

# ANNUAL FINANCIAL REPORT

for the fiscal year ended August 31, 2020  
for

**TEXAS STATE UNIVERSITY**



# TEXAS STATE UNIVERSITY HAS BEEN RANKED AMONG THE TOP 14 U.S. INSTITUTIONS FOR SOCIAL IMPACT.

*Times Higher Education University Impact Rankings*





## ABOUT TEXAS STATE UNIVERSITY

Though our name has changed through the years, our commitment to Texas and exceptional education has not. Since 1899, we here at Texas State University, the flagship institution of the Texas State University system, have been dedicated to making a positive impact in our world. A doctorate-granting, Emerging Research Institution, we are home to nearly 38,000 undergraduate and graduate students changing the state, the nation, and the world. With 99 bachelor's, 93 master's, and 14 doctoral programs, our students have the option to study what they are passionate about. Texas State is also the largest employer in the Greater San Marcos region, employing nearly 4,000 full-time faculty and staff members.





A historical map of Texas serves as the background for the infographic. The map is aged and shows various geographical features and place names. Overlaid on the map are several horizontal red bars, each containing a statistic. The text is in white and red, providing a strong contrast against the map's colors.

# WE ARE IN TEXAS, FOR TEXAS, AND BEYOND TEXAS

**96%** | of our students are from Texas.

**88%** | of our 200,000+ alumni live in Texas.

**80%** | are working or continuing their education in Texas one year after graduation.

NEARLY  
**38,000** | students from 224 of the 254 counties in Texas.

OVER **\$2.2 BILLION** | economic impact of Texas State on the State of Texas.  
(THE ECONOMIC IMPACT OF TEXAS STATE UNIVERSITY, 2014)

**29,000 JOBS** | employment impact across the state  
(THE ECONOMIC IMPACT OF TEXAS STATE UNIVERSITY, 2014)

## MESSAGE FROM THE PRESIDENT

I am pleased to present our 2020 Annual Financial Report which demonstrates the continued financial strength of Texas State University. The university's achievements this year reflect an institution with over 200 academic programs, world-class research, and a culture of excellence rich in diversity. Our distinguished and dedicated faculty and staff make Texas State one of the top public universities in Texas, and our more than 37,800 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 includes captains of industry, generals of the armed forces, creative geniuses, ambassadors, legislators, and the only President of the United States to graduate from a university in Texas. These alumni stand as testimony to the university's proud legacy and the list of over 200,000 Texas State alumni continues to grow with each passing year.

In fact, only the global coronavirus pandemic could stop our streak of seven consecutive years of record freshman enrollment. Despite the pandemic, we also produced the largest number of graduates in our history, with over 8,900 students completing their degrees. 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



Dr. Denise M. Trauth

programs, but also in our total research expenditures, which grew from under \$10 million in 2005 to more than \$70 million this past year.

It is not a coincidence that our research activities have increased substantially, that philanthropic giving continues to be substantive, that freshmen enrollment continues to be strong, 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



## VICE PRESIDENT FOR FINANCE AND SUPPORT SERVICES

### Financial Strength

Amidst a time of global turmoil, 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 \$62 million and ending just shy of \$1.6 billion; the university's current unrestricted cash and equivalents went up nearly \$100 million thanks in large part to curtailed spending once COVID-19 forced much of our instruction online; and the university's combined endowments stand at more than \$225 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 from our people. Texas State is strong on all those fronts.

### Growth in Graduates, Research, Inclusiveness 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 graduating class of 2020 of 8,923 students. With more than 37,800 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 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 find a welcoming home here from across the state of Texas, every state in the country, and dozens of countries around the world. Texas State University is a minority-majority institution and, as such, is well positioned to prepare our students for the future of Texas and the nation. While the size and quality of our student body is impressive, measures of our academic strength also continue to improve with strong retention

and graduation rates, our admission this year into the elite Association of Research Libraries, and our continuing ability to attract some of the best and brightest students in the country to be Bobcats each year.

### Yesterday, Today, and Tomorrow

From the groundbreaking of 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.

The COVID-19 pandemic will undoubtedly have ramifications for higher education just as it will for many other areas of the global economy for many years to come. Texas State University will continue to find innovative ways to serve our students and boldly fulfill our mission in that uncharted future. We continue to be financially sound, growing in stature and quality, and continue to move toward National Research University recognition through careful planning and management.



Mr. Eric Algoe



## TABLE OF CONTENTS

Organizational Data.....	7
Independent Certified Public Accountant's Review Report.....	18
Management's Discussion and Analysis.....	21
<b>Financial Statements</b>	
Statement of Net Position.....	26
Statement of Revenues, Expenses, and Changes in Net Position.....	28
Matrix of Operating Expenses Reported by Function.....	30
Statement of Cash Flows.....	34
Statement of Fiduciary Net position, and Changes in Net Position.....	36
<b>Notes to the Financial Statements</b>	
Note 1: Summary of Significant Accounting Policies .....	38
Note 2: Capital Assets .....	44
Note 3: Deposits, Investments and Repurchase Agreements .....	48
Note 4: Long-Term Liabilities .....	51
Note 5: Bonded Indebtedness .....	52
Note 6: Leases .....	53
Note 7: Pension Plans and Fringe Benefits Paid by the State .....	53
Note 8: Interfund Activity and Transactions .....	53
Note 9: Contingencies and Commitments .....	55
Note 10: Risk Management .....	55
Note 11: The Financial Reporting Entity .....	56
Note 12: Stewardship, Compliance, and Accountability .....	58
Note 13: Donor Restricted Endowments .....	58
Note 14: Termination Benefits .....	59
Note 15: Restatement of Net position .....	59





STAIR 4  
NO ROOF ACCESS  
1

TEXAS STATE  
UNIVERSITY  
The only State of Texas



## 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
Amanda Lee, Student Regent	Huntsville	2021

## 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. Mary Ellen Cavitt	Interim Vice President for Student Affairs
Dr. Larry Teis	Director, Department of Athletics
Dr. Lisa Lloyd	Vice President for University Administration
Dr. William T. Chittenden	Presidential Fellow
Mr. Darryl J. Borgonah	Associate Vice President for Financial Services

# OUR STUDENTS ARE MORE THAN JUST NUMBERS

Our students are more than just students. They are the future of this great state. What they accomplish here will echo across Texas for decades. That's why we believe in providing every single student access to an outstanding college education.

**37%** of undergraduates received a Pell grant in 2018, the third highest among Texas public universities.

**39%** of our students are Hispanic. Texas State became a Hispanic-Serving Institution in 2011.

**46%** of TXST undergraduates are first-generation students.

**55%** of our students identify as minorities, reflecting the diversity of Texas.

**60%** of Texas State students work while enrolled.







84%

**OF SENIORS  
WOULD ATTEND  
TXST AGAIN IF  
THEY COULD  
START OVER.**

*2019 National Survey of Student Engagement*

## REMOVING FINANCIAL OBSTACLES TO EDUCATION

Financial aid is critical to the success of students. Scholarships, grants, work-study funding, and all other means of financial support help to ensure that students not only can afford higher education, regardless of economic background, but can also focus on completing their degree.

### IN FISCAL YEAR 2020





## BOBCAT CARES AND BOBCAT PROMISE

The COVID-19 pandemic, which has upturned the life of many Texas families, has created an even greater financial need among our students. As a result, Texas State created the Bobcat CARES program to assist eligible students, including a new scholarship to cover fee and tuition costs for the fall 2020 semester. Additionally, we expanded our tuition-free Bobcat Promise program to include Texas students with a family adjusted gross income that does not exceed \$50,000 annually. The previous limit was set at \$35,000.



5,600

ESTIMATED FRESHMAN  
ADMITS QUALIFIED IN  
2020 FOR  
**BOBCAT PROMISE.**

10,248

**BOBCAT PROMISE**  
RECIPIENTS SINCE 2009.

\$15.9  
MILLION

IN EMERGENCY FINANCIAL AID  
GRANTS WERE AWARDED  
TO 17,672 STUDENTS THROUGH  
**BOBCAT CARES.**

# DEVELOPING PASSIONATE AND EXCEPTIONAL GRADUATES

From business to health, fine arts to STEM, and all forms of knowledge in between, our 10 colleges are devoted to research, creativity, discovery, and developing world-class citizens.

Our **81%** graduation rate for master's students in 2019 is **2nd** among the eight Emerging Research Universities.

---

**8,923**  
degrees awarded  
in 2020.

Ranked **13th**  
among U.S. universities in  
bachelor's degrees awarded  
to Hispanic students.

---

Texas State ranks **4th** among Texas public universities in the number of degrees and certificates awarded to economically disadvantaged students in 2019.

---





## THOUSANDS OF BOBCATS, ONE COMMUNITY

We wouldn't be Texas State without our community. We are honored to have caring benefactors who do everything they can to support and further the mission of Texas State University through contributions that benefit our students, faculty and staff.

**\$18,602,366** was donated to TXST in FY 2020.

**\$3,323,359** in student scholarships distributed from 535 endowments.

**\$2,895,710** in faculty and program support distributed from 164 endowments.

**\$225,519,535** was the total value of all three university endowments.



# OUR RESEARCH IS MAKING AN IMPACT WITHIN AND BEYOND TEXAS

Our faculty and students constantly push the boundaries in their disciplines, generating new ideas and turning this knowledge into positive change that affects the world. At Texas State University, we excel in applied research that impacts state and national needs.

Research and Development Expenditures have increased by **30%** over the past five years from **\$54.3 million** in FY16 to **\$70.7 million** in FY20.

During FY20 Texas State researchers were engaged in **500** independent sponsored projects totaling more than **\$42.3 million** in expenditures.

**285 grants** awarded to Texas State in FY20.

**31** Undergraduate Research Fellowship program projects in FY20.





A GEORGETOWN STUDY PLACED  
THE LONG-TERM ECONOMIC VALUE  
OF A TXST BACHELOR'S DEGREE AT

**\$965,000.**

In 2020, *Forbes* magazine listed Texas State among  
**"AMERICA'S BEST-IN-STATE EMPLOYERS."**

Ranked the **26th**  
best university nationally  
for veterans by *Military Times*.

In 2020, *U.S. News and World Report*  
named Texas State among the  
**BEST NATIONAL  
UNIVERSITIES.**

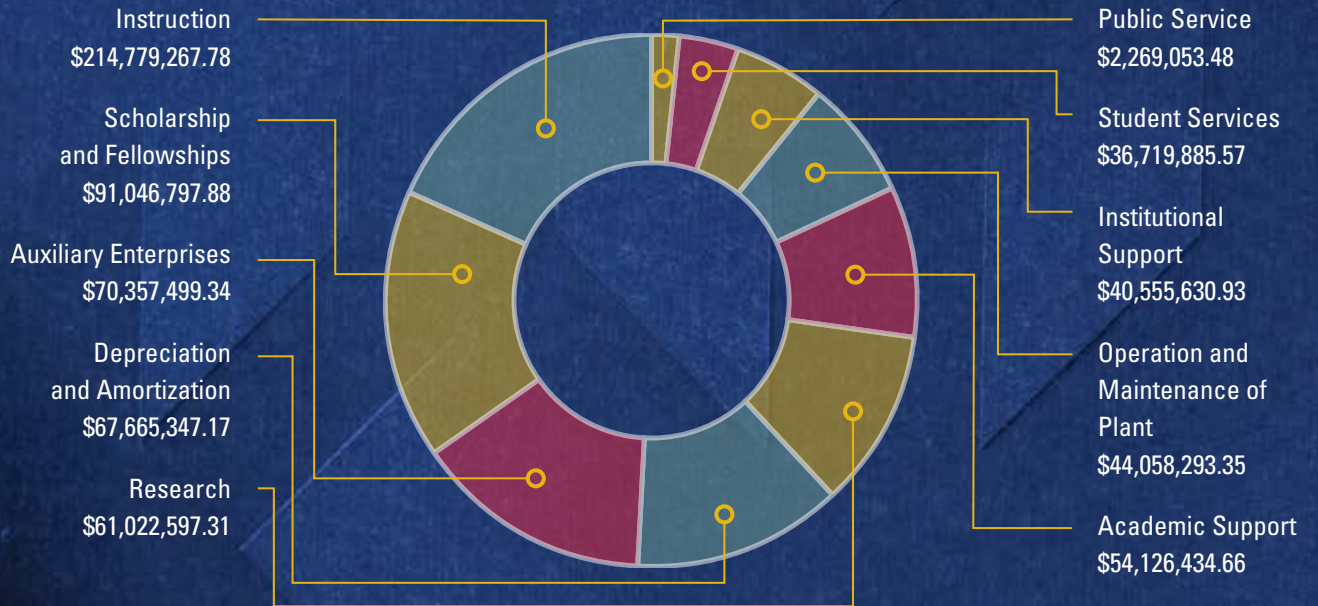
The Honor Society of Phi Kappa Phi, the nation's oldest  
and most selective, named Texas State its  
**2020 EXCELLENCE IN  
INNOVATION AWARD** recipient.





# THE VALUE OF EDUCATION

Texas State University is efficient in the use of funds with a primary focus on instruction.



---

*Money* magazine named  
Texas State one of the  
**"BEST COLLEGES  
IN AMERICA  
RANKED BY VALUE"**  
in 2020.



**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 and fiduciary activities of Texas State University (Texas State), which comprise the statement of net position and statement of fiduciary net position as of 31 August 2020 and 31 August 2019, 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, and statement of changes in fiduciary net position 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.

2525 WALLINGWOOD DRIVE  
BUILDING 1, SUITE 200  
AUSTIN, TEXAS 78746  
PHONE: 512.442.0380  
FAX: 512.442.0817  
[www.montemayor.team](http://www.montemayor.team)





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*.

Montemagno Britton Bender PC

30 November 2020  
Austin, Texas

This page intentionally left blank.



## MANAGEMENT'S DISCUSSION AND ANALYSIS

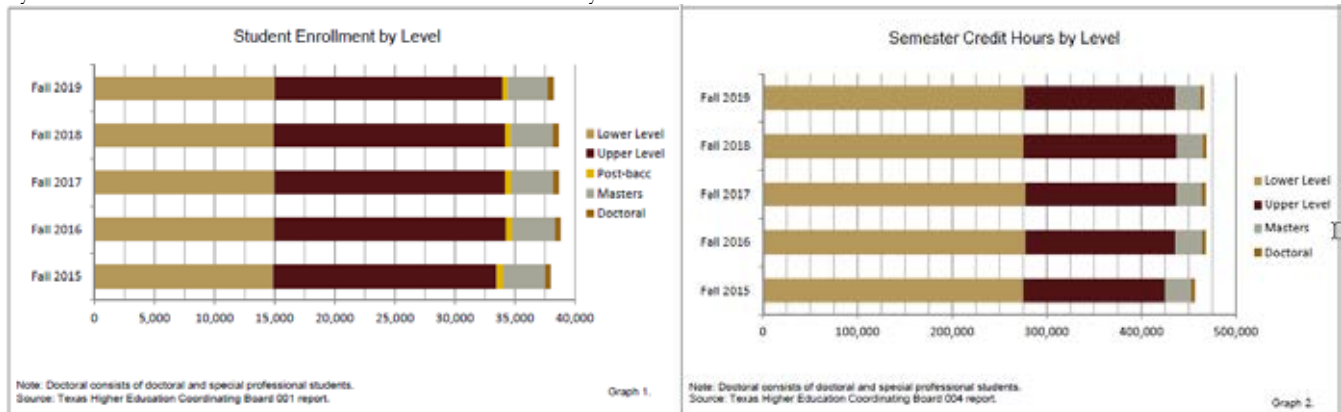
The following is Management's Discussion and Analysis (MD&A) of Texas State University's (Texas State) financial performance for the fiscal year ended August 31, 2020. The information presented here should be considered in conjunction with other areas of the financial section of this report as well as information presented in the letters of transmittal in the introductory section.

### FINANCIAL HIGHLIGHTS

- The net position of Texas State was \$1.598 billion at August 31, 2020, an increase of \$62.9 million or 4.1%, in fiscal year 2020.
- Tuition and Fees revenue, net of discounts, grew by \$5.4 million or 1.9% as a result of increases in designated tuition as well as increases in the athletics and electronic course fees. The increases were partially offset by waived or reduced fees associated with the Coronavirus pandemic along with increased discounts.
- During fiscal year 2020 overall student enrollment fell slightly to 38,231 in Fall 2019 which is down 1.1% below 38,661 in Fall of 2018.

### Student Enrollment

Following a period of strong growth, overall student enrollment has been mostly steady for the past four 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, 2020 with comparative information as of August 31, 2019, 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, 2020 and for the year then ended with comparative data presented for August 31, 2019. 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 operating funds are presented in a single enterprise fund column for financial reporting purposes. Three primary financial statements are presented for these funds 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

# MANAGEMENT'S DISCUSSION AND ANALYSIS

the University at a specified time. Assets, plus deferred outflows of resources, less liabilities, less deferred inflows 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.

The **Statement of Fiduciary Net Position** and the **Statement of Changes in Fiduciary Net Position** are used to account for Custodial Fund's resources held for the benefit of parties external to the University.

## 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 relationships that Texas State University has with the Texas State University System (TSUS) and the State of Texas are described in Note 1-Summary of Significant Accounting Policies under the "Reporting Entity" heading.
- The relationships that Texas State University has with its component units are 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.
- 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

---

### Statement of Net Position

The Statement of Net Position indicates an increase in net position to \$1.598 billion in 2020 over \$1.536 billion in 2019, representing a 4.1% increase. Total assets increased \$65.5 million, or 3.6% primarily attributable to an increase in cash and investments. Total liabilities remained mostly stable with offsetting increases and decreases between categories. Unearned revenues were down at year-end for the beginning of the Fall semester due to Coronavirus related fee reductions.

Texas State continues to implement capital improvements to upgrade facilities. Approximately \$19.9 million in capital commitments have been entered into or were outstanding as of fiscal year-end 2020 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 Texas State and reports that debt in the TSUS financial statements. Details about debt outstanding are described in Note 5 Bonded Indebtedness. A portion of the debt



## MANAGEMENT'S DISCUSSION AND ANALYSIS

outstanding represents tuition revenue bonds (TRBs) historically funded by the Texas Legislature through General Revenue appropriations. For the fiscal years ended August 31, 2020 and 2019, the institution was appropriated \$17,369,676 and \$17,387,991, respectively, for TRB debt service. Texas State expects future Legislative appropriations to meet debt service requirements for TRBs.

Statement of Net Position-Condensed				
	2020	2019	Dollar Change	Percentage Change
<b>Assets</b>				
Cash and Investments	\$ 621,415,937.17	\$ 571,557,593.33	\$ 49,858,343.84	8.7%
Receivables	74,977,006.41	71,846,343.21	3,130,663.20	4.4%
Legislative Appropriations	66,511,954.61	60,536,553.55	5,975,401.06	9.9%
Capital Assets, Net	1,091,618,674.07	1,084,507,373.68	7,111,300.39	0.7%
Other Assets	42,202,195.01	42,742,031.65	(539,836.64)	-1.3%
<b>Total Assets</b>	<b>\$1,896,725,767.27</b>	<b>\$1,831,189,895.42</b>	<b>\$ 65,535,871.85</b>	<b>3.6%</b>
<b>Liabilities</b>				
Payables	\$ 70,084,591.91	\$ 65,001,665.08	\$ 5,082,926.83	7.8%
Unearned Revenues	214,537,879.37	218,000,269.74	(3,462,390.37)	-1.6%
Employees Compensable Leave-Current	8,078,392.53	7,626,579.19	451,813.34	5.9%
Employees Compensable Leave-Non-Current	5,559,074.66	4,968,086.10	590,988.56	11.9%
Other Liabilities	45,096.91	43,446.18	1,650.73	3.8%
<b>Total Liabilities</b>	<b>\$ 298,305,035.38</b>	<b>\$ 295,640,046.29</b>	<b>\$ 2,664,989.09</b>	<b>0.9%</b>
<b>Net Position</b>				
Invested in Capital Assets, Net of Debt	\$1,091,618,674.07	\$1,084,507,373.68	\$ 7,111,300.39	0.7%
Restricted Net Position	81,829,899.37	94,522,670.66	(12,692,771.29)	-13.4%
Unrestricted Net Position	424,972,158.45	356,519,804.79	68,452,353.66	19.2%
<b>Total Net Position</b>	<b>\$1,598,420,731.89</b>	<b>\$1,535,549,849.13</b>	<b>\$ 62,870,882.76</b>	<b>4.1%</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, 2020 of \$62.9 million as compared to an increase of \$18.3 million for the year ended 2019. Tuition and Fees revenue, net of discounts, grew by \$5.4 million or 1.9% as a result of increases in designated tuition as well as increases in the athletics and electronic course fees. The increases were partially offset by waived or reduced fees associated with the Coronavirus pandemic along with increased discounts. Grant Revenue increased \$27.5M primarily due to receipt of \$31.8M in Coronavirus Aid, Relief, and Economic Security (CARES) Act funds received in fiscal year 2020 as part of the congressional relief provisions for the pandemic. The increase from CARES Act grant funds were offset slightly by reductions in other grants. Auxiliary Sales decreased 3.7% due to remote instruction and reduced student interaction on campus. Operating expenses increased by 5.5% largely attributable to \$28.3M in scholarships awarded through the CARES Act program and in refunds to students. Increases in depreciation expense of \$6.6M were incurred, primarily for recently completed buildings and renovations.

Statement of Revenues, Expenses and Changes in Net Position-Condensed				
	2020	2019	Dollar Change	Percentage Change
<b>Revenues (Operating and Non-Operating)</b>				
Tuition and Fees, Net	\$ 285,958,975.52	\$ 280,579,713.62	\$ 5,379,261.90	1.9%
Grant Revenue	170,800,566.61	143,304,388.87	27,496,177.74	19.2%
Auxiliary and Other Sales Goods, Services	96,978,931.68	100,658,557.46	(3,679,625.78)	-3.7%
Legislative Revenue	150,003,724.40	135,040,413.79	14,963,310.61	11.1%
Investment Income	21,880,355.61	18,383,925.33	3,496,430.28	19.0%
Other Revenues	14,670,416.88	10,473,508.66	4,196,908.22	40.1%
<b>Total Revenues</b>	<b>\$ 740,292,970.70</b>	<b>\$ 688,440,507.73</b>	<b>\$ 51,852,462.97</b>	<b>7.5%</b>
<b>Expenses (Operating and Non-Operating)</b>				
Operating Expenses	\$ 614,935,460.30	\$ 582,884,988.06	\$ 32,050,472.24	5.5%
Depreciation and Amortization	67,665,347.17	61,111,778.45	6,553,568.72	10.7%
Non-Operating Expenses	310,109.90	1,910,102.11	(1,599,992.21)	-83.8%
<b>Total Expenses</b>	<b>\$ 682,910,917.37</b>	<b>\$ 645,906,868.62</b>	<b>\$ 37,004,048.75</b>	<b>5.7%</b>
<b>Income/(Loss) before Other Revenues, Expenses, Gains/(Losses) and Transfers</b>	<b>\$ 57,382,053.33</b>	<b>\$ 42,533,639.11</b>	<b>\$ 14,848,414.22</b>	<b>34.9%</b>
<b>Other Revenues, Expenses, Gains/(Losses) and Transfers</b>				
HEF Appropriation and Transfers, Net	\$ 16,099,727.76	\$ 15,310,375.58	789,352.18	5.2%
Additions to Permanent & Term Endowments	195,553.29	441,999.25	(246,445.96)	-55.8%
Other Gains/(Losses) and Transfers	(10,806,451.62)	\$ (39,942,649.76)	29,136,198.14	-72.9%
<b>Total Other Revenue, (Expenses), Gains/(Losses) and Transfers</b>	<b>\$ 5,488,829.43</b>	<b>\$ (24,190,274.93)</b>	<b>\$ 29,679,104.36</b>	<b>-122.7%</b>
<b>Change in Net Position</b>	<b>\$ 62,870,882.76</b>	<b>\$ 18,343,364.18</b>	<b>\$ 44,527,518.58</b>	<b>242.74%</b>
Beginning Net Position	1,535,549,849.13	\$1,517,206,484.95	18,343,364.18	1.21%
<b>Ending Net Position</b>	<b>\$1,598,420,731.89</b>	<b>\$1,535,549,849.13</b>	<b>\$ 62,870,882.76</b>	<b>4.09%</b>



This page intentionally left blank.

# TEXAS STATE UNIVERSITY

## Statement of Net Position as of August 31, 2020 with Comparative Data for August 31, 2019

	Enterprise Funds	
	2020	2019
<b>ASSETS AND DEFERRED OUTFLOWS</b>		
Current Assets:		
Unrestricted Cash and Cash Equivalents:		
Cash on Hand	\$ 37,984.26	\$ 49,165.92
Cash in Bank (Note 3)	5,533,760.57	655,562.93
Cash in Transit/Reimbursement from Treasury	277,995.96	825,646.44
Cash in State Treasury	20,060,876.04	22,243,000.30
Cash Equivalents (Note 3)	294,834,188.26	197,211,452.63
Restricted Cash and Cash Equivalents:		
Cash in Bank (Note 3)	4,673.71	5,025.42
Cash Equivalents (Note 3)	18,923,463.77	34,108,854.35
Legislative Appropriations	66,511,954.61	60,536,553.55
Net Receivables (Note 1)		
Federal	8,206,667.13	8,075,589.67
Interest and Dividends	11,207.35	21,923.59
Student Accounts	54,948,919.80	49,336,709.99
Gifts Receivable - Pledges	1,069,066.89	1,468,342.89
Other	4,110,544.70	5,329,220.33
Due From Other Agencies (Note 8)	2,602,543.85	2,887,229.41
Consumable Inventories	852,602.39	841,940.45
Merchandise Inventories	166,878.98	166,533.92
Prepaid Items	41,182,713.64	41,733,557.28
Loans and Contracts	3,044,578.86	3,245,519.82
Total Current Assets	<u>\$ 522,380,620.77</u>	<u>\$ 428,741,828.89</u>
Non-Current Assets:		
Restricted:		
Gifts Receivable - Pledges	\$ 839,577.55	\$ 1,364,168.66
Investments (Note 3)	43,590,947.50	41,627,499.25
Loans and Contracts	143,900.28	117,638.85
Investments (Note 3)	238,152,047.10	274,831,386.09
Capital Assets, Non-Depreciable (Note 2)	105,936,937.75	122,277,127.31
Capital Assets, Net of Accumulated Depreciation (Note 2)	985,195,485.23	962,053,781.53
Intangible Assets, Net of Accumulated Amortization (Note 2)	486,251.09	176,464.84
Total Non-Current Assets	<u>\$ 1,374,345,146.50</u>	<u>\$ 1,402,448,066.53</u>
Total Assets	<u>\$ 1,896,725,767.27</u>	<u>\$ 1,831,189,895.42</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>\$ 1,896,725,767.27</u>	<u>\$ 1,831,189,895.42</u>



	<b>Enterprise Funds</b>	
	<b>2020</b>	<b>2019</b>
<b>LIABILITIES AND DEFERRED INFLOWS</b>		
Current Liabilities:		
Accounts Payable	\$ 50,530,005.14	\$ 49,120,450.75
Accrued Payroll	19,233,097.18	15,743,559.15
Unearned Revenues	214,537,879.37	218,000,269.74
Due to Other Agencies (Note 8)	321,489.59	137,655.18
Employees' Compensable Leave (Note 4)	8,078,392.53	7,626,579.19
Other Current Liabilities	45,096.91	43,446.18
Total Current Liabilities	<u>\$ 292,745,960.72</u>	<u>\$ 290,671,960.19</u>
Non-Current Liabilities:		
Employees' Compensable Leave (Note 4)	\$ 5,559,074.66	\$ 4,968,086.10
Total Non-Current Liabilities	<u>\$ 5,559,074.66</u>	<u>\$ 4,968,086.10</u>
Total Liabilities	<u>\$ 298,305,035.38</u>	<u>\$ 295,640,046.29</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>\$ 298,305,035.38</u>	<u>\$ 295,640,046.29</u>
<b>NET POSITION</b>		
Invested in Capital Assets, Net of Related Debt	\$ 1,091,618,674.07	\$ 1,084,507,373.68
Restricted for:		
Capital Projects	16,729,518.76	31,145,978.32
Funds Held as Permanent Investments:		
Non-Expendable	21,275,174.05	20,954,428.60
Expendable (Note 13)	22,835,664.06	21,403,604.08
Other	20,989,542.50	21,018,659.66
Unrestricted	424,972,158.45	356,519,804.79
Total Net Position	<u>\$ 1,598,420,731.89</u>	<u>\$ 1,535,549,849.13</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 for the Fiscal Year ended August 31, 2020 with Comparative Data for August 31, 2019

	Enterprise Funds	
	2020	2019
<b>OPERATING REVENUES</b>		
Sales of Goods and Services:		
Tuition and Fees	\$ 401,436,802.36	\$ 390,579,057.38
Discounts and Allowances (Note 1)	(115,477,826.84)	(109,999,343.76)
Auxiliary Enterprises	82,836,513.19	86,184,422.47
Other Sales of Goods and Services	14,142,418.49	14,474,134.99
Federal Revenue-Operating	30,835,242.58	34,151,653.95
Federal Pass Through Revenue	3,172,571.92	3,288,010.00
State Grant Revenue	660,089.31	2,175,378.22
State Grant Pass Through Revenue	34,516,458.60	31,536,220.58
Other Grants & Contracts	6,013,002.89	6,311,254.02
Other Operating Revenue	749,575.59	738,834.93
Total Operating Revenues	<u>\$ 458,884,848.09</u>	<u>\$ 459,439,622.78</u>
<b>OPERATING EXPENSES</b>		
Instruction	\$ 214,779,267.78	\$ 218,093,235.91
Research	61,022,597.31	57,341,069.47
Public Service	2,269,053.48	4,241,082.57
Academic Support	54,126,434.66	50,899,995.07
Student Services	36,719,885.57	35,946,568.48
Institutional Support	40,555,630.93	36,799,539.01
Operation and Maintenance of Plant	44,058,293.35	44,013,673.57
Scholarship and Fellowships	91,046,797.88	55,532,937.63
Auxiliary Enterprises	70,357,499.34	80,016,886.35
Depreciation and Amortization	67,665,347.17	61,111,778.45
Total Operating Expenses	<u>\$ 682,600,807.47</u>	<u>\$ 643,996,766.51</u>
Operating Income (Loss)	<u>\$ (223,715,959.38)</u>	<u>\$ (184,557,143.73)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Legislative Revenue	\$ 120,815,161.00	\$ 109,079,130.00
Additional Appropriations	29,188,563.40	25,961,283.79
Federal Grant - Non Exchange	92,054,039.31	60,559,257.10
State Pass Through - Non Exchange	3,549,162.00	5,282,615.00
Gifts, Pledges, and Donations	11,075,756.78	9,030,607.82
Investment Income	12,339,656.31	22,399,682.33
Net Increase (Decrease) in Fair Value of Investments	9,540,699.30	(4,015,757.00)
Gain (Loss) on Sales of Capital Assets	(211,752.22)	(62,724.13)
Other Nonoperating Revenues	3,056,836.73	766,790.04
Other Nonoperating Expenses	(310,109.90)	(1,910,102.11)
Total Nonoperating Revenues (Expenses)	<u>\$ 281,098,012.71</u>	<u>\$ 227,090,782.84</u>
Income (Loss) before Other Revenues, Expenses, Gains, Losses and Transfers	<u>\$ 57,382,053.33</u>	<u>\$ 42,533,639.11</u>

	<b>Enterprise Funds</b>	
	<b>2020</b>	<b>2019</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	195,553.29	441,999.25
Transfers From Other Governmental Agencies (Note 8)	34,144,503.37	2,034,933.81
Transfers To Other Governmental Agencies (Note 8)	(44,950,954.99)	(41,977,583.57)
Legislative Transfers-In (Note 8)	1,389,375.00	1,386,066.00
Legislative Transfers-Out (Note 8)	(22,452,402.24)	(23,238,445.42)
Total Other Revenues, Expenses, Gains/Losses and Transfers	<u>\$ 5,488,829.43</u>	<u>\$ (24,190,274.93)</u>
Change in Net Position	\$ 62,870,882.76	\$ 18,343,364.18
Net Position, September 1	\$ 1,535,549,849.13	\$ 1,517,206,484.95
Restatements		-
Net Position, September 1, as Restated	<u>\$ 1,535,549,849.13</u>	<u>\$ 1,517,206,484.95</u>
Net Position, August 31	<u><u>\$ 1,598,420,731.89</u></u>	<u><u>\$ 1,535,549,849.13</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, 2020 with Comparative Data for August 31, 2019

Operating Expenses	Enterprise Funds				
	For the Fiscal Year Ended August 31, 2020				
	Instruction	Research	Public Service	Academic Support	Student Services
Cost of Goods Sold	\$ -	\$ -	\$ -	\$ -	\$ -
Salaries and Wages	154,378,751.53	31,558,477.70	824,149.09	31,106,212.25	19,856,724.17
Payroll Related Costs	46,069,320.72	7,663,658.42	415,783.18	8,395,212.31	5,989,993.94
Professional Fees and Services	3,093,411.52	11,863,067.36	439,723.92	2,863,019.31	5,050,387.78
Federal Grant Pass-Through Expense	-	856,155.92	-	-	-
State Grant Pass-Through Expense	-	2,756.34	-	-	-
Travel	1,103,424.28	1,924,179.15	74,725.64	365,058.31	427,111.93
Materials and Supplies	7,200,809.71	4,934,181.75	340,198.55	9,372,677.46	3,666,761.10
Communication and Utilities	99,399.79	89,871.40	2,886.11	123,777.86	118,795.02
Repairs and Maintenance	544,775.76	369,776.57	31,755.13	1,285,736.66	541,556.70
Rentals and Leases	181,866.82	483,966.11	93,933.84	26,799.73	114,630.03
Printing and Reproduction	545,831.07	395,815.38	32,791.45	245,005.36	576,173.33
Depreciation and Amortization					
Interest	58.60	1,152.70	0.57	27.45	8.45
Scholarships	-	-	-	-	-
Claims and Judgments	1,465,793.59	442,863.69	8,734.47	285,707.24	347,188.59
Other Operating Expenses	95,824.39	436,674.82	4,371.53	57,200.72	30,554.53
Total Operating Expenses	<u>\$ 214,779,267.78</u>	<u>\$ 61,022,597.31</u>	<u>\$ 2,269,053.48</u>	<u>\$ 54,126,434.66</u>	<u>\$ 36,719,885.57</u>

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

See Independent Certified Public Accountant's Review Report.

<b>Institutional Support</b>	<b>Operation and Maintenance of Plant</b>	<b>Scholarships and Fellowships</b>	<b>Auxiliary Enterprise Expenditures</b>	<b>Depreciation and Amortization</b>	<b>Total Expenses</b>
\$ -	\$ -	\$ -	\$ 336,223.09		\$ 336,223.09
26,075,568.19	15,026,636.35	-	18,255,610.75		297,082,130.03
7,830,447.91	5,515,689.53	-	5,777,833.28		87,657,939.29
2,353,877.18	4,366,641.50	-	10,353,704.47		40,383,833.04
-	-	-	-		856,155.92
-	-	-	-		2,756.34
285,397.55	35,181.86	-	2,425,752.19		6,640,830.91
1,632,239.29	3,566,036.98	-	21,556,541.18		52,269,446.02
14,586.38	13,244,889.46	-	7,655,807.32		21,350,013.34
1,087,496.23	1,767,340.02	-	2,875,719.15		8,504,156.22
63,429.69	69,166.06	-	388,846.59		1,422,638.87
291,564.61	68,939.84	-	246,386.87		2,402,507.91
				67,665,347.17	67,665,347.17
16,652.78	1,914.88	-	18.92		19,834.35
-	-	91,046,797.88	-		91,046,797.88
855,308.96	395,856.87	-	465,536.07		4,266,989.48
49,062.16	-	-	19,519.46		693,207.61
<b>\$ 40,555,630.93</b>	<b>\$ 44,058,293.35</b>	<b>\$ 91,046,797.88</b>	<b>\$ 70,357,499.34</b>	<b>\$ 67,665,347.17</b>	<b>\$ 682,600,807.47</b>

(to next page)

# TEXAS STATE UNIVERSITY

## Matrix of Operating Expenses Reported by Function for the fiscal year ended August 31, 2020 with Comparative Data for August 31, 2019

Operating Expenses	Enterprise Funds				
	For the Fiscal Year Ended August 31, 2019				
	Instruction	Research	Public Service	Academic Support	Student Services
Cost of Goods Sold	\$ -	\$ -	\$ -	\$ -	\$ -
Salaries and Wages	150,875,621.77	27,390,155.03	1,646,496.56	30,642,134.69	20,057,911.71
Payroll Related Costs	45,597,857.75	6,237,876.30	673,356.72	7,715,661.18	5,674,001.02
Professional Fees and Services	3,620,705.35	12,890,093.35	1,236,430.43	2,888,438.64	4,711,953.07
Federal Grant Pass-Through Expense	-	612,143.57	-	-	-
Travel	3,616,605.00	3,013,826.54	131,855.87	769,185.88	954,620.33
Materials and Supplies	12,661,239.08	5,207,731.35	365,203.60	6,021,852.06	3,125,740.87
Communication and Utilities	164,688.77	190,609.07	6,450.02	126,500.35	150,588.34
Repairs and Maintenance	650,434.21	263,953.94	58,806.58	2,293,714.79	311,997.12
Rentals and Leases	175,958.85	551,751.43	71,722.88	55,934.03	199,202.95
Printing and Reproduction	598,879.41	408,349.00	44,746.41	324,641.92	641,936.30
Depreciation and Amortization	-	-	-	-	-
Interest	641.04	698.48	21.04	583.97	141.60
Scholarships	-	-	-	-	-
Claims and Judgments	-	-	4,393.87	-	85,108.68
Other Operating Expenses	130,604.68	573,881.41	1,598.59	61,347.56	33,366.49
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>	<u>\$ 35,946,568.48</u>

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

See Independent Certified Public Accountant's Review Report.



<b>Institutional Support</b>	<b>Operation and Maintenance of Plant</b>	<b>Scholarships and Fellowships</b>	<b>Auxiliary Enterprise Expenditures</b>	<b>Depreciation and Amortization</b>	<b>Total Expenses</b>
\$ -	\$ -	\$ -	\$ 561,440.09	\$ -	\$ 561,440.09
24,167,507.84	14,814,220.17	-	18,183,308.76	-	287,777,356.53
6,925,995.17	5,397,947.81	-	5,667,219.93	-	83,889,915.88
1,530,681.64	4,819,003.80	-	13,321,535.96	-	45,018,842.24
-	-	-	-	-	612,143.57
497,073.16	44,675.69	-	3,324,713.60	-	12,352,556.07
983,911.68	4,546,120.19	-	25,797,394.59	-	58,709,193.42
604,354.14	11,872,428.48	-	9,173,923.24	-	22,289,542.41
1,274,285.45	2,413,100.53	-	1,810,622.64	-	9,076,915.26
343,494.55	63,038.58	-	866,820.47	-	2,327,923.74
380,117.77	42,360.44	-	249,381.68	-	2,690,412.93
-	-	-	-	61,111,778.45	61,111,778.45
18,042.47	777.88	-	275.57	-	21,182.05
-	-	55,532,937.63	-	-	55,532,937.63
17,511.81	-	-	1,040,969.78	-	1,147,984.14
56,563.33	-	-	19,280.04	-	876,642.10
<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>

# TEXAS STATE UNIVERSITY

## Statement of Cash Flows for the fiscal year ended August 31, 2020 with Comparative Data for August 31, 2019

	Enterprise Funds	
	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from Customers	\$ 14,117,821.10	\$ 14,593,243.59
Proceeds from Tuition and Fees	279,460,944.73	281,597,318.29
Proceeds from Research Grants and Contracts	75,000,261.61	77,560,694.37
Proceeds from Loan Programs	7,230,713.73	9,395,298.30
Proceeds from Auxiliaries	79,125,051.12	87,120,520.30
Proceeds from Other Operating Revenues	1,421,169.41	670,375.40
Payments to Suppliers for Goods and Services	(132,151,054.45)	(152,330,270.11)
Payments to Employees for Salaries	(289,841,105.19)	(288,008,273.25)
Payments to Employees for Benefits	(61,860,936.13)	(64,125,598.20)
Payments for Loans Provided	(6,922,705.70)	(9,487,190.24)
Payments for Other Expenses	(92,763,352.66)	(62,608,967.95)
Net Cash Provided (Used) by Operating Activities	<u>\$ (127,183,192.43)</u>	<u>\$ (105,622,849.50)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Proceeds from State Appropriations	\$ 125,567,503.81	\$ 122,187,134.34
Proceeds from Gifts	12,014,297.82	10,383,631.74
Proceeds of Transfers from Other Funds	35,533,878.37	3,420,999.81
Proceeds from Grant Receipts	95,810,078.21	65,819,644.07
Proceeds from Other Noncapital Financing Activities	3,057,833.55	769,116.56
Payments for Other Noncapital Financing Uses	(8,346,974.71)	(7,047,817.97)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>\$ 263,636,617.05</u>	<u>\$ 195,532,708.55</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Proceeds from Sale of Capital Assets	\$ (270,766.94)	\$ 149,649.37
Proceeds from Other Financing Activities	37,162,755.00	37,162,755.00
Payments for Additions to Capital Assets	(83,751,556.84)	(117,830,116.54)
Payments of Principal on Debt Issuance	(46,359,214.43)	(32,357,962.68)
Payments of Interest on Debt Issuance	(15,274,943.80)	(27,924,639.42)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>\$ (108,493,727.01)</u>	<u>\$ (140,800,314.27)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from Sales of Investments	\$ 96,866,797.18	\$ 180,255,861.70
Proceeds from Investment Income	12,762,841.32	30,691,546.58
Payments to Acquire Investments	(53,015,101.53)	(305,451,631.47)
Net Cash Provided (Used) by Investing Activities	<u>\$ 56,614,536.97</u>	<u>\$ (94,504,223.19)</u>
Increase (Decrease) in Cash and Cash Equivalents	<u>\$ 84,574,234.58</u>	<u>\$ (145,394,678.41)</u>
Cash and Cash Equivalents, September 1	<u>\$ 255,098,707.99</u>	<u>\$ 402,957,750.98</u>
Restatement to Cash and Cash Equivalents		(2,464,364.58)
Cash and Cash Equivalents, as Restated	<u>255,098,707.99</u>	<u>400,493,386.40</u>
Cash and Cash Equivalents, August 31	<u>\$ 339,672,942.57</u>	<u>\$ 255,098,707.99</u>

	<b>Enterprise Funds</b>	
	<b>2020</b>	<b>2019</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Operating Income (Loss)	\$ (223,715,959.38)	\$ (184,557,143.73)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Amortization and Depreciation	\$ 67,665,347.17	\$ 61,111,778.45
Operating Income and Cash Flow Categories:		
Changes in Assets and Liabilities:		
(Increase) Decrease in Receivables	\$ (4,778,533.11)	\$ (1,879,772.30)
(Increase) Decrease in Due from Other Agencies	284,685.56	(265,862.52)
(Increase) Decrease in Inventories	(11,007.00)	2,137,339.69
(Increase) Decrease in Prepaid Expenses	2,096,762.65	(2,812,383.00)
(Increase) Decrease in Loans & Contracts	174,679.53	203,047.09
(Increase) Decrease in State Appropriations	18,576,177.95	16,960,161.81
Increase (Decrease) in Payables	11,270,870.23	(2,357,679.75)
Increase (Decrease) in Due to Other Funds	183,834.41	(469,439.27)
Increase (Decrease) in Unearned Revenue	(3,462,390.37)	6,284,111.43
Increase (Decrease) in Compensated Absence Liability	451,813.34	130,141.07
Increase (Decrease) in Benefits Payable	4,080,526.59	(107,148.47)
Total Adjustments	<u>\$ 96,532,766.95</u>	<u>\$ 78,934,294.23</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (127,183,192.43)</u>	<u>\$ (105,622,849.50)</u>
<b>NON-CASH TRANSACTIONS</b>		
Net Change in the Fair Value of Investments	\$ 9,540,699.30	\$ (4,015,757.00)
Donation of Capital Assets	\$ 212,923.34	\$ 39,600.00
Gain (Loss) on Sale of Capital Assets	\$ 59,014.72	\$ (212,373.50)

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 Fiduciary Net Position as of August 31, 2020

	<u>Custodial Funds</u> <u>2020</u>	<u>Custodial Funds</u> <u>2019</u>
<b>ASSETS</b>		
Cash		
Cash on Hand	\$ 100.00	\$ 100.00
Cash in Bank (Note 3)	1,856,150.05	2,302,687.56
Receivables (Note 1)		
Accounts Receivable	17,884.10	-
Other	5,730.34	-
Total Assets	<u>\$ 1,879,864.49</u>	<u>\$ 2,302,787.56</u>
<b>LIABILITIES</b>		
Accounts Payable	\$ 144,361.71	\$ -
Other Current Liabilities	15,415.84	-
Total Liabilities	<u>\$ 159,777.55</u>	<u>\$ -</u>
<b>NET POSITION</b>		
Restricted for Individuals, Organizations or Other Governments	<u>\$ 1,720,086.94</u>	<u>\$ 2,302,787.56</u>
Total Net Position	<u><u>\$ 1,720,086.94</u></u>	<u><u>\$ 2,302,787.56</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****Statement of Changes in Fiduciary Net Position for the Fiscal Year ended August 31, 2020**

	<b>Custodial Funds</b>	<b>Custodial Funds</b>
	<b>2020</b>	<b>2019</b>
<b>ADDITIONS</b>		
Contributions:		
Loan and Scholarship Revenue	\$ 27,653,512.45	\$ 28,706,808.44
Student Club Revenue	398,111.54	432,269.56
Non-Student Revenue	395,855.08	640,548.50
Total Contributions	<u>28,447,479.07</u>	<u>29,779,626.50</u>
Investment Income:		
Interest, Dividends and Other	<u>1,800.65</u>	<u>1,826.37</u>
Total Net Investment Income	<u>1,800.65</u>	<u>1,826.37</u>
Other Additions:		
Other Revenue	<u>8,469.33</u>	<u>125,121.90</u>
Total Other Additions	<u>8,469.33</u>	<u>125,121.90</u>
 Total Additions	 <u>\$ 28,457,749.05</u>	 <u>\$ 29,906,574.77</u>
<b>DEDUCTIONS</b>		
Loan and Scholarship Expense	\$ 28,129,255.74	\$ 28,918,028.69
Administrative Expenses:		
Communications and Utilities	635.98	819.74
Materials and Supplies	85,643.59	145,540.10
Printing and Reproduction	20,488.90	37,371.18
Professional Fees and Services	295,624.46	231,203.81
Rentals and Leases	186,602.83	105,627.14
Other Administrative Expenses	322,198.17	629,561.13
Total Deductions	<u>\$ 29,040,449.67</u>	<u>\$ 30,068,151.79</u>
Change in Net Position	<u>\$ (582,700.62)</u>	<u>\$ (161,577.02)</u>
Net Position, September 1	<u>\$ 2,302,787.56</u>	<u>\$ -</u>
Restatements		2,464,364.58
Net Position, September 1, as Restated	<u>\$ 2,302,787.56</u>	<u>\$ 2,464,364.58</u>
Net Position, August 31	<u><u>\$ 1,720,086.94</u></u>	<u><u>\$ 2,302,787.56</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

## Notes to the Financial Statements

### NOTE 1: Summary of Significant Accounting Policies

#### NATURE OF OPERATIONS AND HISTORY

---

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

---

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 system-wide financial report of TSUS. The system-wide report 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, 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 of Texas State 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

---

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 operating 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



## Notes to the Financial Statements

Changes in Net Position; the Statement of Cash Flows and the 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.

**Custodial Funds** are used to report fiduciary activities that are not required to be reported in pension trust funds, investment trust funds or private-purpose trust funds. Balances and activities are recorded using the accrual basis of accounting and represent amounts held for individuals, organizations or other governments. Two primary financial statements are presented: the Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position. These statements are new in fiscal year 2020 with the implementation of GASB 84 *Fiduciary Activities*.

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

---

The administrative costs and capital asset outlay for the university are controlled by annual budgets approved by 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 22.2% and 21.2% of total revenues from operations for fiscal years ended August 31, 2020 and 2019, respectively. When both restricted and unrestricted resources are available for use, restricted resources are generally used first, then unrestricted resources are used as needed.

### CORONAVIRUS AID, RELIEF, AND ECONOMIC SECURITY (CARES) ACT

---

In response to the Coronavirus (COVID-19) pandemic, Congress passed the Coronavirus Aid, Relief, and Economic Security (CARES) Act and the CARES Act for the Higher Education Emergency Relief Fund (HEERF), which provides budgetary relief to higher education institutions through numerous provisions. The act provides economic grants to offset some additional expenses and forgone revenue as a result of the pandemic. Texas State received \$31,791,509 from this program in fiscal year 2020. Some additional funds have been awarded but not drawn.

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

---

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.

# TEXAS STATE UNIVERSITY

## Notes to the Financial Statements

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, 2020 and 2019, this method resulted in estimates of \$115,477,826.84 and \$109,999,343.76, respectively, for the university's discounts and allowances related to tuition and fees.

### CURRENT AND NON-CURRENT ASSETS

---

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.

### 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:

<u>Allowances by Receivable Type</u>	<u>2020</u>	<u>2019</u>
Student Accounts	\$2,121,408.86	\$1,691,919.08
Current and Noncurrent Gift Receivables	459,413.45	364,078.81
Loans Receivable	527,888.50	460,385.48

### 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 with (a) an estimated useful life in excess of one year and that (b) exceed the university's capitalization thresholds are recorded as capital assets at their acquisition cost on the date of acquisition. Donated assets with (a) an estimated

## Notes to the Financial Statements

useful life in excess of one year and that (b) exceed the university's capitalization thresholds are recorded as capital assets at their fair market value on the date of acquisition. 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 are charged to operating expenses in the year in which the expenses are incurred.

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.

### NON-CURRENT LIABILITIES

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.



# TEXAS STATE UNIVERSITY

## Notes to the Financial Statements

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

---

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**

---

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**

---

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**

---

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 which 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.



An aerial photograph of a concrete bridge with a metal railing crossing a river. Several people are walking on the bridge. Below the bridge, two people are kayaking in the water, which is surrounded by dense green trees. The scene is captured from a high angle, looking down at the bridge and the water.

# 2020

TEXAS STATE WAS NAMED  
ONE OF THE NATION'S  
BEST UNIVERSITIES FOR  
UNDERGRADUATES BY THE  
***PRINCETON REVIEW.***



# TEXAS STATE UNIVERSITY

## Notes to the Financial Statements

### NOTE 2: Capital Assets

Changes in capital assets for the fiscal year ended August 31, 2020 are summarized as follows:

	<b>Balance 9/1/2019</b>	<b>Adjustments</b>	<b>Completed CIP</b>
Non-Depreciable Assets:			
Land and Land Improvements	\$ 52,508,014.87	\$ -	\$ 542,417.73
Construction in Progress	60,268,628.64	-	(77,961,615.40)
Other Assets	9,500,483.80	-	-
<b>Total Non-Depreciable Assets</b>	<b>\$ 122,277,127.31</b>	<b>\$ -</b>	<b>\$ (77,419,197.67)</b>
Depreciable Assets:			
Buildings and Building Improvements	\$ 1,241,374,578.88	\$ -	\$ 67,634,120.09
Infrastructure	81,264,818.95	-	8,638,489.87
Facilities & Other Improvements	172,102,249.87	-	1,146,587.71
Furniture and Equipment	81,717,890.11	-	-
Vehicle, Boats & Aircraft	10,549,526.79	-	-
Other Assets	86,474,805.68	-	-
<b>Total Depreciable Assets at Historical Costs</b>	<b>\$ 1,673,483,870.28</b>	<b>\$ -</b>	<b>\$ 77,419,197.67</b>
Less Accumulated Depreciation for:			
Buildings and Improvements	\$ (506,514,278.42)	\$ -	\$ -
Infrastructure	(38,919,272.81)	-	-
Facilities & Other Improvements	(67,921,337.13)	-	-
Furniture and Equipment	(58,701,747.12)	-	-
Vehicles, Boats & Aircraft	(5,894,567.09)	-	-
Other Assets	(33,478,886.18)	-	-
<b>Total Accumulated Depreciation</b>	<b>\$ (711,430,088.75)</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Depreciable Assets, Net</b>	<b>\$ 962,053,781.53</b>	<b>\$ -</b>	<b>\$ 77,419,197.67</b>
Amortizable Assets - Intangible:			
Computer Software	\$ 28,713,203.91	\$ -	\$ -
<b>Total Amortizable Assets - Intangible</b>	<b>\$ 28,713,203.91</b>	<b>\$ -</b>	<b>\$ -</b>
Less Accumulated Amortization for:			
Computer Software	\$ (28,536,739.07)	\$ -	\$ -
<b>Total Accumulated Amortization</b>	<b>\$ (28,536,739.07)</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Amortizable Assets - Intangible, Net</b>	<b>\$ 176,464.84</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Capital Assets, Net</b>	<b>\$ 1,084,507,373.68</b>	<b>\$ -</b>	<b>\$ -</b>



## Notes to the Financial Statements

<b>Interagency Transfers In</b>	<b>Transfers Out</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 8/31/2020</b>
\$ -	\$ -	\$ -	\$ -	\$ 53,050,432.60
-	-	60,711,637.15	-	43,018,650.39
-	-	367,370.96	-	9,867,854.76
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 61,079,008.11</u>	<u>\$ -</u>	<u>\$ 105,936,937.75</u>
\$ -	\$ -	\$ -	\$ -	\$ 1,309,008,698.97
-	-	-	-	89,903,308.82
-	-	-	-	173,248,837.58
-	-	6,960,752.24	(1,956,435.29)	86,722,207.06
-	-	391,030.69	(82,653.73)	10,857,903.75
-	-	6,246,303.96	(1,076,711.16)	91,644,398.48
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,598,086.89</u>	<u>\$ (3,115,800.18)</u>	<u>\$ 1,761,385,354.66</u>
\$ -	\$ -	\$ (43,968,165.51)	\$ -	\$ (550,482,443.93)
-	-	(2,563,881.42)	-	(41,483,154.23)
-	-	(7,803,798.41)	-	(75,725,135.54)
-	-	(6,616,886.89)	1,832,471.25	(63,486,162.76)
-	-	(865,602.80)	81,101.56	(6,679,068.33)
-	-	(5,786,478.89)	931,460.43	(38,333,904.64)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ (67,604,813.92)</u>	<u>\$ 2,845,033.24</u>	<u>\$ (776,189,869.43)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ (54,006,727.03)</u>	<u>\$ (270,766.94)</u>	<u>\$ 985,195,485.23</u>
\$ -	\$ -	\$ 370,319.50	\$ (332,523.82)	\$ 28,750,999.59
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 370,319.50</u>	<u>\$ (332,523.82)</u>	<u>\$ 28,750,999.59</u>
\$ -	\$ -	\$ (60,533.25)	\$ 332,523.82	\$ (28,264,748.50)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ (60,533.25)</u>	<u>\$ 332,523.82</u>	<u>\$ (28,264,748.50)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 309,786.25</u>	<u>\$ -</u>	<u>\$ 486,251.09</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,382,067.33</u>	<u>\$ (270,766.94)</u>	<u>\$ 1,091,618,674.07</u>

# TEXAS STATE UNIVERSITY

## Notes to the Financial Statements

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>
<b>Non-Depreciable Assets:</b>			
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	-	-
<b>Total Non-Depreciable Assets</b>	<b>\$ 199,965,280.53</b>	<b>\$ -</b>	<b>\$ (175,502,737.49)</b>
<b>Depreciable Assets:</b>			
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	<b>\$ 1,490,098,370.29</b>	<b>\$ -</b>	<b>\$ 175,502,737.49</b>
<b>Less Accumulated Depreciation for:</b>			
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	<b>\$ (655,921,073.51)</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Depreciable Assets, Net</b>	<b>\$ 834,177,296.78</b>	<b>\$ -</b>	<b>\$ 175,502,737.49</b>
<b>Amortizable Assets - Intangible:</b>			
Computer Software	\$ 29,143,973.15	\$ -	\$ -
Total Amortizable Assets - Intangible	<b>\$ 29,143,973.15</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Less Accumulated Amortization for:</b>			
Computer Software	\$ (28,827,119.21)	\$ -	\$ -
Total Accumulated Amortization	<b>\$ (28,827,119.21)</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Amortizable Assets - Intangible, Net</b>	<b>\$ 316,853.94</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Capital Assets, Net</b>	<b>\$ 1,034,459,431.25</b>	<b>\$ -</b>	<b>\$ -</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><u>\$ -</u></u>	 <u><u>\$ 50,427,553.78</u></u>	 <u><u>\$ (379,611.35)</u></u>	 <u><u>\$ 1,084,507,373.68</u></u>

# TEXAS STATE UNIVERSITY

## Notes to the Financial Statements

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

#### Deposits

As of August 31, 2020 and 2019, the carrying amount of deposits was \$7,394,584.33 and \$2,963,275.91, respectively, as presented below:

	<u>2020</u>	<u>2019</u>
<b>Cash in Bank - Carrying Value</b>	\$ 7,394,584.33	\$ 2,963,275.91
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>\$ 7,394,584.33</u>	<u>\$ 2,963,275.91</u>
 Current Assets Cash in Bank	 \$ 7,389,910.62	 \$ 2,958,250.49
Current Assets Restricted Cash in Bank*	<u>4,673.71</u>	<u>5,025.42</u>
<b>Cash in Bank per AFR</b>	<u>\$ 7,394,584.33</u>	<u>\$ 2,963,275.91</u>

\* Includes proprietary and fiduciary Cash in Bank.

As of August 31, 2020 and 2019, the total bank balances were \$10,466,823.36 and \$10,974,039.66, 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:

<b>Level 1:</b>	Quoted prices for identical investments in active markets;
<b>Level 2:</b>	Observable inputs other than quoted market prices; or,
<b>Level 3:</b>	Unobservable inputs.
<b>Net Asset Value:</b>	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, 2020, the valuation of investments were:

	Fair Value Hierarchy				2020 Value
	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Net Asset Value	
<b>Fair Value</b>					
U.S. Government:					
U.S. Treasury Securities	\$ 50,173.10	\$ 4,044,026.06	\$ -	\$ -	\$ 4,094,199.16
U.S. Government Agency Obligations (Ginnie Mae, Fannie Mae, Freddie Mac, etc.)	-	4,962,293.26	-	-	4,962,293.26
Corporate Obligations	-	21,564,521.58	-	-	21,564,521.58
Corporate Asset and Mortgage Backed Securities	-	9,574,444.53	-	-	9,574,444.53
Equity	98,031,030.02	-	5,832,696.78	-	103,863,726.80
Equity-Preferred Securities	100,534.00				100,534.00
International Equity	15,753,610.94	-	-	-	15,753,610.94
Fixed Income Money Market and Bond Mutual Fund	121,560,086.14	-	-	-	121,560,086.14
Other Commingled Funds	269,578.19	-	-	-	269,578.19
<b>Long-Term Investments</b>	<b>\$ 235,765,012.39</b>	<b>\$ 40,145,285.43</b>	<b>\$ 5,832,696.78</b>	<b>-</b>	<b>\$ 281,742,994.60</b>
<b>Amortized Cost</b>					
Other Commingled Funds (TexPool)					<u>\$ 313,757,652.03</u>
<b>Cash Equivalents</b>					<u><b>\$ 313,757,652.03</b></u>

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 (Ginnie Mae, Fannie Mae, Freddie Mac, etc.)	-	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	82,502,659.17	-	758,564.00	-	83,261,223.17
Equity-Preferred Securities	3,235.00				3,235.00
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>

### 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

# TEXAS STATE UNIVERSITY

## Notes to the Financial Statements

investment policy limits holding of securities by counterparties to those involved with securities lending. As of August 31, 2020, 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 diversified fund vehicle 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, risk is controlled through the portfolio diversification of market sector and maturity. Risk is further defined by prohibited investments and activities, and limited by maximum single purchase and maximum aggregate position percentages.

As of August 31, 2020 and 2019, the credit quality distributions for securities with credit risk exposures were as follows:

Fund Type	GAAP Fund	Investment Type	Current Standard & Poor's Rating		
			Rating	2020	2019
05	9999	U.S. Government Agency Obligations (Ginnie Mae, Fannie Mae, Freddie Mac, etc.)	AAA	\$ 4,962,293.26	\$ 4,923,244.54
05	9999	Corporate Obligations	AA	64,737.95	-
			A	3,685,055.60	4,039,617.73
			BBB	15,853,772.06	11,847,662.11
			BB	281,683.40	186,720.52
			NR	-	50,640.00
05	9999	Corporate Asset and Mortgage Backed Securities	AAA	2,311,255.34	5,654,829.67
			AA	74,179.88	564,473.25
			A	258,680.76	-
			NR	6,930,328.55	8,315,434.17
05	9999	Municipal Bonds	AA	68,319.45	-
			A	253,528.40	-
			BBB	80,753.60	-
05	9999	Miscellaneous - Preferred Securities	BBB	60,894.00	3,235.00
			BB	39,640.00	-
05	9999	International Obligations	AA	153,885.99	130,148.20
			A	349,843.43	669,143.84
			BBB	713,385.45	1,075,808.92
			BB	59,556.25	47,903.70
<b>Total</b>				<b><u>\$ 36,201,793.37</u></b>	<b><u>\$ 37,508,861.65</u></b>

### 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, 2020, Texas State University was not subject to concentration of credit risk.

## Notes to the Financial Statements

### 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. 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 operating long and 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, 2020, 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, 2020 and 2019, were:

Investment Type	2020		2019	
	Fair Value	Average Maturity	Fair Value	Average Maturity
U.S. Government Agency Obligations	\$ 4,094,199.16	0.48	\$ 7,671,214.39	5.8
Corporate Obligations	19,885,249.01	1.53	16,124,640.36	3.6
Corporate Asset and Mortgage Backed Securities	14,536,737.79	0.78	14,534,737.09	2.7
Municipal Bonds	402,601.45	0.15	0.00	0.0
Miscellaneous-Preferred Securities	100,534.00	0.04	3,235.00	1.9
International Obligations	1,276,671.12	0.14	1,923,004.66	3.7
<b>Total</b>	<b>\$ 40,295,992.53</b>	<b>3.12</b>	<b>\$ 40,256,831.50</b>	<b>3.71</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 2020.

### 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, 2020 and 2019 the accrued liability for vacation and overtime totaled \$13,637,467.19 and \$12,594,665.29, respectively. During the same periods, the university made lump sum payments totaling \$1,972,749.54 and \$1,439,259.80 for 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.

# TEXAS STATE UNIVERSITY

## Notes to the Financial Statements

The following changes occurred in long-term liabilities during the fiscal years ended August 31, 2020 and 2019:

<b>Employees' Compensable Leave</b>	<b>2020</b>	<b>2019</b>
Balance, September 1	\$ 12,594,665.29	\$ 12,433,771.86
Additions	3,015,551.44	1,600,153.23
Reductions	(1,972,749.54)	(1,439,259.80)
<b>Balance, August 31</b>	<b>\$ 13,637,467.19</b>	<b>\$ 12,594,665.29</b>
Amounts Due Within One Year	\$ 8,078,392.53	\$ 7,626,579.19
Amounts Due Thereafter	5,559,074.66	4,968,086.10
<b>Total Due</b>	<b>\$ 13,637,467.19</b>	<b>\$ 12,594,665.29</b>

### NOTE 5: Bonded Indebtedness

All bonded indebtedness for Texas State University is issued by System Administration through the Texas State University System Revenue Financing System. System Administration and each component institution within the system are members of the Revenue Financing System. 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.

System Administration issued the debt; therefore, the bonds payable attributable to the institution are included with the Bonds Payable reported by System Administration. The Institution must repay the debt that was issued on its behalf; consequently, the following debt amortization schedule is presented for informational purposes only.

<b>Debt Service Requirements</b>			
<b>Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2021	36,515,333.52	23,761,767.65	60,414,064.62
2022	37,705,000.00	22,306,992.76	60,011,992.76
2023	36,450,000.00	20,743,385.82	57,193,385.82
2024	36,890,000.00	19,195,783.62	56,085,783.62
2025	38,435,000.00	17,644,190.86	56,079,190.86
2026-2030	187,020,000.00	63,064,397.68	250,084,397.68
2031-2035	121,565,000.00	28,044,888.48	149,609,888.48
2036-2040	52,460,000.00	8,199,507.86	60,659,507.86
2041-2045	16,085,000.00	1,760,964.90	17,845,964.90
Totals	<u>\$ 563,125,333.52</u>	<u>\$ 204,721,879.63</u>	<u>\$ 767,984,176.60</u>

A portion of the debt represents Tuition Revenue Bonds historically funded by the Texas Legislature through General Revenue Appropriations. For fiscal years ended August 31, 2020 and 2019, the institution was appropriated \$17,369,676 and \$17,387,991, respectively, for Tuition Revenue Bond debt service. The institution expects future Legislative appropriations to meet debt service requirements for Tuition Revenue Bonds.



## 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, 2020 and 2019 were \$364,798.11 and \$353,725.51, respectively.

Future minimum lease rental payments under non-cancelable operating leases having an initial term in excess of one year, as of August 31, 2020 and 2019, were as follows:

<u>Fiscal Year</u>	<u>2020</u>	<u>Fiscal Year</u>	<u>2019</u>
2021	\$ 259,650.05	2020	\$ 345,169.40
2022	184,943.38	2021	238,608.75
2023	163,393.68	2022	169,747.48
2024	161,485.65	2023	158,849.13
2025	164,122.17	2024	161,485.65
2026 - 2030	293,310.63	2025 - 2029	457,432.80
<b>Total</b>	<b>\$ 1,226,905.56</b>	<b>Total</b>	<b>\$ 1,531,293.21</b>

### NOTE 7: Pension Plans and Fringe Benefits Paid by the State

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, 2020 and 2019:

<u>Contributions</u>	<u>2020</u>	<u>2019</u>
Member Contributions	\$ 5,657,072	\$ 5,581,233
Employer Contributions	6,042,108	6,002,102
<b>Total</b>	<b>\$ 11,699,180</b>	<b>\$ 11,583,335</b>

For the fiscal year ended August 31, 2020, the state provided on-behalf unemployment contributions of \$44,503. Other paid-on-behalf amounts pertain to pension and OPEB contributions and liabilities which are covered by System reporting.

### 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.

# TEXAS STATE UNIVERSITY

## Notes to the Financial Statements

Agency Name	Agency Number	D23 Fund	2020		2019	
			Due From Other State Agencies	Due to Other State Agencies	Due From Other State Agencies	Due to Other State Agencies
Federal						
General Land Office	305	0027	\$ 43,334.30	\$ -	\$ -	\$ 5,634.58
General Land Office	305	0001	12,264.82	-	-	-
Texas Workforce Commission	320	5026	6,822.88	-	12,581.87	-
Department of Public Safety	405	3984	-	-	556,551.96	-
Department of Agriculture	551	5026	746.53	-	1,748.07	-
Texas A&M AgriLife Research	556	7999	14,956.56	-	-	-
Texas Division of Emergency Management	575	0092	780,157.23	-	-	-
Texas Commission on Environmental Quality	582	1535	237,769.35	-	384,662.97	-
Texas Department of Transportation	601	0006	33,539.72	-	30,732.90	-
Texas Education Agency	701	0148	100,197.91	-	-	-
Texas A&M Engineering Extension Service	716	7999	18,197.94	109,738.78	108,699.15	2,858.77
Texas Southern University	717	7999	-	3,093.73	-	163.38
University at Texas Austin	721	7999	20,160.86	13,480.14	-	-
University of Texas El Paso	724	7999	-	-	18,282.80	-
Texas Tech University	733	7999	33,416.88	-	23,515.81	-
University of Texas at San Antonio	743	7999	107,684.35	6,204.60	76,099.45	-
University of Texas Health Science Center at San Antonio	745	7999	67,138.15	4,874.19	65,116.35	5,290.78
Parks and Wildlife Department	802	0931	102,579.17	-	-	-
Parks and Wildlife Department	802	0951	85,556.27	-	-	-
Parks and Wildlife Department	802	4673	-	-	395,074.95	64.34
State						
Governor – Fiscal	300	0421	8,773.26	-	624,857.77	-
Health and Human Services	529	0001	181,087.39	-	13,313.01	-
Department of State Health Services	537	0001	179,019.33	-	478,194.40	-
Department of State Health Services	537	5044	477,875.62	-	-	-
Texas Water Development Board	580	7999	38,803.92	-	-	-
University of Texas System	720	7999	-	6,999.37	-	10,594.19
University of Texas – Rio Grande Valley	746	7999	-	2,756.34	-	-
Texas Higher Education	781	0001	18,086.33	174,342.44	1,183.29	113,049.14
Parks and Wildlife Department	802	0014	33,557.07	-	96,614.66	-
Texas Historical Commission	802	4673	818.01	-	-	-
<b>Total Due From / Due To</b>			<b>\$ 2,602,543.85</b>	<b>\$ 321,489.59</b>	<b>\$ 2,887,229.41</b>	<b>\$ 137,655.18</b>

Agency Name	Agency Number	D23 Fund	2020		2019	
			Transfers In	Transfers Out	Transfers In	Transfers Out
Comptroller – Fiscal-Hazlewood	902	0210	\$ 807,416.00	\$ -	\$ 1,600,001.00	\$ -
Texas State University System for Bond Proceeds	758	7999	33,000,000.00	-	-	-
Texas State University System for Debt Service and Billings	758	7999	314,594.65	44,950,954.99	434,932.81	41,965,204.63
Texas Dept of Motor Vehicles for License Plate	608	0802	22,492.72	-	-	12,378.94
<b>Total Transfers</b>			<b>\$ 34,144,503.37</b>	<b>\$ 44,950,954.99</b>	<b>\$ 2,034,933.81</b>	<b>\$ 41,977,583.57</b>

## Notes to the Financial Statements

<u>Agency Name</u>	<u>Agency Number</u>	<u>D23 Fund</u>	<u>2020</u>		<u>2019</u>	
			<u>Legislative Transfers In</u>	<u>Legislative Transfer Out</u>	<u>Legislative Transfers In</u>	<u>Legislative Transfers Out</u>
Texas Veterans Commission for Reimbursement TVC	902	0001	\$ 1,389,375.00	\$ -	\$ 1,386,066.00	\$ -
Texas State University System for Debt Service	758	0001	-	22,452,402.24	-	23,238,455.42
<b>Total Legislative Transfers</b>			<b>\$ 1,389,375.00</b>	<b>\$ 22,452,402.24</b>	<b>\$ 1,386,066.00</b>	<b>\$ 23,238,445.42</b>

### NOTE 9: Contingencies and Commitments

As of August 31, 2020 and 2019, 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 \$585,041.50 for the fiscal year ended August 31, 2020 and \$513,099.54 for the fiscal year ended August 31, 2019.

#### 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. The assessment for all fund sources for the fiscal year ended August 31, 2020 was \$571,407.86.

#### PROPERTY AND OTHER INSURANCE COVERAGE

Property insurance is obtained through Arthur J. Gallagher Risk Management Services, Inc (Gallagher) 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 Gallagher, 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 Gallagher 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.

#### FOREIGN TRAVEL INSURANCE

Foreign travel accident and sickness as well as liability coverage is obtained through Gallagher. 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.

# TEXAS STATE UNIVERSITY

## Notes to the Financial Statements

### 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, 2020 and 2019.

<u>Claims and Judgments</u>	<u>2020</u>	<u>2019</u>
Balance, September 1	\$ -	\$ -
Increases	4,367,879.68	1,147,984.14
Decreases	(4,367,879.68)	(1,147,984.14)
<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.

### 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, 2020 and February 29, 2019, the Research Foundation incurred expenses in the amount of \$44,830.72 and \$38,277.10, respectively. 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. 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	\$ 18,680.71
Capital Assets, Net		138,364.01
<b>Total Assets</b>	<b>741.00</b>	<b>157,044.72</b>
<b>Liabilities</b>		
Current Liabilities	1.00	0.00
<b>Total Liabilities</b>	<b>1.00</b>	<b>0.00</b>
<b>Net Position</b>		
Capital Assets, Net of Related Debt		138,364.01
Restricted, Expendable		18,680.71
Unrestricted	740.00	
<b>Total Net Position</b>	<b>\$ 740.00</b>	<b>\$ 157,044.72</b>
<b>Condensed Statement of Revenues, Expenses and Changes in Net Position</b>		
Operating Revenues	\$ 44,830.72	\$ 83,393.96
Depreciation Expense		41,339.20
Operating Expenses	44,830.72	296,083.98
Operating Income/(Loss)	0.00	(254,029.22)
Non-Operating Revenues		4,544.52
Transfers In		208,178.31
<b>Change in Net Position</b>	<b>0.00</b>	<b>(41,306.39)</b>
<b>Net Position, Beginning</b>	<b>740.00</b>	<b>198,351.11</b>
<b>Net Position, Ending</b>	<b>\$ 740.00</b>	<b>\$ 157,044.72</b>
<b>Condensed Statement of Cash Flows</b>		
Net Cash Provided (Used) by:		
Operating Activities	\$ 0.00	\$ (212,690.02)
Non-Capital Financing Activities		208,178.31
Capital and Related Financing Activities		0.00
Investing Activities		4,544.52
Beginning Cash Equivalents	741.00	18,647.90
<b>Ending Cash Equivalents</b>	<b>\$ 741.00</b>	<b>\$ 18,680.71</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 relationships 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 is shown below.

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, 2020 and 2019 was as follows:

	2020	2019
University Support	\$ 2,492,259.15	\$ 1,688,522.32
Student Scholarships	\$ 2,136,220.50	\$ 1,949,717.76
Restricted Gifts	\$ 2,955,723.90	\$ 3,532,949.15
Temporarily Restricted Gifts	\$ 2,122,390.16	\$ 2,995,146.17

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, 2020 and 2019, the Foundation financial activity was as follows:

	2020	2019
Distributions to the University	\$ 1,059,600.00	\$ 1,027,250.00
New Contributions to Endowments	\$ 1,944,234.00	\$ 1,983,681.64
Assets	\$ 50,727,851.00	\$ 45,599,260.97
Liabilities	\$ 0.00	\$ 35,525.28

The Foundation pays its own operating expenses, including its share 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, 2020 and 2019, 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, 2020 and 2019 was as follows:

	2020	2019
Student Scholarships	\$ 74,700.00	\$ 159,300.00
Deposits Held in Trust at the University	\$ 151,976.00	\$ 142,515.38

Deposits held in trust at the university are considered Custodial 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.

### NOTE 13: Donor Restricted Endowments

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

	2020	2019
	\$ 22,835,664.06	\$ 21,403,604.08

## Notes to the Financial Statements

For fiscal year 2020 there was an increase in fair value totaling \$1,309,021.69 as opposed to the decrease in fair value of (\$7,141,299.08) for 2019. 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:

<u>True Endowment Funds</u>	<u>2020</u>	<u>2019</u>	<u>Reason for Change</u>
Expendable Balances	\$1,432,060	(\$1,995,902)	Fair value fluctuations, earnings, fees and distributions.
Non-Expendable Balances	\$320,745	\$645,937	New gifts

### NOTE 14: Termination Benefits

In response to budgetary concerns related to the Coronavirus (COVID 19) pandemic in Spring 2020, university management offered a voluntary retirement incentive program to reduce long-term costs. One hundred and one people elected to take advantage of the program and retired for an incentive cost to the university of \$3,677,797. The expense is accrued in fiscal year 2020 and was paid out on September 1, 2020.

### NOTE 15: Restatement of Net Position

During the fiscal year ended August 31, 2020, the University implemented GASB Statement 84 *Fiduciary Activities*, which establishes criteria for identifying and reporting fiduciary activities in a new fund type named Custodial Funds. The implementation of this statement has resulted in changes to the presentation of the financial statements. Those changes include removal of the fiduciary assets and liabilities from the enterprise fund Statement of Net Position and presenting them in a separate Statement of Fiduciary Net Position and the addition of a new Statement of Changes in Fiduciary Net Position. As required by GASB Statement 84 *Fiduciary Activities*, the financial statements for the year ended August 31, 2019 have been restated for comparative purposes. In the previously issued August 31, 2019 enterprise fund financial statements, \$2,302,788 was included as cash and as a liability. For the restatement it is now reflected as cash and net position in the Statement of Fiduciary Net Position. The fiscal year 2019 beginning balance of cash of \$2,464,364.58 has been restated out of the enterprise fund's Cash and Cash Equivalents in the Statement of Cash Flows, and the beginning Net Position for the Statement of Changes in Fiduciary Net Position has been restated for the same amount.

# 2010-2019

## TEN YEARS AT TEXAS STATE: A DECADE OF SUCCESS.

Development of  
**20**  
new buildings.

**76,540**  
bachelor's, master's,  
and doctoral  
degrees awarded.

**200,000**  
alumni surpassed.

**58**  
new majors,  
minors, and  
certificate  
programs  
launched.

More than  
**\$1.1  
BILLION**  
in grants and  
scholarships distributed.

**\$233 MILLION**  
raised in support of the university,  
students, and faculty.

TEXAS  STATE  
UNIVERSITY  
*The rising STAR of Texas*

MEMBER THE TEXAS STATE UNIVERSITY SYSTEM