

2008

Annual Financial Report



Texas Southern University

3100 Cleburne Avenue

Houston, Texas 77004

713.313.7011

<http://www.tsu.edu>

ANNUAL FINANCIAL REPORT

of the

TEXAS SOUTHERN UNIVERSITY

For the Year Ended
August 31, 2008

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TEXAS SOUTHERN UNIVERSITY

TABLE OF CONTENTS

For the Year Ended August 31, 2008

	<u>Page</u>
<u>INTRODUCTORY SECTION</u>	
Letter of Transmittal	1
Board of Regents	3
University Administration	5
<u>FINANCIAL SECTION</u>	
Statement of Net Assets	8
Statement of Revenues, Expenditures, and Changes in Net Assets	10
Statement of Cash Flows	12
Notes to Financial Statements	15
<u>SUPPLEMENTARY INFORMATION</u>	
1A – Schedule of Expenditures of Federal Awards	34
1B – Schedule of State Grant Pass – Throughs To/From State Agencies	42
2A – Miscellaneous Bond Information	43
2B – Changes in Bond Indebtedness	44
2C – Debt Service Requirements	46
2D – Analysis of Funds Available for Debt Service	48
2E – Defeased Bonds Outstanding	49
2F – Early Extinguishment and Refunding	50
3A – Reconciliation of Cash in State Treasury	51

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INTRODUCTORY SECTION

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TEXAS SOUTHERN UNIVERSITY

3100 CLEBURNE STREET • HOUSTON, TEXAS 77004

713-313-7011



DR. JOHN M. RUDLEY
PRESIDENT, TEXAS SOUTHERN UNIVERSITY

November 19, 2008

Honorable Rick Perry, Governor
Honorable Susan Combs, Texas Comptroller
John O'Brien, Deputy Director, Legislative Budget Board
John Keel, CPA, State Auditor

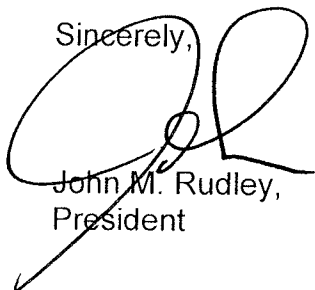
Lady and Gentlemen:

We are pleased to submit the Annual Financial Report of Texas Southern University for the year ending August 31, 2008, in compliance with TEX. GOV'T CODE ANN §2101.011 and in accordance with the requirements established by the Comptroller of Public Accounts.

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

If you have any questions, please contact Jim McShan, Vice President for Finance/CFO, at (713) 313-7302.

Sincerely,



John M. Rudley,
President

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TEXAS SOUTHERN UNIVERSITY

BOARD OF REGENTS

August 31, 2008

Officers

Glenn O. Lewis, Chair
Richard Salwen, Vice Chair
Tracye McDaniel, Second Vice Chair
Enrique Javier Loya, Secretary
Kristopher Krishna, Student Regent

Members

Tracye McDaniel, Second Vice Chair	Houston
Enrique Javier Loya, Secretary	Houston
Curtistene McCowan	De Soto

Term Expires February 1, 2009

Kristopher Krishna, Student Regent	Houston
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Term Expires May 31, 2009

Samuel Bryant	Austin
Richard Knight, Jr.	Dallas

Term Expires February 1, 2011

Glenn O. Lewis, Chair	Fort Worth
Richard Salwen, Vice Chair	Austin
Gary Bledsoe	Austin
Richard C. Holland	Plano

Term Expires February 1, 2013

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TEXAS SOUTHERN UNIVERSITY

ADMINISTRATION

University Administration

John M. Rudley, Ed.D	President
Sunny E. Ohia, Ph.D	Provost/Senior Vice President for Academic Affairs
James M. Douglas, Esq.	Executive Vice President
Jim C. McShan	Vice President for Finance/CFO
Gloria J. Walker	Chief Operating Officer
Janis J. Newman	Chief of Staff
Gita P. Bolt, Esq.	General Counsel
Willie H. Marshall, Ph.D	Vice President for Student Services and Dean of Students
Wendy H. Adair	Vice President for University Advancement
L. Alex Swan	Chairman of Faculty Assembly/Senate
Charles F. McClelland	Athletics Director

Fiscal Administration

Beverly Ruffin	Executive Director for Business Affairs
Sushil K. Khandelwal	Interim Associate Vice President for Business and Finance
Moroline J. S. Washington	Assistant Vice President for Business and Financial Services
Gregory L. Williams	Executive Director of Purchasing and Procurement
Angela M. Dixon	Controller
Diane W. Lewis	Director of Grants and Contract Administration
Stacie Y. Hawkins	Accounting Manager
Ashlee B. Williams	Manager of Special Projects/Analyst
Yolanda D. Hudson	Treasury Manager

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FINANCIAL SECTION

TEXAS SOUTHERN UNIVERSITY

STATEMENT OF NET ASSETS

August 31, 2008

	2008
Assets	
Current Assets	
Cash and cash equivalents	
Cash on Hand	\$ 3,125.00
Cash in Bank	25,933,592.88
Cash in Bank - Revolving Funds	0.50
Cash in Transit/Reimbursement due from Treasury	1,691,227.83
Cash in State Treasury	9,711,702.05
Cash in Bank	259,168.08
Short Term Investments	46,648,321.20
Balance in state appropriations	27,818,872.64
Accounts receivable, net	19,974,429.77
Due from federal government	8,709,579.30
Due from state government	4,581,915.60
Other receivables	1,390,798.46
Due from other agencies	8,013.22
Inventories	372,913.58
Other Current Assets	10,138,971.03
Total Current Assets	157,242,631.14
Noncurrent Assets	
Restricted Assets	
Gifts receivable, net	20,000.00
Notes receivable, net	2,049,541.19
Nondepreciable capital assets:	
Land	15,877,301.13
Construction in progress	2,964,654.86
Historical treasures and works of art	807,043.42
Total Nondepreciable Capital Assets	19,648,999.41
Depreciable capital assets:	
Buildings and building improvements	308,752,479.34
Less accumulated depreciation	(156,058,984.65)
Infrastructure	6,528,360.95
Less accumulated depreciation	(315,218.47)
Facilities and Equipment	
Less accumulated depreciation	(7,340,781.71)
Equipment	17,971,266.50
Less accumulated depreciation	(10,548,041.11)
Vehicles, Boats, and Aircraft	
Less accumulated depreciation	(913,648.31)
Other Capital Assets - Library books	27,297,965.40
Less accumulated depreciation	(16,614,388.73)
Total Net Depreciable Capital Assets	168,759,009.21
Total Noncurrent Assets	190,477,549.81
Total Assets	\$ 347,720,180.95

See Notes to Financial Statements.

TEXAS SOUTHERN UNIVERSITY

STATEMENT OF NET ASSETS (Continued)

August 31, 2008

	<u>2008</u>
Liabilities	
Current Liabilities	
Accounts payable	\$ 9,749,928.03
Salaries payable	6,169,527.05
Due to state	2,887.50
Interest payable	1,412,631.92
Employees' Compensable Leave	3,044,821.00
Notes and Loans Payable	312,253.00
Revenue Bonds Payable	6,005,000.00
G.O. Bonds Payable - Current Portion	4,270,000.00
Deferred revenue	35,967,013.65
Other current liabilities	17,781,185.69
Total Current Liabilities	<u>84,715,247.84</u>
Noncurrent Liabilities	
Employees Compensable Leave	338,313.31
Notes and Loans Payable	579,070.31
Revenue Bonds Payable	90,640,000.00
G.O. Bonds Payable	27,910,000.00
Other Non-Current Liabilities	14,603,733.63
Total Noncurrent Liabilities	<u>134,071,117.25</u>
Total Liabilities	<u>218,786,365.09</u>
Net Assets	
Invested in capital assets, net of related debt	58,691,685.00
Restricted for:	
Capital projects	5,938,867.85
Debt service	143,158.86
Other purposes	10,887,165.47
Endowments	30,012,334.41
Unrestricted	23,260,604.27
Total Net Assets	<u>\$ 128,933,815.86</u>

See Notes to Financial Statements.

TEXAS SOUTHERN UNIVERSITY

STATEMENT OF REVENUES, EXPENSES,

AND CHANGE IN NET ASSETS

For the Year Ended August 31, 2008

	<u>2008</u>
<u>Operating Revenues</u>	
Tuition and fees (pledged)	\$ 56,402,746.76
Discount on tuition and fees	(14,161,538.80)
Auxiliary enterprises (pledged)	8,795,651.50
Other sales of goods and services (pledged)	40,340.78
Federal revenue	37,805,946.66
Federal pass through revenue	263,055.93
State revenue	1,409,702.52
State pass through revenue	3,325,052.00
Other operating contract and grants (pledged)	2,356,304.90
Other operating revenue	4,970,137.41
Total Operating Revenues	<u>101,207,399.66</u>
 <u>Operating Expenses</u>	
Salaries and wages	70,068,070.10
Payroll related costs	18,095,890.17
Professional fees and services	14,235,885.20
Travel	1,825,162.67
Materials and supplies	9,183,114.57
Communication and utilities	5,708,274.95
Repairs and maintenance	4,241,301.16
Rentals and leases	3,749,019.05
Printing and reproductions	572,315.82
Bad debt expense	1,289,994.72
Scholarships	19,581,365.02
Claims and judgements	49,000.00
Other operating expenses	3,609,901.68
Depreciation	12,466,285.81
Total Operating Expenses	<u>164,675,580.92</u>
Operating (Loss)	<u>\$ (63,468,181.26)</u>

See Notes to Financial Statements.

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

For the Year Ended August 31, 2008

	2008
<u>Nonoperating Revenues (Expenses)</u>	
Legislative Revenue	\$ 67,158,300.00
OASI	2,896,801.94
ORP	1,196,839.48
Retirement - State Matching	1,297,625.14
Insurance - State Paid	3,876,050.00
Unemployment	33,830.93
Gifts received	495,000.86
Investment Income - Non-Pledged (GR)	1,419,576.40
Investing expenses	(208,157.00)
Interest expense	(6,472,168.32)
Net increase (decrease) in fair value of investments	(3,078,470.00)
Interest Expenses and Fiscal Charges	
Other Nonoperating Revenues - Pledged	982,701.89
Total Nonoperating Revenues	69,597,931.32
Income Before Other Revenues, Expenses, Gains, and Transfers	6,129,750.06
<u>Other Revenues, Expenses, Gains, and Transfers</u>	
Capital appropriations (HEAF)	11,156,463.00
Additions to endowments	659,528.00
Returned lapsed appropriations	12,295,120.00
Total Other Revenues, Expenses, Gains (Losses), and Transfers	24,111,111.00
Change in Net Assets	30,240,861.06
Net Assets, September 1, 2007	104,692,022.59
Restatement	(5,999,067.79)
Net Assets, September 1, 2007 as restated	98,692,954.80
Ending Net Assets	\$ 128,933,815.86

See Notes to Financial Statements.

TEXAS SOUTHERN UNIVERSITY

STATEMENT OF CASH FLOWS

For the Year Ended August 31, 2008

	<u>2008</u>
<u>Cash Flows from Operating Activities</u>	
Receipts from tuition, fees, grants, and programs	\$ 94,742,378.35
Payments to suppliers	(49,924,915.91)
Payments to employees	(87,080,297.14)
Net Cash (Used) by Operating Activities	<u>(42,262,834.70)</u>
<u>Cash Flows from Noncapital Financing Activities</u>	
Receipts from state appropriations	82,532,832.83
Receipts from gifts and endowments	1,844,528.86
Net Cash Provided by Noncapital Financing Activities	<u>84,377,361.69</u>
<u>Cash Flows from Capital and Related Financing Activities</u>	
Acquisition and construction of capital assets	(7,588,743.91)
Principal paid on capital debt	(13,010,000.00)
Interest and fiscal agent fees paid	(6,559,238.40)
Loss on disposal of capital assets	156,452.00
Net Cash (Used) by Capital and Related Financing Activities	<u>(27,001,530.31)</u>
<u>Cash Flows from Investing Activities</u>	
Purchase of investments	(3,081,743.00)
Payments received on notes receivable	53,062.42
Interest received	2,163,159.76
Net Cash (Used) by Investment Activities	<u>(865,520.82)</u>
Net Increase in Cash and Cash Equivalents	14,247,475.86
Beginning cash and cash equivalents	23,351,340.48
Ending Cash and Cash Equivalents	<u>\$ 37,598,816.34</u>
Reconciliation of Cash and Cash Equivalents to Statement of Net Assets:	
Cash and cash equivalents	
Cash on Hand	\$ 3,125.00
Cash in Bank	25,933,592.88
Cash in Bank - Revolving Funds	0.50
Cash in Transit/Reimbursement due from Treasury	1,691,227.83
Cash in State Treasury	9,711,702.05
Cash in Bank	259,168.08
Ending Cash and Cash Equivalents	<u>\$ 37,598,816.34</u>

See Notes to Financial Statements.

TEXAS SOUTHERN UNIVERSITY

STATEMENT OF CASH FLOWS (Continued)

For the Year Ended August 31, 2008

	<u>2008</u>
Reconciliation of Operating (Loss) to Net Cash (Used) by Operating Activities	
Operating (Loss)	\$ (63,468,181.26)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	12,466,285.81
Changes in Operating Assets and Liabilities:	
(Increase) Decrease in:	
Accounts receivable, net	(4,336,477.77)
Due from federal government	(3,509,389.30)
Due from state government	1,076.57
Other receivables	(42,996.46)
Due from other agencies	(0.23)
Inventories	173,184.42
Prepaid items	1,506,567.36
Increase (Decrease) in:	
Accounts payable	2,237,564.03
Salaries payable	1,216,003.05
Due to state	(29,041.50)
Deferred revenue	1,422,765.65
Other current liabilities	10,203,103.35
Compensated absences	(103,298.42)
Net Cash (Used) by Operating Activities	<u>\$ (42,262,834.70)</u>

See Notes to Financial Statements.

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TEXAS SOUTHERN UNIVERSITY

NOTES TO FINANCIAL STATEMENTS

For the Year Ended August 31, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Texas Southern University (the "University"), reported as a business-type activity in the State of Texas' Comprehensive Annual Financial Report, have been prepared in conformity with generally accepted accounting principles (GAAP) for local governmental units and with State statutes. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies followed by the University in maintaining accounts and in the preparation of the consolidated financial statements are in accordance with the Texas Comptroller of Public Accounts' Annual Financial Reporting Requirements. The most significant accounting and reporting policies of the University are described in the following notes to the financial statements.

A. Reporting Entity

Texas Southern University is an agency of the State of Texas (the "State"). Texas Southern University serves the State by providing education, research, and extension work in the fields of the Arts, Business, Education, Law, Pharmacy, Public Affairs, Science, and Technology. No component units have been identified which should be presented within the University's report.

B. Financial Statement Presentation

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

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

Statement No. 35 established standards for external financial reporting for all public colleges and universities, which includes a Statement of Net Assets, a Statement of Revenues, Expenses, and Changes in Net Assets, and a Statement of Cash Flows. It requires the classification of net assets into three components – invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

- **Invested in capital assets, net of related debt**—This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- **Restricted**—This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted**—This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

TEXAS SOUTHERN UNIVERSITY
NOTES TO FINANCIAL STATEMENTS, Continued
For the Year Ended August 31, 2008

C. Measurement Focus and Basis of Accounting

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

D. Budgets and Budgetary Accounting

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

E. Assets, Liabilities, and Net Assets

1. Cash and Cash Equivalents

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

2. Balance in State Appropriations

This item represents the balance of General Revenue funds at August 31 as calculated in the Texas Comptroller's General Revenue Reconciliation.

3. Current Receivables – Other

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

4. Investments

In accordance with GASB Statement No. 31, *Accounting and Reporting for Certain Investments and External Investment Pools*, the University reports all investments at fair value. Changes in unrealized gain (loss) on the carrying value of the investments are reported as a component of investment income in the Statement of Revenues, Expenses, and Changes in Net Assets.

5. Restricted Assets

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

TEXAS SOUTHERN UNIVERSITY
NOTES TO FINANCIAL STATEMENTS, Continued
For the Year Ended August 31, 2008

6. Inventories and Prepaid Items

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

7. Capital Assets

Capital assets are defined by the State as follows:

<u>Class of Asset</u>	<u>Threshold</u>
Land and Land Improvements	Capitalize All
Buildings and Building Improvements	\$100,000
Infrastructure	\$500,000
Personal Property (equipment)	\$5,000
Library Books (collections)	Capitalize All
Works of Art and Historical Treasures	Capitalize All
Leasehold Improvements	\$100,000

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

8. Accounts Payable

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

9. Compensated Absences

Employees' compensable leave balances represent the liability that becomes "due" upon the occurrence of relevant events such as resignations, retirements, and uses of leave balances by covered employees. Liabilities are reported separately as either current or noncurrent in the statement of net assets. These obligations are normally paid from the same funding source from which each employee's salary or wage compensation was paid.

10. Bonds Payable – General Obligation Bonds

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

TEXAS SOUTHERN UNIVERSITY
NOTES TO FINANCIAL STATEMENTS, Continued
For the Year Ended August 31, 2008

11. Bonds Payable – Revenue Bonds

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

12. Net Assets

The difference between fund assets and liabilities is “net assets.”

13. Estimates

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

TEXAS SOUTHERN UNIVERSITY
NOTES TO FINANCIAL STATEMENTS, Continued
For the Year Ended August 31, 2008

II. CAPITAL ASSETS

A summary of changes in capital assets for the year ended August 31, 2008 is as follows:

	<u>Beginning Balance</u>	<u>Adjustments</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated:					
Land and land improvements	\$ 15,877,301.13	\$ -	\$ -	\$ -	\$ 15,877,301.13
Construction in progress	13,525,136.82	-	4,903,129.33	(15,463,601.29)	2,964,664.86
Other assets - historical arts	606,043.42	-	201,000.00	-	807,043.42
Total Capital Assets Not Being Depreciated	<u>30,008,481.37</u>	<u>-</u>	<u>5,104,129.33</u>	<u>(15,463,601.29)</u>	<u>19,649,009.41</u>
Capital Assets Being Depreciated:					
Buildings and building improvements	293,286,853.08	(93,049.31)	15,558,675.57	-	308,752,479.34
Infrastructure	6,528,360.95	-	-	-	6,528,360.95
Furniture and equipment	21,483,586.57	(155,629.49)	1,087,915.92	(4,444,606.50)	17,971,266.50
Library books	25,592,666.50	-	1,705,298.90	-	27,297,965.40
Total Capital Assets Being Depreciated	<u>346,891,467.10</u>	<u>(248,678.80)</u>	<u>18,351,890.39</u>	<u>(4,444,606.50)</u>	<u>360,550,072.19</u>
Less Accumulated Depreciation for:					
Buildings and building improvements	(153,834,777.56)	4,229.51	(9,569,218.31)	-	(163,399,766.36)
Infrastructure	-	-	(315,218.47)	-	(315,218.47)
Furniture and equipment	(14,436,754.36)	63,229.00	(1,532,042.73)	4,443,878.67	(11,461,689.42)
Library books	(15,564,582.43)	-	(1,049,806.30)	-	(16,614,388.73)
Total Accumulated Depreciation	<u>(183,836,114.35)</u>	<u>67,458.51</u>	<u>(12,466,285.81)</u>	<u>4,443,878.67</u>	<u>(191,791,062.98)</u>
Depreciable Capital Assets, Net	163,055,352.75	(181,220.29)	5,885,604.58	(727.83)	168,759,009.21
Totals	<u>\$ 193,063,834.12</u>	<u>\$ (181,220.29)</u>	<u>\$ 10,989,733.91</u>	<u>\$ (15,464,329.12)</u>	<u>\$ 188,408,018.62</u>
				Less associated debt	(129,716,323.00)
				Invested in Capital Assets, Net of Related Debt	<u>\$ 58,691,695.62</u>

TEXAS SOUTHERN UNIVERSITY
NOTES TO FINANCIAL STATEMENTS, Continued
For the Year Ended August 31, 2008

III. DEPOSITS, INVESTMENTS, AND REPURCHASE AGREEMENTS

A. Deposits of Cash in Bank

As of August 31, 2008 the carrying amount of deposits was \$16,132,286 as presented below:

	2008
Cash and cash equivalents per statement of cash flows	\$ 35,907,588.51
Less:	
Cash in State Treasury	9,711,702.05
Other	10,000,000.00
Deposits of cash in bank	\$ 16,195,886.46

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the University’s deposits may not be returned to it. As of August 31, 2008 market values of pledged securities were \$17,662,183 and bank balances were \$18,319,565, leaving the University under collateralized by \$657,382.

B. Investments

The University has adopted a written investment policy regarding the investment of its funds. All investments shall be made in accordance with applicable laws, the investment policy, and resolutions of the Board of Regents. In summary, the University is authorized to invest in the following:

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

TEXAS SOUTHERN UNIVERSITY
NOTES TO FINANCIAL STATEMENTS, Continued
For the Year Ended August 31, 2008

As of August 31, 2008 the University had the following investments:

Investment Type	Fair Value
U.S. Government Agency Obligations	\$ 13,463,821.44
U.S. Treasury Securities	1,166,156.52
U.S. Treasury Strips	162,060.60
Commercial Paper	3,685,243.53
Equity	16,683,407.91
International Equity	1,358,015.40
Fixed Income Money Market Funds	6,042,367.35
Corporate Obligations	3,722,067.57
International Obligations	365,180.88
Total fair value	\$ 46,648,321.20

Credit risk. Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization (NRSRO). The University's investment policy limits investments in obligations of states, agencies, counties, cities, and other political subdivisions of any rated not less than A or its equivalent. Corporate bonds, debentures, or similar debt instruments must be rated by a nationally recognized investment rating firm in one of the two highest long-term rating categories, without regard to gradation within those categories. The following table presents each applicable investment type grouped by rating as of August 31, 2008:

Standard & Poor's

Investment Type	AAA	AA	A	BBB
U.S. Treasury Securities	\$ 1,166,156.22	\$	\$	\$
U.S. Treasury Strips	162,060.60			
U.S. Government Agency Obligations	1,413,365.97			
Corporate Obligations	1,527,584.10	532,023.82	1,144,554.17	469,940.12
International Obligations			203,520.64	161,660.24

Unrated

Investment Type	
Corporate Obligations	\$ 47,965.36
Fixed Income Money Market Funds	6,042,366.87
Commerical Paper	3,685,243.53
Equity	16,683,407.91
International Equity	1,358,015.40
U.S. Government Agency Obligations	12,050,455.78

TEXAS SOUTHERN UNIVERSITY
NOTES TO FINANCIAL STATEMENTS, Continued
For the Year Ended August 31, 2008

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

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

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

IV. SHORT-TERM DEBT

The University does not have any short-term debt.

V. SUMMARY OF LONG-TERM LIABILITIES

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due within One Year</u>
Bonds, Notes and Other Liabilities:					
General Obligation Bonds:					
Series 2004 Constit. Approp.	\$ 8,130,000.00	\$	\$ 1,040,000.00	\$ 7,090,000.00 *	\$ 1,075,000.00
Series 2005 Constit. Approp.	28,185,000.00		3,095,000.00	25,090,000.00 *	3,195,000.00
Total general obligation bonds	<u>36,315,000.00</u>		<u>4,135,000.00</u>	<u>32,180,000.00</u>	<u>4,270,000.00</u>
Revenue Bonds:					
Series 1998 A-1	13,630,000.00		990,000.00	12,640,000.00 *	1,025,000.00
Series 1998 A-2 Improvement	12,785,000.00		3,910,000.00	8,875,000.00 *	850,000.00
Series 1998 B Improvement	10,710,000.00		420,000.00	10,290,000.00 *	435,000.00
Series 1998 C Improvement	480,000.00		235,000.00	245,000.00 *	245,000.00
Series 2002	40,065,000.00		1,825,000.00	38,240,000.00 *	1,920,000.00
Series 2003	25,050,000.00		1,130,000.00	23,920,000.00 *	1,155,000.00
Series 2004	2,800,000.00		365,000.00	2,435,000.00 *	375,000.00
Total revenue bonds	<u>105,520,000.00</u>		<u>8,875,000.00</u>	<u>96,645,000.00</u>	<u>6,005,000.00</u>
Note Payable	<u>1,179,645.89</u>		<u>288,322.58</u>	<u>891,323.31 *</u>	<u>312,253.00</u>
	1,179,645.89		288,322.58	891,323.31	312,253.00
Other Liabilities:					
Department of Education	11,264,101.00			11,264,101.00	
Arbitrage	562,071.41	54,513.22		616,584.63	
Perkins Student Loans Refundable	2,723,048.00			2,723,048.00	
Compensated absences	3,252,623.43	159,588.16	29,077.28	3,383,134.31	3,044,820.88
Total other liabilities	<u>17,801,843.84</u>	<u>214,101.38</u>	<u>29,077.28</u>	<u>17,986,867.94</u>	<u>3,044,820.88</u>
Total Activity	<u>\$ 160,816,489.73</u>	<u>\$ 214,101.38</u>	<u>\$ 13,327,399.86</u>	<u>\$ 147,703,191.25</u>	<u>\$ 13,632,073.88</u>

Long-term Debt Due in More Than One Year \$ 134,071,117

*Debt associated with capital assets \$ 129,716,323.31

TEXAS SOUTHERN UNIVERSITY
NOTES TO FINANCIAL STATEMENTS, Continued
For the Year Ended August 31, 2008

A. Notes and Loans Payable

Note payable consists of amounts used to finance the acquisition of land and property. The note payable has a fixed interest rate of eight percent.

B. Claims and Judgments

Texas Southern University was involved in litigation regarding various disputes. In fiscal year 2008, the University incurred approximately \$47,000 in claims, settlements and judgments.

C. Compensated Absences

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

VI. CAPITAL LEASES

Capital leases are used to finance the purchase of property which are capitalized at the present value of future minimum lease payments. As of August 31, 2008, Texas Southern University had not entered into any contractual agreements that could be deemed a capital lease obligation.

VII. OPERATING LEASE OBLIGATIONS

Total operating lease expenses are immaterial to the overall financial activity of the University; and therefore, amounts paid for this category of expenses are not disclosed.

VIII. INTERFUND BALANCES AND ACTIVITIES

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

IX. CONTINGENT LIABILITIES

At year end, various lawsuits and claims involving the University were pending.

A. Financial Aid Dispute

Since 1991, Texas Southern University has been in a continuing disagreement with the Department of Education (DOE) regarding the University management of its student financial aid programs, namely the Pell grants. The DOE claimed that the University could not document the eligibility of students for financial aid. DOE made a claim of \$15 million against the University based upon poor record keeping, lost student files, and technical violations such as: (1) lack of satisfactory academic progress of students who received Pell grants, and (2) the actual last date of attendance in the calculation of student refunds.

TEXAS SOUTHERN UNIVERSITY
NOTES TO FINANCIAL STATEMENTS, Continued
For the Year Ended August 31, 2008

The DOE determines the dollar amount of claims against its client universities by extrapolating an error rate found in its samples of student files to the entire population of financial aid awards granted. In the case of Texas Southern University, the error rate produced a value of \$15 million. At the time of the review by DOE personnel, Texas Southern University's financial aid office was dysfunctional, with student files stored in off-site locations rather than being readily available for inspectors. The DOE inspectors did not spend additional time to allow the University to obtain missing documentation. Thus, they closed the review and the parties finalized the settlement agreement in 1998. Under the Agreement, the University was obligated to repay \$15,100,000 to the DOE over a period of time. Over the next 3 years, the University paid approximately \$3.7 million of the total debt.

In June 1999, the University engaged KPMG Peat Marwick to review its financial aid delivery systems and correct those issues giving rise to the liability. As part of this effort, KPMG reviewed DOE's 1996 findings and determined that several of the findings included in the program review were inaccurate. In 2000, the University requested reconsideration of the 1996 program review. As part of this effort, the DOE conducted a follow-up program review in 2001, which demonstrated that the University had taken appropriate corrective action. The University reported the new information discovered by KPMG to the DOE on June 10, 2002, and requested that further payments under the Agreement be stayed and that the DOE accept the \$3.7 million already paid in full satisfaction of the debt.

By letter dated April 28, 2003, DOE granted the University's request to be released from the remaining \$11,264,101 liability. This letter indicated that had the KPMG materials "been evaluated earlier, the program review likely would not have been resolved with the settlement agreement that the parties reached. Accordingly, DOE was prepared to honor the request that 'the matter of liabilities be officially closed'."

The DOE official asked the University to sign an Addendum to the Settlement Agreement closing the matter and submit the Addendum to DOE so it could be signed by an appropriate official. The University signed and submitted the Addendum to the DOE. The University received no further communications from DOE for nearly two years, and believed the matter was closed.

On January 19, 2005, the University received a letter from Deputy Secretary Eugene Hickok indicating that DOE had reversed its earlier decision and reinstated the debt. In May 2005, the University met with David Dunn, Chief of Staff to Secretary Spellings, and Kenneth Talbert, Deputy General Counsel. As a result of this meeting, DOE agreed to suspend collection of the debt to review its decision.

Subsequently, DOE stated to the University's counsel a new proposal to resolve 'the situation, namely that DOE would reopen the matter by sending a team to reevaluate for a second time the University's current compliance with items that had been at issue leading to the 1998 agreement. After this review was complete, DOE would reevaluate its position, with the suggestion being that DOE's earlier agreement to cancel the \$11,264,101 balance of the settlement agreement be honored.

DOE sent its program review team to the University in late 2005. The team issued an initial report in late 2006 and the University responded. Based on this exchange, DOE requested the University to submit more information for the DOE review. To date, this review is not yet completed. Despite this fact, the DOE sent a letter to the University on May 19, 2008, requiring the University to resume payments on the \$11,264,101 liability. The University filed an Administrative Appeal of the May 19th correspondence imposing the \$11,264,101 liability. This action has been rendered moot since the DOE has agreed to stay payments at this time. DOE is currently reviewing documents submitted by the University on the program review.

Although the University is continuing to vigorously defend its position, because of the ongoing nature of the dispute a potential liability of \$11,264,101 has been recorded.

TEXAS SOUTHERN UNIVERSITY
NOTES TO FINANCIAL STATEMENTS, Continued
For the Year Ended August 31, 2008

B. Performance Based Energy Conservation Agreement

The lawsuit against the University alleging breach of a performance-based energy conservation agreement for an energy conservation program on the campus is still pending. The item was reported in fiscal year 2004 and the contract is valued at \$11.1 million.

X. CONTINUANCE SUBJECT TO REVIEW

The University's continuance is not subject to review.

XI. RISK FINANCING AND RELATED INSURANCE

The University is exposed to a variety of civil claims resulting from the performance of its duties. 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 University assumes substantially all risks associated with tort and liability claims due to the performance of its duties. The University has commercial insurance policies for General Liability, Directors and Officers, and Commercial Property. There were no significant reductions in insurance coverage in the past year and losses did not exceed funding arrangements for the past three years. Currently, the University is not involved in any risk pools with other government entities.

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

The State provides coverage for workers' compensation and unemployment benefits from appropriations made to other state agencies for University employees. The current General Appropriations Act provides that the University must reimburse General Revenue Fund Consolidated, from University appropriations, one-half of the unemployment benefits and 25 percent of the workers' compensation benefits paid for former and current employees. The Comptroller of Public Accounts determines the proportionate amount to be reimbursed from each appropriated fund type. The University must reimburse the General Revenue Fund 100 percent of the cost for worker's compensation and unemployment compensation for any employees paid from funds held in local bank accounts and local funds held in the State treasury. Workers' compensation and unemployment plans are on a pay-as-you-go basis, in which no assets are set aside to be accumulated for the payment of claims. No material outstanding claims are pending at August 31, 2008.

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 \$250,000 / \$500,000 bodily injury and \$100,000 property damage, the extent of the waivers of State sovereign immunity specified in the tort claims act.

XII. SEGMENT INFORMATION

The University does not have any segments requiring segment reporting.

TEXAS SOUTHERN UNIVERSITY
NOTES TO FINANCIAL STATEMENTS, Continued
 For the Year Ended August 31, 2008

XIII. BONDED INDEBTEDNESS

Refunding Revenue Bonds, Series 1998A-1

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

Improvement Revenue Bonds, Series 1998A-2

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

Improvement Revenue Bonds, Series 1998B

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

Improvement Revenue Bonds, Series 1998C

Purpose	To construct improvements to and equip a medical facility at the University
Amount of Issue	\$1,705,000; all authorized have been issued
Issue Date	01-14-1999
Type of Bond	Revenue Bond – Self Supporting

TEXAS SOUTHERN UNIVERSITY
NOTES TO FINANCIAL STATEMENTS, Continued
For the Year Ended August 31, 2008

Reporting	Business-Type Activities
Source of Revenue	Pledged Revenues
Change in Debt	None

Revenue Bonds, Series 2002

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

Revenue Bonds, Series 2003

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

Revenue Bonds, Series 2004

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

TEXAS SOUTHERN UNIVERSITY
NOTES TO FINANCIAL STATEMENTS, Continued
For the Year Ended August 31, 2008

General Obligation Bond

Constitutional Appropriation Bonds, Series 2004

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

General Obligation Bond

Constitutional Appropriation Bonds, Series 2005

Purpose	To finance the construction and equipping of buildings or other permanent improvements, including a School of Public Affairs, to finance the performance of major repair or rehabilitation of buildings, to finance the purchase of capital equipment and other equipment authorized to be purchased with Higher Education Assistance Funds, and to finance the payment of certain costs related to the issuance of the Bonds.
Amount of Issue	\$30,935,000; all authorized have been issued
Issue Date	08-01-2005
Type of Bond	General Obligation Bond – Non Self Supporting
Reporting	Business-Type Activities
Source of Revenue	Constitutional Appropriations
Change in Debt	None

XIV. SUBSEQUENT EVENTS

Subsequent to year end the University was victim to an act of vandalism. The estimated cost of repairs is \$500,000.

XV. RELATED PARTIES

The University is affiliated with the Texas Southern University Foundation. The stated purpose of the Foundation is: "to solicit and receive gifts, grants, devices or bequest and to maintain, use and apply the income there from and the principal thereof exclusively for charitable, scientific, literary or educational activities in order to aid and benefit Texas Southern University." According to Foundation bylaws, the President of the University, and a representative of the University's Board of Regents shall be ex officio members of The Foundation's Board of Directors with full voting rights. There were not any financial transactions between the Foundation and the University during the year.

TEXAS SOUTHERN UNIVERSITY
NOTES TO FINANCIAL STATEMENTS, Continued
For the Year Ended August 31, 2008

The University is also affiliated with the Texas Southern University Alumni Association. The Alumni Association is a non-profit organization created for the purpose of promoting, fostering, and advancing the educational goals of the University and the interests and welfare of its students; to provide the means for continuing relationships between the University, former students, community, and to enable them to contribute to and share in the progress of the University.

All former students are eligible for membership in the Alumni Association. The Board of Directors of the Alumni Association is elected by the membership. The University Administration has no controlling interest in the Alumni Association. There were not any financial transactions between the Alumni Association and the University during the year.

XVI. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

XVII. THE FINANCIAL REPORTING ENTITY

The financial statements of the University encompass the financial activity only of the University. No component entities are included in these financial statements.

XVIII. RESTATEMENT OF NET ASSETS

Beginning net assets have been restated to correct for various items as follows:

Prior year ending net assets as reported	\$ 104,692,022.00
Record Department of Education liability	(11,264,101.00)
Record Arbitrage payable	(562,071.41)
Remove capital assets under State capitalization threshold, net	(185,448.54)
Corrections for construction in progress	3,030,704.00
Other adjustments	611,819.00
Record various corrections posted throughout the year	<u>2,370,031.00</u>
Restated beginning net assets	<u>\$ 98,692,955.05</u>

IXX. EMPLOYEE RETIREMENT PLANS

A. Teacher Retirement System (TRS)

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

All University personnel employed in a position on a half time or greater basis for at least 4 1/2 months or more are eligible for membership in the TRS retirement plan. Members with at least five years of service at age 65 or any combination of age plus years of service, which equals 80, have a vested right to retirement benefits. Additionally, reduced benefits are available at age 55 with at least five years of

TEXAS SOUTHERN UNIVERSITY
NOTES TO FINANCIAL STATEMENTS, Continued
For the Year Ended August 31, 2008

service or at any age below 50 with 30 years of service. Members are fully vested after five years of service and are entitled to any benefits for which the eligibility requirements have been met.

TRS contribution rates for both employers and employees are not actuarially determined but are legally established by the State Legislature. Contributions by employees are 6.4 percent of gross earnings. Depending upon the source of funding for the employee's compensation, the State or the University contributes a percentage of participant salaries totaling six percent of annual compensation. The University's contributions to TRS for the year ended August 31, 2008 were \$1,649,613 which equaled the amount of the required contributions for the year.

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

B. Optional Retirement Program (ORP)

The State of Texas has also established an Optional Retirement Program ("ORP") for institutions of higher education. Participation in the ORP is in lieu of participation in TRS. The ORP provides for the purchase of annuity contracts and mutual funds. Participants are vested in the employer contributions after one year and one day of service. The contributory percentages of participant salaries currently provided by the State of Texas and each participant are 6 percent and 6.65 percent, respectively. Depending upon the source of funding for the employee's compensation, the University may be required to make the employer contributions in lieu of the State. Additionally, the State or the University must make additional contributions above six percent depending upon the employee's date of hire. Since these are individual annuity contracts, the State and the University have no additional or unfunded liability for this program.

XX. DEFERRED COMPENSATION

The State of Texas offers, to all state employees, a deferred compensation plan, which is created in accordance with Internal Revenue Code Section 457. The plan permits employees to defer a portion of their salary until future years. The deferred compensation funds are not available to employees until distribution due to termination, retirement, death or unforeseeable emergency. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts and all income attributable to those amounts, property or rights are held in trust by the Employees Retirement System ("ERS") Board of Trustees for the exclusive benefit of participants and their beneficiaries and may not be used for, or diverted to, any other expense, except to defray the reasonable expenses of administering the plan.

The Board of Trustees is not liable to participating employees for the diminution in value or loss of all or part of the participating employees' deferred amounts or investment income because of market conditions or the failure, insolvency or bankruptcy of a qualified vendor.

The State also administers the TexaSaver 403(b) plan. The assets of this plan do not belong to the State and the State has no liability related to this plan.

TEXAS SOUTHERN UNIVERSITY
NOTES TO FINANCIAL STATEMENTS, Continued
For the Year Ended August 31, 2008

XXI. DONOR-RESTRICTED ENDOWMENTS

Donor-Restricted Endowments	Amount of Net Appreciation (Depreciation)	Reported in Net Assets
True Endowments	\$ (124,209.00)	
Term Endowments	633,492.00	Restricted for expendable
	\$ 509,283.00	

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

XXII. MANAGEMENT DISCUSSION AND ANALYSIS

The statement of net assets presents information on all of the University’s assets and liabilities. The difference between the two is reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the University is improving or deteriorating. Other nonfinancial factors, such as the enrollment and the condition of the University’s infrastructure, need to be considered in order to assess the overall health of the University. Assets exceed liabilities by \$128,933,814 as of August 31, 2008. The largest portion of the University’s net assets, (41%) reflects its investments in capital assets (e.g., land, building, equipment, improvements, construction in progress, and infrastructure), less any debt used to acquire those assets that is still outstanding. The University uses these capital assets to provide educational services to students; consequently, these assets are not available for future spending. Although the University’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.

The University’s total net assets increased by \$30,240,859 during the current fiscal year. Tuition decreased by \$5.4 million as a result of a decline in enrollment. Similarly overall operating revenues declined by \$3 million. Non operating revenues which largely consist of State appropriations increased by \$21.9 million. Included within this amount is \$26.7 million in additional State appropriations. Salaries and wages and associated payroll related costs were fairly consistent from 2007 to 2008. Materials and supplies, repairs and maintenance, and depreciation expenses, all increased substantially during the year as the University began an active program of revitalization. During the year there were no new debt issues or significant contracts that would impact the financial statements. Similarly, there were no changes in the credit rating for the year. Changes in capital assets and long-term debt are more fully described in the respective notes to the financial statements. The University experienced a significant change in the leadership of the institution and is in the process restoring its financial integrity. The University is also currently in the process of reaccreditation through Southern Association of College and Schools. The results of the accreditation process could have a future impact on the financial position.

TEXAS SOUTHERN UNIVERSITY
NOTES TO FINANCIAL STATEMENTS, Continued
For the Year Ended August 31, 2008

XXIII. POST EMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

In addition to providing pension benefits, the State through Employee Retirement System (“ERS”) Agency provides certain health and life insurance benefits for retired employees, in accordance with State statutes. Many employees may become eligible for the health and life insurance benefits as a retired employee if they meet certain age and service requirements as defined by the State. Similar benefits for active employees are provided through the same plan. For the year ended August 31, 2008, the contributions for the plan made by ERS per full-time retired employee are shown in the following table. The retiree contributes any premium over and above the State contributions.

<u>Level of Coverage</u>	<u>2008</u>
Retiree Only	\$ 360.54
Retiree/Spouse	566.57
Retiree/Children	498.49
Retiree/Family	704.52

ERS recognizes the cost of providing these benefits to eligible retired employees. The cost of retired employee benefits is recognized when the benefit is paid. The number of retired employees who were eligible for these benefits, as well as the cost of providing the benefits for the year ended August 31, 2008 is provided in the following table.

	<u>2008</u>
Number of Retirees	233
Cost	\$ 1,113,401.37

XXIV. SPECIAL AND EXTRAORDINARY ITEMS

The University has had no special or extraordinary items in the year ended August 31, 2008.

XXV. DISAGGREGATION OF RECEIVABLE BALANCES

Aggregate receivables as reported on the Statement of Net Assets as of August 31, 2008, are detailed as follows:

<u>Receivables</u>	
Student Accounts	\$ 35,980,447.77
Third Party Accounts	358,954.00
Less Allowance	(16,364,972.00)
	<u>\$ 19,974,429.77</u>

XXVI. TERMINATION BENEFITS

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

SUPPLEMENTARY INFORMATION

TEXAS SOUTHERN UNIVERSITY
SCHEDULE 1A - SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
August 31, 2008

FEDERAL GRANTOR/ PASS THROUGH GRANTOR/ PROGRAM TITLE	CFDA Number	Identifying Number	Agy./ Univ. #	Pass Through From	
				Agencies Or Univ. Amount	Non-State Entities Amount
U. S. Department of Commerce					
Pass Through From:					
General Land Office					
Coastal Zone Management Administration Awards	11.419	06-016	305	\$ 6,506.42	
Total U.S. Department of Commerce				<u>\$ 6,506</u>	<u>\$ -</u>
U.S. Department of Housing & Urban Development					
Direct Program:					
Office Automation Skilled Services Program	14.237	DUNS#050298975			
Historically Black Colleges and Universities Program	14.520	DUNS#050298975			
Pass Through From:					
City of Houston					
Small Business Resource Center	14.000	FC62153 06-05001			\$ 40,504.82
Total U.S. Department of Housing and Urban Development				<u>\$ -</u>	<u>\$ 40,504.82</u>
U.S. Department of Transportation					
Other Federal Awards Expended					
Direct Program:					
Eisenhower Fellowships	20.000	DUNS#050298975			
Total U.S. Department of Transportation				<u>\$ -</u>	<u>\$ -</u>
National Aeronautics & Space Administration					
Other Federal Awards Expended					
Pass Through From:					
Boeing Coporation					
Boeing Purchase Contract	43.000	6H08658			\$ 811.15
Science Applications International Corp	43.000	4400156333/27			\$ 20,004.21
Spellman College	43.000	NCC 8-227			\$ 84,372.51
United Negro College Fund Special Programs	43.000	NASA/UNCFSPC			\$ 5,821.40
Harriet Jenkins Fellowship Program					
Total National Aeronautics & Space Administration				<u>\$ -</u>	<u>\$ 111,009.27</u>
National Endowment for the Humanities					
Other Federal Awards Expended					
Pass Through From:					
Prairie View A&M University					
Promotion of the Humanities	45.162	SC10045-413630	715	\$ 25,857.00	
Total National Endowment for the Humanities				<u>\$ 25,857.00</u>	<u>\$ -</u>
National Science Foundation					
Engineering Grants					
Mathematical Association of America	47.041	DUNS#050298975	978		
Education & Human Resources	47.076	DUNS#050298975			
Total National Science Foundation				<u>\$ -</u>	<u>\$ -</u>

Direct Program Amount	Total PT From & Direct Program	Pass Through To		Expenditures Amount	Total PT To & Expenditures
		Agy./ Univ. #	Agencies Or Univ. Amount		
	\$ 6,506.42			\$ 6,506.42	\$ 6,506.42
\$ -	\$ 6,506	\$ -	\$ -	\$ 6,506.42	\$ 6,506.42
\$ 148,490.52	\$ 148,490.52			\$ 148,490.52	\$ 148,490.52
\$ 54,011.36	\$ 54,011.36			\$ 54,011.36	\$ 54,011.36
	\$ 40,504.82			\$ 40,504.82	\$ 40,504.82
\$ 202,501.88	\$ 243,006.70	\$ -	\$ -	\$ 243,006.70	\$ 243,006.70
\$ 14,734.66	\$ 14,734.66			\$ 14,734.66	\$ 14,734.66
\$ 14,734.66	\$ 14,734.66	\$ -	\$ -	\$ 14,734.66	\$ 14,734.66
	\$ 811.15			\$ 811.15	\$ 811.15
	\$ 20,004.21			\$ 20,004.21	\$ 20,004.21
	\$ 84,372.51			\$ 84,372.51	\$ 84,372.51
	\$ 5,821.40			\$ 5,821.40	\$ 5,821.40
\$ -	\$ 111,009.27	\$ -	\$ -	\$ 111,009.27	\$ 111,009.27
	\$ 25,857.00			\$ 25,857.00	\$ 25,857.00
\$ -	\$ 25,857.00	\$ -	\$ -	\$ 25,857.00	\$ 25,857.00
\$ 11,108.26	\$ 11,108.26			\$ 11,108.26	\$ 11,108.26
\$ 188,334.40	\$ 188,334.40			\$ 188,334.40	\$ 188,334.40
\$ 199,442.66	\$ 199,442.66	\$ -	\$ -	\$ 199,442.66	\$ 199,442.66

TEXAS SOUTHERN UNIVERSITY

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

August 31, 2008

FEDERAL GRANTOR/ PASS THROUGH GRANTOR/ PROGRAM TITLE	CFDA Number	Identifying Number	Pass Through From		
			Agy./ Univ. #	Agencies Or Univ. Amount	Non-State Entities Amount
U. S. Environmental Protection Agency					
Direct Program:					
Performance Partnership Grants	66.605	DUNS#050298975			
Nuclear Regulatory Commission					
Direct Program:					
Nuclear Regulatory Commission	77.006	DUNS#050298975			
Total U. S Environmental Protection Agency			\$ -	\$ -	
U.S. Department of Education					
Direct Program:					
Higher Education-Institutional Aid	84.031	DUNS#050298975			
Pass Through from:					
Texas Higher Education Coordinating Board					
Leveraging Educational Assistance Partnership	84.069	DUNS#050298975	781		
Direct Program:					
Minority Science & Engineering Improvement	84.120	DUNS#050298975			
Byrd Honors Scholarships	84.185	DUNS#050298975			
Total U.S. Department of Education			\$ -	\$ -	
Department of Health and Human Services					
Pass Through From:					
Dillard University					
NIEHS Hazardous Waste Worker Health and Safety	93.142	7840		\$	722.93
Baylor College of Medicine					
Grants For Geriatric Education Centers	93.969	1d31HP0882101		\$	4,681.80
Total Department of Health and Human Services			\$ -	\$	5,404.73
Student Financial Assistance Cluster					
U. S. Department of Education.					
Direct Program:					
Federal Supplemental Educational Opportunity	84.007	DUNS#050298975			
Federal Family Education Loans	84.032	DUNS#050298975			
Federal Work-Study Program	84.033	DUNS#050298975			
Federal Perkins Loans Program: Fed Capital	84.038	DUNS#050298975			
Federal Perkins Loans Program: Administrative	84.038	DUNS#050298975			
Federal Pell Grant Program	84.063	DUNS#050298975			
Academic Competitiveness Grant	84.375	DUNS#050298975			
National Science & Mathematics Access to Retain Talent (SMART) Grants	84.376	DUNS#050298975			
U.S. Department of Health and Human Services					
Scholarships For Health Professions Students					
From Disadvantaged Backgrounds	93.925	DUNS#050298975			
For the Fiscal Year Ended August 31, 2008					
Total Student Financial Assistance Cluster			\$ -	\$	-

Direct Program Amount	Total PT From & Direct Program	Pass Through To		Expenditures Amount	Total PT To & Expenditures
		Agy./ Univ. #	Agencies Or Univ. Amount		
\$ 13,746.55	\$ 13,746.55			\$ 13,746.55	\$ 13,746.55
<u>\$ 183,858.14</u>	<u>\$ 183,858.14</u>			\$ 183,858.14	\$ 183,858.14
<u>\$ 197,604.69</u>	<u>\$ 197,604.69</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 197,604.69</u>	<u>\$ 197,604.69</u>
\$ 9,814,051.88	\$ 9,814,051.88			\$ 9,814,051.88	\$ 9,814,051.88
\$ 19,977.00	\$ 19,977.00			\$ 19,977.00	\$ 19,977.00
\$ 132,580.81	\$ 132,580.81			\$ 132,580.81	\$ 132,580.81
\$ 2,250.00	\$ 2,250.00			\$ 2,250.00	\$ 2,250.00
<u>\$ 9,968,859.69</u>	<u>\$ 9,968,859.69</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,968,859.69</u>	<u>\$ 9,968,859.69</u>
	\$ 722.93			\$ 722.93	\$ 722.93
	\$ 4,681.80			\$ 4,681.80	\$ 4,681.80
<u>\$ -</u>	<u>\$ 5,404.73</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,404.73</u>	<u>\$ 5,404.73</u>
\$ 915,322.55	\$ 915,322.55			\$ 915,322.55	\$ 915,322.55
\$ 65,314,185.62	\$ 65,314,185.62			\$ 65,314,185.62	\$ 65,314,185.62
\$ 922,702.32	\$ 922,702.32			\$ 922,702.32	\$ 922,702.32
\$ 71,980.00	\$ 71,980.00			\$ 71,980.00	\$ 71,980.00
\$ 3,599.00	\$ 3,599.00			\$ 3,599.00	\$ 3,599.00
\$ 17,995,259.85	\$ 17,995,259.85			\$ 17,995,259.85	\$ 17,995,259.85
\$ 422,504.50	\$ 422,504.50			\$ 422,504.50	\$ 422,504.50
\$ 164,414.50	\$ 164,414.50			\$ 164,414.50	\$ 164,414.50
\$ 597,050.00	\$ 597,050.00			\$ 597,050.00	\$ 597,050.00
<u>\$ 86,407,018.34</u>	<u>\$ 86,407,018.34</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 86,407,018.34</u>	<u>\$ 86,407,018.34</u>

TEXAS SOUTHERN UNIVERSITY

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

August 31, 2008

FEDERAL GRANTOR/ PASS THROUGH GRANTOR/ PROGRAM TITLE	CFDA Number	Identifying Number	Pass Through From		
			Agy./ Univ. #	Agencies Or Univ. Amount	Non-State Entities Amount
Research and Development (R&D) Cluster					
U.S. Department of Defense					
Other Federal Awards Expended					
Pass Through From:					
U.S. Core of Engineers					
Jacobs/Huitt-Zollars Sub	12.000	R2W30855-508-00D1		\$	23,192.97
Pass Through From:					
Rutgers University					
Basic & Applied Scientific Research	12.300	3094		\$	12,790.39
U.S. Army of Defense					
Direct Program:					
Military Medical Research & Development	12.420	DUNS#050298975			
U.S. Department of Defense					
Pass Through From:					
Department of the Air Force, Material Command					
Air Force Defense Research Sciences Program	12.800	FA8650-05-D-1912		\$	64,512.34
Clarkson Aerospace Company					
DEPARTMENT OF THE AIR FORCE AIR FORCE	12.800	TSU06-S56706C2		\$	154,743.81
National Aeronautics & Space Administration					
Other Federal Awards Expended					
Direct Program:					
The NASA Research Center for Biotechnology					
	43.000	NCC 9-165 DUNS#050298975			
Pass Through to: the University of Houston					
United Negro College Fund Special Programs	43.000			\$	90,550.87
Targeting Specific Bone	43.000	DUNS#050298975			
Pass Through From:					
United Negro College Fund Special Programs					
NASA Administrative Fellowship Program	43.000	NASA/UNCF		\$	3,874.49
Research and Development (R&D) Cluster (Con't)					
Pass Through From:					
National Aeronautics and Space Administration					
The University of Houston - Downtown					
Aerospace Education Services Program	43.001	NNG04GD68G	784	\$	14,534.75
National Science Foundation					
Direct Program:					
UT Brownsville, ET AL Cres					
Triggered Strategies Wireless	47.076	DUNS#050298975			
Education and Human Resources	47.076	DUNS#050298975			
U.S. Department of Education					
Direct Program:					
National Institute on Disability & Rehabilitation					
	84.133	DUNS#050298975			

Direct Program Amount	Total PT From & Direct Program	Pass Through To			Expenditures Amount	Total PT To & Expenditures
		Agy/ Univ. #	Agencies Or Univ. Amount	Non-State Entities Amount		
	\$ 23,192.97				\$ 23,192.97	\$ 23,192.97
	\$ 12,790.39				\$ 12,790.39	\$ 12,790.39
\$ 156,764.31	\$ 156,764.31				\$ 156,764.31	\$ 156,764.31
	\$ 64,512.34				\$ 64,512.34	\$ 64,512.34
\$ 82,787.35	\$ 154,743.81				\$ 154,743.81	\$ 154,743.81
	\$ 82,787.35				\$ 82,787.35	\$ 82,787.35
\$ 1,160,915.46	\$ 1,160,915.46	730	\$ 59,453.59		\$ 1,101,461.87	\$ 1,160,915.46
	\$ 90,550.87				\$ 90,550.87	\$ 90,550.87
\$ 18,795.01	\$ 18,795.01				\$ 18,795.01	\$ 18,795.01
	\$ 3,874.49				\$ 3,874.49	\$ 3,874.49
	\$ 14,534.75				\$ 14,534.75	\$ 14,534.75
\$ 51,249.63	\$ 51,249.63				\$ 51,249.63	\$ 51,249.63
\$ 15,601.11	\$ 15,601.11				\$ 15,601.11	\$ 15,601.11
\$ 428,463.50	\$ 428,463.50				\$ 428,463.50	\$ 428,463.50
\$ 281,125.22	\$ 281,125.22				\$ 281,125.22	\$ 281,125.22

TEXAS SOUTHERN UNIVERSITY

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

August 31, 2008

FEDERAL GRANTOR/ PASS THROUGH GRANTOR/ PROGRAM TITLE	CFDA Number	Identifying Number	Pass Through From		
			Agy./ Univ. #	Agencies Or Univ. Amount	Non-State Entities Amount
Department of Health and Human Services					
Direct Program:					
Minority Health and Health Disparities Research	93.307	DUNS#050298975			
Nat'l Center for Research Resources	93.389	DUNS#050298975			
Centers for Medicare and Medicaid Services	93.779	DUNS#050298975			
Heart and Vascular Diseases Research	93.837	DUNS#050298975			
US Department of Homeland Security					
Direct Program:					
Centers for Homeland Security	97.061				
Total Research and Development Cluster Programs				\$ 14,534.75	\$ 349,664.87
Other Clusters					
U.S. Department of Labor					
Pass Through From:					
Texas Workforce Commission					
WIA Adult Program	17.258		320	\$ 9,724.29	
WIA Youth Activities	17.259		320	\$ 10,512.00	
WIA Dislocated Workers	17.260		320	\$ 12,497.45	
Total WIA Cluster Programs				\$ 32,733.74	\$ -
OSE Cluster (Office of Special Education)					
Pass Through From:					
Texas A&M Texarkana					
Special Education Grants to States	84.027		764	\$ 35,812.46	
Total OSE Cluster Programs				\$ 35,812.46	\$ -
OCH Cluster (Child Nutrition Cluster)					
U. S. Department of Education					
Direct Program:					
TRIO: Student Support Services	84.042	DUNS#050298975			
TRIO: Talent Search	84.044	DUNS#050298975			
TRIO: Upward Bound	84.047	DUNS#050298975			
TRIO: Educational Opportunity Centers	84.066	DUNS#050298975			
TRIO: McNair Post-Baccalaureate Achievement	84.217	DUNS#050298975			
Total Other Clusters Programs				\$ -	\$ -
TOTAL FEDERAL FINANCIAL ASSISTANCE				\$ 115,444.37	\$ 506,583.69

Direct Program Amount	Total PT From & Direct Program	Pass Through To			Expenditures Amount	Total PT To & Expenditures
		Agy/ Univ. #	Agencies Or Univ. Amount	Non-State Entities Amount		
\$ 51,001.91	\$ 51,001.91				\$ 51,001.91	\$ 51,001.91
\$ 1,142,490.31	\$ 1,142,490.31				\$ 1,142,490.31	\$ 1,142,490.31
\$ 94,404.98	\$ 94,404.98				\$ 94,404.98	\$ 94,404.98
\$ 411,586.71	\$ 411,586.71				\$ 411,586.71	\$ 411,586.71
<u>\$ 16,712.85</u>	<u>\$ 16,712.85</u>				<u>\$ 16,712.85</u>	<u>\$ 16,712.85</u>
<u>\$ 3,911,898.35</u>	<u>\$ 4,276,097.97</u>		<u>\$ 59,453.59</u>	<u>\$ -</u>	<u>\$ 4,216,644.38</u>	<u>\$ 4,276,097.97</u>
	\$ 9,724.29				\$ 9,724.29	\$ 9,724.29
	\$ 10,512.00				\$ 10,512.00	\$ 10,512.00
	\$ 12,497.45				\$ 12,497.45	\$ 12,497.45
<u>\$ -</u>	<u>\$ 32,733.74</u>		<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,733.74</u>	<u>\$ 32,733.74</u>
	\$ 35,812.46				\$ 35,812.46	\$ 35,812.46
<u>\$ -</u>	<u>\$ 35,812.46</u>		<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,812.46</u>	<u>\$ 35,812.46</u>
\$ 294,268.79	\$ 294,268.79				\$ 294,268.79	\$ 294,268.79
\$ 435,573.15	\$ 435,573.15				\$ 435,573.15	\$ 435,573.15
\$ 516,715.63	\$ 516,715.63				\$ 516,715.63	\$ 516,715.63
\$ 262,040.99	\$ 262,040.99				\$ 262,040.99	\$ 262,040.99
\$ 173,189.12	\$ 173,189.12				\$ 173,189.12	\$ 173,189.12
<u>\$ 1,681,787.68</u>	<u>\$ 1,681,787.68</u>		<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,681,787.68</u>	<u>\$ 1,681,787.68</u>
<u>\$ 102,583,847.95</u>	<u>\$ 103,205,876.01</u>		<u>\$ 59,453.59</u>	<u>\$ -</u>	<u>\$ 103,146,422.42</u>	<u>\$ 103,205,876.01</u>

TEXAS SOUTHERN UNIVERSITY

SCHEDULE 1B - SCHEDULE OF STATE GRANT PASS THROUGHS FROM/TO STATE AGENCIES

August 31, 2008

Pass Through From:

Texas Higher Education Coordinating Board (Agency # 781, Fund 0001)	\$ 3,513,997.75
Texas Higher Education Coordinating Board (Agency # 781, Fund 0106)	<u>17,063.00</u>
Total Pass Through From Other Agencies	<u><u>\$ 3,531,060.75</u></u>

TEXAS SOUTHERN UNIVERSITY
SCHEDULE 2A - MISCELLANEOUS BOND INFORMATION

August 31, 2008

Business-Type Activities

<u>Description</u>	<u>Interest Rate</u>	<u>Maturity Dates</u>		<u>First Call Date</u>	<u>Original Issue</u>
		<u>First Year</u>	<u>Last Year</u>		
General Obligation Bonds - Not Self Supporting					
Series 2004 Constitutional Appropriation	3.00-4.00%	2005	2014	n/a	\$ 11,100,000.00
Series 2005 Constitutional Appropriation	3.00-4.00%	2005	2014	n/a	30,935,000.00
Revenue Bonds - Self Supporting					
Series 1998 A-1 Refunding	3.10-4.75%	1999	2017	5/1/2009	20,305,000.00
Series 1998 A-2 Improvement	3.10-5.13%	1999	2018	5/1/2009	18,000,000.00
Series 1998 B Improvement	3.50-5.13%	2001	2023	5/1/2009	12,920,000.00
Series 1998 C Improvement	3.50-4.10%	2001	2008	n/a	1,705,000.00
Series 2002	4.00-5.50%	2002	2021	5/1/2012	48,065,000.00
Series 2003	2.00-5.00%	2006	2023	5/1/3013	27,240,000.00
Series 2004	2.50-3.70%	2006	2014	n/a	3,500,000.00
Total General Bonded Debt					\$,173,770,000.00

TEXAS SOUTHERN UNIVERSITY
SCHEDULE 2B - CHANGES IN BOND INDEBTEDNESS

August 31, 2008

Business-Type Activities

<u>Description of Issue</u>	<u>Beginning Balance</u>	<u>Bonds Issued</u>	<u>Bonds Matured or Retired</u>
General Obligation Bonds - Not Self Supporting			
Series 2004 Constitutional Appropriation	\$ 8,130,000.00	\$ 0.00	\$ 1,040,000.00
Series 2005 Constitutional Appropriation	28,185,000.00	0.00	3,095,000.00
Revenue Bonds - Self Supporting			
Series 1998 A-1	13,630,000.00	0.00	990,000.00
Series 1998 A-2 Improvement	12,785,000.00	0.00	820,000.00
Series 1998 B Improvement	10,710,000.00	0.00	420,000.00
Series 1998 C Improvement	480,000.00	0.00	235,000.00
Series 2002	40,065,000.00	0.00	1,825,000.00
Series 2003	25,050,000.00	0.00	1,130,000.00
Series 2004	2,800,000.00	0.00	365,000.00
Total General Bonded Debt	<u>\$ 141,835,000.00</u>	<u>\$ 0.00</u>	<u>\$ 9,920,000.00</u>

Bonds Refunded or Extinguished	Ending Balance	Amounts Due within One Year
\$ 0.00	\$ 7,090,000.00	\$ 1,075,000.00
0.00	25,090,000.00	3,195,000.00
0.00	12,640,000.00	1,025,000.00
3,090,000.00	8,875,000.00	850,000.00
0.00	10,290,000.00	435,000.00
0.00	245,000.00	245,000.00
0.00	38,240,000.00	1,920,000.00
0.00	23,920,000.00	1,155,000.00
0.00	2,435,000.00	375,000.00
<u>\$ 3,090,000.00</u>	<u>\$ 128,825,000.00</u>	<u>\$ 10,275,000.00</u>

TEXAS SOUTHERN UNIVERSITY

SCHEDULE 2C - DEBT SERVICE REQUIREMENTS

August 31, 2008

Year Ending Aug. 31	Series 1998 A-1 Refunding Bonds			Series 1998 A-2 Improvement Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2009	\$ 1,025,000.00	\$ 552,095.00	\$ 1,577,095.00	\$ 850,000.00	\$ 404,718.76	\$ 1,254,718.76
2010	1,070,000.00	508,612.50	1,578,612.50	890,000.00	368,603.76	1,258,603.76
2011	1,115,000.00	462,170.25	1,577,170.25	930,000.00	329,918.76	1,259,918.76
2012	1,170,000.00	412,457.50	1,582,457.50	970,000.00	288,583.76	1,258,583.76
2013	1,220,000.00	359,267.50	1,579,267.50	1,015,000.00	241,234.38	1,256,234.38
2014-18	7,040,000.00	866,101.00	7,906,101.00	4,220,000.00	412,731.00	4,632,731.00
2019-2023	-	-	-	-	-	-
2024-2026	-	-	-	-	-	-
Total	\$ 12,640,000.00	\$ 3,160,703.75	\$ 15,800,703.75	\$ 8,875,000.00	\$ 2,045,790.42	\$ 10,920,790.42

Year Ending Aug. 31	Series 1998 C Improvement Bonds			Series 2002 Revenue Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2009	\$ 245,000.00	\$ 5,023.00	\$ 250,023.00	\$ 1,920,000.00	\$ 1,946,731.26	\$ 3,866,731.26
2010	-	-	-	2,020,000.00	1,848,231.26	3,868,231.26
2011	-	-	-	2,120,000.00	1,744,731.26	3,864,731.26
2012	-	-	-	2,225,000.00	1,643,059.38	3,868,059.38
2013	-	-	-	2,325,000.00	1,543,237.50	3,868,237.50
2014-18	-	-	-	13,670,000.00	5,663,863.00	19,333,863.00
2019-2023	-	-	-	13,960,000.00	1,503,431.00	15,463,431.00
	\$ 245,000.00	\$ 5,023.00	\$ 250,023.00	\$ 38,240,000.00	\$ 15,893,284.66	\$ 54,133,284.66

Year Ending Aug. 31	Series 2004 Revenue Bonds			Series 2004 Constitutional Appropriation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2009	\$ 375,000.00	\$ 80,932.50	\$ 455,932.50	\$ 1,075,000.00	\$ 267,112.50	\$ 1,342,112.50
2010	385,000.00	70,620.00	455,620.00	1,110,000.00	232,175.00	1,342,175.00
2011	400,000.00	58,107.50	458,107.50	1,150,000.00	193,325.00	1,343,325.00
2012	410,000.00	45,307.50	455,307.50	1,200,000.00	150,200.00	1,350,200.00
2013	425,000.00	31,367.50	456,367.50	1,250,000.00	102,200.00	1,352,200.00
2014	440,000.00	16,280.00	456,280.00	1,305,000.00	52,200.00	1,357,200.00
	\$ 2,435,000.00	\$ 302,615.00	\$ 2,737,615.00	\$ 7,090,000.00	\$ 997,212.50	\$ 8,087,212.50

Year			
Ending	Series 1998 B Improvement Bonds		
Aug. 31	Principal	Interest	Total
2009	\$ 435,000	\$ 476,239	\$ 911,239
2010	460,000	455,821	915,821
2011	480,000	434,001	914,001
2012	500,000	410,869	910,869
2013	530,000	384,475	914,475
2014-18	3,085,000	1,480,278	4,565,278
2019-2023	3,905,000	657,775	4,562,775
2024-2026	895,000	20,138	915,138
Total	\$ 10,290,000	\$ 4,319,596	\$ 14,609,596

Year			
Ending	Series 2003 Revenue Bonds		
Aug. 31	Principal	Interest	Total
2009	\$ 1,155,000	\$ 1,137,369	\$ 2,292,369
2010	1,185,000	1,107,050	2,292,050
2011	1,235,000	1,059,650	2,294,650
2012	1,290,000	1,004,075	2,294,075
2013	1,345,000	946,025	2,291,025
2014-18	7,785,000	3,686,500	11,471,500
2019-2023	9,925,000	1,537,500	11,462,500
	\$ 23,920,000	\$ 10,478,169	\$ 34,398,169

Year			
Ending	Series 2005 Constitutional Appropriation Bonds		
Aug. 31	Principal	Interest	Total
2009	\$ 3,195,000	\$ 923,438	\$ 4,118,438
2010	3,310,000	805,463	4,115,463
2011	3,430,000	674,800	4,104,800
2012	3,570,000	534,800	4,104,800
2013	3,710,000	389,200	4,099,200
2014	7,875,000	318,100	8,193,100
	\$ 25,090,000	\$ 3,645,800	\$ 28,735,800

TEXAS SOUTHERN UNIVERSITY

SCHEDULE 2D - ANALYSIS OF FUNDS AVAILABLE FOR DEBT SERVICE

August 31, 2008

Business-Type Activities

General Obligation Bonds	Application of Funds	
	Principal	Interest
Constitutional Appropriation Bonds		
Series 2004 & 2005	\$ \$ 4,135,000.00	\$ \$ 1,330,556.25
Total	\$ \$ 4,135,000.00	\$ \$ 1,330,556.25

Pledged and Other Sources and Related Expenditures for FY 2008

	Net Available for Debt Service		Debt Service	
	Total Pledged and Other Sources	Operating Expenses/ Expenditures & Capital Outlay	Principal	Interest
Revenue Bonds				
Series 98A-A2, 98B, 98C, 2002, 2003, & 2004	\$ \$ 61,497,125.00	\$	\$ \$ 8,875,000.00	\$ \$ 4,989,785.03
Total	\$ \$ 61,497,125.00	\$ \$ -	\$ \$ 8,875,000.00	\$ \$ 4,989,785.03

Note: The Operating Expenses/Expenditures and Capital Outlay related to the Revenue Bonds were estimated at \$35,769,456.

TEXAS SOUTHERN UNIVERSITY
SCHEDULE 2E - DEFEASED BONDS OUTSTANDING
August 31, 2008

<u>Description of Issue</u>	<u>Year Refunded</u>	<u>Par Value Outstanding</u>
Revenue Bonds		
Building Revenue Bonds, Series 1963-B	1994	\$ 210,000.00
Revenue Bond Series 1998A-2	2008	3,090,000.00
Total Defeased Revenue Bonds		<u>\$ 3,300,000.00</u>

TEXAS SOUTHERN UNIVERSITY
SCHEDULE 2F - EARLY EXTINGUISHMENT AND REFUNDING
 August 31, 2008

Business-Type Activities

<u>Description of Issue</u>	<u>Category</u>	<u>Amount Extinguished or Refunded</u>
Revenue Bonds		
Revenue Bond Series 1998A-2	Early Extinguishment	\$ 3,090,000.00
	Total Revenue Bonds	\$ 3,090,000.00

TEXAS SOUTHERN UNIVERSITY
SCHEDULE 3A - RECONCILIATION OF CASH IN STATE TREASURY
 August 31, 2008

<u>Cash in State Treasury</u>	<u>Unrestricted</u>	<u>Restricted</u>	<u>Current Year Total</u>
Local revenue Fund 0283	\$ 9,711,702.05	\$ 0.00	\$ 9,711,702.05
Total Cash in State Treasury (Stmt of Net Assets)	<u>9,711,702.05</u>	<u>0.00</u>	<u>9,711,702.05</u>

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