

BOARD OF REGENTS
THE TEXAS STATE UNIVERSITY SYSTEM
601 Colorado Street
Austin, Texas 78701

Annual Report

Updated Financial Information
and
Operating Data

Submitted in Accordance with Provisions of
SEC Rule 15c2-12

For the Fiscal Year Ended
August 31, 2019

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The Texas State University System Combined Annual Financial Report - Fiscal Year 2019

TABLE 1
The Texas State University System
Revenue Financing System Pledged Revenue and Additional Sources

| Pledged Revenues and Balances Available for Debt Service | | | | | |
|--|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| | 2015 | 2016 | 2017 | 2018 | 2019 |
| Available Pledged Revenues Not Including Net Position (1) | \$ 700,695,929 | \$ 739,361,077 | \$ 747,065,640 | \$ 753,523,054 | \$ 768,237,673 |
| Unrestricted Net Position: (2) | | | | | |
| Unrestricted Net Position per Annual Financial Report | 258,961,021 | 320,698,782 | 341,151,487 | 312,327,858 | 91,831,090 |
| Portion attributable to Revenue Streams Unavailable for Debt Service (3) | <u>(66,147,526)</u> | <u>(65,022,141)</u> | <u>(103,106,586)</u> | <u>(139,015,222)</u> | <u>(136,567,451)</u> |
| As Adjusted for Revenue Streams Unavailable for Debt Service | 192,813,495 | 255,676,641 | 238,044,901 | 173,312,636 | (44,736,361) |
| Pension Entry (4) | 145,712,028 | 135,697,929 | 137,044,421 | 135,868,364 | 158,965,449 |
| OPEB Entry (4) | <u>-</u> | <u>-</u> | <u>-</u> | <u>87,275,907</u> | <u>273,541,486</u> |
| Unrestricted Net Position After Adjustments (5) | <u>338,525,523</u> | <u>391,374,570</u> | <u>375,089,322</u> | <u>396,456,907</u> | <u>387,770,574</u> |
| Total Pledged Revenues and Unrestricted Net Position | <u>\$ 1,039,221,452</u> | <u>\$ 1,130,735,647</u> | <u>\$ 1,122,154,962</u> | <u>\$ 1,149,979,961</u> | <u>\$ 1,156,008,247</u> |
| Additional Sources of Payment not Included in Pledged Revenues | | | | | |
| | 2015 | 2016 | 2017 | 2018 | 2019 |
| Available HEF (6) | \$ 57,185,101 | \$ 48,802,357 | \$ 73,559,204 | \$ 99,297,250 | \$ 107,619,849 |
| Available TRB (7) | 17,899,830 | 17,611,278 | 37,752,779 | 32,338,610 | 34,555,153 |
| Total Pledged Revenues and Additional Sources | <u>\$ 1,114,306,383</u> | <u>\$ 1,197,149,282</u> | <u>\$ 1,233,466,944</u> | <u>\$ 1,281,615,821</u> | <u>\$ 1,298,183,249</u> |

(1) The Available Pledged Revenues shown above consist of tuition, designated tuition, student center fees, and recovery of indirect costs for federal grants and contracts, federal pass-through grants from other agencies and State grants and contracts. Excludes State appropriations for reimbursement of debt service on tuition revenue bonds ("TRBs").

(2) The Texas State University System Combined Annual Financial Report, as adjusted for revenue streams unavailable for payment of debt service. In addition to current year Pledged Revenues, any unappropriated year-end balances are available for payment of debt service.

(3) Certain revenue streams are unavailable for debt service. The portion of the System's unrestricted net position resulting from those revenue streams has been excluded.

(4) Details concerning the net pension and OPEB liabilities, deferred outflows of resources, deferred inflows of resources, and expenses may be found in the Notes to the Financial Statements of the TSUS Annual Financial Report. Significant changes to actuarial assumptions and the discount rate assumptions for the OPEB liability between FY 18 and FY 19 exist. Further information may be found on the GASB Requirements webpage published by the Employees Retirement System of Texas, who administers the plan.

(5) The effect on unrestricted net position resulting from the liabilities related to unfunded pension and other post-employment benefits has been excluded to arrive at an unrestricted net position after adjustments. For further details related to the liabilities, see the Notes to the Financial Statements in the System's Annual Financial Report for each year.

(6) Unexpended Higher Education Fund (HEF) funds carry forward to the next fiscal year. The year-end net positions attributable to HEF reflected are eligible to be applied to the payment of debt service on Parity Debt issued for qualifying projects as permitted in accordance with Article VII, Section 17(a) of the Texas Constitution; however, HEF funds are not Pledged Revenues.

(7) Historically, the State Legislature has appropriated general revenue funds in the State's budget each biennium to reimburse institutions of higher education for debt service on certain revenue bonds ("Tuition Revenue Bonds") issued pursuant to specific statutory authorizations for individual institutions and projects identified in Chapter 55 of the Texas Education Code. The annual TRB appropriations are not Pledged Revenues.

TABLE 2
Texas State University System
Revenue Financing System Debt Service Requirements

| Fiscal Year End August 31 | Principal | Interest | Total Annual Debt Service ^{(1)(2)*} |
|------------------------------|-------------------------|-----------------------|--|
| 2020 | 71,220,000 | 43,400,606 | 114,620,606 |
| 2021 | 69,555,000 | 43,792,791 | 113,347,791 |
| 2022 | 71,920,000 | 40,755,556 | 112,675,556 |
| 2023 | 65,005,000 | 37,654,431 | 102,659,431 |
| 2024 | 65,975,000 | 34,819,177 | 100,794,177 |
| 2025 | 68,535,000 | 31,975,860 | 100,510,860 |
| 2026 | 71,530,000 | 28,991,364 | 100,521,364 |
| 2027 | 70,560,000 | 25,847,246 | 96,407,246 |
| 2028 | 68,265,000 | 22,719,826 | 90,984,826 |
| 2029 | 62,410,000 | 19,799,038 | 82,209,038 |
| 2030 | 58,785,000 | 17,060,320 | 75,845,320 |
| 2031 | 58,905,000 | 14,488,273 | 73,393,273 |
| 2032 | 54,110,000 | 11,870,629 | 65,980,629 |
| 2033 | 35,720,000 | 9,440,728 | 45,160,728 |
| 2034 | 37,055,000 | 7,829,148 | 44,884,148 |
| 2035 | 34,920,000 | 6,299,542 | 41,219,542 |
| 2036 | 31,170,000 | 4,819,783 | 35,989,783 |
| 2037 | 19,050,000 | 3,518,319 | 22,568,319 |
| 2038 | 19,340,000 | 2,870,497 | 22,210,497 |
| 2039 | 17,015,000 | 2,212,001 | 19,227,001 |
| 2040 | 8,990,000 | 1,628,770 | 10,618,770 |
| 2041 | 6,490,000 | 1,283,717 | 7,773,717 |
| 2042 | 6,760,000 | 1,018,865 | 7,778,865 |
| 2043 | 7,035,000 | 742,983 | 7,777,983 |
| 2044 | 7,320,000 | 455,871 | 7,775,871 |
| 2045 | 3,890,000 | 157,129 | 4,047,129 |
| TOTAL | <u>\$ 1,091,530,000</u> | <u>\$ 415,452,471</u> | <u>\$ 1,506,982,471</u> |

* A portion of such outstanding Parity Debt constitute Tuition Revenue Bonds that qualify the University System to be reimbursed from State appropriations for debt service payments in the amount of \$34.5 million during fiscal year 2020. Future reimbursement by the State for debt service payments is entirely subject to future appropriations by the State Legislature in each subsequent State Biennium.

⁽¹⁾ Includes outstanding Angelo State University debt issued prior to September 1, 2007 and related refunding bonds.

⁽²⁾ Totals of these columns may not calculate exactly due to rounding of pennies for purposes of

TABLE A-1
Headcount Enrollment

| | Fall 2015 | Fall 2016 | Fall 2017 | Fall 2018 | Fall 2019 |
|-----------------------------------|---------------|---------------|---------------|---------------|---------------|
| Lamar Institute of Technology | 2,846 | 2,757 | 2,983 | 3,260 | 4,011 |
| Lamar State College - Orange | 2,318 | 2,338 | 2,293 | 2,350 | 2,395 |
| Lamar State College - Port Arthur | 1,802 | 2,051 | 2,293 | 2,413 | 2,710 |
| Lamar University | 14,494 | 14,391 | 13,929 | 14,176 | 14,811 |
| Sam Houston State University | 20,031 | 20,477 | 20,938 | 21,025 | 21,363 |
| Sul Ross State University | 2,992 | 3,085 | 2,970 | 2,775 | 2,465 |
| Texas State University | 37,979 | 38,808 | 38,666 | 38,644 | 38,187 |
| Total | 82,462 | 83,907 | 84,072 | 84,643 | 85,942 |

Source: Texas Higher Education Coordinating Board Accountability System.

Note: Does not include students enrolled in non-credit formula funded courses.

TABLE A-2
Graduate Enrollment (1)

| | Fall 2015 | Fall 2016 | Fall 2017 | Fall 2018 | Fall 2019 |
|------------------------------|---------------|---------------|---------------|---------------|---------------|
| Lamar University | 5,411 | 5,213 | 4,800 | 5,364 | 6,201 |
| Sam Houston State University | 2,630 | 2,575 | 2,522 | 2,552 | 2,580 |
| Sul Ross State University | 833 | 817 | 740 | 687 | 571 |
| Texas State University | 4,499 | 4,564 | 4,486 | 4,457 | 4,270 |
| Total | 13,373 | 13,169 | 12,548 | 13,060 | 13,622 |

(1) Lamar State College-Orange, Lamar State College-Port Arthur and Lamar Institute of Technology are lower-level (freshman and sophomore) institutions which do not offer graduate programs.

Source: Texas Higher Education Coordinating Board Accountability System.

TABLE A-3
Full-Time Equivalent Enrollment (1)

| | Fall 2015 | Fall 2016 | Fall 2017 | Fall 2018 | Fall 2019 |
|-----------------------------------|---------------|---------------|---------------|---------------|---------------|
| Lamar Institute of Technology | 1,915 | 1,848 | 1,981 | 2,112 | 2,453 |
| Lamar State College - Orange | 1,420 | 1,416 | 1,371 | 1,360 | 1,427 |
| Lamar State College - Port Arthur | 1,107 | 1,218 | 1,315 | 1,474 | 1,645 |
| Lamar University | 9,052 | 8,791 | 9,294 | 9,815 | 9,225 |
| Sam Houston State University | 16,143 | 16,496 | 16,889 | 17,157 | 17,493 |
| Sul Ross State University | 1,922 | 2,015 | 1,951 | 1,836 | 1,645 |
| Texas State University | 31,039 | 31,812 | 31,792 | 31,845 | 31,540 |
| Total | 62,598 | 63,596 | 64,593 | 65,600 | 65,428 |

(1) Full-time equivalent enrollment is 15 hours per semester for undergraduate students, 12 semester hours for master's/doctoral-professional, and 9 hours per semester for doctoral-research students.

Note: Does not include students enrolled in non-credit formula funded courses.

Source: Fall 2014 - 2018, Texas Higher Education Coordinating Board Accountability System. Fall 2019, TSUS Official Enrollment Report.

TABLE A-4
Systemwide Enrollment by Residency

| | Fall 2015 | Fall 2016 | Fall 2017 | Fall 2018 | Fall 2019 |
|---------------------|---------------|---------------|----------------------|---------------|---------------|
| Texas Residents | 78,387 | 80,158 | 80,706 | 81,315 | 82,742 |
| Non-Texas Residents | 2,015 | 1,996 | 2,016 | 2,116 | 2,128 |
| Non-US Residents | 2,060 | 1,753 | 1,350 ⁽¹⁾ | 1,212 | 1,072 |
| Total | 82,462 | 83,907 | 84,072 | 84,643 | 85,942 |

(1) Restated: Updated from preliminary to final headcount.

Source: Fall 2014 - 2018, Texas Higher Education Coordinating Board Accountability System. Fall 2019, TSUS Official Supplemental Report.

Note: Table A-4 does not include students enrolled in non-credit formula funded courses.

TABLE A-5
Admissions and Matriculation (1)

| | 2015 | 2016 | 2017 | 2018 | 2019 |
|-------------------------|--------|--------|--------|--------|--------|
| Applications Submitted | 38,999 | 42,514 | 43,986 | 43,750 | 44,784 |
| Applications Accepted | 28,698 | 30,687 | 32,456 | 34,597 | 34,341 |
| Matriculation | 10,339 | 10,432 | 10,691 | 10,917 | 10,875 |
| Percentage Accepted | 74% | 72% | 74% | 79% | 77% |
| Percentage Matriculated | 36% | 34% | 33% | 32% | 32% |

(1) This table reflects admissions and matriculation of first-time undergraduates for Lamar University, Sam Houston State University, Texas State University, and Sul Ross State University. This information is inclusive of summer and fall applicant data..

Source: 2013-2018, Texas Higher Education Report 'First Time Undergraduate Applicant, Acceptance, and Enrollment Information for Summer/Fall'. 2019, TSUS Official Supplemental Reports.

TABLE A-9
Current Investments

| Type of Security | Reported Value |
|--|--------------------------|
| U.S. Treasury Securities | \$ 7,671,214.39 |
| U.S. Government Agency Obligations (Ginnie Mae, Fannie Mae, Freddie Mac, etc.) | 4,923,244.54 |
| Corporate Obligations | 18,047,645.02 |
| Corporate Asset and Mortgage Backed Securities | 9,611,492.55 |
| Equity | 195,526,715.63 |
| International Equity | 14,745,939.70 |
| International Other Commingled Funds | 6,427,384.55 |
| Fixed Income Money Market and Bond Mutual Fund | 240,957,574.57 |
| Other Commingled Funds | 10,363,306.67 |
| Real Estate | 22,878,226.00 |
| Miscellaneous | 15,970,243.82 |
| Subtotal Investments | \$ 547,122,987.44 |
| Other Commingled Funds (TexPool) | \$ 355,276,019.86 |
| Subtotal Cash Equivalents | \$ 355,276,019.86 |
| Total | \$ 902,399,007.30 |
| Current Unrestricted Assets - Cash Equivalents | \$ 304,577,603.55 |
| Current Restricted Assets - Cash Equivalents | 37,111,692.40 |
| Current Restricted Assets - Short Term Investments | 12,323,076.55 |
| Noncurrent Restricted Assets - Cash Equivalents | 13,586,723.91 |
| Noncurrent Restricted Assets - Investments | 74,675,934.24 |
| Noncurrent Assets - Investments | 460,123,976.65 |
| Total | \$ 902,399,007.30 |

TABLE A-10
 Endowment Funds Summary
 (as of fiscal year ending August 31)

| | FY 2015 | FY 2016 | FY 2017 | FY 2018 | FY 2019 |
|-----------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Lamar University | 17,451,150 | 18,697,052 | 20,057,710 | 20,429,562 | 20,765,829 |
| Sam Houston State University | 69,107,671 | 64,355,361 | 66,928,874 | 76,255,989 | 88,684,759 |
| Sul Ross State University | 14,527,463 | 15,576,019 | 15,654,102 | 15,759,243 | 15,576,019 |
| Texas State University | 17,635,359 | 18,281,587 | 18,730,287 | 20,297,055 | 20,954,429 |
| Lamar State College - Orange | 30,524 | 30,524 | 5,524 | 5,524 | 5,524 |
| Lamar State College - Port Arthur | 0 | 1,200,302 | 1,153,494 | 1,127,435 | 1,182,968 |
| Lamar Institute of Technology | 0 | 0 | 0 | 0 | |
| System Administration | 7,295,969 | 7,235,466 | 5,537,815 | 5,567,228 | 5,628,380 |
| Total | 126,048,135 | 125,376,311 | 128,067,806 | 139,442,035 | 152,797,908 |