

# Annual Financial Report

Fiscal Year 2020



September 1, 2019  
to  
August 31, 2020



**LAMAR UNIVERSITY**  
MEMBER THE TEXAS STATE UNIVERSITY SYSTEM™



## Research & LU's Real-World Impact

Lamar University's proximity to the coast and industry, commitment to experiential learning and investment in state-of-the-art equipment and facilities make it uniquely poised to solve real-world problems through research.

In 2020, the number of submitted proposals to external grant agencies has increased more than 40% and the total grant fund requests has increased more than \$12 million from 2019. Significant grants have been awarded to solve problems related to regional flood mitigation, natural disaster recovery and resiliency, improvements in refining processes and manufacturing procedures. Research projects that advance fundamental knowledge and enhance undergraduate research were also supported by both state and federal governments.

The university has an array of high-sensitivity analytical instruments—mostly in environmental and life sciences—housed in state-of-the-art, 85,000-sq. ft. Science and Technology Building ready to serve LU principal investigators in their research efforts and also conducive to interdisciplinary and collaborative efforts.

Student engagement is paramount to Lamar University's research efforts. Through research, LU students—graduate and undergraduates—find their passions and grow their skills in research activities that address real-world challenges.

**YOUR**  
*Moment*  
**IS HERE**





**LAMAR UNIVERSITY**  
MEMBER THE TEXAS STATE UNIVERSITY SYSTEM™

November 20, 2020

Honorable Greg Abbott, Governor  
Honorable Glenn Hegar, Texas Comptroller  
John McGeady, Director, Legislative Budget Board  
Lisa Collier, First Assistant State Auditor

Ladies and Gentlemen:

We are pleased to submit the annual financial report of Lamar University for the year ended August 31, 2020, in compliance with Texas Government Code Annotated, Section 2101.011, and in accordance with the requirements established by the Texas Comptroller of Public Accounts.

Due to the statewide requirements embedded in Governmental Accounting Standards Board (GASB) 34, the Comptroller of Public Accounts does not require the accompanying annual financial report to comply with all the requirements in this statement. The financial report will be considered for audit by the State Auditor as part of the audit of the State of Texas *Comprehensive Annual Financial Report (CAFR)*; therefore, an opinion has not been expressed on the financial statements and related information contained in this report.

If you have any questions, please contact Mr. Spencer Sims at 409-880-1788. Ms. Cindy Brown may be contacted at 409-880-7925 for questions related to the Schedule of Expenditures of Federal Awards.

Sincerely,

Dr. Kenneth R. Evans  
President



# LAMAR UNIVERSITY

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**LAMAR UNIVERSITY**

MEMBER THE TEXAS STATE UNIVERSITY SYSTEM™

November 20, 2020

Dr. Kenneth Evans  
President  
Lamar University  
PO Box 10001  
Beaumont, TX 77710-0001

Dear Dr. Evans:

Submitted herein is the Annual Financial Report of Lamar University for fiscal year ended August 31, 2020.

The financial statements in this report have been prepared in conformity with the General Provisions of the Appropriations Act, Article IX, and in accordance with the requirements established by the Comptroller of Public Accounts.

The Annual Financial Report will be audited by the State Auditor as part of the audit of the State of Texas *Comprehensive Annual Financial Report* (CAFR); therefore, an opinion has not been expressed on the statements and related information contained in the report.

If you have any questions, please contact Spencer Sims at 409-880-1788.

Respectfully submitted,

Jamie Larson  
Associate Vice President for Financial Services

Approved:

Jeremy C. Alltop  
Vice President for Finance and Operations

Vice President for Finance and Operations

P.O. Box 10051 Beaumont, Texas 77710 (409) 880-8395 Fax (409) 880-8404 [lamar.edu](http://lamar.edu)





# Lamar University

A Member of The Texas State University System

Organizational Data as of August 31, 2020

## The Texas State University System

### Board of Regents

Name	City (Texas)	Term Expires
William F. Scott, Chairman	Nederland	February 1, 2025
David Montagne, Vice Chairman	Beaumont	February 1, 2021
Charlie Amato	San Antonio	February 1, 2025
Duke Austin	Houston	February 1, 2023
Garry Crain	The Hills	February 1, 2023
Dr. Veronica Muzquiz Edwards	San Antonio	February 1, 2021
Don Flores	El Paso	February 1, 2025
Nicki Harle	Baird	February 1, 2023
Alan L. Tinsley	Madisonville	February 1, 2021
Amanda Lee, Student Regent	Jacksonville	May 31, 2021

### ADMINISTRATION OFFICERS

#### System Office

Dr. Brian McCall	Chancellor
Dr. John Hayek	Vice Chancellor for Academic and Health Affairs
Dr. Fernando Gomez	Vice Chancellor and General Counsel
Sean Cunningham	Vice Chancellor for Governmental Relations
Daniel Harper	Vice Chancellor and Chief Financial Officer
Mike Wintemute	Vice Chancellor for Marketing and Communications
Carole Fox	Chief Audit Executive

#### Lamar University

Dr. Kenneth Evans	President
Dr. Brenda S. Nichols	Interim Provost and Vice President for Academic Affairs
Jeremy Alltop	Vice President for Finance and Operations
Dr. Vicki McNeil	Vice President for Student Engagement
Dr. John Bello-Ogunu	Vice President for Diversity and Inclusion
Juan Zabala	Vice President for University Advancement
Arne J. Almquist	Vice President for Information Management
Marco Born	Athletic Director



## Proprietary Fund Financial Statements



### Developing solutions for frequent and more intense floods in SE Texas

Lamar University has risen to the forefront in responding to the challenges caused by damaging flooding pervasive to the region. In collaboration with the University of Texas at Austin and United States Geological Survey, Dr. Liv Haselbach (Civil & Environmental Engineering Department) leads a group of organizations including local, regional, state and federal agencies as well as industry and municipalities to mitigate the impacts cause by floods. The Southeast Texas Flood Coordination Study brings together diverse stakeholders to address the problems caused by growingly frequent and intensive floods in the region. The group will gather data and model storm water transport for decision makings to support flood mitigation plans. The collaborative efforts will provide critical data for flood mitigation and develop plans that address flood-related issues.

**Grant awards: \$100,000 Sabine Neches River Authority and \$100,000 Lower Neches Valley Authority**

### Improving Undergraduate STEM Education: Education and Human Resources

Dr. Diane Clark (Deaf Studies & Education Department) has been awarded funding to continue the eminently successful collaboration with TERC Inc. to create specific STEM language promoting open access and inclusion to those students who are deaf and hard of hearing. The project will create online tutorials and videos, develop instructional practices for fluent interpretation of biology lectures and post all on a project web site for national integration.

**Grant award: \$77,564 by National Science Foundation.**

### Spectroscopic Studies and Chemical Dynamics of Small Polar Impurities in Petroleum Mixtures

Dr. Sylvestre Twagirayezu (Chemistry Department) is the recipient of the prestigious American Chemical Society's Petroleum Research Fund award. The research addresses the strategic need for a fast and cost-effective analytical technique for determining the nature and distribution of low-concentration polar compounds contained in petroleum feedstocks. These polar molecules often poison the expensive rare-metal catalysts using in refining processes and degrade the refined products. His work provides a fast, sensitive and accurate method based on Molecular Rotational Resonance (MRR), an emerging spectroscopic method, for the detection of such impurities in petroleum products. The development not only benefits the refining processes and product quality but can also be implemented for the detection of oil spills caused by unmanned wells in the remote regions.

**Grant award: \$70,000 by American Chemical Society Petroleum Research Fund**



**LAMAR UNIVERSITY**

MEMBER THE TEXAS STATE UNIVERSITY SYSTEM™

**UNAUDITED**

**Lamar University  
Statement of Net Position  
August 31, 2020**

**ASSETS**

**Current Assets:**

Cash and Cash Equivalents: (Note 3)		
Cash on Hand (Including Petty Cash)	\$	13,200.00
Cash in Bank		27,117,614.77
Cash in State Treasury (Schedule 3)		6,485,211.84
Cash Equivalents		15,198.23
Cash in Bank		9,819,704.96
Legislative Appropriations		21,581,027.36
Federal		3,414,327.33
Interest		0.22
Accounts – Tuition		36,862,566.63
Allowance Accounts		(14,198,533.08)
Accounts – Other Revenue		786,030.79
Due From Other Agencies (Note 12)		24,927.22
Consumable Inventories		254,600.51
Merchandise Inventories		10,466.98
Prepaid Items		14,641,779.22
Loans and Contracts		9,956,495.62
Allowance-Loans & Contracts		(5,312,999.83)
<b>Total Current Assets</b>	<b>\$</b>	<b>111,471,618.77</b>

**Noncurrent Assets**

**Restricted:**

Cash and Cash Equivalents: (Note 3)		
Cash in Bank	\$	1,839,792.98
Cash Equivalents		6,795,601.41
Investments (Note 3)		26,629,997.28
Receivables		558.23
Investments (Note 3)		-
Non-Depreciable or Non-Amortizable		
Land and Land Improvements		15,121,419.97
Construction in Progress		65,686,105.85
Other Capital Assets		3,344,617.37
Depreciable or Amortizable		
Building and Building Improvements		320,021,364.13
Less Accumulated Depreciation		(155,712,411.78)
Infrastructure		20,720,125.64
Less Accumulated Depreciation		(14,747,209.99)
Facilities and Other Improvements		27,345,628.11
Less Accumulated Depreciation		(15,291,944.58)
Furniture and Equipment		30,258,039.07
Less Accumulated Depreciation		(22,476,233.67)

**UNAUDITED**

**Lamar University  
Statement of Net Position  
August 31, 2020**

Vehicles, Boats, and Aircraft	2,485,665.80
Less Accumulated Depreciation	(1,454,069.88)
Other Capital Assets	22,772,946.16
Less Accumulated Depreciation	(21,647,527.20)
<b>Total Noncurrent Assets</b>	<u><u>\$ 311,692,464.90</u></u>
<b>Total Assets</b>	<u><u>\$ 423,164,083.67</u></u>

**LIABILITIES**

Current Liabilities:

Payables from:

Accounts Payable	\$ 10,725,335.87
Payroll Payable	11,281,902.38
Due to Other Agencies (Note 12)	335,008.19
Unearned Revenues	56,605,711.45
Employees' Compensable Leave (Note 5)	568,039.36
Funds Held for Others	516,751.77
Other Current Liabilities	155,038.75
<b>Total Current Liabilities</b>	<u><u>\$ 80,187,787.77</u></u>

Noncurrent Liabilities

Employees' Compensable Leave (Note 5)	\$ 3,191,262.46
Other Non-Current Liabilities	243,826.50
<b>Total Non-Current Liabilities</b>	<u><u>\$ 3,435,088.96</u></u>

<b>Total Liabilities</b>	<u><u>\$ 83,622,876.73</u></u>
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**NET POSITION**

Net Investment in Capital Assets	\$ 276,426,515.00
Restricted for:	
Capital Projects	5,384,868.63
Other	15,360,546.94
Funds Held as Permanent Investments:	
Nonexpendable:	
Endowment Funds	21,241,257.67
Expendable:	
Endowment Funds	6,517,631.11
Unrestricted	<u>14,538,657.74</u>
<b>Total Net Position</b>	<u><u>\$ 339,469,477.09</u></u>



**UNAUDITED**

**Lamar University**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**For the Year Ended August 31, 2020**

**Operating Revenues:**

Tuition and Fees – Pledged	\$ 124,865,121.05
Tuition and Fees – Discounts/Allowances	(30,539,201.45)
Auxiliary Enterprise – Pledged	25,387,401.26
Other Sales of Goods and Svcs – Pledged	192,947.56
Federal Revenue	8,305,278.08
Federal Pass Through Revenue	1,022,709.85
State Grant Revenue	37,440.92
State Grant Pass Through Revenue	7,411,989.18
Other Contract and Grants – Non-Pledged	3,677,371.69
Other Operating Revenues – Pledged	911,627.40
<b>Total Operating Revenues</b>	<b>\$ 141,272,685.54</b>

**Operating Expenses:**

Instruction	\$ 68,348,203.67
Research	4,051,325.67
Public Service	1,113,386.51
Academic Support	41,422,310.53
Student Services	9,579,368.43
Institutional Support	20,108,852.42
Operation and Maintenance of Plant	15,072,724.61
Scholarships and Fellowships	30,485,106.06
Auxiliary	28,502,083.14
Depreciation & Amortization	11,923,829.22
<b>Total Operating Expenses</b>	<b>\$ 230,607,190.26</b>
<b>Operating Income (Loss)</b>	<b>\$ (89,334,504.72)</b>

**UNAUDITED**

**Lamar University**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**For the Year Ended August 31, 2020**

**Nonoperating Revenues (Expenses):**

Legislative Revenue (GR)	\$ 49,642,352.00
Additional Appropriations (GR)	15,311,414.63
Federal Revenue	18,865,410.73
Gifts – Non-Pledged	7,448,308.65
Investment Income – Non-Pledged	1,242,005.65
Investment Income – Pledged	133,609.69
Gain/(Loss) Sale Capital Assets	(13,230.16)
Net Increase (Decrease) Fair Value – Pledged	(2,950.03)
Net Increase (Decrease) Fair Value – Non-Pledged	1,211,116.98
Other Nonoperating Expenses	(2,117,788.62)
<b>Total Nonoperating Revenues (Expenses)</b>	<b>\$ 91,720,249.52</b>

<b>Income (Loss) before Capital Contributions, Endowments and Transfers</b>	<b>\$ 2,385,744.80</b>
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**Capital Contributions, Endowments and Transfers**

Capital Appropriations (HEF)	\$ 14,101,882.00
Interagency Transfer Capital Assets (Note 12)	-
Transfers-In (Note 12)	256,695.55
Transfers-Out (Note 12)	(12,544,469.96)
Legislative Transfer-In (Note 12)	248,456.00
Legislative Transfer-Out (Note 12)	(6,461,238.00)
Legislative Appropriations Lapsed	(462,365.67)
<b>Total Capital Contributions, Endowments and Transfers</b>	<b>\$ (4,861,040.08)</b>

<b>Change in Net Position</b>	<b>\$ (2,475,295.28)</b>
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Total Net Position, September 1	\$ 341,952,665.20
Restatements	(7,892.83)
Total Net Position, September 1, as Restated	\$ 341,944,772.37

<b>Total Net Position, August 31</b>	<b>\$ 339,469,477.09</b>
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Lamar University  
Matrix of Operating Expenses Reported by Function  
For the Year Ended August 31, 2020

Operating Expenses	Instruction	Research	Public Service	Academic Support	Student Services	Institutional Support	Operation and Maintenance of Plant	Scholarship and Fellowships	Auxiliary Enterprises	Depreciation and Amortization*	Total Expenses
Salaries and Wages	\$ 49,279,330.57	\$ 2,237,790.24	\$ 798,418.59	\$ 12,396,107.39	\$ 6,058,351.57	\$ 12,008,108.86	\$ 6,667,025.05	\$ -	\$ 9,197,259.98	\$ -	\$ 98,642,392.25
Payroll Related Costs	16,536,097.21	302,055.78	204,762.29	2,862,911.51	1,911,429.94	2,966,405.98	2,324,661.30	-	2,278,197.27	-	29,386,521.28
Professional Fees and Services	111,766.99	134,084.91	104,351.42	17,291,269.15	509,086.01	908,321.33	442,138.90	-	1,027,317.69	-	20,528,336.40
State Grant Pass-Through Expense	-	(4,441.25)	-	-	-	-	-	-	-	-	(4,441.25)
Travel	369,660.05	79,672.23	12,702.36	277,475.10	138,229.97	94,407.84	1,883.02	-	1,323,223.59	-	2,297,254.16
Materials and Supplies	855,027.82	1,014,290.31	73,939.49	5,127,281.65	555,212.40	1,285,024.82	807,461.54	-	6,135,014.53	-	15,853,252.56
Communications and Utilities	15,394.75	9,016.67	40,897.11	2,123,041.03	19,802.52	61,328.23	1,843,689.91	-	1,819,633.63	-	5,932,803.85
Repairs and Maintenance	102,006.28	12,681.24	13,823.73	958,749.62	10,281.92	246,743.14	2,956,210.11	-	1,532,741.18	-	5,833,237.22
Rentals and Leases	23,824.39	21,963.09	4,083.98	17,044.27	73,560.76	104,084.05	12,570.24	-	93,943.31	-	351,074.09
Printing and Reproduction	41,614.45	15,207.44	3,029.66	40,346.73	133,884.13	133,334.34	1,697.78	-	69,624.03	-	438,738.56
Depreciation and Amortization	-	-	-	-	-	-	-	-	-	11,923,829.22	11,923,829.22
Bad Debt Expense	767,630.38	-	1,218.37	48,819.81	11,250.85	-	-	-	520,673.59	-	1,349,593.00
Scholarships	-	-	-	-	-	-	-	30,485,106.06	3,607,964.54	-	34,093,070.60
Other Operating Expenses	245,850.78	229,005.01	(143,840.49)	279,264.27	158,278.36	2,301,093.83	15,386.76	-	896,489.80	-	3,981,528.32
<b>Total Operating Expenses</b>	<b>\$ 68,348,203.67</b>	<b>\$ 4,051,325.67</b>	<b>\$ 1,113,386.51</b>	<b>\$ 41,422,310.53</b>	<b>\$ 9,579,368.43</b>	<b>\$ 20,108,852.42</b>	<b>\$ 15,072,724.61</b>	<b>\$ 30,485,106.06</b>	<b>\$ 28,502,083.14</b>	<b>\$ 11,923,829.22</b>	<b>\$ 230,607,190.26</b>

**UNAUDITED**

**Lamar University  
Statement of Cash Flows  
For the Year Ended August 31, 2020**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Receipts from Customers	\$ 192,947.56
Proceeds from Tuition and Fees	94,796,273.47
Proceeds from Research Grants and Contracts	19,207,369.70
Proceeds from Auxiliaries	25,387,401.26
Proceeds from Other Operating Revenues	911,627.40
Payments to Suppliers for Goods and Services	(48,709,035.88)
Payments to Employees for Salaries	(97,728,990.43)
Payments to Employees for Benefits	(18,646,268.65)
Payments for Other Operating Expenses	(38,074,598.92)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b><u>\$ (62,663,274.49)</u></b>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

Proceeds from State Appropriations	\$ 54,440,306.10
Proceeds from Gifts	7,434,508.65
Proceeds from Grant Receipts	18,865,410.73
Payments for Transfers to Other State Agencies	(616,718.41)
Payments for Other Noncapital Financing Uses	(10,889,391.63)
<b>Net Cash Provided (Used) by Noncapital Financing Activities</b>	<b><u>\$ 69,234,115.44</u></b>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Proceeds from Other Capital and Related Financing Activities	\$ 14,101,882.00
Payments for Additions to Capital Assets	(12,354,317.16)
Payments of Principal on Debt	(12,838,505.78)
Payments of Interest on Debt Issuance	(3,710,847.70)
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b><u>\$ (14,801,788.64)</u></b>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Proceeds from Sales of Investments	\$ 56,899,515.39
Proceeds from Interest Income	323,338.34
Proceeds from Investment Income	1,049,830.17
Payments to Acquire Investments	(46,238,294.11)
<b>Net Cash Provided (Used) by Investing Activities</b>	<b><u>\$ 12,034,389.79</u></b>

**Net Increase (Decrease) in Cash and Cash Equivalents**

<b><u>\$ 3,803,442.10</u></b>
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Cash and Cash Equivalents, September 1	\$ 48,282,882.09
Restatements to Beginning Cash and Cash Equivalents	-
Cash and Cash Equivalents, September 1 - Restated	<u>\$ 48,282,882.09</u>

**Cash and Cash Equivalents, August 31**

<b><u>\$ 52,086,324.19</u></b>
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**Lamar University  
Statement of Cash Flows  
For the Year Ended August 31, 2020**

**RECONCILIATION OF OPERATING INCOME TO  
NET CASH PROVIDED BY OPERATING ACTIVITIES**

<b>Operating Income (Loss)</b>	<u>\$ (89,334,504.72)</u>
<b>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:</b>	
Amortization and Depreciation	\$ 11,923,829.22
Bad Debt Expense	1,349,593.00
On-Behalf Benefit Payments	10,707,750.00
Operating Income (Loss) and Cash Flow Categories: Classification Differences	
Changes in Assets and Liabilities:	
(Increase) Decrease in Receivables	(2,908,817.88)
(Increase) Decrease in Inventories	(35,644.79)
(Increase) Decrease in Prepaid Expenses	(2,184,166.53)
(Increase) Decrease in Notes Receivable	(2,329,628.66)
Increase (Decrease) in Payables	5,722,283.03
Increase (Decrease) in Unearned Revenue	4,393,530.21
Increase (Decrease) in Compensated Absence Liability	32,502.63
<b>Total Adjustments</b>	<u>\$ 26,671,230.23</u>
<b>Net Cash Provided by Operating Activities</b>	<u><u>\$ (62,663,274.49)</u></u>
 Non Cash Transactions	
Donation of Capital Assets	\$ 13,800.00
Net Change in Fair Value of Investments	\$ 1,208,166.95
Loss on Sale of Capital Assets	\$ 13,230.16

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## Notes to the Financial Statements



### Developing an Integrated Offshore Energy Industry Safety Culture Evaluation and Improvement Toolbox

Dr. Brian Craig, Dr. James Curry (Industrial Engineering Department) and the American Bureau of Shipping continue their robust collaborative research by establishing a path forward for the offshore industry to improve individual and organizational culture, reduce unsafe behaviors, improve human performance and reduce management system failures, near-misses and accidents. The resulting performance improvement culminates in human safety, health improvement and a reduction in the risk of environmental disasters involving offshore energy exploration and production.

***Sub-award: \$204,061 subaward by American Shipping Bureau in a grant funded by National Academy of Science, Engineering and Medicine Gulf Research Program.***

### CCSS: RUI Collaborative Research: Exploiting Upper Layer Spectrum Sensing and Directionality to Access the Hidden Available Spectrum

Dr. Xingya Liu's (Computer Science Department) research collaboration with the University of North Carolina at Charlotte transforms the wireless device industry. The project engages undergraduate students to design, analyze, and evaluate a novel spectrum sensing and access framework to discover and access additional available spectrum which cannot be detected by conventional spectrum sensing and access mechanisms in cognitive radio networks. Research results have direct implications in wireless communication including those involving public safety, emergency, vehicular and mobile health networks.

***Grant award: \$181,374 by National Science Foundation - Collaborative Research.***

### Protecting coastal water environment in the upper Gulf of Mexico region

Dr. Ashwini Kucknoor (Biology Department) continue receiving support to facilitate Texas Beach Watch in Jefferson County. Funded by the U.S. Environmental Protection Agency and the Texas General Land Office, the program collects critical biological indicators that monitor the health of coastal water while training the next generation student researchers in coastal water quality.

***Grant award: \$34,604 by Texas General Land Office***

### Partnership to address regional industrial needs

Lamar University's Engineering College continues its vital commitment to the Southeast Texas business community through several contracts with local business/industry. Research efforts include the creation of software management applications to local railyards (***Dr. Maryam Hamidi, \$52,111***), hydraulic fracturing flowback water analysis (***Dr. Thinesh Selvaratnam, \$15,000***) and to train convolutional neural networks and provide source code to be entered into proprietary software (***Dr. Hassan Zargarzadah, \$67,574***).



**LAMAR UNIVERSITY**  
MEMBER THE TEXAS STATE UNIVERSITY SYSTEM™

**UNAUDITED**  
**Lamar University**  
**Notes to the Financial Statements**  
**For the year ended August 31, 2020**

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

### **Reporting Entity**

Lamar University (LU) is part of the Texas State University System (TSUS). TSUS was founded in 1911, and is the first higher education system established in Texas. Beginning as an administrative means to consolidate the support and management of state teacher colleges, TSUS has evolved into a network of higher education institutions stretching from the Texas-Louisiana border to the Big Bend region of west Texas. Today, eight component institutions offer a broad range of academic and career opportunities. Those eight institutions are located throughout Texas and include Lamar University, Sam Houston State University, Sul Ross State University, Texas State University, Lamar Institute of Technology, Lamar State College-Orange, Lamar State College-Port Arthur, and Sul Ross State University Rio Grande College.

TSUS is governed by a nine-member Board of Regents (the “Board”) appointed by the Governor. In addition, a nonvoting student regent is appointed annually to the Board. The TSUS Administration (“System Administration”), which is headed by a Board appointed chancellor, is based in Austin, where it provides support to TSUS and state government.

TSUS is an agency of the State of Texas (the “State”) and is reported as one of six university systems and five independent universities that in total are presented as a major enterprise fund in the State’s Comprehensive Annual Financial Report.

The Lamar Foundation (the “Foundation”) is a separate legal entity registered with the IRS as a 501(c) organization and its efforts benefit LU and its students. The Foundation is separately governed and operates autonomously from the Board, and its related activities are not included in LU’s, TSUS’s or the State’s financial statements. The Foundation solicits donations and acts as a coordinator of gifts made by other parties. The Foundation remitted restricted gifts of \$6,732,134.40 to LU during the year ended August 31, 2020. During the fiscal year, LU furnished certain services, such as office space and utilities, to the Foundation, for which the Foundation was billed at cost of \$2,181,732.10. Accounts receivable of \$900,438.41 are due from the Foundation on August 31, 2020.

The accounting policies followed by LU in maintaining accounts and in the preparation of the financial statements are in accordance with the Texas Comptroller of Public Accounts’ Reporting Requirements for the Fiscal 2020 Annual Financial Reports of State Agencies and Universities (the “Comptroller’s AFR Requirements”) and with generally accepted accounting principles in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments. The Comptroller’s AFR Requirements are designed to assist the Texas Comptroller of Public Accounts in compiling and preparing the State’s CAFR and, accordingly, have some untraditional elements, such as the prohibition of rounding, unique ordering and specific numbering of footnotes, and the inclusion of footnote titles when the subject matter does not apply.

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No entities have been identified meeting GASB's definition of component units, which are legally separate entities and, accordingly, none are included within the reporting entity. As previously noted, LU is considered by the State as one of the academic entities that comprise TSUS, however, each entity is considered an agency of the State.

### **Fund Structure**

The accompanying financial statements are presented on the basis of funds. A fund is considered a separate accounting entity. The fund designation for institutions of higher education is a Business-type Activity within the Proprietary Fund Type.

### **Proprietary Funds**

Business-type funds are used for activities that are financed through the charging of fees and sales for goods or services to the ultimate user. Institutions of higher education are required to report their financial activities as business-type because the predominance of their funding comes through charges to students, sales of goods and services, and grant revenues.

### **Basis of Accounting**

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

Business-type activity funds (proprietary funds) are accounted for using the full accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time liabilities are incurred. Proprietary funds distinguish operating from nonoperating items. Operating revenues and expenses result from providing services or producing and delivering goods in connection with the proprietary funds' principal ongoing operations. Operating expenses for the proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets.

### **Budget and Budgetary Accounting**

The State's budget is prepared biennially and represents appropriations authorized by the Legislature and approved by the Governor as (the "General Appropriations Act"). Additionally, TSUS prepares an annual budget which represents anticipated sources of revenues and authorized uses. This budget is approved by TSUS's Board. Unencumbered appropriations are generally subject to lapse 60 days after the end of the fiscal year for which they were appropriated.



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**Assets, Liabilities, and Fund Balances/Net Position**

**ASSETS**

***Current and Noncurrent Assets***

Current assets are those that are readily available to meet current operational requirements. Noncurrent assets are those that are not readily available to meet current operational requirements and, instead, are intended to support long-term institutional needs.

***Cash and Cash Equivalents***

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

***Restricted Assets***

Restricted assets include monies or other resources restricted by legal or contractual requirements. These assets include proceeds of enterprise fund general obligation and revenue bonds and revenues set aside for statutory or contractual requirements. Assets held in reserve for guaranteed student loan defaults are also included.

***Investments***

Investments are generally stated at fair value with certain exceptions in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Fair value, which is determined based on quoted market prices, is the amount at which an investment could be exchanged in a current transaction between parties other than in a forced or liquidation sale. Changes in unrealized gains (losses) on the carrying value of investments are reported as a component of investment income in the accompanying Comparative Statement of Revenues, Expenses, and Changes in Net Position.

***Legislative Appropriations***

This item represents the balance of general revenue funds at year end as calculated in the Texas State Comptroller's General Revenue Reconciliation.

***Inventories and Prepaid Items***

Inventories include both merchandise inventories on hand for sale and consumable inventories. Inventories are valued at cost, generally utilizing the last-in, first-out method. The consumption method of accounting is used to account for inventories and prepaid items that appear in the proprietary fund types. The cost of these items is expensed when the items are used or consumed.

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***Capital Assets***

Assets such as furniture, equipment, and vehicles with an aggregate cost of more than \$5,000 and an estimated useful life in excess of one year are capitalized. Capitalization thresholds are also utilized for buildings and building improvements (\$100,000), infrastructure (\$500,000), and facilities and other improvements (\$100,000). Capital assets are recorded at cost or estimated historical cost if actual historical cost is not available. Donated capital assets are reported at acquisition value. For fabricated assets financed by debt, construction period interest is capitalized as part of the capital asset cost. The capitalized interest is combined with the other costs associated with constructing the asset and depreciated over the appropriate useful life beginning when the asset is placed into service.

Capital assets are depreciated over the estimated useful life of the asset using the straight-line method based on allocation methods and estimated lives prescribed by the Statewide Property Accounting (SPA) system. Depreciation is recorded as a periodic expense and accumulated as an offset to the asset book values. Depreciation expense is not allocated to functional categories for this Annual Financial Report.

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. These assets are required to be reported if they are identifiable. Land use rights are capitalized if the cost meets or exceeds \$100,000. Purchased computer software is capitalized if the aggregate cost of the purchase meets or exceeds \$100,000. Internally generated computer software has a capitalization threshold of \$1,000,000, and other intangible capital assets must be capitalized if the cost meets or exceeds \$100,000. Intangible assets are amortized based on the estimated useful life of the asset using the straight-line method.

***Other Receivables - Current and Noncurrent***

The disaggregation of other receivables as reported in the financial statements is shown in Note 24, "Disaggregation of Receivables and Payables Balances." Other receivables include year-end accruals not included in any other receivable category. This account can appear in governmental and proprietary fund types.

***LIABILITIES***

***Accounts Payable***

Accounts payable represents the liability for the value of assets or services received for which payment is pending.

***Other Liabilities - Current and Noncurrent***

Other payables are the accrual at year end of expenditure transactions not included in any of the other payable descriptions. The disaggregation of other payables as reported in the financial statements is shown in Note 24, "Disaggregation of Receivables and Payables Balances."

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***Unearned Revenues***

Unearned revenues include amounts for tuition and fees, certain auxiliary activities, and amounts from grant and contract sponsors received prior to the end of the fiscal year but related to the subsequent accounting period.

***Funds Held for Others***

Current balances in funds held for others result from LU acting as an agent or fiduciary for other organizations.

***Employees' Compensable Leave***

Employees' Compensable Leave represent the liability that becomes "due" upon the occurrence of relevant events such as resignations, retirements, and uses of leave balances by covered employees. Liabilities are reported separately as either current or noncurrent. These obligations are normally paid from the same funding source from which each employee's salary or wage compensation was paid.

***NET POSITION***

Net position is the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. Net position is divided into three categories as described below.

***Invested in Capital Assets, Net of Related Debt***

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

***Restricted Net Position***

Restricted net position results when constraints placed on net position use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation. When both restricted and unrestricted assets are available for use, restricted resources are used first, then unrestricted resources are used as needed.

**Expendable** net position use is subject to externally imposed stipulations that can be fulfilled by actions pursuant to those stipulations, or that expire by the passage of time.

Nonexpendable net position is subject to externally imposed stipulations that it be maintained permanently. Such assets include the principal of permanent endowment funds.

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***Unrestricted Net Position***

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

***OPERATING AND NONOPERATING REVENUES AND EXPENSES***

**Operating Revenues and Expenses** include activities such as student tuition and fees; net sales and services of auxiliary enterprises; exchange basis federal, state, and local grants and contracts and related expenses, including depreciation; scholarships and fellowships; impairment losses; insurance recovery in the year of the loss; and incurred but not reported liabilities.

**Nonoperating Revenues and Expenses** - include activities such as gifts and contributions, insurance recoveries received in years after the loss, State appropriations, investment income, nonexchange basis federal and state grants and contracts, and other nonoperating items defined by GASB.

**Interfund Activity and Transactions**

LU has the following types of transactions between funds:

**Transfers** are legally required transferals that are reported when incurred as “Transfers In” by the recipient fund and as “Transfers Out” by the disbursing fund.

**Reimbursements** are repayments from funds responsible for expenditures or expenses to funds that made the actual payment. Reimbursements of expenditures made by one fund for another are recorded as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund. Reimbursements are not displayed in the financial statements.

**Interfund Receivables and Payables** are reported as interfund loans. If repayment is due during the current year or soon thereafter, the balance is classified as “current.” Balances for repayment due in two or more years are classified as “noncurrent.”

**Interfund Sales and Purchases** are charges or collections for services rendered by one fund to another that are recorded as revenues of the recipient fund (interfund services provided) and expenditures or expenses of the disbursing fund (interfund services used). The composition of LU’s interfund activities and transactions are presented in Note 12.

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**NOTE 2: Capital Assets**

Revenue received from the sale of surplus property has been transferred to unappropriated general revenue in accordance with HB7, Sec. 20.

A summary of changes in capital assets for the year ended August 31, 2020 is presented below:

PRIMARY GOVERNMENT							
	Balance 9/1/2019	Adjustments	Completed CIP	Transfers Inc(Dec)	Additions	Deletions	Balance 8/31/2020
<b>BUSINESS-TYPE ACTIVITIES</b>							
<b>Non-depreciable/Non-amortizable</b>							
Land and Land Improvements	\$ 15,091,612.93	\$ -	\$ -	\$ -	\$ 29,807.04	\$ -	\$ 15,121,419.97
Infrastructure	-	-	-	-	-	-	-
Construction in Progress	61,355,143.61	(31,892.83)	(6,833,758.34)	-	11,196,613.41	-	65,686,105.85
Other Tangible Capital Assets	3,330,817.37	-	-	-	13,800.00	-	3,344,617.37
Land use Rights	-	-	-	-	-	-	-
Other Intangible Capital Assets	-	-	-	-	-	-	-
<b>Total Non-depreciable/Non-amortizable</b>	<b>\$ 79,777,573.91</b>	<b>\$ (31,892.83)</b>	<b>\$ (6,833,758.34)</b>	<b>\$ -</b>	<b>\$ 11,240,220.45</b>	<b>\$ -</b>	<b>\$ 84,152,143.19</b>
<b>Depreciable Assets</b>							
Building and Building Improvements	\$ 315,164,600.33	\$ -	\$ 4,974,255.80	\$ -	\$ -	\$ (117,492.00)	\$ 320,021,364.13
Infrastructure	20,720,125.64	-	-	-	-	-	20,720,125.64
Facilities and Other Improvements	25,486,125.57	-	1,859,502.54	-	-	-	27,345,628.11
Furniture and Equipment	29,568,183.45	124,067.00	-	-	884,316.59	(318,527.97)	30,258,039.07
Vehicles, Boats, and Aircraft	2,346,523.47	-	-	-	233,191.19	(94,048.86)	2,485,665.80
Other Capital Assets	22,762,557.23	-	-	-	10,388.93	-	22,772,946.16
<b>Total Depreciable Assets</b>	<b>\$ 416,048,115.69</b>	<b>\$ 124,067.00</b>	<b>\$ 6,833,758.34</b>	<b>\$ -</b>	<b>\$ 1,127,896.71</b>	<b>\$ (530,068.83)</b>	<b>\$ 423,603,768.91</b>
<b>Less Accumulated Depreciation:</b>							
A/D Buildings and Improvements	\$ (147,960,183.42)	\$ -	\$ -	\$ -	\$ (7,863,845.76)	\$ 111,617.40	\$(155,712,411.78)
A/D Infrastructure	(14,203,727.95)	-	-	-	(543,482.04)	-	(14,747,209.99)
A/D Facilities and Other Improvements	(14,551,126.32)	-	-	-	(740,818.26)	-	(15,291,944.58)
A/D Furniture and Equipment	(20,365,435.14)	(100,067.00)	-	-	(2,321,903.94)	311,172.41	(22,476,233.67)
A/D Vehicles, Boats, and Aircraft	(1,331,743.58)	-	-	-	(216,375.16)	94,048.86	(1,454,069.88)
A/D Other Capital Assets	(21,410,123.14)	-	-	-	(237,404.06)	-	(21,647,527.20)
<b>Total Accumulated Depreciation</b>	<b>\$ (219,822,339.55)</b>	<b>\$ (100,067.00)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (11,923,829.22)</b>	<b>\$ 516,838.67</b>	<b>\$ (231,329,397.10)</b>
<b>Depreciable Assets, Net</b>	<b>\$ 196,225,776.14</b>	<b>\$ 24,000.00</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (10,795,932.51)</b>	<b>\$ (13,230.16)</b>	<b>\$ 192,274,371.81</b>
<b>Business-Type Activities Capital Assets, Net</b>	<b>\$ 276,003,350.05</b>	<b>\$ (7,892.83)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 444,287.94</b>	<b>\$ (13,230.16)</b>	<b>\$ 276,426,515.00</b>



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

#### Deposits

As of August 31, 2020, the actual bank balance was \$39,370,399.81. The carrying balance was \$38,777,112.71 as presented below.

Current Assets – Cash in Bank	\$ 27,117,614.77
Current Assets - Restricted Cash in Bank	9,819,704.96
Noncurrent - Restricted Cash in Bank	<u>1,839,792.98</u>
Cash in Bank	<u>\$ 38,777,112.71</u>

#### Custodial Credit Risk

LU's bank accounts are entirely secured by FDIC insurance and collateral pledged. LU has no deposits that are at risk of recovery due to the failure of a depository financial institution.

#### Investments

LU is authorized to invest in obligations and instruments as defined in "prudent person standard" as defined by Texas Education Code §51.0031(d). Endowment Funds may be invested in accordance with the Uniform Management of Institutional Funds Act, Property Code Chapter 163. Such investments include (1) obligations of the United States or its agencies, (2) direct obligations of the State or its agencies, (3) obligations of political subdivisions rated not less than 'A' by a national investment rating firm, (4) certificates of deposit, and (5) other instruments and obligations authorized by statute. LU is authorized by statute to make investments following the "prudent person rule." There were no significant violations of legal provisions during the period.

LU values its investments at fair value. GASB Statement No. 72, *Fair Value Measurement and Application*, defines fair value as the price received to sell an asset in an orderly transaction between market participants at the measurement date. Fair value is an exit price at the measurement date from the perspective of the market participant that holds the asset. This is a market-based measurement.

GASB 72 also establishes a fair value hierarchy that classifies inputs to valuation techniques into three levels:

- Level 1—inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that can be accessed at the measurement date.
- Level 2—inputs are inputs (other than quoted prices included within Level 1) that are observable for an asset or liability, either directly (quoted market prices for similar assets or liabilities) or indirectly (corroborated from observable market information).
- Level 3—inputs are unobservable inputs for an asset or liability. Beyond these three levels, net asset value may be used to categorize investments without a readily determinable fair value. As of year-end, fair values of investments were categorized as follows:

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Type of Investments	Fair Value at 8/31	Level 1	Level 2	Level 3	Net Asset Value
Common Equity	\$ 1,001,058.85	\$ 1,001,058.85	\$ -	\$ -	\$ -
Domestic Mutual Funds	4,718,498.26		4,718,498.26		
International Mutual Funds	5,337,363.80		5,337,363.80		
Fixed Income Money Market and Bond Mutual Fund	3,332,283.01		2,703,883.54		628,399.47
Other Commingled Funds	11,129,240.08			11,129,240.08	
REITS	1,739,952.73		1,739,952.73		
TEXPOOL					6,182,400.17
<b>Investments</b>	<b>\$33,440,796.90</b>	<b>\$ 1,001,058.85</b>	<b>\$ 14,499,698.33</b>	<b>\$11,129,240.08</b>	<b>\$6,810,799.64</b>

Reconciliation of Investments	Fair Value
Current assets – cash equivalents	\$15,198.23
Non-current assets investments	0.00
Non-Current assets restricted - cash equivalents	6,795,601.41
Non-current restricted assets investments	<u>26,629,997.26</u>
Totals	<u>\$33,440,796.90</u>

### Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. LU's investment policy requires that investments in debt securities be rated in the top three investment grade ratings (Standard and Poor's "AAA" to "A" or comparable ratings with other agencies for operating funds and BBB and above for endowments) at the time of purchase. Two nationally recognized statistical rating organizations must rate the security. Risk is further limited through the Investment Policy by term limitations and maximum single purchase and maximum aggregate position percentages. As of year end, LU's credit quality distribution for securities with credit risk exposure was:

FUND TYPE	INVESTMENT NAME	AAA	AA	A	UNRATED
05	Fixed income money market and bond mutual fund	\$ -	\$ -	\$ -	\$ 3,332,283.01

### NOTE 4: Short-Term Debt

LU has no short-term debt as of August 31, 2020.

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## **NOTE 5: Long-Term Liabilities**

### **Changes in Long-Term Liabilities**

During the year ended August 31, 2020, the following changes occurred in long-term liabilities:

Type	Begin. Balance	Additions	Reductions	Ending Balance	Due within one year	Amounts Due Thereafter
Deposit Payable	\$ 375,117.69	\$ 239,105.16	\$ 171,254.98	\$ 442,967.87	\$ 155,038.75	\$ 287,929.12
Employees' Compensable Leave	3,754,426.42	2,325,071.50	2,292,568.87	3,786,929.05	568,039.36	3,218,889.69
Total Long-Term Liabilities	\$ 4,129,544.11	\$ 2,564,176.66	\$ 2,463,823.85	\$ 4,229,896.92	\$ 723,078.11	\$ 3,506,818.81

### **Employees' Compensable Leave**

A State employee is entitled to be paid for all unused vacation time accrued in the event of the employee's resignation, dismissal, or separation from State employment, provided the employee has had continuous employment with the State for six months. Expenditures for accumulated annual leave balances are recognized in the period paid or taken.

Substantially all full-time State employees earn annual leave from eight to twenty-one hours per month, depending on the respective employees' years of State employment. The State's policy is that an employee may carry his accrued leave forward from one fiscal year to another fiscal year with a maximum number of hours up to 532 for those employees with 35 or more years of State service. Accrued leave in excess of the normal maximum was converted to sick leave at the conclusion of fiscal year 2020. Employees with at least six months of State service who terminate their employment are entitled to payment for all accumulated annual leave up to the maximum allowed.

Sick leave, the accumulation of which is unlimited, is earned at the rate of eight hours per month and is available only when an employee is off due to personal or family illness or to the estate of an employee in the event of his/her death. The maximum sick leave that may be paid to an employee's estate is one-half of the employee's accumulated sick leave or 336, whichever is less. LU's policy is to recognize the cost of sick leave when paid, and the liability is not shown in the financial statements since experience indicates the expense for sick leave to be minimal.

### **Bonds Payable**

See Note 6 for a disclosure of long-term debt category Bonds Payable/Bonded Indebtedness.

## **NOTE 6 Bonded Indebtedness**

All bonded indebtedness for Lamar University is issued by System Administration through the Texas State University System Revenue Financing System (the "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 the funds (revenues) and balances derived or attributable to any member of the Revenue Financing System that are lawfully available to the Board for payments on Parity Debt.

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

A portion of the debt represents Tuition Revenue Bonds historically funded by the Texas Legislature through General Revenue Appropriations. The institution was appropriated \$6,461,238 during the current fiscal year for Tuition Revenue Bond debt service. The institution expects future Legislative appropriations to meet debt service requirements for Tuition Revenue Bonds.

Debt services requirements attributable to Lamar University related projects include:

<b>Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2021	\$ 10,761,311.00	\$ 5,720,318.02	\$ 16,481,629.02
2022	11,220,000.00	5,265,419.32	16,485,419.32
2023	10,380,000.00	4,771,651.36	15,151,651.36
2024	10,875,000.00	4,316,408.98	15,191,408.98
2025	11,395,000.00	3,843,838.58	15,238,838.58
2026-2030	50,655,000.00	11,926,164.24	62,581,164.24
2031-2035	23,390,000.00	2,652,134.10	26,042,134.10
2036	2,065,000.00	83,880.30	2,148,880.30
Totals	<u>\$130,741,311.00</u>	<u>\$38,579,814.90</u>	<u>\$169,321,125.90</u>

## **NOTE 7: Derivatives**

LU has no derivative instruments as of August 31, 2020.

## **NOTE 8: Leases**

### **Operating Leases**

Included in the expenditures reported in the financial statements are the following amounts of rent paid or due under operating lease obligations:

<b>Fund Type</b>	<b>Amount</b>
Auxiliary	\$10,149.36
Total	\$10,149.36

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

Fiscal Year Ended August 31	Amount
2021	\$10,149.36
2022	6,420.00
Total Minimum Future Lease Rental Payment	\$16,569.36

### **Capital Leases**

LU has no capital leases as of August 31, 2020.

### **NOTE 9: Defined Benefit Pension Plan and Defined Contribution Plan**

LU's State employees may participate in the defined benefit plan administered by the Teacher Retirement System of Texas (TRS). Additionally, LU's state employees may participate in the defined contribution plan – Optional Retirement Plan.

Liabilities associated with TRS pension benefits provided by the State for employees providing services for LU are reported by TSUS. Additionally, full disclosures of the plans as required by GASB 68 are reported by TSUS. These disclosures are intended for overview purposes only.

#### **Defined Benefit Pension Plan – TRS Plan**

TRS is the administrator of the Teacher Retirement System Pension Plan (the “TRS Plan”), a cost-sharing, multiple-employer defined benefit pension plan with a special funding situation.

The employers of the TRS Plan include the State, TRS, the State's public schools, education service centers, charter schools, and community and junior colleges. All employees of public, state-supported education institutions in Texas who are employed for one-half or more of the standard workload and not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the TRS Plan. Employees of TRS and State colleges, universities, and medical schools are members of the TRS Plan.

The TRS Plan provides retirement, disability annuities, and death and survivor benefits. The benefit and contribution provisions of the TRS Plan are authorized by State law and may be amended by the Legislature.

The audited Comprehensive Annual Financial Report for the Retirement System may be obtained from:

Teacher Retirement System of Texas  
1000 Red River Street  
Austin, Texas 78701-2698

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**Defined Contribution Plan – Optional Retirement Plan**

The State established an optional retirement program (ORP) for institutions of higher education. Participation in ORP is in lieu of participation in the TRS Plan and is available to certain eligible employees.

ORP is a defined contribution plan in which each participant selects from a variety of investments offered by several insurance and investment companies through annuity contracts or mutual fund investments. These types of investments are authorized by Internal Revenue Code, Section 403(b). With the purchase of these individual contracts, the State has effectively transferred the obligation for the payment of benefits to the companies. Participants vest in ORP after one year and one day of participation. Individual accounts are maintained at the insurance and investment companies selected by each ORP participant.

Additional information for ORP is included in the ORP Participation Report Summary published annually by the Texas Higher Education Coordinating Board. The report can be obtained from:

Statewide Coordinator, Optional Retirement Program  
Texas Higher Education Coordinating Board  
P. O. Box 12788  
Austin, Texas 78711

The contributions made by plan members and employers for the fiscal year ended are \$2,125,634.00 and \$1,976,711.00, respectively for a total of \$4,102,345.00.

**NOTE 10: Deferred Compensation**

State employees may elect to defer a portion of their earnings for income tax and investment purposes pursuant to authority granted in the Texas Government Code Annotated, Section 609.001. Two plans are available for employees' participation, which are administered by the Employees Retirement System. The assets of the plans do not belong to LU, TSUS or the State. LU, TSUS, or the State have no liability related to the plans. LU does not serve as administrative agency for the plans.

**NOTE 11: Postemployment Benefits Other Than Pensions**

In addition to providing pension benefits, the State contributes to a plan that provides health care and life insurance benefits for retired employees of LU, their spouses and beneficiaries. These other postemployment benefits (OPEB), authorized by statute and contributions, are established by the General Appropriations Act.

Employees Retirement System of Texas (ERS) administers a program that provides postemployment health care, life and dental insurance benefits to retirees through the Texas Employees Group Benefits Program as authorized by Texas Insurance Code, Chapter 1551. ERS implemented GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, in fiscal year 2017. Complete disclosure of the State's OPEB can be found in the State of Texas' Comprehensive Annual Financial Report.

Liabilities associated with OPEB provided by the State for employees providing services for LU are reported by TSUS. Additionally, full disclosures of OPEB as required by GASB 74 are reported by TSUS.

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**NOTE 12: Interfund Activity and Transactions**

LU experienced routine transfers with other state agencies that were consistent with the activities of the fund making the transfer. Repayment of interfund balances will occur within one year from the date of the financial statements.

Individual balances and activity as of August 31, 2020, follows:

	Due from other Agencies	Due To Other Agencies	Source
Agency 721, D23, Fund 7999	\$ 2,196.72	\$ -	Restricted Funds
Agency 730, D23, Fund 7999	6,174.07	-	Restricted Funds
Agency 789 D23, Fund 7999	16,556.43	-	General Revenue
Agency 788 D23, Fund 7999	-	1,984.50	Designated Funds
Agency 711, D23, Fund 7999	-	167.93	General Revenue
Agency 758, D23, Fund 7999	-	332,855.76	Endowment Funds
<b>Total Due From/To Other Agencies</b>	<b>\$ 24,927.22</b>	<b>\$ 335,008.19</b>	
	Legislative	Legislative	
	TRANSFER IN	TRANSFER OUT	Source
Agency 758, D23, Fund 0001	\$ -	\$ 6,461,238.00	General Revenue. TRB
Agency 403, D23, Fund 0001	248,456.00	-	GR-Hazlewood
<b>Total Legislative Transfers</b>	<b>\$ 248,456.00</b>	<b>\$ 6,461,238.00</b>	
	TRANSFER IN	TRANSFER OUT	Source
Agency 902, D23, Fund 0210	\$ 146,019.00	\$ -	General Revenue
Agency 902, D23, Fund 0599	110,676.55	-	General Revenue
Agency 608, D23, Fund 0802	-	12.07	General Revenue
Agency 347, D23, Fund 0001	-	306,105.96	General Revenue
Agency 347, D23, Fund 0256	-	310,612.45	General Revenue
Agency 758, D23, Fund 7999	-	1,839,624.00	Designated Funds
Agency 758, D23, Fund 7999	-	205,731.76	Designated Funds
Agency 758, D23, Fund 7999	-	9,882,383.72	Auxiliary Funds
<b>Total Transfers</b>	<b>\$ 256,695.55</b>	<b>\$ 12,544,469.96</b>	

**NOTE 13: Continuance Subject to Review**

LU is not subject to a review of continuance.

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## **NOTE 14: Adjustments to Fund Balances and Net Position**

LU adjusted beginning net position from the previously issued financial statements as follows:

Adjustment in Capital Assets	<u>\$(7,892.83)</u>
Total Restatements	<u>\$(7,892.83)</u>

## **NOTE 15: Contingencies and Commitments**

### **Claims and Judgements**

As of August 31, 2020, various lawsuits and claims involving LU were pending. While the ultimate liability with respect to litigation and other claims asserted against LU or the Board 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 LU's financial statements.

### **Federal Assistance**

LU has received several federal grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to a request for reimbursements to grantor agencies for expenditures disallowed under the terms of the grant. Based on prior experience, management believes such disallowances, if any, will be immaterial.

### **Arbitrage**

Rebatable arbitrage is defined by Internal Revenue Code, Section 148, as earnings on investments purchased with the gross proceeds of a bond issue in excess of the amount that would have been earned if the investment were invested at a yield equal to the yield on the bond issue. The rebatable arbitrage must be paid to the federal government.

System Administration monitors its investments to restrict earnings to a yield less than the bond issue and, therefore, limits any arbitrage liability. Systems Administration estimates that rebatable arbitrage liability, if any, will be immaterial to its overall financial condition. Consistent with TSUS's and LU's reporting of bonds at the system level, any arbitrage liability would be reported by TSUS and not LU.

### **Construction Commitments**

LU continues to implement capital improvements to upgrade facilities. The outstanding capital commitments for the construction and renovation of various facilities are \$5,384,868.63. These projects are in various stages of completion.

### **Investment Funds**

As of August 31, 2020, LU has capital commitments with investment managers for future funding of investment funds of \$146,472.00.



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**NOTE 16: Subsequent Events**

LU has no other subsequent events to report as of August 31, 2020.

**NOTE 17: Risk Management**

LU is exposed to a variety of civil claims resulting from the performance of its duties. It is LU's policy to periodically assess the proper combination of commercial insurance and retention of risk to cover losses to which it may be exposed. LU assumes substantially all risks associated with tort and liability claims due to the performance of its duties. Currently, LU manages limited risk with the purchase of commercial insurance. LU is not involved in any risk pool with other government entities for these risks. LU incurred no losses during the fiscal year ended August 31, 2020, except for losses related to Tropical Storm Imelda and Hurricane Laura. LU is required by certain bond covenants and FEMA to carry fire and extended coverage and boiler insurance on buildings financed through the issuance of bonds using pledged Auxiliary Enterprise or other noneducational and General Funds. The insurance protects the bond holders from a disruption to the revenue stream that is being utilized to make the bond interest and principal payments and the federal government for storm damage.

The Texas Motor Vehicle Safety Responsibility Act requires that every nongovernmental vehicle operated on a State highway be insured for minimum liability in the amount of \$30,000/\$60,000 bodily injury and \$25,000 property damage. However, LU has chosen to carry liability insurance on its licensed vehicles in the amount of \$1,000,000 combined single liability. The coverage exceeds the extent of the waivers of State immunity specified in the tort claims act.

**NOTE 18: Management's Discussion and Analysis (MD&A)**

Management Discussion and Analysis is a required part of the basic financial statements. Management Discussion and Analysis is omitted because LU is reported in a consolidated format with Texas State University System which is reported as a component of the State of Texas. Management Discussion and Analysis as it relates to Texas State University System can be found in the State of Texas basic financial statements.

**NOTE 19: The Financial Reporting**

See Reporting Entity in Note 1.

**NOTE 20: Stewardship, Compliance, and Accountability**

There were no material violations of finance related legal or contractual provisions.

**NOTE 21: Undefined by Texas Comptroller**

Reserved for future use by Texas Comptroller.

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**NOTE 22: Donor-Restricted Endowments**

Net appreciation of \$6,517,621.28 related to true endowments was classified as restricted, expendable on the Statement of Net Position. The net appreciation included a positive fair value adjustment totaling \$1,288,210.34 for fiscal year 2020.

Distributions are calculated using the ending fair market value on August 31 of each year multiplied by an authorized distribution rate. The authorized distribution rate for the fiscal year ended August 31, 2020 was 4%. The individual endowments own units in a restricted investment pool and the annual distributions are allocated on a per unit basis.

**Changes from Prior Year Balances**

True Endowment Funds	2020 Increase/(Decrease)	Reason for Change
Expendable Balances	\$735,679.23	Fair value changes, earnings, fees & dist.
Nonexpendable Balances	\$475,427.93	New gifts

The balances, or transactions, of funds held in trust by others on behalf of LU are not reflected in the financial statements. At August 31, 2020, there was one such fund for the benefit of LU. Based upon the most recent available information, the assets of this fund as reported by the Trustees are valued at \$5,890,073.19.

**NOTE 23: Extraordinary and Special Items**

No items have been identified meeting the criteria of extraordinary or special items.

**NOTE 24: Disaggregation of Receivables and Payables Balances**

Balances of receivables and payables reported on the Statement of Net Position are not obscured by aggregation. There are no significant receivable balances expected to be collected beyond one year of the date of the financial statements. Accounts receivable for tuition and student loan are presented net of allowance for doubtful accounts in the amounts of \$14,198,533.08 and \$5,312,999.83 respectively.

**NOTE 25: Termination Benefits**

LU has no termination benefits to report as of August 31, 2020.

**NOTE 26: Segment Information**

LU has no segments to report as of August 31, 2020

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**NOTE 27: Service Concession Arrangements**

LU has no service concession arrangements to report as of August 31, 2020.

**NOTE 28: Deferred Outflows of Resources and Deferred Inflows of Resources**

LU has no deferred outflows or inflows of resources to report as of August 31, 2020.

**NOTE 29: Troubled Debt Restructuring**

LU has no troubled debt restructuring to report as of August 31, 2020.

**NOTE 30: Nonexchange Financial Guarantees**

LU has no nonexchange financial guarantees to report as of August 31, 2020.

**NOTE 31: Tax Abatements**

LU has no tax abatements to report as of August 31, 2020.

**NOTE 32: Governmental Fund Balances**

LU's financial statements are presented for the business-type operations.

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**LAMAR UNIVERSITY**  
MEMBER THE TEXAS STATE UNIVERSITY SYSTEM™

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