

2022 Annual Financial Report



For Fiscal Year Ended August 31, 2022

ANNUAL FINANCIAL REPORT

of

TEXAS SOUTHERN UNIVERSITY
(An Agency of State of Texas)

For the Year Ended
August 31, 2022

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TEXAS SOUTHERN UNIVERSITY
(An Agency of the State of Texas)
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INTRODUCTORY SECTION

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TEXAS SOUTHERN UNIVERSITY

3100 CLEBURNE ST. | HOUSTON, TEXAS 77004 | 713.313.1179



Office *of the* President

Texas Southern University is excited to share positive news about its fiscal health. The Annual Financial Report (AFR) for Fiscal Year 2022 delivers a complete overview of the University's financial status and operations as of August 31, 2022. Texas Southern University is mandated by law to provide a full accounting of income received as it makes transformative investments in the educational future of our students.

As President of Texas Southern University, I understand the criticality of maintaining a transparent financial process, which ensures that there is a full and open accounting of funds from all sources, including those from the state and federal government, public and private corporations and foundations, and individual donors. This 2022 Financial Report is the primary publication that provides accountability to elected officials, taxpayers and other constituents.

Texas Southern is truly a global institution, serving a diverse student population from across the United States and more than 50 countries internationally. In its 95th year of existence, TSU has experienced exponential growth as a student-centered, comprehensive doctoral university and one of the largest HBCUs in the United States. The University's faculty, staff and students view TSU as a destination university where students are eager to obtain an affordable, world-class education, and faculty and staff are provided the necessary resources to prepare and transform students into tomorrow's leaders. It is via these financial assets that TSU pursues a holistic approach leading to career-ready graduates at the bachelor, master, doctoral and professional levels in a variety of disciplines. This includes signature programs in aviation, biology, civil and electrical engineering, communications, law, maritime transportation, pharmacy, arts and sciences and other critical STEM-related fields. As a result, TSU consistently ranks as a state and national leader in providing degrees to African American and other students of color in a variety of programs.

TSU has invested its resources with equal measures of efficiency and innovation, ensuring that incoming students – whether they are first-time-in-college or transferring from our multitude of educational partners – are prepared to succeed. This includes dozens of community colleges with whom TSU has established seamless transfer agreements and pipelines to success. The TSU Summer of Success program – now in its sixth year – is an example of the University utilizing its resources to provide conditional admittance to hundreds of qualified high school graduates via a specialized summer curriculum that leads to successful university admission. By concentrating on students' quality and potential on the front end, TSU has ensured that students' persistence, success, and completion rates for Fall 2022 are the highest in TSU history.

Texas Southern University is proud of its long and illustrious history. Just as important, TSU is confident and excited about its future. The 2022 Annual Financial Report reflects the success of our mission in the preceding year and our ability to be excellent stewards of the resources to which we have been entrusted.

Dr. Lesia L. Crumpton-Young
President ⁽¹⁾

(1) Dr. Lesia Crumpton-Young announced her retirement from the institution on May 26, 2023, effective on June 1, 2023. The Board of Regents named Dr. Dakota Doman, Chief of Staff, as the Acting Chief Executive Officer effective June 4, 2023 to June 30, 2023. On June 15, 2023, Dr. Mary Evans Sias was appointed as Interim President, effective June 30, 2023.

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TEXAS SOUTHERN UNIVERSITY
(An Agency of the State of Texas)
BOARD OF REGENTS
August 31, 2022

Officers

Honorable Albert H. Myres, Chairman
Honorable Marc C Carter, Vice Chair
Honorable Pamela A. Medina, 2nd Vice Chair
Honorable James M. Benham, Secretary

Members

Honorable James M. Benham	College Station
Honorable Ronald J. Price	Mesquite
Honorable Marc C. Carter, Vice Chair	Houston
Terms Expire February 1, 2023	
Honorable Aaliyah M. Fleming, Student Regent	Houston
Term Expired February 1, 2022	
Honorable Keonne M. McClain, Student Regent	Houston
Term Expired May 31, 2023	
Honorable Dylan Getwood, Student Regent	Port Arthur
Term Expires May 31, 2024	
Honorable Pamela A. Medina, 2 nd Vice Chair	Houston
Honorable Albert H. Myres, Chairman	Liberty
Honorable Stephanie D. Nellons-Paige	Houston
Terms Expire February 1, 2025	
Honorable Caroline Baker Hurley	Houston
Honorable Marilyn A. Rose	Houston
Honorable Mary Evans Sias	Richardson
Terms Expire February 1, 2027	

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TEXAS SOUTHERN UNIVERSITY
(An Agency of the State of Texas)
UNIVERSITY ADMINISTRATION
August 31, 2022

University Administration

Dr. Lesia L. Crumpton Young	President
Dr. Dakota Doman	Chief of Staff
Kia Harper	Executive Director of Presidential Initiatives and Projects
Devi Bala	Vice President for Business and Finance/Chief Financial Officer
Dr. Needham Bouttee-Queen	Interim Provost & Vice President for Academic Affairs and Research
Melinda Spaulding	Vice President for Communications & Advancement
Hao Le	General Counsel
Dr. DeNeia Thomas	Vice President of Enrollment and Student Success
Dr. Michelle Penn-Marshall	Vice President Research and Innovation
Dr. Kevin Granger	Vice President of Intercollegiate Athletics

Fiscal Administration

Anita Lockridge	Interim Vice President for Administration and Finance/CFO
Devi Bala	Vice President for Business and Finance/CFO
Charla Parker-Thompson	Chief Audit Executive
Darlene Brown	Chief Audit Executive
Paula Stapleton	Assistant Vice President for Business & Finance/Controller
Bobbie Phelps	Manager of General Accounting

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FINANCIAL SECTION

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forvis.com

Independent Auditor's Report

Board of Regents
Texas Southern University
Houston, Texas

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Texas Southern University (the University), an agency of the State of Texas, as of and for the year ended August 31, 2022, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Texas Southern University as of August 31, 2022, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the University, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension and other postemployment benefit information as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and

comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the University's basic financial statements. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the supplementary information as listed in the table of contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information.

Management is responsible for the other information included in the annual financial report. The other information comprises the introductory section but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report June 20, 2023, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

FORVIS, LLP

Houston, Texas
June 20, 2023

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

Independent Auditor's Report

Board of Regents
Texas Southern University
Houston, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of Texas Southern University, which comprise the statement of net position as of August 31, 2022, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 20, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Texas Southern University's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Texas Southern University's internal control. Accordingly, we do not express an opinion on the effectiveness of the Texas Southern University's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be a material weakness and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as item 2022-001 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2022-002 and 2022-003 to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Texas Southern University's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Texas Southern University's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Texas Southern University's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. Texas Southern University's response was not subjected to the other auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on the response.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

FORVIS, LLP

Houston, Texas
June 20, 2023

Texas Southern University
Summary Schedule of Findings
Year Ended August 31, 2022

**Reference
Number**

Summary of Findings

2022-001 Accounting for Capital Asset Activity

Criteria or specific requirement: Texas Southern University's internal controls should be designed to prevent, or detect and correct, misstatements on a timely basis.

Condition: Several adjustments related to capital assets were required in order to agree the capital asset additions detail to the capital asset rollforward, including completed Construction in Progress (CIP) transferred out of CIP and into a depreciable asset category, the UAV dormitory settlement, and agreeing asset addition balances in total between the CIP and building asset additions to the rollforward.

Effect: Potential material misstatement of financial statements.

Cause: The processing of capital asset activity is overly complex. In addition, due to turnover there is no individual that is familiar with the processing.

Recommendation: We recommend that management evaluate the current capital asset process within the Banner system and identify an individual to be responsible for capital asset accounting. Additionally, we recommend general ledger capital asset accounts be reconciled to detailed records on a monthly basis.

Views of responsible officials and planned corrective actions: TSU will hire a full-time staff accountant to reconcile and manage accounting transactions related to capital assets, including matching the balances to our CAPPs report with the State of Texas. The reconciliations will be completed monthly instead of annually as is the current practice. The Controller will review the processing of capital asset transactions, implement improvements to streamline the procedures, and document the new process which will be used to train the new accountant.

2022-002 State Appropriations

Criteria or specific requirement: Texas Southern University's internal controls should be designed to prevent, or detect and correct, misstatements on a timely basis.

Condition: Several differences were noted between the recorded State Appropriations by TSU and the amounts reported as of August 31, 2022, by the State Comptroller that required extensive research and resulted in an adjustment to the recorded balances.

Effect: Potential material misstatement of financial statements.

Cause: Lack of individuals who are familiar with the USAS process specifically related to State Appropriations.

Recommendation: We recommend cross-training General Accounting team on USAS accounting and ensuring that all appropriated amounts are properly recorded and rolled over for budgetary purposes.

Texas Southern University

Summary Schedule of Findings

Year Ended August 31, 2022

Reference Number

Summary of Findings

Views of responsible officials and planned corrective actions: TSU will have all members of the General Accounting team cross-trained on USAS accounting. A full-time accountant will be hired to reconcile the USAS balances monthly.

2022-003

Other Post Employment Benefit (OPEB) Accounting

Criteria or specific requirement: Texas Southern University's internal controls should be designed to prevent, or detect and correct, misstatements on a timely basis.

Condition: It was noted that the entries provided by the State Comptroller for OPEB current year changes in actuarial assumptions was not properly recorded to match the schedule provided by the State.

Effect: Potential material misstatement of financial statements.

Cause: Lack of review by someone other than the preparer.

Recommendation: We recommend ensuring journal entries are reviewed and verified with supporting documentation prior to posting.

Views of responsible officials and planned corrective actions: This concern has been addressed by the hiring of an Assistant Vice President of Business & Finance/Controller who started on February 6, 2023. The Controller leads the function of reviewing all journal entries recorded by the Accounting Manager. The Accounting Manager was the preparer of the OPEB entries.

Texas Southern University
Summary Schedule of Prior Audit Findings
Year Ended August 31, 2022

Reference Number	Summary of Finding	Status
2021-001	<p data-bbox="347 378 708 405">Accounting for Debt Activity</p> <p data-bbox="347 443 1162 541">Criteria or specific requirement: Texas Southern University's internal controls should be designed to prevent, or detect and correct, misstatements on a timely basis.</p> <p data-bbox="347 577 1182 808">Condition: During the year, the University had two unique debt transactions– forgiveness of debt and a debt refunding. Several errors were identified regarding accounting for debt activity. These areas included material, non-routine transactions such as the loan forgiveness and bond refunding, as well as non-material routine transactions related to recording of bond premiums/discounts and calculation of accrued bond interest. These errors were subsequently corrected.</p> <p data-bbox="347 844 1084 871">Effect: Potential material misstatement of financial statements.</p> <p data-bbox="347 907 1169 1039">Cause: For the loan forgiveness and debt refunding transactions management was not fully knowledgeable of how to record these infrequent transactions. For the other transactions, there was a lack of management oversight.</p> <p data-bbox="347 1075 1177 1270">Recommendation: We recommend that management review Government Accounting Standards Board (GASB) codification for guidance on the accounting for debt transactions and consult with us as unusual transactions occur prior to recording journal entries. In addition, we recommend allowing sufficient time to review the accounting of recurring and unique transactions.</p>	Resolved
2021-002	<p data-bbox="347 1308 500 1335">Net Position</p> <p data-bbox="347 1373 1162 1472">Criteria or specific requirement: Texas Southern University's internal controls should be designed to prevent, or detect and correct, misstatements on a timely basis.</p> <p data-bbox="347 1507 1174 1738">Condition: Several errors were identified regarding calculation and categorization of net position components. These areas included distinctions between restricted and unrestricted funds, unspent bond proceeds, net investment in capital assets inclusive of retainage payable, and identification of restricted capital projects. These errors were subsequently corrected. The adjustments resulted in reducing the negative unrestricted net position.</p> <p data-bbox="347 1837 1084 1864">Effect: Potential material misstatement of financial statements.</p>	In Process

Texas Southern University
Summary Schedule of Prior Audit Findings
Year Ended August 31, 2022

Reference Number	Summary of Finding	Status
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Cause: The review of net position categorization was not performed timely.

Recommendation: We recommend that management review GASB for guidance to ensure proper categorization of net position.

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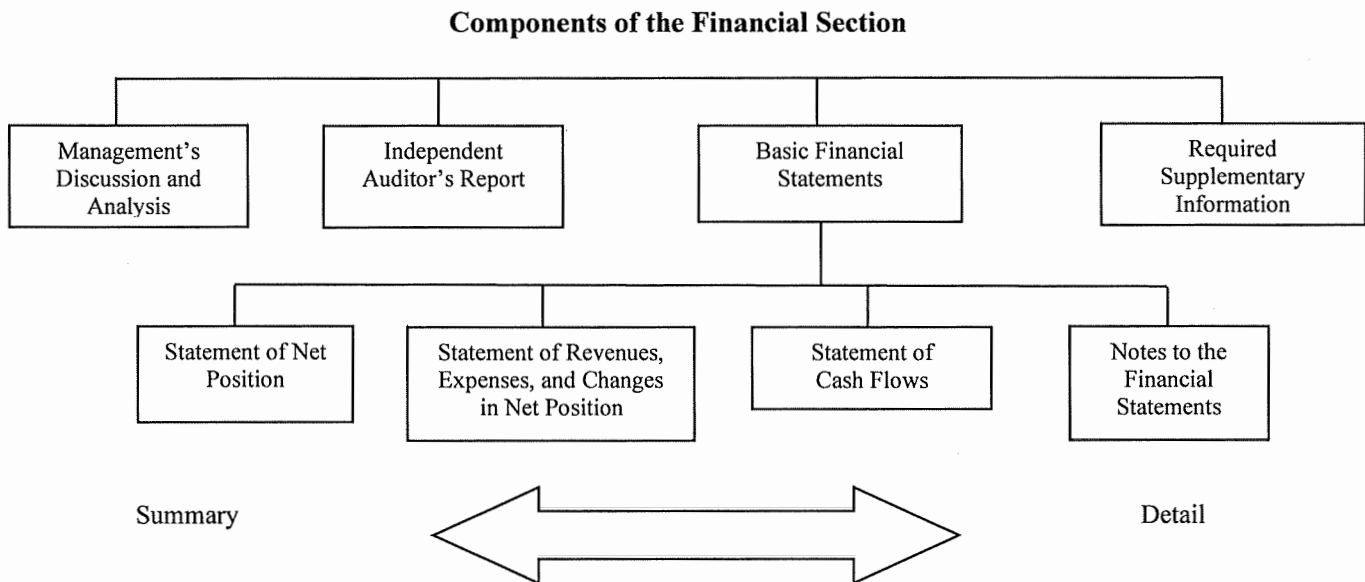
MANAGEMENT'S DISCUSSION **AND ANALYSIS**

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TEXAS SOUTHERN UNIVERSITY
(An Agency of the State of Texas)
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
For the Year Ended August 31, 2022

The following is Texas Southern University's Management's Discussion and Analysis (MD&A) which outlines the financial performance for the fiscal year ended August 31, 2022. The information that is being presented should be read in conjunction with other areas of the financial section of the report including the message from the President located in the introductory session.

THE STRUCTURE OF OUR ANNUAL REPORT



TSU's basic financial statements include the statement of net position; statement of revenues, expenses, and changes in net position; statement of cash flows; and notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statement themselves.

Basic Financial Statements

The basic financial statements report information for TSU. These statements include transactions and balances relating to all assets, including infrastructure capital assets. These statements are designed to provide information about cost of services, operating results, and financial position of TSU as an economic entity. The statement of net position and the statement of revenues, expenses, and changes in net position, which appear first in the financial statements, report information on TSU's activities that enable the reader to understand the financial condition of TSU. These statements are prepared using the *accrual basis of accounting*, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account even if cash has not yet changed hands.

TEXAS SOUTHERN UNIVERSITY
(An Agency of the State of Texas)
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For the Year Ended August 31, 2022

The statement of net position presents information on all TSU's assets and deferred outflows of resources that exceed liabilities and deferred inflows of resources. The difference between these categories is reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of TSU is improving or deteriorating. Other nonfinancial factors, such as TSU's student enrollment and the condition of TSU's infrastructure, should be considered to assess the overall health of TSU.

The statement of revenues, expenses, and changes in net position presents information showing how TSU'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 – the accrual method.

The statement of cash flows presents information about TSU's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities and provides answers to such questions as where cash came from, what was cash used for, and what was the change in cash balances during the reporting period.

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 basic financial statements can be found after the MD&A within this report.

FINANCIAL ANALYSIS OF TSU

As noted earlier, net position may serve over time as a useful indicator of TSU's financial position. As of August 31, 2022, assets and deferred outflows of resources exceed liabilities and deferred inflows of resources by \$275,296,704.49. The largest portion of TSU's net position (78%) reflects its investments in capital assets (e.g., land, buildings and improvements, equipment, leased land, construction in progress, and infrastructure), less any debt used to acquire those assets that is still outstanding. TSU uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although TSU's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since those assets themselves cannot be used to liquidate these liabilities.

TEXAS SOUTHERN UNIVERSITY
(An Agency of the State of Texas)
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For the Year Ended August 31, 2022

Condensed Statement of Net Position

The following table reflects the condensed Statement of Net Position:

	<u>2022</u>	<u>2021</u>
Current and other assets	\$ 170,654,625.06	\$ 152,741,733.15
Non-current Restricted assets	77,285,710.04	87,829,811.27
Capital assets, net	291,627,350.05	287,506,536.27
Total Assets	<u>539,567,685.15</u>	<u>528,078,080.69</u>
 Deferred Outflows of Resources	 <u>53,022,744.34</u>	 <u>76,495,538.34</u>
 Current liabilities	 109,195,987.88	 99,447,585.54
Noncurrent liabilities	169,238,832.12	195,652,573.63
Total Liabilities	<u>278,434,820.00</u>	<u>295,100,159.17</u>
 Deferred Inflows of Resources	 <u>38,858,905.00</u>	 <u>28,020,880.00</u>
 Net investment in capital assets	 213,579,583.37	 216,960,554.88
Restricted for:		
Debt service	104,563.67	389,726.29
Other	82,273,340.25	97,754,562.05
Unrestricted	(20,660,782.80)	(33,652,263.36)
Total Net Position	<u>\$ 275,296,704.49</u>	<u>\$ 281,452,579.86</u>

Total Assets increased by \$11,489,604.46 from \$528,078,080.69 in the prior year to \$539,567,685.15 in the current year. Texas Southern University (TSU) recognized a substantial increase in legislative appropriation higher education fund (HEF) which increased from \$17,151,716.74 to \$26,820,951.39 approved by the Legislative Budget Board for biennium 2022-2023.

Total Liabilities decreased by \$16,665,349.17 from \$295,100,159.17 in the prior year to \$278,434,820.00. TSU recognized a substantial decrease in non-current liabilities primarily due to decrease in pension liability by \$24,436,585 from \$43,117,766 in fiscal year 2021 to \$18,681,181 in fiscal year 2022.

Unrestricted net deficit decreased by (\$12,991,480.50) from (\$33,652,263.36) to (\$20,660,782.80) at year end. Unrestricted net position represents amounts that can be used to finance day-to-day operations without constraints established by debt covenants and enabling legislation. Most of the increase can be attributed to the increase in OPEB expense.

TEXAS SOUTHERN UNIVERSITY
 (An Agency of the State of Texas)
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For the Year Ended August 31, 2022

Restricted Net Position decreased by \$15,766,384.42 from \$98,144,288.34 to \$82,377,903.92. The decrease can be attributed to the negative change in market value in endowment by \$10,630,125.11 from \$85,740,146.55 in prior year to \$75,110,020.44. In addition, a significant decrease in capital project by \$4,396,283.52 from \$5,981,261.77 in prior year to \$1,584,978.25.

Statement of Revenues, Expenses, and Changes in Net Position

	<u>2022</u>	<u>2021</u>
OPERATING REVENUES		
Tuition and Fees - Pledged	\$ 81,997,583.40	\$ 78,232,310.78
Discount on Tuition and Fees	(29,606,509.91)	(24,582,417.44)
Auxiliary Enterprises -Pledged	15,647,562.88	7,508,283.86
Other Sales of Goods and Services - Pledged	93,778.01	59,381.88
Federal Revenue	19,677,446.78	19,841,669.36
Federal Pass-Through Revenue	1,208,494.58	2,881,601.22
State Revenue	1,006,556.62	290,743.17
State Pass-Through Revenue	7,479,011.26	5,511,131.79
Other Contracts and Grants - Pledged	1,238,278.63	1,893,888.35
Other Operating Revenue	7,798,898.75	5,352,936.78
Total Operating Revenues	<u>106,541,101.00</u>	<u>96,989,529.75</u>
OPERATING EXPENSES		
Salaries and Wages	97,222,758.09	94,566,668.12
Payroll Related Costs	39,724,217.47	47,631,196.04
Professional Fees and Services	14,632,514.33	10,896,255.41
Travel	2,315,668.47	832,338.17
Materials and Supplies	12,885,104.32	7,756,989.77
Communication and Utilities	7,392,008.05	6,579,530.08
Repairs and Maintenance	10,365,155.37	6,291,981.43
Rentals and Leases	1,863,856.25	1,155,554.53
Printing and Reproductions	523,660.48	363,917.74
Federal Pass-Through Expense	366,670.91	408,897.89
Bad Debt Expense	2,272,495.00	2,203,500.96
Scholarships	42,927,227.05	36,471,782.80
Other Operating Expenses	10,659,652.23	8,075,011.93
Depreciation and Amortization	23,014,851.69	22,977,507.35
Total Operating Expenses	<u>266,165,839.71</u>	<u>246,211,132.22</u>
Operating (Loss)	<u>\$ (159,624,738.71)</u>	<u>\$ (149,221,602.47)</u>

TEXAS SOUTHERN UNIVERSITY
 (An Agency of the State of Texas)
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
 For the Year Ended August 31, 2022

Statement of Revenues, Expenses, and Changes in Net Position (Continued)

	<u>2022</u>	<u>2021</u>
NONOPERATING REVENUES (EXPENSES)		
Legislative Revenue	\$ 52,716,085.00	\$ 51,491,043.00
Additional Appropriations	17,574,423.88	10,555,429.76
Gifts	342,145.79	368,451.32
Federal Revenue Nonoperating	83,068,552.45	66,621,820.78
Interest Income	2,293,123.71	2,169,599.22
Investing Activities Expenses	(113,721.30)	(525,802.64)
Interest Expense and Fiscal Charges	(2,707,649.88)	(4,625,427.36)
Net Increase (Decrease) In Fair Value	(12,116,321.01)	16,166,641.00
Other Nonoperating Revenue/Expense	1,070,648.54	15,291,451.47
Total Nonoperating Revenues (Expenses)	<u>142,127,287.18</u>	<u>157,513,206.55</u>
 Income (Loss) Before Other Revenues, Expenses, and Transfers	 <u>(17,497,451.53)</u>	 <u>8,291,604.08</u>
 OTHER REVENUES, EXPENSES, AND TRANSFERS		
Capital Appropriations (HEAF)	11,719,335.00	11,719,335.00
Contributions to Permanent and Term Endowments	804,813.88	898,616.98
Lapses	(1,263,508.78)	(1,907,881.52)
Transfer In	144,914.00	10,434,038.68
Transfer Out	(63,977.94)	(12,293,908.77)
Total Other Revenues, Expenses, and Transfers	<u>11,341,576.16</u>	<u>8,850,200.37</u>
 Extraordinary Gains or Losses		
Gains on Cancellations of Debt	<u>-</u>	<u>86,141,136.20</u>
 Change in Net Position	 <u>(6,155,875.37)</u>	 <u>103,282,940.65</u>
 Beginning Net Position	 <u>281,452,579.86</u>	 <u>178,169,639.21</u>
 Ending Net Position	 <u>\$ 275,296,704.49</u>	 <u>\$ 281,452,579.86</u>

For the year ended August 31, 2022, total revenue was \$276,275,143.25. This represents a decrease in total revenues of \$104,688,270.92 or 25% which can be primarily attributed to the gain on cancellation of debt that occurred in 2021.

Total net position decreased by \$6,155,875.37. The primary decrease in net position can be attributed to the downturn in market conditions for endowments during the year. TSU suffered a \$10,630,125.11 decrease in endowment value caused by the overall market decline for fiscal year 2022.

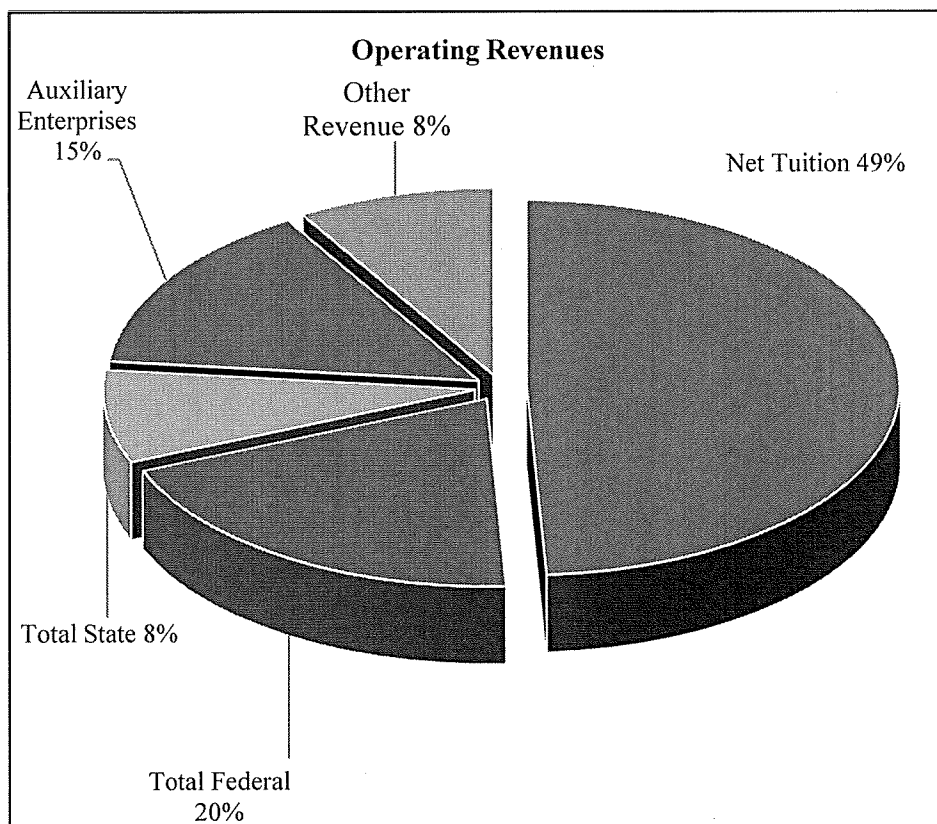
Expenses totaled \$270,314,697.61 for the year ended August 31, 2022. This represents an increase of \$4,750,545.10 from last year which can be attributed to an increase in operating expenses primarily related to materials and supplies, repairs and maintenance and scholarship expenses.

TEXAS SOUTHERN UNIVERSITY
(An Agency of the State of Texas)
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For the Year Ended August 31, 2022

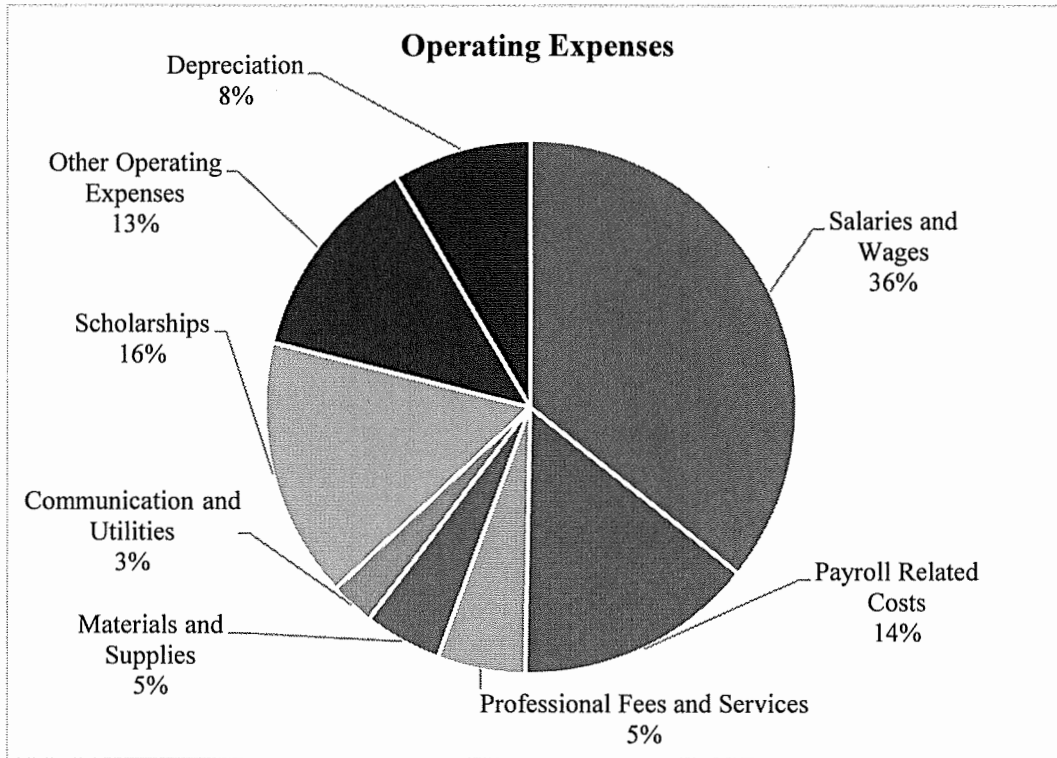
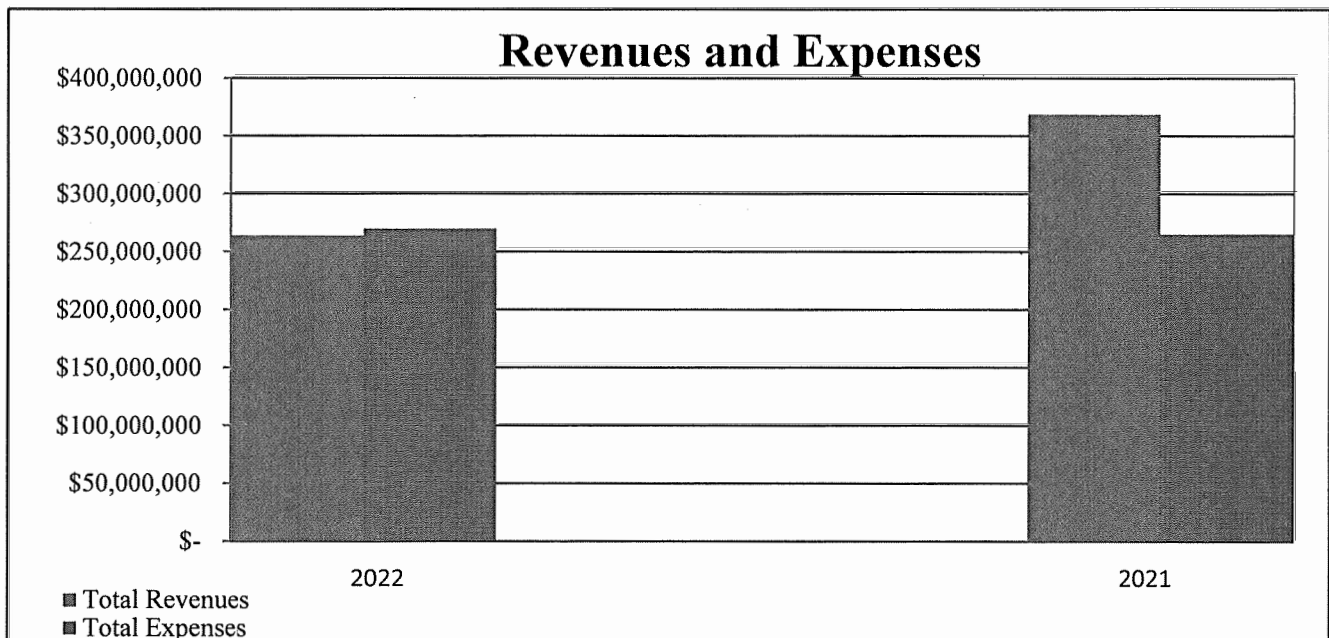
Key elements to these changes are as follows:

- Operating revenues increased by \$9,551,571.25 or 9.8% due in large part to tuition and fees as well as auxiliary services related to an increase in student enrollment.
- Non-operating revenues and Other Revenues decreased by \$28,098,706.10 or 15% primarily due to decreased HEERF Funding, decreases in fair market value of investments, state transfer-in and other non-operating revenue.
- Operating expenses less depreciation expense increased by \$19,917,363.15 due to an increase in scholarships and other operating expenses that were proportionate to the increase in enrollment.
- Non-operating expenses and Other Expenses decreased by \$15,204,162.39 or 79% primarily due to a decrease in interest paid as result of the cancellation of HBCU loan debt, a decrease in transfer out and a slight decrease in lapses.

Graphic presentations of selected data from the summary tables follow to assist in the analysis of TSU's activities.



TEXAS SOUTHERN UNIVERSITY
 (An Agency of the State of Texas)
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
 For the Year Ended August 31, 2022



TEXAS SOUTHERN UNIVERSITY
(An Agency of the State of Texas)
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For the Year Ended August 31, 2022

CAPITAL ASSETS

At year end, TSU had capital assets net of \$291,627,350.05 in a variety of capital assets and infrastructure (net of accumulated depreciation). This represents a net increase of \$4,120,813.78.

Major capital asset events during the current year include the following:

- Building improvements were completed at a cost of \$16,731,392.00.
- Various equipment and other capital assets increased for a total of \$6,163,265.28.

More detailed information about TSU's capital assets is presented in note 2 to the financial statements.

LONG-TERM DEBT

TSU's revenue bonds carry the rating of "Baa3" with Moody's Investors Service. At year end, TSU had \$66,734,957.71 in revenue bonds outstanding versus \$77,123,762.34 last year.

More detailed information about TSU's long-term liabilities is presented in note 5 to the financial statements.

ECONOMIC FACTORS

Texas Southern University is a vibrant and progressive HBCU located in the historic Third Ward District of the Houston Metropolitan Area. Its rich history and unwavering connection to the community have led to the successful bridging of the gap for many first-generation college students. As a public 4-year institution offering professional programs in Pharmacy, Business, and Law, the University's financial position is closely tied to the State of Texas and the health of the state's economy.

During fiscal year 2022, the COVID-19 pandemic health crisis subsided due to widely available vaccines and treatments, however, there continued to be a significant amount of pressure on the institution's budget. Equity and fixed income markets declined during the year. The Federal Reserve significantly increased the federal funds rate during the period. In response, market interest rates escalated and borrowing rates across the country increased sharply. Commodity prices rose as a result of supply chain and gasoline issues influenced in large part by Russia's war on Ukraine. These events have generated concern about a slow global economy and high inflation despite the benefit of strong wage gains and a low unemployment rate in the country. TSU has invested in a diversified portfolio that has the potential to grow over the long term. During shorter time periods, the portfolios may be impacted by market conditions and negative changes. TSU will continue to ensure best practices in fiscal management efforts while supporting the institution's priority of student success.

The University continued to heavily invest in its existing online e-learning and conference platforms, software upgrades and installations, and updated online security. Classes continued to be offered in three formats: face-to-face, hybrid (face-to-face and remote), and online only. By offering various learning modalities, the i5 instruction has been able to continue providing online instructions, and innovative resources during times of economic uncertainty.

TEXAS SOUTHERN UNIVERSITY
(An Agency of the State of Texas)
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For the Year Ended August 31, 2022

CONTACTING TSU'S FINANCIAL MANAGEMENT

This financial report is designed to provide our students, alumni, citizens, taxpayers, donors, and creditors with a general overview of TSU's finances and to show TSU's accountability for the money it has received. If you have questions about this report or need additional financial information, contact the Texas Southern University Business Affairs Department, 3100 Cleburne Street, Houston, Texas 77004.

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BASIC FINANCIAL STATEMENTS

TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

STATEMENT OF NET POSITION

August 31, 2022

ASSETS	<u>Total</u>
Current Assets	
Cash and Cash Equivalents	
Cash on Hand	\$ 2,100.00
Cash in Bank	61,405,846.66
Cash in Transit/Reimburse from Treasury	20,436.00
Cash in State Treasury	9,845,811.05
Restricted:	
Cash Equivalent	7,678,462.61
Short-Term Investments	4,084,621.52
Legislative Appropriations	40,771,049.94
Receivables:	
Federal	15,911,295.75
Accounts, Net	19,576,217.49
Other	940,240.05
Due From Other Agencies	140,024.26
Consumable Inventories	699,468.08
Prepaid Costs	9,579,051.65
Total Current Assets	<u>170,654,625.06</u>
Non-Current Assets	
Restricted:	
Investments	75,064,853.75
Loans and Contracts	515,183.47
Prepaid Cost	1,705,672.82
Total Non-Current Restricted Assets	<u>77,285,710.04</u>
Capital Assets:	
Land	17,837,631.54
Construction in Progress	6,389,815.19
Historical Treasures and Works of Art	2,829,312.50
Total Non-Depreciable or Non-Amortizable	<u>27,056,759.23</u>
Capital and Leased Assets Depreciable:	
Buildings and Building Improvements	570,607,340.20
Infrastructure	7,096,483.95
Equipment	44,377,987.62
Leased Land	731,811.65
Library Books	38,481,318.14
Less: Accumulated Depreciation and Amortization	(396,724,350.74)
Total Depreciable or Amortizable, Net	<u>264,570,590.82</u>
Total Non-Current Assets	<u>368,913,060.09</u>
TOTAL ASSETS	<u>539,567,685.15</u>
Deferred Outflows of Resources	
Deferred Outflows of Resources-Pension	13,601,129.00
Deferred Outflows of Resources-OPEB	39,182,384.00
Deferred Outflows of Resources-ARO	133,462.62
Deferred Outflow of Resources - Deferred loss on Refunding	105,768.72
Total Deferred Outflows	<u>\$ 53,022,744.34</u>

See Notes to Financial Statements.

TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

STATEMENT OF NET POSITION

August 31, 2022

LIABILITIES	Total
Current Liabilities	
Accounts Payable	\$ 20,899,100.04
Payroll Payable	4,448,933.60
Due to Other Agencies	418,181.60
Interest Payable	1,050,536.13
Escheat Payable	327,481.23
Unearned Revenues	62,286,800.55
Student Refunds Payable	3,764,911.45
Other Payables	3,132,984.09
Net OPEB Liability Current	2,444,005.00
Lease Liability	63,428.28
Revenue Bonds Current Payable, Net	7,434,584.02
Employees' Compensable Leave	2,925,041.89
Total Current Liabilities	109,195,987.88
Non-Current Liabilities	
Net Pension Liability	18,681,181.00
Net OPEB Liability	88,370,946.00
Lease Liability	604,482.33
Revenue Bonds Payable, Net	58,889,609.22
Employees' Compensable Leave	2,692,613.57
Total Non-Current Liabilities	169,238,832.12
TOTAL LIABILITIES	278,434,820.00
Deferred Inflows of Resources	
Deferred Inflows of Resources-Pension	22,909,332.00
Deferred Inflows of Resources-OPEB	15,949,573.00
Total Deferred Inflows	38,858,905.00
NET POSITION	
Net Investment in Capital Assets	231,963,785.52
Restricted For:	
Debt Retirement	104,563.67
Capital Projects	1,584,978.25
Loans	287,986.22
Other Restricted	5,290,354.34
Funds Held as Permanent Investments:	
Nonexpendable	31,465,277.68
Expendable	43,644,743.76
Unrestricted deficit	(39,044,984.95)
TOTAL NET POSITION	\$ 275,296,704.49

See Notes to Financial Statements.

TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For the Year Ended August 31, 2022

	<u>2022</u>
OPERATING REVENUES	
Tuition and Fees-Pledged	\$ 81,997,583.40
Discount on Tuition and Fees	(29,606,509.91)
Auxiliary Enterprises-Pledged	15,647,562.88
Other Sales of Goods and Services-Pledged	93,778.01
Federal Revenue	19,677,446.78
Federal Pass-Through Revenue	1,208,494.58
State Revenue	1,006,556.62
State Pass-Through Revenue	7,479,011.26
Other Contracts and Grants-Pledged	1,238,278.63
Other Operating Revenue	7,798,898.75
Total Operating Revenues	<u>106,541,101.00</u>
OPERATING EXPENSES	
Salaries and Wages	97,222,758.09
Payroll Related Costs	39,724,217.47
Professional Fees and Services	14,632,514.33
Travel	2,315,668.47
Materials and Supplies	12,885,104.32
Communication and Utilities	7,392,008.05
Repairs and Maintenance	10,365,155.37
Rental and Leases	1,863,856.25
Printing and Reproduction	523,660.48
Federal Pass-Through Expense	366,670.91
Bad Debt Expense	2,272,495.00
Scholarships	42,927,227.05
Other Operating Expenses	10,659,652.23
Depreciation and Amortization	23,014,851.69
Total Operating Expenses	<u>266,165,839.71</u>
Operating (Loss)	<u>\$ (159,624,738.71)</u>

See Notes to Financial Statements.

TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For the Year Ended August 31, 2022

	<u>2022</u>
NON-OPERATING REVENUES (EXPENSES)	
Legislative Revenue	\$ 52,716,085.00
Additional Appropriation	17,574,423.88
Gifts	342,145.79
Federal Revenue Nonoperating	83,068,552.45
Interest Income	2,293,123.71
Investing Activities Expenses	(113,721.30)
Interest Expense and Fiscal Charges	(2,707,649.88)
Net Decrease in Fair Value	(12,116,321.01)
Other Nonoperating Revenue/(Expense)	1,070,648.54
Total Non-Operating Revenues(Expenses)	<u>142,127,287.18</u>
 Loss Before other Revenues, Expenses, Gains/Losses and Transfers	 <u>(17,497,451.53)</u>
 OTHER REVENUES, EXPENSES, GAINS, LOSSES AND TRANSFERS	
Capital Appropriations (HEAF)	11,719,335.00
Additions to Permanent and Term Endowments	804,813.88
Lapses	(1,263,508.78)
Transfer-In	144,914.00
Transfer-Out	(63,977.94)
Total Other Revenues, Expenses, Gain/Losses and Transfers	<u>11,341,576.16</u>
 Change in Net Position	 <u>(6,155,875.37)</u>
 Beginning Net Position	 <u>281,452,579.86</u>
 Ending Net Position	 <u><u>\$ 275,296,704.49</u></u>

See Notes to Financial Statements.

TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

STATEMENT OF CASH FLOWS

For the Year Ended August 31, 2022

Cash Flows from Operating Activities

	<u>2022</u>
Proceeds from tuition and fees	\$ 59,569,262.36
Proceeds from research grants and contracts	9,648,822.63
Proceeds from state grants and contracts	8,741,517.13
Proceeds from auxiliary enterprises	15,647,562.88
Proceeds from other revenues	12,536,758.15
Payments to suppliers for goods and services	(90,351,722.67)
Payments to employees for salaries and wages	(98,629,182.04)
Payments for employee related costs	(24,363,548.58)
Payments for other expenses	(12,891,687.90)
Net Cash Provided (Used) by Operating Activities	<u>(120,092,218.04)</u>

Cash Flows from Noncapital Financing Activities

Proceeds from state appropriations	52,878,408.84
Proceeds from gifts	1,146,959.67
Proceeds from grants receipts	81,025,009.20
Net Cash Provided (Used) by Noncapital Financing Activities	<u>135,050,377.71</u>

Cash Flows from Capital and Related Financing Activities

Proceeds from debt issuance	-
Proceeds from capital appropriations	11,719,335.00
Payments for additions to capital assets	(27,454,589.94)
Payments of principal on debt issuance	(10,132,947.95)
Payments of interest on debt issuance	(2,753,201.95)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(28,621,404.84)</u>

Cash Flows from Investing Activities

Proceeds from sale of investments	28,282,588.23
Proceeds from interest and investment income	2,179,402.41
Payments to Acquire Investment	(29,970,119.32)
Net Cash Provided (Used) by Investing Activities	<u>491,871.32</u>

Net Increase (Decrease) in Cash and Cash Equivalents	(13,171,373.85)
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Beginning cash and cash equivalents	92,124,030.17
Ending Cash and Cash Equivalents	<u>\$ 78,952,656.32</u>

Unrestricted cash and cash equivalents	71,274,193.71
Restricted cash and cash equivalents	7,678,462.61
Ending Cash and Cash Equivalents	<u>\$ 78,952,656.32</u>

See Notes to Financial Statements.

TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

STATEMENT OF CASH FLOWS

For the Year Ended August 31, 2022

	<u>2022</u>
Reconciliation of Operating (Loss) to Net Cash	
(Used) by Operating Activities	
Operating (loss)	\$ (159,624,738.71)
Adjustments to reconcile operating (loss)	
to net cash (used) by operating activities:	
Depreciation and amortization	23,014,851.69
Capital Outlay	318,924.47
Bad Debt Expense	2,272,495.00
Pension Expense	1,161,517.00
OPEB Expense	16,670,940.00
Operating (Loss) and Cash Flow Categories	
 Changes in Operating Assets and Liabilities:	
Accounts receivable, net	(5,791,109.20)
Due from other funds	(11,237,118.73)
Inventories	69,973.28
Prepaid expenses	(345,278.47)
Other assets	3,405,802.78
Deferred outflows of resources-Pension	6,164,817.00
Deferred outflows of resources-OPEB	17,307,977.00
Accounts payable	2,132,332.48
Salaries payable	(225,683.56)
Unearned revenue	10,611,161.44
Compensated absences liability	(1,180,740.39)
Defined benefit pensions	(25,598,102.00)
Defined benefit OPEB	(11,467,498.00)
Deferred inflows of resources-Pension	16,682,513.00
Deferred inflows of resources-OPEB	(5,844,488.00)
Due to state	(580,410.11)
Escheat payable	32,241.42
Student refunds payable	2,614,085.86
Other current liabilities	(656,683.29)
Net Cash (Used) by Operating Activities	<u><u>\$ (120,092,218.04)</u></u>
See Notes to Financial Statements.	

Non-Cash Transactions Net Change in Fair Value of Investments	\$ (12,116,321.01)
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(An Agency of the State of Texas)

NOTES TO FINANCIAL STATEMENTS

For the Year Ended August 31, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.

The financial statements of Texas Southern University (TSU), reported as a business-type activity in the State of Texas Annual Comprehensive Financial Report, have been prepared in conformity with generally accepted accounting principles (GAAP) for local governmental units and with State statutes. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

TSU's annual financial report is prepared to satisfy both the requirements of GAAP and the Texas Comptroller of Public Accounts' (the "Comptroller") requirements as specified in the Comptroller's *Reporting Requirements for Annual Financial Reports of State Agencies and Universities*. The Comptroller specifies, among other items, account captions, note organization, and does not allow the rounding of financial statement amounts to whole dollars.

The most significant accounting and reporting policies of TSU are described in the following notes to the financial statements:

A. Reporting Entity

TSU is an agency of the State of Texas (the "State"). No component units have been identified which should be presented within TSU's report.

B. General Background

TSU serves the State by providing education, research, and extension work in the fields of the arts, business, education, law, pharmacy, public affairs, science, and technology. TSU is located within the heart of Houston, Texas. It is home to an increasingly diverse population of students with more than 80 undergraduate, graduate and professional degree programs.

C. Financial Statement Presentation

In fiscal year 2022, TSU continued to include reporting consideration for COVID-19 pandemic response. Congress passed these Acts in fiscal year 2020 and 2021:

- Coronavirus Aid, Relief, and Economic Security (CARES) Act
- Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA)
- American Rescue Plan (ARP)

These Acts provided economic grants to offset additional expenses and forgone revenue as a response to COVID-19.

As a result of the acts provided, The Higher Education Emergency Relief Funds (HEERF I, II, and III) was created, which provides budgetary relief to higher education institutions through numerous provisions.

These financial statements include implementation of (GASB) Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities an Amendment of GASB Statement No. 34*. Requirements of the statement include the following:

- A Management's Discussion and Analysis (MD&A) section providing an analysis of TSU's overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all TSU's activities.

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(An Agency of the State of Texas)

NOTES TO FINANCIAL STATEMENTS

For the Year Ended August 31, 2022

Statement No. 35 established standards for external financial reporting for all public colleges and universities, which includes a statement of net position, a statement of revenues, expenses, and changes in net position, and a statement of cash flows. It requires the classification of net position into three components – net investment in capital assets; restricted; and unrestricted.

These classifications are defined as follows:

- **Net investment in capital assets** - This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- **Restricted** - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, laws, regulations of other governments or constraints imposed by law through constitutional legislation.
- **Unrestricted** - This component of net position consists of net position that does not meet the definition of “restricted” or “net investment in capital assets.”

D. Measurement Focus and Basis of Accounting

For financial reporting purposes, TSU is considered a special-purpose government engaged only in business-type activities. Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods or services. Accordingly, TSU’s financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recorded when an obligation has been incurred.

E. Budgets and Budgetary Accounting

The budget is prepared biennially and represents appropriations authorized by the legislature and approved by the Governor (the General Appropriation Act). Unencumbered appropriations are generally subject to lapse 60 days after the end of the fiscal year for which they were appropriated.

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position

1. Cash and Cash Equivalents

TSU’s cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

2. Balance in Legislative Appropriations

This item represents the balance of general revenue funds at August 31, 2022 as calculated in the Texas Comptroller’s General Revenue Reconciliation.

3. Current Receivables – Other

Other receivables include year-end accruals. Accounts receivables are shown net of an allowance for uncollectible accounts.

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(An Agency of the State of Texas)

NOTES TO FINANCIAL STATEMENTS

For the Year Ended August 31, 2022

4. Lease Receivable

Lease receivables are recorded by TSU as the present value of lease payments expected to be received under leases meeting the \$100,000 threshold per contract excluding short term. Lease receivables are subsequently reduced over the life of the lease as cash is received in the applicable reporting period. Short term leases, defined as having a maximum period of twelve (12) months, are recognized as collected. See Note 8 – Lease Liabilities for additional details.

5. Restricted Assets

Restricted assets include monies or other resources restricted by legal or contractual requirements, including those related to sponsored programs, donors, bond covenants, and loan agreements.

6. Investments

In accordance with GASB Statement No. 31, *Accounting and Reporting for Certain Investments and External Investment Pools*, TSU reports all investments at fair value. Changes in unrealized gain (loss) on the carrying value of the investments are reported as Net Increase in Fair Value in the statement of revenues, expenses, and changes in net position.

7. Inventories and Prepaid Costs

Inventories are valued at cost, utilizing the first-in and first-out method. The consumption method of accounting is used, meaning these items are expensed when the items are consumed. Certain payments to vendors made in advance of the scheduled due date have been recorded as prepaid costs.

8. Capital Assets

Capital assets are defined by the State as follows:

<u>Class of Asset</u>	<u>Threshold</u>
Land and Land Improvements	Capitalize all
Buildings and Building Improvements	\$100,000
Facilities and Other Improvements	\$100,000
Infrastructure-Depreciable	\$500,000
Infrastructure-Non-Depreciable	Capitalize all
Furniture and Equipment/Vehicles	\$5,000
Leased Land	\$100,000
Library Books (collections)	Capitalize all
Works of Art/Historical Treasures	Capitalize all
Leasehold Improvements	\$100,000
Internally Generated Computer Software	\$1,000,000
Other Computer Software	\$100,000
Land Use Rights – Permanent	Capitalize all
Land Use Right – Term	\$100,000
Other Intangible Capital Assets	\$100,000
Construction in Progress	Capitalize all

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These assets are capitalized at cost. Donated capital assets, donated works of art, historical treasures and similar items acquired subsequent to fiscal year 2015, are recorded at acquisition value at the date of donation (marketplace value). Major outlays for capital assets and improvements are capitalized as projects are constructed. Depreciation is reported on all exhaustible assets. Inexhaustible assets such as land, works of art and historical treasures are not depreciated.

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

<u>Asset Description</u>	<u>Estimated Useful Life</u>
Buildings and improvements	15 to 50 years
Facilities and Other Improvements	22 years
Furniture and equipment	3 to 10 years
Infrastructure	30 to 50 years
Computer software	5 to 6 years
Leased Land	Lease term
Library Books	15 years
Land use rights	10 years
Capital leases	5 years

9. Accounts Payable

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

10. Lease Liability

Lease liabilities represent TSU's obligation to make lease payments arising from leases meeting the \$100,000 threshold per RTU asset, excluding short term leases. Lease liabilities are recognized at the lease commencement date based on the present value of future lease payments over the remaining lease term. Present value of lease payments is discounted based on a borrowing rate determined by TSU. Short term leases, those with a maximum period of 12 months, are expensed as incurred. Additional details are provided in Note 8 Leases Liabilities.

10. Compensated Absences

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 noncurrent 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.

12. Bonds Payable – Revenue Bonds

Revenue bonds are reported as short-term liabilities (current for amounts due within one year) and long-term liabilities (noncurrent for amounts due thereafter in the statement of net position). The bonds are reported at par, net of unamortized premiums, discounts, if applicable.

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13. Net Position, Deferred Outflows/Inflows of Resources

Net position is the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources.

Deferred outflows of resources is a consumption of an entity's net position (a decrease in assets in excess of any related decrease in liabilities or an increase in liabilities in excess of any related increase in assets) by the entity that is applicable to a future reporting period.

The University has four items that qualify for reporting in this category:

- Deferred outflows of resources for pension – Reported in the statement of net position, this deferred outflow results from pension plan contributions made after the measurement date of the net pension liability and the results of 1) differences between projected and actual earnings on pension plan investments; 2) changes in actuarial assumptions; 3) differences between expected and actual actuarial experiences and 4) changes in the proportional share of pension liabilities. The deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the next fiscal year. The deferred outflows resulting from differences between projected and actual earnings on pension plan investments will be amortized over a closed five-year period. The remaining pension related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions through the pension plan.
- Deferred outflows of resources for post-employment benefits – Reported in the statement of net position, this deferred outflow results from OPEB plan contribution made after the measurement date of the net OPEB liability and the results of 1) differences between projected and actual earnings on OPEB plan investments; 2) changes in the University's proportional share of OPEB liabilities and 3) change in actuarial assumptions. The deferred outflows of resources related to post-employment benefits resulting from the University's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the next fiscal year. The deferred outflows resulting from differences between projected and actual earnings on OPEB plan investments will be amortized over a closed five year period. The remaining deferred outflows will be amortized over the expected remaining service lives of the employees (active and inactive employees) that are provided with post-employment benefits through the post-employment benefit plan.
- Deferred outflows of resources for asset retirement obligations – Reported in the statement of net position, this deferred outflow results from laws and regulations requiring specific action to retire certain tangible capital assets, such as decommissioning radioactive equipment at end of the useful life.
- Deferred outflows of resources for deferred loss on refunding – Reported in the statement of net position, this deferred outflow results from the loss on series 2011 bond refunding.

A deferred inflow of resources is an acquisition of an entity's net position (an increase in assets in excess of any related increase in liabilities or a decrease in liabilities in excess of any related decrease in assets) by the entity that is applicable to a future reporting period. The University has two items that qualify for reporting in this category:

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- Deferred inflows of resources for pension – Reported in the statement of net position, these deferred inflows result primarily from 1) changes in actuarial assumptions; 2) differences between expected and actual actuarial experiences and 3) changes in the proportional share of pension liabilities. These pension related deferred inflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions through the pension plan.
- Deferred inflows of resources for post-employment benefits – Reported in the statement of net position, these deferred inflows result primarily from 1) changes in actuarial assumptions and 2) differences between expected and actual actuarial experiences. These post-employment related deferred inflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with post-employment benefits through the post-employment benefit plan.

14. Other Post-Employment Benefits (OPEB)

The University participates in the Employees Retirement System of Texas (ERS) State Retiree Health Plan (SRHP). The fiduciary net position of the ERS has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes, for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits; OPEB expense; and information about assets, liabilities and additions to/deductions from SRHP's fiduciary net position. Benefit payments are recognized when due and are payable in accordance with the benefit terms.

15. Pensions

The University participates in the Teacher Retirement System of Texas (TRS) pension plan, a multiple employer cost-sharing-defined benefit pension plan with a special funding situation. The fiduciary net position of TRS has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes, for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

G. Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

H. Operating versus Non-operating Revenues

TSU categorizes revenues as operating versus non-operating following the Comptroller's guidelines. Generally, all revenues are considered operating revenue unless they are non-exchange transactions, such as State appropriations, gifts, or investment related earnings. Other non-operating revenue includes some federal funds received from the federal government and Title IV funds.

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I. Restricted versus Unrestricted Resources

Expenses incurred by TSU for items that could be applied to restricted or unrestricted sources are first applied to restricted sources.

J. Economic Dependency

TSU relies extensively on State appropriations as well as resources from grantor agencies to support its operations.

NOTE 2: CAPITAL AND LEASED ASSETS

During fiscal year 2022, TSU collected \$5,874,582.44 in insurance recoveries that are reported in the financial statements as other nonoperating revenue/expenses. A summary of changes in capital assets for the year ended August 31, 2022 is as follows:

	Balance 9/1/2021 (as restated)	Reclassify Completed CIP	Additions	Deletions	Balance 8/31/2022
Non-depreciable or Non-amortizable Assets					
Land and Land Improvements	\$ 17,669,462.57	\$ -	\$ 168,168.97	\$ -	\$ 17,837,631.54
Construction in Progress	3,636,762.85	(3,636,762.85)	6,389,815.19	-	6,389,815.19
Other Tangible Capital Assets	2,829,312.50	-	-	-	2,829,312.50
Total Non-depreciable/amortizable	24,135,537.92	(3,636,762.85)	6,557,984.16	-	27,056,759.23
Depreciable Assets					
Buildings and Building Improvements	536,905,088.36	3,636,762.85	13,094,629.12	-	553,636,480.33
Infrastructure	7,096,483.95	-	-	-	7,096,483.95
Facilities and Other Improvements	16,970,859.87	-	-	-	16,970,859.87
Furniture and Equipment	35,925,518.52	-	3,428,767.94	-	39,354,286.46
Leased Land	232,952.11	-	498,859.54	-	731,811.65
Vehicle, Boats and Aircraft	3,398,178.82	-	323,000.00	-	3,721,178.82
Other Capital Assets	36,069,820.80	-	2,411,497.34	-	38,481,318.14
Total Depreciable/Amortizable Assets	636,598,902.43	3,636,762.85	19,756,753.94	-	659,992,419.22
Less Accumulated Depreciation for:					
Buildings and Building Improvements	(304,992,163.97)	-	(18,328,987.56)	-	(323,321,151.53)
Infrastructure	(4,755,073.20)	-	(408,125.78)	-	(5,163,198.98)
Facilities and Other Improvements	(13,476,733.68)	-	(346,713.84)	-	(13,823,447.52)
Furniture and Equipment	(29,697,570.90)	-	(1,298,021.31)	-	(30,995,592.21)
Vehicle, Boats, and Aircraft	(2,107,593.18)	-	(230,076.93)	-	(2,337,670.11)
Other Capital Assets	(18,006,590.74)	-	(2,319,760.65)	-	(20,326,351.39)
Total Accumulated Depreciation	(373,035,725.67)	-	(22,931,686.07)	-	(395,967,411.74)
Depreciable Assets, Net	263,563,176.76	3,636,762.85	(3,174,932.13)	-	264,025,007.48
Intangible Capital Assets- Amortizable					
Computer Software - Intangible	714,547.08	-	587,975.26	-	1,302,522.34
Total Intangible Capital Assets	714,547.08	-	587,975.26	-	1,302,522.34
Less Accumulated Amortization for:					
Computer Software - Intangible	(673,773.38)	-	(40,773.70)	-	(714,547.08)
Leased Land	-	-	(42,391.92)	-	(42,391.92)
Total Accumulated Amortization	(673,773.38)	-	(83,165.62)	-	(756,939.00)
Intangible Capital Assets	40,773.70	-	504,809.64	-	545,583.34
Business Activities Capital and Leased Assets, Net	\$ 287,739,488.38	\$ -	\$ 3,887,861.67	\$ -	\$ 291,627,350.05

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Construction commitments outstanding at year end were as follows:

<u>Project Description/ Project Manager</u>	<u>Overall Project Budget</u>	<u>Total Spent To Date</u>	<u>Remaining Balance</u>
Network & WiFi Upgrade	6,908,475.15	6,202,432.18	706,042.97
TSU Dorm @ Wheeler Survey	95,323.00	10,485.53	84,837.47
Demo & Concrete Durley Field (Athletic Major Project)	95,380.00	29,515.00	65,865.00
Sideline & Turf Install (Athletic Major Project)	519,608.57	90,567.22	429,041.35
	<u>\$ 7,618,786.72</u>	<u>\$ 6,332,999.93</u>	<u>\$ 1,285,786.79</u>

NOTE 3: DEPOSITS AND INVESTMENTS

A. Cash in Bank-Carrying Amount

As of August 31, 2022, the carrying amount of cash is:

<u>Carrying Amount-Cash in Bank</u>	<u>Amount FY</u>
Cash in Bank- Carrying Amount	\$ 68,753,979.15
Less: Nonnegotiable CD's included in Carrying Amount	-
Less: Uninvested Collateral Included in Carrying Amount	500,000.00
Less: Nonnegotiable CD's Collateral Included in Carrying Amount	-
Total Cash In Bank	\$ 69,253,979.15
Current Assets Restricted Cash in Bank	
Cash in Bank Per AFR	<u>\$ 69,253,979.15</u>

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, TSU 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. The bank balances that were exposed to custodial credit risks are as follows:

<u>Fund Type</u>	<u>Uninsured and uncollateralized</u>	<u>Uninsured and collateralized with securities held by the pledging financial institution</u>	<u>Uninsured and collateralized with securities held by the pledging financial institution's trust department but not in the state's name</u>
5	\$ -	\$ 68,253,979.15	\$ -

B. Investments

TSU has adopted written investment policies regarding the investment of its endowment and non-endowed funds. All investments shall be made in accordance with applicable laws, the investment policies, and resolutions of the Board of Regents. In summary, TSU is authorized to invest in the following:

- Direct obligations of the U.S. Government or its agencies and instrumentalities
- Obligations of this State, or its agencies or its instrumentalities
- Fully collateralized certificates of deposit
- Fully collateralized repurchase agreements or reverse repurchase agreements

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Bankers' acceptance notes
Commercial paper
Mutual funds
Investment pools
Cash management and fixed income funds exempt from federal income taxation
Negotiable certificates of deposit
Corporate bonds rated in one of the two highest categories
Common or convertible preferred stock
Foreign government bonds
Foreign corporate bonds

As of August 31, 2022, TSU had the following investments:

Investment Type	Fair Value
U.S. Government Agency Obligations	\$ 108,751.95
U.S. Treasury Securities	9,324,415.41
Equity	32,879,719.76
Taxable Municipal Issues	170,550.58
International Government Obligations	390,655.98
Corporate Obligations	6,257,578.45
Bond Mutual Funds	7,373,734.81
International Equity	11,480,043.68
TexStar Investment Pool	1,377,378.59
Fixed Income Money Market Funds	10,342,829.26
Private Credit	1,116,162.38
Hedge Fund	3,329,755.10
U.S. Treasury Bills	2,676,361.92
	<u>\$ 86,827,937.88</u>

Credit risk. Credit risk is the risk that the issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. TSU's investment policy limits investments in obligations of states, agencies, counties, cities, and other political subdivisions of any investments rated greater than A or its equivalent. Corporate bonds, debentures, or similar debt instruments must be rated by a nationally recognized investment rating firm in one of the two highest long-term rating categories, without regard to gradation within those categories.

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The following table presents each applicable investment type grouped by rating as of August 31, 2022:

Investment Ratings

Investment Type	AAA	AA	AA+	AA-	A
U.S. Government Agency Obligations	\$		108,751.95		
U.S. Treasury Securities	\$		9,324,415.41		
Taxable Municipal Issues	\$	170,550.58			
International Government Obligations	\$			182,977.41	
Corporate Obligations	\$	59,669.56	144,976.08	203,335.92	778,296.69
Bond Mutual Funds	\$	1,777,817.28	528,868.54		19,086.46

Investment Ratings

Investment Type	A+	A-	BBB	BBB+	BBB-
U.S. Government Agency Obligations	\$				
U.S. Treasury Securities	\$				
Taxable Municipal Issues	\$				
International Government Obligations	\$	207,678.57			
Corporate Obligations	\$	265,628.62	1,164,671.39	656,795.23	1,013,874.13
Bond Mutual Funds	\$		813,142.11		1,232,604.05

Investment Ratings

Investment Type	BB	B	CC	CCC
U.S. Government Agency Obligations	\$			
U.S. Treasury Securities	\$			
Taxable Municipal Issues	\$			
International Government Obligations	\$			
Corporate Obligations	\$			
Bond Mutual Funds	\$	2,188,387.37	1,391,283.85	18,346.30

Unrated

Equity	\$	32,879,719.76
International Equity	\$	11,480,043.68
Corporate Obligations	\$	737,726.75
Bond Mutual Funds	\$	355,362.80
Private Credit	\$	116,162.38
Hedge Fund	\$	3,329,755.10
Cash /Money Markets	\$	10,342,829.26
U.S. Treasury Bills	\$	2,676,361.92
TextStar Investment Pool	\$	1,377,378.59

Concentration of credit risk – investments. TSU's investment policy contains diversification as an investment risk but does not contain any limitation on a dollar amount that may be invested in a specific maturity, issuer, or class of investment for its non-endowment funds and endowment funds.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, TSU will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. TSU's investment policy requires safekeeping securities at financial institutions, avoiding physical possession. Further, all trades, where applicable, are executed by delivery versus payment to ensure that securities are deposited in TSU's safekeeping account prior to the release of funds. The investments of \$86,873,105.57 are exposed to Uninsured and Unregistered Fair Value, Securities Held by Counterparty Custodial Credit Risk.

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Investment Pool: The University is a voluntary participant in the external investment pool with fair value measured as follows:

Investment Pool	Measurement	Credit Risk
TexSTAR	Net Asset Value	AAAm

Interest rate risk-investments. For an investment, this is the risk that changes in interest rates will adversely affect the fair value of an investment.

The following table demonstrates TSU's interest rate risk.

Investment Type	Fair Value	Less Than 1	1 to 5	6 to 10	More than 10	
U.S. Government Agency Obligations	\$ 108,751.95	\$ -	\$ 93,615.00	\$ 15,193.52	-	(56,5725)
Treasuries	9,324,415.41	3,443,241.10	4,550,577.70	1,335,447.15	-	(4,850.5)
Taxable Municipal Issues	170,550.58	-	170,639.30	-	-	(88.7)
Corporate Obligations	6,257,578.45	114,539.51	2,394,182.79	3,001,525.60	750,583.73	(3,255.2)
Bond Mutual Funds	7,373,734.81	-	3,905,499.37	3,472,071.24	-	(3,835.8)
International Government Obligations	390,655.98	-	390,859.20	-	-	(203.2)
Fixed Income Money Market Funds	10,342,829.26	10,342,829.26	-	-	-	-
U.S. Treasury Bills	2,676,361.92	2,676,361.92	-	-	-	-
Total	\$ 36,644,878.37	\$ 16,576,971.79	\$ 11,505,373.36	\$ 7,824,237.51	\$ 750,583.73	(12,290.02)

Fair value measurement – investments. GASB 72 addresses accounting and reporting issues related to fair value measurements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly fashion between market participants at measurement date. GASB 72 establishes a Fair Value Hierarchy that includes three levels of input based on reliability and objectivity of the information:

Level 1 — inputs are quoted prices (unadjusted) in active markets for assets or liabilities identical to the ones being measured. Level 1 inputs receive the highest priority.

Level 2 — inputs are observable for similar assets or liabilities, either directly (quoted market prices for similar assets or liabilities) or indirectly (corroborated from observable market information).

Level 3 — inputs are unobservable (for example: management's assumption of the default rate among underlying mortgages of a mortgage-backed security). Level 3 inputs receive the lowest priority.

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For the Year Ended August 31, 2022

Fair Value Hierarchy for TSU's investments as of August 31, 2022 is as follows:

Investments	Fair Value Hierarchy				
	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Net Asset Value	Fair Value
U.S. Government					
US Government Agency Obligations	-	108,751.95	\$ -	\$ -	\$ 108,751.95
US Treasury Securities	9,324,415.41	-	-	-	9,324,415.41
Equity	32,879,719.76	-	-	-	32,879,719.76
Corporate Obligations	-	170,550.58	-	-	170,550.58
Bond Mutual Funds	390,655.98	-	-	-	390,655.98
Taxable Municipal Issues	-	6,257,578.45	-	-	6,257,578.45
International Equity	-	7,373,734.81	-	-	7,373,734.81
International Government Obligations	-	11,480,043.68	-	-	11,480,043.68
TexStar Investment Pool	-	-	-	\$1,377,378.59	1,377,378.59
Fixed Income Money Market Funds	10,342,829.26	-	-	-	10,342,829.26
Private Credit	-	-	-	1,116,162.38	1,116,162.38
Hedge Fund	-	-	-	3,329,755.10	3,329,755.10
U.S. Treasury Bills	2,676,361.92	-	-	-	2,676,361.92
Total Investments	\$ 55,613,982.34	\$ 25,390,659.48	\$ -	\$ 5,823,296.07	\$ 86,827,937.88

NOTE 5: SUMMARY OF LONG-TERM LIABILITIES

During the year ended August 31, 2022, the following changes occurred in the long-term liabilities:

Long-Term Liabilities	Balance	Additions	Reductions	Balance	Amounts Due	Amounts Due
	9/1/2021 (as restated)			8/31/2022	Within One Year	Thereafter
Revenue Bonds Payable:						
Series 2013	10,040,000.00	-	6,275,000.00	3,765,000.00	2,905,000.00	860,000.00
Series 2016	45,175,000.00	-	2,145,000.00	43,030,000.00	2,255,000.00	40,775,000.00
Series 2021	14,275,000.00	-	1,380,000.00	12,895,000.00	1,350,000.00	11,545,000.00
Premiums & discounts	7,633,762.34	-	998,969.10	6,634,793.24	924,584.02	5,709,609.22
Total revenue bonds	77,123,762.34	-	10,798,969.10	66,324,793.24 *	7,434,584.02	58,889,609.22
Lease Payable:						
Lease Liability	232,952.11	498,859.54	65,190.50	666,621.15	62,138.82	604,482.33
Capital Lease Obligations	1,289.46	-	-	1,289.46	1,289.46	-
Total Lease payable	234,241.57	498,859.54	65,190.50	667,910.61 *	63,428.28	604,482.33
Other Liabilities:						
Asset Retirement Obligations	133,462.62	-	-	133,462.62	-	133,462.62
Employees' Compensated Leave	6,798,445.85	-	1,180,740.39	5,617,705.46	2,925,041.89	2,692,613.57
Total other liabilities	6,931,908.47	-	1,180,740.39	5,751,168.08	2,925,041.89	2,826,076.19
Total	\$ 84,289,912.38	\$ 498,859.54	\$ 12,044,899.99	\$ 72,743,871.93	\$ 10,423,054.19	\$ 62,320,167.74

Long-term Debt Due in More Than One Year

\$ 62,320,167.74

*Debt associated with capital assets

\$ 66,992,703.85

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Annual debt service requirements to maturity for revenue bonds are as follows:

Year Ending Aug. 31	Revenue Bonds	
	Principal	Interest
2023	6,510,000.00	2,498,150.00
2024	4,645,000.00	2,242,600.00
2025	3,975,000.00	2,036,150.00
2026	4,165,000.00	1,837,400.00
2027	4,380,000.00	1,629,150.00
2028-2032	21,130,000.00	4,925,050.00
2033-2036	14,885,000.00	1,169,750.00
Total	\$ 59,690,000.00	\$ 16,338,250.00

Interest expense incurred on revenue bonds for the year ended August 31, 2022 totaled \$2,691,015.04

A. Compensated Absences

A State employee is entitled to be paid for all unused vacation time accrued, in the event of the employee's resignation, dismissal, or separation from State employment, provided the employee has had continuous employment with the State for six months. An expense and liability are recorded as the benefits accrue to employees. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits. This obligation is usually paid from the same funding source from which the employee's salary or wage compensation was paid.

B. Asset Retirement Obligations

TSU purchased radiation equipment which resulted in an asset retirement obligation. TSU must estimate the new obligation amount using probability weighting and record the initial measurement as a deferred outflow of resources ARO and a noncurrent ARO. TSU must assess any relevant factors annually to determine if a significant change in current value has occurred, if so, record the change in ARO deferred outflow of resources and noncurrent ARO. When the radiation equipment reaches the end of their useful life, the value of the ARO is moved to current ARO. Current ARO is then reduced by the amount of actual expenditures to retire the asset, with an offset to deferred outflows of resources.

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NOTE 6: BONDED INDEBTEDNESS

Revenue Bonds, Series 2013

Purpose	On August 28, 2013 TSU defeased \$64,485,000 of outstanding revenue bonds. The transaction refunded bonds 1998A-1, 1998A-2, 1998B, 2002 and 2003 series.
Amount of Issue	\$62,355,000; all authorized have been issued
Issue Date	August 28, 2013
Type of Bond	Revenue Bond - Self Supporting
Reporting	Business-type Activities
Source of Revenue	Pledged Revenues
Change in Debt	None

Revenue Bonds, Series 2016

Purpose	On June 23, 2016, TSU Board of Regents authorized the issuance of revenue financing system bonds for the purpose of constructing a library/learning center
Amount of Issue	\$55,490,000; all authorized have been issued
Issue Date	September 15, 2016
Type of Bond	Revenue Bond - Self Supporting
Reporting	Business-type Activities
Source of Revenue	Pledged Revenues
Change in Debt	None

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Revenue Bonds, Series 2021

Purpose	On April 15, 2021, TSU Board of Regents authorized the issuance of revenue financing system bonds for the purpose of refinancing Series 2021 Bond for the construction of Leonard Spearman Technology Building.
Amount of Issue	\$14,275,000; all authorized have been issued
Issue Date	June 24, 2021
Type of Bond	Revenue Bond - Self Supporting
Reporting	Business-type Activities
Source of Revenue	Pledged Revenues
Change in Debt	None

NOTE 8: LEASE LIABILITIES

GASB Statement No. 87, Leases, effective 2022, establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. Limited exceptions to the single approach guidance are provided for short-term leases, defined as lasting a maximum of twelve months at inception, including any options to extend, financed purchases, leases of assets that are investments and certain regulated leases. TSU's leases are recognized and measured using the facts and circumstances that exist at the beginning of the earliest period presented. The State of Texas Comptroller's Office has established a materiality threshold for leases of \$100,000 per asset to be applied to the present value of the right-to-use (RTU) assets and/or lease receivable. TSU has adopted this materiality threshold for all GASB 87 leases. TSU signed three (3) lease contracts for land/grounds. These leasing arrangements have been examined according to the GASB 87 standard, implementation guidelines, and the State Comptroller Office's requirements, the details for the identified leases are discussed below.

Included in the expenses reported in the financial statements are the following amounts of rent paid or due.

<u>Fund Type</u>	<u>Amount</u>
Business Fund	<u>\$ 65,190.50</u>

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Future lease payments having an initial term more than one year are as follows:

Year	Principal	Interest	Total
2023	62,138.82	15,551.69	77,690.51
2024	67,050.60	10,639.90	77,690.50
2025	68,033.22	9,657.27	77,690.49
2026	69,012.35	8,678.16	77,690.51
2027	22,312.94	7,687.06	30,000.00
2028-2032	118,360.64	31,639.36	150,000.00
2033-2037	130,629.11	19,370.89	150,000.00
2038-2042	129,083.47	5,916.52	134,999.99
Total	\$ 666,621.15	109,140.85	775,762.00

TSU entered into long term leases for financing the purchase of vehicles, the terms of which expire in 2023.

Assets Under Financed Purchases

August 31, 2022

Type	Business-Type Activities		
	Financed Purchases	Accumulated Depreciation	Total
Vehicles	\$ 378,794.51	\$ (220,786.47)	\$ 158,008.04
Total	\$ 378,794.51	\$ (220,786.47)	\$ 158,008.04

Future minimum lease payments under the financed purchases, together with the present value of the net minimum lease payments at fiscal year-end are:

August 31, 2022

Year	Business-Type Activities		
	Principal	Interest	Payments
2023	1,289.46	2.73	1,292.19
Total	\$ 1,289.46	\$ 2.73	\$ 1,292.19

NOTE 9: EMPLOYEE RETIREMENT PLANS

A. Teacher Retirement System (TRS)

The State of Texas has joint contributory retirement plans for substantially all its employees. One of the primary plans in which TSU participates is a cost-sharing, multi-employer, public employee retirement system administered by the Teacher Retirement System of Texas ("TRS"). TRS is primarily funded through State and employee contributions. Depending upon the source of funding for a participant's salary, TSU may be required to make contributions in lieu of the State.

All TSU personnel employed in a position on a half time or greater basis for at four and a half months or more are eligible for membership in TRS. Members with at least five years of service at age 65 or any combination of age plus years of service which equals 80, have a vested right to retirement benefits. Additionally, reduced benefits are available at age 55

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with at least five years of service or at any age below 50 with 30 years of service. Members are fully vested after five years of service and are entitled to any benefits for which the eligibility requirements have been met.

TRS contribution rates for both employers and employees are not actuarially determined but are legally established by the State Legislature. Contributions by employees are 7.7 percent of gross earnings. Depending upon the source of funding for the employee's compensation, the State or TSU contributes a percentage of participant salaries totaling 7.5 percent of annual compensation. TSU's contributions to TRS for the year ended August 31, 2022 were \$2,183,235 which equaled the amount of the required contributions for the year.

Each of TRS's component government agencies accounts for its share of the pension fund based on its proportionate share of the State of Texas TRS Pension Fund. Disclosures regarding TSU's proportionate share as well as the underlying actuarial assumptions and conclusions are discussed in a separate note.

Optional Retirement Program (ORP)

The State of Texas has also established an Optional Retirement Program ("ORP") for institutions of higher education. Participation in the ORP is in lieu of participation in TRS. The 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. The contributory percentages of participant salaries currently provided by the State of Texas and each participant are 6.60 percent and 6.65 percent, respectively. Depending upon the source of funding for the employee's compensation, TSU may be required to make the employer contributions in lieu of the State. Additionally, the State or TSU must make additional contributions above six percent depending upon the employee's date of hire. Since these are individual annuity contracts, the State and TSU have no additional or unfunded liability for this program.

<u>Employee Retirement Plans</u>	<u>Aug. 31, 2022</u>
Employee Contribution	\$ 2,167,627.42
Employer Contribution	2,386,078.65
	<u>\$ 4,553,706.07</u>

NOTE 9A: TRS PENSION FUND – TSU's PROPORTIONATE SHARE

The state of Texas has three retirement systems in its financial reporting entity – Employees Retirement System (ERS), Teacher Retirement System (TRS), and Texas Emergency Services Retirement System (TESRS). These three retirement systems administer the following six defined benefit pension plans:

- ERS – the Employees Retirement System of Texas Plan (ERS), the Law Enforcement and Custodial Officer Supplemental Retirement Plan (LECOS), the Judicial Retirement System of Texas Plan One (JRS 1) and Judicial Retirement System of Texas Plan Two (JRS2).
- TRS – the Teacher Retirement System of Texas (TRS) plan
- TESRS – the Texas Emergency Services Retirement System (TESRS) plan.

ERS, LECOS, JRS2, TRS, and TESRS plans are administered through several trusts; JRS1 plan is on a pay-as-you-go basis.

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TRS plan

Teacher Retirement System is the administrator of the TRS plan, a cost-sharing, multiple-employer defined benefit pension plan with a special funding situation. The employers of the TRS plan include the state of Texas, TRS, the state's public schools, education service centers, charter schools, and community and junior colleges. All employees of public, state-supported education institutions in Texas who are employed for one-half or more of the standard workload and not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system. Employees of TRS and state of Texas colleges, universities and medical schools are members of the TRS plan.

The TRS Plan provides retirement, disability annuities and death and survivor benefits. The benefit and contribution provisions of the TRS Plan are authorized by state law and may be amended by the Legislature. The pension benefit formulas are based on members' average annual compensation and years of service credit. The standard annuity is 2.3 percent of the average of the five highest annual salaries multiplied by years of service credit. For grandfathered members 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. The plan does not provide automatic cost of living adjustments (COLAs).

Audited Annual Comprehensive Financial Report (ACFR) for Teacher Retirement System may be obtained from their website at www.trs.state.tx.us and searching for financial reports.

During the measurement period of 2021 for fiscal 2022 reporting, the amount of TSU's contributions recognized by the plan was \$3,130,450. The contribution rates are based on a percentage of the monthly gross compensation for each member. The contribution requirements for the state and the members in the measurement period are presented in the table below:

Required Contribution Rates

	TRS Plan
Contribution Rates	
Employer	7.5%
Employees	7.7%

The total pension liability is determined by an annual actuarial valuation. The table below presents the actuarial methods and assumptions used to measure the total pension liability as of the August 31, 2021 measurement date.

Actuarial Methods and Assumptions

	TRS Plan
Actuarial Valuation Date	August 31, 2020 rolled forward to August 31, 2021
Actuarial Cost Method	Individual Entry Age Normal
Amortization Method	Level Percentage of Payroll, Floating
Asset Valuation Method	Fair Value
Actuarial Assumptions:	
Discount Rate	7.25%
Investment Rate of Return	7.25%
Long-term Expected Rate of Return	7.25%
Municipal Bond Rate as of August 2020	1.95% *

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Inflation	2.30%
Salary Increase	3.05% to 9.05% including inflation
Mortality	90% of the RP 2014 Employee Mortality Tables for males and females with full generational mortality.
Active	2018 TRS Healthy Pensioner Mortality Tables with full generation projection using Scale U-MP.
Post-Retirement	None
Ad Hoc Post-Employment Benefit Changes	

Notes:

* Source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal Bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index."

The actuarial assumptions used in the valuation were primarily based on the result of an actuarial experience study for the three-year period ending August 31, 2017 and adopted in July 2018. The actuarial assumptions used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2020 with no changes since the prior measurement date.

There have been no changes to the benefit provisions of the plan since the prior measurement date. The discount rate of 7.25% was applied to measure the total pension liability.

The discount rate was based on the expected rate of return on pension plan investments of 7.25%. The projected cash flows into and out of the pension plan assumed that active members, employers, and non-employer contributing entity make their contributions at the statutorily required rates. It is assumed that future employer and state contributions will be 8.50% of payroll in fiscal year 2020 gradually increasing to 9.55% over the next several years. This includes a factor for all employer and state contributions for active and rehired retirees. Based on these assumptions, the pension plan's fiduciary net position and future contributions were sufficient to finance the benefit payments of current plan members. As a result, the long-term expected rate of return on pension plan investments was applied to all projected benefit payments to determine the total pension liability.

The long-term expected rate of return on plan investments was developed using a building-block method in which best estimate ranges of expected future real rates of return (net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of geometric real rates of return for each major asset class for the plan's investment portfolio are presented on the following page:

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Asset Class ¹	Target Allocation ²	Long-Term Expected Geometric Real Rate of Return ³
Global Equity		
USA	18.00%	3.60%
Non-US Developed	13.00%	4.40%
Emerging Markets	9.00%	4.60%
Private Equity	14.00%	6.30%
Stable Value		
Government Bonds	16.00%	(0.20)%
Absolute Return		1.10%
Stable Value Hedge Funds	5.00%	2.20%
Real Return		
Real Estate	15.00%	4.50%
Energy, Natural Resources and Infrastructure	6.00%	4.70%
Commodities		1.70%
Risk Parity		
Risk Parity	8.00%	2.80%
Asset Allocation Leverage		
Cash	2.00%	(0.70)%
Asset Allocation Leverage	(6.00)%	(0.50)%
Total	100.00%	

Notes:

¹Absolute Return includes Credit Sensitive Investments.

²Target allocations are based on fiscal year 2021 policy model.

³Aon Hewitt Capital Market Assumptions Report as of August 31, 2021

Sensitivity analysis was performed on the impact of changes in the discount rate on the proportionate share of TSU's net pension liability. The result of the analysis is presented in the table below:

Sensitivity of TSU's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
\$ 40,821,346	\$ 18,681,181	\$ 718,787

The pension plan's fiduciary net position is determined using economic resources measurement focus and accrual basis of accounting, which is the same basis used by TRS. Benefits and refunds of contributions are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value. Fair value is a market-

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based measurement, not an entity-specific measurement. TRS utilizes one or more of the following valuation techniques in order to measure fair value: the market approach, the cost approach, and the income approach. More detailed information on the plan's investment policy, assets, and fiduciary net position, may be obtained from TRS' fiscal 2021 ACFR.

At August 31, 2022, TSU reported a liability of \$18,681,181 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of August 31, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. TSU's proportion at August 31, 2022 was 0.0733560159 percent which was a decrease from the 0.0805067380 percent measured at the prior measurement date. TSU's proportion of the collective net pension liability was based on its contributions to the pension plan relative to the contributions of all the employers and non-employer contributing entity to the plan for the period September 1, 2020 through August 31, 2021.

For the year ending August 31, 2022, TSU recognized pension expense of \$1,161,517. At August 31, 2022, TSU reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 31,262.00	\$ 1,315,170.00
Changes of assumptions	6,603,433.00	2,878,530.00
Net difference between projected and actual investment return	-	15,663,928.00
Change in proportion and contribution difference	4,783,199.00	3,051,704.00
Contributions subsequent to the measurement date	2,183,235.00	-
Total	<u>\$ 13,601,129.00</u>	<u>\$ 22,909,332.00</u>

There were \$2,183,235 in contributions subsequent to the measurement date that will be recognized as a reduction in the net pension liability for the year ending August 31, 2023.

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense in the following years:

Year Ending August 31:	Amortization of Deferred Outflows/Inflows
2023	\$ 1,495,315.00
2024	1,522,560.00
2025	3,184,389.00
2026	4,621,778.00
2027	468,251.00
Thereafter	199,145.00
Total	<u>\$ 11,491,438.00</u>

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NOTE 9B: ERS OPEB Plan – TSU’s PROPORTIONATE SHARE

ERS plan

Employees Retirement System (ERS) is the administrator of the State Retiree Health Plan (SRHP), a cost-sharing, multiple-employer defined benefit OPEB plan with a special funding situation.

The 61 employers of SRHP include state of Texas agencies and universities, community and junior colleges, and other entities specified by the Legislature. Benefits are provided to retirees through the Texas Employees Group Benefits Program as authorized by Texas Insurance Code, Chapter 1551.

The SRHP provides postemployment health care, life and dental insurance benefits to retirees. The benefit and contribution provisions of the SRHP are authorized by state law and may be amended by the Legislature. Retirees must meet certain age and service requirements and have at least 10 years of service at retirement to participate in the plan. Surviving spouses and dependents of retirees are also covered by the plan. The plan does not provide automatic cost of living adjustments.

ERS issued a stand-alone audited Annual Comprehensive Financial Report (ACFR). The ERS ACFR may be obtained from their website at www.ers.texas.gov and searching for reports and studies.

During the measurement period of 2021 for fiscal 2022 reporting, the amount of TSU’s contributions recognized by the plan was \$2,039,043.22. The employer does not contribute toward dental or optional life insurance. Surviving spouses and their dependents do not receive any employer contribution. The contribution requirements for the state and the members in the measurement period are presented in the table below:

Employer Contribution Rates Retiree Health and Basic Life Premium

Retiree Only	\$624.82
Retiree & Spouse	1,339.90
Retiree & Children	1,103.58
Retiree & Family	1,818.66

The total OPEB liability is determined by an annual actuarial valuation. The table below presents the actuarial methods and assumptions used to measure the total OPEB liability as of the August 31, 2021 measurement date.

Actuarial Methods and Assumptions

	SRHP
Actuarial Valuation Date	August 31, 2021
Actuarial Cost Method	Entry Age
Amortization Method	Level Percent of Payroll, Open
Remaining Amortization Period	30 Years
Actuarial Assumptions:	
Discount Rate	2.14% *
Inflation	2.30%

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Salary Increase	2.30% to 9.05%, including inflation
Healthcare Cost and Trend Rate	5.25% for FY 2023, 5.15% for FY 2024, 5.00% for FY 2025, 4.75% for FY 2026, 4.60% for FY 2027, decreasing 10 basis points per year to an ultimate rate of 4.30% for FY 2030 and later years
HealthSelect	0.00% for FY 2023, 66.67% for FY 2024, 24.00% for FY 2025, 4.75% for FY 2026, 4.60% for FY 2027, decreasing 10 basis points per year to an ultimate rate of 4.30% for FY 2030 and later years
HealthSelect Medicare Advantage	10.00% for FY 2023 and FY 2024, decreasing 100 basis points per year to 5.00% for FY 2029, and 4.30% for FY 2030 and later years
Pharmacy	2.70%
Aggregate Payroll Growth	Experience-based tables of rates that are specific to the class of employee
Retirement Age	
Mortality	
State Agency Members	2020 State Retirees of Texas Mortality table with a 1 year set forward for male CPO/CO members and Ultimate MP Projection Scale projected from the year 2020
Service Retirees, Survivors and Other Inactive Members	2020 State Retirees of Texas Mortality table with a 3 year set forward for males and females with minimum rates at all ages of 3.0% for males and 2.5% for females, respectively, and Ultimate MP Projection Scale projected from the year 2020
Disabled Retirees	Pub-2010 General Employees Active Member Mortality table for non-CPO/CO members and Pub-2010 Public Safety Active Member Mortality table for CPO/CO members with Ultimate MP Projection Scale from the year 2010
Active Members	
Higher Education Members	Tables based on TRS experience with Ultimate MP Projection Scale from the year 2018
Service Retirees, Survivors and Other Inactive Members	Tables based on TRS experience with Ultimate MP Projection Scale from year
Disabled Retirees	

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Active Members	2018 using a 3-year set forward and minimum mortality rates of four per 100 male members and two per 100 female members Sex Distinct RP-2014 Employee Mortality multiplied by 90% with Ultimate MP Projection Scale from the year 2014
Ad Hoc Post-Employment Benefit Changes	None

** The source of the municipal bond rate is the Bond Buyer Index of general obligations bonds with 20 years to maturity and mixed credit quality. The bonds' average credit quality is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard & Poor's Corp.'s AA.*

The many actuarial assumptions used in the valuation were primarily based on the result of actuarial experience studies performed by the ERS and TRS retirement plan actuaries for the period September 1, 2014 to August 31, 2019 for state agency members and for the period September 1, 2010 to August 31, 2017 for higher education members. The mortality rates were based on the tables identified in the table above titled *Actuarial Methods and Assumptions*. The following assumptions and other inputs have been adopted since the prior valuation to reflect plan experience and trends as expected by ERS and the actuaries attesting to the results of the valuation:

- a. The percentage of current retirees and their spouses not yet eligible to participate in the HealthSelect Medicare Advantage Plan and future retirees and their spouses who will elect to participate in the plan at the earliest date at which coverage can commence
- b. The proportion of future retirees assumed to be married and electing coverage for their spouse
- c. The proportion of future retirees assumed to elect health coverage at retirement and proportion of future retirees expected to receive the Opt-Out Credit at retirement
- d. The percentage of Higher Education vested terminated members assumed to have terminate less than one year before the valuation date
- e. Assumed Per Capita Health Benefit Costs and assumed Health Benefit Cost and Retiree Contribution trends have been updated to reflect recent health plan experience and its effects on our short term expectations. The annual rate of increase in the Patient-Centered Outcomes Research Institute Fee payable under the Affordable Care Act has been updated to reflect recent health plan experience and its effects on our short-term expectations. Assumed expenses directly related to the payment of GBP HealthSelect medical benefits have been updated to reflect recent contract revisions; and
- f. The discount rate was changed from 2.20% as of August 31, 2020 to 2.14% as of August 31, 2021 as a result of requirements by GASB No. 75 to utilize the yield or index rate for 20-year, tax exempt general obligation municipal bonds rated AA/Aa (or equivalent) or higher in effect on the measurement date.

The discount rate that was used to measure the total OPEB liability is the municipal bond rate of 2.14% as of the end of the measurement year; as of the beginning of the measurement year, the discount rate was 2.20%. Projected cash flows into the plan are equal to projected benefit payments out of the plan. As the plan operates on a pay as you go basis and is not intended to accumulate assets, there is no long-term expected rate of return. ERS' board of trustees adopted an amendment to the investment policy in August 2017 to require that all funds in this plan be invested in short-term fixed income securities and specify that the expected rate of return on these investments be at least 2.4%. The investment rate of return used to calculate the projected earnings on OPEB plan investments was 2.20%.

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Sensitivity analysis was performed on the impact of changes in the discount rate on the proportionate share of TSU's net OPEB liability. The result of the analysis is presented in the table below:

Sensitivity of TSU's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

1% Decrease (1.14%)	Current Discount Rate (2.14%)	1% Increase (3.14%)
\$ 108,164,053	\$ 90,814,951	\$ 77,241,871

Sensitivity analysis was performed on the impact of changes in the healthcare cost trend rates on the proportionate share of TSU's net OPEB liability. The result of the analysis is presented in the table below:

Sensitivity of TSU's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate HealthSelect (HS) or HealthSelect Medicare Advantage (HSMA)

1% Decrease HS/HSMA/Pharmacy: 4.25/-1.00/9.00 % decreasing to 3.30%	Current Healthcare Cost Trend Rates HS/HSMA/Pharmacy: 5.25/0.00/10.00 % decreasing to 4.30%	1% Increase HS/HSMA/Pharmacy: 6.25/1.00/11.00 % decreasing to 5.30%
\$ 76,046,831	\$ 90,814,951	\$ 110,163,815

The OPEB plan's fiduciary net position is determined using economic resources measurement focus and accrual basis of accounting, which is the same basis used by ERS. Benefits and refunds of contributions are recognized when due and payable in accordance with the terms of the plan. Investments of the Other Employee Benefit Trust Fund are reported at fair value in accordance with GASB Statement No. 72. The fair value of investments is based on published market prices and quotations from major investment brokers at available current exchange rates. However, corporate bonds in general are valued based on currently available yields of comparable securities by issuers with similar credit ratings. More detailed information on the plan's investment valuation, investment policy, assets, and fiduciary net position may be obtained from ERS' fiscal 2021 ACFR.

At August 31, 2022, TSU reported a liability of \$90,814,951 for its proportionate share of the collective net OPEB liability. The collective net OPEB liability was measured as of August 31, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. TSU's proportion at August 31, 2021 was 0.25313914 percent. TSU's proportion of the collective net OPEB liability was based on its contributions to the OPEB plan relative to the contributions of all the employers and non-employer contributing entity to the plan for the period September 1, 2020 through August 31, 2021.

For the year ending August 31, 2022, TSU recognized OPEB expense of \$16,670,940. At August 31, 2022, TSU reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

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	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 2,227,589
Changes of assumptions	6,217,547	10,114,752
Net difference between projected and actual investment return	16,084	-
Effect of change in proportion and contribution difference	32,948,753	3,607,232
Total	<u>\$ 39,182,384</u>	<u>\$ 15,949,573</u>

There were no deferred outflows of resources resulting from contributions subsequent to the measurement date that will be recognized as a reduction in the net OPEB liability for the year ending August 31, 2023.

Amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense in the following years:

Year Ending August 31:	Amortization of Deferred Outflows/Inflows
2023	\$ 13,181,517.00
2024	9,834,202.00
2025	702,950.00
2026	(367,548.00)
2027	(118,310.00)
Total	<u>\$ 23,232,811.00</u>

NOTE 12: INTERFUND ACTIVITY AND TRANSACTIONS

TSU reports their financial statements in accordance with GASB Statement No. 35. The statement requires TSU to report as one fund. Accordingly, no interfund balances and activities are reported.

NOTE 15: CONTINGENCIES AND COMMITMENTS

A. Grants

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time, although TSU expects such amounts, if any, to be immaterial.

B. Lawsuits

TSU is a defendant in numerous lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of TSU's management that resolution of these matters will not have a materially adverse effect on the financial condition of TSU.

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NOTE 16: SUBSEQUENT EVENT

TSU evaluated subsequent events through Month XX, 2023, the date the financial statements were available to be issued and is not aware of any subsequent events that would require recognition or disclosure.

NOTE 17: RISK FINANCING AND RELATED INSURANCE

Texas Southern University endeavors to manage its financial exposures and third-party claims that are inherent with business transactions. The University conducts periodic assessments of operations in accord with risk profiles to determine risk transfer, retention and management strategies. There have been no significant reductions in insurance coverage in the past year and losses have not exceeded policy limits in the life of the insurance program.

The following outlines relevant insurance coverage and other applicable provisions.

Property Insurance, Equipment Breakdown and Terrorism

Pursuant to Chapter 412 of the Texas Labor Code, Texas Southern University participates in the Statewide Property Insurance Program to transfer financial burden resulting from property damage and loss of University assets. The program, administered by the State Office of Risk Management, affords a shared limit that includes coverage for both building contents and business interruptions.

Workers' Compensation

Pursuant to Chapters 412 and 501 of the Texas Labor Code, the State of Texas self-insures with respect to workers' compensation. The statutory Government Employees Workers' Compensation Insurance Program is administered by the State Office of Risk Management and provides mandatory workers' compensation coverage and risk management services to all state agencies. Texas Southern University employees are provided continuous coverage pursuant to Chapter 501.

The coverage extends domestically and in foreign countries. The current General Appropriations Act provides that TSU must reimburse the general revenue fund, consolidated from TSU appropriations, one-half of the unemployment benefits and 25 percent of the workers' compensation benefits paid for former and current employees. The Comptroller determines the proportionate amount to be reimbursed from each appropriated fund type. TSU must reimburse the general revenue fund 100 percent of the cost for workers' compensation and unemployment compensation for any employees paid from funds held in local bank accounts and local funds held in the State treasury. Workers' compensation and unemployment plans are 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, 2022.

General Liability

As an agency of the State of Texas, the University has limited liability pursuant to Chapter 101 of the Texas Civil Practice and Remedies Code. The limits of liability under Chapter 101 are \$250,000 for each person, \$500,000 for each single occurrence for bodily injury or death and \$100,000 for each single occurrence for injury or destruction of property. The University maintains insurance policies including Commercial General, Umbrella, Directors and Officers, Employment Practices and Internships Professional Liability to satisfy any contractual obligations.

Automobile Liability

Texas Southern University maintains a Commercial Auto Liability Policy for owned, hired and leased, and loaned vehicles with limits of \$250,000 per person, \$500,000 per accident for bodily injury and \$100,000 per accident for property damage the extent of the waivers of State sovereign immunity specified in the Texas Tort Claims Act. In addition, coverage includes \$1,000,000 Combined Single Limit Bodily Injury & Property Damage per Accident for claims that are not subject to the Texas Tort Claims Act.

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(An Agency of the State of Texas)

NOTES TO FINANCIAL STATEMENTS

For the Year Ended August 31, 2022

NOTE 18: MANAGEMENT'S DISCUSSION AND ANALYSIS

Although normally included as Note 18 following the Comptroller's requirements, Management's Discussion and Analysis is included as a separate section in the front of this report to comply with GASB.

NOTE 19: THE FINANCIAL REPORTING ENTITY

A. Related Parties

TSU is affiliated with the Texas Southern University Foundation. The stated purpose of the foundation is "to solicit and receive gifts, grants, devices, or bequests and to maintain, use, and apply the income there from and the principal thereof exclusively for charitable, scientific, literary or educational activities in order to aid and benefit Texas Southern University." According to foundation bylaws, the President of TSU and a representative of TSU's Board of Regents shall be ex officio members of the foundation's Board of Directors with full voting rights.

TSU is also affiliated with the Texas Southern University Alumni Association. The alumni association is a non-profit organization created for the purpose of promoting, fostering, and advancing the educational goals of TSU and the interests and welfare of its students; to provide the means for continuing relationships between TSU, former students, and the community; and to enable them to contribute to and share in the progress of TSU. All former students are eligible for membership in the alumni association. The Board of Directors of the alumni association is elected by the membership. TSU administration has no controlling interest in the alumni association.

The financial statements of TSU encompass the financial activity only of TSU. TSU does not have any component entities that should be included in these financial statements.

NOTE 20: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

NOTE 22: DONOR-RESTRICTED ENDOWMENTS

<u>Donor-Restricted Endowments</u>	<u>Amount of Net Appreciation (Depreciation)</u>	<u>Reported in Net Position</u>
True Endowments	\$ 40,855,921.14	Restricted for expendable
Term Endowments	2,788,822.62	Restricted for expendable
Total	<u>\$ 43,644,743.76</u>	

In the table above, amounts reported as "Net Appreciation" represent net appreciation (cumulative and unexpended) on investments of donor or constitutionally restricted endowments that are available for authorization and expenditure by the TSU Board of Regents. For donor restricted endowments, pursuant to the Uniform Prudent Management of Institutional Funds Act, as adopted by Texas, the TSU Board of Regents may distribute net appreciation, realized and unrealized, in the fair market value of the assets of endowment holdings over the historic dollar value of the gifts, to the extent prudent.

TSU's spending policy for endowments reflects an objective to distribute as much of the total return as is consistent with

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NOTES TO FINANCIAL STATEMENTS

For the Year Ended August 31, 2022

overall investment objectives while protecting the real value of the endowment corpus. The primary long-term investment objective of the endowment is to earn a total rate of return that exceeds the spending rate plus the cost of managing the investment fund. The university all-inclusive spending rate of 7%, which includes 5% spending rate and 0.5% costs of managing the investment fund. In order to preserve purchasing power parity, the Endowment's spending policy shall not exceed 5%. The calculation of the 5% spending rate will be based upon a three year moving average of Endowment Fund earnings with the most recent year removed. The 5% annual spending rate is required to be applied to each individual endowment. The University will calculate the average market value based upon the time period that these endowments are in existence.

Endowments	Increase/Decrease	Reason For Change
True Endowments	\$11,229,368.25	Fair value increase in portfolio
Term Endowments	886,952.76	Fair value increase in portfolio
Total	<u>\$12,116,321.01</u>	

NOTE 24: DISAGGREGATION OF RECEIVABLE AND PAYABLE BALANCES

Aggregate receivables and other payables as reported on the statement of net position as of August 31, 2022, are detailed as follows:

Receivables	Balance
Student Accounts	\$ 23,905,138.31
Suspense Clearing	506,510.24
Other Receivables	74,637.33
Non-Federal Grants	1,179,490.57
Third Party Accounts	709,112.37
Less Allowance	(6,798,671.33)
Total	<u>\$ 19,576,217.49</u>
Other Payables	Balance
Sales Tax	\$ 88,458.60
Advanced Payments-Peldged Aux Dorm	(663,793.08)
ARO Capital Liability	(295,566.99)
Student Deposits	(75,438.04)
Bookstore Clearing	(15,400.00)
Cashier Overage-Shortage	751.87
Declining Balance Debit Card	(1,850.78)
Housing and Housing Reserve	(15,150.85)
Installment Payments Clearing	(1,956.00)
International Student Health Insurance	(361,015.83)
Student Health Insurance Fee - Reg	4,108.00
License Prof Insurance	(40,503.50)
Suspense Clearing	459,934.54
Texas B on Time Loan	(15,480.24)
Retainage Payable	(2,198,161.79)
Wiley College	(1,920.00)
Total	<u>\$ (3,132,984.09)</u>

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NOTES TO FINANCIAL STATEMENTS

For the Year Ended August 31, 2022

NOTE 28: DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES

In fiscal year 2022, TSU reported deferred outflows of resources in connection with GASB 68 pension plan, GASB 75 OPEB plan, Asset Retirement Obligation, and a loss on refunding series 2011 bond as well as deferred inflows of resources for GASB 68 pension plan and GASB 75 OPEB.

<u>As of August 31, 2022</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
TRS Pension Plan (GASB 68)	\$ 13,601,129.00	\$ 22,909,332.00
ERS OPEB Plan (GASB 75)	39,182,384.00	15,949,573.00
Asset Retirement Obligation (GASB 83)	133,462.62	-
Deferred Loss on Refunding	105,768.72	-
Total	<u>\$ 53,022,744.34</u>	<u>\$ 38,858,905.00</u>

Deferred outflows of resources of \$13,601,129.00 and Deferred inflows of resources of \$22,909,332 were related to changes in employee TRS pension plan. Deferred outflows of resources of \$39,182,384 and Deferred inflows of resources of \$15,949,573.00 were related to changes in employee OPEB plan. See Note 9 for additional information. Deferred outflows of resources of \$133,462.62 were related to Asset Retirement Obligation. Deferred loss on refunding was related to the loss on Series 2021 Bond that refunded Series 2011 Bond.

SUPPLEMENTARY INFORMATION

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TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

SCHEDULE OF OPERATING EXPENSES

For the Year Ended August 31, 2022

<u>Expenses by Natural Classification</u>	<u>2022</u>
Salaries and Wages	\$ 97,222,758.09
Payroll Related Costs	39,724,217.47
Professional Fees and Services	14,632,514.33
Travel	2,315,668.47
Materials and Supplies	12,885,104.32
Communication and Utilities	7,392,008.05
Repairs and Maintenance	10,365,155.37
Rentals and Leases	1,863,856.25
Printing and Reproductions	523,660.48
Federal Pass-Through Expense	366,670.91
Bad Debt Expense	227,249.00
Scholarships	42,927,227.05
Other Operating Expenses	10,659,652.23
Depreciation	23,014,851.69
Total Operating Expenses by Natural Class	\$ 266,165,839.71

<u>Expenses by NACUBO Classification</u>	<u>2022</u>
Instruction	\$ 76,911,091.39
Research	6,847,753.20
Public Service	2,315,949.05
Academic Support	12,074,433.76
Student Services	14,543,131.47
Institutional Support	59,025,760.03
Operation and Maintenance of Plant	17,721,445.54
Scholarships and Fellowships	35,118,277.76
Auxiliary	18,433,657.44
Depreciation	23,174,340.07
Total Operating Expenses by NACUBO	\$ 266,165,839.71

TEXAS SOUTHERN UNIVERSITY
(An Agency of the State of Texas)
SCHEDULE 1A - SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended August 31, 2022

Federal Grantor/ Pass-through Grantor/ Program Title	ALN Number	NSE Name/ Id. No.	Agyl/ Univ No	Pass-through From		Direct Program Amount
				Pass-Through From Agencies	Pass-Through From Non-	
U.S. Department of Education						
Minority Science and Engineering Improvement	84.120A	Howard University/ P120A190033			58,853.47	
<u>Direct Programs:</u>						
Higher Education Institutional Aid	84.031					11,201,059.43
COVID-19 - Higher Education Emergency Relief Fund (HEERF) Student Aid Portion	84.425E					13,579,125.00
COVID-19 - Higher Education Emergency Relief Fund (HEERF) Institutional Portion	84.425F					3,251,165.26
COVID-19 - HEERF Historically Black Colleges and Universities (HBCUs)	84.425J					41,058,582.81
<u>Pass-Through From:</u>						
Governors Emergency Education Relief (GEER) Fund	84.425C					
Pass-Through From:						
Texas Higher Education Coordinating Board			781	928,436.68		
Totals - U.S. Department of Education				928,436.68	58,853.47	69,089,932.50
U.S. Department of Health and Human Services						
NIEHS Hazardous Waste Worker Health and Safety Training	93.142	Deep South Center for Environmental Justice, Inc./ 2U45ES010664-22			241,736.57	
<u>Direct Programs:</u>						
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243					695,645.56
Totals - U.S. Department of Health and Human Services				0	241,736.57	695,645.56
U.S. Department of Justice						
<u>Direct Programs:</u>						
Public Safety Partnership and Community Policing Grants	16.710					66,578.07
Totals - U.S. Department of Justice				0	0	66,578.07
U.S. Department of Transportation						
<u>Direct Programs:</u>						
Highway Training and Education	20.215					19,776.50
Totals - U.S. Department of Transportation				0	0	19,776.50
Research & Development Cluster						
National Aeronautics and Space Administration						
<u>Direct Programs:</u>						
Space Operations	43.007					494.3
Totals - National Aeronautics and Space Administration				0	0	494.3
National Science Foundation						
Computer and Information Science and Engineering	47.070	Platforms for Advanced Wireless Research (PAWR)/ CNS-1719547			18,942.45	
Education and Human Resources	47.076	Howard University/ 1901420			20,828.11	
Education and Human Resources		Platforms for Advanced Wireless Research (PAWR)/ R76522			18,740.31	
Education and Human Resources		University of California - San Diego/ KR 705026/DUE- 1821521			8,906.72	

Pass-through To					
		Pass-Through To Agencies or	Pass-Through To Non-State		
Total Amount PT From and Direct Prog.	Agy/ Univ No.	Universities Amount	Entities Amount	Expenditures Amount	Total Amount PT To and Expenditures
58,853.47				58,853.47	58,853.47
11,201,059.43				11,201,059.43	11,201,059.43
13,579,125.00				13,579,125.00	13,579,125.00
3,251,165.26				3,251,165.26	3,251,165.26
41,058,582.81				41,058,582.81	41,058,582.81
928,436.68				928,436.68	928,436.68
70,077,222.65		0	0	70,077,222.65	70,077,222.65
241,736.57				241,736.57	241,736.57
695,645.56				695,645.56	695,645.56
937,382.13		0	0	937,382.13	937,382.13
66,578.07				66,578.07	66,578.07
66,578.07		0	0	66,578.07	66,578.07
19,776.50				19,776.50	19,776.50
19,776.50		0	0	19,776.50	19,776.50
494.3				494.3	494.3
494.3		0	0	494.3	494.3
18,942.45				18,942.45	18,942.45
20,828.11				20,828.11	20,828.11
18,740.31				18,740.31	18,740.31
8,906.72				8,906.72	8,906.72

TEXAS SOUTHERN UNIVERSITY
(An Agency of the State of Texas)
SCHEDULE 1A - SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended August 31, 2022

Federal Grantor/ Pass-through Grantor/ Program Title	ALN Number	NSE Name/ Id. No.	Agy/ Univ No	Pass-through From		Direct Program Amount
				Pass-Through From Agencies	Pass-Through From Non-	
<u>Direct Programs:</u>						
Engineering	47.041					19,923.96
Mathematical and Physical Sciences	47.049					11,812.97
Computer and Information Science and Engineering	47.070					56,675.57
Education and Human Resources	47.076					790,261.43
Education and Human Resources	47.076					156,895.87
<i>Pass-Through To:</i>						
<i>University of Houston</i>						
Education and Human Resources	47.076					82,372.83
<i>Pass-Through To:</i>						
<i>Texas State University</i>						
Education and Human Resources	47.076					60,834.05
<i>Pass-Through To:</i>						
<i>University of Houston - Clear Lake</i>						
Totals - National Science Foundation				0	67,417.59	1,178,776.68
U.S. Department of Defense						
Basic, Applied, and Advanced Research in Science and Engineering	12.630	Academy of Applied Science/			6,629.83	
Air Force Defense Research Sciences Program	12.800	W911NF1020076;601 608 FY21 Clarkson Aerospace Corporation/ FA9550-21-1-0460;TSU-21-1-0460			73,978.98	
<u>Pass-Through From:</u>						
Basic and Applied Scientific Research	12.300					
<i>Pass-Through From:</i>						
<i>University of Houston</i>						
			730	8,630.19		
Totals - U.S. Department of Defense				8,630.19	80,608.81	0
U.S. Department of Health and Human Services						
Maternal and Child Health Federal Consolidated Programs	93.110	Baylor University/			4,500.02	
Trans-NIH Research Support	93.310	5T16MC29831-04-00 Duke University/ IU24MD16258-01/303000432			59,244.23	
<u>Direct Programs:</u>						
Minority Health and Health Disparities Research	93.307					1,857,812.45
Minority Health and Health Disparities Research	93.307					19,866.81
<i>Pass-Through To:</i>						
<i>University of Texas at El Paso</i>						
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779					123,378.79
Biomedical Research and Research Training	93.859					158,149.43
Biomedical Research and Research Training	93.859					26,777.05
<i>Pass-Through To:</i>						

Pass-through To					
		Pass-Through To Agencies or	Pass-Through To Non-State		
Total Amount PT From and Direct Prog.	Agy/ Univ No.	Universities Amount	Entities Amount	Expenditures Amount	Total Amount PT To and Expenditures
19,923.96				19,923.96	19,923.96
11,812.97				11,812.97	11,812.97
56,675.57				56,675.57	56,675.57
790,261.43				790,261.43	790,261.43
156,895.87					156,895.87
	730	156,895.87			
82,372.83					82,372.83
	754	82,372.83			
60,834.05					60,834.05
	759	60,834.05			
1,246,194.27		300,102.75	0	946,091.52	1,246,194.27
6,629.83				6,629.83	6,629.83
73,978.98				73,978.98	73,978.98
8,630.19				8,630.19	8,630.19
89,239.00	0	0	89,239.00	89,239.00	
4,500.02				4,500.02	4,500.02
59,244.23				59,244.23	59,244.23
1,857,812.45				1,857,812.45	1,857,812.45
19,866.81					19,866.81
	724	19,866.81			
123,378.79				123,378.79	123,378.79
158,149.43				158,149.43	158,149.43
26,777.05					26,777.05

TEXAS SOUTHERN UNIVERSITY
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SCHEDULE 1A - SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended August 31, 2022

Federal Grantor/ Pass-through Grantor/ Program Title	ALN Number	NSE Name/ Id. No.	Agy/ Univ No	Pass-through From		Direct Program Amount
				Pass-Through From Agencies	Pass-Through From Non-	
University of Houston						
Vision Research	93.867					81,491.17
Scholarships for Health Professions Students from Disadvantaged Backgrounds	93.925					571,939.97
<u>Pass-Through From:</u>						
Cancer Treatment Research	93.395					
<u>Pass-Through From:</u>						
University of Houston			730	42,125.22		
Totals - U.S. Department of Health and Human Services				42,125.22	63,744.25	2,839,415.67
U.S. Department of Housing and Urban Development						
<u>Direct Programs:</u>						
General Research and Technology Activity	14.506					33,160.09
Totals - U.S. Department of Housing and Urban Development				0	0	33,160.09
U.S. Department of Justice						
<u>Direct Programs:</u>						
Postconviction Testing of DNA Evidence	16.820					9,870.40
Totals - U.S. Department of Justice				0	0	9,870.40
U.S. Department of Transportation						
University Transportation Centers Program	20.701	University of North Carolina - Chapel Hill/ 69A3551747133/2016 0688-01-TSU			140,116.60	
<u>Direct Programs:</u>						
Highway Planning and Construction	20.205					78,539.59
University Transportation Centers Program	20.701					19,924.30
<u>Pass-Through To:</u>						
University of Texas at Arlington						
<u>Pass-Through From:</u>						
Highway Planning and Construction	20.205					
<u>Pass-Through From:</u>						
Texas Department of Transportation			601	89,591.70		
University Transportation Centers Program	20.701					
<u>Pass-Through From:</u>						
University of Texas at Austin			721	123,904.36		
Totals - U.S. Department of Transportation				213,496.06	140,116.60	98,463.89
<u>Student Financial Assistance Programs Cluster</u>						
U.S. Department of Education						
<u>Direct Programs:</u>						
Federal Supplemental Educational Opportunity Grants	84.007					370,446.80
Federal Work-Study Program	84.033					533,151.48
Federal Pell Grant Program	84.063					24,543,459.69
Federal Direct Student Loans	84.268					72,972,110.00
Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	84.379					87,489.50
Totals - U.S. Department of Education				0	0	98,506,657.47
U.S. Department of Health and Human Services						

Pass-through To					
		Pass-Through To Agencies or	Pass-Through To Non-State		
Total Amount PT From and Direct Prog.	Agy/ Univ No.	Universities Amount	Entities Amount	Expenditures Amount	Total Amount PT To and Expenditures
	730	26,777.05			
81,491.17				81,491.17	81,491.17
571,939.97				571,939.97	571,939.97
42,125.22				42,125.22	42,125.22
2,945,285.14		46,643.86	0	2,898,641.28	2,945,285.14
33,160.09				33,160.09	33,160.09
33,160.09		0	0	33,160.09	33,160.09
9,870.40				9,870.40	9,870.40
9,870.40		0	0	9,870.40	9,870.40
140,116.60				140,116.60	140,116.60
78,539.59				78,539.59	78,539.59
19,924.30					19,924.30
	714	19,924.30			
89,591.70				89,591.70	89,591.70
123,904.36				123,904.36	123,904.36
452,076.55		19,924.30	0	432,152.25	452,076.55
370,446.80				370,446.80	370,446.80
533,151.48				533,151.48	533,151.48
24,543,459.69				24,543,459.69	24,543,459.69
72,972,110.00				72,972,110.00	72,972,110.00
87,489.50				87,489.50	87,489.50
98,506,657.47		0	0	98,506,657.47	98,506,657.47

TEXAS SOUTHERN UNIVERSITY
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SCHEDULE 1A - SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended August 31, 2022

Federal Grantor/ Pass-through Grantor/ Program Title	ALN Number	NSE Name/ Id. No.	Agy/ Univ No	Pass-through From		Direct Program Amount
				Pass-Through From Agencies	Pass-Through From Non-	
				or Universities Amount	State Entities Amount	
Direct Programs:						
Scholarships for Health Professions Students from Disadvantaged Backgrounds	93.925					627,828.35
Totals - U.S. Department of Health and Human Services				0	0	627,828.35
<u>TRIO Cluster</u>						
U.S. Department of Education						
Direct Programs:						
TRIO Student Support Services	84.042A					504,181.93
TRIO Talent Search	84.044A					415,997.36
TRIO Upward Bound	84.047A					436,308.03
Upward Bound Math-Science	84.047M					223,743.07
TRIO Educational Opportunity Centers	84.066					317,898.07
Totals - U.S. Department of Education				0	0	1,898,128.46
Total Expenditures of Federal Awards				1,192,688.15	652,477.29	175,064,727.94

SEFA NOTE 2

Federal Revenue-Operating

Federal Revenue-Non-Operationg Title IV

Federal Revenue Non-Operationg Cares Funding

FederalRevenue Non-Operating HEERF HBCU

Federal Pass Through Reveune

Federal Direct Student Loan

Pass-through To					
Total Amount PT From and Direct Prog.	Agy/ Univ No.	Pass-Through To Agencies or	Pass-Through To Non-State	Expenditures Amount	Total Amount PT To and Expenditures
		Universities	Entities		
		Amount	Amount		
627,828.35				627,828.35	627,828.35
627,828.35		0	0	627,828.35	627,828.35
504,181.93				504,181.93	504,181.93
415,997.36				415,997.36	415,997.36
436,308.03				436,308.03	436,308.03
223,743.07				223,743.07	223,743.07
317,898.07				317,898.07	317,898.07
1,898,128.46		0	0	1,898,128.46	1,898,128.46
176,909,893.38		366,670.91	0	176,543,222.47	176,909,893.38

19,676,985.28
25,001,395.99
13,579,125.00
44,487,588.96
1,192,688.15
72,972,110.00
176,909,893.38

TEXAS SOUTHERN UNIVERSITY

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SCHEDULE 1B - STATE GRANT PASS THROUGH FROM/TO STATE AGENCIES

For the Year Ended August 31, 2022

Pass Through From:

Texas State Board of Public Accountancy (Agency# 457.0001)	\$	7,816.00
Cancer Prevention & Research Inst of Tx (Agency# 542.0185)		581,273.49
Texas Commission on Environmental Quality(Agency#582.0097)		129,979.18
University of Houston(Agency#730.0001)		95,819.72
Texas A&M University System Health Sci Ctr (Agency# 709.0026)		14,759.00
Texas Higher Education Coordinating Board (Agency# 781.0008)		6,333,339.45
Texas Higher Education Coordinating Board (Agency# 781.0023)		71,353.00
Texas Higher Education Coordinating Board (Agency# 781.0029)		42,907.00
Texas Higher Education Coordinating Board (Agency# 781.0075)		9,631.00
Texas Higher Education Coordinating Board (Agency# 781.0082)		15,000.00

Total Pass Through From Other Agencies	\$	<u>7,301,877.84</u>
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TEXAS SOUTHERN UNIVERSITY
 (An Agency of the State of Texas)
SCHEDULE 2A - MISCELLANEOUS BOND INFORMATION
 For the Year Ended August 31, 2022

Business-Type Activities

Description	Interest Rate	Maturity Dates		First Call Date	Original Issue
		First Year	Last Year		
Revenue Bonds- Self Supporting					
Series 2013	2.00-5.00%	2013	2023	n/a	62,355,000.00
Series 2016	2.00-3.00%	2016	2036	5/1/2026	55,490,000.00
Series 2021	2.00-5.00%	2021	2030	n/a	14,275,000.00
Total Revenue Bonded Debt					<u><u>\$ 117,845,000.00</u></u>

TEXAS SOUTHERN UNIVERSITY

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SCHEDULE 2B - CHANGES IN BOND INDEBTEDNESS

For the Year Ended August 31, 2022

Description	Bonds Outstanding 09/01/2021	Bonds Issued	Bonds Matured or Retired	Bonds Refunded or Extinguished	Par Value Adjustments	Bonds Outstanding 8/31/2022	Unamortized Premium	Unamortized Discount	Adjustments	Net Bonds Outstanding 8/31/2022	Amounts Due Within One Year	Bonds Outstanding 8/31/2022
Revenue Bonds- Self Supporting												
Series 2013	10,040,000.00	-	6,275,000.00	-	-	3,765,000.00		-	-	3,765,000.00	2,905,000.00	3,765,000.00
Series 2016	45,175,000.00	-	2,145,000.00	-	-	43,030,000.00	4,242,297.50	-	-	47,272,297.50	2,255,000.00	43,030,000.00
Series 2021	14,275,000.00	-	1,380,000.00	-	-	12,895,000.00	2,391,895.75			15,286,895.75	1,350,000.00	12,895,000.00
Total General Bonded Debt	\$ 69,490,000.00	\$ -	\$ 9,800,000.00	\$ -	\$ -	\$ 59,690,000.00	\$ 6,634,193.25	\$ -	\$ -	\$ 66,324,193.25	\$ 6,510,000.00	\$ 59,690,000.00

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SCHEDULE 2C - DEBT SERVICE REQUIREMENTS

For the Year Ended August 31, 2022

Year Ending Aug. 31	Series 2021 Revenue Bonds Refunding			Series 2013 Revenue Bonds Refunding		
	Principal	Interest	Total	Principal	Interest	Total
2023	1,350,000.00	644,750.00	1,994,750.00	2,905,000.00	92,500.00	2,997,500.00
2024	1,420,000.00	577,250.00	1,997,250.00	860,000.00	17,200.00	877,200.00
2025	1,490,000.00	506,250.00	1,996,250.00			
2026	1,560,000.00	431,750.00	1,991,750.00			
2027	1,640,000.00	353,750.00	1,993,750.00			
2028-2030	5,435,000.00	552,250.00	5,987,250.00	-	-	-
Total	\$ 12,895,000.00	\$ 3,066,000.00	\$ 15,961,000.00	\$ 3,765,000.00	\$ 109,700.00	\$ 3,874,700.00

Year Ending Aug. 31	Series 2016 Revenue Bonds		
	Principal	Interest	Total
2023	2,255,000.00	1,760,900.00	4,015,900.00
2024	2,365,000.00	1,648,150.00	4,013,150.00
2025	2,485,000.00	1,529,900.00	4,014,900.00
2026	2,605,000.00	1,405,650.00	4,010,650.00
2027	2,740,000.00	1,275,400.00	4,015,400.00
2028-2032	15,695,000.00	4,372,800.00	20,067,800.00
2033-2036	14,885,000.00	1,169,750.00	16,054,750.00
Total	\$ 43,030,000.00	\$13,162,550.00	\$ 56,192,550.00

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SCHEDULE 2D - ANALYSIS OF FUNDS AVAILABLE FOR DEBT SERVICE

For the Year Ended August 31, 2022

<u>Business-Type Activities</u>	<u>Pledged and Other Sources and Related Expenditures for FY 2022</u>			
	<u>Net Available for Debt Service</u>		<u>Debt Service</u>	
		<u>Operating Expenses/ Expenditures and Capital Outlay</u>		
Revenue Bonds	<u>Total Pledged and Other Sources</u>		<u>Principal</u>	<u>Interest</u>
BOND SERIES				
TRB 2013, 2016, 2021	\$79,329,322.43	\$ 72,707,317.29	\$ 9,800,000.00	\$ 2,691,015.04
Total	<u>\$79,329,322.43</u>	<u>\$ 72,707,317.29</u>	<u>\$ 9,800,000.00</u>	<u>\$ 2,691,015.04</u>

TEXAS SOUTHERN UNIVERSITY

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Required Supplementary Information

For the Last Eight Years Ended August 31 *

Schedule of Proportionate Share of Net Pension Liability*

Teacher Retirement System of Texas

	2021	2020	2019	2018	2017	2016	2015	2014
TSU's proportion of the net pension liability	0.0734%	0.0805%	0.0714%	0.0722%	0.0591%	0.0562%	0.0572%	0.0677%
TSU's proportionate share of the net pension liability	\$18,681,181	\$43,117,766	\$37,133,090	\$39,735,872	\$18,886,127	\$21,231,694	\$20,380,538	\$18,085,720
TSU's covered payroll	\$55,338,037	\$56,860,767	\$53,462,578	\$48,780,116	\$21,229,587	\$21,992,327	\$22,004,400	\$24,812,792
TSU's proportionate share of the net pension liability as a percentage of its covered payroll	33.76%	75.83%	69.46%	81.46%	88.96%	100.01%	91.94%	72.89%
Plan fiduciary net position as a percentage of the total pension liability	88.79%	75.54%	75.24%	73.74%	82.17%	78.00%	78.43%	83.25%

* This schedule is intended to present 10 years of information. Currently only eight years of information is available. Information for future years will be added when it becomes available.

TEXAS SOUTHERN UNIVERSITY

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Required Supplementary Information

For the Last Nine Years Ended August 31 *

Schedule of Employer Contributions *
Teacher Retirement System of Texas

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Statutorily required contributions	\$2,723,694	\$2,595,707	\$2,492,675	\$2,050,711	\$2,089,619	\$1,251,453	\$1,174,302	\$1,694,645	\$2,151,269
Contributions in relation to the statutorily required contributions	\$2,723,694	\$2,595,707	2,492,675	2,050,711	2,089,619	1,251,453	1,174,302	1,694,645	1,702,626
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	448,643
Covered payroll	\$55,338,037	\$58,479,781	\$56,860,767	\$53,462,578	\$48,780,116	\$21,229,587	\$21,992,327	\$22,004,400	\$24,812,792
Contributions as a percentage of covered payroll	4.92%	4.44%	4.38%	3.84%	4.28%	5.89%	5.34%	7.70%	6.86%

* This schedule is intended to present 10 years of information. Currently only nine years of information is available. Information for future years will be added when it becomes available.

TEXAS SOUTHERN UNIVERSITY

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Required Supplementary Information

For the Last Five Years Ended August 31 *

Schedule of Proportionate Share of Net OPEB Liability*

Employee Retirement System of Texas Plan

	2021	2020	2019	2018	2017
TSU's proportion of the net OPEB liability	0.2531391%	0.2590784%	0.23850393%	0.21979663%	0.02648200%
TSU's proportionate share of the net OPEB liability	\$90,814,951	\$85,611,509	\$82,433,337	\$65,142,759	\$90,232
TSU's covered payroll	\$0.00	\$0.00	\$0.00	\$0.00	\$6,040,027
TSU's proportionate share of the net OPEB liability as a percentage of its covered payroll	0.00%	0.00%	0.00%	0.00%	1.49%
Plan fiduciary net position as a percentage of the total OPEB liability	0.38%	0.32%	1.27%	1.27%	2.04%

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TEXAS SOUTHERN UNIVERSITY

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Required Supplementary Information

For the Last Five Years Ended August 31 *

Schedule of Employer Contributions* Employees Retirement System of Texas

	2,022	2021	2020	2019	2018
Statutorily required contributions	\$ -	\$ -	\$ -	\$ -	\$ 6,040,027.00
Contributions in relation to the statutorily required contributions	-	-	-	-	\$ 6,040,027.00
Contribution deficiency (excess)	-	-	-	-	-
Covered-employee payroll	\$ -	\$ -	\$ -	\$ -	\$ 6,040,027.00
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	0.00%	100.00%

* This schedule is intended to present 10 years of information. Currently only five years of information is available. Information for future years will be added when it becomes available.