



System Administration

Annual Financial Report

For the Year Ended August 31, 2021



November 18, 2021

Honorable Greg Abbott
Governor of Texas

Honorable Glenn Hegar
Texas Comptroller of Public Accounts

Mr. Jerry McGinty
Director, Legislative Budget Board

Ms. Lisa Collier
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, 2021, 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, 2021**

Board of Regents

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

System Administration

Name	Title
Dr. Brian McCall	Chancellor
Dr. John Hayek	Vice Chancellor for Academic and Health Affairs
Nelly Herrera	Vice Chancellor and General Counsel
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, 2021**

Assets	2021	2020
Current Assets:		
Cash and Cash Equivalents: (Note 3)		
Cash in Bank	\$ 354,762.66	\$ 252,355.75
Cash Equivalents	8,612,554.64	8,634,205.44
Restricted:		
Cash in Bank	-	10,184.36
Cash Equivalents	150,957.17	7,865,136.58
Accounts – Other Revenue	821.75	181,086.60
Investment Trade Receivable	0.12	-
Due From Component Units (Note 12)	11,862.96	332,855.76
Prepaid Items	326,718.46	205,369.38
Other Current Assets	5,709.04	-
Total Current Assets	<u>\$ 9,463,386.80</u>	<u>\$ 17,481,193.87</u>
Noncurrent Assets		
Restricted:		
Investments (Note 3)	\$ 9,531,873.74	-
Capital Assets: (Note 2)		
Non-Depreciable or Non-Amortizable		
Land and Land Improvements	\$ 4,073,005.21	\$ 4,073,005.21
Depreciable or Amortizable		
Building and Building Improvements	10,747,656.93	10,747,656.93
Less Accumulated Depreciation	(1,564,845.89)	(1,218,055.25)
Furniture and Equipment	117,713.96	112,271.31
Less Accumulated Depreciation	(96,298.03)	(91,168.08)
Other Capital Assets	6,439.92	6,439.92
Less Accumulated Depreciation	(6,439.92)	(6,439.92)
Total Noncurrent Assets	<u>\$ 22,809,105.92</u>	<u>\$ 13,623,710.12</u>
Total Assets	<u><u>\$ 32,272,492.72</u></u>	<u><u>\$ 31,104,903.99</u></u>
Deferred Outflows of Resources		
Unamortized Loss on Refunding Debt	<u>\$ 3,275,013.47</u>	<u>\$ 4,035,627.01</u>
Total Deferred Outflows of Resources	<u><u>\$ 3,275,013.47</u></u>	<u><u>\$ 4,035,627.01</u></u>

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**Texas State University System Administration
Statement of Net Position
For the Year Ended August 31, 2021**

Liabilities	2021	2020
Current Liabilities:		
Payables from:		
Accounts Payable	\$ 103,844.17	\$ 136,195.43
Payroll Payable	414,386.96	377,355.61
Federal	-	56,196.59
Interest Payable	17,182,005.63	17,046,134.04
Due to Other Agencies (Note 12)	132,542.71	-
Short Term Debt (Note 4)	26,318,000.00	94,840,000.00
Employees' Compensable Leave (Note 5)	447,144.88	441,178.33
Revenue Bonds Payable (Note 5, 6)	74,060,000.00	69,555,000.00
Unamortized Premiums on Rev Bonds (Note 5, 6)	6,619,561.91	6,827,372.05
Funds Held for Others	1,902.68	2,126.14
Other Current Liabilities	150,052.35	76,827.55
Total Current Liabilities	\$ 125,429,441.29	\$ 189,358,385.74
Noncurrent Liabilities		
Employees' Compensable Leave (Note 5)	\$ 509,743.82	\$ 456,106.97
Revenue Bonds Payable (Note 5, 6)	961,965,000.00	950,755,000.00
Unamortized Premiums on Rev Bonds (Note 5, 6)	104,568,797.63	102,898,109.53
Total Non-Current Liabilities	\$ 1,067,043,541.45	\$ 1,054,109,216.50
Total Liabilities	\$ 1,192,472,982.74	\$ 1,243,467,602.24
DEFERRED INFLOWS OF RESOURCES		
Unamortized Gain on Refunding Debt	\$ 4,931,361.97	\$ 4,644,451.85
Total Deferred Inflows of Resources	\$ 4,931,361.97	\$ 4,644,451.85
Net Position		
Net Investment in Capital Assets	\$ (1,160,254,127.36)	\$ (1,211,251,771.46)
Restricted for:		
Debt Retirement	(18,822,367.99)	(17,528,253.01)
Other	2,552,757.34	2,522,304.42
Funds Held as Permanent Investments:		
Nonexpendable:		
Endowment Funds	6,302,510.48	5,646,184.71
Expendable:		
Endowment Funds	826,646.54	29,503.21
Unrestricted	7,537,742.47	7,610,509.04
Total Net Position	\$ (1,161,856,838.52)	\$ (1,212,971,523.09)

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**Texas State University System Administration
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended August 31, 2021**

	2021	2020
Operating Expenses:		
Institutional Support	\$ 11,414,068.22	\$ 11,028,800.17
Operation and Maintenance of Plant	261,130.18	207,512.74
Scholarships and Fellowships	104,000.00	241,443.11
Depreciation & Amortization	351,920.59	353,618.23
Total Operating Expenses	<u>\$ 12,131,118.99</u>	<u>\$ 11,831,374.25</u>
Operating Income (Loss)	\$ (12,131,118.99)	\$ (11,831,374.25)
Nonoperating Revenues (Expenses):		
Legislative Revenue (GR)	\$ 1,231,200.00	\$ 1,368,000.00
Additional Appropriations (GR)	397,420.24	477,297.00
Gifts – Pledged	36,996.00	39,460.00
Investment Income – Non-Pledged	984,018.62	304,893.14
Investment Income – Pledged	7,553.79	78,454.63
Investing Activities Expenses	(11,022.78)	-
Net Increase (Decrease) Fair Value – Non-Pledged	615,554.29	(29,748.12)
Interest Expenses and Fiscal Charges	(38,143,115.95)	(39,552,037.79)
Other Nonoperating Revenues – Pledged	13,561.68	571,739.43
Other Nonoperating Expenses	(7,348.50)	(38,580.81)
Total Nonoperating Revenues (Expenses)	<u>\$ (34,875,182.61)</u>	<u>\$ (36,780,522.52)</u>
Income (Loss) before Capital Contributions, Endowments and Transfers	\$ (47,006,301.60)	\$ (48,611,896.77)
Capital Contributions, Endowments and Transfers		
Transfers-In (Note 12)	\$ 84,468,340.55	\$ 89,647,343.47
Transfers-Out (Note 12)	(25,914,613.94)	(101,038,508.34)
Legislative Transfer-In (Note 12)	<u>39,567,259.56</u>	<u>41,089,567.80</u>
Total Capital Contributions, Endowments and Transfers	<u>\$ 98,120,986.17</u>	<u>\$ 29,698,402.93</u>
Change in Net Position	\$ 51,114,684.57	\$ (18,913,493.84)
Net Position, September 1	<u>(1,212,971,523.09)</u>	<u>(1,194,058,029.25)</u>
Net Position, August 31	<u><u>\$ (1,161,856,838.52)</u></u>	<u><u>\$ (1,212,971,523.09)</u></u>

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**Texas State University System Administration
Matrix of Operating Expenses Reported by Function
For the Year Ended August 31, 2021**

For the Year Ended August 31, 2021

Operating Expenses	Institutional Support	Operation and Maintenance of Plant	Scholarship and Fellowships	Depreciation and Amortization	Total Expenses
Salaries and Wages	\$ 7,705,046.75	\$ -	\$ -	\$ -	\$ 7,705,046.75
Payroll Related Costs	1,526,294.23	-	-	-	1,526,294.23
Professional Fees and Services	1,086,484.33	8,222.50	-	-	1,094,706.83
Travel	21,709.96	-	-	-	21,709.96
Materials and Supplies	144,488.92	1,273.01	-	-	145,761.93
Communications and Utilities	51,856.95	43,783.86	-	-	95,640.81
Repairs and Maintenance	3,249.39	102,386.25	-	-	105,635.64
Rentals and Leases	118,357.53	-	-	-	118,357.53
Printing and Reproduction	60,554.05	-	-	-	60,554.05
Depreciation and Amortization	-	-	-	351,920.59	351,920.59
Scholarships	-	-	104,000.00	-	104,000.00
Other Operating Expenses	696,026.11	105,464.56	-	-	801,490.67
Total Operating Expenses	\$ 11,414,068.22	\$ 261,130.18	\$ 104,000.00	\$ 351,920.59	\$ 12,131,118.99

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

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**Texas State University System Administration
Statement of Cash Flows
For the Year Ended August 31, 2021**

	2021	2020
Cash Flows from Operating Activities		
Payments to Suppliers for Goods and Services	\$ (1,621,511.28)	\$ (1,552,630.06)
Payments to Employees for Salaries	(7,645,443.35)	(7,304,005.22)
Payments to Employees for Benefits	(1,235,772.83)	(1,015,072.82)
Payments for Other Operating Expenses	(905,490.67)	(921,392.32)
Net Cash Provided by Operating Activities	<u>\$ (11,408,218.13)</u>	<u>\$ (10,793,100.42)</u>
Cash Flows from Noncapital Financing Activities		
Proceeds from State Appropriations	\$ 1,318,933.60	\$ 2,540,229.46
Proceeds from Gifts	36,996.00	39,460.00
Proceeds of Transfers from Other Funds	124,489,135.62	129,557,533.36
Proceeds from Other Noncapital Financing Activities	86,786.48	8,436,739.43
Payments for Transfers to Other Funds	(25,914,613.94)	(101,038,508.34)
Payments for Other Noncapital Financing Uses	(7,571.96)	(20,777.11)
Net Cash Provided by Noncapital Financing Activities	<u>\$ 100,009,665.80</u>	<u>\$ 39,514,676.80</u>
Cash Flows from Capital and Related Financing Activities		
Proceeds from Debt Issuance	\$ 398,890,876.25	\$ 908,414,610.80
Payments for Additions to Capital Assets	(5,442.65)	(9,149.21)
Payments of Principal on Debt	(443,444,732.95)	(885,399,724.28)
Payments of Interest on Debt Issuance	(42,839,244.29)	(40,254,157.16)
Payments of Other Costs of Debt Issuance	(910,741.75)	(1,912,571.79)
Net Cash Provided by Capital and Related Financing Activities	<u>\$ (88,309,285.39)</u>	<u>\$ (19,160,991.64)</u>
Cash Flow from Investing Activities		
Proceeds from Investment Income	\$ 11,021.91	\$ 111,933.22
Payments to Acquire Investments	(7,946,791.85)	-
Net Cash Provided by Investing Activities	<u>\$ (7,935,769.94)</u>	<u>\$ 111,933.22</u>

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**Texas State University System Administration
Statement of Cash Flows
For the Year Ended August 31, 2021**

	<u>2021</u>	<u>2020</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (7,643,607.66)	\$ 9,672,517.96
Cash and Cash Equivalents, September 1	\$ 16,761,882.13	\$ 7,089,364.17
Restatements to Beginning Cash and Cash Equivalents	-	-
Cash and Cash Equivalents, September 1 as Restated	<u>16,761,882.13</u>	<u>7,089,364.17</u>
Cash and Cash Equivalents, August 31	<u><u>\$ 9,118,274.47</u></u>	<u><u>\$ 16,761,882.13</u></u>

Reconciliation of Operating Income to Net Cash

Provided by Operating Activities

Operating Income (Loss)	\$ (12,131,118.99)	\$ (11,831,374.25)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Amortization and Depreciation	351,920.59	353,618.23
On-behalf Benefit Payments	309,686.64	380,192.54
Operating Income (Loss) and Cash Flow Categories:		
Classification Differences		
Changes in Assets and Liabilities:		
(Increase) Decrease in Receivables	180,264.85	127.65
(Increase) Decrease in Due from Component Units	-	241,443.11
(Increase) Decrease in Inventories	-	(18,639.00)
(Increase) Decrease in Prepaid Expenses	(121,349.08)	(51,503.63)
(Increase) Decrease in Other Assets	(5,709.04)	-
Increase (Decrease) in Payables	(32,351.26)	22,187.56
Increase (Decrease) in Compensated Absences	59,603.40	128,563.08
Increase (Decrease) in Benefits Payable	(19,165.24)	(17,715.71)
Total Adjustments	<u>\$ 722,900.86</u>	<u>\$ 1,038,273.83</u>
Net Cash Provided by Operating Activities	<u><u>\$ (11,408,218.13)</u></u>	<u><u>\$ (10,793,100.42)</u></u>

Non Cash Transactions

Net Change in Fair Value of Investments	\$ 615,554.29	\$ (29,748.12)
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**Texas State University System Administration
Notes to the Financial Statements
For the Year Ended August 31, 2021**

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 Annual Comprehensive Financial Report (ACFR); 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, 2021

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.

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.

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**Texas State University System Administration
Notes to the Financial Statements
For the Year Ended August 31, 2021**

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.)

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

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**Texas State University System Administration
Notes to the Financial Statements
For the Year Ended August 31, 2021**

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.

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.

**Texas State University System Administration
Notes to the Financial Statements
For the Year Ended August 31, 2021**

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.

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.

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**Texas State University System Administration
Notes to the Financial Statements
For the Year Ended August 31, 2021**

NOTE 2: Capital Assets

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

	Balance 09/01/20	Completed CIP	Interagency Transfers	Additions	Deletions	Balance 08/31/21
Non-depreciable Assets						
Land and Land Improvements	\$4,073,005.21	\$0.00	\$0.00	\$0.00	\$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	\$4,073,005.21	\$0.00	\$0.00	\$0.00	\$0.00	\$4,073,005.21
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	112,271.31	0.00	0.00	5,442.65	0.00	117,713.96
Other Capital Assets	6,439.92	0.00	0.00	0.00	0.00	6,439.92
Total Depreciable Assets	\$10,866,368.16	\$0.00	\$0.00	\$5,442.65	\$0.00	\$10,871,810.81
Accumulated Depreciation						
Building and Building Improvements	\$(1,218,055.25)	\$0.00	\$0.00	\$(346,790.64)	\$0.00	\$(1,564,845.89)
Furniture and Equipment	(91,168.08)	0.00	0.00	(5,129.95)	0.00	(96,298.03)
Other Capital Assets	(6,439.92)	0.00	0.00	0.00	0.00	(6,439.92)
Total Accumulated Depreciation	\$(1,315,663.25)	\$0.00	\$0.00	\$(351,920.59)	\$0.00	\$(1,667,583.84)
Capital Assets, Net	\$13,623,710.12	\$0.00	\$0.00	\$(346,477.94)	\$0.00	\$13,277,232.18

NOTE 3: Deposits, Investments, & Repurchase Agreements

Deposits of Cash in Banks

As of August 31, 2021, actual bank balances totaled \$368,039.37. The carrying value is presented below.

Cash in Bank – Carrying Value	<u>\$ 354,762.66</u>
Proprietary Funds:	
Current Assets – Cash in Bank	<u>\$ 354,762.66</u>
Cash in Bank per Statement of Net Position	<u>\$ 354,762.66</u>

Custodial Credit Risk for Deposits

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, System Administration will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party.

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Texas State University System Administration Notes to the Financial Statements For the Year Ended August 31, 2021

System Administration's policy is that all deposits are governed by a bank depository agreement between System Administration and the respective banking institution. This agreement provides that System Administration's deposits, to the extent such deposits exceed the maximum insured limit under deposit insurance provided by the Federal Deposit Insurance Corporation (the "FDIC"), shall at all times be collateralized with government securities.

As of August 31, 2021, System Administration had no bank balances exposed to custodial credit risk.

Investments

The TSUS *Investment Policy for Operating and Endowment Funds*, adopted by the TSUS Board of Regents, governs System Administration investments. In accordance with the policy, System Administration invests its operating funds in a manner that provides security of invested principal, provides liquidity for operating requirements which may be reasonably anticipated, manages interest-rate and market risk, maximizes total return within established risk constraints, and provides for diversification of investment assets. Additionally, System Administration invests its endowment funds in a manner that provides security of invested principal, provides for appreciation of principal, provides a continuing and dependable cash payout within market constraints, provides for planned liquidity for anticipated cash flow purposes, manages market risks, maximizes overall total return within the established risk constraints. and provides for diversification of investment assets.

Pursuant to Texas Education Code §51.0031(d), the prudent person standard guides all investment functions in the context of both individual transactions and management of the overall portfolio. Furthermore, System Administration invests endowment funds in compliance with the Uniform Prudent Management of Institutional Funds Act (UPMIFA), Texas Property Code Chapter 163.

Investments are recorded at fair value as of year-end and are categorized in accordance with GASB Statement Number 72, *Fair Value Measurement and Application* (GASB 72). GASB 72 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and establishes a fair value hierarchy. The fair value hierarchy is based upon valuation inputs used to measure fair value of the assets. An investment's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following levels are used to measure fair value:

- Level 1* Quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.

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Texas State University System Administration Notes to the Financial Statements For the Year Ended August 31, 2021

- Level 2* Inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (quoted market prices for similar assets or liabilities) or indirectly (corroborated from observable market information).
- Level 3* Unobservable inputs for an asset or liability.

Investments with readily available fair values are primarily valued based on market valuations provided by independent pricing services.

As of August 31, 2021, investments of Proprietary Funds, at fair market value, consisted of the following:

	Value at 08/31/2020	Fair Value Measurements			
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	NAV
Corporate Asset and Mortgage Backed Securities	\$ 92,014.05	\$ 92,014.05	\$ -	\$ -	\$ -
Equity	1,795,616.35	1,795,616.35	-	-	-
International Equity	1,642,829.56	1,642,829.56	-	-	-
Domestic Mutual Funds	1,734,529.46	1,734,529.46	-	-	-
International Mutual Funds	1,330,229.77	1,330,229.77	-	-	-
Fixed Income Money Market and Bond Mutual Fund	1,242,095.72	1,242,095.72	-	-	-
Other Commingled Funds	335,662.00	335,662.00	-	-	4,012,568.08
Externally Managed Investments - Domestic	1,330,500.43	-	-	1,330,500.43	-
Externally Managed Investments – International	28,396.52	-	-	28,396.52	-
Total Investments	\$ 13,544,441.94	\$ 8,172,976.91	\$ -	\$ 1,358,896.95	\$ 4,012,568.08

Total Cash Equivalents Reported at Net Asset Value

Other Commingled Funds – TexPool	\$ 4,750,943.73
Total Cash Equivalents	\$ 4,750,943.73

Total Investments and Cash Equivalents	\$ 18,295,385.67
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Proprietary Funds:

Current Unrestricted Assets - Cash Equivalents	\$ 8,612,554.64
Current Restricted Assets - Cash Equivalents	150,957.17
Noncurrent Restricted Assets – Investments	9,531,873.86
Total per Statement of Net Position	\$ 18,295,385.67

Private Investments

System Administration invests in limited partnerships with external investment managers or general partners who invest primarily in private equity securities. These investments are illiquid and typically become liquid over multi-year periods when and if the fund

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Texas State University System Administration Notes to the Financial Statements For the Year Ended August 31, 2021

managers distribute proceeds realized from underlying fund investments. Risks associated with these investments include liquidity risk, key personnel risk, limited transparency risk, and investment strategy risk. System Administration has committed \$364,503 of future funding to various private investments as of August 31, 2021. The fair value of private investment funds, are estimated using the investment's capital account balance at the closest available reporting date, as communicated by the investment manager, adjusted for contributions and withdrawals subsequent to the latest available reporting date, as well as consideration of any other information which has been provided by the investment manager or other sources.

Amounts Reported at NAV

System Administration 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 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.

System Administration 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.

Credit Risk for Investments

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Credit risk is measured using the rating assigned by Standard & Poor's. At year-end, the System Administration's credit quality ratings for securities with credit risk exposure were:

	<u>Rating</u>	<u>Amount</u>
Corporate Asset and Mortgage Backed Securities	AAA	\$ 193.23
	AA	736.11
	A	3,294.10
	BBB	24,935.81
	BB	22,414.62
	B	24,254.90
	NR	16,185.28

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Fixed Income Money Market and Bond Mutual Funds	AAA	614,772.14
	AA	29,747.87
	A	179,325.31
	BBB	259,785.14
	BB	7,092.16
	B	5,527.71
	NR	145,845.39
Externally Managed Investments	NR	1,358,896.95
Total		<u>\$ 2,693,006.72</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 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 0.09% to 0.50%.

The following changes occurred in short-term debt during the fiscal year:

	Balance 09/01/20	Increases	Decreases	Balance 08/31/21
Extendable Commercial Paper	\$94,840,000.00	\$272,152,000.00	\$340,674,000.00	\$26,318,000.00

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**Texas State University System Administration
Notes to the Financial Statements
For the Year Ended August 31, 2021**

NOTE 5: Summary of Long-Term Liabilities

During the year ended August 31, 2021, the following changes occurred in long-term liabilities:

	Balance 09/01/20	Additions	Reductions	Balance 08/31/21	Amounts Due Within One Year	Amounts Due Thereafter
Revenue Bonds	\$1,020,310,000.00	\$115,905,000.00	\$100,190,000.00	\$1,036,025,000.00	\$74,060,000.00	\$961,965,000.00
Unamortized Bond						
Premiums	109,725,481.58	10,833,876.25	9,370,998.29	111,188,359.54	6,619,561.91	104,568,797.63
Compensable Leave	897,285.30	123,667.34	64,063.94	956,888.70	447,144.88	509,743.82
Totals	\$1,130,932,766.88	\$126,862,543.59	\$79,520,062.23	\$1,178,275,248.24	\$81,126,706.79	\$1,067,043,541.45

Revenue Bonds Payable

Scheduled principal and interest payments for revenue bonds issued and outstanding as of August 31, 2021 are as follows:

Year(s)	Principal	Interest	Total Debt Service
2022	\$ 74,060,000.00	\$ 43,390,133.42	\$ 117,450,133.42
2023	67,580,000.00	39,868,404.12	107,448,404.12
2024	68,650,000.00	36,927,165.62	105,577,165.62
2025	71,325,000.00	33,971,880.80	105,296,880.80
2026	74,435,000.00	30,869,090.22	105,304,090.22
2027-2031	335,500,000.00	107,283,421.86	442,783,421.86
2032-2036	213,115,000.00	44,054,195.56	257,169,195.56
2037-2041	91,495,000.00	13,050,005.82	104,545,005.82
2042-2046	28,545,000.00	3,671,742.62	32,216,742.62
2047-2050	11,320,000.00	643,837.50	11,963,837.50
Total	\$ 1,036,025,000.00	\$ 353,729,877.54	\$ 1,389,754,877.54

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

Notes and Loans Payable

As of August 31, 2021, 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

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Texas State University System Administration Notes to the Financial Statements For the Year Ended August 31, 2021

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.

Capital Leases

As of August 31, 2021, System Administration had no capital leases.

Claims and Judgments

As of August 31, 2021, 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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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
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
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

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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 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
Revenue and Refunding Bonds, Series 2021A	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, and pay certain costs of issuing the bonds.	RFS	02/02/2021	2.20% - 5.00%	\$83,705,000
Refunding Bonds, Series 2021B (Taxable)	To provide funds to refund a portion of outstanding obligations for debt service savings and pay certain costs of issuing the bonds.	RFS	02/02/2021	0.35% - 2.77%	\$32,200,000

Defeased Bonds

A portion of the proceeds from Revenue and Refunding Bonds, Series 2021B issued on February 2, 2021, were used to refund a portion of Revenue and Refunding Bonds, Series 2014. Revenue and Refunding Bonds, Series 2021B bonds were issued at a par value of \$32,200,000.00. \$31,928,134.50 of the proceeds were placed into an irrevocable trust with an escrow agent to provide for all future debt service on \$30,105,000.00 in principal of Revenue and Refunding Bonds, Series 2014 and the liability has been removed from the Statement of Net Position.

The refunding resulted in an economic gain of \$6,005,982.66, representing the net present value of the decrease in cash flows required to service the new debt. An accounting gain of \$757,598.45 was realized as the net carrying amount of \$32,685,732.95 exceeded the reacquisition price of \$31,928,134.50.

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

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**Texas State University System Administration
Notes to the Financial Statements
For the Year Ended August 31, 2021**

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	\$1,389,754,877.54
Term of Commitment Year Ending 8/31	2050
Percentage of Pledged Revenue	100%
Current Year Pledged Revenue	\$10,331,198.47
Current Year Principal and Interest Paid	\$113,344,075.17

NOTE 7: Derivative Instruments

During the year ended August 31, 2021, System Administration had no derivative instruments to report.

NOTE 8: Leases

System Administration had entered into operating leases for parking and office space, but terminated the operating lease for office space during the fiscal year. Rental expenses were \$79,050.00 during the fiscal year. Future minimum lease payments under the remaining non-cancelable operating lease having an initial term in excess of one year at year-end are as follows:

Fiscal Year(s) Ending August 31,	Amount
2022	\$ 60,000.00
2023	60,000.00
2024	60,000.00
2025	60,000.00
2026	60,000.00
2027-2031	300,000.00
2032-2036	300,000.00
2037-2041	300,000.00
2042-2046	300,000.00
2047-2051	300,000.00
2052-2068	985,000.00
Total Minimum Future Lease Rental Payments	<u>\$ 2,785,000.00</u>

**Texas State University System Administration
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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 Annual Comprehensive Financial Report (ACFR) 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 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.

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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. During the current fiscal year, 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 current fiscal year were as follows:

Participant contributions	\$ 10,708
Employer contributions	10,628
Total	<u>\$ 21,336</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.

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.

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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 Annual Comprehensive Financial Report (ACFR). The ERS ACFR may be obtained from their website at www.ers.texas.gov by searching for reports and studies.

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.

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Notes to the Financial Statements
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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 fiscal year-end consist of the following:

	Due from Other Agencies	Due to Other Agencies	Source
Appd Fund 9999, D23 Fund 7999			
Agency 734	\$ 1,977.16	\$ -	Local
Agency 753	1,977.16	-	Local
Agency 754	1,977.16	-	Local
Agency 756	-	132,542.71	Local
Agency 787	988.58	-	Local
Agency 788	1,977.16	-	Local
Agency 789	2,965.74	-	Local
Totals	\$ 11,862.96	\$ 132,542.71	

	Legislative Transfers In	Legislative Transfers Out	Purpose
Appd Fund 0001, D23 Fund 0001			
Agency 734	\$ 6,405,348.00	\$ -	Debt
Agency 753	5,519,968.40	-	Debt
Agency 754	22,343,790.16	-	Debt
Agency 756	1,493,487.00	-	Debt
Agency 787	1,143,837.00	-	Debt
Agency 788	1,341,743.00	-	Debt
Agency 789	1,319,086.00	-	Debt
Totals	\$ 39,567,259.56	\$ -	

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Notes to the Financial Statements
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	Transfer In	Transfer Out	Purpose
Appd Fund 9999, D23 Fund 7999			
Agency 734	\$11,757,947.96	\$ 69,893.10	Reimbursement & Debt Service
Agency 753	26,705,399.46	25,559,173.53	Reimbursement, Debt Issuance, & Debt Service
Agency 754	43,211,298.97	285,547.31	Reimbursement & Debt Service
Agency 756	2,066,842.56	-	Reimbursement & Debt Service
Agency 787	268,814.40	-	Reimbursement & Debt Service
Agency 788	238,687.70	-	Reimbursement & Debt Service
Agency 789	219,349.50	-	Reimbursement & Debt Service
Totals	\$84,468,340.55	\$25,914,613.94	

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

While the ultimate liability with respect to any 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.

TSUS has made capital commitments with investment managers for funding of private investments in limited partnerships with external investment managers or general partners who invest primarily in private equity transactions. As of August 31, 2021, the remaining commitment to these private investments totaled \$364,503.

**Texas State University System Administration
Notes to the Financial Statements
For the Year Ended August 31, 2021**

NOTE 16: Subsequent Events

On September 15, 2021, the TSUS Revenue Financing System (RFS) rolled the outstanding balance of Tax-Exempt Commercial Paper Notes totaling \$26,318,000.00 and issued an additional \$6,090,000.00 in Tax-Exempt Commercial Paper Notes to finance capital projects at TSUS components. Subsequent to the issuance, \$32,408,000.00 of Tax-Exempt Commercial Paper Notes were outstanding.

On November 17, 2021, the TSUS Revenue Financing System (RFS) rolled the outstanding balance of Tax-Exempt Commercial Paper Notes totaling \$32,408,000.00 and issued an additional \$10,683,000.00 in Tax-Exempt Commercial Paper Notes to finance capital projects at TSUS components. Subsequent to the issuance, \$43,091,000.00 of Tax-Exempt Commercial Paper Notes were outstanding.

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 Annual Comprehensive 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

**Texas State University System Administration
Notes to the Financial Statements
For the Year Ended August 31, 2021**

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, 2021, the Foundation had net assets of \$7,781,209. The Foundation provided \$126,006 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 \$1,308,028.22, related to true endowments and available for authorization for expenditure, was classified as restricted, expendable on the Statement of Net Position. The net appreciation included a fair value adjustment totaling \$486,576.50 for the fiscal year.

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.

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

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**Texas State University System Administration
Notes to the Financial Statements
For the Year Ended August 31, 2021**

Changes from prior year balances for expendable and non-expendable balance of true endowments for the year ended August 31, 2021 were:

Net Position Category	Increase/(Decrease)	Reason for Change
Restricted, expendable	\$ 1,308,028.22	Earnings, fair value changes, fees, and distributions
Restricted, non-expendable	\$ 145,440.88	Additions to corpus

NOTE 23: Extraordinary and Special Items

For the year ended August 31, 2021, 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, 2021.

NOTE 26: Segment Information

System Administration has no segments to report for the year ended August 31, 2021.

NOTE 27: Service Concession Arrangements

System Administration had no service concession arrangements to report for the year ended August 31, 2021.

**Texas State University System Administration
Notes to the Financial Statements
For the Year Ended August 31, 2021**

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

As of August 31, 2021, deferred outflows of resources, totaling \$3,275,013.47 were comprised of unamortized losses from bond refunding transactions. Deferred inflows of resources, totaling \$4,931,361.97, 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, 2021.

NOTE 30: Non-Exchange Financial Guarantees

System Administration had no non-exchange financial guarantees to report for the year ended August 31, 2021.

NOTE 31: Tax Abatements

System Administration had no tax abatements to report for the year ended August 31, 2021.

NOTE 32: Fund Balances

System Administration had no governmental funds for the year ended August 31, 2021.

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**Texas State University System Administration
Schedule 2A
Miscellaneous Bond Information
For the Year Ended August 31, 2021**

Description	Bonds	Range of	Scheduled Maturities		First
	Issued	Interest	First	Last	Call
	to Date	Rates	Year	Year	Date
Revenue Financing System Bonds					
Texas State University System Administration					
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
Series 2021A	83,705,000	2.20% - 5.00%	2022	2050	03/15/2031
Series 2021B	<u>32,200,000</u>	0.35% - 2.77%	2021	2042	03/15/2031
TOTAL	<u>\$ 1,503,795,000</u>				

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**Texas State University System Administration
Schedule 2B
Changes in Bonded Indebtedness
For the Year Ended August 31, 2021**

Description	Bonds Outstanding Sep 1, 2020	Bonds Issued	Bonds Matured
Revenue Financing System Bonds			
Texas State University System Administration			
Series 2011			
Par Value	\$ 2,780,000.00	\$ -	\$ 2,780,000.00
Premium	176,390.79	-	176,390.79
Series 2012			
Par Value	4,090,000.00	-	4,090,000.00
Premium	405,001.28	-	405,001.28
Series 2013			
Par Value	9,610,000.00	-	3,045,000.00
Premium	1,188,679.08	-	396,226.36
Series 2014			
Par Value	71,055,000.00	-	2,450,000.00
Premium	6,193,758.86	-	258,073.28
Series 2015A			
Par Value	151,860,000.00	-	3,835,000.00
Premium	22,955,112.55	-	918,204.50
Series 2015B	104,335,000.00	-	6,685,000.00
Series 2017A			
Par Value	332,630,000.00	-	28,490,000.00
Premium	53,042,333.63	-	3,280,358.32
Series 2017B	25,980,000.00	-	1,000,000.00
Series 2019A			
Par Value	170,440,000.00	-	14,595,000.00
Premium	25,764,205.39	-	1,356,010.81
Series 2019B	147,530,000.00	-	2,585,000.00
Series 2021A			
Par Value	-	83,705,000.00	-
Premium	-	10,833,876.25	-
Series 2021B	-	32,200,000.00	530,000.00
Total	\$ 1,130,035,481.58	\$ 126,738,876.25	\$ 76,875,265.34

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**Texas State University System Administration
Schedule 2B
Changes in Bonded Indebtedness
For the Year Ended August 31, 2021**

Bonds Refunded or Extinguished	Bonds Outstanding Aug 31, 2021	Amounts Due Within One Year
<hr/>		
\$ -	\$ -	\$ -
-	-	-
-	-	-
-	-	-
-	6,565,000.00	3,205,000.00
-	792,452.72	396,226.36
30,105,000.00	38,500,000.00	2,560,000.00
2,580,732.95	3,354,952.63	258,073.28
-	148,025,000.00	13,785,000.00
-	22,036,908.05	918,204.50
-	97,650,000.00	6,835,000.00
-	304,140,000.00	20,850,000.00
-	49,761,975.31	3,317,465.02
-	24,980,000.00	1,080,000.00
-	155,845,000.00	13,875,000.00
-	24,408,194.58	1,356,010.81
-	144,945,000.00	9,730,000.00
-	83,705,000.00	1,625,000.00
-	10,833,876.25	373,581.94
-	31,670,000.00	515,000.00
<hr/>		
\$ 32,685,732.95	\$ 1,147,213,359.54	\$ 80,679,561.91
<hr/>		

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**Texas State University System Administration
Schedule 2C
Debt Service Requirements
For the Year Ended August 31, 2021**

Description	Year	Principal	Interest
Revenue Financing System Bonds			
Texas State University System Administration			
Series 2013	2022	\$ 3,205,000.00	\$ 328,250.00
	2023	3,360,000.00	168,000.00
		<u>\$ 6,565,000.00</u>	<u>\$ 496,250.00</u>
Series 2014	2022	\$ 2,560,000.00	\$ 1,878,275.00
	2023	2,700,000.00	1,750,275.00
	2024	2,835,000.00	1,615,275.00
	2025	2,975,000.00	1,473,525.00
	2026	3,115,000.00	1,324,775.00
	2027-2031	14,165,000.00	4,497,625.00
	2032-2036	10,150,000.00	1,031,500.00
		<u>\$ 38,500,000.00</u>	<u>\$ 13,571,250.00</u>
Series 2015A	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	16,760,000.00	3,951,612.52
	2027-2031	32,370,000.00	11,015,662.60
	2032-2036	13,705,000.00	6,874,737.56
	2037-2041	13,170,000.00	4,134,800.00
	2042-2050	12,565,000.00	1,281,200.00
		<u>\$ 148,025,000.00</u>	<u>\$ 50,678,712.76</u>
Series 2015B	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	7,675,000.00	2,613,253.00
	2027-2031	42,405,000.00	8,936,445.18
	2032-2036	14,755,000.00	2,318,810.94
	2037-2041	2,165,000.00	735,169.68
	2042-2050	2,105,000.00	229,460.12
		<u>\$ 97,650,000.00</u>	<u>\$ 27,436,814.00</u>

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**Texas State University System Administration
Schedule 2C
Debt Service Requirements
For the Year Ended August 31, 2021**

Description	Year	Principal	Interest
Series 2017A	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	24,985,000.00	10,729,750.00
	2027-2031	131,585,000.00	33,960,500.00
	2032-2036	58,025,000.00	7,221,000.00
		<u>\$ 304,140,000.00</u>	<u>\$ 106,271,500.00</u>
Series 2017B	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	1,340,000.00	772,854.42
	2027-2031	8,070,000.00	3,128,392.68
	2032-2036	10,935,000.00	1,382,759.80
		<u>\$ 24,980,000.00</u>	<u>\$ 8,722,910.26</u>
Series 2019A	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	7,375,000.00	5,328,900.00
	2027-2031	41,830,000.00	20,772,000.00
	2032-2036	49,345,000.00	9,679,500.00
	2037-2041	23,345,000.00	1,414,200.00
		<u>\$ 155,845,000.00</u>	<u>\$ 62,247,450.00</u>
Series 2019B	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	10,280,000.00	3,031,774.52
	2027-2031	48,500,000.00	11,411,853.60
	2032-2036	30,965,000.00	5,661,590.96
	2037-2041	17,530,000.00	1,237,321.84
		<u>\$ 144,945,000.00</u>	<u>\$ 35,503,807.46</u>

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Texas State University System Administration
Schedule 2C
Debt Service Requirements
For the Year Ended August 31, 2021

Description	Year	Principal	Interest
Series 2021A	2022	\$ 1,625,000.00	\$ 3,158,982.66
	2023	2,055,000.00	2,740,670.00
	2024	2,155,000.00	2,637,920.00
	2025	2,265,000.00	2,530,170.00
	2026	2,375,000.00	2,416,920.00
	2027-2031	13,795,000.00	10,178,600.00
	2032-2036	17,140,000.00	6,822,250.00
	2037-2041	18,150,000.00	4,015,230.00
	2042-2050	24,145,000.00	2,775,887.50
		<u>\$ 83,705,000.00</u>	<u>\$ 37,276,630.16</u>
Series 2021B	2022	\$ 515,000.00	\$ 714,039.38
	2023	520,000.00	711,747.62
	2024	520,000.00	708,513.22
	2025	525,000.00	704,296.02
	2026	530,000.00	699,250.76
	2027-2031	2,780,000.00	3,382,342.80
	2032-2036	8,095,000.00	3,062,046.30
	2037-2041	17,135,000.00	1,513,284.30
	2042-2050	1,050,000.00	29,032.50
		<u>\$ 31,670,000.00</u>	<u>\$ 11,524,552.90</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, 2021**

Description of Issues	Pledged and Other Sources and Related Expenditures for the Year			
	Net Available for Debt Service			
	Total	Operating Expenses	Debt Service	
	Pledged and	Expenditures and	Principal	Interest
	Other Sources	Capital Outlay		
Revenue Financing System Bonds				
Texas State University System Administration				
Series 2011			\$ 2,780,000.00	\$ 125,100.00
Series 2012			4,090,000.00	204,500.16
Series 2013			3,045,000.00	480,500.00
Series 2014			2,450,000.00	2,619,997.50
Series 2015A			3,835,000.00	7,116,112.52
Series 2015B			6,685,000.00	3,604,686.96
Series 2017A			28,490,000.00	16,631,500.00
Series 2017B			1,000,000.00	925,827.76
Series 2019A			14,595,000.00	7,610,200.00
Series 2019B			2,585,000.00	3,855,143.84
Series 2021B			530,000.00	85,506.43
Total	\$10,331,198.47	\$ 10,052,020.81	\$ 70,085,000.00	\$ 43,259,075.17

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**Texas State University System Administration
Schedule 2E
Schedule of Defeased Bonds Outstanding
For the Year Ended August 31, 2021**

Description of Issues	Year Refunded	Par Value Outstanding
Revenue Financing System Revenue Bonds		
Texas State University System Administration		
Series 2013	2019	\$ 59,475,000.00
Series 2014	2021	<u>30,105,000.00</u>
Total Defeased Bonds		<u><u>\$ 89,580,000.00</u></u>

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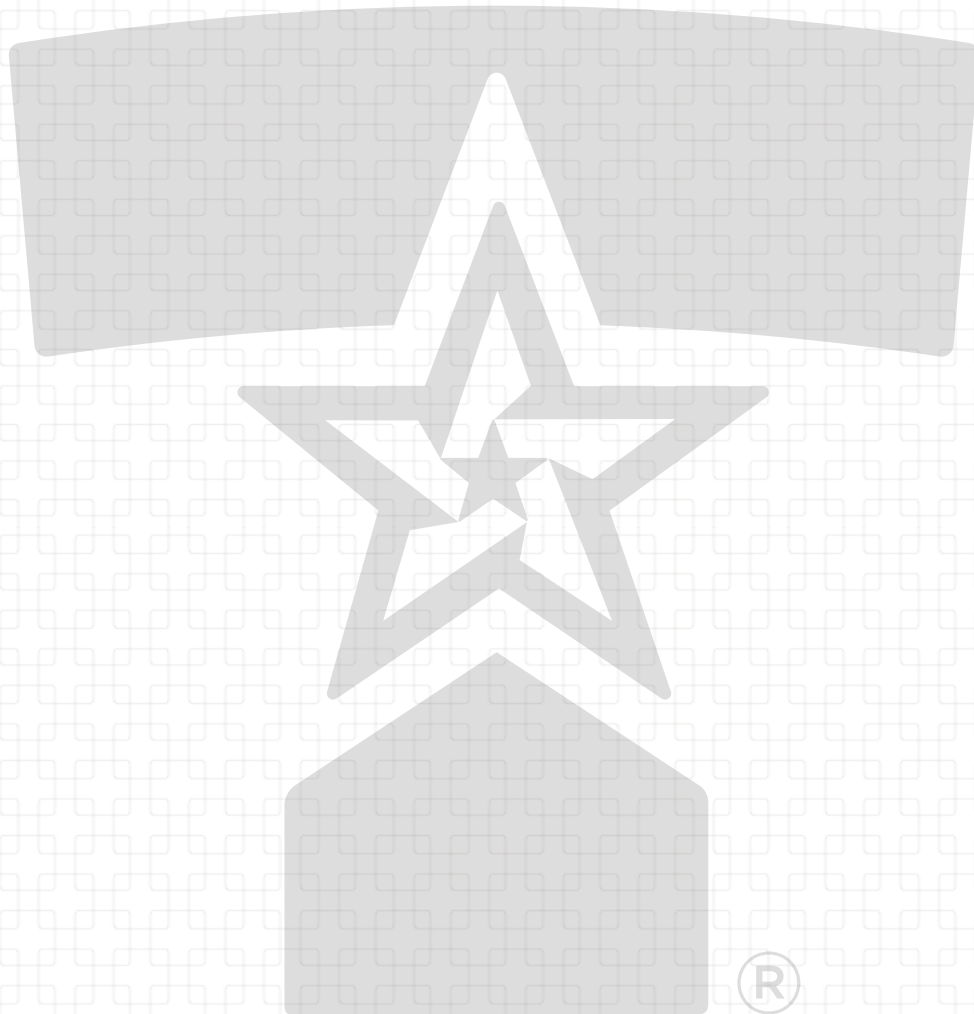
Texas State University System Administration
Schedule 2F
Early Extinguishment and Refunding
For the Year Ended August 31, 2021

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					
2014	Advance Refunding	\$ 31,105,000.00	\$ 32,200,000.00	\$(10,244,543.19)	\$ 6,005,982.66
Total		\$ 31,105,000.00	\$ 32,200,000.00	\$(10,244,543.19)	\$ 6,005,982.66

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**Texas State University System Administration
Schedule 3
Reconciliation of Cash in State Treasury
For the Year Ended August 31, 2021**

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