

# Annual Financial Report

Fiscal Year 2018



September 1, 2017  
to  
August 31, 2018



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

**Lamar University engages and empowers students with the skills and knowledge to thrive in their personal lives and chosen fields of endeavor. As a doctoral granting institution, Lamar University is internationally recognized for its high quality academics, innovative curriculum, diverse student population, accessibility, and leading edge scholarly activities dedicated to transforming the communities of Southeast Texas and beyond.**



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



# LAMAR UNIVERSITY

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***INTRODUCTORY SECTION***

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# LAMAR UNIVERSITY

A Member of The Texas State University System

## ORGANIZATIONAL DATA AS OF AUGUST 31, 2018

### BOARD OF REGENTS OFFICERS

Rossanna Salazar	Chairman
William F. Scott	Vice Chairman

Members	Term Expires	Hometown
Rossanna Salazar	2/1/2017	Austin
William F. Scott	2/1/2019	Nederland
Charlie Amato	2/1/2019	San Antonio
Veronica Muzquiz Edwards	2/1/2021	San Antonio
Dr. Jaime R. Garza	2/1/2017	San Antonio
David Montagne	2/1/2021	Beaumont
Vernon Reaser III	2/1/2019	Houston
Alan L. Tinsley	2/1/2021	Madisonville
Garry Crain	2/1/2023	The Hills
Leanna Mouton, Student	5/31/2019	San Marcos

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### ADMINISTRATIVE OFFICERS

#### SYSTEM OFFICE

Dr. Brian McCall	Chancellor
Dr. John Hayek	Vice Chancellor for Academic Affairs
Dr. Fernando C. Gomez	Vice Chancellor and General Counsel
Daniel Harper	Vice Chancellor for Finance
Sean Cunningham	Vice Chancellor for Governmental Relations
Carole M. Fox	Director of Audits and Analysis

#### LAMAR UNIVERSITY

Dr. Kenneth Evans	President
Dr. James Marquart	Provost and Vice President for Academic Affairs
Edward C. Ness	Vice President for Finance and Operations
Dr. Vicki McNeil	Vice President for Student Engagement
Dr. John Bello-Ogunu	Vice President for Diversity and Inclusion
Juan Zabala	Vice President for University Advancement
Priscilla Parsons	Vice President for Information Technology
Marco Born	Athletic Director

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***FINANCIAL SECTION***

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## ***INDEPENDENT ACCOUNTANTS' REVIEW REPORT***

To the Board of Regents of  
Texas State University System:

We have reviewed the accompanying Statement of Net Position; Statement of Revenues, Expenses, and Changes in Net Position; and Statement of Cash Flows of Lamar University (LU), an Agency of the State of Texas, as of and for the year ended August 31, 2018, and the related notes to the financial statements, which collectively comprise LU's basic financial statements.

A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

### **Accountants' Responsibility**

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

### **Accountants' Conclusion**

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

While the results of our review are not modified with respect to this matter, the financial statements of LU are intended to present the financial position and the changes in financial position and cash flows of only that portion of the business-type activities of the State of Texas that are attributable to the transactions of LU, as discussed in Note 1. Transactions associated with bonds, pension, and other postemployment benefits related to LU's activities in the name of Texas State University System (TSUS) are reported by TSUS and not LU. The financial statements do not purport to, and do not, present fairly the financial position of the State of Texas as of August 31, 2018, or the changes in its financial position, or, where applicable, its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information and Additional Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Such information is the responsibility of management.

The introductory section and the Matrix of Operating Expenses Reported by Function are additional supplementary information presented for purposes of additional analysis and are not required parts of the basic financial statements.

We have not audited, reviewed, or compiled the Required Supplementary Information or additional supplementary information and we do not express an opinion, a conclusion, nor provide any assurance on it.

The logo for Belt Harris Pechacek, LLLP features the names 'BELT', 'HARRIS', and 'PECHACEK' in a stylized, cursive font, with 'LLLP' in a smaller, plain font to the right.

Belt Harris Pechacek, LLLP  
*Certified Public Accountants*  
Houston, Texas  
February 20, 2019

***MANAGEMENT'S DISCUSSION  
AND ANALYSIS***

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# LAMAR UNIVERSITY

## Management's Discussion and Analysis For the year ended August 31, 2018

### INTRODUCTION

The following Management's Discussion and Analysis (MD&A) section of Lamar University's (LU) annual financial report has been prepared to provide an overview of the activities and the financial performance of LU for the fiscal year ended August 31, 2018. This presentation is intended to offer a summary of significant current year activities, resulting changes, and currently known economic conditions and facts. This analysis should be read in conjunction with LU's basic financial statements and the notes to the financial statements.

### BACKGROUND

Home to approximately 15,000 students, LU, located near Houston in Beaumont, Texas, is among the fastest growing Texas colleges and universities. LU offers more than 100 programs of study leading to bachelor's, master's, and doctoral degrees. The 292-acre campus in Beaumont is about 90 miles east of Houston and about 25 miles west of Louisiana.

LU has been nationally recognized for the quality of its core curriculum and the diversity of its student body. Compared to other universities near Houston, LU's small class sizes and low student-to-faculty ratio allow students to build meaningful relationships with expert faculty who truly care about their success. LU stresses academic achievement by emphasizing hands-on learning at all levels, providing ample opportunities for undergraduate research, and supporting an excellent Honors Program. LU is accredited by the Commission on Colleges of the Southern Association of Colleges and Schools. Several LU colleges and programs hold additional specialized certifications recognizing their quality and expertise.

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

### OPERATIONAL IMPACTS OF HURRICANE HARVEY

Before discussing LU's financial statements it is important to first put into perspective the operational impact of Hurricane Harvey. Hurricane Harvey impacted the Texas coast from August 25 to 29, 2017 dropping 40 to 60 inches of rain over southeast Texas breaking all tropical storm rain records. While the event occurred days before the close of fiscal year 2017, the operational impact was largely felt in FY 2018 and continues to be felt. Operational impacts consisted of lost revenue to the university, use of reserves for extraordinary expenses as well as personal effects on students and employees with their ability to return to normal daily routines. LU's facilities incurred some damages and it is unknown at this point what the Federal Emergency Management Agency (FEMA) reimbursement will be. The consequence of the storm, more specifically the timing was particularly important as it was at the beginning of the fall semester when most freshmen are beginning their college life. The personal effects of the storm resulted in a higher class drop rate than would typically have incurred. Other impacts of the storm are more fully discussed in the respective sections below. Management believes it will take four years to recover from the impact on student enrollment related to Hurricane Harvey.

# LAMAR UNIVERSITY

## Management's Discussion and Analysis For the year ended August 31, 2018

### OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements for fiscal year 2018 have been prepared in accordance with accounting pronouncements promulgated by the Governmental Accounting Standards Board (GASB). Additionally, these statements conform to reporting requirements of the Texas Comptroller of Public Accounts and to guidelines issued by the National Association of College and University Business Officers. GASB requires LU to include three financial statements in the annual financial report. They are (1) the Statement of Net Position; (2) the Statement of Revenues, Expenses, and Changes in Net Position; and (3) the Statement of Cash Flows. The information contained in the financial statements of LU is part of and included within TSUS, which is included in the State of Texas's (the "State") Comprehensive Annual Financial Report.

The financial statements of LU are presented for the fiscal year ended August 31, 2018. The format of the Texas statewide financial statements presents a comprehensive perspective of the State's financial activities. The State's activities are divided into three types for presentation in the primary financial statements. They are Governmental Activities, Business-type Activities, and Component Units. The financial operations of LU are considered a business-type activity because LU charges a fee, in the form of tuition, to customers in order to pay for a significant percentage of the cost of the services provided. Under this classification, LU financial statements conform to the guidelines and presentation formats prescribed for proprietary funds; revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of when cash is exchanged.

#### **Statement of Net Position**

The first statement presented is the Statement of Net Position. The statement reflects LU's financial position as of the conclusion of the fiscal year. This is a point-in-time financial presentation and presents a snapshot view of the financial status as of August 31, 2018. Assets and liabilities are presented as either current or noncurrent to provide an indication of their anticipated liquidation. Net position is equal to total assets plus deferred outflows of resources less total liabilities plus deferred inflows of resources. Net position is divided into three major categories. The first, net investment in capital assets, provides LU's equity in property, plant, and equipment owned by LU. The restricted net position category is subdivided into nonexpendable and expendable classifications. Restricted nonexpendable net position consists solely of LU's permanent endowment funds and is only available for investment purposes. Restricted expendable net position is available for expenditure by LU, but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. The final major category, unrestricted net position, is available to LU for any lawful purpose, but may have significant constraints on resources, which are imposed by management or implied by statutes or regulations, but can be removed or modified. Additional net position balances are reserved for specific purposes by nature of their origin.

The Statement of Net Position presents information on all of LU's assets, liabilities, and deferred outflows/inflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of LU is improving or deteriorating. Other nonfinancial factors, such as LU's enrollment and the condition of LU's infrastructure, need to be considered in order to assess the overall health of LU.

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

The next statement comprising the primary financial statements is the Statement of Revenues, Expenses, and Changes in Net Position. This statement identifies operating and nonoperating revenues received by LU. Additionally, both the operating and nonoperating expenses incurred by LU during the fiscal year are displayed. Finally, any other gains and losses or other forms of revenue and expenses are reported. The Statement of

# LAMAR UNIVERSITY

## Management's Discussion and Analysis For the year ended August 31, 2018

Revenues, Expenses, and Changes in Net Position presents information showing how LU's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

During the 2018 fiscal year, LU recognized operating revenues of \$127.4 million and operating expenses of \$217.6 million. After recognizing nonoperating activities and other gains and losses, LU realized a net decrease in net position of \$7.8 million.

Revenues and expenses are classified as either operating or nonoperating in the financial statements. Operating revenues are received and recognized as a result of providing services. Tuition and fee revenues are reported net of any scholarship discounts and allowances. A scholarship allowance is the difference between the stated charge for services provided by LU and the amount that is paid by the student or third parties making payments on behalf of the student. Funds received to satisfy student tuition and fee charges are reported as revenue only once. Institutional resources provided to students as financial aid are reported as scholarship allowances in amounts up to and equal to amounts owed by the students to LU.

Operating expenses are the costs necessary to provide services to customers and to fulfill the mission of LU. Operating expenses are displayed in the statement using the natural method of presentation, which displays the operating expenses in a manner that categorizes the objects of expenditure within various cost centers. Nonoperating revenues are those received for which no services are directly provided. State appropriations are classified as nonoperating revenue because they are provided by the Legislature to LU without the Legislature directly receiving goods or services for those revenues. Additionally, certain federal resources for student financial aid, as well as most gift revenue, are classified as nonoperating revenue. Significant portions of LU's recurring resources are classified as nonoperating.

### **Statement of Cash Flows**

The third primary statement included in the financial statements is the Statement of Cash Flows. This statement explains the change during the fiscal year in cash and cash equivalents, regardless of whether there are restrictions on their use. The Statement of Cash Flows should be used in conjunction with related disclosures and information in the other financial statements. The statement can provide relevant information about an entity, such as the ability to generate future net cash flows, the ability to meet obligations when due, or reasons for differences between operating income and associated cash receipts and payments. The statement is comprised of five sections. The first section recognizes the cash flows from operating activities, as well as the net cash used by operating activities. The second section identifies the cash flows from noncapital financing activities. The third section reflects the cash flows from capital and related financing activities. The next section details the cash flows from investing activities. The final section reconciles net cash used to the operating loss or income reflected on the Statement of Revenues, Expenses, and Changes in Net Position.

The cash and cash equivalents balance at the conclusion of the 2018 fiscal year totaled \$56.1 million, which reflected a net decrease in cash balances of \$58.3 million. This decline was primarily due to the cash flow from capital and related financing activities. This year, LU did not receive a cash inflow from bond proceeds while experiencing cash outflows for an addition to capital assets of \$56.8 million.

### **Notes to Financial Statements**

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes are the last section of the basic financial statements.

# LAMAR UNIVERSITY

## Management's Discussion and Analysis For the year ended August 31, 2018

### FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of LU's financial position. Assets exceed liabilities by \$351.1 million as of August 31, 2018. The largest portion of LU's net position reflects its investments in capital assets (e.g., land, building, equipment, improvements, construction in progress, and infrastructure). LU uses these capital assets to provide services; consequently, these assets are not available for future spending.

### Statement of Net Position

The following table reflects the condensed Statement of Net Position:

	2018	2017	\$ Variance	% Variance
<b>ASSETS</b>				
Current Assets:				
Cash and Cash Equivalents	\$ 20,680,531.74	\$ 23,893,118.38	\$ (3,212,586.64)	-13.45%
Restricted Cash and Cash Equivalents	9,092,251.25	10,165,578.31	(1,073,327.06)	-10.56%
Legislative Appropriations	19,546,772.23	12,222,533.45	7,324,238.78	59.92%
Receivables	27,296,288.55	24,882,348.68	2,413,939.87	9.70%
Other Current Assets	13,330,843.19	14,991,155.87	(1,660,312.68)	-11.08%
<b>Total Current Assets</b>	<b>89,946,686.96</b>	<b>86,154,734.69</b>	<b>3,791,952.27</b>	<b>4.40%</b>
Noncurrent Assets				
Restricted:				
Cash and Cash Equivalents	26,321,454.26	80,287,827.81	(53,966,373.55)	-67.22%
Investments and Receivable	32,133,449.31	29,627,709.90	2,505,739.41	8.46%
Accounts Receivable	3,576.32	55,143.18	(51,566.86)	-93.51%
Investments	25,422,406.07	30,223,939.46	(4,801,533.39)	-15.89%
Capital Assets, Net of Depreciation	262,397,794.01	214,617,677.49	47,780,116.52	22.26%
<b>Total Noncurrent Assets</b>	<b>346,278,679.97</b>	<b>354,812,297.84</b>	<b>(8,533,617.87)</b>	<b>-2.41%</b>
<b>Total Assets</b>	<b>436,225,366.93</b>	<b>440,967,032.53</b>	<b>(4,741,665.60)</b>	<b>-1.08%</b>
<b>LIABILITIES</b>				
Current Liabilities:				
Payables	21,696,258.78	15,890,112.57	5,806,146.21	36.54%
Due to Other Agencies	8,190,161.54	7,796,580.59	393,580.95	5.05%
Other Current Liabilities	51,873,313.68	50,456,536.73	1,416,776.95	2.81%
<b>Total Current Liabilities</b>	<b>81,759,734.00</b>	<b>74,143,229.89</b>	<b>7,616,504.11</b>	<b>10.27%</b>
Noncurrent Liabilities	3,338,235.01	3,613,686.39	(275,451.38)	-7.62%
<b>Total Liabilities</b>	<b>85,097,969.01</b>	<b>77,756,916.28</b>	<b>7,341,052.73</b>	<b>9.44%</b>
<b>NET POSITION</b>				
Net Investment in Capital Assets	262,397,794.01	214,617,677.49	47,780,116.52	22.26%
Restricted for:				
Capital Projects	20,712,337.00	76,662,946.82	(55,950,609.82)	-72.98%
Other	14,005,484.05	16,129,869.43	(2,124,385.38)	-13.17%
Funds Held as Permanent Investments:				
Nonexpendable Endowment Funds	20,429,562.03	20,057,709.50	371,852.53	1.85%
Expendable Endowment Funds	5,884,134.09	4,052,791.70	1,831,342.39	45.19%
Unrestricted	27,698,086.74	31,689,121.31	(3,991,034.57)	-12.59%
<b>Total Net Position</b>	<b>\$ 351,127,397.92</b>	<b>\$ 363,210,116.25</b>	<b>\$ (12,082,718.33)</b>	<b>-3.33%</b>

The most notable change in total net position is related to continued investment in campus facilities. Total net position declined by \$12.1 million. Net investment in capital assets increased by \$47.8 million while net position restricted for capital projects decreased by \$56.0 million as construction projects were finalized. Additionally, permanent endowment funds increased by \$2.2 million due to gifts and capital appreciation. Total assets decreased by \$4.7 million primarily due to the decrease in cash balances which were caused by construction projects. Total liabilities increased by \$7.3 million primarily due to the increases in accounts and payroll payables.

# LAMAR UNIVERSITY

## Management's Discussion and Analysis For the year ended August 31, 2018

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

The following table reflects the condensed Statement of Revenues, Expenses, and Changes in Net Position:

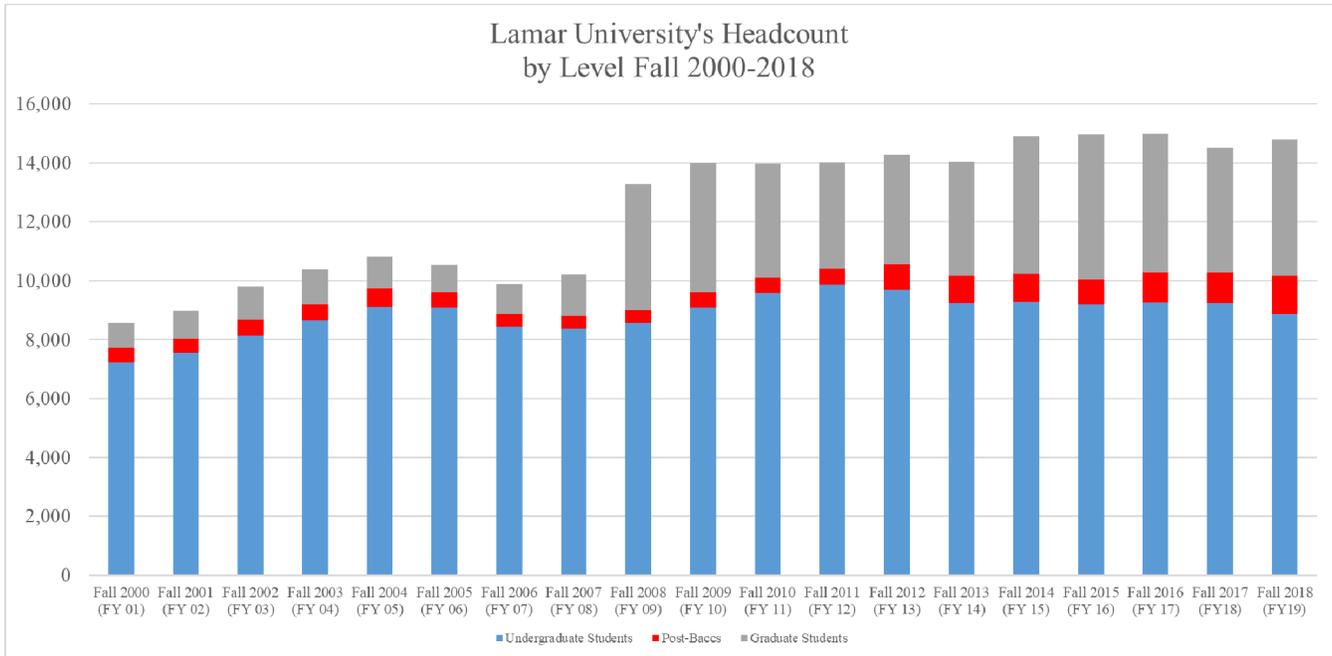
	<u>2018</u>	<u>2017</u>	<u>\$ Variance</u>	<u>% Variance</u>
<b>OPERATING REVENUES</b>				
Tuition and Fees - Net	\$ 86,336,962.95	\$ 95,880,969.60	\$ (9,544,006.65)	-9.95%
Auxiliary Enterprises - Net	25,363,532.59	23,914,230.08	1,449,302.51	6.06%
Other Operating Revenues	<u>15,676,064.24</u>	<u>16,917,547.53</u>	<u>(1,241,483.29)</u>	-7.34%
<b>Total Operating Revenues</b>	<u>127,376,559.78</u>	<u>136,712,747.21</u>	<u>(9,336,187.43)</u>	-6.83%
<b>OPERATING EXPENSES:</b>				
Instruction	67,445,754.95	68,388,406.06	(942,651.11)	-1.38%
Research	2,820,178.06	3,032,004.38	(211,826.32)	-6.99%
Public Service	2,128,615.37	1,774,927.86	353,687.51	19.93%
Academic Support	33,200,306.65	33,307,951.80	(107,645.15)	-0.32%
Student Services	10,139,889.17	9,114,505.27	1,025,383.90	11.25%
Institutional Support	25,091,889.39	23,353,767.06	1,738,122.33	7.44%
Operation and Maintenance of Plant	14,315,362.01	13,922,138.40	393,223.61	2.82%
Scholarship and Fellowships	22,636,171.94	19,040,702.96	3,595,468.98	18.88%
Auxiliary	31,027,188.17	31,177,607.22	(150,419.05)	-0.48%
Depreciation and Amortization	<u>8,773,044.81</u>	<u>8,596,139.81</u>	<u>176,905.00</u>	2.06%
<b>Total Operating Expenses</b>	<u>217,578,400.52</u>	<u>211,708,150.82</u>	<u>5,870,249.70</u>	2.77%
<b>Operating Income (Loss)</b>	<u>(90,201,840.74)</u>	<u>(74,995,403.61)</u>	<u>(15,206,437.13)</u>	20.28%
<b>NONOPERATING REVENUES (EXPENSES):</b>				
Legislative Revenue and Appropriations	63,157,113.68	64,161,482.14	(1,004,368.46)	-1.57%
Federal Revenue	17,599,447.47	16,400,210.37	1,199,237.10	7.31%
Other Nonoperating Revenue (Expenses)-Net	<u>7,310,071.94</u>	<u>8,475,726.74</u>	<u>(1,165,654.80)</u>	-13.75%
<b>Total Nonoperating Revenues (Expenses)</b>	<u>88,066,633.09</u>	<u>89,037,419.25</u>	<u>(970,786.16)</u>	-1.09%
<b>Income (Loss) before Capital Contributions, Endowments, and Transfers</b>	(2,135,207.65)	14,042,015.64	(16,177,223.29)	-115.21%
<b>Capital Contributions, Endowments, and Transfers</b>	<u>(5,688,904.40)</u>	<u>83,856,936.69</u>	<u>(89,545,841.09)</u>	-106.78%
<b>Change in Net Position</b>	<u>\$ (7,824,112.05)</u>	<u>\$ 97,898,952.33</u>	<u>\$ (105,723,064.38)</u>	-107.99%

LU's net position decreased by \$105.7 million primarily due to the absence of the \$85 million of bond proceeds received in 2017 report Transfers in. Total operating revenues decreased by \$9.3 million due to net tuition revenue decline. The decline was in part due to Hurricane Harvey which resulted in students either not registering or withdrawing after the 1st class day. LU reported an estimated lost revenue from Hurricane Harvey of \$4.2 million to the Legislative Budget Board. The disparity between operating revenues and expenses results from legislative appropriations that are utilized to help subsidize public State universities. LU's legislative appropriations were \$63.2 million or 29% of operating expenses. The decrease in Fall 2017 headcount is evidenced in the following graph. Please note that Fall 2017 is Fiscal Year 2018. Another factor affecting revenue for fiscal year 2018 was a decrease in international students. International students are charged a nonresident rate that is much higher than resident students. Fall 2018 (Fiscal Year 2019) shows a slight increase in student headcount demonstrating likely recovery from the Hurricane.

# LAMAR UNIVERSITY

Management's Discussion and Analysis  
For the year ended August 31, 2018

Fall enrollment trend by level:



## CAPITAL ASSETS

As fundamental as instruction and research are to LU, these endeavors cannot take place without the land, buildings, facilities, equipment, and information technology infrastructure needed to support them. Sustaining these assets requires a significant investment in renovations, improvements, expansion, and maintenance. The goal of expending resources for these investments is achieving a safe, modern, and efficient campus environment that is conducive to learning, teaching, research, and community service. LU remains focused on its continuing efforts to implement long-range capital plans.

At the end of the 2018 fiscal year, LU had \$262 million of capital assets, net of accumulated depreciation and amortization. These assets included land, buildings, infrastructure and improvements, furniture and equipment, library books, computer systems software, and works of art. Several major capital construction projects are in various stages of completion, and the cumulative investment in these assets is reported as construction in progress. As required by GASB reporting standards, LU reports accumulated depreciation and amortization on its capital assets. Additionally, LU recognizes a current year charge for depreciation and amortization expense.

LU has developed a campus master planning process designed to identify facilities' needs congruent with enrollment and research projections that are consistent with their missions and academic master plans. During fiscal year 2018, LU continued its efforts to implement the capital projects construction element of its master plan.

## DEBT ADMINISTRATION

LU engages in the prudent use of debt to finance capital projects as a means of maximizing the management of financial and physical resources. To date, TSUS has issued debt on behalf of LU, which is not included within

# LAMAR UNIVERSITY

## Management's Discussion and Analysis For the year ended August 31, 2018

LU's financial statements. A portion of TSUS's debt service is funded by biennial State appropriations. LU has no debt outstanding.

### **ECONOMIC OUTLOOK**

As the global economy becomes increasingly driven by the creation of new knowledge and technological innovation, success for the Texas Gulf Coast region depends increasingly on the existence of a highly-skilled, professional workforce and cutting-edge research and development. As one of the region's largest providers of comprehensive (baccalaureate to doctorate) higher education services, LU plays a key role in meeting these needs. In doing so, LU must also succeed in providing access to a regional population that is growing increasingly diverse. The student population at LU closely mirrors this diversity and is succeeding in providing access to a diverse student population.

With LU improving performance on most of its key progress and goals measures this year, LU is poised for continued success in the coming years. To harness this potential, LU is actively expanding its reach in terms of both new degree programs that meet State and regional workforce needs and campus infrastructure that support the growing student population and faculty. Alignment to major industries and university strengths including engineering, business, healthcare and education will support our economy, enhance our academic reputation, and produce continued revenue streams for the university. In addition, several major construction projects were completed: the renovation of the Setzer Student Center and Center for Innovation, Commercialization and Entrepreneurship. The Science and Technology Building construction is anticipated to be completed in 2019. All of the completed projects will elevate the profile of LU and allow LU to better serve its students, faculty, staff, and the community.

### **BUDGETARY INITIATIVES**

Several budgetary initiatives and priorities on which LU will continue to focus during the 2019 fiscal year are: (1) Student access and success: Increasing the enrollment, retention, and graduation of a diverse student body with exceptional academic qualifications is paramount. These goals will be achieved by increasing scholarships, expanding course offerings, enhancing student support staff, improving the curriculum, and implementing more rigorous admissions standards. (2) National competitiveness/academic and research excellence: In fiscal year 2019, LU will continue to increase external research funding and enhance its academic programs, including the availability and delivery of courses. (3) University infrastructure and administration: LU's physical plant includes considerable land acreage, many buildings, and several million gross square feet of space. Sustaining this infrastructure year-round requires a significant investment in utilities, maintenance, repairs, renovations, and improvements. Making these investments is also essential to supporting LU's goals of student success and national competitiveness. Another measure of administrative effectiveness is the extent to which LU can expand its resources through the cultivation of private gifts. Staff excellence is designed to deliver greater efficiency and better performance, but also commits LU to providing staff with competitive salaries, professional development opportunities, and a campus culture that recognizes excellence even as it expects accountability. (4) Community advancement: Many of LU's academic initiatives are directed toward community need and interest. Emphasis will also be placed on university initiatives that are both partnership-oriented and community-minded. These endeavors are implemented in part via LU's various centers and institutes.

# LAMAR UNIVERSITY

Management's Discussion and Analysis  
For the year ended August 31, 2018

## CONTACTING LU'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of LU's finances. Questions concerning this report or requests for additional financial information should be directed to Spencer Sims, Finance Director, Finance Office; Lamar University; Phone: 409-880-8932 or Jamie Larson, Associate Vice President, Financial Services, Finance Office; Phone: 409-880-7126; or either by mail at Lamar University; 4400 MLK Boulevard; Beaumont, Texas 77705; General information about LU may be found on the website: [www.lamar.edu](http://www.lamar.edu).

***BASIC FINANCIAL STATEMENTS***

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# LAMAR UNIVERSITY

## Statement of Net Position

August 31, 2018

	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents: (Note 3)		
Cash on Hand (Including Petty Cash)	\$ 13,200.00	\$ 18,200.00
Cash in Bank	2,447,742.58	13,954,202.71
Cash in State Treasury (Note 3)	8,136,327.92	3,087,635.70
Cash Equivalents	10,083,261.24	6,833,079.97
Restricted:		
Cash and Cash Equivalents: (Note 3)		
Cash in Bank	9,092,251.25	10,165,578.31
Legislative Appropriations	19,546,772.23	12,222,533.45
Receivables:		
Federal	1,119,310.02	1,344,478.67
Interest	86.66	11,773.60
Accounts – Tuition	25,639,668.95	23,526,096.41
Accounts – Other Revenue	537,222.92	-
Due From Other Agencies (Note 12)	1,593,511.42	1,494,780.74
Inventories	213,433.02	195,669.38
Prepaid Items	9,802,767.84	8,168,067.71
Loans and Contracts	1,721,130.91	5,132,638.04
Total Current Assets	<u>89,946,686.96</u>	<u>86,154,734.69</u>

# LAMAR UNIVERSITY

## Statement of Net Position

August 31, 2018

	2018	2017
Noncurrent Assets		
Restricted:		
Cash and Cash Equivalents: (Note 3)		
Cash in Bank	\$ 1,512,082.51	\$ 9,089,711.27
Cash Equivalents	24,809,371.75	71,198,116.54
Investments (Note 3)	32,133,449.31	29,627,709.90
Receivables	3,576.32	55,143.18
Investments (Note 3)	25,422,406.07	30,223,939.46
Capital Assets: (Note 2)		
Nondepreciable or Nonamortizable		
Land and Land Improvements	11,882,252.17	11,742,096.95
Construction in Progress	72,826,606.29	56,450,996.38
Other Capital Assets	3,177,686.70	2,691,840.70
Depreciable or Amortizable		
Building and Building Improvements	285,182,157.19	252,296,029.18
Less Accumulated Depreciation	(140,247,859.23)	(135,259,794.64)
Infrastructure	20,720,125.64	18,437,788.54
Less Accumulated Depreciation	(13,660,245.91)	(13,142,087.52)
Facilities and Other Improvements	25,486,125.57	25,094,125.57
Less Accumulated Depreciation	(13,912,651.30)	(13,210,269.01)
Furniture and Equipment	28,886,543.54	27,572,219.38
Less Accumulated Depreciation	(20,088,355.34)	(20,386,554.45)
Vehicles, Boats, and Aircraft	1,821,779.52	1,750,403.30
Less Accumulated Depreciation	(1,263,624.01)	(1,301,754.59)
Other Capital Assets	22,777,596.30	22,825,209.08
Less Accumulated Depreciation	(21,190,343.12)	(20,942,571.38)
Total Noncurrent Assets	346,278,679.97	354,812,297.84
<b>Total Assets</b>	<b>436,225,366.93</b>	<b>440,967,032.53</b>

# LAMAR UNIVERSITY

## Statement of Net Position

August 31, 2018

	<u>2018</u>	<u>2017</u>
<b>LIABILITIES</b>		
Current Liabilities:		
Payables from:		
Accounts Payable	\$ 9,340,740.49	\$ 6,244,549.68
Payroll Payable	12,355,518.29	9,645,562.89
Due to Other Agencies (Note 12)	8,190,161.54	7,796,580.59
Unearned Revenues	50,693,820.39	49,269,865.40
Employees' Compensable Leave (Note 5)	545,744.00	583,715.78
Funds Held for Others	501,457.00	440,357.55
Other Current Liabilities	132,292.29	162,598.00
Total Current Liabilities	<u>81,759,734.00</u>	<u>74,143,229.89</u>
Noncurrent Liabilities		
Employees' Compensable Leave (Note 5)	3,092,549.34	3,307,722.72
Other Noncurrent Liabilities	245,685.67	305,963.67
Total Noncurrent Liabilities	<u>3,338,235.01</u>	<u>3,613,686.39</u>
<b>Total Liabilities</b>	<u>85,097,969.01</u>	<u>77,756,916.28</u>
<b>NET POSITION</b>		
Net Investment in Capital Assets	262,397,794.01	214,617,677.49
Restricted for:		
Capital Projects	20,712,337.00	76,662,946.82
Other	14,005,484.05	16,129,869.43
Funds Held as Permanent Investments:		
Nonexpendable:		
Endowment Funds	20,429,562.03	20,057,709.50
Expendable:		
Endowment Funds	5,884,134.09	4,052,791.70
Unrestricted	<u>27,698,086.74</u>	<u>31,689,121.31</u>
<b>Total Net Position</b>	<u>\$ 351,127,397.92</u>	<u>\$ 363,210,116.25</u>

See Accountants' review report and notes to financial statements.

# LAMAR UNIVERSITY

## Statement of Revenues, Expenses, and Changes in Net Position For the year ended August 31, 2018

	2018	2017
<b>Operating Revenues:</b>		
Tuition and Fees – Pledged	\$ 114,752,120.99	\$ 124,100,682.06
Tuition and Fees – Discounts/Allowances	(28,415,158.04)	(28,219,712.46)
Auxiliary Enterprise – Pledged	25,363,532.59	23,914,230.08
Other Sales of Goods and Services – Pledged	346,138.90	200,426.59
Federal Revenue	3,318,219.99	2,958,230.31
Federal Pass-Through Revenue	2,419,558.66	4,774,194.51
State Grant Revenue	162,601.61	162,770.75
State Grant Pass-Through Revenue	6,617,946.70	6,307,619.04
Other Contract and Grants – Nonpledged	993,833.01	838,046.07
Other Operating Revenues – Pledged	1,817,765.37	1,676,260.26
Total Operating Revenues	127,376,559.78	136,712,747.21
<b>Operating Expenses:</b>		
Instruction	67,445,754.95	68,388,406.06
Research	2,820,178.06	3,032,004.38
Public Service	2,128,615.37	1,774,927.86
Academic Support	33,200,306.65	33,307,951.80
Student Services	10,139,889.17	9,114,505.27
Institutional Support	25,091,889.39	23,353,767.06
Operation and Maintenance of Plant	14,315,362.01	13,922,138.40
Scholarships and Fellowships	22,636,171.94	19,040,702.96
Auxiliary	31,027,188.17	31,177,607.22
Depreciation and Amortization	8,773,044.81	8,596,139.81
Total Operating Expenses	217,578,400.52	211,708,150.82
Operating Income (Loss)	(90,201,840.74)	(74,995,403.61)

# LAMAR UNIVERSITY

## Statement of Revenues, Expenses, and Changes in Net Position For the year ended August 31, 2018

	2018	2017
<b>Nonoperating Revenues (Expenses):</b>		
Legislative Revenue (GR)	48,703,537.00	49,063,811.00
Additional Appropriations (GR)	14,453,576.68	15,097,671.14
Federal Revenue	17,599,447.47	16,400,210.37
Gifts – Non-Pledged	8,256,813.76	8,511,926.67
Investment Income – Non-Pledged	1,052,299.96	914,952.35
Investment Income – Pledged	1,207,194.40	877,816.58
Gain/(Loss) Sale Capital Assets	(353,842.28)	(1,147.15)
Net Increase (Decrease) Fair Value – Pledged	(275,134.36)	(111,811.71)
Net Increase (Decrease) Fair Value – Nonpledged	1,836,442.39	921,856.55
Other Nonoperating Expenses	(4,413,701.93)	(2,637,866.55)
Total Nonoperating Revenues (Expenses)	88,066,633.09	89,037,419.25
 Income (Loss) before Capital Contributions, Endowments, and Transfers	 (2,135,207.65)	 14,042,015.64
 <b>Capital Contributions, Endowments, and Transfers</b>		
Capital Appropriations (HEF)	14,101,882.00	14,101,882.00
Interagency Transfer Capital Assets (Note 12)	(6,618.41)	-
Transfers-In (Note 12)	149,164.00	85,130,454.00
Transfers-Out (Note 12)	(13,184,879.99)	(13,143,801.51)
Legislative Transfer-In (Note 12)	258,792.00	4,866,690.00
Legislative Transfer-Out (Note 12)	(7,007,244.00)	(7,097,856.00)
Legislative Appropriations Lapsed	-	(431.80)
Total Capital Contributions, Endowments, and Transfers	(5,688,904.40)	83,856,936.69
 <b>Change in Net Position</b>	 (7,824,112.05)	 97,898,952.33
 Total Net Position, Beginning	363,210,116.25	265,269,310.42
Restatements	(4,258,606.28)	41,853.50
Total Net Position, Beginning, as Restated	358,951,509.97	265,311,163.92
Total Net Position, Ending	\$ 351,127,397.92	\$ 363,210,116.25

See Accountants' review report and notes to financial statements.

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# LAMAR UNIVERSITY

## Matrix of Operating Expenses Reported by Function For the year ended August 31, 2018

Operating Expenses	Operation and										Total Expenses
	Instruction	Research	Public Service	Academic Support	Student Services	Institutional Support	Maintenance of Plant	Scholarship and Fellowships	Auxiliary Enterprises	Depreciation and Amortization*	
Salaries and Wages	\$ 48,771,662.42	\$ 1,483,541.13	\$ 909,093.40	\$ 10,715,837.28	\$ 5,627,001.97	\$ 12,615,436.67	\$ 6,528,048.01	\$ -	\$ 8,832,091.84	\$ -	\$ 95,482,712.72
Payroll Related Costs	15,888,060.15	154,752.67	252,085.80	2,508,114.29	1,734,763.19	3,438,479.57	2,269,186.35	-	2,080,924.05	-	28,326,366.07
Professional Fees and Services	181,569.97	22,498.83	300,616.38	14,368,346.70	1,493,319.23	1,018,953.61	796,975.78	-	931,752.81	-	19,114,033.31
Travel	578,772.58	171,309.16	20,197.11	675,344.27	166,813.99	176,616.46	87,492.77	-	1,705,691.45	-	3,582,237.79
Materials and Supplies	1,189,925.91	663,470.74	269,883.01	2,563,397.44	576,579.06	3,348,789.80	1,292,653.60	-	7,012,188.86	-	16,916,888.42
Communications and Utilities	8,217.13	1,435.34	47,891.26	1,906,495.11	15,220.34	766,321.49	1,932,016.94	-	2,037,540.02	-	6,715,137.63
Repairs and Maintenance	65,145.47	41,945.80	15,312.56	135,890.72	32,356.50	1,109,862.46	1,092,563.78	-	2,367,224.03	-	4,860,301.32
Rentals and Leases	103,868.31	98,511.20	12,123.16	46,016.16	33,399.06	142,451.92	302,085.38	-	321,039.65	-	1,059,494.84
Printing and Reproduction	50,342.38	6,923.49	11,805.52	67,292.31	85,839.88	106,264.02	3,376.38	-	118,789.02	-	450,633.00
Depreciation and Amortization*	-	-	-	-	-	-	-	-	-	8,773,044.81	8,773,044.81
Bad Debt Expense	421,146.99	-	2,589.36	37,779.74	8,090.26	73,266.51	-	-	608,284.38	-	1,151,157.24
Scholarships	-	-	-	-	-	-	-	22,636,171.94	4,247,079.79	-	26,883,251.73
Other Operating Expenses	187,043.64	175,789.70	287,017.81	175,792.63	366,505.69	2,295,446.88	10,963.02	-	764,582.27	-	4,263,141.64
<b>Total Operating Expenses</b>	<b>\$ 67,445,754.95</b>	<b>\$ 2,820,178.06</b>	<b>\$ 2,128,615.37</b>	<b>\$ 33,200,306.65</b>	<b>\$ 10,139,889.17</b>	<b>\$ 25,091,889.39</b>	<b>\$ 14,315,362.01</b>	<b>\$ 22,636,171.94</b>	<b>\$ 31,027,188.17</b>	<b>\$ 8,773,044.81</b>	<b>\$ 217,578,400.52</b>

See Accountants' review report and notes to financial statements.

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

# LAMAR UNIVERSITY

## Statement of Cash Flows For the year ended August 31, 2018

	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from Customers	\$ 346,138.90	\$ 200,426.59
Proceeds from Tuition and Fees	88,368,466.48	89,785,930.82
Proceeds from Research Grants and Contracts	13,737,328.62	15,870,393.48
Proceeds from Auxiliaries	25,363,532.59	23,914,230.08
Proceeds from Other Operating Revenues	1,817,765.37	1,676,260.26
Payments to Suppliers for Goods and Services	(51,236,975.00)	(47,892,481.52)
Payments to Employees for Salaries	(92,772,757.32)	(96,695,963.45)
Payments to Employees for Benefits	(22,266,323.12)	(16,557,602.11)
Payments for Other Operating Expenses	(32,297,550.61)	(30,293,557.67)
Net Cash Provided (Used) by Operating Activities	(68,940,374.09)	(59,992,363.52)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Proceeds from State Appropriations	45,455,021.55	46,910,107.43
Proceeds from Gifts	8,194,792.79	9,363,293.15
Proceeds from Grant Receipts	17,599,447.47	16,400,210.37
Payments for Other Noncapital Financing Uses	(3,865,033.06)	(2,726,072.20)
Transfers In (Note 12)	-	130,454.00
Transfers Out (Note 12)	(2,020,036.49)	(1,472,333.00)
Net Cash Provided by Noncapital Financing Activities	65,364,192.26	68,605,659.75
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Proceeds from Other Capital and Related Financing Activities	14,101,882.00	14,101,882.00
Transfers In (Note 12)	-	85,000,000.00
Payments for Additions to Capital Assets	(56,785,750.09)	(34,875,340.57)
Transfers Out (Note 12)	(11,164,843.50)	(11,670,478.79)
Legislative Transfer Out	(7,007,244.00)	(7,097,856.00)
Net Cash Provided (Used) by Capital and Related Financing Activities	(60,855,955.59)	45,458,206.64

# LAMAR UNIVERSITY

## Statement of Cash Flows For the year ended August 31, 2018

	2018	2017
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from Sales of Investments	\$ 12,606,723.88	\$ -
Proceeds from Interest Income	711,293.29	1,728,143.00
Proceeds from Investment Income	1,374,719.53	-
Payments to Acquire Investments	(8,512,886.53)	(8,626,516.16)
Net Cash Provided (Used) by Investing Activities	6,179,850.17	(6,898,373.16)
Net Increase (Decrease) in Cash and Cash Equivalents	(58,252,287.25)	47,173,129.71
Cash and Cash Equivalents, September 1, 2017	114,346,524.50	67,173,394.79
Cash and Cash Equivalents, August 31, 2018	\$ 56,094,237.25	\$ 114,346,524.50
 <b>RECONCILIATION OF CASH AND CASH EQUIVALENTS</b>		
Current - Cash and Cash Equivalents	\$ 20,680,531.74	\$ 23,893,118.38
Current - Restricted - Cash and Cash Equivalents	9,092,251.25	10,165,578.31
Noncurrent - Restricted - Cash and Cash Equivalents	26,321,454.26	80,287,827.81
Total Cash and Cash Equivalents	\$ 56,094,237.25	\$ 114,346,524.50
 <b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Operating Income (Loss)	\$ (90,201,840.74)	\$ (74,995,403.61)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Amortization and Depreciation	8,773,044.81	8,596,139.81
Benefits Paid on our Behalf	10,636,645.35	11,180,001.03
Changes in Assets and Liabilities:		
(Increase) Decrease in Receivables	(2,488,206.23)	(2,844,865.98)
(Increase) Decrease in Inventories	(17,763.64)	(31,913.95)
(Increase) Decrease in Prepaid Expenses	(1,634,700.13)	(3,723,212.37)
(Increase) Decrease in Notes Receivable	3,411,507.13	(291,234.38)
Increase (Decrease) in Payables	1,410,129.53	2,236,185.22
Increase (Decrease) in Unearned Revenue	1,423,954.99	(631,279.52)
Increase (Decrease) in Compensated Absences Liability	(253,145.16)	513,220.23
Total Adjustments	21,261,466.65	15,003,040.09
Net Cash Provided (Used) by Operating Activities	\$ (68,940,374.09)	\$ (59,992,363.52)
 <b>Noncash Transactions</b>		
Donation of Capital Assets	\$ 62,020.97	\$ 248,633.52
Net Change in Fair Value of Investments	\$ 1,561,308.03	\$ 810,044.84

See Accountants' review report and notes to financial statements.

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# LAMAR UNIVERSITY

## Notes to the Financial Statements For the year ended August 31, 2018

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

#### **Reporting Entity**

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

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

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

The Lamar Foundation (the “Foundation”) is a separate legal entity registered with the IRS as a 501(c) organization and its efforts benefit LU and its students. The Foundation is separately governed and operates autonomously from the Board, and its related activities are not included in LU’s, TSUS’s or the State’s financial statements. The Foundation solicits donations and acts as a coordinator of gifts made by other parties. The Foundation remitted restricted gifts of \$5,261,516.77 to LU during the year ended August 31, 2018. During the fiscal year, LU furnished certain services, such as office space and utilities, to the Foundation, for which the Foundation was billed at cost of \$264,557.37. Accounts receivable of \$789,546.15 are due from the Foundation at August 31, 2018.

The accounting policies followed by LU in maintaining accounts and in the preparation of the financial statements are in accordance with the Texas Comptroller of Public Accounts’ Reporting Requirements for the Fiscal 2018 Annual Financial Reports of State Agencies and Universities (the “Comptroller’s AFR Requirements”) and with generally accepted accounting principles in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments. The Comptroller’s AFR Requirements are designed to assist the Texas Comptroller of Public Accounts in compiling and preparing the State’s CAFR and, accordingly, have some untraditional elements, such as the prohibition of rounding, unique ordering and specific numbering of footnotes, and the inclusion of footnote titles when the subject matter does not apply.

# LAMAR UNIVERSITY

## Notes to the Financial Statements For the year ended August 31, 2018

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

### Fund Structure

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

### Proprietary Funds

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

### Basis of Accounting

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

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

### Budget and Budgetary Accounting

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

# LAMAR UNIVERSITY

## Notes to the Financial Statements For the year ended August 31, 2018

### Assets, Liabilities, and Net Position

#### **ASSETS**

##### ***Current and Noncurrent Assets***

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

##### ***Cash and Cash Equivalents***

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

##### ***Restricted Assets***

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

##### ***Investments***

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

##### ***Legislative Appropriations***

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

##### ***Inventories and Prepaid Items***

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

# LAMAR UNIVERSITY

## Notes to the Financial Statements For the year ended August 31, 2018

### *Capital Assets*

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

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

Intangible capital assets are defined as assets that lack physical substance, are nonfinancial in nature, and have an initial useful life extending beyond a single reporting period. These assets are required to be reported if they are identifiable. Land use rights are capitalized if the cost meets or exceeds \$100,000. Purchased computer software is capitalized if the aggregate cost of the purchase meets or exceeds \$100,000. Internally generated computer software has a capitalization threshold of \$1,000,000, and other intangible capital assets must be capitalized if the cost meets or exceeds \$100,000. Intangible assets are amortized based on the estimated useful life of the asset using the straight-line method.

### *Other Receivables - Current and Noncurrent*

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

## **LIABILITIES**

### *Accounts Payable*

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

### *Other Liabilities - Current and Noncurrent*

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

# LAMAR UNIVERSITY

## Notes to the Financial Statements For the year ended August 31, 2018

### *Unearned Revenues*

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

### *Funds Held for Others*

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

### *Employees' Compensable Leave*

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

### **NET POSITION**

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

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

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

### *Restricted Net Position*

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

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

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

### *Unrestricted Net Position*

Unrestricted net position consists of net resources, which do not meet the definition of the two preceding

# LAMAR UNIVERSITY

## Notes to the Financial Statements For the year ended August 31, 2018

categories. Unrestricted net position often has constraints on resources, which are imposed by management, but can be removed or modified.

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

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

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

### **Interfund Activity and Transactions**

LU has the following types of transactions between funds:

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

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

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

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

# LAMAR UNIVERSITY

## Notes to the Financial Statements For the year ended August 31, 2018

### NOTE 2: Capital Assets

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

A summary of changes in capital assets for the year ended August 31, 2018 is presented below:

	PRIMARY GOVERNMENT						Balance 08/31/18
	Balance 09/01/17	Adjustments	Completed CIP	Transfers Inc/(Decrease)	Additions	Deletions	
<b>BUSINESS-TYPE ACTIVITIES</b>							
Nondepreciable Assets							
Land and Land Improvements	\$ 11,742,096.95	\$ 49,354.00	\$ -	\$ -	\$ 151,401.12	\$ (60,599.90)	\$ 11,882,252.17
Construction in Progress	56,450,996.38	-	(36,435,138.40)	-	52,810,748.31	-	72,826,606.29
Other Assets	2,691,840.70	3,000.00	117,800.00	-	365,146.00	(100.00)	3,177,686.70
<b>Total Non-Depreciable Assets</b>	<b>70,884,934.03</b>	<b>52,354.00</b>	<b>(36,317,338.40)</b>	<b>-</b>	<b>53,327,295.43</b>	<b>(60,699.90)</b>	<b>87,886,545.16</b>
Depreciable Assets							
Buildings and Building Improvements	252,296,029.18	-	33,295,226.01	-	-	(409,098.00)	285,182,157.19
Infrastructure	18,437,788.54	-	1,729,820.19	-	552,516.91	-	20,720,125.64
Facilities and Other Improvements	25,094,125.57	-	392,000.00	-	-	-	25,486,125.57
Furniture and Equipment	27,572,219.38	240,505.27	900,292.20	(22,963.29)	2,704,768.45	(2,508,278.47)	28,886,543.54
Vehicle, Boats and Aircraft	1,750,403.30	-	-	-	241,192.91	(169,816.69)	1,821,779.52
Library books/Leaseholds	22,825,209.08	-	-	-	22,997.36	(70,610.14)	22,777,596.30
<b>Total Depreciable Assets at Historical Costs</b>	<b>347,975,775.05</b>	<b>240,505.27</b>	<b>36,317,338.40</b>	<b>(22,963.29)</b>	<b>3,521,475.63</b>	<b>(3,157,803.30)</b>	<b>384,874,327.76</b>
Less Accumulated Depreciation for:							
Buildings and Improvements	(135,259,794.64)	-	-	-	(5,135,886.73)	147,822.14	(140,247,859.23)
Infrastructure	(13,142,087.52)	-	-	-	(518,158.39)	-	(13,660,245.91)
Facilities and Other Improvements	(13,210,269.01)	-	-	-	(702,382.29)	-	(13,912,651.30)
Furniture and Equipment	(20,386,554.45)	(157,398.17)	-	16,344.88	(2,045,551.62)	2,484,804.02	(20,088,355.34)
Vehicles, Boats and Aircraft	(1,301,754.59)	-	-	-	(123,294.04)	161,424.62	(1,263,624.01)
Library books/Leaseholds	(20,942,571.38)	(70,610.14)	-	-	(247,771.74)	70,610.14	(21,190,343.12)
<b>Total Accumulated Depreciation</b>	<b>(204,243,031.59)</b>	<b>(228,008.31)</b>	<b>-</b>	<b>16,344.88</b>	<b>(8,773,044.81)</b>	<b>2,864,660.92</b>	<b>(210,363,078.91)</b>
Depreciable Assets, Net	143,732,743.46	12,496.96	36,317,338.40	(6,618.41)	(5,251,569.18)	(293,142.38)	174,511,248.85
<b>Business Type-Activities Capital Assets, Net</b>	<b>\$ 214,617,677.49</b>	<b>\$ 64,850.96</b>	<b>\$ -</b>	<b>\$ (6,618.41)</b>	<b>\$ 48,075,726.25</b>	<b>\$ (353,842.28)</b>	<b>\$ 262,397,794.01</b>

# LAMAR UNIVERSITY

## Notes to the Financial Statements For the year ended August 31, 2018

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

#### Deposits

As of August 31, 2018, the actual bank balance was \$13,829,861.71. The carrying balance was \$13,052,076.34 as presented below.

Current Assets - Cash in Bank	\$ 2,447,742.58
Current Assets - Restricted Cash in Bank	9,092,251.25
Noncurrent - Restricted Cash in Bank	1,512,082.51
Cash in Bank	<u>\$ 13,052,076.34</u>

#### Custodial Credit Risk

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

#### Investments

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

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

# LAMAR UNIVERSITY

## Notes to the Financial Statements For the year ended August 31, 2018

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

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

Type of Investments	Fair Value Hierarchy				Net Asset Value	(Fair Value)
	Level 1	Level 2	Level 3	Amort. Cost		
Common Equity	\$ 1,886,731.76	\$ -	\$ -	\$ -	\$ -	\$ 1,886,731.76
Fixed income money market and bond mutual fund		28,561,330.74				28,561,330.74
Domestic Equity Commingled Funds		10,986,825.09				10,986,825.09
International Equity Commingled Funds		11,578,964.50				11,578,964.50
Other Commingled Funds		4,542,003.29				4,542,003.29
Other Commingled Funds (Texpool)					34,892,632.99	34,892,632.99
<b>Total Investments</b>	<b>\$ 1,886,731.76</b>	<b>\$ 55,669,123.62</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 34,892,632.99</b>	<b>\$ 92,448,488.37</b>

Reconciliation of Investments	(Fair Value)
Current assets – cash equivalents	\$ 10,083,261.24
Noncurrent assets investments	25,422,406.07
Noncurrent assets restricted – cash equivalents	24,809,371.75
Noncurrent restricted assets investments	32,133,449.31
<b>Totals</b>	<b>\$ 92,448,488.37</b>

# LAMAR UNIVERSITY

## Notes to the Financial Statements For the year ended August 31, 2018

### Credit Risk

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

FUND TYPE	INVESTMENT NAME	AAA	AA	A	UNRATED
05	Fixed income money market and bond mutual fund	\$ -	\$ -	\$ -	\$ 28,561,330.74

### NOTE 4: Short-Term Debt

LU has no short-term debt as of August 31, 2018.

### NOTE 5: Long-Term Liabilities

#### Changes in Long-Term Liabilities

During the year ended August 31, 2018, the following changes occurred in long-term liabilities:

Type	Begin. Balance	Additions	Reductions	Ending Balance	Due within one year	Amounts Due Thereafter
Deposit Payable	\$ 468,561.67	\$ 236,797.15	\$ 327,380.86	\$ 377,977.96	\$ 132,292.29	\$ 245,685.67
Employees' Compensable Leave	3,891,438.50	2,247,460.33	2,500,605.49	3,638,293.34	545,744.00	3,092,549.34
Total Long-Term Liabilities	\$ 4,360,000.17	\$ 2,484,257.48	\$ 2,827,986.35	\$ 4,016,271.30	\$ 678,036.29	\$ 3,338,235.01

#### Employees' Compensable Leave

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

# LAMAR UNIVERSITY

## Notes to the Financial Statements For the year ended August 31, 2018

Substantially all full-time State employees earn annual leave from eight to twenty-one hours per month, depending on the respective employees' years of State employment. The State's policy is that an employee may carry his accrued leave forward from one fiscal year to another fiscal year with a maximum number of hours up to 532 for those employees with 35 or more years of State service. Accrued leave in excess of the normal maximum was converted to sick leave at the conclusion of fiscal year 2018. Employees with at least six months of State service who terminate their employment are entitled to payment for all accumulated annual leave up to the maximum allowed.

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

### **Bonds Payable**

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

### **NOTE 6: Bonded Indebtedness**

All bonded indebtedness for LU is issued by System Administration through the TSUS Revenue Financing System (the "Revenue Financing System"). System Administration and each component institution within TSUS are members of the Revenue Financing System. The Board 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.

A portion of the debt represents Tuition Revenue Bonds historically funded by the Texas Legislature through General Revenue Appropriations. LU was appropriated \$7,007,244.00 during the current fiscal year for Tuition Revenue Bond debt service. LU expects future Legislative appropriations to meet debt service requirements for Tuition Revenue Bonds.

# LAMAR UNIVERSITY

## Notes to the Financial Statements For the year ended August 31, 2018

Debt services requirements to be paid by TSUS for LU related projects include:

Year	Principal	Interest	Total
2019	\$ 10,008,370.12	\$ 6,638,450.58	\$ 16,646,820.70
2020	10,336,553.80	6,217,400.22	16,553,954.02
2021	10,765,301.26	5,775,865.14	16,541,166.40
2022	11,235,375.43	5,306,950.42	16,542,325.85
2023	10,345,000.00	4,811,307.36	15,156,307.36
2024-2028	54,235,000.00	16,821,854.82	71,056,854.82
2029-2033	37,245,000.00	5,613,975.94	42,858,975.94
2034-2038	6,805,000.00	523,580.30	7,328,580.30
Totals	\$ 150,975,600.61	\$ 51,709,384.78	\$ 202,684,985.39

### NOTE 7: Derivative Instruments

LU has no derivative instruments as of August 31, 2018.

### NOTE 8: Leases

#### Operating Leases

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

Fund Type	Amount
Auxiliary	\$14,917.44
Total	\$14,917.44

# LAMAR UNIVERSITY

## Notes to the Financial Statements For the year ended August 31, 2018

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

Fiscal Year Ended August 31	Amount
2019	\$14,917.44
2020	14,917.44
2021	3,729.36
Total Minimum Future Lease Rental Payments	\$33,564.24

### Capital Leases

LU has no capital leases as of August 31, 2018.

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

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

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

#### Defined Benefit Pension Plan - TRS Plan

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

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

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

# LAMAR UNIVERSITY

## Notes to the Financial Statements For the year ended August 31, 2018

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

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

### Defined Contribution Plan - Optional Retirement Plan

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

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

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

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

The contributions made by plan members and employers for the fiscal year ended are:

	Year Ended August 31, 2018
Member Contributions	\$ 2,091,681.00
Employer Contributions	2,278,406.00
Total	\$ 4,370,087.00

# LAMAR UNIVERSITY

## Notes to the Financial Statements For the year ended August 31, 2018

### **NOTE 10: Deferred Compensation**

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

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

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

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

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

### **NOTE 12: Interfund Activity and Transactions**

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

# LAMAR UNIVERSITY

## Notes to the Financial Statements For the year ended August 31, 2018

Individual balances and activity as of August 31, 2018, follows:

	Due from other Agencies	Due To Other Agencies	Source
Agency 789, D23, Fund 7999	\$ 1,525,094.46	\$	Local Funds
Agency 320, D23, Fund 7999	35,670.40		Local Funds
Agency 721, D23, Fund 7999	32,746.56		Local Funds
Agency 758, D23, Fund 7999		8,181,722.94	Endowment Funds
Agency 721, D23, Fund 7999		8,438.60	Local Funds
<b>Total Due From/To Other Agencies (Exh. A)</b>	<b>\$ 1,593,511.42</b>	<b>\$ 8,190,161.54</b>	

	Legislative	Legislative	Source
	TRANSFER IN	TRANSFER OUT	
Agency 758, D23, Fund 0001	\$	\$ 7,007,244.00	General Revenue-TRB
Agency 403, D23, Fund 0001	258,792.00		GR-Hazlewood
<b>Total Legislative Transfers</b>	<b>\$ 258,792.00</b>	<b>\$ 7,007,244.00</b>	

	TRANSFER IN	TRANSFER OUT	Source
Agency 902, D23, Fund 0210	\$ 149,164.00	\$	General Revenue
Agency 608, D23, Fund 0802		658.99	General Revenue
Agency 347, D23, Fund 0001		1,006,354.06	General Revenue
Agency 758, D23, Fund 7999		2,019,377.50	Designated Funds
Agency 758, D23, Fund 7999		217,681.54	Designated Funds
Agency 758, D23, Fund 7999		9,940,807.90	Auxiliary Funds
<b>Total Transfers</b>	<b>\$ 149,164.00</b>	<b>\$ 13,184,879.99</b>	

	TRANSFER IN	TRANSFER OUT	Source
Agency 758, D23, Fund 7999	\$	6,618.41	Investment in Plant

### NOTE 13: Continuance Subject to Review

LU is not subject to a review of continuance.

# LAMAR UNIVERSITY

## Notes to the Financial Statements For the year ended August 31, 2018

### NOTE 14: Adjustments to Net Position

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

Adjustment in Capital Assets	\$ 64,850.96
Adjustment for Prior Years' Payroll Related Costs	<u>(4,323,457.24)</u>
Total Restatements	<u>\$ (4,258,606.28)</u>

Because of the timing difference between issuance of LU's reviewed financial statements in comparison to the financial statements issued by LU to TSUS and the discovery of new information between those dates, management has additional supporting schedules to account for timing differences.

### NOTE 15: Contingencies and Commitments

#### Claims and Judgements

As of August 31, 2018, various lawsuits and claims involving LU were pending. While the ultimate liability with respect to litigation and other claims asserted against LU or the Board cannot be reasonably estimated at this time, such liability, to the extent not provided for by insurance or otherwise, is not likely to have a material effect on LU's financial statements.

#### Federal Assistance

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

#### Arbitrage

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

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

# LAMAR UNIVERSITY

## Notes to the Financial Statements For the year ended August 31, 2018

### Construction Commitments

LU continues to implement capital improvements to upgrade facilities. The outstanding capital commitments for the construction and renovation of various facilities are \$22,320,489.55. These projects are in various stages of completion.

### Investment Funds

As of August 31, 2018, LU has no capital commitments with investment managers for future funding of investment funds.

### NOTE 16: Subsequent Events

LU has no other subsequent events to report as of August 31, 2018.

### NOTE 17: Risk Management

LU is exposed to a variety of civil claims resulting from the performance of its duties. It is university policy to periodically assess the proper combination of commercial insurance and retention of risk to cover losses to which it may be exposed. LU assumes substantially all risks associated with tort and liability claims due to the performance of its duties. Currently, LU manages limited risk with the purchase of commercial insurance. LU is not involved in any risk pool with other government entities for these risks. LU incurred no losses during the fiscal year ended August 31, 2018, with the exception to those related to the wind event that occurred in April 2018 and damaged several campus buildings.

LU is required by certain bond covenants and FEMA to carry fire and extended coverage and boiler insurance on buildings financed through the issuance of bonds using pledged Auxiliary Enterprise or other noneducational and General Funds. The insurance protects the bond holders from a disruption to the revenue stream that is being utilized to make the bond interest and principal payments and the federal government for storm damage.

The Texas Motor Vehicle Safety Responsibility Act requires that every nongovernmental vehicle operated on a State highway be insured for minimum liability in the amount of \$20,000/\$40,000 bodily injury and \$15,000 property damage. However, LU has chosen to carry liability insurance on its licensed vehicles in the amount of \$1,000,000 combined single liability. The coverage exceeds the extent of the waivers of State immunity specified in the tort claims act.

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

Management's Discussion and Analysis is included the section prior to the financial statements.

### NOTE 19: The Financial Reporting Entity

See Reporting Entity in Note 1.

# LAMAR UNIVERSITY

## Notes to the Financial Statements For the year ended August 31, 2018

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

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

### NOTE 21: Undefined by Texas Comptroller

Reserved for future use by Texas Comptroller.

### NOTE 22: Donor-Restricted Endowments

Net appreciation of \$5,884,134.09 related to true endowments was classified as restricted, expendable on the Statement of Net Position. The net appreciation included a positive fair value adjustment totaling \$1,560,260.09 for fiscal year 2018.

Distributions are calculated using the ending fair market value at August 31 of each year multiplied by an authorized distribution rate. The authorized distribution rate for the fiscal year ended August 31, 2018 was 4%. The individual endowments own units in a restricted investment pool and the annual distributions are allocated on a per unit basis.

#### Changes from Prior Year Balances

True Endowment Funds	2018 Increase/Decrease	Reason for Change
Expendable Balances	\$1,831,342.39	Fair value fluctuations, earnings, fees and distributions.
Nonexpendable Balances	\$371,852.53	New gifts

The balances, or transactions, of funds held in trust by others on behalf of LU are not reflected in the financial statements. At August 31, 2018, there was one such fund for the benefit of LU. Based upon the most recent available information, the assets of this fund as reported by the Trustees are valued at \$5,912,623.31.

### NOTE 23: Extraordinary and Special Items

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

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

Balances of receivables and payables reported on the Statement of Net Position are not obscured by aggregation. There are no significant receivable balances expected to be collected beyond one year of the date of the financial statements. Accounts receivable for tuition and student loan are presented net of allowance for doubtful accounts in the amounts of \$11,528,289.07 and \$4,682,130.43, respectively.

# LAMAR UNIVERSITY

## Notes to the Financial Statements For the year ended August 31, 2018

### **NOTE 25: Termination Benefits**

LU has no termination benefits to report as of August 31, 2018.

### **NOTE 26: Segment Information**

LU has no segments to report as of August 31, 2018.

### **NOTE 27: Service Concession Arrangements**

LU has no service concession arrangements to report as of August 31, 2018.

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

LU has no deferred outflows or inflows of resources to report as of August 31, 2018.

### **NOTE 29: Troubled Debt Restructuring**

LU has no troubled debt restructuring to report as of August 31, 2018.

### **NOTE 30: Nonexchange Financial Guarantees**

LU has no nonexchange financial guarantees to report as of August 31, 2018.

### **NOTE 31: Tax Abatements**

LU has no tax abatements to report as of August 31, 2018.

### **NOTE 32: Fund Balances**

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