

COMMERCIAL PAPER MEMORANDUM



**BOARD OF REGENTS OF THE TEXAS A&M UNIVERSITY SYSTEM
REVENUE FINANCING SYSTEM COMMERCIAL PAPER NOTES,
SERIES B**

The Board of Regents of The Texas A&M University System Revenue Financing System Commercial Paper Notes, Series B (the "Notes") are special obligations of the Board of Regents of The Texas A&M University System (the "Board"), payable from and secured by a lien on "Pledged Revenues" (as defined in the Master Resolution described herein) of the Board's Revenue Financing System on a parity with the Board's outstanding "Parity Obligations" (as defined in the Master Resolution). The Notes will be issued in whole or in part as Tax Exempt Commercial Paper Notes, Series B ("Tax Exempt Notes") or Taxable Commercial Paper Notes, Series B ("Taxable Notes"). The Notes are issued pursuant to a Master Resolution, as amended, and an Amended and Restated Second Supplemental Resolution to the Master Resolution (collectively, the "Resolution").

The Notes are exempt from registration under Section 3(a)(2) of the Securities Act of 1933, as amended.

For a discussion of the federal income tax treatment of the Notes, see "TAX MATTERS" herein. Forms of the respective opinions delivered by Orrick, Herrington & Sutcliffe LLP, as Bond Counsel to the Board in connection with the issuance of Notes, are attached hereto as "APPENDIX C-1 – FORM OF TAX EXEMPT NOTE OPINION" and "APPENDIX C-2 – FORM OF TAXABLE NOTE OPINION."

THE BOARD HAS NO TAXING POWER, AND NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF TEXAS OR ANY AGENCY OR POLITICAL SUBDIVISION THEREOF IS PLEDGED AS SECURITY FOR THE NOTES. THE OWNERS OF THE NOTES SHALL NEVER HAVE THE RIGHT TO DEMAND PAYMENT OF THE NOTES FROM ANY SOURCE OTHER THAN PLEDGED REVENUES. See "THE COMMERCIAL PAPER NOTES" and "LIQUIDITY SUPPORT."

Dated: February 22, 2022

J.P. Morgan

INFORMATION CONCERNING THE OFFER

J.P. Morgan Securities LLC serves as the exclusive dealer for the Board of Regents of the Texas A&M System Revenue Financing System Tax Exempt Commercial Paper Notes, Series B and Revenue Financing System Taxable Commercial Paper Notes, Series B (collectively, the "Notes") offered or to be offered hereby.

No dealer, broker or other person has been authorized to give any information or to make any representation other than as contained in this Commercial Paper Memorandum or the other information incorporated herein by reference, and if given or made, such other information or representation must not be relied upon as having been authorized.

This Commercial Paper Memorandum does not constitute an offer to sell or a solicitation of an offer to buy any securities other than the Notes offered hereby, nor shall there be any offer or solicitation of such offer or sale of the Notes, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

This Commercial Paper Memorandum (including the information relating to The Texas A&M University System (the "A&M System") and other information incorporated herein by reference) has been prepared from information furnished by the A&M System and such information is believed to be reliable. No representation is made as to either the accuracy or completeness of the information herein (including the information incorporated herein by reference). Neither the delivery of this Commercial Paper Memorandum nor the sale of any of the Notes implies that the information herein (including the information incorporated herein by reference) is correct as of any time subsequent to the date hereof. The summaries of and references to documents, statutes and agreements in this Commercial Paper Memorandum (including the information incorporated herein by reference) do not purport to be complete, comprehensive or definitive, and are qualified by reference to the complete text of each such document, statute or agreement.

The information concerning the A&M System contained in this Commercial Paper Memorandum does not purport to cover all aspects of the A&M System's operations and financial position. During the period of the offering of the Notes, reference is made to the most recent unaudited Combined Financial Statements of The Texas A&M University System (with the relevant portion of the notes to the Combined Financial Statements) for the Fiscal Year ended August 31, 2021, and the Continuing Disclosure Annual Report for the Fiscal Year ended August 31, 2021, relating to the Board of Regents of the A&M System's bonds issued under the Revenue Financing System. This information is made available to the Municipal Securities Rulemaking Board or may be obtained by contacting the A&M System, Moore/Connally Building, 301 Tarrow, 5th Floor, College Station, Texas 77840-7896. See "INCORPORATION BY REFERENCE" herein.

**COMMERCIAL PAPER MEMORANDUM
DATED: FEBRUARY 22, 2022**

**BOARD OF REGENTS OF THE TEXAS A&M UNIVERSITY SYSTEM
REVENUE FINANCING SYSTEM COMMERCIAL PAPER NOTES,
SERIES B**

J.P. Morgan Securities LLC, as Commercial Paper Dealer, is offering for sale, on behalf of the Board (as defined herein), Notes (as defined herein) in the aggregate principal amount not to exceed \$300,000,000 outstanding at any one time. Interest on the Notes is calculated on an actual (365-/366-day) year basis, and the Notes will be sold at par.

The Notes will be issued in whole or in part as Tax Exempt Commercial Paper Notes, Series B ("Tax Exempt Notes") or Taxable Commercial Paper Notes, Series B ("Taxable Notes" and, together with the "Tax Exempt Notes," the "Notes"). See "TAX MATTERS" for a discussion of the federal income tax treatment of the Notes. Forms of the respective opinions delivered by Orrick, Herrington & Sutcliffe LLP, as Bond Counsel in connection with the issuance of Notes, are attached hereto as "APPENDIX C-1 – FORM OF TAX EXEMPT NOTE OPINION" and "APPENDIX C-2 – FORM OF TAXABLE NOTE OPINION." Copies of such opinions are available upon request from the Commercial Paper Dealer. Capitalized terms used in this Commercial Paper Memorandum and not otherwise defined have the meaning assigned in the Resolution (as defined herein).

The Notes are exempt from registration under Section 3(a)(2) of the Securities Act of 1933, as amended.

THE TEXAS A&M UNIVERSITY SYSTEM

The Texas A&M University System (the "A&M System") is a state-wide university system consisting of eleven State-supported general academic institutions and eight research and service agencies. The general academic institutions are Texas A&M University (including Texas A&M University at Galveston and the Texas A&M University Health Science Center), Prairie View A&M University, Tarleton State University, Texas A&M University – Kingsville, Texas A&M University – Corpus Christi, Texas A&M International University, West Texas A&M University, Texas A&M University – Commerce, Texas A&M University – Texarkana, Texas A&M University – Central Texas, and Texas A&M University – San Antonio. The eight research and service agencies are Texas A&M AgriLife Research (formerly, Texas Agricultural Experiment Station), Texas A&M AgriLife Extension Service (formerly, Texas Cooperative Extension), 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, and Texas Division of Emergency Management. Texas A&M University's Health Science Center consists of the Baylor College of Dentistry, College of Medicine, Rangel College of Pharmacy, Graduate School of Biomedical Sciences, Institute of Biosciences and Technology, School of Rural Public Health, College of Nursing, Coastal Bend Health Education Center, and South Texas Center. For the 2021 fall semester, the general academic institutions had a total enrollment of approximately 152,477 students, of which approximately 66,058 attended Texas A&M University in College Station. The research and service agencies are engaged in a wide variety of research and public service activities in facilities located throughout the State of Texas (the "State"). The Fiscal Year 2022 budget of the A&M System is approximately \$9.57 billion, and the A&M System benefits from endowments, subject to certain restrictions, with a market value of approximately \$18.1 billion as of January 31, 2022. The A&M System is governed by a nine-member Board of Regents (the "Board") appointed by the Governor and confirmed by the Texas Senate.

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Enrollment

The historic undergraduate and graduate headcount enrollment at each of the general academic institutions of the A&M System during the past five Fall semesters follows:

Headcount Enrollment Information

<u>Institutions</u>	<u>Fall Semester</u> ⁽¹⁾				
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Texas A&M University ⁽²⁾	66,058	65,272	63,859	63,694	62,802
Texas A&M University – Central Texas	2,215	2,339	2,440	2,464	2,575
Texas A&M University – Commerce	11,265	11,624	11,725	12,072	12,488
Texas A&M University – Corpus Christi	10,763	10,820	11,452	11,929	12,236
Texas A&M University at Galveston ⁽³⁾	2,168	1,653	1,644	1,806	1,998
Texas A&M International University	8,375	8,270	8,305	7,884	7,640
Texas A&M University – Kingsville ⁽⁴⁾	6,409	6,915	7,479	8,541	8,674
Texas A&M University – San Antonio	6,885	6,741	6,714	6,616	6,460
Texas A&M University – Texarkana	2,114	2,161	2,053	2,066	2,038
Prairie View A&M University	9,388	9,248	8,940	9,516	9,125
Tarleton State University	13,987	14,022	13,177	13,115	13,019
West Texas A&M University	9,550	10,051	9,970	10,030	10,062
Texas A&M Health Science Center ⁽⁵⁾	3,300	3,084	2,887	2,867	2,780
	<u>152,477</u>	<u>152,200</u>	<u>150,645</u>	<u>152,600</u>	<u>151,897</u>

- (1) The enrollment data has been certified by the Texas Higher Education Coordinating Board for 2017-2020. Fall 2021 numbers are based on preliminary 20th class day data.
- (2) Includes Texas A&M University School of Law. Excludes Texas A&M University at Galveston and Texas A&M Health Science Center, which are presented separately in this table.
- (3) A branch campus of Texas A&M University.
- (4) Decrease in enrollment due to planned reduction in dual enrollment course offerings and lower international student enrollment primarily at the graduate level.
- (5) A unit of Texas A&M University.

Investment Considerations

Infectious Disease Outbreak (COVID-19)

The Board has previously issued notices of voluntary disclosure regarding the outbreak of coronavirus disease 2019 ("COVID-19"), which was characterized as a pandemic by the World Health Organization and continues to affect many parts of the world, including the State and the United States (the "Pandemic"). Such notices, together with more recent updates to such disclosures contained in offering documents for the A&M System's publicly offered securities, are available on the Municipal Securities Rulemaking Board's ("MSRB") website, www.emma.msrb.org.

Governor Greg Abbott continues to rollout his plan for the safe re-opening of services across the State, including higher education services. On March 2, 2021, the Governor issued Executive Order GA-34, which, among other things, removed any COVID-19-related operating limits for any business or other establishment and ended the State-wide mask mandate. Most recently, on July 29, 2021, the Governor issued Executive Order GA-38, which, among other things, maintains that there are no COVID-19 related operating limits for any business or establishment and that no person may be required by any jurisdiction to wear or mandate the wearing of a face covering. The Governor's order also maintains, in providing or obtaining services, every person (including individuals, businesses, and other legal entities) should use good-faith efforts and available resources to follow the minimum standard health protocols. Executive Order GA-38 remains in place until amended, rescinded, or superseded by the Governor.

As of November 30, 2021, the A&M System projects lost revenue of approximately \$272.7 million and an increase in expenses of approximately \$347.9 million, for a net deficit of approximately \$156 million for fiscal year ending August 31, 2022, after taking into account institutional allocations to the A&M System from the Higher Education Emergency Relief Funds (CARES Act – \$86.2 million, COVID Relief Act – \$162.2 million, and American Rescue Plan Act – \$215.7 million). In addition to the institutional funds, \$275.6 million has been allocated for student emergency aid grants.

The A&M System used multi-faceted learning delivery methods for the Spring 2021 semester to ensure the continuation of classes in the event that disruptions related to the Pandemic necessitated a shift to remote learning. In addition, the A&M System universities remained open and provided needed services to students including food, lodging, health care, internet access, and counseling services. Across the A&M System, learning delivery methods and operations returned to pre-COVID procedures and levels effective June 1, 2021 and have been conducted in accordance with guidance from federal state, and local health authorities since that time.

Neither the Board nor the A&M System can predict (i) the duration or extent of the Pandemic or any other outbreak or pandemic; (ii) the duration or expansion of travel restrictions and restrictions on assemblies or gatherings; (iii) the full effect the Pandemic or any other outbreak/pandemic-related restrictions or warnings may have on demand for higher education and/or the A&M System's revenues; (iv) whether and to what extent the Pandemic or any other outbreak or pandemic may disrupt the local or global economy, or whether any such disruption may adversely impact the A&M System's operations or revenues; or (v) the extent to which any of the foregoing may have a material adverse effect on the financial condition or operations of the A&M System and its universities.

Overall, the extent of the impact of the Pandemic on the A&M System's operational and financial performance, and on revenues of the A&M System, will depend on future developments, including without limitation the duration and spread of the Pandemic, travel restrictions, limitations on public assemblies and gatherings, and restrictions on the operations and activities of public and private entities nationwide, including the A&M System and its universities. However, the Board and the A&M System currently anticipate that the Pandemic and the related responsive measures will not impair the Board's ability to pay debt service on the Parity Obligations and to comply with the other terms thereof.

Weather and Environmental Related Events

The A&M System and its Participants (as defined in the Master Resolution) are located in a variety of geographic regions throughout the State and, as a result, the A&M System and its Participants may be exposed to differing climatic and environmental events, which may include potentially hazardous, natural disasters or catastrophic events (such as severe winds, heavy rains, flooding and freezing) and expose the A&M System and its Participants to operational disruptions and casualty losses.

In February 2021, the State experienced a severe winter storm causing record breaking cold temperatures resulting in widespread disruptions to the operations of Texas electric and gas utilities. Based on ongoing assessments, the A&M System and its Participants experienced losses currently reported at \$27.8 million with additional damages to be reported. Current expectations are that the total loss may be near \$33.1 million (which is expected to be covered by insurance) as a result of damage caused by the storm. While the A&M System continues to assess the overall impact of the storm, the A&M System does not anticipate a material adverse impact on its operations or financial condition (or on the operations or financial condition of its Participants) as a result of the storm.

Climatic and weather-related events have not materially impacted the A&M System or its Participants thus far; however, the A&M System cannot predict whether similar events will occur in the future and the impact they may have on the A&M System and its Participants.

Cybersecurity

The operations of the A&M System and its Participants are increasingly dependent on information technologies and services, which are exposed to cybersecurity risks and cyber incidents or attacks. The A&M System utilizes the cybersecurity framework prescribed by the Texas Department of Information Resources ("DIR"), which adopts the National Institute of Standards and Technology security and privacy controls for Federal information systems and organizations. This framework is implemented by the A&M System members in a manner that aligns with their business and academic objectives. In implementing these controls, the A&M System provides shared cybersecurity services to all A&M System members, including a centralized security operations center, system-wide negotiated contracts for cybersecurity products and services, tools and venues to facilitate cyber information sharing among industry and government organizations, cyber incident response services, and consulting services delivered by cybersecurity professionals. To ensure compliance with the DIR-prescribed framework and A&M System policies and regulations, A&M System members undergo internal audits every five years, which include assessing the implementation of security and privacy controls. While the A&M System implements the above-described controls, the A&M System cannot

guarantee that it will be able to successfully defend against cybersecurity attacks or predict the impact of any such attacks on the A&M System's operations or financial condition.

THE COMMERCIAL PAPER NOTES

On November 19, 1990, the Board adopted the Master Resolution establishing The Texas A&M University System Revenue Financing System (the "Revenue Financing System"), and the Board amended such resolution on September 17, 1993, and July 25, 1997 (as amended, the "Master Resolution"). The Board adopted the Master Resolution for the purpose of assembling the A&M System's revenue-supported debt capacity into a single financing program in order to provide a cost-effective debt program to Participants and to maximize the financing options available to the Board. The Master Resolution provides for the establishment of the Revenue Financing System and permits the Board to make additions to or deletions from the membership of the Revenue Financing System subject to the satisfaction of certain conditions specified therein. All of the institutions and agencies currently constituting members of the A&M System have been included as Participants of the Revenue Financing System. The Amended and Restated Second Supplemental Resolution adopted by the Board on March 27, 2008 (the "Second Supplement" and together with the Master Resolution, the "Resolution") approves and authorizes the issuance of Parity Obligations, as defined in the Master Resolution, in an aggregate principal amount outstanding at any one time of \$300 million. The Notes are authorized to be issued in denominations of any multiple of \$1,000, with a minimum denomination of \$100,000, to mature and become due and payable on such dates as shall be determined at the time of sale; provided, however, that no Notes shall (i) mature after the Maximum Maturity Date (December 1, 2030) or (ii) have a term in excess of 270 days.

The Notes may be issued as "Tax Exempt Notes" or "Taxable Notes" as described herein. The interest on Tax Exempt Notes is intended to be excludable from the gross income of the holders thereof for purposes of federal income taxation, assuming continuing compliance by the Board with the provisions of the Second Supplement. The Taxable Notes are not obligations described in Section 103(a) of the Internal Revenue Code of 1986 and thus, the interest on the Taxable Notes is not intended to be excludable from the gross income of the holders thereof for purposes of federal income taxation (see "TAX MATTERS").

The Board is required to designate, at the time of or prior to issuance, whether Notes are intended to be issued as Tax Exempt Notes or Taxable Notes.

The Notes are special obligations of the Board payable from and secured solely by the Pledged Revenues, as defined in the Resolution. Pledged Revenues generally include, subject to the provisions of the Prior Encumbered Obligations (as defined below), the Revenue Funds, including all of the funds and balances now or hereafter lawfully available to the Board and derived from or attributable to any Participant of the Revenue Financing System that are lawfully available to the Board for payments on Parity Obligations; provided, however, that the following shall be excluded from Pledged Revenues unless and to the extent set forth in a Supplement to the Master Resolution: (a) the interest of the A&M System in the Available University Fund under Article 7, Section 18 of the Constitution of the State of Texas, including the income therefrom and any balances relating thereto; (b) amounts received on behalf of any Participant under Article 7, Section 17 of the Constitution of the State of Texas, including the income therefrom and any balances relating thereto; and (c) except to the extent so specifically appropriated, general revenue funds appropriated to the Board by the Legislature of the State of Texas.

The Board has calculated the Pledged Revenues (including unrestricted net assets of approximately \$841.6 million) for Fiscal Year 2021 to be approximately \$3.6 billion.

"Prior Encumbered Obligations" means the bonds, notes, and other obligations of an institution or agency outstanding on the date it becomes a Participant of the Revenue Financing System and that are secured by a lien on and pledge of the Prior Encumbered General Fee, the Prior Encumbered Revenues, the Prior Encumbered Tuition Fee, or the Prior Encumbered General Tuition charged and collected at such institution or agency, and all existing obligations of the Board secured by a lien on a portion of the Pledged Revenues that is superior to the lien established by the Master Resolution on behalf of Parity Obligations. Presently there are no Prior Encumbered Obligations outstanding.

The Board has covenanted in the Master Resolution that in each Fiscal Year it will use its reasonable efforts to collect revenues sufficient to meet all financial obligations of the Board relating to the Revenue Financing System, including all deposits or payments due on or with respect to outstanding Parity Obligations for such Fiscal Year. The Board has also covenanted in the Master Resolution that it will not incur any debt secured by Pledged Revenues unless

such debt constitutes a Parity Obligation or is junior and subordinate to the Parity Obligations. The Board intends to issue most of its revenue-supported debt obligations, which benefit members of the A&M System, as Parity Obligations under the Master Resolution.

In the Second Supplement, the Board has agreed to pay the principal of, and interest on, the Notes as the same become due and payable. If there are not anticipated to be Pledged Revenues or other lawfully available funds in an amount sufficient and in ample time to pay the principal of and interest on the Notes as such come due, the Second Supplement requires the A&M System to implement the procedures necessary to access the Board's liquidity support (see "LIQUIDITY SUPPORT").

The Resolution provides that any owner of the Notes may, in the event of default in connection with any covenant contained in the Resolution, or default in the payment of the Notes, or of any interest due thereon, or other costs and expenses related thereto, require the Board, its officials and employees, and any appropriate official of the State, to carry out, respect, or enforce the covenants and obligations of the Resolution, by all legal and equitable means, including specifically, but without limitation, the use and filing of mandamus proceedings in any court of competent jurisdiction against the Board, its officials and employees or any appropriate official of the State. The Resolution does not establish other remedies or specifically enumerate events of default with respect to the Notes. The Resolution does not provide for a trustee to enforce the covenants and obligations of the Board. In no event will owners of the Notes have the right to have the maturity of the Notes accelerated as a remedy. The enforcement of the remedy of mandamus may be difficult and time consuming. No assurance can be given that a mandamus or other legal action to enforce a default under the Resolution would be successful.

Under current State law, the Board is prohibited from waiving sovereign immunity from suit or liability with respect to the Notes, and the holders thereof are prevented by operation of the Board's sovereign immunity from bringing a suit against the Board in a court of law to adjudicate a claim to enforce the Notes or for damages for breach of the Notes. However, State courts have held that mandamus proceedings against a governmental unit, such as the Board, as discussed in the preceding paragraph, are not prohibited by sovereign immunity.

Chapter 1208, as amended, Texas Government Code, applies to the issuance of the Notes and the pledge of the Pledged Revenues, and such pledge is therefore, valid, effective and perfected. Should State law be amended while the Notes are outstanding and unpaid, the result of such amendment being that the pledge of the Pledged Revenues is to be subject to the filing requirements of Chapter 9, Texas Business and Commerce Code, in order to preserve to the owners of the Notes a security interest in such pledge, the Board agrees to take such measures as it determines are reasonable and necessary to enable a filing of a security interest in said pledge to occur.

The Resolution provides that the Notes shall be treated as Defeased Debt when, among other things, there shall have been irrevocably deposited with an eligible bank or trust company noncallable Government Obligations which mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money to provide for the payment of all principal and interest with respect to such Notes to the due date or dates thereof. The Second Supplement also provides that, with respect to a defeasance of Notes, the term "Government Obligations" shall mean (i) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (ii) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date of the purchase thereof are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the issuer adopts or approves the proceedings authorizing the financial arrangements are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent.

In the Second Supplement, the Board also authorized a book-entry system for registration of the Notes with The Depository Trust Company, New York, New York ("DTC"). Ownership of beneficial interests in the Notes shall be shown by book entry on the system maintained and operated by DTC (see "APPENDIX A – BOOK-ENTRY-ONLY SYSTEM").

THE NOTES ARE NOT GENERAL OBLIGATIONS OF THE BOARD, THE A&M SYSTEM OR ANY PART THEREOF, THE STATE, OR ANY POLITICAL SUBDIVISION OF THE STATE. THE BOARD HAS NO TAXING

POWER, AND NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OR ANY AGENCY OR POLITICAL SUBDIVISION THEREOF IS PLEDGED AS SECURITY FOR THE NOTES. THE BREACH OF ANY COVENANT, AGREEMENT, OR OBLIGATION CONTAINED IN THE MASTER RESOLUTION OR THE SECOND SUPPLEMENT WILL NOT IMPOSE OR RESULT IN GENERAL LIABILITY ON OR A CHARGE AGAINST THE GENERAL CREDIT OF THE BOARD OR THE A&M SYSTEM.

The Notes will be payable at the offices of the Issuing and Paying Agent, U. S. Bank Trust, N. A., New York, New York (the "Agent").

FINANCIAL MANAGEMENT

The A&M System's Chief Investment Officer and Treasurer is responsible for the operational activities of debt, cash and investment management of the A&M System's operating and endowment funds, and the Executive Director of Budgets and Accounting is responsible for budgets, accounting, and financial statements.

State CAFR

The State issues an audited Comprehensive Annual Financial Report ("CAFR"), prepared in accordance with generally accepted accounting principles, for the State as a whole. The CAFR is normally available in April of each year. The CAFR is prepared by the State Comptroller of Public Accounts (the "Comptroller") and is audited by the State Auditor's Office. The State Auditor expresses an opinion on the CAFR but does not express an opinion on the financial reports of individual member units, including those of the A&M System.

The Fiscal Year of the State and the A&M System begins on September 1 of each year. Annually, not later than November 20, an unaudited financial report dated as of August 31, prepared from the books of the A&M System, must be delivered to the Governor and the Comptroller. In certifying the financial reports included in the CAFR, the State Auditor examines the financial records of each of the A&M System's member institutions. *No independent audit in support of this detailed review is required or obtained by the A&M System.*

A&M System Financial Reports

The A&M System is an agency of the State and its financial records reflect compliance with applicable State statutes and regulations. The significant accounting policies followed by the A&M System in maintaining accounts and in the preparation of the combined primary financial statements are materially in accordance with "Texas Comptroller of Public Accounts' Annual Financial Reporting Requirements." The requirements are also in substantial conformity with the *Financial Accounting and Reporting Manual for Higher Education* as revised by GASB No. 34 and No. 35, published by the National Association of College and University Business Officers (NACUBO).

The A&M System's combined primary financial reports cover all financial operations of the central administration office of the A&M System (the "A&M System Administration") and all member institutions of the A&M System. Amounts due between member institutions, amounts held for member institutions by the A&M System Administration and other duplications in reporting are eliminated in combining the individual financial reports.

Attached to this Commercial Paper Memorandum as "APPENDIX B – UNAUDITED FINANCIAL REPORTS OF THE TEXAS A&M UNIVERSITY SYSTEM" are the most recent primary statements of the unaudited combined annual financial reports of the A&M System (with the relevant portion of the notes to the unaudited combined annual financial reports), for the A&M System's Fiscal Year ended August 31, 2021, excerpted from the 2021 Combined Annual Financial Report of the A&M System. The A&M System's unaudited combined annual financial statements consist of the Combined Statement of Net Position for the Year Ended August 31, 2021, the Combined Statement of Revenues, Expenses and Changes in Net Position for the Year Ended August 31, 2021 and the Combined Statement of Cash Flows for the Year Ended August 31, 2021. See "APPENDIX B – UNAUDITED FINANCIAL REPORTS OF THE TEXAS A&M UNIVERSITY SYSTEM."

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The following table reflects the unaudited condensed statement of net position of the A&M System as of August 31, 2021, 2020, 2019, 2018 and 2017.

Condensed Statement of Net Position
as of August 31, 2021, 2020, 2019, 2018, and 2017
(In Thousands)⁽¹⁾

	<u>FY 2021</u>	<u>FY 2020</u>	<u>FY 2019</u>	<u>FY 2018</u>	<u>FY 2017</u>
Assets and Deferred Outflows of Resources:					
Current Assets	\$3,311,963	\$2,606,774	\$2,518,084	\$2,554,405	\$2,746,806
Capital Assets, Net	7,161,422	6,985,185	6,691,333	6,272,163	5,386,156
Other Assets and Deferred Outflows	<u>8,846,324</u>	<u>7,704,919</u>	<u>7,519,196</u>	<u>6,872,259</u>	<u>5,853,998</u>
Total Assets and Deferred Outflows	<u>19,319,709</u>	<u>17,296,878</u>	<u>16,728,613</u>	<u>15,698,827</u>	<u>13,986,960</u>
Liabilities and Deferred Inflows of Resources:					
Current Liabilities	2,163,674	1,700,257	1,799,392	1,665,454	1,450,147
Non-Current Liabilities	8,107,908	7,528,025	7,626,359	7,625,312	6,330,809
Other Liabilities and Deferred Inflows	<u>558,504</u>	<u>726,957</u>	<u>714,589</u>	<u>637,580</u>	<u>71,751</u>
Total Liabilities and Deferred Inflows	10,830,086	9,955,239	10,140,340	9,928,346	7,852,707
Net Position:					
Net Investment In Capital Assets	2,514,273	2,381,422	2,318,447	2,172,280	1,912,440
Restricted					
Expendable	1,150,873	1,088,445	1,069,247	1,172,187	1,220,484
Non-Expendable	434,425	421,794	408,026	400,201	393,032
Unrestricted	<u>4,390,052</u>	<u>3,449,978</u>	<u>2,792,553</u>	<u>2,025,813</u>	<u>2,608,297</u>
Total Net Position	8,489,623	7,341,639	6,588,273	5,770,481	6,134,253
Liabilities, Deferred Inflows, and Net Position	<u>\$19,319,709</u>	<u>\$17,296,878</u>	<u>\$16,728,613</u>	<u>\$15,698,827</u>	<u>\$13,986,960</u>

⁽¹⁾ For more detailed information, see “APPENDIX B – UNAUDITED FINANCIAL REPORTS OF THE TEXAS A&M UNIVERSITY SYSTEM—Combined Statement of Net Position for the Year Ended August 31, 2021.” The Fiscal Year 2020 and 2021 results reflect the operational and financial impact of the Pandemic and measures implemented in response thereto. See “THE TEXAS A&M UNIVERSITY SYSTEM – Investment Considerations – Infectious Disease Outbreak (COVID-19)” herein.

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The table below presents the Combined Statement of Revenues, Expenses and Changes in Net Position of the A&M System (unaudited) for Fiscal Years 2021, 2020, 2019, 2018 and 2017.

**Combined Statement of Revenues, Expenses and Changes in Net Position
for the Years Ended August 31, 2021, 2020, 2019, 2018 and 2017
(In Thousands)⁽¹⁾**

	<u>FY 2021</u>	<u>FY 2020</u>	<u>FY 2019</u>	<u>FY 2018</u>	<u>FY 2017</u>
Operating Revenues:					
Net Tuition and Fees	\$1,272,746	\$1,209,514	\$1,161,845	\$1,117,023	\$1,061,839
Professional Fees	2,325	2,336	5,245	8,036	1,706
Net Auxiliary Enterprises	293,456	290,513	324,411	314,993	308,407
Net Other Sales of Goods and Services	290,961	285,242	314,481	301,143	300,923
Interest Revenue	690	1,563	579	1,548	3,076
Federal Revenue – Operating	633,066	628,034	465,270	439,516	407,520
Federal Pass Through Revenue	216,638	411,576	32,757	33,239	24,576
State Grant Revenue	5,100	5,898	5,629	5,617	6,128
State Pass Through Revenue	122,647	131,709	124,326	115,253	111,900
Other Grants and Contracts – Operating	293,653	284,746	280,644	270,120	273,767
Other Operating Revenue	<u>83,832</u>	<u>63,911</u>	<u>73,005</u>	<u>83,893</u>	<u>85,722</u>
Total Operating Revenue	3,215,114	3,315,042	2,788,192	2,690,381	2,585,564
Operating Expenses:					
Instruction	1,277,893	1,280,060	1,063,348	1,269,517	1,205,521
Research	1,131,888	1,092,463	766,239	835,454	797,132
Public Service	8,652,840	2,018,033	246,757	348,469	281,798
Academic Support	474,627	475,523	394,827	413,597	384,453
Student Services	224,917	226,545	178,711	200,161	195,528
Institutional Support	373,393	312,171	236,277	260,917	448,249
Operations and Maintenance of Plant	341,892	350,213	285,329	307,778	288,121
Scholarships and Fellowships	411,202	300,670	244,673	234,654	219,742
Auxiliary	384,360	401,068	411,281	400,737	370,768
Depreciation/Amortization	<u>514,749</u>	<u>468,756</u>	<u>424,422</u>	<u>374,669</u>	<u>337,349</u>
Total Operating Expenses	<u>13,787,761</u>	<u>6,925,502</u>	<u>4,251,864</u>	<u>4,645,953</u>	<u>4,528,661</u>
Operating Loss	(10,572,647)	(3,610,460)	(1,463,672)	(1,955,572)	(1,943,097)
Non-Operating Revenues (Expenses):					
Legislative Revenue	1,341,820	1,291,892	1,191,454	1,182,765	1,152,038
Federal Revenue Non-Operating	7,910,554	916,391	267,174	250,189	234,209
Federal Pass Through Non-Operating	810,044	785,618	0	0	0
State Pass Through Non-Operating	86,714	43,733	0	0	0
Gifts	199,166	165,041	208,671	193,315	137,174
Investment Income	1,010,059	583,514	287,588	439,430	444,742
Investing Activities Expense	(22,187)	(16,845)	(17,087)	(14,733)	(13,272)
Interest Expense	(172,696)	(170,496)	(171,799)	(188,873)	(141,376)
Borrower Rebates and Agent Fees	(2,598)	(3,669)	(4,006)	(5,714)	(4,265)
Gain (Loss) on Sale or Disposal of Capital Assets	(122)	(881)	(11,355)	1,703	(105,678)
Net Increase (Decrease) in Fair Value	0	0	0	0	0
Settlement of Claims	(233)	(1,229)	(2,727)	(429)	(185)
Other Non-Operating Revenues	74,035	35,918	60,606	84,927	111,510
Other Non-Operating (Expenses)	<u>(78,750)</u>	<u>(44,719)</u>	<u>(74,295)</u>	<u>(43,359)</u>	<u>(53,614)</u>
Total Non-Operating Revenues (Expenses)	11,155,806	3,584,268	1,734,224	1,899,221	1,761,283
Income (Loss) Before Other Revenues and Transfers	583,159	(26,192)	270,552	(56,351)	(181,814)
Capital Contributions	12,915	6,400	13,807	4,744	17,465
Capital Appropriations (Higher Education Fund)	48,420	46,587	46,587	46,587	46,587
Additions to Permanent and Term Endowments	80,771	7,193	5,187	4,973	5,183
Transfers to/from Other State Agencies	<u>422,719</u>	<u>719,128</u>	<u>493,848</u>	<u>663,308</u>	<u>352,899</u>
Change in Net Position	1,147,984	753,116	829,981	663,261	240,320
Net Position, Beginning of Year	7,341,639	6,588,273	5,770,482	6,134,253	5,893,933
Restatement	<u>0</u>	<u>250</u>	<u>(12,190)</u>	<u>(1,027,032)</u>	<u>0</u>
Net Position, Beginning of Year, Restated	7,341,639	6,588,523	5,758,292	5,107,221	5,893,933
Net Position – August 31, 2021-2017	<u>\$8,489,623</u>	<u>\$7,341,639</u>	<u>\$6,588,273</u>	<u>\$5,770,482</u>	<u>\$6,134,253</u>

(1) For more detailed information, see “APPENDIX B – UNAUDITED FINANCIAL REPORTS OF THE TEXAS A&M UNIVERSITY SYSTEM – Combined Statement of Revenues, Expenses and Changes in Net Position for the Year Ended August 31, 2021.” The Fiscal Year 2020 and 2021 results reflect the operational and financial impact of the Pandemic and measures implemented in response thereto. See “THE TEXAS A&M UNIVERSITY SYSTEM – Investment Considerations – Infectious Disease Outbreak (COVID-19)” herein. Results for Fiscal Year 2020 and 2021 include TDEM (as defined herein) financial results, including federal funding related to the Pandemic.

Funding for the A&M System

Funding for the A&M System is derived from operating and non-operating revenues. For a discussion of the funding sources for the Fiscal Year ended August 31, 2021, see “APPENDIX B – UNAUDITED FINANCIAL REPORTS OF THE TEXAS A&M UNIVERSITY SYSTEM—Management’s Discussion and Analysis—Statement of Revenues, Expenses and Changes in Net Position.” The amounts and the sources of such funding vary from year to year and there is no guarantee that the source or amounts of such funding will remain the same in future years. Following are brief discussions of certain funding sources.

Tuition and Fees

Each member institution granting degrees charges tuition and fees as authorized by the State Legislature and the Board pursuant to Chapters 54 and 55 of the Education Code. Tuition charges are composed of “State Mandated Tuition” and “Board Designated Tuition” as further described below. Unless otherwise stated, all references to statutes shall be to the Texas Education Code.

State Mandated Tuition. Section 54.051 of the Texas Education Code requires (i) undergraduate tuition applicable to State residents to be charged at \$50 per semester credit hour and (ii) tuition of a nonresident student at a general academic teaching institution or medical and dental unit to be an amount per semester credit hour equal to the average of the nonresident undergraduate tuition charged to a resident of the State at a public state university in each of the five most populous states other than the State (the amount of which would be computed by the Texas Higher Education Coordinating Board (the “Coordinating Board”) for each academic year). For the 2021-22 academic year, the Coordinating Board has computed \$458 per semester credit hour for nonresident undergraduate tuition. The tuition rates described above are referred to in this Commercial Paper Memorandum as “State Mandated Tuition.”

Board Designated Tuition. In 2003, the Texas Legislature approved and the Governor signed into law House Bill 3015, which provided for the deregulation of a portion of tuition that a governing board of an institution of higher education, such as the Board, has the authority to charge under Section 54.0513 of the Texas Education Code. Prior to the amendment to Section 54.0513, Texas Education Code, the amount of tuition that a board of regents could independently charge students was capped at the level described above with respect to State Mandated Tuition. Effective for tuition charged for the Fall 2003 semester, a governing board could charge any student an amount (referred to in this Commercial Paper Memorandum as “Board Designated Tuition”) that it considered necessary for the effective operation of the institution. The legislation also granted authority to the governing board to set a different tuition rate for each program and course level offered by the institution. This additional authority offers more opportunity for the Board to develop a tuition schedule that assists in meeting the strategic objectives of each Participant in terms of access, affordability, effective use of campus resources, and improvement of graduation rates. The Board must authorize any changes in Board Designated Tuition only after they have been thoroughly evaluated by the Chancellor of the A&M System and the administration of each Participant. No less than 15% of the Board Designated Tuition charged in excess of \$46 per semester credit hour shall be set aside to provide financial assistance to resident undergraduate students, consistent with the provisions of Subchapter B, Chapter 56, Texas Education Code, which were contained in House Bill 3015. In connection with the authorization of Board Designated Tuition, building use fees, which were historically included in Pledged General Fees (and as defined in) under the Master Resolution, were rededicated as Board Designated Tuition. This rededication does not impact the pledge of Revenue Funds for the payment and security of Parity Obligations. Both the State Mandated Tuition and the Board Designated Tuition are included in Revenue Funds and are pledged for the benefit of Parity Obligations.

For the 2014-15 academic year, the Board adopted guaranteed tuition and fee rates at its academic institutions allowing students to pay the same tuition and fee rate for up to four years (twelve consecutive semesters) with certain variances for fees approved at individual campuses and tuition requirements for certain programs. After the expiration of four years, students will pay the current year’s rates each term until completion. Beginning in the 2016-17 academic year, students have the choice between a variable one-year optional rate and a four-year guaranteed rate.

In October 2019, the Board adopted tuition and fee rates for students entering in the 2020-21 and 2021-22 academic years. The tuition and fee rates adopted for students entering in the 2020-21 and 2021-22 academic years will not affect any of the current students already enrolled and on a guaranteed plan. The 2020-21 rates include an inflation adjustment of 2.6% as measured by the 2019 Higher Education Price Index (HEPI) and other specific tuition and fee increases supporting the student health center, athletics, and various undergraduate and graduate programs. The 2021-22 academic

year rates were increased by 2.1% as measured by the August 31, 2020 HEPI. The 2022-23 academic year rates are expected to remain unchanged.

The A&M System has no assurance that the State Legislature will not place future limits on the Board’s ability to charge Board Designated Tuition in an amount that it considers necessary for the effective operation of its institutions. However, Section 55.16 of the Texas Education Code specifically allows the Board to levy and collect any necessary fees, tuition, rentals, rates or other charges necessary to provide funds sufficient for the payment of outstanding Parity Obligations.

Set forth below is a table showing the State Mandated Tuition, Board Designated Tuition and mandatory fees, and total tuition and fees for each of the general academic institutions of the A&M System (including the branch campus in Galveston and excluding the Texas A&M Health Science Center) for a full-time resident student for the Fall 2022 semester based on 15 semester credit hours.

Fall 2022 Tuition Rates

	State Mandated Tuition	*Board Designated Tuition and Mandatory Fees	Total Tuition and Fees
Prairie View A&M University	\$ 750	\$ 4,900	\$ 5,650
Tarleton State University	750	4,252 - 5,240	5,002 - 5,990
Texas A&M International University	750	4,211	4,961
Texas A&M University	750	5,231 - 6,455	5,981 - 7,205
Texas A&M University at Galveston	750	5,937	6,687
Texas A&M University - Central Texas	750	2,931 - 3,387	3,681 - 4,137
Texas A&M University – Commerce	750	4,514	5,264
Texas A&M University - Corpus Christi	750	4,516 - 4,838	5,266 - 5,588
Texas A&M University – Kingsville	750	4,196	4,946
Texas A&M University - San Antonio	750	4,024	4,774
Texas A&M University – Texarkana	750	3,594 - 3,884	4,344 - 4,634
West Texas A&M University	750	4,082 - 4,780	4,832 - 5,530

*Tuition is based on guaranteed rates and varies by program of study. This table has been updated to reflect tuition ranges resulting from differential tuition rates based on college or program.

The Board may set rates for graduate tuition at different levels for different institutions. State Mandated Tuition for a resident student enrolled in a program leading to an M.D. or D.O. degree is \$6,550 per academic year. State Mandated Tuition for a nonresident student enrolled in a program leading to an M.D. or D.O. degree is an amount per year equal to three times the rate that a resident student enrolled in a program leading to an M.D. or D.O. degree would pay during the corresponding academic year. In addition, various other programs, including programs leading to a D.V.M. degree, have specific annual rates for resident students and maximum rates that may be charged to nonresident students.

The Board is authorized by Chapter 55 of the Texas Education Code to set the Pledged General Tuition (as defined in the Master Resolution) and any other necessary fees, rentals, rates, or other revenue funds of the Board at the level necessary, without limit, to enable the Board to meet its obligations with respect to the payment of debt service on the Parity Obligations.

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State Government Appropriations

General Revenue Appropriations. The A&M System receives support annually from the State through general revenue fund appropriations made by the State Legislature. Levels of continued State support to the A&M System are dependent on results of biennial legislative sessions. Following the onset of the Pandemic, State agencies and institutions of higher education were asked to submit plans identifying savings to reduce general revenue related appropriations by 5% for the 2020-21 biennium, which equated to approximately \$87.1 million for the A&M System as a whole. The 87th State Legislature adopted a budget for the State for the 2022-23 biennium beginning September 1, 2021, which included formula and special item funding, including partial restoration of the 5% reduction for some of our service and research agencies. Overall, the State Legislature appropriated approximately \$1.38 billion for the A&M System from the general revenue fund for Fiscal Year 2022 and approximately \$1.35 billion for Fiscal Year 2023. Based on the original operating budget for the A&M System for the Fiscal Year ending August 31, 2022, State appropriations comprise approximately 14% of A&M System revenues for Fiscal Year 2022. These amounts include legislative revenues and net transfers from other State agencies. The 87th State Legislature also authorized special general revenue appropriations in the amount of \$60 million and \$300 million to TDEM for the purchase of warehouses and the construction of a new state operations center in Austin, Texas, respectively, and \$45 million to Texas A&M University at Galveston for infrastructure related to their new training vessel.

The A&M System has no assurance that the State Legislature will continue to appropriate to it the general revenue funds of the State at the same levels as in previous years. Future levels of State support are dependent upon the ability and willingness of the State Legislature to make appropriations to the A&M System taking into consideration the availability of financial resources and other potential uses of such resources. For financial information concerning the State, reference is made to the bond disclosure appendix (referred to as Appendix A) prepared by the Comptroller and published quarterly, which may be obtained (i) from the MSRB's internet website, www.emma.msrb.org, by using the quick search function and entering the term "State of Texas Comptroller" and (ii) from the Comptroller's website at: <http://www.comptroller.texas.gov/treasops/bondapp.html>.

Tuition Revenue Bonds. Pursuant to Chapter 55, Texas Education Code ("Chapter 55"), revenue bonds issued by a university system, such as the A&M System, may be equally secured by and payable from a pledge of all or a portion of certain revenue funds of the university system. All of the Parity Obligations of the A&M System, including the Notes, are secured solely by and payable solely from a pledge of and lien on the Pledged Revenues.

Historically, the State Legislature has appropriated general revenue funds in the State's budget each biennium to reimburse institutions of higher education for an amount equal to all or a portion of the debt service on certain revenue bonds ("Tuition Revenue Bonds") issued pursuant to specific statutory authorizations for individual institutions and projects identified in Chapter 55.

The reimbursement of the payment of debt service on such Tuition Revenue Bonds does not constitute a debt of the State, and the State is not obligated to continue making any such appropriations in the future. Furthermore, the State Legislature is prohibited by the State Constitution from making any appropriations for a term longer than two years. Accordingly, the State Legislature's appropriations for the reimbursement of debt service on Tuition Revenue Bonds may be reduced or discontinued at any time after the current biennium, and the State Legislature is under no legal obligation to continue such appropriations in any future biennium.

Certain of the Parity Obligations of the A&M System constitute Tuition Revenue Bonds. See footnotes 1 and 2 under "Outstanding Indebtedness" below for a description of which Parity Obligations of the A&M System constitute Tuition Revenue Bonds. Tuition Revenue Bonds issued by the A&M System carry no additional pledge or security and constitute Parity Obligations of the A&M System, which are equally and ratably secured by and payable from a pledge of and lien on Pledged Revenues on parity with all other Parity Obligations of the A&M System.

The State Legislature appropriated funds to reimburse the A&M System in prior years and in the budget for the 2022-23 biennium in amounts equal to all of the debt service on the A&M System's Tuition Revenue Bonds, including \$105,273,929 for Fiscal Year 2022 and \$95,738,818 for Fiscal Year 2023.

In addition, the State Legislature appropriated general revenue funds totaling \$11,343,270 in Fiscal Year 2022 and \$11,360,363 in Fiscal Year 2023 to provide special debt service funding by reimbursing the payment of debt service on certain A&M System projects, including special debt service funding for the Texas A&M Health Science Center's purchase of land and a building in Round Rock, Texas, the Texas A&M Veterinary Medical Diagnostic Laboratory's

(“TVMDL”) new laboratories in College Station, Texas and Canyon, Texas, and the Texas A&M Engineering Experiment Station’s (“TEES”) Center for Infrastructure Renewal.

Senate Bill 52 (“SB 52”), enacted during the third special session of the 87th State Legislature, amended Chapter 55 to authorize the issuance of additional Tuition Revenue Bonds to finance projects designated by SB 52 as “Capital Construction Assistance Projects”. Among other changes to Chapter 55, SB 52 added Section 55.1791, which authorizes the Board to issue approximately \$727.4 million of additional Parity Obligations to finance Capital Construction Assistance Projects. The Board anticipates that it may issue short-term and long-term Parity Obligations for these projects in the next two years.

The A&M System can provide no assurances with respect to any future appropriations by the State Legislature. Future levels of State appropriations are dependent upon the ability and willingness of the State Legislature to make appropriations to the A&M System taking into consideration the availability of financial resources and other potential uses of such resources.

Available University Fund Income Appropriations. The Available University Fund is defined by Article VII, Section 18 of the State Constitution (the “PUF Constitutional Provision”) to consist of distributions from the “total return” on all investment assets of the Permanent University Fund (“PUF”), including the net income attributable to the surface of PUF land, in the amounts determined by the Board of Regents (the “UT Board”) of The University of Texas System (the “UT System”). See “Investment Policy and Procedure and Endowments—Endowments—Permanent University Fund” below. One-third of the total amounts comprising the Available University Fund are constitutionally appropriated to the A&M System first, for the payment of annual debt service on PUF bonds and notes issued by the Board, and second, for the support and maintenance of the A&M System Administration, Texas A&M University, and Prairie View A&M University.

Private Financial Support

In Fiscal Year 2021, the A&M System received contributions (gifts, grants and contracts) exceeding \$586.5 million from the private sector, and during the five complete Fiscal Years preceding 2021, the A&M System received contributions averaging in excess of \$473 million annually from the private sector, making it one of the leading public educational systems in the nation receiving charitable contributions.

Financing Programs

The Board, pursuant to constitutional and statutory provisions, is authorized to issue debt in a number of distinct forms with which to finance capital improvements. The A&M System has two financing programs in addition to the Revenue Financing System.

Permanent University Fund Bonds

The PUF Constitutional Provision authorizes the Board to issue bonds and notes, payable from all or part of its interest in the Available University Fund in an aggregate amount not exceeding, at the time of issuance, 10% of the cost value of PUF assets, excluding real estate. Proceeds may be used for the purpose of (i) acquiring land with or without permanent improvements; (ii) constructing and equipping buildings or other permanent improvements; (iii) making major repairs and rehabilitation and other permanent improvements; (iv) acquiring capital equipment, library books, and library materials; and (v) refunding bonds or notes issued under said section or prior law, at or for the A&M System Administration and the member institutions of the A&M System (except Texas A&M University – Commerce (“A&M – Commerce”), Texas A&M University – Corpus Christi (“A&M – Corpus Christi”), Texas A&M International University (“TAMIU”), Texas A&M University – Kingsville (“A&M – Kingsville”), Texas A&M University – Texarkana (“A&M – Texarkana”), West Texas A&M University (“WTAMU”), TVMDL and Texas Division of Emergency Management (“TDEM”). Proceeds may not be used to finance permanent improvements of auxiliary enterprises or athletic facilities.

As of January 31, 2022, the Board’s constitutionally authorized PUF bond capacity was approximately \$2,657,571,222, and as of January 31, 2022, the aggregate amount of the Board’s PUF bonds and notes issued and outstanding under this limit was \$1,389,210,000.

Higher Education Fund Bonds

The following member institutions are not eligible to receive proceeds from PUF bonds and notes under the PUF Constitutional Provision: A&M – Commerce; A&M - Corpus Christi; TAMIU; A&M – Kingsville; A&M – Texarkana; WTAMU; TVMDL; and TDEM. Pursuant to the Higher Education Fund (“HEF”) program established by Article VII, Section 17 of the State Constitution (the “HEF Constitutional Provision”), such institutions, except TVMDL and TDEM, are qualified to receive an annual allocation from amounts constitutionally appropriated to fund permanent improvements (except those for athletic facilities or auxiliary enterprises). Under the HEF Constitutional Provision, the Board is authorized to issue bonds and notes to finance permanent improvements at such institutions and to pledge up to 50% of its allocation to secure the payment of principal and interest on the bonds and notes. The A&M System has no bonds or notes issued or outstanding under this program. In addition, the A&M System has the ability to use funds received pursuant to the HEF program to pay debt service on outstanding Parity Obligations. The 87th State Legislature appropriated HEF program funds for A&M System institutions in the amounts of \$48,419,905 for Fiscal Year 2022 and \$48,419,905 for Fiscal Year 2023. For more detailed information, see “APPENDIX B – UNAUDITED FINANCIAL REPORTS OF THE TEXAS A&M UNIVERSITY SYSTEM – Combined Statement of Revenues, Expenses and Changes in Net Position for the Year Ended August 31, 2021 – Capital Appropriations (Higher Education Fund).”

Debt Management

Debt management for the A&M System is the responsibility of the Chief Investment Officer and Treasurer. Debt is issued pursuant to A&M System debt capacity calculations and annual funding requirements in accordance with the cash flow analyses. Issuance of debt requires approval of the Board and (except for PUF bonds and notes) approval by the Texas Bond Review Board or an exemption from such approval requirement pursuant to general law or in accordance with the rules of the Texas Bond Review Board. As a general rule, the A&M System issues debt in large increments to finance system-wide capital improvement cash flow requirements in the aggregate as opposed to financing on a project-by-project basis. To minimize debt service costs during construction periods, the A&M System intends to initially finance capital improvements and required equipment with short-term debt. Such short-term debt is refinanced with long-term fixed rate debt when short-term facilities are fully utilized, during periods of low interest rates, or to match projected revenues.

Current Board Policy on Issuance of Debt

Under current policy, the Board must approve the issuance of debt for a Participant in order to ensure that each Participant is self-sufficient and the operation of each Participant is efficient. Prior to the issuance of debt, a Participant must furnish the Board, for its review and approval, information describing the proposed project including a complete description of the new facilities, and the need therefor, estimated costs of construction, financial analysis and feasibility, if expected to generate sources of revenues for operation and maintenance, and status of student-approved fee increases if required to pay debt service or operation and maintenance expenses.

Participants are required to make reports to the Chancellor during each Fiscal Year regarding revenue receipts, expenditures, status of construction projects, compliance with Board policies related to issuance of debt, and compliance with bond covenants and requirements.

Such policies are subject to change by the Board without notice. The application of such policies may be waived at the discretion of the Board.

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Outstanding Indebtedness

As of February 22, 2022, the A&M System had the following described indebtedness:

Revenue Financing System

Revenue Financing System Bonds, Series 2013A ⁽¹⁾	9,095,000
Revenue Financing System Bonds, Series 2013B	45,185,000
Revenue Financing System Bonds, Series 2013D	15,635,000
Revenue Financing System Bonds, Series 2015A ⁽¹⁾	22,000,000
Revenue Financing System Bonds, Series 2015B	52,935,000
Revenue Financing System Bonds, Taxable Series 2015C	75,540,000
Revenue Financing System Bonds, Taxable Series 2015D	58,315,000
Revenue Financing System Bonds, Taxable Series 2016A ⁽²⁾	60,800,000
Revenue Financing System Bonds, Taxable Series 2016B	279,955,000
Revenue Financing System Bonds, Series 2016C ⁽²⁾	177,980,000
Revenue Financing System Bonds, Taxable Series 2016D ⁽²⁾	147,410,000
Revenue Financing System Bonds, Series 2016E ⁽²⁾	118,000,000
Revenue Financing System Bonds, Taxable Series 2017A ⁽¹⁾	276,735,000
Revenue Financing System Bonds, Taxable Series 2017B ⁽²⁾	292,170,000
Revenue Financing System Bonds, Series 2017C ⁽²⁾	93,250,000
Revenue Financing System Bonds, Taxable Series 2017D	145,155,000
Revenue Financing System Bonds, Series 2017E	334,605,000
Revenue Financing System Bonds, Taxable Series 2019A	203,770,000
Revenue Financing System Bonds, Taxable Series 2019B	412,445,000
Revenue Financing System Bonds, Taxable Series 2020A	152,590,000
Revenue Financing System Bonds, Series 2021A	189,425,000
Revenue Financing System Bonds, Taxable Series 2021B	226,375,000
Revenue Financing System Note (2007 TIPS Project)	166,667
Revenue Financing System Commercial Paper Notes ⁽³⁾	187,398,000
	<u>\$ 3,576,934,667</u>

Permanent University Fund

Permanent University Fund Bonds, Series 1998	21,710,000
Permanent University Fund Bonds, Series 2009AB	192,360,000
Permanent University Fund Bonds, Series 2012A	37,975,000
Permanent University Fund Bonds, Taxable Series 2012B	75,370,000
Permanent University Fund Bonds, Series 2013	79,780,000
Permanent University Fund Bonds, Series 2015A	140,555,000
Permanent University Fund Bonds, Taxable Series 2015B	94,875,000
Permanent University Fund Bonds, Series 2017A	89,710,000
Permanent University Fund Bonds, Taxable Series 2017B	310,470,000
Permanent University Fund Bonds, Taxable Series 2019	346,405,000
Permanent University Fund Commercial Paper Notes ⁽⁴⁾	0
	<u>\$ 1,389,210,000</u>
	<u>\$ 4,966,144,667</u>

TOTAL

- ⁽¹⁾ Constitute bonds that qualify for reimbursement from State appropriations for debt service payments on the Board's outstanding Tuition Revenue Bonds. See "FINANCIAL MANAGEMENT – Funding for the A&M System – State Government Appropriations – Tuition Revenue Bonds". Future reimbursement by the State for debt service payments is entirely subject to future appropriations by the State Legislature in each subsequent State biennium.
- ⁽²⁾ A portion of these bonds constitute Tuition Revenue Bonds. See footnote (1).
- ⁽³⁾ Under current Board authorization, Revenue Financing System Commercial Paper Notes may be issued up to a total of \$300 million.
- ⁽⁴⁾ Under current Board authorization, Permanent University Fund Commercial Paper Notes may be issued up to a total of \$125 million.

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Anticipated Issuance of Debt

Responsibility for the management of the A&M System's obligations is centralized in the Office of Treasury Services. The A&M System maintains a \$300 million Revenue Financing System commercial paper program to facilitate interim financing of capital improvement projects. The liquidity support for the full authorization of \$300 million of such program is provided by the available assets of the Revenue Financing System. The Revenue Financing System commercial paper program will continue to be used to provide interim financing of the capital improvement needs of the A&M System.

The Board anticipates issuing an additional approximately \$281 million Revenue Financing System commercial paper notes or bonds (excluding refunding bonds) secured by Pledged Revenues during Fiscal Year 2022 to meet the capital improvement needs of the A&M System, including the \$70 million Tax-Exempt Commercial Paper Notes expected to be issued on February 24, 2022. The Board also anticipates that it may issue short-term and long-term Parity Obligations for Capital Construction Assistance Projects in the next two years. See "FINANCIAL MANAGEMENT – Funding for the A&M System – Tuition Revenue Bonds" herein.

Other Financings

Public/Private Partnerships

The A&M System has entered into public/private partnerships that allow private partners to acquire, construct, improve or maintain facilities used to support the A&M System's core mission. Housing projects have been financed through public/private partnerships at Texas A&M University in College Station ("Texas A&M"), A&M - Commerce, A&M - Corpus Christi, Texas A&M University - San Antonio, and Tarleton State University. Non-student housing facilities being financed through public/private partnerships include a parking facility, a laboratory, and a hotel and conference center at Texas A&M, as well as a student recreation center at A&M - Texarkana. The A&M System may enter into additional public/private partnerships in the future.

Under such arrangements, the A&M System generally enters into a ground lease with the private partner, and may enter into various service agreements as well, but the responsibility to acquire, construct, operate and maintain the facilities remains with the private partner. The private partners in these transactions may issue or incur debt to finance the acquisition, construction, maintenance or improvement of such facilities. The New Hope Cultural Education Facilities Finance Corporation, acting as a conduit issuer for various private partners in these transactions, has approximately \$268.2 million of outstanding debt issued related to public/private partnerships involving the A&M System. Any debt issued by or on behalf of private partners does not constitute an obligation of the Board, the A&M System or any of its components; however, in connection with approximately \$171.9 million of such outstanding debt issued by or on behalf of private partners, the A&M System may be required to provide amounts sufficient to cover debt service (to the extent appropriated by the Board) if revenues of a financed facility are insufficient to pay debt service when due.

A portion of the proceeds of the Revenue Financing System Bonds, Taxable Series 2020A, issued July 30, 2020, were used by the A&M System to acquire three student housing facilities on the campus of Tarleton State University, which were constructed by a private partner through a public/private partnership. A portion of the proceeds of the Revenue Financing System Bonds, Taxable Series 2021B, issued April 7, 2021, were used to acquire three student housing facilities on the campus of A&M - Corpus Christi, including the Momentum Campus, one student housing facility on the campus of A&M-San Antonio, and one student housing facility on the campus of Texas A&M University at Galveston, which were constructed by a private partner through a public/private partnership. A portion of the proceeds of Revenue Financing System Commercial Paper Notes, issued June 22, 2021, were used by the A&M System to acquire one student housing facility on the campus of A&M-Commerce, which was constructed by a private partner through a public/private partnership.

In addition to public/private partnerships that support the A&M System's core mission, the A&M System has entered into ground leases and related agreements in connection with the development of facilities constructed, maintained and operated by private parties on underutilized property owned by the A&M System. Any debt issued by or on behalf of private partners in connection with such facilities does not constitute an obligation of the Board, the A&M System or any of its components. Notices of voluntary disclosures posted by the A&M System, which describe recent developments concerning such public/private partnerships, are available on the MSRB's internet website, www.emma.msrb.org and can be located by searching the base 6-digit CUSIP number for the bonds.

Other Obligations

The TMC³ Development Corporation, a Texas nonprofit corporation, wholly controlled by Texas Medical Center, issued its \$35,640,000 Taxable Lease Revenue Bonds (TAMUS), Series 2020 (the “A&M System TMC³ Bonds”) secured by lease payments from the A&M System to fund the A&M System’s share of certain collaborative facilities and related infrastructure located in the biomedical research hub (known as “TMC³”). The A&M System’s lease payments in respect of the A&M System TMC³ Bonds are subject to annual appropriation and subordinate to the Parity Obligations.

Investment Policy and Procedures and Endowments

Endowments

General. Although not pledged to the payment of debt obligations, the A&M System controls or is benefited by endowments with a market value at January 31, 2022, of approximately \$18.1 billion (including the A&M System’s foundations and one-third of the PUF). As of January 31, 2022, endowment funds under the direct control of the A&M System had a value of approximately \$1.54 billion and consisted of marketable securities and investments. Of this amount, approximately \$47.9 million was attributable to funds held for investment for Stephen F. Austin State University, Midwestern State University and Texas Woman’s University System. Distributions are calculated at 5% of the 20-quarter rolling average market value of the endowment. Since distributions are based on 20 quarters, market fluctuations are smoothed and distributions are expected to remain fairly consistent from year to year.

The A&M System is also a beneficiary of the PUF. As of January 31, 2022, the market value of the PUF was approximately \$32.4 billion (excluding land), one-third of which is designated for the A&M System. The audited annual financial statements for the PUF for Fiscal Years ended August 31, 2021 and 2020 have been filed by the A&M System with the MSRB and are incorporated by reference into this Commercial Paper Memorandum. Copies of such documents are available from the A&M System’s Office of Treasury Services.

Each endowment is subject to various restrictions as to application and use.

Permanent University Fund. The PUF is a State endowment contributing to the support of eligible institutions of the A&M System and the UT System. The State Constitution of 1876 established the PUF through the appropriation of land grants previously given to The University of Texas plus one million acres. Additional land grants to the PUF were completed in 1883 with the contribution of another one million acres. Today, the PUF contains 2.1 million acres located in 24 counties primarily in West Texas.

The PUF Constitutional Provision provides for distributions to the Available University Fund from the “total return” on all investment assets of the PUF, including the net income attributable to the surface of PUF land, in the amounts determined by the UT Board. Distributions to the Available University Fund are then allocated one-third to the A&M System and two-thirds to the UT System. The PUF Constitutional Provision requires an appropriation from the first money distributed to each system of an annual sum sufficient to pay debt service due on bonds and notes issued by each board and payable from each system’s interest in the Available University Fund. The remainder of each system’s annual distributions is to be appropriated to each board for prescribed university purposes.

Management of Investments

The Board is responsible for investment of A&M System funds held outside the State Treasury. As provided in the Texas Education Code, each member of the Board has the legal responsibilities of a fiduciary in the management of funds under the control of the A&M System. The Board has provided for centralized investment management within Treasury Services under the direction of the Chief Investment Officer and Treasurer. Investments are managed externally, by unaffiliated investment managers. The Board receives quarterly reports regarding asset allocation, investment returns and market indices.

Authorized Investments

All available funds held by the A&M System and its Participants are authorized to be invested in accordance with State law and with the written investment policy of the Board. Investments are to be made with the judgment and care, under the circumstances then prevailing, that persons of prudence, discretion, and intelligence exercise in the management

of their own affairs, not in regard to speculation, but in regard to permanent disposition of their funds, considering the probable income therefrom as well as the probable increase in value and the safety of their capital. In the management of A&M System investments, consideration is given to the requirements of liquidity, diversification, safety of principal, yield, maturity, quality, and capability of investment management, with primary emphasis on safety of principal.

Investment Programs

The A&M System operates two investment funds, the System Endowment Fund (the “Endowment Fund”) and the Cash Concentration Pool (the “Pool”). The purpose of the Endowment Fund is to provide for the collective investment of all endowment and trust funds held by the A&M System. The purpose of the Pool is to provide for the collective investment of all operating funds. In the management of A&M System investments, consideration is given to the requirements for liquidity, diversification, safety of principal, yield, maturity, quality and capability of investment management, with primary emphasis on safety of principal. All securities, which use long-term credit ratings, must be rated the equivalent of “B” or better. The fixed income portfolio must have an overall credit rating of “A” or better, and securities using short-term credit ratings must be rated at least “A-2,” “P-2,” “F-2” or the equivalent.

The Board's investment policy provides for a target asset allocation for the Endowment Fund of approximately 30% of the total fund's market value in equities, approximately 15% of the total fund's market value in fixed income securities and approximately 55% of the total fund's market value in alternative assets.

The market value of the Pool as of January 31, 2022 was approximately \$5.5 billion, which does not include the proceeds of any Revenue Financing System or PUF debt. Of this amount, approximately \$276.3 million was attributable to investments held for Stephen F. Austin State University and Texas Woman's University System. Midwestern State University is no longer investing in the Pool. The Pool is invested with 41.4% in fixed income securities, 39.1% in equities and 19.5% in alternative assets. The Revenue Financing System debt proceeds are invested solely in the short-term portfolio.

The Board's current target allocations for the Pool are as follows:

Short-Term Portfolio	8%
Fixed Income	32%
Domestic Equity	20%
International Equity	20%
Absolute Return	20%

The A&M System is reporting returns of 9.1% and 0.9% for the twelve months ended January 31, 2022 for the Endowment Fund and the Pool, respectively. The Board cannot make any representation as to the future performance of the A&M System's endowment or other invested funds.

Set forth below is the market value for the Pool, the Endowment Fund, and the A&M System's one-third interest in the PUF as of the end of the most recent five Fiscal Years.

<u>August 31</u>	Market Value of Investment Funds			A&M System's <u>Interest in PUF</u>
	<u>Pool</u> **	<u>Endowment Fund</u> ***	(In Thousands)*	
2021	\$5,381,266	\$1,605,087		\$13,858,442
2020	4,720,192	1,270,330		10,422,109
2019	4,198,336	1,220,940		10,051,065
2018	3,939,662	1,197,657		10,287,673
2017	3,573,497	1,116,179		8,676,847

*The Fiscal Year 2020 and 2021 results reflect the operational and financial impact of the Pandemic and measures implemented in response thereto. See “GENERAL DESCRIPTION – Investment Considerations – Infectious Disease Outbreak (COVID-19)” herein.

**Includes funds held for investment on behalf of Stephen F. Austin State University, Midwestern State University and Texas Woman's University System, which totaled \$328.7 million, \$282.9 million, \$253.3 million, \$244.9 million, and \$230.8 million as of August 31, 2021, 2020, 2019, 2018 and 2017, respectively.

*** Includes funds held for investment on behalf of Stephen F. Austin State University, Midwestern State University and Texas Woman's University System, which totaled \$57.1 million, \$47.8 million, \$47.0 million, \$43.7 million and \$40.4 million as of August 31, 2021, 2020, 2019, 2018 and 2017, respectively.

For a discussion of investment results for Fiscal Year 2021, see "APPENDIX B – UNAUDITED FINANCIAL REPORTS OF THE TEXAS A&M UNIVERSITY SYSTEM—Note 3: Deposits, Investments and Repurchase Agreements."

In addition to the Endowment Fund and the PUF, the A&M System is benefited by the Permanent Health Fund and the endowments of nine separate foundations. The Permanent Health Fund is managed by the UT Board acting through The University of Texas/Texas A&M Investment Management Company ("UTIMCO") and the foundations are governed by boards separate from the Board. Investment decisions and asset allocations are managed by UTIMCO and the respective foundation boards. Asset allocations are revised from time to time and are not necessarily the same as those used by the A&M System. The market value of these endowments is reported annually to the A&M System as of June 30th with the most recent market value as of June 30, 2021 at \$2.85 billion, 84% of which benefits Texas A&M University in College Station.

Management of Funds Held in the State Treasury

The Texas Education Code requires that the A&M System deposit into the State Treasury all funds except those derived from auxiliary enterprises and non-instructional services, agency, designated, restricted funds, endowment and other gift funds, student loan funds and funds for the payment of overhead expenses of conducting research. All such funds held in the State Treasury, including the Available University Fund, the Higher Education Funds and certain cash balances of the PUF, are administered by the Comptroller. The Comptroller invests money in the State Treasury in authorized investments consistent with applicable law. The Comptroller pools funds within the State Treasury for investment purposes and allocates investment earnings on pooled funds proportionately among the various State agencies whose funds are so pooled. The Board utilizes the State Treasury primarily as a depository and anticipates that all funds deposited in the State Treasury will be available upon request and will earn interest equal to an allocated share of investment earnings on pooled funds in the State Treasury. As of January 31, 2022, the amount of A&M System funds held by the State Treasury was \$1.15 billion.

Insurance

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, the A&M System and its employees are covered by various immunities and defenses, which limit some of these risks of loss. Remaining exposures are managed by self-insurance arrangements, contractual risk transfers, the purchase of commercial insurance, or a combination of these risk financing techniques. For details, see "APPENDIX B – UNAUDITED FINANCIAL REPORTS OF THE TEXAS A&M UNIVERSITY SYSTEM—Note 17: Risk Management."

Retirement Plans

A&M System employees participate in various retirement plans and programs, which are summarized below. Such summary is qualified in its entirety by the complete description of such plans and programs within Notes 9-11 included in "APPENDIX B – UNAUDITED FINANCIAL REPORTS OF THE TEXAS A&M UNIVERSITY SYSTEM."

The State has joint contributory retirement plans for substantially all of its employees, including employees of the A&M System. The primary plan that the A&M System participates in is administered by the Teacher Retirement System of Texas ("TRS") and is a cost-sharing, multiple-employer defined benefit pension plan with a special funding situation (the "TRS Plan"). All employees of the A&M System who are employed for one-half or more of the standard work load and are not exempted from membership by State law (including, particularly, Section 822.002, Texas Government Code) are covered by the TRS Plan. The TRS Plan provides retirement, disability annuities and death and survivor benefits. The benefit and contribution provisions of the TRS Plan are authorized by State law and may be amended by the State Legislature at any time. No assurances can be made by the A&M System as to whether any such

amendments will occur or, if such amendments do occur, whether such amendments would materially affect the A&M System's liability under the TRS Plan.

During the 2020 measurement period for Fiscal Year 2021 reporting, the amount of the A&M System contributions recognized by the TRS Plan totaled \$59,569,124. At August 31, 2021, the A&M System reported a liability of \$711,904,200 for its proportionate share of the collective net pension liability under the TRS Plan, which was equal to 1.3292220283% of the collective net pension liability under the TRS Plan. Pension values are provided by the Texas Comptroller's Office and define the A&M System's proportional share of the collective net pension liability under the TRS Plan.

The State has also established an Optional Retirement Program ("ORP") for institutions of higher education. Participation in the ORP is in lieu of participation in the TRS Plan. For the plan year ended August 31, 2021, the A&M System contributed \$45,308,291.68 to the ORP. See "APPENDIX B – UNAUDITED FINANCIAL REPORTS OF THE TEXAS A&M UNIVERSITY SYSTEM – Note 9: Pension Plans and Optional Retirement Program – Optional Retirement Program (ORP)" for more information.

State employees, including A&M System employees, may elect to defer a portion of their earnings for income tax and investment purposes pursuant to State law. All payroll deductions relative to deferred compensation were invested in approved plans during the Fiscal Year ended August 31, 2021. See "APPENDIX B – UNAUDITED FINANCIAL REPORTS OF THE TEXAS A&M UNIVERSITY SYSTEM – Note 10: Deferred Compensation" for more information.

The A&M System also provides certain other postemployment benefits ("OPEBs"), which are benefits provided to the A&M System's current and inactive employees (or their beneficiaries) receiving benefits (collectively, the "OPEB Participants") under the A&M System group healthcare and life insurance programs. The authority under which the obligations of the plan members and the A&M System are established is Chapter 1601, Texas Insurance Code. Chapter 1601, Texas Insurance Code may be amended by the State Legislature at any time, and no assurances can be made by the A&M System as to whether any such amendments will occur or, if such amendments do occur, whether such amendments would materially affect the A&M System's OPEB liability.

The A&M System faces the challenge of funding a portion of the healthcare and life insurance benefits costs for OPEB Participants. As of August 31, 2021, the A&M System is responsible for 53.86% of the OPEB liability related to the OPEB Participants, and the State is responsible for the remaining 46.14% of the OPEB liability related to the OPEB Participants. As of September 1, 2019¹, there were approximately 35,023 OPEB Participants and 8,038 additional inactive employees entitled to participate but not yet receiving benefits. The A&M System's costs of providing OPEBs, particularly healthcare benefits, to the OPEB Participants continue to escalate. The A&M System cannot predict whether, or at what rate, healthcare benefit costs will escalate in future years.

In June 2015, GASB issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions ("GASB 75"). GASB 75 replaces prior requirements contained in GASB Statement Nos. 45, 57, and 74 (collectively, the "Prior GASB Statements"). The A&M System was required to implement GASB 75 beginning in the Fiscal Year ended August 31, 2018. Among other things, GASB 75 provides new requirements for calculating an entity's total OPEB liability (formerly "actuarial accrued liability" under the Prior GASB Statements) and requires entities to include the total OPEB liability in the Statement of Net Position. In accordance with the Prior GASB Statements, only a portion of the A&M System's total OPEB liability (the "Net OPEB Obligation" under the Prior GASB Statements) was reported within its Statement of Net Position and the total OPEB liability was reported only within the Notes to the A&M System's financial statements.

GASB 75 requires that the A&M System perform an actuarial valuation of its OPEB liability no less frequently than biennially. For the Fiscal Year ending August 31, 2021, the A&M System reported, measured as of September 1, 2020 and determined by an actuarial valuation as of September 1, 2019, that its proportional share of the total OPEB liability was \$2,390,290,786 (with a current portion of \$49,233,231 and a long-term portion of \$2,341,057,555). The information summarized herein was determined as part of an actuarial valuation process using actuarial methods and assumptions, as described in the notes to the A&M System's financial statements. See "APPENDIX B – UNAUDITED

¹ As permitted by Paragraph No. 146 and 147 of GASB 75, in the Unaudited Financial Reports of the A&M System for Fiscal Year ending August 31, 2021, the A&M System elected to use a measurement date for its OPEB liability that is twelve months in advance of such Fiscal Year end or September 1, 2020 based on an actuarial valuation as of September 1, 2019 roll forward twelve months.

FINANCIAL REPORTS OF THE TEXAS A&M UNIVERSITY SYSTEM – Note 11: Postemployment Health Care and Life Insurance Benefits.”

Actuarial valuations necessarily involve estimates and assumptions, including those regarding the cost of health care, discount rate, salary increases, inflation, and mortality. See “APPENDIX B – UNAUDITED FINANCIAL REPORTS OF THE TEXAS A&M UNIVERSITY SYSTEM – Note 11: Postemployment Health Care and Life Insurance Benefits – Actuarial Assumptions and Other Inputs” for additional discussion on the estimates and assumptions used in calculating the A&M System’s proportional share of the total OPEB liability. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates and assumptions are made about the future.

LIQUIDITY SUPPORT

Self-Liquidity

The Board has agreed to provide sufficient liquidity in the Revenue Financing System to support notes outstanding in an aggregate principal amount of up to \$300 million at any one time. The liquidity support is provided via the Pool, which is outlined in "FINANCIAL MANAGEMENT – Investment Policy and Procedures and Endowments – Investment Programs.” In the Second Supplement, the Board has reserved the right to enter into a liquidity agreement to provide liquidity for a part or all of the Notes. No assurances can be given that the Board will be able to enter into a liquidity agreement. The availability for borrowings under a liquidity agreement may be subject to reasonable conditions precedent, including but not limited to bankruptcy of the Board.

Notification of Holders

The Board will notify the Issuing and Paying Agent and the holders of outstanding Notes prior to entering into a liquidity agreement with regard to its obligations under the Notes. In addition, no such liquidity facility will be entered into with respect to or in support of the outstanding Notes. In the event a liquidity agreement is entered into with respect to the Notes, the Board will notify the Issuing and Paying Agent and the holders of outstanding Notes prior to substituting a new liquidity agreement or terminating the then existing liquidity agreement.

ABSENCE OF LITIGATION

Neither the Board nor the A&M System is a party to any litigation, investigation, inquiry or proceeding (whether or not purportedly on behalf of the Board) pending or threatened, in any court, governmental agency, public board or body or before any arbitrator or before any governmental body that, if decided adversely to such parties, would have a material adverse effect on the Pledged Revenues or on the business, properties or assets or the condition, financial or otherwise, of the A&M System, and no litigation of any nature has been filed or threatened that seeks to restrain or enjoin the establishment of the Revenue Financing System, the issuance or delivery of the Notes or the collection or application of Pledged Revenues to pay the principal of and interest on the Notes, or in any manner questioning the validity of the Notes.

RATINGS

The debt of the Board payable from the Revenue Financing System is presently rated as set forth below:

	<u>Notes</u>	<u>Bonds</u>
Moody's Investors Service	P-1	Aaa
Standard & Poor's Rating Group	A-1+	AAA
Fitch Ratings	F1+	AAA

An explanation of the significance of such ratings may be obtained from the company furnishing the rating. The ratings reflect only the respective views of such organizations, and the Board makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by any of such rating companies, if in the judgment of any or

all of the companies, circumstances so warrant. Any downward revision or withdrawal of any or all of the ratings may have an adverse effect on the market price of the Notes.

TAX MATTERS

Federal Income Tax Treatment for the Tax Exempt Notes

On June 21, 2018 Orrick, Herrington & Sutcliffe LLP, Austin, Texas, Bond Counsel to the Board (“Bond Counsel”), delivered its opinion (the “Initial Tax Exempt Note Opinion”) that (1) based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Tax Exempt Notes is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”) and (2) interest on the Tax Exempt Notes is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Tax Exempt Notes. Bond Counsel has not undertaken to affirm, repeat, or in any manner republish the Initial Tax Exempt Note Opinion for the Tax Exempt Notes. The form of Tax Exempt Note Opinion of Bond Counsel is contained in Appendix C-1 hereto.

The following discussion summarizes certain United States federal income tax considerations generally applicable to U.S. Holders (as defined in the Taxable Notes discussion, below) of the Tax Exempt Notes that acquire their Tax Exempt Notes in the initial offering, and does not address tax considerations applicable to any investors in the Tax Exempt Notes other than investors that are U.S. Holders.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Tax Exempt Notes. The Board has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Tax Exempt Notes will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Tax Exempt Notes being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Tax Exempt Notes. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel’s attention after the date of issuance of the Tax Exempt Notes may adversely affect the value of, or the tax status of interest on, the Tax Exempt Notes. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Tax Exempt Notes is excluded from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Tax Exempt Notes may otherwise affect a Beneficial Owner’s federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner’s other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Tax Exempt Notes to be subject, directly or indirectly, in whole or in part, to federal income taxation or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislature proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Tax Exempt Notes. Prospective purchasers of the Tax Exempt Notes should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

The Initial Tax Exempt Note Opinion is based on the law and legal authority existing on June 21, 2018, the date of the opinion, which is subject to change, covers certain matters not directly addressed by such authorities, and represents Bond Counsel’s judgment as to the proper treatment of the Tax Exempt Notes for federal income tax purposes. It is not binding on the Internal Revenue Service (“IRS”) or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the Board or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The Board has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Tax Exempt Notes ends with the issuance of the Tax Exempt Notes, and, unless separately engaged, Bond Counsel is not obligated to defend the Board or the Beneficial Owners regarding the tax-exempt status of the Tax Exempt Notes in the event of an audit examination by the IRS. Under current procedures, Beneficial Owners would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the Board legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Tax Exempt Notes for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Tax Exempt Notes, and may cause the Board or the Beneficial Owners to incur significant expense.

Payments on the Tax Exempt Notes generally will be subject to U.S. information reporting and possibly to "backup withholding." Under Section 3406 of the Code and applicable U.S. Treasury Regulations issued thereunder, a non-corporate Beneficial Owner of Tax Exempt Notes may be subject to backup withholding with respect to "reportable payments," which include interest paid on the Tax Exempt Notes and the gross proceeds of a sale, exchange, redemption, retirement or other disposition of the Tax Exempt Notes. The payor will be required to deduct and withhold the prescribed amounts if (i) the payee fails to furnish a U.S. taxpayer identification number ("TIN") to the payor in the manner required, (ii) the IRS notifies the payor that the TIN furnished by the payee is incorrect, (iii) there has been a "notified payee underreporting" described in Section 3406(c) of the Code or (iv) the payee fails to certify under penalty of perjury that the payee is not subject to withholding under Section 3406(a)(1)(C) of the Code. Amounts withheld under the backup withholding rules may be refunded or credited against a Beneficial Owner's federal income tax liability, if any, provided that the required information is timely furnished to the IRS. Certain Beneficial Owners (including among others, corporations and certain tax-exempt organizations) are not subject to backup withholding. The failure to comply with the backup withholding rules may result in the imposition of penalties by the IRS.

Certain Federal Income Tax Considerations with Respect to the Taxable Notes

On June 21, 2018, Bond Counsel delivered its opinion (the "Initial Taxable Note Opinion") that, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Taxable Notes is not excluded from gross income for federal income tax purposes under Section 103 of the Code. Bond Counsel expresses no opinion regarding any other tax consequences relating to the ownership or disposition of, or the amount, accrual, or receipt of interest on, the Taxable Notes. Bond Counsel has not undertaken to affirm, repeat, or in any manner republish the Initial Taxable Note Opinion for the Taxable Notes. The form of Taxable Note Opinion of Bond Counsel is contained in Appendix C-2 hereto.

The following discussion summarizes certain U.S. federal income tax considerations generally applicable to holders of the Taxable Notes that acquire their Taxable Notes in the initial offering. The discussion below is based upon laws, regulations, rulings, and decisions in effect and available on the date hereof, all of which are subject to change, possibly with retroactive effect. Prospective investors should note that no rulings have been or are expected to be sought from the IRS with respect to any of the U.S. federal tax consequences discussed below, and no assurance can be given that the IRS will not take contrary positions. Further, the following discussion does not deal with U.S. tax consequences applicable to any given investor, nor does it address the U.S. tax considerations applicable to all categories of investors, some of which may be subject to special taxing rules (regardless of whether or not such investors constitute U.S. Holders), such as certain U.S. expatriates, banks, REITs, RICs, insurance companies, tax-exempt organizations, dealers or traders in securities or currencies, partnerships, S corporations, estates and trusts, investors that hold their Taxable Notes as part of a hedge, straddle or an integrated or conversion transaction, investors whose "functional currency" is not the U.S. dollar, or certain taxpayers that are required to prepare certified financial statements or file financial statements with certain regulatory or governmental agencies. Furthermore, it does not address (i) alternative minimum tax consequences, (ii) the net investment income tax imposed under Section 1411 of the Code, or (iii) the indirect effects on persons who hold equity interests in a holder. This summary also does not consider the taxation of the Taxable Notes under state, local or non-U.S. tax laws. In addition, this summary generally is limited to U.S. tax considerations applicable to investors that acquire their Taxable Notes pursuant to this offering for the issue price that is applicable to such Taxable Notes (i.e., the price at which a substantial amount of the Taxable Notes are sold to the public) and who will hold their Taxable Notes as "capital assets" within the meaning of Section 1221 of the Code.

As used herein, "U.S. Holder" means a beneficial owner of a Taxable Note that for U.S. federal income tax purposes is an individual citizen or resident of the United States, a corporation or other entity taxable as a corporation created or organized in or under the laws of the United States or any state thereof (including the District of Columbia), an

estate the income of which is subject to U.S. federal income taxation regardless of its source or a trust where a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons (as defined in the Code) have the authority to control all substantial decisions of the trust (or a trust that has made a valid election under U.S. Treasury Regulations to be treated as a domestic trust). As used herein, “Non-U.S. Holder” generally means a beneficial owner of a Taxable Note (other than a partnership) that is not a U.S. Holder. If a partnership holds Taxable Notes, the tax treatment of such partnership or a partner in such partnership generally will depend upon the status of the partner and upon the activities of the partnership. Partnerships holding Taxable Notes, and partners in such partnerships, should consult their own tax advisors regarding the tax consequences of an investment in the Taxable Notes (including their status as U.S. Holders or Non-U.S. Holders).

Notwithstanding the rules described below, it should be noted that certain taxpayers that are required to prepare certified financial statements or file financial statements with certain regulatory or governmental agencies may be required to recognize income, gain and loss with respect to the Taxable Notes at the time that such income, gain or loss is recognized on such financial statements instead of under the rules described below (in the case of original issue discount, such requirements are only effective for tax years beginning after December 31, 2018).

Prospective investors should consult their own tax advisors in determining the U.S. federal, state, local or non-U.S. tax consequences to them from the purchase, ownership and disposition of the Taxable Notes in light of their particular circumstances.

U.S. Holders

Interest. Interest on the Taxable Notes generally will be taxable to a U.S. Holder as ordinary interest income at the time such amounts are accrued or received, in accordance with the U.S. Holder’s method of accounting for U.S. federal income tax purposes.

Taxable Notes purchased for an amount in excess of the principal amount payable at maturity (or, in some cases, at their earlier call date) will be treated as issued at a premium. A U.S. Holder of a Taxable Note issued at a premium may make an election, applicable to all debt securities purchased at a premium by such U.S. Holder, to amortize such premium, using a constant yield method over the term of such Taxable Note.

Sale or Other Taxable Disposition of the Taxable Notes. Unless a nonrecognition provision of the Code applies, the sale, exchange, redemption, retirement (including pursuant to an offer by the Board) or other disposition of a Taxable Note will be a taxable event for U.S. federal income tax purposes. In such event, in general, a U.S. Holder of a Taxable Note will recognize gain or loss equal to the difference between (i) the amount of cash plus the fair market value of property received (except to the extent attributable to accrued but unpaid interest on the Taxable Note, which will be taxed in the manner described above) and (ii) the U.S. Holder’s adjusted U.S. federal income tax basis in the Taxable Note (generally, the purchase price paid by the U.S. Holder for the Taxable Note, decreased by any amortized premium). Any such gain or loss generally will be capital gain or loss. In the case of a non-corporate U.S. Holder of the Taxable Notes, the maximum marginal U.S. federal income tax rate applicable to any such gain will be lower than the maximum marginal U.S. federal income tax rate applicable to ordinary income if such U.S. Holder’s holding period for the Taxable Notes exceeds one year. The deductibility of capital losses is subject to limitations.

Defeasance of the Taxable Notes. If the Board defeases any Taxable Note, the Taxable Note may be deemed to be retired and “reissued” for U.S. federal income tax purposes as a result of the defeasance. In that event, in general, a holder will recognize taxable gain or loss equal to the difference between (i) the amount realized from the deemed sale, exchange or retirement (less any accrued qualified stated interest which will be taxable as such) and (ii) the holder’s adjusted U.S. federal income tax basis in the Taxable Note.

Information Reporting and Backup Withholding. Payments on the Taxable Notes generally will be subject to U.S. information reporting and possibly to “backup withholding.” Under Section 3406 of the Code and applicable U.S. Treasury Regulations issued thereunder, a non-corporate U.S. Holder of the Taxable Notes may be subject to backup withholding at the current rate of 24% with respect to “reportable payments,” which include interest paid on the Taxable Notes and the gross proceeds of a sale, exchange, redemption, retirement or other disposition of the Taxable Notes. The payor will be required to deduct and withhold the prescribed amounts if (i) the payee fails to furnish a U.S. taxpayer identification number (“TIN”) to the payor in the manner required, (ii) the IRS notifies the payor that the TIN furnished by the payee is incorrect, (iii) there has been a “notified payee underreporting” described in Section 3406(c) of the Code or (iv) the payee fails to certify under penalty of perjury that the payee is not subject to withholding under Section 3406(a)(1)(C) of the Code. Amounts withheld under the backup withholding rules may be refunded or credited against

the U.S. Holder's federal income tax liability, if any, provided that the required information is timely furnished to the IRS. Certain U.S. Holders (including among others, corporations and certain tax-exempt organizations) are not subject to backup withholding. A holder's failure to comply with the backup withholding rules may result in the imposition of penalties by the IRS.

Non-U.S. Holders

Interest. Subject to the discussions below under the headings "Information Reporting and Backup Withholding" and "Foreign Account Tax Compliance Act ("FACTA")—U.S. Holders and Non-U.S. Holders," payments of principal of, and interest on, any Taxable Note to a Non-U.S. Holder, other than (1) a controlled foreign corporation described in Section 881(c)(3)(C) of the Code and (2) a bank which acquires such Taxable Note in consideration of an extension of credit made pursuant to a loan agreement entered into in the ordinary course of business, will not be subject to any U.S. federal withholding tax provided that the beneficial owner of the Taxable Note provides a certification completed in compliance with applicable statutory and regulatory requirements, which requirements are discussed below under the heading "Information Reporting and Backup Withholding," or an exemption is otherwise established.

Disposition of the Taxable Notes. Subject to the discussions below under the headings "Information Reporting and Backup Withholding" and "Foreign Account Tax Compliance Act ("FATCA")—U.S. Holders and Non-U.S. Holders," any gain realized by a Non-U.S. Holder upon the sale, exchange, redemption, retirement (including pursuant to an offer by the Board or a deemed retirement due to defeasance of the Taxable Note) or other disposition of a Taxable Note generally will not be subject to U.S. federal income tax, unless (i) such gain is effectively connected with the conduct by such Non-U.S. Holder of a trade or business within the United States; or (ii) in the case of any gain realized by an individual Non-U.S. Holder, such holder is present in the United States for 183 days or more in the taxable year of such sale, exchange, redemption, retirement (including pursuant to an offer by the Board) or other disposition and certain other conditions are met.

Information Reporting and Backup Withholding. Subject to the discussion below under the heading "Foreign Account Tax Compliance Act ("FATCA")—U.S. Holders and Non-U.S. Holders," under current U.S. Treasury Regulations, payments of principal and interest on any Taxable Notes to a holder that is not a United States person will not be subject to any backup withholding tax requirements if the beneficial owner of the Taxable Note or a financial institution holding the Taxable Note on behalf of the beneficial owner in the ordinary course of its trade or business provides an appropriate certification to the payor and the payor does not have actual knowledge that the certification is false. If a beneficial owner provides the certification, the certification must give the name and address of such owner, state that such owner is not a United States person, or, in the case of an individual, that such owner is neither a citizen nor a resident of the United States, and the owner must sign the certificate under penalties of perjury. The current backup withholding tax rate is 24%.

Foreign Account Tax Compliance Act ("FATCA")—U.S. Holders and Non-U.S. Holders

Sections 1471 through 1474 of the Code impose a 30% withholding tax on certain types of payments made to foreign financial institutions, unless the foreign financial institution enters into an agreement with the U.S. Treasury to, among other things, undertake to identify accounts held by certain U.S. persons or U.S.-owned entities, annually report certain information about such accounts, and withhold 30% on payments to account holders whose actions prevent it from complying with these and other reporting requirements, or unless the foreign financial institution is otherwise exempt from those requirements. In addition, FATCA imposes a 30% withholding tax on the same types of payments to a non-financial foreign entity unless the entity certifies that it does not have any substantial U.S. owners or the entity furnishes identifying information regarding each substantial U.S. owner. Under current guidance, failure to comply with the additional certification, information reporting and other specified requirements imposed under FATCA could result in the 30% withholding tax being imposed on payments of interest on the Taxable Notes. In general, withholding under FATCA currently applies to payments of U.S. source interest (including OID) and, under current guidance, will apply to certain "passthru" payments no earlier than the date that is two years after publication of final U.S. Treasury Regulations defining the term "foreign passthru payments." Prospective investors should consult their own tax advisors regarding FATCA and its effect on them.

The foregoing summary is included herein for general information only and does not discuss all aspects of U.S. federal taxation that may be relevant to a particular holder of Taxable Notes in light of the holder's particular circumstances and income tax situation. Prospective investors are urged to consult their own tax advisors as to any tax consequences to them from the purchase, ownership and disposition of Taxable Notes, including the application and effect of state, local, non-U.S., and other tax laws.

FINANCIAL ADVISOR

Hilltop Securities Inc. ("Hilltop Securities") is employed as Financial Advisor to the Board in connection with the issuance of the Notes. The Financial Advisor's fee for services rendered with respect to the sale of the Notes is contingent upon the issuance and delivery of the Notes. Hilltop Securities has agreed, in its Financial Advisory contract, not to bid for the Notes, either independently or as a member of a syndicate organized to submit a bid for the Notes. Hilltop Securities, in its capacity as Financial Advisor, has relied on the opinion of Bond Counsel and has not verified and does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Notes, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

The Financial Advisor to the Board has provided the following sentence for inclusion in this Commercial Paper Memorandum. The Financial Advisor has reviewed the information in this Commercial Paper Memorandum in accordance with, and as part of, its responsibilities to the Board and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

INCORPORATION BY REFERENCE

The most recent unaudited Combined Financial Statements of The Texas A&M University System (with the relevant portion of the notes to the Combined Financial Statements) for the Fiscal Year ended August 31, 2021, and the Continuing Disclosure Annual Report for the Fiscal Year ended August 31, 2021, relating to the Board's bonds issued under the Revenue Financing System (the "2021 Continuing Disclosure Annual Report" filed February 21, 2022) have been filed with the MSRB. In addition, event notices relating to the Board's bonds issued under the Revenue Financing System have been filed with the MSRB from time to time. Such information is incorporated herein. Such documents speak only as of their date.

When reference is made in this Commercial Paper Memorandum to a document that is incorporated by reference, copies of such documents may be obtained free of charge (i) via the MSRB's Electronic Municipal Market Access system at www.emma.msrb.org, or (ii) from the A&M System at the location set forth below: Attention: Chief Investment Officer and Treasurer, Telephone: (979) 458-6330.

Additional financial information and operating data relating to the A&M System are available free of charge via the MSRB's Electronic Municipal Market Access system at www.emma.msrb.org.

Such information is also available from the Board and may be obtained, upon request, from Maria L. Robinson, Chief Investment Officer and Treasurer, Moore/Connally Building, 301 Tarrow, 5th Floor, College Station, TX 77840-7896, telephone: (979) 458-6330.

AVAILABLE INFORMATION

No attempt is made herein to summarize the Master Resolution or the Second Supplement. Those documents may be examined upon reasonable prior notice at the office of the Chief Investment Officer and Treasurer during regular business hours. Copies of the Master Resolution and the Second Supplement are on file with the Issuing and Paying Agent for the Notes. The Board will make available upon request copies of the Master Resolution and the Second Supplement and its most recent Annual Financial Statements.

CONTINUING DISCLOSURE EXEMPTION

The offering of the Notes is exempt from the provisions of Rule 15c2-12 of the Securities and Exchange Commission and, therefore, this Commercial Paper Memorandum has not been deemed final under the provisions of said Rule, and the Board has not entered into any agreement to provide for continuing disclosure of information in connection with the Notes.

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APPENDIX A

BOOK-ENTRY ONLY SYSTEM

This section describes how ownership of the Notes is to be transferred and how the principal of, premium, if any, and interest on the Notes are to be paid to and credited by the Depository Trust Company ("DTC"), New York, NY, while the Notes are registered in its nominee's name. The information in this section concerning DTC and the book-entry-only system has been provided by DTC for use in disclosure documents such as this Commercial Paper Memorandum. The Board believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.

The Board cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Notes or notices to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Notes) or notices to the Beneficial Owners, or that they will do so on a timely basis or (3) DTC will serve and act in the manner described in this Commercial Paper Memorandum. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act initially as securities depository for the Notes. The Notes will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered master note will be issued for the Tax Exempt Notes and for the Taxable Notes and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of "AA+". The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC's records. The ownership interest of each actual purchaser of each Note ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase.

Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction.

Transfers of ownership interests in the Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Notes with DTC and their registration in the name of Cede & Co., or such other DTC nominee, do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Notes, such as redemptions, tenders, defaults, and proposed amendments to the Note documents. For example, Beneficial Owners of Notes may wish to ascertain that the nominee holding the Notes for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Issuing and Paying Agent and request that copies of notices be provided directly to them.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Notes unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Board as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, premium, if any, and interest payments on the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Board or the Issuing and Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Issuing and Paying Agent, or the Board, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Board or the Issuing and Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Notes at any time by giving reasonable notice to the Board. Under such circumstances, in the event that a successor securities depository is not obtained, certificates for the Notes are required to be printed and delivered.

The Board may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Note certificates will be printed and delivered.

In reading this Commercial Paper Memorandum it should be understood that while the Notes are in the Book-Entry-Only System, references in other sections of this Commercial Paper Memorandum to registered owners should be read to include the person for which the Participant acquires an interest in the Notes, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the resolution will be given only to DTC.

The information in this section concerning DTC and DTC's book-entry-only system has been obtained from sources that the Board, its Financial Advisor and the Dealer believe to be reliable, but the Board, its Financial Advisor and the Dealer take no responsibility for the accuracy thereof.

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APPENDIX B

**UNAUDITED FINANCIAL REPORTS OF THE TEXAS A&M UNIVERSITY SYSTEM
FOR FISCAL YEAR ENDED AUGUST 31, 2021**

UNAUDITED

ANNUAL FINANCIAL REPORT

of

The Texas A&M University System

For the Year Ended August 31, 2021

With Comparative Totals for the Year Ended August 31, 2020



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

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
Robert L. Albritton	Term Expires February 1, 2027
Randy Brooks	Term Expires February 1, 2027
Bill Mahomes	Term Expires February 1, 2027
Matilin “Mati” Rigsby (Student Regent)	Term Expires May 31, 2022

Officers of the Board

Tim Leach	Chairman
Bill Mahomes	Vice Chairman

Administrative Officers

John Sharp	Chancellor
Billy C. Hamilton	Deputy Chancellor and Chief Financial Officer
Joseph Duron	Chief Administrative Officer
Teresa L. Edwards	Controller

The Texas A&M University System

Chief Executive Officers

Texas A&M University	M. Katherine Banks, President
Texas A&M University at Galveston	Col. Michael Fossum (Retired)
Texas A&M Health Science Center	Jon Mogford
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	Al Davis, Interim Director
Texas A&M Veterinary Medical Diagnostic Laboratory	Amy K. Swinford, Interim Director
Texas A&M Engineering Experiment Station	John E. Hurtado, Interim Vice Chancellor and Dean of Engineering and Interim 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	Jack G. Baldauf, Interim Vice President for Research

The Texas A&M University System

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UNAUDITED

The Texas A&M University System Management's Discussion and Analysis For the Year Ended August 31, 2021

Introduction

The Texas Legislature created The Texas A&M University System (A&M System) 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. 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.

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

The A&M System educates over 152,000 students and reaches another 23 million additional educational contacts through service and outreach programs each year. With more than 26,000 faculty and staff, the A&M System has a physical presence in 250 of the state's 254 counties and a programmatic presence in every county in Texas.

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

Coronavirus Disease (COVID) Response

The Coronavirus disease continues to affect the United States and this certainly includes each A&M institution and agency. In addition, there continues to be impacts to the State of Texas and numerous operational adjustments to respond to the effects (economic and otherwise) of COVID. During fiscal year 2021, the U.S. Department of Education continued to provide stimulus funding under the Higher Education Emergency Relief Fund (HEERF) programs to support students and to help cover expenses related to operations. For 2021, A&M institutions received \$319 million from the HEERF programs.

Texas Division of Emergency Management (TDEM) Leadership in the Statewide COVID Response

Texas Division of Emergency Management (TDEM), which became a part of the A&M System last fiscal year, received \$7.5 billion in Federal public assistance disaster relief funds from FEMA to support TDEM's disaster relief efforts across the State of Texas. The funds were used for various types of expenses including medical supplies, lab testing, and to provide grants to cities, counties, and other State of Texas agencies. Of the amount received, \$5 billion was distributed to the Texas Department of State Health Services. TDEM has taken the lead on state COVID testing, personal protective equipment (PPE) procurement and distribution, along with administering the federal CARES Act funding for local governments and local education agencies (LEA's) across Texas.

UNAUDITED

The Texas A&M University System Management's Discussion and Analysis For the Year Ended August 31, 2021

Additionally, Texas experienced two hurricanes during the 2020 hurricane season with the disaster funding being received in 2021.

TDEM has multiple funding streams supporting the mission of the agency and the jurisdictions of Texas. Approximately 95 percent of TDEM's budget was passed through to local jurisdictions from federal disaster and non-disaster grants. TDEM received \$30.7 million in general revenue, inclusive of the \$10 million for the Disaster Recovery Task Force.

Funding for the TDEM regional warehouses was requested during the 87th legislative session; \$60 million was authorized and appropriated for warehouses allowing the revenue to be recognized in fiscal year 2021. The funds will be used to purchase or build new warehouses including a new warehouse located on the RELLIS campus.

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, 2021, with comparative data to fiscal year 2020 and some data for fiscal year 2019. 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
 - 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 Annual Comprehensive Financial Report (ACFR) in both the Proprietary or Business-Type Activity and the Fiduciary Activity financial statements. A&M System reports some fiduciary activity for several different types of custodial funds. These fiduciary activities are reported separately from other financial activities since the A&M System cannot access these assets to finance its operations.

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 financial reporting requirements of the Texas Comptroller of Public Accounts, and the guidelines from the National Association of College and University Business Officers (NACUBO).

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The Texas A&M University System Management's Discussion and Analysis For the Year Ended August 31, 2021

Financial Highlights for Proprietary Funds

Below are financial highlights for fiscal year 2021.

- Federal and State Non-Operating Revenue increased by \$7 billion, due to COVID funding from Department of Education, Federal Emergency Management Agency, Department of Defense. This revenue was deemed stimulus funding to help assist students, public safety, health care improvements, and increasing the circulation in buildings.
- Operating expenses increased over \$6.9 billion mostly attributable to the increase in costs related to COVID.
 - Operating federal pass-through expenses increased by over \$5 billion where TDEM passed through funds to other state agencies.
 - Other Operating Expenses increased by over \$1.2 billion mostly attributable to grants to students and Texas Division of Emergency Management who sent funds to state agencies, cities, counties and other governmental entities.
 - Professional fees and services increased by \$979 million, mostly related to TDEM.
- Noncurrent investments recorded on the Proprietary Statement of Net Position reported \$6.177 billion, which was a dramatic increase of \$1.159 billion from 2020's \$5.018 billion. In 2021, equity markets posted strong returns while COVID vaccines and therapies became more widely available and large parts of the economy began to normalize. See the *Economic Outlook* section for more details.
- Investment income was \$1.01 billion, which was a \$427 million increase from 2020. Investment income includes an increase in unrealized gain/loss of \$349 million and an increase in realized gains of \$107 million, offset by a \$29 million decrease in interest income. Equity markets posted strong returns over the past twelve months, as investors grew more optimistic about global growth while concerns about COVID began to subside.
- An increase of 5.2% in net tuition and fees, which was a \$63 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.
- Student scholarships was \$326 million, which increased by \$24.6 million or by 8% from the prior year.
- State appropriations including legislative revenue, capital appropriations and legislative transfers-in reported a slight increase of \$3 million increasing the total to \$1.4 billion for 2021. 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 \$46 million reduction in general revenue legislative revenue plus other lapses, totaling \$1.6 million.

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The Texas A&M University System Management's Discussion and Analysis For the Year Ended August 31, 2021

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- Total bonds payable, notes/loans payable and notes from direct borrowings increased by 4.06% or \$202 million in 2021 totaling \$5.2 billion.
 - Tax-exempt bonds of \$189.43 million and taxable bonds of \$226.38 million were issued under the Revenue Financing System debt program to fund eligible projects.
 - There was also a total of \$220 million in commercial paper issued to fund eligible projects.
 - Notes from direct borrowings-capital leases decreased by \$4.4 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) 2021 liability balance is \$2.390 billion, which was an increase of \$367 million from the prior year. The increase is related to continued increase in health care costs, as well as a slight decrease in the investment discount rate from 2.97% to 2.20%.
 - OPEB expenses reported an increase of \$38 million. The 2021 OPEB expense was \$121.3 million compared to \$83.3 million in the prior year.

 - The Non-General Revenue funded *Pension* liability increased by \$26 million totaling \$712 million for 2021 compared to \$686 million Pension liability reported in 2020. This liability increased based upon the Teacher's Retirement System (TRS) actuary report.
 - There was a \$34 million decrease to deferred outflows of resources-pensions related to the changes in pension assumptions, the difference between actual and expected experiences and current year TRS contributions.
 - There was also a \$20 million decrease in deferred inflows of resources-pensions, which reflects the difference between projected and actual investment returns.

 - The A&M System's net position totaled \$8.49 billion, which is a \$1.148 billion increase from 2020, which was \$7.342 billion, due to several factors.
 - An increase in Noncurrent Investments of \$1.159 billion.
 - An increase in Liabilities and Deferred Inflows of \$875 million, OPEB increased by \$367 million, and Due to Other Agencies increased \$357 million mostly related to TDEM.
 - An increase in Cash and Cash Equivalents of \$544 million.
 - An increase in Capital Assets, net, of \$176 million.
 - A decrease in Interfund Receivables of \$56 million.

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The Texas A&M University System Management's Discussion and Analysis For the Year Ended August 31, 2021

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 reports 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.

See the table on the following page for details.

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**The Texas A&M University System
Management's Discussion and Analysis
For the Year Ended August 31, 2021**

Statement of Net Position			
(in millions)			
Assets and Deferred Outflows of Resources	2021	2020	2019
Current Assets	\$3,312	\$2,607	\$2,518
Capital Assets, Net	7,161	6,985	6,691
Other Assets	7,855	6,769	6,581
Deferred Outflows	992	936	939
Total Assets and Deferred Outflows of Resources	\$19,320	\$17,297	\$16,729
Liabilities and Deferred Inflows of Resources			
Current Liabilities	\$2,164	\$1,700	\$1,800
Non-Current Liabilities	8,108	7,528	7,626
Deferred Inflows	558	727	715
Total Liabilities and Deferred Inflows of Resources	\$10,830	\$9,955	\$10,141
Net Position			
Net Investment in Capital Assets	\$2,514	\$2,382	\$2,318
Restricted			
Expendable	1,152	1,089	1,069
NonExpendable	434	421	408
Unrestricted	4,390	3,450	2,793
Total Net Position	\$8,490	\$7,342	\$6,588

The Statement of Net Position indicates a significant increase in total assets of 11.7%. This \$2.02 billion increase in assets is mostly attributable to \$1.159 billion increase in non-current investments, a \$176 million increase in net capital assets plus, an increase Deferred Outflows of \$56 million and a \$119 million increase in Legislative Appropriations.

Investments recorded on the statement of net position were reported at \$6.177 billion, which was an increase of \$1.159 billion from 2020's \$5.018 billion. See *Note 3-Deposits, Investments and Repurchase Agreements* for more details.

Total liabilities and deferred inflows of resources increased by \$875 million from the previous year due \$367 million increase in OPEB liabilities, \$357 million increase in Due to Other Agencies mostly related to TDEM, \$202 million increase in notes and bonds payable and an offsetting decrease in \$168 million Deferred Inflows of Resources, mostly related to OPEB.

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The Texas A&M University System
Management’s Discussion and Analysis
For the Year Ended August 31, 2021

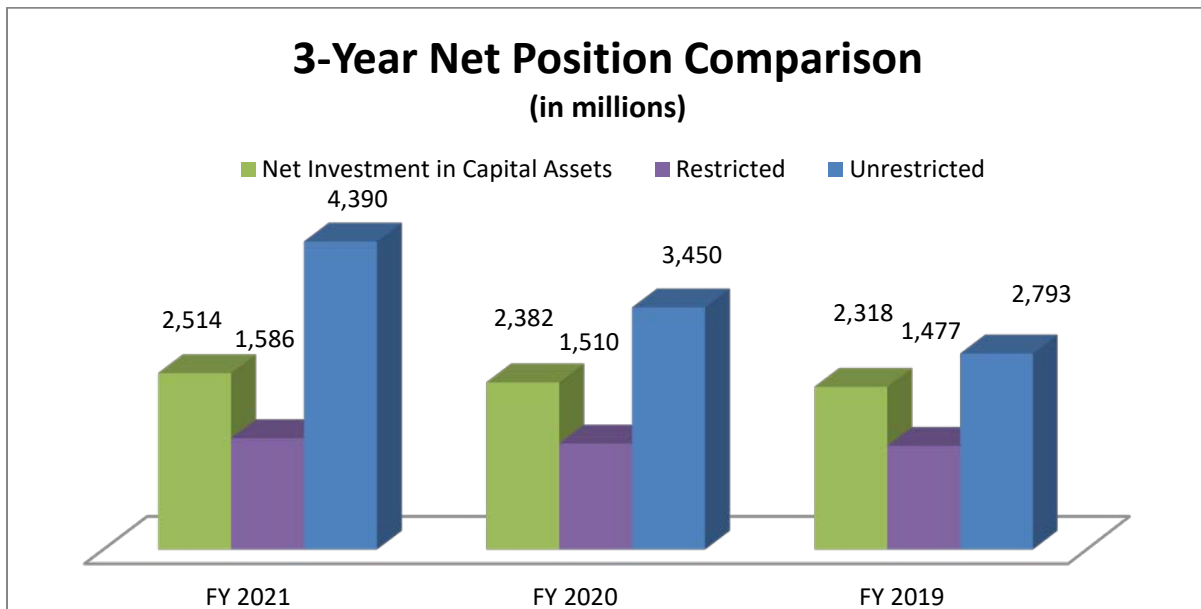
The pension liability increased by \$26 million per the Teacher’s Retirement System actuary reports.

Total bonds payable, notes/loans payable and notes from direct borrowings increased by 4.06% or \$202 million in 2021.

- Tax-exempt bonds of \$189.43 million and taxable bonds of \$226.38 million were issued under the Revenue Financing System debt program to fund eligible projects.
- There was also a total of \$220 million in commercial paper issued to fund eligible projects.
- Notes from direct borrowings-capital leases decreased by \$4.4 million due to the payments being made on these liabilities, see *Note 5 Long-term Liabilities* for more information.

The final section of the statement reports the net position of the A&M System totaling \$8.490 billion. Total net position reported an increase of \$1.148 billion or 16% from the 2020 balance, mostly attributable to the \$1.159 billion increase in noncurrent investments.

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



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The Texas A&M University System Management's Discussion and Analysis For the Year Ended August 31, 2021

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

Unrestricted Net Position	
(in millions)	
Reserves and Allocations For	
Accounts Receivable	\$1,519
Encumbrances	324
Unrealized Gain on Investments	1,103
Annual Debt Service Payment	202
Inventories	24
Higher Education Fund	49
Self-Insured Plans	106
Prepaid Expenses and Other Reserves	132
Other State Funds	99
Other Allocations by Management	832
Total Unrestricted Reserves	\$4,390

The overall *unrestricted* net position was \$4.390 billion for fiscal year 2021 compared to \$3.45 billion in 2020.

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 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".

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**The Texas A&M University System
Management's Discussion and Analysis
For the Year Ended August 31, 2021**

Statement of Revenues, Expenses and Changes in Net Position			
(in millions)			
	2021	2020	2019
Operating Revenues and Expenses			
Operating Revenues	\$3,215	\$3,315	\$2,788
Operating Expenses	(13,788)	(6,926)	(4,252)
Operating (Loss)	(10,573)	(3,611)	(1,464)
Non-Operating Revenues	11,156	3,585	1,734
Income (Loss) Before Other Revenues and Transfers	583	(26)	270
Other Revenues and Transfers	565	780	559
Change in Net Position	1,148	754	829
Net Position, Beginning of Year	\$7,342	\$6,588	\$5,771
Restatement	0	0	(12)
Net Position as Restated	7,342	6,588	5,759
Net Position, End of Year	\$8,490	\$7,342	\$6,588

The condensed Statement of Revenues, Expenses and Changes in Net Position reflect a \$1.148 billion increase in change in net position.

During the 2021 fiscal year, the most significant changes are listed below.

- Investment income was \$1.01 billion, which was a \$427 million increase from 2020. Investment income includes an increase in unrealized gain/loss of \$349 million and an increase in realized gains of \$107 million, offset by a \$29 million decrease in interest income.
- Federal and State Non-Operating Revenue increased by \$7 billion, due to COVID funding from Department of Education, Federal Emergency Management Agency, Department of Defense. This revenue was deemed stimulus funding to help assist students, public safety, health care improvements, and modernizing airflow for facilities on campuses.

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The Texas A&M University System Management's Discussion and Analysis For the Year Ended August 31, 2021

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- An increase of 5.2% in net tuition and fees, which was a \$63 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 slight increase in Auxiliary Enterprise revenue of \$3 million as students begin to return to on campus activities.
 - State appropriations including legislative revenue, capital appropriations and legislative transfers-in reported a slight increase of \$3 million the total was \$1.4 billion for 2021 and 2020. 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 \$46 million reduction in general revenue legislative revenue plus other lapses, totaling \$1.6 million.

During the 2021 fiscal year, operating expenses had a significant increase from \$6.9 billion in 2020 to \$13.8 billion in 2021. The most significant changes are listed below.

- Operating expenses increased over \$6.9 billion mostly attributable to the increase in costs related to COVID.
 - Operating federal pass-through expenses increased by over \$5 billion where TDEM passed through funds to other state agencies.
 - Other Operating Expenses increased by over \$1.2 billion mostly attributable to grants to students and Texas Division of Emergency Management who sent funds to state agencies, cities, counties and other governmental entities.
 - Professional fees and services increased by \$979 million, mostly related to TDEM.
- Salaries & Wages remained consistent with prior years increasing by only 1% or \$11 million.
- OPEB expenses reported a minimal increase of \$38 million due to the leveling of health care costs and consistently low discount rates.
- Non-General Revenue funded pension expense was \$40 million, which was a \$29 million reduction from the prior year.
- Depreciation and amortization expense was \$515 million, which increased by \$46 million or 10% which is consistent with the prior year.
- Student scholarships was \$326 million, which increased by \$24.6 million or by 8% from the prior year.

Total Non-Operating Revenues and Expense for 2021 significantly increased to \$11.156 billion, compared to the 2020 amount of \$3.584 billion. The largest portion is attributable to \$7 billion due to federal and state revenues received for the COVID response efforts, a \$426 million increase in Investment Income and Legislative Revenue of \$49.9 million.

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The Texas A&M University System Management's Discussion and Analysis For the Year Ended August 31, 2021

Other Revenues and Transfers decreased by 28%, from the 2020 amount of \$780 million to \$565 million in 2021. Contributing factors include a decrease of \$224 million in Transfers from Other State Agencies, an increase of \$55 million in Transfer to Other State Agencies, a \$48.7 million decrease in Legislative Transfers with an offsetting increase in Additions to Permanent and Term Endowments of \$74 million.

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 \$763 million. The majority of this activity relates to the self-insured programs, which reported operating expenses of approximately \$440 million. Of the remaining \$323 million in operating expenses eliminated, \$149 million were professional fees & services; \$80 million included utilities, communications, and \$82 million in repairs and maintenance. Approximately \$95.6 million represented salaries and wages and \$25.6 million represented other payroll related costs.

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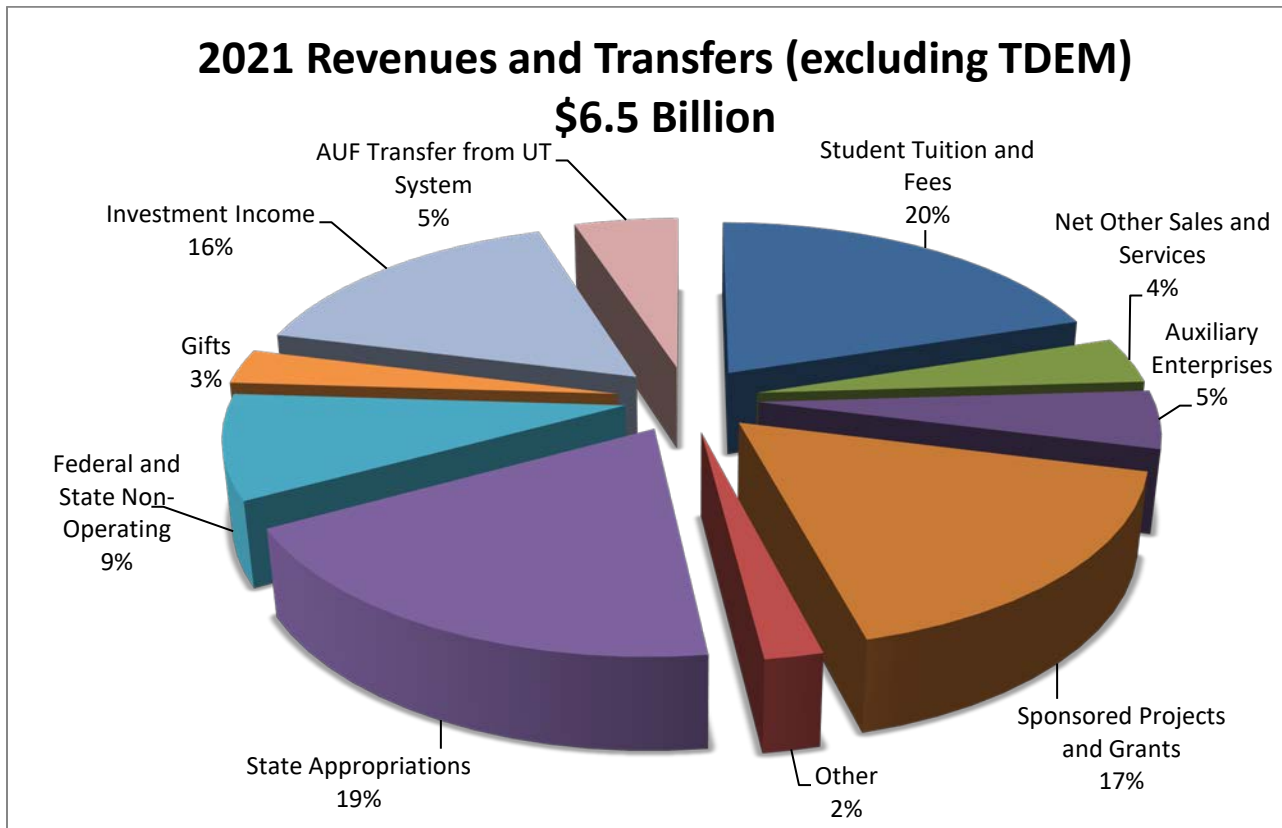
**The Texas A&M University System
Management's Discussion and Analysis
For the Year Ended August 31, 2021**

To analyze the A&M System institutions and agencies, the graph below excludes Texas Division of Emergency Management (TDEM) who received significant funding to assist with the COVID pandemic. Operating and non-operating revenues and transfers increased significantly from the prior year. The increases are primarily related to COVID relief funds, which were received, from the Federal Government and Texas State Government, which were sent out to students and governmental entities. Funds were also used to help fund some of the lost revenue and additional expenses required to be in place on campus.

For all A&M members, there was a total increase of \$7.2 billion totaling \$15 billion compared to \$7.8 billion in the prior year, almost doubling the prior year revenues/transfers. The most significant increase in revenues and transfers is a \$6.7 billion increase in Federal funding received by TDEM to support disaster relief efforts across the State of Texas.

TDEM's total revenues of \$8.4 billion for 2021 represents 57% of the A&M System's revenues and transfers total of \$15 billion total for 2021. The remaining revenues and transfers of \$6.5 billion are detailed below.

Federal/state non-operating revenue increased by \$319 million for funds received from HEERF programs and investment income increased by \$427 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.



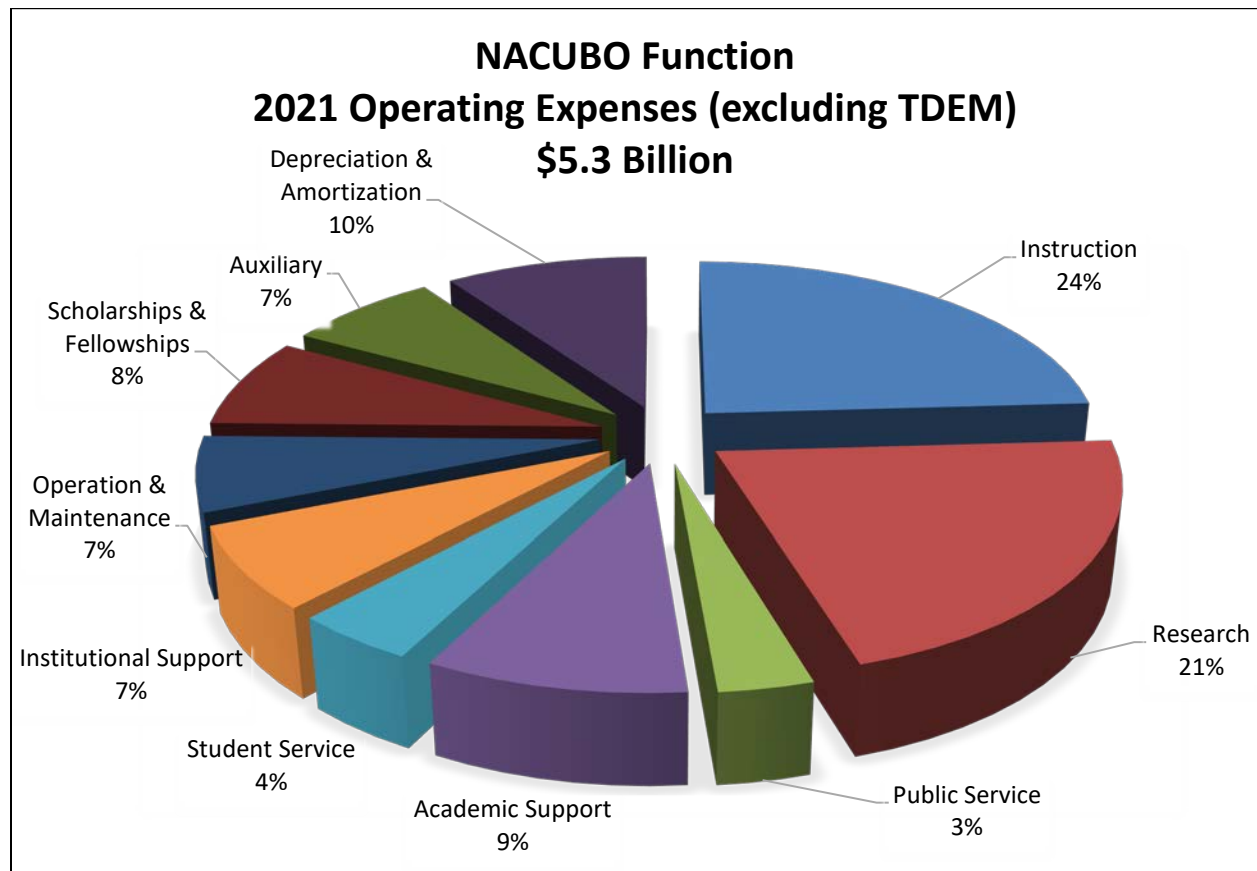
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**The Texas A&M University System
Management’s Discussion and Analysis
For the Year Ended August 31, 2021**

To analyze the A&M System institutions and agencies, the graph below excludes Texas Division of Emergency Management (TDEM) who provided significant support to the public and other institutions and agencies across the state. Total other A&M System members’ operating expenses increased \$6.9 billion, nearly doubling the prior year operating expenses increasing to \$13.8 billion in 2021 from \$6.9 billion in 2020. TDEM’s operating expenses of \$8.5 billion related to COVID disaster relief represented 62% of the total operating expenses. The remaining \$5.3 billion is detailed in the following two graphs.

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, depreciation/amortization of capital assets and institutional support are the primary expenses for the A&M System.

TDEM’s \$8.5 billion operating expenses, which are excluded from the graph below, include \$8.5 million in Public Service and \$3 million in depreciation/amortization of capital assets expenses.



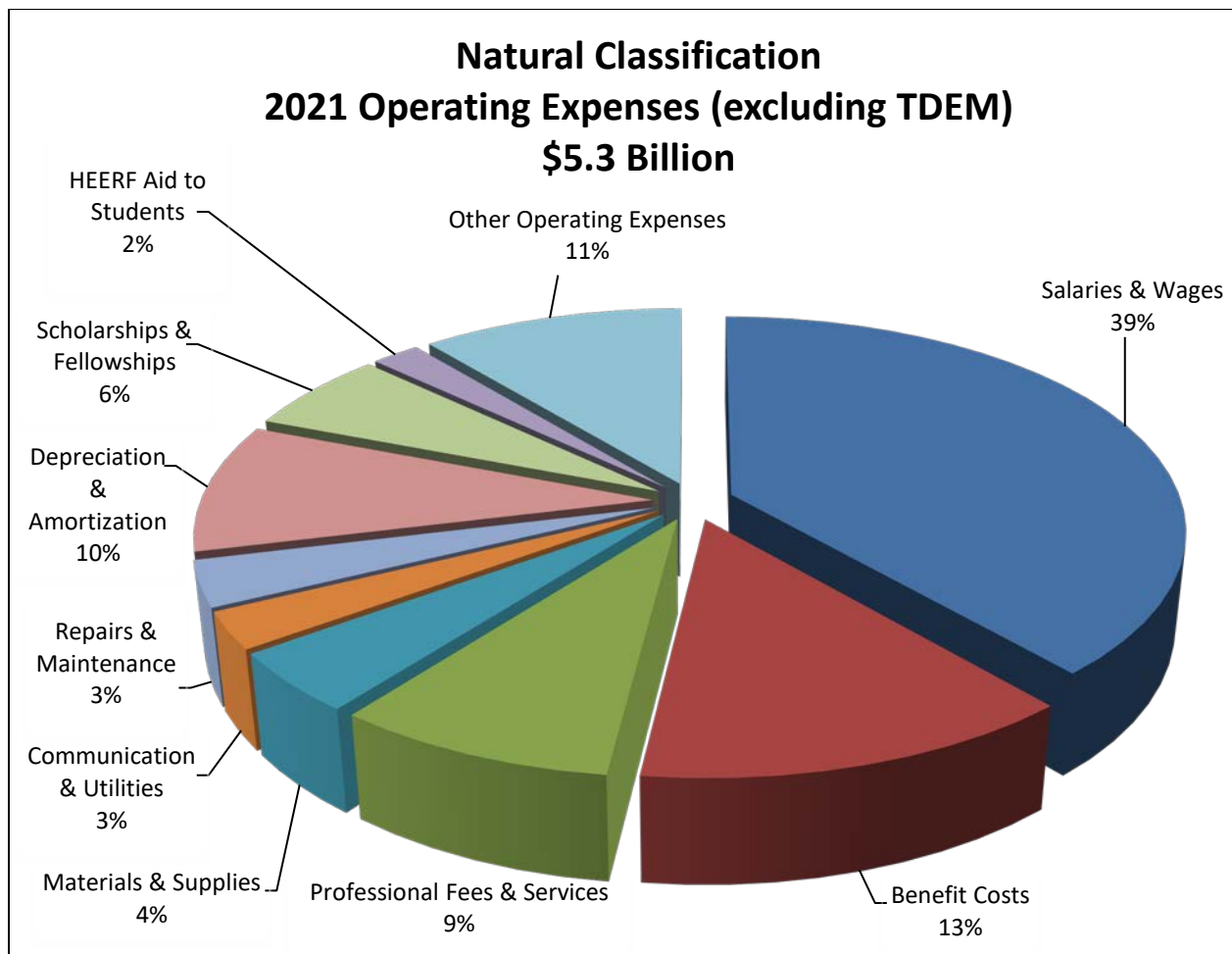
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**The Texas A&M University System
Management’s Discussion and Analysis
For the Year Ended August 31, 2021**

This graph also excludes Texas Division of Emergency Management (TDEM) who provided significant support to the public and other institutions and agencies. The graph below reports all other A&M System members operating expenses by natural classification and. 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.

TDEM’s \$8.5 billion operating expenses, which are excluded from the graph below, includes several significant expenses.

- \$5.1 billion of Federal and State funds distributed to local governments and other agencies which was reported as Other NonOperating Expenses,
- \$1.8 billion in professional fees and services which were used to assist with the COVID pandemic and
- \$366 million to purchase person protective equipment for the pandemic.



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The Texas A&M University System
Management's Discussion and Analysis
For the Year Ended August 31, 2021

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 and state stimulus funding from the CARES Act was treated as non-operating revenue; however, the expenses were predominantly operating. Thus, the operating payment line items Payments for Other Operating Expenses increased by \$4.8 billion and Payments for Supplies for Goods and Services activities increased by over \$1.6 billion and the funds received are reported in the Non-Capital Financing section on Proceeds from Other Grant Receipts, which increased over \$7 billion. The Capital Financing section increased by \$78 million and the Investment section decreased by \$382 million. The \$59 million cash restatement was applicable to the prior year for the implementation of *GASB 84 Fiduciary Activities*, and there was no restatement for 2021.

Statement of Cash Flows			
(in millions)			
	2021	2020	2019
Cash Flows From			
Operating Activities	(\$9,451)	(\$3,005)	(\$1,383)
Non-Capital Financing Activities	10,832	3,684	2,154
Capital and Related Financing Activities	(681)	(759)	(981)
Investing Activities	(156)	226	294
Net Change in Cash & Cash Equivalents	544	146	84
Cash & Cash Equivalents, Beginning of Year	1,617	1,530	1,446
Restatement of Cash & Cash Equivalents	0	(59)	0
Cash & Cash Equivalents as Restated	1,617	1,471	1,446
Cash & Cash Equivalents, End of Year	\$2,161	\$1,617	\$1,530

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.

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**The Texas A&M University System
Management's Discussion and Analysis
For the Year Ended August 31, 2021**

There was a slight decrease in completed construction projects during 2021 totaling \$486 million, as compared to \$733 million in 2020.

The A&M System had an increase in capital asset additions for buildings, infrastructure and facilities in 2021. 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 \$349.4 million in payments for construction in progress during 2021, which was a decrease from 2020, which was \$524.6 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 Runway 35R Rehabilitation	2022	\$ 5,372,000
RELLIS Campus Infrastructure Phase III-A	2022	14,412,685
Sub-total		\$ 19,784,685
Texas A&M University		
South Campus Recreation Center	2022	\$ 35,062,500
Joint Library Facility Module 3	2022	7,500,000
Railroad Quiet Zone	2022	5,000,000
BAS Upgrade	2022	9,750,000
Campus Electrical System Improvements	2022	8,943,750
Utility Plant Control Upgrade	2022	7,500,000
TVMDL Renovation	2023	5,000,000
Instructional Laboratory & Innovative Learning Building	2023	100,000,000
SUP3 Expansion	2023	20,930,520
Doherty Building Renovation	2024	20,000,000
Business Education Complex	2024	74,197,309
CUP Generator Replacement Project	2024	26,500,000
Sub-total		\$ 320,384,079
Tarleton State University		
Aquatics Center	2022	\$ 11,307,950
ESCO 2021	2022	13,084,947
Fort Worth Building #2	2024	66,000,000
Parking Garage	2024	31,000,000
Sub-total		\$ 121,392,897

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**The Texas A&M University System
Management's Discussion and Analysis
For the Year Ended August 31, 2021**

Table continued from previous page.

Member and Project Name	Projected Fiscal Year Completion	Projected Budget
Prairie View A&M University		
Agriculture Comprehensive Facility	2022	\$ 6,093,828
Engineering Classroom & Research Building	2023	70,000,000
Sub-total		\$ 76,093,828
Texas A&M Agrilife Research		
Borlaug Center Renovation and Addition	2024	\$ 49,004,456
Texas A&M Engineering Extension Service		
Brayton New Administrative and Classroom Facility	2023	\$ 31,945,000
Texas A&M University-Galveston		
ESCO 2021	2022	\$ 8,000,000
Texas A&M University-Corpus Christi		
Energy Consumption Reduction Project	2022	\$ 9,141,417
Texas A&M University-Commerce		
Student Services Building	2024	\$ 19,500,000
Texas A&M University-San Antonio		
Academic and Administration Building Ph. II	2022	\$ 53,000,000
Texas A&M University System Shared Services		
RELLIS Substation	2023	\$ 6,391,000
RELLIS Runway 35C Rehabilitation	2024	8,280,000
Sub-total		\$ 14,671,000

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**The Texas A&M University System
Management's Discussion and Analysis
For the Year Ended August 31, 2021**

Table concluded from previous page.

Member and Project Name	Projected Fiscal Year Completion	Projected Budget
Texas A&M Engineering Experiment Station		
BCDC: Innovation Proving Grounds	2022	\$ 32,000,000
Detonation Research Test Facility	2022	5,000,000
Industrial Distribution Bldg. #1	2023	20,020,000
Ballistic Aero Optics Materials Facility	2023	45,960,000
Technology Innovation and Modernization Catalyst	2023	10,000,000
Sub-total		\$ 112,980,000
Texas Division of Emergency Management		
TDEM Warehouse at RELLIS	2023	\$ 11,400,000
TOTAL		\$ 847,297,362

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 2021, the A&M System issued tax-exempt and taxable bonds under the Revenue Financing System debt program to provide funding for eligible projects, to refund outstanding commercial paper notes, and to pay the costs of issuing the bonds. The Revenue Financing System Bonds, Series 2021A had a par amount of approximately \$189.43 million with a true interest cost of 1.96%. The Revenue Financing System Bonds, Taxable Series 2021B had a par amount of approximately \$226.38 million with a true interest cost of 2.48%.

In fiscal year 2021, there was a total of \$220 million in commercial paper issued. Revenue Financing System Commercial Paper Notes in the amount of \$140 million, Revenue Financing System Taxable Commercial Paper Notes in the amount of \$50 million and Permanent University Fund Taxable Commercial Paper Notes in the amount of \$30 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 FY2022-23 biennium. For additional information concerning Capital Assets and Debt Administrations, see the Notes to the Financial Statements.

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The Texas A&M University System Management's Discussion and Analysis For the Year Ended August 31, 2021

Economic Outlook

Equity markets posted strong returns over the past twelve months, as investors grew more optimistic about global growth while concerns about COVID began to subside. Vaccines and therapies became more widely available and large parts of the economy began to normalize. Inflation and supply bottlenecks continue to be areas of concern, especially as commodity prices have also risen sharply during the period. The Federal Reserve is evaluating plans to reduce their monthly bond purchases and may also consider raising the Federal Funds rate late next year. The US consumer continues to be in good shape, with strong wage gains and low unemployment helping to maintain consumer-spending levels.

The A&M System has invested in a diversified portfolio that has the potential to grow over the long term. During shorter time periods, the portfolios may be impacted by market conditions and negative changes in sentiment. The A&M System will continue to position the portfolios to take advantage of market volatility by acquiring assets at discounted valuations, which will help to enhance the long-term returns of the portfolios.

Fiduciary Funds

Statement of Net Fiduciary Net Position

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

Below are financial highlights for fiduciary funds for fiscal year 2021. The A&M System Fiduciary statements include balances from several different types of entities including, Investments Held for Non-A&M Entities, Student Organizations, Foundation/Alumni Associations, Public Private Partnership entities and Other Entities.

- Investments recorded on the Fiduciary Statement of Net Position was \$539 million, which was an increase of \$92.6 million from the prior year's total of \$446.4 million. The investment income included a \$33.4 million increase in unrealized net increase in fair value, \$11 million increase in realized gain on sale of investments and \$1.2 million increase in interest income.

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- Fiduciary funds reported an ending *Restricted for Other Individuals, Organizations and Other Entities* net position of \$603 million which was an increase of \$102.5 million from the prior year's net position of \$513.5 million.
 - Additions from all sources was \$133 million, which was an increase of \$32.7 million from the prior year, which was \$100.3 million for 2020, and deductions decreased by \$16.4 million from the prior year's total of \$60.4 million.
 - Contributions from various entities accounted for \$7 million and the investment earnings increased by \$45 million.
 - Reductions in Receipts and Payments from Public Private Partnerships was impacted by over \$30 million in additions and deductions due to several A&M institutions dissolving their contracts and beginning to manage the dorms with internal staff.

Significant Events

Several leadership changes occurred in the A&M System during fiscal year 2021; these changes are included below.

Fiscal Year 2021

- In March 2021, Dr. Katherine Banks became the 26th president of Texas A&M University.
- In May 2021, Dr. John Hurtado, who was the deputy director of the Bush Combat Development Complex, was approved for the interim vice chancellor for Engineering, dean of the Texas A&M University College of Engineering as well as director for Texas A&M Engineering Experiment Station (TEES).
- In June 2021, Tim Leach was elected chairman of the board of regents.
- In June 2021, William 'Bill' Mahomes Jr. was elected vice chairman of the board of regents.
- In June 2021, the Governor Greg Abbott appointed Matilin Rigsby from Texas A&M University as the student regent.

Fiscal Year 2021 Announcements

On September 28, 2020, Governor Greg Abbot congratulated the head of Texas A&M University's Engineering Medicine 'EnMed program', who received a prestigious lifetime achievement award from the National Science Board. The board announced Roderic Pettigrew would be presented with the [Vannevar Bush Award](#), which is considered one of the nation's highest science awards. It honors lifelong science and technology leaders who have made exceptional contributions to the welfare of the nation through public service in science and technology and in shaping public policy. "Roderic Pettigrew's passion and creativity have spurred innovation in biomedicine," said Victor

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McCrary, Vice Chair of the National Science Board and Chair of the 2020 NSB Honorary Awards Subcommittee. "His reimagining of healthcare solutions is helping converge science fields, narrowing gaps between disciplines in a way that really impacts society. Pettigrew is helping us to see what might be, what could be, and what is possible." Pettigrew's contributions are wide-ranging. They include:

- Service as the founding director of the [National Institute of Biomedical Imaging and Bioengineering \(NIBIB\) at the National Institutes of Health](#).
- Advanced treatment for spinal injuries that enabled some chronically paralyzed men to regain voluntary muscle movement and sensory function.
- Use of radiation in cancer treatments.
- Work to use MRI to image the beating heart and quantify blood flow.
- Establishment of a partnership with the Indian government to develop cuff-less blood pressure measurement, along with other low cost diagnostic and therapeutic technologies.

On October 26, 2020, the Department of Defense named a state agency of The Texas A&M University System to lead a national consortium for modernizing hypersonic flight capabilities. The Texas A&M Engineering Experiment Station (TEES) will manage a five-year, \$20 million per-year DOD initiative involving many of the nation's top research universities. The universities will work cooperatively among themselves and with other key research institutions of government, national laboratories, federally funded research centers and industry.

On November 12, 2020, the Texas A&M University System Board of Regents designated 15 faculty members and 7 agency service, extension or research professionals within the A&M System as Regents Professors and Regents Fellows for 2019-2020.

"These individuals exemplify the commitment to excellence in research and service that sets A&M System employees apart," Elaine Mendoza, Chairman of The Texas A&M University System Board of Regents. "I hope their example will inspire others in their own endeavors."

This year's recipients of the Regents Professor Award are:

- Dr. Julia Ballenger, Texas A&M University-Commerce
- Dr. Frances Bernat, Texas A&M International University
- Dr. Jane Bolin, Texas A&M University Health Science Center
- Dr. Fred Bonner II, Prairie View A&M University
- Dr. Yassin Hassan, Texas A&M University
- Dr. Alex Hunt, West Texas A&M University
- Dr. Patrick Louchouart, Texas A&M University at Galveston
- Dr. Bhimanagouda "Bhimu" Patil, Texas A&M University and Texas A&M AgriLife Research
- Dr. Luz Mary Rincon, Texas A&M University-Texarkana
- Dr. Susan Roberson, Texas A&M University-Kingsville
- Dr. Christine Stanley, Texas A&M University

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- Dr. Gregory Stunz, Texas A&M University-Corpus Christi
- Dr. David Threadgill, Texas A&M University Health Science Center
- Dr. Edward Westermann, Texas A&M University-San Antonio
- Dr. Peter Yu, Texas A&M University

On November 12, 2020, the Texas A&M Board of Regents approved a world-class engineering feat. Imagine you are engineering an enclosed, precisely instrumented, kilometer-long testing range to study objects as they travel faster than you could blink, at temperatures hotter than you could survive. Imagine nobody has ever engineered or built anything before at such a large scale. Imagine that your success is widely seen as important to the future security of the United States.

You are imagining the real-world challenges faced by The Texas A&M University System as it prepares for construction of the Ballistic, Aero-optics and Materials (BAM) Test Range, part of the George H.W. Bush Combat Development Complex (BCDC) on the RELLIS Campus.

The Texas A&M System Board of Regents approved a plan to build BAM in two phases. Phase 1 is planned to be 500 meters long. Construction was scheduled to start in April 2021 and be substantially completed by the end of 2022. It will cost \$38.6 million.

On January 11, 2021, FUJIFILM Diosynth Biotechnologies, and the Texas A&M University System Center for Innovation in Advanced Development & Manufacturing (CIADM) announced the production has begun in Texas on two different COVID vaccine candidates with support from the U.S. government to meet Operation Warp Speed goals. FUJIFILM Diosynth Biotechnologies Texas, a subcontractor of the CIADM, recently completed its capacity expansion at its Flexible Biomanufacturing Facility in College Station, Texas, to accommodate large-scale production of the COVID vaccine candidates. FUJIFILM Diosynth Biotechnologies will produce bulk drug substance of NVX-CoV2373, Novavax' vaccine candidate, which began phase 3 clinical testing in the U.S. and Mexico in December 2020. NVX-CoV2373 is already being manufactured at commercial scale at the company's plant in Morrisville, North Carolina.

On March 31, 2021, Texas A&M University-Commerce will soon be making a high-profile expansion into North Dallas, John Sharp, Chancellor of The Texas A&M University System announced. The university will be taking over the top two floors of 8750 North Central Expressway, where it will set up headquarters for its education and business colleges. "This new Dallas site opens exciting opportunities for A&M-Commerce and its students," said Elaine Mendoza, chairman of the A&M System Board of Regents. "This instructional site will offer in-demand academic programs taught by incredible faculty at a prime metropolitan location."

On May 20, 2021, Prairie View A&M University will be building a new, \$70 million engineering and classroom building. Construction of the cutting-edge facility was approved by The Texas A&M University System Board of Regents, which has made unprecedented levels of investment in Texas' oldest Historically Black University in recent years. "Prairie View is resurgent under

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President Ruth Simmons and our Board of Regents,” said John Sharp, Chancellor of The Texas A&M University System. “This new engineering building is the latest evidence of the investment in Prairie View A&M and its students.”

On May 20, 2021, the Board of Regents appropriated \$13.1 million for infrastructure improvements on the west side of RELLIS. The improvements will provide for two testing ranges for next generation technology, the Innovation Proving Ground (IPG) and the Ballistic, Aero-optics and Materials (BAM.) Modern, high-quality infrastructure is critical to a vital strategic goal shared by the Texas A&M University System and the U.S. Army: to build a world-class ecosystem for military technology innovation on the RELLIS Campus, called the George H.W. Bush Combat Development Complex (BCDC).

On July 14, 2021, the Texas A&M University System held a symposium of vital national importance in College Station with 300 military and defense industry leaders. The three-day symposium, comprised mostly of classified, closed-door briefings, was focused on the challenging goal of modernizing battlefield communications in case the U.S. has to go to war against a high-tech adversary.

On July 28, 2021, the Texas A&M University System Board of Regents Board voted to direct Texas A&M President M. Katherine Banks to vote in favor of extending formal invitations to the University of Oklahoma and the University of Texas to join the conference in 2025 when the SEC presidents consider the matter.

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 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 affects both the lessee and the lessor accounting events. The accounting staff is working on the implementation of software to help with the entries for these contracts.

GASB 94 Public-Private and Public-Public Partnerships and Availability Payment Arrangements is scheduled to be implemented in Fiscal Year 2023. This standard will require analysis of the current public, private partnership contracts and determine if the A&M members recognize a receivable equal to the operator's carrying value of the underlying asset as of the date of the transfer of ownership and whether to recognize a receivable for the present value of the installment payments. The accounting staff continues to analyze this standard and determine the next steps.

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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.

In addition to the above new standards, GASB is undertaking three inter-related statements to modify the financial reporting model, revenue and expense recognition and note disclosures; a preliminary issuance date for these statements is in 2025. GASB has informally termed these new standards as 'the big three'. The higher education model has been in existence since 1999 and GASB is analyzing these core standards to ensure the understandability and usefulness to the users of the financial statements. The accounting staff is staying involved with GASB and NACUBO to ensure we understand the new concepts and provide input to these oversight agencies as needed.

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 Proprietary Statement of Net Position
 For the Year Ended August 31, 2021

	<u>Current Year</u>	<u>Prior Year</u>
	<u>Total</u>	<u>Total</u>
Assets and Deferred Outflows		
Current Assets		
Cash and Cash Equivalents (Schedule Three)	\$ 1,846,731,737.90	\$ 1,310,785,863.56
Restricted		
Cash and Cash Equivalents (Schedule Three)	314,788,458.54	306,407,728.94
Legislative Appropriations	335,634,750.07	215,799,899.16
Receivables, Net (Note 24)		
Federal	171,815,801.02	160,000,553.74
Other Intergovernmental	3,927,123.22	3,663,630.14
Interest and Dividends	10,524,979.59	10,216,783.02
Gifts	28,594,715.37	36,551,047.38
Self-Insured Health and Dental	33,470,802.67	26,902,455.87
Student	40,971,810.84	41,819,149.18
Investment Trades	20,147,914.75	18,038,673.71
Accounts	156,536,623.25	180,032,562.74
Other	6,279,635.33	4,612,460.11
Due From Other Agencies	83,127,409.68	43,703,738.24
Consumable Inventories	17,108,129.12	17,719,533.29
Merchandise Inventories	6,832,979.82	6,149,901.68
Loans and Contracts	17,220,078.92	21,766,305.38
Interfund Receivable (Note 12)	56,804,664.77	55,892,732.95
Other Current Assets	161,445,831.74	146,711,109.37
Total Current Assets	\$ 3,311,963,446.60	\$ 2,606,774,128.46
Non-Current Assets		
Restricted		
Investments (Note 3)	\$ 1,297,323,872.37	\$ 1,101,486,026.90
Loans, Contracts and Other	5,265,309.05	3,604,771.56
Gifts Receivable	299,256,832.77	315,445,431.30
Loans and Contracts	9,871,139.97	12,822,100.33
Investments (Note 3)	4,879,612,259.61	3,916,192,595.30
Interfund Receivable (Note 12)	1,356,155,515.76	1,412,960,180.53
Capital Assets, Non-Depreciable (Note 2)		
Land and Land Improvements	225,152,613.86	224,743,466.49
Construction In Progress	799,012,108.87	939,568,944.90
Other Tangible Capital Assets	72,404,363.19	65,253,250.92
Land Use Rights	119,070.00	117,364.00
Capital Assets, Depreciable (Note 2)		
Buildings and Building Improvements	7,989,325,250.03	7,373,329,992.54
Infrastructure	1,042,507,722.25	987,328,493.63
Facilities and Other Improvements	1,111,712,340.37	1,078,922,518.33
Furniture and Equipment	1,132,200,310.79	1,081,125,564.42
Vehicles, Boats, and Aircraft	165,378,663.61	168,176,426.66
Other Capital Assets	210,609,395.74	222,261,620.70
Intangible Capital Assets, Amortized (Note 2)		
Land Use Rights	255,457.00	255,457.00
Computer Software	146,132,877.52	138,741,431.98
Accumulated Depreciation/Amortization	(5,733,368,101.14)	(5,294,639,831.18)
Assets Held In Trust	362,100.00	362,100.00
Other Non-Current Assets	6,090,363.41	5,922,530.74
Total Non-Current Assets	\$ 15,015,379,465.03	\$ 13,753,980,437.05
Deferred Outflows of Resources (Note 28)		
Unamortized Loss On Refunding Debt	\$ 63,937,812.91	\$ 67,483,836.75
Government Acquisition	7,682,365.09	11,605,274.91
Pension	307,969,777.00	341,820,447.00
Other Post Employment Benefits	612,776,570.00	515,213,548.00
Total Deferred Outflows of Resources	\$ 992,366,525.00	\$ 936,123,106.66
Total Assets and Deferred Outflows	\$ 19,319,709,436.63	\$ 17,296,877,672.17

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Exhibit III
The Texas A&M University System
 Combined Proprietary Statement of Net Position
 For the Year Ended August 31, 2021

	Current Year	Prior Year
	Total	Total
Liabilities and Deferred Inflows		
Current Liabilities		
Payables		
Accounts	\$ 266,125,120.75	\$ 248,545,542.96
Payroll	157,013,585.79	160,194,367.84
Investment Trades	35,272,637.63	22,838,508.43
Self-Insured Health and Dental	23,556,000.00	18,995,000.00
Student	6,295,530.20	5,955,226.75
Other	7,364,119.25	6,784,526.90
Interfund Payable (Note 12)	1,984,062.39	2,315,030.68
Due to Other Agencies	415,190,218.93	58,499,207.63
Unearned Revenue	835,438,248.53	768,702,402.58
Employees Compensable Leave	15,801,387.09	15,787,004.00
Other Post Employment Benefits (Note 11)	49,233,231.00	43,199,713.00
Claims and Judgments	2,461,918.00	2,708,853.00
Notes and Loans Payable (Note 5)	8,482,000.00	7,560,000.00
Notes From Direct Borrowings (Note 5)	6,651,597.74	6,463,441.77
Bonds Payable (Note 6)	271,707,830.99	258,083,383.05
Capital Lease Obligations (Note 8)	3,065,689.97	2,726,782.81
Liabilities Payable From Restricted Assets	15,932,662.37	37,101,072.01
Other Current Liabilities	42,098,734.67	33,796,848.98
Total Current Liabilities	\$ 2,163,674,575.30	\$ 1,700,256,912.39
Non-Current Liabilities		
Interfund Payable (Note 12)	\$ 6,266,895.09	\$ 7,829,034.02
Employees Compensable Leave	102,868,068.17	100,637,448.84
Other Post Employment Benefits (Note 11)	2,341,057,555.00	1,979,860,948.00
Pension Liability (Note 9)	711,904,200.00	685,834,250.00
Claims and Judgments	12,447,600.00	12,083,545.00
Notes and Loans Payable (Note 5)	187,260,000.00	168,515,000.00
Notes From Direct Borrowings (Note 5)	59,975,459.28	64,856,882.12
Bonds Payable (Note 6)	4,641,882,286.21	4,468,420,919.20
Assets Held In Trust	362,100.00	362,100.00
Liabilities Payable From Restricted Assets	2,532,470.82	2,233,333.99
Capital Lease Obligations (Note 8)	4,557,815.13	2,011,113.99
Asset Retirement Obligations (Note 5)	12,426,635.27	12,426,635.27
Other Non-Current Liabilities	24,367,340.14	22,953,648.68
Total Non-Current Liabilities	\$ 8,107,908,425.11	\$ 7,528,024,859.11
Deferred Inflows of Resources (Note 28)		
Pension	\$ 134,446,421.00	\$ 154,700,514.00
Other Post Employment Benefits	422,986,067.00	571,385,510.00
Split-Interest Agreements	1,071,302.66	871,290.79
Deferred Inflows of Resources (Note 28)	\$ 558,503,790.66	\$ 726,957,314.79
Total Liabilities and Deferred Inflows	\$ 10,830,086,791.07	\$ 9,955,239,086.29
Net Position		
Net Investment In Capital Assets	\$ 2,514,273,139.43	\$ 2,381,422,453.64
Restricted for		
Capital Projects	106,877,823.15	254,045,359.22
Education	501,479,774.82	450,237,547.56
Endowment and Permanent Funds		
Nonexpendable	434,425,179.22	421,793,609.73
Expendable	542,514,861.93	384,162,105.64
Unrestricted	4,390,051,867.01	3,449,977,510.09
Total Proprietary Net Position (Exhibit IV)	\$ 8,489,622,645.56	\$ 7,341,638,585.88

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

For the Year Ended August 31, 2021

	Current Year	Prior Year
	Total	Total
Operating Revenues		
Tuition and Fees	\$ 1,705,683,787.45	\$ 1,611,571,491.25
Discounts and Allowances	(432,937,775.40)	(402,058,031.11)
Professional Fees	2,324,823.79	2,336,189.10
Auxiliary Enterprises	330,658,286.73	323,859,431.21
Discounts and Allowances	(37,202,042.50)	(33,346,346.08)
Other Sales of Goods and Services	299,859,601.70	291,394,333.90
Discounts and Allowances	(8,898,952.58)	(6,152,358.76)
Interest Revenue	689,987.23	1,563,209.44
Federal Revenue - Operating	633,065,531.09	628,034,233.50
Federal Pass Through Revenue	216,638,012.60	411,576,163.65
State Grant Revenue	5,100,369.03	5,898,187.44
State Pass Through Revenue	122,647,391.68	131,709,093.06
Other Grants and Contracts - Operating	293,653,047.23	284,745,665.95
Other Operating Revenue	83,831,679.51	63,910,747.16
Total Operating Revenues	\$ 3,215,113,747.56	\$ 3,315,042,009.71
Operating Expenses		
Instruction	\$ 1,277,893,345.98	\$ 1,280,059,645.52
Research	1,131,887,505.38	1,092,462,922.43
Public Service	8,652,840,034.15	2,018,032,485.87
Academic Support	474,626,576.09	475,523,347.15
Student Services	224,916,826.18	226,545,483.98
Institutional Support	373,392,742.30	312,171,037.64
Operation & Maintenance of Plant	341,891,944.31	350,213,307.81
Scholarships & Fellowships	411,201,929.87	300,669,788.40
Auxiliary	384,360,401.17	401,068,068.48
Depreciation/Amortization	514,749,271.49	468,755,973.61
Total Operating Expenses (Schedule IV-1)	\$ 13,787,760,576.92	\$ 6,925,502,060.89
Total Operating Loss	\$ (10,572,646,829.36)	\$ (3,610,460,051.18)
Nonoperating Revenues (Expenses)		
Legislative Revenue	\$ 1,341,819,754.68	\$ 1,291,891,805.65
Federal Revenue Non-Operating	7,910,553,824.22	916,390,775.12
Federal Pass Through Non-Operating	810,044,504.18	785,617,605.24
State Pass Through Non-Operating	86,713,731.62	43,733,352.40
Gifts	199,166,176.51	165,040,675.46
Investment Income	1,010,059,072.85	583,513,692.04
Investing Activities Expense	(22,186,662.30)	(16,844,644.82)
Interest Expense	(172,696,485.59)	(170,496,322.96)
Borrower Rebates and Agent Fees	(2,598,464.64)	(3,668,791.11)
Loss On Sale or Disposal of Capital Assets	(121,754.13)	(881,113.98)
Settlement of Claims	(233,501.19)	(1,228,722.71)
Other Nonoperating Revenues	74,035,433.17	35,918,496.71
Other Nonoperating (Expenses)	(78,750,280.17)	(44,719,300.96)
Total Nonoperating Revenues (Expenses)	\$ 11,155,805,349.21	\$ 3,584,267,506.08
Income (Loss) Before Other Revenues and Transfers	\$ 583,158,519.85	\$ (26,192,545.10)

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Exhibit IV

The Texas A&M University System

Combined Proprietary Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended August 31, 2021

	<u>Current Year</u>	<u>Prior Year</u>
	<u>Total</u>	<u>Total</u>
Other Revenues and Transfers		
Capital Contributions	\$ 12,915,312.60	\$ 6,400,343.26
Capital Appropriations (Higher Education Fund)	48,419,905.00	46,586,914.00
Additions to Permanent and Term Endowments	80,771,385.61	7,192,917.22
Transfers In		
Transfers From Other State Agencies	480,245,764.61	703,988,518.45
Nonmandatory Transfers From Members/Agencies-Capital Assets	15,284.55	3,425,407.31
Transfers Out		
Transfers to Other State Agencies	(62,343,404.04)	(7,490,096.83)
Nonmandatory Transfers to Members/Agencies - Capital Assets		(491,356.58)
Legislative Transfers - In	6,431,326.00	55,154,070.00
Legislative Appropriations Lapsed	(1,630,034.50)	(35,459,019.31)
Total Other Revenues and Transfers	\$ 564,825,539.83	\$ 779,307,697.52
Change In Net Position	\$ 1,147,984,059.68	\$ 753,115,152.42
Net Position, Beginning of Year	\$ 7,341,638,585.88	\$ 6,588,273,433.46
Restatement		250,000.00
Net Position, Beginning of Year, Restated	\$ 7,341,638,585.88	\$ 6,588,523,433.46
Proprietary Net Position, End of Year	\$ 8,489,622,645.56	\$ 7,341,638,585.88

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 Proprietary Statement of NACUBO Function to Natural Classification Matrix
For the Year Ended August 31, 2021

Natural Classification	Instruction	Research	Public Service	Academic Support	Student Services
Cost of Goods Sold	\$ 465,760.58	\$ 312,656.31	\$ 366,643.49	\$ 160,352.57	\$ 9,607.63
Salaries & Wages	841,765,681.92	420,729,141.22	156,995,912.10	231,123,366.45	103,113,146.43
Payroll Related Costs	276,535,815.64	129,662,727.42	73,648,986.33	80,493,115.94	40,944,546.96
Professional Fees & Services	53,743,934.94	118,721,606.76	1,090,744,281.16	60,029,516.44	16,055,755.12
Travel	5,354,050.65	3,561,408.22	3,495,771.28	831,685.30	895,753.98
Materials & Supplies	41,636,102.67	75,853,629.30	382,275,976.46	45,156,499.96	13,801,858.66
Communication & Utilities	4,906,499.29	12,986,612.12	8,519,129.10	13,222,823.74	3,047,758.34
Repairs & Maintenance	7,017,791.70	18,782,933.38	7,004,230.16	9,261,901.74	4,467,579.77
Rentals & Leases	18,942,364.00	13,491,184.42	87,736,064.03	13,928,448.87	10,389,812.34
Printing & Reproduction	1,253,596.31	2,517,590.37	1,395,994.30	1,747,792.01	1,449,299.40
Federal Pass-Through	1,352,416.25	123,489,370.06	4,986,033,519.20		
State Pass-Through		131,363.24	79,939.93		
Depreciation & Amortization					
Bad Debt Expense					520,573.21
Interest	6,336.62	15,910.97	822,118.68	8,437.69	992.50
Scholarships	2,295,375.24	37,568,555.21	673,731.40	4,223,740.58	1,364,600.71
Claims & Losses					
Other Operating Expenses	22,617,620.17	174,062,816.38	1,853,047,736.53	14,438,894.80	28,855,541.13
Total Proprietary Operating Expenses	\$ 1,277,893,345.98	\$ 1,131,887,505.38	\$ 8,652,840,034.15	\$ 474,626,576.09	\$ 224,916,826.18

<u>Institutional Support</u>	<u>Operation & Maintenance of Plant</u>	<u>Scholarships & Fellowships</u>	<u>Auxiliary</u>	<u>Depreciation & Amortization</u>	<u>Total</u>	<u>Prior Year</u>
\$ 2,578.88	\$ 39.67	\$ 4,921.11	\$ 2,744,268.97	\$	\$ 4,066,829.21	\$ 4,862,848.11
145,584,950.93	31,763,975.46	15,128,989.37	130,824,945.54		2,077,030,109.42	2,066,078,286.03
63,901,742.75	15,587,067.44	1,619,140.69	30,356,498.85		712,749,642.02	687,555,922.17
41,242,828.09	67,268,114.19	4,867,902.80	73,489,606.06		1,526,163,545.56	546,828,933.28
532,351.15	71,289.72	86,360.49	8,505,770.48		23,334,441.27	53,835,363.08
17,514,377.26	9,609,192.39	531,495.80	19,039,508.09		605,418,640.59	1,171,547,400.22
4,686,045.65	76,855,360.32	50,801.27	27,381,079.33		151,656,109.16	145,866,303.60
5,200,571.01	105,175,581.80	71,648.91	21,701,872.03		178,684,110.50	189,500,970.64
12,146,044.13	8,413,252.65	421,961.41	18,715,064.81		184,184,196.66	95,203,836.10
943,086.66	18,387.69	13,891.81	622,604.48		9,962,243.03	10,995,248.22
		99,651.92			5,110,875,305.51	108,493,188.94
					310,955.09	813,414.35
				514,749,271.49	514,749,271.49	468,755,973.61
			59,142.38		579,715.59	320,031.78
20,341.05	12,139.71	412.41	4,005.41		890,695.04	126,754.80
6,450,805.10	24,058.06	254,884,447.39	18,540,491.48		326,025,805.17	301,457,209.79
56,174,381.26	874,597.20				57,048,978.46	3,900,116.26
18,992,638.38	26,218,888.01	133,420,304.49	32,375,543.26		2,304,029,983.15	1,069,360,259.91
\$ 373,392,742.30	\$ 341,891,944.31	\$ 411,201,929.87	\$ 384,360,401.17	\$ 514,749,271.49	\$ 13,787,760,576.92	\$ 6,925,502,060.89

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Exhibit V
The Texas A&M University System
 Combined Proprietary Statement of Cash Flows
 For the Year Ended August 31, 2021

	<u>Current Year</u>	<u>Prior Year</u>
	<u>Total</u>	<u>Total</u>
Cash Flows From Operating Activities		
Proceeds Received From Tuition and Fees	\$ 1,205,900,215.33	\$ 1,182,497,420.23
Proceeds Received From Customers	278,424,410.27	320,378,186.55
Proceeds From Grants and Contracts	1,429,110,988.17	1,576,523,330.02
Proceeds From Auxiliary Enterprises	298,377,974.34	285,618,689.97
Proceeds From Loan Programs	612,477,932.45	644,077,065.96
Proceeds From Other Operating Revenues	103,172,103.98	92,500,525.45
Payments to Suppliers for Goods and Services	(4,967,499,850.64)	(3,332,060,715.92)
Payments to Employees	(2,619,916,968.45)	(2,587,248,736.36)
Payments for Loans Provided	(611,192,181.11)	(645,563,825.31)
Payments for Other Operating Expenses	(5,179,666,809.41)	(541,502,353.65)
Net Cash Used By Operating Activities	\$ (9,450,812,185.07)	\$ (3,004,780,413.06)
Cash Flows From Noncapital Financing Activities		
Proceeds From State Appropriations	\$ 1,272,276,314.39	\$ 1,240,886,985.46
Proceeds From Gifts	224,484,802.37	195,858,809.79
Proceeds From Endowments	80,771,385.61	7,192,917.22
Proceeds From Transfers From Other Funds	498,751,753.12	570,676,964.37
Proceeds From Other Grant Receipts	8,806,418,732.70	1,747,864,850.98
Proceeds From Other Noncapital Financing Activities	62,207,014.63	86,795,525.50
Payments of Interest		(1,621.38)
Payments for Transfers to Other Funds	(61,878,439.20)	(7,831,955.34)
Payments for Other Noncapital Financing Uses	(50,588,210.39)	(157,031,816.93)
Net Cash Provided By Noncapital Financing Activities	\$ 10,832,443,353.23	\$ 3,684,410,659.67
Cash Flows From Capital and Related Financing Activities		
Proceeds From Sale of Capital Assets	\$ 2,584,261.65	\$ 581,458.85
Proceeds From Debt Issuance	673,177,424.04	546,011,943.83
Proceeds From State Grants and Contracts	2,028,494.07	46,146,609.90
Proceeds From Other Financing Activities	4,729,297.58	792,747.79
Payments for Additions to Capital Assets	(716,110,152.30)	(795,529,607.95)
Payments of Principal On Debt	(466,424,609.09)	(374,608,333.34)
Payments for Capital Leases	(6,834,027.00)	(8,553,708.26)
Payments of Interest On Debt Issuance	(167,889,127.20)	(165,792,155.48)
Payments for Interfund Receivables	(1,893,107.22)	(2,467,160.76)
Payments of Other Costs On Debt Issuance	(4,090,401.73)	(5,723,443.45)
Net Cash Used By Capital & Related Financing Activities	\$ (680,721,947.20)	\$ (759,141,648.87)
Cash Flows From Investing Activities		
Proceeds From Sales of Investments	\$ 2,603,568,862.63	\$ 3,905,207,774.86
Proceeds From Interest and Investment Income	89,056,712.75	126,177,717.07
Payments to Acquire Investments	(2,849,208,192.40)	(3,805,502,931.62)
Net Cash Provided By Investing Activities	\$ (156,582,617.02)	\$ 225,882,560.31
Net Increase In Cash and Cash Equivalents	\$ 544,326,603.94	\$ 146,371,158.05
Proprietary Cash and Cash Equivalents, Beginning of Year	\$ 1,617,193,592.50	\$ 1,529,626,598.27
Restatement		(58,804,163.82)
Proprietary Cash and Cash Equivalents, Beginning of Year, As Restated	\$ 1,617,193,592.50	\$ 1,470,822,434.45
Proprietary Cash and Cash Equivalents, End of Year (Sch Three)	\$ 2,161,520,196.44	\$ 1,617,193,592.50

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Exhibit V
The Texas A&M University System
 Combined Proprietary Statement of Cash Flows
 For the Year Ended August 31, 2021

	<u>Current Year</u>	<u>Prior Year</u>
	<u>Total</u>	<u>Total</u>
Reconciliation of Operating Loss to Net Cash Used By Operating Activities		
Operating Loss	\$ (10,572,646,829.36)	\$ (3,610,460,051.18)
Adjustments to Reconcile Operating Loss to Net Cash Used By Operating Activities		
Amortization and Depreciation	514,749,271.49	468,755,973.61
Bad Debt Expense	4,163,154.42	7,160,221.16
Pension Expense	39,666,527.00	68,671,063.00
OPEB Expense	121,267,660.00	83,325,523.00
Changes In Assets and Liabilities		
(Increase) Decrease In Receivables	15,160,181.67	(80,485,089.91)
(Increase) Decrease In Due From Agencies/Funds	1,529,451.25	(9,179,722.34)
(Increase) Decrease In Inventories	(71,673.97)	1,427,923.14
(Increase) Decrease In Prepaid Expenses	(13,857,779.42)	(18,728,164.52)
(Increase) Decrease In Loans and Contracts	5,187,361.63	(2,306,687.25)
(Increase) Decrease In Other Assets	450,776.80	1,031,994.75
(Increase) Decrease In Deferred Outflows - Pensions	33,850,670.00	25,307,684.00
(Increase) Decrease In Deferred Outflows - OPEB	(97,563,022.00)	(29,603,560.00)
Increase (Decrease) In Payables	3,536,548.89	(3,681,960.17)
Increase (Decrease) In Due to Other Agencies/Funds	356,444,511.30	56,468,661.78
Increase (Decrease) In Unearned Revenue	66,135,230.23	24,126,860.50
Increase (Decrease) In Deposits	548,491.21	240,688.77
Increase (Decrease) In Employees Compensable Leave	2,245,002.42	6,341,457.80
Increase (Decrease) In OPEB Liability	245,962,465.00	87,208,697.00
Increase (Decrease) In Pension Liability	(13,596,577.00)	(95,247,963.00)
Increase (Decrease) In Self Insured Accrued Liability	4,678,120.00	2,528,711.00
Increase (Decrease) In Other Liabilities	1,809.37	(17,816.20)
Increase (Decrease) In Deferred Inflows - Pensions	(20,254,093.00)	69,940,279.00
Increase (Decrease) In Deferred Inflows - OPEB	(148,399,443.00)	(57,605,137.00)
Total Adjustments	\$ 1,121,834,644.29	\$ 605,679,638.12
Net Cash Used By Operating Activities	\$ (9,450,812,185.07)	\$ (3,004,780,413.06)
Non-Cash Transactions		
Donation of Capital Assets	\$ 12,915,312.60	\$ 6,400,343.26
Net Change In Fair Value of Investments	637,946,460.19	288,749,656.14
Amortization of Bond Premiums and Discounts	22,058,323.05	24,143,519.59
Borrowing Under Capital Lease Purchase	8,232,410.71	1,094,823.85
Other	1,688,539.92	2,273,436.85

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
 Custodial Funds
 For the Year Ended August 31, 2021

	<u>Current Year</u>	<u>Prior Year</u>
	<u>Total</u>	<u>Total</u>
Assets		
Cash and Cash Equivalents (Schedule Three-F)	\$ 8,045,307.84	\$ 7,506,357.84
Investments (Note 3)	3,629,709.98	2,288,241.18
Restricted Cash and Cash Equivalents		
Cash and Cash Equivalents (Schedule Three-F)	32,485,614.91	38,378,863.50
Investments (Note 3)	535,090,582.92	444,076,999.47
Receivables, Net (Note 24)		
Interest and Dividends	879,214.01	865,709.23
Gifts	29,286,897.92	29,114,968.08
Student	2,658,995.82	2,229,763.29
Investment Trades	1,662,727.34	1,560,658.17
Accounts	807,465.62	25,282.14
Other	1,439,137.87	1,327,589.79
Other Assets	16,470.34	843,020.52
Total Assets	<u>\$ 616,002,124.57</u>	<u>\$ 528,217,453.21</u>
Liabilities		
Payables (Note 24)		
Accounts	\$ 4,267,354.86	\$ 5,875,522.79
Investment Trades	2,926,703.73	1,910,287.89
Other	975,771.97	1,100,148.31
Other Liabilities	4,904,195.94	5,849,664.24
Total Liabilities	<u>\$ 13,074,026.50</u>	<u>\$ 14,735,623.23</u>
Net Position		
Restricted for		
Individuals, Organizations, & Other Entities	\$ 602,928,098.07	\$ 513,481,829.98
Total Fiduciary Net Position (Exhibit VII)	<u>\$ 602,928,098.07</u>	<u>\$ 513,481,829.98</u>

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
 Custodial Funds
 For the Year Ended August 31, 2021

	<u>Current Year</u>	<u>Prior Year</u>
	<u>Total</u>	<u>Total</u>
Additions		
Contributions		
Contributions from Foundations/Alumni Associations	\$ 17,104,732.69	\$ 8,654,514.78
Contributions from External Entities to Student Organizations	1,388,178.23	1,725,014.84
Contributions from Investments Held for Non A&M Entities	500,000.00	100,075.00
Contributions from Other Organizations	252,927.38	1,962,335.85
Total Contributions	\$ 19,245,838.30	\$ 12,441,940.47
Investment Earnings		
Interest/Dividends/Other Income	\$ 7,127,424.21	\$ 5,867,416.96
Realized Gain Sale of Investments	23,443,392.08	12,412,379.72
Net Increase in Fair Value of Investments	57,736,219.17	24,368,405.63
Total Investment Earnings	\$ 88,307,035.46	\$ 42,648,202.31
Less: Investment Activity Costs	(2,310,902.59)	(1,702,823.47)
Total Net Investment Earnings	\$ 85,996,132.87	\$ 40,945,378.84
Other Additions		
Receipts for Sales Revenue from Public Private Partnerships	\$ 17,385,456.27	\$ 31,342,513.79
Receipts for Dues and Event Revenues from Student Organizations	6,019,344.04	10,041,857.91
Receipts from Other Organizations	1,278,054.69	1,270,668.23
Miscellaneous Additions	3,113,961.32	4,253,416.19
Total Other Additions	\$ 27,796,816.32	\$ 46,908,456.12
Total Additions	\$ 133,038,787.49	\$ 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	17,322,884.37	33,532,143.91
Payments of Operational and Event Costs for Student Organizations	6,175,562.85	11,132,385.83
Payments of Operational Costs for Foundations/Alumni Associations	18,304,491.14	11,011,954.87
Miscellaneous Deductions	1,789,581.04	1,719,197.44
Total Deductions	\$ 43,592,519.40	\$ 60,430,682.05
Net Increase in Fiduciary Net Position	\$ 89,446,268.09	\$ 39,865,093.38
Net Position, Beginning of Year	\$ 513,481,829.98	\$ -
Restatement (Note 14)		473,616,736.60
Net Position, Beginning of Year, Restated	\$ 513,481,829.98	\$ 473,616,736.60
Fiduciary Net Position, End of Year (Exhibit VI)	\$ 602,928,098.07	\$ 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, 2021

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The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2021

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 Annual Comprehensive Financial Report (ACFR). 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

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 access the assets to finance its operations. The A&M System's fiduciary responsibilities include ensuring 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.

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.

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The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2021

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.

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.

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The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2021

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 Long-Term Liabilities 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 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

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The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2021

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). Nonoperating expenses include activities such as interest expense on capital asset financings, and other expenses.

The large increase in nonoperating revenue for fiscal year 2021 includes Federal funding received through the CARES act, including over \$7 billion in Coronavirus Disease (COVID) disaster relief funding received by the Texas Division of Emergency Management (TDEM).

Net Position

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

Net Investment in Capital Assets

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

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). The Texas Division of Emergency Management (TDEM) was added in fiscal year 2020 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.

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The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2021

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 Response

The Corona Virus Disease continues to impact the United States and this certainly includes each A&M institution and agency. In addition, there continues to be impacts to the State of Texas and numerous operational adjustments to respond to the effects (economic and otherwise) of COVID. During fiscal year 2021, the Federal Government continued to provide stimulus funding under the Higher Education Emergency Relief Fund (HEERF) programs to support students and to help cover expenses related to operations. For 2021, A&M member institutions received \$319 million from the HEERF programs.

Texas Division of Emergency Management (TDEM), which became a part of the A&M System last fiscal year, received over \$7 billion in Federal funds to support TDEM's disaster relief efforts across the State of Texas. Of the amount received, \$5 billion was distributed to the Texas Department of State Health Services. TDEM has taken the lead on state COVID testing, personal protective equipment (PPE) procurement and distribution, along with administering the federal CARES Act funding for local governments and local education agencies (LEA's) across Texas. Additionally, Texas has seen two hurricanes make landfall during the 2020 hurricane season and continues to respond and assist local jurisdictions with recovery from these storms.

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**The Texas A&M University System
Notes to the Combined Financial Statements
For the Year Ended August 31, 2021**

Note 2 - Capital Assets

The proprietary fund summary of changes in Capital Assets for the year ended August 31, 2021 is presented below.

Capital Asset Activity	Beginning Balance	Completed CIP	Interagency Transactions	Additions	Deletions	Ending Balance
Non-Depreciable/Amortizable Assets						
Land and Land Improvements	\$ 224,743,466.49	\$ 427,320.21	\$ -	\$ 1,168,801.76	\$ (1,186,974.60)	\$ 225,152,613.86
Construction in Progress	939,568,944.90	(485,873,589.55)	-	349,442,493.11	(4,125,739.59)	799,012,108.87
Other Tangible Capital Assets	65,253,250.92	240,000.00	-	6,940,489.27	(29,377.00)	72,404,363.19
Land Use Rights	117,364.00	-	-	4,028.00	(2,322.00)	119,070.00
Total Non-Depreciable/Amortizable Assets	1,229,683,026.31	(485,206,269.34)	-	357,555,812.14	(5,344,413.19)	1,096,688,155.92
Depreciable Assets						
Buildings & Building Improvements	7,373,329,992.54	375,217,273.88	-	246,697,011.00	(5,919,027.39)	7,989,325,250.03
Infrastructure	987,328,493.63	58,171,073.02	-	1,403,271.72	(4,395,116.12)	1,042,507,722.25
Facilities and Other Improvements	1,078,922,518.33	30,406,260.69	-	4,319,084.89	(1,935,523.54)	1,111,712,340.37
Furniture and Equipment	1,081,125,564.42	20,566,303.19	283,974.80	91,012,453.56	(60,787,985.18)	1,132,200,310.79
Vehicles, Boats and Aircraft	168,176,426.66	369,522.76	(474.06)	12,310,795.67	(15,477,607.42)	165,378,663.61
Other Capital Assets	222,261,620.70	65,000.00	-	6,020,049.81	(17,737,274.77)	210,609,395.74
Total Depreciable Assets	10,911,144,616.28	484,795,433.54	283,500.74	361,762,666.65	(106,252,534.42)	11,651,733,682.79
Less Accumulated Depreciation						
Buildings & Building Improvements	(3,267,854,078.96)	-	-	(316,456,462.80)	533,859.24	(3,583,776,682.52)
Infrastructure	(473,477,541.71)	-	-	(37,400,095.14)	-	(510,877,636.85)
Facilities and Other Improvements	(386,045,710.62)	-	-	(39,424,395.73)	-	(425,470,106.35)
Furniture and Equipment	(775,913,738.49)	-	(268,690.25)	(83,262,693.82)	41,764,382.22	(817,680,740.34)
Vehicles, Boats and Aircraft	(126,128,703.92)	-	474.06	(11,455,354.63)	14,773,534.08	(122,810,050.41)
Other Capital Assets	(173,288,664.13)	-	-	(8,370,606.43)	16,033,576.18	(165,625,694.38)
Total Accumulated Depreciation	(5,202,708,437.83)	-	(268,216.19)	(496,369,608.55)	73,105,351.72	(5,626,240,910.85)
Depreciable Assets, Net	5,708,436,178.45	484,795,433.54	15,284.55	(134,606,941.90)	(33,147,182.70)	6,025,492,771.94
Intangible Assets - Amortizable						
Land Use Rights	255,457.00	-	-	-	-	255,457.00
Computer Software	138,741,431.98	410,835.80	-	12,357,223.93	(5,376,614.19)	146,132,877.52
Total Intangible Assets-Amortizable	138,996,888.98	410,835.80	-	12,357,223.93	(5,376,614.19)	146,388,334.52
Less Accumulated Amortization						
Land Use Rights	(255,457.00)	-	-	-	-	(255,457.00)
Computer Software	(91,675,936.35)	-	-	(18,379,662.94)	3,183,866.00	(106,871,733.29)
Total Accumulated Amortization	(91,931,393.35)	-	-	(18,379,662.94)	3,183,866.00	(107,127,190.29)
Intangible Amortizable Assets, Net	47,065,495.63	410,835.80	-	(6,022,439.01)	(2,192,748.19)	39,261,144.23
Total Capital Assets, Net	\$ 6,985,184,700.39	\$ -	\$ 15,284.55	\$ 216,926,431.23	\$ (40,684,344.08)	\$ 7,161,442,072.09

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The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2021

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, 2021.

Cash in Bank		
Balance	Proprietary Funds	Fiduciary Funds
Bank Balance	\$25,959,839.27	\$348,175.35
Carrying Amount	\$25,371,696.24	\$348,175.35

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 2021, 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 2021 was \$882,057.54. 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, 2021 the balance was \$390,686.00, 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 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. As of August 31, 2021

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uncollateralized foreign currency held by or through BNY Mellon included proprietary funds of \$64,045.94 and fiduciary funds of \$4,774.75. 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 2021, 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, 2021, the uninvested cash balance included \$8,129.50 of proprietary funds and \$704.07 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, 2021 are presented in the table below.

Bank Balances Exposed to Custodial Credit Risk	
	Uninsured and Uncollateralized
Proprietary Funds	\$454,731.94
Fiduciary Funds	\$4,774.75

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, 2021 is presented in the following table.

Bank Balances Exposed to Foreign Currency Risk		
Currency	Proprietary Funds	Fiduciary Funds
Argentine Peso	\$ 5.27	\$ 0.39
British Pound	64,040.67	4,774.36
Qatari Riyal	390,686.00	-
Total	<u>\$ 454,731.94</u>	<u>\$ 4,774.75</u>

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The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2021

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, 2021 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, 2021 NAV by the estimated performance as of August 31, 2021 as reported by the investment manager and by any cash inflows and outflows since the investment manager valuation date.

The repurchase agreements held by Texas Treasury Safekeeping Trust Company (TTSTC) are reported at amortized cost.

Mineral rights held for the purpose of generating income are reported at fair value based on three times the previous twelve months of income. The fair value reported as of August 31, 2021 is \$57,303,857.82 (\$57,271,414.50 Proprietary and \$32,443.32 Fiduciary).

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, 2021 is \$10,329,463.33, all of which is proprietary.

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, 2021, the A&M System Cash Concentration Pool and System Endowment Funds included investments valued at \$54,613,380.04 for

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MSU, \$95,274,473.18 for SFA, and \$236,378,035.29 for TWU. These amounts are categorized as fiduciary funds.

The following tables display the fair value of investments as of August 31, 2021 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	\$ 485,723,630.99
Restricted Cash Equivalents	294,720,642.50
Statement of Net Position	
Non-Current Investments	4,879,612,259.61
Non-Current Restricted Investments	<u>1,297,323,872.37</u>
Total Investments	<u>\$ 6,957,380,405.47</u>

Fiduciary Investments per Financial Statements	
Schedule of Cash & Cash Equivalents	
Cash Equivalents	\$ 7,978,287.78
Restricted Cash Equivalents	32,194,359.62
Statement of Net Position	
Investments	3,629,709.98
Restricted Investments	<u>535,090,582.92</u>
Total Investments	<u>\$ 578,892,940.30</u>

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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	\$ 286,730,878.97	\$ -	\$ -	\$ -	\$ -	\$ 286,730,878.97
U.S. Treasury TIPS	1,075,285.89					1,075,285.89
U.S. Government Agency Obligations		263,080,397.96				263,080,397.96
Corporate Obligations		445,296,893.89	34,588,831.71			479,885,725.60
Corporate Asset and Mortgage Backed Securities		182,863,097.53				182,863,097.53
U.S. Equity	1,321,374,919.49					1,321,374,919.49
International Obligations		285,785,174.81	8,099,406.78			293,884,581.59
International Equity	476,579,342.81					476,579,342.81
Repurchase Agreements - TTSTC				399,624.88		399,624.88
Fixed Income Money Market & Bond Mutual Fund	869,615,662.66					869,615,662.66
Bond Mutual Funds - International	7,913.93					7,913.93
Mutual Funds - U.S. Equity	35,350.13					35,350.13
Mutual Funds - International Equity	22,626.57					22,626.57
Other Commingled Funds - Fixed Income	41,877,060.85		33,783,588.51			75,660,649.36
International Other Commingled Funds - Equity	473,372,472.49		254,782,566.50		278,051,800.91	1,006,206,839.90
Real Estate - Mineral Rights			57,271,414.50			57,271,414.50
Derivatives		18,626.12				18,626.12
Alternative Investments - Hedge Funds						
Domestic					677,678,742.64	677,678,742.64
International					543,437,592.25	543,437,592.25
Alternative Investments - Limited Partnerships and Research Commercialization						
Private Equity			10,329,463.33		135,007,867.42	145,337,330.75
International Private Equity					120,300,622.63	120,300,622.63
Real Estate					26,768,270.00	26,768,270.00
International Real Estate					11,949,131.99	11,949,131.99
Natural Resources					84,212,931.21	84,212,931.21
International Natural Resources					24,751,295.13	24,751,295.13
Other Investments						
Political Subdivisions		8,231,550.98				8,231,550.98
Total Investments	\$ 3,470,691,513.79	\$ 1,185,275,741.29	\$ 398,855,271.33	\$ 399,624.88	\$ 1,902,158,254.18	\$ 6,957,380,405.47

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**The Texas A&M University System
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Fiduciary 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	\$ 22,998,131.73	\$ -	\$ -	\$ -	\$ -	\$ 22,998,131.73
U.S. Treasury TIPS	88,391.03					88,391.03
U.S. Government Agency Obligations		21,444,648.34				21,444,648.34
Corporate Obligations		36,374,742.14	3,061,031.16			39,435,773.30
Corporate Asset and Mortgage Backed Securities		14,181,125.77				14,181,125.77
U.S. Equity	114,783,044.79	-				114,783,044.79
International Obligations		23,104,816.37	749,855.83			23,854,672.20
International Equity	41,273,392.07					41,273,392.07
Fixed Income Money Market & Bond Mutual Fund	48,399,515.41					48,399,515.41
Mutual Funds - U.S. Equity	1,260,369.90					1,260,369.90
Mutual Funds - International Equity	32,020.53					32,020.53
Other Commingled Funds - Fixed Income	3,689,990.63		3,024,957.99			6,714,948.62
International Other Commingled Funds - Equity	41,151,872.29		21,846,297.61		24,070,609.08	87,068,778.98
Real Estate -Mineral Rights			32,443.32			32,443.32
Derivatives		1,552.42				1,552.42
Alternative Investments - Hedge Funds						
Domestic					57,436,492.56	57,436,492.56
International					46,117,734.53	46,117,734.53
Alternative Investments - Limited Partnerships						
Private Equity					17,733,077.02	17,733,077.02
International Private Equity					15,801,302.90	15,801,302.90
Real Estate					3,515,971.35	3,515,971.35
International Real Estate					1,569,500.22	1,569,500.22
Natural Resources					11,061,239.79	11,061,239.79
International Natural Resources					3,251,044.78	3,251,044.78
Other Investments						
Political Subdivisions		672,976.72				672,976.72
Annuity	164,792.02					164,792.02
Total Investments	\$ 273,841,520.40	\$ 95,779,861.76	\$ 28,714,585.91	\$ -	\$ 180,556,972.23	\$ 578,892,940.30

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The investments measured at Net Asset Value (NAV) as of August 31, 2021, including unfunded commitments, are presented in the following tables.

Proprietary Funds - Investments Reported at Net Asset Value (NAV)							
Investment Strategy	Fair Value	Redemption				Unfunded Commitment	
		Frequency Range Low	Frequency Range High	Notice Period Range Low	Notice Period Range High		
Commingled Funds							
International Equity	\$ 278,051,800.91	Monthly	Monthly	3 days	10 days	\$ -	
Hedge Funds*							
Domestic	677,678,742.64	Quarterly	Semi-Annually	65 days	1.75 years	-	
International	543,437,592.25	Quarterly	Semi-Annually	65 days	1.75 years	-	
Limited Partnerships							
Private Equity	135,007,867.42	N/A	N/A	N/A	N/A	37,464,112.97	
International Private Equity	120,300,622.63	N/A	N/A	N/A	N/A	30,525,382.70	
Real Estate	26,768,270.00	N/A	N/A	N/A	N/A	34,145,883.78	
International Real Estate	11,949,131.99	N/A	N/A	N/A	N/A	5,001,501.94	
Natural Resources	84,212,931.21	N/A	N/A	N/A	N/A	39,627,338.92	
International Natural Resources	24,751,295.13	N/A	N/A	N/A	N/A	4,515,610.18	
Total	<u>\$ 1,902,158,254.18</u>					<u>\$ 151,279,830.49</u>	

*Of the total Hedge Fund Fair Value, \$50,633,983.28 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.

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Fiduciary Funds - Investments Reported at Net Asset Value (NAV)						
Investment Strategy	Fair Value	Redemption				Unfunded Commitment
		Frequency Range Low	Frequency Range High	Notice Period Range Low	Notice Period Range High	
Commingled Funds						
International Equity	\$ 24,070,609.08	Monthly	Monthly	3 days	10 days	\$ -
Hedge Funds*						
Domestic	57,436,492.56	Quarterly	Semi-Annually	65 days	1.75 years	-
International	46,117,734.53	Quarterly	Semi-Annually	65 days	1.75 years	-
Limited Partnerships						
Private Equity	17,733,077.02	N/A	N/A	N/A	N/A	4,920,853.97
International Private Equity	15,801,302.90	N/A	N/A	N/A	N/A	4,009,462.36
Real Estate	3,515,971.35	N/A	N/A	N/A	N/A	4,485,009.64
International Real Estate	1,569,500.22	N/A	N/A	N/A	N/A	656,939.64
Natural Resources	11,061,239.79	N/A	N/A	N/A	N/A	5,204,990.40
International Natural Resources	3,251,044.78	N/A	N/A	N/A	N/A	593,118.50
Total	\$ 180,556,972.23					\$ 19,870,374.51

*Of the total Hedge Fund Fair Value, \$4,780,574.72 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, 2021. The A&M System did not participate in a securities lending program during fiscal year 2021 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 Bank 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 sale transactions and funds are paid in connection with purchase transactions upon receipt of 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

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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, 2021 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	\$ 265,469,138.48	\$ 222,267,824.86	\$ 22,626.57	\$ 1,006,206,839.90	\$ 7,913.93	\$ 692,206,362.15
Brazilian Real	6,716,789.65					-
British Pound		27,545,036.39				-
Canadian Dollar	3,400,837.36	3,200,661.92				-
Chinese Yuan Renminbi	817,575.77					-
Euro		103,537,109.50				8,232,279.85
Hong Kong Dollar		1,685,966.09				-
Indonesian Rupiah	4,909,282.79					-
Japanese Yen		45,238,822.89				-
Mexican Peso	12,570,957.54	1,417,695.24				-
Singapore Dollar		5,851,348.30				-
South Korean Won		6,809,397.13				-
Swedish Krona		5,512,284.57				-
Swiss Franc		53,513,195.92				-
Total	\$ 293,884,581.59	\$ 476,579,342.81	\$ 22,626.57	\$ 1,006,206,839.90	\$ 7,913.93	\$ 700,438,642.00

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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	\$ 21,526,126.79	\$ 19,233,907.02	\$ 32,020.53	\$ 87,068,778.98	\$ 65,658,285.06
Brazilian Real	544,344.48				-
British Pound		2,385,383.70			-
Canadian Dollar	277,359.93	277,163.59			-
Chinese Yuan Renminbi	60,950.35				-
Euro		8,966,122.11			1,081,297.37
Hong Kong Dollar		145,997.52			-
Indonesian Rupiah	404,170.91				-
Japanese Yen		3,917,453.32			-
Mexican Peso	1,041,719.74	122,771.97			-
Singapore Dollar		506,717.13			-
South Korean Won		589,668.72			-
Swedish Krona		477,350.63			-
Swiss Franc		4,650,856.36			-
Total	\$ 23,854,672.20	\$ 41,273,392.07	\$ 32,020.53	\$ 87,068,778.98	\$ 66,739,582.43

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, 2021, the A&M System's credit quality distribution for securities with credit risk exposure is presented in the table on the following pages.

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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	501	241,231	1,741	9,846	842	288			8,632
Corporate Obligations	2,560	14,702	72,353	255,529	80,269	35,153			19,320
Corporate Asset and Mortgage Backed Securities	38,800	39,507	13,409	6,540	227	1,647	2,423		80,311
International Obligations	16,030	4,928	36,767	99,843	69,545	10,359	648		55,765
Repurchase Agreements (TTSTC)		400							
Fixed Income Money Market and Bond Mutual Funds	869,601								15
International Bond Mutual Funds									8
Other Commingled Funds – Fixed Income									75,661
Other Investments (Municipals)		2,437	2,944	2,472					379

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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	37	19,774	130	740	63	21			680
Corporate Obligations	215	1,206	5,918	20,610	6,749	3,107			1,631
Corporate Asset and Mortgage Backed Securities	2,947	3,170	1,013	536	30	123	181		6,182
International Obligations	1,195	400	2,941	8,148	5,849	925	54		4,343
Fixed Income Money Market and Bond Mutual Funds	48,400								
Other Commingled Funds – Fixed Income									6,715
Other Investments (Municipals)		210	234	201					28

Concentration of credit risk is the risk of loss attributable to the magnitude of investment in a single issuer. As of August 31, 2021, 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 2021.

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

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Investments Exposed to Interest Rate Risk				
Investment Type	Proprietary Funds		Fiduciary Funds	
	Effective Duration	Fair Value	Effective Duration	Fair Value
U.S. Treasury Securities	6.600	\$ 286,730,878.97	6.659	\$ 22,998,131.73
U.S. Treasury TIPS	19.670	1,075,285.89	19.670	88,391.03
U.S. Government Agency Obligations	4.108	263,080,397.96	4.140	21,444,648.34
Corporate Obligations	6.258	479,885,725.60	6.345	39,435,773.30
Corporate Asset and Mortgage Backed Securities	2.014	182,863,097.53	1.990	14,181,125.77
International Obligations	5.020	293,884,581.59	5.122	23,854,672.20
Repurchase Agreements - TTSTC	0.003	399,624.88		
Bond Mutual Funds	3.777	14,605.86		
International Bond Mutual Funds	1.219	7,913.93		
Other Commingled Funds - Fixed Income	2.556	75,660,649.36	2.562	6,714,948.62
Other Investments - Municipals	8.293	8,231,550.98	8.409	672,976.72
Total		\$ 1,591,834,312.55		\$ 129,390,667.71

Securities Lending

The A&M System did not participate in a securities lending program during fiscal year 2021.

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 trade payables. The foreign currency forwards are traded over-the-counter and categorized as Level 2 of the fair value hierarchy.

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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, 2021.

Proprietary Funds - Open Foreign Exchange Contracts				
Currency	Sell	Buy	Unrealized Gain on Foreign Exchange Contract	Unrealized Loss on Foreign Exchange Contract
Brazilian Real	\$ 3,267,961.63	\$ -	\$ -	\$ 65,230.89
Chinese Yuan Renminbi	855,086.90			5,528.07
Indonesian Rupiah	4,568,406.51			146,876.84
Mexican Peso	4,846,615.07	2,211,031.77	18,626.12	13,654.84
	<u>\$13,538,070.11</u>	<u>\$ 2,211,031.77</u>	<u>\$ 18,626.12</u>	<u>\$ 231,290.64</u>

Fiduciary Funds - Open Foreign Exchange Contracts				
Currency	Sell	Buy	Unrealized Gain on Foreign Exchange Contract	Unrealized Loss on Foreign Exchange Contract
Brazilian Real	\$ 266,993.29	\$ -	\$ -	\$ 5,329.38
Chinese Yuan Renminbi	63,746.81			412.12
Indonesian Rupiah	376,637.66			12,108.47
Mexican Peso	407,215.45	183,674.51	1,552.42	1,147.33
	<u>\$ 1,114,593.21</u>	<u>\$ 183,674.51</u>	<u>\$ 1,552.42</u>	<u>\$ 18,997.30</u>

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The gross counterparty exposure for the A&M System, as of August 31, 2021, is presented in the table below. The A&M System's policy does not address master netting arrangements and the A&M System is not party to any such an arrangements. Collateral posted by counterparties is held by the A&M System at its custodian bank. As of August 31, 2021, the System held \$68,812.50 (\$64,038.43 Proprietary and \$4,774.07 Fiduciary) as collateral related to foreign currency forwards and had on deposit with brokers \$100,000.00 (\$93,062.20 Proprietary and \$6,937.80 Fiduciary) as collateral related to foreign currency forwards. 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				
<u>Notional Amount</u>		<u>Fair Value</u>		S&P Counterparty Rating
<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>	
\$ 13,538,070.11	\$ 2,211,031.77	\$ 18,626.12	\$ 231,290.64	A+

Fiduciary Funds - Foreign Exchange Contract Exposure to Counterparty Risk				
<u>Notional Amount</u>		<u>Fair Value</u>		S&P Counterparty Rating
<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>	
\$ 1,114,593.21	\$ 183,674.51	\$ 1,552.42	\$ 18,997.30	A+

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 the 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.

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, 2021, the weighted average effective duration for short futures contracts was 7.14 and for long futures contracts was 4.16. 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 previous day's mark to market. The amount that is settled in cash with the broker each morning is the fair value of the

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futures contracts. The gains are reported as trade receivables and the losses are reported as trade 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, 2021.

Proprietary Funds - Open Futures Contracts				
	Notional Amount		Unrealized Gain	Unrealized Loss
	Long	Short	Trade Receivable	Trade Payable
Treasury Futures	\$ 205,271,439.92	\$ 146,030,757.47	\$ 422,718.78	\$ 48,407.50

Fiduciary Funds - Open Futures Contracts				
	Notional Amount		Unrealized Gain	Unrealized Loss
	Long	Short	Trade Receivable	Trade Payable
Treasury Futures	\$ 16,535,122.70	\$ 11,588,117.56	\$ 33,755.05	\$ 4,115.92

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.

The A&M System's investment in hedge funds as of August 31, 2021 is presented in the table below:

Hedge Fund Investments		
Net Asset Value	Proprietary Funds	Fiduciary Funds
Hedge Funds	\$1,221,116,334.89	\$103,554,227.09

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

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The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2021

certain risks associated with these investments, some of which are liquidity risk, market risk, event risk and investment manager risk. As of August 31, 2021, 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, 2021 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	\$ 674,925,091.85	\$88,650,379.15
Funded Amount to Limited Partnerships	562,771,377.76	73,919,160.24
Net Asset Value (NAV) of Limited Partnerships	402,990,118.38	52,932,136.06
Research Technology Investments	10,329,463.33	

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

- Non-regulation risk – The A&M System’s general partners and investment managers are registered with the Securities and Exchange Commission with the exception of five general partners. Four of these general partners are exempt reporting advisers and are not required to comply with most rules that apply to registered advisers. One 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.
- 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.

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The total carrying value of the PUF assets at August 31, 2021, was \$24,660,325,282.53 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 \$391,357,986.10 for the fiscal year ended August 31, 2021, and was credited to the A&M System Available University Fund.

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Note 4 - Short-Term Debt

There was no reportable activity for short-term debt during the year ended August 31, 2021.

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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	\$ 116,424,452.84	\$ 6,690,762.82	\$ (4,445,760.40)	\$ 118,669,455.26	\$ 15,801,387.09	\$ 102,868,068.17
Claims & Judgments	14,792,398.00	2,041,302.55	(1,924,182.55)	14,909,518.00	2,461,918.00	12,447,600.00
Notes and Loans Payable	176,075,000.00	220,000,000.00	(200,333,000.00)	195,742,000.00	8,482,000.00	187,260,000.00
Notes from Direct Borrowings - Loans	666,666.60	-	(333,333.34)	333,333.26	333,333.26	-
Notes from Direct Borrowings - Capital Leases	70,653,657.29	2,268,315.44	(6,628,248.97)	66,293,723.76	6,318,264.48	59,975,459.28
Bonds Payable	4,726,504,302.25	423,110,814.95	(236,025,000.00)	4,913,590,117.20	271,707,830.99	4,641,882,286.21
Liabilities Payable from Restricted Assets	39,334,406.00	8,856,531.09	(29,725,803.90)	18,465,133.19	15,932,662.37	2,532,470.82
Capital Lease Obligations	4,737,896.80	5,964,095.27	(3,078,486.97)	7,623,505.10	3,065,689.97	4,557,815.13
Pollution Remediation Obligations (Other Liabilities)	60,000.00	-	(60,000.00)	-	-	-
Asset Retirement Obligations	12,426,635.27	-	-	12,426,635.27	-	12,426,635.27
Total	\$ 5,161,675,415.05	\$ 668,931,822.12	\$ (482,553,816.13)	\$ 5,348,053,421.04	\$ 324,103,086.16	\$ 5,023,950,334.88

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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. In the event of default or failure to make required note payments, the A&M System will be required to perform any conditions or obligations described in the note agreement. The A&M System is responsible for all reasonable expenses related to the enforcement.

Notes and Loans Payable-Debt Service Requirements				
Description	Balances			Balances
	September 1, 2020	Increases	Decreases	August 31, 2021
Permanent University Fund Commercial Paper Taxable Notes	\$ -	\$ 50,000,000.00	\$ 50,000,000.00	\$ -
Revenue Financing System Commercial Paper Notes, Series B	176,075,000.00	140,000,000.00	149,821,000.00	166,254,000.00
Revenue Financing System Commercial Paper Taxable Notes, Series B	-	30,000,000.00	512,000.00	29,488,000.00
Total	<u>\$ 176,075,000.00</u>	<u>\$ 220,000,000.00</u>	<u>\$ 200,333,000.00</u>	<u>\$ 195,742,000.00</u>

Fiscal Year	Principal	Interest**	Total
2022	\$ 8,482,000.00	\$ 2,896,981.60	\$ 11,378,981.60
2023	8,608,000.00	2,771,448.00	11,379,448.00
2024	8,735,000.00	2,644,049.60	11,379,049.60
2025	8,864,000.00	2,514,771.60	11,378,771.60
2026	8,995,000.00	2,383,584.40	11,378,584.40
2027-2031	47,010,000.00	9,881,220.00	56,891,220.00
2032-2036	50,596,000.00	6,297,932.80	56,893,932.80
2037-2041	54,452,000.00	2,441,334.00	56,893,334.00
Total	<u>\$ 195,742,000.00</u>	<u>\$ 31,831,322.00</u>	<u>\$ 227,573,322.00</u>

** For this schedule, assumption is that Revenue Financing System Commercial Paper Notes and Revenue Financing System Commercial Paper Taxable Notes in the amount of \$195.742 million will be refunded into long term bonds. For estimated debt service on this exhibit, the rate of 1.48% corresponds to the municipal market data published on August 31, 2021. 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

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enforcement. There is no unused line of credit. The outstanding balance and remaining payments are summarized in the table on the following page.

Notes from Direct Borrowings - Loans - Debt Service Requirements				
Description	Balance September 1, 2020	Increases	Decreases	Balance August 31, 2021
Notes from Direct Borrowings - Loans				
Revenue Financing System Note (2007 TIPS Project)	\$ 666,666.60	\$ -	\$ (333,333.34)	\$ 333,333.26

Future Minimum Payments			
Fiscal Year	Principal	Interest	Total
2022	\$ 333,333.26	\$ 5,083.34	\$ 338,416.60
Total	\$ 333,333.26	\$ 5,083.34	\$ 338,416.60

Notes from Direct Borrowings – Capital Leases

The A&M System has various leases for the purchase of capital assets 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
2022	\$ 6,318,264.48	\$ 2,582,434.20	\$ 8,900,698.68
2023	5,001,509.13	2,347,813.61	7,349,322.74
2024	3,633,408.09	2,167,570.59	5,800,978.68
2025	3,749,531.03	2,032,888.04	5,782,419.07
2026	3,540,909.43	1,890,523.51	5,431,432.94
2027-2031	21,204,372.09	7,055,545.47	28,259,917.56
2032-2036	22,243,616.51	2,640,899.18	24,884,515.69
2037-2041	602,113.00	12,313.21	614,426.21
Total	\$ 66,293,723.76	\$ 20,729,987.81	\$ 87,023,711.57

Cost of Assets Financed with Direct Borrowings			
Asset Description	Cost	Accumulated Depreciation/ Amortization	Total
Buildings	\$ 74,161,534.42	\$ 11,795,525.24	\$ 62,366,009.18
Infrastructure	730,759.97	70,031.09	660,728.88
Facilities & Other Improvements	259,196.66	33,119.54	226,077.12
Equipment	25,849,249.38	22,496,997.83	3,352,251.55
Vehicles	52,978.25	36,580.02	16,398.23
Computer Software	2,411,678.76	1,125,449.92	1,286,228.84
Total	\$ 103,465,397.44	\$ 35,557,703.64	\$ 67,907,693.80

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The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2021

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, \$118,669,455.26 as of August 31, 2021, 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 \$18,435,886.32 for accrued vacation to employees who separated from State service during the fiscal year ended August 31, 2021.

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 \$2,461,918.00 and a non-current portion of \$12,447,600.00 for a total worker's compensation liability of \$14,909,518.00. This liability represents the current and non-current portion of the incurred but not reported (IBNR) liability based on actuarial analysis of the plan. The IBNR represents claims that will be paid out over future fiscal years. This current portion was estimated based on actual claims paid out over the last five fiscal years.

Asset Retirement Obligations

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

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The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2021

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 (Other Liabilities)

The A&M System was responsible for asbestos removal in buildings that were demolished or remodeled. The A&M System established a \$60,000 current liability for this pollution remediation obligation in the fiscal year 2020 and this amount was paid off during fiscal year 2021. 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	\$6,721,003,670.32
Term of commitment year ending 8/31	2057
Percentage of revenue pledged	100%
Current year pledged revenue	\$3,122,408,045.91
Current year principal and interest paid	\$402,180,189.82

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The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2021

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, 2021, \$114,560,669.75 of Revenue Financing System debt proceeds had been appropriated prior to the receipt of the proceeds. As of August 31, 2021, \$237,904,135.09 of Permanent University Fund debt proceeds had been appropriated prior to the receipt of the proceeds.

B. General Information

At August 31, 2021, the A&M System had outstanding bonds payable of \$4,778,580,000.00 as detailed below, which does not include unamortized premium of \$135,010,117.20.

Bonds payable are due in annual installments varying from \$10,000.00 to \$55,740,000.00 with interest rates ranging from 0.16% 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	Interest Rates	Maturity Dates	Outstanding Principal
Permanent University Fund Bonds	1.65-5.75%	2022-2049	\$ 1,389,210,000.00
Revenue Financing System Bonds	0.16-5.00%	2022-2057	3,389,370,000.00
			<u>\$ 4,778,580,000.00</u>

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**The Texas A&M University System
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Debt Service Requirements			
Fiscal Year	Principal	Interest	Total
2022	\$ 248,600,000.00	\$ 170,463,508.92	\$ 419,063,508.92
2023	242,560,000.00	161,645,020.26	404,205,020.26
2024	245,500,000.00	153,362,777.00	398,862,777.00
2025	253,820,000.00	144,573,458.22	398,393,458.22
2026	249,175,000.00	135,262,436.20	384,437,436.20
2027-2031	1,257,945,000.00	536,940,301.06	1,794,885,301.06
2032-2036	823,350,000.00	338,062,696.64	1,161,412,696.64
2037-2041	728,170,000.00	198,160,972.36	926,330,972.36
2042-2046	502,245,000.00	84,914,624.86	587,159,624.86
2047-2051	211,875,000.00	16,820,274.80	228,695,274.80
2052-2056	12,525,000.00	2,105,000.00	14,630,000.00
2057	2,815,000.00	112,600.00	2,927,600.00
Total	<u>\$ 4,778,580,000.00</u>	<u>\$ 1,942,423,670.32</u>	<u>\$ 6,721,003,670.32</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, 2021 was \$21,710,000.00.

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, 2021 was \$192,360,000.00.

Permanent University Fund Bonds, Series 2011

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

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The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2021

- \$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, 2021 was \$0.00.

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, 2021 was \$37,975,000.00.

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, 2021 was \$75,370,000.00.

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, 2021 was \$79,780,000.00.

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, 2021 was \$140,555,000.00.

Permanent University Fund Bonds, Taxable Series 2015B

- Issued April 23, 2015, to advance refund \$8,175,000.00 of Permanent University Fund Bonds, Series 2006; to provide funding for eligible projects; and to pay the costs of issuing the bonds.
- \$145,445,000.00 authorized; all authorized bonds have been issued. Outstanding balance at August 31, 2021 was \$94,875,000.00.

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The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2021

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, 2021 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, 2021 was \$310,470,000.00.

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, 2021 was \$346,405,000.00.

Revenue Financing System Bonds, Series 2011A

- Issued March 10, 2011, to currently refund \$5,980,000.00 of the Board's previously issued and outstanding Revenue Financing System Bonds, Series 2001A; to currently refund \$16,975,000.00 of Revenue Financing System Bonds, Series 2001B; and to pay the cost of issuing the bonds.
- \$22,335,000.00 authorized; all authorized bonds have been issued. Outstanding balance at August 31, 2021 was \$0.00.

Revenue Financing System Bonds, Series 2013A

- Issued July 3, 2013, to refund \$435,881.00 of Revenue Financing System Bonds, Series 2002; to refund \$45,510,000.00 of Revenue Financing System Bonds, Series 2003A; and to pay the cost of issuing the bonds.

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The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2021

- \$40,955,000.00 authorized; all authorized bonds have been issued. Outstanding balance at August 31, 2021 was \$9,095,000.00.

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, 2021 was \$45,185,000.00.

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, 2021 was \$15,635,000.00.

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, 2021 was \$22,000,000.00.

Revenue Financing System Bonds, Series 2015B

- Issued February 18, 2015, to currently refund \$155,972,000.00 of the Board's previously issued and outstanding Revenue Financing System Commercial Paper Notes and to pay the cost of issuing the bonds.
- \$142,155,000.00 authorized; all authorized bonds have been issued. \$65,290,000.00 was refunded by Revenue Financing System Bonds, Series 2017E. Outstanding balance at August 31, 2021 was \$52,935,000.00.

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The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2021

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, 2021 was \$75,540,000.00.

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, 2021 was \$58,315,000.00.

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, 2021 was \$60,800,000.00.

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, 2021 was \$279,955,000.00.

Revenue Financing System Bonds, Series 2016C

- Issued July 20, 2016, to advance refund \$132,540,000.00 of Revenue Financing System Bonds, Series 2009A; to advance refund \$49,420,000.00 of Revenue Financing System Bonds, Series 2009B; to advance refund \$43,225,000.00 of Revenue Financing System Bonds, Series 2009D; and to pay the cost of issuing the bonds.
- \$207,445,000.00 authorized; all authorized bonds have been issued. Outstanding balance at August 31, 2021 was \$177,980,000.00.

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The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2021

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, 2021 was \$147,410,000.00.

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, 2021 was \$118,000,000.00.

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, 2021 was \$276,735,000.00.

Revenue Financing System Bonds, Taxable Series 2017B

- Issued June 21, 2017, to advance refund \$4,580,000.00 of Revenue Financing System Bonds, Series 2010A; to advance refund \$10,890,000.00 of Revenue Financing System Bonds, Series 2010B; to provide funding for eligible projects; and to pay the cost of issuing the bonds.
- \$398,670,000.00 authorized; all authorized bonds have been issued. Outstanding balance at August 31, 2021 was \$292,170,000.00.

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.

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The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2021

- \$97,425,000.00 authorized; all authorized bonds have been issued. Outstanding balance at August 31, 2021 was \$93,250,000.00.

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, 2021 was \$145,155,000.00.

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, 2021 was \$334,605,000.00.

Revenue Financing System Bonds, Taxable Series 2019A

- Issued January 29, 2019 to refund \$175,215,000.00 of the Board's previously issued and outstanding Revenue Financing System Commercial Paper Notes; to provide funding for eligible projects; and to pay the cost of issuing the bonds.
- \$223,730,000.00 authorized; all authorized bonds have been issued. Outstanding balance at August 31, 2021 was \$203,770,000.00.

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, 2021 was \$412,445,000.00.

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The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2021

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, 2021 was \$152,590,000.00.

Revenue Financing System Bonds, Taxable Series 2021A

- Issued April 6, 2021, to refund \$141,090,000.00 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.
- \$189,425,000.00 authorized; all authorized bonds have been issued. Outstanding balance at August 31, 2021 was \$189,425,000.00.

Revenue Financing System Bonds, Taxable Series 2021B

- Issued April 7, 2021, to provide funding for eligible projects; and to pay the cost of issuing the bonds.
- \$226,375,000.00 authorized; all authorized bonds have been issued. Outstanding balance at August 31, 2021 was \$226,375,000.00.

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, 2021, the principal balance outstanding for the defeased bonds is \$472,140,000.00.

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**The Texas A&M University System
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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 summarize 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, 2021		Notional Amount
	Classification	Amount	Classification	Amount	
Foreign Currency Forwards	Investment Income	\$18,626.12	Investment	\$18,626.12	\$ (2,211,031.77)
Foreign Currency Forwards	Investment Income	(231,290.64)	Trade Payable	(231,290.64)	13,538,070.11
Futures - Long	Investment Income	241,135.58	Trade Receivable	241,135.58	205,271,439.92
Futures - Short	Investment Income	181,583.20	Trade Receivable	181,583.20	(135,459,893.46)
Futures - Short	Investment Income	(48,407.50)	Trade Payable	(48,407.50)	(10,570,864.01)

Fiduciary Funds - Investment Derivative Activity					
Description	Changes in Fair Value		Fair Value as of August 31, 2021		Notional Amount
	Classification	Amount	Classification	Amount	
Foreign Currency Forwards	Investment Income	\$1,552.42	Investment	\$1,552.42	\$ (183,674.51)
Foreign Currency Forwards	Investment Income	(18,997.30)	Trade Payable	(18,997.30)	1,114,593.21
Futures - Long	Investment Income	19,425.42	Trade Receivable	19,425.42	16,535,122.70
Futures - Short	Investment Income	14,329.63	Trade Receivable	14,329.63	(10,673,887.82)
Futures - Short	Investment Income	(4,115.92)	Trade Payable	(4,115.92)	(914,229.74)

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Hedging Derivatives

The A&M System did not enter into hedging derivatives in fiscal year 2021.

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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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, 2021, 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, 2021, is \$17,455,580.26 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	\$ (226,977.12)	\$ -
Vehicles	2,364,474.46	(867,917.75)	1,496,556.71
Computer Software	14,864,128.68	(6,818,660.75)	8,045,467.93
Total	<u>\$ 17,455,580.26</u>	<u>\$ (7,913,555.62)</u>	<u>\$ 9,542,024.64</u>

Future Minimum Capital Lease Payments			
Fiscal Year	Principal	Interest	Total
2022	\$ 3,065,689.97	\$ 112,912.39	\$ 3,178,602.36
2023	1,846,578.71	89,227.32	1,935,806.03
2024	1,587,034.76	64,583.95	1,651,618.71
2025	1,124,201.66	27,149.53	1,151,351.19
Total	<u>\$ 7,623,505.10</u>	<u>\$ 293,873.19</u>	<u>\$ 7,917,378.29</u>

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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 \$31,616,350.58 for the year ended August 31, 2021 in the proprietary fund statements. Of this amount, \$1,838,801.50 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, 2021 are presented below. For fiscal years 2022 through 2023, the lease payment amount includes sublease rental payments totaling \$458,473.50.

Operating Lease Obligations	
Fiscal Year	Minimum Future Lease Payments
2022	\$ 21,266,020.32
2023	16,730,702.67
2024	13,354,292.86
2025	12,113,619.50
2026	10,229,176.32
2027-2031	45,587,362.05
2032-2036	23,568,947.26
2037-2041	22,375,687.98
2042-2046	22,368,716.34
2047-2051	<u>6,637,226.18</u>
Total Minimum Future Lease Payments	<u>\$ 194,231,751.48</u>

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**The Texas A&M University System
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The A&M System has also leased vehicles, portions of buildings and land to outside parties under various operating leases. Operating lease income in the amount of \$5,085,109.48 has been recorded for the year ended August 31, 2021 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, 2021, are presented below.

Carrying Value of Leased Assets			
Class of Property	Leased Assets	Accumulated Depreciation	Total
Land	\$ 876,358.53	\$ -	\$ 876,358.53
Buildings	201,113,941.99	(73,324,370.19)	127,789,571.80
Total	<u>\$ 201,990,300.52</u>	<u>\$ (73,324,370.19)</u>	<u>\$ 128,665,930.33</u>

Operating Lease Rentals	
Fiscal Year	Minimum Future Lease Revenue
2022	\$ 5,689,311.74
2023	8,356,175.85
2024	8,325,844.27
2025	7,277,012.20
2026	6,969,499.94
2027-2031	35,098,554.56
2032-2036	36,982,972.42
2037-2041	39,053,059.17
2042-2046	41,427,625.72
2047-2051	41,971,925.13
2052-2056	18,780,438.00
2057-2061	18,481,965.00
2062-2066	18,481,965.00
2067-2071	18,481,965.00
2072-2076	18,481,965.00
2077-2081	14,785,572.00
Total Minimum Future Lease Revenue	<u>\$ 338,645,851.00</u>

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**The Texas A&M University System
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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 workload 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 an automatic cost of living adjustments (COLAs).

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

During the 2020 measurement period for the fiscal year 2021 reporting, the amount of the A&M System contributions recognized by the plan was \$59,569,124. 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	7.5%
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, 2020 measurement date for the fiscal year 2021.

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Summary of Actuarial Methods and Assumptions*-TRS Plan	
Actuarial Valuation Date	August 31, 2019 rolled forward to August 31, 2020
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, 2020	2.33%*
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

* 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 with full generation projection using Scale U-MP.

The actuarial assumptions used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2019 with no changes since the prior measure date.

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

The discount rate of 7.25% was applied to measure the total pension liability. The discount rate was based on the expected rate of return on pension plan investments of 7.25%. The projected cash flows into and out of the pension plan assumed that active members, employers, and non-employer contributing entity make their contributions at the statutorily required rates. It is assumed that future employer and state contributions will be 8.50% of payroll in fiscal year 2020 gradually 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

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the benefit payments of current plan members. As a result, the long-term expected rate of return on pension plan investments was applied to all projected benefit payments to determine the total pension liability.

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 weighting 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%	3.9%
Non-U.S. Developed	13%	5.1%
Emerging Markets	9%	5.6%
Private Equity	14%	6.7%
Stable Value		
U.S. Treasury	16%	(0.70)%
Absolute Return		1.80%
Stable Value Hedge Funds	5%	1.90%
Real Return		
Real Assets	15%	4.60%
Energy, Natural Resources and Infrastructure	6%	6.00%
Commodities		0.80%
Risk Parity		
Risk Parity	8%	3.00%
Asset Allocation Leverage Cash	2%	(1.50)%
Asset Allocation Leverage	(6%)	(1.30)%
Total	100%	
Notes:		
* Target allocations are based on fiscal year 2020 policy model.		
** Capital Market assumptions come from Aon Hewitt (as of 08/31/2020).		

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

Sensitivity of A&M System's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate		
1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
\$1,097,743,537	\$711,904,200	\$398,418,192

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 Annual Comprehensive Financial Report.

At August 31, 2021, the A&M System reported a liability of \$711,904,200 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, 2020, 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 on August 31, 2021 was 1.3292220283% which was an increase from the 1.3193401398% 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 entities to the plan for the period September 1, 2019 through August 31, 2020.

For the year ending August 31, 2021, the A&M System recognized pension expense of \$98,411,195 in the proprietary fund statements. On August 31, 2021, 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 on the table.

Elements of Deferred Outflows and Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$1,299,880	\$19,867,357
Changes of assumptions	165,187,104	70,236,405
Net difference between projected and actual investment return	14,411,890	0
Change in proportion and contribution difference	67,501,779	44,342,659
Contributions subsequent to the measurement date	59,569,124	0
Total	\$307,969,777	\$134,446,421

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**The Texas A&M University System
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The \$59,569,124 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, 2022.

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
2022	\$76,415,861
2023	\$45,289,116
2024	\$41,477,351
2025	\$15,982,920
2026	\$(5,683,577)
Thereafter	\$41,685

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, 2021	
Employer	\$ 45,308,291.68
Employee	\$ 42,762,265.97
Total	\$ 88,070,557.65

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The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2021

Note 10 - Deferred Compensation

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

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

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

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

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The Texas A&M University System
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Note 11 - Postemployment Health Care and Life Insurance Benefits

Plan Description and Funding Policy

In addition to providing pension benefits, state employees have certain health care and life insurance benefits for retired employees in accordance with State statutes. These benefits are provided by the A&M System 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 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, 2021 was 53.86 percent and it was 53.67 percent in fiscal year 2020. The State of Texas' proportional share was 46.14 percent for fiscal year 2021 and 46.33 for fiscal year 2020. Below is a table with the total current and noncurrent OPEB liability. This percentage was applied to all elements of 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	\$ 49,233,231	\$ 42,178,970	\$ 91,412,201
NonCurrent OPEB Liability	2,341,057,555	2,005,624,964	4,346,682,519
Total per the AFR	\$2,390,290,786	\$2,047,803,934	\$4,438,094,720

*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.

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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.

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Actuarial Assumptions and Other Inputs

The collective OPEB liability for Fiscal Year 2021 was determined by an actuarial valuation as of September 1, 2019 and rolled forward twelve months to September 1, 2020 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*	2.20%
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	<p>a. <u>Service Retirees, Survivors and other Inactive Members:</u> Tables based on TRS experience with Ultimate MP Projection Scale from the year 2018.</p> <p>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.</p> <p>c. <u>Active Members:</u> Sex Distinct RP-2014 Employee Mortality multiplied by 90% with Ultimate MP Projection Scale from the year 2014.</p>

*** Discount Rate**

- a. The discount rate used to measure the OPEB liability as of September 1, 2020 was 2.20%.
- b. Municipal Bond Rate: 2.20% as of September 1, 2020; 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.

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**The Texas A&M University System
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Other Information

As of the measurement date of September 1, 2020, no changes in benefit terms have occurred. Accordingly, the benefit terms used in this valuation have not been changed since the prior valuation.

Medicare Part D

In fiscal year 2021 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 2021 the A&M System received \$13,689,035.31 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, 2021 and measured as of September 1, 2020, 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 (1.20%) or 1-percentage point higher (3.20%) than the fiscal year 2021 discount rate.

	1% Decrease (1.20%)	FY2020 Discount Rate (2.20%)	1% Increase (3.20%)
A&M System's Proportionate Share of OPEB Liability	\$2,901,400,248	\$2,390,290,786	\$1,996,875,700

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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, 2021 and measured as of September 1, 2020, 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 2021 healthcare cost trend rate.

	1% Decrease	FY2020 Healthcare Cost Trend Rates*	1% Increase
A&M System’s Proportionate Share of OPEB Liability	\$1,946,310,222	\$2,390,290,786	\$2,988,975,250

*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%

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

	Increase (Decrease) in A&M System's Proportionate Share of OPEB Liability
Beginning Balance of Measurement Year	\$2,023,060,661
Changes for the Year:	
Service Cost	80,329,472
Interest	62,130,988
Changes of benefit terms	0
Differences between expected and actual experience	0
Changes of assumptions or other inputs	254,804,901
Benefit payments (employer)	(37,195,158)
Other Changes	7,159,922
Net Changes	367,230,124
Ending Balance of Measurement Year*	\$2,390,290,786

*Information for the fiscal year ending August 31, 2021 was taken as of the measurement date of September 1, 2020 based on an actuarial valuation as of September 1, 2019 roll forward twelve months as permitted by Paragraph No. 146 and 147 of GASB No. 75.

The A&M System recognized its proportionate share of OPEB expense of \$162,362,867 for the fiscal year ended August 31, 2021.

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

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 0	\$ 59,789,130
Changes of assumptions or other inputs	470,290,177	332,138,834
Effect of change in proportion and contribution difference	101,391,186	31,058,103
Contributions subsequent to the measurement date	41,095,207	0
Total	\$ 612,776,570	\$422,986,067

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

Fiscal Year	Amount
2022	\$19,619,354
2023	14,428,371
2024	19,891,707
2025	37,290,260
2026	42,999,726
Thereafter	14,466,328

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**The Texas A&M University System
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Note 12 - Interfund Activity and Transactions

As of August 31, 2021, amounts to be received or paid between funds and agencies are to be reported as Interfund Receivable or Interfund Payable.

Individual balances as of August 31, 2021 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	\$ 56,804,664.77	\$ -	Permanent University Fund
Agency 711, Appd Fund 0001, D23 Fund 0001 From Agency 907, D23 Fund 0515	-	1,984,062.39	SECO LoanSTAR
Total Current Interfund Receivable/Payable	\$ 56,804,664.77	\$ 1,984,062.39	

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	\$ 1,356,155,515.76	\$ -	Permanent University Fund
Agency 711, Appd Fund 0001, D23 Fund 0001 From Agency 907, D23 Fund 0515	-	6,266,895.09	SECO LoanSTAR
Total Non-Current Interfund Receivable/Payable	\$ 1,356,155,515.76	\$ 6,266,895.09	

Fiduciary Funds

Not Applicable.

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Note 13 - Continuance Subject to Review

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

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Note 14 - Restatement of Net Position

There were no restatements to the beginning net position.

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The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2021

Note 15 - Commitments and Contingencies

At August 31, 2021, 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, 2021		
	Proprietary	Fiduciary
Committed Amount	\$674,925,091.85	\$88,650,379.15
Unfunded Amount	\$151,279,830.50	\$19,870,374.50

The COVID pandemic and related actions taken by federal and state governments in response may materially impact A&M System's financial position and its results of operations, including those related to instruction, research, public service, student aid and other auxiliary activities. Substantial amounts are received and expended by A&M System under federal and state programs and are subject to audit by cognizant government agencies. The management believes that any liabilities arising from such audits will not have a material effect on its financial position. While A&M System continues to design and execute plans to mitigate these risks, the extent of the impact will depend on future developments beyond its control, including the overall duration and spread of the outbreak, and cannot be fully determined at this time.

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**The Texas A&M University System
Notes to the Combined Financial Statements
For the Year Ended August 31, 2021**

Note 16 - Subsequent Events

The A&M System is authorized to issue up to \$749 million of Revenue Financing System Bonds during fiscal year 2022 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 \$772 million of Permanent University Fund Bonds during fiscal year 2022 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, 2021.

Debt Issuance	Amount	Date of Issuance	Purpose
Permanent University Fund Taxable Commercial Paper Notes	\$50,000,000	10/27/21	Provide interim financing for construction projects and equipment purchases.

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The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2021

Note 17 - Risk Management

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

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

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

Worker's Compensation Insurance

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

Group Health and Dental Insurance

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

Automobile Plan

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

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The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2021

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, 2021, the Plan had a balance of \$755,603.76 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, 2021, 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, 2021, the plan had no accrued liabilities.

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

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**The Texas A&M University System
Notes to the Combined Financial Statements
For the Year Ended August 31, 2021**

Current Year Changes in Claims and IBNR				
Plan Type	Liability Balance 09/01/20	Claims and Changes in Estimates	Claims Payments	Liability Balance 08/31/21
WCI	\$ 14,792,398.00	\$ 2,041,302.55	\$ (1,924,182.55)	\$ 14,909,518.00
Group Health and Dental Insurance	18,995,000.00	400,860,250.60	(396,299,250.60)	23,556,000.00
Total	\$ 31,258,687.00	\$ 402,901,553.15	\$ (398,223,433.15)	\$ 38,465,518.00

Prior 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	346,061,382.31	(347,333,382.31)	18,995,000.00
Total	\$ 31,258,687.00	\$ 351,588,093.31	\$ (349,059,382.31)	\$ 33,787,398.00

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, 2021 are summarized in the table below. There are no outstanding claim liabilities as of August 31, 2021.

Claim and Loss Expenses		
	Current Year	Prior Year
Beginning Liability Balance	\$ -	\$ -
Other Settlement Claims-Operating	57,048,978.46	3,900,116.26
Other Settlement Claims-NonOperating	233,501.19	1,228,722.71
Total Additions	57,282,479.65	5,128,838.97
Payments for Claims	(57,282,479.65)	(5,128,838.97)
Ending Liability Balance	\$ -	\$ -

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**The Texas A&M University System
Notes to the Combined Financial Statements
For the Year Ended August 31, 2021**

Note 18 - Management's Discussion and Analysis (MD&A)

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

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The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2021

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 2021, A&M System is entitled to receive \$409,972.48 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.

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**The Texas A&M University System
Notes to the Combined Financial Statements
For the Year Ended August 31, 2021**

Note 20 - Stewardship, Compliance and Accountability

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

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**The Texas A&M University System
Notes to the Combined Financial Statements
For the Year Ended August 31, 2021**

Note 21 - Tobacco Settlement

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

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**The Texas A&M University System
Notes to the Combined Financial Statements
For the Year Ended August 31, 2021**

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	\$253,610,208.50	Restricted for Expendable
Term Endowments	227,606.04	Restricted for Expendable
Total	\$253,837,814.54	

¹The total fiscal year 2021 fair value adjustment to the Fund was \$114,196,742.59.

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**The Texas A&M University System
Notes to the Combined Financial Statements
For the Year Ended August 31, 2021**

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, 2021.

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**The Texas A&M University System
Notes to the Combined Financial Statements
For the Year Ended August 31, 2021**

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, 2021, is presented in the table below.

Proprietary Fund Receivables			
Description	Gross Receivable	Allowance for Doubtful Accounts	Net Receivable
Current Receivables			
Federal	\$ 171,815,801.02	\$ -	\$ 171,815,801.02
Other Intergovernmental	3,927,123.22	-	3,927,123.22
Interest and Dividends	10,524,979.59	-	10,524,979.59
Gifts	28,594,715.37	-	28,594,715.37
Self Insured Plans	33,470,802.67	-	33,470,802.67
Student	59,998,736.73	(19,026,925.89)	40,971,810.84
Investment Trades	20,147,914.75	-	20,147,914.75
Accounts	160,806,834.97	(4,270,211.72)	156,536,623.25
Other	6,294,986.32	(15,350.99)	6,279,635.33
Total Current Receivables	<u>\$ 495,581,894.64</u>	<u>\$ (23,312,488.60)</u>	<u>\$ 472,269,406.04</u>
Non-Current Receivables			
Gifts	\$ 299,256,832.77	\$ -	\$ 299,256,832.77
Total Non-Current Receivables	<u>\$ 299,256,832.77</u>	<u>\$ -</u>	<u>\$ 299,256,832.77</u>
Fiduciary Fund Receivables			
Description	Gross Receivable	Allowance for Doubtful Accounts	Net Receivable
Interest and Dividends	\$ 879,214.01	\$ -	\$ 879,214.01
Gifts	29,469,863.04	(182,965.12)	29,286,897.92
Student	2,771,591.26	(112,595.44)	2,658,995.82
Investment Trades	1,662,727.34	-	1,662,727.34
Accounts	807,465.62	-	807,465.62
Other	1,439,137.87	-	1,439,137.87
Total Receivables	<u>\$ 37,029,999.14</u>	<u>\$ (295,560.56)</u>	<u>\$ 36,734,438.58</u>

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**The Texas A&M University System
Notes to the Combined Financial Statements
For the Year Ended August 31, 2021**

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	\$ 2,929,218.91
External Investment Manager Fee Payable	3,838,644.51
Miscellaneous Payables	596,255.83
Total Other Payables	<u>\$ 7,364,119.25</u>
Fiduciary Other Payables	
Description	Amount
Sales Tax Payable	\$ 10,246.99
Income Distribution Payable	747,476.19
External Investment Manager Fee Payable	214,496.00
Miscellaneous Payables	3,552.79
Total Other Payables	<u>\$ 975,771.97</u>

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**The Texas A&M University System
Notes to the Combined Financial Statements
For the Year Ended August 31, 2021**

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, 2021, the fully-insured plan had 11 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, 2021.

Self-Insured Health and Dental Plan - COBRA	
Number of Participants	283
Claims Paid	\$ 3,527,422.26
Administrative Expenses	247,390.40
Total COBRA Expenses	<u>3,774,812.66</u>
Premium Revenue	1,072,220.51
2% Administrative Fee Revenue	21,882.05
Total COBRA Premium	<u>1,094,102.56</u>
Net Cost to State	<u>\$ 2,680,710.10</u>

Non-Health Care Related Termination Benefits

Texas A&M University-Kingsville offered a voluntary incentive payment to tenured faculty with 15 years of service or who qualify for the "Rule of 80" as set by TRS to resign. Twelve faculty members accepted early termination benefits in the form of a one-time lump sum payment equal to 9-month salary. As of August 31, 2021, \$251,111 had been paid and a liability recorded for the remaining \$689,444.

UNAUDITED

**The Texas A&M University System
Notes to the Combined Financial Statements
For the Year Ended August 31, 2021**

Note 26 - Segment Information

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

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**The Texas A&M University System
Notes to the Combined Financial Statements
For the Year Ended August 31, 2021**

Note 27 - Service Concession Arrangements

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

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**The Texas A&M University System
Notes to the Combined Financial Statements
For the Year Ended August 31, 2021**

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

In fiscal year 2021, 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, changes related to the pension and OPEB liabilities, and split interest agreements. 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	\$ 63,937,812.91	\$ -
Government Acquisition	7,682,365.09	-
Pensions (Note 9)	307,969,777.00	134,446,421.00
Other Post-Employment Benefits (Note 11)	612,776,570.00	422,986,067.00
Split Interest Agreements	-	1,071,302.66
Total	\$ 992,366,525.00	\$ 558,503,790.66

Unamortized Loss on Refunding Debt

Deferred Outflows of Resources of \$63.9 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	\$ 5,482,669.03
2016	Revenue Financing System Bonds, Series 2009A and Series 2009B	2016-2039	9,771,436.47
2016	Revenue Financing System Bonds, Series 2009C and Series 2009D	2016-2040	14,966,809.20
2018	Revenue Financing System Bonds, Series 2011B	2018-2041	5,024,721.62
2018	Revenue Financing System Bonds, Series 2013D	2018-2028	2,303,646.23
2019	Revenue Financing System Bonds, Taxable Series 2013C	2019-2043	26,388,530.36
Total			\$ 63,937,812.91

UNAUDITED

The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2021

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, 2021**

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, 2021**

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, 2021**

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, 2021**

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, 2021**

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							
	2021	2020	2019	2018	2017	2016	2015
A&M System's percentage proportionate share of the net pension liability	1.3292220283%	1.3193401398%	1.29429458%	1.2265395%	1.2107484%	1.1294397%	1.3190594%
A&M System's proportionate share of the net pension liability	\$711,904,200	\$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	\$771,839,560	\$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	92.23%	94.12%	103.14%	61.67%	76.98%	91.94%	72.89%
Plan fiduciary net position as a percentage of the total pension liability	75.54%	75.24%	73.74%	82.17%	78.00%	78.43%	83.25%

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.

UNAUDITED

**The Texas A&M University System
Required Supplementary Information (RSI)
to the Combined Financial Statements
For the Year Ended August 31, 2021**

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								
	2021	2020	2019	2018	2017	2016	2015	2014
Statutorily required contributions	\$59,569,124	\$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	\$59,569,124	\$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	\$0.00
A&M System's covered payroll-non General Revenue ²	\$771,839,560	\$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	7.72%	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 eight 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, 2021**

Schedule of Proportionate Share of OPEB Liability- Fiscal Years 2018-2021

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

	Elements of the OPEB Liability¹⁻³	2021	2020	2019	2018
1.	OPEB Liability Beginning Balance	\$2,023,060,661	\$1,852,526,441	\$2,313,866,921	\$2,768,919,058
	Changes for the Year:				
	Service Cost	80,329,472	68,219,053	95,228,755	127,342,039
	Interest	62,130,988	73,736,653	89,731,375	81,716,351
	Changes of benefit terms ⁴	0	0	(576,118,675)	0
	Differences between expected and actual experience	0	(59,775,841)	0	(48,754,146)
	Changes of assumptions or other inputs ⁵	254,804,901	165,853,936	(198,049,045)	(577,506,807)
	Benefit payments (employer)	(37,195,158)	(37,581,587)	(38,973,287)	(37,849,574)
	Other Changes	7,159,921	(39,917,994)	166,840,397	0
	Net Changes	367,230,124	170,534,220	(461,340,480)	(455,052,137)
	OPEB Liability Ending Balance	\$2,390,290,786	\$2,023,060,661	\$1,852,526,441	\$2,313,866,921
2.	Covered Employee Payroll	\$987,409,550	\$950,446,721	\$888,380,104	\$822,477,489
3.	Total OPEB Liability as a Percentage of Covered Employee Payroll	242.08%	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 2021 is 2.20%.

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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, 2021**

In fiscal year 2021, 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.

Bond Schedules

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Schedule 2A
The Texas A&M University System
 Schedule of Miscellaneous Bond Information
 For the Year Ended August 31, 2021

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 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 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

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Schedule 2A
The Texas A&M University System
 Schedule of Miscellaneous Bond Information
 For the Year Ended August 31, 2021

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 2016A						
Revenue Bonds	\$ 88,565,000.00	0.510 - 3.993%	5/15/2016	5/15/2026	(1) (2)	5/15/2037
Tuition Revenue Bonds	2,955,000.00					5/15/2027
Revenue Financing System Bonds, Taxable Series 2016B						
Revenue Bonds	325,575,000.00	0.850 - 4.113%	5/15/2017	5/15/2026	(1) (2)	5/15/2045
Revenue Financing System Bonds, Series 2016C						
Revenue Bonds	85,740,000.00	3.0 - 5.0%	5/15/2017	5/15/2026	(1)	5/15/2040
Tuition Revenue Bonds	121,705,000.00					5/15/2029
Revenue Financing System Bonds, Taxable Series 2016D						
Revenue Bonds	154,265,000.00	0.535 - 3.579%	5/15/2017	5/15/2026	(1) (2) (3)	5/15/2040
Tuition Revenue Bonds	22,595,000.00					Make Whole
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
Revenue Financing System Bonds, Series 2021A						
Revenue Bonds	189,425,000.00	2.3 - 5.0%	5/15/2022	5/15/2031	(1) (2)	5/15/2051
Revenue Financing System Bonds, Taxable Series 2021B						
Revenue Bonds	226,375,000.00	0.155 - 2.906%	5/15/2022	5/15/2031	(1) (2) (3)	5/15/2048
	<u>\$ 6,266,735,000.00</u>					

(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, 2021

Description	Bonds Outstanding September 1, 2020	Bonds Issued or Converted	Bonds Matured or Retired	Bonds Refunded	Bonds Outstanding August 31, 2021
Revenue Bonds - Self Supporting					
Permanent University Fund Bonds, Series 1998 Revenue Bonds	\$ 24,200,000.00	\$ -	\$ 2,490,000.00	\$ -	\$ 21,710,000.00
Permanent University Fund Bonds, Series 2009AB Revenue Bonds	198,260,000.00		5,900,000.00		192,360,000.00
Permanent University Fund Bonds, Series 2011 Revenue Bonds	5,000,000.00		5,000,000.00		-
Permanent University Fund Bonds, Series 2012A Revenue Bonds	49,470,000.00		11,495,000.00		37,975,000.00
Permanent University Fund Bonds, Taxable Series 2012B Revenue Bonds	81,320,000.00		5,950,000.00		75,370,000.00
Permanent University Fund Bonds, Series 2013 Revenue Bonds	88,335,000.00		8,555,000.00		79,780,000.00
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	102,835,000.00		7,960,000.00		94,875,000.00
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	310,480,000.00		10,000.00		310,470,000.00
Permanent University Fund Bonds, Taxable Series 2019 Revenue Bonds	349,570,000.00		3,165,000.00		346,405,000.00
Revenue Financing System Bonds, Series 2011A Revenue Bonds	1,820,000.00		1,820,000.00		-
Revenue Financing System Bonds, Series 2013A Tuition Revenue Bonds	13,045,000.00		3,950,000.00		9,095,000.00
Revenue Financing System Bonds, Series 2013B Revenue Bonds	53,225,000.00		8,040,000.00		45,185,000.00
Revenue Financing System Bonds, Series 2013D Revenue Bonds	22,900,000.00		7,265,000.00		15,635,000.00
Revenue Financing System Bonds, Series 2015A Tuition Revenue Bonds	26,900,000.00		4,900,000.00		22,000,000.00
Revenue Financing System Bonds, Series 2015B Revenue Bonds	55,785,000.00		2,850,000.00		52,935,000.00
Revenue Financing System Bonds, Taxable Series 2015C Revenue Bonds	89,965,000.00		14,425,000.00		75,540,000.00
Revenue Financing System Bonds, Taxable Series 2015D Revenue Bonds	59,825,000.00		1,510,000.00		58,315,000.00

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Schedule 2B
The Texas A&M University System
Schedule of Changes in Bonded Indebtedness
For the Year Ended August 31, 2021

Description	Unamortized Premium	Net Bonds Outstanding August 31, 2021	Principal Due Within One Year	Premium Amortization Due Within One Year	Amounts Due Within One Year	Bonds Outstanding August 31, 2021
Revenue Bonds - Self Supporting						
Permanent University Fund Bonds, Series 1998 Revenue Bonds	\$ -	\$ 21,710,000.00	\$ 2,625,000.00	\$ -	\$ 2,625,000.00	\$ 21,710,000.00
Permanent University Fund Bonds, Series 2009AB Revenue Bonds		192,360,000.00	6,130,000.00		6,130,000.00	192,360,000.00
Permanent University Fund Bonds, Series 2011 Revenue Bonds	-	-	-	-	-	-
Permanent University Fund Bonds, Series 2012A Revenue Bonds	1,802,245.31	39,777,245.31	12,080,000.00	921,374.25	13,001,374.25	37,975,000.00
Permanent University Fund Bonds, Taxable Series 2012B Revenue Bonds		75,370,000.00	6,100,000.00		6,100,000.00	75,370,000.00
Permanent University Fund Bonds, Series 2013 Revenue Bonds	1,358,873.04	81,138,873.04	9,010,000.00	560,806.95	9,570,806.95	79,780,000.00
Permanent University Fund Bonds, Series 2015A Revenue Bonds	14,940,069.02	155,495,069.02	-	2,077,479.78	2,077,479.78	140,555,000.00
Permanent University Fund Bonds, Taxable Series 2015B Revenue Bonds		94,875,000.00	8,160,000.00		8,160,000.00	94,875,000.00
Permanent University Fund Bonds, Series 2017A Revenue Bonds	5,648,993.16	95,358,993.16	4,640,000.00	1,215,003.79	5,855,003.79	89,710,000.00
Permanent University Fund Bonds, Taxable Series 2017B Revenue Bonds		310,470,000.00	65,000.00		65,000.00	310,470,000.00
Permanent University Fund Bonds, Taxable Series 2019 Revenue Bonds		346,405,000.00	3,220,000.00		3,220,000.00	346,405,000.00
Revenue Financing System Bonds, Series 2011A Revenue Bonds		-	-		-	-
Revenue Financing System Bonds, Series 2013A Tuition Revenue Bonds	255,488.84	9,350,488.84	9,095,000.00	255,488.84	9,350,488.84	9,095,000.00
Revenue Financing System Bonds, Series 2013B Revenue Bonds	544,773.16	45,729,773.16	8,445,000.00	461,141.79	8,906,141.79	45,185,000.00
Revenue Financing System Bonds, Series 2013D Revenue Bonds	416,765.67	16,051,765.67	7,625,000.00	279,666.27	7,904,666.27	15,635,000.00
Revenue Financing System Bonds, Series 2015A Tuition Revenue Bonds	1,232,292.86	23,232,292.86	5,145,000.00	503,251.84	5,648,251.84	22,000,000.00
Revenue Financing System Bonds, Series 2015B Revenue Bonds	1,796,935.50	54,731,935.50	3,005,000.00	258,377.43	3,263,377.43	52,935,000.00
Revenue Financing System Bonds, Taxable Series 2015C Revenue Bonds		75,540,000.00	11,010,000.00		11,010,000.00	75,540,000.00
Revenue Financing System Bonds, Taxable Series 2015D Revenue Bonds		58,315,000.00	1,570,000.00		1,570,000.00	58,315,000.00

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Schedule 2B
The Texas A&M University System
Schedule of Changes in Bonded Indebtedness
For the Year Ended August 31, 2021

Description	Bonds Outstanding September 1, 2020	Bonds Issued or Converted	Bonds Matured or Retired	Bonds Refunded	Bonds Outstanding August 31, 2021
Revenue Bonds - Self Supporting					
Revenue Financing System Bonds, Taxable Series 2016A					
Revenue Bonds	\$ 67,535,000.00	\$ -	\$ 8,650,000.00	\$ -	\$ 58,885,000.00
Tuition Revenue Bonds	2,205,000.00		290,000.00		1,915,000.00
Revenue Financing System Bonds, Taxable Series 2016B					
Revenue Bonds	290,420,000.00		10,465,000.00		279,955,000.00
Revenue Financing System Bonds, Series 2016C					
Revenue Bonds	81,645,000.00		3,795,000.00		77,850,000.00
Tuition Revenue Bonds	110,160,000.00		10,030,000.00		100,130,000.00
Revenue Financing System Bonds, Taxable Series 2016D					
Revenue Bonds	136,330,000.00		6,205,000.00		130,125,000.00
Tuition Revenue Bonds	19,275,000.00		1,990,000.00		17,285,000.00
Revenue Financing System Bonds, Series 2016E					
Revenue Bonds	109,965,000.00		8,745,000.00		101,220,000.00
Tuition Revenue Bonds	18,460,000.00		1,680,000.00		16,780,000.00
Revenue Financing System Bonds, Taxable Series 2017A					
Tuition Revenue Bonds	298,525,000.00		21,790,000.00		276,735,000.00
Revenue Financing System Bonds, Taxable Series 2017B					
Revenue Bonds	11,335,000.00		5,850,000.00		5,485,000.00
Tuition Revenue Bonds	315,970,000.00		29,285,000.00		286,685,000.00
Revenue Financing System Bonds, Series 2017C					
Revenue Bonds	64,980,000.00		165,000.00		64,815,000.00
Tuition Revenue Bonds	31,860,000.00		3,425,000.00		28,435,000.00
Revenue Financing System Bonds, Taxable Series 2017D					
Revenue Bonds	149,340,000.00		4,185,000.00		145,155,000.00
Revenue Financing System Bonds, Series 2017E					
Revenue Bonds	338,630,000.00		4,025,000.00		334,605,000.00
Revenue Financing System Bonds, Taxable Series 2019A					
Revenue Bonds	211,490,000.00		7,720,000.00		203,770,000.00
Revenue Financing System Bonds, Taxable Series 2019B					
Revenue Bonds	419,700,000.00		7,255,000.00		412,445,000.00
Revenue Financing System Bonds, Taxable Series 2020A					
Revenue Bonds	157,780,000.00		5,190,000.00		152,590,000.00
Revenue Financing System Bonds, Series 2021A					
Revenue Bonds	-	189,425,000.00	-		189,425,000.00
Revenue Financing System Bonds, Taxable Series 2021B					
Revenue Bonds	-	226,375,000.00	-		226,375,000.00
	<u>\$ 4,598,805,000.00</u>	<u>\$ 415,800,000.00</u>	<u>\$ 236,025,000.00</u>	<u>\$ -</u>	<u>\$ 4,778,580,000.00</u>
		[a]	(Schedule 2D)		(Schedule 2C)

[a] Bonds Issued or Converted

Revenue Financing System Bonds, Series 2021A	\$ 189,425,000.00
Revenue Financing System Bonds, Taxable Series 2021B	226,375,000.00
Total, Bonds Issued or Converted	<u>\$ 415,800,000.00</u>

UNAUDITED

Schedule 2B
The Texas A&M University System
Schedule of Changes in Bonded Indebtedness
For the Year Ended August 31, 2021

Description	Unamortized Premium	Net Bonds Outstanding August 31, 2021	Principal Due Within One Year	Premium Amortization Due Within One Year	Amounts Due Within One Year	Bonds Outstanding August 31, 2021
Revenue Bonds - Self Supporting						
Revenue Financing System Bonds, Taxable Series 2016A						
Revenue Bonds	\$ -	\$ 58,885,000.00	\$ 8,670,000.00	\$ -	\$ 8,670,000.00	\$ 58,885,000.00
Tuition Revenue Bonds		1,915,000.00	300,000.00		300,000.00	1,915,000.00
Revenue Financing System Bonds, Taxable Series 2016B						
Revenue Bonds		279,955,000.00	10,660,000.00		10,660,000.00	279,955,000.00
Revenue Financing System Bonds, Series 2016C						
Revenue Bonds	11,780,435.32	89,630,435.32	3,985,000.00	1,475,754.47	5,460,754.47	77,850,000.00
Tuition Revenue Bonds	11,637,600.19	111,767,600.19	10,520,000.00	2,784,255.08	13,304,255.08	100,130,000.00
Revenue Financing System Bonds, Taxable Series 2016D						
Revenue Bonds		130,125,000.00	6,275,000.00		6,275,000.00	130,125,000.00
Tuition Revenue Bonds		17,285,000.00	2,015,000.00		2,015,000.00	17,285,000.00
Revenue Financing System Bonds, Series 2016E						
Revenue Bonds	8,835,895.64	110,055,895.64	9,170,000.00	2,166,588.79	11,336,588.79	101,220,000.00
Tuition Revenue Bonds	1,550,119.02	18,330,119.02	1,765,000.00	411,725.23	2,176,725.23	16,780,000.00
Revenue Financing System Bonds, Taxable Series 2017A						
Tuition Revenue Bonds		276,735,000.00	22,275,000.00		22,275,000.00	276,735,000.00
Revenue Financing System Bonds, Taxable Series 2017B						
Revenue Bonds		5,485,000.00	5,485,000.00		5,485,000.00	5,485,000.00
Tuition Revenue Bonds		286,685,000.00	25,090,000.00		25,090,000.00	286,685,000.00
Revenue Financing System Bonds, Series 2017C						
Revenue Bonds	8,806,158.82	73,621,158.82	440,000.00	1,041,623.66	1,481,623.66	64,815,000.00
Tuition Revenue Bonds	3,462,425.17	31,897,425.17	3,580,000.00	869,268.04	4,449,268.04	28,435,000.00
Revenue Financing System Bonds, Taxable Series 2017D						
Revenue Bonds		145,155,000.00	4,290,000.00		4,290,000.00	145,155,000.00
Revenue Financing System Bonds, Series 2017E						
Revenue Bonds	31,571,848.48	366,176,848.48	4,265,000.00	4,453,880.73	8,718,880.73	334,605,000.00
Revenue Financing System Bonds, Taxable Series 2019A						
Revenue Bonds		203,770,000.00	7,955,000.00		7,955,000.00	203,770,000.00
Revenue Financing System Bonds, Taxable Series 2019B						
Revenue Bonds		412,445,000.00	7,385,000.00		7,385,000.00	412,445,000.00
Revenue Financing System Bonds, Taxable Series 2020A						
Revenue Bonds		152,590,000.00	4,975,000.00		4,975,000.00	152,590,000.00
Revenue Financing System Bonds, Series 2021A						
Revenue Bonds	29,369,198.00	218,794,198.00	4,000,000.00	3,372,144.05	7,372,144.05	189,425,000.00
Revenue Financing System Bonds, Taxable Series 2021B						
Revenue Bonds		226,375,000.00	7,575,000.00		7,575,000.00	226,375,000.00
	<u>\$ 135,010,117.20</u>	<u>\$ 4,913,590,117.20</u> [b] (Exhibit III)	<u>\$ 248,600,000.00</u> (Schedule 2C)	<u>\$ 23,107,830.99</u>	<u>\$ 271,707,830.99</u>	<u>\$ 4,778,580,000.00</u> (Schedule 2C)

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

\$ 271,707,830.99
4,641,882,286.21
\$ 4,913,590,117.20

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Schedule 2C
The Texas A&M University System
 Schedule of Debt Service Requirements
 For the Year Ended August 31, 2021

Description		2022	2023	2024	2025	2026
Revenue Bonds - Self Supporting						
Permanent University Fund Bonds, Series 1998						
Revenue Bonds	Principal	\$ 2,625,000.00	\$ 2,770,000.00	\$ 2,925,000.00	\$ 3,085,000.00	\$ 3,255,000.00
	Interest	1,194,050.00	1,049,675.00	897,325.00	736,450.00	566,775.00
Permanent University Fund Bonds, Series 2009AB						
Revenue Bonds	Principal	6,130,000.00	6,230,000.00	6,475,000.00	14,800,000.00	15,050,000.00
	Interest	9,686,556.28	9,396,456.28	9,088,112.50	8,765,525.00	8,045,325.00
Permanent University Fund Bonds, Series 2012A						
Revenue Bonds	Principal	12,080,000.00	12,670,000.00	13,225,000.00		
	Interest	1,898,750.00	1,294,750.00	661,250.00		
Permanent University Fund Bonds, Taxable Series 2012B						
Revenue Bonds	Principal	6,100,000.00	6,255,000.00	6,405,000.00	6,585,000.00	6,775,000.00
	Interest	2,378,185.56	2,225,197.56	2,062,067.16	1,888,619.76	1,703,712.96
Permanent University Fund Bonds, Series 2013						
Revenue Bonds	Principal	9,010,000.00	9,465,000.00	5,145,000.00	5,355,000.00	5,515,000.00
	Interest	3,322,400.00	2,871,900.00	2,398,650.00	2,192,850.00	2,032,200.00
Permanent University Fund Bonds, Series 2015A						
Revenue Bonds	Principal	0.00	0.00	8,550,000.00	14,575,000.00	13,525,000.00
	Interest	6,706,175.02	6,706,175.02	6,706,175.02	6,214,550.02	5,412,925.02
Permanent University Fund Bonds, Taxable Series 2015B						
Revenue Bonds	Principal	8,160,000.00	8,430,000.00	55,000.00	545,000.00	2,965,000.00
	Interest	2,937,317.52	2,753,717.54	2,542,967.54	2,541,455.06	2,527,285.06
Permanent University Fund Bonds, Series 2017A						
Revenue Bonds	Principal	4,640,000.00	4,675,000.00	4,710,000.00	4,820,000.00	5,005,000.00
	Interest	3,633,850.00	3,401,850.00	3,168,100.00	2,932,600.00	2,691,600.00
Permanent University Fund Bonds, Taxable Series 2017B						
Revenue Bonds	Principal	65,000.00	65,000.00	60,000.00	60,000.00	60,000.00
	Interest	11,345,350.50	11,343,790.50	11,342,133.00	11,340,465.00	11,338,767.00
Permanent University Fund Bonds, Taxable Series 2019						
Revenue Bonds	Principal	3,220,000.00	3,270,000.00	3,330,000.00	3,395,000.00	3,460,000.00
	Interest	10,434,895.00	10,380,155.00	10,321,622.00	10,260,017.00	10,193,475.00

UNAUDITED

Schedule 2C
The Texas A&M University System
 Schedule of Debt Service Requirements
 For the Year Ended August 31, 2021

Description		2027-2031	2032-2036	2037-2041	2042-2046	2047-2051
Revenue Bonds - Self Supporting						
Permanent University Fund Bonds, Series 1998						
Revenue Bonds	Principal	\$ 7,050,000.00	\$ -	\$ -	\$ -	\$ -
	Interest	586,850.00				
Permanent University Fund Series 2009AB						
Revenue Bonds	Principal	91,585,000.00	52,090,000.00			
	Interest	28,049,575.00	4,849,250.00			
Permanent University Fund Bonds, Series 2012A						
Revenue Bonds	Principal					
	Interest					
Permanent University Fund Bonds, Taxable Series 2012B						
Revenue Bonds	Principal	35,470,000.00	7,780,000.00			
	Interest	5,210,932.24	278,135.00			
Permanent University Fund Bonds, Series 2013						
Revenue Bonds	Principal	31,055,000.00	14,235,000.00			
	Interest	6,670,800.00	859,800.00			
Permanent University Fund Bonds, Series 2015A						
Revenue Bonds	Principal	50,030,000.00	53,875,000.00			
	Interest	20,076,250.14	5,475,800.00			
Permanent University Fund Bonds, Taxable Series 2015B						
Revenue Bonds	Principal	45,305,000.00	29,415,000.00			
	Interest	8,929,857.24	2,684,522.00			
Permanent University Fund Bonds, Series 2017A						
Revenue Bonds	Principal	35,130,000.00	6,860,000.00	9,820,000.00	11,510,000.00	2,540,000.00
	Interest	9,090,200.00	4,617,800.00	3,297,262.50	1,602,443.76	85,725.00
Permanent University Fund Bonds, Taxable Series 2017B						
Revenue Bonds	Principal	410,000.00	29,230,000.00	113,235,000.00	136,760,000.00	30,525,000.00
	Interest	56,659,415.00	55,599,453.00	43,355,262.00	20,963,565.00	1,117,215.00
Permanent University Fund Bonds, Taxable Series 2019						
Revenue Bonds	Principal	11,335,000.00	27,810,000.00	75,260,000.00	86,665,000.00	128,660,000.00
	Interest	49,883,886.00	48,857,446.50	40,508,630.00	28,172,645.00	9,115,705.00

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Schedule 2C
The Texas A&M University System
 Schedule of Debt Service Requirements
 For the Year Ended August 31, 2021

Description	2052-2056	2057	Total Requirements
Revenue Bonds - Self Supporting			
Permanent University Fund Bonds, Series 1998			
Revenue Bonds			
Principal	\$ -	\$ -	\$ 21,710,000.00
Interest			5,031,125.00
Permanent University Fund Series 2009AB			
Revenue Bonds			
Principal			192,360,000.00
Interest			77,880,800.06
Permanent University Fund Bonds, Series 2012A			
Revenue Bonds			
Principal			37,975,000.00
Interest			3,854,750.00
Permanent University Fund Bonds, Taxable Series 2012B			
Revenue Bonds			
Principal			75,370,000.00
Interest			15,746,850.24
Permanent University Fund Bonds, Series 2013			
Revenue Bonds			
Principal			79,780,000.00
Interest			20,348,600.00
Permanent University Fund Bonds, Series 2015A			
Revenue Bonds			
Principal			140,555,000.00
Interest			57,298,050.24
Permanent University Fund Bonds, Taxable Series 2015B			
Revenue Bonds			
Principal			94,875,000.00
Interest			24,917,121.96
Permanent University Fund Bonds, Series 2017A			
Revenue Bonds			
Principal			89,710,000.00
Interest			34,521,431.26
Permanent University Fund Bonds, Taxable Series 2017B			
Revenue Bonds			
Principal			310,470,000.00
Interest			234,405,416.00
Permanent University Fund Bonds, Taxable Series 2019			
Revenue Bonds			
Principal			346,405,000.00
Interest			228,128,476.50

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Schedule 2C
The Texas A&M University System
 Schedule of Debt Service Requirements
 For the Year Ended August 31, 2021

Description		2022	2023	2024	2025	2026
Revenue Financing System Bonds, Series 2013A						
Tuition Revenue Bonds	Principal	\$ 9,095,000.00	\$ -	\$ -	\$ -	\$ -
	Interest	454,750.00				
Revenue Financing System Bonds, Series 2013B						
Revenue Bonds	Principal	8,445,000.00	8,875,000.00	0.00	0.00	0.00
	Interest	1,980,600.00	1,558,350.00	1,114,600.00	1,114,600.00	1,114,600.00
Revenue Financing System Bonds, Series 2013D						
Revenue Bonds	Principal	7,625,000.00	8,010,000.00			
	Interest	781,750.00	400,500.00			
Revenue Financing System Bonds, Series 2015A						
Tuition Revenue Bonds	Principal	5,145,000.00	5,400,000.00	5,615,000.00	5,840,000.00	
	Interest	989,850.00	732,600.00	516,600.00	292,000.00	
Revenue Financing System Bonds, Series 2015B						
Revenue Bonds	Principal	3,005,000.00	3,155,000.00	0.00	0.00	0.00
	Interest	2,063,950.00	1,913,700.00	1,787,500.00	1,787,500.00	1,787,500.00
Revenue Financing System Bonds, Taxable Series 2015C						
Revenue Bonds	Principal	11,010,000.00	11,300,000.00	11,160,000.00	11,460,000.00	5,600,000.00
	Interest	2,200,224.21	1,915,285.42	1,612,106.42	1,301,523.64	971,131.84
Revenue Financing System Bonds, Taxable Series 2015D						
Revenue Bonds	Principal	1,570,000.00	1,635,000.00	1,715,000.00	1,800,000.00	1,870,000.00
	Interest	2,437,266.26	2,374,466.26	2,292,716.26	2,206,966.26	2,134,966.26
Revenue Financing System Bonds, Taxable Series 2016A						
Revenue Bonds	Principal	8,670,000.00	6,995,000.00	7,160,000.00	7,345,000.00	7,545,000.00
	Interest	1,679,088.76	1,484,360.56	1,316,760.36	1,133,034.76	937,217.06
Tuition Revenue Bonds	Principal	300,000.00	310,000.00	315,000.00	325,000.00	330,000.00
	Interest	49,809.40	43,071.40	35,643.80	27,560.90	18,896.40
Revenue Financing System Bonds, Taxable Series 2016B						
Revenue Bonds	Principal	10,660,000.00	10,910,000.00	11,165,000.00	11,445,000.00	11,190,000.00
	Interest	10,009,485.39	9,770,061.82	9,508,658.22	9,222,164.32	8,917,040.62
Revenue Financing System Bonds, Series 2016C						
Revenue Bonds	Principal	3,985,000.00	4,185,000.00	4,400,000.00	4,620,000.00	4,850,000.00
	Interest	3,604,750.00	3,405,500.00	3,196,250.00	2,976,250.00	2,745,250.00
Tuition Revenue Bonds	Principal	10,520,000.00	11,050,000.00	11,605,000.00	12,190,000.00	12,800,000.00
	Interest	4,586,850.00	4,060,850.00	3,508,350.00	2,928,100.00	2,318,600.00
Revenue Financing System Bonds, Taxable Series 2016D						
Revenue Bonds	Principal	6,275,000.00	6,395,000.00	6,510,000.00	6,635,000.00	6,780,000.00
	Interest	3,774,824.53	3,670,659.54	3,551,712.54	3,417,736.74	3,274,553.44
Tuition Revenue Bonds	Principal	2,015,000.00	2,050,000.00	2,085,000.00	2,130,000.00	2,180,000.00
	Interest	390,161.60	356,712.60	318,582.60	275,673.30	229,707.90
Revenue Financing System Bonds, Series 2016E						
Revenue Bonds	Principal	9,170,000.00	9,650,000.00	10,115,000.00	10,610,000.00	10,040,000.00
	Interest	4,192,400.00	3,733,900.00	3,251,400.00	2,745,650.00	2,215,150.00
Tuition Revenue Bonds	Principal	1,765,000.00	1,855,000.00	1,950,000.00	2,045,000.00	2,140,000.00
	Interest	721,100.00	632,850.00	540,100.00	442,600.00	340,350.00
Revenue Financing System Bonds, Taxable Series 2017A						
Tuition Revenue Bonds	Principal	22,275,000.00	22,830,000.00	23,450,000.00	24,130,000.00	24,855,000.00
	Interest	8,769,763.31	8,217,566.06	7,593,393.86	6,917,095.86	6,185,715.54

UNAUDITED

Schedule 2C
The Texas A&M University System

Schedule of Debt Service Requirements
For the Year Ended August 31, 2021

Description		2027-2031	2032-2036	2037-2041	2042-2046	2047-2051
Revenue Financing System Bonds, Series 2013A						
Tuition Revenue Bonds	Principal	\$ -	\$ -	\$ -	\$ -	\$ -
	Interest					
Revenue Financing System Bonds, Series 2013B						
Revenue Bonds	Principal	0.00	0.00	19,990,000.00	7,875,000.00	
	Interest	5,573,000.00	5,573,000.00	4,043,000.00	475,600.00	
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	6,785,000.00	15,210,000.00	17,270,000.00	7,510,000.00	
	Interest	8,804,500.00	6,243,100.00	3,221,975.00	608,600.00	
Revenue Financing System Bonds, Taxable Series 2015C						
Revenue Bonds	Principal	20,525,000.00	4,485,000.00			
	Interest	2,338,029.84	313,005.74			
Revenue Financing System Bonds, Taxable Series 2015D						
Revenue Bonds	Principal	10,540,000.00	12,835,000.00	14,900,000.00	11,450,000.00	
	Interest	9,490,631.30	7,198,580.04	4,301,855.00	1,242,062.50	
Revenue Financing System Bonds, Taxable Series 2016A						
Revenue Bonds	Principal	12,725,000.00	6,900,000.00	1,545,000.00		
	Interest	2,491,708.30	1,156,572.48	61,691.86		
Tuition Revenue Bonds	Principal	335,000.00				
	Interest	9,768.60				
Revenue Financing System Bonds, Taxable Series 2016B						
Revenue Bonds	Principal	61,170,000.00	72,675,000.00	72,495,000.00	18,245,000.00	
	Interest	39,368,471.10	27,474,550.80	11,752,104.34	1,913,778.98	
Revenue Financing System Bonds, Series 2016C						
Revenue Bonds	Principal	22,085,000.00	17,875,000.00	15,850,000.00		
	Interest	10,501,550.00	6,622,200.00	1,896,000.00		
Tuition Revenue Bonds	Principal	41,965,000.00				
	Interest	3,401,200.00				
Revenue Financing System Bonds, Taxable Series 2016D						
Revenue Bonds	Principal	36,135,000.00	37,910,000.00	23,485,000.00		
	Interest	13,737,676.10	7,937,195.68	2,133,084.04		
Tuition Revenue Bonds	Principal	6,825,000.00				
	Interest	372,895.80				
Revenue Financing System Bonds, Series 2016E						
Revenue Bonds	Principal	45,770,000.00	5,865,000.00			
	Interest	4,865,550.00	598,200.00			
Tuition Revenue Bonds	Principal	7,025,000.00				
	Interest	448,900.00				
Revenue Financing System Bonds, Taxable Series 2017A						
Tuition Revenue Bonds	Principal	136,895,000.00	22,300,000.00			
	Interest	18,263,666.44	787,413.02			

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Schedule 2C
The Texas A&M University System
 Schedule of Debt Service Requirements
 For the Year Ended August 31, 2021

Description	2052-2056	2057	Total Requirements
Revenue Financing System Bonds, Series 2013A			
Tuition Revenue Bonds	\$ -	\$ -	\$ 9,095,000.00
Interest			454,750.00
Revenue Financing System Bonds, Series 2013B			
Revenue Bonds			45,185,000.00
Interest			22,547,350.00
Revenue Financing System Bonds, Series 2013D			
Revenue Bonds			15,635,000.00
Interest			1,182,250.00
Revenue Financing System Bonds, Series 2015A			
Tuition Revenue Bonds			22,000,000.00
Interest			2,531,050.00
Revenue Financing System Bonds, Series 2015B			
Revenue Bonds			52,935,000.00
Interest			28,218,325.00
Revenue Financing System Bonds, Taxable Series 2015C			
Revenue Bonds			75,540,000.00
Interest			10,651,307.11
Revenue Financing System Bonds, Taxable Series 2015D			
Revenue Bonds			58,315,000.00
Interest			33,679,510.14
Revenue Financing System Bonds, Taxable Series 2016A			
Revenue Bonds			58,885,000.00
Interest			10,260,434.14
Tuition Revenue Bonds			1,915,000.00
Interest			184,750.50
Revenue Financing System Bonds, Taxable Series 2016B			
Revenue Bonds			279,955,000.00
Interest			127,936,315.59
Revenue Financing System Bonds, Series 2016C			
Revenue Bonds			77,850,000.00
Interest			34,947,750.00
Tuition Revenue Bonds			100,130,000.00
Interest			20,803,950.00
Revenue Financing System Bonds, Taxable Series 2016D			
Revenue Bonds			130,125,000.00
Interest			41,497,442.61
Tuition Revenue Bonds			17,285,000.00
Interest			1,943,733.80
Revenue Financing System Bonds, Series 2016E			
Revenue Bonds			101,220,000.00
Interest			21,602,250.00
Tuition Revenue Bonds			16,780,000.00
Interest			3,125,900.00
Revenue Financing System Bonds, Taxable Series 2017A			
Tuition Revenue Bonds			276,735,000.00
Interest			56,734,614.09

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Schedule 2C
The Texas A&M University System
 Schedule of Debt Service Requirements
 For the Year Ended August 31, 2021

Description		2022	2023	2024	2025	2026
Revenue Financing System Bonds, Taxable Series 2017B						
Revenue Bonds	Principal	\$ 5,485,000.00	\$ -	\$ -	\$ -	\$ -
	Interest	120,779.69				
Tuition Revenue Bonds	Principal	25,090,000.00	25,640,000.00	26,245,000.00	26,910,000.00	27,635,000.00
	Interest	8,104,885.58	7,552,403.78	6,950,120.22	6,281,135.10	5,558,332.50
Revenue Financing System Bonds, Series 2017C						
Revenue Bonds	Principal	440,000.00	2,115,000.00	3,570,000.00	3,465,000.00	3,640,000.00
	Interest	3,084,756.26	3,062,756.26	2,957,006.26	2,778,506.26	2,605,256.26
Tuition Revenue Bonds	Principal	3,580,000.00	3,765,000.00	3,955,000.00	4,150,000.00	4,360,000.00
	Interest	1,421,750.00	1,242,750.00	1,054,500.00	856,750.00	649,250.00
Revenue Financing System Bonds, Taxable Series 2017D						
Revenue Bonds	Principal	4,290,000.00	4,390,000.00	4,505,000.00	4,625,000.00	4,755,000.00
	Interest	5,079,404.44	4,973,698.82	4,859,910.02	4,735,481.92	4,602,420.68
Revenue Financing System Bonds, Series 2017E						
Revenue Bonds	Principal	4,265,000.00	4,515,000.00	24,695,000.00	25,715,000.00	27,020,000.00
	Interest	15,106,400.00	14,893,150.00	14,667,400.00	13,464,550.00	12,178,800.00
Revenue Financing System Bonds, Taxable Series 2019A						
Revenue Bonds	Principal	7,955,000.00	8,185,000.00	8,410,000.00	8,650,000.00	8,925,000.00
	Interest	7,563,723.40	7,334,142.14	7,093,012.04	6,836,843.44	6,565,838.96
Revenue Financing System Bonds, Taxable Series 2019B						
Revenue Bonds	Principal	7,385,000.00	7,545,000.00	7,695,000.00	7,860,000.00	8,020,000.00
	Interest	12,718,386.76	12,572,680.70	12,416,499.20	12,253,365.20	12,076,043.60
Revenue Financing System Bonds, Taxable Series 2020A						
Revenue Bonds	Principal	4,975,000.00	4,990,000.00	5,030,000.00	5,075,000.00	5,130,000.00
	Interest	2,992,395.25	2,977,022.48	2,955,315.96	2,925,588.66	2,887,982.92
Revenue Financing System Bonds, Series 2021A						
Revenue Bonds	Principal	4,000,000.00	4,910,000.00	5,175,000.00	5,440,000.00	5,705,000.00
	Interest	6,885,260.00	6,685,260.00	6,439,760.00	6,181,010.00	5,909,010.00
Revenue Financing System Bonds, Taxable Series 2021B						
Revenue Bonds	Principal	7,575,000.00	8,070,000.00	8,095,000.00	8,135,000.00	8,195,000.00
	Interest	5,161,614.20	4,657,055.52	4,636,477.02	4,599,240.02	4,526,757.18
Total		419,063,508.92	404,205,020.26	398,862,777.00	398,393,458.22	384,437,436.20
Less Interest		(170,463,508.92)	(161,645,020.26)	(153,362,777.00)	(144,573,458.22)	(135,262,436.20)
Total Principal		<u>\$ 248,600,000.00</u>	<u>\$ 242,560,000.00</u>	<u>\$ 245,500,000.00</u>	<u>\$ 253,820,000.00</u>	<u>\$ 249,175,000.00</u>

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Schedule 2C
The Texas A&M University System

Schedule of Debt Service Requirements
For the Year Ended August 31, 2021

Description		2027-2031	2032-2036	2037-2041	2042-2046	2047-2051
Revenue Financing System Bonds, Taxable Series 2017B						
Revenue Bonds	Principal	\$ -	\$ -	\$ -	\$ -	\$ -
	Interest					
Tuition Revenue Bonds	Principal	150,660,000.00	4,505,000.00			
	Interest	15,303,064.30	152,539.30			
Revenue Financing System Bonds, Series 2017C						
Revenue Bonds	Principal	19,680,000.00	18,660,000.00	13,245,000.00		
	Interest	10,111,281.30	5,526,381.30	1,263,156.26		
Tuition Revenue Bonds	Principal	8,625,000.00				
	Interest	633,750.00				
Revenue Financing System Bonds, Taxable Series 2017D						
Revenue Bonds	Principal	26,075,000.00	30,845,000.00	34,750,000.00	25,915,000.00	5,005,000.00
	Interest	20,716,183.16	15,906,843.50	9,938,606.90	3,725,303.40	191,291.10
Revenue Financing System Bonds, Series 2017E						
Revenue Bonds	Principal	110,650,000.00	77,580,000.00	26,390,000.00	8,155,000.00	10,280,000.00
	Interest	41,387,500.00	22,639,050.00	10,334,050.00	6,481,500.00	4,354,250.00
Revenue Financing System Bonds, Taxable Series 2019A						
Revenue Bonds	Principal	47,925,000.00	49,605,000.00	40,080,000.00	19,855,000.00	4,180,000.00
	Interest	28,161,612.52	19,100,998.28	9,552,425.48	2,734,765.44	265,040.60
Revenue Financing System Bonds, Taxable Series 2019B						
Revenue Bonds	Principal	75,610,000.00	107,440,000.00	117,230,000.00	61,570,000.00	12,090,000.00
	Interest	56,428,290.30	43,070,485.86	24,813,519.00	6,372,750.00	850,512.00
Revenue Financing System Bonds, Taxable Series 2020A						
Revenue Bonds	Principal	26,800,000.00	29,110,000.00	31,945,000.00	32,300,000.00	7,235,000.00
	Interest	13,472,793.26	11,158,555.50	7,681,883.04	3,497,216.48	191,510.48
Revenue Financing System Bonds, Series 2021A						
Revenue Bonds	Principal	33,085,000.00	41,385,000.00	47,980,000.00	36,445,000.00	5,300,000.00
	Interest	24,973,300.00	16,666,550.00	9,171,900.00	3,182,260.00	383,562.52
Revenue Financing System Bonds, Taxable Series 2021B						
Revenue Bonds	Principal	42,685,000.00	46,870,000.00	52,700,000.00	37,990,000.00	6,060,000.00
	Interest	20,927,213.12	16,715,268.64	10,834,566.94	3,942,134.30	265,463.10
Total		1,794,885,301.06	1,161,412,696.64	926,330,972.36	587,159,624.86	228,695,274.80
Less Interest		(536,940,301.06)	(338,062,696.64)	(198,160,972.36)	(84,914,624.86)	(16,820,274.80)
Total Principal		\$ 1,257,945,000.00	\$ 823,350,000.00	\$ 728,170,000.00	\$ 502,245,000.00	\$ 211,875,000.00

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Schedule 2C
The Texas A&M University System

Schedule of Debt Service Requirements
 For the Year Ended August 31, 2021

Description			Total Requirements
	2052-2056	2057	
Revenue Financing System Bonds, Taxable Series 2017B			
Revenue Bonds	\$ -	\$ -	\$ 5,485,000.00
Interest			120,779.69
Tuition Revenue Bonds			286,685,000.00
Interest			49,902,480.78
Revenue Financing System Bonds, Series 2017C			
Revenue Bonds			64,815,000.00
Interest			31,389,100.16
Tuition Revenue Bonds			28,435,000.00
Interest			5,858,750.00
Revenue Financing System Bonds, Taxable Series 2017D			
Revenue Bonds			145,155,000.00
Interest			74,729,143.94
Revenue Financing System Bonds, Series 2017E			
Revenue Bonds	12,525,000.00	2,815,000.00	334,605,000.00
Interest	2,105,000.00	112,600.00	157,724,250.00
Revenue Financing System Bonds, Taxable Series 2019A			
Revenue Bonds			203,770,000.00
Interest			95,208,402.30
Revenue Financing System Bonds, Taxable Series 2019B			
Revenue Bonds			412,445,000.00
Interest			193,572,532.62
Revenue Financing System Bonds, Taxable Series 2020A			
Revenue Bonds			152,590,000.00
Interest			50,740,264.03
Revenue Financing System Bonds, Series 2021A			
Revenue Bonds			189,425,000.00
Interest			86,477,872.52
Revenue Financing System Bonds, Taxable Series 2021B			
Revenue Bonds			226,375,000.00
Interest			76,265,790.04
Total	14,630,000.00	2,927,600.00	6,721,003,670.32
Less Interest	(2,105,000.00)	(112,600.00)	(1,942,423,670.32)
Total Principal	\$ 12,525,000.00	\$ 2,815,000.00	\$ 4,778,580,000.00

(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, 2021

Description	Pledged Revenues	Operating Expenses From Pledged Revenues	Debt Service	
			Principal	Interest
Permanent University Fund Bonds	\$ 337,557,286.68	\$ 239,381,055.90	\$ 50,525,000.00	\$ 55,576,902.31
Revenue Financing System Bonds	2,784,850,759.23	1,974,895,940.87	185,500,000.00	110,578,287.51
	<u>\$ 3,122,408,045.91</u>	<u>\$ 2,214,276,996.77</u>	<u>\$ 236,025,000.00</u>	<u>\$ 166,155,189.82</u>
			(Schedule 2B)	[a]
[a] Debt Service-Interest Expense (Exhibit IV)		\$ 172,696,485.59		
Less:				
Interest on Permanent University Fund Commercial Paper	\$ 1,489.07			
Interest on Revenue Financing System Commercial Paper/Note	345,008.28			
Interest on Notes from Direct Borrowings/Capital Leases	2,226,851.12			
Interest Expense on Defeased Notes & Loans	0.00			
Interest Expense on Defeased Bonds	3,546,023.84			
Other Interest Expense (non-bonds)	421,923.46			
Subtotal		(6,541,295.77)		
Total, Debt Service-Interest		<u>\$ 166,155,189.82</u>		[a]

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Schedule 2E
The Texas A&M University System
 Schedule of Defeased Bonds Outstanding
 For the Year Ended August 31, 2021

<u>Description of Issues</u>	<u>Calendar Year Refunded</u>	<u>Par Value Outstanding September 1, 2020</u>	<u>Newly Defeased</u>	<u>Principal Paid</u>	<u>Par Value Outstanding August 31, 2021</u>
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 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	61,520,000.00		1,385,000.00	60,135,000.00
Total		<u>\$ 535,960,000.00</u>	<u>\$ -</u>	<u>\$ 63,820,000.00</u>	<u>\$ 472,140,000.00</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, 2021

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

UNAUDITED

Schedule Three

The Texas A&M University System

Combined Proprietary Schedule of Cash & Cash Equivalents

For the Year Ended August 31, 2021

	<u>Current Year</u>
	<u>Total</u>
Proprietary Cash & Cash Equivalents	
Unrestricted	
Cash On Hand	
Cashiers Account	\$ 61,100.00
Petty Cash Department Working Fund	300,215.18
Temporary Working Fund	2,208.00
Total Cash On Hand	<u>363,523.18</u>
Cash In State Treasury	
Fund 0047	575,642,816.14
Fund 0092	12,753,823.53
Fund 0212	14,168.80
Fund 0230	9,396,353.08
Fund 0231	15,821,656.52
Fund 0232	2,867,380.33
Fund 0242	4,041,219.23
Fund 0243	1,594,474.88
Fund 0245	18,903,669.63
Fund 0254	9,556,851.24
Fund 0257	2,620,130.22
Fund 0263	1,491,716.86
Fund 0275	1,078,254.78
Fund 0289	21,939,873.78
Fund 0290	7,264,805.21
Fund 0291	1,066,496.36
Fund 0325	563,197,686.92
Fund 0453	372,757.23
Fund 0818	1,784,679.96
Fund 0900	13,627.11
Fund 0980	44,973.15
Fund 5029	7,413,117.94
Fund 5064	63,269,722.20
Fund 5066	4,923,479.59
Total Cash In State Treasury	<u>1,327,073,734.69</u>
Reimbursements Due From State Treasury	28,003,008.84
Cash In Bank	5,567,840.20
Cash Equivalents	485,723,630.99
Total Unrestricted Cash and Cash Equivalents (Exhibit III)	<u>\$ 1,846,731,737.90</u>
Restricted	
Cash On Hand	
Petty Cash Department Working Fund	\$ 253,960.00
Temporary Working Fund	10,000.00
Total Restricted Cash On Hand	<u>263,960.00</u>
Cash In Bank	19,803,856.04
Cash Equivalents	294,720,642.50
Total Restricted Cash & Cash Equivalents [Exhibit III]	<u>\$ 314,788,458.54</u>
Total Proprietary Cash & Cash Equivalents [Exhibit V]	<u>\$ 2,161,520,196.44</u>

UNAUDITED

Schedule Three-F

The Texas A&M University System

Combined Schedule of Fiduciary Cash & Cash Equivalents

Custodial Funds

For the Year Ended August 31, 2021

	Current Year Total
Fiduciary Cash & Cash Equivalents	
Cash On Hand	\$ 100.00
Cash In Bank	66,920.06
Cash Equivalents	7,978,287.78
Total Cash & Cash Equivalents (Exhibit VI)	\$ 8,045,307.84
Restricted Cash & Cash Equivalents	
Cash On Hand	\$ 10,000.00
Cash In Bank	281,255.29
Cash Equivalents	32,194,359.62
Total Restricted Cash & Cash Equivalents (Exhibit VI)	\$ 32,485,614.91
Total Fiduciary Cash & Cash Equivalents	\$ 40,530,922.75

APPENDIX C-1*

FORM OF TAX EXEMPT NOTE OPINION

* On June 21, 2018, Orrick, Herrington & Sutcliffe LLP, Austin, Texas, Bond Counsel to the Board (“Bond Counsel”), delivered its opinion (the “Initial Tax Exempt Note Opinion”) with respect to the Tax Exempt Notes in the form of this Exhibit C-1. Bond Counsel has not undertaken to affirm, repeat, or in any manner republish the Initial Tax Exempt Note Opinion for the Tax Exempt Notes.



Orrick, Herrington & Sutcliffe LLP
300 West 6th Street
Suite 1850
Austin, TX 78701
+1 512 582 6950
orrick.com

June 21, 2018

**BOARD OF REGENTS OF THE TEXAS A&M UNIVERSITY SYSTEM
REVENUE FINANCING SYSTEM
TAX-EXEMPT COMMERCIAL PAPER NOTES, SERIES B**

WE HAVE ACTED AS BOND COUNSEL for the Board of Regents of The Texas A&M University System (the "Board") in connection with the issuance from time to time of up to an aggregate principal amount at any one time outstanding of not to exceed \$300 million of its obligations evidenced by the notes (the "Tax-Exempt Notes") described above and designated as tax-exempt notes pursuant to the Resolution (as hereinafter defined). The proceeds of the Tax-Exempt Notes are to be used, pursuant to the terms and provisions of a Master Resolution Establishing The Texas A&M University System Revenue Financing System adopted by the Board on November 19, 1990, and amended on September 17, 1993, and July 25, 1997 (the "Master Resolution"); an Amended and Restated Second Supplemental Resolution adopted on March 27, 2008 (the "Second Supplement" and, together with the Master Resolution, the "Resolution"), to provide interim financing to pay the costs and expenses incurred in relation to certain eligible projects at or for certain member institutions of The Texas A&M University System that are Participants of the Texas A&M University System's Revenue Financing System and to refinance, renew, or refund Notes issued under the Resolution, Prior Encumbered Obligations and Parity Obligations, all in accordance with the provisions of Chapter 1371, Texas Government Code, as amended, and Chapter 55, Texas Education Code, as amended. Terms used herein and not otherwise defined in this opinion shall have the meanings assigned to them in the Resolution.

IN OUR CAPACITY AS BOND COUNSEL, we have examined the applicable and pertinent provisions of the Constitution and laws of the State of Texas, a transcript of certified proceedings of the Board related to the Tax-Exempt Notes, customary certificates of officers and representatives of the Board, and other pertinent instruments relating to the authorization of the Tax-Exempt Notes and the security for the payment thereof. In such examination, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies, and the truth and accuracy of the statements and findings contained in such certificates and reports. We have also examined the opinion of the Attorney General of the State of Texas approving the Resolution.

BASED ON SAID EXAMINATION, IT IS OUR OPINION that, under the Constitution and laws of the State of Texas as they exist on the date of this opinion, such transcript of proceedings evidences lawful authority for the issuance, reissuance, and sale of the Tax-Exempt Notes from time to time by the Board pursuant and subject to the provisions, terms, and conditions of the Resolution. We are also of the opinion that the Resolution has been duly and

lawfully adopted by the Board and that, except as the enforceability thereof may be limited by laws applicable to the Board relating to bankruptcy, reorganization and other similar matters affecting creditors' rights, or by general principles of equity which permit the exercise of judicial discretion, the covenants and provisions in the Resolution constitute valid and binding obligations of the Board.

WE ARE FURTHER OF THE OPINION THAT, under the Constitution and laws of the State of Texas as they exist on the date of this opinion, upon due execution, authentication, and payment and upon compliance by the Board with the conditions and covenants of the Resolution, and except as the enforceability thereof may be limited by laws applicable to the Board relating to bankruptcy, reorganization and other similar matters affecting creditors' rights, or by general principles of equity which permit the exercise of judicial discretion, the Tax-Exempt Notes will constitute valid and binding special obligations of the Board, secured by and payable from the Pledged Revenues on a parity with the other outstanding Parity Obligations; such lien on and pledge of the Pledged Revenues, however, is junior and subordinate to the lien and pledge securing the payment of Prior Encumbered Obligations. The Board reserves the right in the Resolution, to issue additional obligations payable from the same sources securing the Prior Encumbered Obligations, prior in right and claim to the pledge of the Pledged Revenues securing the Tax-Exempt Notes, or to issue Parity Obligations that are equally and ratably secured by a pledge of the Pledged Revenues, without any limitation as to principal amount but subject to any terms, conditions, and limitations as may be applicable thereto. The Board has reserved the right, subject to the restrictions stated in the Resolution, to amend the Resolution.

THE OWNERS OF THE NOTES shall never have the right to demand payment of the principal thereof or interest thereon out of any funds raised or to be raised by taxation, or from any source whatsoever other than specified in the Resolution.

ALSO BASED ON OUR EXAMINATION AS DESCRIBED ABOVE, interest on the Tax-Exempt Notes is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. Interest on the Tax-Exempt Notes is not a specific preference item for purposes of the federal alternative minimum taxes. The opinion set forth in the first sentence of this paragraph is subject to the condition that the Board comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of Tax-Exempt Notes in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The Board has covenanted in the Resolution to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Tax-Exempt Notes in gross income for federal income tax purposes to be retroactive to the date of issuance of the Tax-Exempt Notes. The Code and the existing regulations, rulings and court decisions thereunder, upon which the foregoing opinions of Bond Counsel are based, are subject to change, which could prospectively or retroactively result in the inclusion of the interest on the Tax-Exempt Notes in gross income of the owners thereof for federal income tax purposes.

OUR OPINIONS ARE BASED ON EXISTING LAW, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of

existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

OUR SOLE ENGAGEMENT in connection with the issuance of the Tax-Exempt Notes is as Bond Counsel for the Board, and, in that capacity, we have been engaged by the Board for the sole purpose of rendering an opinion with respect to the legality and validity of the Tax-Exempt Notes under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Tax-Exempt Notes for federal income tax purposes, and for no other reason or purpose. We have not been requested to investigate or verify, and have not independently investigated or verified any records, data, or other material relating to the financial condition or capabilities of the Board or the disclosure thereof in connection with the sale of the Tax-Exempt Notes, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Tax-Exempt Notes and have relied solely on certificates executed by officials of the Board as to the current outstanding indebtedness of the Board and the sufficiency of the Pledged Revenues.

THE FOREGOING OPINIONS represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result.

YOU MAY CONTINUE TO RELY on this opinion to the extent that (i) there is no change in existing law subsequent to the date of this opinion and (ii) the representations, warranties and covenants contained in the Resolution and certain certificates of authorized officials of the Board remain true and accurate.

Respectfully,

ORRICK, HERRINGTON & SUTCLIFFE LLP

APPENDIX C-2*

FORM OF TAXABLE NOTE OPINION

* On June 21, 2018, Orrick, Herrington & Sutcliffe LLP, Austin, Texas, Bond Counsel to the Board (“Bond Counsel”), delivered its opinion (the “Initial Taxable Note Opinion”) with the respect to the Taxable Notes in the form of this Exhibit C-2. Bond Counsel has not undertaken to affirm, repeat, or in any manner republish the Initial Taxable Note Opinion for the Taxable Notes.



Orrick, Herrington & Sutcliffe LLP
300 West 6th Street
Suite 1850
Austin, TX 78701
+1 512 582 6950
orrick.com

June 21, 2018

**BOARD OF REGENTS OF THE TEXAS A&M UNIVERSITY SYSTEM
REVENUE FINANCING SYSTEM
TAXABLE COMMERCIAL PAPER NOTES, SERIES B**

WE HAVE ACTED AS BOND COUNSEL for the Board of Regents of The Texas A&M University System (the "Board") in connection with the issuance from time to time of up to an aggregate principal amount at any one time outstanding of not to exceed \$300 million of its obligations evidenced by the notes (the "Taxable Notes") described above and designated as taxable notes pursuant to the Resolution (as hereinafter defined). The proceeds of the Taxable Notes are to be used, pursuant to the terms and provisions of a Master Resolution Establishing The Texas A&M University System Revenue Financing System adopted by the Board on November 19, 1990, and amended on September 17, 1993, and July 25, 1997 (the "Master Resolution"); an Amended and Restated Second Supplemental Resolution adopted on March 27, 2008 (the "Second Supplement" and, together with the Master Resolution, the "Resolution"), to provide interim financing to pay the costs and expenses incurred in relation to certain eligible projects at or for certain member institutions of The Texas A&M University System that are Participants of the Texas A&M University System's Revenue Financing System and to refinance, renew, or refund Notes issued under the Resolution, Prior Encumbered Obligations and Parity Obligations, all in accordance with the provisions of Chapter 1371, Texas Government Code, as amended, and Chapter 55, Texas Education Code, as amended. Terms used herein and not otherwise defined in this opinion shall have the meanings assigned to them in the Resolution.

IN OUR CAPACITY AS BOND COUNSEL, we have examined the applicable and pertinent provisions of the Constitution and laws of the State of Texas, a transcript of certified proceedings of the Board related to the Taxable Notes, customary certificates of officers and representatives of the Board, and other pertinent instruments relating to the authorization of the Taxable Notes and the security for the payment thereof. In such examination, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies, and the truth and accuracy of the statements and findings contained in such certificates and reports. We have also examined the opinion of the Attorney General of the State of Texas approving the Resolution.

BASED ON SAID EXAMINATION, IT IS OUR OPINION that, under the Constitution and laws of the State of Texas as they exist on the date of this opinion, such transcript of proceedings evidences lawful authority for the issuance, reissuance, and sale of the Taxable Notes from time to time by the Board pursuant and subject to the provisions, terms, and conditions of the Resolution. We are also of the opinion that the Resolution has been duly and lawfully adopted by the Board and that, except as the enforceability thereof may be limited by laws applicable to the Board relating to bankruptcy, reorganization and other similar matters affecting creditors' rights,

or by general principles of equity which permit the exercise of judicial discretion, the covenants and provisions in the Resolution constitute valid and binding obligations of the Board.

WE ARE FURTHER OF THE OPINION THAT, under the Constitution and laws of the State of Texas as they exist on the date of this opinion, upon due execution, authentication, and payment and upon compliance by the Board with the conditions and covenants of the Resolution, and except as the enforceability thereof may be limited by laws applicable to the Board relating to bankruptcy, reorganization and other similar matters affecting creditors' rights, or by general principles of equity which permit the exercise of judicial discretion, the Taxable Notes will constitute valid and binding special obligations of the Board, secured by and payable from the Pledged Revenues on a parity with the other outstanding Parity Obligations; such lien on and pledge of the Pledged Revenues, however, is junior and subordinate to the lien and pledge securing the payment of Prior Encumbered Obligations. The Board reserves the right in the Resolution, to issue additional obligations payable from the same sources securing the Prior Encumbered Obligations, prior in right and claim to the pledge of the Pledged Revenues securing the Taxable Notes, or to issue Parity Obligations that are equally and ratably secured by a pledge of the Pledged Revenues, without any limitation as to principal amount but subject to any terms, conditions, and limitations as may be applicable thereto. The Board has reserved the right, subject to the restrictions stated in the Resolution, to amend the Resolution.

THE OWNERS OF THE NOTES shall never have the right to demand payment of the principal thereof or interest thereon out of any funds raised or to be raised by taxation, or from any source whatsoever other than specified in the Resolution.

OUR OPINIONS ARE BASED ON EXISTING LAW, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

OUR SOLE ENGAGEMENT in connection with the issuance of the Taxable Notes is as Bond Counsel for the Board, and, in that capacity, we have been engaged by the Board for the sole purpose of rendering an opinion with respect to the legality and validity of the Taxable Notes under the Constitution and laws of the State of Texas, and for no other reason or purpose. We have not been requested to investigate or verify, and have not independently investigated or verified any records, data, or other material relating to the financial condition or capabilities of the Board or the disclosure thereof in connection with the sale of the Taxable Notes, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Taxable Notes and have relied solely on certificates executed by officials of the Board as to the current outstanding indebtedness of the Board and the sufficiency of the Pledged Revenues.

THE FOREGOING OPINIONS represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result.

YOU MAY CONTINUE TO RELY on this opinion to the extent that (i) there is no change in existing law subsequent to the date of this opinion and (ii) the representations, warranties and covenants contained in the Resolution and certain certificates of authorized officials of the Board remain true and accurate.

Respectfully,

ORRICK, HERRINGTON & SUTCLIFFE LLP