

# ANNUAL FINANCIAL REPORT

for the fiscal year ended August 31, 2019



MEMBER THE TEXAS STATE UNIVERSITY SYSTEM

Texas State University, to the extent not in conflict with federal or state law, prohibits discrimination or harassment on the basis of race, color, national origin, age, sex, religion, disability, veterans' status, sexual orientation, gender identity or expression.



# Annual Financial Report

for the fiscal year ended August 31, 2019

for

# Texas State University

## Message from the President



Dr. Denise M. Trauth

I am pleased to present our 2019 Annual Financial Report which demonstrates the continued financial strength of Texas State University.

The university's achievements this year reflect an institution rich in diversity with strong academic programs, world-class research,

and a culture of excellence.

Our distinguished and dedicated faculty and staff make Texas State one of the top public universities in Texas, and our more than 38,000 primarily traditional students make us one of the largest universities in the nation.

Our faculty take the responsibility of nurturing students and cultivating character seriously. We value inclusion, ethical behavior, honesty, integrity, diligence, courage, compassion, fairness, civility, and respect. Our extensive list of distinguished alumni include captains of industry, generals of the armed forces, creative geniuses, ambassadors, legislators, and the only President of the United States to ever graduate from a university in Texas. These alumni stand as testimony to the university's proud legacy and the list of 200,000 Texas State alumni continues to grow with each passing year.

In fact, we attracted the largest freshman class in our history this year, with over 6,200 students, for the seventh consecutive year, while also producing the largest number of graduates in our history, with over 8,700 students. Those graduates go into the world with the added good fortune of having been a part of a university with a rising national profile. Our excellence in research is reflected not only in the quality and growth of our master's and doctoral programs, but also in our total research expenditures, which grew from under \$10 million in 2005 to more than \$60 million this past year.

It is not a coincidence that our research activities have increased substantially, that philanthropic giving continues to be strong, that first-time enrollment continues to climb, that we are adding degree programs in high-demand disciplines, and that Texas State continues to be recognized for our accomplishments. Rather, we are reaping what we have sown through a very deliberate planning process and a lot of hard work from every corner of the university.

I am proud of our world-class academic community, and I invite you to study this document and learn more about Texas State University, the Rising Star of Texas.

Sincerely,  
Denise M. Trauth  
President



## From the Vice President for Finance and Support Services



Mr. Eric Algoe

### Financial Strength

Texas State University continues to flourish on many fronts. Even a cursory review of this Annual Financial Report demonstrates as much: the University's Net Position grew again this year, increasing by more than \$18 million and remaining over \$1.5 billion; the

University's net investment in capital assets increased by more than \$50 million; and the University's combined endowments stand at more than \$200 million. Financially sound as we are, however, we understand that the true measure of a university's strength comes from the stature of our academic programs, the measure of the knowledge we create and impart, and our people. Texas State is strong on all those fronts.

### Growth in Diversity, Enrollment, Research, and Quality

Students want to be at Texas State. This is evidenced by the impressive trend of student enrollment growth over the past several decades and our record-setting and highly qualified freshman class in the Fall of 2019 of over 6,200 students. With more than 38,000 students enrolled this fall semester, we rank among the largest universities in the country.

We are especially proud of the fact that Texas State's student body's demographics mirror those of the state of Texas itself in terms of diversity across every conceivable measure: with an incredibly wide variety of backgrounds, our students come from across the state, every state in the country, and dozens of countries around the world. Texas

State University is a minority-majority institution and is well positioned to best serve the future youth of the state of Texas and the nation. While the size and diversity of our student body soars, measures of our academic strength also continue to improve with very strong retention and graduation rates and some of the best and brightest students in the country applying to be Bobcats each year.

### The Campuses of Yesterday, Today, and Tomorrow

From the first building at Texas State in 1899, our beloved Old Main in San Marcos, to our first building in Round Rock, Avery Hall, to the cutting-edge laboratories, collaboration spaces, and innovation zones that we are designing and building today. Our facilities make a statement about who we are as a University and who we intend to be in the future. We continue to invest heavily in our classroom and research facilities. Our Science, Technology, and Advanced Research (STAR) Park is a center for fostering and commercializing innovation and continues to grow.

We are particularly excited about new academic programs that have recently launched or that will be launching in the coming year. Those include new Bachelor of Science in Civil Engineering, a new Master of Science in Respiratory Therapy, a new Master of Science in Engineering, new doctoral programs in Anthropology and Computer Science, and five new Master's degrees in the College of Business.

In short, Texas State University continues to be financially sound, growing in stature and quality, and continues to move towards National Research University recognition through careful planning and management.

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## About Texas State University

Texas State University is an Emerging Research and Hispanic-Serving University located in the burgeoning Austin-San Antonio corridor. Serving student needs in both San Marcos and Round Rock, it is the largest university in The Texas State University System and among the largest in the state. Texas State's more than 38,000 students choose from 98 undergraduate, 91 master's, and 14 doctoral programs offered by 10 colleges (Applied Arts, The Emmett and Miriam McCoy College of Business Administration, Education, Fine Arts and Communication, Health Professions, Honors, Liberal Arts, Science and Engineering, The Graduate College, and the University College). With a diverse campus community, Texas State is one of the top 12 producers of Hispanic baccalaureate graduates in the nation. Research and creative activities have led to growing success in attracting external support.

*Texas State University is accredited by the Commission on Colleges (COC) of the Southern Association of Colleges and Schools (SACS), the regional accrediting organization for 11 states in the southeastern United States, including Texas.*

MORE THAN

**\$60**

MILLION

IN RESEARCH  
AND DEVELOPMENT  
EXPENDITURES



98	undergraduate
91	master's
14	doctoral programs

**16** MEN'S AND WOMEN'S TEAMS  
COMPETE AT THE  
NCAA DIVISION I LEVEL



MORE THAN  
**38,000**  
STUDENTS

..... FROM .....

across **Texas** and  
around the **world**

**23** CAMPUS RESIDENCE HALLS  
AND APARTMENTS





exceptional  
undergraduate  
experience

## Our Mission

Texas State University is a doctoral-granting, student-centered institution dedicated to excellence and innovation in teaching, research, including creative expression, and service. The university strives to create new knowledge, to embrace a diversity of people and ideas, to foster cultural and economic development, and to prepare its graduates to participate fully and freely as citizens of Texas, the nation, and the world.

## Our Shared Values

In pursuing our mission, the faculty, staff, and students of Texas State University are guided by a shared collection of values:

- Teaching and learning based on research, student involvement, and the free exchange of ideas in a supportive environment;
- Research and creative activities that encompass the full range of academic disciplines — research with relevance, from the sciences to the arts, from the theoretical to the applied;
- The cultivation of character, integrity, honesty, civility, compassion, fairness, respect, and ethical behavior in all members of our university community;
- A diversity of people and ideas, a spirit of inclusiveness, a global perspective, and a sense of community as essential conditions for campus life;
- A commitment to service and leadership for the public good;
- Responsible stewardship of our resources and environment; and
- Continued reflection and evaluation to ensure that our strengths as a community always benefit those we serve.

### The Texas State University System Board of Regents

Name	Member's City (Texas)	Term Expires
William F. Scott, Chairman	Nederland	2025
David Montagne, Vice Chairman	Beaumont	2021
Charlie Amato	San Antonio	2025
Duke Austin	Houston	2023
Garry Crain	The Hills	2023
Dr. Veronica Muzquiz Edwards	San Antonio	2021
Don Flores	El Paso	2025
Nicki Harle	Baird	2023
Alan L. Tinsley	Madisonville	2021
Katey McCall, Student Regent	Orange	2020

### The Texas State University System - Senior Administrative Officials

Brian McCall, Ph.D.	Chancellor
Mr. Daniel Harper	Vice Chancellor for Finance

### University Administration - Key Officers

Dr. Denise M. Trauth	President
Dr. Eugene J. Bourgeois	Provost and Vice President for Academic Affairs
Mr. Eric Algoe	Vice President for Finance and Support Services
Dr. Barbara Breier	Vice President for University Advancement
Mr. Ken Pierce	Vice President for Information Technology
Dr. Joanne Smith	Vice President for Student Affairs
Dr. Larry Teis	Director, Department of Athletics
Dr. Lisa Lloyd	Vice President for University Administration
Dr. Ronald Johnson	Presidential Fellow
Mr. Darryl J. Borgonah	Associate Vice President for Financial Services



## Innovation in Ingram Hall

A new and exciting presence on Texas State University's San Marcos Campus opened its doors in fall 2018: Bruce and Gloria Ingram Hall.

Ingram Hall — the university's largest academic building — is an innovative addition to the College of Science and Engineering and Texas State as a whole. The new building is full of features to enhance learning and research across disciplines. Large and small classrooms, labs and offices accommodate the growing college. New equipment, facilities and design strategies provide opportunities to push boundaries.

The new home of the College of Science and Engineering was made possible through the generosity of Bruce and Gloria Ingram, longtime university supporters.



## Student-Focused Spaces

Ingram Hall is designed to support active discovery in science and engineering. The building features classrooms that are set up to facilitate group discussions and hands-on, experimental learning. This is especially important for introductory core courses — the goal is to make these classes, traditionally taught as lectures, more interactive. In the active-learning classrooms, the instructor does not lecture from the front of the room. Rather, there's a workstation in the center from which the instructor can explain foundational concepts before the students take the lead. Round tables seating up to nine people make conversation easy, with student talk shifting organically among the whole table or within smaller subgroups. There's space for the instructor and assistants to drop in for guidance while moving around the room.

Ingram Hall's student-driven learning thrives outside the classroom as well. The new building now houses the Collaborative Learning Center, a computer lab and tutoring space for all the academic areas within the college. Alongside the formal spaces for classes and tutoring, Ingram Hall boasts a coffee bar, a general study area, a variety of alcoves and “huddles” for small group work, and outdoor seating areas.

## Cultivating Collaboration in the Lab

In Ingram Hall's double-wide lab spaces, researchers interested in similar ideas can work on their projects side by side and get insights from each other. This is exemplified on the building's fifth floor, which is dedicated to microbiology, cell biology and environmental engineering. A large common area in the center of the labs is designed so that faculty can converse over lunch and graduate students can make valuable connections.

The laboratories are world-class facilities. All nine of the fifth-floor labs have a Biosafety Level 2 clearance. This clearance level means that researchers have the capacity to work safely with infectious agents. The labs' plant growth chambers allow researchers to control all aspects of the growing environment. This highly controlled growth is vital to genetic research, in order to separate the effects of environmental factors from the effects of changes in the genes. Some of the labs have controls for water quality and flow, or darkrooms to view fluorescent signals from specially prepared specimens.

## Creating a Community of Makers

One of Ingram Hall's new features is a 6,000-square-foot makerspace, located behind glass walls at the building's main entrance. The makerspace encourages students to take their creative ideas and turn them into reality.

The makerspace includes large and small 3D printers, soldering stations, laser cutters and engravers, metal and plastic mills, a large water jet table, tools for welding and shaping sheet metal, a woodworking shop and more. Much of the equipment is straight off an industrial production floor; the extent of metalworking tools sets Texas State's makerspace apart from facilities at other universities.





# Independent Certified Public Accountant's Review Report



## Montemayor Britton Bender PC CERTIFIED PUBLIC ACCOUNTANTS

Board of Regents and Management  
Texas State University

### INDEPENDENT ACCOUNTANT'S REVIEW REPORT

We have reviewed the accompanying financial statements of the proprietary activities of Texas State University (Texas State), which comprise the statement of net position as of 31 August 2019 and 31 August 2018, and the related statement of revenues, expenses, and changes in net position, the related statement of cash flows, and the related matrix of operating expenses reported by function for each year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

#### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and the Texas Comptroller of Public Accounts' *Reporting Requirements for Annual Financial Reports of State Agencies and Universities*; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

#### Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America and the Texas Comptroller of Public Accounts' *Reporting Requirements for Annual Financial Reports of State Agencies and Universities*. We believe that the results of our procedures provide a reasonable basis for our conclusion.

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Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America, and the Texas Comptroller of Public Accounts' *Reporting Requirements for Annual Financial Reports of State Agencies and Universities*.

Montgomery Britton Bender PC

20 February 2020  
Austin, Texas

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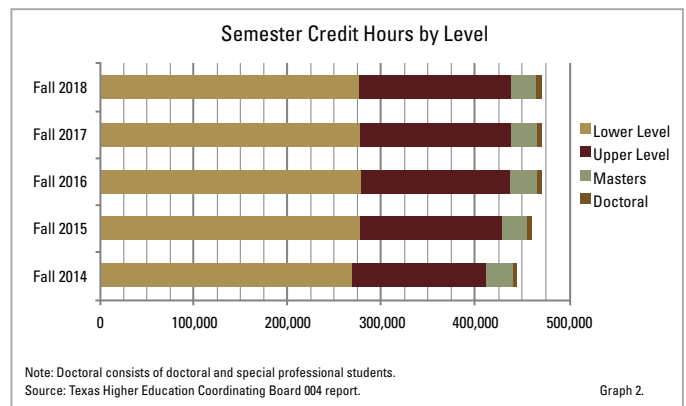
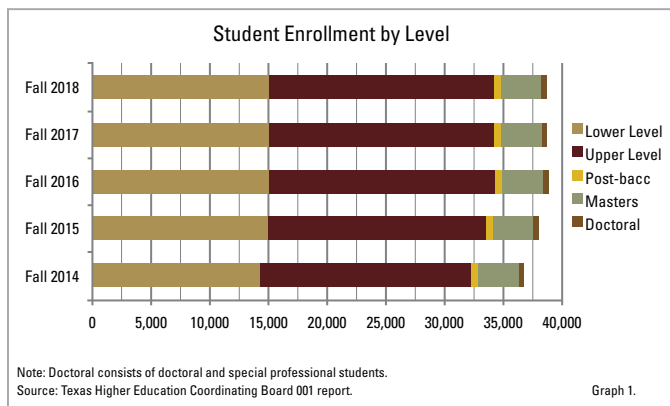
The following is Management's Discussion and Analysis (MD&A) of Texas State University's (University) financial performance for the fiscal year ended August 31, 2019. The information presented here should be considered in conjunction with other areas of the financial section of this report as well as information presented in the letters of transmittal in the introductory section.

## FINANCIAL HIGHLIGHTS

- The net position of Texas State was \$1.536 billion at August 31, 2019, an increase of \$18.3 million or 1.2%, in fiscal year 2019.
- Tuition and Fees revenue, net of discounts, grew by \$6 million or 2.2% as a result of increases in designated tuition as well as increases in the student center and orientation fees.
- During fiscal year 2019 overall student enrollment fell slightly to 38,661 in Fall 2018 which is down 0.09% below 38,694 in Fall of 2017.

### Student Enrollment

Following a period of strong growth, overall student enrollment has been steady for the past three years. The first graph Student Enrollment by Level reflects all students by level of study as a headcount, and the second graph Semester Credit Hours by Level reflects course load at the various levels of study.



Source: Texas Higher Education Coordinating Board (THECB) Texas Higher Education Enrollments

## OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Texas State financial presentation, which consists of the fund financial statements for enterprise funds and notes to the financial statements. Collectively, this information presents the net position available for university operations as of August 31, 2019 with comparative information as of August 31, 2018, and summarizes any changes in net position for the same. The information available in each of these sections is summarized as follows:

### Fund Financial Statements

All funds over which the university exercises fiscal control and responsibility are presented as of August 31, 2019 and for the year then ended with comparative data presented for August 31, 2018. The operations of each fund are accounted for with a self-balancing set of accounts that comprise its assets, liabilities, revenues and expenses. As a special-purpose government engaged only in business-type activities, the funds are presented in a single enterprise fund column for financial reporting purposes. Three primary financial statements are presented with supporting schedules. The three primary statements are described below.

The **Statement of Net Position** reflects the assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the University, using the accrual basis of accounting, and presents the financial position of the University at a specified time. Assets, plus deferred outflows of resources, less liabilities, less deferred inflows

# Management's Discussion and Analysis

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of resources, equals net position, which is one indicator of the University's current financial condition. The changes in net position that occur over time indicate improvement or deterioration in the University's financial condition

The **Statement of Revenues, Expenses, and Changes in Net Position** presents the University's revenue and expense activity, categorized as operating and nonoperating. Revenues and expenses are recognized when earned or incurred, regardless of when cash is received or paid.

The **Statement of Cash Flows** provides information about the University's financial results by reporting the major sources and uses of cash and cash equivalents. This statement will assist in evaluating the University's ability to generate net cash flows, its ability to meet its financial obligations as they come due, and its need for external financing. Cash flows from operating activities show the net cash used by the operating activities of the University. Cash flows from capital financing activities include all plant funds and related long-term debt activities. Cash flows from investing activities show the net source and use of cash related to purchasing or selling investments, and earning income on those investments. Cash flows from noncapital financing activities include those activities not covered in other sections.

## Notes to the Financial Statements

The notes to the financial statements are an integral part of the financial statements and provide additional information that is essential to a full understanding of the data provided in the fund financial statements.

- The relationship that Texas State University has with the Texas State University System (TSUS) and the State of Texas is described in Note 1-Summary of Significant Accounting Policies under the "Reporting Entity" heading.
- The relationship that Texas State University has with component units is described in Note 1 under the "Reporting Entity" heading as well as in Note 11 The Financial Reporting Entity.
- Bonded Indebtedness issued by the System on behalf of Texas State is described in Note 5 Bonded Indebtedness and in Note 14 Subsequent Events.
- Activity and balances related to Pension and Other Post-Employment Benefit liabilities are reported by the System. This is described in Note 1 under the Measurement Focus, Basis of Accounting and Basis of Presentation heading.
- Capital Asset information such as historical costs and accumulated depreciation or amortization is presented in Note 2 Capital Assets.

## Required Supplementary Information

Required supplementary information consists of this Management's Discussion and Analysis which is prepared in accordance with Governmental Accounting Standards Board (GASB) Statement 34-*Basic Financial Statements- and Management's Discussion and Analysis- for State and Local Governments*.

## FINANCIAL ANALYSIS

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### Statement of Net Position

The Statement of Net Position indicates an increase in net position to \$1.536 billion in 2019 over \$1.517 billion in 2018, representing a 1.2% increase. The Investment in Capital Assets, Net of Related Debt increased \$50 million, or 4.8%, and unrestricted net position increased \$6 million, or 1.7%. Total assets increased \$14.8 million, or 0.8% primarily attributable to an overall increase in capital assets. There was a major shift from current to non-current assets due to construction project completions as well as a move into less liquid investment categories which was done to maximize investment earning potential. Total liabilities decreased \$3.5 million, or -1.2%, in 2019 as a result of liquidation of prior year-end accruals of large construction related payments which were partially offset by an increase in unearned revenues of \$6.3 million.

Texas State continues to implement capital improvements to upgrade facilities. Approximately \$50.4 million in capital commitments have been entered into or were outstanding as of year-end for the construction and renovation of various facilities. These projects are in various stages of completion. The capital projects are being funded in part by bond proceeds. TSUS issues debt through the Revenue Financing System on behalf of the University and reports that debt in the TSUS financial statements. Details about debt outstanding are described in Note 5 Bonded Indebtedness and in Note 14 Subsequent Events. A portion of

# Management's Discussion and Analysis

Annual Financial Report for the fiscal year ended August 31, 2019

the debt outstanding represents tuition revenue bonds (TRBs) historically funded by the Texas Legislature through General Revenue appropriations. For the fiscal years ended August 31, 2019 and 2018, the institution was appropriated \$17,387,991.00 and \$18,740,277.00, respectively, for TRB debt service. Texas State expects future Legislative appropriations to meet debt service requirements for TRBs.

Statement of Net Position-Condensed				
	2019	2018	Dollar Change	Percentage Change
<b>Assets</b>				
Cash and Investments	\$ 573,860,380.89	\$ 606,576,332.04	\$ -32,715,951.15	-5.4%
Receivables	71,846,343.21	70,854,763.17	991,580.04	1.4
Legislative Appropriations	60,536,553.55	64,784,007.00	-4,247,453.45	-6.6
Capital Assets, Net	1,084,507,373.68	1,034,459,431.25	50,047,942.43	4.8
Other Assets	42,742,031.65	41,995,555.09	746,476.56	1.8
<b>Total Assets</b>	<b>\$1,833,492,682.98</b>	<b>\$1,818,670,088.55</b>	<b>\$ 14,822,594.43</b>	<b>0.8%</b>
<b>Liabilities</b>				
Payables	\$ 65,001,665.08	\$ 74,818,423.07	\$ -9,816,757.99	-13.1%
Unearned Revenues	218,000,269.74	211,716,158.31	6,284,111.43	3.0
Employees Compensable Leave-Current	7,626,579.19	7,496,438.12	160,893.43	1.3
Employees Compensable Leave-Non-Current	4,968,086.10	4,937,333.74	30,752.36	0.6
Other Liabilities	2,346,233.74	2,495,250.36	-149,016.62	-6.0
<b>Total Liabilities</b>	<b>\$ 297,942,833.85</b>	<b>\$301,463,603.60</b>	<b>-3,520,769.75</b>	<b>-1.2%</b>
<b>Net Position</b>				
Invested in Capital Assets, Net of Debt	\$1,084,507,373.68	\$1,034,459,431.25	\$ 50,047,942.43	4.8%
Restricted Net Position	94,885,288.27	132,581,624.60	-37,696,336.33	-28.4
Unrestricted Net Position	356,157,187.18	350,165,429.10	5,991,758.08	1.7
<b>Total Net Position</b>	<b>\$1,535,549,849.13</b>	<b>\$1,517,206,484.95</b>	<b>18,343,364.18</b>	<b>1.2%</b>



# Management's Discussion and Analysis

## Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position reflects an Increase in Net Position for the year ended August 31, 2019 of \$18.3 million as compared to an increase of \$27.2 million for the year ended 2018. Tuition and Fees revenue, net of discounts, grew by \$6 million or 2.2% as a result of increases in designated tuition as well as increases in the student center and orientation fees. Auxiliary Sales decreased 4.7% primarily due to outsourcing of bookstore management. Operating expenses increased by 1.9% largely attributable to expensed furnishings for completed construction projects. Additional depreciation of \$4.9M was incurred, \$3M of which is for recently completed buildings: Willow Hall on the Round Rock Campus, and Ingram Hall on main campus.

Statement of Revenues, Expenses and Changes in Net Position-Condensed				
	2019	2018	Dollar Change	Percentage Change
<b>Revenues (Operating and Non-Operating)</b>				
Tuition and Fees, Net	\$ 280,579,713.62	\$ 274,549,787.80	\$ 6,029,925.82	2.2%
Grant Revenue	143,304,388.87	139,157,859.10	4,146,529.77	3.0
Auxiliary and Other Sales Goods, Services	100,658,557.46	105,621,491.05	-4,962,933.59	-4.7
Legislative Revenue	135,040,413.79	135,599,921.76	-559,507.97	-0.4
Investment Income	18,383,925.33	15,413,169.71	2,970,755.62	19.3
Other Revenues	10,473,508.66	11,734,359.45	-1,260,850.79	-10.7
<b>Total Revenues</b>	<b>\$ 688,440,507.73</b>	<b>\$ 682,076,588.87</b>	<b>\$ 6,363,918.86</b>	<b>0.9%</b>
<b>Expenses (Operating and Non-Operating)</b>				
Operating Expenses	\$ 582,884,988.06	\$ 571,990,953.00	\$ 10,894,035.06	1.9%
Depreciation and Amortization	61,111,778.45	56,224,770.27	4,887,008.18	8.7
Non-Operating Expenses	1,910,102.11	205,400.09	1,704,702.02	829.9
<b>Total Expenses</b>	<b>\$ 645,906,868.62</b>	<b>\$ 628,421,123.36</b>	<b>\$ 17,485,745.26</b>	<b>2.8%</b>
<b>Income/(Loss) before Other Revenues, Expenses, Gains/(Losses) and Transfers</b>	<b>\$ 42,533,639.11</b>	<b>\$ 53,655,465.51</b>	<b>\$ -11,121,826.40</b>	<b>-20.7%</b>
<b>Other Revenues, Expenses, Gains/(Losses) and Transfers</b>				
HEF Appropriation and Transfers, Net	\$ 15,310,375.58	\$ 13,956,253.00	\$ 1,354,122.58	9.7
Additions to Permanent & Term Endowments	441,999.25	1,464,321.37	-1,022,322.12	-69.8
Other Gains/(Losses) and Transfers	\$ -39,942,649.76	\$ -41,878,842.07	\$ 1,936,192.31	-4.6
<b>Total Other Revenue, (Expenses), Gains/(Losses) and Transfers</b>	<b>\$ -24,190,274.93</b>	<b>\$ -26,458,267.70</b>	<b>\$ 2,267,992.77</b>	<b>-8.6%</b>
<b>Change in Net Position</b>	<b>\$ 18,343,364.18</b>	<b>\$ 27,197,197.81</b>	<b>\$ -8,853,833.63</b>	<b>-32.6%</b>
Beginning Net Position	1,517,206,484.95	1,490,009,287.14	27,197,197.81	1.8%
<b>Ending Net Position</b>	<b>\$ 1,535,549,849.13</b>	<b>\$ 1,517,206,484.95</b>	<b>\$ 18,343,364.18</b>	<b>1.2%</b>



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# Texas State University

## Statement of Net Position

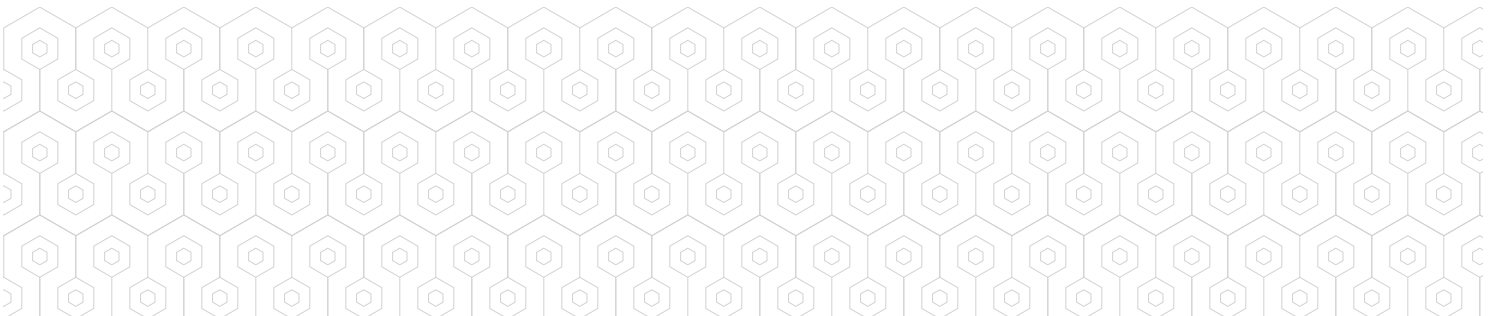
	Enterprise Funds	
	2019	2018
<b>ASSETS AND DEFERRED OUTFLOWS</b>		
Current Assets:		
Unrestricted Cash and Cash Equivalents:		
Cash on Hand	\$ 49,265.92	\$ 53,099.77
Cash in Bank (Note 3)	2,958,250.49	8,821,458.59
Cash in Transit/Reimbursement from Treasury	825,646.44	2,138,739.11
Cash in State Treasury	22,243,000.30	28,347,192.49
Cash Equivalents (Note 3)	197,211,452.63	289,195,613.05
Restricted Cash and Cash Equivalents:		
Cash in Bank (Note 3)	5,025.42	9,780.30
Cash Equivalents (Note 3)	34,108,854.35	74,391,867.67
Legislative Appropriations	60,536,553.55	64,784,007.00
Net Receivables (Note 1)		
Federal	8,075,589.67	8,514,936.90
Interest and Dividends	21,923.59	23,764.34
Student Accounts	49,336,709.99	45,916,180.03
Gifts Receivable - Pledges	1,468,342.89	2,045,522.36
Investment Trades	-	59,495.31
Other	5,329,220.33	6,365,260.87
Due From Other Agencies (Note 8)	2,887,229.41	2,621,366.89
Consumable Inventories	841,940.45	833,747.52
Merchandise Inventories	166,533.92	2,312,066.54
Prepaid Items	41,733,557.28	38,849,741.03
Loans and Contracts	3,245,519.82	3,454,249.71
Total Current Assets	<u>\$ 431,044,616.45</u>	<u>\$ 578,738,089.48</u>
Non-Current Assets:		
Restricted:		
Gifts Receivable - Pledges	\$ 1,364,168.66	\$ 1,742,030.71
Investments (Note 3)	41,627,499.25	41,615,037.84
Loans and Contracts	117,638.85	111,956.05
Investments (Note 3)	274,831,386.09	162,003,543.22
Capital Assets, Non-Depreciable (Note 2)	122,277,127.31	199,965,280.53
Capital Assets, Net of Accumulated Depreciation (Note 2)	962,053,781.53	834,177,296.78
Intangible Assets, Net of Accumulated Amortization (Note 2)	176,464.84	316,853.94
Total Non-Current Assets	<u>\$ 1,402,448,066.53</u>	<u>\$ 1,239,931,999.07</u>
Total Assets	<u>\$ 1,833,492,682.98</u>	<u>\$ 1,818,670,088.55</u>
<b>DEFERRED OUTFLOWS</b>		
Derivative Hedging Instrument Assets	\$ -	\$ -
Deferred Outflows of Resources	-	-
Total Deferred Outflows	<u>\$ -</u>	<u>\$ -</u>
Total Assets and Deferred Outflows	<u>\$ 1,833,492,682.98</u>	<u>\$ 1,818,670,088.55</u>



	<b>Enterprise Funds</b>	
	<b>2019</b>	<b>2018</b>
<b>LIABILITIES AND DEFERRED INFLOWS</b>		
Current Liabilities:		
Accounts Payable	\$ 49,120,450.75	\$ 58,215,673.67
Investment Trades	-	114,194.97
Accrued Payroll	15,743,559.15	15,881,459.98
Unearned Revenues	218,000,269.74	211,716,158.31
Due to Other Agencies (Note 8)	137,655.18	607,094.45
Employees' Compensable Leave (Note 4)	7,626,579.19	7,496,438.12
Funds Held for Others	2,302,787.56	2,464,364.58
Other Current Liabilities	43,446.18	30,885.78
Total Current Liabilities	<u>\$ 292,974,747.75</u>	<u>\$ 296,526,269.86</u>
Non-Current Liabilities:		
Employees' Compensable Leave (Note 4)	\$ 4,968,086.10	\$ 4,937,333.74
Total Non-Current Liabilities	<u>\$ 4,968,086.10</u>	<u>\$ 4,937,333.74</u>
Total Liabilities	<u>\$ 297,942,833.85</u>	<u>\$ 301,463,603.60</u>
<b>DEFERRED INFLOWS</b>		
Derivative Hedging Instrument Liabilities	\$ -	\$ -
Deferred Inflows of Resources	-	-
Total Deferred Inflows	<u>\$ -</u>	<u>\$ -</u>
Total Liabilities and Deferred Inflows	<u>\$ 297,942,833.85</u>	<u>\$ 301,463,603.60</u>
<b>NET POSITION</b>		
Invested in Capital Assets, Net of Related Debt	\$ 1,084,507,373.68	\$ 1,034,459,431.25
Restricted for:		
Capital Projects	31,145,978.32	69,262,966.15
Funds Held as Permanent Investments:		
Non-Expendable	20,954,428.60	20,297,054.60
Expendable (Note 13)	21,403,604.08	23,399,506.23
Other	21,018,659.66	19,622,097.62
Unrestricted	356,519,804.79	350,165,429.10
Total Net Position	<u>\$ 1,535,549,849.13</u>	<u>\$ 1,517,206,484.95</u>

The accompanying Notes to the Financial Statements are an integral part of this financial statement.

See Independent Certified Public Accountant's Review Report.



# Texas State University

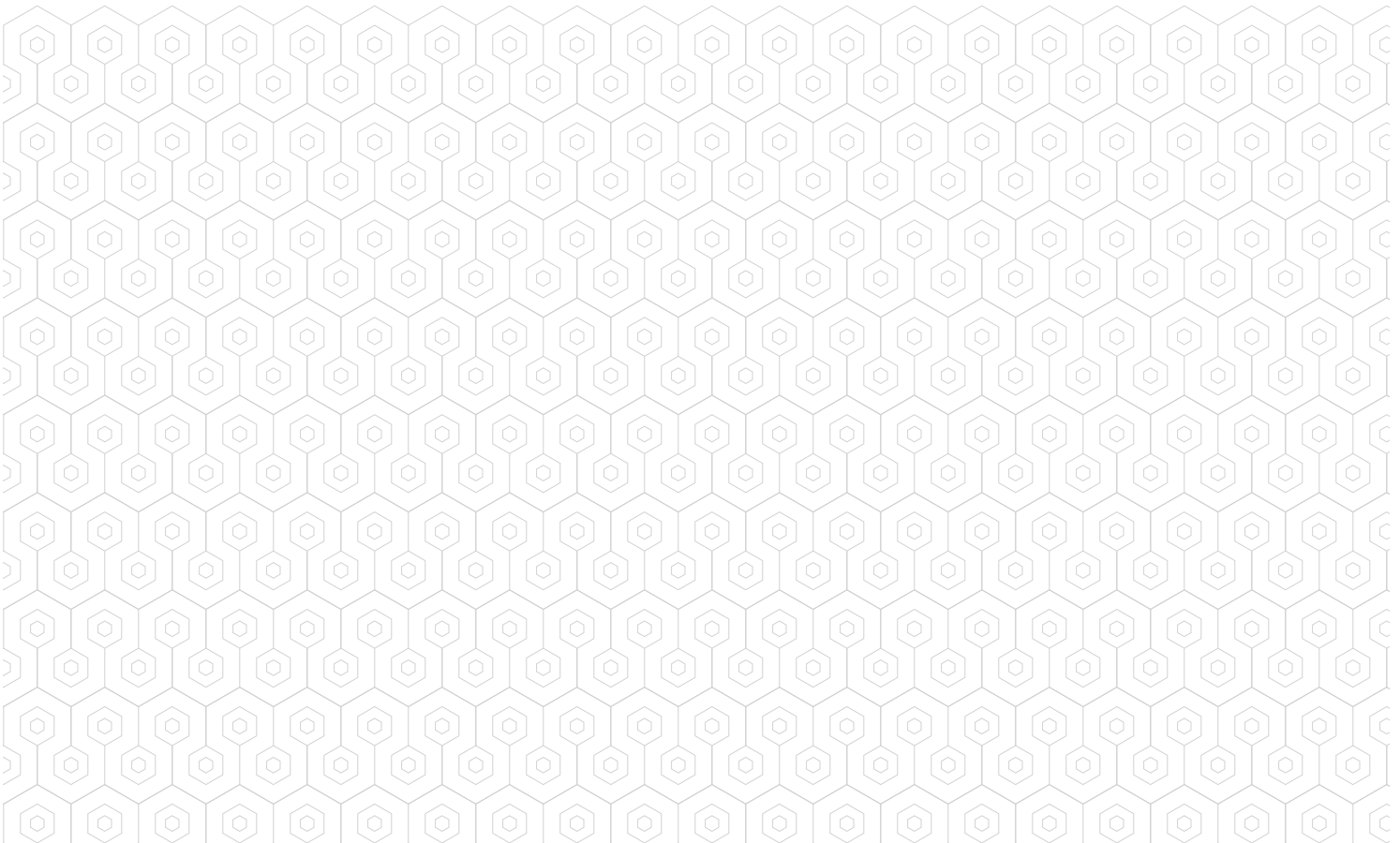
## Statement of Revenues, Expenses, and Changes in Net Position

	<b>Enterprise Funds</b>	
	<b>2019</b>	<b>2018</b>
<b>OPERATING REVENUES</b>		
Sales of Goods and Services:		
Tuition and Fees	\$ 390,579,057.38	\$ 378,416,582.41
Discounts and Allowances (Note 1)	(109,999,343.76)	(103,866,794.61)
Auxiliary Enterprises	86,184,422.47	90,911,500.04
Other Sales of Goods and Services	14,474,134.99	14,709,991.01
Federal Revenue-Operating	34,151,653.95	34,493,230.80
Federal Pass Through Revenue	3,288,010.00	3,146,813.54
State Grant Revenue	2,175,378.22	3,445,074.20
State Grant Pass Through Revenue	31,536,220.58	31,843,510.44
Other Grants & Contracts	6,311,254.02	5,705,403.36
Other Operating Revenue	738,834.93	837,467.00
Total Operating Revenues	<u>\$ 459,439,622.78</u>	<u>\$ 459,642,778.19</u>
<b>OPERATING EXPENSES</b>		
Instruction	\$ 218,093,235.91	\$ 210,470,386.68
Research	57,341,069.47	56,450,775.39
Public Service	4,241,082.57	3,495,895.19
Academic Support	50,899,995.07	49,358,724.62
Student Services	35,946,568.48	34,995,200.15
Institutional Support	36,799,539.01	34,615,114.76
Operation and Maintenance of Plant	44,013,673.57	46,460,521.14
Scholarship and Fellowships	55,532,937.63	58,401,901.11
Auxiliary Enterprises	80,016,886.35	77,742,433.96
Depreciation and Amortization	61,111,778.45	56,224,770.27
Total Operating Expenses	<u>\$ 643,996,766.51</u>	<u>\$ 628,215,723.27</u>
Operating Income (Loss)	<u>\$ (184,557,143.73)</u>	<u>\$ (168,572,945.08)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Legislative Revenue	\$ 109,079,130.00	\$ 110,234,948.00
Additional Appropriations	25,961,283.79	25,364,973.76
Federal Grant - Non Exchange	60,559,257.10	59,455,571.76
State Pass Through - Non Exchange	5,282,615.00	1,068,255.00
Gifts, Pledges, and Donations	9,030,607.82	10,679,354.24
Investment Income	22,399,682.33	12,149,421.79
Gain (Loss) on Sales of Capital Assets	(62,724.13)	(1,210,331.09)
Net Increase (Decrease) in Fair Value of Investments	(4,015,757.00)	3,263,747.92
Other Nonoperating Revenues	766,790.04	1,427,869.30
Other Nonoperating Expenses	(1,910,102.11)	(205,400.09)
Total Nonoperating Revenues (Expenses)	<u>\$ 227,090,782.84</u>	<u>\$ 222,228,410.59</u>
Income (Loss) before Other Revenues, Expenses, Gains, Losses and Transfers	<u>\$ 42,533,639.11</u>	<u>\$ 53,655,465.51</u>

	<b>Enterprise Funds</b>	
	<b>2019</b>	<b>2018</b>
<b>OTHER REVENUES, EXPENSES, GAINS, LOSSES, AND TRANSFERS</b>		
HEF Appropriation Revenue	\$ 37,162,755.00	\$ 37,162,755.00
Additions to Permanent and Term Endowments	441,999.25	1,464,321.37
Transfers From Other Governmental Agencies (Note 8)	2,034,933.81	773,671.00
Transfers To Other Governmental Agencies (Note 8)	(41,977,583.57)	(42,652,513.07)
Legislative Transfers-In (Note 8)	1,386,066.00	1,342,275.00
Legislative Transfers-Out (Note 8)	(23,238,445.42)	(24,548,777.00)
Total Other Revenues, Expenses, Gains/Losses and Transfers	<u>\$ (24,190,274.93)</u>	<u>\$ (26,458,267.70)</u>
 Change in Net Position	 \$ 18,343,364.18	 \$ 27,197,197.81
 Net Position, September 1	 \$ 1,517,206,484.95	 \$ 1,490,009,287.14
Restatements	-	-
Net Position, September 1, as Restated	<u>\$ 1,517,206,484.95</u>	<u>\$ 1,490,009,287.14</u>
Net Position, August 31	<u><u>\$ 1,535,549,849.13</u></u>	<u><u>\$ 1,517,206,484.95</u></u>

The accompanying Notes to the Financial Statements are an integral part of this financial statement.

See Independent Certified Public Accountant's Review Report.



# Texas State University

## Matrix of Operating Expenses Reported by Function for the fiscal year ended August 31, 2019

Operating Expenses	Instruction	Research	Public Service	Academic Support
Cost of Goods Sold	\$ -	\$ -	\$ -	\$ -
Salaries and Wages	150,875,621.77	27,390,155.03	1,646,496.56	30,642,134.69
Payroll Related Costs	45,597,857.75	6,237,876.30	673,356.72	7,715,661.18
Professional Fees and Services	3,620,705.35	12,890,093.35	1,236,430.43	2,888,438.64
Federal Grant Pass-Through Expense	-	612,143.57	-	-
Travel	3,616,605.00	3,013,826.54	131,855.87	769,185.88
Materials and Supplies	12,661,239.08	5,207,731.35	365,203.60	6,021,852.06
Communication and Utilities	164,688.77	190,609.07	6,450.02	126,500.35
Repairs and Maintenance	650,434.21	263,953.94	58,806.58	2,293,714.79
Rentals and Leases	175,958.85	551,751.43	71,722.88	55,934.03
Printing and Reproduction	598,879.41	408,349.00	44,746.41	324,641.92
Depreciation and Amortization	-	-	-	-
Interest	641.04	698.48	21.04	583.97
Scholarships	-	-	-	-
Claims and Judgments	-	-	4,393.87	-
Other Operating Expenses	130,604.68	573,881.41	1,598.59	61,347.56
Total Operating Expenses	<u>\$ 218,093,235.91</u>	<u>\$ 57,341,069.47</u>	<u>\$ 4,241,082.57</u>	<u>\$ 50,899,995.07</u>

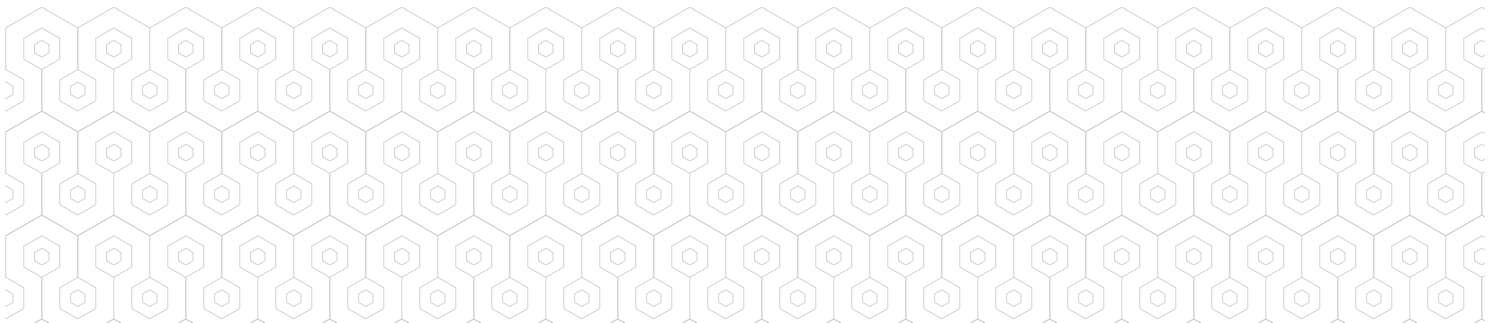
The accompanying Notes to the Financial Statements are an integral part of this financial statement.

See Independent Certified Public Accountant's Review Report.



Student Services	Institutional Support	Operation and Maintenance of Plant	Scholarships and Fellowships	Auxiliary Enterprise Expenditures	Depreciation and Amortization	Total Expenses
\$ -	\$ -	\$ -	\$ -	\$ 561,440.09	\$ -	\$ 561,440.09
20,057,911.71	24,167,507.84	14,814,220.17	-	18,183,308.76	-	287,777,356.53
5,674,001.02	6,925,995.17	5,397,947.81	-	5,667,219.93	-	83,889,915.88
4,711,953.07	1,530,681.64	4,819,003.80	-	13,321,535.96	-	45,018,842.24
-	-	-	-	-	-	612,143.57
954,620.33	497,073.16	44,675.69	-	3,324,713.60	-	12,352,556.07
3,125,740.87	983,911.68	4,546,120.19	-	25,797,394.59	-	58,709,193.42
150,588.34	604,354.14	11,872,428.48	-	9,173,923.24	-	22,289,542.41
311,997.12	1,274,285.45	2,413,100.53	-	1,810,622.64	-	9,076,915.26
199,202.95	343,494.55	63,038.58	-	866,820.47	-	2,327,923.74
641,936.30	380,117.77	42,360.44	-	249,381.68	-	2,690,412.93
-	-	-	-	-	61,111,778.45	61,111,778.45
141.60	18,042.47	777.88	-	275.57	-	21,182.05
-	-	-	55,532,937.63	-	-	55,532,937.63
85,108.68	17,511.81	-	-	1,040,969.78	-	1,147,984.14
33,366.49	56,563.33	-	-	19,280.04	-	876,642.10
<b>\$ 35,946,568.48</b>	<b>\$ 36,799,539.01</b>	<b>\$ 44,013,673.57</b>	<b>\$ 55,532,937.63</b>	<b>\$ 80,016,886.35</b>	<b>\$ 61,111,778.45</b>	<b>\$ 643,996,766.51</b>

(to next page)



# Texas State University

## Matrix of Operating Expenses Reported by Function for the fiscal year ended August 31, 2018

Operating Expenses	Instruction	Research	Public Service	Academic Support
Cost of Goods Sold	\$ -	\$ -	\$ -	\$ -
Salaries and Wages	148,343,337.39	26,662,064.85	1,426,641.04	28,972,713.95
Payroll Related Costs	45,348,103.11	6,015,906.69	623,890.43	7,790,345.65
Professional Fees and Services	3,303,829.20	13,923,816.39	946,462.02	2,189,121.25
Federal Grant Pass-Through Expense	-	686,436.96	-	-
State Grant Pass-Through Expense	-	65,806.04	-	-
Travel	3,567,011.32	2,900,493.58	124,256.93	774,789.56
Materials and Supplies	8,604,482.10	4,442,364.66	292,362.13	6,415,932.71
Communication and Utilities	76,149.30	81,477.89	4,687.37	89,484.02
Repairs and Maintenance	384,290.53	205,028.68	3,758.00	2,656,204.65
Rentals and Leases	128,025.38	468,546.03	28,866.85	124,993.25
Printing and Reproduction	596,855.92	151,046.38	44,552.41	284,983.82
Depreciation and Amortization	-	-	-	-
Interest	122.89	362.97	18.01	342.86
Scholarships	-	-	-	-
Claims and Judgments	-	-	-	-
Other Operating Expenses	118,179.54	847,424.27	400.00	59,812.90
Total Operating Expenses	<u><u>\$ 210,470,386.68</u></u>	<u><u>\$ 56,450,775.39</u></u>	<u><u>\$ 3,495,895.19</u></u>	<u><u>\$ 49,358,724.62</u></u>

The accompanying Notes to the Financial Statements are an integral part of this financial statement.

See Independent Certified Public Accountant's Review Report.





Student Services	Institutional Support	Operation and Maintenance of Plant	Scholarships and Fellowships	Auxiliary Enterprise Expenditures	Depreciation and Amortization	Total Expenses
\$ -	\$ -	\$ -	\$ -	\$ 5,246,815.88	\$ -	\$ 5,246,815.88
19,659,791.53	22,549,226.19	14,945,571.79	-	18,205,837.68	-	280,765,184.42
5,536,018.52	6,307,042.54	5,436,642.82	-	5,529,429.23	-	82,587,378.99
4,541,861.07	1,257,527.40	4,605,478.22	-	11,881,317.40	-	42,649,412.95
-	-	-	-	-	-	686,436.96
-	-	-	-	-	-	65,806.04
896,275.50	445,295.42	59,755.91	-	3,076,785.91	-	11,844,664.13
3,150,303.81	1,315,171.73	5,507,538.46	-	21,480,956.26	-	51,209,111.86
99,631.10	332,683.97	12,993,744.97	-	8,769,910.61	-	22,447,769.23
192,995.72	1,496,968.85	2,799,381.90	-	1,853,064.43	-	9,591,692.76
179,558.68	251,867.07	69,511.41	-	593,108.97	-	1,844,477.64
720,903.28	335,422.74	42,615.06	-	283,689.37	-	2,460,068.98
-	-	-	-	-	56,224,770.27	56,224,770.27
22.67	13,746.01	280.60	-	49.99	-	14,946.00
-	-	-	58,401,901.11	-	-	58,401,901.11
-	260,138.75	-	-	782,491.71	-	1,042,630.46
17,838.27	50,024.09	-	-	38,976.52	-	1,132,655.59
<b>\$ 34,995,200.15</b>	<b>\$ 34,615,114.76</b>	<b>\$ 46,460,521.14</b>	<b>\$ 58,401,901.11</b>	<b>\$ 77,742,433.96</b>	<b>\$ 56,224,770.27</b>	<b>\$ 628,215,723.27</b>



# Texas State University

## Statement of Cash Flows

	Enterprise Funds	
	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from Customers	\$ 14,593,243.59	\$ 14,859,224.08
Proceeds from Tuition and Fees	281,597,318.29	278,273,566.44
Proceeds from Research Grants and Contracts	77,560,694.37	77,029,046.57
Proceeds from Loan Programs	9,395,298.30	9,928,579.95
Proceeds from Auxiliaries	87,120,520.30	89,991,172.94
Proceeds from Other Operating Revenues	670,375.40	778,023.48
Payments to Suppliers for Goods and Services	(152,491,847.13)	(146,338,510.13)
Payments to Employees for Salaries	(288,008,273.25)	(279,730,811.14)
Payments to Employees for Benefits	(64,125,598.20)	(62,362,347.26)
Payments for Loans Provided	(9,487,190.24)	(10,218,927.94)
Payments for Other Expenses	(62,608,967.95)	(64,171,830.99)
Net Cash Provided (Used) by Operating Activities	<u>\$ (105,784,426.52)</u>	<u>\$ (91,962,814.00)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Proceeds from State Appropriations	\$ 122,187,134.34	\$ 97,536,164.15
Proceeds from Gifts	10,383,631.74	11,069,541.13
Proceeds of Transfers from Other Funds	3,420,999.81	2,942,276.00
Proceeds from Grant Receipts	65,819,644.07	60,345,243.79
Proceeds from Other Noncapital Financing Activities	769,116.56	2,685,044.26
Payments for Other Noncapital Financing Uses	(7,047,817.97)	(5,633,999.88)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>\$ 195,532,708.55</u>	<u>\$ 168,944,269.45</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Proceeds from Sale of Capital Assets	\$ 149,649.37	\$ 179,528.32
Proceeds from Other Financing Activities	37,162,755.00	37,162,755.00
Payments for Additions to Capital Assets	(117,830,116.54)	(156,001,432.83)
Payments of Principal on Debt Issuance	(32,357,962.68)	(32,387,703.69)
Payments of Interest on Debt Issuance	(27,924,639.42)	(29,421,431.72)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>\$ (140,800,314.27)</u>	<u>\$ (180,468,284.92)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from Sales of Investments	\$ 180,255,861.70	\$ 74,322,446.54
Proceeds from Investment Income	30,691,546.58	8,411,392.81
Payments to Acquire Investments	(305,451,631.47)	(76,143,669.31)
Net Cash Provided (Used) by Investing Activities	<u>\$ (94,504,223.19)</u>	<u>\$ 6,590,170.04</u>
Increase (Decrease) in Cash and Cash Equivalents	\$ (145,556,255.43)	\$ (96,896,659.43)
Cash and Cash Equivalents, September 1	<u>\$ 402,957,750.98</u>	<u>\$ 499,854,410.41</u>
Cash and Cash Equivalents, August 31	<u>\$ 257,401,495.55</u>	<u>\$ 402,957,750.98</u>

	<b>Enterprise Funds</b>	
	<b>2019</b>	<b>2018</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Operating Income (Loss)	\$ (184,557,143.73)	\$ (168,572,945.08)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Amortization and Depreciation	\$ 61,111,778.45	\$ 56,224,770.27
Operating Income and Cash Flow Categories:		
Changes in Assets and Liabilities:		
(Increase) Decrease in Receivables	\$ (1,879,772.30)	\$ (59,656.09)
(Increase) Decrease in Due from Other Agencies	(265,862.52)	(338,940.08)
(Increase) Decrease in Inventories	2,137,339.69	1,098,788.70
(Increase) Decrease in Prepaid Expenses	(2,812,383.00)	(5,180,666.46)
(Increase) Decrease in Loans & Contracts	203,047.09	(49,988.25)
(Increase) Decrease in State Appropriations	16,960,161.81	16,300,524.63
Increase (Decrease) in Payables	(2,519,256.77)	4,475,094.68
Increase (Decrease) in Due to Other Funds	(469,439.27)	42,559.21
Increase (Decrease) in Unearned Revenue	6,284,111.43	3,206,897.37
Increase (Decrease) in Compensated Absence Liability	130,141.07	(49,491.32)
Increase (Decrease) in Benefits Payable	(107,148.47)	940,238.42
Total Adjustments	<u>\$ 78,772,717.21</u>	<u>\$ 76,610,131.08</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (105,784,426.52)</u>	<u>\$ (91,962,814.00)</u>
<b>NON-CASH TRANSACTIONS</b>		
Net Change in the Fair Value of Investments	\$ (4,015,757.00)	\$ 3,264,071.67
Donation of Capital Assets	\$ 39,600.00	\$ 1,258,952.14
Gain (Loss) on Sale of Capital Assets	\$ (212,373.50)	\$ (1,389,859.41)

The accompanying Notes to the Financial Statements are an integral part of this financial statement.

See Independent Certified Public Accountant's Review Report.

## Alumni and Future Student Welcome Center Opens

The new Alumni and Future Student Welcome Center inside the LBJ Student Center celebrated its opening in August 2019. The Welcome Center is located on the third floor and was part of the \$31 million expansion project currently under way at LBJ.

The Welcome Center provides tours and information to thousands of university guests annually, and the expanded space allows staff to offer an outstanding experience to potential Bobcats and their families.

The center also doubles the office space available for the Alumni Association and gives Texas State alumni a space to gather and feel at home when they return to campus. In addition to offices, an executive conference room and main lobby, the alumni space features a state-of-the-art multipurpose room shared with the Welcome Center. During the day, it will feature multimedia presentations telling the story of Texas State to newcomers and tour groups. In the evenings, it will be available for dinners, receptions, and other events.

The remainder of the LBJ Student Center expansion is expected to be completed in spring 2020. The expansion will include a refurbished main entry lobby, a second ballroom, conference rooms, meeting spaces, shared spaces for informal student gatherings and study spaces, a new lounge area, and new mechanical, electrical, and plumbing building infrastructure systems.

## The Wittliff Collections Expand

Expansion of The Wittliff Collections at Alkek Library began in May 2019. Texas State is allocating the entire seventh floor of the library to The Wittliff, increasing its footprint from its current 20,000 square feet to more than 30,000 square feet of space and doubling its gallery space, enabling it to share more of its treasures with the public.

The Wittliff Collections include The Southwestern Writers Collection, the Southwestern & Mexican Photography Collection, the Lonesome Dove Collection, and the Texas Music Collection. The Wittliff now holds more than 500 special collections, many of which reside in the Archives and Research Center, the university's state-of-the-art, high-density storage facility located near the Science, Technology, and Advanced Research (STAR) Park, less than four miles from the San Marcos Campus. The Wittliff has physically expanded only twice in its 33 years. The new space will be a showplace that allows this internationally acclaimed research archive to bring more of its collections to light.

The expansion of The Wittliff Collections is expected to be complete in January.





# Texas State University

## Notes to the Financial Statements

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### **NOTE 1: Summary of Significant Accounting Policies**

#### **NATURE OF OPERATIONS AND HISTORY**

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Texas State University (Texas State) is a doctoral-granting, student-centered institution dedicated to excellence and innovation in teaching, research, including creative expression, and service. The university strives to create new knowledge, to embrace a diversity of people and ideas, to foster cultural and economic development, and to prepare its graduates to participate fully and freely as citizens of Texas, the nation, and the world.

The university was first authorized by the Texas legislature in 1899, and Southwest Texas State Normal School opened its doors in 1903. Over the years, the school has broadened its scope and changed its name a few times as well:

1918: Southwest Texas State Normal College	1969: Southwest Texas State University
1923: Southwest Texas State Teachers College	2003: Texas State University-San Marcos
1959: Southwest Texas State College	2013: Texas State University

Each name reflects the evolution from a small teaching institution to a major, multi-purpose university. Through the nine academic colleges, Texas State offers more than 200 undergraduate and post-graduate degrees to serve the needs of future generations of Texans.

Texas State is the only university in Texas to have graduated a U.S. president or vice president. President Johnson's memory remains alive on campus through the LBJ Student Center, the university's Lyndon Baines Johnson Distinguished Lecture Series and the LBJ Statue. Johnson returned to Texas State many times. In 1965, he returned to his alma mater to sign the Higher Education Act, which opened the doors of higher education to many who could not previously afford it.

#### **REPORTING ENTITY**

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Texas State University is a part of the legal entity and primary government of the State of Texas, and is governed by the Texas State University System (TSUS) nine-member Board of Regents appointed by the governor and confirmed by the Senate. Texas State University's financial activity is consolidated along with the remaining seven components of the system into the financial report of TSUS. The system-wide report of TSUS is further consolidated into the Comprehensive Annual Financial Report (CAFR) for the State of Texas. CAFRs for the State of Texas may be obtained from the Texas Comptroller of Public Accounts website:

<https://www.comptroller.texas.gov/transparency/reports/comprehensive-annual-financial>. Texas State University System is reported as a proprietary fund within the statewide CAFR. The State Auditor expresses an opinion on the CAFR as a whole, but not on the financial statements of individual state agencies or universities contained therein.

This financial report includes all activities and programs for which Texas State University exercises fiscal control and responsibility and includes all funds that comprise the university's financial reporting entity. The financial reporting entity consists of Texas State University's funds, as the primary government, plus any closely related entities for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship would be misleading to exclude. As a result of their relationships with Texas State, the Texas State University Research Foundation and the Harold M. Freeman Educational Foundation are included in the financial statements as blended component units. Other entities are reported as affiliated organizations and are not included in the basic financial statements. For details on those organizations, refer to the Related Organizations note later in this section.

Copies of this Annual Financial Report may be obtained by contacting Texas State University, Director of Accounting, General Accounting Office, 601 University Drive, JCK 589, San Marcos, TX 78666-4684.

#### **MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION**

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Texas State University's accounts are organized on the basis of funds, each of which is considered a separate accounting entity according to governmental accounting. The operations of each fund are accounted for with a self-balancing set of accounts that comprise its assets, liabilities, revenues and expenses. As a special-purpose government engaged only in business-type activities, the funds are presented in a single enterprise fund column for financial reporting purposes. Three primary financial statements are presented with supporting schedules: the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; the Statement of Cash Flows and the

## Notes to the Financial Statements

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supporting schedule Matrix of Operating Expenses Reported by Function. Accounting principles similar to those used by private-sector businesses are applied in accounting for these funds.

The accompanying statements have been prepared in accordance with Generally Accepted Accounting Principles (GAAP) using the economic resources measurement focus and accrual basis of accounting as prescribed by the Governmental Accounting Standards Board (GASB), with the exception of the items described below, and in accordance with state statutes and regulations. The Texas Comptroller of Public Accounts issues the *Reporting Requirements for Annual Financial Reports (AFRs) of State Agencies and Universities* for purposes of consolidation at the state-wide level. As an individual university, Texas State's AFR complies with the State Comptroller's requirements.

Certain elements of a typical stand-alone report are omitted at the individual level in accordance with the *Reporting Requirements for Annual Financial Reports (AFRs)*, because they are reported at the system level of TSUS or at the consolidated Texas Comprehensive Annual Financial Report (CAFR) level. These reporting requirements do not require components of university systems to record their portion of pension liabilities under *GASB 67 Accounting and Financial Reporting for Pensions — an amendment of GASB Statement No. 27* or their retiree healthcare liabilities under *GASB 75 Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Instead the related liabilities are recorded at the system level in the TSUS report described above.

The basis of accounting determines when revenues and expenses are recognized and reported in the financial statements. Under the accrual basis, revenues are recognized when earned and expenses are recognized when the liability is incurred. The enterprise or business-type activities are financed in whole or in part by fees charged to external parties for goods or services and focus on determining operating income, changes in net position, financial position, and cash flows. Operating items are distinguished from non-operating items. Operating revenues and expenses result from providing services or producing and delivering goods in connection with the principle of ongoing operations. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All significant inter-fund transactions have been eliminated.

### BUDGETS, APPROPRIATIONS AND RESTRICTED RESOURCES

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The administrative costs and capital asset outlay for the university are controlled by annual budgets approved by the university management and the TSUS Board of Regents. As a state university, Texas State University received appropriations from the state for a portion of its operations in the form of Legislative Revenue and Legislative Transfers In or Out. State appropriations are authorized biennially by the Texas legislature and approved by the governor in the General Appropriations Act. Unencumbered appropriations are generally subject to lapse 60 days after the end of the fiscal year for which they are appropriated. State appropriations represented approximately 21.2% and 21.5% of total revenues from operations for fiscal years ended August 31, 2019 and 2018, respectively. When both restricted and unrestricted resources are available for use, restricted resources are generally used first, then unrestricted resources are used as needed.

### USE OF ESTIMATES IN THE PREPARATION OF BASIC FINANCIAL STATEMENTS

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The preparation of financial statements and related notes to the financial statements requires management to make estimates and assumptions that affect the reported amounts for assets and liabilities at the date of the financial statements and the reported amounts for revenues and expenses during the reporting period. Actual results could differ from those estimates.

A significant estimate for scholarship discounts and allowances is made by the university. Allowances are determined by using the Alternate Method as issued by the National Association of College and University Business Officers in the *Advisory Report 2000-05*. The Alternate Method acknowledges that in reality most institutions do not post financial aid on a case-by-case basis but rather as of a certain date; therefore, institutions are allowed to use a rational, documented allocation methodology to calculate discounts and allowances. This approach is referred to as the Alternate Method. As of August 31, 2019, and 2018, this method resulted in estimates of \$109,999,343.76 and \$103,866,794.61, respectively, for the university's discounts and allowances related to tuition and fees.

### CURRENT AND NON-CURRENT ASSETS

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Current assets are those considered available for appropriation and expenditure within one fiscal year. Examples of expendable financial resources include cash, various receivables, and short-term investments. All other assets are considered non-current.



# Texas State University

## Notes to the Financial Statements

### CASH AND CASH EQUIVALENTS

Cash includes cash on hand, cash in local banks, cash in transit, and cash in the treasury. Cash equivalents are defined as short-term, highly liquid investments that are both (a) readily convertible to known amounts of cash and (b) so near maturity that the risk of changes in value due to changes in interest rates is insignificant. Only investments with an original maturity of three months or less are considered cash equivalents. TexPool, a Local Government Investment Pool, is valued at a stable \$1.00 share price and is reported at amortized cost.

### ACCOUNTS RECEIVABLE

Accounts receivable represent amounts for student tuition and fees, grant and contract expense reimbursements, various sales and services provided to students and third parties, loans receivable, investment related transactions, and gifts receivable. Federal accounts include amounts from sponsored program activity as well as financial aid. Gifts receivable represent amounts pledged to the university by donors. Other accounts receivable include year-end revenue accruals or accounts not included in the other categories. Certain accounts are recorded net of allowances. The allowances for those accounts by receivable type and fiscal year are as follows:

Allowances by Receivable Type	2019	2018
Student Accounts	\$ 1,691,919.08	\$ 1,888,547.07
Current and Noncurrent Gift Receivables	364,078.81	351,730.04
Loans Receivables	460,385.48	545,463.09

### INVESTMENTS

Investments are reported at fair value in the Statement of Net Position in accordance with GASB Statement Number 72, *Fair Value Measurement and Application*. Fair value is defined by GASB 72 as the “price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.”

### INVENTORIES AND PREPAID ITEMS

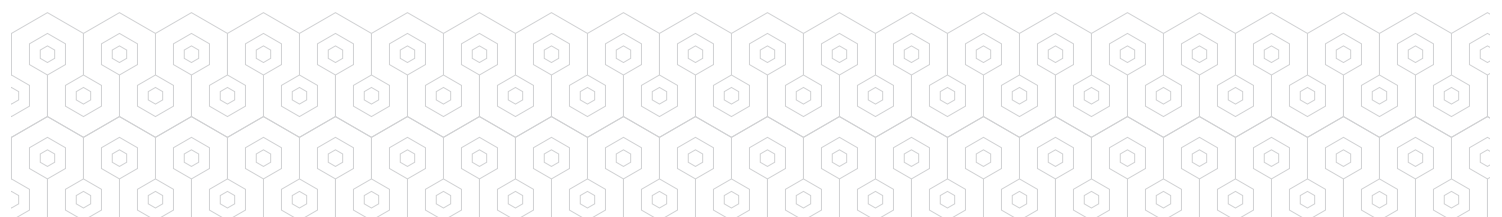
Inventories, including both merchandise and consumable inventories, are valued at cost and expensed when consumed. Payments made for services benefiting periods beyond the current accounting period are recorded as prepaid items. Prepaid scholarships represent funds paid in the current fiscal year relating to the subsequent year.

### RESTRICTED ASSETS

Restricted assets represent resources that are constrained to a particular purpose, such as for endowments, academic programs or construction projects, and either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.

### CAPITAL ASSETS AND RELATED DEBT ACTIVITY

Purchases of assets (a) with an estimated useful life in excess of one year and (b) that exceed the university’s capitalization thresholds are recorded as capital assets at their acquisition cost and date. Donated assets meeting the same criteria described above are recorded as capital assets at their fair market value on the acquisition date. Intangible capital assets are defined as assets that lack physical substance, are nonfinancial in nature, and have an initial useful life extending beyond a single reporting period. Routine repairs and maintenance that do not increase building values or exceed capitalization thresholds are charged to operating expenses in the year in which the expenses are incurred.





## Notes to the Financial Statements

The university's capitalization thresholds are:

Asset Category	Capitalization Threshold
Land, land improvements, and permanent land use rights	All acquisitions are capitalized
Books and materials for the university's academic and research library	All acquisitions are capitalized
Works of art and historical treasures not held for financial gain	All acquisitions are capitalized
Furniture, equipment, and vehicles	\$5,000
Buildings, building improvements, facilities, and other improvements	\$100,000
Purchased computer software and term <sup>(A)</sup> land use rights	\$100,000
Infrastructure	\$500,000
Internally generated computer software	\$1,000,000

(A) Applies only to land use rights considered to have a limited useful life.

Assets are depreciated or amortized over the estimated useful life of the asset using the straight-line method as follows:

Asset Category	Estimated Useful Life
Furniture and Equipment	4-15 years
Purchased and Internally Developed Software	5 years
Vehicles	5-10 years
Other Tangible Assets	10 years
Term Land Use Rights	10 years
Buildings, Infrastructure, and Facilities	10-30 years
Other Assets	15 years

All land, land improvements, land use rights, and works of art and historical treasures not held for financial gain are considered to have an indefinite useful life. Because these assets are inexhaustible, they are not depreciated.

Bonded indebtedness is issued by the TSUS Revenue Financing System. The Revenue Financing System is comprised of the TSUS administration and the component institutions within TSUS. Although the university must repay debt issued on its behalf, the associated bond liability is reported in total by the TSUS administration and is not included in the liabilities of the university on its financial statements. Debt service requirements reported by the TSUS administration, which are attributable to Texas State, are disclosed in Note 5 Bonded Indebtedness.

### ACCOUNTS PAYABLE

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

### OTHER PAYABLES

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

### UNEARNED REVENUES

Unearned Revenues represents payments received in advance of providing goods or services.

### FUNDS HELD FOR OTHERS

Funds held for others are composed of agency funds. Agency funds are assets not owned by the university but held in custody to be used or withdrawn by the depositors at will. Agency funds resources are reflected in the university's financial records as cash and cash equivalents with a corresponding liability to the depositing organizations.

# Texas State University

## Notes to the Financial Statements

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### **NON-CURRENT LIABILITIES**

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Non-current liabilities may arise from debt issuances or other commitments with an expected liquidation date of more than one year from fiscal year end.

### **EMPLOYEES' COMPENSABLE LEAVE BALANCES**

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State employees are entitled to be paid for all unused vacation time accrued in the event of resignation, dismissal, or separation from State employment provided the employee has been continuously employed with the State for six months. An expense and liability are recorded as the benefits accrue to employees. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits. Compensable leave liabilities are reported as either current or non-current in the Statement of Net Position. The current portion is that which is expected to be paid within one year. The non-current portion has an expected payment date of more than one year.

### **INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT**

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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 attributed to the acquisition, construction, or improvement of those assets.

### **RESTRICTED NET POSITION**

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Restricted net position consists of restricted assets less liabilities and deferred inflows of resources related to those assets. This represents resources that are constrained to a particular purpose, such as for endowments, academic programs or construction projects, and either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.

### **UNRESTRICTED NET POSITION**

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Unrestricted net position is the residual amount of total net position less investment in capital assets and restricted net position. Unrestricted net assets often have constraints on resources that are imposed by management but can be removed or modified. Substantially, all unrestricted net assets are designated for capital projects as well as academic and research programs and initiatives.









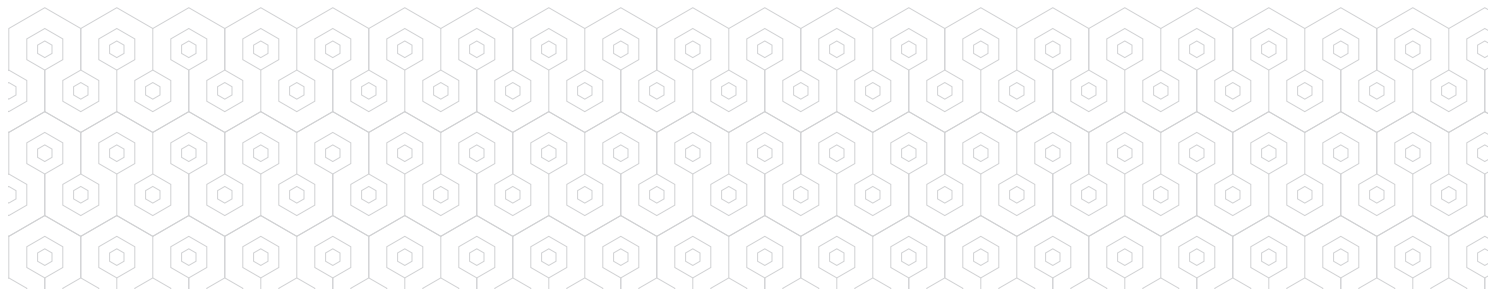
# Texas State University

## Notes to the Financial Statements

### NOTE 2: Capital Assets

Changes in capital assets for the fiscal year ended August 31, 2019 are summarized as follows:

	<b>Balance 9/1/2018</b>	<b>Adjustments</b>	<b>Completed CIP</b>
Non-Depreciable Assets:			
Land and Land Improvements	\$ 50,393,725.74	\$ -	\$ -
Construction in Progress	140,567,611.01	-	(175,502,737.49)
Other Assets	9,003,943.78	-	-
Total Non-Depreciable Assets	<u>\$ 199,965,280.53</u>	<u>\$ -</u>	<u>\$ (175,502,737.49)</u>
Depreciable Assets:			
Buildings and Building Improvements	\$ 1,076,032,028.12	\$ -	\$ 166,531,198.76
Infrastructure	81,264,818.95	-	-
Facilities & Other Improvements	163,130,711.14	-	8,971,538.73
Furniture and Equipment	80,053,047.31	-	-
Vehicle, Boats & Aircraft	9,435,015.45	-	-
Other Assets	80,182,749.32	-	-
Total Depreciable Assets at Historical Costs	<u>\$ 1,490,098,370.29</u>	<u>\$ -</u>	<u>\$ 175,502,737.49</u>
Less Accumulated Depreciation for:			
Buildings and Improvements	\$ (469,355,810.11)	\$ -	\$ -
Infrastructure	(36,492,800.52)	-	-
Facilities & Other Improvements	(60,611,536.77)	-	-
Furniture and Equipment	(55,805,422.67)	-	-
Vehicles, Boats & Aircraft	(5,221,378.59)	-	-
Other Assets	(28,434,124.85)	-	-
Total Accumulated Depreciation	<u>\$ (655,921,073.51)</u>	<u>\$ -</u>	<u>\$ -</u>
Depreciable Assets, Net	<u>\$ 834,177,296.78</u>	<u>\$ -</u>	<u>\$ 175,502,737.49</u>
Amortizable Assets - Intangible:			
Computer Software	\$ 29,143,973.15	\$ -	\$ -
Total Amortizable Assets - Intangible	<u>\$ 29,143,973.15</u>	<u>\$ -</u>	<u>\$ -</u>
Less Accumulated Amortization for:			
Computer Software	\$ (28,827,119.21)	\$ -	\$ -
Total Accumulated Amortization	<u>\$ (28,827,119.21)</u>	<u>\$ -</u>	<u>\$ -</u>
Amortizable Assets - Intangible, Net	<u>\$ 316,853.94</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Capital Assets, Net</b>	<b><u>\$ 1,034,459,431.25</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>



## Notes to the Financial Statements

<b>Interagency Transfers In</b>	<b>Transfers Out</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 8/31/2019</b>
\$ -	\$ -	\$ 2,114,289.13	\$ -	\$ 52,508,014.87
-	-	95,203,755.12	-	60,268,628.64
-	-	496,540.02	-	9,500,483.80
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 97,814,584.27</u>	<u>\$ -</u>	<u>\$ 122,277,127.31</u>
\$ -	\$ -	\$ -	\$ (1,188,648.00)	\$ 1,241,374,578.88
-	-	-	-	81,264,818.95
-	-	-	-	172,102,249.87
10,772.18	-	5,657,426.77	(4,003,356.15)	81,717,890.11
-	-	1,290,356.63	(175,845.29)	10,549,526.79
-	-	6,776,964.56	(484,908.20)	86,474,805.68
<u>\$ 10,772.18</u>	<u>\$ -</u>	<u>\$ 13,724,747.96</u>	<u>\$ (5,852,757.64)</u>	<u>\$ 1,673,483,870.28</u>
\$ -	\$ -	\$ (38,287,683.91)	\$ 1,129,215.60	\$ (506,514,278.42)
-	-	(2,426,472.29)	-	(38,919,272.81)
-	-	(7,309,800.36)	-	(67,921,337.13)
(10,772.18)	-	(6,728,381.73)	3,842,829.46	(58,701,747.12)
-	-	(848,642.23)	175,453.73	(5,894,567.09)
-	-	(5,370,408.83)	325,647.50	(33,478,886.18)
<u>\$ (10,772.18)</u>	<u>\$ -</u>	<u>\$ (60,971,389.35)</u>	<u>\$ 5,473,146.29</u>	<u>\$ (711,430,088.75)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ (47,246,641.39)</u>	<u>\$ (379,611.35)</u>	<u>\$ 962,053,781.53</u>
\$ -	\$ -	\$ -	\$ (430,769.24)	\$ 28,713,203.91
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (430,769.24)</u>	<u>\$ 28,713,203.91</u>
\$ -	\$ -	\$ (140,389.10)	\$ 430,769.24	\$ (28,536,739.07)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ (140,389.10)</u>	<u>\$ 430,769.24</u>	<u>\$ (28,536,739.07)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ (140,389.10)</u>	<u>\$ -</u>	<u>\$ 176,464.84</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 50,427,553.78</u>	<u>\$ (379,611.35)</u>	<u>\$ 1,084,507,373.68</u>

# Texas State University

## Notes to the Financial Statements

Changes in capital assets for the fiscal year ended August 31, 2018 are summarized as follows:

	<b>Balance 9/1/2017</b>	<b>Adjustments</b>	<b>Completed CIP</b>
<b>Non-Depreciable Assets:</b>			
Land and Land Improvements	\$ 45,106,337.03	\$ -	\$ -
Construction in Progress	97,317,703.69	-	(91,975,983.65)
Other Assets	8,275,851.14	-	-
Total Non-Depreciable Assets	<u>\$ 150,699,891.86</u>	<u>\$ -</u>	<u>\$ (91,975,983.65)</u>
<b>Depreciable Assets:</b>			
Buildings and Building Improvements	\$ 983,898,550.72	\$ -	\$ 91,655,985.90
Infrastructure	81,264,818.95	-	-
Facilities & Other Improvements	162,810,713.39	-	319,997.75
Furniture and Equipment	75,103,913.34	-	-
Vehicle, Boats & Aircraft	8,844,289.74	-	-
Other Assets	100,778,255.84	-	-
Total Depreciable Assets at Historical Costs	<u>\$ 1,412,700,541.98</u>	<u>\$ -</u>	<u>\$ 91,975,983.65</u>
<b>Less Accumulated Depreciation for:</b>			
Buildings and Improvements	\$ (435,951,043.45)	\$ -	\$ -
Infrastructure	(34,066,328.30)	-	-
Facilities & Other Improvements	(53,387,997.96)	-	-
Furniture and Equipment	(53,297,886.71)	-	-
Vehicles, Boats & Aircraft	(4,798,268.42)	-	-
Other Assets	(48,607,401.01)	-	-
Total Accumulated Depreciation	<u>\$ (630,108,925.85)</u>	<u>\$ -</u>	<u>\$ -</u>
Depreciable Assets, Net	<u>\$ 782,591,616.13</u>	<u>\$ -</u>	<u>\$ 91,975,983.65</u>
<b>Amortizable Assets - Intangible:</b>			
Computer Software	\$ 28,982,096.84	\$ -	\$ -
Total Amortizable Assets - Intangible	<u>\$ 28,982,096.84</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Less Accumulated Amortization for:</b>			
Computer Software	\$ (28,549,299.99)	\$ -	\$ -
Total Accumulated Amortization	<u>\$ (28,549,299.99)</u>	<u>\$ -</u>	<u>\$ -</u>
Amortizable Assets - Intangible, Net	<u>\$ 432,796.85</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Capital Assets, Net</b>	<u><b>\$ 933,724,304.84</b></u>	<u><b>\$ -</b></u>	<u><b>\$ -</b></u>

## Notes to the Financial Statements

Interagency Transfers In	Interagency Transfers Out	Additions	Deletions	Balance 8/31/2018
\$ -	\$ -	\$ 5,287,388.71	\$ -	\$ 50,393,725.74
-	-	135,225,890.97	-	140,567,611.01
-	-	728,092.64	-	9,003,943.78
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 141,241,372.32</u>	<u>\$ -</u>	<u>\$ 199,965,280.53</u>
\$ -	\$ -	\$ 477,491.50	\$ -	\$ 1,076,032,028.12
-	-	-	-	81,264,818.95
-	-	-	-	163,130,711.14
-	(116,436.00)	8,731,507.17	(3,665,937.20)	80,053,047.31
-	-	936,226.71	(345,501.00)	9,435,015.45
-	-	6,792,152.08	(27,387,658.60)	80,182,749.32
<u>\$ -</u>	<u>\$ (116,436.00)</u>	<u>\$ 16,937,377.46</u>	<u>\$ (31,399,096.80)</u>	<u>\$ 1,490,098,370.29</u>
\$ -	\$ -	\$ (33,404,766.66)	\$ -	\$ (469,355,810.11)
-	-	(2,426,472.22)	-	(36,492,800.52)
-	-	(7,223,538.81)	-	(60,611,536.77)
-	116,436.00	(6,250,727.93)	3,626,755.97	(55,805,422.67)
-	-	(741,823.57)	318,713.40	(5,221,378.59)
-	-	(5,890,491.86)	26,063,768.02	(28,434,124.85)
<u>\$ -</u>	<u>\$ 116,436.00</u>	<u>\$ (55,937,821.05)</u>	<u>\$ 30,009,237.39</u>	<u>\$ (655,921,073.51)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ (39,000,443.59)</u>	<u>\$ (1,389,859.41)</u>	<u>\$ 834,177,296.78</u>
\$ -	\$ -	\$ 171,006.31	\$ (9,130.00)	\$ 29,143,973.15
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 171,006.31</u>	<u>\$ (9,130.00)</u>	<u>\$ 29,143,973.15</u>
\$ -	\$ -	\$ (286,949.22)	\$ 9,130.00	\$ (28,827,119.21)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ (286,949.22)</u>	<u>\$ 9,130.00</u>	<u>\$ (28,827,119.21)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ (115,942.91)</u>	<u>\$ -</u>	<u>\$ 316,853.94</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 102,124,985.82</u>	<u>\$ (1,389,859.41)</u>	<u>\$ 1,034,459,431.25</u>

# Texas State University

## Notes to the Financial Statements

### NOTE 3: Deposits, Investments, and Repurchase Agreements

#### Deposits

As of August 31, 2019 and 2018, the carrying amount of deposits was \$2,963,275.91 and \$8,831,238.89, respectively, as presented below:

	<u>2019</u>	<u>2018</u>
<b>Cash in Bank - Carrying Value</b>	\$ 2,963,275.91	\$ 8,831,238.89
Less: Certificates of Deposit included in carrying value and reported as Cash Equivalent	-	-
Less: Uninvested Securities Lending Cash Collateral included in carrying value and reported as Securities Lending Collateral	-	-
Less: Securities Lending CD Collateral included in carrying value and reported as Securities Lending Collateral	-	-
<b>Cash in Bank per AFR</b>	<u><b>\$ 2,963,275.91</b></u>	<u><b>\$ 8,831,238.89</b></u>
 Current Assets Cash in Bank	 \$ 2,958,250.49	 \$ 8,821,458.59
Current Assets Restricted Cash in Bank	<u>5,025.42</u>	<u>9,780.30</u>
<b>Cash in Bank per AFR</b>	<u><b>\$ 2,963,275.91</b></u>	<u><b>\$ 8,831,238.89</b></u>

As of August 31, 2019 and 2018, the total bank balances were \$10,974,039.66 and \$14,599,743.21, respectively.

#### Investments

Texas State is authorized to invest Operating and Endowment Funds as a prudent person in obligations and instruments as defined in the Texas State University System Investment Policy.

#### TexPool Investments at Amortized Cost

Investments in TexPool Prime money market funds that maintain a stable \$1.00 share price are reported at amortized cost. TexPool Prime has a very conservative investment policy and aligns with Rule 2a-7 money-market practices. TexPool Prime invests conservatively in US Government Securities, repurchase agreements, AAA rated money market mutual funds, commercial paper, and certificates of deposit to provide a safe, efficient, and liquid investment option. The fund is rated AAAM by Standard & Poor's, the highest rating a local government investment pool can achieve. There is no penalty or limit for withdrawal, however, a courtesy one-day notification is requested for withdrawals exceeding approximately \$20 million.

TexPool Prime is one of two portfolios developed on behalf of Texas entities to provide for the creation of investment pools for public funds and to allow eligible governmental entities to jointly invest their funds in authorized investments. The TexPool Prime portfolio was created to allow for an investment alternative that incorporates into its investment framework commercial paper and certificates of deposit, as well as U.S. Treasury and U.S. government agency securities. TexPool Prime commenced operations on December 27, 2002. The Texas Treasury Safekeeping Trust Company, under the guidance of the Texas Comptroller of Public Accounts, administers the TexPool portfolios as public fund investment pools.

#### Fair Value of Investments

Texas State measures and records investments using fair value measurement guidelines in accordance with GASB Statement 72, *Fair Value Measurement and Application*. GASB 72 recognizes a three-level fair value hierarchy for inputs to valuation techniques:

- Level 1:** Quoted prices for identical investments in active markets;
- Level 2:** Observable inputs other than quoted market prices; or,
- Level 3:** Unobservable inputs.
- Net Asset Value:** Net Asset Value Per Share (NAVPS) method is used when there is no readily determinable fair value.





## Notes to the Financial Statements

As of August 31, 2019, the valuation of investments were:

	Fair Value Hierarchy				2019 Value
	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Net Asset Value	
<b>Fair Value</b>					
U.S. Government:					
U.S. Treasury Securities	\$ -	\$ 7,671,214.39	\$ -	\$ -	\$ 7,671,214.39
U.S. Government Agency Obligations	-	4,923,244.54	-	-	4,923,244.54
Corporate Obligations	-	18,047,645.02	-	-	18,047,645.02
Corporate Asset and Mortgage Backed Securities	-	9,611,492.55	-	-	9,611,492.55
Equity	82,505,894.17	-	758,564.00	-	83,264,458.17
International Equity	14,745,939.70	-	-	-	14,745,939.70
Fixed Income Money Market and Bond Mutual Fund	177,903,974.65	-	-	-	177,903,974.65
Other Commingled Funds	290,916.32	-	-	-	290,916.32
<b>Long-Term Investments</b>	<b>\$ 275,446,724.84</b>	<b>\$ 40,253,596.50</b>	<b>\$ 758,564.00</b>	<b>-</b>	<b>\$ 316,458,885.34</b>
<b>Amortized Cost</b>					
Other Commingled Funds (TexPool)					<u>\$ 231,320,306.98</u>
<b>Cash Equivalents</b>					<u><b>\$ 231,320,306.98</b></u>

As of August 31, 2018, the valuation of investments were:

	Fair Value Hierarchy				2018 Value
	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Net Asset Value	
<b>Fair Value</b>					
U.S. Government:					
U.S. Treasury Securities	\$ 1,117,664.46	\$ 981,669.97	\$ -	\$ -	\$ 2,099,334.43
U.S. Government Agency Obligations	-	87,345.80	-	-	87,345.80
Corporate Obligations	3,558,208.81	50,349,493.18	-	-	53,907,701.99
Corporate Asset and Mortgage Backed Securities	15,378,039.57	16,268,174.28	-	-	31,646,213.85
Equity	48,006,811.46	-	-	-	48,006,811.46
International Equity	9,907,437.14	-	-	-	9,907,437.14
Fixed Income Money Market and Bond Mutual Fund	57,438,391.75	-	-	-	57,438,391.75
Other Commingled Funds	525,344.64	-	-	-	525,344.64
<b>Long-Term Investments</b>	<b>\$ 135,931,897.83</b>	<b>\$ 67,686,683.23</b>	<b>\$ -</b>	<b>-</b>	<b>\$ 203,618,581.06</b>
<b>Amortized Cost</b>					
Other Commingled Funds (TexPool)					<u>\$ 363,587,480.72</u>
<b>Cash Equivalents</b>					<u><b>\$ 363,587,480.72</b></u>

### Deposit and Investment Risk Factors

The following paragraphs describe various types of risk related to Deposits and Investments.

#### Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the University will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The University's investment policy limits

# Texas State University

## Notes to the Financial Statements

holding of securities by counterparties to those involved with securities lending. As of August 31, 2019, Texas State University had no investments subject to custodial credit risk.

### Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The TSUS investment policy requires that investments in debt securities have credit ratings recognized by the agencies of Standard and Poor's, Finch, and/or Moody's. For operating, a short-intermediate term funds portfolio, average credit quality of the entire portfolio is to be greater than or equal to A-, as defined by S&P (A- by Finch, A3 for Moody's). The minimum credit quality of any investment must be investment grade at the time of purchase. Operating Long-Term funds portfolios are intended to be invested in a similar manner to Endowment funds, but no more than 20% of the global fixed income and credit may be rated below investment grade, and no more than 15% of the total Long-Term Operating Portfolio may be invested in emerging/frontier markets, a sub-set of international. An Operating Long-Term funds portfolio may only invest up to 50% of the market value of its total operating funds portfolio, exclusive of bond proceeds, in this type of investment strategy. In order to invest with managers who utilize alternative investments, Texas State must retain an investment consultant. For the endowment portfolio, a maximum of 20% of the total portfolio may be held in emerging/frontier market securities (regardless of asset type). Risk is further defined by prohibited investments and activities, and limited by maximum single purchase and maximum aggregate position percentages.

As of August 31, 2019 and 2018, the credit quality distributions for securities with credit risk exposures were as follows:

			Current Standard & Poor's Rating		
Fund Type	GAAP Fund	Investment Type	Rating	2019	2018
05	9999	U.S. Government Agency Obligations	AAA	\$ 7,671,214.39	\$ 2,099,334.43
05	9999	Corporate Obligations	AAA	-	1,183,710.55
			AA	-	3,704,504.21
05	9999	Corporate Obligations (continued)	A	\$ 4,039,617.73	\$ 19,931,812.74
			BBB	11,847,662.11	27,382,844.59
			BB	186,720.52	372,048.55
			B	-	182,692.07
			NR	50,640.00	925,591.74
05	9999	Corporate Asset and Mortgage Backed Securities	AAA	5,654,829.67	11,856,227.41
			AA	564,473.25	115,979.22
			A	-	25,086.22
			BBB	-	64,933.46
			NR	8,315,434.17	19,583,987.54
05	9999	Municipal Bonds	AA	-	87,345.80
05	9999	Miscellaneous - Preferred Securities	BBB	3,235.00	3,090.00
			BB	-	39,872.80
			NR	-	341,301.36
05	9999	International Obligations	AAA	-	59,058.60
			AA	130,148.20	-
			A	669,143.84	56,548.30
			BBB	1,075,808.92	54,972.62
			BB	47,903.70	53,918.02
Total				\$ 40,256,831.50	\$ 88,124,860.23

## Notes to the Financial Statements

### Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributable to the magnitude of investment in a single issuer. Investments issued or explicitly guaranteed by the U.S. Government, and investments in mutual funds, external investment pools, and other pooled investments are excluded from this disclosure requirement. Texas State University, by following the TSUS Investment Policy, limits the Operating Short-Intermediate fund for mutual funds, commingled vehicles, and registered Exchange Traded Funds (ETFs) portfolio holdings be no more than 10% of the total assets of a single fund, commingled vehicle or ETF. For Operating Short-Intermediate and Operating Long fund combined excluding pooled vehicles, mutual funds, ETFs or Managed Accounts which are multi-strategy and multi-manager products, no more than 40% of the portfolio may be invested in a single mutual fund or manager. As of August 31, 2019, Texas State University was not subject to concentration of credit risk.

### Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Usually, a longer maturity results in a greater degree of price volatility. The University minimizes interest rate risk on investments by managing maturities to cash flow. The bond portfolio is actively managed by Sage Advisors, under the University's review. Interest rate risk is reduced by investing in fixed income securities with varying maturities. The weighted average maturity of the entire short-intermediate term funds portfolio is to be less than or equal to 36 months. There is no maximum maturity of any single issue. Operating Long funds are intended to be invested in a similar manner to endowment funds. The long term objective of the Endowment portfolio is to preserve the intergenerational equity of the endowment while providing for appropriate current spending. All endowment funds are managed by the "prudent person standard". Although all long-term investments are subject to some interest rate risk due to various economic forces, as of August 31, 2019, Texas State University had limited the exposure to interest rate risk through asset allocation. Global fixed income/credit is intended to offset the volatility of equities, particularly during market downturns, as well as provide deflation protection.

Residential and Commercial Mortgage Backed securities (RMBS & CMBS) and Asset Backed securities (ABS) can be highly sensitive to interest rate changes, if the changes are severe enough, over a given time period. However, CMBS and ABS securities tend to be less so than RMBS securities due primarily to the nature of the collateral. Because all three sectors generate cash flows from interest and principal payments on underlying residential and commercial mortgage pools (RMBS & CMBS) as well as on outstanding credit card and auto receivables (ABS), they can be sensitive to prepayments in periods of declining interest rates and vice versa in periods of rising interest rates. Market values and durations of the University's investments at August 31, 2019, were:

Investment Type	2019		2018	
	Fair Value	Average Maturity	Fair Value	Average Maturity
U.S. Government Agency Obligations	\$ 7,671,214.39	5.8	\$ 2,099,334.43	7.00
Corporate Obligations	16,124,640.36	3.6	53,683,204.45	2.09
Corporate Asset and Mortgage Backed Securities	14,534,737.09	2.7	31,646,213.85	2.22
Municipal Bonds	0.00	0.0	87,345.80	10.42
Miscellaneous-Preferred Securities	3,235.00	1.9	384,264.16,	3.48
International Obligations	1,923,004.66	3.7	224,497.54	3.94
<b>Total</b>	<b>\$ 40,256,831.50</b>	<b>3.71</b>	<b>\$ 88,124,860.23</b>	<b>2.27</b>

### Reverse Repurchase, Securities Lending and Derivative Investing

The University did not participate in Reverse Repurchase Agreements, Securities Lending, or Derivative Investing during fiscal year 2019.

### NOTE 4: Long-Term Liabilities

#### Employees' Compensable Leave

Accrued compensable leave is the institution's liability for unpaid overtime accrued by classified employees and unused vacation time for all employees. Obligations to personnel are paid at the time of dismissal, resignation, or separation from the university, provided the employee has at least six months of continuous employment with the state. An expense and liability are recorded annually as the benefits accrue to employees. For the fiscal years ended August 31, 2019 and 2018, the accrued liability for vacation and overtime totaled \$12,594,665.29 and \$12,433,771.86, respectively. During the same periods, the university made lump sum payments totaling \$1,439,259.80 and \$1,403,168.86 for

# Texas State University

## Notes to the Financial Statements

accrued vacation and overtime to employees who separated from state service. Sick leave, the accumulation of which is unlimited, is earned at the rate of eight hours per month and paid only when an employee is off due to illness or to the estate of an employee in the event of his/her death. The maximum leave that may be paid to an employees' estate is the lesser of (a) one-half of the employees' accumulated entitlement or (b) 336 hours.

The following changes occurred in long-term liabilities during the fiscal years ended August 31, 2019 and 2018:

Employees' Compensable Leave	2019	2018
Balance, September 1	\$ 12,433,771.86	\$ 12,559,333.10
Additions	1,600,153.23	1,277,607.62
Reductions	<u>(1,439,259.80)</u>	<u>(1,403,168.86)</u>
<b>Balance, August 31</b>	<b><u>\$ 12,594,665.29</u></b>	<b><u>\$ 12,433,771.86</u></b>
Amounts Due Within One Year	\$ 7,626,579.19	\$ 7,496,438.12
Amounts Due Thereafter	<u>4,968,086.10</u>	<u>4,937,333.74</u>
<b>Total Due</b>	<b><u>\$ 12,594,665.29</u></b>	<b><u>\$ 12,433,771.86</u></b>

### NOTE 5: Bonded Indebtedness

All bonded indebtedness for Texas State is issued by the TSUS administration through the TSUS Revenue Financing System, of which the TSUS administration and its component institutions within are members. The Board of Regents pledged all of the funds (revenues) and balances derived or attributable to any member of the Revenue Financing System that is lawfully available to the board for payments on Parity Debt.

As the TSUS administration issues the debt, bonds payable attributable to institutions are included with the "Bonds Payable" reported by the TSUS administration. Institutions must repay debt issued on its behalf; consequently, the below debt amortization schedule is presented for informational purposes only.

Debt Service Requirements			
Year	Principal	Interest	Total
2020	\$ 33,698,987.92	\$ 26,460,488.64	\$ 60,159,476.56
2021	33,456,613.08	24,920,606.28	58,377,219.36
2022	34,689,415.54	23,372,488.92	58,061,904.46
2023	33,382,101.18	21,744,397.16	55,126,498.34
2024	33,815,000.00	20,176,909.74	53,991,909.74
2025-2029	177,585,000.00	75,859,716.70	253,444,716.70
2030-2034	121,370,000.00	38,815,966.66	160,185,966.66
2035-2039	64,330,000.00	16,220,624.10	80,550,624.10
2040-2044	35,545,000.00	4,077,894.36	39,622,894.36
2045-2047	<u>560,000.00</u>	<u>23,928.80</u>	<u>583,928.80</u>
Totals	<u>\$ 568,432,117.72</u>	<u>\$ 251,673,021.36</u>	<u>\$ 820,105,139.08</u>

A portion of the debt represents tuition revenue bonds (TRBs) historically funded by the Texas Legislature through General Revenue appropriations. For the fiscal years ended August 31, 2019 and 2018, the institution was appropriated \$17,387,991.00 and \$18,740,277.00, respectively, for TRB debt service. Texas State expects future Legislative appropriations to meet debt service requirements for TRBs.



## Notes to the Financial Statements

### NOTE 6: Leases

#### Operating Leases

Texas State has entered into various operating leases for buildings, land, and vehicles. Rental expenses for operating leases for the fiscal years ended August 31, 2019 and 2018 were \$353,725.51 and \$286,422.44, respectively.

Future minimum lease rental payments under non-cancelable operating leases having an initial term in excess of one year, as of August 31, 2019 and 2018, were as follows:

<u>Fiscal Year</u>	<u>2019</u>	<u>Fiscal Year</u>	<u>2018</u>
2020	\$ 345,169.40	2019	\$ 310,982.25
2021	238,608.75	2020	314,237.22
2022	169,747.48	2021	214,037.85
2023	158,849.13	2022	156,212.61
2024	161,485.65	2023	158,849.13
2025 - 2029	457,432.80	2024 - 2028	618,918.45
<b>Total</b>	<b>\$ 1,531,293.21</b>	<b>Total</b>	<b>\$ 1,773,237.51</b>

### NOTE 7: Pension Plans

The state established an optional retirement program (ORP) for institutions of higher education. Participation in the ORP is in lieu of participation in the Teacher Retirement System and is available to certain eligible employees. Employee member and employer contributions were as follows for the fiscal years ended August 31, 2019 and 2018:

<u>Contributions</u>	<u>2019</u>	<u>2018</u>
Member Contributions	\$ 5,581,233	\$ 5,579,850
Employer Contributions	6,002,102	6,028,233
<b>Total</b>	<b>\$ 11,583,335</b>	<b>\$ 11,608,083</b>

### NOTE 8: Interfund Activity and Transactions

Texas State experienced routine transfers with other state agencies, consistent with the activities of the fund making the transfer and as a result of various grants and contract activities. In addition to transfers, Texas State recorded assets and liabilities for future amounts due from/to other state agencies. Repayment of interagency balances will occur within one year from the date of the financial statements.

The university also experiences other interagency activity, which is classified as transfers in/out or legislative transfers in/out. These transfers pertained to the receipt of bond proceeds and debt service payments from/to TSUS. Legislative transfer activity is directly attributable to bonds authorized by the Legislature and historically funded by means of special line items in the university's General Revenue appropriations.

<u>Agency Name</u>	<u>Agency Number</u>	<u>D23 Fund</u>	<u>2019</u>		<u>2018</u>	
			<u>Due From Other State Agencies</u>	<u>Due to Other State Agencies</u>	<u>Due From Other State Agencies</u>	<u>Due to Other State Agencies</u>
Federal:						
General Land Office	305	0027	\$ -	\$ 5,634.58	\$ 30,775.99	\$ -
Texas State Library and Archives Commission	306	7999	-	-	1,454.75	-
Texas Workforce Commission	320	5026	12,581.87	-	4,441.38	-
Department of Public Safety	405	3984	556,551.96	-	190,168.14	-
Department of Agriculture	551	5026	1,748.07	-	3,447.39	-

(continued on following page)

# Texas State University

## Notes to the Financial Statements

<u>Agency Name</u>	<u>Agency Number</u>	<u>D23 Fund</u>	2019		2018	
			<u>Due From Other State Agencies</u>	<u>Due to Other State Agencies</u>	<u>Due From Other State Agencies</u>	<u>Due to Other State Agencies</u>
(continued from previous page)						
Texas Commission on Environmental Quality	582	1535	384,662.97	-	350,961.86	-
Texas Department of Transportation	601	0006	30,732.90	-	21,985.55	-
Texas A&M Engineering Extension Service	716	7999	108,699.15	2,858.77	220,657.69	84,389.00
Texas Southern University	717	7999	-	163.38	5,887.26	-
University of Texas El Paso	724	7999	18,282.80	-	-	14,857.19
Texas Tech University	733	7999	23,515.81	-	-	-
University of Texas at San Antonio	743	7999	76,099.45	-	122,144.65	-
University of Texas Health Science Center at San Antonio	745	7999	65,116.35	5,290.78	26,286.30	-
Texas Higher Education Coordinating Board	781	0001	-	-	73,800.00	311.84
Parks and Wildlife Department	802	0951	395,074.95	64.34	280,753.66	4,888.34
State:						
Governor – Fiscal	300	0421	624,857.77	-	700,556.28	-
Health and Human Services Commission	529	0001	13,313.01	-	-	28,457.93
Department of State Health Services	537	0001	478,194.40	-	480,881.29	-
Cancer Prevention and Research Institute of Texas	542	7999	-	-	67,800.47	-
University of Texas System	720	7999	-	10,594.19	-	3,094.66
Texas A&M University – Corpus Christi	760	7999	-	-	0.52	-
Texas Higher Education Coordinating Board	781	0001	1,183.29	113,049.14	304.62	470,518.75
Parks and Wildlife Department	802	0640	96,614.66	-	36,059.59	576.74
Texas Historical Commission	808	7999	-	-	2,999.50	-
<b>Total Due From / Due To</b>			<b>\$ 2,887,229.41</b>	<b>\$ 137,655.18</b>	<b>\$ 2,621,366.89</b>	<b>\$ 607,094.45</b>

<u>Agency Name</u>	<u>Agency Number</u>	<u>D23 Fund</u>	2019		2018	
			<u>Transfers In</u>	<u>Transfers Out</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Comptroller – State Fiscal for Hazlewood	902	0210	\$ 1,600,001.00	\$ -	\$ 773,671.00	\$ -
Texas State University System for Debt Service and Billings	758	7999	434,932.81	41,965,204.63	-	42,594,560.48
Texas Dept of Motor Vehicles for License Plate	608	0802	-	12,378.94	-	57,952.59
<b>Total Transfers</b>			<b>\$ 2,034,933.81</b>	<b>\$ 41,977,583.57</b>	<b>\$ 773,671.00</b>	<b>\$42,652,513.07</b>





## Notes to the Financial Statements

<u>Agency Name</u>	<u>Agency Number</u>	<u>D23 Fund</u>	<u>2019</u>		<u>2018</u>	
			<u>Legislative Transfers In</u>	<u>Legislative Transfer Out</u>	<u>Legislative Transfers In</u>	<u>Legislative Transfers Out</u>
Comptroller – State Fiscal for Hazlewood	902	0001	\$ 1,386,066.00	\$ -	\$ 1,342,275.00	\$ -
Texas State University System for Debt Service	758	0001	-	23,238,445.42	-	24,548,777.00
<b>Total Legislative Transfers</b>			<b>\$ 1,386,066.00</b>	<b>\$ 23,238,445.42</b>	<b>\$ 1,342,275.00</b>	<b>\$24,548,777.00</b>

### NOTE 9: Contingencies and Commitments

As of August 31, 2019 and 2018, various lawsuits and claims involving Texas State 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 10: Risk Management

#### WORKERS' COMPENSATION

The state's Workers' Compensation program is administered by the State Office of Risk Management (SORM). As a participating agency, Texas State is assessed an annual charge for Workers' Compensation coverage for employees according to a set formula. The assessment for all fund sources was \$513,099.54 for the fiscal year ended August 31, 2019 and \$673,456.39 for the fiscal year ended August 31, 2018.

#### UNEMPLOYMENT COMPENSATION

The state provides an Unemployment Compensation program; actual claims are paid from several funding sources as determined by the Comptroller of Public Accounts. The Unemployment Compensation program is on a pay-as-you-go basis, in which no assets are set aside to be accumulated for the payment of claims. There were no material unemployment claims pending for the fiscal years ended August 31, 2019 and 2018.

#### PROPERTY AND OTHER INSURANCE COVERAGE

Property insurance is obtained through Alliant Insurance Services (Alliant) to include fire and flood coverage for all university buildings valued in excess of \$100,000. Texas State's other property, vehicle, and special events insurance policies are also obtained through Alliant, which is a participant in the SORM's statewide insurance program.

#### VEHICLE INSURANCE

The Texas Motor Vehicle Safety Responsibility Act (Texas Transportation Code, Chapter 601) requires that every non-governmental vehicle operated on a state highway be insured for minimum limits of liability in the amount of \$30,000/\$60,000 (bodily injury) and \$25,000 (property damage). There is coverage of \$1,000,000 combined single liability. The coverage exceeds the extent of the waivers of state immunity in the Tort Claims Act.

Auto insurance is obtained through Alliant to include liability coverage for all university-owned vehicles as well as hired and non-owned vehicles. Liability coverage is subject to a \$5,000 deductible. Vehicles rented or leased have additional comprehensive and collision coverage subject to a \$1,000 deductible.



# Texas State University

## Notes to the Financial Statements

### FOREIGN TRAVEL INSURANCE

Foreign travel accident and sickness as well as liability coverage is obtained through Alliant. This policy covers all students, faculty, and staff of the university that travel abroad for approved university business or instruction. The coverage offers out-of- country medical benefits of \$200,000, emergency medical of \$10,000, accidental death and dismemberment, emergency medical evacuation, emergency reunion, security evacuation, chaperone replacement, and war risk. The policy provides general liability coverage of \$1,000,000/\$2,000,000 and auto liability of \$1,000,000 single limit BI/PD and one accident.

### OTHER

Texas State University is exposed to a variety of civil claims resulting from the performance of its duties. It is the University's policy to periodically assess the proper combination of commercial insurance and retention of risk to cover losses to which it may be exposed. Liabilities are reported when it is both probable a loss has occurred, and the amount of that loss can be reasonably estimated. There were no liabilities outstanding as of August 31, 2019 and 2018.

<u>Claims and Judgments</u>	<u>2019</u>	<u>2018</u>
Balance, September 1	\$ -	\$ -
Increases	1,147,984.14	1,042,630.46
Decreases	(1,147,984.14)	(1,042,630.46)
<b>Balance, August 31</b>	<b>\$ -</b>	<b>\$ -</b>

### NOTE 11: The Financial Reporting Entity

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

### BLENDING COMPONENT UNITS

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

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

During the fiscal years ended February 28, 2019 and February 29, 2018, the Research Foundation incurred expenses in the amount of \$38,277.10 and \$68,688.74, respectively. Condensed financial information appears below. Separate financial statements may be obtained by contacting Texas State University, Director of Accounting, General Accounting Office, 601 University Drive, JCK 589, San Marcos, TX 78666-4684.

The **Harold M. Freeman Education Foundation** (Freeman Foundation) is a legally separate entity formed through a trust to make the use of Freeman Ranch available exclusively to Texas State. The Freeman Center is used and operated solely for farm, ranch and game management, education, and research purposes in connection with the educational activities of Texas State. There is no formal governing board for the Freeman Foundation. Texas State acts as an active co-trustee to operate the Center. Frost Bank operates as an inactive trustee to ensure the provisions of the trust are followed. Based on the Freeman Foundation's close relation to Texas State, it is included as a blended component unit. Separate financial statements are not issued by the Freeman Foundation, but condensed financial information appears below. Information about the Freeman Foundation may be obtained by contacting Texas State University, Director of Accounting, General Accounting Office, 601 University Drive, JCK 589, San Marcos, TX 78666-4684.

## Notes to the Financial Statements

### Condensed Financial Information for Blended Component Units

	Research Foundation	Freeman Foundation
<b>Condensed Statement of Net Position</b>		
<b>Assets</b>		
Current Assets	741.00	18,647.90
Capital Assets, Net		179,703.21
<b>Total Assets</b>	<b>741.00</b>	<b>198,351.11</b>
<b>Liabilities</b>		
Current Liabilities	1.00	
<b>Total Liabilities</b>	<b>1.00</b>	<b>0.00</b>
<b>Net Position</b>		
Capital Assets, Net of Related Debt		179,709.21
Restricted, Expendable		18,647.90
Unrestricted	740.00	
<b>Total Net Position</b>	<b>740.00</b>	<b>198,351.11</b>
<b>Condensed Statement of Revenues, Expenses and Changes in Net Position</b>		
Operating Revenues	38,277.10	75,314.62
Depreciation Expense		40,232.95
Operating Expenses	38,277.10	351,055.57
Operating Income/(Loss)	0.00	(315,973.90)
Non-Operating Revenues		4,244.26
Transfers In		362,152.00
<b>Change in Net Position</b>	<b>0.00</b>	<b>50,422.36</b>
<b>Net Position, Beginning</b>	<b>740.00</b>	<b>147,928.75</b>
<b>Net Position, Ending</b>	<b>740.00</b>	<b>198,351.11</b>
<b>Condensed Statement of Cash Flows</b>		
Net Cash Provided (Used) by:		
Operating Activities	(1,433.33)	(275,740.95)
Non-Capital Financing Activities		362,273.26
Capital and Related Financing Activities		(92,927.80)
Investing Activities		4,123.00
Beginning Cash Equivalents	2,174.33	20,920.39
<b>Ending Cash Equivalents</b>	<b>741.00</b>	<b>18,647.90</b>

# Texas State University

## Notes to the Financial Statements

### RELATED ORGANIZATIONS

The following affiliated foundations, while not component units, are disclosed due to their close relationship with the university. Affiliated foundations are controlled by separate boards of directors, pay their own expenses, and are not included in the basic financial statements of the university as the primary government. Instead information about their financial activities follows.

The **Texas State University Development Foundation** (Development Foundation) was formed in 1977 to support the educational, scientific, and research mission of Texas State. The Development Foundation raises and manages endowment funds designated for scholarships and other support for the university. Financial activity of the Development Foundation as of and for the years ended June 30, 2019 and 2018 was as follows:

	2019	2018
University Support	\$ 1,688,522.32	\$ 2,198,975.43
Student Scholarships	\$ 1,949,717.76	\$ 1,663,790.57
Restricted Gifts	\$ 3,532,949.15	\$ 2,392,277.99
Temporarily Restricted Gifts	\$ 2,995,146.17	\$ 1,144,669.67

The **McCoy College of Business Foundation** (Foundation) is a 501(c)(3), founded in 2004, dedicated exclusively to the support of the McCoy College of Business Administration (McCoy) at Texas State. The Foundation's Board of Directors manages its investments and determines McCoy's annual funding to support chairs, professorships, undergraduate scholarships, and graduate fellowships, as well as the development of faculty, programs, and students. Based upon estimated, unaudited figures for the fiscal years ended August 31, 2019 and 2018, the Foundation financial activity was as follows:

	2019	2018
Distributions to the University	\$ 1,027,250.00	\$ 887,750.00
New Contributions to Endowments	\$ 1,983,681.64	\$ 3,238,007.87
Assets	\$ 45,599,260.97	\$ 45,393,227.71
Liabilities	\$ 35,525.28	\$ 32,954.40

The Foundation pays its own operating expenses, including staff salaries, accounting, supplies, and auditing, which were estimated at approximately 0.4% of the assets of the Foundation for the years ended August 31, 2019 and 2018, respectively. Fees for investment management were approximately 1% of the assets each year.

The **Texas State Alumni Association's** (Association) efforts and funds are dedicated to the university, and are used to provide student scholarships, campus support, and alumni outreach or engagement activities. Financial activity as of and for the years ended August 31, 2019 and 2018 was as follows:

	2019	2018
Student Scholarships	\$ 159,300.00	\$ 177,250.00
Deposits Held in Trust at the University	\$ 142,515.38	\$ 281,440.72

Deposits held in trust at the university are considered Agency Funds in the university's financial statements.

### NOTE 12: Stewardship, Compliance, and Accountability

Texas State's administration is not aware of any non-compliance items or material violations of finance-related legal and contract provisions. Per the laws of the State of Texas, Texas State cannot spend amounts in excess of appropriations granted by the Texas Legislature and there are no deficits reported in net position.

## Notes to the Financial Statements

### NOTE 13: Donor Restricted Endowments

Net appreciation classified as restricted, expendable on the Statement of Net Position is as follows:

	2019	2018
	\$21,403,604.08	\$23,399,506.23
<b>Totals</b>	<b>\$21,403,604.08</b>	<b>\$23,339,506.23</b>

For fiscal year 2019 there was a decrease in fair value totaling (\$7,141,299.08) as opposed to the increase in fair value of \$2,564,836.65 for 2018. The amount reported as net appreciation represents net appreciation on investments of donor restricted endowments available for authorization for expenditure. Pursuant to the Uniform Prudent Management of Institutional Funds Act (Property Code Chapter 163.001), net appreciation (realized and unrealized) in the fair market value of the endowment assets in excess of historical dollar value of the gifts may be distributed to the extent prudent.

Distributions are calculated using a 60-month FMV rolling average times a 3% distribution. The individual endowments own units in a restricted investment pool and the annual distribution is allocated on a per unit basis. Changes from prior year balances for expendable and non-expendable balances were as follows:

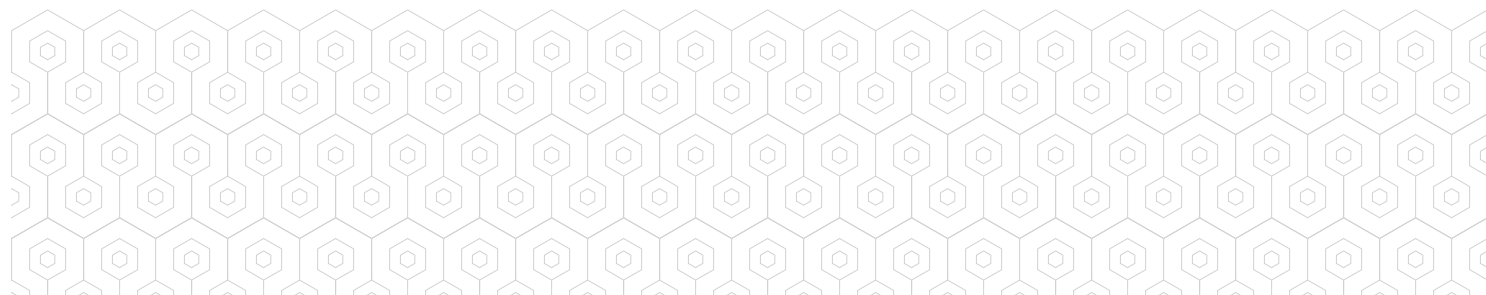
True Endowment Funds	Increase/(Decrease)		Reason for Change
	2019	2018	
Expendable Balances	\$ (1,995,902)	\$ 3,772,424	Fair value fluctuations, earnings, fees and distributions.
Non-Expendable Balances	645,937	1,591,836	New gifts

### NOTE 14: Subsequent Events

The Texas State University System issued tax-exempt bonds Series 2019A in the fall of 2019. The proceeds were distributed among the components of the system in December 2019, and Texas State received their portion of \$33 million. On October 24, 2019, the Revenue Financing System (RFS) priced Series 2019A, tax-exempt bonds totaling \$176,055,000 at par and including a premium of \$26,442,211. The bonds are to finance a variety of capital projects at TSUS components, refund a portion of the System's outstanding commercial paper notes, refund a portion of the System's outstanding revenue bonds, and to pay costs of issuing the bonds. The RFS will take delivery of the bonds on December 17, 2019. \$89,706,200 of the proceeds will refund outstanding commercial paper, \$71,800,231 will be used to refund outstanding revenue bonds, and \$39,957,961 will be used for capital projects. Additionally, Texas Tech University System will provide \$2,118,273 needed to defease a portion of Series 2010 bonds attributable to Angelo State University. Principal to be refunded includes \$19,280,000 from Series 2010 and \$53,185,000 from Series 2010A.

On October 24, 2019, the RFS priced Series 2019B, \$149,480,000 of taxable bonds to refund a portion of the System's outstanding debt and pay costs of issuing the bonds. The RFS will take delivery of the bonds on November 21, 2019. Principal refunded includes \$64,230,000 of Series 2011, \$14,685,000 of Series 2012, and \$59,475,000 of Series 2013.

After the delivery of the 2019A Series and refunding of the outstanding commercial paper notes, outstanding principal of bonds will be \$1,091,530,000 for the System.





## McCoy College of Business Master's Programs

The McCoy College of Business added two new master's degree programs, aimed at preparing graduates with the technical knowledge and skills essential for future business leaders: data analytics and information systems and marketing research and analysis.

The master of science in data analytics and information systems degree provides the skills required to manage and analyze data for data-driven decision-making. Graduates of this program will be capable of transforming organizational data into actionable information using data analytics and information systems skills.

The master of science in marketing research and analysis is designed for marketing majors or marketing professionals with an interest in advanced studies to enhance their ability to excel as a marketer in today's increasingly data-driven marketplace. Students will gain skills in conducting marketing research and using analytical tools to make, analyze and communicate data-driven decisions for guiding marketing practice.





## Bachelor's in Civil Engineering

Texas State's new bachelor's degree in civil engineering is the first program of its kind in Texas, with a holistic emphasis on technology-enhanced infrastructure, including sensor systems, predictive analytics tools, digital automation, and communications.

The program will prepare students to be leaders in the design, monitoring, maintenance and management of essential infrastructure for communities around the globe.





*The rising STAR of Texas*