

UNAUDITED

ANNUAL FINANCIAL REPORT

of

The Texas A&M University System

For the Year Ended August 31, 2019

With Comparative Totals for the Year Ended August 31, 2018



Texas A&M University ■ Texas A&M University at Galveston ■ Texas A&M Health Science Center ■ Prairie View A&M University ■ Tarleton State University ■ Texas A&M International University ■ Texas A&M University-Central Texas ■ Texas A&M University-Commerce ■ Texas A&M University-Corpus Christi ■ Texas A&M University-Kingsville ■ Texas A&M University-San Antonio ■ Texas A&M University-Texarkana ■ West Texas A&M University ■ Texas A&M AgriLife Research ■ Texas A&M AgriLife Extension Service ■ Texas A&M Forest Service ■ Texas A&M Veterinary Medical Diagnostic Laboratory ■ Texas A&M Engineering Experiment Station ■ Texas A&M Engineering Extension Service ■ Texas A&M Transportation Institute ■ Texas A&M University System Offices ■ Texas A&M System Shared Services Center ■ Texas A&M Research Foundation

The Texas A&M University System

Board of Regents

Phil Adams	Term Expires February 1, 2021
Robert L. Albritton	Term Expires February 1, 2021
Bill Mahomes	Term Expires February 1, 2021
Tim Leach	Term Expires February 1, 2023
Elaine Mendoza	Term Expires February 1, 2023
Cliff Thomas	Term Expires February 1, 2023
Jay Graham	Term Expires February 1, 2025
Mike Hernandez	Term Expires February 1, 2025
Michael J. Plank	Term Expires February 1, 2025
Levi D. McClenny (Student Regent)	Term Expires May 31, 2020

Officers of the Board

Elaine Mendoza	Chairman
Tim Leach	Vice Chairman

Administrative Officers

John Sharp	Chancellor
Billy C. Hamilton	Deputy Chancellor and Chief Financial Officer
Joseph Duron	Executive Director, Budgets & Accounting
Teresa L. Edwards	Controller

The Texas A&M University System

Chief Executive Officers

Texas A&M University	Michael K. Young, President
Texas A&M University at Galveston	Col. Michael Fossum (Retired)
Texas A&M Health Science Center	Greg Hartman
Prairie View A&M University	Ruth Simmons, President
Tarleton State University	James L. Hurley, President
Texas A&M International University	Pablo Arenaz, President
Texas A&M University - Central Texas	Marc A. Nigliazzo, President
Texas A&M University - Commerce	Mark Rudin, President
Texas A&M University - Corpus Christi	Kelly M. Quintanilla, President
Texas A&M University - Kingsville	Mark A. Hussey, President
Texas A&M University - San Antonio	Cynthia Teniente-Matson, President
Texas A&M University - Texarkana	Emily Cutrer, President
West Texas A&M University	Walter V. Wendler, President

The Texas A&M University System

Chief Executive Officers

Texas A&M Agrilife	Patrick Stover, Vice Chancellor and Dean of Agriculture and Life Sciences
Texas A&M AgriLife Research	Patrick Stover, Director
Texas A&M AgriLife Extension Service	Jeffrey Hyde, Director
Texas A&M Forest Service	Thomas G. Boggus, Director & State Forester
Texas A&M Veterinary Medical Diagnostic Laboratory	Bruce L. Akey, Director
Texas A&M Engineering Experiment Station	M. Katherine Banks, Vice Chancellor for Engineering and National Laboratories and Dean of Engineering and Director of TEES
Texas A&M Engineering Extension Service	David Coatney, Director
Texas A&M Transportation Institute	Gregory D. Winfree, Director
Texas A&M University System Offices	John Sharp, Chancellor
Texas A&M System Shared Services Center	Billy Hamilton, Deputy Chancellor and Chief Financial Officer
Texas A&M Research Foundation	Mark A. Barteau, President

The Texas A&M University System

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The Texas A&M University System Management's Discussion and Analysis For the Year Ended August 31, 2019

Introduction

The Texas A&M University System (A&M System) was created by the Texas Legislature in 1948 to manage the evolution of a statewide educational, research and service system. Its roots lie in the founding of what are now Texas A&M University and Prairie View A&M University as land-grant colleges in 1876. Today, the A&M System provides oversight and leadership for eleven universities, seven state agencies, a comprehensive health science center, a service unit for shared services and the System administrative offices. The A&M System includes the Texas A&M Research Foundation as a blended component unit. For fiscal year 2020, the Texas Division of Emergency Management was added to the A&M System, financial data will be presented next year, in the 2020 Financial Statements.

The A&M Health Science Center includes a college of medicine, a college of dentistry, a school of rural public health, a school of nursing, a pharmacy school and research divisions.

The agencies of the A&M System include both engineering and agricultural research and extension agencies. The agencies provide research, public service, and instruction to benefit the state.

The A&M System educates over 150,000 students and reaches another 22 million people through training and outreach programs each year. With over 26,000 faculty and staff, the A&M System has a physical presence in 250 of the state's 254 counties and a programmatic presence in every county in Texas.

In 2019 there was a slight decrease in student enrollment; there were 151,242 students compared to 152,600 students (per the certified data) in 2018. However, there was a slight increase in the semester credit hours; there were 1.733 million semester credit hours in 2019 whereas there were 1.730 million semester credit hours (per the certified data) in 2018.

The A&M institutions of higher education offer a broad range of undergraduate and graduate degrees. With locations in Canyon, College Station, Commerce, Corpus Christi, Fort Worth, Galveston, Killeen, Kingsville, Laredo, Prairie View, San Antonio, Stephenville, and Texarkana, the A&M System strives to meet the education needs of Texas.

Overview of the Financial Statements and Financial Analysis

The objective of the Management's Discussion and Analysis (MD&A) is to provide an overview of the A&M System's financial position and activities for fiscal year ended August 31, 2019, with comparative data to fiscal year 2018 and some data for fiscal year 2017. The emphasis of discussion will be on the current year. The MD&A should be read in conjunction with the accompanying financial statements and notes. The primary financial statements presented are the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows.

The statements are prepared in accordance with Governmental Accounting Standards Board (GASB) pronouncements, the requirements of the Texas Comptroller of Public Accounts, and the guidelines from the National Association of College and University Business Officers.

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Financial Highlights

Below are financial highlights for fiscal year 2019.

- The Other Post-Employment Benefits liability decreased significantly by \$461 million due to the change in benefit and eligibility provisions adopted in January, 2018 and effective in January, 2019. The A&M System adopted prescription drug coverage for all Medicare primary participants which is now provided through a self-funded commercial plan. This plan provides coverage equivalent to previous coverage but at a significantly lower cost since the plan takes advantage of federal subsidies and discounts.
- The pension liability increased by \$320 million totaling \$712 million compared to \$392 million liability reported in 2018. This liability increased based upon the Teacher's Retirement System (TRS) actuary report.
 - A \$264 million increase to deferred outflows of resources is related to the changes in pension assumptions, the difference between actual and expected experiences and current year TRS contributions.
 - A \$24 million decrease in deferred inflows of resources reflects the difference between projected and actual investment returns.
- GASB Statement No. 83, *Certain Asset Retirement Obligations*, was implemented to recognize a liability related to retiring certain types of high risk capital assets.
 - Noncurrent Asset Retirement Obligations was \$12.6 million for fiscal year 2019 which relate to nuclear reactors and radioactive material licenses.
 - This standard affected 3 entities Texas A&M University, Texas A&M Health Science Center and Texas A&M Engineering Experiment Station.
- GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, was implemented to improve the information disclosed in notes to financial statements related to debt, including direct borrowings.
 - This standard decreased the capital lease obligations (current & noncurrent) by \$81 million for fiscal year 2019 and added the beginning balance to the new liability rows.
 - The new liability rows for notes from direct borrowings (current & noncurrent), reported an ending balance of \$75.8 million for fiscal year 2019.
 - The capital leases were reclassified to these new rows because the ownership reverted to the A&M entities at the end of the lease, which is required by GASB 88.
- Investments recorded on the statement of net position were reported at \$4.982 billion which was a slight increase of \$1 million from 2018's \$4.981 billion.

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The Texas A&M University System Management's Discussion and Analysis For the Year Ended August 31, 2019

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- Total bonds payable, notes/loans payable and notes from direct borrowings increased by 4.63% or \$214 million in 2019. This is the first year to report Notes from Direct Borrowing per GASB 88, this line item includes a loan and specific types of capital leases (where the title reverts to the member at the end of the lease).
 - Notes payable, notes from direct borrowings-loans and bonds payables increased \$138 million or 2.99% related to the A&M System issuing bonds and commercial paper under the Revenue Financing System debt program to refund a portion of previously outstanding bonds and commercial paper and to provide funding for eligible projects. The A&M System also issued commercial paper under the Permanent University Fund debt program to provide funding for eligible projects.
 - Notes from direct borrowings-capital leases increased by \$76 million due to A&M members purchasing assets by financing the assets through specific types of capital lease contracts, see *Note 5 Long-term Liabilities* for more information.
 - The A&M System's net position totaled \$6.588 billion which is an \$818 million increase from 2018 which was \$5.770 billion, primarily due to the change in benefits and eligibility for the Other Post-Employment Benefit liability, which had a \$607 million decrease to operating expenses.
 - State appropriations remained stable at \$1.2 billion for 2019 which is a vital part of the A&M System's funding. The state appropriations including fringe benefits paid directly by the state increased slightly by \$8.8 million from 2018.
 - Investment income was \$287.6 million which was a \$152 million decrease from 2018. Investment income includes realized gains which increased by \$26 million, interest income which decreased by \$12 million and unrealized gain/loss which decreased by \$166 million.

Statement of Net Position

The Statement of Net Position presents a snapshot of assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position for the A&M System as of the end of the fiscal year. The Statement of Net Position assets and liabilities are presented in the current and non-current format.

Increases or decreases in net position are one indicator of the overall condition of the A&M System's financial health when considered with nonfinancial factors such as enrollment, research, public service, patient levels, and the condition of facilities. The statement provides a picture of net position and the availability of funds for use by the A&M System.

Net position is divided into three major categories. The first category, Net Investment in Capital Assets, provides the equity in property, plant and equipment owned by the A&M System less the related debt.

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The Texas A&M University System Management's Discussion and Analysis For the Year Ended August 31, 2019

The second category, Restricted, is divided into two categories, expendable and non-expendable. Expendable restricted resources are available for use by the A&M System, but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. The corpus of the non-expendable restricted resources is available for investment purposes and the earnings are used to support the institutions or agencies.

The third category, Unrestricted, is available for any lawful purpose. Although Unrestricted Net Position is not subject to externally imposed stipulations, it has been internally designated for various academic and research programs and initiatives.

Statement of Net Position (in millions)			
Assets and Deferred Outflows of Resources	2019	2018	2017
Current Assets	\$2,518	\$2,554	\$2,747
Capital Assets, Net	6,691	6,272	5,386
Other Assets	6,581	6,321	5,669
Deferred Outflows	939	551	185
Total Assets and Deferred Outflows of Resources	\$16,729	\$15,699	\$13,987
Liabilities and Deferred Inflows of Resources			
Current Liabilities	\$1,800	\$1,665	\$1,450
Non-Current Liabilities	7,626	7,625	6,331
Deferred Inflows	715	638	72
Total Liabilities and Deferred Inflows of Resources	\$10,141	\$9,928	\$7,853
Net Position			
Net Investment in Capital Assets	\$2,318	\$2,172	\$1,912
Restricted			
Expendable	1,069	1,173	1,221
NonExpendable	408	400	393
Unrestricted	2,793	2,026	2,608
Total Net Position	\$6,588	\$5,771	\$6,134

The Statement of Net Position indicates an increase in total assets of 6.56%. This \$1.030 billion increase in assets is mostly attributable to a \$419 million increase in net capital assets plus an increase of \$264 million in Pension Deferred Outflows plus and an increase of \$102 million in Deferred Outflows for Other Post-Employment Benefits.

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Investments recorded on the statement of net position were reported at \$4.982 billion which was a slight increase of \$1 million from 2018's \$4.981 billion. Several institutions outside of the Texas A&M System provide funds to be invested on their behalf, for more details see *Note 3-Deposits, Investments and Repurchase Agreements*.

Total liabilities and deferred inflows of resources increased by \$213 million from the previous year. The Other Post-Employment Benefits liability decreased significantly by \$461 million due to the change in benefit and eligibility provisions adopted in January, 2018 and effective in January, 2019. The A&M System adopted prescription drug coverage for all Medicare primary participants which is now provided through a self-funded commercial plan. This plan provides coverage equivalent to previous coverage but at a significantly lower cost since the plan takes advantage of federal subsidies and discounts. Also the Deferred Inflow of Resources for the Other Post-Employment Benefits increased by \$101 million due to changes of actuarial assumptions.

The pension liability increased by \$320 million per the Teacher's Retirement System actuary reports where there was a change in the discount rate.

Total bonds payable, notes/loans payable and notes from direct borrowings increased by 4.63% or \$214 million in 2019. This is the first year to report Notes from Direct Borrowings per GASB 88, this line item includes a loan and specific types of capital leases (where the title reverts to the member at the end of the lease).

- Notes payable, notes from direct borrowings-loans and bonds payables increased \$138 million or 2.99% related to the A&M System issuing bonds and commercial paper under the Revenue Financing System debt program to refund a portion of previously outstanding bonds and commercial paper and to provide funding for eligible projects. The A&M System also issued commercial paper under the Permanent University Fund debt program to provide funding for eligible projects.
- Notes from direct borrowings-capital leases increased by \$76 million due to A&M members purchasing assets by financing the assets through specific types of capital lease contracts, see *Note 5 Long-term Liabilities* for more information.

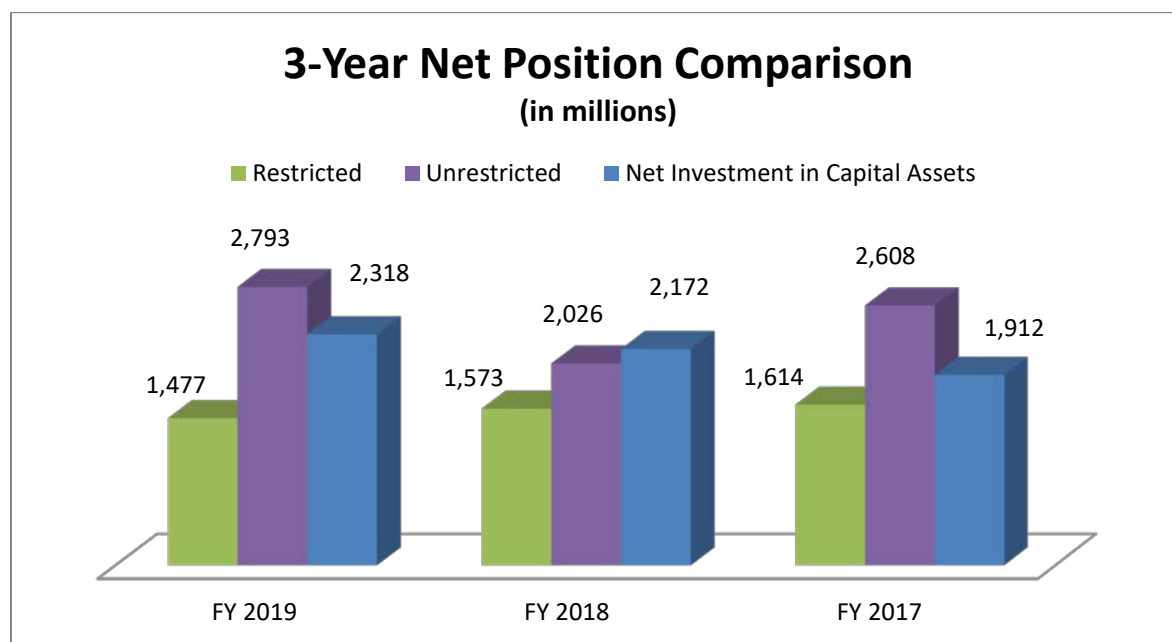
The final section of the statement reports the net position of the A&M System. Total net position reported an increase of 14.17% from the 2018 balance.

The 2019 net position was \$6.588 billion and the 2018 net position balance was \$5.771 billion. Net Investment in Capital Assets increased 6.73% and by \$146 million, and unrestricted net position increased by 37.85% or by \$767 million.

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The Texas A&M University System Management's Discussion and Analysis For the Year Ended August 31, 2019

Below is a graph with a 3 year net position comparison.



The balances defined as unrestricted contain internal restrictions (reserves), as defined in the table below as well as the following graph.

Unrestricted Net Position (in millions)	
Reserved For	
Accounts Receivable	\$1,380
Encumbrances	222
Unrealized Gain on Investments	402
Annual Debt Service Payment	180
Inventories	25
Higher Education Fund	37
Self-Insured Plans	112
Prepaid Expenses and Other Reserves	357
Other State Funds	78
Total Unrestricted Reserves	\$2,793

The overall unrestricted net position totaling \$2.793 billion for FY 2019 compared to \$2.026 billion in 2018.

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The Texas A&M University System Management's Discussion and Analysis For the Year Ended August 31, 2019

Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position presents the revenues earned and the expenses incurred during the year. Activities are reported as operating or non-operating. The Governmental Accounting Standards Board (GASB) requires that state appropriations (Legislative Revenue) and Federal Pell Grants be reported as non-operating revenue. This will generally result in an operating deficit for most public institutions. The utilization of long-lived assets, referred to as Capital Assets, is reflected in the financial statements as depreciation or amortization, which amortizes the cost of an asset over its expected useful life.

The purpose of this statement is to present the revenues of the A&M System, and the expenses incurred by the A&M System, both operating and non-operating, and any other revenues, expenses, gains and losses received or spent. The change in total net position as presented on the Statement of Net Position is a result of these activities.

Generally, operating revenues are received for providing goods and services to the various customers and constituencies of the A&M System. Operating expenses are those expenses incurred to acquire goods and services provided in return for the operating revenues. Non-operating revenues are derived from sources not considered primary operations for an institution of higher education or state agency. State capital appropriations and capital grants and gifts are considered neither operating nor non-operating revenues and are reported after "Income (Loss) Before Other Revenues and Transfers".

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**The Texas A&M University System
Management's Discussion and Analysis
For the Year Ended August 31, 2019**

Statement of Revenues, Expenses and Changes in Net Position (in millions)			
	2019	2018	2017
Operating Revenues and Expenses			
Operating Revenues	\$2,788	\$2,690	\$2,586
Operating Expenses	(4,252)	(4,645)	(4,529)
Operating (Loss)	(1,464)	(1,955)	(1,943)
Non-Operating Revenues	1,734	1,899	1,761
Income (Loss) Before Other Revenues and Transfers	270	(56)	(182)
Other Revenues and Transfers	560	720	422
Change in Net Position	830	664	240
Net Position, Beginning of Year	\$5,770	\$6,134	\$5,894
Restatement	(12)	(1,027)	0
Net Position as Restated	5,758	5,107	5,894
Net Position, End of Year	\$6,588	\$5,771	\$6,134

The condensed Statement of Revenues, Expenses and Changes in Net Position reflect an \$830 million increase in change in net position restatements which decreased the balance by \$12 million.

During the 2019 fiscal year the most significant changes are listed below.

- A slight increase of 4% in net tuition and fees, which was a \$45 million increase from 2018.
- The state appropriations was \$1.2 billion which was a slight increase from 2018, and fringe benefits paid directly by the state increased slightly by \$8.8 million from 2018.
- Investment income was \$287.6 million which was a \$152 million decrease from 2018. Investment income includes realized gains which increased by \$26 million, interest income which decreased by \$12 million and unrealized gain/loss which decreased by \$166 million.

During the 2019 fiscal year, operating expenses had a decrease of \$394 million or 8.48% due to a decrease of \$608 million in Other Post-Employment Benefit expenses which was offset by the increases related to salaries & wages, depreciation & amortization, scholarships as well as claims & losses.

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The most significant changes are listed below.

- Salaries & Wages had a slight increase by \$92 million or 4.86%.
- The impact of Other Post-Employment Benefit expenses was a \$608 million decrease from FY 2018, due to the change in eligibility and benefits in FY 2019. See *Note 11 Postemployment Health Care and Life Insurance Benefits* for more information.
- Pension expense was \$514 million, which was a \$20.9 million increase from the prior year due to changes in the Teacher's Retirement System (TRS) actuary report.
- Depreciation and amortization expense was \$424.4 million which increased by \$49.8 million or 13.3% due to the completion of construction projects.
- Scholarships increased \$9.3 million or by 4% which matches with the increase in Tuition and Fee revenues.

Total Non-Operating Revenues for 2019 decreased to \$1.734 billion, compared to the 2018 amount of \$1.899 billion. The largest portion is attributable to a \$151 million decrease in Investment Income, plus Loss on Sale or Disposal of Capital Assets decreased by \$13 million.

Other Revenues and Transfers decreased by 22.26%, from the 2018 amount of \$720 million to \$560 million in 2019. Contributing factors include an increase in Capital Contributions by \$9 million and a \$168 million decrease in Transfers from Other State Agencies.

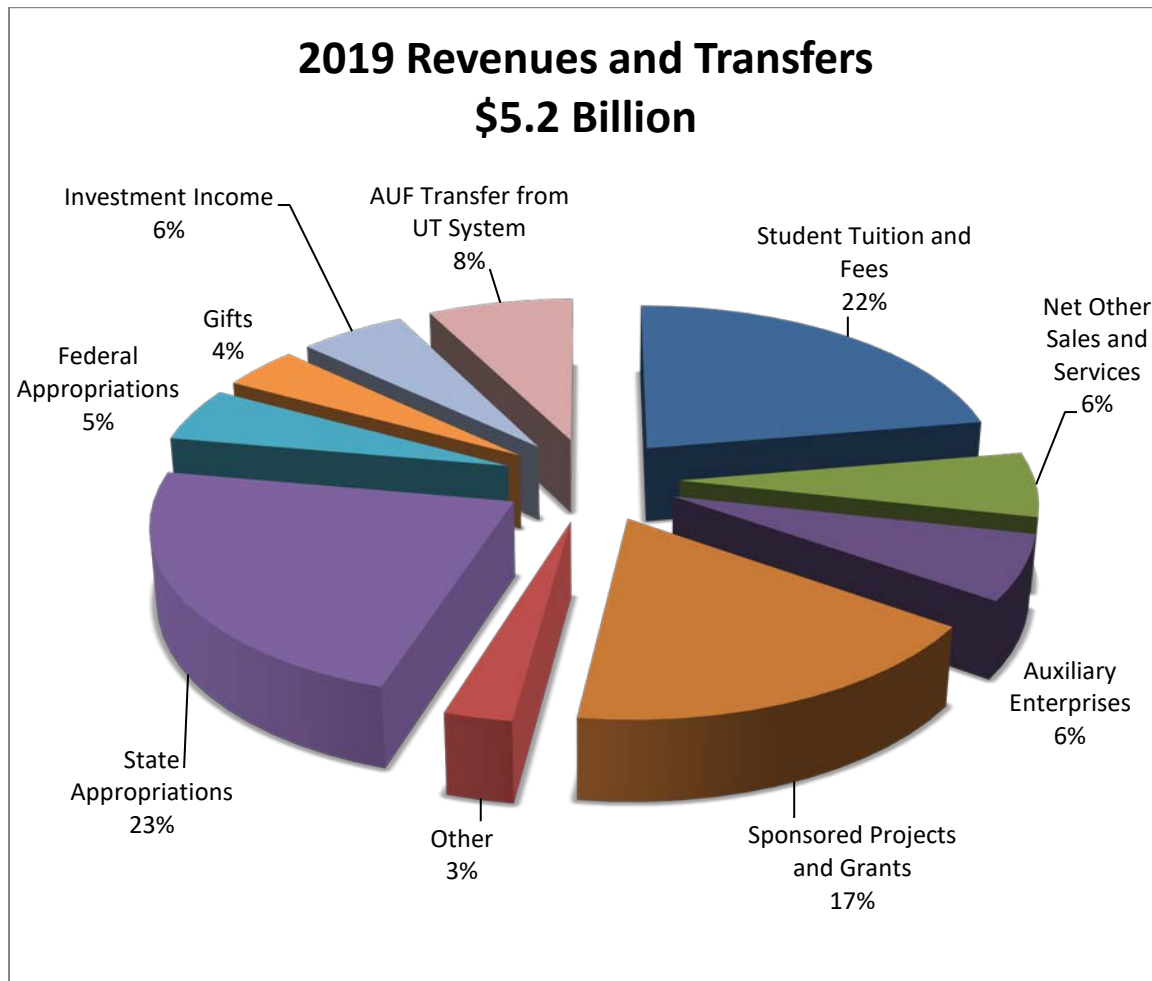
Certain internal activities embedded in the Statement of Revenues, Expenses and Changes in Net Position provide goods and services to internal customers and to other A&M System members. These activities include self-insured programs (health, dental, auto, etc.), repairs & maintenance, utilities, computer services, and other interdepartmental activities. The net operating revenues for these internal activities were eliminated to the extent of operating expenses.

The total eliminated was approximately \$707.4 million. The majority of this activity relates to the self-insured programs which reported operating expenses of approximately \$381 million. Of the remaining \$326.4 million in operating expenses eliminated, \$141 million were professional fees & services; \$76 million included utilities and communications. Approximately \$87.3 million represented salaries and wages and \$23 million represented other payroll related costs.

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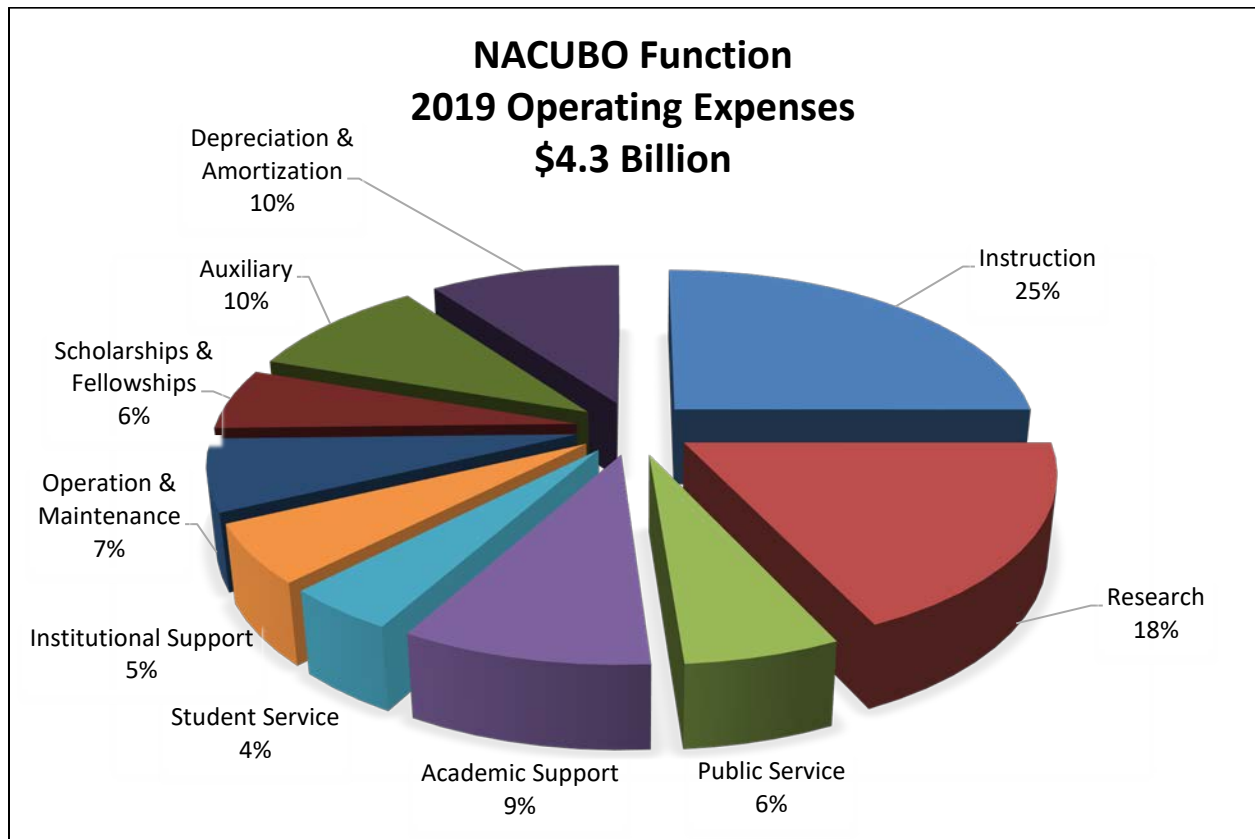
As presented below, revenues and transfers remained consistent with the prior year, a slight increase of \$33 million totaling \$5.2 billion; state appropriations, student tuition and fees, as well as sponsored grants and projects are the primary sources of revenue for the A&M System.



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The following two graphs present operating expenses of \$4.3 billion which is a decrease from 2018 by \$394 million. The first graph presents the operating expenses in the National Association of College and University Business Officers (NACUBO) functional classification and the second graph presents operating expenses in the natural classification. As presented below, instruction, research, academic support, auxiliary and institutional support are the primary expenses for the A&M System. Outsourcing continues to be analyzed for various functions to ensure the costs remain low.

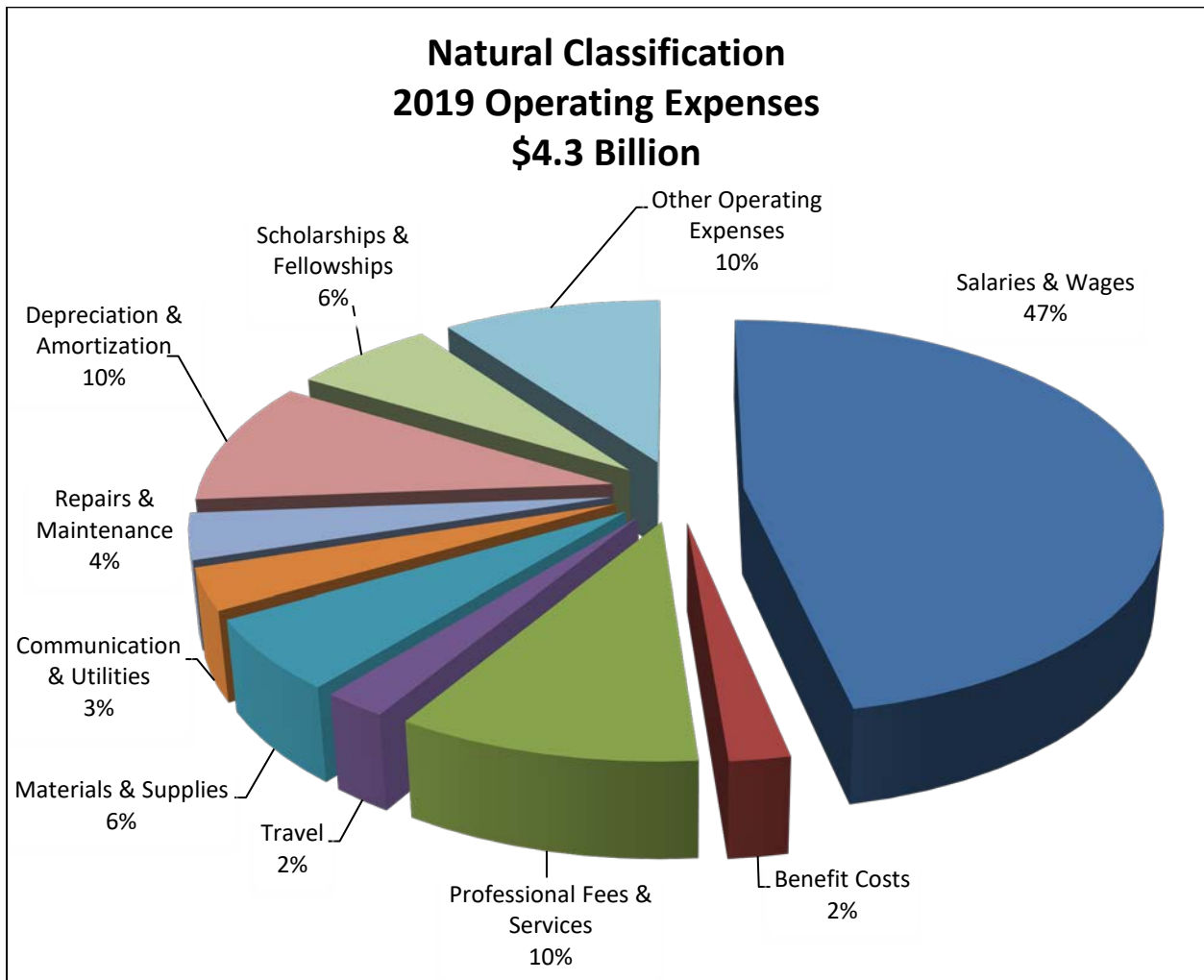


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Operating expenses totaled \$4.3 billion, as depicted in the graph, and non-operating expenses plus transfers out equaled \$272 million.

The A&M System salaries, wages and benefits are a critical part of the success of our students and the services provided. Each A&M member continues to analyze operating costs and ensure these expenses are appropriate. Outsourcing continues to be analyzed by each A&M member for various functions, programs and products offered to ensure costs remain as reasonable as possible.



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Statement of Cash Flows

The final statement presented is the Statement of Cash Flows. This statement presents detailed information on the cash activity during the year. The first section presents operating cash flows and the net cash used by operating activities. The next section presents the results of non-capital financing activities. This section includes the cash flows from state appropriations and other non-operating activities. The capital and related financing activities section includes cash used for acquisition and construction of capital assets. The investing activities section reports purchases, proceeds, and earnings from investments. The final section is a reconciliation of net cash from operations to operating income.

Statement of Cash Flows			
(in millions)			
	2019	2018	2017
Cash Flows From			
Operating Activities	(\$1,383)	(\$1,326)	(\$1,365)
Non-Capital Financing Activities	2,154	2,076	2,013
Capital and Related Financing Activities	(981)	(974)	(181)
Investing Activities	294	213	(280)
Net Change in Cash & Cash Equivalents	84	(11)	187
Cash & Cash Equivalents, Beginning of Year	1,446	1,457	1,270
Cash & Cash Equivalents, End of Year	\$1,530	\$1,446	\$1,457

Capital Assets

The A&M System is committed to continuous improvements in the quality of its academic, research, and service programs through the development and renewal of its capital assets and infrastructure. The A&M System continues to implement its long-range plan to modernize existing teaching and research facilities along with plans for new construction.

There was an increase in completed construction projects during 2019 totaling \$1.326 billion, as compared to \$387 million in 2018. This represents substantially completed projects where the Construction in Progress assets were reclassified to the capital asset categories.

The A&M System had significant capital asset additions for buildings and facilities in 2019. There are many construction projects in various stages of completion including major projects mostly managed by the System Offices and minor projects managed by the members. These projects represent \$807 million in payments for construction in progress during 2019, which was a decrease from 2018 which was \$1.086 billion.

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The major construction projects exceeding \$10 million are listed below and are in progress or scheduled to be completed over the next two years.

Member and Project Name	Projected Fiscal Year Completion	Projected Budget
Texas A&M University System		
RELLIS Academic Complex - Phase I	2020	\$ 41,350,000
RELLIS Agriculture & Workforce Education Complex	2020	15,000,000
RELLIS Academic Complex - Phase II	2021	28,650,000
Sub-total		\$ 85,000,000
Texas A&M University		
HVAC Aston Hall	2020	\$ 13,955,660
Texas A&M Veterinary Education, Research & Outreach Center	2020	22,000,000
Student Services Building	2020	40,141,969
21st Century Classroom Building	2020	85,000,000
Storm Water System Improvements	2020	11,430,000
Swimming and Diving Expansion	2020	8,381,113
Polo Garage	2021	78,367,296
Instructional Laboratory & Innovative Learning Building		98,054,000
HVAC Replacement Dunn Hall	2020	15,194,130
Peterson Building Renovation	2021	25,000,000
West Campus Dining Facility	2021	15,000,000
Sub-total		\$ 412,524,168
Tarleton State University		
Aquatics Center	2020	\$ 10,307,950
Prairie View A&M University		
Fabrication Center	2020	\$ 17,158,000
Capital Improvements	2020	2,319,000
Energy Consumption Reduction Project	2020	15,302,030
Sub-total		\$ 34,779,030
Texas A&M Engineering Extension Service		
Water Wastewater Treatment System Expansion	2020	\$ 11,000,000
Texas A&M University-Kingsville		
Education Complex	2020	\$ 61,548,770

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Member and Project Name	Projected Fiscal Year Completion	Projected Budget
West Texas A&M University		
Energy Consumption Reduction Project	2020	\$ 15,130,500
Football & Soccer-Track Stadiums	2020	38,800,000
Sub-total		\$ 53,930,500
Texas A&M Veterinary Medical Diagnostic Laboratory		
Texas A&M Veterinary Medical Diagnostic Laboratory-Canyon	2020	\$ 17,600,000
Texas A&M Health Science Center		
Dentistry Clinical Education Facility	2020	\$ 127,500,000
Engineering and Health Building Renovation	2021	85,718,000
Sub-total		\$ 213,218,000
Texas A&M University-San Antonio		
Academic and Administration Building Ph. I	2020	\$ 30,000,000
Texas A&M Engineering Experiment Station		
Innovative Technologies Development Complex	2021	\$ 80,000,000
TOTAL		\$ 1,009,908,418

Debt Administration

The A&M System understands its role of financial stewardship and works to manage its resources effectively, including the prudent use of debt to finance capital projects.

During fiscal year 2019, the A&M System issued taxable bonds under the Revenue Financing System debt program to refund a portion of previously outstanding bonds and commercial paper, to provide funding for eligible projects, and to pay the costs of issuing the bonds. The Revenue Financing System Bonds, Taxable Series 2019A had a par amount of approximately \$223.73 million with a true interest cost of 3.89%. The Revenue Financing System Bonds, Taxable Series 2019B had a par amount of approximately \$429.65 million with a true interest cost of 3.24%. Refundings associated with this bond issue resulted in approximately \$34.25 million of total savings or approximately \$24.06 million of net present value savings equating to a net present value benefit of 8.38%.

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In fiscal year 2019, there was a total of \$367.35 million in commercial paper issued. Revenue Financing System Commercial Paper Notes in the amount of \$220 million, Revenue Financing System Taxable Commercial Paper Notes in the amount of \$50 million and Permanent University Fund Taxable Commercial Paper Notes in the amount of \$97.35 million were issued to fund eligible projects.

The A&M System has sufficient debt capacity to finance planned facilities and other capital improvements. In addition, the State appropriated amounts are sufficient for the reimbursement of debt service on all outstanding and planned Tuition Revenue Bond debt for the fiscal year 2020-21 biennium. For additional information concerning Capital Assets and Debt Administration, see the *Notes* to the Financial Statements.

Economic Outlook

U.S. equity markets were up modestly for the year, led by returns for large and mid-sized growth stocks. International equities were mostly negative, with developed markets performing better than emerging markets. Companies with smaller market capitalizations lagged their larger peers across the globe. U.S. fixed income enjoyed strong gains as the Federal Reserve shifted its posture to an easing stance during the twelve month period. Real estate investment trusts performed well, but commodities prices struggled during the year. Concerns about growth and trade tensions continue to create macroeconomic headwinds for global capital markets.

The A&M System has built diversified portfolios across various asset classes, which have the potential to perform well over the long term. During shorter time periods, the portfolios are not immune to changing market conditions and may experience declines in market value. Such declines can create opportunities to acquire assets at reasonable discounts, which will benefit the performance of the portfolios over the long term.

Significant Events

Several leadership changes occurred in the A&M System during fiscal year 2019, these changes are included below.

- In November, 2018, Dr. Mark Hussey was appointed to the position of President of Texas A&M-Kingsville.
- In November, 2018, David E. Coatney was appointed to the position of Director of the Texas A&M Engineering Extension Service (TEEX).
- In November, 2018, Mr. Greg Hartman was appointed Vice Chancellor for Strategic Initiatives, a new role created by Chancellor John Sharp to foster more collaboration among institutions and agencies within the system.
- In December, 2018, Chief W. Nim Kidd who is the Chief of the Texas Division of Emergency Management was appointed to the Vice Chancellor for Disaster and Emergency Services at the Texas A&M System.

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- In May, 2019, the Texas A&M University System Board of Regents elected Elaine Mendoza '87 to serve as board chairman.
 - In May, 2019, the Texas A&M University System Board of Regents elected Tim Leach '82 to serve as the vice chairman.
 - In May, 2019, Governor Greg Abbott appointed and the Texas Senate confirmed, and the Board welcomed three new regents.
 - Mr. Jay Graham of Houston
 - Mr. Mike Hernandez of Fort Worth
 - Mr. Michael J. Plank of Houston
 - In May, 2019, the Governor Greg Abbott appointed Levi D. McClenny of College Station as the student regent.
 - In August, 2019, Dr. James Hurley was named as the sole finalist to be the President of Tarleton State University.

In fiscal year 2020, there were additional changes, included below.

- In October, 2019, Dr. Carrie L. Byington resigned from the Texas A&M College of Medicine to the University of California Health.

Fiscal Year 2019 Announcements

On October 25, 2018, Gov. Greg Abbott and Texas A&M University dedicated the \$40 million Higher Education Center at McAllen on Thursday, Oct. 25, and school officials said the endeavor marks a lasting commitment to the people of South Texas that will provide unique educational opportunities for generations to come. "This partnership between Hidalgo County, the City of McAllen and Texas A&M University represents a significant investment in the future of the Rio Grande Valley and the entire state of Texas," said Gov. Abbott. "I am proud to be a part of this historic investment that will chart a brighter course for students, and make a lasting impact on the economic future of this region." "When we signed the letter of intent in fall 2015, we placed this project among our top priorities and I challenged our team to have it available for students by fall 2018 semester," per Chancellor Sharp. "A mere 36 months later, we have achieved this goal and nearly 200 students are now pursuing their degrees from Texas A&M University right here in the Rio Grande Valley."

On October 16, 2018, the U.S. Department of Agriculture gave its approval to Texas A&M AgriLife Research to move toward commercialization of a new strain of cotton that has the potential to help feed half a billion hungry people across the globe while also doubling the income of cotton farmers. It is only the fourth time ever that a university has successfully petitioned the USDA for deregulation – and the first time in Texas. The development was the result of a Texas A&M AgriLife Research scientist's life's work. After 23 years, Dr. Keerti Rathore figured out a way to remove a naturally occurring toxin from cottonseeds that made them inedible to people and most animals. The breakthrough by Rathore and his team at Texas A&M AgriLife Research will allow farmers now to grow cotton for both fiber and food.

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On November 1, 2018, the Texas A&M University System assumed its oversight role at Los Alamos National Laboratory as part of Triad National Security. The members of Triad are The Texas A&M University System, Battelle Memorial Institute and the University of California. "The new leadership team at Los Alamos is determined to strike the right balance between mission delivery for the nation and safe, operational excellence across the entire Laboratory," said Thom Mason, the new Laboratory Director and President of Triad. "We are committed to partnering with the National Nuclear Security Administration (NNSA) as an integral part of the National Security Enterprise."

On November 29, 2018, officials with The Texas A&M University System announced that Texas A&M Engineering Experiment Station (TEES) will help address critical needs in the nation's nuclear weapons stockpile by providing technical expertise, workforce development and training at the Pantex Plant, the nation's primary facility for the final assembly, dismantlement and maintenance of nuclear weapons. The Pantex Plant, northeast of Amarillo, is one of the Panhandle region's largest employers with nearly 4,000 employees, including nuclear, electrical, mechanical and computer engineers as well as pipefitters and maintenance workers. "CNS approached TEES about the many opportunities for collaboration in research and training, education, professional development and joint program development at Pantex," said Chancellor John Sharp. "The partnership accelerates access for TEES to partner with U.S. Department of Energy employees and researchers housed inside the secured-areas of Pantex Plant."

On January 29, 2019, the Texas A&M University System and private developers broke ground on an intergenerational care facility in College Station. The first part of the project will focus on children and will provide educational experiences in a new preschool. Later, as part of a broader complex, an assisted living center for older adults will be added to the site. "We have a shortage of daycare space around here for university and System employees, and we have been eager to address the problem in an innovative way," Texas A&M University System Chancellor John Sharp said. "We chose the approach of intergenerational care because it is good for everybody. Adults benefit from increased socialization and a renewed sense of purpose, while children get more one-on-one attention and a genuine connection to the past."

On February 13, 2019, Texas A&M University-Kingsville, was recognized for the King Ranch Institute for Ranch Management which is a small, elite and highly selective program that uses the King Ranch as its laboratory. Students in the program are unique: They must be proven cowboys or cowgirls with experience managing ranches, and they have to possess the ability to handle complicated coursework in business and finance. "The King Ranch Institute for Ranch Management is one of the many programs that sets The Texas A&M University System apart," Texas A&M University System Chancellor John Sharp said. "The King Ranch and Texas A&M University-Kingsville have created an institute that is a tribute to ranching and a pipeline for the next generation of managers of the world's greatest ranches."

On February 27, 2019, scientists within The Texas A&M University System are testing new technologies at a feedlot in the Texas Panhandle to find ways to reduce the use of antibiotics in livestock and give urban millennials the kind of drug-free meat they demand. "Millennials are getting blamed all the time for destroying industries, but in this case, they are creating one,"

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Chancellor Sharp said. "Demand for antibiotic-free meat and ingenuity from Texas A&M AgriLife Research scientists have led to some very exciting technology and a new segment of precision agriculture."

On April 24, 2019, more than 500 students attending five Texas A&M System campuses withdrew from school and did not return after Hurricane Harvey swamped the Texas coast in 2017. A \$1 million grant from the State of Qatar via the Qatar Harvey Fund will now help to support those aspiring scholars with a revamped safety net and money to help cover their tuition, fees, books, living expenses and even emergency expenses at Texas A&M University, Texas A&M University at Galveston, Prairie View A&M University, Texas A&M University-Corpus Christi and Texas A&M University-Kingsville. "Qatar and Texas have many long-standing ties, including a Texas A&M campus in Qatar that has awarded some 900 engineering degrees over more than a dozen years," said His Excellency Sheikh Meshal bin Hamad Al-Thani, Qatar's Ambassador to the U.S. "When we saw the devastation from Hurricane Harvey, we created the Qatar Harvey Fund to help our friends in Texas recover from the storm. We are proud to once again partner with the Rebuild Texas Fund to support Texas students impacted by Hurricane Harvey."

On May 8, 2019, a group of Aggies came up with a design – and a scaled-down prototype – of a "flying car" that will fit neatly in your garage. If all goes as planned, the team will commercialize the design, and we will see Aggie-designed vehicles overhead soon. The Texas A&M University students have been steadily advancing in an international competition with their concept for a personal flying vehicle, which has been referred to as a "flying car" and as a "flying motorcycle." The Aggies are one of five teams to advance in the competition –GoFly sponsored by Boeing. The Texas A&M team represents the only U.S. university left in the competition that has included other universities, start-ups and various companies. Chancellor Sharp said Moble Benedict, an assistant professor in the Aerospace Engineering Department at Texas A&M, has pulled together the ideal combination of talent and resources to allow our students to do great things. "The sky is the limit for these brilliant students," Chancellor Sharp said. "They are the perfect example of why the biggest companies in the world seek out Aggie engineers."

On May 28, 2019, the Legislature approved a record \$211 million in new funding for institutions of The Texas A&M University System, and it passed legislation to transfer the Texas Division of Emergency Management to the A&M System as its eighth state agency. "We are grateful to the Governor, Lt. Governor, Speaker and state lawmakers for considering positively our requests," said Chancellor John Sharp. "They have made a huge difference in resources for the Texas A&M System to carry out its critical mission of education, research and service to our great state."

Also, lawmakers approved a package of recommendations presented by Chancellor Sharp, acting as the leader of the Governor's Commission to Rebuild Texas, in the report, "The Eye of the Storm." It included transferring the Texas Division of Emergency Management from the Texas Department of Public Safety to the Texas A&M System. Chief Nim Kidd will now oversee all of the state's emergency preparedness, response, recovery and mitigation activities as the chief of the Texas Division of Emergency Management and the Vice Chancellor for Disaster and Emergency Services at the Texas A&M System. He will still answer to the governor, who by law is in charge of responding to disasters.

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On July 11, 2019, with the season's first tropical storm brewing just off the coast, an off-shore system of buoys run by Texas A&M University scientists and funded by the Texas General Land Office was working to help predict its path and intensity. Where the potential Tropical Storm Barry lands, or if it even became a tropical storm at all, was monitored with data provided by the Texas Automated Buoy System, or TABS. TABS is a real-time oceanographic buoy system that measures winds, waves, currents, salinity and other parameters. It is one of the oldest and most successful state funded, ocean-observing systems in the country. The data-collecting devices constantly record water temperature, currents, wind speed and other measurements. And now that Hurricane season is here, researchers with Texas A&M University's Geochemical Environmental Research Group, are working to provide vital information about the storms that will enter the Gulf of Mexico and threaten Texas and other states.

On August 8, 2019, the Texas A&M University System Board of Regents approved a \$6.3 billion operating budget for FY 2020 and a five-year, \$2.9 billion capital plan that includes \$841.3 million in new proposed projects. The operating budget jumped to \$6.3 billion from \$4.7 billion, largely because the Legislature authorized the transfer of the Texas Department of Emergency Management into the A&M System as its eighth state agency.

On August 8, 2019, the Texas A&M University System Board of Regents authorized the construction of a \$130 million combat development complex at the A&M System's RELLIS Campus in Bryan. The complex will include a one-of-a-kind, kilometer-long tunnel that will make Texas A&M Engineering "the hypersonic research capital of the country," said M. Katherine Banks, Vice Chancellor and Dean of Engineering. At the RELLIS Campus, Gen. John "Mike" Murray, commanding General for the Army Futures Command, said the Army Futures Command would develop, test and evaluate next-generation technologies from the private sector and universities around the country.

The A&M System continues to focus on its mission to serve the needs of the state of Texas. The continued enrollment growth, quality education, expansion of sponsored project activity, and the successful capital improvements are an integral part of the future of the A&M System.

Fiscal Year 2020 Announcements

On October 2, 2019, U.S. Senator John Cornyn, the U.S. Army Futures Command and The Texas A&M University System announced a Cooperative Agreement that will provide up to \$65 million over five years to Texas A&M, supporting research into new technologies to help the Army Futures Command modernize the nation's fighting force. The agreement between Texas A&M System and the U.S. Army Combat Capabilities Development Command (CCDC) Army Research Laboratory (ARL) is the first step in a long-term partnership with the Army Futures Command. "Army Futures Command is excited to continue our collaboration with various partners in Texas to successfully modernize our Army. The work conducted at the TAMUS RELLIS Campus in the coming years will directly impact our Soldiers' readiness, equipment, and capabilities," said Gen. Murray.

On October 12, 2019, Texas A&M University System, U.S. Army and Army Futures Command (AFC) officials and the Bush family were on the RELLIS Campus for the official groundbreaking

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The Texas A&M University System Management's Discussion and Analysis For the Year Ended August 31, 2019

and naming of the new Bush Combat Development Complex (BCDC), named in honor of former President George H.W. Bush. The \$130 million, Bush Combat Development Complex will allow the Texas A&M System to provide an ecosystem to accelerate research and technology development to modernize the Army.

On October 25, 2019, Texas A&M University-Commerce graduate was honored as the nation's top educator working in an urban district. Eric Hale, who teaches at David Burnet Elementary School, was selected by The Council of The Great City Schools and McGraw-Hill Education to receive the 2019 Annual Queen Smith Award. Hale said, "At Commerce, I got a much broader perspective, an understanding that education is basically like the lighthouse for the whole community. I learned that I was more than just a teacher, working in this system."

Upcoming Accounting Pronouncements

GASB 84 Fiduciary Activities effective for Fiscal Year 2020 will change the financial statements for our fiduciary activity. The custodial funds held on other's behalf will be required to issue separate financial statements. These balances will be removed from the Statement of Net Position of our single column report. This is a structural change to our financial statements. The accounting staff continues to analyze this standard and determine the next steps.

GASB 87 Leases effective for Fiscal Year 2021 changes the definitions for Leases. The foundational principle is leases are considered financing agreements. There will be right to use assets reported on the statement of net positions. This standard impacts both the lessee and the lessor accounting events. The accounting staff continues to analyze this standard and determine the next steps.

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Exhibit III
The Texas A&M University System
Combined Statement of Net Position
For the Year Ended August 31, 2019

	Current Year Total	Prior Year Total
Assets and Deferred Outflows		
Current Assets		
Cash & Cash Equivalents (Schedule Three)	\$ 1,082,998,301.97	\$ 940,572,226.88
Investments		103,185,900.69
Restricted		
Cash & Cash Equivalents (Schedule Three)	446,628,296.30	506,066,213.79
Investments		155,814,854.06
Legislative Appropriations	143,565,700.74	152,905,942.45
Receivables, Net (Note 24)		
Federal	162,795,583.48	135,334,837.40
Other Intergovernmental	4,048,082.48	5,894,258.17
Interest and Dividends	13,262,227.82	12,804,367.09
Gifts	73,387,172.37	65,295,088.00
Self-Insured Health and Dental	26,201,167.68	33,758,190.65
Student	51,833,944.67	54,598,236.14
Investment Trades	64,138,657.91	8,313,006.49
Accounts	129,757,633.50	131,784,809.62
Other	2,220,352.66	1,653,841.95
Due From Other Agencies	74,641,039.53	21,960,793.54
Consumable Inventories	18,640,167.81	18,508,342.68
Merchandise Inventories	6,657,190.30	6,926,848.97
Loans and Contracts	17,557,949.01	20,623,968.78
Interfund Receivable (Note 12)	69,302,167.78	61,865,000.00
Other Current Assets	130,448,357.34	116,538,018.64
Total Current Assets	\$ 2,518,083,993.35	\$ 2,554,404,745.99
Non-Current Assets		
Restricted		
Investments (Note 3)	\$ 1,457,348,696.36	\$ 1,436,095,937.79
Loans, Contracts and Other	4,388,142.66	4,388,142.71
Gifts Receivable	340,467,280.02	354,843,363.72
Loans and Contracts	14,499,986.21	14,272,576.17
Investments (Note 3)	3,524,683,601.58	3,285,779,653.41
Interfund Receivable (Note 12)	1,224,282,913.48	1,213,058,775.54
Capital Assets, Non-Depreciable (Note 2)		
Land and Land Improvements	220,132,833.49	208,514,301.28
Construction In Progress	1,151,551,451.98	1,683,350,534.39
Other Tangible Capital Assets	62,907,385.96	60,081,803.35
Land Use Rights	92,817.00	92,817.00
Capital Assets, Depreciable (Note 2)		
Buildings and Building Improvements	6,628,485,061.00	5,632,565,980.29
Infrastructure	948,405,355.20	815,106,704.57
Facilities and Other Improvements	1,037,602,834.34	978,247,661.75
Furniture and Equipment	997,295,532.11	943,178,261.66
Vehicles, Boats, and Aircraft	152,218,860.08	148,785,357.74
Other Capital Assets	217,178,806.42	234,076,077.42
Intangible Capital Assets, Amortized (Note 2)		
Land Use Rights	255,457.00	255,457.00
Computer Software	126,815,606.50	76,171,204.10
Accumulated Depreciation/Amortization	(4,851,608,716.53)	(4,508,263,088.98)
Assets Held In Trust	362,100.00	362,100.00
Other Non-Current Assets	13,867,328.41	12,215,353.35
Total Non-Current Assets	\$ 13,271,233,333.27	\$ 12,593,178,974.26
Deferred Outflows of Resources (Note 28)		
Unamortized Loss On Refunding Debt	\$ 71,029,860.59	\$ 44,575,235.84
Government Acquisition	15,528,184.73	19,451,094.55
Pension	367,128,131.00	103,319,285.00
Other Post Employment Benefits	485,609,988.00	383,898,159.00
Total Deferred Outflows of Resources	\$ 939,296,164.32	\$ 551,243,774.39
Total Assets and Deferred Outflows	\$ 16,728,613,490.94	\$ 15,698,827,494.64

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Exhibit III
The Texas A&M University System
Combined Statement of Net Position
For the Year Ended August 31, 2019

	Current Year Total	Prior Year Total
Liabilities and Deferred Inflows		
Current Liabilities		
Payables		
Accounts	\$ 266,059,984.04	\$ 234,307,810.95
Payroll	151,068,508.47	141,243,791.51
Investment Trades	82,176,721.77	17,166,248.07
Self-Insured Health and Dental	20,267,000.00	18,322,000.00
Student	9,065,630.13	9,736,618.85
Other	6,886,334.27	5,371,514.53
Interfund Payable (Note 12)	2,315,030.68	3,698,756.48
Due to Other Agencies	1,980,545.85	2,372,404.55
Unearned Revenue	757,209,781.37	718,693,401.37
Employees Compensable Leave	20,482,066.44	13,480,603.81
Other Post Employment Benefits	48,228,913.00	48,479,849.00
Claims and Judgments	3,184,211.00	3,146,637.00
Notes and Loans Payable (Note 5)	10,970,000.00	36,402,333.34
Notes From Direct Borrowings (Note 5)	5,940,081.91	
Bonds Payable (Note 6)	250,188,519.59	229,295,578.26
Capital Lease Obligations (Note 8)	3,385,311.81	8,043,617.59
Liabilities Payable From Restricted Assets	57,432,294.73	99,713,794.69
Funds Held for Others	85,831,184.81	55,409,604.22
Other Current Liabilities	16,720,256.24	20,326,172.48
Total Current Liabilities	\$ 1,799,392,376.11	\$ 1,665,210,736.70
Non-Current Liabilities		
Interfund Payable (Note 12)	\$ 10,296,194.78	\$ 11,746,283.18
Employees Compensable Leave	89,600,928.60	91,310,018.01
Other Post Employment Benefits (Note 11)	1,804,297,528.00	2,265,387,072.00
Pension Liability (Note 9)	712,411,150.00	392,181,254.00
Claims and Judgments	7,807,476.00	7,120,956.00
Notes and Loans Payable (Note 5)	251,015,000.00	290,391,999.94
Notes From Direct Borrowings (Note 5)	70,900,112.93	
Bonds Payable (Note 6)	4,219,154,302.25	4,051,212,821.84
Assets Held In Trust	362,100.00	362,100.00
Liabilities Payable From Restricted Assets	3,479,872.45	9,276,571.88
Funds Held for Others	414,263,318.11	401,936,493.04
Capital Lease Obligations (Note 8)	4,344,177.94	78,654,241.14
Asset Retirement Obligations (Note 5)	12,676,635.27	
Other Non-Current Liabilities	25,749,759.10	25,975,512.01
Total Non-Current Liabilities	\$ 7,626,358,555.43	\$ 7,625,555,323.04
Deferred Inflows of Resources (Note 28)		
Pension	\$ 84,760,235.00	\$ 108,349,423.00
Other Post Employment Benefits	628,990,647.00	528,407,679.00
Split-Interest Agreements	838,243.94	822,732.13
Total Deferred Inflows of Resources	\$ 714,589,125.94	\$ 637,579,834.13
Total Liabilities and Deferred Inflows	\$ 10,140,340,057.48	\$ 9,928,345,893.87
Net Position		
Net Investment In Capital Assets	\$ 2,318,447,267.93	\$ 2,172,280,051.17
Restricted for		
Capital Projects	312,903,112.01	382,681,507.58
Education	384,246,022.47	417,483,108.10
Endowment and Permanent Funds		
Nonexpendable	408,026,111.45	400,201,417.01
Expendable	372,097,862.01	372,021,961.95
Unrestricted	2,792,553,057.59	2,025,813,554.96
Total Net Position (Exhibit IV)	\$ 6,588,273,433.46	\$ 5,770,481,600.77

The Accompanying Summary of Significant Accounting Policies and Notes to
Financial Statements are an integral part of this statement.

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Exhibit IV

The Texas A&M University System

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

For the Year Ended August 31, 2019

	Current Year	Prior Year
	Total	Total
Operating Revenues		
Tuition and Fees	\$ 1,564,369,799.18	\$ 1,485,223,069.99
Discounts and Allowances	(402,525,109.79)	(368,199,621.99)
Professional Fees	5,245,055.25	8,035,872.58
Auxiliary Enterprises	362,957,736.34	352,940,675.47
Discounts and Allowances	(38,546,854.14)	(37,948,150.94)
Other Sales of Goods and Services	322,093,808.12	309,173,969.30
Discounts and Allowances	(7,613,084.17)	(8,031,057.27)
Interest Revenue	579,093.03	1,548,185.95
Federal Revenue - Operating	465,270,013.82	439,516,386.01
Federal Pass Through Revenue	32,757,311.54	33,239,465.27
State Grant Revenue	5,629,472.47	5,617,073.25
State Pass Through Revenue	124,325,729.78	115,252,568.35
Other Grants and Contracts - Operating	280,644,251.01	270,119,822.29
Other Operating Revenue	73,005,038.37	83,893,121.34
Total Operating Revenues	\$ 2,788,192,260.81	\$ 2,690,381,379.60
Operating Expenses		
Instruction	\$ 1,063,347,894.73	\$ 1,269,516,529.91
Research	766,239,179.09	835,453,934.35
Public Service	246,756,818.58	348,468,784.97
Academic Support	394,827,105.48	413,597,476.21
Student Services	178,710,860.65	200,160,727.81
Institutional Support	236,276,919.66	260,917,356.59
Operation & Maintenance of Plant	285,329,254.71	307,778,461.25
Scholarships & Fellowships	244,672,961.68	234,654,274.01
Auxiliary	411,280,755.58	400,736,596.61
Depreciation/Amortization	424,422,596.32	374,669,478.23
Total Operating Expenses (Schedule IV-1)	\$ 4,251,864,346.48	\$ 4,645,953,619.94
Total Operating Loss	\$ (1,463,672,085.67)	\$ (1,955,572,240.34)
Nonoperating Revenues (Expenses)		
Legislative Revenue	\$ 1,191,453,950.64	\$ 1,182,765,097.99
Federal Revenue Non-Operating	267,174,580.38	250,189,570.82
Gifts	208,670,676.08	193,314,888.51
Investment Income	287,587,689.46	439,430,092.34
Investing Activities Expense	(17,086,533.69)	(14,733,146.41)
Interest Expense	(171,798,605.66)	(188,873,094.55)
Borrower Rebates and Agent Fees	(4,006,284.67)	(5,714,148.94)
Gain (Loss) On Sale or Disposal of Capital Assets	(11,355,454.67)	1,703,152.72
Settlement of Claims	(2,727,332.80)	(429,146.64)
Other Nonoperating Revenues	60,606,551.26	84,927,711.58
Other Nonoperating (Expenses)	(74,295,015.46)	(43,359,312.60)
Total Nonoperating Revenues (Expenses)	\$ 1,734,224,220.87	\$ 1,899,221,664.82
Income (Loss) Before Other Revenues and Transfers	\$ 270,552,135.20	\$ (56,350,575.52)

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Exhibit IV
The Texas A&M University System

Combined Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended August 31, 2019

	Current Year	Prior Year
	Total	Total
Other Revenues and Transfers		
Capital Contributions	\$ 13,807,414.89	\$ 4,743,808.53
Capital Appropriations (Higher Education Fund)	46,586,914.00	46,586,914.00
Additions to Permanent and Term Endowments	5,186,878.05	4,972,763.08
Transfers In		
Transfers From Other State Agencies	493,915,032.02	662,310,776.30
Nonmandatory Transfers From Other State Agencies-Capital Assets	89,872.95	142,654.11
Transfers Out		
Transfers to Other State Agencies	(1,507,328.84)	(1,769,429.63)
Nonmandatory Transfers To Other State Agencies-Capital Assets	(36,572.56)	(134,329.38)
Legislative Transfers - In	3,701,349.00	3,839,568.00
Legislative Appropriations Lapsed	(2,314,101.87)	(1,081,232.26)
Total Other Revenues and Transfers	\$ 559,429,457.64	\$ 719,611,492.75
Change In Net Position	\$ 829,981,592.84	\$ 663,260,917.23
Net Position, Beginning of Year	\$ 5,770,481,600.77	\$ 6,134,253,252.12
Restatement	(12,189,760.15)	(1,027,032,568.58)
Net Position, Beginning of Year, Restated	\$ 5,758,291,840.62	\$ 5,107,220,683.54
Net Position, End of Year	\$ 6,588,273,433.46	\$ 5,770,481,600.77

The Accompanying Summary of Significant Accounting Policies and Notes to
Financial Statements are an integral part of this statement.

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Schedule IV-1

The Texas A&M University System

Combined Statement of NACUBO Function to Natural Classification Matrix
For the Year Ended August 31, 2019

	Instruction	Research	Public Service	Academic Support	Student Services
Natural Classification					
Cost of Goods Sold	\$ 134,580.74	\$ 288,331.24	\$ 342,655.09	\$ 162,227.11	\$ 18,892.42
Salaries & Wages	839,783,549.59	386,240,209.77	130,512,002.28	219,474,365.57	95,466,884.19
Payroll Related Costs	25,918,912.50	12,686,788.94	(1,032,275.56)	18,069,313.89	(1,271,507.33)
Professional Fees & Services	64,218,022.69	117,985,610.58	15,038,699.76	42,295,779.41	16,701,013.98
Travel	21,885,462.83	24,686,267.63	7,020,273.66	9,555,106.42	6,878,892.32
Materials & Supplies	48,036,358.59	68,598,798.99	16,280,605.23	53,455,129.60	15,358,217.06
Communication & Utilities	5,767,508.09	14,007,344.77	4,416,533.22	9,978,362.37	3,084,279.19
Repairs & Maintenance	6,891,650.80	18,758,328.32	3,424,148.48	11,705,393.27	3,951,573.58
Rentals & Leases	14,993,507.10	14,682,794.52	8,356,834.65	8,248,830.25	7,523,305.87
Printing & Reproduction	2,688,539.75	2,341,400.39	1,603,488.73	2,604,133.06	1,966,471.65
Federal Pass-Through	200,720.30	3,955,283.45	76,287.45	12,519.13	
State Pass-Through		385,148.43	33,056.07		
Depreciation & Amortization					
Bad Debt Expense					281,991.67
Interest	14,365.54	35,107.76	4,313.63	7,076.34	9,323.63
Scholarships	2,274,046.04	29,221,049.18	554,506.97	2,364,933.33	1,854,206.09
Claims & Losses					
Other Operating Expenses	30,540,670.17	72,366,715.12	60,125,688.92	16,893,935.73	26,887,316.33
Total Operating Expenses	\$ 1,063,347,894.73	\$ 766,239,179.09	\$ 246,756,818.58	\$ 394,827,105.48	\$ 178,710,860.65

Institutional Support	Operation & Maintenance of Plant	Scholarships & Fellowships	Auxiliary	Depreciation & Amortization	Total	Prior Year
\$ 7,119.15	\$ 49.12	\$ 4,185.70	\$ 5,363,513.98	\$	\$ 6,321,554.55	\$ 6,726,982.95
140,404,953.47	29,628,909.69	14,182,756.09	130,589,826.43		1,986,283,457.08	1,894,256,011.47
6,609,142.63	(5,220,789.71)	1,131,811.04	28,572,125.54		85,463,521.94	493,455,734.08
28,546,797.16	61,084,432.21	4,117,951.54	74,245,083.55		424,233,390.88	432,069,188.27
2,953,988.04	334,623.66	1,142,833.62	17,297,752.50		91,755,200.68	89,356,179.27
8,984,084.50	12,986,886.42	856,866.74	22,087,699.62		246,644,646.75	249,235,774.84
3,799,030.02	75,065,054.31	32,322.57	26,058,966.77		142,209,401.31	143,961,103.34
6,125,480.97	82,391,009.76	58,467.84	25,333,837.95		158,639,890.97	149,947,971.57
7,026,381.66	4,470,756.32	503,786.31	21,900,476.05		87,706,672.73	79,777,609.64
1,176,001.79	43,393.46	38,995.25	901,940.48		13,364,364.56	12,430,773.34
75,398.54					4,320,208.87	4,219,971.71
		174,984.90			593,189.40	933,745.99
				424,422,596.32	424,422,596.32	374,669,478.23
					281,991.67	269,145.97
10,066.68	23,274.77	310.52	17,847.71		121,686.58	176,068.52
2,059,485.71	98,192.81	219,201,766.52	14,111,078.36		271,739,265.01	262,437,511.91
6,611,161.01	185,626.35				6,796,787.36	11,002.14
21,887,828.33	24,237,835.54	3,225,923.04	44,800,606.64		300,966,519.82	314,172,067.70
\$ 236,276,919.66	\$ 285,329,254.71	\$ 244,672,961.68	\$ 411,280,755.58	\$ 424,422,596.32	\$ 4,251,864,346.48	\$ 4,645,953,619.94

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Exhibit V
The Texas A&M University System
 Combined Statement of Cash Flows
 For the Year Ended August 31, 2019

	Current Year	Prior Year
	Total	Total
Cash Flows From Operating Activities		
Proceeds Received From Tuition and Fees	\$ 1,163,468,963.96	\$ 1,212,463,326.03
Proceeds Received From Customers	338,577,659.41	306,298,929.76
Proceeds From Grants and Contracts	955,751,119.76	898,917,263.54
Proceeds From Auxiliary Enterprises	320,456,630.38	307,063,871.46
Proceeds From Loan Programs	3,492,361.27	10,176,742.23
Proceeds From Other Operating Revenues	113,874,532.25	109,259,225.15
Payments to Suppliers for Goods and Services	(1,449,408,568.29)	(1,443,293,992.17)
Payments to Employees	(2,485,647,716.25)	(2,408,015,118.05)
Payments for Loans Provided	(1,851,716.30)	(7,695,942.39)
Payments for Other Operating Expenses	(341,479,234.66)	(310,654,224.08)
Net Cash Used By Operating Activities	\$ (1,382,765,968.47)	\$ (1,325,479,918.52)
Cash Flows From Noncapital Financing Activities		
Proceeds From State Appropriations	\$ 1,206,812,742.15	\$ 1,173,707,435.57
Proceeds From Gifts	238,760,381.20	256,021,477.95
Proceeds From Endowments	5,186,878.05	4,964,771.11
Proceeds From Transfers From Other Funds	427,747,449.33	362,893,441.68
Proceeds From Other Grant Receipts	263,700,503.12	251,458,445.12
Proceeds From Other Noncapital Financing Activities	100,833,257.86	96,552,744.72
Payments of Interest	(21,156.69)	(1,092.16)
Payments for Transfers to Other Funds	(1,532,408.84)	(1,769,429.63)
Payments for Other Noncapital Financing Uses	(87,318,337.11)	(68,356,843.53)
Net Cash Provided By Noncapital Financing Activities	\$ 2,154,169,309.07	\$ 2,075,470,950.83
Cash Flows From Capital and Related Financing Activities		
Proceeds From Sale of Capital Assets	\$ 655,097.59	\$ 5,271,066.61
Proceeds From Debt Issuance	994,548,365.02	1,311,501,957.44
Proceeds From State Grants and Contracts	43,563,967.52	42,678,548.43
Proceeds From Interfund Payables	12,575,134.52	8,552,625.85
Proceeds From Other Financing Activities	12,575,134.52	33,540,165.51
Payments for Additions to Capital Assets	(940,980,632.12)	(1,197,680,391.97)
Payments of Principal On Debt	(870,204,333.34)	(973,748,109.69)
Payments for Capital Leases	(17,177,894.63)	(1,292,466.54)
Payments of Interest On Debt Issuance	(196,851,120.32)	(194,962,508.69)
Payments for Interfund Receivables	(2,833,814.20)	(288,502.83)
Payments of Other Costs On Debt Issuance	(5,357,880.47)	(7,104,558.10)
Net Cash Used By Capital & Related Financing Activities	\$ (982,063,110.43)	\$ (973,532,173.98)
Cash Flows From Investing Activities		
Proceeds From Sales of Investments	\$ 3,790,511,321.02	\$ 2,483,761,834.73
Proceeds From Interest and Investment Income	157,120,709.82	169,126,352.92
Payments to Acquire Investments	(3,653,984,103.41)	(2,439,824,193.36)
Net Cash Provided By Investing Activities	\$ 293,647,927.43	\$ 213,063,994.29
Net Increase (Decrease) In Cash and Cash Equivalents	\$ 82,988,157.60	\$ (10,477,147.38)
Cash and Cash Equivalents, Beginning of Year	\$ 1,446,638,440.67	\$ 1,457,115,588.05
Cash and Cash Equivalents, End of Year (Schedule Three)	\$ 1,529,626,598.27	\$ 1,446,638,440.67

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Exhibit V
The Texas A&M University System
 Combined Statement of Cash Flows
 For the Year Ended August 31, 2019

	Current Year Total	Prior Year Total
Reconciliation of Operating Loss to Net Cash Used By Operating Activities		
Operating Loss	\$ (1,463,672,085.67)	\$ (1,955,572,240.34)
Adjustments to Reconcile Operating Loss to Net Cash Used By Operating Activities		
Amortization and Depreciation	424,422,596.32	374,669,478.23
Bad Debt Expense	9,674,200.00	5,506,415.09
Pension Expense	33,594,439.00	(7,415,701.00)
OPEB Expense	(462,469,341.00)	145,263,000.00
Changes In Assets and Liabilities		
(Increase) Decrease In Receivables	4,114,364.23	(39,860,625.53)
(Increase) Decrease In Due From Agencies/Funds	(5,148,889.02)	3,008,575.90
(Increase) Decrease In Inventories	137,833.54	(214,192.15)
(Increase) Decrease In Prepaid Expenses	(12,216,994.12)	(3,536,629.90)
(Increase) Decrease In Loans and Contracts	2,199,251.55	5,784,142.19
(Increase) Decrease In Other Assets	(1,682,020.54)	1,961,871.67
(Increase) Decrease In Deferred Outflows - Pensions	(263,808,846.00)	20,948,567.00
(Increase) Decrease In Deferred Outflows - OPEB	(101,711,829.00)	(383,898,159.00)
Increase (Decrease) In Payables	29,868,486.60	19,948,697.43
Increase (Decrease) In Due to Other Agencies/Funds	(391,858.70)	(398,932.46)
Increase (Decrease) In Unearned Revenue	39,743,046.62	142,847,719.33
Increase (Decrease) In Deposits	(799,816.23)	(7,018,772.31)
Increase (Decrease) In Employees Compensable Leave	5,292,373.22	(9,443,767.08)
Increase (Decrease) In OPEB Liability	1,128,861.00	(144,509,520.00)
Increase (Decrease) In Pension Liability	286,635,457.00	(57,926,862.00)
Increase (Decrease) In Self Insured Accrued Liability	2,669,094.00	(602,548.00)
Increase (Decrease) In Other Liabilities	(14,706.54)	(26,835.59)
Increase (Decrease) In Deferred Inflows - Pensions	(23,589,188.00)	36,598,721.00
Increase (Decrease) In Deferred Inflows - OPEB	100,582,968.00	528,407,679.00
Increase (Decrease) In Asset Retirement Obligations	12,676,635.27	
Total Adjustments	\$ 80,906,117.20	\$ 630,092,321.82
Net Cash Used By Operating Activities	\$ (1,382,765,968.47)	\$ (1,325,479,918.52)
Non-Cash Transactions		
Donation of Capital Assets	\$ 13,807,414.89	\$ 4,743,808.53
Net Change In Fair Value of Investments	(45,867,341.69)	125,634,473.25
Refunding of Long Term Debt	230,525,000.00	393,055,000.00
Amortization of Bond Premiums and Discounts	25,495,578.26	55,406,608.18
Borrowing Under Capital Lease Purchase	4,696,458.70	57,642,808.32
Other	(10,937,034.87)	572,239.10

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The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2019

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The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2019

Note 1 - Summary of Significant Accounting Policies

For financial reporting purposes, the A&M System is considered a special-purpose government engaged in business-type activities. Accordingly, the A&M System's financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation is incurred. Operating items are distinguished from non-operating items. Operating revenues and expenses result from providing services or producing and delivering goods in connection with ongoing operations.

Cash and Cash Equivalents

All highly liquid investments with a maturity of three months or less at the time of purchase are considered cash and cash equivalents. With the exception of residual cash which results from the management of investment portfolios, the A&M System maintains cash and cash equivalents for the purpose of meeting short-term disbursement requirements.

Investments

Current and non-current investments are reported at fair value. Fair value is defined as the price that would be received to sell an investment in an orderly transaction between market participants at the measurement date. Measuring fair value requires gathering information, or inputs, about the asset or liability being measured. The fair value hierarchy categorizes the inputs used to measure fair value into three levels. Level 1 inputs are quoted prices in active markets for assets or liabilities identical to the ones being measured, Level 2 inputs are observable for similar assets or liabilities, and Level 3 inputs are unobservable inputs.

The notes to the financial statements disclose the input levels used to determine fair value, and also display the deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk.

Current Assets

On the Statement of Net Position, items classified as current are defined as resources expected to be realized or consumed within one year.

Receivables

Receivable balances are grouped into several receivable categories. Accounts receivable reflects amounts owed for goods and services provided. Self-insured health and dental represents August premiums for the A&M System's self-insured arrangement for group health and dental plan insurance coverage. The investment trades category reports pending security sales that have been traded and not settled as of the end of the reporting period. Other receivables include items such as travel advances, returned checks, and various items accrued.

Receivable balances are presented net of an allowance for uncollectible accounts. The allowance is based on management's judgment of potential uncollectible amounts, which includes such factors as historical

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The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2019

experience and type of receivable. Refer to Note 24 - Disaggregation of Receivable Balances, for additional details.

Capital Assets

Capital assets are recorded at cost at the date of acquisition or fair value at the date of donation in the case of gifts. Livestock held for educational purposes is recorded at estimated fair value. The capitalization threshold for personal property is \$5,000. The capitalization threshold is \$100,000 for buildings and building improvements, facilities and other improvements, purchased software, land use rights with terms, and leasehold improvements. Infrastructure has a capitalization threshold of \$500,000. Internally developed software has a capitalization threshold of \$1,000,000. All land, land improvements, permanent land use rights, library books/materials, museums/collections, and works of art/historical treasures are capitalized.

Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the assets; generally, 10 to 30 years for buildings and building improvements, 10 to 45 years for infrastructure, 4 to 15 years for equipment, and 15 years for library books.

Payables

Payable balances are grouped into various payable categories on the Statement of Net Position. Accounts payable represents the liability for the value of assets or services received, as of the date of the financial statements, for which payment is pending. Payroll payable includes accrued salary, wages, and benefits. The investment trades category reports pending security purchases traded and not settled as of the end of the reporting period. Self-insured health and dental payable represents a liability for self-insured group health and dental insurance plan coverage. Other payables include a variety of items, including payables for investment manager fees, sales taxes, and student liabilities.

Pension Liability, Deferred Outflows and Deferred Inflows of Resources

The pension values provided by the Texas Comptroller's Office define the Texas A&M System's proportional share of the Teacher Retirement System of Texas (TRS) unfunded pension liability. TRS is a public employee retirement system (PERS) that is a multiple-employer, cost sharing, defined benefit pension plan. The plan is administered through a trust. For more information, see Note 9 - Pension Plans and Optional Retirement Program.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of TRS plan and additions to/deductions from TRS' fiduciary net position have been determined on the full accrual basis. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

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The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2019

Revenues and Expenses

Operating revenues include activities such as student tuition and fees, net sales and services of auxiliary enterprises, and most federal, state and local grants and contracts. Operating expenses include salaries and wages, payroll related costs, professional fees and services, materials and supplies, and scholarships.

Nonoperating revenues include activities such as State appropriations, gifts and contributions, investment income and other revenue sources that are defined as nonoperating revenues by the GASB (Governmental Accounting Standards Board). Nonoperating expenses include activities such as interest expense on capital asset financings, and other expenses.

Unearned Revenue

The A&M System members record receivables when revenue is earned but not collected. Unearned revenue is recognized when cash is received prior to revenue recognition, and is considered a liability.

Other Postemployment Benefits (OPEB), Deferred Outflows and Deferred Inflows of Resources

In addition to providing pension benefits, the State provides certain health care and life insurance benefits for retired employees in accordance with State statutes. These benefits are provided to the A&M System's retirees under the A&M System group insurance program, which is a single-employer defined benefit Other Post Employment (OPEB) plan. The State contributes to the cost of each participant's insurance coverage.

The total current and non-current OPEB liability, deferred outflows of resources and deferred inflows of resources is measured based on a calculation prepared by the A&M System's actuary. For more information, see Note 11 - Postemployment Health Care and Life Insurance Benefits.

Deferred Outflows of Resources and Deferred Inflows of Resources

Deferred outflows of resources are defined as the consumption of net assets applicable to a future reporting period, and have a positive effect on net position, similar to assets. Deferred inflows of resources are defined as the acquisition of net assets applicable to a future reporting period, and have a negative effect on net position, similar to liabilities. Additional details are provided in Note 28 - Deferred Outflows of Resources and Deferred Inflows of Resources,

Net Position

Net Position is the difference between assets plus deferred outflows of resources, less liabilities plus deferred inflows of resources.

Net Investment in Capital Assets

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

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The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2019

Restricted Net Position

Restricted net position results when constraints placed on net resources are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation. When both restricted and unrestricted assets are available for use, restricted resources are used first, then unrestricted resources are used as needed.

Unrestricted Net Position

Unrestricted net position consists of net resources that do not meet the definition of the two preceding categories. Unrestricted net position often has constraints on resources that are imposed by management but can be removed or modified.

Other Significant Accounting Policies

The combined financial statements for the A&M System include the primary financial statements of each member of the A&M System, including the A&M System Offices, as well as the Texas A&M Research Foundation (Research Foundation). Transfers, federal and state pass throughs between A&M System members have been eliminated.

Certain operations provide goods and services to internal customers. These operations include activities such as self- insured programs, repairs & maintenance, utilities, computer services, and other services with interdepartmental activities. The revenues were eliminated to the extent of expenses for these internal transactions in the Statement of Revenues, Expenses, and Changes in Net Position to avoid inflating revenues and expenses. Receivables and payables between A&M System members were eliminated except those arising from service department operations and auxiliary enterprises, which are considered to be exchange in nature.

An endowment appreciation reserve was created in fiscal year 1997 for the purpose of providing a consistent and predictable income stream for the System Endowment Fund. The appreciation reserve is administered by the A&M System Offices. All realized gains and losses are deposited to or funded from the appreciation reserve, and distributions from the reserve are used to supplement current income when the income received is insufficient to meet the required distribution in accordance with the System Endowment Fund spending policy.

GASB Statements Implemented in Fiscal Year 2019

For fiscal year 2019, the A&M System has implemented GASB Statement No. 83, *Asset Retirement Obligations*. An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. AROs result from the normal operations of tangible capital assets and include legally enforceable liabilities associated with the asset's retirement, disposal, and any associated environmental remediation. The A&M System is reporting ARO's related to radioactive material licenses and nuclear research facilities. This standard requires a restatement for prior year balances which totals \$12,676,635.27. Additional disclosure information is included in Note 5, Long-Term Liabilities.

The A&M System has implemented GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, for fiscal year 2019. This standard defines debt as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of

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The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2019

cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This includes contracts reported as a financed purchase of the underlying asset which may have been reported as a capital lease prior to this statement. Direct borrowings have terms negotiated directly with the investor or lender and are not offered for public sale. The A&M System reclassified liability balances from Notes Payable and Capital Lease Obligations to Notes from Direct Borrowings. Additional details are provided in Note 5, Long-Term Liabilities.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, effective 2021, discontinues the capitalization of interest costs during construction. The State of Texas Comptroller's Office opted to early implement this standard in 2019. Beginning with fiscal year 2019, the A&M System's interest cost incurred before the end of a construction project is expensed as incurred. The standard states changes should be applied retrospectively, there is no restatement required. Interest incurred prior to fiscal year 2019 will be capitalized as part of the asset.

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**The Texas A&M University System
Notes to the Combined Financial Statements
For the Year Ended August 31, 2019**

Note 2 - Capital Assets

A summary of changes in Capital Assets for the year ended August 31, 2019 is presented below.

Capital Asset Activity								
	Beginning Balance	Adjustments	Completed CIP	Interagency Transactions	Additions	Deletions	Ending Balance	
Non-Depreciable/Amortizable Assets								
Land and Land Improvements	\$ 208,514,301.28	\$ -	\$ 587,432.78	\$ -	\$ 11,619,494.75	\$ (588,395.32)	\$ 220,132,833.49	
Construction in Progress	1,683,350,534.39	-	(1,325,891,533.62)	-	807,126,294.77	(13,033,843.56)	1,151,551,451.98	
Other Tangible Capital Assets	60,081,803.35	-	813,416.09	-	2,012,166.52	-	62,907,385.96	
Land Use Rights	92,817.00	-	-	-	-	-	92,817.00	
Total Non-Depreciable/Amortizable	1,952,039,456.02	-	(1,324,490,684.75)	-	820,757,956.04	(13,622,238.88)	1,434,684,488.43	
Depreciable Assets								
Buildings & Building Improvements	5,632,565,980.29	-	1,025,171,503.40	-	11,109,780.61	(40,362,203.30)	6,628,485,061.00	
Infrastructure	815,106,704.57	-	135,762,586.28	-	491,199.81	(2,955,135.46)	948,405,355.20	
Facilities and Other Improvements	978,247,661.75	-	59,710,128.66	-	1,166,408.99	(1,521,365.06)	1,037,602,834.34	
Furniture and Equipment	943,178,261.66	(45,648.90)	61,835,834.77	(41,223.37)	58,506,804.01	(66,138,496.06)	997,295,532.11	
Vehicles, Boats and Aircraft	148,785,357.74	(23,846.00)	-	43,491.00	7,296,560.65	(3,882,703.31)	152,218,860.08	
Other Capital Assets	234,076,077.42	-	831,675.19	-	6,455,720.28	(24,184,666.47)	217,178,806.42	
Total Depreciable Assets	8,751,960,043.43	(69,494.90)	1,283,311,728.30	2,267.63	85,026,474.35	(139,044,569.66)	9,981,186,449.15	
Less Accumulated Depreciation								
Buildings & Building Improvements	(2,767,360,679.62)	-	-	-	(248,740,694.99)	22,937,545.47	(2,993,163,829.14)	
Infrastructure	(399,797,394.54)	-	-	-	(36,412,198.03)	353,992.80	(435,855,599.77)	
Facilities and Other Improvements	(319,019,479.13)	-	-	-	(33,081,437.28)	597,697.19	(351,503,219.22)	
Furniture and Equipment	(667,235,441.22)	45,648.90	-	67,843.84	(74,594,404.83)	28,587,387.73	(713,128,965.58)	
Vehicles, Boats and Aircraft	(109,439,380.28)	23,846.00	-	(16,811.08)	(9,954,893.43)	3,483,694.47	(115,903,544.32)	
Other Capital Assets	(180,360,733.28)	-	-	-	(8,955,934.90)	23,798,574.85	(165,518,093.33)	
Total Accumulated Depreciation	(4,443,213,108.07)	69,494.90	-	51,032.76	(411,739,563.46)	79,758,892.51	(4,775,073,251.36)	
Depreciable Assets, Net	4,308,746,935.36	-	1,283,311,728.30	53,300.39	(326,713,089.11)	(59,285,677.15)	5,206,113,197.79	
Intangible Assets - Amortizable								
Land Use Rights	255,457.00	-	-	-	-	-	255,457.00	
Computer Software	76,171,204.10	-	41,178,956.45	-	13,447,994.55	(3,982,548.60)	126,815,606.50	
Total Intangible Assets-Amortizable	76,426,661.10	-	41,178,956.45	-	13,447,994.55	(3,982,548.60)	127,071,063.50	
Less Accumulated Amortization								
Land Use Rights	(217,138.62)	-	-	-	(25,545.72)	-	(242,684.34)	
Computer Software	(64,832,842.29)	-	-	-	(12,657,487.14)	1,197,548.60	(76,292,780.83)	
Total Accumulated Amortization	(65,049,980.91)	-	-	-	(12,683,032.86)	1,197,548.60	(76,535,465.17)	
Intangible Amortizable Assets, Net	11,376,680.19	-	41,178,956.45	-	764,961.69	(2,785,000.00)	50,535,598.33	
Total Capital Assets, Net	\$ 6,272,163,071.57	\$ -	\$ -	\$ 53,300.39	\$ 494,809,828.62	\$ (75,692,916.03)	\$ 6,691,333,284.55	

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The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2019

Note 3 - Deposits, Investments and Repurchase Agreements

The *Texas Education Code*, Title III, Chapter 51.0031 grants authority for a governing board to invest funds under prudent person standards “if a governing board has under its control at least \$25 million in book value of endowment funds.”

The A&M System’s investment policy authorizes the following types of investments: U.S. Government obligations, U.S. Government Agency obligations, other government obligations, corporate obligations, equity, international obligations, international equity, certificates of deposit, banker’s acceptances, negotiable certificates of deposit, money market mutual funds, mutual funds, repurchase agreements, venture capital, private equity, hedge funds, Real Estate Investment Trusts (REITs), securities lending, derivatives, timber, bank loans, energy and real estate.

Deposits of Cash in Bank

As of August 31, 2019, the carrying amount of deposits was \$26,654,511.63. This amount consists of all cash in local and foreign banks. This amount is included on the Combined Statement of Net Position as part of the “Cash and Cash Equivalents” line items. The total bank balance was \$26,515,553.67.

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the agency will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The A&M System’s policy requires collateral of 102% pledged against all deposits and limits the amounts of funds which may be deposited with any bank to the lesser of \$100,000,000 or 10% of total deposits. The A&M System regulation applicable to working fund bank accounts requires the Chancellor, or designee, to approve a working fund in any bank with which the System Member does not have a depository agreement. As permitted by the Texas Education Code, Title III, Chapter 51.003, the A&M System maintained foreign bank accounts to accommodate operational needs for educational programs in Qatar. During fiscal year 2019, the A&M System held bank accounts in Doha, Qatar for the operation of Texas A&M University at Qatar and Texas A&M Engineering Experiment Station research centers that have extensions in Qatar. The daily average exposure during fiscal year 2019 was \$1,309,122.52. No appropriated or tuition funds other than those collected from students enrolled in the affected programs are deposited with the foreign bank. The funds held in Qatar were not insured or collateralized. As of August 31, 2019 the balance was \$477,550.65.

Incidental amounts of various foreign currencies are temporarily held through Bank of New York Mellon, its foreign branches, and/or foreign sub-custodian banks. These amounts represent funds related to trade settlement, interest, and/or dividend payments received in foreign currencies that are not yet converted to U.S. dollars. Such deposits of foreign currency are not insured or collateralized and are subject to custodial risk and the risk of fluctuations in exchange rates. The average month-end exposure to these deposits during fiscal year 2019 was \$1,422,947.69 and as of August 31, 2019 the balance was \$1,434,333.05.

During fiscal year 2019, funds were held in an escrow account for the benefit of Texas A&M University-Commerce as required by the equipment lease purchase agreement for the purpose of completing the university’s energy savings program. The escrow account was not insured or collateralized above the \$250,000.00 FDIC limit. The balance as of 9/1/2018 was \$1,470,546.45 and the funds were completely spent by June 20, 2019.

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The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2019

Funds received by the A&M System's investment custodian after the cut-off time for investment in the money market fund (due to late wire deposits and/or failed transactions) remain as cash and are not invested until the following business day. For each occurrence during fiscal year 2019, the first \$250,000.00 of uninvested cash was insured by the FDIC. All balances in excess of the FDIC coverage, were fully collateralized by pledged securities held in a separate pool by the pledging financial institution, Bank of New York Mellon. As of August 31, 2019, the uninvested cash balance was \$16,245.36 which was covered by FDIC insurance.

The bank balances (including foreign currency balances), exposed to custodial credit risk as of August 31, 2019 are presented in the table below.

Bank Balances Exposed to Custodial Credit Risk	
Uninsured and uncollateralized	\$ 1,911,883.70

Foreign currency risk for deposits is the risk that changes in exchange rates will adversely affect the deposits. The A&M System does not have a deposit policy for foreign currency risk. The exposure to foreign currency risk for deposits as of August 31, 2019 is presented below.

Bank Balances Exposed to Foreign Currency Risk	
Currency	Balance
Argentine Peso	\$ 14,923.69
Australian Dollar	288.62
Brazilian Real	365,805.28
British Pound	84,227.52
Canadian Dollar	18,440.56
Chinese Yuan Renminbi	12,634.44
Danish Krone	294.78
Euro	144,978.23
Hong Kong Dollar	7,717.72
Japanese Yen	310.61
Mexican Peso	251,808.45
Qatar Riyal	471,818.83
Singapore Dollar	88,234.65
South Korean Won	203,038.86
Swedish Krona	288.32
Swiss Franc	267.44
Taiwan Dollar	153,523.09
Thai Baht	87,043.37
Turkish Lira	507.42
Total	<u>\$ 1,906,151.88</u>

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The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2019

Investments

Investments are presented according to the hierarchy of inputs used to measure fair value.

- Level 1 has been assigned to investments for which quoted prices (unadjusted) are available for identical assets in active markets on the measurement date. These assets include equities (common stock, listed ADR's and listed preferred stock), exchange traded mutual funds, exchange-traded options, money market funds and U.S. Treasury securities.
- Level 2 has been assigned to investments for which there are inputs, other than quoted prices, that are observable for an asset or liability, either directly or indirectly. These assets include cash equivalents, collateralized mortgage obligations, corporate bonds, mortgage-backed securities, municipal bonds, non-exchange traded options, short-term obligations, U.S. agency securities.
- Level 3 has been assigned to assets to which there are unobservable inputs. Examples of these assets are commingled funds and private equity technology partnerships (discussed below).

The net asset value per share (NAV), or its equivalent, may be used for an investment that does not have a readily determined fair value, provided the NAV is calculated consistent with the Financial Accounting Standards Board's (FASB) measurement principles for investment companies. The NAV is commonly used for certain alternative investments (such as private equity funds and hedge funds). The A&M System invests in certain private investments and limited partnerships including hedge funds, private equity, venture capital, natural resources, energy, and real estate. The fair value of these investments is based on the investment manager determined NAV as allowed by the standard. The valuations at the date provided by the investment managers have been adjusted by rolling forward to August 31, 2019 to include the following events: capital contributions or distributions since the investment manager valuation date reported to the A&M System, changes in the composition of assets or liabilities reported by the investment manager since the valuation date of the NAV, and fair value changes of assets or liabilities reported since the investment manager valuation date. In the case of hedge funds, the A&M System has adjusted the reported July 31, 2019 NAV by the estimated performance as of August 31, 2019 as reported by the investment manager (if available) and by capital inflows and outflows since the investment manager valuation date.

The repurchase agreement held by Texas Treasury Safekeeping Trust Company (TTSTC) and money market funds that maintain a stable \$1.00 share price are reported at amortized cost.

Mineral rights held for the purpose of generating income are reported at fair value based on three times the previous twelve months of income. The fair value reported as of August 31, 2019 is \$78,572,754.99.

The A&M System invests in private equity technology partnerships through Texas A&M Technology Commercialization. The fair value of these investments is estimated based on the cost (pro-rata share of contributed capital based on percentage ownership in the company) or 3rd party pricing of stock (based on fund raising). Adjustments are made for impairments, such as the termination of a license agreement or inactivity of the company. The fair value reported as of August 31, 2019 is \$7,901,893.33.

The A&M System provides investment services to Midwestern State University (MSU), Stephen F. Austin University (SFA), and Texas Woman's University (TWU). As of August 31, 2019, the A&M System managed investments valued at \$45,655,709.38 for MSU, \$73,679,631.93 for SFA, and \$181,303,442.08 for TWU. The investment totals and all disclosures presented below include the amounts invested on behalf of MSU, SFA, and TWU.

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**The Texas A&M University System
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For the Year Ended August 31, 2019**

The following tables display the fair value of investments as of August 31, 2019 as reported in the financial statements and detailed by investment type. The investment type table includes categories to show the level of inputs used in determining the fair value of investments.

Investments per Financial Statements	
Schedule Three	
Cash Equivalents	\$ 413,257,141.57
Restricted Cash Equivalents	426,390,651.41
Statement of Net Position	
Non-Current Restricted Investments	1,457,348,696.36
Non-Current Investments	<u>3,524,683,601.58</u>
Total Investments	<u>\$ 5,821,680,090.92</u>

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**The Texas A&M University System
Notes to the Combined Financial Statements
For the Year Ended August 31, 2019**

Investment Fair Value						
Investment Type	Fair Value Hierarchy					Total Fair Value
	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Amortized Cost	Net Asset Value	
U.S. Treasury Securities	\$ 230,357,572.10	\$ -	\$ -	\$ -	\$ -	\$ 230,357,572.10
U.S. Treasury TIPS	8,454,225.91					8,454,225.91
U.S. Government Agency Obligations		290,335,818.65				290,335,818.65
Corporate Obligations		399,507,395.11	12,967,371.33			412,474,766.44
Corporate Asset and Mortgage Backed Securities		123,925,937.53				123,925,937.53
U.S. Equity	909,595,655.52					909,595,655.52
International Obligations		250,045,595.24	891,000.00			250,936,595.24
International Equity	646,747,664.01					646,747,664.01
Repurchase Agreements - TTSTC				402,539.50		402,539.50
Fixed Income Money Market & Bond Mutual Fund	595,013,382.47			328,896,646.80		923,910,029.27
Mutual Funds - U.S. Equity	1,136,756.81					1,136,756.81
Mutual Funds - International Equity	140,815,533.04		134,265,396.74			275,080,929.78
Other Commingled Funds - Fixed Income	51,651,976.67		26,270,530.83			77,922,507.50
International Other Commingled Funds - Equity			207,152,293.89			207,152,293.89
Real Estate - Mineral Rights			78,572,754.99			78,572,754.99
Derivatives		269,287.83				269,287.83
Alternative Investments - Hedge Funds						
Domestic					520,647,351.74	520,647,351.74
International					448,504,967.04	448,504,967.04
Alternative Investments - Limited Partnerships						
Private Equity			7,901,893.33		138,006,534.01	145,908,427.34
International Private Equity					100,516,390.61	100,516,390.61
Real Estate					31,249,668.01	31,249,668.01
International Real Estate					5,607,515.41	5,607,515.41
Natural Resources					111,637,007.39	111,637,007.39
International Natural Resources					12,161,807.41	12,161,807.41
Other Investments						
Political Subdivisions		8,171,621.00				8,171,621.00
Total Investments	\$ 2,583,772,766.53	\$ 1,072,255,655.36	\$ 468,021,241.11	\$ 329,299,186.30	\$ 1,368,331,241.62	\$ 5,821,680,090.92

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**The Texas A&M University System
Notes to the Combined Financial Statements
For the Year Ended August 31, 2019**

Investments Reported at Net Asset Value (NAV)							
		Redemption					
Investment Strategy for Alternative Investments	Fair Value	Frequency Range Low	Frequency Range High	Notice Period Range Low	Notice Period Range High	Unfunded Commitment	
Hedge Funds*							
Domestic	\$ 520,647,351.74	Quarterly	Semi-Annually	65 days	1.75 years	\$ 7,755,530.99	
International	448,504,967.04	Quarterly	Semi-Annually	65 days	1.75 years	5,026,794.01	
Limited Partnerships							
Private Equity	138,006,534.01	N/A	N/A	N/A	N/A	45,930,457.52	
International Private Equity	100,516,390.61	N/A	N/A	N/A	N/A	32,020,878.48	
Real Estate	31,249,668.01	N/A	N/A	N/A	N/A	31,870,425.40	
International Real Estate	5,607,515.41	N/A	N/A	N/A	N/A	10,561,525.60	
Natural Resources	111,637,007.39	N/A	N/A	N/A	N/A	33,798,755.02	
International Natural Resources	12,161,807.41	N/A	N/A	N/A	N/A	8,171,119.98	
Total	<u>\$ 1,368,331,241.62</u>					<u>\$ 175,135,487.00</u>	

*Of the total Hedge Fund Fair Value, \$39,809,662 is invested in a fund that is considered illiquid and not eligible for redemption. The Frequency Range and Notice Period ranges for this portion of the Hedge Fund are not applicable. Of the unfunded commitment, \$12,782,325 is related to the illiquid portion of Hedge Funds.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the agency will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The A&M System's investment policy requires that direct repurchase agreements and security lending transactions be fully collateralized by obligations authorized under the A&M System investment policy and such collateral be held by a third party. There was no custodial credit risk related to securities lending or repurchase agreements as of August 31, 2019. The A&M System did not participate in a securities lending program during fiscal year 2019 and the only repurchase agreements were held through Texas Treasury Safekeeping Trust Company.

Foreign investments are administered in book entry form by the A&M System's custodian, Bank of New York (BNY) Mellon Asset Servicing, through a network of international securities depositories and subcustodians. Non-U.S. securities held at international securities depositories are processed through these entities (Euroclear and Clearstream). Securities held at local non-U.S. market depositories are processed through BNY Mellon's subcustodian network. Subcustodians settle transactions based on instructions from BNY Mellon Asset Servicing. BNY Mellon Asset Servicing settles transactions directly in the U.K., the U.S., Germany, the Netherlands, Ireland, Italy, Belgium, the Cayman Islands and the Channel Islands. Funds are received upon the delivery of securities in connection with sale transactions and funds are paid in connection with purchase transactions upon receipt of the securities, unless contrary to market practice or client instruction. In the event that funds are not received or delivered on the settlement date, the settlement "fails." Failed trades are monitored daily, weekly, or

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The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2019

monthly (as appropriate) via the applicable custody system to help facilitate resolution in a timely manner. On a daily basis, the subcustodians send a confirmation of settlement to the custodian which is reconciled to the custody system. Subcustodians are evaluated by the custodian prior to selection and reviewed throughout the year to ensure overall service performance is maintained and verify compliance with various regulatory requirements. Subcustodians must meet high standards and have stringent controls. BNY Mellon looks for subcustodians who are leaders in the securities processing industry in their respective countries. Subcustodians are initially selected and annually monitored on operational risk, financial risk, legal/regulatory risk and reputational risk. A full credit review is performed prior to selection and annually thereafter.

Foreign currency risk for investments is the risk that changes in exchange rates will adversely affect the investments. The A&M System's policy authorizes the utilization of derivatives for the purpose of hedging currency risk, but does not otherwise address foreign currency risk. The exposure to foreign currency risk as of August 31, 2019 is presented below.

Investments Exposed to Foreign Currency Risk

Currency	International Obligations	International Equity	International Equity Mutual Funds	International Equity Commingled Funds	International Alternative Investments
U.S. Dollar Denominated					
Foreign Securities	\$ 229,200,775.57	\$ 143,792,102.08	\$ 275,080,929.78	\$207,152,293.89	\$ 555,391,331.15
Argentine Peso	57,427.52				
Australian Dollar		10,549,704.27			
Brazilian Real	8,460,988.10	3,241,425.60			
British Pound		34,893,951.77			
Canadian Dollar	3,641,671.74	49,998,919.11			
Chinese Yuan Renminbi	785,439.38				
Danish Krone		13,385,003.37			
Euro		222,262,225.94			11,399,349.32
Hong Kong Dollar		3,064,223.77			
Indonesian Rupiah	1,962,111.11				
Japanese Yen		83,993,802.23			
Mexican Peso	6,828,181.82	4,645,756.30			
Singapore Dollar		3,611,041.62			
South Korean Won		17,352,366.66			
Swedish Krona		4,420,144.78			
Swiss Franc		37,783,598.29			
Taiwan Dollar		3,341,862.07			
Thai Baht		6,974,257.63			
Turkish Lira		3,437,278.52			
Total	<u>\$ 250,936,595.24</u>	<u>\$ 646,747,664.01</u>	<u>\$ 275,080,929.78</u>	<u>\$207,152,293.89</u>	<u>\$ 566,790,680.47</u>

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The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2019

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The A&M System's investment policy requires that securities have a long-term rating of B or better at the time of purchase and the traditional fixed income portfolios have an overall credit rating of A or better. Securities using short-term credit ratings must be rated at least A-2, P-2, F-2 or equivalent. As of August 31, 2019, the A&M System's credit quality distribution for securities with credit risk exposure is presented in the table below.

Investments Exposed to Credit Risk – Standard & Poor's (in thousands)								
Investment Type	AAA	AA	A	BBB	BB	B	CCC	Not Rated by S&P
U. S. Government Agency Obligations	1,152	278,389	2,756	747		1,039		6,253
Corporate Obligations	4,236	17,009	89,846	233,695	42,931	18,055	1,821	4,882
Corporate Asset and Mortgage Backed Securities	33,142	29,818	3,190	5,759			2,159	49,859
International Obligations	4,264	15,108	33,673	98,019	50,914	4,784	723	43,452
Repurchase Agreements (TTSTC)		403						
Fixed Income Money Market and Bond Mutual Fund	923,910							
Other Commingled Funds – Fixed Income								77,923
Other Investments (Municipals & Bank Loans)		3,932	2,200	2,040				

Concentration of credit risk is the risk of loss attributable to the magnitude of investment in a single issuer. The A&M System's investment policy states that no more than 4.9% of the voting stock of any one corporation be owned by the A&M System at any given time. As of August 31, 2019, no more than 4.9% of the A&M System's total investments are represented by a single issuer.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Through its investment policy, the A&M System manages its exposure to fair value losses arising from changing interest rates by requiring traditional fixed income managers to maintain duration of +/- 30% of the effective duration of the appropriate index. In addition, the A&M System's policy limits the duration of its short-term investment portfolio to a maximum of one year. The A&M System's exposure to interest rate risk is presented on the following page using the effective duration method.

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The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2019

Investments Exposed to Interest Rate Risk

Investment Type	Effective Duration	Fair Value
U.S. Treasury Securities	4.170	\$ 230,357,572.10
U.S. Treasury TIPS	23.593	8,454,225.91
U.S. Government Agency Obligations	0.544	290,335,818.65
Corporate Obligations	6.294	412,474,766.44
Corporate Asset and Mortgage Backed Securities	1.947	123,925,937.53
International Obligations	5.144	250,936,595.24
Repurchase Agreements - TTSTC	0.011	402,539.50
Other Commingled Funds - Fixed Income	1.827	77,922,507.50
Other Investments - Municipals	10.681	8,171,621.00
Total	4.046	<u>\$ 1,402,981,583.87</u>

Securities Lending

The A&M System did not participate in a securities lending program during fiscal year 2019.

Derivative Investing

The A&M System Investment Policy allows investment in certain derivative securities to modify risk/return characteristics or to cost-effectively implement change in asset allocation. A derivative security is a financial instrument which derives its value from another security, currency, commodity or index.

The A&M System entered into forward currency contracts for the purpose of hedging international currency risk on its non-U.S. dollar denominated investment securities. When entering into a forward currency contract, the A&M System agrees to receive or deliver a fixed quantity of foreign currency for an agreed-upon price on an agreed future date. These contracts are valued daily and the A&M System's net equity in the contracts, representing unrealized gain or loss on the contracts, as measured by the differences between the forward foreign exchange rates at the dates of entry into the contracts and the forward rates at the reporting date, is reported on the Statement of Net Position as either an investment derivative (unrealized gain) or other payable (unrealized loss).

These investments involve market and/or credit risk in excess of the amount recognized in the consolidated Statement of Net Position. Risks arise from the possibility that counterparties will be unable to meet the terms of their contracts and from movement in currency, securities values and interest rates. The table on the following page summarizes the pending foreign exchange contracts as of August 31, 2019.

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The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2019

Open Foreign Exchange Contracts as of August 31, 2019				
Currency	Sell	Buy	Unrealized Gain on Foreign Exchange Contract	Unrealized Loss on Foreign Exchange Contract
Australian Dollar	\$ 1,442,518.72	\$ -	\$ 683.95	\$ 1,451.33
Brazilian Real	2,816,588.40		255,332.98	
British Pound	61.76		0.04	
Euro	136,105.94		223.55	230.93
Indonesian Rupiah	2,010,665.65		13,047.28	1,284.52
Japanese Yen		396,121.77		452.04
Singapore Dollar	1,811.00			0.37
Swiss Franc	11.68		0.03	
	<u>\$ 6,407,763.15</u>	<u>\$ 396,121.77</u>	<u>\$ 269,287.83</u>	<u>\$ 3,419.19</u>

On the consolidated Statement of Net Position, the \$269,287.83 unrealized gain on open foreign currency exchange contracts is reported as an investment derivative and the \$3,419.19 unrealized loss is included with other payables. The net fair value is recognized on the Statement of Revenues, Expenses, and Changes in Net Position as investment income.

The gross counterparty exposure for the A&M System, as of August 31, 2019, is presented in the table below. The A&M System's policy does not address master netting arrangements and the A&M System is not party to such an arrangement. The A&M System policy does not require collateral or other security for currency forward contracts.

Foreign Exchange Contract Exposure to Counterparty Risk as of August 31, 2019				
Notional Amount		Fair Value		S&P Counterparty Rating
Assets	Liabilities	Assets	Liabilities	
\$ 467,175.50	\$ 467,858.40	\$ 0.07	\$ 682.97	A
6,336,257.38	6,069,705.84	269,287.76	2,736.22	A+
<u>\$ 6,803,432.88</u>	<u>\$ 6,537,564.24</u>	<u>\$ 269,287.83</u>	<u>\$ 3,419.19</u>	

The A&M System has also invested in Treasury futures. To mitigate interest rate risk associated with Treasury futures, the instruments are used only for the purpose of managing interest rate risk in the fixed income portfolios. As of August 31, 2019, the weighted average effective duration for short futures contracts was 6.43 and for long futures contracts was 7.61. Futures contracts expose the A&M System to minimal counterparty risk since they are exchange traded and the exchange's clearinghouse, as counterparty to all exchange traded futures, guarantees the futures against default, therefore, they are not presented in the table above. Futures contracts are marked to market daily; meaning they are valued at the close of business each day and a gain or loss is recorded between the value of the contracts that day and on the previous day. The daily gain or loss difference is referred to as the daily variation margin, which is

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settled in cash with the broker each morning for the amount of the previous day's mark to market. The amount that is settled in cash with the broker each morning is the fair value of the futures contracts. The gains are reported as other receivables and the losses are reported as other payables in the Statement of Net Position. The table below discloses the type, notional value and fair values of the futures contracts as of August 31, 2019.

Open Futures Contracts as of August 31, 2019				
	Notional Amount		Unrealized Gain	Unrealized Loss
	Long	Short	Other Receivable	Other Payable
Treasury Futures	\$ 141,077,679.93	\$ 128,921,531.25	\$ 611,321.72	\$ 526,911.98

Several limited partnerships in which the A&M System invests may employ the use of forward currency exchange contracts as a hedge in connection with portfolio purchases and sales of securities denominated in foreign currencies. Risks are consistent with those described in an above paragraph regarding direct currency hedging. The contracts are valued at the prevailing forward exchange rate of the underlying currencies and the unrealized gain (loss) is recorded daily. Unrealized gains and losses that represent the difference between the value of the forward contract to buy and the forward contract to sell are included in the net unrealized gain (loss) from the forward contracts.

Hedge fund pools are invested in private partnerships with external managers who invest in equity and fixed income securities of both domestic and international issuers. These investment managers may invest in both long and short term securities and may utilize leverage in their portfolios. They may also utilize credit default swaps and total return swaps as part of their investment strategies. The funds invested may be subject to a lock-up restriction of one or more years before the investment may be withdrawn from the manager without significant penalty. There are certain risks associated with these private partnerships, some of which include investment manager risk, market risk and liquidity risk, as well as the risk of utilizing leverage in the portfolios. When credit default swaps or total return swaps are used, there is additional risk of counterparty non-performance and unanticipated movements in the fair value of the underlying securities. As of August 31, 2019, the A&M System's investment in hedge funds was \$969,152,318.78. In addition, the A&M System has an unfunded hedge fund commitment of \$12,782,325.00.

Private investment pools are invested in limited partnerships with external investment managers or general partners who invest primarily in private equity transactions. These investments, both domestic and international, are illiquid and may not be realized for a period of several years after the investments are made. There are certain risks associated with these investments, some of which are liquidity risk, market risk, event risk and investment manager risk. Certain funds may utilize credit default swaps which have additional risk, including the risk of counterparty non-performance. Collateral in the form of cash or securities may be required to be held in segregated accounts with the fund's custodian. Bi-lateral agreements and daily settlement with counterparties reduce the risk of counterparty non-performance. As of August 31, 2019, the A&M System has committed \$702,190,261.00 to various private investments, of which \$570,925,669.00 has been funded. The fair value of the investments, net of distributions, as of

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The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2019

August 31, 2019 was \$399,178,922.84. In addition, the A&M System has invested directly in companies and partnerships to promote research technology. As of August 31, 2019, the value of the investments in research technology was \$7,901,893.33. The fair value is estimated based on the cost (pro-rata share of contributed capital based on percentage ownership in the company) or third-party pricing of stock (based on fund raising). Adjustments are made for impairments, such as the termination of a license agreement or inactivity of the company. Associated risks include those applicable to other private investments as well as the risk of enterprise failure.

Hedge funds, private investment and public market funds including investments in private placement vehicles, are subject to risks, which could include the loss of invested capital. The risks include the following:

- Non-regulation risk –The A&M System’s general partners and investment managers are registered with the Securities and Exchange Commission with the exception of five general partners. Four of these general partners are exempt reporting advisers and are not required to comply with most rules that apply to registered advisers. The fifth general partner is a United Kingdom LLP and registered with the Financial Conduct Authority of the United Kingdom.
- Key personnel risk – The success of certain funds is substantially dependent upon key investment managers and the loss of those individuals may adversely impact the fund’s performance.
- Liquidity risk – Many of the A&M System’s investment funds may impose lock-up periods, which could cause the A&M System to incur penalties to redeem its investment or prevent the System from redeeming its shares until a certain period of time has elapsed.
- Limited transparency – As private investment vehicles, these funds may not fully disclose the holdings of their portfolios.
- Investment strategy risk – These funds often employ sophisticated investment strategies and the use of leverage, which could result in the loss of invested capital.

Permanent University Fund

The Permanent University Fund (PUF) is administered by the University of Texas System and is not reflected in the financial statements of the A&M System. Prior to changes in the arbitrage laws, bond proceeds were appropriated only after the bonds had been sold and cash was on hand. Currently, receipt of cash may or may not precede appropriations of bond or note proceeds.

The total carrying value of the PUF assets at August 31, 2019, was \$19,785,799,250.92 excluding PUF land grants. By acts of the Legislature and provisions of the State Constitution, the net income of the PUF is divided one-third to the A&M System and two-thirds to the University of Texas System. The A&M System's one-third share of the net revenues was \$374,118,284.53 for the fiscal year ended August 31, 2019, and was credited to the A&M System Available University Fund.

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**The Texas A&M University System
Notes to the Combined Financial Statements
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Note 4 - Short-Term Debt

There was no reportable activity for short-term debt during the year ended August 31, 2019.

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**The Texas A&M University System
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Note 5 - Long-Term Liabilities

Long-term liabilities are defined as liabilities whose average maturity is greater than one year. The table below presents a summary of changes in these liabilities.

Long-Term Liabilities Activity							
	Balance 9/1/18	Adjustments/ Restatement	Additions	Reductions	Balance 8/31/19	Amounts Due Within One Year	Amounts Due Thereafter
Employees' Compensable Leave	\$ 104,790,621.82	\$ -	\$ 11,899,759.80	\$ (6,607,386.58)	\$ 110,082,995.04	\$ 20,482,066.44	\$ 89,600,928.60
Claims & Judgments	10,267,593.00	-	4,019,930.00	(3,295,836.00)	10,991,687.00	3,184,211.00	7,807,476.00
Notes and Loans Payable	326,794,333.28	(1,333,333.28)	367,350,000.00	(430,826,000.00)	261,985,000.00	10,970,000.00	251,015,000.00
Notes from Direct Borrowings - Loans	-	1,333,333.28	-	(333,333.34)	999,999.94	333,333.34	666,666.60
Notes from Direct Borrowings - Capital Leases	-	80,923,825.40	157,008.12	(5,240,638.62)	75,840,194.90	5,606,748.57	70,233,446.33
Bonds Payable	4,280,508,400.10	-	653,375,000.00	(464,540,578.26)	4,469,342,821.84	250,188,519.59	4,219,154,302.25
Liabilities Payable from Restricted Assets	108,990,366.57	-	-	(48,078,199.39)	60,912,167.18	57,432,294.73	3,479,872.45
Capital Lease Obligations	86,697,858.73	(80,923,825.40)	4,539,450.58	(2,583,994.16)	7,729,489.75	3,385,311.81	4,344,177.94
Asset Retirement Obligations	-	12,676,635.27	-	-	12,676,635.27	-	12,676,635.27
Total	\$ 4,918,049,173.50	\$12,676,635.27	\$ 1,041,341,148.50	\$ (961,505,966.35)	\$ 5,010,560,990.92	\$ 351,582,485.48	\$ 4,658,978,505.44

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The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2019

Notes and Loans Payable

Notes payable consists of amounts used to make permanent improvements at various institutions in the A&M System, to refund and retire the Board's Permanent University Fund Commercial Paper Notes, to provide interim financing for capital improvements and acquisition of equipment and land, to pay interest on the notes, to refund outstanding notes as they mature and to pay the costs of issuing the notes.

Notes and Loans Payable-Debt Service Requirements					
Description	Balances			Balances	
	September 1, 2018	Adjustments	Increases	Decreases	August 31, 2019
Permanent University Fund Commercial Paper Taxable Notes	\$ 57,650,000.00	\$ -	\$ 97,350,000.00	\$ 30,000,000.00	\$125,000,000.00
Revenue Financing System Commercial Paper Notes, Series B	237,835,000.00		220,000,000.00	320,850,000.00	136,985,000.00
Revenue Financing System Commercial Paper Taxable Notes, Series B	29,976,000.00		50,000,000.00	79,976,000.00	-
Revenue Financing System Note (2007 TIPS Project)*	1,333,333.28	(1,333,333.28)			-
Total*	\$ 326,794,333.28	\$(1,333,333.28)	\$367,350,000.00	\$430,826,000.00	\$261,985,000.00
*Revenue Financing System Note reclassified to Notes from Direct Borrowings - Loans.					
Fiscal Year	Principal	Interest**	Total		
2020	\$ 10,970,000.00	\$ 4,794,325.50	\$ 15,764,325.50		
2021	11,160,000.00	4,593,574.50	15,753,574.50		
2022	11,370,000.00	4,389,346.50	15,759,346.50		
2023	11,570,000.00	4,181,275.50	15,751,275.50		
2024	11,790,000.00	3,969,544.50	15,759,544.50		
2025-2029	62,275,000.00	16,531,030.50	78,806,030.50		
2030-3034	68,195,000.00	10,619,947.50	78,814,947.50		
2035-2039	74,655,000.00	4,148,061.00	78,803,061.00		
Total	\$ 261,985,000.00	\$ 53,227,105.50	\$ 315,212,105.50		
** For this schedule, assumption is that Permanent University Fund Commercial Paper Taxable Notes and Revenue Financing System Commercial Paper Notes in the amount of \$261.985 million will be refunded into long term bonds. For estimated debt service on this exhibit, the rate of 1.83% corresponds to the municipal market data published on August 31, 2019. Notes are remarketed in commercial paper mode at current market rates with maturities between 1 and 270 days.					

Notes from Direct Borrowings – Loans

The Revenue Financing System Note (2007 TIPS Project) was issued on July 12, 2007 to fund \$4 million of costs for the Texas Institute for Preclinical Studies (TIPS) within Texas A&M University. The note is structured as a loan with the Office of the Governor, Economic Development and Tourism Division through the Texas Economic Development Bank; all authorized debt has been issued.

The loan is secured by a lien on and pledge of the Pledged Revenues. In the event of default or failure to make required loan payments, the A&M System will be required to perform any conditions or obligations described in the loan agreement. The A&M System is responsible for all reasonable expenses related to the enforcement. There is no unused line of credit. The outstanding balance and remaining payments are summarized in the table on the following page.

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**The Texas A&M University System
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Notes from Direct Borrowings - Loans - Debt Service Requirements

Description	Balance				Balance
	September 1, 2018	Adjustments*	Increases	Decreases	August 31, 2019
Notes from Direct Borrowings - Loans					
Revenue Financing System Note (2007 TIPS Project)	\$ -	\$ 1,333,333.28	\$ -	\$ (333,333.34)	\$ 999,999.94

*Reclassified from Notes and Loans Payable

Future Minimum Payments			
Fiscal Year	Principal	Interest	Total
2020	\$ 333,333.34	\$ 18,648.15	\$ 351,981.49
2021	333,333.34	11,842.59	345,175.93
2022	333,333.26	5,083.34	338,416.60
Total	\$ 999,999.94	\$ 35,574.08	\$ 1,035,574.02

Notes from Direct Borrowings – Capital Leases

The A&M System has various leases for the purchase of vehicles, software, and equipment where the A&M System takes ownership at the end of the lease. These direct financing arrangements are reported as Notes from Direct Borrowings. The related assets are capitalized at the present value of future minimum payments. The future payment requirements and the cost of the leased assets are presented in the following tables below.

Future Minimum Payments			
Fiscal Year	Principal	Interest	Total
2020	\$ 5,606,748.57	\$ 2,992,630.11	\$ 8,599,378.68
2021	5,890,051.35	2,767,403.94	8,657,455.29
2022	5,755,872.21	2,555,417.50	8,311,289.71
2023	4,517,947.41	2,331,689.09	6,849,636.50
2024	17,767,386.77	9,407,340.05	27,174,726.82
2025-2029	36,302,188.59	6,377,183.49	42,679,372.08
Total	\$ 75,840,194.90	\$ 26,431,664.18	\$ 102,271,859.08

Cost of Assets Financed with Direct Borrowings			
Asset Description	Cost	Accumulated Depreciation/Amortization	Total
Buildings	\$ 32,558,402.22	\$ 6,043,036.72	\$ 26,515,365.50
Equipment	37,429,705.19	21,899,163.60	15,530,541.59
Vehicles	52,978.25	21,443.46	31,534.79
Software	2,777,378.76	778,835.02	1,998,543.74
Construction in Progress	42,720,781.13	-	42,720,781.13
Total	\$ 115,539,245.55	\$ 28,742,478.80	\$ 86,796,766.75

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The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2019

The outstanding notes from direct borrowings related to equipment and software contain provisions where, in the event of default, all remaining payments may be declared immediately due or the lessor may repossess the assets.

The financing arrangements for capital improvements contain provisions that, in the event of default, the lessor has the right to take one or any combination of several options. These options include demand immediate payment for all remaining payments, retake possession of the equipment, require the A&M System to sell the assets and remit proceeds to the lessor or terminate the escrow agreement and apply any proceeds to the rental payments. The A&M System has no unused lines of credit.

Compensated Absences

Full-time State employees earn eight to twenty-one hours per month annual leave depending on years of State employment. Under the State's policy, an employee with 35 or more years of State service may carry up to 532 hours accrued leave forward from one fiscal year to another.

Employees with at least six months of State service who terminate employment are entitled to payment for all accumulated annual leave up to the maximum allowed. The A&M System accrues the dollar value of annual leave benefits which are payable upon retirement, termination, or death of its employees. The amounts of these liabilities and their related benefits are reported in the statement of net position. The estimated liability, \$110,082,995.04 as of August 31, 2019, is based on calculations from the A&M System centralized leave tracking system and employer estimates. The A&M System made lump sum payments of \$15,836,283.11 for accrued vacation to employees who separated from State service during the fiscal year ended August 31, 2019.

Sick leave accumulation is not limited. Sick leave is earned at the rate of eight hours per month and is paid only when an employee is absent due to illness or to the estate of an employee in the event of his/her death. The maximum sick leave payment to an employee's estate is the lesser of one-half of the employee's accumulated entitlement or 336 hours. The A&M System policy is to recognize the cost of sick leave when paid. The liability is not shown in the financial statements since historical use of sick leave has been minimal.

Claims and Judgments

Claims and judgments related to the A&M System self-insured worker's compensation plan include a current portion of \$3,184,211 and a non-current portion totaling \$7,807,476, for a total worker's compensation liability of \$10,991,687. This liability represents the current and non-current portion of the incurred but not reported (IBNR) liability based on actuarial analysis of the plan. The IBNR represents claims that will be paid out over future fiscal years. This current portion was estimated based on actual claims paid out over the last five fiscal years.

Asset Retirement Obligations

An Asset Retirement Obligation (ARO) is a legally enforceable liability associated with the retirement of a tangible capital asset. The A&M System's non-current liabilities include ARO's related to radioactive material licenses and nuclear research facilities.

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The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2019

The A&M System has two nuclear reactors which were placed in service in 1957 and 1965, respectively. The U.S. Nuclear Regulatory Commission (NRC) requires a decommissioning plan for the retirement of these assets. The estimated liability for the decommissioning plan is \$9,724,884.50. The estimate was calculated using NRC publications NUREG/CR-1756 and NUREG-1307 Rev. 15, adjusted using the consumer price index inflation calculator. A 25% contingency is also included in the estimate.

The A&M System has five radioactive material licenses authorizing the possession and use of radioactive materials. The A&M System is financially accountable for any decommissioning or decontamination costs as required by the Texas Department of State Health Services (Texas Administrative Code, Title 25, Part 1, Chapter 289, Subchapter F, Rule 289.252), and the U.S. Nuclear Regulatory Commission (10 CFR 30.35).

Pollution Remediation Obligations

The A&M System has reviewed activities for potential pollution remediation obligations and determined that no reportable obligations exist as of August 31, 2019. The Texas A&M System has been named as a potentially responsible party (PRP) party for three hazardous waste sites. It is unknown at this time if there will be any future costs associated with the Texas A&M System's status as a PRP.

Liabilities Payable from Restricted Assets

Liabilities payable from restricted assets represent payables at year-end from assets with external restrictions. The balance reported represents payables from bond proceeds.

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The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2019

Note 6 - Bonded Indebtedness

A. Financial Reporting

The A&M System has established a financing program known as the Revenue Financing System. Members of the A&M System may use the Revenue Financing System as a long-term debt program to finance new facilities or as a short-term debt program to finance equipment or to interim finance construction projects. Members' financing requests are evaluated for adequate revenue streams and bonding capacity.

Assets created as a result of the expenses of Permanent University Fund and Revenue Financing System Bonds and Notes (see Note 5) proceeds, which are subsequently capitalized, are reported on the applicable members' Statement of Net Position in the Capital Assets category. The associated bond liability is reported in total by the A&M System Offices.

As of August 31, 2019, \$86,036,343.86 of Revenue Financing System debt proceeds had been appropriated prior to the receipt of the proceeds. As of August 31, 2019, \$230,676,452.85 of Permanent University Fund debt proceeds had been appropriated prior to the receipt of the proceeds.

B. General Information

At August 31, 2019, the A&M System had outstanding bonds payable of \$4,317,500,000.00 as detailed below, which does not include unamortized premium of \$151,842,821.84.

Bonds payable are due in annual installments varying from \$10,000.00 to \$35,135,000.00 with interest rates ranging from 1.25% to 5.75%, with the final installment due in 2057. The debt service requirements table summarizes the principal and interest expense for the next five years and beyond for bonds issued and outstanding.

Revenue for debt service on the Permanent University Fund Bonds and Notes is derived from liens on and pledges of payout distributions from the Permanent University Fund allocable to the A&M System.

Sources of revenue for debt service on the Revenue Financing System Bonds and Notes are pledged revenue from any or all of the revenues, funds, and balances now or hereafter lawfully available to the Board and derived from or attributable to any participant of the Revenue Financing System which are lawfully available to the Board for the payment of Parity Obligations, including unrestricted funds and reserve balances.

All bonds are for the benefit of business-type activities. General information related to bonds payable is summarized in the following tables.

Bonds Payable			
	<u>Interest Rates</u>	<u>Maturity Dates</u>	<u>Outstanding Principal</u>
Permanent University Fund Bonds	1.75–5.75%	2020-2047	\$ 1,133,580,000.00
Revenue Financing System Bonds	1.25–5.50%	2020-2057	3,183,920,000.00
			<u>\$ 4,317,500,000.00</u>

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Debt Service Requirements			
Fiscal Year	Principal	Interest	Total
2020	\$ 226,045,000.00	\$ 156,922,081.04	\$ 382,967,081.04
2021	227,670,000.00	152,544,602.64	380,214,602.64
2022	228,830,000.00	144,989,344.54	373,819,344.54
2023	221,320,000.00	136,945,527.26	358,265,527.26
2024	223,870,000.00	129,009,602.02	352,879,602.02
2025-2029	1,168,395,000.00	514,976,084.54	1,683,371,084.54
2030-2034	887,615,000.00	307,704,945.06	1,195,319,945.06
2035-2039	563,030,000.00	172,677,108.06	735,707,108.06
2040-2044	396,195,000.00	74,156,491.10	470,351,491.10
2045-2049	154,825,000.00	16,643,764.72	171,468,764.72
2050-2054	11,585,000.00	3,050,200.00	14,635,200.00
2055-2057	8,120,000.00	658,200.00	8,778,200.00
Total	<u>\$ 4,317,500,000.00</u>	<u>\$ 1,810,277,950.98</u>	<u>\$ 6,127,777,950.98</u>

Permanent University Fund Bonds, Series 1998

- Issued September 9, 1998, to refund \$65,000,000.00 of the Board's previously issued and outstanding Permanent University Fund Variable Rate Notes, Series B, and \$27,860,000.00 of Permanent University Fund Bonds, Series 1992B then outstanding in the aggregate principal amount of \$36,360,000.00; and to pay the costs of issuing the bonds.
- \$92,520,000.00 authorized; all authorized bonds have been issued. \$12,335,000.00 was refunded by Permanent University Fund Bonds, Series 2006. \$9,735,000.00 was refunded by Permanent University Fund Bonds, Series 2009AB. \$1,015,000.00 was refunded by Permanent University Fund Bonds, Series 2011. Outstanding balance at August 31, 2019 was \$26,560,000.00.

Permanent University Fund Bonds, Series 2009AB

- Issued April 7, 2009, to refund \$100,000,000.00 of the Board's previously issued and outstanding Permanent University Fund Commercial Paper Notes; to currently refund \$9,735,000.00 of Permanent University Fund Bonds, Series 1998; to provide funding for project costs of approximately \$113,700,000.00; and to pay the costs of issuing the bonds.
- \$218,895,000.00 authorized; all authorized bonds have been issued. Outstanding balance at August 31, 2019 was \$203,955,000.00.

Permanent University Fund Bonds, Series 2011

- Issued October 18, 2011, to refund \$96,000,000.00 of the Board's previously issued and outstanding Permanent University Fund Commercial Paper Notes; to refund \$1,015,000.00 of Permanent University Fund Bonds, Series 1998; and to pay the cost of issuing the bonds.

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The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2019

- \$87,145,000.00 authorized; all authorized bonds have been issued. \$62,435,000.00 was refunded by Permanent University Fund Bonds, Series 2017A and Series 2017B. Outstanding balance at August 31, 2019 was \$7,675,000.00.

Permanent University Fund Bonds, Series 2012A

- Issued July 18, 2012, to refund \$79,715,000.00 of the Board's previously issued and outstanding Permanent University Fund Bonds, Series 2004; and to pay the cost of issuing the bonds.
- \$70,680,000.00 authorized; all authorized bonds have been issued. Outstanding balance at August 31, 2019 was \$60,345,000.00.

Permanent University Fund Bonds, Taxable Series 2012B

- Issued July 18, 2012, to refund \$125,000,000.00 of the Board's previously issued and outstanding Permanent University Fund Commercial Paper Notes; and to pay the cost of issuing the bonds.
- \$125,750,000.00 authorized; all authorized bonds have been issued. Outstanding balance at August 31, 2019 was \$87,140,000.00.

Permanent University Fund Bonds, Series 2013

- Issued December 11, 2013, to currently refund \$76,965,000.00 of Permanent University Fund Bonds, Series 2003; to provide funding for eligible projects; and to pay the costs of issuing the bonds.
- \$208,465,000.00 authorized; all authorized bonds have been issued. Outstanding balance at August 31, 2019 was \$96,500,000.00.

Permanent University Fund Bonds, Series 2015A

- Issued April 23, 2015, to advance refund \$103,880,000.00 of Permanent University Fund Bonds, Series 2006; to provide funding for eligible projects; and to pay the costs of issuing the bonds.
- \$143,555,000.00 authorized; all authorized bonds have been issued. Outstanding balance at August 31, 2019 was \$140,555,000.00.

Permanent University Fund Bonds, Taxable Series 2015B

- Issued April 23, 2015, to advance refund \$8,175,000.00 of Permanent University Fund Bonds, Series 2006; to provide funding for eligible projects; and to pay the costs of issuing the bonds.
- \$145,445,000.00 authorized; all authorized bonds have been issued. Outstanding balance at August 31, 2019 was \$110,650,000.00.

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The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2019

Permanent University Fund Bonds, Series 2017A

- Issued October 31, 2017, to refund \$30,000,000.00 of the Board's previously issued and outstanding Permanent University Fund Commercial Paper Notes; to advance refund \$61,760,000.00 of Permanent University Fund Bonds, Series 2011; and to pay the costs of issuing the bonds.
- \$90,365,000.00 authorized; all authorized bonds have been issued. Outstanding balance at August 31, 2019 was \$89,710,000.00.

Permanent University Fund Bonds, Taxable Series 2017B

- Issued October 31, 2017, to refund \$69,350,000.00 of the Board's previously issued and outstanding Permanent University Fund Commercial Paper Notes; to advance refund \$675,000.00 of Permanent University Fund Bonds, Series 2011; to provide funding for eligible projects and to pay the costs of issuing the bonds.
- \$310,515,000.00 authorized; all authorized bonds have been issued. Outstanding balance at August 31, 2019 was \$310,490,000.00.

Revenue Financing System Bonds, Series 2009A

- Issued March 11, 2009, to refund approximately \$49,819,793.00 of the Board's previously issued and outstanding Revenue Financing System Commercial Paper Notes, Series B; to provide funding for project costs of approximately \$221,400,000.00; and to pay the costs of issuing the bonds.
- \$251,735,000.00 authorized; all authorized bonds have been issued. \$132,540,000.00 was refunded by Revenue Financing System Bonds, Series 2016C; and \$13,885,000.00 was refunded by Revenue Financing System Bonds, Taxable Series 2016D. Outstanding balance at August 31, 2019 was \$0.00.

Revenue Financing System Bonds, Series 2009B

- Issued March 11, 2009, to refund approximately \$14,070,207.00 of the Board's previously issued and outstanding Revenue Financing System Commercial Paper Notes, Series B; to currently refund \$2,050,000.00 of Revenue Financing System Bonds, Series 1997; to provide funding for project costs of approximately \$64,700,000.00; and to pay the cost of issuing the bonds.
- \$78,085,000.00 authorized; all authorized bonds have been issued. \$49,420,000.00 was refunded by Revenue Financing System Bonds, Series 2016C; and \$2,925,000.00 was refunded by Revenue Financing System Bonds, Taxable Series 2016D. Outstanding balance at August 31, 2019 was \$0.00.

Revenue Financing System Bonds, Series 2009C

- Issued November 10, 2009, to provide funding for project costs of approximately \$57,300,000.00; and to pay the cost of issuing the bonds.

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The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2019

- \$54,240,000.00 authorized; all authorized bonds have been issued. \$5,995,000.00 was refunded by Revenue Financing System Bonds, Taxable Series 2016D; and \$21,300,000.00 was refunded by Revenue Financing System Bonds, Series 2016E. Outstanding balance at August 31, 2019 was \$0.00.

Revenue Financing System Bonds, Series 2009D

- Issued November 10, 2009, to provide funding for project costs of approximately \$344,600,000.00; and to pay the cost of issuing the bonds.
- \$320,760,000.00 authorized; all authorized bonds have been issued. \$43,225,000.00 was refunded by Revenue Financing System Bonds, Series 2016C; \$60,495,000.00 was refunded by Revenue Financing System Bonds, Taxable Series 2016D; and \$122,735,000.00 was refunded by Revenue Financing System Bonds, Series 2016E. Outstanding balance at August 31, 2019 was \$0.00.

Revenue Financing System Bonds, Series 2010A

- Issued June 3, 2010, to advance refund \$1,418,558.00 of the Board's previously issued and outstanding Revenue Financing System Bonds, Series 2002; to advance refund \$28,560,000.00 of Revenue Financing System Bonds, Series 2003A; to provide funding for project costs of approximately \$71,000,000.00; and to pay the cost of issuing the bonds.
- \$95,065,000.00 authorized; all authorized bonds have been issued. \$4,580,000.00 was refunded by Revenue Financing System Bonds, Taxable Series 2017B and \$35,915,000.00 was refunded by Revenue Financing System Bonds, Series 2017C. Outstanding balance at August 31, 2019 was \$7,465,000.00.

Revenue Financing System Bonds, Series 2010B

- Issued June 3, 2010, to advance refund \$38,936,442.00 of the Board's previously issued and outstanding Revenue Financing System Bonds, Series 2002; to advance refund \$13,210,000.00 of Revenue Financing System Bonds, Series 2003B; to provide funding for project costs of approximately \$105,200,000.00; and to pay the cost of issuing the bonds.
- \$146,120,000.00 authorized; all authorized bonds have been issued. \$10,890,000.00 was refunded by Revenue Financing System Bonds, Taxable Series 2017B and \$69,965,000.00 was refunded by Revenue Financing System Bonds, Series 2017C. Outstanding balance at August 31, 2019 was \$7,715,000.00.

Revenue Financing System Bonds, Series 2011A

- Issued March 10, 2011, to currently refund \$5,980,000.00 of the Board's previously issued and outstanding Revenue Financing System Bonds, Series 2001A; to currently refund \$16,975,000.00 of Revenue Financing System Bonds, Series 2001B; and to pay the cost of issuing the bonds.
- \$22,335,000.00 authorized; all authorized bonds have been issued. Outstanding balance at August 31, 2019 was \$3,585,000.00.

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The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2019

Revenue Financing System Bonds, Series 2011B

- Issued March 10, 2011, to refund \$20,000,000.00 of the Board's previously issued and outstanding Revenue Financing System Commercial Paper Notes, Series B; to provide funding for project costs of approximately \$87,771,000.00; and to pay the cost of issuing the bonds.
- \$105,365,000.00 authorized; all authorized bonds have been issued. \$83,850,000.00 was refunded by Revenue Financing System Bonds, Series 2017E. Outstanding balance at August 31, 2019 was \$3,095,000.00.

Revenue Financing System Bonds, Series 2013A

- Issued July 3, 2013, to refund \$435,881.00 of Revenue Financing System Bonds, Series 2002; to refund \$45,510,000.00 of Revenue Financing System Bonds, Series 2003A; and to pay the cost of issuing the bonds.
- \$40,955,000.00 authorized; all authorized bonds have been issued. Outstanding balance at August 31, 2019 was \$16,850,000.00.

Revenue Financing System Bonds, Series 2013B

- Issued July 3, 2013, to refund \$267,675,000.00 of the Board's previously issued and outstanding Revenue Financing System Commercial Paper Notes; to refund \$3,989,119.00 of Revenue Financing System Bonds, Series 2002; to refund \$26,775,000.00 of Revenue Financing System Bonds, Series 2003B; to pay capitalized interest; and to pay the costs of issuing the bonds.
- \$265,405,000.00 authorized; all authorized bonds have been issued. \$135,010,000.00 was refunded by Revenue Financing System Bonds, Series 2017E. Outstanding balance at August 31, 2019 was \$60,910,000.00.

Revenue Financing System Bonds, Taxable Series 2013C

- Issued October 1, 2013, to provide construction funds for the redevelopment of Kyle Field football stadium at Texas A&M University; to fund capitalized interest; and to pay the cost of issuing the bonds.
- \$239,965,000.00 authorized; all authorized bonds have been issued. \$230,525,000.00 was refunded by Revenue Financing System Bonds, Taxable Series 2019B. Outstanding balance at August 31, 2019 was \$0.00.

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The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2019

Revenue Financing System Bonds, Series 2013D

- Issued October 1, 2013, to provide construction funds for the redevelopment of Kyle Field football stadium at Texas A&M University; to fund capitalized interest; and to pay the cost of issuing the bonds.
- \$94,365,000.00 authorized; all authorized bonds have been issued. \$46,470,000.00 was refunded by Revenue Financing System Bonds, Series 2017E. Outstanding balance at August 31, 2019 was \$29,820,000.00.

Revenue Financing System Bonds, Series 2015A

- Issued February 18, 2015, to currently refund \$71,240,000.00 of Revenue Financing System Bonds, Series 2005A and to pay the cost of issuing the bonds.
- \$64,670,000.00 authorized; all authorized bonds have been issued. Outstanding balance at August 31, 2019 was \$31,560,000.00.

Revenue Financing System Bonds, Series 2015B

- Issued February 18, 2015, to currently refund \$155,972,000.00 of the Board's previously issued and outstanding Revenue Financing System Commercial Paper Notes and to pay the cost of issuing the bonds.
- \$142,155,000.00 authorized; all authorized bonds have been issued. \$65,290,000.00 was refunded by Revenue Financing System Bonds, Series 2017E. Outstanding balance at August 31, 2019 was \$58,505,000.00.

Revenue Financing System Bonds, Taxable Series 2015C

- Issued January 27, 2015, to currently refund \$149,395,000.00 of Revenue Financing System Bonds, Series 2005B; to refund \$24,115,000.00 of the Board's previously issued and outstanding Revenue Financing System Commercial Paper Notes; and to pay the cost of issuing the bonds.
- \$176,925,000.00 authorized; all authorized bonds have been issued. Outstanding balance at August 31, 2019 was \$106,755,000.00.

Revenue Financing System Bonds, Taxable Series 2015D

- Issued July 23, 2015, to provide funding for eligible projects and to pay the cost of issuing the bonds.
- \$67,250,000.00 authorized; all authorized bonds have been issued. Outstanding balance at August 31, 2019 was \$61,275,000.00.

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The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2019

Revenue Financing System Bonds, Taxable Series 2016A

- Issued April 12, 2016, to advance refund \$82,670,000.00 of Revenue Financing System Bonds, Series 2008 and to pay the cost of issuing the bonds.
- \$91,520,000.00 authorized; all authorized bonds have been issued. Outstanding balance at August 31, 2019 was \$78,535,000.00.

Revenue Financing System Bonds, Taxable Series 2016B

- Issued April 12, 2016, to refund \$139,405,000.00 of the Board's previously issued and outstanding Revenue Financing System Commercial Paper Notes; to provide funding for eligible projects; and to pay the cost of issuing the bonds.
- \$325,575,000.00 authorized; all authorized bonds have been issued. Outstanding balance at August 31, 2019 was \$300,720,000.00.

Revenue Financing System Bonds, Series 2016C

- Issued July 20, 2016, to advance refund \$132,540,000.00 of Revenue Financing System Bonds, Series 2009A; to advance refund \$49,420,000.00 of Revenue Financing System Bonds, Series 2009B; to advance refund \$43,225,000.00 of Revenue Financing System Bonds, Series 2009D; and to pay the cost of issuing the bonds.
- \$207,445,000.00 authorized; all authorized bonds have been issued. Outstanding balance at August 31, 2019 was \$204,985,000.00.

Revenue Financing System Bonds, Taxable Series 2016D

- Issued July 20, 2016, to advance refund \$13,885,000.00 of Revenue Financing System Bonds, Series 2009A; to advance refund \$2,925,000.00 of Revenue Financing System Bonds, Series 2009B; to advance refund \$5,995,000.00 of Revenue Financing System Bonds, Series 2009C; to advance refund \$60,495,000.00 of Revenue Financing System Bonds, Series 2009D; to provide funding for eligible projects; and to pay the cost of issuing the bonds.
- \$176,860,000.00 authorized; all authorized bonds have been issued. Outstanding balance at August 31, 2019 was \$163,680,000.00.

Revenue Financing System Bonds, Series 2016E

- Issued July 20, 2016, to advance refund \$21,300,000.00 of Revenue Financing System Bonds, Series 2009C; to advance refund \$122,735,000.00 of Revenue Financing System Bonds, Series 2009D; and to pay the cost of issuing the bonds.

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The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2019

- \$139,350,000.00 authorized; all authorized bonds have been issued. Outstanding balance at August 31, 2019 was \$138,365,000.00.

Revenue Financing System Bonds, Taxable Series 2017A

- Issued January 31, 2017, to refund approximately \$5,000,000.00 of the Board's previously issued and outstanding Revenue Financing System Commercial Paper Notes, Series B; to provide funding for eligible projects; and to pay the cost of issuing the bonds.
- \$388,705,000.00 authorized; all authorized bonds have been issued. Outstanding balance at August 31, 2019 was \$320,000,000.00.

Revenue Financing System Bonds, Taxable Series 2017B

- Issued June 21, 2017, to advance refund \$4,580,000.00 of Revenue Financing System Bonds, Series 2010A; to advance refund \$10,890,000.00 of Revenue Financing System Bonds, Series 2010B; to provide funding for eligible projects; and to pay the cost of issuing the bonds.
- \$398,670,000.00 authorized; all authorized bonds have been issued. Outstanding balance at August 31, 2019 was \$351,645,000.00.

Revenue Financing System Bonds, Series 2017C

- Issued June 21, 2017, to advance refund \$35,915,000.00 of Revenue Financing System Bonds, Series 2010A; to advance refund \$69,965,000.00 of Revenue Financing System Bonds, Series 2010B; and to pay the cost of issuing the bonds.
- \$97,425,000.00 authorized; all authorized bonds have been issued. Outstanding balance at August 31, 2019 was \$96,990,000.00.

Revenue Financing System Bonds, Taxable Series 2017D

- Issued December 20, 2017, to refund \$157,885,000.00 of the Board's previously issued and outstanding Revenue Financing System Commercial Paper Notes; and to pay the cost of issuing the bonds.
- \$158,680,000.00 authorized; all authorized bonds have been issued. Outstanding balance at August 31, 2019 was \$153,445,000.00.

Revenue Financing System Bonds, Series 2017E

- Issued December 20, 2017, to advance refund \$83,850,000.00 of Revenue Financing System Bonds, Series 2011B; to advance refund \$135,010,000.00 of Revenue Financing System Bonds, Series 2013B; to advance refund \$46,470,000.00 of Revenue Financing System Bonds, Series 2013D; to advance

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The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2019

refund \$65,290,000.00 of Revenue Financing System Bonds, Series 2015B; to provide funding for eligible projects; and to pay the cost of issuing the bonds.

- \$341,995,000.00 authorized; all authorized bonds have been issued. Outstanding balance at August 31, 2019 was \$339,365,000.00.

Revenue Financing System Bonds, Taxable Series 2019A

- Issued January 29, 2019 to refund \$175,215,000.00 of the Board's previously issued and outstanding Revenue Financing System Commercial Paper Notes; to provide funding for eligible projects; and to pay the cost of issuing the bonds.
- \$223,730,000.00 authorized; all authorized bonds have been issued. Outstanding balance at August 31, 2019 was \$219,010,000.00.

Revenue Financing System Bonds, Taxable Series 2019B

- Issued August 14, 2019, to advance refund \$230,525,000.00 of Revenue Financing System Bonds, Taxable Series 2013C; to refund \$159,118,000.00 of the Board's previously issued and outstanding Revenue Financing System Commercial Paper Notes; to provide funding for eligible projects; and to pay the cost of issuing the bonds.
- \$429,645,000.00 authorized; all authorized bonds have been issued. Outstanding balance at August 31, 2019 was \$429,645,000.00.

C. Advance Refunding Bonds

The A&M System has defeased certain revenue bond issues by placing the proceeds of new bond issues in irrevocable trusts to provide for all future debt service payments on the issues. Accordingly, the liability for the bonds is not included in the financial statements. At August 31, 2019, the principal balance outstanding for the defeased bonds is \$996,230,000.00.

Revenue Financing System Bonds, Taxable Series 2019B

- Advance refunding of \$230,525,000.00 of Revenue Financing System Bonds, Taxable Series 2013C to allow the Board of Regents of the Texas A&M University System to reduce its debt service requirements and realize a present value debt service savings.
- Refunded by Revenue Financing System Bonds, Taxable Series 2019B issued August 14, 2019.
- Average interest rate of bonds refunded was 4.94%.
- Net proceeds from refunding bonds of \$0.00 after payment of \$2,328,732.06 which represents issuance costs and underwriter's discount.

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The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2019

- Advance refunding of the bonds reduced The Texas A&M University System's debt service payments over the next twenty-four years by approximately \$34,251,060.18.
- Economic gain was \$24,055,353.63, the difference between the net present value of the old and new debt service payments.
- Advance refunding resulted in the removal of \$230,525,000.00 of bond liability from the balance sheet and the addition of \$260,870,000.00 of bond liability, the net of which is an accounting loss of \$30,345,000.00.

D. Pledged Future Revenues

Sources of pledged revenues include tuition and fees, auxiliary enterprises, sales of goods and services, and other non-operating activities. The table below provides the pledged future revenue information for the Texas A&M University System Permanent University Fund and Revenue Financing System bonds.

Pledged Future Revenue Information	
Pledged revenue required for future principal and interest on existing revenue bonds	\$6,127,777,950.98
Term of commitment year ending 8/31	2057
Percentage of revenue pledged	100%
Current year pledged revenue	\$3,022,873,369.40
Current year principal and interest paid	\$368,222,607.77

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The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2019

Note 7 - Derivatives

The A&M System Investment Policy allows investment in certain derivative securities. A derivative security is a financial instrument which derives its value from another security, currency, commodity or index. Investment derivatives are used to manage transaction, interest rate, or currency exchange risk in purchasing, selling or holding investments.

The following disclosure summarizes the A&M System's investment derivative activity as reported in the financial statements. The foreign currency forwards are traded over-the-counter and categorized as Level 2 of the fair value hierarchy. Exchange traded futures contracts are categorized as Level 1 of the fair value hierarchy.

Summary of Investment Derivative Activity

Description	Changes in Fair Value		Fair Value as of August 31, 2019		Notional Amount
	Classification	Amount	Classification	Amount	
Foreign Currency Forwards	Investment Income	\$ 269,287.83	Investment	\$ 269,287.83	\$ 6,803,432.88
Foreign Currency Forwards	Investment Income	(3,419.19)	Other Payable	(3,419.19)	6,537,564.24
Futures	Investment Income	611,321.72	Other Receivable	611,321.72	141,077,679.93
Futures	Investment Income	(526,911.98)	Other Payable	(526,911.98)	128,921,531.25

Hedging Derivatives

The A&M System did not enter into hedging derivatives in fiscal year 2019.

Investment Derivatives

Investment derivatives expose the A&M System to certain investment related risks. More detail about investment derivatives is disclosed in Note 3.

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The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2019

Note 8 - Leases

Capital Leases

Certain leases to finance the purchase of property are capitalized at the present value of future minimum lease payments. At August 31, 2019, the A&M System had various capital lease obligations relating to the acquisition of capital assets. The original capitalized cost of the capital assets under capital lease as of August 31, 2019, is \$15,653,731.83.

The following is a schedule of the future minimum lease payments and the cost of the leased assets.

Assets Under Capital Leases			
Class of Property	Assets under Capital Lease	Accumulated Depreciation/ Amortization	Total
Furniture and Equipment	\$ 226,977.12	\$ (94,573.70)	\$ 132,403.42
Vehicles	1,328,507.91	(211,603.96)	1,116,903.95
Computer Software	14,098,246.80	(6,888,847.74)	7,209,399.06
Total	<u>\$ 15,653,731.83</u>	<u>\$ (7,195,025.40)</u>	<u>\$ 8,458,706.43</u>

Future Minimum Capital Lease Payments	
Fiscal Year	Principal Payments
2020	\$ 3,385,311.81
2021	2,619,833.47
2022	1,077,649.16
2023	590,752.07
2024	55,943.24
Total	<u>\$ 7,729,489.75</u>

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The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2019

Operating Leases

The A&M System has included operating expenses for rent paid under operating leases for space, vehicles, and equipment in the amount of \$24,349,970.76 for the year ended August 31, 2019. Of this amount \$586,549.15 was paid for sublease rentals.

Future minimum lease rental payments under non-cancelable operating leases having an initial term in excess of one year as of August 31, 2019 are presented below. For fiscal years 2020 through 2023, the lease payment amount includes sublease rental payments totaling \$1,465,162.16.

Operating Lease Obligations	
Fiscal Year	Minimum Future Lease Payments
2020	\$ 18,437,017.37
2021	14,179,993.57
2022	9,400,220.68
2023	6,745,935.34
2024	4,838,584.73
2025-2029	14,398,274.42
2030-2034	14,071,750.00
2035-2039	14,077,980.00
2040-2044	14,070,000.00
2045-2046	5,630,750.00
Total Minimum Future Lease Payments	<u>\$ 115,850,506.11</u>

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The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2019

The A&M System has also leased vehicles, portions of buildings and land to outside parties under various operating leases. Operating lease income in the amount of \$5,705,611.48 has been recorded for the year ended August 31, 2019. There are no contingent rentals included in this amount.

Future minimum lease rentals under non-cancelable operating leases having an initial term in excess of one year as of August 31, 2019, are presented below.

Carrying Value of Leased Assets			
Class of Property	Leased Assets	Accumulated Depreciation	Total
Land	\$ 876,353.06	\$ -	\$ 876,353.06
Vehicles	14,676.80	(14,676.80)	-
Buildings	143,190,187.00	(68,027,302.83)	75,162,884.17
Total	<u>\$ 144,081,216.86</u>	<u>\$ (68,041,979.63)</u>	<u>\$ 76,039,237.23</u>

Operating Lease Rentals	
Fiscal Year	Minimum Future Rentals
2020	\$ 4,174,315.52
2021	2,733,517.21
2022	2,567,580.97
2023	2,414,519.58
2024	2,377,235.65
2025-2029	12,274,653.14
2030-2034	13,735,538.23
2035-2039	15,361,644.15
2040-2044	5,917,467.90
2045-2049	1,376,823.19
2050-2054	508,584.00
Total Minimum Future Rentals	<u>\$ 63,441,879.54</u>

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The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2019

Note 9 - Pension Plans and Optional Retirement Program

Teacher Retirement System (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. All employees of the A&M System who are employed for one-half or more of the standard work load and not exempted from membership under the Texas Government Code, Title 8, Section 822.002 are covered by the 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% of the average of the five highest annual salaries multiplied by years of service credit. For grandfathered employees 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).

During the 2018 measurement period for fiscal year 2019 reporting, the amount of the A&M System contributions recognized by the plan was \$47,806,811. The contribution rates are based on a percentage of the monthly gross compensation for each member. The contribution requirements for the state and the A&M System in the measurement period are presented in the table below.

Contribution Rates for	TRS Plan
Employer	6.8%
Employees	7.7%

The total pension liability is determined by the annual actuarial valuation. The table on the following page presents the actuarial methods and assumptions used to measure the total pension liability as of the August 31, 2018 measurement date for fiscal year 2019.

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**The Texas A&M University System
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Summary of Actuarial Methods and Assumptions*-TRS Plan	
Actuarial Valuation Date	August 31, 2017 rolled forward to August 31, 2018
Actuarial Cost Method	Individual Entry Age Normal
Amortization Method	Level Percentage of Payroll, Floating
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Discount Rate	6.907%
Investment Rate of Return	8.00%
Long-term Expected Rate of Return	7.25%
Municipal Bond Rate as of August, 2018	3.69%**
Inflation	2.30%
Salary Increase	3.50% to 9.05% including inflation
Mortality	
Active	90% of the RP 2014 Employees Mortality Tables for males and females with full generational mortality using Scale BB
Post-Retirement	2018 TRS Healthy Pensioner Mortality Tables with full generation projection using Scale BB
Ad Hoc Post-Employment Benefit Changes	None

* The assumptions used to determine the ADC are those in effect for the August 31, 2017 actuarial valuation. Due to the lag between valuation data and the measurement date, they may not be the same assumptions used to measure the Net Pension Liability

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

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

Furthermore, assumptions, methods, and plan changes were updated from the prior year's report. The net pension liability increased significantly since the prior measurement date due to a change in the following assumptions:

- the total pension liability as of August 31, 2018 was developed using a roll forward method from the August 31, 2017 valuation;
- demographic assumptions including post-retirement mortality, termination rates, and rates of retirement was updated based on the experience study performed for TRS for the period ending August 31, 2017;
- economic assumptions including rates of salary increase for individual participants was updated based on the same experience study;
- the discount rate changed from 8.000% as of August 31, 2017 to 6.907% as of August 31, 2018;

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The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2019

- the long term assumed rate of return changed from 8.00% to 7.25%; and,
- the change in the long term assumed rate of return combined with the change in the discount rate was the primary reason for the increase in the net pension liability.

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

The discount rate of 6.907% was applied to measure the total pension liability. The discount rate was based on the expected rate of return on pension plan investments of 7.25% and a municipal bond rate of 3.69%. The projected cash flows into and out of the pension plan assumed that members, employers, and non-employer contributing entity make their contributions at the statutorily required rates. It is assumed that future employer and state contributions will be 7.76% of payroll. This includes a factor for the rehired retirees and the Non-OASDI surcharge. Based on these assumptions, the pension plan's fiduciary net position and future contributions were sufficient to finance the benefit payments until the year 2069. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2069, and the municipal bond rate was applied to all benefit payments after that date.

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

The target allocation and best estimates of arithmetic real rates of return for each major asset class for the plan's investment portfolio are presented below.

TRS Asset Class	TRS Target Allocation	TRS Long-term Expected Arithmetic Real Rate of Return
Global Equity		
U.S.	18%	5.70%
Non-U.S. Developed	13%	6.90%
Emerging Markets	9%	8.95%
Directional Hedge Funds	4%	3.53%
Private Equity	13%	10.18%
Stable Value		
U.S. Treasury	11%	1.11%
Absolute Return	0%	0.00%
Stable Value Hedge Funds	4%	3.09%
Cash	1%	(0.30%)
Real Return		
Global Inflation Linked Bonds	3%	0.70%
Real Assets	14%	5.21%
Energy and Natural Resources	5%	7.48%
Commodities	0%	0.00%
Risk Parity	5%	3.70%
Total	100%	

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**The Texas A&M University System
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Sensitivity analysis was performed on the impact of changes in the discount rate on the proportionate share of the A&M System's net pension liability. The result of the analysis is presented in the table below.

Sensitivity of A&M System's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate		
1% Decrease (5.907%)	Current Discount Rate (6.907%)	1% Increase (7.907%)
\$1,075,199,253	\$712,411,150	\$418,712,662

The pension plan's fiduciary net position is determined using economic resources measurement focus and the accrual basis of accounting, which is the same basis used by TRS. Benefits and refunds of contributions are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value. Fair value is a market-based measurement, not an entity-specific measurement. TRS utilizes one or more of the following valuation techniques in order to measure fair value: the market approach, the cost approach, and the income approach. More detailed information on the plan's investment policy, assets, and fiduciary net position, may be obtained from TRS' fiscal 2019 Comprehensive Annual Financial Report.

At August 31, 2019, the A&M System reported a liability of \$712,411,150 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of August 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The A&M System's proportion at August 31, 2019 was 1.2942945800% which was an increase from the 1.2265394995% measured at the prior measurement date. The A&M System's proportion of the collective net pension liability was based on its contributions to the pension plan relative to the contributions of all the employers and non-employer contributing entity to the plan for the period September 1, 2017 through August 31, 2018.

For the year ending August 31, 2019, the A&M System recognized pension expense of \$81,401,250. At August 31, 2019, the A&M System reported deferred outflows of resources and deferred inflows of resources related to pensions from the sources listed on the following page.

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	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$4,440,588	\$17,479,755
Changes of assumptions	256,858,535	8,026,836
Net difference between projected and actual investment return	0	13,517,489
Change in proportion and contribution difference	58,022,197	45,736,155
Contributions subsequent to the measurement date	47,806,811	0
Total	\$367,128,131	\$84,760,235

The \$47,806,811 reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending August 31, 2020.

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

Portions of Deferred Outflows and Inflows in Pension Expense	
2020	\$56,519,117
2021	\$28,072,882
2022	\$22,517,893
2023	\$50,370,085
2024	\$46,596,595
Thereafter	\$30,484,513

Further information regarding actuarial assumptions and conclusions, together with the audited Comprehensive Annual Financial Report (CAFR) for TRS may be obtained from the address below or on the TRS website.

Teacher Retirement System of Texas
1000 Red River Street
Austin, Texas 78701-2698

Optional Retirement Program (ORP)

The State has also established an Optional Retirement Program (ORP) for institutions of higher education. Participation in the Optional Retirement Program is in lieu of participation in the Teacher Retirement System. The Optional Retirement Program provides for the purchase of annuity contracts and mutual funds. The contributory percentages of participant salaries during the fiscal year provided by the State

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and by each participant who was enrolled in the plan on or before August 31, 1995 were 8.5% and 6.65%, respectively. The 8.5% is composed of 6.6% contributed by the State and an additional 1.90% contributed by the A&M System. For participants who enrolled on or after September 1, 1995, the State and participant contributions were 6.6% and 6.65%, respectively.

The contributions for the A&M System ORP retirement program are presented below.

ORP Contributions for the Plan Year Ended August 31, 2019	
Employer	\$ 45,219,425.30
Employee	\$ 42,178,805.44
Total	\$ 87,398,230.74

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The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2019

Note 10 - Deferred Compensation

State employees may elect to defer a portion of their earnings for income tax and investment purposes pursuant to authority granted in *Texas Government Code*, Section 609.001. All payroll deductions have been invested in approved plans during the fiscal year. Two deferred compensation plans are available for A&M System employees.

The State's 457 Plan complies with *Internal Revenue Code* Section 457. This plan is referred to as the TexaSaver Deferred Compensation Plan (DCP) and is available to all employees. The DCP is an employer-sponsored plan administered by the Employees Retirement System of Texas (ERS). A&M System employees are permitted to participate in the plan as an agency of the State. The deductions, purchased investments and earnings attributed to the 457 Plan are held in trust and belong to the participants. The State has no liability under the 457 Plan beyond the administrative requirements outlined in the corresponding provisions of the IRC.

The A&M System also administers a Tax-Deferred Account (TDA) Program, created in accordance with IRC Section 403(b). All employees are eligible to participate. The TDA is an employer-sponsored plan. The deductions, purchased investments, and earnings attributed to each employee's 403(b) plan are held by vendors chosen by the employee from an approved vendor list provided by the A&M System. The funds held in the accounts belong to the individual participants. The vendors can include insurance companies, banks, or approved non-bank trustees such as mutual fund companies. The assets of this plan do not belong to the A&M System or the State and thus do not have a liability related to this plan beyond the administrative requirements outlined in the corresponding provisions of the IRC.

The 457(f) Deferred Compensation Plan allows the A&M System to defer income for eligible participants without regard to the amount deferred or an adverse impact on other retirement plans in which the participant is enrolled. The plan is structured under Section 457(f) of the *Internal Revenue Code* of 1986, as amended. It is authorized for use by Texas institutions of higher education in Title 109, Article 6228a-5, Section 3 of Vernon's Texas Civil Statutes. All employees of the A&M System are eligible to participate in this plan subject to the approval of the Board of Regents, the Chancellor, or any Chancellor-designated A&M System member Chief Executive Officer.

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The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2019

Note 11 - Postemployment Health Care and Life Insurance Benefits

Plan Description and Funding Policy

In addition to providing pension benefits, state employees have certain health care and life insurance benefits for retired employees in accordance with State statutes. These benefits are provided by the A&M System. The A&M System is a single-employer with a defined benefit Other Post Employment (OPEB) plan.

OPEB is provided to the A&M System's retirees under the A&M System group insurance program. The authority under which the obligations of the plan members and the A&M System are established, and may be amended, is Chapter 1601, *Texas Insurance Code*. Retiree eligibility for insurance continuation is determined by the Legislature and is subject to change. The plan does not provide automatic cost of living adjustments (COLAs).

Substantially all of the employees may become eligible for those benefits if they reach normal retirement age while working for the State. Those and similar benefits for active employees are provided through the group insurance program, and premiums are based on benefits and administrative costs expected to be incurred. The rates are determined annually by the System in consultation with actuary.

Proportionate Share

Chapter 1551 of the *Texas Insurance Code*, Sections 310 and 311, require the State contribute to the cost of each participant's insurance coverage. The funds are appropriated under the General Appropriations Act Higher Education Employees Group Insurance (HEGI) Contributions. The State's proportion for fiscal year 2019 was 45.15 percent and it was 48.84 percent for fiscal year 2018. This percentage was applied to all elements of OPEB including the OPEB related liabilities, deferred outflows and inflows and expense based on higher education group insurance contributions general revenue contributions made during the measurement period.

The A&M System's proportion as of August 31, 2019 was 54.85 percent and it was 51.16 percent in fiscal year 2018. At August 31, 2019, the proportionate share of the OPEB liability related to the System reported by the State was \$1,852,526,441 and it was \$2,313,866,921 in fiscal year 2018.

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The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2019

Employees Covered by Benefit Terms

At the measurement dates below, the following employees were covered by the benefit terms. This was a rollover year in which the calculation was based upon the same employees based upon the September 1, 2017 measurement date.

Employee Type	Measurement Date	
	09/01/2017	09/01/2016
a. Inactive employees or beneficiaries currently receiving benefit payments	10,299	10,024
b. Inactive employees entitled to but not yet receiving benefit payments	7,630	7,860
c. Active employees	24,917	24,737
Total	42,846	42,621

The employer and retiree contribution rates are presented below. The rates remained the same from fiscal year 2018.

Required Contribution Rates Retiree Health and Basic Life Premium		
Level of Coverage	Employer	Retiree (Health Premium only)
Retiree Only	\$593.77	\$ 0.00
Retiree/Spouse	\$1,155.88	\$281.05
Retiree/Children	\$984.27	\$195.25
Retiree/Family	\$1,384.71	\$395.47

The A&M System and member contribution rates are determined annually by the A&M System based on the recommendations of the A&M System Office of Risk Management and Benefits Administration staff and consulting actuary. The contribution rates are determined based on the benefit and administrative costs that are expected to be incurred, the funds appropriated for the plans, and the funding policy established by the Texas Legislature in connection with benefits provided through the plan. The A&M System revises benefits when necessary to match expected benefit and administrative costs with available revenue.

Proportionate Share of the OPEB Liability

As permitted under Paragraph No. 146 of GASB No. 75, the A&M System has elected to use a measurement date that is twelve months in advance of the fiscal year end. The A&M System's proportional share of the OPEB liability of \$1,852,526,441, current portion of \$48,228,913 and a long-term portion of \$1,804,297,528, reported for the fiscal year ending August 31, 2019 was measured as of September 1, 2018 and was determined by an actuarial valuation as of that same date.

UNAUDITED

The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2019

Actuarial Assumptions and Other Inputs

The collective OPEB liability as of September 1, 2018 was determined by an actuarial valuation as of that same date using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Summary of Actuarial Assumptions and Other Inputs	
Actuarial Valuation Date (Biennial Valuation)	September 1, 2018
Inflation	2.50%
Salary Increases	3.50% to 9.50% (includes inflation)
Discount Rate*	3.96%
Healthcare Cost Trend Rates	7.00% for FY 2019, 8.00% for FY 2020, then decreasing 0.50% per year to an ultimate rate of 4.50% for FY 2027 and later years
Mortality	a. <u>Service Retirees, Survivors and other Inactive Members:</u> Tables based on TRS experience with full generational projection using Scale BB from Base Year 2014. b. <u>Disability Retirees:</u> Tables based on TRS experience with full generational projection using Scale BB from Base Year 2014 using a 3-year set forward and minimum mortality rates of four per 100 male members and two per 100 female members. c. <u>Active Members:</u> Sex Distinct RP-2014 Employee Mortality multiplied by 90% with full generational projection using Scale BB.

* Discount Rate

- a. The discount rate used to measure the OPEB liability as of September 1, 2018 was 3.96%.
- b. Municipal Bond Rate: 3.96% as of September 1, 2018; the source of the municipal bond rate is the Bond Buyer Index of general obligation bonds with 20 years to maturity and mixed credit quality. In describing their index, the Bond Buyer notes that the bonds' average credit quality is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard & Poor's Corp.'s AA.

Many of the actuarial assumptions used in this valuation were based on the results of an actuarial experience study performed by the TRS retirement plan actuary for the period September 1, 2010 to August 31, 2014.

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The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2019

Other Information

The benefit and eligibility provisions used in this valuation have changed since the prior valuation. Adopted in January 2018 and effective January 1, 2019, prescription drug coverage for all Medicare-primary participants is provided through a self-funded Employer Group Waiver Plan with Commercial Wrap (EGWP plus Wrap).

The EGWP plus Wrap provides coverage that is equivalent to that previously provided but at significantly lower cost since it allows the plan to take direct advantage of subsidies provided to the administrator by the Federal government under Medicare Part D and discounts provided by drug manufacturers as required under the Affordable Care Act (ACA).

Under Paragraph 149 of GASB No. 75, projected benefit payments should include all benefits to be provided through the OPEB plan in accordance with the benefit terms and any additional legal agreements to provide benefits that are *in force at the measurement date*. According to the A&M System, the decision to adopt the EGWP plus Wrap provisions was made in January 2018. Since the EGWP plus Wrap was in force on the measurement date of September 1, 2018, it is reflected in the Total OPEB Liability for fiscal year 2019.

Medicare Part D

In fiscal year 2019 the plan received payments from the federal government pursuant to the retiree drug subsidy provisions of Medicare Part D. These on-behalf payments were recorded as revenues and expenses of each plan. In fiscal year 2019 the system received \$5,251,450.54 of Medicare Part D payments from the federal government.

Sensitivity of the A&M System's Proportionate Share of the OPEB Liability to Changes in the Discount Rate

The following presents the A&M System's proportionate share of the OPEB liability reported as of August 31, 2019 and measured as of September 1, 2018, as well as what the A&M System's proportionate share of the OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.96%) or 1-percentagepoint higher (4.96%) than the FY18 discount rate.

	1% Decrease (2.96%)	FY2019 Discount Rate (3.96%)	1% Increase (4.96%)
A&M System's Proportionate Share of OPEB Liability	\$2,220,155,148	\$1,852,526,441	\$1,569,348,968

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**The Texas A&M University System
Notes to the Combined Financial Statements
For the Year Ended August 31, 2019**

Sensitivity of the A&M System's Proportionate Share of the OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the A&M System's proportionate share of the OPEB liability reported as of August 31, 2019 and measured as of September 1, 2018, as well as what the A&M System's proportionate share of the OPEB liability would be if it were calculated using a healthcare cost trend rates that are 1-percentage-point lower or 1-percentagepoint higher than the FY18 healthcare cost trend rate.

	1% Decrease	FY2019 Healthcare Cost Trend Rates*	1% Increase
A&M System's Proportionate Share of OPEB Liability	\$1,532,386,341	\$1,852,526,441	\$2,276,416,361

*Healthcare Cost Trend Rates used for FY19 and -1%/+1% sensitivities are shown below:

Fiscal Year	1% Decrease	FY 2019 Healthcare Cost Trend Rates	1% Increase
2019	6.00%	7.00%	8.00%
2020	7.00%	8.00%	9.00%
2021	6.50%	7.50%	8.50%
2022	6.00%	7.00%	8.00%
2023	5.50%	6.50%	7.50%
2024	5.00%	6.00%	7.00%
2025	4.50%	5.50%	6.50%
2026	4.00%	5.00%	6.00%
2027 and beyond	3.50%	4.50%	5.50%

UNAUDITED

**The Texas A&M University System
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Changes in the A&M System's Proportionate Share of the OPEB Liability

	Increase (Decrease) in A&M System's Proportionate Share of OPEB Liability
Beginning Balance of Measurement Year	\$2,313,866,921
Changes for the Year:	
Service Cost	95,228,755
Interest	89,731,375
Changes of benefit terms	(576,118,675)
Differences between expected and actual experience	0
Changes of assumptions or other inputs	(198,049,045)
Benefit payments (employer)	(38,973,287)
Other Changes	166,840,397
Net Changes	(461,340,480)
Ending Balance of Measurement Year*	\$1,852,526,441

*Information for the fiscal year ending August 31, 2019 was taken as of the measurement date of September 1, 2018 based on an actuarial valuation of the same date as permitted by Paragraph No. 146 of GASB No. 75.

The A&M System recognized its proportionate share of OPEB expense of (\$423,484,148) for the fiscal year ended August 31, 2019.

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**The Texas A&M University System
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Deferred Outflows and Inflows of Resources

At each fiscal year-end, the A&M System reported deferred outflows of resources and deferred inflows of resources related to OPEB from the sources listed in the table below.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$	\$ 35,935,311
Changes of assumptions or other inputs	296,804,259	593,055,336
Effect of change in proportion and contribution difference	149,820,536	
Contributions subsequent to the measurement date	38,985,193	
Total	\$ 485,609,988	\$ 628,990,647

Amounts reported as Deferred Outflows/ (Inflows) of Resources will be recognized in OPEB expense as follows.

August 31, 2019	Amount
2020	\$32,604,318
2021	32,604,318
2022	32,604,318
2023	37,890,909
2024	32,559,426
Thereafter	14,102,564

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**The Texas A&M University System
Notes to the Combined Financial Statements
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Note 12 - Interfund Activity and Transactions

As of August 31, 2019, amounts to be received or paid between funds and agencies are to be reported as Interfund Receivable or Interfund Payable.

Individual balances and activity at August 31, 2019 are presented below.

Interfund Receivable/Payables - Current			
Current Portion	Interfund Receivable	Interfund Payable	Purpose
Agency 710, Appd Fund 0047, D23 Fund 0047 From Agency 720, D23 Fund 0011	\$ 69,302,167.78	\$	Permanent University Fund
Agency 711, Appd Fund 0001, D23 Fund 0001 From Agency 907, D23 Fund 0515		2,315,030.68	SECO LoanStar
Total Current Interfund Receivable/Payable	\$ 69,302,167.78	\$ 2,315,030.68	

Interfund Receivable/Payables – Non-Current			
Non-Current Portion	Interfund Receivable	Interfund Payable	Purpose
Agency 710, Appd Fund 0047, D23 Fund 0047 From Agency 720, D23 Fund 0011	\$ 1,224,282,913.48	\$	Permanent University Fund
Agency 711, Appd Fund 0001, D23 Fund 0001 From Agency 907, D23 Fund 0515		10,296,194.78	SECO LoanStar
Total Non-Current Interfund Receivable/Payable	\$ 1,224,282,913.48	\$ 10,296,194.78	

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**The Texas A&M University System
Notes to the Combined Financial Statements
For the Year Ended August 31, 2019**

Note 13 - Continuance Subject to Review

This note does not apply to the A&M System.

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The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2019

Note 14 - Restatement of Net Position

During fiscal year 2019, certain accounting changes and adjustments were made that required the restatement of fund balances or net position. The restatements are presented below.

	Net Position
Net Position, September 1, 2018	\$5,770,481,600.77
Current Year Restatements	
Implement GASB 83, record Asset Retirement Obligations (ARO).*	
Texas A&M Health Science Center (709)	(250,000.00)
Texas A&M University (711)	(2,701,750.77)
Texas A&M Engineering Experiment Station (712)	(9,724,884.50)
ARO Restatement Subtotal	\$ (12,676,635.27)
Texas A&M Research Foundation (014)	
Restate Accounts Payable	486,875.12
Total Current Year Restatements	\$ (12,189,760.15)
Net Position, September 1, 2018, as Restated	\$5,758,291,840.62

*For more information on implementation of GASB 83, *Certain Asset Retirement Obligations*, see Note 5, Long-Term Liabilities.

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The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2019

Note 15 - Commitments and Contingencies

At August 31, 2019, various lawsuits and claims involving the A&M System and its members had arisen in the course of conducting A&M System business. While the ultimate liability with respect to litigation and other claims cannot be reasonably estimated at this time, management is of the opinion that the liability not provided for by insurance or otherwise, if any, for these legal actions will not have a material adverse effect on the A&M System's financial position.

Private investment pools are invested in limited partnerships with external investment managers or general partners who invest primarily in private equity transactions. These investments, both domestic and international, are illiquid and may not be realized for a period of several years after the investments are made. There are certain risks associated with these investments, some of which are liquidity risk, market risk, event risk and investment manager risk. Certain funds may utilize credit default swaps which have additional risk, including the risk of counterparty nonperformance. Collateral in the form of cash or securities may be required to be held in segregated accounts with the fund's custodian. Bi-lateral agreements and daily settlement with counterparties reduce the risk of counterparty nonperformance. As of August 31, 2019, the A&M System has committed \$757,190,261 to various private investments, including \$55,000,000 committed to hedge funds. Of this amount, \$175,135,487 is unfunded.

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The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2019

Note 16 - Subsequent Events

The A&M System is authorized to issue up to \$634 million of Revenue Financing System Bonds during fiscal year 2020 to provide funding for project costs, refund previously issued bonds, refund commercial paper and pay the costs of issuing the bonds. The A&M System is authorized to issue up to \$745 million of Permanent University Fund Bonds during fiscal year 2020 to provide funding for eligible projects, refund previously issued bonds, refund commercial paper and pay the costs of issuing the bonds.

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The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2019

Note 17 - Risk Management

The A&M System is exposed to various risks of loss related to property – fire, windstorm or other loss of capital assets; general and employer liability – resulting from alleged wrongdoings by employees and others; net income – due to fraud, theft, administrative errors or omissions, and business interruptions; and personnel – unexpected expense associated with employee health, termination or death. As an agency of the State of Texas, the A&M System and its employees are covered by various immunities and defenses which limit some of these risks of loss, particularly in liability actions brought against the A&M System or its employees. Remaining exposures are managed by self-insurance arrangements, contractual risk transfers, the purchase of commercial insurance, or a combination of these risk financing techniques.

All commercial insurance policies include retention amounts (deductibles) for which the A&M System is responsible and for which A&M System members maintain funding reserve pools. On-going analysis of the risks facing the A&M System results in the continual evaluation of insurance policies purchased.

The A&M System has self-insured arrangements for coverage in the areas of workers compensation, group health and dental and certain areas of medical malpractice. Liabilities for claims have been reported where information prior to issuance of the financial statements indicated that it was probable that a liability had been incurred and the amount of the loss could be reasonably estimated.

Worker's Compensation Insurance

The worker's compensation insurance (WCI) plan is considered a funded employer liability pool. The workers' compensation incurred but not reported (IBNR) liability is based on actuarial analysis of all historical claims data. The plan provides claims servicing and claims payments by charging an assessment to each A&M System member based on a percentage of payroll.

Group Health and Dental Insurance

The A&M System's self-insured health and dental plan is also considered a funded employer liability pool. The IBNR liability is based on actuarial analysis of all historical claims data. Premiums are determined through an actuarial pricing process that takes place each spring. Dental benefits under the plan are limited to \$1,500 per individual per year.

Automobile Plan

The A&M System's automobile plan provides payment for third party property damage and bodily injury proximately caused by the negligence of an employee acting within the course and scope of his/her employment. The property damage and/or bodily injury must occur from the operation or use of a covered vehicle and when the protected party would be personally liable to the third party according to Texas law. It provides payments up to the statutory limits of \$250,000 per person/\$500,000 per accident/\$100,000 property liability damage as outlined in the Texas Civil Practice and Remedies Code; Title 5 Governmental Liability; Chapter 101 Tort Claims.

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The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2019

Property Shared Retention Plan

For property covered by the A&M System's property insurance program, retention payments apply to all losses under this policy and are assessed to any claim submitted by a Participant in the event of building and/or contents damage caused by a covered peril as defined by the commercial insurance policy. In the event of a multiple Participant claim for a single occurrence, the shared retention payments will be shared equally among the total number of Participants sustaining a compensable loss.

Other Self-Insured Plans

The Texas A&M University Health Science Center College of Medicine established and maintains a medical student liability self-insurance plan (the Plan) to provide eligible medical students of the Texas A&M Health Science Center College of Medicine with medical malpractice liability indemnity from and against medical malpractice claims. Coverage limits are \$25,000 per claim, \$75,000 aggregate per student, and \$100,000 annual aggregate. The Plan originated in 1977, and until April 2018, was funded by an annual medical student participation fee. Effective April 2018, annual student participation fees will no longer be credited to the existing fund balance, and instead, will be assigned to a commercial claims-made medical malpractice policy with coverage limits of \$1 million per claim and \$3 million per policy period with a \$25,000 deductible. The Plan will be maintained without additional medical student participation funding and will serve as the deductible for the commercial policy. At August 31, 2019, the plan had no accrued liabilities.

The Texas A&M Forest Service has established a self-insured liability plan for prescribed burn liability as required by Natural Resources Code§ 153.082 and 4 TAC 227.1. This plan provides loss payment on behalf of Texas A&M Forest Service and its employees for a claim resulting from the professional activities of a Texas A&M Forest Service prescribed burn manager employee in the course and scope of employment. The plan will provide \$1 million of liability coverage for each single occurrence of bodily injury to or destruction of property, and a policy period minimum aggregate limit of at least \$2 million. Funding for the plan is provided by the creation and maintenance of a reserve fund by Texas A&M Forest Service. At August 31, 2019, the plan had no accrued liabilities.

The Texas A&M Forest Service provides low-cost vehicle liability insurance at a greatly reduced cost to qualified volunteer fire departments through the Volunteer Fire Department Motor Vehicle Self Insurance Program, as described in Texas Insurance Code, Chapter 2154. The vehicle insurance coverage is offered at coverage levels of \$100,000 per person for bodily injury (with a maximum of \$300,000 per occurrence), and \$100,000 for property damage (with a maximum of \$100,000 per occurrence). As of August 31, 2019, the plan had no accrued liabilities.

Changes in the A&M System's claims liabilities for the last two years are presented in the following tables.

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**The Texas A&M University System
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Current Year Changes in Claims and IBNR				
Plan Type	Liability Balance 09/01/18	Claims and Changes in Estimates	Claims Payments	Liability Balance 08/31/19
WCI	\$ 10,267,593.00	\$ 4,019,930.00	\$ (3,295,836.00)	\$ 10,991,687.00
Group Health and Dental Insurance	18,322,000.00	344,135,374.93	(342,190,374.93)	20,267,000.00
Total	<u>\$ 28,589,593.00</u>	<u>\$ 348,155,304.93</u>	<u>\$ (345,486,210.93)</u>	<u>\$ 31,258,687.00</u>

Prior Year Changes in Claims and IBNR				
Plan Type	Liability Balance 09/01/17	Claims and Changes in Estimates	Claims Payments	Liability Balance 08/31/18
WCI	\$ 11,517,141.00	\$ 1,615,267.00	\$ (2,864,815.00)	\$ 10,267,593.00
Group Health and Dental Insurance	17,675,000.00	316,220,847.64	(315,573,847.64)	18,322,000.00
Total	<u>\$ 29,192,141.00</u>	<u>\$ 317,836,114.64</u>	<u>\$ (318,438,662.64)</u>	<u>\$ 28,589,593.00</u>

The WCI liability is reported on the balance sheet as Current and Non-Current Claims and Judgments, and is also reported in Note 5. The liability for group health and dental insurance claims is included in the Current Liabilities section of the balance sheet as Self-Insured Health and Dental Payable.

The claims and losses reported in the financial statements include various settlements. These claims and losses for the fiscal year ended August 31, 2019 are summarized in the table below. There are no outstanding claim liabilities as of August 31, 2019.

Claim and Loss Expenses		
	Current Year	Prior Year
Beginning Liability Balance	\$ 900,000.00	\$ -
Other Settlement Claims-Operating	6,796,787.36	11,002.14
Other Settlement Claims-NonOperating	2,727,332.80	429,146.64
Restatement	-	750,000.00
Total Additions	<u>9,524,120.16</u>	<u>1,190,148.78</u>
Payments for Claims	<u>(10,424,120.16)</u>	<u>(290,148.78)</u>
Ending Liability Balance (included in Other Current Liability)	<u>\$ -</u>	<u>\$ 900,000.00</u>

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**The Texas A&M University System
Notes to the Combined Financial Statements
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Note 18 - Management's Discussion and Analysis (MD&A)

This note is not used by the Texas A&M University System. The A&M System's Management Discussion and Analysis is included as a separate section of the report.

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The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2019

Note 19 - The Financial Reporting Entity

The A&M System is composed of a series of distinct members, each of which was created to render a specific service for the State within the limits of the A&M System's objectives, and all of which are under the control and direction of the Board of Regents of the A&M System. The combined financial statements include the Texas A&M University System Office and all members of the A&M System.

Blended Component Unit

The Texas A&M Research Foundation (Research Foundation) is included as a blended component unit in the combined financial statements of the A&M System. This determination is based on the close relationship and joint agreements in effect between the Research Foundation and the A&M System in regard to research grant/contract administration. The Research Foundation has a fiscal year end of August 31, 2017 and is Fund Type 05, Appropriated Fund 9999. Complete financial statements of the Research Foundation may be obtained from their administrative offices at 400 Harvey Mitchell Parkway South, Suite 100, College Station, Texas, 77845.

Joint Venture

Triad National Security, LLC ("Triad LLC") is a limited liability company which was formed on the effective date of October 4, 2017, and meets the GASB definition of a joint venture. Triad LLC's Operating Agreement names Battelle Memorial Institute, an Ohio 501(c)(3) nonprofit corporation; The Regents of the University of California, a California public corporation; and The Texas A&M University System (the "Texas A&M System"), an agency of the State of Texas as the members of Triad LLC. Triad LLC has been awarded the management and operation contract (the "M&O Contract") with the National Nuclear Security Administration ("NNSA"), a semi-autonomous agency within the U.S. Department of Energy ("DOE") to manage and operate the Los Alamos National Laboratory ("LANL"). Triad LLC's current earnings or losses are dependent on the reimbursement of allowable costs (as described in the M&O Contract) and on the percentage of base and incentive fees earned under the terms of the M&O Contract, offset by any unallowable or disallowed costs. For fiscal year 2019, Texas A&M System is entitled to receive \$2,767,272.73 in Contract Revenue.

While the Texas A&M System has a 33.33 percent membership (equity) interest in Triad LLC, the Texas A&M System's income from this activity is determined by the current earnings or losses of Triad LLC which are subject to certain limitations and special allocations of both the fees and costs. As a result, the Texas A&M System's distributable interest in the current earnings or losses of Triad LLC may range from 5.43 to 15.43 percent of fees earned by Triad LLC. Separate financial statements for Triad LLC may be obtained from the Triad LLC principal corporate office which is currently Triad National Security, LLC, 505 King Avenue, Columbus, Ohio 43201.

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**The Texas A&M University System
Notes to the Combined Financial Statements
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Note 20 - Stewardship, Compliance and Accountability

The A&M System has no material violations of finance related legal and contract provisions.

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**The Texas A&M University System
Notes to the Combined Financial Statements
For the Year Ended August 31, 2019**

Note 21 - Tobacco Settlement

This note is reserved for State Comptroller of Public Accounts' use.

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**The Texas A&M University System
Notes to the Combined Financial Statements
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Note 22 - Donor Restricted Endowments

The purpose of The Texas A&M University System Endowment Fund (the Fund) is to provide for the collective investment of all endowment and trust funds held by the A&M System or by the Board of Regents of the A&M System in a fiduciary capacity. The Fund is used to provide funding for scholarships, fellowships, professorships, academic chairs and other uses as specified by donors.

Distribution is made quarterly after the last calendar day of November, February, May, and August of each fiscal year to the endowment and trust funds participating in the Fund during the respective quarter. Income consists of interest earnings, dividends and realized capital gains. The income distribution per unit for each fiscal year will be to distribute, excluding fees, 5% of the 20-quarter average market value per unit as of the end of the previous February.

The amount of net appreciation for donor restricted true endowments presented in the table below is available for authorization and expense by the A&M System.

Net Appreciation - Donor-Restricted Endowments		
Donor-Restricted Endowments	Amount of Net Appreciation¹	Reported in Net Position
True Endowments	\$122,411,204.57	Restricted for Expendable
Term Endowments	27,225.86	Restricted for Expendable
Total	\$122,438,430.43	

¹The total fiscal year 2019 fair value adjustment to the Fund was (\$17,831,741.94).

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**The Texas A&M University System
Notes to the Combined Financial Statements
For the Year Ended August 31, 2019**

Note 23 - Extraordinary and Special Items

The A&M System does not have any special or extraordinary items to report for the year ended August 31, 2019.

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The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2019

Note 24 - Disaggregation of Receivable and Payable Balances

A summary of accounts receivable, associated allowances for doubtful accounts balances, and other payables for the year ended August 31, 2019, is presented below.

Accounts Receivable			
Description	Gross Receivable	Allowance for Doubtful Accounts	Net Receivable
Current Receivables			
Federal	\$ 162,795,583.48	\$ -	\$ 162,795,583.48
Other Intergovernmental	4,048,082.48	-	4,048,082.48
Interest and Dividends	13,262,227.82	-	13,262,227.82
Gifts	73,667,988.75	(280,816.38)	73,387,172.37
Self Insured Plans	26,201,167.68	-	26,201,167.68
Student	70,194,477.51	(18,360,532.84)	51,833,944.67
Investment Trades	64,138,657.91	-	64,138,657.91
Accounts	133,718,935.65	(3,961,302.15)	129,757,633.50
Other	2,230,266.96	(9,914.30)	2,220,352.66
Total Current Receivables	<u>\$ 550,257,388.24</u>	<u>\$ (22,612,565.67)</u>	<u>\$ 527,644,822.57</u>
Non-Current Receivables			
Gifts	<u>\$ 340,467,280.02</u>	<u>\$ -</u>	<u>\$ 340,467,280.02</u>
Total Non-Current Receivables	<u>\$ 340,467,280.02</u>	<u>\$ -</u>	<u>\$ 340,467,280.02</u>

Other Payables are detailed by type of activity in the table below.

Other Payables	
Description	Amount
Sales Tax Payable	\$ 3,048,391.71
External Investment Manager Fee Payable	2,669,412.59
Miscellaneous Payables	<u>1,168,529.97</u>
Total Other Payables	<u>\$ 6,886,334.27</u>

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The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2019

Note 25 - Termination Benefits

Health Care Related Termination Benefits

Healthcare continuation under the Consolidated Omnibus Budget Reconciliation Act (COBRA) is provided for both voluntary and involuntary terminations. COBRA participants are eligible to continue group coverage for 18 to 36 months, depending on the circumstances leading to the loss of coverage.

For the fully-insured dental plan and vision plan, the carrier and/or third party vendor is responsible for the billing and collection from all COBRA participants. The carrier retains all premiums and is liable for all claims and expenses. For the fiscal year ended August 31, 2019, the fully-insured plan had 14 enrolled participants for the dental plan, and 99 participants for the vision plan.

For the self-insured health and dental plans offered by the A&M System, the carrier and/or third party vendor performs the billing and collections process for COBRA participants. The premiums are then forwarded to the A&M System, net of the 2% administrative fee. Since the plan is self-insured, the A&M System is responsible for any claims or administrative costs associated with COBRA participants. The table below summarizes the self-insured plan COBRA benefits for the fiscal year ended August 31, 2019.

Self-Insured Health and Dental Plan - COBRA	
Number of Participants	318
Premium Revenue	\$ 1,155,116
2% Administrative Fee Revenue	23,574
Total COBRA Premium	<u>1,178,690</u>
Claims Paid	(2,722,996)
Administrative Expenses	(182,026)
Total COBRA Expenses	<u>(2,905,022)</u>
Total Cost to State	<u>\$ (1,726,332)</u>

Non-Health Care Related Termination Benefits

Texas A&M University College of Geosciences announced a Voluntary Separation Program available for tenured full faculty members. The program was designed to facilitate an opportunity for eligible employees to elect to voluntarily separate from employment with a lump sum payment representing twelve months of salary. Three faculty completed agreements in accordance with the program. The total lump sum payments paid during fiscal year 2019 was \$503,270.40.

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**The Texas A&M University System
Notes to the Combined Financial Statements
For the Year Ended August 31, 2019**

Note 26 - Segment Information

The A&M System does not have any reportable segments.

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**The Texas A&M University System
Notes to the Combined Financial Statements
For the Year Ended August 31, 2019**

Note 27 - Service Concession Arrangements

The A&M System does not have any reportable service concession arrangements.

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**The Texas A&M University System
Notes to the Combined Financial Statements
For the Year Ended August 31, 2019**

Note 28 - Deferred Outflows of Resources and Deferred Inflows of Resources

In fiscal year 2019, the A&M System reported Deferred Inflows of Resources and Deferred Outflows of Resources in connection with a loss on refunding debt, a government acquisition, and changes related to the pension liability. The amounts are summarized in the table below.

Deferred Outflows of Resources and Deferred Inflows of Resources		
Activity	Deferred Outflows of Resources	Deferred Inflows of Resources
Unamortized Loss on Refunding Debt	\$ 71,029,860.59	\$ -
Government Acquisition	15,528,184.73	-
Pensions (Note 9)	367,128,131.00	84,760,235.00
Other Post Employment Benefits (Note 11)	485,609,988.00	628,990,647.00
Split Interest Agreements	-	838,243.94
Total	\$ 939,296,164.32	\$ 714,589,125.94

Unamortized Loss on Refunding Debt

Deferred Outflows of Resources of \$71.0 million represents unamortized losses on refunding bonds.

For debt refundings, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and reported as deferred outflows of resources. The loss is amortized, using the straight line method, over the remaining life of the old debt or the life of the new debt, whichever is shorter, and reported in the Statement of Revenues, Expenses and Changes in Net Position as a component of Interest Expense. Unamortized losses on refunding debt are reported as Deferred Outflows of Resources. The unamortized amounts are detailed in the table below.

Unamortized Loss on Refunding Debt			
Fiscal Year Refunded	Bonds Refunded	Amortization Period (FY)	Amount Remaining to be Amortized
2015	Permanent University Fund Bonds, Series 2006	2015-2036	\$ 6,221,905.31
2016	Revenue Financing System Bonds, Series 2009A and Series 2009B	2016-2039	10,872,443.39
2016	Revenue Financing System Bonds, Series 2009C and Series 2009D	2016-2040	16,563,268.84
2018	Revenue Financing System Bonds, Series 2011B	2018-2041	5,544,520.40
2018	Revenue Financing System Bonds, Series 2013D	2018-2028	3,031,113.47
2019	Revenue Financing System Bonds, Taxable Series 2013C	2019-2043	28,796,609.18
Total			\$ 71,029,860.59

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The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2019

Government Acquisition

Texas A&M University finalized the acquisition of all operational aspects of the Texas Wesleyan University School of Law on August 13, 2013 and issued a payment of \$31.4 million which included \$29.9 million initial payment towards the purchase, \$1.4 million first year lease payment for the building which houses the law school, and \$100,000 building purchase option fee. Classes for the Texas A&M University School of Law officially began on August 19, 2013.

The Deferred Outflows of Resources-Government Acquisition represents the net remaining compensation in excess of tangible asset value received that will be amortized in future periods.

Deferred Inflows and Deferred Outflows Related to Pensions

The pension values provided by the Texas Comptroller's Office define the Texas A&M System's proportional share of the Teacher Retirement System of Texas (TRS) unfunded pension liability. The related deferred inflows and deferred outflows include changes in assumptions, contributions subsequent to the measurement date, and differences between projected and actual investment return. The A&M System has reported its proportional share of these deferred inflows and deferred outflows. Additional details are provided in Note 9, Pension Plans and Optional Retirement Program.

Deferred Inflows and Deferred Outflows Related to OPEB

The State provides certain health care and life insurance benefits for retired employees in accordance with State statutes. These benefits are provided to the A&M System's retirees under the A&M System group insurance program, which is a single-employer defined benefit Other Post Employment (OPEB) plan.

The A&M System has reported its proportional share of the OPEB liability and related deferred inflows and outflows, as determined by an actuarial valuation of the plan. The deferred inflows and deferred outflows include changes in assumptions, contributions subsequent to the measurement date, and differences between projected and actual investment return. Additional details are included in Note 11, Postemployment Health Care and Life Insurance Benefits.

Deferred Inflows for Split-Interest Agreements

Deferred inflows of resources related to irrevocable split-interest agreements represent the estimated value of future distributions from split-interest agreements where the A&M System is named as a beneficiary.

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**The Texas A&M University System
Notes to the Combined Financial Statements
For the Year Ended August 31, 2019**

Note 29 - Troubled Debt Restructuring

The A&M System does not have any reportable troubled debt restructuring.

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**The Texas A&M University System
Notes to the Combined Financial Statements
For the Year Ended August 31, 2019**

Note 30 – Non-Exchange Financial Guarantees

The A&M System does not have any reportable non-exchange financial guarantees.

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**The Texas A&M University System
Notes to the Combined Financial Statements
For the Year Ended August 31, 2019**

Note 31 – Tax Abatements

The A&M System does not have any reportable tax abatements.

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**The Texas A&M University System
Notes to the Combined Financial Statements
For the Year Ended August 31, 2019**

Note 32 – Fund Balances

This note is not applicable to the A&M System.

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The Texas A&M University System Required Supplementary Information (RSI) to the Combined Financial Statements For the Year Ended August 31, 2019

Required Supplementary Information (RSI) Other Than MD&A

Required Supplementary Information (RSI) includes the MD&A which is included in the front portion of this publication. RSI is required additional information required to be reported based upon GASB pronouncements. This data is not considered Basic Financial Statements nor is it considered Note Disclosures. For the A&M System the reportable RSI is related to *GASB 68 Accounting and Financial Reporting of Pensions*.

Schedule of Proportionate Share of Net Pension Liability

The information on the schedules of proportionate share of net pension liability was originally determined as of the August 31, 2015 measurement date of the collective net pension liability. The schedules of proportionate share of the net pension liability for the state's Teacher Retirement System of Texas Plan (TRS Plan) for the A&M System as an employer and as a non-employer contributing entity are presented below.

Schedule of the A&M System's Proportionate Share of the Net Pension Liability¹					
	2019	2018	2017	2016	2015
A&M System's percentage proportionate share of the net pension liability	1.294294580%	1.2265395%	1.2107484%	1.1294397%	1.3190594%
A&M System's proportionate share of the net pension liability	\$712,411,150	\$392,181,254	\$457,523,817	\$399,241,901	\$352,410,894
A&M System's covered payroll-non General Revenue ²	\$690,738,796	\$635,888,799	\$594,339,736	\$434,248,377	\$483,491,868
A&M System's proportionate share of the net pension liability as a percentage of covered payroll	103.14%	61.67%	76.98%	91.94%	72.89%
Plan fiduciary net position as a percentage of the total pension liability	73.74%	82.17%	78.00%	78.43%	83.25%

¹This schedule is intended to present 10 years of information. Currently only five years of information is available. Information for future years will be added when it becomes available.

²Source of Covered Payroll-non General Revenue varied for Fiscal Year 2017. TRS values were unavailable; these numbers are provided by the A&M System payroll reports.

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**The Texas A&M University System
Required Supplementary Information (RSI)
to the Combined Financial Statements
For the Year Ended August 31, 2019**

Schedule of Proportionate Share of Net Pension Liability

The information on the schedule of employer contributions was determined as of the end of the fiscal years presented. The schedules of employer contributions comparing the actuarially determined contributions and the contributions recognized by the pension plan in relation to the actuarially determined contributions for the state's Teacher Retirement System of Texas Plan (TRS Plan) are presented below.

Schedule of the A&M System's Employer Contributions¹						
	2019	2018	2017	2016	2015	2014
Statutorily required contributions	\$47,806,811	\$42,838,933	\$38,633,263	\$38,024,480	\$34,182,243	\$33,176,668
Contributions in relation to the statutorily required contributions	\$47,806,811	\$42,838,933	\$38,633,263	\$38,024,480	\$34,182,243	\$33,176,668
Contribution deficiency	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
A&M System's covered payroll-non General Revenue ²	\$690,738,796	\$635,888,799	\$594,339,736	\$434,248,377	\$483,491,868	\$498,135,206
Contributions as a percentage of covered payroll	6.92%	6.74%	6.80%	8.76%	7.07%	6.66%

¹This schedule is intended to present 10 years of information. Currently only six years of information is available. Information for future years will be added when it becomes available.

²Source of Covered Payroll-non General Revenue varied for Fiscal Year 2017. TRS values were unavailable; these numbers are provided by the A&M System payroll reports.

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**The Texas A&M University System
Required Supplementary Information (RSI)
to the Combined Financial Statements
For the Year Ended August 31, 2019**

Schedule of Proportionate Share of OPEB Liability-Last 10 years

The information on the schedules of proportionate share of the OPEB liability was determined as of the measurement date of the OPEB liability. The schedules of proportionate share of the OPEB liability, this is the second year the data will be collected for the next 8 years.

		2019	2018
1.	OPEB Liability Beginning Balance	\$2,313,866,921	\$2,768,919,058
	Changes for the Year:		
	Service Cost	95,228,755	127,342,039
	Interest	89,731,375	81,716,351
	Changes of benefit terms ⁴	(576,118,675)	0
	Differences between expected and actual experience	0	(48,754,146)
	Changes of assumptions or other inputs ⁵	(198,049,045)	(577,506,807)
	Benefit payments (employer)	(38,973,287)	(37,849,574)
	Other Changes	166,840,397	0
	Net Changes	(461,340,480)	(455,052,137)
	OPEB Liability Ending Balance	\$1,852,526,441	\$2,313,866,921
2.	Covered Employee Payroll	\$888,380,104	\$822,477,489
3.	Total OPEB Liability as a Percentage of Covered Employee Payroll	208.53%	281.33%

Notes to the Schedule

¹ This schedule is presented using the optional format of combining the required schedules in Paragraph Nos. 170.a. and 170.b. of GASB No. 75. Until a full 10-year trend is compiled, governments should present information for those years for which information is available.

² Information is presented using measurement date which precedes the fiscal year end by twelve months.

³ No assets are accumulated in a trust that meets the criteria in Paragraph No. 4 of GASB No. 75 to pay related benefits.

⁴ Changes in benefit terms: benefit and eligibility provisions used in this valuation have changed since the prior valuation. Adopted in January 2018 and effective January 1, 2019, prescription drug coverage for all Medicare-primary participants is provided through a self-funded Employer Group Waiver Plan with Commercial Wrap (EGWP plus Wrap). The EGWP plus Wrap provides coverage that is equivalent to that previously provided but at significantly lower cost since it allows the plan to take direct advantage of subsidies provided to the administrator by the Federal government under Medicare Part D and discounts provided by drug manufacturers as required under the Affordable Care Act (ACA).

⁵ Changes in assumptions or other inputs: Changes of assumptions and other inputs reflect the changes in the discount rate each period. The discount rate for 2019 is 3.96%.

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Schedule 2A
The Texas A&M University System
Schedule of Miscellaneous Bond Information
For the Year Ended August 31, 2019

Description	Bonds Issued to Date	Range of Interest Rates	Maturities			
			First Year	First Call Date	Last Year	
Revenue Bonds - Self Supporting						
Permanent University Fund Bonds, Series 1998 Revenue Bonds	\$ 92,520,000.00	3.55 - 5.5%	7/1/1999	7/1/2008	(1) (2)	7/1/2028
Permanent University Fund Bonds, Series 2009AB Revenue Bonds	218,895,000.00	2.5 - 5.5%	7/1/2010	7/1/2025	(1) (2)	7/1/2034
Permanent University Fund Bonds, Series 2011 Revenue Bonds	87,145,000.00	2.0 - 5.0%	7/1/2012	7/1/2021	(1)	7/1/2031
Permanent University Fund Bonds, Series 2012A Revenue Bonds	70,680,000.00	4.0 - 5.0%	7/1/2013	7/1/2022	(1)	7/1/2024
Permanent University Fund Bonds, Taxable Series 2012B Revenue Bonds	125,750,000.00	0.579 - 3.575%	7/1/2013	Make Whole	(2) (3)	7/1/2032
Permanent University Fund Bonds, Series 2013 Revenue Bonds	208,465,000.00	3.0 - 5.0%	7/1/2014	7/1/2023	(1)	7/1/2033
Permanent University Fund Bonds, Series 2015A Revenue Bonds	143,555,000.00	3.5 - 5.75%	7/1/2015	7/1/2025	(1)	7/1/2036
Permanent University Fund Bonds, Taxable Series 2015B Revenue Bonds	145,445,000.00	1.0 - 3.60%	7/1/2015	7/1/2025	(1) (2)	7/1/2036
Permanent University Fund Bonds, Series 2017A Revenue Bonds	90,365,000.00	3.0 - 5.0%	7/1/2018	7/1/2027	(1)	7/1/2047
Permanent University Fund Bonds, Taxable Series 2017B Revenue Bonds	310,515,000.00	1.52 - 3.66%	7/1/2018	7/1/2027	(1) (2)	7/1/2047
Revenue Financing System Bonds, Series 2009A Tuition Revenue Bonds	251,735,000.00	3.0 - 5.0%	5/15/2010	5/15/2019	(1)	5/15/2029
Revenue Financing System Bonds, Series 2009B Revenue Bonds	78,085,000.00	2.25 - 5.0%	5/15/2010	5/15/2019	(1) (2)	5/15/2039
Revenue Financing System Bonds, Series 2009C Tuition Revenue Bonds	54,240,000.00	2.0 - 5.0%	5/15/2010	11/15/2019	(1)	5/15/2029
Revenue Financing System Bonds, Series 2009D Revenue Bonds	320,760,000.00	4.0 - 5.0%	5/15/2011	11/15/2019	(1) (2)	5/15/2040
Revenue Financing System Bonds, Series 2010A Tuition Revenue Bonds	95,065,000.00	1.5 - 5.0%	8/2/2010	5/15/2020	(1)	5/15/2029
Revenue Financing System Bonds, Series 2010B Revenue Bonds	146,120,000.00	3.0 - 5.0%	5/15/2011	5/15/2020	(1) (2)	5/15/2039
Revenue Financing System Bonds, Series 2011A Revenue Bonds	16,605,000.00	2.5 - 4.0%	5/15/2011	5/15/2020	(1)	5/15/2021
Revenue Financing System Bonds, Series 2011B Revenue Bonds	105,365,000.00	3.0 - 5.5%	5/15/2012	5/15/2020	(1) (2)	5/15/2041
Revenue Financing System Bonds, Series 2013A Tuition Revenue Bonds	40,955,000.00	2.0 - 5.0%	5/15/2014	N/A		5/15/2022
Revenue Financing System Bonds, Series 2013B Revenue Bonds	265,405,000.00	3.0 - 5.0%	5/15/2014	5/15/2023	(1) (2)	5/15/2043

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Schedule 2A
The Texas A&M University System
Schedule of Miscellaneous Bond Information
For the Year Ended August 31, 2019

Description	Bonds Issued to Date	Range of Interest Rates	Maturities			
			First Year	First Call Date		Last Year
Revenue Bonds - Self Supporting						
Revenue Financing System Bonds, Taxable Series 2013C Revenue Bonds	\$ 239,965,000.00	0.38 - 4.972%	5/15/2014	5/15/2023	(1) (2)	5/15/2043
Revenue Financing System Bonds, Series 2013D Revenue Bonds	94,365,000.00	1.875 - 5.0%	5/15/2016	5/15/2023	(1)	5/15/2028
Revenue Financing System Bonds, Series 2015A Tuition Revenue Bonds	64,670,000.00	2.0 - 5.0%	5/15/2015	5/15/2023	(1)	5/15/2025
Revenue Financing System Bonds, Series 2015B Revenue Bonds	142,155,000.00	2.0 - 5.0%	5/15/2015	5/15/2023	(1) (2)	5/15/2044
Revenue Financing System Bonds, Taxable Series 2015C Revenue Bonds	176,925,000.00	0.12 - 3.451%	5/15/2015	Make Whole	(2) (3)	5/15/2034
Revenue Financing System Bonds, Taxable Series 2015D Revenue Bonds	67,250,000.00	4.0 - 5.0%	5/15/2016	5/15/2025	(1) (2)	5/15/2045
Revenue Financing System Bonds, Taxable Series 2016A Revenue Bonds	88,565,000.00	0.510 - 3.993%	5/15/2016	5/15/2026	(1) (2)	5/15/2037
Tuition Revenue Bonds	2,955,000.00					5/15/2027
Revenue Financing System Bonds, Taxable Series 2016B Revenue Bonds	325,575,000.00	0.850 - 4.113%	5/15/2017	5/15/2026	(1) (2)	5/15/2045
Revenue Financing System Bonds, Series 2016C Revenue Bonds	85,740,000.00	3.0 - 5.0%	5/15/2017	5/15/2026	(1)	5/15/2040
Tuition Revenue Bonds	121,705,000.00					5/15/2029
Revenue Financing System Bonds, Taxable Series 2016D Revenue Bonds	154,265,000.00	0.535 - 3.579%	5/15/2017	5/15/2026	(1) (2) (3)	5/15/2040
Tuition Revenue Bonds	22,595,000.00			Make Whole		5/15/2029
Revenue Financing System Bonds, Series 2016E Revenue Bonds	118,950,000.00	2.0 - 5.0%	5/15/2017	5/15/2026	(1)	5/15/2035
Tuition Revenue Bonds	20,400,000.00					5/15/2029
Revenue Financing System Bonds, Taxable Series 2017A Tuition Revenue Bonds	388,705,000.00	0.700 - 3.531%	5/15/2017	Make Whole	(3)	5/15/2032
Revenue Financing System Bonds, Taxable Series 2017B Revenue Bonds	12,072,992.00	1.455 - 3.386%	5/15/2018	5/15/2027	(1)	5/15/2032
Tuition Revenue Bonds	386,597,008.00					5/15/2032
Revenue Financing System Bonds, Series 2017C Revenue Bonds	64,980,000.00	3.0 - 5.0%	5/15/2018	5/15/2027	(1) (2)	5/15/2039
Tuition Revenue Bonds	32,445,000.00					5/15/2028
Revenue Financing System Bonds, Taxable Series 2017D Revenue Bonds	158,680,000.00	1.797 - 3.822%	5/15/2018	5/15/2027	(1) (2) (3)	5/15/2047
Revenue Financing System Bonds, Series 2017E Revenue Bonds	341,995,000.00	2.0 - 5.0%	5/15/2018	5/15/2022	(1) (2)	5/15/2057
Revenue Financing System Bonds, Taxable Series 2019A Revenue Bonds	223,730,000.00	2.709 - 4.197%	5/15/2019	5/15/2029	(1) (2) (3)	5/15/2048
Revenue Financing System Bonds, Taxable Series 2019B Revenue Bonds	429,645,000.00	1.934 - 3.480%	5/15/2020	5/15/2029	(1) (2) (3)	5/15/2049
	\$ 6,632,600,000.00					

(1) Option for Partial Redemption

(2) Mandatory Redemption Required

(3) Subject to redemption prior to maturity on any business day at the "Make Whole Redemption Price"

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Schedule 2B
The Texas A&M University System
Schedule of Changes in Bonded Indebtedness
For the Year Ended August 31, 2019

Description	Bonds Outstanding September 1, 2018	Bonds Issued or Converted	Bonds Matured or Retired	Bonds Refunded	Bonds Outstanding August 31, 2019
Revenue Bonds - Self Supporting					
Permanent University Fund Bonds, Series 1998 Revenue Bonds	\$ 28,795,000.00	\$ -	\$ 2,235,000.00	\$ -	\$ 26,560,000.00
Permanent University Fund Bonds, Series 2009AB Revenue Bonds	209,505,000.00		5,550,000.00		203,955,000.00
Permanent University Fund Bonds, Series 2011 Revenue Bonds	10,165,000.00		2,490,000.00		7,675,000.00
Permanent University Fund Bonds, Series 2012A Revenue Bonds	70,680,000.00		10,335,000.00		60,345,000.00
Permanent University Fund Bonds, Taxable Series 2012B Revenue Bonds	92,860,000.00		5,720,000.00		87,140,000.00
Permanent University Fund Bonds, Series 2013 Revenue Bonds	104,285,000.00		7,785,000.00		96,500,000.00
Permanent University Fund Bonds, Series 2015A Revenue Bonds	140,555,000.00		-		140,555,000.00
Permanent University Fund Bonds, Taxable Series 2015B Revenue Bonds	118,390,000.00		7,740,000.00		110,650,000.00
Permanent University Fund Bonds, Series 2017A Revenue Bonds	89,710,000.00		-		89,710,000.00
Permanent University Fund Bonds, Taxable Series 2017B Revenue Bonds	310,500,000.00		10,000.00		310,490,000.00
Revenue Financing System Bonds, Series 2009A Tuition Revenue Bonds	11,155,000.00		11,155,000.00		-
Revenue Financing System Bonds, Series 2009B Revenue Bonds	2,705,000.00		2,705,000.00		-
Revenue Financing System Bonds, Series 2009C Tuition Revenue Bonds	2,075,000.00		2,075,000.00		-
Revenue Financing System Bonds, Series 2009D Revenue Bonds	11,500,000.00		11,500,000.00		-
Revenue Financing System Bonds, Series 2010A Tuition Revenue Bonds	14,605,000.00		7,140,000.00		7,465,000.00
Revenue Financing System Bonds, Series 2010B Revenue Bonds	15,655,000.00		7,940,000.00		7,715,000.00
Revenue Financing System Bonds, Series 2011A Revenue Bonds	5,315,000.00		1,730,000.00		3,585,000.00
Revenue Financing System Bonds, Series 2011B Revenue Bonds	6,000,000.00		2,905,000.00		3,095,000.00
Revenue Financing System Bonds, Series 2013A Tuition Revenue Bonds	20,505,000.00		3,655,000.00		16,850,000.00
Revenue Financing System Bonds, Series 2013B Revenue Bonds	68,200,000.00		7,290,000.00		60,910,000.00
Revenue Financing System Bonds, Taxable Series 2013C Revenue Bonds	230,525,000.00		-	230,525,000.00	-
Revenue Financing System Bonds, Series 2013D Revenue Bonds	36,385,000.00		6,565,000.00		29,820,000.00

UNAUDITED

Schedule 2B
The Texas A&M University System
Schedule of Changes in Bonded Indebtedness
For the Year Ended August 31, 2019

Description	Unamortized Premium	Net Bonds Outstanding August 31, 2019	Principal Due Within One Year	Premium Amortization Due Within One Year	Amounts Due Within One Year	Bonds Outstanding August 31, 2019
Revenue Bonds - Self Supporting						
Permanent University Fund Bonds, Series 1998 Revenue Bonds	\$ -	\$ 26,560,000.00	\$ 2,360,000.00	\$ -	\$ 2,360,000.00	\$ 26,560,000.00
Permanent University Fund Bonds, Series 2009AB Revenue Bonds		203,955,000.00	5,695,000.00		5,695,000.00	203,955,000.00
Permanent University Fund Bonds, Series 2011 Revenue Bonds	308,931.27	7,983,931.27	2,675,000.00	177,556.97	2,852,556.97	7,675,000.00
Permanent University Fund Bonds, Series 2012A Revenue Bonds	4,608,387.50	64,953,387.50	10,875,000.00	1,563,403.86	12,438,403.86	60,345,000.00
Permanent University Fund Bonds, Taxable Series 2012B Revenue Bonds		87,140,000.00	5,820,000.00		5,820,000.00	87,140,000.00
Permanent University Fund Bonds, Series 2013 Revenue Bonds	3,140,512.16	99,640,512.16	8,165,000.00	1,004,497.42	9,169,497.42	96,500,000.00
Permanent University Fund Bonds, Series 2015A Revenue Bonds	18,936,898.58	159,491,898.58	-	1,972,534.43	1,972,534.43	140,555,000.00
Permanent University Fund Bonds, Taxable Series 2015B Revenue Bonds		110,650,000.00	7,815,000.00		7,815,000.00	110,650,000.00
Permanent University Fund Bonds, Series 2017A Revenue Bonds	8,010,351.75	97,720,351.75	-	1,169,175.10	1,169,175.10	89,710,000.00
Permanent University Fund Bonds, Taxable Series 2017B Revenue Bonds		310,490,000.00	10,000.00		10,000.00	310,490,000.00
Revenue Financing System Bonds, Series 2009A Tuition Revenue Bonds		-			-	-
Revenue Financing System Bonds, Series 2009B Revenue Bonds		-			-	-
Revenue Financing System Bonds, Series 2009C Tuition Revenue Bonds		-			-	-
Revenue Financing System Bonds, Series 2009D Revenue Bonds		-			-	-
Revenue Financing System Bonds, Series 2010A Tuition Revenue Bonds	65,516.98	7,530,516.98	7,465,000.00	65,516.98	7,530,516.98	7,465,000.00
Revenue Financing System Bonds, Series 2010B Revenue Bonds	63,750.90	7,778,750.90	7,715,000.00	63,750.90	7,778,750.90	7,715,000.00
Revenue Financing System Bonds, Series 2011A Revenue Bonds		3,585,000.00	1,765,000.00		1,765,000.00	3,585,000.00
Revenue Financing System Bonds, Series 2011B Revenue Bonds		3,095,000.00	3,095,000.00		3,095,000.00	3,095,000.00
Revenue Financing System Bonds, Series 2013A Tuition Revenue Bonds	1,077,440.68	17,927,440.68	3,805,000.00	451,587.04	4,256,587.04	16,850,000.00
Revenue Financing System Bonds, Series 2013B Revenue Bonds	2,169,750.26	63,079,750.26	7,685,000.00	931,270.78	8,616,270.78	60,910,000.00
Revenue Financing System Bonds, Taxable Series 2013C Revenue Bonds		-			-	-
Revenue Financing System Bonds, Series 2013D Revenue Bonds	1,438,608.13	31,258,608.13	6,920,000.00	592,655.51	7,512,655.51	29,820,000.00

UNAUDITED

Schedule 2B
The Texas A&M University System
Schedule of Changes in Bonded Indebtedness
For the Year Ended August 31, 2019

Description	Bonds Outstanding September 1, 2018	Bonds Issued or Converted	Bonds Matured or Retired	Bonds Refunded	Bonds Outstanding August 31, 2019
Revenue Bonds - Self Supporting					
Revenue Financing System Bonds, Series 2015A					
Tuition Revenue Bonds	\$ 36,005,000.00	\$ -	\$ 4,445,000.00	\$ -	\$ 31,560,000.00
Revenue Financing System Bonds, Series 2015B					
Revenue Bonds	61,100,000.00		2,595,000.00		58,505,000.00
Revenue Financing System Bonds, Taxable Series 2015C					
Revenue Bonds	123,245,000.00		16,490,000.00		106,755,000.00
Revenue Financing System Bonds, Taxable Series 2015D					
Revenue Bonds	62,670,000.00		1,395,000.00		61,275,000.00
Revenue Financing System Bonds, Taxable Series 2016A					
Revenue Bonds	84,460,000.00		8,420,000.00		76,040,000.00
Tuition Revenue Bonds	2,780,000.00		285,000.00		2,495,000.00
Revenue Financing System Bonds, Taxable Series 2016B					
Revenue Bonds	310,860,000.00		10,140,000.00		300,720,000.00
Revenue Financing System Bonds, Series 2016C					
Revenue Bonds	85,270,000.00		-		85,270,000.00
Tuition Revenue Bonds	119,715,000.00		-		119,715,000.00
Revenue Financing System Bonds, Taxable Series 2016D					
Revenue Bonds	146,105,000.00		3,655,000.00		142,450,000.00
Tuition Revenue Bonds	21,605,000.00		375,000.00		21,230,000.00
Revenue Financing System Bonds, Series 2016E					
Revenue Bonds	118,300,000.00		-		118,300,000.00
Tuition Revenue Bonds	20,065,000.00		-		20,065,000.00
Revenue Financing System Bonds, Taxable Series 2017A					
Tuition Revenue Bonds	341,040,000.00		21,040,000.00		320,000,000.00
Revenue Financing System Bonds, Taxable Series 2017B					
Revenue Bonds	11,916,462.00		286,462.00		11,630,000.00
Tuition Revenue Bonds	363,303,538.00		23,288,538.00		340,015,000.00
Revenue Financing System Bonds, Series 2017C					
Revenue Bonds	64,980,000.00		-		64,980,000.00
Tuition Revenue Bonds	32,150,000.00		140,000.00		32,010,000.00
Revenue Financing System Bonds, Taxable Series 2017D					
Revenue Bonds	157,465,000.00		4,020,000.00		153,445,000.00
Revenue Financing System Bonds, Series 2017E					
Revenue Bonds	340,065,000.00		700,000.00		339,365,000.00
Revenue Financing System Bonds, Taxable Series 2019A					
Revenue Bonds		223,730,000.00	4,720,000.00		219,010,000.00
Revenue Financing System Bonds, Taxable Series 2019B					
Revenue Bonds		429,645,000.00	-		429,645,000.00
	<u>\$ 4,103,170,000.00</u>	<u>\$653,375,000.00</u>	<u>\$208,520,000.00</u>	<u>\$230,525,000.00</u>	<u>\$ 4,317,500,000.00</u>
		[a]	(Schedule 2D)		(Schedule 2C)

[a] Bonds Issued or Converted
Revenue Financing System Bonds, Taxable Series 2019A
Revenue Financing System Bonds, Taxable Series 2019B
Total, Bonds Issued or Converted

\$223,730,000.00
429,645,000.00
\$653,375,000.00

UNAUDITED

Schedule 2B
The Texas A&M University System
Schedule of Changes in Bonded Indebtedness
For the Year Ended August 31, 2019

Description	Unamortized Premium	Net Bonds Outstanding August 31, 2019	Principal Due Within One Year	Premium Amortization Due Within One Year	Amounts Due Within One Year	Bonds Outstanding August 31, 2019
Revenue Bonds - Self Supporting						
Revenue Financing System Bonds, Series 2015A						
Tuition Revenue Bonds	\$ 2,709,156.86	\$ 34,269,156.86	\$ 4,660,000.00	\$ 815,663.58	\$ 5,475,663.58	\$ 31,560,000.00
Revenue Financing System Bonds, Series 2015B						
Revenue Bonds	2,587,102.95	61,092,102.95	2,720,000.00	440,103.20	3,160,103.20	58,505,000.00
Revenue Financing System Bonds, Taxable Series 2015C						
Revenue Bonds		106,755,000.00	16,790,000.00		16,790,000.00	106,755,000.00
Revenue Financing System Bonds, Taxable Series 2015D						
Revenue Bonds		61,275,000.00	1,450,000.00		1,450,000.00	61,275,000.00
Revenue Financing System Bonds, Taxable Series 2016A						
Revenue Bonds		76,040,000.00	8,505,000.00		8,505,000.00	76,040,000.00
Tuition Revenue Bonds		2,495,000.00	290,000.00		290,000.00	2,495,000.00
Revenue Financing System Bonds, Taxable Series 2016B						
Revenue Bonds		300,720,000.00	10,300,000.00		10,300,000.00	300,720,000.00
Revenue Financing System Bonds, Series 2016C						
Revenue Bonds	15,097,750.03	100,367,750.03	3,625,000.00	1,718,423.99	5,343,423.99	85,270,000.00
Tuition Revenue Bonds	18,269,975.63	137,984,975.63	9,555,000.00	3,489,644.44	13,044,644.44	119,715,000.00
Revenue Financing System Bonds, Taxable Series 2016D						
Revenue Bonds		142,450,000.00	6,120,000.00		6,120,000.00	142,450,000.00
Tuition Revenue Bonds		21,230,000.00	1,955,000.00		1,955,000.00	21,230,000.00
Revenue Financing System Bonds, Series 2016E						
Revenue Bonds	14,112,168.91	132,412,168.91	8,335,000.00	2,792,568.96	11,127,568.96	118,300,000.00
Tuition Revenue Bonds	2,555,609.29	22,620,609.29	1,605,000.00	532,605.78	2,137,605.78	20,065,000.00
Revenue Financing System Bonds, Taxable Series 2017A						
Tuition Revenue Bonds		320,000,000.00	21,475,000.00		21,475,000.00	320,000,000.00
Revenue Financing System Bonds, Taxable Series 2017B						
Revenue Bonds		11,630,000.00	295,000.00		295,000.00	11,630,000.00
Tuition Revenue Bonds		340,015,000.00	24,045,000.00		24,045,000.00	340,015,000.00
Revenue Financing System Bonds, Series 2017C						
Revenue Bonds	10,831,633.53	75,811,633.53	-	1,001,157.98	1,001,157.98	64,980,000.00
Tuition Revenue Bonds	5,423,856.73	37,433,856.73	150,000.00	974,422.30	1,124,422.30	32,010,000.00
Revenue Financing System Bonds, Taxable Series 2017D						
Revenue Bonds		153,445,000.00	4,105,000.00		4,105,000.00	153,445,000.00
Revenue Financing System Bonds, Series 2017E						
Revenue Bonds	40,435,419.70	379,800,419.70	735,000.00	4,386,980.37	5,121,980.37	339,365,000.00
Revenue Financing System Bonds, Taxable Series 2019A						
Revenue Bonds		219,010,000.00	7,520,000.00		7,520,000.00	219,010,000.00
Revenue Financing System Bonds, Taxable Series 2019B						
Revenue Bonds		429,645,000.00	9,945,000.00		9,945,000.00	429,645,000.00
	<u>\$151,842,821.84</u>	<u>\$ 4,469,342,821.84</u>	<u>\$226,045,000.00</u>	<u>\$ 24,143,519.59</u>	<u>\$250,188,519.59</u>	<u>\$ 4,317,500,000.00</u>
		[b] (Exhibit III)	(Schedule 2C)			(Schedule 2C)

[b] Bonds Payable per Exhibit III
Current Bonds Payable
NonCurrent Bonds Payable
Total Bonds Payable

\$ 250,188,519.59
4,219,154,302.25
\$ 4,469,342,821.84

Schedule 2C
The Texas A&M University System
Schedule of Debt Service Requirements
For the Year Ended August 31, 2019

Description		2020	2021	2022	2023	2024
Revenue Bonds - Self Supporting						
Permanent University Fund Bonds, Series 1998						
Revenue Bonds	Principal	\$ 2,360,000.00	\$ 2,490,000.00	\$ 2,625,000.00	\$ 2,770,000.00	\$ 2,925,000.00
	Interest	1,460,800.00	1,331,000.00	1,194,050.00	1,049,675.00	897,325.00
Permanent University Fund Bonds, Series 2009AB						
Revenue Bonds	Principal	5,695,000.00	5,900,000.00	6,130,000.00	6,230,000.00	6,475,000.00
	Interest	10,266,306.28	9,981,556.28	9,686,556.28	9,396,456.28	9,088,112.50
Permanent University Fund Bonds, Series 2011						
Revenue Bonds	Principal	2,675,000.00	5,000,000.00			
	Interest	357,000.00	250,000.00			
Permanent University Fund Bonds, Series 2012A						
Revenue Bonds	Principal	10,875,000.00	11,495,000.00	12,080,000.00	12,670,000.00	13,225,000.00
	Interest	3,017,250.00	2,473,500.00	1,898,750.00	1,294,750.00	661,250.00
Permanent University Fund Bonds, Taxable Series 2012B						
Revenue Bonds	Principal	5,820,000.00	5,950,000.00	6,100,000.00	6,255,000.00	6,405,000.00
	Interest	2,652,877.16	2,521,461.56	2,378,185.56	2,225,197.56	2,062,067.16
Permanent University Fund Bonds, Series 2013						
Revenue Bonds	Principal	8,165,000.00	8,555,000.00	9,010,000.00	9,465,000.00	5,145,000.00
	Interest	4,158,400.00	3,750,150.00	3,322,400.00	2,871,900.00	2,398,650.00
Permanent University Fund Bonds, Series 2015A						
Revenue Bonds	Principal	0.00	0.00	0.00	0.00	8,550,000.00
	Interest	6,706,175.02	6,706,175.02	6,706,175.02	6,706,175.02	6,706,175.02
Permanent University Fund Bonds, Taxable Series 2015B						
Revenue Bonds	Principal	7,815,000.00	7,960,000.00	8,160,000.00	8,430,000.00	55,000.00
	Interest	3,233,280.04	3,096,517.52	2,937,317.52	2,753,717.54	2,542,967.54
Permanent University Fund Bonds, Series 2017A						
Revenue Bonds	Principal	0.00	0.00	4,640,000.00	4,675,000.00	4,710,000.00
	Interest	3,633,850.00	3,633,850.00	3,633,850.00	3,401,850.00	3,168,100.00
Permanent University Fund Bonds, Taxable Series 2017B						
Revenue Bonds	Principal	10,000.00	10,000.00	65,000.00	65,000.00	60,000.00
	Interest	11,345,774.50	11,345,574.50	11,345,350.50	11,343,790.50	11,342,133.00
Revenue Financing System Bonds, Series 2010A						
Tuition Revenue Bonds	Principal	7,465,000.00				
	Interest	373,250.00				
Revenue Financing System Bonds, Series 2010B						
Revenue Bonds	Principal	7,715,000.00				
	Interest	385,750.00				
Revenue Financing System Bonds, Series 2011A						
Revenue Bonds	Principal	1,765,000.00	1,820,000.00			
	Interest	121,062.50	63,700.00			
Revenue Financing System Bonds, Series 2011B						
Revenue Bonds	Principal	3,095,000.00				
	Interest	170,225.00				
Revenue Financing System Bonds, Series 2013A						
Tuition Revenue Bonds	Principal	3,805,000.00	3,950,000.00	9,095,000.00		
	Interest	804,450.00	652,250.00	454,750.00		
Revenue Financing System Bonds, Series 2013B						
Revenue Bonds	Principal	7,685,000.00	8,040,000.00	8,445,000.00	8,875,000.00	0.00
	Interest	2,766,850.00	2,382,600.00	1,980,600.00	1,558,350.00	1,114,600.00
Revenue Financing System Bonds, Series 2013D						
Revenue Bonds	Principal	6,920,000.00	7,265,000.00	7,625,000.00	8,010,000.00	
	Interest	1,491,000.00	1,145,000.00	781,750.00	400,500.00	

UNAUDITED

Schedule 2C
The Texas A&M University System
Schedule of Debt Service Requirements
For the Year Ended August 31, 2019

Description			2025-2029	2030-2034	2035-2039	2040-2044	2045-2049
Revenue Bonds - Self Supporting							
Permanent University Fund Bonds, Series 1998							
Revenue Bonds	Principal		\$ 13,390,000.00	\$ -	\$ -	\$ -	\$ -
	Interest		1,890,075.00				
Permanent University Fund Series 2009AB							
Revenue Bonds	Principal		79,800,000.00	93,725,000.00			
	Interest		36,329,475.00	13,380,200.00			
Permanent University Fund Bonds, Series 2011							
Revenue Bonds	Principal						
	Interest						
Permanent University Fund Bonds, Series 2012A							
Revenue Bonds	Principal						
	Interest						
Permanent University Fund Bonds, Taxable Series 2012B							
Revenue Bonds	Principal		34,085,000.00	22,525,000.00			
	Interest		7,451,736.20	1,629,663.76			
Permanent University Fund Bonds, Series 2013							
Revenue Bonds	Principal		28,770,000.00	27,390,000.00			
	Interest		8,962,650.00	2,793,000.00			
Permanent University Fund Bonds, Series 2015A							
Revenue Bonds	Principal		49,580,000.00	65,935,000.00	16,490,000.00		
	Interest		24,849,837.62	11,341,887.56	987,800.00		
Permanent University Fund Bonds, Taxable Series 2015B							
Revenue Bonds	Principal		36,345,000.00	40,540,000.00	1,345,000.00		
	Interest		11,465,142.80	5,145,616.56	72,360.00		
Permanent University Fund Bonds, Series 2017A							
Revenue Bonds	Principal		29,900,000.00	18,385,000.00	9,235,000.00	10,795,000.00	7,370,000.00
	Interest		11,992,500.00	5,624,100.00	3,879,525.00	2,318,462.50	503,043.76
Permanent University Fund Bonds, Taxable Series 2017B							
Revenue Bonds	Principal		355,000.00	7,480,000.00	87,320,000.00	126,975,000.00	88,150,000.00
	Interest		56,682,808.00	56,502,265.00	50,218,128.00	30,435,462.00	6,535,479.00
Revenue Financing System Bonds, Series 2010A							
Tuition Revenue Bonds	Principal						
	Interest						
Revenue Financing System Bonds, Series 2010B							
Revenue Bonds	Principal						
	Interest						
Revenue Financing System Bonds, Series 2011A							
Revenue Bonds	Principal						
	Interest						
Revenue Financing System Bonds, Series 2011B							
Revenue Bonds	Principal						
	Interest						
Revenue Financing System Bonds, Series 2013A							
Tuition Revenue Bonds	Principal						
	Interest						
Revenue Financing System Bonds, Series 2013B							
Revenue Bonds	Principal		0.00	0.00	12,705,000.00	15,160,000.00	
	Interest		5,573,000.00	5,573,000.00	5,202,200.00	1,545,600.00	
Revenue Financing System Bonds, Series 2013D							
Revenue Bonds	Principal						
	Interest						

Schedule 2C
The Texas A&M University System
Schedule of Debt Service Requirements
For the Year Ended August 31, 2019

Description		2050-2054	2055-2057	Total Requirements
Revenue Bonds - Self Supporting				
Permanent University Fund Bonds, Series 1998				
Revenue Bonds	Principal	\$ -	\$ -	\$ 26,560,000.00
	Interest			7,822,925.00
Permanent University Fund Series 2009AB				
Revenue Bonds	Principal			203,955,000.00
	Interest			98,128,662.62
Permanent University Fund Bonds, Series 2011				
Revenue Bonds	Principal			7,675,000.00
	Interest			607,000.00
Permanent University Fund Bonds, Series 2012A				
Revenue Bonds	Principal			60,345,000.00
	Interest			9,345,500.00
Permanent University Fund Bonds, Taxable Series 2012B				
Revenue Bonds	Principal			87,140,000.00
	Interest			20,921,188.96
Permanent University Fund Bonds, Series 2013				
Revenue Bonds	Principal			96,500,000.00
	Interest			28,257,150.00
Permanent University Fund Bonds, Series 2015A				
Revenue Bonds	Principal			140,555,000.00
	Interest			70,710,400.28
Permanent University Fund Bonds, Taxable Series 2015B				
Revenue Bonds	Principal			110,650,000.00
	Interest			31,246,919.52
Permanent University Fund Bonds, Series 2017A				
Revenue Bonds	Principal			89,710,000.00
	Interest			41,789,131.26
Permanent University Fund Bonds, Taxable Series 2017B				
Revenue Bonds	Principal			310,490,000.00
	Interest			257,096,765.00
Revenue Financing System Bonds, Series 2010A				
Tuition Revenue Bonds	Principal			7,465,000.00
	Interest			373,250.00
Revenue Financing System Bonds, Series 2010B				
Revenue Bonds	Principal			7,715,000.00
	Interest			385,750.00
Revenue Financing System Bonds, Series 2011A				
Revenue Bonds	Principal			3,585,000.00
	Interest			184,762.50
Revenue Financing System Bonds, Series 2011B				
Revenue Bonds	Principal			3,095,000.00
	Interest			170,225.00
Revenue Financing System Bonds, Series 2013A				
Tuition Revenue Bonds	Principal			16,850,000.00
	Interest			1,911,450.00
Revenue Financing System Bonds, Series 2013B				
Revenue Bonds	Principal			60,910,000.00
	Interest			27,696,800.00
Revenue Financing System Bonds, Series 2013D				
Revenue Bonds	Principal			29,820,000.00
	Interest			3,818,250.00

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Schedule 2C
The Texas A&M University System
Schedule of Debt Service Requirements
For the Year Ended August 31, 2019

Description		2020	2021	2022	2023	2024
Revenue Financing System Bonds, Series 2015A						
Tuition Revenue Bonds	Principal	\$ 4,660,000.00	\$ 4,900,000.00	\$ 5,145,000.00	\$ 5,400,000.00	\$ 5,615,000.00
	Interest	1,467,850.00	1,234,850.00	989,850.00	732,600.00	516,600.00
Revenue Financing System Bonds, Series 2015B						
Revenue Bonds	Principal	2,720,000.00	2,850,000.00	3,005,000.00	3,155,000.00	0.00
	Interest	2,342,450.00	2,206,450.00	2,063,950.00	1,913,700.00	1,787,500.00
Revenue Financing System Bonds, Taxable Series 2015C						
Revenue Bonds	Principal	16,790,000.00	14,425,000.00	11,010,000.00	11,300,000.00	11,160,000.00
	Interest	2,917,225.40	2,549,020.72	2,200,224.22	1,915,285.42	1,612,106.42
Revenue Financing System Bonds, Taxable Series 2015D						
Revenue Bonds	Principal	1,450,000.00	1,510,000.00	1,570,000.00	1,635,000.00	1,715,000.00
	Interest	2,555,666.26	2,497,666.26	2,437,266.26	2,374,466.26	2,292,716.26
Revenue Financing System Bonds, Taxable Series 2016A						
Revenue Bonds	Principal	8,505,000.00	8,650,000.00	8,670,000.00	6,995,000.00	7,160,000.00
	Interest	1,988,574.66	1,845,860.76	1,679,088.76	1,484,360.56	1,316,760.36
Tuition Revenue Bonds	Principal	290,000.00	290,000.00	300,000.00	310,000.00	315,000.00
	Interest	60,266.80	55,400.60	49,809.40	43,071.40	35,643.80
Revenue Financing System Bonds, Taxable Series 2016B						
Revenue Bonds	Principal	10,300,000.00	10,465,000.00	10,660,000.00	10,910,000.00	11,165,000.00
	Interest	10,384,084.56	10,211,250.62	10,009,485.42	9,770,061.82	9,508,658.22
Revenue Financing System Bonds, Series 2016C						
Revenue Bonds	Principal	3,625,000.00	3,795,000.00	3,985,000.00	4,185,000.00	4,400,000.00
	Interest	3,975,750.00	3,794,500.00	3,604,750.00	3,405,500.00	3,196,250.00
Tuition Revenue Bonds	Principal	9,555,000.00	10,030,000.00	10,520,000.00	11,050,000.00	11,605,000.00
	Interest	5,566,100.00	5,088,350.00	4,586,850.00	4,060,850.00	3,508,350.00
Revenue Financing System Bonds, Taxable Series 2016D						
Revenue Bonds	Principal	6,120,000.00	6,205,000.00	6,275,000.00	6,395,000.00	6,510,000.00
	Interest	3,938,194.52	3,861,694.54	3,774,824.54	3,670,659.54	3,551,712.54
Tuition Revenue Bonds	Principal	1,955,000.00	1,990,000.00	2,015,000.00	2,050,000.00	2,085,000.00
	Interest	442,459.10	418,021.60	390,161.60	356,712.60	318,582.60
Revenue Financing System Bonds, Series 2016E						
Revenue Bonds	Principal	8,335,000.00	8,745,000.00	9,170,000.00	9,650,000.00	10,115,000.00
	Interest	5,046,400.00	4,629,650.00	4,192,400.00	3,733,900.00	3,251,400.00
Tuition Revenue Bonds	Principal	1,605,000.00	1,680,000.00	1,765,000.00	1,855,000.00	1,950,000.00
	Interest	885,350.00	805,100.00	721,100.00	632,850.00	540,100.00
Revenue Financing System Bonds, Taxable Series 2017A						
Tuition Revenue Bonds	Principal	21,475,000.00	21,790,000.00	22,275,000.00	22,830,000.00	23,450,000.00
	Interest	9,663,916.92	9,255,462.40	8,769,763.30	8,217,566.06	7,593,393.86
Revenue Financing System Bonds, Taxable Series 2017B						
Revenue Bonds	Principal	295,000.00	5,850,000.00	5,485,000.00		
	Interest	246,117.00	240,821.70	120,779.70		
Tuition Revenue Bonds	Principal	24,045,000.00	29,285,000.00	25,090,000.00	25,640,000.00	26,245,000.00
	Interest	9,396,660.08	8,705,813.78	8,104,885.58	7,552,403.78	6,950,120.22
Revenue Financing System Bonds, Series 2017C						
Revenue Bonds	Principal	0.00	165,000.00	440,000.00	2,115,000.00	3,570,000.00
	Interest	3,093,006.26	3,093,006.26	3,084,756.26	3,062,756.26	2,957,006.26
Tuition Revenue Bonds	Principal	150,000.00	3,425,000.00	3,580,000.00	3,765,000.00	3,955,000.00
	Interest	1,597,500.00	1,593,000.00	1,421,750.00	1,242,750.00	1,054,500.00
Revenue Financing System Bonds, Taxable Series 2017D						
Revenue Bonds	Principal	4,105,000.00	4,185,000.00	4,290,000.00	4,390,000.00	4,505,000.00
	Interest	5,262,696.66	5,176,245.32	5,079,404.42	4,973,698.82	4,859,910.02
Revenue Financing System Bonds, Series 2017E						
Revenue Bonds	Principal	735,000.00	4,025,000.00	4,265,000.00	4,515,000.00	24,695,000.00
	Interest	15,337,050.00	15,307,650.00	15,106,400.00	14,893,150.00	14,667,400.00

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Schedule 2C
The Texas A&M University System
Schedule of Debt Service Requirements
For the Year Ended August 31, 2019

Description		2025-2029	2030-2034	2035-2039	2040-2044	2045-2049
Revenue Financing System Bonds, Series 2015A						
Tuition Revenue Bonds	Principal	\$ 5,840,000.00	\$ -	\$ -	\$ -	\$ -
	Interest	292,000.00				
Revenue Financing System Bonds, Series 2015B						
Revenue Bonds	Principal	0.00	18,030,000.00	16,700,000.00	12,045,000.00	
	Interest	8,937,500.00	7,552,500.00	4,479,775.00	1,483,400.00	
Revenue Financing System Bonds, Taxable Series 2015C						
Revenue Bonds	Principal	34,845,000.00	7,225,000.00			
	Interest	4,158,431.74	765,259.32			
Revenue Financing System Bonds, Taxable Series 2015D						
Revenue Bonds	Principal	9,745,000.00	11,855,000.00	14,490,000.00	14,260,000.00	3,045,000.00
	Interest	10,285,831.30	8,174,431.30	5,542,636.26	2,442,750.00	129,412.50
Revenue Financing System Bonds, Taxable Series 2016A						
Revenue Bonds	Principal	25,200,000.00	6,390,000.00	4,470,000.00		
	Interest	3,759,889.00	1,658,968.94	361,366.52		
Tuition Revenue Bonds	Principal	990,000.00				
	Interest	56,225.90				
Revenue Financing System Bonds, Taxable Series 2016B						
Revenue Bonds	Principal	58,180,000.00	67,675,000.00	80,860,000.00	35,665,000.00	4,840,000.00
	Interest	42,923,058.60	32,792,726.70	18,432,497.00	4,300,758.64	199,069.22
Revenue Financing System Bonds, Series 2016C						
Revenue Bonds	Principal	25,365,000.00	16,425,000.00	20,595,000.00	2,895,000.00	
	Interest	12,610,550.00	8,071,950.00	3,914,000.00	144,750.00	
Tuition Revenue Bonds	Principal	66,955,000.00				
	Interest	8,647,900.00				
Revenue Financing System Bonds, Taxable Series 2016D						
Revenue Bonds	Principal	34,730,000.00	38,785,000.00	31,315,000.00	6,115,000.00	
	Interest	15,530,516.50	10,492,077.64	4,258,796.00	218,855.86	
Tuition Revenue Bonds	Principal	11,135,000.00				
	Interest	878,277.00				
Revenue Financing System Bonds, Series 2016E						
Revenue Bonds	Principal	53,455,000.00	17,275,000.00	1,555,000.00		
	Interest	8,928,000.00	1,434,350.00	62,200.00		
Tuition Revenue Bonds	Principal	11,210,000.00				
	Interest	1,231,850.00				
Revenue Financing System Bonds, Taxable Series 2017A						
Tuition Revenue Bonds	Principal	128,400,000.00	79,780,000.00			
	Interest	26,787,578.18	5,366,312.68			
Revenue Financing System Bonds, Taxable Series 2017B						
Revenue Bonds	Principal					
	Interest					
Tuition Revenue Bonds	Principal	142,215,000.00	67,495,000.00			
	Interest	23,747,410.50	3,547,660.70			
Revenue Financing System Bonds, Series 2017C						
Revenue Bonds	Principal	19,130,000.00	18,365,000.00	21,195,000.00		
	Interest	12,072,281.30	7,222,531.30	2,989,768.78		
Tuition Revenue Bonds	Principal	17,135,000.00				
	Interest	2,139,750.00				
Revenue Financing System Bonds, Taxable Series 2017D						
Revenue Bonds	Principal	24,520,000.00	28,795,000.00	33,270,000.00	30,905,000.00	14,480,000.00
	Interest	22,266,551.48	17,992,393.18	12,442,724.10	5,994,042.60	1,120,419.30
Revenue Financing System Bonds, Series 2017E						
Revenue Bonds	Principal	129,435,000.00	80,315,000.00	49,925,000.00	12,330,000.00	9,420,000.00
	Interest	53,872,500.00	28,581,200.00	14,066,950.00	7,612,500.00	5,215,750.00

Schedule 2C
The Texas A&M University System
Schedule of Debt Service Requirements
For the Year Ended August 31, 2019

Description		2050-2054	2055-2057	Total Requirements
Revenue Financing System Bonds, Series 2015A				
Tuition Revenue Bonds	Principal	\$ -	\$ -	\$ 31,560,000.00
	Interest			5,233,750.00
Revenue Financing System Bonds, Series 2015B				
Revenue Bonds	Principal			58,505,000.00
	Interest			32,767,225.00
Revenue Financing System Bonds, Taxable Series 2015C				
Revenue Bonds	Principal			106,755,000.00
	Interest			16,117,553.24
Revenue Financing System Bonds, Taxable Series 2015D				
Revenue Bonds	Principal			61,275,000.00
	Interest			38,732,842.66
Revenue Financing System Bonds, Taxable Series 2016A				
Revenue Bonds	Principal			76,040,000.00
	Interest			14,094,869.56
Tuition Revenue Bonds	Principal			2,495,000.00
	Interest			300,417.90
Revenue Financing System Bonds, Taxable Series 2016B				
Revenue Bonds	Principal			300,720,000.00
	Interest			148,531,650.80
Revenue Financing System Bonds, Series 2016C				
Revenue Bonds	Principal			85,270,000.00
	Interest			42,718,000.00
Tuition Revenue Bonds	Principal			119,715,000.00
	Interest			31,458,400.00
Revenue Financing System Bonds, Taxable Series 2016D				
Revenue Bonds	Principal			142,450,000.00
	Interest			49,297,331.68
Tuition Revenue Bonds	Principal			21,230,000.00
	Interest			2,804,214.50
Revenue Financing System Bonds, Series 2016E				
Revenue Bonds	Principal			118,300,000.00
	Interest			31,278,300.00
Tuition Revenue Bonds	Principal			20,065,000.00
	Interest			4,816,350.00
Revenue Financing System Bonds, Taxable Series 2017A				
Tuition Revenue Bonds	Principal			320,000,000.00
	Interest			75,653,993.40
Revenue Financing System Bonds, Taxable Series 2017B				
Revenue Bonds	Principal			11,630,000.00
	Interest			607,718.40
Tuition Revenue Bonds	Principal			340,015,000.00
	Interest			68,004,954.64
Revenue Financing System Bonds, Series 2017C				
Revenue Bonds	Principal			64,980,000.00
	Interest			37,575,112.68
Tuition Revenue Bonds	Principal			32,010,000.00
	Interest			9,049,250.00
Revenue Financing System Bonds, Taxable Series 2017D				
Revenue Bonds	Principal			153,445,000.00
	Interest			85,168,085.90
Revenue Financing System Bonds, Series 2017E				
Revenue Bonds	Principal	11,585,000.00	8,120,000.00	339,365,000.00
	Interest	3,050,200.00	658,200.00	188,368,950.00

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Schedule 2C
The Texas A&M University System
Schedule of Debt Service Requirements
For the Year Ended August 31, 2019

Description	2020	2021	2022	2023	2024
Revenue Financing System Bonds, Taxable Series 2019A					
Revenue Bonds	\$ 7,520,000.00	\$ 7,720,000.00	\$ 7,955,000.00	\$ 8,185,000.00	\$ 8,410,000.00
Principal					
Interest	7,984,294.96	7,780,578.24	7,563,723.44	7,334,142.14	7,093,012.04
Revenue Financing System Bonds, Taxable Series 2019B					
Revenue Bonds	9,945,000.00	7,255,000.00	7,385,000.00	7,545,000.00	7,695,000.00
Principal					
Interest	9,826,167.36	12,860,874.96	12,718,386.76	12,572,680.70	12,416,499.20
Total	382,967,081.04	380,214,602.64	373,819,344.54	358,265,527.26	352,879,602.02
Less Interest	(156,922,081.04)	(152,544,602.64)	(144,989,344.54)	(136,945,527.26)	(129,009,602.02)
Total Principal	<u>\$ 226,045,000.00</u>	<u>\$ 227,670,000.00</u>	<u>\$ 228,830,000.00</u>	<u>\$ 221,320,000.00</u>	<u>\$ 223,870,000.00</u>

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Schedule 2C
The Texas A&M University System
Schedule of Debt Service Requirements
For the Year Ended August 31, 2019

Description		2025-2029	2030-2034	2035-2039	2040-2044	2045-2049
Revenue Financing System Bonds, Taxable Series 2019A						
Revenue Bonds	Principal	\$ 45,725,000.00	\$ 50,115,000.00	\$ 46,290,000.00	\$ 29,050,000.00	\$ 8,040,000.00
	Interest	31,284,197.08	22,877,735.80	13,210,639.40	4,984,357.50	860,594.94
Revenue Financing System Bonds, Taxable Series 2019B						
Revenue Bonds	Principal	51,960,000.00	103,110,000.00	115,270,000.00	100,000,000.00	19,480,000.00
	Interest	59,368,561.34	49,185,114.62	32,555,742.00	12,675,552.00	2,079,996.00
Total		1,683,371,084.54	1,195,319,945.06	735,707,108.06	470,351,491.10	171,468,764.72
Less Interest		(514,976,084.54)	(307,704,945.06)	(172,677,108.06)	(74,156,491.10)	(16,643,764.72)
Total Principal		<u>\$ 1,168,395,000.00</u>	<u>\$ 887,615,000.00</u>	<u>\$ 563,030,000.00</u>	<u>\$ 396,195,000.00</u>	<u>\$ 154,825,000.00</u>

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Schedule 2C
The Texas A&M University System
 Schedule of Debt Service Requirements
 For the Year Ended August 31, 2019

Description	2050-2054	2055-2057	Total Requirements
Revenue Financing System Bonds, Taxable Series 2019A			
Revenue Bonds	\$ -	\$ -	\$ 219,010,000.00
Principal			110,973,275.54
Interest			
Revenue Financing System Bonds, Taxable Series 2019B			
Revenue Bonds			429,645,000.00
Principal			216,259,574.94
Interest			
Total	14,635,200.00	8,778,200.00	6,127,777,950.98
Less Interest	(3,050,200.00)	(658,200.00)	(1,810,277,950.98)
Total Principal	\$ 11,585,000.00	\$ 8,120,000.00	\$ 4,317,500,000.00
			(Schedule 2B)

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Schedule 2D

The Texas A&M University System

Schedule of Analysis of Funds Available for Debt Service

For the Year Ended August 31, 2019

Description	Pledged Revenues	Operating Expenses From Pledged Revenues	Debt Service	
			Principal	Interest
Permanent University Fund Bonds	\$ 402,183,048.08	\$ 167,678,808.65	\$ 41,865,000.00	\$ 48,439,050.92
Revenue Financing System Bonds	2,620,690,321.32	1,092,622,458.91	166,655,000.00	111,263,556.85
	\$ 3,022,873,369.40	\$ 1,260,301,267.56	\$ 208,520,000.00	\$ 159,702,607.77
			(Schedule 2B)	
[a] Debt Service-Interest Expense (Exhibit IV)		\$ 171,798,605.66		
Less:				
Interest on Permanent University Fund Commercial Paper	\$ 2,656,560.74			
Interest on Revenue Financing System Commercial Paper/Note	4,590,361.36			
Interest on Capital Leases	2,514,915.61			
Interest Expense on Defeased Bonds	2,285,456.19			
Other Interest Expense (non-bonds)	48,703.99			
Subtotal		(12,095,997.89)		
Total, Debt Service-Interest		\$ 159,702,607.77		

[a]

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Schedule 2E
The Texas A&M University System
Schedule of Defeased Bonds Outstanding
For the Year Ended August 31, 2019

Description of Issues	Calendar Year Refunded	Par Value Outstanding September 1, 2018	Newly Defeased	Principal Paid	Par Value Outstanding August 31, 2019
The Texas A&M University System					
Permanent University Fund Bonds,					
Series 2011	2018	\$ 62,435,000.00	\$ -	\$ -	\$ 62,435,000.00
Revenue Financing System Bonds,					
Series 2009A	2016	146,425,000.00		146,425,000.00	-
Series 2009B	2016	52,345,000.00		52,345,000.00	-
Series 2009C	2016	27,295,000.00			27,295,000.00
Series 2009D	2016	226,455,000.00			226,455,000.00
Series 2010A	2017	40,495,000.00			40,495,000.00
Series 2010B	2017	80,855,000.00			80,855,000.00
Series 2011B	2018	83,850,000.00			83,850,000.00
Series 2013B	2018	135,010,000.00			135,010,000.00
Taxable Series 2013C	2019	-	230,525,000.00		230,525,000.00
Series 2013D	2018	46,470,000.00			46,470,000.00
Series 2015B	2018	64,095,000.00		1,255,000.00	62,840,000.00
Total		<u>\$ 965,730,000.00</u>	<u>\$ 230,525,000.00</u>	<u>\$ 200,025,000.00</u>	<u>\$ 996,230,000.00</u>

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Schedule 2F

The Texas A&M University System
Schedule of Early Extinguishment and Refunding
For the Year Ended August 31, 2019

Description	Category	Amount Extinguished or Refunded	Refunding Issue Par Value	Cash Flow Increase (Decrease)	Economic Gain/ (Loss)
Revenue Bonds - Self Supporting					
Revenue Financing System Bonds, Taxable Series 2013C Revenue Bonds	Advance Refunding	230,525,000.00	260,870,000.00	34,251,060.18	24,055,353.62
Total, Early Extinguishment and Refunding		<u>\$ 230,525,000.00</u>	<u>\$ 260,870,000.00</u>	<u>\$ 34,251,060.18</u>	<u>\$ 24,055,353.62</u>

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Schedule Three

The Texas A&M University System

Combined Schedule of Cash & Cash Equivalents

For the Year Ended August 31, 2019

	Current Year Total
Cash & Cash Equivalents	
Unrestricted	
Cash On Hand	
Cashiers Account	\$ 74,750.00
Petty Cash Department Working Fund	352,786.33
Temporary Working Fund	4,508.00
Total Cash On Hand	<u>432,044.33</u>
Cash In State Treasury	
Fund 0047	459,473,117.52
Fund 0230	11,329,966.93
Fund 0231	12,458,692.82
Fund 0232	3,991,526.50
Fund 0242	3,879,739.00
Fund 0243	6,074,182.54
Fund 0245	19,985,698.53
Fund 0254	16,436,042.15
Fund 0257	3,248,701.19
Fund 0263	3,242,706.89
Fund 0275	837,054.21
Fund 0289	9,462,901.10
Fund 0290	12,018,805.61
Fund 0291	2,618,627.61
Fund 0818	1,418,167.66
Fund 0900	475.23
Fund 5029	9,009,654.19
Fund 5064	66,559,209.37
Fund 5066	4,563,951.22
Total Cash In State Treasury	<u>646,609,220.27</u>
Reimbursements Due From State Treasury	16,013,029.06
Cash In Bank	6,686,866.74
Cash Equivalents	413,257,141.57
Total Unrestricted Cash and Cash Equivalents (Exhibit III)	<u>\$ 1,082,998,301.97</u>
Restricted	
Cash On Hand	
Petty Cash Department Working Fund	\$ 260,000.00
Temporary Working Fund	10,000.00
Total Restricted Cash On Hand	<u>270,000.00</u>
Cash In Bank	19,967,644.89
Cash Equivalents	426,390,651.41
Total Restricted Cash and Cash Equivalents (Exhibit III)	<u>\$ 446,628,296.30</u>
Total Cash & Cash Equivalents (Exhibit V)	<u><u>\$ 1,529,626,598.27</u></u>