



Combined Annual Financial Report

For the Year Ended August 31, 2020



November 19, 2020

Honorable Greg Abbott
Governor of Texas

Honorable Glenn Hegar
Texas Comptroller of Public Accounts

Mr. Jerry McGinty
Director, Legislative Budget Board

Ms. Lisa Collier
First Assistant State Auditor

Ladies and Gentlemen:

We are pleased to submit the annual financial report of The Texas State University System for the year ended August 31, 2020, in compliance with Texas Government Code Annotated, Section 2101.011 and in accordance with the requirements established by the Texas Comptroller of Public Accounts.

Due to the statewide requirements embedded in Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, the Comptroller of Public Accounts does not require the accompanying annual financial report to comply with all requirements in this statement. The financial report will be considered for audit by the state auditor as part of the audit of the State of Texas *Comprehensive Annual Financial Report* (CAFR); therefore, an opinion has not been expressed on the financial statements and related information contained in this report.

Should you have any questions, please contact Daniel Harper, Vice Chancellor and Chief Financial Officer at (512) 463-1808.

Sincerely,



Brian McCall
Chancellor

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The Texas State University System Organizational Data For the Year Ended August 31, 2020

Board of Regents

| Name | City (Texas) | Term Expires |
|-------------------------------|---------------------|---------------------|
| William F. Scott, Chairman | Nederland | February 1, 2025 |
| David Montagne, Vice Chairman | Beaumont | February 1, 2021 |
| Charlie Amato | San Antonio | February 1, 2025 |
| Duke Austin | Houston | February 1, 2023 |
| Garry Crain | The Hills | February 1, 2023 |
| Dr. Veronica Muzquiz Edwards | San Antonio | February 1, 2021 |
| Dionicio (Don) Flores | El Paso | February 1, 2025 |
| Nicki Harle | Baird | February 1, 2023 |
| Alan L. Tinsley | Madisonville | February 1, 2021 |
| Amanda Lee, Student Regent | Huntsville | May 31, 2021 |

System Administration

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

Component Presidents

| Name | Component |
|----------------------|-----------------------------------|
| Dr. Kenneth Evans | Lamar University |
| Dr. Alisa White | Sam Houston State University |
| Dr. Pete Gallego | Sul Ross State University |
| Dr. Denise M. Trauth | Texas State University |
| Dr. Lonnie L. Howard | Lamar Institute of Technology |
| Dr. Thomas Johnson | Lamar State College - Orange |
| Dr. Betty Reynard | Lamar State College - Port Arthur |

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**The Texas State University System
Statement of Net Position
For the Year Ended August 31, 2020**

| | <u>2020</u> | <u>2019</u> |
|---|---------------------|-------------------|
| Assets | | |
| Current Assets: | | |
| Cash and Cash Equivalents: | | |
| Cash on Hand (Including Petty Cash) | \$ 80,317.10 | \$ 91,718.76 |
| Cash in Bank (Note 3) | 42,302,706.92 | 30,555,038.07 |
| Cash in Transit/Reimb Due From Treasury | 2,116,899.61 | 2,023,457.94 |
| Cash in State Treasury (Schedule 3) | 59,271,290.82 | 56,174,119.85 |
| Cash Equivalents (Note 3) | 427,756,930.87 | 321,967,023.72 |
| Restricted: | | |
| Cash and Cash Equivalents: | | |
| Cash on Hand | 360.00 | 200.00 |
| Cash in Bank (Note 3) | 10,298,017.54 | 11,495,538.54 |
| Cash Equivalents (Note 3) | 44,442,382.37 | 39,909,663.92 |
| Short Term Investments (Note 3) | 12,775,127.29 | 12,323,076.55 |
| Legislative Appropriations | 140,987,133.58 | 131,100,627.33 |
| Receivables: | | |
| Federal | 21,398,783.91 | 16,107,722.64 |
| Other Intergovernmental | 1,649,172.10 | 1,998,528.51 |
| Interest | 38,085.00 | 50,679.25 |
| Accounts – Tuition | 157,554,416.09 | 147,245,642.92 |
| Allowance Accounts | (30,507,105.94) | (26,988,419.55) |
| Accounts – Other Revenue | 1,808,931.17 | 1,314,450.59 |
| Gifts/Pledges | 2,063,691.60 | 1,468,342.89 |
| Other | 5,446,651.33 | 9,034,194.84 |
| Due From Other Agencies (Note 12) | 4,041,483.34 | 3,957,388.68 |
| Consumable Inventories | 1,343,497.90 | 1,245,098.36 |
| Merchandise Inventories | 571,858.68 | 533,666.57 |
| Prepaid Items | 57,095,912.13 | 56,474,424.09 |
| Loans and Contracts | 31,294,129.83 | 26,005,275.88 |
| Allowance-Loans & Contracts | (8,374,267.80) | (4,849,376.15) |
| Other Current Assets | 15,992,898.96 | 16,546,046.43 |
| Total Current Assets | \$ 1,001,449,304.40 | \$ 857,141,804.04 |

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**The Texas State University System
Statement of Net Position
For the Year Ended August 31, 2020**

| | <u>2020</u> | <u>2019</u> |
|-------------------------------------|---------------------------------------|---------------------------------------|
| Noncurrent Assets | | |
| Restricted: | | |
| Cash and Cash Equivalents: | | |
| Cash in Bank (Note 3) | \$ 2,768,777.43 | \$ 1,873,400.88 |
| Cash Equivalents (Note 3) | 12,009,335.18 | 13,586,723.91 |
| Investments (Note 3) | 200,943,134.77 | 256,938,298.25 |
| Receivables | 683,869.82 | 842,238.11 |
| Other Restricted Non-Current Assets | 26,000.00 | - |
| Loans and Contracts | 143,900.28 | 117,638.85 |
| Investments (Note 3) | 324,160,658.34 | 298,506,863.62 |
| Receivables: | | |
| Gifts/Pledges | 2,485,843.59 | 3,482,979.27 |
| Capital Assets: (Note 2) | | |
| Non-Depreciable or Non-Amortizable | | |
| Land and Land Improvements | 126,895,217.14 | 125,032,161.36 |
| Construction in Progress | 329,867,746.08 | 365,144,907.47 |
| Other Capital Assets | 15,517,837.68 | 14,781,666.72 |
| Depreciable or Amortizable | | |
| Building and Building Improvements | 2,504,237,709.89 | 2,354,413,792.50 |
| Less Accumulated Depreciation | (1,167,698,902.83) | (1,081,941,636.77) |
| Infrastructure | 149,001,407.03 | 130,363,481.23 |
| Less Accumulated Depreciation | (68,684,048.02) | (64,152,713.20) |
| Facilities and Other Improvements | 262,567,375.22 | 255,403,743.07 |
| Less Accumulated Depreciation | (118,408,272.88) | (107,719,075.59) |
| Furniture and Equipment | 187,095,412.50 | 177,715,228.10 |
| Less Accumulated Depreciation | (137,030,092.79) | (128,195,080.29) |
| Vehicles, Boats, and Aircraft | 22,752,014.59 | 21,691,588.10 |
| Less Accumulated Depreciation | (14,791,870.41) | (13,436,856.15) |
| Computer Software – Intangible | 36,050,076.99 | 35,079,203.14 |
| Less Accumulated Amortization | (34,707,561.67) | (34,902,738.30) |
| Other Capital Assets | 142,268,730.07 | 138,140,387.47 |
| Less Accumulated Depreciation | (80,560,848.12) | (76,117,353.75) |
| Total Noncurrent Assets | <u>\$ 2,697,593,449.88</u> | <u>\$ 2,686,648,848.00</u> |
| Total Assets | <u><u>\$ 3,699,042,754.28</u></u> | <u><u>\$ 3,543,790,652.04</u></u> |

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**The Texas State University System
Statement of Net Position
For the Year Ended August 31, 2020**

| | <u>2020</u> | <u>2019</u> |
|---|----------------------------|----------------------------|
| Deferred Outflows of Resources | | |
| Unamortized Loss on Refunding Debt (Note 28) | \$ 4,035,627.01 | \$ 4,812,692.03 |
| Deferred Outflow of Resources - Pension (Note 28) | 167,553,817.00 | 210,605,540.00 |
| Deferred Outflow of Resources - OPEB (Note 28) | 505,618,739.00 | 580,500,310.00 |
| | <u>677,208,183.01</u> | <u>795,918,542.03</u> |
| Total Deferred Outflows of Resources | <u>\$ 677,208,183.01</u> | <u>\$ 795,918,542.03</u> |
| Liabilities | | |
| Current Liabilities: | | |
| Payables from: | | |
| Accounts Payable | \$ 71,293,752.86 | \$ 71,566,749.43 |
| Payroll Payable | 39,599,813.69 | 33,006,439.89 |
| Federal | 56,196.59 | 16,139.00 |
| Interest Payable | 17,046,134.04 | 18,055,952.26 |
| Due to Other Agencies (Note 12) | 1,924,331.14 | 1,035,828.59 |
| Unearned Revenues | 419,582,479.60 | 415,614,847.55 |
| Short Term Debt (Note 4) | 94,840,000.00 | 124,980,000.00 |
| Net OPEB Liability (Note 5, 11) | 21,977,785.00 | 17,217,162.00 |
| Employees' Compensable Leave (Note 5) | 15,085,448.19 | 13,600,949.53 |
| Revenue Bonds Payable (Note 5, 6) | 69,555,000.00 | 63,655,000.00 |
| Unamortized Premiums on Rev Bonds (Note 5, 6) | 6,827,372.05 | 5,883,087.86 |
| Funds Held for Others | 4,305,364.29 | 6,619,696.46 |
| Other Current Liabilities | 2,076,970.49 | 860,698.01 |
| Total Current Liabilities | <u>\$ 764,170,647.94</u> | <u>\$ 765,310,177.99</u> |
| Noncurrent Liabilities | | |
| Employees' Compensable Leave (Note 5) | \$ 14,964,653.98 | \$ 13,051,173.24 |
| Revenue Bonds Payable (Note 5, 6) | 950,755,000.00 | 913,195,000.00 |
| Unamortized Premiums on Rev Bonds (Note 5, 6) | 102,898,109.53 | 100,693,757.76 |
| Net OPEB Liability (Note 5, 11) | 671,450,463.00 | 598,501,885.00 |
| Net Pension Liability (Note 5, 9) | 276,584,908.00 | 337,154,171.00 |
| Other Non-Current Liabilities | 1,648,627.83 | 2,810,596.10 |
| Total Non-Current Liabilities | <u>\$ 2,018,301,762.34</u> | <u>\$ 1,973,566,629.10</u> |
| Total Liabilities | <u>\$ 2,782,472,410.28</u> | <u>\$ 2,738,876,807.09</u> |

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**The Texas State University System
Statement of Net Position
For the Year Ended August 31, 2020**

| | <u>2020</u> | <u>2019</u> |
|--|-----------------------------|-----------------------------|
| Deferred Inflows of Resources | | |
| Unamortized Gain on Refunding Debt (Note 28) | \$ 4,644,451.85 | \$ - |
| Deferred Inflow of Resources - OPEB (Note 28) | 202,526,786.00 | 238,322,749.00 |
| Deferred Inflow of Resources - Pension (Note 28) | 84,701,073.00 | 32,416,818.00 |
| | <u> </u> | <u> </u> |
| Total Deferred Inflows of Resources | <u>\$ 291,872,310.85</u> | <u>\$ 270,739,567.00</u> |
| Net Position | | |
| Net Investment in Capital Assets | \$ 929,159,969.30 | \$ 904,317,336.33 |
| Restricted for: | | |
| Debt Retirement | 10,184.36 | 1,660,615.51 |
| Capital Projects | 41,312,731.74 | 43,222,878.83 |
| Other | 66,743,780.80 | 71,529,282.24 |
| Funds Held as Permanent Investments: | | |
| Nonexpendable: | | |
| Endowment Funds | 157,510,065.16 | 152,797,908.73 |
| Expendable: | | |
| Endowment Funds | 72,548,368.08 | 64,733,708.53 |
| Unrestricted | <u>\$ 34,621,116.72</u> | <u>\$ 91,831,089.81</u> |
| | <u> </u> | <u> </u> |
| Total Net Position | <u>\$ 1,301,906,216.16</u> | <u>\$ 1,330,092,819.98</u> |

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**The Texas State University System
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended August 31, 2020**

| | <u>2020</u> | <u>2019</u> |
|---|----------------------------|----------------------------|
| Operating Revenues: | | |
| Tuition and Fees – Pledged | \$ 801,427,110.54 | \$ 780,434,526.29 |
| Tuition and Fees – Discounts/Allowances | (225,253,319.65) | (217,162,443.16) |
| Auxiliary Enterprise – Pledged | 153,401,225.37 | 161,546,484.50 |
| Auxiliary Enterprise – Discounts/Allowances | (10,308,558.98) | (8,156,997.44) |
| Other Sales of Goods and Svcs – Pledged | 18,645,467.11 | 20,360,471.95 |
| Federal Revenue | 46,828,774.25 | 48,801,325.51 |
| Federal Pass Through Revenue | 9,013,930.75 | 6,903,622.33 |
| State Grant Revenue | 943,426.86 | 2,387,675.14 |
| State Grant Pass Through Revenue | 65,397,658.52 | 61,764,729.89 |
| Other Contract and Grants – Non-Pledged | 13,450,295.89 | 12,295,662.83 |
| Other Operating Revenues – Pledged | 8,165,885.32 | 9,588,236.08 |
| Total Operating Revenues | <u>\$ 881,711,895.98</u> | <u>\$ 878,763,293.92</u> |
| Operating Expenses: | | |
| Instruction | \$ 483,295,031.73 | \$ 476,131,394.14 |
| Research | 84,449,655.07 | 79,838,077.85 |
| Public Service | 21,544,280.91 | 25,046,743.21 |
| Hospitals and Clinics | 1,313,640.97 | 19,872.01 |
| Academic Support | 168,122,673.14 | 160,081,238.29 |
| Student Services | 94,130,466.25 | 91,546,954.81 |
| Institutional Support | 134,896,808.47 | 125,156,339.86 |
| Operation and Maintenance of Plant | 102,893,942.80 | 101,599,663.36 |
| Scholarships and Fellowships | 205,821,623.68 | 147,877,479.20 |
| Auxiliary | 161,165,107.22 | 179,301,599.62 |
| Depreciation & Amortization | 123,670,307.34 | 112,750,894.06 |
| Total Operating Expenses | <u>\$ 1,581,303,537.58</u> | <u>\$ 1,499,350,256.41</u> |
| Operating Income (Loss) | \$ (699,591,641.60) | \$ (620,586,962.49) |
| Nonoperating Revenues (Expenses): | | |
| Legislative Revenue (GR) | \$ 284,074,568.00 | \$ 257,456,017.00 |
| Additional Appropriations (GR) | 73,822,016.88 | 67,191,916.46 |
| Federal Revenue | 191,080,067.92 | 137,306,928.04 |
| Federal Pass Through Revenue | - | 339,651.15 |
| State Pass Through Revenue | 3,549,162.00 | 5,282,615.00 |
| Gifts – Pledged | 788,145.23 | 185,527.39 |
| Gifts – Non-Pledged | 26,194,080.56 | 30,092,690.54 |

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**The Texas State University System
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended August 31, 2020**

| | 2020 | 2019 |
|---|----------------------------|----------------------------|
| Investment Income – Non-Pledged | 6,041,199.13 | 10,609,541.80 |
| Investment Income – Pledged | 13,458,999.06 | 21,052,752.09 |
| Investing Activities Expenses | - | (53,115.75) |
| Gain/Loss Sale Capital Assets | (448,790.23) | (560,728.67) |
| Net Increase (Decrease) Fair Value – Pledged | 1,788,368.99 | (537,276.74) |
| Net Increase (Decrease) Fair Value – Non-Pledge | 19,375,408.66 | (16,220,884.16) |
| Judgments and Settlements | 4,138,646.78 | 194,646.72 |
| Interest Expenses and Fiscal Charges | (39,552,037.79) | (43,238,247.42) |
| Other Nonoperating Revenues – Non-Pledged | 658,549.64 | 2,059,679.18 |
| Other Nonoperating Revenues – Pledged | 1,482,738.12 | 926,391.91 |
| Other Nonoperating Expenses | (3,922,142.25) | (4,992,459.65) |
| Total Nonoperating Revenues (Expenses) | \$ 582,528,980.70 | \$ 467,095,644.89 |
| Income (Loss) before Capital Contributions, Endowments and Transfers | \$ (117,062,660.90) | \$ (153,491,317.60) |
| Capital Contributions, Endowments and Transfers | | |
| Capital Appropriations (HEF) | \$ 77,573,404.00 | \$ 77,573,404.00 |
| Additions to Permanent and Term Endowments | 3,740,928.07 | 8,086,354.19 |
| Transfers-In (Note 12) | 3,987,840.66 | 3,741,383.95 |
| Transfers-Out (Note 12) | (619,590.21) | (1,063,376.34) |
| Legislative Transfer-In (Note 12) | 3,413,565.00 | 3,499,344.00 |
| Legislative Appropriations Lapsed | (1,200,593.82) | (29,443.41) |
| Total Capital Contributions, Endowments and Transfers | \$ 86,895,553.70 | \$ 91,807,666.39 |
| Change in Net Position | \$ (30,167,107.20) | \$ (61,683,651.21) |
| Total Net Position, September 1 | \$ 1,330,092,819.98 | \$ 1,457,642,673.17 |
| Restatements | 1,980,503.38 | (65,866,201.98) |
| Total Net Position, September 1 as Restated | \$ 1,332,073,323.36 | \$ 1,391,776,471.19 |
| Total Net Position, August 31 | <u>\$ 1,301,906,216.16</u> | <u>\$ 1,330,092,819.98</u> |

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**The Texas State University System
Matrix of Operating Expenses Reported by Function
For the Year Ended August 31, 2020**

For the Year Ended August 31, 2020

| Operating Expenses | Instruction | Research | Public Service | Hospitals and Clinics | Academic Support |
|---------------------------------|--------------------------|-------------------------|-------------------------|------------------------------|--------------------------|
| Cost of Goods Sold | \$ (2,374.70) | \$ - | \$ 85,383.70 | \$ - | \$ 5,961.14 |
| Salaries and Wages | 312,100,153.04 | 40,986,461.69 | 10,014,668.44 | 321,817.58 | 69,856,233.49 |
| Payroll Related Costs | 95,109,850.76 | 9,274,433.44 | 3,167,087.78 | 106,454.34 | 19,367,810.44 |
| Professional Fees and Services | 4,535,397.31 | 12,126,431.39 | 1,738,771.28 | 117,113.85 | 21,438,260.02 |
| Federal Pass-Through Expense | - | 976,827.34 | - | - | - |
| State Pass-Through Expense | - | (1,684.91) | - | - | - |
| Travel | 2,811,394.01 | 2,351,376.21 | 231,192.36 | - | 1,192,914.31 |
| Materials and Supplies | 11,725,275.24 | 6,549,156.60 | 1,146,027.00 | 373,790.73 | 27,525,078.29 |
| Communications and Utilities | 282,787.98 | 129,313.84 | 207,505.95 | 26,211.78 | 3,463,606.75 |
| Repairs and Maintenance | 1,317,003.35 | 403,842.68 | 160,456.76 | 3,112.48 | 4,020,070.00 |
| Rentals and Leases | 504,374.23 | 525,243.17 | 671,317.49 | 168,081.79 | 345,540.86 |
| Printing and Reproduction | 637,617.96 | 424,209.80 | 42,581.94 | 432.00 | 325,291.14 |
| Depreciation and Amortization | - | - | - | - | - |
| Bad Debt Expense | 1,311,055.51 | 26,642.26 | 39,013.56 | 1,066.47 | (64,656.45) |
| Interest | 138.65 | 1,152.70 | 29.99 | - | 111.23 |
| Scholarships | (0.00) | - | - | - | - |
| Claims and Judgments | 18,131.40 | 284,060.70 | 8,734.47 | - | 13,859.18 |
| Net OPEB Expense | 38,734,502.84 | 6,768,361.33 | 1,726,703.06 | 105,283.99 | 13,474,477.77 |
| Net Pension Expense | 11,527,303.49 | 2,014,249.56 | 513,863.06 | 31,332.29 | 4,009,975.17 |
| Other Operating Expenses | 2,682,420.66 | 1,609,577.27 | 1,790,944.07 | 58,943.67 | 3,148,139.80 |
| Total Operating Expenses | \$ 483,295,031.73 | \$ 84,449,655.07 | \$ 21,544,280.91 | \$ 1,313,640.97 | \$ 168,122,673.14 |

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**The Texas State University System
Matrix of Operating Expenses Reported by Function
For the Year Ended August 31, 2020**

| Student Services | Institutional Support | Operation and Maintenance of Plant | Scholarship and Fellowships | Auxiliary Enterprises | Depreciation and Amortization | Total Expenses |
|-----------------------------|----------------------------------|---|--|----------------------------------|--|----------------------------|
| \$ 48,082.71 | \$ 87,641.03 | \$ - | \$ - | \$ 411,583.06 | \$ - | \$ 636,276.94 |
| 47,707,415.47 | 71,709,746.03 | 33,670,680.68 | 1,757,569.91 | 42,928,920.13 | - | 631,053,666.46 |
| 14,723,772.14 | 20,877,956.64 | 12,547,536.31 | 901.09 | 13,306,554.49 | - | 188,482,357.43 |
| 5,826,817.72 | 6,065,141.99 | 6,157,600.77 | - | 13,120,284.87 | - | 71,125,819.20 |
| - | - | - | - | - | - | 976,827.34 |
| - | - | - | - | - | - | (1,684.91) |
| 997,086.52 | 854,885.38 | 59,108.64 | 109.80 | 5,946,945.85 | - | 14,445,013.08 |
| 7,797,044.20 | 7,087,396.51 | 7,484,310.79 | 41,407.93 | 44,224,446.62 | - | 113,953,933.91 |
| 974,551.15 | 1,306,413.55 | 19,855,246.69 | - | 12,422,420.34 | - | 38,668,058.03 |
| 733,393.20 | 2,151,672.84 | 8,571,362.38 | - | 5,361,210.39 | - | 22,722,124.08 |
| 364,918.70 | 1,169,738.41 | 1,184,817.06 | - | 720,652.28 | - | 5,654,683.99 |
| 827,216.20 | 669,217.60 | 73,673.82 | - | 761,681.17 | - | 3,761,921.63 |
| - | - | - | - | - | 123,670,307.34 | 123,670,307.34 |
| 909,745.59 | 93,660.91 | 283.24 | (34,933.07) | 618,446.92 | - | 2,900,324.94 |
| 8.45 | 16,751.98 | 2,123.08 | - | 18.92 | - | 20,335.00 |
| - | - | - | 182,627,772.65 | - | - | 182,627,772.65 |
| 220,611.43 | 245,239.14 | - | - | (91,448.71) | - | 699,187.61 |
| 7,544,246.42 | 10,811,534.30 | 8,246,610.16 | 16,495,924.32 | 12,916,851.81 | - | 116,824,496.00 |
| 2,245,151.27 | 3,217,489.01 | 2,454,173.18 | 4,909,151.07 | 3,844,026.90 | - | 34,766,715.00 |
| 3,210,405.08 | 8,532,323.15 | 2,586,416.00 | 23,719.98 | 4,672,512.18 | - | 28,315,401.86 |
| \$ 94,130,466.25 | \$ 134,896,808.47 | \$ 102,893,942.80 | \$ 205,821,623.68 | \$ 161,165,107.22 | \$ 123,670,307.34 | \$ 1,581,303,537.58 |

UNAUDITED

**The Texas State University System
Matrix of Operating Expenses Reported by Function
For the Year Ended August 31, 2020**

For the Year Ended August 31, 2019

| Operating Expenses | Instruction | Research | Public Service | Hospitals and Clinics | Academic Support |
|---------------------------------|--------------------------|-------------------------|-------------------------|------------------------------|--------------------------|
| Cost of Goods Sold | \$ - | \$ - | \$ 14,145.77 | \$ - | \$ 28,581.69 |
| Salaries and Wages | 299,555,588.61 | 36,207,579.58 | 10,678,583.62 | 10,933.33 | 68,395,869.69 |
| Payroll Related Costs | 91,335,051.94 | 7,565,659.78 | 3,425,571.90 | 3,404.75 | 18,762,991.64 |
| Professional Fees and Services | 5,038,178.87 | 13,237,261.54 | 2,235,164.67 | - | 19,831,073.43 |
| Federal Pass-Through Expense | - | 869,172.03 | - | - | - |
| State Pass-Through Expense | - | 198,850.90 | - | - | - |
| Travel | 6,514,593.84 | 3,711,941.42 | 462,341.23 | - | 2,694,486.16 |
| Materials and Supplies | 17,773,252.83 | 6,545,671.98 | 1,725,998.10 | - | 21,505,033.83 |
| Communications and Utilities | 378,692.95 | 223,376.22 | 307,012.68 | - | 3,409,657.68 |
| Repairs and Maintenance | 1,382,628.89 | 350,083.50 | 159,680.85 | - | 4,149,082.34 |
| Rentals and Leases | 598,484.83 | 621,636.29 | 662,931.45 | - | 326,623.84 |
| Printing and Reproduction | 758,032.37 | 440,059.25 | 91,392.12 | - | 448,855.48 |
| Depreciation and Amortization | - | - | - | - | - |
| Bad Debt Expense | 813,045.23 | 2,247.83 | (10,445.60) | - | 48,822.10 |
| Interest | 650.09 | 698.48 | 23.99 | - | 591.66 |
| Scholarships | - | - | - | - | - |
| Claims and Judgments | - | - | 4,393.87 | - | - |
| Net OPEB Expense | 41,393,613.31 | 7,008,296.38 | 2,178,081.60 | 1,726.91 | 13,932,204.47 |
| Net Pension Expense | 7,934,364.86 | 1,343,356.53 | 417,496.63 | 331.02 | 2,670,537.43 |
| Other Operating Expenses | 2,655,215.52 | 1,512,186.14 | 2,694,370.33 | 3,476.00 | 3,876,826.85 |
| Total Operating Expenses | \$ 476,131,394.14 | \$ 79,838,077.85 | \$ 25,046,743.21 | \$ 19,872.01 | \$ 160,081,238.29 |

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**The Texas State University System
Matrix of Operating Expenses Reported by Function
For the Year Ended August 31, 2020**

| Student Services | Institutional Support | Operation and Maintenance of Plant | Scholarship and Fellowships | Auxiliary Enterprises | Depreciation and Amortization | Total Expenses |
|-----------------------------|----------------------------------|---|--|----------------------------------|--|----------------------------|
| \$ 77,129.36 | \$ 2,888.80 | \$ - | \$ - | \$ 611,069.84 | \$ - | \$ 733,815.46 |
| 46,267,918.46 | 66,324,233.04 | 32,950,190.60 | 1,798,013.50 | 42,781,816.23 | - | 604,970,726.66 |
| 14,136,338.39 | 18,931,531.82 | 12,260,879.59 | 589.79 | 12,437,504.47 | - | 178,859,524.07 |
| 6,258,748.79 | 4,440,321.39 | 6,788,389.77 | - | 15,525,732.54 | - | 73,354,871.00 |
| - | - | - | - | - | - | 869,172.03 |
| - | - | - | - | - | - | 198,850.90 |
| 1,974,016.35 | 1,439,403.61 | 89,492.57 | - | 7,877,559.16 | - | 24,763,834.34 |
| 6,653,639.22 | 7,382,354.07 | 8,875,364.70 | 935.95 | 50,608,895.92 | - | 121,071,146.60 |
| 1,123,770.90 | 2,348,308.77 | 19,347,966.01 | - | 14,345,946.13 | - | 41,484,731.34 |
| 485,949.42 | 2,724,260.28 | 6,894,114.11 | - | 4,648,971.09 | - | 20,794,770.48 |
| 434,445.00 | 1,009,632.28 | 1,678,029.15 | - | 1,321,194.04 | - | 6,652,976.88 |
| 912,906.82 | 752,217.42 | 47,424.49 | - | 736,709.82 | - | 4,187,597.77 |
| - | - | - | - | - | 112,750,894.06 | 112,750,894.06 |
| 8,165.71 | 341,304.06 | 6,212.06 | 43,085.39 | 2,020,842.50 | - | 3,273,279.28 |
| 141.60 | 18,760.15 | 836.76 | - | 275.57 | - | 21,978.30 |
| - | - | - | 131,852,549.08 | - | - | 131,852,549.08 |
| 85,108.68 | 17,511.81 | - | - | 1,040,969.78 | - | 1,147,984.14 |
| 7,963,244.64 | 10,885,058.49 | 8,829,164.65 | 11,901,093.27 | 16,405,101.28 | - | 120,497,585.00 |
| 1,526,401.86 | 2,086,457.76 | 1,692,382.19 | 2,281,212.22 | 3,144,544.50 | - | 23,097,085.00 |
| 3,639,029.61 | 6,452,096.11 | 2,139,216.71 | - | 5,794,466.75 | - | 28,766,884.02 |
| \$ 91,546,954.81 | \$ 125,156,339.86 | \$ 101,599,663.36 | \$ 147,877,479.20 | \$ 179,301,599.62 | \$ 112,750,894.06 | \$ 1,499,350,256.41 |

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**The Texas State University System
Statement of Cash Flows
For the Year Ended August 31, 2020**

| | <u>2020</u> | <u>2019</u> |
|---|----------------------------|----------------------------|
| Cash Flows from Operating Activities | | |
| Receipts from Customers | \$ 14,464,972.30 | \$ 16,137,476.91 |
| Proceeds from Tuition and Fees | 526,017,276.01 | 537,162,700.23 |
| Proceeds from Research Grants and Contracts | 131,261,994.10 | 129,156,443.08 |
| Proceeds from Loan Programs | 7,544,212.54 | 20,856,416.65 |
| Proceeds from Auxiliaries | 139,342,570.86 | 154,535,294.25 |
| Proceeds from Other Operating Revenues | 16,530,683.27 | 15,240,835.48 |
| Payments to Suppliers for Goods and Services | (286,380,821.74) | (317,138,198.25) |
| Payments to Employees for Salaries | (622,521,725.34) | (611,939,627.68) |
| Payments to Employees for Benefits | (125,331,811.66) | (125,577,182.73) |
| Payments for Loans Provided | (7,280,646.60) | (21,189,483.91) |
| Payments for Other Operating Expenses | (152,420,321.79) | (114,806,594.55) |
| Net Cash Provided by Operating Activities | <u>\$ (358,773,618.05)</u> | <u>\$ (317,561,920.52)</u> |
| Cash Flows from Noncapital Financing Activities | | |
| Proceeds from State Appropriations | \$ 377,871,876.05 | \$ 350,005,904.28 |
| Proceeds from Gifts | 28,532,803.21 | 33,443,612.09 |
| Proceeds from Endowments | 3,392,082.97 | 7,595,127.75 |
| Proceeds of Transfers from Other Funds | 3,241,678.27 | 898,070.92 |
| Proceeds from Grant Receipts | 195,042,244.13 | 144,268,715.59 |
| Proceeds from Other Noncapital Financing Activities | 14,319,566.83 | 2,885,773.90 |
| Payments for Transfers to Other Funds | (618,855.56) | (741,935.98) |
| Payments for Other Noncapital Financing Uses | (12,922,814.49) | (4,549,439.17) |
| Net Cash Provided by Noncapital Financing Activities | <u>\$ 608,858,581.41</u> | <u>\$ 533,805,829.38</u> |
| Cash Flows from Capital and Related Financing Activities | | |
| Proceeds from the Sale of Capital Assets | \$ 59,014.72 | \$ 149,849.37 |
| Proceeds from Debt Issuance | 908,414,610.80 | 348,095,000.00 |
| Proceeds from Other Capital and Related Financing Activities | - | 1,643.48 |
| Payments for Additions to Capital Assets | (175,836,745.35) | (272,684,906.63) |
| Payments of Principal on Debt | (885,399,724.28) | (335,157,247.47) |
| Payments of Interest on Debt Issuance | (40,254,157.16) | (44,454,614.96) |
| Payments of Other Costs of Debt Issuance | (1,912,571.79) | - |
| Net Cash Provided by Capital and Related Financing Activities | <u>\$ (194,929,573.06)</u> | <u>\$ (304,050,276.21)</u> |

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**The Texas State University System
Statement of Cash Flows
For the Year Ended August 31, 2020**

| | <u>2020</u> | <u>2019</u> |
|--|---------------------------------|---------------------------------|
| Cash Flow from Investing Activities | | |
| Proceeds from Sales of Investments | \$ 153,766,312.57 | \$ 248,671,737.84 |
| Proceeds from Interest Income | 5,031,546.86 | 5,906,320.73 |
| Proceeds from Investment Income | 14,617,974.96 | 32,820,753.79 |
| Payments to Acquire Investments | (103,083,973.10) | (361,814,883.07) |
| Net Cash Provided by Investing Activities | <u>\$ 70,331,861.29</u> | <u>\$ (74,416,070.71)</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | \$ 125,487,251.59 | \$ (162,222,438.06) |
| Cash and Cash Equivalents, September 1 | \$ 477,676,885.59 | \$ 639,899,323.65 |
| Restatements to Beginning Cash and Cash Equivalents | (2,117,119.34) | - |
| Cash and Cash Equivalents, September 1 - Restated | <u>475,559,766.25</u> | <u>639,899,323.65</u> |
| Cash and Cash Equivalents, August 31 | <u><u>\$ 601,047,017.84</u></u> | <u><u>\$ 477,676,885.59</u></u> |

**Reconciliation of Operating Income to Net Cash
Provided by Operating Activities**

| | | |
|---|---------------------|---------------------|
| Operating Income (Loss) | \$ (699,591,641.60) | \$ (620,586,962.49) |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities: | | |
| Amortization and Depreciation | 123,670,307.34 | 112,750,894.06 |
| Bad Debt Expense | 2,900,324.94 | 3,273,279.28 |
| Pension and OPEB Expense | 151,591,211.00 | 143,594,670.00 |
| On-Behalf Benefit Payments | 50,039,936.18 | 46,835,626.31 |
| Operating Income (Loss) and Cash Flow Categories: Classification Differences | | |
| Changes in Assets and Liabilities: | | |
| (Increase) Decrease in Receivables | (9,996,380.62) | 1,463,087.77 |
| (Increase) Decrease in Due from Other Funds | 254,774.60 | (147,206.25) |
| (Increase) Decrease in Inventories | (155,230.65) | 2,148,002.19 |
| (Increase) Decrease in Prepaid Expenses | 939,802.21 | (5,733,390.75) |
| (Increase) Decrease in Notes Receivable | (2,329,628.66) | (592,736.22) |
| (Increase) Decrease in Loans & Contracts | 698,977.10 | (83,462.77) |
| (Increase) Decrease in Other Assets | 527,147.93 | (2,088,602.19) |

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**The Texas State University System
Statement of Cash Flows
For the Year Ended August 31, 2020**

| | 2020 | 2019 |
|--|-----------------------------------|-----------------------------------|
| Increase (Decrease) in Payables | 10,651,055.87 | (8,646,591.36) |
| Increase (Decrease) in Deposits | (4,849.00) | 27,290.84 |
| Increase (Decrease) in Due to Other Funds | 893,818.52 | (123,054.21) |
| Increase (Decrease) in Unearned Revenue | 3,967,632.05 | 9,767,498.91 |
| Increase (Decrease) in Compensated Absence Liability | 2,806,990.84 | 646,797.55 |
| Increase (Decrease) in Benefits Payable | 4,340,480.30 | 154,746.11 |
| Increase (Decrease) in Other Liabilities | 21,653.60 | (221,807.30) |
| Total Adjustments | <u>\$ 340,818,023.55</u> | <u>\$ 303,025,041.97</u> |
| Net Cash Provided by Operating Activities | <u><u>\$ (358,773,618.05)</u></u> | <u><u>\$ (317,561,920.52)</u></u> |
| Non Cash Transactions | | |
| Donation of Capital Assets | \$ 226,723.34 | \$ 3,346,313.33 |
| Net Change in Fair Value of Investments | \$ 21,163,777.65 | \$ (16,758,160.90) |
| Loss on Sale of Capital Assets | \$ (478,095.43) | \$ (584,754.28) |

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**The Texas State University System
Statement of Fiduciary Net Position
For the Year Ended August 31, 2020**

| | <u>2020</u> |
|-------------------------------------|-------------------------------|
| Assets | |
| Cash and Cash Equivalents: | |
| Cash on Hand (Including Petty Cash) | \$ 100.00 |
| Cash in Bank (Note 3) | 1,856,150.05 |
| Receivables: | |
| Accounts | 17,884.10 |
| Other | 5,730.34 |
| Total Assets | <u><u>\$ 1,879,864.49</u></u> |
| Liabilities | |
| Payables from: | |
| Accounts Payable | \$ 144,361.71 |
| Other Liabilities | 15,415.84 |
| Total Liabilities | <u><u>\$ 159,777.55</u></u> |
| Net Position | |
| Fiduciary Net Position | \$ 1,720,086.94 |
| Total Net Position | <u><u>\$ 1,720,086.94</u></u> |

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**The Texas State University System
Statement of Changes in Fiduciary Net Position
For the Year Ended August 31, 2020**

| | <u>2020</u> |
|--|------------------------------------|
| Additions: | |
| Contributions: | |
| Other Contributions | \$ 28,447,479.07 |
| Total Contributions | <u>\$ 28,447,479.07</u> |
| From Investing Activities: | |
| Interest, Dividend and Other | \$ 1,800.65 |
| Total Net Investment Income | <u>\$ 1,800.65</u> |
| Other Additions: | |
| Other Revenue | \$ 194,137.55 |
| Total Other Additions | <u>\$ 194,137.55</u> |
| Total Additions | <u><u>\$ 28,643,417.27</u></u> |
| Deductions: | |
| Administrative Expenses | \$ 911,193.93 |
| Other Expenses | <u>28,129,255.74</u> |
| Total Deductions | <u><u>\$ 29,040,449.67</u></u> |
| Increase (Decrease) in Net Position | <u><u>\$ (397,032.40)</u></u> |
| Net Position: | |
| Total Net Position, September 1 | \$ - |
| Restatements | <u>2,117,119.34</u> |
| Total Net Position, September 1 as Restated | <u>\$ 2,117,119.34</u> |
| Total Net Position, August 31 | <u><u>\$ 1,720,086.94</u></u> |

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The Texas State University System Notes to the Financial Statements For the Year Ended August 31, 2020

NOTE 1: Summary of Significant Accounting Policies

Reporting Entity

The Texas State University System (TSUS), founded in 1911, is the first higher education system established in Texas. Beginning as an administrative means to consolidate the support and management of state teacher colleges, the System has evolved into a network of higher education institutions stretching from the Texas–Louisiana border to the Big Bend region of west Texas.

Today, seven component institutions offer a broad range of academic and career opportunities. Those institutions are located throughout the state and include Lamar University, Sam Houston State University, Sul Ross State University, Texas State University, Lamar Institute of Technology, Lamar State College-Orange, and Lamar State College-Port Arthur. Throughout the System, faculty and staff are preparing students to work in and contribute to our global society.

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

The financial records of TSUS comply with state statutes and regulations, including compliance with the Texas Comptroller of Public Accounts' *Reporting Requirements for State Institutions of Higher Education*. However, due to the statewide requirements embedded in Governmental Accounting Standards Board Statement 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, the Comptroller of Public Accounts does not require the accompanying annual financial report to comply with all the requirements of the statement. TSUS's annual financial report will be considered for audit by the State Auditor as part of the audit of the State of Texas Comprehensive Annual Financial Report; therefore, an opinion has not been expressed on the financial statements and related information contained in this report.

Fund Structure

The accompanying financial statements are presented on the basis of funds. A fund is considered a separate accounting entity. The fund designation for institutions of higher education is a Business Type Activity within the Proprietary Fund Type.

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The Texas State University System Notes to the Financial Statements For the Year Ended August 31, 2020

Business Type Activity funds account for activities financed through the charging of fees and sales for goods or services to the ultimate user. Institutions of higher education report their financial activities as business type because the institution's funding comes primarily through charges to students, sales of goods and services, and grant revenues.

Custodial funds account for funds that are controlled by TSUS, not derived from TSUS's own sources of revenues, and are for the benefit of individuals or organizations that are not a part of TSUS. The custodial funds are reported within the Fiduciary Fund Type.

Component Units

The fund types of the individual discrete component units are available from the component units' separately issued financial statements. Additional information about component units can be found in Note 19.

Basis of Accounting

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

Both Business Type Activity funds and Custodial funds are accounted for using the full accrual basis of accounting. Under the full accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the accounting period when they are incurred. Proprietary funds distinguish operating from non-operating items. Operating revenues and expenses result from providing services or producing and delivering goods in connection with the proprietary funds principal ongoing operations. Operating expenses for the proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets.

Budget and Budgetary Accounting

The operating budget is prepared annually and represents appropriations authorized by the legislature and approved by the Governor (the General Appropriations Act) and other revenues generated by System components. Unencumbered appropriations are generally subject to lapse 60 days after the end of the fiscal year for which they were appropriated.

Cash and Cash Equivalents

Short-term highly liquid investments with an original maturity of three months or less are considered cash equivalents.

Securities Lending Collateral

Investments are stated at fair value in all funds except pension trust funds in accordance with GASB Statement 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. For pension trust funds, investments are required to be reported at fair value using the accrual basis of accounting in accordance with GASB

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The Texas State University System Notes to the Financial Statements For the Year Ended August 31, 2020

Statement 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans.*

Securities lent are reported as assets on the balance sheet. The costs of securities lending transactions are reported as expenditures or expenses in the Operating Statement. These costs are reported at gross.

Restricted Assets

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

Inventories and Prepaid Items

Inventories include both merchandise inventories on hand for sale and consumable inventories. Inventories are valued at cost, generally utilizing the last-in, first-out method. The consumption method of accounting is used to account for inventories and prepaid items that appear in the proprietary fund types. The cost of these items is expensed when the items are consumed.

Capital Assets and Related Debt

Purchases of assets with an estimated useful life in excess of one year exceeding TSUS's capitalization thresholds are recorded as capital assets at their acquisition cost on the date of acquisition. Donated assets with an estimated useful life in excess of one year exceeding the capitalization thresholds are recorded as capital assets at their fair market value on the date of acquisition. Intangible capital assets are defined as assets that lack physical substance, are nonfinancial in nature and have an initial useful life extending beyond a single reporting period. Routine repairs and maintenance that do not increase the value of buildings are charged to operating expense in the year in which the expense was incurred.

TSUS's capitalization thresholds are:

| Asset Category | Threshold |
|---|------------------|
| Land, land improvements, and land use rights | All acquisitions |
| Books and materials for academic and research libraries | All acquisitions |
| Works of art and historical treasures not held for financial gain | All acquisitions |
| Furniture, equipment, and vehicles | \$5,000 |
| Buildings and building, facilities, and other improvements | \$100,000 |
| Purchased computer software and land use rights (A) | \$100,000 |
| Infrastructure | \$500,000 |
| Internally generated computer software | \$1,000,000 |

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

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The Texas State University System Notes to the Financial Statements For the Year Ended August 31, 2020

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

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

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

Bonded indebtedness is issued by the Texas State University System Revenue Financing System, which is comprised of System Administration and each component institution within the system. Debt service requirements are disclosed in Note 6, Bonded Indebtedness.

Current Receivables - Other

Other receivables include year-end revenue accruals not included in any other receivable category.

Deferred Outflows of Resources

For debt refunding, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and reported as deferred outflows or deferred inflows. The gain or loss is amortized using the straight-line method over the remaining life of the old debt or the life of the new debt, whichever is shorter, in the Statement of Revenues, Expenses and Changes in Net Position as a component of interest expense.

Certain changes in the collective net pension liability of the Teacher Retirement System of Texas (TRS) Plan are reported as deferred outflows of resources related to pensions or as deferred inflows of resources related to pensions. See Note 9, *Defined Benefit Pension Plan and Defined Contribution Plan*, for a description of the TRS Plan.

The effect on TSUS's proportionate share of the total pension liability of changes of economic and demographic assumptions or of other inputs that decrease the total pension liability is amortized as a component of pension expense using the straight-line method over the expected average remaining service lives of active and inactive employees.

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The Texas State University System Notes to the Financial Statements For the Year Ended August 31, 2020

Decreases in TSUS's proportion of the collective net pension liability are amortized as a component of pension expense using the straight-line method over the expected average remaining service lives of active and inactive employees.

TSUS's contributions during the measurement period that are less than its proportionate share of total of contributions are amortized as a component of pension expense using the straight-line method over the expected average remaining service lives of active and inactive employees.

The effect on TSUS's proportionate share of the collective net pension liability of more actual earnings on pension plan investments than projected is amortized as a component of pension expense using the straight-line method over a period of five years.

Accounts Payable

Accounts payable represents the liability for the value of assets or services received at the balance sheet date for which payment is pending.

Current Payables – Other

Other payables are the accrual at year end of expenditure transactions not included in any of the other payable descriptions.

Bonds Payable - General Obligation Bonds and Revenue Bonds

General obligation and revenue bonds are reported at par less unamortized discount or plus unamortized premium. Interest expense is reported on the accrual basis, with amortization of discount or premium. Payables are reported separately as either current or non-current in the statement of net assets. Bond proceeds and principal payments are reported in the Statement of Cash Flows.

Employees' Compensable Leave Balances

Employees' compensable leave balances represent the liability that becomes due upon the occurrence of relevant events such as resignations, retirements, and uses of leave balances by covered employees. Liabilities are reported separately as either current or non-current in the statement of net assets.

Capital Lease Obligations

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

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The Texas State University System Notes to the Financial Statements For the Year Ended August 31, 2020

Net Pension Liability

The fiduciary net position of the TRS Plan has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. The measurement of the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the TRS Plan, and additions to/deductions from the TRS Plan's fiduciary net position has been determined on the same basis as reported by TRS. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The framework for measuring fair value is based on a hierarchy that gives the highest priority to the use of observable inputs in an active market and lowest priority to the use of unobservable inputs.

Deferred Inflows of Resources

Certain changes in the collective net pension liability of the TRS Plan are reported as deferred outflows of resources related to pensions or as deferred inflows of resources related to pensions, depending on the type of change. See the section of this note titled *Deferred Outflows of Resources* for an explanation of the accounting treatment.

Net Position

The difference between assets and liabilities is Net Position.

Invested in Capital Assets, Net of Related Debt

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bond, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted Net Position

Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position

Unrestricted net assets consist of net assets which do not meet the definition of the two *preceding* categories. Unrestricted net assets often have constraints on resources, which are imposed by management, but can be removed or modified.

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The Texas State University System Notes to the Financial Statements For the Year Ended August 31, 2020

Interfund Activities and Balances

TSUS has the following types of transactions among funds:

Transfers

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

Reimbursements

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

Interfund Receivables and Payables

Interfund loans are reported as interfund receivables and payables. If repayment is due during the current year or soon thereafter it is classified as “Current”, repayment for two (or more) years is classified as “Noncurrent.”

Interfund Sales and Purchases

Charges or collections for services rendered by one fund to another that are recorded as revenues of the recipient fund and expenditures or expenses of the disbursing fund.

CARES Act

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

GEERF funding, awarded to the State of Texas Governor’s Office and passed through the Texas Higher Education Coordinating Board to TSUS Components, provides direct financial assistance to support students’ efforts to continue or restart their progress toward earning a post-secondary credential or degree. Initial GEERF awards are to maintain need-based financial aid programs and keep more students enrolled at colleges and universities. The initial awards are followed by emergency student support to allow students whose families have been severely financially impacted by COVID-19 to stay enrolled in higher education.

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HEERF funding, awarded directly to TSUS Components, provides support to prevent, prepare for, and respond to COVID-19. Under the terms of the grant agreements, at least 50% of the funds are used to provide emergency financial aid grants to students for expenses related to the disruption of campus operations due to COVID-19. The remainder of the award may be used to cover costs associated with significant changes to the delivery of instruction due to COVID-19, subject to certain restriction outlined in the grant agreements.

In addition to the programs above, certain TSUS components received other federal stimulus funding through programs such as the Minority Serving Institutions Program, Strengthening Institutions Program, Promoting Postbaccalaureate Opportunities for Hispanic Americans Program, and the Corporation for Public Broadcasting.

The revenues from these programs are earned by fulfilling the terms and conditions of the agreements with the funding agencies and are therefore recognized when qualifying expenditures are incurred and eligibility requirements are met.

A summary of CARES Act funding awarded, expensed as of August 31, 2020, and the balance of the unearned amounts are presented below:

| Program | Awarded | Expensed | Unearned |
|---|----------------------|----------------------|----------------------|
| GEERF – Student Financial Aid | \$ 3,855,968 | \$ - | \$ 3,855,968 |
| GEERF – Emergency Student Financial Aid | 6,797,128 | - | 6,797,128 |
| HEERF – Student Allocation | 31,012,393 | 29,132,821 | 1,879,572 |
| HEERF – Institutional Allocation | 31,012,393 | 26,252,862 | 4,759,521 |
| Others | 3,721,397 | 864,734 | 2,856,663 |
| Total | <u>\$ 76,399,275</u> | <u>\$ 56,250,417</u> | <u>\$ 20,148,858</u> |

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The Texas State University System Notes to the Financial Statements For the Year Ended August 31, 2020

NOTE 2: Capital Assets

A summary of changes in Capital Assets for the year ended August 31, 2020 is presented as follows:

| | Balance 09/01/2019 | Adjustments | Completed CIP |
|--|-----------------------------|------------------------|---------------------------|
| Non-depreciable Assets | | | |
| Land and Land Improvements | \$ 125,032,161.36 | \$ 0.00 | \$ 542,417.73 |
| Construction in Progress | 365,144,907.47 | (508,561.83) | (172,700,128.74) |
| Other Intangible Capital Assets | 14,781,666.72 | 0.00 | 0.00 |
| Total Non-depreciable Assets | <u>\$ 504,958,735.55</u> | <u>\$ (508,561.83)</u> | <u>\$(172,157,711.01)</u> |
| Depreciable Assets | | | |
| Building and Building Improvements | \$ 2,354,413,792.50 | \$ 300,000.00 | \$ 149,061,153.06 |
| Infrastructure | 130,363,481.23 | 0.00 | 18,637,925.80 |
| Facilities and Other Improvements | 255,403,743.07 | 0.00 | 4,458,632.15 |
| Furniture and Equipment | 177,715,228.10 | 616,920.06 | 0.00 |
| Vehicles, Boats, and Aircraft | 21,691,588.10 | 5,069.00 | 0.00 |
| Other Capital Assets | 138,140,387.47 | 0.00 | 0.00 |
| Total Depreciable Assets | <u>\$ 3,077,728,220.47</u> | <u>\$ 921,989.06</u> | <u>\$ 172,157,711.01</u> |
| Accumulated Depreciation | | | |
| Building and Building Improvements | \$(1,081,941,636.77) | \$ (132,232.00) | \$ 0.00 |
| Infrastructure | (64,152,713.20) | 0.00 | 0.00 |
| Facilities and Other Improvements | (107,719,075.59) | 181.15 | 0.00 |
| Furniture and Equipment | (128,195,080.29) | 157,812.17 | 0.00 |
| Vehicles, Boats, and Aircraft | (13,436,856.15) | (6,472.25) | 0.00 |
| Other Capital Assets | (76,117,353.75) | 0.00 | 0.00 |
| Total Accumulated Depreciation | <u>\$(1,471,562,715.75)</u> | <u>\$ 19,289.07</u> | <u>\$ 0.00</u> |
| Amortizable Assets – Intangible | | | |
| Computer Software | \$ 35,079,203.14 | \$ 0.00 | \$ 0.00 |
| Total Amortizable Assets – Intangible | <u>\$ 35,079,203.14</u> | <u>\$ 0.00</u> | <u>\$ 0.00</u> |
| Accumulated Amortization | | | |
| Computer Software | \$ (34,902,738.30) | \$ 0.00 | \$ 0.00 |
| Total Accumulated Amortizable | <u>\$ (34,902,738.30)</u> | <u>\$ 0.00</u> | <u>\$ 0.00</u> |
| Capital Assets, Net | <u>\$ 2,111,300,705.11</u> | <u>\$ 432,716.30</u> | <u>\$ 0.00</u> |

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**The Texas State University System
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For the Year Ended August 31, 2020**

| Interagency Transfer-in | Interagency Transfer-out | Additions | Deletions | Balance 08/31/2020 |
|------------------------------------|-------------------------------------|---------------------------|--------------------------|-------------------------------|
| \$ 0.00 | \$ 0.00 | \$ 1,320,638.05 | \$ (0.00) | \$ 126,895,217.14 |
| 0.00 | 0.00 | 138,107,218.55 | (175,689.37) | 329,867,746.08 |
| 0.00 | 0.00 | 736,170.96 | 0.00 | 15,517,837.68 |
| <u>\$ 0.00</u> | <u>\$ 0.00</u> | <u>\$ 140,164,027.56</u> | <u>\$ (175,689.37)</u> | <u>\$ 472,280,800.90</u> |
| \$ 0.00 | \$ 0.00 | \$ 580,256.33 | \$ (117,492.00) | \$ 2,504,237,709.89 |
| 0.00 | 0.00 | 0.00 | 0.00 | 149,001,407.03 |
| 0.00 | 0.00 | 2,705,000.00 | 0.00 | 262,567,375.22 |
| 0.00 | 0.00 | 13,873,222.84 | (5,109,958.50) | 187,095,412.50 |
| 13,638.80 | 0.00 | 1,395,404.60 | (353,685.91) | 22,752,014.59 |
| 0.00 | 0.00 | 6,795,312.35 | (2,666,969.75) | 142,268,730.07 |
| <u>\$ 13,638.80</u> | <u>\$ 0.00</u> | <u>\$ 25,349,196.12</u> | <u>\$ (8,248,106.16)</u> | <u>\$ 3,267,922,649.30</u> |
| \$ 0.00 | \$ 0.00 | \$ (85,736,651.46) | \$ 111,617.40 | \$(1,167,698,902.83) |
| 0.00 | 0.00 | (4,531,334.82) | 0.00 | (68,684,048.02) |
| 0.00 | 0.00 | (10,689,378.44) | 0.00 | (118,408,272.88) |
| 0.00 | 0.00 | (13,923,345.09) | 4,930,520.42 | (137,030,092.79) |
| (13,638.80) | 0.00 | (1,687,036.95) | 352,133.74 | (14,791,870.41) |
| 0.00 | 0.00 | (6,965,213.39) | 2,521,719.02 | (80,560,848.12) |
| <u>\$ (13,638.80)</u> | <u>\$ 0.00</u> | <u>\$(123,532,960.15)</u> | <u>\$ 7,915,990.58</u> | <u>\$(1,587,174,035.05)</u> |
| \$ 0.00 | \$ 0.00 | \$ 1,303,397.67 | \$ (332,523.82) | \$ 36,050,076.99 |
| <u>\$ 0.00</u> | <u>\$ 0.00</u> | <u>\$ 1,303,397.67</u> | <u>\$ (332,523.82)</u> | <u>\$ 36,050,076.99</u> |
| \$ 0.00 | \$ 0.00 | \$ (137,347.19) | \$ 332,523.82 | \$ (34,707,561.67) |
| <u>\$ 0.00</u> | <u>\$ 0.00</u> | <u>\$ (137,347.19)</u> | <u>\$ 332,523.82</u> | <u>\$ (34,707,561.67)</u> |
| <u>\$ 0.00</u> | <u>\$ 0.00</u> | <u>\$ 43,146,314.01</u> | <u>\$ (507,804.95)</u> | <u>\$ 2,154,371,930.47</u> |

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The Texas State University System Notes to the Financial Statements For the Year Ended August 31, 2020

NOTE 3: Deposits, Investments, & Repurchase Agreements

Deposits of Cash in Banks

As of August 31, 2020, the actual bank balance was \$69,982,186.88. The carrying value is presented below.

| | |
|---|-------------------------|
| Cash in Bank – Carrying Value | \$ 57,225,651.94 |
| Proprietary Funds: | |
| Current Assets – Cash in Bank | \$ 42,302,706.92 |
| Current Restricted Assets – Cash in Bank | 10,298,017.54 |
| Noncurrent Restricted Assets – Cash in Bank | 2,768,777.43 |
| Cash in Bank per Statement of Net Position | \$ 55,369,501.89 |
| Proprietary Funds: | |
| Current Assets – Cash in Bank | 1,856,150.05 |
| Cash in Bank per Statement of Net Position | \$ 1,856,150.05 |

Investments

TSUS is authorized to invest operating funds in obligations and instruments as defined in the Public Funds Investment Act (Sec. 2256.001 Texas Government Code) and the Public Funds Collateral Act (Texas Government Code 2257). The Operating Funds Investment Policy of TSUS is designed to provide the maximum safety of invested principal, ensure liquidity for all operating requirements which may be reasonably anticipated, manage interest-rate risk, maximize overall return within the established risk constraints; and provide for diversification of investment assets.

Endowment funds represent private funds including, but not limited to, gifts of property, stock, and real assets, donated to TSUS or its components to provide funding for scholarships, fellowships, professorships, academic chairs, and other uses as specified by the donors. It is the policy of TSUS or its components to invest endowment funds in accordance with the Uniform Prudent Management of Institutional Funds Act (UPMIFA), Texas Property Code Chapter 163.

Amounts Reported at NAV

The System invests a portion of its excess working capital in TexPool and TexPool Prime (TexPool). TexPool investments consist exclusively of U. S. Government securities, repurchase agreements collateralized by U. S. Government securities, and AAA-rated no-load money market mutual funds. TexPool Prime invests in the above plus, commercial

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The Texas State University System Notes to the Financial Statements For the Year Ended August 31, 2020

paper and certificates of deposits. TexPool and TexPool Prime are each rated AAAm by Standard & Poor's. No limitations or restrictions on redemptions exist and redemptions can occur at any time. There are no unfunded commitments.

The System invests a portion of its excess working capital in the Goldman Sachs Financial Square Government Fund. The fund invests in securities issued or guaranteed by the United States or certain U.S. government agencies or instrumentalities ("U.S. Government Securities"), obligations of banks, commercial paper and other short-term obligations of U.S. companies, states, municipalities and other entities, and repurchase agreements. The fund is rated AAAm by Standard & Poor's. No limitations or restrictions on redemptions exist and redemptions can occur at any time. There are no unfunded commitments.

The System invests a portion of its excess working capital in Texas CLASS. The fund only invests in investments legally permitted under Texas State Law (Public Funds Investment Act). The fund is rated AAAm by Standard & Poor's. No limitations or restrictions on redemptions exist and redemptions can occur at any time. There are no unfunded commitments.

As of August 31, 2020, investments, at fair market value, consisted of the following:

| | Value at 08/31/2020 | Fair Value Measurements | | | NAV |
|--|-------------------------|-------------------------|------------------------|------------------------|------------------------|
| | | Level 1 Inputs | Level 2 Inputs | Level 3 Inputs | |
| U.S. Government: | | | | | |
| U.S. Treasury Securities | \$ 7,313,255.26 | \$ 3,269,229.20 | \$ 4,044,026.06 | | |
| U.S. Government Agency Obligations | 9,106,829.42 | 4,144,536.16 | 4,962,293.26 | | |
| Corporate Obligations | 35,525,496.30 | 7,331,507.84 | 20,287,850.46 | \$ 7,906,138.00 | |
| Corporate Asset and Mortgage Backed Securities | 10,289,019.73 | 714,575.20 | 9,574,444.53 | | |
| Equity | 120,095,743.56 | 114,263,046.78 | | 5,832,696.78 | |
| International Obligations (Govt and Corp) | 2,949,139.75 | 1,672,468.63 | 1,276,671.12 | | |
| International Equity | 16,112,580.42 | 16,112,580.42 | | | |
| International Other Commingled Funds | 16,895,396.94 | 16,895,396.94 | | | |
| Domestic Mutual Funds | 73,979,668.47 | 69,261,170.21 | 4,718,498.26 | | |
| International Mutual Funds | 50,820,078.90 | 45,482,715.10 | 5,337,363.80 | | |
| Fixed Income Money Market and Bond Mutual Fund | 153,830,625.90 | 150,498,342.91 | 2,703,883.52 | | \$ 628,399.47 |
| Other Commingled Funds | 43,826,126.18 | 9,781,931.15 | | 11,129,240.12 | 22,916,954.91 |
| Real Estate | 1,739,952.73 | | 1,739,952.73 | | |
| Externally Managed Investments - Domestic | 15,538,825.00 | | | 15,538,825.00 | |
| Miscellaneous | 3,399,536.22 | 3,399,536.22 | | | |
| Total Investments | \$561,424,274.78 | \$442,827,036.76 | \$54,644,983.74 | \$40,406,899.90 | \$23,545,354.38 |

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The Texas State University System Notes to the Financial Statements For the Year Ended August 31, 2020

Total Cash Equivalents Reported at Net Asset Value

| | |
|----------------------------------|--------------------------------|
| Other Commingled Funds – TexPool | <u>\$460,663,294.04</u> |
| Total Cash Equivalents | <u>\$460,663,294.04</u> |

| | |
|---|----------------------------------|
| Total Investments and Cash Equivalents | <u>\$1,022,087,568.82</u> |
|---|----------------------------------|

Proprietary Funds:

| | |
|--|----------------------------------|
| Current Unrestricted Assets - Cash Equivalents | \$ 427,756,930.87 |
| Current Restricted Assets - Cash Equivalents | 44,442,382.37 |
| Current Restricted Assets - Short Term Investments | 12,775,127.29 |
| Noncurrent Restricted Assets - Cash Equivalents | 12,009,335.18 |
| Noncurrent Restricted Assets - Investments | 200,943,134.77 |
| Noncurrent Assets – Investments | <u>324,160,658.34</u> |
| Total per Statement of Net Position | <u>\$1,022,087,568.82</u> |

Credit Risk for Investments

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Operating Funds Investment Policy of the Texas State University System allows the investment of State funds in corporate bonds to be 25% to 100% of the total portfolio. The bonds must be rated in one of the four highest rating categories (AAA, AA, A, BBB).

As of August 31, 2020, the System's credit quality ratings, as assigned by Standard & Poor's, for securities with credit risk exposure were as follows:

| | <u>Rating</u> | <u>Amount</u> |
|------------------------------------|---------------|-----------------|
| U.S. Government Agency Obligations | AAA | \$ 5,012,227.43 |
| | A | 898,815.07 |
| | BBB | 1,448,090.95 |
| | NR | 1,747,695.97 |
| Corporate Obligations | AAA | 93,634.53 |
| | AA | 298,315.79 |
| | A | 5,809,944.32 |
| | BBB | 18,718,576.35 |
| | BB | 283,707.80 |
| | B | 4,848.76 |
| | NR | 10,316,468.75 |

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**The Texas State University System
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| | <u>Rating</u> | <u>Amount</u> |
|---|---------------|---------------------------------|
| Corporate Asset and Mortgage Backed Securities | AAA | 2,319,864.68 |
| | AA | 74,179.88 |
| | A | 413,648.88 |
| | BBB | 249,670.85 |
| | NR | 7,231,655.44 |
| International Obligations (Govt and Corp) | AAA | 20,645.70 |
| | AA | 177,875.11 |
| | A | 755,736.15 |
| | BBB | 1,332,672.76 |
| | BB | 59,556.25 |
| Fixed Income Money Market and Bond Mutual Funds | NR | 602,653.78 |
| | AAA | 135,689,291.79 |
| | AA | 2,954,035.30 |
| | A | 3,798,508.56 |
| | BBB | 3,031,135.63 |
| Externally Managed Investments | BB | 550,157.40 |
| | B | 120,699.87 |
| | NR | 7,686,797.35 |
| | NR | 868,669.00 |
| | BBB | 245,106.63 |
| Miscellaneous | BB | 1,695,689.17 |
| | B | 1,205,475.90 |
| | NR | 253,264.52 |
| | NR | 253,264.52 |
| Total | | <u>\$ 215,969,316.32</u> |

NOTE 4: Short-Term Debt

On May 22, 2014 the Board of Regents, Texas State University System adopted the Eighteenth Supplemental Resolution to the Master Resolution Establishing the Texas State University System Revenue Financing System Commercial Paper Program, Series A. The Eighteenth Supplement authorizes the issuance of Commercial Paper Notes by the Texas State University System in an aggregate principal amount not to exceed \$240,000,000 at any one time outstanding for the purpose of financing project costs of eligible projects and to refinance, renew, or refund commercial paper notes, prior encumbered obligations and parity debt, including interest thereon.

Non-taxable commercial paper was issued during the fiscal year to finance various construction projects. All commercial paper outstanding at year end will mature within

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The Texas State University System Notes to the Financial Statements For the Year Ended August 31, 2020

the next fiscal year or will be rolled into a long-term bond. Commercial paper has short maturities up to 270 days with interest rates ranging during the fiscal year from 0.50% to 3.50%.

The following changes occurred in short-term debt during the year ended August 31, 2020:

| | Balance 09/01/2019 | Increases | Decreases | Balance 08/31/2020 |
|-----------------------------|-----------------------|------------------|------------------|-----------------------|
| Extendable Commercial Paper | \$124,980,000.00 | \$556,437,400.00 | \$586,577,400.00 | \$94,840,000.00 |

NOTE 5: Summary of Long-Term Liabilities

During the year ended August 31, 2020, the following changes occurred in long-term liabilities:

| | Balance 09/01/2019 | Additions | Reductions | Balance 08/31/2020 | Amounts Due Within One Year | Amounts Due Thereafter |
|-----------------------|---------------------------|-------------------------|-------------------------|---------------------------|-----------------------------------|---------------------------|
| Revenue Bonds | \$976,850,000.00 | \$325,535,000.00 | \$282,075,000.00 | \$1,020,310,000.00 | \$ 69,555,000.00 | \$950,755,000.00 |
| Unamortized Premiums | 106,576,845.62 | 26,442,210.80 | 23,293,574.84 | 109,725,481.58 | 6,827,372.05 | 102,898,109.53 |
| Compensable Leave | 26,652,122.77 | 9,434,374.78 | 6,036,395.38 | 30,050,102.17 | 15,085,448.19 | 14,964,653.98 |
| Net Pension Liability | 337,154,171.00 | 0.00 | 60,569,263.00 | 276,584,908.00 | 0.00 | 276,584,908.00 |
| Net OPEB Liability | 615,719,047.00 | 144,730,780.00 | 67,021,579.00 | 693,428,248.00 | 21,977,785.00 | 671,450,463.00 |
| Totals | \$2,062,952,186.39 | \$506,142,365.58 | \$438,995,812.22 | \$2,130,098,739.75 | \$113,445,605.24 | \$2,016,653,134.51 |

Revenue Bonds Payable

Scheduled principal and interest payments for revenue bonds issued and outstanding as of August 31, 2020 are as follows:

| Year(s) | Principal | Interest | Total Debt Service |
|--------------|----------------------------|--------------------------|----------------------------|
| 2021 | \$ 69,555,000.00 | \$ 43,655,827.79 | \$ 113,210,827.79 |
| 2022 | 71,920,000.00 | 40,755,556.38 | 112,675,556.38 |
| 2023 | 65,005,000.00 | 37,654,431.50 | 102,659,431.50 |
| 2024 | 65,975,000.00 | 34,819,177.40 | 100,794,177.40 |
| 2025 | 68,535,000.00 | 31,975,859.78 | 100,510,859.78 |
| 2026-2030 | 331,550,000.00 | 114,417,795.04 | 445,967,795.04 |
| 2031-2035 | 220,710,000.00 | 49,928,320.22 | 270,638,320.22 |
| 2036-2040 | 95,565,000.00 | 15,049,369.28 | 110,614,369.28 |
| 2041-2045 | 31,495,000.00 | 3,658,564.90 | 35,153,564.90 |
| Total | \$ 1,020,310,000.00 | \$ 371,914,902.29 | \$ 1,392,224,902.29 |

See Note 6, *Bonded Indebtedness*, for a further discussion of Revenue Bonds Payable.

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The Texas State University System Notes to the Financial Statements For the Year Ended August 31, 2020

Employees' Compensable Leave

Accrued compensable leave is TSUS's liability for unpaid overtime accrued by classified employees and unused vacation time for all employees. Any obligation to TSUS personnel is paid at the time an employee is dismissed, resigns, or separates from the university, provided the employee has had six months of continuous employment with the State of Texas in their lifetime. An expense and liability are recorded annually as the benefits accrue to employees. Accrued sick leave is only paid when an employee is off due to illness or to the estate of an employee in the event of his/her death. No liability is recorded for these non-vesting rights to sick pay benefits.

Claims and Judgments

See Note 15, *Contingencies and Commitments*, for more information on claims and judgments.

Net Pension Liability

See Note 1, *Summary of Significant Accounting Policies*, and Note 9, *Defined Benefit Pension Plans and Defined Contribution Plan*, for more information on the Net Pension Liability.

Net OPEB Liability

See Note 11, *Post Employment Health Care and Life Insurance Benefits* for more information on the Net OPEB Liability.

Notes and Loans Payable

TSUS had no notes and loans payable for the year ended August 31, 2020.

Capital Leases

TSUS had no capital leases for the year ended August 31, 2020.

NOTE 6: Bonded Indebtedness

The Board of Regents approved the order establishing the Master Resolution for the Texas State University System Revenue Financing System in August 1998. The Master Resolution provides a financing structure under which revenue supported indebtedness of the Revenue Financing System can be incurred. Each component institution and the System Administration of TSUS are members of the Revenue Financing System. The Board pledged all of the funds (revenues) and balances derived or attributable to any member of the Revenue Financing System that is lawfully available to the Board for payments on Parity Debt. Specifically exempted from pledged revenues are:

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- (a) Amounts received on behalf of any member under Article 7, Section 17 of the Constitution of the State of Texas, including the income there from and any balances relating thereto, and
- (b) General Revenue Fund appropriations, except to the extent so specifically appropriated for debt service to the Board by the Legislature of the State of Texas.

Members may use the Revenue Financing System to acquire, purchase, construct, improve, renovate, enlarge, or equip property, buildings, structures, facilities, roads, or related infrastructure. An institution's request for the use of the Revenue Financing System is evaluated for an adequate revenue stream and bonding capacity for the specific institution prior to Board approval of issuing additional parity debt.

The following outstanding bonds have been issued utilizing the Revenue Financing System:

| Bonds | Purpose | Revenue Source for Debt Service | Issue Date | Interest Rates | Amount Issued |
|--|---|--|-------------------|-----------------------|----------------------|
| Refunding Bonds, Series 2010 | To provide funds to refund a portion of the University System's outstanding obligations for debt service savings and to pay any costs related to the issuance of the bonds. | RFS, GR (TRB) | 8/12/2010 | 2.00% - 5.00% | \$99,950,000 |
| Revenue Bonds, Series 2010A | To provide funds to acquire, purchase, construct, improve, renovate, enlarge, or equip property, buildings, structures, facilities, roads, or related infrastructure and to pay any costs related to the issuance of the bonds. | RFS, GR (TRB) | 08/19/2010 | 2.00% - 5.00% | \$65,735,000 |
| Revenue Financing Revenue Bonds, Series 2011 | To provide funds to acquire, purchase, construct, improve, renovate, enlarge, or equip property, buildings, structures, facilities, roads, or related infrastructure and to pay any costs related to the issuance of the bonds. | RFS | 06/14/2011 | 2.00% - 5.00% | \$86,775,000 |
| Revenue and Refunding Bonds, Series 2012 | To provide funds to acquire, purchase, construct, improve, renovate, enlarge, or equip property, buildings, structures, facilities, roads, or related infrastructure and to pay any costs related to the issuance of the bonds. | RFS, GR (TRB) | 02/14/2012 | 2.00% - 5.00% | \$27,860,000 |
| Revenue and Refunding Bonds, Series 2013 | To provide funds to acquire, purchase, construct, improve, renovate, enlarge, or equip property, buildings, structures, facilities, roads, or related infrastructure and to pay any costs related to the issuance of the bonds. | RFS | 02/12/2013 | 2.00% - 5.00% | \$87,060,000 |
| Revenue and Refunding Bonds, Series 2014 | To provide funds to acquire, purchase, construct, improve, renovate, enlarge, or equip property, buildings, structures, facilities, roads, or related infrastructure and to pay any costs related to the issuance of the bonds. | RFS | 07/02/2014 | 1.00% - 5.00% | \$88,415,000 |

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The Texas State University System Notes to the Financial Statements For the Year Ended August 31, 2020

| Bonds | Purpose | Revenue Source for Debt Service | Issue Date | Interest Rates | Amount Issued |
|---|--|---------------------------------|------------|----------------|---------------|
| Revenue and Refunding Bonds, Series 2015A | To provide funds to acquire, purchase, construct, improve, renovate, enlarge, or equip property, buildings, structures, facilities, roads, or related infrastructure and to pay any costs related to the issuance of the bonds. | RFS, GR (TRB) | 03/18/2015 | 2.50% - 5.00% | \$183,560,000 |
| Revenue and Refunding Bonds, Series 2015B | To provide funds to acquire, purchase, construct, improve, renovate, enlarge, or equip property, buildings, structures, facilities, roads, or related infrastructure and to pay any costs related to the issuance of the bonds. | RFS | 03/18/2015 | 0.40% - 3.78% | \$132,160,000 |
| Revenue and Refunding Bonds, Series 2017A | To provide funds to acquire, purchase, construct, improve, renovate, enlarge, or equip property, buildings, structures, facilities, roads, or related infrastructure; to refund a portion of outstanding obligations, and to pay certain costs related to the issuance of the bonds. | RFS, GR (TRB) | 01/31/2017 | 4.00% - 5.00% | \$425,545,000 |
| Revenue Bonds, Series 2017B (Taxable) | To provide funds to acquire, purchase, construct, improve, renovate, enlarge, or equip property, buildings, structures, facilities, roads, or related infrastructure and to pay certain costs related to the issuance of the bonds. | RFS | 01/31/2017 | 0.89% - 3.91% | \$30,980,000 |
| Revenue and Refunding Bonds, Series 2019A | To provide funds to acquire, purchase, construct, improve, renovate, enlarge, or equip property, buildings, structures, facilities, roads or related infrastructure for certain members of the Revenue Financing System, refund a portion of outstanding Commercial Paper Notes, refund a portion of outstanding obligations for debt service savings, and pay certain costs of issuing the bonds. | RFS, GR (TRB) | 12/17/2019 | 3.00% - 5.00% | \$176,055,000 |
| Refunding Bonds, Series 2019B (Taxable) | To provide funds to refund a portion of outstanding obligations for debt service savings and pay certain costs of issuing the bonds. | RFS | 11/21/2019 | 1.76% - 3.29% | \$149,480,000 |

Defeased Bonds

A portion of the proceeds from Revenue and Refunding Bonds, Series 2019A issued on December 17, 2019, were used to refund a portion of Revenue and Refunding Bonds, Series 2010 and a portion of Revenue Financing Revenue Bonds, Series 2010A. Revenue and Refunding Bonds, Series 2019A bonds were issued at a premium of \$26,442,210.80 with a par value of \$176,055,000.00. \$71,800,230.66 of the proceeds

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along with a cash contribution of \$2,118,272.85 from the Texas Tech University System, were placed into an irrevocable trust with an escrow agent to provide for all future debt service on \$19,280,000.00 in principal of Revenue Financing Refunding Bonds, Series 2010 and \$53,185,000.00 in principal of Revenue Financing Revenue Bonds, Series 2010A. The combined liability of \$72,465,000.00 in principal has been removed from the Statement of Net Position.

The refunding resulted in an economic gain of \$13,769,756.65, representing the net present value of the decrease in cash flows required to service the new debt. An accounting gain of \$2,407,714.02 was realized as the net carrying amount of \$76,326,217.53 exceeded the reacquisition price of \$73,918,503.51.

A portion of the proceeds from Refunding Bonds, Series 2019B issued on November 21, 2019, were used to refund a portion of Revenue Financing Revenue Bonds, Series 2011, refund a portion of Revenue Financing Revenue and Refunding Bonds, Series 2012, and refund a portion of Revenue Financing Revenue and Refunding Bonds, Series 2013. Refunding Bonds, Series 2019B bonds were issued at a par value of \$149,480,000.00. \$148,600,247.35 of the proceeds were placed into an irrevocable trust with an escrow agent to provide for all future debt service on \$64,230,000.00 in principal of Revenue Financing Revenue Bonds, Series 2011, \$14,865,000.00 in principal of Revenue Financing Revenue and Refunding Bonds, Series 2012, and \$59,475,000.00 in principal of Revenue Financing Revenue and Refunding Bonds, Series 2013. The combined liability of \$138,390,000.00 in principal has been removed from the Statement of Net Position.

The refunding resulted in an economic gain of \$14,685,131.25 representing the net present value of the decrease in cash flows required to service the new debt. An accounting gain of \$2,675,859.40 was realized as the net carrying amount of \$151,276,106.75 exceeded the reacquisition price of \$148,600,247.35.

Funds Available for Debt Service

GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, as amended, makes a basic distinction between sales of receivables and future revenues, on the one hand, and the pledging of receivables or future revenues to repay a borrowing (a collateralized borrowing) on the other.

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TSUS's pledged revenues consist of unrestricted gifts, investment income, and other nonoperating revenues. The following table provides the pledged revenue information for the System's revenue bonds:

| | |
|--|---------------------|
| Pledged Revenue Required for Future Principal and Interest on Existing Revenue Bonds | \$ 1,392,361,865.74 |
| Term of Commitment Year Ending 8/31 | 2045 |
| Percentage of Pledged Revenue | 100% |
| Current Year Pledged Revenue | \$ 763,587,279.91 |
| Current Year Principal and Interest Paid | \$ 114,620,605.91 |

NOTE 7: Derivative Instruments

TSUS had no activity to report related to derivative instruments for the year ended August 31, 2020.

NOTE 8: Leases

Expenditures related to rent paid or due under operating lease obligations are included in the financial statements. Rental expenses for operating leases for the fiscal year ended August 31, 2020 was \$2,299,584.06.

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

| <u>Fiscal Year Ending August 31,</u> | <u>Amount</u> |
|---|-------------------------------|
| 2021 | \$ 2,080,361.55 |
| 2022 | 1,881,645.78 |
| 2023 | 1,745,557.80 |
| 2024 | 1,657,905.04 |
| 2025 | 164,122.17 |
| 2026-2030 | 293,310.63 |
| Total Minimum Future Lease Rental Payments | <u>\$ 7,822,902.97</u> |

NOTE 9: Defined Benefit Pension Plan and Defined Contribution Plan

Teacher Retirement System of Texas (TRS) Plan

TSUS participates in a cost-sharing, multi-employer, defined benefit pension plan with a special funding situation, administered by TRS. The employers of the TRS plan include the state of Texas, TRS, the state's public schools, education service centers, charter

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schools, and community and junior colleges. All employees of public, state-supported education institutions in Texas who are employed for one-half or more of the standard workload and not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system. Employees of TRS and state of Texas colleges, universities and medical schools are members of the TRS plan.

The TRS Plan provides retirement, disability annuities and death and survivor benefits. The benefit and contribution provisions of the TRS Plan are authorized by state law and may be amended by the Legislature. The pension benefit formulas are based on members' average annual compensation and years of service credit. The standard annuity is 2.3 percent of the average of the five highest annual salaries multiplied by years of service credit. For grandfathered members who were hired on or before August 31, 2005 and meet certain criteria, the standard annuity is based on the average of the three highest annual salaries. The plan does not provide automatic cost of living adjustments (COLAs).

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

During the measurement period of 2019 for fiscal 2020 reporting, the amount of TSUS's contributions recognized by the plan was \$18,622,976. The contribution rates are based on a percentage of the monthly gross compensation for each member. The contribution requirements for the employer and the members in the measurement period are 6.8% and 7.7% respectively.

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, 2019 measurement date.

| | |
|---------------------------------------|---|
| Actuarial Valuation Date | August 31, 2018 rolled forward to August 31, 2019 |
| Actuarial Cost Method | Individual Entry Age Normal |
| Amortization Method | Level Percentage of Payroll, Floating |
| Asset Valuation Method | Market Value |
| Actuarial Assumptions: | |
| Discount Rate | 7.25% |
| Investment Rate of Return | 7.25% |
| Long-term Expected Rate of Return | 7.25% |
| Municipal Bond Rate as of August 2019 | 2.63% ** |
| Inflation | 2.30% |
| Salary Increase | 3.05% to 9.05% including inflation |

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| | |
|--|--|
| Mortality: | |
| Active | 90% of the RP 2014 Employee Mortality Tables for males and females with full generational mortality. |
| Post-Retirement | 2018 TRS Healthy Pensioner Mortality Tables with full generation projection using Scale U-MP. |
| Ad Hoc Post-Employment Benefit Changes | None |

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

The actuarial assumptions used in the valuation were primarily based on the result of an actuarial experience study for the four-year period ending August 31, 2017 and adopted in July 2018. The mortality rates were based on 90% of the RP 2014 employee Mortality Tables for males and females. The post-retirement mortality rates were based on 2018 TRS Healthy Pensioner Mortality Tables.

The actuarial assumptions used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of Aug. 31, 2018 with changes in the following assumptions:

- the single discount rate as of Aug. 31, 2018 was a blended rate of 6.907%, changed to the long-term rate of return of 7.25% as of Aug. 31, 2019; and,
- the enactment of Senate Bill 3 by the 2019 Legislature impacted future salaries by giving eligible active members a \$2,700 increase in fiscal year 2020 in addition to the salary increases expected.

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

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

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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 arithmetic real rates of return for each major asset class for the plan's investment portfolio are presented below:

| Asset Class | Target Allocation | Long-Term Expected Geometric Real Rate of Return |
|--|--------------------------|---|
| Global Equity | | |
| U.S. | 18.00% | 6.40% |
| Non-U.S. Developed | 13.00% | 6.30% |
| Emerging Markets | 9.00% | 7.30% |
| Private Equity | 14.00% | 8.40% |
| Stable Value | | |
| U.S. Treasury | 16.00% | 3.10% |
| Stable Value Hedge Funds | 5.00% | 4.50% |
| Real Return | | |
| Real Assets | 15.00% | 8.50% |
| Energy, Natural Resources and Infrastructure | 6.00% | 7.30% |
| Risk Parity | | |
| Risk Parity | 8.00% | 5.80%/6.50% |
| Asset Allocation Leverage Cash | 2.00% | 2.50% |
| Asset Allocation Leverage | -6.00% | 2.70% |
| Total | <u>100.00%</u> | |

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

| Sensitivity of TSUS's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate | | |
|---|-------------------------------------|------------------------------------|
| <u>1% Decrease (5.907%)</u> | <u>Current Rate (6.907%)</u> | <u>1% Increase (7.907%)</u> |
| \$425,151,183 | \$276,584,908 | \$156,217,549 |

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

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a market-based measurement, not an entity-specific measurement. TRS utilizes one or more of the following valuation techniques 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 2019 CAFR.

At August 31, 2020, TSUS reported a liability of \$276,584,908 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of August 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. Sample Agency's proportion at August 31, 2020 was 0.5321% percent which was a decrease from the 0.6125% percent measured at the prior measurement date. Sample Agency'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, 2018 through August 31, 2019.

For the year ending August 31, 2020, TSUS recognized pension expense of \$53,289,560. At August 31, 2020, TSUS reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|--|
| Difference between expected and actual experience | \$ 1,161,905 | \$ 9,603,467 |
| Changes of assumptions | 85,810,222 | 35,460,845 |
| Net difference between projected and actual investment return | 2,777,230 | - |
| Change in proportion and contribution difference | 60,481,234 | 39,636,761 |
| Contributions subsequent to the measurement date | 17,323,226 | - |
| Total | <u>\$167,553,817</u> | <u>\$84,701,073</u> |

The \$17,323,226 reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending August 31, 2021.

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

| <u>Year ended August 31,</u> | <u>Expense</u> |
|------------------------------|----------------------------|
| 2021 | 12,515,298 |
| 2022 | 10,051,245 |
| 2023 | 20,455,897 |
| 2024 | 20,590,527 |
| 2025 | 6,199,159 |
| Thereafter | <u>(4,282,608)</u> |
| Total | <u>\$65,529,518</u> |

Optional Retirement Program (ORP)

The State has also established the Optional Retirement Program (ORP) for institutions of higher education, which is available to certain eligible employees in lieu of participation in the TRS Plan. Employees eligible for participation in ORP are defined in Texas Administrative Code § 25.4.

ORP provides for the purchase of annuity contracts and mutual funds. Participants are vested in the employer contributions after one year and one day of service. Depending upon the source of funding for the employee's compensation, TSUS may be required to make the employer contributions in lieu of the State.

Employee and employer contribution rates are established by the State Legislature. Fiscal year 2020 contributions were made by participants at a rate of 6.65 percent of annual compensation. The State provides an option for a local supplement on top of the state base rate. Each component of TSUS may elect to adopt and fund this local supplement at their discretion. Employer contributions are therefore comprised of the state base rate of 6.60 percent plus up to a 1.90 percent local supplement as elected by each component.

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

| | |
|---------------------------|-------------------------------|
| Participant contributions | \$11,968,271.98 |
| Employer contributions | <u>\$12,736,356.48</u> |
| Total | <u>\$24,704,628.46</u> |

Since contributions are invested in individual annuity contracts, neither the State nor TSUS have any additional or unfunded liability for this program.

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NOTE 10: Deferred Compensation

The state of Texas offers a deferred compensation plan to all state employees. This plan is in accordance with Internal Revenue Code Section 457 and permits employees to defer a portion of their salary until future years. The deferred compensation funds are not available to employees until distribution due to termination, retirement, death or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts and all income attributable to those amounts, property or rights are held in trust by the Employees Retirement System (ERS) Board of Trustees for the exclusive benefit of participants and their beneficiaries and may not be used for, or diverted to, any other expense, except to defray the reasonable expenses of administering the plan.

The Board of Trustees is not liable to participating employees for the diminution in value or loss of all or part of the participating employees' deferred amounts or investment income because of market conditions or the failure, insolvency or bankruptcy of a qualified vendor.

The state also administers the Texa\$aver 401(k) plan. The assets of this plan do not belong to the state and the state has no liability related to this plan.

As the administering agency, the Employees Retirement System reports the plans, balances, and liabilities.

NOTE 11: Post Employment Health Care and Life Insurance Benefits

ERS plan

Employees Retirement System 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

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

During the measurement period of 2019 for fiscal 2020 reporting, the amount of TSUS's contributions recognized by the plan was \$59,451,135. 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 | \$1,340.82 |
| Retiree & Children | \$1,104.22 |
| Retiree & Family | \$1,820.22 |

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, 2019 measurement date.

Actuarial Methods and Assumptions

| | SRHP |
|-------------------------------|--|
| Actuarial Valuation Date | August 31, 2019 |
| Actuarial Cost Method | Entry Age |
| Amortization Method | Level Percent of Payroll, Open |
| Remaining Amortization Period | 30 Years |
| Actuarial Assumptions: | |
| Discount Rate | 2.97% * |
| Inflation | 2.50% |
| Salary Increase | 2.50% to 9.50%, including inflation 7.30% for FY 2021, 7.40% for FY 2022, 7.00% for FY 2023, decreasing 0.50% per year to an ultimate rate of 4.50% for FY 2028 and later years |
| HealthSelect | |

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| | |
|--|--|
| HealthSelect Medicare Advantage | 10.80% for FY 2021, 7.40% for FY 2022, 7.00% for FY 2023, decreasing 0.50% per year to an ultimate rate of 4.50% for FY 2028 and later years |
| Aggregate Payroll Growth | 3.00% |
| Retirement Age | Experience-based tables of rates that are specific to the class of employee |
| Mortality | |
| State Agency Members | |
| Service Retirees, Survivors and Other Inactive Members | 2017 State Retirees of Texas Mortality table with a 1 year set forward for male CPO/CO members and Ultimate MP Projection Scale projected from the year 2017 |
| Disabled Retirees | RP-2014 Disabled Retiree Mortality with Ultimate MP Projection Scale projected from the year 2014 |
| Active Members | RP-2014 Active Member Mortality tables with Ultimate MP Projection Scale from the year 2014 |
| Higher Education Members | |
| Service Retirees, Survivors and Other Inactive Members | Tables based on TRS experience with Ultimate MP Projection Scale from the year 2018 |
| Disabled Retirees | Tables based on TRS experience with Ultimate MP Projection Scale from year 2018 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 RP-2014 Employee Mortality multiplied by 90% with Ultimate MP Projection Scale from the year 2014 |
| Ad Hoc Post-Employment Benefit Changes | None |

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

The many actuarial assumptions used in the valuation were primarily based on the result of actuarial experience studies performed by ERS and TRS retirement plan actuaries for

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the period Sept. 1, 2011 to Aug. 31, 2016 for state agency members and for the period Sept. 1, 2010 to Aug. 31, 2017 for higher education members. Mortality rates were based on the tables identified in the table above titled *Actuarial Methods and Assumptions*.

The following assumptions and other inputs have been adopted since the prior valuation to reflect plan experience and trends as expected by ERS and the actuaries attesting to the results of the valuation:

- a. assumed Per Capita Health Benefit Costs and assumed Health Benefit Cost, Retiree Contribution and expense trends have been updated to reflect recent experience and its effects on our short-term expectations;
- b. 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;
- c. percentage of future male retirees assumed to be married and electing coverage for their spouse have been updated to reflect recent plan experience and expected trends;
- d. percentage of future retirees and their spouses assumed to use tobacco have been updated to reflect recent plan experience and expected trends; and,
- e. discount rate assumption was decreased from 3.96% to 2.97% 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 only benefit revisions that have been adopted since the prior valuation for retirees and dependents for whom Medicare is not primary is an increase in the out-of-pocket maximum for both HealthSelect and Consumer Directed HealthSelect plans in order to remain consistent with Internal Revenue Service maximums.

The discount rate that was used to measure the total OPEB liability is the municipal bond rate of 2.97% as of the end of the measurement year; as of the beginning of the measurement year, the discount rate was 3.96%. Projected cash flows into the plan are equal to projected benefit payments out of the plan. As the plan operates on a pay as you go basis and is not intended to accumulate assets, there is no long-term expected rate of return. ERS' board of trustees adopted an amendment to the investment policy in August 2017 to require that all funds in this plan be invested in short-term fixed income securities and specify that the expected rate of return on these investments be at least 2.4%. The investment rate of return used to calculate the projected earnings on OPEB plan investments was 3.96%.

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

**Sensitivity of TSUS's Proportionate Share of the Net OPEB Liability to
Changes in the Discount Rate (\$ thousands)**

| 1% Decrease (1.97%) | Current Discount Rate (2.97%) | 1% Increase (3.97%) |
|--------------------------------|--|--------------------------------|
| <hr/> \$827,476 | <hr/> \$693,428 | <hr/> \$590,284 |

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

**Sensitivity of TSUS's Proportionate Share of the Net OPEB Liability to Changes
in the Healthcare Cost Trend Rate (\$ thousands)**

| 1% Decrease HS/HSMA: 6.30/9.80 % decreasing to 3.50% | Current Healthcare Cost Trend Rates HS/HSMA: 7.30/10.80 % decreasing to 4.50% | 1% Increase HS/HSMA: 8.30/11.80 % decreasing to 5.50% |
|---|--|--|
| <hr/> \$582,266 | <hr/> \$693,428 | <hr/> \$838,692 |

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 2019 CAFR.

At August 31, 2020, TSUS reported a liability of \$693,428,248 for its proportionate share of the collective net OPEB liability. The collective net OPEB liability was measured as of August 31, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. TSUS's proportion at August

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31, 2019 was 2.00629222 percent. TSUS'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, 2018 through August 31, 2019.

For the year ending August 31, 2020, TSUS recognized OPEB expense of \$120,003,498. At August 31, 2020, TSUS 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 |
|---|---|--|
| Difference between expected and actual experience | | \$ 18,043,623 |
| Changes of assumptions | \$ 9,347,595 | 154,954,921 |
| Net difference between projected and actual investment return | 285,086 | |
| Effect of change in proportion and contribution difference | 452,807,056 | 29,528,242 |
| Contributions subsequent to the measurement date | 3,179,002 | |
| Total | <u>\$505,618,739</u> | <u>\$202,526,786</u> |

The \$3,179,002 reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net OPEB liability for the year ending August 31, 2021.

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

Year ended August 31:

| | |
|------------|---------------|
| 2021 | \$ 71,345,532 |
| 2022 | \$ 71,345,532 |
| 2023 | \$ 90,358,666 |
| 2024 | \$ 64,823,418 |
| 2025 | \$ 2,039,804 |
| Thereafter | \$ 0 |

NOTE 12: Interfund Activity and Transactions

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

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NOTE 13: Continuance Subject to Review

TSUS is not subject to the Texas Sunset Act.

NOTE 14: Adjustments to Fund Balances and Net Position

During fiscal year 2020, components of TSUS had adjustments to beginning net position as follows:

| | <u>Proprietary</u> | <u>Custodial</u> |
|--|-----------------------|-----------------------|
| Adjustments to prior year capital asset balances | \$ 432,716.30 | |
| Adjustment related to unrecorded deposit | 1,547,787.08 | |
| Adjustment related to implementation of GASB 84 | - | \$2,117,119.34 |
| Total Restatement | <u>\$1,980,503.38</u> | <u>\$2,117,119.34</u> |

The restatements of beginning net position on the Statement of Revenues, Expenses and Changes in Net Position and Changes in Fiduciary Net Position are as follows:

| | <u>Proprietary</u> | <u>Custodial</u> |
|---|---------------------------|-----------------------|
| Net Position, August 31, 2019 as Previously Reported | \$1,330,092,819.98 | \$ - |
| Total Restatement | 1,980,503.38 | 2,117,119.34 |
| Net Position, August 31, 2019 as Restated | <u>\$1,332,073,323.36</u> | <u>\$2,117,119.34</u> |

Cash and cash equivalents on the Statement of Cash Flows were restated due to the implementation of GASB 84 as follows:

| | <u>Proprietary</u> |
|---|-------------------------|
| Net Position, August 31, 2019 as Previously Reported | \$477,676,885.59 |
| Total Restatement | (2,117,119.34) |
| Net Position, August 31, 2019 as Restated | <u>\$475,559,766.25</u> |

NOTE 15: Contingencies and Commitments

At August 31, 2020, various lawsuits and claims involving TSUS were pending. While the ultimate liability with respect to litigation and other claims asserted cannot be reasonably estimated at this time, such liability, to the extent not provided for by insurance or otherwise, is unlikely to have a material effect on TSUS. Under Texas law, TSUS, as an agency of the State of Texas, enjoys immunity from most causes of action. Most claims are dismissed prior to trial.

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**The Texas State University System
Notes to the Financial Statements
For the Year Ended August 31, 2020**

NOTE 16: Subsequent Events

On September 8, 2020, the TSUS Revenue Financing System (RFS) issued \$2,700,000.00 in Tax-Exempt Commercial Paper Notes to finance a capital project at one of the TSUS components. Subsequent to the issuance, \$97,540,000.00 of Tax-Exempt Commercial Paper Notes were outstanding.

TSUS anticipates issuing \$801,000.00 in Tax-Exempt Commercial Paper Notes on December 2, 2020. Subsequent to the issuance, \$98,341,000.00 of Tax-Exempt Commercial Paper Notes is expected to be outstanding.

TSUS anticipates issuing debt to redeem a portion of the outstanding Commercial Paper Notes in February 2021. The amount is anticipated to be approximately \$94,000,000.00.

NOTE 17: Risk Management

TSUS may be subject to a variety of civil claims or complaints arising from the performance of its duties; however, no claims or complaints are currently pending against TSUS for actions arising from performance of its duties. It is TSUS's policy periodically to assess the proper combination of commercial insurance and retention of risk to cover losses to which it may be exposed. Currently purchase of commercial insurance is not planned, nor is TSUS involved in any risk pool with other government entities for these risks.

Changes in the claims liabilities during the current and prior fiscal years were:

| Fiscal Year | Beginning Balance | Additions | Reductions | Ending Balance |
|------------------------|------------------------------|------------------|-------------------|---------------------------|
| 2020 | \$0.00 | \$699,187.61 | \$699,187.61 | \$0.00 |
| 2019 | \$0.00 | \$1,147,984.14 | \$1,147,984.14 | \$0.00 |

NOTE 18: Management's Discussion and Analysis (MD&A)

Although MD&A is a required part of the basic financial statements, MD&A is omitted because TSUS is reported as a component of the State of Texas in the Comprehensive Annual Financial Report (CAFR) for the State of Texas. MD&A, as it relates to TSUS, can be found in the State of Texas CAFR.

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The Texas State University System Notes to the Financial Statements For the Year Ended August 31, 2020

NOTE 19: The Financial Reporting Entity

The combined Texas State University System has the following component units and related parties.

Component Units

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

Texas State University has the following blended component units:

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

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

During the fiscal year ended February 28, 2020 the Research Foundation incurred expenses in the amount of \$44,830.72. Separate financial statements may be obtained by contacting Texas State University, Director of Accounting, General Accounting Office, 601 University Drive, JCK 589, San Marcos, TX 78666-4684.

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

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The Texas State University System Notes to the Financial Statements For the Year Ended August 31, 2020

State University, Director of Accounting, General Accounting Office, 601 University Drive, JCK 589, San Marcos, TX 78666-4684.

Related Organization

The following foundation, while not a component unit, is disclosed due to its significant relationship with the System.

The Texas State University System Foundation, Inc. was established in 1977 by the Board of Regents to assist the System in gaining private financial support, and to help component institutions pursue additional education-related activities and outreach. It is a nonprofit corporation that exists solely for the benefit of the Texas State University System. It has an independent board of directors that governs Foundation activities and manages Foundation funds. For the fiscal year ended August 31, 2020, the Foundation had net assets of \$6,241,285. The Foundation provided \$292,040 in scholarships and faculty/staff awards, as well as assistance to constituent schools, the Chancellor and Board of Regents.

NOTE 20: Stewardship, Compliance and Accountability

TSUS is not aware of any non-compliance items or material violations of finance related legal and contract provisions.

NOTE 21: Not Applicable

NOTE 22: Donor Restricted Endowments

Net appreciation of \$72,548,358.25 related to true and term endowments were classified as restricted, expendable on the Statement of Net Position.

| Donor Restricted Endowment | Amount of Net Appreciation |
|-----------------------------------|---------------------------------------|
| True Endowments – Expendable | \$68,745,465.63 |
| Term Endowments – Expendable | 3,802,892.62 |
| Total | <u>\$72,548,358.25</u> |

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The Texas State University System Notes to the Financial Statements For the Year Ended August 31, 2020

The amount reported as net appreciation represents net appreciation on investments of donor restricted endowments that are available for authorization for expenditure. Pursuant to the Uniform Prudent Management of Institutional Funds Act (Property Code Chapter 163.001), net appreciation, realized and unrealized, in the fair market value of the endowment assets in excess of historical dollar value of the gifts may be distributed to the extent prudent.

Each component determines a prudent amount to distribute that aligns spending needs, investment objectives, and protecting the value of the endowment corpus. Generally, the targeted distribution rate ranges from 3% to 5%.

The net appreciation included a fair value adjustment of \$7,009,029.06 for fiscal year 2020. Changes from prior year balances for expendable and non-expendable balance of true endowments for the year ended August 31, 2020 were:

| Net Position Category | Increase/(Decrease) | Reason for Change |
|----------------------------|---------------------|---|
| True Endowments | | |
| Restricted, expendable | \$ 6,926,531.02 | Earnings, fair value changes, fees, and distributions |
| Restricted, non-expendable | \$ 610,061.30 | Additions to corpus |
| Term Endowments | | |
| Restricted, expendable | \$ 4,394,050.22 | Earnings, fair value changes, fees, and distributions |
| Restricted, non-expendable | \$ 1,642,424.72 | Additions to corpus |

NOTE 23: Extraordinary and Special Items

For the year ended August 31, 2020, TSUS had no extraordinary items or special items to report.

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**The Texas State University System
Notes to the Financial Statements
For the Year Ended August 31, 2020**

NOTE 24: Disaggregation of Receivable and Payable Balances

Net Other Receivables reported on the Statement of Net Position at August 31, 2020 are comprised of:

| | Amount |
|--|------------------------|
| Current Assets: | |
| Receivables: | |
| Accounts – Other Revenue | \$ 1,808,931.17 |
| Other: | 5,446,651.33 |
| Total | <u>\$ 7,255,582.50</u> |
| Composition: | |
| Receivables related to grants and sponsored programs | \$ 1,803,093.73 |
| Receivables related to insurance settlements | 3,380,205.17 |
| Receivables and advances due from employees | 201,773.66 |
| Receivables from affiliated organizations | 540,329.92 |
| Receivables related to sales and services | 1,003,064.33 |
| Receivables related to various activities | 327,115.69 |
| Total Other | <u>\$ 7,255,582.50</u> |

NOTE 25: Termination Benefits

In accordance with Governmental Accounting Standards Board (GASB), Statement No. 47, *Accounting for Termination Benefits*, TSUS recognized an expense for voluntary termination benefits in fiscal year 2020. Faculty and staff of Texas State University who met certain eligibility requirements, were offered a one-time incentive payment of 50% of the employee's base salary under a Voluntary Separation Incentive Program (VSIP).

To be eligible for the VSIP, employees must:

- a. Have been a full-time staff member or a full-time faculty, department chair, school director, and/or assistant/associate/college dean;
- b. Met the Employees Retirement System of Texas Rule of 80 by the last day of service prior to separation;
- c. Not have previously retired, nor be on an early retirement plan; and
- d. Not have previously provided written notice of retirement or resignation before May 12, 2020.

101 employees received benefits through the program at a cost of \$3,677,797. All costs were reflected as a liability at August 31, 2020 and will be paid within fiscal year 2021.

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The Texas State University System Notes to the Financial Statements For the Year Ended August 31, 2020

NOTE 26: Segment Information

TSUS has no segments to report for the year ended August 31, 2020.

NOTE 27: Service Concession Arrangements

TSUS had no service concession arrangements to report for the year ended August 31, 2020.

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

System Administration recorded deferred outflows and deferred inflows of resources related to unamortized losses and gains from bond refunding transactions, as well as deferred outflows and deferred inflows related to pension obligations. As of August 31, 2020, the deferred outflows and deferred inflows of resources were:

| | |
|---|--------------------------|
| Deferred Outflows | |
| Unamortized Losses on Refunding of Debt | \$ 4,035,627.01 |
| Related to Pension Obligations | 167,553,817.00 |
| Related to OPEB Obligations | 505,618,739.00 |
| Total Deferred Outflows | <u>\$ 677,208,183.01</u> |
| Deferred Inflows | |
| Unamortized Gains on Refunding of Debt | 4,644,451.85 |
| Related to Pension Obligations | 202,526,786.00 |
| Related to OPEB Obligations | 84,701,073.00 |
| Total Deferred Inflows | <u>\$ 291,872,310.85</u> |

See Note 1, *Summary of Significant Accounting Policies*, Note 6, *Bonded Indebtedness*, Note 9, *Defined Benefit Pension Plan and Defined Contribution Plan*, and Note 11, *Post Employment Health Care and Life Insurance Benefits* for additional details.

NOTE 29: Troubled Debt Restructuring

TSUS had no troubled debt restructuring to report for the year ended August 31, 2020.

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**The Texas State University System
Notes to the Financial Statements
For the Year Ended August 31, 2020**

NOTE 30: Non-Exchange Financial Guarantees

TSUS had no non-exchange financial guarantees to report for the year ended August 31, 2020.

NOTE 31: Tax Abatements

TSUS had no tax abatements to report for the year ended August 31, 2020.

NOTE 32: Fund Balances

TSUS had no governmental funds for the year ended August 31, 2020.

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**The Texas State University System
Schedule 2A
Miscellaneous Bond Information
For the Year Ended August 31, 2020**

| Description | Bonds | Range of | Scheduled Maturities | | First |
|-----------------------------------|-------------------|-------------------|----------------------|--------------|--------------|
| | Issued to Date | Interest Rates | First Year | Last Year | Call Date |
| Revenue Financing System Bonds | | | | | |
| The Texas State University System | | | | | |
| Series 2010 | 99,950,000 | 2.00% - 5.00% | 2011 | 2022 | 03/15/2020 |
| Series 2010A | 65,735,000 | 2.00% - 5.00% | 2010 | 2040 | 03/15/2020 |
| Series 2011 | 86,775,000 | 2.00% - 5.00% | 2012 | 2042 | 03/15/2021 |
| Series 2012 | 27,860,000 | 2.00% - 5.00% | 2013 | 2032 | 03/15/2021 |
| Series 2013 | 87,060,000 | 2.00% - 5.00% | 2013 | 2042 | 03/15/2023 |
| Series 2014 | 88,415,000 | 1.00% - 5.00% | 2015 | 2034 | 03/15/2024 |
| Series 2015A | 183,560,000 | 2.50% - 5.00% | 2016 | 2045 | 03/15/2025 |
| Series 2015B | 132,160,000 | 0.40% - 3.78% | 2016 | 2045 | 03/15/2025 |
| Series 2017A | 425,545,000 | 4.00% - 5.00% | 2017 | 2036 | 03/15/2027 |
| Series 2017B | 30,980,000 | 0.89% - 3.91% | 2017 | 2036 | 03/15/2027 |
| Series 2019A | 176,055,000 | 3.00% - 5.00% | 2020 | 2039 | 03/15/2029 |
| Series 2019B | 149,480,000 | 1.76% - 3.29% | 2020 | 2040 | 03/15/2029 |
| | - | | | | |
| TOTAL | \$ 1,553,575,000 | | | | |

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**The Texas State University System
Schedule 2B
Changes in Bonded Indebtedness
For the Year Ended August 31, 2020**

| Description | Bonds Outstanding Sep 1, 2019 | Bonds Issued | Bonds Matured |
|-----------------------------------|--|-------------------------|--------------------------|
| Revenue Financing System Bonds | | | |
| The Texas State University System | | | |
| Series 2010 | | | |
| Par Value | \$ 31,760,000.00 | \$ - | \$ 12,480,000.00 |
| Premium | 1,482,764.93 | - | 494,254.93 |
| Series 2010A | | | |
| Par Value | 54,795,000.00 | - | 1,610,000.00 |
| Premium | 3,016,342.91 | - | 143,635.38 |
| Series 2011 | | | |
| Par Value | 69,670,000.00 | - | 2,660,000.00 |
| Premium | 4,445,042.25 | - | 193,262.70 |
| Series 2012 | | | |
| Par Value | 19,710,000.00 | - | 935,000.00 |
| Premium | 2,014,072.70 | - | 154,928.68 |
| Series 2013 | | | |
| Par Value | 72,005,000.00 | - | 2,920,000.00 |
| Premium | 8,933,674.99 | - | 388,420.66 |
| Series 2014 | | | |
| Par Value | 73,390,000.00 | - | 2,335,000.00 |
| Premium | 6,451,832.14 | - | 258,073.28 |
| Series 2015A | | | |
| Par Value | 157,280,000.00 | - | 5,420,000.00 |
| Premium | 23,873,317.05 | - | 918,204.50 |
| Series 2015B | 110,870,000.00 | - | 6,535,000.00 |
| Series 2017A | | | |
| Par Value | 360,455,000.00 | - | 27,825,000.00 |
| Premium | 56,359,798.65 | - | 3,317,465.02 |
| Series 2017B | 26,915,000.00 | - | 935,000.00 |
| Series 2019A | | | |
| Par Value | - | 176,055,000.00 | 5,615,000.00 |
| Premium | - | 26,442,210.80 | 678,005.41 |
| Series 2019B | - | 149,480,000.00 | 1,950,000.00 |
| Total | \$ 1,083,426,845.62 | \$ 351,977,210.80 | \$ 77,766,250.56 |

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**The Texas State University System
Schedule 2B
Changes in Bonded Indebtedness
For the Year Ended August 31, 2020**

| Bonds Refunded or Extinguished | Bonds Outstanding Aug 31, 2020 | Amounts Due Within One Year |
|---|---|--|
| \$ 19,280,000.00 | \$ - | \$ - |
| 988,510.00 | - | - |
| 53,185,000.00 | - | - |
| 2,872,707.53 | - | - |
| 64,230,000.00 | 2,780,000.00 | 2,780,000.00 |
| 4,075,388.76 | 176,390.79 | 176,390.79 |
| 14,685,000.00 | 4,090,000.00 | 4,090,000.00 |
| 1,454,142.74 | 405,001.28 | 405,001.28 |
| 59,475,000.00 | 9,610,000.00 | 3,045,000.00 |
| 7,356,575.25 | 1,188,679.08 | 396,226.36 |
| - | 71,055,000.00 | 2,450,000.00 |
| - | 6,193,758.86 | 258,073.29 |
| - | 151,860,000.00 | 3,835,000.00 |
| - | 22,955,112.55 | 918,204.50 |
| - | 104,335,000.00 | 6,685,000.00 |
| - | 332,630,000.00 | 28,490,000.00 |
| - | 53,042,333.63 | 3,317,465.02 |
| - | 25,980,000.00 | 1,000,000.00 |
| - | 170,440,000.00 | 14,595,000.00 |
| - | 25,764,205.39 | 1,356,010.81 |
| - | 147,530,000.00 | 2,585,000.00 |
| \$ 227,602,324.28 | \$ 1,130,035,481.58 | \$ 76,382,372.05 |

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**The Texas State University System
Schedule 2C
Debt Service Requirements
For the Year Ended August 31, 2020**

| Description | Year | Principal | Interest |
|-----------------------------------|-------------|-------------------------|-------------------------|
| Revenue Financing System Bonds | | | |
| The Texas State University System | | | |
| Series 2011 | 2021 | 2,780,000.00 | 125,100.00 |
| | | <u>\$ 2,780,000.00</u> | <u>\$ 125,100.00</u> |
| Series 2012 | 2021 | 4,090,000.00 | \$ 204,500.16 |
| | | <u>\$ 4,090,000.00</u> | <u>\$ 204,500.16</u> |
| Series 2013 | 2021 | 3,045,000.00 | \$ 480,500.00 |
| | 2022 | 3,205,000.00 | 328,250.00 |
| | 2023 | 3,360,000.00 | 168,000.00 |
| | | <u>\$ 9,610,000.00</u> | <u>\$ 976,750.00</u> |
| Series 2014 | 2021 | 2,450,000.00 | 3,239,220.00 |
| | 2022 | 2,560,000.00 | 3,116,720.00 |
| | 2023 | 2,700,000.00 | 2,988,720.00 |
| | 2024 | 2,835,000.00 | 2,853,720.00 |
| | 2025 | 2,975,000.00 | 2,711,970.00 |
| | 2026-2030 | 14,165,000.00 | 11,398,100.00 |
| | 2031-2035 | 15,760,000.00 | 7,840,250.00 |
| | 2036-2040 | 14,100,000.00 | 4,570,675.00 |
| | 2041-2044 | 13,510,000.00 | 1,421,475.02 |
| | | <u>\$ 71,055,000.00</u> | <u>\$ 40,140,850.02</u> |

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**The Texas State University System
Schedule 2C
Debt Service Requirements
For the Year Ended August 31, 2020**

| Description | Year | Principal | Interest |
|--------------------|-------------|--------------------------|--------------------------|
| Series 2015A | 2021 | \$ 3,835,000.00 | \$ 7,116,112.52 |
| | 2022 | 13,785,000.00 | 6,924,362.52 |
| | 2023 | 14,490,000.00 | 6,235,112.52 |
| | 2024 | 15,200,000.00 | 5,510,612.52 |
| | 2025 | 15,980,000.00 | 4,750,612.52 |
| | 2026-2030 | 46,580,000.00 | 13,242,712.60 |
| | 2031-2035 | 13,915,000.00 | 7,476,300.08 |
| | 2036-2040 | 12,665,000.00 | 4,641,400.00 |
| | 2041-2045 | 15,410,000.00 | 1,897,600.00 |
| | | <u>\$ 151,860,000.00</u> | <u>\$ 57,794,825.28</u> |
| Series 2015B | 2021 | \$ 6,685,000.00 | \$ 3,604,686.96 |
| | 2022 | 6,835,000.00 | 3,440,770.76 |
| | 2023 | 7,030,000.00 | 3,258,823.06 |
| | 2024 | 7,230,000.00 | 3,059,803.78 |
| | 2025 | 7,450,000.00 | 2,844,277.48 |
| | 2026-2030 | 40,985,000.00 | 10,383,335.54 |
| | 2031-2035 | 23,470,000.00 | 3,286,479.08 |
| | 2036-2040 | 2,075,000.00 | 823,834.42 |
| | 2041-2045 | 2,575,000.00 | 339,489.88 |
| | | <u>\$ 104,335,000.00</u> | <u>\$ 31,041,500.96</u> |
| Series 2017A | 2021 | \$ 28,490,000.00 | \$ 16,631,500.00 |
| | 2022 | 20,850,000.00 | 15,207,000.00 |
| | 2023 | 21,905,000.00 | 14,164,500.00 |
| | 2024 | 22,995,000.00 | 13,069,250.00 |
| | 2025 | 23,795,000.00 | 11,919,500.00 |
| | 2026-2030 | 131,385,000.00 | 40,529,750.00 |
| | 2031-2035 | 74,150,000.00 | 10,928,500.00 |
| | 2036 | 9,060,000.00 | 453,000.00 |
| | | <u>\$ 332,630,000.00</u> | <u>\$ 122,903,000.00</u> |

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**The Texas State University System
Schedule 2C
Debt Service Requirements
For the Year Ended August 31, 2020**

| Description | Year | Principal | Interest |
|--------------------|-------------|--------------------------|-------------------------|
| Series 2017B | 2021 | \$ 1,000,000.00 | \$ 925,827.76 |
| | 2022 | 1,080,000.00 | 903,697.76 |
| | 2023 | 1,115,000.00 | 877,205.36 |
| | 2024 | 1,180,000.00 | 846,375.62 |
| | 2025 | 1,260,000.00 | 811,624.62 |
| | 2026-2030 | 7,595,000.00 | 3,391,143.34 |
| | 2031-2035 | 10,295,000.00 | 1,793,141.46 |
| | 2036 | 2,455,000.00 | 99,722.10 |
| | | <u>\$ 25,980,000.00</u> | <u>\$ 9,648,738.02</u> |
| Series 2019A | 2021 | \$ 14,595,000.00 | \$ 7,610,200.00 |
| | 2022 | 13,875,000.00 | 7,026,400.00 |
| | 2023 | 6,370,000.00 | 6,332,650.00 |
| | 2024 | 6,690,000.00 | 6,014,150.00 |
| | 2025 | 7,015,000.00 | 5,679,650.00 |
| | 2026-2030 | 40,165,000.00 | 22,780,250.00 |
| | 2031-2035 | 49,830,000.00 | 11,957,600.00 |
| | 2036-2039 | 31,900,000.00 | 2,456,750.00 |
| | | <u>\$ 170,440,000.00</u> | <u>\$ 69,857,650.00</u> |
| Series 2019B | 2021 | \$ 2,585,000.00 | \$ 3,855,143.84 |
| | 2022 | 9,730,000.00 | 3,808,355.34 |
| | 2023 | 8,035,000.00 | 3,629,420.56 |
| | 2024 | 9,845,000.00 | 3,465,265.48 |
| | 2025 | 10,060,000.00 | 3,258,225.16 |
| | 2026-2030 | 50,675,000.00 | 12,692,503.56 |
| | 2031-2035 | 33,290,000.00 | 6,646,049.60 |
| | 2036-2040 | 23,310,000.00 | 2,003,987.76 |
| | | <u>\$ 147,530,000.00</u> | <u>\$ 39,358,951.30</u> |

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**The Texas State University System
Schedule 2D
Analysis of Funds Available for Debt Service
For the Year Ended August 31, 2020**

| Description of Issues | Pledged and Other Sources and Related Expenditures for the Year | | | |
|-----------------------------------|--|---------------------------|---------------------|------------------|
| | Net Available for Debt Service | | | |
| | Total | Operating Expenses | | |
| | Pledged and | Expenditures and | Debt Service | |
| | Other Sources | Capital Outlay | Principal | Interest |
| Revenue Financing System Bonds | | | | |
| The Texas State University System | | | | |
| Series 2010 | | | 12,480,000.00 | 1,106,000.00 |
| Series 2010A | | | 1,610,000.00 | 1,352,181.26 |
| Series 2011 | | | 2,660,000.00 | 1,834,318.77 |
| Series 2012 | | | 935,000.00 | 555,043.90 |
| Series 2013 | | | 2,920,000.00 | 1,957,475.00 |
| Series 2014 | | | 2,335,000.00 | 3,355,970.00 |
| Series 2015A | | | 5,420,000.00 | 7,387,112.54 |
| Series 2015B | | | 6,535,000.00 | 3,752,900.76 |
| Series 2017A | | | 27,825,000.00 | 18,022,750.00 |
| Series 2017B | | | 935,000.00 | 943,742.36 |
| Series 2019A | | | 5,615,000.00 | 1,901,447.79 |
| Series 2019B | | | 1,950,000.00 | 1,231,663.53 |
| Total | \$ 763,587,279.91 | \$ 499,977,894.17 | \$ 71,220,000.00 | \$ 43,400,605.91 |

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**The Texas State University System
Schedule 2E
Defeased Bonds Outstanding
For the Year Ended August 31, 2020**

| Description of Issues | Year Refunded | Par Value Outstanding |
|---|--------------------------|----------------------------------|
| Revenue Financing System Revenue Bonds The Texas State University System | | |
| Series 2011 | 2019 | 64,230,000.00 |
| Series 2012 | 2019 | 14,685,000.00 |
| Series 2013 | 2019 | 59,475,000.00 |
| Total Defeased Bonds | | <u>\$ 138,390,000.00</u> |

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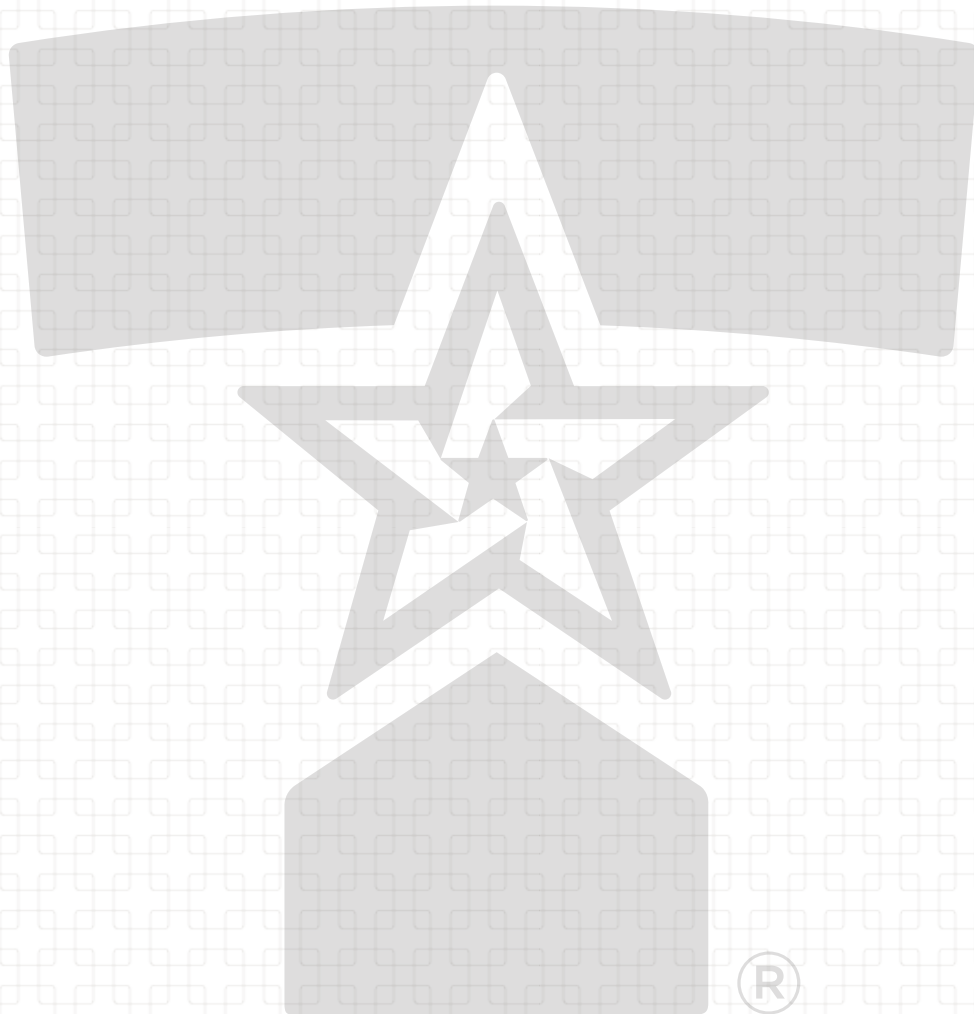
**The Texas State University System
Schedule 2F
Early Extinguishment and Refunding
For the Year Ended August 31, 2020**

| Description of | Category | Amount Extinguished or Refunded | Refunding Issue Par Value | Cash Flow Increase (Decrease) | Economic Gain/ (Loss) |
|--|-------------------|--|--|--|--------------------------------------|
| Revenue Financing System Revenue Bonds | | | | | |
| The Texas State University System | | | | | |
| 2010 | Current Refunding | \$ 19,280,000.00 | \$ 16,675,000.00 | \$ 3,206,834.38 | \$ 1,068,372.55 |
| 2010A | Current Refunding | 53,185,000.00 | 45,775,000.00 | 19,441,997.00 | 12,701,384.10 |
| 2011 | Advance Refunding | 64,230,000.00 | 68,015,000.00 | 16,960,688.01 | 10,013,493.15 |
| 2012 | Advance Refunding | 14,685,000.00 | 15,360,000.00 | 527,019.31 | 461,557.17 |
| 2013 | Advance Refunding | 59,475,000.00 | 66,105,000.00 | 7,614,034.68 | 4,210,080.93 |
| Total | | \$ 210,855,000.00 | \$ 211,930,000.00 | \$47,750,573.38 | \$28,454,887.90 |

UNAUDITED

**The Texas State University System
Schedule 3
Reconciliation of Cash in the State Treasury
For the Year Ended August 31, 2020**

| Fund No. | Fund Name | Unrestricted | Total |
|-------------------------------------|---|-------------------------|-------------------------|
| 0256 | Local Revenue Fund; General Revenue - Dedicated | \$ 6,485,211.84 | \$ 6,485,211.84 |
| 0259 | Local Revenue Fund; General Revenue - Dedicated | 21,040,454.76 | 21,040,454.76 |
| 0260 | Local Revenue Fund; General Revenue - Dedicated | 20,060,876.04 | 20,060,876.04 |
| 0262 | Local Revenue Fund; General Revenue - Dedicated | 1,844,904.97 | 1,844,904.97 |
| 0285 | Local Revenue Fund; General Revenue - Dedicated | 1,921,671.24 | 1,921,671.24 |
| 0286 | Local Revenue Fund; General Revenue - Dedicated | 2,487,807.31 | 2,487,807.31 |
| 0287 | Local Revenue Fund; General Revenue - Dedicated | 1,741,522.99 | 1,741,522.99 |
| 0581 | Law Enforcement Management Institute | 1,653,310.29 | 1,653,310.29 |
| 0810 | Tobacco Permanent Health Fund | 278,388.69 | 278,388.69 |
| 8070 | Funds Held for Others | 1,757,142.69 | 1,757,142.69 |
| Total Cash in State Treasury | | \$ 59,271,290.82 | \$ 59,271,290.82 |



THE TEXAS  STATE UNIVERSITY SYSTEM.

601 Colorado Street
Austin, TX 78701