

OFFICIAL STATEMENT DATED JUNE 18, 2002

NEW ISSUE - BOOK-ENTRY ONLY

RATINGS: (See "RATINGS" herein)



\$14,070,000
TEXAS PUBLIC FINANCE AUTHORITY
Stephen F. Austin State University
Revenue Financing System
Revenue Bonds, Series 2002



Dated Date: June 15, 2002

Due: October 15, as shown herein

The bonds described herein (the "Bonds") are issued by the Texas Public Finance Authority (the "Authority") on behalf of the Board of Regents (the "Board") of Stephen F. Austin State University (the "University"). The Bonds are payable from and secured by a lien on "Pledged Revenues" (as defined herein) of the University. **THE BONDS ARE NOT GENERAL OBLIGATIONS OF THE BOARD, THE AUTHORITY, THE UNIVERSITY OR ANY PART THEREOF, THE STATE OF TEXAS, OR ANY POLITICAL SUBDIVISION OF THE STATE. NEITHER THE BOARD NOR THE AUTHORITY HAS ANY TAXING POWER, AND NEITHER THE CREDIT NOR THE TAXING POWER OF THE STATE OR ANY POLITICAL SUBDIVISION OF THE STATE IS PLEDGED AS SECURITY FOR THE BONDS. THE BREACH OF ANY COVENANT, AGREEMENT, OR OBLIGATION CONTAINED IN THE RESOLUTION WILL NOT IMPOSE OR RESULT IN GENERAL LIABILITY ON OR A CHARGE AGAINST THE GENERAL CREDIT OF THE BOARD, THE AUTHORITY, OR THE UNIVERSITY. THE OWNERS OF THE BONDS WILL NEVER HAVE THE RIGHT TO DEMAND PAYMENT OF THE BONDS FROM ANY SOURCE OTHER THAN PLEDGED REVENUES. See "SECURITY FOR THE BONDS."**

The proceeds from the sale of the Bonds, together with other available funds, will be used for the purpose of (i) financing campus improvements at the University, the construction of a telecommunications building, the renovation of power plant facilities and the replacement of the Birdwell building, (ii) to the extent bond proceeds are not required for the purposes set out in the preceding clause, renovating existing structures and facilities at the University, and (iii) paying the costs of issuing the Bonds. See "PLAN OF FINANCING."

Interest on the Bonds will accrue from the dated date, and is payable on October 15, 2002 and each April 15 and October 15 thereafter, calculated on the basis of a 360-day year composed of twelve 30-day months. The Bonds are initially issuable only to Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC") pursuant to the book-entry only system described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the purchasers thereof. Interest on and principal of the Bonds will be payable by Regions Bank – Little Rock, Little Rock, Arkansas, the initial Paying Agent/Registrar, to Cede & Co., which will make distribution of the amounts so paid to the beneficial owners of the bonds. See "DESCRIPTION OF THE BONDS-Book-Entry Only System."

Payment of the principal of and interest on the Bonds when due will be insured by a municipal bond insurance policy to be insured by Financial Security Assurance simultaneously with the delivery of the Bonds.



See Inside Cover for Maturity Schedule

The Bonds are subject to redemption prior to maturity as described herein. See "DESCRIPTION OF THE BONDS - Redemption."

The Bonds are offered when, as and if issued, subject to approval of legality by the Attorney General of the State of Texas and the opinion of McCall, Parkhurst & Horton L.L.P., Austin, Texas, as to the validity of the issuance of the Bonds under the Constitution and the laws of the State of Texas and to the effect that, assuming continuing compliance by the Authority and the Board with certain requirements contained in the Resolution of the Authority and the Board authorizing the Bonds and subject to certain matters discussed under "TAX MATTERS" herein, interest on the Bonds will be excludable from the gross income of the owners thereof for federal income tax purposes and will not be included in computing the alternative minimum taxable income of owners thereof who are individuals or, except as herein described, corporations.. See "TAX MATTERS" herein. The Bonds are expected to be available for delivery through DTC on or about July 9, 2002.

MATURITY SCHEDULE ⁽¹⁾

Due October 15	Maturing Amounts	Interest Rates	Yield	CUSIP
2002	\$ 500,000	4.000%	1.450%	882756KN
2003	445,000	4.000%	1.700%	882756KP
2004	470,000	4.000%	2.120%	882756KQ
2005	495,000	4.000%	2.630%	882756KR
2006	520,000	4.000%	2.940%	882756KS
2007	550,000	4.000%	3.230%	882756KT
2008	575,000	4.000%	3.510%	882756KU
2009	605,000	4.250%	3.690%	882756KV
2010	635,000	4.250%	3.900%	882756KW
2011	665,000	4.500%	4.010%	882756KX
2012	695,000	4.500%	4.110%	882756KY
2013	725,000	4.200%	4.250%	882756KZ
2014	760,000	4.300%	4.380%	882756LA
2015	795,000	4.450%	4.500%	882756LB
2016	830,000	4.500%	4.600%	882756LC
2017	870,000	4.650%	4.700%	882756LD
2018	915,000	4.750%	4.800%	882756LE
2019	960,000	4.750%	4.900%	882756LF
2020	1,005,000	5.000%	5.000%	882756LG
2021	1,055,000	5.000%	5.050%	882756LH

(plus accrued interest from June 15, 2002)

⁽¹⁾ The Bonds are subject to redemption as set forth herein in the section “DESCRIPTION OF THE BONDS – Redemption.”

TEXAS PUBLIC FINANCE AUTHORITY

Board of Directors

Mr. John C. Kerr, Chair
Mr. H. L. Bert Mijares, Vice Chair
Ms. Cynthia L. Meyer, CPA, Secretary

Mr. J. Vaughn Brock, Member
Mr. R. David Kelly, Member
Ms. Helen Huey, Member
Mr. Daniel T. Serna, Member

Certain Appointed Officers

Kimberly K. Edwards, Executive Director

Judith Porras, General Counsel

STEPHEN F. AUSTIN STATE UNIVERSITY

Board of Regents

<u>Name</u>	<u>Residence</u>	<u>Term Expiration</u>
Mr. Michael W. Enoch, Chair	Mont Belvieu	January 31, 2003
Ms. Susan Roberds, Vice-Chair	Dallas	January 31, 2003
Ms. Penny H. Butler, Secretary	Houston	January 31, 2003
Mr. Gary Lopez	Dallas	January 31, 2005
Mr. Lyn Stevens	Beaumont	January 31, 2005
Mr. Mike Wilhite	Henderson	January 31, 2005
Dr. Margarita de la Garza-Graham	Tyler	January 31, 2007
Mr. Kenneth James	Kingwood	January 31, 2007
Mr. Fredrick A Wulf	Center	January 31, 2007

Certain Appointed Officials

<u>Name</u>	<u>Title</u>	<u>Length of Service</u>
Dr. Tito Guerrero	President	1 Year
Dr. Roland K. Smith	Vice President for Business Affairs	7 Years
Dora Fuselier	Controller	3 Years
R. Yvette Clark	General Counsel	10 Years

Consultants

Co-Financial Advisor

First Southwest Company
Houston and Dallas, Texas
and
CKW Financial Group
Fort Worth, Texas

Bond Counsel

McCall, Parkhurst & Horton L.L.P.
Austin, Texas

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This Official Statement does not constitute an offer to sell Bonds in any jurisdiction to any person to whom it is unlawful to make such offer in such jurisdiction. No dealer, salesman, or any other person has been authorized to give any information or make any representation, other than those contained herein, in connection with the offering of these Bonds, and if given or made, such information or representation must not be relied upon. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder will, under any circumstances, create any implication that there has been no change in the affairs of the Board since the date hereof.

Other than with respect to information concerning Financial Security Assurance Inc. (“Financial Security”) contained under the caption “BOND INSURANCE” and Exhibit D specimen “Municipal Bond Insurance Policy” herein, none of the information in this Official Statement has been supplied or verified by Financial Security and Financial Security makes no representation or warranty, express or implied, as to (i) the accuracy or completeness of such information; (ii) the validity of the Bonds; or (iii) the tax exempt status of the interest on the Bonds.

For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission (the “Rule”), this document constitutes a preliminary official statement of the University and the Authority with respect to the Bonds that has been “deemed final” by the Authority and the Board as of its date except for the omission of no more than the information permitted by the Rule.

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OFFICIAL STATEMENT
relating to

\$14,070,000

TEXAS PUBLIC FINANCE AUTHORITY
STEPHEN F. AUSTIN STATE UNIVERSITY
REVENUE FINANCING SYSTEM REVENUE BONDS, SERIES 2002

INTRODUCTION

The purpose of this Official Statement, which includes the cover page and the Appendices hereto, is to provide certain information regarding the issuance by the Texas Public Finance Authority (the "Authority"), on behalf of the Board of Regents of Stephen F. Austin State University (the "Board"), of a series of its bonds entitled "Texas Public Finance Authority Stephen F. Austin State University Revenue Financing System Revenue Bonds, Series 2002" (the "Bonds"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in APPENDIX A, except as otherwise indicated herein.

Stephen F. Austin State University (the "University") was established pursuant to the provisions of the Constitution and the laws of the State of Texas (the "State") as an institution of higher education. For the 2001 Fall Semester the University had a total enrollment of approximately 11,500 students. The 2001-2002 budget of the University is approximately \$132,395,000. The Board is the governing body of the University and its members are officers of the State, appointed by the Governor with the advice and consent of the State Senate. For a general description of the University, see "STEPHEN F. AUSTIN STATE UNIVERSITY herein."

The Authority is the issuer of bonds for the benefit of the University pursuant to an Act of the Texas Legislature adopted in 1997. This Official Statement contains summaries and descriptions of the Plan of Financing, the Bonds, the University, the Authority, and other related matters. All references to and descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the Vice President for Business Affairs, Stephen F. Austin State University, P.O. Box 6108, SFA Station, Nacogdoches, Texas 75962 (936) 468-2203. Copies of documents relating to the Authority may be obtained from the Executive Director, Texas Public Finance Authority, 300 West 15th Street, Suite 411, Austin, Texas 78701, (512) 463-5544.

PLAN OF FINANCING

Authority for Issuance of the Bonds

The Bonds are being issued in accordance with the general laws of the State of Texas, Chapter 55, Texas Education Code, as amended, including particularly Sections 55.13(c) and 55.1738, Texas Education Code, Section 1232.101 of Chapter 1232, Texas Government Code ("Section 1232.101"), and Chapter 1201, Texas Government Code, and additionally pursuant to a resolution (the "Resolution") adopted by both the Board and the Authority's governing body.

Purpose

Proceeds of the Bonds, together with other available funds, will be used for the purpose of (i) financing campus improvements at the University, the construction of a telecommunications building, the renovation of power plant facilities and the replacement of the Birdwell building, (ii) to the extent bond proceeds are not required for the purposes set out in the preceding clause, renovating existing structures and facilities at the University, and (iii) paying the costs of issuing the Bonds.

Pursuant to Section 1232.101, the Authority has the exclusive authority to issue bonds on behalf of the University. Further, Section 55.13(c) of the Texas Education Code provides that the Authority must exercise the authority of the Board to issue bonds on behalf of the University, and the Authority has all the rights and duties granted or assigned to and is subject to the same conditions as the Board under Chapter 55, Texas Education Code. The University submitted to the Authority, and the Authority approved, a request for financing in the amount of \$14,070,000 of the Bonds.

THE AUTHORITY

The Authority is a public authority and body politic and corporate originally created in 1984 by an act of the Texas Legislature as the Texas Public Building Authority. The Authority (formerly known as the Texas Public Building Authority) succeeded to the ownership of all property of and all lease and rental contracts entered into by, the Texas Public Building Authority, and all of the obligations contracted or assumed by the Texas Public Building Authority became obligations of the Authority.

The Authority is currently governed by a board of directors (the "Authority Board") composed of seven members appointed by the Governor of the State (the "Governor") with the advice and consent of the State Senate. The Governor designates one member to serve as Chair at the will of the Governor. Board members whose terms have expired continue to serve on the Authority Board, until a successor therefore has been appointed by the Governor. The current members of the Authority Board, the office held by each member and the date on which each member's term expires are as follows:

<u>Name</u>	<u>Position</u>	<u>Term Expires (February 1)</u>
John C. Kerr	Chair*	2001
H.L. Bert Mijares, Jr.	Vice-Chair	2005
Cynthia L. Meyer, CPA	Secretary	2003
J. Vaughn Brock	Member	2007
Helen Huey	Member	2005
R. David Kelly	Member	2007
Daniel T. Serna	Member	2003

* Appointed to serve at the pleasure of the Governor.

The Authority employs an executive director (the "Executive Director") who is charged with managing the affairs of the Authority, subject to and under the direction of the Authority Board. The Executive Director is Kimberly K. Edwards. Ms. Edwards has been with the Authority since March 1997.

Pursuant to the Enabling Act and Chapters 1401, and 1403 Texas Government Code, the Authority issues general obligation and revenue bonds for designated State agencies (including certain institutions of higher education) and administers the Master Lease Purchase Program, a revenue commercial paper program, primarily to finance equipment acquisitions by State agencies. Under these authorities, the Authority has issued revenue bonds on behalf of the Texas Parks and Wildlife Department, Texas Building and Procurement Commission (formerly the Texas General Services Commission), the State Preservation Board, the Texas Department of Criminal Justice, the Texas Department of Health, the Texas Military Facilities Commission (formerly, the National Guard Armory Board), the Texas Department of Agriculture, Department of Human Services, the Texas State Technical College System, Texas Southern University, Midwestern State University and the University. The Authority has also issued general obligation bonds for the Texas Parks and Wildlife Department, the Texas Department of Criminal Justice, the Texas Department of Mental Health and Mental Retardation, the Texas Department of Public Safety, the Texas Youth Commission, the Texas National Research Laboratory Commission, and the Texas Juvenile Probation Commission.

Before the Authority may issue bonds for the acquisition or construction of a building, the Legislature must have authorized the specific project for which the bonds are to be issued and the estimated cost of the project or the maximum amount of bonded indebtedness that may be incurred by the issuance of bonds. The Texas Supreme Court, in *Texas Public Building Authority v. Mattox*, 686 S.W.2d 924 (1985), ruled that revenue bonds issued by the Authority do not constitute debt of the State within the meaning of the State Constitution. As set forth in the Enabling Act, revenue obligations issued thereunder are not a debt of the State or any State agency, political corporation or political subdivision of the State and are not a pledge of the full faith and credit of them.

Sunset Review

In 1977, the Texas Legislature enacted the Texas Sunset Act (Chapter 325, Texas Government Code, as amended) which provides that virtually all agencies of the State, including the Authority, are subject to periodic review of the Legislature and that each agency subject to sunset review will be abolished unless the Legislature specifically determines to continue its existence. The Authority was reviewed during the 1997 legislative session under the Texas Sunset Act, and the next scheduled review of the Authority is during the legislative session in 2009. The Enabling Act of the Authority, as amended by the 75th Legislature, provides that if the Authority is not continued in existence, the Authority will cease to exist as of September 1, 2009; however, the Texas Sunset Act provides that the Authority will exist until September 1 of the following year (September 1, 2010) in order to conclude its business.

In the event the Authority is abolished pursuant to the Texas Sunset Act in 2009, the Governor is required to designate an appropriate state agency to carry out the Authority's covenants contained in the Bonds and in the documents authorizing the Bonds. In such event, the Authority's General Counsel has opined (1) the Bonds would remain valid and binding obligations, subject to all applicable terms and conditions of the laws and proceedings authorizing the Bonds and (2) such designated agency would be obligated and authorized to carry out all such covenants and to provide payment from the sources pledged to the Bonds in accordance with the terms thereof until the Bonds are paid in full.

Relationship With Other State Agencies

Under the Enabling Act, the Authority's power is limited to financing projects and does not affect the power of the Board to carry out its statutory authority, including its authority to construct buildings. Accordingly, the Authority will not be responsible for supervising the construction and maintenance of any of the projects of the University. See also "THE UNIVERSITY" herein for a discussion of the University's relationship with other state agencies.

Payments on the Bonds are expected to be made solely from the Pledged Revenues. See "SECURITY FOR THE BONDS." Any default in payments on the Bonds will not affect the payment of any other obligations of the Authority.

With certain exceptions, bonds issued by State agencies and institutions, including bonds issued by the Authority, must be approved by the Texas Bond Review Board prior to their issuance. The Texas Bond Review Board is composed of the Governor, the Lieutenant Governor, the Speaker of the House of Representatives and the Comptroller of Public Accounts. The Governor is the Chairman of the Texas Bond Review Board. Each member of the Texas Bond Review Board may, and frequently does, act through a designee. An application was submitted to the Texas Bond Review Board and approved on May 23, 2002. In the case of bonds issued by institutions of higher education, such as the University, the projects to be financed by the bonds are also reviewed or approved by the Texas Higher Education Coordinating Board ("Coordinating Board"). The projects (that exceed two million dollars) to be financed by the Bonds were approved by the Coordinating Board as required by law.

DESCRIPTION OF THE BONDS

General

The Bonds will be issued only as fully registered bonds, without coupons, in any integral multiple of \$5,000 principal amount within a stated maturity, will be dated June 15, 2002, will accrue interest from their dated date, and will bear interest at the per annum rates shown on the inside cover page hereof. Interest on the Bonds is payable on April 15 and October 15 of each year, commencing October 15, 2002, and will be calculated on the basis of a 360-day year composed of twelve 30-day months. The Bonds mature on October 15, in the years and in the principal amounts set forth on the inside cover page hereof.

If the specified date for any payment of principal or interest on the Bonds is a Saturday, Sunday, or legal holiday or equivalent (other than a moratorium) for banking institutions in the City of New York, New York or in the city of the Designated Payment Office for the Paying Agent/Registrar for the Bonds, such payment may be made on the next succeeding day which is not one of the foregoing days without additional interest and with the same force and effect as if made on the specified date for such payment.

Sources and Uses of Funds

The proceeds of the Bonds, together with other funds to be provided by the University, will be applied as follows:

Sources of Funds	
Principal Amount of Bonds	\$ 14,070,000.00
Accrued Interest	41,631.67
Bid Premium	<u>3,779.40</u>
Total Sources of Funds	\$ 14,115,411.07
Uses of Funds	
Deposit to Construction Fund	\$ 13,990,000.00
Deposit to Accrued Interest Account	45,411.07
Deposit to Cost of Issuance Account	<u>80,000.00</u>
Total Uses of Funds	\$ 14,115,411.07

Transfer, Exchange, and Registration

Upon surrender for transfer of any Bond at the Designated Trust Office described herein, the Authority will execute, and the Paying Agent/Registrar, initially Regions Bank – Little Rock, Little Rock, Arkansas, will authenticate and deliver, in the name of the designated transferee, one or more new fully registered Bonds of the same Stated Maturity, of any authorized denominations, and of a like aggregate principal amount. At the option of the Holder, Bonds may be exchanged for other Bonds of the same Stated Maturity, of any authorized denominations, and of like aggregate principal amount, upon surrender of the Bonds to be exchanged at the place of payment for the Bonds. Whenever any Bonds are so surrendered for exchange, the Authority and the Board will execute, and the Paying Agent/Registrar will authenticate and deliver, the Bonds which the Holder of Bonds making the exchange is entitled to receive. Every Bond presented or surrendered for transfer or exchange will be duly endorsed, or accompanied by a written instrument of transfer in form satisfactory to the Authority and the Paying Agent/Registrar duly executed, by the Holder thereof or his attorney duly authorized in writing. No service charge will be made to the Holder for any registration, transfer, or exchange of Bonds, but the Authority or the Paying Agent/Registrar may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer or exchange of Bonds.

Record Date for Interest Payment

The regular record date (“Regular Record Date”) for the interest payable on any interest payment date means the last Business Day of the month next preceding each interest payment date.

The interest payable on, and paid or duly provided for on or within ten days after, any interest payment date will be paid to the person in whose name a Bond (or one or more predecessor Bonds evidencing the same debt) is registered at the close of business on the Regular Record Date for such interest. Any such interest not so paid or duly provided for will cease to be payable to the Person in whose name such Bonds is registered on such Regular Record Date, and will be paid to the Person in whose name this Bond (or one or more Predecessor Bonds) is registered at the close of business on a Special Record Date for the payment of such defaulted interest to be fixed by the Paying Agent/Registrar, notice whereof being given to the Holders of the Bonds not less than 15 days prior to the Special Record Date.

Redemption

Optional Redemption

The Bonds scheduled to mature on and after October 15, 2013 are subject to redemption prior to maturity at the option of the Authority, upon the request of the Board, on October 15, 2012 or on any date thereafter, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof (and, if in part within a maturity, the particular Bonds or portion thereof to be redeemed will be selected by the Paying Agent/Registrar) at a price of par plus accrued interest from the most recent interest payment date to the redemption date.

Mandatory Sinking Fund Redemption

In addition to the foregoing optional redemption provision, if principal amounts designated in the serial maturity schedule above are combined to create Term Bonds, each such Term Bond shall be subject to mandatory sinking fund redemption commencing on October 15 of the first year which has been combined to form such Term Bond and continuing on in each year thereafter until the stated maturity date of that Term Bond, and the amount required to be redeemed in any year shall be equal to the principal amount for such year set forth in the serial maturity schedule above. Term Bonds to be redeemed in any year by mandatory sinking fund redemption shall be redeemed at par and shall be selected by lot from and among the Term Bonds then subject to redemption. The Authority, at its option, may credit against any mandatory sinking fund redemption requirement Term Bonds of the maturity then subject to redemption which have been purchased and canceled by the Authority or have been redeemed and not theretofore applied as a credit against any mandatory sinking fund redemption requirement.

Notice of Redemption

At least 30 days prior to the date fixed for any redemption of Bonds or portions thereof prior to maturity a written notice of such redemption will be published once in a financial publication, journal, or reporter of general circulation among securities dealers in the city of New York, New York or in the State of Texas. Such notice also will be sent by the Paying Agent/Registrar by United States mail, first-class postage prepaid, at least 30 days prior to the date fixed for any such redemption, to the registered owner of each Bond to be redeemed at its address as it appeared on the Registration Books on the 45th day prior to such redemption date; provided, however, that the failure to send, mail, or receive such notice, or any defect therein or in the sending or mailing thereof, will not affect the validity or effectiveness of the proceedings for the redemption of any Bond, and the Resolution specifically provides that the publication of such notice as required above is the only notice actually required in connection with or as a prerequisite to the redemption of any

Bonds or portions thereof.

In addition, the Paying Agent/Registrar will give notice of redemption of Bonds by mail, first-class postage prepaid at least 30 days prior to a redemption date to each registered securities depository and to any national information service that disseminates redemption notices. Any notice sent to the registered securities depositories or such national information services will be sent so that they are received at least two days prior to the general mailing or publication date of such notice. The Paying Agent/Registrar will also send a notice of prepayment or redemption to the registered owner of any Bond who has not sent the Bonds in for redemption 60 days after the redemption date.

Each notice of redemption will contain a description of the Bonds to be redeemed, including the complete name of the Bonds, the Series, the date of issue, the interest rate, the maturity date, the CUSIP number, a reference to the principal amounts of each maturity called for redemption, the publication and mailing date for the notice, the date of redemption, the redemption price, the name of the Paying Agent/Registrar, and the address at which the Bonds may be redeemed, including a contact person and telephone number.

Paying Agent/Registrar

The Paying Agent/Registrar may be removed from its duties at any time with or without cause by action of the Board and not less than 30 days notice to each Holder specifying the substitution of another Paying Agent/Registrar, the effective date thereof, and the address of such successor Paying Agent/Registrar, but no such removal is effective until such successor has accepted the duties of the Paying Agent/Registrar. Every Paying Agent/Registrar appointed will at all times be a corporation organized and doing business under the laws of the United States of America or of any state, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least \$10,000,000, subject to supervision or examination by federal or state authority, registered as a transfer agent with the Securities and Exchange Commission, and having an office designated in the notice to Holders as the place of payment. The Designated Trust Office for the initial Paying Agent/Registrar is in Little Rock, Arkansas (the "Designated Trust Office").

Book-Entry Only System

This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by The Depository Trust Company ("DTC"), New York, New York, while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The Authority believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.

The Authority cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate per maturity will be issued for the Securities, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation,

(NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC’s records. The ownership interest of each actual purchaser of each Security (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Securities within a maturity are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC’s Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.’s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC’s practice is to credit Direct Participants’ accounts upon DTC’s receipt of funds and corresponding detail information from the Authority or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC’s records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in “street name,” and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent/Registrar, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the Authority or the Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Authority believes to be reliable, but the Authority takes no responsibility for the accuracy thereof.

Use of Certain Terms in Other Sections of this Official Statement In reading this Official Statement it should be understood that while the Bonds are in the Book-Entry Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry Only System, and (ii) except as described above, notices that are to be given to registered owners under the Resolution will be given only to DTC.

Information concerning DTC and the Book-Entry Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the Authority or the Purchasers.

Effect of Termination of Book-Entry Only System In the event that the Book-Entry Only System is discontinued by DTC or the use of the Book-Entry Only System is discontinued by the Authority, printed Bonds will be issued to the holders and the Bonds will be subject to transfer, exchange and registration provisions as set forth in the Resolution and summarized under "DESCRIPTION OF THE BONDS- Transfer, Exchange and Registration" above.

THE PAYING AGENT, THE BOARD, AND THE AUTHORITY, SO LONG AS THE DTC BOOK-ENTRY SYSTEM IS USED FOR THE BONDS, WILL SEND ANY NOTICE OF PROPOSED AMENDMENT TO THE RESOLUTION OR OTHER NOTICES WITH RESPECT TO SUCH BONDS ONLY TO DTC. ANY FAILURE BY DTC TO ADVISE ANY DTC PARTICIPANT, OR OF ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT TO NOTIFY THE BENEFICIAL OWNERS, OF ANY NOTICES AND THEIR CONTENTS OR EFFECT WILL NOT AFFECT ANY ACTION PREMISED ON ANY SUCH NOTICE. NEITHER THE BOARD, THE AUTHORITY, NOR THE PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, INDIRECT PARTICIPANTS, OR THE PERSONS FOR WHOM DTC PARTICIPANTS ACT AS NOMINEES, WITH RESPECT TO THE PAYMENTS ON THE BONDS OR THE PROVIDING OF NOTICE TO DIRECT PARTICIPANTS, INDIRECT PARTICIPANTS, OR BENEFICIAL OWNERS.

Debt Service Schedule

Fiscal Year 8/31	Prior Encumbered Obligations and Previously Issued Parity Obligations	The Bonds			Total Debt Service *
		Principal	Interest	Subtotal	
2002	\$ 8,557,708				\$ 8,557,708
2003	3,197,449	\$ 500,000	\$ 510,396	\$ 1,010,396	4,207,845
2004	4,153,255	445,000	595,575	1,040,575	5,193,830
2005	4,107,012	470,000	577,275	1,047,275	5,154,287
2006	2,764,976	495,000	557,975	1,052,975	3,817,951
2007	1,653,443	520,000	537,675	1,057,675	2,711,118
2008	1,599,613	550,000	516,275	1,066,275	2,665,888
2009	1,545,148	575,000	493,775	1,068,775	2,613,923
2010	1,494,225	605,000	469,419	1,074,419	2,568,644
2011	468,583	635,000	443,069	1,078,069	1,546,652
2012	463,933	665,000	414,613	1,079,613	1,543,546
2013	468,253	695,000	384,013	1,079,013	1,547,266
2014	466,484	725,000	353,150	1,078,150	1,544,634
2015	468,688	760,000	321,585	1,081,585	1,550,273
2016	464,750	795,000	287,556	1,082,556	1,547,306
2017	464,750	830,000	251,193	1,081,193	1,545,943
2018	468,625	870,000	212,290	1,082,290	1,550,915
2019	466,375	915,000	170,331	1,085,331	1,551,706
2020	-	960,000	125,800	1,085,800	1,085,800
2021	-	1,005,000	77,875	1,082,875	1,082,875
2022	-	1,055,000	26,375	1,081,375	1,081,375
	\$ 33,273,270	\$ 14,070,000	\$ 7,326,213	\$ 21,396,213	\$ 54,669,483

* The Series 1991-A \$1,705,000 bonds maturing on 10/15/2012 were called with cash on hand on 3/15/2002. Fiscal Year 2002 debt service reflects use of cash on hand to call the bonds.

BOND INSURANCE

Other than with respect to information concerning Financial Security Assurance Inc. ("Financial Security") contained under the caption "Bond Insurance" and Appendix D "Municipal Bond Insurance Policy Specimen" herein, none of the information in this Official Statement has been supplied or verified by Financial Security and Financial Security makes no representation or warranty, express or implied, as to (i) the accuracy or completeness of such information; (ii) the validity of the Bonds; or (iii) the tax exempt status of the interest on the Bonds.

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Financial Security Assurance Inc. ("Financial Security") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

The policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Financial Security Assurance Inc.

Financial Security is a New York domiciled insurance company and a wholly owned subsidiary of Financial Security Assurance Holdings Ltd. ("Holdings"). Holdings is an indirect subsidiary of Dexia, S.A., a publicly held Belgian corporation. Dexia, S.A., through its bank subsidiaries, is primarily engaged in the business of public finance in France, Belgium and other European countries. No shareholder of Holdings or Financial Security is liable for the obligations of Financial Security.

At March 31, 2002, Financial Security's total policyholders' surplus and contingency reserves were approximately \$1,644,743,000 and its total unearned premium reserve was approximately \$841,749,000 in accordance with statutory accounting principles. At March 31, 2002, Financial Security's total shareholder's equity was approximately \$1,746,106,000 and its total net unearned premium reserve was approximately \$693,860,000 in accordance with generally accepted accounting principles.

The financial statements included as exhibits to the annual and quarterly reports filed by Holdings with the Securities and Exchange Commission are hereby incorporated herein by reference. Also incorporated herein by reference are any such financial statements so filed from the date of this Official Statement until the termination of the offering of the Bonds. Copies of materials incorporated by reference will be provided upon request to Financial Security Assurance Inc.: 350 Park Avenue, New York, New York 10022, Attention: Communications Department (telephone (212) 826-0100).

The Policy does not protect investors against changes in market value of the Bonds, which market value may be impaired as a result of changes in prevailing interest rates, changes in applicable ratings or other causes. Financial Security makes no representation regarding the Bonds or the advisability of investing in the Bonds. Financial Security makes no representation regarding the Official Statement, nor has it participated in the preparation thereof, except that Financial Security has provided to the Issuer the information presented under this caption for inclusion in the Official Statement.

SECURITY FOR THE BONDS

The Revenue Financing System

The Resolution confirms the creation in 1998 of the Stephen F. Austin State University Revenue Financing System (the "Revenue Financing System"). The Revenue Financing System was established to provide a financing structure for revenue supported indebtedness of the University and any research and service agencies or other components of the University which may thereunder be included, by Board action, as participants in the Revenue Financing System ("Participants"). The Revenue Financing System is intended to facilitate the assembling of all of the University's revenue-supported debt capacity into a single financing program in order to provide a cost-effective debt program to Participants and to maximize the financing options available to the Board. Presently, only the University is a Participant. The Resolution provides that once a university or agency becomes a Participant, its Revenue Funds become part of the Pledged Revenues; provided, however, that, if at the time an entity becomes a Participant it has outstanding obligations

secured by any or all of its Revenue Funds, such obligations will constitute Prior Encumbered Obligations under the Resolution and the pledge of such sources as Pledged Revenues will be subject and subordinate to such outstanding Prior Encumbered Obligations. Thereafter, the Board or the Authority, on behalf of the Board, may issue bonds, notes, commercial paper, contracts, or other evidences of indebtedness, including credit agreements on behalf of such institution on a parity, as to payment and security, with the Outstanding Parity Obligations, subject only to the outstanding Prior Encumbered Obligations, if any, with respect to such Participant. Upon becoming a Participant, an entity may no longer issue obligations having a lien on Pledged Revenues prior to the lien on the Outstanding Parity Obligations. Generally, Prior Encumbered Obligations are those bonds or other obligations issued on behalf of a Participant which were outstanding on the date such entity became a Participant in the Revenue Financing System. Presently there are Prior Encumbered Obligations outstanding as described in Table 5 below. See "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION".

Pledge Under Resolution

The Bonds and any additional obligations previously or hereafter issued on a parity with the Bonds (referred to herein collectively as "Parity Obligations") are special obligations of the Board equally and ratably secured solely by and payable solely from a pledge of and lien on the Pledged Revenues as described below.

The Resolution presently provides that the Pledged Revenues consist of, subject to the provisions of the Prior Encumbered Obligations, the Revenue Funds, including all of the revenues, funds, and balances now or hereafter lawfully available to the Board and derived from or attributable to any Participant of the Revenue Financing System which are lawfully available to the Board for the payment of Parity Obligations. Revenue Funds include the revenues, incomes, receipts, rentals, rates, charges, fees, grants, and tuition levied or collected from any public or private source by the Participants, including interest or other income from those funds, derived by the Board from the operations of each of the Participants. Revenue Funds do not include, with respect to each series or issue of Parity Obligations, any tuition, rentals, fees, or other charges attributable to any student in a category which, at the time of the adoption by the Board of a resolution relating to such Parity Obligations, is exempt by law or by the Board from paying such tuition, rentals, fees, or other charges; provided, however, that the following will not be included in Pledged Revenues unless and to the extent set forth in a Resolution authorizing the issuance of Parity Obligations; (a) amounts received on behalf of any Participant under Article 7, Section 17 of the Constitution of the State of Texas, including the income therefrom and any fund balances relating thereto (see "SELECTED FINANCIAL INFORMATION - Financing Programs - *Higher Education Assistance Fund Bonds*") and (b) except to the extent so specifically appropriated, general revenue funds appropriated to the Board by the Legislature of the State of Texas (the "Texas Legislature") (see "SELECTED FINANCIAL INFORMATION - Unrestricted Current Funds Revenues, - TABLE 3 - Percent of Total Sources of Unrestricted Current Fund Revenues, and - *Government Appropriations*"). All legally available funds of the University, including unrestricted fund and reserve balances, are pledged to the payment of the Parity Obligations. A more detailed description of the types of revenues and expenditures of the Revenue Financing System and their availability to the Board for various purposes may be found under "TABLE 1 - Pledged Revenues" and "SELECTED FINANCIAL INFORMATION" (see also "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION."

The Board has covenanted in the Resolution that in each Fiscal Year it will use its reasonable efforts to collect revenues sufficient to meet all financial obligations of the Board relating to the Revenue Financing System including all deposits or payments due on or with respect to outstanding Parity Obligations for such Fiscal Year. The Board has also covenanted in the Resolution that it will not incur any debt secured by Pledged Revenues unless such debt constitutes a Parity Obligation or is junior and subordinate to the Parity Obligations. The Board intends to issue most of its revenue-supported debt obligations which benefit components of the University as Parity Obligations under the Resolution.

THE BONDS ARE NOT GENERAL OBLIGATIONS OF THE BOARD, THE AUTHORITY, THE UNIVERSITY OR ANY PART THEREOF, THE STATE OF TEXAS, OR ANY POLITICAL SUBDIVISION OF THE STATE. NEITHER THE BOARD NOR THE AUTHORITY HAS ANY TAXING POWER, AND NEITHER THE CREDIT NOR THE TAXING POWER OF THE STATE OR ANY POLITICAL SUBDIVISION OF THE STATE IS PLEDGED AS SECURITY FOR THE BONDS. THE BREACH OF ANY COVENANT, AGREEMENT, OR OBLIGATION CONTAINED IN THE RESOLUTION WILL NOT IMPOSE OR RESULT IN GENERAL LIABILITY ON OR A CHARGE AGAINST THE GENERAL CREDIT OF THE BOARD, THE AUTHORITY, OR THE UNIVERSITY. THE OWNERS OF THE BONDS WILL NEVER HAVE THE RIGHT TO DEMAND PAYMENT OF THE BONDS FROM ANY SOURCE OTHER THAN PLEDGED REVENUES. See "SECURITY FOR THE BONDS."

TABLE 1 - Pledged Revenues

The following table contains a summary of the Pledged Revenues for the Fiscal Year August 31, 2001, including pledged unappropriated fund balances available at the beginning of the year. The Pledged Revenues consist of Unrestricted Current Funds Revenues but do not include: remissions, governmental appropriations and gifts, grants and contracts within the Educational and General Fund Group; Higher Education Assistance Funds; and, student service fees and private gifts in the Auxiliary Fund Group, as such terms are used in "APPENDIX B - FINANCIAL REPORTS". See "SELECTED FINANCIAL INFORMATION" and "SECURITY FOR THE BONDS".

Available Pledged Revenues Not Including Fund Balances	\$56,343,619
Pledged Unappropriated Funds and Reserve Balances	<u>5,701,783</u>
Total Pledged Revenues	<u>\$62,045,402</u>

Prior to 1997, certain of the Pledged Revenues were characterized as the "building use fee" of the University. In 1997, the Texas Legislature passed legislation that characterized the "building use fee" as "tuition".

Maximum annual debt service over the life of the Prior Encumbered Obligations, the Outstanding Parity Obligations and the Bonds is \$5,193,830.

Additional Obligations

The Board may issue additional revenue debt within the next twelve (12) months, in accordance with the provisions of the Resolution concerning additional parity obligations.

Parity Obligations

The Board reserves the right to issue or incur, or request that the Authority, on its behalf, issue or incur additional Parity Obligations for any purpose authorized by law pursuant to the provisions of the Resolution. The Board or the Authority acting on behalf of the Board may incur, assume, or guarantee, or cause to be incurred, assumed or guaranteed, or otherwise become liable with respect to any Parity Obligations if (i) the Board will have determined (A) that it will have sufficient funds to meet the financial obligations of the University, including sufficient Pledged Revenues to satisfy the annual debt service requirements of the Revenue Financing System and to meet all financial obligations of the Board relating to the Revenue Financing System and (B) the Participant or Participants for whom the Parity Obligations are being issued or incurred possess the financial capacity to satisfy their respective Direct Obligations, after taking into account the then proposed additional Parity Obligations, and (ii) a Designated Financial Officer delivers to the Board and the Authority a certificate stating that, to the best of his or her knowledge, the Board is in compliance with all covenants contained in the Resolution and any resolution adopted authorizing the issuance of Parity Obligations, and is not in default in the performance and observance of any of the terms, provisions, and conditions thereof. See "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION" and "SELECTED FINANCIAL INFORMATION - Future Capital Improvement Needs and Projected Debt Issuance."

Nonrecourse Debt and Subordinate Debt

Nonrecourse Debt and Subordinated Debt may be incurred by the Board, or the Authority on behalf of the Board, without limitation.

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STEPHEN F. AUSTIN STATE UNIVERSITY

General Description

The University was created by the 36th Texas Legislature in 1921. From its inception as primarily a college for teacher training, the University's scope has been greatly expanded to that of a regional university.

The University is located in Nacogdoches, Texas, the county seat of Nacogdoches County. Nacogdoches, one of the oldest cities in Texas, was originally established in 1716 as the site of the Guadalupe de Nacogdoches Mission. Today it is a city of approximately 30,000 people with an economy based on lumbering, agriculture, poultry production, fertilizer and feed producing plants, and wood processing, as well as general commerce.

The main campus includes approximately 400 acres, part of the original homestead of Thomas J. Rusk, an early Texas patriot and United States Senator. In addition, the University maintains a university farm of 410 acres for beef production; a second university farm of 200 acres for dairying and poultry; an experimental forest in southwestern Nacogdoches County; and a forestry field station near Lake Sam Rayburn. The main campus hosts 25 major instructional buildings, 17 dormitories, and 399 student apartment units, representing an investment of approximately \$105 million. Besides the central library housing a large general collection, the University operates a Forestry Library which, in addition to a general forestry collection, contains a highly regarded Forest History Collection of over 500,000 items. Other facilities of special interest at the University include the Soils Testing Laboratory, the Forestry Research Laboratory and the Seed Testing Laboratory. At August 31, 2001, the book value of all University plant fund assets was over \$227 million.

Curriculum

The University is a fully state-supported coeducational institution of higher learning. It is organized into seven separate schools that include the Schools of Applied Arts and Sciences, Business, Education, Fine Arts, Forestry, Liberal Arts, and Sciences and Mathematics. These schools currently offer 13 different baccalaureate degrees in over 70 subject areas. In addition, the Graduate School confers Masters degrees in Fine Arts, Arts, Business, Administration, Education, Forestry, and Science in 33 separate areas, and the Doctor of Forestry and Doctor of Education degrees.

First Time Freshman Statistics

	<u>Fall Semester Enrollment (Calendar Year)</u>				
	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
Men	803	865	907	927	951
Women	<u>1,358</u>	<u>1,393</u>	<u>1,350</u>	<u>1,426</u>	<u>1,429</u>
Total	<u>2,161</u>	<u>2,258</u>	<u>2,257</u>	<u>2,353</u>	<u>2,380</u>
% change	-4.29%	0.04%	-4.25%	-1.13%	16.44%

TABLE 2 – Enrollment Data

<u>Type of Student</u>	<u>Headcount by Semester</u>			
	<u>Fall 2000</u>	<u>Spring</u>	<u>Summer Terms 2001</u>	
			<u>2001</u>	<u>Sum I</u>
Texas Resident	11,220	10,287	4,550	4,301
Out of State	211	185	78	67
Foreign	<u>53</u>	<u>59</u>	<u>25</u>	<u>25</u>
Total Enrollment	<u>11,484</u>	<u>10,531</u>	<u>4,653</u>	<u>4,393</u>
High School Scholarship	30	228	0	0
Hazelwood Act	24	29	24	13
St. Commission Blind/Deaf	28	25	10	11
Orphaned Children of Public Employees	6	5	2	3
Other Exempts and Out of State Waivers	21	4	3	2

Source: Stephen F. Austin State University Office of Institutional Research

Fall Enrollment Trend Data

<u>Fiscal Year</u>	<u>Students</u>	<u>Semester Hours</u>
2002	11,569	146,739
2001	11,484	145,499
2000	11,919	150,767
1999	12,132	153,555
1998	12,041	152,503
1997	11,690	147,577
1996	11,758	147,842
1995	12,206	153,533
1994	12,493	159,649
1993	12,721	162,372
1992	12,687	162,639
1991	12,815	163,916

Source: Stephen F. Austin State University Office of Institutional Research

Degrees Awarded by School and Percent of Total

	Fiscal Year Ended August 31,									
	2001		2000		1999		1998		1997	
Applied Arts and Sciences	247	11.77%	314	14.60%	275	12.43%	259	11.98%	304	13.74%
Business	405	19.29%	383	17.81%	354	16.00%	398	18.41%	385	17.39%
Education	628	29.92%	603	28.05%	710	32.10%	690	31.91%	647	29.24%
Fine Arts	94	4.48%	88	4.09%	68	3.07%	61	2.82%	76	3.43%
Forestry	64	3.05%	71	3.30%	64	2.89%	83	3.84%	66	2.98%
Liberal Arts	165	7.86%	144	6.70%	179	8.09%	175	8.10%	169	7.64%
Sciences & Mathematics	171	8.15%	169	7.86%	158	7.15%	145	6.71%	173	7.82%
Graduate	325	15.48%	378	17.59%	404	18.27%	351	16.23%	393	17.76%
Total	2,099	100.00%	2,150	100.00%	2,212	100.00%	2,162	100.00%	2,213	100.00%

Source: Stephen F. Austin State University Office of Institutional Research

Faculty Profile

The minimum degree requirement for a faculty member above the rank of teaching assistant at the University is a Master's degree (or equivalent). During the fall semester, 2001, the University employed 419 full-time instructional faculty and 163 (adjunct, excludes teaching assistants) part-time faculty.

The full-time faculty holds academic rank and 47% of full-time faculty are tenured. The following data apply to the full-time faculty:

<u>Academic Credentials</u>	<u>Number</u>	<u>Academic Rank</u>	<u>Number</u>	<u>Percent Tenure</u>
Doctorate	297	Professor	118	96.60%
Master's Degree (or equivalent)	118	Associate Professor	69	88.40%
Other	4	Assistant Professor	122	17.20%
Total	419	Instructor	26	3.80%
		Lecturer	46	0.00%
		Visiting Professor	21	0.00%
		Adjunct	17	0.00%
		Total	419	

Source: Stephen F. Austin State University Office of Institutional Research

Deposits and Investments

The University invests its funds under authority of provisions of the Texas Education Code, the Texas Property Code and the Public Funds Investment Act, Chapter 2256, Texas Government Code (the "PFIA"). At August 31, 2001, the carrying amount of the University's deposits was \$9,034,253 and total cash balances equaled \$16,042,650. Bank balances of \$262,381 (Category 1) were covered by federal depository insurance and \$15,780,269 was covered by collateral pledged in the University's name. The collateral was held in the safekeeping departments of unrelated banks that act as the pledging bank's agents. Cash and Temporary Investments as reported on the Balance Sheet contained in APPENDIX B, consist of the items reported below:

Cash and Temporary Investments

Bank Deposits			
Demand Deposits			\$ 2,941,373
Cash and Cash Equivalents			
Petty Cash on Hand	\$ 166,446		
Local Funds in State Treasury	12,601,515		12,767,961
Temporary Investments			<u>28,831,934</u>
Total Cash and Temporary Investments			<u>\$ 44,541,268</u>

Source: Annual Financial Report, Schedule A-1

To comply with the reporting requirements of GASB Statement No. 3, the University's investments are categorized in the tabulation titled "Investment Categories" to give an indication of credit risk assumed by the University at year end. Credit risk is the risk that another party to a deposit or investment transaction will not fulfill its obligations. Credit risk is not be confused with market risk, which is the risk that the market value of an investment, collateral protecting a deposit, or securities underlying a repurchase agreement will decline.

The following categories of credit risk are included:

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

Investment Categories

Type of Security	Category			Carrying Amount	Market Value (8/31/01)
	1	2	3		
U.S. Government Securities	\$ 9,562,219	0	0	\$ 9,562,219	\$ 9,562,219
Corporate Stocks	4,799,466	0	0	4,799,466	4,799,466
Certificates of Deposit	<u>4,113,446</u>	<u>0</u>	<u>0</u>	<u>4,113,446</u>	<u>4,113,446</u>
TOTAL	<u>\$18,475,131</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 18,475,131</u>	<u>\$ 18,475,131</u>

Uncategorized Investments:

Total Cash and Deposits	\$ 21,802,214	N/A
Total Investments	<u>41,214,185</u>	N/A
Total Deposits and Investments	<u>\$ 63,016,399</u>	N/A

Endowments

As of August 31, 2001, the University's endowment funds consisted of the University Endowment Fund and the University Quasi-Endowment Fund. A portion of the earnings from the Endowment Fund are allocated directly to individual endowed department chairs, professorships, scholarships, and other endowed accounts attributed to various departments or employees of the University. Earnings from the Quasi-Endowment Fund are not reserved nor allocated to specific endowments.

Retirement Plans

The State of Texas has joint contributory retirement plans for substantially all of its employees. One of the primary plans in which the University participates is administered by the Teacher Retirement System of Texas. The contributory percentages of participant salaries currently provided by the State and by each participant are 6.0% and 6.4%, respectively, of annual compensation.

The Teacher Retirement System of Texas does not separately account for each of its component governmental agencies, since the Retirement System itself bears sole responsibility for retirement commitments beyond contributions fixed by the State Legislature. According to an independent actuarial evaluation as of August 31, 2001, the present value of the Retirement System's actual and project liabilities, including projected benefits payable to its retired and active members and their beneficiaries, was in excess of the assets of the Retirement System. However, the actuary projected that such assets, augmented by projected future contributions and earnings, would be sufficient to amortize the unfunded difference over a period of 6 years assuming payroll growth of 4%. Further information regarding actuarial assumptions and conclusions, together with audited financial statement is included in the Retirement System's annual report.

The State has also established an Optional Retirement Program (the "ORP") for institutions of higher education. Participation in the ORP is in lieu of participation in the Teacher Retirement System. ORP provides for the purchase of annuity contracts. The contributory percentages on salaries for participants entering the program prior to September 1995 are 8.5% and 6.65% by the State and each participant, respectively. The State's contribution is comprised of 6.00% from the ORP appropriation and 2.5% from other funding sources. The 6.00% contribution is mandatory with the remainder being at the discretion of the Board. The Board has approved the additional contributions for employees of Stephen F. Austin State University. The contributory percentages on salaries for participants entering the program after August 31, 1995, are 6.00% and 6.65% by the State and each participant, respectively. Since these are individual annuity contracts, the State has no additional or unfunded liability for this program.

The retirement expense to the State for the participants was \$2,236,906 for the fiscal year ended August 31, 2001. This amount represents the portion of expended appropriations made by the Texas Legislature on behalf of the University.

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SELECTED FINANCIAL INFORMATION

Audits and Financial Reports

The State of Texas issues audited financial statements, prepared in accordance with generally accepted accounting principles for the State government as a whole. The statements are prepared by the Comptroller of Public Accounts and are audited by the State Auditor's Office. The State Auditor expresses an opinion on the financial statements of the State but does not express an opinion on the financial statements of individual component units including those of the University. The scope of the State Auditor's audit includes tests for compliance with the covenants of general obligation and revenue bond issues of the State and its component agencies and institutions. Supplementary schedules are included in the State financial statements providing for each bond issue information related to the pledged revenues and expenditures, coverage of debt service requirements, restricted account balances, and/or other relevant information that may be feasibly incorporated. The State Auditor does not express an opinion on such schedules in relation to the basic financial statements taken as a whole.

Any material compliance exceptions related to bond covenants are addressed in the overall management letter for the State audit.

Annually, not later than November 20, an unaudited financial report dated as of August 31, prepared from the books of the University, must be delivered to the Governor and the State Comptroller of Public Accounts. Each year, the State Auditor must certify the financial statements of the State as a whole, inclusive of the University, and in so doing examines the financial records at each of the University's component institutions. No outside audit in support of this detailed review is required or obtained by the University.

The financial statements of the University are prepared on a modified accrual basis consistent with principles recommended in *College and University Business Administration, Fourth Edition (1982)*.

The fiscal year of the State and the University begins on September 1 of each year. The University is an agency of the State of Texas and its financial records reflect compliance with applicable State statutes and regulations. The significant accounting policies followed by the University in maintaining accounts and in the preparation of the combined primary financial reports are in accordance with Texas Comptroller of Public Accounts' Annual Financial Reporting Requirements. These requirements follow, as near as practicable, the AICPA Industry Audit Guide *Audits of Colleges and Universities, 1973*, as amended by *AICPA Statement of Position (SOP) 74-8, Financial Accounting and Reporting by Colleges and Universities*.

Attached to this Official Statement is "APPENDIX B," which is the most recent unaudited Annual Financial Report of the University (with the relevant portion of the notes to the Annual Financial Reports), for the University's Fiscal Year ended August 31, 2001, excerpted from the 2001 Annual Report of the University. The University's unaudited Annual Financial Report set forth as APPENDIX B consist of the Balance Sheet as of August 31, 2001, the Statement of Changes in Fund Balances for the year ended August 31, 2001, and the Statement of Current Funds Revenues and Expenditures for the year ended August 31, 2001.

Funding for the University

Funding for the University for the Fiscal Year ended August 31, 2001 consisted of government appropriations; tuition and student fees; gifts, grants, and scholarships; sales, services, and other sources; designated funds; and auxiliary enterprises. As shown below, the amounts and the sources of such funding vary from year to year; there is no guarantee that the source or amounts of such funding will remain the same in future years. As a State institution, the University receives approximately half of its operating funds from State appropriations. The University has no assurance that the Texas Legislature will continue to appropriate to it the general revenue funds of the State at the same levels as in previous years for tuition dedicated for educational and general purposes used to make debt service payments on the Outstanding Parity Obligations. Future levels of State support are dependent upon the ability and willingness of the Texas Legislature to make appropriations to the University taking into consideration the availability of financial resources and other potential uses of such resources.

Current Funds

Current funds are funds expendable for current operating purposes. Within the current funds group, funds are segregated between unrestricted and restricted. The current funds revenues and expenditures described below are derived from the Combined Statement of Current Funds Revenues and Expenditures included in the University's unaudited combined

primary financial report for each of the fiscal years indicated. This statement, prepared under the principles of fund accounting, presents the financial activities of current funds related to the applicable reporting period and does not purport to present the results of operations or the net income or loss for the period. See “SELECTED FINANCIAL INFORMATION” and “APPENDIX B”.

Unrestricted Current Funds Revenues

Unrestricted funds are funds over which the Board retains full control in achieving institutional purposes. Not all unrestricted funds constitute Pledged Revenues. See “SECURITY FOR THE BONDS - Pledge Under Resolution.” The Unrestricted Current Funds Revenues described below are derived from the unaudited combined primary financial report of the University for each of the fiscal years in the five year period ended August 31, 2001. See “FINANCIAL MANAGEMENT” and “APPENDIX B”. Unrestricted Current Funds Revenues are categorized by source. Each category of Unrestricted Current Funds Revenues presented below as a percent of total sources of such revenues is as follows:

TABLE 3 - Percent of Total Sources of Unrestricted Current Funds Revenues

	<u>Fiscal Year Ended August 31</u>				
	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
CURRENT INCOME					
Tuition and Fees	28.43%	27.50%	30.26%	27.74%	29.72%
State Appropriations	46.92%	48.29%	45.08%	46.49%	47.07%
Gifts, Grants, and Contracts	1.34%	1.11%	0.41%	0.33%	0.45%
Endowment/Investment/Interest Income	2.02%	1.71%	1.29%	2.54%	1.24%
Sales and Service	21.28%	21.37%	22.94%	22.90%	21.51%
Other Sources	<u>0.01%</u>	<u>0.02%</u>	<u>0.02%</u>	<u>0.00%</u>	<u>0.01%</u>
Total Unrestricted Current Funds Revenues*	100.00%	100.00%	100.00%	100.00%	100.00%

Source: Annual Financial Report - Exhibit C

* Totals may not add due to rounding.

Current Funds Revenues of the designated service departments are not reflected in the information in Table 3 because such revenues are reported as a credit against institutional support expenditures in “APPENDIX B” in accordance with financial reporting requirements. The amount of such excluded Unrestricted Current Funds Revenues for fiscal year 2001 was \$2,097,122, which amount was approximately 1.84% of Unrestricted Current Funds Revenues for such fiscal year. The amount of such excluded Unrestricted Current Funds Revenues was approximately 3.08% of the Unrestricted Current Funds Revenues in fiscal years 1997 through 2000.

Tuition and Fees

The University charges tuition and fees as set by the Texas Legislature and the Board under Chapters 54 and 55 of the Texas Education Code. Current State law provides for undergraduate tuition applicable to Texas residents in all State-supported general academic institutions equal to \$42 per semester credit hour. Tuition rates for nonresident students are established by the Coordinating Board annually pursuant to the Texas Education Code. In general, such tuition rates are required to equal 100% of the “cost of education” as determined by the Coordinating Board and vary based on the number of semester credit hours take by a student. For the 2001-2002 academic year, tuition for nonresident students is \$253 per semester credit hour. Even with such tuition increases, the cost of attending the University remains extremely competitive with the cost of attending public universities both within Texas and in other states.

The Texas Education Code provides that all student fees must be fixed and collected on a semester credit hour basis. Presently, the Texas Education Code also provides that the aggregate of Student Service Fees charged and collected at any institution may not be greater than nor be projected to be greater than \$250 per semester or summer session. In addition, students are required to pay the following fees per semester: computer use fee, average of \$130.00; library fee, average of \$26.00; and publication fee, average of \$13.00.

The tuition rates to be charged to the University’s students for the 2002-2003 academic year are (i) \$44 per semester hour for undergraduate resident students and (ii) \$262 per semester hour for non-resident undergraduate students.

The following table sets forth the total of tuition and fees (net of refunds) collected during each of the five most recent fiscal years at the University.

Tuition and Fees

<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
\$31,825,605	\$30,114,410	\$31,415,343	\$27,619,730	\$27,139,088

State Appropriations

The University receives support annually from the State through annual general revenue fund appropriations made by the Texas Legislature. For the most recent year ended August 31, 2001, 40.53% of current funds revenues were from State appropriations.

State Appropriations

<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
\$52,508,648	\$52,876,035	\$46,793,608	\$46,285,199	\$42,976,260

Gifts, Grants, and Contracts

The University receives federal, state, and local grants and contracts for research which incorporate an overhead component for use in defraying operating expenses. This overhead component is treated as Unrestricted Current Funds Revenues while the balance of the grant or contract is treated as restricted current funds revenues. Indirect cost recovery rates used in calculating the overhead component are negotiated periodically with the appropriate governmental agency for each component institution. In addition, unrestricted gifts are received by each institution.

Gifts, Grants, and Contracts

<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
\$1,495,772	\$1,211,705	\$429,092	\$331,696	\$408,997

Endowment, Investment, and Other Interest Income

The University generates interest from the investment of cash under an investment policy adopted by the Board in accordance with State law. Endowment, investment, and other interest income are received on both a restricted and unrestricted basis.

Endowment, Investment, and Other Interest Income

<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
\$2,256,077	\$1,877,799	\$1,343,303	\$2,525,387	\$1,128,226

Sales and Services

Other educational activities and auxiliary enterprises generate revenue from sales and services that is unrestricted.

Sales and Services *

<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
\$23,810,090	\$23,403,903	\$23,806,196	\$22,784,292	\$19,649,999

*These figures exclude revenues that are reported as a credit against institutional support expenditures in "APPENDIX B" in accordance with financial reporting requirements.

Other Sources

All miscellaneous revenues including rents, fees, fines, sales, and other receipts not categorized above have been grouped together as "other sources." Other Sources

Other Sources

<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
\$17,408	\$23,170	\$19,750	\$3,760	\$8,886

Total Unrestricted Current Funds Revenues

The following table presents a history of the total of all categories of Unrestricted Current Funds Revenues for each of the five most recent fiscal years:

Total Unrestricted Current Funds Revenues *				
<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
\$111,913,600	\$109,507,022	\$103,807,292	\$99,550,064	\$91,311,456

*These figures exclude revenues that are reported as a credit against institutional support expenditures in "APPENDIX B" in accordance with financial reporting requirements.

Unrestricted Current Funds Expenditures

Unrestricted Current Funds Expenditures represent the cost incurred for goods and services used in the conduct of the University's operations. Such expenditures include the acquisition cost of capital assets, such as equipment and library books, to the extent Unrestricted Current Funds are budgeted for and used by operating departments for such purposes. The Unrestricted Current Funds Expenditures are derived from the unaudited Financial Reports for each of the fiscal years in the five-year period ended August 31, 2001. See "APPENDIX B". Unrestricted Current Funds Expenditures are categorized by function. Each category of Unrestricted Current Funds Expenditures and mandatory transfers, which are presented below as a percent of total expenditures by function and mandatory transfers, is as follows:

TABLE 4 - Percent of Total Sources of Unrestricted Current Funds Expenditures

	2001	2000	1999	1998	1997
Expenditures					
Instructional and Departmental	35.08%	35.31%	34.83%	35.42%	35.68%
Research	0.88%	0.86%	0.80%	0.81%	1.04%
Public Service	1.45%	1.49%	1.51%	1.61%	2.19%
Academic Support	5.31%	5.66%	5.78%	5.63%	5.43%
Student Services	3.68%	3.76%	3.88%	3.99%	3.72%
Institutional Support	9.26%	10.25%	10.90%	10.27%	11.15%
Operation and Maintenance of Plant	8.67%	7.84%	7.58%	8.53%	7.67%
Scholarships	4.54%	3.66%	3.92%	3.11%	2.52%
Auxiliary Enterprises Expenditures	26.15%	26.07%	26.00%	25.73%	25.74%
Mandatory Transfers	4.98%	5.10%	4.80%	4.90%	4.86%
Total Unrestricted Current Funds Expenditures and Mandatory Transfers (E&G, Designated, and Pledged Auxiliary only)	100.00%	100.00%	100.00%	100.00%	100.00%

Source: Unaudited Annual Financial Report - Combined Exhibit C - Statement of Current Funds Revenues and Expenditures

* Totals may not add due to rounding.

Instruction

This category includes expenditures for all activities that are part of the University's instructional programs. Expenditures are included for credit and non-credit courses, for academic, vocational and technical instruction, for remedial and tutorial instruction and for regular, special and extension sessions. The following table presents a history of these expenditures for each of the five most recent fiscal years:

Instruction				
<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
\$37,136,360	\$37,069,969	\$34,454,610	\$33,382,635	\$32,575,694

Research

This category includes all expenditures for research. Expenditures may be either internally or externally sponsored. The following table presents a history of these expenditures by the University for each of the five most recent fiscal years:

Research				
<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
\$929,282	\$897,673	\$792,744	\$765,846	\$946,889

Public Service

This category includes funds expended primarily for non-instructional services beneficial to individuals and groups which are not part of the University. The following table presents a history of these expenditures for each of the five most recent fiscal years:

Public Service				
<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
\$1,535,312	\$1,564,534	\$1,493,736	\$1,513,566	\$1,997,423

Academic Support

This category includes funds expended primarily to provide support services for instruction, research, and public service. Expenditures included in this category are those supporting the operation of libraries, museums, and galleries, as well as those for academic administration, technical support, and curriculum development. The following table presents a history of these expenditures for each of the five most recent fiscal years:

Academic Support				
<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
\$5,619,396	\$5,942,339	\$5,723,519	\$5,311,349	\$4,960,144

Student Services

This category includes funds expended for those activities whose primary purpose is to contribute to the student's emotional and physical well-being and intellectual, cultural, and social development outside the context of the formal instructional program. The following table presents a history of these expenditures for each of the five most recent fiscal years:

Student Services				
<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
\$3,890,988	\$3,951,638	\$3,834,728	\$3,765,668	\$3,397,692

Institutional Support

This category includes expenditures of the offices of admissions and registration and for administration, planning, fiscal operations, data processing, personnel and records, and logistical activities. The following table presents a history of these expenditures for each of the five most recent fiscal years:

Institutional Support				
<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
\$9,805,076	\$10,755,816	\$10,787,221	\$9,682,463	\$10,175,064

Operations and Maintenance of Plant

This category includes all expenditures of unrestricted current funds for the operation and maintenance of physical plant, net of amounts charged to auxiliary enterprises. The following table presents a history of these expenditures for each of the five most recent fiscal years:

Operations and Maintenance of Plant

<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
\$9,175,675	\$8,233,645	\$7,501,884	\$8,042,621	\$7,003,168

Scholarships and Fellowships

This category includes expenditures for scholarships and fellowships, including tuition remissions and exemptions, in the forms of grants to students resulting either from selection by the University or from an entitlement program. The following table presents a history of these expenditures for each of the five most recent fiscal years:

Scholarships and Fellowships

<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
\$4,805,233	\$3,842,431	\$3,880,914	\$2,927,148	\$2,298,097

Auxiliary Enterprises

This category includes all expenditures relating to the operation of auxiliary enterprises, including expenditures for operation and maintenance of plant and institutional support. The following table presents a history of these expenditures for each of the five most recent fiscal years:

Auxiliary Enterprises

<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
\$27,677,986	\$27,367,516	\$25,730,669	\$24,256,048	\$23,496,018

Mandatory Transfers

This category includes transfers from the unrestricted current funds group to other fund groups primarily for the payment of debt service on the Prior Encumbered Obligations, as well as required provisions for renewals and replacements of plant. The following table presents a history of these transfers for each of the five most recent fiscal years:

Mandatory Transfers

<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
\$5,271,909	\$5,353,185	\$4,751,008	\$4,614,986	\$4,436,628

Total Unrestricted Current Funds Expenditures and Mandatory Transfers

The following table presents a history of the total of all categories of Unrestricted Current Funds Expenditures and mandatory transfers for each of the five most recent fiscal years:

Total Unrestricted Current Funds Expenditures and Mandatory Transfers

<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
\$105,847,217	\$104,978,746	\$98,951,033	\$94,262,330	\$91,286,817

Total Restricted Current Funds Revenues and Expenditures

Restricted current funds revenues refer to resources that have been externally restricted and may only be utilized in accordance with the purposes stipulated by the source of such funds. Such revenues include, among others, grants and contracts from governmental and private sources (other than the overhead component which is treated as unrestricted current funds revenue), restricted gifts, and income on restricted endowment funds. Receipts from these resources are

reported as revenues only when expended. The following table presents a history of total restricted current funds revenues and expenditures for each of the five most recent fiscal years:

Total Restricted Current Funds

<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
\$16,622,272	\$14,753,766	\$13,511,406	\$12,229,093	\$10,885,419

Fund Balances

Fund balances represent the difference between total assets and total liabilities and are reported by fund group. The fund balances described below are derived from the Balance Sheet included in the unaudited primary financial statements for each of the fiscal years indicated. See "APPENDIX B". The Statement of Changes in Fund Balances of the fiscal year ended August 31, 2001, included in "APPENDIX B," is essentially a statement of changes in financial position between reporting dates and is presented for all fund groups.

Unrestricted Current Funds

Unrestricted current funds balances represent the accumulation of the excess of Unrestricted Current Funds Revenues over Unrestricted Current Funds Expenditures and transfers. This amount is available for future operating purposes or other use as determined by the Board to the extent that such amount exceeds the amount reported as Unrestricted-Reserves. See the Balance Sheet included in "APPENDIX B" for details for the year ended August 31, 2001. The total fund balance of all categories of unrestricted current funds (which relates to the revenues and expenditures presented above) as of the end of each of the five most recent fiscal years was as follows:

Unrestricted Current Funds Balances

<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
\$30,044,132	\$25,633,303	\$18,692,863	\$16,479,191	\$10,930,345

Restricted Current Funds

Restricted current funds represent unexpended balances of funds externally restricted to specific operating purposes. Such funds originate from income on restricted endowment funds, gifts whose donors have placed limitations on their use and grants and contracts from private or governmental sources for research, training and other sponsored programs (other than the overhead component which is treated as unrestricted current funds). The total fund balance of restricted current funds (which relates to the revenues and expenditures presented above) as of the end of each of the five most recent fiscal years was as follows:

Restricted Current Funds Balances

<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
\$2,211,004	\$3,415,961	\$4,243,930	\$2,052,746	\$1,648,889

Loan Funds

Loan funds represent student loans or funds available for loans to students administered by the University pursuant to federal and private programs. Approximately one-half of such loans are federally funded primarily through the Perkins Loan Program which succeeded the National Direct Student Loan Program. The balance of such loans is funded by the University either through private sources or from student tuition as authorized by State law. The loan funds balance as of the end of each of the five most recent fiscal years was as follows:

Loan Funds

<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
\$9,500,081	\$9,371,258	\$9,046,037	\$8,517,089	\$7,775,054

Endowment and Similar Funds

Endowment and Similar Funds are composed of the University Endowment Fund and other non-commingled endowments. The University Endowment Fund is a commingled fund that provides for the investment of endowed chairs, professorships, and fellowships, as well as scholarships and other endowed accounts belonging to members of the University. As of August 31, 2001, the fund was invested 15.37% in cash and short-term investments and 84.63% in long-term investments. Of the long term investments, 1.02% was in mortgage-backed securities, 50.91% in corporate stocks or equities, 39.64% in U.S. Treasury Notes and Bonds and 8.43% in Certificates of Deposit.

Endowment and Similar Funds

<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
\$11,139,280	\$11,704,699	\$10,901,125	\$9,213,051	\$7,398,634

Plant Funds

The University reports its Plant Funds in the following four categories: Unexpended Plant Funds; Renewals and Replacements Funds; Retirement of Indebtedness Fund; and Investment in Plant Funds.

Unexpended Plant Funds

Unexpended plant funds are unexpended funds derived from various sources to finance the acquisition of long-term plant assets. This category does not include construction in progress that is included under "Plant Funds-Investment in Plant Funds" below. The unexpended plant fund balance as of the end of each of the five most recent fiscal years was as follows:

Unexpended Plant Funds

<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
\$5,265,762	\$5,919,447	\$4,363,827	\$2,090,171	\$1,336,419

Renewals and Replacements Funds

These funds provide for the renewal and replacement of plant fund assets as distinguished from additions and improvements to plant. The renewals and replacements fund balance as of the end of each of the five most recent fiscal years was as follows:

Renewal and Replacements Funds

<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
\$1,670,189	\$399,139	\$340,220	\$776,722	\$623,070

Retirement of Indebtedness Funds

Funds for the retirement of indebtedness represent those funds held by the University in interest bearing accounts relating to Plant Fund indebtedness. The retirement of indebtedness fund balance as of the end of each of the five most recent fiscal years was as follows:

Retirement of Indebtedness Funds

<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
\$1,312,500	\$1,285,830	\$1,185,000	\$1,110,000	\$1,065,000

Investment in Plant Funds

Investment in plant represents the long-term plant and equipment assets of the University and their associated liabilities. The investment in plant fund balance as of the end of each of the five most recent fiscal years was as follows:

Investment in Plant Funds

<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
\$200,151,195	\$191,317,192	\$184,619,612	\$175,965,659	\$172,239,011

At August 31, 2001, gross plant assets totaled \$227,190,062. Of this total, 59.24% was in the form of buildings, 16.76% in equipment, 8.80% in library books, 7.43% in construction in progress, and 7.77% in land and other.

Agency Funds

Agency funds represent funds held by the University as custodian or agent for individual students, faculty, staff members, and organizations. The total agency funds assets as of the end of each of the five most recent fiscal years was as follows:

<u>Agency Funds</u>				
<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
\$43,890	\$206,398	\$4,298,386	\$350,276	\$323,029

Agency Fund assets are offset by liabilities (recognizing that funds are held in custody for others) and miscellaneous payables, with the result that agency funds balances are zero in any given fiscal year.

Financing Programs

The University has one financing program in addition to the Revenue Financing System. Article VII, Section 17 of the Texas Constitution provides that, except for cases of demonstrated need and upon a vote of two-thirds of each house of the Texas Legislature, and except in cases of fire or natural disaster, the University may not receive any funds from the general revenues of the State for acquiring, constructing, or equipping permanent improvements, or for major repairs or rehabilitations of permanent improvements.

Higher Education Assistance Fund Bonds

Pursuant to the Higher Education Assistance Fund (“HEAF”) program, the University is qualified to receive an annual allocation from amounts constitutionally appropriated to institutions of higher education that are not entitled to participate in Permanent University Fund bond financing in order to fund permanent improvements (except those for auxiliary enterprises). Under the constitutional provision authorizing HEAF, the Board is authorized to issue bonds and notes to finance permanent improvements at such institutions and to pledge up to 50% of its allocation to secure the payment of principal of and interest on the bonds and notes. The University has \$4,000,000 outstanding under this program.

TABLE 5 - Outstanding Indebtedness

The University after delivery of the Bonds will have outstanding the following described indebtedness:

<u>Revenue Financing System</u>	
Revenue Financing System Bonds, Series 1998	\$ 5,415,000
Revenue Financing System Bonds, Series 2000	7,000,000
Revenue Financing System Bonds, Series 2002	14,070,000
<u>Prior Encumbered Obligations</u>	
Consolidated University Revenue Refunding Bonds, Series 1991-B	1,075,000
Consolidated University Revenue Bonds, Series 1996	2,400,000
<u>Higher Education Assistance Fund Obligations</u>	
Constitutional Appropriation Bonds, Series 1995	\$ 2,360,000
Constitutional Appropriation Bonds, Series 1996	1,640,000
TOTAL	<u>\$ 33,960,000</u>

Investment Policy and Procedures

Management of Investments

As provided in the Texas Education Code, each member of the Board has the legal responsibilities of a fiduciary in the management of funds under the control of the University. All investments are made in accordance with applicable State and federal regulations. The Board has provided for centralized investment management under the direction of the Vice President for Business Affairs. Investments are managed both internally by University staff, and externally, by unaffiliated investment managers. The Board receives quarterly reports regarding asset allocation, investment returns, and comparative investment results of other endowments and indices.

Authorized Investments

All available funds held by the University are authorized to be invested in accordance with the Public Funds Investment Act and with the written investment policy of the Board. Investments are to be made with the judgment and care, under the circumstances then prevailing, that persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not in regard to speculation, but in regard to permanent disposition of their funds, considering the probable income therefrom as well as the probable increase in value and the safety of their capital. In the management of University investments, consideration is given to the requirements of liquidity, diversification, safety of principal, yield, maturity, quality, and capability of investment management, with primary emphasis on safety of principal.

Investment Programs

The University invests public funds in its custody with primary emphasis on the preservation and safety of the principal amount. Secondly, investments must be of sufficient liquidity to meet the day-to-day cash requirements of the University. Finally, the University invests to maximize yield within the two previously indicated standards. All investments within this scope conform to applicable State statutes and local rules governing the investment of public funds. Deposits and investments in other than United States Treasury or Agency securities or money market funds invested in United States Treasury or Agency securities are secured by depository pledges of collateral with market value no less than 100% of the value of the deposits and investments. Diversification maximums and actual investment levels for eligible securities as of August 31, 2001 were:

<u>Category</u>	<u>Maximum</u>	<u>Actual</u>
United States Treasury or Government securities	100%	63.32%
United States Agency securities	50%	
Mortgage-backed securities	25%	
Fully insured or collateralized certificates of deposit	100%	36.68%
Bankers' acceptances	25%	
Commercial paper	25%	
Repurchase agreements	100%	
Registered money-market funds	80%	
Local Government Investment Pool	100%	
Cash held in the State Treasury	100%	

Endowments

Although not pledged to the payment of debt obligations, the University controls or is benefited by endowments valued at August 31, 2001, of approximately \$11,139,280. As of August 31, 2001, endowment funds under the direct control of the University had a book value of \$9,057,722 and consisted of marketable securities and investments, land, and other real estate holdings and mineral rights. Such land, real estate, and mineral rights are valued at their book value as of the date of acquisition of such property.

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Summary Balance Sheet

	Fiscal Year Ended August 31				
	2001	2000	1999	1998	1997
ASSETS:					
Current Funds:					
Educational and General	\$ 16,290,273	\$ 17,406,865	\$ 14,839,353	\$ 16,675,033	\$ 14,503,267
Designated Funds	25,438,169	20,436,814	15,032,486	9,459,580	4,729,693
Auxiliary Funds	19,796,408	15,604,223	14,982,714	15,873,310	15,501,244
Restricted	<u>7,923,013</u>	<u>8,160,381</u>	<u>6,909,300</u>	<u>4,107,420</u>	<u>1,934,985</u>
Total Current Funds	<u>\$ 69,447,863</u>	<u>\$ 61,608,283</u>	<u>\$ 51,763,853</u>	<u>\$ 46,115,343</u>	<u>\$ 36,669,189</u>
Loan Funds	\$ 9,500,081	\$ 9,371,258	\$ 9,210,028	\$ 8,661,363	\$ 7,775,054
Endowment Funds	11,139,280	11,704,699	10,901,125	9,213,051	7,398,634
Plant Funds:					
Unexpended	5,723,482	9,940,875	8,470,595	3,680,762	7,059,979
For Renewals & Replacement	1,670,189	399,139	340,220	776,722	623,070
For Retirement of Debt	1,312,500	1,319,997	1,185,000	1,110,000	1,065,000
Investment of Plant	<u>227,190,062</u>	<u>218,492,312</u>	<u>208,275,654</u>	<u>199,154,565</u>	<u>194,290,267</u>
Total Plant Funds	<u>\$ 235,896,233</u>	<u>\$ 230,152,323</u>	<u>\$ 218,271,469</u>	<u>\$ 204,722,049</u>	<u>\$ 203,038,316</u>
Agency Funds	<u>43,890</u>	<u>206,398</u>	<u>4,298,386</u>	<u>350,276</u>	<u>323,029</u>
TOTAL ASSETS	<u><u>\$ 326,027,347</u></u>	<u><u>\$ 313,042,961</u></u>	<u><u>\$ 294,444,861</u></u>	<u><u>\$ 269,062,082</u></u>	<u><u>\$ 255,204,222</u></u>
LIABILITIES AND FUND					
BALANCES:					
Total Liabilities	\$ 64,733,204	\$ 63,996,132	\$ 61,052,249	\$ 52,857,453	\$ 52,187,799
Total Fund Balances	<u>261,294,143</u>	<u>249,046,829</u>	<u>233,392,612</u>	<u>216,204,629</u>	<u>203,016,423</u>
TOTAL LIABILITIES AND FUND	<u><u>\$ 326,027,347</u></u>	<u><u>\$ 313,042,961</u></u>	<u><u>\$ 294,444,861</u></u>	<u><u>\$ 269,062,082</u></u>	<u><u>\$ 255,204,222</u></u>
BALANCES					

Source: Financial Reports of the University

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Summary Statement of Current Funds Revenues and Expenditures

	Fiscal Year Ended August 31				
	2001	2000	1999	1998	1997
CURRENT REVENUES:					
State Legislature Appropriations	\$ 45,875,539	\$ 46,407,762	\$ 40,325,335	\$ 39,816,926	\$ 36,507,987
Higher Education Assistance Funds	6,633,109	6,468,273	6,468,273	6,468,273	6,468,273
Student Tuition and Fees	31,825,605	30,114,410	31,415,343	27,619,730	27,139,088
Sales and Services	26,654,593	28,717,067	26,320,048	26,313,405	21,700,282
Gifts and Grants:					
Federal	10,247,100	9,054,773	8,612,403	8,232,801	8,668,110
State	3,144,859	2,517,824	1,506,395	1,178,124	396,457
Private	3,634,075	3,417,155	3,312,675	2,826,282	1,561,305
Interest Income	2,234,078	1,991,225	1,802,691	2,433,891	1,128,225
Endowment Income	377,987	302,686	49,636	415,078	252,330
Miscellaneous Income	6,049	20,045	19,750	3,760	425,100
TOTAL CURRENT REVENUES	<u>\$130,632,994</u>	<u>\$129,011,220</u>	<u>\$119,832,549</u>	<u>\$ 115,308,270</u>	<u>\$ 104,247,157</u>
CURRENT EXPENDITURES:					
Instructional and Departmental	\$ 43,677,000	\$ 42,649,686	\$ 38,900,273	\$ 42,785,150	\$ 39,880,619
Research	3,015,022	2,895,559	2,837,066	2,881,797	3,529,668
Public Service	2,222,851	2,114,841	2,225,627	2,221,354	3,194,437
Academic Support	5,619,396	5,942,339	5,723,519	5,311,349	4,960,144
Student Services	3,890,988	3,951,638	3,834,728	3,765,668	3,397,692
Institutional Support	9,807,522	10,760,436	10,436,790	9,487,352	9,778,533
Operation and Maintenance of					
Physical Plant	9,175,675	8,233,645	7,501,884	8,042,621	7,003,168
Scholarships	12,111,140	10,463,667	10,520,875	3,125,098	2,495,329
Auxiliary Enterprises	27,677,986	27,367,516	25,730,669	24,256,048	23,496,018
TOTAL CURRENT EXPENDITURES	<u>\$117,197,580</u>	<u>\$114,379,327</u>	<u>\$107,711,431</u>	<u>\$ 101,876,437</u>	<u>\$ 97,735,608</u>

Source: Financial Reports of the University

Future Capital Improvement Needs and Projected Debt Issuance

The University has a long range capital improvement plan to maintain and expand the facilities of the campus through Fiscal Year 2003. At this time, the University has not determined the amount or timing of additional debt obligations, if any, to implement the capital improvement plan.

Debt Management

Debt management of the University is the responsibility of the Vice President for Business Affairs. The University evaluates its financing needs pursuant to a debt capacity analysis and annual funding requirements determined by the capital budget. It then submits a request for financing to the Authority. Issuance of debt requires approval of the Board, the Authority, and the Texas Bond Review Board.

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SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

The information contained in this section is a summary of certain provisions of the Resolution and is in addition to other information in such documents which is summarized elsewhere in this Official Statement under the captions “PLAN OF FINANCING,” “DESCRIPTION OF THE BONDS,” and “SECURITY FOR BONDS.” This information is intended as a summary only and is qualified in its entirety by reference to the complete Resolution, which may be examined at the offices of the Authority or copies of which may be obtained from the Authority at 300 W. 15th Street, Suite 411, Austin, Texas 78701.

Establishment of Revenue Financing System

The Revenue Financing System has been established to provide a consolidated financing structure for revenue-supported debt obligations of the Board, including the Bonds, which are to be issued for the benefit of Participants which are or will be included as part of the Revenue Financing System. The University is the only current Participant, but the Revenue Financing System may include other entities that are hereafter included as part of the University but only upon affirmative official action of the Board. Each issue or series of Parity Obligations is to be provided for under a separate resolution consistent with the provisions of the Resolution.

Security and Pledge; Membership in the Revenue Financing System

Subject to the provisions of the resolutions authorizing Prior Encumbered Obligations, Parity Obligations issued under the Resolution are payable from and secured by a lien on all Pledged Revenues. The Board has assigned and pledged the Pledged Revenues to the payment of the principal of and interest on Parity Obligations and to the establishment and maintenance of any funds that may be created under the Resolution or a supplemental resolution to secure the repayment of Parity Obligations. The Authority, upon approval and consent of the Board, may execute and deliver one or more Credit Agreements to additionally secure Parity Obligations. Credit Agreements may also be secured by a pledge of Pledged Revenues on a parity with or subordinate to Parity Obligations.

If an additional institution hereafter becomes a component of the University, the Board may include the new component as a Participant of the Revenue Financing System. In that event, the lien on and pledge of Pledged Revenues established pursuant to the Resolution and effective when such institution becomes a Participant of the Revenue Financing System will apply to the revenues, funds, and balances of such Participant that constitute Pledged Revenues; provided, however, that if at the time a new Participant is admitted, it has outstanding debt obligations secured by any of such sources, such obligations will constitute Prior Encumbered Obligations secured by a lien on the portion of the Pledged Revenues providing such security which is superior to the lien established by the Resolution on behalf of Parity Obligations. The Board has reserved the right to refund Prior Encumbered Obligations with the proceeds of refunding bonds issued as Prior Encumbered Obligations secured by the same sources as the sources securing the refunded Prior Encumbered Obligations. Otherwise, while any Parity Obligations are outstanding, the Board has agreed not to issue additional obligations on a parity with any Prior Encumbered Obligations.

Annual and Direct Obligation of Participants

The Resolution provides that each Participant of the Revenue Financing System is responsible for its Direct Obligation. The Board covenants in the Resolution that in establishing the annual budget for each Participant of the Revenue Financing System, it will provide for the satisfaction by each Participant to its Annual Obligation.

Pledged Revenues

Tuition and Other Pledged Revenues

Subject to the provisions of the resolutions authorizing the Prior Encumbered Obligations and to the other provisions of the Resolution and any resolution authorizing the issuance of Parity Obligations, the Board has covenanted and agreed at all times to fix, levy, charge, and collect at each Participant from each student enrolled at each Participant, respectively, at each regular fall and spring semester and at each term of each summer session, for the use and availability of such institution or branch thereof, respectively, in such amounts, without any limitation whatsoever, as will be at least sufficient at all times, together with other legally available funds, including other Pledged Revenues, to provide the money to make or pay the principal of, interest on, and other payments or deposits with respect to the Parity Obligations then outstanding when and as required. Students exempt by law or the Board may be excluded from the requirement to pay student tuition. Tuition and the other rentals, rates, fees, and charges included in Pledged Revenues will be adjusted, if and when permitted or required by the Resolution, to provide Pledged Revenues sufficient to make when due all

payments and deposits in connection with the Parity Obligations then outstanding. The Board may fix, levy, charge, and collect the Pledged Revenues in any manner it may determine within its discretion, and in different amounts from students enrolled in different Participants, respectively, and in addition it may totally suspend the collection of any item included in Pledged Revenues from the students enrolled in any Participant, so long as total Pledged Revenues are sufficient, together with other legally available funds, to meet all financial obligations of the Board relating to the Revenue Financing System including all payments and deposits in connection with the Parity Obligations then outstanding. All changes in the tuition charged students at each Participant must be made by a resolution of the Board, but such procedure will not constitute or be regarded as an amendment of the Resolution, but merely the carrying out of the provisions and requirements thereof.

Annual Obligation

If, in the judgment of the Board, any Participant has been or will be unable to satisfy its Annual Obligation, the Board must fix, levy, charge, and collect tuition, rentals, rates, fees, and charges for goods and services furnished by such Participant and, with respect to the Participants with enrolled students, effective at the next succeeding regular semester or semesters or summer term or terms, in amounts sufficient, without limit (subject to the provisions discussed below), together with other legally available funds, including other Pledged Revenues attributable to such Participant, to enable it to make its Annual Obligation payments.

Anticipated Deficit

If the Board determines, for any reason whatsoever, (i) that there are not anticipated to be sufficient legally available funds, including Pledged Revenues, to meet all financial obligations of the Board relating to the Revenue Financing System, including the deposits and payments due on or with respect to the Parity Obligations outstanding at that time as the same mature or come due or (ii) that any Participant will be unable to pay its Annual Direct Obligation in full, then the Board must fix, levy, charge, and collect such rentals, rates, fees, tuition, or other charges, at each Participant with enrolled students, effective at the next succeeding regular semester or semesters or summer term or terms, in such amounts, without any limitation whatsoever (other than as provided below), as will be at least sufficient to provide, together with other legally available funds, including other Pledged Revenues, the money for making when due all financial obligations of the Board relating to the Revenue Financing System including all payments and deposits due on or with respect to outstanding Parity Obligations when and as required by the Resolution.

Economic Effect of Adjustments

Any adjustments in the rate or manner of charging for any rentals, rates, fees, tuition, or other charges included in Pledged Revenues at any of the Participants pursuant to the provisions described above will be based upon a certificate and recommendation of a Designated Financial Officer, delivered to the Board, as to the rates and anticipated collection of the Pledged Revenues at the various Participants (after taking into account the anticipated effect the proposed adjustments in such rentals, rates, fees, tuition, or other charges would have on enrollment and the receipt of Pledged Revenues and other funds at each Participant) which will be anticipated to result in (i) Pledged Revenues attributable to each Participant being sufficient (to the extent possible) to satisfy the Annual Obligation of such Participant and (ii) Pledged Revenues being sufficient, together with other legally available funds, to meet all financial obligations of the Board relating to the Revenue Financing System including all deposits and payments due on or in connection with outstanding Parity Obligations when and as required by the Resolution.

Payment and Funds

The Board has covenanted in the Resolution to make available to the Paying Agent/Registrar for Parity Obligations, on or before each payment date, money sufficient to pay any and all amounts due on such Parity Obligations on such payment date.

The Resolution allows the Board to establish one or more reserve funds or accounts to further secure any Parity Obligations. Currently, the Board has not established a reserve fund to secure the payment of the Parity Obligations.

Additional Parity Obligations; Non-Recourse Debt and Subordinated Debt

In the Resolution, the Board reserves the right to issue or incur additional Parity Obligations for any purpose authorized by law. The Board may incur, assume, guarantee, or otherwise become liable in respect of additional Parity Obligations if the Board determines that it will have sufficient funds to meet the financial obligations of the University, including

sufficient Pledged Revenues to satisfy the Annual Debt Service Requirements of the Revenue Financing University and to meet all financial obligations of the Board relating to the Revenue Financing System.

In addition, the Board covenants not to issue or incur Parity Obligations unless (i) it determines that the Participant or Participants for whom Parity Obligations are being issued or incurred possesses the financial capacity to satisfy their respective Direct Obligations, after taking into account the then proposed additional Parity Obligations, and (ii) a Designated Financial Officer delivers to the Board a certificate stating that, to the best of his or her knowledge, the Board is in compliance with all covenants contained in the Resolution and any supplemental resolution authorizing outstanding Parity Obligations, and is not in default in the performance and observance of any of the terms, provisions and conditions thereof.

The Board has reserved the right to issue without limit debt secured by a lien other than a lien on Pledged Revenues and debt which expressly provides that all payments thereon will be subordinated to the timely payment of all Parity Obligations.

Participants

Combination or Release of Participants

The Resolution recognizes that the State may combine or divide Participant institutions and provides that so long as the combined or divided institutions continue to be governed by the Board such action must not violate the Resolution or require any amendment thereof. The Resolution also provides that subject to the conditions set forth below, any Participant or portion thereof may be closed and abandoned by law or may be removed from the Revenue Financing System (thus deleting the revenues, income, funds, and balances attributable to said Participant or portion thereof from the Pledged Revenues) without violating the terms of the Resolution provided:

- (1) the Board specifically finds that (based upon a certificate of a Designated Financial Official to such effect) after the release of the Participant or portion thereof, the Board will have sufficient funds during each Fiscal Year in which Parity Obligations will thereafter be outstanding to meet the financial obligations of the Revenue Financing System, including sufficient Pledged Revenues to satisfy the annual debt service requirements of the Revenue Financing System and to meet all financial obligations of the Board relating to the Revenue Financing System; and
- (2) the Board and the Authority have received an Opinion of Counsel which states that such release will not affect the status for federal income tax purposes of interest on any Outstanding Parity Obligations and that all conditions precedent provided in the Resolution or any supplement relating to such release have been complied with; and
- (3)(A) if the Participant or portion thereof to be released from the Revenue Financing System is to remain under the governance and control of the Board, the Board must either (i) provide, from lawfully available funds, including Pledged Revenues attributable to said withdrawing Participant, for the payment or discharge of said Participant's Direct Obligations or (ii) pledge to the payment of Parity Obligations, additional resources not then pledged in an amount sufficient to satisfy such withdrawing Participant's Direct Obligations; or (B) if the Participant or portion thereof to be released from the Revenue Financing System is to no longer be under the governance and control of the Board and remains in operation independent of the Board, the Board must receive a binding obligation of the new governing body of the withdrawing institution or the portion thereof being withdrawn, obligating said governing body to make payments to the Board at the times and in the amounts equal to said Participant's Annual Obligations or to pay or discharge said Participant's Direct Obligations, or, in the case of a portion of a Participant being withdrawn, the proportion of the Participant's Annual Obligation or Direct Obligation, as the case may be, attributable to the withdrawing portion of the Participant.

Disposition of Assets

In the Resolution, the Board has reserved the right to convey, sell, or otherwise dispose of any properties of the Board attributable to a Participant of the Revenue Financing System, provided that:

- (1) such disposition must occur in the ordinary course of business of the Participants of the Revenue Financing System responsible for such properties; or

(2) the Board determines that after the disposition, the Board has sufficient funds during each Fiscal Year during which Parity Obligations are to be Outstanding to meet the financial obligations of each Participant in the Revenue Financing System, including sufficient Pledged Revenues to satisfy the Annual Debt Service Requirements of the Revenue Financing System and to meet all other financial obligations of the Board relating to the Revenue Financing System.

Admission of Participants

If, after the date of the adoption of the Resolution, the Board desires for a university or agency governed by the Board to become a Participant of the Revenue Financing System, it may include said university or agency in the Revenue Financing System with the effect set forth in the Resolution by the adoption of an amendment to the Resolution.

Certain Covenants

Rate Covenant

In each Fiscal Year, the Board must establish, charge, and use its reasonable efforts to collect at each Participant the Pledged Revenues which, if collected would be sufficient to meet all financial obligations of the Board for such Fiscal Year relating to the Revenue Financing System including all deposits or payments due on or with respect to (i) the Prior Encumbered Obligations and (ii) all Outstanding Parity Obligations.

Tuition

The Board covenants and agrees in the Resolution to fix, levy, charge, and collect at each Participant student tuition charges required or authorized by law to be imposed on students enrolled at each Participant (excepting, with respect to each series or issue of Parity Obligations, any student in a category which, at the time of adoption of a resolution relating to such Parity Obligations, is exempt by law or by the Board from paying such tuition charges). Each student (excluding those exempt from payment as provided above), enrolled at each Participant, respectively, at each regular fall and spring semester and at each term of each summer session, must pay tuition charges in such amounts, without any limitation whatsoever, as will be sufficient at all times, together with other legally available funds, including other Pledged Revenues, to provide the money to make or pay the principal of, interest on, and other payments or deposits with respect to Outstanding Parity Obligations when and as required. All changes in the tuition charged students at each Participant must be made by resolution of the Board, but such procedure will not constitute or be regarded as an amendment of the Resolution, but merely the carrying out of the provisions and requirements thereof.

General Covenants

The Board has additionally covenanted in the Resolution (i) to faithfully perform all covenants and provisions contained in the Resolution, and in each Parity Obligation; (ii) to call for redemption all Parity Obligations, in accordance with their terms, which are subject to mandatory redemption; (iii) that it lawfully owns, has title to, or is lawfully possessed of the land, buildings, and facilities which comprise the University and to defend such title for the benefit of the owners of the Parity Obligations; (iv) that it is lawfully qualified to pledge the Pledged Revenues to the payment of the Parity Obligations; (v) to maintain and preserve the property of the Revenue Financing System; (vi) not to incur any additional Debt secured by the Pledged Revenues except as permitted in the Resolution; (vii) to invest and secure money held in funds and accounts established under the Resolution in accordance with law and written policies of the Board; (viii) to keep proper books and records and account for the Revenue Financing System and to cause to be prepared annual financial reports of the Revenue Financing System and to furnish such report, to the Authority, appropriate municipal bond rating agencies and, upon request, owners of Parity Obligations; and (ix) to permit any owner or owners of 25% or more of Outstanding Principal Amount of Parity Obligations at all reasonable time to inspect all records, accounts, and data of the Board relating to the Revenue Financing System.

Special Obligations

The Resolution provides that all Parity Obligations and the interest thereon constitute special obligations of the Board payable from the Pledged Revenues, and the owners thereof never have the right to demand payment out of funds raised or to be raised by taxation, or from any source other than specified in the Resolution. The obligation of the Board to pay or cause to be paid the amounts payable under the Resolution out of the Pledged Revenues is absolute, irrevocable, complete, and unconditional, and the amount, manner and time of payment of such amounts may not be decreased, abated, rebated, setoff, reduced, abrogated, waived, diminished, or otherwise modified in any manner or to any extent whatsoever.

Waiver of Covenants

The Board may omit in any particular instance to comply with any covenant or condition set forth above as a general covenant or with its rate covenant, its covenants relating to issuance of Parity Obligations, its covenants governing disposition of Participant assets, or its covenants relating to admission and release of Participants if the holders of at least 51% of all Parity Obligations outstanding waive such compliance.

Remedies

Any owner of Parity Obligations in the event of default in connection with any covenant contained in the Resolution or default in the payment of said obligations, or of any interest due thereof, or other costs and expenses related thereto, may require the Board, the Authority, their respective officials and employees, and any appropriate official of the State of Texas, to carry out, respect, or enforce the covenants and obligations of the Resolution by all legal and equitable means, including specifically, but without limitation, the use and filing of mandamus proceedings in any court of competent jurisdiction against the Board, its officials and employees, the Authority, or any appropriate official of the State of Texas. The principal of the Bonds cannot be accelerated in the event of default, and the Board has not granted a lien on any physical property which may be levied or foreclosed against.

Amendment of Resolution

Amendment Without Consent

The Resolution and the rights and obligations of the Authority, the Board and of the owners of the Outstanding Parity Obligations may be modified or amended at any time without notice to or the consent of any owner of the Parity Obligations, solely for any one or more of the following purposes:

- (i) To add to the covenants and agreements of the Board or the Authority contained in the Resolution, other covenants and agreement thereafter to be observed, or to surrender any right or power reserved to or conferred upon the Board or the Authority in the Resolution;
- (ii) To cure any ambiguity or inconsistency, or to cure or correct any defective provisions contained in the Resolution, upon receipt by the Board and the Authority of any approving opinion of Bond Counsel, that the same is needed for such purpose, and will more clearly express the intent of the Resolution;
- (iii) To supplement the security for the Parity Obligations to provide for the additions of new institutions and agencies to the Revenue Financing System or to clarify the provisions regarding the University as a Participant in the Revenue Financing System; provided, however, that any amendment to the definition of Pledged Revenues which results in the pledge of additional resources may limit the amount of such additional pledge and the manner, extent, and duration of such additional pledge all as set forth in such amendment;
- (iv) To make any changes or amendments requested by any bond rating agency then rating or requested to rate Parity Obligations, as a condition to the issuance or maintenance of a rating, which changes or amendments do not, in the judgment of the Board and the Authority, materially adversely affect the interests of the owners of the Parity Obligations;
- (v) To make such changes, modifications, or amendments as may be necessary or desirable, which will not adversely affect the interests of the owners of the Outstanding Parity Obligations, in order, to the extent permitted by law, to facilitate the economic and practical utilization of Credit Agreements with respect to the Parity Obligations;
- (vi) To make such other changes in the provisions of the Resolution as the Board and the Authority may deem necessary or desirable and which does not, in the judgment of the Board and the Authority, materially adversely affect the interests of the owners of Outstanding Parity Obligations; or
- (vii) To make such other amendments as necessary to comply with Rule 15c2-12.

Amendments With Consent

Subject to the other provisions of the Resolution, the owners of Parity Obligations aggregating 51% in Outstanding Principal Amounts have the right from time to time to approve any amendment, other than amendments described in the foregoing paragraph, to the Resolution, which may be deemed necessary or desirable by the Board; provided, however, that no provision may permit or be construed to permit, without the approval of the owners of all of the Outstanding Parity Obligations, the amendment of the terms and conditions in the Resolution so as to:

- (i) Grant to the owners of any Outstanding Parity Obligations a priority over the owners of any other Outstanding Parity Obligations;
- (ii) Materially adversely affect the rights of the owners of less than all Parity Obligations then Outstanding;
- (iii) Change the minimum percentage of the Outstanding Principal Amount necessary for consent to such amendment;
- (iv) Make any change in the maturity of the Outstanding Bonds;
- (v) Reduce the rate of interest borne by the Outstanding Bonds;
- (vi) Reduce the amount of principal payable on the Outstanding Bonds; or
- (vii) Modify the terms of payment of principal of or interest on the Outstanding Bonds, or impose any conditions with respect to such payment.

Defeasance

The Resolution provides for the defeasance of the Bonds and the termination of the pledge of revenues and all other general defeasance covenants in the Resolution under certain circumstances. Any Bond and the interest thereon shall be deemed to be paid, retired and no longer outstanding (a "Defeased Obligation") within the meaning of the Resolution, except to the extent provided below for the Paying Agent to continue payments and for the Authority to retain the right to call Defeased Obligations to be paid at maturity, when the payment of all principal and interest payable with respect to such Bond to the due date or dates thereof (whether such due date or dates be by reason of maturity, upon redemption, or otherwise either (i) shall have been made or caused to be made in accordance with the terms thereof (including the giving of any required notice of redemption) or (ii) shall have been provided for on or before such due date by irrevocably depositing with or making available to the Paying Agent for such payment, (2) Defeasance Securities (defined below) that mature as to principal and interest in such amounts and at such times as will ensure the availability, without reinvestment, of sufficient money to provide for such payment and when proper arrangements have been made by the Authority with the Paying Agent for the payment of its services until after all Defeased Obligations shall have become due and payable or (3) any combination of (1) and (2). At such time as a Bond shall be deemed to be a Defeased Obligation, such Bond and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of, the revenues pledged as provided in the Resolution, and such principal and interest shall be payable solely from such money or Defeasance Securities.

The deposit under clause (ii) above shall be deemed a payment of a Bond when proper notice of redemption of such Bonds shall have been given, in accordance with the Resolution. Any money so deposited with the Paying Agent may at the discretion of the Authority also be invested in Defeasance Securities, maturing in the amounts and at the times as set forth in the Resolution, and all income from such Defeasance Securities received by the Paying Agent that is not required for the payment of the Bonds and interest thereon, with respect to which such money has been so deposited, shall be turned over to the Authority.

All money or Defeasance Securities set aside and held in trust pursuant to the provisions of the Resolution for the payment of principal of the Bonds and premium, if any, and interest thereon, shall be applied to and used solely for the payment of the particular Bonds and premium, if any, and interest thereon, with respect to which such money or Defeasance Securities have been so set aside in trust. Until all Defeased Obligations shall have become due and payable, the Paying Agent shall perform the services of Registrar for such Defeased Obligations the same as if they had not been defeased, and the Authority shall make proper arrangements to provide and pay for such services as required by the Resolution.

If money or Defeasance Securities have been deposited or set aside with the Paying Agent for the payment of Bonds and such Bonds shall not have in fact been actually paid in full, no amendment of the defeasance provisions of the Resolution shall be made without the consent of the registered owner of each Bond affected thereby.

To the extent that, upon the defeasance of any Defeased Obligation to be paid at its maturity, the Authority retains the right under Texas law to later call that Defeased Obligation for redemption in accordance with the provisions of the order authorizing its issuance, the Authority may call such Defeased Obligation for redemption upon complying with the provisions of Texas law and upon the satisfaction of the provisions set forth above regarding such Defeased Obligation as through it was being defeased at the time of the exercise of the option to redeem the Defeased Obligation and the effect of the redemption is taken into account in determining the sufficiency of the provisions made for the payment of the Defeased Obligation.

Any escrow agreement or other instrument entered into between the Authority and the Paying Agent pursuant to which money and/or Defeasance Securities are held by the Paying Agent for the payment of Defeased Obligations may contain provisions permitting the investment or reinvestment of such moneys in Defeasance Securities or the substitution of other Defeasance Securities upon the satisfaction of certain requirements. All income from such Defeasance Securities received by the Paying Agent which is not required for the payment of the Bonds and interest thereon, with respect to which such money has been so deposited, will be remitted to the Authority.

LEGAL MATTERS

Legal matters relating to the Bonds are subject to approval of legality by the Attorney General of the State and of certain legal matters by McCall, Parkhurst & Horton L.L.P., Austin, Texas, Bond Counsel, whose opinion will be delivered at the closing of the sale of the Bonds in substantially the form attached hereto as APPENDIX C. Bond Counsel was not requested to participate, and did not take part, in the preparation of this Official Statement except as hereinafter noted, and such firm has not assumed any responsibility with respect thereto or undertaken to verify any of the information contained herein, except that, in its capacity as Bond Counsel, such firm has reviewed the information in this Official Statement describing the Bonds and the Resolution to determine that the information relating to the Bonds and the Resolution is accurate. The payment of legal fees to Bond Counsel in connection with the issuance of the Bonds is contingent on the sale and delivery of the Bonds. In connection with the issuance of the Bonds, Bond Counsel has been engaged by, and only represents, the Authority.

TAX MATTERS

Opinion

On the date of initial delivery of the Bonds, McCall, Parkhurst & Horton L.L.P., Austin, Texas, Bond Counsel, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (1) interest on the Bonds for federal income tax purposes will be excludable from the "gross income" of the holders thereof and (2) the Bonds will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986, as amended (the "Code"). Except as stated above, Bond Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds. See "APPENDIX C -- FORM OF BOND COUNSEL OPINION.

In rendering its opinion, Bond Counsel will rely upon (a) certain information and representations of the University, including information and representations contained in the Authority's and University's federal tax certificate, and (b) covenants of the Board and the Authority contained in the Bond documents relating to certain matters, including arbitrage and the use of the proceeds of the Bonds and the property financed or refinanced therewith. Although it is expected that the Bonds will qualify as tax-exempt obligations for federal income tax purposes as of the date of issuance, the tax-exempt status of the Bonds could be affected by future events. However, future events beyond the control of the University or the Authority, as well as the failure to observe the aforementioned representations or covenants, could cause the interest on the Bonds to become taxable retroactively to the date of issuance.

Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Bond Counsel's opinion is not a guarantee of a result. The Existing Law is subject to change by the Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that such Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership or disposition of the Bonds.

A ruling was not sought from the Internal Revenue Service by the University or the Authority with respect to the Bonds or the project financed with the Bond proceeds. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Bonds, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an Internal Revenue Service audit is commenced, under current procedures the Internal Revenue Service is likely to treat the Authority as the taxpayer and the Bondholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

Federal Income Tax Accounting Treatment of Original Issue Discount

The initial public offering price to be paid for one or more maturities of the Bonds (the "Original Issue Discount Bonds") may be less than the principal amount thereof or one or more periods for the payment of interest on the Bonds may not be equal to the accrual period or be in excess of one year. In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the Bonds less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under Existing Law, any owner who has purchased such Original Issue Discount Bond in the initial public offering is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Bond was held by such initial owner) is includable in gross income.

Under Existing Law, the original issue discount on each Original Issue Discount Bond is accrued daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the date of the Bonds and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Bond for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (a) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Original Issue Discount Bond.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Original Issue Discount Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. All owners of Original Issue Discount Bonds should consult their own tax advisors with respect to the determination for federal, state and local income tax purposes of the treatment of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Bonds.

Collateral Federal Income Tax Consequences

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Bonds. This discussion is based on existing statutes, regulations, published rulings and court decisions, all of which are subject to change or modification, retroactively.

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, owners of interests in a FASIT, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, certain S corporations with Subchapter C earnings and profits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE BONDS.

Interest on the Bonds will be includable as an adjustment for "adjusted current earnings" to calculate the alternative minimum tax imposed on corporations by section 55 of the Code. Section 55 of the Code imposes a tax equal to 20 percent for corporations, or 26 percent for noncorporate taxpayers (28 percent for taxable income exceeding \$175,000), of the taxpayer's "alternative minimum taxable income," if the amount of such alternative minimum tax is greater than the taxpayer's regular income tax for the taxable year.

Interest on the Bonds may be subject to the "branch profits tax" imposed by section 884 of the Code on the effectively-connected earnings and profits of a foreign corporation doing business in the United States.

Under section 6012 of the Code, holders of tax-exempt obligations, such as the Bonds, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation.

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Bonds, if such obligation was acquired at a "market discount" and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to "market discount bonds" to the extent such gain does not exceed the accrued market discount of such bonds; although for this purpose, a de minimis amount of market discount is ignored. A "market discount bond" is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the "revised issue price" (i.e., the issue price plus accrued original issue discount). The "accrued market discount" is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

State, Local and Foreign Taxes

Investors should consult their own tax advisors concerning the tax implications of the purchase, ownership or disposition of the Bonds under applicable state or local laws. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not United States persons.

LEGAL INVESTMENTS IN TEXAS

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Bonds are negotiable instruments governed by Chapter 8, Texas Business & Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking fund of municipalities or other political subdivisions or public agencies of the State of Texas. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with at least \$1 million of capital and savings and loan associations. The Bonds are eligible to secure deposits of any public funds of the state, its agencies and political subdivisions, and are legal security for those deposits to the extent of their market value. For political subdivisions in Texas which have adopted investment policies and guidelines in accordance with the PFIA, the Bonds may have to be assigned a rating of "A" or its equivalent as to investment quality by a national rating agency before such obligations are eligible investments for sinking funds and other public funds.

Neither the Authority nor the University has made any investigation of other laws, rules, regulations or investment criteria which might apply to such institutions or entities or which might limit the suitability of the Bonds for any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the Bonds for such purposes. Neither the Authority nor the University has made any review of laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

RATINGS

Moody's Investor Service, Inc. ("Moody's") and Fitch Ratings ("Fitch") have assigned ratings of "Aaa" and "AAA", respectively, to the Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy will be issued by Financial Security Assurance Inc. In addition, the Bonds were assigned ratings by Moody's and Fitch of "A2" and "A+", respectively, before the commitment for the aforesaid bond insurance policy for the Bonds was

issued. An explanation of the significance of each such rating may be obtained from the company furnishing the rating. The ratings will reflect only the views of such organizations at the time such ratings are given, and the Board makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by such rating companies, if circumstances so warrant. Any such downward revision or withdrawal of either rating may have an adverse effect on the market price of the Bonds.

CONTINUING DISCLOSURE OF INFORMATION

In the Resolution, the Board, as the obligated party on the Bonds, has made the following agreement for the benefit of the Authority and the holders and beneficial owners of the Bonds. The Board is required to observe its agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the Board will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to certain information vendors. This information will be available to securities brokers and others who subscribe to receive the information from the vendors.

Annual Reports

The Board will provide certain updated financial information and operating data to certain information vendors annually. The information to be updated includes all quantitative financial information and operating data with respect to the University of the general type included in this Official Statement under the heading(s) "SECURITY FOR THE BONDS - TABLE 1 - Pledged Revenues", "STEPHEN F. AUSTIN STATE UNIVERSITY", "SELECTED FINANCIAL INFORMATION", and in APPENDIX B. The Board will update and provide this information within 180 days after the end of each Fiscal Year ending in or after 2002. The Board will provide the updated information to the Authority and each nationally recognized municipal securities information repository ("NRMSIR") and to any state information depository ("SID") that is designated by the State of Texas and approved by the staff of the United States Securities and Exchange Commission (the "SEC").

The Board may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12. The updated information provided by the Board will be provided on a cash basis, or such other basis as the Board may be required to employ from time to time pursuant to state law or regulation, and will not be audited.

The State's current fiscal year end is August 31. Accordingly, the Board must provide updated information within 180 days following August 31 of each year, unless the State changes its fiscal year. If the State changes its fiscal year, the Board will notify each NRMSIR and any SID of the change.

Material Event Notices

The Board will also provide timely notices of certain events to certain information vendors. The Board will provide notice of any of the following events with respect to the Bonds, if such event is material to a decision to purchase or sell Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions or events affecting the tax-exempt status of the Bonds; (7) modifications to rights of holders of the Bonds; (8) Bond calls; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds; and (11) rating changes. (Neither the Bonds nor the Resolution make any provision for debt service reserves, credit enhancement, liquidity enhancement, or early redemption.) In addition, the Board will provide timely notice of any failure by the Board to provide information, data, or financial reports in accordance with its agreement described above under "Annual Reports." The Board will provide each notice described in this paragraph to any SID and to either each NRMSIR or the Municipal Securities Rulemaking Board ("MSRB").

Availability of Information from NRMSIRs and SID

The Board has agreed to provide the foregoing information only to NRMSIRs and any SID. The information will be available to holders of Bonds only if the holders comply with the procedures and pay the charges established by such information vendors or obtain the information through securities brokers who do so.

The Municipal Advisory Council of Texas has been designated by the State of Texas as a SID, and the SEC staff has issued a no action letter confirming that it will accept that designation. The address of the Municipal Advisory Council of Texas is 600 West 8th Street, P. O. Box 2177, Austin, Texas 78768-2177, and its telephone is (512) 476-6947.

Limitations and Amendments

The Board has agreed to update information and to provide notices of material events only as described above. The Board has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The Board makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The Board disclaims any contractual or tort liability of damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Bonds may seek a writ of mandamus to compel the Board to comply with its agreement.

The Board may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the Board, if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (2) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or (b) any person unaffiliated with the Board (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. The Board may also amend or repeal its continuing disclosure agreement if the SEC amends or repeals the applicable provisions of SEC Rule 15c2-12 or a court of final jurisdiction enters judgment that such provisions of said rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling the Bonds in the primary offering of the Bonds. If the Board so amends the agreement, it has agreed to include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

Compliance with Prior Agreements

The Board and the Authority are in full compliance with all other continuing disclosure agreements made in accordance with SEC Rule 15c2-12.

INITIAL PURCHASER

After requesting competitive bids for the Bonds, the Authority accepted the bid of Banc One Capital Markets, Inc. (the "Initial Purchaser") to purchase the Bonds at the interest rates shown on the inside cover page of the Official Statement at a price of par plus accrued interest and a cash premium of \$3,779.40. The Purchaser(s) can give no assurance that any trading market will be developed for the Bonds after their sale by the Authority to the Initial Purchaser. The Authority has no control over the price at which the Bonds are subsequently sold and the initial yield at which the Bonds will be priced and reoffered will be established by and will be the responsibility of the Initial Purchaser.

CO-FINANCIAL ADVISOR

First Southwest Company and CKW Financial Group, Inc. have acted as Co-Financial Advisor to the Authority in connection with the issuance of the Bonds. The Co-Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds.

Although the Co-Financial Advisors have read and participated in the preparation of this Official Statement, they have not independently verified any of the information set forth herein. The information contained in this Official Statement has been obtained primarily from the Authority's and the University's Records and from other sources which are believed to be reliable. No guarantee is made as to the accuracy or completeness of any such information. No person, therefore, is entitled to rely upon the participation of the Co-Financial Advisors as an implicit or explicit expression of opinion as to the completeness and accuracy of the information contained in this Official Statement.

PENDING LITIGATION

As of June 6, 2002, only two lawsuits involving the University were pending. The potential liability of the University, as an agency of the State of Texas, is partially limited by sovereign immunity and other statutory limitations on damages and indemnification. While the ultimate liability with respect to litigation and other claims asserted against the University cannot be reasonably estimated at this time, such liability, to the extent not provided for by insurance or otherwise, is highly unlikely to have a material effect on the University or Pledged Revenues.

AUTHENTICITY OF FINANCIAL DATA AND OTHER INFORMATION

The financial data and other information contained herein have been obtained from the Board's and the Authority's records, unaudited financial statements and other sources that are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents, and resolutions contained in this Official Statement are made subject to all of the provisions of such statutes, documents, and resolution. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

/s/ Kimberly K. Edwards
Kimberly K. Edwards, Executive Director
Texas Public Finance Authority

/s/ Dr. Tito Guerrero
Dr. Tito Guerrero, President
Stephen F. Austin State University

APPENDIX A

DEFINITIONS

As used in this Official Statement the following terms and expressions shall have the meanings set forth below, unless the text hereof specifically indicates otherwise:

"*Annual Debt Service Requirements*" means, for any Fiscal Year, the principal of and interest on all Parity Obligations coming due at Maturity or Stated Maturity (or that could come due on demand of the owner thereof other than by acceleration or other demand conditioned upon default by the Board on such Debt, or be payable in respect of any required purchase of such Debt by the Board) in such Fiscal Year, and, for such purposes, any one or more of the following rules shall apply at the election of the Board:

(1) *Committed Take Out*. If the Board, or the Authority on behalf of the Board, has entered into a Credit Agreement constituting a binding commitment within normal commercial practice to discharge any of its Funded Debt at its Stated Maturity (or, if due on demand, at any date on which demand may be made) or to purchase any of its Funded Debt at any date on which such Debt is subject to required purchase, all under arrangements whereby the obligation to repay the amounts advanced for such discharge or purchase constitutes Funded Debt, then the portion of the Funded Debt committed to be discharged or purchased shall be excluded from such calculation and the principal of and interest on the Funded Debt incurred for such discharging or purchase that would be due in the Fiscal Year for which the calculation is being made, if incurred at the Stated Maturity or purchase date of the Funded Debt to be discharged or purchased, shall be added;

(2) *Balloon Debt*. If the principal (including the accretion of interest resulting from original issue discount or compounding of interest) of any series or issue of Funded Debt due (or payable in respect of any required purchase of such Funded Debt by the Board) in any Fiscal Year either is equal to at least 25% of the total principal (including the accretion of interest resulting from original issue discount or compounding of interest) of such Funded Debt or exceeds by more than 50% the greatest amount of principal of such series or issue of Funded Debt due in any preceding or succeeding Fiscal Year (such principal due in such Fiscal Year for such series or issue of Funded Debt being referred to herein as "Balloon Debt"), the amount of principal of such Balloon Debt taken into account during any Fiscal Year shall be equal to the debt service calculated using the original principal amount of such Balloon Debt amortized over the Term of Issue on a level debt service basis at an assumed interest rate equal to the rate borne by such Balloon Debt on the date of calculation;

(3) *Consent Sinking Fund*. In the case of Balloon Debt (as defined in clause (2) above), if a Designated Financial Officer shall deliver to the Board and the Authority an Officer's Certificate providing for the retirement of (and the instrument creating such Balloon Debt shall permit the retirement of), or for the accumulation of a sinking fund for (and the instrument creating such Balloon Debt shall permit the accumulation of a sinking fund for), such Balloon Debt according to a fixed schedule stated in such Officer's Certificate ending on or before the Fiscal Year in which such principal (and premium, if any) is due, then the principal of (and, in the case of retirement, or to the extent provided for by the sinking fund accumulation, the premium, if any, and interest and other debt service charges on) such Balloon Debt shall be computed as if the same were due in accordance with such schedule, provided that this clause (3) shall apply only to Balloon Debt for which the installments previously scheduled have been paid or deposited to the sinking fund established with respect to such Debt on or before the times required by such schedule; and provided further that this clause (3) shall not apply where the Board has elected to apply the rule set forth in clause (2) above;

(4) *Prepaid Debt*. Principal of and interest on Parity Obligations, or portions thereof, shall not be included in the computation of the Annual Debt Service Requirements for any Fiscal Year for which such principal or interest are payable from funds on deposit or set aside in trust for the payment thereof at the time of such calculations (including without limitation capitalized interest and accrued interest so deposited or set aside in trust) with a financial institution acting as fiduciary with respect to the payment of such Debt;

(5) *Variable Rate*. As to any Parity Obligation that bears interest at a variable interest rate which cannot be ascertained at the time of calculation of the Annual Debt Service Requirement then, at the option of the Board, either (1) an interest rate equal to the average rate borne by such Parity Obligations (or by comparable debt in the event that such Parity Obligations has not been outstanding during the preceding 24 months) for any 24 month period ending within 30 days prior to the date of calculation, or (2) an interest rate equal to the 30-year Tax-Exempt Revenue Bond Index (as most recently published in The Bond Buyer), shall be presumed to apply for all future dates, unless such index is no longer published in The Bond Buyer, in which case an index of tax-exempt revenue bonds with maturities of at least 20 years which is published in a

newspaper or journal with national circulation may be used for this purpose. If two Series of Parity Obligations which bear interest at variable interest rates, or one or more maturities within a Series, of equal par amounts, are issued simultaneously with inverse floating interest rates providing a composite fixed interest rate for such Parity Obligations taken as a whole, such composite fixed rate shall be used in determining the Annual Debt Service Requirement with respect to such Parity Obligations;

(6) *Guarantee*. In the case of any guarantee, as described in clause (2) of the definition of Debt, no obligation will be counted if the Board does not anticipate in its annual budget that it will make any payments on the guarantee. If, however, the Board is making payments on a guarantee or anticipates doing so in its annual budget, such obligation shall be treated as Parity Obligations and calculations of Annual Debt Service Requirements with respect to such guarantee shall be made assuming that the Board will make all additional payments due under the guaranteed obligation. If the entity whose obligation is guaranteed cures all defaults and the Board no longer anticipates making payments under the guarantee, the guaranteed obligations shall not be included in the calculation of Annual Debt Service Requirements;

(7) *Commercial Paper*. With respect to any Parity Obligations issued in the form of commercial paper with maturities not exceeding 270 days, the interest on such Parity Obligations shall be calculated in the manner provided in clause (5) of this definition and the maturity schedule shall be calculated in the manner provided in clause (2) of this definition; and

(8) *Credit Agreement Payments*. If the Board, or the Authority on behalf of the Board, has entered into a Credit Agreement in connection with an issue of Debt, payments due under the Credit Agreement (other than payments for fees and expenses), for either the Board or, the Authority on behalf of the Board, as the case may be, or the Credit Provider, shall be included in such calculation, except to the extent that the payments are already taken into account under (1) through (7) above and any payments otherwise included above under (1) through (7) which are to be replaced by payments under a Credit Agreement, from either the Board or the Credit Provider, shall be excluded from such calculation.

With respect to any calculation of historic data, only those payments actually made in the subject period shall be taken into account in making such calculation and, with respect to prospective calculations, only those payments reasonably expected to be made in the subject period shall be taken into account in making the calculation.

"*Annual Direct Obligation*" means the amount budgeted each Fiscal Year by the Board with respect to each Participant in the Financing System to satisfy said Participant's proportion of debt service (calculated based on said Participant's Direct Obligation) due by the Board in such Fiscal Year on Outstanding Parity Obligations.

"*Annual Obligation*" means, with respect to each Participant in the Financing System and for each Fiscal Year, said Participant's Annual Direct Obligation plus the amount budgeted by the Board for such Fiscal Year to allow said Participant to retire its obligation for advances made to it by the Board in the management of the Financing System to satisfy part or all of a previous Annual Direct Obligation payment.

"*Authority*" means the Texas Public Finance Authority, or any successor thereto.

"*Board*" means the Board of Regents of Stephen F. Austin State University, acting as the governing body of the University, or any successor thereto.

"*Bond Counsel*" means McCall, Parkhurst & Horton L.L.P., or such other firm of attorneys of nationally recognized standing in the field of law relating to municipal revenue bonds selected by the Board with the approval of the Authority.

"*Bonds*" means the Texas Public Finance Authority Stephen F. Austin State University Revenue Financing System Revenue Bonds, Series 2002, issued in the aggregate principal amount of \$14,070,000 pursuant to the terms of this Resolution, and all substitute bonds exchanged therefor, and all other substitute and replacement bonds issued pursuant to the Resolution; and the term "Bond" means any of the Bonds.

"*Code*" means the Internal Revenue Code of 1986, as amended.

"*Credit Agreement*" means, collectively, a loan agreement, revolving credit agreement, agreement establishing a line of credit, letter of credit, reimbursement agreement, insurance contract, commitments to purchase Parity Obligations, purchase or sale agreements, interest rate swap agreements, currency exchange agreements, interest rate floor or cap agreements, or commitments or other contracts or agreements authorized, recognized and approved by the

Board or the Authority on behalf of the Board as a Credit Agreement in connection with the authorization, issuance, security, or payment of Parity Obligations and on a parity therewith.

"*Credit Provider*" means any bank, financial institution, insurance company, surety bond provider, or other entity which provides, executes, issues, or otherwise is a party to or provider of a Credit Agreement.

"*DTC*" means The Depository Trust Company, New York, New York, or any successor securities depository.

"*DTC Participant*" means the securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations on whose behalf DTC was created to hold securities to facilitate the clearance and settlement of securities transactions among DTC participants.

"*Debt*" means all:

(1) indebtedness incurred or assumed by the Board for borrowed money (including indebtedness arising under Credit Agreements) and all other financing obligations of the Board that, in accordance with generally accepted accounting principles, are shown on the liability side of a balance sheet;

(2) all other indebtedness (other than indebtedness otherwise treated as Debt hereunder) for borrowed money or for the acquisition, construction, or improvement of property or capitalized lease obligations that is guaranteed, directly or indirectly, in any manner by the Board, or that is in effect guaranteed, directly or indirectly, by the Board through an agreement, contingent or otherwise, to purchase any such indebtedness or to advance or supply funds for the payment or purchase of any such indebtedness or to purchase property or services primarily for the purpose of enabling the debtor or seller to make payment of such indebtedness, or to assure the owner of the indebtedness against loss, or to supply funds to or in any other manner invest in the debtor (including any agreement to pay for property or services irrespective of whether or not such property is delivered or such services are rendered), or otherwise; and

(3) all indebtedness secured by any mortgage, lien, charge, encumbrance, pledge or other security interest upon property owned by the Board whether or not the Board has assumed or become liable for the payment thereof.

For the purpose of determining the "Debt" of the Board, there shall be excluded any particular Debt if, upon or prior to the Maturity thereof, there shall have been deposited with the proper depository (a) in trust the necessary funds (or investments that will provide sufficient funds, if permitted by the instrument creating such Debt) for the payment, redemption, or satisfaction of such Debt or (b) evidence of such Debt deposited for cancellation; and thereafter it shall not be considered Debt. No item shall be considered Debt unless such item constitutes indebtedness under generally accepted accounting principles applied on a basis consistent with the financial statements prepared by or for the benefit of the Board in prior Fiscal Years.

"*Defeasance Securities*" means (i) Federal Securities, (ii) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the Authority adopts or approves proceedings authorizing the issuance of refunding bonds or otherwise provide for the funding of an escrow to effect the defeasance of the Bonds are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, and (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the Authority adopts or approves proceedings authorizing the issuance of refunding bonds or otherwise provide for the funding of an escrow to effect the defeasance of the Bonds, are rated as to investment quality by a nationally recognized investment rating firm no less than "AAA" or its equivalent.

"*Designated Financial Officer*" means the Vice President for Business Affairs of the University, or such other official of the University appointed by the Board to carry out the functions of the Designated Financial Officer specified herein.

"*Designated Trust Office*" means Little Rock, Arkansas for the initial Paying Agent/Registrar.

"*Direct Obligation*" means the proportionate share of Outstanding Parity Obligations attributable to and the responsibility of each Participant in the Financing System.

"*Executive Director*" means the duly acting Executive Director of the Authority, and any person authorized by the Board of Directors of the Authority to serve in the capacity of and perform the duties and obligations of the Executive Director.

"*Federal Securities*" as used herein means direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America (including Interest Strips of the Resolution Funding Corporation).

"*Fiscal Year*" means the fiscal year of the Board which currently ends on August 31 of each year.

"*Funded Debt*" means all Parity Obligations that mature by their terms (in the absence of the exercise of any earlier right of demand), or are renewable at the option of the Board to a date, more than one year after the original creation, assumption, or guarantee of such Debt by the Board.

"*Holder*" or "*Bondholder*" or "*Owner*" means the registered owner of any Parity Obligation registered as to ownership and the holder of any Parity Obligation payable to bearer.

"*Maturity*", when used with respect to any Debt, means the date on which the principal of such Debt or any installment thereof becomes due and payable as therein provided, whether at the Stated Maturity thereof or by declaration of acceleration, call for redemption, or otherwise.

"*MSRB*" means the Municipal Securities Rulemaking Board.

"*NRMSIR*" means each person whom the SEC or its staff has determined to be a nationally recognized municipal securities information repository within the meaning of the Rule from time to time.

"*Officer's Certificate*" means a certificate executed by the Designated Financial Officer.

"*Opinion of Counsel*" means a written opinion of counsel, which counsel shall be acceptable to the Authority and the Board.

"*Outstanding*" when used with respect to Parity Obligations means, as of the date of determination, all Parity Obligations theretofore delivered under the Resolution and any resolution hereafter adopted authorizing the issuance of Parity Obligations, except:

- (1) Parity Obligations theretofore cancelled and delivered to the Board or delivered to the Paying Agent or the Registrar for cancellation;
- (2) Parity Obligations deemed paid pursuant to the provisions of Section 19 of the Resolution or any comparable section of any resolution hereafter adopted authorizing the issuance of Parity Obligations;
- (3) Parity Obligations upon transfer of or in exchange for and in lieu of which other Parity Obligations have been authenticated and delivered pursuant to the Resolution; and
- (4) Parity Obligations under which the obligations of the Board have been released, discharged, or extinguished in accordance with the terms thereof;

provided, however, that, unless the same is acquired for purposes of cancellation, Parity Obligations owned by the Board shall be deemed to be Outstanding as though it was owned by any other owner.

"*Outstanding Principal Amount*" means, with respect to all Parity Obligations or to a series of Parity Obligations, the outstanding and unpaid principal amount of such Parity Obligations paying interest on a current basis and the outstanding and unpaid principal and compounded interest on such Parity Obligations paying accrued, accreted, or compounded interest only at maturity as of any Record Date established by a Registrar in connection with a proposed amendment of the Resolution.

"*Outstanding Revenue Bonds*" means those bonds listed below which are secured by a lien on and pledge of the Prior Encumbered Revenues charged and collected at the University in support thereof:

Consolidated University Revenue Refunding Bonds, Series 1991B, outstanding, as of June 1, 2002, in the aggregate principal amount of \$1,075,000; and

Consolidated University Revenue Bonds, Series 1996, outstanding, as of June 1, 2002, in the aggregate principal amount of \$2,400,000.

"*Parity Obligations*" means all Debt of the Board which may be issued or assumed in accordance with the terms of the Resolution and any resolution authorizing the issuance of Debt on a parity with the Bonds, secured by a pledge of the Pledged Revenues subject only to the liens securing Prior Encumbered Obligations. For purposes of this definition, the Previously Issued Parity Obligations and the Bonds constitute Parity Obligations.

"*Participant in the Financing System*" and "*Participant*" means each of the agencies, institutions and branches of the University and such agencies, institutions and branches hereafter designated by the Board to be a participant in the Financing System. Currently, the University is the only Participant in the Financing System.

"*Paying Agent/Registrar*", "*Paying Agent*" or "*Registrar*" means each of the agents (one or more) appointed pursuant to the Resolution, or any successor to any such agent.

"*Pledged Revenues*" means, subject to the provisions of the Prior Encumbered Obligations, the Revenue Funds, including all of the funds and balances now or hereafter lawfully available to the Board and derived from or attributable to any Participant of the Financing System which are lawfully available to the Board for payments on Parity Obligations; provided, however, that the following shall not be included in Pledged Revenues unless and to the extent set forth in a resolution authorizing the issuance of Parity Obligations: (a) amounts received by the University under Article VII, Section 17 of the Constitution of the State of Texas, including the income therefrom and any fund balances relating thereto; and (b) except to the extent so specifically appropriated, general revenue funds appropriated to the Board by the Legislature of the State of Texas.

"*Previously Issued Parity Obligations*" means the Series 1998 Bonds and Series 2000 Bonds.

"*Prior Encumbered Obligations*" means (i) the Outstanding Revenue Bonds and (ii) those outstanding bonds or other obligations of an institution which becomes a Participant of the Financing System after the date of adoption of the Resolution, which are secured by a lien on and pledge of the Prior Encumbered Revenues charged and collected at such institution or agency, and any other bonds or other obligations secured by revenues which are hereafter designated by the Board as a Pledged Revenue.

"*Prior Encumbered Revenues*" means (i) the revenues pledged to the payment of Prior Encumbered Obligations of the University and (ii) the revenues of any revenue producing system or facility of an institution or agency which hereafter becomes a Participant of the Financing System and which are pledged to the payment of bonds or other obligations outstanding on the date such institution or agency becomes a Participant of the Financing System.

"*Record Date*" means, with respect to the Bonds, the last business day of each month preceding an interest payment date.

"*Registration Books*" means the books or records relating to the registration, payment, and transfer or exchange of the Bonds maintained by the Paying Agent/Registrar pursuant to the Resolution.

"*Resolution*" means the Resolution authorizing the sale of the Bonds.

"*Revenue Financing System*" or "*Financing System*" means the "Stephen F. Austin State University Revenue Financing System", currently for the benefit of the University, and such other institutions and agencies now or hereafter under the control or governance of the Board, and made a Participant of the Revenue Financing System by specific action of the Board.

"*Revenue Funds*" means the "revenue funds" of the Board (as defined in Section 55.01 of the Texas Education Code to mean the revenues, incomes, receipts, rentals, rates, charges, fees, grants, and tuition levied or collected from any public or private source by an institution of higher education, including interest or other income from those funds) derived by the Board from the operations of each of the Participants. The term "Revenue Funds" does not include, with respect to each series or issue of Parity Obligations, any tuition, rentals, rates, fees, or other charges attributable to any student in a category which, at the time of the adoption by the Board of a resolution relating to such Parity Obligations, is exempt by law or by the Board from paying such tuition, rentals, rates, fees, or other charges.

"*Rule*" means SEC Rule 15c2-12, as amended from time to time.

"SEC" means the United States Securities and Exchange Commission.

"Series 1998 Bonds" means the Board of Regents of Stephen F. Austin State University Revenue Financing System, Texas Public Finance Authority Revenue Bonds, Series 1998, issued in the aggregate principal amount of \$6,000,000.

"Series 2000 Bonds" means the Board of Regents of Stephen F. Austin State University Revenue Financing System, Texas Public Finance Authority Revenue Bonds, Series 2000, issued in the aggregate principal amount of \$7,000,000.

"SID" means any person designated by the State of Texas or an authorized department, officer, or agency thereof as, and determined by the SEC or its staff to be, a state information depository within the meaning of the Rule from time to time.

"Stated Maturity" when used with respect to any Debt or any installment of interest thereon means any date specified in the instrument evidencing or authorizing such Debt or such installment of interest as a fixed date on which the principal of such Debt or any installment thereof or the fixed date on which such installment of interest is due and payable.

"Subordinated Debt" means any Debt which expressly provides that all payments thereon shall be subordinated to the timely payment of all Parity Obligations then Outstanding or subsequently issued.

"Term of Issue" means with respect to any Balloon Debt, including, without limitation, commercial paper, a period of time equal to the greater of (i) the period of time commencing on the date of issuance of such Balloon Debt and ending on the final maturity date of such Balloon Debt or the maximum maturity date in the case of commercial paper or (ii) twenty-five years.

"University" means Stephen F. Austin State University, together with every other agency or general academic institution or branch thereof now or hereafter operated by or under the jurisdiction of the Board acting for and on behalf of Stephen F. Austin State University pursuant to law.

APPENDIX B

FINANCIAL REPORT OF STEPHEN F. AUSTIN STATE UNIVERSITY
FOR THE YEAR ENDED AUGUST 31, 2001

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Stephen F. Austin State University



**Financial Report for the Year Ended
August 31, 2001**

Stephen F. Austin State University

Unaudited Financial Report
For the Year Ended
August 31, 2001

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Stephen F. Austin State University

November 20, 2001

The Honorable Rick Perry
Governor of Texas

Mr. Lawrence F. Alwin, CPA
State Auditor

Mr. John Keel, CPA
Director, Legislative Budget Board

The Honorable Carole Keeton Rylander
Comptroller of Public Accounts

To Agency Heads Addressed:

The Financial Report of Stephen F. Austin State University, with which this letter is bound, is transmitted for inclusion in the State of Texas Annual Financial Report for the fiscal year ended August 31, 2001. The State Auditor will consider the accompanying Annual Financial Report for audit as part of the audit of the State's Comprehensive Annual Financial Report; therefore, an opinion on the financial statements and related information contained in this report has not been expressed. This report is intended to present a complete picture of the fiscal affairs of the University for the year ended August 31, 2001.

As indicated by the following letter of transmittal, this report has been prepared by the fiscal office of the University to provide a summary of the University's financial records.

Sincerely,

Tito Guerrero, III
President

OFFICE OF THE PRESIDENT

P.O. Box 6078, SFA Station Nacogdoches, Texas 75962-6078 Office: (936) 468-2201 FAX: (936) 468-2202

Stephen F. Austin State University



Office of the Controller

November 20, 2001

Dr. Tito Guerrero, III
President
Stephen F. Austin State University
P. O. Box 6078, SFA Station
Nacogdoches, Texas 75962

Dear Dr. Guerrero:

Submitted herein is the Annual Financial Report of Stephen F. Austin State University for the fiscal year ended August 31, 2001.

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 Financial Report; therefore, an opinion has not been expressed on the statements and related information contained in this report.

If you have any questions, please contact me at 936-468-2112.

Respectfully Submitted,

Dora Fuselier, C.P.A.
Controller

Approved:

Roland K. Smith, C.P.A., Ph.D.
Vice President for Business Affairs

STEPHEN F. AUSTIN STATE UNIVERSITY
ORGANIZATIONAL DATA
August 31, 2001

Board of Regents

Officers

Michael W. Enoch, Chair
Penny H. Butler, Vice Chair
Susan Roberds, Secretary

Members

Name	Town	Term Expires January 31,
Penny H. Butler	Houston, Texas	2003
Michael W. Enoch	Mont Belvieu, Texas	2003
Susan Roberds	Dallas, Texas	2003
Gary Lopez	Dallas, Texas	2005
Lyn Stevens	Beaumont, Texas	2005
Mike Wilhite	Henderson, Texas	2005
Margarita de la Garza-Graham	Tyler, Texas	2007
Kenneth James	Kingwood, Texas	2007
Frederick A. Wulf	Center, Texas	2007

President

Tito Guerrero, III, Ed.D.

Business Affairs

Vice President - Roland K. Smith, C.P.A., Ph.D.
Controller - Dora Fuselier, C.P.A.

REVISED-UNAUDITED

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STEPHEN F. AUSTIN STATE UNIVERSITY
 EXHIBIT A
 BALANCE SHEET
 For the Year Ended August 31, 2001

	CURRENT FUNDS					
	UNRESTRICTED				Restricted	Loan Funds
	Educational and General	Designated	Auxiliary Enterprises	Total		
ASSETS						
Cash & Temporary Investments (Sch. A-1)	\$ 2,921,314	\$ 18,443,363	\$ 8,363,248	\$ 29,727,925	\$ 2,236,358	\$ 2,146,007
Balance in Legislative Appropriations	11,153,168			11,153,168		
Accounts Receivable	872,893	1,261,544	4,392,694	6,527,131	835,457	
Due from other State Agencies	3,125			3,125	208,306	
Investments (Sch. A-2)		4,693,974	4,354,082	9,048,056		
Prepaid Expenses	915,351	968,481	1,438,929	3,322,761	4,210,174	
Federal Receivables					432,718	
Notes Receivable (net of allowance for doubtful accounts of \$98,981)						7,354,074
Inventories, at cost	424,422	70,807	1,247,455	1,742,684		
Land						
Buildings						
Improvements other than Buildings						
Equipment						
Library Holdings						
Livestock						
Museum and Art Collections						
Construction in Progress						
Total Assets	<u>\$ 16,290,273</u>	<u>\$ 25,438,169</u>	<u>\$ 19,796,408</u>	<u>\$ 61,524,850</u>	<u>\$ 7,923,013</u>	<u>\$ 9,500,081</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts Payable	\$ 554,500	\$ 190,226	\$ 446,608	\$ 1,191,334	\$ 14,273	\$
Accrued Interest						
Deposits Payable	617,490		508,942	1,126,432		
Due to other State Agencies	89,867			89,867		
Deferred Revenues	6,572,247	6,979,161	10,215,415	23,766,823	5,201,034	
Salaries & Wages Payable	2,339,235	540,178	673,263	3,552,676	396,111	
Accrued Compensable Absences Payable	1,205,691	55,054	492,841	1,753,586	100,591	
Revenue Bonds Payable						
General Obligation Bonds Payable						
Lease-Purchase Agreements Payable						
Funds held in Custody for Others						
Total Liabilities	<u>11,379,030</u>	<u>7,764,619</u>	<u>12,337,069</u>	<u>31,480,718</u>	<u>5,712,009</u>	<u>0</u>
Fund Balances:						
Unrestricted						
Reserved For:						
Encumbrances	851,027	567,459	779,233	2,197,719		
Accounts Receivable	872,893	1,261,544	4,392,694	6,527,131		
Inventories	424,422	70,807	1,247,455	1,742,684		
Other Specific Purposes						
Unreserved						
Allocated	2,762,901	4,180,236		6,943,137		
Unallocated		11,593,504	1,039,957	12,633,461		
Restricted						
Restricted-Encumbered						
Restricted-Other					2,211,004	9,500,081
Endowment (Sch. B-6)						
Quasi-Endowment - Restricted (Sch. B-6)						
Net Investment in Plant (Sch. B-11)						
Total Fund Balances(Exh. B)	<u>4,911,243</u>	<u>17,673,550</u>	<u>7,459,339</u>	<u>30,044,132</u>	<u>2,211,004</u>	<u>9,500,081</u>
Total Liabilities and Fund Balances	<u>\$ 16,290,273</u>	<u>\$ 25,438,169</u>	<u>\$ 19,796,408</u>	<u>\$ 61,524,850</u>	<u>\$ 7,923,013</u>	<u>\$ 9,500,081</u>

See accompanying Notes to the Financial Statements.

REVISED-UNAUDITED

Endowment and Similar Funds	PLANT FUNDS				Agency Funds	TOTALS
	Unexpended	Renewals and Replacements	Retirement of Indebtedness	Investment in Plant		Current Year
\$ 1,680,917	\$ 5,723,482	\$ 1,670,189	\$ 1,312,500	\$	\$ 43,890	\$ 44,541,268
						11,153,168
31,288						7,393,876
						211,431
9,427,075						18,475,131
						7,532,935
						432,718
						7,354,074
						1,742,684
				2,564,185		2,564,185
				134,586,764		134,586,764
				14,333,703		14,333,703
				38,072,588		38,072,588
				19,987,492		19,987,492
				205,150		205,150
				554,517		554,517
				16,885,663		16,885,663
<u>\$ 11,139,280</u>	<u>\$ 5,723,482</u>	<u>\$ 1,670,189</u>	<u>\$ 1,312,500</u>	<u>\$ 227,190,062</u>	<u>\$ 43,890</u>	<u>\$ 326,027,347</u>
\$	\$ 350	\$	\$	\$	\$	1,205,957
						0
						1,126,432
						89,867
						28,967,857
						3,948,787
						1,854,177
	457,370			21,602,630		22,060,000
				5,080,000		5,080,000
				356,237		356,237
					43,890	43,890
<u>0</u>	<u>457,720</u>	<u>0</u>	<u>0</u>	<u>27,038,867</u>	<u>43,890</u>	<u>64,733,204</u>
						2,197,719
						6,527,131
						1,742,684
						0
						6,943,137
						12,633,461
	2,961,353	167,045				3,128,398
	2,304,409	1,503,144	1,312,500			16,831,138
7,772,254						7,772,254
3,367,026						3,367,026
				200,151,195		200,151,195
<u>11,139,280</u>	<u>5,265,762</u>	<u>1,670,189</u>	<u>1,312,500</u>	<u>200,151,195</u>	<u>0</u>	<u>261,294,143</u>
<u>\$ 11,139,280</u>	<u>\$ 5,723,482</u>	<u>\$ 1,670,189</u>	<u>\$ 1,312,500</u>	<u>\$ 227,190,062</u>	<u>\$ 43,890</u>	<u>\$ 326,027,347</u>

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STEPHEN F. AUSTIN STATE UNIVERSITY
 EXHIBIT B
 STATEMENT OF CHANGES IN FUND BALANCES
 For the Year Ended August 31, 2001
 With Comparative Totals at August 31, 2000

	CURRENT FUNDS				
	UNRESTRICTED				Restricted
	Educational and General	Designated	Auxiliary Enterprises	Total	
FUND BALANCES, September 1, 2000	\$ 5,810,670	\$ 13,318,169	\$ 6,504,464	\$ 25,633,303	\$ 3,415,961
REVENUES & OTHER ADDITIONS					
Unrestricted Current Funds Revenue (Exh C)	69,691,692	17,854,027	26,465,003	114,010,722	
Federal Grants and Contracts				0	9,841,268
Federal Pass-Through from other State Agencies				0	381,044
State Grants and Contracts				0	1,705,003
State Pass-Through from other State Agencies				0	316,075
Private Gifts, Grants and Contracts				0	971,759
Net Increase (Decrease) in the Fair Value of Invest				0	
Other Investment Income				0	
Endowment Income				0	245,414
U.S. Replenishment of Cancelled Loans				0	
Net Decrease in Bonds Payable				0	
Net Decrease in Lease Purchases Payable				0	
Bond Proceeds on Sale of Bonds				0	
Expended for Plant Facilities (Includes \$4,969,241 Charged to Current Funds Expenditures)				0	
Other Interest, Penalties and Late Fee Income				0	110,574
Other Revenue				0	747,380
Gifts				0	1,215,259
Net Change in Allowance for Doubtful Accts				0	
Other Additions				0	953
Total Revenues & Other Additions	69,691,692	17,854,027	26,465,003	114,010,722	15,534,729
EXPENDITURES & OTHER DEDUCTIONS					
Expenditures (Exh. C)	64,806,084	8,091,238	27,677,986	100,575,308	16,622,272
Expended for Plant Facilities				0	
Indirect Costs Recovered/Admin Cost Allowance				0	451,977
Refunded to Grantors				0	
Loan Cancellations and Write Offs				0	
Retirement of Indebtedness:					
Bonds				0	
Net Increase in Bonds Payable				0	
Net Increase In Lease Purchases Payable				0	
Int & Other Fin. Charges/Fees on Indebtedness				0	
Write-Off of Plant Facilities				0	
Net Change in Allowance for Doubtful Accts				0	
Other Deductions				0	55
Total Expenditures & Other Deductions	64,806,084	8,091,238	27,677,986	100,575,308	17,074,304

REVISED-UNAUDITED

Loan Funds	Endowment and Similar Funds	PLANT FUNDS				TOTALS	
		Unexpended	Renewals and Replacements	Retirement of Indebtedness	Investment in Plant	Current Year	Prior Year (Memo Only)
\$ 9,371,258	\$ 11,704,699	\$ 5,919,447	\$ 399,139	\$ 1,285,830	\$ 191,317,192	\$ 249,046,829	\$ 233,392,614
						114,010,722	114,257,454
				75,532		9,916,800	8,660,157
						381,044	545,309
						1,705,003	1,435,640
						316,075	195,449
	77,449	700,000	1,028,476			2,777,684	2,251,961
	(866,025)					(866,025)	487,707
20,764		292,921		329		314,014	391,986
	195,030					440,444	511,568
						0	0
		3,503,377			286,623	3,790,000	125,434
						0	71,355
						0	7,000,000
						10,857,286	11,461,837
157,632						268,206	292,931
						747,380	562,732
						1,215,259	0
3,287						3,287	0
					959,112	960,065	241,564
181,683	(593,546)	4,496,298	1,028,476	75,861	12,103,021	146,837,244	148,493,084
						117,197,580	114,379,328
		7,413,593	93,133			7,506,726	8,105,958
						451,977	0
						0	18,117
160,952						160,952	0
				3,790,000		3,790,000	3,535,000
						0	3,590,433
					150,370	150,370	0
				1,542,712		1,542,712	1,482,590
					3,112,951	3,112,951	1,494,165
						0	9,541
72,701	152	100,048	498,009		5,697	676,662	223,737
233,653	152	7,513,641	591,142	5,332,712	3,269,018	134,589,930	132,838,869

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STEPHEN F. AUSTIN STATE UNIVERSITY
 EXHIBIT B
 STATEMENT OF CHANGES IN FUND BALANCES
 For the Year Ended August 31, 2001
 With Comparative Totals at August 31, 2000

	CURRENT FUNDS				
	UNRESTRICTED				Restricted
	Educational and General	Designated	Auxiliary Enterprises	Total	
Transfers - Additions/(Deductions)					
Mandatory transfers:					
Retirement of Indebtedness					
Operations					
HEAF (E & G)	(978,968)			(978,968)	
Auxiliary Enterprises			(2,307,129)	(2,307,129)	
Designated Fund		(1,069,143)		(1,069,143)	
Unexpended Plant Funds				0	
Skiles Act Funds from Tuition	(155,305)			(155,305)	
Loan Fund Matching/Grant Matching		(293,631)		(293,631)	293,631
Bond Payments to Tx Public Financing Auth.				0	
Drawdowns from Tx Public Financing Auth.	(467,733)			(467,733)	
Other				0	
Non-Mandatory:					
TPEG transfers	(1,918,844)	1,726,960		(191,884)	
HEAF	(2,216,506)			(2,216,506)	
Other Transfers	(47,679)	(5,771,594)	4,474,987	(1,344,286)	40,987
Total Transfers - Additions/(Deductions)	(5,785,035)	(5,407,408)	2,167,858	(9,024,585)	334,618
NET INCREASE/(DECREASE) FOR THE FISCAL YEAR	(899,427)	4,355,381	954,875	4,410,829	(1,204,957)
FUND BALANCES, August 31, 2001 (Exh. A)	\$ 4,911,243	\$ 17,673,550	\$ 7,459,339	\$ 30,044,132	\$ 2,211,004
		(Sch B-2)	(Sch B-3)		(Sch B-4)

See accompanying Notes to the Financial Statements.

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Loan Funds	Endowment and Similar Funds	PLANT FUNDS				TOTALS	
		Unexpended	Renewals and Replacements	Retirement of Indebtedness	Investment in Plant	Current Year	Prior Year (Memo Only)
				978,968		0	0
				2,307,129		0	0
				1,069,143		0	0
		(305,243)		305,243		0	0
				155,305		0	0
						0	0
				467,733		467,733	0
						(467,733)	0
						0	0
191,884						0	0
		1,542,790	673,716			0	0
(11,091)	28,279	1,126,111	160,000			0	0
180,793	28,279	2,363,658	833,716	5,283,521	0	0	0
128,823	(565,419)	(653,685)	1,271,050	26,670	8,834,003	12,247,314	15,654,215
\$ 9,500,081	\$ 11,139,280	\$ 5,265,762	\$ 1,670,189	\$ 1,312,500	\$ 200,151,195	\$ 261,294,143	\$ 249,046,829
(Sch B-5)	(Sch B-6)	(Sch B-8)	(Sch B-9)	(Sch B-10)	(Sch B-11)		

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STEPHEN F. AUSTIN STATE UNIVERSITY
 EXHIBIT C
 STATEMENT OF CURRENT FUNDS REVENUES AND EXPENDITURES
 For the Year Ended August 31, 2001

	Unrestricted					Total
	Educational and General	Designated	Auxiliary Enterprises	Total Unrestricted	Restricted	
REVENUES						
State Legislative Appropriations [Note 1]	\$ 45,875,539	\$	\$	\$ 45,875,539	\$	\$ 45,875,539
Higher Education Assistance Funds [Note 1]	6,633,109			6,633,109		6,633,109
Student Tuition and Fees	14,793,913	14,238,613	2,793,079	31,825,605		31,825,605
Sales and Services	479,675	2,097,122	23,330,415	25,907,212	747,381	26,654,593
Gifts and Grants						
Federal	149,743			149,742	9,716,314	9,866,056
Federal Pass-Through from Other State Agencies	19,755			19,755	361,289	381,044
State	47,416			47,416	1,665,152	1,712,568
State Pass-Through from Other State Agencies	1,116,264			1,116,264	316,027	1,432,291
Private	162,595			162,595	2,244,862	2,407,457
Interest Income	407,022	1,423,368	293,114	2,123,504	110,574	2,234,078
Endowment Income				0	245,414	245,414
Net Increase in the Fair Value of Investment		84,178	48,395	132,573		132,573
Other Misc. Income	6,049			6,049		6,049
Gifts	613	10,746		11,359	1,215,259	1,226,618
Total Revenues (Sch. C-1)	<u>\$ 69,691,692</u>	<u>\$ 17,854,027</u>	<u>\$ 26,465,003</u>	<u>\$ 114,010,722</u>	<u>\$ 16,622,272</u>	<u>\$ 130,632,994</u>
	(Exh. B)	(Exh. B)	(Exh. B)			(Sch. C-1)
EXPENDITURES						
Instructional and Departmental	\$ 35,223,315	\$ 1,913,045	\$	\$ 37,136,360	\$ 6,540,640	\$ 43,677,000
Research	908,268	21,014		929,282	2,085,740	3,015,022
Public Service	327,408	1,207,904		1,535,312	687,539	2,222,851
Academic Support	5,189,438	429,958		5,619,396		5,619,396
Student Services	3,255,917	635,071		3,890,988		3,890,988
Institutional Support	8,327,494	1,477,582		9,805,076	2,446	9,807,522
Operation and Maintenance of Physical Plant	9,175,675			9,175,675		9,175,675
Scholarships	2,398,569	2,406,664		4,805,233	7,305,907	12,111,140
Auxiliary Enterprises			27,677,986	27,677,986		27,677,986
Total Expenditures (Exh. B)	<u>\$ 64,806,084</u>	<u>\$ 8,091,238</u>	<u>\$ 27,677,986</u>	<u>\$ 100,575,308</u>	<u>\$ 16,622,272</u>	<u>\$ 117,197,580</u>
						(Sch. C-2)

Note 1:

State Legislative Appropriations-General Revenue:	
Current Year Appropriation per Appropriations Bill	\$ 37,623,443
Employees Benefits:	
OASI Matching	2,288,364
Employee Benefits Replacement Pay	0
\$100 per Month Salary Increase	383,956
Group Insurance	3,625,189
Retirement Plans	1,781,795
Worker's Compensation Insurance	151,757
Unemployment Compensation Insurance	21,035
Subtotal	45,875,539
State Appropriation-HEAF	6,633,109
Total State Appropriations	<u>\$ 52,508,648</u>

See accompanying Notes to the Financial Statements.

STEPHEN F. AUSTIN STATE UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2001

NOTE 1: Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of Stephen F. Austin State University have been prepared on the accrual basis of accounting except that depreciation expense related to plant fund assets is not recorded. The Statement of Current Funds Revenues and Expenditures is a statement of financial activities of current funds related to the reporting period. It does not purport to present the results of operations or the net income or loss for the period as would a statement of income or a statement of revenues and expenses.

To the extent that current funds are used to finance plant assets, the amounts so provided are accounted for as (1) expenditures, in the case of normal replacement of equipment, library holdings, and livestock; (2) mandatory transfers in the case of required provisions for retirement of indebtedness and renewal and replacement of institutional properties; and (3) transfers of a non-mandatory nature for all other cases.

Fund Accounting

To ensure observance of limitations and restrictions placed on the use of the resources available to the University, accounts are maintained in accordance with the principles of "fund accounting". This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with specified activities or objectives. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined into fund groups. Accordingly, all financial transactions have been recorded and reported by fund group.

Within each fund group, fund balances restricted by outside sources are so indicated and are distinguished from unrestricted funds allocated to specific purposes by action of the governing board. Externally restricted funds may only be utilized in accordance with the purposes established by the source of such funds and are in contrast with unrestricted funds over which the governing board retains full control to use in achieving any of its institutional purposes.

Endowment and Similar Funds are subject to the restrictions of gift instruments requiring in perpetuity that the principal be invested and only the income be utilized. Term endowment funds are like endowment funds, except that all or part of the principal may be utilized after a stated period of time or upon the occurrence of a certain event. Funds functioning as endowment (Quasi) are funds that the governing board has approved to be used as endowments.

All gains and losses arising from the sale, collection, or other disposition of investments and other non-cash assets are accounted for in the fund which owned such assets. Ordinary income derived from investments, receivables, and the like is accounted for in the fund owning such assets, except for income derived from investment of Endowment and Similar Funds, which income is accounted for in the fund to which it is restricted or, if unrestricted, as revenues in unrestricted current funds.

All other unrestricted revenue is accounted for in the appropriate unrestricted fund. Restricted gifts, grants, appropriations, endowment income and other restricted resources are accounted for in the appropriate restricted funds. Restricted Current Funds are reported as revenues and expenditures when expended for current operating purposes. Contract and grant award funds received, but unexpended, during the current reporting period are shown as additions to fund balances in Restricted Current Funds.

The following is a list of the different fund groups used at Stephen F. Austin State University:

STEPHEN F. AUSTIN STATE UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2001

Current Funds

Funds available for current operating and maintenance purposes as well as those restricted by donors and other outside agencies for specific operating purposes. Current funds are separated into the following fund groups:

Educational and General

Funds for administration, institutional expense, instruction and departmental research, physical plant operation, libraries, and other items relating to instruction.

Designated

Funds arising from sources that have been internally designated by the Board of Regents. This fund distinguishes such internally designated funds from externally restricted funds as well as other current funds. Service departments funds, revolving and clearing accounts are also included in this fund group.

Auxiliary Enterprises

Funds for activities which furnish services to students, faculty, or staff for which charges are made that are directly related to, although not necessarily equal to the cost of the service, such as residence halls, food services, and the bookstore.

Restricted

Funds available for current purposes, the use of which has been restricted by outside agencies or persons. Revenues are reported only to the extent of expenditures for the current year.

Loan Funds

Funds available for loans to students.

Endowment and Similar Funds

Funds subject to restrictions of endowment and trust instruments requiring that principal be maintained and that only the income be utilized.

Plant Funds

Plant funds are segregated into the following four fund groups:

Unexpended

Funds to be used for the construction, rehabilitation, and acquisition of physical properties for institutional purposes.

Renewals and Replacements

Funds accumulated for the renewal and replacement of physical plant properties.

Retirement of Indebtedness

Funds accumulated to meet debt service charges and the retirement of indebtedness.

Investment in Plant

Funds already expended for plant properties. Physical properties are stated at cost at date of acquisition or fair market value at date of donation for gifts and fair market value at August 31, 2001, for livestock. Depreciation on physical plant and equipment is not recorded.

Agency Funds

Funds held by the University as custodial or fiscal agent for students, faculty members, and/or others.

Cash and Cash Equivalents

All highly liquid investments with a maturity of three months or less at the time of purchase are considered cash and cash equivalents. Generally, only investments with original maturities of three months or less meet this definition. Stephen F. Austin State University reports all investments with a maturity of three months or less at the time of purchase as cash and cash equivalents.

Other Receivables

Other Receivables result from various transactions not related to Student Receivables.

STEPHEN F. AUSTIN STATE UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2001**Investments**

The University reports investments at fair value in the balance sheet with the following exceptions. (Fair value is the amount at which an investment could be exchanged in a current transaction between parties, other than in a forced or liquidation sale.) The exceptions are as follows: (1) Nonparticipating contracts, such as nonnegotiable certificates of deposit with redemption terms that do not consider market rates, are reported using a cost-based measure, provided that the fair value of those contracts is not significantly affected by the financial institution's credit standing or other relevant factors. (2) Money market investments and participating interest-earning investment contracts that mature within one year or less of the date of their acquisition may be reported at amortized cost, assuming that the investment is not affected by the financial institution's credit standing or other relevant factors. (3) For real estate, mortgages, venture capital, limited partnerships, and future and forward contracts, etc. held by non-external pool entities, fair value is not permitted. Instead, amortized cost or historical cost is used.

Memorandum Totals

The Balance Sheet in columnar form, the Statement of Changes in Fund Balances, and the Statement of Current Funds Revenues and Expenditures are shown with memorandum totals for the current year. Interfund borrowing has not been eliminated, but has been offset in the assets and liability sections. The memorandum totals are presented only to facilitate financial analysis and do not purport to present financial position, in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation.

Other Significant Accounting Policies

Other significant accounting policies are set forth in the financial statements and notes.

NOTE 2: Deposits and Investments**Authorized Investments**

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

Deposits of Cash in Bank

- A. The carrying amount of \$9,034,253 for Cash in Bank (including restricted assets) is presented below.
- B. The bank balance of Stephen F. Austin State University has been classified according to the following risk categories:
 - Category 1:** Insured or collateralized with securities held by the governmental entity or by its agent in the name of the governmental entity.
 - Category 2:** Collateralized with securities held by the pledging financial institution's trust department or agent in the governmental entity's name.
 - Category 3:** Uncollateralized (which would include any deposits collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the governmental entity's name).

Deposits for Stephen F. Austin State University:

<u>Carrying Amount</u>	<u>Bank Balance</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>
\$9,034,253	\$16,042,650	\$262,381	\$15,780,269	

STEPHEN F. AUSTIN STATE UNIVERSITY
REVISED
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2001

Cash and Deposits

Bank Deposits		
Demand Deposits	\$ 2,941,373	
Certificates of Deposit	<u>6,092,880</u>	9,034,253
Cash and Cash Equivalents		
Cashier Accounts	166,446	
Local Funds in State Treasury	<u>12,601,515</u>	
		<u>12,767,961</u>
Total Cash and Deposits		<u>\$ 21,802,214</u>

Investments

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

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

The following categories of credit risk are included:

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

Investment Categories for Stephen F. Austin State University

<u>Type of Security</u>	<u>Category</u>			<u>Reported Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>	
US Gov't Securities	\$ 9,562,219			\$ 9,562,219
Corporate Stocks	4,799,466			4,799,466
Cert. of Deposit	<u>4,113,446</u>			<u>4,113,446</u>
TOTALS	\$ 18,475,131	\$ 0	\$ 0	\$ 18,475,131

Uncategorized Investments:

Sweep Accounts	14,221,723
TexPool	2,263,508
Money Market/Money Funds	<u>6,253,823</u>
TOTALS	<u>\$ 41,214,185</u>
Total Cash and Deposits	21,802,214
Total Investments	<u>41,214,185</u>
TOTAL DEPOSITS AND INVESTMENTS	<u>\$ 63,016,399</u>

STEPHEN F. AUSTIN STATE UNIVERSITY
REVISED
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2001

Cash and Temporary Investments (Exh. A)	44,541,268
Investments (Exh. A)	<u>18,475,131</u>
TOTAL DEPOSITS AND INVESTMENTS (Exh. A)	<u>\$ 63,016,399</u>

Reverse Repurchase Agreements

Stephen F. Austin State University, by statute, is authorized to enter into reverse repurchase agreements. A reverse repurchase agreement is a transaction in which a broker-dealer or financial institution transfers cash to the university and the university transfers securities to the broker-dealer and promises to repay the cash plus interest in exchange for the same or similar securities. Credit risk exposure for the university arises when a broker-dealer does not return the securities or their value at the conclusion of the reverse repurchase agreement. There were no significant violations of legal or contractual provisions during the year.

As of August 31, 2001, the University was not participating in a reverse repurchase agreement.

Securities Lending

Stephen F. Austin State University may participate in a securities lending program. In securities lending transactions, the University transfers its securities to the broker-dealer and other entities for collateral—which may be cash or securities—and simultaneously agrees to return the collateral for the same securities in the future. The University invests the cash received as collateral and, if the returns on those investments exceed the “rebate” paid to the borrowers of the securities, the securities lending transactions generate income for the University. However, if the investment of the cash collateral does not provide a return exceeding the rebate or if the investment incurs a loss on principal, part of the payment to the borrower would come from the University’s resources. The borrower will pay a “loan premium or fee” for the securities loan, thus generating income for the University. Securities lending is authorized by State statutes. The University is authorized to lend its U.S. Government securities. Collateral is either cash or U.S. Government securities at a value of 102 percent of the value of the securities lent. The securities lending contracts allow the University to pledge or sell collateral securities without a borrower default. At year end, the University has no credit risk exposure to borrowers because the amounts the University owes to borrowers exceed the amounts the borrowers owe the University. Contracts with the lending agents require them to indemnify the University if the borrowers fail to return the securities. The policy is to match the maturities of the collateral investments and the securities loans. There were no significant violations of legal or contractual provisions, no borrower or lending agent default losses, and no recoveries of prior-period losses during the year.

As of August 31, 2001, the University was not participating in securities lending transactions.

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, some Planned Amortization Class (PACs) with narrow collars would be considered moderate to high risks. In contrast, principal only (PO) and interest only (IO) strips are considered higher risk Collateralized Mortgage Obligations (CMOs).

As of August 31, 2001, Stephen F. Austin State University owned no derivatives.

NOTE 3: Bonds Payable

Detailed supplemental bond information is disclosed in Schedule D-1 Bonds Payable and Debt Service Requirements, Schedule D-2 Analysis of Funds Available for Debt Service and Schedule D-3 Defeased Bonds Outstanding.

STEPHEN F. AUSTIN STATE UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2001

General information related to bonds payable is summarized below:

Consolidated University Revenue Refunding Bonds - Series 1991 A

- To advance refund \$24,789,000 principal of existing Stephen F. Austin State University bonds payable as shown below:

<u>Bond Issue</u>	<u>Issued</u>	<u>Principal</u>
Housing System Revenue Bonds - Series 1962 A	10-1-62	\$220,000
Housing System Revenue Bonds - Series 1962 B	10-1-62	553,000
Housing System Revenue Bonds - Series 1962 D	10-1-62	2,822,000
Housing System Revenue Bonds - Series 1963 A	10-1-63	1,169,000
Housing System Revenue Bonds - Series 1964	10-1-64	985,000
Building Revenue Bonds - Series 1965 B	10-1-65	2,715,000
Student Housing System Revenue Bonds - Series 1967	04-1-67	1,205,000
Student Housing System Revenue Bonds - Series 1968	04-1-68	1,435,000
Student Housing System Revenue Bonds - Series 1979	04-1-79	880,000
Building Use Fee Revenue Bonds - Series 1968	06-1-68	470,000
General Fee Revenue Bonds - Series 1972	02-1-72	2,640,000
General Fee Revenue Bonds - Series 1973	02-1-73	3,225,000
General Fee Revenue Bonds - Series 1977	12-1-77	345,000
Combined Fee Revenue Bonds - Series 1979	02-1-79	4,040,000
Combined Fee Revenue Bonds - Series 1988	01-1-88	885,000
Combined Fee Revenue Bonds - Series 1990	4-15-90	<u>1,200,000</u>
Total		<u>\$24,789,000</u>

- Issued 4-15-91
- \$18,630,000; all authorized bonds have been issued.
- Source of revenue for debt service:
 - Gross Revenues of the University Building System
 - Pledged Student Tuition
 - General Fee
 - University Center Fee
 - Investment income on Interest and Sinking Fund, the Reserve Fund, and any other Fund maintained pursuant to the Resolution
 - Any additional revenue pledged to the payment of the Bonds or Additional Bonds

Consolidated University Revenue Refunding Bonds - Series 1991 B

- To advance refund \$6,015,000 principal of existing Stephen F. Austin State University bonds payable as shown below:

<u>Bond Issue</u>	<u>Issued</u>	<u>Principal</u>
Student Housing System Revenue Bonds - Series 1984	04-1-84	\$3,640,000
Combined Fee Revenue Bonds - Series 1985	08-1-85	<u>2,375,000</u>
Total		<u>\$6,015,000</u>

- Issued 4-15-91
- \$5,990,000; all authorized bonds have been issued.
- Source of Revenue for debt service:
 - Gross Revenues of the University Building System
 - Pledged Student Tuition
 - General Fee
 - University Center Fee
 - Investment income on Interest and Sinking Fund, the Reserve Fund, and any other Fund maintained pursuant to the Resolution
 - Any additional revenue pledged to the payment of the Bonds or Additional Bonds

STEPHEN F. AUSTIN STATE UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2001

State of Texas Constitutional Appropriation Bonds (Stephen F. Austin State University) - Series 1995

- To acquire funds for renovations and capital improvements to the Music Building, the Austin Building and the Education Building.
- Issued 6-15-95
- \$6,800,000; all authorized bonds have been issued.
- Source of Revenue for debt service: solely from an irrevocable pledge of the Pledged Revenues allocated to Stephen F. Austin State University pursuant to article VII, section 17 of the Texas Constitution (Higher Education Assistance Funds).

State of Texas Constitutional Appropriation Bonds (Stephen F. Austin State University) - Series 1996

- To acquire funds for renovations and capital improvements to the Austin Building and the Utility Loop.
- Issued 1-1-96
- \$3,590,000; all authorized bonds have been issued.
- Source of Revenue for debt service: solely from an irrevocable pledge of the Pledged Revenues allocated to Stephen F. Austin State University pursuant to article VII, section 17 of the Texas Constitution (Higher Education Assistance Funds).

Stephen F. Austin State University Consolidated Revenue Pledge - Series 1996

- To provide funds for capital improvements to the air conditioning systems in six dormitories, to install a lighting system on the Intramural Field, and to improve accessibility in the University Center.
- Issued 1-1-96
- \$4,135,000; all authorized bonds have been issued.
- Source of Revenue for debt service:
 - Gross Revenues of the University Building System
 - Pledged Student Tuition
 - General Fee
 - University Center Fee
 - Investment income on Interest and Sinking Fund, the Reserve Fund, and any other Fund maintained pursuant to the Resolution
 - Annual interest grants received from the United States Department of Education
 - Any additional revenue pledged to the payment of the Bonds or Additional Bonds

Stephen F. Austin State University Revenue Financing System, Texas Public Finance Authority Revenue Bonds - Series 1998

- To provide funds for renovations to Miller Science Building
- Issued 9-1-98
- \$6,000,000; all authorized bonds have been issued.
- Source of Revenue for debt service:
 - Pledged Student Tuition
 - Other Pledged Revenues

Stephen F. Austin State University Revenue Financing System, Texas Public Finance Authority Revenue Bonds - Series 2000

- To provide funds for improvements to residence halls and student apartments
- Issued 3-1-00
- \$7,000,000; all authorized bonds have been issued.
- Source of Revenue for debt service:
 - Pledged Student Tuition
 - Other Pledged Revenues

STEPHEN F. AUSTIN STATE UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2001

Bonds payable are due in annual installments varying from \$355,000 to \$3,910,000 with interest rates from 3.5% to 6.75% with the final installment due in 2018. The principal and interest expense for the next five years and beyond is summarized below for bonds issued.

<u>Fiscal</u> <u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2002	3,910,000	1,317,298	5,227,298
2003	3,900,000	1,100,674	5,000,674
2004	3,580,000	900,918	4,480,918
2005	3,735,000	713,812	4,448,812
2006	2,405,000	559,289	2,964,289
Beyond Five Years	<u>9,610,000</u>	<u>2,277,822</u>	<u>11,887,822</u>
TOTAL	<u>\$27,140,000</u>	<u>\$6,869,813</u>	<u>\$34,009,813</u>

Advance Refunding Bonds

No bonds were advance refunded during the year.

NOTE 4: Notes and Loans Payable (Non Applicable)**NOTE 5: Employees' Retirement Plan**

The State of Texas has joint contributory retirement plans for substantially all of its employees. One of the primary plans in which the University participates is administered by the Teacher Retirement System of Texas (TRS). The contributory percentages of participant salaries currently provided by the State and by each participant are 6.0% and 6.4 %, respectively, of annual compensation. The Teacher Retirement System does not separately account for each of its component government agencies, since the Retirement System itself bears sole responsibility for retirement commitments beyond contributions fixed by the State Legislature. Further information regarding actuarial assumptions and conclusions, together with audited financial statements are included in the Retirement System's annual financial report.

The State has also established an optional retirement program (ORP) for institutions of higher education. Participation in the optional retirement program is in lieu of participation in the Teacher Retirement System. The optional retirement program provides for the purchase of annuity contracts. The contributory percentages on salaries for participants entering the program prior to September 1995 are 8.5% and 6.65% by the State and each participant, respectively. The State's contribution is comprised of 6.00% from the ORP appropriation and 2.5% from other funding sources. The 6.00% contribution is mandatory with the other 2.5% being at the discretion of the Board. The Board has approved the additional contributions for employees of Stephen F. Austin State University. The contributory percentages on salaries for participants entering the program after August 31, 1995, are 6.00% and 6.65% by the State and each participant, respectively. Since these are individual annuity contracts, the State has no additional or unfunded liability for this program.

NOTE 6: Deferred Compensation Program

University employees may elect to defer a portion of their earnings for income tax and investment purposes pursuant to authority granted in the Tex. Gov't Code Ann. § 609.001. Two plans are available for employees' deferred compensation plan. Both plans are administered by the Employees Retirement System.

The State's 457 plan complies with the Internal Revenue Code Sec. 457. GASB Statement No. 32, effective for financial statements for periods beginning after December 31, 1998, rescinds GASB Statement No. 2 and amends GASB Statement No. 31. GASB Statement No. 2, *Financial Reporting of Deferred Compensation Plans Adopted under the Provisions of Internal Revenue Code Section 457*, established reporting requirements for IRC Section 457 plans. Based on the laws in effect at the time of its passage, that Statement required that all amounts deferred by the plan participants be reported as assets of the employer until made available to the participants or their beneficiaries.

STEPHEN F. AUSTIN STATE UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2001

The laws governing these plans were changed to state that, as of August 20, 1996, new plans will not be considered eligible plans "unless all assets and income of the plan described in subsection (b)(6) are held in trust for the exclusive benefit of the participants and their beneficiaries." Existing plans are also required to comply with this requirement by January 1, 1999.

The State also administers another plan: 'TexaSaver' created in accordance with Internal Revenue Code Sec. 401(k). The assets of this plan do not belong to the State. The State has no liability related to this plan.

NOTE 7: Compensated Absences

Full-time employees earn annual leave from seven to twenty hours per month depending on the respective employees' years of State employment. The State's policy is that an employee may carry his accrued leave forward from one fiscal year to another fiscal year with a maximum number of hours up to 520 for those employees with 35 or more years of State service. Employees with at least six months of State service who terminate their employment are entitled to payment for all accumulated annual leave up to the maximum allowed. The University recognizes the accrued liability for the unpaid annual leave in the Unrestricted Current Fund. For the year ended August 31, 2001, the accrued liability totaled \$1,854,177.

The University made lump sum payments totaling \$288,844 for accrued vacation and compensatory time to employees who separated from State service during the fiscal year ending August 31, 2001.

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

NOTE 8: Pending Lawsuits and Claims

At August 31, 2001, various lawsuits and claims involving Stephen F. Austin State University were pending. While the ultimate liability with respect to litigation and other claims asserted against the University cannot be reasonably estimated at this time, such liability, to the extent not provided for by insurance or otherwise, is not likely to have a material effect on the University.

NOTE 9: Rebtable Arbitrage

Rebtable arbitrage is defined by Internal Revenue Code Section 148 as earnings on investments purchased with the gross proceeds of a bond issue in excess of the amount that would have been earned if the investments were invested at a yield equal to the yield on the bond issue. This rebtable arbitrage must be paid to the federal government. The University is entitled to invest its bond proceeds at an unrestricted yield for various temporary periods ranging from six months to three years. This unrestricted earnings period begins on the date of delivery of the bond issue. Earnings on any funds held by the University after the temporary period must be restricted to the yield of the University's bond issue.

The most recent calculation of the amount of Stephen F. Austin State University's rebtable arbitrage was done as of August 31, 2000. That amount was \$185,146.95.

NOTE 10: Capital Lease Obligations

Certain leases to finance the purchase of property are capitalized at the present value of future minimum lease payments.

STEPHEN F. AUSTIN STATE UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2001

The original capitalized cost of all property under capital lease as of August 31, 2001, is as follows:

<u>Class of Property</u>	<u>Amount</u>
Vehicles and Equipment	<u>\$720,726</u>

The following is a schedule of the future minimum lease payments for leased property and the present value of the net minimum lease payments at August 31, 2001.

<u>Fiscal Year</u>	<u>Minimum Lease Payments</u>
2002	159,930
2003	145,118
2004	96,091
2005	3,764
2006	0
2007 and beyond	<u>0</u>
Subtotal	\$404,903
Less:	
Interest	<u>(48,666)</u>
Present Value of Net Minimum Lease Payments	<u>\$356,237</u> (Exh. A)

NOTE 11: Operating Lease Obligations and Rental Agreements

Included in current expenditures are the following amounts of rent paid or due under operating leases.

<u>Fund Group</u>	Year Ended Aug. 31,	
	<u>2000</u>	<u>2001</u>
Educational and General	\$34,644	\$11,548
Designated	38,735	19,849
Auxiliary-Non Pledged	0	0
Auxiliary-Pledged	12,676	3,613
Current Restricted	0	0
Unexpended Plant	<u>0</u>	<u>0</u>
Totals	<u>\$86,055</u>	<u>\$35,010</u>

Future minimum lease rental payments under noncancelable operating leases having an initial term in excess of one year as of August 31, 2001, are as follows:

<u>Fiscal Year</u>	<u>Minimum Future Lease Payments</u>
2002 and beyond	<u>\$-0-</u>

NOTE 12: Funds Held in Trust by Others

The balances, or transactions, of funds held in trust by others on behalf of Stephen F. Austin State University are not reflected in the financial statements. At August 31, 2001, there were three such funds for the benefit of the University. Based upon the most recent available information, the assets of these funds are reported by the trustees at values totaling \$26,663,121.

STEPHEN F. AUSTIN STATE UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2001

NOTE 13: Contract and Grant Awards

Contract and grant awards are accounted for in accordance with the requirements of the AICPA Industry Audit Guide, *Audits of Colleges and Universities*. Funds received, but not expended during the reporting period, are shown as Deferred Revenues on Exhibit A. Revenues are recognized on Exhibit C as funds are actually expended. For federal contract and grant awards, funds expended, but not collected, are reported as Federal Receivables on Exhibit A. Non-federal contract and grant awards for which funds are expended, but not collected, are reported as Accounts Receivable or Due From for State Pass-Throughs on Exhibit A. Contract and grant awards that are not yet funded and for which the institution has not yet performed services are not included in the financial statements. Contract and grant awards funds already committed, e.g. multi-year awards, or funds awarded during FY2001 for which monies have not been received nor funds expended totaled \$5,459,116. Of this amount, \$3,248,113 was from Federal Contract and Grant Awards, \$115,569 was from State Contract and Grant Awards, \$0 from Local Contract and Grant Awards and \$2,095,434 from Private Contract and Grant Awards.

NOTE 14: Risk Financing and Related Insurance

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; losses resulting from providing health and other medical benefits to employees; and natural disasters. It is the University's policy to periodically assess the proper combination of commercial insurance and retention of risk to cover losses to which it may be exposed. The methods the University uses to handle each of these risks are summarized below.

Injuries to Employees: The University and the State of Texas share the cost of providing self-insurance coverage for workers' compensation claims. Liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Estimates of liabilities for incurred (both reported and unreported) but unpaid claims are actuarially determined based on estimates of the ultimate cost of settling claims, using past experience adjusted for current trends, and any other factors that would modify past experience. There have been no significant reductions in insurance coverage in the past year and losses did not exceed funding arrangements during the past three years. The State provides coverage for workers' compensation from appropriations made to other State agencies for University employees. The current General Appropriations Act provides that the University must reimburse General Revenue Fund - Consolidated, from University appropriations, 25% of the workers' compensation benefits paid for former and current employees. The Comptroller of Public Accounts determines the proportionate amount to be reimbursed from each appropriated fund type. The University must reimburse the General Revenue Fund 100% of the cost for workers' compensation and unemployment compensation for any employees paid from funds held in local bank accounts and local funds held in the State treasury. Workers' compensation and unemployment plans are on a pay-as-you-go basis, in which no assets are set aside to be accumulated for the payment of claims. No material outstanding claims were pending at August 31, 2001.

Provision for Health and Other Medical Benefits: Employees of the University are covered by a health insurance plan (the Plan). The coverage is provided through the State, under the Texas Employees Uniform Group Insurance Program (UGIP), which is administered by Blue Cross Blue Shield of Texas. Benefits include health, dental, life, and accidental death and dismemberment coverage for substantially all of the University's employees. All risks associated with this benefit are passed to the UGIP. All of the cost for health insurance coverage of the employee, and one-half of the cost for coverage of dependents of the employee are jointly paid by the State and the University. The State's share consists of the costs associated with employees that are paid from the Educational and General Fund, and the University pays the costs for all other employees. Contributions made by the State on behalf of the University for health and other medical benefits were \$3,625,189 during the year ended August 31, 2001.

Damage to Property: The University is required by certain bond covenants to carry fire and extended coverage and boiler insurance on buildings financed through the issuance of bonds using pledged Auxiliary Enterprise or other non-Educational and General Funds. The insurance protects the bond holders from a disruption to the revenue

STEPHEN F. AUSTIN STATE UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2001

stream that is being utilized to make the bond interest and principal payments. There were no claims filed against this insurance during the fiscal year ended August 31, 2001.

Damage to Vehicles: The Texas Motor Vehicle Safety Responsibility Act requires that every non-governmental vehicle operated on a State highway be insured for minimum limits of liability in the amount of \$20,000/\$40,000 bodily injury and \$15,000 property damage. However, the University has chosen to carry liability insurance on its licensed vehicles in the amount of \$1,000,000 combined single limit for bodily injury and property damage.

Torts and Other Risks: The University is exposed to a variety of civil claims resulting from the performance of its duties. The University has purchased commercial insurance to address this risk.

NOTE 15: Post Employment Health Care and Life Insurance Benefits

In addition to providing pension benefits, the State provides certain health care and life insurance benefits for retired employees, in accordance with State statutes. Substantially all of the employees may become eligible for those benefits if they reach normal retirement age while working for the State. Stephen F. Austin State University participates in the ERS insurance plans. The information regarding the State's contribution, the number of eligible retirees, and the cost of providing those benefits is included in the notes to the annual financial report of the ERS.

NOTE 16: Related Parties

Three entities exist to benefit Stephen F. Austin State University: Stephen F. Austin State University Foundation, Inc., Stephen F. Austin State University Alumni Association, Inc., and Stephen F. Austin State University Alumni Foundation, Inc. Since the University's Board of Regents is not financially accountable for these entities and does not appoint their board members, they are not considered Related Parties per GASB 14. Accordingly, their financial data are not included in this financial report.

The Stephen F. Austin State University Foundation, Inc., is a non-profit organization with the sole purpose of supporting the educational and other activities of the University. The Foundation solicits donations and acts as coordinator of gifts made by other parties for the use and benefit of the University. During the fiscal year, the University furnished certain services, such as office space, utilities, and some staff assistance to the Foundation.

The Stephen F. Austin State University Alumni Association, Inc. is a non-profit organization dedicated to serving the alumni, friends, and current students of the University through programs, scholarships, and activities that create an attitude of continued loyalty and support. The Alumni Association provided services on behalf of the University for which the University paid \$203,697 during the 2001 fiscal year. These services included maintaining records on the students who had graduated from the University. In addition to the amount paid, the University provided utilities and custodial services to the Association.

The Stephen F. Austin State University Alumni Foundation, Inc. is a non-profit organization which exists to award scholarships to students at the University. The Alumni Foundation is housed with the Alumni Association. Therefore, the University provides the same utilities and custodial services for the Alumni Foundation as it does for the Alumni Association.

NOTE 17: Reporting Entity

Stephen F. Austin State University is an agency of the State of Texas. The nine members of its Board of Regents are appointed by the Governor.

STEPHEN F. AUSTIN STATE UNIVERSITY
REVISED
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2001

NOTE 18: Interfund Borrowing

All interfund borrowing has been made from unrestricted funds and is payable within one year without interest.

NOTE 19: Subsequent Events (Non Applicable)

NOTE 20: Fund Balance Restatement (Non Applicable)

NOTE 21: Due From/Due To Other State Agencies

Due From Other State Agencies:

<u>Agency Name</u>	<u>Agy #</u>	D23 <u>Fund</u>	<u>Amount</u>	<u>Subfund</u>	<u>Source</u>
TX Dept of Transportation	601	5015	\$ 3,125	1100	State
TX Dept of Protective & Reg Svcs	530	0001	208,306	2100	Federal
Total Due From Other State Agencies			<u>\$211,431</u>		

(Exh. A)

Due To Other State Agencies:

<u>Agency Name</u>	<u>Agy #</u>	<u>Fund</u>	<u>Amount</u>	<u>Subfund</u>	<u>Source</u>
Employees Retirement System	327	0973	\$ 89,867	1100	Local
Total Due To Other State Agencies			<u>\$ 89,867</u>		

(Exh. A)

NOTE 22: Federal Pass-Through Grants From Other State Agencies

See Schedule D-5

NOTE 23: State Pass-Through Grants From Other State Agencies

<u>Agency Name</u>	<u>Agy#</u>	D23 <u>Fund</u>	Exh. B <u>Amount</u>	Exh. C <u>Amount</u>	<u>Diff</u>	<u>Subfund</u>
Texas Higher Ed Coord Board	781	0001	\$301,700	\$301,700	\$ 0	2100
State Board of Ed Certification	705	0001	13,731	13,731	0	2100
Texas Tech University	733	0001	<u>596</u>	<u>596</u>	<u>0</u>	2100
Total Restricted			<u>\$316,027</u>	<u>\$316,027</u>	<u>\$ 0</u>	2100
Texas Tech University	733	0001	48	48	0	1100
Texas Higher Ed Coordinating Board	781	0001		1,100,391	(1,100,391)	1100
Texas Higher Ed Coordinating Board	781	0106		<u>15,825</u>	<u>(15,825)</u>	1100
Total E&G				<u>\$1,116,264</u>	<u>\$(1,116,216)</u>	1100
Grand Total State Pass-Through			<u>\$316,075</u>	<u>\$1,432,291</u>	<u>\$(1,116,216)</u>	

NOTE 24: Interfund Receivable/Interfund Payable (Non Applicable)

NOTE 25: Advance From Other Agencies/Advance To Other Agencies (Non Applicable)

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SUPPORTING SCHEDULES

REVISED-UNAUDITED

STEPHEN F. AUSTIN STATE UNIVERSITY
 SCHEDULE A-1
 SCHEDULE OF CASH AND TEMPORARY INVESTMENTS
 For the Year Ended August 31, 2001

ACCT#	CURRENT FUNDS				
	Total	UNRESTRICTED			
		Educational & General	Designated	Auxiliary Enterprises	Restricted
Cash on Hand					
Cashier Accounts	\$ 166,446	\$ 111,821	\$ 375	\$ 54,250	\$
Subtotal	<u>166,446</u>	<u>111,821</u>	<u>375</u>	<u>54,250</u>	<u>0</u>
Cash in Bank					
Local Funds - Demand	2,941,373	5,701	1,451,095	1,424,532	
Subtotal	<u>2,941,373</u>	<u>5,701</u>	<u>1,451,095</u>	<u>1,424,532</u>	<u>0</u>
Cash in State Treasury					
Fund 0261	12,601,342	2,745,354	9,855,988		
Fund 9016-Departmental Suspense	173				
Subtotal	<u>12,601,515</u>	<u>2,745,354</u>	<u>9,855,988</u>	<u>0</u>	<u>0</u>
Short Term Investments					
Certificates of Deposit	6,092,880		6,092,880		
Sweep Accounts	14,221,723			6,273,378	
TexPool	2,263,508	58,438			2,205,070
Funds with Investment Managers	6,253,823		1,043,025	611,088	31,288
Subtotal	<u>28,831,934</u>	<u>58,438</u>	<u>7,135,905</u>	<u>6,884,466</u>	<u>2,236,358</u>
Total Cash & Temp. Invests (Exh. A)	<u>\$ 44,541,268</u>	<u>\$ 2,921,314</u>	<u>\$ 18,443,363</u>	<u>\$ 8,363,248</u>	<u>\$ 2,236,358</u>

Loan Funds	Endowment & Similar Funds	PLANT FUNDS				Agency Funds
		Unexpended	Renewals & Replacements	Retirement of Indebtedness		
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	
60,045						
<u>60,045</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	
0	0	0	0	0	173	
					<u>173</u>	
2,085,962		2,835,977	1,670,189	1,312,500	43,717	
	1,680,917	2,887,505				
<u>2,085,962</u>	<u>1,680,917</u>	<u>5,723,482</u>	<u>1,670,189</u>	<u>1,312,500</u>	<u>43,717</u>	
\$ 2,146,007	\$ 1,680,917	\$ 5,723,482	\$ 1,670,189	\$ 1,312,500	\$ 43,890	
0	(0)	(0)	0	0	173	
<u>0</u>	<u>(0)</u>	<u>(0)</u>	<u>0</u>	<u>0</u>	<u>173</u>	
\$ 2,146,007.09	\$ (31,288.41)	\$ 2,835,977.95	\$ 1,670,188.58	\$ 1,312,500.00	\$ 43,716.87	

UNAUDITED

STEPHEN F. AUSTIN STATE UNIVERSITY
 SCHEDULE A-2
 SCHEDULE OF LONG TERM INVESTMENTS BY FUND GROUP
 For The Year Ended August 31, 2001

	Total	CURRENT FUNDS		Endowment and Similar Funds
		Designated Funds	Auxiliary Funds	
U. S. Government Securities	\$ 9,562,219	3,612,808	2,116,677	3,832,734
Corporate Stocks - Common	4,799,466			4,799,466
Certificates of Deposit	4,113,446	1,081,166	2,237,405	794,875
Total (Exh. A)	<u>\$ 18,475,131</u>	<u>4,693,974</u>	<u>4,354,082</u>	<u>9,427,075</u>

UNAUDITED

STEPHEN F. AUSTIN STATE UNIVERSITY
SCHEDULE A-3
SCHEDULE OF LEGISLATIVE APPROPRIATIONS
For the Year Ended August 31, 2001

**OPTIONAL
SCHEDULE NOT USED**

REVISED-UNAUDITED

STEPHEN F. AUSTIN STATE UNIVERSITY
 SCHEDULE A-4
 SCHEDULE OF DEPOSITS HELD IN CUSTODY FOR OTHERS
 AGENCY FUNDS
 For the Year Ended August 31, 2001

Description	Balances			Balances Aug 31, 2001
	Sept 1, 2000	Additions	Deductions	
01-02 Outside Scholarship	\$ 0	\$ 766,954	\$ 665,556	\$ 101,398
00-01 Scholarship Fund	110,639	482,011	592,650	0
99-00 Scholarship Fund	0	477	477	0
AEC Users Group	795		134	661
Agency Contingency Fund	622			622
AGSSW	37	1,386	1,282	141
Alpha Chi	4,388	8,341	10,142	2,587
Alpha Delta Mu	8			8
Alpha Psi Omega Speech	852	5,208	4,186	1,874
Amateur Radio Club	100			100
ARA Dining Services	4,401	6,000	11,382	(981)
Beta Alpha Psi	324		98	226
Biology Club	1			1
Biotechnology Club	31		31	0
Biotechnology Club	0	4,459	3,994	466
Campus Crusade For Christ	705		705	0
Charter School Activities	2,740	2,371	2,630	2,481
Chemistry Honor Society	448		325	123
Child Development Club	195	115	207	103
Computer Center Employees	295		30	265
CPUCAO	200			200
DEBITECH	2,887			2,887
Declining Balance System	14,539			14,539
East Tx Historical Assn	292	4,000	3,434	857
Fashion Merchandising	522	1,103	1,190	435
Fisheries Society	456			456
Follet Partner in Ed	5,000	441,000	441,000	5,000
Forest Service Lab	42		30	12
GSL Clearing Acct	124,351	26,989,561	27,127,073	(13,161)
GSL Recovery	(14,334)	1,648		(12,686)
Home Economics Club	166			166
Hospitality Administration	467	413	656	224
Interfraternity Council	960	2,955	3,522	393
Interior Design Club	206	1,283	1,469	20
Intramural Fund	9,500	2,991	8,159	4,331
Kappa Delta Pi	4,766	14,451	12,632	6,586
Men's Faculty Club	147	479	692	(67)
Michael K Reel-HLS&R	6,250	103,750	110,000	0
National FFA CDE	352			352
National Defense Collection	0	173		173
O/S Loans	3,000		3,000	0
Omicron Delta Epsilon	387			387
Panhellenic Council	330	3,600	4,002	(72)
Phi Alpha Society	0	365	306	59
Phi Alpha Theta	785	1,143	1,110	818
Phi Delta Kappa	258	943	33	1,168
Phi Upsilon Omicron	376	2,220	2,037	559
Pi Sigma Alpha	60			60
Rescue Club	2,580			2,580
SASW	1,026	2,045	2,811	261
SFA Foundation Funds	35			35
SFA Maintenance	1,307			1,307
SFA Spanish Club	154	7		161
Sigma Delta Pi	92			92
Sigma Xi Club	1,646			1,646
Smithers	586	928	1,514	0

REVISED-UNAUDITED

STEPHEN F. AUSTIN STATE UNIVERSITY
 SCHEDULE A-4
 SCHEDULE OF DEPOSITS HELD IN CUSTODY FOR OTHERS
 AGENCY FUNDS
 For the Year Ended August 31, 2001

Description	Balances			Balances
	Sept 1, 2000	Additions	Deductions	Aug 31, 2001
Special Programs/ UA	50	3,402	3,160	292
Student Dietitians Assn	412	265	381	296
Student Ambassadors	41	392	129	304
Student Coun Except Child	532	375	360	547
Student Deposit Clearing	0	7,130	7,130	0
TAIR	94			94
TAPPA Fund	347		224	123
TASSCUBO Fund	11			11
Texas Folklore Society	21	3,508	2,954	575
Texas Interscholastic League Fdn	19			19
Tuition Exemptions	(94,211)	4,483		(89,729)
University Prof Women	136	785	758	163
University Women's Club	923	4,085	4,809	199
Upsilon Pi Epsilon	589	725	480	834
Vocational Home Ec Club	264	457	414	307
Woodlands Foundation	1,200	32,900	34,100	0
TOTAL	<u>\$ 206,398</u>	<u>\$ 28,910,888</u>	<u>\$ 29,073,396</u>	<u>\$ 43,890</u>

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STEPHEN F. AUSTIN STATE UNIVERSITY
SCHEDULE B-1
SCHEDULE OF CHANGES IN FUND BALANCES
UNRESTRICTED CURRENT FUNDS
EDUCATIONAL AND GENERAL
For the Year Ended August 31, 2001

**OPTIONAL
SCHEDULE NOT USED**

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STEPHEN F. AUSTIN STATE UNIVERSITY
 SCHEDULE B-2
 SCHEDULE OF CHANGES IN FUND BALANCES
 UNRESTRICTED CURRENT FUNDS-DESIGNATED FUNDS
 For the Year Ended August 31, 2001

	Balances Sept 1, 2000	ADDITIONS			Other Changes
		Revenues	Transfers		
INSTRUCTIONAL AND DEPARTMENTAL					
Accounting Course Fee	\$ 2,488	\$ 21,671	\$	\$	
Accounting Publications	6,324	5,019			
Eco/Finance Course Fee	889	20,448			
Mgt/Marketing Course Fee	2,506	36,646			
General Business Course Fee	6,608	22,900			
Computer Science Course Fee	40,449	56,997			
Agriculture Course Fee	2,407	24,179			
Agriculture Student Travel Fee	1,386	5,187			(90)
Ag Projects	110				
Center for Forage Developed Bulls	4,447	31,050			
Student Horticulture Programs	1,275	2,423			
Elementary Ed Course Fee	6,861	30,852	1,936		
Ed Transportation	9,066	40,704			(157)
PBIC Internship	6,168	12,214			
Counsel/Spec Ed Course Fee	1,435	34,426	1,225		
Ed Service Center Project	0	18,000			
Secondary Ed Course Fee	9,839	44,979	2,162		(337)
Teacher Certification	10,537	25,776			
Kinesiology Course Fee	9,043	57,335			
HPE Transportation Fee	5,029	2,438			(50)
Bowling-Golf-Etc	23,171	11,368			
Dance Production	6,094	100			
Scuba Instruction Fee	754	12,844			
Karate Instruction Program	13				
Human Sciences Course Fee	3,584	23,046			
Human Sciences Travel	1,581				
Art Course Fee	(3,982)	35,645	10,000		
Art Incidental Fees	(10,687)	17,486			(26)
Art Lab Supplies	0	11,888			(42)
Art Academy	131	3,880			
Cinematography Movie Series	102				
Music Course Fee	16,347	134,742	700		(271)
Music Preparatory Division	57,422	128,005			
Music Performance	(2,056)		2,056		
Music Summer Activities	(5,085)		5,085		
Fine Arts Vehicle Fund	29		530		
Theatre Course Fee	395	12,730			
Theatre Textbooks	1,340	874			
Theatre	70,467	45,437	7,000		
Forestry Course Fee	(672)	20,384	275		
Forestry Student Travel	13,295	16,096			(701)
East Texas Plant Materials Center	32,267	3,939			
English/Philosophy Course Fee	(335)	57,050			
RE Arts and Letters	2,549	5,125			
English Lab Manuals	359				
History Course Fee	7,399	27,723			
Modern Languages Course Fee	336	4,964			
Political Sci/Geo Course Fee	21,034	34,719			
Psychology Course Fee	2,096	27,830			
Sociology Course Fee	3,865	24,147			(10)
Anthropology Lab Manuals	(82)		1,000		
Biology Course Fee	39,001	26,995			
Biology Vehicle Fund	2,493	4,042			(35)
Microbiology Lab Manuals	917				
Chemistry Course Fee	3,554	21,609			
Chemistry Transportation	2,015				
Geology Course Fee	12,377	34,818			
Geology Lab Manuals	23,006	5,000			
Mathematics Course Fee	1,998	28,734			
Physics Course Fee	4,986	21,963			
Physics Lab Manuals	14,181	36,368			
Nursing Course Fee	4,803	18,475			
Nursing Liability Insurance	19,955	15,453			
Applied Studies Course Fee	25,249	15,732	313		(8)
Military Science Course Fee	603	6,127			
Criminal Justice Course Fee	3,423	11,824			(50)
Social Work Course Fee	3,202	8,119			
Social Work Graduate Studies	(61)	8,000	325		

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DEDUCTIONS				Balances
Expenditures	Transfers	Other Changes		Aug. 31, 2001
\$ 20,698	\$	\$	\$	3,461
4,340		(1)		7,004
18,151		1		3,185
31,622		(1)		7,531
19,291				10,217
79,883		(1)		17,564
26,652				(66)
5,612				871
				110
35,102				395
1,806				1,892
38,794				855
38,996	9,536			1,081
17,929				453
34,187		1		2,898
7,255				10,745
61,943		(1)		(5,299)
31,689				4,624
60,657		(1)		5,722
155		1		7,261
11,190				23,349
1,217				4,977
12,540				1,058
				13
20,105				6,525
18				1,563
49,314				(7,651)
11,812		(1)		(5,038)
12,358		1		(513)
4,495				(484)
				102
145,081		1		6,436
116,185		1		69,241
				0
				0
885				(326)
13,236		1		(112)
1,072		1		1,141
56,626				66,278
16,696				3,291
18,370				10,320
795				35,411
57,424	300	1		(1,010)
3,181				4,493
184				175
25,994		(1)		9,129
5,319				(19)
46,111	1,500	(1)		8,143
26,971				2,955
25,944	1,000	1		1,057
1,165				(247)
40,425		1		25,570
4,589				1,911
				917
22,080				3,083
				2,015
46,272				923
32,392				(4,386)
30,249				483
21,453				5,496
27,064				23,485
21,663				1,615
7,697				27,711
13,278				28,008
6,512				218
11,177		(1)		4,021
9,613				1,708
8,088				176

UNAUDITED

STEPHEN F. AUSTIN STATE UNIVERSITY
 SCHEDULE B-2
 SCHEDULE OF CHANGES IN FUND BALANCES
 UNRESTRICTED CURRENT FUNDS-DESIGNATED FUNDS
 For the Year Ended August 31, 2001

	Balances Sept 1, 2000	ADDITIONS		
		Revenues	Transfers	Other Changes
Social Work Professional Service	607			
Social Work Internship	453	16,580		(110)
Communication Course Fee	6,059	40,538		
Debate Activities	(404)	5,000		
Photography Operating Account	14,418	14,758	13	(16)
Academic Asst Research Center	2,350	20,785		
Pre-Professional Program	16,955	7,775		
Prep Program	4,959			
Education Media Center	1,147			
Freshman Seminar	14,027	197,020		
Honors Program	(84)	38,806		
Arts Info Office	4,266	12,475		
Griffith Arts Center	(8,339)	7,571		
Performing Arts	39			
Regents Professorship	11,512	4,000		
Contingency Course Fee	10,596	(4,201)		
Total Instructional and Departmental	608,851	1,777,628	32,619	(1,903)
RESEARCH				
Professional Development-Research	0		600	
Forestry GIS Lab	20,029		4,541	
Education Research Center	0	10,915		
Total Research	20,029	10,915	5,141	0
PUBLIC SERVICE				
Cheerleaders Clinic	24,113		7,665	
Continuing Ed Workshop	(135,807)	307,995	3,500	
SFASU Banking Center	4,096	7,901		
Hues GIS Laboratory	6,997		32,437	
Testing Fees	16,536	48,508		
Computer Based Testing	15,746	20,902		
NCAA Events	9,912			
Stone Fort Museum Sales	1,259	3,072		
Early Childhood Lab Incidental Fee	(6,503)	15,709		
Early Childhood Supply Fee	260	3,260		
Early Childhood Resource Room	723	1,504		
Fabulous Friday	1,936			
Agriculture Judging Contest	4,140	12,125		
Soil Lab Campus Research	20,292	4,635		
Agriculture Heifer Test	1,774	16,895		
Central Stores Sales	(1,366)	3,292		
Census Data Center	1,397			
HS Student Pub Workshop	11			
U.C. Travel Program	3,783	6,835		
U.C. Programs Special Events	7,714	(12,093)		
Counseling Clinic	3,460	320		
Speech and Hearing Clinic	6,307	17,115		
Art On Campus	(302)			
Advance Music Workshop	3,036	6,066		
Band Clinics	1,166	348,566		
Choir Productions	(6)		240	
Choir Workshops	21,967	52,354		
Community School of the Arts	(399)			
Madrigal Dinners	1,646			
Community "Messiah" Fund	0	3,553		
Opera Workshop	1,681	6,256		
Piano Workshop	144	660		
Orchestra Workshops	4,074	34,541		
Summer Repertory Theatre - Rusk	23,438	6,339		(10)
Psychology Clinic	3,911	4,526		
Mathematics Seminar	152			
Planetarium	4,182	10,956		
University Interscholastic League	0	13,020		
Total Public Service	51,470	944,812	43,842	(10)
ACADEMIC SUPPORT				
Library Fee	0	301,278		(3,431)
Library	25,236	372,889		
Library Services	11,681	90,167		

UNAUDITED

DEDUCTIONS			
Expenditures	Transfers	Other Changes	Balances Aug. 31, 2001
			607
11,794			5,129
42,381	13	(1)	4,204
3,904			692
28,118		1	1,054
23,801			(666)
21,212		1	3,517
			4,959
1,355			(208)
183,597			27,450
38,326			396
14,635			2,106
9,305			(10,073)
			39
7,122			8,390
5,895	285	(1)	216
<u>1,913,045</u>	<u>12,634</u>	<u>0</u>	<u>491,526</u>
			600
13,044			11,526
7,970			2,945
<u>21,014</u>	<u>0</u>	<u>0</u>	<u>15,071</u>
	31,779	(1)	0
546,644	7,665	1	(378,622)
10,082			1,915
7,144		(1)	32,291
39,656			25,388
26,278			10,370
			9,912
3,410		(1)	922
6,548			2,658
3,408			112
327			1,900
	1,936		0
12,181			4,084
6,811			18,116
19,074			(405)
2,196			(270)
			1,397
400			(389)
10,298			320
(10,792)			6,413
513			3,267
17,980		(1)	5,443
			(302)
1,801	4,000	1	3,300
377,775	530	1	(28,574)
235		(1)	0
50,948	5,940	1	17,432
			(399)
1,020			626
			3,553
5,896			2,041
704			100
32,830	3,000		2,785
6,702			23,065
2,357			6,080
			152
12,169			2,969
13,310			(290)
<u>1,207,904</u>	<u>54,850</u>	<u>(1)</u>	<u>(222,640)</u>
		297,847	0
354,801			43,324
75,157			26,691

UNAUDITED

STEPHEN F. AUSTIN STATE UNIVERSITY
 SCHEDULE B-2
 SCHEDULE OF CHANGES IN FUND BALANCES
 UNRESTRICTED CURRENT FUNDS-DESIGNATED FUNDS
 For the Year Ended August 31, 2001

	Balances Sept 1, 2000	ADDITIONS		
		Revenues	Transfers	Other Changes
Enrichment Hall	6,110			
Total Academic Support	43,027	764,334	0	(3,431)
STUDENT SERVICES				
Commencement	2,880	3,633		
Graduation Videos	3,261	8,492		
Foreign Student Services	2,555	6,675		
Ladyjack Track	317	15		
Ladyjack Exhibition Game	1,121			
Ladyjack Volleyball	3,246			
Ladyjack Softball Events	319			
Liberal Arts Computing Lab	57			
Men's Athletic Tournament	2,092	27,693		
Postage Vending UC	5	(5)		
Placement/Career Opportunities	14,113	39,075		
RHA Parent's Day	31,110	21,441		
Summer Orientation Program	78,040	306,909		
Jack Camp	528	9,911	5,000	
Graduate Application Fee	12,280	10,800		
Reunion '95	427			
Kiosk Stations	474	113		
Distance Learning Fee	405	42,306	12,312	(720)
Academic Comp Laser Printing	2,423	5		
Certificate Plans	8,063	17,921	285	
Band Uniform Cleaning	0			
Recruiting & Retention	(5,106)	168,862		
Total Student Services	158,610	663,844	17,597	(720)
SCHOLARSHIPS				
Admissions Top 10 Scholarship	78,825	850,000		
Sesquicentennial Scholars	6,050			
Texas Ranger Scholarship	1,942	3,000	59	
SSEER - State Scholarship Ethnic	18,949			
TPEG-Resident	483,513		1,707,772	
TPEG-Non-Resident	8,346		19,188	
High School Valedictorian	0			22,406
Veteran Exemptions	0			27,868
Hearing and Visually Impaired	0			31,521
Orphans of Public Employees	0			7,495
Foster Care	0			5,390
Students age 65 and over	0			2,491
Total Scholarships	597,625	853,000	1,727,018	97,171
INSTITUTIONAL SUPPORT				
Special Mineral Fund				
DS Special Services	47,720	25		
Public Affairs	6,556	4,207		
Adm Expenses - T&F Installments	327,627	260,940		
Coliseum & Stadium Rental	(2,222)	92,081		
Baker Street Rental	1,507			
Adm Monthly Allowance	5,356			
AHEC Continuing Ed	294	240		
University Support	617	40,000		
Institutional Expense	357	15,000	86,384	
President's Rent Car	1,248	9,878		
Audit Services	5,371	73,514		
VP Administrative Allowance	15,378	26,100		
Board of Regents	254		65	
Commencement Chairs and Tables	85			
Contingency	987,850	219,648	6,767	
Campus Wellness	8,970	33,619		
ACE/Kellog Functions	3,874			
Media Services	242	782		
Capital Campaign	173,426	279,496		
Facilities Use Rental	8,616			
Adm Computing Office	7,200		20,000	
Physical Plant Vehicles	12,722			
Athletic Motor Pool	(18,920)		18,920	
Military Science Postal	460			

UNAUDITED

DEDUCTIONS			
Expenditures	Transfers	Other Changes	Balances Aug. 31, 2001
<u>429,958</u>		<u>297,847</u>	<u>6,110</u> <u>76,125</u>
4,127		2	2,384
8,437			3,316
2,364			6,866
			332
			1,121
40			3,206
			319
			57
27,439			2,346
			0
36,822			16,366
26,599		1	25,951
277,075			107,874
13,599			1,840
9,129	4,300		9,651
			427
330			257
70,264			(15,961)
1,064		1	1,363
9,391			16,878
			0
<u>148,390</u>			<u>15,366</u>
<u>635,071</u>	<u>4,300</u>	<u>3</u>	<u>199,958</u>
879,600			49,225
			6,050
2,000		1	3,000
			18,949
1,412,324	133,437		645,524
15,570			11,964
22,406			0
27,868			0
31,521			0
7,495			0
5,390			0
2,491			0
<u>2,406,664</u>	<u>133,437</u>	<u>1</u>	<u>734,711</u>
10,009			37,736
4,742			6,021
192,335			396,232
83,037			6,822
			1,507
			5,356
510			24
25,562			15,055
42,779			58,962
9,697			1,429
71,332			7,553
13,694			27,784
319			0
			85
	248,554		965,711
30,428			12,161
3,673	200		1
450			574
75,574		(1)	377,349
909			7,707
709			26,491
(6,339)			19,061
17,750			(17,750)
8			452

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STEPHEN F. AUSTIN STATE UNIVERSITY
 SCHEDULE B-2
 SCHEDULE OF CHANGES IN FUND BALANCES
 UNRESTRICTED CURRENT FUNDS-DESIGNATED FUNDS
 For the Year Ended August 31, 2001

	Balances Sept 1, 2000	ADDITIONS		
		Revenues	Transfers	Other Changes
Minority Faculty and Staff Recruiting	365			
President's Staff Awards	0	2,337		
Pineywoods Conservation Center	(19,162)	132,459	7,536	
Sale of Surplus Equipment	5,501	7,265		
SFA 98	1,290			
Retirement Committee	10,767	5,400		
Business Affairs Discretionary	1,643			
University Affairs Discretionary	830			
General Counsel Discretionary	0			
Administrative Network	1,613			
Property & Casualty	30,322	32,000		
NCHEMS Admission Students	3,352			
Unemployment Compensation	167,991			
Workers Compensation	115,314			
Computer Use Fee	0	2,954,349		(17,153)
Adm Software Upgrade	302			
Debt Service	0	1,106,702		
Course Fee	0	(23,890)		(3,515)
Publication Fee	0	96,345		(1,715)
Designated Tuition	0	5,530,989		(67,004)
Registration Fee	0	244,057		(1,720)
Matriculation Fee	0	525		
Application Fee	0	2,375		
Property Deposit Forfeit	0			
Late Registration Fee	0	3,140		
RSV Reclassification	40,000			
SFASU Health Plan	91,810			
Telephone Exchange	192,168	414,640		
Personnel Services	3,757			
Investment Income	0	519,250		
University Publications	22,690	58,000		
Printing Services	90,668	6,917		
President's Home	10,794	35,629		
L-T Invest Income	0	244,038		
Long Term Investment Income	0	405,438		
ATM Income	0	6,000		
Indirect Cost Recovery Reserve	111,119		50,559	
Benefit Cost Distribution	0			
Unappropriated Balance	9,360,835			
Total Institutional Support	11,838,557	12,839,495	190,231	(91,107)
TOTAL DESIGNATED FUNDS	\$ 13,318,169	\$ 17,854,027	\$ 2,016,449	\$ 0

[a]

[b]

[a] Analysis of Additions - Revenues

Designated Tuition	\$ 8,354,050
Student Fees	5,884,563
Sales & Services	2,097,122
Interest	1,423,368
Net Increase in the Fair Value of Investments	84,178
Gifts	10,746
Total Revenues	\$ 17,854,027

[b] Analysis of Additions - Transfers

Non-Mandatory	
Educational & General	\$ 1,726,960
Non-Pledged Auxiliary Enterprises	26,920
Restricted	55,982
Intrafund	206,587
Total Transfers	\$ 2,016,449

DEDUCTIONS			Balances
Expenditures	Transfers	Other Changes	Aug. 31, 2001
157			208
2,337			0
195,614			(74,781)
9,171		1	3,594
			1,290
4,993			11,174
			1,643
161			669
360			(360)
	1,613		0
19,882			42,440
	3,352		0
(29,572)			197,563
(25,922)			141,236
	341,838	2,595,358	0
	302		0
	1,069,143	37,559	0
		(27,405)	0
		94,630	0
	5,506,478	(42,493)	0
		242,337	0
		525	0
		2,375	0
			0
		3,140	0
			40,000
			91,810
366,760		(2)	240,050
1,946			1,811
246,014		273,236	0
48,625			32,065
15,367			82,218
17,615		(1)	28,809
		244,038	0
95		405,343	0
		6,000	0
26,800	47,155		87,723
			0
		(4,132,478)	13,493,313
<u>1,477,582</u>	<u>7,218,635</u>	<u>(297,837)</u>	<u>16,378,799</u>
<u>\$ 8,091,238</u>	<u>\$ 7,423,857</u>	<u>\$ 0</u>	<u>\$ 17,673,550</u>
	[c]		(Exh. B)

[c] Analysis of Deductions - Transfers

Mandatory:

Retirement of Debt	\$ 1,069,143
Restricted	293,631
Total Mandatory:	<u>\$ 1,362,774</u>

Non-Mandatory:

Restricted	\$ 45,790
Pledged Auxiliary Enterprises	1,278,564
Non-Pledged Auxiliary Enterprises	4,509,454
Loan	(11,091)
Endowment	31,779
Intrafund	206,587
Total Non-Mandatory:	<u>\$ 6,061,083</u>

Total Transfers	<u>\$ 7,423,857</u>
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STEPHEN F. AUSTIN STATE UNIVERSITY
 SCHEDULE B-2a
 SCHEDULE OF CHANGES IN FUND BALANCES
 UNRESTRICTED CURRENT FUNDS
 DESIGNATED FUNDS - SERVICE DEPARTMENTS
 For the Year Ended August 31, 2001

	Balances Sept. 1, 2000	ADDITIONS		DEDUCTIONS			Balances Aug. 31, 2001	Net Recovered Expenses
		Recovered Expenses	Other Changes	Salaries and Wages	Other Operating	Capital Outlay		
UNPLEDGED								
Printing Services	\$ 90,668	\$ 374,521	\$	\$ 156,757	\$ 178,147	\$ 48,067	\$ 82,218	\$ (8,450)
SFASU Health Plan	91,810						91,810	
Telephone Exchange	192,168	909,486	325,395	237,531	945,821	3,650	240,047	(277,516)
Total Unpledged	<u>374,646</u>	<u>1,284,007</u>	<u>325,395</u>	<u>394,288</u>	<u>1,123,968</u>	<u>51,717</u>	<u>414,075</u>	<u>(285,966)</u>
Total Service Dept.	<u>\$ 374,646</u>	<u>\$ 1,284,007</u>	<u>\$ 325,395</u>	<u>\$ 394,288</u>	<u>\$ 1,123,968</u>	<u>\$ 51,717</u>	<u>\$ 414,075</u>	<u>\$ (285,966)</u>

UNAUDITED

STEPHEN F. AUSTIN STATE UNIVERSITY
 SCHEDULE B-3
 SCHEDULE OF CHANGES IN FUND BALANCES
 UNRESTRICTED CURRENT FUNDS-AUXILIARY ENTERPRISES
 For the Year Ended August 31, 2001

	Additions			
	Balance Sept. 1, 2000	Allocated Fees	Revenues	Other Changes
NON-PLEDGED				
Alumni Services	\$ 0	\$	\$	\$
Athletic Facilities	4,703			60,660
Athletic Reserve	165			
Cheerleaders	0	55,000		19,117
Christmas Lights	63			
Debate Activities	0	8,000		
Drama	0	28,000		1,287
Fine Arts Exhibits	0	20,000		7,414
Fine Arts Series	315	37,500	77,497	
Health and Hospital Services	4,192	432,467	8,803	
I.C. Athletics-Academic Support	260	45,000		
I.C. Athletics-Basketball	984	4,000	18,976	37,800
I.C. Athletics-Departmental	3,325		226,103	
I.C. Athletics-Football	1,141		98,710	156,851
I.C. Athletics-Game Operations	0			
I.C. Athletics-Golf	0			191
I.C. Athletics-Merchandising	0		71,335	
I.C. Athletics-Scholarships	0	1,150,440		
I.C. Athletics-Track	352			16,341
I.C. Athletics-Trainer	1,774	50,000		
I.C. Athletics-Women's Basketball	2,259	31,560	20,954	40,880
I.C. Athletics-Women's Soccer	517			4,897
I.C. Athletics-Women's Softball	657			
I.C. Athletics-Women's Tennis	277			
I.C. Athletics-Women's Track	49			7,482
I.C. Athletics-Women's Volleyball	82	4,000	1,115	1,756
International Student Exchange	0			
Intramural Activities	115	233,000		
Mini Bus	0		39,763	
Miscellaneous Enterprises	1,273		8,775	
MultiCultural Center	120	86,500		
Music Activities	1,461	165,000		9,548
Pep Band	0	17,000		
Pom Pom Squad	0	43,000		
Returned Check Fees	0		10,804	
Road Bus - Eagle	115		39,874	40,670
SGA Homecoming	0	2,100	2,595	83
SGA Leadership Development	0	17,500		
Shuttle Bus	0	45,760		10,981
Sports Club	1,859	34,000		
Student Awards	0	2,600		124
Student Publications	852		141,963	55,495
Student Senate	460	34,000		834
Student Svc. Fee Organizations	147	51,000		
Student Svc. Fee Student Travel	0	20,000		515
Twirl-O-Jacks	2,423	14,000		
Wellness Center	110			23
Wellness Program	267	13,000		1,083
SCHOLARSHIPS				
Audit Only	0			
Visually Impaired	0	5,091		
Hearing Impaired	0	941		
Orphans of Public Employees	0	1,469		
Foster Care	0	1,056		
Students 65 years of age and over	0	454		
Interfund Transfers	8,559			
Unappropriated Balance	801,353	9,417		(474,029)
Total Non-Pledged Enterprises	<u>840,230</u>	<u>2,662,855</u>	<u>767,268</u>	<u>2</u>
PLEDGED				
Administrative Costs	0	151,757		232,048
Auxiliary Services	126			
Auxiliary Services Special Benefits	0			120,811
Auxiliary Utilities	228,072			2,180,975
Campus Apartments	1,087		849,524	
Declining Balance Program	0			135,220
Disabled Student Services	324			20,920
Dormitory No. 1, 2 & 3	0		368,936	
Dormitory No. 10	0		358,133	
Dormitory No. 12	0		199,163	
Dormitory No. 13	0		453,389	
Dormitory No. 14	0		794,874	
Dormitory No. 15	0		964,260	
Dormitory No. 16	0		746,196	
Dormitory No. 17	0		1,703,152	
Dormitory No. 18	0		1,000,481	

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Additions		Deductions			Balances Aug. 31, 2001
Transfers In	Expenditures	Other Changes	Transfers Out		
\$ 220,101	\$ 203,697	\$ 16,404	\$	\$ 0	
267,631	328,982			4,012	
96,953	60,193	18,005	18,920	0	
	67,117			7,000	
35,000	33,756	1,307		0	
	7,953	47		0	
	29,287			0	
	27,414			0	
34,939	140,448	2,003	7,000	800	
336,386	765,266	12,860		3,722	
1,740	42,972	245		3,783	
60,000	120,309			1,451	
2,006,663	2,150,688	83,451		1,953	
142,000	397,668			1,034	
220,000	218,193	1,380		427	
26,000	26,191			0	
12,245	12,035	71,545		0	
99,627	1,054,175	195,892		0	
52,000	63,234			5,459	
116,365	138,282	9,866		19,991	
43,440	138,538			555	
52,000	57,406			8	
53,000	49,704	3,567		386	
23,100	21,238	2,079		60	
61,000	65,413			3,118	
41,700	47,863			790	
15,275	5,626	9,649		0	
180,651	401,231	9,736		2,799	
		39,763		0	
12,510	7,898	9,668		4,992	
12,231	81,464	14,759	1,000	1,628	
5,000	180,679			330	
	15,005	1,995		0	
	42,816			184	
		10,804		0	
58,562	139,221			0	
	4,778			0	
	17,495	5		0	
30,527	87,268			0	
	27,980	2,637		5,242	
	2,527			197	
	197,481			829	
	35,294			0	
	50,768	379		0	
	20,280			235	
	14,009	1,257		1,158	
79,129	79,262			0	
	13,947			402	
				0	
				0	
	5,091			0	
	941			0	
	1,469			0	
	1,056			0	
	454			0	
83,804		92,363		0	
29,875	(34)	(611,666)		978,316	
<u>4,509,454</u>	<u>7,702,027</u>	<u>0</u>	<u>26,920</u>	<u>1,050,862</u>	
826	384,631			0	
547,111	274,246	216,512		56,478	
236,727	357,538			0	
150,000	2,555,004			4,044	
	1,119	849,491		0	
	135,220			0	
	20,962			282	
		368,936		0	
		358,133		0	
		199,163		0	
		453,389		0	
		794,874		0	
		964,260		0	
		746,196		0	
		1,703,152		0	
		1,000,481		0	

UNAUDITED

STEPHEN F. AUSTIN STATE UNIVERSITY
 SCHEDULE B-3
 SCHEDULE OF CHANGES IN FUND BALANCES
 UNRESTRICTED CURRENT FUNDS-AUXILIARY ENTERPRISES
 For the Year Ended August 31, 2001

	Balance Sept. 1, 2000	Additions		
		Allocated Fees	Revenues	Other Changes
Dormitory No. 20	0		789,344	
Dormitory No. 9	0		207,846	
Food Vending	25,854		425,471	
Garner Hall	0		587,552	
General Service Garbage Crew	0			65,199
Grounds Maintenance	0			82,337
Housing Forfeits	0		106,836	
Housing General Maintenance	4,996		31,062	1,811,319
Housing System Debt	0			2,307,129
Housing Systems	0			2,521,456
ID Cards	0		29,421	
Investment Income	0		341,509	
Laundry Vending	936	261	30,932	54,181
Mays Hall #11	0		310,767	
OSA Administration	3,300		5,282	369,034
OSA Graphics	11,394		71,855	33,489
OSA Major Events	25,869		42,968	89,860
Pledged Auxiliary Functions	4,020			18,153
Residence Halls Class 1	7,436			378,456
Residence Halls Class 2	12,615			828,854
Residence Halls Class 3	875			1
Residence Halls Program	394			29,162
Residence Halls Special Interest	3,411			
Sales Tax Discount	0		4,521	
SFA Post Office	1,009	6,879	138,741	
SFA Theatre Maintenance	0			4,216
SFA Ticket Office	807			61,255
Summer Camps	0		643,813	
UC Bookstore	86,611	1,103	3,912,245	
UC Bookstore Cap & Gown	12,114		48,617	11,870
UC Games	0		23,038	
Univ Police Dept	30,412		1,008,403	
University Center Administration	1,341		35,404	1,039,444
University Food Service	41,868		6,533,387	
University Projects	477			149,135
Wisely Hall # 5	0		137,536	
SCHOLARSHIPS				
Audit Only	0			
Visually Impaired	0	251		
Hearing Impaired	0	47		
Orphans of Public Employees	0	67		
Foster Care	0	48		
Students 65 years of age and over	0	95		
Hazelwood	0	341		
Unappropriated Balance	5,158,881	(30,625)		(12,544,524)
Total Pledged Enterprises	5,664,234	130,224	22,904,656	(2)
TOTAL AUXILIARY	\$ 6,504,464	\$ 2,793,079	\$ 23,671,924	\$ 0

[a]

[a] Analysis of Additions- Revenues

Non-pledged	
Student Service Fee	\$ 2,662,855
Sales & Services	767,268
Total Non-Pledged	<u>3,430,123</u>
Pledged	
Student Center Fee	130,224
Sales & Services	22,563,147
Investment Income	293,114
Net Increase in the Fair Value of Investments	48,395
Total Pledged	<u>23,034,880</u>
Total Auxiliary Income	<u>\$ 26,465,003</u>

[b] Analysis of Additions - Transfers

Non-pledged	
Non-mandatory	
Designated	\$ 4,509,454
Total Non-pledged	<u>4,509,454</u>
Pledged	
Non-Mandatory	
Designated	1,278,564
Total Pledged	<u>1,278,564</u>
Total Additions - Transfers	\$ 5,788,018

UNAUDITED

Additions		Deductions		Balances
Transfers In	Expenditures	Other Changes	Transfers Out	Aug. 31, 2001
		789,344		0
		207,846		0
263	357,224	88,784		5,580
		587,552		0
	65,199			0
	82,337			0
		106,836		0
	699,810		1,126,111	21,456
			2,307,129	0
	2,521,456			0
		29,421		0
	55	341,454		0
	82,276			4,034
		310,767		0
	375,490			2,126
	109,870			6,868
	124,248			34,450
	11,442			10,731
	359,298			26,594
	812,153			29,316
	561	315		0
	27,840			1,715
	1,561	1,850		0
		4,521		0
	137,492	1,185		7,952
	4,216			0
	62,062			0
		643,813		0
1,165	3,100,590	805,426		95,108
	67,349			5,252
		23,038		0
	901,705	108,383		28,727
634	1,069,117			7,706
	5,142,204	1,093,555		339,497
	130,836			18,776
		137,536		0
				0
	251			0
	47			0
	67			0
	48			0
	95			0
	341			0
<u>341,838</u>		<u>(12,936,213)</u>	<u>160,000</u>	<u>5,701,783</u>
<u>1,278,564</u>	<u>19,975,960</u>	<u>0</u>	<u>3,593,240</u>	<u>6,408,477</u>
<u>\$ 5,788,018</u>	<u>\$ 27,677,986</u>	<u>\$ 0</u>	<u>\$ 3,620,160</u>	<u>\$ 7,459,339</u>
[b]			[c]	

[c] Analysis of Deductions - Transfers

Non-pledged	
Non-mandatory	
Designated	\$ 26,920
Total Non-pledged	<u>26,920</u>
Pledged	
Mandatory	
Retirement of Debt	<u>2,307,129</u>
	<u>2,307,129</u>
Non-mandatory	
Renewals & Replacements	160,000
Unexpended Plant	<u>1,126,111</u>
	<u>1,286,111</u>
Total Pledged	<u>3,593,240</u>
Total Deductions - Transfers	<u>\$ 3,620,160</u>

REVISED-UNAUDITED

STEPHEN F. AUSTIN STATE UNIVERSITY
 SCHEDULE B-4
 SCHEDULE OF CHANGES IN FUND BALANCES-RESTRICTED CURRENT FUNDS
 For the Year Ended August 31, 2001

	Balances Sept. 1, 2000	ADDITIONS		
		Gifts,Grants & Receipts	Endowment & Interest Income	Transfers
Instructional and Departmental	\$ 1,509,326	\$ 6,562,733	\$ 130,990	\$ 267,537
Public Service	64,071	697,214	885	18,000
Research	1,422,132	905,733	110,574	5,536
Scholarships	433,355	7,011,718	113,540	262,732
Institutional Support	(12,920)	390		
TOTAL RESTRICTED FUNDS	\$ 3,415,961	\$ 15,177,788	\$ 355,988	\$ 553,805
		[a]	[b]	[c]

[a] Analysis of Additions-Gifts and Grants

Federal Grants	\$ 9,841,268
Federal Grants Pass-Through	381,044
State Grants	1,705,003
State Grants Pass-Through	316,075
Private Gifts & Grants	560,514
Private Other	411,245
Gifts	1,215,259
Sales and Services	747,381
Total Gifts & Grants	\$ 15,177,788

[b] Analysis of Additions-Income

Endowment Income	\$ 245,414
Interest Income	110,574
Total Interest Income	\$ 355,988

[c] Analysis of Transfers - Additions

Mandatory	
From Designated Funds	\$ 293,631
Non-mandatory	
From Designated Funds	45,790
From Non-Pledged Auxiliary Funds	47,749
From Endowment Funds	3,500
Intrafund Transfer	163,135
Total Transfers - Additions	\$ 553,805

ADDITIONS		DEDUCTIONS			
Other Changes	Expenditures	Transfers	Other Changes	Balances Aug. 31, 2001	
\$ 542	\$ 6,540,640	\$ 193,534	\$ 237,677	\$	1,499,276
29	687,539	9,363	33,030		50,266
382	2,085,740	10,540	165,983		182,094
	7,305,907	5,750	15,342		494,347
	2,446				(14,976)
<u>\$ 953</u>	<u>\$ 16,622,272</u>	<u>\$ 219,187</u>	<u>\$ 452,032</u>	<u>\$</u>	<u>2,211,004</u>
[d]		[e]	[f]		(Exh. B)

[d] Analysis of Additions-Other
 Change in Accounting Method \$ 953
 Total Other \$ 953

[e] Analysis of Transfers - Deductions
 Non-mandatory
 To Designated Funds \$ 55,982
 To E & G 70
 Intrafund Transfer 163,135
 Total Transfers - Deductions \$ 219,187

[f] Analysis of Deductions-Other
 Indirect Cost Adjustments \$ 379,556
 Administrative Cost Allowance 72,421
 Change in Accounting Method 55
 Total Other \$ 452,032

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UNAUDITED

STEPHEN F. AUSTIN STATE UNIVERSITY
 SCHEDULE B-5
 SCHEDULE OF CHANGES IN FUND BALANCES
 LOAN FUNDS
 For the Year Ended August 31, 2001

	Balances Sept 1, 2000	ADDITIONS			DEDUCTIONS		Balances Aug 31, 2001
		Interest & Fees Income	Transfers	Other Changes	Transfers	Other Changes	
U S Government Grants Refundable							
Perkins Loan	\$ 6,120,139	\$ 120,907	\$ (11,091)	\$	\$	\$ 233,653	\$ 5,996,302
Allowance for Uncollectible Loa							0
United Student Aid Loan	2,624						2,624
Allowance for Uncollectible Loa							0
Total U.S. Government Grants	<u>6,122,763</u>	<u>120,907</u>	<u>(11,091)</u>			<u>233,653</u>	<u>5,998,926</u>
University Loan Funds- Restricted							
Baines-Crump Memorial	14,959						14,959
Allowance for Uncollectible Loa	(142)						(142)
Carr P. Collins	20,241						20,241
Allowance for Uncollectible Loa	(268)						(268)
Emergency T&F Res	2,576,549	4,761	335,527				2,916,837
Allowance for Uncollectible Loa	(5,767)			(70,036)			(75,803)
Emergency T&F Non-Res	33,397		3,582				36,979
Allowance for Uncollectible Loa	(576)						(576)
Ex-Student Memorial	106,513						106,513
Allowance for Uncollectible Loa	(2,280)						(2,280)
Nadine Nesbit	5,065						5,065
Allowance for Uncollectible Loa							0
Ralston	157,625						157,625
Allowance for Uncollectible Loa	(2,543)						(2,543)
Student Property Deposit	83,343				83,343		0
Allowance for Uncollectible Loa	(2,091)		2,091				0
University Short-term Loans	353,073	52,728	83,343		147,225		341,919
Allowance for Uncollectible Loa	(88,603)			73,323	2,091		(17,371)
Total University Loan Funds	<u>3,248,495</u>	<u>57,489</u>	<u>424,543</u>	<u>3,287</u>	<u>232,659</u>	<u>0</u>	<u>3,501,155</u>
Total Loan Funds (Exh B.)	<u>\$ 9,371,258</u>	<u>\$ 178,396</u>	<u>\$ 413,452</u>	<u>\$ 3,287</u>	<u>\$ 232,659</u>	<u>\$ 233,653</u>	<u>\$ 9,500,081</u>
		[a]	[b]	[c]	[d]	[e]	(Exh. B)

[a] Analysis of Additions - Interest and Fees Income

Interest Income	\$ 20,764
Interest on Notes Receivable	84,819
Penalties and Late Fees	15,324
Service Charges on S/T loans	57,489
	<u>\$ 178,396</u>

[b] Analysis of Additions - Transfers

Non-mandatory	
From E&G	\$ 191,884
Designated	(11,091)
Intrafund	232,659
	<u>\$ 413,452</u>

[c] Analysis of Additions-Other Changes

Allowance for Uncollectible Accts	<u>\$ 3,287</u>
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[d] Analysis of Deductions - Transfers

Non-Mandatory	
Intrafund	<u>\$ 232,659</u>

[e] Analysis of Deductions - Other Changes

Loans Cancelled per FISAP	\$ 156,672
Interest Cancelled per FISAP	4,280
Administrative Cost Allowance	33,275
Service Charge for Agency Collections	37,798
Bank Service Charges	1,628
	<u>\$ 233,653</u>

UNAUDITED

STEPHEN F. AUSTIN STATE UNIVERSITY
 SCHEDULE B-6
 SCHEDULE OF CHANGES IN FUND BALANCES
 ENDOWMENT AND SIMILAR FUNDS
 For the Year Ended August 31, 2001

	Balances Sept. 1, 2000	ADDITIONS				DEDUCTIONS		Balances Aug. 31, 2001	Memorandum Income of Fund
		Gifts	Investment Income	Other Changes	Transfers	Other Changes	Transfers		
ENDOWMENT FUNDS									
Kerr Estate	\$ 59,053	\$	\$	\$	\$	\$ 6,326	\$	\$ 52,727	\$ 1,714
SW Bell Communication Sch	2,658	2,500				554		4,603	141
Robert W. Byrd	99,882					10,722		89,160	2,902
Effie Hill Bush Athletic	37,716					4,045		33,671	1,096
John Q. Hays Library	6,163					665		5,498	180
University Scholars	379,665					40,746		338,918	11,028
Ballinger-Long	17,989					1,930		16,058	523
E. H. Blount	64,878					6,963		57,914	1,885
Burr Biology Lecture Series	27,122		782			2,808	1,500	23,596	782
Timmy Bronaugh	11,585					1,247		10,339	337
June Irwin	295,387				31,779	31,696		295,470	8,580
M. Victor Bilan	25,306	50				2,724		22,631	736
Kenneth Nelson Professorship	372,089					39,934		332,156	10,808
Robert E. Minton Professorship	372,089					39,934		332,156	10,808
W. A. Cain	3,511					379		3,132	102
Center for Economic Education	144,992					15,562		129,430	4,212
Anna Tipps Carnes	69,366					7,444		61,923	2,015
M. J. Deuth	27,139					2,909		24,229	788
C. J. Davidson	32,560					3,491		29,069	946
C. E. Ferguson	34,864					3,740		31,124	1,013
Accounting Development Fd.	27,224		799			2,983		25,040	799
D.A.R.	39,623	169				4,267		35,525	1,153
Gene Samford	11,917					1,274		10,642	346
Temple-Inland Employ - Acct Sch	75,586		2,219			8,275	2,000	67,531	2,219
Temple-Inland Employ - Acct Prof	122,256					13,123		109,133	3,551
Gamill Voice	53,859					5,781		48,078	1,565
Ferguson Creative Writing	21,127					2,263		18,864	613
Chester E. Harris	7,546					813		6,733	220
David C. Haney	8,052		236			877		7,411	236
Lacy H. Hunt Lecture	105,617					11,332		94,285	3,068
Lula Crawford Hunt	977					102		876	27
Gail O. King Jr.	22,628					2,429		20,200	657
David Kennedy Recital	7,569	100				822		6,847	221
W. Goodrich Jones Forestry	29,425					3,158		26,267	855
Frank J. Lauderdale	9,957					1,071		8,885	289
Goethe-Miller	5,765					619		5,146	167
Joe and Grace Lacy	14,090					1,515		12,576	409
Houston Livestock Show	805,745					86,461		719,284	23,404
Lovenia Rachel Perry	75,535					8,109		67,426	2,194
McGovern/Harvin Library	20,814	175				2,253		18,735	608
Roger Montgomery	150,879					16,190		134,690	4,382
Music Department	30,466					3,269		27,197	885
W. F. Garner	16,536					1,773		14,763	480
PWCC	61,346					6,585		54,761	1,782
E. D. Lockey	9,833					1,053		8,780	286
Debra Schlitz	8,173					877		7,296	237
Robert G. Sidnell Jr.	2,087		61			231		1,918	61
H. Mast	18,501		543			2,023		17,022	543
Celcie Edwards Slechta	7,546					813		6,733	220
Shirley Creek Corporation	61,736					6,622		55,115	1,793
Ruth Ashcroft Stirling	7,546					813		6,733	220
Lera Thomas	4,523					489		4,033	132
Tenneco Building	5,295					573		4,723	155
SPEBQSA	28,592					3,066		25,526	832
Whitton Yarborough	10,075							10,075	566
Ellis Hunt	3,802					406		3,396	110
M. M. Wedgeworth	596				17	65		549	17
Rockwell	3,145,640					337,560		2,808,080	91,370
Art Alliance	8,395					905		7,489	245
M. L. King Jr.	2,189					231		1,958	64
Zady Wilson	6,874					739		6,135	200
Harry and Mabel Brewton	117,439					12,606		104,833	3,412
Clint Sanderson	79,594					8,543		71,051	2,312
Twirl-O-Jack	17,544					1,884		15,660	509
YOU	30,483					3,269		27,214	885
Doyle Alexander	3,013					323		2,690	87
Bert/Mary Applebery	4,684					499		4,185	136
Don Barkett	4,484					480		4,004	130
Lloyd Biskamp	8,073					868		7,205	235
Laz Corley	313,564	20,000				34,189		299,375	9,179
J. T. Cox	11,572	105				1,256		10,421	338
Thomas & Kathleen Cox	3,013					323		2,690	87
W E & Barbara Fleetwood	12,839	1,200				1,413		12,626	378
Dirk & Leah Foshee	9,473					1,016		8,457	274

UNAUDITED

STEPHEN F. AUSTIN STATE UNIVERSITY
 SCHEDULE B-6
 SCHEDULE OF CHANGES IN FUND BALANCES
 ENDOWMENT AND SIMILAR FUNDS
 For the Year Ended August 31, 2001

	Balances Sept. 1, 2000	ADDITIONS			DEDUCTIONS			Balances Aug. 31, 2001	Memorandum Income of Fund
		Gifts	Investment Income	Other Changes	Transfers	Other Changes	Transfers		
ENDOWMENT FUNDS									
Scott Gambrell	16,147	1,000				1,838		15,309	483
Melinda Hafner	2,157					231		1,926	62
Hardy & Ira Hairston	10,188					1,090		9,098	296
Wade & Karen Jones	2,256					240		2,016	65
Murry & Martha Lilly	64,499	5,000				7,056		62,443	1,891
John & Beverly Linney	5,342					573		4,770	155
Onie & William R Miller Sr.	18,669					2,004		16,665	543
Ron & Sylvia Neill	15,082	100				1,616		13,566	438
William J. Pitts	5,346					573		4,774	155
Henry & Mildred Schmidt	7,015					757		6,258	205
T. Eddie & Fran Shafer	6,661					711		5,950	193
Mary Ann T. Sharrock	18,977					2,041		16,936	551
Kirk & Inez Sitton	6,862					739		6,123	200
James Terry	49,315	2,000				5,504		45,811	1,454
Reese	1,227					129		1,098	35
Jim Towns	4,508					480		4,028	131
Auline & Travis Whitaker (Cushing)	66,938	12,500				7,721		71,717	2,003
Auline & Travis Whitaker (Woden)	17,058	12,500				2,364		27,194	555
Jeff Weir	30,180					3,242		26,938	877
Nathaniel West	1,707					185		1,523	50
Whitaker Brothers	32,553					3,491		29,062	945
Bennie & Pat O'Rear	37,544					4,027		33,518	1,091
SFA Alumni	18,863					2,023		16,840	548
WD and Shirley Clark	8,571					924		7,648	250
Doug Peabody	14,995					1,607		13,388	435
Franks	15,076					1,616		13,460	438
Addijo Williams	36,436	10,000				4,174		42,262	1,082
Mike Summers	22,227	6,000				2,383		25,844	645
Maco Stewart	29,884	4,050				3,639		30,296	910
Roy Whitaker	103,721					11,129		92,593	3,013
SFA Theatre Scholarship	5,790					619		5,171	168
Honor's Program	75,195					8,072		67,124	2,184
Jackie Cannon	17,339					1,856		15,483	503
Lewis Buckner	38,637					4,147		34,490	1,122
Larry Milton	16,960					1,819		15,140	493
S & F Montes	3,272					351		2,921	95
Mikhael Ricks	2,468					268		2,201	72
Total Endowment Funds	8,585,401	77,449	4,658	0	31,779	923,532	3,500	7,772,254	250,072
QUASI ENDOWMENT FUNDS									
General Operations	3,119,297		190,372	57,507		150		3,367,026	190,222
Total Quasi Endowment	3,119,297	0	190,372	57,507	0	150	0	3,367,026	190,222
TOTAL ENDOWMENT AND SIMILAR FUNDS	11,704,699	\$ 77,449	\$ 195,030	\$ 57,507	\$ 31,779	\$ 923,682	\$ 3,500	\$ 11,139,280	\$ 440,294

[a]

[b]

[c]

[d]

(Exh. B)

[e]

[a] Analysis of Additions - Other Changes
 Net increase in fair value of investments

\$ 57,507

[b] Analysis of Additions - Transfers
 Non-mandatory:
 From Designated

\$ 31,779

[c] Analysis of Deductions - Other Changes
 Net decrease in fair value of investments
 Service charges

\$ 923,532

150

\$ 923,682

[d] Analysis of Deductions - Transfers

Non-mandatory:

Restricted

\$ 3,500

[e] Income of Fund

Added to Restricted

\$ 248,196

Added to Endowment

1,876

Added to Quasi Endowment

190,222

\$ 440,294

UNAUDITED

STEPHEN F. AUSTIN STATE UNIVERSITY
SCHEDULE B-7
SCHEDULE OF CHANGES IN FUND BALANCES
ANNUITY AND LIFE INCOME FUNDS
For the Year Ended August 31, 2001

SCHEDULE NOT USED

UNAUDITED

STEPHEN F. AUSTIN STATE UNIVERSITY
 SCHEDULE B-8
 SCHEDULE OF CHANGES IN FUND BALANCES
 UNEXPENDED PLANT FUNDS
 For the Year Ended August 31, 2001

	Balances Sept. 1, 2000	ADDITIONS				DEDUCTIONS			Balances Aug. 31, 2001		
		Gifts & Grants	Transfers In	Other Changes	Bond Activ	Non-Capitalize Expenditures	Capitalized Expenditures	Transfers Out		Other Changes	
RESTRICTED											
Social Work Renovation	\$	\$ 300,000	\$	\$	\$ 3,459	\$ 229,087	\$	\$	\$ 67,454		
Forestry Greenhouse		400,000			8,724	324,779			66,497		
Campus Signs		551		7,790	8,062				279		
Central Stores		20,983							20,983		
Telecom Building		10,446		10,000	4,222				16,224		
Elevators		111,781			(2,734)		114,515		0		
Roof Repairs		9,348					9,348		0		
ARGO Facility		30,299			5,054				25,245		
UPD Fire Alarm		30,000							30,000		
Grounds Development		75,000			31,135				43,865		
Birdwell Building				25,000	4,895				20,105		
Miller Science Building		1,648,037		65,529	8,652	1,064,784			640,130		
Forestry Renovations		126,283			56,031				70,252		
Miller Science Building		65,871			41,637		377		23,857		
Miller Science Building		23,552		377	23,929				0		
Baker St Property		11,896			1,845				10,051		
Social Work Renovation				1,500,000	107,061	1,122,192			270,747		
Const Appr Bond 1995		432,143		123,863	31,281			1,464	585,823		
Const Appr Bond 1996		329,528			15,341		305,243	39,626	0		
TPFA Bond 1998		12,811			68,141		65,529	2,614	12,809		
Total Restricted		<u>2,938,529</u>		<u>1,732,559</u>	<u>114,763</u>	<u>301,972</u>	<u>2,740,842</u>	<u>495,012</u>	<u>1,904,321</u>		
UNRESTRICTED											
Res Hall Fire Protection		604,020							604,020		
Coliseum Air Handler		482,692				269,124	151,260		62,308		
Res Hall Upgrades		1,817,282		1,126,111	18,390	1,440,119			1,484,884		
ARGO Facility		24,713			2,598				22,115		
ADA - Auxiliary Services		215,164			11,756		203,408		0		
Church Property		61,388			49,960	11,270			158		
2000 Bond HSG Upgrades		2,779,152		124,562	973,885	1,349,125			580,704		
2000 Bond Fire Protection		203,101			2,266	91,026			109,809		
Cons Rev Bond 1996		739,395		203,408	53,596			49,527	946,872		
TPFA Bond 2000		14,758			124,562		124,562	6,817	7,941		
Total Unrestricted		<u>6,941,665</u>		<u>0</u>	<u>1,454,081</u>	<u>178,158</u>	<u>1,327,979</u>	<u>3,042,800</u>	<u>327,970</u>	<u>3,818,811</u>	
Total Unexpended Plant Funds		<u>9,880,194</u>		<u>\$ 700,000</u>	<u>\$ 3,186,640</u>	<u>\$ 292,921</u>	<u>\$ 1,629,951</u>	<u>\$ 5,783,642</u>	<u>\$ 822,982</u>	<u>\$ 100,048</u>	<u>\$ 5,723,132</u>
				[a]	[b]			[c]	[d]		
Less:											
Unexpended Bond Proceeds											(457,370)
											<u>\$ 5,265,762</u>
											(Exh. B)
[a] Analysis of Additions - Transfers											
Non-Mandatory:											
Pledged Auxiliary			\$	1,126,111							
HEAF				1,542,790							
Intrafund				517,739							
				<u>\$ 3,186,640</u>							
[b] Analysis of Additions - Other Changes											
Interest Income			\$	292,921							
				<u>\$ 292,921</u>							
[c] Analysis of Deductions-Transfers											
Mandatory:											
Debt Service			\$	305,243							
Non-mandatory:											
Intrafund				517,739							
				<u>\$ 822,982</u>							
[d] Analysis of Deductions-Other Changes											
Bond Issuance Expense			\$	6,817							
Bond Arbitrage Expense				60,682							
Service Charges				32,549							
				<u>\$ 100,048</u>							

UNAUDITED

STEPHEN F. AUSTIN STATE UNIVERSITY
 SCHEDULE B-9
 SCHEDULE OF CHANGES IN FUND BALANCES
 RENEWAL AND REPLACEMENT FUNDS
 For the Year Ended August 31, 2001

	Balances Sept 1, 2000	ADDITIONS		DEDUCTIONS		Balances Aug 31, 2001
		Gifts	Transfers	O & M	Capital Outlay	
RESTRICTED						
Chick-Fil-A	18,144	\$ 28,476	\$	\$ 25,120	\$ 19,383	\$ 2,117
Cafeteria Renovation		1,000,000		89,031	10,057	900,912
Education/Business Bldg Doors	2,717					2,717
Fine Arts Building	59,820			35,502	16,719	7,599
Equine Lab	1,856			1,856		0
HMS 106 Renovation	437		30,000	29,212		1,225
Secondary Class Renovation	1,779					1,779
History Class Renovation	4,616			2,613	1,999	4
Math Renovation	2,775					2,775
AAS Renovation			5,000			5,000
McGee Classroom			11,500		11,500	0
Elevator Repairs	4,201		75,000			79,201
Outside Light	46,340			7,865		38,475
Street Repairs	206,518			10,505	2,975	193,038
Utility Loop RP	38,880			22,792		16,088
Roof Replacement			342,500	17,407	30,500	294,593
PP 1 Chiller			175,000	125,671		49,329
Fine Arts Stage			34,716			34,716
Total Restricted	388,083	1,028,476	673,716	367,574	93,133	1,629,568
UNRESTRICTED						
Health Clinic Roof Repair	11,056			6,311		4,745
Street and Paving Repair			160,000	124,124		35,876
Total Unrestricted	11,056	0	160,000	130,435	0	40,621
Total Renewal & Replacement	\$ 399,139	\$ 1,028,476	\$ 833,716	\$ 498,009	\$ 93,133	\$ 1,670,189
			[a]			(Exh. B)

[a] Analysis of Additions -Transfers

Non-Mandatory:

Pledged Auxiliary

\$ 160,000

HEAF

673,716

\$ 833,716

UNAUDITED

STEPHEN F. AUSTIN STATE UNIVERSITY
 SCHEDULE B-10
 SCHEDULE OF CHANGES IN FUND BALANCES
 RETIREMENT OF INDEBTEDNESS FUNDS
 For The Year Ended August 31, 2001

	Balances Sept. 1, 2000	ADDITIONS		DEDUCTIONS			Balances Aug. 31, 2001
		Transfers	Other Changes	Bonds Matured	Interest Expense	Other Changes	
RESTRICTED							
Revenue Bonds							
Cons Rev Refund Bonds Series 1991	\$ 985,000	\$ 2,409,143	\$ 75,532	\$ 1,970,000	\$ 485,903	\$ 1,272	\$ 1,012,500
Cons Rev Bonds Series 1996	300,000	747,550		600,000	147,300	250	300,000
TPFA Bonds Series 1998		467,733		195,000	271,933	800	0
TPFA Bonds Series 2000	830	374,884	329		375,443	600	0
General Obligation (H.E.A.F)							
Const Appr Bonds Series 1995		841,545		680,000	161,545		0
Const Appr Bonds Series 1996		442,666		345,000	97,416	250	0
Total Retirement of Indebtedness (Exh	\$ 1,285,830	\$ 5,283,521	\$ 75,861	\$ 3,790,000	\$ 1,539,540	\$ 3,172	\$ 1,312,500
		[a]	[b]	(Exh. B) (Sch. D-1)		[c]	(Exh. B)

[a] Analysis of Additions - Transfers

Mandatory:	
From E & G	\$ 155,305
From TPFA	467,733
From HEAF	978,968
From Unexpended Plant	305,243
From Designated Funds	1,069,143
From Pledged Auxiliary Funds	2,307,129
Total Transfers	\$ 5,283,521

[b] Analysis of Additions - Other Changes

HUD Interest Subsidy Grant	\$ 75,532
Interest Income	329
	\$ 75,861

[c] Analysis of Deductions - Other Changes

Fees and Administrative Expense	\$ 3,172
	\$ 3,172

UNAUDITED

STEPHEN F. AUSTIN STATE UNIVERSITY
 SCHEDULE B-11
 SCHEDULE OF CHANGES IN INVESTMENT IN PLANT
 For the Year Ended August 31, 2001

	<u>Total</u>	<u>Land</u>	<u>Buildings</u>	<u>Improvements Other Than Buildings</u>
Net Investment in Plant, Sept. 1, 2000	\$ 191,317,192	\$	\$	\$
Add:				
Investment in Plant Portion of Bonds Payable at Sept. 1	26,969,253			
Lease Purchase Agreements Payable at Sept. 1, 2000	205,867			
Carrying Value of Plant, Sept. 1, 2000	<u>218,492,312</u>	<u>2,564,185</u>	<u>134,123,648</u>	<u>14,284,040</u>
Additions:				
From Expenditures:				
Educational and General	3,233,117		43,500	
Designated Funds	279,793			
Auxiliary Enterprise Funds	510,032			
Restricted Current Funds	946,299			
Unexpended Plant Funds	5,794,912			
Renewal & Replacement Funds	93,133		66,602	
Total Additions from Expenditures	<u>10,857,286</u>	<u>0</u>	<u>110,102</u>	<u>0</u>
Other Additions:				
Private Gifts, Grants, and Contracts				
Adjustments in Previously Reported Balances	959,112			
Reclassifications	(5,697)			
Total Other Additions	<u>953,415</u>	<u>0</u>	<u>0</u>	<u>0</u>
Deductions:				
Deletions of Equipment Less Than \$1,000	605,717			
Equipment Disposed Of	2,292,659			
Library Books Withdrawn From Circulation	214,575			
Total Deductions	<u>3,112,951</u>	<u>0</u>	<u>0</u>	<u>0</u>
Transfers:				
Intrafund From			662,850	49,663
Intrafund To			(309,836)	
Total Transfers	<u>0</u>	<u>0</u>	<u>353,014</u>	<u>49,663</u>
Carrying Value of Plant at Aug. 31, 2001	<u>227,190,062</u>	<u>\$ 2,564,185</u>	<u>\$ 134,586,764</u>	<u>\$ 14,333,703</u>
Less				
Investment in Plant Portion of Bonds Payable at Aug. 31	26,682,630			
Lease Purchase Agreements Payable at Aug. 31, 2001	<u>356,237</u>			
Net Investment in Plant, Aug. 31, 2001	<u>\$ 200,151,195</u>			
	(Exh. B)			

<u>Equipment</u>	<u>Library Books</u>	<u>Livestock</u>	<u>Museum and Art Collections</u>	<u>Construction In Progress</u>
\$	\$	\$	\$	\$
<u>36,071,520</u>	<u>19,255,790</u>	<u>205,150</u>	<u>0</u>	<u>11,987,979</u>
2,258,503	931,114			
267,117	12,676			
510,032				
943,812	2,487			
11,270				5,783,642
26,531				
<u>4,017,265</u>	<u>946,277</u>	<u>0</u>	<u>0</u>	<u>5,783,642</u>
959,112				
<u>959,112</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(5,697)</u>
				<u>(5,697)</u>
605,717				
2,292,659				
	214,575			
<u>2,898,376</u>	<u>214,575</u>	<u>0</u>	<u>0</u>	<u>0</u>
167,748				(880,261)
(244,681)			554,517	
<u>(76,933)</u>	<u>0</u>	<u>0</u>	<u>554,517</u>	<u>(880,261)</u>
<u>\$ 38,072,588</u>	<u>\$ 19,987,492</u>	<u>\$ 205,150</u>	<u>\$ 554,517</u>	<u>\$ 16,885,663</u>

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UNAUDITED

STEPHEN F. AUSTIN STATE UNIVERSITY
SCHEDULE B-12
SCHEDULE OF CHANGES IN FUND BALANCES
AVAILABLE UNIVERSITY FUND
For the Year Ended August 31, 2001

SCHEDULE NOT USED

UNAUDITED

STEPHEN F. AUSTIN STATE UNIVERSITY
 SCHEDULE B-13
 SCHEDULE OF TRANSFERS
 For the Year Ended August 31, 2001

	FUNDS TRANSFERRED FROM	FUNDS TRANSFERRED TO				
	Amount Transferred	Educational & General	HEAF	Designated Funds	Non-Pledged Funds	Auxiliary Pledged Funds
MANDATORY						
Educational and General Funds	\$ 155,305					
TPFA	467,733					
HEAF	978,968					
Designated Funds	1,362,774					
Auxiliary Enterprises Fund:						
Pledged	2,307,129					
Unexpended Plant Funds	305,243					
Subtotal - Mandatory	<u>5,577,152</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
NON-MANDATORY						
Educational and General Funds	1,966,593			1,726,960		
HEAF	2,216,506					
Designated Funds	6,061,083			206,587	4,509,454	1,278,564
Auxiliary Enterprises Fund						
Pledged	1,286,111					
Non-Pledged	26,920			26,920		
Restricted Funds	219,187	70		55,982		
Loan Funds	232,659					
Endowment Funds	3,500					
Unexpended Plant Funds	517,739					
Subtotal - Non-Mandatory	<u>12,530,298</u>	<u>70</u>	<u>0</u>	<u>2,016,449</u>	<u>4,509,454</u>	<u>1,278,564</u>
TOTAL TRANSFERS	<u>\$ 18,107,450</u>	<u>\$ 70</u>	<u>\$ 0</u>	<u>\$ 2,016,449</u>	<u>\$ 4,509,454</u>	<u>\$ 1,278,564</u>

FUNDS
TRANSFERRED TO

Restricted Funds	Loan Funds	Endowment Funds	Unexpended Funds	R&R Funds	Retirement of Debt
					155,305
					467,733
					978,968
293,631					1,069,143
					2,307,129
					305,243
<u>293,631</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>5,283,521</u>
47,749	191,884				
45,790	(11,091)	31,779	1,542,790	673,716	
			1,126,111	160,000	
163,135	232,659				
3,500					
<u>260,174</u>	<u>413,452</u>	<u>31,779</u>	<u>517,739</u>	<u>833,716</u>	<u>0</u>
<u>\$ 553,805</u>	<u>\$ 413,452</u>	<u>\$ 31,779</u>	<u>\$ 3,186,640</u>	<u>\$ 833,716</u>	<u>\$ 5,283,521</u>

REVISED-UNAUDITED

STEPHEN F. AUSTIN STATE UNIVERSITY
 SCHEDULE C-1
 SCHEDULE OF CURRENT FUNDS REVENUES
 For the Year Ended August 31, 2001

	Educational and General	Designated	Auxiliary Enterprises	Total Unrestricted	Restricted	Total
<u>Tuition and Fees</u>						
Tuition	\$ 13,353,480	\$	\$	\$ 13,353,480	\$	\$ 13,353,480
Designated Tuition		8,287,047		8,287,047		8,287,047
Student Center Fee			129,375	129,375		129,375
Student Service Fee			2,653,844	2,653,844		2,653,844
Laboratory	159,068			159,068		159,068
<u>Remissions & Exemptions</u>						
Hearing and Visually Impaired	29,472	31,521	6,330	67,323		67,323
High School Valedictorian	34,470	22,405		56,875		56,875
Audit Only				0		0
Lower Rate for Arkansas and Louisiana	481,600			481,600		481,600
Foster Care	5,180	5,390	1,104	11,674		11,674
Students age 65 and over	2,680	2,491	549	5,720		5,720
Statutory Waiver of Non -Resident Status	695,280			695,280		695,280
Veteran, Dependents, Etc.	25,483	27,868	341	53,692		53,692
Orphans of Public Employees	7,200	7,495	1,536	16,231		16,231
Other Student Fees		5,854,396		5,854,396		5,854,396
Total Tuition and Fees	14,793,913	14,238,613	2,793,079	31,825,605	0	31,825,605
<u>Legislative Appropriations</u>						
General Revenue	45,875,539			45,875,539		45,875,539
Higher Education Assistance Funds	6,633,109			6,633,109		6,633,109
Total Appropriations	52,508,648	0	0	52,508,648	0	52,508,648
<u>Federal Grants And Contracts</u>						
Research				0	672,728	672,728
Other Programs				0	8,971,165	8,971,165
Indirect Cost Recovered/Admin Cost Allowance	149,742			149,742	72,421	222,163
Total Federal Grants and Contracts	149,742	0	0	149,742	9,716,314	9,866,056
<u>Federal Pass-Through Grants from Other State Agencies</u>						
Research				0	1,094	1,094
Other Programs				0	360,195	360,195
Indirect Cost Recovered	19,755			19,755		19,755
Total Federal Pass-Through Grants and Contrac	19,755	0	0	19,755	361,289	381,044
<u>State Grants and Contracts</u>						
Research				0	28,932	28,932
Other Programs				0	1,636,220	1,636,220
Indirect Cost Recovered	47,416			47,416		47,416
Total State Grants and Contracts	47,416	0	0	47,416	1,665,152	1,712,568
<u>State Pass-Through Grants from Other State Agencies</u>						
Research				0		0
Other Programs	1,116,216			1,116,216	316,027	1,432,243
Indirect Cost Recovered	48			48		48
Total State Pass-Through Grants and Contracts	1,116,264	0	0	1,116,264	316,027	1,432,291
<u>Nongovernmental Grants and Contracts</u>						
Research				0	1,382,986	1,382,986
Other Programs				0	861,876	861,876
Indirect Cost Recovered	162,595			162,595		162,595
Total Private Gifts, Grants, Contracts	162,595	0	0	162,595	2,244,862	2,407,457
Endowment Income				0	245,414	245,414
Sales & Services of Educational Act	479,675	2,097,122		2,576,797		2,576,797
Sales & Services of Auxiliary Act			23,330,415	23,330,415		23,330,415
Sales & Services of Restricted Act				0	747,381	747,381
Professional Fees				0		0
<u>Other Sources</u>						
Interest Income	407,022	1,423,368	293,114	2,123,504	110,574	2,234,078
Net Increase(Decrease) of the Fair Value in Investment		84,178	48,395	132,573		132,573
Other Misc. Income	6,049			6,049		6,049
Gifts	613	10,746		11,359	1,215,259	1,226,618
Total Other Sources	413,684	1,518,292	341,509	2,273,485	1,325,833	3,599,318
Total Current Funds Rev. (Exh. C)	\$ 69,691,692	\$ 17,854,027	\$ 26,465,003	\$ 114,010,722	\$ 16,622,272	\$ 130,632,994

UNAUDITED

STEPHEN F. AUSTIN STATE UNIVERSITY
 SCHEDULE C-2
 SCHEDULE OF CURRENT FUNDS EXPENDITURES BY OBJECT CLASSIFICATION
 For The Year Ended August 31, 2001

	Salaries and Wages	Other Expenses	Capital Outlay	Total
<u>Educational and General</u>				
Instructional	\$ 27,448,820	\$ 6,862,135	\$ 912,360	\$ 35,223,315
Research	583,679	286,331	38,258	908,268
Public Service	138,482	119,210	69,716	327,408
Academic Support	3,137,561	1,085,396	966,481	5,189,438
Student Services	2,231,577	938,741	85,599	3,255,917
Institutional Support	4,087,693	3,601,595	638,206	8,327,494
O & M Plant	3,565,486	4,972,494	637,695	9,175,675
Scholarships		2,398,569		2,398,569
Total Educational and General	<u>41,193,298</u>	<u>20,264,471</u>	<u>3,348,315</u>	<u>64,806,084</u>
<u>Designated</u>				
Instructional	440,047	1,372,660	100,338	1,913,045
Research	2,407	15,140	3,467	21,014
Public Service	387,593	812,868	7,443	1,207,904
Academic Support	9,215	313,532	107,211	429,958
Student Services	177,551	454,440	3,080	635,071
Institutional Support	740,159	638,714	98,709	1,477,582
Scholarships		2,406,664		2,406,664
Total Designated	<u>1,756,972</u>	<u>6,014,018</u>	<u>320,248</u>	<u>8,091,238</u>
<u>Auxiliary Enterprises</u>				
Auxiliary Enterprises	<u>8,181,732</u>	<u>18,961,339</u>	<u>534,915</u>	<u>27,677,986</u>
Total Auxiliary Enterprises	<u>8,181,732</u>	<u>18,961,339</u>	<u>534,915</u>	<u>27,677,986</u>
<u>Restricted</u>				
Instructional	4,202,079	1,662,422	676,139	6,540,640
Research	1,022,840	813,551	249,349	2,085,740
Public Service	367,196	311,779	8,564	687,539
Institutional Support		2,446		2,446
Scholarships		7,305,907		7,305,907
Total Restricted	<u>5,592,115</u>	<u>10,096,105</u>	<u>934,052</u>	<u>16,622,272</u>
Total Current Fund Exp.	<u>\$ 56,724,117</u>	<u>\$ 55,335,933</u>	<u>\$ 5,137,530</u>	<u>\$ 117,197,580</u>

(Exh. C)

UNAUDITED

STEPHEN F. AUSTIN STATE UNIVERSITY
 SCHEDULE D-1
 SCHEDULE OF BONDS PAYABLE AND DEBT SERVICE REQUIREMENTS
 For The Year Ended August 31, 2001

D-1-a: Miscellaneous Bond Information

	Bonds Issued to Date	Range of Interest Rates	Maturities		
			First Year	Last Year	First Call Date
REVENUE BONDS					
Cons Univ Rev Ref Bds Ser 91-A	\$ 18,630,000	4.6-6.75%	1991	2012	10/14/1996
Cons Univ Rev Ref Bds Ser 91-B	5,990,000	4.6-6.5%	1991	2004	10/14/1996
Cons Univ Rev Bds Ser 96	4,135,000	3.6-4.625%	1996	2005	n/a
Rev Fin Sys Bds Ser 1998	6,000,000	3.65-5.25%	1999	2018	10/14/2004
Rev Fin Sys Bds Ser 2000	7,000,000	5.125-5.375%	2003	2009	n/a
Subtotal	<u>41,755,000</u>				
CONST APPR BONDS					
Series 1995	6,800,000	3.5-4.9%	1995	2004	n/a
Series 1996	3,590,000	3.6-4.625%	1996	2005	n/a
Subtotal	<u>10,390,000</u>				
TOTAL	<u>\$ 52,145,000</u>				

D-1-b: Change in Bonded Indebtedness

	Bonds Outstanding Sept 1, 2000	Bonds Issued	Bonds Matured or Retired	Bonds Refunded	Bonds Outstanding Aug 31, 2001
REVENUE BONDS					
Cons Univ Rev Ref Bds Ser 91 A	\$ 6,745,000	\$	\$ 1,680,000	\$	\$ 5,065,000
Cons Univ Rev Ref Bds Ser 91 B	1,665,000		290,000		1,375,000
Cons Univ Rev Bds Ser 96	3,600,000		600,000		3,000,000
Rev Fin Sys Bds Ser 98	5,815,000		195,000		5,620,000
Rev Fin Sys Bds Ser 00	7,000,000				7,000,000
Subtotal	<u>24,825,000</u>	<u>0</u>	<u>2,765,000</u>	<u>0</u>	<u>22,060,000</u>
CONST APPR BONDS					
Series 1995	3,755,000		680,000		3,075,000
Series 1996	2,350,000		345,000		2,005,000
Subtotal	<u>6,105,000</u>	<u>0</u>	<u>1,025,000</u>	<u>0</u>	<u>5,080,000</u>
TOTAL	<u>\$ 30,930,000</u>	<u>\$ 0</u>	<u>\$ 3,790,000</u>	<u>\$ 0</u>	<u>\$ 27,140,000</u>

D-1-c: Debt Service Requirements

	Year Ending August 31,					All Other Years	Total Requirements
	2002	2003	2004	2005	2006		
REVENUE BONDS							
Cons Univ Rev Ref Bds Ser 91 A	\$ 2,002,425	\$ 1,803,225	\$ 327,663	\$ 341,800	\$ 199,313	\$ 1,394,956	\$ 6,069,382
Cons Univ Rev Ref Bds Ser 91 B	379,625	379,475	387,700	418,163			1,564,963
Cons Univ Rev Bds Ser 96	721,650	695,550	668,850	641,550	613,875		3,341,475
Rev Fin Sys Bds Ser 98	466,561	465,664	464,395	463,953	464,051	6,068,491	8,393,115
Rev Fin Sys Bds Ser 00	365,000	365,000	1,339,375	1,288,125	1,236,875	4,424,375	9,018,750
Subtotal	<u>3,935,261</u>	<u>3,708,914</u>	<u>3,187,983</u>	<u>3,153,590</u>	<u>2,514,114</u>	<u>11,887,823</u>	<u>28,387,685</u>
CONST APPR BONDS							
Series 1995	844,800	845,730	844,265	845,213			3,380,008
Series 1996	447,237	446,030	448,670	450,010	450,175		2,242,122
Subtotal	<u>1,292,037</u>	<u>1,291,760</u>	<u>1,292,935</u>	<u>1,295,223</u>	<u>450,175</u>	<u>0</u>	<u>5,622,129</u>
TOTAL	<u>\$ 5,227,297</u>	<u>\$ 5,000,674</u>	<u>\$ 4,480,918</u>	<u>\$ 4,448,813</u>	<u>\$ 2,964,289</u>	<u>\$ 11,887,823</u>	<u>\$ 34,009,814</u>

UNAUDITED

STEPHEN F. AUSTIN STATE UNIVERSITY
 SCHEDULE D-2
 SCHEDULE OF ANALYSIS OF FUNDS AVAILABLE FOR DEBT SERVICE
 FOR GENERAL OBLIGATION BONDS OUTSTANDING
 For the Year Ended August 31, 2001

	SOURCES OF FUNDS				APPLICATION OF FUNDS			Ending Balance Available for Debt Service At 8/31/2001		
	Balance Sept 1, 2000	Higher Education Assistance Funds	Operating Transfers	Total Sources Available	Principal	Interest	Other Applications of Funds	Total Applications	Minimum Required	Actual Balance
Constitutional Appropriation Bonds										
Series '95, '96	\$ 0	\$ 978,968	\$ 305,243	\$ 1,284,211	\$ 1,025,000	\$ 258,961	\$ 250	\$ 1,284,211	\$ n/a	\$ 0
Totals	<u>\$ 0</u>	<u>\$ 978,968</u>	<u>\$ 305,243</u>	<u>\$ 1,284,211</u>	<u>\$ 1,025,000</u>	<u>\$ 258,961</u>	<u>\$ 250</u>	<u>\$ 1,284,211</u>	<u>\$ n/a</u>	<u>\$ 0</u>
							[a]			

[a] Analysis of Other Applications

Paying Agent Fees \$ 250

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STEPHEN F. AUSTIN STATE UNIVERSITY
 SCHEDULE D-2a
 SCHEDULE OF ANALYSIS OF FUNDS AVAILABLE FOR DEBT SERVICE
 FOR REVENUE BONDS OUTSTANDING
 For The Year Ended August 31, 2001

	PLEGGED AND OTHER SOURCES OF FUNDS						
		a	b	c	d		
	Operating Revenues	Investment Income	Other Pledged Sources	Total Pledged Sources	Other Sources	Operating Expenses	Capital Outlay
Cons Univ Rev & Rev Ref Bds Ser '91 A & B, '96 & Rev Fin Sys Bds Ser '98 & '00	\$ 22,693,371	\$ 293,114	\$ 8,509,355	\$ 31,495,840	\$ 577,434	0	0
	[a]		[b]		[c]	[d]	[e]

[a] Analysis of Operating Revenues
 Pledged Revenues \$ 22,693,371

[b] Analysis of Other Pledged Sources
 Skiles Fee \$ 155,305
 Designated Tuition 8,354,050
 Total Other Pledged Sources 8,509,355

[c] Analysis of Other Sources
 HUD Interest Subsidy 75,532
 Accrued Interest 34,169
 State Appropriations 467,733
 Total Other Sources \$ 577,434

[d] and [e] Gross revenues rather than net revenues are pledged for debt service.
 Expenditures associated with auxiliary operations which generated pledged revenues are \$19,975,960.

[f] Surety bond issued to cover bond reserve requirements.

a+b-c-d Net Available for Debt Service	DEBT SERVICE			RESTRICTED ACCOUNT BALANCES			
	Principal	Interest	Other Applications of Funds	INTEREST & SINKING FUND		BOND RESERVE FUND	
				Minimum Required	Actual	Required	Actual
32,073,274	\$ 2,765,000	\$ 1,314,746	\$ 2,922	\$ 1,312,500	\$ 1,312,500	\$ 2,179,653	\$ 2,179,653

[f]

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STEPHEN F. AUSTIN STATE UNIVERSITY
 SCHEDULE D-3
 SCHEDULE OF DEFEASED BONDS OUTSTANDING
 For The Year Ended August 31, 2001

Description of Issues	<u>Year Refunded</u>	<u>Par Value Outstanding</u>
Housing System Revenue Bonds - Series 1962 B	1991	37,000
Housing System Revenue Bonds - Series 1962 D	1991	1,772,000
Housing System Revenue Bonds - Series 1963 A	1991	754,000
Housing System Revenue Bonds - Series 1964	1991	675,000
Building Revenue Bonds - Series 1965 B	1991	1,865,000
Student Housing System Revenue Bonds - Series 1967	1991	240,000
Student Housing System Revenue Bonds - Series 1968	1991	300,000
Student Housing System Revenue Bonds - Series 1979	1991	195,000
Tuition Fee Revenue Bonds - Series 1968	1990	355,000
General Fee Revenue Bonds - Series 1973	1991	980,000
Combined Fee Revenue Bonds - Series 1979	1991	1,040,000
Combined Fee Revenue Bonds - Series 1988	1991	110,000
Combined Fee Revenue Bonds - Series 1990	1991	<u>450,000</u>
 Total Defeased Revenue Bonds Outstanding		 <u>\$ 8,773,000</u>

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STEPHEN F. AUSTIN STATE UNIVERSITY
 SCHEDULE D-4
 SCHEDULE OF HIGHER EDUCATION ASSISTANCE FUNDS
 For the Year Ended August 31, 2001

	CURRENT FUNDS				Total
	Educational And General	Unexpended Plant	Renewals and Replacements	Retirement of Indebtedness	
Balance - Sept. 1, 2000	\$ 3,524,958	\$ 394,882	\$ 369,938	\$ 0	\$ 4,289,778
Revenues					
Appropriations	6,633,109	0	0	0	6,633,109
Expenditures					
Operating Expense	803,552				803,552
Capital Outlay	1,568,312				1,568,312
Library	737,111				737,111
Construction in Progress		1,406,063			1,406,063
Renewals and Replacements			317,116		317,116
Bonds Retired				1,025,000	1,025,000
Interest Expense				258,961	258,961
Other				250	250
Total Expenditures	<u>3,108,975</u>	<u>1,406,063</u>	<u>317,116</u>	<u>1,284,211</u>	<u>6,116,365</u>
Transfers					
Mandatory:					
From HEAF	(978,968)			978,968	0
From Plant				305,243	305,243
Non-mandatory:					
From HEAF	(2,216,506)	1,542,790	673,716		0
Balance - Aug. 31, 2001	<u>\$ 3,853,618</u>	<u>\$ 531,609</u>	<u>\$ 726,538</u>	<u>\$ 0</u>	<u>\$ 5,111,763</u>
Balance - Aug. 31, 2001					
Consists of:					
Encumbrances	371,450	269,996	340,138		981,584
Unencumbered	3,482,168	261,613	386,400		4,130,182
	<u>\$ 3,853,618</u>	<u>\$ 531,609</u>	<u>\$ 726,538</u>	<u>\$ 0</u>	<u>\$ 5,111,763</u>

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STEPHEN F. AUSTIN STATE UNIVERSITY
 SCHEDULE D-5
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended August 31, 2001

Federal/Pass-Through Grantor/ Program Title	CFDA Number	ID #	Pass-Through From		Agency Amount	Dif between Exh B & C
			Agency #	Univ #		
U.S. Department of Defense						
Direct Programs:						
Military Science	12.113	9903001				
Barksdale Food Plots	12.420	DAMD17-00-2-0045				
COE Project	12.000	W45XMA11044012				
Total U.S. Department of Defense					<u>0</u>	<u>0</u>
U.S. Department of Education						
Direct Programs:						
O&M Special Education	84.029	H029A960094				
LTT Undergrad Ed	84.129	H129L980013				
Orientation & Mobility	84.129	H129P980002				
High Incidence	84.325H	H325H990023				
High Incidence	84.325H	H325H990124				
Gear-Up	84.334A	P334A990206				
Learning Anytime Anywhere Partners	84.339B	P339B990414				
Pass Through To:						
Texas Tech University					63,416	
Texas School for the Blind & Visually Impaired					55,074	
Pass Through From:						
Texas Engineering Experiment Station						
Pre-Engineering Core						
Curriculum	84.116P	P116P980011				
Texas Higher Education Coordinating Board						
Mathematical Reasoning	84.281		781		36,758	
MMSEC Third Generation	84.281		781		41,738	
Connecting Geometry	84.281		781		37,182	
Connecting Arithmetic	84.281		781		34,955	
MMSEC Third Generation	84.281		781		14,809	
Math Patterns	84.281		781		3,286	
Renewed Focus	84.281		781		2,916	
Pass Through From:						
The University of Texas at Austin						
Tex-Teams	84.281A	0694003210001000		721		
Total U.S. Department of Education					<u>290,134</u>	<u>0</u>
U.S. Dept of Health and Human Services						
Pass Through From:						
The University of Texas Health Center at Tyler						
SW Ctr Agri Health	93.262	U07/CCU612017-06		785		
The University of Texas Medical Branch						
OAT-UTMB	93.211	#1 D1B TM00015-01		723		
TX Dept Protective & Reg Services						
Child Welfare	93.658		530		208,306	
Total U.S. Dept of Health & Human Services					<u>208,306</u>	<u>0</u>
U. S. Dept of Commerce						
Pass Through From:						
The University of Texas Medical Branch						
TOP-UTMB	11.552	48-60-100033		723		
Total U. S. Dept of Commerce					<u>0</u>	<u>0</u>
U. S. Dept of Energy						
Direct Programs:						
Terres Carbon Sinks	81.000	DE-FC26-00NT40931				
Total U. S. Dept of Energy					<u>0</u>	<u>0</u>
National Endowment for the Arts						
Direct Programs:						
TCA Grant	45.025	00-6100-2036				
Total National Endowment for the Arts					<u>0</u>	<u>0</u>
National Science Foundation						
Direct Programs:						
NSF-ILI/Wave Motion	47.076	DUE-9552282				
Total National Science Foundation					<u>0</u>	<u>0</u>

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Univ Amount	Non-State Agy Amount	Direct Program	Total Pass- Thru From & Direct Prog	Pass=Through To			Expenditures	Through To & Expenditures
				Agy #/ Univ. #	State Entities	Other Entities		
		69,562	69,562				69,562	69,562
		18,438	18,438				18,438	18,438
		42,311	42,311				42,311	42,311
<u>0</u>	<u>0</u>	<u>130,311</u>	<u>130,311</u>	<u>0</u>	<u>0</u>		<u>130,311</u>	<u>130,311</u>
		5,611	5,611				5,611	5,611
		33,244	33,244				33,244	33,244
		93,255	93,255				93,255	93,255
		191,939	191,939				191,939	191,939
		163,458	163,458				163,458	163,458
		659,456	659,456				659,456	659,456
		169,605	169,605				169,605	169,605
			0					0
			63,416	733	63,416			63,416
			55,074	771	55,074			55,074
494			494				494	494
			0				0	0
			36,758				36,758	36,758
			41,738				41,738	41,738
			37,182				37,182	37,182
			34,955				34,955	34,955
			14,809				14,809	14,809
			3,286				3,286	3,286
			2,916				2,916	2,916
<u>59,543</u>		<u>0</u>	<u>59,543</u>				<u>59,543</u>	<u>59,543</u>
<u>60,037</u>	<u>0</u>	<u>1,316,568</u>	<u>1,666,739</u>	<u>118,490</u>	<u>0</u>		<u>1,548,249</u>	<u>1,666,739</u>
							0	0
12,500			12,500				12,500	12,500
30,238			30,238				30,238	30,238
			208,306				208,306	208,306
<u>42,738</u>	<u>0</u>	<u>0</u>	<u>251,044</u>	<u>0</u>	<u>0</u>		<u>251,044</u>	<u>251,044</u>
21,697			21,697				21,697	21,697
<u>21,697</u>	<u>0</u>	<u>0</u>	<u>21,697</u>	<u>0</u>	<u>0</u>		<u>21,697</u>	<u>21,697</u>
		174,393	174,393				174,393	174,393
<u>0</u>	<u>0</u>	<u>174,393</u>	<u>174,393</u>	<u>0</u>	<u>0</u>		<u>174,393</u>	<u>174,393</u>
		2,000	2,000				2,000	2,000
<u>0</u>	<u>0</u>	<u>2,000</u>	<u>2,000</u>	<u>0</u>	<u>0</u>		<u>2,000</u>	<u>2,000</u>
		417	417				417	417
<u>0</u>	<u>0</u>	<u>417</u>	<u>417</u>	<u>0</u>	<u>0</u>		<u>417</u>	<u>417</u>

STEPHEN F. AUSTIN STATE UNIVERSITY
 SCHEDULE D-5
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended August 31, 2001

Federal/Pass-Through Grantor/ Program Title	CFDA Number	ID #	Pass-Through From		Agency Amount	Dif between Exh B & C
			Agency #	Univ #		
Environmental Protection Agency						
Pass Through From:						
Foundation for Organic Resources Management						
Alt Manure Mgmt	66.000	C9-996236-06				
Total Environmental Protection Agency					<u>0</u>	<u>0</u>
Student Financial Assistance Cluster						
U.S. Department of Education						
Direct Programs:						
Fed SEOG	84.007	P007A4129				
GSL/SLS/PLUS Loans	84.032					
Federal Work Study	84.033	P003A4129				24,788
Perkins Loans	84.038	P038A004129				
Fed Pell	84.063	P063P001677				
Total Student Financial Asst Cluster Programs					<u>0</u>	<u>24,788</u>
Research and Development Cluster						
U.S. Department of Agriculture						
Direct Programs:						
Alum Project	10.652	68-7442-6-274				
Biology Field Experience	10.652	SRS33-RCRA-99-681				
Biology Field Experience	10.652	SRS00-CR-1330128-163				
Biology Field Experience	10.652	SRS01-CR-1330128-337				
NRCS	10.652	68-7442-0-394				
Conservation Ed	10.652	SRS00-CR-11330128-162				
Field Experience II	10.652	SRS33-G-98-428				
Southern Research Station	10.652	SRS33-RCRA-99-682				
McIntyre Stennis	10.652	99-CRMS-0-6101				
Multi Use Trail Eval	10.652	43-447U-8-1680				
Suppression & Fire	10.652	ID Missing				
Elatobium Abietinum	10.652	RMRS-99165-RJVA				
USFS Ed Field Exp	10.652	SRS-01-CR-11330128-417				
Jemez Mountains New Mexico	10.652	00-JV-11221615-108				
Effects Oil & Gas	10.652	01-CS-18081301-010				
Soil Erosion	10.652	SRS00-CA-11330132-211				
CREES Equipment	10.206	00-35106-9286				
Pass Through From:						
Texas Tech University						
USDA Challenge Grant	10.217	00-38411-9305		733		
Texas Agricultural Experiment Station						
SARE-Alfalfa	10.215	RD-309-031/8454854		556		
Total Research and Development Cluster Programs					<u>0</u>	<u>0</u>
U.S. Department of the Interior						
Direct Programs:						
Banding Woodcock	15.FFA	1448-20181-99-G959				
Herpetofaunal Survey	15.916	1443CA7140-99-001				
Total R&D Cluster Programs					<u>0</u>	<u>0</u>
Dept. of Housing & Urban Development						
Direct Programs:						
HUD Interest Subsidy	14.103					
Dept. of Housing & Urban Development					<u>0</u>	<u>0</u>
General Services Administration						
Pass-Through From:						
Donation of Federal Surplus Personal						
Property (NON-MONETARY)	39.003			303	11	
General Services Administration					<u>11</u>	<u>0</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE					<u>\$498,451</u>	<u>\$24,788</u>

REVISED-UNAUDITED

Univ Amount	Non-State Agy Amount	Direct Program	Total Pass- Thru From & Direct Prog	Pass=Through To			Expenditures	Through To & Expenditures
				Agy #/ Univ. #	State Entities	Other Entities		
	1,094		1,094				1,094	1,094
<u>0</u>	<u>1,094</u>	<u>0</u>	<u>1,094</u>	<u>0</u>	<u>0</u>	<u>1,094</u>	<u>1,094</u>	<u>1,094</u>
		400,312	400,312				400,312	400,312
		27,693,983	27,693,983				27,693,983	27,693,983
		538,461	563,249				563,249	563,249
		612,627	612,627				612,627	612,627
		6,499,467	6,499,467				6,499,467	6,499,467
<u>0</u>	<u>0</u>	<u>35,744,850</u>	<u>35,769,638</u>	<u>0</u>	<u>0</u>	<u>35,769,638</u>	<u>35,769,638</u>	<u>35,769,638</u>
		3,363	3,363				3,363	3,363
		185	185				185	185
		13,000	13,000				13,000	13,000
		439	439				439	439
		5,271	5,271				5,271	5,271
		2,434	2,434				2,434	2,434
		1,451	1,451				1,451	1,451
		3,140	3,140				3,140	3,140
		374,613	374,613				374,613	374,613
		890	890				890	890
		7,674	7,674				7,674	7,674
		14,630	14,630				14,630	14,630
		2,667	2,667				2,667	2,667
		41,189	41,189				41,189	41,189
		1,053	1,053				1,053	1,053
		16,022	16,022				16,022	16,022
		43,000	43,000				43,000	43,000
17,599			17,599				17,599	17,599
<u>2,485</u>	<u>0</u>	<u>531,020</u>	<u>2,485</u>	<u>0</u>	<u>0</u>	<u>551,104</u>	<u>2,485</u>	<u>2,485</u>
<u>20,084</u>	<u>0</u>	<u>531,020</u>	<u>551,104</u>	<u>0</u>	<u>0</u>	<u>551,104</u>	<u>551,104</u>	<u>551,104</u>
		7,831	7,831				7,831	7,831
		2,230	2,230				2,230	2,230
<u>0</u>	<u>0</u>	<u>10,062</u>	<u>10,062</u>	<u>0</u>	<u>0</u>	<u>10,062</u>	<u>10,062</u>	<u>10,062</u>
		75,532	75,532				75,532	75,532
<u>0</u>	<u>0</u>	<u>75,532</u>	<u>75,532</u>	<u>0</u>	<u>0</u>	<u>75,532</u>	<u>75,532</u>	<u>75,532</u>
			11				11	11
<u>0</u>	<u>0</u>	<u>0</u>	<u>11</u>	<u>0</u>	<u>0</u>	<u>11</u>	<u>11</u>	<u>11</u>
<u>\$144,556</u>	<u>\$1,094</u>	<u>\$37,985,152</u>	<u>\$38,654,041</u>	<u>\$118,490</u>	<u>\$0</u>	<u>\$38,535,551</u>	<u>\$38,654,042</u>	<u>\$38,654,042</u>

STEPHEN F. AUSTIN STATE UNIVERSITY
 SCHEDULE D-5
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended August 31, 2001

Note 1: Non-Monetary Assistance

The "Donation of Federal Surplus Property" is presented at 23.3% of the original federal acquisition cost of \$62.96. The surplus property is passed through from the General Services Commission (Agency 303). The federal grantor is the General Services Administration (GSA) and the federal CFDA number is 39.003. The estimated fair value at date of receipt was \$14.67.

Note 2: Reconciliation:

Federal Revenues - per Exhibit C:		
Federal Grants and Contracts-Restricted	\$	9,643,893
Federal Grants and Contracts - Unrestricted (Indirect/Admin Cost Recoveries)		222,163
Federal Pass-Through Grants from Other State Agencies	498,451	
Federal Pass-Through Grants from Non-State Agencies	1,094	
Less Reconciling Items:		
Non-Monetary Programs	(11)	
Texas Tech University	(63,416)	
Texas School for the Blind & Visually Impaired	(55,074)	
Total Federal Pass-Through Grants from Other State Agencies		<u>381,044</u>
Total Federal Revenues per Exhibit C		10,247,100
Add Reconciling Items:		
Difference Between Exh. C & Exh. B Revenue		24,788
Non-Monetary Assistance:		
Donation of Federal Surplus Property		11
HUD Interest Subsidy		75,532
New Loans Processed:		
GSL/SLS/PLUS Loans		27,693,983
Perkins Loans		<u>612,627</u>
Total Pass-Through & Expenditures Per Federal Schedule	\$	<u><u>38,654,042</u></u>

*Difference between Exh. C & Exh. B Revenue reflects the carry forward of Federal Work Study.

Note 3: Student Loans Processed and Administrative Costs Recovered

Federal Grantor/ CFDA Number/Program Name	New Loans Processed	Administrative Costs Recovered	Total Loans Processed & Adm. Costs Recovered	Ending Balance of Previous Years' Loans
Department of Education				
84.032 GSL/SLS/PLUS Loans	27,693,983		27,693,983	
84.038 Perkins Loan	<u>612,627</u>	<u>33,275</u>	<u>645,902</u>	<u>5,768,224</u>
Total U.S. Department of Education	<u>\$28,306,610</u>	<u>\$33,275</u>	<u>\$28,339,885</u>	<u>\$5,768,224</u>

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APPENDIX C
FORM OF BOND COUNSEL OPINION

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[An opinion in substantially the following form will be delivered by McCall, Parkhurst & Horton L.L.P., Bond Counsel, upon the delivery of the Bonds, assuming no material changes in facts or law.]

[Closing Date]

**TEXAS PUBLIC FINANCE AUTHORITY
STEPHEN F. AUSTIN STATE UNIVERSITY REVENUE FINANCING SYSTEM
REVENUE BONDS, SERIES 2002
\$14,070,000**

WE HAVE EXAMINED into the validity of the referenced issue of bonds (the "Bonds"), being issued by the Texas Public Finance Authority (the "Authority") on behalf of the Board of Regents (the "Board") of Stephen F. Austin State University (the "University"). The Bonds shall be dated June 15, 2002, numbered consecutively from R-1 upward, and shall bear interest from their date, until maturity or redemption prior to maturity, at the following rates per annum:

maturities 2002, 4.000 %	maturities 2012, 4.500 %
maturities 2003, 4.000 %	maturities 2013, 4.200 %
maturities 2004, 4.000 %	maturities 2014, 4.300 %
maturities 2005, 4.000 %	maturities 2015, 4.450 %
maturities 2006, 4.000 %	maturities 2016, 4.500 %
maturities 2007, 4.000 %	maturities 2017, 4.650 %
maturities 2008, 4.000 %	maturities 2018, 4.750 %
maturities 2009, 4.250 %	maturities 2019, 4.750 %
maturities 2010, 4.250 %	maturities 2020, 5.000 %
maturities 2011, 4.500 %	maturities 2021, 5.000 %

payable on October 15, 2002, and semiannually thereafter on each April 15 and October 15 and with said Bonds maturing serially on October 15 in each of the years 2002 through 2021, inclusive. The Bonds are subject to redemption prior to maturity, on the dates and at the prices specified on the face of the Bonds, all in accordance with the resolutions of the Authority and the Board authorizing the issuance of such Bonds (collectively, the "Bond Resolution"). Terms used herein and not otherwise defined shall have the meaning given in the Bond Resolution.

WE HAVE ACTED AS BOND COUNSEL for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and statutes of the State of Texas, and with respect to the exclusion of the interest on the Bonds for federal income tax purposes, and for no other reason or purpose. We have not been requested to investigate or verify, and have not investigated or verified, any records, data or other material relating

to the financial condition or capabilities of the Authority, the Board or the University, and have not assumed any responsibility with respect thereto. We have relied solely on representations by officials of the Board or the University as to the availability and sufficiency of the Pledged Revenues of the Board.

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and laws of the State of Texas, a transcript of certified proceedings of the Board relating to the authorization, issuance, sale, and delivery of the Bonds, including the Bond Resolution, certificates and opinions of officials of the Board, and other pertinent instruments relating to the issuance of the Bonds. We have also examined one of the executed Bonds which we found to be in due form and properly executed. We express no opinion with respect to any statement of insurance that may appear on the Bonds.

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Bonds have been duly authorized, issued, and delivered in accordance with law; that, except as may be limited by laws applicable to the Authority or the Board relating to bankruptcy, reorganization, and other similar matters affecting creditors' rights, the covenants and provisions in the Bond Resolution constitute valid and legally binding special obligations of the Authority, issued on behalf of the Board; and that the Bonds constitute valid and legally binding special obligations secured by and payable from, a lien on and pledge of the Pledged Revenues, such lien on and pledge of the Pledged Revenues being subordinate only to the lien on and pledge of the Pledged Revenues securing the Outstanding Revenue Bonds.

THE REGISTERED OWNERS of the Bonds shall never have the right to demand payment thereof out of any funds raised or to be raised by taxation.

THE AUTHORITY AND THE BOARD have reserved the right, subject to the restrictions stated in the resolution authorizing the Bonds, to issue additional parity revenue bonds which also may be secured by and made payable from a first lien on and pledge of the aforesaid Pledged Revenues.

IT IS FURTHER OUR OPINION, except as discussed below, that the interest on the Bonds is excludable from the gross income of the owners for federal income tax purposes under the statutes, regulations, published rulings and court decisions existing on the date of this opinion. We are further of the opinion that the Bonds are not "specified private activity bonds" and that, accordingly, interest on the Bonds will not be included as an individual or corporate alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). In expressing the aforementioned opinions, we have relied on, and assume compliance by the Authority and the Board with, certain covenants regarding the use and investment of the proceeds of the Bonds and the use of the property financed therewith. We call your attention to the fact that if such representations are determined to be inaccurate or upon failure by the Authority or the Board to comply with such covenants, interest on the Bonds may become includable in gross income retroactively to the date of issuance of the Bonds.

WE CALL YOUR ATTENTION TO THE FACT that for taxable years beginning after December 31, 1986, the interest on tax-exempt obligations, such as the Bonds will be (a) included in a corporation's alternative minimum taxable income for purposes of determining the alternative minimum tax imposed on corporations by Section 55 of the Code, (b) subject to the branch profits tax imposed on foreign corporations by Section 884 of the Code, and (c) included in the passive investment income of a Subchapter S corporation and subject to the tax imposed by Section 1375 of the Code.

EXCEPT AS STATED ABOVE, we express no opinion as to any other federal, state or local tax consequences of acquiring, carrying, owning or disposing of the Bonds.

OUR SOLE ENGAGEMENT in connection with the issuance of the Bonds is as Bond Counsel for the Authority, and, in that capacity, we have been engaged by the Authority for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Bonds for federal income tax purposes, and for no other reason or purpose. The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result. We have not been requested to investigate or verify, and have not independently investigated or verified any records, data, or other material relating to the financial condition or capabilities of the Authority, or the disclosure thereof in connection with the sale of the Bonds, and have not assumed any responsibility with respect thereto . We express no opinion and make no comment with respect to the marketability of the Bonds and have relied solely on certificates executed by officials of the Authority and the Board. Our role in connection with the Authority's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described herein.

Respectfully,

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APPENDIX D

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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**FINANCIAL
SECURITY
ASSURANCE®**

**MUNICIPAL BOND
INSURANCE POLICY**

ISSUER:

BONDS: \$ in aggregate principal amount of

Policy No.: -N

Effective Date:

Premium: \$

FINANCIAL SECURITY ASSURANCE INC. ("Financial Security"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of Financial Security, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which Financial Security shall have received Notice of Nonpayment, Financial Security will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by Financial Security, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in Financial Security. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by Financial Security is incomplete, it shall be deemed not to have been received by Financial Security for purposes of the preceding sentence and Financial Security shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, Financial Security shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by Financial Security hereunder. Payment by Financial Security to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of Financial Security under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless Financial Security shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to Financial Security which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

Financial Security may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to Financial Security pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to Financial Security and shall not be deemed received until received by both and (b) all payments required to be made by Financial Security under this Policy may be made directly by Financial Security or by the Insurer's Fiscal Agent on behalf of Financial Security. The Insurer's Fiscal Agent is the agent of Financial Security only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of Financial Security to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, Financial Security agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to Financial Security to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of Financial Security, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, FINANCIAL SECURITY ASSURANCE INC. has caused this Policy to be executed on its behalf by its Authorized Officer.

[Countersignature]

FINANCIAL SECURITY ASSURANCE INC.

By _____

By _____
Authorized Officer

A subsidiary of Financial Security Assurance Holdings Ltd.
350 Park Avenue, New York, N.Y. 10022-6022

(212) 826-0100

Form 500NY (5/90)

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