

# LUAN

# Annual Financial Report

## Fiscal Year 2017

September 1, 2016-August 31, 2017



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



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# 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, 2017

## The Texas State University System

### 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	Bellaire
Alan L. Tinsley	2/1/2021	Madisonville
Donna N. Williams	2/1/2017	Arlington
Kaitlyn Tyra, Student	5/31/2018	Huntsville

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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
Dr. Roland Smith	Vice Chancellor for Finance
Sean Cunningham	Vice Chancellor for Governmental Relations
Peter E. Graves	Vice Chancellor for Contract Administration
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
Jason Henderson	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, 2017, 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.

### **Accountant's 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 and pensions related to LU's activities in the name of Texas State University System (TSUS) are reported by TSUS and not LU, as disclosed in Notes 6 and 9, respectively. The financial statements do not purport to, and do not, present fairly the financial position of the State of Texas as of August 31, 2017, 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.

*BELT HARRIS PECHACEK, LLLP*

Belt Harris Pechacek, LLLP  
*Certified Public Accountants*  
Houston, Texas  
October 16, 2018

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



# **LAMAR UNIVERSITY**

## **Management's Discussion and Analysis For the Year Ended August 31, 2017**

### **INTRODUCTION**

The following Management's Discussion and Analysis (MD&A) section of Lamar University (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, 2017. 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 over 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.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

The financial statements for fiscal year 2017 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 Comprehensive Annual Financial Report.

The financial statements of LU are presented for the fiscal year ended August 31, 2017. 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

# LAMAR UNIVERSITY

## Management's Discussion and Analysis

For the year ended August 31, 2017

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 schedule 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, 2017. 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 schedule 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 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 2017 fiscal year, LU recognized operating revenues of \$137 million and operating expenses of \$212 million. After recognizing nonoperating activities and other gains and losses, LU realized a net increase in net position of \$98 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.

# LAMAR UNIVERSITY

Management's Discussion and Analysis

For the year ended August 31, 2017

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 schedule 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 2017 fiscal year totaled \$114 million, which reflected a net increase in cash balances of \$47 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.

## **FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of LU's financial position. Assets exceed liabilities by \$363 million as of August 31, 2017. 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.

# LAMAR UNIVERSITY

## Management's Discussion and Analysis For the year ended August 31, 2017

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

The following table reflects the condensed Statement of Net Position:

	<b>2017</b>	<b>2016</b>
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 23,893,118.38	\$ 43,396,808.78
Restricted Cash and Cash Equivalents	10,165,578.31	5,426,787.30
Legislative Appropriations	12,222,533.45	1,284,901.57
Receivables	24,882,348.68	22,256,102.39
Other Current Assets	<u>14,991,155.87</u>	<u>21,090,991.37</u>
Total Current Assets	<u>86,154,734.69</u>	<u>93,455,591.41</u>
Noncurrent Assets		
Restricted:		
Cash and Cash Equivalents	80,287,827.81	18,349,798.71
Investments and Receivable	29,627,709.90	-
Accounts Receivable	55,143.18	2,252.69
Investments	30,223,939.46	50,415,088.36
Capital Assets, Net of Depreciation	<u>214,617,677.49</u>	<u>188,049,376.58</u>
Total Noncurrent Assets	<u>354,812,297.84</u>	<u>256,816,516.34</u>
<b>Total Assets</b>	<b><u>440,967,032.53</u></b>	<b><u>350,272,107.75</u></b>
<b>LIABILITIES</b>		
Current Liabilities:		
Payables	15,890,112.57	13,710,244.89
Interfund Payables	-	9,701,640.00
Due to Other Agencies	7,796,580.59	7,511,315.00
Other Current Liabilities	<u>50,456,536.73</u>	<u>50,896,224.17</u>
Total Current Liabilities	<u>74,143,229.89</u>	<u>81,819,424.06</u>
Noncurrent Liabilities		
Total Liabilities	<u>3,613,686.39</u>	<u>3,183,373.27</u>
	<u>77,756,916.28</u>	<u>85,002,797.33</u>
<b>NET POSITION</b>		
Net Investment in Capital Assets	214,617,677.49	188,049,376.58
Restricted for:		
Capital Projects	76,662,946.82	9,324,618.48
Other	16,129,869.43	9,705,922.91
Funds Held as Permanent Investments:		
Nonexpendable Endowment Funds	20,057,709.50	18,697,051.80
Expendable Endowment Funds	4,052,791.70	3,130,935.15
Unrestricted	<u>31,689,121.31</u>	<u>36,361,405.50</u>
<b>Total Net Position</b>	<b><u>\$ 363,210,116.25</u></b>	<b><u>\$ 265,269,310.42</u></b>

The most notable change in net position is related to continued investment in campus facilities. Capital assets net of depreciation increased by \$26.6 million. Additionally, as the result of planned construction, LU had received approximately \$85 million from TSUS issued debt that is earmarked for additional campus facilities. While the operating impact of Hurricane Harvey is discussed further in the subsequent events note to the financial statements, the closure of the campus on the days preceding year end resulted in normal month end payments not being processed, which resulted in approximately \$2 million higher cash and accounts payable that would have otherwise been reported. Similarly, student receivables increased by \$2.6 million as the result of the business office closure related to Hurricane Harvey.

# LAMAR UNIVERSITY

Management's Discussion and Analysis  
For the year ended August 31, 2017

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

The following table reflects a condensed Statement of Changes in Net Position:

	<b>2017</b>	<b>2016</b>
<b>OPERATING REVENUES</b>		
Tuition and Fees - Net	\$ 95,880,969.60	\$ 111,235,595.70
Auxiliary Enterprises - Net	23,914,230.08	24,152,215.06
Other Operating Revenues	<u>16,917,547.53</u>	<u>14,457,400.31</u>
<b>Total Operating Revenues</b>	<u>136,712,747.21</u>	<u>149,845,211.07</u>
<b>OPERATING EXPENSES:</b>		
Instruction	67,831,107.86	62,874,243.30
Research	3,007,296.53	2,787,894.84
Public Service	1,760,463.94	1,705,172.52
Academic Support	33,036,524.77	33,346,070.40
Student Services	9,040,231.02	8,665,744.14
Institutional Support	23,163,456.84	24,414,452.39
Operation and Maintenance of Plant	13,808,686.67	12,832,437.71
Scholarship and Fellowships	19,040,702.96	28,042,154.05
Auxiliary	<u>30,923,540.42</u>	<u>30,137,340.17</u>
Depreciation and Amortization	8,596,139.81	8,541,478.71
Bad Debt Expenses	<u>1,500,000.00</u>	<u>1,500,000.00</u>
<b>Total Operating Expenses</b>	<u>211,708,150.82</u>	<u>214,846,988.23</u>
<b>Operating Income (Loss)</b>	<u>(74,995,403.61)</u>	<u>(65,001,777.16)</u>
<b>NON-OPERATING REVENUES (EXPENSES):</b>		
Legislative Revenue and Appropriations	64,161,482.14	62,542,888.63
Federal Revenue	16,400,210.37	16,526,314.00
Other Nonoperating Revenue (Expenses)-Net	<u>8,475,726.74</u>	<u>7,163,762.72</u>
<b>Total Non-Operating Revenues (Expenses)</b>	<u>89,037,419.25</u>	<u>86,232,965.35</u>
<b>Income (Loss) before Capital Contributions, Endowments and Transfers</b>	14,042,015.64	21,231,188.19
<b>Capital Contributions, Endowments, and Transfers</b>	<u>83,856,936.69</u>	<u>(3,867,998.83)</u>
<b>Change in Net Position</b>	<u>\$ 97,898,952.33</u>	<u>\$ 17,363,189.36</u>

LU's net tuition revenue declined by \$15.4 million, which was a 14% reduction. In 2017, LU began reporting tuition revenue net of these programs to consistently report across all TSUS institutions. In 2016, tuition was reported at the gross amount and the offsetting amount related to discounts and allowances associated with specific programs was charged to the Scholarship and Fellowships expense line item. Scholarships and Fellowships declined by \$9 million or 32%. Accordingly, the actual change in tuition related to enrollment is estimated at \$6.4 million or a 6% change from 2016 to 2017. The decline was in part consistent with the national trend of declining student enrollment.

Excluding the change in Scholarship and Fellowships discussed above, expenses in total increased by \$5.8 million or 3%. In total, operating expenses decreased by \$3.1 million. Nonoperating revenue increased \$2.8 million due to increases in appropriations and gifts. Appropriations for employee benefits increased \$1.1 million and gifts increased \$1.6 million. Capital Contributions, Endowments and Transfers In increased by \$87.7 million largely related to \$85.1 transfer of debt proceeds issued by TSUS.

# LAMAR UNIVERSITY

Management's Discussion and Analysis

For the year ended August 31, 2017

## 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 2017 fiscal year, LU had \$215 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 2017 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 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. Aligned to major industries and university strengths, including energy, health care, and education, these recently added programs will support our economy, enhance our academic reputation, and produce new revenue streams for the university. In addition, several major construction projects are currently underway, among them the renovation of the Setzer Student Center, the construction of the new Science and Technology Building and the construction of the new Center for Innovation, Commercialization and Entrepreneurship (CICE) – all of which will elevate the profile of LU and allow LU to better serve its students, faculty, staff, and the community.

# LAMAR UNIVERSITY

Management's Discussion and Analysis

For the year ended August 31, 2017

## BUDGETARY INITIATIVES

Several budgetary initiatives and priorities on which LU will continue to focus during the 2018 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 2018, 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 around 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.

## 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; 4400 MLK Blvd; Beaumont, TX 77705; Phone: 409-880-8932 or Jamie Larson, Associate Vice President, Financial Services, Finance Office; Lamar University; 4400 MLK Blvd; Beaumont, TX 77705; Phone: 409-880-7126. General information about LU may be found on the website: [www.lamar.edu](http://www.lamar.edu).

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## ***BASIC FINANCIAL STATEMENTS***



# LAMAR UNIVERSITY

## Statement of Net Position August 31, 2017

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents: (Note 3)		
Cash on Hand (Including Petty Cash)	\$ 18,200.00	\$ 18,200.00
Cash in Bank	13,954,202.71	22,685,098.00
Cash in State Treasury (Note 3)	3,087,635.70	6,204,795.28
Cash Equivalents	6,833,079.97	14,488,715.50
Restricted:		
Cash and Cash Equivalents: (Note 3)		
Cash in Bank	10,165,578.31	5,426,787.30
Legislative Appropriations	12,222,533.45	1,284,901.57
Receivables:		
Federal	1,344,478.67	2,174,011.47
Interest	11,773.60	38.16
Dividends		
Accounts – Tuition	23,526,096.41	18,982,052.76
Gifts/Pledges	-	1,100,000.00
Interfund Receivables (Note 12)	-	9,701,640.00
Due From Other Agencies (Note 12)	1,494,780.74	1,939,336.94
Due From Component Units		
Inventories	195,669.38	163,755.43
Prepaid Items	8,168,067.71	4,444,855.34
Loans and Contracts	5,132,638.04	4,841,403.66
Total Current Assets	86,154,734.69	93,455,591.41

# LAMAR UNIVERSITY

## Statement of Net Position August 31, 2017

	<u>2017</u>	<u>2016</u>
<b>Noncurrent Assets</b>		
<b>Restricted:</b>		
Cash and Cash Equivalents: (Note 3)		
Cash in Bank	9,089,711.27	9,251,709.73
Cash Equivalents	71,198,116.54	9,098,088.98
Investments (Note 3)	29,627,709.90	-
Receivables	55,143.18	2,252.69
Investments (Note 3)	30,223,939.46	50,415,088.36
<b>Capital Assets: (Note 2)</b>		
<b>Nondepreciable or Nonamortizable</b>		
Land and Land Improvements	11,742,096.95	11,583,119.49
Construction in Progress	56,450,996.38	28,682,412.29
Other Capital Assets	2,691,840.70	2,304,572.99
<b>Depreciable or Amortizable</b>		
Building and Building Improvements	252,296,029.18	251,680,701.52
Less Accumulated Depreciation	(135,259,794.64)	(130,246,743.24)
Infrastructure	18,437,788.54	17,106,486.90
Less Accumulated Depreciation	(13,142,087.52)	(12,703,533.19)
Facilities and Other Improvements	25,094,125.57	23,352,478.93
Less Accumulated Depreciation	(13,210,269.01)	(12,602,882.45)
Furniture and Equipment	27,572,219.38	24,698,006.57
Less Accumulated Depreciation	(20,386,554.45)	(18,547,999.83)
Vehicles, Boats, and Aircraft	1,750,403.30	1,666,407.40
Less Accumulated Depreciation	(1,301,754.59)	(1,174,386.79)
Other Capital Assets	22,825,209.08	22,809,426.92
Less Accumulated Depreciation	(20,942,571.38)	(20,558,690.93)
Total Noncurrent Assets	<u>354,812,297.84</u>	<u>256,816,516.34</u>
<b>Total Assets</b>	<u><u>440,967,032.53</u></u>	<u><u>350,272,107.75</u></u>

# LAMAR UNIVERSITY

## Statement of Net Position August 31, 2017

	<u>2017</u>	<u>2016</u>
<b>LIABILITIES</b>		
Current Liabilities:		
Payables from:		
Accounts Payable	6,244,549.68	3,553,668.78
Payroll Payable	9,645,562.89	10,156,576.11
Interfund Payables (Note 12)	-	9,701,640.00
Due to Other Agencies (Note 12)	7,796,580.59	7,511,315.00
Unearned Revenues	49,269,865.40	49,901,144.93
Employees' Compensable Leave (Note 5)	583,715.78	506,732.75
Funds Held for Others	440,357.55	333,546.49
Other Current Liabilities	162,598.00	154,800.00
Total Current Liabilities	<u>74,143,229.89</u>	<u>81,819,424.06</u>
Noncurrent Liabilities		
Employees' Compensable Leave (Note 5)	3,307,722.72	2,871,485.51
Other Noncurrent Liabilities	305,963.67	311,887.76
Total Noncurrent Liabilities	<u>3,613,686.39</u>	<u>3,183,373.27</u>
<b>Total Liabilities</b>	<u>77,756,916.28</u>	<u>85,002,797.33</u>
<b>NET POSITION</b>		
Net Investment in Capital Assets	214,617,677.49	188,049,376.58
Restricted for:		
Capital Projects	76,662,946.82	9,324,618.48
Other	16,129,869.43	9,705,922.91
Funds Held as Permanent Investments:		
Nonexpendable:		
Endowment Funds	20,057,709.50	18,697,051.80
Expendable:		
Endowment Funds	4,052,791.70	3,130,935.15
Unrestricted	<u>31,689,121.31</u>	<u>36,361,405.50</u>
<b>Total Net Position</b>	<u>\$ 363,210,116.25</u>	<u>\$ 265,269,310.42</u>

See notes to financial statements.

# LAMAR UNIVERSITY

## Statement of Revenues, Expenses, and Changes in Net Position For the Year Ended August 31, 2017

	<b>2017</b>	<b>2016</b>
<b>Operating Revenues:</b>		
Tuition and Fees – Pledged	\$ 124,100,682.06	\$ 136,140,702.14
Tuition and Fees – Discounts/Allowances	(28,219,712.46)	(24,905,106.44)
Auxiliary Enterprise – Pledged	23,914,230.08	24,152,215.06
Other Sales of Goods and Services – Pledged	200,426.59	457,072.95
Interest and Investment Income – Nonpledged	-	187,180.81
Net Increase (Decrease ) FMV – Nonpledged	-	19,393.57
Federal Revenue	2,958,230.31	2,362,655.36
Federal Pass Through Revenue	4,774,194.51	2,694,744.64
State Grant Revenue	162,770.75	19,852.59
State Grant Pass Through Revenue	6,307,619.04	5,635,282.96
Other Contract and Grants – Nonpledged	838,046.07	1,156,862.84
Other Operating Revenues – Pledged	1,676,260.26	1,924,354.59
Total Operating Revenues	136,712,747.21	149,845,211.07
<b>Operating Expenses:</b>		
Instruction	67,831,107.86	62,874,243.30
Research	3,007,296.53	2,787,894.84
Public Service	1,760,463.94	1,705,172.52
Academic Support	33,036,524.77	33,346,070.40
Student Services	9,040,231.02	8,665,744.14
Institutional Support	23,163,456.84	24,414,452.39
Operation and Maintenance of Plant	13,808,686.67	12,832,437.71
Scholarships and Fellowships	19,040,702.96	28,042,154.05
Auxiliary	30,923,540.42	30,137,340.17
Depreciation and Amortization	8,596,139.81	8,541,478.71
Bad Debt Expense	1,500,000.00	1,500,000.00
Total Operating Expenses	211,708,150.82	214,846,988.23
Operating Income (Loss)	(74,995,403.61)	(65,001,777.16)

# LAMAR UNIVERSITY

## Statement of Revenues, Expenses, and Changes in Net Position For the Year Ended August 31, 2017

	<b>2017</b>	<b>2016</b>
<b>Non-operating (Revenues) Expenses:</b>		
Legislative Revenue (GR)	49,063,811.00	48,617,011.00
Additional Appropriations (GR)	15,097,671.14	13,925,877.63
Federal Revenue	16,400,210.37	16,526,314.00
Gifts – Non-Pledged	8,511,926.67	6,931,035.33
Investment Income – Non-Pledged	914,952.35	791,563.00
Investment Income – Pledged	877,816.58	44,745.22
Gain/Loss Sale Capital Assets	(1,147.15)	(450,570.17)
Net (Increase) Decrease Fair Value – Pledged	(111,811.71)	-
Net (Increase) Decrease Fair Value – Nonpledged	921,856.55	171,884.06
Other Nonoperating Revenues – Pledged	-	(324,894.72)
Other Nonoperating Expenses	(2,637,866.55)	-
<b>Total Nonoperating Revenues (Expenses)</b>	<b>89,037,419.25</b>	<b>86,232,965.35</b>
Income (Loss) before Capital Contributions, Endowments, and Transfers	<b>14,042,015.64</b>	<b>21,231,188.19</b>
<b>Capital Contributions, Endowments and Transfers</b>		
Capital Appropriations (HEAF)	14,101,882.00	9,401,255.00
Transfers-In (Note 12)	85,130,454.00	194,927.00
Transfers-Out (Note 12)	(13,143,801.51)	(11,263,209.83)
Legislative Transfer-In (Note 12)	4,866,690.00	256,660.00
Legislative Transfer-Out (Note 12)	(7,097,856.00)	(2,457,631.00)
Legislative Appropriations Lapsed	(431.80)	-
<b>Total Capital Contributions, Endowments, and Transfers</b>	<b>83,856,936.69</b>	<b>(3,867,998.83)</b>
<b>Change in Net Position</b>	<b>97,898,952.33</b>	<b>17,363,189.36</b>
Total Net Position, Beginning	265,269,310.42	258,353,021.22
Restatements	41,853.50	(10,446,900.16)
Total Net Position, Beginning, as Restated	<b>265,311,163.92</b>	<b>247,906,121.06</b>
Total Net Position, Ending	<b>\$ 363,210,116.25</b>	<b>\$ 265,269,310.42</b>

See notes to financial statements.

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# LAMAR UNIVERSITY

**Matrix of Operating Expenses Reported by Function**  
**For the Year Ended August 31, 2017**

<b>Operating Expenses</b>											Depreciation and Amortization*		<b>Total Expenses</b>
	<b>Instruction</b>	<b>Research</b>	<b>Public Service</b>	<b>Academic Support</b>	<b>Student Services</b>	<b>Institutional Support</b>	<b>Operation and Maintenance of Plant</b>	<b>Scholarship and Fellowships</b>	<b>Auxiliary Enterprises</b>	<b>Depreciation and Amortization*</b>			
Salaries and Wages	\$ 50,029,947.82	\$ 1,430,829.64	\$ 950,702.89	\$ 10,248,698.17	\$ 5,631,728.45	\$ 12,547,886.39	\$ 6,458,821.15	\$ -	\$ 8,886,335.72	\$ -	\$ -	\$ 96,184,950.23	
Payroll Related Costs	15,064,885.36	152,582.41	238,507.48	2,369,920.20	1,793,887.70	4,145,447.54	2,399,956.40	-	2,085,636.29	-	-	28,250,823.38	
Professional Fees and Services	329,515.05	11,440.04	371,720.59	14,165,929.85	739,802.32	1,544,234.80	535,649.14	-	982,756.28	-	-	18,681,048.07	
State Grant Pass-Through Expense	-	430,009.16	-	-	-	-	-	-	-	-	-	430,009.16	
Travel	696,155.13	172,170.15	19,508.29	1,026,850.70	154,617.83	240,659.64	13,274.14	-	1,825,673.89	-	-	4,148,909.77	
Materials and Supplies	1,016,982.45	371,365.19	98,332.94	2,701,505.61	337,288.18	3,230,349.10	1,055,726.58	-	6,089,289.48	-	-	14,900,839.53	
Communications and Utilities	8,846.45	-	24,748.38	10,613.72	2,085.81	338,747.40	1,910,440.37	-	1,467,229.67	-	-	3,762,711.80	
Repairs and Maintenance	102,643.01	86,974.91	14,104.02	143,934.78	21,858.10	696,109.94	1,191,518.65	-	1,707,895.47	-	-	3,965,038.88	
Rentals and Leases	89,794.44	2,428.71	12,928.49	54,694.94	23,732.13	124,496.90	2,635.61	-	210,898.81	-	-	521,610.03	
Printing and Reproduction	49,007.75	6,413.23	9,733.82	65,059.23	121,934.10	114,298.85	1,535.46	-	104,530.05	-	-	472,512.49	
Depreciation and Amortization*	-	-	-	-	-	-	-	-	-	-	8,596,139.81	8,596,139.81	
Bad Debt Expense	557,298.20	24,707.85	14,463.92	271,427.03	74,274.25	190,310.22	113,451.73	-	254,066.81	-	-	1,500,000.00	
Scholarships	-	-	-	-	-	-	-	-	19,040,702.96	5,919,358.48	-	24,960,061.44	
Other Operating Expenses	443,330.40	343,083.09	20,177.04	2,249,317.57	213,296.40	181,226.28	239,129.17	-	1,643,936.28	-	-	5,333,496.23	
<b>Total Operating Expenses</b>	<b>\$ 68,388,406.06</b>	<b>\$ 3,032,004.38</b>	<b>\$ 1,774,927.86</b>	<b>\$ 33,307,951.80</b>	<b>\$ 9,114,505.27</b>	<b>\$ 23,353,767.06</b>	<b>\$ 13,922,138.40</b>	<b>\$ 19,040,702.96</b>	<b>\$ 31,177,607.23</b>	<b>\$ 8,596,139.81</b>	<b>\$ 211,708,150.82</b>		

See 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, 2017

	<b>2017</b>	<b>2016</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from Customers	\$ 200,426.59	\$ 457,072.95
Proceeds from Tuition and Fees	89,785,930.82	114,826,528.30
Proceeds from Research Grants and Contracts	15,870,393.48	11,536,186.85
Proceeds from Auxiliaries	23,914,230.08	24,152,215.06
Proceeds from Other Operating Revenues	1,676,260.26	2,130,928.97
Payments to Suppliers for Goods and Services	(47,892,481.52)	(49,884,848.63)
Payments to Employees for Salaries	(96,695,963.45)	(78,664,676.05)
Payments to Employees for Benefits	(16,557,602.11)	(22,459,008.18)
Payments for Other Operating Expenses	<u>(30,293,557.67)</u>	<u>(48,446,278.07)</u>
Net Cash Provided (Used) by Operating Activities	<u>(59,992,363.52)</u>	<u>(46,351,878.80)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Proceeds from State Appropriations	61,011,989.43	71,944,143.90
Proceeds from Gifts	9,363,293.15	6,931,035.33
Proceeds from Grant Receipts	16,400,210.37	16,526,314.00
Proceeds from Other Noncapital Financing Activities	-	451,587.00
Payments for Other Noncapital Financing Uses	<u>(4,067,951.20)</u>	<u>(6,947,051.35)</u>
Net Cash Provided by Noncapital Financing Activities	<u>82,707,541.75</u>	<u>88,906,028.88</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Proceeds from the Sale of Capital Assets	-	(450,570.17)
Transfers In (Note 12)	85,000,000.00	-
Payments for Additions to Capital Assets	(34,875,340.57)	(18,046,336.42)
Transfers Out (Note 12)	(13,634,439.62)	(6,793,148.93)
Payments for Capital Leases	(969,286.61)	(917,137.71)
Payments of Interest on Debt Issuance	<u>(4,164,608.56)</u>	<u>(4,538,221.19)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>31,356,324.64</u>	<u>(30,745,414.42)</u>

# LAMAR UNIVERSITY

## Statement of Cash Flows For the Year Ended August 31, 2017

	<b>2017</b>	<b>2016</b>
<b>CASH FLOWS FROM INVESTING ACTIVITES</b>		
Proceeds from Interest Income	1,728,143.00	836,308.22
Payments to Acquire Investments	<u>(8,626,516.16)</u>	<u>(40,657,276.14)</u>
Net Cash Provided (Used) by Investing Activities	<u>(6,898,373.16)</u>	<u>(39,820,967.92)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 47,173,129.71	\$ (28,012,232.26)
Cash and Cash Equivalents, September 1, 2016	67,173,394.79	95,185,627.05
Cash and Cash Equivalents, August 31, 2017	<u>\$ 114,346,524.50</u>	<u>\$ 67,173,394.79</u>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS</b>		
Current - Cash and Cash Equivalents	\$ 23,893,118.38	\$ 43,396,808.78
Current - Restricted - Cash and Cash Equivalents	10,165,578.31	5,426,787.30
Noncurrent - Restricted - Cash and Cash Equivalents	80,287,827.81	18,349,798.71
Total Cash and Cash Equivalents	<u>\$ 114,346,524.50</u>	<u>\$ 67,173,394.79</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Operating Income (Loss)	\$ (74,995,403.61)	\$ (65,001,777.16)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Amortization and Depreciation	8,596,139.81	8,541,478.71
Benefits Paid on our Behalf	11,180,001.03	-
Changes in Assets and Liabilities:		
(Increase) Decrease in Receivables	(2,844,865.98)	4,101,963.22
(Increase) Decrease in Inventories	(31,913.95)	3,549.04
(Increase) Decrease in Prepaid Expenses	(3,723,212.37)	594,048.85
(Increase) Decrease in Notes Receivable	(291,234.38)	(537,213.66)
Increase (Decrease) in Payables	2,236,185.22	4,637,397.89
Increase (Decrease) in Unearned Revenue	(631,279.52)	1,196,578.74
Increase (Decrease) in Compensated Absence Liability	513,220.23	112,095.57
Total Adjustments	<u>15,003,040.09</u>	<u>18,649,898.36</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (59,992,363.52)</u>	<u>\$ (46,351,878.80)</u>
<b>Noncash Transactions</b>		
Donation of Capital Assets	\$ 248,633.52	\$ 90,269.16
Net Change in Fair Value of Investments	\$ 810,044.84	\$ 171,884.06

See notes to financial statements.

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# LAMAR UNIVERSITY

## Notes to the Financial Statements For the year ended August 31, 2017

### **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 Texas State University System Administration (“System Administration”), which is headed by a Board-appointed chancellor, is based in Austin, where it provides support to TSUS 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 \$2,684,211.15 to LU during the year ended August 31, 2017. 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 \$254,198.21. Accounts receivable of \$850,101.03 are due from the Foundation at August 31, 2017.

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 2017 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, 2017**

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, 2017

### 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.

##### **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

# **LAMAR UNIVERSITY**

## **Notes to the Financial Statements For the year ended August 31, 2017**

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 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.”

### **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.

# LAMAR UNIVERSITY

## Notes to the Financial Statements For the year ended August 31, 2017

### 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 they 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 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.

# LAMAR UNIVERSITY

## Notes to the Financial Statements For the year ended August 31, 2017

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

**Reimbursements** Reimbursements are repayments from funds responsible for expenditures or expenses to funds that made the actual payment. Reimbursements of expenditures made by one 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** Interfund loans are reported as interfund receivables and payables. If repayment is due during the current year or soon thereafter, the balance is classified as “current.” Balances for repayment due in two or more years are classified as “noncurrent.”

**Interfund Sales and Purchases** 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 the LU’s interfund activities and transactions are presented in Note 12.

# LAMAR UNIVERSITY

## Notes to the Financial Statements For the year ended August 31, 2017

### **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, 2017 is presented below:

	Balance 09/01/16	Adjustments	Completed CIP	Transfers Inc/(Decrease)	Additions	Deletions	Balance 08/31/17
<b>BUSINESS-TYPE ACTIVITIES</b>							
Nondepreciable Assets							
Land and Land Improvements	\$ 11,583,119.49	\$ 1.00	\$ -	\$ -	\$ 158,976.46	\$ -	\$ 11,742,096.95
Construction in Progress	28,682,412.29	3,798.02	(3,688,275.94)		31,453,062.01	-	56,450,996.38
Other Assets	2,304,572.99	-	-	-	387,267.71	-	2,691,840.70
Total Nondepreciable Assets	42,570,104.77	3,799.02	(3,688,275.94)	-	31,999,306.18	-	70,884,934.03
Depreciable Assets							
Buildings and Building Improvements	251,680,701.52	-	615,327.66	-	-	-	252,296,029.18
Infrastructure	17,106,486.90	-	1,331,301.64	-	-	-	18,437,788.54
Facilities & Other Improvements	23,352,478.93	-	1,741,646.64	-	-	-	25,094,125.57
Furniture and Equipment	24,698,006.57	96,143.27	-	(7,124.00)	3,004,388.85	(219,195.31)	27,572,219.38
Vehicle, Boats & Aircraft	1,666,407.40	-	-		104,331.90	(20,336.00)	1,750,403.30
Library books/Leaseholds	22,809,426.92	-	-	-	16,697.16	(915.00)	22,825,209.08
Total Depreciable Assets	341,313,508.24	96,143.27	3,688,275.94	(7,124.00)	3,125,417.91	(240,446.31)	347,975,775.05
Less Accumulated Depreciation for:							
Buildings and Improvements	(130,246,743.24)	-	-	-	(5,013,051.40)	-	(135,259,794.64)
Infrastructure	(12,703,533.19)	-	-	-	(438,554.33)	-	(13,142,087.52)
Facilities & Other Improvements	(12,602,882.45)	-	-	-	(607,386.56)	-	(13,210,269.01)
Furniture and Equipment	(18,547,999.83)	(57,173.79)	-	6,134.28	(2,005,563.27)	218,048.16	(20,386,554.45)
Vehicles, Boats & Aircraft	(1,174,386.79)	-	-	-	(147,703.80)	20,336.00	(1,301,754.59)
Library books/Leaseholds	(20,558,690.93)	(915.00)	-	-	(383,880.45)	915.00	(20,942,571.38)
Total Accumulated Depreciation	(195,834,236.43)	(58,088.79)	-	6,134.28	(8,596,139.81)	239,299.16	(204,243,031.59)
Depreciable Assets, Net	145,479,271.81	38,054.48	3,688,275.94	(989.72)	(5,470,721.90)	(1,147.15)	143,732,743.46
Capital Assets, Net	\$ 188,049,376.58	\$ 41,853.50	\$ -	\$ (989.72)	\$ 26,528,584.28	\$ (1,147.15)	\$ 214,617,677.49

# LAMAR UNIVERSITY

## Notes to the Financial Statements For the year ended August 31, 2017

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

#### **Deposits**

As of August 31, 2017, the actual bank balance was \$33,377,997.41. The carrying balance was \$33,209,492.29 as presented below.

CASH IN BANK - CARRYING VALUE	<u>\$33,209,492.29</u>
Current Assets - Cash in Bank	\$13,954,202.71
Current Assets - Restricted Cash in Bank	10,165,578.31
Noncurrent - Restricted Cash in Bank	<u>9,089,711.27</u>
Cash in Bank	<u>\$33,209,492.29</u>

#### **Custodial Credit Risk**

LU's bank accounts are entirely secured by FDIC 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 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.

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, 2017

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

- Level 1 – Quoted prices (unadjusted) for identical assets or liabilities in active markets that can be accessed at the measurement date.
- Level 2 – 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 – 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:

Fair Value Hierarchy						
Type of Investments	Level 1	Level 2	Level 3	Amort. Cost	Net Asset Value	(Fair Value)
Common Equity	\$ 1,918,346.27	\$	\$	\$	\$	\$ 1,918,346.27
Fixed income money market and bond mutual fund		34,691,921.40				34,691,921.40
Domestic Equity Commingled Funds		9,503,550.94				9,503,550.94
International Equity Commingled Funds		9,363,639.62				9,363,639.62
Other Commingled Funds		4,560,273.73				4,560,273.73
Other Commingled Funds (Texpool)					77,845,113.91	77,845,113.91
Total Investments	\$ 1,918,346.27	\$ 58,119,385.70	\$ -	\$ -	\$ 77,845,113.91	\$ 137,882,845.87

Reconciliation of Investments	(Fair Value)
Current assets – cash equivalents	\$6,833,079.97
Noncurrent assets investments	30,223,939.46
Current assets restricted – cash equivalents	71,198,116.54
Noncurrent restricted assets investments	<u>29,627,709.90</u>
Totals	<u>\$137,882,845.87</u>

# LAMAR UNIVERSITY

## Notes to the Financial Statements For the year ended August 31, 2017

### 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 & 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	\$ -	\$ -	\$ -	\$34,691,921.40

### NOTE 4: Short-Term Debt

LU has no short-term debt as of August 31, 2017.

### NOTE 5: Long-Term Liabilities

#### Changes in Long-Term Liabilities

During the year ended August 31, 2017, the following changes occurred in long-term liabilities:

Business-Type Activities	Balance 09/01/16	Additions	Reductions	Balance 08/31/17	Due Within One Year
Deposits Payable	\$466,687.76	\$349,983.14	\$348,109.23	\$468,561.67	\$162,598.00
Employees' Compensable Leave	3,378,218.26	2,442,870.31	1,929,650.07	3,891,438.50	583,715.78
<b>Total Long-Term Liabilities</b>	<b>\$3,844,906.02</b>	<b>\$2,792,853.45</b>	<b>\$2,277,759.30</b>	<b>\$4,360,000.17</b>	<b>\$746,313.78</b>

#### Employees' Compensable Leave

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

Substantially all full-time State employees earn annual leave from eight to twenty-one hours per month depending on the respective employees' years of State employment. The State's policy is

# LAMAR UNIVERSITY

## Notes to the Financial Statements For the year ended August 31, 2017

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 2017. 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 Texas State University System Revenue Financing System (the "Revenue Financing System"). System Administration and each component institution within the system are members of the Revenue Financing System. The Board 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 \$7,097,856 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, 2017

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

Year	Principal	Interest	Total
2018	\$ 10,107,189.70	\$ 7,055,817.56	\$ 17,163,007.26
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
2023-2027	54,280,000.00	19,239,165.85	73,519,165.85
2028-2032	44,885,000.00	7,622,326.70	52,507,326.70
2033-2037	9,465,000.00	909,225.90	10,374,225.90
2038-2042	-	-	-
Totals	<u>\$ 161,082,790.31</u>	<u>\$ 58,765,202.37</u>	<u>\$ 219,847,992.68</u>

### NOTE 7: Derivative Instruments

LU has no derivative instruments as of August 31, 2017.

### 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
Designated	\$31,500.00
Auxiliary	14,917.44
<b>Total</b>	<b>\$46,417.44</b>

# LAMAR UNIVERSITY

## Notes to the Financial Statements For the year ended August 31, 2017

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
2018	\$ 35,914.44
2019	14,917.44
2020	14,917.44
2021	3,729.36
2022	0.00
<b>Total Minimum Future Lease Rental Payments</b>	<b>\$ 69,481.68</b>

### Capital Leases

LU has no capital leases as of August 31, 2017.

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

LU's State employees may participate in the defined benefit pension plan –Teacher Retirement System (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. The following 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.

# LAMAR UNIVERSITY

## Notes to the Financial Statements For the year ended August 31, 2017

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

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

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

### **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, 2017
Member Contributions	\$ 2,135,993.00
Employer Contributions	2,333,416.00
Total	\$ 4,449,409.00

# **LAMAR UNIVERSITY**

## **Notes to the Financial Statements For the year ended August 31, 2017**

### **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 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 of Texas contributes to a plan that provide health care and life insurance benefits for retired employees of LU, their spouses and beneficiaries. These other post employment 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 2017. Complete disclosure of the States 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 the plans as required by GASB 68 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, 2017

Details regarding agency receivables and payables and transfers are as follows:

	Due from other Agencies	Due To Other Agencies	Source
Agency 789, D23, Fund 7999	\$1,420,708.84		Local Funds
Agency 788, D23, Fund 7999	68,234.36		Local Funds
Agency 608, D23, Fund 802	618.92		General Revenue
Agency 721, D23, Fund 7999	5,218.62		Local Funds
Agency 556, D23, Fund 7999		\$31.44	General Revenue
Agency 712, D23, Fund 7999		14,930.30	General Revenue
Agency 721, D23, Fund 7999		36,552.04	General Revenue
Agency 789, D23, Fund 7999		182,029.91	Local Funds
Agency 758, D23, Fund 7999		2,567.65	Loan Funds
Agency 758, D23, Fund 7999		7,558,769.25	Endowment Funds
Agency 788, D23, Fund 7999		1,700.00	Local Funds
<b>Total Due From/To Other Agencies (Exh. A)</b>	<b>\$1,494,780.74</b>	<b>\$7,796,580.59</b>	

	Legislative	Legislative	
	TRANSFER IN	TRANSFER OUT	Source
Agency 758, D23, Fund 0001		\$7,097,856.00	General Revenue. TRB
Agency 403, D23, Fund 0001	\$225,948.00		GR-Hazelwood
Agency 781, D23, Fund 0001	4,640,742.00		HB 100 portion-TRB
<b>Total Legislative Transfers</b>	<b>\$4,866,690.00</b>	<b>\$7,097,856.00</b>	

	TRANSFER IN	TRANSFER OUT	Source
Agency 902, D23, Fund 0210	\$130,454.00		General Revenue
Agency 758, D23, Fund 7999	85,000,000.00		Bond Proceeds
Agency 347, D23, Fund 0001		\$969,286.61	General Revenue
Agency 758, D23, Fund 7999		1,472,333.00	Designated Funds
Agency 758, D23, Fund 7999		214,768.63	Designated Funds
Agency 758, D23, Fund 7999		10,486,423.55	Auxiliary Funds
Agency 789, D23, Fund 7999		989.72	Investment in Plant
<b>Total Transfers</b>	<b>\$85,130,454.00</b>	<b>\$ 13,143,801.51</b>	

# LAMAR UNIVERSITY

## Notes to the Financial Statements For the year ended August 31, 2017

### **NOTE 13: Continuance Subject to Review**

LU is not subject to a review of continuance.

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

LU has adjustments to the beginning Net Position in the amount of \$41,853.50 due to adjustments in capital assets as reported in original AFR submitted to TSUS. Subsequently, management increased its allowance for doubtful accounts in connection with the review of its financial statements (per Review) by \$13,452,716.38, resulting in a restatement of the 2016 beginning Net Position balance by \$10,452,716.38 and a decrease Change in Net Position as originally reported to TSUS by \$1,500,000 for both 2017 and 2016 year end. A summary of changes in Changes in Net Position and Net Position for both the AFR as submitted to TSUS and per these reviewed financial statements (per Review) are as follows:

	2017		2016	
	As submitted to TSUS	Per Review	As submitted to TSUS	Per Review
Change in Net Position as submitted to TSUS	\$ 99,398,952.33	\$ 99,398,952.33	\$ 18,863,189.36	\$ 18,863,189.36
Adjustments per Review	-	(1,500,000.00)	-	(1,500,000.00)
Change in Net Position - Adjusted	<u>99,398,952.33</u>	<u>97,898,952.33</u>	<u>18,863,189.36</u>	<u>17,363,189.36</u>
Total Net Position, Beginning as submitted to TSUS	277,222,026.80		258,353,021.22	258,353,021.22
Total Net Position, Beginning per Review		265,269,310.42		
Restatements as submitted to TSUS	41,853.50	41,853.50	5,816.22	5,816.22
Restatements per Review	-	-	-	(10,452,716.38)
Total Net Position, Beginning	<u>277,263,880.30</u>	<u>265,311,163.92</u>	<u>258,358,837.44</u>	<u>247,906,121.06</u>
Total Net Position, Ending	<u>\$ 376,662,832.63</u>	<u>\$ 363,210,116.25</u>	<u>\$ 277,222,026.80</u>	<u>\$ 265,269,310.42</u>

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

#### **Claims and Judgements**

As of August 31, 2017, various lawsuits and claims involving LU were pending. While the ultimate liability, if any, 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.

# LAMAR UNIVERSITY

## Notes to the Financial Statements For the year ended August 31, 2017

### **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, limit any arbitrage liability. Systems Administration estimates that rebatable arbitrage liability, if any, will be immaterial to its overall financial condition. Consistent with TSUS's and LU's reporting of bonds at the system level, any arbitrage liability would be reported by TSUS and not LU.

### **Construction Commitments**

LU continues to implement capital improvements to upgrade facilities. The outstanding capital commitments for the construction and renovation of various facilities are \$76,662,946.82. These projects are in various stages of completion.

### **NOTE 16: Subsequent Events**

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 year end, the operational impact continued for months following the storm. Operational impact consisted of personal effects on students and employees and their ability to return to normal routines, including the classroom, and damage to LU's facilities. LU's management is continuing to assess the fiscal impact, however, it believes that losses incurred will be sufficiently covered by Federal Emergency Management Agency (FEMA) funds and other sources so as not to have a material adverse long-term impact on LU.

### **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, 2017, with the exception to those related to Hurricane Harvey.

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 non-educational and General Funds. The insurance protects the bond holders

# **LAMAR UNIVERSITY**

## **Notes to the Financial Statements For the year ended August 31, 2017**

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**

See Management's Discussion and Analysis section of this report.

### **NOTE 19: The Financial Reporting Entity**

See Reporting Entity in Note 1.

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

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

### **NOTE 21: Undefined by Texas Comptroller**

Reserved for future use by Texas Comptroller.

### **NOTE 22: Donor-Restricted Endowments**

Net appreciation of \$4,052,791.70 related to true endowments was classified as expendable on the Statement of Net Position. The net appreciation included a positive fair value adjustment totaling \$1,211,047.81 for fiscal year 2017.

Distributions are calculated using the ending fair market value at August 31 multiplied times an authorized distribution rate. The authorized distribution rate for the fiscal year 2017 was 4 percent. The individual endowments own units in a restricted investment pool and the annual distributions are allocated on a per unit basis.

# LAMAR UNIVERSITY

## Notes to the Financial Statements For the year ended August 31, 2017

Changes from prior year balances are as follows:

True Endowment Funds	2017 Increase/(Decrease)	Reason for Change
Expendable Balances	\$921,856.55	Fair value fluctuations, earnings, fees and distributions.
Nonexpendable Balances	\$1,360,657.70	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, 2017, 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 \$5,690,612.13.

### **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 are presented net of allowance for doubtful accounts of \$13,452,716.38.

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

LU has no termination benefits to report as of August 31, 2017.

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

LU has no segments to report as of August 31, 2017.

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

LU has no service concession arrangements to report as of August 31, 2017.

### **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, 2017.

# **LAMAR UNIVERSITY**

## **Notes to the Financial Statements For the year ended August 31, 2017**

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

LU has no troubled debt restructuring to report as of August 31, 2017.

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

LU has no nonexchange financial guarantees to report as of August 31, 2017.

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

LU has no tax abatements to report as of August 31, 2017.

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

LU financial statements are presented for the business type operations.