

Annual Financial Report

FISCAL YEAR ENDING AUGUST 31, 2023



NO. 1 IN TEXAS

LSCPA was ranked as the Most Focused College by website CollegeFactual.com:

- ◆ Cosmetology
- ◆ Music Performance
- ◆ Physical Science Tech
- ◆ Substance Abuse Counseling
- ◆ Accounting
- ◆ Chemical Technology
- ◆ Drafting & Design
- ◆ Paralegal





Lamar State College Port Arthur

Member – The Texas State University System

ANNUAL FINANCIAL REPORT

FISCAL YEAR 2023

(September 1, 2022 – August 31, 2023)



Lamar State College - Port Arthur

MEMBER TEXAS STATE UNIVERSITY SYSTEM™

November 20, 2023

Honorable Greg Abbott, Governor
Honorable Glenn Hegar, Texas Comptroller
Jerry McGinty, Director, Legislative Budget Board
Lisa Collier, State Auditor

Dear Governor Abbott, Mr. Hegar, Mr. McGinty, and Ms. Collier:

We are pleased to submit the annual financial report of Lamar State College Port Arthur for the year ended August 31, 2023, 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) Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, 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 *Annual Comprehensive Financial Report (ACFR)*; 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 Mary Wickland, Executive Vice President for Finance and Operations, at (409) 984-6125.

Sincerely,

Dr. Betty Reynard
President

MAW



Lamar State College - Port Arthur

MEMBER TEXAS STATE UNIVERSITY SYSTEM™

November 20, 2023

Dr. Betty Reynard
President
Lamar State College Port Arthur
Port Arthur, TX 77641

Dear Dr. Reynard,

Submitted herein is the Annual Financial Report of Lamar State College Port Arthur for the fiscal year ended August 31, 2023.

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 Annual Comprehensive Financial Report; therefore, an opinion has not been expressed on the statements and related information contained in the report.

If you have any questions, please contact Shelley Cowart at (409) 984-6137 or Mary Wickland at (409) 984-6125.

Respectfully Submitted,

Shelley Cowart
Controller

Approved:

Mary Wickland, CPA
Executive Vice President for Finance and Operations

UNAUDITED

LAMAR STATE COLLEGE PORT ARTHUR

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LAMAR STATE COLLEGE PORT ARTHUR

Organizational Data
For the Year Ended August 31, 2023

BOARD OF REGENTS TEXAS STATE UNIVERSITY SYSTEM

Member	Member's City (Texas)	Term Expiration
Duke Austin, Chairman	Houston	February 1, 2029
Alan L. Tinsley, Vice Chairman	Madisonville	February 1, 2027
Russell Gordy	Houston	February 1, 2029
Charlie Amato	San Antonio	February 1, 2025
Sheila Faske	Rose City	February 1, 2027
Dionicio (Don) Flores	El Paso	February 1, 2025
Tom Long	Frisco	February 1, 2029
Stephen Lee	Beaumont	February 1, 2027
William F. Scott	Nederland	February 1, 2025
Kelvin Elgar, Student Regent	Beaumont	May 31, 2024

SYSTEM ADMINISTRATION

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

LAMAR STATE COLLEGE PORT ARTHUR

Name	Title
Dr. Betty Reynard	President
Dr. Pamela Millsap	Vice President for Academic Affairs
Mary Wickland	Executive Vice President for Finance and Operations
Dr. Tessie Bradford	Dean of Student Services

UNAUDITED
Texas State University System
Lamar State College Port Arthur
Statements of Net Position
August 31, 2023

	2023	2022
ASSETS		
Current Assets:		
Cash and Cash Equivalents:		
Cash on Hand	\$ 1,700.00	\$ 1,700.00
Cash in Bank	2,955,560.63	572,911.37
Cash in State Treasury	5,083,928.73	4,232,112.61
Cash Equivalents	7,559,284.21	8,897,325.53
Restricted:		
Cash in Bank	223,863.70	110,713.29
Cash in State Treasury	100,603.34	189,078.01
Legislative Appropriations	12,681,151.96	8,174,531.70
Receivables:		
Federal	3,468,072.17	1,935,758.02
Accounts Receivable, net	1,770,739.14	1,436,264.12
Due From Other Agencies	408,976.61	279,466.53
Prepaid Items	301,074.46	734,442.29
Loans and Contracts, net	236,357.98	176,839.20
Total Current Assets	34,791,312.93	26,741,142.67
Noncurrent Assets:		
Restricted:		
Cash and Cash Equivalents:		
Cash in Bank	859,086.60	833,606.67
Cash Equivalents	-	-
Investments	4,974,579.91	4,874,724.68
Capital Assets:		
Non-Depreciable or Non-Amortizable:		
Land and Land Improvements	2,727,295.92	2,627,254.92
Construction in Progress	598,288.13	1,071,547.00
Depreciable or Amortizable:		
Building and Building Improvements	66,086,131.80	58,112,760.41
Less Accumulated Depreciation	(31,881,619.56)	(29,942,414.49)
Facilities and Other Improvements	4,066,872.41	4,066,872.41
Less Accumulated Depreciation	(2,336,297.67)	(2,204,468.55)
Furniture and Equipment	6,185,000.66	4,514,865.96
Less Accumulated Depreciation	(3,253,943.39)	(2,873,490.64)
Vehicles, Boats, and Aircraft	1,145,999.72	694,957.72
Less Accumulated Depreciation	(351,536.28)	(248,508.45)
Other Capital Assets	3,224,785.57	3,224,785.57
Less Accumulated Depreciation	(2,932,306.78)	(2,869,610.50)
Right to Use Assets:		
Building and Building Improvements	1,258,062.40	1,258,062.40
Less Accumulated Amortization	(230,644.77)	(104,838.53)
Intangible Assets:		
Service Concession Arrangement	1,398,670.00	-
Total Noncurrent Assets	51,538,424.67	43,036,106.58

UNAUDITED
Texas State University System
Lamar State College Port Arthur
Statements of Net Position
August 31, 2023

	2023	2022
Total Assets	\$ 86,329,737.60	\$ 69,777,249.25
LIABILITIES		
Current Liabilities:		
Payables from:		
Accounts Payable	\$ 4,319,218.93	\$ 2,673,750.93
Payroll Payable	2,646,249.70	1,994,884.04
Interest Payable	949.69	2,131.68
Due to Other Agencies	103,295.11	188,578.01
Unearned Revenues	2,986,683.44	2,883,337.31
Employees' Compensable Leave	469,877.92	441,636.50
Right to Use Lease Obligation	123,010.66	131,744.12
Total Current Liabilities	10,649,285.45	8,316,062.59
Noncurrent Liabilities:		
Employees' Compensable Leave	400,266.37	376,208.87
Right to Use Lease Obligation	913,015.07	1,036,025.73
Total Non-Current Liabilities	1,313,281.44	1,412,234.60
Total Liabilities	\$ 11,962,566.89	\$ 9,728,297.19
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflow of Resources	\$ 1,339,152.13	\$ -
NET POSITION		
Net Investment in Capital Assets	\$ 43,270,062.43	\$ 36,174,551.36
Restricted for:		
Other	1,046,115.13	1,467,011.43
Unrestricted		
HEF	5,844,375.60	5,847,004.71
Other	22,867,465.42	16,560,384.56
Total Net Position	\$ 73,028,018.58	\$ 60,048,952.06

UNAUDITED
Texas State University System
Lamar State College Port Arthur
Statements of Revenues, Expenses, and Changes in Net Position
For the Year Ended August 31, 2023

	2023	2022
Operating Revenues:		
Sales of Goods and Services		
Tuition and Fees - Pledged	\$ 6,246,871.18	\$ 5,908,505.81
Tuition and Fees - Discounts/Allowances	(2,734,689.61)	(1,482,367.28)
Auxiliary Enterprise - Pledged	171,522.77	158,904.08
Other Sales of Goods and Services - Pledged	810,771.23	1,325,192.55
Federal Revenue - Operating	850,637.90	828,815.60
Federal Pass Through Revenue	658,308.56	745,398.01
State Grant Pass Through Revenue	866,858.36	389,147.03
Total Operating Revenues	6,870,280.39	7,873,595.80
Operating Expenses:		
Instruction	9,825,523.47	9,237,450.84
Public Service	283,963.60	274,390.71
Academic Support	2,776,434.98	3,904,392.33
Student Services	1,724,286.50	1,724,918.22
Institutional Support	5,493,979.88	5,365,247.68
Operation and Maintenance of Plant	3,065,215.13	2,664,769.57
Scholarships and Fellowships	3,740,588.24	6,945,493.06
Auxiliary	1,293,712.32	1,212,027.55
Depreciation and Amortization	2,768,295.76	2,330,206.28
Total Operating Expenses	30,971,999.88	33,658,896.24
Operating Income (Loss)	(24,101,719.49)	(25,785,300.44)
Nonoperating Revenues (Expenses):		
Legislative Revenue (GR)	18,361,375.00	14,841,369.00
Additional Appropriations (GR)	2,761,815.56	2,699,119.95
Federal Revenue	10,116,938.10	11,279,100.17
Gifts	2,729,946.45	1,379,264.43
Interest and Investment Income	573,321.62	79,163.77
Net Increase in Fair Value of Investments	99,855.23	(272,177.80)
Other Nonoperating Revenues (Expenses)	1,310,199.96	1,038,774.08
Total Nonoperating Revenues (Expenses)	35,953,451.92	31,044,613.60
Income (Loss) before Other Revenues, Expenses, Gains, Losses, and Transfers	\$ 11,851,732.43	\$ 5,259,313.16

UNAUDITED
Texas State University System
Lamar State College Port Arthur
Statements of Revenues, Expenses, and Changes in Net Position
For the Year Ended August 31, 2023

	2023	2022
Other Revenues, Expenses, Gains, Losses, and Transfers:		
Capital Appropriations (HEF)	\$ 2,217,102.00	\$ 2,217,102.00
Transfers In	102,588.00	734,874.80
Transfers Out	(458,331.91)	(338,388.20)
Legislative Transfers In	3,726.00	7,664.00
Legislative Transfers Out	(737,750.00)	(1,217,750.00)
Total Other Revenues, Expenses, Gains, Losses, and Transfers	1,127,334.09	1,403,502.60
Change in Net Position	12,979,066.52	6,662,815.76
Total Net Position, September 1	60,048,952.06	53,386,136.30
Total Net Position, August 31	\$ 73,028,018.58	\$ 60,048,952.06

UNAUDITED
TEXAS STATE UNIVERSITY SYSTEM
LAMAR STATE COLLEGE PORT ARTHUR
Matrix of Operating Expenses Reported by Function
For the Year Ended August 31, 2023

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	\$ 5,738,998.69	\$ -	\$ 134,519.96	\$ 1,518,625.73	\$ 1,028,462.64	\$ 2,414,176.05	\$ 553,987.81	\$ 92,425.06	\$ 414,459.31	\$ -	\$ 11,895,655.25
Payroll Related Costs	2,035,443.02	-	66,055.10	531,193.52	410,017.82	787,226.98	222,011.94	111.89	120,097.69	-	4,172,157.96
Professional Fees and Services	81,948.50	-	28,588.82	121,048.08	56,245.48	308,362.86	550,008.22	-	52,338.95	-	1,198,540.91
Travel	135,500.74	-	5,849.88	47,026.18	18,563.56	33,574.90	2,816.09	-	65,168.32	-	308,499.67
Materials and Supplies	390,933.41	-	3,695.46	63,022.33	41,900.58	191,001.92	73,916.13	-	71,500.33	-	835,970.16
Communications and Utilities	-	-	341.91	126,607.92	-	9,040.96	726,337.61	-	10,687.34	-	873,015.74
Repairs and Maintenance	104,813.18	-	3,142.34	58,012.23	3,941.23	441,892.63	834,465.33	-	31,012.66	-	1,477,279.60
Rentals and Leases	41,627.43	-	3,582.70	13,399.97	12,128.48	10,273.66	1,893.90	-	8,674.22	-	91,580.36
Printing and Reproduction	5,061.62	-	1,945.63	1,460.23	3,350.08	39,311.13	2,598.38	-	1,855.24	-	55,582.31
Depreciation and Amortization	-	-	-	-	-	-	-	-	-	2,768,295.76	2,768,295.76
Bad Debt Expense	131,699.47	-	-	-	-	-	-	10,503.31	1,095.72	-	143,298.50
Interest	12,011.47	-	-	-	-	15.20	340.46	-	-	-	12,367.13
Scholarships	110,922.06	-	-	-	-	-	-	3,617,947.98	231,495.69	-	3,960,365.73
Other Operating Expenses	1,036,563.88	-	36,241.80	296,038.79	149,676.63	1,259,103.59	96,839.26	19,600.00	285,326.85	-	3,179,390.80
Total Operating Expenses	\$ 9,825,523.47	\$ -	\$ 283,963.60	\$ 2,776,434.98	\$ 1,724,286.50	\$ 5,493,979.88	\$ 3,065,215.13	\$ 3,740,588.24	\$ 1,293,712.32	\$ 2,768,295.76	\$ 30,971,999.88

UNAUDITED
TEXAS STATE UNIVERSITY SYSTEM
LAMAR STATE COLLEGE PORT ARTHUR
Matrix of Operating Expenses Reported by Function
For the Year Ended August 31, 2022

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	\$ 5,478,666.83	\$ -	\$ 43,171.04	\$ 1,396,262.99	\$ 976,415.30	\$ 2,196,440.61	\$ 545,375.06	\$ 84,420.21	\$ 386,394.61	\$ -	\$ 11,107,146.65
Payroll Related Costs	2,279,543.10	-	75,374.20	582,851.81	446,109.92	835,394.00	230,847.37	349.34	100,140.67	-	4,550,610.41
Professional Fees and Services	432,003.13	-	101,997.03	147,093.02	14,393.81	410,642.46	565,438.82	-	27,602.48	-	1,699,170.75
Travel	90,223.49	-	4,868.24	28,547.37	12,618.38	21,326.87	646.17	-	65,457.40	-	223,687.92
Materials and Supplies	183,488.68	-	2,325.16	52,233.98	19,880.50	114,731.08	50,468.98	-	93,990.90	-	517,119.28
Communications and Utilities	-	-	-	31,079.68	-	74,355.96	697,261.10	-	10,930.02	-	813,626.76
Repairs and Maintenance	27,770.90	-	1,731.92	30,833.62	121,948.83	679,048.98	508,347.95	-	12,272.58	-	1,381,954.78
Rentals and Leases	21,376.65	-	2,107.30	-	10,423.58	-	3,362.00	-	26,802.95	-	64,072.48
Printing and Reproduction	7,029.39	-	7,762.24	680.05	14,345.71	55,769.10	8,875.00	-	4,231.95	-	98,693.44
Depreciation and Amortization	-	-	-	-	-	-	-	-	-	2,330,206.28	2,330,206.28
Bad Debt Expense	(10,478.67)	-	-	-	-	-	-	(18,946.80)	(5,996.02)	-	(35,421.49)
Interest	2,288.94	-	-	-	-	10,048.45	534.61	-	-	-	12,872.00
Scholarships	16,032.00	-	-	1,289,394.82	-	-	-	6,831,161.84	205,003.50	-	8,341,592.16
Other Operating Expenses	709,506.40	-	35,053.58	345,414.99	108,782.19	967,490.17	53,612.51	48,508.47	285,196.51	-	2,553,564.82
Total Operating Expenses	\$ 9,237,450.84	\$ -	\$ 274,390.71	\$ 3,904,392.33	\$ 1,724,918.22	\$ 5,365,247.68	\$ 2,664,769.57	\$ 6,945,493.06	\$ 1,212,027.55	\$ 2,330,206.28	\$ 33,658,896.24

UNAUDITED
Texas State University System
Lamar State College Port Arthur
Statements of Cash Flows
For the Year Ended August 31, 2023

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITES		
Proceeds from Tuition and Fees	\$ 3,221,533.90	\$ 4,576,180.91
Proceeds from Auxiliaries	171,522.77	158,904.08
Proceeds from Other Operating Revenues	1,524,791.45	3,559,543.22
Payments to Suppliers for Goods and Services	(10,143,519.98)	(16,399,357.73)
Payments to Employees for Salaries	(11,244,289.58)	(10,630,671.42)
Payments to Employees for Benefits	(2,134,699.69)	(2,571,565.18)
Payments for Other Operating Expenses	-	-
Net Cash Provided (Used) by Operating Activities	(18,604,661.13)	(21,306,966.12)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITES		
Proceeds from State Appropriations	16,852,238.95	16,185,763.80
Proceeds from Gifts	2,729,946.45	1,379,264.43
Proceeds of Transfers from Other State Agencies	102,588.00	742,538.80
Proceeds from Grant Receipts	10,116,938.10	11,279,100.17
Proceeds from Other Noncapital Financing Activities	1,118,937.97	948,481.53
Payments for Transfers to Other State Agencies	(324,856.71)	(208,074.00)
Net Cash Provided (Used) by Noncapital Financing Activities	30,595,792.76	30,327,074.73
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITES		
Proceeds from the Sale of Capital Assets	5,555.00	
Payments for Additions to Capital Assets	(9,752,203.32)	(6,151,878.31)
Payments of Principal on Debt	(570,000.00)	(1,000,000.00)
Payments of Interest on Debt Issuance	(301,225.20)	(348,064.20)
Net Cash Provided (Used) by Capital and Related Financing Activities	(10,617,873.52)	(7,499,942.51)
CASH FLOWS FROM INVESTING ACTIVITES		
Proceeds from Interest Income	159,167.59	19,364.98
Proceeds from Investment Income	414,154.03	59,798.79
Payments to Acquire Investments	-	-
Net Cash Provided (Used) by Investing Activities	573,321.62	79,163.77
Net Increase (Decrease) in Cash and Cash Equivalents	1,946,579.73	1,599,329.87
Cash and Cash Equivalents, September 1	14,837,447.48	13,238,117.61
Cash and Cash Equivalents, August 31	\$ 16,784,027.21	\$ 14,837,447.48

UNAUDITED
Texas State University System
Lamar State College Port Arthur
Statements of Cash Flows
For the Year Ended August 31, 2023

	2023	2022
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating Income (Loss)	\$ (24,101,719.49)	\$ (25,785,300.44)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Amortization and Depreciation	2,768,295.76	2,330,206.28
Bad Debt Expense (Recovery)	143,298.50	(35,421.49)
On-Behalf Benefit Payments	1,985,159.35	1,893,538.41
Changes in Assets and Liabilities:		
(Increase) Decrease in Receivables	(2,010,048.04)	347,246.88
(Increase) Decrease in Due from Other Agencies	(129,510.08)	(100,198.96)
(Increase) Decrease in Prepaid Items	433,367.83	(475,272.94)
(Increase) Decrease in Loans and Contracts	(59,518.78)	(75,011.95)
Increase (Decrease) in Payables	1,645,468.00	(156,165.40)
Increase (Decrease) in Due To Other Agencies	(85,282.90)	(99,118.17)
Increase (Decrease) in Unearned Revenues	103,346.13	284,417.93
Increase (Decrease) in Employees' Compensable Leave	52,298.92	85,506.82
Increase (Decrease) in Benefits Payable	651,365.66	476,475.23
Increase (Decrease) in Other Liabilities	(1,181.99)	2,131.68
Total Adjustments	5,497,058.36	4,478,334.32
Net Cash Provided (Used) by Operating Activities	\$ (18,604,661.13)	\$ (21,306,966.12)
Non-Cash Transactions		
Donation of Capital Assets	\$ 2,076.00	\$ -
Net Change in Fair Value of Investments	\$ 99,855.23	\$ (272,177.80)
Borrowing Under Right to Use Leased Asset	\$ -	\$ 1,258,062.40
Intangible Asset - PPP SCA	\$ 1,398,670.00	\$ -

UNAUDITED

Lamar State College Port Arthur

Notes to the Financial Statements

For the Years Ended August 31, 2023 and 2022

Note 1: Summary of Significant Accounting Policies

Reporting Entity

Lamar State College Port Arthur (LSCPA) serves the State of Texas (the “State”) by providing a high-quality education to its residents and is based in Port Arthur, Texas.

The origins of LSCPA date back to its formation in 1909 when it operated as a nonprofit college through 1975. LSCPA merged with Lamar University, a State university, in 1975. LSCPA was first recognized as a separate component institution of the State in 1983 and, in 1991, was granted authority to issue degrees in its name, Lamar State College Port Arthur.

LSCPA is an agency of the State and a component 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, seven component institutions offer a broad range of academic and career opportunities. Those seven institutions are located throughout the State and include LSCPA, Sam Houston State University, Lamar University, Sul Ross State University, Texas State University, Lamar Institute of Technology, and Lamar State College Orange.

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 Texas State University System Administration (“System Administration”), which is headed by a Board-appointed chancellor, is based in Austin, where it provides support to TSUS components.

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

TSUS and LSCPA have elected to define LSCPA’s reporting entity to include only activities in LSCPA’s name. LSCPA’s proportional share of liabilities in the name of TSUS is reported by TSUS. Transactions associated with bonds, pensions, and other postemployment benefits related to LSCPA’s activities in the name of TSUS are not reported by LSCPA. However, LSCPA has elected to make limited disclosures with respect to these matters in Notes 6, 9, and 11. The associated financial activities related to these items and required disclosures are made within TSUS’s *Annual Financial Report*.

No entities have been identified meeting Governmental Accounting Standards Board’s (GASB) definition of component units, which are legally separate entities and, accordingly, none are included within the reporting entity. As previously noted, LSCPA is considered by the State as one of the academic entities that comprises TSUS; however, each entity is considered an agency of the State. LSCPA is affiliated with one alumni association that has the sole purpose of supporting the

UNAUDITED

Lamar State College Port Arthur
Notes to the Financial Statements
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educational and other activities of the College.

The Lamar Port Arthur Alumni Association (the “Association”) is a non-profit organization which was established for the purpose of cooperating with and working on behalf of LSCPA. Neither the transactions of the Association or its fund balances are reflected in the financial statements during the year ended August 31, 2023 and 2022. The Association is separately governed and operates autonomously from LSCPA, and its related activities are not included in LSCPA’s, TSUS’, or the State’s financial statements.

The accounting policies followed by LSCPA in maintaining accounts and in the preparation of the financial statements are in accordance with the Texas Comptroller of Public Accounts’ Reporting Requirement for the Fiscal 2023 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). 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 ACFR 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.

Fund Structure

The accompanying financial statements are presented on the basis of funds. A fund is considered a separate accounting entity. LSCPA is reporting as a special-purpose government engaged only in Business-Type Activities within the Proprietary Fund Type. The accompanying entity-wide financial statements are prepared as such.

Proprietary Funds

Business-Type Activity - 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 a 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 on the full accrual basis of accounting. Under the full accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time liabilities are incurred. Proprietary funds distinguish operating from non-operating items. Operating revenues and expenses result from providing services or producing and delivering goods in connection with the proprietary fund’s principal ongoing operations. Operating expenses for the proprietary funds include the cost of sales and services,

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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 (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' Board.

Unencumbered appropriations are generally subject to lapse 60 days after fiscal year end for which they were appropriated.

Assets, Liabilities, Deferred Inflows, and Net Position

Assets

Current and Non-Current Assets

Current assets are those that are readily available to meet current operational requirements. Non-current 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

Cash includes cash on hand, cash in local banks, cash in transit, and cash in the Treasury. Cash equivalents are considered short-term, highly liquid investments with an original maturity of three months or less.

Restricted Assets

Restricted assets include monies or other resources restricted by legal or contractual requirements. These assets may 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 may also be included (as applicable).

Investments

Investments are generally stated at fair value, with certain exceptions, in accordance with GASB Statement No. 72, *Fair Value Measurement and Application* ("GASB 72"). 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 gain (loss) on the carrying value of investments are reported as net increase (decrease) in fair value of investments in the accompanying Statements 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.

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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. The cost of these items is expensed when the items are used or consumed. Prepaid items reflect payments for costs applicable to future accounting periods.

Capital Assets

Assets such as furniture, equipment, and vehicles with an individual 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 system. Depreciation is recorded as a periodic expense and accumulated in a contra-asset account 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 non-financial 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 developed 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. Right to use leased assets are also considered intangibles. Intangible assets are amortized based on the estimated useful life of the asset using the straight-line method.

Other Receivables

The disaggregation of other receivables as reported in the financial statements is disclosed in Note 24. Other receivables include year end accruals not included in any other receivable category. This account can appear in governmental and proprietary fund types.

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Liabilities

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.

Unearned Revenues

Unearned revenues represent payments received in advance of providing goods or services.

Other Payables - Current and Non-current

The disaggregation of other payables as reported in the financial statements is disclosed in Note 24. Other payables include accruals at year end of expenditure transactions not included in any of the other payable descriptions.

Funds Held for Others

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

Employees' Compensable Leave Balances

Employees' compensable leave balances 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 non-current in the statement of net position. These obligations are normally paid from the same funding source from which each employee's salary or wage compensation was paid.

Lease Liabilities

Lease liabilities represent the amount recognized by the lessee on its financial statements regarding its leases. It is initially measured at the present value of the lease payments. Liabilities are reported separately as either current or non-current in the statement of net position.

Bonds Payable - General Obligation Bonds

General obligation bonds are accounted for in proprietary funds for business-type activities. These payables are reported as current liabilities (current for amounts due within one year) and long-term liabilities (non-current for amounts due thereafter) in the statement of net position. The bonds are reported at par, net of unamortized premiums, discounts, issuance costs, and gains/(losses) on bond refunding activities. TSUS reports all related balances.

Bonds Payable - Revenue Bonds

Revenue bonds are accounted for in the proprietary funds for business-type activities. These payables are reported as current liabilities (current for amounts due within one year) and long-term liabilities (non-current for amounts due thereafter) in the statement of net position. The

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bonds are reported at par, net of unamortized premiums, discounts, issuance costs, and gains/(losses) on bond refunding activities. TSUS reports all related balances.

Deferred Outflows of Resources and Deferred Inflows of Resources

Deferred outflows of resources and deferred inflows of resources are defined in GASB Concepts Statement No. 4, *Elements of Financial Statements*, as the consumption and acquisition of net assets by the College are applicable to future periods. Note 27, Deferred Outflows of Resources and Deferred Inflows of Resources, provides more details.

Net Position

The difference between fund assets and liabilities is “Net Position” on proprietary fund statements.

Net Investment in Capital Assets

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

Net Position - Restricted

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.

Non-expendable - net position use is subject to externally imposed stipulations that it be maintained permanently. Such assets include the principal of permanent endowment funds (as applicable).

Net Position - Unrestricted

Unrestricted net position consists of net position that does 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 Non-Operating Revenues and Expenses

Operating revenues and expenses - may 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

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fellowships, impairment losses, insurance recovery in the year of the loss, and incurred but not reported liabilities.

Non-operating revenues and expenses - may include activities such as gifts and contributions, insurance recoveries received in years subsequent to the loss, State appropriations, investment income, net change in fair value of investments, nonexchange basis of federal and state grants and contracts, and other non-operating items defined by GASB.

Interagency Activities and Transactions

LSCPA has the following types of transactions among related agencies:

Transfers - Legally required transfers that are reported when incurred as “Transfers In” by the recipient fund and as “Transfers Out” by the disbursing fund.

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

Receivables and Payables - Interagency loans are reported as interfund receivables and payables. 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 “non-current.”

Sales and Purchases - Charges or collections for services rendered by one agency to another are recorded as revenues of the recipient agency and expenditures or expenses of the disbursing agency.

The composition of LSCPA’s interfund activities and transactions is presented in Note 12.

COVID-19 and CARES Act

The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was signed into law on March 27, 2020. The CARES Act authorized more than \$2 trillion in relief to individuals, businesses, nonprofits, and government organizations impacted by COVID-19. LSCPA received funding primarily under two federal programs, the Governor’s Emergency Education Relief Fund (GEERF) and the Higher Education Emergency Relief Fund (HEERF). GEERF funding, awarded to the Governor’s Office and passed through the Texas Higher Education Coordinating Board to LSCPA, provides direct financial assistance to support students’ efforts to continue or restart their progress toward earning a post-secondary credential or degree.

HEERF funding, awarded directly to LSCPA, provides support to prevent, prepare for, and respond to COVID-19. Under the terms of the grant agreements, the HEERF-Student Allocation Award is

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used to provide emergency financial aid grants to students for expenses related to the disruption of campus operations due to COVID-19. The other award, the HEERF-Institutional Allocation Award, may be used to cover costs associated with significant changes to the delivery of course instruction due to COVID-19, subject to certain restrictions outlined in the grant agreements. In addition to the funding programs above, LSCPA received federal stimulus funding through a program known as the Minority Serving Institutions Program. The revenues from these programs are earned by fulfilling the terms and conditions of the agreements with the funding agencies and are recognized when qualifying expenditures are incurred and eligibility requirements are met.

A summary of funding awarded and expensed for the year ended August 31, 2023, and the balance of the unearned amounts are presented below:

Program	Total Awarded	Expensed/Earned	Unearned
GEERF - Student Financial Aid	\$ 0.00	\$ 0.00	\$ 0.00
GEERF - Emergency Student Financial Aid	\$ 0.00	\$ 0.00	\$ 0.00
HEERF - Student Allocation	\$ 0.00	\$ 0.00	\$ 0.00
HEERF - Institutional Allocation	\$1,736,554.09	\$1,736,554.09	\$ 0.00
HEERF - Minority Serving Institutions	\$ 0.00	\$ 0.00	\$ 0.00
Total	\$1,736,554.09	\$1,736,554.09	\$ 0.00

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Note 2: Capital Assets

A summary of changes in capital assets for the year ended August 31, 2023 is presented below:

Capital Assets	Beginning Balance	Adjustments/ Reclass/Transfers	Additions	Deletions	Ending Balance
Non-Depreciable Assets:					
Land	\$ 2,627,254.92	\$ -	\$ 100,041.00	\$ -	\$ 2,727,295.92
Construction In Progress	1,071,547.00	(8,258,210.39)	7,784,951.52	-	598,288.13
Total Non-Depreciable Assets	<u>3,698,801.92</u>	<u>(8,258,210.39)</u>	<u>7,884,992.52</u>	<u>-</u>	<u>3,325,584.05</u>
Depreciable Assets:					
Buildings	58,112,760.41	7,784,516.39	188,855.00	-	66,086,131.80
Facilities and Other	4,066,872.41	-	-	-	4,066,872.41
Furniture and Equipment	4,514,865.96	473,694.00	1,214,564.80	(18,124.10)	6,185,000.66
Fleet Vehicles	694,957.72	-	465,867.00	(14,825.00)	1,145,999.72
Other Assets	3,224,785.57	-	-	-	3,224,785.57
Total Depreciable Assets at Historical Costs	<u>70,614,242.07</u>	<u>8,258,210.39</u>	<u>1,869,286.80</u>	<u>(32,949.10)</u>	<u>80,708,790.16</u>
Less Accumulated Depreciation for:					
Buildings	(29,942,414.49)	-	(1,939,205.07)	-	(31,881,619.56)
Facilities and Other	(2,204,468.55)	-	(131,829.12)	-	(2,336,297.67)
Furniture and Equipment	(2,873,490.64)	-	(398,576.85)	18,124.10	(3,253,943.39)
Fleet Vehicles	(248,508.45)	-	(110,182.20)	7,154.37	(351,536.28)
Other Assets	(2,869,610.50)	-	(62,696.28)	-	(2,932,306.78)
Total Accumulated Depreciation	<u>(38,138,492.63)</u>	<u>-</u>	<u>(2,642,489.52)</u>	<u>25,278.47</u>	<u>(40,755,703.68)</u>
Depreciable Assets, Net	<u>32,475,749.44</u>	<u>8,258,210.39</u>	<u>(773,202.72)</u>	<u>(7,670.63)</u>	<u>39,953,086.48</u>
Total Capital Assets, Net	<u>\$ 36,174,551.36</u>	<u>\$ -</u>	<u>\$ 7,111,789.80</u>	<u>\$ (7,670.63)</u>	<u>\$ 43,278,670.53</u>

Intangible Right to Use Assets	Beginning Balance	Adjustments/ Reclass/Transfers	Additions	Deletions	Ending Balance
Amortizable Assets IRTU:					
Buildings and Buildings Improvements	\$ 1,258,062.40	\$ -	\$ -	\$ -	\$ 1,258,062.40
Total Amortizable RTU Assets	<u>1,258,062.40</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,258,062.40</u>
Less Accumulated Amortization for:					
Buildings and Buildings Improvements	(104,838.53)	-	(125,806.24)	-	(230,644.77)
Total Accumulated Amortization	<u>(104,838.53)</u>	<u>-</u>	<u>(125,806.24)</u>	<u>-</u>	<u>(230,644.77)</u>
Total RTU Assets, Net	<u>\$ 1,153,223.87</u>	<u>\$ -</u>	<u>\$ (125,806.24)</u>	<u>\$ -</u>	<u>\$ 1,027,417.63</u>

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Note 2: Capital Assets

A summary of changes in capital assets for the year ended August 31, 2022 is presented below:

Capital Assets	Beginning Balance	Adjustments/ Reclass/Transfers	Additions	Deletions	Ending Balance
Non-Depreciable Assets:					
Land	\$ 2,627,254.92	\$ -	\$ -	\$ -	\$ 2,627,254.92
Construction In Progress	2,438,641.12	(6,243,635.85)	4,876,541.73	-	1,071,547.00
Total Non-Depreciable Assets	<u>5,065,896.04</u>	<u>(6,243,635.85)</u>	<u>4,876,541.73</u>	<u>-</u>	<u>3,698,801.92</u>
Depreciable Assets:					
Buildings	51,810,675.79	6,243,635.85	178,990.00	(120,541.23)	58,112,760.41
Facilities and Other	4,066,872.41	-	-	-	4,066,872.41
Furniture and Equipment	3,668,112.31	-	853,443.65	(6,690.00)	4,514,865.96
Fleet Vehicles	446,027.72	-	248,930.00	-	694,957.72
Other Assets	3,224,785.57	-	-	-	3,224,785.57
Total Depreciable Assets at Historical Costs	<u>63,216,473.80</u>	<u>6,243,635.85</u>	<u>1,281,363.65</u>	<u>(127,231.23)</u>	<u>70,614,242.07</u>
Less Accumulated Depreciation for:					
Buildings	(28,386,181.39)	-	(1,670,747.26)	114,514.16	(29,942,414.49)
Facilities and Other	(2,072,639.43)	-	(131,829.12)	-	(2,204,468.55)
Furniture and Equipment	(2,600,550.09)	-	(279,630.55)	6,690.00	(2,873,490.64)
Fleet Vehicles	(177,886.65)	-	(70,621.80)	-	(248,508.45)
Other Assets	(2,797,071.48)	-	(72,539.02)	-	(2,869,610.50)
Total Accumulated Depreciation	<u>(36,034,329.04)</u>	<u>-</u>	<u>(2,225,367.75)</u>	<u>121,204.16</u>	<u>(38,138,492.63)</u>
Depreciable Assets, Net	<u>27,182,144.76</u>	<u>6,243,635.85</u>	<u>(944,004.10)</u>	<u>(6,027.07)</u>	<u>32,475,749.44</u>
Total Capital Assets, Net	<u>\$ 32,248,040.80</u>	<u>\$ -</u>	<u>\$ 3,932,537.63</u>	<u>\$ (6,027.07)</u>	<u>\$ 36,174,551.36</u>

Intangible Right to Use Assets	Beginning Balance	Adjustments/ Reclass/Transfers	Additions	Deletions	Ending Balance
Amortizable Assets IRTU:					
Buildings and Buildings Improvements	\$ -	\$ -	\$ 1,258,062.40	\$ -	\$ 1,258,062.40
Total Amortizable RTU Assets	<u>-</u>	<u>-</u>	<u>1,258,062.40</u>	<u>-</u>	<u>1,258,062.40</u>
Less Accumulated Amortization for:					
Buildings and Buildings Improvements	-	-	(104,838.53)	-	(104,838.53)
Total Accumulated Amortization	<u>-</u>	<u>-</u>	<u>(104,838.53)</u>	<u>-</u>	<u>(104,838.53)</u>
Total RTU Assets, Net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,153,223.87</u>	<u>\$ -</u>	<u>\$ 1,153,223.87</u>

Note 3: Deposits, Investments, and Repurchase Agreements

LSCPA is authorized by statute to make investments following the “prudent person rule.” There were no significant violations of legal provisions during the period.

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Deposits of Cash in Bank

As of August 31, 2023, the carrying amount of deposits was \$4,038,510.93 as presented below:

Cash in Bank - Carrying Value			<u>\$ 4,038,510.93</u>
Proprietary Funds	Current Assets	Cash in Bank	2,955,560.63
Proprietary Funds	Current Assets	Restricted Cash in Bank	223,863.70
Proprietary Funds	Noncurrent Assets	Restricted Cash in Bank	859,086.60
Cash in Bank per AFR			<u>\$ 4,038,510.93</u>

As of August 31, 2022, the carrying amount of deposits was \$1,517,231.33 as presented below:

Cash in Bank - Carrying Value			<u>\$ 1,517,231.33</u>
Proprietary Funds	Current Assets	Cash in Bank	572,911.37
Proprietary Funds	Current Assets	Restricted Cash in Bank	110,713.29
Proprietary Funds	Noncurrent Assets	Restricted Cash in Bank	833,606.67
Cash in Bank per AFR			<u>\$ 1,517,231.33</u>

These amounts consist of all cash in local banks. These amounts are included on the statement of net position as part of the “cash and cash equivalents” accounts.

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, LSCPA will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. LSCPA’s bank accounts are secured by FDIC and pledged collateral. LSCPA has no deposits that are at risk of recovery due to the failure of a depository financial institution. As of August 31, 2023, and 2022, the total bank balance was \$3,209,602.48 and \$1,479,694.77, respectively.

Foreign currency risk for deposits is the risk that changes in exchange rates will adversely affect the deposit. LSCPA held no exposure to foreign currency risk for deposits as of August 31, 2023.

Investments

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

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LSCPA investments adhere to various strategies. The performance objective is to grow the market value of assets net of inflation, spending, and expenses, over a full market cycle (generally defined as a three-to five-year period) without undue exposure to risk. The invested funds are particularly risk-averse to the probability of not meeting the total return goal. Liquidity must be considered and sufficient to meet spending needs and expenses. The total return goal can be achieved while assuming acceptable risk levels commensurate with “market volatility.” To achieve the total return goal, the assets will be invested to generate appreciation and/or dividend and interest income.

The endowment funds investment is expected to endure into perpetuity. Inflation is a key component in the performance objective. The long-term risk of not investing in equity securities outweighs the short-term volatility risk. As a result, the majority of assets are invested in equity or equity-like securities. Fixed income and fixed income-like securities and other diversifying strategies may act to lower the short-term volatility of the portfolio and/or provide stability, especially during periods of weak or negative equity markets. Other asset classes are included to provide diversification and incremental total return.

The portfolio is diversified to diminish risks associated with particular securities, market sectors, or industries.

TexPool Investments at Amortized Cost

TexPool and TexPool Prime are managed conservatively to provide safe, efficient, and liquid investment alternatives to Texas governments. The accounts maintain a \$1.00 value per share price and are reported at amortized cost. TexPool Prime has a very conservative investment policy and aligns with Rule 2a-7 money-market practices. TexPool investments consist exclusively of U.S. government securities, repurchase agreements collateralized by U.S. government securities, and AAA-rated no-load money market mutual funds. TexPool Prime invests in the above, plus commercial paper and certificates of deposit. The funds are rated AAAM by Standard and Poor’s based on credit quality, market price exposure, and management. There is no penalty or limit for withdrawal.

Fair Value of Investments

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

Level 1: Quoted prices for identical investments in active markets;

Level 2: Observable inputs other than quoted market prices; or,

Level 3: Unobservable inputs.

Net Asset Value: Net Asset Value Per Share (NAVPS) method is used when there is no readily determinable fair value.

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As of August 31, 2023, the valuation of investments was as follows:

BUSINESS-TYPE ACTIVITIES

Fair Value	Fair Value Hierarchy			August 31, 2023
	Level 1	Level 2	Level 3	Value
Corporate Asset and Mortgage Backed Securities	\$ 29,236.53	\$ -	\$ -	\$ 29,236.53
Domestic Mutual Funds	482,522.53	-	-	482,522.53
Equity	145,560.31	-	-	145,560.31
Externally Managed Investments - Domestic	-	-	226,715.85	226,715.85
Externally Managed Investments - International	-	-	59,950.79	59,950.79
Fixed Income Money Market and Bond Mutual Fund	3,037,864.81	-	-	3,037,864.81
International Equity	117,192.15	-	-	117,192.15
International Mutual Funds	590,540.73	-	-	590,540.73
Other Commingled Funds	284,996.21	-	-	284,996.21
Long-Term Investments	\$ 4,687,913.27	\$ -	\$ 286,666.64	\$ 4,974,579.91
Amortized Cost				
Other Commingled Funds - TexPool	\$ 139,225.70	\$ -	\$ -	\$ 139,225.70
Other Commingled Funds - TexPool Prime	7,420,058.51	-	-	7,420,058.51
Cash Equivalents	\$ 7,559,284.21	\$ -	\$ -	\$ 7,559,284.21
Total				\$ 12,533,864.12

BUSINESS-TYPE ACTIVITIES

Proprietary Funds	Current Assets	Cash Equivalents	\$ 7,559,284.21
Proprietary Funds	Noncurrent Assets	Investments	4,974,579.91
		Total Investments	\$ 12,533,864.12

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, LSCPA will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The investment policy limits holding of securities by counterparties to those involved with securities lending. As of August 31, 2023, LSCPA 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 with an average credit quality of the entire portfolio is to be

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greater than or equal to A-, as defined by Standard and Poor's (A- by Finch, A3 for Moody's). The minimum credit quality of any diversified fund vehicle must be investment grade at the time of purchase. Operating Long-Term funds portfolios are intended to be invested in a similar manner to Endowment funds, but no more than 20% of the global fixed income and credit may be rated below investment grade, and no more than 20% of the total Operating Long-Term portfolio may be invested in emerging/frontier markets, a sub-set of international. 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, LSCPA must retain an investment consultant. For the Endowment portfolio, risk is controlled through the portfolio diversification of market sector and maturity. Risk is further defined by prohibited investments and activities, and limited by maximum single purchase and maximum aggregate position percentages.

As of August 31, 2023, the credit quality distributions for securities with credit risk exposures were as follows:

	AAA	AA	A	BBB	BB	B	Unrated	Total
Endowment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Operating-Fixed Income	4,984.83	380.07	353.76	1,567.08	2,642.98	2,689.76	16,618.05	29,236.53
Corporate Asset and Mortgage Backed Securities	4,984.83	380.07	353.76	1,567.08	2,642.98	2,689.76	16,618.05	29,236.53
Endowment	-	-	-	-	-	-	157,663.64	157,663.64
Operating - Real Estate	127,405.13	-	-	-	-	-	197,453.76	324,858.89
Domestic Mutual Funds (use Misc in Wdesk)	127,405.13	-	-	-	-	-	355,117.40	482,522.53
Endowment	68,970.92	2,973.40	28,006.26	37,654.27	952.02	555.92	14,439.76	153,552.55
Operating-Fixed Income	2,407,704.24	11,543.64	109,734.44	148,948.10	9,787.40	16,855.13	63,157.10	2,767,730.05
Operating - Real Estate	116,582.21	-	-	-	-	-	-	116,582.21
Fixed Income Money Market and Bond Mutual Fund	2,593,257.37	14,517.04	137,740.70	186,602.37	10,739.42	17,411.05	77,596.86	3,037,864.81
Total	2,725,647.33	14,897.11	138,094.46	188,169.45	13,382.40	20,100.81	449,332.31	3,549,623.87

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. As of August 31, 2023, LSCPA 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. LSCPA is not required to disclose interest rate risk.

Foreign Currency Risk

Foreign currency risk for investments is the risk that changes in exchange rates will adversely affect the investment. As of August 31, 2023, LSCPA was not aware of any material foreign currency risk.

Reverse Repurchase, Securities Lending, and Derivative Investing

LSCPA did not participate in reverse repurchase agreements, securities lending, or derivative investing during fiscal year 2023.

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Note 4: Short-Term Debt

LSCPA has no short-term debt to report as of August 31, 2023 and 2022.

Note 5: Long-Term Liabilities

The following changes occurred in liabilities during the fiscal year ended August 31, 2023 and 2022, respectively:

	Balance 9/1/2022	Additions	Reductions	Balance 8/31/2023	Amounts Due Within One Year	Amounts Due Thereafter
Compensable Leave	\$ 817,845.37	\$ 529,194.43	\$ 476,895.51	\$ 870,144.29	\$ 469,877.92	\$ 400,266.37
Right to Use Lease Obligations	1,167,769.85	-	131,744.12	1,036,025.73	123,010.66	913,015.07
	<u>\$ 1,985,615.22</u>	<u>\$ 529,194.43</u>	<u>\$ 608,639.63</u>	<u>\$ 1,906,170.02</u>	<u>\$ 592,888.58</u>	<u>\$ 1,313,281.44</u>

	Balance 9/1/2021	Additions	Reductions	Balance 8/31/2022	Amounts Due Within One Year	Amounts Due Thereafter
Compensable Leave	\$ 732,338.55	\$ 463,772.49	\$ 378,265.67	\$ 817,845.37	\$ 441,636.50	\$ 376,208.87
Right to Use Lease Obligations	-	1,258,062.40	90,292.55	1,167,769.85	131,744.12	1,036,025.73
	<u>\$ 732,338.55</u>	<u>\$ 1,721,834.89</u>	<u>\$ 468,558.22</u>	<u>\$ 1,985,615.22</u>	<u>\$ 573,380.62</u>	<u>\$ 1,412,234.60</u>

Bonds Payable

See Note 6 for a discussion of bonded indebtedness.

Employees' Compensable Leave

Annual Leave

Full-time employees earn eight to twenty-one hours per month vacation leave (annual leave) depending on years of State employment. The State's policy is that employees may carry accrued vacation leave forward from one fiscal year to the next up to a maximum number of hours allowed based on their years of service. Employees with at least six months of State service who terminate employment are entitled to payment for all accumulated annual leave. LSCPA accrues the dollar value of annual leave benefits which are payable upon retirement, termination, or death of its employees. The amounts of these liabilities are reported in the statement of net position. The estimated liability is based on outstanding balances reported in the leave reporting system multiplied by the employee's respective salary rate.

Sick Leave

Sick leave is earned at the rate of eight hours per month and is paid only when an employee is absent due to illness or to the estate of an employee in the event of his/her death. The maximum sick leave payment to an employee's estate is the lesser of one-half of the employee's accumulated entitlement or 336 hours. Sick leave accumulation from one fiscal year to the next is not limited. LSCPA recognizes the cost of sick leave when paid. The liability is not shown in the financial statements since historical payouts of sick leave have been minimal.

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Overtime and Compensatory Leave for FLSA Non-Exempt and Exempt Employees

Under the federal Fair Labor Standards Act (FLSA) and State laws, overtime can be accumulated in lieu of immediate payment as compensatory leave for non-exempt employees up to a maximum of 240 hours. Unpaid accrued overtime for non-exempt employees is included in the calculation of current and long-term liabilities because these employees are eligible to be paid for these accruals upon death or termination. Overtime is calculated at a rate of 1.5 times an employee's normal rate of pay.

Non-exempt employees may earn compensatory leave when they work additional hours, but the number of hours worked in the work week does not exceed 40 hours. Compensatory time is calculated on an hour-for-hour basis and must be taken within one year from date earned or it lapses. There is no death or termination benefit for this type of compensatory leave, so no liability is reported in the financial statements.

Post Employment Health Care and Life Insurance

In addition to providing pension benefits, the State provides certain health care and life insurance benefits for retired employees in accordance with state statutes. Substantially, all of the employees may become eligible for those benefits if they reach normal retirement age while working for the State. LSCPA participates in the Employees Retirement System of Texas (ERS) insurance plans. The information regarding the State's contribution, the number of eligible retirees, and the cost of providing those benefits is included in the notes to the annual financial report of the ERS.

Notes and Loans Payable

LSCPA had no notes and loans payable at August 31, 2023 and 2022.

Claims and Judgements

At August 31, 2023 and 2022, various lawsuits and claims involving LSCPA were pending. While the ultimate liability with respect to litigation and other claims asserted against LSCPA or the Board of Regents 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 LSCPA.

Right to Use Lease Obligations

See Note 8 for information about Right to Use Lease Obligations.

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Note 6: Bonded Indebtedness

All bonded indebtedness for LSCPA is issued by System Administration through the Texas State University System Revenue Financing System (RFS). System Administration and each component institution within TSUS are members of the RFS. The Board of Regents pledged all of the funds (revenues) and balances derived or attributable to any member of the RFS that are lawfully available to the Board for payments on parity debt.

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

Debt service requirements attributable to LSCPA at August 31, 2023 were as follows:

Description	Year	Principal	Interest	Total
All Series	2024	\$ 595,000.00	\$ 275,830.06	\$ 870,830.06
	2025	625,000.00	249,121.90	874,121.90
	2026	650,000.00	220,895.80	870,895.80
	2027	680,000.00	191,309.70	871,309.70
	2028	715,000.00	160,094.90	875,094.90
	2029-2032	2,765,000.00	311,701.80	3,076,701.80
	2033-2037	-	-	-
	2038-2042	-	-	-
	2043-2047	-	-	-
	2048-2052	-	-	-
TOTALS		\$ 6,030,000.00	\$ 1,408,954.16	\$ 7,438,954.16

A portion of the debt represents tuition revenue bonds historically funded by the Texas Legislature through general revenue appropriations. LSCPA was appropriated \$737,750 and \$1,217,750 during the 2023 and 2022 fiscal years, respectively, for tuition revenue bond debt service. LSCPA expects future Legislative appropriations to meet debt service requirements for tuition revenue bonds.

Note 7: Derivatives

LSCPA has no derivative instruments to report as of August 31, 2023 and 2022.

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Note 8: Leases and Subscription-Based Technology Arrangements

LSCPA entered into a lease arrangement for the use of building space. The future minimum lease payments under right to use lease obligations as of August 31, 2023 related to this building space were as follows:

Year	Principal	Interest	Total Future Minimum Lease Payments
2024	\$123,010.66	\$10,777.34	\$133,788.00
2025	124,370.62	9,417.38	133,788.00
2026	125,745.62	8,042.38	133,788.00
2027	127,252.36	6,535.64	133,788.00
2028	128,541.38	5,246.62	133,788.00
2029-2032	407,105.09	7,278.65	414,383.74
Totals	\$1,036,025.73	\$47,298.01	\$1,083,323.74

LSCPA entered into various agreements for subscription-based information technology arrangements (SBITAs). The agreements vary in terms. The expenses associated with the SBITAs are expensed when incurred since they do not meet the threshold for subscription capitalization (asset and obligation) as determined by the Comptroller.

Note 9: Defined Benefit Pension Plans and Defined Contribution Plan

Defined Benefit Pension Plan - Teacher Retirement System of Texas

LSCPA participates in a cost-sharing, multi-employer, defined benefit pension plan administered by the Teacher Retirement System of Texas (TRS). TRS provides retirement, disability annuities, and death and survivor benefits. The benefit and contribution provisions of TRS are authorized by state law and may be amended by the Legislature.

In accordance with the Reporting Requirements for Annual Financial Reports of State Agencies and Universities (the Reporting Requirements) promulgated by the Texas Comptroller of Public Accounts, TSUS has implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which includes the net pension expense, net pension liability, and related deferred inflows and outflows. Under the Reporting Requirements, employees of LSCPA are treated as employees of TSUS for GASB 68 reporting; therefore, these financial statements neither record nor disclose the net pension expense, net pension liability, or related deferred inflows and outflows attributable to LSCPA. Recording and disclosure of this information occurs for TSUS as a whole in

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the consolidated Annual Financial Report of TSUS. The State and TSUS share responsibility for funding their proportional shares of the obligations of TRS.

All LSCPA personnel employed in a TRS-eligible position on a one-half time or greater basis that is projected to last for 4½ months or more are eligible for membership in TRS. Students employed in positions that require student status as a condition of employment do not participate.

The pension benefit formulas are based on members' average annual compensation and years of service credit. The standard annuity is 2.3% of the average of the five highest annual salaries multiplied by years of service credit. For grandfathered employees who were hired on or before August 31, 2005 and meet certain criteria, the standard annuity is based on the average of the three highest annual salaries. TRS does not provide automatic post-employment benefit changes, including automatic cost-of-living adjustments (COLA).

Normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule.

TRS is primarily funded through State and employee contributions. TRS contribution rates are established by the State Legislature. Contributions by employees were 8.0% and 8.0% of gross earnings for 2023 and 2022, respectively, while employer contributions were 8.0% and 7.75% of the participants' gross earnings for 2023 and 2022, respectively. Depending upon the source of funding for a participant's salary, LSCPA may be required to make contributions in lieu of the State. Contributions to TRS for the year ended August 31, 2023 and 2022, attributable to LSCPA's portion of the pension obligation were as follows:

	Year ended August 31, 2023
Employee Contributions	\$ 670,073.76
Employer Contributions	<u>670,073.76</u>
Total	<u>\$1,340,147.52</u>

	Year ended August 31, 2022
Employee Contributions	\$ 629,535.66
Employer Contributions	<u>611,025.65</u>
Total	<u>\$1,240,561.31</u>

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TRS currently does not separately account for each of its component government agencies because TRS itself bears sole responsibility for retirement commitments beyond contributions fixed by the State Legislature. Further information regarding actuarial assumptions and conclusions, together with audited financial statements, are included in TRS's annual financial report, which may be found on the TRS website at www.trs.state.gov.

Defined Contribution Plan - Optional Retirement Program

The Optional Retirement Program (ORP) is the state defined contribution plan offered to certain eligible employees of universities and colleges in lieu of participation in TRS. Employees eligible for participation in ORP are defined in Texas Administrative Code § 25.4. ORP provides for the purchase of annuity contracts and mutual funds. Participants are vested in the employer contributions after one year and one day of service. Depending upon the source of funding for the employee's compensation, LSCPA may be required to make the employer contributions in lieu of the State.

The State provides an option for a local supplement (up to 1.9%) on top of the state base rate. Participant contributions were made at a rate of 6.65% of annual compensation during FY 2023 and FY 2022. Employer contributions were made at the base rate of 6.6% unless the employee was grandfathered (i.e. the employee was contributing on August 31, 1995); in the case of grandfathered employees, the rate of the employer contributions was 8.5% of annual compensation.

Contributions made by the participants and LSCPA for the fiscal year ended August 31, 2023 and 2022 were as follows:

	Year ended August 31, 2023
Member Contributions	\$ 166,552.37
Employer Contributions	<u>177,762.80</u>
Total	<u>\$ 344,315.17</u>

	Year ended August 31, 2022
Member Contributions	\$ 161,458.96
Employer Contributions	<u>171,990.53</u>
Total	<u>\$ 333,449.49</u>

Since contributions are invested in individual annuity contracts, neither the State nor LSCPA have any liability for ORP. Further information in regards to ORP can be obtained from the Texas Higher Education Coordinating Board website at www.highered.texas.gov.

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Note 10: Deferred Compensation

LSCPA does not serve as an administrative agency as defined by the Texas Comptroller with respect to its Note 10; however, 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 - TRS and ORP. The assets of the plans do not belong to LSCPA, TSUS, or the State. LSCPA, TSUS, or the State have no liability related to 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 LSCPA, their spouses, and beneficiaries. These other postemployment benefits (OPEB), authorized by statute and contributions, are established by the General Appropriations Act.

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's Annual Comprehensive Financial Report.

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

Note 12: Interfund Activity and Transactions

As explained in Note 1, Interfund and Interagency Transactions are numerous transactions between funds and agencies. At year end, amounts to be received or paid are reported as:

- Interfund Receivables or Interfund Payables
- Due From Other Agencies or Due to Other Agencies
- Due From Other Funds or Due to Other Funds
- Transfers In or Transfers Out
- Legislative Transfers In or Legislative Transfers Out

LSCPA experienced routine transfers with other state agencies which 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.

As of August 31, 2023 and 2022, LSCPA has not participated in any interfund borrowing.

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Individual balances and activity at August 31, 2023 are as follows:

	Due From Other Agencies	Due To Other Agencies	Source
Appd Fund 9999, D23, Fund 7999			
Agency 320, D23 Fund 7999	\$ 289,262.71	\$ -	State
Agency 730, D23 Fund 7999	13,114.30	-	Federal
Agency 781, D23 Fund 0001	-	5,500.28	State
Agency 781, D23 Fund 0325	-	97,794.84	Federal
Agency 781, D23 Fund 7999	106,224.54	-	Federal
Agency 787, D23 Fund 7999	375.06	-	Local
Total Due From/To Other Agencies	\$ 408,976.61	\$ 103,295.12	
	Transfers From Other Agencies	Transfers To Other Agencies	
Mandatory Transfers			
Appd Fund 9999, D23 Fund 9999			
Agency 758, D23 Fund 9999	\$ -	\$ 133,475.20	Local
Appd Fund 9999, D23 Fund 9999			
Agency 753, D23 Fund 9999	-	50,000.00	Local
Agency 758, D23 Fund 9999	100,000.00	274,856.71	Local
Agency 902, D23 Fund 0210	2,588.00	-	State
Total Transfers From/To Other Agencies	\$ 102,588.00	\$ 458,331.91	
	Legislative Transfers From Other Agencies	Legislative Transfers To Other Agencies	
Appd Fund 0001, D23 Fund 0001			
Agency 902, D23 Fund 0001	\$ 3,726.00	\$ -	State
Agency 758, D23 Fund 0001	-	737,750.00	General Revenue
Total Legislative Transfers	\$ 3,726.00	\$ 737,750.00	

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Individual balances and activity at August 31, 2022 are as follows:

	<u>Due From Other Agencies</u>	<u>Due To Other Agencies</u>	<u>Source</u>
Appd Fund 9999, D23, Fund 7999			
Agency 730, D23 Fund 7999	\$ 11,051.44	\$ -	Federal
Agency 758, D23 Fund 7999	112,349.55	-	Local
Agency 781, D23 Fund 7999	150,065.54	-	Federal
Agency 781, D23 Fund 0325	-	188,578.01	Federal
Agency 787, D23 Fund 7999	6,000.00	-	Local
Total Due From/To Other Agencies	<u>\$ 279,466.53</u>	<u>\$ 188,578.01</u>	
	<u>Transfers From Other Agencies</u>	<u>Transfers To Other Agencies</u>	
Mandatory Transfers			
Appd Fund 9999, D23 Fund 9999			
Agency 758, D23 Fund 9999	\$ -	\$ 130,314.20	Local
Appd Fund 9999, D23 Fund 9999			
Agency 758, D23 Fund 9999	-	208,074.00	Local
Agency 902, D23 Fund 0599	729,882.80	-	State
Agency 902, D23 Fund 0210	4,992.00	-	State
Total Transfers From/To Other Agencies	<u>\$ 734,874.80</u>	<u>\$ 338,388.20</u>	
	<u>Legislative Transfers From Other Agencies</u>	<u>Legislative Transfers To Other Agencies</u>	
Appd Fund 0001, D23 Fund 0001			
Agency 902, D23 Fund 0001	\$ 7,664.00	\$ -	State
Agency 758, D23 Fund 0001	-	1,217,750.00	General Revenue
Total Legislative Transfers	<u>\$ 7,664.00</u>	<u>\$ 1,217,750.00</u>	

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Note 13: Continuance Subject to Review

LSCPA is not subject to a review of continuance.

Note 14: Adjustments to Fund Balances and Net Position

LSCPA does not have anything to report for adjustments to fund balances and net position.

Note 15: Contingencies and Commitments

Claims and Judgements

At August 31, 2023 and 2022, various lawsuits and claims involving LSCPA were pending. While the ultimate liability with respect to litigation and other claims asserted against LSCPA or the Board of Regents 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 LSCPA.

Federal Assistance

LSCPA 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.

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

Construction Commitments

LSCPA has outstanding capital commitments for various construction projects at various stages in the amount of \$2,108,918.19 at August 31, 2023.

Note 16: Subsequent Events

LSCPA has no subsequent events to report as of August 31, 2023 and 2022.

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Note 17: Risk Management

Liability Recognition and Experience

LSCPA assumes substantially all risks associated with tort and liability claims due to the performance of its duties. Currently, LSCPA is not involved in any risk pools with other government entities. LSCPA's liabilities are reported when it is both probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Liabilities are reevaluated periodically to consider current settlements, frequency of claims, past experience, and economic factors. There were no significant reductions in insurance coverage in the past year and losses did not exceed funding arrangements during the past three years. There were no liabilities to report during the fiscal year ended August 31, 2023 and 2022, respectively.

Civil Claims

LSCPA is exposed to a variety of civil claims resulting from the performance of its duties. It is LSCPA's policy to periodically assess the proper combination of commercial insurance and retention of risk to cover losses to which it may be exposed.

Unemployment Compensation

The State provides coverage for unemployment benefits for LSCPA employees from appropriations made to the Texas Workforce Commission. The current General Appropriations Act provides that LSCPA must reimburse the general revenue fund from LSCPA appropriations at 50% of the unemployment benefits paid for state funded positions and 100% of the cost for unemployment compensation for any positions paid from funds held in local bank accounts and local funds held in the State Treasury. The Comptroller of Public Accounts determines the proportionate amount to be reimbursed from each appropriated fund type. The unemployment benefit plan is on a pay-as-you-go basis, in which no assets are set aside to be accumulated for the payment of claims. No material outstanding claims are pending at August 31, 2023 and 2022.

Workers' Compensation

The administration of the State's employee workers' compensation program is vested with the State Office of Risk Management (SORM). In accordance with H.B. No. 1203, 77th Legislature, SORM developed and imposed a formula-driven charge for workers' compensation costs upon participating agencies. The workers' compensation assessment is prepaid to SORM through an interagency contract for risk management services and workers' compensation coverage for its employees in compliance with Texas Labor Code Chapter 412 and Chapter 501. The assessment paid during the fiscal year ended August 31, 2023 and 2022 amounted to \$31,902.38 and \$22,860.54, respectively.

Fire and Extended Coverage

LSCPA 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, educational and general, and other non-educational funds. The insurance protects the bond holders from a disruption to the revenue stream that is being utilized to make the bond interest and

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principal payments and the federal government for storm damage. LSCPA filed an insurance claim due to the impact of Winter Storm Uri in February 2021. It affected several buildings, but mainly the Student Center Building. Emergency repairs to mitigate further damage and then repairs to restore property occurred during FY 2021. The claims process remains on-going with the insurance carrier into FY 2023.

Motor Vehicle

State-owned vehicles of the component institutions of TSUS are exempt from compulsory liability insurance requirements of the State. This exemption appears in the Texas Transportation Code; Subtitle D Motor Vehicle Safety Responsibility; Chapter 601 Motor Vehicle Safety Responsibility Act; Subchapter A General Provisions; Section 007 Applicability of Chapter to Government Vehicle. As such, auto liability coverage is provided under the TSUS Auto Liability Plan with the following limits of \$250,000 per person, \$500,000 per occurrence for bodily injury, and \$100,000 per occurrence for property loss. The self-insurance retention limit is \$50,000.

Note 18: Management's Discussion and Analysis

Management's Discussion and Analysis is a required part of the basic financial statements. Management's Discussion and Analysis is omitted because LSCPA is reported in a consolidated format with TSUS which is reported as a component of the State. Management's Discussion and Analysis as it relates to TSUS can be found in the State's basic financial statements.

Note 19: The Financial Reporting Entity

See Reporting Entity as discussed in Note 1.

Note 20: Stewardship, Compliance, and Accountability

LSCPA has no material violations of finance-related and contractual provisions. Per state laws, LSCPA cannot spend amounts in excess of appropriations granted by the Texas Legislature and there are no deficits reported in net position.

Note 21: Undefined by Texas Comptroller

Reserved for future use by Texas Comptroller.

Note 22: Donor Restricted Endowments

LSCPA has no cumulative net appreciation on investments of donor restricted endowments to report as of August 31, 2023 and 2022.

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Lamar State College Port Arthur
Notes to the Financial Statements
For the Years Ended August 31, 2023 and 2022

Note 23: Extraordinary and Special Items

No items have been identified meeting the criteria of extraordinary or special items as of August 31, 2023 and 2022.

Note 24: Disaggregation of Receivable and Payable Balances

Balances of receivables and payables reported on the Statements 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 are presented net of allowances for doubtful accounts of \$181,598.02 and \$143,994.22 as of August 31, 2023 and 2022, respectively.

Note 25: Termination Benefits

LSCPA has no termination benefits to report as of August 31, 2023 and 2022.

Note 26: Segment Information

LSCPA has no segments to report as of August 31, 2023 and 2022.

Note 27: Public-Private and Public-Public Partnerships

LSCPA and TSUS (the transferor) entered into a public-private partnership (PPP) arrangement in March 2016 with ITEX Development, LLC (ITEX) and Seahawk Landing, LLC (Seahawk) (the operator), in which ITEX agreed to design and build apartments (Seahawk Landing) and then operate the apartments for 30 years. The term of 30 years can be extended for two (2) successive five (5) year periods with 180 days prior notice to the expiration of the initial 30-year agreement. During the term of the arrangement, Seahawk is entitled to collect and retain rent generated by the apartment. LSCPA does not receive any revenue from the arrangement. As part of the agreement, LSCPA entered into a ground lease for the term of the arrangement to allow the use of LSCPA's land by ITEX. The arrangement does not meet all the criteria to qualify as a service concession arrangement (SCA). The estimated historical cost of the apartments at August 31, 2023 is \$1,398,670. In accordance with GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* (GASB 94), implemented during fiscal year August 31, 2023, the balance is presented as an intangible asset. The balance will remain unchanged due to the fact that the apartments must remain in their original condition throughout the PPP arrangement. ITEX and Seahawk are not components of LSCPA or TSUS.

<u>Arrangement Name</u>	<u>Construction State</u>	<u>Term of Concession</u>	<u>Begin</u>	<u>End</u>
Seahawk Landing	Complete	30 years	2016	2046

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Notes to the Financial Statements
For the Years Ended August 31, 2023 and 2022

Note 28: Deferred Outflows of Resources and Deferred Inflows of Resources

LSCPA has no deferred outflows of resources and deferred inflows of resources to report as of August 31, 2022. In fiscal 2023, LSCPA reported deferred inflows in connection with its PPP SCA due to the implementation of GASB 94. The balance of the PPP SCA (see Note 27) is \$1,339,152.13 at August 31, 2023. The amount represents the unamortized balance of the PPP SCA arrangement as described in Note 27.

Note 29: Troubled Debt Restructuring

LSCPA has no troubled debt restructuring to report as of August 31, 2023 and 2022.

Note 30: Non-Exchange Financial Guarantees

LSCPA has no non-exchange financial guarantees to report as of August 31, 2023 and 2022.

Note 31: Tax Abatements

LSCPA has no tax abatements to report as of August 31, 2023 and 2022.

Note 32: Fund Balances

LSCPA's financial statements are presented for business-type activities as of August 31, 2023 and 2022.

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LAMAR STATE COLLEGE PORT ARTHUR
SCHEDULE 1A - Schedule of Expenditures of Federal Awards
Schedule of Federal Financial Assistance
For the Fiscal Year Ended August 31, 2023

Federal Grantor/Pass Through Grantor/ Program Title	CFDA Number	Agy #	Univ #	Identifying #	Agency or Univ. Amount	PASS THROUGH FROM		Total Pass Through & Direct Program	Expenditures	Pass Thru To & Expenditures
						Direct Program Amount				
U.S. Department of Education										
Direct Programs:										
<i>Student Financial Assistance Cluster:</i>										
Federal Supplemental Education Opportunity Grants	84.007				\$ -	\$ 105,133.00	\$ 105,133.00	\$ 105,133.00	\$ 105,133.00	\$ 105,133.00
Federal Direct Student Loans	84.268				-	2,325,825.00	2,325,825.00	2,325,825.00	2,325,825.00	2,325,825.00
Federal Work-Study Program	84.033				-	75,705.91	75,705.91	75,705.91	75,705.91	75,705.91
Federal Pell Grant Program	84.063				-	4,189,159.84	4,189,159.84	4,189,159.84	4,189,159.84	4,189,159.84
Administrative Cost Recovery	84.063				-	5,745.00	5,745.00	5,745.00	5,745.00	5,745.00
Total Student Financial Assistance Cluster					-	6,701,568.75	6,701,568.75	6,701,568.75	6,701,568.75	6,701,568.75
Higher Education Institutional Aid, Title V Part A (DHSI)	84.031S				-	669,798.99	669,798.99	669,798.99	669,798.99	669,798.99
American Rescue Plan Act - Institutional (ARPA)	84.425F				-	1,736,554.09	1,736,554.09	1,736,554.09	1,736,554.09	1,736,554.09
					-	2,406,353.08	2,406,353.08	2,406,353.08	2,406,353.08	2,406,353.08
Pass Through From:										
Texas Higher Education Coordinating Board			781							
Vocational Education Basic Grants to States	84.048A				413,262.00	-	413,262.00	413,262.00	413,262.00	413,262.00
COVID-19 - Governor's Emergency Education Relief (GEER) Fund	84.425C				216,841.29	-	216,841.29	216,841.29	216,841.29	216,841.29
					630,103.29		630,103.29	630,103.29	630,103.29	630,103.29
Totals - U.S. Department of Education					630,103.29	9,107,921.83	9,738,025.12	9,738,025.12	9,738,025.12	9,738,025.12
U.S. Department of Commerce										
Direct Programs:										
Public Works and Economic Adjustment Assistance Programs (CDL)	11.307				-	3,568,659.81	3,568,659.81	3,568,659.81	3,568,659.81	3,568,659.81
Economic Adjustment Assistance (Armory)	11.307				-	588,562.35	588,562.35	588,562.35	588,562.35	588,562.35
Economic Adjustment Assistance (Allied Health)	11.307				-	28,257.01	28,257.01	28,257.01	28,257.01	28,257.01
Totals - U.S. Department Commerce					-	4,185,479.17	4,185,479.17	4,185,479.17	4,185,479.17	4,185,479.17
Small Business Administration										
Pass Through From:										
University of Houston			730							
U.S. Small Business Administration	59.037				28,205.27	-	28,205.27	28,205.27	28,205.27	28,205.27
Totals - Small Business Administration					28,205.27	-	28,205.27	28,205.27	28,205.27	28,205.27
TOTAL FEDERAL FINANCIAL ASSISTANCE					\$ 658,308.56	\$ 13,293,401.00	\$ 13,951,709.56	\$ 13,951,709.56	\$ 13,951,709.56	\$ 13,951,709.56

Note 1 is "not applicable."

Note 2: Reconciliation:

Federal Revenue - Operating (SRECNP)	\$ 850,637.90
Federal Pass Through Revenue (SRECNP)	658,308.56
Federal Revenue - Nonoperating (SRECNP)	<u>10,116,938.10</u>
	11,625,884.56
Reconciling Item:	
Federal Direct Student Loans	<u>2,325,825.00</u>
Total Pass Through and Expenditures Per Federal Schedule	<u>\$ 13,951,709.56</u>

Notes 3, 5, 6, and 7 are "not applicable."

Note 8 is "not applicable."

Note 9 is "not applicable."

Note 10 is "no."

Notes 11, 12, and 13 are "not applicable."

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LAMAR STATE COLLEGE PORT ARTHUR
SCHEDULE 1B - Schedule of State Grant Pass Throughs From/To State Agencies
For the Fiscal Year Ended August 31, 2023

	<u>Agency #</u>	<u>Amount</u>
Pass Through From:		
Texas Higher Education Coordinating Board	781	
College Work Study Program		\$ 1,650.25
Professional Nursing Shortage Reduction Program		5,134.12
Texas Education Opportunity Grant		431,339.00
Texas Workforce Commission	320	
JET Grants		<u>428,734.99</u>
Total State Grant Pass Through Revenue		<u>\$ 866,858.36</u>

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LAMAR STATE COLLEGE PORT ARTHUR

SCHEDULE 2A - Miscellaneous Bond Information

For the Fiscal Year Ended August 31, 2023

SCHEDULE NOT USED

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LAMAR STATE COLLEGE PORT ARTHUR

SCHEDULE 2B - Changes in Bonded Indebtedness

For the Fiscal Year Ended August 31, 2023

SCHEDULE NOT USED

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SCHEDULE 2C - Debt Service Requirements

For the Fiscal Year Ended August 31, 2023

SCHEDULE NOT USED

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SCHEDULE 2D - Analysis of Funds Available for Debt Service

For the Fiscal Year Ended August 31, 2023

SCHEDULE NOT USED

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SCHEDULE 2E - Defeased Bonds Outstanding

For the Fiscal Year Ended August 31, 2023

SCHEDULE NOT USED

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LAMAR STATE COLLEGE PORT ARTHUR
SCHEDULE 2F - Early Extinguishment and Refunding
For the Fiscal Year Ended August 31, 2023

SCHEDULE NOT USED

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Lamar State College Port Arthur
Schedule 3 - Reconciliation of Cash in State Treasury
August 31, 2023

Cash in State Treasury	Unrestricted	Restricted	Current Year Total
Local Revenue Fund 0286	\$ 5,083,928.73	\$ -	\$ 5,083,928.73
Local Revenue Fund 0325	-	100,603.34	100,603.34
Total Cash in State Treasury (SNP)	\$ 5,083,928.73	\$ 100,603.34	\$ 5,184,532.07

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LAMAR STATE COLLEGE PORT ARTHUR

**SCHEDULE 4 - Higher Education Fund
For the Fiscal Year Ended August 31, 2023**

BALANCE AT SEPTEMBER 1, 2022	<u>\$ 6,246,633.30</u>
REVENUES	
HEF Appropriations	<u>2,217,102.00</u>
Total Revenues	<u>2,217,102.00</u>
EXPENSES	
Other Expenses	1,400,248.12
Construction in Progress	<u>705,956.55</u>
Total Expenditures	<u>2,106,204.67</u>
BALANCE AT AUGUST 31, 2023	<u><u>\$ 6,357,530.63</u></u>

