



# Annual Financial Report

FISCAL YEAR ENDING AUGUST 31, 2021



**NAMED A TOP 10  
U.S. INFLUENCER**



**50+** ASSOCIATE DEGREE  
AND CERTIFICATE  
PROGRAMS

**38%** ★★★★★  
OF STUDENTS ARE  
FIRST GENERATION

**45.9%**   
6-YEAR GRADUATION RATE



# LAMAR STATE COLLEGE PORT ARTHUR

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# ***INTRODUCTORY SECTION***

# LAMAR STATE COLLEGE PORT ARTHUR

Organizational Data  
As of August 31, 2021

## BOARD OF REGENTS TEXAS STATE UNIVERSITY SYSTEM

Member	Member's City (Texas)	Term Expiration
Duke Austin, Chairman	Houston	February 1, 2023
Garry Crain, First Vice Chairman	The Hills	February 1, 2023
Alan L. Tinsley, Second Vice Chairman	Madisonville	February 1, 2027
Charlie Amato	San Antonio	February 1, 2025
Sheila Faske	Rose City	February 1, 2027
Dionicio (Don) Flores	El Paso	February 1, 2025
Nicki Harle	Baird	February 1, 2023
Stephen Lee	Beaumont	February 1, 2027
William F. Scott	Nederland	February 1, 2025
Camile Settegast, Student Regent	Horseshoe Bay	May 31, 2022

## SYSTEM ADMINISTRATION

Name	Title
Dr. Brian McCall	Chancellor
Dr. John Hayek	Vice Chancellor for Academic and Health Affairs
Nelly Herrera	Vice Chancellor and General Counsel
Daniel Harper	Vice Chancellor and Chief Financial Officer
Sean Cunningham	Vice Chancellor for Governmental Relations
Mike Wintemute	Vice Chancellor for Marketing and Communications
Carole Fox	Chief Audit Executive

## LAMAR STATE COLLEGE PORT ARTHUR

Name	Title
Dr. Betty Reynard	President
Dr. Pamela Millsap	Vice President for Academic Affairs
Mary Wickland	Executive Vice President for Finance and Operations
Dr. Tessie Bradford	Dean of Student Services

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# ***FINANCIAL SECTION***

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

To the Board of Regents of  
Texas State University System:

We have reviewed the accompanying Statement of Net Position; Statement of Revenues, Expenses, and Changes in Net Position; and Statement of Cash Flows of Lamar State College Port Arthur (LSCPA), an Agency of the State of Texas, as of and for the year ended August 31, 2021, and the related notes to the financial statements, which collectively comprise LSCPA's basic financial statements.

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

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

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

### **Accountants' Responsibility**

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

### **Accountants' Conclusion**

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

## **Emphasis of Matter**

While the results of our review are not modified with respect to this matter, the financial statements of LSCPA are intended to present the financial position and the changes in financial position and cash flows of only that portion of the business-type activities of the State of Texas that are attributable to the transactions of LSCPA, as discussed in Note 1. Transactions associated with bonds, pensions, and other postemployment benefits related to LSCPA's activities in the name of Texas State University System (TSUS) are reported by TSUS and not LSCPA. The financial statements do not purport to, and do not, present fairly the financial position of the State of Texas as of August 31, 2021, or the changes in its financial position, or, where applicable, its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

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

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

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

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

*BELT HARRIS PECHACEK, LLLP*

*Certified Public Accountants*

Houston, Texas

January 21, 2022

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

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# Lamar State College Port Arthur

## Management's Discussion and Analysis For the Year Ended August 31, 2021

### INTRODUCTION

The following Management's Discussion and Analysis (MD&A) section of Lamar State College Port Arthur's ("LSCPA") annual financial report has been prepared to provide an overview of the activities and the financial performance of LSCPA for the fiscal year ended August 31, 2021. This presentation is intended to offer a summary of significant current year activities, resulting changes, and currently known economic conditions and facts. This analysis should be read in conjunction with LSCPA's basic financial statements and the notes to the financial statements.

### BACKGROUND

The origins of LSCPA date back to its formation in 1909 when it operated as a nonprofit college through 1975. LSCPA merged with Lamar University, a State of Texas (the "State") university, in 1975. LSCPA was first recognized as a separate component institution of the State in 1983 and, in 1991, was granted authority to issue degrees in its name, Lamar State College Port Arthur.

The hallmark of LSCPA includes valuable, job-ready skills - the ones that move your life forward and link classroom to career and an academic curriculum that will transfer to a four-year college or university. The campus is located in Port Arthur, Texas and is adjacent and parallel to Sabine Lake and the Intracoastal Waterway. The picturesque historic campus is a short distance from many of the petrochemical industry giants. Cheniere, Chevron, Golden Pass LNG, Motiva, and Valero are just a few of the world's largest facilities. LSCPA scholars are an economic catalyst for the economy. Today, men and women find their path at LSCPA. They nurture their aspirations with faculty mentors who know real-world success and apply deep career expertise to more than 30 academic and technical programs. Many LSCPA students are creating a pipeline for seamless transfer pathways to four-year institutions. Others participate in our renowned Continuing Education or workforce training programs to sharpen their skills and boost lifetime earning power. LSCPA is accredited by the Southern Association of Colleges and Schools Commission on Colleges to award degrees at the associate level. LSCPA is approved by the Texas Education Agency for training veterans under all classifications. LSCPA is also a member of or approved by the American Bar Association, the Commission on Accreditation of Allied Health Education Programs (CAAHEP), the Texas Department of Aging and Disability Services, the Texas Certification Board of Addiction Professionals, the Texas Department of Licensing and Regulation, the Texas Board of Nursing, the Accreditation Review Council on Education in Surgical Technology and Surgical Assisting (ARC/STSA), the U.S. Department of Education and the Veterans Administration.

LSCPA is an agency of the State of Texas (the "State") and a two-year State college. As a result of being a State college and not a community college, LSCPA does not have a property tax base. LSCPA is a component of the Texas State University System (TSUS). TSUS was founded in 1911 and is the first higher education system established in Texas. Beginning as an administrative means to consolidate the support and management of State teacher colleges, TSUS has evolved into a network of higher education institutions stretching from the Texas-Louisiana border to the Big Bend region of west Texas. Today, seven component institutions offer a broad range of academic and career opportunities. Those seven institutions are located throughout the State and include LSCPA, Sam Houston State University, Lamar University, Sul Ross State University, Texas State University, Lamar Institute of Technology, and Lamar State College Orange.

# Lamar State College Port Arthur

## Management's Discussion and Analysis For the Year Ended August 31, 2021

### OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements for fiscal year 2021 have been prepared in accordance with accounting pronouncements promulgated by the Governmental Accounting Standards Board (GASB). Additionally, these statements conform to reporting requirements of the Texas Comptroller of Public Accounts and to guidelines issued by the National Association of College and University Business Officers. GASB requires LSCPA to include three financial statements in the annual financial report. The three required financial statements are (1) the Statement of Net Position, (2) the Statement of Revenues, Expenses, and Changes in Net Position, and (3) the Statement of Cash Flows. The information contained in the financial statements of LSCPA is part of and included within TSUS which is included in the State of Texas' (the "State") Annual Comprehensive Financial Report.

The financial statements of LSCPA are presented for the fiscal year ended August 31, 2021. The format of the Texas statewide financial statements presents a comprehensive perspective of the State's financial activities. The State's activities are divided into three types for presentation in the primary financial statements: Governmental Activities, Business-type Activities, and Component Units. The financial operations of LSCPA are considered a business-type activity because LSCPA charges a fee in the form of tuition to customers in order to pay for a significant percentage of the cost of the services provided. Under this classification, LSCPA's financial statements conform to the guidelines and presentation formats prescribed for proprietary funds; revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of when cash is exchanged.

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

The first financial statement presented is the Statement of Net Position. The statement reflects LSCPA's financial position as of August 31, 2021. This is a point-in-time financial presentation and presents a snapshot view of the financial status as of August 31, 2021. Assets and liabilities are presented as either current or non-current to provide an indication of their anticipated liquidation. Net position is equal to total assets plus deferred outflows of resources less total liabilities plus deferred inflows of resources. Net position is divided into three major categories. The first category, net investment in capital assets, provides LSCPA's equity in property, plant, and equipment owned by LSCPA. The restricted net position category is generally subdivided into non-expendable and expendable classifications. Restricted non-expendable net position would consist solely of permanent endowment funds and is only available for investment purposes. Restricted expendable net position is available for expenditure by LSCPA, but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. Additional net position balances are reserved for specific purposes by nature of their origin. The final major category, unrestricted net position, is available to LSCPA for any lawful purpose, but may have significant constraints on resources, which are imposed by management or implied by statutes or regulations, but can be removed or modified.

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

# Lamar State College Port Arthur

## Management's Discussion and Analysis

For the Year Ended August 31, 2021

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

The next statement comprising the primary financial statements is the Statement of Revenues, Expenses, and Changes in Net Position. This statement identifies operating and non-operating revenues received by LSCPA. Additionally, both the operating and non-operating expenses incurred by LSCPA during the fiscal year are displayed. Finally, any other gains and losses or other forms of revenue and expenses are reported. The Statement of Revenues, Expenses, and Changes in Net Position presents information showing how LSCPA's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

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

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

### **Statement of Cash Flows**

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

# Lamar State College Port Arthur

## Management's Discussion and Analysis For the Year Ended August 31, 2021

### **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 LSCPA's financial position. The largest portion of LSCPA's net position reflects its investments in capital assets (e.g., land, building, equipment, improvements, construction in progress, and infrastructure). LSCPA uses these capital assets to provide services; consequently, these assets are not available for future spending.

# Lamar State College Port Arthur

## Management's Discussion and Analysis For the Year Ended August 31, 2021

### Statement of Net Position:

The following table reflects the condensed Statement of Net Position:

	<u>2021</u>	<u>2020</u>	Variance (dollars)	% Variance
<b>ASSETS</b>				
<b>Current Assets:</b>				
Cash and Cash Equivalents:	\$ 11,998,712.27	\$ 12,876,604.20	\$ (877,891.93)	-6.82%
Restricted Cash and Cash Equivalents	302,305.53	-	302,305.53	100.00%
Legislative Appropriations	6,496,242.96	5,112,724.35	1,383,518.61	27.06%
Receivables	3,683,847.53	1,994,630.17	1,689,217.36	84.69%
Due From Other Agencies	179,267.57	63,131.72	116,135.85	183.96%
Prepaid Items	259,169.35	294,448.41	(35,279.06)	-11.98%
Loans and Contracts, net	101,827.25	149,711.24	(47,883.99)	-31.98%
<b>Total Current Assets</b>	<u>23,021,372.46</u>	<u>20,491,250.09</u>	<u>2,530,122.37</u>	12.35%
<b>Noncurrent Assets:</b>				
Restricted Cash and Cash Equivalents	937,099.81	1,639,027.73	(701,927.92)	-42.83%
Investments	5,146,902.48	-	5,146,902.48	100.00%
Capital Assets, Net of Depreciation	<u>32,248,040.80</u>	<u>25,039,079.20</u>	<u>7,208,961.60</u>	28.79%
<b>Total Noncurrent Assets</b>	<u>38,332,043.09</u>	<u>26,678,106.93</u>	<u>11,653,936.16</u>	43.68%
<b>Total Assets</b>	<u>61,353,415.55</u>	<u>47,169,357.02</u>	<u>14,184,058.53</u>	30.07%
<b>LIABILITIES</b>				
<b>Current Liabilities:</b>				
Payables	4,348,325.14	2,253,814.78	2,094,510.36	92.93%
Due to Other Agencies	287,696.18	-	287,696.18	100.00%
Unearned Revenues	2,598,919.38	3,162,816.75	(563,897.37)	-17.83%
Employees' Compensable Leave	424,756.36	406,237.32	18,519.04	4.56%
<b>Total Current Liabilities</b>	<u>7,659,697.06</u>	<u>5,822,868.85</u>	<u>1,836,828.21</u>	31.55%
<b>Noncurrent Liabilities</b>	<u>307,582.19</u>	<u>248,984.17</u>	<u>58,598.02</u>	23.53%
<b>Total Liabilities</b>	<u>7,967,279.25</u>	<u>6,071,853.02</u>	<u>1,895,426.23</u>	31.22%
<b>NET POSITION</b>				
Net Investment in Capital Assets	32,248,040.80	25,039,079.20	7,208,961.60	28.79%
Restricted for:				
Other	650,230.79	863,715.39	(213,484.60)	-24.72%
Unrestricted	<u>20,487,864.71</u>	<u>15,194,709.41</u>	<u>5,293,155.30</u>	34.84%
<b>Total Net Position</b>	<u>\$ 53,386,136.30</u>	<u>\$ 41,097,504.00</u>	<u>\$ 12,288,632.30</u>	29.90%

Total net position increased by \$12 million or 30% and was partly attributed to continued investment into campus facilities. Capital assets net of depreciation increased by \$7 million. The remainder of the increase in net position is due to a rise in unrestricted net position by \$5 million.

# Lamar State College Port Arthur

## Management's Discussion and Analysis For the Year Ended August 31, 2021

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

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

	<u>2021</u>	<u>2020</u>	<u>Variance (dollars)</u>	<u>% Variance</u>
<b>Operating Revenues:</b>				
Tuition and Fees, Net	\$ 4,461,422.91	\$ 5,340,387.76	\$ (878,964.85)	-16.46%
Auxiliary Enterprises, Net	108,098.57	35,981.76	72,116.81	200.43%
Other Operating Revenues	1,648,038.13	1,113,741.98	534,296.15	47.97%
<b>Total Operating Revenues</b>	<u>6,217,559.61</u>	<u>6,490,111.50</u>	<u>(272,551.89)</u>	-4.20%
<b>Operating Expenses:</b>				
Instruction	7,779,828.09	8,975,128.27	(1,195,300.18)	-13.32%
Public Service	223,642.39	200,314.48	23,327.91	11.65%
Academic Support	2,649,607.18	2,063,881.28	585,725.90	28.38%
Student Services	1,720,917.03	1,400,190.15	320,726.88	22.91%
Institutional Support	4,495,074.64	4,670,952.04	(175,877.40)	-3.77%
Operation and Maintenance of Plant	2,543,767.62	1,977,009.25	566,758.37	28.67%
Scholarships and Fellowships	3,515,580.40	4,683,598.83	(1,168,018.43)	-24.94%
Auxiliary	1,437,171.85	1,069,893.11	367,278.74	34.33%
Depreciation & Amortization	1,939,223.93	1,907,620.19	31,603.74	1.66%
<b>Total Operating Expenses</b>	<u>26,304,813.13</u>	<u>26,948,587.60</u>	<u>(643,774.47)</u>	-2.39%
<b>Operating Income (Loss)</b>	<u>(20,087,253.52)</u>	<u>(20,458,476.10)</u>	<u>371,222.58</u>	-1.81%
<b>Nonoperating Revenues (Expenses):</b>				
Legislative Revenue and Appropriations	15,309,646.69	15,496,162.75	(186,516.06)	-1.20%
Federal Revenue	8,710,005.69	6,272,914.25	2,437,091.44	38.85%
Other Nonoperating Revenues (Expenses)	2,453,925.66	1,242,095.41	1,211,830.25	97.56%
<b>Total Nonoperating Revenues (Expenses)</b>	<u>26,473,578.04</u>	<u>23,011,172.41</u>	<u>3,462,405.63</u>	15.05%
<b>Income (Loss) before Capital Contributions and Transfers</b>	6,386,324.52	2,552,696.31	3,833,628.21	150.18%
<b>Capital Contributions and Transfers</b>	5,902,307.78	900,054.23	5,002,253.55	555.77%
<b>Change in Net Position</b>	<u>\$ 12,288,632.30</u>	<u>\$ 3,452,750.54</u>	<u>\$ 8,835,881.76</u>	255.91%

During the 2021 fiscal year, LSCPA recognized operating revenues of \$6 million and operating expenses of \$26 million. Although total revenue declined by approximately \$273,000 from FY 2020 to FY 2021, operating expenses declined by approximately \$644,000 for the same period. LSCPA reduced expenses by a greater amount as compared to the revenue reduction. This positive reduction in expenses was due to the fact that LSCPA implemented fiscal constraint measures due to COVID-19 to successfully mitigate operational impact.

The disparity between operating revenues and expenses results from Legislative appropriations that are utilized to help subsidize public State institutions of higher education. Legislative appropriations were \$15 million or 58% of operating expenses.

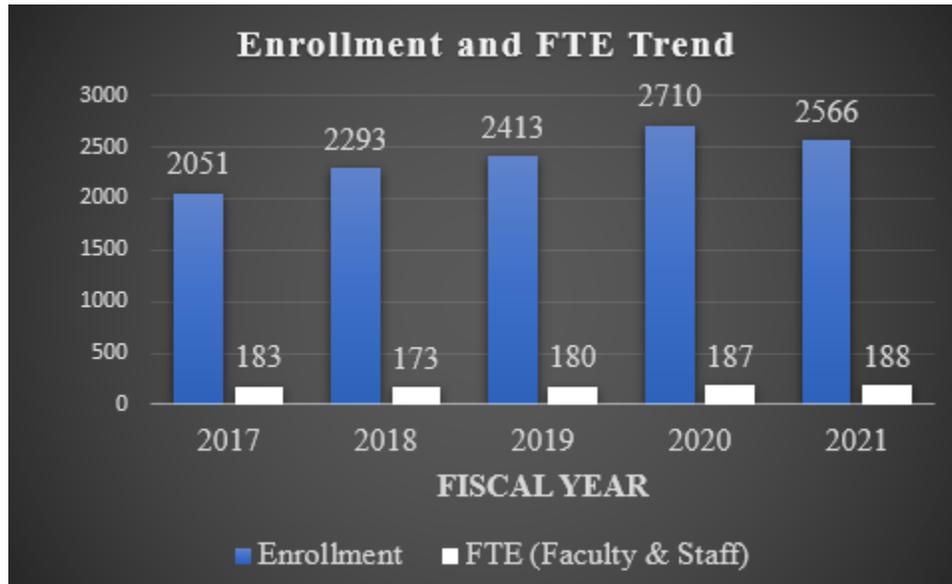
After recognizing non-operating activities, LSCPA realized a net increase in net position of \$12 million for FY 2021. The increase to change in net position of \$8.8 million is attributed to a \$5 million increase in Legislative transfers for the renovation and completion of the Ruby Fuller building. The newly renovated building provides much-needed services to our students including our Excelencia Center, which provides resources to our Hispanic population. The remainder was attributed to a \$1 million increase in donor gifts as well as an increase of over \$2 million in federal revenue. The federal revenue increase was

# Lamar State College Port Arthur

## Management's Discussion and Analysis For the Year Ended August 31, 2021

attributed to three main areas including HEERF funding, the EDA industrial training center project, and the EDA commercial driver center project.

### Enrollment Data and FTE Trend



As indicated by the enrollment trend, LSCPA's enrollment base has been stable over the five-year period. In spite of Hurricane Harvey in 2017, enrollment was headed in a steady upward climb. The decline in 2021 shows the impact of COVID-19. The trend in full time equivalents (FTE) for faculty and staff has also been stable over the five-year period. Overall, as presented by the slight decline in tuition revenue from FY 2020 to FY 2021 as well as the graph above, LSCPA's measures have demonstrated financial responsibility.

### Selected Indicators

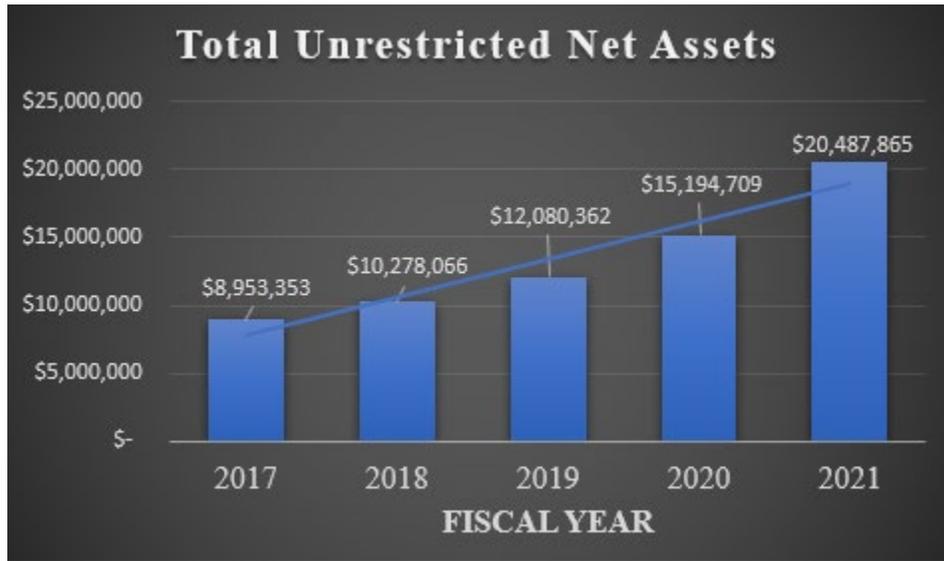
The concept of using selected indicators, such as ratios and trend analysis, is common in higher education. This approach allows the institution to measure against institutional objectives and provide useful information that can form a basis for sound planning. In addition, it allows for a higher level of comparability among institutions. Trend analysis links the financial statements together in a way that allows the end user to answer critical questions about the financial stability of the institution. A few of the questions are:

- Are resources available to carry out the mission of LSCPA?
- Are resources enough to meet current obligations?
- Are critical balances stable?
- Do operating results indicate the institution is living within available resources?

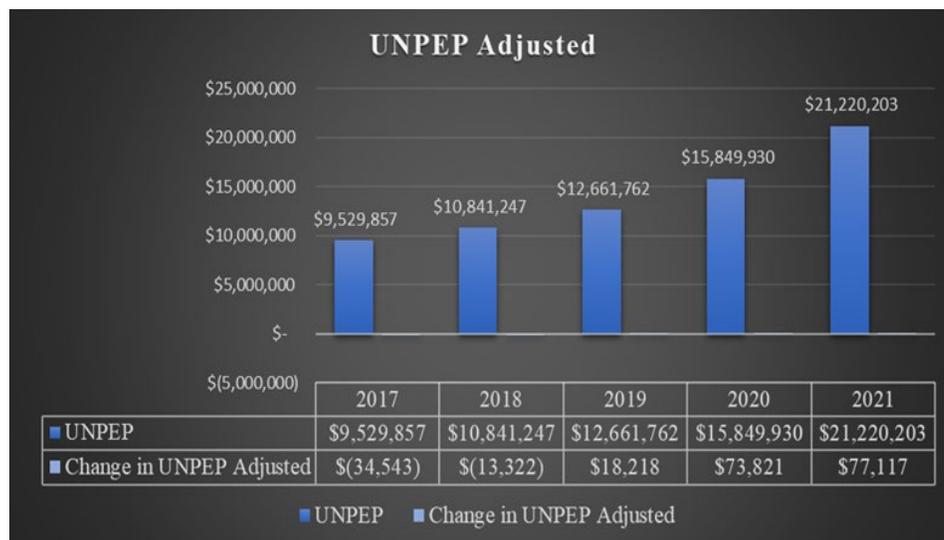
# Lamar State College Port Arthur

## Management's Discussion and Analysis For the Year Ended August 31, 2021

Unrestricted Net Position - Unrestricted net position consists of net position that is available for use by LSCPA with no outside restrictions. As indicated by the trend from 2017 to 2021, LSCPA has continued to build up unrestricted reserves to \$20,487,865 at August 31, 2021 which indicates the soundness of financial resources. Resources are adequate and available to execute the mission of LSCPA.



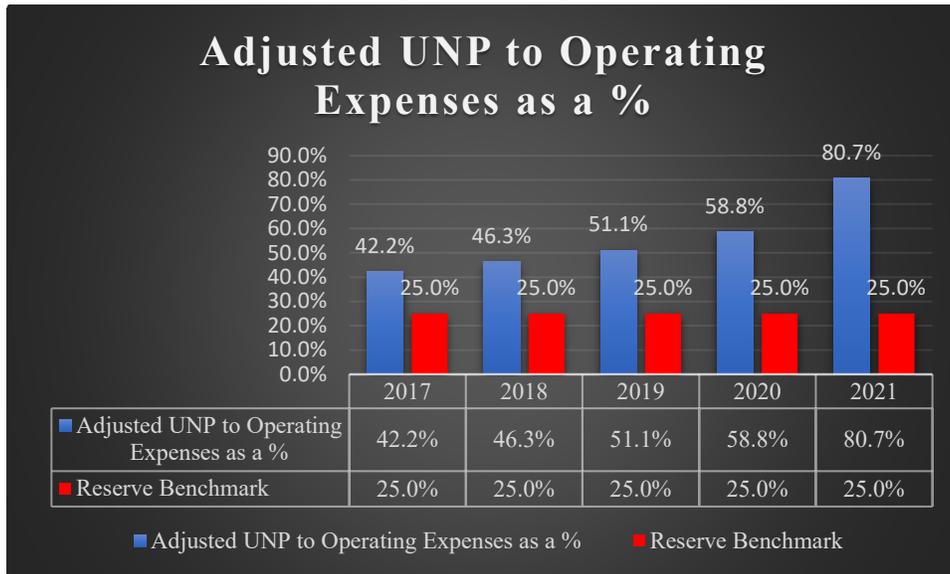
Unrestricted Net Position Exclusive of Plant (UNPEP), Adjusted and Change in UNPEP - Unrestricted net position exclusive of plant includes adjustments to determine operational resources available to carry out institutional goals. Typically, adjustments include compensated absences (current and non-current), OPEB liabilities, and pension liabilities. LSCPA only had to add compensated absences current and non-current in order to arrive at the adjusted UNPEP. As indicated by the favorable pattern from 2017 to 2021, LSCPA has adequate resources amounting to \$21,220,203 at August 31, 2021. Furthermore, the net change in UNPEP, reveals that the changes in the compensated absences over the same period were not significant; and, thereby had minimal impact to unrestricted resources.



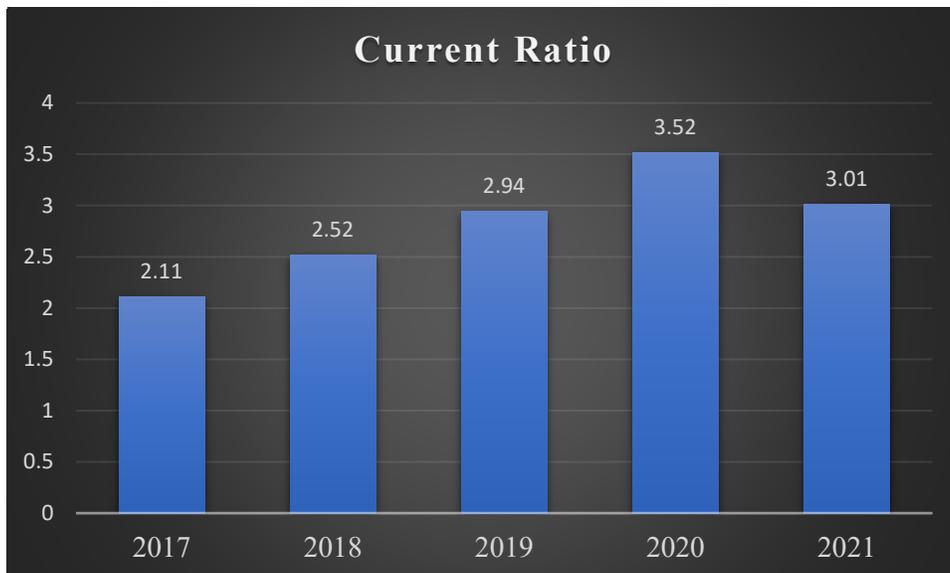
# Lamar State College Port Arthur

## Management's Discussion and Analysis For the Year Ended August 31, 2021

Unrestricted Net Position Exclusive of Plant (UNPEP), Adjusted to Operating Expenses - As indicated by the positive trend from 2017 to 2021, LSCPA's adjusted UNPEP as a percentage of operating expenses has continued to increase. From 42.2% in 2017 to 80.7% in 2021, it is well above the industry benchmark of 25% thereby demonstrating an increasingly stable base and financial responsibility.



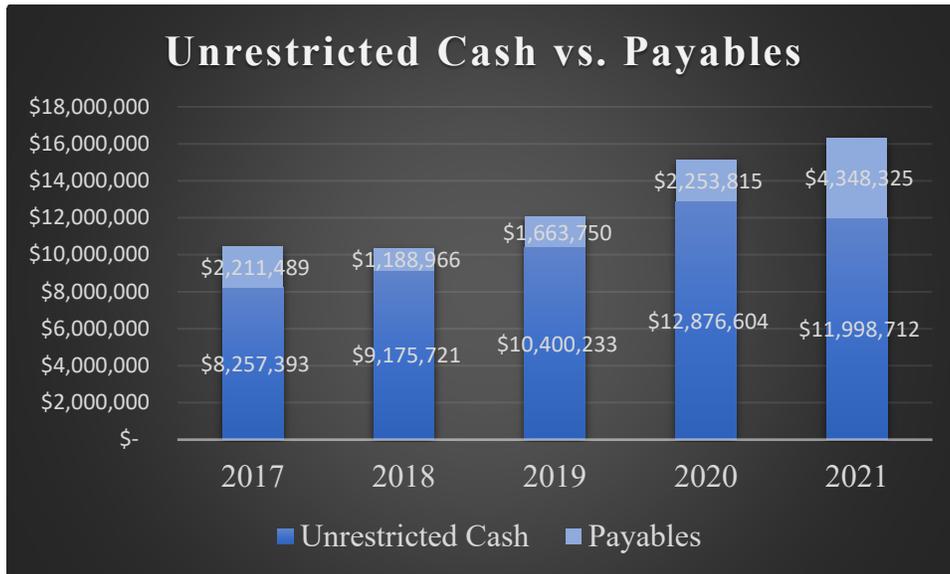
Current Ratio - the current ratio is a measure of LSCPA's ability to pay short-term obligations or those typically due within one year. LSCPA's current ratio has ranged from 2.11 in FY 2017 to 3.01 in FY 2021. Current assets continue to outpace current liabilities. At August 31, 2021, for every \$3.01 of current assets, there is \$1.00 of current liabilities. The trend remains stable over the five-year period.



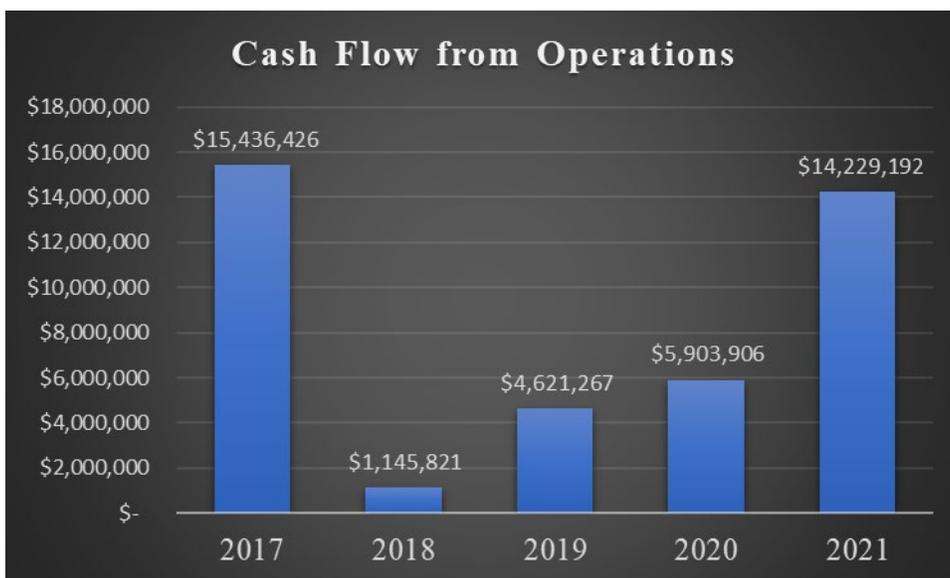
# Lamar State College Port Arthur

## Management's Discussion and Analysis For the Year Ended August 31, 2021

Unrestricted Cash and Payables - unrestricted cash is far greater than payables in FY 2021 at \$11,998,712 and \$4,348,325, respectively. Consequently, liquidity is adequate to meet current obligations. Cash balances and accounts payable appear to be stable over time. The FY 2021 fluctuation in accounts payable is due to a construction project that remains ongoing at year-end.



Cash Flow Related to Operations - cash flow from operations is determined by reviewing the Statement of Cash Flows and adding *cash provided by operating activities* as well as *cash provided by noncapital financing activities*. The sum of these two components reveals cash flow related to operations. At August 31, 2021, operational cash flows amounted to \$14,229,192 with State general appropriations accounting for the majority of the total. The increase from FY 2020 to FY 2021 is mainly attributed to the receipt of the final appropriation to complete the renovation of the Ruby Fuller building.



# Lamar State College Port Arthur

## Management's Discussion and Analysis For the Year Ended August 31, 2021

### **CAPITAL ASSETS**

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

At the end of the 2021 fiscal year, LSCPA had \$32 million of capital assets, net of accumulated depreciation and amortization. These assets included land, buildings, facilities and other improvements, furniture and equipment, vehicles, and other assets. A couple of major capital construction projects are in various stages, and the cumulative investment in these assets is reported as construction in progress. As required by GASB reporting standards, LSCPA reports accumulated depreciation and amortization on its capital assets. Additionally, LSCPA recognizes a current year charge for depreciation and amortization expense.

LSCPA has developed a campus master planning process designed to identify facilities needs congruent with enrollment projections that are consistent with their missions and academic master plans. The plan also takes into consideration aging facilities. Construction projects include the renovation of the Ruby Fuller building which was placed into service at the end of FY 2021. Projects that remain in progress include the renovation of the Industrial Training Center and the construction of the Commercial Driver Education Center.

### **DEBT ADMINISTRATION**

LSCPA engages in the prudent use of debt to finance capital projects as a means of maximizing the management of financial and physical resources. To date, TSUS has issued debt on behalf of LSCPA, which is not included within LSCPA's financial statements. A portion of TSUS' debt service is funded by biennial State appropriations. LSCPA has no debt outstanding.

### **ECONOMIC OUTLOOK**

As the global economy becomes increasingly driven by the creation of new knowledge and technological innovation, success for the Texas Gulf Coast region depends increasingly on the existence of a highly-skilled, professional workforce and development. LSCPA plays a key role in meeting these needs. In doing so, LSCPA must also succeed in providing access to a regional population that is growing increasingly diverse. The student population at LSCPA closely mirrors this diversity and is succeeding in providing access to a diverse student population.

With LSCPA improving performance on most of the financial measures this year, LSCPA is poised for continued success in the coming years. To harness this potential, LSCPA is actively expanding its reach in terms of both new degree programs that meet regional workforce needs and campus infrastructure that support the growing student populations and faculty. Aligned to major industries and college strengths, including education and workforce training, these recently added programs will support our economy,

# Lamar State College Port Arthur

## Management's Discussion and Analysis For the Year Ended August 31, 2021

enhance our academic reputation, and produce new revenue streams for the college. In addition, a couple of major construction projects as previously mentioned are currently underway to allow LSCPA to better serve its students and the community.

### **BUDGETARY INITIATIVES**

During FY 2021, LSCPA focused on numerous budget initiatives and priorities including: (1) Student access and success: increasing the enrollment, retention, and graduation of a diverse student body with exceptional academic qualifications is paramount. These goals will be achieved by increasing scholarships, expanding course offerings, enhancing student support staff, and improving the curriculum. (2) Fiscal responsibility: Develop sound financial initiatives for the operations of the campus that support the LSCPA mission and operate with current financial resources. (3) Facilities: LSCPA's physical plant includes considerable land acreage and many buildings. Sustaining this infrastructure year-round requires a significant investment in utilities, maintenance, repairs, renovations, and improvements. Making these investments is also essential to supporting LSCPA's goal of student success. (4) Community advancement: Many of LSCPA's academic and workforce initiatives are directed toward community need and interest.

### **CONTACTING LSCPA'S FINANCIAL MANAGEMENT**

This financial report is designed to provide a general overview of LSCPA's finances. Questions concerning this report or requests for additional financial information should be directed to Leanna Odom, Controller, in the Business Office of Lamar State College Port Arthur, Texas by phone at (409) 984-6129. Requests by mail can be sent to Lamar State College Port Arthur at PO Box 310 in Port Arthur, Texas 77641. General Information about LSCPA may be found on the website: [www.lamarpa.edu](http://www.lamarpa.edu).

# ***FINANCIAL STATEMENTS***

# Lamar State College Port Arthur

## Statement of Net Position

August 31, 2021

	2021	2020
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents:		
Cash on Hand	\$ 1,700.00	\$ 1,100.00
Cash in Bank	2,339,824.67	1,428,172.07
Cash in State Treasury	3,187,318.03	2,487,807.31
Cash Equivalents	6,469,869.57	8,959,524.82
Restricted:		
Cash in Bank	1,878.18	-
Cash in State Treasury	300,427.35	-
Legislative Appropriations	6,496,242.96	5,112,724.35
Receivables:		
Federal	2,306,947.01	747,252.67
Accounts Receivable, net	1,376,900.52	1,247,377.50
Due From Other Agencies	179,267.57	63,131.72
Prepaid Items	259,169.35	294,448.41
Loans and Contracts, net	101,827.25	149,711.24
Total Current Assets	23,021,372.46	20,491,250.09
Noncurrent Assets:		
Restricted:		
Cash and Cash Equivalents:		
Cash in Bank	96,964.99	799,961.51
Cash Equivalents	840,134.82	839,066.22
Investments	5,146,902.48	-
Capital Assets:		
Non-Depreciable or Non-Amortizable:		
Land and Land Improvements	2,627,254.92	2,018,964.92
Construction in Progress	2,438,641.12	730,259.23
Depreciable or Amortizable:		
Building and Building Improvements	51,810,675.79	45,866,359.91
Less Accumulated Depreciation	(28,386,181.39)	(27,339,001.35)
Facilities and Other Improvements	4,066,872.41	4,066,872.41
Less Accumulated Depreciation	(2,072,639.43)	(1,913,784.49)
Furniture and Equipment	3,668,112.31	3,394,159.03
Less Accumulated Depreciation	(2,600,550.09)	(2,554,712.08)
Vehicles, Boats, and Aircraft	446,027.72	393,627.72
Less Accumulated Depreciation	(177,886.65)	(127,353.41)
Other Capital Assets	3,224,785.57	3,218,841.14
Less Accumulated Depreciation	(2,797,071.48)	(2,715,153.83)
Total Noncurrent Assets	38,332,043.09	26,678,106.93
<b>Total Assets</b>	<b>\$ 61,353,415.55</b>	<b>\$ 47,169,357.02</b>

See Independent Accountants' Review Report and Notes to the Financial Statements.

# Lamar State College Port Arthur

## Statement of Net Position

August 31, 2021

	<u>2021</u>	<u>2020</u>
<b>LIABILITIES</b>		
Current Liabilities:		
Payables from:		
Accounts Payable	\$ 2,829,916.33	\$ 740,365.21
Payroll Payable	1,518,408.81	1,513,449.57
Due to Other Agencies	287,696.18	-
Unearned Revenues	2,598,919.38	3,162,816.75
Employees' Compensable Leave	424,756.36	406,237.32
Total Current Liabilities	<u>7,659,697.06</u>	<u>5,822,868.85</u>
Noncurrent Liabilities:		
Employees' Compensable Leave	307,582.19	248,984.17
Total Non-Current Liabilities	<u>307,582.19</u>	<u>248,984.17</u>
<b>Total Liabilities</b>	<u>\$ 7,967,279.25</u>	<u>\$ 6,071,853.02</u>
<b>NET POSITION</b>		
Net Investment in Capital Assets	\$ 32,248,040.80	\$ 25,039,079.20
Restricted for:		
Other	650,230.79	863,715.39
Unrestricted	<u>20,487,864.71</u>	<u>15,194,709.41</u>
<b>Total Net Position</b>	<u>\$ 53,386,136.30</u>	<u>\$ 41,097,504.00</u>

See Independent Accountants' Review Report and Notes to the Financial Statements.

**Lamar State College Port Arthur**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**For the Year Ended August 31, 2021**

	2021	2020
<b>Operating Revenues:</b>		
Sales of Goods and Services		
Tuition and Fees – Pledged	\$ 7,054,661.07	\$ 8,098,936.77
Tuition and Fees – Discounts/Allowances	(2,593,238.16)	(2,758,549.01)
Auxiliary Enterprise – Pledged	108,098.57	35,981.76
Other Sales of Goods and Services – Pledged	56,979.64	62,008.83
Federal Revenue - Operating	592,176.31	281,322.21
Federal Pass-Through Revenue	534,802.48	303,694.87
State Grant Pass-Through Revenue	464,079.70	466,716.07
Total Operating Revenues	6,217,559.61	6,490,111.50
<b>Operating Expenses:</b>		
Instruction	7,779,828.09	8,975,128.27
Public Service	223,642.39	200,314.48
Academic Support	2,649,607.18	2,063,881.28
Student Services	1,720,917.03	1,400,190.15
Institutional Support	4,495,074.64	4,670,952.04
Operation and Maintenance of Plant	2,543,767.62	1,977,009.25
Scholarships and Fellowships	3,515,580.40	4,683,598.83
Auxiliary	1,437,171.85	1,069,893.11
Depreciation and Amortization	1,939,223.93	1,907,620.19
Total Operating Expenses	26,304,813.13	26,948,587.60
Operating Income (Loss)	(20,087,253.52)	(20,458,476.10)
<b>Nonoperating Revenues (Expenses):</b>		
Legislative Revenue (GR)	12,914,280.00	12,934,838.00
Additional Appropriations (GR)	2,395,366.69	2,561,324.75
Federal Revenue	8,710,005.69	6,272,914.25
Gifts	1,426,034.18	571,614.49
Interest and Investment Income	25,414.54	144,804.59
Net Increase in Fair Value of Investments	145,362.85	0.00
Other Nonoperating Revenues (Expenses)	857,114.09	525,676.33
Total Nonoperating Revenues (Expenses)	26,473,578.04	23,011,172.41
Income (Loss) before Other Revenues, Expenses, Gains, Losses, and Transfers	\$ 6,386,324.52	\$ 2,552,696.31

See Independent Accountants' Review Report and Notes to the Financial Statements.

**Lamar State College Port Arthur**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**For the Year Ended August 31, 2021**

	<b>2021</b>	<b>2020</b>
<b>Other Revenues, Expenses, Gains, Losses, and Transfers:</b>		
Capital Appropriations (HEF)	\$ 2,217,102.00	\$ 2,157,784.00
Transfers In	5,257,643.48	342,807.72
Transfers Out	(238,687.70)	(226,998.24)
Legislative Transfers In	7,993.00	9,570.00
Legislative Transfers Out	(1,341,743.00)	(1,383,109.25)
Total Other Revenues, Expenses, Gains, Losses, and Transfers	5,902,307.78	900,054.23
 <b>Change in Net Position</b>	 12,288,632.30	 3,452,750.54
Total Net Position, September 1	41,097,504.00	37,644,753.46
Total Net Position, August 31	\$ 53,386,136.30	\$ 41,097,504.00

See Independent Accountants' Review Report and Notes to the Financial Statements.

## LAMAR STATE COLLEGE PORT ARTHUR

### Matrix of Operating Expenses Reported by Function For the Year Ended August 31, 2021

Operating Expenses	Instruction	Research	Public Service	Academic Support	Student Services	Institutional Support	Operation and Maintenance of Plant	Scholarship and Fellowships	Auxiliary Enterprises	Depreciation and Amortization	Total Expenses
Salaries and Wages	\$ 5,131,050.84	\$ -	\$ 126,464.59	\$ 1,287,950.30	\$ 961,607.62	\$ 1,922,561.48	\$ 497,942.61	\$ 99,509.57	\$ 398,088.32	\$ -	\$ 10,425,175.33
Payroll Related Costs	1,622,759.96	-	64,646.03	435,329.09	294,680.92	572,694.71	175,967.50	-	123,114.07	-	3,289,192.28
Professional Fees and Services	61,882.50	-	16,885.72	155,373.75	194,365.27	328,118.96	507,641.16	-	65,291.21	-	1,329,558.57
Travel	9,058.87	-	312.58	103.23	107.55	6,987.80	31,191.10	-	51,508.58	-	99,269.71
Materials and Supplies	186,016.37	-	2,769.61	28,340.80	12,697.46	116,779.88	6,491.68	-	169,887.34	-	522,983.14
Communications and Utilities	-	-	962.22	39,695.69	-	28,352.38	584,068.78	-	2,774.58	-	655,853.65
Repairs and Maintenance	35,797.56	-	581.90	84,370.31	61,609.86	544,494.33	621,584.32	-	195,797.36	-	1,544,235.64
Rentals and Leases	15,260.57	-	1,209.70	8,079.92	7,596.12	-	756.00	-	20,924.17	-	53,826.48
Printing and Reproduction	2,480.96	-	95.26	471.22	2,389.70	27,859.72	1,204.21	-	5,203.18	-	39,704.25
Depreciation and Amortization	-	-	-	-	-	-	-	-	-	1,939,223.93	1,939,223.93
Bad Debt Expense	62,056.06	-	-	-	(1,727.79)	183.92	-	(19,552.60)	(15,289.58)	-	25,670.01
Scholarships	36,515.00	-	-	229,217.78	-	-	-	3,316,010.60	215,855.84	-	3,797,599.22
Other Operating Expenses	616,949.40	-	9,714.78	380,675.09	187,590.32	947,041.46	116,920.26	119,612.83	204,016.78	-	2,582,520.92
<b>Total Operating Expenses</b>	<b>\$ 7,779,828.09</b>	<b>\$ -</b>	<b>\$ 223,642.39</b>	<b>\$ 2,649,607.18</b>	<b>\$ 1,720,917.03</b>	<b>\$ 4,495,074.64</b>	<b>\$ 2,543,767.62</b>	<b>\$ 3,515,580.40</b>	<b>\$ 1,437,171.85</b>	<b>\$ 1,939,223.93</b>	<b>\$ 26,304,813.13</b>

## Lamar State College Port Arthur

### Statement of Cash Flows

For the Year Ended August 31, 2021

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from Customers	\$ 108,098.57	\$ 35,981.76
Proceeds from Tuition and Fees	3,815,886.51	4,866,628.70
Proceeds from Auxiliaries	56,979.64	62,008.83
Proceeds from Other Operating Revenues	-	1,369,459.29
Payments to Suppliers for Goods and Services	(8,238,695.23)	(10,174,556.52)
Payments to Employees for Salaries	(10,420,216.09)	(10,311,021.87)
Payments to Employees for Benefits	(1,479,739.96)	(1,820,905.00)
Payments for Other Operating Expenses	(84,771.70)	-
Net Cash Provided (Used) by Operating Activities	(16,242,458.26)	(15,972,404.81)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Proceeds from State Appropriations	14,410,894.82	14,356,260.91
Proceeds from Gifts	1,426,034.18	571,614.49
Proceeds of Transfers from Other State Agencies	5,265,636.48	352,377.72
Proceeds from Grant Receipts	8,710,005.69	6,272,914.25
Proceeds from Other Noncapital Financing Activities	857,114.09	525,676.33
Payments for Transfers to Other State Agencies	(198,035.00)	(202,533.00)
Net Cash Provided (Used) by Noncapital Financing Activities	30,471,650.26	21,876,310.70
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Payments for Additions to Capital Assets	(9,148,185.53)	(2,020,604.18)
Payments of Principal on Debt	(962,520.00)	(948,915.90)
Payments of Interest on Debt Issuance	(419,875.70)	(458,658.59)
Net Cash Provided (Used) by Capital and Related Financing Activities	(10,530,581.23)	(3,428,178.67)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from Interest Income	12,497.80	33,542.73
Proceeds from Investment Income	12,916.74	111,261.86
Payments to Acquire Investments	(5,001,539.63)	-
Net Cash Provided (Used) by Investing Activities	(4,976,125.09)	144,804.59
Net Increase (Decrease) in Cash and Cash Equivalents	(1,277,514.32)	2,620,531.81
Cash and Cash Equivalents, September 1	14,515,631.93	11,895,100.12
Cash and Cash Equivalents, August 31	\$ 13,238,117.61	\$ 14,515,631.93

See Independent Accountants' Review Report and Notes to the Financial Statements.

## Lamar State College Port Arthur

### Statement of Cash Flows

For the Year Ended August 31, 2021

	2021	2020
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Operating Income (Loss)	\$ (20,087,253.52)	\$ (20,458,476.10)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Amortization and Depreciation	1,939,223.93	1,907,620.19
Bad Debt Expense	25,670.01	92,676.15
On-Behalf Benefit Payments	1,732,335.26	1,817,237.51
Changes in Assets and Liabilities:		
(Increase) Decrease in Receivables	(1,714,887.37)	238,132.07
(Increase) Decrease in Due from Other Agencies	(116,135.85)	101,161.46
(Increase) Decrease in Prepaid Items	35,279.06	253,360.39
(Increase) Decrease in Loans and Contracts	47,883.99	102,633.62
Increase (Decrease) in Payables	2,089,551.12	312,395.18
Increase (Decrease) in Due To Other Agencies	287,696.18	-
Increase (Decrease) in Unearned Revenues	(563,897.37)	(690,636.22)
Increase (Decrease) in Employees' Compensable Leave	77,117.06	73,821.52
Increase (Decrease) in Benefits Payable	4,959.24	277,669.42
Total Adjustments	3,844,795.26	4,486,071.29
Net Cash Provided (Used) by Operating Activities	\$ (16,242,458.26)	\$ (15,972,404.81)
<b>Non-Cash Transactions</b>		
Donation of Capital Assets	\$ 619,000.00	\$ -
Net Change in Fair Value of Investments	\$ 145,362.85	\$ -

See Independent Accountants' Review Report and Notes to the Financial Statements.

***NOTES TO FINANCIAL STATEMENTS***

# Lamar State College Port Arthur

## Notes to the Financial Statements For the Year Ended August 31, 2021

### Note 1: Summary of Significant Accounting Policies

#### Reporting Entity

Lamar State College Port Arthur (LSCPA) serves the State of Texas (the "State") by providing a high-quality education to its residents and is based in Port Arthur, Texas.

The origins of LSCPA date back to its formation in 1909 when it operated as a nonprofit college through 1975. LSCPA merged with Lamar University, a State university, in 1975. LSCPA was first recognized as a separate component institution of the State in 1983 and, in 1991, was granted authority to issue degrees in its name, Lamar State College Port Arthur.

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

TSUS is governed by a nine-member Board of Regents (the "Board") appointed by the Governor. In addition, a nonvoting student regent is appointed annually to the Board. The Texas State University System Administration ("System Administration"), which is headed by a Board-appointed chancellor, is based in Austin, where it provides support to TSUS components.

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

TSUS and LSCPA have elected to define LSCPA's reporting entity to include only activities in LSCPA's name. LSCPA's proportional share of liabilities in the name of TSUS is reported by TSUS. Transactions associated with bonds, pensions, and other postemployment benefits related to LSCPA's activities in the name of TSUS are not reported by LSCPA. However, LSCPA has elected to make limited disclosures with respect to these matters in Notes 6, 9, and 11. The associated financial activities related to these items and required disclosures are made within TSUS's *Annual Financial Report*.

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

LSCPA is affiliated with one foundation and an alumni association that have the sole purpose of supporting the educational and other activities of the College. These entities solicit donations and act

# Lamar State College Port Arthur

## Notes to the Financial Statements For the Year Ended August 31, 2021

as coordinator of gifts made by other parties.

The Port Arthur Higher Education Foundation (the “Foundation”) is a separate legal entity registered with the IRS as a 501(c)(3) organization, and its efforts benefit LSCPA and its students. The Foundation is separately governed and operates autonomously from LSCPA, and its related activities are not included in LSCPA’s, TSUS’, or the State’s financial statements. The Foundation solicits donations and acts as a coordinator of gifts made by other parties. The Foundation gave \$234,988.50 and \$136,175.00 in scholarship money directly to LSCPA students during the year ended August 31, 2021 and 2020, respectively.

The Lamar Port Arthur Alumni Association (the “Association”) is a non-profit organization which was established for the purpose of cooperating with and working on behalf of LSCPA. Neither the transactions of the Association or its fund balances are reflected in the financial statements during the year ended August 31, 2021 and 2020. The Association is separately governed and operates autonomously from LSCPA, and its related activities are not included in LSCPA’s, TSUS’, or the State’s financial statements.

The accounting policies followed by LSCPA in maintaining accounts and in the preparation of the financial statements are in accordance with the Texas Comptroller of Public Accounts’ Reporting Requirement for the Fiscal 2021 Annual Financial Reports of State Agencies and Universities (the “Comptroller’s AFR Requirements”) and with generally accepted accounting principles in the United States of America (GAAP). GASB is responsible for establishing GAAP for state and local governments. The Comptroller’s AFR Requirements are designed to assist the Texas Comptroller of Public Accounts in compiling and preparing the State’s ACFR and, accordingly, have some untraditional elements, such as the prohibition of rounding, unique ordering and specific numbering of footnotes, and the inclusion of footnote titles when the subject matter does not apply.

### **Fund Structure**

The accompanying financial statements are presented on the basis of funds. A fund is considered a separate accounting entity. LSCPA is reporting as a special-purpose government engaged only in Business-Type Activities within the Proprietary Fund Type. The accompanying entity-wide financial statements are prepared as such.

### **Proprietary Funds**

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

### **Basis of Accounting**

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

# Lamar State College Port Arthur

## Notes to the Financial Statements For the Year Ended August 31, 2021

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

### **Budget and Budgetary Accounting**

The State's budget is prepared biennially and represents appropriations authorized by the Legislature and approved by the Governor (the "General Appropriations Act"). Additionally, TSUS prepares an annual budget, which represents anticipated sources of revenues and authorized uses. This budget is approved by TSUS' Board.

Unencumbered appropriations are generally subject to lapse 60 days after fiscal year end for which they were appropriated.

### **Assets, Liabilities, and Net Position**

#### Assets

##### Current and Non-Current Assets

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

##### Cash and Cash Equivalents

Cash includes cash on hand, cash in local banks, cash in transit, and cash in the Treasury. Cash equivalents are considered short-term highly liquid investments with an original maturity of three months or less.

##### Restricted Assets

Restricted assets include monies or other resources restricted by legal or contractual requirements. These assets may 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 may also be included.

# Lamar State College Port Arthur

## Notes to the Financial Statements For the Year Ended August 31, 2021

### Investments

Investments are generally stated at fair value, with certain exceptions, in accordance with GASB Statement No. 72, *Fair Value Measurement and Application* (“GASB 72”). 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 net increase (decrease) in fair value of investments in the accompanying 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 cost of these items is expensed when the items 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 individual cost of more than \$5,000 and an estimated useful life in excess of one year are capitalized. Capitalization thresholds are also utilized for buildings and building improvements (\$100,000), infrastructure (\$500,000), and facilities and other improvements (\$100,000). Capital assets are recorded at cost or estimated historical cost if actual historical cost is not available. Donated capital assets are reported at acquisition value. For fabricated assets financed by debt, construction period interest is capitalized as part of the capital asset cost. The capitalized interest is combined with the other costs associated with constructing the asset and depreciated over the appropriate useful life beginning when the asset is placed into service.

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

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

# Lamar State College Port Arthur

## Notes to the Financial Statements For the Year Ended August 31, 2021

### Other Receivables

The disaggregation of other receivables as reported in the financial statements is disclosed in Note 24. Other receivables include year-end accruals not included in any other receivable category. This account can appear in governmental and proprietary fund types.

### Liabilities

#### Accounts Payable

Accounts payable represents the liability for the value of assets or services received at the statement of net position date for which payment is pending.

#### Unearned Revenues

Unearned revenues represent payments received in advance of providing goods or services.

#### Other Payables - Current and Non-current

The disaggregation of other payables as reported in the financial statements is disclosed in Note 24. Other payables include accruals at year end of expenditure transactions not included in any of the other payable descriptions.

#### Funds Held for Others

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

#### Employees' Compensable Leave Balances

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

#### Capital Lease Obligations

Capital lease obligations represent the liability for future lease payments under capital lease contracts contingent upon the appropriation of funding by the Legislature. Liabilities are reported separately as either current or non-current in the statement of net position.

#### Bonds Payable - General Obligation Bonds

General obligation bonds are accounted for in proprietary funds for business-type activities. These payables are reported as long-term liabilities (current for amounts due within one year) and long-term liabilities (non-current for amounts due thereafter) in the statement of net position. The bonds are reported at par, net of unamortized premiums, discounts, issuance costs, and gains/(losses) on bond refunding activities. TSUS reports all related balances.

# Lamar State College Port Arthur

## Notes to the Financial Statements For the Year Ended August 31, 2021

### Bonds Payable - Revenue Bonds

Revenue bonds are accounted for in the proprietary funds for business-type activities. These payables are reported as long-term liabilities (current for amounts due within one year) and long-term liabilities (non-current for amounts due thereafter) in the statement of net position. The bonds are reported at par, net of unamortized premiums, discounts, issuance costs, and gains/(losses) on bond refunding activities. TSUS reports all related balances.

### Net Position

The difference between fund assets and liabilities is “Net Position” on proprietary fund statements.

### Net Investment in Capital Assets

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

### Net Position - Restricted

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

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

**Non-expendable** - net position use is subject to externally imposed stipulations that it be maintained permanently. Such assets include the principal of permanent endowment funds (as applicable).

### Net Position - Unrestricted

Unrestricted net position consists of net position that does not meet the definition of the two preceding categories. Unrestricted net position often has constraints on resources, which are imposed by management, but can be removed or modified.

### Operating and Non-Operating Revenues and Expenses

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

# Lamar State College Port Arthur

## Notes to the Financial Statements For the Year Ended August 31, 2021

**Non-operating revenues and expenses** - may include activities such as gifts and contributions, insurance recoveries received in years subsequent to the loss, State appropriations, investment income, net change in fair value of investments, nonexchange basis of federal and state grants and contracts, and other non-operating items defined by GASB.

### **Interagency Activities and Transactions**

LSCPA has the following types of transactions among related agencies:

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

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

Receivables and Payables - Interagency loans are reported as interfund receivables and payables. If repayment is due during the current year or soon thereafter, the balance is classified as “current.” Balances for repayment due in two (or more) years are classified as “non-current.”

Sales and Purchases - Charges or collections for services rendered by one agency to another are recorded as revenues of the recipient agency and expenditures or expenses of the disbursing agency.

The composition of LSCPA’s interfund activities and transactions is presented in Note 12.

### **COVID-19 and CARES Act**

The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was signed into law on March 27, 2020. The CARES Act authorized more than \$2 trillion in relief to individuals, businesses, nonprofit, and government organizations impacted by COVID-19. LSCPA received funding primarily under two federal programs, the Governor’s Emergency Education Relief Fund (GEERF) and the Higher Education Emergency Relief Fund (HEERF).

GEERF funding, awarded to the Governor’s Office and passed through the Texas Higher Education Coordinating Board to LSCPA, provides direct financial assistance to support students’ efforts to continue or restart their progress toward earning a post-secondary credential or degree. Initial GEERF awards totaling \$37,809 were awarded in September 2020 to maintain need-based financial aid programs and keep more students enrolled at colleges and universities. The initial awards were followed by an additional \$36,535 in emergency student support to allow students whose families have been severely financially impacted by COVID-19 to stay enrolled in higher education. An additional award of \$300,000 for student financial aid assistance also occurred during fiscal year 2021.

HEERF funding, awarded directly to LSCPA, provides support to prevent, prepare for, and respond to COVID-19. The respective award in FY 2020 totaled \$1,056,684. Additional awards have

# Lamar State College Port Arthur

## Notes to the Financial Statements For the Year Ended August 31, 2021

occurred in FY 2021 in the amount of \$2,846,257 under the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) known as HEERF II and \$4,920,143 under the American Rescue Plan (ARP) known as HEERF III. Under the terms of the grant agreements, the HEERF-Student Allocation Award is used to provide emergency financial aid grants to students for expenses related to the disruption of campus operations due to COVID-19. The other award, the HEERF-Institutional Allocation Award, may be used to cover costs associated with significant changes to the delivery of course instruction due to COVID-19, subject to certain restrictions outlined in the grant agreements. In addition to the funding programs above, LSCPA received federal stimulus funding through a program known as the Minority Serving Institutions Program. The award amount was \$66,939 during FY 2020 with additional amounts of \$407,759 in FY 2021.

The revenues from these programs are earned by fulfilling the terms and conditions of the agreements with the funding agencies and are therefore recognized when qualifying expenditures are incurred and eligibility requirements are met. A summary of funding awarded and expensed for the year ended August 31, 2021, and the balance of the unearned amounts are presented below:

<b>Program</b>	<b>Total Awarded</b>	<b>Expensed/Earned</b>	<b>Unearned</b>
GEERF - Student Financial Aid	\$ 337,809.00	\$ 54,407.27	\$ 283,401.73
GEERF - Emergency Student Financial Aid	\$ 36,535.00	\$ 36,535.00	\$ 0.00
HEERF - Student Allocation	\$3,021,031.00	\$ 528,342.00	\$2,492,689.00
HEERF - Institutional Allocation	\$4,745,369.00	\$1,489,727.45	\$3,255,641.55
HEERF - Minority Serving Institutions	\$ 407,759.00	\$ 204,452.76	\$ 203,306.24
Total	\$8,548,503.00	\$2,313,464.48	\$6,235,038.82

# Lamar State College Port Arthur

## Notes to the Financial Statements For the Year Ended August 31, 2021

### Note 2: Capital Assets

A summary of changes in capital assets for the year ended August 31, 2021 is presented below:

Capital Assets	Beginning Balance	Adjustments/ Reclass/Transfers	Additions	Deletions	Ending Balance
Non-Depreciable Assets:					
Land	\$ 2,018,964.92	\$ -	\$ 619,000.00	\$ (10,710.00)	\$ 2,627,254.92
Construction In Progress	730,259.23	(6,375,327.88)	8,083,709.77	-	2,438,641.12
Total Non-Depreciable Assets	<u>2,749,224.15</u>	<u>(6,375,327.88)</u>	<u>8,702,709.77</u>	<u>(10,710.00)</u>	<u>5,065,896.04</u>
Depreciable Assets:					
Buildings	45,866,359.91	6,375,327.88	-	(431,012.00)	51,810,675.79
Facilities and Other	4,066,872.41	-	-	-	4,066,872.41
Furniture and Equipment	3,394,159.03	-	477,468.99	(203,515.71)	3,668,112.31
Fleet Vehicles	393,627.72	-	52,400.00	-	446,027.72
Other Assets	3,218,841.14	-	5,944.43	-	3,224,785.57
Total Depreciable Assets at Historical Costs	<u>56,939,860.21</u>	<u>6,375,327.88</u>	<u>535,813.42</u>	<u>(634,527.71)</u>	<u>63,216,473.80</u>
Less: Accumulated Depreciation for:					
Buildings	(27,339,001.35)	-	(1,416,313.50)	369,133.46	(28,386,181.39)
Facilities and Other	(1,913,784.49)	-	(158,854.94)	-	(2,072,639.43)
Furniture and Equipment	(2,554,712.08)	-	(231,604.60)	185,766.59	(2,600,550.09)
Fleet Vehicles	(127,353.41)	-	(50,533.24)	-	(177,886.65)
Other Assets	(2,715,153.83)	-	(81,917.65)	-	(2,797,071.48)
Total Accumulated Depreciation	<u>(34,650,005.16)</u>	<u>-</u>	<u>(1,939,223.93)</u>	<u>554,900.05</u>	<u>(36,034,329.04)</u>
Depreciable Assets, Net	<u>22,289,855.05</u>	<u>6,375,327.88</u>	<u>(1,403,410.51)</u>	<u>(79,627.66)</u>	<u>27,182,144.76</u>
Total Capital Assets, Net	<u>\$ 25,039,079.20</u>	<u>\$ -</u>	<u>\$ 7,299,299.26</u>	<u>\$ (90,337.66)</u>	<u>\$ 32,248,040.80</u>

# Lamar State College Port Arthur

## Notes to the Financial Statements For the Year Ended August 31, 2021

### Note 2: Capital Assets

A summary of changes in capital assets for the year ended August 31, 2020 is presented below:

Capital Assets	Beginning Balance	Adjustments/ Reclass/Transfers	Additions	Deletions	Ending Balance
Non-Depreciable Assets:					
Land	\$ 2,018,964.92	\$ -	\$ -	\$ -	\$ 2,018,964.92
Construction In Progress	1,027,616.75	(1,919,961.67)	1,622,604.15	-	730,259.23
Total Non-Depreciable Assets	<u>3,046,581.67</u>	<u>(1,919,961.67)</u>	<u>1,622,604.15</u>	<u>-</u>	<u>2,749,224.15</u>
Depreciable Assets:					
Buildings	43,747,374.24	1,919,961.67	199,024.00	-	45,866,359.91
Facilities and Other	4,066,872.41	-	-	-	4,066,872.41
Furniture and Equipment	3,340,583.73	-	53,575.30	-	3,394,159.03
Fleet Vehicles	334,670.30	-	138,073.84	(79,116.42)	393,627.72
Other Assets	3,211,514.25	-	7,326.89	-	3,218,841.14
Total Depreciable Assets at Historical Costs	<u>54,701,014.93</u>	<u>1,919,961.67</u>	<u>398,000.03</u>	<u>(79,116.42)</u>	<u>56,939,860.21</u>
Less: Accumulated Depreciation for:					
Buildings	(25,929,644.04)	-	(1,409,357.31)	-	(27,339,001.35)
Facilities and Other	(1,752,476.89)	-	(161,307.60)	-	(1,913,784.49)
Furniture and Equipment	(2,333,870.26)	-	(220,841.82)	-	(2,554,712.08)
Fleet Vehicles	(172,631.39)	-	(33,838.44)	79,116.42	(127,353.41)
Other Assets	(2,632,878.81)	-	(82,275.02)	-	(2,715,153.83)
Total Accumulated Depreciation	<u>(32,821,501.39)</u>	<u>-</u>	<u>(1,907,620.19)</u>	<u>79,116.42</u>	<u>(34,650,005.16)</u>
Depreciable Assets, Net	<u>21,879,513.54</u>	<u>1,919,961.67</u>	<u>(1,509,620.16)</u>	<u>-</u>	<u>22,289,855.05</u>
Total Capital Assets, Net	<u>\$ 24,926,095.21</u>	<u>\$ -</u>	<u>\$ 112,983.99</u>	<u>\$ -</u>	<u>\$ 25,039,079.20</u>

# Lamar State College Port Arthur

## Notes to the Financial Statements For the Year Ended August 31, 2021

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

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

#### Deposits of Cash in Bank

As of August 31, 2021, the carrying amount of deposits was \$2,438,667.84 as presented below:

Cash in Bank - Carrying Value			<u>\$ 2,438,667.84</u>
Proprietary Funds	Current Assets	Cash in Bank	2,339,824.67
Proprietary Funds	Current Assets	Restricted Cash in Bank	1,878.18
Proprietary Funds	Noncurrent Assets	Restricted Cash in Bank	96,964.99
<b>Cash in Bank per AFR</b>			<u><u>\$ 2,438,667.84</u></u>

As of August 31, 2020, the carrying amount of deposits was \$2,228,133.58 as presented below:

Cash in Bank - Carrying Value			<u>\$ 2,228,133.58</u>
Proprietary Funds	Current Assets	Cash in Bank	1,428,172.07
Proprietary Funds	Current Assets	Restricted Cash in Bank	-
Proprietary Funds	Noncurrent Assets	Restricted Cash in Bank	799,961.51
<b>Cash in Bank per AFR</b>			<u><u>\$ 2,228,133.58</u></u>

These amounts consist of all cash in local banks. These amounts are included on the statement of net position as part of the “cash and cash equivalents” accounts.

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, LSCPA will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. LSCPA’s bank accounts are secured by FDIC and pledged collateral. LSCPA has no deposits that are at risk of recovery due to the failure of a depository financial institution. As of August 31, 2021 and 2020, respectively, the total bank balance was \$2,539,145.30 and \$2,112,165.46, respectively.

Foreign currency risk for deposits is the risk that changes in exchange rates will adversely affect the deposit. LSCPA held no exposure to foreign currency risk for deposits as of August 31, 2021.

# Lamar State College Port Arthur

## Notes to the Financial Statements For the Year Ended August 31, 2021

### Investments

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

LSCPA investments adhere to various strategies. The performance objective is to grow the market value of assets net of inflation, spending, and expenses, over a full market cycle (generally defined as a three-to five-year period) without undue exposure to risk. The invested funds are particularly risk-averse to the probability of not meeting the total return goal. Liquidity must be considered and sufficient to meet spending needs and expenses.

The total return goal can be achieved while assuming acceptable risk levels commensurate with “market volatility.” To achieve the total return goal, the assets will be invested to generate appreciation and/or dividend and interest income.

The endowment funds investment is expected to endure into perpetuity. Inflation is a key component in the performance objective. The long-term risk of not investing in equity securities outweighs the short-term volatility risk. As a result, the majority of assets are invested in equity or equity-like securities. Fixed income and fixed income-like securities and other diversifying strategies may act to lower the short-term volatility of the portfolio and/or provide stability, especially during periods of weak or negative equity markets. Other asset classes are included to provide diversification and incremental total return.

The portfolio is diversified to diminish risks associated with particular securities, market sectors, or industries.

### TexPool Investments at Amortized Cost

TexPool and TexPool Prime are managed conservatively to provide safe, efficient, and liquid investment alternatives to Texas governments. The accounts maintain a \$1.00 value per share price and are reported at amortized cost. TexPool Prime has a very conservative investment policy and aligns with Rule 2a-7 money-market practices. TexPool investments consist exclusively of U.S. government securities, repurchase agreements collateralized by U.S. government securities, and AAA-rated no-load money market mutual funds. TexPool Prime invests in the above, plus commercial paper and certificates of deposit. The funds are rated AAAM by Standard and Poor’s based on credit quality, market price exposure, and management. There is no penalty or limit for withdrawal.

### Fair Value of Investments

LSCPA 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:

# Lamar State College Port Arthur

## Notes to the Financial Statements For the Year Ended August 31, 2021

**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.

As of August 31, 2021, the valuation of investments was as follows:

### BUSINESS-TYPE ACTIVITIES

Fair Value	Fair Value Hierarchy			Net Asset Value	2021 Value
	Level 1	Level 2	Level 3		
Corporate Asset and Mortgage Backed Securities	\$ 320,462.51	\$ -	\$ -	\$ -	\$ 320,462.51
Domestic Mutual Funds	643,368.44	-	-	-	643,368.44
Equity	172,613.24	-	-	-	172,613.24
Externally Managed Investments - Domestic	-	-	196,620.93	-	196,620.93
Externally Managed Investments - International	-	-	4,196.43	-	4,196.43
Fixed Income Money Market and Bond Mutual Fund	2,913,753.12	-	-	-	2,913,753.12
International Equity	156,678.41	-	-	-	156,678.41
International Mutual Funds	442,360.49	-	-	-	442,360.49
Other Commingled Funds	296,848.91	-	-	-	296,848.91
<b>Long-Term Investments</b>	<b>\$ 4,946,085.12</b>	<b>\$ -</b>	<b>\$ 200,817.36</b>	<b>\$ -</b>	<b>\$ 5,146,902.48</b>
<b>Amortized Cost</b>					
Other Commingled Funds - TexPool	\$ 132,704.08	\$ -	\$ -	\$ -	\$ 132,704.08
Other Commingled Funds - TexPool Prime	7,177,300.31	-	-	-	7,177,300.31
<b>Cash Equivalents</b>	<b>\$ 7,310,004.39</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 7,310,004.39</b>
<b>Total</b>					<b><u>\$ 12,456,906.87</u></b>

### BUSINESS-TYPE ACTIVITIES

Proprietary Funds	Current Assets	Cash Equivalents	\$ 6,469,869.57
Proprietary Funds	Current Assets	Restricted Cash Equivalents	-
Proprietary Funds	Noncurrent Assets	Restricted Cash Equivalents	840,134.82
Proprietary Funds	Noncurrent Assets	Investments	5,146,902.48
		<b>Total Investments</b>	<b><u>\$ 12,456,906.87</u></b>

### 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, LSCPA will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. LSCPA's investment policy limits holding of securities by counterparties to those involved with securities lending. As of August 31, 2021, LSCPA had no investments subject to custodial credit risk.

# Lamar State College Port Arthur

## Notes to the Financial Statements For the Year Ended August 31, 2021

### 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 Standard and Poor's (A- by Finch, A3 for Moody's). The minimum credit quality of any diversified fund vehicle 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 60% 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, LSCPA must retain an investment consultant. For the endowment portfolio, risk is controlled through the portfolio diversification of market sector and maturity. Risk is further defined by prohibited investments and activities, and limited by maximum single purchase and maximum aggregate position percentages.

As of August 31, 2021, the credit quality distributions for securities with credit risk exposures were as follows:

	AAA	AA	A	BBB	BB	B	Unrated	Total
Endowment	\$ 28.56	\$ 108.78	\$ 486.80	\$ 3,685.01	\$ 3,312.43	\$ 3,584.38	\$ 2,391.85	\$ 13,597.81
Operating-Fixed Income	644.42	2,454.92	10,985.76	83,160.33	74,752.24	80,889.53	53,977.50	306,864.70
<b>Corporate Asset and Mortgage Backed Securities</b>	<b>672.98</b>	<b>2,563.70</b>	<b>11,472.56</b>	<b>86,845.34</b>	<b>78,064.67</b>	<b>84,473.91</b>	<b>56,369.35</b>	<b>320,462.51</b>
Endowment	-	-	-	-	-	-	178,388.19	178,388.19
Operating - Real Estate	144,740.93	-	-	-	-	-	320,239.32	464,980.25
<b>Domestic Mutual Funds</b>	<b>144,740.93</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>498,627.51</b>	<b>643,368.44</b>
Endowment	80,094.10	4,396.13	26,500.64	38,390.96	1,048.08	816.88	21,552.98	172,799.77
Operating-Fixed Income	1,009,887.07	67,224.86	404,250.92	629,028.81	45,168.77	165,685.62	411,703.66	2,732,949.71
Operating - Real Estate	8,003.64	-	-	-	-	-	-	8,003.64
<b>Fixed Income Money Market and Bond Mutual Fund</b>	<b>1,097,984.81</b>	<b>71,620.99</b>	<b>430,751.56</b>	<b>667,419.77</b>	<b>46,216.85</b>	<b>166,502.50</b>	<b>433,256.64</b>	<b>2,913,753.12</b>
<b>Total</b>	<b>\$ 1,243,398.72</b>	<b>\$ 74,184.69</b>	<b>\$ 442,224.12</b>	<b>\$ 754,265.11</b>	<b>\$ 124,281.52</b>	<b>\$ 250,976.41</b>	<b>\$ 988,253.50</b>	<b>\$ 3,877,584.07</b>

### 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. As of August 31, 2021, LSCPA 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. LSCPA is not required to disclose interest rate risk.

### Foreign Currency Risk

Foreign currency risk for investments is the risk that changes in exchange rates will adversely affect the investment. As of August 31, 2021, LSCPA was not aware of any material foreign currency risk.

# Lamar State College Port Arthur

## Notes to the Financial Statements For the Year Ended August 31, 2021

### **Reverse Repurchase, Securities Lending and Derivative Investing**

LSCPA did not participate in reverse repurchase agreements, securities lending, or derivative investing during fiscal year 2021.

### **Note 4: Short-Term Debt**

LSCPA has no short-term debt to report as of August 31, 2021 and 2020.

### **Note 5: Long-Term Liabilities**

#### **Bonds Payable**

See Note 6 for a discussion of bonded indebtedness.

#### **Employees' Compensable Leave**

##### **Annual Leave**

Full-time employees earn eight to twenty-one hours per month vacation leave (annual leave) depending on years of State employment. The State's policy is that employees may carry accrued vacation leave forward from one fiscal year to the next up to a maximum number of hours allowed based on their years of service. Employees with at least six months of State service who terminate employment are entitled to payment for all accumulated annual leave. LSCPA accrues the dollar value of annual leave benefits which are payable upon retirement, termination, or death of its employees. The amounts of these liabilities are reported in the statement of net position. The estimated liability is based on outstanding balances reported in the leave reporting system multiplied by the employee's respective salary rate.

##### **Sick Leave**

Sick leave is earned at the rate of eight hours per month and is paid only when an employee is absent due to illness or to the estate of an employee in the event of his/her death. The maximum sick leave payment to an employee's estate is the lesser of one-half of the employee's accumulated entitlement or 336 hours. Sick leave accumulation from one fiscal year to the next is not limited. LSCPA recognizes the cost of sick leave when paid. The liability is not shown in the financial statements since historical payouts of sick leave have been minimal.

##### **Overtime and Compensatory Leave for FLSA Non-Exempt and Exempt Employees**

Under the federal Fair Labor Standards Act (FLSA) and State laws, overtime can be accumulated in lieu of immediate payment as compensatory leave for non-exempt employees up to a maximum of 240 hours. Unpaid accrued overtime for non-exempt employees is included in the calculation of current and long-term liabilities because these employees are eligible to be paid for these accruals upon death or termination. Overtime is calculated at a rate of 1.5 times an employee's normal rate of pay.

Nonexempt employees may earn compensatory leave when they work additional hours but the number of hours worked in the work week does not exceed 40 hours. Compensatory time is calculated on an hour-for-hour basis and must be taken within one year from date earned or it lapses. There is

# Lamar State College Port Arthur

## Notes to the Financial Statements For the Year Ended August 31, 2021

no death or termination benefit for this type of compensatory leave, so no liability is reported in the financial statements.

As of August 31, 2021, the compensable leave balances were as follows:

	Balance 9/1/2020	Additions	Reductions	Balance 8/31/2021	Amount Due Within One Year	Amount Due Thereafter
Compensable Leave	\$ 655,221.49	\$ 389,642.81	\$ 312,525.75	\$ 732,338.55	\$ 424,756.36	\$ 307,582.19

	Balance 9/1/2019	Additions	Reductions	Balance 8/31/2020	Amount Due Within One Year	Amount Due Thereafter
Compensable Leave	\$ 581,399.97	\$ 360,815.84	\$ 286,994.32	\$ 655,221.49	\$ 406,237.32	\$ 248,984.17

### **Post Employment Health Care and Life Insurance**

In addition to providing pension benefits, the State provides certain health care and life insurance benefits for retired employees in accordance with state statutes. Substantially all of the employees may become eligible for those benefits if they reach normal retirement age while working for the State. LSCPA participates in the Employees Retirement System of Texas (ERS) insurance plans. The information regarding the State's contribution, the number of eligible retirees and the cost of providing those benefits is included in the notes to the annual financial report of the ERS.

### **Notes and Loans Payable**

LSCPA had no notes and loans payable at August 31, 2021 and 2020.

### **Claims and Judgements**

At August 31, 2021 and 2020, various lawsuits and claims involving LSCPA were pending. While the ultimate liability with respect to litigation and other claims asserted against LSCPA or the Board of Regents cannot be reasonably estimated at this time, such liability, to the extent not provided for by insurance or otherwise, is not likely to have a material effect on LSCPA.

### **Note 6: Bonded Indebtedness**

All bonded indebtedness for LSCPA is issued by System Administration through the Texas State University System Revenue Financing System (RFS). System Administration and each component institution within TSUS are members of the RFS. The Board of Regents pledged all of the funds (revenues) and balances derived or attributable to any member of the RFS that are lawfully available to the Board for payments on parity debt.

System Administration issued the debt; therefore, the bonds payable attributable to LSCPA are included with the bonds payable reported by System Administration. LSCPA must repay the debt that was issued on its behalf; consequently, the following debt amortization schedule is presented for informational purposes only.

# Lamar State College Port Arthur

## Notes to the Financial Statements For the Year Ended August 31, 2021

Debt Service Requirements Attributable to Lamar State College Port Arthur:

Description	Year	Principal	Interest	Total
All Series	2022	\$ 1,000,000.00	\$ 348,064.20	\$ 1,348,064.20
	2023	570,000.00	301,225.20	871,225.20
	2024	595,000.00	275,830.06	870,830.06
	2025	625,000.00	249,121.90	874,121.90
	2026	650,000.00	220,895.80	870,895.80
	2027-2031	3,510,000.00	633,246.40	4,143,246.40
	2032-2036	650,000.00	29,860.00	679,860.00
	2037-2041	-	-	-
	2042-2046	-	-	-
	2047-2051	-	-	-
TOTALS		<u>\$ 7,600,000.00</u>	<u>\$ 2,058,243.56</u>	<u>\$ 9,658,243.56</u>

A portion of the debt represents tuition revenue bonds historically funded by the Texas Legislature through general revenue appropriations. LSCPA was appropriated \$1,252,493 and \$1,272,753 during the 2021 and 2020 fiscal years, respectively, for tuition revenue bond debt service. LSCPA expects future Legislative appropriations to meet debt service requirements for tuition revenue bonds.

### Note 7: Derivatives

LSCPA has no derivative instruments to report as of August 31, 2021 and 2020.

### Note 8: Leases

As of August 31, 2021 and 2020, LSCPA was not involved in any capital lease agreements.

LSCPA has entered into various operating leases for equipment. Rental expense was \$38,024.24 and \$37,537.11 (fund type - proprietary fund) for the respective operating leases for the fiscal year ended August 31, 2021 and 2020, respectively.

# Lamar State College Port Arthur

## Notes to the Financial Statements For the Year Ended August 31, 2021

Future minimum lease payments under non-cancelable operating leases having an initial term in excess of one year as of August 31, 2021 and 2020 were as follows:

Fiscal Year	2021	2020
2021	\$ -	\$ 35,870.88
2022	168,381.24	31,151.28
2023	162,233.25	23,430.09
2024	142,798.70	4,939.20
2025	132,006.50	-
2026	131,196.00	-
2027-2031	-	-
	<u>\$ 736,615.69</u>	<u>\$ 95,391.45</u>

### Note 9: Defined Benefit Pension Plans and Defined Contribution Plan

#### Defined Benefit Pension Plan - Teacher Retirement System of Texas

LSCPA participates in a cost-sharing, multi-employer, defined benefit pension plan administered by the Teacher Retirement System of Texas (TRS). TRS provides retirement, disability annuities, and death and survivor benefits. The benefit and contribution provisions of TRS are authorized by state law and may be amended by the Legislature.

In accordance with the Reporting Requirements for Annual Financial Reports of State Agencies and Universities (the Reporting Requirements) promulgated by the Texas Comptroller of Public Accounts, TSUS has implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which includes the net pension expense, net pension liability, and related deferred inflows and outflows. Under the Reporting Requirements, employees of LSCPA are treated as employees of TSUS for GASB 68 reporting; therefore, these financial statements neither record nor disclose the net pension expense, net pension liability, or related deferred inflows and outflows attributable to LSCPA. Recording and disclosure of this information occurs for TSUS as a whole in the consolidated Annual Financial Report of TSUS. The State and TSUS share responsibility for funding their proportional shares of the obligations of TRS.

All LSCPA personnel employed in a TRS-eligible position on a one-half time or greater basis that is projected to last for 4½ months or more are eligible for membership in TRS. Students employed in positions that require student status as a condition of employment do not participate.

The pension benefit formulas are based on members' average annual compensation and years of service credit. The standard annuity is 2.3% of the average of the five highest annual salaries multiplied by years of service credit. For grandfathered employees who were hired on or before August 31, 2005 and meet certain criteria, the standard annuity is based on the average of the three highest annual salaries. TRS does not provide automatic post-employment benefit changes, including

# Lamar State College Port Arthur

## Notes to the Financial Statements For the Year Ended August 31, 2021

automatic cost-of-living adjustments (COLA).

Normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule.

TRS is primarily funded through State and employee contributions. TRS contribution rates are established by the State Legislature. Contributions by employees were 7.7% of gross earnings for 2021 and 2020, respectively, while employer contributions were 7.5% of the participants' gross earnings for 2021 and 2020, respectively. Depending upon the source of funding for a participant's salary, LSCPA may be required to make contributions in lieu of the State. Contributions to TRS for the year ended August 31, 2021 and 2020, attributable to LSCPA's portion of the pension obligation were as follows:

	<b>Year ended August 31, 2021</b>
Employee Contributions	\$ 551,381.45
Employer Contributions	<u>536,305.07</u>
<b>Total</b>	<b><u>\$1,087,686.52</u></b>

	<b>Year ended August 31, 2020</b>
Employee Contributions	\$ 560,487.14
Employer Contributions	<u>548,604.59</u>
<b>Total</b>	<b><u>\$1,109,091.73</u></b>

TRS currently does not separately account for each of its component government agencies because TRS itself bears sole responsibility for retirement commitments beyond contributions fixed by the State Legislature. Further information regarding actuarial assumptions and conclusions, together with audited financial statements are included in TRS's annual financial report, which may be found on the TRS website at [www.trs.state.gov](http://www.trs.state.gov).

### Defined Contribution Plan - Optional Retirement Program

The Optional Retirement Program (ORP) is the state defined contribution plan offered to certain eligible employees of universities and colleges in lieu of participation in TRS. Employees eligible for participation in ORP are defined in Texas Administrative Code § 25.4. ORP provides for the purchase of annuity contracts and mutual funds. Participants are vested in the employer contributions after one year and one day of service. Depending upon the source of funding for the employee's compensation, LSCPA may be required to make the employer contributions in lieu of the State.

The State provides an option for a local supplement (up to 1.9%) on top of the state base rate.

# Lamar State College Port Arthur

## Notes to the Financial Statements For the Year Ended August 31, 2021

Participant contributions were made at a rate of 6.65% of annual compensation during FY 2021 and FY 2020. Employer contributions were made at the base rate of 6.6% unless the employee was grandfathered (i.e. the employee was contributing on August 31, 1995); in the case of grandfathered employees, the rate of the employer contributions was 8.5% of annual compensation.

Contributions made by the participants and LSCPA for the fiscal year ended August 31, 2021 and 2020 were as follows:

	<b>Year ended August 31, 2021</b>
Member Contributions	\$ 161,654.95
Employer Contributions	<u>160,439.53</u>
<b>Total</b>	<b><u>\$ 322,094.48</u></b>

	<b>Year ended August 31, 2020</b>
Member Contributions	\$ 166,431.53
Employer Contributions	<u>177,535.23</u>
<b>Total</b>	<b><u>\$ 343,966.76</u></b>

Since contributions are invested in individual annuity contracts, neither the State nor LSCPA have any liability for ORP. Further information in regards to ORP can be obtained from the Texas Higher Education Coordinating Board website at [www.highered.texas.gov](http://www.highered.texas.gov).

### **Note 10: Deferred Compensation**

LSCPA does not serve as administrative agency as defined by the Texas Comptroller with respect to its Note 10; however, State employees may elect to defer a portion of their earnings for income tax and investment purposes pursuant to authority granted in the Texas Government Code Annotated, Section 609.001. Two plans are available for employees' participation - TRS and ORP. The assets of the plans do not belong to LSCPA, TSUS, or the State. LSCPA, TSUS, or the State have no liability related to the plans.

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

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

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

# Lamar State College Port Arthur

## Notes to the Financial Statements For the Year Ended August 31, 2021

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

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

As explained in Note 1, Interfund and Interagency Transactions are numerous transactions between funds and agencies. At year-end, amounts to be received or paid are reported as:

- Interfund Receivables or Interfund Payables
- Due From Other Agencies or Due to Other Agencies
- Due From Other Funds or Due to Other Funds
- Transfers In or Transfers Out
- Legislative Transfers In or Legislative Transfers Out

LSCPA 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.

As of August 31, 2021 and 2020, LSCPA has not participated in any interfund borrowing.

# Lamar State College Port Arthur

## Notes to the Financial Statements For the Year Ended August 31, 2021

Individual balances and activity at August 31, 2021 are as follows:

	<b>Due From Other Agencies</b>	<b>Due To Other Agencies</b>	<b>Source</b>
Appd Fund 9999, D23, Fund 7999			
Agency 320, D23 Fund 7999	\$ 19,482.90	\$ -	State
Agency 320, D23 Fund 0286	-	1,889.94	State
Agency 730, D23 Fund 7999	10,378.36	-	Federal
Agency 758, D23 Fund 7999	-	1,977.16	Local
Agency 781, D23 Fund 7999	71,611.54	-	Federal
Agency 781, D23 Fund 0325	-	283,829.08	Federal
Agency 902, D23 Fund 0599	77,794.77	-	State
Total Due From/To Other Agencies	\$ 179,267.57	\$ 287,696.18	
	<b>Transfers From Other Agencies</b>	<b>Transfers To Other Agencies</b>	
Mandatory Transfers			
Appd Fund 9999, D23 Fund 9999			
Agency 758, D23 Fund 9999	\$ -	\$ 40,652.70	Local
Appd Fund 9999, D23 Fund 9999			
Agency 758, D23 Fund 9999	-	198,035.00	Local
Agency 902, D23 Fund 0599	5,252,391.48	-	State
Agency 902, D23 Fund 0210	5,252.00	-	State
Total Transfers From/To Other Agencies	\$ 5,257,643.48	\$ 238,687.70	
	<b>Legislative Transfers From Other Agencies</b>	<b>Legislative Transfers To Other Agencies</b>	
Appd Fund 0001, D23 Fund 0001			
Agency 902, D23 Fund 0001	\$ 7,993.00	\$ -	State
Agency 758, D23 Fund 0001	-	1,252,493.00	General Revenue
Agency 758, D23 Fund 0001	-	89,250.00	General Revenue
Total Legislative Transfers	\$ 7,993.00	\$ 1,341,743.00	

# Lamar State College Port Arthur

## Notes to the Financial Statements For the Year Ended August 31, 2021

Individual balances and activity at August 31, 2020 are as follows:

	<b>Due From Other Agencies</b>	<b>Due To Other Agencies</b>	Source
Appd Fund 9999, D23, Fund 7999			
Agency 730, D23 Fund 7999	\$ 5,474.22	\$ -	Federal
Agency 781, D23 Fund 7999	55,672.54	-	Federal
Agency 734, D23 Fund 7999	1,984.50	-	Local
Total Due From/To Other Agencies	\$ 63,131.26	\$ -	
	<b>Transfers From Other Agencies</b>	<b>Transfers To Other Agencies</b>	
Mandatory Transfers			
Appd Fund 9999, D23 Fund 9999			
Agency 758, D23 Fund 9999	\$ -	\$ 24,465.24	Local
Non Mandatory Transfers			
Appd Fund 9999, D23 Fund 9999			
Agency 758, D23 Fund 9999	-	202,533.00	Local
Agency 902, D23 Fund 0599	337,183.72	-	State
Agency 902, D23 Fund 0210	5,624.00	-	
Total Transfers From/To Other Agencies	\$ 342,807.72	\$ 226,998.24	
	<b>Legislative Transfers From Other Agencies</b>	<b>Legislative Transfers To Other Agencies</b>	
Appd Fund 0001, D23 Fund 0001			
Agency 902, D23 Fund 0001	\$ 9,570.00	\$ -	State
Agency 758, D23 Fund 0001	-	1,272,753.00	General Revenue
Agency 758, D23 Fund 0001	-	110,356.25	General Revenue
Total Legislative Transfers	\$ 9,570.00	\$ 1,383,109.25	

### Note 13: Continuance Subject to Review

LSCPA is not subject to a review of continuance.

### Note 14: Adjustments to Fund Balances and Net Position

During the review of the AFR for the year ending August 31, 2021 issued in January 2022, which was being conducted in connection with LSCPA's reaccreditation, it was discovered that accounts receivable and payroll payable were both understated by \$462,190.76. The net impact to net position was zero. For the purpose of the review, accounts receivable and payroll payable were restated.

# Lamar State College Port Arthur

## Notes to the Financial Statements For the Year Ended August 31, 2021

### Note 15: Contingencies and Commitments

#### Claims and Judgements

At August 31, 2021 and 2020, various lawsuits and claims involving LSCPA were pending. While the ultimate liability with respect to litigation and other claims asserted against LSCPA or the Board of Regents cannot be reasonably estimated at this time, such liability, to the extent not provided for by insurance or otherwise, is not likely to have a material effect on LSCPA.

#### Federal Assistance

LSCPA 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.

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

#### Construction Commitments

LSCPA has outstanding capital commitments for various construction projects at various stages in the amount of \$3,914,754.49 at August 31, 2021.

### Note 16: Subsequent Events

LSCPA has no subsequent events to report as of August 31, 2021 and 2020.

### Note 17: Risk Management

#### Liability Recognition and Experience

LSCPA assumes substantially all risks associated with tort and liability claims due to the performance of its duties. Currently, LSCPA is not involved in any risk pools with other government entities. LSCPA's liabilities are reported when it is both probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Liabilities are reevaluated periodically to consider current settlements, frequency of claims, past experience and economic factors. There were no significant reductions in insurance coverage in the past year and losses did not exceed funding arrangements during the past three years. There were no liabilities to report during the fiscal year ended August 31, 2021 and 2020, respectively.

# Lamar State College Port Arthur

## Notes to the Financial Statements For the Year Ended August 31, 2021

### **Civil Claims**

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

### **Unemployment Compensation**

The State provides coverage for unemployment benefits for LSCPA employees from appropriations made to the Texas Workforce Commission. The current General Appropriations Act provides that LSCPA must reimburse the general revenue fund from LSCPA appropriations 50% of the unemployment benefits paid for state funded positions and 100% of the cost for unemployment compensation for any positions paid from funds held in local bank accounts and local funds held in the State Treasury. The Comptroller of Public Accounts determines the proportionate amount to be reimbursed from each appropriated fund type. The unemployment benefit plan is on a pay-as-you-go basis, in which no assets are set aside to be accumulated for the payment of claims. No material outstanding claims are pending at August 31, 2021 and 2020.

### **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, 77<sup>th</sup> 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 risk management services and workers' compensation coverage for its employees in compliance with Texas Labor Code Chapter 412 and Chapter 501. The assessment paid during the fiscal year ended August 31, 2021 and 2020 amounted to \$12,785.95 and \$19,091.83, respectively.

### **Fire and Extended Coverage**

LSCPA is required by certain bond covenants and FEMA to carry fire and extended coverage and boiler insurance on buildings financed through the issuance of bonds using pledged auxiliary enterprise, educational and general and 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 and the federal government for storm damage. LSCPA is in the process of filing an insurance claim due to the impact of Winter Storm Uri in February 2021. This affected several buildings but mainly the Student Center Building. Emergency repairs to mitigate further damage and then repairs to restore property occurred during FY 2021. The claims process remains on-going with the insurance carrier. No insurance claims were made during the fiscal year ended August 31, 2020.

### **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 LSCPA are covered by a commercial insurance policy specifically customized for TSUS, which provides coverage to the extent of \$1,000,000 combined single liability. The coverage exceeds the extent of the waivers of state immunity specified in the Texas Tort Claims Act, Civil Properties and Remedies Code Section 101.023.

# Lamar State College Port Arthur

## Notes to the Financial Statements For the Year Ended August 31, 2021

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

See Management's Discussion and Analysis section.

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

See Reporting Entity as discussed in Note 1.

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

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

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

Reserved for future use by Texas Comptroller.

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

LSCPA has no cumulative net appreciation on investments of donor restricted endowments to report as of August 31, 2021 and 2020.

### **Note 23: Extraordinary and Special Items**

No items have been identified meeting the criteria of extraordinary or special items as of August 31, 2021 and 2020.

### **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 allowances for doubtful accounts of \$121,815.37 and \$146,305.32 as of August 31, 2021 and 2020, respectively.

### **Note 25: Termination Benefits**

LSCPA has no termination benefits to report as of August 31, 2021 and 2020.

### **Note 26: Segment Information**

LSCPA has no segments to report as of August 31, 2021 and 2020.

# Lamar State College Port Arthur

## Notes to the Financial Statements For the Year Ended August 31, 2021

### **Note 27: Service Concession Arrangements**

LSCPA has no service concession arrangements to report as of August 31, 2021 and 2020.

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

LSCPA has no deferred outflows of resources and deferred inflows of resources to report as of August 31, 2021 and 2020.

### **Note 29: Troubled Debt Restructuring**

LSCPA has no troubled debt restructuring to report as of August 31, 2021 and 2020.

### **Note 30: Non-Exchange Financial Guarantees**

LSCPA has no non-exchange financial guarantees to report as of August 31, 2021 and 2020.

### **Note 31: Tax Abatements**

LSCPA has no tax abatements to report as of August 31, 2021 and 2020.

### **Note 32: Fund Balances**

LSCPA's financial statements are presented for business-type activities as of August 31, 2021 and 2020.

