

City of San Marcos
Community Development Block Grant – Coronavirus Response
(CDBG-CV)
2020 Public Services Application



City of San Marcos
Planning and Development Services Department
630 East Hopkins
San Marcos TX 78666
<https://www.sanmarcostx.gov/3065/CDBG-Action-Plans>
For more information: Carol Griffith 512.393.8147 cgriffith@sanmarcostx.gov

APPLICANT INSTRUCTIONS

Persons with limited English proficiency may request assistance by contacting the City at 512-393-8250. (Las personas con habilidad limitada de Inglés puede solicitar la asistencia poniéndose en contacto con la Ciudad en 512-393-8250.)

Thank you for your interest in the City of San Marcos' Community Development Block Grant - Coronavirus Response (CDBG-CV) program. The City will receive \$425,261 for immediate use upon acceptance of the City's Action Plan by the US Department of Housing and Urban Development (HUD).

Applications may be submitted by for-profit entities, non-profit organizations, government agencies, and City departments; the City is not accepting applications from individuals who need personal housing or other financial assistance. Applications should be for the creation of a program or project that provides assistance to individuals or businesses.

The City of San Marcos does not discriminate on the basis of disability in the admission or access to its services, programs, or activities. Individuals who require auxiliary aids and services for this meeting should contact the City of San Marcos ADA Coordinator at 512-393-8000 (voice) or call Texas Relay Service (TRS) by dialing 7-1-1. Requests can also be faxed to 512-393-8074 or sent by e-mail to ADArequest@sanmarcostx.gov.

APPLICATION INFORMATION

2020 Application Period: May 1, 2020-May 20, 2020

APPLICATION SUBMISSION DEADLINE IS MAY 20, 2020 AT 5:00 P.M.

Submit one signed application electronically to: Carol Griffith, cgriffith@sanmarcostx.gov

Please call to verify your application has been received: Carol Griffith 512-393-8147. *I am currently teleworking; please leave a voicemail and I will be notified.*

PROJECT ELIGIBILITY

Organizations may propose more than one program or project in separate applications.

CDBG-CV Requirements

CDBG-CV funds must meet typical CDBG requirements and must be used to prevent, prepare for, and respond to coronavirus, which can include responding to the economic effects as well as the health impacts of the COVID-19 pandemic. Please note that it has now been determined that up to 100% of the funds can be used for Public Services.

HUD has provided the attached Quick Guide to CDBG Eligible Activities to Support Infectious Disease Response. Additional resources will continue to be posted to www.hudexchange.info/programs/cdbg/disease/.

Proposed programs and projects will be added to the 2019-2020 CDBG Action Plan so the funds can be used as soon as possible after a required five day comment period and approval by the San Marcos City Council and HUD.

High Priority Needs

Proposed projects must address one of the High Priority Needs stated in the 2015-2019 Consolidated Plan. It is anticipated that Economic Development will be added as a High Priority Need category through an amendment on June 2, 2020 so applications will also be accepted in that category:

- Public Services
- Economic Development
- Affordable Housing
- Public Facilities/Infrastructure/Transportation
- Clearance Activities
- Program Administration

Not everything in these categories can be funded through CDBG. Please refer to the Guide to National Objectives and Eligible Activities for CDBG Entitlement Communities for descriptions of projects that can be funded through CDBG. It can be found at the following link: <https://www.hudexchange.info/resource/89/community-development-block-grant-program-cdbg-guide-to-national-objectives-and-eligible-activities-for-entitlement-communities/>

National Objectives

All funded projects must also meet one of the three CDBG program National Objectives:

- Benefit low to moderate income individuals or families
- Eliminate slum or blight
- Urgent Need (such as disaster recovery)

City of San Marcos Human Services Funding:

It is the City's policy to fund programs from only ONE city funding source. For example, if you apply for CDBG-CV funds for a program, you cannot apply for City of San Marcos Human Services funding for the same program.

USE OF FUNDS TO SUPPORT COVID-19 RESPONSE

Organizations may propose more than one program or project in separate applications.

CDBG-CV funding is particularly geared toward supporting low-to-moderate income people who have been impacted by the COVID-19 pandemic.

For the City of San Marcos, the following programs listed in the Quick Guide may be of particular benefit:

1. Provision of assistance to private, for-profit entities when appropriate to carry out an economic development project, such as:
 - Preventing job loss caused by business closures related to social distancing by providing short-term working capital assistance to small businesses to enable retention of jobs held by low to moderate income persons.
 - Providing technical assistance, grants, loans and other financial assistance to establish, stabilize and expand microenterprises that provide medical, food delivery, cleaning and other services to support home health and quarantine.
2. Provision of new or quantifiably increased public services, such as the following.
 - Delivering meals on wheels to quarantined individuals or individuals who need to maintain social distancing due to medical vulnerabilities.
 - Providing equipment, supplies and materials necessary to carry out a public service.

Do not let this list limit your ideas, however! Please be creative! You may be in a position to know best about a need that is particularly suited to this funding. What use of these funds will have the greatest benefit for San Marcos?

APPLICATIONS ARE PUBLIC RECORDS

Once an application is submitted to the City, it becomes a public record and as such is open for public review. All or part of the application may be posted on the City's webpage and included in City Council packet materials. Please keep this in mind when submitting personal information for your staff, board, or clients.

APPLICATION CALENDAR AND CITIZEN PARTICIPATION

The City of San Marcos values the input of its citizens and offers the following opportunities to participate in the deliberation on the best uses of the CDBG-CV funding . Scheduled dates and venues are subject to change. The hearing and funding allocation may be held virtually due to the current status of the COVID-19 pandemic.

Please check the website <https://www.sanmarcostx.gov/3065/CDBG-Action-Plans> for the latest information.

- Public Hearing to review applications and receive citizen comments – **June 2, 2020 at the City Council meeting**
- Public comment period on the proposed CDBG-CV programs and projects – **June 7-13, 2020**

- City Council CDBG-CV funding allocations– **June 16, 2020 at the City Council meeting**

FUNDING AWARDS

Submitting a complete application does not guarantee that your request will be funded. The CDBG-CV grant can fund only the actual, allowable, and reasonable costs of a proposed project, and requests for funding generally exceed the amount of funding available. Funding allocations are decided by the City Council, subject to HUD approval.

AVAILABILITY OF FUNDS

Funds awarded for CDBG-CV will be available as soon as City Council and HUD approvals have been received and any necessary environmental review has been completed. The organization’s Subrecipient Agreement with the City must be fully executed prior to the expenditure or commitment of program funds. The appropriate level of environmental review must be completed by Community Initiatives Division staff before any funds are expended or obligated. Environmental reviews typically take 45 to 60 days to complete for small construction projects and about 15 days for projects that are not likely to have a physical impact on the environment. **No reimbursement will be possible for goods purchased or contracts executed prior to meeting these requirements.**

ORGANIZATION ELIGIBILITY REQUIREMENTS

- Organizations applying for Public Services funding can be a public or private non-profit agency, a for-profit entity, a public housing authority, a City of San Marcos department, or other government entity.
- Non-profit agencies must be established, operating agencies as evidenced through documentation required in the application. Exhibits to show tax exempt status are required.
- Faith based agencies are eligible to apply on the same basis as other non-profit organizations. However, CDBG funds cannot be used to support worship, proselytizing, or religious instruction. Religious activities must be offered separately, in time or location, from the CDBG-CV supported activity. Participation in the religious activity must be voluntary for the beneficiaries of the CDBG-CV-funded project. Projects operated by faith-based agencies must be available to all community members and not restricted to the organization’s membership or congregation.

NON-DISCRIMINATION AND ACCESSIBILITY

Each agency receiving CDBG-CV funds must

- Provide assurance that it will conduct its business in compliance with the non-discrimination requirements of the County, State, and Federal governments as applicable.
- Have Equal Opportunity in Employment policies.
- Agree to comply with Title VI of the Civil Rights Act of 1964 as amended, Title VIII of the Civil Rights Act of 1968 as amended, Section 104(b) and Section 109 of Title I of the Housing and Community Development Act of 1974 as amended, Section 504 of the Rehabilitation Act of 1973, the Americans with Disabilities Act of 1990, the Age Discrimination Act of 1975, Executive Order 11063 as amended by Executive Order 12259, and Executive Order 11246 as amended by Executive Orders 11375, 11478, 12107 and 12086.

FINANCIAL CAPACITY AND AUDITING REQUIREMENTS

The *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* issued by the federal Office of Management & Budget (OMB) requires that any organization that expends \$750,000 or more in federal financial assistance in a fiscal year must secure an annual audited financial statement.

The City has established the following financial statement requirements for organizations assisted with CDBG-CV program funds, based on the total assets of the applicant. The term “total assets” is defined to mean the total amount of liquid assets that is documented to be available to the Subrecipient at the time the funding is approved.

- A. CPA preparation of financial records is not required if the Subrecipient has total assets of \$15,000 or less in value;

- B. A compiled financial statement is required if Subrecipient has total assets greater than \$15,000 and less than or equal to \$100,000 in value.
- C. A reviewed financial statement is required if Subrecipient has total assets greater than \$100,000 and less than or equal to \$200,000 in value.
- D. An audited financial statement is required if Subrecipient has total assets of more than \$200,000 in value. (In an “Audited” statement a CPA provides an in-depth study of the records, organizes them into a statement, and issues an opinion to their validity.)

Organizations receiving CDBG-CV funds must submit the required financial statement which has been prepared by a Certified Public Accountant to the City within nine months from the organization’s fiscal year end and not more than 30 days after the organization’s receipt of the statement.

INSURANCE AND BONDING

Agencies receiving CDBG-CV funding must provide Workers’ Compensation Insurance coverage for all of its employees involved in the performance of the funded project. At the time of contract signing, funded agencies must provide evidence of insurance including, but not limited to, multi-peril property and liability, worker’s compensation, automobile liability, and other coverage as deemed necessary by the City. In addition, upon funding the City of San Marcos, Officers, Employees and agents must be added as additional insured to the policy.

PROJECT IMPLEMENTATION SCHEDULE AND PERFORMANCE MEASUREMENT GOALS

Performance measurement is an effective management technique that enables those who receive grant funds (Subrecipients) and the City to analyze the benefits of their investments. It is a mechanism that tracks the progression of projects and evaluates their overall effectiveness and success in meeting project goals. **One of the most important overall goals in planning a CDBG-CV project is the completion of the project in a timely manner.**

The City is monitored by HUD to ensure that the CDBG-CV grant program has benefited low-to-moderate-income families; one success measurement that the City must meet is the expenditure of its program funds in a timely manner. The City must take into account the project schedules for each project that is proposed to ensure that the overall CDBG-CV program will comply with its federally mandated timeliness ratio. Thus, it is critical that each applicant accurately forecasts the time that will be involved in completing each step of a proposed project.

Please use the format included in this application to outline the expected Implementation Schedule for your project. This document will be incorporated into the Subrecipient Agreement for funded projects. The City will monitor the performance of Subrecipients against the goals and performance standards established by this document. Substandard performance as determined by the City will constitute noncompliance with the Subrecipient Agreement. If action to correct such substandard performance is not taken by the Subrecipient with a reasonable period of time after notification by the City, contract suspension or termination processes may be initiated.

NOTES FOR ORGANIZATIONS RECEIVING FEDERAL FUNDS

Subrecipient Registration Requirements:

- Organizations receiving CDBG-CV funding (Subrecipients) must obtain a Dun and Bradstreet Data Universal Numbering System (DUNS) number. If you do not have a DUNS number, go to <http://fedgov.dnb.com/webform> to register.
- Funded applicants must also have an active registration with System of Award Management (SAM). To register with SAM, go to www.sam.gov to register. You must have a DUNS number prior to registering with SAM. Subrecipients must provide proof of SAM registration prior to the execution of a Subrecipient Agreement. This is required when federal funds are being utilized. Any contractors/service providers hired for the CDBG-CV programs must also have an active registration with SAM prior to start or expenditure of funds.

INCOME LIMITS

Income limits are established by HUD on an annual basis for the purpose of establishing CDBG-CV grant eligibility. The limits are based on household size. Income is calculated for every adult 18 and older residing in the household. HUD considers 80% and below to be low income. San Marcos CDBG-CV Area Median Income (AMI) Limits are based on the Median Family Income for the Austin/Round Rock Metropolitan Statistical Area (MSA). The current Median Family Income for the Austin-Round Rock MSA is \$97,600 which became effective April 8, 2020. The 2020 limits are expected to be released by HUD in the next few months.

Family Size	1 Person	2 Person	3 Person	4 Person	5 Person	6 Person	7 Person	8 Person
80% AMI	\$54,700	\$62,500	\$70,300	\$78,100	\$84,350	\$90,600	\$96,850	\$103,100

PUBLIC SERVICES PROGRAM OR ACTIVITY ELIGIBILITY

ELIGIBLE PUBLIC SERVICE ACTIVITIES (24 CFR 570.201(E))

“Public Services” are non-construction social service activities in the community that benefit low- to moderate-income citizens. At least 51% of all program clients must be City of San Marcos residents and have a total family income that does not exceed 80% of the area median income as established by HUD for San Marcos.

CDBG-CV regulations allow the use of grant funds for a wide range of public service activities including, but not limited to:

- After school / child care
- Education programs
- Health services
- Recreation services
- Crime prevention, public safety
- Senior citizens services
- Homeless persons services
- Job Training
- Substance abuse programs

See the attached Quick Guide for additional information.

ELIGIBLE EXPENSES

Eligible expenses include but are not limited to labor, supplies, and materials as well as operation and maintenance of the portion of a facility in which the public service is located. This includes the lease of a facility, equipment, and other property needed for the public service and costs incurred for telephone services, postage, and computer use or access. Time sheets will be required to document salary costs. Travel and training expenses may be authorized by the City on a case-by-case basis.

INELIGIBLE EXPENSES

CDBG-CV funds may not be used to pay for food or meals for staff, fund raising, entertainment, alcoholic beverages, deposits on equipment, incentives to clients (such as gift cards or raffle prizes), or late fees or penalties. Costs of organized fund raising are not allowable. The purchase of equipment, fixtures, motor vehicles, furnishings, or other personal property that is not an integral, structural fixture is generally ineligible.

CLIENT INCOME VERIFICATION OPTIONS:

To be eligible for CDBG-CV assistance, a public service project must serve low-to-moderate income persons. Income limits are updated annually, usually in the spring. The City will post the new limits on its website when they become available and distribute the new limits to all Subrecipient organizations.

The type of income verification needed is determined by the project and the clients served; HUD allows each project to select one of three definitions of “income” to be used in calculating a potential client’s eligibility to be considered low/mod. The project must use the same definition for all applicants. The primary difference in the definitions is the treatment of assets. City staff will work closely with all agencies that are selected for funding to determine which income definition should be used.

Documentation of the benefit to low and moderate income level persons is required of every project funded.

1. Limited Clientele: The public service activities must be offered to a particular group of low and moderate income residents in the entire community. Agencies will collect income data and demographic data for each recipient in the program as either Client Based or Presumed Benefit.

- Client Based:** Activities will be offered to all residents of a particular group of low-and-moderate income San Marcos residents. Income verification and residency are required along with other client statistics.
- Presumed Benefit:** Activities that exclusively serve a group of persons in any one or a combination of the following categories may be presumed to benefit a population in which at least 51% of the population is low-to-moderate income. Individual income verification is not required, although residency and other client statistics must be collected. The Presumed Benefit categories are:

a. Elderly persons (62 or older)	e. Battered spouses
b. Homeless persons	f. Abused children
c. Persons living with AIDS	g. Migrant farm workers
d. Illiterate persons (includes non-English speakers)	h. Severely disabled adults (Census Bureau definition)

Persons are classified as having a severe disability if they (a) used a wheel-chair or had used another special aid for six months or longer; (b) are unable to perform one or more “functional activities” or need assistance with an ADL or IADL; (c) are prevented from working at a job or doing housework; or (d) have a selected condition included autism, cerebral palsy, Alzheimer’s disease, senility or dementia, or mental retardation. Also, persons who are under 65 years of age and who are covered by Medicare or who receive SSI are considered to have a severe disability.

For purposes of this definition, the term “functional activities” includes seeing, hearing, having one’s speech understood, lifting and carrying, walking up a flight of stairs, and walking. An ADL is an “activity of daily living” which includes getting around inside the home, getting in or out of bed or a chair, bathing, dressing, eating, and toileting. An IADL is an “instrumental activity of daily living” and includes going outside the home, keeping track of money or bills, preparing meals, doing light housework and using the telephone.

2. Nature and Location: Activities must be of such nature and in such location that it may reasonably be concluded that the activity’s clientele will primarily be low/mod income persons. For example, a day care center that is designed to serve residents of a public housing complex would qualify under this category. Individual income verification would not be required, although residency and other client statistics would be required. HUD must approve this method of income verification.

3. Area Benefit: An activity which is available to benefit all of the residents of a defined area which is primarily residential and where at least 51% of the residents are L/M income persons. This rarely applies to public service projects.

SUPPLEMENTAL ITEM CHECKLIST

CDBG-CV PROGRAM

DUE DATE: MAY 20, 2020

Submit one copy of the following items:

Required:

- Board of Directors list including position/title on board.
- Contact numbers for Board Chair or President and Treasurer.
- Resolution or Board Minutes showing approval to submit an application and designation of person who will sign documents on behalf of the organization.
- Organization Chart
- N/A Articles of Incorporation
- Bylaws
- Tax Exempt Determination Letter (for non-profit organizations)
- Organization's Current Budget (2019-2020) and Proposed Budget for next fiscal year
- Most Recent audit or CPA prepared review.
- Description of employees, board members, volunteers who will work with the project
- Non-discrimination Policy Statement

If applicable:

- Fee schedule or structure for the project proposed for funding
- Copy of program application if one is used to select beneficiaries
- Analysis of program or service expansion if this is not a new service.
- Description of how beneficiaries will be selected (if not by application form)
- Description of how applicant income will be determined if there are direct beneficiaries
- Detailed explanation of any lawsuits, judgments, or bankruptcy proceedings
- Job description for new positions expected to be filled using CDBG-CV funding

CITY OF SAN MARCOS
2020 CDBG-CV PUBLIC SERVICES APPLICATION



Due Date: May 20, 2020

I. APPLICANT CONTACT INFORMATION

Applicant Organization: _____

Contact Name: _____ Telephone: _____

Mailing Address: _____

Physical Address, if different from mailing address: _____

Contact E-Mail Address: _____ Web Address: _____

Who is authorized to execute program documents? _____

II. APPLICATION SUMMARY INFORMATION

Project Name: _____

Amount of CDBG-CV Funds Requested: _____

Project Location: _____

Will all CDBG-CV funds for this project be expended by July 15, 2021? Yes No

If "No", what percent is expected to be completed by that date? _____

III. PROJECT DESCRIPTION

PROGRAM SUMMARY

Briefly summarize the program for which CDBG-CV funding has been requested.

USE OF FUNDS

How will the funds be used?

COVID-19 PANDEMIC IMPACT:

Summarize how this project directly addresses an impact from the current COVID-19 pandemic:

ACCOMPLISHMENTS

Once the project is completed, how can its success be measured?

TYPE OF PUBLIC SERVICE (choose all that apply)

- | | |
|---|---|
| <input type="checkbox"/> 05A Senior Services | <input type="checkbox"/> 05B Handicapped Services |
| <input type="checkbox"/> 05C Legal Services | <input type="checkbox"/> 05D Youth Services |
| <input type="checkbox"/> 05E Transportation Services | <input type="checkbox"/> 05F Substance Abuse Services |
| <input type="checkbox"/> 05G Battered and Abused Spouses Services | <input type="checkbox"/> 05H Employment Training |
| <input type="checkbox"/> 05I Crime Awareness | <input type="checkbox"/> 05J Fair Housing Activities |
| <input type="checkbox"/> 05K Tenant/Landlord Counseling | <input type="checkbox"/> 05L Child Care Services |
| <input checked="" type="checkbox"/> 05M Health Services | <input type="checkbox"/> 05N Abused and Neglected Children Services |
| <input type="checkbox"/> 05O Mental Health Services | <input type="checkbox"/> 05P Screening for Lead Paint/Lead Hazards |
| <input type="checkbox"/> 05Q Subsistence Payments | <input type="checkbox"/> 05R Homeownership Assistance (Not Direct) |
| <input type="checkbox"/> Other: _____ | |

PROGRAM INFORMATION

1. Program eligibility (please select one):
 - a. This is a new program.
 - b. This is an existing program that: (select one of the following)
 - Has previously received CDBG funding and the amount requested for this year is the same or less than previous funding; or
 - will expand to serve more beneficiaries or to provide more services if the CDBG-CV funding as requested is approved. *Please attach an analysis that details how the program or service will be expanded, how many new beneficiaries will be served by the expansion, and how this number was determined.*
2. Programs receiving funding from the City at this time (during the current program year):
 - a. How much CDBG funding was awarded? _____
 - b. Is this program receiving any other City of San Marcos sources? _____
 - c. If yes, how much was received and from what source? _____
3. Is there a fee to clients to participate in the program? Yes No
If yes, please provide fee structure.
4. Describe the days and hours of operation of the program: _____

IV. PROGRAM BENEFICIARIES

Applicant must be able to document that at least 51% of the beneficiaries have an annual income that is at or below 80% of the Area Median Income and are San Marcos residents.

A. PRESUMED BENEFIT: See definition above of “Presumed Benefit”.

1. Will all of the program’s beneficiaries in a Presumed Benefit Category? Yes or No

If “yes”, list the categories: _____

2. How many persons in each presumed category are proposed to be assisted if funding is received?

Abused Children	Elderly Persons	Battered Spouses	Homeless Persons	Severely Disabled Adults	Illiterate Adults	Persons living with AIDS
All	All	All	All	All	All	All

3. If this program was carried out the previous full program year (10/1 – 9/30), how many persons were served in each presumed category:

Abused Children	Elderly Persons	Battered Spouses	Homeless Persons	Severely Disabled Adults	Illiterate Adults	Persons living with AIDS

B. BENEFICIARIES WHO ARE NOT CONSIDERED “PRESUMED”

1. How many persons are proposed to be assisted if funding is received? _____

If this program was carried out the previous program year (10/1 – 9/30), how many persons were served?

2. What percentage of persons proposed to be assisted are expected to be low/mod? _____

3. What percentage of persons proposed to be assisted are expected to be San Marcos residents? _____

4. How do you propose to document the income of the beneficiaries? (check all that apply)

Evidence that the child is approved for free or reduced lunch

Evidence that the family lives in housing sponsored by the Housing Authority

Evidence that the family is WIC approved

Income documentation using one of the 3 HUD approved methods

Self-certification, with income verification required of 20% of certifications

Other, describe: _____

VI. LINE ITEM BUDGET

Please use the following format to present your proposed line item budget. Secured funds are funds on-hand, pledged, or awarded. Following the Line Item Budget, please complete the Supplemental Budget Form – Use of Other Resources. Funds and costs, as outlined on the Sources and Uses of Funds form, may **not** be spent or incurred prior to a contract award date from the CDBG-CV Program. Supporting documentation may be attached as an Appendix.

Expense Category	Total Program Budget	CDBG-CV Portion	Other Funding Source	Other Funds Amount
Personnel Services				
Salaries				
Fringe Benefits				
Supplies				
Office Supplies				
Program Supplies				
Client Materials				
Operating				
Training				
Insurance				
Utilities/Rent/Mortgage				
Other (please specify)				
Total				

Please provide an explanation for any unusual budget expenditures listed in the line item budget above.

VII. PROJECTED IMPLEMENTATION SCHEDULE WITH PERFORMANCE GOALS

Projected Start Date:

Projected Completion Date:

Activity Description	Start Month/Year	End Month/Year	Performance Measurement Goal
<i>Example: Hiring New Staff Member</i>	<i>October 2019</i>	<i>December 2019</i>	<i>Employment process complete</i>

7. What period was covered by your most recent financial review? _____
8. Has your organization received City of San Marcos funding in the past two years? Yes No
If yes, please attach a short summary of the purpose and amount of City funding.

PERSONNEL AND POLICIES

1. Name and Title of your chief administrator _____
Number of years in this position? _____
2. Total number of current employees at all locations _____
3. Total number of current employees who will be involved in this project _____
4. Total number of new employees expected to be hired for the project _____
5. Does your organization have a personnel policy manual? Yes No
Does it include a procedure for filing grievances? Yes No
Does it include a non-discrimination clause? Yes No
6. Does your organization maintain a written code or standards of conduct that governs the performance of its officers, employees or agents engaged in the award and administration of contracts supported by Federal funds?
 Yes No
7. Separation of duties for financial transactions regarding this project (respond with job title):
 - a. Who will approve payment of incurred expenses? _____
 - b. Who will actually prepare the payment check? _____
 - c. Who will sign checks paying project expenses? _____
 - d. Who posts the transaction to your financial records? _____
 - e. Who reconciles monthly bank statements? _____

ACCESSIBILITY OF PROGRAMS AND SERVICES

1. Are all facilities to be served by the program ADA Accessible? Yes No
2. Do you have a Section 504 (ADA) Self-Evaluation on file? Yes No
3. How will you provide services to persons with Limited English proficiency? _____

INSURANCE, BONDING, AND WORKER'S COMPENSATION

1. Does your organization have liability insurance coverage? Yes No
2. If yes, in what amount? _____
3. Does your organization pay worker's compensation in accordance with Federal and state laws?
 Yes No N/A
4. Does your organization have fidelity bond coverage for principal staff members who handle the organization's accounts? Yes No
5. Will vehicles owned by the organization be used in conjunction with the proposed project?
 Yes No
6. If yes, what level of liability insurance is maintained on the vehicles? _____

IX. CONFLICTS OF INTEREST (24 CFR 570.611; 24 CFR 85.36; AND 24 CFR 84.42)

Two sets of conflict of interest provisions apply to activities carried out with CDBG-CV funding. The first set, applicable to the procurement of goods and services by subrecipients (*funded applicants*), is the procurement regulation found in the *Uniform Administrative Requirements, Cost Principles and Audit Requirement for Federal Awards as codified in Title 2, Part 200 of the Code of Federal Regulations*. The second set of provisions is located at 24 CFR 570.611(a)(2).

With respect to procurement activities, the subrecipient must maintain written standards of conduct governing the performance of its employees engaged in the award and administration of contracts. At a minimum, these standards must:

1. Require that no employee, officer, or agent may participate in the selection, award, or administration of a contract supported by federal funds if a real or apparent conflict would be involved. Such a conflict would arise when any of the following parties has a financial or other interest in the firm selected for an award:
 - An employee, officer, or agent of the subrecipient;
 - Any member of an employee's, officer's, or agent's immediate family;
 - An employee's, agent's, or officer's partner; or
 - An organization which employs or is about to employ any of the persons listed in the preceding sections.
2. Require that employees, agents, and officers of the subrecipient neither solicit nor accept gratuities, favors, or anything of value from contractors or parties to sub-agreements. However, subrecipients may set standards for situations in which the financial interest is not substantial or the gift is an unsolicited item of nominal value.
3. Provide for disciplinary actions to be applied for any violation of such standards by employees, agents or officers of the subrecipient.

With respect to all other CDBG-CV-assisted activities, the general standard is that no employee, agent, or officer of the subrecipient who exercises decision-making responsibility with respect to CDBG-CV funds and activities is allowed to obtain a financial interest in or benefit from CDBG-CV activities, or have a financial interest in any contract, subcontract, or agreement regarding those activities or in the proceeds for the activities. Specific provisions include that:

- The requirement applies to any person who is an employee, agent, consultant, officer, or elected or appointed official of the City, a designated public agency, or a subrecipient, and to their immediate family members and business partners.
- The requirement applies to such persons during their tenure and for a period of one year after leaving the grantee or subrecipient organization.
- Upon written request, exceptions may be granted by HUD on a case-by-case basis.

CONFLICT OF INTEREST QUESTIONNAIRE

NOTE: For the purpose of this form, a "covered person" includes any person who is an employee, agent, consultant, officer or elected or appointed official of the City of San Marcos, your organization, or any designated public agency.

Name of Organization: _____

1. Does your organization maintain a written code or standards of conduct that governs the performance of its officers, employees or agents engaged in the award and administration of contracts supported by Federal funds?

Yes No _____ If "No" is checked, please explain how you will comply with this requirement:

2. Are any of your Board Members or employees that are responsible for carrying out this project or members of their immediate families or their business associates also:

a. Employed by the City of San Marcos? Yes _____ No

b. Members of or closely related to members of the San Marcos City Council? Yes _____ No

c. Members of or closely related to an employee of the City of San Marcos? Yes _____ No

d. Current beneficiaries or related to beneficiaries of the project for which funds are requested?

Yes _____ No

e. Paid providers of goods or services to the program or having other financial interest in the program or related to such individuals? Yes _____ No

3. For **each** relationship described above, please answer the following questions: (attach additional page if necessary)

a. Name of employee or official: _____

b. Is this person receiving or likely to receive taxable income from your organization?

Yes _____ No _____

c. Is your organization receiving or likely to receive taxable income from or at the direction of the employee or official AND the taxable income is not from the City of San Marcos?

Yes _____ No _____

d. Is your organization affiliated with a corporation or other business entity in which the employee or official serves as an officer or director, or holds an ownership interest of 10% or more?

Yes _____ No _____

4. Describe any other affiliation or business relationship that might cause a conflict of interest with respect to CDBG-CV funds and activities.

5. Will any of your organization's employees, officers, board members, or members of their immediate family or business partners have a financial interest in any contract, subcontract, or agreement regarding CDBG-CV funded activities?

Yes _____ No . If yes, please attach an explanation.

X. APPLICANT ASSURANCES AND CERTIFICATIONS

The applicant hereby assures and certifies with respect to this project or program, by the submission of this application, that the following are true statements:

1. It possesses legal authority to apply for the grant and to finance the proposed request; that a resolution, motion or similar action has been duly adopted or passed as an official act of the applicant's governing body, authorizing the filing of the application, including all understandings and assurances contained therein, and directing and authorizing the person identified as the official representative of the applicant to act in connection with the application and to provide such additional information as may be required.
2. It will comply with the Uniform Administrative Requirements, Cost Principles and Audit Requirement for Federal Awards as codified in Title 2, Part 200 of the Code of Federal Regulations (UAR) and agrees to adhere to the accounting principles and procedures required therein, utilizing adequate internal controls and maintaining necessary source documentation for all costs incurred.
3. If it expends \$750,000 or more of federal funds in a fiscal year, it will comply with the Single Audit Act of 1984.
4. It will comply with the provisions of Executive Order 11988, relating to evaluation of flood hazards, and Executive Order 11990, relating to protection of wetlands. It will comply with the flood insurance purchase requirements of Section 102(a) of the Flood Disaster Protection Act of 1973, Public Law 93-234, 87 Stat. 975, and approved December 31, 1976. Section 102(a).
5. It will have sufficient funds available or the ability to obtain the non-federal share of the cost for construction projects. Sufficient funds will be available when construction is completed to assure effective operation and maintenance of the facility for the purposes constructed.
6. It will give the City and the Comptroller General, through any authorized representative, access to and the right to examine all records, books, papers, or documents related to the grant.
7. It will cause work on the project to be commenced within a reasonable time after receipt of notification from the City that funds have been approved and that the project will be performed to completion with reasonable diligence.
8. It will comply with Title VI of the Civil Rights Act of 1964 (P.L. 88-352) and in accordance with Title VI of that Act, no person in the United States shall, on the ground of race, color, or national origin, be excluded from participation in, be denied the benefits of, or be otherwise subjected to discrimination under any program or activity for which the applicant receives federal financial assistance and will immediately take any measures necessary to effectuate this agreement.
9. It will comply with the requirements of Title II and Title III of the Uniform Relocation Assistance and Real Property Acquisitions Act of 1970 (P.L. 91-646), which provides for fair and equitable treatment of persons displaced as a result of federal and federally-assisted programs.
10. It will comply with the provisions of the Hatch Act, which limit the political activity of employees.
11. It will comply with the minimum wage and maximum hours provisions of the Federal Fair Labor Standards Act as they apply.
12. It will insure that the facilities under its ownership, lease or supervision which shall be utilized in the accomplishment of the project are not listed on the Environmental Protection Agency's (EPA) list of Violating Facilities and that it will notify the city/federal grantor agency of the receipt of any communication from the Director of the EPA Office of Federal Activities indicating that a facility to be utilized in the project is under consideration for listing by the EPA.
13. It will assist the city/federal grantor agency in its compliance with Section 106 of the National Historic Preservation Act of 1966 as amended (16 U.S.C. 470), Executive Order 11593, and the Archeological and Historic Preservation Act of 1966 (16 U.S.C. 469a-1 et seq.).

14. It will comply with Texas Civil Statutes, Article 5996a, by insuring that no officer, employee, or member of the applicant's governing body or of the applicant's contractor shall vote or confirm the employment of any person related within the second degree by affinity or third degree by consanguinity to any member of the governing body or to any other officer or employee authorized to employ or supervise such person. This prohibition shall not prohibit the employment of a person who shall have been continuously employed for a period of two years prior to the election or appointment of the officer, employee, or governing body member related to such person in the prohibited degree.
15. It will insure that all information collected, assembled or maintained by the applicant relative to this project shall be available to the public during normal business hours in compliance with Texas Civil Statutes, Article 6252-17a, unless otherwise expressly provided by law.
16. It will conduct and administer the program in conformity with the Fair Housing Act (42 USC Section 3901 et. Seq.) and that it will affirmatively further fair housing.
17. It will minimize displacement of persons as a result of activities assisted with CDBG-CV funds. In the event that displacement of residential dwellings will occur in connection with a grant-assisted project, it will follow a residential anti-displacement and relocation assistance plan as specified by the City of San Marcos.
18. It certifies that it is not now, nor has it ever been, on the Federal List of Debarred Contractors.
19. It will not attempt to recover any capital costs of public improvements assisted in whole or in part with such funds by assessing any amount against properties owned and occupied by persons of LMI, including any fee charged or assessment made as a condition of obtaining access to such public improvements unless (a) such funds are used to pay the proportion of such fee or assessment that related to the capital costs of such public improvements that are financed from revenue sources other than such funds; or (b) for purposes of assessing any amount against properties owned and occupied by persons of moderate income, applicant certifies that it lacks sufficient funds under this contract to comply with the requirements of clause (a).
20. It agrees to comply with the requirements of Title 24 of the Code of Federal Regulations, Part 570 (the U.S. Housing and Urban Development regulations concerning Community Development Block Grants (CDBG)) including subpart J and subpart K of these regulations, except that (1) the Agency does not assume the recipient's environmental responsibilities described in 24 CFR 570.604 and (2) Agency does not assume the recipient's responsibility for initiating the review process under the provisions of 24 CFR Part 52. Agency also agrees to comply with all other applicable Federal, State, and local laws, regulations, and policies governing the funds provided. Agency further agrees to utilize funds available to supplement rather than supplant funds otherwise available. Agency shall comply with all applicable Federal laws, regulations, and requirements, which include compliance with the provisions of the HCD Act and all rules, regulations, guidelines, and circulars promulgated by the various Federal departments, agencies, administrations, and commissions relating to the CDBG-CV Program. The applicable laws and regulations include, but are not limited to:
 - 24 CFR Part 570;
 - 24 CFR Parts 84 and 85;
 - The Davis-Bacon Fair Labor Standards Act;
 - The Contract Work Hours and Safety Standards Act of 1962;
 - Copeland "Anti-Kickback" Act of 1934;
 - Sections 104(b) and 109 of the Housing and Community Development Act of 1974;
 - Section 3 of the Housing and Urban Development Act of 1968;
 - Equal employment opportunity and minority business enterprise regulations established in 24 CFR part 570.904;
 - Non-discrimination in employment, established by Executive Order 11246 (as amended by Executive Orders 11375 and 12086);
 - Section 504 of the Rehabilitation Act of 1973 Uniform Federal Accessibility Standards;
 - The Architectural Barriers Act of 1968;
 - The Americans with Disabilities Act (ADA) of 1990;
 - The Age Discrimination Act of 1975, as amended;

- National Environmental Policy of 1969 (42 USC 4321 et seq.) as amended;
- Lead Based paint regulations established in 24 CFR Parts 35, 570.608, and 24 CFR 982.401;
- Asbestos guidelines established in CPD Notice 90-44;
- HUD Environmental Criteria and Standards (24 CFR Part 51);
- The Energy Policy and Conservation Act (Public Law 94-163) and 24 CFR Part 39
- Flood Disaster Protection Act of 1973;
- Colorado House Bill 06-1023 and 06-1043;
- Procurement Standards (2 CFR 200.322);
- Rights to Inventions Made Under a Contract or Agreement (37 CFR 401.2 (a));
- Energy Efficiency (2 CRF Part 200 Appendix II); and
- Recycling (2 CFR Part 200 Appendix II).

CERTIFICATIONS REGARDING LOBBYING:

21. No federal appropriated funds have been paid or will be paid, by or on behalf of the undersigned, to any person for influencing or attempting to influence an officer or employee of an agency, a member of Congress, an officer or employee of Congress, or an employee of a member of Congress in connection with the awarding of any federal contract, the making of any federal grant, the making of any federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any federal contract, grant, loan, or cooperative agreement.
22. If any funds other than federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a member of Congress, an officer or employee of Congress, or an employee of a member of Congress in connection with this federal contract, grant, loan, or cooperative agreement, the undersigned shall complete and submit standard form – “Disclosure Form to Report Lobbying”, in accordance with its instructions.
23. The undersigned shall require that the language of this certification be included in the award documents for all sub-awards at all tiers (including subcontracts, sub-grants, and contracts under grants, loans, and cooperative agreements) and that all subrecipients shall certify and disclose accordingly.
24. This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into. Submission of this certification is a prerequisite for making or entering into this transaction imposed by Section 1352, Title 31, U.S. Code. Any person who fails to file the required certification shall be subject to a civil penalty of not less than \$10,000 and not more than \$100,000 for each such failure.

GENERAL CERTIFICATIONS:

25. The information, exhibits, and schedules contained in this application are true and accurate statements and represent fairly the financial condition of our organization;
26. Our organization is eligible to receive federal funding and has not been placed in a debarred or otherwise ineligible status under the provisions of CFR Part 24;
27. Our organization prohibits discrimination in accordance with Title VI of the Civil Rights Act of 1964; and,
28. Our governing body has duly authorized submission of this document. If funded, we agree to comply with the procedures outlined in the “Playing by the Rules” handbook that will be supplied by the City of San Marcos.

I, the duly authorized representative of the applicant organization, certify that the foregoing statements are true to the best of my knowledge and belief:

CERTIFIED BY: Kay Beauchamp

Signature: Kay Beauchamp (May 20, 2020 16:42 CDT) Date Signed: _____

Printed Name: _____ Title: _____

Organization Name: _____

Quick Guide to CDBG Eligible Activities to Support Infectious Disease Response

March 19, 2020

Grantees should coordinate with local health authorities before undertaking any activity to support state or local pandemic response. Grantees may use Community Development Block Grant (CDBG) funds for a range of eligible activities that prevent and respond to the spread of infectious diseases such as the coronavirus disease 2019 (COVID-19).

Examples of Eligible Activities to Support Infectious Disease Response

<i>For more information, refer to applicable sections of the Housing and Community Development Act of 1974 (for State CDBG Grantees) and CDBG regulations (for Entitlement CDBG grantees).</i>	
Buildings and Improvements, Including Public Facilities	
Acquisition, construction, reconstruction, or installation of public works, facilities, and site or other improvements. <i>See section 105(a)(2) (42 U.S.C. 5305(a)(2)); 24 CFR 570.201(c).</i>	Construct a facility for testing, diagnosis, or treatment.
	Rehabilitate a community facility to establish an infectious disease treatment clinic.
	Acquire and rehabilitate, or construct, a group living facility that may be used to centralize patients undergoing treatment.
Rehabilitation of buildings and improvements (including interim assistance). <i>See section 105(a)(4) (42 U.S.C. 5305(a)(4)); 24 CFR 570.201(f); 570.202(b).</i>	Rehabilitate a commercial building or closed school building to establish an infectious disease treatment clinic, e.g., by replacing the HVAC system.
	Acquire, and quickly rehabilitate (if necessary) a motel or hotel building to expand capacity of hospitals to accommodate isolation of patients during recovery.
	Make interim improvements to private properties to enable an individual patient to remain quarantined on a temporary basis.
Assistance to Businesses, including Special Economic Development Assistance	
Provision of assistance to private, for-profit entities, when appropriate to carry out an economic development project. <i>See section 105(a)(17) (42 U.S.C. 5305(a)(17)); 24 CFR 570.203(b).</i>	Provide grants or loans to support new businesses or business expansion to create jobs and manufacture medical supplies necessary to respond to infectious disease.
	Avoid job loss caused by business closures related to social distancing by providing short-term working capital assistance to small businesses to enable retention of jobs held by low- and moderate-income persons.
Provision of assistance to microenterprises. <i>See section 105(a)(22) (42 U.S.C. 5305(a)(22)); 24 CFR 570.201(o).</i>	Provide technical assistance, grants, loans, and other financial assistance to establish, stabilize, and expand microenterprises that provide medical, food delivery, cleaning, and other services to support home health and quarantine.

Public Services (Capped at 15 Percent of the Grant, With Some Exceptions)¹	
Provision of new or quantifiably increased public services. <i>See section 105(a)(8) (42 U.S.C. 5305(a)(8)); 24 CFR 570.201(e).</i>	Carry out job training to expand the pool of health care workers and technicians that are available to treat disease within a community.
	Provide testing, diagnosis or other services at a fixed or mobile location.
	Increase the capacity and availability of targeted health services for infectious disease response within existing health facilities.
	Provide equipment, supplies, and materials necessary to carry-out a public service.
	Deliver meals on wheels to quarantined individuals or individuals that need to maintain social distancing due to medical vulnerabilities.
Planning, Capacity Building, and Technical Assistance	
States only: Planning grants and planning only grants. <i>See section 105(a)(12).</i>	Grant funds to units of general local government may be used for planning activities in conjunction with an activity, they may also be used for planning only as an activity. These activities must meet or demonstrate that they would meet a national objective. These activities are subject to the State’s 20 percent administration, planning and technical assistance cap.
States only: use a part of to support TA and capacity building. <i>See section 106(d)(5) (42 U.S.C. 5306(d)(5)).</i>	Grant funds to units of general local government to hire technical assistance providers to deliver CDBG training to new subrecipients and local government departments that are administering CDBG funds for the first time to assist with infectious disease response. This activity is subject to the State’s 3 percent administration, planning and technical assistance cap.
Entitlement only. data gathering, studies, analysis, and preparation of plans and the identification of actions that will implement such plans. <i>See 24 CFR 570.205.</i>	Gather data and develop non-project specific emergency infectious disease response plans.

Planning Considerations

Infectious disease response conditions rapidly evolve and may require changes to the planned use of funds:

- CDBG grantees must amend their Consolidated Annual Action Plan when there is a change to the allocation priorities or method of distribution of funds; an addition of an activity not described in the plan; or a change to the purpose, scope, location, or beneficiaries of an activity (24 CFR 91.505).
- If the changes meet the criteria for a “substantial amendment” in the grantee’s citizen participation plan, the grantee must follow its citizen participation process for amendments (24 CFR 91.105 and 91.115).

Resources

The Department has technical assistance providers that may be available to assist grantees in their implementation of CDBG Funds for activities to prevent or respond to the spread of infectious disease. Please contact your local CPD Field Office Director to request technical assistance from HUD staff or a TA provider.

- Submit your questions to: CPDQuestionsAnswered@hud.gov
- COVID-19 (“Coronavirus”) Information and Resources: <https://www.hud.gov/coronavirus>
- CPD Program Guidance and Training: <https://www.hudexchange.info/program-support/>

¹ Section 105(a)(8) of the Housing and Community Development Act of 1974, provides a different percentage cap for some grantees.

TEXAS  STATE
UNIVERSITY
SAN MARCOS
The rising STAR of Texas

January 9, 2015

To Whom It May Concern:

RE: Tax Exempt Status of Texas State University

Government entities are frequently asked to provide a determination letter to prove their status as a tax-exempt or charitable entity. For example, applications for grants from a private foundation or a charitable organization may require this information as part of the application process. The IRS issues a governmental information letter that describes the Federal tax exemption of government entities and cites applicable IRS Code sections related to the receipt of nontaxable contributions.

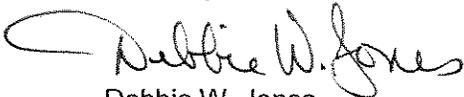
Attached is a letter received from the IRS dated July 23, 2007, and addressed to Texas State University, stating that instrumentalities of a political subdivision are exempt from Federal tax under section 115 of the Internal Revenue Code.

According to Internal Revenue Code Section 115, the income of States, municipalities, or any political subdivision thereof, is not considered taxable gross income for Federal tax purposes.

The Internal Revenue Code requires that the exempt purpose of state colleges and universities include all of the purposes and functions described in Code Section 501(c)(3), and therefore Texas State University may receive nontaxable contributions from activities which are directly related to its educational and research mission.

Texas State University is a member of the Texas State University System and is a public university of higher education as recognized by Texas Education Code, Chapter 61.003. As such, it is a political subdivision of the State of Texas.

Sincerely,



Debbie W. Jones
Director of Payroll and Tax Compliance
Texas State University

Attachments

Internal Revenue Service

Date: July 23, 2007

TEXAS STATE UNIVERSITY SAN MARCOS
JC KELLAM BLDG RM 520
SAN MARCOS TX 78666

Department of the Treasury
P.O. Box 2508
Cincinnati, OH 45201

Person to Contact:
Jeff Seibert 17-16715
Customer Service Representative
Toll Free Telephone Number:
877-829-5500
Federal Identification Number:
74-6002248

Dear Sir or Madam:

This is in response to your request of July 23, 2007, regarding your organization's federal tax status.

Our records indicate that your organization may be a governmental instrumentality or a political subdivision of a state.

No provision of the Internal Revenue Code imposes a tax on the income of governmental units (such as states and their political subdivisions). Therefore, it has been the position of the Service that income of governmental units is not generally subject to federal income taxation. If, however, an entity is not itself a governmental unit (or an "integral part" thereof), its income will be subject to tax unless an exclusion or exemption applies.

One exclusion is provided by section 115(1) of the Code, which excludes from gross income:
"...income derived from ... the exercise of any essential governmental function and accruing to a State or any political subdivision thereof ..."

Your organization's income may not be subject to tax, either because the organization is a governmental unit (or an "integral part" thereof), or because the income is excluded under section 115. In addition, your organization may also be eligible to receive charitable contributions, which are deductible for federal income, estate, and gift tax purposes. Also, your organization is probably exempt from many federal excise taxes.

Your organization may obtain a letter ruling on its status under section 115 by following the procedures specified in Rev. Proc. 2002-1 or its successor.

Your organization may also qualify for exemption from federal income tax as an organization described in section 501(c)(3) of the Code. If the organization is an entity separate from the state, county, or municipal government, and if it does not have powers or purposes inconsistent with exemption (such as the power to tax or to exercise enforcement of regulatory powers), your organization would qualify under section 501(c)(3). To apply for exemption, complete Form 1023 and pay the required user fee.

74-6002248

Sometimes governmental units are asked to provide proof of their status as part of a grant application. If your organization is applying for a grant from a private foundation, the foundation may be requesting certain information from your organization because of the restrictions imposed by the Code on such foundations. One such restriction imposes a tax on private foundations that make any "taxable expenditures." Under section 4945(d) and (h) of the Code, "taxable expenditures" include (1) any grant to an organization (unless excepted), unless the foundation exercises "expenditure responsibility" with respect to the grant; and (2) any expenditure for non-charitable purposes. Under section 4942 of the Code, private foundations must also distribute certain amounts for charitable purposes each year--"qualifying distributions"--or incur a tax on the undistributed amount. "Qualifying distributions" include certain amounts paid to accomplish charitable purposes.

Private foundation grants to governmental units for public or charitable purposes are not taxable expenditures under these provisions, regardless of whether the foundation exercises "expenditure responsibility." Under section 53.4945-5(a)(4)(ii) of the Foundation and Similar Excise Tax Regulations, expenditure responsibility is not required for grants for charitable purposes to governmental units (as defined in section 170(c)(1) of the code). Similarly, grants to governmental units for public purposes are "qualifying distributions", under section 53.4942(a)-3(a) of the regulations; and, if they are for charitable purposes, will not be taxable expenditures, under section 53.4945-6(a) of the regulations. Most grants to governmental units will qualify as being for Charitable (as well as public) purposes.

Because of these restrictions, some private foundations require grant applicants to submit a letter from the Service determining them to be exempt under section 501(c)(3) and classified as a non-private foundation. Such a letter, or an underlying requirement that a grantee be a public charity, is not legally required to be relieved from the restrictions described above, when the prospective grantee is a governmental unit and the grant is for qualifying (public or charitable) purposes.

We believe this general information will be of assistance to your organization. This letter, however, is not a ruling and may not be relied on as such. If you have any questions, please call us at the telephone number shown in the heading of this letter.

Sincerely,

Michele M. Sullivan, Oper. Mgr.
Accounts Management Operations 1

ANNUAL FINANCIAL REPORT

for the fiscal year ended August 31, 2019



MEMBER THE TEXAS STATE UNIVERSITY SYSTEM

Texas State University, to the extent not in conflict with federal or state law, prohibits discrimination or harassment on the basis of race, color, national origin, age, sex, religion, disability, veterans' status, sexual orientation, gender identity or expression.

Annual Financial Report

for the fiscal year ended August 31, 2019

for

Texas State University

Message from the President



Dr. Denise M. Trauth

I am pleased to present our 2019 Annual Financial Report which demonstrates the continued financial strength of Texas State University.

The university's achievements this year reflect an institution rich in diversity with strong academic programs, world-class research,

and a culture of excellence.

Our distinguished and dedicated faculty and staff make Texas State one of the top public universities in Texas, and our more than 38,000 primarily traditional students make us one of the largest universities in the nation.

Our faculty take the responsibility of nurturing students and cultivating character seriously. We value inclusion, ethical behavior, honesty, integrity, diligence, courage, compassion, fairness, civility, and respect. Our extensive list of distinguished alumni include captains of industry, generals of the armed forces, creative geniuses, ambassadors, legislators, and the only President of the United States to ever graduate from a university in Texas. These alumni stand as testimony to the university's proud legacy and the list of 200,000 Texas State alumni continues to grow with each passing year.

In fact, we attracted the largest freshman class in our history this year, with over 6,200 students, for the seventh consecutive year, while also producing the largest number of graduates in our history, with over 8,700 students. Those graduates go into the world with the added good fortune of having been a part of a university with a rising national profile. Our excellence in research is reflected not only in the quality and growth of our master's and doctoral programs, but also in our total research expenditures, which grew from under \$10 million in 2005 to more than \$60 million this past year.

It is not a coincidence that our research activities have increased substantially, that philanthropic giving continues to be strong, that first-time enrollment continues to climb, that we are adding degree programs in high-demand disciplines, and that Texas State continues to be recognized for our accomplishments. Rather, we are reaping what we have sown through a very deliberate planning process and a lot of hard work from every corner of the university.

I am proud of our world-class academic community, and I invite you to study this document and learn more about Texas State University, the Rising Star of Texas.

Sincerely,
Denise M. Trauth
President

From the Vice President for Finance and Support Services



Mr. Eric Algoe

Financial Strength

Texas State University continues to flourish on many fronts. Even a cursory review of this Annual Financial Report demonstrates as much: the University's Net Position grew again this year, increasing by more than \$18 million and remaining over \$1.5 billion; the

University's net investment in capital assets increased by more than \$50 million; and the University's combined endowments stand at more than \$200 million. Financially sound as we are, however, we understand that the true measure of a university's strength comes from the stature of our academic programs, the measure of the knowledge we create and impart, and our people. Texas State is strong on all those fronts.

Growth in Diversity, Enrollment, Research, and Quality

Students want to be at Texas State. This is evidenced by the impressive trend of student enrollment growth over the past several decades and our record-setting and highly qualified freshman class in the Fall of 2019 of over 6,200 students. With more than 38,000 students enrolled this fall semester, we rank among the largest universities in the country.

We are especially proud of the fact that Texas State's student body's demographics mirror those of the state of Texas itself in terms of diversity across every conceivable measure: with an incredibly wide variety of backgrounds, our students come from across the state, every state in the country, and dozens of countries around the world. Texas

State University is a minority-majority institution and is well positioned to best serve the future youth of the state of Texas and the nation. While the size and diversity of our student body soars, measures of our academic strength also continue to improve with very strong retention and graduation rates and some of the best and brightest students in the country applying to be Bobcats each year.

The Campuses of Yesterday, Today, and Tomorrow

From the first building at Texas State in 1899, our beloved Old Main in San Marcos, to our first building in Round Rock, Avery Hall, to the cutting-edge laboratories, collaboration spaces, and innovation zones that we are designing and building today. Our facilities make a statement about who we are as a University and who we intend to be in the future. We continue to invest heavily in our classroom and research facilities. Our Science, Technology, and Advanced Research (STAR) Park is a center for fostering and commercializing innovation and continues to grow.

We are particularly excited about new academic programs that have recently launched or that will be launching in the coming year. Those include new Bachelor of Science in Civil Engineering, a new Master of Science in Respiratory Therapy, a new Master of Science in Engineering, new doctoral programs in Anthropology and Computer Science, and five new Master's degrees in the College of Business.

In short, Texas State University continues to be financially sound, growing in stature and quality, and continues to move towards National Research University recognition through careful planning and management.

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About Texas State University

Texas State University is an Emerging Research and Hispanic-Serving University located in the burgeoning Austin-San Antonio corridor. Serving student needs in both San Marcos and Round Rock, it is the largest university in The Texas State University System and among the largest in the state. Texas State's more than 38,000 students choose from 98 undergraduate, 91 master's, and 14 doctoral programs offered by 10 colleges (Applied Arts, The Emmett and Miriam McCoy College of Business Administration, Education, Fine Arts and Communication, Health Professions, Honors, Liberal Arts, Science and Engineering, The Graduate College, and the University College). With a diverse campus community, Texas State is one of the top 12 producers of Hispanic baccalaureate graduates in the nation. Research and creative activities have led to growing success in attracting external support.

Texas State University is accredited by the Commission on Colleges (COC) of the Southern Association of Colleges and Schools (SACS), the regional accrediting organization for 11 states in the southeastern United States, including Texas.

MORE THAN
\$60
 MILLION
 IN RESEARCH
 AND DEVELOPMENT
 EXPENDITURES

98 undergraduate
 91 master's
 14 doctoral programs

★
 MORE THAN
38,000
 STUDENTS
 FROM
 across Texas and
 around the world

16 MEN'S AND WOMEN'S TEAMS
 COMPETE AT THE
 NCAA DIVISION I LEVEL

23 CAMPUS RESIDENCE HALLS
 AND APARTMENTS



exceptional
undergraduate
experience

Our Mission

Texas State University is a doctoral-granting, student-centered institution dedicated to excellence and innovation in teaching, research, including creative expression, and service. The university strives to create new knowledge, to embrace a diversity of people and ideas, to foster cultural and economic development, and to prepare its graduates to participate fully and freely as citizens of Texas, the nation, and the world.

Our Shared Values

In pursuing our mission, the faculty, staff, and students of Texas State University are guided by a shared collection of values:

- Teaching and learning based on research, student involvement, and the free exchange of ideas in a supportive environment;
- Research and creative activities that encompass the full range of academic disciplines — research with relevance, from the sciences to the arts, from the theoretical to the applied;
- The cultivation of character, integrity, honesty, civility, compassion, fairness, respect, and ethical behavior in all members of our university community;
- A diversity of people and ideas, a spirit of inclusiveness, a global perspective, and a sense of community as essential conditions for campus life;
- A commitment to service and leadership for the public good;
- Responsible stewardship of our resources and environment; and
- Continued reflection and evaluation to ensure that our strengths as a community always benefit those we serve.

The Texas State University System Board of Regents

Name	Member's City (Texas)	Term Expires
William F. Scott, Chairman	Nederland	2025
David Montagne, Vice Chairman	Beaumont	2021
Charlie Amato	San Antonio	2025
Duke Austin	Houston	2023
Garry Crain	The Hills	2023
Dr. Veronica Muzquiz Edwards	San Antonio	2021
Don Flores	El Paso	2025
Nicki Harle	Baird	2023
Alan L. Tinsley	Madisonville	2021
Katey McCall, Student Regent	Orange	2020

The Texas State University System - Senior Administrative Officials

Brian McCall, Ph.D.	Chancellor
Mr. Daniel Harper	Vice Chancellor for Finance

University Administration - Key Officers

Dr. Denise M. Trauth	President
Dr. Eugene J. Bourgeois	Provost and Vice President for Academic Affairs
Mr. Eric Algoe	Vice President for Finance and Support Services
Dr. Barbara Breier	Vice President for University Advancement
Mr. Ken Pierce	Vice President for Information Technology
Dr. Joanne Smith	Vice President for Student Affairs
Dr. Larry Teis	Director, Department of Athletics
Dr. Lisa Lloyd	Vice President for University Administration
Dr. Ronald Johnson	Presidential Fellow
Mr. Darryl J. Borgonah	Associate Vice President for Financial Services

Innovation in Ingram Hall

A new and exciting presence on Texas State University's San Marcos Campus opened its doors in fall 2018: Bruce and Gloria Ingram Hall.

Ingram Hall — the university's largest academic building — is an innovative addition to the College of Science and Engineering and Texas State as a whole. The new building is full of features to enhance learning and research across disciplines. Large and small classrooms, labs and offices accommodate the growing college. New equipment, facilities and design strategies provide opportunities to push boundaries.

The new home of the College of Science and Engineering was made possible through the generosity of Bruce and Gloria Ingram, longtime university supporters.



Student-Focused Spaces

Ingram Hall is designed to support active discovery in science and engineering. The building features classrooms that are set up to facilitate group discussions and hands-on, experimental learning. This is especially important for introductory core courses — the goal is to make these classes, traditionally taught as lectures, more interactive. In the active-learning classrooms, the instructor does not lecture from the front of the room. Rather, there's a workstation in the center from which the instructor can explain foundational concepts before the students take the lead. Round tables seating up to nine people make conversation easy, with student talk shifting organically among the whole table or within smaller subgroups. There's space for the instructor and assistants to drop in for guidance while moving around the room.

Ingram Hall's student-driven learning thrives outside the classroom as well. The new building now houses the Collaborative Learning Center, a computer lab and tutoring space for all the academic areas within the college. Alongside the formal spaces for classes and tutoring, Ingram Hall boasts a coffee bar, a general study area, a variety of alcoves and “huddles” for small group work, and outdoor seating areas.

Cultivating Collaboration in the Lab

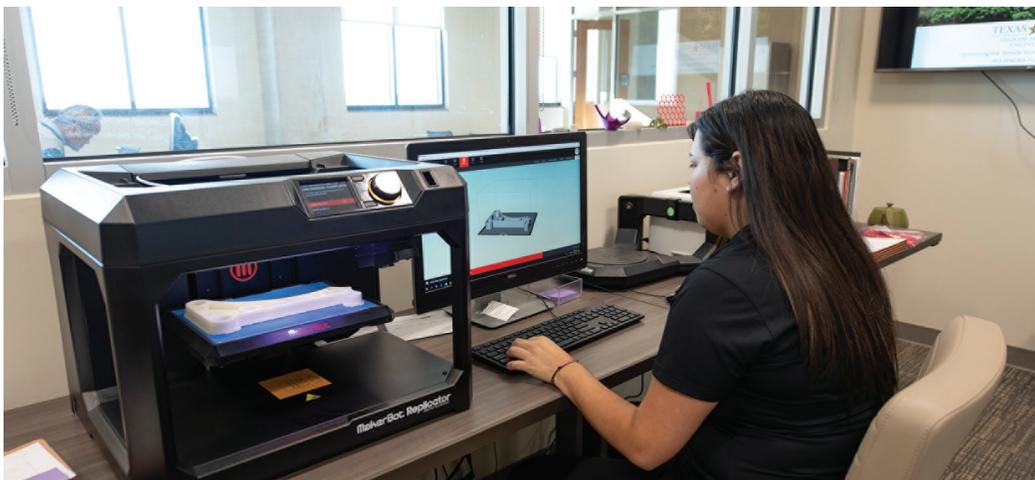
In Ingram Hall's double-wide lab spaces, researchers interested in similar ideas can work on their projects side by side and get insights from each other. This is exemplified on the building's fifth floor, which is dedicated to microbiology, cell biology and environmental engineering. A large common area in the center of the labs is designed so that faculty can converse over lunch and graduate students can make valuable connections.

The laboratories are world-class facilities. All nine of the fifth-floor labs have a Biosafety Level 2 clearance. This clearance level means that researchers have the capacity to work safely with infectious agents. The labs' plant growth chambers allow researchers to control all aspects of the growing environment. This highly controlled growth is vital to genetic research, in order to separate the effects of environmental factors from the effects of changes in the genes. Some of the labs have controls for water quality and flow, or darkrooms to view fluorescent signals from specially prepared specimens.

Creating a Community of Makers

One of Ingram Hall's new features is a 6,000-square-foot makerspace, located behind glass walls at the building's main entrance. The makerspace encourages students to take their creative ideas and turn them into reality.

The makerspace includes large and small 3D printers, soldering stations, laser cutters and engravers, metal and plastic mills, a large water jet table, tools for welding and shaping sheet metal, a woodworking shop and more. Much of the equipment is straight off an industrial production floor; the extent of metalworking tools sets Texas State's makerspace apart from facilities at other universities.



Independent Certified Public Accountant's Review Report



Montemayor Britton Bender PC CERTIFIED PUBLIC ACCOUNTANTS

Board of Regents and Management
Texas State University

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

We have reviewed the accompanying financial statements of the proprietary activities of Texas State University (Texas State), which comprise the statement of net position as of 31 August 2019 and 31 August 2018, and the related statement of revenues, expenses, and changes in net position, the related statement of cash flows, and the related matrix of operating expenses reported by function for each year then ended. 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, and the Texas Comptroller of Public Accounts' *Reporting Requirements for Annual Financial Reports of State Agencies and Universities*; 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 AICPA. 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 and the Texas Comptroller of Public Accounts' *Reporting Requirements for Annual Financial Reports of State Agencies and Universities*. We believe that the results of our procedures provide a reasonable basis for our conclusion.

2525 WALLINGWOOD DRIVE
BUILDING 1, SUITE 200
AUSTIN, TEXAS 78746
PHONE: 512.442.0380
FAX: 512.442.0817
www.montemayor.team



Accountant's 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, and the Texas Comptroller of Public Accounts' *Reporting Requirements for Annual Financial Reports of State Agencies and Universities*.

Montgomery Britton Bender PC

20 February 2020
Austin, Texas

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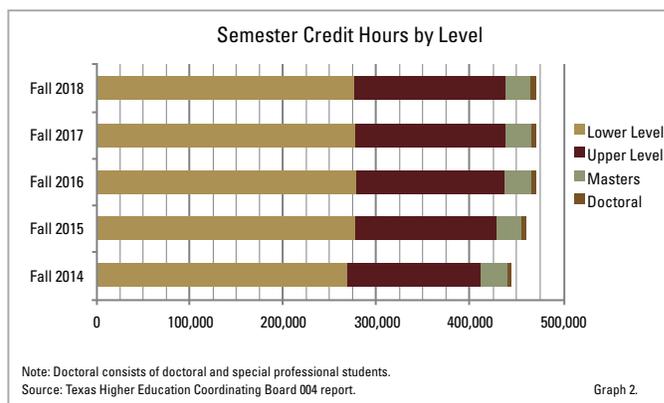
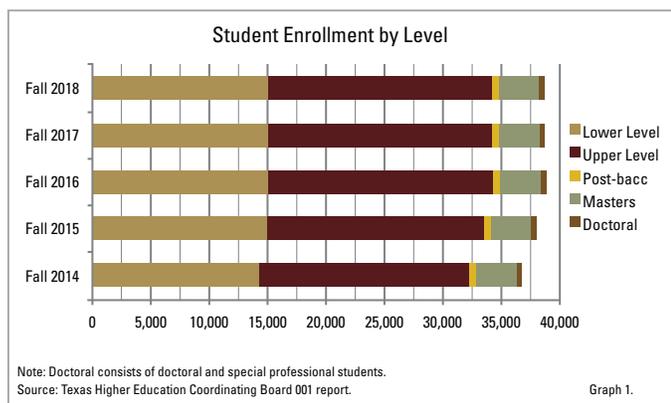
The following is Management's Discussion and Analysis (MD&A) of Texas State University's (University) financial performance for the fiscal year ended August 31, 2019. The information presented here should be considered in conjunction with other areas of the financial section of this report as well as information presented in the letters of transmittal in the introductory section.

FINANCIAL HIGHLIGHTS

- The net position of Texas State was \$1.536 billion at August 31, 2019, an increase of \$18.3 million or 1.2%, in fiscal year 2019.
- Tuition and Fees revenue, net of discounts, grew by \$6 million or 2.2% as a result of increases in designated tuition as well as increases in the student center and orientation fees.
- During fiscal year 2019 overall student enrollment fell slightly to 38,661 in Fall 2018 which is down 0.09% below 38,694 in Fall of 2017.

Student Enrollment

Following a period of strong growth, overall student enrollment has been steady for the past three years. The first graph Student Enrollment by Level reflects all students by level of study as a headcount, and the second graph Semester Credit Hours by Level reflects course load at the various levels of study.



Source: Texas Higher Education Coordinating Board (THECB) Texas Higher Education Enrollments

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Texas State financial presentation, which consists of the fund financial statements for enterprise funds and notes to the financial statements. Collectively, this information presents the net position available for university operations as of August 31, 2019 with comparative information as of August 31, 2018, and summarizes any changes in net position for the same. The information available in each of these sections is summarized as follows:

Fund Financial Statements

All funds over which the university exercises fiscal control and responsibility are presented as of August 31, 2019 and for the year then ended with comparative data presented for August 31, 2018. The operations of each fund are accounted for with a self-balancing set of accounts that comprise its assets, liabilities, revenues and expenses. As a special-purpose government engaged only in business-type activities, the funds are presented in a single enterprise fund column for financial reporting purposes. Three primary financial statements are presented with supporting schedules. The three primary statements are described below.

The **Statement of Net Position** reflects the assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the University, using the accrual basis of accounting, and presents the financial position of the University at a specified time. Assets, plus deferred outflows of resources, less liabilities, less deferred inflows

Management's Discussion and Analysis

of resources, equals net position, which is one indicator of the University's current financial condition. The changes in net position that occur over time indicate improvement or deterioration in the University's financial condition

The **Statement of Revenues, Expenses, and Changes in Net Position** presents the University's revenue and expense activity, categorized as operating and nonoperating. Revenues and expenses are recognized when earned or incurred, regardless of when cash is received or paid.

The **Statement of Cash Flows** provides information about the University's financial results by reporting the major sources and uses of cash and cash equivalents. This statement will assist in evaluating the University's ability to generate net cash flows, its ability to meet its financial obligations as they come due, and its need for external financing. Cash flows from operating activities show the net cash used by the operating activities of the University. Cash flows from capital financing activities include all plant funds and related long-term debt activities. Cash flows from investing activities show the net source and use of cash related to purchasing or selling investments, and earning income on those investments. Cash flows from noncapital financing activities include those activities not covered in other sections.

Notes to the Financial Statements

The notes to the financial statements are an integral part of the financial statements and provide additional information that is essential to a full understanding of the data provided in the fund financial statements.

- The relationship that Texas State University has with the Texas State University System (TSUS) and the State of Texas is described in Note 1-Summary of Significant Accounting Policies under the "Reporting Entity" heading.
- The relationship that Texas State University has with component units is described in Note 1 under the "Reporting Entity" heading as well as in Note 11 The Financial Reporting Entity.
- Bonded Indebtedness issued by the System on behalf of Texas State is described in Note 5 Bonded Indebtedness and in Note 14 Subsequent Events.
- Activity and balances related to Pension and Other Post-Employment Benefit liabilities are reported by the System. This is described in Note 1 under the Measurement Focus, Basis of Accounting and Basis of Presentation heading.
- Capital Asset information such as historical costs and accumulated depreciation or amortization is presented in Note 2 Capital Assets.

Required Supplementary Information

Required supplementary information consists of this Management's Discussion and Analysis which is prepared in accordance with Governmental Accounting Standards Board (GASB) Statement 34-*Basic Financial Statements- and Management's Discussion and Analysis- for State and Local Governments*.

FINANCIAL ANALYSIS

Statement of Net Position

The Statement of Net Position indicates an increase in net position to \$1.536 billion in 2019 over \$1.517 billion in 2018, representing a 1.2% increase. The Investment in Capital Assets, Net of Related Debt increased \$50 million, or 4.8%, and unrestricted net position increased \$6 million, or 1.7%. Total assets increased \$14.8 million, or 0.8% primarily attributable to an overall increase in capital assets. There was a major shift from current to non-current assets due to construction project completions as well as a move into less liquid investment categories which was done to maximize investment earning potential. Total liabilities decreased \$3.5 million, or -1.2%, in 2019 as a result of liquidation of prior year-end accruals of large construction related payments which were partially offset by an increase in unearned revenues of \$6.3 million.

Texas State continues to implement capital improvements to upgrade facilities. Approximately \$50.4 million in capital commitments have been entered into or were outstanding as of year-end for the construction and renovation of various facilities. These projects are in various stages of completion. The capital projects are being funded in part by bond proceeds. TSUS issues debt through the Revenue Financing System on behalf of the University and reports that debt in the TSUS financial statements. Details about debt outstanding are described in Note 5 Bonded Indebtedness and in Note 14 Subsequent Events. A portion of

Management's Discussion and Analysis

Annual Financial Report for the fiscal year ended August 31, 2019

the debt outstanding represents tuition revenue bonds (TRBs) historically funded by the Texas Legislature through General Revenue appropriations. For the fiscal years ended August 31, 2019 and 2018, the institution was appropriated \$17,387,991.00 and \$18,740,277.00, respectively, for TRB debt service. Texas State expects future Legislative appropriations to meet debt service requirements for TRBs.

Statement of Net Position-Condensed				
	2019	2018	Dollar Change	Percentage Change
Assets				
Cash and Investments	\$ 573,860,380.89	\$ 606,576,332.04	\$ -32,715,951.15	-5.4%
Receivables	71,846,343.21	70,854,763.17	991,580.04	1.4
Legislative Appropriations	60,536,553.55	64,784,007.00	-4,247,453.45	-6.6
Capital Assets, Net	1,084,507,373.68	1,034,459,431.25	50,047,942.43	4.8
Other Assets	42,742,031.65	41,995,555.09	746,476.56	1.8
Total Assets	\$1,833,492,682.98	\$1,818,670,088.55	\$ 14,822,594.43	0.8%
Liabilities				
Payables	\$ 65,001,665.08	\$ 74,818,423.07	\$ -9,816,757.99	-13.1%
Unearned Revenues	218,000,269.74	211,716,158.31	6,284,111.43	3.0
Employees Compensable Leave-Current	7,626,579.19	7,496,438.12	160,893.43	1.3
Employees Compensable Leave- Non-Current	4,968,086.10	4,937,333.74	30,752.36	0.6
Other Liabilities	2,346,233.74	2,495,250.36	-149,016.62	-6.0
Total Liabilities	\$ 297,942,833.85	\$301,463,603.60	-3,520,769.75	-1.2%
Net Position				
Invested in Capital Assets, Net of Debt	\$1,084,507,373.68	\$1,034,459,431.25	\$ 50,047,942.43	4.8%
Restricted Net Position	94,885,288.27	132,581,624.60	-37,696,336.33	-28.4
Unrestricted Net Position	356,157,187.18	350,165,429.10	5,991,758.08	1.7
Total Net Position	\$1,535,549,849.13	\$1,517,206,484.95	18,343,364.18	1.2%



Management's Discussion and Analysis

Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position reflects an Increase in Net Position for the year ended August 31, 2019 of \$18.3 million as compared to an increase of \$27.2 million for the year ended 2018. Tuition and Fees revenue, net of discounts, grew by \$6 million or 2.2% as a result of increases in designated tuition as well as increases in the student center and orientation fees. Auxiliary Sales decreased 4.7% primarily due to outsourcing of bookstore management. Operating expenses increased by 1.9% largely attributable to expensed furnishings for completed construction projects. Additional depreciation of \$4.9M was incurred, \$3M of which is for recently completed buildings: Willow Hall on the Round Rock Campus, and Ingram Hall on main campus.

Statement of Revenues, Expenses and Changes in Net Position-Condensed				
	2019	2018	Dollar Change	Percentage Change
Revenues (Operating and Non-Operating)				
Tuition and Fees, Net	\$ 280,579,713.62	\$ 274,549,787.80	\$ 6,029,925.82	2.2%
Grant Revenue	143,304,388.87	139,157,859.10	4,146,529.77	3.0
Auxiliary and Other Sales Goods, Services	100,658,557.46	105,621,491.05	-4,962,933.59	-4.7
Legislative Revenue	135,040,413.79	135,599,921.76	-559,507.97	-0.4
Investment Income	18,383,925.33	15,413,169.71	2,970,755.62	19.3
Other Revenues	10,473,508.66	11,734,359.45	-1,260,850.79	-10.7
Total Revenues	\$ 688,440,507.73	\$ 682,076,588.87	\$ 6,363,918.86	0.9%
Expenses (Operating and Non-Operating)				
Operating Expenses	\$ 582,884,988.06	\$ 571,990,953.00	\$ 10,894,035.06	1.9%
Depreciation and Amortization	61,111,778.45	56,224,770.27	4,887,008.18	8.7
Non-Operating Expenses	1,910,102.11	205,400.09	1,704,702.02	829.9
Total Expenses	\$ 645,906,868.62	\$ 628,421,123.36	\$ 17,485,745.26	2.8%
Income/(Loss) before Other Revenues, Expenses, Gains/(Losses) and Transfers	\$ 42,533,639.11	\$ 53,655,465.51	\$ -11,121,826.40	-20.7%
Other Revenues, Expenses, Gains/(Losses) and Transfers				
HEF Appropriation and Transfers, Net	\$ 15,310,375.58	\$ 13,956,253.00	\$ 1,354,122.58	9.7
Additions to Permanent & Term Endowments	441,999.25	1,464,321.37	-1,022,322.12	-69.8
Other Gains/(Losses) and Transfers	\$ -39,942,649.76	\$ -41,878,842.07	\$ 1,936,192.31	-4.6
Total Other Revenue, (Expenses), Gains/(Losses) and Transfers	\$ -24,190,274.93	\$ -26,458,267.70	\$ 2,267,992.77	-8.6%
Change in Net Position	\$ 18,343,364.18	\$ 27,197,197.81	\$ -8,853,833.63	-32.6%
Beginning Net Position	1,517,206,484.95	1,490,009,287.14	27,197,197.81	1.8%
Ending Net Position	\$ 1,535,549,849.13	\$ 1,517,206,484.95	\$ 18,343,364.18	1.2%

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Texas State University

Statement of Net Position

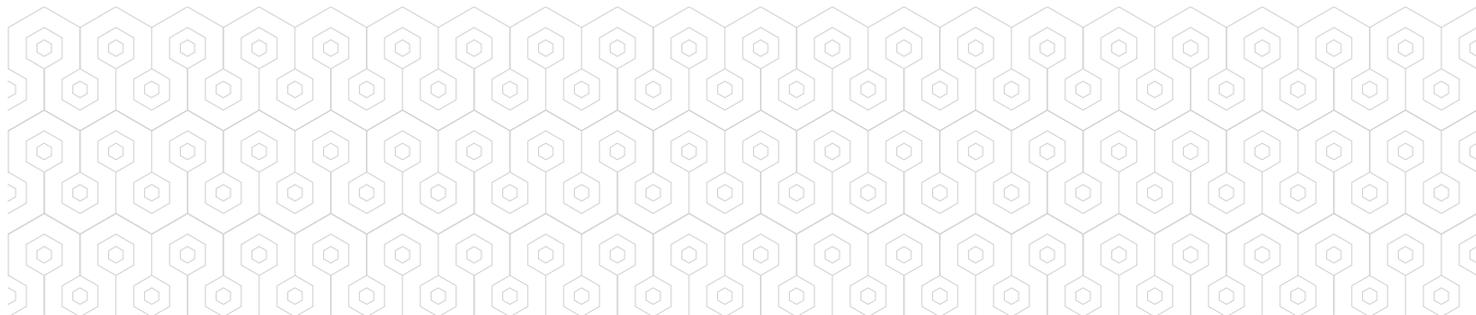
	Enterprise Funds	
	2019	2018
ASSETS AND DEFERRED OUTFLOWS		
Current Assets:		
Unrestricted Cash and Cash Equivalents:		
Cash on Hand	\$ 49,265.92	\$ 53,099.77
Cash in Bank (Note 3)	2,958,250.49	8,821,458.59
Cash in Transit/Reimbursement from Treasury	825,646.44	2,138,739.11
Cash in State Treasury	22,243,000.30	28,347,192.49
Cash Equivalents (Note 3)	197,211,452.63	289,195,613.05
Restricted Cash and Cash Equivalents:		
Cash in Bank (Note 3)	5,025.42	9,780.30
Cash Equivalents (Note 3)	34,108,854.35	74,391,867.67
Legislative Appropriations	60,536,553.55	64,784,007.00
Net Receivables (Note 1)		
Federal	8,075,589.67	8,514,936.90
Interest and Dividends	21,923.59	23,764.34
Student Accounts	49,336,709.99	45,916,180.03
Gifts Receivable - Pledges	1,468,342.89	2,045,522.36
Investment Trades	-	59,495.31
Other	5,329,220.33	6,365,260.87
Due From Other Agencies (Note 8)	2,887,229.41	2,621,366.89
Consumable Inventories	841,940.45	833,747.52
Merchandise Inventories	166,533.92	2,312,066.54
Prepaid Items	41,733,557.28	38,849,741.03
Loans and Contracts	3,245,519.82	3,454,249.71
Total Current Assets	<u>\$ 431,044,616.45</u>	<u>\$ 578,738,089.48</u>
Non-Current Assets:		
Restricted:		
Gifts Receivable - Pledges	\$ 1,364,168.66	\$ 1,742,030.71
Investments (Note 3)	41,627,499.25	41,615,037.84
Loans and Contracts	117,638.85	111,956.05
Investments (Note 3)	274,831,386.09	162,003,543.22
Capital Assets, Non-Depreciable (Note 2)	122,277,127.31	199,965,280.53
Capital Assets, Net of Accumulated Depreciation (Note 2)	962,053,781.53	834,177,296.78
Intangible Assets, Net of Accumulated Amortization (Note 2)	176,464.84	316,853.94
Total Non-Current Assets	<u>\$ 1,402,448,066.53</u>	<u>\$ 1,239,931,999.07</u>
Total Assets	<u>\$ 1,833,492,682.98</u>	<u>\$ 1,818,670,088.55</u>
DEFERRED OUTFLOWS		
Derivative Hedging Instrument Assets	\$ -	\$ -
Deferred Outflows of Resources	-	-
Total Deferred Outflows	<u>\$ -</u>	<u>\$ -</u>
Total Assets and Deferred Outflows	<u>\$ 1,833,492,682.98</u>	<u>\$ 1,818,670,088.55</u>



	Enterprise Funds	
	2019	2018
LIABILITIES AND DEFERRED INFLOWS		
Current Liabilities:		
Accounts Payable	\$ 49,120,450.75	\$ 58,215,673.67
Investment Trades	-	114,194.97
Accrued Payroll	15,743,559.15	15,881,459.98
Unearned Revenues	218,000,269.74	211,716,158.31
Due to Other Agencies (Note 8)	137,655.18	607,094.45
Employees' Compensable Leave (Note 4)	7,626,579.19	7,496,438.12
Funds Held for Others	2,302,787.56	2,464,364.58
Other Current Liabilities	43,446.18	30,885.78
Total Current Liabilities	<u>\$ 292,974,747.75</u>	<u>\$ 296,526,269.86</u>
Non-Current Liabilities:		
Employees' Compensable Leave (Note 4)	<u>\$ 4,968,086.10</u>	<u>\$ 4,937,333.74</u>
Total Non-Current Liabilities	<u>\$ 4,968,086.10</u>	<u>\$ 4,937,333.74</u>
Total Liabilities	<u>\$ 297,942,833.85</u>	<u>\$ 301,463,603.60</u>
DEFERRED INFLOWS		
Derivative Hedging Instrument Liabilities	\$ -	\$ -
Deferred Inflows of Resources	-	-
Total Deferred Inflows	<u>\$ -</u>	<u>\$ -</u>
Total Liabilities and Deferred Inflows	<u>\$ 297,942,833.85</u>	<u>\$ 301,463,603.60</u>
NET POSITION		
Invested in Capital Assets, Net of Related Debt	\$ 1,084,507,373.68	\$ 1,034,459,431.25
Restricted for:		
Capital Projects	31,145,978.32	69,262,966.15
Funds Held as Permanent Investments:		
Non-Expendable	20,954,428.60	20,297,054.60
Expendable (Note 13)	21,403,604.08	23,399,506.23
Other	21,018,659.66	19,622,097.62
Unrestricted	356,519,804.79	350,165,429.10
Total Net Position	<u>\$ 1,535,549,849.13</u>	<u>\$ 1,517,206,484.95</u>

The accompanying Notes to the Financial Statements are an integral part of this financial statement.

See Independent Certified Public Accountant's Review Report.



Texas State University

Statement of Revenues, Expenses, and Changes in Net Position

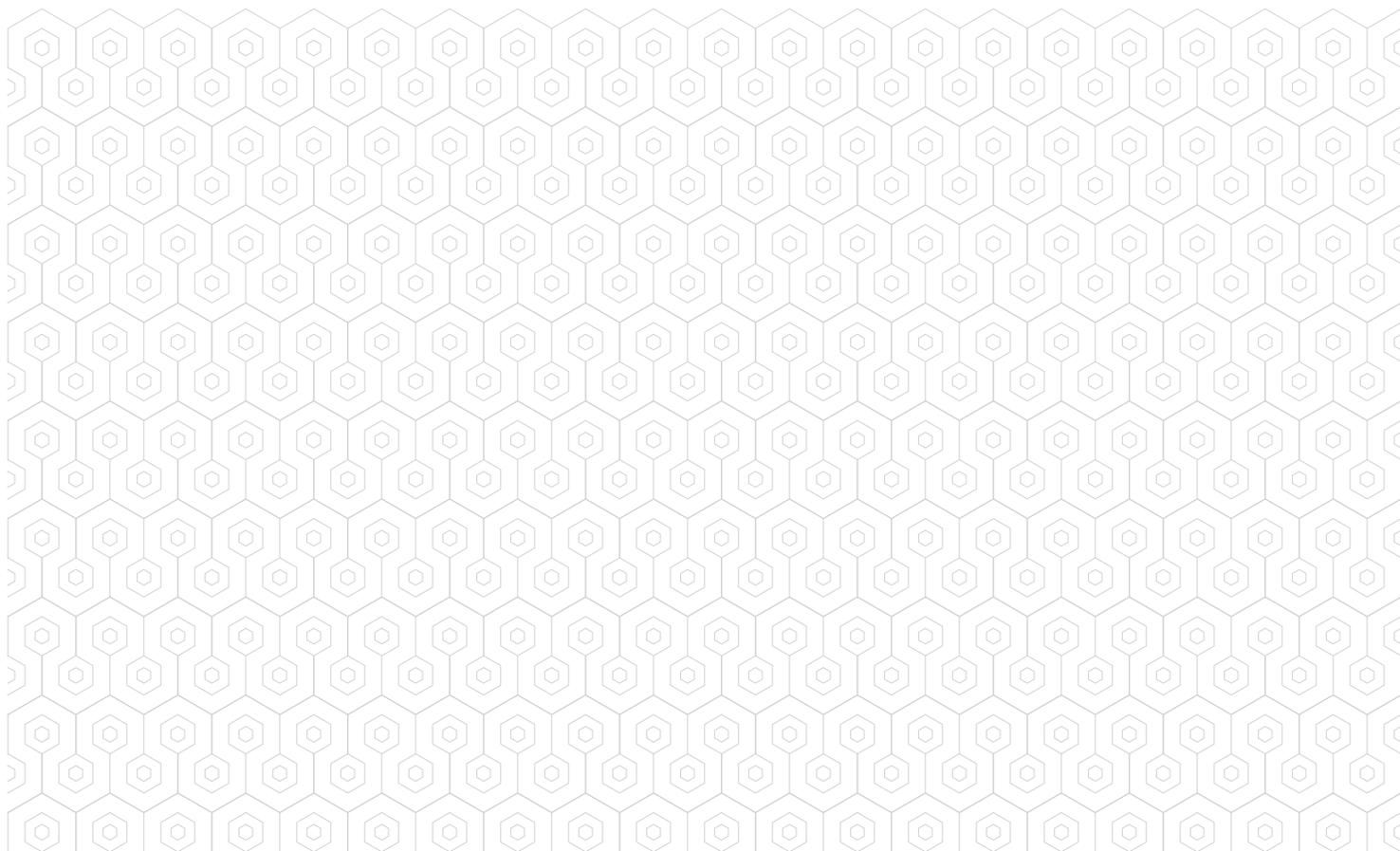
	Enterprise Funds	
	2019	2018
OPERATING REVENUES		
Sales of Goods and Services:		
Tuition and Fees	\$ 390,579,057.38	\$ 378,416,582.41
Discounts and Allowances (Note 1)	(109,999,343.76)	(103,866,794.61)
Auxiliary Enterprises	86,184,422.47	90,911,500.04
Other Sales of Goods and Services	14,474,134.99	14,709,991.01
Federal Revenue-Operating	34,151,653.95	34,493,230.80
Federal Pass Through Revenue	3,288,010.00	3,146,813.54
State Grant Revenue	2,175,378.22	3,445,074.20
State Grant Pass Through Revenue	31,536,220.58	31,843,510.44
Other Grants & Contracts	6,311,254.02	5,705,403.36
Other Operating Revenue	738,834.93	837,467.00
Total Operating Revenues	\$ 459,439,622.78	\$ 459,642,778.19
OPERATING EXPENSES		
Instruction	\$ 218,093,235.91	\$ 210,470,386.68
Research	57,341,069.47	56,450,775.39
Public Service	4,241,082.57	3,495,895.19
Academic Support	50,899,995.07	49,358,724.62
Student Services	35,946,568.48	34,995,200.15
Institutional Support	36,799,539.01	34,615,114.76
Operation and Maintenance of Plant	44,013,673.57	46,460,521.14
Scholarship and Fellowships	55,532,937.63	58,401,901.11
Auxiliary Enterprises	80,016,886.35	77,742,433.96
Depreciation and Amortization	61,111,778.45	56,224,770.27
Total Operating Expenses	\$ 643,996,766.51	\$ 628,215,723.27
Operating Income (Loss)	\$ (184,557,143.73)	\$ (168,572,945.08)
NONOPERATING REVENUES (EXPENSES)		
Legislative Revenue	\$ 109,079,130.00	\$ 110,234,948.00
Additional Appropriations	25,961,283.79	25,364,973.76
Federal Grant - Non Exchange	60,559,257.10	59,455,571.76
State Pass Through - Non Exchange	5,282,615.00	1,068,255.00
Gifts, Pledges, and Donations	9,030,607.82	10,679,354.24
Investment Income	22,399,682.33	12,149,421.79
Gain (Loss) on Sales of Capital Assets	(62,724.13)	(1,210,331.09)
Net Increase (Decrease) in Fair Value of Investments	(4,015,757.00)	3,263,747.92
Other Nonoperating Revenues	766,790.04	1,427,869.30
Other Nonoperating Expenses	(1,910,102.11)	(205,400.09)
Total Nonoperating Revenues (Expenses)	\$ 227,090,782.84	\$ 222,228,410.59
Income (Loss) before Other Revenues, Expenses, Gains, Losses and Transfers	\$ 42,533,639.11	\$ 53,655,465.51



	Enterprise Funds	
	2019	2018
OTHER REVENUES, EXPENSES, GAINS, LOSSES, AND TRANSFERS		
HEF Appropriation Revenue	\$ 37,162,755.00	\$ 37,162,755.00
Additions to Permanent and Term Endowments	441,999.25	1,464,321.37
Transfers From Other Governmental Agencies (Note 8)	2,034,933.81	773,671.00
Transfers To Other Governmental Agencies (Note 8)	(41,977,583.57)	(42,652,513.07)
Legislative Transfers-In (Note 8)	1,386,066.00	1,342,275.00
Legislative Transfers-Out (Note 8)	(23,238,445.42)	(24,548,777.00)
Total Other Revenues, Expenses, Gains/Losses and Transfers	<u>\$ (24,190,274.93)</u>	<u>\$ (26,458,267.70)</u>
 Change in Net Position	 \$ 18,343,364.18	 \$ 27,197,197.81
 Net Position, September 1	 \$ 1,517,206,484.95	 \$ 1,490,009,287.14
Restatements	-	-
Net Position, September 1, as Restated	<u>\$ 1,517,206,484.95</u>	<u>\$ 1,490,009,287.14</u>
Net Position, August 31	<u>\$ 1,535,549,849.13</u>	<u>\$ 1,517,206,484.95</u>

The accompanying Notes to the Financial Statements are an integral part of this financial statement.

See Independent Certified Public Accountant's Review Report.



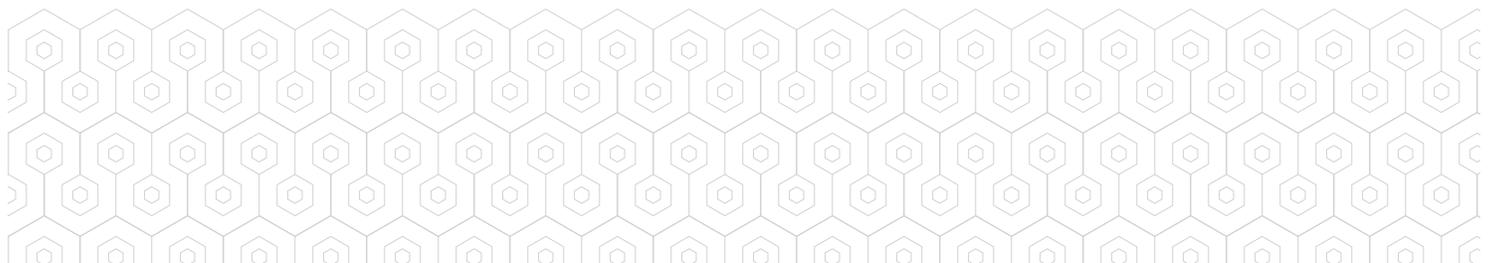
Texas State University

Matrix of Operating Expenses Reported by Function for the fiscal year ended August 31, 2019

Operating Expenses	Instruction	Research	Public Service	Academic Support
Cost of Goods Sold	\$ -	\$ -	\$ -	\$ -
Salaries and Wages	150,875,621.77	27,390,155.03	1,646,496.56	30,642,134.69
Payroll Related Costs	45,597,857.75	6,237,876.30	673,356.72	7,715,661.18
Professional Fees and Services	3,620,705.35	12,890,093.35	1,236,430.43	2,888,438.64
Federal Grant Pass-Through Expense	-	612,143.57	-	-
Travel	3,616,605.00	3,013,826.54	131,855.87	769,185.88
Materials and Supplies	12,661,239.08	5,207,731.35	365,203.60	6,021,852.06
Communication and Utilities	164,688.77	190,609.07	6,450.02	126,500.35
Repairs and Maintenance	650,434.21	263,953.94	58,806.58	2,293,714.79
Rentals and Leases	175,958.85	551,751.43	71,722.88	55,934.03
Printing and Reproduction	598,879.41	408,349.00	44,746.41	324,641.92
Depreciation and Amortization	-	-	-	-
Interest	641.04	698.48	21.04	583.97
Scholarships	-	-	-	-
Claims and Judgments	-	-	4,393.87	-
Other Operating Expenses	130,604.68	573,881.41	1,598.59	61,347.56
Total Operating Expenses	\$ 218,093,235.91	\$ 57,341,069.47	\$ 4,241,082.57	\$ 50,899,995.07

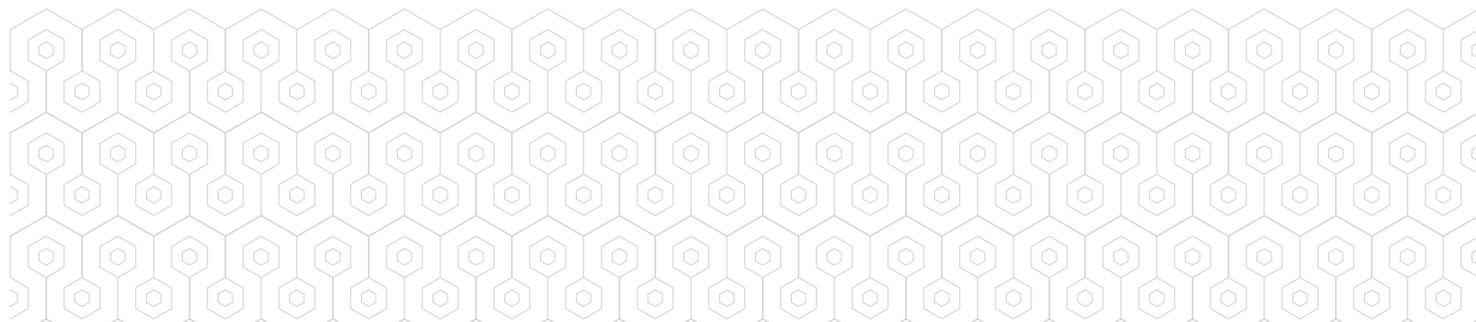
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See Independent Certified Public Accountant's Review Report.



Student Services	Institutional Support	Operation and Maintenance of Plant	Scholarships and Fellowships	Auxiliary Enterprise Expenditures	Depreciation and Amortization	Total Expenses
\$ -	\$ -	\$ -	\$ -	\$ 561,440.09	\$ -	\$ 561,440.09
20,057,911.71	24,167,507.84	14,814,220.17	-	18,183,308.76	-	287,777,356.53
5,674,001.02	6,925,995.17	5,397,947.81	-	5,667,219.93	-	83,889,915.88
4,711,953.07	1,530,681.64	4,819,003.80	-	13,321,535.96	-	45,018,842.24
-	-	-	-	-	-	612,143.57
954,620.33	497,073.16	44,675.69	-	3,324,713.60	-	12,352,556.07
3,125,740.87	983,911.68	4,546,120.19	-	25,797,394.59	-	58,709,193.42
150,588.34	604,354.14	11,872,428.48	-	9,173,923.24	-	22,289,542.41
311,997.12	1,274,285.45	2,413,100.53	-	1,810,622.64	-	9,076,915.26
199,202.95	343,494.55	63,038.58	-	866,820.47	-	2,327,923.74
641,936.30	380,117.77	42,360.44	-	249,381.68	-	2,690,412.93
-	-	-	-	-	61,111,778.45	61,111,778.45
141.60	18,042.47	777.88	-	275.57	-	21,182.05
-	-	-	55,532,937.63	-	-	55,532,937.63
85,108.68	17,511.81	-	-	1,040,969.78	-	1,147,984.14
33,366.49	56,563.33	-	-	19,280.04	-	876,642.10
\$ 35,946,568.48	\$ 36,799,539.01	\$ 44,013,673.57	\$ 55,532,937.63	\$ 80,016,886.35	\$ 61,111,778.45	\$ 643,996,766.51

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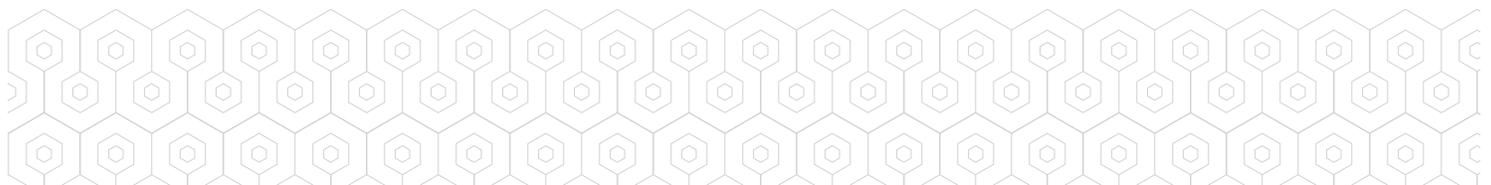
Texas State University

Matrix of Operating Expenses Reported by Function for the fiscal year ended August 31, 2018

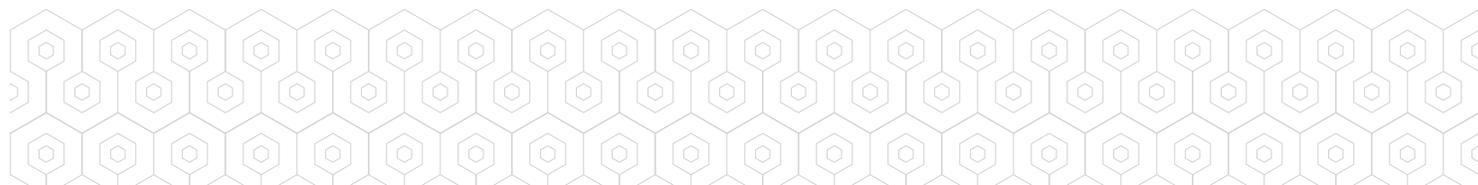
Operating Expenses	Instruction	Research	Public Service	Academic Support
Cost of Goods Sold	\$ -	\$ -	\$ -	\$ -
Salaries and Wages	148,343,337.39	26,662,064.85	1,426,641.04	28,972,713.95
Payroll Related Costs	45,348,103.11	6,015,906.69	623,890.43	7,790,345.65
Professional Fees and Services	3,303,829.20	13,923,816.39	946,462.02	2,189,121.25
Federal Grant Pass-Through Expense	-	686,436.96	-	-
State Grant Pass-Through Expense	-	65,806.04	-	-
Travel	3,567,011.32	2,900,493.58	124,256.93	774,789.56
Materials and Supplies	8,604,482.10	4,442,364.66	292,362.13	6,415,932.71
Communication and Utilities	76,149.30	81,477.89	4,687.37	89,484.02
Repairs and Maintenance	384,290.53	205,028.68	3,758.00	2,656,204.65
Rentals and Leases	128,025.38	468,546.03	28,866.85	124,993.25
Printing and Reproduction	596,855.92	151,046.38	44,552.41	284,983.82
Depreciation and Amortization	-	-	-	-
Interest	122.89	362.97	18.01	342.86
Scholarships	-	-	-	-
Claims and Judgments	-	-	-	-
Other Operating Expenses	118,179.54	847,424.27	400.00	59,812.90
Total Operating Expenses	\$ 210,470,386.68	\$ 56,450,775.39	\$ 3,495,895.19	\$ 49,358,724.62

The accompanying Notes to the Financial Statements are an integral part of this financial statement.

See Independent Certified Public Accountant's Review Report.



Student Services	Institutional Support	Operation and Maintenance of Plant	Scholarships and Fellowships	Auxiliary Enterprise Expenditures	Depreciation and Amortization	Total Expenses
\$ -	\$ -	\$ -	\$ -	\$ 5,246,815.88	\$ -	\$ 5,246,815.88
19,659,791.53	22,549,226.19	14,945,571.79	-	18,205,837.68	-	280,765,184.42
5,536,018.52	6,307,042.54	5,436,642.82	-	5,529,429.23	-	82,587,378.99
4,541,861.07	1,257,527.40	4,605,478.22	-	11,881,317.40	-	42,649,412.95
-	-	-	-	-	-	686,436.96
-	-	-	-	-	-	65,806.04
896,275.50	445,295.42	59,755.91	-	3,076,785.91	-	11,844,664.13
3,150,303.81	1,315,171.73	5,507,538.46	-	21,480,956.26	-	51,209,111.86
99,631.10	332,683.97	12,993,744.97	-	8,769,910.61	-	22,447,769.23
192,995.72	1,496,968.85	2,799,381.90	-	1,853,064.43	-	9,591,692.76
179,558.68	251,867.07	69,511.41	-	593,108.97	-	1,844,477.64
720,903.28	335,422.74	42,615.06	-	283,689.37	-	2,460,068.98
-	-	-	-	-	56,224,770.27	56,224,770.27
22.67	13,746.01	280.60	-	49.99	-	14,946.00
-	-	-	58,401,901.11	-	-	58,401,901.11
-	260,138.75	-	-	782,491.71	-	1,042,630.46
17,838.27	50,024.09	-	-	38,976.52	-	1,132,655.59
\$ 34,995,200.15	\$ 34,615,114.76	\$ 46,460,521.14	\$ 58,401,901.11	\$ 77,742,433.96	\$ 56,224,770.27	\$ 628,215,723.27



Texas State University

Statement of Cash Flows

	Enterprise Funds	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	\$ 14,593,243.59	\$ 14,859,224.08
Proceeds from Tuition and Fees	281,597,318.29	278,273,566.44
Proceeds from Research Grants and Contracts	77,560,694.37	77,029,046.57
Proceeds from Loan Programs	9,395,298.30	9,928,579.95
Proceeds from Auxiliaries	87,120,520.30	89,991,172.94
Proceeds from Other Operating Revenues	670,375.40	778,023.48
Payments to Suppliers for Goods and Services	(152,491,847.13)	(146,338,510.13)
Payments to Employees for Salaries	(288,008,273.25)	(279,730,811.14)
Payments to Employees for Benefits	(64,125,598.20)	(62,362,347.26)
Payments for Loans Provided	(9,487,190.24)	(10,218,927.94)
Payments for Other Expenses	(62,608,967.95)	(64,171,830.99)
Net Cash Provided (Used) by Operating Activities	<u>\$ (105,784,426.52)</u>	<u>\$ (91,962,814.00)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Proceeds from State Appropriations	\$ 122,187,134.34	\$ 97,536,164.15
Proceeds from Gifts	10,383,631.74	11,069,541.13
Proceeds of Transfers from Other Funds	3,420,999.81	2,942,276.00
Proceeds from Grant Receipts	65,819,644.07	60,345,243.79
Proceeds from Other Noncapital Financing Activities	769,116.56	2,685,044.26
Payments for Other Noncapital Financing Uses	(7,047,817.97)	(5,633,999.88)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>\$ 195,532,708.55</u>	<u>\$ 168,944,269.45</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from Sale of Capital Assets	\$ 149,649.37	\$ 179,528.32
Proceeds from Other Financing Activities	37,162,755.00	37,162,755.00
Payments for Additions to Capital Assets	(117,830,116.54)	(156,001,432.83)
Payments of Principal on Debt Issuance	(32,357,962.68)	(32,387,703.69)
Payments of Interest on Debt Issuance	(27,924,639.42)	(29,421,431.72)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>\$ (140,800,314.27)</u>	<u>\$ (180,468,284.92)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sales of Investments	\$ 180,255,861.70	\$ 74,322,446.54
Proceeds from Investment Income	30,691,546.58	8,411,392.81
Payments to Acquire Investments	(305,451,631.47)	(76,143,669.31)
Net Cash Provided (Used) by Investing Activities	<u>\$ (94,504,223.19)</u>	<u>\$ 6,590,170.04</u>
Increase (Decrease) in Cash and Cash Equivalents	\$ (145,556,255.43)	\$ (96,896,659.43)
Cash and Cash Equivalents, September 1	<u>\$ 402,957,750.98</u>	<u>\$ 499,854,410.41</u>
Cash and Cash Equivalents, August 31	<u>\$ 257,401,495.55</u>	<u>\$ 402,957,750.98</u>



	Enterprise Funds	
	2019	2018
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating Income (Loss)	\$ (184,557,143.73)	\$ (168,572,945.08)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Amortization and Depreciation	\$ 61,111,778.45	\$ 56,224,770.27
Operating Income and Cash Flow Categories:		
Changes in Assets and Liabilities:		
(Increase) Decrease in Receivables	\$ (1,879,772.30)	\$ (59,656.09)
(Increase) Decrease in Due from Other Agencies	(265,862.52)	(338,940.08)
(Increase) Decrease in Inventories	2,137,339.69	1,098,788.70
(Increase) Decrease in Prepaid Expenses	(2,812,383.00)	(5,180,666.46)
(Increase) Decrease in Loans & Contracts	203,047.09	(49,988.25)
(Increase) Decrease in State Appropriations	16,960,161.81	16,300,524.63
Increase (Decrease) in Payables	(2,519,256.77)	4,475,094.68
Increase (Decrease) in Due to Other Funds	(469,439.27)	42,559.21
Increase (Decrease) in Unearned Revenue	6,284,111.43	3,206,897.37
Increase (Decrease) in Compensated Absence Liability	130,141.07	(49,491.32)
Increase (Decrease) in Benefits Payable	(107,148.47)	940,238.42
Total Adjustments	<u>\$ 78,772,717.21</u>	<u>\$ 76,610,131.08</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (105,784,426.52)</u>	<u>\$ (91,962,814.00)</u>
NON-CASH TRANSACTIONS		
Net Change in the Fair Value of Investments	\$ (4,015,757.00)	\$ 3,264,071.67
Donation of Capital Assets	\$ 39,600.00	\$ 1,258,952.14
Gain (Loss) on Sale of Capital Assets	\$ (212,373.50)	\$ (1,389,859.41)

The accompanying Notes to the Financial Statements are an integral part of this financial statement.

See Independent Certified Public Accountant's Review Report.



Alumni and Future Student Welcome Center Opens

The new Alumni and Future Student Welcome Center inside the LBJ Student Center celebrated its opening in August 2019. The Welcome Center is located on the third floor and was part of the \$31 million expansion project currently under way at LBJ.

The Welcome Center provides tours and information to thousands of university guests annually, and the expanded space allows staff to offer an outstanding experience to potential Bobcats and their families.

The center also doubles the office space available for the Alumni Association and gives Texas State alumni a space to gather and feel at home when they return to campus. In addition to offices, an executive conference room and main lobby, the alumni space features a state-of-the-art multipurpose room shared with the Welcome Center. During the day, it will feature multimedia presentations telling the story of Texas State to newcomers and tour groups. In the evenings, it will be available for dinners, receptions, and other events.

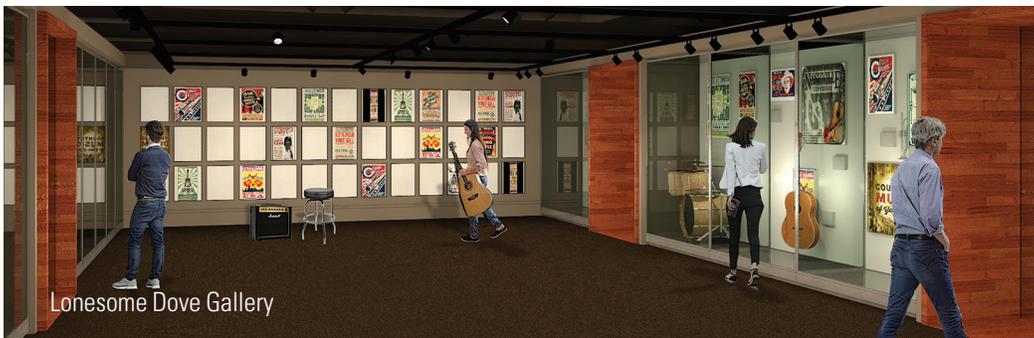
The remainder of the LBJ Student Center expansion is expected to be completed in spring 2020. The expansion will include a refurbished main entry lobby, a second ballroom, conference rooms, meeting spaces, shared spaces for informal student gatherings and study spaces, a new lounge area, and new mechanical, electrical, and plumbing building infrastructure systems.

The Wittliff Collections Expand

Expansion of The Wittliff Collections at Alkek Library began in May 2019. Texas State is allocating the entire seventh floor of the library to The Wittliff, increasing its footprint from its current 20,000 square feet to more than 30,000 square feet of space and doubling its gallery space, enabling it to share more of its treasures with the public.

The Wittliff Collections include The Southwestern Writers Collection, the Southwestern & Mexican Photography Collection, the Lonesome Dove Collection, and the Texas Music Collection. The Wittliff now holds more than 500 special collections, many of which reside in the Archives and Research Center, the university's state-of-the-art, high-density storage facility located near the Science, Technology, and Advanced Research (STAR) Park, less than four miles from the San Marcos Campus. The Wittliff has physically expanded only twice in its 33 years. The new space will be a showplace that allows this internationally acclaimed research archive to bring more of its collections to light.

The expansion of The Wittliff Collections is expected to be complete in January.



Texas State University

Notes to the Financial Statements

NOTE 1: Summary of Significant Accounting Policies

NATURE OF OPERATIONS AND HISTORY

Texas State University (Texas State) is a doctoral-granting, student-centered institution dedicated to excellence and innovation in teaching, research, including creative expression, and service. The university strives to create new knowledge, to embrace a diversity of people and ideas, to foster cultural and economic development, and to prepare its graduates to participate fully and freely as citizens of Texas, the nation, and the world.

The university was first authorized by the Texas legislature in 1899, and Southwest Texas State Normal School opened its doors in 1903. Over the years, the school has broadened its scope and changed its name a few times as well:

1918: Southwest Texas State Normal College	1969: Southwest Texas State University
1923: Southwest Texas State Teachers College	2003: Texas State University-San Marcos
1959: Southwest Texas State College	2013: Texas State University

Each name reflects the evolution from a small teaching institution to a major, multi-purpose university. Through the nine academic colleges, Texas State offers more than 200 undergraduate and post-graduate degrees to serve the needs of future generations of Texans.

Texas State is the only university in Texas to have graduated a U.S. president or vice president. President Johnson's memory remains alive on campus through the LBJ Student Center, the university's Lyndon Baines Johnson Distinguished Lecture Series and the LBJ Statue. Johnson returned to Texas State many times. In 1965, he returned to his alma mater to sign the Higher Education Act, which opened the doors of higher education to many who could not previously afford it.

REPORTING ENTITY

Texas State University is a part of the legal entity and primary government of the State of Texas, and is governed by the Texas State University System (TSUS) nine-member Board of Regents appointed by the governor and confirmed by the Senate. Texas State University's financial activity is consolidated along with the remaining seven components of the system into the financial report of TSUS. The system-wide report of TSUS is further consolidated into the Comprehensive Annual Financial Report (CAFR) for the State of Texas. CAFRs for the State of Texas may be obtained from the Texas Comptroller of Public Accounts website:

<https://www.comptroller.texas.gov/transparency/reports/comprehensive-annual-financial>. Texas State University System is reported as a proprietary fund within the statewide CAFR. The State Auditor expresses an opinion on the CAFR as a whole, but not on the financial statements of individual state agencies or universities contained therein.

This financial report includes all activities and programs for which Texas State University exercises fiscal control and responsibility and includes all funds that comprise the university's financial reporting entity. The financial reporting entity consists of Texas State University's funds, as the primary government, plus any closely related entities for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship would be misleading to exclude. As a result of their relationships with Texas State, the Texas State University Research Foundation and the Harold M. Freeman Educational Foundation are included in the financial statements as blended component units. Other entities are reported as affiliated organizations and are not included in the basic financial statements. For details on those organizations, refer to the Related Organizations note later in this section.

Copies of this Annual Financial Report may be obtained by contacting Texas State University, Director of Accounting, General Accounting Office, 601 University Drive, JCK 589, San Marcos, TX 78666-4684.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION

Texas State University's accounts are organized on the basis of funds, each of which is considered a separate accounting entity according to governmental accounting. The operations of each fund are accounted for with a self-balancing set of accounts that comprise its assets, liabilities, revenues and expenses. As a special-purpose government engaged only in business-type activities, the funds are presented in a single enterprise fund column for financial reporting purposes. Three primary financial statements are presented with supporting schedules: the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; the Statement of Cash Flows and the

Notes to the Financial Statements

supporting schedule Matrix of Operating Expenses Reported by Function. Accounting principles similar to those used by private-sector businesses are applied in accounting for these funds.

The accompanying statements have been prepared in accordance with Generally Accepted Accounting Principles (GAAP) using the economic resources measurement focus and accrual basis of accounting as prescribed by the Governmental Accounting Standards Board (GASB), with the exception of the items described below, and in accordance with state statutes and regulations. The Texas Comptroller of Public Accounts issues the *Reporting Requirements for Annual Financial Reports (AFRs) of State Agencies and Universities* for purposes of consolidation at the state-wide level. As an individual university, Texas State's AFR complies with the State Comptroller's requirements.

Certain elements of a typical stand-alone report are omitted at the individual level in accordance with the *Reporting Requirements for Annual Financial Reports (AFRs)*, because they are reported at the system level of TSUS or at the consolidated Texas Comprehensive Annual Financial Report (CAFR) level. These reporting requirements do not require components of university systems to record their portion of pension liabilities under *GASB 67 Accounting and Financial Reporting for Pensions — an amendment of GASB Statement No. 27* or their retiree healthcare liabilities under *GASB 75 Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Instead the related liabilities are recorded at the system level in the TSUS report described above.

The basis of accounting determines when revenues and expenses are recognized and reported in the financial statements. Under the accrual basis, revenues are recognized when earned and expenses are recognized when the liability is incurred. The enterprise or business-type activities are financed in whole or in part by fees charged to external parties for goods or services and focus on determining operating income, changes in net position, financial position, and cash flows. Operating items are distinguished from non-operating items. Operating revenues and expenses result from providing services or producing and delivering goods in connection with the principle of ongoing operations. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All significant inter-fund transactions have been eliminated.

BUDGETS, APPROPRIATIONS AND RESTRICTED RESOURCES

The administrative costs and capital asset outlay for the university are controlled by annual budgets approved by the university management and the TSUS Board of Regents. As a state university, Texas State University received appropriations from the state for a portion of its operations in the form of Legislative Revenue and Legislative Transfers In or Out. State appropriations are authorized biennially by the Texas legislature and approved by the governor in the General Appropriations Act. Unencumbered appropriations are generally subject to lapse 60 days after the end of the fiscal year for which they are appropriated. State appropriations represented approximately 21.2% and 21.5% of total revenues from operations for fiscal years ended August 31, 2019 and 2018, respectively. When both restricted and unrestricted resources are available for use, restricted resources are generally used first, then unrestricted resources are used as needed.

USE OF ESTIMATES IN THE PREPARATION OF BASIC FINANCIAL STATEMENTS

The preparation of financial statements and related notes to the financial statements requires management to make estimates and assumptions that affect the reported amounts for assets and liabilities at the date of the financial statements and the reported amounts for revenues and expenses during the reporting period. Actual results could differ from those estimates.

A significant estimate for scholarship discounts and allowances is made by the university. Allowances are determined by using the Alternate Method as issued by the National Association of College and University Business Officers in the *Advisory Report 2000-05*. The Alternate Method acknowledges that in reality most institutions do not post financial aid on a case-by-case basis but rather as of a certain date; therefore, institutions are allowed to use a rational, documented allocation methodology to calculate discounts and allowances. This approach is referred to as the Alternate Method. As of August 31, 2019, and 2018, this method resulted in estimates of \$109,999,343.76 and \$103,866,794.61, respectively, for the university's discounts and allowances related to tuition and fees.

CURRENT AND NON-CURRENT ASSETS

Current assets are those considered available for appropriation and expenditure within one fiscal year. Examples of expendable financial resources include cash, various receivables, and short-term investments. All other assets are considered non-current.

Texas State University

Notes to the Financial Statements

CASH AND CASH EQUIVALENTS

Cash includes cash on hand, cash in local banks, cash in transit, and cash in the treasury. Cash equivalents are defined as short-term, highly liquid investments that are both (a) readily convertible to known amounts of cash and (b) so near maturity that the risk of changes in value due to changes in interest rates is insignificant. Only investments with an original maturity of three months or less are considered cash equivalents. TexPool, a Local Government Investment Pool, is valued at a stable \$1.00 share price and is reported at amortized cost.

ACCOUNTS RECEIVABLE

Accounts receivable represent amounts for student tuition and fees, grant and contract expense reimbursements, various sales and services provided to students and third parties, loans receivable, investment related transactions, and gifts receivable. Federal accounts include amounts from sponsored program activity as well as financial aid. Gifts receivable represent amounts pledged to the university by donors. Other accounts receivable include year-end revenue accruals or accounts not included in the other categories. Certain accounts are recorded net of allowances. The allowances for those accounts by receivable type and fiscal year are as follows:

Allowances by Receivable Type	2019	2018
Student Accounts	\$ 1,691,919.08	\$ 1,888,547.07
Current and Noncurrent Gift Receivables	364,078.81	351,730.04
Loans Receivables	460,385.48	545,463.09

INVESTMENTS

Investments are reported at fair value in the Statement of Net Position in accordance with GASB Statement Number 72, *Fair Value Measurement and Application*. Fair value is defined by GASB 72 as the “price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.”

INVENTORIES AND PREPAID ITEMS

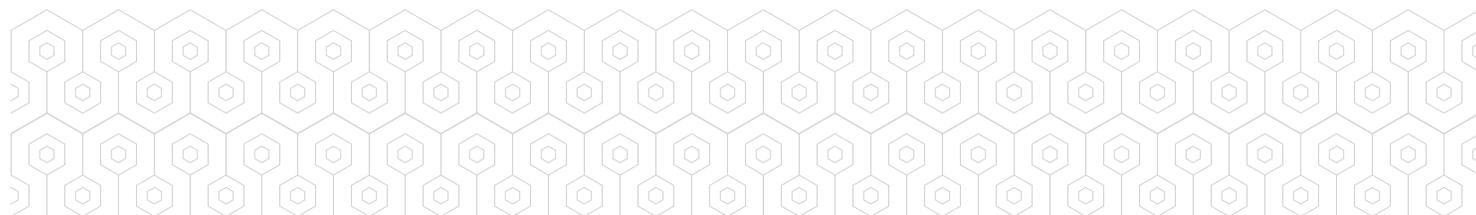
Inventories, including both merchandise and consumable inventories, are valued at cost and expensed when consumed. Payments made for services benefiting periods beyond the current accounting period are recorded as prepaid items. Prepaid scholarships represent funds paid in the current fiscal year relating to the subsequent year.

RESTRICTED ASSETS

Restricted assets represent resources that are constrained to a particular purpose, such as for endowments, academic programs or construction projects, and either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.

CAPITAL ASSETS AND RELATED DEBT ACTIVITY

Purchases of assets (a) with an estimated useful life in excess of one year and (b) that exceed the university’s capitalization thresholds are recorded as capital assets at their acquisition cost and date. Donated assets meeting the same criteria described above are recorded as capital assets at their fair market value on the acquisition date. 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. Routine repairs and maintenance that do not increase building values or exceed capitalization thresholds are charged to operating expenses in the year in which the expenses are incurred.



Notes to the Financial Statements

The university's capitalization thresholds are:

Asset Category	Capitalization Threshold
Land, land improvements, and permanent land use rights	All acquisitions are capitalized
Books and materials for the university's academic and research library	All acquisitions are capitalized
Works of art and historical treasures not held for financial gain	All acquisitions are capitalized
Furniture, equipment, and vehicles	\$5,000
Buildings, building improvements, facilities, and other improvements	\$100,000
Purchased computer software and term ^(A) land use rights	\$100,000
Infrastructure	\$500,000
Internally generated computer software	\$1,000,000

(A) Applies only to land use rights considered to have a limited useful life.

Assets are depreciated or amortized over the estimated useful life of the asset using the straight-line method as follows:

Asset Category	Estimated Useful Life
Furniture and Equipment	4-15 years
Purchased and Internally Developed Software	5 years
Vehicles	5-10 years
Other Tangible Assets	10 years
Term Land Use Rights	10 years
Buildings, Infrastructure, and Facilities	10-30 years
Other Assets	15 years

All land, land improvements, land use rights, and works of art and historical treasures not held for financial gain are considered to have an indefinite useful life. Because these assets are inexhaustible, they are not depreciated.

Bonded indebtedness is issued by the TSUS Revenue Financing System. The Revenue Financing System is comprised of the TSUS administration and the component institutions within TSUS. Although the university must repay debt issued on its behalf, the associated bond liability is reported in total by the TSUS administration and is not included in the liabilities of the university on its financial statements. Debt service requirements reported by the TSUS administration, which are attributable to Texas State, are disclosed in Note 5 Bonded Indebtedness.

ACCOUNTS PAYABLE

Accounts Payable represents the liability for the value of assets or services received at the Statement of Net Position date for which payment is pending.

OTHER PAYABLES

Other payables are the accruals at year-end of expense transactions not included in any of the other payable descriptions.

UNEARNED REVENUES

Unearned Revenues represents payments received in advance of providing goods or services.

FUNDS HELD FOR OTHERS

Funds held for others are composed of agency funds. Agency funds are assets not owned by the university but held in custody to be used or withdrawn by the depositors at will. Agency funds resources are reflected in the university's financial records as cash and cash equivalents with a corresponding liability to the depositing organizations.

Texas State University

Notes to the Financial Statements

NON-CURRENT LIABILITIES

Non-current liabilities may arise from debt issuances or other commitments with an expected liquidation date of more than one year from fiscal year end.

EMPLOYEES' COMPENSABLE LEAVE BALANCES

State employees are entitled to be paid for all unused vacation time accrued in the event of resignation, dismissal, or separation from State employment provided the employee has been continuously employed with the State for six months. An expense and liability are recorded as the benefits accrue to employees. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits. Compensable leave liabilities are reported as either current or non-current in the Statement of Net Position. The current portion is that which is expected to be paid within one year. The non-current portion has an expected payment date of more than one year.

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 attributed to the acquisition, construction, or improvement of those assets.

RESTRICTED NET POSITION

Restricted net position consists of restricted assets less liabilities and deferred inflows of resources related to those assets. This represents resources that are constrained to a particular purpose, such as for endowments, academic programs or construction projects, and either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.

UNRESTRICTED NET POSITION

Unrestricted net position is the residual amount of total net position less investment in capital assets and restricted net position. Unrestricted net assets often have constraints on resources that are imposed by management but can be removed or modified. Substantially, all unrestricted net assets are designated for capital projects as well as academic and research programs and initiatives.





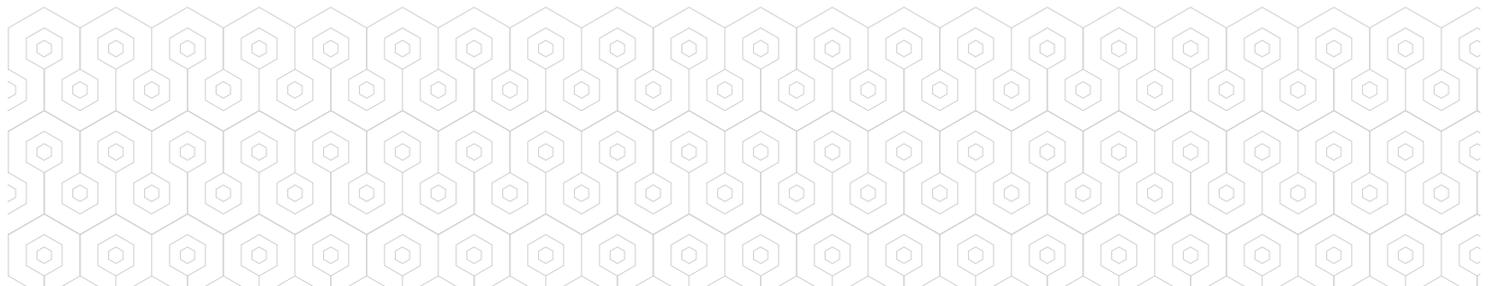
Texas State University

Notes to the Financial Statements

NOTE 2: Capital Assets

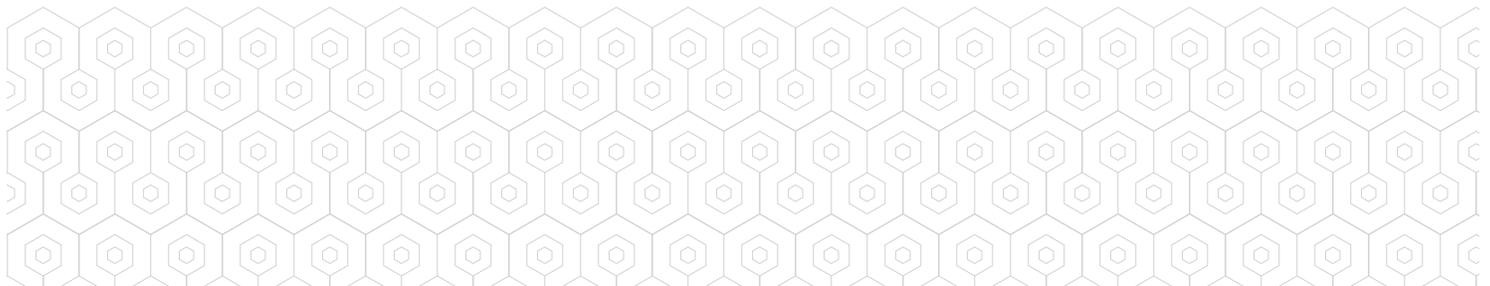
Changes in capital assets for the fiscal year ended August 31, 2019 are summarized as follows:

	Balance 9/1/2018	Adjustments	Completed CIP
Non-Depreciable Assets:			
Land and Land Improvements	\$ 50,393,725.74	\$ -	\$ -
Construction in Progress	140,567,611.01	-	(175,502,737.49)
Other Assets	9,003,943.78	-	-
Total Non-Depreciable Assets	\$ 199,965,280.53	\$ -	\$ (175,502,737.49)
Depreciable Assets:			
Buildings and Building Improvements	\$ 1,076,032,028.12	\$ -	\$ 166,531,198.76
Infrastructure	81,264,818.95	-	-
Facilities & Other Improvements	163,130,711.14	-	8,971,538.73
Furniture and Equipment	80,053,047.31	-	-
Vehicle, Boats & Aircraft	9,435,015.45	-	-
Other Assets	80,182,749.32	-	-
Total Depreciable Assets at Historical Costs	\$ 1,490,098,370.29	\$ -	\$ 175,502,737.49
Less Accumulated Depreciation for:			
Buildings and Improvements	\$ (469,355,810.11)	\$ -	\$ -
Infrastructure	(36,492,800.52)	-	-
Facilities & Other Improvements	(60,611,536.77)	-	-
Furniture and Equipment	(55,805,422.67)	-	-
Vehicles, Boats & Aircraft	(5,221,378.59)	-	-
Other Assets	(28,434,124.85)	-	-
Total Accumulated Depreciation	\$ (655,921,073.51)	\$ -	\$ -
Depreciable Assets, Net	\$ 834,177,296.78	\$ -	\$ 175,502,737.49
Amortizable Assets - Intangible:			
Computer Software	\$ 29,143,973.15	\$ -	\$ -
Total Amortizable Assets - Intangible	\$ 29,143,973.15	\$ -	\$ -
Less Accumulated Amortization for:			
Computer Software	\$ (28,827,119.21)	\$ -	\$ -
Total Accumulated Amortization	\$ (28,827,119.21)	\$ -	\$ -
Amortizable Assets - Intangible, Net	\$ 316,853.94	\$ -	\$ -
Capital Assets, Net	\$ 1,034,459,431.25	\$ -	\$ -



Notes to the Financial Statements

<u>Interagency Transfers In</u>	<u>Transfers Out</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 8/31/2019</u>
\$ -	\$ -	\$ 2,114,289.13	\$ -	\$ 52,508,014.87
-	-	95,203,755.12	-	60,268,628.64
-	-	496,540.02	-	9,500,483.80
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 97,814,584.27</u>	<u>\$ -</u>	<u>\$ 122,277,127.31</u>
\$ -	\$ -	\$ -	\$ (1,188,648.00)	\$ 1,241,374,578.88
-	-	-	-	81,264,818.95
-	-	-	-	172,102,249.87
10,772.18	-	5,657,426.77	(4,003,356.15)	81,717,890.11
-	-	1,290,356.63	(175,845.29)	10,549,526.79
-	-	6,776,964.56	(484,908.20)	86,474,805.68
<u>\$ 10,772.18</u>	<u>\$ -</u>	<u>\$ 13,724,747.96</u>	<u>\$ (5,852,757.64)</u>	<u>\$ 1,673,483,870.28</u>
\$ -	\$ -	\$ (38,287,683.91)	\$ 1,129,215.60	\$ (506,514,278.42)
-	-	(2,426,472.29)	-	(38,919,272.81)
-	-	(7,309,800.36)	-	(67,921,337.13)
(10,772.18)	-	(6,728,381.73)	3,842,829.46	(58,701,747.12)
-	-	(848,642.23)	175,453.73	(5,894,567.09)
-	-	(5,370,408.83)	325,647.50	(33,478,886.18)
<u>\$ (10,772.18)</u>	<u>\$ -</u>	<u>\$ (60,971,389.35)</u>	<u>\$ 5,473,146.29</u>	<u>\$ (711,430,088.75)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ (47,246,641.39)</u>	<u>\$ (379,611.35)</u>	<u>\$ 962,053,781.53</u>
\$ -	\$ -	\$ -	\$ (430,769.24)	\$ 28,713,203.91
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (430,769.24)</u>	<u>\$ 28,713,203.91</u>
\$ -	\$ -	\$ (140,389.10)	\$ 430,769.24	\$ (28,536,739.07)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ (140,389.10)</u>	<u>\$ 430,769.24</u>	<u>\$ (28,536,739.07)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ (140,389.10)</u>	<u>\$ -</u>	<u>\$ 176,464.84</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 50,427,553.78</u>	<u>\$ (379,611.35)</u>	<u>\$ 1,084,507,373.68</u>

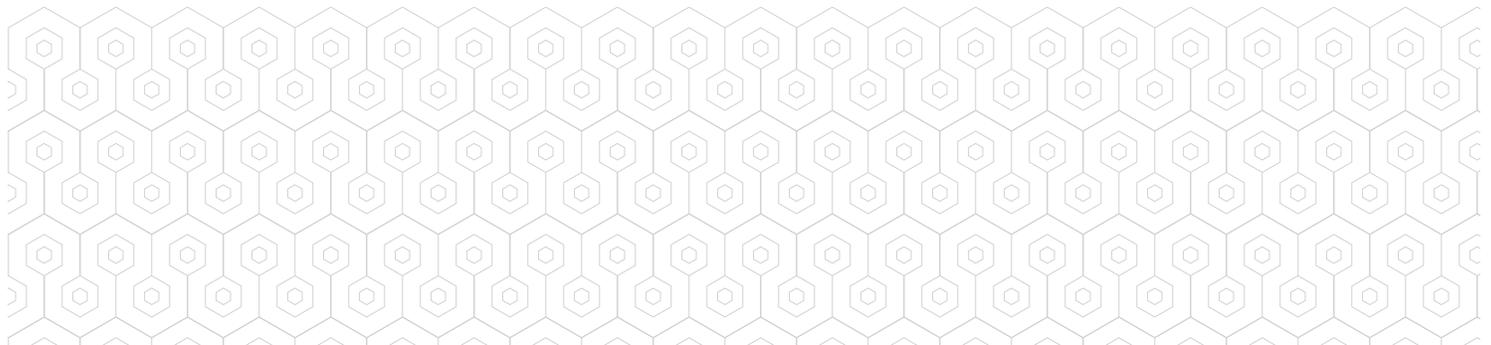


Texas State University

Notes to the Financial Statements

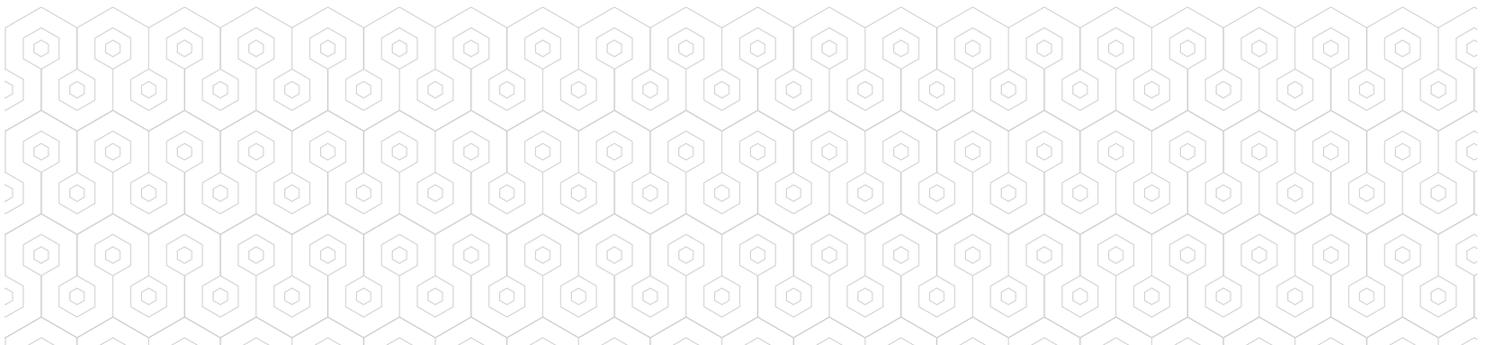
Changes in capital assets for the fiscal year ended August 31, 2018 are summarized as follows:

	Balance 9/1/2017	Adjustments	Completed CIP
Non-Depreciable Assets:			
Land and Land Improvements	\$ 45,106,337.03	\$ -	\$ -
Construction in Progress	97,317,703.69	-	(91,975,983.65)
Other Assets	8,275,851.14	-	-
Total Non-Depreciable Assets	\$ 150,699,891.86	\$ -	\$ (91,975,983.65)
Depreciable Assets:			
Buildings and Building Improvements	\$ 983,898,550.72	\$ -	\$ 91,655,985.90
Infrastructure	81,264,818.95	-	-
Facilities & Other Improvements	162,810,713.39	-	319,997.75
Furniture and Equipment	75,103,913.34	-	-
Vehicle, Boats & Aircraft	8,844,289.74	-	-
Other Assets	100,778,255.84	-	-
Total Depreciable Assets at Historical Costs	\$ 1,412,700,541.98	\$ -	\$ 91,975,983.65
Less Accumulated Depreciation for:			
Buildings and Improvements	\$ (435,951,043.45)	\$ -	\$ -
Infrastructure	(34,066,328.30)	-	-
Facilities & Other Improvements	(53,387,997.96)	-	-
Furniture and Equipment	(53,297,886.71)	-	-
Vehicles, Boats & Aircraft	(4,798,268.42)	-	-
Other Assets	(48,607,401.01)	-	-
Total Accumulated Depreciation	\$ (630,108,925.85)	\$ -	\$ -
Depreciable Assets, Net	\$ 782,591,616.13	\$ -	\$ 91,975,983.65
Amortizable Assets - Intangible:			
Computer Software	\$ 28,982,096.84	\$ -	\$ -
Total Amortizable Assets - Intangible	\$ 28,982,096.84	\$ -	\$ -
Less Accumulated Amortization for:			
Computer Software	\$ (28,549,299.99)	\$ -	\$ -
Total Accumulated Amortization	\$ (28,549,299.99)	\$ -	\$ -
Amortizable Assets - Intangible, Net	\$ 432,796.85	\$ -	\$ -
Capital Assets, Net	\$ 933,724,304.84	\$ -	\$ -



Notes to the Financial Statements

<u>Interagency Transfers In</u>	<u>Interagency Transfers Out</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 8/31/2018</u>
\$ -	\$ -	\$ 5,287,388.71	\$ -	\$ 50,393,725.74
-	-	135,225,890.97	-	140,567,611.01
-	-	728,092.64	-	9,003,943.78
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 141,241,372.32</u>	<u>\$ -</u>	<u>\$ 199,965,280.53</u>
\$ -	\$ -	\$ 477,491.50	\$ -	\$ 1,076,032,028.12
-	-	-	-	81,264,818.95
-	-	-	-	163,130,711.14
-	(116,436.00)	8,731,507.17	(3,665,937.20)	80,053,047.31
-	-	936,226.71	(345,501.00)	9,435,015.45
-	-	6,792,152.08	(27,387,658.60)	80,182,749.32
<u>\$ -</u>	<u>\$ (116,436.00)</u>	<u>\$ 16,937,377.46</u>	<u>\$ (31,399,096.80)</u>	<u>\$ 1,490,098,370.29</u>
\$ -	\$ -	\$ (33,404,766.66)	\$ -	\$ (469,355,810.11)
-	-	(2,426,472.22)	-	(36,492,800.52)
-	-	(7,223,538.81)	-	(60,611,536.77)
-	116,436.00	(6,250,727.93)	3,626,755.97	(55,805,422.67)
-	-	(741,823.57)	318,713.40	(5,221,378.59)
-	-	(5,890,491.86)	26,063,768.02	(28,434,124.85)
<u>\$ -</u>	<u>\$ 116,436.00</u>	<u>\$ (55,937,821.05)</u>	<u>\$ 30,009,237.39</u>	<u>\$ (655,921,073.51)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ (39,000,443.59)</u>	<u>\$ (1,389,859.41)</u>	<u>\$ 834,177,296.78</u>
\$ -	\$ -	\$ 171,006.31	\$ (9,130.00)	\$ 29,143,973.15
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 171,006.31</u>	<u>\$ (9,130.00)</u>	<u>\$ 29,143,973.15</u>
\$ -	\$ -	\$ (286,949.22)	\$ 9,130.00	\$ (28,827,119.21)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ (286,949.22)</u>	<u>\$ 9,130.00</u>	<u>\$ (28,827,119.21)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ (115,942.91)</u>	<u>\$ -</u>	<u>\$ 316,853.94</u>
<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 102,124,985.82</u></u>	<u><u>\$ (1,389,859.41)</u></u>	<u><u>\$ 1,034,459,431.25</u></u>



Texas State University

Notes to the Financial Statements

NOTE 3: Deposits, Investments, and Repurchase Agreements

Deposits

As of August 31, 2019 and 2018, the carrying amount of deposits was \$2,963,275.91 and \$8,831,238.89, respectively, as presented below:

	<u>2019</u>	<u>2018</u>
Cash in Bank - Carrying Value	\$ 2,963,275.91	\$ 8,831,238.89
Less: Certificates of Deposit included in carrying value and reported as Cash Equivalent	-	-
Less: Uninvested Securities Lending Cash Collateral included in carrying value and reported as Securities Lending Collateral	-	-
Less: Securities Lending CD Collateral included in carrying value and reported as Securities Lending Collateral	-	-
Cash in Bank per AFR	<u>\$ 2,963,275.91</u>	<u>\$ 8,831,238.89</u>
Current Assets Cash in Bank	\$ 2,958,250.49	\$ 8,821,458.59
Current Assets Restricted Cash in Bank	<u>5,025.42</u>	<u>9,780.30</u>
Cash in Bank per AFR	<u>\$ 2,963,275.91</u>	<u>\$ 8,831,238.89</u>

As of August 31, 2019 and 2018, the total bank balances were \$10,974,039.66 and \$14,599,743.21, respectively.

Investments

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

TexPool Investments at Amortized Cost

Investments in TexPool Prime money market funds that maintain a stable \$1.00 share price are reported at amortized cost. TexPool Prime has a very conservative investment policy and aligns with Rule 2a-7 money-market practices. TexPool Prime invests conservatively in US Government Securities, repurchase agreements, AAA rated money market mutual funds, commercial paper, and certificates of deposit to provide a safe, efficient, and liquid investment option. The fund is rated AAAM by Standard & Poor's, the highest rating a local government investment pool can achieve. There is no penalty or limit for withdrawal, however, a courtesy one-day notification is requested for withdrawals exceeding approximately \$20 million.

TexPool Prime is one of two portfolios developed on behalf of Texas entities to provide for the creation of investment pools for public funds and to allow eligible governmental entities to jointly invest their funds in authorized investments. The TexPool Prime portfolio was created to allow for an investment alternative that incorporates into its investment framework commercial paper and certificates of deposit, as well as U.S. Treasury and U.S. government agency securities. TexPool Prime commenced operations on December 27, 2002. The Texas Treasury Safekeeping Trust Company, under the guidance of the Texas Comptroller of Public Accounts, administers the TexPool portfolios as public fund investment pools.

Fair Value of Investments

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

- Level 1:** Quoted prices for identical investments in active markets;
- Level 2:** Observable inputs other than quoted market prices; or,
- Level 3:** Unobservable inputs.

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



Notes to the Financial Statements

As of August 31, 2019, the valuation of investments were:

	Fair Value Hierarchy				2019 Value
	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Net Asset Value	
Fair Value					
U.S. Government:					
U.S. Treasury Securities	\$ -	\$ 7,671,214.39	\$ -	\$ -	\$ 7,671,214.39
U.S. Government Agency Obligations	-	4,923,244.54	-	-	4,923,244.54
Corporate Obligations	-	18,047,645.02	-	-	18,047,645.02
Corporate Asset and Mortgage Backed Securities	-	9,611,492.55	-	-	9,611,492.55
Equity	82,505,894.17	-	758,564.00	-	83,264,458.17
International Equity	14,745,939.70	-	-	-	14,745,939.70
Fixed Income Money Market and Bond Mutual Fund	177,903,974.65	-	-	-	177,903,974.65
Other Commingled Funds	290,916.32	-	-	-	290,916.32
Long-Term Investments	\$ 275,446,724.84	\$ 40,253,596.50	\$ 758,564.00	-	\$ 316,458,885.34
Amortized Cost					
Other Commingled Funds (TexPool)					\$ 231,320,306.98
Cash Equivalents					\$ 231,320,306.98

As of August 31, 2018, the valuation of investments were:

	Fair Value Hierarchy				2018 Value
	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Net Asset Value	
Fair Value					
U.S. Government:					
U.S. Treasury Securities	\$ 1,117,664.46	\$ 981,669.97	\$ -	\$ -	\$ 2,099,334.43
U.S. Government Agency Obligations	-	87,345.80	-	-	87,345.80
Corporate Obligations	3,558,208.81	50,349,493.18	-	-	53,907,701.99
Corporate Asset and Mortgage Backed Securities	15,378,039.57	16,268,174.28	-	-	31,646,213.85
Equity	48,006,811.46	-	-	-	48,006,811.46
International Equity	9,907,437.14	-	-	-	9,907,437.14
Fixed Income Money Market and Bond Mutual Fund	57,438,391.75	-	-	-	57,438,391.75
Other Commingled Funds	525,344.64	-	-	-	525,344.64
Long-Term Investments	\$ 135,931,897.83	\$ 67,686,683.23	\$ -	-	\$ 203,618,581.06
Amortized Cost					
Other Commingled Funds (TexPool)					\$ 363,587,480.72
Cash Equivalents					\$ 363,587,480.72

Deposit and Investment Risk Factors

The following paragraphs describe various types of risk related to Deposits and Investments.

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the University will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The University's investment policy limits

Texas State University

Notes to the Financial Statements

holding of securities by counterparties to those involved with securities lending. As of August 31, 2019, Texas State University had no investments subject to custodial credit risk.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The TSUS investment policy requires that investments in debt securities have credit ratings recognized by the agencies of Standard and Poor's, Finch, and/or Moody's. For operating, a short-intermediate term funds portfolio, average credit quality of the entire portfolio is to be greater than or equal to A-, as defined by S&P (A- by Finch, A3 for Moody's). The minimum credit quality of any investment must be investment grade at the time of purchase. Operating Long-Term funds portfolios are intended to be invested in a similar manner to Endowment funds, but no more than 20% of the global fixed income and credit may be rated below investment grade, and no more than 15% of the total Long-Term Operating Portfolio may be invested in emerging/frontier markets, a sub-set of international. An Operating Long-Term funds portfolio may only invest up to 50% of the market value of its total operating funds portfolio, exclusive of bond proceeds, in this type of investment strategy. In order to invest with managers who utilize alternative investments, Texas State must retain an investment consultant. For the endowment portfolio, a maximum of 20% of the total portfolio may be held in emerging/frontier market securities (regardless of asset type). Risk is further defined by prohibited investments and activities, and limited by maximum single purchase and maximum aggregate position percentages.

As of August 31, 2019 and 2018, the credit quality distributions for securities with credit risk exposures were as follows:

Fund Type	GAAP Fund	Investment Type	Rating	Current Standard & Poor's Rating	
				2019	2018
05	9999	U.S. Government Agency Obligations	AAA	\$ 7,671,214.39	\$ 2,099,334.43
05	9999	Corporate Obligations	AAA	-	1,183,710.55
			AA	-	3,704,504.21
05	9999	Corporate Obligations (continued)	A	\$ 4,039,617.73	\$ 19,931,812.74
			BBB	11,847,662.11	27,382,844.59
			BB	186,720.52	372,048.55
			B	-	182,692.07
			NR	50,640.00	925,591.74
05	9999	Corporate Asset and Mortgage Backed Securities	AAA	5,654,829.67	11,856,227.41
			AA	564,473.25	115,979.22
			A	-	25,086.22
			BBB	-	64,933.46
			NR	8,315,434.17	19,583,987.54
05	9999	Municipal Bonds	AA	-	87,345.80
05	9999	Miscellaneous - Preferred Securities	BBB	3,235.00	3,090.00
			BB	-	39,872.80
			NR	-	341,301.36
05	9999	International Obligations	AAA	-	59,058.60
			AA	130,148.20	-
			A	669,143.84	56,548.30
			BBB	1,075,808.92	54,972.62
			BB	47,903.70	53,918.02
Total				\$ 40,256,831.50	\$ 88,124,860.23



Notes to the Financial Statements

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributable to the magnitude of investment in a single issuer. Investments issued or explicitly guaranteed by the U.S. Government, and investments in mutual funds, external investment pools, and other pooled investments are excluded from this disclosure requirement. Texas State University, by following the TSUS Investment Policy, limits the Operating Short-Intermediate fund for mutual funds, commingled vehicles, and registered Exchange Traded Funds (ETFs) portfolio holdings be no more than 10% of the total assets of a single fund, commingled vehicle or ETF. For Operating Short-Intermediate and Operating Long fund combined excluding pooled vehicles, mutual funds, ETFs or Managed Accounts which are multi-strategy and multi-manager products, no more than 40% of the portfolio may be invested in a single mutual fund or manager. As of August 31, 2019, Texas State University was not subject to concentration of credit risk.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Usually, a longer maturity results in a greater degree of price volatility. The University minimizes interest rate risk on investments by managing maturities to cash flow. The bond portfolio is actively managed by Sage Advisors, under the University's review. Interest rate risk is reduced by investing in fixed income securities with varying maturities. The weighted average maturity of the entire short-intermediate term funds portfolio is to be less than or equal to 36 months. There is no maximum maturity of any single issue. Operating Long funds are intended to be invested in a similar manner to endowment funds. The long term objective of the Endowment portfolio is to preserve the intergenerational equity of the endowment while providing for appropriate current spending. All endowment funds are managed by the "prudent person standard". Although all long-term investments are subject to some interest rate risk due to various economic forces, as of August 31, 2019, Texas State University had limited the exposure to interest rate risk through asset allocation. Global fixed income/credit is intended to offset the volatility of equities, particularly during market downturns, as well as provide deflation protection.

Residential and Commercial Mortgage Backed securities (RMBS & CMBS) and Asset Backed securities (ABS) can be highly sensitive to interest rate changes, if the changes are severe enough, over a given time period. However, CMBS and ABS securities tend to be less so than RMBS securities due primarily to the nature of the collateral. Because all three sectors generate cash flows from interest and principal payments on underlying residential and commercial mortgage pools (RMBS & CMBS) as well as on outstanding credit card and auto receivables (ABS), they can be sensitive to prepayments in periods of declining interest rates and vice versa in periods of rising interest rates.

Market values and durations of the University's investments at August 31, 2019, were:

Investment Type	2019		2018	
	Fair Value	Average Maturity	Fair Value	Average Maturity
U.S. Government Agency Obligations	\$ 7,671,214.39	5.8	\$ 2,099,334.43	7.00
Corporate Obligations	16,124,640.36	3.6	53,683,204.45	2.09
Corporate Asset and Mortgage Backed Securities	14,534,737.09	2.7	31,646,213.85	2.22
Municipal Bonds	0.00	0.0	87,345.80	10.42
Miscellaneous-Preferred Securities	3,235.00	1.9	384,264.16,	3.48
International Obligations	1,923,004.66	3.7	224,497.54	3.94
Total	\$ 40,256,831.50	3.71	\$ 88,124,860.23	2.27

Reverse Repurchase, Securities Lending and Derivative Investing

The University did not participate in Reverse Repurchase Agreements, Securities Lending, or Derivative Investing during fiscal year 2019.

NOTE 4: Long-Term Liabilities

Employees' Compensable Leave

Accrued compensable leave is the institution's liability for unpaid overtime accrued by classified employees and unused vacation time for all employees. Obligations to personnel are paid at the time of dismissal, resignation, or separation from the university, provided the employee has at least six months of continuous employment with the state. An expense and liability are recorded annually as the benefits accrue to employees. For the fiscal years ended August 31, 2019 and 2018, the accrued liability for vacation and overtime totaled \$12,594,665.29 and \$12,433,771.86, respectively. During the same periods, the university made lump sum payments totaling \$1,439,259.80 and \$1,403,168.86 for

Texas State University

Notes to the Financial Statements

accrued vacation and overtime to employees who separated from state service. Sick leave, the accumulation of which is unlimited, is earned at the rate of eight hours per month and paid only when an employee is off due to illness or to the estate of an employee in the event of his/her death. The maximum leave that may be paid to an employees' estate is the lesser of (a) one-half of the employees' accumulated entitlement or (b) 336 hours.

The following changes occurred in long-term liabilities during the fiscal years ended August 31, 2019 and 2018:

Employees' Compensable Leave	2019	2018
Balance, September 1	\$ 12,433,771.86	\$ 12,559,333.10
Additions	1,600,153.23	1,277,607.62
Reductions	<u>(1,439,259.80)</u>	<u>(1,403,168.86)</u>
Balance, August 31	<u>\$ 12,594,665.29</u>	<u>\$ 12,433,771.86</u>
Amounts Due Within One Year	\$ 7,626,579.19	\$ 7,496,438.12
Amounts Due Thereafter	<u>4,968,086.10</u>	<u>4,937,333.74</u>
Total Due	<u>\$ 12,594,665.29</u>	<u>\$ 12,433,771.86</u>

NOTE 5: Bonded Indebtedness

All bonded indebtedness for Texas State is issued by the TSUS administration through the TSUS Revenue Financing System, of which the TSUS administration and its component institutions within are members. The Board of Regents pledged all of the funds (revenues) and balances derived or attributable to any member of the Revenue Financing System that is lawfully available to the board for payments on Parity Debt.

As the TSUS administration issues the debt, bonds payable attributable to institutions are included with the "Bonds Payable" reported by the TSUS administration. Institutions must repay debt issued on its behalf; consequently, the below debt amortization schedule is presented for informational purposes only.

Debt Service Requirements			
Year	Principal	Interest	Total
2020	\$ 33,698,987.92	\$ 26,460,488.64	\$ 60,159,476.56
2021	33,456,613.08	24,920,606.28	58,377,219.36
2022	34,689,415.54	23,372,488.92	58,061,904.46
2023	33,382,101.18	21,744,397.16	55,126,498.34
2024	33,815,000.00	20,176,909.74	53,991,909.74
2025-2029	177,585,000.00	75,859,716.70	253,444,716.70
2030-2034	121,370,000.00	38,815,966.66	160,185,966.66
2035-2039	64,330,000.00	16,220,624.10	80,550,624.10
2040-2044	35,545,000.00	4,077,894.36	39,622,894.36
2045-2047	<u>560,000.00</u>	<u>23,928.80</u>	<u>583,928.80</u>
Totals	<u>\$ 568,432,117.72</u>	<u>\$ 251,673,021.36</u>	<u>\$ 820,105,139.08</u>

A portion of the debt represents tuition revenue bonds (TRBs) historically funded by the Texas Legislature through General Revenue appropriations. For the fiscal years ended August 31, 2019 and 2018, the institution was appropriated \$17,387,991.00 and \$18,740,277.00, respectively, for TRB debt service. Texas State expects future Legislative appropriations to meet debt service requirements for TRBs.



Notes to the Financial Statements

NOTE 6: Leases

Operating Leases

Texas State has entered into various operating leases for buildings, land, and vehicles. Rental expenses for operating leases for the fiscal years ended August 31, 2019 and 2018 were \$353,725.51 and \$286,422.44, respectively.

Future minimum lease rental payments under non-cancelable operating leases having an initial term in excess of one year, as of August 31, 2019 and 2018, were as follows:

<u>Fiscal Year</u>	<u>2019</u>	<u>Fiscal Year</u>	<u>2018</u>
2020	\$ 345,169.40	2019	\$ 310,982.25
2021	238,608.75	2020	314,237.22
2022	169,747.48	2021	214,037.85
2023	158,849.13	2022	156,212.61
2024	161,485.65	2023	158,849.13
2025 - 2029	457,432.80	2024 - 2028	618,918.45
Total	\$ 1,531,293.21	Total	\$ 1,773,237.51

NOTE 7: Pension Plans

The state established an optional retirement program (ORP) for institutions of higher education. Participation in the ORP is in lieu of participation in the Teacher Retirement System and is available to certain eligible employees. Employee member and employer contributions were as follows for the fiscal years ended August 31, 2019 and 2018:

<u>Contributions</u>	<u>2019</u>	<u>2018</u>
Member Contributions	\$ 5,581,233	\$ 5,579,850
Employer Contributions	6,002,102	6,028,233
Total	\$ 11,583,335	\$ 11,608,083

NOTE 8: Interfund Activity and Transactions

Texas State experienced routine transfers with other state agencies, consistent with the activities of the fund making the transfer and as a result of various grants and contract activities. In addition to transfers, Texas State recorded assets and liabilities for future amounts due from/to other state agencies. Repayment of interagency balances will occur within one year from the date of the financial statements.

The university also experiences other interagency activity, which is classified as transfers in/out or legislative transfers in/out. These transfers pertained to the receipt of bond proceeds and debt service payments from/to TSUS. Legislative transfer activity is directly attributable to bonds authorized by the Legislature and historically funded by means of special line items in the university's General Revenue appropriations.

<u>Agency Name</u>	<u>Agency Number</u>	<u>D23 Fund</u>	<u>2019</u>		<u>2018</u>	
			<u>Due From Other State Agencies</u>	<u>Due to Other State Agencies</u>	<u>Due From Other State Agencies</u>	<u>Due to Other State Agencies</u>
Federal:						
General Land Office	305	0027	\$ -	\$ 5,634.58	\$ 30,775.99	\$ -
Texas State Library and Archives Commission	306	7999	-	-	1,454.75	-
Texas Workforce Commission	320	5026	12,581.87	-	4,441.38	-
Department of Public Safety	405	3984	556,551.96	-	190,168.14	-
Department of Agriculture	551	5026	1,748.07	-	3,447.39	-

(continued on following page)

Texas State University

Notes to the Financial Statements

<u>Agency Name</u>	<u>Agency Number</u>	<u>D23 Fund</u>	2019		2018	
			<u>Due From Other State Agencies</u>	<u>Due to Other State Agencies</u>	<u>Due From Other State Agencies</u>	<u>Due to Other State Agencies</u>
(continued from previous page)						
Texas Commission on Environmental Quality	582	1535	384,662.97	-	350,961.86	-
Texas Department of Transportation	601	0006	30,732.90	-	21,985.55	-
Texas A&M Engineering Extension Service	716	7999	108,699.15	2,858.77	220,657.69	84,389.00
Texas Southern University	717	7999	-	163.38	5,887.26	-
University of Texas El Paso	724	7999	18,282.80	-	-	14,857.19
Texas Tech University	733	7999	23,515.81	-	-	-
University of Texas at San Antonio	743	7999	76,099.45	-	122,144.65	-
University of Texas Health Science Center at San Antonio	745	7999	65,116.35	5,290.78	26,286.30	
Texas Higher Education Coordinating Board	781	0001	-	-	73,800.00	311.84
Parks and Wildlife Department	802	0951	395,074.95	64.34	280,753.66	4,888.34
State:						
Governor – Fiscal	300	0421	624,857.77	-	700,556.28	-
Health and Human Services Commission	529	0001	13,313.01	-	-	28,457.93
Department of State Health Services	537	0001	478,194.40	-	480,881.29	-
Cancer Prevention and Research Institute of Texas	542	7999	-	-	67,800.47	-
University of Texas System	720	7999	-	10,594.19	-	3,094.66
Texas A&M University – Corpus Christi	760	7999	-	-	0.52	-
Texas Higher Education Coordinating Board	781	0001	1,183.29	113,049.14	304.62	470,518.75
Parks and Wildlife Department	802	0640	96,614.66	-	36,059.59	576.74
Texas Historical Commission	808	7999	-	-	2,999.50	-
Total Due From / Due To			\$ 2,887,229.41	\$ 137,655.18	\$ 2,621,366.89	\$ 607,094.45

<u>Agency Name</u>	<u>Agency Number</u>	<u>D23 Fund</u>	2019		2018	
			<u>Transfers In</u>	<u>Transfers Out</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Comptroller – State Fiscal for Hazlewood	902	0210	\$ 1,600,001.00	\$ -	\$ 773,671.00	\$ -
Texas State University System for Debt Service and Billings	758	7999	434,932.81	41,965,204.63	-	42,594,560.48
Texas Dept of Motor Vehicles for License Plate	608	0802	-	12,378.94	-	57,952.59
Total Transfers			\$ 2,034,933.81	\$ 41,977,583.57	\$ 773,671.00	\$42,652,513.07



Notes to the Financial Statements

<u>Agency Name</u>	<u>Agency Number</u>	<u>D23 Fund</u>	<u>2019</u>		<u>2018</u>	
			<u>Legislative Transfers In</u>	<u>Legislative Transfer Out</u>	<u>Legislative Transfers In</u>	<u>Legislative Transfers Out</u>
Comptroller – State Fiscal for Hazlewood	902	0001	\$ 1,386,066.00	\$ -	\$ 1,342,275.00	\$ -
Texas State University System for Debt Service	758	0001	-	23,238,445.42	-	24,548,777.00
Total Legislative Transfers			\$ 1,386,066.00	\$ 23,238,445.42	\$ 1,342,275.00	\$ 24,548,777.00

NOTE 9: Contingencies and Commitments

As of August 31, 2019 and 2018, various lawsuits and claims involving Texas State were pending. While the ultimate liability with respect to litigation and other claims asserted against the university cannot be reasonably estimated at this time, such liability, to the extent not provided for by insurance or otherwise, is not likely to have a material effect on the university.

NOTE 10: Risk Management

WORKERS' COMPENSATION

The state's Workers' Compensation program is administered by the State Office of Risk Management (SORM). As a participating agency, Texas State is assessed an annual charge for Workers' Compensation coverage for employees according to a set formula. The assessment for all fund sources was \$513,099.54 for the fiscal year ended August 31, 2019 and \$673,456.39 for the fiscal year ended August 31, 2018.

UNEMPLOYMENT COMPENSATION

The state provides an Unemployment Compensation program; actual claims are paid from several funding sources as determined by the Comptroller of Public Accounts. The Unemployment Compensation program is on a pay-as-you-go basis, in which no assets are set aside to be accumulated for the payment of claims. There were no material unemployment claims pending for the fiscal years ended August 31, 2019 and 2018.

PROPERTY AND OTHER INSURANCE COVERAGE

Property insurance is obtained through Alliant Insurance Services (Alliant) to include fire and flood coverage for all university buildings valued in excess of \$100,000. Texas State's other property, vehicle, and special events insurance policies are also obtained through Alliant, which is a participant in the SORM's statewide insurance program.

VEHICLE INSURANCE

The Texas Motor Vehicle Safety Responsibility Act (Texas Transportation Code, Chapter 601) requires that every non-governmental vehicle operated on a state highway be insured for minimum limits of liability in the amount of \$30,000/\$60,000 (bodily injury) and \$25,000 (property damage). There is coverage of \$1,000,000 combined single liability. The coverage exceeds the extent of the waivers of state immunity in the Tort Claims Act.

Auto insurance is obtained through Alliant to include liability coverage for all university-owned vehicles as well as hired and non-owned vehicles. Liability coverage is subject to a \$5,000 deductible. Vehicles rented or leased have additional comprehensive and collision coverage subject to a \$1,000 deductible.



Texas State University

Notes to the Financial Statements

FOREIGN TRAVEL INSURANCE

Foreign travel accident and sickness as well as liability coverage is obtained through Alliant. This policy covers all students, faculty, and staff of the university that travel abroad for approved university business or instruction. The coverage offers out-of- country medical benefits of \$200,000, emergency medical of \$10,000, accidental death and dismemberment, emergency medical evacuation, emergency reunion, security evacuation, chaperone replacement, and war risk. The policy provides general liability coverage of \$1,000,000/\$2,000,000 and auto liability of \$1,000,000 single limit BI/PD and one accident.

OTHER

Texas State University is exposed to a variety of civil claims resulting from the performance of its duties. It is the University's policy to periodically assess the proper combination of commercial insurance and retention of risk to cover losses to which it may be exposed. Liabilities are reported when it is both probable a loss has occurred, and the amount of that loss can be reasonably estimated. There were no liabilities outstanding as of August 31, 2019 and 2018.

<u>Claims and Judgments</u>	<u>2019</u>	<u>2018</u>
Balance, September 1	\$ -	\$ -
Increases	1,147,984.14	1,042,630.46
Decreases	(1,147,984.14)	(1,042,630.46)
Balance, August 31	\$ -	\$ -

NOTE 11: The Financial Reporting Entity

Component Units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with the primary government is such that exclusion would create misleading or incomplete financial statements.

BLENDED COMPONENT UNITS

The **Texas State University Research Foundation** (Research Foundation) was formed as an independent 501(c)(3) organization on July 22, 2010. The Research Foundation was formed to support the university's mission and objectives of promoting higher education, conducting research, providing public service, and assisting in economic development in Texas. The Research Foundation is exclusively associated with the university and its fiscal year end concludes on the final day of February.

The Research Foundation is included in Texas State's financial statements as a blended component unit in accordance with GASB Statement 14 as amended by GASB Statement 39. Texas State's key business officers comprise the entirety of the Research Foundation's officers and directors, thereby enabling Texas State to impose its will on the Research Foundation.

During the fiscal years ended February 28, 2019 and February 29, 2018, the Research Foundation incurred expenses in the amount of \$38,277.10 and \$68,688.74, respectively. Condensed financial information appears below. Separate financial statements may be obtained by contacting Texas State University, Director of Accounting, General Accounting Office, 601 University Drive, JCK 589, San Marcos, TX 78666-4684.

The **Harold M. Freeman Education Foundation** (Freeman Foundation) is a legally separate entity formed through a trust to make the use of Freeman Ranch available exclusively to Texas State. The Freeman Center is used and operated solely for farm, ranch and game management, education, and research purposes in connection with the educational activities of Texas State. There is no formal governing board for the Freeman Foundation. Texas State acts as an active co-trustee to operate the Center. Frost Bank operates as an inactive trustee to ensure the provisions of the trust are followed. Based on the Freeman Foundation's close relation to Texas State, it is included as a blended component unit. Separate financial statements are not issued by the Freeman Foundation, but condensed financial information appears below. Information about the Freeman Foundation may be obtained by contacting Texas State University, Director of Accounting, General Accounting Office, 601 University Drive, JCK 589, San Marcos, TX 78666-4684.

Notes to the Financial Statements

Condensed Financial Information for Blended Component Units

	<u>Research Foundation</u>	<u>Freeman Foundation</u>
Condensed Statement of Net Position		
Assets		
Current Assets	741.00	18,647.90
Capital Assets, Net		179,703.21
Total Assets	741.00	198,351.11
Liabilities		
Current Liabilities	1.00	
Total Liabilities	1.00	0.00
Net Position		
Capital Assets, Net of Related Debt		179,709.21
Restricted, Expendable		18,647.90
Unrestricted	740.00	
Total Net Position	740.00	198,351.11
Condensed Statement of Revenues, Expenses and Changes in Net Position		
Operating Revenues	38,277.10	75,314.62
Depreciation Expense		40,232.95
Operating Expenses	38,277.10	351,055.57
Operating Income/(Loss)	0.00	(315,973.90)
Non-Operating Revenues		4,244.26
Transfers In		362,152.00
Change in Net Position	0.00	50,422.36
Net Position, Beginning	740.00	147,928.75
Net Position, Ending	740.00	198,351.11
Condensed Statement of Cash Flows		
Net Cash Provided (Used) by:		
Operating Activities	(1,433.33)	(275,740.95)
Non-Capital Financing Activities		362,273.26
Capital and Related Financing Activities		(92,927.80)
Investing Activities		4,123.00
Beginning Cash Equivalents	2,174.33	20,920.39
Ending Cash Equivalents	741.00	18,647.90



Texas State University

Notes to the Financial Statements

RELATED ORGANIZATIONS

The following affiliated foundations, while not component units, are disclosed due to their close relationship with the university. Affiliated foundations are controlled by separate boards of directors, pay their own expenses, and are not included in the basic financial statements of the university as the primary government. Instead information about their financial activities follows.

The **Texas State University Development Foundation** (Development Foundation) was formed in 1977 to support the educational, scientific, and research mission of Texas State. The Development Foundation raises and manages endowment funds designated for scholarships and other support for the university. Financial activity of the Development Foundation as of and for the years ended June 30, 2019 and 2018 was as follows:

	2019	2018
University Support	\$ 1,688,522.32	\$ 2,198,975.43
Student Scholarships	\$ 1,949,717.76	\$ 1,663,790.57
Restricted Gifts	\$ 3,532,949.15	\$ 2,392,277.99
Temporarily Restricted Gifts	\$ 2,995,146.17	\$ 1,144,669.67

The **McCoy College of Business Foundation** (Foundation) is a 501(c)(3), founded in 2004, dedicated exclusively to the support of the McCoy College of Business Administration (McCoy) at Texas State. The Foundation's Board of Directors manages its investments and determines McCoy's annual funding to support chairs, professorships, undergraduate scholarships, and graduate fellowships, as well as the development of faculty, programs, and students. Based upon estimated, unaudited figures for the fiscal years ended August 31, 2019 and 2018, the Foundation financial activity was as follows:

	2019	2018
Distributions to the University	\$ 1,027,250.00	\$ 887,750.00
New Contributions to Endowments	\$ 1,983,681.64	\$ 3,238,007.87
Assets	\$ 45,599,260.97	\$ 45,393,227.71
Liabilities	\$ 35,525.28	\$ 32,954.40

The Foundation pays its own operating expenses, including staff salaries, accounting, supplies, and auditing, which were estimated at approximately 0.4% of the assets of the Foundation for the years ended August 31, 2019 and 2018, respectively. Fees for investment management were approximately 1% of the assets each year.

The **Texas State Alumni Association's** (Association) efforts and funds are dedicated to the university, and are used to provide student scholarships, campus support, and alumni outreach or engagement activities. Financial activity as of and for the years ended August 31, 2019 and 2018 was as follows:

	2019	2018
Student Scholarships	\$ 159,300.00	\$ 177,250.00
Deposits Held in Trust at the University	\$ 142,515.38	\$ 281,440.72

Deposits held in trust at the university are considered Agency Funds in the university's financial statements.

NOTE 12: Stewardship, Compliance, and Accountability

Texas State's administration is not aware of any non-compliance items or material violations of finance-related legal and contract provisions. Per the laws of the State of Texas, Texas State cannot spend amounts in excess of appropriations granted by the Texas Legislature and there are no deficits reported in net position.

Notes to the Financial Statements

NOTE 13: Donor Restricted Endowments

Net appreciation classified as restricted, expendable on the Statement of Net Position is as follows:

	<u>2019</u>	<u>2018</u>
	\$21,403,604.08	\$23,399,506.23
Totals	<u>\$21,403,604.08</u>	<u>\$23,339,506.23</u>

For fiscal year 2019 there was a decrease in fair value totaling (\$7,141,299.08) as opposed to the increase in fair value of \$2,564,836.65 for 2018. The amount reported as net appreciation represents net appreciation on investments of donor restricted endowments available for authorization for expenditure. Pursuant to the Uniform Prudent Management of Institutional Funds Act (Property Code Chapter 163.001), net appreciation (realized and unrealized) in the fair market value of the endowment assets in excess of historical dollar value of the gifts may be distributed to the extent prudent.

Distributions are calculated using a 60-month FMV rolling average times a 3% distribution. The individual endowments own units in a restricted investment pool and the annual distribution is allocated on a per unit basis. Changes from prior year balances for expendable and non-expendable balances were as follows:

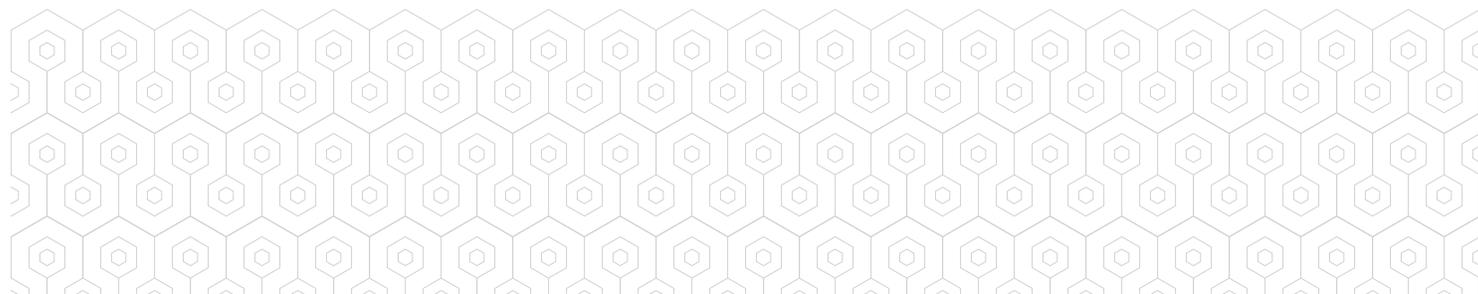
<u>True Endowment Funds</u>	<u>Increase/(Decrease)</u>		<u>Reason for Change</u>
	<u>2019</u>	<u>2018</u>	
Expendable Balances	\$ (1,995,902)	\$ 3,772,424	Fair value fluctuations, earnings, fees and distributions.
Non-Expendable Balances	645,937	1,591,836	New gifts

NOTE 14: Subsequent Events

The Texas State University System issued tax-exempt bonds Series 2019A in the fall of 2019. The proceeds were distributed among the components of the system in December 2019, and Texas State received their portion of \$33 million. On October 24, 2019, the Revenue Financing System (RFS) priced Series 2019A, tax-exempt bonds totaling \$176,055,000 at par and including a premium of \$26,442,211. The bonds are to finance a variety of capital projects at TSUS components, refund a portion of the System's outstanding commercial paper notes, refund a portion of the System's outstanding revenue bonds, and to pay costs of issuing the bonds. The RFS will take delivery of the bonds on December 17, 2019. \$89,706,200 of the proceeds will refund outstanding commercial paper, \$71,800,231 will be used to refund outstanding revenue bonds, and \$39,957,961 will be used for capital projects. Additionally, Texas Tech University System will provide \$2,118,273 needed to defease a portion of Series 2010 bonds attributable to Angelo State University. Principal to be refunded includes \$19,280,000 from Series 2010 and \$53,185,000 from Series 2010A.

On October 24, 2019, the RFS priced Series 2019B, \$149,480,000 of taxable bonds to refund a portion of the System's outstanding debt and pay costs of issuing the bonds. The RFS will take delivery of the bonds on November 21, 2019. Principal refunded includes \$64,230,000 of Series 2011, \$14,685,000 of Series 2012, and \$59,475,000 of Series 2013.

After the delivery of the 2019A Series and refunding of the outstanding commercial paper notes, outstanding principal of bonds will be \$1,091,530,000 for the System.



McCoy College of Business Master's Programs

The McCoy College of Business added two new master's degree programs, aimed at preparing graduates with the technical knowledge and skills essential for future business leaders: data analytics and information systems and marketing research and analysis.

The master of science in data analytics and information systems degree provides the skills required to manage and analyze data for data-driven decision-making. Graduates of this program will be capable of transforming organizational data into actionable information using data analytics and information systems skills.

The master of science in marketing research and analysis is designed for marketing majors or marketing professionals with an interest in advanced studies to enhance their ability to excel as a marketer in today's increasingly data-driven marketplace. Students will gain skills in conducting marketing research and using analytical tools to make, analyze and communicate data-driven decisions for guiding marketing practice.



Bachelor's in Civil Engineering

Texas State's new bachelor's degree in civil engineering is the first program of its kind in Texas, with a holistic emphasis on technology-enhanced infrastructure, including sensor systems, predictive analytics tools, digital automation, and communications.

The program will prepare students to be leaders in the design, monitoring, maintenance and management of essential infrastructure for communities around the globe.



TEXAS  STATE
UNIVERSITY®
The rising STAR of Texas

The Board of Regents holds four quarterly meetings each year. Additionally, special called meetings may be held throughout the year to address time sensitive items. Quarterly meetings are held on the campuses of the System's four-year institutions or in Austin. Special called meetings are usually conducted via conference call.

All Board of Regents meetings are open to the public and noticed in advance on the [Texas Secretary of State's website](#).

Meeting Multimedia

Quarterly Meeting - May 21, 2020
at 1:00 p.m.
 The Texas State University System
 (Virtual)
 Austin, TX

[Board Materials](#)
[Webcast](#)

Quarterly Meeting - Feb. 13-14, 2020
 LBJ Student Center
 Texas State University - San Marcos,
 TX

[Board Materials](#)
[Minutes](#)
[02/13 Webcast](#)
[02/14 Webcast](#)

Quarterly Meeting - Nov. 14-15, 2019
 Lowman Student Center
 Sam Houston State University -
 Huntsville, TX

[Board Materials](#)
[Minutes](#)
[11/14 Webcast](#)
[11/15 Webcast](#)

Special Called Meeting
 September 26, 2019
 The Texas State University System -
 Austin, TX

[Board Materials](#)
[Minutes](#)
[Audio](#)

Quarterly Meeting - Aug. 22-23, 2019
 Morgan University Center
 Sul Ross State University - Alpine,
 TX

[Board Materials](#)
[Minutes](#)
[8/22 Webcast \(Part 1\)](#)
[8/22 Webcast \(Part 2\)](#)
[8/23 Webcast \(Part 1\)](#)
[8/23 Webcast \(Part 2\)](#)

Future Board Meetings

May 21, 2020
 Virtual Meeting
[Texas State University System](#)
 Austin, TX

Aug. 13-14, 2020
[College of Osteopathic Medicine](#)
 Sam Houston State University
 Conroe, TX

Nov. 19-20, 2020
[Mary & John Gray Library](#)
 Lamar University
 Beaumont, TX

Accessibility

For special accommodations and other information about Board meeting accessibility, please read the [Accessibility](#)

The Texas State University System is governed by a nine-member Board of Regents appointed by the governor and confirmed by the Senate. Board terms are staggered so that three members of the Board are appointed every two years during the legislative session. A non-voting student regent is also appointed annually to the board for a one-year term.

Board Links

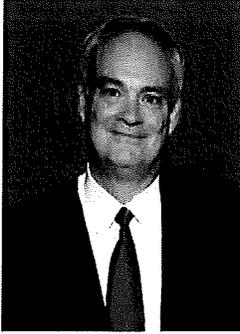
[Board Meetings](#)

[Committee Meetings](#)

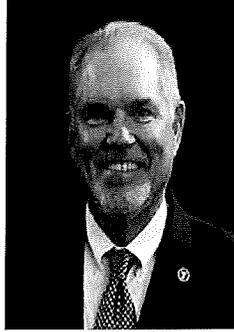
[Former Regents](#)

[Regents' Awards](#)

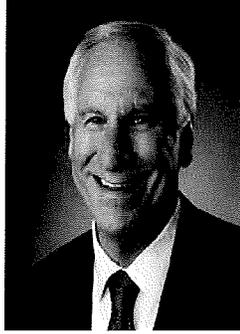
[Student Regent Application](#)



William F. Scott
Chairman
Nederland



David Montagne
Vice Chairman
Beaumont



Charlie Amato
Regent
San Antonio



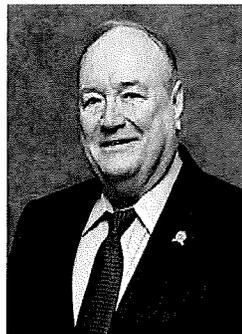
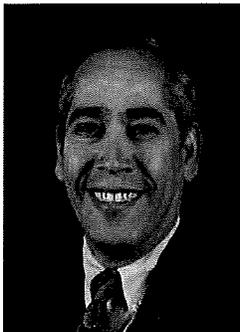
Duke Austin
Regent
Houston



Garry Crain
Regent
The Hills



Dr. Veronica Muzquiz Edwards
Regent
San Antonio





Internal Audit Annual Report Texas State University System Office of Internal Audit

Fiscal Year Ending August 31, 2019



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I. Compliance with Texas Government Code, Section 2102.015: Posting the Internal Audit Plan, Internal Audit Annual Report, and Other Audit information on Internet Website

Texas Government Code Section 2102.015 requires state agencies and higher education institutions to post certain information on their internet websites. The Texas State University System (TSUS) Office of Internal Audit ensures compliance with Section 2102.015 through the following procedures:

- Posting its annual audit and compliance plan to the Office of Internal Audit webpages of the TSUS and components' websites within 30 days after formal approval by the Board of Regents ("the Board"). The Fiscal Year 2020 Audit and Compliance Plan was approved by the Board on August 22, 2019 and has been posted as required.
- Posting this *Internal Audit Annual Report for Fiscal Year 2019* to the Office of Internal Audit webpages of the TSUS and components' websites within 30 days of distributing the report to the Finance & Audit Committee of the Board.
- Including in the quarterly board materials, posted on the TSUS website, a detailed summary of the weaknesses, deficiencies, wrongdoings, or other concerns raised by audit and compliance plan projects and a detailed summary of the actions taken by management to address resultant recommendations.

The TSUS Office of Internal Audit reserves the right to not post information contained in the internal audit and compliance plan, reports, or this Internal Audit Annual Report if the information is exempt from public disclosure under Chapter 552 of the Texas Government Code.

II. Audit and Compliance Plan for Fiscal Year 2019

The TSUS Office of Internal Audit prepares a consolidated audit and compliance plan (“the Plan”) for System Administration and its components. The following is an excerpt listing all projects included in the Plan for fiscal year 2019, amended to include the status of the projects, the report titles, report numbers (if applicable), and dates the reports were issued to external oversight entities.

SYSTEM ADMINISTRATION STATUS OF PROJECTS IN FISCAL YEAR 2019 AUDIT AND COMPLIANCE PLAN

Project/Activity	Status, Report Title/Report Number, and Date Issued to External Oversight Entities
Hazlewood	In progress.
Leave Reporting	Not performed. Finite resources and higher risk or mandated projects resulting from the annual risk assessment precluded carrying this project to the Fiscal Year 2020 Audit and Compliance Plan.
General Data Protection Regulation (GDPR)	During project planning, an analysis indicated GDPR applied to .78% to 1.86% of students and staff and was therefore deemed low risk. Project cancelled due to higher risk projects requiring compliance resources.
Title IX	Cancelled due to Federal Title IX requirements remaining in flux in fiscal year 2019.
TSUS Policy Alignment	In progress.
Construction Audits (OUTSOURCED)	In progress.
TAC 202 and Cybersecurity	In progress. This is a multi-year project due to the scope and number of institutions involved.
SB 20 – Annual Review	Completed. System-wide report: Management Advisory Letter - Senate Bill 20 Required Audits for Fiscal Year 2019, 8-30-2019.
SB 20 – Contract Administration	Completed. System-wide report: Management Advisory Letter - Senate Bill 20 Required Audits for Fiscal Year 2019, 8-30-2019.
Quality Assurance Review	In progress.
Multi-hazard Emergency Operations Plan; Safety and Security Review	Completed. Management Advisory Letter – TSUS Compliance Review – Multi-Hazard Emergency Operations Plan, 8-15-2019.
GAO Auditing Standards Revisions	In progress. Activity does not result in a written report.
Follow-Up Reviews	On-going. Results posted in Board Book materials and on the TSUS webpage on a quarterly basis.
Annual Risk Assessment and Audit Plan	Completed.

	Activity does not result in a written report, rather it results in the annual Audit and Compliance Plan. The Fiscal Year 2020 Audit and Compliance Plan is posted on the TSUS and components' webpages.
Internal Audit Annual Report	Completed. Internal Audit Annual Report, Texas State University System, 10-29-2018.
Continuing Education	Completed. Activity does not result in a report.
Special Projects	<ul style="list-style-type: none"> ➤ Management requested review – completed; RGC Appropriation Transfer Timeline, email issued to President 10-9-2018. ➤ EthicsPoint #22 – referred to appropriate authorities; closed within the hotline system. ➤ EthicsPoint #23 – completed; summarized results within the hotline system. ➤ Respond to multiple Open Records Requests – completed.
SACSCOC Assistance	On-going. Activity does not result in a report.
Response to System Requests	On-going. Activity does not result in a report.
Component Audit Assistance	On-going. Activity does not result in a report.
Audit Liaison Activities	On-going. Activity does not result in a report.
System-wide Equal Employment Opportunity (EEO) Training	Project cancelled due to higher risk on-line training projects in development and the availability of on-line EEO training through the Texas Workforce Commission.
Compliance Program Development	On-going. Activity does not result in a report.
Compliance Newsletter	Completed. Newsletters issued in November 2018, February 2019, May 2019, and August 2019.
Compliance Risk Universe	On-going. Activity does not result in a report.
Compliance Program Development	On-going. Activity does not result in a report.

PRIOR YEAR PROJECTS COMPLETED DURING FISCAL YEAR 2019

Project/Activity	Report Title/Report Number, and Date Issued to External Oversight Entities
Title IX	Management Advisory Letter – TSUS Compliance Review – Title IX Employee Training, 4-10-2019.
Construction Audits	Retama Hall Renovations Construction Audit Services, 9-5-2018.

**LAMAR INSTITUTE OF TECHNOLOGY
STATUS OF PROJECTS IN FISCAL YEAR 2019 AUDIT AND COMPLIANCE PLAN**

Project/Activity	Status, Report Title/Report Number, and Date Issued to External Oversight Entities
Inventory Special Project	Not performed. Finite resources and higher risk or mandated projects resulting from the 2020 Risk Assessment precluded carrying this project to the Fiscal Year 2020 Audit and Compliance Plan.
IT - On-Going	On-going. Activity does not result in a report.
SB 20 – Contract Administration	Completed. System-wide report: Management Advisory Letter - Senate Bill 20 Required Audits for Fiscal Year 2019, 8-30-2019.
Quality Assurance Review	In progress.
Follow-Up Reviews	On-going. Results posted in Board Book materials and on the TSUS webpage on a quarterly basis.
Annual Risk Assessment and Audit Plan	Completed. Activity does not result in a written report, rather it results in the annual Audit and Compliance Plan. The Fiscal Year 2020 Audit and Compliance Plan is posted on the TSUS and components' webpages.
Internal Audit Annual Report	Completed. Internal Audit Annual Report, Texas State University System, 10-29-2018.
Continuing Education	Completed. Activity does not result in a report.
Special Projects	Management requested review – completed; Management Advisory Letter LIT-19-001, Limited Review of Information Technology Logical Access, 5-17-2019.
Respond to System Administration Requests	On-going. Activity does not result in a report. ➤ Gathering and analyzing five years of leave data.
Audit Liaison Activities	On-going. Activity does not result in a report. (EEOC review by the Texas Workforce Commission)

PRIOR YEAR PROJECTS COMPLETED DURING FISCAL YEAR 2019

Project/Activity	Report Title/Report Number, and Date Issued to External Oversight Entities
Special Projects	Management Advisory Letter LIT-18-004, SkillsUSA Student Organization, 12-21-2018.
Payment Card Industry Data Security Standards Risk Assessment	Internal memorandum issued 12-20-2018.

**LAMAR STATE COLLEGE - ORANGE
STATUS OF PROJECTS IN FISCAL YEAR 2019 AUDIT AND COMPLIANCE PLAN**

Project/Activity	Status, Report Title/Report Number, and Date Issued to External Oversight Entities
Physical Security	Not performed. Finite resources and higher risk or mandated projects resulting from the 2020 Risk Assessment precluded carrying this project to the Fiscal Year 2020 Audit and Compliance Plan.
IT - On-Going	On-going. Activity does not result in a report.
SB 20 – Contract Administration	Completed. System-wide report: Management Advisory Letter - Senate Bill 20 Required Audits for Fiscal Year 2019, 8-30-2019.
Quality Assurance Review	In progress.
Follow-Up Reviews	On-going. Results posted in Board Book materials and on the TSUS webpage on a quarterly basis.
Annual Risk Assessment and Audit Plan	Completed. Activity does not result in a written report, rather it results in the annual Audit and Compliance Plan. The Fiscal Year 2020 Audit and Compliance Plan is posted on the TSUS and components' webpages.
Internal Audit Annual Report	Completed. Internal Audit Annual Report, Texas State University System, 10-29-2018.
Continuing Education	Completed. Activity does not result in a report.
Special Projects	EthicsPoint #3 – completed; internal memorandum issued 7-1-2019.
Respond to System Administration Requests	On-going. Activity does not result in a report. ➤ Gathering and analyzing five years of leave data.
Audit Liaison Activities	On-going. Activity does not result in a report. (THECB Formula Funding and Comptroller Desk Review of Promotional Items)

PRIOR YEAR PROJECTS COMPLETED DURING FISCAL YEAR 2019

Project/Activity	Report Title/Report Number, and Date Issued to External Oversight Entities
Payment Card Industry Data Security Standards Risk Assessment	Internal memorandum issued 12-19-18.

**LAMAR STATE COLLEGE - PORT ARTHUR
STATUS OF PROJECTS IN FISCAL YEAR 2019 AUDIT AND COMPLIANCE PLAN**

Project/Activity	Status, Report Title/Report Number, and Date Issued to External Oversight Entities
Physical Security	Not performed. Finite resources and higher risk or mandated projects resulting from the 2020 Risk Assessment precluded carrying this project to the Fiscal Year 2020 Audit and Compliance Plan.
IT – Patch Management	Completed. Management advisory letter issued to management 5-7-2019.
IT - On-Going	On-going. Activity does not result in a report.
SB 20 – Contract Administration	Completed. System-wide report: Management Advisory Letter - Senate Bill 20 Required Audits for Fiscal Year 2019, 8-30-2019.
Quality Assurance Review	In progress.
THECB Facilities Audit	In progress.
Follow-Up Reviews	On-going. Results posted in Board Book materials and on the TSUS webpage on a quarterly basis.
Annual Risk Assessment and Audit Plan	Completed. Activity does not result in a written report, rather it results in the annual Audit and Compliance Plan. The Fiscal Year 2020 Audit and Compliance Plan is posted on the TSUS and components' webpages.
Internal Audit Annual Report	Completed. Internal Audit Annual Report, Texas State University System, 10-29-2018.
Continuing Education	Completed. Activity does not result in a report.
Special Projects	EthicsPoint #7 – completed; internal memorandum issued 4-25-2019.
Respond to System Administration Requests	On-going. Activity does not result in a report. ➤ Gathering and analyzing five years of leave data.
Audit Liaison Activities	On-going. Activity does not result in a report. (THECB Formula Funding and THECB Facilities Follow-up)

PRIOR YEAR PROJECTS COMPLETED DURING FISCAL YEAR 2019

Project/Activity	Report Title/Report Number, and Date Issued to External Oversight Entities
Payment Card Industry Data Security Standards Risk Assessment	Internal memorandum issued 12-19-2018.

LAMAR UNIVERSITY
STATUS OF PROJECTS IN FISCAL YEAR 2019 AUDIT AND COMPLIANCE PLAN

Project/Activity	Status, Report Title/Report Number, and Date Issued to External Oversight Entities
Grants Management	Cancelled due to multiple personnel and process changes. Internal Audit continues to monitor this area and will continually reassess risks for consideration for future audit. Additionally, certain grant activity is being reviewed under a special project.
IT – Logical Access	In progress.
IT – Network Management	Cancelled due to an infrastructure update to the network. Internal Audit will monitor the progress of this update and will reassess risks for consideration for future audit.
IT – Server Management	Completed. Server Management & Active Directory, LU-18-004, 7-2-2019.
IT – On-Going	On-going. Activity does not result in a report.
SB 20 – Contract Administration	Completed. System-wide report: Management Advisory Letter - Senate Bill 20 Required Audits for Fiscal Year 2019, 8-30-2019.
Quality Assurance Review	In progress.
Follow-Up Reviews	On-going. Results posted in Board Book materials and on the TSUS webpage on a quarterly basis.
Annual Risk Assessment and Audit Plan	Completed. Activity does not result in a written report, rather it results in the annual Audit and Compliance Plan. The Fiscal Year 2020 Audit and Compliance Plan is posted on the TSUS and components' webpages.
Internal Audit Annual Report	Completed. Internal Audit Annual Report, Texas State University System, 10-29-2018.
Continuing Education	Completed. Activity does not result in a report.
KVLU-FM Radio Station	In progress.
NCAA Agreed-Upon Procedures	Completed. Lamar University Final AUP Report, 1-23-2019
Special Projects	<ul style="list-style-type: none"> ➤ Management requested review – completed; Nursing Shortage Reduction Regular Program Audit for FY 2015 Award, LU-19-001, 2-26-2019. ➤ Walk-in complaint – completed; employee interviews, referred to appropriate authorities. ➤ EthicsPoint #84 - insufficient information; closed within the hotline system. ➤ EthicsPoint #85 – in progress. ➤ EthicsPoint #86 – completed; summarized results within the hotline system. ➤ Respond to multiple Open Records Requests – completed. ➤ Management requested review – in progress; CICE Review.
Respond to System Administration Requests	On-going. Activity does not result in a report. <ul style="list-style-type: none"> ➤ Gathering and analyzing five years of leave data.

Audit Liaison Activities	On-going. Activity does not result in a report. (NCAA Agreed-Upon Procedures, KVLU Financial Statement Audit, EEOC review by the Texas Workforce Commission, and Comptroller Desk Review of Promotional Items)
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PRIOR YEAR PROJECTS COMPLETED DURING FISCAL YEAR 2019

Project/Activity	Report Title/Report Number, and Date Issued to External Oversight Entities
Payment Card Industry Data Security Standards Risk Assessment	Internal memorandum issued 12-18-2018.
KVLU-FM Radio Station	KVLU FS 2017 Final, 9-24-2018.
NCAA Agreed-Upon Procedures	LU NCAA 2017, 9-25-2018.
Special Projects	<ul style="list-style-type: none"> ➤ Management Advisory Letter LU-16-001, Counseling and Special Populations Department, 9-14-2018. ➤ Management Advisory Letter LU-18-006, Comprehensive Exams, 11-26-2018. ➤ Management Advisory Letter LU-18-008, Hiring Concern, 1-23-2019.

**SAM HOUSTON STATE UNIVERSITY
STATUS OF PROJECTS IN FISCAL YEAR 2019 AUDIT AND COMPLIANCE PLAN**

Project/Activity	Status, Report Title/Report Number, and Date Issued to External Oversight Entities
Department of Agricultural Sciences	Not performed. Carried forward to Fiscal Year 2020 Audit and Compliance Plan.
Facilities Management	Postponed. Management Advisory Letter SHSU-19-003, Audit of Facilities Management Select Processes, 4-11-2019.
Financial Reporting – IT Integrated	Not performed. Carried forward to Fiscal Year 2020 Audit and Compliance Plan.
IT – Patch Management	In progress.
Other Revenues – Academic Departments	In progress.
IT – Project Management and System Development Methodology	Postponed. Audit to be planned after SHSU Prioritization and Communication Process matures and the project management and system development life cycle methodologies / standards have been formalized.
IT – Blackboard Learning Management System	Not performed. Carried forward to Fiscal Year 2020 Audit and Compliance Plan.
SB 20 – Contract Administration	Completed. System-wide report: Management Advisory Letter - Senate Bill 20 Required Audits for Fiscal Year 2019, 8-30-2019.
Quality Assurance Review	In progress.
Follow-Up Reviews	On-going. Results posted in Board Book materials and on the TSUS webpage on a quarterly basis.
Annual Risk Assessment and Audit Plan	Completed. Activity does not result in a written report, rather it results in the annual Audit and Compliance Plan. The Fiscal Year 2020 Audit and Compliance Plan is posted on the TSUS and components' webpages.
Internal Audit Annual Report	Completed. Internal Audit Annual Report, Texas State University System, 10-29-2018.
Continuing Education	Completed. Activity does not result in a report.
Joint Admission Medical Program (JAMP)	Completed. Appropriateness of Joint Admission Medical Program Expenditures, SHSU-19-002, 10-26-2018.
NCAA Agreed-Upon Procedures	Completed. SHSU-19-001, NCAA Financial Statement Compilation for FY 2018, 1-30-2019.
Special Projects	<ul style="list-style-type: none"> ➤ DELTA Trailer review - completed; activity did not result in a written report. ➤ Hazlewood Legacy Review - completed; response provided to the Texas Higher Education Coordinating Board on 3-19-2019. ➤ EthicsPoint #72 – completed; summarized results within the hotline system.

	<ul style="list-style-type: none"> ➤ EthicsPoint #73 – completed; summarized results within the hotline system. ➤ EthicsPoint #74 – completed; summarized results within the hotline system. ➤ EthicsPoint #75 – completed; summarized results within the hotline system. ➤ EthicsPoint #76 – completed; summarized results within the hotline system. ➤ EthicsPoint #77 – completed; issued an internal memorandum on 6-10-2019. ➤ EthicsPoint #78 – in progress. ➤ EthicsPoint #79 – completed; issued an internal memorandum on 6-6-2019. ➤ COBA Review – completed; referred to State Auditor’s Office. ➤ THECB complaint regarding COE – in progress.
Respond to System Administration Requests	<p>On-going. Activity does not result in a report.</p> <ul style="list-style-type: none"> ➤ Gathering and analyzing five years of leave data.
Audit Liaison Activities	<p>On-going. Activity does not result in a report. (Comptroller Desk Review of Promotional Items, Department of Education, National Science Foundation, Comptroller Post Payment Audit, Comptroller Excise Tax Audit, THECB B-on-Time Audit, Department of Justice)</p>

PRIOR YEAR PROJECTS COMPLETED DURING FISCAL YEAR 2019

Project/Activity	Report Title/Report Number, and Date Issued to External Oversight Entities
IT – Change Management Process	Banner Change Management, SHSU-18-004, 2-4-2019.
State Auditor’s Office Hotline Complaint: 18-2987	Response provided to State Auditor’s Office on 11-21-2019.

**SUL ROSS STATE UNIVERSITY AND RIO GRANDE COLLEGE
STATUS OF PROJECTS IN FISCAL YEAR 2019 AUDIT AND COMPLIANCE PLAN**

Project/Activity	Status, Report Title/Report Number, and Date Issued to External Oversight Entities
Enrollment Management	Not performed. Carried forward to Fiscal Year 2020 Audit and Compliance Plan.
Accounts Payable	In progress.
Meats Lab	Completed. ANRS Meats Lab, SRSU-19-003, 4-9-2019.
Capital Projects/Construction	Not performed due to complete turnover in the department. Internal Audit will reevaluate audit timing during the fiscal year 2020 risk assessment.
SB 20 – Contract Administration	Completed. System-wide report: Management Advisory Letter - Senate Bill 20 Required Audits for Fiscal Year 2019, 8-30-2019.
Quality Assurance Review	In progress.
THECB Facilities Audit	Completed. SRSU THECB Facilities Audit, SRSU 19-006, 10-1-2019.
Follow-Up Reviews	On-going. Results posted in Board Book materials and on the TSUS webpage on a quarterly basis.
Annual Risk Assessment and Audit Plan	Completed. Activity does not result in a written report, rather it results in the annual Audit and Compliance Plan. The Fiscal Year 2020 Audit and Compliance Plan is posted on the TSUS and components' webpages.
Internal Audit Annual Report	Completed. Internal Audit Annual Report, Texas State University System, 10-29-2018.
Continuing Education	Completed. Activity does not result in a report.
Joint Admission Medical Program (JAMP)	Completed. Appropriateness of Joint Admission Medical Program Expenditures, SRSU-19-001, 10-26-2018.
Special Projects	<ul style="list-style-type: none"> ➤ Management requested review – completed; Timekeeping/dual employment review; internal memorandum issued 5-16-19. ➤ Management requested review – completed; Post Office review; internal memorandum issued 8-28-2018.
Respond to System Administration Requests	On-going. Activity does not result in a report. <ul style="list-style-type: none"> ➤ Gathering and analyzing five years of leave data.
Audit Liaison Activities	On-going. Activity does not result in a report. (THECB Facilities Audit and Peer Review Team)

PRIOR YEAR PROJECTS COMPLETED DURING FISCAL YEAR 2019

Project/Activity	Report Title/Report Number, and Date Issued to External Oversight Entities
Purchasing	Purchasing, SRSU-17-007, 1-30-2019.

**TEXAS STATE UNIVERSITY
STATUS OF PROJECTS IN FISCAL YEAR 2019 AUDIT AND COMPLIANCE PLAN**

Project/Activity	Status, Report Title/Report Number, and Date Issued to External Oversight Entities
Laboratory Safety	Not performed. Carried forward to 2020 Audit and Compliance Plan.
Research Compliance	Not performed. Carried forward to 2020 Audit and Compliance Plan.
SaaS Applications	Not performed. Carried forward to 2020 Audit and Compliance Plan.
General IT Controls, Student Affairs	In progress.
Student Recreation Center	In progress.
Monitoring of Electronic Access to Physical Structures	Not performed. Carried forward to 2020 Audit and Compliance Plan.
SB 20 – Contract Administration	Completed. System-wide report: Management Advisory Letter - Senate Bill 20 Required Audits for Fiscal Year 2019, 8-30-2019.
Quality Assurance Review	In progress.
Follow-Up Reviews	On-going. Results posted in Board Book materials and on the TSUS webpage on a quarterly basis.
Annual Risk Assessment and Audit Plan	Completed. Activity does not result in a written report, rather it results in the annual Audit and Compliance Plan. The Fiscal Year 2020 Audit and Compliance Plan is posted on the TSUS and components' webpages.
Internal Audit Annual Report	Completed. Internal Audit Annual Report, Texas State University System, 10-29-2018.
Continuing Education	Completed. Activity does not result in a report.
Joint Admission Medical Program (JAMP)	Completed. Appropriateness of Joint Admission Medical Program Expenditures, TXST-19-001, 10-26-2018
Special Projects	<ul style="list-style-type: none"> ➤ Walk-in complaint – completed; Timekeeping Review, Dean of Liberal Arts; email issued to Provost, 9-7-2018. ➤ Walk-in complaint – completed; Review of Musical Theatre; summary provided to President, Provost, and Dean, 10-3-2018. ➤ Respond to Open Records Request – completed. ➤ Management requested review – completed; Management Advisory Letter TXST-19-004, Office of Disability Services – Review of Procurement Card Purchases and Other Expenditures, 5-17-2019. ➤ UPD notification review – completed; Management Advisory Letter TXST-19-005, Department of Athletics – Review of Procedures Relating to Selected Cash Travel Advances, 6-21-2019. ➤ EthicsPoint #21 – in progress.

	<ul style="list-style-type: none"> ➤ EthicsPoint #43 – completed; summarized results within the hotline system. ➤ EthicsPoint #44 – referred to appropriate authorities; closed within the hotline system. ➤ EthicsPoint #45 – in progress. ➤ EthicsPoint #46 – insufficient information; closed within the hotline system. ➤ EthicsPoint #49 – completed; summarized results within the hotline system. ➤ Management requested review – completed; Review of Study Abroad, TXST to Canterbury Program; email issued to Associate VP for Academic Affairs, 12-19-2018. ➤ Hotline call – completed; Review of School of Music; email issued to VP for Academic Affairs, Associate VP for Academic Affairs, Dean, and Director, 2-20-2019. ➤ Management requested review – completed; Timekeeping Review, Utilities Department; internal memorandum issued 8-16-2019.
Respond to System Administration Requests	On-going. Activity does not result in a report. <ul style="list-style-type: none"> ➤ Gathering and analyzing five years of leave data.
Audit Liaison Activities	On-going. Activity does not result in a report. (THECB Teacher Quality, Institute of Criminal Justice, Comptroller Prompt Payment Audit, Comptroller Sales Tax, State Auditor’s HUB audit)

PRIOR YEAR PROJECTS COMPLETED DURING FISCAL YEAR 2019

Project/Activity	Report Title/Report Number, and Date Issued to External Oversight Entities
Compliance with Research Agreements	Compliance with Research Agreements, TXST-18-005, 5-17-2019.
Travel Expenditures	Travel Expenditures, TXST-18-006, 5-17-2019.
EHSRM Key Positions	Environmental Health, Safety, and Risk Management Key Safety Positions, TXST-18-004, 6-4-2019.

III. Consulting Services and Nonaudit Services Completed

The *International Standards for the Professional Practice of Internal Auditing* defines “consulting services” as advisory in nature, generally performed at the specific request of management. The *Government Auditing Standards* define “nonaudit services” as those activities which are not financial audits, attestation engagements, or performance audits. The following bulleted lists represent consulting and nonaudit services conducted during fiscal year 2019:

SYSTEM ADMINISTRATION

- Provided commentary on potential Rule changes for the Board’s consideration and on potential administrative policy changes.
- Prepared audit delegation requests for multiple projects across the TSUS.
- Researched a variety of issues at management’s request.
- Maintained the TSUS CPE Sponsorship with the Texas State Board of Public Accountancy as a registered CPE sponsor.
- Assisted components in re-accreditation efforts, and in particular, in assessing audit requirements and the timing of required audits.
- Performed a review of the Rio Grande College Library Expansion Transfer.
- Assisted System Administration in its efforts to obtain a historic tax credit for O. Henry Hall.
- Compiled a summary of audit issues and risks to assist in onboarding of new executive management at a component.
- Monitored pending legislation and provided feedback when audit implications were present.

LAMAR COMPONENTS

- Prepared and sent email “blasts” reminding faculty, staff, and students of their responsibilities to and options for reporting suspected waste, fraud, and abuse.
- Presented information on internal controls and audit observations at Lamar University departmental meetings within a specific college.
- Presented information on the Office of Internal Audit and reviewed high level results of certain projects at the Lamar University Council of Instructional Deans.
- Prepared audit delegation requests for external audit services at Lamar University and Lamar Institute of Technology.
- Consulted with Lamar University Risk Management on certain safety issues and concerns identified during the risk assessment process.
- Participated in discussions and meetings related to new ticketing system proposals for Lamar University.
- Participated in discussions regarding considerations for security of Lamar University nursing building.
- Reviewed and commented on potential administrative policy changes at all components.
- Reviewed and commented on draft nepotism form for Lamar University.
- Researched a variety of issues at management’s request at all components.
- Provided assistance and advised Lamar Institute of Technology/Lamar State College Port Arthur Information Security Officer on certain considerations for Ellucian cloud contracts.
- Consulted with Lamar State College Port Arthur and Lamar Institute of Technology management on project upgrading infrastructure and procedures at Lamar Institute of Technology
- Monitored and advised on IT business continuity at all components.
- Advised management on IT systems and applications controls at all components.

- Participated in informational meetings with vendor providing application for more efficient processing and tracking of grants through Lamar University's Office of Research and Sponsored Programs.
- Participated in discussions and meetings involving time and effort reporting at Lamar University.

SAM HOUSTON STATE UNIVERSITY

- Prepared and sent email "blasts" reminding faculty, staff, and students of their responsibilities to and options for reporting suspected waste, fraud, and abuse.
- Prepared hotline posters for distribution on the campus.
- Prepared audit delegation request for the review of the updated pro forma for the SHSU College of Osteopathic Medicine as required by the accreditation body.
- Researched a variety of issues at management's request.
- Presented results of procurement card and purchasing transaction analysis to Procurement and Business Services to demonstrate data analytics software capabilities.
- Served on the SHSU Safety Committee.
- Provided assistance to the Investigations and Audit Support division of the State Auditor's Office on an investigation.
- Consulted with the Controller's Office regarding compliance activities.
- Gathered information regarding the Pay It Forward SHSU student organization at the request of the President and consulted with the Division of Student Affairs.
- Consulted with the Office of Admissions regarding Governor Abbott's college admissions process assessment.

SUL ROSS STATE UNIVERSITY AND RIO GRANDE COLLEGE

- Prepared and sent email "blasts" reminding faculty, staff, and students of their responsibilities to and options for reporting suspected waste, fraud, and abuse.
- Served as Secretary to SRSU President's Select Task Force on Efficiencies and Innovation.
- Served on Risk Management Advisory Committee.
- Served on Cash Handling and Elimination Committee.
- Performed data analysis of certain salary information.
- Worked with UDPS and Texas Rangers on acquiring documentation for presenting charges related to possible theft to the grand jury.
- Prepared accounting services recommendations for incoming Vice President of Accounting and Finance.

TEXAS STATE UNIVERSITY

- Prepared and sent email "blasts" reminding faculty, staff, and students of their responsibilities to and options for reporting suspected waste, fraud, and abuse.
- Provided assistance in determining the appropriate scope of and obtaining audit services for a grant from the Cancer Prevention and Research Institute of Texas.
- Prepared audit delegation request for the review of Texas State's financial statements in support of the University's reaccreditation efforts.
- Prepared audit delegation request for the agreed-upon procedures review of Texas State's National Transit Database participation.
- Consulted with the Office of Research and Sponsored Programs regarding the audit reports to satisfy SACSCOC.
- Served on the Business Services Council.
- Served as ex-officio member of the Human Resources Stakeholders Team.

IV. External Quality Assurance Review (Peer Review)

Texas Government Code 2102 requires periodic external assessments of the audit function for compliance with applicable professional standards. The following excerpt is the most recent independent external validator's statement regarding the TSUS internal audit function, based on criteria outlined in the Institute of Internal Auditors *Quality Assessment Manual for the Internal Audit Activity*. There are three ratings that can be given. The validator rated the TSUS internal audit function with a "Generally Conforms" rating, which is the best rating available. A peer review for fiscal years 2017-2019 is underway as of the date of this report.

Texas State University System

**INDEPENDENT VALIDATION OPINION REPORT
QUALITY ASSURANCE
SELF-ASSESSMENT REVIEW**

September 2016

Prepared by:
Richard Tarr, CIA, CISA
3035 Dawley Avenue
Orlando, FL 32806
Ph: 407.896.2760
E-mail: rtarr@racar.com

Overview

As required by the Texas Internal Auditing Act (article 6252-5d, V.A.C.S.) and the Institute of Internal Auditors' (IIA) *International Standards for the Professional Practice of Internal Auditing* (IIA Standards), a quality assurance review (QAR) was conducted of The Texas State University System (System) internal audit activity. The IIA Standards *require* that internal audit activities obtain an assessment either through an external review or a self-assessment quality assurance review, with an independent validation. The Texas State University System internal audit activity (IA) had an external review in 2013 and chose to conduct a self-assessment quality assurance review with an independent validation in 2016.

As an independent reviewer, I was engaged to conduct an independent validation of that self-assessment. The primary objective of the validation was to independently verify the assertions made in the System's attached self-assessment report regarding adequate fulfillment of the basic expectations of the IA activity and its conformity to the *IIA Standards*. An additional objective was to provide recommendations that the reviewer deems may be of value to the System IA activity. Matters that might have been reviewed and reported on in an external review, such as an in-depth analysis of best practices, governance, and use of advanced technology, were excluded from the scope of this review.

In acting as validator, I am fully independent of the System and have the necessary knowledge and skills to undertake this engagement. The validation was conducted from August 29th through September 1st, 2016. It consisted primarily of a review and testing of the procedures and documented results of the self-assessment conducted by the System's IA review team. It also included a review of a limited sample of various audit workpapers, an evaluation of responses to surveys distributed to System Administration executives, component Presidents and management, and audit staff, and interviews with the

Finance and Audit Committee Chair of the Board of Regents and the Texas State University System Chancellor.

Opinion

Based upon my interviews, workpaper reviews, and a review of the work conducted by the IA review teams, I concur with the conclusion that the internal audit activity at the System Office of Audits and Analysis (OAA) and the component institutions, **generally conforms** to the applicable IIA Standards and the Texas Internal Auditing Act. This opinion, representing the best possible evaluation, means that there are in place the relevant structures, policies, and procedures, including the processes by which they are applied, that comply with the IIA Standards and the Texas Internal Auditing Act in all material respects. A review of the workpapers documenting the self-assessment conducted by the System's IA review team showed that the review was appropriately documented by the team and the opinion appears to have been objectively developed.



Richard H. Tarr, CIA, CISA

V. Audit and Compliance Plan for Fiscal Year 2020

The TSUS Office of Internal Audit prepares a consolidated audit and compliance plan (“the Plan”) for TSUS components and System Administration. 26,005 hours have been budgeted for activities/projects included in the Plan (including travel and administrative time). The TSUS Board of Regents approved the Plan on August 22, 2019.



Office of Internal Audit

Audit and Compliance Plan Fiscal Year 2020



Carole M. Fox, CPA
Chief Audit Executive, Texas State University System

Charles Gregory, CISA, CGEIT
Associate Director, Texas State University System

Ramona Stricklan, CIA, CFE
Audit Director, Lamar Components

Kelly Bielamowicz, CPA, MBA
Audit Director, Sam Houston State University

Scott Cupp, CIA, CCA
Audit Director, Sul Ross State University

Steven R. McGee, CPA, CIA
Audit Director, Texas State University

Kelly Wintemute, CCEP, MBA
Compliance Officer, Texas State University System

INTRODUCTION AND PURPOSE

The *Fiscal Year 2020 Audit and Compliance Plan* (“the Plan”) documents functional areas the Office of Internal Audit intends to devote resources to during fiscal year 2020. The Plan satisfies statutory responsibilities outlined in Section 2102.008 of the Texas Government Code, the Texas State University System *Rules and Regulations*, and applicable auditing standards. The number of hours budgeted to perform all activities in the Plan totals 26,005.

Plan Categories

The Plan is divided into three different categories:

- **Statutory Audits and Activities:** Projects required by law for all institutions and System Administration.
- **Risk-Based Functional Areas:** Projects allocated amongst the institutions based on risks identified during the annual risk assessment process and subsequently categorized by functional area. The presentation of these projects is different than in prior years: rather than listing the specific projects to be performed at each institution and System Administration, the Plan identifies the functional areas where projects will be performed. See the section entitled “Risk Assessment Processes” below for more information.
- **Other Activities:** Projects required by grant agreements or third parties; consulting and advisory services; special projects such as time-sensitive management-requested reviews or investigations; identification and communication of emerging compliance requirements; liaising with external auditors; and other functions designed to assist management in mitigating risks.

Risk Assessment Processes

Because of the increase in the number of statutorily-required projects and activities, audit resources available for risk-based projects have diminished. Therefore, it is critical that such projects focus on areas where independent reviews will provide the most value to the Texas State University System as a whole. In order to identify such projects, the Office of Internal Audit uses a two-phase risk assessment process.

The first phase is the annual risk assessment, used to build this Plan. (Texas Government Code 2102.005 requires audit plans to be developed “*utilizing risk assessment techniques.*”) The collective risk assessments performed at the institutions and System Administration included, but were not limited to, the following:

- Soliciting input from the Board of Regents, the Chancellor, Vice-Chancellors, and Component Presidents and management;
- Consulting with oversight entities regarding emerging concerns;
- Considering national trends within higher education;
- Evaluating materiality;
- Assessing the potential impact of negative public scrutiny; and
- Utilizing professional judgment and knowledge gained from prior projects regarding areas of risk.

The risk assessments considered a myriad of risks, including those associated with fraud, contract management, benefits proportionality, and information technology (including those associated with Title 1, Texas Administrative Code, Chapter 202, *Information Security Standards*). The risk assessments also considered work performed by external auditors, institutional risk appetites, and activities for which assurance or consulting engagements would be most helpful to management.

Upon completion of the annual risk assessment, identified risks were categorized into various functional areas, such as Financial Management, Academics and Instruction, and Outsourced Services. In creating the functional areas, we considered the various organizational structures within the Texas State University System, the Risk Dictionary classifications created by the *Association of College and University Auditors*, and the functional expense classifications promulgated by the *National Association of College and University Business Officers* for financial statement reporting purposes.

Each functional area contains numerous activities, processes, and operations that could be the subject of an audit. (See Appendix A.) Except for compliance reviews, which are conducted on a system-wide basis, the various functional areas and the specific projects selected for review in those functional areas vary amongst the institutions and System Administration, depending on the level of risk. For example, a project in the Financial Management functional area at Lamar University could involve an audit of accounts payable, while a project in the Financial Management functional area at Sul Ross State University could involve an audit of accounts receivable. There could be no projects (or multiple projects) in the Financial Management functional area at Sam Houston State University.

The second phase (of risk assessment) occurs when audit resources become available to commence a project in a designated functional area. Although the first phase of the risk assessment provides clear indicators of auditable units that would benefit from review, some units are of higher risk than others, and sometimes, risks identified during the annual risk assessment become mitigated as time passes. Therefore, as project planning begins, we conduct additional assessments to pinpoint the activities best suited for review. This approach affords us the flexibility to ensure emerging risks are timely reviewed.

As in prior years, there may be circumstances that require us to devote resources to activities not outlined in the Plan. Per the *Rules and Regulations*, significant changes to the Plan require approval by the Chair of the Finance and Audit Committee.

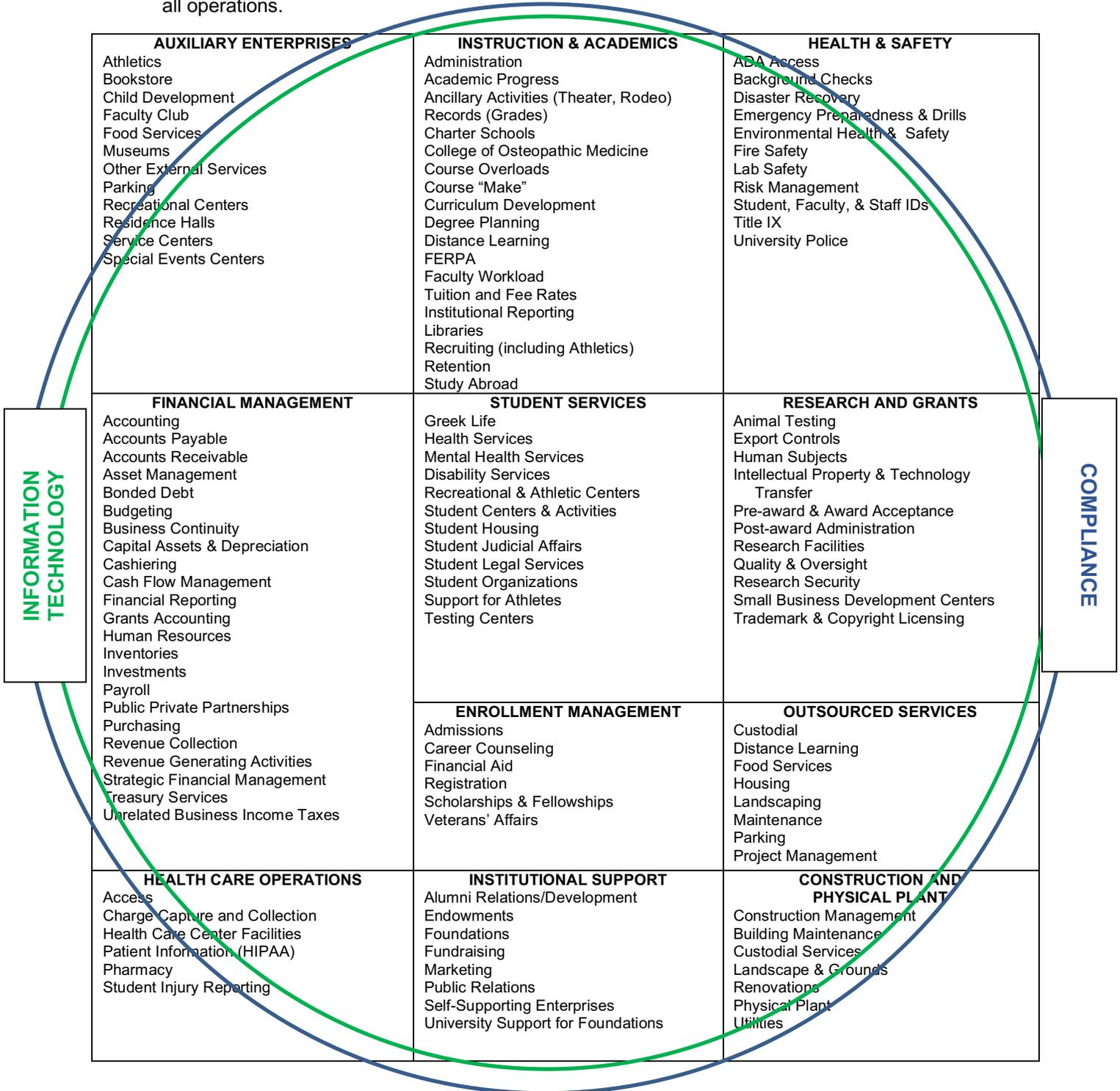
The Plan appears on the following page. Checkmarks, which can represent one or more planned projects, are used to identify the functional areas at individual institutions and System Administration where the Office of Internal Audit plans to devote resources throughout the year.

**TEXAS STATE UNIVERSITY SYSTEM
AUDIT AND COMPLIANCE PLAN
FISCAL YEAR 2020**

STATUTORY AUDITS AND ACTIVITIES								
	LU	SHSU	SRSU	TXST	LIT	LSCO	LSCPA	System Administration
SB 20 – Annual Review	✓	✓	✓	✓	✓	✓	✓	✓
SB 20 – Contract Administration	✓	✓	✓	✓	✓	✓	✓	✓
Benefits Proportionality	✓	✓	✓	✓	✓	✓	✓	✓
Quality Assurance Review	✓	✓	✓	✓	✓	✓	✓	✓
Follow-Up Reviews	✓	✓	✓	✓	✓	✓	✓	✓
Annual Risk Assessment and Audit Plan	✓	✓	✓	✓	✓	✓	✓	✓
Annual Internal Audit Report	✓	✓	✓	✓	✓	✓	✓	✓
Continuing Education	✓	✓	✓	✓	✓	✓	✓	✓
RISK-BASED FUNCTIONAL AREAS (See Appendix A)								
Auxiliary Enterprises				✓				
Instruction and Academic Support	✓	✓	✓	✓	✓	✓	✓	✓
Health & Safety	✓			✓	✓	✓	✓	
Financial Management	✓	✓	✓	✓	✓	✓	✓	✓
Student Services								
Enrollment Management	✓	✓	✓					
Research and Grants	✓		✓	✓				
Outsourced Services								
Health Care Operations								
Institutional Support								
Construction and Physical Plant		✓		✓				✓
Information Technology	✓	✓	✓	✓	✓	✓	✓	✓
Compliance	✓	✓	✓	✓	✓	✓	✓	✓
OTHER ACTIVITIES								
Special Projects	✓	✓	✓	✓	✓	✓	✓	✓
Third-Party Required Projects	✓	✓		✓				
SACSCOC Assistance	✓			✓	✓			
Audit Liaison Activities	✓	✓	✓	✓	✓	✓	✓	✓
Compliance Newsletter	✓	✓	✓	✓	✓	✓	✓	✓

APPENDIX A RISK-BASED FUNCTIONAL AREAS

This chart depicts examples of (but not all) subprocesses/activities within each functional area, many of which overlap. These activities represent potential auditable units; however, some activities inherently have higher risks than others. Finite resources preclude audits of every activity listed, including those known to have higher risks. Therefore, the absence of check-marks in the Plan for risk-based audits means that no work is planned in the corresponding functional area(s). Information technology and compliance risks surround all of the functional areas and exist within in all operations.



VI. External Audit Services Procured in Fiscal Year 2019

- System Administration contracted with the following firms:
 - Deloitte & Touche, LLP, for management audit and internal audit services (audit delegation 758-2019-002). No audit deliverables resulted from this contract in 2019.
 - Calhoun, Thomson + Matza, LLP, for an audit of the TSUS Foundation's financial statements (audit delegation 758-2019-001).
 - R.L. Townsend and Associates, LLC, for construction audit services (audit delegation 758-2018-002). This contract runs through 2021, with an option to extend an additional year. No audit deliverables resulted from this contract in 2019.
 - Novogradac & Company, LLP for an audit of the Texas Historic Preservation Tax Credits Schedule for O. Henry Hall (audit delegation 758-2019-003).

- Lamar University contracted with the following firms:
 - Weaver and Tidwell, LLP NCAA Agreed-Upon Procedures for the Athletic Department's Statement of Revenues and Expenditures for the fiscal year ended August 31, 2018 (audit delegation 734-2018-001).
 - Mitchell T. Fontenote, CPA, for an audit of KVLU FM Radio Station's fiscal year 2018 financial statements (audit delegation 734-2018-001).
 - Belt Harris Pechacek, LLLP for financial statement audit services for the fiscal year ending August 31, 2018 (audit delegation 734-2017-003).

- Sam Houston State University contracted with the following firms:
 - Bickley, Prescott, Webb & Wells, PC for the NCAA Agreed-Upon Procedures for the Athletic Department's Statement of Revenues and Expenditures for the fiscal year ended August 31, 2018 (audit delegation 753-2019-001).
 - Beall Barclay & Company, PLC, for agreed-upon procedures related to the schedule of forecasted cash receipts and disbursements for the College of Osteopathic Medicine for fiscal years 2019-2029 (audit delegation 753-2019-002).

- Texas State University contracted with the following firms:
 - Montemayor Britton Bender, PC, to conduct a review of the University's Cancer Prevention Research Institute of Texas (CPRIT) Program for fiscal year 2018 (audit delegation not obtained).
 - Montemayor Britton Bender, PC, for an audit of the schedule of expenditures of federal awards for the Student Financial Assistance Cluster for the year ended August 31, 2018 in connection with the University's reaccreditation efforts (audit delegation 754-2019-001).
 - Montemayor Britton Bender, PC, to perform agreed-upon procedures on financial data for the Federal Transit Administration (FTA) as set forth in its 2018 National Transit Database Policy Manual for Reduced Reporters, for the fiscal year ended August 31, 2018 (audit delegation 754-2019-002).

VII. Reporting Suspected Fraud and Abuse

The TSUS has taken the following actions to ensure compliance with requirements of Section 7.09, Fraud Reporting, General Appropriations Act (86th Legislature), Article IX, Page IX-37:

- The TSUS contracts with EthicsPoint, an internet-based fraud reporting hotline. On the main webpage, there is a link entitled [Report Fraud & Abuse](#), which redirects to the EthicsPoint mechanism for reporting suspected fraud, waste or abuse.

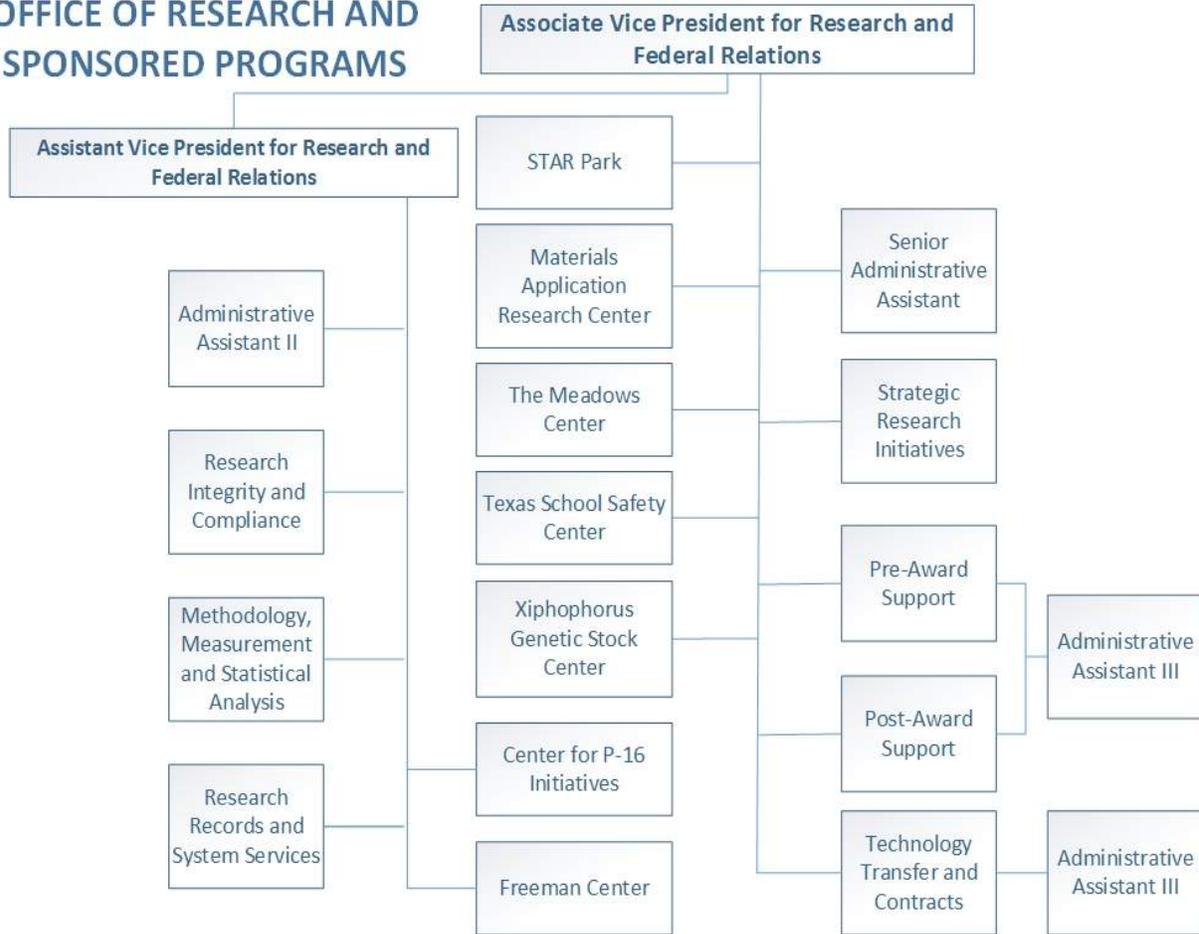
The link also appears on each TSUS component's homepage. Further, each component sends periodic email reminders to its employees regarding confidential avenues for reporting concerns about potential waste, fraud, and abuse of resources; the lack of compliance with laws, regulations, and/or University policies and procedures; or violations of the System's Code of Ethics.

Additionally, there is a link to the State Auditor's fraud reporting hotline on the TSUS webpage and each component's webpage.

Lastly, Texas State University has a local hotline that is monitored by the Office of Internal Audit.

- The TSUS Rules and Regulations place specific requirements for employees to report suspected waste, fraud, or abuse and delegates responsibility to the Chief Audit Executive to report such matters to the State Auditor's Office.
- The TSUS is aware of and complies with the requirements of Texas Government Code, Section 321.022, regarding reporting to the State Auditor's Office those situations where a reasonable cause to believe that money received from the state may have been lost, misappropriated, or misused, or that other fraudulent or unlawful conduct has occurred. The TSUS Rules and Regulations explicitly state: "*Texas State University System, through the Chief Audit Executive, will report suspected fraud or unlawful conduct to the State Auditor's Office (SAO) if he or she knows of facts pointing to fraud or unlawful conduct.*" The Office of Internal Audit conducts reviews into complaints regarding potential waste, fraud, or abuse (including complaints forwarded to the TSUS by the State Auditor's Office) and provides a written response summarizing the results of those reviews.

OFFICE OF RESEARCH AND SPONSORED PROGRAMS



Key Staff and Employees

- 1.
2. Dr. Seyedmeysam Khaleghian, Assistant Professor, Department of Engineering Technology, Design Team
3. Dr. BJ Spencer, Assistant Professor of Practice, Department of Engineering Technology, Design Team
4. Dr. Rodney Rohde, Professor & Chair, The Clinical Laboratory Science Program
5. Two future staff positions

Job description of the proposed positions

The two future staff positions will be to test the units for the actual sample collecting process, job description for "Specimen Collectors":

- Facilitated the collection, processing and shipping of specimens
- Collected specimens from clients
- Followed departmental policies to correctly identify the client before any specimen is obtained
- Properly labeled and documented the specimens and prepared them for shipment
- Demonstrated customer service and compassion when interacting with clients and clinician