

UNAUDITED

ANNUAL FINANCIAL REPORT

of

The Texas A&M University System

For the Year Ended August 31, 2020

With Comparative Totals for the Year Ended August 31, 2019



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 Division of Emergency Management ■ 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
Cahlen Cheatham (Student Regent)	Term Expires May 31, 2021

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. Miller, 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 Division of Emergency Management	W. Nim Kidd, Chief and Vice Chancellor for Disaster and Emergency Services
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

Table of Contents

<u>Reference</u>		<u>Page</u>
MD&A	Management's Discussion and Analysis	798-i
III	Combined Statement of Net Position	798-1-1
IV	Combined Statement of Revenues, Expenses, and Changes in Net Position	798-2-1
IV - 1	Combined Schedule of NACUBO Function to Natural Classification Matrix	798-3-1
V	Combined Statement of Cash Flows	798-4-1
VI	Combined Statement of Fiduciary Net Position	798-5-1
VII	Combined Statement of Changes in Fiduciary Net Position	798-6-1
Notes	Notes to the Combined Financial Statements	798-7-1
RSI	Required Supplementary Information	798-8-1
2 - A	Schedule of Miscellaneous Bond Information	798-9-1
2 - B	Schedule of Changes in Bonded Indebtedness	798-10-1
2 - C	Schedule of Debt Service Requirements	798-11-1
2 - D	Schedule of Analysis of Funds Available for Debt Service	798-12-1
2 - E	Schedule of Defeased Bonds Outstanding	798-13-1
2 - F	Schedule of Early Extinguishment and Refunding	798-14-1
Three	Combined Schedule of Cash & Cash Equivalents	798-15-1
Three-F	Combined Fiduciary Schedule of Cash & Cash Equivalents	798-16-1

UNAUDITED

The Texas A&M University System Management's Discussion and Analysis For the Year Ended August 31, 2020

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, eight 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 as the eighth state agency to the A&M System, financial data is presented for the first time in these 2020 Financial Statements. They are not included in prior year comparative data.

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 151,000 students and reaches another 23 million additional educational contacts through service and outreach programs each year. With more than 25,000 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 fiscal year 2020 there was a slight decrease in fall semester student enrollment; there were 150,645 students compared to 151,897 students (per the certified data) in FY 2019. And, there was a decrease in the semester credit hours; there were 1.707 million semester credit hours in fall 2019 (fiscal year 2020) whereas there were 1.733 million semester credit hours (per the certified data) in fall 2018 (fiscal year 2019).

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.

Corona Virus Disease (COVID-19) Response

In the Spring semester of 2020, COVID-19 began impacting the State of Texas and there were numerous operational adjustments to respond to the effects (economic and otherwise) of COVID-19, including transitioning workforces to remote working, adjusting operations based upon the health and wellness of college students and the public and modifying/suspending various operations to comply with health guidelines. The Federal Government provided stimulus funding under the Coronavirus Aid, Relief, and Economic Security (CARES) Act to help cover expenses related to operations. For 2020, A&M members received \$64.3 million from the CARES Act funding. Of this amount, \$42.6 million was distributed as emergency aid to students.

UNAUDITED

The Texas A&M University System Management's Discussion and Analysis For the Year Ended August 31, 2020

Texas Division of Emergency Management (TDEM) received \$785 million in CARES Act funding distributed through the Governor's Office to support TDEM's disaster relief efforts across the State of Texas. TDEM also received \$525 million Federal public assistance disaster relief funding related to COVID-19. Funds were used for medical supplies, lab testing, and to provide grants to cities, counties, and other State of Texas agencies.

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, 2020, with comparative data to fiscal year 2019 and some data for fiscal year 2018. 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 financial section of this report includes:

- MD&A (this section)
- Basic Proprietary Financial Statements
 - Statement of Net Position,
 - Statement of Revenues, Expenses and Changes in Net Position, and
 - Statement of Cash Flows
- Basic Fiduciary Financial Statements (new for Fiscal Year 2020)
 - Statement of Fiduciary Net Position, and
 - Statement of Changes in Fiduciary Net Position
- Note disclosures to the financial statements
- Required Supplementation Information

Texas A&M University System operational activity is included in the Texas Comprehensive Annual Report (CAFR) as a Proprietary or Business-Type Activity and new for fiscal year 2020, A&M System will include Fiduciary Activity. A&M System is a fiduciary entity for several different types of custodial funds. These fiduciary activities are reported separately from other financial activities since the A&M System cannot use the assets to finance its operations. The A&M System's fiduciary responsibilities include ensuring the assets reported in these funds are secure and outflows occur based upon the custodial entity's intended purposes.

The accompanying financial statements for the A&M System are prepared in accordance with generally accepted accounting principles (GAAP) as prescribed by the 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.

UNAUDITED

The Texas A&M University System Management's Discussion and Analysis For the Year Ended August 31, 2020

Financial Highlights for Proprietary Funds

Below are financial highlights for fiscal year 2020.

- GASB Statement No. 84 *Fiduciary Activities* was implemented this fiscal year and required a restatement of \$473.6 million on the Statement of Changes in Fiduciary Net Position; this balance was removed from Investments and the Liability-Funds Held for Others line items on the Proprietary Statement of Net Position.
- Investment income was \$584 million which was a \$296 million increase from 2019. Investment income includes unrealized gain/loss which increased by \$333.2 million, interest income which decreased by \$35 million and realized gains which decreased by \$2.2 million. Global equity markets were up over the past year at fiscal year-end, despite significant market volatility due to the COVID-19 pandemic.
- State appropriations including legislative revenue, capital appropriations and legislative transfers-in increased to \$1.4 billion for 2020 from \$1.2 billion in 2019. These state appropriations are a vital part of the A&M System's funding. The State required a 5% reduction in state spending and resulted in a \$35.2 million legislative lapse plus other non-related lapses, totaling \$35.5 million in lapsed funding, for the general revenue fund and operating transfers out to other state agencies of \$1.1 million for several other funds, total budget reduction of \$36.3 million in state funding for 2020.
- Noncurrent investments recorded on the Proprietary Statement of Net Position are reported at \$5.018 billion which was a slight increase of \$36 million from 2019's \$4.982 billion. Equity markets sold off sharply in February and March, with most markets reaching their lows around March 23, 2020. Stocks have rebounded, especially large technology companies, which have benefited as people shifted to electronic tools for work, school, and socializing. See the *Economic Outlook* section for more details.
- Total bonds payable, notes/loans payable and notes from direct borrowings increased by 3.45% or \$166 million in 2020.
 - Taxable bonds of \$509.7 million were issued under both the Revenue Financing System debt program to fund eligible projects and under the Permanent University Fund debt program to refund outstanding commercial paper.
 - There was a total of \$60 million in commercial paper issued to fund eligible projects.
 - Notes from direct borrowings-capital leases decreased by \$5.2 million due to the payments being made on these liabilities, see *Note 5 Long-term Liabilities* for more information.
- The Non-General Revenue funded portion of the Other Post-Employment Benefits (OPEB) 2020 liability balance is \$2.023 billion which was an increase of \$171 million from the prior year. The ending OPEB liability balance was \$1.852 billion in 2019. In 2020, the

UNAUDITED

The Texas A&M University System Management's Discussion and Analysis For the Year Ended August 31, 2020

actuary did complete a new actuarial valuation as of September 1, 2019. The increase is related to continued increase in health care costs, the change in employee and retiree population as well as a decrease in the discount rate from 3.96% to 2.97%.

- OPEB expenses reported an increase of \$546 million due to the reporting of the change in eligibility and benefits in fiscal year 2019. There was no similar change in fiscal year 2020, thus the OPEB expense of \$83.3 million is similar to values reported in prior years.
- The Non-General Revenue funded Pension liability decreased by \$26 million totaling \$686 million for 2020 compared to \$712 million Pension liability reported in 2019. This liability decreased based upon the Teacher's Retirement System (TRS) actuary report.
 - A \$25 million decrease 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 \$70 million increase in deferred inflows of resources reflects the difference between projected and actual investment returns.
- For 2020, A&M System members received \$64.3 million from the CARES Act funding. Of this amount, \$42.6 million was distributed as emergency aid to students.
- Texas Division of Emergency Management (TDEM) received \$785 million in CARES Act funding distributed through the Governor's Office to support TDEM's disaster relief efforts across the State of Texas and TDEM also received \$525 million Federal public assistance disaster relief funding related to COVID-19.
- Operating expenses increased by \$2.67 billion due to several factors, once the \$546 million OPEB impact is removed, there are other increases totaling \$2.124 billion. One of the main factors is the impact of the pandemic on operations.
 - Materials and Supplies expense increased by over \$900 million, due to institutions and agencies purchasing cleaning supplies, personal protective equipment (PPE), COVID test kits, transitioning employees to work from home and improving ventilation in the classrooms.
 - Texas Division of Emergency Management sent over \$446 million in disaster payments to state agencies, cities, counties and other governmental entities.
 - Professional fees and services increased by \$123 million, related to TDEM.
 - Federal pass-through expenses increased by \$104 million.
- The A&M System's net position totaled \$7.341 billion which is a \$753 million increase from 2019 which was \$6.588 billion, due to several factors.
 - An increase in Capital Assets, net, of \$294 million.
 - An increase in Interfund Receivables of \$175 million.
 - An increase in Cash and Cash Equivalents of \$88 million.
 - An increase in Noncurrent Investments of \$36 million.
 - A decrease in Liabilities and Deferred Inflows of \$185 million.

UNAUDITED

The Texas A&M University System Management's Discussion and Analysis For the Year Ended August 31, 2020

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.

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.

UNAUDITED

**The Texas A&M University System
Management's Discussion and Analysis
For the Year Ended August 31, 2020**

Statement of Net Position (in millions)			
Assets and Deferred Outflows of Resources	2020	2019	2018
Current Assets	\$2,607	\$2,518	\$2,554
Capital Assets, Net	6,985	6,691	6,272
Other Assets	6,769	6,581	6,321
Deferred Outflows	936	939	551
Total Assets and Deferred Outflows of Resources	\$17,297	\$16,729	\$15,699
Liabilities and Deferred Inflows of Resources			
Current Liabilities	\$1,700	\$1,800	\$1,665
Non-Current Liabilities	7,528	7,626	7,625
Deferred Inflows	727	715	638
Total Liabilities and Deferred Inflows of Resources	\$9,955	\$10,141	\$9,928
Net Position			
Net Investment in Capital Assets	\$2,382	\$2,318	\$2,172
Restricted			
Expendable	1,089	1,069	1,173
NonExpendable	421	408	400
Unrestricted	3,450	2,793	2,026
Total Net Position	\$7,342	\$6,588	\$5,771

The Statement of Net Position indicates a slight increase in total assets of 3.40%. This \$568 million increase in assets is mostly attributable to a \$294 million increase in net capital assets plus an increase of \$175 million attributable to Interfund Receivables with the University of Texas System, a decrease in Liabilities and Deferred Inflows of \$185 million and a \$72 million increase in Legislative Appropriations.

Investments recorded on the statement of net position were reported at \$5.018 billion which was an increase of \$36 million from 2019's \$4.982 billion. See *Note 3-Deposits, Investments and Repurchase Agreements* for more details.

Total liabilities and deferred inflows of resources decreased by \$185 million from the previous year due to the *GASB 84 Fiduciary Activities* standard which reduced the Funds Held for Other's liability.

UNAUDITED

The Texas A&M University System Management's Discussion and Analysis For the Year Ended August 31, 2020

The pension liability increased by \$70 million per the Teacher's Retirement System actuary reports where there was a change in the discount rate.

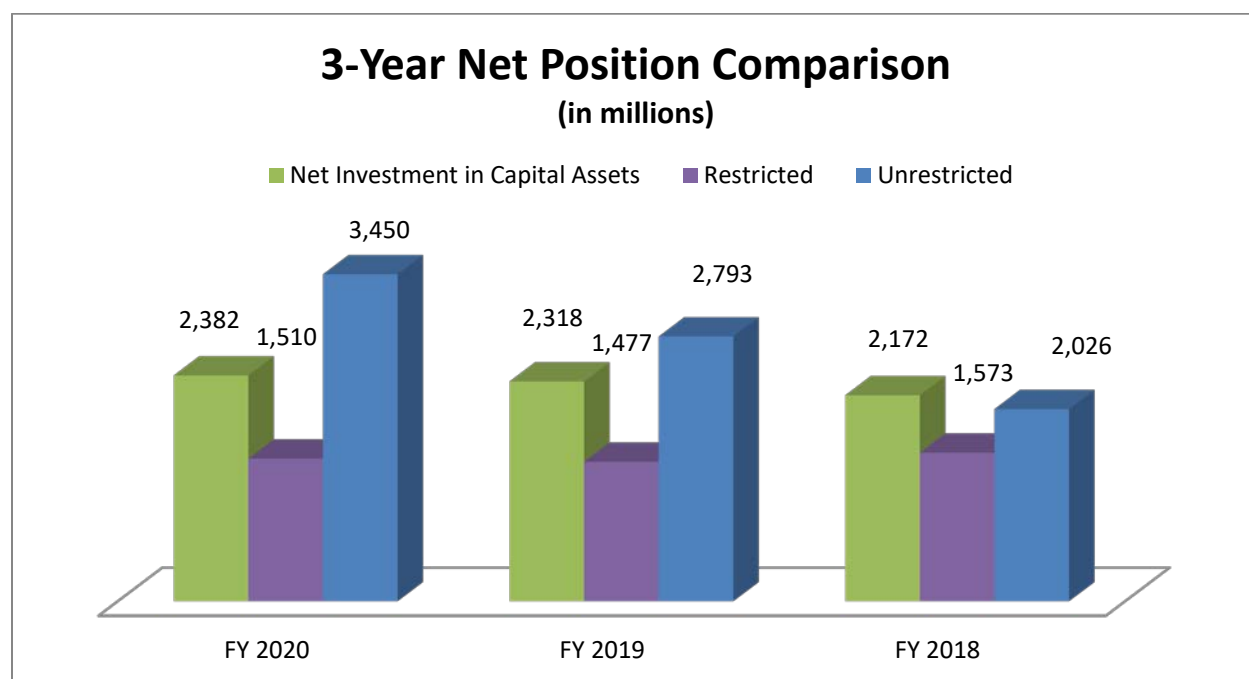
Total bonds payable, notes/loans payable and notes from direct borrowings increased by 3.45% or \$166 million in 2020.

- Notes payable, notes from direct borrowings-loans and bonds payables increased \$171 million or 3.61% related to the A&M System issuing bonds and commercial paper to provide funding for eligible projects.
- Notes from direct borrowings-capital leases decreased by \$5 million due to A&M members paying down these liabilities associated with financed assets, 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 \$754 million or 11.43% from the 2019 balance.

The 2020 net position was \$7.342 billion and the 2019 net position balance was \$6.588 billion. Net Investment in Capital Assets increased 2.72% or by \$63 million, and unrestricted net position increased by 23.54% or by \$657 million.

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



UNAUDITED

The Texas A&M University System Management's Discussion and Analysis For the Year Ended August 31, 2020

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

Unrestricted Net Position (in millions)	
Reserves and Allocations For	
Accounts Receivable	\$1,537
Encumbrances	265
Unrealized Gain on Investments	668
Annual Debt Service Payment	187
Inventories	24
Higher Education Fund	39
Self-Insured Plans	126
Prepaid Expenses and Other Reserves	118
Other State Funds	70
Other Allocations by Management	416
Total Unrestricted Reserves	\$3,450

The overall unrestricted net position was \$3.450 billion for fiscal year 2020 compared to \$2.793 billion in 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), Federal Pell Grants and stimulus funding 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".

UNAUDITED

**The Texas A&M University System
Management's Discussion and Analysis
For the Year Ended August 31, 2020**

Statement of Revenues, Expenses and Changes in Net Position			
(in millions)			
	2020	2019	2018
Operating Revenues and Expenses			
Operating Revenues	\$3,315	\$2,788	\$2,690
Operating Expenses	(6,926)	(4,252)	(4,645)
Operating (Loss)	(3,611)	(1,464)	(1,955)
Non-Operating Revenues	3,585	1,734	1,899
Income (Loss) Before Other Revenues and Transfers	(26)	270	(56)
Other Revenues and Transfers	780	559	720
Change in Net Position	754	829	664
Net Position, Beginning of Year	\$6,588	\$5,771	\$6,134
Restatement	0	(12)	(1,027)
Net Position as Restated	6,588	5,759	5,107
Net Position, End of Year	\$7,342	\$6,588	\$5,771

The condensed Statement of Revenues, Expenses and Changes in Net Position reflect a \$754 million increase in change in net position.

During the 2020 fiscal year the most significant changes are listed below.

- Investment income was \$584 million which was a \$296 million increase from 2019. Investment income includes unrealized gain/loss which increased by \$333.2 million, interest income which decreased by \$35 million and realized gains which decreased by \$2.2 million.
- Federal Revenue increased by \$163 million, due to a task order to produce the COVID-19 vaccine for \$113 million and Texas Engineering Experiment Station received \$15 million due to the Army Futures Command.
- Federal Pass-through operating and non-operating revenues increased by \$1.2 billion; \$385 million was related to funds received by the Texas Division of Emergency Management.

UNAUDITED

The Texas A&M University System Management's Discussion and Analysis For the Year Ended August 31, 2020

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- For 2020, A&M members received \$64.3 million from the CARES Act funding from the federal government. Of this amount, \$42.6 million was distributed as emergency aid to students.
 - A slight increase of 3% in net tuition and fees, which was a \$47 million increase. Overall, the A&M System institutions were able to continue to provide a high standard of learning and teach face to face or on-line, thus, the student population remained steady.
 - A decrease in Auxiliary Enterprise revenue of \$34 million due to the decrease of students on campus due to the pandemic.
 - State appropriations including legislative revenue, capital appropriations and legislative transfers-in increased to \$1.4 billion for 2020 from \$1.2 billion in 2019. These state appropriations are a vital part of the A&M System's funding. The State required a 5% reduction in state spending and resulted in a \$35.2 million legislative lapse plus other non-related lapses, totaling \$35.5 million in lapsed funding, for the general revenue fund and operating transfers out to other state agencies of \$1.1 million for several other funds, total budget reduction of \$36.3 million in state funding for 2020.

During the 2020 fiscal year, operating expenses had a significant increase of \$2.7 billion or 62.9% due to COVID-19 payments to students, other governmental entities, cleaning supplies, building ventilation improvements and with minimal increases in salaries & wages. There were also increases in depreciation & amortization, and scholarships.

The most significant changes are listed below.

- Operating expenses increased by \$2.67 billion due to several factors, once the \$546 million OPEB impact is removed, there are other increases totaling \$2.124 billion. One of the main factors is the impact of the pandemic on operations.
 - Materials and Supplies expense increased by over \$900 million, due to institutions and agencies purchasing cleaning supplies, personal protective equipment (PPE), COVID test kits, transitioning employees to work from home and improving ventilation in the classrooms.
 - Texas Division of Emergency Management sent over \$446 million in disaster payments to state agencies, cities, counties and other governmental entities.
 - Professional fees and services increased by \$123 million, related to TDEM.
 - Federal pass-through expenses increased by \$104 million.
- Salaries & Wages had a slight increase by \$80 million or 4.02%.
- OPEB expenses reported an increase of \$546 million due to the reporting of the change in eligibility and benefits in fiscal year 2019. There was no similar change in fiscal year 2020, thus the OPEB expense of \$83.3 million is similar to values reported in prior years.

UNAUDITED

The Texas A&M University System Management's Discussion and Analysis For the Year Ended August 31, 2020

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- Non-General Revenue funded pension expense was \$123 million, less the removal of 2020 TRS contributions of \$54 million, recording a net pension expense of \$69 million which is a reduction of \$35 million from the prior year.
 - Depreciation and amortization expense was \$469 million which increased by \$44 million or 10.45% due to the completion of construction projects.
 - Student scholarships increased \$29.7 million or by 11%.

Total Non-Operating Revenues and Expense for 2020 significantly increased to \$3.584 billion, compared to the 2019 amount of \$1.734 billion. The largest portion is attributable to \$1.4 billion due to federal and state revenues received for the COVID-19 response efforts and a \$296 million increase in Investment Income.

Other Revenues and Transfers increased by 39.3%, from the 2019 amount of \$560 million to \$780 million in 2020. Contributing factors include an increase of \$210 million in Transfers from Other State Agencies and a \$51.5 million increase in Legislative Transfers.

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.

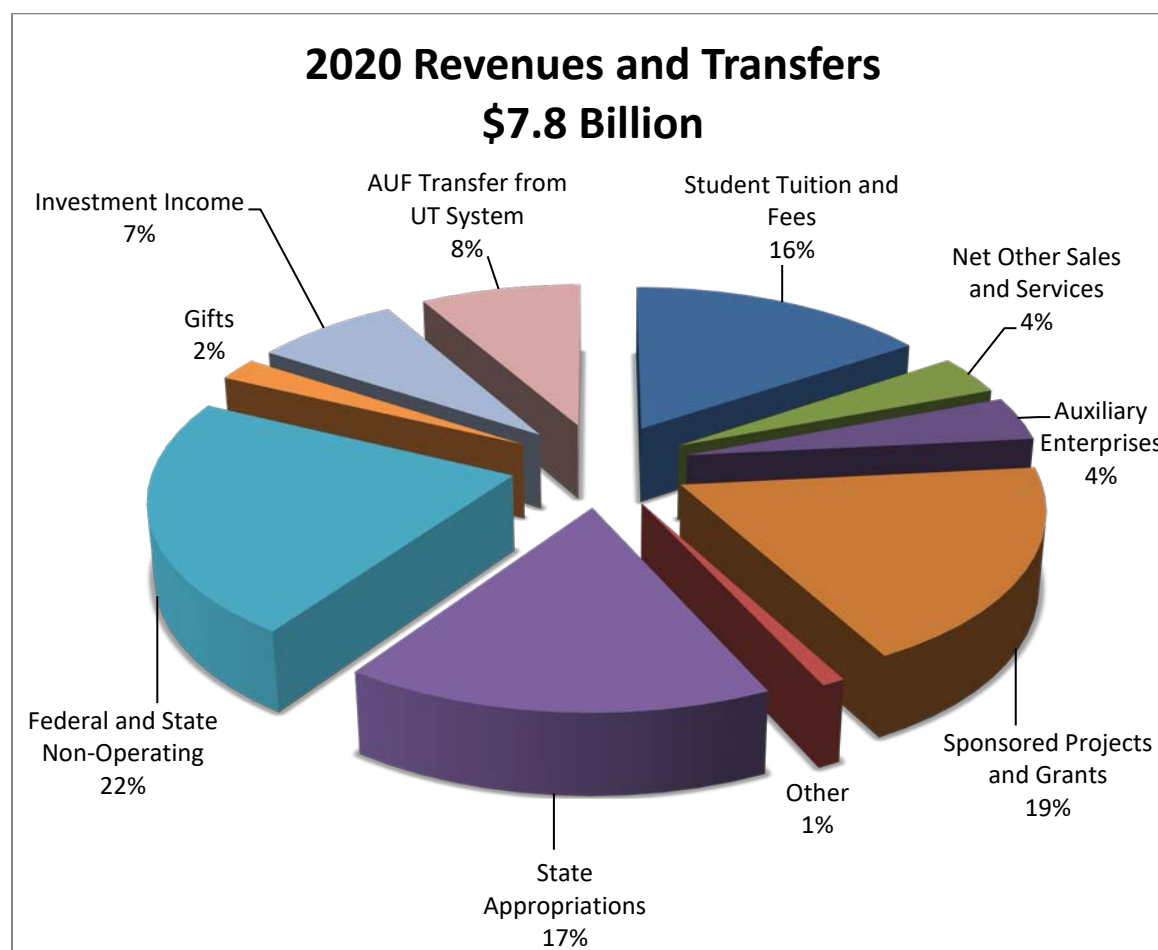
The total eliminated was approximately \$716 million. The majority of this activity relates to the self-insured programs which reported operating expenses of approximately \$381 million. Of the remaining \$335 million in operating expenses eliminated, \$145 million were professional fees & services; \$77 million included utilities and communications and \$79 million in repairs and maintenance. Approximately \$93.8 million represented salaries and wages and \$26 million represented other payroll related costs.

UNAUDITED

The Texas A&M University System Management's Discussion and Analysis For the Year Ended August 31, 2020

As presented below, operating and non-operating revenues and transfers increased significantly from the prior year, the increases are primarily related to COVID-19 relief funds which were received from the Federal Government and Texas State Government and were sent out to students, governmental entities and also received to help fund some of the lost revenue and additional expenses required to be in place on campus.

A total increase of \$2.6 billion totaling \$7.8 billion compared to \$5.2 billion in the prior year; sponsored projects and grants increased by \$549 million, federal/state non-operating revenue increased by \$1.5 billion, investment income increased by \$295 million and Available University Fund (AUF) Transfer from the University of Texas System increased by \$252 million. State appropriations, student tuition and fees, as well as sponsored grants and projects are the primary sources of revenue for the A&M System.

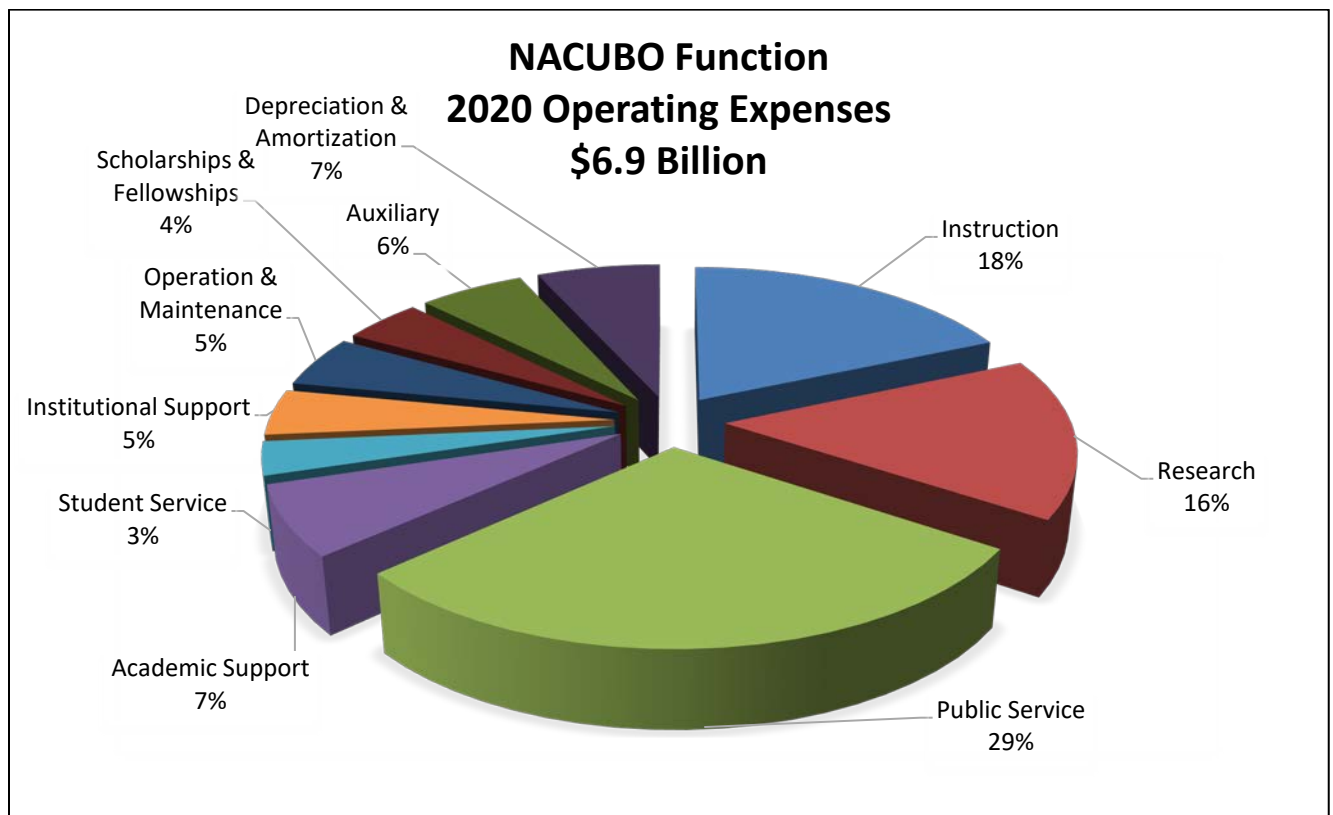


UNAUDITED

The Texas A&M University System Management's Discussion and Analysis For the Year Ended August 31, 2020

The following two graphs present operating expenses of \$6.9 billion which is a significant increase from 2019 by \$2.7 billion. 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.

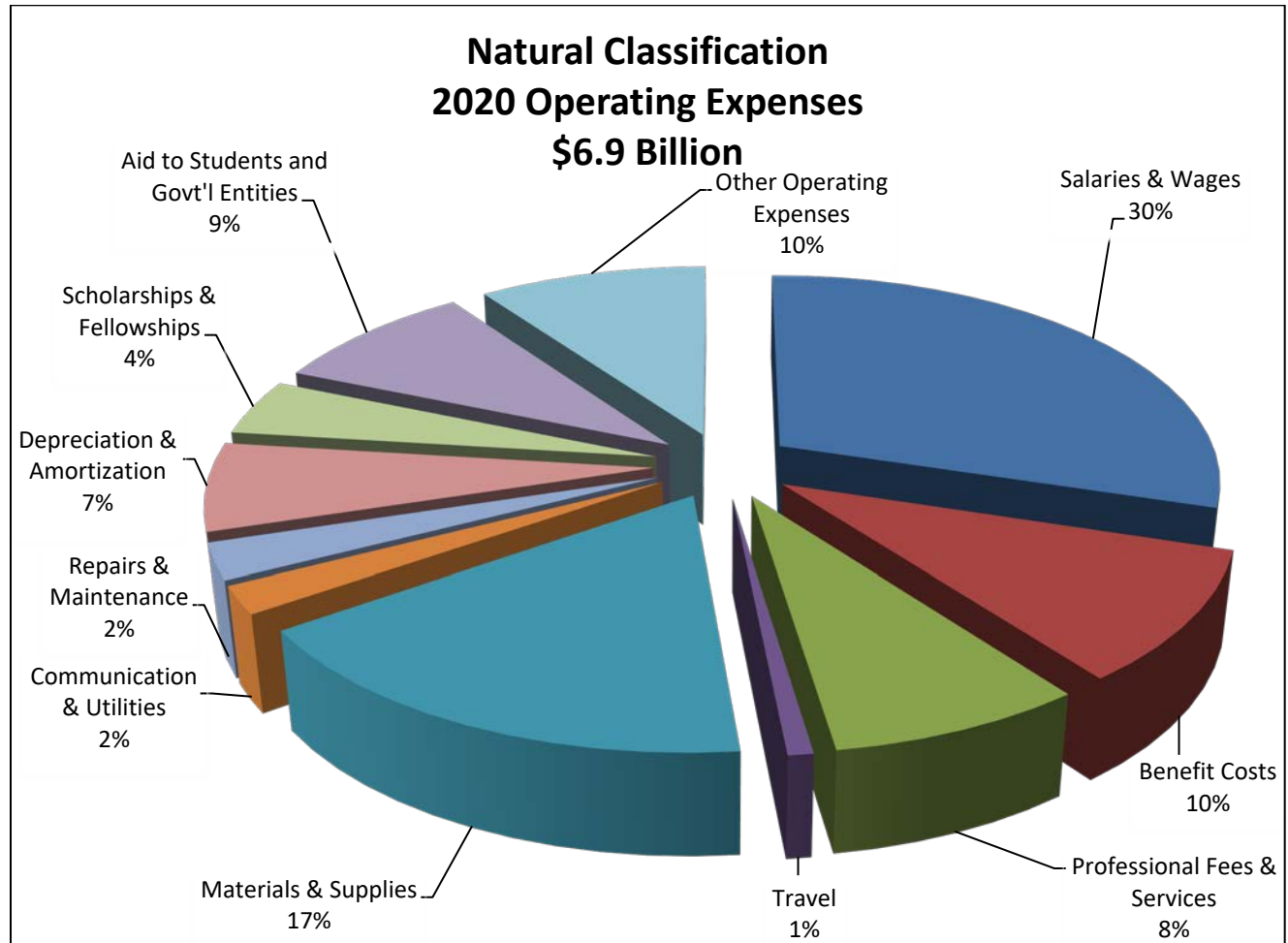
In 2020, there was a 23% increase in public service due to the aid payments to students and other governmental entities.



UNAUDITED

The Texas A&M University System Management's Discussion and Analysis For the Year Ended August 31, 2020

Operating expenses totaled \$6.9 billion, as depicted in the graph. 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.



UNAUDITED

The Texas A&M University System Management's Discussion and Analysis For the Year Ended August 31, 2020

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.

The Federal stimulus funding from the CARES Act was treated as non-operating revenue; however, the expenses were predominantly operating. Thus, the operating payment activities increased by over \$1.6 billion and the funds received is being reported in the Non-Capital Financing section which increased over \$1.5 billion. The \$59 million cash restatement is attributable to the implementation of *GASB 84 Fiduciary Activities*, which now reports this cash and cash equivalents on the Fiduciary Net Position.

Statement of Cash Flows			
(in millions)			
	2020	2019	2018
Cash Flows From			
Operating Activities	(\$3,005)	(\$1,383)	(\$1,326)
Non-Capital Financing Activities	3,684	2,154	2,076
Capital and Related Financing Activities	(759)	(981)	(974)
Investing Activities	226	294	213
Net Change in Cash & Cash Equivalents	146	84	(11)
Cash & Cash Equivalents, Beginning of Year	1,530	1,446	1,457
Restatement of Cash & Cash Equivalents	(59)	0	0
Cash & Cash Equivalents as Restated	1,471	1,446	1,457
Cash & Cash Equivalents, End of Year	\$1,617	\$1,530	\$1,446

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.

UNAUDITED

The Texas A&M University System Management's Discussion and Analysis For the Year Ended August 31, 2020

There was a decrease in completed construction projects during 2020 totaling \$733.8 million, as compared to \$1.326 billion in 2019. The completion of construction projects results in a reduction of the Construction in Progress assets and an increase in the capital assets by category.

The A&M System had a large increase in capital asset additions for buildings and facilities in 2020. 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 \$524.6 million in payments for construction in progress during 2020, which was a decrease from 2019 of \$807.1 million.

The major construction projects related to debt funding projects and exceeding \$4 million are listed below. These projects 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 II	2021	\$ 28,650,000
RELLIS Runway 35R Rehabilitation	2022	5,372,000
RELLIS Campus Infrastructure Phase III-A	2022	12,348,000
Sub-total		\$ 46,370,000
Texas A&M University		
Peterson Building Renovation	2021	\$ 26,000,000
West Campus Dining Facility	2021	15,000,000
Swimming and Diving Expansion	2021	8,381,113
Polo Garage	2021	78,367,296
Veterinary Education, Research & Outreach Center	2021	22,290,000
South Campus Recreation Center	2021	35,062,500
Joint Library Facility Module 3	2021	7,500,000
BAS Upgrade	2021	9,750,000
Campus Electrical System Improvements	2021	8,943,750
Campus Storm Water Improvements	2021	5,000,000
HVAC Replacement Appelt Hall	2021	8,165,848
HVAC Replacement Clements Hall	2021	5,404,567
HVAC Replacement Haas Hall	2021	7,475,000
RELLIS Parking Lot	2021	6,729,000
Utility Plant Control Upgrade	2021	7,500,000
HVAC Replacement Lechner Hall	2021	7,025,766
HVAC Replacement Wells Hall	2021	7,994,926
Heldenfels 2nd Floor Renovation	2021	7,486,750
Railroad Quiet Zone	2021	5,000,000
Instructional Laboratory & Innovative Learning Building	2023	100,000,000
Sub-total		\$ 379,076,516

UNAUDITED

**The Texas A&M University System
Management's Discussion and Analysis
For the Year Ended August 31, 2020**

Member and Project Name	Projected Fiscal Year Completion	Projected Budget
Tarleton State University		
Aquatics Center	2022	\$ 11,307,950
Prairie View A&M University		
Engineering Classroom & Research Building	2023	\$ 70,000,000
Texas A&M Agrilife Extension		
HVAC Replacement & Roof Replacement Wallrath Building	2021	\$ 5,658,427
Texas A&M Engineering Extension Service		
Wastewater Treatment System Expansion	2021	\$ 11,045,770
Texas A&M University-Corpus Christi		
Energy Consumption Reduction Project Phase II	2021	\$ 9,141,417
West Texas A&M University		
Amarillo Center Phase III	2021	\$ 5,500,000
Energy Consumption Reduction Project	2022	15,130,500
Sub-total		\$ 20,630,500
Texas A&M Veterinary Medical Diagnostic Laboratory		
Texas A&M Veterinary Medical Diagnostic Laboratory-Canyon	2021	\$ 17,810,000
Texas A&M Health Science Center		
Engineering and Health Building Renovation	2021	\$ 87,318,000
Texas A&M University-San Antonio		
Academic and Administration Building Ph. II	2022	\$ 53,000,000
Texas A&M Engineering Experiment Station		
Innovative Technologies Development Complex	2021	\$ 80,000,000
Industrial Distribution Bldg. #1	2022	18,640,000
BCDC: Innovation Proving Grounds	2022	42,000,000
Ballistic Aero Optics Materials Facility	2022	25,000,000
Sub-total		\$ 165,640,000
TOTAL		\$ 876,998,580

UNAUDITED

The Texas A&M University System Management's Discussion and Analysis For the Year Ended August 31, 2020

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 2020, the A&M System issued taxable bonds under the Revenue Financing System debt program to provide funding for eligible projects and to pay the costs of issuing the bonds. The Revenue Financing System Bonds, Taxable Series 2020A had a par amount of approximately \$157.78 million with a true interest cost of 2.31%. The A&M System also issued taxable bonds under the Permanent University Fund debt program to refund previously outstanding commercial paper, to provide funding for eligible projects, and to pay the costs of issuing the bonds. The Permanent University Fund Bonds, Taxable Series 2019 had a par amount of approximately \$351.89 million with a true interest cost of 3.10%.

In fiscal year 2020, there was a total of \$60 million in commercial paper issued. Revenue Financing System Commercial Paper Notes in the amount of \$60 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

Global equity markets were up over the past year, despite significant market volatility due to the COVID-19 pandemic. Equity markets sold off sharply in February and March, with most markets reaching their lows around March 23, 2020. Stocks have rebounded, especially large technology companies, which have benefited as people shifted to electronic tools for work, school, and socializing. Government stimulus, both fiscal and monetary, has provided significant assistance to developed economies. The future path will be challenging as various economies struggle to resume their growth after widespread lockdowns. There are increased hopes for vaccines and treatments, but it will take several months for these to become widely available after approval.

The A&M System has invested in a diversified portfolio that has the potential to grow over the long term. During shorter periods, the portfolios may be impacted by changing conditions and negative sentiment. As we have seen this year, market volatility provides opportunities to acquire assets at discounted valuations, which is expected to enhance the long term return of the portfolios.

UNAUDITED

The Texas A&M University System Management's Discussion and Analysis For the Year Ended August 31, 2020

Fiduciary Funds (New for 2020)

Statement of Net Fiduciary Net Position

New statements are being issued for fiscal year 2020, related to *GASB 87-Fiduciary Activities*. The Statement of Fiduciary Net Position presents a snapshot of assets, liabilities and net fiduciary position for the A&M System as of the end of the fiscal year. The Statement of Fiduciary Net Position assets and liabilities are presented in the liquidity format.

Statement Changes in Fiduciary Net Position

The Statement of Changes in Fiduciary Net Position presents the additions and deductions incurred during the year. 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.

Financial Highlights for Fiduciary Funds (New for 2020)

Below are financial highlights for fiduciary funds for fiscal year 2020. The A&M System Fiduciary statements include balances from several different types of entities include, Investments Held for Non-A&M Entities, Student Organizations, Foundation/Alumni Associations, Public Private Partnership entities and Other Entities.

- GASB Statement No. 84, *Fiduciary Activities* required a restatement of \$473.6 million on the Statement of Changes in Fiduciary Net Position; this balance was removed from Investments and Liability-Funds Held for Others rows on the Proprietary Statement of Net Position.
- Fiduciary funds reported and ending net position of \$513.5 million.
- Additions from all sources was \$100.3 million and deductions from all sources was \$60.4 million.
- Investments recorded on the Fiduciary Statement of Net Position is \$446.4 million.

Significant Events

Several leadership changes occurred in the A&M System during fiscal year 2020, these changes are included below.

- In October, 2019, Dr. Carrie L. Byington resigned from the Texas A&M College of Medicine to move to the University of California Health.
- In June, 2020, the Governor Greg Abbott appointed Cahlen Cheatham from Tarleton State University as the student regent.

UNAUDITED

The Texas A&M University System Management's Discussion and Analysis For the Year Ended August 31, 2020

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 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."

On November 6, 2019, it was announced a group of Texas A&M Galveston professors have developed a solution to protect Texas lives, refineries, etc. from hurricanes. A group of scientists led by Dr. Bill Merrell and Dr. Sam Brody at Texas A&M University at Galveston came up with a Dutch-inspired concept to keep storm surges from inundating some of the most densely populated zip codes and economically vital spaces of the U.S. The plan includes giant sea gates across the Houston Channel. They would close when storms approach, while otherwise remaining open for freighter traffic. The plan also involves an enormous levy system that would start with the existing seawall on Galveston Island and extend south down the coast and north the along Bolivar Peninsula.

On December 3, 2019, Texas A&M announced a tool to predict power failures that lead to wildfires. This tool can discover problems on utility lines before outages, before power failures spark deadly wildfires, or before fears of wildfires prompt massive, pre-emptive power outages such as those suffered recently by millions of Californians. The technology was developed by a Texas A&M research team led by Dr. B. Don Russell, Distinguished Professor of Electrical and Computer Engineering, and Research Professor Carl L. Benner.

UNAUDITED

The Texas A&M University System Management's Discussion and Analysis For the Year Ended August 31, 2020

On March 15, 2020, the Texas A&M University System began to receive questions about the status of its vaccine manufacturing capabilities. "The Texas A&M University System completed the construction of two new facilities and the retrofitting of a third site on time and on budget in 2017. The System and its subcontractor, FUJIFILM Diosynth Biotechnologies (FDB), are ready to respond to an order from the federal government to manufacture vaccines. To date, the System has received no federal order.

On March 18, 2020, the Texas A&M University School of Law in Fort Worth leaped a dramatic 23 positions in the national ranking of law schools released by U.S. News & World Report. Texas A&M University School of Law was unranked when the Board of Regents and Chancellor John Sharp led the effort in 2013 for The Texas A&M University System to acquire the school from Texas Wesleyan University. Since the acquisition, the School of Law consistently moved up in the national rankings, most recently jumping from No. 83 last year to No. 60 in the 2021 rankings. The increase represents the largest jump among the country's top 100 law schools for the year.

On March 25, 2020, it was announced Dr. Ben Neuman, head of the biology department at Texas A&M University-Texarkana, who has studied coronaviruses for 24 years in England and the United States earned a position on the international committee that named SARS-CoV-2, the coronavirus causing the COVID-19 pandemic. Few scientists in the world know more about coronaviruses.

On March 30, 2020, it was announced Texas A&M University has developed a way to make medical protective gear from readily available materials. A group of professors and graduate students from the College of Engineering at Texas A&M University researched methods to construct desperately needed personal protection masks for medical personnel who have seen a depletion of resources as the number of COVID-19 cases increases.

On March 31, 2020, the Texas A&M University System announces the 11 universities and health science center remain open to students who need to remain in the dorms and they are providing the students with food service, health services and other needed support. Our institutions are delivering courses online and are continuing academic support, advising, and financial aid resources as needed. Students who are opting to leave campus for the remainder of the semester are able to apply for refunds or credits for housing and dining, and institutions are working through issues related to making those refunds/credits available to the students.

On April 28, 2020, it was announced the Texas A&M University leads nationwide test of drug to fight COVID-19. The Texas A&M University researchers are asking hundreds of frontline medical workers to participate in a late-stage, phase 4, clinical trial of a widely used tuberculosis vaccine that could blunt the devastating effects of COVID-19. Texas A&M is the lead entity in a world-class group of institutions seeking to repurpose the vaccine, BCG, which also is used to treat bladder cancer in the U.S.

On May 14, 2020, it was announced U.S. aid blunted COVID-19 impact at the Texas A&M University System. However, a fall 2020 semester without students on campus could exacerbate the System's financial condition. The Texas A&M System's 11 universities and eight state

UNAUDITED

The Texas A&M University System Management's Discussion and Analysis For the Year Ended August 31, 2020

agencies would have lost \$116 million through August 31st without federal aid. The projections were made as of May 1st. Instead, \$99.5 million from the federal government is projected to reduce the System's expenses and lost revenue to about \$16.5 million through August 31st. The federal money can be used to defray expenses such as refunds for housing and dining, technology costs to transitioning to distance education, faculty and staff training, payroll, lost revenue and student grants.

On May 14, 2020, a federal agency again honors the Texas A&M University System for success in protecting U.S. secrets and technology. The Texas A&M University System is in a class by itself in terms of protecting sensitive information from foreign agents who want to steal it. For the second time in three years, the Texas A&M System won the Defense Counterintelligence & Security Agency Award for Excellence in Counterintelligence. The award is given for work to protect sensitive information from foreign spies. The System holds the distinction of being the only higher education institution to win the award more than once.

On May 27, 2020, it was announced Shae Diehl's selfless service to fellow veterans at Texas A&M University-Kingsville has earned her the Texas A&M System's first-ever Student Veteran Excellence Award. Diehl served in the Navy as an aviation boatswain's mate handling airman for three years. She is now a senior geology major and president of the university's Student Veterans Association, where she is well-known for working overtime to help connect veterans to the services they have earned.

On May 27, 2020, it was announced Los Alamos Lab continues to play a vital role in fighting COVID-19. Many of the scientists at the Los Alamos National Laboratory, which is famous for inventing the atomic bomb during the Manhattan Project, are focused on defeating COVID-19. Their work includes vaccine development, testing, manufacturing and viral genetic research. Chancellor John Sharp of the Texas A&M University System spoke recently with Dr. Thom Mason, director of the Los Alamos National Laboratory, about their work to battle COVID-19. "We see our role at Los Alamos as bringing the best science, technology and engineering to the most pressing national security challenges," Dr. Mason said. The lab is managed by a group called Triad National Security, which is made up of three members: The Texas A&M University System, Battelle Memorial Institute and the University of California.

On May 29, 2020, the Texas A&M University System Regents voted to reopen the System's 11 university campuses for the fall semester, employing a mixture of face-to-face instruction with remote and online learning. They also directed the System's eight state agencies to be fully operational by the fall.

On June 24, 2020, the Texas A&M University tests COVID-19 vaccine candidates for iBio, Inc. A team of scientists at Texas A&M is working on two COVID-19 vaccine candidates that could be mass produced quickly in modified tobacco plants. The team is led by Dr. James Samuel, a regents' professor and the head of the Department of Microbial Pathogenesis and Immunology at the Texas A&M University College of Medicine. Dr. Samuel is leading the group at his lab at the Texas A&M Health Science Center. The team is testing the vaccine candidates for the international biotechnology company, iBio Inc., which operates a manufacturing facility in nearby Bryan,

UNAUDITED

The Texas A&M University System Management's Discussion and Analysis For the Year Ended August 31, 2020

Texas. The scientists expect to see preliminary results before October 1st from pre-clinical trials in mice.

On July 27, 2020, the federal government reserved a high-tech bio-manufacturing facility in College Station for mass production of a COVID-19 vaccine as part of a program discussed by President Donald Trump. The new federal task order is reserving production capacity at one of the College Station facilities to mass manufacture vaccines through the end of 2021.

On August 20, 2020, the Texas A&M University System announced it will soon operate the biggest enclosed hypersonic testing facility in the nation and a new place to try out high-tech combat vehicles. The board members of The Texas A&M University System Board of Regents appropriated \$60.3 million for projects at the George H.W. Bush Combat Development Complex (BCDC) on the RELLIS Campus in Bryan. The BCDC is being built as part of an agreement between the Texas A&M System and Austin-based U.S. Army Futures Command.

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.

Upcoming Accounting Pronouncements

GASB 87 Leases effective date was delayed, due to the COVID-19 pandemic, until fiscal year 2022. This standard changes the definitions for leases. The new foundational principle is leases are considered financing agreements. In 2022, there will be right to use assets, deferred inflows and outflows as well as lease liabilities reported on the statement of net position. Due to software contract complexities, this standard excludes software contracts. This standard impacts both the lessee and the lessor accounting events. The accounting staff continues to analyze this standard and determine the next steps.

GASB 96 Subscription-Based Information Technology Arrangements is scheduled to be implemented in Fiscal Year 2023. This standard follows the methodology provided in *GASB 87 Leases* to convert software leases meeting the financing agreements requirements be reported as right to use assets and lease liabilities on the statement of net position. The accounting staff continues to analyze this standard and determine the next steps.

Contacting the Texas A&M University System Office of Budgets and Accounting Team

This annual financial report is designed to provide citizens, taxpayers, students, customers, investors and creditors with a general overview of the A&M System's finances and to demonstrate the A&M System's accountability for the funding it receives.

If you have questions about this report or need additional financial information, contact the Texas A&M University System Office, Budgets and Accounting Office, located at 301 Tarrow Street, College Station, Texas 77840-7896.

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Exhibit III

The Texas A&M University System

Combined Statement of Net Position

For the Year Ended August 31, 2020

	Current Year Total	Prior Year Total
Assets and Deferred Outflows		
Current Assets		
Cash and Cash Equivalents (Schedule Three)	\$ 1,310,785,863.56	\$ 1,082,998,301.97
Restricted		
Cash and Cash Equivalents (Schedule Three)	306,407,728.94	446,628,296.30
Legislative Appropriations	215,799,899.16	143,565,700.74
Receivables, Net (Note 24)		
Federal	160,000,553.74	162,795,583.48
Other Intergovernmental	3,663,630.14	4,048,082.48
Interest and Dividends	10,216,783.02	13,262,227.82
Gifts	36,551,047.38	73,387,172.37
Self-Insured Health and Dental	26,902,455.87	26,201,167.68
Student	41,819,149.18	51,833,944.67
Investment Trades	18,038,673.71	64,138,657.91
Accounts	180,032,562.74	129,757,633.50
Other	4,612,460.11	2,220,352.66
Due From Other Agencies	43,703,738.24	74,641,039.53
Consumable Inventories	17,719,533.29	18,640,167.81
Merchandise Inventories	6,149,901.68	6,657,190.30
Loans and Contracts	21,766,305.38	17,557,949.01
Interfund Receivable (Note 12)	55,892,732.95	69,302,167.78
Other Current Assets	146,711,109.37	130,448,357.34
Total Current Assets	\$ 2,606,774,128.46	\$ 2,518,083,993.35
Non-Current Assets		
Restricted		
Investments (Note 3)	\$ 1,101,486,026.90	\$ 1,457,348,696.36
Loans, Contracts and Other	3,604,771.56	4,388,142.66
Gifts Receivable	315,445,431.30	340,467,280.02
Loans and Contracts	12,822,100.33	14,499,986.21
Investments (Note 3)	3,916,192,595.30	3,524,683,601.58
Interfund Receivable (Note 12)	1,412,960,180.53	1,224,282,913.48
Capital Assets, Non-Depreciable (Note 2)		
Land and Land Improvements	224,743,466.49	220,132,833.49
Construction In Progress	939,568,944.90	1,151,551,451.98
Other Tangible Capital Assets	65,253,250.92	62,907,385.96
Land Use Rights	117,364.00	92,817.00
Capital Assets, Depreciable (Note 2)		
Buildings and Building Improvements	7,373,329,992.54	6,628,485,061.00
Infrastructure	987,328,493.63	948,405,355.20
Facilities and Other Improvements	1,078,922,518.33	1,037,602,834.34
Furniture and Equipment	1,081,125,564.42	997,295,532.11
Vehicles, Boats, and Aircraft	168,176,426.66	152,218,860.08
Other Capital Assets	222,261,620.70	217,178,806.42
Intangible Capital Assets, Amortized (Note 2)		
Land Use Rights	255,457.00	255,457.00
Computer Software	138,741,431.98	126,815,606.50
Accumulated Depreciation/Amortization	(5,294,639,831.18)	(4,851,608,716.53)
Assets Held In Trust	362,100.00	362,100.00
Other Non-Current Assets	5,922,530.74	13,867,328.41
Total Non-Current Assets	\$ 13,753,980,437.05	\$ 13,271,233,333.27
Deferred Outflows of Resources (Note 28)		
Unamortized Loss On Refunding Debt	\$ 67,483,836.75	\$ 71,029,860.59
Government Acquisition	11,605,274.91	15,528,184.73
Pension	341,820,447.00	367,128,131.00
Other Post Employment Benefits	515,213,548.00	485,609,988.00
Total Deferred Outflows of Resources	\$ 936,123,106.66	\$ 939,296,164.32
Total Assets and Deferred Outflows	\$ 17,296,877,672.17	\$ 16,728,613,490.94

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Exhibit III

The Texas A&M University System

Combined Statement of Net Position

For the Year Ended August 31, 2020

	Current Year Total	Prior Year Total
Liabilities and Deferred Inflows		
Current Liabilities		
Payables		
Accounts	\$ 248,545,542.96	\$ 266,059,984.04
Payroll	160,194,367.84	151,068,508.47
Investment Trades	22,838,508.43	82,176,721.77
Self-Insured Health and Dental	18,995,000.00	20,267,000.00
Student	5,955,226.75	9,065,630.13
Other	6,784,526.90	6,886,334.27
Interfund Payable (Note 12)	2,315,030.68	2,315,030.68
Due to Other Agencies	58,499,207.63	1,980,545.85
Unearned Revenue	768,702,402.58	757,209,781.37
Employees Compensable Leave	15,787,004.00	20,482,066.44
Other Post Employment Benefits (Note 11)	43,199,713.00	48,228,913.00
Claims and Judgments	2,708,853.00	3,184,211.00
Notes and Loans Payable (Note 5)	7,560,000.00	10,970,000.00
Notes From Direct Borrowings (Note 5)	6,463,441.77	5,940,081.91
Bonds Payable (Note 6)	258,083,383.05	250,188,519.59
Capital Lease Obligations (Note 8)	2,726,782.81	3,385,311.81
Liabilities Payable From Restricted Assets	37,101,072.01	57,432,294.73
Funds Held for Others	-	85,831,184.81
Other Current Liabilities	33,796,848.98	16,720,256.24
Total Current Liabilities	\$ 1,700,256,912.39	\$ 1,799,392,376.11
Non-Current Liabilities		
Interfund Payable (Note 12)	\$ 7,829,034.02	\$ 10,296,194.78
Employees Compensable Leave	100,637,448.84	89,600,928.60
Other Post Employment Benefits (Note 11)	1,979,860,948.00	1,804,297,528.00
Pension Liability (Note 9)	685,834,250.00	712,411,150.00
Claims and Judgments	12,083,545.00	7,807,476.00
Notes and Loans Payable (Note 5)	168,515,000.00	251,015,000.00
Notes From Direct Borrowings (Note 5)	64,856,882.12	70,900,112.93
Bonds Payable (Note 6)	4,468,420,919.20	4,219,154,302.25
Assets Held In Trust	362,100.00	362,100.00
Funds Held for Others	-	414,263,318.11
Liabilities Payable From Restricted Assets	2,233,333.99	3,479,872.45
Capital Lease Obligations (Note 8)	2,011,113.99	4,344,177.94
Asset Retirement Obligations (Note 5)	12,426,635.27	12,676,635.27
Other Non-Current Liabilities	22,953,648.68	25,749,759.10
Total Non-Current Liabilities	\$ 7,528,024,859.11	\$ 7,626,358,555.43
Deferred Inflows of Resources (Note 28)		
Pension	\$ 154,700,514.00	\$ 84,760,235.00
Other Post Employment Benefits	571,385,510.00	628,990,647.00
Split-Interest Agreements	871,290.79	838,243.94
Deferred Inflows of Resources (Note 28)	\$ 726,957,314.79	\$ 714,589,125.94
Total Liabilities and Deferred Inflows	\$ 9,955,239,086.29	\$ 10,140,340,057.48
Net Position		
Net Investment In Capital Assets	\$ 2,381,422,453.64	\$ 2,318,447,267.93
Restricted for		
Capital Projects	254,045,359.22	312,903,112.01
Education	450,237,547.56	384,246,022.47
Endowment and Permanent Funds		
Nonexpendable	421,793,609.73	408,026,111.45
Expendable	384,162,105.64	372,097,862.01
Unrestricted	3,449,977,510.09	2,792,553,057.59
Total Net Position (Exhibit IV)	\$ 7,341,638,585.88	\$ 6,588,273,433.46

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, 2020

	Current Year Total	Prior Year Total
Operating Revenues		
Tuition and Fees	\$ 1,611,571,491.25	\$ 1,564,369,799.18
Discounts and Allowances	(402,058,031.11)	(402,525,109.79)
Professional Fees	2,336,189.10	5,245,055.25
Auxiliary Enterprises	323,859,431.21	362,957,736.34
Discounts and Allowances	(33,346,346.08)	(38,546,854.14)
Other Sales of Goods and Services	291,394,333.90	322,093,808.12
Discounts and Allowances	(6,152,358.76)	(7,613,084.17)
Interest Revenue	1,563,209.44	579,093.03
Federal Revenue - Operating	628,034,233.50	465,270,013.82
Federal Pass Through Revenue	411,576,163.65	32,757,311.54
State Grant Revenue	5,898,187.44	5,629,472.47
State Pass Through Revenue	131,709,093.06	124,325,729.78
Other Grants and Contracts - Operating	284,745,665.95	280,644,251.01
Other Operating Revenue	63,910,747.16	73,005,038.37
Total Operating Revenues	\$ 3,315,042,009.71	\$ 2,788,192,260.81
Operating Expenses		
Instruction	\$ 1,280,059,645.52	\$ 1,063,347,894.73
Research	1,092,462,922.43	766,239,179.09
Public Service	2,018,032,485.87	246,756,818.58
Academic Support	475,523,347.15	394,827,105.48
Student Services	226,545,483.98	178,710,860.65
Institutional Support	312,171,037.64	236,276,919.66
Operation & Maintenance of Plant	350,213,307.81	285,329,254.71
Scholarships & Fellowships	300,669,788.40	244,672,961.68
Auxiliary	401,068,068.48	411,280,755.58
Depreciation/Amortization	468,755,973.61	424,422,596.32
Total Operating Expenses (Schedule IV-1)	\$ 6,925,502,060.89	\$ 4,251,864,346.48
Total Operating Loss	\$ (3,610,460,051.18)	\$ (1,463,672,085.67)
Nonoperating Revenues (Expenses)		
Legislative Revenue	\$ 1,291,891,805.65	\$ 1,191,453,950.64
Federal Revenue Non-Operating	916,390,775.12	267,174,580.38
Federal Pass Through Non-Operating	785,617,605.24	-
State Pass Through Non-Operating	43,733,352.40	-
Gifts	165,040,675.46	208,670,676.08
Investment Income	583,513,692.04	287,587,689.46
Investing Activities Expense	(16,844,644.82)	(17,086,533.69)
Interest Expense	(170,496,322.96)	(171,798,605.66)
Borrower Rebates and Agent Fees	(3,668,791.11)	(4,006,284.67)
Loss On Sale or Disposal of Capital Assets	(881,113.98)	(11,355,454.67)
Settlement of Claims	(1,228,722.71)	(2,727,332.80)
Other Nonoperating Revenues	35,918,496.71	60,606,551.26
Other Nonoperating (Expenses)	(44,719,300.96)	(74,295,015.46)
Total Nonoperating Revenues (Expenses)	\$ 3,584,267,506.08	\$ 1,734,224,220.87
Income (Loss) Before Other Revenues and Transfers	\$ (26,192,545.10)	\$ 270,552,135.20

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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, 2020

	Current Year Total	Prior Year Total
Other Revenues and Transfers		
Capital Contributions	\$ 6,400,343.26	\$ 13,807,414.89
Capital Appropriations (Higher Education Fund)	46,586,914.00	46,586,914.00
Additions to Permanent and Term Endowments	7,192,917.22	5,186,878.05
Transfers In		
Transfers From Other State Agencies	703,988,518.45	493,915,032.02
Nonmandatory Transfers From Members/Agencies-Capital Assets	3,425,407.31	89,872.95
Transfers Out		
Transfers to Other State Agencies	(7,490,096.83)	(1,507,328.84)
Nonmandatory Transfers to Members/Agencies - Capital Assets	(491,356.58)	(36,572.56)
Legislative Transfers - In	55,154,070.00	3,701,349.00
Legislative Appropriations Lapsed	(35,459,019.31)	(2,314,101.87)
Total Other Revenues and Transfers	\$ 779,307,697.52	\$ 559,429,457.64
Change In Net Position	\$ 753,115,152.42	\$ 829,981,592.84
Net Position, Beginning of Year	\$ 6,588,273,433.46	\$ 5,770,481,600.77
Restatement	250,000.00	(12,189,760.15)
Net Position, Beginning of Year, Restated	\$ 6,588,523,433.46	\$ 5,758,291,840.62
Net Position, End of Year	\$ 7,341,638,585.88	\$ 6,588,273,433.46

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, 2020

	Instruction	Research	Public Service	Academic Support	Student Services
Natural Classification					
Cost of Goods Sold	\$ 284,437.49	\$ 444,154.70	\$ 304,379.25	\$ 142,816.74	\$ 17,611.21
Salaries & Wages	841,716,775.08	412,466,354.77	154,048,900.25	233,005,603.45	98,986,550.37
Payroll Related Costs	216,105,818.65	94,616,231.43	53,890,295.80	56,714,972.22	27,102,090.18
Payroll Related Costs-TRS Pension	17,289,244.56	14,537,175.41	7,934,554.13	9,872,980.94	5,948,618.06
Payroll Related Costs-OPEB	31,426,664.61	14,957,282.88	8,777,774.34	11,055,250.99	5,776,769.14
Professional Fees & Services	55,037,626.60	110,040,028.96	133,973,706.07	53,520,024.74	17,753,312.22
Travel	11,947,465.14	13,942,936.99	5,558,556.13	4,370,180.92	3,577,570.18
Materials & Supplies	42,654,881.02	63,402,031.99	950,078,424.73	54,523,815.32	13,209,652.15
Communication & Utilities	4,663,005.13	13,013,974.54	4,776,332.13	11,763,998.59	3,334,764.29
Repairs & Maintenance	10,453,911.00	17,977,909.11	4,628,898.66	8,975,504.31	3,422,814.28
Rentals & Leases	15,625,564.12	14,329,029.31	11,232,667.82	10,480,372.29	8,701,498.57
Printing & Reproduction	1,844,203.81	2,513,901.56	992,740.43	2,188,554.55	1,441,597.90
Federal Pass-Through	220,703.20	61,929,860.49	46,268,089.38	32,112.37	
State Pass-Through		200,469.03	460,109.50		
Depreciation & Amortization					
Bad Debt Expense					320,031.78
Interest	11,604.77	34,589.18	14,924.12	15,147.16	4,488.15
Scholarships	2,057,977.36	33,961,376.63	613,101.57	3,980,373.89	1,894,170.46
Claims & Losses					
Other Operating Expenses	28,719,762.98	224,095,615.45	634,479,031.56	14,881,638.67	35,053,945.04
Total Operating Expenses	\$ 1,280,059,645.52	\$ 1,092,462,922.43	\$ 2,018,032,485.87	\$ 475,523,347.15	\$ 226,545,483.98

Institutional Support	Operation & Maintenance of Plant	Scholarships & Fellowships	Auxiliary	Depreciation & Amortization	Total	Prior Year
\$ 2,703.86	\$	\$ 3,375.90	\$ 3,663,368.96	\$	\$ 4,862,848.11	\$ 6,321,554.55
149,113,658.83	31,483,378.82	12,978,351.64	132,278,712.82		2,066,078,286.03	1,986,283,457.08
46,914,824.55	9,151,423.99	968,902.86	30,094,776.49		535,559,336.17	514,338,423.94
9,892,507.82	3,100,966.74	95,015.34			68,671,063.00	33,594,439.00
8,373,918.90	2,893,773.25	64,088.89			83,325,523.00	(462,469,341.00)
30,709,711.86	68,089,283.54	4,977,759.04	72,727,480.25		546,828,933.28	424,233,390.88
1,541,938.18	174,844.69	775,811.25	11,946,059.60		53,835,363.08	91,755,200.68
14,992,115.22	8,647,111.50	790,202.69	23,249,165.60		1,171,547,400.22	246,644,646.75
4,455,432.66	78,258,938.98	33,425.26	25,566,432.02		145,866,303.60	142,209,401.31
4,489,114.22	112,208,970.08	104,513.33	27,239,335.65		189,500,970.64	158,639,890.97
7,831,372.97	7,878,454.01	430,051.34	18,694,825.67		95,203,836.10	87,706,672.73
1,269,419.94	32,203.77	29,443.11	683,183.15		10,995,248.22	13,364,364.56
42,423.50					108,493,188.94	4,320,208.87
		152,835.82			813,414.35	593,189.40
				468,755,973.61	468,755,973.61	424,422,596.32
					320,031.78	281,991.67
9,961.08	24,602.71	84.78	11,352.85		126,754.80	121,686.58
4,222,836.97	45,079.28	239,899,664.07	14,782,629.56		301,457,209.79	271,739,265.01
3,513,633.98	386,482.28				3,900,116.26	6,796,787.36
24,795,463.10	27,837,794.17	39,366,263.08	40,130,745.86		1,069,360,259.91	300,966,519.82
\$ 312,171,037.64	\$ 350,213,307.81	\$ 300,669,788.40	\$ 401,068,068.48	\$ 468,755,973.61	\$ 6,925,502,060.89	\$ 4,251,864,346.48

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Exhibit V
The Texas A&M University System

Combined Statement of Cash Flows
For the Year Ended August 31, 2020

	Current Year	Prior Year
	Total	Total
Cash Flows From Operating Activities		
Proceeds Received From Tuition and Fees	\$ 1,182,497,420.23	\$ 1,163,468,963.96
Proceeds Received From Customers	320,378,186.55	338,577,659.41
Proceeds From Grants and Contracts	1,576,523,330.02	955,751,119.76
Proceeds From Auxiliary Enterprises	285,618,689.97	320,456,630.38
Proceeds From Loan Programs	644,077,065.96	3,492,361.27
Proceeds From Other Operating Revenues	92,500,525.45	113,874,532.25
Payments to Suppliers for Goods and Services	(3,332,060,715.92)	(1,449,408,568.29)
Payments to Employees	(2,587,248,736.36)	(2,485,647,716.25)
Payments for Loans Provided	(645,563,825.31)	(1,851,716.30)
Payments for Other Operating Expenses	(541,502,353.65)	(341,479,234.66)
Net Cash Used By Operating Activities	\$ (3,004,780,413.06)	\$ (1,382,765,968.47)
Cash Flows From Noncapital Financing Activities		
Proceeds From State Appropriations	\$ 1,240,886,985.46	\$ 1,206,812,742.15
Proceeds From Gifts	195,858,809.79	238,760,381.20
Proceeds From Endowments	7,192,917.22	5,186,878.05
Proceeds From Transfers From Other Funds	570,676,964.37	427,747,449.33
Proceeds From Other Grant Receipts	1,747,864,850.98	263,700,503.12
Proceeds From Other Noncapital Financing Activities	86,795,525.50	100,833,257.86
Payments of Interest	(1,621.38)	(21,156.69)
Payments for Transfers to Other Funds	(7,831,955.34)	(1,532,408.84)
Payments for Other Noncapital Financing Uses	(157,031,816.93)	(87,318,337.11)
Net Cash Provided By Noncapital Financing Activities	\$ 3,684,410,659.67	\$ 2,154,169,309.07
Cash Flows From Capital and Related Financing Activities		
Proceeds From Sale of Capital Assets	\$ 581,458.85	\$ 655,097.59
Proceeds From Debt Issuance	546,011,943.83	994,548,365.02
Proceeds From State Grants and Contracts	46,146,609.90	43,563,967.52
Proceeds From Other Financing Activities	792,747.79	12,575,134.52
Payments for Additions to Capital Assets	(795,529,607.95)	(940,980,632.12)
Payments of Principal On Debt	(374,608,333.34)	(870,204,333.34)
Payments for Capital Leases	(8,553,708.26)	(17,177,894.63)
Payments of Interest On Debt Issuance	(165,792,155.48)	(196,851,120.32)
Payments for Interfund Receivables	(2,467,160.76)	(2,833,814.20)
Payments of Other Costs On Debt Issuance	(5,723,443.45)	(5,357,880.47)
Net Cash Used By Capital & Related Financing Activities	\$ (759,141,648.87)	\$ (982,063,110.43)
Cash Flows From Investing Activities		
Proceeds From Sales of Investments	\$ 3,905,207,774.86	\$ 3,790,511,321.02
Proceeds From Interest and Investment Income	126,177,717.07	157,120,709.82
Payments to Acquire Investments	(3,805,502,931.62)	(3,653,984,103.41)
Net Cash Provided By Investing Activities	\$ 225,882,560.31	\$ 293,647,927.43
Net Increase In Cash and Cash Equivalents	\$ 146,371,158.05	\$ 82,988,157.60
Cash and Cash Equivalents, Beginning of Year	\$ 1,529,626,598.27	\$ 1,446,638,440.67
Restatement	(58,804,163.82)	-
Cash and Cash Equivalents, Beginning of Year, As Restated	\$ 1,470,822,434.45	\$ 1,446,638,440.67
Cash and Cash Equivalents, End of Year (Sch Three)	\$ 1,617,193,592.50	\$ 1,529,626,598.27

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Exhibit V
The Texas A&M University System

Combined Statement of Cash Flows
For the Year Ended August 31, 2020

	<u>Current Year</u> <u>Total</u>	<u>Prior Year</u> <u>Total</u>
Reconciliation of Operating Loss to Net Cash Used By Operating Activities		
Operating Loss	\$ (3,610,460,051.18)	\$ (1,463,672,085.67)
Adjustments to Reconcile Operating Loss to Net Cash Used By Operating Activities		
Amortization and Depreciation	468,755,973.61	424,422,596.32
Bad Debt Expense	7,160,221.16	9,674,200.00
Pension Expense	68,671,063.00	33,594,439.00
OPEB Expense	83,325,523.00	(462,469,341.00)
Changes In Assets and Liabilities		
(Increase) Decrease In Receivables	(80,485,089.91)	4,114,364.23
(Increase) Decrease In Due From Agencies/Funds	(9,179,722.34)	(5,148,889.02)
(Increase) Decrease In Inventories	1,427,923.14	137,833.54
(Increase) Decrease In Prepaid Expenses	(18,728,164.52)	(12,216,994.12)
(Increase) Decrease In Loans and Contracts	(2,306,687.25)	2,199,251.55
(Increase) Decrease In Other Assets	1,031,994.75	(1,682,020.54)
(Increase) Decrease In Deferred Outflows - Pensions	25,307,684.00	(263,808,846.00)
(Increase) Decrease In Deferred Outflows - OPEB	(29,603,560.00)	(101,711,829.00)
Increase (Decrease) In Payables	(3,681,960.17)	29,868,486.60
Increase (Decrease) In Due to Other Agencies/Funds	56,468,661.78	(391,858.70)
Increase (Decrease) In Unearned Revenue	24,126,860.50	39,743,046.62
Increase (Decrease) In Deposits	240,688.77	(799,816.23)
Increase (Decrease) In Employees Compensable Leave	6,341,457.80	5,292,373.22
Increase (Decrease) In OPEB Liability	87,208,697.00	1,128,861.00
Increase (Decrease) In Pension Liability	(95,247,963.00)	286,635,457.00
Increase (Decrease) In Self Insured Accrued Liability	2,528,711.00	2,669,094.00
Increase (Decrease) In Other Liabilities	(17,816.20)	(14,706.54)
Increase (Decrease) In Deferred Inflows - Pensions	69,940,279.00	(23,589,188.00)
Increase (Decrease) In Deferred Inflows - OPEB	(57,605,137.00)	100,582,968.00
Increase (Decrease) In Asset Retirement Obligations	-	12,676,635.27
Total Adjustments	\$ 605,679,638.12	\$ 80,906,117.20
Net Cash Used By Operating Activities	\$ (3,004,780,413.06)	\$ (1,382,765,968.47)
Non-Cash Transactions		
Donation of Capital Assets	\$ 6,400,343.26	\$ 13,807,414.89
Net Change In Fair Value of Investments	288,749,656.14	(45,867,341.69)
Refunding of Long Term Debt	-	230,525,000.00
Amortization of Bond Premiums and Discounts	24,143,519.59	25,495,578.26
Borrowing Under Capital Lease Purchase	1,094,823.85	4,696,458.70
Other	2,273,436.85	(10,937,034.87)

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

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Exhibit VI

The Texas A&M University System

Combined Statement of Fiduciary Net Position

For the Year Ended August 31, 2020

	Custodial Funds
Assets	
Cash and Cash Equivalents (Schedule Three-F)	\$ 7,506,357.84
Investments (Note 3)	2,288,241.18
Restricted Cash and Cash Equivalents	
Cash and Cash Equivalents (Schedule Three-F)	38,378,863.50
Investments (Note 3)	444,076,999.47
Receivables, Net (Note 24)	
Interest and Dividends	865,709.23
Gifts	29,114,968.08
Student	2,229,763.29
Investment Trades	1,560,658.17
Accounts	25,282.14
Other	1,327,589.79
Other Assets	843,020.52
Total Assets	\$ 528,217,453.21
Liabilities	
Payables (Note 24)	
Accounts	\$ 5,875,522.79
Investment Trades	1,910,287.89
Other	1,100,148.31
Unearned Revenue	5,771,386.24
Other Liabilities	78,278.00
Total Liabilities	\$ 14,735,623.23
Net Position	
Restricted for	
Individuals, Organizations, & Other Governments	\$ 513,481,829.98
Total Net Position (Exhibit VII)	\$ 513,481,829.98

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

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Exhibit VII

The Texas A&M University System

Combined Statement of Changes in Fiduciary Net Position

For the Year Ended August 31, 2020

	Custodial Funds
Additions	
Contributions	
Contributions from Foundations/Alumni Associations	\$ 8,654,514.78
Contributions from External Entities to Student Organizations	1,725,014.84
Contributions from Investments Held for Non A&M Entities	100,075.00
Contributions from Other Organizations	1,962,335.85
Total Contributions	\$ 12,441,940.47
Investment Earnings	
Interest/Dividends/Other Income	\$ 5,867,416.96
Realized Gain Sale of Investments	12,412,379.72
Net Increase in Fair Value of Investments	24,368,405.63
Total Investment Earnings	\$ 42,648,202.31
Less: Investment Activity Costs	(1,702,823.47)
Total Net Investment Earnings	\$ 40,945,378.84
Other Additions	
Receipts for Sales Revenue from Public Private Partnerships	\$ 31,342,513.79
Receipts for Dues and Event Revenues from Student Organizations	10,041,857.91
Receipts from Other Organizations	1,270,668.23
Miscellaneous Additions	4,253,416.19
Total Other Additions	\$ 46,908,456.12
Total Additions	\$ 100,295,775.43
Deductions	
Refunds of Contributions for Investments Held for Non A&M Entities	\$ 3,035,000.00
Payments of Operational Costs for Public Private Partnerships	33,532,143.91
Payments of Operational and Event Costs for Student Organizations	11,132,385.83
Payments of Operational Costs for Foundations/Alumni Associations	11,011,954.87
Miscellaneous Deductions	1,719,197.44
Total Deductions	\$ 60,430,682.05
Net Increase in Fiduciary Net Position	\$ 39,865,093.38
Net Position, Beginning of Year	\$ -
Restatement (Note 14)	473,616,736.60
Net Position, Beginning of Year, Restated	\$ 473,616,736.60
Net Position, End of Year (Exhibit VI)	\$ 513,481,829.98

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

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The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2020

Notes to the Combined Financial Statements

Note 1 - Summary of Significant Accounting Policies	2
Note 2 - Capital Assets.....	8
Note 3 - Deposits, Investments and Repurchase Agreements	9
Note 4 - Short-Term Debt	27
Note 5 - Long-Term Liabilities	28
Note 6 - Bonded Indebtedness	33
Note 7 - Derivatives.....	43
Note 8 - Leases	45
Note 9 - Pension Plans and Optional Retirement Program.....	48
Note 10 - Deferred Compensation	53
Note 11 - Post-Employment Health Care and Life Insurance Benefits	54
Note 12 - Interfund Activity and Transactions	61
Note 13 - Continuance Subject to Review.....	62
Note 14 - Restatement of Net Position.....	63
Note 15 - Commitments and Contingencies.....	64
Note 16 - Subsequent Events.....	65
Note 17 - Risk Management.....	66
Note 18 - Management's Discussion and Analysis (MD&A).....	69
Note 19 - The Financial Reporting Entity	70
Note 20 - Stewardship, Compliance and Accountability	71
Note 21 - Tobacco Settlement	72
Note 22 - Donor Restricted Endowments.....	73
Note 23 - Extraordinary and Special Items	74
Note 24 - Disaggregation of Receivable and Payable Balances	75
Note 25 - Termination Benefits.....	77
Note 26 - Segment Information	78
Note 27 - Service Concession Arrangements	79
Note 28 - Deferred Outflows of Resources and Deferred Inflows of Resources	80
Note 29 - Troubled Debt Restructuring	82
Note 30 - Non-Exchange Financial Guarantees	83
Note 31 - Tax Abatements.....	84
Note 32 - Fund Balances.....	85

UNAUDITED

The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2020

Note 1 - Summary of Significant Accounting Policies

The accompanying financial statements of the A&M System are prepared in accordance with generally accepted accounting principles (GAAP) as prescribed by the 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.

Financial Reporting Structure, Basis of Accounting and Measurement Focus

Proprietary Funds

For financial reporting purposes, the A&M System is considered a special-purpose government engaged in business-type activities for the State of Texas Comprehensive Annual Financial Report (CAFR). Accordingly, the A&M System's proprietary financial statements are presented using the economic resources measurement focus and the full 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.

Fiduciary Funds

New for fiscal year 2020, the A&M System is reporting fiduciary statements to be in compliance the *GASB 84-Fiduciary Activities*. The A&M System is a fiduciary entity for several different types of custodial funds. These fiduciary activities are reported separately from other financial activities since the A&M System cannot use the assets to finance its operations. The A&M System's fiduciary responsibilities include ensuring that assets reported in these funds are secure and outflows occur based upon the custodial entity's intended purposes. Fiduciary funds also use the economic resources measurement focus and the full accrual basis of accounting; additions are recognized in the reporting period they are earned and deductions are recognized in the reporting period they are incurred.

The A&M System reports on several types of fiduciary custodial funds: investments held for other non-A&M institutions, student organizations, foundation/alumni associations, public private partnerships and other.

Government Combination

Effective September 1, 2019, the Texas Division of Emergency Management (TDEM) became a part of the A&M System. TDEM was previously a division within the Texas Department of Public Safety (DPS), which is a State agency reported in governmental funds. A new State agency was established for TDEM that is considered part of the A&M System in proprietary funds.

This change was based on a recommendation from the Governor's Commission to Rebuild Texas to move TDEM operations to the A&M System to better coordinate with the seven other A&M System agencies, each of which has a role during a State disaster. This move also gives TDEM the opportunity to leverage the academic, scientific and technical expertise of the A&M System.

UNAUDITED

The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2020

Assets

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 if an investment were sold 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 proprietary 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 experience and type of receivable. Refer to Note 24 - Disaggregation of Receivable and Payable 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.

UNAUDITED

The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2020

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.

Liabilities

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.

Funds Held for Others

The current and noncurrent liabilities for Funds Held for Others represent funds held in a custodial capacity for others outside of the reporting entity. With the implementation of GASB 84, *Fiduciary Activities*, in 2020 these balances were moved to Fiduciary Funds, resulting in a decrease in Funds Held for Other liabilities on the Proprietary Statement of Net Position and a restatement to Fiduciary Net Position. The ending balance for Funds Held for Others liability is zero as of August 31, 2020.

Asset Retirement Obligations (AROs)

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, as detailed in Note 5 - Long-Term Liabilities.

Notes from Direct Borrowings

Notes from Direct Borrowings are reported in the liabilities section of the proprietary Statement of Net Position and represent debt from contractual obligations to make one or more payments over time to settle an amount that is fixed at the date the contractual obligation. For the A&M System, this includes a loan to finance a construction project and financed purchases of capital assets. See Note 5 for additional details.

Pension Liability, and related 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

UNAUDITED

The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2020

accrual basis. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

Other Post-Employment Benefits (OPEB), and related 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 – Post-Employment Health Care and Life Insurance Benefits.

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.

Deferred Outflows of Resources and Deferred Inflows of Resources

The proprietary Statement of Net Position includes separate sections for 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.

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). For 2020, the large increase in nonoperating revenue includes additional Federal funding received through the CARES Act and Federal disaster relief funding received by TDEM. Nonoperating expenses include activities such as interest expense on capital asset financings, and other expenses.

Net Position

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

UNAUDITED

The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2020

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.

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 proprietary and fiduciary 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). For fiscal year 2020, the Texas Division of Emergency Management (TDEM) was added as the eighth state agency to the A&M System. Due to/from, 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 proprietary 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.

Reporting Considerations for COVID-19-Response

In the Spring semester of 2020, COVID-19 began impacting the State of Texas and there were numerous operational adjustments to respond to the effects (economic and otherwise) of COVID-19, including transitioning workforces to remote working, dealing with adjustments based upon the health and wellness of college students and the public, and modifying/suspending various operations to comply with health guidelines. The Federal Government provided stimulus funding under the Coronavirus Aid, Relief, and Economic Security (CARES) Act to help cover expenses related to operations. For 2020, A&M member

UNAUDITED

**The Texas A&M University System
Notes to the Combined Financial Statements
For the Year Ended August 31, 2020**

institutions received \$64.3 million from the CARES Act funding. Of this amount, \$42.6 million was distributed as emergency aid to students.

Texas Division of Emergency Management (TDEM), which became a part of the A&M System effective fiscal year 2020, received \$785 million in CARES Act funding distributed through the Governor's Office to support TDEM's disaster relief efforts across the State of Texas. TDEM also received \$525 million in Federal public assistance disaster relief funding related to COVID-19. Funds were used for medical supplies, lab testing, and to provide grants to cities, counties, and other State of Texas agencies.

UNAUDITED

**The Texas A&M University System
Notes to the Combined Financial Statements
For the Year Ended August 31, 2020**

Note 2 - Capital Assets

The proprietary fund summary of changes in Capital Assets for the year ended August 31, 2020 is presented below.

Capital Asset Activity							
	Beginning Balance	Adjustments	Completed CIP	Interagency Transactions	Additions	Deletions	Ending Balance
Assets							
Land and Land Improvements	\$ 220,132,833.49	\$ -	\$ 2,445,495.39	\$ -	\$ 2,758,076.25	\$ (592,938.64)	\$ 224,743,466.49
Construction in Progress	1,151,551,451.98	-	(733,827,335.72)	-	524,593,070.27	(2,748,241.63)	939,568,944.90
Other Tangible Capital Assets	62,907,385.96	-	1,345,720.00	-	1,000,544.96	(400.00)	65,253,250.92
Land Use Rights	92,817.00	-	-	-	24,547.00	-	117,364.00
Total Non-Depreciable/Amortizable Assets	1,434,684,488.43	-	(730,036,120.33)	-	528,376,238.48	(3,341,580.27)	1,229,683,026.31
Depreciable Assets							
Buildings & Building Improvements	6,628,485,061.00	-	605,071,430.57	-	150,961,213.26	(11,187,712.29)	7,373,329,992.54
Infrastructure	948,405,355.20	-	32,282,168.89	-	6,963,989.49	(323,019.95)	987,328,493.63
Facilities and Other Improvements	1,037,602,834.34	-	41,080,512.64	-	378,152.38	(138,981.03)	1,078,922,518.33
Furniture and Equipment	997,295,532.11	(3,062,895.45)	38,389,402.22	4,971,644.75	76,789,279.52	(33,257,398.73)	1,081,125,564.42
Vehicles, Boats and Aircraft	152,218,860.08	3,095,299.45	398,500.10	3,158,717.91	13,980,574.32	(4,675,525.20)	168,176,426.66
Other Capital Assets	217,178,806.42	-	-	-	7,205,148.42	(2,122,334.14)	222,261,620.70
Total Depreciable Assets	9,981,186,449.15	32,404.00	717,222,014.42	8,130,362.66	256,278,357.39	(51,704,971.34)	10,911,144,616.28
Less Accumulated Depreciation							
Buildings & Building Improvements	(2,993,163,829.14)	-	-	-	(275,305,924.68)	615,674.86	(3,267,854,078.96)
Infrastructure	(435,855,599.77)	-	-	-	(37,621,941.94)	-	(473,477,541.71)
Facilities and Other Improvements	(351,503,219.22)	-	-	-	(34,542,491.40)	-	(386,045,710.62)
Furniture and Equipment	(713,128,965.58)	556,921.38	-	(3,385,715.72)	(80,575,941.35)	20,619,962.78	(775,913,738.49)
Vehicles, Boats and Aircraft	(115,903,544.32)	(589,325.38)	-	(1,810,596.21)	(11,424,241.71)	3,599,003.70	(126,128,703.92)
Other Capital Assets	(165,518,093.33)	-	-	-	(8,712,643.58)	942,072.78	(173,288,664.13)
Total Accumulated Depreciation	(4,775,073,251.36)	(32,404.00)	-	(5,196,311.93)	(448,183,184.66)	25,776,714.12	(5,202,708,437.83)
Depreciable Assets, Net	5,206,113,197.79	-	717,222,014.42	2,934,050.73	(191,904,827.27)	(25,928,257.22)	5,708,436,178.45
Intangible Assets - Amortizable							
Land Use Rights	255,457.00	-	-	-	255,457.00	(255,457.00)	255,457.00
Computer Software	126,815,606.50	-	12,814,105.91	99,549.71	4,288,580.34	(5,276,410.48)	138,741,431.98
Total Intangible Assets-Amortizable	127,071,063.50	-	12,814,105.91	99,549.71	4,544,037.34	(5,531,867.48)	138,996,888.98
Less Accumulated Amortization							
Land Use Rights	(242,684.34)	-	-	-	(12,772.66)	-	(255,457.00)
Computer Software	(76,292,780.83)	-	-	(99,549.71)	(20,560,016.29)	5,276,410.48	(91,675,936.35)
Total Accumulated Amortization	(76,535,465.17)	-	-	(99,549.71)	(20,572,788.95)	5,276,410.48	(91,931,393.35)
Intangible Amortizable Assets, Net	50,535,598.33	-	12,814,105.91	-	(16,028,751.61)	(255,457.00)	47,065,495.63
Total Capital Assets, Net	\$ 6,691,333,284.55	\$ -	\$ -	\$ 2,934,050.73	\$ 320,442,659.60	\$ (29,525,294.49)	\$ 6,985,184,700.39

UNAUDITED

The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2020

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

Cash in bank consists of all cash in local and foreign banks. These amounts are reported on the Proprietary and Fiduciary Combined Statements of Net Position as part of the “Cash and Cash Equivalents” line items. The table below summarizes cash balances as of August 31, 2020.

Cash in Bank		
Balance	Proprietary Funds	Fiduciary Funds
Bank Balance	\$21,939,904.34	\$415,337.72
Carrying Amount	\$22,442,353.67	\$414,054.95

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 A&M System 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 2020, 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 2020 was \$1,270,591.66. 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, 2020 the balance was \$357,017.31, all of which is proprietary and included in the Bank Balances Exposed to Custodial Credit Risk table on the following page.

Incidental amounts of various foreign currencies are temporarily held through Bank of New York Mellon (BNY 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

UNAUDITED

The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2020

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 2020 was \$2,791,330.23 in proprietary funds and \$243,673.20 in fiduciary funds. As of August 31, 2020 uncollateralized foreign currency held by or through BNY Mellon included proprietary funds of \$1,543,844.68 and fiduciary funds of \$133,192.77. These amounts are included in the Bank Balances Exposed to Custodial Credit Risk table below.

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 2020, 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, 2020, the uninvested cash balance was \$16,911.54 of proprietary funds and \$2,253.59 of fiduciary funds, which were covered by FDIC insurance.

The bank balances (including foreign currency balances), exposed to custodial credit risk as of August 31, 2020 are presented in the table below.

Bank Balances Exposed to Custodial Credit Risk	
	Uninsured and Uncollateralized
Proprietary Funds	\$1,900,861.99
Fiduciary Funds	\$133,192.77

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, 2020 is presented in the following table.

Bank Balances Exposed to Foreign Currency Risk		
Currency	Proprietary Funds	Fiduciary Funds
Argentine Peso	\$ 11,087.61	\$ 856.34
Brazilian Real	46,191.62	3,871.06
British Pound	453,587.97	35,032.54
Canadian Dollar	187,287.83	18,135.79
Chinese Yuan Renminbi	36,879.55	2,848.35
Euro	69,342.83	9,240.04
Indonesian Rupiah	64,801.64	5,777.54
Japanese Yen	0.36	0.05
Mexican Peso	666,477.66	56,339.98
Qatari Riyal	353,324.10	-
Swiss Franc	8,187.61	1,091.08
Total	<u>\$ 1,897,168.78</u>	<u>\$ 133,192.77</u>

UNAUDITED

The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2020

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 ADRs 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 certain 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, hedge funds and certain commingled funds). The A&M System invests in private investments and limited partnerships including hedge funds, private equity, commingled funds, 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, 2020 to include the following events: capital contributions or distributions since the most recent 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 certain hedge funds, the A&M System has adjusted the reported July 31, 2020 NAV by the estimated performance as of August 31, 2020 as reported by the investment manager and by any cash inflows and outflows since the investment manager valuation date.

The repurchase agreement held by Texas Treasury Safekeeping Trust Company (TTSTC) is 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, 2020 is \$58,671,423.39, all of which is proprietary.

The A&M System invests in private equity technology partnerships through A&M System 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, 2020 is \$9,215,923.03, all of which is proprietary.

UNAUDITED

The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2020

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, 2020, the A&M System Cash Concentration Pool and System Endowment Funds included investments valued at \$46,357,828.02 for MSU, \$81,485,679.45 for SFA, and \$202,582,304.90 for TWU. These amounts are categorized as fiduciary funds.

The following tables display the fair value of investments as of August 31, 2020 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.

Proprietary Investments per Financial Statements

Schedule of Cash & Cash Equivalents	
Cash Equivalents	\$ 462,681,533.09
Restricted Cash Equivalents	289,989,894.28
Statement of Net Position	
Non-Current Investments	3,916,192,595.30
Non-Current Restricted Investments	<u>1,101,486,026.90</u>
Total Investments	<u>\$ 5,770,350,049.57</u>

Fiduciary Investments per Financial Statements

Schedule of Cash & Cash Equivalents	
Cash Equivalents	\$ 7,460,160.99
Restricted Cash Equivalents	38,000,905.40
Statement of Net Position	
Investments	2,288,241.18
Restricted Investments	<u>444,076,999.47</u>
Total Investments	<u>\$ 491,826,307.04</u>

UNAUDITED

**The Texas A&M University System
Notes to the Combined Financial Statements
For the Year Ended August 31, 2020**

Proprietary Funds - 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	\$ 223,856,992.20	\$ -	\$ -	\$ -	\$ -	\$ 223,856,992.20
U.S. Treasury TIPS	16,027,117.48					16,027,117.48
U.S. Government Agency Obligations		236,121,368.66				236,121,368.66
Corporate Obligations		397,625,745.36	19,072,164.42			416,697,909.78
Corporate Asset and Mortgage Backed Securities		128,382,071.57				128,382,071.57
U.S. Equity	990,155,892.80					990,155,892.80
International Obligations		247,154,947.94	4,691,717.30			251,846,665.24
International Equity	365,555,344.40					365,555,344.40
Repurchase Agreements - TTSTC				399,945.75		399,945.75
Fixed Income Money Market & Bond Mutual Fund	860,205,164.86					860,205,164.86
Bond Mutual Funds - International	5,813.21					5,813.21
Mutual Funds - U.S. Equity	28,246.65					28,246.65
Mutual Funds - International Equity	14,822.59					14,822.59
Other Commingled Funds - Fixed Income	49,415,370.03		24,102,486.85			73,517,856.88
International Other						
Commingled Funds - Equity	353,992,887.17		204,310,862.95		240,247,686.36	798,551,436.48
Real Estate - Mineral Rights			58,671,423.39			58,671,423.39
Derivatives		69,764.93				69,764.93
Alternative Investments - Hedge Funds						-
Domestic					523,310,171.48	523,310,171.48
International					483,494,897.23	483,494,897.23
Alternative Investments - Limited Partnerships and Research Commercialization						
Private Equity			9,215,923.03		115,319,939.76	124,535,862.79
International Private Equity					82,262,197.03	82,262,197.03
Real Estate					25,083,340.50	25,083,340.50
International Real Estate					9,394,755.82	9,394,755.82
Natural Resources					81,371,993.56	81,371,993.56
International Natural Resources					10,346,604.76	10,346,604.76
Other Investments						
Political Subdivisions		10,442,389.53				10,442,389.53
	<u>\$ 2,859,257,651.39</u>	<u>\$ 1,019,796,287.99</u>	<u>\$ 320,064,577.94</u>	<u>\$ 399,945.75</u>	<u>\$ 1,570,831,586.50</u>	<u>\$ 5,770,350,049.57</u>

UNAUDITED

**The Texas A&M University System
Notes to the Combined Financial Statements
For the Year Ended August 31, 2020**

Fiduciary Funds - Investment Fair Value							
Investment Type	Fair Value Hierarchy					Net Asset Value	Total Fair Value
	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Amortized Cost			
U.S. Treasury Securities	\$ 18,376,703.90	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 18,376,703.90
U.S. Treasury TIPS	1,357,745.63						1,357,745.63
U.S. Government Agency Obligations		19,626,251.87					19,626,251.87
Corporate Obligations		33,560,162.44	1,716,275.98				35,276,438.42
Corporate Asset and Mortgage Backed Securities		10,295,307.04					10,295,307.04
U.S. Equity	88,298,830.04						88,298,830.04
International Obligations		20,556,838.35	419,916.85				20,976,755.20
International Equity	32,392,415.80						32,392,415.80
Fixed Income Money Market & Bond Mutual Fund	55,925,421.90						55,925,421.90
Mutual Funds - U.S. Equity	948,738.54						948,738.54
Mutual Funds - International Equity	28,209.03						28,209.03
Other Commingled Funds - Fixed Income	4,472,226.68		2,182,436.61				6,654,663.29
International Other Commingled Funds - Equity	30,770,377.83		17,779,317.82			21,405,185.51	69,954,881.16
Derivatives		5,880.60					5,880.60
Alternative Investments - Hedge Funds							
Domestic						45,350,307.14	45,350,307.14
International						42,175,723.89	42,175,723.89
Alternative Investments - Limited Partnerships							
Private Equity						15,367,277.10	15,367,277.10
International Private Equity						10,962,076.28	10,962,076.28
Real Estate						3,342,549.82	3,342,549.82
International Real Estate						1,251,924.14	1,251,924.14
Natural Resources						10,843,449.76	10,843,449.76
International Natural Resources						1,378,765.40	1,378,765.40
Other Investments							
Political Subdivisions		869,122.12					869,122.12
Annuity	131,667.03		35,201.94				166,868.97
Total Investments	\$ 232,702,336.38	\$ 84,913,562.42	\$ 22,133,149.20	\$ -	\$ -	\$ 152,077,259.04	\$ 491,826,307.04

UNAUDITED

**The Texas A&M University System
Notes to the Combined Financial Statements
For the Year Ended August 31, 2020**

The investments measured at Net Asset Value (NAV) as of August 31, 2020, including unfunded commitments, are presented in the following tables.

Proprietary Funds - Investments Reported at Net Asset Value (NAV)							
		Redemption					
		Frequency Range Low	Frequency Range High	Notice Period Range Low	Notice Period Range High	Unfunded Commitment	
Investment Strategy	Fair Value						
Commingled Funds							
International Equity	\$ 240,247,686.36	Monthly	Monthly	3 days	10 days	\$	-
Hedge Funds*							
Domestic	523,310,171.48	Quarterly	Semi-Annually	65 days	1.75 years		-
International	483,494,897.23	Quarterly	Semi-Annually	65 days	1.75 years		-
Limited Partnerships							
Private Equity	115,319,939.76	N/A	N/A	N/A	N/A		48,108,420.29
International Private Equity	82,262,197.03	N/A	N/A	N/A	N/A		13,918,906.01
Real Estate	25,083,340.50	N/A	N/A	N/A	N/A		23,533,644.26
International Real Estate	9,394,755.82	N/A	N/A	N/A	N/A		5,549,112.64
Natural Resources	81,371,993.56	N/A	N/A	N/A	N/A		42,518,542.93
International Natural Resources	10,346,604.76	N/A	N/A	N/A	N/A		6,009,591.48
Total	\$ 1,570,831,586.50					\$	139,638,217.61

*Of the total Hedge Fund Fair Value, \$39,386,733.97 is invested in funds that are considered illiquid and not eligible for redemption. The Frequency and Notice Period Ranges for this portion of the Hedge Funds are not applicable. The illiquid portion of Hedge Funds is fully funded.

UNAUDITED

The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2020

Fiduciary Funds - Investments Reported at Net Asset Value (NAV)							
		Redemption					
Investment Strategy	Fair Value	Frequency Range Low	Frequency Range High	Notice Period Range Low	Notice Period Range High	Unfunded Commitment	
Commingled Funds							
International Equity	\$ 21,405,185.51	Monthly	Monthly	3 days	10 days	\$ -	
Hedge Funds*							
Domestic	45,350,307.14	Quarterly	Semi-Annually	65 days	1.75 years	-	
International	42,175,723.89	Quarterly	Semi-Annually	65 days	1.75 years	-	
Limited Partnerships							
Private Equity	15,367,277.10	N/A	N/A	N/A	N/A	6,410,820.43	
International Private Equity	10,962,076.28	N/A	N/A	N/A	N/A	1,854,802.27	
Real Estate	3,342,549.82	N/A	N/A	N/A	N/A	3,136,040.77	
International Real Estate	1,251,924.14	N/A	N/A	N/A	N/A	739,462.33	
Natural Resources	10,843,449.76	N/A	N/A	N/A	N/A	5,665,925.88	
International Natural Resources	1,378,765.40	N/A	N/A	N/A	N/A	800,824.71	
Total	\$ 152,077,259.04					\$ 18,607,876.39	

*Of the total Hedge Fund Fair Value, \$5,248,588.03 is invested in funds that are considered illiquid and not eligible for redemption. The Frequency and Notice Period Ranges for this portion of the Hedge Funds are not applicable. The illiquid portion of Hedge Funds is fully funded.

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, 2020. The A&M System did not participate in a securities lending program during fiscal year 2020 and the only direct repurchase agreement investments 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 those 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, France, the Netherlands, Ireland, Italy, Belgium, the Cayman Islands and the Channel Islands. Funds are received upon the delivery of securities in connection with

UNAUDITED

The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2020

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 monthly (as appropriate) via the applicable custody system to help facilitate resolution in a timely manner. On a daily basis, the subcustodians send confirmations of settlement to the custodian which are 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 identifies 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, 2020 is presented in the following tables.

Proprietary Funds - Investments Exposed to Foreign Currency Risk						
Currency	International Obligations	International Equity	International Equity Mutual Funds	International Equity Commingled Funds	International Bond Mutual Funds	International Alternative Investments
U.S. Dollar Foreign Securities	\$ 232,692,858.97	\$ 167,451,346.88	\$ 14,822.59	\$ 798,551,436.48	\$ 5,813.21	\$ 576,320,906.63
Argentine Peso	88,806.75					-
Brazilian Real	6,808,156.72					-
British Pound		31,947,513.79				-
Canadian Dollar	3,290,798.87	3,782,162.92				-
Chinese Yuan Renminbi	764,990.49					-
Euro		73,417,424.66				9,177,548.21
Hong Kong Dollar		1,348,668.90				-
Indonesian Rupiah	1,845,912.13					-
Japanese Yen		43,204,053.22				-
Mexican Peso	6,355,141.31	2,439,033.41				-
South Korean Won		5,667,402.51				-
Swedish Krona		3,208,353.40				-
Swiss Franc		31,740,435.61				-
Thai Baht		1,348,949.10				-
Total	\$ 251,846,665.24	\$ 365,555,344.40	\$ 14,822.59	\$ 798,551,436.48	\$ 5,813.21	\$ 585,498,454.84

UNAUDITED

**The Texas A&M University System
Notes to the Combined Financial Statements
For the Year Ended August 31, 2020**

Fiduciary Funds - 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 Foreign Securities	\$ 19,369,626.10	\$ 14,878,710.69	\$ 28,209.03	\$ 69,954,881.16	\$ 54,545,510.17
Argentine Peso	6,858.90				-
Brazilian Real	571,993.82				-
British Pound		2,808,443.51			-
Canadian Dollar	276,919.38	334,716.16			-
Chinese Yuan Renminbi	59,083.25				-
Euro		6,497,336.46			1,222,979.54
Hong Kong Dollar		119,360.86			-
Indonesian Rupiah	156,123.65				-
Japanese Yen		3,824,162.63			-
Mexican Peso	536,150.10	215,850.95			-
South Korean Won		501,556.74			-
Swedish Krona		283,934.73			-
Swiss Franc		2,808,962.66			-
Thai Baht		119,380.41			-
Total	<u>\$ 20,976,755.20</u>	<u>\$ 32,392,415.80</u>	<u>\$ 28,209.03</u>	<u>\$ 69,954,881.16</u>	<u>\$ 55,768,489.71</u>

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 traditional fixed income securities have a long-term rating of B or better at the time of purchase and traditional fixed income portfolios maintain 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, 2020, the A&M System's credit quality distribution for securities with credit risk exposure is presented in the table on the following pages.

UNAUDITED

**The Texas A&M University System
Notes to the Combined Financial Statements
For the Year Ended August 31, 2020**

Proprietary Funds									
Investments Exposed to Credit Risk – Standard & Poor's (in thousands)									
Investment Type	AAA	AA	A	BBB	BB	B	CCC	D	Not Rated by S&P
U. S. Government Agency Obligations	754	216,365	2,465	887	1,483	872			13,295
Corporate Obligations	4,037	18,966	76,907	221,593	65,320	22,503	502		6,870
Corporate Asset and Mortgage Backed Securities	34,259	29,603	2,919	6,370		282	1,949		52,999
International Obligations	5,412	14,529	33,153	96,545	58,609	8,860		875	33,864
Repurchase Agreements (TTSTC)		400							
Fixed Income Money Market and Bond Mutual Funds	860,183								22
International Bond Mutual Funds									6
Other Commingled Funds – Fixed Income									73,518
Other Investments (Municipals)		5,300	3,017	2,125					

UNAUDITED

The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2020

Fiduciary Funds									
Investments Exposed to Credit Risk – Standard & Poor's (in thousands)									
Investment Type	AAA	AA	A	BBB	BB	B	CCC	D	Not Rated by S&P
U. S. Government Agency Obligations	63	18,062	190	75	115	74			1,047
Corporate Obligations	338	1,596	6,484	18,649	5,581	2,018	45		565
Corporate Asset and Mortgage Backed Securities	2,670	2,461	247	506		34	151		4,226
International Obligations	418	1,166	2,687	8,101	4,992	810		74	2,729
Fixed Income Money Market and Bond Mutual Funds	55,925								
Other Commingled Funds – Fixed Income									6,655
Other Investments (Municipals)		443	248	178					

Concentration of credit risk is the risk of loss attributable to the magnitude of investment in a single issuer. As of August 31, 2020, no single issuer represented more than 4.9% of the A&M System's total investments.

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. The A&M System maintained compliance with this policy throughout fiscal year 2020.

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.

UNAUDITED

The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2020

Investments Exposed to Interest Rate Risk				
Investment Type	Proprietary Funds		Fiduciary Funds	
	Effective Duration	Fair Value	Effective Duration	Fair Value
U.S. Treasury Securities	3.842	\$ 223,856,992.20	3.926	\$ 18,376,703.90
U.S. Treasury TIPS	22.280	16,027,117.48	22.290	1,357,745.63
U.S. Government Agency Obligations	1.653	236,121,368.66	1.654	19,626,251.87
Corporate Obligations	7.139	416,697,909.78	7.183	35,276,438.42
Corporate Asset and Mortgage Backed Securities	2.097	128,382,071.57	2.073	10,295,307.04
International Obligations	4.930	251,846,665.24	5.003	20,976,755.20
Repurchase Agreements - TTSTC	0.003	399,945.75		
Bond Mutual Funds	4.513	21,933.14		
International Bond Mutual Funds	5.512	5,813.21		
Other Commingled Funds - Fixed Income	3.248	73,517,856.88	3.248	6,654,663.29
Other Investments - Municipals	9.793	10,442,389.53	9.836	869,122.12
Total		<u>\$ 1,357,320,063.44</u>		<u>\$ 113,432,987.47</u>

Securities Lending

The A&M System did not participate in a securities lending program during fiscal year 2020.

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 certain 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 a certain 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 recognized on the Statement of Revenues, Expenses, and Changes in Net Position as investment income or loss. The unrealized gain on open foreign currency exchange contracts is reported as an investment derivative and the unrealized loss is included with other payables. The foreign currency forwards are traded over-the-counter and categorized as Level 2 of the fair value hierarchy.

UNAUDITED

The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2020

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 tables below summarize the pending foreign exchange contracts as of August 31, 2020.

Proprietary Funds - Open Foreign Exchange Contracts				
Currency	Sell	Buy	Unrealized Gain on Foreign Exchange Contract	Unrealized Loss on Foreign Exchange Contract
Brazilian Real	\$ 3,189,596.52	\$ -	\$ 69,764.93	\$ -
Chinese Yuan Renminbi	788,395.55			20,929.45
Euro	64,560.86			117.88
Indonesian Rupiah	1,714,070.67			22,899.26
	<u>\$ 5,756,623.60</u>	<u>\$ -</u>	<u>\$ 69,764.93</u>	<u>\$ 43,946.59</u>

Fiduciary Funds - Open Foreign Exchange Contracts				
Currency	Sell	Buy	Unrealized Gain on Foreign Exchange Contract	Unrealized Loss on Foreign Exchange Contract
Brazilian Real	\$ 268,856.20	\$ -	\$ 5,880.60	\$ -
Chinese Yuan Renminbi	60,890.92			1,616.46
Euro	5,713.54			10.43
Indonesian Rupiah	145,431.19			1,942.89
	<u>\$ 480,891.85</u>	<u>\$ -</u>	<u>\$ 5,880.60</u>	<u>\$ 3,569.78</u>

UNAUDITED

The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2020

The gross counterparty exposure for the A&M System, as of August 31, 2020, is presented in the tables below. The A&M System's policy does not address master netting arrangements and the A&M System is not party to any such an arrangements. The A&M System policy does not address collateral or other security for currency forward contracts.

Proprietary Funds - Foreign Exchange Contract Exposure to Counterparty Risk

Notional Amount		Fair Value		S&P Counterparty Rating
Assets	Liabilities	Assets	Liabilities	
\$ 64,560.86	\$ 64,678.75	\$ -	\$ 117.88	AA-
5,692,062.74	5,666,126.51	69,764.93	43,828.71	A+
<u>\$ 5,756,623.60</u>	<u>\$ 5,730,805.26</u>	<u>\$ 69,764.93</u>	<u>\$ 43,946.59</u>	
Exposure Net of Cash Collateral (held in British Pounds)		<u>\$ 8,788.68</u>		

Fiduciary Funds - Foreign Exchange Contract Exposure to Counterparty Risk

Notional Amount		Fair Value		S&P Counterparty Rating
Assets	Liabilities	Assets	Liabilities	
\$ 5,713.54	\$ 5,723.96	\$ -	\$ 10.43	AA-
475,178.31	472,857.07	5,880.60	3,559.35	A+
<u>\$ 480,891.85</u>	<u>\$ 478,581.03</u>	<u>\$ 5,880.60</u>	<u>\$ 3,569.78</u>	
Exposure Net of Cash Collateral (held in British Pounds)		<u>\$ 1,171.16</u>		

The A&M System has also invested in Treasury futures. The instruments are used only for the purpose of managing interest rate risk in the fixed income portfolios. As of August 31, 2020, the weighted average effective duration for short futures contracts was 7.06 and for long futures contracts was 4.66. 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 tables 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 settled in cash with the broker each morning for the amount of the

UNAUDITED

The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2020

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. Exchange-traded futures contracts are categorized as Level 1 on the fair value hierarchy. The tables below disclose the type, notional value and fair values of the futures contracts as of August 31, 2020.

Proprietary Funds - Open Futures Contracts				
	<u>Notional Amount</u>		<u>Unrealized Gain</u>	<u>Unrealized Loss</u>
	<u>Long</u>	<u>Short</u>	<u>Other Receivable</u>	<u>Other Payable</u>
Treasury Futures	\$ 227,621,578.80	\$ 128,629,230.01	\$ 466,942.06	\$ 196,770.73

Fiduciary Funds - Open Futures Contracts				
	<u>Notional Amount</u>		<u>Unrealized Gain</u>	<u>Unrealized Loss</u>
	<u>Long</u>	<u>Short</u>	<u>Other Receivable</u>	<u>Other Payable</u>
Treasury Futures	\$ 18,872,132.04	\$ 10,557,988.74	\$ 39,283.32	\$ 16,049.46

Several investment strategies 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 funds 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 penalty, which in some cases may be significant. There are certain risks associated with these private funds, 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.

UNAUDITED

The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2020

The A&M System's investment in hedge funds as of August 31, 2020 is presented in the table below:

Hedge Fund Investments		
Net Asset Value	Proprietary Funds	Fiduciary Funds
Hedge Funds	\$1,006,805,068.71	\$87,526,031.03

Private Investments

Private investments in limited partnerships are managed by external investment managers or general partners who invest primarily in private companies. 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. As of August 31, 2020, the A&M System has committed to various private investments as shown in the table below. The valuations for the limited partnerships are based on the most recent investment manager determined Net Asset Value (NAV) rolled forward to August 31, 2020 to include the following events: capital contributions or distributions, changes in the composition of assets or liabilities, and fair value changes reported since the last valuation date of the NAV.

The A&M System has also invested directly in companies and partnerships to promote research commercialization. The fair value of the investments in research commercialization 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.

Private Investments		
Description	Proprietary Funds	Fiduciary Funds
Commitments to Limited Partnerships	\$ 621,054,216.00	\$ 82,760,295.00
Funded Amount to Limited Partnerships	522,954,465.26	69,687,741.74
Net Asset Value (NAV) of Limited Partnerships	323,778,831.34	43,146,042.50
Research Technology Investments	9,215,923.03	

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 four general partners. Three of these general partners are exempt reporting advisers and are not required to comply with most rules that apply to registered advisers. The fourth 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 professionals and the loss of those individuals may adversely impact the fund's performance.

UNAUDITED

The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2020

- Liquidity risk – Many of the A&M System's investment funds may impose lock-up periods, which may cause the A&M System to incur penalties to redeem its investment prior to a certain period of time elapsing.
- 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, 2020, was \$20,788,920,964.75 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 distributions and other revenues was \$462,365,396.44 for the fiscal year ended August 31, 2020, and was credited to the A&M System Available University Fund.

UNAUDITED

**The Texas A&M University System
Notes to the Combined Financial Statements
For the Year Ended August 31, 2020**

Note 4 - Short-Term Debt

There was no reportable activity for short-term debt during the year ended August 31, 2020.

UNAUDITED

The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2020

Note 5 - Long-Term Liabilities

The proprietary funds' 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							
	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year	Amounts Due Thereafter	
Employees' Compensable Leave	\$ 110,082,995.04	\$ 12,887,339.45	\$ (6,545,881.65)	\$ 116,424,452.84	\$ 15,787,004.00	\$ 100,637,448.84	
Claims & Judgments	10,991,687.00	5,526,711.00	(1,726,000.00)	14,792,398.00	2,708,853.00	12,083,545.00	
Notes and Loans Payable	261,985,000.00	60,000,000.00	(145,910,000.00)	176,075,000.00	7,560,000.00	168,515,000.00	
Notes from Direct Borrowings - Loans	999,999.94	-	(333,333.34)	666,666.60	333,333.34	333,333.26	
Notes from Direct Borrowings - Capital Leases	75,840,194.90	1,094,823.85	(6,281,361.46)	70,653,657.29	6,130,108.43	64,523,548.86	
Bonds Payable	4,469,342,821.84	509,670,000.00	(252,508,519.59)	4,726,504,302.25	258,083,383.05	4,468,420,919.20	
Liabilities Payable from Restricted Assets	60,912,167.18	-	(21,577,761.18)	39,334,406.00	37,101,072.01	2,233,333.99	
Capital Lease Obligations	7,729,489.75	372,844.80	(3,364,437.75)	4,737,896.80	2,726,782.81	2,011,113.99	
Pollution Remediation Obligations (Other Liabilities)	-	60,000.00	-	60,000.00	60,000.00	-	
Asset Retirement Obligations	12,676,635.27	-	(250,000.00)	12,426,635.27	-	12,426,635.27	
Total	\$ 5,010,560,990.92	\$ 589,611,719.10	\$ (438,497,294.97)	\$ 5,161,675,415.05	\$ 330,490,536.64	\$ 4,831,184,878.41	

UNAUDITED

**The Texas A&M University System
Notes to the Combined Financial Statements
For the Year Ended August 31, 2020**

Notes and Loans Payable

The proprietary funds' 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, 2019	Increases	Decreases	August 31, 2020
Permanent University Fund Commercial Paper Taxable Notes	\$ 125,000,000.00	\$ -	\$ 125,000,000.00	\$ -
Revenue Financing System Commercial Paper Notes, Series B	136,985,000.00	60,000,000.00	20,910,000.00	176,075,000.00
Total	<u>\$ 261,985,000.00</u>	<u>\$ 60,000,000.00</u>	<u>\$ 145,910,000.00</u>	<u>\$ 176,075,000.00</u>

Fiscal Year	Principal	Interest**	Total
2021	\$ 7,560,000.00	\$ 2,764,377.50	\$ 10,324,377.50
2022	7,680,000.00	2,645,685.50	10,325,685.50
2023	7,800,000.00	2,525,109.50	10,325,109.50
2024	7,925,000.00	2,402,649.50	10,327,649.50
2025	8,050,000.00	2,278,227.00	10,328,227.00
2026-2030	42,180,000.00	9,455,325.00	51,635,325.00
2031-2035	45,590,000.00	6,038,926.50	51,628,926.50
2036-2040	49,290,000.00	2,345,501.50	51,635,501.50
Total	<u>\$ 176,075,000.00</u>	<u>\$ 30,455,802.00</u>	<u>\$ 206,530,802.00</u>

** For this schedule, assumption is that Revenue Financing System Commercial Paper Notes in the amount of \$176.075 million will be refunded into long term bonds. For estimated debt service on this exhibit, the rate of 1.57% corresponds to the municipal market data published on August 31, 2020. 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.

UNAUDITED

The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2020

Notes from Direct Borrowings - Loans - Debt Service Requirements

Description	Balance September 1, 2019	Increases	Decreases	Balance August 31, 2020
Notes from Direct Borrowings - Loans				
Revenue Financing System Note (2007 TIPS Project)	\$ 999,999.94	\$ -	\$ (333,333.34)	\$ 666,666.60

Future Minimum Payments			
Fiscal Year	Principal	Interest	Total
2021	\$ 333,333.34	\$ 11,842.59	\$ 345,175.93
2022	333,333.26	5,083.34	338,416.60
Total	\$ 666,666.60	\$ 16,925.93	\$ 683,592.53

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
2021	\$ 6,130,108.43	\$ 2,776,117.69	\$ 8,906,226.12
2022	5,927,473.87	2,560,826.24	8,488,300.11
2023	4,522,214.34	2,331,739.99	6,853,954.33
2024	3,150,081.39	2,157,121.62	5,307,203.01
2025	3,332,768.23	2,028,155.69	5,360,923.92
2026-2030	19,999,228.51	7,888,671.79	27,887,900.30
2031-2035	25,254,536.94	3,620,220.91	28,874,757.85
2036-2040	2,337,245.58	90,388.67	2,427,634.25
Total	\$ 70,653,657.29	\$ 23,453,242.60	\$ 94,106,899.89

Cost of Assets Financed with Direct Borrowings			
Asset Description	Cost	Accumulated Depreciation/ Amortization	Total
Buildings	\$ 46,251,572.75	\$ 8,446,494.41	\$ 37,805,078.34
Infrastructure	730,759.97	33,493.13	697,266.84
Facilities & Other Improvements	259,196.66	15,839.78	243,356.88
Equipment	38,651,567.78	26,729,996.52	11,921,571.26
Vehicles	52,978.25	29,011.74	23,966.51
Computer Software	2,777,378.76	1,151,419.42	1,625,959.34
Construction in Progress	27,898,596.67	-	27,898,596.67
Total	\$ 116,622,050.84	\$ 36,406,255.00	\$ 80,215,795.84

UNAUDITED

The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2020

The outstanding notes from direct borrowings for equipment and software capital leases contain provisions where, in the event of default, all remaining payments may be declared immediately due or the lessor may repossess the assets or, in the case of software, render the asset unusable, or the lessor may proceed with court action to enforce performance.

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 leased asset, or require the A&M System to return the leased asset at the A&M System's expense. 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, \$116,424,452.84 as of August 31, 2020, 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 \$21,400,319.29 for accrued vacation to employees who separated from State service during the fiscal year ended August 31, 2020.

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 \$2,708,853 and a non-current portion of \$12,083,545, for a total worker's compensation liability of \$14,792,398. 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.

UNAUDITED

The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2020

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 four 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). The estimated liability related to these licenses is \$2,701,750.77.

Pollution Remediation Obligations

The A&M System is responsible for asbestos removal in buildings that are being demolished or remodeled. The A&M System established a \$60,000 current liability for this pollution remediation obligation. This amount is included in Other Current Liabilities on the proprietary Statement of Net Position. Expected outlays related to this pollution remediation were estimated based on recent similar projects. There are no estimated recoveries from insurance policies or third parties which would reduce the liability. The asbestos removal will be completed within the next year. The A&M System has been named as a potentially responsible party (PRP) party for two hazardous waste sites. It is unknown at this time if there will be any future costs associated with the A&M System's status as a PRP.

Liabilities Payable from Restricted Assets

Liabilities payable from restricted assets reported on the proprietary Statement of Net Position represent payables at year-end from assets with external restrictions. The balance reported represents payables from bond proceeds.

Pledged Future Revenues

Sources of proprietary fund 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	\$6,543,894,294.62
Term of commitment year ending 8/31	2057
Percentage of revenue pledged	100%
Current year pledged revenue	\$3,223,743,295.95
Current year principal and interest paid	\$390,958,475.56

UNAUDITED

The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2020

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 capital assets 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, 2020, \$207,115,676.55 of Revenue Financing System debt proceeds had been appropriated prior to the receipt of the proceeds. As of August 31, 2020, \$119,034,418.30 of Permanent University Fund debt proceeds had been appropriated prior to the receipt of the proceeds.

B. General Information

At August 31, 2020, the A&M System had outstanding bonds payable of \$4,598,805,000.00 as detailed below, which does not include unamortized premium of \$127,699,302.25.

Bonds payable are due in annual installments varying from \$10,000.00 to \$55,740,000.00 with interest rates ranging from 0.21% 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 and 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	1.65-5.75%	2021-2049	\$ 1,439,735,000.00
Revenue Financing System Bonds	0.21-5.00%	2021-2057	3,159,070,000.00
			<u>\$ 4,598,805,000.00</u>

UNAUDITED

**The Texas A&M University System
Notes to the Combined Financial Statements
For the Year Ended August 31, 2020**

Debt Service Requirements			
Fiscal Year	Principal	Interest	Total
2021	\$ 236,025,000.00	\$ 165,409,286.80	\$ 401,434,286.80
2022	237,025,000.00	158,416,634.78	395,441,634.78
2023	229,580,000.00	150,302,704.74	379,882,704.74
2024	232,230,000.00	142,286,539.98	374,516,539.98
2025	240,245,000.00	133,793,208.20	374,038,208.20
2026-2030	1,196,630,000.00	534,998,107.60	1,731,628,107.60
2031-2035	824,185,000.00	335,290,328.70	1,159,475,328.70
2036-2040	656,615,000.00	202,337,931.50	858,952,931.50
2041-2045	462,050,000.00	94,282,291.20	556,332,291.20
2046-2050	266,655,000.00	25,052,061.12	291,707,061.12
2051-2055	12,045,000.00	2,586,800.00	14,631,800.00
2056-2057	5,520,000.00	333,400.00	5,853,400.00
Total	<u>\$ 4,598,805,000.00</u>	<u>\$ 1,945,089,294.62</u>	<u>\$ 6,543,894,294.62</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, 2020 was \$24,200,000.00.

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, 2020 was \$198,260,000.00.

UNAUDITED

The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2020

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.
- \$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, 2020 was \$5,000,000.00.

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, 2020 was \$49,470,000.00.

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, 2020 was \$81,320,000.00.

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, 2020 was \$88,335,000.00.

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, 2020 was \$140,555,000.00.

UNAUDITED

The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2020

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, 2020 was \$102,835,000.00.

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, 2020 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, 2020 was \$310,480,000.00.

Permanent University Fund Bonds, Taxable Series 2019

- Issued December 17, 2019, to refund \$125,000,000.00 of the Board's previously issued and outstanding Permanent University Fund Commercial Paper Notes; to provide funding for eligible projects; and to pay the costs of issuing the bonds.
- \$351,890,000.00 authorized; all authorized bonds have been issued. Outstanding balance at August 31, 2020 was \$349,570,000.00.

UNAUDITED

The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2020

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, 2020 was \$0.00.

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, 2020 was \$0.00.

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, 2020 was \$1,820,000.00.

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, 2020 was \$0.00.

UNAUDITED

The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2020

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, 2020 was \$13,045,000.00.

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, 2020 was \$53,225,000.00.

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, 2020 was \$22,900,000.00.

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, 2020 was \$26,900,000.00.

UNAUDITED

The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2020

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, 2020 was \$55,785,000.00.

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, 2020 was \$89,965,000.00.

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, 2020 was \$59,825,000.00.

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, 2020 was \$69,740,000.00.

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, 2020 was \$290,420,000.00.

UNAUDITED

The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2020

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, 2020 was \$191,805,000.00.

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, 2020 was \$155,605,000.00.

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.
- \$139,350,000.00 authorized; all authorized bonds have been issued. Outstanding balance at August 31, 2020 was \$128,425,000.00.

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, 2020 was \$298,525,000.00.

UNAUDITED

The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2020

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, 2020 was \$327,305,000.00.

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, 2020 was \$96,840,000.00.

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, 2020 was \$149,340,000.00.

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 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, 2020 was \$338,630,000.00.

UNAUDITED

The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2020

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, 2020 was \$211,490,000.00.

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, 2020 was \$419,700,000.00.

Revenue Financing System Bonds, Taxable Series 2020A

- Issued July 30, 2020, to provide funding for eligible projects; and to pay the cost of issuing the bonds.
- \$157,780,000.00 authorized; all authorized bonds have been issued. Outstanding balance at August 31, 2020 was \$157,780,000.00.

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, 2020, the principal balance outstanding for the defeased bonds is \$535,960,000.00.

UNAUDITED

The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2020

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 disclosures 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.

Proprietary Funds - Investment Derivative Activity					
Description	Changes in Fair Value		Fair Value as of August 31, 2020		Notional Amount
	Classification	Amount	Classification	Amount	
Foreign Currency Forwards	Investment Income	\$69,764.93	Investment	\$69,764.93	\$3,189,596.52
Foreign Currency Forwards	Investment Income	(43,946.59)	Other Payable	(43,949.59)	2,567,027.08
Futures - Long	Investment Income	226,632.49	Other Receivable	226,632.49	216,793,542.13
Futures - Long	Investment Income	(196,770.73)	Other Payable	(196,770.73)	10,828,054.67
Futures - Short	Investment Income	240,309.57	Other Receivable	240,309.57	(128,629,230.01)

Fiduciary Funds - Investment Derivative Activity					
Description	Changes in Fair Value		Fair Value as of August 31, 2020		Notional Amount
	Classification	Amount	Classification	Amount	
Foreign Currency Forwards	Investment Income	\$5,880.60	Investment	\$5,880.60	\$268,856.20
Foreign Currency Forwards	Investment Income	(3,569.78)	Other Payable	(3,569.78)	212,035.65
Futures - Long	Investment Income	18,678.37	Other Receivable	18,678.37	17,992,155.46
Futures - Long	Investment Income	(16,049.46)	Other Payable	(16,049.46)	879,976.58
Futures - Short	Investment Income	20,604.95	Other Receivable	20,604.95	(10,557,988.74)

UNAUDITED

**The Texas A&M University System
Notes to the Combined Financial Statements
For the Year Ended August 31, 2020**

Hedging Derivatives

The A&M System did not enter into hedging derivatives in fiscal year 2020.

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, 2020

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, 2020, 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, 2020, is \$10,690,434.99 in the proprietary fund statements.

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	\$ (208,062.14)	\$ 18,914.98
Vehicles	1,775,563.71	(515,272.87)	1,260,290.84
Computer Software	8,687,894.16	(4,189,600.71)	4,498,293.45
Total	<u>\$ 10,690,434.99</u>	<u>\$ (4,912,935.72)</u>	<u>\$ 5,777,499.27</u>

Future Minimum Capital Lease Payments	
Fiscal Year	Principal Payments
2021	\$ 2,726,782.81
2022	1,161,716.96
2023	676,290.65
2024	145,703.62
2025	27,402.76
Total	<u>\$ 4,737,896.80</u>

UNAUDITED

The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2020

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 \$27,779,177.24 for the year ended August 31, 2020 in the proprietary fund statements. Of this amount, \$2,004,019.00 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, 2020 are presented below. For fiscal years 2021 through 2023, the lease payment amount includes sublease rental payments totaling \$2,297,275.00.

Operating Lease Obligations	
Fiscal Year	Minimum Future Lease Payments
2021	\$ 20,573,717.28
2022	14,110,394.62
2023	8,799,929.71
2024	5,717,012.54
2025	4,092,680.23
2026-2030	14,133,246.50
2031-2035	14,073,300.00
2036-2040	14,074,730.00
2041-2045	14,072,500.00
2046-2050	2,814,000.00
Total Minimum Future Lease Payments	<u>\$ 112,461,510.88</u>

UNAUDITED

The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2020

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 \$4,401,815.33 has been recorded for the year ended August 31, 2020 in the proprietary fund statements. 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, 2020, are presented below.

Carrying Value of Leased Assets			
Class of Property	Leased Assets	Accumulated Depreciation	Total
Land	\$ 876,353.06	\$ -	\$ 876,353.06
Buildings	158,305,167.21	(63,921,861.60)	94,383,305.61
Total	<u>\$ 159,181,520.27</u>	<u>\$ (63,921,861.60)</u>	<u>\$ 95,259,658.67</u>

Operating Lease Rentals	
Fiscal Year	Minimum Future Lease Revenue
2021	\$ 4,818,663.95
2022	4,618,165.46
2023	7,271,649.91
2024	7,205,532.15
2025	6,236,644.49
2026-2030	30,916,549.17
2031-2035	31,972,886.08
2036-2040	33,554,223.10
2041-2045	44,795,100.03
2046-2050	52,456,451.70
2051-2055	18,779,911.00
2056-2060	18,542,765.00
2061-2065	18,481,965.00
2066-2070	18,481,965.00
2071-2075	18,481,965.00
2076-2080	18,481,965.00
Total Minimum Future Lease Revenue	<u>\$ 335,096,402.04</u>

UNAUDITED

The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2020

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 2019 measurement period for fiscal year 2020 reporting, the amount of the A&M System contributions recognized by the plan was \$55,668,520. 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, 2019 measurement date for fiscal year 2020.

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The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2020

Summary of Actuarial Methods and Assumptions*-TRS Plan	
Actuarial Valuation Date	August 31, 2018 rolled forward to August 31, 2019
Actuarial Cost Method	Individual Entry Age Normal
Amortization Method	Level Percentage of Payroll, Floating
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Discount Rate	7.25%
Investment Rate of Return	7.25%
Long-term Expected Rate of Return	7.25%
Municipal Bond Rate as of August, 2019	2.63% **
Inflation	2.30%
Salary Increase	3.05% to 9.05% including inflation
Mortality	
Active	90% of the RP 2014 Employees Mortality Tables for males and females with full generational mortality
Post-Retirement	2018 TRS Healthy Pensioner Mortality Tables with full generation projection using Scale U-MP
Ad Hoc Post-Employment Benefit Changes	None

* The assumptions used to determine the ADC are those in effect for the August 31, 2018 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.

The actuarial assumptions used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of Aug. 31, 2018 except for a change in the following assumptions:

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

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

UNAUDITED

**The Texas A&M University System
Notes to the Combined Financial Statements
For the Year Ended August 31, 2020**

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

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

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

TRS Asset Class	TRS Target Allocation	TRS Long-term Expected Geometric Real Rate of Return
Global Equity		
U.S.	18%	6.40%
Non-U.S. Developed	13%	6.30%
Emerging Markets	9%	7.30%
Private Equity	14%	8.40%
Stable Value		
U.S. Treasury	16%	3.10%
Stable Value Hedge Funds	5%	4.50%
Real Return		
Real Assets	15%	8.50%
Energy, Natural Resources and Infrastructure	6%	7.30%
Risk Parity		
Risk Parity	8%	5.80/6.50%
Asset Allocation Leverage Cash	2%	2.50%
Asset Allocation Leverage	(6%)	2.70%
Total	100%	

UNAUDITED

**The Texas A&M University System
Notes to the Combined Financial Statements
For the Year Ended August 31, 2020**

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 (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
\$1,054,226,874	\$685,834,250	\$387,365,119

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 2020 Comprehensive Annual Financial Report.

At August 31, 2020, the A&M System reported a liability of \$685,834,250 for its proportionate share of the collective net pension liability in the proprietary fund statements. The collective net pension liability was measured as of August 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The A&M System's proportion at August 31, 2020 was 1.3193401398% which was an increase from the 1.2942945800% 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, 2018 through August 31, 2019.

For the year ending August 31, 2020, the A&M System recognized pension expense of \$122,711,267 in the proprietary fund statements. At August 31, 2020, the A&M System reported on the proprietary fund statement deferred outflows of resources and deferred inflows of resources related to pensions from the sources listed below.

Elements of Deferred Outflows and Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$2,881,118	\$23,813,253
Changes of assumptions	212,779,466	87,930,542
Net difference between projected and actual investment return	6,886,566	0
Change in proportion and contribution difference	63,604,777	42,956,719
Contributions subsequent to the measurement date	55,668,520	0
Total	\$341,820,447	\$154,700,514

UNAUDITED

The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2020

The \$55,668,520 reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending August 31, 2021.

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

Deferred Outflows and Inflows Recognized in Pension Expense	
Future Years	Amounts
2021	\$21,605,436
2022	\$15,928,877
2023	\$44,204,278
2024	\$40,403,341
2025	\$15,085,926
Thereafter	(\$5,776,445)

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 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, 2020	
Employer	\$ 45,633,558.53
Employee	\$ 42,807,923.00
Total	\$ 88,441,481.53

UNAUDITED

The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2020

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.

UNAUDITED

The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2020

Note 11 – Post-Employment 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 and reported in the proprietary fund statements. 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 the actuary.

Proportionate Share

The A&M System and the State of Texas calculate a proportional share of all elements of the OPEB liability and record their proportional share. Per Chapter 1551 of the *Texas Insurance Code*, Sections 310 and 311, it requires the State to contribute to the cost of each participant's insurance coverage. The funds are appropriated under the General Appropriations Act under the Higher Education Employees Group Insurance (HEGI) Contributions.

The A&M System's proportional share as of August 31, 2020 was 53.67 percent and it was 54.85 percent in fiscal year 2019. The State of Texas' proportional share was 46.33 percent for fiscal year 2020 and 45.15 percent for fiscal year 2019. Below is a table with the total current and noncurrent OPEB liability. This percentage was applied to all elements of the OPEB accounting event including the OPEB liability, deferred outflows and inflows and OPEB expense.

	A&M System Proportional Share	State of Texas Proportional Share*	Total OPEB Liability*
Current OPEB Liability	\$ 43,199,713	\$ 37,293,825	\$ 80,493,538
NonCurrent OPEB Liability	1,979,860,948	1,709,191,587	3,689,052,535
Total per the AFR	\$2,023,060,661	\$1,746,485,412	\$3,769,546,073

*Total column matches the current actuary report. Adjustments will be needed for the State of Texas Proportional Share to adjust for the funding percentage which is adjusted annually, based upon the prior year funding.

UNAUDITED

The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2020

Employees Covered by Benefit Terms

At the measurement dates below, the following employees were covered by the benefit terms.

Employee Type	Valuation Date
	09/01/2019
a. Inactive employees or beneficiaries currently receiving benefit payments	10,659
b. Inactive employees entitled to but not yet receiving benefit payments	8,038
c. Active employees	24,364
Total	43,061

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

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 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.

UNAUDITED

The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2020

Actuarial Assumptions and Other Inputs

The collective OPEB liability for Fiscal Year 2020 was determined by an actuarial valuation 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, 2019
Inflation	2.30%
Salary Increases	3.05% to 9.05% (includes inflation)
Discount Rate*	2.97%
Healthcare Cost Trend Rates	7.50% for FY 2022 decreasing 0.50% per year to 5.00% for FY 2027, then decreasing to 4.75% for FY 2028 and to an ultimate rate of 4.30% for FY 2029 and later years
Mortality	a. <u>Service Retirees, Survivors and other Inactive Members</u> : Tables based on TRS experience with Ultimate MP Projection Scale from the year 2018. b. <u>Disability Retirees</u> : Tables based on TRS experience with Ultimate MP Projection Scale from the year 2018 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 Ultimate MP Projection Scale from the year 2014.

* Discount Rate

- The discount rate used to measure the OPEB liability as of September 1, 2019 was 2.97%.
- Municipal Bond Rate: 2.97% as of September 1, 2019; 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 the bonds' average credit quality is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard & Poor's Corp.'s AA.

Other Information

As of the measurement date of September 1, 2019, no changes in benefit terms have occurred. Accordingly, the benefit terms used in this valuation have not been changed since the prior valuation.

UNAUDITED

The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2020

Medicare Part D

In fiscal year 2020 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 2020 the A&M System received \$10,100,193.78 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, 2020 and measured as of September 1, 2019, 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 or 1-percentage point higher.

	1% Decrease (1.97%)	FY2019 Discount Rate (2.97%)	1% Increase (3.97%)
A&M System's Proportionate Share of OPEB Liability	\$2,457,340,904	\$2,023,060,661	\$1,693,112,157

UNAUDITED

**The Texas A&M University System
Notes to the Combined Financial Statements
For the Year Ended August 31, 2020**

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, 2020 and measured as of September 1, 2019, 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 fiscal year 2020 healthcare cost trend rate.

	1% Decrease	FY2019 Healthcare Cost Trend Rates*	1% Increase
A&M System's Proportionate Share of OPEB Liability	\$1,689,397,357	\$2,023,060,661	\$2,465,025,112

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

Fiscal Year	1% Decrease	Healthcare Cost Trend Rates	1% Increase
2022	6.50%	7.50%	8.50%
2023	6.00%	7.00%	8.00%
2024	5.50%	6.50%	7.50%
2025	5.00%	6.00%	7.00%
2026	4.50%	5.50%	6.50%
2027	4.00%	5.00%	6.00%
2028	3.75%	4.75%	5.75%
2029 and beyond	3.30%	4.30%	5.30%

UNAUDITED

The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2020

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	\$1,852,526,441
Changes for the Year:	
Service Cost	68,219,053
Interest	73,736,653
Changes of benefit terms	0
Differences between expected and actual experience	(59,775,841)
Changes of assumptions or other inputs	165,853,936
Benefit payments (employer)	(37,581,587)
Other Changes	(39,917,994)
Net Changes	170,534,220
Ending Balance of Measurement Year*	\$2,023,060,661

*Information for the fiscal year ending August 31, 2020 was taken as of the measurement date of September 1, 2019 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 \$120,671,559 for the fiscal year ended August 31, 2020.

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	\$ 0	\$ 77,257,548
Changes of assumptions or other inputs	355,486,635	455,621,873
Effect of change in proportion and contribution difference	122,380,877	38,506,089
Contributions subsequent to the measurement date	37,346,036	0
Total	\$ 515,213,548	\$ 571,385,510

UNAUDITED

**The Texas A&M University System
Notes to the Combined Financial Statements
For the Year Ended August 31, 2020**

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

Fiscal Year	Amount
2021	(\$21,565,924)
2022	(21,565,924)
2023	(26,738,601)
2024	(21,250,017)
2025	(4,054,109)
Thereafter	1,656,577

UNAUDITED

The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2020

Note 12 - Interfund Activity and Transactions

As of August 31, 2020, 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, 2020 are presented below.

Proprietary Funds

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	\$ 55,892,732.95	\$ -	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	\$ 55,892,732.95	\$ 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	\$ 1,412,960,180.53	\$ -	Permanent University Fund
Agency 711, Appd Fund 0001, D23 Fund 0001 From Agency 907, D23 Fund 0515	-	7,829,034.02	SECO LoanStar
Total Non-Current Interfund Receivable/Payable	\$ 1,412,960,180.53	\$ 7,829,034.02	

Fiduciary Funds

Not Applicable

UNAUDITED

**The Texas A&M University System
Notes to the Combined Financial Statements
For the Year Ended August 31, 2020**

Note 13 - Continuance Subject to Review

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

UNAUDITED

The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2020

Note 14 - Restatement of Net Position

During fiscal year 2020, certain accounting changes and adjustments were made that required the restatement of the proprietary and fiduciary net position. The restatements are presented below.

	Proprietary Net Position	Fiduciary Net Position
Net Position, September 1, 2019	\$ 6,588,273,433.46	\$ 0.00
Current Year Restatements		
Remove Asset Retirement Obligations (ARO)		
Texas A&M Health Science Center (709)	250,000.00	
Implement GASB 84, <i>Fiduciary Activities</i> *		473,616,736.60
Net Position, September 1, 2019, as Restated	\$ 6,588,523,433.46	\$ 473,616,736.60

*The implementation of GASB 84, *Fiduciary Activities*, resulted in a restatement to Fiduciary Net Position as funds previously held in proprietary funds were moved to fiduciary funds. The impact of this change is reflected in the proprietary financial statements as a decrease in Fund Held for Others liabilities, a decrease in Restricted Investments, and a (\$58,804,163.82) restatement to Cash & Cash Equivalents for the portion moved to fiduciary funds.

UNAUDITED

The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2020

Note 15 - Commitments and Contingencies

At August 31, 2020, 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 investments in limited partnerships are managed by external investment managers or general partners who invest primarily in private companies. 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. The commitments to various private investments are summarized in the table below:

Unfunded Commitments as of August 31, 2020		
	Proprietary	Fiduciary
Committed Amount	\$621,054,216.00	\$82,760,295.00
Unfunded Amount	\$139,638,217.61	\$18,607,876.39

UNAUDITED

The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2020

Note 16 - Subsequent Events

The A&M System is authorized to issue up to \$800 million of Revenue Financing System Bonds during fiscal year 2021 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 \$696 million of Permanent University Fund Bonds during fiscal year 2021 to provide funding for eligible projects, refund previously issued bonds, refund commercial paper and pay the costs of issuing the bonds.

The table below lists debt issued after the balance sheet date, August 31, 2020.

Debt Issuance	Amount	Date of Issuance	Purpose
Permanent University Fund Taxable Commercial Paper Notes	\$ 50,000,000	09/30/20	Provide interim financing for construction projects and equipment purchases.
Revenue Financing System Commercial Paper Notes	\$ 60,000,000	10/06/20	Provide interim financing for construction projects.
Revenue Financing System Taxable Commercial Paper Notes	\$ 30,000,000	10/06/20	Provide interim financing for construction projects.

UNAUDITED

The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2020

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.

UNAUDITED

The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2020

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 are no longer credited to the existing fund balance, and instead, are 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 is maintained without additional medical student participation funding and serves as the deductible for the commercial policy. At August 31, 2020, the Plan had a balance of \$773,469.90 and 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, 2020, 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, 2020, 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.

UNAUDITED

The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2020

Current Year Changes in Claims and IBNR

Plan Type	Liability Balance 09/01/19	Claims and Changes in Estimates	Claims Payments	Liability Balance 08/31/20
WCI	\$ 10,991,687.00	\$ 5,526,711.00	\$ (1,726,000.00)	\$ 14,792,398.00
Group Health and Dental Insurance	20,267,000.00	346,021,382.31	(347,333,382.31)	18,955,000.00
Total	<u>\$ 31,258,687.00</u>	<u>\$ 351,548,093.31</u>	<u>\$ (349,059,382.31)</u>	<u>\$ 33,747,398.00</u>

Prior 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>

The WCI liability is reported on the proprietary Statement of Net Position as Current and Non-Current Claims and Judgments. The liability for group health and dental insurance claims is included in the Current Liabilities section of the proprietary Statement of Net Position 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, 2020 are summarized in the table below. There are no outstanding claim liabilities as of August 31, 2020.

Claim and Loss Expenses		
	Current Year	Prior Year
Beginning Liability Balance	\$ -	\$ 900,000.00
Other Settlement Claims-Operating	3,900,116.26	6,796,787.36
Other Settlement Claims-NonOperating	1,228,722.71	2,727,332.80
Total Additions	<u>5,128,838.97</u>	<u>9,524,120.16</u>
Payments for Claims	<u>(5,128,838.97)</u>	<u>(10,424,120.16)</u>
Ending Liability Balance (included in Other Current Liability)	\$ -	\$ -

UNAUDITED

**The Texas A&M University System
Notes to the Combined Financial Statements
For the Year Ended August 31, 2020**

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.

UNAUDITED

The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2020

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 31st and is include in the proprietary financial statements. 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 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 (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 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 2020, A&M System is entitled to receive \$2,767,272.73 in contract revenue.

While the A&M System has a 33.33 percent membership (equity) interest in Triad LLC, the 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 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, Triad National Security, LLC, 505 King Avenue, Columbus, Ohio 43201.

UNAUDITED

**The Texas A&M University System
Notes to the Combined Financial Statements
For the Year Ended August 31, 2020**

Note 20 - Stewardship, Compliance and Accountability

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

UNAUDITED

**The Texas A&M University System
Notes to the Combined Financial Statements
For the Year Ended August 31, 2020**

Note 21 - Tobacco Settlement

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

UNAUDITED

The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2020

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	\$139,594,318.22	Restricted for Expendable
Term Endowments	46,753.73	Restricted for Expendable
Total	\$139,641,071.95	

¹The total fiscal year 2020 fair value adjustment to the Fund was \$17,202,641.52.

UNAUDITED

**The Texas A&M University System
Notes to the Combined Financial Statements
For the Year Ended August 31, 2020**

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, 2020.

UNAUDITED

**The Texas A&M University System
Notes to the Combined Financial Statements
For the Year Ended August 31, 2020**

Note 24 - Disaggregation of Receivable and Payable Balances

Receivables

A summary of proprietary and fiduciary receivables and the associated allowances for doubtful accounts balances for the year ended August 31, 2020, is presented in the table below.

Proprietary Fund Receivables			
Description	Gross Receivable	Allowance for Doubtful Accounts	Net Receivable
Current Receivables			
Federal	\$ 160,000,553.74	\$ -	\$ 160,000,553.74
Other Intergovernmental	3,663,630.14	-	3,663,630.14
Interest and Dividends	10,216,783.02	-	10,216,783.02
Gifts	36,551,047.38	-	36,551,047.38
Self Insured Plans	26,902,455.87	-	26,902,455.87
Student	60,499,959.11	(18,680,809.93)	41,819,149.18
Investment Trades	18,038,673.71	-	18,038,673.71
Accounts	184,712,957.52	(4,680,394.78)	180,032,562.74
Other	5,001,034.37	(388,574.26)	4,612,460.11
Total Current Receivables	<u>\$ 505,587,094.86</u>	<u>\$ (23,749,778.97)</u>	<u>\$ 481,837,315.89</u>
Non-Current Receivables			
Gifts	\$ 315,445,431.30	\$ -	\$ 315,445,431.30
Total Non-Current Receivables	<u>\$ 315,445,431.30</u>	<u>\$ -</u>	<u>\$ 315,445,431.30</u>
Fiduciary Fund Receivables			
Description	Gross Receivable	Allowance for Doubtful Accounts	Net Receivable
Interest and Dividends	\$ 865,709.23	\$ -	\$ 865,709.23
Gifts	29,240,001.65	(125,033.57)	29,114,968.08
Student	2,359,251.31	(129,488.02)	2,229,763.29
Investment Trades	1,560,658.17	-	1,560,658.17
Accounts	25,282.14	-	25,282.14
Other	1,327,589.79	-	1,327,589.79
Total Receivables	<u>\$ 35,378,492.29</u>	<u>\$ (254,521.59)</u>	<u>\$ 35,123,970.70</u>

UNAUDITED

**The Texas A&M University System
Notes to the Combined Financial Statements
For the Year Ended August 31, 2020**

Other Payables

A summary of the proprietary and fiduciary Other Payables are detailed by type of activity in the table below.

Proprietary Other Payables	
Description	Amount
Sales Tax Payable	\$ 2,561,351.93
External Investment Manager Fee Payable	3,850,738.01
Miscellaneous Payables	372,436.46
Total Other Payables	<u>\$ 6,784,526.40</u>
 Fiduciary Other Payables	
Description	Amount
Sales Tax Payable	\$ 7,566.02
Income Distribution Payable	788,615.71
Public Private Partnership Distribution	238,157.90
Miscellaneous Payables	65,808.68
Total Other Payables	<u>\$ 1,100,148.31</u>

UNAUDITED

The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2020

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, 2020, the fully-insured plan had 10 enrolled participants for the dental plan, and 93 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, 2020.

Self-Insured Health and Dental Plan - COBRA	
Number of Participants	322
Premium Revenue	\$ 1,079,962.09
2% Administrative Fee Revenue	22,040.04
Total COBRA Premium	1,102,002.13
Claims Paid	(2,003,225.46)
Administrative Expenses	(183,598.56)
Total COBRA Expenses	(2,186,824.02)
Total Cost to State	\$ (1,084,821.89)

Non-Health Care Related Termination Benefits

Texas A&M University College of Geosciences announced a Staff Voluntary Separation Program available to staff members with at least 23 years of service on June 1, 2020. Applicants accepted into the program must separate from the University no later than October 8, 2020. Accepted staff members will receive 6 months of their budgeted gross salary, less applicable taxes. One employee was accepted and was approved for the program with a separation date of 9/30/2020 with a payout of \$29,610. This amount was accrued as a liability as of 8/31/2020.

UNAUDITED

**The Texas A&M University System
Notes to the Combined Financial Statements
For the Year Ended August 31, 2020**

Note 26 - Segment Information

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

UNAUDITED

**The Texas A&M University System
Notes to the Combined Financial Statements
For the Year Ended August 31, 2020**

Note 27 - Service Concession Arrangements

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

UNAUDITED

**The Texas A&M University System
Notes to the Combined Financial Statements
For the Year Ended August 31, 2020**

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

In fiscal year 2020, the A&M System reported Deferred Inflows of Resources and Deferred Outflows of Resources on the proprietary fund statement of net position in connection with a loss on refunding debt, a government acquisition, and changes related to the pension and OPEB liabilities. 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	\$ 67,483,836.75	\$ -
Government Acquisition	11,605,274.91	-
Pensions (Note 9)	341,820,447.00	154,700,514.00
Other Post-Employment Benefits (Note 11)	515,213,548.00	571,385,510.00
Split Interest Agreements	-	871,290.79
Total	\$ 936,123,106.66	\$ 726,957,314.79

Unamortized Loss on Refunding Debt

Deferred Outflows of Resources of \$67.5 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	\$ 5,852,287.17
2016	Revenue Financing System Bonds, Series 2009A and Series 2009B	2016-2039	10,321,939.93
2016	Revenue Financing System Bonds, Series 2009C and Series 2009D	2016-2040	15,765,039.02
2018	Revenue Financing System Bonds, Series 2011B	2018-2041	5,284,621.01
2018	Revenue Financing System Bonds, Series 2013D	2018-2028	2,667,379.85
2019	Revenue Financing System Bonds, Taxable Series 2013C	2019-2043	27,592,569.77
Total			\$ 67,483,836.75

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The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2020

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. 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 to 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, Post-Employment 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, 2020**

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, 2020**

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, 2020**

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, 2020**

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, 2020

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						
	2020	2019	2018	2017	2016	2015
A&M System's percentage proportionate share of the net pension liability	1.3193401398%	1.294294580%	1.2265395%	1.2107484%	1.1294397%	1.3190594%
A&M System's proportionate share of the net pension liability	\$685,834,250	\$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	\$728,675,753	\$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	94.12%	103.14%	61.67%	76.98%	91.94%	72.89%
Plan fiduciary net position as a percentage of the total pension liability	75.24%	73.74%	82.17%	78.00%	78.43%	83.25%

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, 2020**

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							
	2020	2019	2018	2017	2016	2015	2014
Statutorily required contributions	\$55,668,520	\$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	\$55,668,520	\$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	\$0.00
A&M System's covered payroll-non General Revenue ²	\$728,675,753	\$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	7.64%	6.92%	6.74%	6.80%	8.76%	7.07%	6.66%

¹This schedule is intended to present 10 years of information. Currently only seven 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, 2020

Schedule of Proportionate Share of OPEB Liability- Fiscal Years 2018-2020

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 third year the data will be collected for the next 7 years, eventually this table will include 10 years.

	Elements of the OPEB Liability¹⁻³	2020	2019	2018
1.	OPEB Liability Beginning Balance	\$1,852,526,441	\$2,313,866,921	\$2,768,919,058
	Changes for the Year:			
	Service Cost	68,219,053	95,228,755	127,342,039
	Interest	73,736,653	89,731,375	81,716,351
	Changes of benefit terms ⁴	0	(576,118,675)	0
	Differences between expected and actual experience	(59,775,841)	0	(48,754,146)
	Changes of assumptions or other inputs ⁵	165,853,936	(198,049,045)	(577,506,807)
	Benefit payments (employer)	(37,581,587)	(38,973,287)	(37,849,574)
	Other Changes	(39,917,994)	166,840,397	0
	Net Changes	170,534,220	(461,340,480)	(455,052,137)
	OPEB Liability Ending Balance	\$2,023,060,661	\$1,852,526,441	\$2,313,866,921
2.	Covered Employee Payroll	\$950,446,721	\$888,380,104	\$822,477,489
3.	Total OPEB Liability as a Percentage of Covered Employee Payroll	212.85%	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: 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).

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 2020 is 2.97%.

In fiscal year 2020, amounts reflect updated assumed rates of retirement, disability, termination and mortality, assumed inflation and salary increases, assumed expenses, assumed per capita health benefit costs and assumed trend for health benefit costs, retiree contributions and expenses.

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The Texas A&M University System
Bond Schedules
For the Year Ended August 31, 2020

<u>Schedule</u>	<u>Page</u>
2A Schedule of Miscellaneous Bond Information	798-9
2B Schedule of Changes in Bonded Indebtedness	798-10
2C Schedule of Debt Service Requirements	798-11
2D Schedule of Analysis of Funds Available for Debt Service	798-12
2E Schedule of Defeased Bonds Outstanding	798-13
2F Schedule of Early Extinguishment and Refunding	798-14

UNAUDITED

Schedule 2A
The Texas A&M University System
Schedule of Miscellaneous Bond Information
For the Year Ended August 31, 2020

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
Permanent University Fund Bonds, Taxable Series 2019						
Revenue Bonds	351,890,000.00	1.6 - 3.1%	7/1/2020	7/1/2029	(1) (2)	7/1/2049
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
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					
Tuition Revenue Bonds	2,955,000.00	0.510 - 3.993%	5/15/2016	5/15/2026	(1) (2)	5/15/2037 5/15/2027

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Schedule 2A
The Texas A&M University System
Schedule of Miscellaneous Bond Information
For the Year Ended August 31, 2020

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 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 Make Whole	(1) (2) (3)	5/15/2040
Tuition Revenue Bonds	22,595,000.00					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
Revenue Financing System Bonds, Taxable Series 2020A Revenue Bonds	157,780,000.00	0.209 - 2.647%	5/15/2021	5/15/2029	(1) (2) (3)	5/15/2047
	\$ 6,197,485,000.00					

(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, 2020

Description	Bonds Outstanding September 1, 2019	Bonds Issued or Converted	Bonds Matured or Retired	Bonds Refunded	Bonds Outstanding August 31, 2020
Revenue Bonds - Self Supporting					
Permanent University Fund Bonds, Series 1998 Revenue Bonds	\$ 26,560,000.00	\$ -	\$ 2,360,000.00	\$ -	\$ 24,200,000.00
Permanent University Fund Bonds, Series 2009AB Revenue Bonds	203,955,000.00		5,695,000.00		198,260,000.00
Permanent University Fund Bonds, Series 2011 Revenue Bonds	7,675,000.00		2,675,000.00		5,000,000.00
Permanent University Fund Bonds, Series 2012A Revenue Bonds	60,345,000.00		10,875,000.00		49,470,000.00
Permanent University Fund Bonds, Taxable Series 2012B Revenue Bonds	87,140,000.00		5,820,000.00		81,320,000.00
Permanent University Fund Bonds, Series 2013 Revenue Bonds	96,500,000.00		8,165,000.00		88,335,000.00
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	110,650,000.00		7,815,000.00		102,835,000.00
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	310,490,000.00		10,000.00		310,480,000.00
Permanent University Fund Bonds, Taxable Series 2019 Revenue Bonds	-	351,890,000.00	2,320,000.00		349,570,000.00
Revenue Financing System Bonds, Series 2010A Tuition Revenue Bonds	7,465,000.00		7,465,000.00		-
Revenue Financing System Bonds, Series 2010B Revenue Bonds	7,715,000.00		7,715,000.00		-
Revenue Financing System Bonds, Series 2011A Revenue Bonds	3,585,000.00		1,765,000.00		1,820,000.00
Revenue Financing System Bonds, Series 2011B Revenue Bonds	3,095,000.00		3,095,000.00		-
Revenue Financing System Bonds, Series 2013A Tuition Revenue Bonds	16,850,000.00		3,805,000.00		13,045,000.00
Revenue Financing System Bonds, Series 2013B Revenue Bonds	60,910,000.00		7,685,000.00		53,225,000.00
Revenue Financing System Bonds, Series 2013D Revenue Bonds	29,820,000.00		6,920,000.00		22,900,000.00

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Schedule 2B
The Texas A&M University System
Schedule of Changes in Bonded Indebtedness
For the Year Ended August 31, 2020

Description	Unamortized Premium	Net Bonds Outstanding August 31, 2020	Principal Due Within One Year	Premium Amortization Due Within One Year	Amounts Due Within One Year	Bonds Outstanding August 31, 2020
Revenue Bonds - Self Supporting						
Permanent University Fund Bonds, Series 1998 Revenue Bonds	\$ -	\$ 24,200,000.00	\$ 2,490,000.00	\$ -	\$ 2,490,000.00	\$ 24,200,000.00
Permanent University Fund Bonds, Series 2009AB Revenue Bonds		198,260,000.00	5,900,000.00		5,900,000.00	198,260,000.00
Permanent University Fund Bonds, Series 2011 Revenue Bonds	131,374.30	5,131,374.30	5,000,000.00	131,374.30	5,131,374.30	5,000,000.00
Permanent University Fund Bonds, Series 2012A Revenue Bonds	3,044,983.64	52,514,983.64	11,495,000.00	1,242,738.33	12,737,738.33	49,470,000.00
Permanent University Fund Bonds, Taxable Series 2012B Revenue Bonds		81,320,000.00	5,950,000.00		5,950,000.00	81,320,000.00
Permanent University Fund Bonds, Series 2013 Revenue Bonds	2,136,014.74	90,471,014.74	8,555,000.00	777,141.70	9,332,141.70	88,335,000.00
Permanent University Fund Bonds, Series 2015A Revenue Bonds	16,964,364.15	157,519,364.15	-	2,024,295.13	2,024,295.13	140,555,000.00
Permanent University Fund Bonds, Taxable Series 2015B Revenue Bonds		102,835,000.00	7,960,000.00		7,960,000.00	102,835,000.00
Permanent University Fund Bonds, Series 2017A Revenue Bonds	6,841,176.65	96,551,176.65	-	1,192,183.49	1,192,183.49	89,710,000.00
Permanent University Fund Bonds, Taxable Series 2017B Revenue Bonds		310,480,000.00	10,000.00		10,000.00	310,480,000.00
Permanent University Fund Bonds, Taxable Series 2019 Revenue Bonds		349,570,000.00	3,165,000.00		3,165,000.00	349,570,000.00
Revenue Financing System Bonds, Series 2010A Tuition Revenue Bonds	-	-	-	-	-	-
Revenue Financing System Bonds, Series 2010B Revenue Bonds	-	-	-	-	-	-
Revenue Financing System Bonds, Series 2011A Revenue Bonds		1,820,000.00	1,820,000.00		1,820,000.00	1,820,000.00
Revenue Financing System Bonds, Series 2011B Revenue Bonds		-	-		-	-
Revenue Financing System Bonds, Series 2013A Tuition Revenue Bonds	625,853.64	13,670,853.64	3,950,000.00	370,364.80	4,320,364.80	13,045,000.00
Revenue Financing System Bonds, Series 2013B Revenue Bonds	1,238,479.48	54,463,479.48	8,040,000.00	693,706.32	8,733,706.32	53,225,000.00
Revenue Financing System Bonds, Series 2013D Revenue Bonds	845,952.62	23,745,952.62	7,265,000.00	429,186.95	7,694,186.95	22,900,000.00

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Schedule 2B
The Texas A&M University System
Schedule of Changes in Bonded Indebtedness
For the Year Ended August 31, 2020

Description	Bonds Outstanding September 1, 2019	Bonds Issued or Converted	Bonds Matured or Retired	Bonds Refunded	Bonds Outstanding August 31, 2020
Revenue Bonds - Self Supporting					
Revenue Financing System Bonds, Series 2015A					
Tuition Revenue Bonds	\$ 31,560,000.00	\$ -	\$ 4,660,000.00	\$ -	\$ 26,900,000.00
Revenue Financing System Bonds, Series 2015B					
Revenue Bonds	58,505,000.00		2,720,000.00		55,785,000.00
Revenue Financing System Bonds, Taxable Series 2015C					
Revenue Bonds	106,755,000.00		16,790,000.00		89,965,000.00
Revenue Financing System Bonds, Taxable Series 2015D					
Revenue Bonds	61,275,000.00		1,450,000.00		59,825,000.00
Revenue Financing System Bonds, Taxable Series 2016A					
Revenue Bonds	76,040,000.00		8,505,000.00		67,535,000.00
Tuition Revenue Bonds	2,495,000.00		290,000.00		2,205,000.00
Revenue Financing System Bonds, Taxable Series 2016B					
Revenue Bonds	300,720,000.00		10,300,000.00		290,420,000.00
Revenue Financing System Bonds, Series 2016C					
Revenue Bonds	85,270,000.00		3,625,000.00		81,645,000.00
Tuition Revenue Bonds	119,715,000.00		9,555,000.00		110,160,000.00
Revenue Financing System Bonds, Taxable Series 2016D					
Revenue Bonds	142,450,000.00		6,120,000.00		136,330,000.00
Tuition Revenue Bonds	21,230,000.00		1,955,000.00		19,275,000.00
Revenue Financing System Bonds, Series 2016E					
Revenue Bonds	118,300,000.00		8,335,000.00		109,965,000.00
Tuition Revenue Bonds	20,065,000.00		1,605,000.00		18,460,000.00
Revenue Financing System Bonds, Taxable Series 2017A					
Tuition Revenue Bonds	320,000,000.00		21,475,000.00		298,525,000.00
Revenue Financing System Bonds, Taxable Series 2017B					
Revenue Bonds	11,630,000.00		295,000.00		11,335,000.00
Tuition Revenue Bonds	340,015,000.00		24,045,000.00		315,970,000.00
Revenue Financing System Bonds, Series 2017C					
Revenue Bonds	64,980,000.00		-		64,980,000.00
Tuition Revenue Bonds	32,010,000.00		150,000.00		31,860,000.00
Revenue Financing System Bonds, Taxable Series 2017D					
Revenue Bonds	153,445,000.00		4,105,000.00		149,340,000.00
Revenue Financing System Bonds, Series 2017E					
Revenue Bonds	339,365,000.00		735,000.00		338,630,000.00
Revenue Financing System Bonds, Taxable Series 2019A					
Revenue Bonds	219,010,000.00		7,520,000.00		211,490,000.00
Revenue Financing System Bonds, Taxable Series 2019B					
Revenue Bonds	429,645,000.00		9,945,000.00		419,700,000.00
Revenue Financing System Bonds, Taxable Series 2020A					
Revenue Bonds	-	157,780,000.00	-		157,780,000.00
	<u>\$ 4,317,500,000.00</u>	<u>\$ 509,670,000.00</u>	<u>\$ 228,365,000.00</u>	<u>\$ -</u>	<u>\$ 4,598,805,000.00</u>
		[a]	(Schedule 2D)		(Schedule 2C)

[a] Bonds Issued or Converted

Permanent University Fund Bonds, Taxable Series 2019

\$ 351,890,000.00

Revenue Financing System Bonds, Taxable Series 2020A

157,780,000.00

Total, Bonds Issued or Converted

\$ 509,670,000.00

UNAUDITED

Schedule 2B

The Texas A&M University System

Schedule of Changes in Bonded Indebtedness

For the Year Ended August 31, 2020

Description	Unamortized Premium	Net Bonds Outstanding August 31, 2020	Principal Due Within One Year	Premium Amortization Due Within One Year	Amounts Due Within One Year	Bonds Outstanding August 31, 2020
Revenue Bonds - Self Supporting						
Revenue Financing System Bonds, Series 2015A						
Tuition Revenue Bonds	\$ 1,893,493.28	\$ 28,793,493.28	\$ 4,900,000.00	\$ 661,200.42	\$ 5,561,200.42	\$ 26,900,000.00
Revenue Financing System Bonds, Series 2015B						
Revenue Bonds	2,146,999.75	57,931,999.75	2,850,000.00	350,064.25	3,200,064.25	55,785,000.00
Revenue Financing System Bonds, Taxable Series 2015C						
Revenue Bonds		89,965,000.00	14,425,000.00		14,425,000.00	89,965,000.00
Revenue Financing System Bonds, Taxable Series 2015D						
Revenue Bonds		59,825,000.00	1,510,000.00		1,510,000.00	59,825,000.00
Revenue Financing System Bonds, Taxable Series 2016A						
Revenue Bonds		67,535,000.00	8,650,000.00		8,650,000.00	67,535,000.00
Tuition Revenue Bonds		2,205,000.00	290,000.00		290,000.00	2,205,000.00
Revenue Financing System Bonds, Taxable Series 2016B						
Revenue Bonds		290,420,000.00	10,465,000.00		10,465,000.00	290,420,000.00
Revenue Financing System Bonds, Series 2016C						
Revenue Bonds	13,379,326.04	95,024,326.04	3,795,000.00	1,598,890.72	5,393,890.72	81,645,000.00
Tuition Revenue Bonds	14,780,331.19	124,940,331.19	10,030,000.00	3,142,731.00	13,172,731.00	110,160,000.00
Revenue Financing System Bonds, Taxable Series 2016D						
Revenue Bonds		136,330,000.00	6,205,000.00		6,205,000.00	136,330,000.00
Tuition Revenue Bonds		19,275,000.00	1,990,000.00		1,990,000.00	19,275,000.00
Revenue Financing System Bonds, Series 2016E						
Revenue Bonds	11,319,599.95	121,284,599.95	8,745,000.00	2,483,704.31	11,228,704.31	109,965,000.00
Tuition Revenue Bonds	2,023,003.51	20,483,003.51	1,680,000.00	472,884.49	2,152,884.49	18,460,000.00
Revenue Financing System Bonds, Taxable Series 2017A						
Tuition Revenue Bonds		298,525,000.00	21,790,000.00		21,790,000.00	298,525,000.00
Revenue Financing System Bonds, Taxable Series 2017B						
Revenue Bonds		11,335,000.00	5,850,000.00		5,850,000.00	11,335,000.00
Tuition Revenue Bonds		315,970,000.00	29,285,000.00		29,285,000.00	315,970,000.00
Revenue Financing System Bonds, Series 2017C						
Revenue Bonds	9,830,475.55	74,810,475.55	165,000.00	1,024,316.73	1,189,316.73	64,980,000.00
Tuition Revenue Bonds	4,449,434.43	36,309,434.43	3,425,000.00	987,009.26	4,412,009.26	31,860,000.00
Revenue Financing System Bonds, Taxable Series 2017D						
Revenue Bonds		149,340,000.00	4,185,000.00		4,185,000.00	149,340,000.00
Revenue Financing System Bonds, Series 2017E						
Revenue Bonds	36,048,439.33	374,678,439.33	4,025,000.00	4,476,590.85	8,501,590.85	338,630,000.00
Revenue Financing System Bonds, Taxable Series 2019A						
Revenue Bonds		211,490,000.00	7,720,000.00		7,720,000.00	211,490,000.00
Revenue Financing System Bonds, Taxable Series 2019B						
Revenue Bonds		419,700,000.00	7,255,000.00		7,255,000.00	419,700,000.00
Revenue Financing System Bonds, Taxable Series 2020A						
Revenue Bonds		157,780,000.00	5,190,000.00		5,190,000.00	157,780,000.00
		[b]				
	<u>\$ 127,699,302.25</u>	<u>\$ 4,726,504,302.25</u>	<u>\$ 236,025,000.00</u>	<u>\$ 22,058,383.05</u>	<u>\$ 258,083,383.05</u>	<u>\$ 4,598,805,000.00</u>
		(Exhibit III)	(Schedule 2C)			(Schedule 2C)

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

\$ 258,083,383.05
4,468,420,919.20
\$ 4,726,504,302.25

UNAUDITED

Schedule 2C
The Texas A&M University System
Schedule of Debt Service Requirements
For the Year Ended August 31, 2020

Description		2021	2022	2023	2024	2025
Revenue Bonds - Self Supporting						
Permanent University Fund Bonds, Series 1998						
Revenue Bonds	Principal	\$ 2,490,000.00	\$ 2,625,000.00	\$ 2,770,000.00	\$ 2,925,000.00	\$ 3,085,000.00
	Interest	1,331,000.00	1,194,050.00	1,049,675.00	897,325.00	736,450.00
Permanent University Fund Bonds, Series 2009AB						
Revenue Bonds	Principal	5,900,000.00	6,130,000.00	6,230,000.00	6,475,000.00	14,800,000.00
	Interest	9,981,556.28	9,686,556.28	9,396,456.28	9,088,112.50	8,765,525.00
Permanent University Fund Bonds, Series 2011						
Revenue Bonds	Principal	5,000,000.00				
	Interest	250,000.00				
Permanent University Fund Bonds, Series 2012A						
Revenue Bonds	Principal	11,495,000.00	12,080,000.00	12,670,000.00	13,225,000.00	
	Interest	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	5,950,000.00	6,100,000.00	6,255,000.00	6,405,000.00	6,585,000.00
	Interest	2,521,461.56	2,378,185.56	2,225,197.56	2,062,067.16	1,888,619.76
Permanent University Fund Bonds, Series 2013						
Revenue Bonds	Principal	8,555,000.00	9,010,000.00	9,465,000.00	5,145,000.00	5,355,000.00
	Interest	3,750,150.00	3,322,400.00	2,871,900.00	2,398,650.00	2,192,850.00
Permanent University Fund Bonds, Series 2015A						
Revenue Bonds	Principal	0.00	0.00	0.00	8,550,000.00	14,575,000.00
	Interest	6,706,175.02	6,706,175.02	6,706,175.02	6,706,175.02	6,214,550.02
Permanent University Fund Bonds, Taxable Series 2015B						
Revenue Bonds	Principal	7,960,000.00	8,160,000.00	8,430,000.00	55,000.00	545,000.00
	Interest	3,096,517.52	2,937,317.52	2,753,717.54	2,542,967.54	2,541,455.06
Permanent University Fund Bonds, Series 2017A						
Revenue Bonds	Principal	0.00	4,640,000.00	4,675,000.00	4,710,000.00	4,820,000.00
	Interest	3,633,850.00	3,633,850.00	3,401,850.00	3,168,100.00	2,932,600.00
Permanent University Fund Bonds, Taxable Series 2017B						
Revenue Bonds	Principal	10,000.00	65,000.00	65,000.00	60,000.00	60,000.00
	Interest	11,345,574.50	11,345,350.50	11,343,790.50	11,342,133.00	11,340,465.00
Permanent University Fund Bonds, Taxable Series 2019						
Revenue Bonds	Principal	3,165,000.00	3,220,000.00	3,270,000.00	3,330,000.00	3,395,000.00
	Interest	10,487,117.50	10,434,895.00	10,380,155.00	10,321,622.00	10,260,017.00
Revenue Financing System Bonds, Series 2011A						
Revenue Bonds	Principal	1,820,000.00				
	Interest	63,700.00				

UNAUDITED

Schedule 2C
The Texas A&M University System
Schedule of Debt Service Requirements
For the Year Ended August 31, 2020

Description		2026-2030	2031-2035	2036-2040	2041-2045	2046-2050
Revenue Bonds - Self Supporting						
Permanent University Fund Bonds, Series 1998						
Revenue Bonds	Principal	\$ 10,305,000.00	\$ -	\$ -	\$ -	\$ -
	Interest	1,153,625.00				
Permanent University Fund Series 2009AB						
Revenue Bonds	Principal	85,000,000.00	73,725,000.00			
	Interest	32,329,425.00	8,614,725.00			
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	34,745,000.00	15,280,000.00			
	Interest	6,368,385.20	824,395.00			
Permanent University Fund Bonds, Series 2013						
Revenue Bonds	Principal	29,865,000.00	20,940,000.00			
	Interest	7,865,400.00	1,697,400.00			
Permanent University Fund Bonds, Series 2015A						
Revenue Bonds	Principal	43,650,000.00	65,575,000.00	8,205,000.00		
	Interest	22,289,162.64	8,347,612.52	328,200.00		
Permanent University Fund Bonds, Taxable Series 2015B						
Revenue Bonds	Principal	47,545,000.00	29,475,000.00	665,000.00		
	Interest	10,383,620.30	3,734,104.00	23,940.00		
Permanent University Fund Bonds, Series 2017A						
Revenue Bonds	Principal	32,530,000.00	12,675,000.00	9,520,000.00	11,145,000.00	4,995,000.00
	Interest	10,569,850.00	4,998,050.00	3,595,200.00	1,967,625.00	254,306.26
Permanent University Fund Bonds, Taxable Series 2017B						
Revenue Bonds	Principal	380,000.00	17,940,000.00	100,190,000.00	131,820,000.00	59,890,000.00
	Interest	56,671,707.50	56,242,387.50	47,022,216.00	25,788,177.00	3,309,189.00
Permanent University Fund Bonds, Taxable Series 2019						
Revenue Bonds	Principal	14,540,000.00	14,345,000.00	73,115,000.00	84,065,000.00	147,125,000.00
	Interest	50,204,649.00	49,296,703.50	42,775,195.00	30,778,660.00	13,676,580.00
Revenue Financing System Bonds, Series 2011A						
Revenue Bonds	Principal					
	Interest					

UNAUDITED

Schedule 2C
The Texas A&M University System
Schedule of Debt Service Requirements
For the Year Ended August 31, 2020

Description		2051-2055	2056-2057	Total Requirements
Revenue Bonds - Self Supporting				
Permanent University Fund Bonds, Series 1998				
Revenue Bonds	Principal	\$ -	\$ -	\$ 24,200,000.00
	Interest			6,362,125.00
Permanent University Fund Series 2009AB				
Revenue Bonds	Principal			198,260,000.00
	Interest			87,862,356.34
Permanent University Fund Bonds, Series 2011				
Revenue Bonds	Principal			5,000,000.00
	Interest			250,000.00
Permanent University Fund Bonds, Series 2012A				
Revenue Bonds	Principal			49,470,000.00
	Interest			6,328,250.00
Permanent University Fund Bonds, Taxable Series 2012B				
Revenue Bonds	Principal			81,320,000.00
	Interest			18,268,311.80
Permanent University Fund Bonds, Series 2013				
Revenue Bonds	Principal			88,335,000.00
	Interest			24,098,750.00
Permanent University Fund Bonds, Series 2015A				
Revenue Bonds	Principal			140,555,000.00
	Interest			64,004,225.26
Permanent University Fund Bonds, Taxable Series 2015B				
Revenue Bonds	Principal			102,835,000.00
	Interest			28,013,639.48
Permanent University Fund Bonds, Series 2017A				
Revenue Bonds	Principal			89,710,000.00
	Interest			38,155,281.26
Permanent University Fund Bonds, Taxable Series 2017B				
Revenue Bonds	Principal			310,480,000.00
	Interest			245,750,990.50
Permanent University Fund Bonds, Taxable Series 2019				
Revenue Bonds	Principal			349,570,000.00
	Interest			238,615,594.00
Revenue Financing System Bonds, Series 2011A				
Revenue Bonds	Principal			1,820,000.00
	Interest			63,700.00

UNAUDITED

Schedule 2C
The Texas A&M University System
Schedule of Debt Service Requirements
For the Year Ended August 31, 2020

Description		2021	2022	2023	2024	2025
Revenue Financing System Bonds, Series 2013A						
Tuition Revenue Bonds	Principal	\$ 3,950,000.00	\$ 9,095,000.00	\$ -	\$ -	\$ -
	Interest	652,250.00	454,750.00			
Revenue Financing System Bonds, Series 2013B						
Revenue Bonds	Principal	8,040,000.00	8,445,000.00	8,875,000.00	0.00	0.00
	Interest	2,382,600.00	1,980,600.00	1,558,350.00	1,114,600.00	1,114,600.00
Revenue Financing System Bonds, Series 2013D						
Revenue Bonds	Principal	7,265,000.00	7,625,000.00	8,010,000.00		
	Interest	1,145,000.00	781,750.00	400,500.00		
Revenue Financing System Bonds, Series 2015A						
Tuition Revenue Bonds	Principal	4,900,000.00	5,145,000.00	5,400,000.00	5,615,000.00	5,840,000.00
	Interest	1,234,850.00	989,850.00	732,600.00	516,600.00	292,000.00
Revenue Financing System Bonds, Series 2015B						
Revenue Bonds	Principal	2,850,000.00	3,005,000.00	3,155,000.00	0.00	0.00
	Interest	2,206,450.00	2,063,950.00	1,913,700.00	1,787,500.00	1,787,500.00
Revenue Financing System Bonds, Taxable Series 2015C						
Revenue Bonds	Principal	14,425,000.00	11,010,000.00	11,300,000.00	11,160,000.00	11,460,000.00
	Interest	2,549,020.70	2,200,224.22	1,915,285.42	1,612,106.42	1,301,523.64
Revenue Financing System Bonds, Taxable Series 2015D						
Revenue Bonds	Principal	1,510,000.00	1,570,000.00	1,635,000.00	1,715,000.00	1,800,000.00
	Interest	2,497,666.26	2,437,266.26	2,374,466.26	2,292,716.26	2,206,966.26
Revenue Financing System Bonds, Taxable Series 2016A						
Revenue Bonds	Principal	8,650,000.00	8,670,000.00	6,995,000.00	7,160,000.00	7,345,000.00
	Interest	1,845,860.76	1,679,088.76	1,484,360.56	1,316,760.36	1,133,034.76
Tuition Revenue Bonds	Principal	290,000.00	300,000.00	310,000.00	315,000.00	325,000.00
	Interest	55,400.60	49,809.40	43,071.40	35,643.80	27,560.90
Revenue Financing System Bonds, Taxable Series 2016B						
Revenue Bonds	Principal	10,465,000.00	10,660,000.00	10,910,000.00	11,165,000.00	11,445,000.00
	Interest	10,211,250.56	10,009,485.42	9,770,061.82	9,508,658.22	9,222,164.32
Revenue Financing System Bonds, Series 2016C						
Revenue Bonds	Principal	3,795,000.00	3,985,000.00	4,185,000.00	4,400,000.00	4,620,000.00
	Interest	3,794,500.00	3,604,750.00	3,405,500.00	3,196,250.00	2,976,250.00
Tuition Revenue Bonds	Principal	10,030,000.00	10,520,000.00	11,050,000.00	11,605,000.00	12,190,000.00
	Interest	5,088,350.00	4,586,850.00	4,060,850.00	3,508,350.00	2,928,100.00
Revenue Financing System Bonds, Taxable Series 2016D						
Revenue Bonds	Principal	6,205,000.00	6,275,000.00	6,395,000.00	6,510,000.00	6,635,000.00
	Interest	3,861,694.53	3,774,824.54	3,670,659.54	3,551,712.54	3,417,736.74
Tuition Revenue Bonds	Principal	1,990,000.00	2,015,000.00	2,050,000.00	2,085,000.00	2,130,000.00
	Interest	418,021.60	390,161.60	356,712.60	318,582.60	275,673.30
Revenue Financing System Bonds, Series 2016E						
Revenue Bonds	Principal	8,745,000.00	9,170,000.00	9,650,000.00	10,115,000.00	10,610,000.00
	Interest	4,629,650.00	4,192,400.00	3,733,900.00	3,251,400.00	2,745,650.00
Tuition Revenue Bonds	Principal	1,680,000.00	1,765,000.00	1,855,000.00	1,950,000.00	2,045,000.00
	Interest	805,100.00	721,100.00	632,850.00	540,100.00	442,600.00
Revenue Financing System Bonds, Taxable Series 2017A						
Tuition Revenue Bonds	Principal	21,790,000.00	22,275,000.00	22,830,000.00	23,450,000.00	24,130,000.00
	Interest	9,255,462.41	8,769,763.30	8,217,566.06	7,593,393.86	6,917,095.86

UNAUDITED

Schedule 2C
The Texas A&M University System
Schedule of Debt Service Requirements
For the Year Ended August 31, 2020

Description		2026-2030	2031-2035	2036-2040	2041-2045	2046-2050
Revenue Financing System Bonds, Series 2013A						
Tuition Revenue Bonds	Principal	\$ -	\$ -	\$ -	\$ -	\$ -
	Interest					
Revenue Financing System Bonds, Series 2013B						
Revenue Bonds	Principal	0.00	0.00	16,275,000.00	11,590,000.00	
	Interest	5,573,000.00	5,573,000.00	4,694,000.00	939,200.00	
Revenue Financing System Bonds, Series 2013D						
Revenue Bonds	Principal					
	Interest					
Revenue Financing System Bonds, Series 2015A						
Tuition Revenue Bonds	Principal					
	Interest					
Revenue Financing System Bonds, Series 2015B						
Revenue Bonds	Principal	3,325,000.00	14,705,000.00	18,920,000.00	9,825,000.00	
	Interest	8,937,500.00	6,831,300.00	3,895,275.00	1,001,600.00	
Revenue Financing System Bonds, Taxable Series 2015C						
Revenue Bonds	Principal	24,730,000.00	5,880,000.00			
	Interest	3,106,242.86	515,924.56			
Revenue Financing System Bonds, Taxable Series 2015D						
Revenue Bonds	Principal	10,135,000.00	12,330,000.00	15,100,000.00	14,030,000.00	
	Interest	9,896,031.30	7,697,671.30	4,936,055.00	1,838,337.50	
Revenue Financing System Bonds, Taxable Series 2016A						
Revenue Bonds	Principal	19,045,000.00	6,635,000.00	3,035,000.00		
	Interest	3,048,155.50	1,416,154.78	182,879.42		
Tuition Revenue Bonds	Principal	665,000.00				
	Interest	28,665.00				
Revenue Financing System Bonds, Taxable Series 2016B						
Revenue Bonds	Principal	59,345,000.00	70,215,000.00	83,845,000.00	22,370,000.00	
	Interest	41,207,951.30	30,221,360.20	15,162,777.24	2,833,857.10	
Revenue Financing System Bonds, Series 2016C						
Revenue Bonds	Principal	23,780,000.00	17,115,000.00	19,765,000.00		
	Interest	11,501,250.00	7,379,500.00	2,884,250.00		
Tuition Revenue Bonds	Principal	54,765,000.00				
	Interest	5,719,800.00				
Revenue Financing System Bonds, Taxable Series 2016D						
Revenue Bonds	Principal	35,400,000.00	40,020,000.00	28,890,000.00		
	Interest	14,670,545.60	9,253,014.02	3,158,949.64		
Tuition Revenue Bonds	Principal	9,005,000.00				
	Interest	602,603.70				
Revenue Financing System Bonds, Series 2016E						
Revenue Bonds	Principal	54,470,000.00	7,205,000.00			
	Interest	6,805,900.00	873,000.00			
Tuition Revenue Bonds	Principal	9,165,000.00				
	Interest	789,250.00				
Revenue Financing System Bonds, Taxable Series 2017A						
Tuition Revenue Bonds	Principal	132,525,000.00	51,525,000.00			
	Interest	22,644,646.68	2,592,148.32			

UNAUDITED

Schedule 2C
The Texas A&M University System
Schedule of Debt Service Requirements
For the Year Ended August 31, 2020

Description		2051-2055	2056-2057	Total Requirements
Revenue Financing System Bonds, Series 2013A				
Tuition Revenue Bonds	Principal	\$ -	\$ -	\$ 13,045,000.00
	Interest			1,107,000.00
Revenue Financing System Bonds, Series 2013B				
Revenue Bonds	Principal			53,225,000.00
	Interest			24,929,950.00
Revenue Financing System Bonds, Series 2013D				
Revenue Bonds	Principal			22,900,000.00
	Interest			2,327,250.00
Revenue Financing System Bonds, Series 2015A				
Tuition Revenue Bonds	Principal			26,900,000.00
	Interest			3,765,900.00
Revenue Financing System Bonds, Series 2015B				
Revenue Bonds	Principal			55,785,000.00
	Interest			30,424,775.00
Revenue Financing System Bonds, Taxable Series 2015C				
Revenue Bonds	Principal			89,965,000.00
	Interest			13,200,327.82
Revenue Financing System Bonds, Taxable Series 2015D				
Revenue Bonds	Principal			59,825,000.00
	Interest			36,177,176.40
Revenue Financing System Bonds, Taxable Series 2016A				
Revenue Bonds	Principal			67,535,000.00
	Interest			12,106,294.90
Tuition Revenue Bonds	Principal			2,205,000.00
	Interest			240,151.10
Revenue Financing System Bonds, Taxable Series 2016B				
Revenue Bonds	Principal			290,420,000.00
	Interest			138,147,566.18
Revenue Financing System Bonds, Series 2016C				
Revenue Bonds	Principal			81,645,000.00
	Interest			38,742,250.00
Tuition Revenue Bonds	Principal			110,160,000.00
	Interest			25,892,300.00
Revenue Financing System Bonds, Taxable Series 2016D				
Revenue Bonds	Principal			136,330,000.00
	Interest			45,359,137.15
Tuition Revenue Bonds	Principal			19,275,000.00
	Interest			2,361,755.40
Revenue Financing System Bonds, Series 2016E				
Revenue Bonds	Principal			109,965,000.00
	Interest			26,231,900.00
Tuition Revenue Bonds	Principal			18,460,000.00
	Interest			3,931,000.00
Revenue Financing System Bonds, Taxable Series 2017A				
Tuition Revenue Bonds	Principal			298,525,000.00
	Interest			65,990,076.49

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Schedule 2C
The Texas A&M University System
Schedule of Debt Service Requirements
For the Year Ended August 31, 2020

Description		2021	2022	2023	2024	2025
Revenue Financing System Bonds, Taxable Series 2017B						
Revenue Bonds	Principal	\$ 5,850,000.00	\$ 5,485,000.00	\$ -	\$ -	\$ -
	Interest	240,821.69	120,779.70			
Tuition Revenue Bonds	Principal	29,285,000.00	25,090,000.00	25,640,000.00	26,245,000.00	26,910,000.00
	Interest	8,705,813.78	8,104,885.58	7,552,403.78	6,950,120.22	6,281,135.10
Revenue Financing System Bonds, Series 2017C						
Revenue Bonds	Principal	165,000.00	440,000.00	2,115,000.00	3,570,000.00	3,465,000.00
	Interest	3,093,006.26	3,084,756.26	3,062,756.26	2,957,006.26	2,778,506.26
Tuition Revenue Bonds	Principal	3,425,000.00	3,580,000.00	3,765,000.00	3,955,000.00	4,150,000.00
	Interest	1,593,000.00	1,421,750.00	1,242,750.00	1,054,500.00	856,750.00
Revenue Financing System Bonds, Taxable Series 2017D						
Revenue Bonds	Principal	4,185,000.00	4,290,000.00	4,390,000.00	4,505,000.00	4,625,000.00
	Interest	5,176,245.36	5,079,404.42	4,973,698.82	4,859,910.02	4,735,481.92
Revenue Financing System Bonds, Series 2017E						
Revenue Bonds	Principal	4,025,000.00	4,265,000.00	4,515,000.00	24,695,000.00	25,715,000.00
	Interest	15,307,650.00	15,106,400.00	14,893,150.00	14,667,400.00	13,464,550.00
Revenue Financing System Bonds, Taxable Series 2019A						
Revenue Bonds	Principal	7,720,000.00	7,955,000.00	8,185,000.00	8,410,000.00	8,650,000.00
	Interest	7,780,578.20	7,563,723.44	7,334,142.14	7,093,012.04	6,836,843.44
Revenue Financing System Bonds, Taxable Series 2019B						
Revenue Bonds	Principal	7,255,000.00	7,385,000.00	7,545,000.00	7,695,000.00	7,860,000.00
	Interest	12,860,874.96	12,718,386.76	12,572,680.70	12,416,499.20	12,253,365.20
Revenue Financing System Bonds, Taxable Series 2020A						
Revenue Bonds	Principal	5,190,000.00	4,975,000.00	4,990,000.00	5,030,000.00	5,075,000.00
	Interest	2,377,566.75	2,992,395.24	2,977,022.48	2,955,315.96	2,925,588.66
Total		401,434,286.80	395,441,634.78	379,882,704.74	374,516,539.98	374,038,208.20
Less Interest		(165,409,286.80)	(158,416,634.78)	(150,302,704.74)	(142,286,539.98)	(133,793,208.20)
Total Principal		\$ 236,025,000.00	\$ 237,025,000.00	\$ 229,580,000.00	\$ 232,230,000.00	\$ 240,245,000.00

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Schedule 2C
The Texas A&M University System
Schedule of Debt Service Requirements
For the Year Ended August 31, 2020

Description		2026-2030	2031-2035	2036-2040	2041-2045	2046-2050
Revenue Financing System Bonds, Taxable Series 2017B						
Revenue Bonds	Principal	\$ -	\$ -	\$ -	\$ -	\$ -
	Interest					
Tuition Revenue Bonds						
	Principal	146,305,000.00	36,495,000.00			
	Interest	19,657,666.10	1,356,270.00			
Revenue Financing System Bonds, Series 2017C						
Revenue Bonds	Principal	20,090,000.00	17,835,000.00	17,300,000.00		
	Interest	11,115,781.30	6,341,731.30	2,048,562.52		
Tuition Revenue Bonds						
	Principal	12,985,000.00				
	Interest	1,283,000.00				
Revenue Financing System Bonds, Taxable Series 2017D						
Revenue Bonds	Principal	25,270,000.00	29,800,000.00	33,990,000.00	28,455,000.00	9,830,000.00
	Interest	21,515,593.58	16,974,403.26	11,210,804.70	4,812,853.50	566,993.70
Revenue Financing System Bonds, Series 2017E						
Revenue Bonds	Principal	120,265,000.00	80,880,000.00	36,565,000.00	10,290,000.00	9,850,000.00
	Interest	47,400,750.00	25,586,950.00	11,903,800.00	6,996,000.00	4,785,050.00
Revenue Financing System Bonds, Taxable Series 2019A						
Revenue Bonds	Principal	46,795,000.00	49,825,000.00	43,250,000.00	24,550,000.00	6,150,000.00
	Interest	29,761,050.34	21,007,949.82	11,323,396.02	3,765,128.98	523,156.12
Revenue Financing System Bonds, Taxable Series 2019B						
Revenue Bonds	Principal	63,595,000.00	105,185,000.00	116,215,000.00	81,115,000.00	15,850,000.00
	Interest	58,074,019.74	46,222,686.02	28,717,251.00	9,195,552.00	1,402,092.00
Revenue Financing System Bonds, Taxable Series 2020A						
Revenue Bonds	Principal	26,410,000.00	28,580,000.00	31,770,000.00	32,795,000.00	12,965,000.00
	Interest	13,822,879.96	11,691,887.60	8,475,179.96	4,365,300.12	534,694.04
Total		1,731,628,107.60	1,159,475,328.70	858,952,931.50	556,332,291.20	291,707,061.12
Less Interest		(534,998,107.60)	(335,290,328.70)	(202,337,931.50)	(94,282,291.20)	(25,052,061.12)
Total Principal		<u>\$ 1,196,630,000.00</u>	<u>\$ 824,185,000.00</u>	<u>\$ 656,615,000.00</u>	<u>\$ 462,050,000.00</u>	<u>\$ 266,655,000.00</u>

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Schedule 2C
The Texas A&M University System
Schedule of Debt Service Requirements
For the Year Ended August 31, 2020

Description		2051-2055	2056-2057	Total Requirements
Revenue Financing System Bonds, Taxable Series 2017B				
Revenue Bonds	Principal	\$ -	\$ -	\$ 11,335,000.00
	Interest			361,601.39
Tuition Revenue Bonds	Principal			315,970,000.00
	Interest			58,608,294.56
Revenue Financing System Bonds, Series 2017C				
Revenue Bonds	Principal			64,980,000.00
	Interest			34,482,106.42
Tuition Revenue Bonds	Principal			31,860,000.00
	Interest			7,451,750.00
Revenue Financing System Bonds, Taxable Series 2017D				
Revenue Bonds	Principal			149,340,000.00
	Interest			79,905,389.28
Revenue Financing System Bonds, Series 2017E				
Revenue Bonds	Principal	12,045,000.00	5,520,000.00	338,630,000.00
	Interest	2,586,800.00	333,400.00	173,031,900.00
Revenue Financing System Bonds, Taxable Series 2019A				
Revenue Bonds	Principal			211,490,000.00
	Interest			102,988,980.54
Revenue Financing System Bonds, Taxable Series 2019B				
Revenue Bonds	Principal			419,700,000.00
	Interest			206,433,407.58
Revenue Financing System Bonds, Taxable Series 2020A				
Revenue Bonds	Principal			157,780,000.00
	Interest			53,117,830.77
Total		14,631,800.00	5,853,400.00	6,543,894,294.62
Less Interest		(2,586,800.00)	(333,400.00)	(1,945,089,294.62)
Total Principal		\$ 12,045,000.00	\$ 5,520,000.00	\$ 4,598,805,000.00
				(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, 2020

Description	Pledged Revenues	Operating Expenses From Pledged Revenues	Debt Service	
			Principal	Interest
Permanent University Fund Bonds	\$ 655,130,976.23	\$ 400,743,218.54	\$ 45,735,000.00	\$ 52,503,107.56
Revenue Financing System Bonds	2,568,612,319.72	1,571,218,589.18	182,630,000.00	110,090,368.00
	\$ 3,223,743,295.95	\$ 1,971,961,807.72	\$ 228,365,000.00	\$ 162,593,475.56
			(Schedule 2B)	
[a] Debt Service-Interest Expense (Exhibit IV)		\$ 170,648,453.04		
Less:				
Interest on Permanent University Fund Commercial Paper	\$ 704,411.62			
Interest on Revenue Financing System Commercial Paper/Note	1,354,314.18			
Interest on Notes from Direct Borrowings/Capital Leases	2,402,875.95			
Interest Expense on Defeased Notes & Loans	45,730.51			
Interest Expense on Defeased Bonds	3,546,023.84			
Other Interest Expense (non-bonds)	1,621.38			
Subtotal		(8,054,977.48)		
Total, Debt Service-Interest		\$ 162,593,475.56		
				[a]

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Schedule 2E
The Texas A&M University System
Schedule of Defeased Bonds Outstanding
For the Year Ended August 31, 2020

Description of Issues	Calendar Year Refunded	Par Value Outstanding September 1, 2019	Newly Defeased	Principal Paid	Par Value Outstanding August 31, 2020
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 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	62,840,000.00		1,320,000.00	61,520,000.00
Total		<u>\$ 996,230,000.00</u>	<u>\$ -</u>	<u>\$ 460,270,000.00</u>	<u>\$ 535,960,000.00</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, 2020

Description	Category	Amount Extinguished or Refunded	Refunding Issue Par Value	Cash Flow Increase (Decrease)	Economic Gain/ (Loss)
Revenue Bonds - Self Supporting					
(None)	Advance Refunding				
Total, Early Extinguishment and Refunding		\$ -	\$ -	\$ -	\$ -

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Schedule Three

The Texas A&M University System

Combined Schedule of Cash & Cash Equivalents

For the Year Ended August 31, 2020

	Current Year Total
Cash & Cash Equivalents	
Unrestricted	
Cash On Hand	
Cashiers Account	\$ 103,150.00
Petty Cash Department Working Fund	300,142.56
Temporary Working Fund	3,308.00
Total Cash On Hand	406,600.56
Cash In State Treasury	
Fund 0047	557,980,759.47
Fund 0092	9,966,124.01
Fund 0230	11,942,961.40
Fund 0231	13,332,869.15
Fund 0232	2,343,312.68
Fund 0242	6,640,825.62
Fund 0243	3,075,817.24
Fund 0245	17,574,433.48
Fund 0254	8,707,843.94
Fund 0257	3,680,635.99
Fund 0263	1,614,333.57
Fund 0275	1,230,919.72
Fund 0289	15,452,647.09
Fund 0290	9,520,827.81
Fund 0291	1,617,640.72
Fund 0325	76,276,451.66
Fund 0453	372,757.23
Fund 0818	1,577,945.12
Fund 0900	20,968.91
Fund 5029	8,328,989.05
Fund 5064	64,771,254.05
Fund 5066	4,865,740.08
Total Cash In State Treasury	820,896,057.99
Reimbursements Due From State Treasury	20,514,767.91
Cash In Bank	6,286,904.01
Cash Equivalents	462,681,533.09
Total Unrestricted Cash and Cash Equivalents (Exhibit III)	\$ 1,310,785,863.56
Restricted	
Cash On Hand	
Petty Cash Department Working Fund	\$ 252,385.00
Temporary Working Fund	10,000.00
Total Restricted Cash On Hand	262,385.00
Cash In Bank	16,155,449.66
Cash Equivalents	289,989,894.28
Total Restricted Cash & Cash Equivalents [Exhibit III]	\$ 306,407,728.94
Total Cash & Cash Equivalents [Exhibit V]	\$ 1,617,193,592.50

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Schedule Three-F

The Texas A&M University System

Combined Schedule of Fiduciary Cash & Cash Equivalents

For the Year Ended August 31, 2020

	Custodial Funds
Cash & Cash Equivalents	
Cash On Hand	\$ 100.00
Cash In Bank	46,096.85
Cash Equivalents	7,460,160.99
Total Cash & Cash Equivalents (Exhibit VI)	\$ 7,506,357.84
 Restricted Cash & Cash Equivalents	
Cash On Hand	\$ 10,000.00
Cash In Bank	367,958.10
Cash Equivalents	38,000,905.40
Total Restricted Cash & Cash Equivalents (Exhibit VI)	\$ 38,378,863.50
 Total Cash & Cash Equivalents	\$ 45,885,221.34