



**Lamar State College  
Port Arthur**

A Member of The Texas State University System

**ANNUAL FINANCIAL REPORT**

**FISCAL YEAR 2011**

(September 1, 2010 - August 31, 2011)



Lamar State College — Port Arthur

*A Member of The Texas State University System*

November 20, 2011

Honorable Rick Perry, Governor  
Honorable Susan Combs, Texas Comptroller  
John O'Brien, Director, Legislative Budget Board  
John Keel, CPA, State Auditor

Dear Governor Perry, Ms. Combs, Mr. O'Brien, and Mr. Keel:

We are pleased to submit the annual financial report of Lamar State College-Port Arthur for the year ended August 31, 2011, in compliance with Texas Government Code Annotated, Section 2101.011, and in accordance with the requirements established by the 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 *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 Mary Wickland at 409-984-6125.

Sincerely,

Sam Monroe  
President

MAW



## Lamar State College - Port Arthur

*A Member of The Texas State University System*

November 20, 2011

Dr. W. Sam Monroe  
President  
Lamar State College – Port Arthur  
Port Arthur, TX 77641

Dear Dr. Monroe,

Submitted herein is the Annual Financial Report of Lamar State College – Port Arthur for the fiscal year ended August 31, 2011.

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 Statewide Annual 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 Mary Wickland at 409 984-6125.

Respectfully Submitted,

Mary Wickland, CPA  
Director of Accounting

Approved:

Gwen Reck, CPA  
Vice President for Finance

LAMAR STATE COLLEGE PORT ARTHUR

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# THE TEXAS STATE UNIVERSITY SYSTEM

Thomas J. Rusk Building  
208 E. 10th Street, Suite 600  
Austin, Texas 78701-2407  
Telephone: (512) 463-1808

## ORGANIZATIONAL DATA AS OF AUGUST 31, 2011

### BOARD OF REGENTS

#### OFFICERS

Charlie Amato	Chairman
Donna Williams	Vice Chair

#### MEMBERS

<u>Name</u>	<u>City (Texas)</u>	<u>Term Expires</u>
Dr. Jaime Garza	San Antonio	2/1/2017
Kevin Lilly	Houston	2/1/2015
Ron Mitchell	Horseshoe Bay	2/1/2015
David Montagne	Beaumont	2/1/2015
Trisha Pollard	Bellaire	2/1/2013
Rossanna Salazar	Austin	2/1/2017
Michael Truncale	Beaumont	2/1/2013
Ryan Bridges	Huntsville	5/31/2012

### ADMINISTRATIVE OFFICERS

#### SYSTEM OFFICE

Dr. Brian McCall	Chancellor
Dr. Perry Moore	Vice Chancellor for Academic Affairs
Dr. Fernando Gomez	Vice Chancellor and General Counsel
Dr. Roland Smith	Vice Chancellor for Finance
Peter Graves	Vice Chancellor for Contract Administration
Sean Cunningham	Vice Chancellor for Governmental Relations

#### LAMAR STATE COLLEGE PORT ARTHUR

Dr. Sam Monroe	President
Dr. Gary Stretcher	Vice President for Academic Affairs
Gwen Reck	Vice President for Finance
Thomas Neal	Vice President for Student Services

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Texas State University System  
Lamar State College Port Arthur  
Student Enrollment Data  
For the Year Ended August 31, 2011

Type of Student	Number of Students by Semester			
	Fall 2010	Spring 2011	Summer I 2011	Summer II 2011
Texas Residents	1,653	1,844	590	252
Out of State (Classified as Residents)				
Out of State	35	25	12	15
Foreign	5	4	3	2
Child of Disabled				
Concurrent Enrollment	300	268		
Foster Children	5	5	1	1
Good Neighbor				
High School Honor Scholarships				
High Ranking Senior				
Hazelwood Act	19	23	22	9
Senior Citizens	31	28		
Commission for the Blind/Deaf	10	11	4	1
Fireman Exempt	1			
Thesis Only				
Student Service Fees				
Nursing	1	1	1	
Faculty/Staff	18	18	4	
Teaching Assistants	1	1	1	
Competitive Scholarships	13	11	5	10
Military Personnel	2	2		
Louisiana Adjacent County	16	15	11	7
Mexico Pilot				
National Student Exchange Program				
New Mexico Adjacent County				
Texas Tomorrow Waiver	9	4	1	1
Adopted Students	5	5	2	1
Military Dependent				
Pase				
TANF				
HB 877				
Distance Learning				
Family & Consumer Science Alliance Agreement				
Clinical Preceptor Exempt				
Beaumont-Louisiana Non-Resident				
UACH				
Early HS Grad				
TAPS Tuition Voucher 54.2111				
TDCJ 54.218 Education Code	250	254	178	60
Trio Grant Math 0301				
HB 1406 Non-US Citizen				
<b>TOTAL</b>	<b>2,374</b>	<b>2,519</b>	<b>835</b>	<b>359</b>

Enrollment Data (Fall Semester)

Fiscal Year	Student Headcount	Credit Hours
2011	2,374	23,154
2010	2,162	20,080
2009	2,019	18,318
2008	2,279	21,050
2007	2,424	21,974
2006	2,519	22,214
2005	2,385	22,722
2004	2,429	22,920
2003	2,765	25,822
2002	2,497	22,574

**Texas State University System  
Lamar State College Port Arthur  
Statement of Net Assets  
August 31, 2011**

	Total
<b>ASSETS AND DEFERRED OUTFLOWS</b>	
Current Assets:	
Cash and Cash Equivalents	
Cash on Hand	\$ 620.00
Cash in Bank	1,244,803.29
Cash in State Treasury	1,125,939.75 (schedule 3)
Cash Equivalents	2,911,980.39
Restricted:	
Cash and Cash Equivalents	
Cash in Bank	147,099.70
Cash Equivalents	532,781.40
Legislative Appropriations	2,296,120.77
Receivables:	
Federal	785,510.38
Accounts	1,292,305.42
Gifts	
Due From Other Agencies	1,000.00
Prepaid Items	365,027.75
Total Current Assets	10,703,188.85
Non-Current Assets and Deferred Outflows:	
Restricted:	
Cash and Cash Equivalents	
Cash in Bank	193,562.52
Cash Equivalents	777,121.68
Loans and Contracts	253,040.24
Capital Assets:	
Non-Depreciable:	
Land and Land Improvements	1,781,923.45
Depreciable:	
Buildings and Building Improvements	32,082,254.20
Less Accumulated Depreciation	(17,102,822.87)
Facilities and Other Improvements	1,826,640.35
Less Accumulated Depreciation	(584,531.63)
Furniture and Equipment	2,869,290.08
Less Accumulated Depreciation	(2,065,292.74)
Vehicles, Boats, and Aircraft	218,209.52
Less Accumulated Depreciation	(149,853.70)
Other Capital Assets	2,582,201.44
Less Accumulated Depreciation	(1,840,645.64)
Total Non-Current Assets	20,841,096.90
Total Assets	\$ 31,544,285.75

**Texas State University System  
Lamar State College Port Arthur  
Statement of Net Assets  
August 31, 2011**

	<u>Total</u>
<b>LIABILITIES AND DEFERRED INFLOWS</b>	
Current Liabilities:	
Payables:	
Accounts	\$ 649,121.52
Payroll	927,543.31
Due to Other Agencies	161,661.64
Deferred Revenues	3,674,165.32
Employees' Compensable Leave	335,224.19
Other Current Liabilities	17,135.05
Total Current Liabilities	5,764,851.03
 Non-Current Liabilities and Deferred Inflows:	
Employees' Compensable Leave	223,482.81
Other Non-Current Liabilities	34,789.33
Total Non-Current Liabilities	258,272.14
 Total Liabilities	\$ 6,023,123.17
 <b>NET ASSETS</b>	
Invested in Capital Assets, Net of Related Debt	\$ 19,617,372.46
Restricted For	
Education	490,414.75
Capital Projects	705,100.00
Funds Held As Permanent Investments:	
Expendable	1,062,815.30
Other	1,259,752.90
Unrestricted	2,385,707.17
Total Net Assets	\$ 25,521,162.58



**Texas State University System**  
**Lamar State College Port Arthur**  
**Statement of Revenues, Expenses, and Changes in Net Assets**  
**For the Fiscal Year Ended August 31, 2011**

	<b>Total</b>
<b>OPERATING REVENUES</b>	
Sales of Goods and Services	
Tuition and Fees - Pledged (PR-Chgs for Services)	\$ 8,153,111.47
Discounts and Allowances	(1,663,712.64)
Auxiliary Enterprises (PR-Chgs for Services)	76,689.32
Other Sales of Goods and Services	203,385.08
Federal Revenue-Operating (PR-OP Grants/Contributions)	169,188.78
Federal Pass-Through Revenue (PR-OP Grants/Contributions)	318,040.26
State Grant Pass-Through Revenue (PR-OP Grants/Contributions)	1,550,229.00
Other Grants and Contracts (PR-OP Grants/Contributions)	7,682.00
Other Operating Revenues (PR-Chgs for Services)	135,757.69
<b>Total Operating Revenues</b>	<b>8,950,370.96</b>
<b>OPERATING EXPENSES</b>	
Instruction	8,050,331.86
Public Service	623,488.03
Academic Support	1,516,997.69
Student Services	1,090,004.33
Institutional Support	4,226,470.16
Operation and Maintenance of Plant	1,982,363.03
Scholarship and Fellowships	4,729,802.72
Auxiliary Enterprise Expenditures	1,927,980.86
Depreciation and Amortization	1,342,370.41
<b>Total Operating Expenses</b>	<b>25,489,809.09</b>
<b>Operating Income (Loss)</b>	<b>\$ (16,539,438.13)</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>	
Legislative Revenue (GR)	\$ 8,818,865.00
Additional Appropriations (GR)	2,189,479.83
Federal Revenue (PR-OP Grants/Contributions)	4,351,878.46
Federal Pass-Through Revenue (PR-OP Grants/Contributions)	444,888.43
Gifts (PR-OP Grants/Contributions)	487,566.00
Interest and Investment Income (Expense) (PR-OP Grants/Contributions)	25,234.75
Other Nonoperating Revenues (Expenses) (PR-Chgs for Services)	25,180.10
<b>Total Nonoperating Revenues (Expenses)</b>	<b>16,343,092.57</b>
<b>Income (Loss) before Other Revenues, Expenses, Gains/Losses and Transfers</b>	<b>(196,345.56)</b>

**Texas State University System  
Lamar State College Port Arthur  
Statement of Revenues, Expenses, and Changes in Net Assets  
For the Fiscal Year Ended August 31, 2011**

	<b>Total</b>
<b>OTHER REVENUES, EXPENSES, GAINS/LOSSES AND TRANSFERS</b>	
Capital Appropriations (HEAF)	1,244,694.00
Transfer Out	(101,059.10)
Legislative Transfer Out	(904,310.26)
Total Other Revenues, Expenses, Gains/Losses and Transfers	239,324.64
<b>CHANGE IN NET ASSETS</b>	42,979.08
Net Assets, September 1, 2010	25,519,299.50
Restatements-Incorrect Adjustment made to Beginning Fund Balance by Comptro	(41,116.00)
Net Assets, September 1, 2010, as Restated	25,478,183.50
NET ASSETS, August 31, 2011	\$ 25,521,162.58

Texas State University System  
Lamar State College Port Arthur  
Matrix of Operating Expenses Reported by Function  
For the Fiscal Year Ended August 31, 2011

Operating Expenses	Instruction	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	\$ 5,845,082.48	\$ 387,833.84	\$ 591,301.00	\$ 818,054.42	\$ 1,982,411.70	\$ 749,823.89	\$ 50,779.00	\$ 548,881.07		\$ 10,971,747.40
Payroll Related Costs	1,599,824.29	115,836.58	200,177.67	270,348.02	597,667.25	307,263.11	407.77	148,459.86		3,239,884.55
Professional Fees and Services	22,917.28	26,240.16	18,330.08		240,694.14	91,701.64		271,396.00		671,279.30
Travel	15,586.52	14,700.23	172,219.81		10,328.85	95.00		94,579.46		307,509.87
Materials and Supplies	193,799.85	52,982.70	40,823.61		246,611.21	162,018.91		146,718.44		842,954.72
Communications and Utilities	1,097.34	2,550.48	164,526.46		475,934.49	216,978.69		16,000.97		877,088.43
Repairs and Maintenance	33,249.28	2,720.99	186,932.13		18,883.04	315,793.61		40,071.68		595,650.71
Rentals and Leases	18,638.08	7,260.21	3,852.29		19,565.00	544.51		53,112.49		103,872.59
Printing and Reproduction	954.89	1,076.00	513.31		4,163.75	79.00		47,106.19		53,893.14
Depreciation and Amortization*									1,342,370.41	1,342,370.41
Bad Debt Expense			9,802.83					4,179.25		13,982.08
Interest			2.49							2.49
Scholarships	96,845.00						4,678,615.95	393,992.80		5,169,453.75
Other Operating Expenses	221,536.84	12,386.84	128,516.01	3,501.89	632,210.73	138,264.67		163,502.67		1,300,019.65
<b>Total Operating Expenses</b>	<b>\$ 8,050,331.86</b>	<b>\$ 623,488.03</b>	<b>\$ 1,516,997.69</b>	<b>\$ 1,090,004.33</b>	<b>\$ 4,226,470.16</b>	<b>\$ 1,982,363.03</b>	<b>\$ 4,729,802.72</b>	<b>\$ 1,927,980.86</b>	<b>\$ 1,342,370.41</b>	<b>\$ 25,489,809.09</b>

\* Depreciation and Amortization may be allocated to the various functions or shown entirely in the Depreciation and Amortization column

**Texas State University System  
Lamar State College Port Arthur  
Statement of Cash Flows  
For the Fiscal Year Ended August 31, 2011**

	<b>Total</b>
<b>CASH FLOWS FROM OPERATING ACTIVITES</b>	
Receipts from Customers	\$ 203,385.08
Proceeds from Tuition and Fees	6,789,993.62
Proceeds from Auxiliaries	76,689.32
Proceeds from Other Revenues	1,863,212.51
Payments to Suppliers for Goods and Services	(9,896,226.73)
Payments to Employees for Salaries	(10,916,069.06)
Payments to Employees for Benefits	(3,263,872.85)
Net Cash Provided by Operating Activities	(15,142,888.11)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITES</b>	
Proceeds from Debt Issuance	
Proceeds from State Appropriations	12,253,038.83
Proceeds from Gifts	487,566.00
Proceeds from Grant Receipts	4,351,878.46
Proceeds from Other Financing Activities	470,068.53
Payments for Transfers to Other Funds	(94,399.00)
Net Cash Provided by Noncapital Financing Activities	17,468,152.82
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITES</b>	
Payments for Additions to Capital Assets	(2,412,564.76)
Payments of Principal on Debt	(648,623.19)
Payments of Interest on Debt Issuance	(262,347.17)
Net Cash Provided by Capital and Related Financing Activities	(3,323,535.12)
<b>CASH FLOWS FROM INVESTING ACTIVITES</b>	
Proceeds from Interest Income	15,098.69
Proceeds from Investment Income	10,136.06
Net Cash Provided by Investing Activities	25,234.75
Net Increase (Decrease) in Cash and Cash Equivalents	(973,035.66)
Cash and Cash Equivalents, September 1, 2010	7,906,944.39
Changes in Accounting Principle	
Changes in Reporting Entity	
Restatements to Beginning Cash and Cash Equivalents	
Cash and Cash Equivalents, September 1, 2010 - Restated	7,906,944.39
Cash and Cash Equivalents, August 31, 2011	\$ 6,933,908.73

**Texas State University System  
Lamar State College Port Arthur  
Statement of Cash Flows  
For the Fiscal Year Ended August 31, 2011**

	<b>Total</b>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Operating Income (Loss)	\$ (16,539,438.13)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:	
Amortization and Depreciation	1,342,370.41
Bad Debt Expense	13,982.08
Operating Income (Loss) and Cash Flow Categories:	
Classification Differences: Loss on Disposal	2,714.62
Changes in Assets and Liabilities:	
(Increase) Decrease in Receivables	(192,153.04)
(Increase) Decrease in Due from Other Funds	12,000.00
(Increase) Decrease in Prepaid Expenses	(365,027.75)
(Increase) Decrease in Loans & Contracts	(110,881.99)
Increase (Decrease) in Payables	402,124.17
Increase (Decrease) in Due to Other Funds	(12,777.00)
Increase (Decrease) in Deferred Income	273,944.60
Increase (Decrease) in Compensated Absence Liability	(23,988.30)
Increase (Decrease) in Benefits Payable	55,678.35
Increase (Decrease) in Other Liabilities	(1,436.13)
Total Adjustments	1,396,550.02
Net Cash Provided by Operating Activities	\$ (15,142,888.11)
<b>Non Cash Transactions</b>	
Donation of Capital Assets	\$ -

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### Lamar State College Port Arthur Notes to the Financial Statements

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

##### **Entity**

Lamar State College Port Arthur is a state funded two-year Institution of Higher Education of the State of Texas and its financial records comply with state statutes and regulations. This includes compliance with the Texas Comptroller of Public Accounts' Reporting Requirements for State Institutions of Higher Education.

Due to the significant changes related to Governmental Accounting Standards Board 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 be in compliance with generally accepted accounting principles (GAAP). 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; therefore, an opinion has not been expressed on the financial statements and related information contained in this report.

##### **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 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 business type because, the predominance of their funding comes through charges to students, sales of goods and services, and grant revenues.

##### **Component Units**

The fund types of the individual discrete component units are available from the component units' separately issued financial statements. Additional information about component units can be found in Note 18.

##### **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 activity type funds (proprietary funds) are accounted for on the 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 non-operating items. Operating revenues and expenses result from providing

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### Lamar State College Port Arthur Notes to the Financial Statements

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 budget is prepared biennially and represents appropriations authorized by the legislature and approved by the Governor (the General Appropriations Act). Unencumbered appropriations are generally subject to lapse 60 days after the end of the fiscal year for which they were appropriated.

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

##### Assets

##### Cash and Cash Equivalents

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

##### Securities Lending Collateral

Investments are stated at fair value in all funds except pension trust funds in accordance with **GASB Statement 31-Accounting and Financial Reporting for Certain Investments and for External Investment Pools**. For pension trust funds, investments are required to be reported at fair value using the accrual basis of accounting in accordance with **GASB Statement 25 - Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans**. Securities lent are reported as assets on the balance sheet. The costs of securities lending transactions are reported as expenditures or expenses in the Operating Statement. These costs are reported at gross.

##### 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.

##### Inventories

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. Inventories for governmental fund types are the purchase method of accounting. The consumption method of accounting is used to account for inventories that appear in the proprietary fund types and the government-wide statements. The cost of these items is expensed when the items are consumed.

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### Lamar State College Port Arthur Notes to the Financial Statements

#### Capital Assets

Assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year should be capitalized. These assets are capitalized at cost or, if not purchased, at appraised fair value as of the date of acquisition. Purchases of assets by governmental funds are reported as expenditures. Depreciation is reported on all "exhaustible" assets. Inexhaustible assets, such as works of art and historical treasures, are not depreciated. Road and highway infrastructure is reported on the modified basis. Assets are depreciated over the estimated useful life of the asset using the straight-line method.

All capital assets acquired by proprietary funds or trust funds are reported at cost or estimated historical cost, if actual historical cost is not available. Donated assets are reported at fair value on the acquisition date. Depreciation is charged to operations over the estimated useful life of each asset, using the straight-line method.

#### Other Receivables

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 at the balance sheet date for which payment is pending.

##### Other Payables

Other payables are the accrual at year-end of expenditure transactions not included in any of the other payable descriptions. Other payables may be included in either the governmental or proprietary fund types.

##### Employees' Compensable Leave Balances

Employees' Compensable Leave Balances represent the liability that becomes "due" upon the occurrence of relevant events such as resignation, retirements, and uses of leave balances by covered employees. Liabilities are reported separately as either current or noncurrent in the statement of net assets.

##### Capital Lease Obligations

Capital Lease Obligations represent the liability for future lease payments under capital lease contracts contingent upon the appropriation of funding by the Legislature. Liabilities are reported separately as either current or noncurrent in the statement of net assets.



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### Lamar State College Port Arthur Notes to the Financial Statements

#### Bonds Payable - General Obligation Bonds

The unmatured principal of general obligations bonds is accounted for in the Long-term Liabilities column. Payables are reported separately as either current or noncurrent in the statement of net assets.

Bonds payable are recorded at par. The bond proceeds are accounted for as an "Other Financing Source" in the governmental funds when received and expenditures for payment of principal and interest are recorded in the Debt Service funds when paid. These amounts are adjusted in the Long-term Liabilities column.

#### Bonds Payable - Revenue Bonds

Revenue bonds are generally accounted for in the proprietary funds. The bonds payable are reported at par less unamortized discount or plus unamortized premium. Interest expense is reported on the accrual basis with amortization of discount or premium. Payables are reported separately as either current or noncurrent in the statement of net assets.

#### Fund Balance/Net Assets

The difference between fund assets and liabilities is "Net Assets" on the government-wide, proprietary, and fiduciary fund statements, and the "Fund Balance" is the difference between fund assets and liabilities on the governmental fund statements.

#### Reservation of Fund Balance

Fund balances for governmental funds are classified as either reserved or unreserved in the fund financial statements. Reservations are legally restricted to a specific future use or not available for expenditure.

#### Reserve for Encumbrances

This represents commitments of the value of contracts awarded or assets ordered prior to year-end but not received as of that date. Encumbrances are not included with expenditures or liabilities. They represent current resources designated for specific expenditures in subsequent operating periods.

#### Reserve for Consumable Inventories

This represents the amount of supplies, postage, and prepaid assets to be used in the next fiscal year.

#### Unreserved/Undesignated

Other represents the unappropriated balance at year-end.

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### Lamar State College Port Arthur Notes to the Financial Statements

#### 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 bond, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

#### Restricted Net Assets

Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.

#### Unrestricted Net Assets

Unrestricted net assets consist of net assets which do not meet the definition of the two *preceding* categories. Unrestricted net assets often have constraints on resources which are imposed by management but can be removed or modified.

### **Interfund Transactions and Balances**

Lamar State College Port Arthur has the following types of transactions among funds:

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

(2) Reimbursements: 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 that 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.

(3) Interfund receivables and payables: Interfund loans are reported as interfund receivables and payables. If repayment is due during the current year or soon thereafter it is classified as “Current” repayment for two (or more) years is classified as “Non-Current”.

(4) Interfund Sales and Purchases: Charges or collections for services rendered by one fund to another that are recorded as revenues of the recipient fund and expenditures or expenses of the disbursing fund. The composition of Lamar State College Port Arthur’s Interfund receivables and payables at August 31, 2011 is presented in Note 12.

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Lamar State College Port Arthur  
Notes to the Financial Statements

**Note 2: Capital Assets**

A summary of changes in Capital Assets for the year ended August 31, 2011 is presented below:

Land	\$ 1,781,923.45	\$ -	\$ -	\$ -	\$ 1,781,923.45
Construction In Progress	142,086.02	(2,118,827.52)	1,976,741.50		0.00
Total Non-Depreciable Assets	<u>\$ 1,924,009.47</u>	<u>\$ (2,118,827.52)</u>	<u>\$ 1,976,741.50</u>	<u>\$ -</u>	<u>\$ 1,781,923.45</u>
Depreciable Assets					
Buildings	\$ 29,963,426.68	\$ 2,118,827.52	\$ -	\$ -	\$ 32,082,254.20
Furniture and Equipment	2,668,573.46		360,905.25	(160,188.63)	2,869,290.08
Fleet Vehicles	261,972.52			(43,763.00)	218,209.52
Other Assets	2,507,283.43		74,918.01		2,582,201.44
Facilities and Other	1,826,640.35				1,826,640.35
Total Depreciable Assets at Historical Costs	<u>\$ 37,227,896.44</u>	<u>\$ 2,118,827.52</u>	<u>\$ 435,823.26</u>	<u>\$ (203,951.63)</u>	<u>\$ 39,578,595.59</u>
Less: Accumulated Depreciation for:					
Buildings	\$ (16,172,509.90)		(930,312.97)		\$ (17,102,822.87)
Furniture and Equipment	(2,043,325.91)		(179,440.84)	157,474.01	(2,065,292.74)
Fleet Vehicles	(180,592.62)		(13,024.08)	43,763.00	(149,853.70)
Other Assets	(1,680,532.20)		(160,113.44)		(1,840,645.64)
Facilities and Other	(525,052.55)		(59,479.08)		(584,531.63)
Total Accumulated Depreciation	<u>\$ (20,602,013.18)</u>	<u>\$ -</u>	<u>\$ (1,342,370.41)</u>	<u>\$ 201,237.01</u>	<u>\$ (21,743,146.58)</u>
Depreciable Assets, Net	<u>\$ 16,625,883.26</u>	<u>\$ 2,118,827.52</u>	<u>\$ (906,547.15)</u>	<u>\$ (2,714.62)</u>	<u>\$ 17,835,449.01</u>
Total Capital Assets	<u>\$ 18,549,892.73</u>	<u>\$ -</u>	<u>\$ 1,070,194.35</u>	<u>\$ (2,714.62)</u>	<u>\$ 19,617,372.46</u>

UNAUDITED

Lamar State College Port Arthur  
Notes to the Financial Statements

**Note 3: Deposits, Investments, and Repurchase Agreements**

Lamar State College Port Arthur is authorized to invest in obligations and instruments as defined in the Public Funds Investment Act (Sec. 2256.001 Texas Government Code). 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 of Texas or its agencies, (3) obligations of political subdivisions rated not less than A by a national investment rating firm, (4) certificates of deposit, and (5) other instruments and obligations authorized by statute.

**Deposits of Cash in Bank**

As of August 31, 2011, the carrying value of cash in banks was \$1,585,465.51 as presented below:

CASH IN BANK - CARRYING VALUE PER AFR			\$ 1,585,465.51
Proprietary Funds	Current Assets	Cash in Bank	1,244,803.29
Proprietary Funds	Current Assets	Restricted Cash in Bank	147,099.70
Proprietary Funds	Noncurrent Assets	Restricted Cash in Bank	193,562.52
Cash in Bank per AFR			<u><u>\$ 1,585,465.51</u></u>

These amounts consist of all cash in local banks. They appear on the Statement of Net Assets under the caption – Cash and Cash Equivalents.

At August 31, 2011, the total Cash in Bank balance of \$1,585,465.51 is identified as a Governmental and Business-Type Activity.

At August 31, 2011, the actual cash in depository bank is \$2,419,847.13.

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Lamar State College Port Arthur  
Notes to the Financial Statements

**Investments**

The fair value of investments as of the balance sheet date (both short and long term) is shown below:

**GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES**

		Fair Value	Carrying Value
Other Commingled Funds	TexPool	\$ 124,872.03	\$ 124,872.03
	TexPool Prime	4,097,011.44	4,097,011.44
Total Short Term Current Investments		\$ 4,221,883.47	\$ 4,221,883.47

The investments appear on the Statement of Net Assets under the caption – Cash and Cash Equivalents and Investments as follows:

**GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES**

Proprietary Funds	Current Assets	Cash Equivalents	\$ 2,911,980.39
Proprietary Funds	Current Assets	Restricted Cash Equivalents	532,781.40
Proprietary Funds	Noncurrent Assets	Restricted Cash Equivalents	777,121.68
Total Investments			\$ 4,221,883.47

**Note 4: Short-Term Debt**

Lamar State College Port Arthur has no short term debt to report as of August 31, 2011.

**Note 5: Long-Term Liabilities**

Bonds Payable

See Note 6 for a discussion of Bonds Payable.

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Lamar State College Port Arthur  
Notes to the Financial Statements

Compensable Leave

A state employee is entitled to be paid for any 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 month. An expense and liability for Business Type Activities are recorded in the accounts as the benefits accrue to employees. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

	<u>9/1/2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>8/31/2010</u>	<u>Within One Year</u>
Compensable Leave	\$ 582,695.30	\$ 364,488.49	\$ 388,476.80	\$ 558,706.99	\$ 335,224.19

**Note 6: Bonded Indebtedness**

All bonded indebtedness for Lamar State College Port Arthur is issued by System Administration through the Texas State University System Revenue Financing System. System Administration and each component institution within the system are members of the Revenue Financing System. The Board of Regents pledged all of the funds (revenues) and balances derived or attributable to any member of the Revenue Financing System that are lawfully available to the Board for payments on Parity Debt.

System Administration issued the debt; therefore, the bonds payable attributable to the institution is 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.

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Lamar State College Port Arthur  
Notes to the Financial Statements

**DEBT SERVICE REQUIREMENTS ATTRIBUTABLE  
TO LAMAR STATE COLLEGE PORT ARTHUR**

Description	Year	Principal	Interest	Total
All Series	2012	\$ 534,954.99	\$ 349,139.52	\$ 884,094.51
	2013	543,332.51	323,391.76	866,724.27
	2014	568,847.31	296,743.56	865,590.87
	2015-2019	3,083,079.26	1,037,775.48	4,120,854.74
	2020-2024	1,824,768.30	340,294.00	2,165,062.30
	2025-2029	495,000.00	88,800.00	583,800.00
	2030-2034	110,000.00	4,400.00	114,400.00
<b>TOTALS</b>		<b>\$ 7,159,982.37</b>	<b>\$ 2,440,544.32</b>	<b>\$ 9,600,526.69</b>

A portion of the debt represents Tuition Revenue Bonds historically funded by the Texas Legislature through General Revenue Appropriations. The institution was appropriated \$877,142 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.

**Note 7: Derivative Instruments**

Lamar State College Port Arthur has no derivative instruments to report as of August 31, 2011.

**Note 8: Capital and Operating Leases**

Lamar State College Port Arthur has no capital lease and no operating lease obligations to report as of August 31, 2011.

**Note 9: Retirement Plans (administering agencies only)**

Not Applicable.

**Note 10: Deferred Compensation (administering agencies only)**

Not Applicable.

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Lamar State College Port Arthur  
Notes to the Financial Statements

**Note 11: Postemployment Health Care and Life Insurance Benefits (administering agencies only)**

Not Applicable.

**Note 12: Interfund Activities and Transactions**

As explained in Note 1, Interfund Activities and Balances 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

Lamar State College Port Arthur 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 statement.



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Lamar State College Port Arthur  
Notes to the Financial Statements

Individual balances and activity at August 31, 2011 follows:

	Due From Other Agencies	Due To Other Agencies
Loan Funds		
Appd Fund 9999, D23 Fund 9999		
* Agency 734, D23 Fund 9999	1,000.00	161,661.64
Total Due From/To Other Agencies	\$ 1,000.00	\$ 161,661.64
	Transfers From Other Agencies	Transfers To Other Agencies
Mandatory Transfers		
Designated Funds		
Appd Fund 9999, D23 Fund 9999		
* Agency 758, D23 Fund 9999		6,660.10
Non Mandatory Transfers		
Designated Funds		
Appd Fund 9999, D23 Fund 9999		
* Agency 758, D23 Fund 9999		94,399.00
Total Transfers From/To Other Agencies	\$ -	\$ 101,059.10
	Legislative Transfers From Other Agencies	Legislative Transfers To Other Agencies
General Revenue Funds		
Appd Fund 0001, D23 Fund 0001		
* Agency 758, D23 Fund 0001		904,310.26
* Agency 758, D23 Fund 0001		
Total Legislative Transfers	\$ -	\$ 904,310.26

State Agency 758 is The Texas State University System Office of the college and State Agency 734 is Lamar University who are component campuses of the college; therefore these due to amounts will be eliminated in the combined Annual Financial Report of the Texas State University System.

**Note 13: Continuance Subject to Review**

Lamar State College Port Arthur is not subject to a review of continuance.

## UNAUDITED

### Lamar State College Port Arthur Notes to the Financial Statements

#### **Note 14: Adjustment to Fund Balances and Net Assets**

Lamar State College Port Arthur has no restatements of Fund Balances and Net Assets to report as of August 31, 2011.

#### **Note 15: Contingencies and Commitments**

At August 31, 2011 various lawsuits and claims involving Lamar State College Port Arthur were pending. While the ultimate liability with respect to litigation and other claims asserted against the College 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 the College.

#### **Note 16: Subsequent Events**

None.

#### **Note 17: Risk Management**

The State provides coverage for workers' compensation and unemployment compensation benefits from appropriations made to other State agencies for Lamar State College Port Arthur employees. The current General Appropriations Act provides that the College must reimburse General Revenue Fund-Consolidated, from the College's appropriations, one-half of the unemployment benefits paid and twenty-five percent of the worker's compensation benefits paid for current and former employees. The Comptroller of Public Accounts determines the proportionate amount to be reimbursed from each fund type. The College must reimburse the General Revenue Fund one hundred percent of the cost for worker's compensation and employment compensation for any employees paid from funds held in local bank accounts. Workers' compensation and unemployment plans are 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, 2011.

The College is required by certain bond covenants to carry Fire and Extended Coverage and Boiler insurance on buildings financed through the issuance of bonds using pledged Auxiliary Enterprise or other non-Educational and General Funds. The insurance protects the bondholders from a disruption to the revenue stream that is being utilized to make the bond interest and principal payments. No insurance claims were made during the fiscal year ended August 31, 2011.

The Texas Motor Vehicle Safety Responsibility Act requires that every non-governmental vehicle operated on a state highway be insured for minimum limits of liability in the amount of \$20,000/\$40,000 bodily injury and \$15,000 property damage. However, the institution has chosen to carry liability insurance on their licensed vehicles in the amount of \$1,000,000 combined single

## UNAUDITED

### Lamar State College Port Arthur Notes to the Financial Statements

amount, the extent of the waivers of state immunity in the tort claims act.

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

Lamar State College Port Arthur assumes substantially all risks associated with tort and liability claims due to the performance of its duties. Currently there is no purchase of commercial insurance, nor is the College involved in any risk pool with other government entities for these risks.

#### **Note 18: Management Discussion and Analysis**

Management Discussion and Analysis is a required part of the basic financial statements. Management Discussion and Analysis is omitted because Lamar State College Port Arthur 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 Entity**

Lamar State College Port Arthur is a state-supported university, governed by an elected nine-member board. As required by generally accepted accounting principles, these financial statements are presented for Lamar State College Port Arthur. There are no component units.

The College is affiliated with one foundation and an alumni association that has the sole purpose of supporting the educational and other activities of the College. These entities solicit donations and act as coordinator of gifts made by other parties.

#### Port Arthur Higher Education Foundation

The Port Arthur Higher Education Foundation is a non-profit organization which was established for the purpose of cooperating with and working on behalf of the College. Neither the transactions of this organization or its fund balances are reflected in the financial statements during the year ended August 31, 2011.

The Port Arthur Higher Education Foundation gave \$189,209.00 in scholarship money directly to Lamar State College Port Arthur students during the year ended August 31, 2011. The Foundation also contributed \$191,671 to the Centennial Scholarship Fund during the year ended August 31, 2011.

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Lamar State College Port Arthur  
Notes to the Financial Statements

Lamar Port Arthur Alumni Association

The Lamar Port Arthur Alumni Association is a non-profit organization which was established for the purpose of cooperating with and working on behalf of the College. Neither the transactions of this organization or its fund balances are reflected in the financial statements during the year ended August 31, 2011.

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

Not Applicable.

**Note 21:**

Not Applicable

**Note 22: Donor Restricted Endowments**

Lamar State College Port Arthur has no donor restricted endowments to report as of August 31, 2011.

**Note 23: Extraordinary or Special Items**

Not Applicable.

**Note 24: Disaggregation of Receivable and Payable Balances**

Current Receivables and Other Current Liabilities as of August 31, 2011 are comprised of the following:

A.	Federal Receivable	
	Scholarship	\$ 731,653.46
	Instruction	53,856.92
		<u>\$ 785,510.38</u>
B.	Other Current Liabilities	
	Refundable Student Deposit	<u>\$ 17,135.05</u>
C.	Other Non-Current Liabilities	
	Refundable Student Deposit	<u>\$ 34,789.33</u>

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Lamar State College Port Arthur  
Notes to the Financial Statements

**Note 25: Termination Benefits**

Lamar State College Port Arthur has no termination benefits to report as of August 31, 2011.

**Note 26: Segment Information**

Lamar State College Port Arthur has no segments to report as of August 31, 2011.

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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, 2011

Federal Grantor/Pass Through Grantor/ Program Title	CFDA Number	PASS-THROUGH FROM				Total		Expenditures	Pass Thru To & Expenditures	
		Agy #	Univ #	Identifying #	Agency or Univ. Amount	Direct Program Amount	Pass-Through & Direct Program			
U.S. Department of Education										
Direct Programs:										
Federal Supplemental Education Opportunity Grants	84.007				\$ -	\$ 47,027.00	\$ 47,027.00	\$ 47,027.00	\$ 47,027.00	
Federal Family Education Loan	84.032					3,066,621.00	3,066,621.00	3,066,621.00	3,066,621.00	
Federal Work-Study Program	84.033					42,568.00	42,568.00	42,568.00	42,568.00	
Federal Academic Competitiveness Grant Program	84.375					68,179.00	68,179.00	68,179.00	68,179.00	
Federal Pell Grant Program	84.063					4,345,998.46	4,345,998.46	4,345,998.46	4,345,998.46	
Administrative Cost Recovery	84.063					5,880.00	5,880.00	5,880.00	5,880.00	
Tech-Prep Education	84.243					6,857.38	6,857.38			
Department of Health and Human Services										
Direct Programs:										
Nurse Education, Practice and Retention Grants - ACCESS	93.359					4,557.40	4,557.40	4,557.00	4,557.00	
Pass-Through From:										
Texas Higher Education Coordinating Board			781							
Vocational Education Basic Grants to States	84.048				137,804.47	137,804.47	137,804.47	137,804.47	137,804.47	
ARRA Special Projects	84.397				444,888.43	444,888.43	444,888.43	444,888.43	444,888.43	
Statewide Data Systems	84.372				2,000.00	2,000.00				
Pass-Through From:										
University of Houston			730							
U.S. Small Business Administration	59.037				28,648.41	28,648.41	28,648.41	28,648.41	28,648.41	
Pass-Through From:										
Texas Department of Public Safety			405							
Public Assistance Grant	97.036				149,588.00	149,588.00	149,588.00	149,588.00	149,588.00	
Other Non-State Entities:										
						-				
<b>Total U.S. Department of Education</b>						<u>\$762,929.31</u>	<u>\$ 7,587,688.24</u>	<u>\$ 8,350,617.55</u>	<u>\$ 8,341,759.77</u>	<u>\$ 8,341,759.77</u>
<b>TOTAL FEDERAL FINANCIAL ASSISTANCE</b>						<u>\$762,929.31</u>	<u>\$ 7,587,688.24</u>	<u>\$ 8,350,617.55</u>	<u>\$ 8,341,759.77</u>	<u>\$ 8,341,759.77</u>

Federal Assistance Schedule - Reconciliation

Note 1: Not Applicable

Note 2: Reconciliation:

Federal Revenue	\$ 4,521,067.24
Federal Pass Through Revenue	<u>762,929.31</u>
Total Federal Revenue and Federal Pass-Through Revenue	<u>\$ 5,283,996.55</u>
Reconciliation Items	
Federal Family Education Loan Program (FFELP)	<u>\$ 3,066,621.00</u>
Total Pass-Through & Expenditures Per Federal Schedule	<u>8,350,617.55</u>

**LAMAR STATE COLLEGE - PORT ARTHUR**  
**Schedule 1B - Schedule of State Grant Pass Throughs From/To State Agencies**  
**For the Fiscal Year Ended August 31, 2011**

	<u>Agency #</u>	<u>Amount</u>
<b>Pass Through From:</b>		
Texas Higher Education Coordinating Board	781	
Texas Grants		\$ 744,760.00
Financial Aid - Prof Nursing		1,638.00
Financial Aid - LVN Nursing		1,798.00
Two Year Enrollment Growth		11,145.00
Professional Nursing Shortage Reduction Program		355,086.00
Texas Education Opportunity Grant		341,000.00
Top 10% Scholarships		28,000.00
College Work Study		8,211.00
Certified Education Aide Program		1,606.00
Jobs and Education for Texas Program		<u>56,985.00</u>
<b>Total State Pass-Through Agency 788</b>		<b>\$ <u><u>1,550,229.00</u></u></b>

**Lamar State College Port Arthur  
Schedule 2A - Miscellaneous Bond Information  
For the Fiscal Year Ended August 31, 2011**

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, 2011**

SCHEDULE NOT USED

UNAUDITED

**Lamar State College Port Arthur  
Schedule 2C - Debt Service Requirements  
For the Fiscal Year Ended August 31, 2011**

SCHEDULE NOT USED

**Lamar State College Port Arthur**  
**Schedule 2D - Analysis of Funds Available for Debt Service**  
**For the Fiscal Year Ended August 31, 2011**

SCHEDULE NOT USED

UNAUDITED

**Lamar State College Port Arthur  
Schedule 2E - Defeased Bonds Outstanding  
For the Fiscal Year Ended August 31, 2011**

SCHEDULE NOT USED

**Lamar State College Port Arthur**  
**Schedule 3 - Reconciliation of Cash in State Treasury**  
**For the Fiscal Year Ended August 31, 2011**

<u>Cash in State Treasury</u>	<u>Unrestricted</u>	<u>Restricted</u>	<u>Current Year Total</u>
Local Revenue Fund 0286	1,125,939.75	-	1,125,939.75
<b>Total Cash in State Treasury (stmt of Net Assets)</b>	<u>1,125,939.75</u>	<u>-</u>	<u>1,125,939.75</u>

**Lamar State College Port Arthur**  
**Schedule 4 - Higher Education Assistance Fund**  
**For the Fiscal Year Ended August 31, 2011**

	<u>Totals</u>
<b>Balance September 1, 2010</b>	<u>\$ 1,085,917.00</u>
<b>REVENUES</b>	
HEAF Appropriations	<u>1,244,694.00</u>
Total Revenues	<u>1,244,694.00</u>
<b>EXPENSES</b>	
Other Expenses	831,133.85
Transfers among Funds	<u>-</u>
Total Expenditures	<u>831,133.85</u>
 <b>BALANCE AT AUGUST 31, 2011</b>	 <u><u>\$ 1,499,477.15</u></u>