

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 Winstead PC, 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 26, 2024

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, 2023, and the Continuing Disclosure Annual Report for the Fiscal Year ended August 31, 2023, 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 26, 2024**

**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 Winstead PC, 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 2023 fall semester, the general academic institutions had a total enrollment of approximately 157,916 students, of which approximately 69,524 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 2024 budget of the A&M System is approximately \$7.8 billion, and the A&M System benefits from endowments, subject to certain restrictions, with a market value of approximately \$19.7 billion as of January 31, 2024. 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*

| <b><u>Institutions</u></b>                       | <b>Fall Semester<sup>(1)</sup></b> |                    |                    |                    |                    |
|--|------------------------------------|--------------------|--------------------|--------------------|--------------------|
|  | <b><u>2023</u></b>                 | <b><u>2022</u></b> | <b><u>2021</u></b> | <b><u>2020</u></b> | <b><u>2019</u></b> |
| Texas A&M University <sup>(2)</sup>              | 69,524                             | 67,166             | 66,057             | 65,272             | 63,859             |
| Texas A&M University at Galveston <sup>(3)</sup> | 2,155                              | 2,232              | 2,168              | 1,653              | 1,644              |
| Texas A&M Health Science Center                  | 3,456                              | 3,391              | 3,304              | 3,084              | 2,887              |
| Texas A&M University – Central Texas             | 2,253                              | 2,194              | 2,218              | 2,339              | 2,440              |
| Texas A&M University – Commerce                  | 11,894                             | 10,754             | 10,966             | 11,624             | 11,725             |
| Texas A&M University – Corpus Christi            | 10,867                             | 10,778             | 10,762             | 10,820             | 11,452             |
| Texas A&M International University               | 8,489                              | 8,193              | 8,145              | 8,270              | 8,305              |
| Texas A&M University – Kingsville                | 6,575                              | 6,070              | 6,375              | 6,915              | 7,479              |
| Texas A&M University – San Antonio               | 7,534                              | 7,223              | 6,858              | 6,741              | 6,714              |
| Texas A&M University – Texarkana                 | 2,112                              | 2,073              | 2,078              | 2,161              | 2,053              |
| Prairie View A&M University                      | 9,508                              | 8,998              | 9,353              | 9,248              | 8,940              |
| Tarleton State University                        | 14,519                             | 14,093             | 13,995             | 14,022             | 13,177             |
| West Texas A&M University                        | <u>9,030</u>                       | <u>9,242</u>       | <u>9,545</u>       | <u>10,051</u>      | <u>9,970</u>       |
|  | <u>157,916</u>                     | <u>152,407</u>     | <u>151,824</u>     | <u>152,200</u>     | <u>150,645</u>     |

- (1) The enrollment data has been certified by the Texas Higher Education Coordinating Board for 2019-2022. The 2023 enrollment data is based on preliminary 20<sup>th</sup> class day data.
- (2) Includes Texas A&M University School of Law.
- (3) A branch campus of Texas A&M University.

## Investment Considerations

### *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 \$33.1 million with additional damages to be reported. Current expectations are that the total loss may be near \$34.0 million (which is expected to be covered by insurance) as a result of damage caused by the storm. In December 2022, Winter Storm Elliott caused the A&M System and its Participants to experience losses currently reported at between \$5.5 million and \$6.0 million.

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 of December 1, 2030 or (ii) have a term in excess of 270 calendar 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 certain tax related covenants under the Resolution and the applicable provisions of the Internal Revenue Code of 1986 as amended (the "Code"). (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 \$1.4 billion) for Fiscal Year 2023 to be approximately \$4.5 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, 2023, excerpted from the 2023 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, 2023, the Combined Statement of Revenues, Expenses and Changes in Net Position for the Year Ended August 31, 2023 and the Combined Statement of Cash Flows for the Year Ended August 31, 2023. See “APPENDIX B – UNAUDITED FINANCIAL REPORTS OF THE TEXAS A&M UNIVERSITY SYSTEM.”

The following table reflects the unaudited condensed statement of net position of the A&M System as of August 31, 2023, 2022, 2021, 2020 and 2019.

**Condensed Statement of Net Position  
as of August 31, 2023, 2022, 2021, 2020, and 2019  
(In Thousands)<sup>(1)</sup>**

|  | <u>FY 2023</u>      | <u>FY 2022</u>      | <u>FY 2021</u>      | <u>FY 2020</u>      | <u>FY 2019</u>      |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|
| <b>Assets and Deferred Outflows of Resources:</b>      |                     |                     |                     |                     |                     |
| Current Assets   | \$4,083,627         | \$3,192,631         | \$3,311,963         | \$2,606,774         | \$2,518,084         |
| Capital Assets, Net                                    | 7,593,351           | 7,370,850           | 7,161,422           | 6,985,185           | 6,691,333           |
| Other Assets and Deferred Outflows                     | <u>9,081,189</u>    | <u>8,395,797</u>    | <u>8,846,324</u>    | <u>7,704,919</u>    | <u>7,519,196</u>    |
| Total Assets and Deferred Outflows                     | <u>20,758,167</u>   | <u>18,959,278</u>   | <u>19,319,709</u>   | <u>17,296,878</u>   | <u>16,728,613</u>   |
| <b>Liabilities and Deferred Inflows of Resources:</b>  |                     |                     |                     |                     |                     |
| Current Liabilities                                    | 2,448,905           | 2,285,953           | 2,163,674           | 1,700,257           | 1,799,392           |
| Non-Current Liabilities                                | 8,152,378           | 7,987,656           | 8,107,908           | 7,528,025           | 7,626,359           |
| Other Liabilities and Deferred Inflows                 | <u>1,217,279</u>    | <u>968,902</u>      | <u>558,504</u>      | <u>726,957</u>      | <u>714,589</u>      |
| Total Liabilities and Deferred Inflows                 | 11,818,562          | 11,242,511          | 10,830,086          | 9,955,239           | 10,140,340          |
| <b>Net Position:</b>                                   |                     |                     |                     |                     |                     |
| Net Investment In Capital Assets                       | 2,358,671           | 2,133,354           | 2,514,273           | 2,381,422           | 2,318,447           |
| Restricted   |                     |                     |                     |                     |                     |
| Expendable   | 1,636,886           | 1,516,974           | 1,150,873           | 1,088,445           | 1,069,247           |
| Non-Expendable   | 467,520             | 457,596             | 434,425             | 421,794             | 408,026             |
| Unrestricted   | <u>4,476,528</u>    | <u>3,608,843</u>    | <u>4,390,052</u>    | <u>3,449,978</u>    | <u>2,792,553</u>    |
| Total Net Position                                     | 8,939,606           | 7,716,767           | 8,489,623           | 7,341,639           | 6,588,273           |
| <b>Liabilities, Deferred Inflows, and Net Position</b> | <u>\$20,758,167</u> | <u>\$18,959,278</u> | <u>\$19,319,709</u> | <u>\$17,296,878</u> | <u>\$16,728,613</u> |

<sup>(1)</sup> 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, 2023." The Fiscal Year 2020 and 2021 results reflect the operational and financial impact of the COVID-19 worldwide pandemic and measures implemented in response thereto.

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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 2023, 2022, 2021, 2020 and 2019.

**Combined Statement of Revenues, Expenses and Changes in Net Position  
for the Years Ended August 31, 2023, 2022, 2021, 2020 and 2019  
(In Thousands)<sup>(1)</sup>**

|   | <u>FY 2023</u>     | <u>FY 2022</u>     | <u>FY 2021</u>     | <u>FY 2020</u>     | <u>FY 2019</u>     |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|
| <b>Operating Revenues:</b>                        |                    |                    |                    |                    |                    |
| Net Tuition and Fees                              | \$1,354,279        | \$1,351,773        | \$1,272,746        | \$1,209,514        | \$1,161,845        |
| Professional Fees                                 | 1,031              | 2,218              | 2,325              | 2,336              | 5,245              |
| Net Auxiliary Enterprises                         | 390,559            | 397,180            | 293,456            | 290,513            | 324,411            |
| Net Other Sales of Goods and Services             | 372,519            | 318,708            | 290,961            | 285,242            | 314,481            |
| Interest Revenue                                  | 677                | 736                | 690                | 1,563              | 579                |
| Federal Revenue – Operating                       | 702,554            | 635,131            | 633,066            | 628,034            | 465,270            |
| Federal Pass Through Revenue                      | 130,667            | 173,175            | 216,638            | 411,576            | 32,757             |
| State Grant Revenue                               | 6,869              | 5,296              | 5,100              | 5,898              | 5,629              |
| State Pass Through Revenue                        | 148,229            | 134,091            | 122,647            | 131,709            | 124,326            |
| Other Grants and Contracts – Operating            | 335,876            | 286,058            | 293,653            | 284,746            | 280,644            |
| Other Operating Revenue                           | <u>97,012</u>      | <u>89,468</u>      | <u>83,832</u>      | <u>63,911</u>      | <u>73,005</u>      |
| Total Operating Revenue                           | 3,540,272          | 3,393,834          | 3,215,114          | 3,315,042          | 2,788,192          |
| <b>Operating Expenses:</b>                        |                    |                    |                    |                    |                    |
| Instruction                                       | 1,459,082          | 1,356,016          | 1,277,893          | 1,280,060          | 1,063,348          |
| Research  | 1,172,589          | 1,075,818          | 1,131,888          | 1,092,463          | 766,239            |
| Public Service                                    | 2,372,558          | 4,186,799          | 8,652,840          | 2,018,033          | 246,757            |
| Academic Support                                  | 561,578            | 515,673            | 474,627            | 475,523            | 394,827            |
| Student Services                                  | 267,115            | 248,857            | 224,917            | 226,545            | 178,711            |
| Institutional Support                             | 389,761            | 362,468            | 373,393            | 312,171            | 236,277            |
| Operations and Maintenance of Plant               | 373,013            | 383,684            | 341,892            | 350,213            | 285,329            |
| Scholarships and Fellowships                      | 280,447            | 453,370            | 411,202            | 300,670            | 244,673            |
| Auxiliary   | 502,246            | 450,801            | 384,360            | 401,068            | 411,281            |
| Depreciation/Amortization                         | <u>558,093</u>     | <u>528,430</u>     | <u>514,749</u>     | <u>468,756</u>     | <u>424,422</u>     |
| Total Operating Expenses                          | <u>7,936,483</u>   | <u>9,561,916</u>   | <u>13,787,761</u>  | <u>6,925,502</u>   | <u>4,251,864</u>   |
| Operating Loss                                    | (4,396,211)        | (6,168,082)        | (10,572,647)       | (3,610,460)        | (1,463,672)        |
| <b>Non-Operating Revenues (Expenses):</b>         |                    |                    |                    |                    |                    |
| Legislative Revenue                               | 1,820,839          | 1,357,437          | 1,341,820          | 1,291,892          | 1,191,454          |
| Federal Revenue Non-Operating                     | 1,530,785          | 4,189,609          | 7,910,554          | 916,391            | 267,174            |
| Federal Pass Through Non-Operating                | 656,163            | (80,485)           | 810,044            | 785,618            | 0                  |
| State Pass Through Non-Operating                  | 226,842            | 120,499            | 86,714             | 43,733             | 0                  |
| Gifts   | 389,708            | 220,809            | 199,166            | 165,041            | 208,671            |
| Investment Income                                 | 558,834            | (830,506)          | 1,010,059          | 583,514            | 287,588            |
| Investing Activities Expense                      | (22,358)           | (23,936)           | (22,187)           | (16,845)           | (17,087)           |
| Interest Expense                                  | (188,746)          | (179,825)          | (172,696)          | (170,496)          | (171,799)          |
| Borrower Rebates and Agent Fees                   | (2,454)            | (285)              | (2,598)            | (3,669)            | (4,006)            |
| Gain (Loss) on Sale or Disposal of Capital Assets | 2,715              | 14,282             | (122)              | (881)              | (11,355)           |
| Net Increase (Decrease) in Fair Value             | 0                  | 0                  | 0                  | 0                  | 0                  |
| Settlement of Claims                              | (812)              | (78)               | (233)              | (1,229)            | (2,727)            |
| Other Non-Operating Revenues                      | 115,586            | 33,285             | 74,035             | 35,918             | 60,606             |
| Other Non-Operating (Expenses)                    | <u>(124,758)</u>   | <u>(41,007)</u>    | <u>(78,750)</u>    | <u>(44,719)</u>    | <u>(74,295)</u>    |
| Total Non-Operating Revenues (Expenses)           | 4,962,345          | 4,779,799          | 11,155,806         | 3,584,268          | 1,734,224          |
| Income (Loss) Before Other Revenues and Transfers | 566,134            | (1,388,283)        | 583,159            | (26,192)           | 270,552            |
| Capital Contributions                             | 11,546             | 13,917             | 12,915             | 6,400              | 13,807             |
| Capital Appropriations (Higher Education Fund)    | 48,420             | 48,420             | 48,420             | 46,587             | 46,587             |
| Additions to Permanent and Term Endowments        | 12,110             | 12,586             | 80,771             | 7,193              | 5,187              |
| Transfers to/from Other State Agencies            | <u>584,629</u>     | <u>540,972</u>     | <u>422,719</u>     | <u>719,128</u>     | <u>493,848</u>     |
| Change in Net Position                            | 1,222,839          | (772,388)          | 1,147,984          | 753,116            | 829,981            |
| Net Position, Beginning of Year                   | 7,716,767          | 8,489,623          | 7,341,639          | 6,588,273          | 5,770,482          |
| Restatement                                       | <u>0</u>           | <u>(468)</u>       | <u>0</u>           | <u>250</u>         | <u>(12,190)</u>    |
| Net Position, Beginning of Year, Restated         | 7,716,767          | 8,489,155          | 7,341,639          | 6,588,523          | 5,758,292          |
| <b>Net Position – August 31, 2023-2019</b>        | <u>\$8,939,606</u> | <u>\$7,716,767</u> | <u>\$8,489,623</u> | <u>\$7,341,639</u> | <u>\$6,588,273</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, 2023.” The Fiscal Year 2020 and 2021 results reflect the operational and financial impact of the COVID-19 worldwide pandemic and measures implemented in response thereto.

## 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, 2023, 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 2023-24 academic year, the Coordinating Board has computed \$470 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.

As required by Section 54.017 of the Texas Education Code, undergraduate students have the opportunity to participate in a fixed tuition price plan, giving students the choice between a variable one-year optional rate and a four-year guaranteed rate.

As part of the State of Texas’ Higher Education Affordability initiative, in which higher education institutions received additional state funding, the Board has made the commitment not to increase resident undergraduate academic costs, including tuition, mandatory academic fees, all academic-related general fees, and college course fees for both the 2023-24 and 2024-25 academic years.

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. Currently, 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.

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 2024 semester based on 15 semester credit hours.

**Fall 2024 Tuition Rates**

|                                       | State<br>Mandated<br>Tuition | *Board<br>Designated<br>Tuition and<br>Mandatory<br>Fees | Total<br>Tuition<br>and Fees |
|---------------------------------------|------------------------------|--|------------------------------|
| Prairie View A&M University           | \$ 750                       | \$4,900  | \$5,650                      |
| Tarleton State University             | 750                          | 4,357 - 5,366  | 5,107 - 6,116                |
| 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 amounts 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. The State Legislature adopted a budget for the State for the 2024-2025 biennium that began on September 1, 2023, which appropriated approximately \$2.24 billion for the A&M System from the general revenue fund for Fiscal Year 2024 and approximately \$1.74 billion for Fiscal Year 2025. Based on the original operating budget for the A&M System for the Fiscal Year ending August 31, 2024, State appropriations comprise approximately 27% of A&M System revenues for Fiscal Year 2024. These amounts include legislative revenues and net transfers from other State agencies.

The 88<sup>th</sup> State Legislature also authorized special general revenue appropriations in the amount of: (1) \$200 million to Texas A&M University for construction of facilities adjacent to the Johnson Space Center for mission training, research, and the curation of astronautical materials; (2) \$30 million to Texas A&M Engineering Experiment Station (“TEES”) for a hypersonic wind tunnel and associated research capacity to advance hypersonic research; (3) \$15 million to Texas A&M AgriLife Research for Vernon Center repairs resulting from tornado damage; (4) \$226.4 million to The Texas A&M University System for quantum and artificial intelligence chip fabrication; and (5) \$43 million for dock and other infrastructure improvements needed to accommodate new and larger vessels from the U.S. Department of Transportation and the U.S. Maritime Administration.

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](http://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>.

Capital Construction Assistance Projects. 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 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 (previously known as “Tuition Revenue Bonds”) issued pursuant to specific statutory authorizations for individual institutions and projects identified in Chapter 55. Senate Bill 52 (“SB 52”), enacted during the third special session of the 87th State Legislature in 2021, amended Chapter 55 to authorize the issuance of additional revenue bonds designated by SB 52 as “Capital Construction Assistance Projects”.

The reimbursement of the payment of debt service on such revenue bonds issued for Capital Construction Assistance Projects (“CCAPs”) 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 such revenue bonds issued for CCAPs 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 revenue bonds issued for CCAPs. See footnotes (1) and (2) in the table under “Outstanding Indebtedness” below for a description of which Parity Obligations of the A&M System constitute revenue bonds issued for CCAPs. Such revenue bonds issued for CCAPs 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.

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The State Legislature appropriated funds to reimburse the A&M System in prior years and in the budget for the 2024-25 biennium in amounts equal to the total debt service for the A&M System's revenue bonds issued for CCAPs, including \$159,157,298 for Fiscal Year 2024 and \$159,160,923 for Fiscal Year 2025.

In addition, the State Legislature appropriated general revenue funds totaling \$11,348,149 in Fiscal Year 2024 and \$11,351,957 in Fiscal Year 2025 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 new laboratories in College Station, Texas and Canyon, Texas, and the TEES's Center for Infrastructure Renewal.

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 2023, the A&M System received contributions (gifts, grants and contracts) exceeding \$749.2 million from the private sector, and during the five complete Fiscal Years preceding 2023, the A&M System received contributions averaging in excess of \$512.9 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 ("TAMU"), Texas A&M University – Kingsville ("A&M – Kingsville"), Texas A&M University – Texarkana ("A&M – Texarkana"), West Texas A&M University ("WTAMU"), Texas A&M Veterinary Medical Diagnostic Laboratory ("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, 2024, the Board's constitutionally authorized PUF bond capacity was approximately \$3,016,447,908, and as of January 31, 2024, the aggregate amount of the Board's PUF bonds and notes issued and outstanding under this limit was \$1,608,285,000.

## *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 88<sup>th</sup> State Legislature appropriated HEF program funds for A&M System institutions in the amounts of \$49,880,728 for Fiscal Year 2024 and \$49,880,728 for Fiscal Year 2025. 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, 2023 – 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 26, 2024, the A&M System had the following described indebtedness:

### Revenue Financing System

|   |                         |
|---|-------------------------|
| Revenue Financing System Bonds, Series 2013B                        | 27,865,000              |
| Revenue Financing System Bonds, Series 2015A <sup>(1)</sup>         | 11,455,000              |
| Revenue Financing System Bonds, Series 2015B                        | 46,775,000              |
| Revenue Financing System Bonds, Taxable Series 2015C                | 53,230,000              |
| Revenue Financing System Bonds, Taxable Series 2015D                | 55,110,000              |
| Revenue Financing System Bonds, Taxable Series 2016A <sup>(2)</sup> | 44,525,000              |
| Revenue Financing System Bonds, Taxable Series 2016B                | 258,385,000             |
| Revenue Financing System Bonds, Series 2016C <sup>(2)</sup>         | 148,240,000             |
| Revenue Financing System Bonds, Taxable Series 2016D <sup>(2)</sup> | 130,675,000             |
| Revenue Financing System Bonds, Series 2016E <sup>(2)</sup>         | 95,560,000              |
| Revenue Financing System Bonds, Taxable Series 2017A <sup>(1)</sup> | 231,630,000             |
| Revenue Financing System Bonds, Taxable Series 2017B <sup>(2)</sup> | 235,955,000             |
| Revenue Financing System Bonds, Series 2017C <sup>(2)</sup>         | 83,350,000              |
| Revenue Financing System Bonds, Taxable Series 2017D                | 136,475,000             |
| Revenue Financing System Bonds, Series 2017E                        | 325,825,000             |
| Revenue Financing System Bonds, Taxable Series 2019A                | 187,630,000             |
| Revenue Financing System Bonds, Taxable Series 2019B                | 397,515,000             |
| Revenue Financing System Bonds, Taxable Series 2020A                | 142,625,000             |
| Revenue Financing System Bonds, Series 2021A                        | 180,515,000             |
| Revenue Financing System Bonds, Taxable Series 2021B                | 210,730,000             |
| Revenue Financing System Bonds, Series 2022                         | 201,870,000             |
| Revenue Financing System Commercial Paper Notes <sup>(3)</sup>      | 204,406,000             |
|   | <u>\$ 3,410,346,000</u> |

### Permanent University Fund

|   |                         |
|---|-------------------------|
| Permanent University Fund Bonds, Series 1998                    | 16,315,000              |
| Permanent University Fund Bonds, Series 2009AB                  | 180,000,000             |
| Permanent University Fund Bonds, Series 2012A                   | 13,225,000              |
| Permanent University Fund Bonds, Taxable Series 2012B           | 63,015,000              |
| Permanent University Fund Bonds, Series 2013                    | 61,305,000              |
| Permanent University Fund Bonds, Series 2015A                   | 140,555,000             |
| Permanent University Fund Bonds, Taxable Series 2015B           | 78,285,000              |
| Permanent University Fund Bonds, Series 2017A                   | 80,395,000              |
| Permanent University Fund Bonds, Taxable Series 2017B           | 310,340,000             |
| Permanent University Fund Bonds, Taxable Series 2019            | 339,915,000             |
| Permanent University Fund Bonds, Series 2023                    | 239,935,000             |
| Permanent University Fund Commercial Paper Notes <sup>(4)</sup> | 0                       |
|   | <u>\$ 1,523,285,000</u> |
|   | <u>\$ 4,933,631,000</u> |

TOTAL

- <sup>(1)</sup> Constitute bonds that qualify for reimbursement from State appropriations for debt service payments on the Board's outstanding revenue bonds issued for Capital Construction Assistance Projects (formerly known as "Tuition Revenue Bonds"). See "FINANCIAL MANAGEMENT – Funding for the A&M System – State Government Appropriations – Capital Construction Assistance Projects". Future reimbursement by the State for debt service payments is entirely subject to future appropriations by the State Legislature in each subsequent State biennium.
- <sup>(2)</sup> A portion of these bonds constitute revenue bonds issued for Capital Construction Assistance Projects (formerly known as "Tuition Revenue Bonds"). See footnote (1).
- <sup>(3)</sup> Under current Board authorization, Revenue Financing System Commercial Paper Notes may be issued up to a total of \$300 million.
- <sup>(4)</sup> 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 approximately \$410 million in additional Revenue Financing System commercial paper notes or bonds for additional projects during Fiscal Year 2024. 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.

## **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 previously 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. Each of these projects, other than the Texas A&M project, have been purchased by the A&M System and are no longer financed under public/private partnership arrangements. 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 \$261.4 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 \$169.4 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.

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](http://www.emma.msrb.org) and can be located by searching the base 6-digit CUSIP number for the bonds.

### *Other Obligations*

The TMC<sup>3</sup> 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 TMC<sup>3</sup> 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 “TMC<sup>3</sup>”). For fiscal years 2023 through 2027, the A&M System’s average annual lease payments are approximately \$1.7 million. The A&M System’s lease payments in respect of the A&M System TMC<sup>3</sup> Bonds are subject to annual appropriation and subordinate to the Parity Obligations.

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## **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, 2024 of approximately \$19.7 billion (including the A&M System's foundations and one-third share of the PUF). As of January 31, 2024, endowment funds under the direct control of the A&M System had a value of approximately \$1.48 billion and consisted of marketable securities and investments. Of this amount, approximately \$17.2 million was attributable to funds held for investment on behalf of 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, 2024, the market value of the PUF was approximately \$34.3 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, 2023 and 2022 have been filed by the A&M System with the MSRB and are incorporated by reference into this Commercial Paper Memorandum. Copies of each 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.

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## 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, 2024 was approximately \$5.7 billion, which does not include the proceeds of any Revenue Financing System or PUF debt. Of this amount, approximately \$205.4 million is attributable to funds held for investment on behalf of Texas Woman's University System. The Pool is invested with 41.0% in fixed income securities, 39.0% in equities and 20.0% 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 net returns of 8.0% and 10.0% for the twelve months ended January 31, 2024 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.

|                         | <b>Market Value of Investment Funds<br/>(In Thousands)*</b> |                                 |  |  |
|-------------------------|---|---------------------------------|--|--|
| <b><u>August 31</u></b> | <b><u>Pool**</u></b>  | <b><u>Endowment Fund***</u></b> | <b><u>A&amp;M System's<br/>Interest in PUF</u></b> |  |
| 2023                    | \$5,538,500   | \$1,438,691                     | \$14,707,106                                       |  |
| 2022                    | 5,092,424   | 1,393,867                       | 14,000,868   |  |
| 2021                    | 5,619,439   | 1,621,524                       | 13,588,095   |  |
| 2020                    | 4,720,192   | 1,270,330                       | 10,422,109   |  |
| 2019                    | 4,198,336   | 1,220,940                       | 10,051,065   |  |

\*The Fiscal Year 2020 and 2021 results reflect the operational and financial impact of the COVID-19 worldwide pandemic and measures implemented in response thereto.

\*\*Includes funds held for investment on behalf of Texas Woman's University System, which totaled \$193.7 million as of August 31, 2023. Includes funds held for investment on behalf of Stephen F. Austin State University and Texas Woman's University System, which totaled \$243.9 million as of August 31, 2022. 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, and \$253.3 million as of August 31, 2021, 2020, and 2019, respectively.

\*\*\* Includes funds held for investment on behalf of Texas Woman's University System, which totaled \$16.8 million as of August 31, 2023. Includes funds held for investment on behalf of Stephen F. Austin State University and Texas Woman's University System, which totaled \$31.6 million as of August 31, 2022. 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, and \$47.0 million as of August 31, 2021, 2020, and 2019, respectively.

For a discussion of investment results for Fiscal Year 2023, 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, 2023 at \$3.1 billion, 83% 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, 2024, the amount of A&M System funds held by the State Treasury was \$1.47 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 2022 measurement period for Fiscal Year 2023 reporting, the amount of the A&M System

contributions recognized by the TRS Plan totaled \$71,856,250. At August 31, 2023, the A&M System reported a liability of \$771,327,658 for its proportionate share of the collective net pension liability under the TRS Plan, which was equal to 1.2992438459% 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, 2023, the A&M System contributed \$46,885,100.44 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, 2023. 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, 2023, the A&M System is responsible for 59.29% of the OPEB liability related to the OPEB Participants, and the State is responsible for the remaining 40.71% of the OPEB liability related to the OPEB Participants. As of September 1, 2021<sup>1</sup>, there were approximately 35,185 OPEB Participants and 3,389 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, 2023, the A&M System reported, measured as of September 1, 2022 and determined by an actuarial valuation as of September 1, 2021, that its proportional share of the total OPEB liability was \$2,323,661,114 (with a current portion of \$63,084,598 and a long-term portion of \$2,260,576,516). 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 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

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<sup>1</sup> 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, 2023, 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, 2022 based on an actuarial valuation as of September 1, 2021 roll forward twelve months.

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 which, 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.

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## TAX MATTERS

### Federal Income Tax Treatment for the Tax Exempt Notes

Winstead PC, Austin, Texas, Bond Counsel to the Board (“Bond Counsel”), has delivered its opinion (the “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. 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 Tax Exempt Note Opinion is based on the law and legal authority existing on 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**

Bond Counsel has delivered its opinion (the “Taxable Note Opinion”) but expresses no opinion therein in regard to the status of the exclusion of interest on the Taxable Notes or any other tax consequences relating to the ownership or disposition of, or the amount, accrual, or receipt of interest on, 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, and is provided as a matter of disclosure in the event that interest thereon would be taxable. 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.

Defeatance 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.

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## *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.

*[The remainder of this page is intentionally left blank.]*

## 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, 2023, and the Continuing Disclosure Annual Report for the Fiscal Year ended August 31, 2023, relating to the Board's bonds issued under the Revenue Financing System (the "2023 Continuing Disclosure Annual Report" filed February 22, 2024) 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](http://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](http://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, 5<sup>th</sup> 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](http://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, 2023**

UNAUDITED

# ANNUAL FINANCIAL REPORT

of

**The Texas A&M University System**

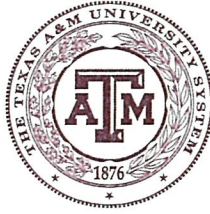
*For the Year Ended August 31, 2023*

*With Comparative Totals for the Year Ended August 31, 2022*



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 ■





System Office of Budgets and Accounting  
**THE TEXAS A&M UNIVERSITY SYSTEM**

November 20, 2023

John Sharp  
Chancellor  
The Texas A&M University System  
301 Tarrow  
College Station, Texas 77845

Dear Mr. Sharp,

We are submitting herewith the Annual Financial Report of The Texas A&M University System for the fiscal year ended August 31, 2023.

This report has been prepared in conformity with *Texas Government Code* §2101.011, and in accordance with the Annual Financial Reporting Requirements of the Texas Comptroller of Public Accounts.

The accompanying Annual Financial Report will be considered for audit by the State Auditor as part of the audit of the State of Texas Comprehensive Annual Financial Report; therefore, an opinion has not been expressed on the financial statements and related information contained in this report.

Respectfully submitted,

Teresa Edwards, CPA  
Controller

Joseph Duron, CPA  
Chief Administrative Officer





# **The Texas A&M University System**

## **Board of Regents**

|                                |                               |
|--------------------------------|-------------------------------|
| 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 |
| David Baggett                  | Term Expires February 1, 2029 |
| John Bellinger                 | Term Expires February 1, 2029 |
| Sam Torn                       | Term Expires February 1, 2029 |
| Annie Valicek (Student Regent) | Term Expires May 31, 2024     |

## **Officers of the Board**

|                     |               |
|---------------------|---------------|
| Bill Mahomes        | Chairman      |
| Robert L. Albritton | Vice Chairman |

## **Administrative Officers**

|                   |  |
|-------------------|--|
| John Sharp        | Chancellor                                       |
| Billy C. Hamilton | Deputy Chancellor and<br>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                  | General (Ret.) Mark A. Welsh III,<br>Interim President |
| Texas A&M University at Galveston     | Col. Michael Fossum (Retired)                          |
| Texas A&M Health Science Center       | Dr. Indra K. Reddy                                     |
| Prairie View A&M University           | Dr. Tomikia P. LeGrande, President                     |
| Tarleton State University             | Dr. James L. Hurley, President                         |
| Texas A&M International University    | Dr. Pablo Arenaz, President                            |
| Texas A&M University - Central Texas  | Dr. Richard M. Rhodes, Interim<br>President            |
| Texas A&M University - Commerce       | Dr. Mark Rudin, President                              |
| Texas A&M University - Corpus Christi | Dr. Kelly M. Miller, President                         |
| Texas A&M University - Kingsville     | Dr. Robert H. Vela Jr., President                      |
| Texas A&M University - San Antonio    | Dr. Salvador H. Ochoa, President                       |
| Texas A&M University - Texarkana      | Dr. Ross C. Alexander, President                       |
| West Texas A&M University             | Dr. Walter V. Wendler, President                       |

# The Texas A&M University System

## Chief Executive Officers

|   |  |
|---|--|
| Texas A&M AgriLife                                    | Dr. Jeffrey W. Savell, Vice<br>Chancellor and Dean of<br>Agriculture and Life Sciences |
| Texas A&M AgriLife Research                           | Cliff Lamb, Director   |
| Texas A&M AgriLife Extension Service                  | Dr. Rick Avery, Director   |
| Texas A&M Forest Service                              | Al Davis, Director   |
| Texas A&M Veterinary Medical Diagnostic<br>Laboratory | Amy K. Swinford, DVM,<br>Director  |
| Texas A&M Engineering Experiment Station              | Yossef A. Elabd, Interim Director<br>Vice Chancellor and Dean of<br>Engineering        |
| 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<br>Chancellor for Disaster and<br>Emergency Services       |
| Texas A&M University System Offices                   | John Sharp, Chancellor   |
| Texas A&M System Shared<br>Services Center            | Billy Hamilton, Deputy Chancellor and<br>Chief Financial Officer                       |
| Texas A&M Research Foundation                         | Dr. Jack G. Baldauf, Vice<br>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, 2023

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#### ***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 157,000 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 System has real property holdings totaling more than 62,000 surface acres and 64,000 mineral acres.

A nine-member Board of Regents governs the A&M System with a total operating budget of \$7.2 billion. There is also a non-voting student member. The regents appoint the chancellor, who is the chief executive officer, who oversees the direction and operation of the system.

The A&M institutions of higher education offer a broad range of undergraduate and graduate degrees. The A&M System has many locations across Texas including Amarillo, Bryan, Canyon, College Station, Commerce, Corpus Christi, Corsicana, Dallas, Fort Worth, Frisco, Galveston, Houston, Killeen, Kingsville, Laredo, McAllen, McKinney, Mesquite, Prairie View, Round Rock, San Antonio, Stephenville, Temple, Texarkana, and Waco. In addition, A&M institutions have several international locations including Costa Rica, Mexico, and Qatar.

#### ***Coronavirus Disease (COVID) Response***

The Coronavirus disease continues to subside across the U.S. and Texas. The public health emergency declaration ended May 11, 2023. The A&M System received over \$74 million in Higher Education Emergency Relief Fund (HEERF). This was a \$2 billion decline from prior years.

#### ***Additional State Funding Received in 2023***

In June 2023, Governor Gregg Abbott approved additional state funding for several agencies and higher education institutions. Texas A&M University System was approved over \$1.19 billion for several initiatives including funding to help with the freezing of undergraduate tuition and fees for Texas residents, providing additional affordability contingencies, plus funding for "Keeping Texas Prepared" and a 5% pay increase for the eight A&M system agency employees, and \$775 million in new initiatives.

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### The Texas A&M University System Management's Discussion and Analysis For the Year Ended August 31, 2023

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#### *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, 2023, with comparative data to fiscal year 2022 and some data for fiscal year 2021. The emphasis of discussion will be on the current year. The MD&A should be reviewed 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 fiduciary activity for custodial funds. These fiduciary activities are reported separately from other financial activities since the A&M System cannot access these assets.

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).

#### *Financial Highlights for Proprietary Funds*

Below are financial highlights for fiscal year 2023 for the proprietary funds.

- The implementation of both GASB 96 Subscription-based Information Technology Arrangements (SBITAs or Software Subscription leases) and GASB 94 Public-Private and Public-Public Partnerships (P3's or PPPs) and Availability Payment Arrangements (APAs) occurred in fiscal year 2023. This required significant analysis from each A&M member. The lease software purchased for GASB 87 Leases was used to successfully implement these two accounting standards. The Statement of Net Position increased both Assets and Liabilities plus Deferred Inflows of Resources with the implementation of these accounting standards. (*See Note 8 Leases and SBITAs and Note 27 Public Private Partnerships.*)



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- Software Subscription leases reported a net Right to Use (RTU) Subscription Asset value of \$45.3 million with a corresponding Software Subscription liability of \$37.6 million.
  - P3 contracts reported \$26 million in Noncurrent Accounts Receivable.
  - Lease Receivables is \$208.2 million.
  - Deferred Inflow of Resources-Leases is \$229 million which includes offsets in both Lease Receivables and Accounts Receivables.
  - Current and Noncurrent Lease Liabilities is \$196 million.
- Federal and State Operating and Non-Operating Revenue decreased by \$1.7 billion as the COVID virus subsides. There was a decrease in assistance needed for students, cities, and counties plus fewer costs for COVID testing, and personal protective equipment.
- Operating expenses decreased over \$1.6 billion, mostly attributable to the decrease in costs associated with COVID.
- Operating federal pass-through expenses decreased by \$2.2 billion where the need for disaster funding was reduced for other state agencies.
  - Professional fees and services decreased by \$284 million, mostly related to TDEM's decrease in lab testing and audit firm costs related to COVID disaster claims.
- Noncurrent investment balances reported on the Proprietary Statement of Net Position are \$5.93 billion, which was an increase of \$467 million from 2022's \$5.46 billion. Equity markets generated positive gains over the past twelve months as investors believed the global economy would continue to grow modestly despite the significant increase in market interest rates (see the *Economic Outlook section* for more details).
- The Non-State Funded *Pension* liability significantly increased by \$426 million totaling \$771 million for 2023 compared to \$345 million Pension liability reported in 2022. This liability increased due to the investment returns on the Teacher's Retirement System (TRS) actuary report. The total TRS pension liability is funded at over 75.6%. (See *Note 9 Pension and ORP*.)
- There was a \$102 million increase to deferred outflows of resources related to the changes in pension assumptions, the difference between actual and expected experiences and current year TRS contributions.
  - There was a \$300 million decrease in deferred inflows of resources, which reflects the difference between projected and actual investment returns.

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### The Texas A&M University System Management's Discussion and Analysis For the Year Ended August 31, 2023

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- Investment Income was \$560 million on the Proprietary funds, which was a \$1.4 billion significant increase from 2022. The \$560 million investment income components include the items below.
    - \$352 million in unrealized gain on investments
    - \$225 million in interest, dividend, and royalty income, less
    - \$17 million in realized losses on investments
  
  - Total bonds payable and notes payable decreased by \$84.3 million in 2023 totaling a little over \$5 billion. See Note 5 Long-term Liabilities for more information.
    - There was a \$298.8 million decrease in commercial paper issued.
    - Bonds payable increased by over \$219.4 million.
    - Notes from direct borrowing related to loans decreased by \$4.9 million.
  
  - Tuition remained stable and reported a minimal increase in net tuition and fees, reporting a \$2.5 million increase. A&M institutions are continuing to see increases in attendance from the prior years while continuing to freeze in-state tuition.
  
  - State appropriations including legislative revenue, capital appropriations and legislative transfers-in reported an increase of \$465 million increasing the total to over \$1.87 billion for 2023. These state appropriations are a vital part of the A&M System's funding for operations and defraying tuition costs for students.
  
  - The Non-State Funded portion of the *Other Post-Employment Benefits* (OPEB) 2023 current and non-current liability balance is \$2.323 billion, which was a decrease of \$377 million from the prior year. The decrease is related to an increase in the investment discount rate from 2.14% to 3.64%.
    - OPEB expenses reported a decrease of \$50.15 million. The 2023 OPEB expense was \$118.28 million compared to \$168.43 million in the prior year.
  
  - The A&M System's net position totaled \$8.940 billion, which is a \$1.2 billion increase from 2022, which was \$7.717 billion, due to several factors.
    - A \$329 million increase in Cash and Cash Equivalents, plus an increase in Noncurrent Investments of \$470 million and an increase for Deferred Outflows of \$25 million.
    - An increase in Liabilities and Deferred Inflows of \$576 million, Current and Noncurrent Liabilities increased by \$328 million and Deferred Inflows of Resources increased by \$248 million.
    - An increase in Capital Assets, net, of \$225 million.
    - An increase in Interfund Receivables of \$86.4 million.

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### The Texas A&M University System Management's Discussion and Analysis For the Year Ended August 31, 2023

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#### *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.

The 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 who 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  
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| <b>Statement of Net Position</b>                           |                 |                 |                 |
|--|-----------------|-----------------|-----------------|
| <b>(in millions)</b>                                       |                 |                 |                 |
| <b>Assets and Deferred Outflows of Resources</b>           |                 |                 |                 |
|  | <b>2023</b>     | <b>2022</b>     | <b>2021</b>     |
| Current Assets   | \$4,084         | \$3,193         | \$3,312         |
| Capital Assets, Net  | 7,593           | 7,371           | 7,161           |
| Non-Current Investments                                    | 5,928           | 5,461           | 1,677           |
| Other Assets   | 2,022           | 1,829           | 7,855           |
| Deferred Outflows  | 1,131           | 1,106           | 992             |
| <b>Total Assets and Deferred Outflows of Resources</b>     | <b>\$20,758</b> | <b>\$18,960</b> | <b>\$19,320</b> |
| <b>Liabilities and Deferred Inflows of Resources</b>       |                 |                 |                 |
| Current Liabilities  | \$2,449         | \$2,286         | \$2,164         |
| Non-Current Liabilities                                    | 8,152           | 7,988           | 8,108           |
| Deferred Inflows   | 1,217           | 969             | 558             |
| <b>Total Liabilities and Deferred Inflows of Resources</b> | <b>\$11,818</b> | <b>\$11,243</b> | <b>\$10,830</b> |
| <b>Net Position</b>  |                 |                 |                 |
| Net Investment in Capital Assets                           | \$2,359         | \$2,133         | \$2,514         |
| Restricted   |                 |                 |                 |
| Expendable   | 1,637           | 1,517           | 1,152           |
| NonExpendable  | 467             | 458             | 434             |
| Unrestricted   | 4,477           | 3,609           | 4,390           |
| <b>Total Net Position</b>                                  | <b>\$8,940</b>  | <b>\$7,717</b>  | <b>\$8,490</b>  |

The Statement of Net Position indicates an increase in total assets of 9.5%. This \$1.8 billion increase in assets is mostly attributable to \$467 million increase in non-current investments; and an increase of \$223 million in net capital assets and an increase in Deferred Outflows of \$25 million and a \$434 million increase in Legislative Appropriations due to the additional state funding.

Total liabilities and deferred inflows of resources increased by \$576 million from the previous year. There was a \$63 million increase in payables. The new GASB 87/96-lease and software subscription liabilities are reported at \$182 million. Deferred Inflows of Resources for Pensions decreased by \$298 million. In addition, a \$165 million increase in noncurrent liabilities.

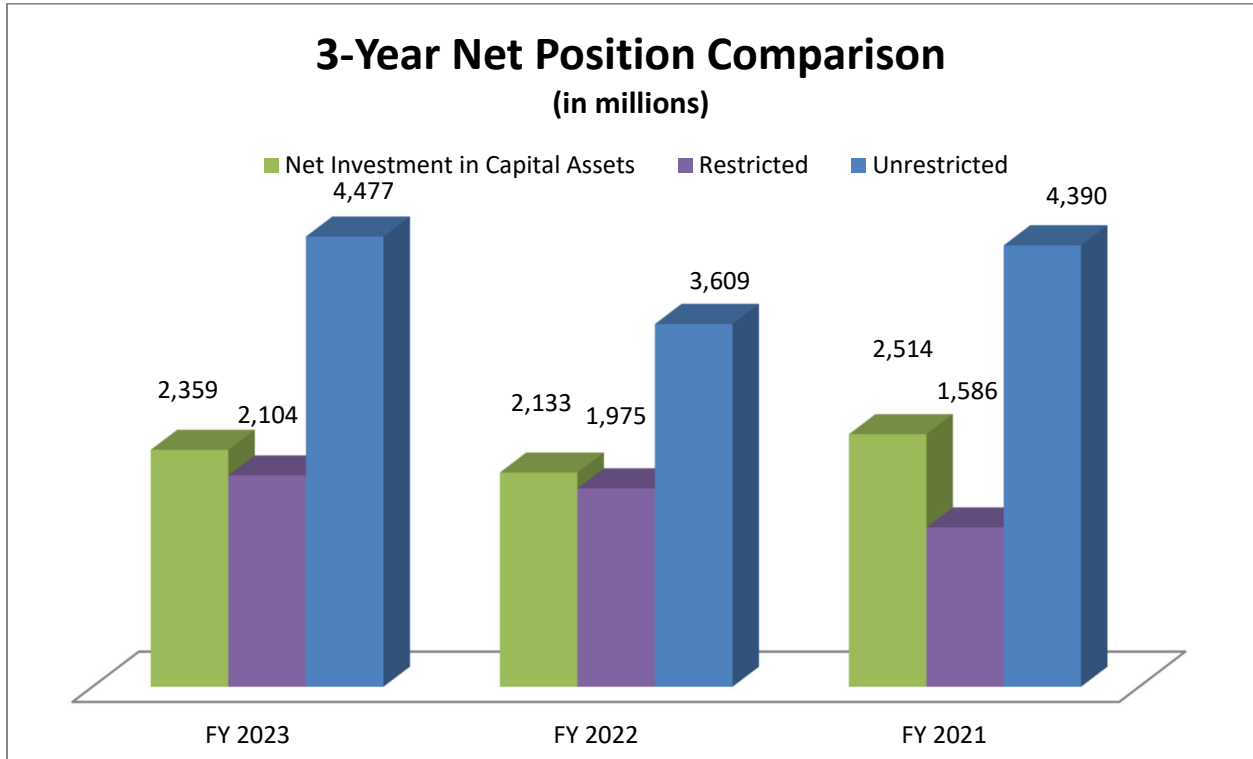
Total bonds payable and notes payable decreased by \$84.3 million in 2023 totaling \$5 billion. (See *Note 5 Long-term Liabilities.*)

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The final section of the statement reports the net position of the A&M System totaling \$8.94 billion. Total net position reported an increase of \$1.2 billion or 15.8% from the 2022 balance.

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



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

| <b>Reserves and Allocations for<br/>Unrestricted Net Position<br/>(in millions)</b> |                |
|---|----------------|
| <b>Reserves For</b>   |                |
| Receivables   | \$254          |
| Encumbrances  | 388            |
| Unrealized Gain on Investments  | 628            |
| Portion of Debt Service Payment   | 235            |
| Inventories   | 25             |
| Higher Education Fund   | 63             |
| Self-Insured Plans  | 77             |
| Prepaid Expenses, Tuition Set Asides and Other<br>Reserves                          | 153            |
| Other State Funds   | 213            |
| <b>Allocations For</b>  |                |
| Capital Projects  | 895            |
| Funds Functioning as Endowments   | 411            |
| Scholarships and Faculty Initiatives<br>Operations                                  | 839            |
|   | 296            |
| <b>Total Unrestricted Reserves</b>  | <b>\$4,477</b> |

The overall *unrestricted* net position was \$4.477 billion for fiscal year 2023 compared to \$3.609 billion in 2022.

***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 in the Statement of Net Position is a result of these activities.

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### The Texas A&M University System Management's Discussion and Analysis For the Year Ended August 31, 2023

Generally, operating revenues are received for providing goods and services to the various students, customers and constituencies of the A&M System. Operating expenses are those expenses incurred to provide teaching, research expertise plus 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".

| <b>Statement of Revenues, Expenses and Changes in Net Position</b> |                |                |                 |
|--|----------------|----------------|-----------------|
| <b>(in millions)</b>   |                |                |                 |
|  | <b>2023</b>    | <b>2022</b>    | <b>2021</b>     |
| <b>Operating Revenues and Expenses</b>                             |                |                |                 |
| Operating Revenues   | \$3,540        | \$3,394        | \$3,215         |
| Operating Expenses   | (7,936)        | (9,562)        | (13,788)        |
| <b>Operating (Loss)</b>  | <b>(4,396)</b> | <b>(6,168)</b> | <b>(10,573)</b> |
| Non-Operating Revenues   | 4,962          | 4,780          | 11,156          |
| <b>Income (Loss) Before Other Revenues and Transfers</b>           | <b>566</b>     | <b>(1,388)</b> | <b>583</b>      |
| Other Revenues and Transfers                                       | 657            | 616            | 565             |
| <b>Change in Net Position</b>                                      | <b>1,223</b>   | <b>(772)</b>   | <b>1,148</b>    |
| Net Position, Beginning of Year                                    | \$7,717        | \$8,490        | \$7,342         |
| Restatement  | 0              | (1)            | 0               |
| Net Position as Restated   | 7,717          | 8,489          | 7,342           |
| <b>Net Position, End of Year</b>                                   | <b>\$8,940</b> | <b>\$7,717</b> | <b>\$8,490</b>  |

The condensed Statement of Revenues, Expenses and Changes in Net Position reflects a \$1.22 billion increase in net position.

During the 2023 fiscal year, the explanations for the changes are listed below.

- Operating revenues increased by \$146.4 million for several revenue streams including a \$97.9 million increase in Federal and State Revenue plus \$54.3 million increase in Other Sales and Services related to more students attending more classes on campus.
- Non-Operating revenues increased by \$182 million due to a reduction in stimulus funding of \$1.9 billion, and an increase in investment income of \$1.3 billion.

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### The Texas A&M University System Management's Discussion and Analysis For the Year Ended August 31, 2023

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During the 2023 fiscal year, operating expenses decreased by \$1.62 billion from \$9.56 billion to \$7.94 billion. The most significant changes are listed below.

- Operating federal pass-through expenses decreased by \$2.2 billion due to a reduction in COVID funding needs by other state agencies.
- Other Operating Expenses increased by \$567 million mostly attributable Texas Division of Emergency Management expenses to state agencies, cities, counties and other governmental entities for wildfires and other disaster funding needs.
- Professional fees and services decreased by \$284 million, mostly related to TDEM decrease in audit firm costs related to COVID claims.
- Salaries & Wages increased by 6.9% or \$148.8 million due to employees hired to ensure institutions and agencies were able to assist students on campus and assist the public.
- OPEB expenses reported a decrease of \$50 million based upon the A&M System's actuary report.
- Non-General Revenue funded pension expense increased by \$66 million based upon the Teacher's Retirement System's actuary report.
- Depreciation and amortization expense was \$558 million, an increase of \$29 million, which is consistent with the prior year.

Other Revenues and Transfers increased by \$41 million from \$616 million to \$657 million in 2023. The main factor was the transfer from the University of Texas, which increased by \$42 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 \$931 million. Most of this activity relates to the self-insured programs, which reported operating expenses of approximately \$517 million. Of the remaining \$414 million in operating expenses eliminated, \$205 million were professional fees & services; \$90 million included utilities, communications, and \$85 million in repairs and maintenance. When reviewing the expenses by natural classification approximately \$115 million represented salaries and wages and \$32 million represented other payroll related costs.



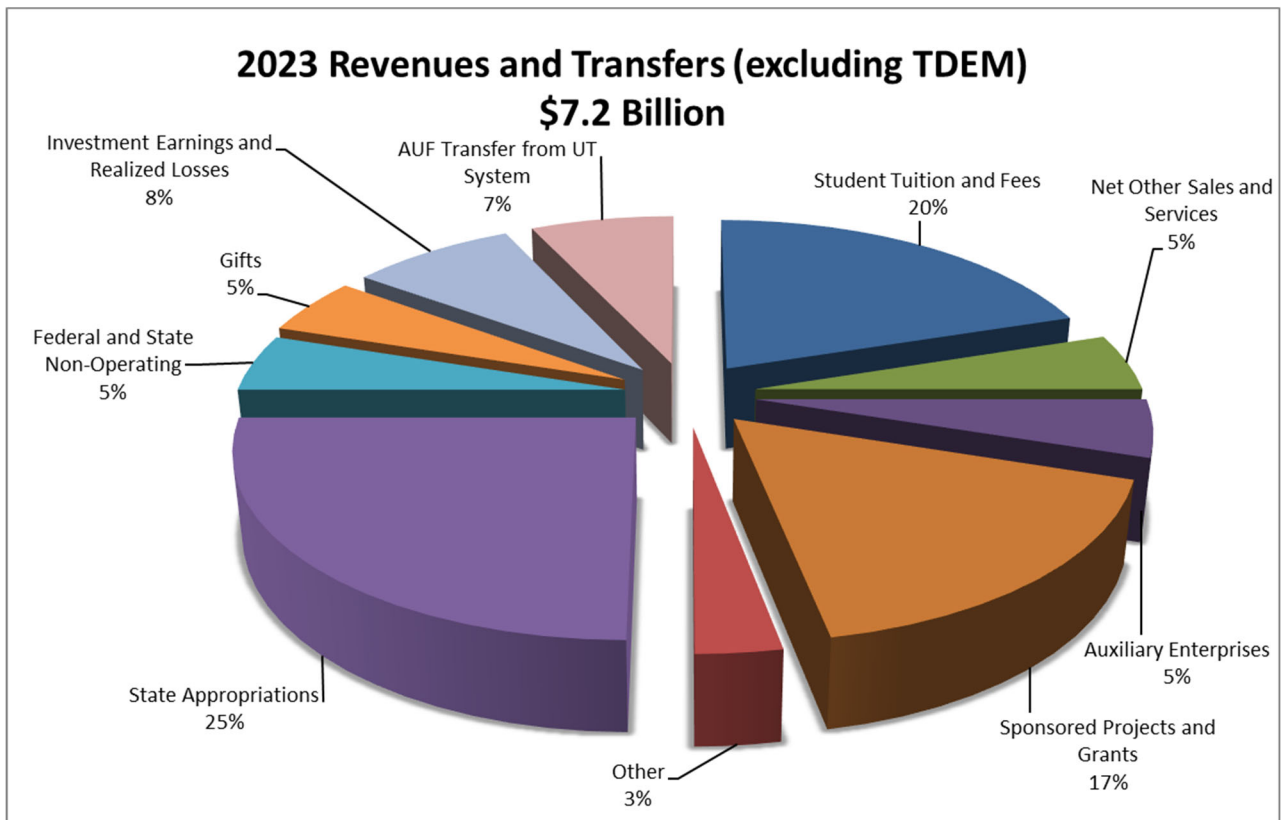
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To analyze the A&M System institutions and agencies, the graph below excludes Texas Division of Emergency Management (TDEM) who receives various funding to assist the public with disasters; therefore, TDEM experiences unpredictable fluctuations.

There was a \$1.3 billion increase in revenue totaling \$7.2 billion compared to \$5.9 billion in the prior year. The increases are related to the increase in investment income and legislative revenue.

TDEM’s total revenues were \$2.2 billion for 2023 compared to \$3.9 billion for 2022. As the state of Texas continues to recover from the COVID pandemic, there is a reduction in the need for disaster funding.



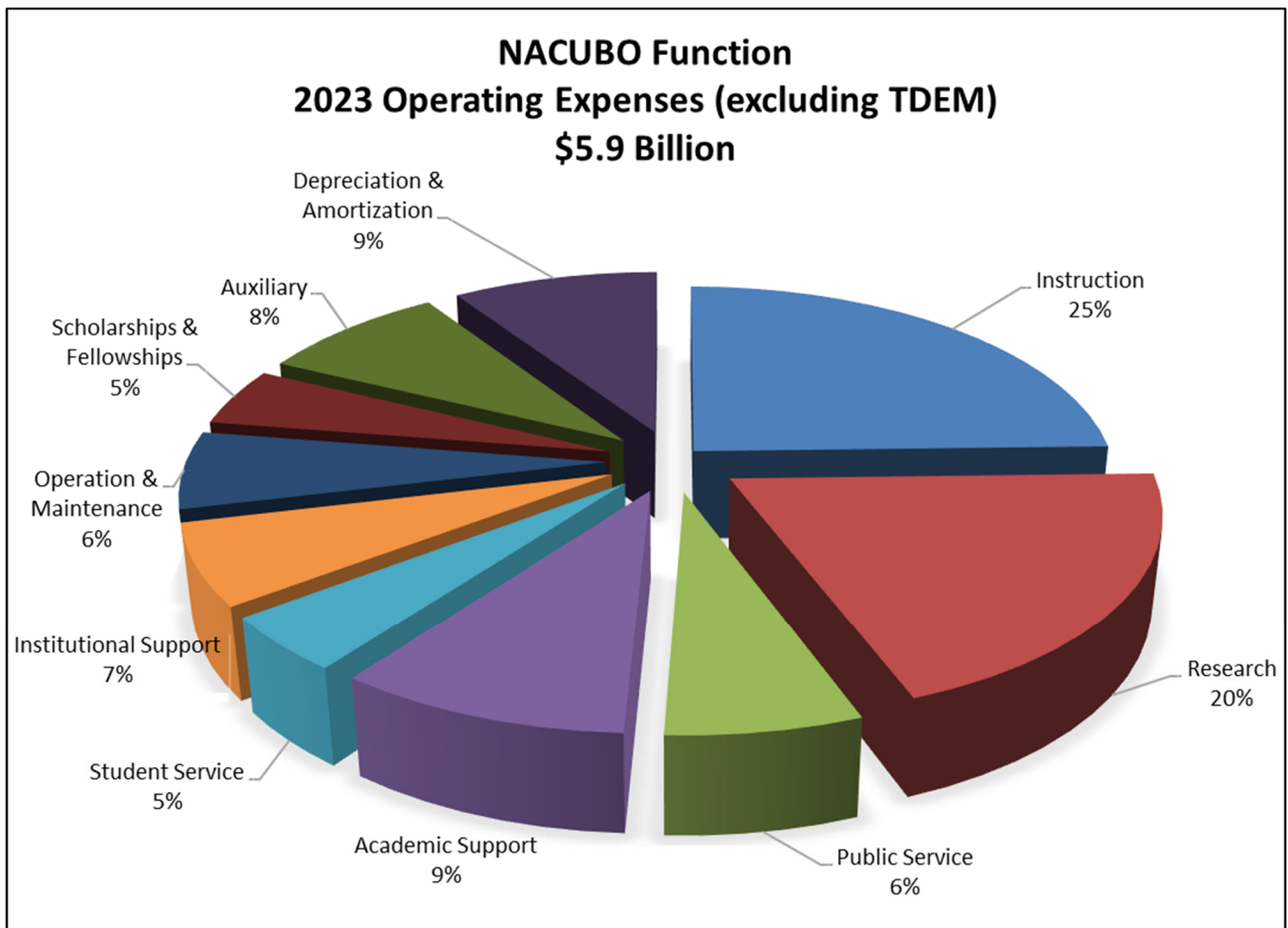
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To analyze the A&M System institutions and agencies, the graphs below exclude Texas Division of Emergency Management (TDEM).

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. For fiscal year 2023, total operating expenses were \$5.9 billion; instruction and research are the primary functions for A&M members.

TDEM reported \$2 billion Public Service operating expenses, \$1.7 billion was sent to other Texas state agencies and governmental entities plus \$103 million was spent on professional fees and services.

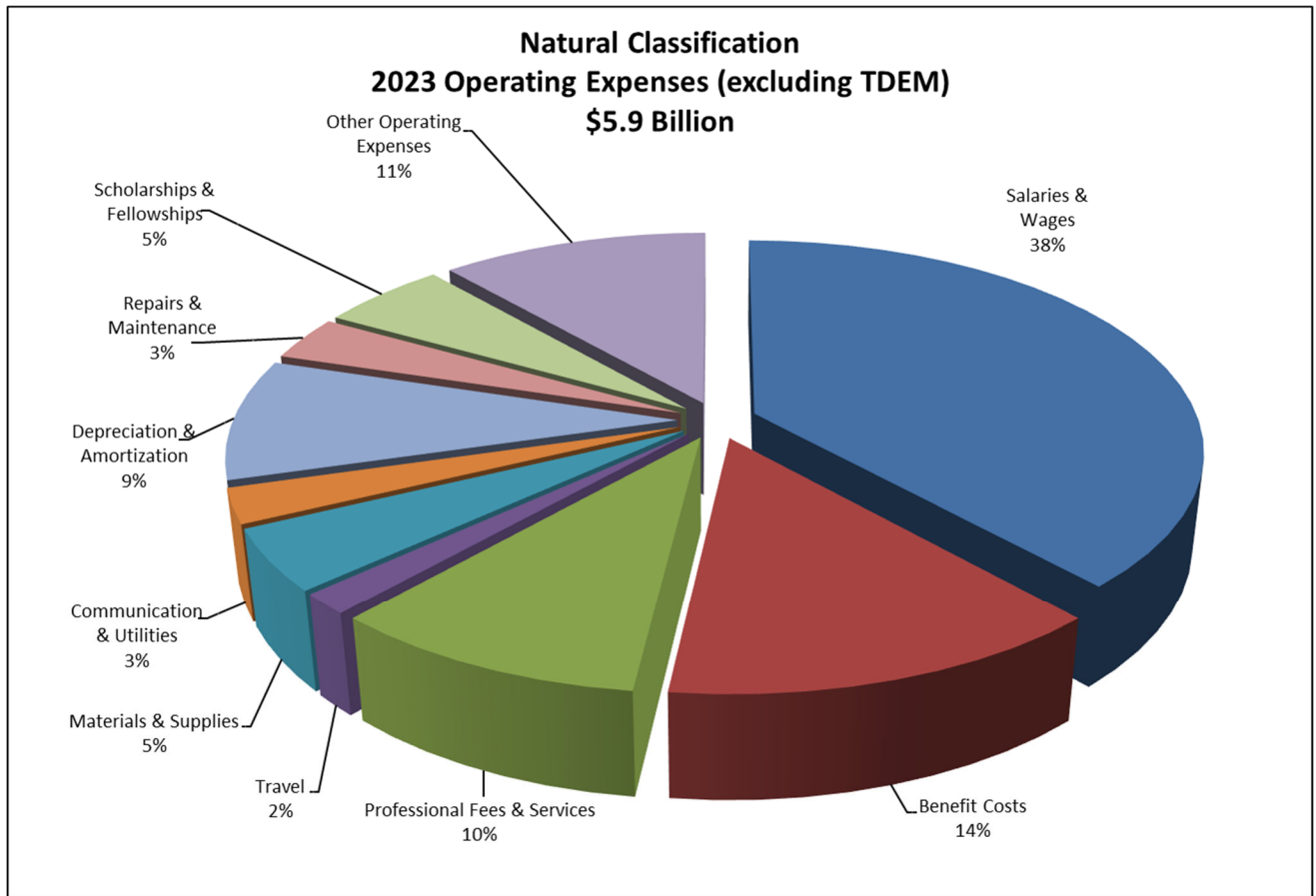


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To analyze the A&M System institutions and agencies, the graph below excludes Texas Division of Emergency Management (TDEM) who receives various funding to assist the public with disasters; therefore, TDEM experiences unpredictable fluctuations.

For 2023, total operating expenses were \$5.9 billion. 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.



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#### *Statement of Cash Flows*

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

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| <b>Statement of Cash Flows</b>                  |                |                |                |
|---|----------------|----------------|----------------|
| <b>(in millions)</b>                            |                |                |                |
|   | <b>2023</b>    | <b>2022</b>    | <b>2021</b>    |
| <b>Cash Flows From</b>                          |                |                |                |
| Operating Activities                            | \$(3,519)      | (\$5,599)      | (\$9,451)      |
| Non-Capital Financing Activities                | 4,770          | 6,411          | 10,832         |
| Capital and Related Financing Activities        | (985)          | (782)          | (681)          |
| Investing Activities                            | 64             | (149)          | (156)          |
| Net Change in Cash & Cash Equivalents           | 330            | (119)          | 544            |
| Cash & Cash Equivalents, Beginning of Year      | 2,042          | 2,161          | 1,617          |
| Restatement of Cash & Cash Equivalents          | 0              | 0              | 0              |
| Cash & Cash Equivalents as Restated             | 2,042          | 2,161          | 1,617          |
| <b>Cash &amp; Cash Equivalents, End of Year</b> | <b>\$2,372</b> | <b>\$2,042</b> | <b>\$2,161</b> |

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#### *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.

Construction in progress for 2023 was \$1.3 billion, which is a \$296.7 million increase from the prior year. Completed projects totaled \$263 million.

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.

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Below is a list of major construction projects related to debt funding projects and projects exceeding \$4 million in total project costs. This list includes over \$2.2 billion in construction projects in various stages of completion.

These projects are in progress and scheduled to be completed over the next two-three years.

| <b>A&amp;M Member and Project Name</b>          | <b>Projected Fiscal Year Completion</b> | <b>Projected Budget (in Dollars)</b> |
|---|---|--------------------------------------|
| <b>Texas A&amp;M University System Office</b>   |   |                                      |
| Ft. Worth Law & Education Building              | 2026                                    | \$ 150,000,000                       |
| STEM Education Center at RELLIS                 | 2026                                    | 43,425,406                           |
| <b>Sub-total</b>                                |   | <b>\$ 193,425,406</b>                |
| <b>Texas A&amp;M University</b>                 |   |                                      |
| CUP Generator Replacement Project               | 2024                                    | \$ 26,500,000                        |
| Interior Finishes Renovation Dunn Hall Phase II | 2024                                    | 6,947,609                            |
| CUP Structural Repairs                          | 2024                                    | 6,700,000                            |
| Utility Plant Control Upgrade                   | 2024                                    | 7,500,000                            |
| Outdoor Competition Throws and Warm-up Track    | 2024                                    | 9,250,000                            |
| Bright Area Development                         | 2025                                    | 237,735,550                          |
| Business Education Complex                      | 2025                                    | 84,197,309                           |
| <b>Sub-total</b>                                |   | <b>\$ 378,830,468</b>                |
| <b>Tarleton State University</b>                |   |                                      |
| Interprofessional Education Building            | 2024                                    | \$ 66,000,000                        |
| Parking Garage                                  | 2024                                    | 41,000,000                           |
| Research Administration Building                | 2024                                    | 7,000,000                            |
| Convocation Center                              | 2025                                    | 110,000,000                          |
| Dick Smith Library Reno & Expansion             | 2025                                    | 9,500,000                            |
| Health Sciences & Human Services Building       | 2025                                    | 80,000,000                           |
| <b>Sub-total</b>                                |   | <b>\$ 313,500,000</b>                |

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| <b>A&amp;M Member and Project Name</b>                   | <b>Projected Fiscal Year Completion</b> | <b>Projected Budget (in Dollars)</b> |
|--|---|--------------------------------------|
| <b>Prairie View A&amp;M University</b>                   |   |                                      |
| Campus Wide Fire Alarm System Replacement                | 2024                                    | \$ 11,002,000                        |
| <b>Texas A&amp;M Agrilife Research</b>                   |   |                                      |
| Animal Reproductive Biotechnology Center                 | 2024                                    | \$ 13,000,000                        |
| Borlaug Center Renovation and Addition                   | 2024                                    | 60,000,000                           |
| AgriLife Vernon Campus Storm Repairs                     | 2024                                    | 14,000,000                           |
| Amarillo Research & Extension Center at Canyon           | 2025                                    | 30,000,000                           |
| <b>Sub-total</b>   |   | <b>\$ 117,000,000</b>                |
| <b>Texas A&amp;M University-Galveston</b>                |   |                                      |
| Infrastructure, Dock Improvements, and Ship FF&E-Phase I | 2024                                    | \$ 35,000,000                        |
| Engineering Classroom & Research Building                | 2026                                    | 50,992,125                           |
|  |   | <b>\$ 85,992,125</b>                 |
| <b>Texas A&amp;M Forest Service</b>                      |   |                                      |
| Hudson Office  | 2024                                    | \$ 5,000,000                         |
| <b>Texas A&amp;M University-Corpus Christi</b>           |   |                                      |
| Student Services Center Renovations                      | 2024                                    | \$ 6,600,000                         |
| Chaparral Renovation - Phase I                           | 2024                                    | 9,300,000                            |
| Arts & Media Building                                    | 2026                                    | 80,922,833                           |
| <b>Sub-total</b>   |   | <b>\$ 96,822,833</b>                 |
| <b>Texas A&amp;M University-Kingsville</b>               |   |                                      |
| Deferred Maintenance Across Campus                       | 2026                                    | \$ 47,922,833                        |
| <b>Texas A&amp;M International University</b>            |   |                                      |
| ESCO Utility Project #2                                  | 2024                                    | \$ 6,220,000                         |
| Health Sciences Education, Research & Trade Center       | 2026                                    | 71,200,000                           |
| <b>Sub-total</b>   |   | <b>\$ 77,420,000</b>                 |
| <b>Texas A&amp;M University-Commerce</b>                 |   |                                      |
| Student Services Building                                | 2024                                    | \$ 19,500,000                        |
| Ag Multi-purpose Education & Training Center             | 2025                                    | 47,322,833                           |
| New Event Center/Arena                                   | 2026                                    | 58,000,000                           |
| <b>Sub-total</b>   |   | <b>\$ 124,822,833</b>                |
| <b>West Texas A&amp;M University</b>                     |   |                                      |
| Bain Athletic Expansion Phase II                         | 2024                                    | \$ 8,979,500                         |
| Renovation of Education Bldg and Health/Safety Upgrade   | 2026                                    | 45,804,019                           |
| <b>Sub-total</b>   |   | <b>\$ 54,783,519</b>                 |

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**The Texas A&M University System  
Management's Discussion and Analysis  
For the Year Ended August 31, 2023**

| <b>A&amp;M Member and Project Name</b>                  | <b>Projected Fiscal Year Completion</b> | <b>Projected Budget (in Dollars)</b> |
|---|---|--------------------------------------|
| <b>Texas A&amp;M University-Texarkana</b>               |   |                                      |
| Business, Engineering, & Technology Building            | 2026                                    | \$ 44,922,833                        |
| <b>Texas A&amp;M University Health Science Center</b>   |   |                                      |
| Texas A&M Health ESCO 2023                              | 2024                                    | \$ 14,745,526                        |
| EnMED Discovery Tower Labs & Office Buildout - Phase 1  | 2025                                    | 15,000,000                           |
| Nursing Education & Research Building-McAllen           | 2026                                    | 49,948,556                           |
| School of Dentistry Main Building Reno                  | 2026                                    | 22,400,000                           |
| <b>Sub-total</b>  |   | <b>\$ 102,094,082</b>                |
| <b>Texas A&amp;M University-Central Texas</b>           |   |                                      |
| Central Operational Reliability & Efficiency Facility   | 2026                                    | \$ 49,900,000                        |
| <b>Texas A&amp;M University-San Antonio</b>             |   |                                      |
| New Recreation Center                                   | 2024                                    | \$ 19,200,000                        |
| TAMU-San Antonio Housing Phase II                       | 2024                                    | 32,500,000                           |
| Public Health & Education Building                      | 2026                                    | 54,219,617                           |
|   |   | <b>\$ 105,919,617</b>                |
| <b>Texas A&amp;M University System Shared Services</b>  |   |                                      |
| RELLIS Campus Infrastructure Phase 4B                   | 2024                                    | \$ 7,744,000                         |
| Campus Substation Equipment                             | 2024                                    | 4,227,000                            |
| <b>Sub-total</b>  |   | <b>\$ 11,971,000</b>                 |
| <b>Texas A&amp;M Engineering Experiment Station</b>     |   |                                      |
| Propulsion Test Facility at TEES Turbo-machinery Lab    | 2024                                    | \$ 6,400,000                         |
| Detonation Research Test Facility                       | 2024                                    | 9,500,000                            |
| Ballistic Aero Optics Materials Facility                | 2024                                    | 54,626,000                           |
| Nuclear Engineering Education Building                  | 2024                                    | 15,100,000                           |
| <b>Sub-total</b>  |   | <b>\$ 85,626,000</b>                 |
| <b>Texas Division of Emergency Management</b>           |   |                                      |
| TDEM Headquarters and State Emergency Operations Center | 2025                                    | \$ 360,647,047                       |
| <b>TOTAL</b>  |   | <b>\$ 2,267,602,596</b>              |

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### The Texas A&M University System Management's Discussion and Analysis For the Year Ended August 31, 2023

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#### ***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 2023, the A&M System issued tax-exempt bonds under the Revenue Financing System debt program to refund previously outstanding commercial paper, to provide funding for eligible projects, and to pay the costs of issuing the bonds. The Revenue Financing System Bonds, Series 2022 had a par amount of approximately \$208.52 million with a true interest cost of 4.29%. The A&M System also issued tax-exempt bonds under the Permanent University Fund debt program to refund previously outstanding commercial paper, to provide funding for eligible projects, and to pay the costs of issuing the bonds. The Permanent University Fund Bonds, Series 2023 had a par amount of approximately \$245.60 million with a true interest cost of 3.64%.

In fiscal year 2023, there was a total of \$117 million in commercial paper issued. Revenue Financing System Commercial Paper Notes in the amount of \$60 million and Revenue Financing System Taxable Commercial Paper Notes in the amount of \$57 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 2024-2025 biennium. For additional information concerning Capital Assets and Debt Administrations, *see the Notes to the Financial Statements*.

#### ***Economic Outlook***

Equity markets generated positive gains over the past twelve months as investors believed the global economy would continue to grow modestly despite the significant increase in market interest rates. Fixed income markets struggled as yields increased and bond prices fell. The Federal Reserve has tightened monetary policy and raised the Federal Funds rate to a range of 5.25-5.50%. Although there have been some signs of commodity prices easing, the Federal Reserve is continuing to monitor the elevated levels of inflation in various parts of the economy.

The U.S. consumer has been resilient and consumer spending has continued to support the economy. The U.S. economy is expected to grow modestly despite a slight increase in the unemployment rate. Inflation is expected to moderate, but the path of inflation will depend on various global factors including the trajectory of the war in Ukraine.

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



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### The Texas A&M University System Management's Discussion and Analysis For the Year Ended August 31, 2023

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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 of Changes in Fiduciary Net Position***

The Statement of Changes in Fiduciary Net Position presents the additions and deductions incurred during the year. This statement reports the contributions, investment earnings, additions and deductions which occurred in the custodial funds for the fiscal year.

##### ***Financial Highlights for Fiduciary Funds***

Below are financial highlights for fiduciary funds for fiscal year 2023. The A&M System Fiduciary statements include balances from several types of entities including, Investments Held for Non-A&M Entities, Student Organizations, Foundation/Alumni Associations, Public Private Partnership entities and Other Entities.

- Investments on the Fiduciary Statement of Net Position are \$365 million, which was a decrease of \$52 million from the prior year's total of \$417 million. The investment activity reported a \$28.8 million gain due to the unrealized increases in fair value totaling \$12.2 million, \$7 million interest earnings and \$9.5 million realized gains.
- Fiduciary funds reported an ending *Restricted for Other Individuals, Organizations and Other Entities* net position of \$453 million which was a decrease of \$45 million from the prior year's net position of \$498 million.
- Contributions from various entities accounted for \$28 million.
- Other Additions totaled \$30 million, mostly from sales revenue from Public Private Partnerships and revenues from Student Organizations.
- Other Deductions included \$81 million refund to Investments Held for Non-A&M Entities and the remaining \$49 million from various entities.

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### The Texas A&M University System Management's Discussion and Analysis For the Year Ended August 31, 2023

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#### *Significant Events*

Several leadership changes occurred in the A&M System during fiscal year 2023; these changes are included below.

#### **Fiscal Year 2023**

- In December 2022, Dr. Tomikia P. LeGrande was named the ninth President of Prairie View A&M University.
- In March 2023 Governor Greg Abbott appointed David Bagget, John Bellinger and Sam Torn to the Board of Regents.
- In May 2023 Bill Mahomes was elected Chairman of the Board of Regents.
- In June 2023, Al Davis was appointed Director of the Texas A&M Forest Service.
- In June 2023, Dr. Salvador Hector Ochoa was named President of the Texas A&M University-San Antonio.
- In June 2023 Governor Greg Abbott appointed Annie Valicek Student Regent, she is an agri-business and economics major at West Texas A&M University.
- In July 2023, Dr. Ross C. Alexander was named President of the Texas A&M University-Texarkana.
- In July 2023, Richard Rhodes was named Interim President of Texas A&M University-Central Texas
- In July 2023, Mark A. Welsh, III was named Interim President of Texas A&M University

#### *Fiscal Year 2023 Announcements*

On November 4, 2022, the George H.W. Bush Combat Development Complex (BCDC) at Texas A&M RELLIS Campus was dedicated by leaders of The Texas A&M University System and guests. BCDC is the result of a three-year partnership between the U.S. Army Futures Command and the Texas A&M System, Texas A&M Engineering Experiment Station and the State of Texas.

On November 10, 2022, The Texas A&M University System Board of Regents designated twelve Texas A&M System faculty members and eleven agency service, extension or research professionals as Regents Professors and Regents Fellows for 2022-2023.

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

- Dr. Bart Ballard, Texas A&M University-Kingsville
- Dr. Irene Calboli, Texas A&M University
- Dr. Chuleeporn "Nikki" Changchit, Texas A&M University-Corpus Christi
- Dr. Michael R. Daley, Texas A&M University-Central Texas
- Dr. Robert W. Haynes, Texas A&M International University
- Dr. R. Malatesha Joshi, Texas A&M University
- Dr. Reza Langari, Texas A&M University
- Dr. Jay Maddock, Texas A&M Health Science Center
- Dr. Samba Reddy, Texas A&M Health Science Center
- Dr. E. Gloria C. Regisford, Prairie View A&M University

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### **The Texas A&M University System Management's Discussion and Analysis For the Year Ended August 31, 2023**

- 
- Dr. Wendell Sadler, Tarleton State University
  - Dr. Bradford P. Wilcox, Texas A&M University

On December 1, 2022, Texas A&M University-San Antonio announced its new partnership with Texas A&M University Health Science Center and University Health, which brings three nationally recognized entities together to co-create and expand education pathways and research opportunities in the high-demand health sciences eco-system for historically underserved communities. The partnership will establish an affiliation agreement and guiding framework for collaborations among University Health's existing and future community hospitals and public health facilities. The agreement focuses on educational and research opportunities impacting Bexar County, adjoining counties, and South Texas, as well as supporting the military community. The collaboration is expected to expand undergraduate, graduate, and professional health-related medical education and clinical programs with Texas A&M Health, grow Texas A&M San Antonio enrollment in health science related program offerings for community health and rural health degree offerings, healthcare administration, behavioral health programs, health sciences and biomedical degrees.

On December 6, 2022, the National Nuclear Security Administration extended the management contract for the additional five-year option for The Texas A&M University System and its partners at Triad National Security LLC to continue managing and operating the Los Alamos National Laboratory.

On December 19, 2022, the National Science Foundation granted four awards, including one to the Texas A&M System for \$470,808. With the funding the Texas A&M System team will create research security training for the U.S. research enterprise which will play a foundational role in addressing the risks to maintaining the open and collaborative environment which has made the U.S. research community the best in the world.

On February 17, 2023, the U.S. Department of Transportation notified the Texas Congressional Delegation, Prairie View A&M University (PVAMU) was selected to lead a historic national-tier University Transportation Center (UTC). Joined by the Texas A&M Transportation Institute (TTI), Texas A&M engineering Experiment Station (TEES), and Texas A&M University, PVAMU will lead the National Center for Infrastructure Transformation, which will focus on enhancing the durability and extending the life of the nation's infrastructure. The National Center for Infrastructure Transformation will receive \$4 million per year for 5 years and is one of only five awarded national-tier centers. "Prairie View is the first HBCU to lead a national UTC, and we are proud to bring this to Texas, particularly when the national centers have historically been on the East and West coasts," said Chancellor Sharp.

On February 21, 2003, Texas A&M University System leaders announced a new approach to commercialization to lead to the creation of thousands of original discoveries, hundreds of innovative companies and a massive increase in patents derived from the hard work of Texas A&M System researchers and scientists. With the re-organization and consolidation of five commercialization offices, the historically separate entities will now serve all 19 members of the Texas A&M System. Chancellor Sharp stated the new office will help the System to build a robust

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### The Texas A&M University System Management's Discussion and Analysis For the Year Ended August 31, 2023

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commercialization ecosystem and will allow System researchers to license technology and form companies to address national and global challenges.

On March 2, 2023, all universities and agencies in the Texas A&M University System removed Diversity, Equity, and Inclusion (DEI) statements from their employment or admission practices. “No university or agency in the A&M System will admit any student, nor hire any employee based on any factor other than merit,” said Chancellor Sharp.

On April 15, 2023, Dr. Scott Dindot, an associate professor in the Texas A&M School of Veterinary Medicine and Biomedical Sciences' Department of Veterinary Pathobiology and in the School of Medicine's Department of Molecular & Cellular Medicine, was named the inaugural Chancellor's Innovation Award based on his works with a specific gene implicated in the rare disorder, Angelman syndrome (AS). Dr. Dindot developed a targeted drug therapy – now known as GTX-102, the drug therapy was the subject of a \$75 million acquisition by Ultragenyx Pharmaceutical, Inc., which is leading the continued development of treatment.

- AS affects approximately one in 15,000 live births per year; the disorder is caused by a loss of function of the UBE3A gene, which leads to developmental delay, absent speech, movement or balance disorder, and seizures.
- Dr. Dindot's drug is the first molecular therapeutic for AS to advance into clinical development.

On April 17, 2023, the Texas A&M University System made a \$2.5 million commitment, \$500,000 for the next five years to the new National Center for Infrastructure Transformation at Prairie View A&M University (PVAMU). As previously mentioned, PVAMU was selected as the first HBCU to lead a competitively awarded national-tier University Transportation Center by the U.S. Department of Transportation.

On May 2, 2023, Points of Light, founded by former President George H.W. Bush, announced Rebecca Taylor, an engineering undergraduate, and her mother, Christyn Taylor Class of 1998, will be honored at its fifth annual awards celebration near the White House. The award is for their charity, Rebecca's Wish, a 501(c)3 nonprofit which supports children with pediatric pancreatitis and has raised over \$3 million to help train pediatricians and start programs to support countless children around the United States.

On May 11, 2023, the Texas A&M University School of Law now ranks 29<sup>th</sup> nationally among law schools, according to U.S. News and World Report's 2023-2024 ranking of Best Graduate Schools.

- Since its acquisition from Texas Wesleyan University a decade ago, Texas A&M Law has made significant leaps in the annual rankings – from unranked to the top 30.
- This growth has been driven by numerous factors, including university leadership and funding, the recruitment of high-caliber students and world-class faculty, research excellence, the provision of high-quality and innovative program education, and a

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### The Texas A&M University System Management's Discussion and Analysis For the Year Ended August 31, 2023

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systematic focus on ensuring student success on the bar exam and in a competitive employment market.

On May 18, 2023, the Texas A&M University System's Board of Regents approved various construction and lease projects, details are listed below.

- The Texas A&M-Fort Worth campus received approval for an eight-story building, at a cost of \$150 million, to anchor a new research campus in southeast downtown Fort Worth. It is the first of three high-rise structures to be built and financed by the Texas A&M System, the city of Fort Worth, Tarrant County and the private sector.
- Tarleton State University received approval for a \$110 million event center.
- An additional \$4 million was approved for the construction of a \$7 million Research Administration Building at the Texas A&M AgriLife Center at Tarleton State University.
- Texas A&M University-San Antonio received approval to renovate an existing campus softball facility into a multi-purpose softball facility and multi-purpose track and field facility with a \$10 million federal fund contribution from Bexar County and approval of a lease agreement with PopStroke Entertainment Group,
- A contract with a golf entertainment group co-owned by Tiger Woods' TGR Ventures was approved to build on Texas A&M System property at Century Square on University Avenue in College Station.

On June 7, 2023, the Texas A&M University System was recognized for being a national leader in counterintelligence and protecting sensitive information by the Defense Counterintelligence and Security Agency of the U.S. Department of Defense when awarded both the James S. Cogswell Award for Outstanding Industrial Security, the most prestigious honor it can bestow, and the DCSA Jack Donnelly Award for Excellence in Counterintelligence. "The Texas A&M System takes security very seriously, and we appreciate the recognition." John Sharp, chancellor of the Texas A&M System, said. "We will continue our diligent work to stay ahead of the malicious governments and rogue organizations who seek to access the sensitive work we have been trusted to do."

On June 19, 2023, Governor Gregg Abbott approved a record \$1.19 billion in new spending for the Texas A&M University System, including money to freeze undergraduate tuition and fees for Texas residents for the next two years. New overall spending for the A&M System includes \$180.9 million for the affordability contingency, \$43.1 million in formula and research performance fund for the A&M Health Science Center, \$159 million for the A&M System Agencies for "Keeping Texas Prepared" and 5% pay increases for agency employees in each of the next two years, and \$775 million in new initiatives.

On August 16, 2023, the members of the Board of Regents approved the creation of the Texas A&M Space Institute and the construction of a Texas A&M facility next to NASA's Johnson Space Center in Houston. The board's action follows a \$350 million investment from the Texas Legislature.

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### The Texas A&M University System Management's Discussion and Analysis For the Year Ended August 31, 2023

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#### *Significant Fiscal Year 2024 Announcements*

On October 9, 2023, Rebecca A. Seguin-Fowler, Ph.D., R.D.N., L.D., C.S.C.S., was elected to the most prestigious society in the field of nutrition: the National Academy of Medicine. Seguin-Fowler is Co-Director for the Texas A&M Institute for Advancing Health Through Agriculture (IHA) and Professor of Nutrition. Seguin-Fowler is a leading authority on community-engaged diet and physical activity interventions for obesity and chronic disease prevention among rural, low-income, minority, and other at-risk populations. Her work has advanced knowledge related to social and environmental contextual factors to advance implementation and dissemination research to achieve health equity.

On November 9, 2023, the Texas A&M University System Board of Regents voted to begin construction on the \$370 million State Emergency Operations Center and agency headquarters for the Texas Division of Emergency Management (TDEM) just east of Austin's Bergstrom International Airport.

- “With this investment by the Legislature and the support of the Governor and Board of Regents, Texas will increase its capabilities to better prepare for, respond to, recover from and mitigate against any disaster we face,” said Texas Emergency Management Chief Nim Kidd.
- Chief Kidd also stated, “Communication and coordination are cornerstones of emergency management, and our new facilities will provide TDEM, and our emergency management partners with the space and technology to more effectively serve our communities across Texas.”

#### *Upcoming Accounting Pronouncements*

GASB is continuing their research on modifying the financial reporting model which will be voted on in April 2024 and the revenue and expense recognition which is scheduled to be voted on in June 2027. The A&M system accounting staff is involved with GASB and NACUBO to ensure we understand the impacts of these future pronouncements.

#### *Contact Information for 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, 2023**

|  | Current Year               | Prior Year                 |
|--|----------------------------|----------------------------|
| <b>Assets and Deferred Outflows</b>        |                            |                            |
| <b>Current Assets</b>                      |                            |                            |
| Cash and Cash Equivalents (Schedule Three) | \$2,136,899,689.95         | \$1,719,326,824.51         |
| Restricted                                 |                            |                            |
| Cash and Cash Equivalents (Schedule Three) | 234,606,730.85             | 323,000,014.34             |
| Legislative Appropriations                 | 731,764,023.28             | 298,294,809.50             |
| Receivables, Net (Note 24)                 |                            |                            |
| Federal                                    | 247,572,277.59             | 193,188,910.90             |
| Other Intergovernmental                    | 5,828,881.03               | 4,179,330.13               |
| Interest and Dividends                     | 22,171,650.75              | 14,186,062.85              |
| Gifts                                      | 34,861,458.27              | 31,817,372.88              |
| Self-Insured Health and Dental             | 41,678,440.92              | 38,255,835.94              |
| Student                                    | 54,923,713.42              | 48,545,676.48              |
| Investment Trades                          | 4,404,908.91               | 21,909,968.04              |
| Accounts                                   | 186,774,936.06             | 165,833,992.81             |
| Other                                      | 3,712,218.54               | 3,204,399.64               |
| Lease Receivable (Note 8)                  | 5,550,272.42               | 3,847,986.45               |
| Due from Other Agencies                    | 67,848,503.47              | 52,068,023.62              |
| Consumable Inventories                     | 17,784,558.73              | 18,455,121.52              |
| Merchandise Inventories                    | 7,478,817.04               | 9,960,388.54               |
| Loans and Contracts                        | 17,270,720.36              | 15,390,746.78              |
| Interfund Receivables (Note 12)            | 65,118,657.82              | 57,945,670.24              |
| Other Current Assets                       | 197,377,024.77             | 173,220,218.65             |
| <b>Total Current Assets</b>                | <b>\$4,083,627,484.18</b>  | <b>\$3,192,631,353.82</b>  |
| <b>Non-Current Assets</b>                  |                            |                            |
| Restricted                                 |                            |                            |
| Investments (Note 3)                       | \$1,233,617,010.75         | \$1,156,623,703.30         |
| Loans, Contracts and Other                 | 6,319,125.88               | 5,306,871.00               |
| Gifts Receivable                           | 272,491,997.99             | 283,057,179.49             |
| Accounts Receivable                        | 26,091,695.25              |                            |
| Loans and Contracts                        | 11,568,281.14              | 7,617,911.37               |
| Investments (Note 3)                       | 4,693,472,052.88           | 4,303,695,812.36           |
| Lease Receivable (Note 8)                  | 202,659,904.52             | 103,863,322.99             |
| Interfund Receivables (Note 12)            | 1,502,418,583.17           | 1,423,209,845.52           |
| Capital Assets, Net (Note 2)               | 7,593,351,363.22           | 7,370,850,301.64           |
| Assets Held in Trust                       | 362,100.00                 | 362,100.00                 |
| Other Non-Current Assets                   | 974,428.58                 | 5,908,766.70               |
| <b>Total Non-Current Assets</b>            | <b>\$15,543,326,543.38</b> | <b>\$14,660,495,814.37</b> |



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**Exhibit III**  
**The Texas A&M University System**  
**Combined Proprietary Statement of Net Position**  
**For the Year Ended August 31, 2023**

|   | Current Year               | Prior Year                 |
|---|----------------------------|----------------------------|
| <b>Deferred Outflows of Resources (Note 28)</b>       |                            |                            |
| Unamortized Loss on Refunding Debt                    | \$56,845,765.23            | \$60,391,789.07            |
| Government Acquisition                                | 0.00                       | 3,759,455.27               |
| Pension   | 356,787,499.00             | 254,825,351.00             |
| Other Post Employment Benefits                        | 717,580,049.00             | 787,173,958.00             |
| <b>Total Deferred Outflows of Resources (Note 28)</b> | <b>\$1,131,213,313.23</b>  | <b>\$1,106,150,553.34</b>  |
| <b>Total Assets and Deferred Outflows</b>             | <b>\$20,758,167,340.79</b> | <b>\$18,959,277,721.53</b> |
| <b>Liabilities and Deferred Inflows</b>               |                            |                            |
| <b>Current Liabilities</b>                            |                            |                            |
| Payables  |                            |                            |
| Accounts  | \$481,702,560.84           | \$423,131,992.33           |
| Payroll   | 199,136,676.75             | 174,198,069.36             |
| Investment Trade                                      | 11,714,539.90              | 32,367,895.31              |
| Self-Insured Health and Dental                        | 24,922,000.00              | 24,898,000.00              |
| Student   | 5,098,088.63               | 5,371,056.74               |
| Other   | 9,759,367.77               | 9,010,176.90               |
| Interfund Payable (Note 12)                           | 1,423,436.41               | 1,729,967.64               |
| Due to Other Agencies                                 | 340,655,397.24             | 168,612,453.15             |
| Unearned Revenue                                      | 889,858,198.31             | 848,176,521.72             |
| Employees Compensable Leave                           | 16,315,326.61              | 18,796,204.70              |
| Other Post Employment Benefits (Note 11)              | 63,084,598.00              | 53,889,498.00              |
| Claims and Judgments                                  | 1,312,021.00               | 1,744,002.00               |
| Notes and Loans Payable (Note 5)                      | 4,157,000.00               | 176,775,000.00             |
| Notes From Direct Borrowings (Note 5)                 | 3,452,375.56               | 4,789,741.04               |
| Bonds Payable (Note 6)                                | 282,666,412.44             | 262,975,901.82             |
| Lease Liability (Note 8)                              | 17,627,207.15              | 17,339,697.84              |
| Right to Use Software Subscription Liability (Note 8) | 15,933,987.73              |                            |
| Liabilities Payable from Restricted Assets            | 24,442,235.73              | 20,891,184.43              |
| Other Current Liabilities                             | 55,643,183.56              | 41,255,497.41              |
| <b>Total Current Liabilities</b>                      | <b>\$2,448,904,613.63</b>  | <b>\$2,285,952,860.39</b>  |





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**Exhibit III**  
**The Texas A&M University System**  
**Combined Proprietary Statement of Net Position**  
**For the Year Ended August 31, 2023**

|   | Current Year               | Prior Year                 |
|---|----------------------------|----------------------------|
| <b>Non-Current Liabilities</b>                        |                            |                            |
| Interfund Payable (Note 12)                           | \$3,410,278.91             | \$14,616,040.50            |
| Employees Compensable Leave                           | 110,883,913.45             | 100,637,505.82             |
| Other Post Employment Benefits (Note 11)              | 2,260,576,516.00           | 2,646,334,439.00           |
| Pension Liability (Note 9)                            | 771,327,658.00             | 345,380,129.00             |
| Claims and Judgments                                  | 12,251,671.00              | 13,106,748.00              |
| Notes and Loans Payable (Note 5)                      | 118,857,000.00             | 245,003,000.00             |
| Notes From Direct Borrowings (Note 5)                 | 51,322,631.37              | 54,888,048.13              |
| Bonds Payable (Note 6)                                | 4,578,623,302.12           | 4,378,906,384.39           |
| Assets Held in Trust                                  | 362,100.00                 | 362,100.00                 |
| Liabilities Payable from Restricted Assets            | 9,166,189.23               | 4,099,904.57               |
| Lease Liability (Note 8)                              | 178,388,482.43             | 143,610,767.37             |
| Right to Use Software Subscription Liability (Note 8) | 21,727,081.73              |                            |
| Asset Retirement Obligations (Note 5)                 | 12,426,635.27              | 12,426,635.27              |
| Other Non-Current Liabilities                         | 23,054,318.07              | 28,284,351.27              |
| <b>Total Non-Current Liabilities</b>                  | <b>\$8,152,377,777.58</b>  | <b>\$7,987,656,053.32</b>  |
| <b>Deferred Inflows of Resources (Note 28)</b>        |                            |                            |
| Pension   | \$106,067,301.00           | \$405,895,145.00           |
| Other Post Employment Benefits                        | 881,131,703.00             | 455,883,030.00             |
| Split-Interest Agreement                              | 955,368.83                 | 889,705.95                 |
| Leases and Book Value P3 Asset                        | 229,124,973.84             | 106,233,999.07             |
| <b>Total Deferred Inflows of Resources (Note 28)</b>  | <b>\$1,217,279,346.67</b>  | <b>\$968,901,880.02</b>    |
| <b>Total Liabilities and Deferred Inflows</b>         | <b>\$11,818,561,737.88</b> | <b>\$11,242,510,793.73</b> |
| <b>Net Position</b>                                   |                            |                            |
| Net Investment in Capital Assets                      | \$2,358,670,589.73         | \$2,133,353,546.05         |
| <b>Restricted for</b>                                 |                            |                            |
| Capital Projects                                      | 576,421,017.89             | 655,855,207.00             |
| Education   | 660,248,176.56             | 471,914,750.83             |
| Endowment and Permanent Funds                         |                            |                            |
| Nonexpendable   | 467,520,171.36             | 457,596,025.74             |
| Expendable  | 400,217,577.29             | 389,204,386.42             |
| Unrestricted  | 4,476,528,070.08           | 3,608,843,011.76           |
| <b>Total Proprietary Net Position (Exhibit IV)</b>    | <b>\$8,939,605,602.91</b>  | <b>\$7,716,766,927.80</b>  |

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, 2023**

|   | Current Year                | Prior Year                  |
|---|-----------------------------|-----------------------------|
| <b>Operating Revenues</b>                       |                             |                             |
| Tuition and Fees                                | \$1,856,353,253.61          | \$1,781,224,133.98          |
| Discounts and Allowances                        | (502,074,031.06)            | (429,450,855.27)            |
| Professional Fees                               | 1,031,220.57                | 2,217,562.02                |
| Auxiliary Enterprises                           | 445,349,357.75              | 440,041,613.49              |
| Discounts and Allowances                        | (54,790,343.84)             | (42,861,540.64)             |
| Other Sales of Goods and Services               | 381,448,584.53              | 327,142,537.22              |
| Discounts and Allowances                        | (8,929,859.55)              | (8,435,132.30)              |
| Interest Revenue - Loans                        | 676,852.44                  | 736,069.18                  |
| Federal Revenue                                 | 702,554,356.18              | 635,131,018.78              |
| Federal Pass Through Revenue                    | 130,667,097.07              | 173,175,027.14              |
| State Grant Revenue                             | 6,868,508.53                | 5,296,350.82                |
| State Pass Through Revenue                      | 148,228,507.94              | 134,090,578.18              |
| Other Grants and Contracts                      | 335,876,410.58              | 286,058,172.28              |
| Other Operating Revenue                         | 97,011,997.57               | 89,468,768.95               |
| <b>Total Operating Revenues</b>                 | <b>\$3,540,271,912.32</b>   | <b>\$3,393,834,303.83</b>   |
| <b>Operating Expenses</b>                       |                             |                             |
| Instruction                                     | \$1,459,082,436.37          | \$1,356,016,664.52          |
| Research  | 1,172,588,821.88            | 1,075,818,211.46            |
| Public Service                                  | 2,372,558,463.44            | 4,186,799,129.43            |
| Academic Support                                | 561,577,852.81              | 515,672,906.12              |
| Student Service                                 | 267,114,777.13              | 248,856,743.01              |
| Institutional Support                           | 389,761,054.62              | 362,468,097.94              |
| Operation & Maintenance of Plant                | 373,012,977.61              | 383,683,812.36              |
| Scholarships & Fellowships                      | 280,447,107.77              | 453,370,118.87              |
| Auxiliary                                       | 502,246,467.60              | 450,801,122.64              |
| Depreciation / Amortization                     | 558,093,162.64              | 528,429,678.10              |
| <b>Total Operating Expenses (Schedule IV-1)</b> | <b>\$7,936,483,121.87</b>   | <b>\$9,561,916,484.45</b>   |
| <b>Total Operating Loss</b>                     | <b>(\$4,396,211,209.55)</b> | <b>(\$6,168,082,180.62)</b> |
| <b>Nonoperating Revenues (Expenses)</b>         |                             |                             |
| Legislative Revenue                             | \$1,820,839,369.72          | \$1,357,436,945.65          |
| Federal Revenue                                 | 1,530,785,248.83            | 4,189,609,451.97            |
| Federal Pass Through Revenue                    | 656,163,329.47              | (80,484,963.33)             |
| State Pass Through Revenue                      | 226,841,522.55              | 120,498,807.56              |
| Gifts   | 389,708,349.01              | 220,809,063.02              |
| Investment Income                               | 558,834,005.04              | (830,505,806.70)            |
| Investing Activities Expense                    | (22,358,104.22)             | (23,935,720.90)             |
| Interest Expense                                | (188,745,671.84)            | (179,824,682.08)            |



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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, 2023**

|  | Current Year              | Prior Year                  |
|--|---------------------------|-----------------------------|
| Borrower Rebates and Agent Fees                              | (2,454,338.04)            | (285,406.03)                |
| Gain on Sale or Disposal of Capital Assets                   | 2,714,888.47              | 14,281,512.45               |
| Settlement of Claims   | (811,823.70)              | (78,231.68)                 |
| Other Nonoperating Revenues                                  | 115,586,311.78            | 33,284,982.07               |
| Other Nonoperating Expenses                                  | (124,758,290.80)          | (41,006,569.24)             |
| <b>Total Nonoperating Revenues (Expenses)</b>                | <b>\$4,962,344,796.27</b> | <b>\$4,779,799,382.76</b>   |
| <b>Income (Loss) Before Other Revenues and Transfers</b>     | <b>\$566,133,586.72</b>   | <b>(\$1,388,282,797.86)</b> |
| <b>Capital Contributions, Endowments and Transfers</b>       |                           |                             |
| Capital Contributions  | \$11,546,181.21           | \$13,916,928.73             |
| Capital Appropriation - Higher Education Fund                | 48,419,905.00             | 48,419,905.00               |
| Additions to Permanent and Term Endowments                   | 12,110,247.28             | 12,585,990.87               |
| Transfers In   |                           |                             |
| Transfers From State Agencies                                | 579,996,181.48            | 537,763,552.35              |
| Transfers From State Agencies - Capital Assets               | 6,906.18                  | 17,277.33                   |
| Transfers Out  |                           |                             |
| Transfers To State Agencies                                  | (1,838,305.70)            | (3,290,340.38)              |
| Transfers To State Agencies - Capital Assets                 | 0.00                      | (389,860.49)                |
| Legislative Transfers - In                                   | 8,330,711.71              | 7,148,106.00                |
| Legislative Appropriations Lapsed                            | (1,866,738.77)            | (276,556.13)                |
| <b>Total Capital Contributions, Endowments and Transfers</b> | <b>\$656,705,088.39</b>   | <b>\$615,895,003.28</b>     |
| <b>Change in Net Position</b>                                | <b>\$1,222,838,675.11</b> | <b>(\$772,387,794.58)</b>   |
| Net Position, Beginning of Year                              | \$7,716,766,927.80        | \$8,489,622,645.56          |
| Restatement  | 0.00                      | (467,923.18)                |
| <b>Net Position, Beginning of Year, Restated</b>             | <b>\$7,716,766,927.80</b> | <b>\$8,489,154,722.38</b>   |
| <b>Net Position, End of Year (Exhibit III)</b>               | <b>\$8,939,605,602.91</b> | <b>\$7,716,766,927.80</b>   |

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 University System

Combined Proprietary Statement of NACUBO Function to Natural Classification Matrix  
For the Year Ended August 31, 2023

|   | Instruction               | Research                  | Public Service            | Academic Support        |
|---|---------------------------|---------------------------|---------------------------|-------------------------|
| <b>Natural Classification</b>               |                           |                           |                           |                         |
| Salaries and Wages                          | \$909,190,675.93          | \$489,211,788.99          | \$188,959,953.89          | \$266,374,792.86        |
| Payroll Related Costs                       | 324,160,418.00            | 153,005,778.94            | 85,847,309.50             | 90,516,830.68           |
| Cost of Goods Sold                          | 946,636.85                | (326,374.75)              | 423,169.33                | 245,205.12              |
| Professional Fees and Services              | 70,349,577.36             | 153,187,803.70            | 131,365,199.01            | 59,887,679.05           |
| Travel                                      | 19,920,523.33             | 25,613,524.88             | 8,803,578.00              | 9,324,398.77            |
| Materials and Supplies                      | 51,458,854.75             | 83,434,235.31             | 71,165,479.25             | 58,641,651.93           |
| Communications and Utilities                | 4,298,191.83              | 15,177,560.71             | 5,827,924.91              | 10,983,699.54           |
| Repairs and Maintenance                     | 7,086,132.09              | 21,311,461.30             | 7,160,824.68              | 11,431,073.07           |
| Rentals and Leases                          | 26,120,674.76             | 17,658,432.29             | 101,404,071.11            | 12,905,532.55           |
| Printing and Reproduction                   | 2,447,806.01              | 3,522,124.26              | 1,286,566.39              | 1,917,731.26            |
| Federal Pass Through                        | 1,975,846.79              | 25,953,775.67             | 574,128,841.25            | 74,230.14               |
| State Pass Through                          |                           | 457,305.59                | 3,086,973.50              |                         |
| Depreciation and Amortization               |                           |                           |                           |                         |
| Bad Debt Expense                            |                           |                           |                           |                         |
| Interest                                    | 14,353.93                 | 42,969.59                 | 76,947.57                 | 11,312.39               |
| Scholarships                                | 3,005,280.54              | 47,123,187.22             | 840,392.34                | 3,340,980.15            |
| Claims and Losses                           |                           |                           |                           |                         |
| Other Operating Expenses                    | 38,107,464.20             | 137,215,248.18            | 1,192,181,232.71          | 35,922,735.30           |
| <b>Total Proprietary Operating Expenses</b> | <b>\$1,459,082,436.37</b> | <b>\$1,172,588,821.88</b> | <b>\$2,372,558,463.44</b> | <b>\$561,577,852.81</b> |



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Schedule IV-1

The Texas A University System

Combined Proprietary Statement of NACUBO Function to Natural Classification Matrix  
For the Year Ended August 31, 2023

|   | Student Service         | Institutional Support   | Operation &<br>Maintenance of<br>Plant | Scholarships &<br>Fellowships |
|---|-------------------------|-------------------------|--|-------------------------------|
| <b>Natural Classification</b>               |                         |                         |  |                               |
| Salaries and Wages                          | \$106,896,773.93        | \$167,340,297.51        | \$34,915,642.50                        | \$18,891,797.42               |
| Payroll Related Costs                       | 44,158,197.05           | 68,751,255.17           | 15,675,363.48                          | 2,406,698.67                  |
| Cost of Goods Sold                          | 22,844.01               | 40,160.19               | 1,900.00                               | 1,200.00                      |
| Professional Fees and Services              | 26,525,855.94           | 49,788,289.72           | 76,161,884.08                          | 5,910,449.44                  |
| Travel                                      | 6,229,711.59            | 2,639,328.52            | 317,838.83                             | 1,528,699.46                  |
| Materials and Supplies                      | 18,367,585.02           | 6,577,025.15            | 9,132,289.81                           | 1,287,677.21                  |
| Communications and Utilities                | 2,201,574.56            | 5,519,616.21            | 84,031,807.29                          | 15,830.34                     |
| Repairs and Maintenance                     | 4,395,328.53            | 9,818,347.36            | 115,237,635.17                         | 15,335.35                     |
| Rentals and Leases                          | 14,355,885.19           | 9,362,526.14            | 4,692,765.47                           | 1,642,089.29                  |
| Printing and Reproduction                   | 2,344,941.18            | 1,001,347.01            | 38,198.92                              | 20,413.30                     |
| Federal Pass Through                        |                         |                         |  |                               |
| State Pass Through                          |                         |                         |  | 590,659.13                    |
| Depreciation and Amortization               |                         |                         |  |                               |
| Bad Debt Expense                            | 375,184.82              |                         |  |                               |
| Interest                                    | 7,888.96                | 8,037.75                | 11,447.28                              | 188.11                        |
| Scholarships                                | 2,078,182.60            | 16,752,259.86           | 128,773.75                             | 228,469,446.28                |
| Claims and Losses                           |                         | 27,602,142.39           | 2,081,055.70                           |                               |
| Other Operating Expenses                    | 39,154,823.75           | 24,560,421.64           | 30,586,375.33                          | 19,666,623.77                 |
| <b>Total Proprietary Operating Expenses</b> | <b>\$267,114,777.13</b> | <b>\$389,761,054.62</b> | <b>\$373,012,977.61</b>                | <b>\$280,447,107.77</b>       |



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Schedule IV-1

The Texas A University System

Combined Proprietary Statement of NACUBO Function to Natural Classification Matrix  
For the Year Ended August 31, 2023

|   | Auxiliary               | Depreciation /<br>Amortization | Current Year              | Prior Year                |
|---|-------------------------|--------------------------------|---------------------------|---------------------------|
| <b>Natural Classification</b>               |                         |                                |                           |                           |
| Salaries and Wages                          | \$136,589,548.75        | \$0.00                         | \$2,318,371,271.78        | \$2,169,574,484.24        |
| Payroll Related Costs                       | 30,669,381.43           |                                | 815,191,232.92            | 710,436,643.52            |
| Cost of Goods Sold                          | 5,223,524.73            |                                | 6,578,265.48              | 4,294,570.39              |
| Professional Fees and Services              | 108,115,600.99          |                                | 681,292,339.29            | 965,156,306.76            |
| Travel                                      | 21,575,100.19           |                                | 95,952,703.57             | 66,779,247.58             |
| Materials and Supplies                      | 28,673,171.23           |                                | 328,737,969.66            | 418,907,660.13            |
| Communications and Utilities                | 31,184,828.02           |                                | 159,241,033.41            | 160,811,168.13            |
| Repairs and Maintenance                     | 28,678,486.59           |                                | 205,134,624.14            | 213,220,839.69            |
| Rentals and Leases                          | 25,517,163.00           |                                | 213,659,139.80            | 139,228,017.42            |
| Printing and Reproduction                   | 889,934.65              |                                | 13,469,062.98             | 11,634,846.53             |
| Federal Pass Through                        |                         |                                | 602,132,693.85            | 2,762,551,962.68          |
| State Pass Through                          |                         |                                | 4,134,938.22              | 314,609.94                |
| Depreciation and Amortization               |                         | 558,093,162.64                 | 558,093,162.64            | 528,429,678.10            |
| Bad Debt Expense                            |                         |                                | 375,184.82                | 316,609.92                |
| Interest                                    | 8,179.07                |                                | 181,324.65                | 137,545.72                |
| Scholarships                                | 19,454,843.41           |                                | 321,193,346.15            | 352,548,164.60            |
| Claims and Losses                           |                         |                                | 29,683,198.09             | 41,284,958.69             |
| Other Operating Expenses                    | 65,666,705.54           |                                | 1,583,061,630.42          | 1,016,289,170.41          |
| <b>Total Proprietary Operating Expenses</b> | <b>\$502,246,467.60</b> | <b>\$558,093,162.64</b>        | <b>\$7,936,483,121.87</b> | <b>\$9,561,916,484.45</b> |



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**Exhibit V**  
**The Texas A&M University System**  
**Combined Proprietary Statement of Cash Flows**  
**For the Year Ended August 31, 2023**

|  | Current Year                | Prior Year                  |
|--|-----------------------------|-----------------------------|
| <b>Cash Flows From Operating Activities</b>                                |                             |                             |
| Proceeds Received From Tuition and Fees                                    | \$1,359,429,801.00          | \$1,485,735,095.39          |
| Proceeds Received From Customers   | 444,939,241.76              | 319,417,642.29              |
| Proceeds From Grants and Contracts   | 1,255,124,489.11            | 1,136,883,413.99            |
| Proceeds From Auxiliary Enterprises  | 386,912,735.02              | 391,392,400.03              |
| Proceeds From Loan Programs  | 615,009,692.77              | 610,943,524.62              |
| Proceeds From Other Operating Revenues                                     | 108,793,657.36              | 102,401,909.47              |
| Payments to Suppliers for Goods and Services                               | (3,336,642,307.87)          | (2,843,876,681.10)          |
| Payments to Employees  | (2,948,826,617.07)          | (2,726,032,201.35)          |
| Payments for Loans Provided  | (623,389,275.71)            | (611,579,788.83)            |
| Payments for Other Operating Expenses                                      | (780,038,167.16)            | (3,464,586,946.14)          |
| <b>Net Cash Used By Operating Activities</b>                               | <b>(\$3,518,686,750.79)</b> | <b>(\$5,599,301,631.63)</b> |
| <b>Cash Flows From Noncapital Financing Activities</b>                     |                             |                             |
| Proceeds From State Appropriations   | \$1,437,633,060.91          | \$1,447,725,700.83          |
| Proceeds From Gifts  | 399,807,545.45              | 234,150,954.85              |
| Proceeds From Endowments   | 12,110,247.28               | 12,585,990.87               |
| Proceeds From Transfers From Other Funds                                   | 512,379,566.80              | 509,309,527.44              |
| Proceeds From Other Grant Receipts   | 2,409,131,756.81            | 4,217,263,247.21            |
| Proceeds From Other Noncapital Financing Activities                        | 120,929,389.83              | 35,212,333.51               |
| Payments for Transfers to Other Funds                                      | (2,322,291.71)              | (3,686,038.55)              |
| Payments for Other Noncapital Financing Uses                               | (119,792,789.38)            | (41,317,301.96)             |
| <b>Net Cash Provided By Noncapital Financing Activities</b>                | <b>\$4,769,876,485.99</b>   | <b>\$6,411,244,414.20</b>   |
| <b>Cash Flows From Capital and Related Financing Activities</b>            |                             |                             |
| Proceeds From Sale of Capital Assets                                       | \$5,924,232.97              | \$24,164,757.24             |
| Proceeds From Debt Issuance  | 633,625,395.95              | 716,003,102.24              |
| Proceeds From State Grants and Contracts                                   | -                           | 903,140.33                  |
| Proceeds From Interfund Payables   | -                           | 10,000,000.00               |
| Proceeds From Other Financing Activities                                   | 11,755,585.39               | 17,938,421.65               |
| Payments for Additions to Capital Assets                                   | (709,783,577.51)            | (1,051,713,198.43)          |
| Payments of Principal On Debt  | (712,981,967.60)            | (307,897,333.26)            |
| Payments for Leases/SBITA  | (15,719,055.76)             | (13,807,946.45)             |
| Payments of Interest On Debt Issuance                                      | (183,022,710.07)            | (174,613,406.97)            |
| Payments for Interfund Receivables   | (11,612,292.82)             | (1,904,949.34)              |
| Payments of Other Costs On Debt Issuance                                   | (3,606,873.76)              | (1,494,791.67)              |
| <b>Net Cash Used By Capital &amp; Related Financing Activities</b>         | <b>(\$985,421,263.21)</b>   | <b>(\$782,422,204.66)</b>   |
| <b>Cash Flows From Investing Activities</b>                                |                             |                             |
| Proceeds From Sales of Investments   | \$2,070,604,185.06          | \$3,351,389,557.86          |
| Proceeds From Interest and Investment Income                               | 198,839,661.14              | 116,239,438.63              |
| Payments to Acquire Investments  | (2,206,032,736.24)          | (3,616,342,931.99)          |
| <b>Net Cash Provided (Used) By Investing Activities</b>                    | <b>\$63,411,109.96</b>      | <b>(\$148,713,935.50)</b>   |
| <b>Net Increase (Decrease) In Cash and Cash Equivalents</b>                | <b>\$329,179,581.95</b>     | <b>(\$119,193,357.59)</b>   |
| Proprietary Cash and Cash Equivalents, Beginning of Year                   | \$2,042,326,838.85          | \$2,161,520,196.44          |
| <b>Proprietary Cash and Cash Equivalents, End of Year (Schedule Three)</b> | <b>\$ 2,371,506,420.80</b>  | <b>\$ 2,042,326,838.85</b>  |



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**Exhibit V**  
**The Texas A&M University System**  
**Combined Proprietary Statement of Cash Flows**  
**For the Year Ended August 31, 2023**

|   | Current Year                | Prior Year                  |
|---|-----------------------------|-----------------------------|
| <b>Reconciliation of Operating Loss to Net Cash Used By Operating Activities</b>        |                             |                             |
| Operating Loss  | (\$4,396,211,209.55)        | (\$6,168,082,180.62)        |
| <b>Adjustments to Reconcile Operating Loss to Net Cash Used By Operating Activities</b> |                             |                             |
| Amortization and Depreciation   | \$558,093,162.64            | \$528,429,678.10            |
| Bad Debt Expense  | 4,922,989.79                | 10,225,243.48               |
| Pension Expense   | 94,504,755.00               | (41,930,921.00)             |
| OPEB Expense  | 171,048,559.00              | 168,432,726.00              |
| Changes In Assets and Liabilities   |                             |                             |
| (Increase) Decrease In Receivables  | (58,996,505.36)             | (49,085,792.17)             |
| (Increase) Decrease In Due From Agencies/Funds  | (20,629,409.24)             | (139,786.27)                |
| (Increase) Decrease In Inventories  | 3,152,134.29                | (4,474,401.12)              |
| (Increase) Decrease In Prepaid Expenses   | (23,881,913.17)             | 6,514,524.68                |
| (Increase) Decrease In Loans and Contracts  | (7,113,033.16)              | 3,650,143.23                |
| (Increase) Decrease In Other Assets   | 512,458.05                  | 3,294,486.84                |
| (Increase) Decrease In Deferred Outflows - Pensions                                     | (172,309,364.00)            | 53,144,425.77               |
| (Increase) Decrease In Deferred Outflows - OPEB   | 16,825,109.00               | (174,397,388.00)            |
| Increase (Decrease) In Payables   | 65,408,853.22               | 171,815,860.21              |
| Increase (Decrease) In Due to Other Agencies/Funds                                      | 172,320,634.77              | (247,038,748.95)            |
| Increase (Decrease) In Unearned Revenue   | 38,027,460.50               | 11,149,084.87               |
| Increase (Decrease) In Deposits   | (192,649.75)                | 121,176.25                  |
| Increase (Decrease) In Employees Compensable Leave                                      | 7,765,529.54                | 764,255.26                  |
| Increase (Decrease) In OPEB Liability   | (494,842,582.00)            | 141,500,425.00              |
| Increase (Decrease) In Pension Liability  | 401,789,991.00              | (324,593,149.77)            |
| Increase (Decrease) In Self Insured Accrued Liability                                   | (1,263,058.00)              | 1,283,232.00                |
| Increase (Decrease) In Other Liabilities  | (125,930,467.13)            | 5,769,787.58                |
| Increase (Decrease) In Deferred Inflows - Pensions                                      | (299,827,844.00)            | 271,448,724.00              |
| Increase (Decrease) In Deferred Inflows - OPEB  | 425,248,673.00              | 32,896,963.00               |
| Increase (Decrease) in Deferred Inflows of Resources – Leases                           | 97,955,182.64               | -                           |
| Increase (Decrease) in Deferred Inflows of Resources – BV of P3 Assets                  | 24,935,792.13               | -                           |
| <b>Total Adjustments</b>  | <b>\$877,524,458.76</b>     | <b>\$568,780,548.99</b>     |
| <b>Net Cash Used By Operating Activities</b>  | <b>(\$3,518,686,750.79)</b> | <b>(\$5,599,301,631.63)</b> |
| <b>Non-Cash Transactions</b>  |                             |                             |
| Donation of Capital Assets  | \$11,546,181.21             | \$13,916,928.73             |
| Net Change In Fair Value of Investments   | 351,449,853.11              | (945,579,620.25)            |
| Amortization of Bond Premiums and Discounts   | 22,185,539.25               | 23,471,968.74               |
| Borrowing Under Lease Purchase  | 95,052,474.94               | 160,950,465.21              |
| Other   | 2,422,674.62                | 789,435.98                  |

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





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**Exhibit VI**  
**The Texas A&M University System**  
**Combined Statement of Fiduciary Net Position - Custodial Funds**  
**For the Year Ended August 31, 2023**

|   | Current Year            | Prior Year              |
|---|-------------------------|-------------------------|
| <b>Assets</b>                                     |                         |                         |
| Cash and Cash Equivalents (Schedule Three-F)      | \$9,138,214.53          | \$9,643,623.33          |
| Investments (Note 3)                              | 1,713,821.37            | 2,325,647.87            |
| Restricted Cash and Cash Equivalents              |                         |                         |
| Cash and Cash Equivalents (Schedule Three-F)      | 32,076,668.65           | 34,643,835.66           |
| Investments (Note 3)                              | 363,081,270.63          | 414,880,017.43          |
| Receivables, Net (Note 24)                        |                         |                         |
| Interest and Dividends                            | 1,050,461.00            | 1,020,034.14            |
| Gifts   | 46,596,038.35           | 41,935,442.77           |
| Student   | 1,386,143.11            | 2,900,543.05            |
| Investment Trades                                 | 258,268.33              | 1,705,102.75            |
| Accounts  | 3,457,398.94            | 120,995.54              |
| Other   | 2,250,111.98            | 1,751,867.94            |
| Other Assets                                      | 677.60                  | 12,282.98               |
| <b>Total Assets</b>                               | <b>\$461,009,074.49</b> | <b>\$510,939,393.46</b> |
| <b>Liabilities</b>                                |                         |                         |
| Payables (Note 24)                                |                         |                         |
| Accounts  | \$1,416,807.48          | \$4,321,131.30          |
| Investment Trades                                 | 676,182.85              | 2,543,317.92            |
| Other   | 448,357.56              | 699,966.68              |
| Other Liabilities                                 | 5,259,669.52            | 5,132,421.92            |
| <b>Total Liabilities</b>                          | <b>\$7,801,017.41</b>   | <b>\$12,696,837.82</b>  |
| <b>Net Position</b>                               |                         |                         |
| Restricted for                                    |                         |                         |
| Individuals, Organizations, & Other Entities      | \$453,208,057.08        | \$498,242,555.64        |
| <b>Total Fiduciary Net Position (Exhibit VII)</b> | <b>\$453,208,057.08</b> | <b>\$498,242,555.64</b> |

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, 2023**

|  | Current Year             | Prior Year                |
|--|--------------------------|---------------------------|
| <b>Additions</b>   |                          |                           |
| <b>Contributions</b>   |                          |                           |
| Contributions from Foundations/Alumni Associations                 | \$24,212,811.50          | \$34,967,218.60           |
| Contributions from External Entities to Student Organizations      | 3,077,711.87             | 2,438,314.92              |
| Contributions from Investments Held for Non A&M Entities           | -                        | 191,683.01                |
| Contributions from Other Organizations                             | 886,651.99               | 250,514.59                |
| <b>Total Contributions</b>   | <b>\$28,177,175.36</b>   | <b>\$37,847,731.12</b>    |
| <b>Investment Income (Loss)</b>                                    |                          |                           |
| Interest/Dividends/Other Income                                    | \$7,081,564.18           | \$5,317,588.05            |
| Realized Gain Sale of Investments                                  | 9,532,051.64             | 3,159,057.90              |
| Net Increase (Decrease) in Fair Value of Investments               | 12,210,991.30            | (84,215,509.73)           |
| Total Investment Income (Loss)                                     | \$28,824,607.12          | (\$75,738,863.78)         |
| Less: Investment Activity Costs                                    | (2,007,576.97)           | (2,200,226.98)            |
| <b>Total Net Investment Income (Loss)</b>                          | <b>\$26,817,030.15</b>   | <b>(\$77,939,090.76)</b>  |
| <b>Other Additions</b>   |                          |                           |
| Receipts for Sales Revenue from Public Private Partnerships        | \$12,230,305.04          | \$12,907,329.31           |
| Receipts for Dues and Event Revenues from Student Organizations    | 13,233,433.83            | 11,806,928.31             |
| Receipts from Other Organizations                                  | 2,009,110.72             | 1,527,132.80              |
| Miscellaneous Additions  | 2,578,236.95             | 3,120,881.06              |
| <b>Total Other Additions</b>                                       | <b>\$30,051,086.54</b>   | <b>\$29,362,271.48</b>    |
| <b>Total Additions</b>   | <b>\$85,045,292.05</b>   | <b>(\$10,729,088.16)</b>  |
| <b>Deductions</b>  |                          |                           |
| Refunds of Contributions for Investments Held for Non A&M Entities | \$81,118,970.20          | \$49,376,321.10           |
| Payments of Operational Costs for Public Private Partnerships      | 13,307,639.13            | 12,405,326.11             |
| Payments of Operational and Event Costs for Student Organizations  | 16,094,904.35            | 13,587,108.67             |
| Payments of Operational Costs for Foundations/Alumni Associations  | 15,290,994.72            | 12,421,302.33             |
| Miscellaneous Deductions   | 4,267,282.21             | 6,166,396.06              |
| <b>Total Deductions</b>  | <b>\$130,079,790.61</b>  | <b>\$93,956,454.27</b>    |
| <b>Net Decrease in Fiduciary Net Position</b>                      | <b>(\$45,034,498.56)</b> | <b>(\$104,685,542.43)</b> |
| Net Position, Beginning of Year                                    | \$498,242,555.64         | \$602,928,098.07          |
| <b>Fiduciary Net Position, End of Year (Exhibit VI)</b>            | <b>\$453,208,057.08</b>  | <b>\$498,242,555.64</b>   |

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, 2023

#### Notes to the Combined Financial Statements

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### The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2023

#### 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 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, 2023

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 reflect amounts owed for goods and services provided, or the value of a Public Private Partnership (P3) Asset to be transferred. 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 which 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.

#### **Lease Receivables**

Lease receivables are recorded by the A&M System as the present value of lease payments expected to be received under leases meeting the \$100,000 threshold per contract excluding short term. Lease receivables are subsequently reduced over the life of the lease as cash is received in the applicable reporting period. Short term leases, those with a maximum period of 12 months, are recognized as collected. Additional details are provided in Note 8 – Leases.

#### **Other Assets**

Balances reported as Other Assets consist mostly of prepaid expenses along with other miscellaneous deposit balances. The Other Assets reported in the Non-Current section include the A&M System's share of a split interest agreement.

#### **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.

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### The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2023

#### **Right-to-Use-Assets**

Right-to-Use (RTU) assets represent the right to use another entity's nonfinancial asset (building, land, equipment, subscription software, etc.) for a specified period of time as defined in the lease contract. RTU assets and the related lease liability are recognized at the lease commencement date and measured based on the present value of future lease payments.

#### **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.

##### **Lease Liabilities**

Lease liabilities represent the A&M System's obligation to make lease payments arising from leases meeting the \$100,000 threshold per RTU asset, excluding short term leases. Lease liabilities are recognized at the lease commencement date based on the present value of future lease payments over the remaining lease term. Present value of lease payments is discounted based on a borrowing rate determined by the A&M System. Short term leases, those with a maximum period of 12 months, are expensed as incurred. Additional details are provided in Note 8- Leases.

##### **Subscription Liability**

Subscription liabilities represent the A&M System's obligation to make software lease payments arising from leases meeting the \$500,000 threshold per contract, excluding short-term leases. subscription liabilities are recognized at the lease commencement date based on the present value of future lease payments over the remaining lease term. The present value of lease payments is discounted based on a borrowing rate determined by the A&M System. Short-term leases, those with a maximum period of 12 months, are expensed as incurred.

##### **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 a contractual obligation. For the A&M System, this is for financed purchases for capital assets. See Note 5 Long-Term Liabilities for additional details.

## UNAUDITED

### **The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2023**

#### **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) which 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 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.

#### **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 which 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.



## UNAUDITED

### The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2023

#### 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 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 not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources 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). Due to/from, transfers, federal and state pass throughs between A&M System members have been eliminated.

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

An endowment appreciation reserve was created in the 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.

The A&M System continues to operationalize GASB Statement No. 87, Leases, which was effective 2022. It established a single model for lease accounting based on the principal leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred

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### **The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2023**

inflow of resources. Limited exceptions to the single approach guidance are provided for short-term leases, defined as lasting a maximum of twelve months at inception, including any options to extend, financed purchase, leases for assets defined as investments and certain regulated lease. Leases should be recognized and measured using the facts and circumstances existing at the beginning of the earliest period presented.

#### **Reporting Considerations for COVID Response**

During fiscal year 2023, as we emerged from the COVID impact and resumed normal operations, 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 2023, A&M member institutions received \$74 million from the HEERF programs.

#### **Additional State Funding Received in 2023**

In June 2023, Governor Gregg Abbott approved additional state funding for several agencies and higher education institutions. Texas A&M University System was approved over \$1.19 billion for several initiatives including funding to help with freezing undergraduate tuition and fees for Texas residents, affordability contingency, plus funding for “Keeping Texas Prepared” and 5% pay increases for agency employees in each of the next two years, and \$775 million in new initiatives.

#### **GASB Statement Implementations in Fiscal Year 2023**

In the fiscal year 2023, the A&M System adopted GASB 96-Subscription-based Information Technology Arrangements and GASB 94-Public-Private and Public-Public Partnerships and Availability Payment Arrangements as part of its financial reporting.

GASB 96 defines Subscription-Based Information Technology Arrangements (SBITA) as contracts involving control over the right to use another party's IT software or IT software combined with tangible capital assets for a specified period. Implementation details are available in Note 8 – Leases and SBITAs.

GASB 94 addresses Public-Private and Public-Public Partnership arrangements (PPPs), which involve governments contracting with operators to provide public services by transferring control over nonfinancial assets for a set period. Implementation details are available in Note 27 - Public-Private and Public-Public Partnerships.

These accounting standards enhance the transparency and compliance of our financial reporting.

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**The Texas A&M University System  
Notes to the Combined Financial Statements  
For the Year Ended August 31, 2023**

**Note 2 - Capital Assets**

The proprietary fund summary of changes in Capital Assets for the year ended August 31, 2023 is presented below.

| <b>Capital Asset Activity</b>                   |                              |                    |                          |                                     |                          |                          |                            |
|---|------------------------------|--------------------|--------------------------|-------------------------------------|--------------------------|--------------------------|----------------------------|
|   | <b>Beginning<br/>Balance</b> | <b>Adjustments</b> | <b>Completed<br/>CIP</b> | <b>Interagency<br/>Transactions</b> | <b>Additions</b>         | <b>Deletions</b>         | <b>Ending<br/>Balance</b>  |
| <b>Non-Depreciable/Amortizable Assets</b>       |                              |                    |                          |                                     |                          |                          |                            |
| Land and Land Improvements                      | \$ 241,725,326.70            | \$ -               | \$ 1,533,724.28          | \$ -                                | \$ 6,603,410.97          | \$ (3,336,032.85)        | \$ 246,526,429.10          |
| Construction in Progress                        | 1,008,535,015.21             | -                  | (263,131,072.50)         | -                                   | 560,268,666.18           | (483,347.10)             | 1,305,189,261.79           |
| Other Tangible Capital Assets                   | 71,346,187.82                | -                  | 17,100.00                | -                                   | 2,532,129.93             | (143,044.00)             | 73,752,373.75              |
| Land Use Rights                                 | 119,070.00                   | -                  | -                        | -                                   | -                        | -                        | 119,070.00                 |
| <b>Non-Depreciable/Amortizable Assets</b>       | <b>1,321,725,599.73</b>      | <b>-</b>           | <b>(261,580,248.22)</b>  | <b>-</b>                            | <b>569,404,207.08</b>    | <b>(3,962,423.95)</b>    | <b>1,625,587,134.64</b>    |
| <b>Depreciable Assets</b>                       |                              |                    |                          |                                     |                          |                          |                            |
| Buildings                                       | 8,148,220,777.46             | (411,171.45)       | 183,915,988.64           | -                                   | 16,047,179.05            | (13,802,191.37)          | 8,333,970,582.33           |
| Infrastructure                                  | 1,080,447,495.49             | -                  | 37,216,476.46            | -                                   | 550,594.37               | (21,814.04)              | 1,118,192,752.28           |
| Facilities and Other Improvements               | 1,127,589,372.56             | -                  | 14,404,189.30            | -                                   | 1,453,977.38             | (826,204.69)             | 1,142,621,334.55           |
| Furniture and Equipment                         | 1,176,033,493.90             | (44,961.80)        | 18,656,960.73            | 135,584.92                          | 87,771,968.06            | (40,541,867.86)          | 1,242,011,177.95           |
| Vehicles, Boats and Aircraft                    | 168,530,805.19               | 464,183.86         | 20,624.75                | -                                   | 16,576,924.74            | (4,727,067.00)           | 180,865,471.54             |
| Other Capital Assets                            | 211,506,219.84               | -                  | 7,257,258.34             | -                                   | 7,771,953.36             | (5,006,193.15)           | 221,529,238.39             |
| <b>Total Depreciable Assets</b>                 | <b>11,912,328,164.44</b>     | <b>8,050.61</b>    | <b>261,471,498.22</b>    | <b>135,584.92</b>                   | <b>130,172,596.96</b>    | <b>(64,925,338.11)</b>   | <b>12,239,190,557.04</b>   |
| <b>Less Accumulated Depreciation</b>            |                              |                    |                          |                                     |                          |                          |                            |
| Buildings                                       | (3,881,440,423.07)           | -                  | -                        | -                                   | (324,750,698.87)         | 7,535,735.33             | (4,198,655,386.61)         |
| Infrastructure                                  | (549,679,482.03)             | -                  | -                        | -                                   | (40,671,416.13)          | -                        | (590,350,898.16)           |
| Facilities and Other Improvements               | (463,891,121.13)             | -                  | -                        | -                                   | (38,265,495.05)          | 484,844.73               | (501,671,771.45)           |
| Furniture and Equipment                         | (864,758,899.28)             | 369,973.16         | -                        | (128,678.74)                        | (83,922,993.69)          | 26,564,930.27            | (921,875,668.28)           |
| Vehicles, Boats and Aircraft                    | (126,250,336.21)             | (378,023.77)       | -                        | -                                   | (11,438,565.06)          | 4,266,671.75             | (133,800,253.29)           |
| Other Capital Assets                            | (166,235,355.65)             | -                  | -                        | -                                   | (7,660,011.97)           | 2,579,396.79             | (171,315,970.83)           |
| <b>Total Accumulated Depreciation</b>           | <b>(6,052,255,617.37)</b>    | <b>(8,050.61)</b>  | <b>-</b>                 | <b>(128,678.74)</b>                 | <b>(506,709,180.77)</b>  | <b>41,431,578.87</b>     | <b>(6,517,669,948.62)</b>  |
| <b>Depreciable Assets, Net</b>                  | <b>5,860,072,547.07</b>      | <b>-</b>           | <b>261,471,498.22</b>    | <b>6,906.18</b>                     | <b>(376,536,583.81)</b>  | <b>(23,493,759.24)</b>   | <b>5,721,520,608.42</b>    |
| <b>Amortizable Assets - Intangible</b>          |                              |                    |                          |                                     |                          |                          |                            |
| Land Use Rights                                 | 255,457.00                   | -                  | -                        | -                                   | -                        | -                        | 255,457.00                 |
| Computer Software                               | 146,920,883.47               | -                  | 108,750.00               | -                                   | 828,691.78               | (19,606,749.44)          | 128,251,575.81             |
| <b>Total Intangible Assets-<br/>Amortizable</b> | <b>147,176,340.47</b>        | <b>-</b>           | <b>108,750.00</b>        | <b>-</b>                            | <b>828,691.78</b>        | <b>(19,606,749.44)</b>   | <b>128,507,032.81</b>      |
| <b>Less Accumulated Amortization</b>            |                              |                    |                          |                                     |                          |                          |                            |
| Land Use Rights                                 | (255,457.00)                 | -                  | -                        | -                                   | -                        | -                        | (255,457.00)               |
| Computer Software                               | (117,019,416.63)             | -                  | -                        | -                                   | (12,911,038.27)          | 11,156,012.28            | (118,774,442.62)           |
| <b>Total Accumulated Amortization</b>           | <b>(117,274,873.63)</b>      | <b>-</b>           | <b>-</b>                 | <b>-</b>                            | <b>(12,911,038.27)</b>   | <b>11,156,012.28</b>     | <b>(119,029,899.62)</b>    |
| <b>Amortizable Intangible<br/>Assets, Net</b>   | <b>29,901,466.84</b>         | <b>-</b>           | <b>108,750.00</b>        | <b>-</b>                            | <b>(12,082,346.49)</b>   | <b>(8,450,737.16)</b>    | <b>9,477,133.19</b>        |
| <b>Total Capital Assets, Net</b>                | <b>\$7,211,699,613.64</b>    | <b>\$ -</b>        | <b>\$ -</b>              | <b>\$ 6,906.18</b>                  | <b>\$ 180,785,276.78</b> | <b>\$(35,906,920.35)</b> | <b>\$ 7,356,584,876.25</b> |

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| <b>Capital Asset Activity-Continued</b>                 |                              |                    |                          |                                     |                          |                          |                            |
|---|------------------------------|--------------------|--------------------------|-------------------------------------|--------------------------|--------------------------|----------------------------|
|   | <b>Beginning<br/>Balance</b> | <b>Adjustments</b> | <b>Completed<br/>CIP</b> | <b>Interagency<br/>Transactions</b> | <b>Additions</b>         | <b>Deletions</b>         | <b>Ending<br/>Balance</b>  |
| <b>Right-to-Use Assets</b>                              |                              |                    |                          |                                     |                          |                          |                            |
| RTU-Land and Land                                       |                              |                    |                          |                                     |                          |                          |                            |
| Improvements  | \$ 123,522.07                | \$ -               | \$ -                     | \$ -                                | \$ -                     | \$ -                     | \$ 123,522.07              |
| RTU-Building and Building                               |                              |                    |                          |                                     |                          |                          |                            |
| Improvements  | 174,908,511.88               | -                  | -                        | -                                   | 52,519,654.04            | (2,245,861.95)           | 225,182,303.97             |
| RTU-Equipment   | 1,561,969.31                 | -                  | -                        | -                                   | 1,118,054.17             | (260,769.06)             | 2,419,254.42               |
| RTU-Software Subscription                               |                              |                    |                          |                                     | 62,451,034.36            | -                        | 62,451,034.36              |
| <b>Total Right-to-Use Assets</b>                        | <b>176,594,003.26</b>        | <b>-</b>           | <b>-</b>                 | <b>-</b>                            | <b>116,088,742.57</b>    | <b>(2,506,631.01)</b>    | <b>290,176,114.82</b>      |
| <b>Less Accumulated Amortization<br/>for RTU Assets</b> |                              |                    |                          |                                     |                          |                          |                            |
| RTU-Land and Land                                       |                              |                    |                          |                                     |                          |                          |                            |
| Improvements  | (16,843.92)                  | -                  | -                        | -                                   | (16,842.72)              | -                        | (33,686.64)                |
| RTU-Building and Building                               |                              |                    |                          |                                     |                          |                          |                            |
| Improvements  | (17,013,467.24)              | -                  | -                        | -                                   | (20,784,281.66)          | 2,245,861.95             | (35,551,886.95)            |
| RTU-Equipment   | (413,004.10)                 | -                  | -                        | -                                   | (486,877.28)             | 260,769.06               | (639,112.32)               |
| RTU-Software Subscription                               | -                            | -                  | -                        | -                                   | (17,184,941.94)          | -                        | (17,184,941.94)            |
| <b>Total Accumulated Amortization-<br/>RTU Assets</b>   | <b>(17,443,315.26)</b>       | <b>-</b>           | <b>-</b>                 | <b>-</b>                            | <b>(38,472,943.60)</b>   | <b>2,506,631.01</b>      | <b>(53,409,627.85)</b>     |
| <b>Right-to-Use Assets, Net</b>                         | <b>\$ 159,150,688.00</b>     | <b>\$ -</b>        | <b>\$ -</b>              | <b>\$ -</b>                         | <b>\$ 77,615,798.97</b>  | <b>\$ -</b>              | <b>\$ 236,766,486.97</b>   |
| <b>Total Capital and Right-to-Use<br/>Assets, Net</b>   |                              |                    |                          |                                     |                          |                          |                            |
|   | <b>\$7,370,850,301.64</b>    | <b>\$ -</b>        | <b>\$ -</b>              | <b>\$ 6,906.18</b>                  | <b>\$ 258,401,075.75</b> | <b>\$(35,906,920.35)</b> | <b>\$ 7,593,351,363.22</b> |

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### The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2023

#### 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, 2023.

| <b>Cash in Bank</b> |                          |                        |
|---------------------|--------------------------|------------------------|
| <b>Balance</b>      | <b>Proprietary Funds</b> | <b>Fiduciary Funds</b> |
| Bank Balance        | \$32,683,900.62          | \$555,834.76           |
| Carrying Amount     | \$31,639,945.45          | \$571,065.33           |

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 2023, 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 2023 was \$1,177,685.27. 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, 2023, the balance was \$805,365.96, 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, 2023, uncollateralized

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foreign currency held by or through BNY Mellon included proprietary funds of \$4,940,946.14 and fiduciary funds of \$260,408.07. 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 2023, 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, 2023, the uninvested cash balance included \$108,204.39 of proprietary funds and \$15,639.69 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, 2023, are presented in the table below.

| <b>Bank Balances Exposed to Custodial Credit Risk</b> |                                       |
|---|---------------------------------------|
|   | <b>Uninsured and Uncollateralized</b> |
| Proprietary Funds                                     | \$5,746,312.10                        |
| Fiduciary Funds                                       | \$260,408.07                          |

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, 2023, is presented in the following table.

| <b>Bank Balances Exposed to Foreign Currency Risk</b> |                          |                        |
|---|--------------------------|------------------------|
| <b>Currency</b>                                       | <b>Proprietary Funds</b> | <b>Fiduciary Funds</b> |
| British Pound   | \$ 61,060.44             | \$ 2,647.77            |
| Canadian Dollar                                       | 3,413,252.91             | 178,423.21             |
| Indonesian Rupiah                                     | 82,594.24                | 4,416.21               |
| Mexican Peso  | 770,736.87               | 36,575.94              |
| Qatar Riyal   | 805,365.96               | -                      |
| South Korean Won                                      | 562,631.43               | 32,435.92              |
| Swiss Franc   | 50,670.25                | 5,909.02               |
| Total   | <u>\$ 5,746,312.10</u>   | <u>\$ 260,408.07</u>   |

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### The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2023

#### 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, 2023 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, 2023, NAV by the estimated performance as of August 31, 2023, 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, 2023, is \$113,135,915.46 (\$113,095,785.66 Proprietary and \$40,129.80 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 3<sup>rd</sup> 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, 2023, is \$5,291,258.33, all of which is proprietary.

Texas Woman's University (TWU) invests in the A&M System investment pools as authorized by Section 51.0031 of the Education Code. As of August 31, 2023, the A&M System Cash Concentration Pool and

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System Endowment Funds included investments valued at \$209,963,784.20 for TWU. These amounts are categorized as fiduciary funds.

The following tables display the fair value of investments as of August 31, 2023, 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.

| <b>Proprietary Investments per Financial Statements</b> |                            |
|---|----------------------------|
| Schedule of Cash & Cash Equivalents                     |                            |
| Cash Equivalents  | \$ 681,662,576.83          |
| Restricted Cash Equivalents                             | 211,960,271.09             |
| Statement of Net Position                               |                            |
| Non-Current Investments                                 | 4,693,472,052.88           |
| Non-Current Restricted Investments                      | 1,233,617,010.75           |
| Total Investments                                       | <u>\$ 6,820,711,911.55</u> |

| <b>Fiduciary Investments per Financial Statements</b> |                          |
|---|--------------------------|
| Schedule of Cash & Cash Equivalents                   |                          |
| Cash Equivalents                                      | \$ 9,057,278.00          |
| Restricted Cash Equivalents                           | 31,576,539.85            |
| Statement of Net Position                             |                          |
| Investments   | 1,713,821.37             |
| Restricted Investments                                | 363,081,270.63           |
| Total Investments                                     | <u>\$ 405,428,909.85</u> |



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| <b>Proprietary Funds - Investment Fair Value</b>                              |                             |                            |                           |                           |                            |                            |
|---|-----------------------------|----------------------------|---------------------------|---------------------------|----------------------------|----------------------------|
| <b>Investment Type</b>  | <b>Fair Value Hierarchy</b> |                            |                           |                           |                            | <b>Total Fair Value</b>    |
|   | <b>Level 1<br/>Inputs</b>   | <b>Level 2<br/>Inputs</b>  | <b>Level 3<br/>Inputs</b> | <b>Amortized<br/>Cost</b> | <b>Net Asset<br/>Value</b> |                            |
| U.S. Treasury Securities  | \$ 300,445,217.52           | \$ -                       | \$ -                      | \$ -                      | \$ -                       | \$ 300,445,217.52          |
| U.S. Treasury TIPS  | 3,762,848.85                |                            | -                         | -                         | -                          | 3,762,848.85               |
| U.S. Government Agency Obligations  | -                           | 359,976,773.05             | -                         | -                         | -                          | 359,976,773.05             |
| Corporate Obligations   | -                           | 481,983,165.05             | 23,724,032.30             | -                         | -                          | 505,707,197.35             |
| Corporate Asset and Mortgage Backed Securities                                | -                           | 180,309,037.89             | -                         | -                         | -                          | 180,309,037.89             |
| U.S. Equity   | 1,094,411,818.88            | -                          | -                         | -                         | -                          | 1,094,411,818.88           |
| International Obligations   | -                           | 229,673,511.94             | 17,275,895.74             | -                         | -                          | 246,949,407.68             |
| International Equity  | 516,621,380.06              | -                          | -                         | -                         | -                          | 516,621,380.06             |
| Repurchase Agreements - TTSTC   | -                           | -                          | -                         | 405,263.67                | -                          | 405,263.67                 |
| Fixed Income Money Market & Bond Mutual Fund                                  | 980,337,180.17              | -                          | -                         | -                         | -                          | 980,337,180.17             |
| Mutual Funds - U.S. Equity  | 48,083.34                   | -                          | -                         | -                         | -                          | 48,083.34                  |
| Mutual Funds - International Equity   | 19,895.39                   | -                          | -                         | -                         | -                          | 19,895.39                  |
| Other Commingled Funds - Fixed Income   | 19,035,276.23               | -                          | 18,145,635.74             | -                         | -                          | 37,180,911.97              |
| International Other Commingled Funds - Equity                                 | 386,461,910.55              | -                          | 235,052,352.46            | -                         | 221,856,588.46             | 843,370,851.47             |
| Real Estate - Mineral Rights  | -                           | -                          | 113,095,785.66            | -                         | -                          | 113,095,785.66             |
| Alternative Investments - Hedge Funds   |                             |                            |                           |                           |                            |                            |
| Domestic  | -                           | -                          | -                         | -                         | 737,982,512.42             | 737,982,512.42             |
| International   | -                           | -                          | -                         | -                         | 499,622,735.61             | 499,622,735.61             |
| Alternative Investments - Limited Partnerships and Research Commercialization |                             |                            |                           |                           |                            |                            |
| Private Equity  | -                           | -                          | 5,291,258.33              | -                         | 118,192,489.44             | 123,483,747.77             |
| International Private Equity  | -                           | -                          | -                         | -                         | 99,399,241.67              | 99,399,241.67              |
| Real Estate   | -                           | -                          | -                         | -                         | 32,454,131.21              | 32,454,131.21              |
| International Real Estate   | -                           | -                          | -                         | -                         | 19,200,796.41              | 19,200,796.41              |
| Natural Resources   | -                           | -                          | -                         | -                         | 98,525,526.05              | 98,525,526.05              |
| International Natural Resourc   | -                           | -                          | -                         | -                         | 16,684,912.66              | 16,684,912.66              |
| Other Investments   |                             |                            |                           |                           |                            |                            |
| Political Subdivisions  | -                           | 10,716,654.80              | -                         | -                         | -                          | 10,716,654.80              |
| <b>Total Investments</b>  | <b>\$ 3,301,143,610.99</b>  | <b>\$ 1,262,659,142.73</b> | <b>\$ 412,584,960.23</b>  | <b>\$ 405,263.67</b>      | <b>\$ 1,843,918,933.93</b> | <b>\$ 6,820,711,911.55</b> |

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| Fiduciary Funds - Investment Fair Value        |                          |                         |                         |                          |                          |
|--|--------------------------|-------------------------|-------------------------|--------------------------|--------------------------|
| Investment Type                                | Fair Value Hierarchy     |                         |                         |                          | Total Fair Value         |
|  | Level 1<br>Inputs        | Level 2<br>Inputs       | Level 3<br>Inputs       | Net Asset<br>Value       |                          |
| U.S. Treasury Securities                       | \$ 15,856,448.08         | \$ -                    | \$ -                    | \$ -                     | \$ 15,856,448.08         |
| U.S. Treasury - TIPS                           | 211,130.14               | -                       | -                       | -                        | 211,130.14               |
| U.S. Government Agency Obligations             | -                        | 19,917,783.77           | -                       | -                        | 19,917,783.77            |
| Corporate Obligations                          | -                        | 26,405,477.36           | 1,393,036.69            | -                        | 27,798,514.05            |
| Corporate Asset and Mortgage Backed Securities | -                        | 9,308,811.32            | -                       | -                        | 9,308,811.32             |
| U.S. Equity                                    | 67,113,671.35            | -                       | -                       | -                        | 67,113,671.35            |
| International Obligations                      | -                        | 12,506,483.58           | 1,029,582.99            | -                        | 13,536,066.57            |
| International Equity                           | 31,470,959.27            | -                       | -                       | -                        | 31,470,959.27            |
| Fixed Income Money Market & Bond Mutual Fund   | 46,176,760.35            | -                       | -                       | -                        | 46,176,760.35            |
| Mutual Funds - U.S. Equity                     | 1,236,904.81             | -                       | -                       | -                        | 1,236,904.81             |
| Mutual Funds - International Equity            | 47,688.37                | -                       | -                       | -                        | 47,688.37                |
| Other Commingled Funds - Fixed Income          | 1,151,495.80             | -                       | 1,133,519.10            | -                        | 2,285,014.90             |
| International Other Commingled Funds - Equity  | 23,613,553.45            | -                       | 14,286,181.15           | 13,653,711.37            | 51,553,445.97            |
| Real Estate - Mineral Rights                   | -                        | -                       | 40,129.80               | -                        | 40,129.80                |
| Alternative Investments - Hedge Funds          |                          |                         |                         |                          |                          |
| Domestic                                       | -                        | -                       | -                       | 43,584,464.35            | 43,584,464.35            |
| International                                  | -                        | -                       | -                       | 29,761,436.84            | 29,761,436.84            |
| Alternative Investments - Limited Partnerships |                          |                         |                         |                          |                          |
| Private Equity                                 | -                        | -                       | -                       | 13,783,272.72            | 13,783,272.72            |
| International Private Equity                   | -                        | -                       | -                       | 11,591,657.49            | 11,591,657.49            |
| Real Estate                                    | -                        | -                       | -                       | 3,784,708.68             | 3,784,708.68             |
| International Real Estate                      | -                        | -                       | -                       | 2,239,142.39             | 2,239,142.39             |
| Natural Resources                              | -                        | -                       | -                       | 11,489,767.26            | 11,489,767.26            |
| International Natural Resou                    | -                        | -                       | -                       | 1,945,747.17             | 1,945,747.17             |
| Other Investments                              |                          |                         |                         |                          |                          |
| Political Subdivisions                         | -                        | 548,642.20              | -                       | -                        | 548,642.20               |
| Annuity  | 146,742.00               | -                       | -                       | -                        | 146,742.00               |
| <b>Total Investments</b>                       | <b>\$ 187,025,353.62</b> | <b>\$ 68,687,198.23</b> | <b>\$ 17,882,449.73</b> | <b>\$ 131,833,908.27</b> | <b>\$ 405,428,909.85</b> |

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The investments measured at Net Asset Value (NAV) as of August 31, 2023, including unfunded commitments, are presented in the following tables.

| <b>Proprietary Funds - Investments Reported at Net Asset Value (NAV)</b> |                                  |                            |                             |                                |                                 |                                |
|--|----------------------------------|----------------------------|-----------------------------|--------------------------------|---------------------------------|--------------------------------|
|  |                                  | <b>Redemption</b>          |                             |                                |                                 |                                |
| <b>Investment Strategy</b>   | <b>Fair Value</b>                | <b>Frequency Range Low</b> | <b>Frequency Range High</b> | <b>Notice Period Range Low</b> | <b>Notice Period Range High</b> | <b>Unfunded Commitment</b>     |
| <b>Commingled Funds</b>  |                                  |                            |                             |                                |                                 |                                |
| International Equity   | \$ 221,856,588.46                | Monthly                    | Monthly                     | 3 days                         | 10 days                         |                                |
| <b>Hedge Funds*</b>  |                                  |                            |                             |                                |                                 |                                |
| Domestic   | 737,982,512.42                   | Quarterly                  | Semi-Annually               | 65 days                        | 1.75 years                      |                                |
| International  | 499,622,735.61                   | Quarterly                  | Semi-Annually               | 65 days                        | 1.75 years                      |                                |
| <b>Limited Partnerships</b>  |                                  |                            |                             |                                |                                 |                                |
| Private Equity   | 118,192,489.44                   | N/A                        | N/A                         | N/A                            | N/A                             | \$ 50,201,532.13               |
| International Private Equity   | 99,399,241.67                    | N/A                        | N/A                         | N/A                            | N/A                             | 34,696,697.27                  |
| Real Estate  | 32,454,131.21                    | N/A                        | N/A                         | N/A                            | N/A                             | 31,470,759.25                  |
| International Real Estate  | 19,200,796.41                    | N/A                        | N/A                         | N/A                            | N/A                             | 11,960,195.99                  |
| Natural Resources  | 98,525,526.05                    | N/A                        | N/A                         | N/A                            | N/A                             | 40,392,619.55                  |
| International Natural Resour   | 16,684,912.66                    | N/A                        | N/A                         | N/A                            | N/A                             | 2,592,479.21                   |
| <b>Total</b>   | <u><u>\$1,843,918,933.93</u></u> |                            |                             |                                |                                 | <u><u>\$171,314,283.40</u></u> |

\*Of the total Hedge Fund Fair Value, \$38,877,392.89 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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| <b>Fiduciary Funds - Investments Reported at Net Asset Value (NAV)</b> |                                 |                            |                             |                                |                                 |                                |
|--|---------------------------------|----------------------------|-----------------------------|--------------------------------|---------------------------------|--------------------------------|
| <b>Investment Strategy</b>   | <b>Fair Value</b>               | <b>Redemption</b>          |                             |                                |                                 | <b>Unfunded Commitment</b>     |
|  |                                 | <b>Frequency Range Low</b> | <b>Frequency Range High</b> | <b>Notice Period Range Low</b> | <b>Notice Period Range High</b> |                                |
| <b>Commingled Funds</b>  |                                 |                            |                             |                                |                                 |                                |
| International Equity   | \$ 13,653,711.37                | Monthly                    | Monthly                     | 3 days                         | 10 days                         |                                |
| <b>Hedge Funds*</b>  |                                 |                            |                             |                                |                                 |                                |
| Domestic   | 43,584,464.35                   | Quarterly                  | Semi-Annually               | 65 days                        | 1.75 years                      |                                |
| International  | 29,761,436.84                   | Quarterly                  | Semi-Annually               | 65 days                        | 1.75 years                      |                                |
| <b>Limited Partnerships</b>  |                                 |                            |                             |                                |                                 |                                |
| Private Equity   | 13,783,272.72                   | N/A                        | N/A                         | N/A                            | N/A                             | \$ 5,854,360.22                |
| International Private Equity   | 11,591,657.49                   | N/A                        | N/A                         | N/A                            | N/A                             | 4,046,230.38                   |
| Real Estate  | 3,784,708.68                    | N/A                        | N/A                         | N/A                            | N/A                             | 3,670,030.64                   |
| International Real Estate  | 2,239,142.39                    | N/A                        | N/A                         | N/A                            | N/A                             | 1,394,764.12                   |
| Natural Resources  | 11,489,767.26                   | N/A                        | N/A                         | N/A                            | N/A                             | 4,710,472.67                   |
| International Natural Resources  | 1,945,747.17                    | N/A                        | N/A                         | N/A                            | N/A                             | 302,327.57                     |
| <b>Total</b>   | <u><u>\$ 131,833,908.27</u></u> |                            |                             |                                |                                 | <u><u>\$ 19,978,185.60</u></u> |

\*Of the total Hedge Fund Fair Value, \$2,757,404.11 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, 2023. The A&M System did not participate in a securities lending program during fiscal year 2023 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

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

Foreign currency risk for investments is the risk that changes in exchange rates will adversely affect the investments. The A&M System’s policy authorizes the utilization of derivatives for the purpose of hedging currency risk but does not otherwise address foreign currency risk. The exposure to foreign currency risk as of August 31, 2023, is presented in the following tables.

| <b>Proprietary Funds - Investments Exposed to Foreign Currency Risk</b> |                                  |                                 |  |  |  |
|---|----------------------------------|---------------------------------|--|--|--|
| <b>Currency</b>   | <b>International Obligations</b> | <b>International Equity</b>     | <b>International Equity Mutual Funds</b> | <b>International Equity Commingled Funds</b> | <b>International Alternative Investments</b> |
| U.S. Dollar Foreign Securities  | \$ 233,022,897.89                | \$ 237,070,820.84               | \$ 19,895.39                             | \$ 843,370,851.47                            | \$ 630,267,171.71                            |
| Brazil Real   |                                  | 9,079,644.68                    |  |  |  |
| British Pound   |                                  | 30,175,334.85                   |  |  |  |
| Canadian Dollar   |                                  | 3,153,156.31                    |  |  |  |
| Euro  |                                  | 117,341,830.13                  |  |  | 4,640,504.64                                 |
| Hong Kong Dollar  |                                  | 14,280,257.12                   |  |  |  |
| Indonesian Rupiah   | 3,726,716.87                     |                                 |  |  |  |
| Japanese Yen  |                                  | 57,709,200.12                   |  |  |  |
| Mexican Peso  | 10,199,792.92                    |                                 |  |  |  |
| Singapore Dollar  |                                  | 5,205,982.98                    |  |  |  |
| South Korean Won  |                                  | 12,207,706.43                   |  |  |  |
| Swedish Krona   |                                  | 2,042,058.83                    |  |  |  |
| Swiss Franc   |                                  | 28,355,387.77                   |  |  |  |
| <b>Total</b>  | <b><u>\$ 246,949,407.68</u></b>  | <b><u>\$ 516,621,380.06</u></b> | <b><u>\$ 19,895.39</u></b>               | <b><u>\$ 843,370,851.47</u></b>              | <b><u>\$ 634,907,676.35</u></b>              |

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| <b>Fiduciary Funds - Investments Exposed to Foreign Currency Risk</b> |                                      |                                 |  |  |  |
|---|--------------------------------------|---------------------------------|--|--|--|
| <b>Currency</b>   | <b>International<br/>Obligations</b> | <b>International<br/>Equity</b> | <b>International<br/>Equity Mutual<br/>Funds</b> | <b>International<br/>Equity<br/>Commingled<br/>Funds</b> | <b>International<br/>Alternative<br/>Investments</b> |
| U.S. Dollar Foreign Securities  | \$ 12,754,185.16                     | \$ 14,439,260.42                | \$ 47,688.37                                     | \$ 51,553,445.97   | \$ 44,996,821.41                                     |
| Brazil Real   |                                      | 553,078.35                      |  |  |  |
| British Pound   |                                      | 1,841,294.17                    |  |  |  |
| Canadian Dollar   |                                      | 192,071.64                      |  |  |  |
| Euro  |                                      | 7,147,798.30                    |  |  | 541,162.48   |
| Hong Kong Dollar  |                                      | 869,844.31                      |  |  |  |
| Indonesian Rupiah   | 209,737.82                           |                                 |  |  |  |
| Japanese Yen  |                                      | 3,515,233.09                    |  |  |  |
| Mexican Peso  | 572,143.59                           |                                 |  |  |  |
| Singapore Dollar  |                                      | 317,116.16                      |  |  |  |
| South Korean Won  |                                      | 743,627.95                      |  |  |  |
| Swedish Krona   |                                      | 124,390.08                      |  |  |  |
| Swiss Franc   |                                      | 1,727,244.80                    |  |  |  |
| <b>Total</b>  | <u>\$ 13,536,066.57</u>              | <u>\$ 31,470,959.27</u>         | <u>\$ 47,688.37</u>                              | <u>\$ 51,553,445.97</u>                                  | <u>\$ 45,537,983.89</u>                              |

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The A&M System's investment policy requires that traditional fixed income securities have a long-term rating of B or better at the time of purchase and traditional fixed income portfolios maintain an overall credit rating of A or better. Securities using short-term credit ratings must be rated at least A-2, P-2, F-2 or equivalent. As of August 31, 2023, the A&M System's credit quality distribution for securities with credit risk exposure is presented in the following tables.

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| <b>Proprietary Funds</b>   |            |           |          |            |           |          |            |          |                             |
|--|------------|-----------|----------|------------|-----------|----------|------------|----------|-----------------------------|
| <b>Investments Exposed to Credit Risk - Standard &amp; Poor's (in thousands)</b> |            |           |          |            |           |          |            |          |                             |
| <b>Investment Type</b>   | <b>AAA</b> | <b>AA</b> | <b>A</b> | <b>BBB</b> | <b>BB</b> | <b>B</b> | <b>CCC</b> | <b>D</b> | <b>Not Rated by S&amp;P</b> |
| U.S. Government Agency Obligations   | 337        | 349,225   | 2,439    | 3,374      | 486       | 402      |            |          | 3,714                       |
| Corporate Obligations  | 1,448      | 19,050    | 110,867  | 253,180    | 75,670    | 33,347   |            |          | 12,145                      |
| Corporate Asset and Mortgage Backed Securities                                   | 65,375     | 27,535    | 8,312    | 8,099      | 1,197     | 538      | 229        |          | 69,023                      |
| International Obligations  | 10,545     | 879       | 40,229   | 109,071    | 40,595    | 16,055   | 964        |          | 28,612                      |
| Repurchase Agreements (TTSTC)  |            | 405       |          |            |           |          |            |          |                             |
| Fixed Income Money Market and Bond Mutual Fund                                   | 980,337    |           |          |            |           |          |            |          |                             |
| Other Commingled Funds - Fixed Income  |            |           |          |            |           |          |            |          | 37,181                      |
| Other Investments (Municipals)   |            | 4,530     | 2,918    |            |           |          |            |          | 3,269                       |

| <b>Fiduciary Funds</b>   |            |           |          |            |           |          |            |          |                             |
|--|------------|-----------|----------|------------|-----------|----------|------------|----------|-----------------------------|
| <b>Investments Exposed to Credit Risk - Standard &amp; Poor's (in thousands)</b> |            |           |          |            |           |          |            |          |                             |
| <b>Investment Type</b>   | <b>AAA</b> | <b>AA</b> | <b>A</b> | <b>BBB</b> | <b>BB</b> | <b>B</b> | <b>CCC</b> | <b>D</b> | <b>Not Rated by S&amp;P</b> |
| U.S. Government Agency Obligations   | 16         | 19,380    | 115      | 181        | 30        | 19       |            |          | 177                         |
| Corporate Obligations  | 84         | 1,061     | 6,080    | 13,770     | 4,205     | 1,940    |            |          | 658                         |
| Corporate Asset and Mortgage Backed Securities                                   | 3,232      | 1,534     | 444      | 435        | 74        | 25       | 11         |          | 3,553                       |
| International Obligations  | 507        | 41        | 2,183    | 6,020      | 2,342     | 943      | 55         |          | 1,445                       |
| Fixed Income Money Market and Bond Mutual Fund                                   | 46,177     |           |          |            |           |          |            |          |                             |
| Other Commingled Funds - Fixed Income  |            |           |          |            |           |          |            |          | 2,285                       |
| Other Investments (Municipals)   |            | 244       | 151      |            |           |          |            |          | 154                         |

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Concentration of credit risk is the risk of loss attributable to the magnitude of investment in a single issuer. As of August 31, 2023, 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 2023.

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.

| <b>Investments Exposed to Interest Rate Risk</b> |                           |                                   |                           |                               |
|--|---------------------------|-----------------------------------|---------------------------|-------------------------------|
| <b>Investment Type</b>                           | <b>Proprietary Funds</b>  |                                   | <b>Fiduciary Funds</b>    |                               |
|  | <b>Effective Duration</b> | <b>Fair Value</b>                 | <b>Effective Duration</b> | <b>Fair Value</b>             |
| U.S. Treasury Securities                         | 7.694                     | \$ 300,445,217.52                 | 7.946                     | \$15,856,448.08               |
| U.S. Treasury TIPS                               | 8.728                     | 3,762,848.85                      | 8.728                     | 211,130.14                    |
| U.S. Government Agency Obligations               | 5.400                     | 359,976,773.05                    | 5.416                     | 19,917,783.77                 |
| Corporate Obligations                            | 5.059                     | 505,707,197.35                    | 5.149                     | 27,798,514.05                 |
| Corporate Asset and Mortgage Backed Securities   | 2.018                     | 180,309,037.89                    | 1.967                     | 9,308,811.32                  |
| International Obligations                        | 4.007                     | 246,949,407.68                    | 4.079                     | 13,536,066.57                 |
| Repurchase Agreements (TTSTC)                    | 0.003                     | 405,263.67                        | -                         | -                             |
| Other Commingled Funds - Fixed Income            | 2.351                     | 37,180,911.97                     | 2.387                     | 2,285,014.90                  |
| Other Investments - Municipals                   | 6.025                     | 10,716,654.80                     | 6.216                     | 548,642.20                    |
| <b>Total</b>                                     |                           | <b><u>\$ 1,645,453,312.78</u></b> |                           | <b><u>\$89,462,411.03</u></b> |

#### **Securities Lending**

The A&M System did not participate in any securities lending programs during fiscal year 2023.

#### **Derivative Investing**

The A&M System Investment Policy allows investment in certain derivative securities to modify risk/return characteristics or to cost-effectively implement a 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-



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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.

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. There were no open forward currency exchange derivative contracts as of August 31, 2023.

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, 2023, the weighted average effective duration for short futures contracts was 4.18 years and for long futures contracts was 4.63 years. 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 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, 2023.

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| <b>Proprietary Funds - Open Futures Contracts</b> |                   |                  |                  |                 |
|---|-------------------|------------------|------------------|-----------------|
|   | Notional Amount   |                  | Unrealized Gain  | Unrealized Loss |
|   | Long              | Short            | Trade Receivable | Trade Payable   |
| Treasury Futures                                  | \$ 104,195,358.69 | \$ 75,058,424.53 | \$ 710,680.36    | \$ 464,803.39   |

| <b>Fiduciary Funds - Open Futures Contracts</b> |                 |                 |                  |                 |
|---|-----------------|-----------------|------------------|-----------------|
|   | Notional Amount |                 | Unrealized Gain  | Unrealized Loss |
|   | Long            | Short           | Trade Receivable | Trade Payable   |
| Treasury Futures                                | \$ 5,114,328.93 | \$ 3,504,145.90 | \$ 35,126.87     | \$ 21,399.97    |

The A&M System has invested in hedge funds with external managers who invest in equity and fixed income securities of both domestic and international entities. These investment managers may invest in both long-term 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 investments 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, 2023, is presented in the table below:

| <b>Hedge Fund Investments</b> |                          |                        |
|-------------------------------|--------------------------|------------------------|
| <b>Net Asset Value</b>        | <b>Proprietary Funds</b> | <b>Fiduciary Funds</b> |
| Hedge Funds                   | \$ 1,237,605,248.03      | \$ 73,345,901.19       |

**Private Investments**

Private investments in limited partnerships are managed by external investment managers or general partners who invest primarily in private companies. These investments, both domestic and international, are illiquid and may not be realized for a period of several years after the investments are made. There are certain risks associated with these investments, some of which are liquidity risk, market risk, event risk and investment manager risk. As of August 31, 2023, 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, 2023 to include the following

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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           | \$ 702,803,699.90 | \$ 81,958,973.10 |
| Funded Amount to Limited Partnerships         | 578,200,237.13    | 67,428,070.87    |
| Net Asset Value (NAV) of Limited Partnerships | 384,457,097.44    | 44,834,295.71    |
| Research Technology Investments               | 5,291,258.33      |                  |

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 as required with the Securities and Exchange Commission (SEC). Four investment managers are exempt reporting advisers. One investment manager, not registered with the SEC, 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.

The total carrying value of the PUF assets at August 31, 2023, was \$29,254,431,511.04 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

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one-third share of the net distributions and other revenues was \$450,227,364.19 for the fiscal year ended August 31, 2023, 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, 2023.

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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.

| <b>Long-Term Liabilities Activity</b>  | <b>Beginning<br/>Balance</b> | <b>Additions</b>         | <b>Reductions</b>         | <b>Ending<br/>Balance</b> | <b>Within One<br/>Year</b> | <b>Amounts Due<br/>Thereafter</b> |
|--|------------------------------|--------------------------|---------------------------|---------------------------|----------------------------|-----------------------------------|
| Employees'<br>Compensable Leave        | \$ 119,433,710.52            | \$ 9,343,349.11          | \$ (1,577,819.57)         | \$ 127,199,240.06         | \$ 16,315,326.61           | \$ 110,883,913.45                 |
| Claims & Judgments                     | 14,850,750.00                | 530,409.70               | (1,817,467.70)            | 13,563,692.00             | 1,312,021.00               | 12,251,671.00                     |
| Notes and Loans<br>Payable             | 421,778,000.00               | 117,000,000.00           | (415,764,000.00)          | 123,014,000.00            | 4,157,000.00               | 118,857,000.00                    |
| Direct Borrowings -<br>Notes           | 59,677,789.17                | 369,130.99               | (5,271,913.23)            | 54,775,006.93             | 3,452,375.56               | 51,322,631.37                     |
| Bonds Payable                          | 4,641,882,286.21             | 454,115,000.00           | (234,707,571.65)          | 4,861,289,714.56          | 282,666,412.44             | 4,578,623,302.12                  |
| Lease Liability                        | 160,950,465.21               | 56,511,953.30            | (21,446,728.93)           | 196,015,689.58            | 17,627,207.15              | 178,388,482.43                    |
| Subscription Liability                 | -                            | 39,474,719.04            | (1,813,649.58)            | 37,661,069.46             | 15,933,987.73              | 21,727,081.73                     |
| Liabilities Payable<br>from Restricted | 24,991,089.00                | 8,617,335.96             | -                         | 33,608,424.96             | 24,442,235.73              | 9,166,189.23                      |
| Asset Retirement<br>Obligations        | 12,426,635.27                | -                        | -                         | 12,426,635.27             | -                          | 12,426,635.27                     |
| Total                                  | <u>\$5,455,990,725.38</u>    | <u>\$ 685,961,898.10</u> | <u>\$(682,399,150.66)</u> | <u>\$5,459,553,472.82</u> | <u>\$365,906,566.22</u>    | <u>\$5,093,646,906.60</u>         |

**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.

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| <b>Notes and Loans Payable-Debt Service Requirements</b>          |                          |                          |                          |                          |
|---|--------------------------|--------------------------|--------------------------|--------------------------|
| <b>Description</b>  | <b>Balances</b>          |                          |                          | <b>Balances</b>          |
|   | <b>September 1, 2022</b> | <b>Increases</b>         | <b>Decreases</b>         | <b>August 31, 2023</b>   |
| Permanent University Fund Commercial Paper Taxable Notes          | \$ 125,000,000.00        | \$ -                     | \$ 125,000,000.00        | \$ -                     |
| Revenue Financing System Commercial Paper Notes, Series B         | 227,910,000.00           | 60,000,000.00            | 261,372,000.00           | 26,538,000.00            |
| Revenue Financing System Commercial Paper Taxable Notes, Series B | 68,868,000.00            | 57,000,000.00            | 29,392,000.00            | 96,476,000.00            |
| Total   | <u>\$ 421,778,000.00</u> | <u>\$ 117,000,000.00</u> | <u>\$ 415,764,000.00</u> | <u>\$ 123,014,000.00</u> |

| <b>Fiscal Year</b> | <b>Principal</b>         | <b>Interest*</b>        | <b>Total</b>             |
|--------------------|--------------------------|-------------------------|--------------------------|
| 2024               | \$ 4,157,000.00          | \$ 4,846,751.60         | \$ 9,003,751.60          |
| 2025               | 4,320,000.00             | 4,682,965.80            | 9,002,965.80             |
| 2026               | 4,490,000.00             | 4,512,757.80            | 9,002,757.80             |
| 2027               | 4,667,000.00             | 4,335,851.80            | 9,002,851.80             |
| 2028               | 4,852,000.00             | 4,151,972.00            | 9,003,972.00             |
| 2029-2033          | 27,282,000.00            | 17,737,210.20           | 45,019,210.20            |
| 2034-2038          | 33,096,000.00            | 11,922,164.20           | 45,018,164.20            |
| 2039-2043          | 40,150,000.00            | 4,867,870.00            | 45,017,870.00            |
| Total              | <u>\$ 123,014,000.00</u> | <u>\$ 57,057,543.40</u> | <u>\$ 180,071,543.40</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 \$123.014 million will be refunded into long term bonds. For estimated debt service on this exhibit, the rate of 3.94% corresponds to the municipal market data published on August 31, 2023. Notes are remarketed in commercial paper mode at current market rates with maturities between 1 and 270 days.

**Direct Borrowings – Notes**

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 Direct Borrowings - Notes. 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.

| <b>Future Minimum Payments</b> |                         |                         |                         |
|--------------------------------|-------------------------|-------------------------|-------------------------|
| <b>Fiscal Year</b>             | <b>Principal</b>        | <b>Interest</b>         | <b>Total</b>            |
| 2024                           | \$ 3,452,375.56         | \$ 2,167,027.72         | \$ 5,619,403.28         |
| 2025                           | 3,681,694.91            | 2,033,254.19            | 5,714,949.10            |
| 2026                           | 3,590,834.86            | 1,891,815.17            | 5,482,650.03            |
| 2027                           | 3,759,313.48            | 1,743,863.21            | 5,503,176.69            |
| 2028                           | 3,988,599.53            | 1,587,711.16            | 5,576,310.69            |
| 2029-2033                      | 23,794,920.26           | 5,229,228.16            | 29,024,148.42           |
| 2034-2038                      | 12,507,268.33           | 1,147,955.33            | 13,655,223.66           |
| Total                          | <u>\$ 54,775,006.93</u> | <u>\$ 15,800,854.94</u> | <u>\$ 70,575,861.87</u> |

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| <b>Cost of Assets Financed with Direct Borrowings</b> |                         |   |                         |
|---|-------------------------|---|-------------------------|
| <b>Asset Description</b>                              | <b>Cost</b>             | <b>Accumulated<br/>Depreciation/<br/>Amortization</b> | <b>Total</b>            |
| Buildings   | \$ 74,161,534.42        | \$ 20,018,668.30                                      | \$ 54,142,866.12        |
| Infrastructure  | 730,759.97              | 143,107.01  | 587,652.96              |
| Facilities & Other Improvements                       | 259,196.66              | 67,679.06   | 191,517.60              |
| Equipment   | 2,257,808.55            | 1,054,298.65  | 1,203,509.90            |
| Total   | <u>\$ 77,409,299.60</u> | <u>\$ 21,283,753.02</u>                               | <u>\$ 56,125,546.58</u> |

The outstanding notes from direct borrowings for equipment and facilities 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, \$127,199,240.06 as of August 31, 2023, is based on calculations from the A&M System centralized leave tracking system and employer estimates. The A&M System made lump sum payments of \$15,068,076.41 for accrued vacation to employees who separated from State service during the fiscal year ended August 31, 2023.

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 the historical use of sick leave has been minimal.



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#### Claims and Judgments

Claims and judgments related to the A&M System self-insured worker's compensation plan include a current portion of \$1,312,021.00 and a non-current portion of \$12,251,671.00 for a total worker's compensation liability of \$13,563,692.00. 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.

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 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.

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**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.

| <b>Pledged Future Revenue Information</b>  |                    |
|--|--------------------|
| Pledged revenue required for future principal and interest on existing revenue bonds | \$6,599,953,998.73 |
| Term of commitment year ending 8/31  | 2057               |
| Percentage of revenue pledged  | 100%               |
| Current year pledged revenue   | \$3,679,300,572.58 |
| Current year principal and interest paid   | \$426,237,804.77   |

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#### 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, 2023, \$462,084,566.00 of Revenue Financing System debt proceeds had been appropriated prior to the receipt of the proceeds. As of August 31, 2023, \$221,476,364.37 of Permanent University Fund debt proceeds had been appropriated prior to the receipt of the proceeds.

##### B. General Information

At August 31, 2023, the A&M System had outstanding bonds payable of \$4,729,225,000.00 as detailed below, which does not include unamortized premium of \$132,064,714.56.

Bonds payable are due in annual installments varying from \$55,000.00 to \$55,740,000.00 with interest rates ranging from 0.46% 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 revenues 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.

| <b>Bonds Payable</b>            | <b>Interest Rates</b> | <b>Maturity Dates</b> | <b>Outstanding Principal</b> |
|---------------------------------|-----------------------|-----------------------|------------------------------|
| Permanent University Fund Bonds | 1.85-5.75%            | 2024-2049             | \$ 1,523,285,000.00          |
| Revenue Financing System Bonds  | 0.46-5.25%            | 2024-2057             | 3,205,940,000.00             |
|                                 |                       |                       | <u>\$ 4,729,225,000.00</u>   |

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| <b>Debt Service Requirements</b> |                            |                            |                            |
|----------------------------------|----------------------------|----------------------------|----------------------------|
| <u>Fiscal Year</u>               | <u>Principal</u>           | <u>Interest</u>            | <u>Total</u>               |
| 2024                             | \$ 260,460,000.00          | \$ 175,292,101.95          | \$ 435,752,101.95          |
| 2025                             | 269,510,000.00             | 165,754,783.30             | 435,264,783.30             |
| 2026                             | 265,655,000.00             | 155,659,261.28             | 421,314,261.28             |
| 2027                             | 275,405,000.00             | 145,546,949.82             | 420,951,949.82             |
| 2028                             | 277,380,000.00             | 135,484,618.46             | 412,864,618.46             |
| 2029-2033                        | 1,210,445,000.00           | 526,793,468.40             | 1,737,238,468.40           |
| 2034-2038                        | 887,375,000.00             | 331,025,357.04             | 1,218,400,357.04           |
| 2039-2043                        | 761,240,000.00             | 168,528,241.12             | 929,768,241.12             |
| 2044-2048                        | 422,820,000.00             | 58,333,084.34              | 481,153,084.34             |
| 2049-2053                        | 88,315,000.00              | 7,228,133.02               | 95,543,133.02              |
| 2054-2057                        | 10,620,000.00              | 1,083,000.00               | 11,703,000.00              |
| Total                            | <u>\$ 4,729,225,000.00</u> | <u>\$ 1,870,728,998.73</u> | <u>\$ 6,599,953,998.73</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, 2023 was \$16,315,000.00.

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, 2023 was \$180,000,000.00.

Permanent University Fund Bonds, Series 2012A

- Issued July 18, 2012, to refund \$79,715,000.00 of the Board's previously issued and outstanding Permanent University Fund Bonds, Series 2004; and to pay the cost of issuing the bonds.

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- \$70,680,000.00 authorized; all authorized bonds have been issued. Outstanding balance at August 31, 2023 was \$13,225,000.00.

#### 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, 2023 was \$63,015,000.00.

#### 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, 2023 was \$61,305,000.00.

#### 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, 2023 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, 2023 was \$78,285,000.00.

#### Permanent University Fund Bonds, Series 2017A

- Issued October 31, 2017, to refund \$30,000,000.00 of the Board's previously issued and outstanding Permanent University Fund Commercial Paper Notes; to advance refund \$61,760,000.00 of Permanent University Fund Bonds, Series 2011; and to pay the costs of issuing the bonds.
- \$90,365,000.00 authorized; all authorized bonds have been issued. Outstanding balance at August 31, 2023 was \$80,395,000.00.

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### The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2023

#### 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, 2023 was \$310,340,000.00.

#### 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, 2023 was \$339,915,000.00.

#### Permanent University Fund Bonds, Series 2023

- Issued March 9, 2023, to refund \$125,000,000.00 of the Board's previously issued and outstanding Permanent University Fund Commercial Paper Notes, Series A; to provide funding for eligible projects; and to pay the cost of issuing the bonds.
- \$245,595,000.00 authorized; all authorized bonds have been issued. Outstanding balance at August 31, 2023 was \$239,935,000.00.

#### 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, 2023 was \$27,865,000.00.

#### 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.

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- \$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, 2023 was \$0.00.

#### 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, 2023 was \$11,455,000.00.

#### 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, 2023 was \$46,775,000.00.

#### Revenue Financing System Bonds, Taxable Series 2015C

- Issued January 27, 2015, to currently refund \$149,395,000.00 of Revenue Financing System Bonds, Series 2005B; to refund \$24,115,000.00 of the Board's previously issued and outstanding Revenue Financing System Commercial Paper Notes; and to pay the cost of issuing the bonds.
- \$176,925,000.00 authorized; all authorized bonds have been issued. Outstanding balance at August 31, 2023 was \$53,230,000.00.

#### 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, 2023 was \$55,110,000.00.

#### 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.

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### The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2023

- \$91,520,000.00 authorized; all authorized bonds have been issued. Outstanding balance at August 31, 2023 was \$44,525,000.00.

#### 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, 2023 was \$258,385,000.00.

#### 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, 2023 was \$148,240,000.00.

#### Revenue Financing System Bonds, Taxable Series 2016D

- Issued July 20, 2016, to advance refund \$13,885,000.00 of Revenue Financing System Bonds, Series 2009A; to advance refund \$2,925,000.00 of Revenue Financing System Bonds, Series 2009B; to advance refund \$5,995,000.00 of Revenue Financing System Bonds, Series 2009C; to advance refund \$60,495,000.00 of Revenue Financing System Bonds, Series 2009D; to provide funding for eligible projects; and to pay the cost of issuing the bonds.
- \$176,860,000.00 authorized; all authorized bonds have been issued. Outstanding balance at August 31, 2023 was \$130,675,000.00.

#### 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, 2023 was \$95,560,000.00.



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### The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2023

#### 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, 2023 was \$231,630,000.00.

#### 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, 2023 was \$235,955,000.00.

#### Revenue Financing System Bonds, Series 2017C

- Issued June 21, 2017, to advance refund \$35,915,000.00 of Revenue Financing System Bonds, Series 2010A; to advance refund \$69,965,000.00 of Revenue Financing System Bonds, Series 2010B; and to pay the cost of issuing the bonds.
- \$97,425,000.00 authorized; all authorized bonds have been issued. Outstanding balance at August 31, 2023 was \$83,350,000.00.

#### 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, 2023 was \$136,475,000.00.

#### 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.

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- \$341,995,000.00 authorized; all authorized bonds have been issued. Outstanding balance at August 31, 2023 was \$325,825,000.00.

#### 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, 2023 was \$187,630,000.00.

#### 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, 2023 was \$397,515,000.00.

#### Revenue Financing System Bonds, Taxable Series 2020A

- Issued July 30, 2020, to provide funding for eligible projects; and to pay the cost of issuing the bonds.
- \$157,780,000.00 authorized; all authorized bonds have been issued. Outstanding balance at August 31, 2023 was \$142,625,000.00.

#### 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, 2023 was \$180,515,000.00.

#### 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, 2023 was \$210,730,000.00.

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### The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2023

#### Revenue Financing System Bonds, Series 2022

- Issued October 18, 2022, to refund \$167,784,000.00 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.
- \$208,520,000.00 authorized; all authorized bonds have been issued. Outstanding balance at August 31, 2023 was \$201,870,000.00.

#### 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, 2023, the principal balance outstanding for the defeased bonds is \$0.00.

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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. Exchange traded futures contracts are categorized as Level 1 of the fair value hierarchy.

| <b>Proprietary Funds - Investment Derivative Activity</b> |                       |              |                                  |              |                  |
|---|-----------------------|--------------|----------------------------------|--------------|------------------|
| Description   | Changes in Fair Value |              | Fair Value as of August 31, 2023 |              | Notional Amount  |
|   | Classification        | Amount       | Classification                   | Amount       |                  |
| Futures - Long  | Investment Income     | \$710,680.36 | Trade Receivable                 | \$710,680.36 | \$104,195,358.69 |
| Futures - Short   | Investment Income     | (464,803.39) | Trade Payable                    | (464,803.39) | (75,058,424.53)  |

| <b>Fiduciary Funds - Investment Derivative Activity</b> |                       |              |                                  |              |                 |
|---|-----------------------|--------------|----------------------------------|--------------|-----------------|
| Description   | Changes in Fair Value |              | Fair Value as of August 31, 2023 |              | Notional Amount |
|   | Classification        | Amount       | Classification                   | Amount       |                 |
| Futures - Long  | Investment Income     | \$ 35,126.87 | Trade Receivable                 | \$ 35,126.87 | \$ 5,114,328.93 |
| Futures - Short   | Investment Income     | (21,399.97)  | Trade Payable                    | (21,399.97)  | (3,504,145.90)  |

**Hedging Derivatives**

The A&M System did not enter into hedging derivatives in fiscal year 2023.

**Investment Derivatives**

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

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### The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2023

#### Note 8 – Leases and Software Subscriptions

GASB Statement No. 87, Leases, effective 2022, and GASB Statement No. 96, Subscription-Based Information Technology Arrangements, effective 2023, both establish a unified model for financial reporting based on the common principle that leases and subscription-based IT arrangements (SBITAs) represent financings of the right to use underlying assets. Under GASB 87, lessees must recognize a lease liability and an intangible right-to-use lease asset, while lessors recognize a lease receivable and a deferred inflow of resources. Similarly, GASB 96 requires governments to recognize a liability and an intangible right-to-use subscription asset for SBITAs. Limited exceptions are provided for both standards for short-term arrangements, lasting a maximum of twelve months at inception (including extension options) and financed purchases. The recognition and measurement of these arrangements are based on the circumstances existing at the beginning of the reporting period. The State of Texas Comptroller's Office has established materiality thresholds for these standards (\$100,000 per asset for GASB 87-Leases and \$500,000 per contract for GASB 96-SBITAs), which the A&M System has adopted.

The A&M System has executed various lease contracts for land, buildings, equipment, vehicles, software subscriptions, and other assets, all of which have been assessed in accordance with GASB 87 and 96, along with the State Comptroller Office's requirements. As of August 31, 2023, the net right-to-use (RTU) assets and corresponding lease/SBITA liabilities associated with future lease payments reported on the statement of net position totaled \$237 million and \$234 million, respectively.

Detailed information regarding these identified lease and subscription agreements are provided in their respective sections.

#### Lessee Leases

A comprehensive summary of changes for these RTU assets is presented in the table in Note 2 - Capital Assets.

For fiscal year 2023, the total lease payment for RTU assets was \$20,729,884.59. The principal and interest expense payments for the next 5 years and beyond are projected on the Future Lease Payment table.

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### The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2023

| <b>Future Lease Payments</b> |                          |                         |                          |
|------------------------------|--------------------------|-------------------------|--------------------------|
| <b>Fiscal Year</b>           | <b>Principal</b>         | <b>Interest</b>         | <b>Total</b>             |
| 2024                         | \$ 17,627,207.15         | \$ 3,105,722.69         | \$ 20,732,929.84         |
| 2025                         | 16,856,822.78            | 3,238,774.02            | 20,095,596.80            |
| 2026                         | 15,205,169.60            | 3,470,327.27            | 18,675,496.87            |
| 2027                         | 12,407,671.49            | 3,760,669.87            | 16,168,341.36            |
| 2028                         | 11,691,267.37            | 2,847,751.45            | 14,539,018.82            |
| 2029-2033                    | 48,939,824.35            | 10,758,373.67           | 59,698,198.02            |
| 2034-2038                    | 40,029,806.28            | 6,052,672.44            | 46,082,478.72            |
| 2039-2043                    | 25,021,235.48            | 1,433,354.33            | 26,454,589.81            |
| 2044-2048                    | 8,236,685.08             | 207,314.91              | 8,443,999.99             |
| Total                        | <u>\$ 196,015,689.58</u> | <u>\$ 34,874,960.65</u> | <u>\$ 230,890,650.23</u> |

The Future Lease Income details above include a total of 34 leases. There is one lease related to medical and engineering technology which accounts for 41% of the totals above. This income is generated from the new EnMed program, founded in 2019, is a collaboration between Texas A&M's School of Engineering Medicine and the state's top-ranked Houston Methodist Hospital established to transform health care through the development and training of physicians, the creation of medical technologies, and translational research. This lease extends until the year 2080, with noteworthy payments concentrated in the latter part of the term.

Included in these leases are three agreements which have partially variable payments and therefore were not included in lease assets or lease liabilities. These variable payments are based upon changes in CPI (Consumer Price Index) rates. A total of \$14,064.98 was expensed related to these variable payments for the year ended August 31, 2023.

#### Subleases

The A&M System subleases certain portions of RTU buildings to third parties. The net value of the subleased RTU buildings is \$6,904,806.09 and is included in the RTU asset total as of August 31, 2023. These sublease agreements result in lease receivables of \$1,618,448.81 and deferred inflows of resources of \$1,575,776.41, as of August 31, 2023, which are included in the Future Lease Income table.

#### Future Leases

The A&M System has entered two additional building leases which have not yet commenced as of August 31, 2023. For those future leases, the total value of the right-to-use assets is \$2,252,011.39.

#### Lessor Leases

The A&M System has various leases for land and buildings where the A&M System is the lessor. As of August 31, 2023, the lease receivables and the corresponding deferred inflow of resources included on the statement of net position were \$208 million and \$204 million, respectively.

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For the year ended August 31, 2023, the A&M System received lease payments of \$7,575,105.66 related to lessor leases. The total expected payments for the next five years and beyond are presented below.

| <b>Future Lease Income</b> |                          |                         |                          |
|----------------------------|--------------------------|-------------------------|--------------------------|
| <b>Fiscal Year</b>         | <b>Principal</b>         | <b>Interest</b>         | <b>Total</b>             |
| 2024                       | \$ 5,550,272.42          | \$ 7,832,827.05         | \$ 13,383,099.47         |
| 2025                       | 4,357,213.45             | 5,691,389.39            | 10,048,602.84            |
| 2026                       | 3,222,756.35             | 5,632,509.05            | 8,855,265.40             |
| 2027                       | 3,147,551.69             | 5,576,993.50            | 8,724,545.19             |
| 2028                       | 3,248,456.79             | 5,532,374.79            | 8,780,831.58             |
| 2029-2033                  | 13,879,370.93            | 26,697,226.98           | 40,576,597.91            |
| 2034-2038                  | 13,475,999.05            | 25,042,265.81           | 38,518,264.86            |
| 2039-2043                  | 16,239,167.46            | 23,086,970.08           | 39,326,137.54            |
| 2044-2048                  | 19,533,484.77            | 20,713,274.24           | 40,246,759.01            |
| 2049-2053                  | 23,610,275.30            | 17,840,191.74           | 41,450,467.04            |
| 2054 and beyond            | 101,945,628.73           | 41,341,668.95           | 143,287,297.68           |
| Total                      | <u>\$ 208,210,176.94</u> | <u>\$184,987,691.58</u> | <u>\$ 393,197,868.52</u> |

The A&M System has a total of 5 leases with payments which are completely or partially variable and were not included in lease receivables or deferred inflows of resources. These variable payments were derived from a percentage of sales, facility or classroom usage, or the amount of net cash flow. Total revenue recognized as a result of these variable payments was \$3,332,787.56 for the year ended August 31, 2023.

**Residual Value Guarantees, Termination Penalties, Sales-Leaseback and Lease-Leaseback**

For the year ended August 31, 2023, the A&M System has no reportable activities for residual value guarantees, termination penalties, sale-lease back, or lease-leaseback related to leases where the A&M System is the lessee or the lessor.

**Regulated Leases**

For certain lease agreements related to airport gates and aprons, specific terms are regulated by the Federal Aviation Administration (FAA). The A&M System entered into various lease agreements to grant the right to use these airport gates and aprons to third parties in accordance with the provisions set by the FAA.

Specified regulated terms include limits on lease rates, consistency of lease rates for all lessees, and leasing opportunities made available to any potential lessees if the facilities are vacant. The lease revenue related to these regulated agreements amounted to \$322,427.40 for the year ended August 31, 2023, this amount includes exclusive and joint use of terminal building space.

Currently there is a holdover provision in place which allows a tenancy to continue month-to-month until a new contract is established, or the tenant may terminate with 30 days' written notice.

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**Subscription Leases**

The A&M System has various leases for software subscriptions where the A&M System is the lessee. As of August 31, 2023, the net RTU Subscription Asset and the corresponding Subscription liability included on the statement of net position were \$45.3 million and \$37.7 million, respectively.

For fiscal year 2023, the total lease payment for RTU subscription assets was \$18,370,326.16. The principal and interest expense payments for the next 5 years and beyond are projected on the following page for lease liabilities.

| <b>Future Subscription Payments</b> |                         |                        |                         |
|-------------------------------------|-------------------------|------------------------|-------------------------|
| <b>Fiscal Year</b>                  | <b>Principal</b>        | <b>Interest</b>        | <b>Total</b>            |
| 2024                                | \$ 15,933,987.73        | \$ 886,301.00          | \$ 16,820,288.73        |
| 2025                                | 15,437,006.37           | 527,837.59             | 15,964,843.96           |
| 2026                                | 5,182,336.59            | 150,969.13             | 5,333,305.72            |
| 2027                                | 976,907.89              | 27,651.11              | 1,004,559.00            |
| 2028                                | 130,830.88              | 3,001.12               | 133,832.00              |
| Total                               | <u>\$ 37,661,069.46</u> | <u>\$ 1,595,759.95</u> | <u>\$ 39,256,829.41</u> |



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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 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](http://www.trs.state.tx.us) and searching for financial reports.

During the measurement period of 2022 for the fiscal year 2023 reporting, the amount of the A&M System contributions recognized by the plan was \$71,856,250. 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.

| <b>Contribution Rates for</b> | <b>TRS Plan</b> |
|-------------------------------|-----------------|
| Employer                      | 7.75%           |
| Employees                     | 8.00%           |

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, 2022 measurement date for the fiscal year 2023.

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| <b>Summary of Actuarial Methods and Assumptions*-TRS Plan</b> |  |
|---|--|
| Actuarial Valuation Date                                      | August 31, 2021 rolled forward to<br>August 31, 2022   |
| Actuarial Cost Method   | Individual Entry Age Normal  |
| Amortization Method   | Level Percentage of Payroll, Floating  |
| Asset Valuation Method  | Fair Market  |
| Actuarial Assumptions:  |  |
| Discount Rate   | 7.00%  |
| Long-term Expected Rate of Return                             | 7.00%  |
| Municipal Bond Rate as of August 2020                         | 3.91%*   |
| Inflation   | 2.30%  |
| Salary Increase   | 2.95% to 8.95% including inflation   |
| Mortality   |  |
| Active  | PUB (2010) Mortality Tables for Teachers,<br>below median, with full generational<br>mortality     |
| Post-Retirement   | 2021 TRS Healthy Pensioner Mortality<br>Tables with full generation projection using<br>Scale U-MP |
| Ad Hoc Post-Employment Benefit Changes                        | None   |

\* Source for the rate is the 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 valuation was performed as of Aug. 31, 2021. Update procedures were used to roll forward the total pension liability to Aug. 31, 2022.

The actuarial assumptions used in the determination of the total pension liability were primarily based on the result of an actuarial experience study for the four-year period ending Aug. 31, 2021 and adopted in July 2022. The primary assumption change was the lowering of the single discount rate from 7.25% to 7%.

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

The discount rate of 7% 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%. The projected cash flows into and out of the pension plan assumed that active members, employers, and non-employer contributing entity make their contributions at the statutorily required rates. It is assumed that future employer and state contributions will be 8.50% of payroll in fiscal year 2020 gradually increase to 9.55% over the next several years. This includes a factor for all employer and state contributions for active and rehired retirees. Based on these assumptions, the pension plan's fiduciary net position and future contributions were sufficient to finance the benefit payments of current plan members. As a result, the long-term expected rate of return on pension plan investments was applied to 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

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and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

| TRS Asset Class*  | TRS Target Allocation** | TRS Long-term Expected Geometric Real Rate of Return*** |
|---|-------------------------|---|
| <b>Global Equity</b>  |                         |   |
| USA   | 18%                     | 4.6%  |
| Non-US Developed  | 13%                     | 4.9%  |
| Emerging Markets  | 9%                      | 5.4%  |
| Private Equity  | 14%                     | 7.7%  |
| <b>Stable Value</b>   |                         |   |
| Government Bonds  | 16%                     | 1.0%  |
| Absolute Return   |                         | 3.7%  |
| Stable Value Hedge Funds  | 5%                      | 3.4%  |
| <b>Real Return</b>  |                         |   |
| Real Assets   | 15%                     | 4.1%  |
| Energy, Natural Resources and Infrastructure                            | 6%                      | 5.1%  |
| Commodities   |                         | 3.6%  |
| <b>Risk Parity</b>  |                         |   |
| Risk Parity   | 8%                      | 4.6%  |
| <b>Asset Allocation Leverage</b>  |                         |   |
| Cash  | 2%                      | 3.0%  |
| Asset Allocation Leverage   | (6)%                    | 3.6%  |
| <b>Total</b>  | <b>100%</b>             |   |
| <b>Notes:</b>   |                         |   |
| * Absolute Return includes Credit Sensitive Investments.                |                         |   |
| ** Target allocations are based on fiscal year 2022 policy model.       |                         |   |
| *** Capital Market assumptions come from Aon Hewitt (as of 08/31/2022). |                         |   |

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.

| <b>Sensitivity of A&amp;M System's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate</b> |                                       |                             |
|---|---------------------------------------|-----------------------------|
| <b>1% Decrease<br/>(6%)</b>   | <b>Current Discount Rate<br/>(7%)</b> | <b>1% Increase<br/>(8%)</b> |
| \$1,199,893,381   | \$771,327,658                         | \$ 423,955,023              |

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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 2022 ACFR.

On August 31, 2023, the A&M System reported a liability of \$771,327,658 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, 2022, 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, 2023 was 1.2992438459% which was a decrease from the 1.3562156390% 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, 2021 through August 31, 2022.

For the year ending August 31, 2023, the A&M System recognized pension expense of \$94,504,755 in the proprietary fund statements. On August 31, 2023, 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.

| <b>Elements of Deferred Outflows and Inflows of Resources</b> | <b>Deferred Outflows of Resources</b> | <b>Deferred Inflows of Resources</b> |
|---|---------------------------------------|--------------------------------------|
| Difference between expected and actual experience             | \$ 11,184,188                         | \$ 16,816,403                        |
| Changes of assumptions  | 143,723,448                           | 35,819,893                           |
| Net difference between projected and actual investment return | 76,204,704                            | -                                    |
| Change in proportion and contribution difference              | 53,818,909                            | 53,431,005                           |
| Contributions Subsequent to the measurement date              | 71,856,250                            | -                                    |
| <b>Total</b>  | <b>\$ 356,787,499</b>                 | <b>\$ 106,067,301</b>                |

The \$71,856,250 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, 2024.

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

| <b>Deferred Outflows and Inflows<br/>Recognized in Pension Expense</b> |                |
|--|----------------|
| <b>Future Years</b>  | <b>Amounts</b> |
| 2024   | \$ 51,720,070  |
| 2025   | 26,762,643     |
| 2026   | 5,511,292      |
| 2027   | 85,580,039     |
| 2028   | 9,289,900      |
| Thereafter   | 71,856,254     |

**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.

| <b>ORP Contributions for the<br/>Plan Year Ended August 31, 2023</b> |                  |
|--|------------------|
| Employer   | \$ 46,885,100.44 |
| Employee   | 44,761,545.19    |
| Total  | \$ 91,646,645.63 |

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

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### The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2023

#### 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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**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, 2023 was 59.29 percent and it was 55.83 percent in fiscal year 2022. The State of Texas' proportional share was 40.71 percent for fiscal year 2023 and 44.17 for fiscal year 2022. 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.

|                           | <b>A&amp;M System<br/>Proportional<br/>Share</b> | <b>State of Texas<br/>Proportional<br/>Share*</b> | <b>Total OPEB<br/>Liability*</b> |
|---------------------------|--|---|----------------------------------|
| Current OPEB Liability    | \$ 63,084,598                                    | \$ 43,316,333                                     | \$ 106,400,931                   |
| NonCurrent OPEB Liability | 2,260,576,516                                    | 1,552,199,556                                     | 3,812,776,072                    |
| Total per the AFR         | \$ 2,323,661,114                                 | \$ 1,595,515,889                                  | \$ 3,919,177,003                 |

\*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 |
|---|----------------|
|   | 09/01/2021     |
| a. Inactive employees or beneficiaries currently receiving benefit payments | 11,156         |
| b. Inactive employees entitled to but not yet receiving benefit payments    | 3,389          |
| c. Active employees   | 24,029         |
| Total   | 38,574         |

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

| <b>Required Contribution Rates<br/>Retiree Health and Basic Life Premium</b> |            |                                  |
|--|------------|----------------------------------|
| Level of Coverage  | Employer   | Retiree<br>(Health Premium only) |
| Retiree Only   | \$815.28   | \$0.00                           |
| Retiree/Spouse   | \$1,377.36 | \$281.04                         |
| Retiree/Children   | \$1,205.80 | \$195.26                         |
| Retiree/Family   | \$1,606.28 | \$395.50                         |

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 was determined by an actuarial valuation as of September 1, 2021 and rolled forward twelve months to September 1, 2022 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified.

| <b>Summary of Actuarial Assumptions and Other Inputs</b> |   |
|--|---|
| Actuarial Valuation Date (Biennial Valuation)            | September 1, 2021   |
| Inflation  | 2.30%   |
| Salary Increases   | 3.05% to 9.05% (includes inflation)   |
| Discount Rate  | 3.64%   |
| Healthcare Cost Trend Rates                              |   |
| Medical  | 6.00% for FY23, 5.50% for FY24, 5.25% for FY25, 5.00% for FY26, 4.75% for FY27, 4.60% for FY28, 4.50% for FY29, 4.40% for FY30 and 4.30% for FY31 and later years   |
| Pharmacy   | 10.50% for FY23, 10.00% for FY24, 9.50% for FY25, 9.00% for FY26, 8.00% for FY27, 7.00% for FY28, 6.00% for FY29, 5.00% for FY30 and 4.30% for FY31 and later years   |
| Mortality  | <ul style="list-style-type: none"> <li>a. <u>Service Retirees, Survivors and other Inactive Members:</u><br/>Tables based on TRS experience with Ultimate MP Projection Scale from the year 2018.</li> <li>b. <u>Disability Retirees:</u><br/>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.</li> <li>c. <u>Active Members:</u><br/>Sex Distinct RP-2014 Employee Mortality multiplied by 90% with Ultimate MP Projection Scale from the year 2014.</li> </ul> |

**\* Discount Rate**

- a. The discount rate used to measure the OPEB liability as of September 1, 2022 was 3.64%
- b. Municipal Bond Rate: 3.64% as of September 1, 2022; the source of the municipal bond rate is the Bond Buyer Index of general obligation bonds with 20 years to maturity and mixed credit quality. In describing their index, the Bond Buyer notes that the bonds' average credit quality is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard & Poor's Corp.'s AA.

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### The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2023

#### Other Information

As of the measurement date of September 1, 2022, 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 2023 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 2023 the A&M System received \$ 16,217,321.45 of Medicare Part D payments from the federal government.

The A&M system adopted the following change to the OPEB plan between the September 1, 2022 measurement date of the Net OPEB liability and the Employer's FY23 reporting date of August 31, 2023:

Beginning in FY2023, for retirees for whom Medicare is primary, medical benefits will be provided through a fully insured Medicare Advantage Plan.

Per actuarial calculation the above change would reduce the Net OPEB liability to \$1.48 billion as of September 1, 2023, using the current discount rate of 3.64%.

#### 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, 2023 and measured as of September 1, 2022, as well as what the A&M System's proportionate share of the OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.64%) or 1-percentage point higher (3.64%) than the fiscal year 2023 discount rate.

|  | <b>1% Decrease<br/>(2.64%)</b> | <b>FY2023 Discount Rate<br/>(3.64%)</b> | <b>1% Increase<br/>(4.64%)</b> |
|--|--------------------------------|---|--------------------------------|
| A&M System's Proportionate Share of OPEB Liability | \$2,754,264,894                | \$2,323,661,114                         | \$1,984,192,479                |

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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, 2023 and measured as of September 1, 2022, 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 2023 healthcare cost trend rate.

|  | <b>1% Decrease</b> | <b>FY2023 Healthcare Cost Trend Rates*</b> | <b>1% Increase</b> |
|--|--------------------|--|--------------------|
| A&M System’s Proportionate Share of OPEB Liability | \$1,938,165,387    | \$2,323,661,114                            | \$2,830,674,669    |

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

| <b>Fiscal Year</b> | <b>Medical Healthcare</b> |                         |                    | <b>Pharmacy Healthcare</b> |                         |                    |
|--------------------|---------------------------|-------------------------|--------------------|----------------------------|-------------------------|--------------------|
|                    | <b>1% Decrease</b>        | <b>Cost Trend Rates</b> | <b>1% Increase</b> | <b>1% Decrease</b>         | <b>Cost Trend Rates</b> | <b>1% Increase</b> |
| 2023               | 5.00%                     | 6.00%                   | 7.00%              | 9.50%                      | 10.50%                  | 11.50%             |
| 2024               | 4.50%                     | 5.50%                   | 6.50%              | 9.00%                      | 10.00%                  | 11.00%             |
| 2025               | 4.25%                     | 5.25%                   | 6.25%              | 8.50%                      | 9.50%                   | 10.50%             |
| 2026               | 4.00%                     | 5.00%                   | 6.00%              | 8.00%                      | 9.00%                   | 10.00%             |
| 2027               | 3.75%                     | 4.75%                   | 5.75%              | 7.00%                      | 8.00%                   | 9.00%              |
| 2028               | 3.60%                     | 4.60%                   | 5.60%              | 6.00%                      | 7.00%                   | 8.00%              |
| 2029               | 3.50%                     | 4.50%                   | 5.50%              | 5.00%                      | 6.00%                   | 7.00%              |
| 2030               | 3.40%                     | 4.40%                   | 5.40%              | 4.00%                      | 5.00%                   | 6.00%              |
| 2031 and beyond    | 3.30%                     | 4.30%                   | 5.30%              | 3.30%                      | 4.30%                   | 5.30%              |

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

|  | <b>Increase (Decrease) in A&amp;M System's Proportionate Share of OPEB Liability from 09/01/2021 to 09/01/2022</b> |
|--|--|
| <b>Beginning Balance of Measurement Year*</b>      | \$2,700,223,937  |
| <b>Changes for the Year:</b>                       |  |
| Service Cost                                       | 138,894,229  |
| Interest   | 63,818,211   |
| Changes of benefit terms                           | 0  |
| Differences between expected and actual experience | 0  |
| Changes of assumptions or other inputs             | (698,069,570)  |
| Benefit payments (employer)                        | (48,493,853)   |
| Other Changes                                      | 167,288,160  |
| <b>Net Changes</b>                                 | <b>(376,562,823)</b>   |
| <b>Ending Balance of Measurement Year**</b>        | <b>\$2,323,661,114</b>   |

\*Information for the fiscal year ending August 31, 2022 was taken as of the measurement date of September 1, 2021 based on an actuarial valuation as of the same date as permitted by Paragraph No. 146 and 147 of GASB No. 75.

\*\*Information for the fiscal year ending August 31, 2023 was taken as of the measurement date of September 1, 2022 based on an actuarial valuation as of September 1, 2021 rolled forward twelve months as permitted by Paragraph Nos. 146 and 147 of GASB No. 75.

The A&M System recognized its proportionate share of OPEB expense of \$171,048,559 for the fiscal year ended August 31, 2023.

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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.

|  | <b>Deferred Outflows<br/>of Resources</b> | <b>Deferred Inflows of<br/>Resources</b> |
|--|---|--|
| Differences between expected and actual experience         | \$ -                                      | \$ 175,286,163                           |
| Changes of assumptions or other inputs                     | 432,521,268                               | 689,683,409                              |
| Effect of change in proportion and contribution difference | 232,289,981                               | 16,162,131                               |
| Contributions subsequent to the measurement date           | 52,768,800                                | -  |
| Total  | \$ 717,580,049                            | \$ 881,131,703                           |

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

| <b>Fiscal Year</b> | <b>Amount</b>   |
|--------------------|-----------------|
| 2024               | \$ (39,812,258) |
| 2025               | 8,625,021       |
| 2026               | 1,664,120       |
| 2027               | (29,794,715)    |
| 2028               | (74,026,239)    |
| Thereafter         | (82,976,381)    |

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**Note 12 - Interfund Activity and Transactions**

As of August 31, 2023, 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, 2023 are presented below.

**Proprietary Funds**

| <b>Interfund Receivable/Payables - Current</b>                              |                             |                          |                           |
|---|-----------------------------|--------------------------|---------------------------|
| <b>Current Portion</b>  | <b>Interfund Receivable</b> | <b>Interfund Payable</b> | <b>Purpose</b>            |
| Agency 710, Appd Fund 0047, D23 Fund 0047<br>From Agency 720, D23 Fund 0011 | \$ 65,118,657.82            | \$ -                     | Permanent University Fund |
| Agency 711, Appd Fund 0001, D23 Fund 0001<br>From Agency 907, D23 Fund 0515 | -                           | 1,423,436.41             | SECO LoanSTAR             |
| <b>Total Current Interfund Receivable/Payable</b>                           | <b>\$ 65,118,657.82</b>     | <b>\$1,423,436.41</b>    |                           |

| <b>Interfund Receivable/Payables – Non-Current</b>                          |                             |                          |                           |
|---|-----------------------------|--------------------------|---------------------------|
| <b>Non-Current Portion</b>  | <b>Interfund Receivable</b> | <b>Interfund Payable</b> | <b>Purpose</b>            |
| Agency 710, Appd Fund 0047, D23 Fund 0047<br>From Agency 720, D23 Fund 0011 | \$ 1,502,418,583.17         | \$ -                     | Permanent University Fund |
| Agency 711, Appd Fund 0001, D23 Fund 0001<br>From Agency 907, D23 Fund 0515 | -                           | 3,410,278.91             | SECO LoanSTAR             |
| <b>Total Non-Current Interfund Receivable/Payable</b>                       | <b>\$ 1,502,418,583.17</b>  | <b>\$3,410,278.91</b>    |                           |

**Fiduciary Funds**

Not Applicable.

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**The Texas A&M University System  
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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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**Note 15 - Commitments and Contingencies**

At August 31, 2023, 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:

| <b>Unfunded Commitments as of August 31, 2023</b> |                    |                  |
|---|--------------------|------------------|
|   | <b>Proprietary</b> | <b>Fiduciary</b> |
| Committed Amount                                  | \$702,803,699.90   | \$81,958,973.10  |
| Unfunded Amount                                   | \$171,314,283.40   | \$19,978,185.60  |

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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**Note 16 - Subsequent Events**

The A&M System is authorized to issue up to \$700 million of Revenue Financing System Bonds during fiscal year 2024 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 \$550 million of Permanent University Fund Bonds during fiscal year 2024 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, 2023.

| <b>Debt Issuance</b>                                    | <b>Amount</b> | <b>Date of Issuance</b> | <b>Purpose</b>                                       |
|---|---------------|-------------------------|--|
| Revenue Financing System Commercial Paper Notes         | \$35,000,000  | 09/05/23                | Provide interim financing for construction projects. |
| Revenue Financing System Taxable Commercial Paper Notes | \$40,000,000  | 09/05/23                | Provide interim financing for construction projects. |
| Revenue Financing System Commercial Paper Notes         | \$45,000,000  | 10/26/23                | Provide interim financing for construction projects. |
| Revenue Financing System Taxable Commercial Paper Notes | \$55,000,000  | 10/26/23                | Provide interim financing for construction projects. |

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### The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2023

#### 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, 2023

#### Property Shared Retention Plan

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

#### Other Self-Insured Plans

The Texas A&M University Health Science Center College of Medicine established and maintains a medical student liability self-insurance plan (the Plan) to provide eligible medical students of the Texas A&M Health Science Center College of Medicine with medical malpractice liability indemnity from and against medical malpractice claims. Coverage limits are \$25,000 per claim, \$75,000 aggregate per student, and \$100,000 annual aggregate. The Plan originated in 1977, and until April 2018, was funded by an annual medical student participation fee. Effective April 2018, annual student participation fees will no longer be credited to the existing fund balance, and instead, will be assigned to a commercial claims-made medical malpractice policy with coverage limits of \$1 million per claim and \$3 million per policy period with a \$25,000 deductible. The Plan will be maintained without additional medical student participation funding and will serve as the deductible for the commercial policy. As of August 31, 2023, the Plan had a balance of \$733,249.28 with 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. As of August 31, 2023, 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, 2023, the plan had no accrued liabilities.

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

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**The Texas A&M University System  
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| <b>Current Year Changes in Claims and IBNR</b> |   |  |                            |   |
|--|---|--|----------------------------|---|
| <b>Plan Type</b>                               | <b>Liability<br/>Balance<br/>09/01/22</b> | <b>Claims and<br/>Changes in<br/>Estimates</b> | <b>Claims<br/>Payments</b> | <b>Liability<br/>Balance<br/>08/31/23</b> |
| WCI  | \$14,850,750.00                           | \$ 530,409.70                                  | \$ (1,817,467.70)          | \$ 13,563,692.00                          |
| Group Health and Dental Insurance              | 24,898,000.00                             | 468,506,755.50                                 | (468,482,755.50)           | 24,922,000.00                             |
| <b>Total</b>                                   | <u>\$39,748,750.00</u>                    | <u>\$469,037,165.20</u>                        | <u>\$(470,300,223.20)</u>  | <u>\$ 38,485,692.00</u>                   |

| <b>Prior Year Changes in Claims and IBNR</b> |   |  |                            |   |
|--|---|--|----------------------------|---|
| <b>Plan Type</b>                             | <b>Liability<br/>Balance<br/>09/01/21</b> | <b>Claims and<br/>Changes in<br/>Estimates</b> | <b>Claims<br/>Payments</b> | <b>Liability<br/>Balance<br/>08/31/22</b> |
| WCI  | \$14,909,518.00                           | \$ 1,470,766.16                                | \$ (1,529,534.16)          | \$ 14,850,750.00                          |
| Group Health and Dental Insurance            | 23,556,000.00                             | 426,395,284.69                                 | (425,053,284.69)           | 24,898,000.00                             |
| <b>Total</b>                                 | <u>\$38,465,518.00</u>                    | <u>\$427,866,050.85</u>                        | <u>\$(426,582,818.85)</u>  | <u>\$ 39,748,750.00</u>                   |

The WCI liability is reported on the proprietary Statement of Net Position as Current and Non-Current Claims and Judgments. The liability for group health and dental insurance claims is included in the Current Liabilities section of the proprietary Statement of Net Position as Self-Insured Health and Dental Payable.

The claims and losses reported in the financial statements include various settlements. These claims and losses for the fiscal year ended August 31, 2023 are summarized in the table below. There are no outstanding claim liabilities as of August 31, 2023.

| <b>Claim and Loss Expenses</b>       |                      |                      |
|--------------------------------------|----------------------|----------------------|
|                                      | <b>Current Year</b>  | <b>Prior Year</b>    |
| Beginning Liability Balance          | \$ -                 | \$ -                 |
| Other Settlement Claims-Operating    | 29,683,198.09        | 41,284,958.69        |
| Other Settlement Claims-NonOperating | 811,823.70           | 78,231.68            |
| <b>Total Additions</b>               | <u>30,495,021.79</u> | <u>41,363,190.37</u> |
| Payments for Claims                  | (30,495,021.79)      | (41,363,190.37)      |
| <b>Ending Liability Balance</b>      | <u>\$ -</u>          | <u>\$ -</u>          |

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**The Texas A&M University System  
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**Note 18 - Management's Discussion and Analysis (MD&A)**

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

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### The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2023

#### Note 19 - The Financial Reporting Entity

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

#### Blended Component Unit

The Texas A&M Research Foundation (Research Foundation) is included as a blended component unit in the combined financial statements of the A&M System. This determination is based on the close relationship and joint agreements in effect between the Research Foundation and the A&M System in regard to research grant/contract administration. The Research Foundation has a fiscal year end of August 31<sup>st</sup> and is included 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 2023, A&M System recognized contract revenue in the amount of \$742,630.00.

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  
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**Note 20 - Stewardship, Compliance and Accountability**

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



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**The Texas A&M University System  
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**Note 21 - Tobacco Settlement**

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

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**The Texas A&M University System  
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**Note 22 - Donor Restricted Endowments**

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

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

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

| <b>Net Appreciation - Donor-Restricted Endowments</b> |   |                                 |
|---|---|---------------------------------|
| <b>Donor-Restricted Endowments</b>                    | <b>Amount of Net Appreciation<sup>1</sup></b> | <b>Reported in Net Position</b> |
| True Endowments                                       | \$169,499,867.44                              | Restricted for Expendable       |
| Term Endowments                                       | 77,599.36                                     | Restricted for Expendable       |
| Total   | \$169,577,466.80                              |                                 |

<sup>1</sup>The total fiscal year 2023 fair value adjustment to the Fund was \$ 35,876,393.08.

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**The Texas A&M University System  
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**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, 2023.

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**The Texas A&M University System  
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**Note 24 - Disaggregation of Receivable and Payable Balances**

**Receivables**

A summary of proprietary and fiduciary receivables and the associated allowance for doubtful accounts balances for the year ended August 31, 2023, is presented in the table below.

| <b>Proprietary Fund Receivables</b> |                         |  |                         |
|-------------------------------------|-------------------------|--|-------------------------|
| <b>Description</b>                  | <b>Gross Receivable</b> | <b>Allowance for Doubtful Accounts</b> | <b>Net Receivable</b>   |
| <b>Current Receivables</b>          |                         |  |                         |
| Federal                             | \$247,572,277.59        | \$ -                                   | \$247,572,277.59        |
| Other Intergovernmental             | 5,828,881.03            | -                                      | 5,828,881.03            |
| Interest and Dividends              | 22,171,650.75           |  | 22,171,650.75           |
| Gifts                               | 34,861,458.27           | -                                      | 34,861,458.27           |
| Self Insured Plans                  | 41,678,440.92           | -                                      | 41,678,440.92           |
| Student                             | 75,530,223.41           | (20,606,509.99)                        | 54,923,713.42           |
| Investment Trades                   | 4,404,908.91            | -                                      | 4,404,908.91            |
| Accounts                            | 190,106,988.66          | (3,332,052.60)                         | 186,774,936.06          |
| Other                               | 3,884,284.43            | (172,065.89)                           | 3,712,218.54            |
| Total Current Receivables           | <u>\$626,039,113.97</u> | <u>\$ (24,110,628.48)</u>              | <u>\$601,928,485.49</u> |
| <b>Non-Current Receivables</b>      |                         |  |                         |
| Gifts                               | \$272,491,997.99        | \$ -                                   | \$272,491,997.99        |
| Accounts                            | 26,091,695.25           |  | 26,091,695.25           |
| Total Non-Current Receivables       | <u>\$298,583,693.24</u> | <u>\$ -</u>                            | <u>\$298,583,693.24</u> |
| <b>Fiduciary Fund Receivables</b>   |                         |  |                         |
| <b>Description</b>                  | <b>Gross Receivable</b> | <b>Allowance for Doubtful Accounts</b> | <b>Net Receivable</b>   |
| Interest and Dividends              | \$ 1,050,461.00         | \$ -                                   | \$ 1,050,461.00         |
| Gifts                               | 46,786,958.49           | (190,920.14)                           | 46,596,038.35           |
| Student                             | 1,535,757.32            | (149,614.21)                           | 1,386,143.11            |
| Investment Trades                   | 258,268.33              | -                                      | 258,268.33              |
| Accounts                            | 3,457,398.94            | -                                      | 3,457,398.94            |
| Other                               | 2,250,111.98            | -                                      | 2,250,111.98            |
| Total Receivables                   | <u>\$ 55,338,956.06</u> | <u>\$ (340,534.35)</u>                 | <u>\$ 54,998,421.71</u> |

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**Other Payables**

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

| <b>Proprietary Other Payables</b>       |                        |
|---|------------------------|
| <b>Description</b>                      | <b>Amount</b>          |
| Sales Tax Payable                       | \$ 3,955,881.48        |
| External Investment Manager Fee Payable | 2,700,033.57           |
| Miscellaneous Payables                  | 3,103,452.72           |
| Total Other Payables                    | <u>\$ 9,759,367.77</u> |
| <br>                                    |                        |
| <b>Fiduciary Other Payables</b>         |                        |
| <b>Description</b>                      | <b>Amount</b>          |
| Sales Tax Payable                       | \$ 12,932.78           |
| Income Distribution Payable             | 208,210.55             |
| External Investment Manager Fee Payable | 227,214.23             |
| Total Other Payables                    | <u>\$ 448,357.56</u>   |

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**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, 2023, the fully-insured plan had 9 enrolled participants for the dental plan, and 73 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, 2023.

| <b>Self-Insured Health and Dental Plan - COBRA</b> |                        |
|--|------------------------|
| Number of Participants                             | 201                    |
| Claims Paid  | \$ 2,659,121.70        |
| Administrative Expenses                            | 214,370.10             |
| Total COBRA Expenses                               | <u>2,873,491.80</u>    |
| Premium Revenue                                    | 975,063.26             |
| 2% Administrative Fee Revenue                      | 19,899.25              |
| Total COBRA Premium                                | <u>994,962.51</u>      |
| Net Cost to State                                  | <u>\$ 1,878,529.29</u> |

**Non-Health Care Related Termination Benefits**

No reportable activity on non-health care related termination benefits for the fiscal year ended August 31, 2023.

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**Note 26 - Segment Information**

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

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**The Texas A&M University System  
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**Note 27 – Public-Private and Public-Public Partnerships**

The A&M System implemented GASB statement 94, Public-Private and Public-Public Partnerships (PPPs) and Availability Payment Arrangements (APAs), in fiscal year of 2023.

The Statement provides uniform guidance for governments to report assets and liabilities related to PPP contracts on a consistent basis and disclose important information about PPP transactions. The objective of this Statement is to better meet the information needs of financial statement users by improving the comparability of financial statements among governments who enter into PPPs and APAs and by enhancing the understandability, reliability, relevance, and consistency of information about PPPs and APAs.

The A&M System has multiple PPP arrangements. These PPP initiatives cover various sectors, including student housing, academic or office buildings, hotels, bookstores, and more. Following a comprehensive review and examination, the A&M System has identified a total of seven qualifying PPP arrangements in scope for GASB 94. A general description of each arrangement, including status, term, and duration, is presented in the following table.

| <b>Public-Private and Public-Public Partnerships</b>  |                            |             |                       |                     |
|---|----------------------------|-------------|-----------------------|---------------------|
| <b>PPP Contract and Partnership Name</b>  | <b>Construction Status</b> | <b>Term</b> | <b>Contract Begin</b> | <b>Contract End</b> |
| <b>Higher Education Center</b><br>City of McAllen   | Complete                   | 20 years    | 2017                  | 2037                |
| <b>Park West</b><br>NHCCD-College Station Properties LLC  | Complete                   | 32 years    | 2015                  | 2047                |
| <b>White Creek</b><br>CHF-Collegiate Housing College Station I, LLC   | Complete                   | 32 years    | 2014                  | 2046                |
| <b>U Center at Northgate</b><br>ACC OP  | Complete                   | 40 years    | 2013                  | 2053                |
| <b>Engineering Research Lab</b><br>ERB A&M Partners I, LLC  | Complete                   | 20 years    | 2014                  | 2034                |
| <b>Clayton W. Williams Jr. Alumni Center</b><br>The Association of Former Students of Texas<br>A&M University | Complete                   | 50 years    | 1983                  | 2033                |
| <b>Student Housing Phase IX</b><br>CHF-Collegiate Housing Prairie View IX, LLC                                | Complete                   | 32 years    | 2019                  | 2051                |



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The financial effect of these contracts as of August 31, 2023, is presented in the following table.

| <b>Public-Private and Public-Public Partnerships</b> |                                      |  |
|--|--------------------------------------|--|
| Amounts Recognized in Financial Statements           |                                      |  |
| August 31, 2023                                      |                                      |  |
| <u>Arrangement Name</u>                              | <u>Receivables for PPP<br/>Asset</u> | <u>Deferred Inflows of<br/>Resources</u> |
| Higher Education Center                              | \$ 500,000.00                        | \$ 465,259.64                            |
| Park West  | 14,745,569.45                        | 14,153,773.97                            |
| White Creek  | 4,628,537.85                         | 4,427,297.13                             |
| U Center at Northgate                                | 1,783,150.00                         | 1,725,629.08                             |
| Engineering Research Lab                             | 1,638,236.20                         | 1,508,446.36                             |
| Clayton Alumni Center                                | 1,357,554.85                         | 1,267,051.21                             |
| Student Housing Phase IX                             | 1,438,646.90                         | 1,388,334.74                             |
| Total  | <u>\$ 26,091,695.25</u>              | <u>\$ 24,935,792.13</u>                  |

These contracts exhibit various rent structures, including no fixed rent payment, a nominal \$1.00 per year, minimal rent charge, or variable payments. The variable payments are due to underlying payments being derived from a revenue and/or profit-sharing arrangement, usage of the underlying PPP asset, or changes in an index or rate. A total of \$1,118,840.53 was recognized as revenue from these variable payments for the year ended August 31, 2023. There are no receivables for installment payments in these contracts due to the variable revenue structures.

However, receivables related to the Underlying PPP Assets purchased or constructed and placed into service by the operator totaled \$26,091,695.25. The ownership of the underlying assets of the PPP has not yet been transferred to the A&M System. Deferred Inflow of Resources corresponding to the Receivable for PPP Installment Payments and Receivable for Transfer of Underlying PPP Asset were \$24,935,792.13 for the year ended August 31, 2023.

The A&M System has no Availability Payment Arrangements to report as of August 31, 2023.

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**The Texas A&M University System  
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**Note 28 - Deferred Outflows of Resources and Deferred Inflows of Resources**

In fiscal year 2023, 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.

| <b>Deferred Outflows of Resources and Deferred Inflows of Resources</b> |                                       |                                      |
|---|---------------------------------------|--------------------------------------|
| <b>Activity</b>   | <b>Deferred Outflows of Resources</b> | <b>Deferred Inflows of Resources</b> |
| Unamortized Loss on Refunding Debt                                      | \$ 56,845,765.23                      | \$ -                                 |
| Pensions (Note 9)   | 356,787,499                           | 106,067,301.00                       |
| Other Post-Employment Benefits (Note 11)                                | 717,580,049.00                        | 881,131,703.00                       |
| Split Interest Agreements   | -                                     | 955,368.83                           |
| Leases and Book Value P3 Asset  | -                                     | 229,124,973.84                       |
| Total   | \$ 1,131,213,313.23                   | \$ 1,217,279,346.67                  |

**Unamortized Loss on Refunding Debt**

Deferred Outflows of Resources of \$56.8 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.

| <b>Unamortized Loss on Refunding Debt</b> |   |                                 |   |
|---|---|---------------------------------|---|
| <b>Fiscal Year Refunded</b>               | <b>Bonds Refunded</b>   | <b>Amortization Period (FY)</b> | <b>Amount Remaining to be Amortized</b> |
| 2015                                      | Permanent University Fund Bonds, Series 2006                  | 2015-2036                       | \$ 4,743,432.75                         |
| 2016                                      | Revenue Financing System Bonds, Series 2009A and Series 2009B | 2016-2039                       | 8,670,429.55                            |
| 2016                                      | Revenue Financing System Bonds, Series 2009C and Series 2009D | 2016-2040                       | 13,370,349.56                           |
| 2018                                      | Revenue Financing System Bonds, Series 2011B                  | 2018-2041                       | 4,504,922.84                            |
| 2018                                      | Revenue Financing System Bonds, Series 2013D                  | 2018-2028                       | 1,576,178.99                            |
| 2019                                      | Revenue Financing System Bonds, Taxable Series 2013C          | 2019-2043                       | 23,980,451.54                           |
| Total                                     |   |                                 | \$ 56,845,765.23                        |

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### The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2023

#### **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.

#### **Deferred Inflows for Leases and Book Value P3 Asset**

Deferred inflows of resources for leases represents the net present value of future lease payments for contracts where the A&M System is the lessor. The lease receivable and the related deferred inflow are recognized as of the lease commencement date. The deferred inflow is recognized evenly over the lease term.

Deferred inflows of resources for book value P3 Asset represents the residual book value of an asset to be transferred for Public-Public or Public-Private Partnership (P3) contracts.

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**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  
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**Note 30 - Non-Exchange Financial Guarantees**

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

**UNAUDITED**

**The Texas A&M University System  
Notes to the Combined Financial Statements  
For the Year Ended August 31, 2023**

**Note 31 - Tax Abatements**

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

**UNAUDITED**

**The Texas A&M University System  
Notes to the Combined Financial Statements  
For the Year Ended August 31, 2023**

**Note 32 - Fund Balances**

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

**UNAUDITED**

**The Texas A&M University System  
Required Supplementary Information (RSI)  
to the Combined Financial Statements  
For the Year Ended August 31, 2023**

**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.

| <b>Schedule of the A&amp;M System’s Proportionate Share<br/>of the Net Pension Liability<sup>1</sup></b> |               |               |               |               |               |               |               |               |               |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
|  | <b>2023</b>   | <b>2022</b>   | <b>2021</b>   | <b>2020</b>   | <b>2019</b>   | <b>2018</b>   | <b>2017</b>   | <b>2016</b>   | <b>2015</b>   |
| A&M System’s percentage proportionate share of the net pension liability                                 | 1.299243846%  | 1.356215639%  | 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  | \$771,327,658 | \$345,380,129 | \$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 <sup>2</sup>  | \$876,266,423 | \$786,173,293 | \$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         | 88.02%        | 43.93%        | 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                               | 75.62%        | 88.79%        | 75.54%        | 75.24%        | 73.74%        | 82.17%        | 78.00%        | 78.43%        | 83.25%        |

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

<sup>2</sup>Source 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, 2023**

**Schedule of Employer Contributions**

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.

| <b>Schedule of the A&amp;M System's Employer Contributions<sup>1</sup></b> |               |               |               |               |               |               |               |               |               |               |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
|  | <b>2023</b>   | <b>2022</b>   | <b>2021</b>   | <b>2020</b>   | <b>2019</b>   | <b>2018</b>   | <b>2017</b>   | <b>2016</b>   | <b>2015</b>   | <b>2014</b>   |
| Statutorily required contributions   | \$71,856,250  | \$62,135,589  | \$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                               | \$71,856,250  | \$62,135,589  | \$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        | \$0.00        | \$0.00        |
| A&M System's covered payroll-non General Revenue <sup>2</sup>              | \$876,266,423 | \$786,173,293 | \$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                           | 8.20%         | 7.90%         | 7.72%         | 7.64%         | 6.92%         | 6.74%         | 6.80%         | 8.76%         | 7.07%         | 6.66%         |

<sup>1</sup>This schedule is intended to present 10 years of information. Currently ten years of information is available.

<sup>2</sup>Source 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, 2023**

**Schedule of Proportionate Share of OPEB Liability- Fiscal Years 2018-2023**

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 sixth year the data will be collected for the next 4 years, eventually this table will include 10 years.

| Elements of the OPEB Liability <sup>1-3</sup>                      | 2023             | 2022            | 2021            | 2020            | 2019            | 2018            |
|--|------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| 1 OPEB Liability Beginning Balance                                 | \$2,700,223,937  | \$2,390,290,786 | \$2,023,060,661 | \$1,852,526,441 | \$2,313,866,921 | \$2,768,919,058 |
| Changes for the Year:  |                  |                 |                 |                 |                 |                 |
| Service Cost   | 138,894,229      | 107,963,732     | 80,329,472      | 68,219,053      | 95,228,755      | 127,342,039     |
| Interest   | 63,818,211       | 56,421,527      | 62,130,988      | 73,736,653      | 89,731,375      | 81,716,351      |
| Changes of benefit terms <sup>4</sup>                              | -                | -               | -               | -               | (576,118,675)   | -               |
| Differences between expected and actual experience                 | (698,069,570)    | (208,258,181)   | -               | (59,775,841)    | -               | (48,754,146)    |
| Changes of assumptions or other inputs <sup>5</sup>                | -                | 308,610,354     | 254,804,901     | 165,853,936     | (198,049,045)   | (577,506,807)   |
| Benefit payments (employer)  | (48,493,853)     | (42,329,210)    | (37,195,158)    | (37,581,587)    | (38,973,287)    | (37,849,574)    |
| Other Changes  | 167,288,160      | 87,524,929      | 7,159,921       | (39,917,994)    | 166,840,397     | -               |
| Net Changes  | (376,562,823)    | 309,933,151     | 367,230,124     | 170,534,220     | (461,340,480)   | (455,052,137)   |
| OPEB Liability Ending Balance                                      | \$ 2,323,661,114 | \$2,700,223,937 | \$2,390,290,786 | \$2,023,060,661 | \$1,852,526,441 | \$2,313,866,921 |
| 2 Covered Employee Payroll   | \$ 1,061,785,265 | \$ 970,693,640  | \$ 987,409,550  | \$ 950,446,721  | \$ 888,380,104  | \$ 822,477,489  |
| 3 Total OPEB Liability as a Percentage of Covered Employee Payroll | 218.84%          | 278.17%         | 242.08%         | 212.85%         | 208.53%         | 281.33%         |

Notes to the Schedule

<sup>1</sup> 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.

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

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

<sup>4</sup> 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).

<sup>5</sup> 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 2023 is 3.64%.

In fiscal year 2023, amounts reflect updated assumed rates of retirement, disability, termination, and mortality, assumed inflation and salary increases, assumed expenses, assumed per capita health benefit costs and assumed trend for health benefit costs, retiree contributions and expenses.



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# Bond Schedules

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| <b><u>Schedule</u></b>                       | <b><u>Page</u></b> |
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| Miscellaneous Bond Information               | 798-9              |
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| Analysis of Funds Available for Debt Service | 798-12             |
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UNAUDITED

**Schedule 2A**  
**The Texas A&M University System**  
 Schedule of Miscellaneous Bond Information  
 For the Year Ended August 31, 2023

| Description   | Bonds Issued to Date | Range of Interest Rates | Maturities |                    |           |
|---|----------------------|-------------------------|------------|--------------------|-----------|
|   |                      |                         | First Year | First Call Date    | Last Year |
| <b>Revenue Bonds - Self Supporting</b>                              |                      |                         |            |                    |           |
| 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 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  |
| Permanent University Fund Bonds, Series 2023 Revenue Bonds          | 245,595,000.00       | 5.0% - 5.0%             | 7/1/2023   | 7/1/2032 (1)       | 7/1/2042  |
| 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 |

UNAUDITED

**Schedule 2A**  
**The Texas A&M University System**  
 Schedule of Miscellaneous Bond Information  
 For the Year Ended August 31, 2023

| Description  | Bonds Issued to Date       | Range of Interest Rates | Maturities |                        |           |
|--|----------------------------|-------------------------|------------|------------------------|-----------|
|  |                            |                         | First Year | First Call Date        | Last Year |
| <b>Revenue Bonds - Self Supporting</b>               |                            |                         |            |                        |           |
| 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              | 5/15/2040 |
| Tuition Revenue Bonds                                | 22,595,000.00              |                         |            | Make Whole (1) (2) (3) | 5/15/2029 |
| Revenue Financing System Bonds, Series 2016E         |                            |                         |            |                        |           |
| Revenue Bonds  | 118,950,000.00             | 2.0 - 5.0%              | 5/15/2017  | 5/15/2026 (1)          | 5/15/2035 |
| Tuition Revenue Bonds                                | 20,400,000.00              |                         |            |                        | 5/15/2029 |
| Revenue Financing System Bonds, Taxable Series 2017A |                            |                         |            |                        |           |
| Tuition Revenue Bonds                                | 388,705,000.00             | 0.700 - 3.531%          | 5/15/2017  | Make Whole (3)         | 5/15/2032 |
| Revenue Financing System Bonds, Taxable Series 2017B |                            |                         |            |                        |           |
| Tuition Revenue Bonds                                | 386,597,008.00             | 1.455 - 3.386%          | 5/15/2018  | 5/15/2027 (1)          | 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 |
| Revenue Financing System Bonds, Series 2022          |                            |                         |            |                        |           |
| Revenue Bonds  | 208,520,000.00             | 4.375% - 5.0%           | 5/15/2023  | 5/15/2032 (1) (2)      | 5/15/2052 |
|  | <u>\$ 6,564,072,008.00</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"

## UNAUDITED

**Schedule 2B**  
**The Texas A&M University System**  
Schedule of Changes in Bonded Indebtedness  
For the Year Ended August 31, 2023

| Description  | Bonds<br>Outstanding<br>September 1, 2022 | Bonds<br>Issued or<br>Converted | Bonds<br>Matured<br>or Retired | Bonds<br>Refunded | Bonds<br>Outstanding<br>August 31, 2023 |
|--|---|---------------------------------|--------------------------------|-------------------|---|
| <b>Revenue Bonds - Self Supporting</b>                                 |   |                                 |                                |                   |   |
| Permanent University Fund Bonds, Series 1998<br>Revenue Bonds          | \$ 19,085,000.00                          | \$ -                            | \$ 2,770,000.00                | \$ -              | \$ 16,315,000.00                        |
| Permanent University Fund Bonds, Series 2009AB<br>Revenue Bonds        | 186,230,000.00                            |                                 | 6,230,000.00                   |                   | 180,000,000.00                          |
| Permanent University Fund Bonds, Series 2012A<br>Revenue Bonds         | 25,895,000.00                             |                                 | 12,670,000.00                  |                   | 13,225,000.00                           |
| Permanent University Fund Bonds, Taxable Series 2012B<br>Revenue Bonds | 69,270,000.00                             |                                 | 6,255,000.00                   |                   | 63,015,000.00                           |
| Permanent University Fund Bonds, Series 2013<br>Revenue Bonds          | 70,770,000.00                             |                                 | 9,465,000.00                   |                   | 61,305,000.00                           |
| Permanent University Fund Bonds, Series 2015A<br>Revenue Bonds         | 140,555,000.00                            |                                 | -                              |                   | 140,555,000.00                          |
| Permanent University Fund Bonds, Taxable Series 2015B<br>Revenue Bonds | 86,715,000.00                             |                                 | 8,430,000.00                   |                   | 78,285,000.00                           |
| Permanent University Fund Bonds, Series 2017A<br>Revenue Bonds         | 85,070,000.00                             |                                 | 4,675,000.00                   |                   | 80,395,000.00                           |
| Permanent University Fund Bonds, Taxable Series 2017B<br>Revenue Bonds | 310,405,000.00                            |                                 | 65,000.00                      |                   | 310,340,000.00                          |
| Permanent University Fund Bonds, Taxable Series 2019<br>Revenue Bonds  | 343,185,000.00                            |                                 | 3,270,000.00                   |                   | 339,915,000.00                          |
| Permanent University Fund Bonds, Series 2023<br>Revenue Bonds          | -   | 245,595,000.00                  | 5,660,000.00                   |                   | 239,935,000.00                          |
| Revenue Financing System Bonds, Series 2013B<br>Revenue Bonds          | 36,740,000.00                             |                                 | 8,875,000.00                   |                   | 27,865,000.00                           |
| Revenue Financing System Bonds, Series 2013D<br>Revenue Bonds          | 8,010,000.00                              |                                 | 8,010,000.00                   |                   | -                                       |
| Revenue Financing System Bonds, Series 2015A<br>Tuition Revenue Bonds  | 16,855,000.00                             |                                 | 5,400,000.00                   |                   | 11,455,000.00                           |
| Revenue Financing System Bonds, Series 2015B<br>Revenue Bonds          | 49,930,000.00                             |                                 | 3,155,000.00                   |                   | 46,775,000.00                           |
| Revenue Financing System Bonds, Taxable Series 2015C<br>Revenue Bonds  | 64,530,000.00                             |                                 | 11,300,000.00                  |                   | 53,230,000.00                           |
| Revenue Financing System Bonds, Taxable Series 2015D<br>Revenue Bonds  | 56,745,000.00                             |                                 | 1,635,000.00                   |                   | 55,110,000.00                           |

UNAUDITED

**Schedule 2B**  
**The Texas A&M University System**  
 Schedule of Changes in Bonded Indebtedness  
 For the Year Ended August 31, 2023

| <b>Description</b>   | <b>Unamortized<br/>Premium</b> | <b>Net Bonds<br/>Outstanding<br/>August 31, 2023</b> | <b>Principal<br/>Due Within<br/>One Year</b> | <b>Premium<br/>Amortization Due<br/>Within One Year</b> | <b>Amounts<br/>Due Within<br/>One Year</b> | <b>Bonds<br/>Outstanding<br/>August 31, 2023</b> |
|--|--------------------------------|--|--|---|--|--|
| <b>Revenue Bonds - Self Supporting</b>                                 |                                |  |  |   |  |  |
| Permanent University Fund Bonds, Series 1998<br>Revenue Bonds          | \$ -                           | \$ 16,315,000.00                                     | \$ 2,925,000.00                              | \$ -  | \$ 2,925,000.00                            | \$ 16,315,000.00                                 |
| Permanent University Fund Bonds, Series 2009AB<br>Revenue Bonds        |                                | 180,000,000.00                                       | 6,475,000.00                                 |   | 6,475,000.00                               | 180,000,000.00                                   |
| Permanent University Fund Bonds, Series 2012A<br>Revenue Bonds         | 287,859.59                     | 13,512,859.59  | 13,225,000.00                                | 287,859.59  | 13,512,859.59                              | 13,225,000.00                                    |
| Permanent University Fund Bonds, Taxable Series 2012B<br>Revenue Bonds |                                | 63,015,000.00  | 6,405,000.00                                 |   | 6,405,000.00                               | 63,015,000.00                                    |
| Permanent University Fund Bonds, Series 2013<br>Revenue Bonds          | 451,161.84                     | 61,756,161.84  | 5,145,000.00                                 | 134,384.71  | 5,279,384.71                               | 61,305,000.00                                    |
| Permanent University Fund Bonds, Series 2015A<br>Revenue Bonds         | 10,730,459.85                  | 151,285,459.85                                       | 8,550,000.00                                 | 2,187,670.10  | 10,737,670.10                              | 140,555,000.00                                   |
| Permanent University Fund Bonds, Taxable Series 2015B<br>Revenue Bonds |                                | 78,285,000.00  | 55,000.00                                    |   | 55,000.00                                  | 78,285,000.00                                    |
| Permanent University Fund Bonds, Series 2017A<br>Revenue Bonds         | 3,360,364.24                   | 83,755,364.24  | 4,710,000.00                                 | 933,745.96  | 5,643,745.96                               | 80,395,000.00                                    |
| Permanent University Fund Bonds, Taxable Series 2017B<br>Revenue Bonds |                                | 310,340,000.00                                       | 60,000.00                                    |   | 60,000.00                                  | 310,340,000.00                                   |
| Permanent University Fund Bonds, Taxable Series 2019<br>Revenue Bonds  |                                | 339,915,000.00                                       | 3,330,000.00                                 |   | 3,330,000.00                               | 339,915,000.00                                   |
| Permanent University Fund Bonds, Series 2023<br>Revenue Bonds          | 29,422,395.47                  | 269,357,395.47                                       | 7,870,000.00                                 | 2,824,997.46  | 10,694,997.46                              | 239,935,000.00                                   |
| Revenue Financing System Bonds, Series 2013B<br>Revenue Bonds          | (145,666.29)                   | 27,719,333.71  | -  | (6,006.86)  | (6,006.86)                                 | 27,865,000.00                                    |
| Revenue Financing System Bonds, Series 2013D<br>Revenue Bonds          | -                              | -  | -  | -   | -  | -  |
| Revenue Financing System Bonds, Series 2015A<br>Tuition Revenue Bonds  | 384,847.84                     | 11,839,847.84  | 5,615,000.00                                 | 240,148.14  | 5,855,148.14                               | 11,455,000.00                                    |
| Revenue Financing System Bonds, Series 2015B<br>Revenue Bonds          | 1,372,885.45                   | 48,147,885.45  | -  | 105,268.14  | 105,268.14                                 | 46,775,000.00                                    |
| Revenue Financing System Bonds, Taxable Series 2015C<br>Revenue Bonds  |                                | 53,230,000.00  | 11,160,000.00                                |   | 11,160,000.00                              | 53,230,000.00                                    |
| Revenue Financing System Bonds, Taxable Series 2015D<br>Revenue Bonds  |                                | 55,110,000.00  | 1,715,000.00                                 |   | 1,715,000.00                               | 55,110,000.00                                    |



UNAUDITED

**Schedule 2B**  
**The Texas A&M University System**  
 Schedule of Changes in Bonded Indebtedness  
 For the Year Ended August 31, 2023

| <b>Description</b>                                   | <b>Bonds<br/>Outstanding<br/>September 1, 2022</b> | <b>Bonds<br/>Issued or<br/>Converted</b> | <b>Bonds<br/>Matured<br/>or Retired</b>  | <b>Bonds<br/>Refunded</b> | <b>Bonds<br/>Outstanding<br/>August 31, 2023</b> |
|--|--|--|--|---------------------------|--|
| <b>Revenue Bonds - Self Supporting</b>               |  |  |  |                           |  |
| Revenue Financing System Bonds, Taxable Series 2016A |  |  |  |                           |  |
| Revenue Bonds  | \$ 50,215,000.00                                   | \$ -                                     | \$ 6,995,000.00                          | \$ -                      | \$ 43,220,000.00                                 |
| Tuition Revenue Bonds                                | 1,615,000.00                                       |  | 310,000.00                               |                           | 1,305,000.00                                     |
| Revenue Financing System Bonds, Taxable Series 2016B |  |  |  |                           |  |
| Revenue Bonds  | 269,295,000.00                                     |  | 10,910,000.00                            |                           | 258,385,000.00                                   |
| Revenue Financing System Bonds, Series 2016C         |  |  |  |                           |  |
| Revenue Bonds  | 73,865,000.00                                      |  | 4,185,000.00                             |                           | 69,680,000.00                                    |
| Tuition Revenue Bonds                                | 89,610,000.00                                      |  | 11,050,000.00                            |                           | 78,560,000.00                                    |
| Revenue Financing System Bonds, Taxable Series 2016D |  |  |  |                           |  |
| Revenue Bonds  | 123,850,000.00                                     |  | 6,395,000.00                             |                           | 117,455,000.00                                   |
| Tuition Revenue Bonds                                | 15,270,000.00                                      |  | 2,050,000.00                             |                           | 13,220,000.00                                    |
| Revenue Financing System Bonds, Series 2016E         |  |  |  |                           |  |
| Revenue Bonds  | 92,050,000.00                                      |  | 9,650,000.00                             |                           | 82,400,000.00                                    |
| Tuition Revenue Bonds                                | 15,015,000.00                                      |  | 1,855,000.00                             |                           | 13,160,000.00                                    |
| Revenue Financing System Bonds, Taxable Series 2017A |  |  |  |                           |  |
| Tuition Revenue Bonds                                | 254,460,000.00                                     |  | 22,830,000.00                            |                           | 231,630,000.00                                   |
| Revenue Financing System Bonds, Taxable Series 2017B |  |  |  |                           |  |
| Tuition Revenue Bonds                                | 261,595,000.00                                     |  | 25,640,000.00                            |                           | 235,955,000.00                                   |
| Revenue Financing System Bonds, Series 2017C         |  |  |  |                           |  |
| Revenue Bonds  | 64,375,000.00                                      |  | 2,115,000.00                             |                           | 62,260,000.00                                    |
| Tuition Revenue Bonds                                | 24,855,000.00                                      |  | 3,765,000.00                             |                           | 21,090,000.00                                    |
| Revenue Financing System Bonds, Taxable Series 2017D |  |  |  |                           |  |
| Revenue Bonds  | 140,865,000.00                                     |  | 4,390,000.00                             |                           | 136,475,000.00                                   |
| Revenue Financing System Bonds, Series 2017E         |  |  |  |                           |  |
| Revenue Bonds  | 330,340,000.00                                     |  | 4,515,000.00                             |                           | 325,825,000.00                                   |
| Revenue Financing System Bonds, Taxable Series 2019A |  |  |  |                           |  |
| Revenue Bonds  | 195,815,000.00                                     |  | 8,185,000.00                             |                           | 187,630,000.00                                   |
| Revenue Financing System Bonds, Taxable Series 2019B |  |  |  |                           |  |
| Revenue Bonds  | 405,060,000.00                                     |  | 7,545,000.00                             |                           | 397,515,000.00                                   |
| Revenue Financing System Bonds, Taxable Series 2020A |  |  |  |                           |  |
| Revenue Bonds  | 147,615,000.00                                     |  | 4,990,000.00                             |                           | 142,625,000.00                                   |
| Revenue Financing System Bonds, Series 2021A         |  |  |  |                           |  |
| Revenue Bonds  | 185,425,000.00                                     |  | 4,910,000.00                             |                           | 180,515,000.00                                   |
| Revenue Financing System Bonds, Taxable Series 2021B |  |  |  |                           |  |
| Revenue Bonds  | 218,800,000.00                                     |  | 8,070,000.00                             |                           | 210,730,000.00                                   |
| Revenue Financing System Bonds, Series 2022          |  |  |  |                           |  |
| Revenue Bonds  | -  | 208,520,000.00                           | 6,650,000.00                             |                           | 201,870,000.00                                   |
|  | <u>\$ 4,529,980,000.00</u>                         | <u>\$454,115,000.00</u> <sup>[a]</sup>   | <u>\$254,870,000.00</u><br>(Schedule 2D) | <u>\$ -</u>               | <u>\$ 4,729,225,000.00</u><br>(Schedule 2C)      |

[a] Bonds Issued or Converted  
 Revenue Financing System Bonds, Series 2022 \$208,520,000.00  
 Permanent University Fund Bonds, Series 2023 245,595,000.00  
 Total, Bonds Issued or Converted \$454,115,000.00

UNAUDITED

**Schedule 2B**  
**The Texas A&M University System**  
 Schedule of Changes in Bonded Indebtedness  
 For the Year Ended August 31, 2023

| Description  | Unamortized Premium      | Net Bonds Outstanding August 31, 2023     | Principal Due Within One Year | Premium Amortization Due Within One Year | Amounts Due Within One Year | Bonds Outstanding August 31, 2023 |
|--|--------------------------|---|-------------------------------|--|-----------------------------|-----------------------------------|
| <b>Revenue Bonds - Self Supporting</b>               |                          |   |                               |  |                             |                                   |
| Revenue Financing System Bonds, Taxable Series 2016A |                          |   |                               |  |                             |                                   |
| Revenue Bonds  | \$ -                     | \$ 43,220,000.00                          | \$ 7,160,000.00               | \$ -                                     | \$ 7,160,000.00             | \$ 43,220,000.00                  |
| Tuition Revenue Bonds                                |                          | 1,305,000.00                              | 315,000.00                    |  | 315,000.00                  | 1,305,000.00                      |
| Revenue Financing System Bonds, Taxable Series 2016B |                          |   |                               |  |                             |                                   |
| Revenue Bonds  |                          | 258,385,000.00                            | 11,165,000.00                 |  | 11,165,000.00               | 258,385,000.00                    |
| Revenue Financing System Bonds, Series 2016C         |                          |   |                               |  |                             |                                   |
| Revenue Bonds  | 8,955,811.86             | 78,635,811.86                             | 4,400,000.00                  | 1,216,853.21                             | 5,616,853.21                | 69,680,000.00                     |
| Tuition Revenue Bonds                                | 6,438,021.46             | 84,998,021.46                             | 11,605,000.00                 | 2,031,722.13                             | 13,636,722.13               | 78,560,000.00                     |
| Revenue Financing System Bonds, Taxable Series 2016D |                          |   |                               |  |                             |                                   |
| Revenue Bonds  |                          | 117,455,000.00                            | 6,510,000.00                  |  | 6,510,000.00                | 117,455,000.00                    |
| Tuition Revenue Bonds                                |                          | 13,220,000.00                             | 2,085,000.00                  |  | 2,085,000.00                | 13,220,000.00                     |
| Revenue Financing System Bonds, Series 2016E         |                          |   |                               |  |                             |                                   |
| Revenue Bonds  | 4,823,366.37             | 87,223,366.37                             | 10,115,000.00                 | 1,514,717.74                             | 11,629,717.74               | 82,400,000.00                     |
| Tuition Revenue Bonds                                | 788,644.33               | 13,948,644.33                             | 1,950,000.00                  | 285,818.35                               | 2,235,818.35                | 13,160,000.00                     |
| Revenue Financing System Bonds, Taxable Series 2017A |                          |   |                               |  |                             |                                   |
| Tuition Revenue Bonds                                |                          | 231,630,000.00                            | 23,450,000.00                 |  | 23,450,000.00               | 231,630,000.00                    |
| Revenue Financing System Bonds, Taxable Series 2017B |                          |   |                               |  |                             |                                   |
| Tuition Revenue Bonds                                |                          | 235,955,000.00                            | 26,245,000.00                 |  | 26,245,000.00               | 235,955,000.00                    |
| Revenue Financing System Bonds, Series 2017C         |                          |   |                               |  |                             |                                   |
| Revenue Bonds  | 6,715,272.78             | 68,975,272.78                             | 3,570,000.00                  | 997,070.54                               | 4,567,070.54                | 62,260,000.00                     |
| Tuition Revenue Bonds                                | 1,844,250.07             | 22,934,250.07                             | 3,955,000.00                  | 625,368.04                               | 4,580,368.04                | 21,090,000.00                     |
| Revenue Financing System Bonds, Taxable Series 2017D |                          |   |                               |  |                             |                                   |
| Revenue Bonds  |                          | 136,475,000.00                            | 4,505,000.00                  |  | 4,505,000.00                | 136,475,000.00                    |
| Revenue Financing System Bonds, Series 2017E         |                          |   |                               |  |                             |                                   |
| Revenue Bonds  | 22,689,988.10            | 348,514,988.10                            | 24,695,000.00                 | 4,399,657.67                             | 29,094,657.67               | 325,825,000.00                    |
| Revenue Financing System Bonds, Taxable Series 2019A |                          |   |                               |  |                             |                                   |
| Revenue Bonds  |                          | 187,630,000.00                            | 8,410,000.00                  |  | 8,410,000.00                | 187,630,000.00                    |
| Revenue Financing System Bonds, Taxable Series 2019B |                          |   |                               |  |                             |                                   |
| Revenue Bonds  |                          | 397,515,000.00                            | 7,695,000.00                  |  | 7,695,000.00                | 397,515,000.00                    |
| Revenue Financing System Bonds, Taxable Series 2020A |                          |   |                               |  |                             |                                   |
| Revenue Bonds  |                          | 142,625,000.00                            | 5,030,000.00                  |  | 5,030,000.00                | 142,625,000.00                    |
| Revenue Financing System Bonds, Series 2021A         |                          |   |                               |  |                             |                                   |
| Revenue Bonds  | 22,789,116.90            | 203,304,116.90                            | 5,175,000.00                  | 3,000,296.08                             | 8,175,296.08                | 180,515,000.00                    |
| Revenue Financing System Bonds, Taxable Series 2021B |                          |   |                               |  |                             |                                   |
| Revenue Bonds  |                          | 210,730,000.00                            | 8,095,000.00                  |  | 8,095,000.00                | 210,730,000.00                    |
| Revenue Financing System Bonds, Series 2022          |                          |   |                               |  |                             |                                   |
| Revenue Bonds  | 11,155,934.70            | 213,025,934.70                            | 7,090,000.00                  | 1,426,841.44                             | 8,516,841.44                | 201,870,000.00                    |
|  | <u>\$ 132,064,714.56</u> | <u>\$ 4,861,289,714.56</u> <sup>[b]</sup> | <u>\$ 260,460,000.00</u>      | <u>\$ 22,206,412.44</u>                  | <u>\$ 282,666,412.44</u>    | <u>\$ 4,729,225,000.00</u>        |
|  |                          | (Exhibit III)                             | (Schedule 2C)                 |  |                             | (Schedule 2C)                     |

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

\$ 282,666,412.44  
 4,578,623,302.12  
\$ 4,861,289,714.56

**Schedule 2C**  
**The Texas A&M University System**  
Schedule of Debt Service Requirements  
For the Year Ended August 31, 2023

| Description   |           | 2024            | 2025            | 2026            | 2027            | 2028            |
|---|-----------|-----------------|-----------------|-----------------|-----------------|-----------------|
| <b>Revenue Bonds - Self Supporting</b>                |           |                 |                 |                 |                 |                 |
| Permanent University Fund Bonds, Series 1998          |           |                 |                 |                 |                 |                 |
| Revenue Bonds   | Principal | \$ 2,925,000.00 | \$ 3,085,000.00 | \$ 3,255,000.00 | \$ 3,430,000.00 | \$ 3,620,000.00 |
|   | Interest  | 897,325.00      | 736,450.00      | 566,775.00      | 387,750.00      | 199,100.00      |
| Permanent University Fund Bonds, Series 2009AB        |           |                 |                 |                 |                 |                 |
| Revenue Bonds   | Principal | 6,475,000.00    | 14,800,000.00   | 15,050,000.00   | 15,150,000.00   | 16,300,000.00   |
|   | Interest  | 9,088,112.50    | 8,765,525.00    | 8,045,325.00    | 7,292,825.00    | 6,535,325.00    |
| Permanent University Fund Bonds, Series 2012A         |           |                 |                 |                 |                 |                 |
| Revenue Bonds   | Principal | 13,225,000.00   |                 |                 |                 |                 |
|   | Interest  | 661,250.00      |                 |                 |                 |                 |
| Permanent University Fund Bonds, Taxable Series 2012B |           |                 |                 |                 |                 |                 |
| Revenue Bonds   | Principal | 6,405,000.00    | 6,585,000.00    | 6,775,000.00    | 6,965,000.00    | 6,760,000.00    |
|   | Interest  | 2,062,067.16    | 1,888,619.76    | 1,703,712.96    | 1,506,695.96    | 1,297,188.76    |
| Permanent University Fund Bonds, Series 2013          |           |                 |                 |                 |                 |                 |
| Revenue Bonds   | Principal | 5,145,000.00    | 5,355,000.00    | 5,515,000.00    | 5,735,000.00    | 5,960,000.00    |
|   | Interest  | 2,398,650.00    | 2,192,850.00    | 2,032,200.00    | 1,811,600.00    | 1,582,200.00    |
| Permanent University Fund Bonds, Series 2015A         |           |                 |                 |                 |                 |                 |
| Revenue Bonds   | Principal | 8,550,000.00    | 14,575,000.00   | 13,525,000.00   | 6,430,000.00    | 6,375,000.00    |
|   | Interest  | 6,706,175.02    | 6,214,550.02    | 5,412,925.02    | 4,669,050.02    | 4,444,000.02    |
| Permanent University Fund Bonds, Taxable Series 2015B |           |                 |                 |                 |                 |                 |
| Revenue Bonds   | Principal | 55,000.00       | 545,000.00      | 2,965,000.00    | 10,630,000.00   | 10,810,000.00   |
|   | Interest  | 2,542,967.54    | 2,541,455.06    | 2,527,285.06    | 2,445,747.56    | 2,137,477.56    |
| Permanent University Fund Bonds, Series 2017A         |           |                 |                 |                 |                 |                 |
| Revenue Bonds   | Principal | 4,710,000.00    | 4,820,000.00    | 5,005,000.00    | 6,275,000.00    | 6,565,000.00    |
|   | Interest  | 3,168,100.00    | 2,932,600.00    | 2,691,600.00    | 2,441,350.00    | 2,127,600.00    |
| Permanent University Fund Bonds, Taxable Series 2017B |           |                 |                 |                 |                 |                 |
| Revenue Bonds   | Principal | 60,000.00       | 60,000.00       | 60,000.00       | 75,000.00       | 80,000.00       |
|   | Interest  | 11,342,133.00   | 11,340,465.00   | 11,338,767.00   | 11,336,967.00   | 11,334,604.50   |
| Permanent University Fund Bonds, Taxable Series 2019  |           |                 |                 |                 |                 |                 |
| Revenue Bonds   | Principal | 3,330,000.00    | 3,395,000.00    | 3,460,000.00    | 3,535,000.00    | 3,605,000.00    |
|   | Interest  | 10,321,622.00   | 10,260,017.00   | 10,193,475.00   | 10,122,199.00   | 10,045,843.00   |
| Permanent University Fund Bonds, Series 2023          |           |                 |                 |                 |                 |                 |
| Revenue Bonds   | Principal | 7,870,000.00    | 8,250,000.00    | 8,660,000.00    | 9,100,000.00    | 9,555,000.00    |
|   | Interest  | 11,996,750.00   | 11,603,250.00   | 11,190,750.00   | 10,757,750.00   | 10,302,750.00   |
| Revenue Financing System Bonds, Series 2013B          |           |                 |                 |                 |                 |                 |
| Revenue Bonds   | Principal | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            |
|   | Interest  | 1,114,600.00    | 1,114,600.00    | 1,114,600.00    | 1,114,600.00    | 1,114,600.00    |
| Revenue Financing System Bonds, Series 2015A          |           |                 |                 |                 |                 |                 |
| Tuition Revenue Bonds                                 | Principal | 5,615,000.00    | 5,840,000.00    |                 |                 |                 |
|   | Interest  | 516,600.00      | 292,000.00      |                 |                 |                 |
| Revenue Financing System Bonds, Series 2015B          |           |                 |                 |                 |                 |                 |
| Revenue Bonds   | Principal | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            |
|   | Interest  | 1,787,500.00    | 1,787,500.00    | 1,787,500.00    | 1,787,500.00    | 1,787,500.00    |
| Revenue Financing System Bonds, Taxable Series 2015C  |           |                 |                 |                 |                 |                 |
| Revenue Bonds   | Principal | 11,160,000.00   | 11,460,000.00   | 5,600,000.00    | 5,760,000.00    | 5,920,000.00    |
|   | Interest  | 1,612,106.41    | 1,301,523.64    | 971,131.84      | 806,883.82      | 632,183.02      |
| Revenue Financing System Bonds, Taxable Series 2015D  |           |                 |                 |                 |                 |                 |
| Revenue Bonds   | Principal | 1,715,000.00    | 1,800,000.00    | 1,870,000.00    | 1,945,000.00    | 2,025,000.00    |
|   | Interest  | 2,292,716.26    | 2,206,966.26    | 2,134,966.26    | 2,060,166.26    | 1,982,366.26    |

UNAUDITED

**Schedule 2C**  
**The Texas A&M University System**  
 Schedule of Debt Service Requirements  
 For the Year Ended August 31, 2023

| Description   | 2029-2033     | 2034-2038     | 2039-2043      | 2044-2048      | 2049-2053     |
|---|---------------|---------------|----------------|----------------|---------------|
| <b>Revenue Bonds - Self Supporting</b>                |               |               |                |                |               |
| Permanent University Fund Bonds, Series 1998          |               |               |                |                |               |
| Revenue Bonds   | \$ -          | \$ -          | \$ -           | \$ -           | \$ -          |
| Principal   |               |               |                |                |               |
| Interest  |               |               |                |                |               |
| Permanent University Fund Series 2009AB               |               |               |                |                |               |
| Revenue Bonds   | 97,420,000.00 | 14,805,000.00 |                |                |               |
| Principal   |               |               |                |                |               |
| Interest  | 18,330,425.00 | 740,250.00    |                |                |               |
| Permanent University Fund Bonds, Series 2012A         |               |               |                |                |               |
| Revenue Bonds   |               |               |                |                |               |
| Principal   |               |               |                |                |               |
| Interest  |               |               |                |                |               |
| Permanent University Fund Bonds, Taxable Series 2012B |               |               |                |                |               |
| Revenue Bonds   | 29,525,000.00 |               |                |                |               |
| Principal   |               |               |                |                |               |
| Interest  | 2,685,182.52  |               |                |                |               |
| Permanent University Fund Bonds, Series 2013          |               |               |                |                |               |
| Revenue Bonds   | 33,595,000.00 |               |                |                |               |
| Principal   |               |               |                |                |               |
| Interest  | 4,136,800.00  |               |                |                |               |
| Permanent University Fund Bonds, Series 2015A         |               |               |                |                |               |
| Revenue Bonds   | 66,200,000.00 | 24,900,000.00 |                |                |               |
| Principal   |               |               |                |                |               |
| Interest  | 14,455,200.10 | 1,983,800.00  |                |                |               |
| Permanent University Fund Bonds, Taxable Series 2015B |               |               |                |                |               |
| Revenue Bonds   | 38,065,000.00 | 15,215,000.00 |                |                |               |
| Principal   |               |               |                |                |               |
| Interest  | 6,416,602.12  | 614,552.00    |                |                |               |
| Permanent University Fund Bonds, Series 2017A         |               |               |                |                |               |
| Revenue Bonds   | 23,930,000.00 | 8,965,000.00  | 10,455,000.00  | 9,670,000.00   |               |
| Principal   |               |               |                |                |               |
| Interest  | 6,488,850.00  | 4,150,850.00  | 2,658,250.00   | 826,531.26     |               |
| Permanent University Fund Bonds, Taxable Series 2017B |               |               |                |                |               |
| Revenue Bonds   | 3,840,000.00  | 68,450,000.00 | 122,175,000.00 | 115,540,000.00 |               |
| Principal   |               |               |                |                |               |
| Interest  | 56,634,582.50 | 52,717,446.00 | 34,907,067.00  | 10,764,243.00  |               |
| Permanent University Fund Bonds, Taxable Series 2019  |               |               |                |                |               |
| Revenue Bonds   | 4,725,000.00  | 56,065,000.00 | 79,525,000.00  | 126,535,000.00 | 55,740,000.00 |
| Principal   |               |               |                |                |               |
| Interest  | 49,441,913.00 | 46,708,687.50 | 35,775,860.00  | 22,715,870.00  | 1,727,940.00  |
| Permanent University Fund Bonds, Series 2023          |               |               |                |                |               |
| Revenue Bonds   | 55,400,000.00 | 70,725,000.00 | 70,375,000.00  |                |               |
| Principal   |               |               |                |                |               |
| Interest  | 43,855,750.00 | 28,548,000.00 | 9,011,500.00   |                |               |
| Revenue Financing System Bonds, Series 2013B          |               |               |                |                |               |
| Revenue Bonds   | 0.00          | 9,270,000.00  | 18,595,000.00  |                |               |
| Principal   |               |               |                |                |               |
| Interest  | 5,573,000.00  | 5,573,000.00  | 2,289,400.00   |                |               |
| Revenue Financing System Bonds, Series 2015A          |               |               |                |                |               |
| Tuition Revenue Bonds                                 |               |               |                |                |               |
| Principal   |               |               |                |                |               |
| Interest  |               |               |                |                |               |
| Revenue Financing System Bonds, Series 2015B          |               |               |                |                |               |
| Revenue Bonds   | 14,130,000.00 | 16,205,000.00 | 13,840,000.00  | 2,600,000.00   |               |
| Principal   |               |               |                |                |               |
| Interest  | 8,117,700.00  | 5,066,450.00  | 2,015,025.00   | 104,000.00     |               |
| Revenue Financing System Bonds, Taxable Series 2015C  |               |               |                |                |               |
| Revenue Bonds   | 11,785,000.00 | 1,545,000.00  |                |                |               |
| Principal   |               |               |                |                |               |
| Interest  | 1,158,650.78  | 53,317.96     |                |                |               |
| Revenue Financing System Bonds, Taxable Series 2015D  |               |               |                |                |               |
| Revenue Bonds   | 11,400,000.00 | 13,910,000.00 | 14,480,000.00  | 5,965,000.00   |               |
| Principal   |               |               |                |                |               |
| Interest  | 8,630,431.30  | 6,122,297.52  | 3,054,942.50   | 382,925.00     |               |

UNAUDITED

**Schedule 2C**  
**The Texas A&M University System**  
 Schedule of Debt Service Requirements  
 For the Year Ended August 31, 2023

| Description   | 2054-2057 | Total<br>Requirements |
|---|-----------|-----------------------|
| <b>Revenue Bonds - Self Supporting</b>                |           |                       |
| Permanent University Fund Bonds, Series 1998          |           |                       |
| Revenue Bonds   | \$ -      | \$ 16,315,000.00      |
| Interest  |           | 2,787,400.00          |
| Permanent University Fund Series 2009AB               |           |                       |
| Revenue Bonds   |           | 180,000,000.00        |
| Interest  |           | 58,797,787.50         |
| Permanent University Fund Bonds, Series 2012A         |           |                       |
| Revenue Bonds   |           | 13,225,000.00         |
| Interest  |           | 661,250.00            |
| Permanent University Fund Bonds, Taxable Series 2012B |           |                       |
| Revenue Bonds   |           | 63,015,000.00         |
| Interest  |           | 11,143,467.12         |
| Permanent University Fund Bonds, Series 2013          |           |                       |
| Revenue Bonds   |           | 61,305,000.00         |
| Interest  |           | 14,154,300.00         |
| Permanent University Fund Bonds, Series 2015A         |           |                       |
| Revenue Bonds   |           | 140,555,000.00        |
| Interest  |           | 43,885,700.20         |
| Permanent University Fund Bonds, Taxable Series 2015B |           |                       |
| Revenue Bonds   |           | 78,285,000.00         |
| Interest  |           | 19,226,086.90         |
| Permanent University Fund Bonds, Series 2017A         |           |                       |
| Revenue Bonds   |           | 80,395,000.00         |
| Interest  |           | 27,485,731.26         |
| Permanent University Fund Bonds, Taxable Series 2017B |           |                       |
| Revenue Bonds   |           | 310,340,000.00        |
| Interest  |           | 211,716,275.00        |
| Permanent University Fund Bonds, Taxable Series 2019  |           |                       |
| Revenue Bonds   |           | 339,915,000.00        |
| Interest  |           | 207,313,426.50        |
| Permanent University Fund Bonds, Series 2023          |           |                       |
| Revenue Bonds   |           | 239,935,000.00        |
| Interest  |           | 137,266,500.00        |
| Revenue Financing System Bonds, Series 2013B          |           |                       |
| Revenue Bonds   |           | 27,865,000.00         |
| Interest  |           | 19,008,400.00         |
| Revenue Financing System Bonds, Series 2015A          |           |                       |
| Tuition Revenue Bonds                                 |           | 11,455,000.00         |
| Interest  |           | 808,600.00            |
| Revenue Financing System Bonds, Series 2015B          |           |                       |
| Revenue Bonds   |           | 46,775,000.00         |
| Interest  |           | 24,240,675.00         |
| Revenue Financing System Bonds, Taxable Series 2015C  |           |                       |
| Revenue Bonds   |           | 53,230,000.00         |
| Interest  |           | 6,535,797.47          |
| Revenue Financing System Bonds, Taxable Series 2015D  |           |                       |
| Revenue Bonds   |           | 55,110,000.00         |
| Interest  |           | 28,867,777.62         |

**Schedule 2C**  
**The Texas A&M University System**  
 Schedule of Debt Service Requirements  
 For the Year Ended August 31, 2023

| <b>Description</b>                                   |           | <b>2024</b>     | <b>2025</b>     | <b>2026</b>     | <b>2027</b>     | <b>2028</b>     |
|--|-----------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Revenue Financing System Bonds, Taxable Series 2016A |           |                 |                 |                 |                 |                 |
| Revenue Bonds  | Principal | \$ 7,160,000.00 | \$ 7,345,000.00 | \$ 7,545,000.00 | \$ 7,750,000.00 | \$ 1,415,000.00 |
|  | Interest  | 1,316,760.36    | 1,133,034.76    | 937,217.06      | 728,522.36      | 502,532.36      |
| Tuition Revenue Bonds                                | Principal | 315,000.00      | 325,000.00      | 330,000.00      | 335,000.00      |                 |
|  | Interest  | 35,643.80       | 27,560.90       | 18,896.40       | 9,768.60        |                 |
| Revenue Financing System Bonds, Taxable Series 2016B |           |                 |                 |                 |                 |                 |
| Revenue Bonds  | Principal | 11,165,000.00   | 11,445,000.00   | 11,190,000.00   | 11,505,000.00   | 11,840,000.00   |
|  | Interest  | 9,508,658.19    | 9,222,164.32    | 8,917,040.62    | 8,607,525.22    | 8,272,039.42    |
| Revenue Financing System Bonds, Series 2016C         |           |                 |                 |                 |                 |                 |
| Revenue Bonds  | Principal | 4,400,000.00    | 4,620,000.00    | 4,850,000.00    | 5,095,000.00    | 5,290,000.00    |
|  | Interest  | 3,196,250.00    | 2,976,250.00    | 2,745,250.00    | 2,502,750.00    | 2,298,950.00    |
| Tuition Revenue Bonds                                | Principal | 11,605,000.00   | 12,190,000.00   | 12,800,000.00   | 13,445,000.00   | 13,975,000.00   |
|  | Interest  | 3,508,350.00    | 2,928,100.00    | 2,318,600.00    | 1,678,600.00    | 1,140,800.00    |
| Revenue Financing System Bonds, Taxable Series 2016D |           |                 |                 |                 |                 |                 |
| Revenue Bonds  | Principal | 6,510,000.00    | 6,635,000.00    | 6,780,000.00    | 6,930,000.00    | 7,100,000.00    |
|  | Interest  | 3,551,712.53    | 3,417,736.74    | 3,274,553.44    | 3,124,851.04    | 2,951,046.64    |
| Tuition Revenue Bonds                                | Principal | 2,085,000.00    | 2,130,000.00    | 2,180,000.00    | 2,220,000.00    | 2,275,000.00    |
|  | Interest  | 318,582.60      | 275,673.30      | 229,707.90      | 181,573.50      | 125,895.90      |
| Revenue Financing System Bonds, Series 2016E         |           |                 |                 |                 |                 |                 |
| Revenue Bonds  | Principal | 10,115,000.00   | 10,610,000.00   | 10,040,000.00   | 10,545,000.00   | 10,955,000.00   |
|  | Interest  | 3,251,400.00    | 2,745,650.00    | 2,215,150.00    | 1,713,150.00    | 1,291,350.00    |
| Tuition Revenue Bonds                                | Principal | 1,950,000.00    | 2,045,000.00    | 2,140,000.00    | 2,260,000.00    | 2,345,000.00    |
|  | Interest  | 540,100.00      | 442,600.00      | 340,350.00      | 233,350.00      | 142,950.00      |
| Revenue Financing System Bonds, Taxable Series 2017A |           |                 |                 |                 |                 |                 |
| Tuition Revenue Bonds                                | Principal | 23,450,000.00   | 24,130,000.00   | 24,855,000.00   | 25,635,000.00   | 26,455,000.00   |
|  | Interest  | 7,593,393.86    | 6,917,095.86    | 6,185,715.54    | 5,407,505.50    | 4,579,238.66    |
| Revenue Financing System Bonds, Taxable Series 2017B |           |                 |                 |                 |                 |                 |
| Tuition Revenue Bonds                                | Principal | 26,245,000.00   | 26,910,000.00   | 27,635,000.00   | 28,390,000.00   | 29,200,000.00   |
|  | Interest  | 6,950,120.19    | 6,281,135.10    | 5,558,332.50    | 4,796,711.90    | 3,991,571.50    |
| Revenue Financing System Bonds, Series 2017C         |           |                 |                 |                 |                 |                 |
| Revenue Bonds  | Principal | 3,570,000.00    | 3,465,000.00    | 3,640,000.00    | 3,810,000.00    | 4,005,000.00    |
|  | Interest  | 2,957,006.26    | 2,778,506.26    | 2,605,256.26    | 2,423,256.26    | 2,232,756.26    |
| Tuition Revenue Bonds                                | Principal | 3,955,000.00    | 4,150,000.00    | 4,360,000.00    | 4,575,000.00    | 4,050,000.00    |
|  | Interest  | 1,054,500.00    | 856,750.00      | 649,250.00      | 431,250.00      | 202,500.00      |
| Revenue Financing System Bonds, Taxable Series 2017D |           |                 |                 |                 |                 |                 |
| Revenue Bonds  | Principal | 4,505,000.00    | 4,625,000.00    | 4,755,000.00    | 4,895,000.00    | 5,040,000.00    |
|  | Interest  | 4,859,910.04    | 4,735,481.92    | 4,602,420.68    | 4,460,864.30    | 4,312,692.70    |
| Revenue Financing System Bonds, Series 2017E         |           |                 |                 |                 |                 |                 |
| Revenue Bonds  | Principal | 24,695,000.00   | 25,715,000.00   | 27,020,000.00   | 27,870,000.00   | 29,345,000.00   |
|  | Interest  | 14,667,400.00   | 13,464,550.00   | 12,178,800.00   | 10,827,800.00   | 9,434,300.00    |
| Revenue Financing System Bonds, Taxable Series 2019A |           |                 |                 |                 |                 |                 |
| Revenue Bonds  | Principal | 8,410,000.00    | 8,650,000.00    | 8,925,000.00    | 9,225,000.00    | 9,535,000.00    |
|  | Interest  | 7,093,012.00    | 6,836,843.44    | 6,565,838.96    | 6,275,508.78    | 5,966,194.48    |
| Revenue Financing System Bonds, Taxable Series 2019B |           |                 |                 |                 |                 |                 |
| Revenue Bonds  | Principal | 7,695,000.00    | 7,860,000.00    | 8,020,000.00    | 8,220,000.00    | 8,430,000.00    |
|  | Interest  | 12,416,499.20   | 12,253,365.20   | 12,076,043.60   | 11,887,092.40   | 11,683,976.22   |

UNAUDITED

**Schedule 2C**  
**The Texas A&M University System**  
 Schedule of Debt Service Requirements  
 For the Year Ended August 31, 2023

| <b>Description</b>                                   |           | <b>2029-2033</b> | <b>2034-2038</b> | <b>2039-2043</b> | <b>2044-2048</b> | <b>2049-2053</b> |
|--|-----------|------------------|------------------|------------------|------------------|------------------|
| Revenue Financing System Bonds, Taxable Series 2016A |           |                  |                  |                  |                  |                  |
| Revenue Bonds  | Principal | \$ 6,160,000.00  | \$ 5,845,000.00  | \$ -             | \$ -             | \$ -             |
|  | Interest  | 1,884,160.54     | 594,757.38       |                  |                  |                  |
| Tuition Revenue Bonds                                |           |                  |                  |                  |                  |                  |
|  | Principal |                  |                  |                  |                  |                  |
|  | Interest  |                  |                  |                  |                  |                  |
| Revenue Financing System Bonds, Taxable Series 2016B |           |                  |                  |                  |                  |                  |
| Revenue Bonds  | Principal | 65,315,000.00    | 77,995,000.00    | 48,440,000.00    | 9,490,000.00     |                  |
|  | Interest  | 35,179,944.42    | 21,566,907.30    | 6,293,095.92     | 589,392.94       |                  |
| Revenue Financing System Bonds, Series 2016C         |           |                  |                  |                  |                  |                  |
| Revenue Bonds  | Principal | 18,390,000.00    | 19,605,000.00    | 7,430,000.00     |                  |                  |
|  | Interest  | 8,807,550.00     | 4,894,250.00     | 516,250.00       |                  |                  |
| Tuition Revenue Bonds                                |           |                  |                  |                  |                  |                  |
|  | Principal | 14,545,000.00    |                  |                  |                  |                  |
|  | Interest  | 581,800.00       |                  |                  |                  |                  |
| Revenue Financing System Bonds, Taxable Series 2016D |           |                  |                  |                  |                  |                  |
| Revenue Bonds  | Principal | 37,815,000.00    | 33,580,000.00    | 12,105,000.00    |                  |                  |
|  | Interest  | 11,652,640.10    | 5,427,324.22     | 652,093.82       |                  |                  |
| Tuition Revenue Bonds                                |           |                  |                  |                  |                  |                  |
|  | Principal | 2,330,000.00     |                  |                  |                  |                  |
|  | Interest  | 65,426.40        |                  |                  |                  |                  |
| Revenue Financing System Bonds, Series 2016E         |           |                  |                  |                  |                  |                  |
| Revenue Bonds  | Principal | 27,085,000.00    | 3,050,000.00     |                  |                  |                  |
|  | Interest  | 2,275,050.00     | 184,200.00       |                  |                  |                  |
| Tuition Revenue Bonds                                |           |                  |                  |                  |                  |                  |
|  | Principal | 2,420,000.00     |                  |                  |                  |                  |
|  | Interest  | 72,600.00        |                  |                  |                  |                  |
| Revenue Financing System Bonds, Taxable Series 2017A |           |                  |                  |                  |                  |                  |
| Tuition Revenue Bonds                                | Principal | 107,105,000.00   |                  |                  |                  |                  |
|  | Interest  | 9,064,335.30     |                  |                  |                  |                  |
| Revenue Financing System Bonds, Taxable Series 2017B |           |                  |                  |                  |                  |                  |
| Tuition Revenue Bonds                                | Principal | 97,575,000.00    |                  |                  |                  |                  |
|  | Interest  | 6,667,320.20     |                  |                  |                  |                  |
| Revenue Financing System Bonds, Series 2017C         |           |                  |                  |                  |                  |                  |
| Revenue Bonds  | Principal | 18,830,000.00    | 20,330,000.00    | 4,610,000.00     |                  |                  |
|  | Interest  | 8,164,031.30     | 3,850,275.04     | 230,500.00       |                  |                  |
| Tuition Revenue Bonds                                |           |                  |                  |                  |                  |                  |
|  | Principal |                  |                  |                  |                  |                  |
|  | Interest  |                  |                  |                  |                  |                  |
| Revenue Financing System Bonds, Taxable Series 2017D |           |                  |                  |                  |                  |                  |
| Revenue Bonds  | Principal | 27,835,000.00    | 32,590,000.00    | 33,270,000.00    | 18,960,000.00    |                  |
|  | Interest  | 18,957,654.66    | 13,636,323.90    | 7,265,622.00     | 1,845,070.50     |                  |
| Revenue Financing System Bonds, Series 2017E         |           |                  |                  |                  |                  |                  |
| Revenue Bonds  | Principal | 87,105,000.00    | 59,055,000.00    | 14,270,000.00    | 8,990,000.00     | 11,140,000.00    |
|  | Interest  | 31,914,950.00    | 16,686,600.00    | 8,326,000.00     | 5,645,500.00     | 3,495,800.00     |
| Revenue Financing System Bonds, Taxable Series 2019A |           |                  |                  |                  |                  |                  |
| Revenue Bonds  | Principal | 50,400,000.00    | 49,245,000.00    | 33,390,000.00    | 9,850,000.00     |                  |
|  | Interest  | 24,722,820.88    | 15,197,962.86    | 6,378,355.86     | 1,273,999.46     |                  |
| Revenue Financing System Bonds, Taxable Series 2019B |           |                  |                  |                  |                  |                  |
| Revenue Bonds  | Principal | 100,735,000.00   | 112,495,000.00   | 119,470,000.00   | 20,430,000.00    | 4,160,000.00     |
|  | Interest  | 52,002,435.48    | 36,230,087.06    | 16,796,238.00    | 2,790,960.00     | 144,768.00       |

UNAUDITED

**Schedule 2C**  
**The Texas A&M University System**  
 Schedule of Debt Service Requirements  
 For the Year Ended August 31, 2023

| Description  | 2054-2057     | Total Requirements |
|--|---------------|--------------------|
| Revenue Financing System Bonds, Taxable Series 2016A |               |                    |
| Revenue Bonds  | \$ -          | \$ 43,220,000.00   |
|  |               | 7,096,984.82       |
| Tuition Revenue Bonds                                |               | 1,305,000.00       |
|  |               | 91,869.70          |
| Revenue Financing System Bonds, Taxable Series 2016B |               |                    |
| Revenue Bonds  |               | 258,385,000.00     |
|  |               | 108,156,768.35     |
| Revenue Financing System Bonds, Series 2016C         |               |                    |
| Revenue Bonds  |               | 69,680,000.00      |
|  |               | 27,937,500.00      |
| Tuition Revenue Bonds                                |               | 78,560,000.00      |
|  |               | 12,156,250.00      |
| Revenue Financing System Bonds, Taxable Series 2016D |               |                    |
| Revenue Bonds  |               | 117,455,000.00     |
|  |               | 34,051,958.53      |
| Tuition Revenue Bonds                                |               | 13,220,000.00      |
|  |               | 1,196,859.60       |
| Revenue Financing System Bonds, Series 2016E         |               |                    |
| Revenue Bonds  |               | 82,400,000.00      |
|  |               | 13,675,950.00      |
| Tuition Revenue Bonds                                |               | 13,160,000.00      |
|  |               | 1,771,950.00       |
| Revenue Financing System Bonds, Taxable Series 2017A |               |                    |
| Tuition Revenue Bonds                                |               | 231,630,000.00     |
|  |               | 39,747,284.72      |
| Revenue Financing System Bonds, Taxable Series 2017B |               |                    |
| Tuition Revenue Bonds                                |               | 235,955,000.00     |
|  |               | 34,245,191.39      |
| Revenue Financing System Bonds, Series 2017C         |               |                    |
| Revenue Bonds  |               | 62,260,000.00      |
|  |               | 25,241,587.64      |
| Tuition Revenue Bonds                                |               | 21,090,000.00      |
|  |               | 3,194,250.00       |
| Revenue Financing System Bonds, Taxable Series 2017D |               |                    |
| Revenue Bonds  |               | 136,475,000.00     |
|  |               | 64,676,040.70      |
| Revenue Financing System Bonds, Series 2017E         |               |                    |
| Revenue Bonds  | 10,620,000.00 | 325,825,000.00     |
|  | 1,083,000.00  | 127,724,700.00     |
| Revenue Financing System Bonds, Taxable Series 2019A |               |                    |
| Revenue Bonds  |               | 187,630,000.00     |
|  |               | 80,310,536.72      |
| Revenue Financing System Bonds, Taxable Series 2019B |               |                    |
| Revenue Bonds  |               | 397,515,000.00     |
|  |               | 168,281,465.16     |



UNAUDITED

**Schedule 2C**  
**The Texas A&M University System**  
 Schedule of Debt Service Requirements  
 For the Year Ended August 31, 2023

| Description  | 2024                     | 2025                     | 2026                     | 2027                     | 2028                     |
|--|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Revenue Financing System Bonds, Taxable Series 2020A |                          |                          |                          |                          |                          |
| Revenue Bonds  |                          |                          |                          |                          |                          |
| Principal  | \$ 5,030,000.00          | \$ 5,075,000.00          | \$ 5,130,000.00          | \$ 5,195,000.00          | \$ 5,270,000.00          |
| Interest   | 2,955,315.98             | 2,925,588.66             | 2,887,982.92             | 2,835,503.02             | 2,774,565.66             |
| Revenue Financing System Bonds, Series 2021A         |                          |                          |                          |                          |                          |
| Revenue Bonds  |                          |                          |                          |                          |                          |
| Principal  | 5,175,000.00             | 5,440,000.00             | 5,705,000.00             | 5,980,000.00             | 6,285,000.00             |
| Interest   | 6,439,760.00             | 6,181,010.00             | 5,909,010.00             | 5,623,760.00             | 5,324,760.00             |
| Revenue Financing System Bonds, Taxable Series 2021B |                          |                          |                          |                          |                          |
| Revenue Bonds  |                          |                          |                          |                          |                          |
| Principal  | 8,095,000.00             | 8,135,000.00             | 8,195,000.00             | 8,285,000.00             | 8,390,000.00             |
| Interest   | 4,636,477.01             | 4,599,240.02             | 4,526,757.18             | 4,441,447.24             | 4,329,185.46             |
| Revenue Financing System Bonds, Series 2022          |                          |                          |                          |                          |                          |
| Revenue Bonds  |                          |                          |                          |                          |                          |
| Principal  | 7,090,000.00             | 7,440,000.00             | 7,820,000.00             | 8,210,000.00             | 8,605,000.00             |
| Interest   | 9,932,575.04             | 9,578,075.08             | 9,206,075.08             | 8,815,075.08             | 8,404,575.08             |
| <hr/>  |                          |                          |                          |                          |                          |
| Total  | 435,752,101.95           | 435,264,783.30           | 421,314,261.28           | 420,951,949.82           | 412,864,618.46           |
| Less Interest  | (175,292,101.95)         | (165,754,783.30)         | (155,659,261.28)         | (145,546,949.82)         | (135,484,618.46)         |
| Total Principal                                      | <u>\$ 260,460,000.00</u> | <u>\$ 269,510,000.00</u> | <u>\$ 265,655,000.00</u> | <u>\$ 275,405,000.00</u> | <u>\$ 277,380,000.00</u> |

UNAUDITED

**Schedule 2C**  
**The Texas A&M University System**  
 Schedule of Debt Service Requirements  
 For the Year Ended August 31, 2023

| <u>Description</u>                                   | <u>2029-2033</u>           | <u>2034-2038</u>         | <u>2039-2043</u>         | <u>2044-2048</u>         | <u>2049-2053</u>        |
|--|----------------------------|--------------------------|--------------------------|--------------------------|-------------------------|
| Revenue Financing System Bonds, Taxable Series 2020A |                            |                          |                          |                          |                         |
| Revenue Bonds  |                            |                          |                          |                          |                         |
| Principal  | \$ 27,660,000.00           | \$ 30,325,000.00         | \$ 32,340,000.00         | \$ 26,600,000.00         | \$ -                    |
| Interest   | 12,653,686.52              | 9,920,020.48             | 6,053,428.10             | 1,764,754.98             |                         |
| Revenue Financing System Bonds, Series 2021A         |                            |                          |                          |                          |                         |
| Revenue Bonds  |                            |                          |                          |                          |                         |
| Principal  | 36,405,000.00              | 44,485,000.00            | 43,375,000.00            | 24,410,000.00            | 3,255,000.00            |
| Interest   | 21,658,200.00              | 13,564,000.00            | 6,409,170.00             | 1,641,882.50             | 155,800.02              |
| Revenue Financing System Bonds, Taxable Series 2021B |                            |                          |                          |                          |                         |
| Revenue Bonds  |                            |                          |                          |                          |                         |
| Principal  | 44,180,000.00              | 48,955,000.00            | 50,230,000.00            | 26,265,000.00            |                         |
| Interest   | 19,430,399.88              | 14,597,947.42            | 7,906,098.90             | 1,979,567.20             |                         |
| Revenue Financing System Bonds, Series 2022          |                            |                          |                          |                          |                         |
| Revenue Bonds  |                            |                          |                          |                          |                         |
| Principal  | 48,540,000.00              | 49,765,000.00            | 32,865,000.00            | 17,515,000.00            | 14,020,000.00           |
| Interest   | 35,113,375.40              | 22,396,050.40            | 11,989,344.02            | 6,008,387.50             | 1,703,825.00            |
| Total  | 1,737,238,468.40           | 1,218,400,357.04         | 929,768,241.12           | 481,153,084.34           | 95,543,133.02           |
| Less Interest  | <u>(526,793,468.40)</u>    | <u>(331,025,357.04)</u>  | <u>(168,528,241.12)</u>  | <u>(58,333,084.34)</u>   | <u>(7,228,133.02)</u>   |
| Total Principal                                      | <u>\$ 1,210,445,000.00</u> | <u>\$ 887,375,000.00</u> | <u>\$ 761,240,000.00</u> | <u>\$ 422,820,000.00</u> | <u>\$ 88,315,000.00</u> |



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**Schedule 2C**  
**The Texas A&M University System**  
 Schedule of Debt Service Requirements  
 For the Year Ended August 31, 2023

| Description  | 2054-2057               | Total<br>Requirements      |
|--|-------------------------|----------------------------|
| Revenue Financing System Bonds, Taxable Series 2020A |                         |                            |
| Revenue Bonds  | \$ -                    | \$ 142,625,000.00          |
| Interest   |                         | 44,770,846.32              |
| Revenue Financing System Bonds, Series 2021A         |                         |                            |
| Revenue Bonds  |                         | 180,515,000.00             |
| Interest   |                         | 72,907,352.52              |
| Revenue Financing System Bonds, Taxable Series 2021B |                         |                            |
| Revenue Bonds  |                         | 210,730,000.00             |
| Interest   |                         | 66,447,120.31              |
| Revenue Financing System Bonds, Series 2022          |                         |                            |
| Revenue Bonds  |                         | 201,870,000.00             |
| Interest   |                         | 123,147,357.68             |
| <hr/>  |                         |                            |
| Total  | 11,703,000.00           | 6,599,953,998.73           |
| Less Interest  | (1,083,000.00)          | (1,870,728,998.73)         |
| Total Principal                                      | <u>\$ 10,620,000.00</u> | <u>\$ 4,729,225,000.00</u> |
|  |                         | (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, 2023

| Description  | Pledged<br>Revenues        | Operating<br>Expenses<br>From<br>Pledged Revenues | Debt Service             |                          |
|--|----------------------------|---|--------------------------|--------------------------|
|  |                            |   | Principal                | Interest                 |
| Permanent University Fund Bonds                            | \$ 560,010,826.80          | \$ 475,552,815.07                                 | \$ 59,490,000.00         | \$ 55,244,033.49         |
| Revenue Financing System Bonds                             | <u>3,119,289,745.78</u>    | <u>2,648,854,180.38</u>                           | <u>195,380,000.00</u>    | <u>116,123,771.28</u>    |
|  | <u>\$ 3,679,300,572.58</u> | <u>\$ 3,124,406,995.45</u>                        | <u>\$ 254,870,000.00</u> | <u>\$ 171,367,804.77</u> |
|  |                            |   | (Schedule 2B)            |                          |
| [a] Debt Service-Interest Expense (Exhibit IV)             |                            | \$ 188,745,671.84                                 |                          |                          |
| Less:  |                            |   |                          |                          |
| Interest on Permanent University Fund Commercial Paper     | \$ 2,364,533.70            |   |                          |                          |
| Interest on Revenue Financing System Commercial Paper/Note | 5,647,166.16               |   |                          |                          |
| Interest on Notes from Direct Borrowings                   | 2,020,122.83               |   |                          |                          |
| Interest on Right-to-Use Asset Leases                      | 3,590,483.40               |   |                          |                          |
| Interest on Defeased Bonds                                 | 3,546,023.84               |   |                          |                          |
| Other Interest Expense (non-bonds)                         | <u>209,537.14</u>          | (17,377,867.07)                                   |                          |                          |
| Subtotal   |                            |   |                          |                          |
| Total, Debt Service-Interest                               |                            | <u>\$ 171,367,804.77</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, 2023

| <u>Description of Issues</u>    | <u>Calendar<br/>Year<br/>Refunded</u> | <u>Par Value<br/>Outstanding<br/>September 1, 2022</u> | <u>Newly<br/>Defeased</u> | <u>Principal<br/>Paid</u> | <u>Par Value<br/>Outstanding<br/>August 31, 2023</u> |
|---------------------------------|---------------------------------------|--|---------------------------|---------------------------|--|
| The Texas A&M University System |                                       |  |                           |                           |  |
| 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                                  | 58,680,000.00  |                           | 58,680,000.00             | -  |
| Total                           |                                       | <u>\$ 470,685,000.00</u>                               | <u>\$ -</u>               | <u>\$ 470,685,000.00</u>  | <u>\$ -</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, 2023

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





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**Schedule Three**  
**The Texas A&M University System**  
**Combined Schedule of Proprietary Cash & Cash Equivalents**  
**For the Year Ended August 31, 2023**

|   | <b>Current Year</b>                     |
|---|---|
| <b>Proprietary Cash &amp; Cash Equivalents</b>                      |   |
| <b>Unrestricted</b>   |   |
| Cash on Hand  | \$349,437.23                            |
| Cash In Bank  | 9,247,645.69                            |
| Cash In State Treasury  | 1,350,534,015.52                        |
| Reimbursements Due From State Treasury                              | 95,106,014.68                           |
| Cash Equivalents  | 681,662,576.83                          |
| <b>Total Unrestricted Cash &amp; Cash Equivalents (Exhibit III)</b> | <b><u>\$2,136,899,689.95</u></b>        |
| <b>Restricted</b>   |   |
| Cash on Hand  | \$254,160.00                            |
| Cash in Bank  | 22,392,299.76                           |
| Cash Equivalents  | 211,960,271.09                          |
| <b>Total Restricted Cash &amp; Cash Equivalents (Exhibit III)</b>   | <b><u>\$234,606,730.85</u></b>          |
| <b>Total Proprietary Cash &amp; Cash Equivalents (Exhibit V)</b>    | <b><u><u>\$2,371,506,420.80</u></u></b> |



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**Schedule Three-F**  
**The Texas A&M University System**  
**Combined Schedule of Fiduciary Cash & Cash Equivalents**  
**For the Year Ended August 31, 2023**

|  | <b>Current Year</b>    |
|--|------------------------|
| <b>Fiduciary Cash &amp; Cash Equivalents</b>                       |                        |
| Cash In Bank   | \$80,936.53            |
| Cash Equivalents   | 9,057,278.00           |
| <b>Total Unrestricted Cash &amp; Cash Equivalents (Exhibit VI)</b> | <b>\$9,138,214.53</b>  |
| <b>Restricted Cash &amp; Cash Equivalents</b>                      |                        |
| Cash On Hand   | \$10,000.00            |
| Cash In Bank   | 490,128.80             |
| Cash Equivalents   | 31,576,539.85          |
| <b>Total Restricted Cash &amp; Cash Equivalents (Exhibit VI)</b>   | <b>\$32,076,668.65</b> |
| <b>Total Fiduciary Cash &amp; Cash Equivalents</b>                 | <b>\$41,214,883.18</b> |

## APPENDIX C-1

### FORM OF TAX EXEMPT NOTE OPINION

#### 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,

WINSTEAD PC

## APPENDIX C-2

### FORM OF TAXABLE NOTE OPINION

#### 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,

WINSTEAD PC