

The Texas State University System



COMBINED ANNUAL FINANCIAL REPORT Year Ended August 31, 2012

**Lamar University
Sam Houston State University
Sul Ross State University
Texas State University-San Marcos
Lamar Institute of Technology
Lamar State College-Orange
Lamar State College-Port Arthur
System Administration**

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November 20, 2012

Honorable Rick Perry, Governor
Honorable Susan Combs, Texas Comptroller
Ursula Parks, Acting Director, Legislative Budget Board
John Keel, CPA State Auditor

Ladies and Gentlemen:

We are pleased to submit the Combined Annual Financial Report of the Texas State University System for the fiscal year ended August 31, 2012, 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 of Texas Comprehensive Annual Financial Report (CAFR); therefore, an opinion has not been expressed on the financial statements and related information contained in this report.

If you have any questions, please contact Roland Smith, Vice Chancellor for Finance at (512) 463-1808.

Sincerely,



Brian McCall
Chancellor

TEXAS STATE UNIVERSITY SYSTEM
Organizational Data
For the Fiscal Year Ended August 31, 2012

Board of Regents

Officers

Charlie Amato Chairman
Donna N. Williams Vice Chairman

Members

Name	City (Texas)	Term Expires
Dr. Jaime R. Garza	San Antonio	2/1/2017
Kevin J. Lilly	Houston	2/1/2015
Ron Mitchell	Horseshoe Bay	2/1/2015
David Montagne	Beaumont	2/1/2015
Trisha Pollard	Bellaire	2/1/2013
Rossanna Salazar	Austin	2/1/2017
William F. Scott	Nederland	2/1/2013
Andrew Greenberg, Student	Beaumont	5/1/2013

Administrative Officers

System Administration

Brian McCall	Chancellor
Fernando C. Gomez	Vice Chancellor and General Counsel
Perry Moore	Vice Chancellor for Academic Affairs
Roland K. Smith	Vice Chancellor for Finance
Sean Cunningham	Vice Chancellor for Governmental Relations
Peter E. Graves	Vice Chancellor for Contract Administration
Carole L. Fox	Director of Audits and Analysis

University Presidents

James M. Simmons	Lamar University
J. Michael Shahan	Lamar State College - Orange
W. Sam Monroe	Lamar State College - Port Arthur
Paul J. Szuch	Lamar Institute of Technology
Dana Gibson	Sam Houston State University
Ricardo Maestas	Sul Ross State University
Denise M. Trauth	Texas State University - San Marcos

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Institution Name Texas State University System

Student Enrollment Data
For the Year Ended August 31, 2012

TYPE OF STUDENT	NUMBER OF STUDENTS BY SEMESTER			
	FALL 2011	SPRING 2012	SUMMER TERM 2012	
			FIRST	SECOND
Texas Residents	66,049	61,834	20,688	7,902
Out of State (Classified as Residents)	1,041	612	198	14
Out of State	1,315	1,382	737	315
Foreign	1,076	1,023	378	198
Children of Disabled	7	7	4	1
Concurrent Enrollment	792	747	33	31
Foster Children of the State	153	138	55	82
Good Neighbor	19	17	7	1
High School Honor Scholarships	14	13	2	1
High Ranking Senior	22	23	0	0
Hazelwood Act	1,931	2,042	939	260
Senior Citizens	33	28	2	2
Commission for the Blind/Deaf	223	221	85	42
Fireman Exempt	26	28	12	5
Thesis Only	5	2	10	0
Student Service Fees	0	0	0	0
Nursing	183	112	221	59
Faculty/Staff	369	356	148	52
Teaching Assistants	437	300	57	8
Competitive Scholarships	921	894	301	220
Military Personnel	41	39	15	16
Louisiana Adjacent County	17	12	1	1
Mexico Pilot	5	8	3	0
National Student Exchange Program	14	4	2	0
New Mexico Adjacent County	20	20	16	8
Texas Tomorrow Waiver	40	301	67	44
Adopted Students	67	63	14	11
Military Dependent	387	391	164	125
Pase	9	8	5	4
TANF	0	0	0	0
H.B. 877	0	0	0	0
Distance Learning	1,137	1,227	586	527
Family & Consumer Science Alliance Agreement	7	1	6	3
Clinical Preceptor Exempt	15	14	2	2
Beaumont-Louisiana Non-resident	514	486	192	109
UACH	0	0	0	0
Early HS Grad	43	0	0	0
TAPS Tuition Voucher 54.2111	0	0	0	0
TDCJ-54.218 Education Code	134	158	97	55
Trio Grant Math 0301	4	7	0	0
HB 1406 Non US Citizen	58	49	6	2
Totals	<u>77,128</u>	<u>72,567</u>	<u>25,053</u>	<u>10,100</u> *

* Texas State University-San Marcos changed to single summer term format in 2012

Enrollment Data (Fall Semester)

Fiscal Year	STUDENTS	SEMESTER HOURS
	2012	77,128
2011	74,762	843,591
2010	72,604	810,207
2009	69,062	776,240
2008	64,397	745,674
2007	69,233	806,869
2006	69,625	807,807
2005	68,102	759,896
2004	66,121	738,920
2003	64,419	738,914
2002	61,536	699,134

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**Texas State University System
Combined Statement of Net Assets
For the Fiscal Year Ended August 31, 2012**

ASSETS

Current Assets:

Cash and Cash Equivalents

Cash on Hand	\$	209,856.37
Cash in Bank		59,431,396.66
Cash in Transit/Reimbursement from Treasury		7,793,718.76
Cash in State Treasury		55,716,584.34
Cash Equivalents		316,761,275.06

Securities Lending Collateral

-

Short Term Investments

718,564.78

Restricted:

-

Cash and Cash Equivalents

-

Cash on Hand		461.17
Cash in Bank		2,765,754.95
Cash in Transit/Reimbursement from Treasury		-
Cash in State Treasury		-
Cash Equivalents		77,834,823.39

Short Term Investments

99,000.00

Legislative Appropriations

96,764,285.74

Investments

-

Receivables from:

-

Federal		18,519,477.48
Other Intergovernmental		-
Interest and Dividends		192,276.57
Accounts Receivable		96,121,682.67
Gifts		5,309,072.22
Investment Trades		-
Other		2,451,960.05

Interfund Receivables

-

Due From Other Agencies

4,595,463.01

Consumable Inventories

789,184.64

Merchandise Inventories

3,287,949.38

Prepaid Items

10,589,932.55

Loans and Contracts

10,416,189.21

Other Current Assets

38,973,235.44

Total Current Assets

\$ 809,342,144.44

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**Texas State University System
Combined Statement of Net Assets
For the Fiscal Year Ended August 31, 2012**

Noncurrent Assets:

Restricted:

Cash and Cash Equivalents

Cash on Hand	\$	-
Cash in Bank		(1,890,111.83)
Cash in Transit/Reimbursement from Treasury		-
Cash in State Treasury		-
Cash Equivalents		18,877,503.80

Short Term Investments

Receivables 1,691,834.40

Investments 141,567,386.93

Loans and Contracts 1,070,431.18

Other Assets -

Deferred Charges -

Loans and Contracts 7,048.03

Investments 90,085,515.49

Derivative Instrument Assets -

Deferred Outflow of Resources -

Interfund Receivables -

Capital Assets: -

Non-Depreciable: -

Land and Land Improvements 71,320,060.92

Infrastructure -

Construction in Progress 124,822,978.04

Other Capital Assets 7,533,802.61

Depreciable: -

Buildings and Building Improvements 1,531,238,250.67

Less Accumulated Depreciation (707,950,817.19)

Infrastructure 65,471,076.57

Less Accumulated Depreciation (39,579,452.40)

Facilities and Other Improvements 154,547,437.63

Less Accumulated Depreciation (44,207,126.05)

Furniture and Equipment 134,070,876.68

Less Accumulated Depreciation (83,271,635.28)

Vehicles, Boats, and Aircraft 13,612,852.09

Less Accumulated Depreciation (8,759,595.86)

Other Capital Assets 126,944,725.35

Less Accumulated Depreciation (75,372,837.55)

Amortizable Assets-Intangible 34,252,770.98

Less Accumulated Amortization (13,914,263.03)

Other Noncurrent Assets -

Total Non-Current Assets 1,542,168,712.18

Total Assets \$ 2,351,510,856.62

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Texas State University System
Combined Statement of Net Assets
For the Fiscal Year Ended August 31, 2012

LIABILITIES

Current Liabilities:

Payables:

Accounts	\$ 58,759,616.55
Investment Trades	-
Payroll	27,905,526.24
Other Intergovernmental	-
Federal	-
Other	16,715,294.49
Interfund Payable	-
Due to Other Agencies	2,977,662.93
Deferred Revenues	306,039,687.38
Notes and Loans Payable	-
Revenue Bonds Payable, Net	40,230,448.36
General Obligation Bonds Payable, Net	-
Claims and Judgments	-
Employees' Compensable Leave	10,459,310.72
Capital Lease Obligations	23,140.10
Liabilities Payable from Restricted Assets	-
Obligations/Reverse Purchase Agreements	-
Obligations Under Securities Lending	-
Funds Held for Others	4,343,829.32
Other Current Liabilities	<u>3,114,461.44</u>
Total Current Liabilities	<u>470,568,977.53</u>

Noncurrent Liabilities

Interfund Payables	-
Notes and Loans Payable	-
Revenue Bonds Payable, Net	732,135,683.97
General Obligation Bonds Payable, Net	-
Derivative Instrument Liabilities	-
Deferred Inflow of Resources	-
Net OPEB Obligation	-
Pollution Remediation Obligations	-
Liabilities Payable from Restricted Assets	-
Claims and Judgments	-
Employees Compensable Leave	10,018,361.33
Capital Lease Obligations	-
Other Non-Current Liabilities	<u>2,525,389.90</u>
Total Noncurrent Liabilities	<u>744,679,435.20</u>

Total Liabilities

\$ 1,215,248,412.73

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**Texas State University System
Combined Statement of Net Assets
For the Fiscal Year Ended August 31, 2012**

NET ASSETS

Invested in Capital Assets, Net of Related Debt	\$	518,393,031.85
Restricted for		
Education		26,991,891.31
Debt Retirement		3,193,313.14
Capital Projects		83,856,181.50
Funds Held As Permanent Investments:		
Non-Expendable		113,330,702.39
Expendable		13,221,752.75
Other		47,830,167.12
Unrestricted		<u>329,445,403.83</u>
Total Net Assets	\$	<u><u>1,136,262,443.89</u></u>

UNAUDITED
Texas State University System
Combined
Statement of Revenues, Expenses and Changes in Net Assets
For the Fiscal Year Ended August 31, 2012

OPERATING REVENUES

Sales of Goods and Services	
Tuition and Fees	\$ -
Tuition and Fees - Pledged	543,315,578.42
Discounts and Allowances	(127,369,809.07)
Professional Fees	-
Professional Fees - Pledged	-
Discounts and Allowances	-
Auxiliary Enterprises	-
Auxiliary Enterprises - Pledged	117,924,577.18
Discounts and Allowances	-
Other Sales of Goods and Services	23,826,292.53
Other Sales of Goods and Services - Pledged	-
Discounts and Allowances	-
Interest and Investment Income	-
Interest and Investment Income - Pledged	-
Net Increase (Decrease) Fair Market Value	-
Net Increase (Decrease) Fair Market Value - Pledged	-
Federal Revenue-Operating	33,759,572.40
Federal Pass Through Revenue	10,101,331.05
State Grant Revenue	5,223,893.41
State Grant Pass Through Revenue	43,244,459.41
Other Grants and Contracts	6,858,987.06
Other Grants and Contracts - Pledged	-
Contributions to Retirement Systems	-
Other Operating Revenues - Pledged	11,442,234.90
Other Operating Revenues	<u>107,824.57</u>
Total Operating Revenues	<u>\$ 668,434,941.86</u>

UNAUDITED
Texas State University System
Combined
Statement of Revenues, Expenses and Changes in Net Assets
For the Fiscal Year Ended August 31, 2012

OPERATING EXPENSES

Instruction	\$ 301,229,305.64
Research	42,797,054.08
Public Service	22,337,724.72
Academic Support	107,052,631.13
Student Services	57,649,389.95
Institutional Support	88,003,422.57
Operation and Maintenance of Plant	78,262,385.46
Scholarship and Fellowships	111,215,164.87
Auxiliary Enterprise Expenditures	139,673,243.28
Depreciation and Amortization	69,615,324.42
Total Operating Expenses	<u>1,017,835,646.12</u>
Operating Income (Loss)	<u><u>(349,400,704.26)</u></u>

NONOPERATING REVENUES (EXPENSES)

Legislative Revenue (GR)	212,872,534.02
Additional Appropriations (GR)	45,647,784.13
Federal Revenue Non-Operating	103,778,545.39
Federal Pass Through Revenue Non-Operating	272,609.96
Gifts	31,865,364.93
Interest and Investment Income (Expense)	3,829,422.92
Interest and Investment Income (Expense) - Pledged	-
Loan Premium/Fees on Securities Lending	-
Investing Activities Expense	-
Interest Expense and Fiscal Charges	(36,691,781.32)
Borrower Rebates and Agent Fees	-
Gain (Loss) on Sale of Capital Assets	(431,071.65)
Net Increase (Decrease) in Fair Value of Investments	8,118,317.91
Net Increase (Decrease) in Fair Value of Investments - Pledged	-
Settlement of Claims	(255,355.70)
Other Nonoperating Revenues (Expenses) (PR-Chgs for Services)	(2,213,170.93)
Other Nonoperating Revenues (Expenses) (GR)	(68,672.45)
Total Nonoperating Revenues (Expenses)	<u>366,724,527.21</u>
Income (Loss) before Other Revenues, Expenses, Gains/Losses and Transfers	<u><u>\$ 17,323,822.95</u></u>

UNAUDITED
Texas State University System
Combined
Statement of Revenues, Expenses and Changes in Net Assets
For the Fiscal Year Ended August 31, 2012

OTHER REVENUES, EXPENSES, GAINS/LOSSES

AND TRANSFERS

Capital Contributions	\$ 3,122,914.94
Capital Appropriations (HEAF)	48,970,651.00
Federal Grant-Capital Grant Contributions	28,669.55
Contributions to Permanent and Term Endowments	1,196,686.83
Special Items	-
Extraordinary Items	-
Increase Interagency Transfer Capital Assets	-
Decrease Interagency Transfer Capital Assets	(6,627.97)
Transfer In	2,184,733.67
Transfer Out	(7,696,978.62)
Legislative Transfer In	2,919,683.08
Legislative Transfer Out	-
Lapses	<u>(1,499,486.96)</u>
Total Other Revenues, Expenses, Gains/Losses and Transfers	<u>49,220,245.52</u>
Change in Net Position	<u>66,544,068.47</u>
Net Assets, September 1 2011	1,065,288,631.62
Restatements	<u>4,429,743.80</u>
Net Assets, September 1, 2011 as Restated	<u>1,069,718,375.42</u>
NET ASSETS, August 31, 2012	<u>\$1,136,262,443.89</u>

UNAUDITED

**Texas State University System
Combined Matrix of Operating Expenses Reported by Function
For the Fiscal Year Ended August 31, 2012**

Operating Expenses	Instruction	Research	Public Service	Academic Support	Student Services	Institutional Support	Operation and Maintenance of Plant	Scholarship and Fellowships	Auxiliary Enterprises	Depreciation and Amortization	Total Expenses
Cost of Goods Sold	\$ -	-	\$ 62,981.10	\$ 3,758.23	\$ 66,166.76	-	-	-	\$ 6,873,932.71	-	\$ 7,006,838.80
Salaries and Wages	224,492,669.36	20,455,020.24	11,025,348.76	48,739,571.34	34,185,840.87	46,812,099.02	25,897,848.62	2,741,718.93	36,941,518.78	-	451,291,635.92
Payroll Related Costs	55,604,318.39	3,593,205.26	2,775,109.58	14,406,098.70	8,537,315.53	16,578,811.94	8,346,371.47	19,685.45	9,361,771.81	-	119,222,688.13
Professional Fees and Services	3,557,501.02	7,088,046.93	2,234,738.11	12,630,463.36	3,094,468.69	6,836,796.68	2,135,700.84	26,736.19	10,027,159.00	-	47,631,610.82
Federal Pass-Through Expense	-	1,379,144.58	-	-	16,661.27	-	-	-	-	-	1,395,805.85
State Grant Pass-Through Exp	-	316,712.46	-	-	-	-	-	-	-	-	316,712.46
Travel	2,656,339.99	2,454,972.11	628,273.30	2,087,995.06	1,309,251.08	852,575.78	66,475.47	29,968.91	4,951,881.29	-	15,037,732.99
Materials and Supplies	8,115,073.08	4,954,658.74	1,755,950.81	15,911,673.93	4,653,466.10	6,653,318.67	7,020,188.76	40,591.14	36,335,088.25	-	85,440,009.48
Communication and Utilities	391,790.03	97,340.96	253,792.90	2,758,830.06	785,463.30	2,344,828.87	25,512,821.30	-	15,940,807.60	-	48,085,675.02
Repairs and Maintenance	554,342.31	111,609.93	279,316.04	4,068,998.61	1,670,960.70	1,585,693.91	5,542,978.64	191.58	5,430,300.50	-	19,244,392.22
Rentals and Leases	317,114.98	293,662.24	438,047.65	1,514,722.31	284,466.38	483,639.15	1,489,013.08	5,182.35	1,739,913.24	-	6,565,761.38
Printing and Reproduction	668,793.31	209,301.16	166,827.90	592,641.56	1,110,139.78	548,282.99	47,077.54	1,985.62	957,386.64	-	4,302,436.50
Depreciation and Amortization	-	-	-	-	-	-	-	-	-	69,615,324.42	69,615,324.42
Bad Debt Expense	553,674.11	-	5,489.32	172,000.30	(10,433.64)	111,040.56	-	-	68,721.15	-	900,491.80
Interest	0.16	11.50	110.86	359.29	25.62	10,708.02	2.55	-	-	-	11,218.00
Scholarships	439,489.80	330,177.32	41,981.00	173,769.07	148,339.13	127,277.41	-	108,280,295.89	4,631,274.07	-	114,172,603.65
Claims and Judgments	8,289.86	-	-	200.00	1,976.40	73,489.15	-	-	-	-	83,955.41
Net Change in Pension/OPEB	-	-	-	-	-	-	-	-	-	-	-
Other Operating Expenses	3,869,909.24	1,513,190.65	2,669,757.39	3,991,549.31	1,795,281.98	4,984,860.42	2,203,907.19	68,808.81	6,413,488.24	-	27,510,753.23
Total Operating Expenses	\$ 301,229,305.64	\$ 42,797,054.08	\$ 22,337,724.72	\$ 107,052,631.13	\$ 57,649,389.95	\$ 88,003,422.57	\$ 78,262,385.46	\$ 111,215,164.87	\$ 139,673,243.28	\$ 69,615,324.42	\$ 1,017,835,646.12

UNAUDITED

**Texas State University System
Combined
Statement of Cash Flow
For the Fiscal Year Ended August 31, 2012**

Cash Flows from Operating Activities

Receipts from Customers	\$ 17,679,837.95
Proceeds from Tuition and Fees	435,022,082.68
Proceeds from Research Grants and Contracts	92,891,079.38
Proceeds from Gifts	-
Proceeds from Loan Programs	35,681,602.97
Proceeds from Auxiliaries	117,066,782.70
Proceeds from Other Revenues	18,255,248.25
Payments to Suppliers for Goods and Services	(291,723,279.18)
Payments to Employees for Salaries	(454,443,957.67)
Payments to Employees for Benefits	(112,335,340.32)
Payments for Loans Provided	(35,894,516.95)
Payments for Other Expenses	(97,934,652.42)
	<hr/>
Net Cash Provided by Operating Activities	(275,735,112.61)
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Cash Flows from Noncapital Financing Activities

Proceeds from Debt Issuance	1,995,000.00
Proceeds from State Appropriations	269,306,797.82
Proceeds from Gifts	33,177,467.41
Proceeds from Endowments	106,595.03
Proceeds of Transfers from Other Funds	6,700,777.78
Proceeds from Grant Receipts	103,652,568.46
Proceeds from Advances from Other Funds	71,414,862.84
Proceeds from Loan Programs	25,165.58
Proceeds from Other Financing Activities	850,661.23
Proceeds from Contributed Capital	-
Payments of Principal on Debt Issuance	(36,450,000.00)
Payments of Interest	(37,144,500.19)
Payments of Other Costs of Debt Issuance	(122,151.46)
Payments for Transfers to Other Funds	(1,993,093.57)
Payments for Grant Disbursements	-
Payments for Advances to Other Funds	-
Payments for Other Uses	(10,708,922.14)
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Net Cash Provided by Noncapital Financing Activities	\$ 400,811,228.79
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**Texas State University System
Combined
Statement of Cash Flow
For the Fiscal Year Ended August 31, 2012**

Cash Flows from Capital and Related Financing Activities	
Proceeds from the Sale of Capital Assets	\$ (22,618.66)
Proceeds from Debt Issuance	13,377,606.37
Proceeds from State Grants and Contracts	-
Proceeds from Federal Grants and Contracts	11,390.79
Proceeds from Gifts	-
Proceeds from Other Financing Activities	24,091,564.31
Proceeds from Capital Contributions	-
Proceeds from Advances from Other Funds	-
Payments for Additions to Capital Assets	(157,174,286.47)
Payments of Principal on Debt	(49,051,083.32)
Payments for Capital Lease	(20,637.64)
Payments of Interest on Debt Issuance	(17,722,485.43)
Payments of Other Costs of Debt Issuance	(540,222.41)
	<hr/>
Net Cash Provided by Capital and Related Financing Activities	(187,050,772.46)
	<hr/>
Cash Flows from Investing Activities	
Proceeds from Sales of Investments	186,462,784.67
Proceeds from Interest Income	309,937.98
Proceeds from Investment Income	3,183,036.29
Proceeds from Principal Payments on Loans	-
Payments to Acquire Investments	(198,722,337.32)
	<hr/>
Net Cash Provided by Investing Activities	(8,766,578.38)
	<hr/>
Net Increase (Decrease) in Cash and Cash Equivalents	(70,741,234.66)
	<hr/>
Cash and Cash Equivalents, September 1, 2011 - Restated	608,242,497.33
Restatements to Beginning Cash and Cash Equivalents	-
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Cash and Cash Equivalents, September 1, 2011 - Restated	608,242,497.33
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Cash and Cash Equivalents, August 31, 2012	\$ 537,501,262.67
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**Texas State University System
Combined
Statement of Cash Flow
For the Fiscal Year Ended August 31, 2012**

Reconciliation of Operating Income to	
Net Cash Provided by Operating Activities	
Operating Income (Loss)	\$ (349,400,704.26)
Adjustments to Reconcile Operating Income	
to Net Cash Provided by Operating Activities:	
Amortization and Depreciation	69,615,324.42
Bad Debt Expense	581,047.75
Operating Income and Cash Flow Categories:	
Classification Differences	-
Changes in Assets and Liabilities:	
(Increase) Decrease in Receivables	(26,664,016.09)
Increase (Decrease) in Due from Other Funds	(1,763,477.29)
(Increase) Decrease in Inventories	381,015.95
(Increase) Decrease in Prepaid Expenses	4,702,981.33
(Increase) Decrease in Notes Receivable	(650,165.43)
(Increase) Decrease in Loans & Contracts	(1,755,207.43)
(Increase) Decrease in Other Assets	1,248.53
(Increase) Decrease in State Appropriations	-
Increase (Decrease) in Payables	(11,177,582.76)
Increase (Decrease) in Deposits	18,532.63
Increase (Decrease) in Due to Other Funds	1,182,996.34
Increase (Decrease) in Deferred Income	38,118,920.36
Increase (Decrease) in Compensated Absence Liability	1,093,219.75
Increase (Decrease) in Benefits Payable	859,486.21
Increase (Decrease) in Other Liabilities	(878,732.62)
Total Adjustment	<u>73,665,591.65</u>
Net Cash Provided by Operating Activities	<u>\$ (275,735,112.61)</u>
Non Cash Transactions	
Donation of Capital Assets	\$ 526,569.38
Net Change in Fair Value of Investments	\$ 8,118,317.91
Other	\$ (93,242.98)

TEXAS STATE UNIVERSITY SYSTEM
NOTES TO THE FINANCIAL STATEMENTS

August 31, 2012

NOTE 1: Summary of Significant Accounting Policies

Entity

The Texas State University System (System) is an Institution of Higher Education of the State of Texas, and its financial records comply with state statutes and regulations, including compliance with the Texas Comptroller of Public Accounts' Reporting Requirements for State Institutions of Higher Education.

The Texas State University System is comprised of System Administration and the following institutions: Lamar University, Sam Houston State University, Sul Ross State University, Texas State University-San Marcos, Lamar Institute of Technology, Lamar State College - Orange, and Lamar State College - Port Arthur. The System's primary role is to provide post secondary educational opportunities for the citizens of the State of Texas. The component institutions also perform research activities and provide public service programs for their constituents.

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

Fund Structure

The 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,

Note 1 Continued

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 using the full 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.

Budget and Budgetary Accounting

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

Assets, Liabilities, and Fund Balances/Net Assets

ASSETS

Cash and Cash Equivalents

Short-term highly liquid investments with an original maturity of three months or less are considered cash equivalents.

Note 1 ContinuedSecurities 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 Statement of Net Assets. 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 and Prepaid Items

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 and prepaid items that appear in the proprietary fund types. 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. Depreciation is reported on all "exhaustible" assets. "Inexhaustible" assets such as works of art and historical treasures are not depreciated. Road and highway infrastructure is reported on the modified basis. Assets are depreciated over the estimated useful life of the asset using the straight-line method.

Note 1 Continued

Current Receivables - Other

Other receivables include year-end revenue accruals not included in any other receivable category.

LIABILITIES

Accounts Payable

Accounts Payable represents the liability for the value of assets or services received at the Statement of Net Assets date for which payment is pending.

Current Payables - Other

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

Employees' Compensable Leave Balances

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

Capital Lease Obligations

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

Bonds Payable - General Obligation Bonds and Revenue Bonds

General Obligation and Revenue Bonds are accounted for in the proprietary funds by institutions of higher education. The bonds payable are reported at par less unamortized discount or plus unamortized premium. 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. Bond proceeds and principal payments are reported in the Statement of Cash Flows.

Note 1 Continued

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.

Invested in Capital Assets, Net of Related Debt

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

Restricted Net Assets

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

Unrestricted Net Assets

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

INTERFUND ACTIVITIES AND BALANCES

The Texas State University System has the following types of transactions among funds:

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

Note 1 Continued

- (3) Interfund receivables and payables: Interfund loans are reported as interfund receivables and payables. If repayment is due during the current year or soon thereafter it is classified as “Current”, repayment for two (or more) years is classified as “Non-Current”.
- (4) Interfund Sales and Purchases: Charges or collections for services rendered by one fund to another that are recorded as revenues of the recipient fund and expenditures or expenses of the disbursing fund.

The composition of Texas State University System’s Interfund activities is presented in Note 12.

NOTE 2: Capital Assets

All capital assets acquired 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. Assets are depreciated over the estimated useful life of the asset using the straight-line method.

A summary of changes in Capital Assets for the year ended August 31, 2012 is presented on the next page.

Note 2 Continued

	Balance 9/1/2011	Adjustments	Completed CIP	Increase Int'agy Trans	Decrease Int'agy Trans	Additions	Deletions	Balance 8/31/2012
BUSINESS-TYPE ACTIVITIES								
Non-Depreciable Assets								
Land and Land Improvements	68,500,099.63	-	158,611.62	-	-	2,661,349.67	-	71,320,060.92
Construction in Progress	140,667,118.97	(3,041,398.34)	(175,680,978.81)	-	-	162,878,236.22	-	124,822,978.04
Other Assets	7,323,070.56	-	-	-	-	210,732.05	-	7,533,802.61
Total Non-Depreciable Assets	216,490,289.16	(3,041,398.34)	(175,522,367.19)	-	-	165,750,317.94	-	203,676,841.57
Depreciable Assets								
Buildings and Building Improvements	1,380,653,736.63	-	148,763,305.60	-	-	1,821,208.44	-	1,531,238,250.67
Infrastructure	62,018,381.80	-	2,705,818.80	-	-	746,875.97	-	65,471,076.57
Facilities & Other Improvements	144,906,941.07	-	9,506,506.56	-	-	135,030.00	(1,040.00)	154,547,437.63
Furniture and Equipment	123,481,488.81	-	1,403,638.75	-	(11,598.85)	12,904,093.10	(3,706,745.13)	134,070,876.68
Vehicles, Boats & Aircraft	13,146,484.29	-	-	-	-	1,269,092.95	(802,725.15)	13,612,852.09
Other Assets	122,245,840.44	-	-	-	-	7,751,199.73	(3,052,314.82)	126,944,725.35
Total Depreciable Assets at Historical Costs	1,846,452,873.04	-	162,379,269.71	-	(11,598.85)	24,627,500.19	(7,562,825.10)	2,025,885,218.99
Less Accumulated Depreciation :								
Buildings and Building Improvements	(668,689,103.04)	-	-	-	-	(39,261,714.15)	-	(707,950,817.19)
Infrastructure	(37,427,749.78)	-	-	-	-	(2,151,702.62)	-	(39,579,452.40)
Facilities & Other Improvements	(38,524,892.38)	-	-	-	-	(5,683,273.67)	1,040.00	(44,207,126.05)
Furniture and Equipment	(74,784,767.82)	(9,438.99)	-	-	4,970.88	(11,777,921.41)	3,295,522.06	(83,271,635.28)
Vehicles, Boats & Aircraft	(8,544,639.30)	-	-	-	-	(1,003,992.37)	789,035.81	(8,759,595.86)
Other Capital Assets	(72,721,868.55)	-	-	-	-	(5,703,283.82)	3,052,314.82	(75,372,837.55)
Total Accumulated Depreciation	(900,693,020.87)	(9,438.99)	-	-	4,970.88	(65,581,888.04)	7,137,912.69	(959,141,464.33)
Amortizable Assets-Intangible								
Computer Software	22,200,441.66	-	13,143,097.48	-	-	221,800.00	(1,312,568.16)	34,252,770.98
Total Amortizable Assets-Intangible	22,200,441.66	-	13,143,097.48	-	-	221,800.00	(1,312,568.16)	34,252,770.98
Less Accumulate Amortization								
Comuter Software	(11,329,548.49)	162,964.52	-	-	-	(4,033,436.37)	1,285,757.31	(13,914,263.03)
Total Accumulated Amortization	(11,329,548.49)	162,964.52	-	-	-	(4,033,436.37)	1,285,757.31	(13,914,263.03)
Depreciable Assets, Net	956,630,745.34	153,525.53	175,522,367.19	-	(6,627.97)	(44,766,024.22)	(451,723.26)	1,087,082,262.61
Capital Assets, Net	1,173,121,034.50	(2,887,872.81)	-	-	(6,627.97)	120,984,293.72	(451,723.26)	1,290,759,104.18

NOTE 3: Deposits, Investments, & Repurchase Agreements

The Texas State University System is authorized to invest in obligations and instruments as defined in the Public Funds Investment Act (Sec. 2256.001 Texas Government Code). Endowment Funds may be invested in accordance with the Uniform Management of Institutional Funds Act, Property Code Chapter 163. Such investments include (1) obligations of the United States or its agencies, (2) direct obligations of the State of Texas or its agencies, (3) obligations of political subdivisions rated not less than A by a national investment rating firm, (4) certificates of deposit, and (5) other instruments and obligations authorized by statute.

Deposits of Cash in Banks

As of August 31, 2012, the carrying value of demand deposits at local banks was \$60,307,039.78 as presented below:

CASH IN BANK-CARRYING VALUE PER AFR	\$ 60,307,039.78
Proprietary Funds Current Assets Cash in Banks	\$ 59,431,396.66
Proprietary Funds Current Assets Restricted Cash in Banks	2,765,754.95
Proprietary Funds Noncurrent Assets Restricted Cash in Banks	(1,890,111.83)
Cash in Bank per AFR	\$ 60,307,039.78

At August 31, 2012, the actual balance on deposit with local banks was \$72,489,217.23.

Investments

The carrying and fair values of investments as of the Statement of Net Assets date (both short and long term) are shown on the next page.

Note 3 Continued

GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES	Fair value
U.S. Government	
U.S. Treasury Securities	\$ 43,502,895.25
U.S. Government Agency Obligations	13,018,361.20
U.S. Government Agency Obligations (Texas Treasury Safekeeping)	3,733,442.67
Corporatate Obligations	20,778,055.29
Corporate Obligations (Texas Treasury Safekeeping)	-
Corporate Asset and Mortgage Backed Securities	8,224,824.60
Equity	60,404,837.59
International Obligations (Govt and Corp)	188,922.50
International Equity	3,221,581.47
Repurchase Agreements	18,711,922.24
Fixed Income Money Market and Bond Mutual Fund	59,793,325.94
Other Commingled Funds	660,091.65
Other Commingled Funds - Texpool	413,473,602.25
Commercial Paper	-
Real Estate	26,000.00
Miscellaneous	206,206.80
Total	\$ 645,944,069.45
Proprietary Funds Current Cash Equivalents	\$ 316,761,275.06
Proprietary Funds Current Restricted Cash Equivalents	77,834,823.39
Proprietary Funds Short Term Investments	718,564.78
Proprietary Funds Restricted Short Term Inverstments	99,000.00
Proprietary Funds Non-Current Restricted Cash Equivalents	18,877,503.80
Proprietary Funds Non-Current Restricted Investments	141,567,386.93
Proprietary Funds Non-Current Investments	90,085,515.49
Total as Above	\$ 645,944,069.45

Note 3 Continued

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The *Investment Policies* of the Texas State University System allow the investment of State funds in corporate bonds to be no more than 5% of the total portfolio. The bonds must be rated in one of the three highest rating categories (i.e. AAA to A).

As of August 31, 2012 the System's credit quality distribution for securities with credit risk exposure was as follows.

STANDARDS & POOR'S

Investment Type	AAA	AA	A	BBB	Total
U.S. Government Agency Obligations -	\$ 43,502,895.25	\$ 12,969,008.80			\$ 56,471,904.05
Corporate Obligations		4,411,907.33	14,373,860.07	1,815,347.89	20,601,115.29
Corporate Asset and Mortgage Backed Securities	295,557.55				295,557.55
Municipal Bonds		49,352.40			49,352.40
Misc - Preferred Securities				176,940.00	176,940.00
Total	\$ 43,798,452.80	\$ 17,430,268.53	\$ 14,373,860.07	\$ 1,992,287.89	\$ 77,594,869.29

NOTE 4: Short-Term Debt

During the fiscal year ended August 31, 2012, Texas State University System had no short term debt activity.

NOTE 5: Summary of Long-term Liabilities

Changes in Long-term Liabilities

During the year ended August 31, 2012, the following changes occurred in long-term liabilities.

BUSINESS TYPE ACTIVITES	BALANCE 9/1/2011	ADDITIONS	REDUCTIONS	BALANCE 8/31/2012	AMOUNTS DUE WITHIN ONE YEAR
Revenue B/P	\$ 795,055,361.11	\$ 30,958,573.42	\$ 53,647,802.20	\$ 772,366,132.33	\$ 40,230,448.36
Compensable Leave	19,211,534.81	5,969,976.38	4,703,839.14	20,477,672.05	10,459,310.72
Capital Lease Obligations	43,777.74	-	20,637.64	23,140.10	23,140.10
Claims & Judgments	154,222.82	-	154,222.82	-	-
TOTALS	\$ 814,310,673.66	\$ 36,928,549.80	\$ 58,526,501.80	\$ 792,866,944.48	\$ 50,712,899.18

Note 5 Continued

Bonds Payable

See Note 6 for a discussion of Bonds Payable.

Compensable Leave

A state employee is entitled to be paid for any 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 for Business Type Activities are recorded in the accounts as the benefits accrue to employees. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

Capital Leases

See Note 8 for a discussion of Capital Lease obligations.

Claims and Judgments

As of August 31, 2011, Sam Houston State University had a current claim of \$154,222.00. Various lawsuits and claims involving the universities and colleges within the Texas State University System (TSUS) are pending but cannot be reasonably estimated at this time. However, the liability over the extent provided for by insurance or otherwise, is not likely to have a material effect on the financial statements.

NOTE 6: Bonded Indebtedness

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

- (a) Amounts received on behalf of any member under Article 7, Section 17 of the Constitution of the State of Texas, including the income therefrom and any balances relating thereto, and

Note 6 Continued

- (b) General Revenue Fund appropriations, except to the extent so specifically appropriated for debt service to the Board by the Legislature of the State of Texas.

Pledged revenue is also subject to the provisions of the "Prior Encumbered Obligations". Prior Encumbered Obligations are the revenues included in the Revenue Financing System for Texas State University-San Marcos are subject to a prior claim for the following heretofore issued

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

Housing System Revenue Bonds, Series 1986

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

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

The following outstanding bonds have been issued utilizing the Revenue Financing System:

Revenue and Refunding Series 2002

- To acquire, purchase, construct, improve, renovate, enlarge or equip the property, buildings, structures, facilities or related infrastructures for component institutions and to pay costs related to the issuance of the bonds.
- \$147,445,000 par value; all authorized bonds have been issued to Angelo State University-\$16,917,550; Lamar University -\$21,792,096; Lamar Institute of Technology-\$5,301,960; Lamar State College Orange \$2,125,000; Lamar State College Port Arthur \$7,650,000; Sam Houston State University \$52,000,000; Southwest Texas \$29,066,500 and Sul Ross University \$15,175,000, to partially refund certain outstanding bond issues, and issuance costs.
- Issued October 17, 2002.
- Source of revenue for debt service-Revenue Financing System and the Texas Legislature has appropriated General Revenue Funds in the 2012-2013 biennium for the Tuition Revenue financed share.

Note 6 Continued

Revenue Bonds Series 2003

- To provide funds to acquire, purchase, construct, improve, renovate, enlarge, or equip the property, buildings, structures, facilities, roads, or related infrastructure and to pay any costs related to the issuance of the bonds.
- \$47,635,000 par value; all authorized bonds issued to Sam Houston State University \$20,500,000 (\$1,500,000 for Business Administration building; \$2,000,000 for Baseball/Softball complex; \$17,000,000 for Bearkat Village I&II) , Southwest Texas \$27,000,000 for the MITC and issuance costs.
- Issued November 4,2003.
- Source of revenue for debt service - Revenue Financing System and the Texas Legislature has appropriated General Revenue Funds in the 2012-2013 biennium for the Tuition Revenue financed share of \$27,000,000.

Revenue and Refunding Bonds Series 2004

- To provide funds to acquire, purchase, construct, improve, renovate, enlarge, or equip property, buildings, structures, facilities, roads, or related infrastructure; refund certain outstanding debt obligations of the Board; and to pay cost of issuance related to the bonds.
- \$85,950,000 par value; all authorized bonds have been issued to Lamar University \$19,500,000 and Sul Ross \$20,240,000 and to partially refund Series 1998A - \$38,080,000 and Series 2000 - \$7,550,000 and issuance costs.
- Issued December 3, 2004.
- Source of revenue for debt service - Revenue Financing System and the Texas Legislature has appropriated General Revenue Funds in the 2012-2013 biennium for the Tuition Revenue financed share of \$31,865,395.

Revenue and Refunding Bonds Series 2005

- To provide funds to acquire, purchase, construct, improve, renovate, enlarge, or equip property, buildings, structures, facilities, roads, or related infrastructure; refund certain outstanding debt obligations of the Board; and to pay cost of issuance related to the bonds.
- \$43,250,000 par value; all authorized bonds have been issued to Sam Houston State University (\$15,000,000), to partially refund Series 1998A - \$13,475,000, Series 1998B - \$2,700,000, Series 2000 - \$8,920,000 and Series 2001 - \$3,320,000 and issuance costs.
- Issued September 1, 2005.
- Source of revenue for debt service - Revenue Financing System and the Texas Legislature has appropriated General Revenue Funds in the 2012-2013 biennium for the Tuition Revenue financed share, \$13,565,244.

Note 6 ContinuedRevenue Financing Revenue Bonds, Series 2006

- To provide funds to purchase certain student housing and educational facilities located at Texas State University-San Marcos, Lamar University, and Angelo State University and financed by a Chapter 53, Texas Education Code non-profit corporation for the benefit of Texas State University System Foundation, Inc. and related entities and to pay cost of issuance related to the bonds.
- \$140,260,000 par value; all authorized bonds have been issued for Bobcat Village Texas State University-San Marcos - \$39,075,000; San Marcos Hall Texas State University-San Marcos - \$39,690,000; Cardinal Village Lamar University - \$44,270,000; Texan Hall Angelo State University - \$17,225,000 and issuance costs.
- Issued June 8, 2006.
- Source of revenue for debt service – Revenue Financing System.

Revenue Financing Revenue Bonds, Series 2006A

- To provide funds to acquire, purchase, construct, improve, renovate, enlarge, or equip property, buildings, structures, facilities, roads, or related infrastructure and to pay any costs related to the issuance of the bonds.
- \$23,475,000 par value; all authorized bonds have been issued to Lamar University (\$16,700,000) and to Texas State University-San Marcos (\$6,300,000) and issuance costs.
- Issued September 1, 2006.
- Source of revenue for debt service – Revenue Financing System.

Revenue and Refunding Bonds, Series 2008

- To provide funds to acquire, purchase, construct, improve, renovate, enlarge, or equip property, buildings, structures, facilities, roads, or related infrastructure and to pay any costs related to the issuance of the bonds.
- \$207,395,000 par value; all authorized bonds have been issued to Sam Houston State University (\$50,000,000) and to Texas State University-San Marcos (\$145,671,999), to partially refund Series 1998A - \$5,270,000 and Series 1998B - \$13,270,000, and issuance costs.
- Issued August 19, 2008.
- Source of revenue for debt service – Revenue Financing System and the Texas Legislature has appropriated General Revenue Funds in the 2012-2013 biennium for the Tuition Revenue financed share, \$85,920,000.

Note 6 Continued**Revenue Financing Revenue Bonds, Series 2009**

- To provide funds to acquire, purchase, construct, improve, renovate, enlarge, or equip property, buildings, structures, facilities, roads, or related infrastructure and to pay any costs related to the issuance of the bonds.
- \$86,745,000 par value; all authorized bonds have been to Lamar University (\$45,700,861), Sam Houston State University (\$3,200,000), Texas State University-San Marcos (\$41,342,900) and issuance costs.
- Issued June 30, 2009.
- Source of revenue for debt service – Revenue Financing System and the Texas Legislature has appropriated General Revenue Funds in the 2012-2013 biennium for the Tuition Revenue financed share, \$4,335,000, of the issued bonds.

Revenue Financing System Refunding Bonds, Series 2010

- To provide funds to refund a portion of the University System's outstanding obligations for debt service savings and to pay any costs related to the issuance of the bonds.
- \$99,950,000 par value; all authorized bonds have been issued for debt refunded: Series 2001 - \$4,245,000; Series 2002 - \$83,955,000; Series 2003 - \$16,640,000 and issuance costs.
- Issued August 12, 2010.
- Source of revenue for debt service – Revenue Financing System and the Texas Legislature has appropriated General Revenue Funds in the 2012-2013 biennium for the Tuition Revenue financed share, \$63,745,000 of the issued bonds.

Revenue Financing Revenue Bonds, Series 2010A

- To provide funds to acquire, purchase, construct, improve, renovate, enlarge, or equip property, buildings, structures, facilities, roads, or related infrastructure and to pay any costs related to the issuance of the bonds.
- \$65,735,000 value; all authorized bonds have been issued to Lamar State College Port Arthur (\$1,849,500), Sam Houston State University (\$18,000,000), Texas State University-San Marcos (\$46,125,000) and issuance costs.
- Issued August 19, 2010.
- Source of revenue for debt service – Revenue Financing System and the Texas Legislature has appropriated General Revenue Funds in the 2012-2013 biennium for the Tuition Revenue financed share, \$1,735,000, of the issued bonds.

Note 6 Continued

Revenue Financing Revenue Bonds, Series 2011

- To provide funds to acquire, purchase, construct, improve, renovate, enlarge, or equip property, buildings, structures, facilities, roads, or related infrastructure and to pay any costs related to the issuance of the bonds.
- \$86,775,000 par value; all authorized bonds have been issued to Sam Houston State University (\$25,500,000), Texas State University-San Marcos (\$66,468,000) and issuance costs.
- Issued June 14, 2011.
- Source of revenue for debt service – Revenue Financing System.

Revenue and Refunding Bonds, Series 2012

- To provide funds to acquire, purchase, construct, improve, renovate, enlarge, or equip property, buildings, structures, facilities, roads, or related infrastructure and to pay any costs related to the issuance of the bonds.
- \$27,860,000 par value; all authorized bonds have been issued to to Sam Houston State University (\$1,000,000), Texas State University-San Marcos (\$12,300,000) and to Lamar State College Port Arthur (1,995,000) for debt refunded: Series 2002 - \$3,200,000; Series 2003 - \$12,535,000 and issuance costs.
- Issued February 14, 2012.
- Source of revenue for debt service – Revenue Financing System and the Texas Legislature has appropriated General Revenue Funds in the 2012-2013 biennium for the Tuition Revenue financed share, \$8,000,000, of the issued bonds.

In addition to the outstanding bonds secured by the Texas State University System Revenue Financing System the following Texas State University-San Marcos bonds were outstanding at August 31, 2012:

Housing System Revenue Bonds, Series 1986

- To acquire an apartment complex known as Comanche Hills
- Issued April 1, 1986
- \$3,500,000; all authorized bonds have been issued
- Interest Rates-3.0%
- Maturity Date - 2016
- Revenue Bond
- Source of revenue for debt service – Auxiliary Enterprises net operating revenues

Note 6 Continued

DEFEASED BONDS

The following bonds were partially defeased during fiscal year 2012:

Revenue and Refunding Series 2002

- Refunding of certain outstanding maturities with par value of \$3,200,000 was defeased of the Series 2002 issued October 17, 2002 for \$147,445,000 in the Revenue and Refunding Bonds, Series 2012.
- Source of revenue for debt service - Revenue Financing System and the Texas Legislature has appropriated General Revenue Funds in the 2012-2013 biennium for the Tuition Revenue financed share of the issued bonds.
- Year defeased – 2012
- Economic gain on defeasement-Present Value Savings \$618,881.17.

Revenue Bonds Series 2003

- Refunding of certain outstanding maturities with par value of \$12,535,000 was defeased of the Series 2003 issued October 7, 2003 for \$47,635,000 in the Revenue and Refunding Bonds, Series 2012.
- Source of revenue for debt service - Revenue Financing System and the Texas Legislature has appropriated General Revenue Funds in the 2012-2013 biennium for the Tuition Revenue financed share of the issued bonds.
- Year defeased 2012
- Economic gain on defeasement – Present Value Savings \$1,557,733.66

NOTE 7: Derivative Instruments

Note is not applicable for Texas State University System.

NOTE 8: Leases

Capital Leases

Certain Leases to finance the purchase of equipment are capitalized at the present value of future minimum lease payments. The following summary presents the original capitalized costs of all such property under lease as well as the accumulated depreciation at August 31, 2012.

<u>Assets Under Capital Leases</u>	
Furniture & Equipment	\$ 93,239.00
Less: Accumulated Depreciation	<u>(19,535.78)</u>
TOTAL	<u>\$ 73,703.22</u>

Note 8 Continued

Future minimum lease payments under these capital leases, together with the present value of the net minimum lease payments at August 31, 2012 follows.

Future Capital Lease Payments	
Year Ending August 31	Principal
2013	\$ 23,140.10
2014	-
2015	-
2016	-
2017	-
TOTAL	\$ 23,140.10

Operating Leases

Operating lease payments are recorded as expenses during the life of the lease. Rental expenses related to operating leases for the year ended August 31, 2012, are \$1,302,205.15. Future minimum lease rental payments under non-cancelable operating leases having an initial term in excess of one year are shown below:

Noncancelable Operating Lease Obligations	
Year Ending August 31	
2013	1,684,812.34
2014	1,640,040.82
2015	1,310,721.44
2016	1,071,385.20
2017	1,013,290.53
2018-2022	2,821,876.89
2023-2027	460,971.78
2028-2032	
TOTAL	\$ 10,003,099.00

Additionally, Texas State University, San Marcos leased a building to an outside party under an operating lease. The cost, carrying value and accumulated depreciation of the lease building as of August 31, 2012 was as follows:

Assets Under Capital Leases	
Furniture & Equipment	\$ 93,239.00
Less: Accumulated Depreciation	(19,535.78)
TOTAL	\$ 73,703.22

Note 8 Continued

Future minimum lease rental income receipts under noncancelable operating leases as of August 31, 2012 are shown on below.

Noncancelable Operating Lease Rentals		
Year Ending August 31		
2013	\$	106,480.08
2014		106,480.08
2015		106,480.08
2016		106,480.08
2017		106,480.08
TOTAL	\$	532,400.40

NOTE 9: Pension Plans

The State has established an optional retirement program for institutions of higher education. Participation in ORP is in lieu of participation in the Teacher Retirement System and is available to certain eligible employees. The contributions made by plan members and employers for the fiscal year ended August 31, 2012 are:

YEAR ENDING AUGUST 31, 2012	
Member Contributions	10,817,825
Employer Contributions	11,511,207
Total	22,329,032

NOTE 10: Deferred Compensation

Not applicable.

NOTE 11: Post Employment Health Care and Life Insurance Benefits

Not applicable.

NOTE 12: Interfund Activity and Transactions

As explained in Note 1 on Interfund Activities and Balances, there are numerous transactions between funds and agencies. The Texas State University System experienced routine transfers within the System which were eliminated for the combined presentation.

Note 12 Continued

Transfers with other State agencies and universities were consistent with the activities of the fund making the transfer. Repayment of interagency balances will occur within one year from the date of the financial statements. Individual balances and activity at August 31, 2012 follows:

	LEGISLATIVE TRANSFERS	
	IN	OUT
Texas State University System 758		
Agency 737, Fund 0001	2,919,683.08	
TOTAL	\$ 2,919,683.08	\$ -

Following are Transfers for each University in the System with other state agencies.

	TRANSFERS		
	IN	OUT	Source
Lamar Beaumont 734			
Agency 347, Fund 0001		\$ 801,591.29	Loan
Agency 781, Fund 7999		1,087,268.78	Designated Funds
Sam Houston 753			
Agency 781, Fund 5103		1,578,431.80	Be on Time Program
Agency 781, Fund 0001		9,408.00	Doctoral Set Aside
Texas State 754			
Agency 781, Fund 0260		15,540.00	Doctoral Set Aside
Agency 781, Fund 5103		4,113,876.75	Be on Time Program
Sul Ross 756			
Agency 781, Fund 5103		79,275.17	Be on Time Program
Texas State System 758			
Agency 737, Fund 7999	2,184,733.67		Reimbursement on Bonds
Lamar Port Arthur 788			
Agency 781, Fund 5103		10,414.83	Be on Time Program
Lamar Institute of Technology 789			
Agency 781, Fund 0287		1,172.00	E& G Funds
TOTAL	\$ 2,184,733.67	\$ 7,696,978.62	

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Note 12 Continued

	DUE FROM	DUE TO	SOURCE
Lamar Beaumont 734			
Agency 608, Fund 5015	\$ 596.51	\$ -	Shared Cash
Agency 320, Fund 7999	40,577.51		Federal P-T
Agency 755, Fund 7999	196,328.62		Federal P-T
Agency 530, Fund 7999		1,235.59	Federal P-T
Agency 712, Fund 7999		373.27	Federal P-T
Agency 721, Fund 7999		2,479.52	Federal P-T
Agency 730, Fund 7999		18,966.94	Federal P-T
Total for 734	237,502.64	23,055.32	
Sam Houston 753			
Agency 555, Fund 7999	19,462.89		Federal P-T
Agency 556, Fund 7999	29,681.18		Federal P-T
Agency 601, Fund 0006	213,256.58		Federal P-T
Agency 721, Fund 0002	13,840.88		Federal P-T
Agency 730, Fund 7999	20,321.00		Federal P-T
Agency 781, Fund 0001	62,527.28	36,290.36	Federal P-T
Agency 720, Fund 7999		88.07	Federal P-T
Agency 802, Fund 0640		5,453.32	Federal P-T
Agency 608, Fund 5015	4,720.74		Shared Cash
Total for 753	363,810.55	41,831.75	
Texas State 754			
Agency 608, Fund 5140	7,184.05		Shared Cash
Agency 608, Fund 5015	3,994.59		Shared Cash
Agency 300, Fund 7999	98,012.81		Federal P-T
Agency 300, Fund 7999	212,370.58	1,242,194.82	State P-T
Agency 320, Fund 7999	40,794.16		Federal P-T
Agency 530, Fund 7999	248,213.21		Federal P-T
Agency 537, Fund 7999	709,374.59		State P-T
Agency 551, Fund 7999	3,792.25		Federal P-T
Agency 556, Fund 7999	16,760.67		Federal P-T
Agency 580, Fund 7999	35,101.90		State P-T
Agency 582, Fund 7999	386,570.88		Federal P-T
Agency 582, Fund 7999		2,797.85	Federal P-T
Agency 601, Fund 7999	19,810.29		Federal P-T
Agency 701, Fund 7999	113,155.05		Federal P-T
Agency 701, Fund 7999	204,164.38		State P-T
Agency 712, Fund 7999	2,164.76		Federal P-T
Agency 714, Fund 7999	383.65		State P-T
Agency 716, Fund 7999	64,388.50		Federal P-T
Agency 721, Fund 7999	13,798.84	433,004.43	Federal P-T
Agency 721, Fund 7999	2,559.76		State P-T
Agency 723, Fund 7999	12,052.63		Federal P-T
Agency 724, Fund 7999	42,644.42		Federal P-T
Agency 730, Fund 7999	8,876.85		Federal P-T
Agency 733, Fund 7999		35,270.31	Federal P-T
Agency 743, Fund 7999	26,820.56	881.45	Federal P-T
Agency 744, Fund 7999		151,101.26	Federal P-T
Agency 760, Fund 7999		278.74	State P-T
Agency 781, Fund 7999	87,288.49		Federal P-T
Agency 781, Fund 7999	1,264,090.21	1,047,247.00	State P-T
Agency 802, Fund 7999	188,271.10		Federal P-T
Agency 802, Fund 7999	7,486.78		State P-T
Total for 754	3,820,125.96	2,912,775.86	

Note 12 Continued

	DUE FROM	DUE TO	SOURCE
Sul Ross 756			
Agency 608, Fund 5015	14,140.69		Shared Cash
Agency 733, Fund 7999	10,368.38		Federal P-T
Agency 802, Fund 7999	18,387.46		Federal P-T
Total for 756	42,896.53	-	
Lamar Orange 787			
Agency 320, Fund 7999	66,281.27		Federal P-T
Agency 755, Fund 7999	12,385.69		Federal P-T
Total for 787	78,666.96	-	
Lamar Port Arthur 788			
Agency 730, Fund 7999	20,433.21		Federal P-T
Agency 781, Fund 7999	32,027.16		Federal P-T
Total for 788	52,460.37	-	
TOTAL for the System	\$ 4,595,463.01	\$ 2,977,662.93	

NOTE 13: Continuance Subject To Review

The Texas State University System is not subject to the Texas Sunset Act.

NOTE 14: Adjustments to Fund Balances and Net Assets

During fiscal year 2012 adjustments were made that required the restatement of net assets. Following are the reasons for the restatements:

An accounting error	\$ 7,317,616.61
An adjustment for capital assets and depreciation	<u>(2,887,872.81)</u>
	<u>\$ 4,429,743.80</u>

The beginning net asset balance is restated to reflect the adjustments.

Net Assets- September 1, 2011	\$ 1,065,288,631.62
Adjustment to fixed assets	4,429,743.80
Restated Net Assets- September 1, 2011	<u>\$ 1,069,718,375.42</u>

NOTE 15: Contingencies and Commitments

At August 31, 2012, various lawsuits and claims involving the Board of Regents, Texas State University System were pending. While the ultimate liability with respect to litigation and other claims asserted against the Board of Regents cannot be reasonably estimated at this time, such liability, to the extent not provided for by insurance or otherwise, is not likely to have a material effect on the Board of Regents, Texas State University System. Under Texas law, the Texas State University System, as an agency of the State of Texas, enjoys immunity from most causes of action. The majority of such claims are dismissed prior to trial.

NOTE 16: Subsequent Events

There are no subsequent events to report for the year ended August 31, 2012.

NOTE 17: Risk Management

System Administration is exposed to a variety of civil claims resulting from the performance of its duties. It is System Administration's policy to periodically assess the proper combination of commercial insurance and retention of risk to cover losses to which it may be exposed. System Administration assumes substantially all risks associated with tort and liability claims due to the performance of its duties. Currently there is no purchase of commercial insurance, nor is System Administration involved in any risk pool with other government entities for these risks.

NOTE 18: Management Discussion and Analysis

Note is not applicable for Texas State University System.

NOTE 19: The Financial Reporting Entity

Component Units (CUs) are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, CUs can be other organizations for which the nature and significance of their relationship with the primary government is such that exclusion would create misleading or incomplete financial statements. The System has determined that it does not have legally separate organizations that should be considered Component Units.

The following foundations and organizations, while not components units, are disclosed due to their significant relationship with the System and its components.

Note 19 Continued**TEXAS STATE UNIVERSITY SYSTEM****Texas State University System Foundation, Inc.**

The Texas State University System Foundation, Inc. is a non-profit corporation created in 1977 to provide financial support for the Universities and Colleges within the Texas State University System and for the System Office. The Foundation provides funds for student scholarships, faculty awards and for assisting the Chancellor in the performance of his duties. During fiscal year 2012, the Foundation had net assets of \$7,219,086. The Foundation provided \$1,133,620 in scholarships, faculty awards, and assistance to several institutions, the Chancellor and Board of Regents.

LAMAR UNIVERSITY**Lamar University Foundation**

The Lamar University Foundation is a nonprofit organization with the sole purpose of supporting educational activities of Lamar University. The Foundation solicits donations and acts as coordinator of gifts made by other parties. The Foundation remitted restricted gifts of \$1,136,132.76 to the University during the year ended August 31, 2012. During the fiscal year the University furnished certain services, such as office space and utilities, to the Foundation, for which the Foundation was billed at cost, \$198,089.21. Accounts receivable of \$ 428,272.06 are due from the Foundation at August 31, 2012.

LAMAR INSTITUTE OF TECHNOLOGY**Lamar Institute of Technology Foundation**

The Lamar Institute of Technology Foundation is a nonprofit organization with the sole purpose of supporting educational activities of Lamar Institute of Technology. The Foundation solicits donations and acts as coordinator of gifts made by other parties. The Foundation remitted restricted gifts of \$32,421.73 to the Institute during the year ended August 31, 2012.

LAMAR STATE COLLEGE – ORANGE**Lamar State College-Orange Foundation, Inc.**

Lamar State College–Orange Foundation, Inc. is a non-profit organization, which was established in December 1983, to support the development and promotion of Lamar State College–Orange, its students, faculty, staff, and physical facilities. Neither the balance nor the transactions of this organization’s fund are reflected in the financial statements during the year ended August 31, 2012. Lamar State College–Orange received \$115,000 from the Lamar State College–Orange Foundation during the year ended August 31, 2012.

Note 19 Continued**LAMAR STATE COLLEGE - PORT ARTHUR**

The College is affiliated with one foundation and an alumni association that has the sole purpose of supporting the educational and other activities of the College. These entities solicit donations and act as coordinator of gifts made by other parties.

Port Arthur Higher Education Foundation

The Port Arthur Higher Education Foundation is a non-profit organization which was established for the purpose of cooperating with and working on behalf of the College. Neither the transactions of this organization or its fund balances are reflected in the financial statements during the year ended August 31, 2012. The Port Arthur Higher Education Foundation gave \$310,277 in scholarship money directly to Lamar State College-Port Arthur students during the year ended August 31, 2012.

Lamar Port Arthur Alumni Association

The Lamar Port Arthur Alumni Association is a non-profit organization which was established for the purpose of cooperating with and working on behalf of the College. Neither the transactions of this organization or its fund balances are reflected in the financial statements during the year ended August 31, 2012.

SAM HOUSTON STATE UNIVERSITY**The Sam Houston Foundation**

The Sam Houston Foundation is a separate nonprofit organization which was established for the purpose of cooperating with and working on behalf of the University. Neither the balance nor the transactions of this organization's fund are reflected in the financial statements during the year ended August 31, 2012.

SUL ROSS STATE UNIVERISTY**Sul Ross State University Friends of the Center for Big Bend Studies Inc.**

Sul Ross State University Friends of the Center for Big Bend Studies Inc. was formed in 2003 to seek, receive, and disperse funding in support of the programs of the Sul Ross State University Center for Big Bend Studies. During 2012, the Friends of the Center for Big Bend Studies expended \$227,753.43 in support of the Center for Big Bend Studies.

Sul Ross State University Support Organization

Sul Ross State University Support Organization was formed in 2003 exclusively for charitable, educational, and scientific purposes. During 2012, the Support Organization expended zero in support of the mission and programs of the University.

Note 19 Continued

TEXAS STATE UNIVERSITY-SAN MARCOS

Component Units (CUs) are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, CUs can be other organizations for which the nature and significance of their relationship with the primary government is such that exclusion would create misleading or incomplete financial statements.

The Texas State University-San Marcos Research Foundation

The Texas State University-San Marcos Research Foundation was formed as an independent 501(c)(3) organization on July, 22, 2010. The Research Foundation was formed to support the university's mission and objectives of promoting higher education, conducting research, providing public service, and assisting in economic development in Texas. The Research Foundation has a fiscal year end of February 28 and is exclusively associated with the university.

The Research Foundation is included in the financial statements of Texas State University – San Marcos (University) as a blended component unit in accordance with GASB Statement 14 as amended by GASB Statement 39. The key business officers of the University comprise the entirety of the Research Foundation's officers and directors, thereby giving the University the ability to impose its will on the Research Foundation.

During fiscal year 2012, there were no financial transactions to report for the Research Foundation.

The Harold M. Freeman Education Foundation

The Harold M. Freeman Education Foundation was exclusively formed to make use of certain ranch property, known as the Freeman Ranch, available to Texas State. The ranch property is used and operated solely for farm, ranch, and game management, educational and research purposes in connection with the educational activities of the universities.

The activities of the Freeman Ranch are included in the financial statements of Texas State University-San Marcos as a blended component unit. The management and administration of the ranch is the responsibility of key business officers who in the execution of these responsibilities employ ranch management, establish policies and maintain fiscal accountability.

Note 19 Continued

Related Parties for Texas State – San Marcos - The following affiliated foundations, while not component units, are disclosed due to their close relationship with the university. Affiliated foundations are controlled by separate boards of directors, pay their own expenses and are not included in the basic financial statements of the university.

TEXAS STATE UNIVERSITY-SAN MARCOS DEVELOPMENT FOUNDATION

The Texas State University-San Marcos Development Foundation was formed in 1977 to support the educational, scientific and research mission of Texas State. The Development Foundation raises and manages endowment funds designated for scholarships and other support for the university. In total, the Development Foundation Board reported payments of \$293,741.33 for university support and \$618,441.10 for student scholarships from Development Foundation funds during the fiscal year ended August 31, 2012. Donations to the Development Foundation are restricted gifts of \$8,344,880.08 and, temporarily restricted gifts of \$203,854.12.

THE MCCOY COLLEGE OF BUSINESS ADMINISTRATION DEVELOPMENT FOUNDATION

The McCoy College of Business Administration Development Foundation (Business Foundation), founded in 2004, is dedicated exclusively to the support of The McCoy College of Business at Texas State University-San Marcos. The Business Foundation administers its investments and transfers designated funds to the McCoy College of Business in support of chairs or professorships, undergraduate scholarships, graduate fellowships, faculty development, and student development. Based upon estimated, unaudited, figures during the fiscal year ended August 31, 2012 the Business Foundation approved a new \$599,500 distribution from endowments to the University, received new contributions of \$281,059.24 for endowments and ended with accrued assets and liabilities of \$26,089,907.89 and \$15,862.94 respectively. The Business Foundation pays for its own operating expenses (including staff salaries, accounting, supplies and auditing), which totaled approximately \$74,783.46 in fiscal year 2012 or less than 0.3% of the assets of the Business Foundation. Fees for investment management were less than 1% of the assets.

TEXAS STATE UNIVERSITY-SAN MARCOS SUPPORT FOUNDATION

The Texas State University-San Marcos Support Foundation was formed exclusively for charitable, educational and scientific purposes to assist in the development of the university. The Support Foundation had assets totaling \$338,528 as of August 31, 2012. The Support Foundation's income was \$3,549 and expended \$6,751 of which \$3,600.00 was in direct support of the University, including payment for University-provided services.

Note 19 Continued

TEXAS STATE ALUMNI ASSOCIATION

The efforts and funds of the Texas State Alumni Association are dedicated to Texas State University-San Marcos for student scholarships, campus support, and alumni outreach activities. During the fiscal year ended August 31, 2012 the Alumni Association raised \$363,034 in operating income and reported payments of \$303,146. At August 31, 2012, Texas State University-San Marcos holds \$314,907.47 in deposits that are considered Held in Trust for Others – Agency Funds on behalf of the Alumni Association. Agency funds are assets not owned by the university but held in custodianship, to be used or withdrawn by the depositors at will. The Agency funds resources, including those of the Alumni Association, are reflected in the university’s financial records as cash and cash equivalents with a corresponding liability to the depositing organizations. The Texas State University-San Marcos Development Foundation holds and manages endowments associated with the Alumni Association in the amount of \$871,002.

NOTE 20: Stewardship, Compliance and Accountability

The Texas State University System has no material issues.

NOTE 21: N/A

NOTE 22: Donor-Restricted Endowments

DONOR RESTRICTED ENDOWMENT	AMOUNT OF NET APPRECIATION
Endowments - True Endowments	\$ 12,143,419.64
Endowments - True Endowments	8,732,616.13
Endowments - Term Endowments	-
TOTAL	<u>\$ 20,876,035.77</u>

NOTE 23: Extraordinary and Special Items

The Texas State University System had no special or extraordinary items to report for the fiscal year ended August 31, 2012.

NOTE 24: Disaggregation of Receivable and Payable Balances

The following accounts are disaggregated as follows:

Federal Receivable

Instruction	\$ 1,821,601.90
Research	4,859,750.67
Public Service	294,541.14
Student Scholarships/Loans	10,952,944.09
Institutional Support	-
Academic Support	557,916.73
Student Services	15,444.19
Operation /Maintenance of Plant	17,278.76
TOTAL	\$ 18,519,477.48

Other Payables - Current

Interst Payable on outstanding bonds	16,406,707.45
Financial Aid Refund Deposits	262,588.18
Loan Fund	21,352.15
Other Payables	24,646.71
TOTAL	\$ 16,715,294.49

NOTE 25: Termination Benefits

During the fiscal year ended August 31, 2012, Texas State University System did not provide termination benefits.

NOTE 26: Segment Information

The Texas State University System has no segments to report as of August 31, 2012.

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TEXAS STATE UNIVERSITY SYSTEM
 SCHEDULE 2A
 COMBINED MISCELLANEOUS BOND INFORMATION
 For the Year Ended August 31, 2012

Business Type Activity Description	Bonds Issued to Date	Range of Interest Rates	Scheduled Maturities		First Call Date
			First Year	Last Year	
REVENUE BONDS					
Student Housing System Revenue Bonds, Southwest Texas State University					
Series 1986	\$ 3,500,000.00	3.0%	1988	2016	10-01-96
Subtotal	<u>3,500,000.00</u>				
Revenue Financing System Bonds Texas State University System					
Series 2002	147,445,000.00	2.0% to 5.25%	2003	2022	03-15-12
Series 2003	47,635,000.00	3.625% to 4.625%	2004	2023	03-15-13
Series 2004	85,950,000.00	2.25% to 5.00%	2005	2034	09-15-14
Series 2005	43,250,000.00	3.25% to 5.00%	2006	2026	03-15-15
Series 2006	140,260,000.00	4.25% to 5.00%	2007	2034	03-15-16
Series 2006A	23,475,000.00	4.00% to 5.50%	2008	2026	03-15-16
Series 2008	207,395,000.00	3.00% to 5.25%	2008	2028	03-15-18
Series 2009	86,745,000.00	3.00% to 5.25%	2009	2029	03-15-19
Series 2010	99,950,000.00	2.00% to 5.00%	2011	2022	03-15-20
Series 2010A	65,735,000.00	2.00% to 5.00%	2010	2040	03-15-20
Series 2011	86,775,000.00	2.00% to 5.00%	2012	2042	03-15-21
Series 2012	27,860,000.00	2.00% to 5.00%	2013	2032	03-15-21
Subtotal	<u>1,062,475,000.00</u>				
TOTAL	\$ <u>1,065,975,000.00</u>				

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TEXAS STATE UNIVERSITY SYSTEM
 SCHEDULE 2B
 COMBINED CHANGE IN BONDED INDEBTEDNESS
 For the Year Ended August 31, 2012

<u>Business Type Activity</u>	Bonds Outstanding 09-01-11	Bonds Issued	Bonds Matured	Bonds Refunded or Extinguished	Bonds Outstanding 08-31-12	Amounts Due Within One Year
Description						
REVENUE BONDS						
Student Housing System Revenue Bonds, Southwest Texas State University						
Series 1986	\$ 845,000.00	\$	\$ 160,000.00	\$	\$ 685,000.00	\$ 165,000.00
Subtotal	<u>845,000.00</u>		<u>160,000.00</u>		<u>685,000.00</u>	<u>165,000.00</u>
 Revenue Financing System Bonds						
Texas State University System						
Series 2002	10,060,000.00		6,860,000.00	3,200,000.00	0.00	0.00
Series 2003	17,005,000.00		2,190,000.00	12,535,000.00	2,280,000.00	2,280,000.00
Series 2004						
Par Value	65,025,000.00		8,215,000.00		56,810,000.00	8,620,000.00
Premium	1,731,986.61		471,649.15		1,260,337.46	359,366.66
Series 2005	37,415,000.00		1,760,000.00		35,655,000.00	1,365,000.00
Series 2006	125,570,000.00		3,485,000.00		122,085,000.00	3,660,000.00
Series 2006A	20,080,000.00		950,000.00		19,130,000.00	985,000.00
Series 2008	171,860,000.00		8,380,000.00		163,480,000.00	8,450,000.00
Series 2009	79,810,000.00		2,825,000.00		76,985,000.00	2,960,000.00
Series 2010						
Par Value	98,445,000.00		0.00		98,445,000.00	6,465,000.00
Premium	5,436,804.77		494,254.98		4,942,549.79	494,254.98
Series 2010A						
Par Value	64,840,000.00		345,000.00		64,495,000.00	1,240,000.00
Premium	4,165,425.88		143,635.37		4,021,790.51	143,635.35
Series 2011						
Par Value	86,775,000.00		1,440,000.00		85,335,000.00	1,985,000.00
Premium	5,991,143.85		193,262.70		5,797,881.15	193,262.70
Series 2012						
Par Value		27,860,000.00	0.00		27,860,000.00	710,000.00
Premium		3,098,573.42	0.00		3,098,573.42	154,928.67
Subtotal Revenue Bonds	<u>794,210,361.11</u>	<u>30,958,573.42</u>	<u>37,752,802.20</u>	<u>15,735,000.00</u>	<u>771,681,132.33</u>	<u>40,065,448.36</u>
 TOTAL	 <u>\$ 795,055,361.11</u>	 <u>\$ 30,958,573.42</u>	 <u>\$ 38,072,802.20</u>	 <u>\$ 15,735,000.00</u>	 <u>\$ 772,366,132.33</u>	 <u>\$ 40,230,448.36</u>

UNAUDITED
TEXAS STATE UNIVERSITY SYSTEM
SCHEDULE 2C
COMBINED DEBT SERVICE REQUIREMENTS
For the Year Ended August 31, 2012

Business Type Activity

Description	Year	Principal	Interest
Student Housing System Revenue Bonds.			
Southwest Texas State University			
Series 1986	2013	165,000.00	18,075.00
	2014	165,000.00	13,125.00
	2015	175,000.00	8,025.00
	2016	180,000.00	2,700.00
		<u>\$ 685,000.00</u>	<u>\$ 41,925.00</u>
Revenue Financing System Bonds			
Texas State University System			
Series 2003	2013	2,280,000.00	91,200.02
		<u>\$ 2,280,000.00</u>	<u>\$ 91,200.02</u>
Series 2004	2013	8,620,000.00	2,808,317.48
	2014	8,560,000.00	2,377,317.46
	2015	7,885,000.00	1,949,317.52
	2016	3,065,000.00	1,555,067.50
	2017	1,555,000.00	1,434,000.00
	2018-2022	9,025,000.00	5,922,500.00
	2023-2027	9,955,000.00	3,427,000.00
	2028-2032	5,530,000.00	1,510,250.00
	2033-2034	2,615,000.00	197,750.00
		<u>56,810,000.00</u>	<u>21,181,519.96</u>
Series 2005	2013	1,365,000.00	1,750,737.52
	2014	1,620,000.00	1,682,487.52
	2015	1,320,000.00	1,601,487.52
	2016	5,665,000.00	1,535,487.52
	2017	6,940,000.00	1,252,237.52
	2018-2022	14,625,000.00	2,341,612.48
	2023-2026	4,120,000.00	472,418.76
		<u>\$ 35,655,000.00</u>	<u>\$ 10,636,468.84</u>
Series 2006	2013	3,660,000.00	6,104,250.00
	2014	3,850,000.00	5,921,250.00
	2015	4,045,000.00	5,728,750.00
	2016	4,235,000.00	5,526,500.00
	2017	4,450,000.00	5,314,750.00
	2018-2022	25,890,000.00	22,997,500.00
	2023-2027	33,030,000.00	15,846,000.00
	2028-2032	37,030,000.00	6,724,250.00
	2033-2034	5,895,000.00	416,750.00
		<u>\$ 122,085,000.00</u>	<u>\$ 74,580,000.00</u>
Series 2006A	2013	985,000.00	902,137.52
	2014	1,030,000.00	860,275.02
	2015	1,080,000.00	808,775.02
	2016	1,135,000.00	754,775.02
	2017	1,190,000.00	698,025.02
	2018-2022	6,935,000.00	2,502,962.56
	2023-2026	6,775,000.00	778,725.00
		<u>\$ 19,130,000.00</u>	<u>\$ 7,305,675.16</u>

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TEXAS STATE UNIVERSITY SYSTEM
SCHEDULE 2C
COMBINED DEBT SERVICE REQUIREMENTS
For the Year Ended August 31, 2012

Series 2008	2013	8,450,000.00	8,196,174.98
	2014	8,680,000.00	7,879,299.98
	2015	9,105,000.00	7,532,099.96
	2016	8,800,000.00	7,076,850.02
	2017	9,245,000.00	6,636,850.02
	2018-2022	46,985,000.00	26,121,462.50
	2023-2027	58,610,000.00	12,946,537.50
	2028	<u>13,605,000.00</u>	<u>680,250.00</u>
		<u>\$ 163,480,000.00</u>	<u>\$ 77,069,524.96</u>
Series 2009	2013	2,960,000.00	3,915,212.50
	2014	3,115,000.00	3,767,212.50
	2015	3,270,000.00	3,611,462.50
	2016	3,445,000.00	3,447,962.50
	2017	3,605,000.00	3,275,712.50
	2018-2022	20,925,000.00	13,487,062.50
	2023-2027	26,875,000.00	7,546,825.00
	2028-2029	<u>12,790,000.00</u>	<u>967,250.00</u>
		<u>\$ 76,985,000.00</u>	<u>\$ 40,018,700.00</u>
Series 2010	2013	6,465,000.00	4,922,250.00
	2014	6,780,000.00	4,599,000.00
	2015	9,615,000.00	4,259,999.96
	2016	9,865,000.00	3,779,250.00
	2017	10,775,000.00	3,286,000.02
	2018-2022	<u>54,945,000.00</u>	<u>7,950,750.02</u>
		<u>\$ 98,445,000.00</u>	<u>\$ 28,797,250.00</u>
Series 2010A	2013	1,240,000.00	2,998,512.52
	2014	1,285,000.00	2,948,912.52
	2015	1,335,000.00	2,897,512.52
	2016	1,375,000.00	2,857,462.52
	2017	1,430,000.00	2,802,462.52
	2018-2022	8,105,000.00	13,057,012.60
	2023-2027	10,295,000.00	10,873,062.60
	2028-2032	12,670,000.00	8,267,262.60
	2033-2037	15,555,000.00	5,020,218.84
	2038-2040	<u>11,205,000.00</u>	<u>1,138,750.00</u>
		<u>\$ 64,495,000.00</u>	<u>\$ 52,861,169.24</u>
	Series 2011	2013	1,985,000.00
2014		2,045,000.00	4,041,737.54
2015		2,130,000.00	3,959,937.54
2016		2,215,000.00	3,874,737.54
2017		2,320,000.00	3,763,987.54
2018-2022		13,320,000.00	17,105,587.70
2023-2027		16,875,000.00	13,562,187.70
2028-2032		18,620,000.00	9,078,750.00
2033-2037		11,345,000.00	5,377,500.00
2038-2042		<u>14,480,000.00</u>	<u>2,242,500.00</u>
		<u>\$ 85,335,000.00</u>	<u>\$ 67,108,213.10</u>
Series 2012	2013	710,000.00	1,249,340.03
	2014	3,210,000.00	1,136,087.54
	2015	810,000.00	1,007,687.50
	2016	820,000.00	987,437.58
	2017	830,000.00	962,837.60
	2018-2022	11,015,000.00	4,102,988.02
	2023-2027	5,810,000.00	1,286,337.52
	2028-2032	<u>4,655,000.00</u>	<u>483,193.86</u>
	<u>\$ 27,860,000.00</u>	<u>\$ 11,215,909.65</u>	

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TEXAS STATE UNIVERSITY SYSTEM
 SCHEDULE 2D
 COMBINED SCHEDULE OF ANALYSIS OF FUNDS AVAILABLE FOR DEBT SERVICE
 For the Year Ended August 31, 2012

Business Type Activity - Revenue Bonds	Pledged and Other Sources and Related Expenditures for the Year			
	Net Available for Debt Service			
	Total	Operating Expenses	Debt Service	
	Pledged and Other Sources	Expenditures and Capital Outlay	Principal	Interest
Description of Issues				
Student Housing System Revenue Bonds				
Southwest Texas State University				
Series 1986	\$ 51,151,028	\$ 39,716,575	\$ 160,000	\$ 22,950.00
TSUS Revenue Financing System Revenue Bonds				
Series 2002			6,860,000	503,962.47
Series 2003			2,190,000	750,287.50
Series 2004			8,215,000	3,219,067.50
Series 2005			1,760,000	1,829,937.52
Series 2006			3,485,000	6,278,500.00
Series 2006A			950,000	940,137.51
Series 2008			8,380,000	8,615,174.99
Series 2009			2,825,000	4,056,462.50
Series 2010			0	4,922,250.00
Series 2010A			345,000	3,008,862.51
Series 2011			1,440,000	3,028,730.83
Subtotal Revenue Financing System Revenue Bonds	<u>487,434,357</u>	<u>486,939,955</u>	<u>36,450,000</u>	<u>37,153,373.33</u>
Total	<u>\$ 538,585,385</u>	<u>\$ 526,656,530</u>	<u>\$ 36,610,000</u>	<u>\$ 37,176,323.33</u>

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TEXAS STATE UNIVERSITY SYSTEM
SCHEDULE 2E
COMBINED SCHEDULE OF DEFEASED BONDS OUTSTANDING
For the Year Ended August 31, 2012

Business Type Activity - Revenue Bonds

<u>Description of Issues</u>	<u>Year Refunded</u>	<u>Par Value Outstanding</u>
Revenue Financing System Revenue Bonds Revenue Financing System Revenue Bonds Series 2003	2010	16,640,000.00 <u>\$ 16,640,000.00</u>
Revenue Financing System Revenue Bonds Revenue Financing System Revenue Bonds Series 2003	2012	12,535,000.00 <u>\$ 12,535,000.00</u>
Total Defeased Bonds		<u>\$ 29,175,000.00</u>

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TEXAS STATE UNIVERSITY SYSTEM
 SCHEDULE 2F
 COMBINED SCHEDULE OF EARLY EXTINGUISHMENT AND REFUNDING
 For the Year Ended August 31, 2012

		Not Applicable			
Description of Issue	Category	Amount Extinguished or Refunded	Refunding Issue Par Value	Cash Flow Increase (Decrease)	Economic Gain/ (Loss)
Business-Type Activities					
Revenue Bonds					
Revenue Financing System Bonds					
Series 2002	Current Refunding	\$ 3,200,000.00	\$ 2,530,000.00	\$ (1,050,267.63)	\$ 618,881.17
Series 2003	Advance Refunding	12,535,000.00	10,970,000.00	(1,973,885.56)	1,557,733.66
Total		\$ 15,735,000.00	\$ 13,500,000.00	\$ (3,024,153.19)	\$ 2,176,614.83

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**Texas State University System
Combined Schedule 3
Combined Reconciliation of Cash in State Treasury
For the Fiscal Year Ended August 31, 2012**

Cash in State Treasury		Unrestricted Cash
Agency	Fund	
Lamar University Beaumont	0256	7,845,097.86
Lamar Institute of Technology	0287	1,014,068.09
Lamar State College Orange	0285	2,228,624.11
Lamar State College Port Arthur	0286	449,505.45
Sam Houston University	0259	21,219,026.02
Sam Houston University	0581	1,233,198.26
Sam Houston University	5083	621,813.73
Sul Ross State University	0262	517,814.15
Texas State University San Marcos	0260	<u>20,587,436.67</u>
		 <u>\$ 55,716,584.34</u>

