

# 2023 Annual Financial Report



*For Fiscal Year Ended August 31, 2023*

***ANNUAL FINANCIAL REPORT***

of

**TEXAS SOUTHERN UNIVERSITY**  
(An Agency of State of Texas)

For the Year Ended  
August 31, 2023

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# **TEXAS SOUTHERN UNIVERSITY**

(An Agency of the State of Texas)

## **TABLE OF CONTENTS**

**For the Year Ended August 31, 2023**

<b>INTRODUCTORY SECTION</b>	<b>Page</b>
Message from the President	7
Board of Regents	9
University Administration	11
Fiscal Administration	11
 <b>FINANCIAL SECTION</b>	
Independent Auditors' Report	15
Management's Discussion and Analysis	21
Basic Financial Statements	
Statement of Net Position	32
Statement of Revenues, Expenses and Changes in Net Position	34
Statement of Cash Flows	36
Notes to the Financial Statements	38
 <b>SUPPLEMENTARY INFORMATION</b>	
Schedule of Operating Expenses	71
IA - Schedule of Expenditures of Federal Awards	72
IB - State Grant Pass Through From/To State Agencies	81
2A - Miscellaneous Bond Information	82
2B - Changes in Bond Indebtedness	83
2C - Debt Service Requirements	84
2D - Analysis of Funds Available for Debt Service	85
 <b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Supplementary Schedules Information for Note 9A	86
Supplementary Schedules Information for Note 9B	88
Independent Auditors' Internal Controls Report	90

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## **INTRODUCTORY SECTION**

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# TEXAS SOUTHERN UNIVERSITY

3100 CLEBURNE ST. | HOUSTON, TEXAS 77004 | 713.313.7033



*Office of the President*

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The Annual Financial Report (AFR) for Fiscal Year 2023 for Texas Southern University gives a complete overview of the University's financial status and operations as of August 31, 2023. Texas Southern University is mandated by law to provide a full accounting of income received as it invests in the educational futures of our students.

As Interim President of Texas Southern University, I am committed to maintaining a transparent financial process, ensuring 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 2023 Financial Report is the primary publication that provides accountability to elected officials, taxpayers, and other stakeholder groups.

Texas Southern University is a preeminent urban serving institution, serving a diverse student population across the United States and more than 50 countries internationally. Entering its 97th year of existence, TSU is stabilizing its growth, showing a consistent gain in the number of credit hours our students are taking each semester, and consistently working to improve the quality of our instruction and enhance the global reach of our students and the institution.

TSU is also committed to innovative research and to being a partner who provides essential services to the communities around us. Through Teamwork, we work to achieve greater success. Student Success is our priority. We are unprecedented in our resolve to succeed and be accountable for what we do. We are proud to be an independent, urban university committed to serving our students and community. We are research-driven and committed to collaboration and excellence. We are also optimistic about our innovative and entrepreneurial ability in deriving and advancing new ideas. We are united, unbeatable, and unrelenting in working toward being Distinctive in our academic programs. In short, we are TSU PROUD. We are a student-centered, comprehensive doctoral university and one of the largest HBCUs in the United States.

This year, we are proud that our Bullard Center was awarded a \$50M EPA Grant, and another \$4.9M award was received from the U.S. Department of Education to support advances in research and innovation. Our Pharmacy school is #3 in Texas on their exam rates and #1 among HBCU Pharmacy schools, scoring 6% higher than the national average on the NAPLEX Exam. Our Aviation program is the only aviation program in Texas accredited by the Aviation Accreditation Board International (AABI); the university is the second HBCU in history to achieve AABI accreditation and joins the ranks of 43 other aviation programs worldwide with this accreditation. We are also proud to receive a \$5.5M grant from the City of Houston to begin construction on our new Aviation Academy at Ellington Field. The future is bright for Texas Southern University and its students as we use the financial resources documented by this audit to provide the necessary resources to prepare and transform students into tomorrow's leaders.

Texas Southern University has invested its resources with equal measures of efficiency and innovation. The 2023 Annual Financial Report reflects the success of our mission in the preceding year and our ability to be good stewards of the resources to which we have been entrusted.



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**TEXAS SOUTHERN UNIVERSITY**  
(An Agency of the State of Texas)  
**BOARD OF REGENTS**  
August 31, 2023

**Officers**

Honorable Brandon L. Simmons, Chairman  
Honorable James M. Benham, Vice Chair  
Honorable Stephanie D. Nellons-Paige, 2<sup>nd</sup> Vice Chair  
Honorable Marilyn A. Rose, Secretary

**Members**

Honorable Dylan Getwood, Student Regent Terms Expire February 1, 2024	Port Arthur
Honorable Pamela A. Medina, Honorable Stephanie D. Nellons-Paige, 2 <sup>nd</sup> Vice Chair Terms Expire February 1, 2025	Houston Houston
Honorable Caroline Baker Hurley Honorable Marilyn A. Rose, Secretary Terms Expire February 1, 2027	Houston Houston
Honorable Brandon L. Simmons, Chairman Honorable James M. Benham, Vice Chair Honorable Richard A. Johnson III, Terms Expire February 1, 2029	Houston College Station Houston

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**TEXAS SOUTHERN UNIVERSITY**  
**(An Agency of the State of Texas)**  
**UNIVERSITY ADMINISTRATION**  
**August 31, 2023**

**University Administration**

Dr. Lesia L. Crumpton Young <sup>(1)</sup>	President
Dr. Mary Evans Sias <sup>(1)</sup>	Interim President
Dr. Dakota Doman <sup>(2)</sup>	Senior Advisor to President for Strategic Initiatives/Acting CEO
Kia Harper	Acting Chief of Staff
Dr. Needham Bouttee-Queen	Interim Provost & Vice President for Academic Affairs and Research
Dr. Carl Goodman	Provost & Vice President for Academic Affairs and Research
Melinda Spaulding	Vice President for Communications & Advancement
Carme Williams	Interim Vice President for Communications & Advancement
Hao Le <sup>(3)</sup>	General Counsel
Charlie Nhan <sup>(3)</sup>	Acting General Counsel
Dr. Michelle Penn-Marshall	Vice President Research and Innovation
Dr. Kevin Granger	Vice President of Intercollegiate Athletics

**Fiscal Administration**

Devi Bala	Vice President for Administration and Finance
John Pittman	Interim Vice President for Administration and Finance/CFO
Darlene Brown	Chief Audit Executive
Paula Stapleton	Assistant Vice President for Business & Finance/Controller
Glenda Wright	Director of General Accounting
Bobbie Phelps	Manager of General Accounting

<sup>(1)</sup> Dr. Lesia Crumpton-Young, 13<sup>th</sup> President of Texas Southern University, announced her retirement from the institution on May 26, 2023, which was effective on June 1, 2023. Dr. Mary Evans Sias, previously a member of the Board of Regents, was appointed as Interim President, effective June 30, 2023. The University intends to conduct a national search for a President.

<sup>(2)</sup> The Board of Regents named Dr. Dakota Doman, Chief of Staff, as the Acting Chief Executive Officer on June 4, 2023.

<sup>(3)</sup> General Counsel, Hao Le separated from the institution effective June 1, 2023 and Deputy General Counsel Charlie Nhan was appointed Acting General Counsel.

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## **FINANCIAL SECTION**

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## **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 Texas Southern University (University) as of and for the year ended August 31, 2023 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, 2023 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, 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 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 October 3, 2024 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 Mazars, LLP**

Houston, Texas  
October 3, 2024

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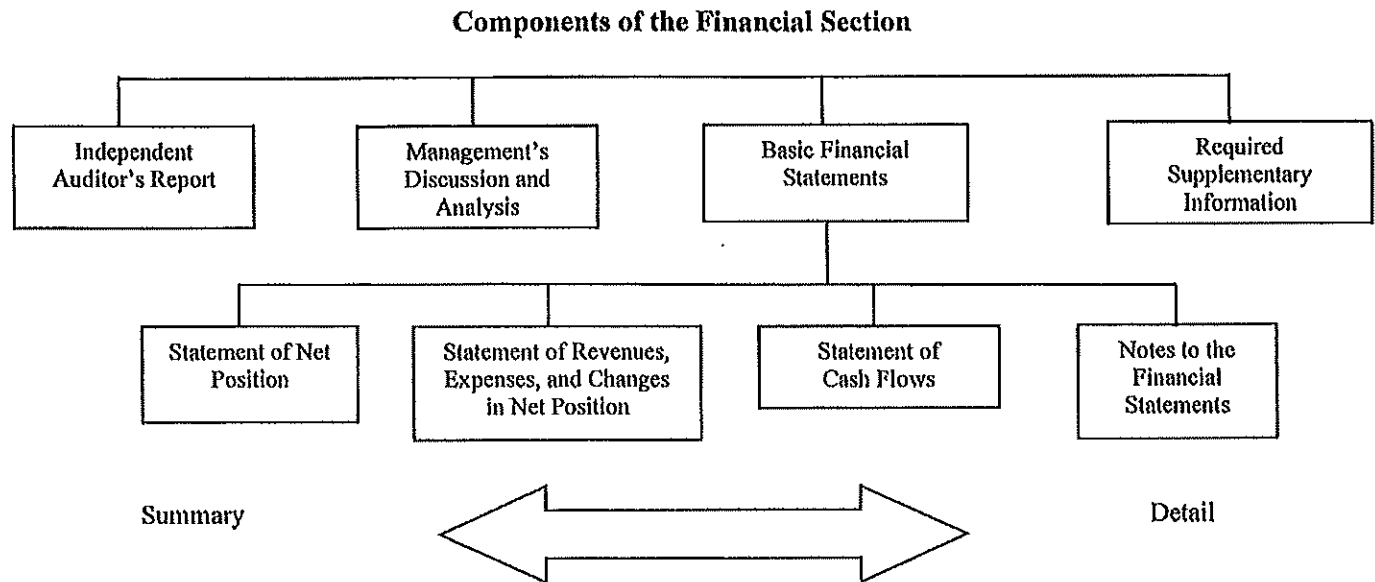
**MANAGEMENT'S DISCUSSION**  
**AND ANALYSIS**

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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, 2023

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, 2023. 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 statements 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 the 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 considered 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, 2023

The Statement of Net Position presents information on all of 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 Management's Discussion and Analysis (MD&A) within this report.

#### **FINANCIAL ANALYSIS OF TSU**

As noted earlier, net position may serve over time as a useful indicator of Texas Southern University's financial position. As of August 31, 2023, assets and deferred outflows of resources exceed liabilities and deferred inflows of resources by \$324,139,014.65. The largest portion of TSU's net position (77%) reflects its investments in capital assets (e.g., land, buildings and improvements, equipment, leased land, library books, construction in progress, and infrastructure), less any debt used to acquire those assets that are still outstanding. TSU uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although Texas Southern University'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, 2023

**Condensed Statement of Net Position**

The following table reflects the condensed Statement of Net Position:

**CONDENSED STATEMENT OF NET POSITION**

	<u>2023</u>	<u>2022</u>
Current and other assets	\$ 304,395,675.51	\$ 170,654,625.06
Non-current Restricted assets	87,918,184.37	77,285,710.04
Capital assets, net	<u>304,224,012.06</u>	<u>291,627,350.05</u>
<b>Total Assets</b>	<u>696,537,871.94</u>	<u>539,567,685.15</u>
 <b>Deferred Outflows of Resources</b>	 <u>32,767,313.34</u>	 <u>53,022,744.34</u>
 Current liabilities	 124,681,526.97	 109,195,987.88
Noncurrent liabilities	<u>236,640,906.66</u>	<u>169,238,832.12</u>
<b>Total Liabilities</b>	<u>361,322,433.63</u>	<u>278,434,820.00</u>
 <b>Deferred Inflows of Resources</b>	 <u>43,843,737.00</u>	 <u>38,858,905.00</u>
 Net investment in capital assets	 248,452,228.15	 213,579,583.37
Restricted for:		
Debt Retirement	158,498.70	104,563.67
Other	107,800,598.75	82,273,340.25
Unrestricted	<u>(32,272,310.95)</u>	<u>(20,660,782.80)</u>
<b>Total Net Position</b>	<u>\$ 324,139,014.65</u>	<u>\$ 275,296,704.49</u>

Total Assets increased by \$156,970,186.79 from \$539,567,685.15 in the prior year to \$696,537,871.94 in the current year as a result of cash received from the Capital Construction Assistance Projects (CCAP) bond issuance, formerly known as Tuition Revenue Bonds, which occurred in July 2023. Texas Southern University (TSU) recognized a \$7,617,948 reduction in legislative appropriations from \$76,016,518 in fiscal year 2022 to \$68,401,447 approved by the Legislative Budget Board (LBB) for fiscal year ending 2023 which directly affected the General Revenue Fund.

Total Liabilities increased by \$82,887,613.63 from \$278,434,820 in the prior year to \$361,322,433.63. TSU recognized a substantial increase in non-current liabilities from \$169,238,832.12 to \$236,640,906.66 primarily due to revenue bonds payable related to the abovementioned CCAP bond issuance.

The unrestricted net position declined by (\$11,611,528.15) from a deficit of (\$20,660,782.80) to a deficit of (\$32,272,310.95) 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 decrease can be attributed to the increase in unspent revenue bond proceeds related to the previously mentioned CCAP bond issuance.



**TEXAS SOUTHERN UNIVERSITY**  
**(An Agency of the State of Texas)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued**  
**For the Year Ended August 31, 2023**

Restricted Net Position increased by \$25,581,193.53 from \$82,377,903.92 to \$107,959,097.45. The increase can be attributed to the positive change in the market value of endowments by \$10,581,659.64 from \$75,110,020.44 in the prior year to \$85,691,680.08 and unspent bond proceeds restricted for capital projects.

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

	<u>2023</u>	<u>2022</u>
<b>OPERATING REVENUES</b>		
Tuition and Fees - Pledged	\$ 93,468,771.30	\$ 81,997,583.40
Discount on Tuition and Fees	(35,200,508.04)	(29,606,509.91)
Auxiliary Enterprises -Pledged	19,300,563.36	15,647,562.88
Other Sales of Goods and Services - Pledged	49,526.07	93,778.01
Federal Revenue	23,660,942.04	19,677,446.78
Federal Pass-Through Revenue	1,460,632.47	1,208,494.58
State Revenue	1,145,461.65	1,006,556.62
State Pass-Through Revenue	15,414,264.05	7,479,011.26
Other Contracts and Grants - Pledged	4,658,953.52	1,238,278.63
Other Operating Revenue	10,472,723.38	7,798,898.75
<b>Total Operating Revenues</b>	<u>134,431,329.80</u>	<u>106,541,101.00</u>
<b>OPERATING EXPENSES</b>		
Salaries and Wages	87,893,799.41	97,222,758.09
Payroll Related Costs	37,572,216.73	39,724,217.47
Professional Fees and Services	21,129,514.96	14,632,514.33
Travel	2,665,157.72	2,315,668.47
Materials and Supplies	13,545,881.72	12,885,104.32
Communication and Utilities	8,752,411.53	7,392,008.05
Repairs and Maintenance	9,356,986.97	10,365,155.37
Rentals and Leases	2,149,877.28	1,863,856.25
Printing and Reproductions	452,416.21	523,660.48
Federal Pass-Through Expense	525,171.97	366,670.91
Bad Debt Expense	84,627.91	2,272,495.00
Scholarships	28,731,379.14	42,927,227.05
Other Operating Expenses	16,457,192.35	10,659,652.23
Depreciation and Amortization	21,920,181.15	23,014,851.69
<b>Total Operating Expenses</b>	<u>251,236,815.05</u>	<u>266,165,839.71</u>
<b>Operating (Loss)</b>	<u>\$ (116,805,485.25)</u>	<u>\$ (159,624,738.71)</u>

**TEXAS SOUTHERN UNIVERSITY**  
(An Agency of the State of Texas)  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued**  
For the Year Ended August 31, 2023

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

	<u>2023</u>	<u>2022</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Legislative Revenue	\$ 49,133,972.00	\$ 52,716,085.00
Additional Appropriations	13,696,942.57	17,574,423.88
Gifts	274,457.28	342,145.79
Federal Revenue Nonoperating	81,563,278.88	83,068,552.45
Interest Income	6,130,866.74	2,293,123.71
Investing Activities Expenses	(335,236.64)	(113,721.30)
Interest Expense and Fiscal Charges	(3,983,873.54)	(2,707,649.88)
Net Increase (Decrease) in Fair Value	5,012,769.45	(12,116,321.01)
Other Nonoperating Revenue	1,621,987.17	1,070,648.54
<b>Total Nonoperating Revenues (Expenses)</b>	<u>153,115,163.91</u>	<u>142,127,287.18</u>
 <b>Income (Loss) Before Other Revenues, Expenses, and Transfers</b>	 <u>36,309,678.91</u>	 <u>(17,497,451.53)</u>
 <b>OTHER REVENUES, EXPENSES, AND TRANSFERS</b>		
Capital Appropriations (HEAF)	11,719,335.00	11,719,335.00
Contributions to Permanent and Term Endowments	846,764.32	804,813.88
Lapses	-	(1,263,508.78)
Transfer In	11,465,362.00	144,914.00
Transfer Out	(11,498,829.82)	(63,977.94)
<b>Total Other Revenues, Expenses, and Transfers</b>	<u>12,532,631.50</u>	<u>11,341,576.16</u>
 <b>Change in Net Position</b>	 48,842,310.41	 (6,155,875.37)
 <b>Beginning Net Position</b>	 <u>275,296,704.49</u>	 <u>281,452,579.86</u>
 <b>Ending Net Position</b>	 <u>\$ 324,139,014.90</u>	 <u>\$ 275,296,704.49</u>

For the year ended August 31, 2023, total revenue was \$315,897,065.21. This represents an increase in total revenues of \$39,621,921.96 or 14% which can be primarily attributed to other nonoperating revenue/expense.

Total net position increased by \$48,842,310.16. The primary increase in net position can be attributed to an increase in other nonoperating revenue and positive performance in endowments. Texas Southern University experienced a \$10,581,659.64 increase in endowment value caused by the overall market performance for fiscal year 2023.

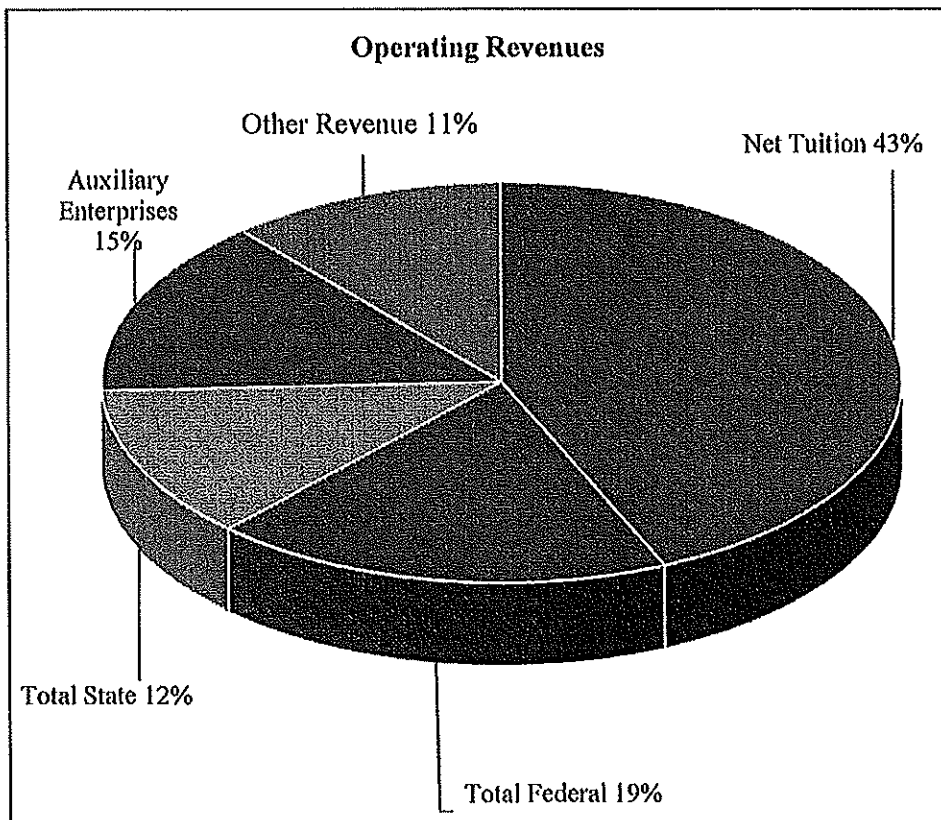
Texas Southern University's expenses totaled \$267,054,755.04 for the year ended August 31, 2023. This represents a decrease of \$3,259,942.57 or 1% from last year which can be attributed to a reduction in HEERF scholarships as well as a decrease in personnel. These changes completely offset increases that occurred in other operating expenses of \$5,797,540.12 which was the result of increased purchased temporary services, temporary employment agencies and insurance premiums.

**TEXAS SOUTHERN UNIVERSITY**  
(An Agency of the State of Texas)  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued**  
For the Year Ended August 31, 2023

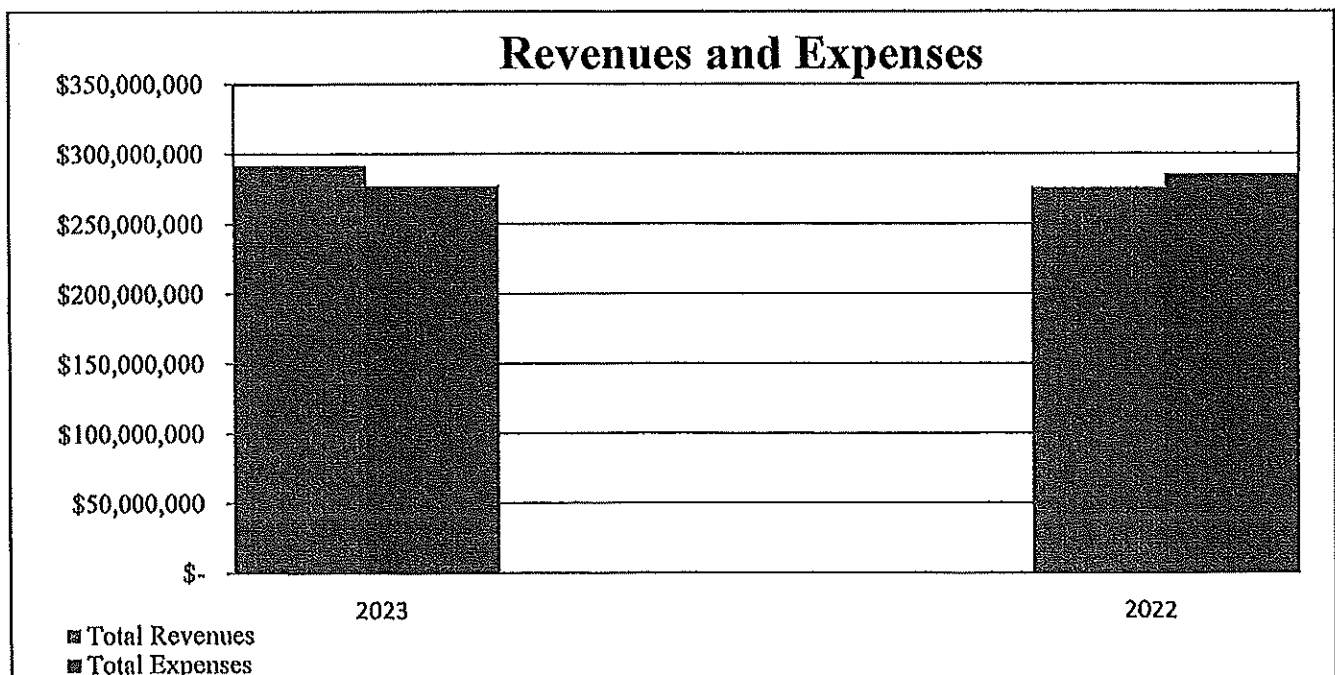
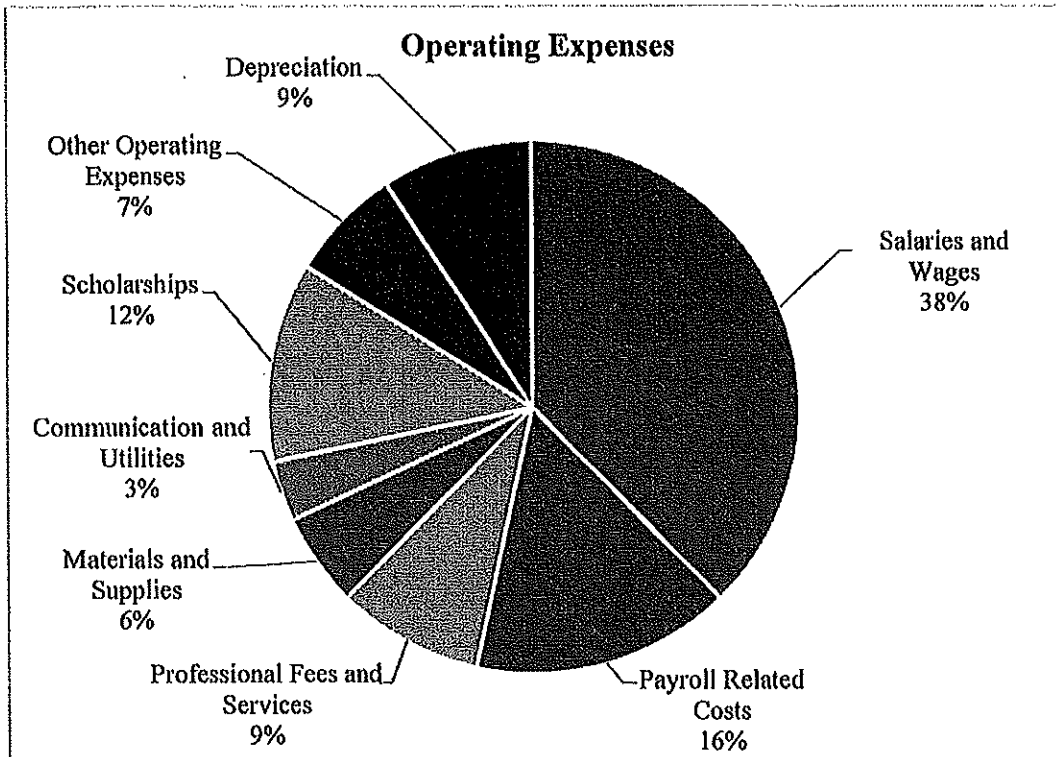
Key elements to these changes are as follows:

- Operating revenues increased by \$27,890,228.80 or 26% due in large part to tuition and fees, federal revenue related to an increase in research grants as well as state pass-through revenue which increased by \$7,935,252.79.
- Non-operating revenues and Other Revenues increased by \$23,848,014.26 or 15% primarily due to increases in the fair market value of investments and an increase in state legislative revenue of nearly twelve million dollars.
- Operating expenses less depreciation expense decreased by \$13,834,353.09 due to a decrease in HEERF scholarships and a reduction in force at the beginning of the fiscal year that affected salaries and wages.
- Non-operating expenses and Other Expenses increased by \$11,669,082.10 primarily due to an increase in mandatory transfers out of \$11,498,829.82 to the State of Texas partially related to unused CCAP proceeds in the amount of \$8,677,495.97.

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, 2023



**TEXAS SOUTHERN UNIVERSITY**  
(An Agency of the State of Texas)  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued**  
For the Year Ended August 31, 2023

**CAPITAL ASSETS**

At year-end, Texas Southern University had capital assets and infrastructure (net of accumulated depreciation) in the amount of \$304,224,012.06. This represents a net increase of \$12,596,662.01.

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

- Building improvements were completed at a cost of \$3,793,534.14.
- Various equipment and other capital assets increased for a total of \$14,007,745.

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 "BBB+" with a stable outlook from Fitch Ratings, Inc. At year end, TSU had \$146,704,814.00 in revenue bonds outstanding versus \$66,324,193.24 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 2023, the COVID-19 pandemic health crisis subsided considerably, however, federal relief funding for campus wide projects remained available to TSU to supplement the institution's budget. Equity markets generated positive gains during the fiscal year while fixed income markets struggled, and bond prices fell. The Federal Reserve increased the federal funds rate during the period and tightened monetary policy. In response, market interest rates escalated and borrowing rates across the country increased sharply. Although commodity prices showed signs of easing, the Federal Reserve is monitoring inflation levels across the country. These events have set expectations about modest growth in the economy despite an increase in the 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, 2023

**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, refer to our website, <http://www.tsu.edu>, or contact the Texas Southern University General Accounting 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, 2023

ASSETS	<u>Total</u>
<b>Current Assets</b>	
Cash and Cash Equivalents	
Cash on Hand	\$ 2,741.87
Cash in Bank	67,933,146.34
Cash in Transit/Reimburse from Treasury	1,399,018.63
Cash in State Treasury	11,459,245.88
Restricted:	
Cash in Bank-Restricted	95,363,790.10
Cash Equivalent	4,809,301.33
Short-Term Investments	4,208,399.08
Legislative Appropriations	47,341,409.45
Receivables:	
Federal	36,637,738.47
Other Intergovernmental	994,386.40
Accounts, Net	26,603,891.50
Other	981,505.39
Consumable Inventories	616,767.46
Prepaid Costs	\$6,044,333.61
<b>Total Current Assets</b>	<u>304,395,675.51</u>
<b>Non-Current Assets</b>	
Restricted:	
Investments	85,691,680.08
Loans and Contracts	520,831.47
Prepaid Cost	1,705,672.82
<b>Total Non-Current Restricted Assets</b>	<u>87,918,184.37</u>
Land	23,900,138.20
Construction in Progress	16,804,090.97
Historical Treasures and Works of Art	2,829,312.50
<b>Total Non-Depreciable or Non-Amortizable</b>	<u>43,533,541.67</u>
Capital and Leased Assets Depreciable:	
Buildings and Building Improvements	574,400,874.34
Infrastructure	7,096,483.95
Equipment	56,299,735.94
Leased Land	731,811.65
Library Books	40,806,096.40
Less: Accumulated Depreciation and Amortization	(418,644,531.89)
<b>Total Depreciable or Amortizable, Net</b>	<u>260,690,470.39</u>
<b>Total Non-Current Assets</b>	<u>392,142,196.43</u>
<b>TOTAL ASSETS</b>	<u>696,537,871.94</u>
<b>Deferred Outflows of Resources</b>	
Deferred Outflows of Resources-Pension	14,000,303.00
Deferred Outflows of Resources-OPEB	18,288,547.66
Deferred Outflows of Resources-ARO	267,939.10
Deferred Outflow of Resources - Deferred loss on Refunding	210,523.58
<b>Total Deferred Outflows of Resources</b>	<u>\$ 32,767,313.34</u>

# TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

## STATEMENT OF NET POSITION

August 31, 2023

See Notes to Financial Statements.

LIABILITIES	Total
<b>Current Liabilities</b>	
Accounts Payable	\$ 30,646,278.71
Payroll Payable	6,071,599.58
Due to Other Agencies	1,404,204.10
Interest Payable	945,957.40
Escheat Payable	1,029,685.66
Unearned Revenues	63,364,702.65
Student Refunds Payable	3,210,099.41
Other Payables	3,469,017.43
Net OPEB Liability Current	2,890,744.00
Lease Liability	63,428.28
Revenue Bonds Current Payable, Net	8,832,443.27
Employees' Compensable Leave	2,753,366.48
<b>Total Current Liabilities</b>	<b>124,681,526.97</b>
<b>Non-Current Liabilities</b>	
Net Pension Liability	28,282,808.00
Net OPEB Liability	67,345,474.00
Lease Liability	\$604,482.33
Revenue Bonds Payable, Net	137,838,658.88
Employees' Compensable Leave	2,569,483.45
<b>Total Non-Current Liabilities</b>	<b>236,640,906.66</b>
<b>TOTAL LIABILITIES</b>	<b>361,322,433.63</b>
<b>Deferred Inflows of Resources</b>	
Deferred Inflows of Resources-Pension	13,537,647.00
Deferred Inflows of Resources-OPEB	30,306,090.00
<b>Total Deferred Inflows of Resources</b>	<b>43,843,737.00</b>
<b>NET POSITION</b>	
Net Investment in Capital Assets	248,452,228.15
Restricted For:	
Debt Retirement	158,498.70
Capital Projects	15,321,488.03
Loans	287,986.22
Other Restricted	6,499,444.42
Funds Held as Permanent Investments:	
Nonexpendable	35,990,505.63
Expendable	49,701,174.45
Unrestricted	(32,272,310.95)
<b>TOTAL NET POSITION</b>	<b>\$ 324,139,014.65</b>

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, 2023

	<u>2023</u>
<b>OPERATING REVENUES</b>	
Tuition and Fees-Pledged	\$ 93,468,771.30
Discount on Tuition and Fees	(35,200,508.04)
Auxiliary Enterprises-Pledged	19,300,563.36
Other Sales of Goods and Services-Pledged	49,526.07
Federal Revenue	23,660,942.04
Federal Pass-Through Revenue	1,460,632.47
State Revenue	1,145,461.65
State Pass-Through Revenue	15,414,264.05
Other Contracts and Grants-Pledged	4,658,953.52
Other Operating Revenue	10,472,723.38
<b>Total Operating Revenues</b>	<u><b>134,431,329.80</b></u>
<b>OPERATING EXPENSES</b>	
Salaries and Wages	87,893,799.41
Payroll Related Costs	37,572,216.73
Professional Fees and Services	21,129,514.96
Travel	2,665,157.72
Materials and Supplies	13,545,881.72
Communication and Utilities	8,752,411.53
Repairs and Maintenance	9,356,986.97
Rental and Leases	2,149,877.28
Printing and Reproduction	452,416.21
Federal Pass-Through Expense	525,171.97
Bad Debt Expense	84,627.91
Scholarships	28,731,379.14
Other Operating Expenses	16,457,192.35
Depreciation and Amortization	21,920,181.15
<b>Total Operating Expenses</b>	<u><b>251,236,815.05</b></u>
<b>Operating (Loss)</b>	<u><b>\$ (116,805,485.25)</b></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, 2023

	<u>2023</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Legislative Revenue	\$ 49,133,972.00
Additional Appropriation	13,696,942.57
Gifts	274,457.28
Federal Revenue Nonoperating	81,563,278.88
Interest Income	6,130,866.74
Investing Activities Expenses	(335,236.64)
Interest Expense and Fiscal Charges	(3,983,873.54)
Net Increase in Fair Value	5,012,769.45
Other Nonoperating Revenue	1,621,987.17
<b>Total Non-Operating Revenues</b>	<u><u>153,115,163.91</u></u>
 <b>Income Before Other Revenues, Expenses, Gains/Losses and Transfers</b>	 <u><u>36,309,678.66</u></u>
 <b>OTHER REVENUES, EXPENSES, GAINS, LOSSES AND TRANSFERS</b>	
Capital Appropriations (HEF)	\$ 11,719,335.00
Additions to Permanent and Term Endowments	846,764.32
Transfer-In	11,465,362.00
Transfer-Out	(11,498,829.82)
<b>Total Other Revenues, Expenses, Gain/Losses and Transfers</b>	<u><u>12,532,631.50</u></u>
 <b>Change in Net Position</b>	 <u><u>48,842,310.16</u></u>
 <b>Beginning Net Position</b>	 <u><u>275,296,704.49</u></u>
 <b>Ending Net Position</b>	 <u><u>\$ 324,139,014.65</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, 2023

<u>Cash Flows from Operating Activities</u>	<u>2023</u>
Proceeds from tuition and fees	\$ 51,763,679.31
Proceeds from research grants and contracts	14,789,901.93
Proceeds from state grants and contracts	15,565,339.30
Proceeds from auxiliary enterprises	19,300,563.36
Proceeds from other revenues	15,195,333.98
Payments to suppliers for goods and services	(76,251,541.81)
Payments to employees for salaries and wages	(86,565,938.96)
Payments for employee related costs	(22,323,037.23)
Payments for other expenses	(13,111,612.94)
Net Cash Used by Operating Activities	<u>(81,637,313.06)</u>
 <u>Cash Flows from Noncapital Financing Activities</u>	
Proceeds from state appropriations	57,530,149.94
Proceeds from gifts	1,121,221.60
Proceeds from grants receipts	71,168,508.74
Net Cash Provided by Noncapital Financing Activities	<u>129,819,880.28</u>
 <u>Cash Flows from Capital and Related Financing Activities</u>	
Proceeds from debt issuance	87,528,821.00
Proceeds from capital appropriations	11,719,335.00
Payments for additions to capital assets	(34,197,918.69)
Payments of principal on debt	(6,543,111.09)
Payments of interest on debt	(4,088,452.27)
Net Cash Provided by Capital and Related Financing Activities	<u>54,418,673.95</u>
 <u>Cash Flows from Investing Activities</u>	
Proceeds from sale of investments	16,120,909.06
Proceeds from interest and investment income	5,156,829.10
Payments to acquire investment	(21,864,391.50)
Net Cash Used by Investing Activities	<u>(586,653.34)</u>
 Net Increase in Cash and Cash Equivalents	102,014,587.83
 Beginning cash and cash equivalents	78,952,656.32
Ending Cash and Cash Equivalents	<u>\$ 180,967,244.15</u>
 Unrestricted cash and cash equivalents	80,794,152.72
Restricted cash and cash equivalents	100,173,091.43
Ending Cash and Cash Equivalents	<u>\$ 180,967,244.15</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, 2023

	<u>2023</u>
Reconciliation of Operating (Loss) to Net Cash	
(Used) by Operating Activities	
Operating (loss)	\$ (116,805,485.25)
Adjustments to reconcile operating (loss)	
to net cash (used) by operating activities:	
Depreciation and amortization	21,920,181.15
Bad Debt Expense	84,627.91
Operating (Loss) and Cash Flow Categories	(94,800,676.19)
 Changes in Operating Assets and Liabilities:	
Accounts receivable, net	(8,022,060.41)
Due from other funds	(10,331,672.58)
Inventories	82,700.62
Prepaid expenses	3,534,718.04
Other assets	14,131.01
Deferred outflows of resources-Pension	(399,174.00)
Deferred outflows of resources-OPEB	20,654,605.00
Accounts payable	9,747,178.67
Salaries payable	1,622,665.98
Unearned revenue	1,077,902.10
Compensated absences liability	(294,805.53)
Defined benefit pension	9,601,627.00
Defined benefit OPEB	(20,578,733.00)
Deferred inflows of resources-Pension	(9,371,685.00)
Deferred inflows of resources-OPEB	14,356,517.00
Due to state	986,022.50
Escheat payable	702,204.43
Student refunds payable	(554,812.04)
Other current liabilities	336,033.34
Net Cash (Used) by Operating Activities	<u>\$ (81,637,313.06)</u>
See Notes to Financial Statements.	

Non-Cash Transactions Net Change in Fair Value of Investments	\$ 5,012,769.45
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# 717 - TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

## NOTES TO FINANCIAL STATEMENTS

For the Year Ended August 31, 2023

### 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

Although the COVID-19 pandemic health crisis subsided considerably, in fiscal year 2023, federal relief funding for campus wide projects remained available to TSU to supplement the institution's budget. 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. Statement No. 35 established standards for external financial reporting for all public colleges and universities, which includes a statement of

# 717 - TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

## NOTES TO FINANCIAL STATEMENTS

For the Year Ended August 31, 2023

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, 2023 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.

#### 4. Lease Receivable

Lease receivables are recorded by TSU as the present value of lease payments expected to be received under



# 717 - TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

## NOTES TO FINANCIAL STATEMENTS

For the Year Ended August 31, 2023

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.

### 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

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.

# 717 - TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

## NOTES TO FINANCIAL STATEMENTS

For the Year Ended August 31, 2023

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 right to use (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.

### 11. 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.

### 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.

# 717 - TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

## NOTES TO FINANCIAL STATEMENTS

For the Year Ended August 31, 2023

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 other 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:

- 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.

# **717 - TEXAS SOUTHERN UNIVERSITY**

(An Agency of the State of Texas)

## **NOTES TO FINANCIAL STATEMENTS**

For the Year Ended August 31, 2023

- 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.

### **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.

# 717 - TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

## NOTES TO FINANCIAL STATEMENTS

For the Year Ended August 31, 2023

### 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

A summary of changes in capital assets for the year ended August 31, 2023 is as follows:

Total Non-depreciable/amortizable	27,056,759.23	-	16,476,782.44	-	43,533,541.67
Depreciable Assets					
Buildings and Building Improvements	553,636,480.33		3,793,534.14	-	557,430,014.47
Infrastructure	7,096,483.95	-	-	-	7,096,483.95
Facilities and Other Improvements	16,970,859.87	-	-	-	16,970,859.87
Furniture and Equipment	39,354,286.46	-	11,230,801.05	-	50,585,087.51
Leased Land	731,811.65	-	-	-	731,811.65
Vehicle, Boats and Aircraft	3,721,178.82	-	451,639.24	-	4,172,818.06
Other Capital Assets	38,481,318.14	-	2,324,778.26	-	40,806,096.40
Total Depreciable/Amortizable Assets	659,992,419.22	-	17,800,752.69	-	677,793,171.91
Less Accumulated Depreciation for:					
Buildings and Building Improvements	(323,321,151.53)	-	(18,267,394.61)	-	(341,588,546.14)
Infrastructure	(5,163,198.98)	-	(239,762.05)	-	(5,402,961.03)
Facilities and Other Improvements	(13,823,447.52)	-	(364,803.83)	-	(14,188,251.35)
Furniture and Equipment	(30,995,592.21)	-	(651,738.88)	-	(31,647,331.09)
Vehicle, Boats, and Aircraft	(2,337,670.11)	-	(220,361.75)	-	(2,558,031.86)
Other Capital Assets	(20,326,351.39)	-	(2,092,994.41)	-	(22,419,345.80)
Total Accumulated Depreciation	(395,967,411.74)	-	(21,837,055.53)	-	(417,804,467.27)
Depreciable Assets, Net	264,025,007.48	-	(4,036,302.84)	-	259,988,704.64
Intangible Capital Assets- Amortizable					
Computer Software - Intangible	1,302,522.34	-	239,308.03	-	1,541,830.37
Total Intangible Capital Assets	1,302,522.34	-	239,308.03	-	1,541,830.37
Less Accumulated Amortization for:					
Computer Software - Intangible	(714,547.08)	-	(40,773.70)	-	(755,320.78)
Leased Land	(42,391.92)	-	(42,351.92)	-	(84,743.84)
Total Accumulated Amortization	(756,939.00)	-	(83,125.62)	-	(840,064.62)
Intangible Capital Assets	545,583.34	-	156,182.41	-	701,765.75
Business Activities Capital and Leased Assets, Net	\$ 291,627,350.05	\$ -	\$ 12,596,662.01	\$ -	\$ 304,224,012.06

# 717 - TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

## NOTES TO FINANCIAL STATEMENTS

For the Year Ended August 31, 2023

Construction commitments outstanding at year end were as follows:

Project Description/ Project Manager	Overall Project Budget	Total Spent To Date	Remaining Balance
Cisco Network and Wifi Equipment Upgrade	6,908,475.15	6,908,475.15	-
Demo & Concrete Durley Field	95,380.00	29,515.00	65,865.00
Demo Football Locker Room Carpet	60,000.00	55,900.00	4,100.00
Demo Football Locker Room Lockers	89,708.40	89,708.40	-
Dorm at Wheeler Survey	95,323.00	95,323.00	-
H&PE HW Pumps Rebuild Project	48,601.00	48,601.00	-
H&PE Roof Replace/Waterproofing/Gray Hall AHU	3,225,427.66	3,225,427.66	-
H&PE Scoreboard	1,400,000.00	681,200.00	718,800.00
Hannah Hall Restroom Renovations	427,699.50	94,807.50	332,892.00
HP&E Gym AHU Services	349,323.00	349,323.00	-
HVAC Air Quality Filtration Assessment	1,342,828.40	1,342,828.40	-
Install 30hp drive w/bypass	10,123.17	10,123.17	-
Long and Triple Jump Pit Build	99,788.33	99,788.33	-
New Science Building Coil Replacement	539,793.00	539,793.00	-
New Science HW Coil Replacement Valve 6	50,780.00	50,780.00	-
RTU-A Chill Water Coil Replacement @Towers	64,531.00	64,531.00	-
Sawyer Auditorium - Reconstruction Svcs.	28,244.68	19,454.90	8,789.78
Science Bldg-Reconstructive services	247,814.53	236,990.43	10,824.10
Sideline & Turf Install August 2022	519,608.57	181,134.44	338,474.13
Waterproofing/HVAC Services-Campus	2,563,571.59	2,563,571.59	-
Winter Freeze - Gray Hall	92,975.00	92,975.00	-
Winter Freeze - Sawyer Auditorium	23,840.00	23,840.00	-
	<u>\$ 18,283,835.98</u>	<u>\$ 16,804,090.97</u>	<u>\$ 1,479,745.01</u>

The construction commitments whose total spend equals the project budget were placed into service in fiscal year 2024.

# 717 • TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

## NOTES TO FINANCIAL STATEMENTS

For the Year Ended August 31, 2023

### NOTE 3: DEPOSITS AND INVESTMENTS

#### A. Cash in Bank-Carrying Amount

As of August 31, 2023, the carrying amount of cash is:

<u>Carrying Amount-Cash in Bank</u>	<u>Amount FY</u>
Cash in Bank- Carrying Amount	\$ 167,850,488.39
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	\$ 167,350,488.39
Current Assets Restricted Cash in Bank	-
Cash in Bank Per AFR	<u>\$ 167,350,488.39</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	\$ -	\$ 167,350,488.39	\$ -

#### 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
- 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
- Private Credit
- Hedge Funds

# 717 - TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

## NOTES TO FINANCIAL STATEMENTS

For the Year Ended August 31, 2023

As of August 31, 2023, TSU had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>
U.S. Government Agency Obligation	\$ 76,195.40
U.S. Treasury Securities	9,802,202.65
Equity	37,640,603.85
Taxable Municipal Issues	9,934.40
International Government Obligations	384,210.40
Corporate Obligations	6,205,550.57
Bond Mutual Funds	7,644,648.77
International Equity	11,674,275.82
TexStar Investment Pool	1,431,860.46
Fixed Income Money Market Funds	12,190,798.28
Private Credit	1,280,000.00
Hedge Fund	3,580,446.00
U.S. Treasury Bills	2,788,653.89
	<u>\$ 94,709,380.49</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.



# 717 - TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

## NOTES TO FINANCIAL STATEMENTS

For the Year Ended August 31, 2023

**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	\$ 76,195.40	\$ -	\$ 66,339.92	\$ 9,855.48	\$ -
U.S. Treasury Securities	9,802,202.65	3,731,534.80	3,040,787.75	2,229,800.10	-
Taxable Municipal Issues	9,934.40	9,934.40	-	-	-
Corporate Obligations	6,205,550.57	150,035.28	3,296,671.10	2,632,646.79	126,197.40
Bond Mutual Funds	7,644,648.75	-	4,163,572.36	-	3,481,076.39
International Government Obligations	384,210.26	204,251.86	179,950.40	-	-
Fixed Income Money Market Funds	12,190,798.28	12,190,798.28	-	-	-
Total	\$ 36,313,540.31	\$ 16,286,554.62	\$ 11,547,329.53	\$ 4,872,382.37	\$ 3,607,273.79

**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 the measurement date. GASB 72 establishes a Fair Value Hierarchy that includes three levels of input based on the 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.

Fair Value Hierarchy for TSU's investments as of August 31, 2023 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	\$ -	\$ 76,195.40	\$ -	\$ -	\$ 76,195.40
Us Treasury Securities	9,802,202.65	-	-	-	9,802,202.65
Equity	37,640,603.85	-	-	-	37,640,603.85
Corporate Obligations	-	6,205,550.57	-	-	6,205,550.57
Bond Mutual Funds	7,644,648.77	-	-	-	7,644,648.77
Taxable Municipal Issues	-	9,934.40	-	-	9,934.40
International Equity	-	11,674,275.96	-	-	11,674,275.96
International Government Obligations	-	384,210.26	-	-	384,210.26
TexStar Investment Pool	-	-	-	1,431,860.46	1,431,860.46
Fixed Income Money Market Funds	12,190,798.28	-	-	-	12,190,798.28
Private Credit	-	-	-	1,280,000.00	1,280,000.00
Hedge Fund	-	-	-	3,580,446.00	3,580,446.00
U.S. Treasury Bills	2,788,653.89	-	-	-	2,788,653.89
Total Investments	\$ 70,066,907.44	\$ 18,350,166.59	\$ -	\$ 6,292,306.46	\$ 94,709,380.49

# 717 - TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

## NOTES TO FINANCIAL STATEMENTS

For the Year Ended August 31, 2023

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The following table demonstrates TSU's interest rate risk.

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U.S. Government Agency Obligations	\$ 76,195.40	\$ -	\$ 66,339.92	\$ 9,855.48	\$ -
U.S. Treasury Securities	9,802,202.65	3,731,534.80	3,840,787.75	2,229,880.10	-
Taxable Municipal Issues	9,934.40	9,934.40	-	-	-
Corporate Obligations	6,205,550.57	150,035.28	3,296,671.10	2,632,646.79	126,197.40
Bond Mutual Funds	7,644,648.75	-	4,163,572.36	-	3,481,076.39
International Government Obligations	384,210.26	204,251.86	179,958.40	-	-
Fixed Income Money Market Funds	12,190,798.28	12,190,798.28	-	-	-
Total	\$ 36,313,540.31	\$ 16,286,554.62	\$ 11,547,329.53	\$ 4,872,382.37	\$ 3,607,273.79

**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 the measurement date. GASB 72 establishes a Fair Value Hierarchy that includes three levels of input based on the reliability and objectivity of the information:

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	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Net Asset Value	Fair Value
U.S. Government					
US Government Agency Obligations	\$ -	\$ 76,195.40	\$ -	\$ -	\$ 76,195.40
US Treasury Securities	9,802,202.65	-	-	-	9,802,202.65
Equity	37,640,603.85	-	-	-	37,640,603.85
Corporate Obligations	-	6,205,550.57	-	-	6,205,550.57
Bond Mutual Funds	7,644,648.77	-	-	-	7,644,648.77
Taxable Municipal Issues	-	9,934.40	-	-	9,934.40
International Equity	-	11,674,275.96	-	-	11,674,275.96
International Government Obligations	-	384,210.26	-	-	384,210.26
TexStar Investment Pool	-	-	-	1,431,860.46	1,431,860.46
Fixed Income Money Market Funds	12,190,798.28	-	-	-	12,190,798.28
Private Credit	-	-	-	1,280,000.00	1,280,000.00
Hedge Fund	-	-	-	3,580,446.00	3,580,446.00
U.S. Treasury Bills	2,788,653.89	-	-	-	2,788,653.89
Total Investments	\$ 70,066,907.44	\$ 18,350,166.59	\$ -	\$ 6,292,306.46	\$ 94,709,380.49

# 717 - TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

## NOTES TO FINANCIAL STATEMENTS

For the Year Ended August 31, 2023

### NOTE 5: SUMMARY OF LONG-TERM LIABILITIES

During the year ended August 31, 2023, the following changes occurred in the long-term liabilities:

Long-Term Liabilities	Balance 9/1/2022	Additions	Reductions	Balance 8/31/2023	Amounts Due Within One Year	Amounts Due Thereafter
Revenue Bonds Payable:						
Series 2013	3,765,000.00	-	2,905,000.00	860,000.00	860,000.00	0.00
Series 2016	43,030,000.00	-	2,255,000.00	40,775,000.00	2,365,000.00	38,410,000.00
Series 2021	12,895,000.00	-	1,350,000.00	11,545,000.00	1,420,000.00	10,125,000.00
Series 2023	-	80,680,000.00	-	80,680,000.00	3,520,000.00	77,160,000.00
Premiums & discounts	6,634,793.24	6,848,821.85	638,801.09	12,844,814.00	667,443.27	12,177,370.73
Total revenue bonds	66,324,793.24	87,528,821.85	7,148,801.09	146,704,814.00 *	8,832,443.27	137,872,370.73
Lease Payable:						
Lease Liability	667,910.61	-	-	667,910.61	63,428.28	604,482.33
Total Lease payable	667,910.61	-	-	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	5,617,705.46	-	294,856.46	5,322,849.00	2,753,368.48	2,569,480.52
Total other liabilities	5,751,168.08	-	294,856.46	5,456,311.62	2,753,368.48	2,702,943.14
Total	\$ 72,743,871.93	\$ 87,528,821.85	\$ 7,443,657.55	\$ 152,829,036.23	\$ 11,649,240.03	\$ 141,179,796.20

Long-term Debt Due in More Than One Year \$ 141,179,796.20

\*Debt associated with capital assets \$ 147,372,724.61

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

Year Ending August 31st	Revenue Bonds	
	Principal	Interest
2024	\$ 8,165,000.00	\$ 5,425,608.34
2025	6,705,000.00	6,011,900.00
2026	7,025,000.00	5,676,650.00
2027	7,385,000.00	5,325,400.00
2028	7,755,000.00	4,956,150.00
2029-2033	30,815,000.00	16,039,400.00
2034-2038	38,490,000.00	10,232,332.50
2039-2043	27,520,000.00	2,995,512.20
Total	\$ 133,860,000.00	\$ 56,662,953.04

Interest expense incurred on revenue bonds for the year ended August 31, 2023 totaled \$2,498,505.47

# 717 - TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

## NOTES TO FINANCIAL STATEMENTS

For the Year Ended August 31, 2023

### 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.

### 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

# 717 - TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

## NOTES TO FINANCIAL STATEMENTS

For the Year Ended August 31, 2023

### 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 2011 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

### Revenue Bonds, Series 2023

Purpose	On April 11, 2023, TSU Board of Regents authorized the issuance of revenue financing system bonds to acquire, purchase, construct, improve, renovate, enlarge, or equip property and facilities, including roads and related infrastructure.
Amount of Issue	\$80,680,000; all authorized have been issued
Issue Date	July 11, 2023
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, adopted in 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.

# 717 - TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

## NOTES TO FINANCIAL STATEMENTS

For the Year Ended August 31, 2023

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>
Enterprise Fund	<u>\$ 77,601.56</u>

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

Year	Principal	Interest	Total
2024	63,428.28	14,262.23	77,690.51
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
2029-2033	118,360.64	31,639.36	150,000.00
2034-2038	130,629.11	19,370.89	150,000.00
2039-2043	129,083.47	5,916.52	134,999.99
Total	600,860.01	97,211.49	698,071.50

### 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 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, 2023 were \$2,206,113.17 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.

# 717 - TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

## NOTES TO FINANCIAL STATEMENTS

For the Year Ended August 31, 2023

### 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, 2023</u>
Employee Contribution	\$ 1,908,611.16
Employer Contribution	2,084,304.15
	<u>\$ 3,992,915.31</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.

#### 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).

# 717 - TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

## NOTES TO FINANCIAL STATEMENTS

For the Year Ended August 31, 2023

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

During the measurement period of 2022 for fiscal 2023 reporting, the amount of TSU's contributions recognized by the plan was \$2,223,036. 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	7.75%
Employees	8.00%

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, 2021 rolled forward to August 31, 2022
Actuarial Cost Method	Individual Entry Age Normal
Amortization Method	Level Percentage of Payroll, Floating
Asset Valuation Method	Fair Value
Actuarial Assumptions:	
Discount Rate	7.00%
Long-term Expected Rate of Return	7.00%
Municipal Bond Rate as of August 2020	3.91% *
Inflation	2.30%
Salary Increase	2.95% to 8.95% including inflation
Mortality:	
Active	PUB(2010) Mortality Tables for Teachers, below median, with full generational mortality.
Post-Retirement	2021 TRS Healthy Pensioner Mortality Tables with full generation projection using Scale U-MP
Ad Hoc Post-Employment Benefit Changes	None

### 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."



# 717 - TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

## NOTES TO FINANCIAL STATEMENTS

For the Year Ended August 31, 2023

The actuarial valuation was performed as of August 31, 2021. Update procedures were used to roll forward the total pension liability to August 31, 2022.

The actuarial assumptions used in the determination of the total pension liability were primarily based on the result of an actuarial experience study for the four-year period ending August 31, 2021 and adopted in July 2022. The primary assumption change was the lowering of the single discount rate from 7.25% to 7%.

There have been no changes to the benefit provisions of the plan since the prior measurement date.

The discount rate of 7% 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%. 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 below:

Asset Class <sup>1</sup>	Target Allocation <sup>2</sup>	Long-Term Expected Geometric Real Rate of Return <sup>3</sup>
<b>Global Equity</b>		
USA	18.00%	4.60%
Non-US Developed	13.00%	4.90%
Emerging Markets	9.00%	5.40%
Private Equity	14.00%	7.70%
<b>Stable Value</b>		
Government Bonds	16.00%	1.00%
Absolute Return		3.70%
Stable Value Hedge Funds	5.00%	3.40%
<b>Real Return</b>		
Real Estate	15.00%	4.10%
Energy, Natural Resources and Infrastructure	6.00%	5.10%
Commodities		3.60%
<b>Risk Parity</b>		

# 717 - TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

## NOTES TO FINANCIAL STATEMENTS

For the Year Ended August 31, 2023

Risk Parity	8.00%	4.60%
<b>Asset Allocation Leverage</b>		
Cash	2.00%	3.00%
Asset Allocation Leverage	(6.00)%	3.60%
<b>Total</b>	<u>100.00%</u>	

### Notes:

<sup>1</sup>Absolute Return includes Credit Sensitive Investments.

<sup>2</sup>Target allocations are based on fiscal year 2021 policy model.

<sup>3</sup>Aon Hewitt Capital Market Assumptions Report as of August 31, 2022

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 (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
\$ 43,997,326	\$ 28,282,208	\$ 15,545,454

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-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 2022 ACFR.

At August 31, 2023, TSU reported a liability of \$28,282,808 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of August 31, 2022, 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, 2023 was 0.047640278 percent which was a decrease from the 0.073356015 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, 2021 through August 31, 2022.

For the year ending August 31, 2023, TSU recognized pension expense of \$2,076,682. At August 31, 2023, TSU reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

# 717 - TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

## NOTES TO FINANCIAL STATEMENTS

For the Year Ended August 31, 2023

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 410,098.00	\$ 616,619.00
Changes of assumptions	5,270,008.00	1,313,433.00
Net difference between projected and actual investment return	2,794,251.00	-
Change in proportion and contribution difference	3,319,833.00	11,607,595.00
Contributions subsequent to the measurement date	2,206,113.00	-
Total	<u>\$ 14,000,303.00</u>	<u>\$ 13,537,647.00</u>

There were \$2,206,113 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, 2024.

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
2024	\$ 647,364.00
2025	(553,814.00)
2026	(1,635,086.00)
2027	913,401.00
2028	(1,115,322.00)
Thereafter	-
	<u>\$ (1,743,457.00)</u>

### 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](http://www.ers.texas.gov) and searching for reports and studies.

# 717 - TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

## NOTES TO FINANCIAL STATEMENTS

For the Year Ended August 31, 2023

During the measurement period of 2022 for fiscal 2023 reporting, the amount of TSU's contributions recognized by the plan was \$2,408,752.94. 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, 2022 measurement date.

### Actuarial Methods and Assumptions

	SRHP
Actuarial Valuation Date	August 31, 2022
Actuarial Cost Method	Entry Age
Amortization Method	Level Percent of Payroll, Open
Remaining Amortization Period	30 Years
Actuarial Assumptions:	
Discount Rate	3.59% *
Inflation	2.30%
Salary Increase	2.30% to 8.95%, including inflation
Healthcare Cost and Trend Rate	
HealthSelect	5.60% for FY 2024, 5.30% for FY 2025, 5.00% for FY 2026, 4.75% for FY 2027, 4.60% for FY 2028, decreasing 10 basis points per year to an ultimate rate of 4.30% for FY 2031 and later years
HealthSelect Medicare Advantage	66.67% for FY 2024, 24.00% for FY 2025, 5.00% for FY 2026, 4.60% for FY 2028, decreasing 10 basis points per year to an ultimate rate of 4.30% for FY 2030 and later years
Pharmacy	10.00% for FY 2024 and FY 2025, decreasing 100 basis points per year to 5.00% for FY 2030, and 4.30% for FY 2031 and later years
Aggregate Payroll Growth	2.70%
Retirement Age	Experience-based tables of rates that are specific to the class of employee

# 717 - TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

## NOTES TO FINANCIAL STATEMENTS

For the Year Ended August 31, 2023

### Mortality

#### State Agency Members

Service Retirees, Survivors and Other Inactive Members

2020 State Retirees of Texas Mortality table with a 1 year set forward for male CPO/CO members and Ultimate MP 2019 Projection Scale projected from the year 2020

Disabled Retirees

2020 State Retirees of Texas Mortality table with a 3 year set forward for males and females. Generational mortality improvements in accordance with Ultimate MP-2019 Projection Scale projected from the year 2020. Minimum rates of 3.0% and 2.5% apply at all ages for males and females respectively 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

Service Retirees, Survivors and Other Inactive Members

Tables based on TRS experience with Ultimate MP-2021 Projection Scale from the year 2021

Disabled Retirees

Tables based on TRS experience with Ultimate MP 2021 Projection Scale from year 2021 using a 3-year set forward and minimum mortality rates of four per 100 male members and two per 100 female members

Active Members

Sex Distinct PUB-2010 Amount-Weighted Below-Median Income Teacher Mortality with a 2-year set forward for males with Ultimate MP 2021 Projection Scale from the year 2010

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*.

# 717 - TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

## NOTES TO FINANCIAL STATEMENTS

For the Year Ended August 31, 2023

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 cover dependent children;
- 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. Assumed Per Capita Health Benefit Costs and Health Benefit Cost and Retiree Contribution trends have been updated since the previous valuation to reflect recent health plan experience and its effects on our short term expectations. The patient-Centered Outcomes Research Institute fee payable under the Affordable Care Act has been updated to reflect the most recent information; and
- e. The discount rate was changed from 2.14% as of August 31, 2021 to 3.59% as of August 31, 2022 as a result of requirements by GASB No. 74 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 3.59% as of the end of the measurement year; as of the beginning of the measurement year, the discount rate was 2.14%. 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 statement in August 2022 to require that all funds in this plan be invested in cash and equivalent securities. The expected rate of return on these investments is currently 4.1%. The investment rate of return used to calculate the projected earnings on OPEB plan investments was 2.14%.

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 (2.69%)	Current Discount Rate (3.59%)	1% Increase (4.59%)
\$ 81,917,000	\$ 70,236,000	\$ 60,895,000

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:

# 717 - TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

## NOTES TO FINANCIAL STATEMENTS

For the Year Ended August 31, 2023

### 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: 4.60/65.67/9.00 % decreasing to 3.30%	Current Healthcare Cost Trend Rates HS/HSMA/Pharmacy: 5.60/66.67/10.00 % decreasing to 4.30%	1% Increase HS/HSMA/Pharmacy: 6.60/67.67/11.00 % decreasing to 5.30%
\$ 60,147,669	\$ 70,236,218	\$ 83,116,573

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 2022 ACFR.

At August 31, 2023, TSU reported a liability of \$70,236,218 for its proportionate share of the collective net OPEB liability. The collective net OPEB liability was measured as of August 31, 2022, 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, 2022 was 0.24655563 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, 2021 through August 31, 2022.

For the year ending August 31, 2023, Texas Southern University recognized OPEB expense of \$14,436,303. At August 31, 2023, TSU reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 2,216,037.00
Changes of assumptions	4,073,374.45	21,710,680.00
Net difference between projected and actual investment return	11,958.57	-
Effect of change in proportion and contribution difference	14,203,214.64	6,379,373.00
Total	\$ 18,288,547.66	\$ 30,306,090.00

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, 2024.

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

# 717 - TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

## NOTES TO FINANCIAL STATEMENTS

For the Year Ended August 31, 2023

<u>Year Ending August 31:</u>		<u>Total</u>
2024	\$	4,805,801.66
2025		(4,117,073.00)
2026		(5,191,838.00)
2027		(4,955,257.00)
2028		(2,559,176.00)
Thereafter		-
<b>Total</b>	<b>\$</b>	<b><u>(12,017,542.34)</u></b>

### 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.

### NOTE 16: SUBSEQUENT EVENT

TSU evaluated subsequent events through October 03, 2024 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 accordance 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.



# **717 - TEXAS SOUTHERN UNIVERSITY**

(An Agency of the State of Texas)

## **NOTES TO FINANCIAL STATEMENTS**

For the Year Ended August 31, 2023

### **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, 2023.

### **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.

## **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.

# 717 - TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

## NOTES TO FINANCIAL STATEMENTS

For the Year Ended August 31, 2023

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

<b>Donor-Restricted Endowments</b>	<b>Amount of Net Appreciation (Depreciation)</b>	<b>Reported in Net Position</b>
True Endowments	\$ 46,525,356.23	Restricted for expendable
Term Endowments	3,175,818.22	Restricted for expendable
Total	<u>\$ 49,701,174.45</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 Texas Southern University 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 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.

<b>Endowments</b>	<b>Increase/Decrease</b>	<b>Reason for Change</b>
True Endowments	\$ 4,645,818.98	Change in fair value of portfolio
Term Endowments	366,950.47	Change in fair value of portfolio
Total	<u>\$ 5,012,769.45</u>	

# 717 - TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

## NOTES TO FINANCIAL STATEMENTS

For the Year Ended August 31, 2023

### 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, 2023, are detailed as follows:

<b>Receivables</b>	<b>Balance</b>
Student Accounts	\$ 27,290,287.03
Suspense Clearing	\$ 504,122.61
Non-Federal Grants	\$ 2,235,418.61
Third Party Accounts	\$ 1,703,019.56
Less Allowance	\$ (5,128,956.31)
Total	<u>\$ 26,603,891.50</u>

<b>Other Payables</b>	<b>Balance</b>
Sales Tax	\$ (185,400.83)
Advanced Payments-Peldged Aux Dorm	\$ (436,206.87)
ARO Capital Liability	\$ (295,566.99)
Student Deposits	\$ 808,939.43
Bookstore Clearing	\$ (1,339,400.00)
Cashier Overage-Shortage	\$ 751.87
Declining Balance Debit Card	\$ (3,540.47)
Housing and Housing Reserve	\$ (4,749.50)
International Student Health Insurance	\$ (335,123.82)
License Prof Insurance	\$ (43,556.75)
Suspense Clearing	\$ 584,980.53
Texas B on Time Loan	\$ (20,062.24)
Retainage Payable	\$ (2,198,161.79)
Wiley College	\$ (1,920.00)
Total	<u>\$ (3,469,017.43)</u>

# 717 - TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

## NOTES TO FINANCIAL STATEMENTS

For the Year Ended August 31, 2023

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

In fiscal year 2023, 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 2021 bond as well as deferred inflows of resources for GASB 68 pension plan and GASB 75 OPEB.

<u>As of August 31, 2023</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
TRS Pension Plan (GASB 68)	\$ 14,000,303.00	\$ 13,537,647.00
ERS OPEB Plan (GASB 75)	18,288,547.66	30,306,090.00
Asset Retirement Obligation (GASB 83)	267,939.10	-
Deferred Loss on Refunding	210,523.58	-
Total	<u>\$ 32,767,313.34</u>	<u>\$ 43,843,737.00</u>

Deferred outflows of resources of \$14,000,303.00 and Deferred inflows of resources of \$13,537,647 were related to changes in employee TRS pension plan. Deferred outflows of resources of \$18,288,547.66 and Deferred inflows of resources of \$30,306,090 were related to changes in employee OPEB plan. See Note 9 for additional information. Deferred outflows of resources of \$267,939.10 were related to Asset Retirement Obligation. Deferred loss on refunding of \$210,523.58 was related to the loss on the Series 2021 Bonds that refunded the Series 2011 Bonds.

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## **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, 2023

<u>Expenses by Natural Classification</u>	<u>2023</u>
Salaries and Wages	87,893,799.41
Payroll Related Costs	37,572,216.73
Professional Fees and Services	21,129,514.96
Travel	2,665,157.72
Materials and Supplies	13,545,881.72
Communication and Utilities	8,752,411.53
Repairs and Maintenance	9,356,986.97
Rentals and Leases	2,149,877.28
Printing and Reproductions	452,416.21
Federal Pass-Through Expense	525,171.97
Bad Debt Expense	84,627.91
Scholarships	28,731,379.14
Other Operating Expenses	16,457,192.35
Depreciation	21,920,181.15
<b>Total Operating Expenses by Natural Class</b>	<b>\$ 251,236,815.05</b>

<u>Expenses by NACUBO Classification</u>	<u>2023</u>
Instruction	\$ 72,599,938.16
Research	6,463,911.12
Public Service	2,186,131.47
Academic Support	11,397,616.76
Student Services	13,727,934.76
Institutional Support	55,662,859.43
Operation and Maintenance of Plant	16,728,092.49
Scholarships and Fellowships	33,149,767.44
Auxiliary	17,400,382.26
Depreciation	21,920,181.15
<b>Total Operating Expenses by NACUBO</b>	<b>\$ 251,236,815.05</b>



**TEXAS SOUTHERN UNIVERSITY**  
**(An Agency of the State of Texas)**  
**SCHEDULE 1A - SCHEDULE OF EXPENDITURES OF FEDERAL FUNDS**  
**For the Year Ended August 31, 2023**

Federal Grantor/ Pass-through Grantor/ Program Title	ALN	NSE Name/ ID Number	Agy/ Univ No	Pass-through From		Direct Program Amount	Total PT From and Direct Prog. Amount	Agy/ Univ No.
				Agencies or Universities Amount	Non-State Entities Amount			
Executive Office of the President								
Direct Programs:								
Model Acts Program	95.006					48,150.63	48,150.63	
Totals - Executive Office of the President				0.00	0.00	48,150.63	48,150.63	
U.S. Department of Education								
Minority Science and Engineering Improvement	84.120A	Howard University/ P120A190033			20,964.44		20,964.44	
Direct Programs:								
Title III Part B Programs - Strengthening Institutions Program	84.031B					8,304,318.26	8,304,318.26	
Title III Part B, Strengthening Historically Black Colleges and Universities Program - FUTURE Act	84.031E					480,672.27	480,672.27	
Strengthening Historically Black Graduate Institutions Program	84.031K					5,056,901.25	5,056,901.25	
School Emergency Response to Violence (Project SERV)	84.184S					1,898.14	1,898.14	
COVID-19 - Higher Education Emergency Relief Fund (HEERF) Student Aid Portion	84.425E					190,204.00	190,204.00	
COVID-19 - Higher Education Emergency Relief Fund (HEERF) Institutional Portion	84.425F					16,294,051.73	16,294,051.73	
COVID-19 - HEERF Historically Black Colleges and Universities (HBCUs)	84.425J					36,461,786.41	36,461,786.41	
Pass-Through From:								
COVID-19 - Governors Emergency Education Relief (GEER) Fund	84.425C						929,595.18	
Pass-Through From:								
Texas Higher Education Coordinating Board			781	929,595.18				
Totals - U.S. Department of Education				929,595.18	20,964.44	66,789,832.06	67,740,391.68	
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./ 2U45ES010864-23			283,502.91		283,502.91	
Direct Programs:								
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243					803,343.37	803,343.37	
Congressional Directives	93.493					6,101.05	6,101.05	
PPHF Geriatric Education Centers	93.969					24,604.62	24,604.62	
Totals - U.S. Department of Health and Human Services				0.00	283,502.91	834,049.04	1,117,651.95	
U.S. Department of Justice								
Direct Programs:								
Public Safety Partnership and Community Policing Grants	16.710					3,951.13	3,951.13	
Totals - U.S. Department of Justice				0.00	0.00	3,951.13	3,951.13	

# RAL AWARDS

Pass-through To		Expenditures Amount	Total PT To and Expenditures Amount
Agencies or Universities Amount	Non-State Entities Amount		
		48,150.63	48,150.63
0.00	0.00	48,150.63	48,150.63
		20,964.44	20,964.44
		8,304,318.26	8,304,318.26
		480,672.27	480,672.27
		5,058,901.25	5,058,901.25
		1,898.14	1,898.14
		190,204.00	190,204.00
		16,294,051.73	16,294,051.73
		36,461,786.41	36,461,786.41
		929,595.18	929,595.18
0.00	0.00	67,740,391.68	67,740,391.68
		0.00	
		283,502.91	283,502.91
		803,343.37	803,343.37
		6,101.05	6,101.05
		24,604.62	24,604.62
0.00	0.00	1,117,651.95	1,117,651.95
		3,951.13	3,951.13
0.00	0.00	3,951.13	3,951.13

**TEXAS SOUTHERN UNIVERSITY**  
**(An Agency of the State of Texas)**  
**SCHEDULE 1A - SCHEDULE OF EXPENDITURES OF FEDERAL FUNDS**  
**For the Year Ended August 31, 2023**

Federal Grantor/ Pass-through Grantor/ Program Title	ALN	NSE Name/ ID Number	Agy/ Univ No	Pass-through From		Direct Program Amount	Total PT From and Direct Prog. Amount	Agy/ Univ No.
				Agencies or Universities Amount	Non-State Entitles Amount			
U.S. Department of Transportation								
Direct Programs:								
Highway Training and Education	20.215					37,000.02	37,000.02	
University Transportation Centers Program	20.701					96,795.66	96,795.66	
Pass-Through To:								714
University of Texas at Arlington								
Totals - U.S. Department of Transportation				0.00	0.00	133,795.68	133,795.68	
Research & Development Cluster								
National Aeronautics and Space Administration								
Direct Programs:								
Space Operations	43.007					13,291.65	13,291.65	
Totals - National Aeronautics and Space Administration				0.00	0.00	13,291.65	13,291.65	
National Science Foundation								
Computer and Information Science and Engineering	47.070	Platforms for Advanced Wireless Research (PAWR)/ CNS-1719547			81,994.48		81,994.48	
STEM Education (formerly Education and Human Resources)	47.076	Howard University/1901420 /0009621- 1000090874/906			14,489.66		14,489.66	
		Platforms for Advanced Wireless Research (PAWR)/ R76522			34,901.77		34,901.77	
Direct Programs:								
Engineering	47.041					4,529.80	4,529.80	
Mathematical and Physical Sciences	47.049					100,983.41	100,983.41	
STEM Education (formerly Education and Human Resources)	47.076					1,296,853.88	1,296,853.88	
STEM Education (formerly Education and Human Resources)	47.076					133,403.57	133,403.57	
Pass-Through To:								730
University of Houston								
STEM Education (formerly Education and Human Resources)	47.076					96,348.21	96,348.21	
Pass-Through To:								754
Texas State University								
STEM Education (formerly Education and Human Resources)	47.076					83,970.13	83,970.13	
Pass-Through To:								759
University of Houston - Clear Lake								
STEM Education (formerly Education and Human Resources)	47.076					67,000.00	67,000.00	
Pass-Through To:								784
University of Houston - Downtown								
Pass-Through From:								
STEM Education (formerly Education and Human Resources)	47.076						29,914.86	
Pass-Through From:								
University of Houston			730	29,914.86				
Totals - National Science Foundation				29,914.86	131,385.91	1,783,089.00	1,944,389.77	

# **RAL AWARDS**

Pass-through To		Expenditures Amount	Total PT To and Expenditures Amount
Agencies or Universities Amount	Non-State Entities Amount		
		37,000.02	37,000.02
			96,795.66
96,795.66			
96,795.66	0.00	37,000.02	133,795.68
		13,291.65	13,291.65
0.00	0.00	13,291.65	13,291.65
		81,994.48	81,994.48
		14,489.66	14,489.66
		34,901.77	34,901.77
		4,529.80	4,529.80
		100,983.41	100,983.41
		1,296,853.88	1,296,853.88
			133,403.57
133,403.57			
			96,348.21
96,348.21			
			83,970.13
83,970.13			
			67,000.00
67,000.00			
		29,914.86	29,914.86
380,721.91	0.00	1,563,667.86	1,944,389.77

**TEXAS SOUTHERN UNIVERSITY**  
**(An Agency of the State of Texas)**  
**SCHEDULE 1A - SCHEDULE OF EXPENDITURES OF FEDERAL FUNDS**  
**For the Year Ended August 31, 2023**

Federal Grantor/ Pass-through Grantor/ Program Title	ALN	NSE Name/ ID Number	Agg/ Univ No	Pass-through From		Direct Program Amount	Total PT From and Direct Prog. Amount	Agg/ Univ No.
				Agencies or Universities Amount	Non-State Entities Amount			
<b>U.S. Department of Defense</b>								
Basic, Applied, and Advanced Research in Science and Engineering	12.630	Academy of Applied Science/ W911NF1020076; 601608 FY21			3,461.81		3,461.81	
Air Force Defense Research Sciences Program	12.800	Clarkson Aerospace Corporation/ FA9650-21-1- 0460; TSU-21-1- N160			79,887.78		79,887.78	
<b>Totals - U.S. Department of Defense</b>				0.00	83,349.39	0.00	83,349.39	
<b>U.S. Department of Energy</b>								
<u>Direct Programs:</u>								
Office of Science Financial Assistance Program	81.049					78,912.44	78,912.44	
<b>Totals - U.S. Department of Energy</b>				0.00	0.00	78,912.44	78,912.44	
<b>U.S. Department of Health and Human Services</b>								
Minority Health and Health Disparities Research	93.307	Baylor University/ 1P50MD015496-			135,771.00		135,771.00	
Trans-NIH Research Support	93.310	Duke University/ 1U24MD16258- 01/303000432			182,839.40		182,839.40	
Activities to Support State, Tribal, Local and Territorial (STLT) Health Department Response to Public Health or Healthcare Crises	93.301	CIMMYT/ 460001730702022- 0518			251,279.44		251,279.44	
<u>Direct Programs:</u>								
Minority Health and Health Disparities Research	93.307					1,403,381.89	1,403,381.89	
Cancer Treatment Research	93.395					23,181.38	23,181.38	
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779					46,292.61	46,292.61	
Biomedical Research and Research Training	93.859					200,518.62	200,518.62	
Vision Research	93.867					108,149.14	108,149.14	
<u>Pass-Through From:</u>								
Cancer Treatment Research	93.395						85,643.56	
<u>Pass-Through From:</u>								
University of Houston			730	85,643.56				
<b>Totals - U.S. Department of Health and Human Services</b>				85,643.56	669,089.84	1,781,623.04	2,437,057.04	
<b>U. S. Department of Housing and Urban Development</b>								
<u>Direct Programs:</u>								
General Research and Technology Activity	14.506					125,466.78	125,466.78	
General Research and Technology Activity	14.506					47,654.40	47,654.40	
<u>Pass-Through To:</u>								
University of Texas at Austin								721
<b>Totals - U. S. Department of Housing and Urban Development</b>				0.00	0.00	173,121.18	173,121.18	

## RAL AWARDS

Pass-through To		Expenditures Amount	Total PT To and Expenditures Amount
Agencies or Universities Amount	Non-State Entities Amount		
		3,461.61	3,461.61
		79,887.78	79,887.78
0.00	0.00	83,349.39	83,349.39
		78,912.44	78,912.44
0.00	0.00	78,912.44	78,912.44
		135,771.00	135,771.00
		182,839.40	182,839.40
		251,279.44	251,279.44
		1,403,381.89	1,403,381.89
		23,181.38	23,181.38
		46,292.61	46,292.61
		200,518.62	200,518.62
		108,149.14	108,149.14
		85,643.56	85,643.56
0.00		2,437,057.04	2,437,057.04
		125,466.78	125,466.78
			47,654.40
47,654.40			
47,654.40	0.00	125,466.78	173,121.18

**TEXAS SOUTHERN UNIVERSITY**  
**(An Agency of the State of Texas)**  
**SCHEDULE 1A - SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended August 31, 2023**

Federal Grantor/ Pass-through Grantor/ Program Title	ALN	NSE Name/ ID Number	Agg/ Univ No	Pass-through From		Direct Program Amount	Total PT From and Direct Prog. Amount	Agg/ Univ No.
				Agencies or Universities Amount	Non-State Entities Amount			
U. S. Department of Transportation								
University Transportation Centers Program	20.701	University of North Carolina - Chapel Hill 69A355174713 3/20160688-01- TSU			162,875.04		162,875.04	
<u>Direct Programs:</u>								
Highway Planning and Construction	20.205					23,732.05	23,732.05	
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	20.505					32,859.52	32,859.52	
<u>Pass-Through From:</u>								
Highway Planning and Construction	20.205						128,734.15	
<u>Pass-Through From:</u>								
Texas Department of Transportation			601	128,734.15				
University Transportation Centers Program	20.701						189,296.79	
<u>Pass-Through From:</u>								
University of Texas at Austin			721	189,296.79				
Totals - U. S. Department of Transportation				318,030.84	152,875.04	58,591.57	527,497.55	
<u>Student Financial Assistance Programs Cluster</u>								
U. S. Department of Education								
<u>Direct Programs:</u>								
Federal Supplemental Education Opportunity Grants	84.007					598,766.96	598,766.96	
Federal Work-Study Program	84.033					452,927.94	452,927.94	
Federal Pell Grant Program	84.063					25,507,237.56	25,507,237.56	
Federal Direct Student Loans	84.268					94,436,637.00	94,436,637.00	
Teacher Education Assistance for College and Higher Education Grants (TEACH Grant)	84.379					39,125.50	39,125.50	
Totals - U. S. Department of Education				0.00	0.00	121,032,694.96	121,032,694.96	
U. S. Department of Health and Human Services								
<u>Direct Programs:</u>								
Scholarship for Health Professions Students from Disadvantaged Backgrounds	93.925					1,255,935.83	1,255,935.83	
Totals - U. S. Department of Health and Human Services				0.00	0.00	1,255,935.83	1,255,935.83	
<u>TRIO Cluster</u>								
U. S. Department of Education								
<u>Direct Programs:</u>								
TRIO Student Support Services	84.042A					646,161.83	646,161.83	
TRIO Talent Search	84.044A					574,017.70	574,017.70	
TRIO Upward Bound	84.047A					427,143.00	427,143.00	
Upward Bound Math-Science	84.047M					229,778.83	229,778.83	
TRIO Educational Opportunity Centers	84.066					26,649.04	26,649.04	
TRIO McNair Post-Baccalaureate Achievement	84.217A					208,029.86	208,029.86	
Totals - U. S. Department of Education				0.00	0.00	2,011,770.26	2,011,770.26	
Total Expenditures of Federal Awards				1,383,184.54	1,241,967.63	195,996,709.07	198,601,861.14	

# RAL AWARDS

Pass-through To		Expenditures Amount	Total PT To and Expenditures Amount
Agencies or Universities Amount	Non-State Entities Amount		
		152,875.04	152,875.04
		23,732.05	23,732.05
		32,859.52	32,859.52
		128,734.15	128,734.15
		189,298.79	189,298.79
0.00	0.00	527,497.55	527,497.55
		598,766.96	598,766.96
		449,437.66	452,927.94
		25,507,237.56	25,507,237.56
		94,436,637.00	94,436,637.00
		39,125.60	39,125.60
		121,029,204.68	121,032,694.96
		1,255,935.83	1,255,935.83
		1,255,935.83	1,255,935.83
		546,151.83	546,151.83
		574,017.70	574,017.70
		427,143.00	427,143.00
		229,778.83	229,778.83
		26,649.04	26,649.04
		208,029.86	208,029.86
		2,011,770.08	2,011,770.28
525,171.97	0.00	198,078,689.17	198,601,861.14



**TEXAS SOUTHERN UNIVERSITY**  
**(An Agency of the State of Texas)**  
**SCHEDULE 1A - SCHEDULE OF EXPENDITURES OF FEDERAL FUNDS**  
**For the Year Ended August 31, 2023**

Federal Grantor/ Pass-through Grantor/ Program Title	ALN	NSE Name/ ID Number	Agy/ Univ No	Pass-through From		Direct Program Amount	Total PT From and Direct Prog. Amount	Agy/ Univ No.
				Agencies or Universities Amount	Non-State Entities Amount			
<hr/>								
SRFA NOTE 2								
Federal Revenue Operating							23,680,942.04	
Federal Revenue Non-Operating Title IV							28,600,119.98	
Federal Revenue Non-Operating Cares Funding							190,204.00	
Federal Revenue Non-Operating HEERF HBCU							52,271,000.85	
Federal Pass Through Revenue							1,442,957.49	
Federal Direct Student Loan							94,436,637.00	
							<u>198,601,861.14</u>	

# TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

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

For the Year Ended August 31, 2023

<u>Pass Through From:</u>	Grant ID	Amount
PP210049--Evidence-Based Prevention Programs and Services Cancer Prevention and Research Institute of Texas	542.0061 \$	328,395.83
RP180748--Core Facility Support Awards Cancer Prevention and Research Institute of Texas	542.0163	981,984.11
Cancer Prevention & Research Institute of Texas	542.0185	3,866,584.98
RP190672--High Impact/High Risk Cancer Prevention and Research Institute of Texas	542.0238	109,577.27
Provide technical expertise in all aspects of data base development, data entry and data reporting as well as assist with programmatic quality assurance planning and assessment Texas Commission on Environmental Quality	582.0097	177,387.45
M2102772 Cancer Therapeutics Training Program Texas A&M University System Health Sci Ctr	709.0026	80,504.36
Joint Admission Medical Program (JAMP) University of Texas System	720.0002	24,571.72
Research Training Award University of Houston	730.0001	1,364.15
TEXAS Grant Program Texas Higher Education Coordinating Board	781.0008	7,175,005.48
College Work Study Texas Higher Education Coordinating Board	781.0023	61,682.44
Texas Grants B.1.10 Texas Higher Education Coordinating Board	781.0029	69,680.60
Texas Grants B.1.10 Texas Higher Education Coordinating Board	781.0075	15,640.66
Texas Grants B.1.10 Texas Higher Education Coordinating Board	781.0082	24,359.87
Texas Grants B.1.10 Texas Higher Education Coordinating Board	781.0083	2,497,525.13
<b>Total Pass Through From Other Agencies</b>	<b>\$</b>	<b><u><u>15,414,264.05</u></u></b>

**TEXAS SOUTHERN UNIVERSITY**  
 (An Agency of the State of Texas)  
**SCHEDULE 2A - MISCELLANEOUS BOND INFORMATION**  
 For the Year Ended August 31, 2023

**Business-Type Activities**

Description	Interest Rate	Maturity Dates		First Call Date	Original Issue
		First Year	Last Year		
<b>Revenue Bonds- Self Supporting</b>					
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
Series 2023	5.00-5.25%	2024	2042	5/1/2033	80,680,000.00
<b>Total Revenue Bonded Debt</b>					<u><u>\$ 212,800,000.00</u></u>

# TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

## SCHEDULE 2B - CHANGES IN BOND INDEBTEDNESS

For the Year Ended August 31, 2023

Description	Bonds Outstanding 09/01/2022	Bonds Issued	Bonds Matured or Retired	Bonds Refunded or Extinguished	Par Value Adjustments	Bonds Outstanding 8/31/2023	Unamortized Premium	Unamortized Discount	Adjustments	Net Bonds Outstanding 8/31/2023	Amounts Due Within One Year	Bonds Outstanding 8/31/2023
<b>Revenue Bonds- Self</b>												
Supporting												
Series 2013	3,765,000.00	-	2,905,000.00	-	-	860,000.00	-	-	-	860,000.00	860,000.00	860,000.00
Series 2016	43,030,000.00	-	2,255,000.00	-	-	40,775,000.00	3,939,276.25	-	-	44,714,276.25	2,668,021.25	40,775,000.00
Series 2021	12,895,000.00	-	1,350,000.00	-	-	11,545,000.00	2,056,715.90	-	-	13,601,715.90	1,747,428.84	11,545,000.00
Series 2023	-	80,680,000.00	-	-	-	80,680,000.00	6,848,821.85	-	-	87,528,821.85	3,556,995.20	80,680,000.00
<b>Total General Bonded Debt</b>	<b>\$ 59,690,000.00</b>	<b>\$ 80,680,000.00</b>	<b>\$ 6,510,000.00</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 133,860,000.00</b>	<b>\$ 12,844,814.00</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 146,704,814.00</b>	<b>\$ 8,332,445.29</b>	<b>\$ 133,860,000.00</b>

# TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

## SCHEDULE 2C - DEBT SERVICE REQUIREMENTS

For the Year Ended August 31, 2023

Year Ending Aug. 31	Series 2013 Revenue Bonds Refunding			Series 2021 Revenue Bonds Refunding		
	Principal	Interest	Total	Principal	Interest	Total
2024	860,000.00	17,200.00	877,200.00	1,420,000.00	577,250.00	1,997,250.00
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				1,725,000.00	271,750.00	1,996,750.00
2029-2033	-	-	-	3,710,000.00	280,500.00	3,990,500.00
<b>Total</b>	<b>\$ 860,000.00</b>	<b>\$ 17,200.00</b>	<b>\$ 877,200.00</b>	<b>\$ 11,545,000.00</b>	<b>\$ 2,421,250.00</b>	<b>\$ 13,966,250.00</b>

Year Ending Aug. 31	Series 2016 Revenue Bonds			Series 2023 Revenue Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2024	2,365,000.00	1,648,150.00	4,013,150.00	3,520,000.00	3,183,008.34	6,703,008.34
2025	2,485,000.00	1,529,900.00	4,014,900.00	2,750,000.00	3,975,750.00	6,705,750.00
2026	2,605,000.00	1,405,650.00	4,010,650.00	2,860,000.00	3,839,250.00	6,699,250.00
2027	2,740,000.00	1,275,400.00	4,015,400.00	3,005,000.00	3,696,250.00	6,701,250.00
2028	2,875,000.00	1,066,525.00	3,941,525.00	3,155,000.00	3,546,000.00	6,701,000.00
2029-2033	16,350,000.00	3,716,250.00	20,066,250.00	18,310,000.00	15,198,250.00	33,508,250.00
2034-2038	11,355,000.00	687,900.00	12,042,900.00	23,475,000.00	10,024,612.50	33,499,612.50
<b>Total</b>	<b>\$ 40,775,000.00</b>	<b>\$ 11,329,775.00</b>	<b>\$ 52,104,775.00</b>	<b>\$ 57,055,000.00</b>	<b>\$ 43,463,120.84</b>	<b>\$ 100,518,120.84</b>

# TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

## SCHEDULE 2D - ANALYSIS OF FUNDS AVAILABLE FOR DEBT SERVICE

For the Year Ended August 31, 2023

<u>Business-Type Activities</u>	<u>Pledged and Other Sources and Related Expenditures for FY 2023</u>			
	<u>Net Available for Debt Service</u>		<u>Debt Service</u>	
	<u>Total Pledged and Other Sources</u>	<u>Operating Expenses/ Expenditures and Capital Outlay</u>	<u>Principal</u>	<u>Interest</u>
Revenue Bonds				
TRB 2013, 2016, 2021, 2023	\$ 98,838,000.00	\$ 95,200,000.00	\$ 6,516,016.80	\$ 2,498,505.47
Total	\$ 98,838,000.00	\$ 95,200,000.00	\$ 6,516,016.80	\$ 2,498,505.47

# TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)  
Required Supplementary Information  
For the Last Nine Years Ended August 31 \*

## Schedule of Proportionate Share of Net Pension Liability\* Teacher Retirement System of Texas

	2022	2021	2020	2019	2018	2017	2016	2015	2014
TSU's proportion of the net pension liability	0.0734%	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	\$25,282,808	\$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	\$53,299,278	\$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	53.06%	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	75.62%	88.79%	75.54%	75.24%	73.74%	82.17%	78.00%	78.43%	83.25%

# TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)  
Required Supplementary Information  
For the Last Ten Years Ended August 31 \*

## Schedule of Employer Contributions Teacher Retirement System of Texas

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Statutorily required contributions	\$2,206,113	\$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	\$2,206,113	\$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	\$53,299,278	\$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	4.14%	4.92%	4.44%	4.38%	3.84%	4.28%	5.89%	5.34%	7.70%	6.86%



# TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)  
Required Supplementary Information  
For the Last Six Years Ended August 31 \*

## Schedule of Proportionate Share of Net OPEB Liability\* Employee Retirement System of Texas Plan

	2022	2021	2020	2019	2018	2017
TSU's proportion of the net OPEB liability	0.2465556%	0.2531391%	0.2590784%	0.23850393%	0.21979663%	0.02648200%
TSU's proportionate share of the net OPEB liability	\$70,236,218	\$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	\$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%	0.00%	1.49%
Plan fiduciary net position as a percentage of the total OPEB liability	0.38%	0.38%	0.32%	1.27%	1.27%	2.04%

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

**TEXAS SOUTHERN UNIVERSITY**  
 (An Agency of the State of Texas)  
 Required Supplementary Information  
 For the Last Six Years Ended August 31 \*

Schedule of Employer Contributions\*  
 Employees Retirement System of Texas

	2023	2022	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%	0.00%	100.00%

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

## **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, 2023 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 October 3, 2024.

### **Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered 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 material weaknesses 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 items 2023-001 and 2023-002 to be material weaknesses.

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 2023-003 and 2023-004 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 Mazars, LLP**

Houston, Texas  
October 3, 2024

**Texas Southern University**  
**Summary Schedule of Findings and Responses**  
**Year Ended August 31, 2023**

Reference Number	Summary of Findings
<b>2023-001    Accounting for Various Transactions</b>	<p data-bbox="345 447 1451 590">Criteria or specific requirement: Management is responsible for establishing and maintaining effective internal controls over financial reporting. Effective internal controls are an important component of a system that helps ensure transactions are recorded timely and in the proper reporting period, thereby providing accurate financial data. Texas Southern University's internal controls should be designed to prevent, or detect and correct, misstatements on a timely basis.</p> <p data-bbox="345 625 1252 651">Condition: Misstatements of various transactions as of August 31, 2023 included:</p> <ul data-bbox="367 686 1451 1688" style="list-style-type: none"> <li>• Entries provided by the State Comptroller for pension current year activity was not properly recorded to match the information provided by the State, and a journal entry of \$11,829,663 was recorded to the incorrect accounts. Net pension liability was understated by \$23,649,326. An adjustment was proposed and recorded by TSU to correct net pension liability and related expense.</li> <li>• Several errors were identified regarding calculation and categorization of net position components. These areas included not properly capturing HEERF-related balances (\$27 million) in the adjustment to restricted net position, excluding the lease liability (\$666 thousand) in the net investment in capital assets calculation to align with the inclusion of leased land, and not originally including the appropriate amount for unspent bond proceeds (approximately \$94 million). Reclassifications were made to properly reflect the components of net position. (Repeat)</li> <li>• TSU recorded accrued bond interest for the entire amount of the next interest payment instead of for the months applicable to the end of the fiscal year for bonds 2013, 2016, 2021, and 2023. Bond interest payable and related expense was overstated by \$4,321,377. An adjustment of \$4,321,377 was proposed, and TSU recorded an adjustment to reverse the original accrual and book the correct accrual. After the adjustment was recorded by TSU, the accrued bond interest remained overstated and an adjustment was proposed and recorded by TSU for \$945,958.</li> <li>• TSU recorded \$3,981,454 of revenue in the current year that related to the unexpended balance of its 2022-2023 Health Safety Act appropriation. An audit adjustment was proposed and recorded by TSU to reduce legislative revenue.</li> <li>• \$33,261,647 in capital outlay had not been appropriately transferred to net investment in plant fund balance. However, it was noted that the related capital assets were appropriately capitalized. Audit adjustments were proposed and recorded by TSU to transfer the activity to fund balance.</li> <li>• An inconsistent relationship between payroll related liabilities and payroll expense was noted due to certain entries were not recorded during the year. Several adjustments were recorded to properly reflect the payroll related transactions</li> </ul> <p data-bbox="345 1719 1045 1745">Effect: Potential material misstatement of financial statements.</p>

**Texas Southern University**  
**Summary Schedule of Findings and Responses**  
**Year Ended August 31, 2023**

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**Reference  
Number**

**Summary of Findings**

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Cause: TSU has experienced significant changes in staffing in the general accounting department, resulting in a lack of individuals familiar with certain processes and transactions and a lack of review being performed timely.

Recommendation: We recommend TSU establish policies and procedures over month-end and year-end close and review the year-end close checklists and establish defined timelines, assigned responsibilities, and incorporate adjustments made to address any items identified. We recommend TSU also consider hiring additional accountants to leverage the current team to allow for defined responsibilities to support timely review and supervision.

Views of responsible officials and planned corrective actions: TSU has begun hiring additional staff. Staff will be trained on the appropriate procedures (MAPPS) for recording assets, especially the thresholds for capitalization. General Accounting will include a review of the expenditures to ensure capital assets are not expensed as a part of their monthly closing procedures and additional reviews of reports will be incorporated prior to finalization.

**2023-002 ARGOS Reporting**

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: An error was identified with the ARGOS financial reporting interface as a result of inquiring about reconciliation variances between ARGOS and the trial balance. Upon further investigation, the General Accounting team identified that balances related to Funds 3086, 3331, and 3450 were included on the trial balance in ARGOS but were not pulling into the statement of revenues, expenses and changes in net position (SRECNP) report, which is ran and used as the Working Trial Balance (WTB) for audit and Annual Financial Report preparation purposes. As such, an entry was proposed for the effect of Funds 3086, 3331, and 3450 in the WTB, which was corrected through discussions with Office of Information Technology to pull in the missing funds to a new SRECNP report.

Effect: Potential material misstatement of financial statements.

Cause: Incorrect parameters established to pull all funds for reporting purposes.

Recommendation: We recommend management work with OIT to establish the appropriate parameters/configuration to ensure accounts are pulling properly for reporting purposes. Additionally, we recommend that a reconciliation is performed between ARGOS reporting and general ledger to identify any variances and address accordingly.

Views of responsible officials and planned corrective actions: TSU has already engaged its OIT department to establish appropriate parameters. Reconciliations will be done quarterly to ensure reports from ARGOS and the general ledger are balanced and new funds mapped correctly.

**2023-003 HEERF 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.

**Texas Southern University**  
**Summary Schedule of Findings and Responses**  
**Year Ended August 31, 2023**

Reference Number	Summary of Findings
	<p>Condition: The University initiated a drawdown of HEERF funds in 2021 for a project that was completed in 2022. Upon initial draw down in 2021, the University recorded unearned revenue for the transaction. After incurring expenditures for the project, the unearned revenue should be recognized as revenue. In reviewing unearned revenue in 2023, the balance still had not been recognized as revenue. An adjustment was proposed and passed by TSU in 2022, and subsequently, in 2023, an adjustment was made for \$2,461,409 to recognize federal nonoperating grant revenue. Additionally, TSU drew down funds in excess of expenditures, resulting in negative accounts receivable. An adjustment was proposed and recorded by management for \$3,608,695.</p> <p>Effect: Potential material misstatement of financial statements.</p> <p>Cause: Turnover in personnel resulting in a lack of historical knowledge of prior transactions and agreed-upon outcomes.</p> <p>Recommendation: We recommend management include in its month-end checklist, ideally September, a list of passed adjustments, established by the above recommendation and conclude on the recoding of the adjustments in that current fiscal year.</p> <p>Views of responsible officials and planned corrective actions: TSU will review and enhance its monthly closing procedures. The institution has begun hiring additional staff and began incorporating cross-training. TSU received a no cost extension on its HEERF grant and will ensure all corrections are complete before final close out of the grant.</p>
<b>2023-004</b>	<b>State Appropriations</b>
	<p>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>Condition: Several differences were noted between the recorded State Appropriations by TSU and the amounts reported as of August 31, 2023, by the State Comptroller that required extensive research and resulted in an adjustment to the recorded balances.</p> <p>Effect: Potential material misstatement of financial statements.</p> <p>Cause: Lack of individuals who are familiar with the USAS process specifically related to State Appropriations.</p> <p>Recommendation: We recommend General Accounting perform and review monthly reconciliations of the State Appropriations accounts per USAS to the general ledger, as well as perform a year end reconciliation to ensure all activity is properly captured and reflected in the general ledger.</p> <p>Views of responsible officials and planned corrective actions: Regular reconciliation between the Banner and USAS will be performed and adjusting entries will be posted.</p>

**Texas Southern University**  
**Summary Schedule of Prior Findings**  
**Year Ended August 31, 2023**

<b>Reference Number</b>	<b>Summary of Finding</b>	<b>Status</b>
<b>2022-001</b>	<b>Accounting for Capital Asset Activity</b>	<b>Resolved</b>
	<p>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>Condition: Several adjustments related to capital assets were required in order to agree the capital asset additions detail to the capital asset roll forward, 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 roll forward.</p> <p>Effect: Potential material misstatement of financial statements.</p> <p>Cause: The processing of capital asset activity is overly complex. In addition, due to turnover, there is no individual who is familiar with the processing.</p> <p>Recommendation: We recommend 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.</p> <p>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.</p>	
<b>2022-002</b>	<b>State Appropriations</b>	<b>In process</b>
	<p>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>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.</p> <p>Effect: Potential material misstatement of financial statements.</p> <p>Cause: Lack of individuals who are familiar with the USAS process specifically related to State Appropriations.</p>	



**Texas Southern University**  
**Summary Schedule of Prior Findings**  
**Year Ended August 31, 2023**

Reference Number	Summary of Finding	Status
2022-003	<p>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.</p>	Resolved
	<p>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.</p>	
	<p><b>Other Post Employment Benefit (OPEB) Accounting</b></p>	
	<p>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>Condition: It was noted that the entries provided by the State Comptroller for OPEB current year changes in actuarial assumptions were not properly recorded to match the schedule provided by the State.</p>	
	<p>Effect: Potential material misstatement of financial statements.</p>	
	<p>Cause: Lack of review by someone other than the preparer.</p>	
	<p>Recommendation: We recommend ensuring journal entries are reviewed and verified with supporting documentation prior to posting.</p>	
	<p>Views of responsible officials and planned corrective actions: This concern has been addressed by the hiring of an Assistant Vice President of Business &amp; 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.</p>	
2021-002	<p><b>Net Position</b></p>	In Process
	<p>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>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, and identification of restricted capital projects. These errors were subsequently corrected. The adjustments resulted in reducing the negative unrestricted net position.</p>	
	<p>Effect: Potential material misstatement of financial statements.</p>	
	<p>Cause: The review of net position categorization was not performed timely.</p>	

**Texas Southern University**  
**Summary Schedule of Prior Findings**  
**Year Ended August 31, 2023**

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Reference Number	Summary of Finding	Status
	Recommendation: We recommend management review GASB for guidance to ensure proper categorization of net position.	