



System Administration

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 Administration 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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**Texas State University System Administration
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

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

Assets	2020	2019
Current Assets:		
Cash and Cash Equivalents: (Note 3)		
Cash in Bank	\$ 252,355.75	\$ 237,471.10
Cash Equivalents	8,634,205.44	6,837,767.65
Restricted:		
Cash and Cash Equivalents: (Note 3)		
Cash in Bank	10,184.36	2,617.59
Cash Equivalents	7,865,136.58	11,507.83
Interest	-	-
Accounts – Other Revenue	181,086.60	133.79
Due From Component Units (Note 12)	332,855.76	8,213,677.02
Prepaid Items	205,369.38	138,494.51
Total Current Assets	<u>\$ 17,481,193.87</u>	<u>\$ 15,441,669.49</u>
Noncurrent Assets		
Capital Assets: (Note 2)		
Non-Depreciable or Non-Amortizable		
Land and Land Improvements	\$ 4,073,005.21	\$ 4,063,856.00
Depreciable or Amortizable		
Building and Building Improvements	10,747,656.93	10,747,656.93
Less Accumulated Depreciation	(1,218,055.25)	(871,264.61)
Furniture and Equipment	112,271.31	123,757.31
Less Accumulated Depreciation	(91,168.08)	(95,826.49)
Other Capital Assets	6,439.92	6,439.92
Less Accumulated Depreciation	(6,439.92)	(6,439.92)
Total Noncurrent Assets	<u>\$ 13,623,710.12</u>	<u>\$ 13,968,179.14</u>
Total Assets	<u><u>\$ 31,104,903.99</u></u>	<u><u>\$ 29,409,848.63</u></u>
Deferred Outflows of Resources		
Unamortized Loss on Refunding Debt	<u>\$ 4,035,627.01</u>	<u>\$ 4,812,692.03</u>
Total Deferred Outflows of Resources	<u><u>\$ 4,035,627.01</u></u>	<u><u>\$ 4,812,692.03</u></u>

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

Liabilities	2020	2019
Current Liabilities:		
Payables from:		
Accounts Payable	\$ 136,195.43	\$ 581,275.88
Payroll Payable	377,355.61	451,267.91
Federal	56,196.59	16,139.00
Interest Payable	17,046,134.04	18,055,952.26
Due to Other Agencies (Note 12)	-	-
Short Term Debt (Note 4)	94,840,000.00	124,980,000.00
Employees' Compensable Leave (Note 5)	441,178.33	394,457.58
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	2,126.14	367.02
Other Current Liabilities	76,827.55	-
Total Current Liabilities	\$ 189,358,385.74	\$ 214,017,547.51
Noncurrent Liabilities		
Employees' Compensable Leave (Note 5)	\$ 456,106.97	\$ 374,264.64
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
Total Non-Current Liabilities	\$ 1,054,109,216.50	\$ 1,014,263,022.40
Total Liabilities	\$ 1,243,467,602.24	\$ 1,228,280,569.91
DEFERRED INFLOWS OF RESOURCES		
Unamortized Gain on Refunding Debt	\$ 4,644,451.85	\$ -
Total Deferred Inflows of Resources	\$ 4,644,451.85	\$ -
Net Position		
Net Investment in Capital Assets	\$ (1,211,251,771.46)	\$ (1,194,912,222.49)
Restricted for:		
Debt Retirement	(17,528,253.01)	(13,229,134.81)
Other	2,522,304.42	2,551,876.92
Funds Held as Permanent Investments:		
Nonexpendable:		
Endowment Funds	5,646,184.71	5,628,379.76
Expendable:		
Endowment Funds	29,503.21	33,420.34
Unrestricted	7,610,509.04	5,869,651.03
Total Net Position	\$ (1,212,971,523.09)	\$ (1,194,058,029.25)

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

	<u>2020</u>	<u>2019</u>
Operating Expenses:		
Institutional Support	\$ 11,028,800.17	\$ 10,201,415.24
Operation and Maintenance of Plant	207,512.74	302,379.28
Scholarships and Fellowships	241,443.11	250,000.00
Depreciation & Amortization	353,618.23	334,901.62
Total Operating Expenses	<u>\$ 11,831,374.25</u>	<u>\$ 11,088,696.14</u>
Operating Income (Loss)	\$ (11,831,374.25)	\$ (11,088,696.14)
Nonoperating Revenues (Expenses):		
Legislative Revenue (GR)	\$ 1,368,000.00	\$ 1,368,000.00
Additional Appropriations (GR)	477,297.00	321,912.44
Gifts – Pledged	39,460.00	37,793.00
Investment Income – Non-Pledged	304,893.14	900,649.72
Investment Income – Pledged	78,454.63	181,063.92
Net Increase (Decrease) Fair Value – Non-Pledged	(29,748.12)	(604,350.45)
Interest Expenses and Fiscal Charges	(39,552,037.79)	(43,238,247.42)
Other Nonoperating Revenues – Pledged	571,739.43	12,109.36
Other Nonoperating Expenses	(38,580.81)	(296,678.72)
Total Nonoperating Revenues (Expenses)	<u>\$ (36,780,522.52)</u>	<u>\$ (41,317,748.15)</u>
Income (Loss) before Capital Contributions, Endowments and Transfers	\$ (48,611,896.77)	\$ (52,406,444.29)
Capital Contributions, Endowments and Transfers		
Transfers-In (Note 12)	\$ 89,647,343.47	\$ 78,594,842.05
Transfers-Out (Note 12)	(101,038,508.34)	(76,858,035.43)
Legislative Transfer-In (Note 12)	<u>41,089,567.80</u>	<u>42,004,119.92</u>
Total Capital Contributions, Endowments and Transfers	<u>\$ 29,698,402.93</u>	<u>\$ 43,740,926.54</u>
Change in Net Position	\$ (18,913,493.84)	\$ (8,665,517.75)
Net Position, September 1	<u>(1,194,058,029.25)</u>	<u>(1,185,392,511.50)</u>
Net Position, August 31	<u><u>\$ (1,212,971,523.09)</u></u>	<u><u>\$ (1,194,058,029.25)</u></u>

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

For the Year Ended August 31, 2020

Operating Expenses	Institutional Support	Operation and Maintenance of Plant	Scholarship and Fellowships	Depreciation and Amortization	Total Expenses
Salaries and Wages	\$ 7,432,568.30	\$ -	\$ -	\$ -	\$ 7,432,568.30
Payroll Related Costs	1,377,549.65	-	-	-	1,377,549.65
Professional Fees and Services	793,462.06	3,874.00	-	-	797,336.06
Travel	102,557.42	-	-	-	102,557.42
Materials and Supplies	202,479.45	67.97	-	-	202,547.42
Communications and Utilities	54,683.84	36,734.13	-	-	91,417.97
Repairs and Maintenance	11,562.18	68,867.10	-	-	80,429.28
Rentals and Leases	217,313.28	-	-	-	217,313.28
Printing and Reproduction	13,201.21	-	-	-	13,201.21
Depreciation and Amortization	-	-	-	353,618.23	353,618.23
Scholarships	-	-	241,443.11	-	241,443.11
Other Operating Expenses	823,422.78	97,969.54	-	-	921,392.32
Total Operating Expenses	\$ 11,028,800.17	\$ 207,512.74	\$ 241,443.11	\$ 353,618.23	\$ 11,831,374.25

For the Year Ended August 31, 2019

Operating Expenses	Institutional Support	Operation and Maintenance of Plant	Scholarship and Fellowships	Depreciation and Amortization	Total Expenses
Salaries and Wages	\$ 6,791,668.01	\$ -	\$ -	\$ -	\$ 6,791,668.01
Payroll Related Costs	1,308,112.49	-	-	-	1,308,112.49
Professional Fees and Services	728,629.63	-	-	-	728,629.63
Travel	156,775.84	-	-	-	156,775.84
Materials and Supplies	336,549.87	-	-	-	336,549.87
Communications and Utilities	70,686.51	55,211.82	-	-	125,898.33
Repairs and Maintenance	7,299.17	89,643.99	-	-	96,943.16
Rentals and Leases	177,676.31	-	-	-	177,676.31
Printing and Reproduction	10,989.62	-	-	-	10,989.62
Depreciation and Amortization	-	-	-	334,901.62	334,901.62
Scholarships	-	-	250,000.00	-	250,000.00
Other Operating Expenses	613,027.79	157,523.47	-	-	770,551.26
Total Operating Expenses	\$ 10,201,415.24	\$ 302,379.28	\$ 250,000.00	\$ 334,901.62	\$ 11,088,696.14

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

	2020	2019
Cash Flows from Operating Activities		
Payments to Suppliers for Goods and Services	\$ (1,552,630.06)	\$ (1,767,868.48)
Payments to Employees for Salaries	(7,304,005.22)	(7,166,089.68)
Payments to Employees for Benefits	(1,015,072.82)	(1,116,501.72)
Payments for Other Operating Expenses	(921,392.32)	(770,551.26)
Net Cash Provided by Operating Activities	<u>\$ (10,793,100.42)</u>	<u>\$ (10,821,011.14)</u>
Cash Flows from Noncapital Financing Activities		
Proceeds from State Appropriations	\$ 2,540,229.46	\$ 42,600,836.63
Proceeds from Gifts	39,460.00	37,793.00
Proceeds of Transfers from Other Funds	129,557,533.36	79,461,769.47
Proceeds from Other Noncapital Financing Activities	8,436,739.43	12,109.36
Payments for Transfers to Other Funds	(101,038,508.34)	(76,858,035.43)
Payments for Other Noncapital Financing Uses	(20,777.11)	(168,749.36)
Net Cash Provided by Noncapital Financing Activities	<u>\$ 39,514,676.80</u>	<u>\$ 45,085,723.67</u>
Cash Flows from Capital and Related Financing Activities		
Proceeds from Debt Issuance	\$ 908,414,610.80	\$ 348,160,000.00
Payments for Additions to Capital Assets	(9,149.21)	(777,538.50)
Payments of Principal on Debt	(885,399,724.28)	(332,885,000.00)
Payments of Interest on Debt Issuance	(40,254,157.16)	(49,251,250.17)
Net Cash Provided by Capital and Related Financing Activities	<u>\$ (19,160,991.64)</u>	<u>\$ (34,753,788.67)</u>
Cash Flow from Investing Activities		
Proceeds from Investment Income	\$ 111,933.22	\$ 181,063.92
Net Cash Provided by Investing Activities	<u>\$ 111,933.22</u>	<u>\$ 181,063.92</u>

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

Net Increase (Decrease) in Cash and Cash Equivalents	\$	9,672,517.96	\$	(308,012.22)
Cash and Cash Equivalents, September 1	\$	7,089,364.17	\$	7,397,376.39
Restatements to Beginning Cash and Cash Equivalents		-		-
Cash and Cash Equivalents, September 1 as Restated		<u>7,089,364.17</u>		<u>7,397,376.39</u>
Cash and Cash Equivalents, August 31	\$	<u>16,761,882.13</u>	\$	<u>7,089,364.17</u>

Reconciliation of Operating Income to Net Cash

Provided by Operating Activities

Operating Income (Loss)	\$	(11,831,374.25)	\$	(11,088,696.14)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Amortization and Depreciation		353,618.23		334,901.62
On-behalf Benefit Payments		380,192.54		226,268.31
Operating Income (Loss) and Cash Flow Categories:				
Classification Differences				
Changes in Assets and Liabilities:				
(Increase) Decrease in Receivables		127.65		(117.88)
(Increase) Decrease in Due from Component Units		241,443.11		250,000.00
(Increase) Decrease in Inventories		(18,639.00)		16,139.00
(Increase) Decrease in Prepaid Expenses		(51,503.63)		(75,518.87)
Increase (Decrease) in Payables		22,187.56		(411,666.29)
Increase (Decrease) in Compensated Absences		128,563.08		(37,663.35)
Increase (Decrease) in Benefits Payable		(17,715.71)		(34,657.54)
Total Adjustments	\$	<u>1,038,273.83</u>	\$	<u>267,685.00</u>
Net Cash Provided by Operating Activities	\$	<u>(10,793,100.42)</u>	\$	<u>(10,821,011.14)</u>

Non Cash Transactions

Net Change in Fair Value of Investments	\$	(29,748.12)	\$	(604,350.45)
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**Texas State University System Administration
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 Administration (System Administration) is a Public System of Higher Education of the State of Texas. The financial records comply with state statutes and regulations, including compliance with the Texas Comptroller of Public Accounts' Reporting Requirements for State Institutions of Higher Education.

The Texas State University System is comprised of System Administration and the following institutions: 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. System Administration's primary role is to provide administrative support services for the component entities. Other groups served by System Administration include the Board of Regents, other state agencies, and the citizens of Texas, including the staffs and students of the component institutions.

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 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; 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.

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.

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.

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

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.

Business Type Activity 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 Administration. 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 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.

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

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 System Administration'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.

System Administration'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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**Texas State University System Administration
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. The System Administration Office and each component institution within the system comprise the Revenue Financing 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.

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.

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.

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

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.

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.

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.

Interfund Activities and Balances

System Administration 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.

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

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 "Non-Current."

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. The composition of System Administration's Interfund activities is presented in Note 12.

NOTE 2: Capital Assets

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

	Balance 09/01/19	Completed CIP	Interagency Transfers	Additions	Deletions	Balance 08/31/20
Non-depreciable Assets						
Land and Land Improvements	\$4,063,856.00	\$0.00	\$0.00	\$9,149.21	\$0.00	\$4,073,005.21
Construction in Progress	0.00	0.00	0.00	0.00	0.00	0.00
Total Non-depreciable Assets	<u>\$4,063,856.00</u>	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$9,149.21</u>	<u>\$0.00</u>	<u>\$4,073,005.21</u>
Depreciable Assets						
Building and Building Improvements	\$10,747,656.93	\$0.00	\$0.00	\$0.00	\$0.00	\$10,747,656.93
Furniture and Equipment	123,757.31	0.00	(11,486.00)	0.00	0.00	112,271.31
Other Capital Assets	6,439.92	0.00	0.00	0.00	0.00	6,439.92
Total Depreciable Assets	<u>\$10,877,854.16</u>	<u>\$0.00</u>	<u>\$(11,486.00)</u>	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$10,866,368.16</u>
Accumulated Depreciation						
Building and Building Improvements	\$(871,264.61)	\$0.00	\$0.00	\$(346,790.64)	\$0.00	\$(1,218,055.25)
Furniture and Equipment	(95,826.49)	0.00	11,486.00	(6,827.59)	0.00	(91,168.08)
Other Capital Assets	(6,439.92)	0.00	0.00	0.00	0.00	(6,439.92)
Total Accumulated Depreciation	<u>\$(973,531.02)</u>	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$(353,618.23)</u>	<u>\$0.00</u>	<u>\$(1,315,663.25)</u>
Capital Assets, Net	<u>\$13,968,179.14</u>	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$(344,469.02)</u>	<u>\$0.00</u>	<u>\$13,623,710.12</u>

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

NOTE 3: Deposits, Investments, & Repurchase Agreements

It is the policy of TSUS to invest operating funds in compliance with the “Prudent Person Standard” as defined by Texas Education Code §51.0031(d). To meet these objectives, TSUS bases investment decisions on short-term, intermediate- term, and long-term needs dictated by cash flow analyses of present and anticipated future financial requirements.

Deposits of Cash in Banks

As of August 31, 2020, the actual bank balance was \$271,414.22. The carrying value was \$262,540.11.

Cash in Bank – Carrying Value	<u>\$ 262,540.11</u>
Current Assets – Cash in Bank	\$ 252,355.75
Current, Restricted Assets – Cash in Bank	<u>10,184.36</u>
Cash in Bank per AFR	<u>\$ 262,540.11</u>

Investments

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

Other Commingled Funds – TexPool	<u>\$ 16,499,342.02</u>
Total Investments	<u>\$ 16,499,342.02</u>
Current Assets – Cash Equivalents	<u>\$ 16,499,342.02</u>
Total per AFR	<u>\$ 16,499,342.02</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 the next fiscal

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

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 09/01/19	Increases	Decreases	Balance 08/31/20
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 09/01/19	Additions	Reductions	Balance 08/31/20	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 Bond						
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	768,722.22	305,682.20	177,119.12	897,285.30	441,178.33	456,106.97
Totals	\$1,084,195,567.84	\$352,282,893.00	\$305,545,693.96	\$1,130,932,766.88	\$76,823,550.38	\$1,054,109,216.50

General Obligation and Revenue Bonds Payable

See Note 6 for a discussion of Bonds Payable.

Notes and Loans Payable

As of August 31, 2020, System Administration had no notes and loans payable.

Employees' Compensable Leave

Accrued compensable leave is System Administration's liability for unpaid overtime accrued by classified employees and unused vacation time for all employees. Any obligation to System Administration 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.

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

Capital Leases

As of August 31, 2020, System Administration had no capital leases.

Claims and Judgments

As of August 31, 2020, System Administration had no claims and judgments.

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:

- (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.

Each component institution receives its portion of the bond proceeds and accounts for the earnings and disbursements of the bond proceeds. Assets created and/or acquired as a result of the Revenue Financing System bond proceeds expended and subsequently capitalized are reported on the component institutions' Financial Reports. The associated bond liability and debt service activities are reported in total by System Administration.

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**Texas State University System Administration
Notes to the Financial Statements
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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
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

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**Texas State University System Administration
Notes to the Financial Statements
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Bonds	Purpose	Revenue Source for Debt Service	Issue Date	Interest Rates	Amount Issued
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 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

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

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 and the pledging of receivables or future revenues to repay a borrowing (a collateralized borrowing).

System Administration'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	\$1,392,224,902.29
Term of Commitment Year Ending 8/31	2045
Percentage of Pledged Revenue	100%
Current Year Pledged Revenue	\$12,430,263.05
Current Year Principal and Interest Paid	\$114,620,605.91

NOTE 7: Derivative Instruments

During the year ended August 31, 2020, System Administration had no derivative instruments to report.

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Notes to the Financial Statements
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NOTE 8: Leases

System Administration has entered into an operating lease for office space. Rental expenses for the lease were \$32,100.00 in the fiscal year ended August 31, 2020. Future minimum lease payments under this non-cancelable operating lease 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	\$ 21,600.00
Total Minimum Future Lease Rental Payments	<u>\$ 21,600.00</u>

NOTE 9: Defined Benefit Pension Plan and Defined Contribution Plan**Teacher Retirement System of Texas (TRS)**

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

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

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

In accordance with the *Reporting Requirements for Annual Financial Reports of State Agencies and Universities* promulgated by the Texas Comptroller of Public Accounts, The Texas State University System annual financial report (consolidated) and notes to the

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

financial statements include the net pension expense, net pension liability, related deferred inflows and outflows of all components of the System as well as the related GASB required disclosures. Therefore, System Administration's financial statements and notes to the financial statements neither record nor disclose this information.

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. 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, System Administration may be required to make the employer contributions in lieu of the State.

Employee and employer contribution rates are established by the State Legislature. The State provides an option for a local supplement on top of the state base rate. Fiscal year 2020 contributions were made by participants at a rate of 6.65 percent of annual compensation. Employer contributions were 8.50 per cent of annual compensation, comprised of the state base rate of 6.60 percent plus 1.90 percent as a local supplement.

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

Participant contributions	\$ 25,213
Employer contributions	32,227
Total	<u>\$ 57,440</u>

Since contributions are invested in individual annuity contracts, neither the State nor System Administration have any liability for this program.

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.

**Texas State University System Administration
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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 TexaSaver 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

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

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

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

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.

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**Texas State University System Administration
Notes to the Financial Statements
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In accordance with the *Reporting Requirements for Annual Financial Reports of State Agencies and Universities* promulgated by the Texas Comptroller of Public Accounts, The Texas State University System (TSUS) annual financial report (consolidated) and notes to the financial statements include the net OPEB expense, net OPEB liability, and related deferred inflows and outflows of all components of the System as well as the related GASB disclosures. Therefore, System Administration's financial statements and notes to the financial statements neither record nor disclose this information.

NOTE 12: Interfund Activity and Transactions

System Administration 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.

Individual balances and activity at August 31, 2020 consist of the following:

	Due from Other Agencies	Due to Other Agencies	Source
Appd Fund 9999, D23 Fund 7999			
Agency 734, D23 Fund 7999	\$ 332,855.76	\$ -	Local
Totals	\$ 332,855.76	\$ -	

	Legislative Transfers In	Legislative Transfers Out	Purpose
Appd Fund 0001, D23 Fund 0001			
Agency 734, D23 Fund 0001	\$ 6,461,238.00	\$ -	Debt
Agency 753, D23 Fund 0001	5,646,168.31	-	Debt
Agency 754, D23 Fund 0001	22,452,402.24	-	Debt
Agency 756, D23 Fund 0001	1,533,018.00	-	Debt
Agency 768, D23 Fund 0001	1,075,125.00	-	Debt
Agency 787, D23 Fund 0001	1,206,815.00	-	Debt
Agency 788, D23 Fund 0001	1,383,109.25	-	Debt
Agency 789, D23 Fund 0001	1,333,692.00	-	Debt
Totals	\$ 41,089,567.80	\$ -	

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	Transfer In	Transfer Out	Purpose
Appd Fund 9999, D23 Fund 7999			
Agency 734	\$ 11,927,739.48	\$ -	Reimbursement & Debt Service
Agency 737	11,000.00	-	Debt Service
Agency 753	27,882,083.48	65,951,633.69	Reimbursement, Debt Issuance, & Debt Service
Agency 754	44,950,954.99	33,314,594.65	Reimbursement, Debt Issuance, & Debt Service
Agency 756	2,062,508.22	-	Reimbursement & Debt Service
Agency 768	2,118,272.85	-	Debt Service
Agency 787	231,553.38	1,772,280.00	Reimbursement, Debt Issuance, & Debt Service
Agency 788	226,998.24	-	Reimbursement & Debt Service
Agency 789	236,232.83	-	Reimbursement & Debt Service
Totals	\$89,647,343.47	\$101,038,508.34	

NOTE 13: Continuance Subject to Review

System Administration is not subject to the Texas Sunset Act.

NOTE 14: Adjustments to Fund Balances and Net Position

System Administration had no adjustment to beginning net position.

NOTE 15: Contingencies and Commitments

At August 31, 2020, various lawsuits and claims involving System Administration 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 System Administration. Under Texas law, System Administration, as an agency of the State of Texas, enjoys immunity from most causes of action. Most claims are dismissed prior to trial.

**Texas State University System Administration
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

System Administration 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 System Administration for actions arising from performance of its duties. It is System Administration'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 System Administration involved in any risk pool with other government entities for these risks.

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 System Administration is reported in a consolidated format with the combined Texas State University System (TSUS). TSUS is reported as a component of the State of Texas. MD&A, as it relates to TSUS, can be found in the State of Texas Consolidated Annual Financial Report.

NOTE 19: The Financial Reporting Entity

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

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**Texas State University System Administration
Notes to the Financial Statements
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statements. System Administration has determined that no legally separate organizations should be considered a CU.

The following foundation, while not component unit, is disclosed due to its significant relationship with System Administration:

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

System Administration 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 \$29,503.21 related to true endowments were classified as restricted, expendable on the Statement of Net Position. The net appreciation included a fair value adjustment totaling \$(1,778.02) for the fiscal year.

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.

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Under the terms of the will establishing the endowment, 90% of the income received by the endowment is distributed for spend. The remaining 10% of the income is retained in the endowment and reinvested in corpus.

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
Restricted, expendable	\$(1,778.02)	Earnings, fair value changes, fees, and distributions
Restricted, non-expendable	\$ 17,668.37	Additions to corpus

NOTE 23: Extraordinary and Special Items

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

NOTE 24: Disaggregation of Receivable and Payable Balances

Balances of receivables and payables reported on the Statements of Net Position are not obscured by aggregation. There are no significant receivable balances expected to be collected beyond one year of the date of the financial statements.

NOTE 25: Termination Benefits

System Administration provided no termination benefits during the fiscal year ended August 31, 2020.

NOTE 26: Segment Information

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

NOTE 27: Service Concession Arrangements

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

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

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

As of August 31, 2020, deferred outflows of resources, totaling \$4,035,627.01 were comprised of unamortized losses from bond refunding transactions. Deferred inflows of resources, totaling \$4,644,451.85, were comprised of unamortized gains from bond refunding transactions. See Note 1, *Summary of Significant Accounting Policies* and Note 6, *Bonded Indebtedness* for additional details.

NOTE 29: Troubled Debt Restructuring

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

NOTE 30: Non-Exchange Financial Guarantees

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

NOTE 31: Tax Abatements

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

NOTE 32: Fund Balances

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

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Texas State University System Administration
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					
Texas State University System Administration					
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	<u>149,480,000</u>	1.76% - 3.29%	2020	2040	03/15/2029
TOTAL	<u>\$ 1,553,575,000</u>				

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

Description	Year	Principal	Interest
Revenue Financing System Bonds			
Texas State University System Administration			
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>
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>

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

Description	Year	Principal	Interest
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>
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>

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

Description	Year	Principal	Interest
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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**Texas State University System Administration
Schedule 2D
Schedule of 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				
Texas State University System Administration				
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	\$ 12,430,263.05	\$ 9,400,165.12	\$ 71,220,000.00	\$ 43,400,605.91

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

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

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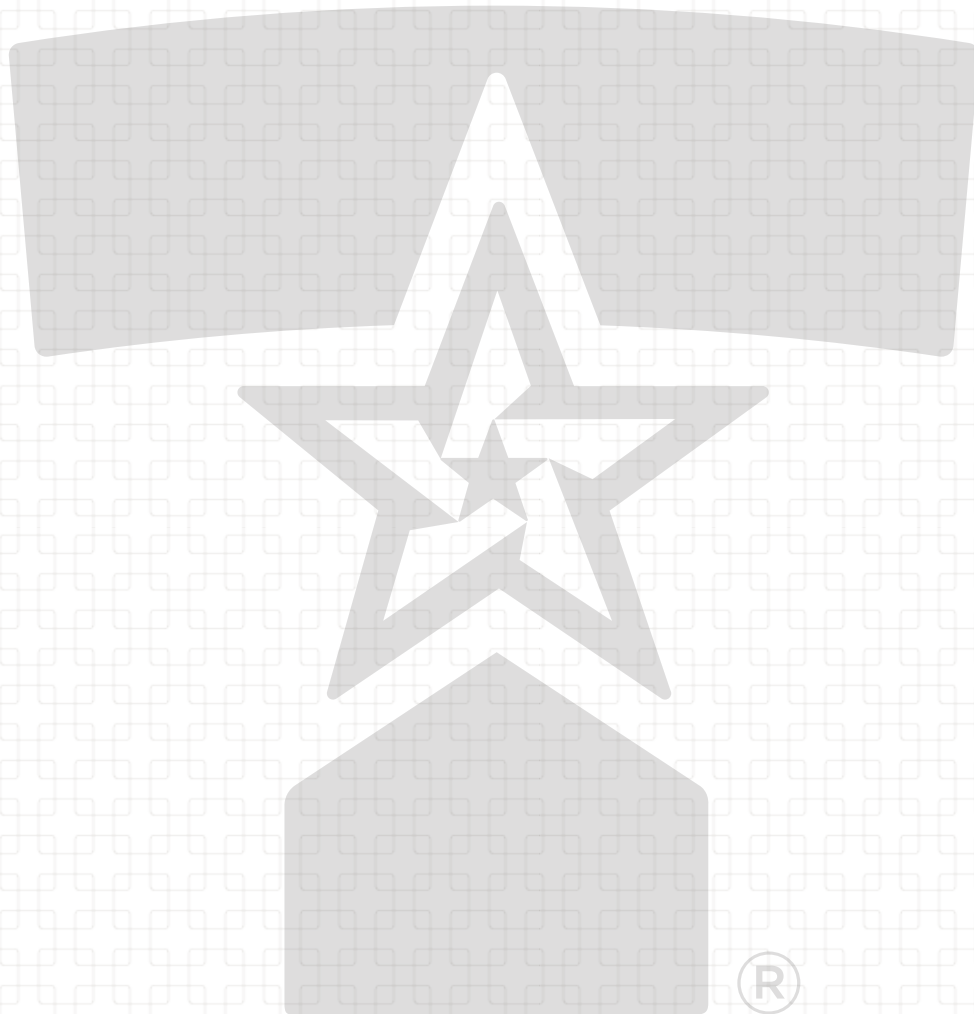
**Texas State University System Administration
Schedule 2F
Early Extinguishment and Refunding
For the Year Ended August 31, 2020**

Description of	Category	Amount Extinguished or Refunded	Refunding Issue Par Value	Cash Flow Increase (Decrease)	Economic Gain/ (Loss)
Revenue Financing System Revenue Bonds					
Texas State University System Administration					
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		<u>\$210,855,000.00</u>	<u>\$211,930,000.00</u>	<u>\$47,750,573.38</u>	<u>\$28,454,887.90</u>

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

Fund No.	Fund Name	Unrestricted	Total
	No Cash in State Treasury	\$ -	\$ -
	Total Cash in State Treasury	\$ -	\$ -



THE TEXAS  STATE UNIVERSITY SYSTEM.

601 Colorado Street
Austin, TX 78701