



Sam Houston State University

MEMBER OF THE TEXAS STATE UNIVERSITY SYSTEM

Annual Financial Report



For the Fiscal Year Ended August 31, 2019

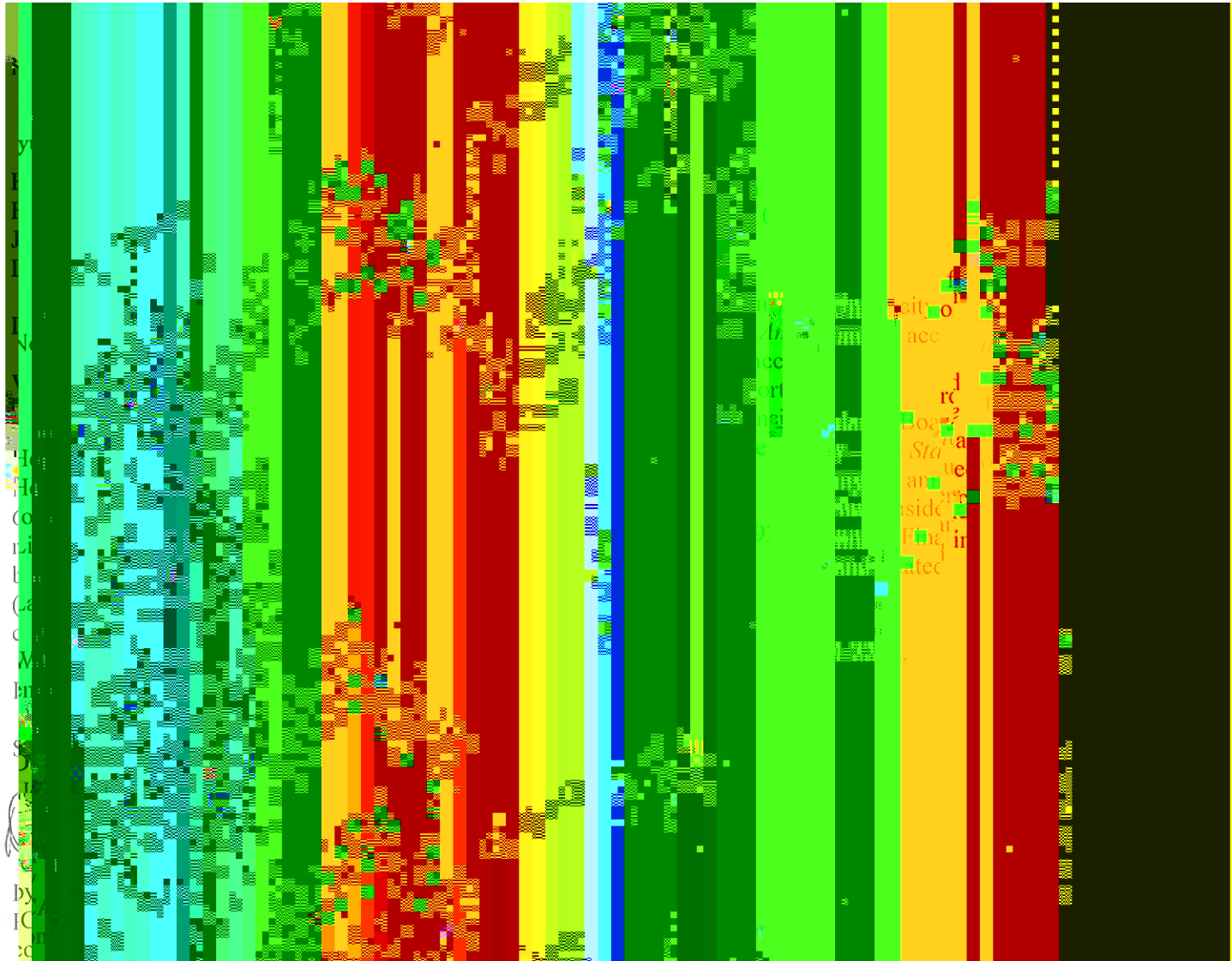


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BOARD OF REGENTS
TEXAS STATE UNIVERSITY SYSTEM
August 31, 2019

<u>Member</u>	<u>Member's City (Texas)</u>	<u>Term Expiration</u>
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
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Katey McCall, Student Regent	Orange	2020

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TEXAS STATE UNIVERSITY SYSTEM

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Dr. John Hayek	Vice Chancellor for Academic and Health Affairs
Dr. Fernando Gomez	Vice Chancellor and General Counsel
Sean Cunningham	Vice Chancellor for Governmental Relations
Daniel Harper, MBA	Vice Chancellor and Chief Financial Officer
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Carole Fox	Chief Audit Executive

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SAM HOUSTON STATE UNIVERSITY

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Dana G. Hoyt, Ph.D.

FISCAL OFFICE

J. Carlos Hernandez, EdD, CPA
Amanda Withers, MBA

Vice President for Finance and Operations
Controller

Sam Houston State University

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Sam Houston State University

Management's Discussion and Analysis

For the year ended August 31, 2019

directly receiving goods or services for those revenues. Additionally, certain federal resources for student financial aid, as well as most gift revenue, are classified as nonoperating revenue. Significant portions of SHSU's recurring resources are classified as nonoperating.

Statement of Cash Flows

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

Notes to Financial Statements

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

FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of SHSU's financial position. The largest portion of SHSU's net position reflects its investment in capital assets (e.g., land, building, equipment, improvements, construction in progress, and infrastructure). SHSU uses these capital assets to provide services; consequently, these assets are not available for future spending.

Sam Houston State University
Management's Discussion and Analysis
For the year ended August 31, 2019

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Sam Houston State University

Management's Discussion and Analysis For the year ended August 31, 2019

Statement of Revenues, Expenses and Changes in Net Position:

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

Sam Houston State University
Management's Discussion and Analysis

Sam Houston State University

Management's Discussion and Analysis

For the year ended August 31, 2019

programs that meet state and regional workforce needs and campus infrastructure that support the growing student populations and faculty. Aligned to major industries and university strengths, including energy, health care, and education, these recently added programs will support our economy, enhance our academic reputation, and produce new revenue streams for the university.

INITIATIVES

SHSU received approval to proceed with a College of Osteopathic Medicine. This will be the third college of osteopathic medicine in the state of Texas. SHSU is currently building a five-story, 216,000 square-foot facility on 7.3 acres in Conroe, Texas to house this program. Substantial completion of phase one is anticipated by December 31, 2019. The college will employ 20 full-time clinical faculty, 17 full-time biomedical science faculty, and 37 staff members. The College of Osteopathic Medicine will operate as a self-funded program.

Other initiatives and priorities that SHSU will continue to focus on during the 2020 fiscal year are::

- x Promoting growth, diversity, and equity within the student body.
- x Promoting student success within the university environment.
- x Ensuring that students graduate and are prepared for post-graduation success.

CONTACTING SHSU'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of SHSU's finances. Questions concerning this report or requests for additional financial information should be directed to Amanda Withers; Controller, Finance Office; Sam Houston State University; Thompson Building, Suite 201; Huntsville, TX 77341; Phone: 936.294.2289. General Information about SHSU may be found on the website www.SHSU.edu.

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Proprietary Fund Financial Statements

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Texas State University System
Sam Houston State University
Statement of Net Position
August 31, 2019

	2019	2018
ASSETS		
Current Assets:		
Cash and Cash Equivalents: (Note 3)		
Cash on Hand (Including Petty Cash)	\$ 16,261.00	\$ 15,975.00
Cash in Bank	3,681,846.96	22,218,842.73
Cash in Transit/Reimburse from Treasury	1,100,368.59	687,101.18
Cash in State Treasury (Schedule 3)	18,089,905.47	14,718,351.24
Cash Equivalents	67,187,792.04	61,801,428.78
Restricted:		
Cash and Cash Equivalents: (Note 3)		
Cash in Bank	144,590.57	35,958.79
Cash Equivalents	2,352,585.13	215,805.30
Short Term Investments (Note 3)	12,323,076.55	26,535,296.11
Legislative Appropriations	23,651,417.74	16,447,635.77
Receivables:		
Federal	2,535,798.80	2,976,053.42
Other Intergovernmental	175,248.23	413,000.00
Interest	1,611.56	2,354.01
Accounts - Tuition	52,759,597.37	49,184,172.95
Allowance Accounts	(11,052,749.56)	(9,596,863.61)
Other	7,260,953.60	8,439,919.78
Due From Other Agencies (Note 12)	765,368.08	754,313.23
Merchandise Inventories	337,088.61	344,497.22
Prepaid Items	300,076.88	58,609.84
Loans and Contracts	14,255,485.80	13,688,312.25
Other Current Assets	16,546,046.43	14,457,444.24
Total Current Assets	\$ 212,432,369.85	\$ 223,398,208.23
Non-Current Assets:		
Restricted:		
Investments (Note 3)		\$ 46,603,115.23
Investments (Note 3)	182,262,364.01	124,437,897.00
Receivables:		
Gifts/Pledges	2,118,810.61	3,353,860.87
Capital Assets: (Note 2)		
Non-Depreciable or Non-Amortizable		
Land and Land Improvements	46,197,472.61	38,351,152.78
Construction in Progress	237,514,039.20	154,640,870.95
Other Capital Assets	1,536,665.55	1,434,665.55

Texas State University System
 Sam Houston State University
 Statement of Net Position
 August 31, 2019

	2019	2018
Depreciable or Amortizable		
Buildings and Building Improvements	547,775,982.67	530,208,656.09
Less Accumulated Depreciation	(288,015,801.34)	(265,699,730.39)
Infrastructure	27,711,747.28	22,536,513.23
Less Accumulated Depreciation	(10,362,923.08)	(9,385,999.11)
Facilities and Other Improvements	40,150,703.19	39,856,178.29
Less Accumulated Depreciation	(16,925,946.83)	(15,291,013.44)
Furniture and Equipment	42,989,372.09	42,792,252.72
Less Accumulated Depreciation	(31,442,958.83)	(30,456,956.41)
Vehicles, Boats, and Aircraft	5,403,979.94	5,262,695.88
Less Accumulated Depreciation	(4,336,350.48)	(4,143,324.64)
Computer Software - Intangible	3,243,398.02	3,243,398.02
Less Accumulated Amortization	(3,243,398.02)	(3,119,148.40)
Other Capital Assets	13,484,857.90	13,882,134.47
Less Accumulated Depreciation	(10,054,114.33)	(10,165,190.18)
Total Non-Current Assets	\$ 786,007,900.16	\$ 688,342,028.51
Total Assets	\$ 998,440,270.01	\$ 911,740,236.74

DEFERRED OUTFLOWS OF RESOURCES

Total Deferred Outflows of Resources	-	-
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LIABILITIES

Current Liabilities:

378,320 (32,540,898.00) and 12,079,564 (1,303,297.29) (89 ()) 9825 02 (53014844098.02)

Texas State University System
Sam Houston State University
Statement of Net Position
August 31, 2019

	<u>2019</u>	<u>2018</u>
DEFERRED INFLOWS OF RESOURCES		
Total Deferred Inflows of Resources	-	-
Net Investment in Capital Assets	\$ 601,626,725.54	\$ 511,586,027.87
Restricted For:		
Capital Projects	2,662,314.98	215,805.30
Other	18,349,070.67	18,469,194.43
Funds Held As Permanent Investments:		
Non-Expendable:		
Endowment Funds	88,684,759.11	76,255,988.75
Expendable:		
Endowment Funds	31,711,031.77	50,218,845.91
Unrestricted	99,998,909.74	108,075,006.93
Total Net Position	\$ 843,032,811.81	\$ 764,820,869.19

Texas State University System
Sam Houston State University
Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended August 31, 2019

	2019	2018
OPERATING REVENUES:		
Tuition and Fees - Pledged	\$ 222,893,934.07	\$ 214,009,567.89
Tuition and Fees - Discounts/Allowances	(57,535,848.40)	(56,702,286.74)
Auxiliary Enterprises - Pledged	45,436,082.81	46,227,540.05
Auxiliary Enterprise – Discounts/Allowances	(8,156,997.44)	(8,073,441.01)
Other Sales of Goods and Services - Pledged	4,059,912.74	4,189,646.76
Federal Revenue	6,490,025.65	4,826,558.38
Federal Pass-Through Revenue	1,555,327.09	1,617,096.45
State Grant Revenue	88,990.63	425,911.51
State Grant Pass-Through Revenue	18,815,049.16	16,225,882.48
Other Grants and Contracts -Non-pledged	3,982,664.03	2,414,513.61
Other Operating Revenues - Pledged	6,778,096.76	6,240,199.65
Total Operating Revenues	\$ 244,407,237.10	\$ 231,401,189.03
OPERATING EXPENSES:		
Instruction	\$ 103,061,985.32	\$ 99,680,363.26
Research	9,000,748.44	6,774,386.86
Public Service	12,353,689.18	11,613,113.87
Hospitals and Clinic	17,814.08	-
Academic Support	46,042,231.94	44,251,164.53
Student Services	28,939,982.65	26,694,705.74
Institutional Support	22,528,285.55	20,611,571.92
Operation and Maintenance of Plant	23,059,240.34	24,386,951.12
Scholarship and Fellowships	30,981,653.34	29,427,463.70
Auxiliary	48,433,381.78	46,157,216.74
Depreciation and Amortization	29,545,339.54	25,259,082.22
Total Operating Expenses	\$ 353,964,352.16	\$ 334,856,019.96
Operating Income (Loss)	\$ (109,557,115.06)	\$ (103,454,830.93)
NONOPERATING REVENUES (EXPENSES):		
Legislative Revenue (GR)	\$ 56,608,700.00	\$ 56,949,583.00
Additional Appropriations (GR)	15,076,927.16	14,618,586.97
Federal Revenue	38,654,720.98	36,438,149.90
Federal Pass-Through Revenue	339,651.15	80,500.72
Gifts - Pledged	147,734.39	262,727.26
Gifts - Non-Pledged	10,188,411.33	7,115,624.89
Investment Income - Non-Pledged	2,102,130.34	5,276,210.67
Investment Income - Pledged	3,170,285.06	3,656,263.38
Gain (Loss) on Sale of Capital Assets	(372,380.78)	(769,311.65)
Net Increase (Decrease) Fair Value - Pledged	(700,586.46)	1,672,915.59

	Student Services	Institutional Support	Operation and Maintenance of Plant	Scholarship and Fellowships	Auxiliary Enterprises	Depreciation and Amortization	Total Expenses
\$	77,129.36	\$ 2,888.80	\$ -	\$ -	49,629.75	\$ -	\$ 172,375.37
	16,204,988.19	13,932,284.79	9,297,374.95	1,074,701.06	12 695,529.84		

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Proceeds from Tuition and Fees	\$ 134,431,026.86	\$ 126,016,156.29
Proceeds from Research Grants and Contracts	31,010,358.31	24,770,038.87
Proceeds from Auxiliaries	37,279,085.37	38,154,099.04
Proceeds from Other Operating Revenues	10,838,009.50	10,429,846.41
Payments to Suppliers for Goods and Services	(64,346,841.67)	(67,151,532.27)
Payments to Employees for Salaries	(161,175,830.68)	(153,347,335.49)
Payments to Employees for Benefits	(45,867,245.02)	(42,366,474.15)
Payments for Loans Provided	(567,173.55)	(1,287,997.29)
Payments for Other Operating Expenses	(15,052,736.20)	(16,107,085.55)
Net Cash Provided by Operating Activities	\$ (73,451,347.08)	\$ (80,890,284.14)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Proceeds from Debt Issuance		
Proceeds from State Appropriations	\$ 82,458,220.19	\$ 89,000,404.34
Proceeds from Gifts	10,336,145.72	7,378,352.15
Proceeds from Endowments	7,595,127.75	5,096,441.49
Proceeds from Grant Receipts	38,994,372.13	36,518,650.62
Proceeds from Other Noncapital Financing Activities	669,404.61	10,364,120.83
Payments for Other Noncapital Financing Uses	(2,549,569.40)	(2,771,795.91)
Net Cash Provided by Noncapital Financing Activities	\$ 137,503,701.00	\$ 145,586,173.52
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from Debt Issuance	\$ 76,315,000.00	\$ 39,500,000.00
Proceeds from Capital Contributions	-	-
Payments for Additions to Capital Assets	(117,597,290.45)	(90,541,387.11)
Payments of Principal on Debt	(13,343,930.88)	(13,317,424.58)
Payments of Interest on Debt Issuance	(11,874,905.89)	(11,619,145.75)
Net Cash Provided by Capital and Related Financing Activities	\$ (66,501,127.22)	\$ (75,977,957.44)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Investment Income	\$ 5,272,415.40	\$ 8,932,474.05
Payments to Acquire Investments	(9,943,755.36)	(6,811,883.93)
Net Cash Provided by Investing Activities	\$ (4,671,339.96)	\$ 2,120,590.12
Net Change in Cash and Cash Equivalents		
	\$ (40,618,985.04)	\$ (13,182,606.55)
Supplemental Disclosures of Cash Flows		
Supplemental Disclosure of Cash Flows	\$ 1,500,000.00	\$ 1,500,000.00
Supplemental Disclosure of Cash Flows	\$ 1,500,000.00	\$ 1,500,000.00

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Texas State University System
Sam Houston State University
Statement of Cash Flows
For the Fiscal Year Ended August 31, 2019

	2019	2018
Classification Differences		
Changes in Assets and Liabilities:		
(Increase) Decrease in Receivables	(545,140.67)	(3,800,151.27)
(Increase) Decrease in Due from Other Funds	(11,054.85)	(349,916.21)
(Increase) Decrease in Inventories	7,408.61	(49,589.27)
(Increase) Decrease in Prepaid Expenses	(241,467.04)	53,847.99
(Increase) Decrease in Loans & Contracts	(567,173.55)	(1,287,997.29)
(Increase) Decrease in Other Assets	(2,088,602.19)	(1,391,389.01)
Increase (Decrease) in Payables	1,104,631.18	(4,215,024.36)
Increase (Decrease) in Due to Other Funds	346,385.06	(156,505.39)
Increase (Decrease) in Unearned Revenue	5,215,700.77	5,979,331.68
Increase (Decrease) in Compensated Absence Liability	488,965.74	166,831.88
Increase (Decrease) in Other Liabilities	1,332,407.90	607,339.39
Total Adjustments	36,105,767.98	22,564,546.79
Net Cash Provided by Operating Activities	\$ (73,451,347.08)	\$ (80,890,284.14)
Non Cash Transactions		
Donation of Capital Assets	3,243,700.00	-
Net Change in Fair Value of Investments	(12,934,623.14)	13,175,967.52

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Notes to the Financial Statements
For the Year Ended August 31, 2019

Fund Structure

The financial statements of SHSU have been prepared on the basis of funds, each of which is considered a separate accounting entity. The fund designation for institutions of higher education is Business-Type Activity within the Proprietary Fund Type.

Proprietary Fund Types

Business-Type Activity

Business-type funds are used for activities that are financed through the charging of fees for goods or services to the ultimate user. Institutions of higher education are required to report their financial activities as business type because the predominance

Sam Houston State University

Notes to the Financial Statements *For the Year Ended August 31, 2019*

Restricted Assets

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

Investments

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

Legislative Appropriations

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

Inventories and Prepaid Items

Inventories include both merchandise inventories on hand for sale and consumable inventories. Inventories are valued at cost, generally utilizing the last-in, first-out method. The consumption method of accounting is used to account for inventories and prepaid items. The costs of inventories are expensed when they are used or consumed. Prepaid items reflect payments for costs applicable to future accounting periods.

Capital Assets

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

Capital assets are depreciated over the estimated useful life of the asset (ranging from 5 to 20 years).

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Notes to the Financial Statements *For the Year Ended August 31, 2019*

Other Receivables

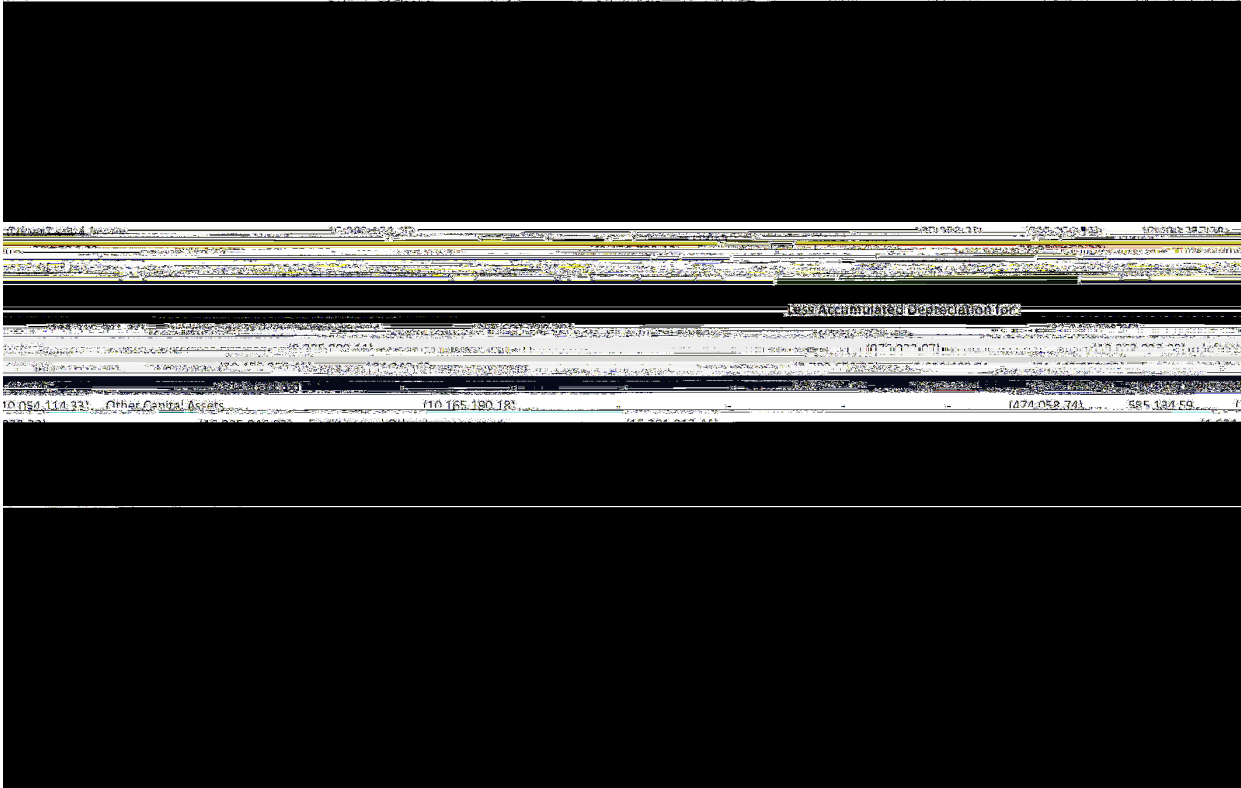
Other receivables include year end accruals not included in any other receivable category. This account can appear in governmental and proprietary fund types.

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Notes to the Financial Statements For the Year Ended August 31, 2019

Note 2: Capital Assets

A summary of changes in capital assets for the year ended August 31, 2019 is presented below:



The table area is almost entirely obscured by a large black redaction box. Only a few lines of text are visible at the bottom of the redacted area, including the heading "Other Capital Assets" and some numerical values.

Note 3: Deposits, Investments, and Repurchase Agreements

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

Deposits

As of August 31, 2019, the carrying amount of deposits was \$3,826,437.53 as presented below:

Cash	
	Cash in Bank per AFR
\$ 3,826,437.53	

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Notes to the Financial Statements *For the Year Ended August 31, 2019*

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository fy of/TT1 Tc612 0

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Notes to the Financial Statements *For the Year Ended August 31, 2019*

- **Level 3** – inputs are unobservable inputs for an asset or liability.

Beyond these three levels, net asset value may be used to categorize investments without a readily determinable fair value.

As of year end, fair value of investments were categorized as follows:

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. As of August 31, 2019, SHSU was subject to minimal credit risk.

Concentration of credit risk is the risk of loss attributable to the magnitude of investment in a single issuer. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this disclosure requirement. As of August 31, 2019, SHSU was not subject to concentration of credit risk.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. SHSU is not required to disclose interest rate risk.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, SHSU will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

Foreign currency risk for investments is the risk that changes in excha

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Notes to the Financial Statements *For the Year Ended August 31, 2019*

Reverse Repurchase, Securities Lending, and Derivative Investing

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

Note 4: Short-Term Debt

During the fiscal year ended August 31, 2019, SHSU had no short-term debt activity.

Note 5: Long-Term Liabilities

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Notes to the Financial Statements For the Year Ended August 31, 2019

Sick leave, the accumulation of which is unlimited, is earned at the rate of 8 hours per month and is 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 sick leave that may be paid to an employee’s estate is one-half of the employee’s accumulated entitlement or 336 hours, whichever is less. SHSU’s policy is to recognize the cost of sick leave when paid and the liability is not shown in the financial statements since experience indicates the expenditure for sick leave to be minimal.

Note 6: Bonded Indebtedness

All bonded indebtedness for SHSU is issued by System Administration through the Texas State University System Revenue Financing System (the “Revenue Financing System”). System Administration and each component institution within TSUS are members of the Revenue Financing System. The Board pledged all of the funds (revenues) and balances derived or attributable to any member of the Revenue Financing System that are lawfully available to the Board for payments on Parity Debt. System Administration issued the debt; therefore, the bonds payable attributable to SHSU are included with the Bonds Payable reported by System Administration. SHSU must repay the debt that was issued on its behalf; consequently, the following debt amortization schedule is presented for informational purposes only.

A portion of the debt represents Tuition Revenue Bonds historically funded by the Texas Legislature through General Revenue Appropriations. SHSU was appropriated \$5,646,300.00 during the current fiscal year for Tuition Revenue Bond debt service. SHSU expects future Legislative appropriations to meet debt service requirements for Tuition Revenue Bonds.

Note 7: Derivative Instruments

SHSU did not have any derivative activity for the fiscal year ended August 31, 2019.

Note 8: Leases

As of August 31, 2019, SHSU was not involved in any capital lease agreements.

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Notes to the Financial Statements *For the Year Ended August 31, 2019*

SHSU has entered into various operating leases for buildings and equipment. Rental expenses for operating leases were \$298,857.82 for the fiscal year ended August 31, 2019.

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

Note 9: Defined Benefit Pension Plans and Defined Contribution Plan

Optional Retirement Program contributions for SHSU are reported by the TSUS in the consolidated annual financial report.

Note 10: Deferred Compensation

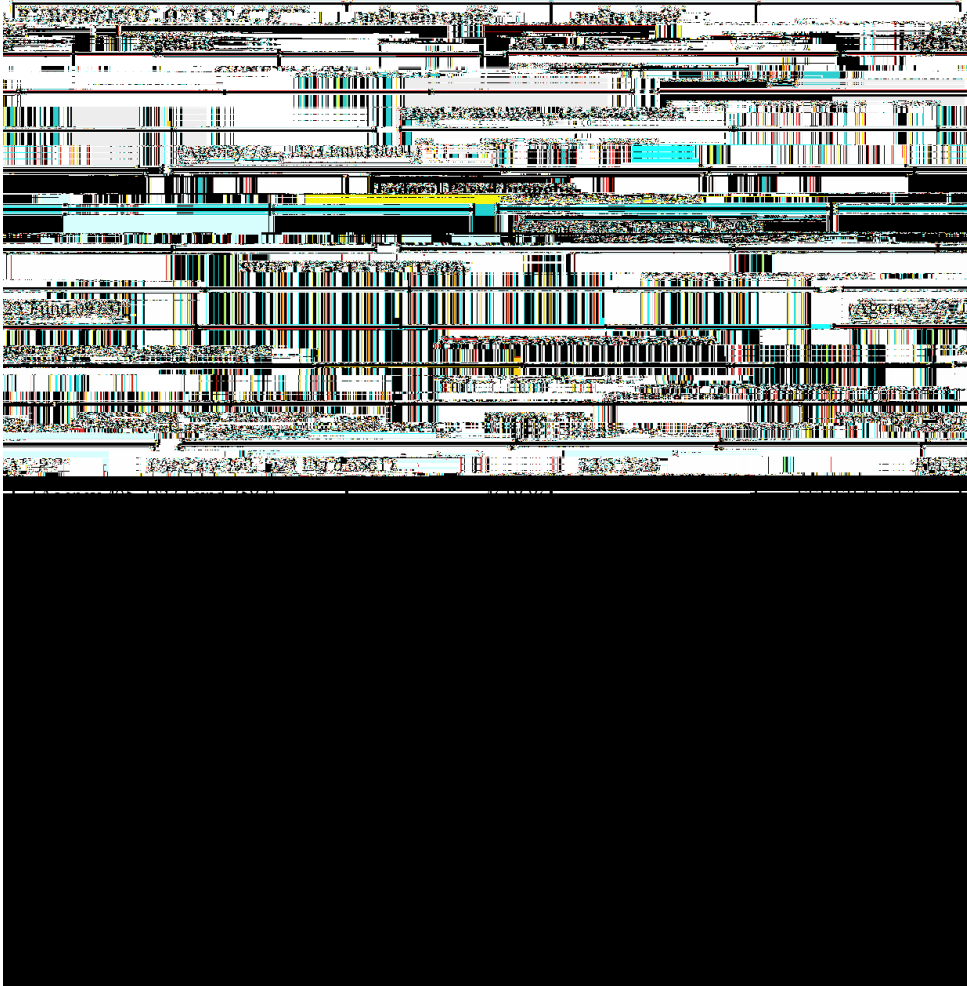
State employees may elect to defer a portion of their earnings for income tax and investment purposes

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Notes to the Financial Statements For the Year Ended August 31, 2019

SHSU experienced routine transfers with other State agencies, which were consistent with the activities of the fund making the transfer. Repayment of interfund balances will occur within one year from the date of the financial statements.

Individual balances and activity at August 31, 2019 were as follows:



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Notes to the Financial Statements *For the Year Ended August 31, 2019*

Transfer in/out from State Entities were as follows:

Legislative transfers in and out were as follows:

The Federal and State Grant Pass Through in

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Notes to the Financial Statements For the Year Ended August 31, 2019

Expenditures of Federal Awards, and Schedule 1B - Schedule of Pass-Through Grants From/To State Agencies, respectively.

Note 13: Continuance Subject to Review

Not Applicable. SHSU is not subject to the Texas Sunset Act.

Note 14: Adjustments to Net Assets

There were no adjustments made to Net Assets in Fiscal Year 2019.

Note 15: Contingencies and Commitments

Claims and Judgements

At August 31, 2019, various lawsuits and claims involving SHSU were pending. While the ultimate liability, if any, with respect to litigation and other claims asserted against SHSU cannot be reasonably estimated at this time, SHSU anticipates the liability, to the extent not provided for by insurance or otherwise, is not likely to have a material effect on SHSU.

Federal Assistance

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

Arbitrage

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

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

Construction Commitments

SHSU continues to implement capital improvements to upgrade facilities. The outstanding capital commitments for the construction and renovation of various facilities are \$51,302,189.48. These projects are in various stages of completion.

Sam Houston State University

Notes to the Financial Statements *For the Year Ended August 31, 2019*

Note 16: Subsequent Events

On September 10, 2019, the TSUS Revenue Financing System (RFS) issued \$19,781,200 in Tax-Exempt Commercial Paper Notes to finance a variety of capital projects at TSUS components. Subsequent to the issuance, \$144,761,200 of Tax-Exempt Commercial Paper Notes were outstanding.

On October 24, 2019, the RFS priced Series 2019A,

Sam Houston State University

Notes to the Financial Statements *For the Year Ended August 31, 2019*

Workers' Compensation

The administration of the State's employee workers' compensation program is vested with the State Office of Risk Management (SORM). In accordance with H.B. No. 1203, 77th Legislature, SORM developed and imposed a formula-driven charge for workers' compensation costs upon participating agencies. The workers' compensation assessment is prepaid to SORM through an Interagency Contract for workers' compensation coverage for its employees in compliance with Texas Labor Code Chapter 412 and Chapter 501. The assessment for SHSU for 2019 was \$321,566.69. The assessment for SHSU for 2020 is \$341,634.35.

Fire and Extended Coverage

SHSU is required by certain bond covenants to carry fire and extended coverage and boiler insurance on buildings financed through the issuance of bonds using pledged Auxiliary Enterprise or other non-Educational and General Funds. The insurance protects the bond holders from a disruption to the revenue stream that is being utilized to make the bond interest and principal payments. SHSU had no insurance claims made during the fiscal year ended August 31, 2019

Motor Vehicle

The Texas Motor Vehicle Safety Responsibility Act requires that every non-governmental vehicle operated on a State highway be insured for minimum limits of liability in the amount of \$30,000/\$60,000 bodily injury and \$25,000 property damage. All vehicles owned and/or leased by SHSU are covered by a commercial insurance policy specifically customized for the TSUS, which provides coverage to the extent of \$1,000,000 combined single liability. The coverage exceeds the extent of the wa

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Notes to the Financial Statements For the Year Ended August 31, 2019

Note 20: Stewardship, Compliance, and Accountability

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

Note 21: Not Applicable

Not Applicable.

Note 22: Donor-Restricted Endowments

Non-expendable restricted net position consists of endowments in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity and invested for the purpose of producing present and future income.

Net	Amounts O
<div style="border: 1px solid black; height: 100px; width: 100%;"></div>	

The amount reported as Net Appreciation represents net appreciation on investments of donor restricted endowments that are 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.

The fiscal year 2019 SHSU spending policy for endowments was to distribute as much of the total return allowable while maintaining the principle investment objective of protecting the real value of the endowment corpus.

Note 23: Extraordinary and Special Items

Not Applicable. SHSU had no special or extraordinary items to report for the fiscal year ended August 31, 2019.

Note 24: Disaggregation of Receivable and Payable Balances

Balances of receivables and payables reported on the Statement of Net Position are not obscured by aggregation. There are no significant receivable balances expected to be collected beyond one year of the date of the financial statements. Accounts receivable for tuition are presented net of allowance for doubtful accounts of \$11,052,749.56.

Sam Houston State University

Notes to the Financial Statements For the Year Ended August 31, 2019

Net other receivables on August 31, 2019 are detailed by type as follows:

Note 25: Termination Benefits

Not Applicable. During the fiscal year ended August 31, 2018, SHSU did not provide termination benefits.

Note 26: Segment Information

Not applicable. SHSU has no segments to report.

Note 27: Service Concession Arrangements

Not applicable. SHSU has no service concession arrangements to report as of August 31, 2019.

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

Not applicable. SHSU has no deferred outflows or inflows of resources to report as of August 31, 2019.

Note 29: Troubled Debt Restructuring

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Sam Houston State University

Notes to the Financial Statements
For the Year Ended August 31, 2019

Note 32: Fund Balances

Not applicable.

Sam Houston State University
Schedule 1A
For

Sam

Sam Houston State University
Schedule 1A
For the Fiscal Year Ended August 31, 2019

The image shows a document with significant scanning artifacts, including heavy noise and a large black redaction box in the upper right. The text is mostly illegible, but some fragments are visible, such as "Sam Houston State University" and "Schedule 1A".

UNAUDITED

Sam Houston State University
Schedule 1A
For the Fiscal Year Ended August 31, 2019

UNAUDITED

The image shows a document page that is almost entirely obscured by digital corruption. The page is covered in a dense pattern of multi-colored noise, including vertical and horizontal streaks of red, green, blue, yellow, and purple. The text is completely illegible due to this corruption. In the lower-left corner, there is a small, faint rectangular area containing the text "TRC - Minister" and "UCS Department of Education".

Sam Houston State University

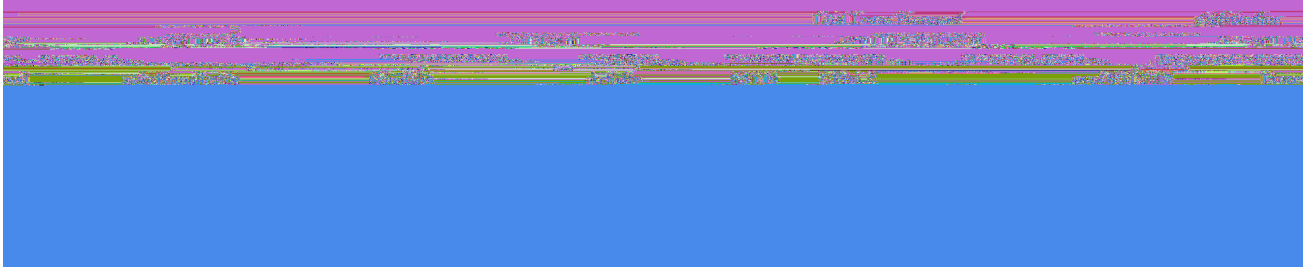
Notes to the 12 Statements

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Sam Houston State University

Notes to the Financial Statements *For the Year Ended August 31, 2019*

Note 3b- Federally Funded Loans Processed and Administrative Costs Recovered



Sam Houston State University

Notes to the Financial Statements
For the Year Ended August 31, 2019

Schedule 1B
State Pass-Through Grants from Other State Agencies

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Notes to the Financial Statements
For the Year Ended August 31, 2019

Schedule 2B
Changes in Bond Indebtedness
For the Year Ended August 31, 2019

Schedule Not Used

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Notes to the Financial Statements
For the Year Ended August 31, 2019

Schedule 2C
Debt Service Requirements
For the Year Ended August 31, 2019

Schedule Not Used

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Notes to the Financial Statements
For the Year Ended August 31, 2019

Schedule 2D

Analysis of Funds Available for Debt Service
For the Year Ended August 31, 2019

Business Type Activities
General Obligation Bonds

Schedule Not Used

Business Type Activities
Revenue Bonds

Schedule Not Used

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Notes to the Financial Statements
For the Year Ended August 31, 2019

Schedule 2E
Defeased Bonds Outstanding
For the Year Ended August 31, 2019

Schedule Not Used

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Notes to the Financial Statements
For the Year Ended August 31, 2019

Schedule 2F
Early Extinguishment and Refunding
For the Year Ended August 31, 2019

Business Type Activities
General Obligation Bonds

Schedule Not Used

Business Type Activities
Revenue Bonds

Schedule Not Used

