



ANNUAL FINANCIAL REPORT

for the fiscal year ended August 31, 2023
for

TEXAS STATE UNIVERSITY



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MESSAGE FROM THE PRESIDENT



Dr. Kelly Damphousse

This annual financial report marks the completion of my first full fiscal year having the honor to serve as president of this great university. Our financial strength has allowed us to advance multiple strategic imperatives including accelerating our “Run to R1” national research prominence, making significant new investments in student success, and solidifying our status as a place where people want to come to work and stay for a lifetime. These investments will help to ensure our financial strength continues in the years to come. I am pleased to present this Annual Financial Report.

As you review these results, you will find they demonstrate that we are boldly, yet responsibly, pursuing our commitment to our highest aspirations. The university's achievements this year reflect an institution dedicated to student success, world-class research, and a culture of excellence. Our distinguished and dedicated faculty and staff make Texas State one of the top public universities in Texas,

and our more than 38,000 students make us one of the largest universities in the nation.

Our student population reflects the state of Texas more than any other university, and our diversity of people and ideas is a great strength. These factors certainly helped in the decision by The Commission of Presidential Debates to host the first presidential debate of the 2024 election on our San Marcos Campus. The eyes of the world will be upon us on the days leading up to September 16, 2024, and we plan to showcase the beauty of our campuses as well as our world-class faculty, staff, and students.

Students continue to want to be at Texas State. This is evidenced by the fact that Texas State became the most applied to university in Texas through the ApplyTexas portal this year for the first time, our out-of-state applications increased by more than 40%, and our out-of-country applications increased by more than 100%. 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. Our students find a welcoming home here from across Texas, every state in the country, and dozens of countries around the world.

For the second consecutive year, and the ninth in the last ten years, we enrolled the largest freshman class in our history for the fall 2023 semester. We also produced approximately 8,000 graduates who follow their dreams and help to make our collective future full of hope. They join more than 225,000 Texas State alumni making an impact in their communities, professions, and the world.

None of these achievements is a coincidence. Rather, we are reaping what we have sown through deliberate planning and hard work from every corner of the university. I am proud of our world-class academic community and invite you to study this document and learn more about the great things happening at Texas State.

Sincerely,
Kelly Damphousse
President

EXECUTIVE VICE PRESIDENT FOR OPERATIONS AND CHIEF FINANCIAL OFFICER



Mr. Eric Algoe

The citizens of the state of Texas passed a constitutional amendment this year that will dedicate nearly \$4 billion to a permanent endowment supporting the research missions of Texas State University and three other state universities which the state has determined have the best chance at becoming national research powerhouses. This affirmation by the voters of our previous successes and future trajectory confirms that we are on the right path at Texas State. This Annual Financial Report is a testament to our success and continued financial strength. Despite significant investments in our students' success, our employees, and our research enterprise, the university's net position grew again this year, increasing by approximately \$8 million.

The university's current unrestricted cash and cash equivalents decreased by approximately \$100 million

this year, which appears, at first glance, to be reason for concern. However, the reason for that decrease was that the university felt its cash holdings were sufficient to transfer \$100 million from cash over to a quasi-endowment where it can be better invested for future growth, explaining our \$115 million increase in investments last year.

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. Our strength in research and development is demonstrated by our long record of growth culminating with us surpassing approximately \$130 million in total R&D expenditures for the first time this fiscal year.

From the groundbreaking of the first building at Texas State in 1899, our beloved Old Main in San Marcos, which still looks over campus from the top of Chautauqua Hill, to our first building at our Round Rock Campus, Avery Hall, to the cutting-edge laboratories, galleries, 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 currently have over \$500 million in planned new construction and acquisitions in the pipeline as we continue to grow and advance.

Texas State University continues to find innovative ways to serve our students, enrich our communities, and boldly fulfill our mission. We continue to be financially sound, growing in stature and quality, and garnering greater national recognition through careful planning and management.

Sincerely,

Eric Algoe

Executive Vice President for Operations
and Chief Financial Officer



TOP

PERFORMER IN SOCIAL MOBILITY
U.S. News and World Report

THE TEXAS STATE UNIVERSITY SYSTEM BOARD OF REGENTS

Name	Member's City (Texas)
Duke Austin, Chairman	Houston
Alan L. Tinsley, Vice Chairman	Madisonville
Charlie Amato	San Antonio
Sheila Faske	Rose City
Dionicio (Don) Flores	El Paso
Russell Gordy	Houston
Stephen Lee	Beaumont
Tom Long	Frisco
William F. Scott	Nederland
Kelvin Elgar, Student Regent	Beaumont

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. Kelly Damphousse	President
Dr. Eugene J. Bourgeois	Provost and Executive Vice President for Academic Affairs
Mr. Eric Algoe	Executive Vice President for Operations and Chief Financial Officer
Mr. Don Coryell	Director, Department of Athletics
Mr. Matthew Hall	Vice President for Information Technology and Chief Information Officer
Dr. Cynthia L. Hernandez	Vice President for Student Success
Mr. Brooks Hull	Vice President for University Advancement, Executive Director for the Texas State University Development Foundation
Dr. Julie Lessiter	Vice President for Round Rock Campus
Dr. Lisa Lloyd	Vice President, Chief of Staff
Dr. Shreek Mandayam	Vice President for Research
Mrs. Sandy Pantlik	Vice President for Marketing and Communications
Dr. Thillainatarajan "Thilla" Sivakumaran	Vice President for TXST Global
Mrs. Cristine Black	Associate Vice President for Budget & Planning

TRANSFORMING COMMUNITIES. POWERING ECONOMIES. REIMAGINING THE WORLD.

More than **38,000 students**:

More than **40%** are
first-generation
and
60% are **minorities**,
reflecting the diversity of Texas.

8,509 degrees
awarded in 2023.

Research and Development
spending topped
\$127 million
in 2023.



THE VALUE OF EDUCATION

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



UNAUDITED | TEXAS STATE UNIVERSITY

Statement of Net Position as of August 31, 2023 with Comparative Data for August 31, 2022

	Enterprise Funds	
	2023	2022
ASSETS AND DEFERRED OUTFLOWS		
Current Assets:		
Unrestricted Cash and Cash Equivalents:		
Cash on Hand	\$ 77,671.94	\$ 33,151.59
Cash in Bank (Note 3)	1,726,584.97	8,793,128.59
Cash in Transit/Reimbursement from Treasury	418,211.29	495,821.39
Cash in State Treasury	33,292,900.30	23,082,313.45
Cash Equivalents (Note 3)	291,481,276.93	396,383,278.48
Restricted Cash and Cash Equivalents:		
Cash in Bank (Note 3)	6,996.56	24,053.09
Cash in State Treasury	218,715.05	2,167,054.67
Cash Equivalents (Note 3)	9,883,956.52	3,166,998.46
Legislative Appropriations	83,874,896.61	94,627,584.73
Net Receivables (Note 1)		
Federal	11,503,174.95	11,942,770.54
State and Other Grants	1,481,660.76	2,784,678.69
Student Accounts	65,523,086.19	56,723,822.92
Gifts Receivable - Pledges	2,095,275.99	1,014,253.93
Leases Receivable (Note 6)	88,350.93	91,863.83
Other	3,746,578.52	2,018,398.01
Due From Other Agencies (Note 8)	3,775,795.03	2,975,197.38
Accounts Receivable from Component Units	1,131,310.05	1,037,831.14
Consumable Inventories	872,654.43	955,532.34
Merchandise Inventories	14,765.35	157,235.78
Prepaid Items	63,234,833.37	53,973,240.95
Loans and Contracts	2,608,830.69	2,739,809.96
Total Current Assets	<u>\$ 577,057,526.43</u>	<u>\$ 665,188,019.92</u>
Non-Current Assets:		
Restricted:		
Gifts Receivable - Pledges	\$ 5,713,380.27	\$ 2,806,631.40
Investments (Note 3)	48,456,553.33	46,103,751.75
Loans and Contracts	90,345.61	112,701.59
Leases Receivable (Note 6)	2,344,261.03	2,162,201.57
Investments (Note 3)	399,015,193.86	284,524,993.06
Capital Assets, Non-Depreciable (Note 2)	135,420,886.43	95,289,815.35
Capital Assets, Net of Accumulated Depreciation (Note 2)	905,407,738.51	939,944,517.29
Intangible Assets, Net of Accumulated Amortization (Note 2)	1,829,541.82	2,162,636.27
Total Non-Current Assets	<u>\$ 1,498,277,900.86</u>	<u>\$ 1,373,107,248.28</u>
Total Assets	<u>\$ 2,075,335,427.29</u>	<u>\$ 2,038,295,268.20</u>
DEFERRED OUTFLOWS		
Derivative Hedging Instrument Assets	\$	\$
Deferred Outflows of Resources		
Total Deferred Outflows	<u>\$ 0.00</u>	<u>\$ 0.00</u>
Total Assets and Deferred Outflows	<u>\$ 2,075,335,427.29</u>	<u>\$ 2,038,295,268.20</u>

	Enterprise Funds	
	2023	2022
LIABILITIES AND DEFERRED INFLOWS		
Current Liabilities:		
Accounts Payable	\$ 60,663,715.06	\$ 52,426,253.06
Accrued Payroll	17,785,992.05	16,528,018.56
Unearned Revenues	260,490,959.73	240,241,052.98
Due to Other Agencies (Note 8)	1,175,428.17	1,958,616.35
Employees' Compensable Leave (Note 4)	8,085,176.30	7,947,228.98
Right to Use Lease Obligation (Note 6)	284,049.37	181,312.12
Other Current Liabilities	62,062.95	44,833.89
Total Current Liabilities	<u>\$ 348,547,383.63</u>	<u>\$ 319,327,315.94</u>
Non-Current Liabilities:		
Employees' Compensable Leave (Note 4)	\$ 5,321,540.41	\$ 5,485,958.47
Right to Use Lease Obligation (Note 6)	1,539,298.04	1,614,170.13
Total Non-Current Liabilities	<u>6,860,838.45</u>	<u>7,100,128.60</u>
Total Liabilities	<u>\$ 355,408,222.08</u>	<u>\$ 326,427,444.54</u>
DEFERRED INFLOWS		
Derivative Hedging Instrument Liabilities	\$	\$
Deferred Inflows of Resources (Note 6)	2,384,997.80	2,248,295.59
Total Deferred Inflows	<u>\$ 2,384,997.80</u>	<u>\$ 2,248,295.59</u>
Total Liabilities and Deferred Inflows	<u>\$ 357,793,219.88</u>	<u>\$ 328,675,740.13</u>
NET POSITION		
Invested in Capital Assets, Net of Related Debt	\$ 1,040,834,819.35	\$ 1,035,416,682.14
Restricted for:		
Capital Projects	10,539,016.85	394,342.52
Funds Held as Permanent Investments:		
Non-Expendable	22,199,645.04	21,904,234.95
Expendable (Note 13)	27,285,305.93	25,006,967.44
Other	27,805,650.02	26,423,546.08
Unrestricted	588,877,770.22	600,473,754.94
Total Net Position	<u>\$ 1,717,542,207.41</u>	<u>\$ 1,709,619,528.07</u>

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

UNAUDITED | TEXAS STATE UNIVERSITY

Statement of Revenues, Expenses, and Changes in Net Position

for the Fiscal Year ended August 31, 2023 with Comparative Data for August 31, 2022

	Enterprise Funds	
	2023	2022
OPERATING REVENUES		
Sales of Goods and Services:		
Tuition and Fees	\$ 422,619,128.51	\$ 418,016,267.53
Discounts and Allowances (Note 1)	(137,992,314.86)	(132,335,264.66)
Auxiliary Enterprises	98,250,074.59	89,173,685.63
Other Sales of Goods and Services	15,042,077.42	15,714,113.61
Federal Revenue-Operating	49,787,855.17	43,594,295.90
Federal Pass Through Revenue	7,207,105.33	8,728,357.49
State Grant Revenue	5,238,581.54	3,775,062.69
State Grant Pass Through Revenue	33,401,540.19	35,507,072.40
Other Grants & Contracts	7,137,134.20	5,883,024.62
Other Operating Revenue	825,383.65	693,224.24
Total Operating Revenues	<u>\$ 501,516,565.74</u>	<u>\$ 488,749,839.45</u>
OPERATING EXPENSES		
Instruction	\$ 202,730,699.69	\$ 192,789,504.80
Research	126,839,858.39	99,979,398.21
Public Service	2,267,988.27	2,328,996.78
Academic Support	48,175,021.44	43,849,220.71
Student Services	36,138,951.73	33,450,622.09
Institutional Support	47,045,085.59	40,716,060.82
Operation and Maintenance of Plant	48,945,691.77	58,216,967.44
Scholarships and Fellowships	69,060,514.00	111,952,967.27
Auxiliary Enterprises	97,271,495.70	81,790,201.25
Depreciation and Amortization	75,723,449.52	74,657,886.16
Total Operating Expenses	<u>\$ 754,198,756.10</u>	<u>\$ 739,731,825.53</u>
Operating Income (Loss)	<u>\$ (252,682,190.36)</u>	<u>\$ (250,981,986.08)</u>
NONOPERATING REVENUES (EXPENSES)		
Legislative Revenue	\$ 120,683,303.00	\$ 122,882,939.00
Additional Appropriations	30,703,939.17	30,515,205.69
Federal Grant - Non Exchange	68,513,822.72	178,968,717.90
State Pass Through - Non Exchange	2,800,000.00	
Gifts, Pledges, and Donations	16,898,350.73	16,117,028.11
Investment Income	11,672,544.17	15,171,212.42
Net Increase (Decrease) in Fair Value of Investments	24,581,337.18	(50,706,832.65)
Lease Interest Revenue (Expense) and Fiscal Charges	16,379.42	(24,951.60)
Gain (Loss) on Sales of Capital Assets	(2,315,426.07)	33,000.91
Other Nonoperating Revenues	1,771,472.60	1,077,983.09
Other Nonoperating Expenses	(438,507.80)	(477,806.43)
Total Nonoperating Revenues (Expenses)	<u>\$ 274,887,215.12</u>	<u>\$ 313,556,496.44</u>
Income (Loss) before Other Revenues, Expenses, Gains, Losses and Transfers	<u>\$ 22,205,024.76</u>	<u>\$ 62,574,510.36</u>

	Enterprise Funds	
	2023	2022
OTHER REVENUES, EXPENSES, GAINS, LOSSES, AND TRANSFERS		
HEF Appropriation Revenue	\$ 37,606,478.00	\$ 37,606,478.00
Additions to Permanent and Term Endowments	285,478.47	275,571.50
Increase (Decrease) Interagency Transfer Capital Assets	9,999.00	
Transfers In From Other State Agencies (Note 8)	8,748,724.96	2,795,928.32
Transfers Out To Other State Agencies (Note 8)	(41,387,838.69)	(44,510,016.13)
Legislative Transfers-In (Note 8)	1,324,796.00	15,550,736.00
Legislative Transfers-Out (Note 8)	(20,869,983.16)	(20,578,847.21)
Total Other Revenues, Expenses, Gains/Losses and Transfers	<u>\$ (14,282,345.42)</u>	<u>\$ (8,860,149.52)</u>
 Change in Net Position	 <u>\$ 7,922,679.34</u>	 <u>\$ 53,714,360.84</u>
 Net Position, September 1	 \$ 1,709,619,528.07	 \$ 1,655,905,167.23
Restatements		
Net Position, September 1, as Restated	<u>\$ 1,709,619,528.07</u>	<u>\$ 1,655,905,167.23</u>
Net Position, August 31	<u>\$ 1,717,542,207.41</u>	<u>\$ 1,709,619,528.07</u>

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

UNAUDITED | TEXAS STATE UNIVERSITY

Matrix of Operating Expenses Reported by Function for the fiscal year ended August 31, 2023 with Comparative Data for August 31, 2022

Operating Expenses	Enterprise Funds				
	For the Fiscal Year Ended August 31, 2023				
	Instruction	Research	Public Service	Academic Support	Student Services
Cost of Goods Sold	\$ -	\$ -	\$ -	\$ -	\$ -
Salaries and Wages	136,125,584.82	73,325,467.96	721,812.94	28,138,764.98	18,966,762.11
Payroll Related Costs	47,787,778.60	11,538,353.14	102,106.11	7,002,352.05	5,235,959.22
Professional Fees and Services	5,198,286.84	25,141,058.20	689,500.83	2,263,594.62	6,008,920.39
Federal Grant Pass-Through Expense	-	1,314,557.26	-	-	-
State Grant Pass-Through Expense	-	6,686.19	-	-	-
Travel	3,530,631.50	3,466,598.50	51,639.31	447,761.91	809,298.48
Materials and Supplies	9,060,132.28	9,288,700.66	585,993.58	9,050,541.25	4,100,825.80
Communication and Utilities	141,017.62	267,135.92	2,886.23	73,306.29	77,891.91
Repairs and Maintenance	159,236.68	295,867.80	17,713.04	818,245.44	88,505.24
Rentals and Leases	117,755.17	491,255.94	73,109.76	105,951.29	179,589.55
Printing and Reproduction	544,392.97	782,566.43	19,112.99	210,880.68	602,811.66
Depreciation and Amortization	-	-	-	-	-
Interest	126.11	6,648.31	2.41	3,148.24	14.74
Scholarships	-	-	-	-	-
Claims and Judgments	-	-	-	-	-
Other Operating Expenses	65,757.10	914,962.08	4,111.07	60,474.69	68,372.63
Total Operating Expenses	\$ 202,730,699.69	\$ 126,839,858.39	\$ 2,267,988.27	\$ 48,175,021.44	\$ 36,138,951.73

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

Institutional Support	Operation and Maintenance of Plant	Scholarships and Fellowships	Auxiliary Enterprise Expenditures	Depreciation and Amortization	Total Expenses
\$ -	\$ -	\$ -	\$ 68,914.75	\$ -	\$ 68,914.75
28,092,012.72	14,277,148.42	-	22,380,439.68	-	322,027,993.63
8,711,014.53	5,052,131.02	-	6,500,446.94	-	91,930,141.61
3,043,124.79	6,886,843.68	-	12,292,084.50	-	61,523,413.85
-	-	-	-	-	1,314,557.26
-	-	-	-	-	6,686.19
422,420.17	28,412.65	-	4,373,245.18	-	13,130,007.70
5,666,896.36	5,922,966.22	-	36,089,998.93	-	79,766,055.08
269,015.95	14,621,267.81	-	10,394,608.98	-	25,847,130.71
114,362.51	2,084,446.57	-	2,783,746.94	-	6,362,124.22
138,932.46	22,965.81	-	1,173,970.77	-	2,303,530.75
359,062.64	37,535.68	-	257,041.57	-	2,813,404.62
-	-	-	-	75,723,449.52	75,723,449.52
37,478.52	7,167.32	-	23.79	-	54,609.44
-	-	69,060,514.00	-	-	69,060,514.00
125,274.85	-	-	911,327.92	-	1,036,602.77
65,490.09	4,806.59	-	45,645.75	-	1,229,620.00
\$ 47,045,085.59	\$ 48,945,691.77	\$ 69,060,514.00	\$ 97,271,495.70	\$ 75,723,449.52	\$ 754,198,756.10

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UNAUDITED | TEXAS STATE UNIVERSITY

Matrix of Operating Expenses Reported by Function for the fiscal year ended August 31, 2023 with Comparative Data for August 31, 2022

Operating Expenses	Enterprise Funds				
	For the Fiscal Year Ended August 31, 2022				
	Instruction	Research	Public Service	Academic Support	Student Services
Cost of Goods Sold	\$ -	\$ -	\$ -	\$ -	\$ -
Salaries and Wages	129,384,603.79	62,621,651.25	569,233.24	26,207,181.77	18,079,875.34
Payroll Related Costs	48,164,325.66	9,751,170.55	365,058.53	6,950,374.15	5,258,388.84
Professional Fees and Services	4,256,860.71	15,472,174.36	601,186.78	1,880,395.58	5,103,992.60
Federal Grant Pass-Through Expense	-	1,301,445.15	-	-	-
Travel	2,039,444.19	1,937,086.23	50,873.70	241,335.12	487,836.12
Materials and Supplies	7,827,786.72	5,960,597.20	631,513.93	7,569,314.86	3,448,885.71
Communication and Utilities	70,238.99	227,067.65	15,186.59	101,390.45	102,571.18
Repairs and Maintenance	224,290.47	268,980.16	9,389.55	417,579.93	361,769.50
Rentals and Leases	169,568.85	493,820.69	69,629.53	187,055.21	168,755.16
Printing and Reproduction	573,629.85	906,146.49	12,752.47	225,422.65	374,539.35
Depreciation and Amortization	-	-	-	-	-
Interest	404.34	1,455.53	1.41	551.57	47.71
Scholarships	-	-	-	-	-
Claims and Judgments	-	-	-	-	-
Other Operating Expenses	78,351.23	1,037,802.95	4,171.05	68,619.42	63,960.58
Total Operating Expenses	\$ 192,789,504.80	\$ 99,979,398.21	\$ 2,328,996.78	\$ 43,849,220.71	\$ 33,450,622.09

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

Institutional Support	Operation and Maintenance of Plant	Scholarships and Fellowships	Auxiliary Enterprise Expenditures	Depreciation and Amortization	Total Expenses
\$ -	\$ -	\$ -	\$ 34,594.42	\$ -	\$ 34,594.42
27,297,541.90	13,307,984.32	-	19,467,455.50	-	296,935,527.11
7,906,992.60	4,903,797.14	-	5,917,899.43	-	89,218,006.90
1,583,875.01	6,697,615.25	-	10,802,207.89	-	46,398,308.18
-	-	-	-	-	1,301,445.15
228,060.95	19,128.37	-	3,337,039.37	-	8,340,804.05
2,837,927.48	15,551,709.68	-	28,955,259.87	-	72,782,995.45
337,042.53	14,997,450.43	-	10,035,842.50	-	25,886,790.32
118,304.56	2,652,129.70	-	2,228,050.38	-	6,280,494.25
(74,862.53)	44,124.03	-	729,490.12	-	1,787,581.06
294,165.58	38,624.67	-	234,694.91	-	2,659,975.97
-	-	-	-	74,657,886.16	74,657,886.16
12,558.65	4,403.85	-	143.56	-	19,566.62
-	-	111,952,967.27	-	-	111,952,967.27
115,000.00	-	-	32,255.13	-	147,255.13
59,454.09	-	-	15,268.17	-	1,327,627.49
\$ 40,716,060.82	\$ 58,216,967.44	\$ 111,952,967.27	\$ 81,790,201.25	\$ 74,657,886.16	\$ 739,731,825.53

UNAUDITED | TEXAS STATE UNIVERSITY

Statement of Cash Flows for the fiscal year ended August 31, 2023

with Comparative Data for August 31, 2022

	Enterprise Funds	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	\$ 11,963,478.79	\$ 12,467,259.33
Proceeds from Tuition and Fees	298,597,838.80	295,217,209.71
Proceeds from Research Grants and Contracts	102,902,030.96	102,849,231.66
Proceeds from Loan Programs	2,154,131.78	2,604,005.70
Proceeds from Auxiliaries	100,732,168.99	92,706,801.74
Proceeds from Other Operating Revenues	788,649.50	431,265.66
Payments to Suppliers for Goods and Services	(186,742,210.65)	(166,663,125.63)
Payments to Employees for Salaries	(320,667,730.91)	(296,035,292.59)
Payments to Employees for Benefits	(72,995,415.84)	(66,620,954.54)
Payments for Loans Provided	(3,046,123.50)	(4,496,627.21)
Payments for Other Expenses	(78,161,381.42)	(127,599,030.43)
Net Cash Provided (Used) by Operating Activities	<u>\$ (144,474,563.50)</u>	<u>\$ (155,139,256.60)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Proceeds from State Appropriations	\$ 180,032,725.95	\$ 173,860,698.86
Proceeds from Gifts	13,117,362.27	13,534,710.20
Proceeds from Transfers from Other Funds	8,748,724.96	2,795,928.32
Proceeds from Grant Receipts	72,785,773.14	179,703,840.52
Proceeds from Other Noncapital Financing Activities	1,768,824.19	1,076,068.09
Payments for Other Noncapital Financing Uses	(5,492,412.41)	(5,566,431.91)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>\$ 270,960,998.10</u>	<u>\$ 365,404,814.08</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from Sale of Capital Assets	\$ 110,998.41	\$ 99,646.27
Proceeds from (Payments for) Other Financing Activities	(41,844.35)	5,292.54
Payments for Additions to Capital Assets	(82,079,095.04)	(50,574,450.44)
Payments of Principal on Debt Issuance	(36,970,000.00)	(38,220,000.00)
Payments of Interest on Debt Issuance	(20,216,688.18)	(21,782,587.14)
Payments for Leases	(1,779,102.83)	(24,951.60)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>\$ (140,975,731.99)</u>	<u>\$ (110,497,050.37)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sales of Investments	\$ 13,807,496.38	\$ 97,706,310.43
Proceeds from Investment Income	34,286,801.13	1,256,307.72
Payments to Acquire Investments	(130,644,486.28)	(129,110,339.63)
Net Cash Provided (Used) by Investing Activities	<u>\$ (82,550,188.77)</u>	<u>\$ (30,147,721.48)</u>
Increase (Decrease) in Cash and Cash Equivalents	<u>\$ (97,039,486.16)</u>	<u>\$ 69,620,785.63</u>
Cash and Cash Equivalents, September 1	<u>\$ 434,145,799.72</u>	<u>\$ 364,525,014.09</u>
Cash and Cash Equivalents, August 31	<u>\$ 337,106,313.56</u>	<u>\$ 434,145,799.72</u>

	Enterprise Funds	
	2023	2022
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating Income (Loss)	\$ (252,682,190.36)	\$ (250,981,986.08)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Amortization and Depreciation	\$ 75,723,449.52	\$ 74,657,886.16
On Behalf Payments for Fringe Benefits	21,038,478.34	20,368,163.58
Operating Income and Cash Flow Categories:		
Changes in Assets and Liabilities:		
(Increase) Decrease in Receivables	\$ (8,386,543.44)	\$ 7,136,840.78
(Increase) Decrease in Due from Other Agencies	(800,597.65)	(549,199.15)
(Increase) Decrease in Inventories	225,348.34	(108,075.70)
(Increase) Decrease in Prepaid Expenses	(8,655,624.10)	(10,095,212.81)
(Increase) Decrease in Loans & Contracts	153,335.25	(108,072.30)
Increase (Decrease) in Payables	8,211,559.28	(4,537,819.74)
Increase (Decrease) in Due to Other Funds	(783,188.18)	248,348.95
Increase (Decrease) in Unearned Revenue	20,249,906.75	8,096,327.66
Increase (Decrease) in Compensated Absence Liability	137,947.32	111,734.20
Increase (Decrease) in Benefits Payable	1,093,555.43	621,807.85
Total Adjustments	<u>\$ 108,207,626.86</u>	<u>\$ 95,842,729.48</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (144,474,563.50)</u>	<u>\$ (155,139,256.60)</u>
NON-CASH TRANSACTIONS		
Net Change in the Fair Value of Investments	\$ 24,581,337.18	\$ (50,706,832.65)
Donation of Capital Assets	\$ 88,695.00	\$ 722,287.30
Gain (Loss) on Sale of Capital Assets	\$ (2,426,424.48)	\$ (66,645.36)
Borrowing Under Lease Purchase	\$ 1,823,347.41	\$ 1,795,482.25

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

UNAUDITED | TEXAS STATE UNIVERSITY

Statement of Fiduciary Net Position as of August 31, 2023 with Comparative Data for August 31, 2022

	Custodial Funds	
	2023	2022
ASSETS		
Cash		
Cash in Bank (Note 3)	\$ 3,047,309.79	\$ 2,704,238.00
Receivables (Note 1)		
Accounts Receivable	90,325.26	120,976.55
Other		966.16
Prepaid Items		2,500.00
Total Assets	<u>\$ 3,137,635.05</u>	<u>\$ 2,828,680.71</u>
LIABILITIES		
Accounts Payable	\$ 215,780.68	\$ 193,671.72
Unearned Revenue	701,124.00	544,653.00
Other Current Liabilities	1,158.10	51,428.78
Total Liabilities	<u>\$ 918,062.78</u>	<u>\$ 789,753.50</u>
NET POSITION		
Restricted for Individuals, Organizations or Other Governments	\$ 2,219,572.27	\$ 2,038,927.21
Total Net Position	<u>\$ 2,219,572.27</u>	<u>\$ 2,038,927.21</u>

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

UNAUDITED | TEXAS STATE UNIVERSITYStatement of Changes in Fiduciary Net Position for the Fiscal Year ended August 31, 2023
with Comparative Data for August 31, 2022

	Custodial Funds	
	2023	2022
ADDITIONS		
Contributions:		
Loan and Scholarship Revenue	\$ 31,531,480.25	\$ 28,898,905.50
Student Club	254,803.77	319,223.60
Alumni and Faculty	346,431.65	345,684.81
Camps, Training & Conference	112,070.00	
Gifts and Donations		300.00
Total Contributions	<u>\$ 32,244,785.67</u>	<u>\$ 29,564,113.91</u>
Investment Income:		
Interest, Dividends and Other	\$ 5,142.88	\$ 3,287.33
Total Net Investment Income	<u>\$ 5,142.88</u>	<u>\$ 3,287.33</u>
Other Additions:		
Other Revenue	\$ 32,863.68	\$ 56,657.67
Total Other Additions	<u>\$ 32,863.68</u>	<u>\$ 56,657.67</u>
 Total Additions	 <u>\$ 32,282,792.23</u>	 <u>\$ 29,624,058.91</u>
DEDUCTIONS		
Loan and Scholarship Expense	\$ 31,417,004.46	\$ 28,644,366.90
Club Account Disbursements	212,435.36	168,329.97
Administrative Expenses:		
Communications and Utilities	990.88	875.88
Materials and Supplies	157,347.40	75,225.50
Printing and Reproduction	24,151.57	28,054.63
Professional Fees and Services	124,994.00	148,386.01
Rentals and Leases	68,969.85	117,111.88
Travel	21,648.53	6,828.74
Other Administrative Expenses	74,605.12	211,283.57
Total Deductions	<u>\$ 32,102,147.17</u>	<u>\$ 29,400,463.08</u>
Change in Net Position	<u>\$ 180,645.06</u>	<u>\$ 223,595.83</u>
Net Position, September 1	\$ 2,038,927.21	\$ 1,815,331.38
Restatements		
Net Position, September 1, as Restated	<u>\$ 2,038,927.21</u>	<u>\$ 1,815,331.38</u>
Net Position, August 31	<u>\$ 2,219,572.27</u>	<u>\$ 2,038,927.21</u>

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

UNAUDITED | TEXAS STATE UNIVERSITY

Statement of Net Position as of August 31, 2023

	Discrete Component Units	
	Texas State Development Foundation	Emmett and Miriam McCoy College of Business Administration Development Foundation
ASSETS AND DEFERRED OUTFLOWS		
Current Assets:		
Unrestricted Cash and Cash Equivalents:		
Cash in Bank	\$ 1,718,317.07	\$ 383,371.11
Cash Equivalents		1,499,127.07
Total Current Assets	<u>\$ 1,718,317.07</u>	<u>\$ 1,882,498.18</u>
Non-Current Assets:		
Restricted:		
Gifts Receivable - Pledges	\$ 1,652,302.18	\$
Investments	113,235,296.37	63,852,458.59
Total Non-Current Assets	<u>\$ 114,887,598.55</u>	<u>\$ 63,852,458.59</u>
Total Assets and Deferred Outflows	<u>\$ 116,605,915.62</u>	<u>\$ 65,734,956.77</u>
LIABILITIES AND DEFERRED INFLOWS		
Liabilities:		
Accounts Payable	\$ 1,453,385.21	\$
Annuities Payable-Current	30,346.34	
Accounts Payable to Primary Government	1,131,310.05	
Total Current Liabilities	<u>\$ 2,615,041.60</u>	<u>\$ 0.00</u>
Non-Current Liabilities:		
Annuities Payable-Non-Current	\$ 253,626.22	\$
Total Non-Current Liabilities	<u>\$ 253,626.22</u>	<u>\$ 0.00</u>
Total Liabilities and Deferred Inflows	<u>\$ 2,868,667.82</u>	<u>\$ 0.00</u>
NET POSITION		
Restricted for:		
Funds Held as Permanent Investments:		
Non-Expendable	\$ 77,065,063.00	\$ 47,572,562.00
Expendable	35,379,224.41	18,162,394.77
Unrestricted	1,292,960.39	
Total Net Position	<u>\$ 113,737,247.80</u>	<u>\$ 65,734,956.77</u>

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

UNAUDITED | TEXAS STATE UNIVERSITY

Statement of Revenues, Expenses, and Changes in Net Position

for the Fiscal Year ended August 31, 2023

	Discrete Component Units	
	Texas State Development Foundation	Emmett and Miriam McCoy College of Business Administration Development Foundation
OPERATING REVENUES		
Total Operating Revenues	\$ 0.00	\$ 0.00
OPERATING EXPENSES		
Academic Programs	\$ 1,959,685.57	\$
Scholarships and Fellowships	2,675,465.50	1,511,014.18
Administrative Expenses:		
Salaries and Wages		185,029.85
Professional Fees	1,059,811.11	151,093.36
Travel		14,123.94
Materials and Supplies	15,676.64	2,300.85
Fundraising Activities	224,934.23	
Other Operating Expenses	21,415.55	25,162.45
Total Operating Expenses	\$ 5,956,988.60	\$ 1,888,724.63
Operating Income (Loss)	\$ (5,956,988.60)	\$ (1,888,724.63)
NONOPERATING REVENUES (EXPENSES)		
Gifts, Pledges, and Donations	\$ 1,386,580.91	\$
Investment Income	11,992,192.24	5,190,738.10
Total Nonoperating Revenues (Expenses)	\$ 13,378,773.15	\$ 5,190,738.10
Income (Loss) before Other Revenues, Expenses, Gains, Losses and Transfers	\$ 7,421,784.55	\$ 3,302,013.47
OTHER REVENUES, EXPENSES, GAINS, LOSSES, AND TRANSFERS		
Additions to Permanent and Term Endowments	\$ 1,432,431.04	\$ 1,187,692.54
Total Other Revenues, Expenses, Gains/Losses and Transfers	\$ 1,432,431.04	\$ 1,187,692.54
Change in Net Position	\$ 8,854,215.59	\$ 4,489,706.01
Net Position, September 1	\$ 104,883,032.21	\$ 61,245,250.76
Restatements-Prior Year Audit Adjustments		
Net Position, September 1, as Restated	\$ 104,883,032.21	\$ 61,245,250.76
Net Position, August 31	\$ 113,737,247.80	\$ 65,734,956.77

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

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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 strengthened resources so all Americans could obtain financial support for a postsecondary education.

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 Annual Comprehensive Financial Report (ACFR) for the State of Texas. Financial reports 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 ACFR. The State Auditor expresses an opinion on the ACFR, 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 University, 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. The University has two discrete component units – the Texas State University Development Foundation and the Emmett and Miriam McCoy College of Business Administration Development Foundation. Statements for the discretely presented component units appear separately at the end of the financial statements. Another entity, Texas State Alumni Association, is reported as an affiliated organization and is not included in the basic financial statements. More details on these foundations and organizations may be found in the Financial Reporting Entity note later in this section.

Copies of this Annual Financial Report may be obtained by contacting Texas State University, Director of Accounting and Financial Reporting, 601 University Drive, JCK 549, 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

Notes to the Financial Statements

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 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. These statements are prepared using the economic resources measurement focus and accrual basis of accounting.

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.

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 presented in accordance with GASB Statement 84 *Fiduciary Activities*.

The accompanying statements have been prepared in accordance with Generally Accepted Accounting Principles (GAAP) 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 Annual Comprehensive Financial Report (ACFR) 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. Management's Discussion and Analysis, which is part of the required supplementary information under GASB 34 *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, is prepared at the state-wide level and is only required for audited reports or agencies with certain types of activity that are material to the statewide report. Texas State has no such activity, and therefore, does not include this element in its AFR.

NEW ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 96 *Subscription-Based Information Technology Arrangements (SBITA)* was issued in May 2020. The requirements of this statement are effective for fiscal years beginning after June 15, 2022. The objective of Statement 96 is to establish uniform accounting and financial reporting requirements for SBITAs. The Texas Comptroller of Public Accounts established a capitalization threshold of \$500,000 in their AFR Reporting Requirement's guidance. None of the University's SBITA net present value of future subscription payments exceeds that threshold; therefore, Texas State has no SBITA related assets and liabilities to report.

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, Additional Appropriations and Legislative Transfers In or Out. State appropriations are authorized biennially by the Texas legislature and approved by the governor in the General Appropriations Act. Unencumbered appropriations are generally subject to lapse 60 days after the end of the fiscal year for which they are appropriated. State Appropriations represented approximately 21.9% and 21.0% of total revenues from operations for fiscal years ended August 31, 2023 and 2022, respectively. When both restricted and unrestricted resources are available for use, restricted resources are generally used first, then unrestricted resources are used as needed.

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Notes to the Financial Statements

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*. 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, 2023 and 2022, this method resulted in estimates of \$137,992,314.86 and \$132,335,264.66, 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 state 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>2023</u>	<u>2022</u>
Student Accounts	\$3,366,108.95	\$3,262,677.73
Current and Noncurrent Gift Receivables	3,143,311.52	835,299.79
Loans Receivable	666,173.97	693,483.67

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

Inventories, including both merchandise and consumable inventories, are valued at cost and expensed when consumed.

Notes to the Financial Statements

PREPAID ASSETS

Payments made for costs or services benefiting a future accounting period are recorded as prepaid assets and include items such as scholarships, deposits on capital assets and a variety of administrative expenses. 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 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:

<u>Asset Category</u>	<u>Capitalization Threshold</u>
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
Right to Use-Leased Assets	\$100,000
Right to Use-Subscription-Based IT Arrangements (SBITA's)	\$500,000
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:

<u>Asset Category</u>	<u>Estimated Useful Life</u>
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
Leased Assets-Right to Use	Lease Term

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.

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Notes to the Financial Statements

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.

RIGHT TO USE LEASE OBLIGATIONS

Current and Non-current Right to Use Lease Obligations arise from the implementation of GASB 87 *Leases* and GASB 96 *Subscription-Based Information Technology Arrangements (SBITA)*, if applicable, for the liability within one fiscal year and over one year, respectively. The liability starts on the lease or subscription contract commencement date. The present value of total contractual principal payments is amortized during the contract period.

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.

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 position often has 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.



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Notes to the Financial Statements

NOTE 2: Capital Assets

Changes in capital assets for the fiscal year ended August 31, 2023 are summarized as follows:

	<u>Balance 9/1/2022</u>	<u>Adjustments</u>	<u>Completed CIP</u>
Non-Depreciable Assets:			
Land and Land Improvements	\$ 54,433,688.52	\$ -	\$ -
Construction in Progress	29,266,186.09	-	(29,127,378.18)
Other Assets	11,589,940.74	-	-
Total Non-Depreciable Assets	<u>\$ 95,289,815.35</u>	<u>\$ -</u>	<u>\$ (29,127,378.18)</u>
Depreciable Assets:			
Buildings and Building Improvements	\$ 1,376,273,122.46	\$ -	\$ 24,579,219.79
Infrastructure	91,492,486.04	-	2,161,709.57
Facilities & Other Improvements	182,200,371.37	-	2,386,448.82
Furniture and Equipment	92,203,974.19	-	-
Vehicle, Boats & Aircraft	11,090,612.97	-	-
Other Assets	103,162,710.73	-	-
Total Depreciable Assets at Historical Costs	<u>\$ 1,856,423,277.76</u>	<u>\$ -</u>	<u>\$ 29,127,378.18</u>
Less Accumulated Depreciation for:			
Buildings and Building Improvements	\$ (646,766,455.12)	\$ -	\$ -
Infrastructure	(47,008,281.75)	-	-
Facilities & Other Improvements	(92,060,826.65)	-	-
Furniture and Equipment	(72,046,690.36)	-	-
Vehicles, Boats & Aircraft	(7,925,632.44)	-	-
Other Assets	(50,670,874.15)	-	-
Total Accumulated Depreciation	<u>\$ (916,478,760.47)</u>	<u>\$ -</u>	<u>\$ -</u>
Depreciable Assets, Net	<u>\$ 939,944,517.29</u>	<u>\$ -</u>	<u>\$ 29,127,378.18</u>
Amortizable Assets - Intangible and Right to Use:			
Computer Software	\$ 28,465,178.68	\$ -	\$ -
Right to Use-Building Leases	1,970,298.39	-	-
Total Amortizable Assets - Intangible	<u>\$ 30,435,477.07</u>	<u>\$ -</u>	<u>\$ -</u>
Less Accumulated Amortization for:			
Computer Software	\$ (27,913,916.10)	\$ -	\$ -
Right to Use-Building Leases	(358,924.70)	-	-
Total Accumulated Amortization	<u>\$ (28,272,840.80)</u>	<u>\$ -</u>	<u>\$ -</u>
Amortizable Assets - Intangible, Net	<u>\$ 2,162,636.27</u>	<u>\$ -</u>	<u>\$ -</u>
Capital Assets, Net	<u><u>\$ 1,037,396,968.91</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

Notes to the Financial Statements

<u>Interagency Transfers In</u>	<u>Interagency Transfers Out</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 8/31/2023</u>
\$ -	\$ -	\$ 3,177,457.18	\$ -	\$ 57,611,145.70
-	-	65,837,406.49	-	65,976,214.40
-	-	243,585.59	-	11,833,526.33
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 69,258,449.26</u>	<u>\$ -</u>	<u>\$ 135,420,886.43</u>
\$ -	\$ -	\$ 623,030.82	\$ (618,178.89)	\$ 1,400,857,194.18
-	-	-	(42.68)	93,654,152.93
-	-	-	-	184,586,820.19
9,999.00	-	6,980,728.44	(2,068,359.90)	97,126,341.73
-	-	713,670.82	(243,416.41)	11,560,867.38
-	-	5,530,353.45	(7,886,756.62)	100,806,307.56
<u>\$ 9,999.00</u>	<u>\$ -</u>	<u>\$ 13,847,783.53</u>	<u>\$ (10,816,754.50)</u>	<u>\$ 1,888,591,683.97</u>
\$ -	\$ -	\$ (50,268,959.19)	\$ 587,177.70	\$ (696,448,236.61)
-	-	(2,538,146.84)	42.68	(49,546,385.91)
-	-	(8,315,384.88)	-	(100,376,211.53)
-	-	(6,703,605.15)	2,000,843.01	(76,749,452.50)
-	-	(774,867.14)	243,416.41	(8,457,083.17)
-	-	(6,494,551.81)	5,558,850.22	(51,606,575.74)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ (75,095,515.01)</u>	<u>\$ 8,390,330.02</u>	<u>\$ (983,183,945.46)</u>
<u>\$ 9,999.00</u>	<u>\$ -</u>	<u>\$ (61,247,731.48)</u>	<u>\$ (2,426,424.48)</u>	<u>\$ 905,407,738.51</u>
\$ -	\$ -	\$ -	\$ (8,020.00)	\$ 28,457,158.68
-	-	294,840.06	-	2,265,138.45
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 294,840.06</u>	<u>\$ (8,020.00)</u>	<u>\$ 30,722,297.13</u>
\$ -	\$ -	\$ (170,729.79)	\$ 8,020.00	\$ (28,076,625.89)
-	-	(457,204.72)	-	(816,129.42)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ (627,934.51)</u>	<u>\$ 8,020.00</u>	<u>\$ (28,892,755.31)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ (333,094.45)</u>	<u>\$ -</u>	<u>\$ 1,829,541.82</u>
<u>\$ 9,999.00</u>	<u>\$ -</u>	<u>\$ 7,677,623.33</u>	<u>\$ (2,426,424.48)</u>	<u>\$ 1,042,658,166.76</u>

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Notes to the Financial Statements

NOTE 2: Capital Assets

Changes in capital assets for the fiscal year ended August 31, 2022 are summarized as follows:

	Balance 9/1/2021	Adjustments	Completed CIP
Non-Depreciable Assets:			
Land and Land Improvements	\$ 53,048,035.60	\$ -	\$ -
Construction in Progress	22,474,058.67	-	(28,454,792.33)
Other Assets	10,816,003.95	-	-
Total Non-Depreciable Assets	\$ 86,338,098.22	\$ -	\$ (28,454,792.33)
Depreciable Assets:			
Buildings and Building Improvements	\$ 1,347,248,961.35	\$ -	\$ 26,865,615.11
Infrastructure	89,903,308.82	-	1,589,177.22
Facilities & Other Improvements	182,200,371.37	-	-
Furniture and Equipment	89,436,796.24	-	-
Vehicle, Boats & Aircraft	10,951,093.65	-	-
Other Assets	97,217,452.70	-	-
Total Depreciable Assets at Historical Costs	\$ 1,816,957,984.13	\$ -	\$ 28,454,792.33
Less Accumulated Depreciation for:			
Buildings and Building Improvements	\$ (597,772,923.36)	\$ -	\$ -
Infrastructure	(44,245,868.56)	-	-
Facilities & Other Improvements	(83,804,506.85)	-	-
Furniture and Equipment	(66,866,600.62)	-	-
Vehicles, Boats & Aircraft	(7,259,749.67)	-	-
Other Assets	(44,301,341.53)	-	-
Total Accumulated Depreciation	\$ (844,250,990.59)	\$ -	\$ -
Depreciable Assets, Net	\$ 972,706,993.54	\$ -	\$ 28,454,792.33
Amortizable Assets - Intangible and Right to Use:			
Computer Software	\$ 28,165,384.44	\$ -	\$ -
Right to Use-Building Leases	-	-	-
Total Amortizable Assets - Intangible	\$ 28,165,384.44	\$ -	\$ -
Less Accumulated Amortization for:			
Computer Software	\$ (27,807,558.51)	\$ -	\$ -
Right to Use-Building Leases	-	-	-
Total Accumulated Amortization	\$ (27,807,558.51)	\$ -	\$ -
Amortizable Assets - Intangible, Net	\$ 357,825.93	\$ -	\$ -
Capital Assets, Net	\$ 1,059,402,917.69	\$ -	\$ -

Notes to the Financial Statements

<u>Interagency Transfers In</u>	<u>Interagency Transfers Out</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 8/31/2022</u>
\$ -	\$ -	\$ 1,385,652.92	\$ -	\$ 54,433,688.52
-	-	35,246,919.75	-	29,266,186.09
-	-	773,936.79	-	11,589,940.74
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37,406,509.46</u>	<u>\$ -</u>	<u>\$ 95,289,815.35</u>
\$ -	\$ -	\$ 2,373,670.00	\$ (215,124.00)	\$ 1,376,273,122.46
-	-	-	-	91,492,486.04
-	-	-	-	182,200,371.37
-	-	4,405,441.00	(1,638,263.05)	92,203,974.19
24,787.00	-	246,291.06	(131,558.74)	11,090,612.97
-	-	5,975,548.59	(30,290.56)	103,162,710.73
<u>\$ 24,787.00</u>	<u>\$ -</u>	<u>\$ 13,000,950.65</u>	<u>\$ (2,015,236.35)</u>	<u>\$ 1,856,423,277.76</u>
\$ -	\$ -	\$ (49,197,899.56)	\$ 204,367.80	\$ (646,766,455.12)
-	-	(2,762,413.19)	-	(47,008,281.75)
-	-	(8,256,319.80)	-	(92,060,826.65)
-	-	(6,765,617.76)	1,585,528.02	(72,046,690.36)
(24,787.00)	-	(771,351.47)	130,255.70	(7,925,632.44)
-	-	(6,397,972.09)	28,439.47	(50,670,874.15)
<u>\$ (24,787.00)</u>	<u>\$ -</u>	<u>\$ (74,151,573.87)</u>	<u>\$ 1,948,590.99</u>	<u>\$ (916,478,760.47)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ (61,150,623.22)</u>	<u>\$ (66,645.36)</u>	<u>\$ 939,944,517.29</u>
\$ -	\$ -	\$ 340,824.24	\$ (41,030.00)	\$ 28,465,178.68
-	-	1,970,298.39	-	1,970,298.39
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,311,122.63</u>	<u>\$ (41,030.00)</u>	<u>\$ 30,435,477.07</u>
\$ -	\$ -	\$ (147,387.59)	\$ 41,030.00	\$ (27,913,916.10)
-	-	(358,924.70)	-	(358,924.70)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ (506,312.29)</u>	<u>\$ 41,030.00</u>	<u>\$ (28,272,840.80)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,804,810.34</u>	<u>\$ -</u>	<u>\$ 2,162,636.27</u>
<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (21,939,303.42)</u></u>	<u><u>\$ (66,645.36)</u></u>	<u><u>\$ 1,037,396,968.91</u></u>

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Notes to the Financial Statements

NOTE 3: Deposits, Investments, and Repurchase Agreements

Deposits

As of August 31, 2023 and 2022, the carrying amount of deposits was \$4,780,891.32 and \$11,521,419.68, respectively, as presented below:

	<u>2023</u>	<u>2022</u>
Cash in Bank - Carrying Value	\$ 4,780,891.32	\$ 11,521,419.68
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	-	-
Cash in Bank per AFR	<u>\$ 4,780,891.32</u>	<u>\$ 11,521,419.68</u>
Current Assets Cash in Bank-Proprietary Funds	\$ 1,726,584.97	\$ 8,793,128.59
Current Assets Restricted Cash in Bank	6,996.56	24,053.09
Current Assets Cash in Bank-Fiduciary Funds	3,047,309.79	2,704,238.00
Cash in Bank per AFR	<u>\$ 4,780,891.32</u>	<u>\$ 11,521,419.68</u>

As of August 31, 2023 and 2022, the total bank balances were \$12,541,783.59 and \$18,721,421.54, respectively.

Investments

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

Investments at Amortized Cost

TexPool and TexPool Prime

Investments in TexPool and 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 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. 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. Federated Hermes under contract with the State Comptroller is the full-service provider to the pools managing the assets, providing Participant Services, and arranging for all custody and other functions in support of the pool's operations.

Texas Fixed Income Trust

The Texas Fixed Income Trust (TX FIT) is an investment pool designed for Texas' local governments. Texas State invests in the Cash and Choice Pools. Both are rated AAAs by Fitch. The underlying holdings are commercial paper. The pool offers fixed term investments with stated rates of return (depending on duration). Interest is paid out on the maturity date of the investment. Texas State does not invest in durations longer than one year.

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; however, due to the transition to an investment pool administered by System Administration values are presented in summary below. Detailed investment holdings at the component level are no longer available as Texas State holds units of the pool. For more detailed fair value information refer to the Texas State University System consolidated report.

Notes to the Financial Statements

As of August 31, 2023 and 2022, the investment valuations were:

	2023		2022	
	No. of Units	2023 Value	No. of Units	2022 Value
Fair Value				
Fixed Income Money Market		\$ 75,536.52		\$ 69,524.04
Other Commingled Funds (TxFIT)		100,017,345.15		
Operating Equity	414,914.0030	47,541,708.10	313,626.0406	31,765,200.41
Operating Fixed Income	1,195,726.1094	113,974,120.90	1,343,540.7376	128,773,671.94
Operating Real Assets	30,188.2823	4,182,837.37		
Endowments	1,524,487.6190	181,680,199.15	1,543,921.6095	170,020,348.42
Long-Term Investments	3,165,316.0137	\$ 447,471,747.19	3,201,088.3877	\$ 330,628,744.81
Amortized Cost				
Other Commingled Funds (TexPool)		\$ 301,365,233.45		\$ 399,550,276.94
Cash Equivalents		\$ 301,365,233.45		\$ 399,550,276.94

Deposit and Investment Risk Factors

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

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the university will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The university's investment policy limits holding of securities by counterparties to those involved with securities lending. As of August 31, 2023, 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 fund 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 a maximum of 20% of the total Long-Term Operating Portfolio may be invested in emerging markets, regardless of asset type. An Operating Long-Term funds portfolio may only invest up to 60% 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. The credit quality distributions for securities with credit risk exposures are disclosed in the System's Investment Note.

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, 2023, Texas State University was not subject to concentration of credit risk.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Usually, a longer maturity results in a greater degree of price volatility. The university minimizes interest rate risk on investments by managing maturities to cash flow. 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.

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Notes to the Financial Statements

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, 2023, 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.

Reverse Repurchase, Securities Lending and Derivative Investing

The university did not participate in Reverse Repurchase Agreements, Securities Lending, or Derivative Investing during fiscal year 2023.

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, 2023 and 2022 the accrued liability for vacation and overtime totaled \$13,406,716.71 and \$13,433,187.45, respectively. During the same periods, the university made lump sum payments totaling \$2,221,949.94 and \$1,836,432.13 for accrued vacation and overtime to employees who separated from state service. The maximum accrual for vacation is 532 hours. It is allowed for employees with 35 or more years of service. Sick leave, the accumulation of which is unlimited, is earned at the rate of eight hours per month and paid only when an employee is off due to illness or to the estate of an employee in the event of his/her death. The maximum leave that may be paid to an employees' estate is the lesser of (a) one-half of the employees' accumulated entitlement or (b) 336 hours.

The following changes occurred in long-term liabilities during the fiscal years ended August 31, 2023 and 2022:

<u>Employees' Compensable Leave</u>	<u>2023</u>	<u>2022</u>
Balance, September 1	\$ 13,433,187.45	\$ 13,559,904.75
Additions	2,195,479.20	1,709,714.83
Reductions	(2,221,949.94)	(1,836,432.13)
Balance, August 31	\$ 13,406,716.71	\$ 13,433,187.45
Amounts Due Within One Year	\$ 8,085,176.30	\$ 7,947,228.98
Amounts Due Thereafter	5,321,540.41	5,485,958.47
Total Due	\$ 13,406,716.71	\$ 13,433,187.45

Right to Use Lease Obligations

See Note 6 Lease for details on the liability associated with leases.

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 consolidated report. The Institution must repay the debt that was issued on its behalf; consequently, the following debt amortization schedule is presented for informational purposes only.

Notes to the Financial Statements

Debt Service Requirements			
Year	Principal	Interest	Total
2024	\$ 37,410,000.00	\$ 18,665,851.84	\$ 56,075,851.84
2025	38,960,000.00	17,110,041.88	56,070,041.88
2026	40,605,000.00	15,466,980.58	56,071,980.58
2027	41,860,000.00	13,734,427.26	55,594,427.26
2028	38,805,000.00	11,929,530.54	50,734,530.54
2029-2033	149,905,000.00	37,409,849.12	187,314,849.12
2034-2038	82,560,000.00	11,197,374.58	93,757,374.58
2039-2043	21,785,000.00	1,570,235.32	23,355,235.32
2044-2045	1,095,000.00	70,718.16	1,165,718.16
Totals	\$ 452,985,000.00	\$ 127,155,009.28	\$ 580,140,009.28

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, 2023 and 2022, the institution was appropriated \$15,164,462 and \$17,363,463, respectively, for Tuition Revenue Bond debt service. The institution expects future Legislative appropriations to meet debt service requirements for Tuition Revenue Bonds.

NOTE 6: Leases

Texas State has entered into various leases for buildings and vehicles. The Texas Comptroller of Public Accounts established a threshold of \$100,000 for reporting leases under GASB 87 **Leases** requirements. In accordance with that guidance, leases with a present value exceeding the threshold are reported below. All other rental payments for leases below the threshold are reported as Rentals and Leases expense in the Matrix of Operating Expenses Reported by Function and are not included in the following lease disclosures. Rental payments for leases above the threshold for the fiscal years ended August 31, 2023 and 2022 were \$447,448.82 and \$203,752.65, respectively.

Future minimum lease rental payments reported in the financial statements include the following amounts of principal and interest paid or due under lease liability, as of August 31, 2023.

Lease Liability: Future Lease Payments		
Fiscal Year	Principal	Interest
2024	\$ 284,049.37	\$ 27,905.84
2025	292,212.29	22,379.44
2026	207,309.66	17,745.37
2027	203,976.38	14,676.58
2028	207,086.30	11,566.66
2029-2032	628,713.41	17,521.26
Totals	\$ 1,823,347.41	\$ 111,795.15

For lease revenue subject to GASB 87 guidelines future minimum lease rental receipts reported in the financial statements include the following amounts of principal and interest received or due under leases of buildings leased to outside parties as of August 31, 2023.

Lease Receivable: Future Lease Receipts		
Fiscal Year	Principal	Interest
2024	\$ 88,350.93	\$ 46,649.07
2025	90,089.25	44,910.75
2026	91,861.78	43,138.22
2027	97,049.67	41,325.33
2028	110,131.48	39,298.52
2029-2033	637,694.63	161,136.37
2034-2038	725,221.69	94,258.31
2039-2042	592,212.53	22,397.47
Totals	\$ 2,432,611.96	\$ 493,114.04

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Notes to the Financial Statements

Amortization of Deferred Inflows on a straight-line basis related to Leases Receivable as of August 31, 2023 are as follows:

Deferred Inflow of Resources-Lease Receivable		
Year	Amount	Balance
2024	\$ 127,199.88	\$ 2,257,797.92
2025	127,199.88	2,130,598.04
2026	127,199.88	2,003,398.16
2027	127,199.88	1,876,198.28
2028	127,199.88	1,748,998.40
2029-2033	635,999.40	1,112,999.00
2034-2038	635,999.40	476,999.60
2039-2042	476,999.60	0.00
Total	\$ 2,384,997.80	

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, 2023 and 2022:

Contributions	2023	2022
Member Contributions	\$ 5,408,194	\$ 5,688,605
Employer Contributions	5,657,400	5,413,128
Total	\$ 11,065,594	\$ 11,101,733

For the fiscal year ended August 31, 2023, the state provided on-behalf unemployment contributions of \$10,949.41. Other paid-on-behalf amounts pertain to pension and other post-employment benefit 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 or other transfers of appropriations between state agencies.

Agency Name	Agency Number	D23 Fund	2023		2022	
			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	\$ 142,968.73	\$ -	\$ 79,567.64	\$ -
Health and Human Services	529	0001	297,572.36	330,638.31	-	-
Department of Agriculture	551	5026	4,900.38	-	6,722.03	-
Texas A&M AgriLife Research	556	7999	-	27,555.69	-	82,159.58
Texas Division of Emergency Management	575	0109	189,837.43	-	189,837.43	-
Texas Division of Emergency Management	575	0161	7,507.77	-	-	-
Texas Division of Emergency Management	575	3256	1,024,945.86	-	569,006.95	-

Notes to the Financial Statements

Agency Name	Agency Number	D23 Fund	2023		2022	
			Due From Other State Agencies	Due to Other State Agencies	Due From Other State Agencies	Due to Other State Agencies
Texas Water Development Board	580	0001	\$ 42,005.98	\$ -	\$ -	\$ -
Texas Commission on Environmental Quality	582	1535	227,522.17	-	182,439.53	-
Texas Department of Transportation	601	0006	40,237.47	-	5,322.41	-
Texas Education Agency	701	0148	40,905.10	-	-	1,364.42
Texas A&M University	711	7999	36,253.21	-	29,207.76	-
Tarleton State University	713	7999	-	130,585.90	-	-
Texas A&M Engineering Extension Service	716	7999	241,366.52	-	281,814.80	20,423.74
Texas Southern University	717	7999	2,215.41	-	2,499.78	-
University of Texas-Austin	721	7999	31,685.47	22,878.49	169.69	25,693.18
Texas Tech University	733	7999	-	-	-	1,337.32
University of Texas at San Antonio	743	7999	76,292.89	50,851.86	228,888.02	48,403.98
University of Texas Health Science Center at Houston	744	7999	-	-	-	9,138.86
University of Texas Health Science Center at San Antonio	745	7999	81,370.55	-	192,356.29	3,945.42
University of Texas Rio Grande Valley	746	7999	32,875.95	27,679.02	21,740.75	14,641.54
Sam Houston State University	753	7999	-	210,401.93	-	316,923.63
Texas State University System	758	0325	-	50,000.00	-	-
Texas Higher Education Coordinating Board	781	0325	316,330.57	311,786.09	14,592.95	994,231.47
Parks and Wildlife Department	802	0014	13,523.20	-	-	-
Parks and Wildlife Department	802	0931	9,049.32	-	88,223.49	-
Parks and Wildlife Department	802	0951	261,924.49	-	262,051.55	-
Parks and Wildlife Department	802	0952	17,621.80	-	-	-
Parks and Wildlife Department	802	4675	7,757.49	-	-	-
State						
Governor – Fiscal	300	0001	-	-	29,564.68	-
Health and Human Services	529	0001	367,557.41	-	130,278.25	-
Dept of State Health Services	537	0001	186,347.83	-	147,596.82	-
Cancer Prevention and Research Institute of Texas	542	6390	28,459.70	-	-	-
Texas Water Development Board	580	7999	-	-	24,429.44	-
Texas A&M Engineering Experiment Station	712	7999	-	920.00	-	-
University of Texas System	720	7999	-	-	-	4,422.73
Texas A&M University – Corpus Christi	760	7999	-	5,766.19	-	-
Texas Higher Education Coordinating Board	781	0001	-	-	-	416,419.33
Texas Higher Education Coordinating Board	781	2824	-	-	31,290.88	-
Parks and Wildlife Department	802	0014	-	-	30,303.74	-
Parks and Wildlife Department	802	0664	7,857.48	-	2,174.77	-
Parks and Wildlife Department	802	0931	38,902.49	-	-	-
Other						
Texas Workforce Commission	320	0165	-	6,364.69	-	8,307.02
Texas Higher Education Coordinating Board-Interest	781	0325	-	-	-	10,844.76
Total Due From / Due To Other Agencies			\$ 3,775,795.03	\$ 1,175,428.17	\$ 2,550,079.65	\$ 1,958,256.98

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Notes to the Financial Statements

Agency Name	Agency Number	D23 Fund	2023		2022	
			Due From Other Component	Due to Other Component	Due From Other Component	Due to Other Component
Texas State University System Billings	758	7999	\$ -	\$ -	\$ 425,117.73	\$ 359.37
Total Due From / Due To Other Components			\$ -	\$ -	\$ 425,117.73	\$ 359.37

Agency Name	Agency Number	D23 Fund	2023		2022	
			Transfers In	Transfers Out	Transfers In	Transfers Out
Comptroller – Fiscal-Hazlewood	902	0210	\$ 920,049.00	\$ -	\$ 2,592,736.00	\$ -
Texas State University System for Debt Service and Billings	758	7999	7,325,079.31	41,365,248.02	200,000.00	44,489,611.93
Texas State University System for Grant Funding & Gifts	758	7999	503,596.65	-	3,192.32	-
Texas Dept of Motor Vehicles for License Plate	608	0802	-	22,590.67	-	20,404.20
Total Transfers			\$ 8,748,724.96	\$ 41,387,838.69	\$ 2,795,928.32	\$ 44,510,016.13

Agency Name	Agency Number	D23 Fund	2023		2022	
			Legislative Transfers In	Legislative Transfers Out	Legislative Transfers In	Legislative Transfers Out
Texas Education Agency	701	0001	\$ -	\$ -	\$ 14,000,000.00	\$ -
Texas State University System for Debt Service	758	0001	-	20,869,983.16	-	20,578,847.21
Texas Veterans Commission for Reimbursement TVC	902	0001	1,324,796.00	-	1,550,736.00	-
Total Legislative Transfers			\$ 1,324,796.00	\$ 20,869,983.16	\$ 15,550,736.00	\$ 20,578,847.21

NOTE 9: Contingencies and Commitments

As of August 31, 2023 and 2022, 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 \$507,173.46 and \$498,333.57 for the fiscal years ended August 31, 2023 and 2022, respectively.

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, 2023 and 2022 were \$242,111.81 and \$163,495.90, respectively.

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.

Notes to the Financial Statements

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 \$1,000 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 combined single limit bodily injury and property damage.

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, 2023 and 2022.

Claims and Judgments	2023	2022
Balance, September 1	\$ -	\$ -
Increases	1,036,602.77	132,697.47
Decreases	(1,036,602.77)	(132,697.47)
Balance, August 31	\$ -	\$ -

NOTE 11: The Financial Reporting Entity

Component Units are legally separate organizations for which the 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. The legally separate entities having the closest relationships with the University are reported as blended component units, and those having slightly more separation or independence from the University are reported as discrete component units. Both are described below.

COMPONENT UNITS

Blended Component Units

The financial transactions and records of the following component units are blended with the financial transactions and records of the University due to the significance of their operational or financial relationship with the University.

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 February 28th.

The Research Foundation is included in Texas State's financial statements as a blended component unit in accordance with GASB Statement 14, as amended. 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. Condensed financial information appears below. Separate financial statements may be obtained by contacting Texas State University, Director of Accounting and Financial Reporting, 601 University Drive, JCK 549, San Marcos, TX 78666-4684 or financialreporting@txstate.edu.

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Notes to the Financial Statements

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 and Financial Reporting, 601 University Drive, JCK 549, San Marcos, TX 78666-4684 or financialreporting@txstate.edu.

Condensed Financial Information for Blended Component Units

	Year Ended:	
	Research Foundation February 28	Freeman Foundation August 31
Condensed Statement of Net Position		
Assets		
Current Assets	\$ 43,151.00	\$ 20,172.11
Capital Assets, Net		109,397.22
Total Assets	43,151.00	129,569.33
Liabilities		
Current Liabilities	200,001.00	
Total Liabilities	200,001.00	0.00
Net Position		
Capital Assets, Net of Related Debt		109,397.22
Restricted, Expendable		20,172.11
Unrestricted	(156,850.00)	
Total Net Position	\$ (156,850.00)	\$ 129,569.33
Condensed Statement of Revenues, Expenses and Changes in Net Position		
Operating Revenues	\$ 0.00	\$ 129,486.81
Less: Depreciation Expense		35,889.46
Operating Expenses	165,090.00	400,734.19
Operating Income/(Loss)	(165,090.00)	(307,136.84)
Non-Operating Revenues		6,395.74
Transfers In		328,713.52
Change in Net Position	(165,090.00)	27,972.42
Net Position, Beginning	8,240.00	101,596.91
Net Position, Ending	\$ (156,850.00)	\$ 129,569.33
Condensed Statement of Cash Flows		
Net Cash Provided (Used) by:		
Operating Activities	\$ (165,090.00)	\$ (215,952.38)
Non-Capital Financing Activities	200,000.00	272,738.52
Capital and Related Financing Activities		(56,107.06)
Investing Activities		1,761.80
Beginning Cash Equivalents	8,241.00	17,731.23
Ending Cash Equivalents	\$ 43,151.00	\$ 20,172.11

Discrete Component Units

The financial statements for the following entities are included at the end of the financial statement section as discretely presented component units of the University. 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. The 46 member Board of Trustees is

comprised of a cross-section of alumni and notable leaders who assist in the development and support of Texas State University. The fiscal year end is June 30, and audited financial statements can be obtained at the following url.
<https://www.ua.txstate.edu/about/development-foundation/Financials/Accountability.html>

The **Emmett and Miriam McCoy College of Business Development Foundation** (McCoy Foundation) is a 501(c)(3), founded in 2004, dedicated exclusively to the support of the McCoy College of Business Administration at Texas State. The McCoy Foundation's ten member 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. Board composition includes the University President, Dean of the McCoy College and two employees of the College of Business Administration. The fiscal year end is August 31, and audited financial statements can be obtained at the following url under the Audit topic. <https://www.mccoycollegefoundation.org/>

RELATED ORGANIZATIONS

The **Texas State Alumni Association** (Association), while not a component unit, is disclosed due to its close relationship with the university. The Association is an affiliated organization which is controlled by a separate board of directors, pays their own expenses, and is not included in the basic financial statements of the university as the primary government. Instead, information about their financial activities is shown below.

The Alumni Association's 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, 2023 and 2022 was as follows:

	<u>2023</u>	<u>2022</u>
Student Scholarships	\$ 22,000.00	\$ 25,548.46
Deposits Held in Trust at the University	\$ 245,135.00	\$ 209,027.69

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:

	<u>2023</u>	<u>2022</u>
	\$ 27,285,305.93	\$ 25,006,967.44

For fiscal year 2023 there was an increase in fair market value (FMV) totaling \$2,840,195.89 compared to the decrease in fair value of \$7,133,552.22 for 2022. 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 3.5% 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>2023</u>	<u>2022</u>	<u>Reason for Change</u>
Expendable Balances	\$ 2,278,338	\$ (6,500,617)	Fair value fluctuations, earnings, fees and distributions
Non-Expendable Balances	\$ 295,410	\$ 351,039	New gifts



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