



# ANNUAL FINANCIAL REPORT

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FOR THE FISCAL YEAR ENDED

---

AUGUST 31, 2017

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TEXAS  STATE<sup>®</sup>  
UNIVERSITY

*The rising STAR of Texas*

MEMBER THE TEXAS STATE UNIVERSITY SYSTEM

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



# Annual Financial Report

for the fiscal year ended August 31, 2017

for

# Texas State University



Dr. Denise M. Trauth

## Message from the President

I am pleased to present to you our 2017 Annual Financial Report, which demonstrates the financial strength, fiscal responsibility, and sound leadership that is in place at Texas State University.

Once again, the university achieved several milestones over the past fiscal year and we expect the momentum from them to carry over in the coming year. These achievements reflect an institution rich in diversity with strong academic programs, world-class research, and a culture of excellence.

Our distinguished and dedicated faculty and staff make Texas State one of the top public universities in Texas, and our 38,694 primarily traditional students make us one of the largest universities in the nation. We are proud of what we have to offer. Our faculty take the responsibility of nurturing individuals and cultivating character seriously. We value honesty, integrity, diligence, courage, compassion, fairness, and respect. Our extensive list of distinguished alumni, such as President Lyndon B. Johnson, stands as testimony to the university's proud legacy. The list of over 181,000 Texas State alumni continues to grow with each passing year.

In fact, we produced 8,129 graduates in FY 2017 and those graduates have gone into the world with the added good fortune of having been a part of a university with a rising research profile. Our excellence in research is reflected not only in the quality and growth of our master's and doctoral programs, but also in our total research expenditures, which grew from under \$10 million in 2005 to nearly \$60 million this past year.

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

I am proud of our resources and 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



Mr. Eric Algoe

## From the Vice President for Finance and Support Services

### Financial Strength

Texas State University continues to flourish on many fronts. Even a cursory review of this Annual Financial Report demonstrates as much: the University's Net Position continues to grow, closing at well over \$1 billion; the University placed more than

\$10 million of new capital assets into service; and the University's endowment surpassed \$180 million. Financially sound as we are, however, we understand that the true measure of a university's strength comes from the measure of the knowledge we create and impart, the stature of our academic programs, and our people.

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

Students want to be at Texas State. This is evidenced by the impressive trend of student enrollment growth over the past several decades and our record-setting and highly qualified freshman class in the Fall of 2017 of 5,875 students. With 38,694 students this fall semester, we rank as among the largest universities in the country.

Texas State's student body mirrors that of the state of Texas itself: with an incredibly wide variety of backgrounds, they come from across the state, every state in the country, and dozens of countries around the world. Texas State University is a minority-majority institution and is well positioned to best serve the future youth of the State of Texas and the nation. While the size and diversity of our student body soars, measures of our academic strength also continue to improve with very strong retention and graduation rates and some of the best and brightest students in the country applying to be Bobcats each year.

### The Facilities of Yesterday, Today and Tomorrow

From the first building at Texas State in 1899, our beloved Old Main, 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 as we added one new building in 2017 and have two others in the early stages of design.

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

In short, Texas State University is financially sound, growing in size and quality, and continues to move towards National Research University recognition through tangible and meaningful strategic planning.

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## About Texas State University

Texas State University is an Emerging Research and Hispanic-Serving University located in the burgeoning Austin-San Antonio corridor. Serving student needs in both San Marcos and Round Rock, it is the largest university in The Texas State University System and among the largest in the state. Texas State's more than 38,600 students choose from 98 undergraduate, 91 master's, and 13 doctoral programs offered by 10 colleges (Applied Arts, The Emmett and Miriam McCoy College of Business Administration, Education, Fine Arts and Communication, Health Professions, Honors, Liberal Arts, Science and Engineering, The Graduate College, and the University College). With a diverse campus community, Texas State is one of the top 14 producers of Hispanic baccalaureate graduates in the nation. Research and creative activities have led to growing success in attracting external support.

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

**5<sup>th</sup>**  
**LARGEST**  
 public university  
 ★ ★ ★ in ★ ★ ★  
**TEXAS**



98	undergraduate
91	master's
13	doctoral programs

**MORE THAN**  
**38,600**  
**STUDENTS**  
 FROM  
 across **Texas** and  
 around the **world**

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

**24** CAMPUS RESIDENCE HALLS  
 AND APARTMENTS



## Our Mission

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

## Our Shared Values

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

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

exceptional  
undergraduate  
experience

## Organizational Data

### The Texas State University System Board of Regents

<b>Name</b>	<b>Member's City (Texas)</b>
Rossanna Salazar, Chairman	Austin
William F. Scott, Vice Chairman	Nederland
Charlie Amato	San Antonio
Veronica Muzquiz Edwards	San Antonio
Dr. Jamie R. Garza	San Antonio
David Montagne	Beaumont
Vernon Reaser III	Bellaire
Alan L. Tinsley	Madisonville
Donna N. Williams	Arlington
Kaitlyn Tyra, Student Regent	Huntsville

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

Dr. Brian McCall	Chancellor
Dr. Roland Smith	Vice Chancellor for Finance

### University Administration - Key Officers

Dr. Denise M. Trauth	President
Dr. Eugene J. Bourgeois	Provost and Vice President for Academic Affairs
Mr. Eric Algoe	Vice President for Finance and Support Services
Dr. Barbara Breier	Vice President for University Advancement
Mr. Ken Pierce	Vice President for Information Technology
Dr. Joanne Smith	Vice President for Student Affairs
Dr. Larry Teis	Director, Department of Athletics
Dr. Vicki Brittain	Special Assistant to the President
Dr. Valarie B. Fleming	Presidential Fellow
Mr. Darryl J. Borgonah	Associate Vice President for Financial Services

# Texas State Campus Continues to Transform

## LBJ Student Center Expansion

The Texas State University System Board of Regents approved moving forward with a proposed renovation and expansion of the LBJ Student Center. The \$30 million expansion project will include larger capacity conference and meeting spaces and a new multicultural lounge area. In addition to adding space for student services, the project will expand accommodations for the Welcome Center and visitor events, as well as student organizations and student involvement activities. The work also includes renovations, repairs, and improvements to additional mechanical, electrical, voice/data/instructional technology systems, life safety, and other building components. Construction is scheduled to begin April 2018 and targets a final completion date of June 2019.





## University Events Center and Jowers Center Expansion

The new University Events Center, which will enlarge Strahan Coliseum and give Texas State University more space for our commencement ceremonies, athletics contests, and other events, should be completed in late 2018.

The expanded Events Center will include new coaches' offices and locker rooms, freeing space in the Jowers Center for academic purposes to support the dance program and the Department of Health and Human Performance, which is one of our fastest-growing departments. The Jowers renovations should be completed about one year after the Events Center is finished.

## New Engineering and Health Professions Buildings

In fall 2018, we will open Bruce and Gloria Ingram Hall, our newest engineering and science building. At 166,000 square feet, Ingram Hall will be our largest academic building and will allow us to significantly expand engineering programming, increase research in biology, add student success programs, and help meet the need for additional mathematics classrooms.

In summer 2018, we will open Willow Hall, the third academic building on the Texas State University Round Rock Campus. Willow Hall will be the new home for our communication disorders, physical therapy, and respiratory care programs, which will move from San Marcos to Round Rock, along with their respective clinics.

## Alkek Library and Archives and Research Center (ARC)

Our new Archives and Research Center, or ARC, is at the Science, Technology, and Advanced Research (STAR) Park. This facility will house lightly used books, certain archives, and other materials from the Albert B. Alkek Library and the university's collections to make space for a major renovation project.

The planned renovations at Alkek will create and expand spaces for collaborative learning and new resources students will need to complete assignments and conduct research.



Willow Hall



Archives and Research Center

# UNAUDITED | Texas State University

## Statement of Net Position

Assets and Deferred Outflows	2017	2016
<b>Current Assets:</b>		
Unrestricted Cash and Cash Equivalents:		
Cash on Hand	\$ 65,416.30	\$ 90,416.71
Cash in Bank (Note 3)	6,332,368.21	20,977,882.08
Cash in Transit/Reimbursement from Treasury	836,005.26	(543,965.92)
Cash in State Treasury	29,476,196.03	24,489,262.92
Cash Equivalents (Note 3)	269,865,270.22	223,535,240.66
Restricted Cash and Cash Equivalents:		
Cash in Bank (Note 3)	18,758.04	10,129.98
Cash Equivalents (Note 3)	193,260,396.35	21,288,432.44
Legislative Appropriations	43,020,774.02	34,848,692.87
Net Receivables (Note 1):		
Federal Receivables	8,972,042.62	6,081,792.46
Interest and Dividends	42,196.00	110,340.59
Accounts Receivable	44,493,532.14	43,883,263.95
Gifts Receivables - Pledges	1,993,905.21	5,058,533.26
Investment Trades	212,205.19	2,909,916.77
Other	8,384,492.10	7,548,367.78
Due From Other Agencies (Note 8)	3,108,756.81	2,564,709.79
Consumable Inventories	865,192.08	816,829.23
Merchandise Inventories	3,379,410.68	3,507,500.48
Prepaid Items	33,145,139.36	34,742,036.95
Loans and Contracts	<u>1,660,267.35</u>	<u>2,785,553.26</u>
Total Current Assets	<u>\$ 649,132,323.97</u>	<u>\$ 434,704,936.26</u>
<b>Non-Current Assets:</b>		
Restricted:		
Gifts Receivables - Pledges	\$ 1,965,317.51	\$ 831,559.97
Investments (Note 3)	36,714,101.23	33,230,885.26
Loans and Contracts	1,855,950.16	536,515.32
Investments (Note 3)	157,854,806.77	152,707,660.34
Receivables	-	1,251,000.00
Capital Assets, Non-Depreciable (Note 2)	150,699,891.86	94,227,232.65
Capital Assets, Net of Accumulated Depreciation (Note 2)	782,591,616.13	769,242,393.21
Intangible Assets, Net of Accumulated Amortization (Note 2)	<u>432,796.85</u>	<u>3,135,665.37</u>
Total Non-Current Assets	<u>\$ 1,132,114,480.51</u>	<u>\$ 1,055,162,912.12</u>
Total Assets	<u>\$ 1,781,246,804.48</u>	<u>\$ 1,489,867,848.38</u>
<b>Deferred Outflows:</b>		
Derivative Hedging Instrument Assets	\$ -	\$ -
Deferred Outflows of Resources	<u>-</u>	<u>-</u>
Total Deferred Outflows	<u>\$ -</u>	<u>\$ -</u>
Total Assets and Deferred Outflows	<u>\$ 1,781,246,804.48</u>	<u>\$ 1,489,867,848.38</u>

Liabilities and Deferred Inflows	2017	2016
<b>Current Liabilities:</b>		
Accounts Payable	\$ 52,137,265.87	\$ 34,153,095.79
Investment Trades	52,463.72	1,307,609.90
Accrued Payroll	14,865,151.64	14,621,343.98
Unearned Revenues	208,509,260.94	200,352,326.80
Due to Other Agencies (Note 8)	564,535.24	911,444.42
Employees' Compensable Leave (Note 4)	7,545,929.44	7,268,659.31
Funds Held for Others	2,521,104.13	3,100,957.80
Other Current Liabilities	<u>28,402.70</u>	<u>25,536.27</u>
Total Current Liabilities	<u>\$ 286,224,113.68</u>	<u>\$ 261,740,974.27</u>
<b>Non-Current Liabilities:</b>		
Employees' Compensable Leave (Note 4)	<u>\$ 5,013,403.66</u>	<u>\$ 4,848,779.77</u>
Total Non-Current Liabilities	<u>\$ 5,013,403.66</u>	<u>\$ 4,848,779.77</u>
Total Liabilities	<u>\$ 291,237,517.34</u>	<u>\$ 266,589,754.04</u>
<b>Deferred Inflows:</b>		
Derivative Hedging Instrument Liabilities	\$ -	\$ -
Deferred Inflows of Resources	<u>-</u>	<u>-</u>
Total Deferred Inflows	<u>\$ -</u>	<u>\$ -</u>
Total Liabilities and Deferred Inflows	<u>\$ 291,237,517.34</u>	<u>\$ 266,589,754.04</u>
<b>Net Position</b>		
Invested in Capital Assets, Net of Related Debt	\$ 933,724,304.84	\$ 866,605,291.23
Restricted for:		
Capital Projects	188,877,625.55	19,422,132.92
Funds Held as Permanent Investments:		
Non-Expendable	18,730,287.11	18,281,587.05
Expendable (Note 14)	19,627,081.78	16,813,429.71
Other	18,126,309.93	18,918,898.93
Unrestricted	<u>310,923,677.93</u>	<u>283,236,754.50</u>
Total Net Position	<u>\$ 1,490,009,287.14</u>	<u>\$ 1,223,278,094.34</u>

See accompanying notes to the Financial Statements.

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

Operating Revenues	2017	2016
Sales of Goods and Services:		
Tuition and Fees	\$ 364,839,410.98	\$ 348,603,959.94
Discounts and Allowances (Note 1)	(90,799,256.60)	(86,911,080.20)
Auxiliary Enterprises	88,456,659.32	86,589,369.53
Other Sales of Goods and Services	14,337,928.48	16,681,014.92
Federal Revenue-Operating	28,981,592.71	23,997,535.81
Federal Pass Through Revenue	4,764,608.06	4,121,939.10
State Grant Revenue	3,255,657.82	5,218,225.26
State Grant Pass Through Revenue	30,410,366.79	31,348,667.52
Other Grants & Contracts	5,543,901.97	6,286,592.09
Other Operating Revenue	<u>810,864.25</u>	<u>784,373.80</u>
Total Operating Revenues	<u>\$ 450,601,733.78</u>	<u>\$ 436,720,597.77</u>
Operating Expenses		
Instruction	\$ 200,261,619.49	\$ 189,207,164.28
Research	51,897,858.66	46,433,065.70
Public Service	4,131,773.07	3,656,709.48
Academic Support	46,376,393.85	47,588,938.23
Student Services	35,077,254.34	33,670,593.67
Institutional Support	34,995,421.47	36,803,583.87
Operation and Maintenance of Plant	41,239,532.73	43,880,330.72
Scholarship and Fellowships	56,861,140.90	58,417,578.65
Auxiliary Enterprises	82,109,691.37	78,049,588.89
Depreciation and Amortization	<u>54,961,746.45</u>	<u>52,433,358.23</u>
Total Operating Expenses	<u>\$ 607,912,432.33</u>	<u>\$ 590,140,911.72</u>
Operating Income (Loss)	<u>\$ (157,310,698.55)</u>	<u>\$ (153,420,313.95)</u>
Nonoperating Revenues (Expenses)		
Legislative Revenue (GR)	\$ 102,051,793.00	\$ 101,500,959.00
Additional Appropriations (GR)	27,749,153.14	26,803,207.41
Federal Grant - Non Exchange	53,917,168.42	52,197,740.24
State Pass Through - Non Exchange	2,812,041.39	2,044,148.76
Gifts, Pledges, and Donations	7,343,051.80	18,463,715.31
Investment Income	7,955,291.17	3,134,692.18
Gain (Loss) on Sales of Capital Assets	50,605.66	405,190.75
Net Increase (Decrease) in Fair Value of Investments	1,791,402.93	1,348,624.92
Other Nonoperating Revenues (Expenses)	<u>682,500.76</u>	<u>14,753.31</u>
Total Nonoperating Revenues (Expenses)	<u>\$ 204,353,008.27</u>	<u>\$ 205,913,031.88</u>
Income (Loss) before Other Revenues, Expenses, Gains, Losses and Transfers	\$ 47,042,309.72	\$ 52,492,717.93

## Other Revenues, Expenses, Gains, Losses, and Transfers

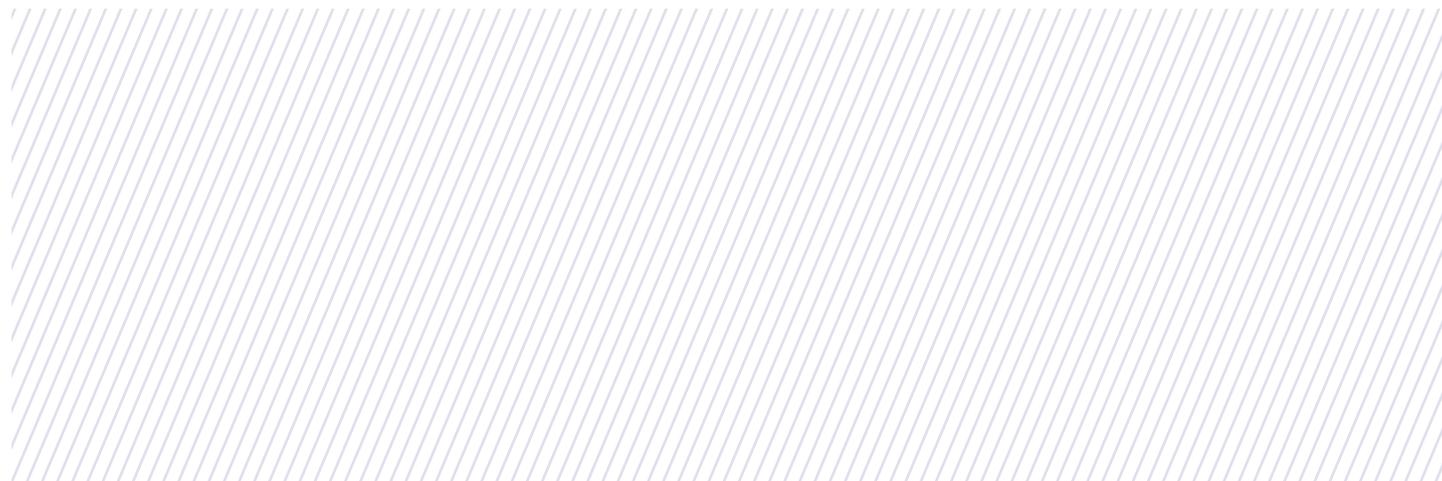
	2017	2016
HEF Appropriation Revenue (GR)	\$ 37,162,755.00	\$ 24,775,170.00
Additions to Permanent and Term Endowments	285,961.62	593,798.65
Extraordinary Items (Note 15)	(3,421,432.68)	-
Increase (Decrease) Interagency Transfer Capital Assets (Note 2)	(1,943.94)	3,058.34
Transfers From Other Governmental Agencies (Note 8)	243,526,330.00	1,067,390.00
Transfers To Other Governmental Agencies (Note 8)	(40,157,743.26)	(34,456,405.60)
Legislative Transfers-In (Note 8)	10,062,996.00	1,405,426.00
Legislative Transfers-Out (Note 8)	(24,780,777.19)	(11,389,306.32)
Legislative Appropriations Lapsed	<u>(548,828.31)</u>	<u>(3,984.68)</u>
Total Other Revenue, Expenses, Gain/Losses and Transfers	<u>\$ 222,127,317.24</u>	<u>\$ (18,004,853.61)</u>
Change in Net Position	<u>\$ 269,169,626.96</u>	<u>\$ 34,487,864.32</u>
Net Position, September 1	<u>\$ 1,223,278,094.34</u>	<u>\$ 1,188,790,230.02</u>
Restatements (Note 9)	<u>(2,438,434.16)</u>	<u>-</u>
Net Position, September 1, as Restated	<u>\$ 1,220,839,660.18</u>	<u>\$ 1,188,790,230.02</u>
Net Position, August 31	<u>\$ 1,490,009,287.14</u>	<u>\$ 1,223,278,094.34</u>

See accompanying Notes to the Financial Statements.

## Matrix of Operating Expenses Reported by Function for the fiscal year ended August 31, 2017

<u>Operating Expenses</u>	<u>Instruction</u>	<u>Research</u>	<u>Public Service</u>	<u>Academic Support</u>
Cost of Goods Sold	\$ -	\$ -	\$ -	\$ -
Salaries and Wages	144,703,262.72	25,022,408.32	1,924,140.41	28,229,354.88
Payroll Related Costs	42,276,771.21	5,603,934.40	735,460.07	7,640,229.90
Professional Fees and Services	2,587,644.38	12,568,201.24	809,057.25	2,023,672.81
Federal Grant Pass-Through Expense	-	34,071.14	-	-
State Grant Pass-Through Expense	-	68,913.38	-	-
Travel	3,570,707.66	2,603,157.90	115,525.73	831,979.21
Materials and Supplies	5,729,220.41	4,457,492.99	422,182.78	4,538,340.89
Communication and Utilities	73,788.70	73,183.80	7,069.58	119,557.85
Repairs and Maintenance	465,861.61	121,756.65	12,427.90	2,500,304.86
Rentals and Leases	121,375.58	433,170.89	20,759.30	119,254.49
Printing and Reproduction	609,889.48	367,243.55	83,378.89	328,898.83
Depreciation and Amortization	-	-	-	-
Interest	34.69	783.70	0.69	560.81
Scholarships	-	-	-	-
Claims and Judgments	-	-	-	-
Other Operating Expenses	<u>123,063.05</u>	<u>543,540.70</u>	<u>1,770.47</u>	<u>44,239.32</u>
Total Operating Expenses	<u>\$ 200,261,619.49</u>	<u>\$ 51,897,858.66</u>	<u>\$ 4,131,773.07</u>	<u>\$ 46,376,393.85</u>

See accompanying notes to the Financial Statements.

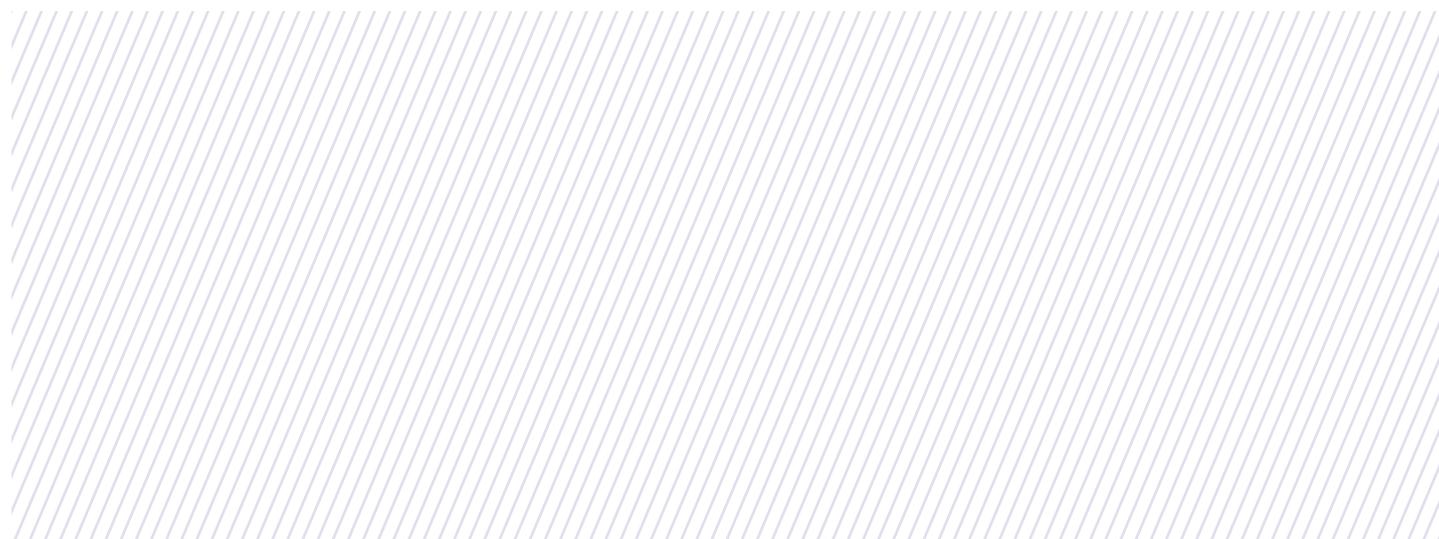


Student Services	Institutional Support	Operation and Maintenance of Plant	Scholarships and Fellowships	Auxiliary Enterprise Expenditures	Depreciation and Amortization	Total Expenses
\$ -	\$ -	\$ -	\$ -	\$ 6,246,988.23	\$ -	\$ 6,246,988.23
20,310,534.27	22,160,387.56	8,759,486.84	-	17,656,739.31	-	268,766,314.31
5,700,624.33	6,186,614.85	3,718,584.25	-	5,375,362.92	-	77,237,581.93
4,076,801.73	1,804,852.33	6,735,274.51	-	13,517,439.69	-	44,122,943.94
-	-	-	-	-	-	34,071.14
-	-	-	-	-	-	68,913.38
916,584.92	410,357.98	36,551.46	-	2,964,202.05	-	11,449,066.91
2,787,630.05	1,409,940.79	7,395,543.68	-	23,895,896.16	-	50,636,247.75
128,906.15	559,989.03	12,202,957.74	-	9,222,558.68	-	22,388,011.53
219,142.43	1,543,325.17	2,234,640.29	-	2,853,435.99	-	9,950,894.90
226,364.31	248,102.20	110,145.71	-	55,134.87	-	1,334,307.35
691,888.79	390,683.29	43,748.19	-	304,135.61	-	2,819,866.63
-	-	-	-	-	54,961,746.45	54,961,746.45
6.20	10,360.61	2,600.06	-	14.43	-	14,361.19
-	-	-	56,861,140.90	-	-	56,861,140.90
-	216,184.62	-	-	-	-	216,184.62
18,771.16	54,623.04	-	-	17,783.43	-	803,791.17
<u>\$ 35,077,254.34</u>	<u>\$ 34,995,421.47</u>	<u>\$ 41,239,532.73</u>	<u>\$ 56,861,140.90</u>	<u>\$ 82,109,691.37</u>	<u>\$ 54,961,746.45</u>	<u>\$ 607,912,432.33</u>

## Matrix of Operating Expenses Reported by Function for the fiscal year ended August 31, 2016

<u>Operating Expenses</u>	<u>Instruction</u>	<u>Research</u>	<u>Public Service</u>	<u>Academic Support</u>
Cost of Goods Sold	\$ -	\$ -	\$ -	\$ -
Salaries and Wages	137,312,529.51	22,615,245.13	1,814,570.20	27,900,421.74
Payroll Related Costs	33,966,164.91	4,782,642.29	553,541.24	7,496,888.59
Professional Fees and Services	3,500,549.11	10,180,368.93	589,822.45	2,540,464.18
Federal Grant Pass-Through Expense	-	63,397.86	-	-
Travel	3,174,317.88	2,567,425.15	109,627.05	898,507.06
Materials and Supplies	9,035,482.84	4,766,146.70	322,311.24	5,324,818.80
Communication and Utilities	72,947.57	54,044.83	21,029.16	130,609.78
Repairs and Maintenance	1,180,060.28	66,921.19	45,183.16	2,411,680.41
Rentals and Leases	233,138.37	355,993.39	146,791.77	475,510.85
Printing and Reproduction	653,816.08	507,352.62	51,406.14	341,424.57
Depreciation and Amortization	-	-	-	-
Interest	53.11	215.13	1.07	15.26
Scholarships	-	-	-	-
Claims and Judgments	-	-	-	-
Other Operating Expenses	<u>78,104.62</u>	<u>473,312.48</u>	<u>2,426.00</u>	<u>68,596.99</u>
Total Operating Expenses	<u>\$ 189,207,164.28</u>	<u>\$ 46,433,065.70</u>	<u>\$ 3,656,709.48</u>	<u>\$ 47,588,938.23</u>

See accompanying notes to the Financial Statements.



<b>Student Services</b>	<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>
\$ -	\$ -	\$ -	\$ -	\$ 6,657,981.08	\$ -	\$ 6,657,981.08
19,256,125.41	21,118,547.00	14,521,989.06	-	17,589,039.00	-	262,128,467.05
4,943,835.24	8,642,212.46	4,846,732.01	-	5,241,239.03	-	70,473,255.77
3,994,417.17	2,052,192.60	4,267,167.66	-	12,506,766.02	-	39,631,748.12
-	-	-	-	-	-	63,397.86
862,174.61	447,646.15	48,969.95	-	3,088,973.34	-	11,197,641.19
3,149,300.56	1,890,645.71	3,654,866.36	-	20,801,355.89	-	48,944,928.10
118,203.24	442,870.55	12,267,476.76	-	8,917,815.98	-	22,024,997.87
225,452.51	1,348,029.32	4,138,222.19	-	2,126,178.76	-	11,541,727.82
222,494.15	339,862.94	89,143.55	-	799,081.68	-	2,662,016.70
888,143.70	400,637.94	45,749.25	-	309,877.34	-	3,198,407.64
-	-	-	-	-	52,433,358.23	52,433,358.23
9.59	9,692.19	13.93	-	22.51	-	10,022.79
-	-	-	58,417,578.65	-	-	58,417,578.65
-	72,953.78	-	-	-	-	72,953.78
<u>10,437.49</u>	<u>38,293.23</u>	<u>-</u>	<u>-</u>	<u>11,258.26</u>	<u>-</u>	<u>682,429.07</u>
<u>\$ 33,670,593.67</u>	<u>\$ 36,803,583.87</u>	<u>\$ 43,880,330.72</u>	<u>\$ 58,417,578.65</u>	<u>\$ 78,049,588.89</u>	<u>\$ 52,433,358.23</u>	<u>\$ 590,140,911.72</u>

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## Statement of Cash Flows

	2017	2016
<b>Cash Flows from Operating Activities</b>		
Receipts from Customers	\$ 14,395,385.98	\$ 14,078,093.48
Proceeds from Tuition and Fees	278,864,763.79	265,192,241.51
Proceeds from Research Grants and Contracts	68,471,493.93	71,087,952.03
Proceeds from Loan Programs	8,795,170.44	9,677,808.13
Proceeds from Auxiliaries	90,492,636.28	86,702,024.67
Proceeds from Other Operating Revenues	2,305,930.76	438,900.47
Payments to Suppliers for Goods and Services	(142,121,406.25)	(147,728,207.59)
Payments to Employees for Salaries	(268,616,268.10)	(261,003,052.85)
Payments to Employees for Benefits	(54,806,226.18)	(52,054,528.60)
Payments for Loans Provided	(8,164,150.34)	(8,946,674.36)
Payments for Other Expenses	<u>(57,059,777.45)</u>	<u>(58,679,097.37)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (67,442,447.14)</u>	<u>\$ (81,234,540.48)</u>
<b>Cash Flows from Noncapital Financing Activities</b>		
Proceeds from State Appropriations	\$ 102,316,455.55	\$ 111,452,582.63
Proceeds from Gifts	8,729,339.33	19,912,049.05
Proceeds of Transfers from Other Funds	10,062,996.00	1,405,426.00
Proceeds from Grant Receipts	56,535,636.03	54,388,760.37
Proceeds from Other Noncapital Financing Activities	1,235,000.00	614,000.00
Payments for Other Noncapital Financing Uses	<u>(7,681,550.45)</u>	<u>(7,248,904.84)</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>\$ 171,197,876.46</u>	<u>\$ 180,523,913.21</u>
<b>Cash Flows from Capital and Related Financing Activities</b>		
Proceeds from Sale of Capital Assets	\$ 208,786.25	\$ 1,061,561.01
Proceeds from Debt Issuance	242,700,000.00	-
Proceeds from Other Financing Activities	37,162,755.00	24,775,170.00
Payments for Additions to Capital Assets	(115,876,705.27)	(88,967,261.49)
Payments of Principal on Debt Issuance	(40,724,138.60)	(22,470,032.29)
Payments of Interest on Debt Issuance	<u>(19,846,156.85)</u>	<u>(18,981,955.63)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>\$ 103,624,540.53</u>	<u>\$ (104,582,518.40)</u>
<b>Cash Flows From Investing Activities</b>		
Proceeds from Sales of Investments	\$ 104,291,161.28	\$ 142,118,435.16
Proceeds from Investment Income	7,755,585.43	4,366,758.91
Payments to Acquire Investments	<u>(109,419,705.02)</u>	<u>(145,437,269.81)</u>
Net Cash Provided (Used) by Investing Activities	<u>\$ 2,627,041.69</u>	<u>\$ 1,047,924.26</u>
Increase (Decrease) in Cash and Cash Equivalents	\$ 210,007,011.54	\$ (4,245,221.41)
Cash and Cash Equivalents, September 1	<u>\$ 289,847,398.87</u>	<u>\$ 294,092,620.28</u>
Cash and Cash Equivalents, August 31	<u>\$ 499,854,410.41</u>	<u>\$ 289,847,398.87</u>

	2017	2016
<b>Reconciliation of Operating Income (loss) to Net Cash Provided (used) by Operating Activities</b>		
Operating Income (Loss)	\$ (157,310,698.55)	\$ (153,420,313.95)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Amortization and Depreciation	\$ 54,961,746.45	\$ 52,433,358.23
Operating Income and Cash Flow Categories:		
Changes in Assets and Liabilities:		
(Increase) Decrease in Receivables	\$ (4,155,814.07)	\$ (5,277,763.51)
(Increase) Decrease in Due from Other Agencies	282,282.98	244,173.31
(Increase) Decrease in Inventories	79,726.95	(1,513,101.35)
(Increase) Decrease in Prepaid Expenses	281,776.73	(893,712.43)
(Increase) Decrease in Loans & Contracts	(194,148.93)	1,099,969.89
(Increase) Decrease in State Appropriations	18,762,915.35	17,005,214.50
Increase (Decrease) in Payables	11,354,039.31	778,274.18
Increase (Decrease) in Due to Other Funds	(346,909.18)	138,238.45
Increase (Decrease) in Unearned Revenue	8,156,934.14	6,736,698.83
Increase (Decrease) in Compensated Absence Liability	277,270.13	301,098.82
Increase (Decrease) in Benefits Payable	<u>408,431.55</u>	<u>1,133,324.55</u>
Total Adjustments	<u>\$ 89,868,251.41</u>	<u>\$ 72,185,773.47</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (67,442,447.14)</u>	<u>\$ (81,234,540.48)</u>
<b>Non-cash Transactions</b>		
Net Change in the Fair Value of Investments	\$ 1,773,955.87	\$ 1,348,624.92
Donation of Capital Assets	\$ 812,400.00	\$ 1,697,805.00
Gain (Loss) on Sale of Capital Assets	\$ (113,746.85)	\$ (700,804.00)

See accompanying notes to the Financial Statements.

## Step Up for State Set New Fundraising Record

During our annual 1,899-minute fundraising event, 2,075 donors contributed more than \$260,00 to support 24 featured projects and scholarship endowments, from the Student Emergency Fund to The Wittliff Collections' Texas Music Collection to the Maroon & Gold Annual Fund.





## 24 Featured Projects

- 1899 Giving Society
- 3 Day Startup – McCoy College of Business
- Charles H. Pascoe Memorial Scholarship
- College of Health Professions Study Abroad
- Earl Moseley Endowed Scholarship
- Historic Glass-Bottom Boat Restoration
- Jeremy Torres Memorial Scholarship
- LGBTQIA Endowed Scholarship – Student Affairs
- Maroon & Gold Annual Fund
- Model Organization of American States and Model United Nations – College of Liberal Arts
- Operation Identification (OpID) – College of Liberal Arts
- Operation SCUBA: Initiative for Veterans
- Pawsitive Learning at Texas State – College of Education
- South End Zone Complex Renovations – Texas State Athletics
- Student Development Opportunities – McCoy College of Business
- Student Emergency Fund – Student Affairs
- Student Teaching Scholarships – College of Education
- Texas State Alumni Association – Alumni Center
- Texas State Alumni Association \$18.99 Membership
- Texas State Undergraduate Research – Honors College
- The University Star Excellence in Journalism Endowed Scholarship – College of Fine Arts and Communications
- The Wittliff's Texas Music Collection
- Tomás Rivera Mexican American Children's Book Award – College of Education
- Women in Science and Engineering (WiSE) Initiative – College of Science and Engineering



## Notes to the Financial Statements

### NOTE 1: Summary of Significant Accounting Policies

#### **Basis of Presentation**

Texas State University (Texas State) prepares annual financial statements and accompanying notes to the financial statements, which are consolidated with the remaining seven components of the Texas State University System (TSUS) into a system-wide financial report. 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>. The State Auditor expresses an opinion on the CAFR, but not on the financial statements of individual component units of the state.

Therefore, the annual financial report does not contain all information required to comply with the Texas Comptroller of Public Accounts' Annual Financial Reporting Requirements, but has been substantially prepared in accordance with GASB pronouncements, as well as Financial Accounting Standards Board (FASB) Statements and Interpretations, Auditing Practices Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements. FASB pronouncements issued after November 30, 1989 are not followed.

Supporting schedules for the financial statements that are fully compliant with the Texas Comptroller of Public Accounts' Annual Financial Reporting Requirements may be obtained by contacting Texas State University, Director of Accounting, General Accounting Office, 601 University Drive, JCK 589, San Marcos, TX 78666-4684.

#### **Nature of Operations**

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

#### **Reporting Entity**

The financial reporting entity consists of the primary government organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion could cause the financial statements to be misleading or incomplete. 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.

Texas State is governed by the Board of Regents for TSUS and is included in their financial statements as a component unit. TSUS is a component of the State of Texas and reported as a component of the proprietary fund in the State of Texas CAFR.

#### **Measurement Focus and Basis of Accounting**

The basis of accounting determines when revenues and expenses are recognized and reported in the financial statements. Three primary financial statements are presented with supporting schedules: the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows. The accompanying statements have been prepared using the economic resources measurement focus and accrual basis of accounting as prescribed in GASB Statements 34/35. Under the accrual basis, revenues are recognized when earned and expenses are recognized when an obligation has been incurred.

As a component of the State of Texas, Texas State is reflected as a special-purpose government engaged only in business type activities. These 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-agency transactions have been eliminated.

**Restricted Net Position**

When both restricted and unrestricted resources are available for use, restricted resources are generally used first, then unrestricted resources are used as needed.

**Use of Estimates in the Preparation of Basic Financial Statements**

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

A significant estimate for scholarship discounts and allowances is made by the university. Allowances are determined by using the Alternate Method as issued by the National Association of College and University Business Officers in the Advisory Report 2000-05. As of August 31, 2017 and 2016, this method resulted in estimates of \$90,799,256.60 and \$86,911,080.20, 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.

**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 student accounts were \$1,720,383.92 and \$1,334,542.82 for the fiscal years ended August 31, 2017 and 2016, respectively. Current and noncurrent gift receivables, and loans receivables were reported net of allowances of \$264,611.97 and \$417,541.88 for the fiscal year ended August 31, 2017 and \$334,219.86 and \$409,986.50 for the fiscal year ended August 31, 2016.

**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.

**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 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

# UNAUDITED | Texas State University

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:

<b>Asset Category</b>	<b>Capitalization Threshold</b>
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(A) 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:

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

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

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

## **Accounts Payable**

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

## **Other Payables**

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

## **Unearned Revenues**

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

## **Funds Held for Others**

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

**Long-Term Liabilities**

General long-term liabilities are not limited to liabilities arising from debt issuances, but may also include non-current liabilities from lease-purchase agreements and other commitments that are not recorded as current liabilities.

**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. Compensable leave liabilities are reported as either short-term (current) or long-term (non-current) in the Statement of Net Position. Long-term is the portion of vacation balance which was not earned in the given fiscal year. Short-term is the portion earned during the fiscal year. If the amount earned during a fiscal year is greater than the balance, the entire balance is considered short-term. 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.

**Net Position**

The difference between assets and liabilities is "Net Position."

**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 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.

## Note 2: Capital Assets

Changes in capital assets for the fiscal year ended August 31, 2017 are summarized as follows:

	<u>Balance 9/1/2016</u>	<u>Adjustments</u>	<u>Completed CIP</u>
<b>Non-Depreciable Assets:</b>			
Land and Land Improvements	\$ 43,990,661.03	\$ -	\$ -
Construction in Progress	42,966,668.81	-	(10,122,110.36)
Other Assets	7,269,902.81	-	-
Land Use Rights	-	-	-
Other Intangible Capital Assets	-	-	-
Total Non-Depreciable Assets	<u>\$ 94,227,232.65</u>	<u>\$ -</u>	<u>\$ (10,122,110.36)</u>
<b>Depreciable Assets:</b>			
Buildings and Building Improvements	\$ 938,927,064.94	\$ -	\$ 5,631,168.82
Infrastructure	80,540,704.28	-	476,016.38
Facilities & Other Improvements	158,108,720.24	-	4,014,925.16
Furniture and Equipment	71,531,654.05	-	-
Vehicle, Boats & Aircraft	8,323,215.30	-	-
Other Assets	<u>96,446,808.90</u>	<u>-</u>	<u>-</u>
Total Depreciable Assets at Historical Costs	<u>\$ 1,353,878,167.71</u>	<u>\$ -</u>	<u>\$ 10,122,110.36</u>
<b>Less Accumulated Depreciation for:</b>			
Buildings and Improvements	\$ (405,798,321.87)	\$ -	\$ -
Infrastructure	(31,673,798.90)	-	-
Facilities & Other Improvements	(46,239,053.15)	-	-
Furniture and Equipment	(49,459,360.85)	-	-
Vehicles, Boats & Aircraft	(4,446,674.75)	-	-
Other Assets	<u>(47,018,564.98)</u>	<u>-</u>	<u>-</u>
Total Accumulated Depreciation	<u>\$ (584,635,774.50)</u>	<u>\$ -</u>	<u>\$ -</u>
Depreciable Assets, Net	<u>\$ 769,242,393.21</u>	<u>\$ -</u>	<u>\$ 10,122,110.36</u>
<b>Amortizable Assets - Intangible:</b>			
Computer Software	<u>\$ 28,886,306.84</u>	<u>\$ -</u>	<u>\$ -</u>
Total Amortizable Assets - Intangible	<u>\$ 28,886,306.84</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Less Accumulated Amortization for:</b>			
Computer Software	<u>\$ (25,750,641.47)</u>	<u>\$ -</u>	<u>\$ -</u>
Total Accumulated Amortization	<u>\$ (25,750,641.47)</u>	<u>\$ -</u>	<u>\$ -</u>
Amortizable Assets - Intangible, Net	<u>\$ 3,135,665.37</u>	<u>\$ -</u>	<u>\$ -</u>
Capital Assets, Net	<u>\$ 866,605,291.23</u>	<u>\$ -</u>	<u>\$ -</u>

<b>Interagency Transfers In</b>	<b>Interagency Transfers Out</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 8/31/2017</b>
\$ -	\$ -	\$ 1,115,676.00	\$ -	\$ 45,106,337.03
-	-	64,473,145.24	-	97,317,703.69
-	-	1,005,948.33	-	8,275,851.14
-	-	-	-	-
-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 66,594,769.57</u>	<u>\$ -</u>	<u>\$ 150,699,891.86</u>
\$ -	\$ -	\$ 39,340,316.96	\$ -	\$ 983,898,550.72
-	-	248,098.29	-	81,264,818.95
-	-	687,067.99	-	162,810,713.39
-	(51,404.19)	6,040,141.22	(2,416,477.74)	75,103,913.34
-	-	855,750.50	(334,676.06)	8,844,289.74
-	-	<u>8,329,506.32</u>	<u>(3,998,059.38)</u>	<u>100,778,255.84</u>
<u>\$ -</u>	<u>\$ (51,404.19)</u>	<u>\$ 55,500,881.28</u>	<u>\$ (6,749,213.18)</u>	<u>\$ 1,412,700,541.98</u>
\$ -	\$ -	\$ (30,152,721.58)	\$ -	\$ (435,951,043.45)
-	-	(2,392,529.40)	-	(34,066,328.30)
-	-	(7,148,944.81)	-	(53,387,997.96)
-	49,460.25	(6,190,717.00)	2,302,730.89	(53,297,886.71)
-	-	(686,269.73)	334,676.06	(4,798,268.42)
-	-	<u>(5,586,895.41)</u>	<u>3,998,059.38</u>	<u>(48,607,401.01)</u>
<u>\$ -</u>	<u>\$ 49,460.25</u>	<u>\$ (52,158,077.93)</u>	<u>\$ 6,635,466.33</u>	<u>\$ (630,108,925.85)</u>
<u>\$ -</u>	<u>\$ (1,943.94)</u>	<u>\$ 3,342,803.35</u>	<u>\$ (113,746.85)</u>	<u>\$ 782,591,616.13</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 100,800.00</u>	<u>\$ (5,010.00)</u>	<u>\$ 28,982,096.84</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 100,800.00</u>	<u>\$ (5,010.00)</u>	<u>\$ 28,982,096.84</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,803,668.52)</u>	<u>\$ 5,010.00</u>	<u>\$ (28,549,299.99)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,803,668.52)</u>	<u>\$ 5,010.00</u>	<u>\$ (28,549,299.99)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,702,868.52)</u>	<u>\$ -</u>	<u>\$ 432,796.85</u>
<u>\$ -</u>	<u>\$ (1,943.94)</u>	<u>\$ 67,234,704.40</u>	<u>\$ (113,746.85)</u>	<u>\$ 933,724,304.84</u>



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Changes in capital assets for the fiscal year ended August 31, 2016 are summarized as follows:

	<u>Balance 9/1/2015</u>	<u>Adjustments</u>	<u>Completed CIP</u>
<b>Non-Depreciable Assets:</b>			
Land and Land Improvements	\$ 41,159,344.52	\$ -	\$ -
Construction in Progress	57,915,808.36	-	(86,160,699.18)
Other Assets	5,574,941.24	-	-
Land Use Rights	-	-	-
Other Intangible Capital Assets	<u>-</u>	<u>-</u>	<u>-</u>
Total Non-Depreciable Assets	<u>\$ 104,650,094.12</u>	<u>\$ -</u>	<u>\$ (86,160,699.18)</u>
<b>Depreciable Assets:</b>			
Buildings and Building Improvements	\$ 856,369,715.44	\$ -	\$ 82,020,416.50
Infrastructure	77,568,169.12	-	2,972,535.16
Facilities & Other Improvements	156,940,972.72	-	1,167,747.52
Furniture and Equipment	67,550,976.18	-	-
Vehicle, Boats & Aircraft	7,055,829.88	-	-
Other Assets	<u>95,131,143.79</u>	<u>-</u>	<u>-</u>
Total Depreciable Assets at Historical Costs	<u>\$ 1,260,616,807.13</u>	<u>\$ -</u>	<u>\$ 86,160,699.18</u>
<b>Less Accumulated Depreciation for:</b>			
Buildings and Improvements	\$ (378,795,997.83)	\$ -	\$ -
Infrastructure	(28,803,611.64)	-	-
Facilities & Other Improvements	(39,460,163.23)	-	-
Furniture and Equipment	(45,196,663.61)	-	-
Vehicles, Boats & Aircraft	(4,372,771.51)	-	-
Other Assets	<u>(47,999,813.37)</u>	<u>-</u>	<u>-</u>
Total Accumulated Depreciation	<u>\$ (544,629,021.19)</u>	<u>\$ -</u>	<u>\$ -</u>
Depreciable Assets, Net	<u>\$ 715,987,785.94</u>	<u>\$ -</u>	<u>\$ 86,160,699.18</u>
<b>Amortizable Assets - Intangible:</b>			
Computer Software	\$ 28,892,056.84	\$ -	\$ -
Total Amortizable Assets - Intangible	<u>\$ 28,892,056.84</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Less Accumulated Amortization for:</b>			
Computer Software	\$ (22,691,634.66)	\$ -	\$ -
Total Accumulated Amortization	<u>\$ (22,691,634.66)</u>	<u>\$ -</u>	<u>\$ -</u>
Amortizable Assets - Intangible, Net	<u>\$ 6,200,422.18</u>	<u>\$ -</u>	<u>\$ -</u>
Capital Assets, Net	<u>\$ 826,838,302.24</u>	<u>\$ -</u>	<u>\$ -</u>

Interagency Transfers In	Interagency Transfers Out	Additions	Deletions	Balance 8/31/2016
\$ -	\$ -	\$ 2,995,445.20	\$ (164,128.69)	\$ 43,990,661.03
-	-	71,211,559.63	-	42,966,668.81
-	-	1,694,961.57	-	7,269,902.81
-	-	-	-	-
-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 75,901,966.40</u>	<u>\$ (164,128.69)</u>	<u>\$ 94,227,232.65</u>
\$ -	\$ -	\$ 654,000.00	\$ (117,067.00)	\$ 938,927,064.94
-	-	-	-	80,540,704.28
-	-	-	-	158,108,720.24
23,510.00	-	7,008,543.54	(3,051,375.67)	71,531,654.05
-	-	1,770,047.00	(502,661.58)	8,323,215.30
-	-	7,563,555.94	(6,247,890.83)	94,446,808.90
<u>\$ 23,510.00</u>	<u>\$ -</u>	<u>\$ 16,996,146.48</u>	<u>\$ (9,918,995.08)</u>	<u>\$ 1,353,878,167.71</u>
\$ -	\$ -	\$ (27,113,537.69)	\$ 111,213.65	\$ (405,798,321.87)
-	-	(2,870,187.26)	-	(31,673,798.90)
-	-	(6,778,889.92)	-	(46,239,053.15)
(20,451.66)	-	(6,766,125.01)	2,523,879.43	(49,459,360.85)
-	-	(573,219.10)	499,315.86	(4,446,674.75)
-	-	(5,266,642.44)	6,247,890.83	(47,018,564.98)
<u>\$ (20,451.66)</u>	<u>\$ -</u>	<u>\$ (49,368,601.42)</u>	<u>\$ 9,382,299.77</u>	<u>\$ (584,635,774.50)</u>
<u>\$ 3,058.34</u>	<u>\$ -</u>	<u>\$ (32,372,454.94)</u>	<u>\$ (536,695.31)</u>	<u>\$ 769,242,393.21</u>
\$ -	\$ -	\$ -	\$ (5,750.00)	\$ 28,886,306.84
\$ -	\$ -	\$ -	\$ (5,750.00)	\$ 28,886,306.84
\$ -	\$ -	\$ (3,064,756.81)	\$ 5,750.00	\$ (25,750,641.47)
\$ -	\$ -	\$ (3,064,756.81)	\$ 5,750.00	\$ (25,750,641.47)
\$ -	\$ -	\$ (3,064,756.81)	\$ -	\$ 3,135,665.37
<u>\$ 3,058.34</u>	<u>\$ -</u>	<u>\$ 40,464,754.65</u>	<u>\$ (700,824.00)</u>	<u>\$ 866,605,291.23</u>



## Note 3: Deposits, Investments and Repurchase Agreement

### Deposits

As of August 31, 2017 and 2016, the carrying amount of deposits was \$6,351,126.25 and \$20,988,012.06, respectively, as presented below:

	<u>2017</u>	<u>2016</u>
<b>Cash in Bank - Carrying Value</b>	\$ 6,351,126.25	\$ 20,988,012.06
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>	<b><u>\$ 6,351,126.25</u></b>	<b><u>\$ 20,988,012.06</u></b>
Current Assets Cash in Bank	\$ 6,332,368.21	\$ 20,977,882.08
Current Assets Restricted Cash in Bank	<u>18,758.04</u>	<u>10,129.98</u>
<b>Cash in Bank per AFR</b>	<b><u>\$ 6,351,126.25</u></b>	<b><u>\$ 20,988,012.06</u></b>

As of August 31, 2017 and 2016, the total bank balances were \$11,385,301.52 and \$25,329,130.50, respectively.

### Investments

Texas State is authorized to invest in obligations and instruments as defined in the Public Funds Investment Act (Texas Government Code Sec. 2256.001) and for the Endowment Fund as defined in the Uniform Prudent Management of Institutional Funds Act (Property Code Chapter 163.001). Such investments include: (1) obligations of the United States or its agencies (2) direct obligations of the State of Texas or its agencies, (3) obligations of political subdivisions rated not less than "A" by a national investment rating firm, (4) certificates of deposit and (5) other instruments and obligations authorized by statute.

### 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:

- Level 1:** Quoted prices for identical investments in active markets;
- Level 2:** Observable inputs other than quoted market prices; or,
- Level 3:** Unobservable inputs.

As of August 31, 2017, the fair values of investments were:

	Fair Value Hierarchy				
	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Net Asset Value	2017 Fair Value
U.S. Government:					
U.S. Treasury Securities	\$ -	\$9,239,832.84	\$ -	\$ -	\$ 9,239,832.84
U.S. Government Agency Obligations (Ginnie Mae, Fannie Mae, Freddie Mac, etc.)	-	3,383,053.10	-	-	3,383,053.10
Corporate Obligations	264,512.48	45,952,980.60	-	-	46,217,493.08
Corporate Asset and Mortgage Backed Securities	995,366.73	28,433,565.17	-	-	29,428,931.90
Equity	41,756,714.45	-	-	-	41,756,714.45
International Equity	8,252,754.25	-	-	-	8,252,754.25
Fixed Income Money Market and Bond Mutual Fund	55,848,113.37	-	-	-	55,848,113.37
Other Commingled Funds	442,015.01	-	-	-	442,015.01
<b>Long-Term Investments</b>	<b>\$ 107,559,476.29</b>	<b>87,009,431.71</b>	<b>-</b>	<b>-</b>	<b>194,568,908.00</b>
Other Commingled Funds (Texpool)	\$ 463,125,666.57				
<b>Cash Equivalents</b>	<b>\$ 463,125,666.57</b>				

As of August 31, 2016, the fair values of investments were:

	Fair Value Hierarchy				
	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Net Asset Value	2016 Fair Value
U.S. Government:					
U.S. Treasury Securities	\$ 16,338,388.73	\$ -	\$ -	\$ -	\$ 16,338,388.73
U.S. Government Agency Obligations (Ginnie Mae, Fannie Mae, Freddie Mac, etc.)	15,098,314.50	-	-	-	15,098,314.50
Corporate Obligations	29,199,965.74	-	-	-	29,199,965.74
Corporate Asset and Mortgage Backed Securities	25,239,872.90	-	-	-	25,239,872.90
Equity	38,299,180.76	-	-	-	38,299,180.76
International Equity	6,628,754.10	-	-	-	6,628,754.10
Fixed Income Money Market and Bond Mutual Fund	54,735,606.47	-	-	-	54,735,606.47
Other Commingled Funds	398,462.40	-	-	-	398,462.40
<b>Long-Term Investments</b>	<b>\$ 185,938,545.60</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>\$ 185,938,545.60</b>
Other Commingled Funds (Texpool)	\$ 244,823,673.10				
<b>Cash Equivalents</b>	<b>\$ 244,823,673.10</b>				

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## Credit Risk for Investments

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, Fitch, and/or Moody's. For operating short-intermediate term funds, average credit quality of the entire portfolio is to be greater than or equal to A-, as defined by S&P (A- by Fitch, A3 for Moody's). The minimum credit quality of any investment must be investment grade at the time of purchase. Operating Long-Term funds are intended to be invested in a similar manner to Endowment funds, but no more than 20% of the income portfolio to be rated below investment grade, and no more than 10% of the total portfolio may be invested in emerging/frontier markets. Operating Long-Term funds may only invest up to 35% of the market value of its total operating funds portfolio, exclusive of bond proceeds, in this type of investment strategy. In order to invest in appreciation/dividend type investments, Texas State must retain an investment consultant. For the endowment portfolio, a maximum of 25% of the fixed income portfolio may be invested below investment grade. Risk is further defined by prohibited investments and activities, and limited by maximum single purchase and maximum aggregate position percentages.

As of August 31, 2017 and 2016, the credit quality distributions for securities with credit risk exposures were as follows:

Fund Type	GAAP Fund	Investment Type	Rating	Current Standard & Poor's Rating	
				2017	2016
05	9999	U.S. Government Agency Obligations	AAA	\$ 9,239,832.84	\$ 16,338,388.73
			AA	3,291,053.30	15,019,027.45
05	9999	Corporate Obligations	AAA	1,262,698.60	-
			AA	2,408,423.60	2,150,705.50
			A	14,364,261.30	11,878,724.49
			BBB	21,621,291.25	9,720,977.60
			BB	260,538.40	250,312.90
			B	204,006.50	201,925.60
05	9999	Corporate Asset and Mortgage Backed Securities	NR	748,157.95	500,232.80
			AAA	8,025,882.01	6,960,858.43
			AA	134,040.52	179,684.55
			A	36,212.49	-
			BBB	-	66,328.74
			NR	21,232,796.88	18,033,001.18
05	9999	Municipal Bonds	AA	91,999.80	79,287.05
05	9999	Misc - Preferred Securities	BB	40,513.20	40,120.00
			NR	223,999.28	170,849.00
05	9999	International Obligations	AAA	1,589,408.60	2,408,700.65
			AA	999,360.00	580,661.20
			A	1,432,095.90	1,296,756.00
			NR	1,062,738.50	-
<b>Total</b>				<b>\$ 88,269,310.92</b>	<b>\$ 85,876,541.87</b>

## Note 4: Long-Term Liabilities

The following changes occurred in long-term liabilities during the fiscal years ended August 31, 2017 and 2016:

<b>Employees' Compensable Leave</b>	<u>2017</u>	<u>2016</u>
Balance, September 1	\$ 12,117,439.08	\$ 11,697,568.20
Additions	1,683,509.62	1,829,797.29
Reductions	<u>(1,241,615.60)</u>	<u>(1,409,926.41)</u>
<b>Balance, August 31</b>	<b><u>\$ 12,559,333.10</u></b>	<b><u>\$ 12,117,439.08</u></b>
Amounts Due Within One Year	\$ 7,545,929.44	\$ 7,268,659.31
Amounts Due Thereafter	<u>5,013,403.66</u>	<u>4,848,779.77</u>
<b>Total Due</b>	<b><u>\$ 12,559,333.10</u></b>	<b><u>\$ 12,117,439.08</u></b>

### 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, 2017 and 2016, the accrued liability for vacation and overtime totaled \$12,559,333.10 and \$12,117,439.08, respectively. During the same periods, the university made lump sum payments totaling \$1,241,615.60 and \$1,409,926.41 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.

## Note 5: Bonded Indebtedness

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

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

### Debt Service Requirements Attributable to Texas State University

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 32,464,155.73	\$ 29,345,816.10	\$ 61,809,971.83
2019	32,357,962.68	27,920,366.98	60,278,329.66
2020	33,698,987.92	26,460,488.64	60,159,476.56
2021-2025	170,738,129.80	108,803,926.70	279,542,056.50
2026-2030	172,215,000.00	67,622,357.04	239,837,357.04
2031-2035	108,955,000.00	33,141,149.64	142,096,149.64
2036-2040	57,450,000.00	13,181,634.44	70,631,634.44
2041-2045	<u>25,375,000.00</u>	<u>2,463,464.90</u>	<u>27,838,464.90</u>
<b>Totals</b>	<b><u>\$ 633,254,236.13</u></b>	<b><u>\$ 308,939,204.44</u></b>	<b><u>\$ 942,193,440.57</u></b>

A portion of the debt represents tuition revenue bonds (TRBs) historically funded by the Texas Legislature through General Revenue Appropriations. For the fiscal years ended August 31, 2017 and 2016, the institution was appropriated \$18,970,490.00 and \$10,343,291.00, respectively, for TRB debt service. Texas State expects future Legislative appropriations to meet debt service requirements for TRBs.

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## Note 6: Leases

### Operating Leases

Texas State has entered into various operating leases for buildings and land. Rental expenses for operating leases for the fiscal years ended August 31, 2017 and 2016 were \$345,546.18 and \$347,702.25, respectively.

Future minimum lease rental payments under non-cancelable operating leases having an initial term in excess of one year, as of August 31, 2017 and 2016, were as follows:

<u>Fiscal Year</u>	<u>2017</u>	<u>Fiscal Year</u>	<u>2016</u>
2018	\$ 337,812.72	2017	\$ 310,134.19
2019	344,452.60	2018	308,490.60
2020	343,629.95	2019	314,511.88
2021	235,063.41	2020	317,720.75
2022	132,934.02	2021	208,627.51
2023-2027	433,128.39	2022-2026	540,967.74
2028-2032	<u>133,205.57</u>	2027-2031	130,593.70
<b>Total</b>	<b><u>\$ 1,960,226.66</u></b>	2032-2036	<u>27,706.55</u>
		<b>Total</b>	<b><u>\$ 2,158,752.92</u></b>

## Note 7: Pension Plans

The state established an optional retirement program (ORP) for institutions of higher education. Participation in the ORP is in lieu of participation in the Teacher Retirement System and is available to certain eligible employees. Employee member and employer contributions were as follows for the fiscal years ended August 31, 2017 and 2016:

<u>Contributions</u>	<u>2017</u>	<u>2016</u>
Member Contributions	\$ 5,575,703	\$ 5,417,297
Employer Contributions	<u>\$ 6,082,169</u>	<u>\$ 5,953,199</u>
<b>Total</b>	<b><u>\$ 11,657,872</u></b>	<b><u>\$ 11,370,496</u></b>

## Note 8: Interfund Activity and Transactions

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

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

<u>Agency Name</u>	<u>Agency Number</u>	<u>D23 Fund</u>	<u>2017</u>		<u>2016</u>		<u>Source</u>
			<u>Due From Other State Agencies</u>	<u>Due To Other State Agencies</u>	<u>Due From Other State Agencies</u>	<u>Due To Other State Agencies</u>	
Texas Department of Motor Vehicles	608	0802	\$ 50,178.20	\$ -	\$ 37,952.71	\$ -	State - Shared
Governor – Fiscal	300	7999	420.00	-	84,018.93	-	Federal
Governor – Fiscal	300	7999	459,857.31	-	394,097.64	87,902.11	State
General Land Office	305	7999	15,290.58	-	-	-	Federal
Texas State Library and Archives Commission	306	7999	289.02	-	6,378.50	-	Federal
Texas Workforce Commission	320	7999	10,089.88	-	71,490.52	-	Federal
Department of Public Safety	405	7999	467,858.65	-	430,991.00	-	Federal
Health and Human Services Commission	529	7999	26,566.41	-	-	-	State
Department of Family and Protective Services	530	7999	-	-	192,753.93	-	Federal
Department of State Health Services	537	7999	300,526.86	-	563,563.90	-	State
Cancer Prevention and Research Institute of Texas	542	7999	21,786.90	-	-	-	State

Department of Agriculture	551	7999	1,787.69	-	3,154.28	-	Federal
Texas A&M AgriLife Research	556	7999	105.80	-	31,112.77	19,940.54	Federal
Texas Water Development Board	580	7999	15,195.80	-	1,100.00	-	State
Texas Commission on Environmental Quality	582	1535	131,221.10	-	60,290.70	-	Federal
Texas Department of Transportation	601	7999	18,383.66	-	13,132.07	-	Federal
Texas A&M Engineering Extension Service	716	7999	225,809.87	-	119,451.67	-	Federal
Texas Southern University	717	7999	25,723.92	-	21,909.95	-	Federal
University of Texas System	720	7999	-	5,873.11	-	49.36	State
University of Texas at Austin	721	7999	10,200.26	-	-	-	Federal
University of Texas at El Paso	724	7999	-	-	12,538.88	-	Federal
University of Texas at San Antonio	743	7999	46,206.47	-	113,486.04	16,403.14	Federal
University of Texas Health Science Center at San Antonio	745	7999	36,880.73	-	17,796.50	-	Federal
University of North Texas	752	7999	13,531.01	-	25,466.93	-	Federal
Sam Houston State University	753	7999	-	24,600.00	-	-	Federal
Sul Ross State University	756	7999	6,005.19	-	-	-	Federal
Texas A&M University – Corpus Christi	760	7999	7,423.42	-	16,412.97	-	Federal
Texas A&M University – Corpus Christi	760	7999	6,963.55	-	-	-	State
Texas Higher Education Coordinating Board	781	7999	61,254.74	-	145,041.99	-	Federal
Texas Higher Education Coordinating Board	781	7999	-	526,061.38	0.13	787,149.27	State
University of Houston – Downtown	784	7999	-	7,431.96	-	-	Federal
Parks and Wildlife Department	802	7999	205,793.02	-	148,142.22	-	Federal
Parks and Wildlife Department	802	7999	95,769.20	568.79	54,425.56	-	State
Texas Historical Commission	808	7999	21,307.57	-	-	-	State
Comptroller of Public Accounts	902	0210	826,330.00	-	-	-	State
<b>Total Due From / Due To</b>			<b><u>\$ 3,108,756.81</u></b>	<b><u>\$ 564,535.24</u></b>	<b><u>\$ 2,564,709.79</u></b>	<b><u>\$ 911,444.42</u></b>	

Agency Name	Agency Number	D23 Fund	2017		2016		Purpose
			Transfers In	Transfers Out	Transfers In	Transfers Out	
Comptroller – State Fiscal	902	0210	\$ 826,330.00	\$ -	\$ 1,067,390.00	\$ -	Hazlewood
Texas State University System	758	7999	242,700,000.00	-	-	-	Bond Proceeds
Texas State University System	758	7999	-	40,157,743.26	-	34,456,405.60	Debt Service & Billings
<b>Total Transfers</b>			<b><u>\$243,526,330.00</u></b>	<b><u>\$ 40,157,743.26</u></b>	<b><u>\$ 1,067,390.00</u></b>	<b><u>\$ 34,456,405.60</u></b>	

Agency Name	Agency Number	D23 Fund	2017		2016		Purpose
			Legislative Transfers In	Legislative Transfers Out	Legislative Transfers In	Legislative Transfers Out	
Texas Veterans Commission	403	0001	1,431,216.00	-	1,405,426.00	-	Hazlewood TVC
Texas State University System	758	0001	8,631,780.00	24,780,777.19	-	11,389,306.32	Debt Service
<b>Total Legislative Transfers</b>			<b><u>\$10,062,996.00</u></b>	<b><u>\$ 24,780,777.19</u></b>	<b><u>\$ 1,405,426.00</u></b>	<b><u>\$ 11,389,306.32</u></b>	

## Note 9: Adjustments to Fund Balance / Net Position

To correct prior year expenses for payroll related costs, a restatement of Net Position in the amount of \$2,438,434.16 was made as follows:

Fund Balance and Net Position for Current Year	
Total Net Position as of September 1, 2016	\$ 1,223,278,094.34
Current Year's Restatement	(2,438,434.16)
<b>Total Net Position as of September 1, 2016, as Restated</b>	<b><u>\$ 1,220,839,660.18</u></b>

Fund Balance and Net Position for Prior Year	
Change in Net Position as of August 31, 2016	\$ 34,487,864.32
Current Year's Restatement	(2,438,434.16)
<b>Total Net Position as of August 31, 2016, as Restated</b>	<b><u>\$ 32,049,430.16</u></b>

## Note 10: Contingencies and Commitments

As of August 31, 2017 and 2016, 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 11: 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 \$689,132.14 for the fiscal year ended August 31, 2017 and \$603,537.89 for the fiscal year ended August 31, 2016.

### Unemployment Compensation

The State provides an Unemployment Compensation program; actual claims are paid from several funding sources as determined by the Comptroller of Public Accounts. The Unemployment Compensation program is on a pay-as-you-go basis, in which no assets are set aside to be accumulated for the payment of claims. There were no material unemployment claims pending for the fiscal years ended August 31, 2017 and 2016.

### Property and Other Insurance Coverage

Property insurance is obtained through Alliant Insurance Services (Alliant) to include fire and flood coverage for all university buildings that are valued in excess of \$100,000.00. Texas State's other property and vehicle insurance policies are also obtained through Alliant Insurance Services, 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 \$1,000,000.00 combined single liability. The coverage exceeds the extent of the waivers of State immunity in the Tort Claims Act.

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

### Foreign Travel Insurance

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

### Other

The university is exposed to a variety of civil claims resulting from the performance of its duties. It is the university's policy to periodically assess the proper combination of commercial insurance and retention of risk to cover losses to which it may be exposed. Liabilities are reported when it is both probable that a loss has occurred and the amount of that loss can be reasonably estimated. There were no liabilities outstanding as of August 31, 2017 and 2016.

<b>Claims and Judgments</b>	<u>2017</u>	<u>2016</u>
Balance, September 1	\$ -	\$ -
Increases	216,184.62	72,953.78
Decreases	<u>(216,184.62)</u>	<u>(72,953.78)</u>
Balance, August 31	<u>\$ -</u>	<u>\$ -</u>

## Note 12: The Financial Reporting Entity

Component Units (CUs) are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, CUs 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, 2017 and February 29, 2016, the Research Foundation incurred expenses in the amount of \$10,098.00 and \$57,482.38 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 use of the Freeman Ranch available exclusively to Texas State University. 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 University. There is no formal governing board for the Freeman Foundation. Texas State University 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.

### Related Organizations

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

#### Texas State University Development Foundation

The Texas State University 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, 2017 and 2016 was as follows:

	<u>2017</u>	<u>2016</u>
University Support	\$ 2,089,080.19	\$ 6,270,394.62
Student Scholarships	\$ 1,580,970.84	\$ 1,462,976.57
Restricted Gifts	\$ 5,110,774.63	\$ 4,385,936.77
Temporarily Restricted Gifts	\$ 1,040,646.32	\$ 451,497.51

#### The McCoy College of Business Administration Development Foundation

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, graduate fellowships, and faculty, program, and student development. Based upon estimated, unaudited figures for the fiscal years ended August 31, 2017 and 2016, the Foundation financial activity was as follows:

	<u>2017</u>	<u>2016</u>
Distributions to the University	\$ 890,900.00	\$ 895,787.20
New Contributions to Endowments	\$ 1,316,907.00	\$ 545,738.30
Assets	\$ 39,403,543.00	\$ 34,660,578.00
Liabilities	\$ 32,954.00	\$ 19,286.00

The Foundation pays its own operating expenses (including staff salaries, accounting, supplies, and auditing), which were estimated at approximately 0.4% and 0.3% of the assets of the Foundation for the years ended August 31, 2017 and 2016, respectively. Fees for investment management were approximately 1% of the assets each year.

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## Texas State Alumni Association

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, 2017 and 2016 was as follows:

	<u>2017</u>	<u>2016</u>
Student Scholarships	\$ 187,750.00	\$ 18,250.00
Deposits Held in Trust at the University	\$ 483,076.67	\$ 451,383.06

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

## Note 13: 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 14: Donor Restricted Endowments

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

	<u>2017</u>	<u>2016</u>
	\$ 19,627,081.78	\$ 16,813,429.71
<b>Totals</b>	<b><u>\$ 19,627,081.78</u></b>	<b><u>\$ 16,813,429.71</u></b>

There were positive fair value adjustments totaling \$1,214,495.31 and \$168,636.60 for fiscal years 2017 and 2016, respectively. 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 hybrid Yale model. The calculation takes 70% of the prior year spend, increased by the Higher Education Price Index (HEPI), plus 30% of the average 36 month fair market value multiplied times a 3.0% percentage 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>2017</u>	<u>2016</u>	<u>Reason for Change</u>
Expendable Balances	\$ 2,813,652	\$ 170,088	Fair value fluctuations, earnings, fees and distributions.
Non-Expendable Balances	\$ 448,700	\$ 646,228	New gifts

## Note 15: Extraordinary and Special Items

Texas State University was the victim of a sophisticated fraud attack, which resulted in the modification of a single vendor's banking information and subsequent payment to a fraudulent account. The incident is under local, state, and federal investigation and management has conducted a full-scale review of all associated processes and best practices. To mitigate future risk, revisions to and implementation of policies and procedures are ongoing.

Management believes this act of fraud is both unusual in nature and infrequent in occurrence. Therefore, it is reported as an extraordinary item for the fiscal year ended August 31, 2017. Efforts to recover the funds through the criminal justice system and insurance claims are underway.

## New Digital Media Innovation Degree

The digital media innovation and mass communication (DMI) major immerses students in the breadth of digital knowledge to prepare them for new and emerging media roles. With the creation of the new degree program, the School of Journalism and Mass Communication also opened its state-of-the-art Media Innovation Lab, a dedicated space for learning, experimenting, and even creating new tools for the ever-changing digital media field.



## The University Master Plan Receives Board Approval

The Texas State University System Board of Regents approved the University Master Plan for 2017-2027. The Master Plan identifies new academic programs, outlines the support structures behind them, and lays out the road map for our journey to become a national research university. The University Master Plan is a blueprint that will guide us as we add new buildings, renovate existing ones, and strategically utilize every square foot of our San Marcos Campus, our Round Rock Campus and our Science, Technology, and Advanced Research (STAR) Park.





