Financing System includes pledged general tuition, pledged tuition fee, pledged general fee and any other revenues, income, receipts, rentals, rates, charges, fees, including interest or other income, and balances lawfully available to Texas Tech University components. Excluded from the revenues described above are amounts received under Article 7, Section 17 of the Constitution of the State of Texas, general revenue funds appropriated by the Legislature except to the extent so specifically appropriated, encumbered housing revenues, and practice plan funds.

Revenue Financing System Refunding and Improvement Bonds, 12th Series 2009

Purpose:	For advanced refunding of ASU portion of Texas State University System TRB bonds and construction of Centennial Village.
Original Issue Amount:	\$35,630,000
Issue Date:	March, 2009
Interest Rates:	3.00% to 5.25% Maturity
Date Range:	2018 through 2038
Type of Bond:	Revenue
Changes in Debt:	\$35,630,000 issued, \$3,470,000 retired

ANGELO STATE UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
Year Ended August 31, 2011

Prior to September 1, 2007, all bonded indebtedness for Angelo State University was issued through the Texas State University System (TSUS) Revenue Financing System, of which the Texas State University System Administration and each of their components were members. The TSUS Board of Regents cross-pledged all lawfully available funds (revenues) and balances attributable to any TSUS RFS member against the bonded indebtedness of all other TSUS RFS members for payment on the Parity Debt. Effective September 1, 2007, House Bill 3564 (80th Legislature, Regular Session) transferred governance of Angelo State University to the Texas Tech University System. For the debt issued by the TSUS, the bonds payable are reported by TSUS. ASU will repay the debt that was issued on its behalf; consequently, the following debt amortization schedule is presented below for informational purposes only.

**Debt Service Requirements Attributable
To Angelo State University**

<u>Description</u>	<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
All Issues	2012	\$ 2,925,628.09	\$ 1,825,499.94	\$ 4,751,128.03
	2013	2,889,092.88	1,680,100.06	4,569,192.94
	2014	3,089,074.81	1,535,575.64	4,624,650.45
	2015-2019	12,707,444.82	5,524,705.42	18,232,150.24
	2020-2024	6,509,602.59	2,937,873.38	9,447,475.97
	2025-2029	4,220,000.00	1,699,000.00	5,919,000.00
	2030-2033	4,185,000.00	535,750.00	4,720,750.00
Totals		<u>\$ 36,525,843.19</u>	<u>\$ 15,738,504.44</u>	<u>\$ 52,264,347.63</u>

A portion of the debt represents Tuition Revenue Bonds historically funded by the Texas Legislature through General Revenue Appropriations. The institution was appropriated \$4,129,564 during the current fiscal year for Tuition Revenue Bond debt service. The institution expects future Legislative appropriations to meet debt service requirements for Tuition Revenue Bonds.

Pledged Future Revenues

GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, makes a basic distinction between sales of receivable and future revenues, on the one hand, and the pledging of receivables of future revenues to repay a borrowing (a collateralized borrowing), on the other. The following table provides the pledged future revenue information for Angelo State University's revenue bonds:

	Government Activities	Business-Type Activities	Component Units
Pledged Revenue Required for Future Principal and Interest on Existing Revenue Bonds		\$55,686,797.06	
Term of Commitment Year Ending 08/31		2038	
Percentage of Revenue Pledged		100.0%	
Current year Pledged Revenue		\$68,644,308.43	
Current year Principal and Interest Paid		\$2,946,018.76	
Pledged revenue sources:			
Business-type activities - Operating income from current unrestricted funds			

**ANGELO STATE UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
Year Ended August 31, 2011**

NOTE 7: Derivative Instruments

Derivative Investing

Derivatives are financial instruments (securities or contracts) whose value is linked to, or ‘derived’ from, changes in interest rates, currency rates, and stock and commodity prices. Derivatives cover a broad range of financial instruments, such as forwards, futures, options, swaps, and mortgage derivatives. These mortgage derivatives are influenced by changes in interest rates, the current economic climate, and the geographic make-up of underlying mortgage loans. There are varying degrees of risk associated with mortgage derivatives. For example, Planned Amortization Class (PACS) with narrow collars would be considered moderate to high risks. In contrast, principal only (PC) and interest only (IO) strips are considered higher risk Collateralized Mortgage Obligations (CMO’s).

Angelo State University’s investments in derivatives comprise less than 1% of total investments as of August 31, 2011, with a reported value of \$1,420.19.

The majority of these investments were purchased prior to fiscal year 1995. In 1995, the Texas Legislature took steps to limit state entities ‘and local governments’, ability to invest in high risk derivatives by amending the Public Funds Investment Act. These statutory limitations do not apply to certain funds institutions of higher education having total endowments of at least \$95 million. Angelo State University is in compliance with the Public Funds Investment Act.

NOTE 8: Leases

Section not applicable

NOTE 9: Pension Plans

Section not applicable

NOTE 10: Deferred Compensation

Section not applicable

NOTE 11: Postemployment Health Care and Life Insurance Benefits

Section not applicable

NOTE 12: Interfund Activity and Transactions

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

<u>Current Portion</u>	Current Interfund Receivable	Current Interfund Payable
General Revenue (001)	\$ _____	\$ _____
Total Interfund Receivable/Payable	\$ 0.00	\$ 0.00

ANGELO STATE UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
Year Ended August 31, 2011

<u>Non-Current Portion</u>	<u>Non-Current Interfund Receivable</u>	<u>Non-Current Interfund Payable</u>	
General Revenue (001)	\$ _____	\$ _____	
Total Interfund Receivable/Payable	\$ <u>0.00</u>	\$ <u>0.00</u>	
	<u>TRANSFERS IN</u>	<u>TRANSFERS OUT</u>	
Institutional Funds (7999) Appd Fund 7999, D23 Fund 7999 (Agy 758, D23 Fund 7999) Texas State Univ System	\$ _____	\$ (1,817,167.14)	
Institutional Funds (7999) Appd Fund 7999, D23 Fund 7999 (Agy 768, D23 Fund 7999) Texas Tech Univ System		(165,850.13)	
Institutional Funds (7999) Appd Fund 7999, D23 Fund 7999 (Agy 733, D23 Fund 7999) Texas Tech Univ	10,879.00		
Institutional Funds (7999) Appd Fund 7999, D23 Fund 7999 (Agy 768, D23 Fund 7999) Texas Tech Foundation, Inc	58,267.68		
General Revenue (5103) Appd Fund 5103, D23 Fund 5103 (Agency 781, D23 Fund 5103) THECB		(443,903.94)	
Institutional Funds (7999) Appd Fund 7999, D23 Fund 7999 (Agy 347, D23 Fund 7999) Texas Pub Fin Auth		(503,485.84)	
	<u>\$ 69,146.68</u>	<u>\$ (2,930,407.05)</u>	
	<u>Legislative TRANSFERS IN</u>	<u>Legislative TRANSFERS OUT</u>	
General Revenue (001) Appd Fund 0001, D23 Fund 0001 (Agency 758, D23 Fund 0001) Texas State Univ System	\$ _____	\$ (2,880,859.38)	
General Revenue (001) Appd Fund 0001, D23 Fund 0001 (Agency 768, D23 Fund 7999) Texas Tech Univ System		(120,628.00)	
Total Legislative Transfers	<u>\$ 0.00</u>	<u>\$ (3,001,487.38)</u>	
	<u>Due From Other Agencies</u>	<u>Due From Other Component</u>	<u>Due To Other Agencies</u>
Institutional Funds (7999) Appd Fund 7999, D23 Fund 7999 (Agy 733, D23 Fund 9999) Texas Tech University	\$ _____	\$ 145,688.98	\$ _____
Institutional Funds (7999) Appd Fund 7999, D23 Fund 7999 (Agy 754, D23 Fund 9999) Texas State Univ-San Marcos	\$ 11,354.91	\$ _____	\$ _____
Institutional Funds (7999) Appd Fund 7999, D23 Fund 7999 (Agy 760, D23 Fund 9999) TAMU Corpus Christi	\$ 10,000.00	\$ _____	\$ _____
Institutional Funds (7999) Appd Fund 7999, D23 Fund 7999 (Agy 781, D23 Fund 0001) THECB	\$ 242,832.20	\$ _____	\$ _____
Institutional Funds (7999) Appd Fund 7999, D23 Fund 7999 (Agy 781, D23 Fund 0001) THECB	29,670.50		(2,000.00)
Total Due From/To Other Agencies	<u>\$ 293,857.61</u>	<u>\$ 145,688.98</u>	<u>\$ (2,000.00)</u>

ANGELO STATE UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
Year Ended August 31, 2011

NOTE 13: Continuance Subject To Review

Section not applicable

NOTE 14: Adjustments to Fund Balances and Net Assets

Section not applicable

NOTE 15: Contingencies and Commitments

Unpaid Claims and Lawsuits

At August 31, 2011, certain lawsuits and claims were pending against Angelo State University. The liability with respect to litigation and other claims asserted against the University are not likely to have a material effect on the University.

NOTE 16: Subsequent Events

The Texas Tech University System intends to issue revenue financing system bonds during fiscal year 2012. The issuance will include approximately \$37.5 million in bonds for Angelo State University of which \$17.7 million of this amount has already been issued as commercial paper at August 31, 2011.

NOTE 17: Risk Management

The State provides coverage for unemployment compensation benefits from appropriations made to other State agencies for Angelo State University employees. The current General Appropriations Act provides that Angelo State University must reimburse General Revenue Fund-Consolidated, from Angelo State University appropriations, one-half of the unemployment benefits paid for former and current employees. The Comptroller of Public Accounts determines the proportionate amount to be reimbursed from each appropriated fund type. Angelo State University must reimburse the General Revenue Fund one hundred percent of the cost for workers' compensation and for any employees paid from funds held in local bank accounts. The unemployment plan is 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 administration of the State's employees' workers' compensation program is vested with the State Office of Risk Management (SORM). In accordance with H.B. No. 1203, 77th Legislature, SORM developed and imposed a formula driven charge for workers' compensation costs upon participating agencies, which included System Administration. Prior year costs to State agencies were predicated upon actual losses sustained for workers' compensation, a refunding model. The SORM developed formula, a prepaid model, included factors in addition to actual losses that caused the cost of workers' compensation to increase for most participating agencies. Workers' compensation cost imposed upon agencies is paid through transfers to SORM from appropriations and or funds in the same proportion from which salaries are paid. SORM does reimburse an agency for a portion of its workers' compensation costs paid from the agency's General Revenue Fund appropriations.

Angelo State University incurred a \$ 0.00 loss during the fiscal year ended August 31, 2011 and \$0.00 in claims pending at that date.

- a. Due to the diverse risk exposure of the University, the insurance portfolio contains a comprehensive variety of coverage. Texas statutes require participation of all state agencies, directors and officers liability, employee blanket bond, and property and casualty programs. In addition to these basic policies, the University's Department of Risk Management establishes guidelines in risk assessment, risk avoidance, risk acceptance and risk transfer.

ANGELO STATE UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
Year Ended August 31, 2011

b.

- The auxiliary buildings and contents are insured for replacement value. Each loss incident is subject to a \$100,000 deductible.
- University automobiles and leased vehicles new to 5 years old are insured for general liability and physical damage. Any automobiles or leased vehicles six years old or older are insured for general liability only.
- Each loss incident is subject to a \$1,000 deductible.

NOTE 18: Management Discussion and Analysis

Section not applicable

NOTE 19: The Financial Reporting Entity

Houston Harte Foundation Available

The Houston Harte Foundation Available is a non-profit organization with the sole purpose of supporting educational and other activities of the University. The assets of the foundation are managed under a Fiduciary Agreement by the Wells Fargo Bank, San Angelo, Texas. The Foundation remitted unrestricted gifts of \$60,000.00 to the University during the year ended August 31, 2011. Since the assets are managed externally, the Foundation does not have any employees. The only services provided by the University are the keeping of the minutes.

Robert A Carr and Nona K. Carr Scholarship Foundation

On September 1, 1980 the Robert G. Carr Estate transferred certain assets totaling \$6,815,644.46 to the Board of Regents, Texas State University System, trustees of the Robert G. Carr and Nona K. Carr Scholarship Foundation that was established for the benefit of Angelo State University under provisions of the Last Will and Testament of Robert G. Carr whose death occurred on March 17, 1978. This principal fund included \$2,986,879.74 in cash, and \$3,828,764.72 in oil, gas, and mineral properties.

On September 1, 1989 the Nona K. Carr Estate transferred certain assets totaling \$5,098,287.68 to the Board of Regents, Texas State University System, trustees of the Robert G. Carr and Nona K. Carr Scholarship Fund that was established for the benefit of Angelo State University under provision of the last will and testament of Robert G. Carr. Nona K. Carr died on June 17, 1987. This principal fund included \$2,089,218.68 in cash and \$3,009,069.00 in oil, gas, and mineral properties.

Prior to the 2011 fiscal year, the Foundation received payments for oil and gas royalties, oil and gas lease rental and bonuses, and oil and gas payment commissions totaling \$88,544,667.52 and realized an appreciation on investments of (\$1,904,412.56). During the 2011 fiscal year, the Foundation received payments for oil and gas royalties, oil and gas lease rentals and bonuses, and oil and gas payment commissions, and refunds totaling \$6,632,915.25.

All principal fund cash that is received by the Foundation is transferred to Wells Fargo Bank, San Angelo as master custodian. All principal is invested in the Long Term Investment Fund (LTIF), which is managed by the Texas Tech University System.

The value at which oil, gas, and other mineral properties is carried on the financial statements is the value that was agreed to in the settlement with the Internal Revenue Service of the Federal Estate Tax Liability of the Estate of Robert G. Carr. No provision has been made for depletion of these properties.

ANGELO STATE UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
Year Ended August 31, 2011

The LTIF spending distribution is transferred to the Angelo State University Robert G. Carr and Nona K. Carr Scholarship and expense funds. During the 2011 fiscal year, the spending distribution received from the investment agent totaled \$3,728,337.37. Of this amount, \$400,000.00 was transferred by the trustees to the Foundation Trust Estate Expense Account for the payment of salaries and wages, and other operating expenses of the foundation. Disbursements from the expense account for the 2011 fiscal year totaled \$348,269.02. \$3,328,416.87 was transferred to the Angelo State University Robert G. Carr and Nona K. Carr Scholarship Foundation Account. Depository interest of \$535.99 was transferred. During the 2011 fiscal year, the scholarship account earned interest totaling \$2,535.25.

Total scholarships awarded prior to the 2011 fiscal year amounted to \$64,772,835.38. During the 2011 fiscal year, scholarship awards amounted to \$4,936,430.12. It is estimated that the amount of annual scholarship awards from the scholarship fund will total \$3,800,000.00 in fiscal year 2012.

The records of the Foundation are audited annually by the firm of Oliver, Rainey & Wojtek, LLP, San Angelo, Texas.

Other Organizations

The ASU Alumni Association contributed \$0 to the University during the 2011 fiscal year for operation of the Alumni office. The University paid \$50,000 above the contributed amount for maintaining the records on the students who have graduated from the University.

The ASU Foundation is a non-profit organization with the sole purpose of supporting educational and other activities of the University. The Foundation solicits donations and acts as Coordinator of Gifts made by other parties. The association expended \$85,021.95 on behalf of the University during the year ended August 31, 2011. During the year the University furnished limited staff assistance to the association.

NOTE 20: Stewardship, Compliance and Accountability

Section not applicable

NOTE 21: N/A

NOTE 22: Donor Restricted Endowments

Expenditure of endowed funds is not allowed without the express consent of the donor. Most of Angelo State University's endowments are held in perpetuity. In many cases, endowment earnings are expendable for student financial assistance or other purposes as designated by the donor. In other cases, endowment earnings are reinvested.

Endowment assets are invested predominantly in the Long Term Investment Fund (LTIF). The LTIF has experienced varying performance since its inception. The cumulative effect of valuation changes assignable to endowment fund assets by the University are summarized in the following table:

<u>Donor-Restricted Endowments</u>	<u>Amount of Net Appreciation</u>	<u>Reported in Net Assets</u>
True Endowments	<u>\$243,730.50</u>	Restricted Nonexpendable
Total	<u>\$243,730.50</u>	

ANGELO STATE UNIVERSITY
 NOTES TO THE FINANCIAL STATEMENTS
 Year Ended August 31, 2011

NOTE 23: Extraordinary and Special Items

Section not applicable

NOTE 24: Disaggregation of Receivable and Payable Balances

A. Federal Receivable

Federal Receivable Program	Amount
Other Instructional & Departmental	\$ 521,840.04
Research	49,254.12
Public Services	50,172.00
Total Net Federal Receivable	\$ 621,266.16
<i>As Reported on the Financial Statements</i>	
Current Federal Receivable	\$ 621,266.16
Noncurrent Federal Receivable	
Total Net Federal Receivable	\$ 621,266.16

B. Other Liabilities - Current

Type	
Deposits from Students	\$ 7,650.00
	<u>\$ 7,650.00</u>

C. Other Liabilities - Non-Current

Type	
U.S. Government Grants Refundable	\$ 490,769.37
	<u>\$ 490,769.37</u>

NOTE 25: Termination Benefits

Section not applicable

NOTE 26: Segment Information

Section not applicable

Angelo State University
 Schedule 1A - Schedule of Expenditures of Federal Awards
 For the Fiscal Year Ended August 31, 2011

Federal Grantor/Pass-Through Grantor/ Program Title	CFDA Number	Identifying #	Pass-Through From			Direct Program Amount
			Agy/Univ #	Agy/Univ Amount	Non-State Entity Amount	
U.S. Department of Defense						
<u>Direct Program:</u>						
Center for Security Studies	12.000	12713				2,434,191.93
Total Department of Defense						2,434,191.93
National Endowment for the Humanities						
<u>Pass-Through From:</u>						
Texas Tech University						
ASU/WTC: Train to Share	45.312	2774	735	3,000.00		
Total National Endowment for the Humanities				3,000.00		
U. S. Small Business Administration						
<u>Pass-Through From:</u>						
University of Texas San Antonio						
Small Business Development Center	59.037	12557/12559	743	129,724.74		
Total U. S. Small Business Administration				129,724.74		
U. S. Department of Education						
<u>Direct Program:</u>						
Title V - Hispanic Serving Institute	84.031	2716				476,205.18
TxMath1 Teacher Training Initiative	84.215	2711				1,843.18
Pearl of the Concho Writing	84.928	10309				44,789.00
<u>Pass-Through From:</u>						
Texas Higher Education Coordinating Board						
Teacher Quality	84.367	2765/2772	781	209,965.38		
College Access Challenge	84.378	11016/11017	781	12,000.00		
Total U.S. Department of Education				221,965.38		522,837.36
Dept. of Health & Human Services						
<u>Direct Program:</u>						
Nurse Faculty Loan Program	93.264					1,000.00
Nurse Traineeships	93.358					19,964.64
Total Dept. of Health & Human Services						20,964.64
Research & Development Cluster						
U.S. Department of Agriculture						
<u>Pass-Through From:</u>						
Kansas State University						
USDA Subaward-Antibiotic Resistance	10.303	2775			241.00	
Total U.S. Department of Agriculture					241.00	
U.S. Department of Defense						
<u>Pass-Through From:</u>						
Texas State University - San Marcos						
Basic & Applied Scientific Rsch - Hetero Function	12.300	2766	754	11,781.02		
Heterofunctional Materials - Army	12.431	2778	754	41,980.15		
Total U. S. Department of Defense				53,761.17		
National Science Foundation						
<u>Pass-Through From:</u>						
North Carolina A&T University						
Ogallala Aquifer Research	47.075	2768			50,674.03	
<u>Pass-Through From:</u>						
Texas Tech University						
West Texas Middle School	47.076	2771	733	258,839.25		
Total National Science Foundation				258,839.25	50,674.03	
U.S. Department of Health and Human Services						
<u>Direct Program:</u>						
ARRA: NIH NIDA	93.701	2714				157,627.87
Total U.S. Department of Health and Human Services						157,627.87
Student Financial Assistance Cluster						
U. S. Department of Education						
<u>Direct Program:</u>						
Federal Work-Study Program	84.033					230,991.49
Federal Pell Grant Program	84.063					12,902,981.00
Federal Direct Student Loans	84.268					31,153,655.00
Academic Competitiveness Grants	84.375					276,181.00
SMART Grant	84.376					97,316.00
Federal TEACH Grant	84.379					4,000.00
Total U. S. Department of Education						44,665,124.49
State Fiscal Stabilization Fund Cluster						
U. S. Department of Education						
<u>Pass-Through From:</u>						
Texas Higher Education Coordinating Board						
ARRA-State Fiscal Stabilization Fund (SFSF)						
Government Services, Recovery Act	84.397		781	1,551,723.91		
Total U.S. Department of Education				1,551,723.91		
TOTAL EXPENDITURES OF FEDERAL AWARDS				\$ 2,219,014.45	\$ 50,915.03	\$ 47,800,746.29

Total Pass- Thru From & Direct Program	Pass-Through To			Expenditures Amount	Total PT to and Expenditures
	Agy. #/ Univ. #	State Agy. or Univ. Amount	Non-State Entities Amt.		
2,434,191.93				2,434,191.93	2,434,191.93
<u>2,434,191.93</u>				<u>2,434,191.93</u>	<u>2,434,191.93</u>
3,000.00				3,000.00	3,000.00
<u>3,000.00</u>				<u>3,000.00</u>	<u>3,000.00</u>
129,724.74				129,724.74	129,724.74
<u>129,724.74</u>				<u>129,724.74</u>	<u>129,724.74</u>
476,205.18				476,205.18	476,205.18
1,843.18				1,843.18	1,843.18
44,789.00				44,789.00	44,789.00
209,965.38				209,965.38	209,965.38
<u>12,000.00</u>				<u>12,000.00</u>	<u>12,000.00</u>
<u>744,802.74</u>				<u>744,802.74</u>	<u>744,802.74</u>
1,000.00				1,000.00	1,000.00
19,964.64				19,964.64	19,964.64
<u>20,964.64</u>				<u>20,964.64</u>	<u>20,964.64</u>
241.00				241.00	241.00
<u>241.00</u>				<u>241.00</u>	<u>241.00</u>
11,781.02				11,781.02	11,781.02
41,980.15				41,980.15	41,980.15
<u>53,761.17</u>				<u>53,761.17</u>	<u>53,761.17</u>
50,674.03				50,674.03	50,674.03
258,839.25				258,839.25	258,839.25
<u>309,513.28</u>				<u>309,513.28</u>	<u>309,513.28</u>
157,627.87				157,627.87	157,627.87
<u>157,627.87</u>				<u>157,627.87</u>	<u>157,627.87</u>
230,991.49				230,991.49	230,991.49
12,902,981.00				12,902,981.00	12,902,981.00
31,153,655.00				31,153,655.00	31,153,655.00
276,181.00				276,181.00	276,181.00
97,316.00				97,316.00	97,316.00
4,000.00				4,000.00	4,000.00
<u>44,665,124.49</u>				<u>44,665,124.49</u>	<u>44,665,124.49</u>
1,551,723.91				1,551,723.91	1,551,723.91
<u>1,551,723.91</u>				<u>1,551,723.91</u>	<u>1,551,723.91</u>
\$ <u>50,070,675.77</u>	\$ <u>0.00</u>	\$ <u>0.00</u>	\$ <u>50,070,675.77</u>	\$ <u>50,070,675.77</u>	

Angelo State University
 Schedule 1A - Schedule of Expenditures of Federal Awards
 For the Fiscal Year Ended August 31, 2011

Note 2: Reconciliation:

Federal Revenues - per Statement of Combined Revenues, Expenses and Net Assets:	
Federal Revenue-Operating	\$ 3,794,025.32
Federal Revenue-Non-Operating	12,902,981.00
Federal Pass-Through - Operating	667,290.54
Federal Pass-Through - Non-Operating	<u>1,551,723.91</u>
Subtotal	18,916,020.77
ADD:	
New Loans Processed:	
Federal Family Education Loan Program	-
Federal Perkins Loan Program	-
Federal Direct Student Loan	31,153,655.00
Nurse Faculty Loan Program	1,000.00
Total Pass-Through & Expenditures Per Federal Schedule	<u>\$ 50,070,675.77</u>

Note 3: Student Loans Processed & Administrative Costs Recovered

Federal Grantor/ CFDA Number/Program Name	New Loans Processed	Admin. Costs Recovered	Total Loans Processed & Admin. Costs Recovered	Ending Balances of Previous Year's Loans
<i>U.S. Department of Education</i>				
84.032 Federal Family Education Loans	\$ -	\$ -	\$ -	\$ -
84.038 Federal Perkins Loan Program	-	-	-	-
84.268 Federal Direct Student Loans	31,153,655.00	-	31,153,655.00	-
93.264 Nurse Faculty Loan Program	1,000.00	-	1,000.00	131,616.61
Total Department of Education	<u>\$ 31,154,655.00</u>	<u>\$ 0.00</u>	<u>\$ 31,154,655.00</u>	<u>\$ 131,616.61</u>

Perkins loans are outsourced to ECSI.

Note 4: Government Publications

The University participates as a depository library in the Government Printing Office's Depository Libraries for Government Publication program, CFDA #40.001. The University is the legal custodian of government publications, which remain the property of the federal government. The publications are not assigned a value by the Government Printing Office.

Note 7: Federal Deferred Revenue

CFDA	Balance 9-1-10	Net Change	Balance 8-31-11
84.928	23,644.56	(10,120.20)	13,524.36
	<u>23,644.56</u>	<u>(10,120.20)</u>	<u>13,524.36</u>

The deferred revenue consists of awards authorized for which funds have not been expended.

UNAUDITED

Angelo State University
 Schedule IB - Schedule of State Grant Pass Throughs From/To State Agencies
 For the Fiscal Year Ended August 31, 2011

Pass Through From:

University of Texas System (Agy #720)		
Joint Admissions Medical Program	\$	14,545.00
Texas A&M University - Corpus Christi (Agy #760)		
TX CCRS - Chemistry		10,000.00
Texas Higher Education Coordinating Board (Agy #781)		
Nursing Innovation Grant Hospital Partnerships		(107,181.48)
Enrollment Growth		18,175.10
Texas Grants		4,076,314.50
Nursing Shortage Reduction		496,463.00
Higher Education Performance Incentive Initiative		(571.47)
College Work Study		101,665.57
5th Year Accounting		6,000.00
P-16 Special Advisors		(18,523.24)
Top 10% Scholarship		206,000.00
Combat Exemption Program		900.00
Early High School Program		33,061.00
Certified Educational Aide Program		<u>98,859.89</u>
 Total Pass Through From Other Agencies (Exh. II)	\$	<u><u>4,935,707.87</u></u>

Angelo State University
 Schedule 2A - Miscellaneous Bond Information
 For the Fiscal Year Ended August 31, 2011
 (Amounts in Thousands)

Description of Issue	Bonds Issued to Date	Range of Interest Rates	Terms of Variable Interest Rate	Scheduled Maturities		First Call Date
				First Year	Last Year	
Revenue Bonds						
Rev Fin Sys Ref & Imp Bds 12th Series 2009	\$ 35,630,000.00	3.0% to 5.25%		2009	2038	02/15/2019
Total	<u>\$ 35,630,000.00</u>					

Angelo State University
 Schedule 2B - Changes in Bonded Indebtedness
 For the Year Ended August 31, 2011

Description of Issue	Bonds Outstanding 9-1-10	Bonds Issued	Bonds Matured or Retired	Bonds Refunded or Extinguished	Bonds Outstanding 8-31-11	Amts Due Within One Year
Revenue Bonds						
Rev Fin Sys Ref & Imp Bds 12th Series 2009	\$ 33,505,000.00	\$	\$ 1,345,000.00	\$	\$ 32,160,000.00	\$ 1,405,000.00
TOTAL	<u>\$ 33,505,000.00</u>	<u>\$ 0.00</u>	<u>\$ 1,345,000.00</u>	<u>\$ 0.00</u>	<u>\$ 32,160,000.00</u>	<u>\$ 1,405,000.00</u>

Angelo State University
 Schedule 2C - Debt Service Requirements
 For the Year Ended August 31, 2011

Description of Issue	Year	Principal	Interest
Revenue Bonds	2012	\$ 1,405,000.00	\$ 1,546,018.76
Rev Fin Sys Ref & Imp Bds 12th Series 2009	2013	1,600,000.00	1,485,918.76
	2014	1,595,000.00	1,429,993.76
	2015	840,000.00	1,385,068.76
	2016	1,185,000.00	1,334,443.76
	2017 - 2021	4,700,000.00	5,858,343.80
	2022 - 2026	4,395,000.00	4,821,468.80
	2027 - 2031	5,645,000.00	3,566,453.16
	2032 - 2036	7,295,000.00	1,912,975.00
	2037 - 2038	3,500,000.00	186,112.50
		<u>\$ 32,160,000.00</u>	<u>\$ 23,526,797.06</u>

Angelo State University
 Schedule 2D - Analysis of Funds Available for Debt Service
 For the Year Ended August 31, 2011

Pledged and Other Sources and Related Expenditures for FY 2011				
Description of issue	Net Available for Debt Service		Debt Service	
	Total Pledged and Other Sources	Operating Expenses/ Expenditures and Capital Outlay	Principal	Interest
	\$	\$	\$	\$
Revenue Bonds Rev Fin Sys Ref & Imp Bds 12th Series '09	\$	\$	\$	\$
	<u>\$ 68,644,308.43</u>	<u>\$ 65,548,828.53</u>	<u>\$ 1,345,000.00</u>	<u>\$ 1,601,018.76</u>

Angelo State University
 Schedule 2E - Defeased Bonds Outstanding
 For the Year Ended August 31, 2011

Description of Issues	Year Refunded	Par Value Outstanding
Revenue Bonds		
SCHEDULE NOT USED		\$

		\$ 0.00
		=====

Angelo State University
 Schedule 2F - Early Extinguishment and Refunding
 For the Year Ended August 31, 2011

Description of Issue	Category	Amount Extinguished or Refunded	Refunding Issue Par Value	Cash Flow Increase (Decrease)	Economic Gain/ (Loss)
SCHEDULE NOT USED		\$	\$	\$	\$
		<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>

Angelo State University
Schedule 3 - Reconciliation of Cash in State Treasury
For the Year Ended August 31, 2011

<u>Cash in State Treasury</u>	<u>Unrestricted</u>	<u>Restricted</u>	<u>Current Year Total</u>
Local Revenue Fund 0227	\$ <u>893,479.11</u>	\$ <u> </u>	\$ <u>893,479.11</u>
Total Cash in State Treasury (Stmt of Net Assets)	\$ <u><u>893,479.11</u></u>	\$ <u><u>0.00</u></u>	\$ <u><u>893,479.11</u></u>