

ANNUAL FINANCIAL REPORT

of

TEXAS SOUTHERN UNIVERSITY

(An Agency of State of Texas)

**For the Year Ended
August 31, 2020**

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TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

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INTRODUCTORY SECTION

TEXAS SOUTHERN UNIVERSITY

3100 CLEBURNE ST. | HOUSTON, TEXAS 77004 | 713.313.1179



Office of the President

November 11, 2020

Texas Southern University is proud to share positive news about the fiscal health of our institution. The Annual Financial Report (AFR) for Fiscal Year 2020 delivers a complete overview of the University's financial status and operations as of August 31, 2020. Texas Southern University is mandated by law to provide a full accounting of the income received in order to invest in the educational future of our students.

The University has maintained a transparent financial process to ensure that there is a full and open accounting of all funds from the state and federal government, public and private corporations and foundations, and individual donors. The 2020 Financial Report is the primary publication to provide such accountability to elected officials and taxpayers.

Texas Southern, now in its 93rd year of existence, has experienced strong growth as a special-purpose, metropolitan institution of higher education. TSU serves a diverse student population, welcoming students from across the United States and close to 50 countries around the globe, positioning itself as a destination university for young scholars eager to obtain an affordable education. Our 'Communiversities' model provides a holistic approach that leads to stronger career-ready graduates at the bachelor, master, doctoral and professional levels in a variety of disciplines, including aviation, civil and electrical engineering, maritime transportation, pharmacy, communication, law, and arts and sciences.

Our educational partnerships with Houston Community College and the San Jacinto and Lone Star College systems have created a seamless transition for students from two-year colleges onto a direct path of obtaining a four-year degree. Texas Southern's Summer of Success program has registered a fifth year of providing conditional-admittance high school graduates with a specialized curriculum to meet university admission requirements. The 2020 cohort welcomed close to 100 students for the five-week program that featured a rigorous online course load and advising to introduce them to a collegiate environment and increase their academic confidence. This has led to better prepared and more engaged first-time freshmen entering the University.

This institution is a critical educational resource, producing pilots, engineers, pharmacists, doctors, artists, researchers, corporate executives, lawyers, judges, and educators in every conceivable arena. Our graduates are vibrant contributors to an ever-changing society, with many becoming recognized agents of change in their respective fields.

Texas Southern University stands tall in the pride of its history and faces the future with resolve. The 2020 Annual Financial Report will reflect the success of our mission in the preceding year. We are, and will remain, the strength of our great state and revered nation.

Interim President

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TEXAS SOUTHERN UNIVERSITY

3100 CLEBURNE STREET • HOUSTON, TEXAS 77004



INTERIM VP FOR ADMINISTRATION AND
FINANCE/CFO
DIVISION OF ADMINISTRATION & FINANCE
OFFICE: 713-313-1183; FAX: 713-313-7070

November 11, 2020

We are pleased to submit the Annual Financial Report for Texas Southern University (TSU) for the fiscal year ended August 31, 2020. Although TSU, as an agency of the State of Texas, is not required to have this report independently audited, we continue to do so as a demonstration that TSU is fulfilling its fiduciary responsibilities for the finances of the institution.

We have received an unmodified opinion from the independent certified public accounting firm of BKD, LLP serving as a critical measure in the goal of the Board of Regents and administration to ensure excellence in stewardship, accountability, and financial stability. The administration of TSU is responsible for establishing and maintaining internal controls designed to ensure that the assets of the University are protected from loss, theft, or misuse. Management also ensures that adequate accounting processes are in place to provide for the preparation of financial statements in conformity with governmental accounting standards.

The preparation of this report was accomplished through the dedicated services of the staff within the accounting department and the cooperation of other departments within the Administration & Finance Division. As such, we would like to express our appreciation to the entire TSU family whose integral role and contributions assisted in the compilation of the enclosed report. Recognition must also be given to the Board of Regents of Texas Southern University and the State of Texas for their assistance and institutional support. To everyone, we say thank you!

Anita Lockridge

Anita Lockridge
Interim V.P. for Administration and Finance/CFO

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TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

BOARD OF REGENTS

August 31, 2020

Officers

Honorable Albert H. Myres, Chairman
Honorable Marc C. Carter, Vice Chair
Honorable Pamela A. Medina, 2nd Vice Chair

Members

Honorable Wesley G. Terrell
Honorable Marilyn A. Rose

Dallas
Houston

Terms Expire February 1, 2021

Honorable Joseph R. Johnson, Student Regent

Sugar Land

Term Expire May 31, 2021

Honorable Ronald J. Price
Honorable Marc C. Carter, Vice Chair

Mesquite
Houston

Terms Expire February 1, 2023

Honorable Pamela A. Medina, 2nd Vice Chair
Honorable Albert H. Myres, Chairman

Houston
Houston

Terms Expire February 1, 2025

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TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

UNIVERSITY ADMINISTRATION

August 31, 2020

University Administration

Kenneth R. Huewitt, CPA, CIA

Interim President

Heidi Smith

Chief of Staff

Anita Lockridge

Interim V.P. for Administration and Finance/CFO

Dr. Kendall Harris

Provost/VP for Academic Affairs and Research

Dr. Mario Berry

VP for Information Technology

Kevin Granger

VP of Intercollegiate Athletics

Hao Le

General Counsel

Dr. Teresa McKinney

VP for Student Services

Melinda Spaulding

VP of University Advancement

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TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

FISCAL ADMINISTRATION

August 31, 2020

Fiscal Administration

Charla Parker-Thompson, CIA, CISA

Alfred Norris

Lavonda Horn

Chief Audit Executive

Associate Vice President

Director of General Accounting

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FINANCIAL SECTION

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Independent Auditor's Report

Board of Regents
Texas Southern University
Houston, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of Texas Southern University ("University"), an agency of the State of Texas, as of and for the year ended August 31, 2020, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the University, as of August 31, 2020, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension and other postemployment benefit information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the University's basic financial statements. The supplementary information and introductory section as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we also have issued our report dated November 20, 2020, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

BKD, LLP

Houston, Texas
November 20, 2020

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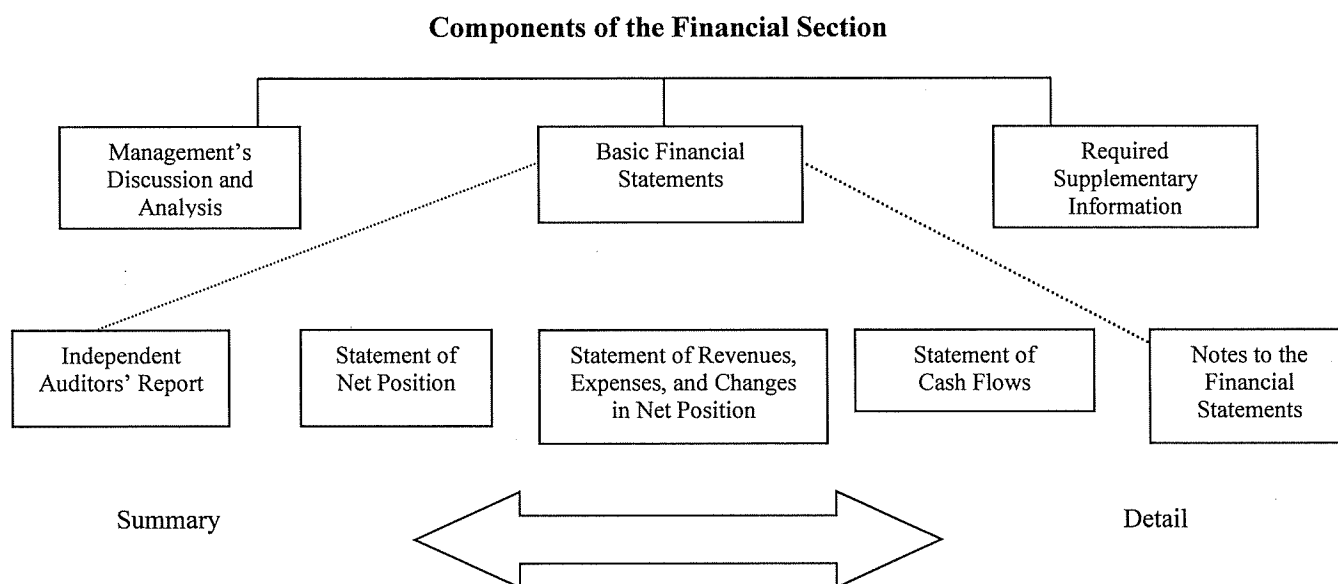
MANAGEMENT'S DISCUSSION **AND ANALYSIS**

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TEXAS SOUTHERN UNIVERSITY
(An Agency of the State of Texas)
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
For the Year Ended August 31, 2020

The purpose of the Management's Discussion and Analysis (MD&A) is to give the readers an objective and easily readable analysis of the annual financial activities of Texas Southern University (TSU). The analysis is based on currently known facts, decisions, or economic conditions. It presents short and long-term analysis of TSU's activities, compares current year results with those of the prior year, and discusses the positive and negative aspects of that comparison. Please read the MD&A in conjunction with the transmittal letter at the front of this report and TSU's financial statements, which follow this section.

THE STRUCTURE OF OUR ANNUAL REPORT



TSU's basic financial statements include statement of net position; statement of revenues, expenses, and changes in net position; statement of cash flows; and notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statement themselves.

Basic Financial Statements

The basic financial statements report information for TSU as a whole. These statements include transactions and balances relating to all assets, including infrastructure capital assets. These statements are designed to provide information about cost of services, operating results, and financial position of TSU as an economic entity. The statement of net position and the statement of revenues, expenses, and changes in net position, which appear first in the financial statements, report information on TSU's activities that enable the reader to understand the financial condition of TSU. These statements are prepared using the *accrual basis of accounting*, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account even if cash has not yet changed hands.

TEXAS SOUTHERN UNIVERSITY
(An Agency of the State of Texas)
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For the Year Ended August 31, 2020

The statement of net position presents information on all of TSU's assets and deferred outflows of resources that exceed liabilities and deferred inflows of resources. The difference between these categories is reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of TSU is improving or deteriorating. Other nonfinancial factors, such as TSU's customer base and the condition of TSU's infrastructure, need to be considered to assess the overall health of TSU.

The statement of revenues, expenses, and changes in net position presents information showing how TSU's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows – the accrual method.

The statement of cash flows presents information about TSU's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balances during the reporting period.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

The basic financial statements can be found after the MD&A within this report.

FINANCIAL ANALYSIS OF TSU

As noted earlier, net position may serve over time as a useful indicator of TSU's financial position. Assets and deferred outflows of resources exceed liabilities and deferred inflows of resources by \$178,169,639.21 as of August 31, 2020. The largest portion of TSU's net position (71 percent) reflects its investments in capital assets (e.g., land, buildings and improvements, equipment, construction in progress, and infrastructure), less any debt used to acquire those assets that is still outstanding. TSU uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although TSU's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.

TEXAS SOUTHERN UNIVERSITY
 (An Agency of the State of Texas)
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
 For the Year Ended August 31, 2020

Condensed Statement of Net Position

The following table reflects the condensed Statement of Net Position:

CONDENSED STATEMENT OF NET POSITION

	<u>2020</u>	<u>2019</u>
Current and other assets	\$ 140,491,176.11	\$ 162,212,395.14
Non-current Restricted assets	71,269,076.77	73,564,044.78
Capital assets, net	291,729,063.03	299,495,836.13
Total Assets	<u>503,489,315.91</u>	<u>535,272,276.05</u>
 Deferred Outflows of Resources	 <u>88,058,306.34</u>	 <u>95,985,284.71</u>
 Current liabilities	 105,595,100.26	 119,255,897.16
Noncurrent liabilities	279,829,730.78	282,076,980.97
Total Liabilities	<u>385,424,831.04</u>	<u>401,332,878.13</u>
 Deferred Inflows of Resources	 <u>27,953,152.00</u>	 <u>29,009,306.00</u>
 Net investment in capital assets	 131,869,961.05	 129,320,485.55
Restricted for:		
Debt service	881,114.98	856,655.88
Other	73,696,162.61	61,615,508.59
Unrestricted	(28,277,599.43)	9,122,726.61
Total Net Position	<u>\$ 178,169,639.21</u>	<u>\$ 200,915,376.63</u>

Unrestricted net position decreased by \$(37,400,326.04) from \$9,122,726.61 to \$(28,277,599.43) at year end. Unrestricted net position represents amounts that can be used to finance day-to-day operations without constraints established by debt covenants and enabling legislation. The majority of the decrease can be attributed to changes in the ERS actuarial assumptions related to GASB 75 Other Post-Employment Benefits (OPEB) and Pension Expense related to GASB 68.

TEXAS SOUTHERN UNIVERSITY
(An Agency of the State of Texas)
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For the Year Ended August 31, 2020

Statement of Revenues, Expenses, and Changes in Net Position

	<u>2020</u>	<u>2019</u>
OPERATING REVENUES		
Tuition and Fees - Pledged	\$ 96,229,869.11	\$ 107,977,661.03
Discount on Tuition and Fees	(34,040,324.42)	(38,869,738.35)
Auxiliary Enterprises -Pledged	14,800,370.60	17,734,425.55
Other Sales of Goods and Services - Pledged	410,772.77	99,519.95
Federal Revenue	20,429,889.40	19,374,525.34
Federal Pass-Through Revenue	639,223.30	847,691.89
State Revenue	760,315.46	982,178.04
State Pass-Through Revenue	4,886,641.03	9,210,004.52
Other Contracts and Grants - Pledged	988,485.68	463,426.62
Other Operating Revenue	5,413,667.11	6,869,601.02
Total Operating Revenues	<u>110,518,910.04</u>	<u>124,689,295.61</u>
OPERATING EXPENSES		
Salaries and Wages	96,630,395.27	97,082,405.66
Payroll Related Costs	47,867,984.70	42,433,767.63
Professional Fees and Services	17,286,454.95	10,992,817.13
Travel	2,321,286.87	3,815,911.12
Materials and Supplies	11,927,919.76	9,353,649.82
Communication and Utilities	5,924,249.05	6,967,530.37
Repairs and Maintenance	7,490,882.79	7,826,474.10
Rentals and Leases	1,570,224.14	1,636,198.87
Printing and Reproductions	500,781.19	522,384.95
Federal Pass-Through Expense	641,386.52	-
Bad Debt Expense	400,000.00	-
Scholarships	19,111,464.02	22,449,873.48
Other Operating Expenses	9,526,484.18	8,863,128.26
Depreciation and Amortization	22,732,129.75	19,810,066.47
Total Operating Expenses	<u>243,931,643.19</u>	<u>231,754,207.86</u>
Operating (Loss)	<u>\$ (133,412,733.15)</u>	<u>\$ (107,064,912.25)</u>

TEXAS SOUTHERN UNIVERSITY
 (An Agency of the State of Texas)
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
 For the Year Ended August 31, 2020

Statement of Revenues, Expenses, and Changes in Net Position (Continued)

	<u>2020</u>	<u>2019</u>
NONOPERATING REVENUES (EXPENSES)		
Legislative Revenue	\$ 51,561,004.00	\$ 55,474,393.00
Additional Appropriations	10,624,882.07	11,022,839.74
Gifts	1,091,128.71	1,402,983.55
Federal Revenue Nonoperating	30,356,097.13	31,447,950.64
Interest Income	2,966,631.30	5,340,420.84
Investing Activities Expenses	(380,995.91)	(498,242.10)
Interest Expense and Fiscal Charges	(6,159,499.82)	(6,704,598.30)
Net Increase (Decrease) Fair Value	8,453,261.87	(1,595,086.70)
Other Nonoperating Revenue/(Expense)	639,487.06	(300,128.66)
Total Nonoperating Revenues (Expenses)	<u>99,151,996.41</u>	<u>95,590,532.01</u>
 Income (Loss) Before Other Revenues, Expenses; and Transfers	 <u>(34,260,736.74)</u>	 <u>(11,474,380.46)</u>
 OTHER REVENUES, EXPENSES, AND TRANSFERS		
Capital Appropriations (HEAF)	11,659,843.00	11,659,843.00
Contributions to Permanent and Term Endowments	368,893.20	448,891.92
Lapses	(670,247.02)	(636,407.55)
Legislative Transfer In	-	137,960.00
Transfer In	16,225,811.68	414,339.68
Transfer Out	(16,069,301.54)	(399,167.19)
Total Other Revenues, Expenses, and Transfers	<u>11,514,999.32</u>	<u>11,625,459.86</u>
 Change in Net Position	 <u>(22,745,737.42)</u>	 <u>151,079.40</u>
 Restatement, Note 14	 -	 (6,040,027.00)
 Beginning Net Position	 <u>200,915,376.63</u>	 <u>206,804,324.23</u>
 Ending Net Position	 <u>\$ 178,169,639.21</u>	 <u>\$ 200,915,376.63</u>

For the year ended August 31, 2020, total revenue was \$244,465,950.06. This represents an increase in total revenues by \$2,427,032.28 or (1 percent) which can be attributed to an increase on federal revenue and fair market value. The total net position decreased by \$22,745,737.42 (11 percent). The primary decrease in net position can be attributed to changes in the ERS actuarial assumptions related to GASB 75 Other Post-Employment Benefits (OPEB) and Pension expense related to GASB 68.

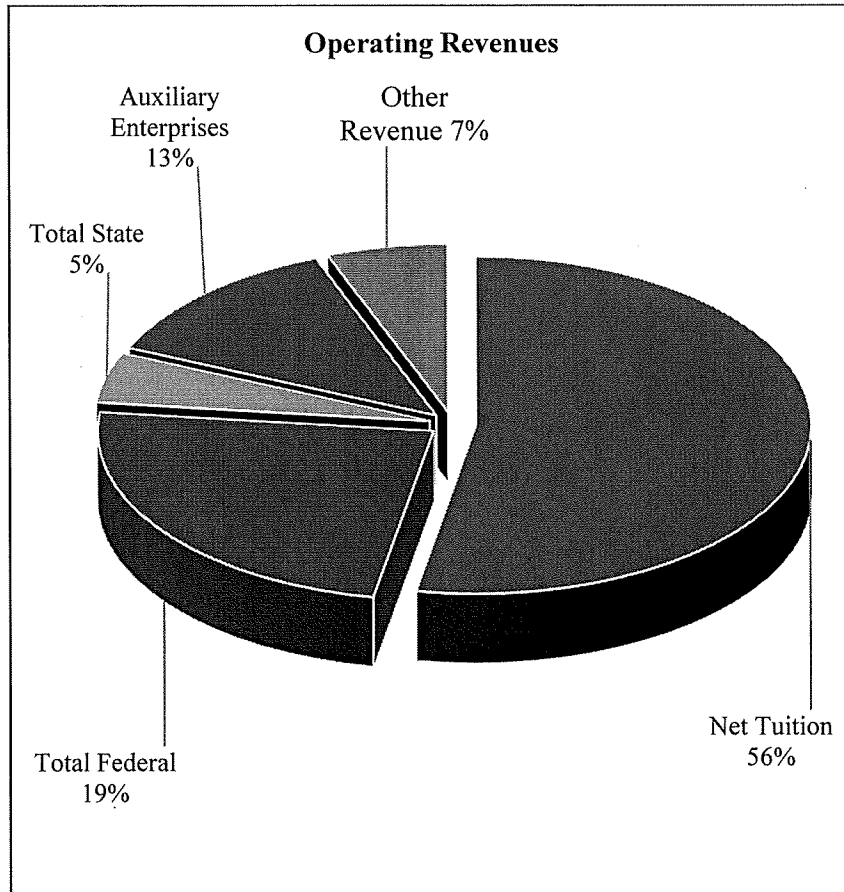
TEXAS SOUTHERN UNIVERSITY
(An Agency of the State of Texas)
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For the Year Ended August 31, 2020

Expenses totaled \$267,211,687.48 for the year ended August 31, 2020. This represents an increase of \$25,323,849.10 (10 percent) from last year. The majority of this increase can be attributed to changes in the ERS actuarial assumptions related to GASB 75 Other Post-Employment Benefits (OPEB) and Pension expense related to GASB 68.

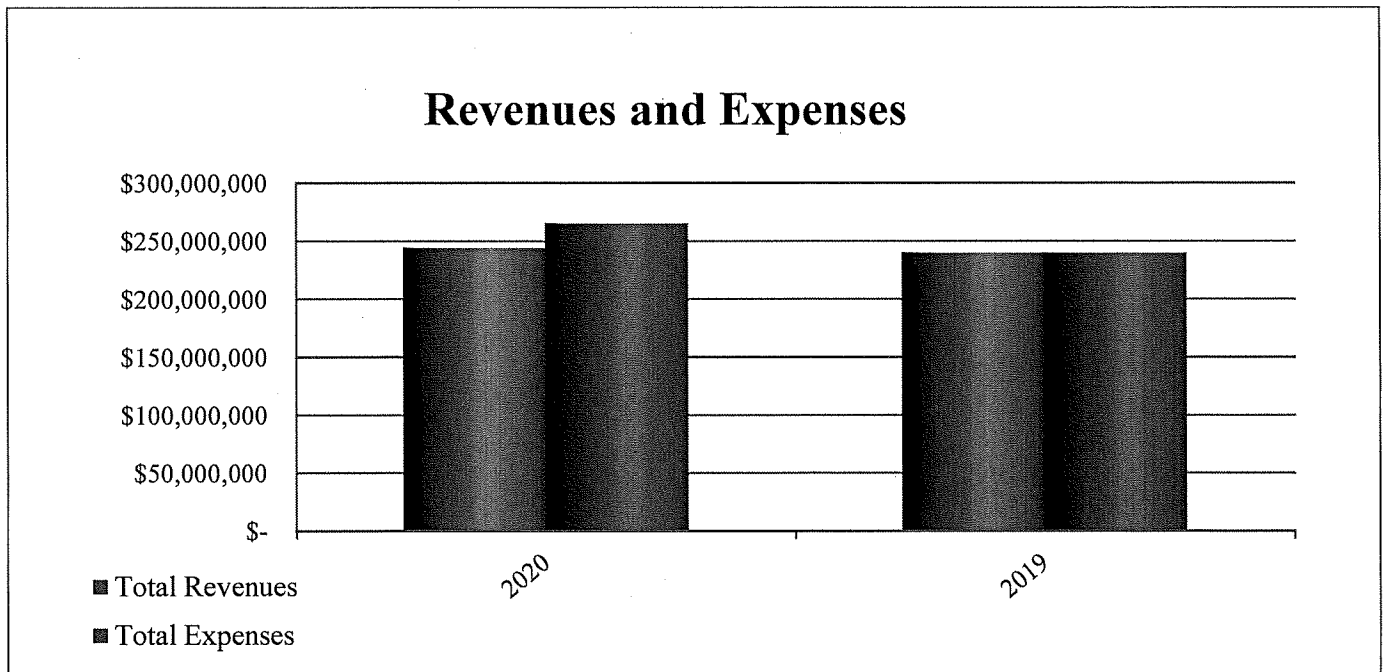
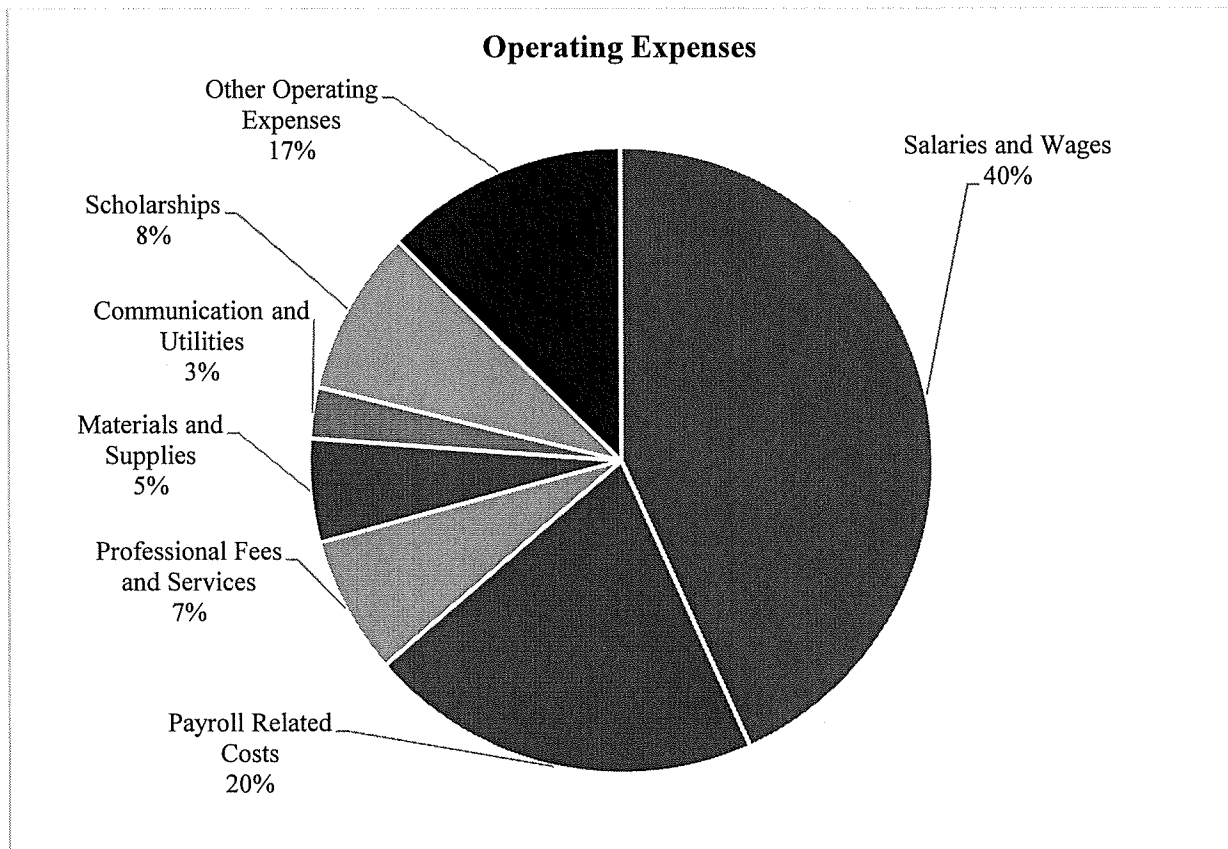
Key elements to these changes are as follows:

- Operating revenues decreased by \$14,170,385.57 (11 percent) primarily due to decrease in student enrollment reported in tuition and fees and decrease in Texas Grant reported in state pass-through revenue.
- Non-operating revenues and Other revenues increased by \$18,492,633.23 (16 percent) primarily due to an increase in fair market value of investments, state transfer-in and CARES Act funding for emergency student aid.
- Operating expenses less depreciation increased by \$9,255,372.05 (4 percent) due to OPEB and Pension expense reported in payroll related costs and professional fees and services.
- Non-operating expenses and Other expenses increased by \$15,041,629.15 (1.8 percent) due to an increase in state transfer-out.
- Depreciation and Amortization expense increased by \$2,922,063.28 (15 percent) due to the equipment purchases.

Graphic presentations of selected data from the summary tables follow to assist in the analysis of TSU's activities.



TEXAS SOUTHERN UNIVERSITY
 (An Agency of the State of Texas)
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
 For the Year Ended August 31, 2020



TEXAS SOUTHERN UNIVERSITY
(An Agency of the State of Texas)
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For the Year Ended August 31, 2020

CAPITAL ASSETS

At year end, TSU had invested \$291,729,063.03 in a variety of capital assets and infrastructure (net of accumulated depreciation). This represents a net decrease of \$7,766,773.10.

Major capital asset events during the current year include the following:

- Building improvements completed at a cost of \$9,418,542.55.
- Various purchases of equipment and other capital assets at a total of \$3,872,869.04.

More detailed information about TSU's capital assets is presented in note 2 to the financial statements.

LONG-TERM DEBT

TSU's revenue bonds carry the rating of "Baa3" with Moody's Investors Service. At year end, TSU had \$88,041,717.33 in revenue bonds outstanding versus \$97,959,258.05 last year. Also, at year end, TSU had \$86,872,608.72 in capital loan notes payable to the Department of Education.

More detailed information about TSU's long-term liabilities is presented in note 5 to the financial statements.

ECONOMIC FACTORS

Texas Southern University is a vibrant and progressive HBCU located in the Houston Metropolitan Area. Its rich history and unwavering connection to the community has led to the successful bridging of the gap for many first-generation college students. As a public 4-year institution offering professional programs in Pharmacy, Business, and the Thurgood Marshall School of Law, the University's financial position is closely tied to that of the State of Texas and is at risk of changing depending on the health of the state's economy.

During fiscal year 2021, the institution responded to the State's request for a budget reduction of approximately 5%. With the continued economic downfall spurred by COVID-19, there is undoubtedly a significant amount of financial pressure on the institution's budget. Most, if not all, revenue generating resources such as enrollment, residential housing, campus/sporting events, have declined, while direct costs associated with effectively reducing the spread of covid-19 and maintaining a healthy campus have increased. In addition, the outcome of the upcoming 87th Legislative Session is uncertain. Whether the institution will receive the same rate of appropriated funding for the 2022-2023 academic year as in years prior, or if there will be another reduction as was experienced in FY 2020-2021, is yet to be determined.

With the unpredictability of appropriations, enrollment, and campus generated revenue, the University implemented a multifaceted approach to ensure prudent fiscal management efforts are prioritized while also supporting the institution's Top 5 Pillars: Student Success and Completion, Academic Program Quality and Research, Culture, Partnerships, and Finances. One such step toward this effort involved (with options) a strategic reduction in the University's operating budget for fiscal year 2021. This was accomplished through the implementation of a variety of cost saving measures including evaluating debt capacity, foregoing capital expenditures that can be deferred, suspending unnecessary travel expenses and other expenditures, as well as closely monitoring University investments.

TEXAS SOUTHERN UNIVERSITY
(An Agency of the State of Texas)
MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*
For the Year Ended August 31, 2020

Other strategies implemented involve expanding the University's virtual learning capabilities and rethinking how course offerings can be effectively delivered to students. The University invested heavily during the remaining spring and summer semesters in establishing and reformatting current existing e-learning and conference platforms, software upgrade and installations, and revamping online security in preparation for the fall academic year. In addition, students, faculty, and staff were provided with the necessary equipment to satisfactorily telecommute while remaining flexible as to how and when they engaged educational and work-related content. Classes have also been modified and are now offered in three formats: face-to-face, hybrid (face-to-face and online), and online only.

By remaining flexible with respect to diverse learning platforms and online instruction, this gives the institution the opportunity to demonstrate its instructional innovation as we anticipate and traverse these extraordinary times.

Despite Covid-19 and the consequential challenges facing Texas Southern University, the administration is optimistic and remains committed to maintaining the integrity of the University's fiscal position, expanding innovative learning opportunities, and retaining a safe environment for the entire campus community. It is with this confidence that the institution is prepared to navigate these unprecedented times; utilizing each moment as an opportunity to not only reflect resilience and possibilities, but to also provide a quality educational experience to all our students.

CONTACTING TSU'S FINANCIAL MANAGEMENT

This financial report is designed to provide our students, alumni, citizens, taxpayers, and creditors with a general overview of TSU's finances and to show TSU's accountability for the money it received. If you have questions about this report or need additional financial information, contact the Texas Southern University Business Affairs Department, 3100 Cleburne Street, Houston, Texas 77004.

BASIC FINANCIAL STATEMENTS

TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

STATEMENT OF NET POSITION

August 31, 2020

ASSETS	<u>Total</u>
Current Assets	
Cash and Cash Equivalents	
Cash on Hand	\$ 3,980.00
Cash in Bank	35,999,322.92
Cash in State Treasury	17,028,551.65
Restricted:	
Cash Equivalent	21,486,299.46
Short-Term Investments	4,063,213.90
Legislative Appropriations	18,295,187.01
Receivables:	
Federal	3,723,574.37
Other Intergovernmental	4,466,567.02
Accounts, Net	17,116,726.35
Other	6,907,659.72
Due From Other Agencies	173,415.86
Consumable Inventories	555,533.06
Prepaid Costs	10,671,144.79
Total Current Assets	<u><u>140,491,176.11</u></u>
Non-Current Assets	
Restricted:	
Investments	67,878,998.32
Loans and Contracts	515,183.47
Prepaid Cost	2,874,894.98
Total Non-Current Restricted Assets	<u><u>71,269,076.77</u></u>
Capital Assets:	
Land	17,669,462.57
Construction in Progress	1,359,682.09
Historical Treasures and Works of Art	2,829,312.50
Total Non-Depreciable or Non-Amortizable	<u><u>21,858,457.16</u></u>
Capital Assets Depreciable:	
Buildings and Building Improvements	542,297,550.14
Infrastructure	7,096,483.95
Equipment	38,306,250.14
Library Books	33,663,984.97
Less: Accumulated Depreciation	(351,493,663.33)
Total Depreciable or Amortizable, Net	<u><u>269,870,605.87</u></u>
Total Non-Current Assets	<u><u>362,998,139.80</u></u>
TOTAL ASSETS	<u><u><u>503,489,315.91</u></u></u>
Deferred Outflows	
Deferred Outflows of Resources-Pension	18,295,942.72
Deferred Outflows of Resources-OPEB	69,628,901.00
Deferred Outflows of Resources-ARO	133,462.62
Total Deferred Outflows	<u><u>\$ 88,058,306.34</u></u>

See Notes to Financial Statements.

TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

STATEMENT OF NET POSITION

August 31, 2020

LIABILITIES	Total
Current Liabilities	
Accounts Payable	\$ 13,935,595.09
Payroll Payable	11,624,614.63
Due to Other Agencies	83,609.03
Interest Payable	1,323,381.24
Escheat Payable	423,187.50
Unearned Revenues	44,427,526.49
Student Refunds Payable	1,201,327.97
Other Payables	11,507,978.37
Net OPEB Liability Current	2,612,674.00
Capital Lease Obligation Current	116,792.59
Notes and Loans Current Payable	5,097,594.18
Revenue Bonds Current Payable, Net	10,284,136.67
Employees' Compensable Leave	2,956,682.50
Total Current Liabilities	105,595,100.26
Non-Current Liabilities	
Net Pension Liability	37,133,090.00
Net OPEB Liability	79,820,663.00
Capital Lease Obligation	1,289.46
Notes and Loans Payable	81,775,014.54
Revenue Bonds Payable, Net	77,757,580.66
Employees' Compensable Leave	3,342,093.12
Total Non-Current Liabilities	279,829,730.78
TOTAL LIABILITIES	385,424,831.04
Deferred Inflows	
Deferred Inflows of Resources-Pension	7,387,438.00
Deferred Inflows of Resources-OPEB	20,565,714.00
Total Deferred Inflows	27,953,152.00
NET POSITION	
Net Investment in Capital Assets	131,869,961.05
Restricted For:	
Debt Retirement	881,114.98
Loans	287,986.22
Other Restricted	5,561,221.60
Funds Held as Permanent Investments:	
Nonexpendable	33,900,513.56
Expendable	33,946,441.23
Unrestricted deficit	(28,277,599.43)
TOTAL NET POSITION	\$ 178,169,639.21

See Notes to Financial Statements.

TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For the Year Ended August 31, 2020

	<u>2020</u>
OPERATING REVENUES	
Tuition and Fees-Pledged	\$ 96,229,869.11
Discount on Tuition and Fees	(34,040,324.42)
Auxiliary Enterprises-Pledged	14,800,370.60
Other Sales of Goods and Services-Pledged	410,772.77
Federal Revenue	20,429,889.40
Federal Pass-Through Revenue	639,223.30
State Revenue	760,315.46
State Pass-Through Revenue	4,886,641.03
Other Contracts and Grants-Pledged	988,485.68
Other Operating Revenue	5,413,667.11
Total Operating Revenues	<u>110,518,910.04</u>
OPERATING EXPENSES	
Salaries and Wages	96,630,395.27
Payroll Related Costs	47,867,984.70
Professional Fees and Services	17,286,454.95
Travel	2,321,286.87
Materials and Supplies	11,927,919.76
Communication and Utilities	5,924,249.05
Repairs and Maintenance	7,490,882.79
Rental and Leases	1,570,224.14
Printing and Reproduction	500,781.19
Federal Pass-Through Expense	641,386.52
Bad Debt Expense	400,000.00
Scholarships	19,111,464.02
Other Operating Expenses	9,526,484.18
Depreciation and Amortization	22,732,129.75
Total Operating Expenses	<u>243,931,643.19</u>
Operating Income (Loss)	<u>\$ (133,412,733.15)</u>

See Notes to Financial Statements.

TEXAS SOUTHERN UNIVERSITY
 (An Agency of the State of Texas)
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 For the Year Ended August 31, 2020

	<u>2020</u>
NON-OPERATING REVENUES (EXPENSES)	
Legislative Revenue	\$ 51,561,004.00
Additional Appropriation	10,624,882.07
Gifts	1,091,128.71
Federal Revenue Nonoperating	30,356,097.13
Interest Income	2,966,631.30
Investing Activities Expenses	(380,995.91)
Interest Expense and Fiscal Charges	(6,159,499.82)
Net Increase (Decrease) Fair Value	8,453,261.87
Other Nonoperating Revenue/(Expense)	639,487.06
Total Non-Operating Revenues(Expenses)	<u>99,151,996.41</u>
Income (Loss) Before other Revenues, Expenses, Gains/Losses and Transfers	<u>(34,260,736.74)</u>
OTHER REVENUES, EXPENSES, GAINS, LOSSES AND TRANSFERS	
Capital Appropriations (HEAF)	11,659,843.00
Additions to Permanent and Term Endowments	368,893.20
Lapses	(670,247.02)
Transfer-In	16,225,811.68
Transfer-Out	(16,069,301.54)
Total Other Revenues, Expenses, Gain/Losses and Transfers	<u>11,514,999.32</u>
Change in Net Position	<u>(22,745,737.42)</u>
Beginning Net Position	<u>200,915,376.63</u>
Ending Net Position	<u><u>\$ 178,169,639.21</u></u>

See Notes to Financial Statements.

TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

STATEMENT OF CASH FLOWS

For the Year Ended August 31, 2020

Cash Flows from Operating Activities

	2020
Proceeds from tuition and fees	\$ 51,086,171.82
Proceeds from research grants and contracts	20,489,195.87
Proceeds from state grants and contracts	5,985,720.10
Proceeds from auxiliary enterprises	14,800,370.60
Proceeds from other revenues	319,978.75
Payments to suppliers for goods and services	(49,833,808.90)
Payments to employees for salaries and wages	(92,849,157.69)
Payments for employee related costs	(26,421,678.21)
Payments for other expenses	(29,787,214.12)
Net Cash Provided (Used) by Operating Activities	(106,210,421.78)

Cash Flows from Noncapital Financing Activities

Proceeds from state appropriations	63,054,833.71
Proceeds from gifts	1,460,021.91
Proceeds from other noncapital and related financing activities	437,836.62
Proceeds from grants receipts	30,765,573.31
Net Cash Provided (Used) by Noncapital Financing Activities	95,718,265.55

Cash Flows from Capital and Related Financing Activities

Proceeds from capital appropriations	11,659,843.00
Payments for additions to capital assets	(14,965,356.65)
Payments of principal on debt issuance	(14,117,896.25)
Payments of interest on debt issuance	(6,292,563.15)
Net Cash Provided (Used) by Capital and Related Financing Activities	(23,715,973.05)

Cash Flows from Investing Activities

Proceeds from sale of investments	35,033,302.00
Proceeds from interest and investment income	1,660,919.01
Payments to Acquire Investment	(26,861,891.00)
Net Cash Provided (Used) by Investing Activities	9,832,330.01

Net Increase (Decrease) in Cash and Cash Equivalents	(24,375,799.27)
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Beginning cash and cash equivalents	98,893,953.30
Ending Cash and Cash Equivalents	\$ 74,518,154.03

Unrestricted cash and cash equivalents	53,031,854.57
Restricted cash and cash equivalents	21,486,299.46
Ending Cash and Cash Equivalents	\$ 74,518,154.03

See Notes to Financial Statements.

TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)
STATEMENT OF CASH FLOWS (Continued)
For the Year Ended August 31, 2020

Reconciliation of Operating (Loss) to Net Cash (Used) by Operating Activities	2020
Operating (loss)	\$ (133,412,733.15)
Adjustments to reconcile operating (loss) to net cash (used) by operating activities:	
Depreciation and amortization	22,732,129.75
Bad Debt Expense	400,000.00
Pension Expense	6,850,209.00
OPEB Expense	17,492,040.00
Operating (Loss) and Cash Flow Categories	
 Changes in Operating Assets and Liabilities:	
Accounts receivable, net	3,647,198.19
Federal receivable	(579,916.83)
Inventories	(107,688.38)
Prepaid expenses	1,465,081.59
Other assets	(6,492,946.81)
Deferred outflows of resources-Pension	2,918,231.00
Deferred outflows of resources-OPEB	4,846,643.00
Deferred outflows of resources-ARO and Other	162,104.37
Accounts payable	(2,662,731.00)
Salaries payable	3,598,780.19
Unearned revenue	(15,254,244.61)
Compensated absences liability	182,457.39
Defined benefit pensions	(2,602,782.00)
Defined benefit OPEB	17,290,578.00
Deferred inflows of resources-Pension	3,592,556.00
Deferred inflows of resources-OPEB	(4,648,710)
Due to state	49,790.49
Escheat payable	(41,590.77)
Student refunds payable	842,437.16
Other current liabilities	(2,135,065.36)
Net Cash (Used) by Operating Activities	\$ (106,210,421.78)

See Notes to Financial Statements.

Non-Cash Transactions Net Change in Fair Value of Investments	\$ 8,453,261.87
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717 - TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

NOTES TO FINANCIAL STATEMENTS

For the Year Ended August 31, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Texas Southern University (TSU), reported as a business-type activity in the State of Texas' Comprehensive Annual Financial Report, have been prepared in conformity with generally accepted accounting principles (GAAP) for local governmental units and with State statutes. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

TSU's annual financial report is prepared to satisfy both the requirements of GAAP and the Texas Comptroller of Public Accounts' (the "Comptroller") requirements as specified in the Comptroller's *Reporting Requirements for Annual Financial Reports of State Agencies and Universities*. The Comptroller specifies, among other items, account captions, note organization, and does not allow the rounding of financial statement amounts to whole dollars.

The most significant accounting and reporting policies of TSU are described in the following notes to the financial statements:

A. Reporting Entity

TSU is an agency of the State of Texas (the "State"). No component units have been identified which should be presented within TSU's report.

B. General Background

TSU serves the State by providing education, research, and extension work in the fields of the arts, business, education, law, pharmacy, public affairs, science, and technology. TSU is located within the heart of Houston, Texas. It is home to an increasing diverse population of students with more than 80 undergraduate, graduate and professional degree programs.

C. Financial Statement Presentation

In fiscal year 2020, TSU included reporting consideration for COVID-19 pandemic response, Congress passed:

- Coronavirus Aid, Relief, and Economic Security (CARES) Act
- CARES Act for the Higher Education Emergency Relief Fund (HEERF), which provides budgetary relief to higher education institutions through numerous provisions.

The Act provides economic grants to offset some additional expenses and forgone revenue as a result response to COVID-19.

These financial statements include implementation of (GASB) Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities* an Amendment of GASB Statement No. 34. Requirements of the statement include the following:

- A Management's Discussion and Analysis (MD&A) section providing an analysis of TSU's overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all of TSU's activities.

717 - TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

NOTES TO FINANCIAL STATEMENTS, *Continued*

For the Year Ended August 31, 2020

Statement No. 35 established standards for external financial reporting for all public colleges and universities, which includes a statement of net position, a statement of revenues, expenses, and changes in net position, and a statement of cash flows. It requires the classification of net position into three components – net investment in capital assets; restricted; and unrestricted.

These classifications are defined as follows:

- **Net investment in capital assets** - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- **Restricted** - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, laws, regulations of other governments or constraints imposed by law through constitutional legislation.
- **Unrestricted** - This component of net position consists of net position that does not meet the definition of “restricted” or “net investment in capital assets.”

D. Measurement Focus and Basis of Accounting

For financial reporting purposes, TSU is considered a special-purpose government engaged only in business-type activities. Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods or services. Accordingly, TSU’s financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recorded when an obligation has been incurred.

E. Budgets and Budgetary Accounting

The budget is prepared biennially and represents appropriations authorized by the legislature and approved by the Governor (the General Appropriation Act). Unencumbered appropriations are generally subject to lapse 60 days after the end of the fiscal year for which they were appropriated.

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position

1. Cash and Cash Equivalents

TSU’s cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

2. Balance in Legislative Appropriations

This item represents the balance of general revenue funds at August 31, 2020 as calculated in the Texas Comptroller’s General Revenue Reconciliation.

3. Current Receivables – Other

Other receivables include year-end accruals. Accounts receivables are shown net of an allowance for uncollectible accounts.

717 - TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

NOTES TO FINANCIAL STATEMENTS, Continued

For the Year Ended August 31, 2020

4. Restricted Assets

Restricted assets include monies or other resources restricted by legal or contractual requirements, including those related to sponsored programs, donors, bond covenants, and loan agreements.

5. Investments

In accordance with GASB Statement No. 31, *Accounting and Reporting for Certain Investments and External Investment Pools*, TSU reports all investments at fair value. Changes in unrealized gain (loss) on the carrying value of the investments are reported as a component of investment income in the statement of revenues, expenses, and changes in net position.

6. Inventories and Prepaid Costs

Inventories are valued at cost, utilizing the first-in and first-out method. The consumption method of accounting is used, meaning these items are expensed when the items are consumed. Certain payments to vendors made in advance of the scheduled due date have been recorded as prepaid costs.

7. Capital Assets

Capital assets are defined by the State as follows:

<u>Class of Asset</u>	<u>Threshold</u>
Land and Land Improvements	Capitalize all
Buildings and Building Improvements	\$100,000
Facilities and Other Improvements	\$100,000
Infrastructure-Depreciable	\$500,000
Infrastructure-Non-Depreciable	Capitalize all
Furniture and Equipment/Vehicles	\$5,000
Library Books (collections)	Capitalize all
Works of Art/Historical Treasures	Capitalize all
Leasehold Improvements	\$100,000
Internally Generated Computer Software	\$1,000,000
Other Computer Software	\$100,000
Land Use Rights – Permanent	Capitalize all
Land Use Right – Term	\$100,000
Other Intangible Capital Assets	\$100,000
Construction in Progress	Capitalize all

These assets are capitalized at cost. Donated capital assets, donated works of art, historical treasures and similar items acquired subsequent to fiscal year 2015, are recorded at acquisition value at the date of donation (marketplace value). Major outlays for capital assets and improvements are capitalized as projects are constructed. Depreciation is reported on all exhaustible assets. Inexhaustible assets such as land, works of art and historical treasures are not depreciated.

717 - TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

NOTES TO FINANCIAL STATEMENTS, Continued

For the Year Ended August 31, 2020

Assets are depreciated or amortized over the estimated useful life of the asset using the straight-line method over the following estimated useful years:

<u>Asset Description</u>	<u>Estimated Useful Life</u>
Buildings and improvements	15 to 50 years
Facilities and Other Improvements	22 years
Furniture and equipment	3 to 10 years
Infrastructure	30 to 50 years
Computer software	5 to 6 years
Library Books	15 years
Land use rights	10 years
Capital leases	5 years

8. Accounts Payable

Accounts payable represents the liability for the value of assets or services received at the statement of net position date for which payment is pending.

9. Compensated Absences

Employees' compensable leave balances represent the liability that becomes "due" upon the occurrence of relevant events such as resignations, retirements, and uses of leave balances by covered employees. Liabilities are reported separately as either current or noncurrent in the statement of net position. These obligations are normally paid from the same funding source from which each employee's salary or wage compensation was paid.

10. Bonds Payable – Revenue Bonds

Revenue bonds are reported as short-term liabilities (current for amounts due within one year) and long-term liabilities (noncurrent for amounts due thereafter in the statement of net position). The bonds are reported at par, net of unamortized premiums, discounts, if applicable.

12. Net Position, Deferred Outflows/Inflows of Resources

Net position is the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources.

Deferred outflows of resources is a consumption of an entity's net assets (a decrease in assets in excess of any related decrease in liabilities or an increase in liabilities in excess of any related increase in assets) by the entity that is applicable to a future reporting period.

717 - TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

NOTES TO FINANCIAL STATEMENTS, Continued

For the Year Ended August 31, 2020

The University has three items that qualify for reporting in this category:

- Deferred outflows of resources for pension – Reported in the statement of net position, this deferred outflow results from pension plan contributions made after the measurement date of the net pension liability and the results of 1) differences between projected and actual earnings on pension plan investments; 2) changes in actuarial assumptions; 3) differences between expected and actual actuarial experiences and 4) changes in the proportional share of pension liabilities. The deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the next fiscal year. The deferred outflows resulting from differences between projected and actual earnings on pension plan investments will be amortized over a closed five year period. The remaining pension related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions through the pension plan.
- Deferred outflows of resources for post-employment benefits – Reported in the statement of net position, this deferred outflow results from OPEB plan contribution made after the measurement date of the net OPEB liability and the results of 1) differences between projected and actual earnings on OPEB plan investments and 2) changes in the University's proportional share of OPEB liabilities. The deferred outflows of resources related to post-employment benefits resulting from the University's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the next fiscal year. The deferred outflows resulting from differences between projected and actual earnings on OPEB plan investments will be amortized over a closed five year period. The remaining deferred outflows will be amortized over the expected remaining service lives of the employees (active and inactive employees) that are provided with post-employment benefits through the post-employment benefit plan.
- Deferred outflows of resources for asset retirement obligations – Reported in the statement of net position, this deferred outflow results from laws and regulations requiring specific action to retire certain tangible capital assets, such as decommissioning radioactive equipment at end of the useful life. The statement establishes a criteria for recognition of a liability and deferred outflows of resources.

A deferred inflow of resources is an acquisition of an entity's net position (an increase in assets in excess of any related increase in liabilities or a decrease in liabilities in excess of any related decrease in assets) by the entity that is applicable to a future reporting period. The University has two items that qualify for reporting in this category:

- Deferred inflows of resources for pension – Reported in the statement of net position, these deferred inflows result primarily from 1) changes in actuarial assumptions; 2) differences between expected and actual actuarial experiences and 3) changes in the proportional share of pension liabilities. These pension related deferred inflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions through the pension plan.
- Deferred inflows of resources for post-employment benefits – Reported in the statement of net position, these deferred inflows result primarily from 1) changes in actuarial assumptions and 2) differences between expected and actual actuarial experiences. These post-employment related deferred inflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with post-employment benefits through the post-employment benefit plan.

717-TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

NOTES TO FINANCIAL STATEMENTS, Continued

For the Year Ended August 31, 2020

13. Other Post-Employment Benefits (OPEB)

The University participates in the Employees Retirement System of Texas (ERS) State Retiree Health Plan (SRHP). The fiduciary net position of the ERS has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes, for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits; OPEB expense; and information about assets, liabilities and additions to/deductions from SRHP's fiduciary net position. Benefit payments are recognized when due and are payable in accordance with the benefit terms.

14. Pensions

The University participates in the Teacher Retirement System of Texas (TRS) pension plan, a multiple employer cost-sharing-defined benefit pension plan with a special funding situation. The fiduciary net position of TRS has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes, for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

G. Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

H. Operating versus Non-operating Revenues

TSU categorizes revenues as operating versus non-operating following the Comptroller's guidelines. Generally, all revenues are considered operating revenue unless they are non-exchange transactions, such as State appropriations, gifts, or investment related earnings. In addition, Title IV funds are reported as Non-operating revenues.

I. Restricted versus Unrestricted Resources

Expenses incurred by TSU for items that could be applied to restricted or unrestricted sources are first applied to unrestricted sources, unless such items were specifically budgeted for use from a restricted source.

J. Economic Dependency

TSU relies extensively on State appropriations as well as resources from grantor agencies to support its operations.

717-Texas Southern University

(An Agency of the State of Texas)

NOTES TO FINANCIAL STATEMENTS, Continued

For the Year Ended August 31, 2020

NOTE 2: CAPITAL ASSETS

During fiscal year 2020, TSU collected \$5,646,920.52 in insurance recoveries that are reported in the financial statements as other nonoperating revenue/expenses. A summary of changes in capital assets for the year ended August 31, 2020 is as follows:

	Balance 9/1/2019	Reclassify Completed CIP	Additions	Deletions	Balance 8/31/2020
Non-depreciable or Non-amortizable Assets					
Land and Land Improvements	\$ 17,355,199.60	\$ -	\$ 314,262.97	\$ -	\$ 17,669,462.57
Construction in Progress	-	-	1,359,682.09	-	1,359,682.09
Other Tangible Capital Assets	2,829,312.50	-	-	-	2,829,312.50
Total Non-depreciable/amortizable	20,184,512.10	-	1,673,945.06	-	21,858,457.16
Depreciable Assets					
Buildings and Building Improvements	515,908,147.72	-	9,418,542.55	-	525,326,690.27
Infrastructure	7,096,483.95	-	-	-	7,096,483.95
Facilities and Other Improvements	16,951,074.87	-	19,785.00	-	16,970,859.87
Furniture and Equipment	33,758,111.06	-	758,016.72	(137,504.54)	34,378,623.24
Vehicle, Boats and Aircraft	2,680,307.72	-	684,527.10	(151,755.00)	3,213,079.82
Other Capital Assets	31,980,447.96	-	2,410,540.22	(727,003.21)	33,663,984.97
Total Depreciable Assets	608,374,573.28	-	13,291,411.59	(1,016,262.75)	620,649,722.12
Less Accumulated Depreciation for:					
Buildings and Building Improvements	(269,463,393.22)	-	(17,508,417.90)	-	(286,971,811.12)
Infrastructure	(3,919,132.80)	-	(417,970.20)	-	(4,337,103.00)
Facilities and Other Improvements	(12,783,533.40)	-	(346,486.44)	-	(13,130,019.84)
Furniture and Equipment	(27,030,599.69)	-	(1,964,076.94)	137,504.54	(28,857,172.09)
Vehicle, Boats, and Aircraft	(1,806,061.58)	-	(247,312.86)	151,755.00	(1,901,619.44)
Other Capital Assets	(14,199,159.38)	-	(2,198,936.85)	727,003.21	(15,671,093.02)
Total Accumulated Depreciation	(329,201,880.07)	-	(22,683,201.19)	1,016,262.75	(350,868,818.51)
Depreciable Assets, Net	279,172,693.21	-	(9,391,789.60)	-	269,780,903.61
Intangible Capital Assets- Amortizable					
Computer Software - Intangible	724,547.08	-	-	(10,000.00)	714,547.08
Total Intangible Capital Assets	724,547.08	-	-	(10,000.00)	714,547.08
Less Accumulated Amortization for:					
Computer Software - Intangible	(585,916.26)	-	(48,928.56)	10,000.00	(624,844.82)
Total Accumulated Amortization	(585,916.26)	-	(48,928.56)	10,000.00	(624,844.82)
Intangible Capital Assets	138,630.82	-	(48,928.56)	-	89,702.26
Business Activities Capital Assets, Net	\$ 299,495,836.13	\$ -	\$ (7,766,773.10)	\$ -	\$ 291,729,063.03

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NOTES TO FINANCIAL STATEMENTS, Continued

For the Year Ended August 31, 2020

Construction commitments outstanding at year end were as follows:

Bldg No.	Project Description/ Project Manager	Overall Project Budget	Total Spent To Date	Remaining Balance
201	Library\Learning Center Café	\$ 600,000.00	\$ 21,945.00	\$ 578,055.00
	Thermal Plant and Tunnel	5,198,000.00	948,738.92	4,249,261.08
	Vivarium Renovation	1,375,056.00	388,998.17	986,057.83
		<u>\$ 7,173,056.00</u>	<u>\$ 1,359,682.09</u>	<u>\$ 5,813,373.91</u>

NOTE 3: DEPOSITS AND INVESTMENTS

A. Cash in Bank-Carrying Amount

As of August 31, 2020, the carrying amount of cash is:

<u>Carrying Amount-Cash in Bank</u>	<u>Amount</u>
Cash in Bank- Carrying Amount	\$ 35,999,322.92
Less: Nonnegotiable CD's included in Carrying Amount	-
Less: Uninvested Collateral Included in Carrying Amount	-
Total Cash In Bank	<u>\$ 35,999,322.92</u>
Current Assets Restricted Cash in Bank	-
Cash in Bank Per AFR	<u>\$ 35,999,322.92</u>

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, TSU 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 bank balances that were exposed to custodial credit risks are as follows:

Fund Type	Uninsured and uncollateralized	Uninsured and collateralized with securities held by the pledging financial institution	Uninsured and collateralized with securities held by the pledging financial institution's trust department but not in the state's name
5	\$0.00	\$35,999,322.92	\$0.00

B. Investments

TSU has adopted written investment policies regarding the investment of its endowment and non-endowed funds. All investments shall be made in accordance with applicable laws, the investment policies, and resolutions of the Board of Regents. In summary, TSU is authorized to invest in the following:

- Direct obligations of the U.S. Government or its agencies and instrumentalities
- Obligations of this State, or its agencies or its instrumentalities
- Fully collateralized certificates of deposit
- Fully collateralized repurchase agreements or reverse repurchase agreements
- Bankers' acceptance notes
- Commercial paper

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NOTES TO FINANCIAL STATEMENTS, Continued

For the Year Ended August 31, 2020

Mutual funds

Investment pools

Cash management and fixed income funds exempt from federal income taxation

Negotiable certificates of deposit

Corporate bonds rated in one of the two highest categories

Common or convertible preferred stock

Foreign government bonds

Foreign corporate bonds

As of August 31, 2020, TSU had the following investments:

Investment Type	Fair Value
U.S. Government Agency Obligations	\$ 4,493,769.26
U.S. Treasury Securities	3,125,133.33
Equity	48,894,017.55
Taxable Municipal Issues	402,276.35
Corporate Obligations	7,880,889.22
International Equity	2,226,732.32
TexSTAR Investment Pool	1,371,101.26
Fixed Income Money Market Funds	25,034,592.39
Total Fair Value	<u>\$ 93,428,511.68</u>

Credit risk. Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. TSU's investment policy limits investments in obligations of states, agencies, counties, cities, and other political subdivisions of any investments rated greater than A or its equivalent. Corporate bonds, debentures, or similar debt instruments must be rated by a nationally recognized investment rating firm in one of the two highest long-term rating categories, without regard to gradation within those categories.

The following table presents each applicable investment type grouped by rating as of August 31, 2020:

Investment Ratings

Investment Type	AAA	AA	AA+	AA-	A
U.S. Treasury Securities	\$ 3,125,133.33	\$ -	\$ -	\$ -	\$ -
Corporate Obligations	\$ 1,137,845.29	\$ 40,174.80	\$ 190,808.51	\$ -	\$ 706,488.08

Investment Ratings

Investment Type	A+	A-	BBB	BBB+	BBB-
Corporate Obligations	\$ 498,090.51	\$ 1,793,856.76	\$ 1,875,171.47	\$ 1,546,268.47	\$ 92,185.33

Unrated

Investment Type	
U.S. Government Agency Obligations	\$ 4,493,769.26
Equity	\$ 48,894,017.55
International Equity	\$ 2,226,732.32
Fixed Income Money Market Funds	\$ 25,034,592.39
Taxable Municipal Issues	\$ 402,276.35

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NOTES TO FINANCIAL STATEMENTS, Continued

For the Year Ended August 31, 2020

Concentration of credit risk – investments. TSU's investment policy contains diversification as an investment risk but does not contain any limitation on a dollar amount that may be invested in a specific maturity, issuer, or class of investment for its non-endowment funds and endowment funds.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, TSU will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. TSU's investment policy requires safekeeping securities at financial institutions, avoiding physical possession. Further, all trades, where applicable, are executed by delivery versus payment to ensure that securities are deposited in TSU's safekeeping account prior to the release of funds. The investments of \$93,428,511.68 are exposed to Uninsured and Unregistered Fair Value, Securities Held by Counterparty Custodial Credit Risk.

Investment Pool: The university is a voluntary participant in the external investment pool with fair value measured as follows:

Investment Pool	Measurement	Credit Risk
TexSTAR	Net Asset Value	AAAm

Interest rate risk-investments. For an investment, this is the risk that changes in interest rates will adversely affect the fair value of an investment.

The following table demonstrates TSU's interest rate risk.

Investment Type	Fair Value	Less				More than 10
		Than 1	1 to 5	6 to 10		
Agency Discount Securities	\$ 2,674,681.80	\$ 2,674,681.80	\$ -	\$ -	\$ -	
Agencies	1,819,087.46	-	15,165.00	116,652.45	1,687,270.01	
Treasuries	3,125,133.33	456,965.12	1,276,576.46	115,660.46	1,275,931.29	
Taxable Municipal Issues	402,276.35	-	60,155.15	209,230.20	132,891.00	
Corporate Obligations	7,880,889.22	447,361.99	3,025,156.04	1,500,475.45	2,907,895.74	
International Corporate Obligations	508,882.60	-	261,657.60	247,225.00	-	
Money Market Funds	25,034,592.39	25,034,592.39	-	-	-	
Total	\$ 41,445,543.15	\$ 28,613,601.30	\$ 4,638,710.25	\$ 2,189,243.56	\$ 6,003,988.04	

Fair value measurement – investments. GASB 72 addresses accounting and reporting issues related to fair value measurements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly fashion between market participants at measurement date. GASB 72 establishes a Fair Value Hierarchy that includes three levels of input based on reliability and objectivity of the information:

Level 1 — inputs are quoted prices (unadjusted) in active markets for assets or liabilities identical to the ones being measured. Level 1 inputs receive the highest priority.

Level 2 — inputs are observable for similar assets or liabilities, either directly (quoted market prices for similar assets or liabilities) or indirectly (corroborated from observable market information).

Level 3 — inputs are unobservable (for example: management's assumption of the default rate among underlying mortgages of a mortgage-backed security). Level 3 inputs receive the lowest priority.

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NOTES TO FINANCIAL STATEMENTS, Continued

For the Year Ended August 31, 2020

Fair Value Hierarchy for TSU's investments as of August 31, 2020 is as follows:

Investments	Fair Value Hierarchy				
	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Net Asset Value	Fair Value
U. S. Government					
U. S. Government Agency Obligations	\$ -	\$ 4,493,769.26	\$ -	\$ -	\$ 4,493,769.26
U. S. Treasury Securities	3,125,133.33	-	-	-	3,125,133.33
Equity	48,894,017.55	-	-	-	48,894,017.55
Corporate Obligations	-	7,880,889.22	-	-	7,880,889.22
Taxable Municipal Issues	-	402,276.35	-	-	402,276.35
International Equity	-	1,717,849.72	-	-	1,717,849.72
International Corporate Obligations	-	508,882.60	-	-	508,882.60
TexSTAR Investment Pool	-	-	-	1,371,101.26	1,371,101.26
Fixed Income Money Market Funds	25,034,592.39	-	-	-	25,034,592.39
Total Investments	\$ 77,053,743.27	\$ 15,003,667.15	\$ -	\$ 1,371,101.26	\$ 93,428,511.68

NOTE 5: SUMMARY OF LONG-TERM LIABILITIES

During the year ended August 31, 2020, the following changes occurred in the long-term liabilities:

Long-Term Liabilities	Balance 9/1/2019	Additions	Reductions	Balance 8/31/2020	Amounts Due Within One Year	Amounts Due Thereafter
Revenue Bonds Payable:						
Series 2011	\$ 20,495,000.00	\$ -	\$ 1,365,000.00	\$ 19,130,000.00	\$ 1,440,000.00	\$ 17,690,000.00
Series 2013	21,680,000.00	-	5,675,000.00	16,005,000.00	5,965,000.00	10,040,000.00
Series 2016	49,185,000.00	-	1,965,000.00	47,220,000.00	2,045,000.00	45,175,000.00
Premiums & discounts	6,599,258.05	-	912,540.72	5,686,717.33	834,136.67	4,852,580.66
Total revenue bonds	97,959,258.05	-	9,917,540.72	88,041,717.33	* 10,284,136.67	77,757,580.66
Notes Payable:						
Capital Lease Obligations	243,839.17	-	125,757.12	118,082.05	116,792.59	1,289.46
HBCU 2011-4 (Direct Borrowing)	47,359,136.22	-	2,469,845.88	44,889,290.34	2,525,179.55	42,364,110.79
HBCU 2012-10 (Direct Borrowing)	44,500,611.63	-	2,517,293.25	41,983,318.38	2,572,414.63	39,410,903.75
Total notes payable	92,103,587.02	-	5,112,896.25	86,990,690.77	* 5,214,386.77	81,776,304.00
Other Liabilities:						
Asset Retirement Obligations	295,566.99	-	162,104.37	133,462.62	-	133,462.62
Employees' Compensated Leave	6,116,318.23	236,622.30	54,164.91	6,298,775.62	2,956,682.50	3,342,093.12
Total other liabilities	6,411,885.22	236,622.30	216,269.28	6,432,238.24	2,956,682.50	3,475,555.74
Total	\$ 196,474,730.29	\$ 236,622.30	\$ 15,246,706.25	\$ 181,464,646.34	\$ 18,455,205.94	\$ 163,009,440.40

Long-term Debt Due in More Than One Year \$ 163,009,440.40

*Debt associated with capital assets \$ 175,032,408.10

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NOTES TO FINANCIAL STATEMENTS, Continued

For the Year Ended August 31, 2020

Annual debt service requirements to maturity for revenue bonds are as follows:

Year Ending Aug. 31	Revenue Bonds	
	Principal	Interest
2021	\$ 9,450,000.00	\$ 3,821,018.76
2022	9,940,000.00	3,331,768.76
2023	6,770,000.00	2,922,143.76
2024	4,930,000.00	2,637,493.76
2025	4,295,000.00	2,397,612.50
2025-2029	25,425,000.00	8,021,762.50
2030-2034	17,650,000.00	2,418,800.00
2035-2039	3,895,000.00	116,850.00
Total	\$ 82,355,000.00	\$ 25,667,450.04

Interest expense incurred on revenue bonds for the year ended August 31, 2020 totaled \$4,118,747.89.

A. Notes and Loans Payable – Direct Borrowing

1. Student Housing-University Towers

On September 27, 2012, pursuant to the Board resolution made on July 6, 2012, TSU secured financing to construct new student housing, consisting of 800 beds, to be located on the eastside of the campus at Wheeler and Sampson streets. The financing of this project is through the U.S. Department of Education's Historically Black Colleges and Universities loan program initiative. The amount of the loan is not to exceed \$55,000,000.00. The total amount of proceeds advanced under this loan is \$53,588,626.43. Pursuant to the terms of the loan agreement, the last day to advance funds was March 1, 2016. The building was placed into service during August 2016. Interest expense was capitalized through July 31, 2016. The interest rate will be fixed for each advance equal to U.S. Treasury yields prevailing at the dates at each advance plus 22.5 basis points (.225%). Scheduled payment dates are May 1st and November 1st of each year. The first principal payment date is November 2, 2016 and the maturity date is May 1, 2034. The debt service is secured by Housing rental revenues. Estimated loan debt requirements are as follows:

Year Ending August 31,	Principal	Interest	Total Estimated Annual Amounts
2021	\$ 2,572,414.63	\$ 948,569.39	\$ 3,520,984.02
2022	2,639,111.42	881,872.60	3,520,984.02
2023	2,699,279.67	821,704.35	3,520,984.02
2024	2,756,751.34	764,232.68	3,520,984.02
2025	2,821,973.71	699,010.31	3,520,984.02
2026-2030	15,108,900.22	2,496,019.88	17,604,920.10
2031-2034	13,384,887.39	699,048.10	14,083,935.49
	\$ 41,983,318.38	\$ 7,310,457.31	\$ 49,293,775.69

Interest incurred for the year ended August 31, 20 totaled \$964,330.78

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NOTES TO FINANCIAL STATEMENTS, Continued

For the Year Ended August 31, 2020

Events of default in the loan include: failure to make payments when due, failure to perform other terms or conditions, failure to make payments in the amount of \$100,000 or more, abandonment of the project for more than 30 days, or failure to substantially complete the project.

The loan agreement may be terminated and any loan funds which have been provided until the event of default as well as the accrued interest from the date the funds were received will be immediately due and payable to the lender.

2. Parking Garage

On September 26, 2011, pursuant to the Board resolution made in June 2011, TSU acquired the East and West parking garages from the Central Houston Parking, L.L.C. The acquisition was financed through U.S Department of Education's Historical Black Colleges and Universities loan program initiative. The loan amount was \$64,180,000.00. Existing debt service funds and reserves held by the trustees in Bank of New York Trust Company, NA., were also applied in the satisfaction of the purchase agreement and terms. Consequently, Central Houston Parking has since relinquished all beneficial interests, rights and title of the properties. The cost of the purchase was \$33,307,026.59. The debt service is secured by parking revenues.

3. Student Housing - Tierwester Oaks and Richfield Manor Apartments

On September 26, 2011, pursuant to the Board resolution made in June 2011, TSU acquired the Tierwester Oaks and Richfield Manor Apartments from the Houston Student Housing II, L.L.C. The acquisition was financed through U.S Department of Education's Historical Black Colleges and Universities loan program initiative. The loan amount was \$64,180,000.00.

Existing debt service funds and reserves held by the trustees in Bank of New York Trust Company, NA., were also applied in the satisfaction of the purchase agreement and terms. Consequently, Houston Student Housing II has since relinquished all beneficial interests, rights and title of the properties. The cost of the purchase was \$21,442,969.78. The debt service is be secured by housing rental revenues.

4. Student Housing – The University Courtyard Apartments

On September 26, 2011, pursuant to the Board resolution made in June 2011, TSU acquired the University Courtyard apartments from the Houston Student Housing, L.L.C. The acquisition was financed through U.S Department of Education's Historical Black Colleges and Universities loan program initiative. The loan amount was \$64,180,000.00.

Existing debt service funds and reserves held by the trustees in Bank of New York Trust Company, NA., were also applied in the satisfaction of the purchase agreement and terms. Consequently, Houston Student Housing has since relinquished all beneficial interests, rights and title of the properties. The cost of the purchase was \$9,817,505.80. The debt service is be secured by housing rental revenues. Estimated loan debt requirements are as follows:

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NOTES TO FINANCIAL STATEMENTS, Continued

For the Year Ended August 31, 2020

Year Ending August 31,	Principal	Interest	Total Estimated Annual amount
2021	\$ 2,525,179.55	\$ 1,040,678.41	\$ 3,565,857.96
2022	2,593,126.38	972,731.58	3,565,857.96
2023	2,653,825.95	912,032.01	3,565,857.96
2024	2,711,366.64	854,491.32	3,565,857.96
2025	2,777,420.24	788,437.72	3,565,857.96
2026-2030	14,895,851.43	2,933,438.37	17,829,289.80
2031-2035	16,732,520.15	1,096,769.40	17,829,289.55
	<u>\$44,889,290.34</u>	<u>\$ 8,598,578.81</u>	<u>\$ 53,487,869.15</u>

Interest expense incurred for the year ended August 31, 2020 totaled \$1,055,882.99

Events of default in the loan include: failure to make payments when due, failure to perform other terms or conditions, failure to make payments in the amount of \$100,000 or more, abandonment of the project for more than 30 days, or failure to substantially complete the project.

The loan agreement may be terminated and any loan funds which have been provided up until the event of default as well as the accrued interest from the date the funds were received will be immediately due and payable to the lender.

B. Compensated Absences

A State employee is entitled to be paid for all unused vacation time accrued, in the event of the employee's resignation, dismissal, or separation from State employment, provided the employee has had continuous employment with the State for six months. An expense and liability are recorded as the benefits accrue to employees. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits. This obligation is usually paid from the same funding source from which the employee's salary or wage compensation was paid.

C. Asset Retirement Obligations

TSU purchased radiation equipment with retirement obligations. TSU must estimate the new obligation amount using probability weighting and record the initial measurement as a deferred outflow of resources ARO and a noncurrent ARO. TSU must assess any relevant factors annually to determine if a significant change in current value has occurred, if so, record the change in ARO deferred outflow of resources and noncurrent ARO. When the radiation equipment reaches the end of their useful life, the value of the ARO is moved to current ARO. Current ARO is then reduced by the amount of actual expenditures to retire the asset, with an offset to deferred outflows of resources.

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NOTES TO FINANCIAL STATEMENTS, Continued

For the Year Ended August 31, 2020

NOTE 6: BONDED INDEBTEDNESS

Revenue Bonds, Series 2011

Purpose	To construct the new Leonard Spearman Technology Building
Amount of Issue	\$31,500,000; all authorized have been issued
Issue Date	11-01-2010
Type of Bond	Revenue Bond - Self Supporting
Reporting	Business-type Activities
Source of Revenue	Pledged Revenues
Change in Debt	None

Revenue Bonds, Series 2013

Purpose	On August 28, 2013 TSU defeased \$64,485,000 of outstanding revenue bonds. The transaction refunded bonds 1998A-1, 1998A-2, 1998B, 2002 and 2003 series.
Amount of Issue	\$62,355,000; all authorized have been issued
Issue Date	08-28-2013
Type of Bond	Revenue Bond - Self Supporting
Reporting	Business-type Activities
Source of Revenue	Pledged Revenues
Change in Debt	None

Revenue Bonds, Series 2016

Purpose	On June 23, 2016, TSU Board of Regents authorized the issuance of revenue financing system bonds for the purpose of constructing a library/learning center
Amount of Issue	\$55,490,000; all authorized have been issued
Issue Date	09-15-2016
Type of Bond	Revenue Bond - Self Supporting
Reporting	Business-type Activities
Source of Revenue	Pledged Revenues
Change in Debt	None

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NOTES TO FINANCIAL STATEMENTS, Continued

For the Year Ended August 31, 2020

NOTE 8: LEASES

Operating Leases

Included in the expenses reported in the financial statements are the following amounts of rent paid or due under operating lease obligations.

<u>Fund Type</u>	<u>Amount</u>
General Fund	<u>\$1,100,826.88</u>

Future minimum lease rental payments under non-cancelable operating leases having an initial term in excess of one year are as follows:

<u>Year Ending August 31,</u>	<u>Minimum Lease Payments</u>
2021	\$ 746,434.84
2022	-
2023	-
2024	-
2025	-
Total	<u>\$ 746,434.84</u>

Capital Leases

TSU entered into an agreement with Texas Public Finance (TPFA) Authority to purchase capital equipment for \$420,226.00 in fiscal year 2016.

Agencies that enter into a contractual agreement with TPFA to finance capital projects are required to record the asset acquired and the related depreciation. TPFA records the related liability and interest. The decision to record the asset and related liability separately, in two different agencies, is based on the fact the CAFR combines all agencies and thus matches the assets and related liabilities on the statewide basis. Each agency must enter the annual capital outlay transfer in/out in USAS.

TSU entered into long-term lease for financing the purchase of capital vehicles. Such leases are classified as capital leases for accounting purposes and are recorded at present value of the future minimum lease payment at the inception of the lease.

A summary of original capitalized costs of all such property under lease in addition to the accumulated depreciation as of August 31, 2020, is presented below.

Assets Under Capital Leases

August 31, 2020

<u>Type</u>	<u>Business-Type Activities</u>		
	<u>Assets under Capital Lease</u>	<u>Accumulated Depreciation</u>	<u>Total</u>
Vehicles	\$378,794.51	\$ (112,558.47)	\$ 266,236.04
Total	<u>\$378,794.51</u>	<u>\$ (112,558.47)</u>	<u>\$ 266,236.04</u>

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NOTES TO FINANCIAL STATEMENTS, Continued

For the Year Ended August 31, 2020

Future minimum lease payments under these capital leases, together with the present value of the net minimum lease payments at fiscal year-end are:

Future Capital Lease Payments

August 31, 2020

Year	Business-Type Activities		Total Future Minimum Lease
	Principal	Interest	
2021	\$ 116,792.59	\$ 1,254.28	\$ 118,046.87
2022	1,289.46	2.73	1,292.19
2023	-	-	-
2024	-	-	-
2025	-	-	-
Total	<u>\$ 118,082.05</u>	<u>\$ 1,257.01</u>	<u>\$ 119,339.06</u>

NOTE 9: EMPLOYEE RETIREMENT PLANS

A. Teacher Retirement System (TRS)

All TSU personnel employed in a position on a half time or greater basis for at four and a half months or more are eligible for membership in TRS. Members with at least five years of service at age 65 or any combination of age plus years of service which equals 80, have a vested right to retirement benefits. Additionally, reduced benefits are available at age 55 with at least five years of service or at any age below 50 with 30 years of service. Members are fully vested after five years of service and are entitled to any benefits for which the eligibility requirements have been met.

TRS contribution rates for both employers and employees are not actuarially determined but are legally established by the State Legislature. Contributions by employees are 7.7 percent of gross earnings. Depending upon the source of funding for the employee's compensation, the State or TSU contributes a percentage of participant salaries totaling 7.5 percent of annual compensation. TSU's contributions to TRS for the year ended August 31, 2020 were \$2,492,675.00, which equaled the amount of the required contributions for the year.

Each of TRS's component government agencies accounts for its share of the pension fund based on its proportionate share of the State of Texas TRS Pension Fund. Disclosures regarding TSU's proportionate share as well as the underlying actuarial assumptions and conclusions are discussed in a separate note.

Optional Retirement Program (ORP)

The State of Texas has also established an Optional Retirement Program ("ORP") for institutions of higher education. Participation in the ORP is in lieu of participation in TRS. The ORP provides for the purchase of annuity contracts and mutual funds. Participants are vested in the employer contributions after one year and one day of service. The contributory percentages of participant salaries currently provided by the State of Texas and each participant are 6.60 percent and 6.65 percent, respectively. Depending upon the source of funding for the employee's compensation, TSU may be required to make the employer contributions in lieu of the State. Additionally, the State or TSU must make additional contributions above six percent depending upon the employee's date of hire. Since these are individual annuity contracts, the State and TSU have no additional or unfunded liability for this program.

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NOTES TO FINANCIAL STATEMENTS, Continued

For the Year Ended August 31, 2020

<u>Employee Retirement Plans</u>	<u>Aug. 31, 2020</u>
Employee Contribution	\$ 2,310,619.56
Employer Contribution	<u>2,570,327.85</u>
	<u>\$ 4,880,947.41</u>

NOTE 9A: TRS PENSION FUND - TSU's PROPORTIONATE SHARE

The State of Texas has three retirement systems in its financial reporting entity – Employees Retirement System (ERS), Teacher Retirement System (TRS), and Texas Emergency Services Retirement System (TESRS). These three retirement systems administer the following six defined benefit pension plans:

- ERS – the Employees Retirement System of Texas Plan (ERS), the Law Enforcement and Custodial Officer Supplemental Retirement Plan (LECOS), the Judicial Retirement System of Texas Plan One (JRS 1) and Judicial Retirement System of Texas Plan Two (JRS2).
- TRS – the Teacher Retirement System of Texas (TRS) plan
- TESRS – the Texas Emergency Services Retirement System (TESRS) plan.

ERS, LECOS, JRS2, TRS, and TESRS plans are administered through trust; JRS1 plan is on a pay-as-you-go basis.

TRS plan

Teacher Retirement System is the administrator of the TRS plan, a cost-sharing, multiple-employer defined benefit pension plan with a special funding situation.

The employers of the TRS Plan include the state of Texas, TRS, the state's public schools, education service centers, charter schools, community and junior colleges. All employees of public, state-supported education institutions in Texas who are employed for one-half or more of the standard work load and not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system. Employees of TRS and state of Texas colleges, universities and medical schools are members of 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 Legislature. The pension benefit formulas are based on members' average annual compensation and years of service credit. The standard annuity is 2.3 percent of the average of the five highest annual salaries multiplied by years of service credit. For grandfathered members 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 Comprehensive Annual Financial Report (CAFR) for Teacher Retirement System may be obtained from their website at www.trs.state.tx.us and searching for financial reports:

During the measurement period of 2019 for fiscal 2020 reporting, the amount of TSU's contributions recognized by the plan was \$2,500,240.00. The contribution rates are based on a percentage of the monthly gross compensation for each member. The contribution requirements for the state and the members in the measurement period are presented in the table below:

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For the Year Ended August 31, 2020

Required Contribution Rates

	TRS Plan
Contribution Rates	
Employer	6.8%
Employees	7.7%

The total pension liability is determined by an annual actuarial valuation. The table below presents the actuarial methods and assumptions used to measure the total pension liability as of the August 31, 2019 measurement date.

Actuarial Methods and Assumptions*

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

Notes:

*The assumptions used to determine the ADC are those in effect for the August 31, 2018 actuarial valuation. Due to the lag between valuation data and the measurement date, they may not be the same assumptions used to measure the Net Pension Liability.

**Source for the rate is Fixed Income Market Date/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."

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For the Year Ended August 31, 2020

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

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

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

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

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

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

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

Asset Class	Target Allocation	Long-Term Expected Arithmetic Real Rate of Return
Global Equity		
U.S.	18.00%	6.40%
Non-U.S. Developed	13.00%	6.30%
Emerging Markets	9.00%	7.30%
Private Equity	14.00%	8.40%
Stable Value		
U.S. Treasury	16.00%	3.10%
Stable Value Hedge Funds	5.00%	4.50%
Real Return		
Real Assets	15.00%	8.50%
Energy and Natural Resources		

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And Infrastructure	6.00%	7.30%
Risk Parity		
		5.80%
Risk Parity	8.00%	6.50%
Cash	2.00%	2.50%
Asset Allocation Leverage	-6.00%	2.70%
Total	<u>100%</u>	

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

Sensitivity of TSU's Proportionate Share of Net Pension Liability to Changes in Discount Rate

1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
<u>\$ 57,078,954</u>	<u>\$ 37,133,090</u>	<u>\$20,973,091</u>

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

At August 31, 2020, TSU reported a liability of \$37,133,090 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of August 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. TSU's proportion at August 31, 2020 was .0714329688 percent which was a decrease from the .0721913500 percent measured at the prior measurement date. TSU's proportion of the collective net pension liability was based on its contributions to the pension plan relative to the contributions of all the employers and non-employer contributing entity to the plan for the period September 1, 2018 through August 31, 2019.

For the year ending August 31, 2020, TSU recognized pension expense of \$6,850,209. At August 31, 2020, TSU reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 155,992	\$ 1,289,320
Change of assumptions	11,520,508	4,760,819
Net difference between projected and actual investment return	372,859	-
Change in proportion and contribution difference	3,753,909	1,337,299
Contribution subsequent to the measurement date	2,492,675	-
Total	<u>\$ 18,295,943</u>	<u>\$ 7,387,438</u>

The \$2,492,675.00 reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending August 31, 2020.

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For the Year Ended August 31, 2020

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

Year Ending August 31,	Amortization of deferred outflows/inflows
2021	\$ 1,376,039.00
2022	1,069,391.00
2023	2,668,802.00
2024	2,643,664.00
2025	1,016,283.00
Thereafter	(358,349.00)
Total	<u>\$ 8,415,830.00</u>

NOTE 9B: ERS OPEB Plan – TSU's PROPORTIONATE SHARE

ERS plan

Employees Retirement System is the administrator of the State Retiree Health Plan (SRHP), a cost-sharing, multiple-employer defined benefit OPEB plan with a special funding situation.

The 61 employers of SRHP include state of Texas agencies and universities, community and junior colleges, and other entities specified by the Legislature. Benefits are provided to retirees through the Texas Employees Group Benefits Program as authorized by Texas Insurance Code, Chapter 1551.

The SRHP provides postemployment health care, life and dental insurance benefits to retirees. The benefit and contribution provisions of the SRHP are authorized by state law and may be amended by the Legislature. Retirees must meet certain age and service requirements and have at least 10 years of service at retirement to participate in the plan. Surviving spouses and dependents of retirees are also covered by the plan. The plan does not provide automatic cost of living adjustments.

ERS issued a stand-alone audited Comprehensive Annual Financial Report (CAFR). The ERS CAFR may be obtained from their website at www.ere.texas.gov and searching for reports and studies.

During the measurement period of 2019 for fiscal 2020 reporting, the amount of TSU's contributions recognized by the plan was \$7,067,429.82. The employer does not contribute toward dental or optional life insurance. Surviving spouses and their dependents do not receive any employer contribution.

The contribution requirements for the state and the members in the measurement period are presented in the table below:

Employer Contribution Rates

Retiree Health and Basic Life Premium

Retiree Only	\$624.82
Retiree & Spouse	1,340.82
Retiree & Children	1,104.22
Retiree & Family	1,820.22

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The total OPEB liability is determined by an annual actuarial valuation. The table below presents the actuarial methods and assumptions used to measure the total OPEB liability as of the August 31, 2019 measurement date.

Actuarial Methods and Assumptions

	SRHP
Actuarial Valuation Date	August 31, 2019
Actuarial Cost Method	Entry Age
Amortization Method	Level Percent of Payroll, Open
Remaining Amortization Period	30 Years
Actuarial Assumptions:	
Discount Rate	2.97%*
Inflation	2.50%
Salary Increase	2.50% to 9.50%, including inflation
Healthcare Cost and Trend Rate	7.30% for FY 2021, 7.40% for FY2022, 7.00% for FY2023, decreasing 0.50% per year to ultimate rate 4.50% for FY 2028 and later years
HealthSelect	10.80% for FY 2021, 7.40% for FY2022, 7.00% for FY2023, decreasing 0.50% per year to ultimate rate 4.50% for FY 2028 and later years
HealthSelect Medicare Advantage	3.00%
Aggregate Payroll Growth	Experience-based tables of rates that are specific to the class of employee
Retirement Age	
Mortality	
State Agency Members	2017 State Retirees of Texas Mortality table with a 1 year set forward for male CPO/CO members
Service Retirees, Survivors and Other Inactive Members	and Ultimate MP Projection Scale projected from the year 2017
Disabled Retirees	RP-2014 Disabled Retiree Mortality with Ultimate MP Projection Scale projected from the year 2014
Active Members	RP-2014 Active Member Mortality tables with Ultimate MP Projection Scale from the year 2014
Higher Education Members	
Service Retirees, Survivors and Other Inactive Members	Tables based on TRS experience with Ultimate MP Projection Scale from the year 2018
Disabled Retirees	Tables based on TRS experience with Ultimate MP Projection Scale from year

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For the Year Ended August 31, 2020

	2018 using a 3-year set forward and minimum mortality rates of four per 100 male members and two per 100 female members
Active Members	Sex Distinct RP-2014 Employee Mortality multiplied by 90% with Ultimate MP Projection Scale from the year 2014
Ad Hoc Post-Employment Benefit Changes	None

* *The source of the municipal bond rate is the Bond Buyer Index of general obligations bonds with 20 years to maturity and mixed credit quality. The bonds' average credit quality is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard & Poor's Corp.'s AA.*

The many actuarial assumptions used in the valuation were primarily based on the result of actuarial experience studies performed by the ERS and TRS retirement plan actuaries for the period Sept. 1, 2011 to Aug. 31, 2016 for state agency members and for the period Sept. 1, 2010 to Aug. 31, 2017 for higher education members. The mortality rates were based on the tables identified in the table above titled *Actuarial Methods and Assumptions*.

The following assumptions and other inputs have been adopted since the prior valuation to reflect plan experience and trends as expected by ERS and the actuaries attesting to the results of the valuation:

- a. assumed Per Capita Health Benefits Costs and assumed Health Benefit Cost, Retiree Contribution and expense trends have been updated to reflect recent experience and its effects on our short-term expectations;
- b. percentage of current retirees and their spouses not yet eligible to participate in the HealthSelect Medicare Advantage plan and future retirees and their spouses who will elect to participate in the plan at the earliest date at which coverage can commence;
- c. percentage of future male retirees assumed to be married and electing coverage for their spouse have been updated to reflect recent plan experience and expected trends;
- d. percentage of future retirees and their spouses assumed to use tobacco have been updated to reflect plan experience and expected trends; and,
- e. discount rate assumption was increased from 3.96% to 2.97% to utilize the yield or index rate for 20-year, tax-exempt general obligation municipal bonds rated AA/Aa (or equivalent) or higher in effect on the measurement date.

The only benefit revisions that have been adopted since the prior valuation for retirees and dependents for whom Medicare is not primary is an increase in the out-of-pocket maximum for both HealthSelect and Consumer Directed HealthSelect plans in order to remain consistent with Internal Revenue Service maximums.

The discount rate that was used to measure the total OPEB liability is the municipal bond rate of 2.97% as of the end of the measurement year; as of the beginning of the measurement year, the discount rate was 3.96%. Projected cash flows into the plan are equal to projected benefit payments out of the plan. As the plan operates on a pay as you go basis and is not intended to accumulate assets, there is no long-term expected rate of return. ERS' board of trustees adopted an amendment to the investment policy in August 2017 to require that all funds in this plan be invested in short-term fixed income securities and specify that the expected rate of return on these investments be at least 2.4%.

The investment rate of return used to calculate the projected earnings on OPEB plan investments was 3.96%.

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NOTES TO FINANCIAL STATEMENTS, Continued

For the Year Ended August 31, 2020

Sensitivity analysis was performed on the impact of changes in the discount rate on the proportionate share of TSU's net OPEB liability. The result of the analysis is presented in the table below:

Sensitivity of TSU's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate (\$ thousands)

1% Decrease (1.97%)	Current Discount Rate (2.97%)	1% Increase (3.97%)
\$ 98,369	\$ 82,433	\$ 70,172

Sensitivity analysis was performed on the impact of changes in the healthcare cost trend rates on the proportionate share of TSU's net OPEB liability.

The result of the analysis is presented in the table below:

Sensitivity of TSU's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate (\$ thousands)
HealthSelect (HS) or HealthSelect Medicare Advantage (HSMA)

1% Decrease HS/HSMA: (6.30/9.80% decreasing to 3.50%)	Current Healthcare Cost Trend Rates HS/HSMA: (7.30/10.80 % decreasing to 4.50%)	1% Increase HS/HSMA: (8.30/11.80 % decreasing to 5.50%)
\$ 69,219	\$ 82,433	\$ 99,702

The OPEB plan's fiduciary net position is determined using economic resources measurement focus and accrual basis of accounting, which is the same basis used by ERS. Benefits and refunds of contributions are recognized when due and payable in accordance with the terms of the plan. Investments of the Other Employee Benefit Trust Fund are reported at fair value in accordance with GASB Statement No. 72. The fair value of investments is based on published market prices and quotations from major investment brokers at available current exchange rates. However, corporate bonds in general are valued based on currently available yields of comparable securities by issuers with similar credit ratings. More detailed information on the plan's investment valuation, investment policy, assets, and fiduciary net position may be obtained from ERS' fiscal 2019 CAFR.

At August 31, 2020, TSU reported a liability of \$82,433,337 for its proportionate share of the collective net OPEB liability. The collective net OPEB liability was measured as of August 31, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. TSU's proportion at August 31, 2020 was 0.23850393 percent. TSU's proportion of the collective net OPEB liability was based on its contributions to the OPEB plan relative to the contributions of all the employers and non-employer contributing entity to the plan for the period September 1, 2019 through August 31, 2020.

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NOTES TO FINANCIAL STATEMENTS, Continued

For the Year Ended August 31, 2020

For the year ending August 31, 2020, TSU recognized OPEB expense of \$17,492,040. At August 31, 2020, TSU reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 2,144,989
Change of assumptions	5,866,342	18,420,725
Net difference between projected and actual investment return	33,890	-
Effect of change in proportion and contribution difference	63,728,669	-
Contributions subsequent to the measurement date	-	-
	<u>\$ 69,628,901</u>	<u>20,565,714</u>

There were no deferred outflows of resources resulting from contributions subsequent to the measurement date that will be recognized as a reduction in the net OPEB liability for the year ending August 31, 2021.

Amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense in the following years:

Year Ending August 31:	Amortization of Deferred Outflows/Inflows
2021	\$ 11,707,682
2022	11,707,682
2023	13,967,924
2024	10,439,872
2025	1,240,027
Total	<u>\$ 49,063,187.00</u>

NOTE 12: INTERFUND ACTIVITY AND TRANSACTIONS

TSU reports their financial statements in accordance with GASB Statement No. 35. The statement requires TSU to report as one fund. Accordingly, no interfund balances and activities are reported.

NOTE 15: CONTINGENCIES AND COMMITMENTS

A. Grants

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time, although TSU expects such amounts, if any, to be immaterial.

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NOTES TO FINANCIAL STATEMENTS, Continued

For the Year Ended August 31, 2020

B. Lawsuits

TSU is a defendant in numerous lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of TSU's management that resolution of these matters will not have a materially adverse effect on the financial condition of TSU.

NOTE 16: SUBSEQUENT EVENT

TSU evaluated subsequent events through November 20, 2020, the date the financial statements were available to be issued and is not aware of any subsequent events that would require recognition or disclosure.

NOTE 17: RISK FINANCING AND RELATED INSURANCE

Texas Southern University endeavors to manage its financial exposures and third-party claims that are inherent with business transactions. The University conducts periodic assessments of operations in accord with risk profiles to determine risk transfer, retention and management strategies. There have been no significant reductions in insurance coverage in the past year and losses have not exceeded policy limits in the life of the insurance program.

The following outlines relevant insurance coverage and other applicable provisions.

Property Insurance, Equipment Breakdown and Terrorism

Pursuant to Chapter 412 of the Texas Labor Code, Texas Southern University participates in the Statewide Property Insurance Program to transfer financial burden resulting from property damage and loss of University assets. The program, administered by the State Office of Risk Management, affords a shared limit that includes coverage for both building contents and business interruptions.

Workers' Compensation

Pursuant to Chapters 412 and 501 of the Texas Labor Code, the State of Texas self-insures with respect to workers' compensation. The statutory Government Employees Workers' Compensation Insurance Program is administered by the State Office of Risk Management and provides mandatory workers' compensation coverage and risk management services to all state agencies. Texas Southern University employees are provided continuous coverage pursuant to Chapter 501. The coverage extends domestically and in foreign countries.

The current General Appropriations Act provides that TSU must reimburse the general revenue fund, consolidated from TSU appropriations, one-half of the unemployment benefits and 25 percent of the workers' compensation benefits paid for former and current employees. The Comptroller determines the proportionate amount to be reimbursed from each appropriated fund type. TSU must reimburse the general revenue fund 100 percent of the cost for workers' compensation and unemployment compensation for any employees paid from funds held in local bank accounts and local funds held in the State treasury. Workers' compensation and unemployment plans are on a pay-as-you-go basis, in which no assets are set aside to be accumulated for the payment of claims. No material outstanding claims are pending at August 31, 2020.

General Liability

As an agency of the State of Texas, the University has limited liability pursuant to Chapter 101 of the Texas Civil Practice and Remedies Code. The limits of liability under Chapter 101 are \$250,000 for each person, \$500,000 for each single occurrence for bodily injury or death and \$100,000 for each single occurrence for injury or destruction of property. The University maintains insurance policies including Commercial General, Umbrella, Directors and Officers, Employment Practices and Internships Professional Liability to satisfy any contractual obligations.

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NOTES TO FINANCIAL STATEMENTS, Continued

For the Year Ended August 31, 2020

Automobile Liability

Texas Southern University maintains a Commercial Auto Liability Policy for owned, hired and leased, and loaned vehicles with limits of \$250,000 per person, \$500,000 per accident for bodily injury and \$100,000 per accident for property damage the extent of the waivers of State sovereign immunity specified in the Texas Tort Claims Act. In addition, coverage includes \$1,000,000 Combined Single Limit Bodily Injury & Property Damage per Accident for claims that are not subject to the Texas Tort Claims Act.

NOTE 18: MANAGEMENT'S DISCUSSION AND ANALYSIS

Although normally included as Note 18 following the Comptroller's requirements, Management's Discussion and Analysis is included as a separate section in the front of this report to comply with GASB.

NOTE 19: THE FINANCIAL REPORTING ENTITY

A. Related Parties

TSU is affiliated with the Texas Southern University Foundation. The stated purpose of the foundation is "to solicit and receive gifts, grants, devices, or bequests and to maintain, use, and apply the income there from and the principal thereof exclusively for charitable, scientific, literary or educational activities in order to aid and benefit Texas Southern University." According to foundation bylaws, the President of TSU and a representative of TSU's Board of Regents shall be ex officio members of the foundation's Board of Directors with full voting rights.

TSU is also affiliated with the Texas Southern University Alumni Association. The alumni association is a non-profit organization created for the purpose of promoting, fostering, and advancing the educational goals of TSU and the interests and welfare of its students; to provide the means for continuing relationships between TSU, former students, and the community; and to enable them to contribute to and share in the progress of TSU. All former students are eligible for membership in the alumni association. The Board of Directors of the alumni association is elected by the membership. TSU administration has no controlling interest in the alumni association.

The financial statements of TSU encompass the financial activity only of TSU. TSU does not have any component entities that should be included in these financial statements.

NOTE 20: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

TSU has no material violations of finance related legal and contract provisions. Per the laws of the State of Texas, TSU cannot spend amounts in excess of appropriations granted by the Texas Legislature. TSU reported a deficit Unrestricted net position as a result of Pension and OPEB expense.

NOTE 22: DONOR-RESTRICTED ENDOWMENTS

<u>Donor-Restricted Endowments</u>	<u>Amount of Net Appreciation (Depreciation)</u>	<u>Reported in Net Position</u>
True Endowments	\$ 30,449,057.39	Restricted for expendable
Term Endowments	3,497,383.84	Restricted for expendable
Total	<u>\$ 33,946,441.23</u>	

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NOTES TO FINANCIAL STATEMENTS, Continued

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In the table above, amounts reported as "Net Appreciation" represent net appreciation (cumulative and unexpended) on investments of donor or constitutionally restricted endowments that are available for authorization and expenditure by the TSU Board of Regents. For donor restricted endowments, pursuant to the Uniform Prudent Management of Institutional Funds Act, as adopted by Texas, the TSU Board of Regents may distribute net appreciation, realized and unrealized, in the fair market value of the assets of endowment holdings over the historic dollar value of the gifts, to the extent prudent.

TSU's spending policy for endowments reflects an objective to distribute as much of the total return as is consistent with overall investment objectives while protecting the real value of the endowment corpus. The primary long-term investment objective of the endowment is to earn a total rate of return that exceeds the spending rate plus the cost of managing the investment fund. The university all-inclusive spending rate of 7%, which includes 5% spending rate and 0.5% costs of managing the investment fund. In order to preserve purchasing power parity, the Endowment's spending policy shall not exceed 5%. The calculation of the 5% spending rate will be based upon a three year moving average of Endowment Fund earnings with the most recent year removed. The 5% annual spending rate is required to be applied to each individual endowment. The University will calculate the average market value based upon the time period that these endowments are in existence.

Endowments	Increase/Decrease	Reason For Change
True Endowments	\$ 7,818,493.76	Fair value decrease in portfolio
Term Endowments	\$ 634,768.11	Fair value decrease in portfolio

NOTE 24: DISAGGREGATION OF RECEIVABLE AND PAYABLE BALANCES

Aggregate receivables and other payables as reported on the statement of net position as of August 31, 2020, are detailed as follows:

Receivables	Balance
Student Accounts	\$ 22,884,913.15
Non-Federal Grants	1,161,168.76
Third Party Accounts	1,354,215.48
Less Allowance	(8,283,571.04)
Total	\$ 17,116,726.35

Other Payables	Balance
Other payables	\$ 903,912.66
HBCU Loans	7,542,398.59
Bookstore Clearing	1,024,600.00
Retainage	2,037,067.12
Subtotal	11,507,978.37
Escheat payable	423,187.50
Student refund payable	1,201,327.97
Total	\$ 13,132,493.84

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For the Year Ended August 31, 2020

NOTE 28: Deferred Outflows of Resources and Deferred Inflows of Resources

In fiscal year 2020, TSU reported deferred outflows of resources and deferred inflows of resources in connection with GASB 68 pension plan and GASB 75 OPEB plan.

<u>As of August 31, 2020</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
TRS Pension Plan (GASB 68)	\$ 18,295,942.72	\$ 7,387,438.00
ERS OPEB Plan (GASB 75)	69,628,901.00	20,565,714.00
Asset Retirement Obligation (GASB 83)	133,462.62	-
Total	<u>\$ 88,058,306.34</u>	<u>\$ 27,953,152.00</u>

Deferred outflows of resources of \$18,295,942.72 and Deferred inflows of resources of \$7,387,438.00 were related to changes in employee TRS pension plan. Deferred outflows of resources of \$69,628,901.00 and Deferred inflows of resources of \$20,565,714.00 were related to changes in employee OPEB plan. See Note 9 for additional information. Deferred outflows of resources of \$133,462.62 were related to Asset Retirement Obligation.

SUPPLEMENTARY INFORMATION

TEXAS SOUTHERN UNIVERSITY

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SCHEDULE OF OPERATING EXPENSES

For the Year Ended August 31, 2020

<u>Expenses by Natural Classification</u>	<u>2020</u>
Salaries and Wages	\$ 96,630,395.27
Payroll Related Costs	47,867,984.70
Professional Fees and Services	17,286,454.95
Travel	2,321,286.87
Materials and Supplies	11,927,919.76
Communication and Utilities	5,924,249.05
Repairs and Maintenance	7,490,882.79
Rentals and Leases	1,570,224.14
Printing and Reproductions	500,781.19
Federal Pass-Through Expense	641,386.52
Bad Debt Expense	400,000.00
Scholarships	19,111,464.02
Other Operating Expenses	9,526,484.18
Depreciation	22,732,129.75
Total Operating Expenses by Natural Class	\$ 243,931,643.19

<u>Expenses by NACUBO Classification</u>	<u>2020</u>
Instruction	\$ 81,231,607.21
Research	4,782,348.14
Public Service	2,341,275.04
Academic Support	14,551,204.89
Student Services	16,185,454.30
Institutional Support	56,136,948.79
Operation and Maintenance of Plant	16,911,253.84
Scholarships and Fellowships	11,793,150.53
Auxiliary	17,266,270.70
Depreciation	22,732,129.75
Total Operating Expenses by NACUBO Class	\$ 243,931,643.19

TEXAS SOUTHERN UNIVERSITY

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SCHEDULE 1A - SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended August 31, 2020

Federal Grantor/ Pass-through Grantor/ Program Title	CFDA Number	NSE Name/ Id. No.	Agy/ Univ No	Pass-through From		Direct Program Amount	Total Amount PT From and Direct Program
				Pass-Through From Agencies or Universities Amount	Pass-Through From Non-State Entities Amount		
U.S. Department of Defense							
Basic, Applied, and Advanced Research in Science and Engineering - Virginia Tech University UNITE 2016-2021	12.630			\$ -	\$ 41,099.53	\$ -	\$ 41,099.53
Totals - U.S. Department of Defense				-	41,099.53	-	41,099.53
U.S. Department of Education							
Minority Science and Engineering Improvement - Howard University/P120A190033	84.120				66,940.85		66,940.85
<u>Direct Programs:</u>							
Higher Education Institutional Aid	84.031					12,691,473.07	12,691,473.07
COVID-19 - Education Stabilization Fund	84.425					4,522,850.00	4,522,850.00
Totals - U.S. Department of Education				-	66,940.85	17,214,323.07	17,281,263.92
U.S. Department of Homeland Security							
<u>Pass-Through From:</u>							
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036						331,334.89
<u>Pass-Through From:</u>							
Texas Division of Emergency Management			575	331,334.89			
Totals - U.S. Department of Homeland Security				331,334.89	-	-	331,334.89
U.S. Department of Justice							
<u>Direct Programs:</u>							
U.S. Department of Justice 2019-DY-BX-0009	16.000					46,874.45	46,874.45
Totals - U.S. Department of Justice				-	-	46,874.45	46,874.45
U.S. Department of Transportation							
<u>Direct Programs:</u>							
Highway Training and Education	20.215					36,688.72	36,688.72
Totals - U.S. Department of Transportation				-	-	36,688.72	36,688.72
Research & Development Cluster							
National Aeronautics and Space Administration							
<u>Direct Programs:</u>							
Office of Stem Engagement (OSTEM)	43.008					37,028.15	37,028.15
Totals - National Aeronautics and Space Administration				-	-	37,028.15	37,028.15
National Science Foundation							
<u>Direct Programs:</u>							
Mathematical and Physical Sciences	47.049					12,580.63	12,580.63
Computer and Information Science and Engineering	47.070					142,189.78	142,189.78
Education and Human Resources	47.076					1,098,641.15	1,098,641.15
Education and Human Resources	47.076					229,593.81	229,593.81
<u>Pass-Through To:</u>							
University of Houston							
Education and Human Resources	47.076					92,750.48	92,750.48
<u>Pass-Through To:</u>							
Texas State University							
Education and Human Resources	47.076					63,601.48	63,601.48
<u>Pass-Through To:</u>							
University of Houston - Clear Lake							
Education and Human Resources	47.076					126,700.00	126,700.00
<u>Pass-Through To:</u>							
University of Houston - Downtown							
Totals - National Science Foundation				-	-	1,766,057.33	1,766,057.33

Agy/ Univ No.	Pass-through To		Expenditures Amount	Total Amount PT To and Expenditures Amount
	Pass-Through To Agencies or	Pass-Through To Non-State		
	Universities Amount	Entities Amount		
	\$ -	\$ -	\$ 41,099.53	\$ 41,099.53
	-	-	41,099.53	41,099.53
			66,940.85	66,940.85
			12,691,473.07	12,691,473.07
			4,522,850.00	4,522,850.00
			17,281,263.92	17,281,263.92
			331,334.89	331,334.89
	-	-	331,334.89	331,334.89
			46,874.45	46,874.45
	-	-	46,874.45	46,874.45
			36,688.72	36,688.72
	-	-	36,688.72	36,688.72
			37,028.15	37,028.15
	-	-	37,028.15	37,028.15
			12,580.63	12,580.63
			142,189.78	142,189.78
			1,098,641.15	1,098,641.15
				229,593.81
730	229,593.81			92,750.48
754	92,750.48			63,601.48
759	63,601.48			126,700.00
784	126,700.00			
	512,645.77	-	1,253,411.56	1,766,057.33

TEXAS SOUTHERN UNIVERSITY
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SCHEDULE 1A - SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended August 31, 2020

Federal Grantor/ Pass-through Grantor/ Program Title	CFDA Number	NSE Name/ Id. No.	Agy/ Univ No	Pass-through From		Direct Program Amount	Total Amount PT From and Direct Program
				Pass-Through From Agencies or Universities Amount	Pass-Through From Non-State Entities Amount		
U.S. Department of Defense							
Basic, Applied, and Advanced Research in Science and Engineering - Baylor University/W911NF1020076;601608	12.630				2,937.70		2,937.70
Totals - U.S. Department of Defense				-	2,937.70	-	2,937.70
U.S. Department of Energy							
<u>Pass-Through From:</u>							
Minority Economic Impact	81.137						65,364.47
<u>Pass-Through From:</u> University of Houston			730	65,364.47			
Totals - U.S. Department of Energy				65,364.47	-	-	65,364.47
U.S. Department of Health and Human Services							
Maternal and Child Health Federal Consolidated Programs Baylor University/ 5T16MC29831-04-00	93.110				66,008.59		66,008.59
<u>Direct Programs:</u>							
NIEHS Hazardous Waste Worker Health and Safety Training	93.142					1,155,981.89	1,155,981.89
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243					673,979.94	673,979.94
Minority Health and Health Disparities Research	93.307					604,701.34	604,701.34
Cancer Cause and Prevention Research	93.393					64,557.70	64,557.70
Biomedical Research and Research Training	93.859					140,712.75	140,712.75
Biomedical Research and Research Training	93.859					128,740.75	128,740.75
<u>Pass-Through To:</u> University of Houston							
Totals - U.S. Department of Health and Human Services				-	66,008.59	2,768,674.37	2,834,682.96
U.S. Department of Homeland Security							
<u>Direct Programs:</u>							
Scientific Leadership Awards	97.062					172,038.99	172,038.99
Totals - U.S. Department of Homeland Security				-	-	172,038.99	172,038.99
U.S. Department of Transportation							
University Transportation Centers Program - University North Carolina - Chapel	20.701				91,564.76		91,564.76
<u>Direct Programs:</u>							
Highway Planning and Construction	20.205					82,939.51	82,939.51
<u>Pass-Through From:</u>							
Highway Research and Development Program	20.200						13,356.15
<u>Pass-Through From:</u> University of Houston			730	13,356.15			
University Transportation Centers Program	20.701						172,445.05
<u>Pass-Through From:</u> University of Texas at Austin			721	172,445.05			
Totals - U.S. Department of Transportation				185,801.20	91,564.76	82,939.51	360,305.47

Agy/ Univ No.	Pass-through To		Expenditures Amount	Total Amount PT To and Expenditures
	Pass-Through To Agencies or	Pass-Through To Non-State		
	Universities Amount	Entities Amount		
			2,937.70	2,937.70
			2,937.70	2,937.70
			65,364.47	65,364.47
	-	-	65,364.47	65,364.47
			66,008.59	66,008.59
			1,155,981.89	1,155,981.89
			673,979.94	673,979.94
			604,701.34	604,701.34
			64,557.70	64,557.70
			140,712.75	140,712.75
				128,740.75
730	128,740.75			
	128,740.75	-	2,705,942.21	2,834,682.96
			172,038.99	172,038.99
	-	-	172,038.99	172,038.99
			91,564.76	91,564.76
			82,939.51	82,939.51
			13,356.15	13,356.15
			172,445.05	172,445.05
	-	-	360,305.47	360,305.47

TEXAS SOUTHERN UNIVERSITY

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SCHEDULE 1A - SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended August 31, 2020

Federal Grantor/ Pass-through Grantor/ Program Title	CFDA Number	NSE Name/ Id. No.	Agy/ Univ No	Pass-through From		Direct Program Amount	Total Amount PT From and Direct Program
				Pass-Through From Agencies	Pass-Through From Non-State		
				or Universities Amount	Entities Amount		
Highway Planning and Construction Cluster							
U.S. Department of Transportation							
<u>Pass-Through From:</u>							
Highway Planning and Construction	20.205						56,722.74
<u>Pass-Through From:</u>							
Texas Department of Transportation			601	56,722.74			
Totals - U.S. Department of Transportation				56,722.74	-	-	56,722.74
Student Financial Assistance Programs Cluster							
U.S. Department of Education							
<u>Direct Programs:</u>							
Federal Supplemental Educational Opportunity Grants	84.007					547,627.36	547,627.36
Federal Work-Study Program	84.033					822,418.10	822,418.10
Federal Pell Grant Program	84.063					22,652,567.39	22,652,567.39
Federal Direct Student Loans	84.268					85,514,925.00	85,514,925.00
Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	84.379					61,999.49	61,999.49
Totals - U.S. Department of Education				-	-	109,599,537.34	109,599,537.34
TRIO Cluster							
U.S. Department of Education							
<u>Direct Programs:</u>							
TRIO Student Support Services	84.042					293,098.32	293,098.32
TRIO Talent Search	84.044					468,885.91	468,885.91
TRIO Upward Bound	84.047					618,806.81	618,806.81
TRIO Educational Opportunity Centers	84.066					356,354.24	356,354.24
Totals - U.S. Department of Education				-	-	1,737,145.28	1,737,145.28
Total Expenditures of Federal Awards				\$ 639,223.30	\$ 268,551.43	\$ 133,461,307.21	\$ 134,369,081.94

Agy/ Univ No.	Pass-through To		Expenditures Amount	Total Amount PT To and Expenditures
	Pass-Through To Agencies or	Pass-Through To Non-State		
	Universities Amount	Entities Amount		
			56,722.74	56,722.74
	-	-	56,722.74	56,722.74
			547,627.36	547,627.36
			822,418.10	822,418.10
			22,652,567.39	22,652,567.39
			85,514,925.00	85,514,925.00
			61,999.49	61,999.49
	-	-	109,599,537.34	109,599,537.34
			293,098.32	293,098.32
			468,885.91	468,885.91
			618,806.81	618,806.81
			356,354.24	356,354.24
	-	-	1,737,145.28	1,737,145.28
	\$ 641,386.52	\$ -	\$ 133,727,695.42	\$ 134,369,081.94

SEFA Note 2 Reconciliations

Note 2 Amount

Federal revenue-Operating	\$ 20,429,889.40
Federal revenue-Non-operating Title IV	23,262,194.24
Federal revenue-Non-operating CARES Funding	7,093,902.89
Federal pass-through revenue	639,223.30
Federal direct student loans	85,514,925.00
ED/CARES ACT	(2,571,052.89)
Total Pass-Through and Expenditures per Federal Schedule	\$ 134,369,081.94

TEXAS SOUTHERN UNIVERSITY

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SCHEDULE 1B - STATE GRANT PASS THROUGH FROM/TO STATE AGENCIES

For the Year Ended August 31, 2020

State Pass Through From:

2020

Cancer Prevention & Research Inst of Tx (Agency# 542.0259)	\$ 422,342.39
Texas Commission on Environmental Quality(Agency# 582.0097)	48,135.75
University of Texas System (Agency# 720.0002)	16,969.00
Texas Higher Education Coordinating Board (Agency# 781.0008)	4,309,992.00
Texas Higher Education Coordinating Board (Agency# 781.0023)	71,299.00
Texas Higher Education Coordinating Board (Agency# 781.0029)	28,707.89
Texas Higher Education Coordinating Board (Agency# 781.0075)	(10,805.00)
Total State Pass Through From Other Agencies	<u>\$ 4,886,641.03</u>

TEXAS SOUTHERN UNIVERSITY
 (An Agency of the State of Texas)
SCHEDULE 2A - MISCELLANEOUS BOND INFORMATION
 For the Year Ended August 31, 2020

Business-Type Activities

Description	Interest Rate	Maturity Dates		First Call	Original Issue
		First Year	Last Year	Date	
Revenue Bonds- Self Supporting					
Series 2011	4.00-6.75%	2011	2030	5/1/2021	\$ 31,500,000.00
Series 2013	2.00-5.00%	2013	2023	n/a	62,355,000.00
Series 2016	2.00-3.00%	2016	2036	5/1/2026	55,490,000.00
Total Revenue Bonded Debt					\$ 149,345,000.00

TEXAS SOUTHERN UNIVERSITY

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SCHEDULE 2B - CHANGES IN BOND INDEBTEDNESS

For the Year Ended August 31, 2020

Description	Bonds Outstanding 09/01/2019	Bonds Issued	Bonds Matured or Retired	Bonds Refunded or Extinguished	Par Value Adjustments	Bonds Outstanding 8/31/2020	Unamortized Premium	Unamortized Discount	Adjustments	Net Bonds Outstanding 8/31/2020	Amounts Due Within One Year	Bonds Outstanding 8/31/2020
Revenue Bonds- Self												
Supporting												
Series 2011	\$ 20,495,000.00	\$ -	\$ 1,365,000.00	\$ -	\$ -	\$ 19,130,000.00	\$ -	\$ (115,679.27)	\$ -	\$ 19,014,320.73	\$ 1,427,823.22	\$ 19,130,000.00
Series 2013	21,680,000.00	-	5,675,000.00	-	-	16,005,000.00	954,056.60	-	-	16,959,056.60	6,508,292.20	16,005,000.00
Series 2016	49,185,000.00	-	1,965,000.00	-	-	47,220,000.00	4,848,340.00	-	-	52,068,340.00	2,348,021.25	47,220,000.00
Total General Bonded Debt	\$ 91,360,000.00	\$ -	\$ 9,005,000.00	\$ -	\$ -	\$ 82,355,000.00	\$ 5,802,396.60	\$ (115,679.27)	\$ -	\$ 88,041,717.33	\$ 10,284,136.67	\$ 82,355,000.00

TEXAS SOUTHERN UNIVERSITY

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SCHEDULE 2C - DEBT SERVICE REQUIREMENTS

For the Year Ended August 31, 2020

Year Ending Aug. 31	Series 2011 Revenue Bonds			Series 2013 Revenue Bonds Refunding		
	Principal	Interest	Total	Principal	Interest	Total
2021	\$ 1,440,000.00	\$ 1,237,143.76	\$ 2,677,143.76	\$ 5,965,000.00	\$ 613,475.00	\$ 6,578,475.00
2022	1,520,000.00	1,156,143.76	2,676,143.76	6,275,000.00	307,475.00	6,582,475.00
2023	1,610,000.00	1,068,743.76	2,678,743.76	2,905,000.00	92,500.00	2,997,500.00
2024	1,705,000.00	972,143.76	2,677,143.76	860,000.00	17,200.00	877,200.00
2025	1,810,000.00	867,712.50	2,677,712.50	-	-	-
2026-2030	11,045,000.00	2,333,812.50	13,378,812.50	-	-	-
2031-2035	-	-	-	-	-	-
Total	\$ 19,130,000.00	\$ 7,635,700.04	\$ 26,765,700.04	\$ 16,005,000.00	\$ 1,030,650.00	\$ 17,035,650.00

Year Ending Aug. 31	Series 2016 Revenue Bonds		
	Principal	Interest	Total
2021	\$ 2,045,000.00	\$ 1,970,400.00	\$ 4,015,400.00
2022	2,145,000.00	1,868,150.00	4,013,150.00
2023	2,255,000.00	1,760,900.00	4,015,900.00
2024	2,365,000.00	1,648,150.00	4,013,150.00
2025	2,485,000.00	1,529,900.00	4,014,900.00
2026-2030	14,380,000.00	5,687,950.00	20,067,950.00
2031-2035	17,650,000.00	2,418,800.00	20,068,800.00
2036-2040	3,895,000.00	116,850.00	4,011,850.00
Total	\$ 47,220,000.00	\$ 17,001,100.00	\$ 64,221,100.00

Year Ending Aug. 31	Financing Note Series 2011-4			Financing Note Series 2012-10		
	Principal	Interest	Total	Principal	Interest	Total
2021	\$ 2,525,179.55	\$ 1,040,678.41	\$ 3,565,857.96	\$ 2,572,414.63	\$ 948,569.39	\$ 3,520,984.02
2022	2,593,126.38	972,731.58	3,565,857.96	2,639,111.42	881,872.60	3,520,984.02
2023	2,653,825.95	912,032.01	3,565,857.96	2,699,279.67	821,704.35	3,520,984.02
2024	2,711,366.64	854,491.32	3,565,857.96	2,756,751.34	764,232.68	3,520,984.02
2025	2,777,420.24	788,437.72	3,565,857.96	2,821,973.71	699,010.31	3,520,984.02
2026-2030	14,895,851.43	2,933,438.37	17,829,289.80	15,108,900.22	2,496,019.88	17,604,920.10
2031-2035	16,732,520.15	1,096,769.40	17,829,289.55	13,384,887.39	699,048.10	14,083,935.49
2036-2040	-	-	-	-	-	-
Total	\$ 44,889,290.34	\$ 8,598,578.81	\$ 53,487,869.15	\$ 41,983,318.38	\$ 7,310,457.31	\$ 49,293,775.69

TEXAS SOUTHERN UNIVERSITY

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SCHEDULE 2D - ANALYSIS OF FUNDS AVAILABLE FOR DEBT SERVICE

For the Year Ended August 31, 2020

<u>Business-Type Activities</u>	Pledged and Other Sources and Related Expenditures for FY 2020			
	Net Available for Debt Service		Debt Service	
	Total Pledged and Other Sources	Operating Expenses/ Expenditures and Capital Outlay	Principal	Interest
Revenue Bonds				
BOND SERIES				
TRB 2011, 2013, 2016	\$ 102,651,898.04	\$ 85,617,381.15	\$ 9,005,000.00	\$ 4,263,987.50
Total	\$ 102,651,898.04	\$ 85,617,381.15	\$ 9,005,000.00	\$ 4,263,987.50

TEXAS SOUTHERN UNIVERSITY

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Required Supplementary Information

For the Last Six Measurement Years Ended August 31 *

Schedule of Proportionate Share of Net Pension Liability*

Teacher Retirement System of Texas

	2019	2018	2017	2016	2015	2014
TSU's proportion of the net pension liability (asset)	0.0714%	0.0722%	0.0591%	0.0562%	0.0572%	0.0677%
TSU's proportionate share of the net pension liability (asset)	\$ 37,133,090	\$ 39,735,872	\$ 18,886,127	\$ 21,231,694	\$ 20,380,538	\$ 18,085,720
TSU's covered employee payroll	\$ 53,462,578	\$ 48,780,116	\$ 21,229,587	\$ 21,992,327	\$ 22,004,400	\$ 24,812,792
TSU's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	69.46%	81.46%	88.96%	100.01%	91.94%	72.89%
Plan fiduciary net position as a percentage of the total pension liability	75.24%	73.74%	82.17%	78.00%	78.43%	83.25%

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

TEXAS SOUTHERN UNIVERSITY

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Required Supplementary Information

For the Last Seven Fiscal Years Ended August 31 *

Schedule of Employer Contributions* Teacher Retirement System of Texas

	2020	2019	2018	2017	2016	2015	2014
Statutorily required contributions	\$ 2,492,675	\$ 2,050,711	\$ 2,089,619	\$ 1,251,453	\$ 1,174,302	\$ 1,694,645	\$ 2,151,269
Contributions in relation to the statutorily required contributions	2,492,675	2,050,711	2,089,619	1,251,453	1,174,302	1,694,645	1,702,626
Contribution deficiency (excess)	-	-	-	-	-	-	448,643
Covered employee payroll	\$ 56,860,767	\$ 53,462,578	\$ 48,780,116	\$ 21,229,587	\$ 21,992,327	\$ 22,004,400	\$ 24,812,792
Contribution as a percentage of covered-employee payroll	4.38%	3.84%	4.28%	5.89%	5.34%	7.70%	6.86%

* This schedule is intended to present 10 years of information. Currently, only seven years of information is available. Information on future years will be added when it becomes available.

TEXAS SOUTHERN UNIVERSITY

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Required Supplementary Information

For the Last Three Measurement Years Ended August 31 *

Schedule of Proportionate Share of Net OPEB Liability* Employees Retirement System of Texas Plan

	2019	2018	2017
TSU's proportion of the net OPEB liability (asset)	0.23850393%	0.21979663%	0.00026482%
TSU's proportionate share of the net OPEB liability (asset)	\$ 82,433,337	\$ 65,142,759	\$ 90,232
TSU's covered-employee payroll	\$ -	\$ -	\$ 6,040,027
TSU's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	0.00%	0.00%	1.49%
Plan fiduciary net position as a percentage of the total OPEB liability	1.27%	1.27%	2.04%

* This schedule is intended to present 10 years of information. Currently, only three years of information is available. Information on future years will be added when it becomes available.

TEXAS SOUTHERN UNIVERSITY

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Required Supplementary Information

For the Last Three Fiscal Years Ended August 31 *

Schedule of Employer Contributions* Employees Retirement System of Texas

	2020	2019	2018
Statutorily required contributions	\$ -	\$ -	\$ 6,040,027
Contributions in relation to the statutorily required contributions	-	-	6,040,027
Contribution deficiency (excess)	-	-	-
Covered employee payroll	\$ -	\$ -	\$ 6,040,027
Contribution as a percentage of covered-employee payroll	0.00%	0.00%	100.00%

* This schedule is intended to present 10 years of information. Currently, only three years of information is available. Information on future years will be added when it becomes available.