OFFICIAL STATEMENT
DATED AUGUST 17, 2004

RATINGS: Moody's: "Aaa"
Fitch: "AAA"
(See "BOND INSURANCE" and "RATINGS" herein)

NEW ISSUE – BOOK-ENTRY-ONLY

$5,460,000
TEXAS PUBLIC FINANCE AUTHORITY
STEPHEN F. AUSTIN STATE UNIVERSITY
REVENUE FINANCING SYSTEM REVENUE BONDS, SERIES 2004A

Dated Date: August 15, 2004 **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 (i) constructing a University parking garage. See "PLAN OF FINANCING".

Interest on the Bonds will accrue from the Dated Date, and is payable on April 15, 2005 and each October 15 and April 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, 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".

MBIA

Payment of the principal of and interest on the Bonds when due will be guaranteed by a municipal insurance policy to be issued by MBIA Insurance Corporation simultaneously with the delivery of the Bonds. (See "BOND INSURANCE" herein.)

MATURITY SCHEDULE (1)

Maturity (October 15)	Amount	Interest Rate	Price or Yield	CUSIP Numbers (2)	Maturity (October 15)	Amount	Interest Rate	Price or Yield	CUSIP Numbers (2)
2005	$180,000	4.000%	1.400%	882756 SP 5	2015	$270,000	4.000%	3.940%(3)	882756 SZ 3
2006	190,000	4.000%	1.710%	882756 SQ 3	2016	280,000	4.000%	4.040%	882756 TA 7
2007	195,000	4.000%	2.090%	882756 SR 1	2017	290,000	4.100%	4.140%	882756 TB 5
2008	205,000	4.000%	2.490%	882756 SS 9	2018	305,000	4.150%	4.240%	882756 TC 3
2009	210,000	4.000%	2.810%	882756 ST 7	2019	320,000	4.250%	4.320%	882756 TD 1
2010	220,000	4.000%	3.040%	882756 SU 4	2020	330,000	4.375%	4.400%	882756 TE 9
2011	230,000	4.000%	3.280%	882756 SV 2	2021	345,000	4.500%	4.510%	882756 TF 6
2012	240,000	4.000%	3.490%	882756 SW 0	2022	365,000	4.500%	4.600%	882756 TG 4
2013	250,000	4.000%	3.680%	882756 SX 8	2023	380,000	4.625%	4.680%	882756 TH 2
2014	260,000	4.000%	3.810%(3)	882756 SY 6	2024	395,000	4.625%	4.760%	882756 TJ 8

(plus accrued interest from August 15, 2004)

(1) The Bonds are subject to redemption as set forth herein in the section "DESCRIPTION OF THE BONDS – Redemption".
(2) CUSIP numbers have been assigned to the Bonds by CUSIP Service Bureau and are included solely for the convenience of the owners of the Bonds. Neither the Authority, the University, nor the Financial Advisor shall be responsible for the selection or the correctness of the CUSIP numbers shown herein.
(3) Priced to call date.

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 Delgado, Acosta, Braden & Jones, P.C., El Paso, 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 September 8, 2004.

TEXAS PUBLIC FINANCE AUTHORITY

Board of Directors

Mr. R. David Kelly, Chair
Mr. H. L. Bert Mijares, Vice Chair
Mr. J. Vaughn Brock, Secretary
Mr. Mark A. Ellis, Member
Ms. Helen Huey, Member
Mr. Daniel T. Serna, Member
Ms. Ruth Corry Schiermeyer, Member

Certain Appointed Officers

Ms. Kimberly K. Edwards, Executive Director
Ms. Judith Porras, General Counsel

STEPHEN F. AUSTIN STATE UNIVERSITY

Board of Regents

Name	Residence	Term Expiration
Mr. Fred Wulf, Chair	Center	January 31, 2007
Mr. Kenneth James, Vice Chair	Kingwood	January 31, 2007
Mr. Lyn Stevens, Secretary	Beaumont	January 31, 2005
Mr. Paul Gifford Pond	Port Neches	January 31, 2009
Ms. Valerie E. Ertz	Dallas	January 31, 2009
Mr. Joe Max Green	Nacogdoches	January 31, 2009
Mr. Gary Lopez	Dallas	January 31, 2005
Mr. Mike Wilhite	Henderson	January 31, 2005
Dr. Margarita de la Garza-Grahm	Tyler	January 31, 2007

Certain Appointed Officials

Name	Title	Length of Service
Dr. Tito Guerrero	President	3 years
Dr. Roland K. Smith	Vice President for Business Affairs	9 years
Ms. Dora Fuselier	Controller	5 years
Ms. R. Yvette Clark	General Counsel	12 years

CONSULTANTS

Financial Advisor
Public Financial Management, Inc.
Austin, Texas

Bond Counsel
Delgado, Acosta, Braden & Jones, P.C.
El Paso, Texas

For additional information regarding Stephen F. Austin State University, please contact:

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Mr. Chris W. Allen
Senior Managing Consultant
Public Financial Management, Inc.
700 Lavaca, Suite 1500
Austin, Texas 78701
(512) 472-7194

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.

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OFFICIAL STATEMENT

relating to

$5,460,000

TEXAS PUBLIC FINANCE AUTHORITY STEPHEN F. AUSTIN STATE UNIVERSITY REVENUE FINANCING SYSTEM REVENUE BONDS, SERIES 2004A

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 2004A" (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 2003-2004 Fall Semester the University had a total enrollment of approximately 11,408 students. The 2003-2004 budget of the University is approximately $148,726,000. The Board is the governing body of the University and its members are officers of the State, appointed by the Governor of the State (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 Section 55.13(c), Chapter 1232, Texas Government Code, as amended, Texas Education Code, (the "Enabling Act"), including particularly, Section 1232.101 of the Enabling Act ("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 (i) constructing a University parking garage.

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 $5,500,000 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 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:

Name	Position	Term Expires (February 1)
Mr. R. David Kelly	Chair	2007
Mr. H. L. Bert Mijares	Vice-Chair	2005
Mr. J. Vaughn Brock	Secretary	2007
Mr. Mark A. Ellis	Member	2009
Ms. Helen Huey	Member	2005
Mr. Daniel T. Serna	Member	2003*
Ms. Ruth Corry Schiermeyer	Member	2007

*Board Member continues to serve until a successor qualifies for office.

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.

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.

Pursuant to the Enabling Act and Chapters 1401 and 1403, Texas Government Code, the Authority issues general obligations 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 University, the Texas Building and Procurement Commission, the State Preservation Board, the Texas Department of Criminal Justice, the Texas Department of Health, the Texas Parks and Wildlife Department, the Texas Department of Agriculture, the Texas Department of Human Services, the Texas Workforce Commission, the Texas State Technical College System, the Texas Military Facilities Commission, Midwestern State University, and Texas Southern University. It has also issued general obligations 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, the Texas Department of Health, the Texas Historical Commission, Texas School for the Blind and Visually Impaired, Texas School for the Deaf, the Texas Department of Agriculture, the Adjutant General's Department, the Texas Department of Transportation, and the Texas Juvenile Probation Commission.

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 75^{th} 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 "STEPHEN F. AUSTIN STATE 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 July 22, 2004. 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 project to be financed by the Bonds was 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 August 15, 2004 (the "Dated Date"), 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 October 15 and April 15 of each year, commencing April 15, 2005, 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 of 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	$5,460,000.00
Accrued Interest	14,667.53
Bid Premium	67,743.15
Total Sources of Funds	$5,542,410.68
Uses of Funds	
Deposit to Construction Fund	$5,460,000.00
Deposit to Accrued Interest Account	14,667.53
Purchaser's Compensation	39,743.15
Insurance Premium	28,000.00
Total Uses of Funds	$5,542,410.68

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, 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 ("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 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 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, 2014 are subject to redemption prior to maturity at the option of the Authority, upon the request of the Board, on October 15, 2013 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.

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"). The Paying Agent/Registrar assumes no responsibility for this Official Statement and has not reviewed or undertaken to verify any information contained herein.

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 assumes 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, New York, will act as securities depository for the Bonds (the "Bonds"). The Bonds 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 Bond certificate per maturity will be issued for the Bonds, 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 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("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 Bonds 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 Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds 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 Bonds 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 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds 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 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds 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 Bonds 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 Bonds 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 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds 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 Bonds 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, Bond 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, Bond 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.

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DEBT SERVICE REQUIREMENTS

Fiscal Year Ending 8/31	Prior Encumbered Obligations and Previously Issued Parity Obligations	The Bonds			Total Combined Debt Service
		Principal	Interest	Total	
2004	$ 4,971,364	$ -	$ -	$ -	$ 4,971,364
2005	6,068,307		153,053	153,053	6,221,360
2006	5,907,206	180,000	225,979	405,979	6,313,184
2007	4,800,838	190,000	218,579	408,579	5,209,417
2008	4,754,289	195,000	210,879	405,879	5,160,167
2009	4,706,572	205,000	202,879	407,879	5,114,451
2010	4,657,173	210,000	194,579	404,579	5,061,752
2011	3,633,493	220,000	185,979	405,979	4,039,472
2012	3,439,076	230,000	176,979	406,979	3,846,055
2013	3,443,096	240,000	167,579	407,579	3,850,675
2014	3,438,965	250,000	157,779	407,779	3,846,744
2015	3,446,204	260,000	147,579	407,579	3,853,783
2016	3,442,838	270,000	136,979	406,979	3,849,816
2017	3,439,074	280,000	125,979	405,979	3,845,053
2018	3,444,546	290,000	114,434	404,434	3,848,980
2019	3,443,638	305,000	102,160	407,160	3,850,798
2020	2,978,731	320,000	89,031	409,031	3,387,763
2021	2,974,406	330,000	75,013	405,013	3,379,419
2022	2,972,988	345,000	60,031	405,031	3,378,019
2023	1,892,294	365,000	44,056	409,056	2,301,350
2024	1,893,875	380,000	27,056	407,056	2,300,931
2025	1,895,578	395,000	9,134	404,134	2,299,713
Totals	$81,644,550	$5,460,000	$2,825,713	$8,285,713	$89,930,263

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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 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 6 below. See "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION" and "APPENDIX A – DEFINITIONS".

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 - 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 4 - Historical Summary - Total Sources of Unrestricted Current Fund Revenues"). 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, 2003, 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 REPORT OF STEPHEN F. AUSTIN STATE UNIVERSITY FOR THE YEAR ENDED AUGUST 31, 2003". See "SELECTED FINANCIAL INFORMATION" and "SECURITY FOR THE BONDS".

Available Pledged Revenues Not Including Fund Balances	$62,859,184
Pledged Unappropriated Funds and Reserve Balances	6,025,729
Total Pledged Revenues	$68,884,913

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 $6,313,184.

Additional Obligations

The Board has no plans to 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.

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 401 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 477 acres for beef and poultry production; an experimental forest in southwestern Nacogdoches County; and a forestry field station on Lake Sam Rayburn. The main campus hosts 28 major instructional buildings and 19 dormitories, representing an investment of approximately $203 million. The central library houses over 500,000 books and over 1,770,000 general collection items. The University operates a Forestry Library which, in addition to a general forestry collection, contains a highly regarded repository by the Forest History Collection. 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, 2003, the book value of all University plant fund assets was over $73 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

	Fall Semester Enrollment (Calendar Year)					
	2003	2002	2001	2000	1999	1998
Men	659	774	803	865	907	927
Women	1,095	1,209	1,358	1,393	1,350	1,426
Total	1,754	1,983	2,161	2,258	2,257	2,353
% change	-11.55%	-8.24%	-4.29%	0.04%	-4.25%	-1.13%

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Table 2 – Enrollment Data

	Headcount by Semester			
			Summer Terms	
Type of Student	Fall 2003	Spring 2004	Sum I, 2004	Sum II, 2004
Texas Resident	11,012	10,254	4,711	4,537
Out of State	279	269	124	93
Foreign	117	100	35	41
Total Enrollment	11,408	10,623	4,860	4,671
High School Scholarship	20	18	-	-
Hazelwood Act	30	29	21	20
St. Commission Blind/Deaf	31	30	12	5
Orphaned Children of Public Employees	4	3	2	-
Other Exempts and Out of State Waivers	363	363	129	101

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

Fall Enrollment Trend Data		
Fiscal Year	Students	Semester Hours
2004	11,408	140,221
2003	11,356	141,479
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,									
	2003		2002		2001		2000		1999	
Applied Arts and Sciences	298	14.22%	291	13.15%	247	11.77%	314	14.60%	275	12.43%
Business	420	20.04%	431	19.48%	405	19.29%	383	17.81%	354	16.00%
Education	442	21.09%	662	29.91%	628	29.92%	603	28.05%	710	32.10%
Fine Arts	101	4.82%	101	4.56%	94	4.48%	88	4.09%	68	3.07%
Forestry	54	2.57%	55	2.48%	64	3.05%	71	3.30%	64	2.89%
Liberal Arts	189	9.02%	186	8.41%	165	7.86%	144	6.70%	179	8.09%
Sciences & Mathematics	149	7.11%	146	6.60%	171	8.15%	169	7.86%	158	7.15%
Graduate	443	21.13%	341	15.41%	325	15.48%	378	17.59%	404	18.27%
Total	2,096	100.00%	2,213	100.00%	2,099	100.00%	2,150	100.00%	2,212	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 2003, the University employed 381 full-time instructional faculty and 201 (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:

Academic Credentials	Number
Doctorate	260
Master's Degree (or equivalent)	117
Other	4
Total	381

Academic Rank	Number	Percent Tenure
Professor	106	98.11%
Associate Professor	64	87.50%
Assistant Professor	107	18.69%
Instructor	31	0
Lecturer	43	0
Visiting Professor	9	0
Adjunct	21	0
Total	381	47.24%

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 May 31, 2004, the carrying amount of the University's deposits was $24,077,678 and total cash balances equaled $29,905,853. Bank balances of $514,664 (Category 1) were covered by federal depository insurance and $29,391,189 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		$24,077,678
Cash and Cash Equivalents		
Petty Cash on Hand	$ 257,671	
Local Funds in State Treasury	2,251,992	2,509,663
Temporary Investments		5,028,288
Total Cash and Temporary Investments		$31,615,629

Source: Annual Financial Report, Note 3 and Statement of Net Assets.

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

	Category			Carrying	Fair
Type of Security	1	2	3	Amount	Value (8/31/03)
U.S. Government Securities	$0	$39,855,519	$0	N/A	$39,855,519
Corporate Stocks		7,023,201	0	N/A	7,023,201
Government Mortgage Obligations		0			0
TOTAL	$0	$46,878,720	$0	N/A	$46,878,720
Uncategorized Investments:					
Total Cash and Deposits				N/A	$ 3,627,096
Total Deposits and Investments				N/A	$50,505,816

Endowments

As of August 31, 2003, 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 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 TRS does not separately account for each of its component governmental agencies, since it sole responsibility for retirement commitments beyond contributions fixed by the State Legislature. Further information regarding actuarial assumptions and conclusions, together with audited financial statement is included in the TRS'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 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.

The retirement expense to the State for the participants was $2,073,932 for the fiscal year ended August 31, 2003. This amount represents the portion of expended appropriations made by the Texas Legislature on behalf of the University.

SELECTED FINANCIAL INFORMATION

Audits and Financial Reports

The State 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 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. Historically, these requirements follow, as near as practicable, the AICPA Industry Audit Guide *Audits of Colleges and Universities, 1996*, as amended by *AICPA Statement of Position (SOP) 74-8, Financial Accounting and Reporting by Colleges and Universities*, and as modified by applicable Financial Accounting Standards Board (FASB) pronouncements issued through November 30, 1989, and as modified by all applicable Governmental Accounting Standards Board (GASB) pronouncements cited in Codification Section CO5, Colleges and Universities. The requirements were also in substantial conformity with the Financial Accounting and Reporting Manual for Higher Education published by the National Association of College and University Business Officers (NACUBO).

During Fiscal Year 2002, the State and the University adopted GASB Statement Nos. 34 and 35, "Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities," as amended by GASB Statement No. 37, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments Omnibus," and GASB Statement No. 38, "Certain Financial Statement Note Disclosures" (collectively, "GASB 35"). The implementation of GASB 35 is required to be undertaken by colleges and universities with total annual revenues in excess of $100 million for fiscal periods beginning after June 15, 2001. These statements establish standards for external financial reporting for public colleges and universities and require that financial statements be presented on a consolidated basis to focus on the entity as a whole. Previous financial statement presentation focused on the combined fund group perspective.

GASB 35 has materially affected the University's financial data accumulation and financial statement presentation processes. Following is a list of significant changes to the University's financial statements mandated by GASB 35, including certain changes mandated by the revised Financial Reporting Requirements of the State Comptroller of Public Accounts.

(1) The University's financial information is reported under GASB 35 as a Business-Type Activity.

(2) The measurement focus and basis of accounting is presented in full accrual, consistent with the accounting method used by private-sector institutions. All current year's revenues and expenses are recognized when earned or incurred, regardless of when cash is received or disbursed.

(3) Resources are classified for accounting and reporting purposes into the following four net asset categories: invested in capital assets – net of related debt; restricted nonexpendable; restricted expendable; and unrestricted.

(4) Revenues and expenses are categorized as operating or non-operating. Previously, a measure of operations was not presented. Significant recurring sources of the University's revenues, including State appropriations, gift contributions and investment income (loss), are considered non-operating.

(5) Depreciation of capital assets is now recognized. Previously, the historical costs of capital assets were not systematically expensed to reflect use of these assets over time. Accumulated depreciation for prior periods is reflected as a restatement to net assets, and current year's depreciation expense is shown as an operating expense, on the Combined Statement of Revenues, Expenses and Changes in Net Assets.

(6) Capitalization thresholds have increased for the 2002 and 2003 financial statements. These thresholds are personal property $5,000, buildings and improvements $100,000, and infrastructure $500,000. The University's financial statements reflect a restatement for those capital assets that no longer meet the capitalization thresholds.

(7) Receivables, cash advances and unearned revenues for sponsored programs and student tuition and fees are now recorded as deferred revenues. Previously, only unearned cash receipts were recognized as deferred revenue.

(8) Scholarships and fellowships applied to student accounts are now shown as a reduction of student tuition and residence fee revenues, while stipends and other payments made directly to students continue to be presented as scholarship and fellowship expenses. Previously, all scholarships and fellowships were presented as expenditures.

See "APPENDIX B – FINANCIAL REPORT OF STEPHEN F. AUSTIN STATE UNIVERSITY FOR THE YEAR ENDED AUGUST 31, 2003".

Table 3 - Statement of Revenues, Expenses, and Changes in Net Assets

The table on the following page presents the Statement of Revenues, Expenses and Changes in Net Assets for Fiscal Years 2002 and 2003. For historical information regarding the University's operations and financial condition for Fiscal Years 1998 through 2001, see "Table 4 - Historical Summary – Total Sources of Unrestricted Current Funds Revenues", "Table 5 - Historical Summary – Total Sources of Unrestricted Current Funds Expenditures", "Historical Summary Balance Sheet" and "Historical Summary Statement of Current Funds Revenues and Expenditures".

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	2003	2002
Operating Revenues:		
Tuition and Fees - Pledged	$ 10,666,638	$ 9,973,782
Tuition and Fees - Non-Pledged	24,101,806	24,450,034
Tuition and Fees - Discounts/Allowances	(5,904,668)	(6,597,241)
Auxiliary Enterprise - Pledged	23,738,185	23,641,649
Auxiliary Enterprise - Non-Pledged	857,712	960,638
Auxiliary Enterprise - Discounts/Allowances	(2,873,211)	(3,273,413)
Other Sales of Goods and Svcs - Non-Pledged	3,911,852	4,064,494
Interest and Investment Income	750,824	983,856
Federal Revenue	12,822,684	11,435,108
Federal Grant Pass Through Revenue	947,868	1,057,979
State Grant Revenue	1,591,117	1,297,537
State Grant Pass Through Revenue	4,638,926	3,504,499
Other Contracts and Grants	2,604,834	2,847,181
Other Operating Revenues	327,927	375,845
Total Operating Revenues	$ 78,182,494	$ 74,721,948
Operating Expenses:		
Cost of Goods Sold	8,696,482	3,266,332
Salaries and Wages	61,718,899	58,081,099
Payroll Related Costs	16,759,843	16,077,223
Professional Fees and Services	2,501,150	2,508,353
Travel	1,591,632	1,506,865
Materials and Supplies	4,186,957	6,540,248
Communication and Utilities	7,689,005	7,243,496
Repairs and Maintenance	2,203,082	1,826,439
Rentals and Leases	1,399,961	1,281,150
Printing and Reproduction	519,166	473,808
Federal Grant Pass Through Expense	280,192	104,646
Depreciation	3,508,875	2,902,624
Bad Debt Expense	4,956	7,195
Interest	1,711	60,302
Scholarships	11,833,026	9,573,396
Other Operating Expenses	9,679,949	12,963,375
Total Operating Expenses	$ 132,574,886	$ 124,416,551
Operating Income (Loss)	(54,392,392)	(49,694,603)
Nonoperating Revenues (Expenses)		
Legislative Revenue	37,958,518	39,049,965
OASI	2,538,449	2,303,892
ORP	1,129,166	1,073,545
$100 Salary Increase	460,316	1,128,452
Longevity	99,212	-
Retirement-State Match	944,766	793,320
Insurance-State Paid	5,104,615	4,724,962
Unemployment	2,851	10,703
Gifts	1,884,933	2,199,187
Investment Income	821,480	2,331,921
Investing Activities Expenses	(1,266)	(46,792)
Interest Expenses and Fiscal charges	(1,631,456)	(1,315,487)
Gain(Loss) on Sale of Capital Assets	111,072	(223,127)
Net Increase (Decrease) Fair Value	200,037	(2,071,657)
Other Non-Operating Revenues (Expenses)	30,128	(16,051)
Total Nonoperating Revenues (Expenses)	$ 49,652,821	$ 49,942,833
Income (Loss) Before Other Revenues(Expenses), Gains(Losses) and Transfers	$ (4,739,571)	$ 248,230
Other Revenues(Expenses), Gains(Losses) and Transfers		
Capital Contributions	182,168	675,659
Capital Appropriations	6,633,109	6,633,109
Additions to Permanent and Term Endowments	801,377	185,475
Transfers In	227,405	189,169
Transfers Out	(61,380)	-
Legislative Transfers In	189,209	433,343
Total Other Revenue(Expenses), Gains(Losses) and Transfers	$ 7,971,888	$ 8,116,755
Change in Net Assets	3,232,317	$ 8,364,985
Total Net Assets, Beginning of Year	104,244,150	261,294,143
Restatements	(386,522)	(165,414,978)
Total Net Assets, beginning of year, as Restated	103,857,628	95,879,165
Total Net Assets, end of year	$ 107,089,945	$ 104,244,150

Funding for the University

Funding for the University for the Fiscal Year ended August 31, 2003 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.

Tuition and Fee

The University charges tuition and fees as determined by the Texas Legislature and the Board under Chapters 54 and 55 of the Texas Education Code. Prior to a change in law effective for the Fall 2003 semester, the amount charged by the University for tuition and the designated tuition fee was subject to a per-semester-credit-hour cap set by the Texas Legislature, which permitted undergraduate tuition applicable to State residents to be charged up to $92 per semester credit hour for the 2003-2004 academic year, up to $96 per semester credit hour for the 2004-2005 academic year and up to $100 per semester credit hour for the 2005-2006 academic year.

However, notwithstanding such limitations, changes to the Texas Education Code also permitted the Board to set the designated tuition fee at any additional amount deemed necessary by the respective governing board thereof for effective operation of such institution. Additionally, state law provides the Board with various levels of authority to set other fees, rentals, rates and other charges at the level necessary to enable the Board to meet its obligations with respect to the payment of debt service on the Parity Obligations. Thus, the rate of the tuition and fees pledged as a Revenue Fund actually imposed to secure the Parity Obligations were not limited by law or the Resolution, to the extent necessary to raise such rates if there were insufficient Pledged Revenues to pay debt service on Parity Obligations. Such rates may be changed in accordance with the applicable statutory provisions.

Effective for the Fall 2003 semester, total tuition charges are comprised of "State Mandated Tuition" and "Designated Tuition," as further described below. Under current law, as more fully set forth below, the total tuition (including both the State Mandated Tuition and the Designated Tuition) charged to the University's students for the Fall 2003 was (i) $87 per semester hour for undergraduate and graduate resident students and (ii) $323 per semester hour for non resident undergraduate and graduate students. The total tuition (including both the State Mandated Tuition and the Designated Tuition) charged to the University's students for the Spring and Summer 2004 was (i) $92 per semester hour for undergraduate and graduate resident students and (ii) $328 per semester hour for non resident undergraduate and graduate students. The total tuition to be charged for the Fall 2004 is (i) $112 per semester hour for undergraduate resident students, (ii) $370 per semester hour for non resident undergraduate students; (iii) $132 per semester hour for resident graduate students; and (iv) $390 per semester hour for non-resident graduate students.

State Mandated Tuition. Section 54.0512 of the Texas Education Code, currently provides for (i) undergraduate tuition applicable to State residents to be charged at a rate of $46 per semester credit hour for the 2003-2004 academic year, $48 per semester credit hour for the 2004-2005 academic year, and $50 per semester credit hour for the 2005-2006 academic year; and (ii) tuition applicable to nonresident students to be increased to an amount equal to the average of the nonresident undergraduate tuition charged to a resident of the State at a public state university in each of the five most populous states other than the State (such amount to be computed by the Texas Higher Education Coordinating Board for each academic year). For the 2003-2004 academic year, the Texas Higher Education Coordinating Board has computed $282 per semester credit hour for nonresident undergraduate tuition.

Designated Tuition. In addition to the State Mandated Tuition described above, amendments to Section 54.0513 of the Texas Education Code, effective September 1, 2003, now permit each institution of higher education in the State, including the University, to charge tuition in any additional amount deemed necessary by the respective governing board thereof for effective operation of such institution ("Designated Tuition"). Amounts charged for Designated Tuition are included in the total per semester rates for State Mandated Tuition and Designated Tuition combined above. The amendments to Section 54.0513 of the Texas Education Code not only allow for unspecified increases in Designated

Tuition on a semester hour basis, but also to differentiate Designated Tuition for each program or course level offered. The Board decided to differentiate per semester hour charges for undergraduate and graduate Designated Tuition rates in the Fall 2004. Rates may again be adjusted for Spring 2005, but have yet to be determined.

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, 2003, 43.55% of current funds revenues were from State appropriations. The State Legislature adopted a budget for the State for the 2004-2005 biennium beginning September 1, 2003, which appropriated approximately $37,973,000 for the University from the general revenue fund for fiscal year 2004 and approximately $38,160,000 for the fiscal year 2005. These budget and appropriation amounts do not include certain employee benefits.

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 currents 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.

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.

Sales and Services

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

Other Sources

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

Information Relating to Fiscal Years 1998 through 2001

The University is not required to restate, and has not restated, prior year financials in connection with the implementation of the new accounting standards of GASB 35. The significant changes caused by these new accounting standards and the time required to implement the changes on a consistent basis made the restatement of the prior year financial statements impossible. As such, historical financial data is not comparable to the data presented in the tables for the Fiscal Years ended August 31, 2002 and 2003. See "SELECTED FINANCIAL INFORMATION – Audits and Financial Report".

Prior to adopting GASB 35, the University prepared its financial statements in accordance with the principles of fund accounting. Under the previous financial statement presentation, resources for various purposes were classified into funds in accordance with the activities or objectives specified. In addition, the University accounted for its finances within current and noncurrent funds groups. Current funds were defined as either unrestricted and available for operating purposes or other uses, as determined by the Board, or restricted and available for specific operating purposes. Noncurrent funds included loan funds, endowment and similar funds. Plant funds, which were used to construct or remodel buildings and facilities or to retire indebtedness, were reported in four categories: unexpended plant funds; renewal and replacement funds; retirement of indebtedness funds; and investment in plant funds.

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 – Audits and 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 four year period ended August 31, 2001. See "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 4 – Historical Summary - Total Sources of Unrestricted Current Funds Revenues

The following tables set forth are Historical Summaries of Total Sources of Unrestricted Current Funds Revenues for Fiscal Years 1998 through 2001 by source (as a percent of Total Unrestricted Current Funds Revenues and by dollar amount for each source of Total Unrestricted Current Funds Revenues) computed in accordance with the accounting principles in existence before the new accounting standards of GASB 35 were adopted. As stated above, the University is not required to restate, and has not restated, prior year financials in connection with the implementation of the new accounting standards of GASB 35. As such, historical financial data is not comparable to the data presented in the tables for the Fiscal Year ended August 31, 2002 and 2003. See "Information Relating to Fiscal Years 1998 through 2001".

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

Source: Unaudited Financial Reports for Fiscal Years 1998 through 2001 – Exhibit C.
*Totals may not add due to rounding.

	Fiscal Year Ended August 31,			
	2001	2000	1999	1998
Tuition and Fees	$ 31,825,605	$ 30,114,410	$ 31,415,343	$27,619,730
State Appropriations	52,508,648	52,876,035	46,793,608	46,285,199
Gifts, Grants & Contracts	1,495,772	1,211,705	429,092	331,696
Endowment, Investment, and Other Interest Income	2,256,077	1,877,799	1,343,303	2,525,387
Sales & Service	23,810,090	23,403,903	23,806,196	22,784,292
Other Sources	17,408	23,170	19,750	3,760
Total Unrestricted Current Funds Revenues*	$111,913,600	$109,507,022	$103,807,292	$99,550,064

Source: Unaudited Financial Reports for Fiscal Years 1998 through 2001 – Exhibit C.
*These figures exclude revenues that are reported as a credit against institutional support expenditures.

Current Funds Revenues of the designated service departments are not reflected in the information in Table 4 because such revenues are reported as a credit against institutional support expenditures 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 3.33% of the Unrestricted Current Funds Revenues in fiscal years 1998 through 2000.

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 four-year period ended August 31, 2001. Unrestricted Current Funds Expenditures are categorized by function.

Categories of Unrestricted Current Funds Expenditures and mandatory transfers, which are presented below as a percent of total expenditures by function and mandatory transfers, are as follows:

Table 5 – Historical Summary - Total Sources of Unrestricted Current Funds Expenditures

	Fiscal Year Ended August 31,			
	2001	2000	1999	1998
Expenditures				
Instructional and Departmental	35.08%	35.31%	34.83%	35.42%
Research	0.88%	0.86%	0.80%	0.81%
Public Service	1.45%	1.49%	1.51%	1.61%
Academic Support	5.31%	5.66%	5.78%	5.63%
Student Services	3.68%	3.76%	3.88%	3.99%
Institutional Support	9.26%	10.25%	10.90%	10.27%
Operation and Maintenance of Plant	8.67%	7.84%	7.58%	8.53%
Scholarships	4.54%	3.66%	3.92%	3.11%
Auxiliary Enterprises Expenditures	26.15%	26.07%	26.00%	25.73%
Mandatory Transfers	4.98%	5.10%	4.80%	4.90%
Total Unrestricted Current Funds Expenditures and Mandatory Transfers (E&G, Designated, and Pledged Auxiliary only)	100.00%	100.00%	100.00%	100.00%

Source: Unaudited Financial Reports for Fiscal Years 1998 through 2001 – Exhibit C.
* Totals may not add due to rounding.

	Fiscal Year Ended August 31,			
	2001	2000	1999	1998
Instruction	$ 37,136,360	$ 37,069,969	$34,454,610	$33,382,635
Research	929,282	897,673	792,744	765,846
Public Service	1,535,312	1,564,534	1,493,736	1,513,566
Academic Support	5,619,396	5,942,339	5,723,519	5,311,349
Student Services	3,890,988	3,951,638	3,834,728	3,765,668
Institutional Support	9,805,076	10,755,816	10,787,221	9,682,463
Operations and Maintenance of Plant	9,175,675	8,233,645	7,501,884	8,042,621
Scholarships & Fellowships	4,805,233	3,842,431	3,880,914	2,927,148
Auxiliary Enterprises	27,677,986	27,367,516	25,730,669	24,256,048
Mandatory Transfers	5,271,909	5,353,185	4,751,008	4,614,986
Total Unrestricted Current Funds Expenditures and Mandatory Transfers	$105,847,217	$104,978,746	$98,951,033	$94,262,330

Source: Unaudited Financial Reports for Fiscal Years 1998 through 2001 – Exhibit C.

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 fiscal years 1998 through 2001:

Fiscal Year Ended August 31,			
2001	2000	1999	1998
$16,622,272	$14,753,766	$13,511,406	$12,229,093

Historical Summary Balance Sheet

The following table sets forth a Historical Summary Balance Sheet for the University for Fiscal Years 1998 through 2001, computed in accordance with the accounting principles in existence before the accounting standards of GASB 35 were adopted. See "Information Relating to Fiscal Years 1998 through 2001".

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

Source: Financial Reports of the University.

Historical Summary Statement of Current Funds Revenues and Expenditures

The following table sets forth a Historical Summary Statement of Current Funds Revenues and Expenditures for Fiscal Years 1998 through 2001, computed in accordance with the accounting principles in existence before the new accounting standards of GASB 35 were adopted. See "Information Relating to Fiscal Years 1998 through 2001".

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

Source: Financial Reports of the University.

Higher Education Assistance Fund Bonds

Pursuant to the Higher Education Assistance Fund ("HEAF") program, established by Article VII, Section 17 of the Texas Constitution, 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 this program, 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 $1,685,000 outstanding HEAF Bonds under this program.

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Table 6 - Outstanding Indebtedness

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

Revenue Financing System	
Revenue Financing System Revenue Bonds, Series 1998	$ 4,975,000
Revenue Financing System Revenue Bonds, Series 2000	6,000,000
Revenue Financing System Revenue Bonds, Series 2002	13,125,000
Revenue Financing System Revenue Bonds, Series 2002A	1,200,000
Revenue Financing System Revenue Bonds, Series 2004	26,030,000
Revenue Financing System Revenue Bonds, Series 2004A	5,460,000
	$56,790,000
Prior Encumbered Obligations	
Consolidated University Revenue Bonds, Series 1996	$ 1,200,000
Higher Education Assistance Fund (HEAF) Bonds	
Constitutional Appropriation Bonds, Series 1995	$ 825,000
Constitutional Appropriation Bonds, Series 1996	860,000
TOTAL	$59,675,000

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.

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Investment Programs

The University invests public funds in its custody with primary emphasis on the preservation and safety of the principal amount. Secondarily, 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, 2003 were:

Category	Maximum	Actual
United States Treasury or Government securities	100%	30.66%
United States Agency securities	50%	19.98%
Mortgage-backed securities	25%	
Fully insured or collateralized certificates of deposit	100%	34.32%
Bankers' acceptances	25%	
Commercial paper	25%	
Repurchase agreements	100%	
Registered money-market funds	80%	3.08%
Local Government Investment Pool	100%	
Cash held in the State Treasury	100%	11.96%

Endowments

Although not pledged to the payment of debt obligations, the University controls or is benefited by endowments valued at August 31, 2003, of approximately $7,872,935. As of August 31, 2003, endowment funds under the direct control of the University had a book value of $7,483,523 and consisted of marketable securities and investments. Such land, real estate, and mineral rights are valued at their book value as of the date of acquisition of such property.

Future Capital Improvement Needs and Projected Debt Issuance

The University is developing a long range capital improvement plan to maintain and expand the facilities of the campus. 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.

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.

Student Center Fees

Subject to the provisions of the Resolution, the Board has covenanted and agreed to fix, levy, charge and collect student center fees required or authorized by law to be imposed on students pursuant to Section 54.520 of the Texas Education Code and a student referendum held on March 5, 2003, which passed and approved a student center fee increase; provided however, that such student center fees shall be used only for the purpose of acquiring, constructing, renovating, operating, maintaining, improving, equipping, and financing a university center or additions to the center. Improvements to the Student Center were financed with proceeds of the Revenue Financing System Revenue Bonds, Series 2004.

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 Bond 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, 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. 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 the Rule.

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;

(vii) Modify the terms of payment of principal of or interest on the Outstanding Bonds, or impose any conditions with respect to such payment; or

(viii) Adversely affect the tax exempt status of the interest on the Outstanding Bonds to the owners thereof.

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 (1) 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 (1) (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 Delgado, Acosta, Braden & Jones, P.C., El Paso, 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 firms have 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

Tax Exemption

The delivery of the Bonds is subject to the opinion of Bond Counsel to the effect that interest on the Bonds for federal income tax purposes (1) is excludable from gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date of such opinion (the "Code"), pursuant to section 103 of the Code and existing regulations, published rulings, and court decisions, and (2) does not constitute a specific item of tax preference under section 57(a)(5) of the Code, except that interest on the Bonds will be included in the "adjusted current earnings" of certain corporations for purposes of calculating the alternative minimum tax imposed on individuals or corporations pursuant to sections 55 of the Code.

The adjustment for "adjusted current earnings" set forth in section 56(g) of the Code is required in determining a corporation's alternative minimum taxable income, other than an S corporation, a qualified mutual fund, a real estate investment trust (REIT), a financial asset securitization investment trust (FASIT) or a real estate mortgage investment conduit (REMIC). Alternative minimum taxable income is increased by seventy-five percent (75%) of the excess (if any) of (i) the "adjusted current earnings" of a corporation over (ii) the alternative minimum taxable income (determined without regard to this adjustment or the alternative tax net operating loss deduction). Interest on tax-exempt obligations, including the Bonds, would generally be included in computing a corporation's "adjusted current earnings." Accordingly, a portion of any interest on the Bonds received or accrued by a corporation that owns the Bonds will be included in computing such corporation's alternative minimum taxable income for such year.

In rendering the foregoing opinions, Bond Counsel will rely upon representations and certifications of the Authority and the University made in a certificate dated the date of delivery of the Bonds pertaining to the use, expenditure, and investment of the proceeds of the Bonds and will assume continuing compliance by the Authority and the Board with the provisions of the Resolution subsequent to the issuance of the Bonds. The Resolution contains covenants by the Authority and the Board with respect to, among other matters, the use of the proceeds of the Bonds, the manner in which the proceeds of the Bonds are to be invested, the reporting of certain information to the United States Treasury, and rebating any arbitrage profits to the U. S. Treasury. Failure to comply with any of these covenants would cause interest on the Bonds to be includable in the gross income of the owners thereof from date of the issuance of the Bonds. Bond Counsel has not undertaken to monitor compliance with such covenants or to advise any party as to changes in the law after the date of issuance of the Bonds that may affect the tax-exempt status of the interest thereon.

Section 884 of the Code imposes on certain foreign corporations a branch profits tax equal to thirty percent (30%) of the "dividend equivalent amount" for the taxable year. Interest on the Bonds received or accrued by a foreign corporation subject to the branch profits tax may be included in computing the "dividend equivalent amount" of such corporation.

In addition, passive investment income, including interest on the Bonds, may be subject to federal income taxation under section 1375 of the Code for any corporation that has Subchapter C earnings and profits at the close of the taxable year, if more than twenty-five percent (25%) of the gross receipts of such S corporation is passive investment income.

Bond Counsel's opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the Authority and the Board described above. No ruling has been sought from the Internal Revenue Service (the "Service") with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel's opinion is not binding on the Service. The Service has an ongoing program of auditing the tax-exempt status of the interest on tax-exempt obligations. If an audit of the Bonds is commenced, under current procedures the Service is likely to treat the Authority as the "taxpayer", and the Bondholders would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Bonds, the Authority may have different or conflicting interests from the Bondholders. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit, regardless of its ultimate outcome.

Except as described above, Bond Counsel expresses no other opinion with respect to any other federal, state or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise eligible for the earned income tax credit, owners of an interest in a FASIT, controlled foreign corporations, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. The Code denies the earned income credit to an individual who is otherwise eligible if the aggregate amount of disqualified income exceeds certain limits set forth in Section 32(i) and 32(j) of the Code. Interest on the Bonds will constitute disqualified income for this purpose. The Code also provides that for years beginning after

December 31, 2010 the earned income credit is phased out if the modified adjusted gross income of the taxpayer exceeds certain amounts. Interest on the Bonds will be included in determining the modified adjusted gross income of the taxpayer. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances. In addition, attention is called to the fact that section 265(b)(1) of the Code eliminates the interest deduction otherwise allowable with respect to indebtedness deemed incurred by banks, thrift institutions and other financial institutions to purchase or to carry tax-exempt obligations acquired after August 7, 1986 other than "qualified tax-exempt obligations" as defined in section 265(b)(3) of the Code. The Bonds are not "qualified tax-exempt obligations" for purposes of section 265(b)(3) of the Code.

Tax Accounting Treatment of Discount and Premium on Certain Bonds

The initial offering price of certain Bonds is less than the amount payable on such Bond at its maturity (a "Discount Bond"). An amount equal to the difference between the initial public offering price of a Discount Bond (assuming that a substantial amount of the Discount Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount Bond. A portion of such original issue discount allocable to the holding period of such Discount Bond by the initial purchaser will, upon the disposition of such Discount Bond (including by reason of its payment at maturity), be treated as interest excludable from gross income, rather than as taxable gain, for federal income tax purposes, on the same terms and conditions as those for other interest on the Bonds described above under "Tax Exemption". Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount Bond, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount Bond and generally will be allocated to an original purchaser in a different amount from the amount of the payment denominated as interest actually received by the original purchaser during the tax year.

However, such interest may be required to be taken into account in determining the alternative minimum taxable income of a corporation, for purposes of calculating a corporation's alternative minimum tax imposed by Section 55 of the Code, and the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, S corporations with "subchapter C" earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise eligible for the earned income tax credit, owners of an interest in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Moreover, in the event of the redemption sale or other taxable disposition of a Discount Bond by the initial owner prior to maturity, the amount realized by such owner in excess of the basis of such 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 Discount Bond was held) is includable in gross income.

Owners of Discount Bonds should consult with their own tax advisors with respect to the determination of accrued original issue discount on Discount Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Discount Bonds. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on Discount Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.

The initial public offering price of certain Bonds may be greater than the amount payable on such Bonds at maturity (the "Premium Bonds"). An amount equal to the difference between the initial public offering price of a Premium Bond (assuming that a substantial amount of the Premium Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes premium to the initial purchaser of such Premium Bonds. The basis for federal income tax purposes of a Premium Bond in the hands of such initial purchaser must be reduced each year by the amortizable bond premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Bond. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser's yield to maturity.

Purchasers of the Premium Bonds should consult with their own tax advisors with respect to the determination of amortizable bond premium on Premium Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Premium Bonds.

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. 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 "A2" and "A+", respectively, to the Bonds. The Bonds will be rated "Aaa" by Moody's and "AAA" by Fitch as a result of the policy issued by MBIA Insurance Corporation (see "BOND INSURANCE"). 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.

BOND INSURANCE

The following information has been provided by MBIA Insurance Corporation. Neither the Authority, the University, nor the Financial Advisor make any representation as to its accuracy or completeness. MBIA Insurance Corporation (the "Insurer") has issued a policy containing the following provisions, such policy being on file at Regions Bank, Little Rock, Arkansas.

The Insurer, in consideration of the payment of the premium and subject to the terms of this policy, hereby unconditionally and irrevocably guarantees to any owner, as hereinafter defined, of the following described obligations, the full and complete payment required to be made by or on behalf of the Authority to Regions Bank or its successor (the "Paying Agent") of an amount equal to (i) the principal of (either at the stated maturity or by any advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Obligations (as that term is defined below) as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed hereby shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law. The amounts referred to in clauses (i) and (ii) of the preceding sentence shall be referred to herein collectively as the "Insured Amounts." "Obligations" shall mean:

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any owner of an Obligation the payment of an Insured Amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment of any such Insured Amounts which are then due. Upon presentment and surrender of such Obligations or presentment of such other proof of ownership of the Obligations, together with any appropriate instruments of assignment to evidence the assignment of the Insured Amounts due on the Obligations as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Obligations in any legal proceeding related to payment of Insured Amounts on the Obligations, such instruments being in a form satisfactory to U.S. Bank Trust National Association, U.S. Bank Trust National Association shall disburse to such owners or the Paying Agent payment of the Insured Amounts due on such Obligations, less any amount held by the Paying Agent for the payment of such Insured Amounts and legally available therefor. This policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Obligation.

As used herein, the term "owner" shall mean the registered owner of any Obligation as indicated in the books maintained by the Paying Agent, the Authority, or any designee of the Authority for such purpose. The term owner shall not include the Authority or any party whose agreement with the Authority constitutes the underlying security for the Obligations.

Any service of process on the Insurer may be made to the Insurer at its offices located at 113 King Street, Armonk, New York 10504 and such service of process shall be valid and binding.

This policy is non-cancellable for any reason. The premium on this policy is not refundable for any reason including the payment prior to maturity of the Obligations.

DISCLOSURE OF GUARANTY FUND NONPARTICIPATION: In the event the Insurer is unable to fulfill its contractual obligation under this policy or contract or application or certificate or evidence of coverage, the policyholder or certificate holder is not protected by an insurance guaranty fund or other solvency protection arrangement.

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 2004. 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 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 the Rule. 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 the Rule 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 the Rule.

INITIAL PURCHASER

After requesting competitive bids for the Bonds, the Authority accepted the bid of Southwest Securities Inc. (the "Initial Purchaser") to purchase the Bonds at the interest rates shown on the cover page of this Official Statement at a price of par plus accrued interest. The Initial Purchaser 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.

FINANCIAL ADVISOR

Public Financial Management has acted as Financial Advisor to the Authority in connection with the issuance of the Bonds. The 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 Financial Advisor has read and participated in the preparation of this Official Statement, it has 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 Financial Advisor 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 30, 2004, 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

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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 Delgado, Acosta, Braden & Jones, P.C., El Paso, Texas 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 2004A, issued in the aggregate principal amount of $5,460,000 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 affect 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.

"Non-Recourse Debt" means any Debt secured by a lien (other than a lien on Pledged Revenues), liability for which is effectively limited to the property subject to such lien with no recourse, directly or indirectly, to any other property of the Board attributable to the Financing System; provided, however, that such Debt is being incurred in connection with the acquisition of property only, which property is not, at the time of such occurrence, owned by the Board and being used in the operations of a Participant.

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

"*Opinion of Bond 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 Bonds, Series 1996, outstanding, as of January 1, 2004, in the aggregate principal amount of $1,200,000.

"*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, the Series 2000 Bonds, the Series 2002 Bonds and the Series 2002A Bonds and the Series 2004 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. To the extent authorized by law, the definition of "Revenue Funds" includes student center fees authorized by Section 54.520, Texas Education Code[1]. 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.

"*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.

[1] The 78th Legislature enacted H.B. 882, amending Section 54.520, Texas Education Code, which authorizes the University to charge students a student center fee passed and approved by a student referendum that can be used for the financing of a university center. Pursuant to a referendum held on March 5, 2003, the students approved the imposition of the student center fees.

"*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

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APPENDIX B

FINANCIAL REPORT OF STEPHEN F. AUSTIN STATE UNIVERSITY
FOR THE YEAR ENDED AUGUST 31, 2003

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Stephen F. Austin
State University

UNAUDITED

FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2003

TITO GUERRERO, III, PRESIDENT
ROLAND SMITH, VICE PRESIDENT OF BUSINESS AFFAIRS

NACOGDOCHES, TEXAS

TABLE OF CONTENTS

Stephen F. Austin
State University

November 20, 2003

Honorable Rick Perry, Governor
Honorable Carole Keeton Strayhorn, Texas Comptroller
John Keel, Director, Legislative Budget Board
Lawrence F. Alwin, CPA, State Auditor

Lady and Gentlemen:

We are pleased to submit the Annual Financial Report of Stephen F. Austin State University for the year ended August 31, 2003, in compliance with TEX. GOV'T CODE ANN Sec. 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 Dora Fuselier, at (936) 468-2112. Lisa Langlotz may be contacted at (936) 468-2250 for questions related to the Schedule of Expenditures of Federal Awards.

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, 2003

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, 2003.

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
Controller

Approved:

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

P.O. Box 13035, SFA Station • Nacogdoches, Texas 75962-3035 • (936) 468-2303 – Office • (936) 468-2207 - FAX

STEPHEN F. AUSTIN STATE UNIVERSITY
ORGANIZATIONAL DATA
August 31, 2003

Board of Regents

Officers

Kenneth James, Chair
Lyn Stevens, Vice Chair
Fred A. Wulf, 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-Grahm	Tyler, Texas	2007
Kenneth James	Kingwood, Texas	2007
Fred 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.

STEPHEN F. AUSTIN STATE UNIVERSITY
Agency No. 755
Statement of Net Assets
For the Fiscal Year Ended August 31, 2003

	Total
Assets	
Current Assets:	
Cash and Cash Equivalents:	
Cash on Hand	$ 1,145,098
Cash in Bank	9,773,612
Cash in Transit/Reimb due from Treasury	723,112
Cash in State Treasury	2,378,232
Cash Equivalents	8,993,505
Restricted:	
Cash and Cash Equivalents	
Cash in Bank	11,130,885
Legislative Appropriations	10,057,591
Restricted Short-term Investments	10,181,965
Receivables:	
Intergovernmental Receivables:	
Federal Receivables	748,753
State Receivables	202,150
Student Receivables	4,809,135
Accounts Receivables	1,172,032
Due From Other Agencies:	
Federal	112,685
State	18,606
Inventories:	
Consumable	446,714
Merchandise	2,398,398
Deferred Charges	8,157,249
Student Loans and Contracts	5,238,028
Allowance for Doubtful Accounts	(72,041)
Total Current Assets	77,615,709
Noncurrent Assets:	
Restricted:	
Investments	11,486,969
Student Loans and Contracts	2,820,476
Allowance for Doubtful Accounts	(38,792)
Unrestricted:	
Receivables	2,875,859
Investments	17,486,758
Capital Assets, Non-depreciable:	
Land and Land Improvements	3,428,957
Construction in Progress	17,419,890
Other Capital Assets	22,053,321
Capital Assets, Depreciable:	
Buildings and Building Improvements	148,810,752
Less Accumulated Depreciation	(127,786,595)
Infrastructure	7,710,890
Less Accumulated Depreciation	(4,975,276)
Facilities and Other Improvements	3,702,642
Less Accumulated Depreciation	(3,071,762)
Furniture and Equipment	15,542,148
Less Accumulated Depreciation	(10,313,467)
Vehicles, Boats, and Aircraft	4,195,879
Less Accumulated Depreciation	(2,930,468)
Other Capital Assets	205,150
Less Accumulated Depreciation	(183,169)
Total Noncurrent Assets	108,440,162
Total Assets	$ 186,055,871

See accompanying Notes to the Financial Statement

STEPHEN F. AUSTIN STATE UNIVERSITY
Agency No. 755
Statement of Net Assets
For the Fiscal Year Ended August 31, 2003

		Total
Liabilities		
Current Liabilities:		
Payables:		
Accounts Payable	$	2,759,759
Payroll Payable		4,151,525
Benefits Payable		1,058,694
Deposits Payable		172,527
Due to Other Agencies		92,454
Deferred Revenues:		
Tuition and Fees		16,866,470
Sales and Services		8,744,355
Grants and Contracts		1,421,179
Employees' Compensable Leave		398,172
Capital Lease Obligations		189,861
Revenue Bonds Payable		1,720,000
Tuition Revenue Bonds Payable		670,000
General Obligation Bonds Payable		1,185,000
Accrued Bond Interest Payable		555,002
Funds Held for Others		6,661,184
Other Current Liabilities		721,962
Total Current Liabilities		47,368,144
Noncurrent Liabilities:		
Deposits		977,654
Capital Lease Obligations		691,835
Employees' Compensable Leave		1,743,293
Revenue Bonds Payable		8,400,000
Tuition Revenue Bonds Payable		18,100,000
General Obligation Bonds Payable		1,685,000
Total Noncurrent Liabilities		31,597,782
Total Liabilities	$	78,965,926
Net Assets		
Invested in Capital Assets, Net of Related Debt	$	49,803,929
Restricted for:		
Debt Retirement		300,000
Capital Projects		951,690
Funds Held as Permanent Endowments:		
Non-Expendable		5,945,548
Expendable		1,614,829
Other		9,886,237
Unrestricted		38,587,712
Total Net Assets	$	107,089,945

STEPHEN F. AUSTIN STATE UNIVERSITY
Agency No. 755
Statement of Revenues, Expenses, and
Changes in Net Assets
For the Fiscal Year Ended August 31, 2003

		Total
Operating Revenues:		
Tuition and Fees – Pledged	$	10,666,638
Tuition and Fees – Non-Pledged		24,101,806
Tuition and Fees – Discounts/Allowances		(5,904,668)
Auxiliary Enterprise – Pledged		23,738,185
Auxiliary Enterprise – Non-Pledged		857,712
Auxiliary Enterprise – Discounts/Allowances		(2,873,211)
Other Sales of Goods and Svcs - Non-Pledged		3,911,852
Interest and Investment Income (GR)		489,356
Interest and Investment Income (PR)		261,468
Federal Revenue		12,822,684
Federal Grant Pass Through Revenue		947,868
State Grant Revenue		1,591,117
State Grant Pass Through Revenue		4,638,926
Other Contracts and Grants		2,604,834
Other Operating Revenues		327,927
Total Operating Revenues		78,182,494
Operating Expenses:		
Cost of Goods Sold		8,696,482
Salaries and Wages		61,718,899
Payroll Related Costs		16,759,843
Professional Fees and Services		2,501,150
Travel		1,591,632
Materials and Supplies		4,186,957
Communication and Utilities		7,689,005
Repairs and Maintenance		2,203,082
Rentals and Leases		1,399,961
Printing and Reproduction		519,166
Federal Grant Pass Through Expense		280,192
Depreciation		3,508,875
Bad Debt Expense		4,956
Interest		1,711
Scholarships		11,833,026
Other Operating Expenses		9,679,949
Total Operating Expenses		132,574,886
Operating Income (Loss)		(54,392,392)

STEPHEN F. AUSTIN STATE UNIVERSITY
Agency No. 755
Statement of Revenues, Expenses, and
Changes in Net Assets
For the Fiscal Year Ended August 31, 2003

		Total
Nonoperating Revenues (Expenses)		
Legislative Revenue		37,958,518
OASI		2,538,449
ORP		1,129,166
$100 Salary Increase		460,316
Longevity		99,212
Retirement-State Match		944,766
Insurance-State Paid		5,104,615
Unemployment		2,851
Gifts		1,884,933
Investment Income		821,480
Investing Activities Expenses		(1,266)
Interest Expenses and Fiscal charges		(1,631,456)
Gain(Loss) on Sale of Capital Assets		111,072
Net Increase (Decrease) Fair Value		200,037
Other Non-Operating Revenues (Expenses)		30,128
Total Nonoperating Revenues (Expenses)		49,652,821
Income (Loss) Before Other Revenues(Expenses), Gains(Losses) and Transfers		(4,739,571)
Other Revenues(Expenses), Gains(Losses) and Transfers		
Capital Contributions		182,168
Capital Appropriations		6,633,109
Additions to Permanent and Term Endowments		801,377
Transfers In		227,405
Transfers Out		(61,380)
Legislative Transfers In		189,209
Total Other Revenue(Expenses), Gains(Losses) and Transfers		7,971,888
Change in Net Assets		3,232,317
Total Net Assets, September 1, 2002		104,244,150
Restatements		(386,522)
Total Net Assets, September 1, 2002, as Restated		103,857,628
Total Net Assets, August 31, 2003	$	107,089,945

See accompanying Notes to the Financial Statements

STEPHEN F. AUSTIN STATE UNIVERSITY
Agency No. 755
Matrix of Operating Expenses Reported by Function
For the Fiscal Year Ended August 31, 2003

Operating Expenses	Instruction	Research	Public Service	Academic Support	Student Services	Institutional Support
Cost of Goods Sold	$	$	$ 1,378	$ 2,700	$ 1,966	$ 5,943
Salaries and Wages	33,309,196	2,173,821	997,039	3,874,865	3,270,346	4,913,832
Payroll Related Costs	7,557,636	517,732	214,171	886,142	759,204	3,085,322
Professional Fees and Services	540,462	89,365	267,623	21,272	1,306	204,796
Travel	476,291	149,101	128,926	47,305	90,638	122,955
Materials and Supplies	866,777	148,090	343,748	113,771	332,765	328,610
Communications and Utilities	226,790	33,572	24,784	480,156	38,935	265,120
Repairs and Maintenance	244,575	114,604	52,515	107,061	15,920	652,562
Rentals and Leases	281,982	92,771	288,602	57,028	117,360	116,939
Printing and Reproduction	167,092	26,053	64,134	69,146	160,922	(272,158)
Federal Pass-Through Expenses		280,192				
Depreciation						
Bad Debt Expense					4,956	
Interest	276	61	19	10		752
Scholarships	1,314,938	41,293	4,600			
Other Operating Expenses	1,941,554	469,446	332,936	837,172	277,184	1,686,748
Total Operating Expenses	$ 46,927,569	$ 4,136,101	$ 2,720,475	$ 6,496,628	$ 5,071,502	$ 11,111,421

STEPHEN F. AUSTIN STATE UNIVERSITY
Agency No. 755
Matrix of Operating Expenses Reported by Function
For the Fiscal Year Ended August 31, 2003

Operating Expenses	Operation and Maintenance of Plant	Scholarships and Fellowships	Auxiliary Enterprises	Depreciation and Amortization	Total Expenditures
Cost of Goods Sold	$ 29,620	$	$ 8,654,875	$	$ 8,696,482
Salaries and Wages	4,014,999	56,047	9,108,754		61,718,899
Payroll Related Costs	1,141,668	1,576	2,596,392		16,759,843
Professional Fees and Services	1,069,456	664	306,206		2,501,150
Travel	(2,759)		579,175		1,591,632
Materials and Supplies	946,340	1,740	1,105,116		4,186,957
Communications and Utilities	3,667,958	29	2,951,661		7,689,005
Repairs and Maintenance	(458,035)		1,473,880		2,203,082
Rentals and Leases	37,327		407,952		1,399,961
Printing and Reproduction	1,728	153	302,096		519,166
Federal Pass-Through Expenses					280,192
Depreciation				3,508,875	3,508,875
Bad Debt Expense					4,956
Interest	550		43		1,711
Scholarships		8,820,728	1,651,467		11,833,026
Other Operating Expenses	1,443,569	109,250	2,582,090		9,679,949
Total Operating Expenses	$ 11,892,421	$ 8,990,187	$ 31,719,707	$ 3,508,875	$ 132,574,886

STEPHEN F. AUSTIN STATE UNIVERSITY
Agency No. 755
Statement of Cash Flows
For the Fiscal Year Ended August 31, 2003

	Total
Cash Flows From Operating Activities	
Proceeds Received from Tuition and Fees	$ 29,321,347
Proceeds Received from Auxiliary Services	25,201,721
Proceeds from Grants and Contracts	17,546,515
Proceeds from Interest	750,824
Proceeds from Other Revenues	338,134
Payments to Suppliers for Goods and Services	(37,716,984)
Payments to Employees for Salaries	(61,457,040)
Payments to Employees for Benefits	(16,759,843)
Payments for Loans Issued to Students and Employees	(138,793)
Payments for Other Expenses	374,147
Payments for Scholarships	(11,833,026)
Payments for Interest	(1,711)
Net Cash Provided (Used) by Operating Activities	(54,374,709)
Cash Flows from Noncapital Financing Activities	
Proceeds from State Appropriations	50,748,434
Proceeds from Gifts & Grants	1,884,933
Proceeds from Transfers from Other Agencies	355,234
Proceeds from Other Revenues	30,128
Proceeds from Endowments	234,731
Net Cash Provided (Used) by Noncapital Financing Activities	53,253,460
Cash Flows from Capital and Related Financing Activities	
Proceeds from Sale of Capital Assets	111,072
Proceeds from Debt Issuance	2,177,360
Proceeds from State Appropriatons-HEAF	6,633,109
Proceeds from Capital Grants and Gifts	182,168
Proceeds from Interest on Capital Investments	206,709
Payments for Additions to Capital Assets	(14,254,815)
Payments of Principal on Capital Debt	(3,773,036)
Payments of Interest on Capital Debt	(1,446,834)
Net Cash Provided (Used) by Capital and Related Financing Activities	(10,164,267)
Cash Flows from Investing Activities	
Proceeds from Sales of Investments	3,872,029
Proceeds from Interest Income from Investments	613,505
Net Cash Provided (Used) by Investing Activities	4,485,534
Increase (Decrease) in Cash and Cash Equivalents	$ (6,799,982)

STEPHEN F. AUSTIN STATE UNIVERSITY
Agency No. 755
Statement of Cash Flows
For the Fiscal Year Ended August 31, 2003

		Total
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Operating Income (Loss)	$	(54,392,392)
Amortization and Depreciation		3,508,875
Bad Debt Expense		4,956
Operating Income and Cash Flow Categories		
Changes in Current Assets and Liabilities		
(Increase) Decrease in Receivables		(3,775,298)
(Increase) Decrease in Inventories		(823,490)
(Increase) Decrease in Loans to Students		(5,170,943)
(Increase) Decrease in Other Assets		69,955
(Increase) Decrease in Prepaid Expenses		1,349,798
(Increase) Decrease in Due from Other Agencies		172,658
Increase (Decrease) in Payables		(179,019)
Increase (Decrease) in Due to Other Agencies		(544,064)
Increase (Decrease) in Deferred Income		(2,969,803)
Increase (Decrease) in Compensated Absences		164,668
Increase (Decrease) in Current Portion Capital Lease Obligations		36,619
Increase (Decrease) in Current Portion of Bonds Payable		810,000
Increase (Decrease) in Other Liabilities		654,339
Increase (Decrease) in Assets Held for Others		554,548
Changes in Non-Current Assets and Liabilities		
Increase in Compensated Absences		17,874
Increase in Deposits Payable		10,768
Increase in Student Receivables		1,939,711
Increase in Loans to Students		5,032,150
Cash Reported in Other Categories		
Increase (Decrease) in Current Portion of Bonds Payable		(810,000)
Increase (Decrease) in Capital Lease Obligations		(36,619)
Net Cash Provided (Used) by Operating Activities	$	(54,374,709)
Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets		
Cash and Cash Equivalents, August 31, 2002	$	40,944,426
Increase (Decrease) in Cash and Cash Equivalents		(6,799,982)
Cash and Cash Equivalents, August 31, 2003	$	34,144,444
Displayed as:		
Cash on Hand	$	1,145,098
Cash in Bank		9,773,612
Cash in Transit/Reimb. Due from Treasury		723,112
Cash in State Treasury		2,378,232
Cash Equivalents		8,993,505
Cash in Bank, Restricted		11,130,885
	$	34,144,444

NOTE 1: Summary of Significant Accounting Policies

Entity

Stephen F. Austin State University (the University) is an agency of the State of Texas and its financial records comply with state statutes and regulations. This includes compliance with the Texas Comptroller of Public Accounts' Reporting Requirements for State Agencies.

The University serves the State as a public institution of higher education.

Due to the significant changes related to Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, the Comptroller of Public Accounts does not require the accompanying annual financial report to be in compliance with generally accepted accounting principles (GAAP). 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.

The University has not included any other component unit within this report.

Blended Component Units
No component units have been identified which should have been blended into an appropriated fund.

Discrete Component Units
No component units have been identified which should have been discretely presented.

Fund Structure
The accompanying financial statements are presented on the basis of funds, each of which is considered a separate accounting entity.

Proprietary Fund Types

Enterprise Funds
Enterprise Funds are used to account for any activity for which a fee is charged to external users for goods or services. Activities must be reported as enterprise funds if any one of the following criteria is met.

1. The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity.
2. Laws or regulations require that the activity's costs of providing services including capital costs (such as depreciation or debt service), be recovered with fees and charges.
3. The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs.

Internal Service Funds
Internal Service Funds are used to account for the financing of goods and services provided by one department or agency to other departments or agencies of a governmental unit, or to other governmental units, within the State, on a cost reimbursement basis.

Fiduciary Fund Types

Fiduciary Funds account for assets held by the State in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. When assets are held under the terms of a formal trust agreement, either a pension trust fund, or a private purpose trust fund is used.

Agency Funds
Agency Funds are used to account for assets the government holds on behalf of others in a purely custodial capacity. Agency funds involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

Basis of Accounting

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

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

Budget and Budgetary Accounting

The budget is prepared annually and represents appropriations authorized by the legislature biennially and approved by the Governor (the General Appropriations Act) and locally generated sources of funds.

Unencumbered appropriations are generally subject to lapse 60 days after the end of the fiscal year for which they were appropriated.

Assets, Liabilities, and Fund Balances/Net Assets

ASSETS

Cash and Cash Equivalents

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

Restricted Assets

Restricted assets include monies or other resources restricted by legal or contractual requirements. These assets include proceeds of enterprise fund general obligation and revenue bonds and revenues set aside for statutory or contractual requirements.

Inventories

Inventories include both merchandise inventories on hand for sale and consumable inventories. Inventories are valued at cost.

Capital Assets

Assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year are capitalized. These assets are capitalized at cost or, if not purchased, at appraised fair value as of the date of acquisition. Depreciation is reported on all "exhaustible" assets. “Inexhaustible" assets such as works of art, historical treasures, and library holdings are not depreciated. Assets are depreciated over the estimated useful life of the asset using the straight-line method.

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

Other Receivables

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

LIABILITIES

Accounts Payable

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

Other Payables

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

Employees' Compensable Leave Balances

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

Capital Lease Obligations

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

Bonds Payable - Revenue Bonds

The principal of revenue bonds is reported separately as either current or noncurrent in the statement of net assets. Bonds payable are recorded at par. Interest expense is recorded on the accrual basis.

Bonds Payable – Tuition Revenue Bonds

The principal of tuition revenue bonds is reported separately as either current or noncurrent in the statement of net assets. Bonds payable are recorded at par. Interest expense is recorded on the accrual basis.

Bonds Payable - General Obligation Bonds

The principal of general obligation bonds is reported separately as either current or noncurrent in the statement of net assets. Bonds payable are recorded at par. Interest expense is recorded on the accrual basis.

FUND BALANCE/NET ASSETS

The difference between fund assets and liabilities is 'Net Assets'.

Invested in Capital Assets, Net of Related Debt

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

Restricted Net Assets

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

Unrestricted Net Assets

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

INTERFUND TRANSACTIONS AND BALANCES

The University has the following types of transactions among funds:

- Transfers: Legally required transfers that are reported when incurred as 'Transfers In' by the recipient fund and as 'Transfers Out' by the disbursing fund.
- Reimbursements: Repayments from funds responsible for expenditures or expenses to funds that made the actual payment. Reimbursements of expenditures made by one fund for another that are recorded as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund. Reimbursements are not displayed in the financial statements.
- Interfund receivables and payables: Interfund loans are reported as interfund receivables and payables. If repayment is due during the current year or soon thereafter it is classified as "Current"; repayment for two or more years is classified as "Non-Current".

- Interfund Sales and Purchases: Charges or collections for services rendered by one fund to another that are recorded as revenues of the recipient fund and expenditures or expenses of the disbursing fund.

The composition of the University's Interfund receivables and payables are presented in Note 7.

NOTE 2: Capital Assets

A summary of changes in Capital Assets for the year ended August 31, 2003, is presented below:

	Balance 9/01/02	Adjustments*	Reclassifications	Additions	Deletions	Balance 8/31/03
Business-type Activities:						
Non-depreciable Assets						
Land & Land Improvements	$2,928,780			$531,201	$(31,024)	$3,428,957
Construction in Progress	16,255,621		(8,997,950)	10,162,219		17,419,890
Other Capital Assets	21,302,782			750,539		22,053,321
Total Non-depreciable Assets	40,487,183		(8,997,950)	11,443,959	(31,024)	42,902,168
Depreciable Assets						
Buildings & Building Improvements	139,523,111	(234,892)		9,522,533		148,810,752
Infrastructure	7,710,891	(1)				7,710,890
Facilities & Other Improvements	3,702,642					3,702,642
Furniture & Equipment	15,243,376	(41,039)	68,551	1,770,896	(1,499,636)	15,542,148
Vehicles, Boats, & Aircraft	4,111,922	(18,066)	43,491	650,100	(591,568)	4,195,879
Other Capital Assets	205,150					205,150
Total Depreciable Assets at Historical Cost	170,497,092	(293,998)	112,042	11,943,529	(2,091,204)	180,167,461
Less Accumulated Depreciation for:						
Buildings & Improvements	(126,547,082)	223,162		(1,462,675)		(127,786,595)
Infrastructure	(4,730,954)			(244,324)		(4,975,276)
Facilities & Other Improvements	(3,026,700)			(45,062)		(3,071,762)
Furniture & Equipment	(10,288,402)	(9,168)	(4,570)	(1,423,606)	1,412,279	(10,313,467)
Vehicles, Boats, & Aircraft	(3,158,181)	7,443	(1,033)	(303,902)	525,205	(2,930,468)
Other Capital Assets	(153,862)			(29,307)		(183,169)
Total Accumulated Depreciation	(147,905,181)	221,438	(5,603)	(3,508,875)	1,937,484	(149,260,737)
Depreciable Assets, Net	22,591,911	(72,560)	106,439	8,434,654	(153,720)	30,906,724
Business-type Activities Capital Assets, Net	$63,079,094	$(72,560)	$(8,891,511)	$19,878,613	$(184,744)	$73,808,892

*The total of $(72,560) in the adjustments column is the restatement of accumulated depreciation for the prior year, decreasing net assets in the amount of $(16,142), and $237,580 adjustment to accumulated depreciation for corrections and adjustments to State Property Accounting records for the current year. $(293,998) is cumulative adjustments to assets as recorded in State Property Accounting records for the current year.

NOTE 3: Deposits, Investments, and Repurchase Agreements

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

Deposits of Cash in Bank

A. The carrying amount of $27,721,345 for Cash in Bank (including restricted assets) is presented below.

B. The bank balance of the 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 institutions, or by its trust department or agent but not in the governmental entity's name).

Category 1	Category 2	Category 3	Bank Balance	Carrying Amount
$541,702	$25,368,352		$25,910,054	$27,721,345

Consisting of the following:

Demand Deposits	$20,904,497
Proprietary Funds Certificates of Deposit	6,816,848
Total Deposits Carrying Amounts	$27,721,345

Investments

The fair values of investments as of the balance sheet date are shown below. Investments are categorized to give an indication of the level of risk assumed by the University at year-end. The three categories are:

Category 1: Investments that are insured or registered, or for which the securities are held by the University, or its agent in the University's name.

Category 2: Uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the University'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 University's name.

Type of Security	Category 1	Category 2	Category 3	Fair Value
Govt. Investments		$19,171,048		$19,171,048
Govt. Mortgage Obligations		3,606,061		3,606,061
Corporate Stock		4,954,596		4,954,596
Totals		$27,371,705		$27,371,705

Uncategorized Investments:

Other (Money Market and Sweep Accounts)	$13,960,644
Total Investments	$41,332,349
Consisting of the following:	
Cash Equivalents	$ 8,993,505
Proprietary Funds Current Short Term Investments	
Proprietary Funds Current Restricted Short Term Investments	10,181,965
Proprietary Funds Non-Current Restricted Investments	11,476,894
Proprietary Funds Non-Current Unrestricted Investments	10,679,985
Total, as above	41,332,349
Proprietary Funds CDs disclosed as Deposits but reported as Non-Current Restricted Investments on Financial Statement	10,075
Proprietary Funds CDs disclosed as Deposits but reported as Non-Current Investments on Financial Statement	6,806,773
Total Investments per Financial Statements (includes Cash Equivalents)	$48,149,197

Reverse Repurchase Agreements

The 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, 2003, the University was not participating in reverse repurchase agreements.

Securities Lending

The University may participate in a security-lending program. In securities lending transactions, the University transfers its securities to broker-dealers and other entities for collateral - which may be cash or securities - and simultaneously agrees to return the collateral for cash or 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 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, any borrower or lending agent default losses, and no recoveries of prior-period losses during the year.

As of August 31, 2003, 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.

As of August 31, 2003, the University owned no derivatives.

NOTE 4: Summary of Long-Term Liabilities

Changes in Long-Term Liabilities

During the year ended August 31, 2003, the following changes occurred in liabilities:

Business-type Activities	Balance 09/01/02	Additions	Reductions	Balance 08/31/03	Amounts Due Within One Year
Deposits Payable	1,133,984	648,216	632,018	1,150,182	172,527
Revenue Bonds Payable	10,475,000	1,320,000	1,675,000	10,120,000	1,720,000
Tuition Revenue Bonds Payable	19,485,000		715,000	18,770,000	670,000
General Obligation B/P	4,000,000		1,130,000	2,870,000	1,185,000
Capital Lease Obligations	277,372	857,360	253,036	881,696	189,861
Compensable Leave	1,958,923	182,542		2,141,465	398,172
Total Business-type Activities	37,330,279	3,008,118	4,405,054	35,933,343	4,335,560

Claims and Judgments

The University had no unpaid settlements as of August 31, 2003.

Employees' Compensable Leave

A State employee is entitled to be paid for all unused vacation time (annual leave) 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. The University reports the liability for the unpaid annual leave on the Statement of Net Assets. No liability is recorded for sick pay benefits.

NOTE 5: Capital Leases

The University has entered into long-term leases for financing the purchase of certain fixed assets. Such leases are classified as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments at the inception of the lease. The following is a summary of original capitalized costs of all such property under lease as well as the accumulated depreciation as of August 31, 2003:

Assets Under Capital Leases	Business-type Activities
Furniture and Equipment	1,138,948
Less: Accumulated Depreciation	266,241
Vehicles	563,959
Less: Accumulated Depreciation	102,304
Total	1,334,362

Future minimum lease payments under these capital leases, together with the present value of the net minimum lease payments at fiscal year-end, are as follows:

Future minimum lease payments	Business-type Activities	
	Principal	Interest
2004	189,861	38,227
2005	151,827	28,160
2006	142,004	21,944
2007	148,234	15,714
2008	145,476	9,225
2009-2013	104,294	4,171
Total Minimum Lease Payments	999,137	
Less: Amount Representing Interest at Various Rates	117,441	
Present value of Net Minimum Lease Payments	881,696	

NOTE 6: Operating Lease Obligations

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

Year Ended August 31, 2003	
2004	120,520
2005	98,995
2006	86,350
2007	65,731
2008	25,324
2009-2013	0

NOTE 7: Interfund Balances/Activities

As explained in Note 1, numerous transactions between funds and agencies are recorded as interfund activities. At year-end amounts to be received or paid are reported as:

- Interfund Receivables or Interfund Payables
- Due From Other Agencies or Due To Other Agencies
- Due From Other Funds or Due To Other Funds
- Transfers In or Transfers Out
- Legislative Transfers In or Legislative Transfers Out

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

Individual balances and activity at August 31, 2003, follow:

Current Portion	Current Interfund Receivable	Current Interfund Payable
General Revenue (01)	$0	$0
Total Interfund Receivable/Payable	$0	$0

Non-Current Portion	Non-Current Interfund Receivable	Non-Current Interfund Payable	Purpose (Disclosure required)
General Revenue (01)	$0	$0	$0
Special Revenue (02)			
Enterprise Fund (05)			
Total Interfund Receivable/Payable	$0	$0	$0

	Legislative Transfers In	Legislative Transfers Out
General Revenue (01)		
Appn Fund 0001, D23 Fund 0001		
Agy 479, D23 Fund 0001	$189,209	$0
Total Legislative Transfers	$189,209	$0

The detailed State Grant Pass Through information is listed on Schedule 1-B - Schedule of State Grant Pass Through From/To State Agencies.

NOTE 8: Contingent Liabilities

At August 31, 2003, various lawsuits and claims involving the 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: Continuance Subject to Review (Not Applicable)

NOTE 10: 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: Employees of the University are covered by a workers' compensation insurance policy provided by the State Office of Risk Management (SORM). Costs are jointly paid by the State and the University. Transfers made by the State on behalf of the University for worker's compensation insurance were $242,576 during the year ended August 31, 2003.

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 costs for health insurance coverage of the employee, and one-half of the costs for coverage of dependents of the employee are jointly paid by the State and the University. Contributions made by the State on behalf of the University for health and other medical benefits were $5,104,615 for the year ended August 31, 2003.

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. The insurance protects the bondholders from a disruption to the revenue stream that is being utilized to make the bond interest and principal payments. Claims in fiscal year 2003 were filed for damages caused by a lightning strike to a radio tower transmitter in the amount of $8,825. After adjustment for the deductible of $5,000, the amount received from the property insurance claim with Royal & Sunalliance was $3,825.

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 11: Segment Information (Not Applicable)

NOTE 12: Bonded Indebtedness

Bonds Payable

Detailed supplemental bond information is disclosed in Schedule 2-A, Miscellaneous Bond Information, Schedule 2-B, Changes in Bonded Indebtedness, Schedule 2-C, Debt Service Requirements, Schedule 2D, Analysis of Funds Available for Debt Service, and Schedule 2E, Defeased Bonds Outstanding.

General information related to bonds payable is summarized below:

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:

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

- 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

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:
  State Funds appropriated for this purpose

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 Revenue Financing System, Texas Public Finance Authority Revenue Bonds - Series 2002

- To provide funds for construction of a facility to replace the Birdwell Building, a new Telecommunications and Networking building, and Power Plant renovations.
- Issued 7-9-02
- $14,070,000; all authorized bonds have been issued.
- Source of Revenue for debt service:
  State Funds appropriated for this purpose

Stephen F. Austin State University Revenue Financing System, Texas Public Finance Authority Revenue Bonds - Series 2002(A)

- To provide funds for renovation of the stadium press box
- Issued 12-19-02
- $1,320,000; all authorized bonds have been issued.
- Source of Revenue for debt service:
  Auxiliary enterprises

Advance Refunding Bonds

No bonds were advance refunded during the year.

Early Extinguishment Bonds

The 1991A issue was called for redemption as follows:

Maturity Date	Principal Amount	Redemption Date	Interest Rate
October 15, 2004	$755,000	Jan 15, 2003	6.50 %
Total	$755,000		

Proceeds from unrestricted investments were used to call the bonds.

NOTE 13: Subsequent Events

In October, 2003, the University submitted a request to the Texas Public Finance Authority to apply for financing of a project to renovate and make additions to the SFA University Center. The University Center is the primary non-residential student life building on the SFA campus. Cost of the project is estimated to be in the range of $27 to $30 million. The University will borrow $22 to $25 million to finance the construction, depending upon interest rates available when project bonds are sold. Debt will be serviced by collections from a $9 per semester credit hour University Center fee which the University will begin assessing effective with the Spring, 2004 semester. The University anticipates the new facility will be complete by January 2007.

On November 12, 2003, the Governor of Texas announced appointment of Mr. Joe Max Green of Nacogdoches to the Board of Regents of Stephen F. Austin State University. Mr. Green's term extends through January 31, 2009. Mr. Green serves in the position formerly occupied by Mrs. Penny H. Butler of Houston.

NOTE 14: Related Parties

Three entities exist to benefit the University: Stephen F. Austin State University Foundation, Inc., the 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. These services included maintaining records on the students who had graduated from the University. In addition to the amount paid, the University provided certain services, such as office space, utilities, some staff assistance, 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, office space, staff assistance, and custodial services for the Alumni Foundation as it does for the Alumni Association.

NOTE 15: Stewardship, Compliance, and Accountability

The university administration is not aware of any noncompliance items.

NOTE 16: The Financial Reporting Entity

The University is an agency of the State of Texas. The nine members of its Board of Regents are appointed by the Governor. The University has no component units.

NOTE 17: Restatement of Fund Balances

During fiscal year 2003, three adjustments were made which required the restatement of the amounts in fund balances and fund equity as follows:

	Total
Fund Bal/Equity August 31, 2002	$ 104,244,150
Restatements:	
a. Prior Year Accrued Bond Interest Payable	(370,380)
b. Prior Year Accumulated Depreciation	(16,142)
Net Restatements	(386,522)
Fund Bal/Equity Sept. 1, 2002, as Restated	$ 103,857,628

NOTE 18: Employees 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 (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 the 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 19: Deferred Compensation

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., sec 609.001. Two plans are available for employees, the 403(b) Tax Sheltered Annuity (TSA) plan and the Texasaver 457(b) plan. The TSA is administered by Stephen F. Austin State University. The 457(b) plan is administered by the Texas Employees Retirement System.

NOTE 20: Donor-Restricted Endowments

Endowments

Donor-Restricted Endowment	Amounts of Net Appreciation	Reported in Net Assets
True Endowments	$244,654	Funds Held as Permanent Endowments, Expendable
Term Endowments	602	Funds Held as Permanent Endowments, Expendable
Total	$245,256	

The University spending policy provides for a target distribution rate of 5%. However, that rate is limited by actual earnings and realized gain.

Note 21: Management Discussion and Analysis

The University issued $1.32 million in revenue bonds during the fiscal year. These bond proceeds were combined with $1.28 million in fund balances and $600,000 in revenue from the University's soft-drink contract to fund a $3.2 million renovation of the Homer Bryce Stadium press box. The project was completed in September, 2003.

Major construction was initiated in the prior fiscal year on the Human Services/Telecommunications building with proceeds from the sale of tuition revenue bonds. Construction on that project at the end of the fiscal year 2003 was approximately forty percent complete.

The University made a commitment to begin major renovations of the University Center. The architects and construction manager were selected for the project. Cost of the project is estimated to be in the range of $27 to $30 million. The University transferred $5.43 million from Auxiliary funds to begin the project. Bonds will be issued to cover the balance of the project costs. Debt will be serviced by collections from a $9 per semester credit hour University Center fee which the University will begin assessing effective with the Spring, 2004 semester. The University anticipates the new facility will be complete by January 2007.

Note 22: Post Employment Health Care and Life Insurance Benefits (Not Applicable)

STEPHEN F. AUSTIN STATE UNIVERSITY
Agency No. 755
Schedule 1A-Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended August 31, 2003

Federal Grantor/ Pass Through Grantor Program Title	CFDA Number	Identifying Number	Pass Through From Agy/ Univ. #	Pass Through From Agencies Or Univ. Amount	Pass Through From Non-State Entities Amount
U.S. Department of Defense					
Direct Programs:					
Military Science	12.113	9903001		$	$
GIS Survey East Texas Lakes	12.000	416011			
Barksdale Food Plots	12.420	DAMD17-00-2-0045			
Total U.S. Department of Defense				0	0
U.S. Department of Education					
Direct Programs:					
LTT Undergrad Ed	84.129	H129L980013			
Orientation & Mobility	84.129	H129P980002			
Rehab Counsel Ed	84.129	H129B010022			
Improve Prep Yr1	84.325H	H325H020097			
Low Incid Train	84.325	H325A010107			
High Incidence	84.325H	H325H990023			
High Incidence	84.325H	H325H990124			
Gear-Up	84.334A	P334A990206			
FIPSE Math Project	84.116	P1168B011116			
Tech Prep School Counseling	84.243	1934001			
Tech Prep Mini Grant	84.243	1934001			
Learning Anytime Anywhere Partners	84.339B	P339B990414			
Pass Through To:					
Texas Tech University					
Texas School for the Blind & Visually Impaired					
Pass Through From:					
Texas School for the Blind & Visually Impaired					
VIP Prep Program	84.027	IDEA-B Disc_Other 3	771	325,710	
Texas Higher Education Coordinating Board					
Eisenhower Professional Grants	84.281			40,702	
Teacher Quality Program-Grants	84.367B		781	23,456	
Total U.S. Department of Education				389,868	0
U.S. Dept of Health and Human Services					
Pass Through From:					
TX Dept Protective & Reg Services					
Child Welfare	93.658		530	307,510	
Total U.S. Dept of Health & Human Services				307,510	0
U. S. Department of Commerce					
Pass Through From:					
The University of Texas Medical Branch					
TOP-UTMB	11.552	48-60-100033	723	108,680	
Total U. S. Dept of Commerce				108,680	0
U. S. Department of Energy					
Direct Programs:					
Terres Carbon Sinks	81.000	DE-FC26-00NT40931			
Total U. S. Dept of Energy				0	0
National Aeronautics Space Administration					
Columbia Shuttle Recovery	43.000	416075			
NASA-NOVA	43.001	NAG5-9388			
Total National Aeronautics Space Administration				0	0
National Science Foundation					
TX Middle & Secondary School Math	47.076	EHR-0227128			
Pass Through From:					
Southwest Texas State University					
Middle School Math	47.076	101945	754	(22,757)	
Total National Science Foundation				(22,757)	0
Federal Emergency Management Agency					
Pass Through From:					
Texas Department of Public Safety					
Columbia Shuttle Recovery	83.544		405	85,903	
Total Federal Emergency Management Agency				85,903	0
Enviromental Protection Agency					
Direct Program					
It's A Wonderful World	66.951	NE-97605501-0			
Pass Through From:					
Pineywoods RCD	66.460	C-9-996236-09			
Total Environmental Protection Agency				0	0

Direct Program Amount	Total PT From & Direct Program	Agy #/ Univ. #	State Agy. Or Univ. Amount	Non-State Entities Amount	Expenditures Amount	Total PT To & Expenditures
$ 98,857	$ 98,857		$	$	$ 98,857	$ 98,857
4,655	4,655				4,655	4,655
13,923	13,923				13,923	13,923
117,435	117,435		0	0	117,435	117,435
78,391	78,391				78,391	78,391
82,504	82,504				82,504	82,504
72,670	72,670				72,670	72,670
169,238	169,238				169,238	169,238
360,553	360,553				360,553	360,553
52,170	52,170				52,170	52,170
18,670	18,670				18,670	18,670
513,026	513,026				513,026	513,026
22,180	22,180				22,180	22,180
2,376	2,376				2,376	2,376
680	680				680	680
457,710	457,710	733	121,213		177,519	298,732
		771	158,979			158,979
	325,710				325,710	325,710
	40,702				40,702	40,702
	23,456				23,456	23,456
1,830,168	2,220,036		280,192	0	1,939,844	2,220,036
	307,510				307,510	307,510
0	307,510		0	0	307,510	307,510
	108,680				108,680	108,680
0	108,680		0	0	108,680	108,680
198,030	198,030				198,030	198,030
198,030	198,030		0	0	198,030	198,030
10,467	10,467				10,467	10,467
4,643	4,643				4,643	4,643
15,110	15,110		0	0	15,110	15,110
467,615	467,615				467,615	467,615
	(22,757)				(22,757)	(22,757)
467,615	444,858		0	0	444,858	444,858
	85,903				85,903	85,903
0	85,903		0	0	85,903	85,903
8,345	8,345				8,345	8,345
1,737	1,737				1,737	1,737
10,082	10,082		0	0	10,082	10,082

STEPHEN F. AUSTIN STATE UNIVERSITY
Agency No. 755
Schedule 1A-Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended August 31, 2003

Federal Grantor/ Pass Through Grantor Program Title	CFDA Number	Identifying Number	Pass Through From: Agy/ Univ. #	Pass Through From: Agencies Or Univ. Amount	Pass Through From: Non-State Entities Amount
National Endowment for the Arts					
Pass Through From:					
Texas Commission on the Arts					
Gallery Exhibitions 03	45.025	02-6100-2044	813	500	
Total National Endowment for the Arts				500	0
National Oceanic & Atmospheric Admin					
NOAA	11.473	NA160C2573			
Total National Oceanic & Atmoshperic Admin				0	0
U. S. Department of Agriculture					
Upland Island Wilderness	10.000	03-CS-11081301-020			
Forest Service	10.000	491443			
Forest Service Exp	10.000	SRS-03-CR-11330128-178			
Pass Through From:					
Texas Tech University					
USDA Challenge Grant	10.217	00-38411-9305	733	18,230	
Texas Forest Service					
TRS-EOC	10.664	02-05-01	576	19,229	
Total U. S. Department of Agriculture				37,459	0
Student Financial Assistance Cluster					
U.S. Department of Education					
Direct Programs:					
Fed SEOG	84.007	P007A024129			
GSL/SLS/PLUS Loans	84.032				
Federal Work Study	84.033	P003A024129			
Perkins Loans	84.038	P038A014129			
Fed Pell	84.063	P063P011677			
Total Student Financial Asst Cluster Programs				0	0
Research and Development Cluster					
U.S. Department of Agriculture					
Direct Programs:					
Alum Project	10.652	68-7442-6-274			
Biology Field Experience	10.652	SRS01-CR-1330128-337			
Biology Field Experience	10.652	SRS02-CR-11330128-146			
Conservation Ed	10.652	SRS00-CR-11330128-162			
McIntyre Stennis	10.652	99-CRMS-0-6101			
Recreation Use Survey	10.652	03-CS-11081301-010			
Rattle Burn Arizona	10.652	02-JV-11221615-155			
Rev Eco Class System	10.652	01-CS-11080613-040			
Field Education II	10.652	SRS-02-CR-11330128-110			
Field Education III	10.652	SRS-03-CR-11330128-060			
USFS Ed Field Exp	10.652	SRS-01-CR-11330128-417			
Jemez Mountains New Mexico	10.652	00-JV-11221615-108			
USFS-Southern Research	10.652	SRS-01-CA-11330132-486			
Cottonwood Planting	10.902	40-7482-2-86			
Silvopasture Demo	10.901	68-7482-2-68Y			
Pass Through From:					
Texas Agricultural Experiment Station					
SARE-Alfalfa	10.215	RD-309-031/8454854	556	304	
U.S. Department of the Interior					
Direct Programs:					
America View Coop Agreement	15.808	02CRGR0010			
America View Consortium Board	15.808	02CRGR0004			
Banding Woodcock	15.FFA	1448-20181-99-G959			
Pine Forest Sparrows	15.000	1448-20181-01-G944			
PNPC Big Thicket	15.000	H714002001			
Total R&D Cluster Programs				304	0
General Services Administration					
Pass Through From:					
General Service Commission					
Donation of Federal Surplus Personal Property (NON-MONETARY)	39.030		303	561	
Total General Services Administration				561	0
TOTAL FEDERAL FINANCIAL ASSISTANCE				$ 908,028	$ 0

Direct Program Amount	Total PT From & Direct Program	Pass Through To Agy #/ Univ. #	State Agy. Or Univ. Amount	Non-State Entities Amount	Expenditures Amount	Total PT To & Expenditures
	500				500	500
0	500		0	0	500	500
16,154	16,154				16,154	16,154
16,154	16,154		0	0	16,154	16,154
8,812	8,812				8,812	8,812
1,423	1,423				1,423	1,423
853	853				853	853
	18,230				18,230	18,230
	19,229				19,229	19,229
11,088	48,548		0	0	48,548	48,548
361,671	361,671				361,671	361,671
28,114,491	28,114,491				28,114,491	28,114,491
541,718	541,718				541,718	541,718
1,184,937	1,184,937				1,184,937	1,184,937
8,620,984	8,620,984				8,620,984	8,620,984
38,823,801	38,823,801		0	0	38,823,801	38,823,801
2,874	2,874				2,874	2,874
182	182				182	182
15,758	15,758				15,758	15,758
7,845	7,845				7,845	7,845
397,100	397,100				397,100	397,100
45,827	45,827				45,827	45,827
25,299	25,299				25,299	25,299
3,282	3,282				3,282	3,282
3,206	3,206				3,206	3,206
2,145	2,145				2,145	2,145
512	512				512	512
45,391	45,391				45,391	45,391
21,501	21,501				21,501	21,501
705	705				705	705
3,319	3,319				3,319	3,319
	304				304	304
65,464	65,464				65,464	65,464
13,829	13,829				13,829	13,829
5,557	5,557				5,557	5,557
9,936	9,936				9,936	9,936
3,296	3,296				3,296	3,296
673,029	673,333		0	0	673,333	673,333
	561				561	561
0	561		0	0	561	561
$ 42,162,513	$ 43,070,541		$ 280,192	$ 0	$ 42,790,349	$ 43,070,541

STEPHEN F. AUSTIN STATE UNIVERSITY
Agency No. 755
Schedule 1A-Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended August 31, 2003

Note 1 - Nonmonetary Assistance
The "Donation of Federal Surplus Personal Property" is presented at 23.3% of the federal acquisition cost of $2,407.38. The surplus property is passed through from the Texas Building and Procurement Commission.
The federal grantor agency is the General Services Administration (GSA) and the federal CFDA number is 39.003.
The estimated fair value for fiscal year 2003 is $560.92.

Note 2 - Reconciliation
Below is a reconciliation of the total of federal pass through and federal expenditures as reported on the Schedule of Federal Financial Assistance to the total of **federal revenues** and **federal grant pass-through revenues** as reported in the general-purpose financial statements. Generally, federal funds are not earned until expended; therefore, federal revenues equal federal expenditures for the reporting period.

Per Combined Statement of Changes in Revenues, Expenses and Net Assets

Federal Revenue Operating	$12,822,684
Federal Grant Pass-Through Revenue	947,868
Subtotal	$13,770,552
Reconciling Items:	
Non-monetary:	
Federal Surplus Property	561
New Loans Processed:	
GSL/SLS/PLUS Loans	28,114,491
Federal Perkins Loans	1,184,937
Total Pass Through and Expenditures per Federal Schedule	$43,070,541

Note 3 - Student Loans Processed and Administrative Costs Recovered

Federal Grantor/CFDA Number/ Program Name	New Loans Processed	Admin Costs Recovered	Total Loans Processed & Admin Costs Recovered	End Balances of Previous Year's Loans
Department of Education 84.038 Federal Perkins Loan	1,184,937	120,682	1,305,619	5,775,822
Department of Education 84.032 GSL/SLS/Plus Loans	28,114,491		28,114,491	
Total Department of Education	29,299,428	120,682	29,420,110	5,775,822

Note 4 - Petroleum Violation Escrow (PVE) Funds - N/A

Note 5 - Depository Libraries for Government Publications - N/A

Note 6 - Unemployment Insurance - N/A

Note 7 -Rebates from the Special Supplemental Food Program for Women, Infant and Children (WIC) - N/A

Note 8 - Federal Deferred Revenue

Federal Deferred Revenue 9-1-02	$19,800
Increase (Decrease)	20,602
Federal Deferred Revenue 8-31-03	$40,402

STEPHEN F. AUSTIN STATE UNIVERSITY
Agency No. 755
Schedule 1B - Schedule of State Grant Pass Through From/To State Agencies
For The Fiscal Year Ended August 31, 2003

Pass Through From:

Operating:

Texas Higher Ed. Coord. Board (Agy #781)	
TEXAS Grant Program	$4,188,666
Advanced Research Program	(4,962) *
Nursing and Allied Health	89,676
Gen. Academic Enrollment Growth	226,600
Developmental Education Program	87,027
College Work Study Program	37,124
5th Year Accounting Students Scholarships-Grants	14,795
Total Operating Pass-Through From Other Agencies	$4,638,926

* Amounts returned to grantor for previous years unspent funds

STEPHEN F. AUSTIN STATE UNIVERSITY
Agency No. 755
Schedule 2A - Miscellaneous Bond Information
For The Fiscal Year Ended August 31, 2003

Description of Issue	Types of Bond	Subtype	Bond is Reported In	Bonds Issued to Date	Range of Interest Rates	
Cons Univ Rev Ref Bds Ser '91-B	Revenue	Self-Supporting	Business-Type Activities	5,990,000	4.60	6.50
Cons Univ Rev Bds Ser '96	Revenue	Self-Supporting	Business-Type Activities	4,135,000	3.60	4.63
Rev Fin Sys Bds Ser '00	Revenue	Self-Supporting	Business-Type Activities	7,000,000	5.13	5.38
Rev Fin Sys Bds Ser '02 (A)	Revenue	Self-Supporting	Business-Type Activities	1,320,000	3.59	3.59
Rev Fin Sys Bds Ser '98	Tuition Rev		Business-Type Activities	6,000,000	3.65	5.10
Rev Fin Sys Bds Ser '02	Tuition Rev		Business-Type Activities	14,070,000	1.45	5.05
Stephen F. Austin State Univ Ser '95	G.O.	Not Self-Supporting	Business-Type Activities	6,800,000	3.50	4.90
Stephen F. Austin State Univ Ser '96	G.O.	Not Self-Supporting	Business-Type Activities	3,590,000	3.60	4.63

STEPHEN F. AUSTIN STATE UNIVERSITY
Agency No. 755
Schedule 2A - Miscellaneous Bond Information
For The Fiscal Year Ended August 31, 2003

		Scheduled Maturities			
Description of Issue	The Terms of Variable Interest Rate	First Year	Last Year	First Call Date	Comment
Cons Univ Rev Ref Bds Ser '91-B		1991	2004	10/15/00	Extinguished in FY 03
Cons Univ Rev Bds Ser '96		1996	2005		
Rev Fin Sys Bds Ser '00		2003	2009		
Rev Fin Sys Bds Ser '02 (A)		2004	2010		
Rev Fin Sys Bds Ser '98		1999	2018	10/15/08	
Rev Fin Sys Bds Ser '02		2002	2021	10/15/12	
Stephen F. Austin State Univ Ser '95		1995	2004		
Stephen F. Austin State Univ Ser '96		1996	2005		

STEPHEN F. AUSTIN STATE UNIVERSITY
Agency No. 755
Schedule 2B - Changes In Bonded Indebtedness
For The Fiscal Year Ended August 31, 2003

Description of Issue	Bonds Outstanding (Beginning)	Bonds Issued	Bonds Matured or Retired	Bonds Refunded or Extinguished	Bonds Outstanding (Ending)
Cons Univ Rev Ref Bds Ser ’91-B	1,075,000	0	320,000	755,000	0
Cons Univ Rev Bds Ser ’96	2,400,000	0	600,000	0	1,800,000
Rev Fin Sys Bds Ser ’00	7,000,000	0	0	0	7,000,000
Rev Fin Sys Bds Ser ’02 (A)	0	1,320,000	0	0	1,320,000
Rev Fin Sys Bds Ser ’98	5,415,000	0	215,000	0	5,200,000
Rev Fin Sys Bds Ser ’02	14,070,000	0	500,000	0	13,570,000
Stephen F. Austin State Univ Ser ’95	2,360,000	0	750,000	0	1,610,000
Stephen F. Austin State Univ Ser ’96	1,640,000	0	380,000	0	1,260,000

STEPHEN F. AUSTIN STATE UNIVERSITY
Agency No. 755
Schedule 2B - Changes In Bonded Indebtedness
For The Fiscal Year Ended August 31, 2003

	(For Proprietary Funds only: Reconciliation)						
Description of Issue	Unamortized Premium	Unamortized Discount	Issuance Costs	Gain/(Loss) on Refunding	Net Bonds Outstanding (Ending) ²	Amounts Due Within One Year	Comment
Cons Univ Rev Ref Bds Ser ’91-B	0	0	0	0	0	0	
Cons Univ Rev Bds Ser ’96	0	0	0	0	1,800,000	600,000	
Rev Fin Sys Bds Ser ’00	0	0	0	0	7,000,000	1,000,000	
Rev Fin Sys Bds Ser ’02 (A)	0	0	0	0	1,320,000	120,000	
Rev Fin Sys Bds Ser ’98	0	0	0	0	5,200,000	225,000	
Rev Fin Sys Bds Ser ’02	0	0	0	0	13,570,000	445,000	
Stephen F. Austin State Univ Ser ’95	0	0	0	0	1,610,000	785,000	
Stephen F. Austin State Univ Ser ’96	0	0	0	0	1,260,000	400,000	

STEPHEN F. AUSTIN STATE UNIVERSITY
Agency No. 755
Schedule 2C – Debt Service Requirements
For The Fiscal Year Ended August 31, 2003

Description of Issue	FY	Principal	Interest	Comment
Cons Univ Rev Bds Ser ’96	2003	600,000	95,550	
Cons Univ Rev Bds Ser ’96	2004	600,000	68,850	
Cons Univ Rev Bds Ser ’96	2005	600,000	41,550	
Cons Univ Rev Bds Ser ’96	2006	600,000	13,875	
Cons Univ Rev Ref Bds Ser ’91-B	2003	1,075,000	23,943	Extinguished in FY 03
Rev Fin Sys Bds Ser ’02 (A)	2003	0	15,269	
Rev Fin Sys Bds Ser ’02 (A)	2004	120,000	45,234	
Rev Fin Sys Bds Ser ’02 (A)	2005	150,000	40,388	
Rev Fin Sys Bds Ser ’02 (A)	2006	160,000	34,823	
Rev Fin Sys Bds Ser ’02 (A)	2007	165,000	28,989	
Rev Fin Sys Bds Ser ’02 (A)	2008	170,000	22,976	
Rev Fin Sys Bds Ser ’02 (A)	2009	180,000	16,694	
Rev Fin Sys Bds Ser ’02 (A)	2010	185,000	10,142	
Rev Fin Sys Bds Ser ’02 (A)	2011	190,000	3,411	
Rev Fin Sys Bds Ser ’00	2003	0	365,000	
Rev Fin Sys Bds Ser ’00	2004	1,000,000	339,375	
Rev Fin Sys Bds Ser ’00	2005	1,000,000	288,125	
Rev Fin Sys Bds Ser ’00	2006	1,000,000	236,875	
Rev Fin Sys Bds Ser ’00	2007	1,000,000	185,000	
Rev Fin Sys Bds Ser ’00	2008	1,000,000	132,500	
Rev Fin Sys Bds Ser ’00	2009	1,000,000	80,000	
Rev Fin Sys Bds Ser ’00	2010	1,000,000	26,875	
Rev Fin Sys Bds Ser ’02	2003	500,000	510,396	
Rev Fin Sys Bds Ser ’02	2004	445,000	595,575	
Rev Fin Sys Bds Ser ’02	2005	470,000	577,275	
Rev Fin Sys Bds Ser ’02	2006	495,000	557,975	
Rev Fin Sys Bds Ser ’02	2007	520,000	537,675	
Rev Fin Sys Bds Ser ’02	2008	550,000	516,275	
Rev Fin Sys Bds Ser ’02	2009	575,000	493,775	
Rev Fin Sys Bds Ser ’02	2010	605,000	469,419	
Rev Fin Sys Bds Ser ’02	2011	635,000	443,069	
Rev Fin Sys Bds Ser ’02	2012	665,000	414,613	
Rev Fin Sys Bds Ser ’02	2013	695,000	384,013	
Rev Fin Sys Bds Ser ’02	2014	725,000	353,150	
Rev Fin Sys Bds Ser ’02	2015	760,000	321,585	
Rev Fin Sys Bds Ser ’02	2016	795,000	287,556	
Rev Fin Sys Bds Ser ’02	2017	830,000	251,193	
Rev Fin Sys Bds Ser ’02	2018	870,000	212,290	
Rev Fin Sys Bds Ser ’02	2019	915,000	170,331	
Rev Fin Sys Bds Ser ’02	2020	960,000	125,800	

STEPHEN F. AUSTIN STATE UNIVERSITY
Agency No. 755
Schedule 2C – Debt Service Requirements
For The Fiscal Year Ended August 31, 2003

Description of Issue	FY	Principal	Interest	Comment
Rev Fin Sys Bds Ser ’02	2021	1,005,000	77,875	
Rev Fin Sys Bds Ser ’02	2022	1,055,000	26,375	
Rev Fin Sys Bds Ser ’98	2003	215,000	250,664	
Rev Fin Sys Bds Ser ’98	2004	225,000	239,395	
Rev Fin Sys Bds Ser ’98	2005	235,000	228,953	
Rev Fin Sys Bds Ser ’98	2006	245,000	219,051	
Rev Fin Sys Bds Ser ’98	2007	260,000	208,443	
Rev Fin Sys Bds Ser ’98	2008	270,000	197,113	
Rev Fin Sys Bds Ser ’98	2009	280,000	185,148	
Rev Fin Sys Bds Ser ’98	2010	295,000	172,350	
Rev Fin Sys Bds Ser ’98	2011	310,000	158,583	
Rev Fin Sys Bds Ser ’98	2012	320,000	143,933	
Rev Fin Sys Bds Ser ’98	2013	340,000	128,253	
Rev Fin Sys Bds Ser ’98	2014	355,000	111,484	
Rev Fin Sys Bds Ser ’98	2015	375,000	93,688	
Rev Fin Sys Bds Ser ’98	2016	390,000	74,750	
Rev Fin Sys Bds Ser ’98	2017	410,000	54,750	
Rev Fin Sys Bds Ser ’98	2018	435,000	33,625	
Rev Fin Sys Bds Ser ’98	2019	455,000	11,375	
Stephen F. Austin State Univ Ser ’95	2003	750,000	95,730	
Stephen F. Austin State Univ Ser ’95	2004	785,000	59,265	
Stephen F. Austin State Univ Ser ’95	2005	825,000	20,213	
Stephen F. Austin State Univ Ser ’96	2003	380,000	66,030	
Stephen F. Austin State Univ Ser ’96	2004	400,000	48,670	
Stephen F. Austin State Univ Ser ’96	2005	420,000	30,010	
Stephen F. Austin State Univ Ser ’96	2006	440,000	10,175	

STEPHEN F. AUSTIN STATE UNIVERSITY
Agency No. 755
Schedule 2D - Analysis of Funds Available for Debt Service - General Obligation Bonds
For the Fiscal Year Ended August 31, 2003

	Application of Funds		
Description of Issue	2003 Principal	2003 Interest	Comment
Stephen F. Austin State Univ Ser ’95	750,000	125,019	
Stephen F. Austin State Univ Ser ’96	380,000	87,656	

STEPHEN F. AUSTIN STATE UNIVERSITY
Agency No. 755
Schedule 2D - Analysis of Funds Available for Debt Service - Revenue Bonds
For the Fiscal Year Ended August 31, 2003

	Net Available for Debt Service		Debt Service		
Description of Issue	Total Pledged and Other Sources	Operating Expenses/Expenditures and Capital Outlay	2003 Principal	2003 Interest	Comment
Cons Univ Rev Bds Ser ’96	35,517,940	530	600,000	126,431	Total Pledged Sources
Cons Univ Rev Ref Bds Ser ’91-B	*	0	320,000	23,943	
Rev Fin Sys Bds Ser ’00	*	1,700	0	501,875	
Rev Fin Sys Bds Ser ’02	*	2,740	500,000	691,663	
Rev Fin Sys Bds Ser ’98	*	1,620	215,000	342,547	
Rev Fin Sys Bds Ser ’02 (A)	*	210	0	33,039	

STEPHEN F. AUSTIN STATE UNIVERSITY
Agency No. 755
Schedule 2E – Defeased Bonds Outstanding
For The Fiscal Year Ended August 31, 2003

Description of Issue	Bond is Reported In	Year Refunded	Par Value Oustanding	Comment
Building Revenue Bonds, Series 1965-B	Business-Type Activities	1991	1,655,000	
Combined Fee Revenue Bonds, Series 1990	Business-Type Activities	1991	240,000	
Housing System Revenue Bonds, Series 1962-D	Business-Type Activities	1991	1,522,000	
Housing System Revenue Bonds, Series 1963-A	Business-Type Activities	1991	654,000	
Housing System Revenue Bonds, Series 1964	Business-Type Activities	1991	595,000	

STEPHEN F. AUSTIN STATE UNIVERSITY
Agency No. 755

Schedule 3 – Reconciliation of Cash in State Treasury
For the Fiscal Year Ended August 31, 2003

Cash in State Treasury	Total	Unrestricted	Restricted
Local Revenue Fund 0261	$2,378,232	$2,378,232	$0
Total Cash in State Treasury	$2,378,232	$2,378,232	$0

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APPENDIX C

FORM OF BOND COUNSEL OPINION

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Proposed Form of Opinion of Bond Counsel

An opinion in substantially the following form will be delivered by
Delgado, Acosta, Braden & Jones, P.C., Bond Counsel,
upon the delivery of the Bonds, assuming no material changes in facts or law.

September 8, 2004

TEXAS PUBLIC FINANCE AUTHORITY
STEPHEN F. AUSTIN STATE UNIVERSITY REVENUE FINANCING SYSTEM
REVENUE BONDS, SERIES 2004A
IN THE AGGREGATE PRINCIPAL AMOUNT OF $5,460,000

WE HAVE EXAMINED 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 August 15, 2004, numbered consecutively from R-1 upward, and shall bear interest from their delivery date, until maturity or redemption prior to maturity, at the following rates per annum:

maturities 2005, 4.000%	maturities 2015, 4.000%
maturities 2006, 4.000%	maturities 2016, 4.000%
maturities 2007, 4.000%	maturities 2017, 4.100%
maturities 2008, 4.000%	maturities 2018, 4.150%
maturities 2009, 4.000%	maturities 2019, 4.250%
maturities 2010, 4.000%	maturities 2020, 4.375%
maturities 2011, 4.000%	maturities 2021, 4.500%
maturities 2012, 4.000%	maturities 2022, 4.500%
maturities 2013, 4.000%	maturities 2023, 4.625%
maturities 2014, 4.000%	maturities 2024, 4.625%

payable on April 15, 2005 and semiannually thereafter on each October 15 and April 15 and with said Bonds maturity serially on October 15 in each of the years 2005 through 2024, inclusive. The Bonds are issued in accordance with the resolutions of the Authority and the Board (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 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 of interest on the Bonds from gross income for federal income tax purposes. We have not investigated or verified original proceedings, records, data, or other material, but have relied solely upon the transcript of certified proceedings described in the following Paragraph. We have not assumed any responsibility with respect to the financial condition or capabilities of the Authority, the Board or the University, or the disclosure thereof in connection with the sale of the Bonds. 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 therein. We have relied solely on the representations by officials of the Board or the University as to the availability and sufficiency of the Pledged Revenues of the Board.

IN OUR CAPACITY AS BOND COUNSEL, we have participated in the preparation of and have examined a transcript of certified proceedings pertaining to the Bonds which contains certified copies of certain proceedings of the Board and the Authority; customary certificates of officers, agents, and representatives of the Authority and the Board and other public officials; and other certified showings relating to the authorization and issuance of the Bonds, including the Bond Resolution. In such examination, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies, and the truth and accuracy of the statements contained in such certificates. We have also examined applicable provisions of the Internal Revenue Code of 1986, as amended (the "Code"), court decisions, Treasury Regulations, and published rulings of the Internal Revenue Service as we have deemed relevant. 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.

IN RELIANCE UPON the approving opinion of the Texas Attorney General and upon certificates executed by representatives of the Authority, the Authority has been duly created and is validly existing under the laws of the State of Texas.

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Bonds have been 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, insolvency, reorganization, moratorium, liquidation, and other similar laws now or hereafter enacted relating to creditors' rights generally, the covenants and provisions in the Bond Resolution constitute valid and legally binding special obligations of the Authority, enforceable in accordance with the terms and conditions described therein, 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 AUTHORITY AND THE BOARD have reserved the right, subject to the restrictions stated in the Bond Resolution, 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.

THE REGISTERED OWNERS of the Bonds shall never have the right to demand payment of the principal thereof or interest thereon out of any funds raised or to be raised by taxation, or from any source whatsoever other than specified in the Bond Resolution.

BASED ON THE FOREGOING, IT IS OUR OPINION that under existing law interest on the Bonds (1) is excludable from gross income, as defined in Section 61 of the Code, of the owners thereof pursuant to Section 103 of the Code and (2) does not constitute a specific item of tax preference under Section 57(a)(5) of the Code, except that interest on the Bonds will be included in the "adjusted current earnings" of certain corporations for purposes of calculating the alternative minimum tax imposed on individuals or corporations pursuant to Section 55 of the Code. The statutes, regulations, rulings, notices and other official pronouncements and court decisions on which such opinion is based are subject to change.

The adjustment for "adjusted current earnings" set forth in Section 56(g) of the Code is required in determining a corporation's alternative minimum taxable income, other than an S corporation, a qualified mutual fund, a real estate investment trust (REIT), a financial asset securitization investment trust (FASIT) or a real estate mortgage investment conduit (REMIC). Alternative minimum taxable income is increased by seventy-five percent (75%) of the excess (if any) of (i) the "adjusted current earnings" of a corporation over (ii) the alternative minimum taxable income (determined without regard to this adjustment or the alternative tax net operating loss deduction). Interest on tax-exempt obligations, including the Bonds, would generally be included in computing a corporation's "adjusted current earnings." Accordingly, a portion of any interest on the Bonds received or accrued by a corporation that owns the Bonds will be included in computing such corporation's alternative minimum taxable income for such year.

IN RENDERING THESE OPINIONS, we have relied upon the representations and certifications of the Authority and the Board with respect to matters solely within the knowledge of the Authority and the Board and assume continuing compliance by the Authority and the Board with covenants pertaining to those sections of the Code which affect the exclusion from gross income of interest on the Bonds for federal income tax purposes. If such representations and certifications are determined to be inaccurate or incomplete, or the Authority or the Board fails to comply with the foregoing covenants, interest on the Bonds could become includable in gross income retroactively to the date of issuance of the Bonds, regardless of the date on which the event causing such inclusion occurs.

EXCEPT AS STATED ABOVE, we express no opinion as to any other federal, state, or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on or the acquisition, ownership, or disposition of the Bonds.

WE CALL YOUR ATTENTION TO THE FACT THAT the ownership of obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a FASIT, controlled foreign corporations, certain S corporations with Subchapter C earnings and profits, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred expenses allocable to, tax-exempt obligations.

OUR OPINIONS ARE BASED on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the "Service"); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the Authority as the taxpayer. We observe that the Authority and the Board have covenanted in the Bond Resolution not to take any action, or omit to take any action within their control, that if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

YOU ARE REMINDED that this opinion expresses our professional judgment as to the legal issues explicitly addressed herein. We express no opinion as to any matters not specifically covered by the foregoing opinion. In rendering this opinion we do not become an insurer or guarantor of the expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction. Nor does this opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

Respectfully,

APPENDIX D

FORM OF INSURANCE SPECIMEN

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FINANCIAL GUARANTY INSURANCE POLICY
MBIA Insurance Corporation
Armonk, New York 10504

Policy No. [NUMBER]

MBIA Insurance Corporation (the "Insurer"), in consideration of the payment of the premium and subject to the terms of this policy, hereby unconditionally and irrevocably guarantees to any owner, as hereinafter defined, of the following described obligations, the full and complete payment required to be made by or on behalf of the Issuer to [PAYING AGENT/TRUSTEE] or its successor (the "Paying Agent") of an amount equal to (i) the principal of (either at the stated maturity or by any advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Obligations (as that term is defined below) as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed hereby shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law. The amounts referred to in clauses (i) and (ii) of the preceding sentence shall be referred to herein collectively as the "Insured Amounts." "Obligations" shall mean:

[PAR]
[LEGAL NAME OF ISSUE]

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any owner of an Obligation the payment of an Insured Amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment of any such Insured Amounts which are then due. Upon presentment and surrender of such Obligations or presentment of such other proof of ownership of the Obligations, together with any appropriate instruments of assignment to evidence the assignment of the Insured Amounts due on the Obligations as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Obligations in any legal proceeding related to payment of Insured Amounts on the Obligations, such instruments being in a form satisfactory to U.S. Bank Trust National Association, U.S. Bank Trust National Association shall disburse to such owners, or the Paying Agent payment of the Insured Amounts due on such Obligations, less any amount held by the Paying Agent for the payment of such Insured Amounts and legally available therefor. This policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Obligation.

As used herein, the term "owner" shall mean the registered owner of any Obligation as indicated in the books maintained by the Paying Agent, the Issuer, or any designee of the Issuer for such purpose. The term owner shall not include the Issuer or any party whose agreement with the Issuer constitutes the underlying security for the Obligations.

Any service of process on the Insurer may be made to the Insurer at its offices located at 113 King Street, Armonk, New York 10504 and such service of process shall be valid and binding.

This policy is non-cancellable for any reason. The premium on this policy is not refundable for any reason including the payment prior to maturity of the Obligations.

IN WITNESS WHEREOF, the Insurer has caused this policy to be executed in facsimile on its behalf by its duly authorized officers, this [DAY] day of [MONTH, YEAR].

MBIA Insurance Corporation

SPECIMEN

____
President

Attest:______________________________
Assistant Secretary

DISCLOSURE OF GUARANTY FUND NONPARTICIPATION: In the event the Insurer is unable to fulfill its contractual obligation under this policy or contract or application or certificate or evidence of coverage, the policyholder or certificateholder is not protected by an insurance guaranty fund or other solvency protection arrangement.

STD-TX-6
4/95