

**OFFICIAL STATEMENT**

Dated July 8, 2020

**NEW ISSUE - BOOK ENTRY ONLY**

**Ratings: Moody's: "Aa1"**

**S&P: "AA+"**

**See "RATINGS" herein**

*Interest on the Bonds will not be excluded from the gross income of the owners thereof. See "TAX MATTERS" herein.*

**\$314,745,000**

**BOARD OF REGENTS OF TEXAS TECH UNIVERSITY SYSTEM  
REVENUE FINANCING SYSTEM  
REFUNDING AND IMPROVEMENT BONDS  
TAXABLE SERIES 2020**



**Dated: Date of Delivery**

**Due: As shown on page ii**

The Board of Regents of Texas Tech University System Revenue Financing System Refunding and Improvement Bonds, Taxable Series 2020 (the "Bonds") constitute valid and legally binding special obligations of the Board of Regents (the "Board") of the Texas Tech University System (the "University System"). The Bonds shall be issued pursuant to a Master Resolution adopted by the Board on October 21, 1993, and amended on November 8, 1996 and August 22, 1997 (as amended, the "Master Resolution"), an Eighteenth Supplemental Resolution adopted by the Board on May 14, 2020, and a Pricing Certificate executed by the Pricing Officer on the date hereof. The Bonds are payable from and secured solely by the Pledged Revenues (as defined herein) of the University System's Revenue Financing System. The Bonds are Parity Obligations (as defined herein). See "SECURITY FOR THE BONDS."

The proceeds from the sale of the Bonds will be used for the purposes of: (i) acquiring, purchasing, constructing, improving, renovating, enlarging or equipping property, buildings, structures, facilities, roads or related infrastructure for the University System, (ii) refunding certain of the Outstanding Commercial Paper Notes (as defined herein), (iii) refunding certain of the University System's outstanding obligations, as more particularly described in Schedule I attached hereto (the "Refunded Obligations"), and (iv) paying the costs of issuance of the Bonds. See "PLAN OF FINANCE — Bonds."

Interest on the Bonds will accrue from the Date of Delivery (as defined below) and is calculated on the basis of a 360-day year composed of twelve 30-day months. Interest on the Bonds is payable on August 15, 2020, and each February 15 and August 15 thereafter until maturity or prior redemption. Principal of the Bonds will be payable on the dates and in the amounts shown on page ii. The Bonds are initially issuable only to Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC") pursuant to the book-entry-only system described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or multiples thereof within a maturity. No physical delivery of the Bonds will be made to the purchasers thereof. Interest on and principal of the Bonds will be payable by BOKF, NA, Dallas, Texas, the initial Paying Agent/Registrar, to Cede & Co., which will make distribution of the amounts so paid to the beneficial owners of the Bonds. See "DESCRIPTION OF THE BONDS — Book-Entry Only-System."

**The Bonds will mature, bear interest, and have initial prices or yields and CUSIP numbers as shown on page ii of this Official Statement.**

The Bonds are subject to redemption as provided herein. See "DESCRIPTION OF THE BONDS — Redemption."

**THE BONDS DO NOT CONSTITUTE GENERAL OBLIGATIONS OF THE BOARD, THE UNIVERSITY SYSTEM, TEXAS TECH UNIVERSITY, TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER, ANGELO STATE UNIVERSITY, TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER AT EL PASO, THE STATE OF TEXAS, OR ANY POLITICAL SUBDIVISION THEREOF. THE BOARD HAS NO TAXING POWER AND NEITHER THE CREDIT NOR THE TAXING POWER OF THE STATE OF TEXAS OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED AS SECURITY FOR THE PAYMENT OF THE BONDS. SEE "SECURITY FOR THE BONDS."**

The Bonds are offered when, as, and if issued, subject to approval of legality by the Attorney General of the State of Texas and the opinion of Norton Rose Fulbright US LLP, Dallas, Texas, Bond Counsel. Certain legal matters will be passed upon for the Underwriters by their counsel, Orrick, Herrington & Sutcliffe LLP, Austin, Texas. The Bonds are expected to be available for delivery through DTC on or about July 29, 2020 (the "Date of Delivery").

**CITIGROUP**

**MESIROW FINANCIAL, INC.**

**SIEBERT WILLIAMS SHANK & Co., LLC**

**MORGAN STANLEY**

**RBC CAPITAL MARKETS**

**STEPHENS INC.**

**\$314,745,000**  
**Board of Regents of Texas Tech University System**  
**Revenue Financing System**  
**Refunding and Improvement Bonds**  
**Taxable Series 2020**

**\$146,240,000 Serial Bonds**

<b>Maturity Date</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Initial Yield</b>	<b>CUSIP Numbers<sup>(1)</sup></b>
8/15/2020	\$95,000	0.405%	0.405%	882806 HB1
2/15/2021	5,505,000	0.405%	0.405%	882806 HC9
2/15/2022	14,785,000	0.505%	0.505%	882806 HD7
2/15/2023	10,645,000	0.623%	0.623%	882806 HE5
2/15/2024	10,150,000	0.788%	0.788%	882806 HF2
2/15/2025	10,250,000	0.938%	0.938%	882806 HG0
2/15/2026	7,325,000	1.186%	1.186%	882806 HH8
2/15/2027	7,505,000	1.336%	1.336%	882806 HJ4
2/15/2028	8,165,000	1.553%	1.553%	882806 HK1
2/15/2029	8,610,000	1.653%	1.653%	882806 HL9
2/15/2030	19,390,000	1.753%	1.753%	882806 HM7
2/15/2031	9,075,000	1.853%	1.853%	882806 HN5
2/15/2032	6,825,000	1.953%	1.953%	882806 HP0
2/15/2033	6,965,000	2.053%	2.053%	882806 HQ8
2/15/2034	7,125,000	2.153%	2.153%	882806 HR6
2/15/2035	13,825,000	2.253%	2.253%	882806 HS4

**\$160,090,000 2.748% Term Bonds, due February 15, 2040, Yield 2.748%, CUSIP No. 882806 HT2<sup>(1)</sup>**

**\$8,415,000 2.878% Term Bonds, due February 15, 2050, Yield 2.878%, CUSIP No. 882806 HU9<sup>(1)</sup>**

(interest to accrue from Date of Delivery)

<sup>(1)</sup> CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services provided by CUSIP Global Services. CUSIP numbers are included herein solely for the convenience of the purchasers of the Bonds. None of the Board, the University System or the Underwriters shall be responsible for the selection or correctness of the CUSIP numbers shown herein.

## BOARD OF REGENTS OF THE TEXAS TECH UNIVERSITY SYSTEM

<u>Name</u>	<u>Residence</u>	<u>Term Expiration</u> <sup>(1)</sup>
Mr. Christopher M. Huckabee, Chairman	Fort Worth	January 31, 2021
Mr. J. Michael Lewis, Vice Chairman	Dallas	January 31, 2023
Mr. Mickey L. Long	Lubbock	January 31, 2021
Mr. Ronnie Hammonds	Houston	January 31, 2021
Mr. John D. Steinmetz	Dallas	January 31, 2023
Mr. John Walker	Houston	January 31, 2023
Ms. Ginger Kerrick	Webster	January 31, 2025
Mr. Mark Griffin	Lubbock	January 31, 2025
Mr. Dusty Womble	Lubbock	January 31, 2025
Brooke Walterscheid	Muenster	May 31, 2021 <sup>(2)</sup>

- (1) The actual expiration date of the term depends on the date the successor is appointed, qualified and takes the oath of office.  
 (2) Student Regent. Current state law does not allow a Student Regent to vote on any matter before the Board. The selection of a new Student Regent is pending appointment by the Governor.

### PRINCIPAL ADMINISTRATORS

<u>Name</u>	<u>Title</u>
Dr. Tedd L. Mitchell	Chancellor
Mr. Gary Barnes	Vice Chancellor and Chief Financial Officer
Dr. Lawrence Schovanec	President (Texas Tech University)
Dr. Lori-Rice Spearman	President (Texas Tech University Health Sciences Center)
Mrs. Angie Wright	Interim President (Angelo State University)
Dr. Richard A. Lange	President (Texas Tech University Health Sciences Center at El Paso)

### CONSULTANTS

<u>Financial Advisor</u>	<u>Bond Counsel</u>
Hilltop Securities Inc. Dallas, Texas	Norton Rose Fulbright US LLP Dallas, Texas

For additional information regarding the University System, please contact:

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 Texas Tech University System  
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 Lubbock, Texas 79409-1098  
 (806) 742-9000

Ms. Mary M. Williams  
 Managing Director  
 Hilltop Securities Inc.  
 1201 Elm Street, Suite 3500  
 Dallas, Texas 75270  
 (214) 953-4021

## **SALE AND DISTRIBUTION OF THE BONDS**

### **Use of Official Statement**

No dealer, broker, salesman or other person has been authorized by the Board to give any information or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representation must not be relied upon as having been authorized by the Board. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement, nor any sale made hereunder, shall, under any circumstances, create any implication that there has been no change in the affairs of the Board since the date hereof. See “CONTINUING DISCLOSURE OF INFORMATION” for a description of the Board’s undertaking to provide certain information on a continuing basis. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and in no instance may this Official Statement be reproduced or used for any other purpose.

Certain information set forth in this Official Statement has been furnished by the Board and other sources which are believed to be reliable, but such information is not to be construed as a representation by the Underwriters. CUSIP numbers have been assigned to these issues by the CUSIP Service Bureau for the convenience of the owners of the Bonds. Neither the Board nor the Underwriters shall be responsible for the selection or the correctness of the CUSIP numbers.

THIS OFFICIAL STATEMENT IS INTENDED TO REFLECT FACTS AND CIRCUMSTANCES ON THE DATE OF THIS OFFICIAL STATEMENT OR ON SUCH OTHER DATE OR AT SUCH OTHER TIME AS IDENTIFIED HEREIN. NO ASSURANCE CAN BE GIVEN THAT SUCH INFORMATION MAY NOT BE MISLEADING AT A LATER DATE. CONSEQUENTLY, RELIANCE ON THIS OFFICIAL STATEMENT AT TIMES SUBSEQUENT TO THE ISSUANCE OF THE BONDS DESCRIBED HEREIN SHOULD NOT BE MADE ON THE ASSUMPTION THAT ANY SUCH FACTS OR CIRCUMSTANCES ARE UNCHANGED.

NONE OF THE BOARD, THE FINANCIAL ADVISOR OR THE UNDERWRITERS MAKES ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY, NEW YORK, NEW YORK (“DTC”) OR ITS BOOK-ENTRY-ONLY SYSTEM, AS SUCH INFORMATION WAS FURNISHED BY DTC. THE BOARD MAKES NO REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING EUROCLEAR BANK S.A./N.V., AS OPERATOR OF THE EUROCLEAR SYSTEM (“EUROCLEAR”) AND CLEARSTREAM BANKING, SOCIETE ANONYME, LUXEMBOURG (“CLEARSTREAM”), AS SUCH INFORMATION WAS FURNISHED BY EUROCLEAR AND CLEARSTREAM, RESPECTIVELY.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement pursuant to their responsibilities to investors under the federal securities laws, but the Underwriters do not guarantee the accuracy or completeness of such information.

The statements contained in this Official Statement, and in other information provided by the Board, that are not purely historical are forward-looking statements, including statements regarding the Board’s expectations, hopes, intentions or strategies regarding the future. All forward-looking statements included in this Official Statement are based on information available to the Board on the date hereof, and the Board assumes no obligation to update any such forward-looking statements.

### **Marketability**

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITERS THEREOF MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF SUCH BONDS AT A LEVEL ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

### **Securities Laws**

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE BONDS HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT APPROVED OR DISAPPROVED THE BONDS OR CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

No registration statement relating to the Bonds has been filed with the United States Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon an exemption provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been registered or qualified under the securities laws of any other jurisdiction. The Board assumes no responsibility for the registration or qualification for sale or other disposition of the Bonds under the securities laws of any jurisdiction in which the Bonds may be offered, sold or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions.

**INFORMATION CONCERNING OFFERING RESTRICTIONS  
IN CERTAIN JURISDICTIONS OUTSIDE THE UNITED STATES**

ANY REFERENCES IN THIS OFFERING MEMORANDUM TO THE “ISSUER” MEANS THE BOARD. AND REFERENCES TO “BONDS” OR “SECURITIES” MEAN THE BONDS OFFERED HEREBY. NEITHER THE ISSUER NOR THE UNDERWRITERS ASSUME ANY RESPONSIBILITY FOR THE CONTENTS OF THIS SECTION.

**MINIMUM UNIT SALES**

THE BONDS WILL TRADE AND SETTLE ON A UNIT BASIS (ONE UNIT EQUALING ONE BOND OF \$5,000 PRINCIPAL AMOUNT). FOR ANY SALES MADE OUTSIDE THE UNITED STATES, THE MINIMUM PURCHASE AND TRADING AMOUNT IS 30 UNITS (BEING 30 BONDS IN AN AGGREGATE PRINCIPAL AMOUNT OF \$150,000).

**NOTICE TO PROSPECTIVE INVESTORS IN THE EUROPEAN ECONOMIC AREA**

THIS OFFICIAL STATEMENT HAS BEEN PREPARED ON THE BASIS THAT ALL OFFERS OF THE SECURITIES TO ANY PERSON THAT IS LOCATED WITHIN A MEMBER STATE OF THE EUROPEAN ECONOMIC AREA (“EEA”) WILL BE MADE PURSUANT TO AN EXEMPTION UNDER ARTICLE 1(4) REGULATION (EU) 2017/1129 (THE “PROSPECTUS REGULATION”) FROM THE REQUIREMENT TO PRODUCE A PROSPECTUS FOR OFFERS OF THE SECURITIES. ACCORDINGLY, ANY PERSON MAKING OR INTENDING TO MAKE ANY OFFER TO ANY PERSON LOCATED WITHIN A MEMBER STATE OF THE EEA OF THE SECURITIES SHOULD ONLY DO SO IN CIRCUMSTANCES IN WHICH NO OBLIGATION ARISES FOR THE ISSUER OR ANY OF THE INITIAL PURCHASERS TO PRODUCE A PROSPECTUS OR SUPPLEMENT FOR SUCH AN OFFER. NEITHER THE ISSUER NOR THE INITIAL PURCHASERS HAVE AUTHORIZED, NOR DO THEY AUTHORIZE, THE MAKING OF ANY OFFER OF SECURITIES THROUGH ANY FINANCIAL INTERMEDIARY, OTHER THAN OFFERS MADE BY THE INITIAL PURCHASERS, WHICH CONSTITUTE THE FINAL PLACEMENT OF THE SECURITIES CONTEMPLATED IN THIS OFFICIAL STATEMENT.

THE OFFER OF ANY SECURITIES WHICH IS THE SUBJECT OF THE OFFERING CONTEMPLATED BY THIS OFFICIAL STATEMENT IS NOT BEING MADE AND WILL NOT BE MADE TO THE PUBLIC IN ANY MEMBER STATE OF THE EEA, OTHER THAN: (A) TO ANY LEGAL ENTITY WHICH IS A “QUALIFIED INVESTOR” AS SUCH TERM IS DEFINED IN THE PROSPECTUS REGULATION; (B) TO FEWER THAN 150 NATURAL OR LEGAL PERSONS (OTHER THAN “QUALIFIED INVESTORS” AS SUCH TERM IS DEFINED IN THE PROSPECTUS REGULATION) OR (C) IN ANY OTHER CIRCUMSTANCES FALLING WITHIN ARTICLE 1(4) OF THE PROSPECTUS REGULATION, SUBJECT TO OBTAINING THE PRIOR CONSENT OF THE RELEVANT UNDERWRITER OR THE CORPORATION FOR ANY SUCH OFFER; PROVIDED THAT NO SUCH OFFER OF THE SECURITIES SHALL REQUIRE THE ISSUER OR THE INITIAL PURCHASERS TO PUBLISH A PROSPECTUS PURSUANT TO ARTICLE 3 OF THE PROSPECTUS REGULATION OR A SUPPLEMENT TO A PROSPECTUS PURSUANT TO ARTICLE 23 OF THE PROSPECTUS REGULATION.

FOR THE PURPOSES OF THIS PROVISION, THE EXPRESSION AN “OFFER OF SECURITIES TO THE PUBLIC” IN RELATION TO THE SECURITIES IN ANY MEMBER STATE OF THE EEA MEANS THE COMMUNICATION IN ANY FORM AND BY ANY MEANS OF SUFFICIENT INFORMATION ON THE TERMS OF THE OFFER AND THE SECURITIES TO BE OFFERED SO AS TO ENABLE AN INVESTOR TO DECIDE TO PURCHASE THE SECURITIES.

EACH SUBSCRIBER FOR OR PURCHASER OF THE BONDS IN THE OFFERING LOCATED WITHIN A MEMBER STATE WILL BE DEEMED TO HAVE REPRESENTED, ACKNOWLEDGED AND AGREED THAT IT IS A “QUALIFIED INVESTOR” AS DEFINED IN THE PROSPECTUS REGULATION. THE CORPORATION AND EACH UNDERWRITER AND OTHERS WILL RELY ON THE TRUTH AND ACCURACY OF THE FOREGOING REPRESENTATION, ACKNOWLEDGEMENT AND AGREEMENT.

PROHIBITION OF SALES TO EEA RETAIL INVESTORS – THE BONDS ARE NOT INTENDED TO BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO AND SHOULD NOT BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO ANY RETAIL INVESTOR IN THE EEA. FOR THESE PURPOSES, A RETAIL INVESTOR MEANS A PERSON WHO IS ONE (OR MORE) OF: (1) A RETAIL CLIENT AS DEFINED

IN POINT (11) OF ARTICLE 4(1) OF DIRECTIVE 2014/65/EU (AS AMENDED, “MIFID II”); OR (II) A CUSTOMER WITHIN THE MEANING OF DIRECTIVE (EU) 2016/97 (THE “INSURANCE DISTRIBUTION DIRECTIVE”), WHERE THAT CUSTOMER WOULD NOT QUALIFY AS A PROFESSIONAL CLIENT AS DEFINED IN POINT (10) OF ARTICLE 4(1) OF MIFID II. CONSEQUENTLY NO KEY INFORMATION DOCUMENT REQUIRED BY REGULATION (EU) NO 1286/2014 (THE “PRIIPS REGULATION”) FOR OFFERING OR SELLING THE NOTES OR OTHERWISE MAKING THEM AVAILABLE TO RETAIL INVESTORS IN THE EEA HAS BEEN PREPARED AND THEREFORE OFFERING OR SELLING THE NOTES OR OTHERWISE MAKING THEM AVAILABLE TO ANY RETAIL INVESTOR IN THE EEA MAY BE UNLAWFUL UNDER THE PRIIPS REGULATION.

#### **NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED KINGDOM**

THIS OFFICIAL STATEMENT HAS NOT BEEN APPROVED FOR THE PURPOSES OF SECTION 21 OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (“FSMA”) AND DOES NOT CONSTITUTE AN OFFER TO THE PUBLIC IN ACCORDANCE WITH THE PROVISIONS OF SECTION 85 OF THE FSMA. THIS OFFICIAL STATEMENT IS FOR DISTRIBUTION ONLY TO, AND IS DIRECTED SOLELY AT, PERSONS WHO (I) ARE OUTSIDE THE UNITED KINGDOM, (II) ARE INVESTMENT PROFESSIONALS, AS SUCH TERM IS DEFINED IN ARTICLE 19(5) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005, AS AMENDED (THE “FINANCIAL PROMOTION ORDER”), (III) ARE PERSONS FALLING WITHIN ARTICLE 49(2)(A) TO (D) OF THE FINANCIAL PROMOTION ORDER, OR (IV) ARE PERSONS TO WHOM AN INVITATION OR INDUCEMENT TO ENGAGE IN INVESTMENT ACTIVITY (WITHIN THE MEANING OF SECTION 21 OF THE FINANCIAL SERVICES AND MARKETS ACT 2000) IN CONNECTION WITH THE ISSUE OR SALE OF ANY BONDS MAY OTHERWISE BE LAWFULLY COMMUNICATED OR CAUSED TO BE COMMUNICATED (ALL SUCH PERSONS TOGETHER BEING REFERRED TO AS “RELEVANT PERSONS”). THIS OFFICIAL STATEMENT IS DIRECTED ONLY AT RELEVANT PERSONS AND MUST NOT BE ACTED ON OR RELIED ON BY PERSONS WHO ARE NOT RELEVANT PERSONS. ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THIS OFFICIAL STATEMENT RELATES IS AVAILABLE ONLY TO RELEVANT PERSONS AND WILL BE ENGAGED IN ONLY WITH RELEVANT PERSONS. ANY PERSON WHO IS NOT A RELEVANT PERSON SHOULD NOT ACT OR RELY ON THIS OFFICIAL STATEMENT OR ANY OF ITS CONTENTS. POTENTIAL INVESTORS IN THE UNITED KINGDOM ARE ADVISED THAT ALL, OR MOST, OF THE PROTECTIONS AFFORDED BY THE UNITED KINGDOM REGULATORY SYSTEM WILL NOT APPLY TO AN INVESTMENT IN THE BONDS AND THAT COMPENSATION WILL NOT BE AVAILABLE UNDER THE UNITED KINGDOM FINANCIAL SERVICES COMPENSATION SCHEME.

#### **NOTICE TO INVESTORS IN SWITZERLAND**

THIS OFFICIAL STATEMENT IS NOT INTENDED TO CONSTITUTE AN OFFER OR SOLICITATION TO PURCHASE OR INVEST IN THE BONDS. THE BONDS MAY NOT BE PUBLICLY OFFERED, DIRECTLY OR INDIRECTLY, IN SWITZERLAND WITHIN THE MEANING OF THE SWISS FINANCIAL SERVICES ACT (“FINSA”) AND NO APPLICATION HAS OR WILL BE MADE TO ADMIT THE BONDS TO TRADING ON ANY TRADING VENUE (EXCHANGE OR MULTILATERAL TRADING FACILITY) IN SWITZERLAND. NEITHER THIS OFFICIAL STATEMENT NOR ANY OTHER OFFERING OR MARKETING MATERIAL RELATING TO THE BONDS CONSTITUTES A PROSPECTUS PURSUANT TO THE FINSA, AND NEITHER THIS OFFICIAL STATEMENT NOR ANY OTHER OFFERING OR MARKETING MATERIAL RELATING TO THE BONDS MAY BE PUBLICLY DISTRIBUTED OR OTHERWISE MADE PUBLICLY AVAILABLE IN SWITZERLAND. ACCORDINGLY, THIS OFFICIAL STATEMENT IS COMMUNICATED IN OR FROM SWITZERLAND TO A LIMITED NUMBER OF SELECTED INVESTORS ONLY. NEITHER THIS OFFICIAL STATEMENT NOR ANY OTHER OFFERING OR MARKETING MATERIAL RELATING TO THE OFFERING, NOR THE ISSUER, NOR THE BONDS HAVE BEEN OR WILL BE FILED WITH OR APPROVED BY ANY SWISS REGULATORY AUTHORITY. THE BONDS ARE NOT SUBJECT TO SUPERVISION BY ANY SWISS REGULATORY AUTHORITY, *E.G.*, THE SWISS FINANCIAL MARKET SUPERVISORY AUTHORITY FINMA, AND INVESTORS IN THE BONDS WILL NOT BENEFIT FROM PROTECTION OR SUPERVISION BY SUCH AUTHORITY.

## NOTICE TO INVESTORS IN SINGAPORE

THIS OFFICIAL STATEMENT HAS NOT BEEN AND WILL NOT BE REGISTERED AS A PROSPECTUS WITH THE MONETARY AUTHORITY OF SINGAPORE. ACCORDINGLY, THIS OFFICIAL STATEMENT AND ANY OTHER DOCUMENT OR MATERIAL USED IN CONNECTION WITH THE OFFER OR SALE, OR INVITATION FOR SUBSCRIPTION OR PURCHASE, OF THE BONDS MAY NOT BE CIRCULATED OR DISTRIBUTED, NOR MAY THE BONDS BE OFFERED OR SOLD, OR BE MADE THE SUBJECT OF AN INVITATION FOR SUBSCRIPTION OR PURCHASE, WHETHER DIRECTLY OR INDIRECTLY, TO PERSONS IN SINGAPORE OTHER THAN (I) TO AN INSTITUTIONAL INVESTOR AS DEFINED IN THE SECURITIES AND FUTURES ACT (CHAPTER 289 OF SINGAPORE) (THE “SFA”) PURSUANT TO SECTION 274 OF THE SFA, (II) TO A RELEVANT PERSON PURSUANT TO SECTION 275(1), OR ANY OTHER PERSON PURSUANT TO SECTION 275(1A), AND IN ACCORDANCE WITH THE CONDITIONS SPECIFIED IN SECTION 275, OF THE SFA WHERE EACH SUCH PERSON IS (1) AN EXPERT INVESTOR (AS DEFINED THE SFA) OR (2) NOT AN INDIVIDUAL.

UNLESS SUCH BONDS ARE OF THE SAME CLASS AS OTHER BONDS OF THE ISSUER THAT ARE LISTED FOR QUOTATION ON AN APPROVED EXCHANGE (AS DEFINED IN SECTION 2(1) OF THE SFA) (**APPROVED EXCHANGE**) AND IN RESPECT OF WHICH ANY OFFICIAL STATEMENT, OFFER INFORMATION STATEMENT, INTRODUCTORY DOCUMENT, SHAREHOLDERS’ CIRCULAR FOR A REVERSE TAKE-OVER, DOCUMENT ISSUED FOR THE PURPOSES OF A SCHEME OF ARRANGEMENT, PROSPECTUS, OR ANY OTHER SIMILAR DOCUMENT APPROVED BY AN APPROVED EXCHANGE, WAS ISSUED IN CONNECTION WITH AN OFFER, OR THE LISTING FOR QUOTATION, OF THOSE BONDS, ANY SUBSEQUENT OFFERS IN SINGAPORE OF BONDS ACQUIRED PURSUANT TO AN INITIAL OFFER MADE IN RELIANCE ON AN EXEMPTION UNDER SECTION 274 OF THE SFA OR SECTION 275 OF THE SFA MAY ONLY BE MADE, PURSUANT TO THE REQUIREMENTS OF SECTION 276 OF THE SFA, FOR THE INITIAL SIX MONTH PERIOD AFTER SUCH ACQUISITION, TO PERSONS WHO ARE INSTITUTIONAL INVESTORS, RELEVANT PERSONS, OR PRESCRIBED INVESTORS. ANY TRANSFER AFTER SUCH INITIAL SIX-MONTH PERIOD IN SINGAPORE SHALL BE MADE IN RELIANCE ON ANY APPLICABLE EXEMPTION UNDER SUBDIVISION (4) OF DIVISION 1 OF PART XIII OF THE SFA (OTHER THAN SECTION 280 OF THE SFA).

WHERE THE BONDS ARE SUBSCRIBED OR PURCHASED UNDER SECTION 275 OF THE SFA BY A RELEVANT PERSON THAT IS:

- (A) A CORPORATION (WHICH IS NOT AN ACCREDITED INVESTOR (AS DEFINED IN SECTION 4A OF THE SFA)) THE SOLE BUSINESS OF WHICH IS TO HOLD INVESTMENTS AND THE ENTIRE SHARE CAPITAL OF WHICH IS OWNED BY ONE OR MORE INDIVIDUALS, EACH OF WHOM IS AN ACCREDITED INVESTOR; OR
- (B) A TRUST (WHERE THE TRUSTEE IS NOT AN ACCREDITED INVESTOR) WHOSE SOLE PURPOSE IS TO HOLD INVESTMENTS AND EACH BENEFICIARY OF THE TRUST IS AN INDIVIDUAL WHO IS AN ACCREDITED INVESTOR,

SECURITIES OR SECURITIES-BASED DERIVATIVES CONTRACTS (EACH AS DEFINED IN THE SFA) OF THAT CORPORATION OR THE BENEFICIARIES’ RIGHTS AND INTEREST (HOWSOEVER DESCRIBED) IN THAT TRUST SHALL NOT BE TRANSFERRED WITHIN 6 MONTHS AFTER THAT CORPORATION OR THAT TRUST HAS ACQUIRED THE BONDS PURSUANT TO AN OFFER MADE UNDER SECTION 275 OF THE SFA EXCEPT:

- (1) TO AN INSTITUTIONAL INVESTOR OR TO A RELEVANT PERSON AS DEFINED IN THE SFA, OR TO ANY PERSON ARISING FROM AN OFFER REFERRED TO IN SECTION 275(1A) OR SECTION 276(4)(I)(B) OF THE SFA;
- (2) WHERE NO CONSIDERATION IS OR WILL BE GIVEN FOR THE TRANSFER;
- (3) WHERE THE TRANSFER IS BY OPERATION OF LAW;
- (4) AS SPECIFIED IN SECTION 276(7) OF THE SFA; OR

(5) AS SPECIFIED IN REGULATION 37A OF THE SECURITIES AND FUTURES (OFFERS OF INVESTMENTS) (SECURITIES AND SECURITIES-BASED DERIVATIVES CONTRACTS) REGULATIONS 2018 OF SINGAPORE.

IN CONNECTION WITH SECTION 309B OF THE SFA AND THE SECURITIES AND FUTURES (CAPITAL MARKETS PRODUCTS) REGULATIONS 2018 OF SINGAPORE (THE “CMP REGULATIONS 2018”), ALL RELEVANT PERSONS (AS DEFINED IN SECTION 309A(1) OF THE SFA) ARE HEREBY NOTIFIED THAT THE BONDS ARE ‘PRESCRIBED CAPITAL MARKETS PRODUCTS’(AS DEFINED IN THE CMP REGULATIONS 2018) AND ARE EXCLUDED INVESTMENT PRODUCTS (AS DEFINED IN MAS NOTICE SFA 04-N12: NOTICE ON THE SALE OF INVESTMENT PRODUCTS AND MAS NOTICE FAA-N16: NOTICE ON RECOMMENDATIONS ON INVESTMENT PRODUCTS).

#### **NOTICE TO PROSPECTIVE INVESTORS IN HONG KONG**

THE CONTENTS OF THIS OFFICIAL STATEMENT HAVE NOT BEEN REVIEWED OR APPROVED BY ANY REGULATORY AUTHORITY IN HONG KONG. YOU ARE ADVISED TO EXERCISE CAUTION IN RELATION TO THE OFFER OF THE BONDS. YOU ARE ADVISED TO EXERCISE CAUTION IN RELATION TO THE OFFERING CONTEMPLATED IN THIS OFFICIAL STATEMENT. IF YOU ARE IN ANY DOUBT ABOUT ANY OF THE CONTENTS OF THIS OFFICIAL STATEMENT, YOU SHOULD OBTAIN INDEPENDENT PROFESSIONAL ADVICE.

THE BONDS (MAY NOT BE OFFERED OR SOLD IN HONG KONG BY MEANS OF ANY DOCUMENT OTHER THAN (I) IN CIRCUMSTANCES WHICH DO NOT CONSTITUTE AN OFFER TO THE PUBLIC WITHIN THE MEANING OF THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE (CAP. 32 OF THE LAWS OF HONG KONG) (“COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE”) OR (II) TO “PROFESSIONAL INVESTORS” AS DEFINED IN THE SECURITIES AND FUTURES ORDINANCE (CAP. 571 OF THE LAWS OF HONG KONG) (“SECURITIES AND FUTURES ORDINANCE”) AND ANY RULES MADE THEREUNDER, OR (III) IN OTHER CIRCUMSTANCES WHICH DO NOT RESULT IN THE DOCUMENT BEING A “PROSPECTUS” AS DEFINED IN THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE, AND NO ADVERTISEMENT, INVITATION OR DOCUMENT RELATING TO THE BONDS MAY BE ISSUED OR MAY BE IN THE POSSESSION OF ANY PERSON FOR THE PURPOSE OF ISSUE (IN EACH CASE WHETHER IN HONG KONG OR ELSEWHERE), WHICH IS DIRECTED AT, OR THE CONTENTS OF WHICH ARE LIKELY TO BE ACCESSED OR READ BY, THE PUBLIC OF HONG KONG (EXCEPT IF PERMITTED TO DO SO UNDER THE SECURITIES LAWS OF HONG KONG) OTHER THAN WITH RESPECT TO BONDS WHICH ARE OR ARE INTENDED TO BE DISPOSED OF ONLY TO PERSONS OUTSIDE HONG KONG OR ONLY TO “PROFESSIONAL INVESTORS” AS DEFINED IN THE SECURITIES AND FUTURES ORDINANCE AND ANY RULES MADE THEREUNDER.

#### **NOTICE TO PROSPECTIVE INVESTORS IN TAIWAN**

THE OFFER OF THE BONDS HAS NOT BEEN AND WILL NOT BE REGISTERED OR FILED WITH, OR APPROVED BY, THE FINANCIAL SUPERVISORY COMMISSION OF TAIWAN AND/OR OTHER REGULATORY AUTHORITY OF TAIWAN PURSUANT TO RELEVANT SECURITIES LAWS AND REGULATIONS, AND THE BONDS MAY NOT BE OFFERED, ISSUED OR SOLD IN TAIWAN THROUGH A PUBLIC OFFERING OR IN CIRCUMSTANCES WHICH CONSTITUTE AN OFFER WITHIN THE MEANING OF THE SECURITIES AND EXCHANGE ACT OF TAIWAN THAT REQUIRES THE REGISTRATION OR FILING WITH OR APPROVAL OF THE FINANCIAL SUPERVISORY COMMISSION OF TAIWAN. THE BONDS MAY BE MADE AVAILABLE OUTSIDE TAIWAN FOR PURCHASE BY INVESTORS RESIDING IN TAIWAN (EITHER DIRECTLY OR THROUGH PROPERLY LICENSED TAIWAN INTERMEDIARIES), BUT MAY NOT BE OFFERED OR SOLD IN TAIWAN EXCEPT TO QUALIFIED INVESTORS VIA A TAIWAN LICENSED INTERMEDIARY. ANY SUBSCRIPTIONS OF BONDS SHALL ONLY BECOME EFFECTIVE UPON ACCEPTANCE BY THE ISSUER OR THE RELEVANT DEALER OUTSIDE TAIWAN AND SHALL BE DEEMED A CONTRACT ENTERED INTO IN THE JURISDICTION OF INCORPORATION OF THE ISSUER



OR RELEVANT DEALER, AS THE CASE MAY BE, UNLESS OTHERWISE SPECIFIED IN THE SUBSCRIPTION DOCUMENTS RELATING TO THE BONDS SIGNED BY THE INVESTORS.

#### **NOTICE TO INVESTORS IN JAPAN**

THE BONDS HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE FINANCIAL INSTRUMENTS AND EXCHANGE ACT OF JAPAN (NO. 25 OF 1948, AS AMENDED, THE “FIEA”). NEITHER THE BONDS NOR ANY INTEREST THEREIN MAY BE OFFERED OR SOLD, DIRECTLY OR INDIRECTLY, IN JAPAN OR TO, OR FOR THE BENEFIT OF, ANY “RESIDENT” OF JAPAN (AS DEFINED UNDER ITEM 5, PARAGRAPH 1, ARTICLE G OF THE FOREIGN EXCHANGE AND FOREIGN TRADE ACT (ACT NO. 228 OF 1949, AS AMENDED)), OR TO OTHERS FOR RE-OFFERING OR RESALE, DIRECTLY OR INDIRECTLY, IN JAPAN OR TO, OR FOR THE BENEFIT OF, ANY RESIDENT OF JAPAN, EXCEPT PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF, AND OTHERWISE IN COMPLIANCE WITH, THE FIEA AND ANY OTHER APPLICABLE LAWS, REGULATIONS AND MINISTERIAL GUIDELINES OF JAPAN.

THE PRIMARY OFFERING OF THE BONDS AND THE SOLICITATION OF AN OFFER FOR ACQUISITION THEREOF HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER PARAGRAPH 1, ARTICLE 4 OF THE FIEA. AS IT IS A PRIMARY OFFERING, IN JAPAN, THE BONDS MAY ONLY BE OFFERED, SOLD, RESOLD OR OTHERWISE TRANSFERRED, DIRECTLY OR INDIRECTLY TO, OR FOR THE BENEFIT OF CERTAIN QUALIFIED INSTITUTIONAL INVESTORS AS DEFINED IN THE FIEA (“QIIS”). A QII WHO PURCHASED OR OTHERWISE OBTAINED THE BONDS CANNOT RESELL OR OTHERWISE TRANSFER THE BONDS IN JAPAN TO ANY PERSON EXCEPT ANOTHER QII.

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**OFFICIAL STATEMENT**  
**relating to**  
**\$314,745,000**  
**BOARD OF REGENTS OF TEXAS TECH UNIVERSITY SYSTEM**  
**REVENUE FINANCING SYSTEM**  
**REFUNDING AND IMPROVEMENT BONDS**  
**TAXABLE SERIES 2020**

**INTRODUCTION**

**General**

This Official Statement, which includes the cover pages and the Schedule and Appendices hereto, provides certain information regarding the issuance by the Board of Regents of the Texas Tech University System (the “Board”), acting for and on behalf of the Texas Tech University System (the “University System”) of its bonds, entitled “Board of Regents of Texas Tech University System Revenue Financing System Refunding and Improvement Bonds, Taxable Series 2020” (the “Bonds”). Capitalized terms used in this Official Statement and not otherwise defined have the same meanings assigned to such terms in “Appendix D — SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION.”

This Official Statement contains summaries and descriptions of the plan of finance, the Resolution (as defined herein), the Bonds, the Board, the University System, Texas Tech University (the “University”), Texas Tech University Health Sciences Center (the “Health Science Center”), Angelo State University (“Angelo State”), Texas Tech University Health Sciences Center at El Paso (the “Health Sciences Center at El Paso”) and other related matters. All references to and descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from Mr. Gary Barnes, Vice Chancellor and Chief Financial Officer, Texas Tech University System, 2500 Broadway, Administration Building, Room 213, Lubbock, Texas 79409-1098.

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Copies of this final Official Statement and any Escrow Agreement (as defined herein) will be submitted to the Municipal Securities Rulemaking Board and will be available through its Electronic Municipal Market Access system. See “CONTINUING DISCLOSURE OF INFORMATION” for information regarding the Electronic Municipal Market Access system and for a description of the Board’s undertaking to provide certain information on a continuing basis.

**The University System**

The University System currently consists of the University, the Health Sciences Center, Angelo State and the Health Sciences Center at El Paso. The University, the Health Sciences Center, Angelo State and the Health Sciences Center at El Paso were established pursuant to the provisions of the Constitution and the laws of the State of Texas (the “State”) as institutions of higher education. Pursuant to a Master Resolution adopted by the Board on October 21, 1993 and amended on November 8, 1996 and August 22, 1997 (as amended, the “Master Resolution”), the Board created the University System’s Revenue Financing System (the “Revenue Financing System”) for the purpose of providing a system-wide financing structure for revenue-supported indebtedness to reduce costs, increase borrowing capacity, provide additional security to the credit markets and provide the Board with increased financial flexibility. Currently, the University, the Health Sciences Center, Angelo State and the Health Sciences Center at El Paso are the only Participants in the Revenue Financing System. Pursuant to the Master Resolution, the Board has, with certain exceptions, combined all of the revenues, funds and balances attributable to any Participant in the Revenue Financing System that may lawfully be pledged to secure the payment of revenue supported debt obligations and has pledged those sources as Pledged Revenues to secure the payment of revenue supported debt obligations of the Board incurred as Parity Obligations under the Master Resolution. See “SECURITY FOR THE BONDS — The Revenue Financing System” and “Appendix D — SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION.”

**COVID-19 Disclosure**

The outbreak of 2019 Novel Coronavirus Disease (“COVID-19”), a respiratory disease caused by a new strain of coronavirus, has been declared a pandemic by the World Health Organization. The outbreak of the disease

has affected travel, commerce and financial markets globally. On March 13, 2020, the Governor of the State (the “Governor”) responded to an increase in the number of confirmed cases of COVID-19 in the State by declaring a state of disaster and authorized the use of all available resources of State government and of political subdivisions that are reasonably necessary to cope with this disaster. Since the week of March 16, 2020, undergraduate and graduate course instruction has been conducted through virtual means. Most students have vacated their respective campuses, with those that remain subject to “social distancing” measures and reduced on-campus services. The University System is coordinating its response with local public health agencies, as well as the Texas Department of Health, and is providing public information through <https://www.texastech.edu/offices/risk-management/coronavirus.php> and direct communications to the University System community and stakeholders. The information contained on (or accessed through) such website is not incorporated by reference, either expressly or by implication, into this Official Statement, nor are any materials on such website.

As of June 22, 2020, the Texas Department of State Health Services (“DSHS”) has reported over 108,000 cases of individuals in the State diagnosed with COVID-19. DSHS is the lead agency in the State responding to and coordinating the State’s response to COVID-19 and has provided information available at <https://www.dshs.texas.gov/coronavirus/>. The information contained on (or accessed through) such website is not incorporated by reference, either expressly or by implication, into this Official Statement, nor are any materials on such website.

As it relates to the coronavirus (COVID-19) threat, the University System and its member institutions are committed to the well-being and safety of its students, faculty and staff. In responsibly planning the immediate future, University System leadership teams have spent significant hours preparing to safely begin reopening aspects of University System campuses and office facilities. A cross-institutional team of experts from all University System institutions and University System headquarters worked with the Chancellor and Presidents to provide several system-wide guidelines. Current University System guidelines, applicable to all member institutions, can be found below and will be updated regularly as circumstances change. For information specific to a University System institution, please visit the COVID-19 web sites at <https://www.depts.ttu.edu/communications/emergency/coronavirus/>, <https://www.angelo.edu/covid-19/>, <https://www.ttuhsce.edu/coronavirus/>, and <https://ttuhscep.edu/el Paso/coronavirus/>.

Summer courses at the University System’s academic institutions will continue to be conducted online without students being charged for on-campus housing, parking and meal plans. However, the University System member institutions are still evaluating the possibility of some labs and other on-campus offerings reopening later in the 2020 Summer II semester, which begins on July 7, 2020. Currently, 2020 Summer semester enrollment for the University System is up approximately 9.7% from the 2019 Summer semester. The University waived the athletics, medical services, recreation center, student union and transportation fees for Summer courses. Angelo State waived the athletics, medical services, recreation center, student union and transportation fees for Summer courses. The University System member institutions are currently planning to conduct a combination of in person and online classes on-campus for the 2020 Fall semester with health and safety considerations as the first priority.

The University announced that the 2020 Fall semester will begin as scheduled on August 26<sup>th</sup> with in person, online and a hybrid of in person and online classes to be conducted on-campus. Angelo State announced that the 2020 Fall semester will begin a week earlier than scheduled on August 17<sup>th</sup> with in person, online and hybrid class models. For the 2019 Fall semester, the University System’s academic institutions enrolled over 2,500 international students, and a decrease in international student enrollment for the 2020 Fall semester is expected as part of a nationwide trend.

From March 22, 2020 until April 22, 2020, the State was under an executive order that required all licensed healthcare providers and facilities in the State, including those of the University System, to postpone all surgeries and procedures that were not “immediately medically necessary to correct a serious medical condition of, or to preserve the life of, a patient who without immediate performance of the surgery or procedure would be at risk for serious adverse medical consequences or death.” There can be no assurances that the Governor will not issue executive orders in the future with similar restrictions. The University System expects that its compliance with such executive order and the COVID-19 pandemic generally will have an impact on the revenues and expenses. While the University System cannot predict the exact impact, it currently estimates that gross revenue losses for clinical practices at the Health Science Center and the Health Science Center at El Paso will be approximately \$3 million, excluding any offsets from CARES Act (as defined herein) funding described below. The Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”) signed into law on March 27, 2020, also provided for funds that benefit the University

System. Under the CARES Act, approximately \$44 million is available to University System institutions, with approximately \$17 million or more directed to students as emergency relief payments.

In response to the outbreak of the coronavirus (COVID-19), the University System implemented significant cost controlling measures in March 2020 across the entire University System. These short-term cost controls include a hiring freeze and delayed hiring in some cases, limiting procurement and contracts, reducing planned travel, delaying various maintenance projects, reductions to administrative and support costs, and reducing student and hourly employees consistent with essential work. The University System has been able to continue its major ongoing capital improvement projects but has delayed minor capital improvement projects.

On May 20, 2020, the Governor of the State directed every State agency and institution of higher education to achieve savings in the current biennium to offset current year revenue losses for the State. The Governor requested each State agency and institution of higher education submit a plan identifying savings that will reduce general and general revenue related appropriations by five percent for the 2020-2021 biennium to the Legislative Budget Board and the Office of the Governor by June 15, 2020. To support the State's response to COVID-19 and the continuity of critical government functions the following were excluded from the five percent reduction: (1) Appropriations to the Texas Division of Emergency Management, the Texas Department of State Health Services, the Texas Workforce Commission, the Texas Military Department, and the Texas Department of Public Safety; (2) Funding for debt service requirements and bond authorizations; (3) Current law requirements for the Foundation School Program and school safety; (4) Funding for Child Protective Services; (5) Benefits and eligibility levels in Medicaid programs, the Children's Health Insurance Program, the foster care program, the adoption subsidies program, the permanency care assistance program, and services for individuals with intellectual or developmental disabilities; (6) Funding for behavioral health service programs; (7) Appropriations for Correctional Security Operations and Correctional Managed Health Care at the Texas Department of Criminal Justice; (8) Appropriations to Health Related Institutions and Community Colleges; and (9) Employer Contributions to the Teacher Retirement System and Employees Retirement System funds and to Social Security. The University System's budget reduction target amount for the 2020-2021 biennium is \$18.3 million.

The Comptroller has stated that an official updated revenue estimate for the State's fiscal years 2020 and 2021 is currently expected to be released sometime this summer and that such estimate is expected to be lower than the Comptroller's prior revenue estimate released in October 2019. Such downward revision is anticipated by the Comptroller to be at least several billion dollars, to an extent that cannot yet be reliably estimated, and could be material. According to the Comptroller, the extent of the reduction in State revenues forecasted will depend on a number of factors, including whether increased economic activity in the State can continue to be permitted in stages or must be restricted due to a continued or renewed spread of COVID-19, the extent to which consumer confidence and economic activity rebounds, resulting changes in crude oil prices and exploration and development activity, and other factors beyond the State's control. Current economic conditions in the State may result in decreases to State appropriations to the University System, either through a reduction in appropriations for the 2020-21 biennium which may be implemented by the Governor or by the State Legislature in the next legislative session. The Legislative Budget Board and the Office of the Governor will issue instructions for the Legislative Appropriations Request that each state agency and institution of higher education will submit for the 2022-2023 biennium. The University System can make no assurances as to any such future actions with respect to legislative appropriations.

The continued spread of COVID-19 and its impact on social interaction, travel, commerce and financial markets may adversely impact the University System's financial condition and operations, including the ability of the University System to conduct its operations and/or the cost of its operations. The continued spread of COVID-19 and its impact on social interaction, travel, commerce and financial markets could also adversely affect financial markets and consequently adversely affect the returns on and value of the University System's investments and the secondary market for and value of the Bonds. Other adverse consequences of COVID-19 may include, but are not limited to, decline in enrollment, postponement or cancellation of athletic events, decline in demand for University System housing, parking and dining, decline in demand for University System programs that involve travel or that have international connections, and changes in the delivery of health care.

At this time, the University System cannot predict (i) the duration or extent of the COVID-19 pandemic; (ii) the duration or expansion of travel restrictions and restrictions on assemblies or gatherings; (iii) what effect any COVID-19 or any other outbreak/pandemic-related restrictions or warnings may have on demand for higher education; (iv) whether and to what extent the COVID-19 pandemic may disrupt the State, national or global economy, or whether

any such disruptions may adversely impact the University System's operations or revenues; or (v) whether any of the foregoing may have a material adverse effect on the financial condition or operations of the University System and the Participants in the Revenue Financing System. However, the University System currently anticipates that the COVID-19 pandemic and the related responsive measures will not impair the Board's ability to pay debt service on Parity Debt and to comply with the other terms thereof. See "Appendix A — TEXAS TECH UNIVERSITY SYSTEM — Selected Financial Information — Funding for the University and its Member Institutions."

## **PLAN OF FINANCE**

### **Authority for Issuance**

The Bonds are being issued in accordance with the general laws of the State, including particularly Chapter 55, Texas Education Code, as amended; Chapter 1371, Texas Government Code, as amended; and Chapter 1207, Texas Government Code, as amended ("Chapter 1207"). The Bonds are being issued pursuant to the Master Resolution, a Eighteenth Supplemental Resolution adopted by the Board on May 14, 2020, and a Pricing Certificate executed by the Pricing Officer on the date hereof (the Eighteenth Supplemental Resolution and the Pricing Certificate are jointly referred to herein as the "Eighteenth Supplemental Resolution"). The Master Resolution and the Eighteenth Supplemental Resolution are referred to herein collectively as the "Resolution." The Bonds will be the twentieth series of debt obligations issued as Parity Obligations and payable from the Pledged Revenues. Certain of the Parity Obligations previously issued pursuant to the Master Resolution are no longer outstanding. For a description of the Outstanding Parity Obligations and the ability of the Board to issue Additional Parity Obligations, see "SECURITY FOR THE BONDS — Outstanding Parity Obligations" and "— Additional Obligations."

### **Purpose**

The Bonds are being issued for the purposes of: (i) acquiring, purchasing, constructing, improving, renovating, enlarging or equipping property, buildings, structures, facilities, roads or related infrastructure for the University System; (ii) refunding \$52,009,000 of the "Board of Regents of Texas Tech University System Revenue Financing System Commercial Paper Notes, Series A" (the "Commercial Paper Notes"); (iii) refunding certain of the University System's outstanding obligations, as more particularly described in Schedule I attached hereto (the "Refunded Obligations"); and (iv) paying the costs of issuance of the Bonds. The Commercial Paper Notes constitute Parity Obligations under the terms of the Master Resolution. See "SECURITY FOR THE BONDS — The Revenue Financing System."

### **Refunded Notes**

The Resolution provides that from the proceeds of the sale of the Bonds received from the Underwriters thereof, together with other available funds of the Board, the Board will deposit with Deutsche Bank Trust Company Americas, in its capacity as the issuing and paying agent for the Commercial Paper Notes (the "CP Issuing and Paying Agent"), the amount necessary to accomplish the discharge, defeasance and final payment of \$52,009,000 of Outstanding Commercial Paper Notes (the "Refunded Notes") in accordance with the terms of the supplemental resolution authorizing the issuance thereof. Thereafter, the Refunded Notes, together with interest due thereon, will be paid on the scheduled maturity dates therefor, from the amounts deposited with the CP Issuing and Paying Agent. The amounts so deposited with the CP Issuing and Paying Agent will be in the form of cash and will be sufficient to provide for the payment of the principal of and interest on the Refunded Notes when due.

By the deposit of the cash with the CP Issuing and Paying Agent, the Board will have effected the defeasance of all of the Refunded Notes in accordance with Chapter 1207 and pursuant to the terms of the supplemental resolution authorizing their issuance. As a result of such defeasance, the Refunded Notes will be outstanding only for the purpose of receiving payments from such cash held by the CP Issuing and Paying Agent and such Refunded Notes will not be deemed as being outstanding obligations of the Board payable from Pledged Revenues nor for the purpose of applying any limitation on the issuance of debt.

### **Refunded Obligations**

A portion of the proceeds from the issuance and sale of the Bonds will be applied to refund the Refunded Obligations. The refunding will result in the defeasance of the Refunded Obligations in accordance with the terms thereof and the laws of the State of Texas.

The principal and interest due on the Refunded Obligations are to be paid on the scheduled interest payment dates and the respective redemption dates of such Refunded Obligations from funds to be deposited pursuant to a certain Escrow Agreement (the “Escrow Agreement”) between the Board and BOKF, NA, Dallas, Texas (the “Escrow Agent”). The Eighteenth Supplemental Resolution provides that from the proceeds of the sale of the Bonds received from the Underwriters, the Board will deposit with the Escrow Agent the amount which, together with Federal Securities (defined below) purchased with a portion of the Bond proceeds and the interest to be earned on such Federal Securities, will be sufficient to accomplish the discharge and final payment of the Refunded Obligations on their respective redemption dates. Such funds will be held by the Escrow Agent in a special escrow account (the “Escrow Fund”) and used to purchase direct obligations of the United States of America (the “Federal Securities”), which will come due on or before their respective redemption dates. Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of the principal of and interest on the Refunded Obligations.

Causey Demgen & Moore P.C., independent certified public accountants, will verify at the time of delivery of the Bonds to the Underwriters the mathematical accuracy of the schedules that demonstrate that the Federal Securities will mature and pay interest in such amounts which, together with uninvested funds, if any, in the Escrow Fund, will be sufficient to pay, when due, the principal of and interest on the Refunded Obligations. Such maturing principal of and interest on the Federal Securities will not be available to pay the Bonds. Such verification report will be based on information and assumptions supplied by the Board and the Underwriters, and such verifications, information and assumptions will be relied upon by Bond Counsel in rendering its opinion relating to the Bonds described herein. See “VERIFICATION OF MATHEMATICAL COMPUTATIONS” herein.

By the deposit of the Federal Securities and cash, if necessary, with the Escrow Agent pursuant to the Escrow Agreement, the Board will have effected the defeasance of all of the Refunded Obligations in accordance with Chapter 1207. As a result of such defeasance, the Refunded Obligations will be outstanding only for the purpose of receiving payments from the Federal Securities and any cash held for such purpose by the Escrow Agent and such Refunded Obligations will not be deemed as being outstanding obligations of the Board payable from Pledged Revenues nor for the purpose of applying any limitation on the issuance of debt.

## **SOURCES AND USES OF FUNDS**

The proceeds from the sale of the Bonds will be applied as follows:

<b>Sources of Funds</b>	<b><u>Total</u></b>
Par Amount of Bonds	\$314,745,000.00
Total Sources of Funds	\$314,745,000.00
 <b>Application of Funds</b>	
Deposit to Project Construction Fund	\$155,828,000.00
Deposit with Escrow Agent	104,836,240.86
Deposit for Refunded Notes	52,009,000.00
Costs of Issuance <sup>(1)</sup>	<u>2,071,759.14</u>
Total Applications of Funds	\$314,745,000.00

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<sup>(1)</sup> Includes Underwriters’ discount, other costs of issuance and rounding amount. See “UNDERWRITING.”

## **DESCRIPTION OF THE BONDS**

### **General**

The Bonds will be dated and will accrue interest from their date of delivery. Further, the Bonds will bear interest at the per annum rates and will mature on the dates and in the amounts shown on page ii of this Official Statement. Interest on the Bonds will be calculated on the basis of a 360-day year composed of twelve 30-day months. Interest on the Bonds is payable on August 15, 2020 and each February 15 and August 15 thereafter until maturity or prior redemption. The Bonds are initially issuable in book-entry-only form.

Interest on the Bonds shall be paid to the registered owners appearing on the registration books of the paying agent/registrar for the Bonds, initially BOKF, NA, Dallas, Texas (the “Paying Agent/Registrar”), at the close of business on the Record Date (as defined herein), and such interest shall be paid (i) by check sent United States mail,

first class postage prepaid to the address of the registered owner recorded in the registration books of the Paying Agent/Registrar or (ii) by such other method, acceptable to the Paying Agent/Registrar required by, and at the risk and expense of, the registered owner. Principal of the Bonds will be paid to the registered owner at their stated maturity or upon earlier redemption upon presentation to designated payment/transfer office of the Paying Agent/Registrar; provided, however, that so long as Cede & Co. (or other DTC nominee) is the registered owner of the Bonds, all payments will be made as described under “DESCRIPTION OF THE BONDS — Book-Entry-Only System and Global Clearance Procedures” herein. In the event that any date for payment of the principal of or interest on the Bonds is a Saturday, Sunday, legal holiday, or day on which banking institutions are authorized by law or executive order to close in the city where the Designated Trust Office (as defined herein) of the Paying Agent/Registrar is located, then the date for such payment will be the next succeeding day which is not a Saturday, Sunday, legal holiday, or day on which such banking institutions are authorized to close (a “Business Day”). Payment on such later date will not increase the amount of interest due and will have the same force and effect as if made on the original date payment was due.

### **Transfer, Exchange, and Registration**

In the event the use of DTC’s book-entry-only system should be discontinued, the Bonds will be printed and delivered to the registered owners thereof, and thereafter the Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar at its designated trust office, initially its office in Dallas, Texas (the “Designated Trust Office”), and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. A Bond may be assigned by the execution of an assignment form on the Bond or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Bond or Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bond or Bonds being transferred or exchanged, at the Designated Trust Office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or the designee thereof. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner not more than three business days after the receipt of the Bonds to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in any multiple of \$5,000 for any one maturity and for a like aggregate principal amount and like series as the Bond or Bonds surrendered for exchange or transfer.

### **Limitation on Transfer of Bonds Called for Redemption**

The Paying Agent/Registrar shall not be required to make any transfer or exchange (i) during a period beginning with the close of business on any Record Date (as defined herein) and ending with the opening of business on the next following interest payment date, or (ii) with respect to any Bond or portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date.

### **Record Date for Interest Payment**

The record date (“Record Date”) for the interest payable on any interest payment date means the close of business on the last Business Day of the month next preceding each interest payment date.

### **Redemption**

**Optional Redemption.** The Bonds scheduled to mature on and after February 15, 2030 are subject to redemption prior to maturity at the option of the Board on February 15, 2029, or on any date thereafter, in whole or in part, in principal amounts of \$5,000 or any multiple thereof (and, if in part, the particular Bonds or portion thereof to be redeemed shall be selected by the Board) at a price of 100% of the principal amount plus accrued interest to the redemption date.

During any period in which ownership of the Bonds is determined by a book entry at a securities depository for the Bonds, if fewer than all of the Bonds of the same maturity and bearing the same interest rate are to be redeemed, the particular Bonds of such maturity and bearing such interest rate shall be selected in accordance with the arrangements between the Board and the securities depository. See “DESCRIPTION OF THE BONDS — Book-Entry-Only System and Global Clearance Procedures” below.



### **Mandatory Sinking Fund Redemption.**

The Bonds scheduled to mature on February 15, 2040 and February 15, 2050 (the “Term Bonds”) are subject to mandatory sinking fund redemption at a price of par, plus accrued interest to the dates of redemption, on the dates and in the principal amounts as follows:

<u>Term Bonds due February 15, 2040</u>	
<u>Redemption Date</u>	<u>Principal Amount (\$)</u>
February 15, 2036	7,460,000
February 15, 2037	5,630,000
February 15, 2038	5,795,000
February 15, 2039	5,950,000
February 15, 2040 (Stated Maturity)	135,255,000

<u>Term Bonds due February 15, 2050</u>	
<u>Redemption Date</u>	<u>Principal Amount (\$)</u>
February 15, 2041	3,975,000
February 15, 2042	435,000
February 15, 2043	450,000
February 15, 2044	465,000
February 15, 2045	480,000
February 15, 2046	495,000
February 15, 2047	505,000
February 15, 2048	520,000
February 15, 2049	535,000
February 15, 2050 (Stated Maturity)	555,000

The principal amount of the Term Bonds to be redeemed on each such redemption date pursuant to the foregoing operation of the mandatory sinking fund shall be reduced, at the option of the Board, by the principal amount of any Term Bonds of the same maturity and bearing the same interest rate, which, at least 45 days prior to the mandatory sinking fund redemption date, (1) shall have been acquired by the Board and delivered to the Paying Agent/Registrar for cancellation, or (2) shall have been acquired and canceled by such Paying Agent/Registrar at the direction of the Board, in either case of (1) or (2) at a price not exceeding the par or principal amount of such Term Bonds, or (3) have been redeemed pursuant to the optional redemption provisions set forth above and not theretofore credited against a mandatory sinking fund redemption. Notwithstanding the foregoing, during any period in which ownership of the Term Bonds to be redeemed is determined by a book entry at a securities depository for such Term Bonds, if fewer than all of such Term Bonds of the same maturity and bearing the same interest rate are to be redeemed, the particular Term Bonds (or portions thereof) of such maturity and bearing such interest rate shall be selected in accordance with the arrangements between the Board and the securities depository. See “DESCRIPTION OF THE BONDS —Book-Entry-Only System and Global Clearance Procedures.”

**Notice of Redemption.** At least 30 days prior to the date fixed for any redemption of Bonds or portions thereof prior to maturity, a written notice of such redemption will be sent by the Paying Agent/Registrar by United States mail, first-class, postage prepaid, to each registered owner of a Bond to be redeemed in whole or in part at the address of each such owner appearing on the registration books of the Paying Agent/Registrar on the 45th day prior to such redemption date, to each registered securities depository, and to any national information service that disseminates redemption notices. FAILURE TO MAIL OR RECEIVE SUCH NOTICE WILL NOT AFFECT THE PROCEEDINGS FOR REDEMPTION. If such written notice of redemption is sent and if due provision for such payment is made, the Bonds or portions thereof which are to be so redeemed thereby automatically shall be treated as redeemed prior to their scheduled maturities, and they shall not bear interest after the date fixed for redemption, and they shall not be regarded as being outstanding except for the right of the registered owner to receive the redemption price from the Paying Agent/Registrar out of the funds provided for such payment. In addition, in the event of a redemption caused by an advance refunding, the Paying Agent/Registrar shall send a second notice of redemption to registered owners subject to redemption at least 30 days but not more than 90 days prior to the actual redemption date. Any notice sent to the registered securities depositories or national information services shall be sent so that they are received at least two days prior to the general mailing or publication date of such notice. The Paying Agent/Registrar

shall also send a notice of prepayment or redemption to any registered owner who has not submitted Bonds for redemption 60 days after the redemption date. If a portion of any Bond shall be redeemed, a substitute Bond or Bonds having the same maturity date, bearing interest at the same rate, payable in the same manner, in any authorized denomination at the written request of the registered owner, and in aggregate principal amount equal to the unredeemed portion thereof, will be issued to the registered owner upon the surrender thereof for cancellation, at the expense of the Board. If less than all the Bonds of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Bonds are in Book-Entry-Only form) shall determine by lot the Bonds, or portions thereof, within such maturity to be redeemed.

All redemption notices shall contain a description of the Bonds to be redeemed including the complete name of the Bonds, the series, the dates of issue, the interest rates, the maturity dates, the CUSIP numbers, the amounts of Bonds called, the mailing dates for the notices, the dates of redemption, the redemption prices, the name of the Paying Agent/Registrar, and the address at which the Bonds may be redeemed including a contact person and telephone number.

### **Paying Agent/Registrar**

In the Resolution, the Board reserves the right to replace the Paying Agent/Registrar upon not less than 120 days written notice to the Paying Agent/Registrar, to be effective not later than 60 days prior to the next principal or interest payment date after such notice. The Board covenants to maintain and provide a Paying Agent/Registrar at all times while the Bonds are outstanding, and any successor Paying Agent/Registrar shall be a competent and legally qualified bank, trust company, financial institution, or other qualified agency. In the event that the entity at any time acting as Paying Agent/Registrar should resign or otherwise cease to act as such, the Board covenants to promptly appoint a competent and legally qualified bank, trust company, financial institution or other qualified agency to act as Paying Agent/Registrar. Upon any change in the Paying Agent/Registrar, the Board agrees to promptly cause a written notice thereof to be sent to each registered owner of Bonds by United States mail, first-class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

### **Defeasance**

The Resolution provides for the defeasance of the Bonds when the payment of the principal amount of, premium, if any, plus interest accrued on the Bonds to their due date thereof (whether such due date be by reason of maturity, redemption, or otherwise), is provided by irrevocably depositing with the Paying Agent/Registrar or with the Comptroller either (1) cash in an amount equal to the principal amount of and interest on the Bonds to the date of maturity or earlier redemption, if any, or (2) pursuant to an escrow or trust agreement, cash and/or Government Securities, the principal of and interest on which will, when due or redeemable at the option of the holder, without further investment or reinvestment of either the principal amount thereof or the interest earnings thereon, provide money in an amount which, together with other moneys, if any, held in such escrow at the same time and available for such purpose, shall be sufficient to provide for the timely payment of the principal amount of and interest on the Bonds to the date of maturity or earlier redemption, if any. "Government Securities" means direct, non-callable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, which may be in book-entry form. The Board has the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Government Securities for the Government Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the Board moneys in excess of the amount required for such defeasance.

Upon such deposit as described above, such Bonds shall no longer be regarded as outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment of the Bonds have been made as described above, all rights of the Board to initiate proceedings to call the Bonds for redemption or take any other action amending the terms of the Bonds are extinguished; provided, however, the Board has the option, to be exercised at the time of the defeasance of the Bonds, to call for redemption at an earlier date those Bonds which have been defeased to their maturity date, if the Board (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption, (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the firm banking and financial arrangements, and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

## Bondholder Remedies

The Resolution does not establish specific events of default with respect to the Bonds. If the Board defaults in the payment of the principal of or interest on the Bonds when due, any registered owner is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring the Board to make such payment or observe and perform such covenants, obligations or conditions. Such right is in addition to any other rights the registered owners of the Bonds may be provided by the laws of the State. Under State law, there is no right to the acceleration of maturity of the Bonds upon the failure of the Board to observe any covenant under the Resolution. Such registered owner's only practical remedy, if a default occurs, is a mandamus or mandatory injunction proceeding to compel the Board to set tuition and fees at a level sufficient to pay principal of and interest on the Bonds as such becomes due. The enforcement of any such remedy may be difficult and time consuming and a registered owner could be required to enforce such remedy on a periodic basis.

In general, State courts have held that a writ of mandamus may be issued to require public officials to perform ministerial acts that clearly pertain to their duties. Texas courts have held that a ministerial act is defined as a legal duty that is prescribed and defined with a precision and certainly that leaves nothing to the exercise of discretion or judgment, though mandamus is not available to enforce purely contractual duties. However, Texas courts have held that mandamus may be used to require a public officer to perform legally-imposed ministerial duties necessary for the performance of a valid contract to which the State or a political subdivision of the State is a party, including the payment of monies due under a contract.

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

The Resolution does not provide for the appointment of a trustee to represent the interest of the bondholders upon any failure of the Board to perform in accordance with the terms of the Resolution, or upon any other condition. The opinions of Bond Counsel will note that all opinions relative to the enforceability of the Resolution and the Bonds are qualified with respect to the customary rights of debtors relative to their creditors.

## Book-Entry-Only System and Global Clearance Procedures

*This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by DTC while the Bonds are registered in its nominee name. The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of DTC, Euroclear Bank S.A./N.V. as operator of the Euroclear System ("Euroclear") or Clearstream Banking, S.A. ("Clearstream") (DTC, Euroclear and Clearstream together, the "Clearing Systems") currently in effect. The information in this section concerning the Clearing Systems has been provided by the Clearing Systems for use in disclosure documents such as this Official Statement. The Board and the Underwriters believe the source of such information to be reliable but take no responsibility for the accuracy or completeness thereof.*

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

**DTC Book-Entry-Only System.** DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for the Bonds, in the aggregate principal amount of each maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the

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

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of Bonds (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

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

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

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

Principal, interest and redemption payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC’s practice is to credit Direct Participants’ accounts

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

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

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

**Euroclear and Clearstream.** Euroclear and Clearstream each hold securities for their customers and facilitate the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders. Euroclear and Clearstream provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear and Clearstream customers are worldwide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system, either directly or indirectly.

**Clearing and Settlement Procedures.** Any Bonds sold in offshore transactions will be initially issued to investors through the book-entry facilities of DTC, for the account of its participants, including but not limited to Euroclear and Clearstream. If the investors are participants in Clearstream and Euroclear in Europe, or indirectly through organizations that are participants in the Clearing Systems, Clearstream and Euroclear will hold omnibus positions on behalf of their participants through customers' securities accounts in Clearstream's and Euroclear's names on the books of their respective depositories.

The depositories, in turn, will hold positions in customers' securities accounts in the depositories' names on the books of DTC. Because of time zone differences, the securities account of a Clearstream or Euroclear participant as a result of a transaction with a participant, other than a depository holding on behalf of Clearstream or Euroclear, will be credited during the securities settlement processing day, which must be a business day for Clearstream or Euroclear, as the case may be, immediately following the DTC settlement date. These credits or any transactions in the securities settled during the processing will be reported to the relevant Euroclear participant or Clearstream participant on that business day. Cash received in Clearstream or Euroclear as a result of sales of securities by or through a Clearstream participant or Euroclear participant to a DTC Participant, other than the depository for Clearstream or Euroclear, will be received with value on the DTC settlement date but will be available in the relevant Clearstream or Euroclear cash account only as of the business day following settlement in DTC.

Transfers between participants will occur in accordance with DTC rules. Transfers between Clearstream participants or Euroclear participants will occur in accordance with their respective rules and operating procedures. Cross-market transfers between persons holding directly or indirectly through DTC, on the one hand, and directly or indirectly through Clearstream participants or Euroclear participants, on the other, will be effected in DTC in accordance with DTC rules on behalf of the relevant European international clearing system by the relevant depositories; however, cross-market transactions will require delivery of instructions to the relevant European international clearing system by the counterparty in the system in accordance with its rules and procedures and within

its established deadlines in European time. The relevant European international clearing system will, if the transaction meets its settlement requirements, deliver instructions to its depository to take action to effect final settlement on its behalf by delivering or receiving securities in DTC, and making or receiving payment in accordance with normal procedures for same day funds settlement applicable to DTC. Clearstream participants or Euroclear participants may not deliver instructions directly to the depositories.

The Board will not impose any fees in respect of holding the Bonds; however, holders of book-entry interests in the Bonds may incur fees normally payable in respect of the maintenance and operation of accounts in the Clearing Systems.

**Initial Settlement.** Interests in the Bonds will be in uncertificated book-entry form. Purchasers electing to hold book-entry interests in the Bonds through Euroclear and Clearstream accounts will follow the settlement procedures applicable thereto and applicable to DTC. Book-entry interests in the Bonds will be credited by DTC to Euroclear and Clearstream participants' securities clearance accounts on the business day following the date of delivery of the Bonds against payment (value as on the date of delivery of the Bonds). DTC participants acting on behalf of purchasers electing to hold book-entry interests in the Bonds through DTC will follow the delivery practices applicable to securities eligible for DTC's Same Day Funds Settlement system. DTC participants' securities accounts will be credited with book-entry interests in the Bonds following confirmation of receipt of payment to the Board on the date of delivery of the Bonds.

**Secondary Market Trading.** Secondary market trades in the Bonds will be settled by transfer of title to book-entry interests in the Clearing Systems. Title to such book-entry interests will pass by registration of the transfer within the records of Euroclear, Clearstream or DTC, as the case may be, in accordance with their respective procedures. Book-entry interests in the Bonds may be transferred within Euroclear and within Clearstream and between Euroclear and Clearstream in accordance with procedures established for these purposes by Euroclear and Clearstream. Book-entry interests in the Bonds may be transferred within DTC in accordance with procedures established for this purpose by DTC. Transfer of book-entry interests in the Bonds between Euroclear or Clearstream and DTC shall be effected in accordance with procedures established for this purpose by Euroclear, Clearstream and DTC.

**Special Timing Considerations.** Investors should be aware that investors will only be able to make and receive deliveries, payments and other communications involving the Bonds through Euroclear or Clearstream on days when those systems are open for business. In addition, because of time-zone differences, there may be complications with completing transactions involving Clearstream and/or Euroclear on the same business day as in the United States. U.S. investors who wish to transfer their interests in the Bonds, or to receive or make a payment or delivery of Bonds, on a particular day, may find that the transactions will not be performed until the next business day in Luxembourg if Clearstream is used, or Brussels if Euroclear is used.

**Clearing Information.** It is expected that the Bonds will be accepted for clearance through the facilities of Euroclear and Clearstream. The international securities identification number, common code and CUSIP number for the Bonds are set out on the inside cover page of this Official Statement.

None of Euroclear, Clearstream or DTC is under any obligation to perform or continue to perform the procedures referred to above, and such procedures may be discontinued at any time.

Neither the Board, the Underwriters nor any of their agents will have any responsibility for the performance by Euroclear, Clearstream or DTC or their respective direct or indirect participants or account holders of their respective obligations under the rules and procedures governing their operations or the arrangements referred to above.

**Limitations.** For so long as the Bonds are registered in the name of DTC or its nominee, Cede & Co., the Board and the Paying Agent/Registrar will recognize only DTC or its nominee, Cede & Co., as the registered owner of the Bonds for all purposes, including payments, notices and voting. So long as Cede & Co. is the registered owner of the Bonds, references in this Official Statement to registered owners of the Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners of the Bonds.

Because DTC is treated as the owner of the Bonds for substantially all purposes, Beneficial Owners may have a restricted ability to influence in a timely fashion remedial action or the giving or withholding of requested consents or other directions. In addition, because the identity of Beneficial Owners is unknown to the Board or DTC, it may be difficult to transmit information of potential interest to Beneficial Owners in an effective and timely manner. Beneficial Owners should make appropriate arrangements with their broker or dealer regarding distribution of information regarding the Bonds that may be transmitted by or through DTC.

The Board will have no responsibility or obligation with respect to:

- the accuracy of the records of DTC, its nominee or any Direct Participant or Indirect Participant with respect to any Beneficial Ownership interest in any Bonds;
- the delivery to any Direct Participant or Indirect Participant or any other person, other than a registered owner as shown in the bond register kept by the Trustee, of any notice with respect to any Bonds including, without limitation, any notice of redemption with respect to any Bonds;
- the payment to any Direct Participant or Indirect Participant or any other person, other than a registered owner as shown in the bond register kept by the Trustee, of any amount with respect to the principal of, premium, if any, or interest on, any Bonds; or
- any consent given by DTC or its nominee as registered owner.

Prior to any discontinuation of the book entry only system hereinabove described, the Board and the Paying Agent/Registrar may treat Cede & Co. (or such other nominee of DTC) as, and deem Cede & Co. (or such other nominee) to be, the absolute registered owner of the Bonds for all purposes whatsoever, including, without limitation:

- the payment of principal, premium, if any, and interest on the Bonds;
- giving notices of redemption and other matters with respect to the Bonds;
- registering transfers with respect to the Bonds; and
- the selection of Bonds for redemption.

## **SECURITY FOR THE BONDS**

### **The Revenue Financing System**

The Master Resolution created the Revenue Financing System to provide a financing structure for revenue-supported indebtedness of the University, the Health Sciences Center and other entities which may be included in the future by Board action, as Participants in the Revenue Financing System. In 2007, the Board added Angelo State as a Participant in the Revenue Financing System, and in 2013 the Board added the Health Sciences Center at El Paso as a Participant in the Revenue Financing System. The Revenue Financing System is intended to facilitate the assembling of all of the Participants' revenue-supported debt capacity into a single financing program in order to provide a cost-effective debt program to Participants and to maximize the financing options available to the Board. The Master Resolution provides that once a university or agency becomes a Participant, the lawfully available revenues, income, receipts, rentals, rates, charges, fees, including interest or other income, and balances attributable to that entity and pledged by the Board become part of the Pledged Revenues; provided, however, that, if at the time an entity becomes a Participant it has outstanding obligations secured by such sources, such obligations will constitute Prior Encumbered Obligations under the Master Resolution and the pledge of such sources as Pledged Revenues will be subject and subordinate to such outstanding Prior Encumbered Obligations. Thereafter, the Board may issue bonds, notes, commercial paper, contracts, or other evidences of indebtedness, including credit agreements, on behalf of such institution, on a parity, as to payment and security, with the Outstanding Parity Obligations, subject only to the outstanding Prior Encumbered Obligations, if any, with respect to such Participant. Upon becoming a Participant, an entity may no longer issue obligations having a lien on Pledged Revenues prior to the lien on the Outstanding Parity Obligations. Generally, Prior Encumbered Obligations are those bonds or other obligations issued on behalf of a

Participant which were outstanding on the date such entity became a Participant in the Revenue Financing System. Currently, there are no Prior Encumbered Obligations outstanding and the Board does not anticipate adding Participants to the Revenue Financing System which would result in the assumption of Prior Encumbered Obligations. See “Appendix D — SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION.”

As described in “Appendix A — TEXAS TECH UNIVERSITY SYSTEM – General Description – Member Institutions – Angelo State University,” effective September 1, 2007, the governance, control, management and property of Angelo State was transferred from the Board of Regents of the Texas State University System (the “TSUS Board”) to the Board.

### **Pledge Under Master Resolution**

The Parity Obligations are special obligations of the Board equally and ratably secured solely by and payable solely from a pledge of and lien on the Pledged Revenues as described below.

The Pledged Revenues consist of, subject to the provisions of the proceedings authorizing the issuance of any Prior Encumbered Obligations, the Revenue Funds (as defined herein), including all of the funds and balances now or hereafter lawfully available to the Board and derived from or attributable to any Participant of the Revenue Financing System which are lawfully available to the Board for payments on Parity Obligations; provided, however, that the following shall not be included in Pledged Revenues unless and to the extent set forth in a Supplement to the Master Resolution: (a) amounts received by any Participant under Article VII, Section 17 of the State Constitution, including the income therefrom and any fund balances relating thereto; (b) except to the extent so specifically appropriated, general revenue funds appropriated to the Board by the State Legislature; and (c) Practice Plan Funds of any Participant, including the income therefrom and any fund balances relating thereto, to the extent such moneys are included in Pledged Practice Plan Funds. The “Revenue Funds” are defined in the Master Resolution to include the “revenue funds” of the Board (as defined in Section 55.01 of the Texas Education Code to mean the revenues, incomes, receipts, rentals, rates, charges, fees, grants, and tuition levied or collected from any public or private source by an institution of higher education, including interest or other income from those funds) derived by the Board from the operations of the Participants, including specifically the Pledged General Tuition, and to the extent and subject to the provisions of the Master Resolution, the Pledged General Fee and the Pledged Tuition Fee; provided, that Revenue Funds do not include, with respect to each series or issue of Parity Obligations, any tuition, rentals, rates, fees, or other charges attributable to any student in a category which, at the time of adoption of the supplement relating to such Parity Obligations, is exempt by law from paying such tuition, rentals, rates, fees, or other charges. All legally available funds of the Participants, including unrestricted fund and reserve balances, are pledged to the payment of the Parity Obligations. For a more detailed description of the Pledged General Tuition, the Pledged Tuition Fee, the Pledged General Fee and the Pledged Practice Plan Funds, see “Appendix D — SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION.” For a more detailed description of the types of revenues and expenditures of the University System, see “Appendix A — TEXAS TECH UNIVERSITY SYSTEM,” “Appendix B — TEXAS TECH UNIVERSITY SYSTEM COMBINED ANNUAL FINANCIAL REPORT” and “Appendix C — MANAGEMENT’S DISCUSSION AND ANALYSIS.” Subsequent to the adoption of the Master Resolution, State law was amended to recharacterize Pledged General Tuition and Pledged General Fee as “State Mandated Tuition,” “Board Designated Tuition” and “Board Authorized Tuition.” See “Appendix A — TEXAS TECH UNIVERSITY SYSTEM – Selected Financial Information.” Such sources constitute Revenue Funds and are available for the payment of debt service on Parity Obligations.

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

*[Remainder of this page intentionally left blank]*



The following table sets forth a historical compilation for Fiscal Years 2016 through 2019, inclusive, of the revenues available during such years that would constitute Pledged Revenues under the Revenue Financing System based on current law:

**Pledged Revenues and Balances Available for Debt Service (\$000)**

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Available Pledged Revenues excluding Fund Balances <sup>(1)</sup>	\$ 757,477	\$ 743,933	\$ 733,579	\$ 758,582
Available Pledged Revenues Fund Balances <sup>(2)</sup>	713,879	851,969	890,042	922,895
<b>Total Pledged Revenues and Pledged Fund Balances</b>	<b><u>\$ 1,471,356</u></b>	<b><u>\$ 1,595,902</u></b>	<b><u>\$ 1,623,621</u></b>	<b><u>\$ 1,681,477</u></b>

<sup>(1)</sup> Excludes amounts received from the Higher Education Fund pursuant to Article VII, Section 17 of the State Constitution. See “Additional Sources of Payment: HEF and Additional Appropriations” below and “Appendix A — TEXAS TECH UNIVERSITY SYSTEM – Selected Financial Information – Funding for the University System and its Member Institutions – Tuition Revenue Bonds.”

<sup>(2)</sup> In addition to current year Pledged Revenues, any unappropriated or reserve fund balances remaining at Fiscal Year-end are available for payment of debt service on Parity Obligations coming due during the subsequent year. In addition, historically, the Board has set aside certain reserve fund balances for specified University System purposes.

**Additional Sources of Payment: HEF and Additional Appropriations (\$000) <sup>(1)</sup>**

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Available HEF Appropriations	\$ 84,152	\$ 84,152	\$ 84,152	\$ 84,152	\$ 83,878
Additional Appropriations – HSC PA Facility	<u>0</u>	<u>0</u>	<u>0</u>	<u>10,000</u>	<u>10,000</u>
<b>Total Additional Sources of Payment</b>	<b><u>\$ 84,152</u></b>	<b><u>\$ 84,152</u></b>	<b><u>\$ 84,152</u></b>	<b><u>\$ 94,152</u></b>	<b><u>\$ 93,878</u></b>

<sup>(1)</sup> The “Additional Sources of Payment” chart published in the 2017 and 2018 annual reports included Tuition Revenue Bonds as additional sources. The chart is revised omitting amounts for Tuition Revenue Bonds as the amounts are included in the available pledged revenues calculation on the “Pledged Revenues and Balances Available for Debt Service” chart above. See “Appendix A — TEXAS TECH UNIVERSITY SYSTEM – Selected Financial Information – Funding for the University System and its Member Institutions – Higher Education Fund Appropriations.”

The Board has covenanted in the Master Resolution that in each Fiscal Year it will establish, charge, and use its reasonable efforts to collect, to the extent permitted by law, Pledged Revenues which, if collected, would be sufficient to meet all financial obligations of the Board relating to the Revenue Financing System including all deposits or payments due on or with respect to Outstanding Parity Obligations for such Fiscal Year. The Board has also covenanted in the Master Resolution that it will not incur any debt secured by Pledged Revenues unless such debt constitutes a Parity Obligation or is junior and subordinate to the Parity Obligations. The Board intends to issue most of its revenue-supported debt obligations which benefit the Participants as Parity Obligations under the Master Resolution. The Resolution does not establish a reserve fund for the Bonds or any other Parity Obligations.

THE OPERATIONS OF THE UNIVERSITY SYSTEM AND THE PARTICIPANTS OF THE REVENUE FINANCING SYSTEM ARE HEAVILY DEPENDENT ON STATE APPROPRIATIONS. THE BOARD AND THE PARTICIPANTS HAVE NO ASSURANCE THAT STATE APPROPRIATIONS TO THE PARTICIPANTS WILL CONTINUE AT THE SAME LEVEL AS IN PREVIOUS YEARS. See “Appendix A — TEXAS TECH UNIVERSITY SYSTEM – Selected Financial Information – Funding for the University System and its Member Institutions.”

THE BONDS DO NOT CONSTITUTE GENERAL OBLIGATIONS OF THE BOARD, THE UNIVERSITY SYSTEM, THE UNIVERSITY, THE HEALTH SCIENCES CENTER, ANGELO STATE, THE

HEALTH SCIENCES CENTER AT EL PASO, THE STATE, OR ANY POLITICAL SUBDIVISION OF THE STATE. THE BOARD HAS NO TAXING POWER AND NEITHER THE CREDIT NOR THE TAXING POWER OF THE STATE OR ANY POLITICAL SUBDIVISION OF THE STATE IS PLEDGED AS SECURITY FOR THE BONDS.

THE BREACH OF ANY COVENANT, AGREEMENT, OR OBLIGATION CONTAINED IN THE RESOLUTION WILL NOT IMPOSE OR RESULT IN GENERAL LIABILITY ON OR A CHARGE AGAINST THE GENERAL CREDIT OF THE BOARD, THE UNIVERSITY SYSTEM, THE UNIVERSITY, THE HEALTH SCIENCES CENTER, ANGELO STATE OR THE HEALTH SCIENCES CENTER AT EL PASO.

### Outstanding Parity Obligations

Following the delivery of the Bonds, the Board will have the following described indebtedness which constitute Parity Obligations and are payable from the Pledged Revenues:

	Outstanding Principal <sup>(1)</sup>
Revenue Financing System Commercial Paper Notes	\$ 29,056,000
Revenue Financing System Refunding and Improvement Bonds, 14 <sup>th</sup> Series (2012A) <sup>(2)</sup>	21,300,000
Revenue Financing System Refunding Bonds, 15 <sup>th</sup> Series (Taxable 2012B) <sup>(2)</sup>	2,810,000
Revenue Financing System Refunding and Improvement Bonds, 16 <sup>th</sup> Series (2015A) <sup>(2)</sup>	63,450,000
Revenue Financing System Refunding and Improvement Bonds, 17 <sup>th</sup> Series (Taxable 2015B) <sup>(2)</sup>	147,120,000
Revenue Financing System Refunding and Improvement Bonds, Series 2017A <sup>(2)</sup>	69,085,000
Revenue Financing System Refunding and Improvement Bonds, Taxable Series 2017B <sup>(2)</sup>	240,335,000
Revenue Financing System Refunding and Improvement Bonds, Taxable Series 2020 <sup>(2)</sup>	314,745,000
<b>TOTAL</b>	<b>\$ 887,901,000</b>

<sup>(1)</sup> Excludes the Refunded Notes in the principal amount of \$52,009,000 and the Refunded Obligations.

<sup>(2)</sup> All or a portion of such issue constitutes Tuition Revenue Bonds that qualify the University System to be reimbursed from State appropriations for debt service payments in the amount of \$42,317,150 during Fiscal Year 2020. Future reimbursement by the State for debt service payments is entirely subject to future appropriations by the State Legislature in each subsequent State biennium. See "Appendix A — TEXAS TECH UNIVERSITY SYSTEM – Selected Financial Information – Funding for the University System and its Member Institutions – Tuition Revenue Bonds."

### Commercial Paper Notes

Commercial Paper Notes issued by the Board are Parity Obligations under the terms of the Master Resolution and may be issued as either tax-exempt or taxable notes. Pursuant to an Amended and Restated Fifth Supplemental Resolution to the Master Resolution adopted by the Board on February 27, 2003, as amended and restated by the Board on August 8, 2008 (the "Fifth Supplement"), the Board established (i) the authority to issue from time to time and at any one time Commercial Paper Notes in an amount not to exceed \$150,000,000, and (ii) that the payment of the Commercial Paper Notes may be, but is not required to be, supported by either a credit facility or a liquidity facility issued pursuant to the terms of a "Liquidity Agreement" (as defined in the Fifth Supplement). Under the terms of the Fifth Supplement, the Board covenanted to maintain available funds plus any available bank loan commitment issued under the terms of a Liquidity Agreement in an amount equal to the total principal amount of outstanding Commercial Paper Notes plus interest to accrue thereon for the following 90 days. Acting upon the authority originally granted by the Board on February 27, 2003, the Board began on May 8, 2003, to provide its own liquidity in support of the Commercial Paper Notes then and thereafter outstanding.

Under the terms of the Fifth Supplement, to the extent that the "Dealer" (as defined in the Fifth Supplement) for the Board's commercial paper program cannot sell Commercial Paper Notes to renew or refund outstanding Commercial Paper Notes on their maturity, the Board covenanted to use lawfully available funds to purchase Commercial Paper Notes issued to renew and refund maturing Commercial Paper Notes. Under the terms of the Fifth Supplement, such payment, issuance and purchase is not intended to constitute an extinguishment of the obligation represented by any Commercial Paper Notes held by the Board, and the Fifth Supplement provides that the Board may issue Commercial Paper Notes to renew and refund the Commercial Paper Notes held by it when the Dealer is again able to sell Commercial Paper Notes. While such Commercial Paper Notes are held by the Board, they shall bear interest at the prevailing market rate for alternative taxable investments of similar maturity and credit rating. The commercial paper program established under the terms of the Fifth Supplement expires on July 31, 2038.

In connection with providing self-liquidity in support of the Commercial Paper Notes, the Board has established a failed remarketing policy, where the Dealer will provide notice to the Board of its inability to remarket maturing Commercial Paper Notes and the Board will then take steps to provide funds either from available cash or through the liquidation of Short Term Investment Fund assets (see “Appendix A — TEXAS TECH UNIVERSITY SYSTEM – Selected Financial Information – Investment Policies and Procedures and Endowments”) in a manner sufficient to provide for the timely payment due to holders of maturing Commercial Paper Notes.

#### **Additional Obligations**

The Board may issue additional obligations to provide funds for new construction, renovation of existing facilities, acquisition of equipment and to refund outstanding Debt. See “FUTURE CAPITAL IMPROVEMENT PLANS.”

**Parity Obligations.** The Board has reserved the right to issue or incur additional Parity Obligations for any purpose authorized by law pursuant to the provisions of the Master Resolution and a supplemental resolution. The Board may incur, assume, guarantee, or otherwise become liable with respect to any Parity Obligations if the Board has determined that it will have sufficient funds to meet the financial obligations of the Participants, including sufficient Pledged Revenues to satisfy the annual debt service requirements of the Revenue Financing System and to meet all financial obligations of the Board relating to the Revenue Financing System. The Master Resolution provides that the Board will not issue or incur additional Parity Obligations unless (i) the Board determines that the Participant for whom the Parity Obligations are being issued or incurred possesses the financial capacity to satisfy its respective Direct Obligations, after taking into account the then proposed additional Parity Obligations, and (ii) a Designated Financial Officer delivers to the Board a certificate stating that, to the best of his or her knowledge, the Board is in compliance with all covenants contained in the Master Resolution and any supplemental resolution and is not in default in the performance and observance of any of the terms, provisions, and conditions thereof.

**Nonrecourse Debt and Subordinated Debt.** The Master Resolution provides that Non-Recourse Debt and Subordinated Debt may be incurred by the Board without limitation. No such Non-Recourse Debt or Subordinated Debt has been issued by the Board.

*[Remainder of this page intentionally left blank]*

## DEBT SERVICE REQUIREMENTS

The following table is a summary of the debt service requirements of all Parity Obligations outstanding following the issuance of the Bonds.

Fiscal Year Ending 8/31	Annual Debt Service on Outstanding Parity Obligations <sup>(1)(2)*</sup>	Less Debt Service on Refunded Obligations <sup>(3)*</sup>	The Bonds*		Total Annual Debt Service on Parity Obligations
			Principal	Interest	
2020	\$ 23,863,406	\$ 2,295,295	\$ 95,000	\$ 297,189	\$ 21,960,300
2021	84,872,412	4,590,590	5,505,000	6,675,210	92,462,032
2022	74,213,759	14,920,590	14,785,000	6,626,730	80,704,899
2023	69,132,993	9,875,922	10,645,000	6,556,239	76,458,310
2024	67,338,120	9,208,601	10,150,000	6,483,089	74,762,608
2025	66,938,815	9,184,232	10,250,000	6,395,025	74,399,608
2026	60,820,475	9,177,216	7,325,000	6,303,515	65,271,774
2027	52,539,794	8,811,718	7,505,000	6,209,945	57,443,021
2028	50,823,543	8,809,614	8,165,000	6,096,410	56,275,339
2029	49,644,602	8,807,584	8,610,000	5,961,847	55,408,865
2030	46,983,676	8,816,780	19,390,000	5,720,732	63,277,628
2031	41,622,504	8,805,952	9,075,000	5,466,699	47,358,251
2032	33,338,330	6,040,350	6,825,000	5,315,973	39,438,953
2033	22,689,217	6,034,850	6,965,000	5,177,831	28,797,198
2034	21,148,614	6,033,600	7,125,000	5,029,635	27,269,649
2035	17,992,979	6,035,850	13,825,000	4,797,196	30,579,325
2036	14,763,797	6,035,850	7,460,000	4,538,957	20,726,904
2037	6,469,661	2,223,100	5,630,000	4,359,100	14,235,661
2038	6,469,997	2,222,600	5,795,000	4,202,120	14,244,517
2039	4,724,563	2,221,600	5,950,000	4,040,744	12,493,707
2040	4,727,052	2,222,600	135,255,000	2,100,587	139,860,039
2041	3,849,090	2,220,400	3,975,000	184,983	5,788,673
2042	1,631,116	-	435,000	121,524	2,187,640
2043	1,631,039	-	450,000	108,788	2,189,827
2044	1,628,459	-	465,000	95,622	2,189,081
2045	1,628,272	-	480,000	82,023	2,190,295
2046	-	-	495,000	67,993	562,993
2047	-	-	505,000	53,603	558,603
2048	-	-	520,000	38,853	558,853
2049	-	-	535,000	23,672	558,672
2050	-	-	555,000	7,986	562,986
	<u>\$831,486,285</u>	<u>\$144,594,892</u>	<u>\$314,745,000</u>	<u>\$109,139,820</u>	<u>\$1,110,776,211</u>

\* A portion of such Outstanding Parity Obligations and a portion of the Bonds constitute Tuition Revenue Bonds that qualify the University System to be reimbursed from State appropriations for debt service payments in the amount of \$42,315,150 during Fiscal Year 2020. Future reimbursements by the State for debt service payments is entirely subject to future appropriations by the State Legislature in each subsequent State biennium. See "Appendix A — TEXAS TECH UNIVERSITY SYSTEM — Selected Financial Information — Funding for the University System and its Member Institutions — Tuition Revenue Bonds."

(1) Does not include debt service on the Outstanding Commercial Paper Notes.

(2) Includes debt service on the Refunded Obligations. See "PLAN OF FINANCE" and "SECURITY FOR THE BONDS — Outstanding Parity Obligations" herein.

(3) See "Schedule I — Refunded Obligations."

## **FUTURE CAPITAL IMPROVEMENT PLANS**

In addition to the projects to be financed with the proceeds of the Bonds, the University System has various other projects under consideration as part of its five-year capital plan, which have not yet been financed. Projects with aggregate estimated costs of \$1.3 billion may require financing or partial financing in the next five years. The University System may consider other construction projects as well. This estimate does not include Tuition Revenue Bonds, which may be authorized in the future by the State Legislature. There are no outstanding Tuition Revenue Bond authorizations at this time.

## **ABSENCE OF LITIGATION**

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

## **CONTINUING DISCLOSURE OF INFORMATION**

### **Continuing Disclosure Undertaking of the Board**

In the Eighteenth Supplemental Resolution, the Board has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The Board has agreed that, so long as the Board is an “obligated person” under Rule 15c2-12 of the SEC (the “Rule”), it will provide certain updated financial information and operating data about the University System annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board (the “MSRB”). Such information will be available to the public at no charge using the MSRB’s Electronic Municipal Market Access system via the MSRB’s internet website, [www.emma.msrb.org](http://www.emma.msrb.org).

### **Annual Reports**

The Board is to provide certain updated financial information and operating data to the MSRB annually. The information to be provided by the Board includes all quantitative financial information and operating data with respect to the University System of the general type included herein under the captions “DEBT SERVICE REQUIREMENTS,” “Appendix A — TEXAS TECH UNIVERSITY SYSTEM – General Description–Enrollment,” “– Admissions and Matriculation,” “– Financial Management” and “– Selected Financial Information,” and in “Appendix B —TEXAS TECH UNIVERSITY SYSTEM COMBINED ANNUAL FINANCIAL REPORT.” The Board has agreed to update and provide this information within six months after the end of each of its Fiscal Years ending in or after 2020.

The Board may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by the Rule. The updated information will include audited financial statements of the University System, if the Board commissions an audit and it is completed by the time required. If audited financial statements of the University System are not available by the required time, the Board will provide such statements when and if they become available. Any such financial statements are to be prepared in accordance with generally accepted accounting principles for state governments, as such principles may be changed from time to time to comply with state law or regulation. No outside audit of the University System’s financial statements is currently required or obtained by the Board.

The Board’s current Fiscal Year end is August 31. Annually, not later than November 20th of each Fiscal Year, the unaudited primary financial statements of the University System dated as of August 31, prepared from the books of the University System, must be delivered to the Governor, the State Comptroller of Public Accounts and certain other State agencies and departments. The foregoing delivery requirement is not a part of the Board’s continuing disclosure agreements entered into with respect to the Bonds. See “Appendix A — TEXAS TECH UNIVERSITY SYSTEM – Financial Management –Financial Statements” and “Appendix B — TEXAS TECH UNIVERSITY SYSTEM COMBINED ANNUAL FINANCIAL REPORT.” If the Board changes its Fiscal Year, the Board will notify the MSRB of the change. If audited financial statements of the University System are not prepared

for any Fiscal Year and audited financial statements are prepared with respect to the State for such Fiscal Year, the Board shall provide, or cause to be provided, the audited financial statements of the State for the applicable Fiscal Year to the MSRB within six months after the end of said Fiscal Year or as soon thereafter as such audited financial statements become available from the State Auditor. Any such audited financial statements of the State so provided shall be prepared in accordance with generally accepted accounting principles for state governments, as such principles may be changed from time to time to comply with state law.

### **Notice of Certain Events**

The Board will also provide timely notices of certain events to the MSRB, not in excess of ten Business Days after the occurrence of the event. The Board will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the Board, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the Board or the sale of all or substantially all of the assets of the University System, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) the appointment of a successor or additional Paying Agent/Registrar or the change of name of the Paying Agent/Registrar, if material; (15) incurrence of a financial obligation of the Board, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Board, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar event under the terms of a financial obligation of the Board, any of which reflect financial difficulties. In addition, the Board will provide timely notice of any failure by the Board to provide information, data, or financial statements in accordance with its agreement described above under “CONTINUING DISCLOSURE OF INFORMATION — Annual Reports.” The Resolution makes no provision for debt service reserves or credit or liquidity facilities for the Bonds.

For the purposes of the event numbered 12 in the preceding paragraph, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Board in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Board, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Board. The Board intends the words used in events numbered 15 and 16 in the preceding paragraph and the definition of “financial obligation” to have the meanings ascribed to them in SEC Release No. 34-83885, dated August 20, 2018.

### **Availability of Information**

The Board has agreed to provide the foregoing updated information only to the MSRB. All documents provided by the Board to the MSRB described above under the captions “Annual Reports” and “Notice of Certain Events” will be in an electronic format and accompanied by identifying information as prescribed by the MSRB.

### **Limitations and Amendments**

The Board has agreed to update information and to provide notices of certain events only as described above. It has not agreed to provide other information that may be relevant or material to a complete presentation of the University System’s financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The Board does not make any representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The Board disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure

agreements or from any statement made pursuant to its agreements, although holders of Bonds may seek a writ of mandamus to compel the Board to comply with its agreement.

The Board may amend its continuing disclosure agreements to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status or type of operations of the Board if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with the Rule and either the holders of a majority in aggregate principal amount of the outstanding Bonds of the respective series consent or any person unaffiliated with the Board (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the beneficial owners of such series of Bonds. If the Board so amends its agreement, it will provide notice of such amendment to the MSRB, in a timely manner, including an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information or operating data so provided. The Board may also amend or repeal the provisions of its continuing disclosure requirement if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling the respective series of Bonds in the primary offering thereof. If the Board amends its agreement, it must include with the next financial information and operating data provided in accordance with its agreement described above under “Annual Reports” an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data provided.

### **Compliance with Prior Undertakings**

During the past five years, the Board has complied in all material respects with its continuing disclosure agreements made in accordance with the Rule. Certain admissions and matriculation information of the System has been organized and reported in the System’s annual operating data filings in differing formats from year to year, but such information has been of the general type contemplated by the System’s prior continuing disclosure undertakings.

## **LEGAL MATTERS**

Legal matters relating to the Bonds are subject to approval of legality by the Attorney General of the State and of certain legal matters by Norton Rose Fulbright US LLP, Dallas, Texas, (“Bond Counsel”), whose opinion will be delivered at the closing of the sale of the Bonds in substantially the form attached hereto as Appendix E. Bond Counsel was not requested to participate in, and did not take part in, the preparation of this Official Statement except as hereinafter noted, and such firm has not assumed any responsibility with respect thereto or undertaken to verify any of the information contained herein, except that, in its capacity as Bond Counsel, such firm has reviewed the information relating to the Bonds, the Resolution and the Revenue Financing System contained in this Official Statement under the captions “PLAN OF FINANCE,” “DESCRIPTION OF THE BONDS” (other than information under the subcaption “— Book-Entry-Only System and Global Clearance Procedures”), “SECURITY FOR THE BONDS” (excluding any tables contained thereunder), “CONTINUING DISCLOSURE OF INFORMATION” (other than information under the subcaption “— Compliance with Prior Undertakings”), “LEGAL MATTERS” (except for the last sentence of the first paragraph thereof), “TAX MATTERS,” “LEGAL INVESTMENTS IN TEXAS” and “REGISTRATION AND QUALIFICATION OF BONDS FOR SALE” and in Appendix D and Appendix E and such firm is of the opinion that the information contained under such captions and in such Appendices is a fair and accurate summary of the information purported to be shown therein and is correct as to matters of law. The payment of legal fees to Bond Counsel is contingent upon the sale and delivery of the Bonds. Certain legal matters will be passed upon for the Underwriters by their counsel, Orrick, Herrington & Sutcliffe LLP, Austin, Texas.

The legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

## **TAX MATTERS**

### **Bonds**

The following is a general summary of the United States federal income tax consequences of the purchase and ownership of the Bonds. The discussion is based upon laws, Treasury Regulations, rulings and decisions now in

effect, all of which are subject to change or possibly differing interpretations. No assurances can be given that future changes in the law will not alter the conclusions reached herein. The discussion below does not purport to deal with United States federal income tax consequences applicable to all categories of investors. Further, this summary does not discuss all aspects of United States federal income taxation that may be relevant to a particular investor in the Bonds in light of the investor's particular personal investment circumstances or to certain types of investors subject to special treatment under United States federal income tax laws (including insurance companies, tax exempt organizations, financial institutions, brokers-dealers, and persons who have hedged the risk of owning the Bonds). The summary is therefore limited to certain issues relating to initial investors who will hold the Bonds as "capital assets" within the meaning of section 1221 of the Internal Revenue Code of 1986, as amended (the "Code"), and acquire such Bonds for investment and not as a dealer or for resale. Prospective investors should note that no rulings have been or will be sought from the Internal Revenue Service (the "IRS") with respect to any of the U.S. federal income tax consequences discussed below, and no assurance can be given that the IRS will not take contrary positions.

**INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS IN DETERMINING THE FEDERAL, STATE, LOCAL, FOREIGN AND ANY OTHER TAX CONSEQUENCES TO THEM FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE BONDS.**

### **Payments of Stated Interest on the Bonds**

The stated interest paid on the Bonds will be included in the gross income, as defined in section 61 of the Code, of the beneficial owners thereof and be subject to U.S. federal income taxation when received or accrued, depending on the tax accounting method applicable to the beneficial owners thereof.

### **Original Issue Discount**

If a substantial amount of the Bonds of any stated maturity is purchased at original issuance for a purchase price (the "Issue Price") that is less than their stated redemption price at maturity by more than one quarter of one percent times the number of complete years to maturity, the Bonds of such maturity will be treated as being issued with "original issue discount." The amount of the original issue discount will equal the excess of the stated redemption price at maturity of such Bonds over its Issue Price, and the amount of the original issue discount on the Bonds will be amortized over the life of the Bonds using the "constant yield method" provided in the Treasury Regulations. As the original issue discount accrues under the constant yield method, the beneficial owners of the Bonds, regardless of their regular method of accounting, will be required to include such accrued amount in their gross income as interest. This can result in taxable income to the beneficial owners of the Bonds that exceeds actual cash distributions to the beneficial owners in a taxable year.

The amount of the original issue discount that accrues on the Bonds each taxable year will be reported annually to the IRS and to the beneficial owners. The portion of the original issue discount included in each beneficial owner's gross income while the beneficial owner holds the Bonds will increase the adjusted tax basis of the Bonds in the hands of such beneficial owner.

### **Premium**

If a beneficial owner purchases a Bond for an amount that is greater than its stated redemption price at maturity, such beneficial owner will be considered to have purchased the Bond with "amortizable bond premium" equal in amount to such excess. A beneficial owner may elect to amortize such premium using a constant yield method over the remaining term of the Bond and may offset interest otherwise required to be included in respect of the Bond during any taxable year by the amortized amount of such excess for the taxable year. Bond premium on a Bond held by a beneficial owner that does not make such an election will decrease the amount of gain or increase the amount of loss otherwise recognized on the sale, exchange, redemption or retirement of a Bond. However, if the Bond may be optionally redeemed after the beneficial owner acquires it at a price in excess of its stated redemption price at maturity, special rules would apply under the Treasury Regulations which could result in a deferral of the amortization of some bond premium until later in the term of the Bond. Any election to amortize bond premium applies to all taxable debt instruments held by the beneficial owner on or after the first day of the first taxable year to which such election applies and may be revoked only with the consent of the IRS.

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## **Medicare Contribution Tax**

Pursuant to Section 1411 of the Code, as enacted by the Health Care and Education Reconciliation Act of 2010, an additional tax is imposed on individuals beginning January 1, 2013. The additional tax is 3.8% of the lesser of (i) net investment income (defined as gross income from interest, dividends, net gain from disposition of property not used in a trade or business, and certain other listed items of gross income), or (ii) the excess of “modified adjusted gross income” of the individual over \$200,000 for unmarried individuals (\$250,000 for married couples filing a joint return and a surviving spouse). Holders of the Bonds should consult with their tax advisor concerning this additional tax, as it may apply to interest earned on the Bonds as well as gain on the sale of a Bond.

## **Disposition of Bonds and Market Discount**

A beneficial owner of Bonds will generally recognize gain or loss on the redemption, sale or exchange of a Bond equal to the difference between the redemption or sales price (exclusive of the amount paid for accrued interest) and the beneficial owner’s adjusted tax basis in the Bonds. Generally, the beneficial owner’s adjusted tax basis in the Bonds will be the beneficial owner’s initial cost, increased by the original issue discount previously included in the beneficial owner’s income to the date of disposition. Any gain or loss generally will be capital gain or loss and will be long-term or short-term, depending on the beneficial owner’s holding period for the Bonds.

Under current law, a purchaser of a Bond who did not purchase the Bonds in the initial public offering (a “subsequent purchaser”) generally will be required, on the disposition of the Bonds, to recognize as ordinary income a portion of the gain, if any, to the extent of the accrued “market discount.” Market discount is the amount by which the price paid for the Bonds by a subsequent purchaser is less than the sum of Issue Price and the amount of original issue discount previously accrued on the Bonds. The Code also limits the deductibility of interest incurred by a subsequent purchaser on funds borrowed to acquire Bonds with market discount. As an alternative to the inclusion of market discount in income upon disposition, a subsequent purchaser may elect to include market discount in income currently as it accrues on all market discount instruments acquired by the subsequent purchaser in that taxable year or thereafter, in which case the interest deferral rule will not apply. The re-characterization of gain as ordinary income on a subsequent disposition of Bonds could have a material effect on the market value of the Bonds.

## **Legal Defeasance**

If the Board elects to defease the Bonds by depositing in escrow sufficient cash and/or obligations to pay when due outstanding Bonds (a “legal defeasance”), under current tax law, a beneficial owner of Bonds may be deemed to have sold or exchanged its Bonds. In the event of such a legal defeasance, a beneficial owner of Bonds generally would recognize gain or loss in the manner described above. Ownership of the Bonds after a deemed sale or exchange as a result of a legal defeasance may have tax consequences different from those described above, and each beneficial owner should consult its own tax advisor regarding the consequences to such beneficial owner of a legal defeasance of the Bonds.

## **Backup Withholding**

Under section 3406 of the Code, a beneficial owner of the Bonds who is a United States person, as defined in section 7701(a)(30) of the Code, may, under certain circumstances, be subject to “backup withholding” on payments of current or accrued interest on the Bonds. This withholding applies if such beneficial owner of Bonds: (i) fails to furnish to payor such beneficial owner’s social security number or other taxpayer identification number (“TIN”); (ii) furnishes the payor an incorrect TIN; (iii) fails to report properly interest, dividends, or other “reportable payments” as defined in the Code; or (iv) under certain circumstances, fails to provide the payor with a certified statement, signed under penalty of perjury, that the TIN provided to the payor is correct and that such beneficial owner is not subject to backup withholding.

Backup withholding will not apply, however, with respect to payments made to certain beneficial owners of the Bonds. Beneficial owners of the Bonds should consult their own tax advisors regarding their qualification for exemption from backup withholding and the procedures for obtaining such exemption.

## **Withholding on Payments to Nonresident Alien Individuals and Foreign Corporations**

Under sections 1441 and 1442 of the Code, nonresident alien individuals and foreign corporations are generally subject to withholding at the rate of 30% on periodic income items arising from sources within the United

States, provided such income is not effectively connected with the conduct of a United States trade or business. Assuming the interest received by the beneficial owners of the Bonds is not treated as effectively connected income within the meaning of section 864 of the Code, such interest will be subject to 30% withholding, or any lower rate specified in an income tax treaty, unless such income is treated as portfolio interest. Interest will be treated as portfolio interest if: (i) the beneficial owner provides a statement to the payor certifying, under penalties of perjury, that such beneficial owner is not a United States person and providing the name and address of such beneficial owner; (ii) such interest is treated as not effectively connected with the beneficial owner's United States trade or business; (iii) interest payments are not made to a person within a foreign country which the IRS has included on a list of countries having provisions inadequate to prevent United States tax evasion; (iv) interest payable with respect to the Bonds is not deemed contingent interest within the meaning of the portfolio debt provision; (v) such beneficial owner is not a controlled foreign corporation, within the meaning of section 957 of the Code; and (vi) such beneficial owner is not a bank receiving interest on the Bonds pursuant to a loan agreement entered into in the ordinary course of the bank's trade or business.

Assuming payments on the Bonds are treated as portfolio interest within the meaning of sections 871 and 881 of the Code, then no backup withholding under section 1441 and 1442 of the Code and no backup withholding under section 3406 of the Code is required with respect to beneficial owners or intermediaries who have furnished Form W-8 BEN, Form W-8 EXP or Form W-8 IMY, as applicable, provided the payor does not have actual knowledge that such person is a United States person.

### **Foreign Account Tax Compliance Act**

Sections 1471 through 1474 of the Code impose a 30% withholding tax on certain types of payments made to a foreign financial institution, unless the foreign financial institution enters into an agreement with the U.S. Treasury to, among other things, undertake to identify accounts held by certain United States persons or U.S.-owned entities, annually report certain information about such accounts, and withhold 30% on payments to account holders whose actions prevent it from complying with these and other reporting requirements, or unless the foreign financial institution is otherwise exempt from those requirements. In addition, the Foreign Account Tax Compliance Act ("FATCA") imposes a 30% withholding tax on the same types of payments to a non-financial foreign entity unless the entity certifies that it does not have any substantial U.S. owners or the entity furnishes identifying information regarding each substantial United States owner. Failure to comply with the additional certification, information reporting and other specified requirements imposed under FATCA could result in the 30% withholding tax being imposed on payments of interest and principal under the Bonds and sales proceeds of Bonds held by or through a foreign entity. Prospective investors should consult their own tax advisors regarding FATCA and its effect on them.

### **Reporting of Interest Payments**

Subject to certain exceptions, interest payments made to beneficial owners with respect to the Bonds will be reported to the IRS. Such information will be filed each year with the IRS on Form 1099 which will reflect the name, address, and TIN of the beneficial owner. A copy of Form 1099 will be sent to each beneficial owner of a Bond for U.S. federal income tax purposes.

## **LEGAL INVESTMENTS IN TEXAS**

The Bonds are legal and authorized investments for banks, savings banks, trust companies, building and loan associations, savings and loan associations, insurance companies, fiduciaries and trustees, and for the sinking funds of cities, towns, villages, school districts, and other political subdivisions or public agencies of the State. The Bonds are eligible to secure deposits of public funds of the State, its agencies and political subdivisions, and are legal security for those deposits to the extent of their market value, when accompanied by any unmatured interest coupons appurtenant thereto. The Texas Public Funds Investment Act (Chapter 2256, Texas Government Code) provides that a city, county, or school district may invest in the Bonds provided that the Bonds have received a rating of not less than "A" or its equivalent from a nationally recognized investment rating firm. No investigation has been made of other laws, regulations, or investment criteria which might limit the ability of such institutions or entities to invest in the Bonds, or which might limit the suitability of the Bonds to secure the funds of such entities. No review by the Board has been made of the laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

*[Remainder of this page intentionally left blank]*

## **REGISTRATION AND QUALIFICATION OF BONDS FOR SALE**

The sale of the Bonds has not been registered under the Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2), and the Bonds have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been qualified under the securities acts of any jurisdiction. The Board assumes no responsibility for qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

## **RATINGS**

Moody's Investors Service, Inc. ("Moody's") and S&P Global Ratings ("S&P") have assigned ratings of "Aa1" and "AA+", respectively, to the Bonds.

A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time. An explanation of the significance of each such rating may be obtained from the company furnishing the rating. The ratings reflect only the views of such organizations at the time such ratings are given, and the Board makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by such rating companies, if circumstances so warrant. Any such downward revision or withdrawal of any or all ratings may have an adverse effect on the market price of the Bonds.

## **FINANCIAL ADVISOR**

Hilltop Securities Inc. has acted as "Financial Advisor" to the Board in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds.

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

## **VERIFICATION OF MATHEMATICAL COMPUTATIONS**

Causey Demgen & Moore P.C., independent certified public accountants, will deliver to the Board, on or before the initial delivery date of the Bonds, its verification report indicating that it has verified, in accordance with attestation standards established by the American Institute of Certified Public Accountants, the mathematical accuracy of the mathematical computations of the adequacy of the cash and the maturing principal of and interest on the Federal Securities, to pay, when due, the maturing principal of, interest on and related call premium requirements, if any, of the Refunded Obligations.

The verification performed by Causey Demgen & Moore P.C. will be solely based upon data, information and documents provided to Causey Demgen & Moore P.C. by the Board and its representatives. Causey Demgen & Moore P.C. has restricted its procedures to recalculating the computations provided by the Board and its representatives and has not evaluated or examined the assumptions or information used in the computations.

## **UNDERWRITING**

Citigroup Global Markets Inc., as representative of the Underwriters of the Bonds, has agreed, subject to certain customary conditions to delivery, to purchase the Bonds from the Board at a price equal to \$313,343,834.91, which is equal to the principal amount of the Bonds less an underwriting discount of \$1,401,165.09. The Underwriters of the Bonds will be obligated to purchase all of the Bonds if any Bonds are purchased. The Bonds may be offered and sold to certain dealers and others at prices lower than such public offering prices, and such public prices may be changed, from time to time, by the Underwriters of the Bonds.

Citigroup Global Markets Inc., one of the Underwriters of the Bonds, has entered into a retail distribution agreement with Fidelity Capital Markets, a division of National Financial Services LLC (together with its affiliates, "Fidelity"). Under this distribution agreement, Citigroup Global Markets Inc. may distribute municipal securities to

retail investors at the original issue price through Fidelity. As part of this arrangement, Citigroup Global Markets Inc. will compensate Fidelity for its selling efforts.

Morgan Stanley, the parent company of Morgan Stanley & Co. LLC, one of the Underwriters of the Bonds, has entered into a retail distribution arrangement with Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Bonds.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the University System for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the University System.

### **FORWARD LOOKING STATEMENTS**

The statements contained in this Official Statement, and in any other information provided by the Board, that are not purely historical, are forward-looking statements, including statements regarding the Board's expectations, hopes, intentions, or strategies regarding the future.

Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the Board on the date hereof, and the Board assumes no obligation to update any such forward-looking statements.

The forward-looking statements herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement would prove to be accurate.

### **AUTHENTICITY OF FINANCIAL DATA AND OTHER INFORMATION**

The financial data and other information contained herein have been obtained from the Board's records, annual financial statements and other sources which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents, and resolutions contained in this Official Statement are made subject to all of the provisions of such statutes, documents, and resolutions. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

The Resolution authorizing the issuance of the Bonds approved the form and content of this Official Statement and any addenda, supplement, or amendment thereto, and authorized its further use in the reoffering of the Bonds by the respective Underwriters.

/s/ Gary Barnes  
Vice Chancellor and Chief Financial Officer  
Texas Tech University System

**Schedule I**

**REFUNDED OBLIGATIONS**

**Board of Regents of Texas Tech University System Revenue Financing System**  
**Refunding and Improvement Bonds, Fourteenth Series (2012A)**

<u>Original Dated Date</u>	<u>Original Maturity Date</u>	<u>Interest Rates</u>	<u>Original Principal Amount</u>	<u>Principal Amount Refunded</u>
2/1/2012	8/15/2022	4.250%	\$8,865,000	\$8,865,000
	8/15/2023	5.000%	4,195,000	4,195,000
	8/15/2024	5.000%	3,735,000	3,735,000
	8/15/2025	5.000%	3,895,000	3,895,000
	8/15/2026	5.000%	4,085,000	4,085,000
	8/15/2027	5.000%	3,920,000	3,920,000
	8/15/2028	5.000%	4,120,000	4,120,000
	8/15/2029	5.000%	4,320,000	4,320,000
	8/15/2030	5.000%	4,545,000	4,545,000
	8/15/2031	5.000%	4,765,000	4,765,000
	8/15/2032	5.000%	4,410,000	4,410,000
	***	***	***	***
	8/15/2037	5.000%	21,745,000	21,745,000
	***	***	***	***
	8/15/2041	4.000%	<u>8,065,000</u>	<u>8,065,000</u>
			<u>\$80,665,000</u>	<u>\$80,665,000</u>

Redemption Date: August 15, 2021, at a price of par plus accrued interest to the redemption date.

**Board of Regents of Texas Tech University System Revenue Financing System**  
**Refunding Bonds, Fifteenth Series (Taxable 2012B)**

<u>Original Dated Date</u>	<u>Original Maturity Date</u>	<u>Interest Rates</u>	<u>Original Principal Amount</u>	<u>Principal Amount Refunded</u>
2/1/2012	8/15/2022	3.270%	\$ 1,465,000	\$ 1,465,000
	8/15/2023	3.470%	1,515,000	1,515,000
	8/15/2024	3.670%	1,570,000	1,570,000
	8/15/2025	3.820%	1,630,000	1,630,000
	8/15/2026	3.920%	1,690,000	1,690,000
	8/15/2027	4.040%	1,760,000	1,760,000
	***	***	***	***
	8/15/2031	4.440%	<u>7,810,000</u>	<u>7,810,000</u>
			<u>\$17,440,000</u>	<u>\$17,440,000</u>

Redemption Date: August 15, 2021, at a price of par plus accrued interest to the redemption date.

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## **Appendix A**

### **TEXAS TECH UNIVERSITY SYSTEM**

#### **GENERAL DESCRIPTION**

**Background.** The establishment of the Texas Tech University System (the “University System”) in 1999 by the 76th Texas Legislature formally brought two then-existing state institutions, the Texas Tech University (the “University”) and the Texas Tech University Health Sciences Center (the “Health Sciences Center”), under the governance, control, jurisdiction and management of the newly formed Board of Regents of Texas Tech University System (the “Board”) and the Texas Tech University System Administration (“System Administration”). From time to time, such other institutions and entities may be assigned by specific legislation to the governance, control, jurisdiction and management of the University System. Accordingly, in the 2007 80<sup>th</sup> Legislature, Regular Session, H.B. 3564 transferred Angelo State University (“Angelo State”) from the Texas State University System to the University System, and in the 2013 83<sup>rd</sup> Legislature, Regular Session, S.B. 120 created the Texas Tech University Health Sciences Center at El Paso (the “Health Sciences Center at El Paso”) as a stand-alone fourth member institution. The Health Sciences Center at El Paso had been previously structured as an existing Health Sciences Center regional campus. Currently, the University, the Health Sciences Center, Angelo State, and the Health Sciences Center at El Paso are the only member institutions of the University System, and the only participants under the Revenue Financing System (the “Participants”). After receiving legislative funding and approval in the 2019 86<sup>th</sup> Texas Legislature to establish a new Texas Tech University veterinary school in Amarillo, and a new dental school at Texas Tech University Health Sciences Center El Paso. The addition of these two schools makes the TTU System one of only nine in the nation to offer programs for undergraduate, medical, law, nursing, pharmacy, dental and veterinary education, among other academic areas.

In early 2020, the System formally invited Midwestern State University (“MSU”), a Texas public university, to become the fifth member institution of the System. MSU has since held a series of campus and community conversations, to assess interest and address any questions or concerns regarding a response to the invitation to join the University System. On May 14, 2020, MSU’s Board of Regents met to discuss the information gathered from such conversations and approved the MSU president authorization to start negotiations on with the University System. For MSU to join the University System, state legislative action is required. Plans are underway for legislative bill submissions in the next state legislative session starting on January 12, 2021.

**Governance.** The Board consists of ten members, each of whom is appointed by the Governor of the State of Texas (the “State”) subject to confirmation by the State Senate. Each non-student regent serves a six-year term, with three new appointments made to the Board every two years. The Board also has one student regent that serves a one-year term. A regent may be reappointed to serve on the Board. The members of the Board elect one of the regents to serve as Chair of the Board and may elect any other officers they deem necessary. The regents serve without pay except for reimbursement for actual expenses incurred in the performance of their duties, subject to the approval of the Chair of the Board. The Board is legally responsible for the establishment and control of policy for the University System.

**System Administration.** The Texas Education Code requires the Board to establish a central administration office of the University System to provide oversight and coordination of the activities of all parts of the University System. The Board is required to appoint a chief executive officer (the “Chancellor”) who directs the operations of the System Administration and is responsible for carrying out policies determined by the Board. The Chancellor is assisted by the Vice Chancellor and Chief Financial Officer, Vice Chancellor and General Counsel, Vice Chancellor for Institutional Advancement, Vice Chancellor for Governmental Relations, Vice Chancellor for State Relations, Vice Chancellor for Facilities Planning and Construction, the President of the University, the President of the Health Sciences Center, the President of Angelo State, and the President of the Health Sciences Center at El Paso.

**Institution Administration.** The President of the University directs the operations of the University and is assisted by the Senior Vice President and Provost, Vice President and Chief Financial Officer, Vice President for Research & Innovation, Vice President for Institutional Diversity, Equity and Community Engagement, and a Director of Intercollegiate Athletics, and Vice President of Advancement.

The President of the Health Sciences Center directs the operations of the Health Sciences Center and is assisted by the Vice President and Chief Financial Officer, Vice President for Research, Executive Vice President and Provost for Academic Affairs, Executive Vice President of Rural and Community Health, Dean of the School of Medicine, Dean of the Graduate School of Biomedical Sciences, Dean of the School of Pharmacy, Dean of the School of Health Professions, and Dean of the School of Nursing, Executive Vice President for Rural and Community Health, Vice President and Chief People Officer, Vice President for Facilities and Safety Services, Vice President for IT and Chief Information Officer, Vice President for External Relations, Vice President for Special Health Programs and Policy, Vice President for Institutional Collaborations, Vice President for Institutional Compliance, and Chief of Staff.

The President of Angelo State directs the operations of Angelo State and is assisted by a Provost and Vice President for Student Affairs and Enrollment Management, Vice President for Finance and Administration, and a Vice President for Development and Alumni Relations, and Vice President for Academic Affairs.

The President of the Health Sciences Center at El Paso directs the operations of the Health Sciences Center at El Paso and is assisted by Vice President for Finance and Administration and Chief Financial Officer, Vice President for Research, Provost and Vice President for Academic Affairs, Dean of the Paul L. Foster School of Medicine who is currently President for Texas Tech University Health Sciences Center at El Paso, Dean of the Gayle Greve Hunt School of Nursing, and the Dean for Graduate School of Biomedical Sciences, Dean of the Hunt School of Dental Medicine, Associate Vice Chancellor for Institutional Advancement, Vice President for Clinical Administration, Vice President for Faculty Success, Vice President for Outreach and Community Engagement, Associate Vice President for Information Technology, Assistant Vice President for Institutional Compliance, Assistant Vice President for Student Services, Chief Medical Informatics Officer, and Chief of Staff.

A list of the current members of the Board, the principal officers of the System Administration, and the presidents of each institution comprising the University System appears on page v of this Official Statement. Set forth below is biographical information for those officers and presidents:

Dr. Tedd L. Mitchell became Chancellor of the University System on October 25, 2020. Before becoming Chancellor, Mitchell served as president of the Texas Tech University Health Sciences Center (TTUHSC) since 2010. Prior to his appointment in 2010, Mitchell served as president and CEO of the Cooper Clinic in Dallas, an internationally recognized center of excellence in preventive medicine. Dr. Mitchell is an Ashbel Smith Distinguished Alumnus of the University of Texas Medical Branch, where he received his medical degree in 1987. He specialized in internal medicine and remained to serve as the Chief Medical Resident for the University of Texas Medical Branch. Dr. Mitchell is certified by the American Board of Internal Medicine and received sub-specialty certification in Sports Medicine. He holds fellowship status with both the American College of Physicians as well as the American College of Sports Medicine. In addition to clinical work, Dr. Mitchell has authored or co-authored dozens of scientific papers, abstracts and book chapters evaluating the effects of physical fitness and lifestyle on health and illness. He has also co-authored three books on the effects of fitness. He continues to serve as the Chairman of the Board of Trustees for the Cooper Institute research center in Dallas. President Mitchell was the health editor and weekly columnist for USA Weekend from 1998 until 2010, during which time he published more than 600 articles. For his writing he received national recognition, including the 2006 Clarion Award as well as the 2008 Walter C. Alvarez Award for Excellence in Medical Communication from the American Medical Writers Association. Dr. Mitchell has been involved in developing public policy regarding health and fitness. He served on the President's Council for Physical Fitness and Sports from 2002-2009 (appointed by President George W. Bush) and served as a member of the Board of Trustees for the American College of Sports Medicine. President Mitchell served as a captain in the 4005th U.S Army Hospital, U.S. Army Reserves (Medical Corps) from 1988-1996.

Mr. Gary Barnes became the Vice Chancellor and Chief Financial Officer of the University System in December 2016. Mr. Barnes has nearly 40 years of experience in higher education financial services, leadership and management. Prior to the University System, he served as the Associate Vice President for Finance and University Controller at Texas A&M University ("Texas A&M") where he led and directed the financial operations for the university, which had a \$1.7 billion operating budget for Fiscal Year 2016. Mr. Barnes was responsible for identifying, analyzing and leading key accounting and financial initiatives. Before his tenure at Texas A&M, Mr. Barnes served as the Vice President for Business and Finance and CFO at West Texas A&M University ("West Texas A&M") with oversight of a \$136 million budget and 276 employees. At West Texas A&M, Mr. Barnes also served as Associate Vice President and Controller, Director of Accounting and Assistant Director of Business Services before being named as CFO. Mr. Barnes earned his Bachelor of Business Administration from West Texas A&M.



Dr. Lawrence Schovanec is the 17th president of the University. Prior to his appointment he served as the University provost since December 2013 and was interim president from July 2012 through March 2013. He also served as the dean of the College of Arts & Sciences, and chair of the Department of Mathematics & Statistics. Dr. Schovanec earned his doctorate in mathematics from Indiana University, his master's degree from Texas A&M and a Bachelor of Science degree from Phillips University. Other than two appointments as a visiting professor at Texas A&M and a research fellow at the U.S. Air Force Astronautics Laboratory, Schovanec has spent his entire career at the University. He has published primarily in the areas of biomechanical and physiological control systems and solid mechanics. He has spoken extensively at international conferences and other professional venues. As an administrator he has been a strong advocate for educational and outreach activities in areas of science, technology, engineering and mathematics (STEM). In support of his research and STEM activities he has received more than \$3.2 million in external funding, primarily from the National Science Foundation. Dr. Schovanec has received the President's Excellence in Teaching Award and is a member of the Texas Tech Teaching Academy. In 2011, he was a recipient of the Texas Tech University Inclusive Excellence Award given by the Division of Institutional Diversity, Equity, and Community Engagement.

Dr. Lori Rice-Spearman is the ninth president of the Health Sciences Center and the first female president in the University System. She joined TTUHSC in 1987 and has held multiple leadership positions during her tenure with the university. Most recently, Dr. Rice-Spearman served as provost and chief academic officer, appointed in October 2019; the following month, she agreed to serve concurrently as interim president. From 2016 to 2019, Dr. Rice-Spearman was dean of the School of Health Professions and served concurrently as the university's associate provost, beginning in 2018. Dr. Rice-Spearman also served the school as associate dean for Learning Outcomes and Assessments and chair of the Department of Laboratory Sciences and Primary Care. Dr. Rice-Spearman has numerous publications in peer-reviewed journals and is recognized nationally as an innovator in health professions education. She has served as an accreditation reviewer and site visitor for the National Accrediting Agency for Clinical Laboratory Sciences and the Commission on Accreditation for Physical Therapy Education. She is an alumna of the School of Health Professions' first class in the Clinical Laboratory Sciences program and earned her master's and Ph.D. from Texas Tech University.

Mrs. Angie Wright was appointed interim president of Angelo State on April 11, 2020. Serving as the Vice President for Finance and Administration since 2013, she has provided leadership, oversight, and stewardship to all aspects of the university's financial resources and capital assets for over six years. Mrs. Wright gained a wealth of experience subsequent to joining Angelo State in 1991 by taking on various roles and oversight of university functions including budget planning, procurement, facilities management, facilities planning & construction, information technology, general accounting and financial operations, human resources, and campus security. Mrs. Wright is an alumnus of Angelo State receiving her Bachelor of Business Administration in 1985.

Dr. Richard A. Lange became the first President of the Health Sciences Center at El Paso in 2014. Dr. Lange obtained his B.S. in biochemistry from the University of North Texas in 1978, and his M.D. from The University of Texas Southwestern Medical School in Dallas ("UT Southwestern") in 1982. After completing his internship and residency training at Johns Hopkins Hospital in 1985, he returned to UT Southwestern for fellowship training in cardiology. He subsequently joined their faculty, where he became director of the Cardiac Catheterization Laboratory. At UT Southwestern, he served for many years as the Fellowship Program director, held the Johnson-Rogers Chair in Cardiology and was Director of the Bernard and Audre Rapoport Center for Cardiovascular Research. In January 2004, he returned to the Johns Hopkins Hospital to serve as Chief of Clinical Cardiology and the E. Cowles Andrus Professor and obtained his M.B.A. in 2008. Dr. Lange then served as Vice Chairman of Medicine and Director of Educational Programs at the University of Texas Health Sciences Center (UTHSC) at San Antonio until joining the Health Sciences Center at El Paso.

**Member Institutions.** Set forth below is a summary description of the University System's member institutions, comprised of two general academic institutions and two health related institutions.

Texas Tech University, a coeducational, State-supported institution of higher learning, was originally created by the State Legislature in 1923. From its beginning as a regional technological and liberal arts college, the University's purpose has changed to that of a comprehensive public university with a total student enrollment of more than 38,000 students. The University is organized into ten colleges: Agricultural Sciences and Natural Resources; Architecture; Arts and Sciences; Business Administration; Education; Engineering; Honors; Human Sciences; Media and Communication; and Visual and Performing Arts. These colleges, together with the School of Law and the

Graduate School have approximately 65 academic departments offering 105 bachelor's degrees in 90 majors or fields of study. The University also offers 41 graduate certificates and 11 undergraduate certificates. The University is accredited by its regional accrediting body, the Southern Association of Colleges and Schools Commission on Colleges (SACSCOC), and colleges and departments of the University are accredited with their respective professional associations.

The University's main campus is located in Lubbock, Texas, a city of over 258,000 people, situated in West Texas at the base of the Texas Panhandle, approximately 320 miles west of Dallas and 320 miles southeast of Albuquerque, New Mexico. The University has a large campus consisting of 1,839 acres in one continuous tract with 163 permanent buildings.

The main library was completed in 1962 and contains over three million bibliographic items (which include more than 40,000 periodical subscriptions and nearly 2,000,000 units of microfilm); it is one of the two Regional Depositories for U.S. Government Documents in the State. It includes the Southwest Collection/Special Collections Library and the Architecture Library. The library is a member of the Association of Research Libraries, Greater Western Libraries Association, and Texas Digital Library. Other notable facilities include the Museum of Texas Tech University, including the planetarium, the National Ranching Heritage Center; the International Cultural Center, the Fiber and Biopolymer Research Institutes; and the National Wind Institute and its Scaled Wind Farm Technology Institute (SWiFT). The wind research facilities include three active wind turbines provided by Sandia National Laboratories and Vestas, allowing investigation of turbine-to-turbine interactions and innovative rotor technologies, as well as aero-acoustics and structural health of turbines.

The University also has limited educational facilities located in the Texas cities of Junction, Fredericksburg, Marble Falls/Highland Lakes, Cleburne, Austin, El Paso, McKinney, Waco, and in Seville, Spain. Future veterinary school facilities will be located in Amarillo.

The College of Agricultural Sciences and Natural Resources prepares students for a wide range of careers in Agricultural Sciences, Plant and Soil Sciences and Animal and Food Sciences as well as preparation for national, individual, and team competitions, extensive internship programs and professional degrees.

The College of Architecture provides a fully accredited five-year professional degree program leading directly to the Master of Architecture degree. The college offers students a variety of specializations, including dual degree programs with business and engineering. Students may also pursue a four-year non-professional degree track leading to a B.S. in Architecture.

The College of Arts and Sciences provides courses and curricula that impart knowledge, enhance skills and stimulate creativity. The largest college at the University, the College of Arts and Sciences offers over 90 undergraduate majors ranging from anthropology to zoology.

The Jerry S. Rawls College of Business Administration provides a well-rounded, general business education as well as a program of specialized technologically oriented study. Interdisciplinary degree programs include M.D./M.B.A., B.B.A./Master of Architecture with a joint program in Agribusiness.

The College of Education is committed to the preparation and certification of qualified future counselors, administrators, and teachers. Programs expose students to new technologies through extensive laboratory and field experiences including a full year of student teaching, courses taught in local elementary and secondary schools, and contact with faculty, all of whom are experienced classroom teachers.

The Edward E. Whitacre Jr. College of Engineering educates students as professionals in traditional engineering fields as well as offering unique dual degree programs in computer science and engineering, a five-year program in environmental engineering, a growing petroleum engineering program, and a new bioengineering program.

The Honors College offers special programs for highly motivated and academically talented students who want to maximize their college education. The curriculum is designed to provide students with a unique and broadly integrated intellectual experience that will complement virtually every academic major and career path.

The College of Human Sciences offers diverse programs that focus on addressing economic, technical, social and environmental issues. The college is home to the nationally recognized Center for the Study of Addiction and Recovery.

The College of Media and Communications provides students with a broad-based communications education and experience that integrates today's media convergence and the future's media development in five areas of mass communications. Students may select among programs leading to careers in advertising, electronic media, journalism, photocommunications, public relations, and most recently, communication studies.

The College of Visual and Performing Arts offers a diverse array of programs in art, music, theatre, and dance. The college seeks to prepare students who will be leaders in the professions by employing the highest standards in performance, teaching, research, and artistic and creative vision.

The Graduate School offers over 100 masters programs, 55 doctoral programs and scholarships and fellowships specifically for graduate education.

The School of Law offers courses of study in the law and is recognized statewide and nationwide for winning more national competitions in the last decade than any other law school in the nation. The School of Law distinguishes itself by providing low or no cost legal services to citizens of Lubbock and the surrounding area.

Health Sciences Center. In 1969, the 61st Texas Legislature authorized the creation of the Texas Tech University School of Medicine as a separate educational multi-campus institution. In 1979, the State Legislature expanded the charter to become the Texas Tech University Health Sciences Center. The institution has grown into a comprehensive multi-campus institution with Lubbock as the administrative center and regional campuses in Abilene, Amarillo, Dallas, Midland and Odessa. The Health Sciences Center is composed of a total of five schools: health professions, pharmacy, biomedical sciences, nursing, and medicine with total enrollment exceeding 5,200 students.

From its inception, the Health Sciences Center has been charged with addressing the health care needs of West Texas, with a special emphasis on rural health care delivery. This geographic service area is predominantly rural with urban population centers interspersed and comprises almost half of the landmass of the State and just over 9.4% of the population.

The Health Sciences Center facilities in Lubbock include academic buildings, clinical facilities, research facilities, and a library/teleconference center. The facilities in Amarillo include academic, research, and clinical facilities and the Permian Basin facilities consist of an academic and administrative building and an ambulatory clinic building in Odessa, and academic building and two ambulatory clinic buildings in Midland. In Abilene, the Health Sciences Center operates three academic buildings with research facilities, and an ambulatory clinic building and two academic facilities in the Dallas/Fort Worth area.

The Health Sciences Center Libraries of the Health Sciences use a state-of-the art computer network to link the main campus in Lubbock with all of the regional campuses, providing access at all sites to the resources anywhere in the library system. With nearly 205,000 volumes, 105,000 electronic books, 350 electronic databases, more than 25,000 electronic journals and computer access to other national resources, the Health Sciences Center's libraries are West Texas' most comprehensive medical and health information resource. Students, faculty, and staff can access all electronic resources remotely. The Health Sciences Center Libraries website also features a virtual reference librarian help system that is accessible by users 24 hours a day, seven days a week.

The School of Medicine was the first school at the Health Sciences Center. It has a traditional four-year medical school curriculum and an innovative three-year Family Medicine Accelerated Track program for individuals committing to go into a family medicine residency program. Both programs culminate in the medical doctor degree and are fully accredited. All medical students complete their first two years of medical school in Lubbock. Students are assigned to one of the four campuses to complete their clerkship training (years three and four) either in Amarillo, the new Covenant Branch Campus (started in 2016 in Lubbock), the Lubbock main campus, or the Permian Basin. The School of Medicine has many joint degree program offerings including the M.D./M.B.A., J.D./M.D., M.D./Ph.D., M.D./M.S., and the M.D./M.P.H. A total of 35 accredited graduate medical education residency and fellowship programs are offered in Lubbock and the regional campuses, with 501 residency slots. On the three campuses, under the banner of Texas Tech Physicians, the School of Medicine operates 27 clinical departments providing medical services to people throughout the West Texas, Panhandle, High Plains, and Permian Basin regions. Texas Tech Physicians provided 560,954 clinical visits and served over 202,800 patients last year. The school also served 44,291 inpatients at the affiliated hospitals and provided more than \$35.1 million in uncompensated care.

The School of Nursing offers courses leading to a Bachelor's in Nursing in three different tracks. Traditional BSN with campus sites in Lubbock, Abilene, and the Permian Basin. In 1999, the School of Nursing initiated a web-

based RN to BSN option for registered nurses pursuing a baccalaureate degree while working full-time. The program is offered nationally. Another option for individuals with a degree in another discipline or veteran military experience in the health field who wish to pursue nursing careers is the web-enhanced, accelerated BSN program. This is offered in Amarillo, Abilene, Lubbock, Dallas, Austin and San Antonio. The School of Nursing also offers Master of Science degrees in the areas of Leadership (Administration, Education and Nursing Informatics Tracks) and Advanced Practice (Family Nurse Practitioner, Adult Gerontology Acute Care Nurse Practitioner, Pediatric Nurse Practitioner, Acute Care Pediatric Nurse Practitioner, Nurse Midwifery and Psychiatric Mental Health Nurse Practitioner). The school launched the Doctorate in Nursing Practice program in 2008.

The School of Health Professions has grown steadily from its first class of eighteen students in 1983. With campuses in Amarillo, Lubbock, Midland and Odessa, the School of Health Professions now serves about 1,800 students enrolled in 22 different graduate and undergraduate programs. To increase educational access to health professionals who are serving communities throughout rural West Texas and the state, some programs rely extensively on non-traditional formats or distance education technologies. Academic degree programs offered include Ph.D. in Rehabilitation Sciences; Doctor Science of Physical Therapy; Doctor of Audiology; Doctor of Physical Therapy; Doctor of Occupational Therapy; Master of Science degrees in Molecular Pathology, Healthcare Administration, and Speech-Language Pathology, Clinical Rehabilitation Counseling, Clinical Mental Health Counseling, and Addictions Counseling; professional Masters' degrees in Athletic Training, Occupational Therapy, and Physician Assistant Studies; and Bachelor of Science degrees in Clinical Laboratory Science, Speech, Language and Hearing Sciences, and Healthcare Management; Post-Baccalaureate programs include Clinical Laboratory Sciences and Speech, Language, and Hearing Sciences; Post-Baccalaureate Certificate in Clinical Laboratory Sciences, and five Graduate Certificates in Healthcare Administration.

The School of Pharmacy provides training leading to the Doctor of Pharmacy (Pharm.D.) degree as well as advanced postgraduate residency education. Programs are offered across four campuses in the State, including Amarillo, Abilene, Dallas, and Lubbock. The Pharm.D. curriculum consists of a series of didactic classroom, clinical correlations, laboratory, and experiential courses which are completed over four years. In the last two years of the program, students complete a series of 12 experiential rotations at community and clinical pharmacy sites in and around their campus. Students also receive didactic and clinical training in immunization leading to certification in that area. For students interested in a management pathway, the School of Pharmacy also offers a joint Pharm.D./Master of Business Administration (M.B.A.) with the Texas Tech University Rawls College of Business. Presently, 600 Pharm.D. students are enrolled in the program as well as 38 post graduate pharmacists in resident programs. Faculty within the School of Pharmacy teach and oversee two basic science graduate programs leading to a Master of Science (M.S.) and/or a Doctor of Philosophy (Ph.D.) degree from the Graduate School of Biomedical Sciences. The Pharmaceutical Sciences graduate program is based in Amarillo, and the Biotechnology graduate program is based in Abilene and Lubbock. Overall, the Pharmacy School is ranked in the top third of pharmacy programs in the country.

The Graduate School of Biomedical Sciences awarded its first M.S. degree in 1975 and its first doctoral degree in 1978 when the initial program was part of the School of Medicine. With approval for an independent school in 1994, the Graduate School of Biomedical Sciences has grown to include four graduate programs: Biomedical Sciences (M.S., Ph.D.); Pharmaceutical Sciences (M.S., Ph.D.); Biotechnology (M.S.); and Public Health (M.P.H.). Degree options such as M.S., Ph.D., and several dual degrees (such as the M.D./Ph.D.) are available with research opportunities in Lubbock, Amarillo, and Abilene.

Angelo State University is a public, coeducational university located in San Angelo, Texas. Angelo State was created as Angelo State College in 1965 by an act of the 58th Session of the Texas Legislature in 1963. In May of 1967, the first baccalaureate degrees were awarded. The name of the institution was changed to Angelo State University in May of 1969. Angelo State was designated as a member of the Texas State University System in 1975, along with Sam Houston State University, Southwest Texas State University, and Sul Ross State University, when the 64th Legislature changed the name of the governing board to the Board of Regents, Texas State University System.

In March of 2007, H. B. 3564 was introduced in the Legislature to align Angelo State with the University System. The bill was approved by the full House on April 24, 2007, and by the Senate in a unanimous vote on May 15, 2007. On May 23, 2007, Governor Rick Perry signed the bill. A technical correction to the Texas Constitution to provide for the continuation of Angelo State appropriations upon a change of governance went before voters on November 6, 2007. It was approved, and the Texas Constitution was amended. Effective September 1, 2007, the

governance, control, management, and property of Angelo State were transferred from the Board of Regents of the Texas State University System to the Board of Regents of the University System.

Angelo State offers 45 bachelor's, 24 master's, and 1 doctoral degree. The campus houses six academic colleges: Arts and Humanities; Business; Education; Health and Human Services; Science and Engineering; Graduate Studies including Research. Angelo State has been recognized by Princeton Review for the 11<sup>th</sup> consecutive year and is one of the top six public universities in the State and among the best 385 nationally for 2019. The 268-acre residential campus accommodates an enrollment of 10,568 and is one of the safest and most technologically sophisticated in Texas. The university offers nationally recognized programs in agriculture, educator preparation, nursing, computer science, field biology and physics. In addition to strong academic programs, Angelo State is known for its Carr Academic Scholarship Program, which is funded by an approximate \$128 million endowment, one of the largest such scholarship endowments at a regional university in the nation. Carr Scholarships benefit two of every five current ASU students. Since the Carr program was first initiated in 1981, Angelo State has awarded more than \$132,900,000 in scholarships to students.

The Texas Tech University Health Sciences Center at El Paso (TTUHSCEP) was established as the fourth member institution of the University System pursuant to legislation signed by Governor Rick Perry on May 18, 2013. From its establishment in 1973 until its designation as a separate member institution in 2013, the Health Sciences Center at El Paso operated as a regional campus under the Health Sciences Center. Since 1973, the Health Sciences Center at El Paso campus has grown significantly to serve the El Paso community through education, research, and patient care. Programs include the Paul L. Foster School of Medicine (PLFSOM), Gayle Greve Hunt School of Nursing (GGHSON) and Graduate School of Biomedical Sciences (GSBS) where students receive a comprehensive, practical education preparing them for the health care field. In April 2018, the addition of the Woody L. Hunt School of Dental Medicine (WLHSDM) to the Health Sciences Center at El Paso was acknowledged by the Texas Higher Education Coordinating Board. El Paso, the sixth most populous city in the State and twenty-second in the U.S., is a medical hub of West Texas and Southern New Mexico. The region has been federally designated as a medically underserved area.

The Texas Tech University Health Sciences Center El Paso Libraries have branches in three separate buildings on the Health Sciences Center at El Paso campus: the Academic Education Center (AEC), the Medical Education Building (MEB), and the Miles Building. As one of the resource libraries of the National Library of Medicine/South Central Region, the libraries provide medical education and conduct consumer health outreach activities throughout the year.

The TTUHSCEP Libraries support the schools of medicine, nursing, as well as the Graduate School of Biomedical Sciences. The Libraries exist to meet the curricular, research and patient care information needs of the students, residents, faculty and staff of the Health Sciences Center at El Paso, as well as the information needs of the larger biomedical and health care community greater El Paso service area and the citizenry of the State.

The Paul L. Foster School of Medicine (PLFSOM) is a leader in educational innovation. Starting in years one and two, the school's curriculum is highly focused on clinical studies. This structure provides the clinical context and motivation for learning, as well as a natural framework for highly coordinated and synergistic instruction in medical skills, the various domains of public health, introductory diagnostic reasoning, and ethics and professionalism. In addition, as part of its curriculum, the PLFSOM requires all students to learn medical Spanish language skills; the PLFSOM is the only medical school in the U.S. with this requirement.

In year three, students participate in required clinical clerkships paired in three blocks: internal medicine and psychiatry; obstetrics, gynecology, and pediatrics; and surgery and family medicine. This organization facilitates integrated and transdisciplinary learning experiences. The fourth and final year of the medical school curriculum includes five required month-long experiences: a sub-internship, critical care medicine, emergency medicine, neurology, and a "boot camp" designed to optimize students' transition into residency. Furthermore, fourth year students complete at least 16 weeks of electives, selecting from a large and diverse array of two and four-week offerings.

In addition to the formal curricular elements described above, all PLFSOM students must design, implement, and publicly present the outcomes of a faculty-mentored independent scholarly project. This graduation requirement is supported by the school's Scholarly Activity and Research Program (SARP).

The Gayle Greve Hunt School of Nursing (GGHSON) offers unique opportunities for students to receive the latest state-of-the-art nursing education. The Accelerated Bachelor of Science in Nursing can be completed in four consecutive semesters/16 months or 65 semester credit hours. Courses are taught in a classroom setting and online. Another option is the R.N. to B.S.N. program, a convenient, 30-hour program conducted entirely through web-based instruction that is designed to accommodate the working registered nurse's schedule.

After being granted permission by the Texas Higher Education Coordinating Board (THECB) to establish a new Master of Science in Nursing (M.S.N.), the GGHSON admitted its inaugural class of master's students in January 2018. This advanced degree program provides unique opportunities for working nurses to develop their clinical leadership skills for roles such as health care advisor, charge nurse, manager, administrator, and chief nursing officer. The M.S.N. program graduated its inaugural class in May 2020.

Graduate School of Biomedical Sciences provides opportunities for students to develop their interests, gain experience, and build a knowledge base to pursue successful careers in biomedical research and education. In January 2016, the Texas Higher Education Coordinating Board approved the addition of the Master of Science (MS) in Biomedical Sciences to the Health Sciences Center at El Paso's degree program inventory.

Woody L. Hunt School of Dental Medicine (WLHSDM) The Woody L. Hunt School of Dental Medicine (WLHSDM) will offer a unique education for students through culturally competent, hands-on training and an introduction to early clinical experiences among a diverse population.

The Doctor of Dental Medicine (D.M.D.) degree program will be the initial degree program at the school of dental medicine and is designed to prepare students at the doctoral level to practice general dentistry. The D.M.D. program is consistent with requirements set forth by the Texas Education Code (TEC), Texas Administrative Code (TAC), SACSCOC and the Commission on Dental Accreditation (CODA). The WLHSDM plans to welcome its inaugural class in the summer of 2021.

**Accreditation.** The institutions, agencies, and services comprising the University System are members of the following professional associations and accredited by those which apply accreditation standards: Commission on Colleges of the Southern Association of Colleges and Schools; National Commission on Accrediting; Association of Texas Colleges and Universities; American Council on Education; Association of American Colleges; American Association of State Colleges and Universities, Council on Higher Education; Association of Urban Universities; National Association of State Universities and Land-Grant Colleges; and Liaison Committee on Medical Education.

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**Enrollment.** Set forth below is the fall semester headcount and full-time equivalent at the University System for each of the last five fall semesters:

**Headcount Enrollment Information**

	<b>Fall 2019</b>	<b>Fall 2018</b>	<b>Fall 2017</b>	<b>Fall 2016</b>	<b>Fall 2015</b>
Undergraduate:					
Texas Tech University	32,125	31,957	30,737	29,963	29,237
Health Sciences Center	1,478	1,520	1,437	1,407	1,355
Health Sciences Center at El Paso	300	264	203	174	137
Angelo State University	9,046	8,752	8,798	8,094	7,273
<b>Undergraduate Total</b>	<b>42,949</b>	<b>42,493</b>	<b>41,175</b>	<b>39,638</b>	<b>38,002</b>
Graduate & Professional:					
Texas Tech University	6,617	6,252	6,259	6,588	6,622
Health Sciences Center	3,816	3,563	3,351	3,218	3,119
Health Sciences Center at El Paso	465	466	462	433	387
Angelo State University	1,522	1,635	1,619	1,487	1,235
<b>Graduate Total</b>	<b>12,420</b>	<b>11,916</b>	<b>11,691</b>	<b>11,726</b>	<b>11,363</b>
<b>Total</b>	<b>55,369</b>	<b>54,409</b>	<b>52,866</b>	<b>51,364</b>	<b>49,365</b>

**Full-Time Equivalent Enrollment Information**

	<b>Fall 2019</b>	<b>Fall 2018</b>	<b>Fall 2017</b>	<b>Fall 2016</b>	<b>Fall 2015</b>
Undergraduate:					
Texas Tech University	29,416	29,084	28,458	28,212	28,002
Health Sciences Center	1,401	1,420	1,345	1,328	1,277
Health Sciences Center at El Paso	268	224	178	152	128
Angelo State University	7,113	6,946	6,923	6,529	5,866
<b>Undergraduate Total</b>	<b>38,198</b>	<b>37,674</b>	<b>36,904</b>	<b>36,221</b>	<b>35,273</b>
Graduate & Professional:					
Texas Tech University	4,511	4,649	4,700	5,215	5,399
Health Sciences Center	3,305	3,068	2,902	2,788	2,731
Health Sciences Center at El Paso	459	461	462	433	387
Angelo State University	1,222	1,263	1,274	1,190	975
<b>Graduate Total</b>	<b>9,497</b>	<b>9,441</b>	<b>9,338</b>	<b>9,626</b>	<b>9,492</b>
<b>Total</b>	<b>47,695</b>	<b>47,115</b>	<b>46,242</b>	<b>45,847</b>	<b>44,765</b>

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### **Admissions and Matriculation**

Set forth below is the information relating to admissions and matriculation for the University System for the general academic institutions in total (the University and Angelo State) for each of the last five fall semesters:

<b><u>Admissions and Matriculation Information</u></b>										
	<b>2019</b>	<b>%</b>	<b>2018</b>	<b>%</b>	<b>2017</b>	<b>%</b>	<b>2016</b>	<b>%</b>	<b>2015</b>	<b>%</b>
Freshman:										
Applications Submitted	29,758	--	29,004	--	29,655	--	27,861	--	26,979	--
Applications Accepted	20,540	69.0	20,681	71.3	20,655	69.7	17,889	64.2	17,555	65.1
Matriculation	7,552	36.8	7,679	37.1	7,432	36.0	6,327	35.4	6,485	36.9
Matriculation from outside state	457	6.1	525	6.8	425	5.7	417	6.6	476	7.3
Transfers:										
Applications Submitted	5,744	--	5,797	--	5,673	--	6,323	--	5,984	--
Applications Accepted	4,584	79.8	4,632	79.9	4,615	81.4	5,016	79.3	5,048	84.4
Matriculation	3,095	67.5	3,015	65.1	3,033	65.7	3,473	69.2	3,343	66.2
Matriculation from outside state	288	9.3	306	10.1	256	8.4	292	8.4	342	10.2
Graduates:										
Applications Submitted	6,493	--	5,797	--	7,257	--	8,471	--	8,583	--
Applications Accepted	3,791	58.4	4,632	55.4	3,629	50.0	4,115	48.6	3,809	44.4
Matriculation	2,423	63.9	3,015	55.5	1,946	53.6	2,238	54.4	3,337	87.6
Matriculation from outside state	723	29.8	672	30.4	578	29.7	735	32.8	763	22.9

### **Degrees Conferred**

Set forth below is a listing of degrees conferred by the member institutions during each of the last five years:

	<b><u>Total Degrees Conferred</u></b>				
	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Institutions:					
Texas Tech University	8,480	8,435	7,797	7,398	7,303
Angelo State University	1,817	1,695	1,605	1,308	1,382
Health Sciences Center	2,295	2,217	2,178	1,998	1,887
Health Sciences Center at El Paso	263	238	210	157	136
<b>Total</b>	<b>12,855</b>	<b>12,585</b>	<b>11,790</b>	<b>10,861</b>	<b>10,708</b>

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## FINANCIAL MANAGEMENT

Financial management of the University System is the responsibility of the Vice Chancellor and Chief Financial Officer, who reports to the Chancellor. The Vice Chancellor and Chief Financial Officer is responsible for financial management and operational activities of debt, cash, risk and investment management of the University System's operating and endowment funds. The Vice President of Fiscal Affairs for each respective institution is responsible for budgets, accounting, and financial statements.

**Financial Statements.** Not later than November 20 of each year, the unaudited primary financial statements of the University System dated as of August 31, prepared from the books of the University System, must be delivered to the Governor, the Comptroller of Public Accounts of the State of Texas (the "Comptroller"), the Legislative Reference Library, the Texas State Library, the Texas Higher Education Coordinating Board, the State Auditor and the Legislative Budget Board. Each year, the State Auditor must certify the financial statements of the State as a whole, inclusive of the University System. *No outside audit in support of this detailed review is currently required or obtained by the Board.*

As an agency of the State, the University System's financial records reflect compliance with applicable State statutes and regulations. The significant accounting policies followed by the University System in maintaining accounts and in the preparation of the primary financial statements are in accordance with the Comptroller's Annual Financial Reporting Requirements. Historically, these requirements followed, as nearly as practicable, the American Institute of Certified Public Accountants (AICPA) Industry Audit Guide, Audits of Colleges and Universities, 1996 Edition, as amended by AICPA Statement of Position (SOP) 74-8, Financial Accounting and Reporting by Colleges and Universities, and as modified by applicable Financial Accounting Standards Board (FASB) pronouncements issued through November 30, 1989, and as modified by all applicable Governmental Accounting Standards Board (GASB) pronouncements cited in Codification Section Co5, "Colleges and Universities." The requirements were also in substantial conformity with the Financial Accounting and Reporting Manual for Higher Education published by the National Association of College and University Business Officers (NACUBO).

During Fiscal Year 2002, the University System adopted GASB Statement No. 35, Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities, as amended by GASB Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis - for State and Local Governments Omnibus, and GASB Statement No. 38, Certain Financial Statement Note Disclosures (collectively, the "New Financial Reporting Model"). These statements establish standards for external financial reporting for public colleges and universities and require that financial statements be presented on a combined basis to focus on the University System as a whole. Previously, financial statements focused on the accountability of individual fund groups rather than on the University System as a whole.

The University System is not required to restate, and has not restated, prior year financials consistent with the New Financial Reporting Model. The significant changes caused by these new accounting standards and the time required to implement the changes on a consistent basis for all of the members of the University System, and in accordance with the related rules of the Comptroller, made a restatement of the prior year financials impossible. As such, historical financial data (prior to Fiscal Year 2002) will not be comparable to the data presented under the new format. Historical data for fiscal years prior to 2002 can be found in the University System Annual Financial Reports for those years.

The University System's primary financial report covers all financial operations of the University System Administration and all member institutions of the University System. Amounts due between member institutions, amounts held for member institutions by the University System Administration and other duplications in reporting are eliminated in combining the individual financial reports.

Attached to this Official Statement in "Appendix B — TEXAS TECH UNIVERSITY SYSTEM COMBINED ANNUAL FINANCIAL REPORT" are the most recent unaudited primary financial statements of the University System for the University System's Fiscal Year ended August 31, 2019. The University System's unaudited primary financial statements consist of the Combined Statement of Net Position August 31, 2019 and 2018; the Combined Statement of Revenues, Expenses and Changes in Net Position for the Years Ended August 31, 2019 and 2018; and the Combined Statement of Cash Flows for the Years Ended August 31, 2019 and August 31, 2018. See "Appendix B — TEXAS TECH UNIVERSITY SYSTEM COMBINED ANNUAL FINANCIAL REPORT."

The following table reflects the condensed statement of net assets of the University System as of August 31, 2015 through August 31, 2019.

**Condensed Statement of Net Position (unaudited)**

**As of August 31 (in thousands)**

		<b>Restated</b>	<b>Restated</b>	<b>Restated</b>	<b>Restated</b>
	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Assets:					
Current Assets	\$720,866	\$830,087	\$782,254	\$753,214	\$634,847
Capital Assets, Net	1,779,293	1,715,867	1,592,729	1,502,645	1,467,174
Other Assets	2,448,369	2,327,125	2,331,639	1,927,334	1,853,500
<b>Total Assets</b>	<b>\$4,948,528</b>	<b>\$4,873,079</b>	<b>\$4,706,622</b>	<b>\$4,183,193</b>	<b>\$3,955,521</b>
Deferred Outflows of Resources:					
Total Deferred Outflows of Resources	\$796,317	\$45,894	\$70,885	\$38,050	\$27,390
Liabilities:					
Current Liabilities	\$574,805	\$535,381	\$512,336	\$492,122	\$416,247
Non-Current Liabilities	1,817,883	1,237,266	1,388,239	773,105	790,961
<b>Total Liabilities</b>	<b>\$2,392,688</b>	<b>\$1,772,647</b>	<b>\$1,900,575</b>	<b>\$1,265,227</b>	<b>\$1,207,208</b>
Deferred Inflows of Resources:					
Total Deferred Inflows of Resources	\$360,314	\$121,517	\$43,645	\$31,961	\$49,527
Net Position:					
Invested in Capital Assets, Net of Related Debt	\$1,081,350	\$1,016,654	\$930,236	\$882,988	\$850,610
Restricted					
Expendable	574,789	577,196	547,482	540,431	458,107
Non-Expendable	758,054	729,343	701,085	657,815	648,049
Unrestricted	577,650	701,616	654,483	842,821	769,409
<b>Total Net Position</b>	<b>\$2,991,843</b>	<b>\$3,024,809</b>	<b>\$2,833,286</b>	<b>\$2,924,055</b>	<b>\$2,726,175</b>

For more detailed information, see “Appendix B —TEXAS TECH UNIVERSITY SYSTEM COMBINED ANNUAL FINANCIAL REPORT - Combined Statement of Net Position August 31, 2019 and 2018.”

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The table below presents the Condensed Statement of Revenues, Expenses and Changes in Net Position of the University System for Fiscal Year 2015 through 2019.

**Condensed Statement of Revenues, Expenses and Changes in Net Position (unaudited)**  
**As of August 31 (in thousands)**

	<b>2019</b>	<b>Restated 2018</b>	<b>Restated 2017</b>	<b>Restated 2016</b>	<b>Restated 2015</b>
Operating Revenues	\$1,321,511	\$1,276,660	\$1,240,226	\$1,239,284	\$1,145,409
Operating Expenses	<u>2,123,073</u>	<u>1,910,599</u>	<u>1,854,565</u>	<u>1,785,076</u>	<u>1,668,496</u>
Operating Income (Loss)	(801,562)	(633,939)	(614,339)	(545,792)	(523,087)
Non-Operating Revenues (Expenses)	<u>589,832</u>	<u>661,852</u>	<u>718,607</u>	<u>652,235</u>	<u>521,802</u>
Income (Loss) before Other Revenues, Expenses, Gains, Losses and Transfers	(211,730)	27,913	104,268	106,443	(1,285)
Other Revenues, Expenses, Gains, Losses and Transfers	<u>178,764</u>	<u>154,794</u>	<u>156,265</u>	<u>84,451</u>	<u>41,705</u>
Changes in Net Position	<u>(32,966)</u>	<u>182,707</u>	<u>260,533</u>	<u>190,894</u>	<u>40,420</u>
Beginning Net Position (September 1)	3,019,406	2,833,287	2,924,055	2,732,250	2,685,609
Restatement of Beginning Net Position	<u>5,403</u>	<u>8,815</u>	<u>(351,301)</u>	<u>911</u>	<u>(53)</u>
<b>Ending Net Position (August 31)</b>	<b><u>\$2,991,843</u></b>	<b><u>\$3,024,809</u></b>	<b><u>\$2,833,287</u></b>	<b><u>\$2,924,055</u></b>	<b><u>\$2,725,976</u></b>

For more detailed information, see “Appendix B —TEXAS TECH UNIVERSITY SYSTEM COMBINED ANNUAL FINANCIAL REPORT - Combined Statement of Revenues, Expenses and Changes in Net Position for the Years Ended August 31, 2019 and 2018.”

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## **SELECTED FINANCIAL INFORMATION**

**Funding for the University System and its Member Institutions.** Funding for the University System is derived from operating and non-operating revenues. The amounts and the sources of such funding vary from year to year and there is no guarantee that the source or amounts of such funding will remain the same in future years. Following are brief discussions of certain major funding sources.

**State General Revenue Appropriations.** The operations of the member institutions are heavily dependent upon the continued support of the State pursuant to the biennial appropriations process initiated by the Texas Legislature. State appropriations for public education institutions are primarily allocated through funding formulas. The University System member institutions are eligible to receive additional distributions such as the Higher Education Fund for certain capital expenditures and Tuition Revenue Bonds for certain debt service. Further information on those are detailed below. The most recent legislative session (the 86<sup>th</sup>) ended on May 31, 2019 of which the State Legislature adopted a budget for the 2019-20 biennium beginning September 1, 2019. See “INTRODUCTION – COVID-19 Disclosure” for a summary of the letter jointly issued by State leadership instructing state agencies, including the University System, to submit a plan to the Legislative Budget Board and the Office of the Governor to identify savings that will reduce its general revenue related appropriations by five percent for the current 2020-2021 biennium (the “5% Savings Plan”).

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

**Higher Education Fund Appropriations.** The Participants each receive a portion of an annual appropriation of funds made by the State Legislature to the Higher Education Fund (HEF) pursuant to the provisions of Article VII, Section 17 of the State Constitution. The annual allocation to the University System for Fiscal Years 2017 through 2020 is set forth below:

	<b><u>Higher Education Fund Appropriations</u></b>				
	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2020<sup>(1)</sup></b>	<b>FY 2021<sup>(1)</sup></b>
Texas Tech University	\$49,225,809	\$49,225,809	\$49,225,809	\$49,225,809	\$49,874,746
Health Sciences Center	23,372,396	23,372,396	23,372,396	23,372,396	21,652,392
Angelo State University	5,320,102	5,320,102	5,320,102	5,320,102	6,792,999
Health Sciences Center at El Paso	6,234,075	6,234,075	6,234,075	6,234,075	5,557,572
<b>Total</b>	<b>\$84,152,382</b>	<b>\$84,152,382</b>	<b>\$84,152,382</b>	<b>\$84,152,382</b>	<b>\$83,877,709</b>

<sup>(1)</sup> HEF Funds are exempt from the 5% Savings Plan.

**Tuition Revenue Bonds.** A portion of the Parity Obligations of the University System constitute Tuition Revenue Bonds (defined in Chapter 55 of the Texas Education Code). Tuition Revenue Bonds issued by the University System carry no additional pledge or security and constitute Parity Obligations of the University System which are equally and ratably secured by and payable from a pledge of and lien on Pledged Revenues on parity with all other Parity Obligations of the University System. The State Legislature has appropriated funds to reimburse the University System in prior years in an amount equal to all or a portion of the debt service on the University System’s Tuition Revenue Bonds. See “SECURITY FOR THE BONDS.”

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Set forth below reflects the Tuition Revenue Bonds Appropriations in Fiscal Years 2017 through 2019 and current 2020-21 biennium of the State Budget.

**2017-2021 State Tuition Revenue Bond (TRB) Appropriations**

	<b><u>(In Thousands)</u></b>				
	<b>FY 2017<sup>(1)</sup></b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2020<sup>(2)</sup></b>	<b>FY 2021<sup>(2)</sup></b>
Texas Tech University	\$12,580	\$14,513	\$14,485	\$13,503	\$13,494
TTU Health Sciences Center	11,910	13,630	13,583	11,873	11,856
Angelo State University	4,390	4,382	2,877	2,879	2,860
TTUHSC at El Paso	12,510	11,007	10,932	14,062	14,046
System Administration	-	-	-	-	-
<b>Total Tuition Revenue Bonds</b>	<b>\$41,390</b>	<b>\$43,532</b>	<b>\$41,877</b>	<b>\$42,317</b>	<b>\$42,256</b>

<sup>(1)</sup> Includes \$19,113,282 appropriated for Tuition Revenue Bond debt service in Fiscal Year 2017 for projects authorized by H.B. 100.

<sup>(2)</sup> TRB appropriations are exempt from the 5% Savings Plan.

**Tuition and Fees.** Each component institution that grants degrees charges tuition and fees as set by the State Legislature and the Board under Chapters 54 and 55 of the Texas Education Code. Tuition charges are comprised of “State Mandated Tuition” and “Board Designated Tuition.” Mandatory fees comprise charges of certain activities and services utilized by all students. Each component institution charges various types of fees and in various amounts.

**Fixed Rate Tuition.** Sections 54.016 and 54.017 of the Texas Education Code authorize the State’s general academic teaching institutions and junior colleges to provide an option for fixed price tuition beginning in fall of 2014. Both the University and Angelo State have chosen to offer fixed price tuition plans. This option “freezes” only the designated tuition portion of a student’s cost of attendance for a period of twelve continuous semesters equating to four academic years. Incoming undergraduates, either via transfer from another institution or no prior college attendance, beginning with the fall 2014 semester are eligible to choose the fixed rate tuition plan. Dual high school credit is not considered prior college attendance. Students who have previously enrolled at the University or Angelo State and are returning from another institution and students classified either as graduate or non-resident distance education are not eligible for the plan. The opt-in period starts at registration for classes and ends on the day before the first day of class. Students can opt-out one-time at any time but will be reverted to original designated tuition rate in the succeeding semester. Students who elected to not participate will not be able to opt-in at a later date. The fixed tuition rate will be set each academic year for the incoming undergraduate classes.

Any changes in tuition or fees will originate and be recommended by the President of the Participant, reviewed by the Chancellor and approved by the Board. Any changes in tuition will be implemented only after thorough consultation and review.

*[Remainder of this page intentionally left blank]*

Set forth below are tables showing the State Mandated Tuition, Board Designated Tuition, Board Authorized Tuition, mandatory fees, and the amount set aside for financial assistance to resident undergraduates by the University and Angelo State (excludes the Health Sciences Center and the Health Sciences Center at El Paso), for the 2019-20 academic year and the fixed rate tuition and fees for the fall cohort for 2020 based on 15 semester credit hours (SCH).

**Tuition and Fees**  
**Academic Year 2019-2020**

	<b>State Mandated Tuition</b>	<b>Board Designated Tuition</b>	<b>Board Authorized Tuition</b>	<b>Mandatory Fees</b>	<b>Total Tuition &amp; Fees</b>	<b>Financial Assistance Set Aside</b>
Texas Tech University	\$750.00	\$3,465.00	\$0.00	\$1,444.50	\$5,659.50	\$528.75
Angelo State University	\$750.00	\$1,957.50	\$0.00	\$1,652.90	\$4,360.40	\$302.63

**Fixed Rate Plan Tuition and Fees**

**Fall 2020 Cohort**

Texas Tech University	\$750.00	\$4,665.00	\$0.00	\$1,444.50	\$6,859.50	\$596.25
Angelo State University	\$750.00	\$2,083.50	\$0.00	\$1,652.90	\$4,486.40	\$321.53

NOTE: Excludes the Health Sciences Center and the Health Sciences Center at El Paso. Total tuition and fees include amounts required to be set aside for financial assistance in accordance with applicable provisions of the Texas Education Code. The set-aside amounts are calculated as follows: from State Mandated Tuition not less than 15% nor more than 20% of each resident student's tuition charge; from Board Designated Tuition no less than 20% charged to resident undergraduate students in excess of \$46 per semester hour (Section 56.011).

The Board may set rates for graduate tuition at different levels for different institutions. State Mandated Tuition for a resident student enrolled in a program leading to an M.D. degree is \$6,550 per academic year. State Mandated Tuition for a nonresident student enrolled in a program leading to an M.D. degree is an amount per year equal to three times the rate that a resident student enrolled in a program leading to an M.D. degree would pay during the corresponding academic year. In addition, various other programs have specific annual rates for resident students and maximum rates that may be charged to nonresident students. For more detailed information regarding tuition and fees charged by the University System member institutions, reference is made to the respective member institutions' websites.

**Investment Programs and Policies.** The Board is responsible for investment of University System funds held outside the State Treasury. To facilitate the investment of the University System funds, the Board has created three separate investment pools designated as the Short Term Investment Fund (the "STIF"), the Intermediate Term investment Fund (the "ITIF") and the Long-Term Investment Fund (the "LTIF"), which are governed overall by Regents' Rules Chapter 09 "Investments and Endowments", and individually by the Investment Policy Statement of each pool, codified as Board Policy Statements. The STIF is centrally managed within the University System Office of Treasury under the direction of the Treasurer. The ITIF and the LTIF is centrally managed within the University System Office of Investments under the direction of the Chief Investment Officer. The STIF and ITIF are separate investment funds approved at the December 13, 2019 Board meeting. Prior to December 13, 2019, the STIF and ITIF were originally pooled in total and identified as the legacy Short/Intermediate Term Investment Fund (the "SITIF").

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Set forth below is the market value for each of the funds managed by the Board as of the end of the most recent five Fiscal Years.

**Market Value of Investment Funds**  
**(In Thousands)**

<b>August 31</b>	<b>Short Term Investment Fund (Legacy SITIF)</b>	<b>Intermediate Term Investment Fund</b>	<b>Long Term Investment Fund</b>	<b>Angelo State &amp; Carr Foundation – Other</b>	<b>Unspent Debt Proceeds</b>	<b>Total Market Value</b>
2015	\$1,067,550	\$ -	\$1,045,577	\$42,555	\$28,695	\$2,184,377
2016	1,186,906	-	1,028,641	42,128	11,527	2,269,202
2017	1,223,008	-	1,138,722	22,994	222,456	2,607,180
2018	1,393,231	-	1,211,115	21,805	129,833	2,755,984
2019	1,334,697	-	1,184,201	17,674	65,923	2,602,495
2020 <sup>(1)</sup>	609,533	759,125	1,054,466	35,454	45,402	2,503,980

<sup>(1)</sup> As of April 30, 2020.

*The Short Term Investment Fund.* The STIF is a short-term pooled investment fund created by the Board in December 2019 for the collective investment of institutional funds of the University System's operating funds, non-operating funds and other funds.

Set forth below is the asset allocation of the STIF as of April 30, 2020. Currently, Angelo State does not fully participate in the STIF.

**Asset Allocation for the Short Term Investment Fund**  
**(In Thousands)**

<b>Description</b>	<b>Allocation Percentage</b>	<b>Market Value</b>
Cash Composite:		
Depository Accounts	19.86%	\$121,083
Gov't Investment Pools	5.51%	33,610
<b>Total Cash Composite</b>	<b>25.38%</b>	<b>\$154,693</b>
Short Term Composite:		
Money Market Fund	0.00%	\$ 2
U.S. Bills/Notes	0.83%	5,055
U.S. Municipal Securities	8.52%	51,913
U.S. Agency Securities	46.83%	285,437
U.S. Treasury Securities	18.45%	112,433
<b>Total Short-Term Composite</b>	<b>74.62%</b>	<b>\$454,840</b>
<b>Total STIF</b>	<b>100.00%</b>	<b>\$609,533</b>

*The Intermediate Term Investment Fund.* The ITIF is an intermediate term pooled investment fund created by the Board at its December 13, 2019 meeting for the collective investment of institutional funds of the University System's operating funds, non-operating funds and other funds identified as reserve balances in excess of current operating needs to be invested over the intermediate term for diversification and return maximization.

**Asset Allocation for the Intermediate Term Fund**  
**(In Thousands)**

<b>Description</b>	<b>Allocation Percentage</b>	<b>Market Value</b>
Public Equities	21.36%	\$162,182
Debt	18.87%	143,240
Diversifying Assets	30.80%	233,811
Private Credit	24.29%	184,364
Portfolio Hedge	0.89%	6,751
Money Market	3.79%	28,777
<b>Total ITIF</b>	<b>100.00%</b>	<b>\$759,125</b>

*The Long-Term Investment Fund.* The University System is benefited by certain eligible endowments and Board-approved institutional funds treated as endowments ("quasi-endowments") collectively invested in the LTIF. The LTIF is a unitized pooled investment fund consisting of marketable securities and investments, land and other real estate holdings and mineral rights managed by unaffiliated investment managers selected by the Board upon the recommendation of the Investment Advisory Committee. To qualify for investment in the LTIF, endowment funds must be under the sole control of the Board and must not have donor-imposed restrictions that prevent investment in equity securities or corporate debt or prevent the expenditure of net realized appreciation.

Set forth below is the asset allocation of the LTIF managed by the Board and Assets held outside of the SITIF and LTIF for the ASU and Carr Foundation Investments as of April 30, 2020.

**Asset Allocation for the Long Term Investment Fund**  
**(in Thousands)**

<b>Description</b>	<b>Allocation Percentage</b>	<b>Market Value</b>
Public Equities	29.43%	\$310,327
Debt	16.87%	177,840
Diversifying Assets	14.44%	152,238
Private Investments	32.70%	344,828
Portfolio Hedge	1.79%	18,918
Liquidating	0.43%	4,518
Money Market & Alpha Pool	4.34%	45,797
<b>Total LTIF</b>	<b>100.00%</b>	<b>\$1,054,466</b>

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**Allocation of Assets held outside of STIF, ITIF, LTIF for ASU & Carr Foundation**  
**(in Thousands)**

Description	Allocation Percentage	Market Value
Mineral Rights	48.61%	\$17,234
Cash and Cash Equivalents	51.39%	\$18,220
<b>Total</b>	<b>100.00%</b>	<b>\$35,454</b>

Note: Angelo State was added to the University System on September 1, 2007. A portion of its assets and those of its related Carr Foundation outside of the LTIF are included here as managed investments.

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**Appendix B**

**TEXAS TECH UNIVERSITY SYSTEM  
COMBINED ANNUAL FINANCIAL REPORT**

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# **TEXAS TECH UNIVERSITY SYSTEM**



## **COMBINED ANNUAL FINANCIAL REPORT FISCAL YEAR 2019**

**ANNUAL FINANCIAL REPORT**

**OF**

**TEXAS TECH UNIVERSITY SYSTEM**

FOR THE YEAR ENDED AUGUST 31, 2019

Texas Tech University  
Texas Tech University Health Sciences Center  
Texas Tech University Health Sciences Center at El Paso  
Angelo State University  
Texas Tech University System Administration

## **Texas Tech University System**

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## TEXAS TECH UNIVERSITY SYSTEM™

*Tedd Mitchell, Chancellor*

November 15, 2019

Honorable Greg Abbott  
Governor of Texas

Honorable Glenn Hegar  
Texas Comptroller

Director, Legislative Budget Board

Ms. Lisa R. Collier, CPA  
First Assistant State Auditor

To Agency Heads Addressed:

The Annual Financial Report of Texas Tech University System (TTUS), with which this letter is bound, is transmitted for inclusion in the State of Texas Comprehensive Annual Financial Report for the fiscal year ended August 31, 2019. Neither the State Auditor nor TTUS Office of Audit Services has audited the accompanying annual financial report and, therefore, neither has expressed an opinion on the financial statements and related information contained in this report. This report is intended to present a complete picture of the fiscal affairs of the System for the year ended August 31, 2019.

As indicated by the following letter of transmittal, this report has been prepared by the fiscal office of the System to provide a summary of the System's financial records.

Sincerely,

A handwritten signature in blue ink, appearing to read "Tedd Mitchell", written over a large, stylized blue circular mark.

Tedd L. Mitchell, M.D.  
Chancellor





## TEXAS TECH UNIVERSITY SYSTEM™

**Gary Barnes**

Vice Chancellor and Chief Financial Officer

November 15, 2019

Tedd L. Mitchell, M.D.  
Texas Tech University System  
Lubbock, Texas 79409

Dear Chancellor Mitchell:

Submitted herein is the Annual Financial Report of Texas Tech University System for the fiscal year ended August 31, 2019, in compliance with TEX. GOV'T CODE ANN §2101.011 and in accordance with the requirements established by the Comptroller of Public Accounts.

Due to the statewide requirements embedded in Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, the Comptroller of Public Accounts does not require the accompanying annual financial report to comply with all the requirements in this statement. The financial report will be considered for audit by the State Auditor as part of the audit of the State of Texas Comprehensive Annual Financial Report (CAFR); therefore, an opinion has not been expressed on the financial statements and related information contained in this report.

If you have any questions, please contact me at 834-4849.

Sincerely,

A handwritten signature in black ink that reads "Sharon Williamson".

Sharon Williamson, CPA  
Assistant Vice President, Financial & Managerial Reporting

Approved:

A handwritten signature in blue ink that reads "Gary Barnes".

Gary Barnes  
Texas Tech University System  
Vice Chancellor & Chief Financial Officer

**Texas Tech University System  
Board of Regents**

**Officers of the Board**

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Christopher M. Huckabee, Chair

J. Michael Lewis, Vice Chair

**Members**

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*Term Expires January 31, 2021*

Ron Hammonds	Houston, TX
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Christopher M. Huckabee	Fort Worth, TX
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Mickey L. Long	Midland, TX
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*Term Expires January 31, 2023*

J. Michael Lewis	Dallas, TX
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John Steinmetz	Dallas, TX
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John Walker	Houston, TX
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*Term Expires January 31, 2025*

Mark Griffin	Lubbock, TX
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Ginger Kerrick	Webster, TX
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Dusty Womble	Lubbock, TX
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*Term Expires May 31, 2020*

Sean Lewis (Student Regent)	Detroit, MI
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*System Fiscal Officers*

Tedd Mitchell	Chancellor
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Gary Barnes	Vice Chancellor and Chief Financial Officer
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Lawrence Schovanec	TTU President
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Lori Rice-Spearman	Interim TTUHSC President
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Richard Lange	TTUHSC at El Paso President
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Brian May	ASU President
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Noel Sloan	TTU CFO and VP for Administration & Finance
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Penny Harkey	HSC VP and Chief Financial Officer
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Sue Fuciarelli	TTUHSC at El Paso VP for Finance & Administration
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Angelina Wright	ASU VP for Finance & Administration
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UNAUDITED  
TEXAS TECH UNIVERSITY SYSTEM (793)

**COMBINED  
FINANCIAL STATEMENTS**

UNAUDITED

**Texas Tech University System (793)**  
**Combined Statement of Net Position**  
**August 31, 2019 and 2018**

	2019	Restated 2018
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 233,273,129.42	\$ 345,124,894.50
Restricted Cash and Cash Equivalents	36,663,392.49	64,419,474.99
Legislative Appropriations	197,492,753.41	185,117,077.04
Receivables:		
Federal	18,698,002.22	18,301,088.70
Patient	20,398,856.98	23,436,884.01
Student	20,958,654.06	20,109,455.25
Contracts	26,247,211.48	28,091,992.24
Accounts	5,340,520.30	8,471,556.54
Interest and Dividends	1,819,626.50	1,590,125.22
Gifts	33,055,545.50	21,819,977.60
Other	9,768,927.30	2,552,553.04
Due From Other State Agencies	43,982,073.26	43,093,901.48
Inventories	4,387,203.82	4,378,781.75
Prepaid Items	66,640,880.07	61,501,566.55
Loans and Contracts	1,355,921.80	1,293,586.32
Other Current Assets	784,066.85	783,809.59
Total Current Assets	<u>720,866,765.46</u>	<u>830,086,724.82</u>
Non-Current Assets:		
Restricted Cash and Cash Equivalents	68,833,027.43	136,641,045.77
Restricted Investments (Note 3)	1,190,346,514.41	1,158,643,412.37
Gifts Receivable	75,253,473.75	63,706,697.09
Loans and Notes Receivable	2,209,521.27	2,869,468.07
Investments (Note 3)	1,111,725,844.52	965,263,449.17
Capital Assets (Note 2)		
Non-Depreciable or Non-Amortizable	253,829,917.74	293,107,714.21
Depreciable or Amortizable	3,457,080,715.48	3,236,866,294.68
Accumulated Depreciation and Amortization	(1,931,617,753.89)	(1,814,105,897.00)
Total Non-Current Assets	<u>4,227,661,260.71</u>	<u>4,042,992,184.36</u>
Total Assets	<u>4,948,528,026.17</u>	<u>4,873,078,909.18</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred Outflows of Resources (Note 28)	796,317,056.00	45,894,061.95
Total Deferred Outflows of Resources	<u>\$ 796,317,056.00</u>	<u>\$ 45,894,061.95</u>

The accompanying Notes to the Combined Financial Statements are an integral part of this statement.

UNAUDITED

**Texas Tech University System (793)**  
**Combined Statement of Net Position**  
**August 31, 2019 and 2018**

		Restated
	2019	2018
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable	\$ 61,021,931.90	\$ 60,628,434.41
Payroll Payable	93,102,004.43	86,502,619.91
Unearned Revenue	239,026,756.33	230,693,393.91
Due to Other State Agencies	636,475.05	692,567.83
Short-Term Debt Commercial Paper Notes (Note 4)	50,795,000.00	52,685,000.00
Claims and Judgments (Note 5)	8,818,803.43	1,168,048.67
Capital Lease Obligations (Note 5)	43,392.76	0.00
Capital Lease - Direct Borrowings (Note 5)	219,971.49	209,516.61
Employees' Compensable Leave (Note 5)	7,223,130.99	6,242,720.23
Revenue Bonds Payable (Notes 5 & 6)	66,019,101.40	64,169,265.10
Funds Held for Others	24,752,349.46	24,346,250.35
Net OPEB Liability (Note 11)	17,787,366.00	1,455,923.00
Other Current Liabilities	5,358,994.69	6,587,229.79
Total Current Liabilities	<u>574,805,277.93</u>	<u>535,380,969.81</u>
Non-Current Liabilities:		
Claims and Judgments (Note 5)	4,850,276.57	5,790,089.33
Capital Lease Obligations (Note 5)	60,172.60	0.00
Capital Lease - Direct Borrowings (Note 5)	230,948.09	450,919.58
Employees' Compensable Leave (Note 5)	47,412,464.35	47,766,953.47
Revenue Bonds Payable (Notes 5 & 6)	646,173,902.35	712,193,003.75
Pollution Remediation Obligation (Note 5)	1,022,641.50	1,022,641.50
Net OPEB Liability (Note 11)	783,201,673.00	285,476,285.00
Net Pension Liability (Note 9)	334,729,720.00	184,369,216.00
Other Non-Current Liabilities	200,931.84	196,801.62
Total Non-Current Liabilities	<u>1,817,882,730.30</u>	<u>1,237,265,910.25</u>
Total Liabilities	<u>2,392,688,008.23</u>	<u>1,772,646,880.06</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred Inflows of Resources (Note 28)	360,313,606.58	121,517,428.48
Total Deferred Inflows of Resources	<u>360,313,606.58</u>	<u>121,517,428.48</u>
<b>NET POSITION</b>		
Net Investment in Capital Assets	1,081,349,508.90	1,016,653,754.34
Restricted:		
Nonexpendable:		
Endowments	758,053,956.43	729,343,323.15
Expendable:		
Capital Projects	22,602,845.52	14,778,803.88
Debt Service	66,813,515.11	68,540,780.30
Other	485,373,284.42	493,876,132.50
Unrestricted	<u>577,650,356.98</u>	<u>701,615,868.42</u>
Total Net Position	<u>\$ 2,991,843,467.36</u>	<u>\$ 3,024,808,662.59</u>

The accompanying Notes to the Combined Financial Statements are an integral part of this statement.

UNAUDITED

**Texas Tech University System (793)**  
**Combined Statement of Revenues, Expenses, and Changes in Net Position**  
**For the Years Ended August 31, 2019 and 2018**

	2019	Restated 2018
Operating Revenues		
Tuition and Fees	\$ 12,657,564.34	\$ 12,371,153.46
Tuition and Fees - Pledged	574,853,393.53	545,054,584.15
Less Discounts and Allowances	(146,022,384.65)	(128,246,241.86)
Professional Fees	286,626,617.76	272,679,922.10
Professional Fees - Pledged	764,425.39	681,148.84
Sales and Services of Auxiliary Enterprises - Pledged	185,615,319.13	173,831,371.39
Other Sales and Services	6,893,848.93	7,195,166.79
Other Sales and Services - Pledged	14,627,573.29	13,773,644.41
Federal Grants and Contracts	64,196,616.56	56,117,803.72
Federal Grants and Contracts - Pledged	0.00	886,074.21
Federal Grant Pass-Throughs from Other State Agencies	3,943,369.09	5,007,741.72
State Grants and Contracts	2,068,478.25	1,860,431.75
State Grants and Contracts - Pledged	12,476.80	206,150.76
State Grant Pass-Throughs from Other State Agencies	47,400,687.76	40,706,988.07
Local Governmental Grants and Contracts	133,064,600.03	119,334,544.42
Local Governmental Grants and Contracts - Pledged	1,229,859.30	1,191,090.80
Nongovernmental Grants and Contracts	107,961,395.59	116,340,860.77
Nongovernmental Grants and Contracts - Pledged	3,099,770.91	3,016,831.35
Other Operating Revenues	22,517,788.94	34,650,838.15
Total Operating Revenues	<u>1,321,511,400.95</u>	<u>1,276,660,105.00</u>
Operating Expenses		
Cost of Goods Sold	14,615,732.05	14,145,736.31
Salaries and Wages	999,377,325.20	962,624,349.03
Payroll Related Costs	401,820,789.45	257,234,309.92
Professional Fees and Services	86,412,529.05	79,679,902.90
Travel	37,982,440.24	35,146,021.71
Materials and Supplies	77,858,668.69	76,238,672.38
Communications and Utilities	55,101,336.77	54,934,906.55
Repairs and Maintenance	46,296,004.52	43,273,502.01
Rentals and Leases	24,214,754.63	22,185,002.46
Printing and Reproduction	5,290,816.78	4,679,526.88
Federal Grant Pass-Through Expense	750,322.09	520,806.27
State Grant Pass-Through Expense	86,824.33	85,584.64
Depreciation and Amortization (Note 2)	132,918,881.18	129,971,971.82
Bad Debt Expense	1,012,369.37	708,570.73
Interest	15,235.62	16,515.48
Scholarships	89,466,740.24	83,697,783.28
Claims and Judgments	7,482,633.56	394,182.77
Other Operating Expenses	142,369,870.46	145,062,291.12
Total Operating Expenses	<u>2,123,073,274.23</u>	<u>1,910,599,636.26</u>
Operating Income (Loss)	\$ (801,561,873.28)	\$ (633,939,531.26)

The accompanying Notes to the Combined Financial Statements are an integral part of this statement.

UNAUDITED

**Texas Tech University System (793)**  
**Combined Statement of Revenues, Expenses, and Changes in Net Position**  
**For the Years Ended August 31, 2019 and 2018**

	2019	Restated 2018
Nonoperating Revenues (Expenses)		
Legislative Revenue	\$ 476,188,697.33	\$ 470,530,145.94
Federal Grants and Contracts	58,990,694.25	55,749,954.18
State Grant Pass-Throughs from Other State Agencies	95,000.00	103,125.00
Private Gifts	35,201,486.19	29,942,535.88
Private Gifts - Pledged	1,215,634.44	(3,785,773.58)
Investment Income (Expense)	(12,537,287.95)	49,179,850.00
Investment Income (Expense) - Pledged	30,637,818.00	33,535,524.40
Interest Expense on Capital Asset Financing	(25,185,759.32)	(21,503,884.03)
Gain (Loss) on Sale and Disposal of Capital Assets	(614,244.96)	(1,893,396.97)
Net Increase (Decrease) in Fair Value of Investments	24,130,835.85	40,630,541.93
Other Nonoperating Revenues (Expenses)	2,761,740.77	1,448,911.21
Other Nonoperating Revenues (Expenses) - Pledged	(1,052,136.85)	7,914,658.69
Total Nonoperating Revenues (Expenses)	<u>589,832,477.75</u>	<u>661,852,192.65</u>
Income (Loss) before Other Revenues, Expenses, Gains, Losses, and Transfers	(211,729,395.53)	27,912,661.39
Other Revenues, Expenses, Gains, Losses, and Transfers		
Capital Appropriations (HEAF)	84,152,382.00	84,152,382.00
Capital Contributions	61,561,164.01	41,343,442.18
Lapsed Appropriations	(946.53)	(242.17)
Contributions to Permanent and Term Endowments	24,326,293.43	20,746,097.11
Legislative Transfers In	1,306,979.00	1,329,600.00
Legislative Transfers Out	(1,122,750.00)	(1,121,750.00)
Interagency Transfers of Capital Assets - Increase	9,909.66	0.00
Interagency Transfers of Capital Assets - Decrease	(40,065.87)	0.00
Transfers In from Other State Agencies	8,589,100.66	8,363,038.88
Transfers Out to Other State Agencies	(17,866.06)	(18,366.93)
Net Other Revenues, Expenses, Gains, Losses, and Transfers	<u>178,764,200.30</u>	<u>154,794,201.07</u>
Total Change in Net Position	<u>(32,965,195.23)</u>	<u>182,706,862.46</u>
Beginning Net Position (September 1) as Previously Reported	3,019,405,766.13	2,833,286,548.01
Restatement of Beginning Net Position (Note 14)	5,402,896.46	8,815,252.12
Beginning Net Position (September 1) as Restated	<u>3,024,808,662.59</u>	<u>2,842,101,800.13</u>
Ending Net Position (August 31)	<u><u>\$ 2,991,843,467.36</u></u>	<u><u>\$ 3,024,808,662.59</u></u>

The accompanying Notes to the Combined Financial Statements are an integral part of this statement.

UNAUDITED

**Texas Tech University System (793)**  
**Combined Statement of Cash Flows**  
**For the Years Ended August 31, 2019 and 2018**

	2019	Restated 2018
<b>Cash Flows from Operating Activities</b>		
Proceeds from Customers	\$ 333,619,195.08	\$ 331,743,674.10
Proceeds from Tuition and Fees	447,826,916.13	434,593,456.42
Proceeds from Grants and Contracts	363,183,124.08	353,567,231.73
Proceeds from Sales and Services of Auxiliary Enterprises	185,391,737.18	175,463,083.23
Proceeds from Collections of Loans to Students	5,740,482.83	5,797,588.80
Payments to Suppliers for Goods and Services	(238,815,472.60)	(219,239,563.15)
Payments to Employees for Salaries	(993,628,640.81)	(956,299,166.77)
Payments to Employees for Benefits	(254,409,378.74)	(247,096,359.05)
Payments for Loans Issued to Students	(5,677,132.60)	(5,520,064.48)
Payments for Other Expenses	(353,337,997.01)	(348,498,457.16)
Net Cash Provided/(Used) by Operating Activities	<u>(510,107,166.46)</u>	<u>(475,488,576.33)</u>
<b>Cash Flows from Noncapital Financing Activities</b>		
Proceeds from State Appropriations	470,502,005.11	464,094,136.85
Proceeds from Gifts	62,022,060.18	59,767,141.55
Proceeds from Nonoperating Grants and Contracts	58,976,741.21	55,991,798.69
Proceeds from Other Financing Activities	6,020,506.69	7,927,489.51
Proceeds from Agency Transactions	378,505,052.76	355,163,703.24
Proceeds from Transfers In from Other State Agencies	11,003,571.83	10,798,350.03
Payments for Transfers to Other State Agencies	(5,866.06)	(5,866.93)
Payments for Other Uses	(378,396,596.76)	(353,899,576.63)
Net Cash Provided/(Used) by Noncapital Financing Activities	<u>608,627,474.96</u>	<u>599,837,176.31</u>
<b>Cash Flows from Capital and Related Financing Activities</b>		
Proceeds from Sale of Capital Assets	172,499.77	508,576.48
Proceeds from Capital Debt Issuances	19,500,000.00	30,800,000.00
Proceeds from Capital Gifts	29,525,893.47	17,739,595.68
Proceeds from Capital Appropriations	77,463,397.85	70,839,279.85
Payments for Transfers to Other State Agencies	(1,134,750.00)	(1,134,250.00)
Payments for Additions to Capital Assets	(189,966,699.68)	(221,467,856.65)
Payments for Principal Paid on Capital Debt	(82,474,516.61)	(83,115,472.38)
Payments for Interest Paid on Capital Debt	(27,190,806.02)	(28,516,865.68)
Payments for Capital Leases	(44,842.53)	0.00
Payments for Other Costs on Debt Issuance	(99,691.31)	(84,974.35)
Net Cash Provided/(Used) by Capital and Related Financing Activities	<u>(174,249,515.06)</u>	<u>(214,431,967.05)</u>
<b>Cash Flows from Investing Activities</b>		
Proceeds from Investment Sales and Maturities	286,726,020.02	188,149,437.72
Proceeds from Interest and Investment Income	107,222,437.94	97,538,269.74
Payments to Acquire Investments	(525,635,117.32)	(264,794,462.28)
Net Cash Provided/(Used) by Investing Activities	<u>(131,686,659.36)</u>	<u>20,893,245.18</u>
<b>TOTAL NET CASH FLOWS</b>	<u><u>\$ (207,415,865.92)</u></u>	<u><u>\$ (69,190,121.89)</u></u>

The accompanying Notes to the Combined Financial Statements are an integral part of this statement.



UNAUDITED

**Texas Tech University System (793)**  
**Combined Statement of Cash Flows**  
**For the Years Ended August 31, 2019 and 2018**

	2019	Restated 2018
Beginning Cash & Cash Equivalents - (September 1)	\$ 546,185,415.26	\$ 615,375,537.15
Ending Cash & Cash Equivalents - (August 31)	<u>\$ 338,769,549.34</u>	<u>\$ 546,185,415.26</u>
Reconciliation of Operating Loss to Net Cash Flows from Operating Activities		
Operating Loss	\$ (801,561,873.28)	\$ (633,939,531.26)
Adjustments:		
Depreciation and Amortization Expense	132,918,881.18	129,971,971.82
Bad Debt Expense	746,290.14	411,695.39
Pension Expense	38,887,636.00	17,311,355.00
OPEB Expense	132,382,075.00	15,355,484.00
(Increase) Decrease in Accounts Receivables	(1,959,682.56)	7,559,340.17
(Increase) Decrease in Loans and Notes Receivable	597,611.32	440,070.38
(Increase) Decrease in Inventories	(8,422.07)	(48,160.35)
(Increase) Decrease in Other Assets	(257.26)	(6,430.44)
(Increase) Decrease in Due From Other State Agencies	(1,081,975.10)	(250,741.44)
(Increase) Decrease in Prepaid Items	(4,614,060.84)	(4,645,784.51)
(Increase) Decrease in Deferred Outflows of Resources	(801,627,150.00)	5,225,998.00
Increase (Decrease) in Accounts Payable	(130,856.65)	13,972,686.79
Increase (Decrease) in Payroll Payable	4,295,663.12	1,805,662.63
Increase (Decrease) in Unearned Revenue	8,301,365.02	8,695,543.78
Increase (Decrease) in Employees' Compensable Leave	625,921.64	3,489,698.70
Increase (Decrease) in Claims and Judgments	6,710,942.00	(898,884.00)
Increase (Decrease) in Due To Other State Agencies	(63,736.25)	(814,477.91)
Increase (Decrease) in Benefits Payable	183,379.46	482,073.55
Increase (Decrease) in Net OPEB Liability	439,967,568.00	(77,624,658.00)
Increase (Decrease) in Net Pension Liability	0.00	(127,004.00)
Increase (Decrease) in Deferred Inflows of Resources	336,512,907.00	49,377,001.00
Increase (Decrease) in Other Liabilities	(1,189,392.33)	(11,231,485.63)
Net Cash Used for Operating Activities	<u>(510,107,166.46)</u>	<u>(475,488,576.33)</u>
Noncash Transactions		
Donations of Capital Assets	7,419,418.87	17,657,439.17
Net Increase (Decrease) in Fair Value of Investments	24,130,835.85	40,630,541.93
Borrowing Under Capital Lease Purchase	147,106.71	0.00
Other	(300,183.93)	(276,855.26)
Total Noncash Transactions	<u>\$ 31,397,177.50</u>	<u>\$ 58,011,125.84</u>

The accompanying Notes to the Combined Financial Statements are an integral part of this statement.

UNAUDITED  
TEXAS TECH UNIVERSITY SYSTEM (793)

**NOTES to the COMBINED  
FINANCIAL STATEMENTS**

**TEXAS TECH UNIVERSITY SYSTEM (793)****Notes to the Combined Financial Statements****Note 1: Summary of Significant Accounting Policies****General Introduction**

The Texas Tech University System (the System) is an agency of the State of Texas and its financial records comply with State statutes and regulations. This includes compliance with the Texas Comptroller of Public Accounts' Annual Financial Reporting Requirements for State Agencies and Universities.

Component institutions which comprise the System include Texas Tech University (TTU), Texas Tech University Health Sciences Center (TTUHSC), Texas Tech University Health Sciences Center at El Paso (TTUHSC at El Paso), Angelo State University (ASU) and Texas Tech University System Administration (TTUSA). The System serves the state of Texas by providing undergraduate and post-graduate education and research in fields such as Law, Business, Medicine, Engineering and Nursing. Each component institution's financial statements are presented at the end of the combined report.

The System also includes within this report all component units as determined by an analysis of their relationship to the System. Blended component units are described in more detail in Note 19. The System has one discrete component unit, the Angelo State University Robert G. Carr and Nona K. Carr Scholarship Foundation (Carr Foundation). Financial statements for this discrete component unit are presented separately at the end of this combined report, and more detailed information can be found in Note 19.

Due to the statewide requirements embedded in Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, the Comptroller of Public Accounts does not require the accompanying annual financial report to be in compliance with all the requirements in this statement. The financial report is considered for audit by the State Auditor as part of the audit of the State of Texas Comprehensive Annual Financial Report (CAFR); therefore, an opinion has not been expressed on the financial statements and related information contained in this report.

**Basis of Accounting**

For financial reporting purposes, institutions of higher education are considered proprietary funds, which are used to account for business-type activities. Business-type activities are defined as those that are financed in whole or in part by fees charged to external parties for goods and services. The accompanying financial statements are prepared with transactions recorded on a fund basis. 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*, established accounting and financial reporting standards for universities within the financial reporting guidelines of GASB 34 as mentioned above. Under GASB 35, universities must follow proprietary fund accounting, and are required to report all funds in a single column instead of by individual fund.

The basis of accounting determines when revenues and expenses are recognized in the accounts reported in the financial statements. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Proprietary funds use the flow of economic resources measurement focus (whether or not the entity is economically better off as a result of the events and transactions that occurred during the fiscal period reported) and the full accrual basis of accounting, meaning revenues are recognized when earned and expenses are recorded when an obligation has occurred.

**Texas Tech University System (793) – Notes to the Combined Financial Statements (continued)**

Proprietary funds distinguish between operating and nonoperating items. Operating revenues and expenses result from providing services, or producing and delivering goods in connection with ongoing operations. Operating expenses include the cost of sales and services, administrative expenses, and depreciation and amortization on capital assets.

**Budgetary Information**

The System component institutions prepare annual budgets which are approved by the Board of Regents. The budgets for appropriated funds are prepared biennially and represent appropriations authorized by the Legislature and approved by the Governor (the General Appropriations Act).

**Cash and Cash Equivalents**

For reporting purposes, cash includes cash on hand, cash in transit, cash in local banks, cash in the state treasury, and cash equivalents. Cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash and so near maturity they present insignificant risk of a decrease in value due to changes in interest rates. Investments with an original maturity of three months or less and used for cash management rather than investing activities are considered cash equivalents.

The System records and reports its deposits in the general deposit account at cost. It records and reports its special deposit accounts at fair value.

**Investments**

The System accounts for its investments at fair value on the Combined Statement of Net Position. All investment income, including changes in the fair value of investments, is reported in the Combined Statement of Revenues, Expenses, and Changes in Net Position. Investments are addressed in more detail in Note 3.

**Legislative Appropriations**

This item represents the balance of General Revenue Funds and Higher Education Assistance Funds at August 31 as calculated in the Texas State Comptroller's General Revenue Reconciliation.

**Restricted Assets**

Restricted assets include monies or other resources restricted by legal or contractual requirements. These assets include proceeds of revenue bonds and revenues set aside for statutory or contractual requirements.

**Inventories and Prepaid Items**

Inventories include both merchandise inventories on hand for sale and consumable inventories. Inventories are valued at cost generally utilizing the first-in, first out method. Changes in inventories are recorded using the consumption method, with the inventories being reported as assets when they are purchased, and the expense recognized in the period in which the inventories are used or consumed. The consumption method of accounting is used to account for inventories and prepaid items benefiting more than one accounting period. The cost of these items is expensed when the items are used or consumed. Prepaid items include payments for scholarships and capital assets that have not been received by the end of the fiscal year.

**Texas Tech University System (793) – Notes to the Combined Financial Statements (continued)****Receivables**

Receivable balances are grouped into several receivable categories. Accounts receivable are recorded net of estimated uncollectible amounts based upon a review of outstanding receivables and historical collection information.

Student receivables consist of tuition and fees charged to students, patient receivables are for medical fees charged for services, and accounts receivable are fees for auxiliary enterprise services provided to students, faculty, and staff, as well as state and local grant billings.

Contracts receivable are primarily related to agreements between the System health sciences center component institutions and teaching hospitals for the provision of medical services.

Federal receivable includes amounts due from the federal government in connection with reimbursement of allowable expenditures disbursed by the System's grants and contracts departments.

Gift receivables are accounted for at their estimated net realizable value. The estimated net realizable value consists of the present value of long-term pledges and a reduction for any allowance for uncollectible pledges. Pledges vary from one to ten years and are used to support specifically identified System programs and initiatives.

Interest and dividend receivable consists of amounts due from investment holdings, cash management pools, and cash invested in various short-term investment items.

Other receivables include items such as travel advances, returned checks, and various other accrued items not included in any other receivable category.

**Loans and Notes Receivable**

These receivables are student loans receivable that consist of amounts due from loans administered by the System.

**Capital Assets**

Capital assets, defined as assets held for use in operations with a value equal to or greater than the capitalization threshold established for that asset type and an initial useful life of more than one year, are recorded at cost at the date of acquisition. Gifts of donated assets are recorded at acquisition value (the price that would be paid to acquire the asset with equivalent service potential in an orderly market transaction) at the date of donation. This is a change in definition established by GASB 72. Capital assets may or may not be capitalized for financial reporting purposes. Livestock held for educational purposes is recorded at estimated fair value.

The capitalization threshold for personal property, such as furniture and equipment is \$5,000. For buildings, building improvements, and facilities and other improvements, the capitalization threshold is \$100,000. Infrastructure has a capitalization threshold of \$500,000. Land, works of art and historical treasures are capitalized regardless of cost or value.

Intangible assets, defined as assets lacking physical substance and of a nonfinancial nature, include computer software, land use rights and patents and trademarks. Purchased computer software is capitalized if the aggregate cost of the purchase meets or exceeds \$100,000. Internally generated computer software has a capitalization threshold of \$1,000,000, and other intangible capital assets must be capitalized if the cost meets or exceeds \$100,000.

The System is required to depreciate and amortize capitalized assets. Depreciation for capital assets is computed using the straight-line method over the estimated useful lives of the assets. Amortization of intangible assets is

**Texas Tech University System (793) – Notes to the Combined Financial Statements (continued)**

based on the estimated useful life of the asset using the straight-line method. Land, works of art and historical treasures are not depreciated.

Capital asset activity for the current fiscal year is shown in Note 2.

**Deferred Outflows of Resources**

Deferred outflows of resources refers to the net asset consumption of assets that is applicable to a future fiscal year. The System reports certain changes in the net pension liability, changes in net other postemployment benefits liability, and unamortized losses on refunding of debt as deferred outflows. Pension-related deferred outflows are discussed in more detail in Note 9, and other postemployment benefit-related deferred outflows in Note 11.

**Payables**

Accounts payable represents the liability for the value of assets or services received at the balance sheet date for which payment is pending. Payroll payable includes accrued salary, wages and benefits.

**Claims and Judgments**

Claims and judgments include estimates for legal judgments and both known medical malpractice claims and those that have not yet been made against the insured participants. These liabilities are reported separately as either current or noncurrent in the Combined Statement of Net Position. Claims and judgments activity is shown in Note 5, with a detailed explanation of the medical self-insurance plan and activity in Note 17.

**Unearned Revenues**

Unearned revenues include amounts for tuition and fees, certain auxiliary activities, and amounts from grant and contract sponsors received prior to the end of the fiscal year but related to the subsequent accounting period.

**Employees' Compensable Leave**

Employees' compensable leave represents the liability that becomes due upon the occurrence of relevant events such as resignations, retirements, and uses of leave balances by covered employees. These obligations are normally paid from the same funding source from which each employee's salary or wage compensation was paid. These liabilities are reported separately as either current or noncurrent in the Combined Statement of Net Position, and are explained in more detail in Note 5.

**Short-term Debt Commercial Paper Notes**

Short-term debt commercial paper notes are amounts owed for commercial paper that was issued during the current accounting period for long-term construction projects for the System's component institutions. Short-term debt commercial paper notes are further explained in Note 4.

**Revenue Bonds Payable**

The System has a number of bond issues outstanding, most of which are supported either directly or indirectly by tuition revenue. Revenue bonds payable are addressed in more detail in Note 6, with changes in activity shown in Note 5. The bonds are reported at par, net of unamortized premiums. Issuance costs are expensed in the period incurred.

**Texas Tech University System (793) – Notes to the Combined Financial Statements (continued)****Capital Lease - Direct Borrowings**

Effective fiscal year 2019, the System implemented GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. GASB 88 defines direct borrowings as having terms negotiated directly with the lender and are not offered for public sale. The System's direct borrowings consist of financed asset purchases and are disclosed in more detail in Note 5.

**Pollution Remediation Obligation**

A pollution remediation obligation addresses the current or potential detrimental effects of existing pollution and contamination by participating in pollution remediation activities such as spills of hazardous substances or asbestos abatement. These obligations will generally require the recognition and reporting of remediation liabilities. The System initially accrued and recorded a pollution remediation obligation for Texas Tech University in fiscal year 2016, and the obligation remains the same for fiscal year 2019. This obligation is discussed in detail in Note 5.

**Funds Held for Others**

Current balances in funds held for others result from the System acting as an agent or fiduciary for other organizations.

**Net Pension Liability**

The System is required to recognize its proportionate share of net pension liability and operating statement activity related to changes in the net pension liability for participation in the Teacher Retirement System (TRS) pension plan. The net pension liability is the System's proportionate share of the total TRS pension plan liability less the Plan's net assets as reported by the TRS pension plan for fiscal year 2019. The System's proportionate share is based on its contributions to the pension plan relative to the contributions of other employers participating in the plan. The net pension liability and pension-related deferred outflows and inflows are provided by the Texas Comptroller of Public Accounts. These amounts are included in this annual financial report and represent the total net pension liability for all System component institutions. Pensions are discussed in greater detail in Note 9.

**Net Other Postemployment Benefits (OPEB) Liability**

The System is required to recognize its proportionate share of the collective net OPEB liability and operating statement activity related to changes in the net OPEB liability for participation in the State Retiree Health Plan administered by the Employees Retirement System of Texas (ERS). The net OPEB liability is the System's proportionate share of the total OPEB Plan liability less the Plan's net assets as reported by the ERS OPEB plan for fiscal year 2019. The System's proportionate share is based on its contributions to the OPEB plan relative to the contributions of all employers and non-employer contributing entity participating in the plan. The net OPEB liability and OPEB-related deferred outflows and inflows are provided by the Texas Comptroller of Public Accounts. These amounts are included in this annual financial report and represent the total net OPEB liability for all System component institutions. OPEB is discussed in greater detail in Note 11.

**Deferred Inflows of Resources**

Deferred inflows of resources are defined as the net asset acquisition of assets that is applicable to a future fiscal year. The System reports certain changes in the net pension liability and certain changes to net postemployment benefits liability as deferred inflows of resources. Pension-related deferred inflows are discussed further in Note 9, and other postemployment benefit-related deferred inflows in Note 11. There are also deferred inflows associated with irrevocable split-interest agreements, as discussed below.

**Texas Tech University System (793) – Notes to the Combined Financial Statements (continued)****Irrevocable Split-Interest Agreements**

Irrevocable split-interest agreements are a specific type of giving arrangement used by donors to provide resources to two or more beneficiaries. GASB 81, *Irrevocable Split-Interest Agreements* requires that agencies that receive resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement, and revenue when the resources become applicable to the reporting period. The System reports the transactions for unconditional lead and remainder interests in irrevocable split-interest agreements held by System component institutions in their financial records.

**Other Liabilities**

The major component of other liabilities consists of advance deposits received from students for residence hall occupancy in the next fiscal year. This category also includes liabilities at TTU for licensing agreements for broadcasting rights with Public Broadcasting Service and National Public Radio.

Liabilities in the above categories are reported separately as either current (due within one year) or noncurrent (amounts due thereafter) in the Combined Statement of Net Position.

**Net Position**

Net Position reflects the difference between assets plus deferred outflows of resources, and liabilities plus deferred inflows of resources. Net position is presented in three separate classes: Net Investment in Capital Assets; Restricted Net Position; and Unrestricted Net Position.

***Net Investment in Capital Assets***

This category represents the System capital assets, net of the System accumulated depreciation and outstanding principal balances of the System debt attributable to the acquisition, construction or improvement of those capital assets for the System.

***Restricted Net Position***

*Nonexpendable* – assets subject to externally imposed stipulations that they be maintained permanently by the System. Such assets include the principal of the System's permanent endowment funds.

*Expendable* – assets whose use by the System is subject to externally imposed stipulations that can be fulfilled by actions of the System pursuant to those stipulations, or that expire by the passage of time.

***Unrestricted Net Position***

Unrestricted net position includes assets whose use by the System is not subject to externally imposed stipulations. They may be designated for specific purposes by action of management or the Board of Regents, or may otherwise be limited by contractual agreements with outside parties.

**Interfund Activity and Transactions**

The System is regularly involved in both interfund activity and interfund transactions. Interfund activity refers to financial interaction between funds (including blended component units) and is related to internal events. Interfund transactions refer to interactions with outside parties (discretely presented component units, other governments, other legally separate entities and individuals) and are restricted to external events. Interfund activity and interfund transactions are both clearly identifiable and are eliminated where appropriate.



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**Texas Tech University System (793) – Notes to the Combined Financial Statements (continued)**

**Note 2: Capital Assets**

A summary of changes in capital assets for the year ended August 31, 2019 is presented below.

	Balance 9/1/2018	Adjustments	Reclassifications Completed CIP	Reclassifications Inc-Inf'agy Trans	Reclassifications Dec-Inf'agy Trans	Additions	Deletions	Balance 8/31/2019
<b>BUSINESS-TYPE ACTIVITIES</b>								
<b>Non-depreciable or Non-amortizable Assets</b>								
Land and Land Improvements	\$ 32,293,676.30	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 4,985,333.61	\$ 0.00	\$ 37,279,009.91
Construction in Progress	164,712,227.06	0.00	(143,176,839.51)	0.00	0.00	93,950,216.96	0.00	115,485,604.51
Other Capital Assets	96,101,810.85	0.00	853,364.88	0.00	0.00	4,136,927.59	(26,800.00)	101,065,303.32
Total Non-depreciable or Non-amortizable Assets	293,107,714.21	0.00	(142,323,474.63)	0.00	0.00	103,072,478.16	(26,800.00)	253,829,917.74
<b>Depreciable Assets</b>								
Buildings and Building Improvements	2,232,039,768.64	0.00	142,323,474.63	0.00	0.00	46,191,801.50	0.00	2,420,555,044.77
Infrastructure	46,808,632.39	0.00	0.00	0.00	0.00	1,354,924.73	0.00	48,163,557.12
Facilities and Other Improvements	218,973,706.37	0.00	0.00	0.00	0.00	3,836,971.05	0.00	222,810,677.42
Furniture and Equipment	352,969,963.63	0.00	0.00	229,855.52	(39,843.44)	29,512,045.28	(9,003,220.04)	373,668,800.95
Vehicle, Boats and Aircraft	21,401,439.03	0.00	0.00	0.00	0.00	1,098,408.05	(333,721.28)	22,166,125.80
Other Capital Assets	220,633,591.51	0.00	0.00	0.00	0.00	11,477,681.70	(3,896,806.42)	228,214,466.79
Total Depreciable Assets at Historical Cost	3,092,827,101.57	0.00	142,323,474.63	229,855.52	(39,843.44)	93,471,832.31	(13,233,747.74)	3,315,578,672.85
Less Accumulated Depreciation for:								
Buildings and Building Improvements	(1,135,517,331.11)	0.00	0.00	0.00	0.00	(79,358,252.95)	0.00	(1,214,875,584.06)
Infrastructure	(23,604,918.66)	0.00	0.00	0.00	0.00	(1,469,199.80)	0.00	(25,074,118.46)
Facilities and Other Improvements	(109,488,984.13)	0.00	0.00	0.00	0.00	(7,554,504.43)	0.00	(117,043,488.56)
Furniture and Equipment	(251,056,892.25)	0.00	0.00	(164,217.04)	2,817.32	(26,958,843.14)	8,306,453.23	(269,870,681.88)
Vehicles, Boats and Aircraft	(16,240,425.33)	0.00	0.00	0.00	0.00	(1,360,565.10)	321,838.78	(17,279,151.65)
Other Capital Assets	(142,594,917.69)	0.00	0.00	0.00	0.00	(11,912,739.67)	3,845,511.00	(150,662,146.36)
Total Accumulated Depreciation	(1,678,503,469.17)	0.00	0.00	(164,217.04)	2,817.32	(128,614,105.09)	12,473,803.01	(1,794,805,170.97)
Depreciable Assets, Net	1,414,323,632.40	0.00	142,323,474.63	65,638.48	(37,026.12)	(35,142,272.78)	(759,944.73)	1,520,773,501.88
<b>Intangible Capital Assets - Amortizable</b>								
Computer Software - Intangible	132,025,877.73	10,237,066.98	0.00	0.00	0.00	557,470.52	(3,094,621.00)	139,725,794.23
Other Intangible Capital Assets - Term	1,776,248.40	0.00	0.00	0.00	0.00	0.00	0.00	1,776,248.40
Total Intangible Assets at Historical Cost	133,802,126.13	10,237,066.98	0.00	0.00	0.00	557,470.52	(3,094,621.00)	141,502,042.63
Less Accumulated Amortization for:								
Computer Software - Intangible	(130,642,483.84)	(4,834,170.52)	0.00	0.00	0.00	(4,175,731.57)	3,094,621.00	(136,557,764.93)
Other Intangible Capital Assets - Term	(125,773.47)	0.00	0.00	0.00	0.00	(129,044.52)	0.00	(254,817.99)
Total Accumulated Amortization	(130,768,257.31)	(4,834,170.52)	0.00	0.00	0.00	(4,304,776.09)	3,094,621.00	(136,812,582.92)
Amortizable Assets - Intangible, Net	3,033,868.82	5,402,896.46	0.00	0.00	0.00	(3,747,305.57)	0.00	4,689,459.71
<b>Business-Type Activities Capital Assets, Net</b>	<b>\$ 1,710,465,215.43</b>	<b>\$ 5,402,896.46</b>	<b>\$ 0.00</b>	<b>\$ 65,638.48</b>	<b>\$ (37,026.12)</b>	<b>\$ 64,182,899.81</b>	<b>\$ (786,744.73)</b>	<b>\$ 1,779,292,879.33</b>

## Texas Tech University System (793) – Notes to the Combined Financial Statements (continued)

**Note 3: Deposits, Investments, and Repurchase Agreements**

The System's investment portfolio is invested pursuant to the parameters of applicable Texas law and the governing board's Investment Policies. Under Texas law, the System investments may be "any kind of investment that persons of ordinary prudence, discretion, and intelligence, exercising the judgment and care under the circumstances then prevailing, acquire or retain for their own account in the management of their affairs, not in regard to speculation but in regard to the permanent disposition of their funds, considering the probable income as well as the probable safety of their capital." Under Texas law, the System is required to invest its institutional funds according to written investment policies adopted by the Board of Regents. No person may invest the System funds without express written authority from the governing board.

The governing investment policy is Regents' Rules Chapter 09, "Investment and Endowments." The majority of the System assets are invested in two investment pools; the Long Term Investment Fund (LTIF) and the Short/Intermediate Term Investment Fund (SITIF), both having their own stand-alone investment policies. Endowment funds and certain eligible long-term institutional funds are invested in the LTIF, which invests in equity and fixed income securities, as well as alternative investments such as hedge funds and private equity, and is operated using a total return philosophy. Other institutional funds not in the LTIF are invested in the SITIF. Other assets include securities gifted to the System with donor instructions to maintain in their original form, and debt proceeds.

**Deposits of Cash in Bank**

The carrying amount of deposits as of August 31, 2019 and August 31, 2018 was \$108,416,275.36 and \$101,636,910.13, respectively, as presented below:

**Business-Type Activities**

	<b>FY19</b>	<b>Restated FY18</b>
CASH IN BANK – CARRYING AMOUNT	\$ 108,416,275.36	\$ 101,636,910.13
Less: Certificates of Deposit included in carrying amount and reported as Cash Equivalent		
Less: Uninvested Securities Lending Cash Collateral included in carrying amount and reported as Securities Lending Collateral		
Less: Securities Lending CD Collateral included in carrying amount and reported as Securities Lending Collateral		
<b>Cash in Bank per AFR</b>	<b>\$ 108,416,275.36</b>	<b>\$ 101,636,910.13</b>
Proprietary Funds Current Assets Cash in Bank	\$ 66,479,188.10	\$ 37,698,184.57
Proprietary Funds Current Assets Restricted Cash in Bank	26,751,289.87	46,414,067.21
Proprietary Funds Non-Current Assets Restricted Cash in Bank	15,185,797.39	17,524,658.35
<b>Cash in Bank per AFR</b>	<b>\$ 108,416,275.36</b>	<b>\$ 101,636,910.13</b>

These amounts consist of all cash in local banks and are included on the Combined Statement of Net Position as part of current unrestricted, current restricted, and non-current restricted "Cash and Cash Equivalents."

All of the System's deposits in excess of FDIC limits are fully collateralized. The collateral is held in the System's name by the pledging institution's agent. The System also has no foreign currency risk on deposits.

As of August 31, 2019, the total **bank balance** for Business-Type Activities was \$112,979,139.85. At August 31, 2018, the balance was \$118,691,847.72.

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## Texas Tech University System (793) – Notes to the Combined Financial Statements (continued)

The carrying amount of deposits for Carr Foundation as of August 31, 2019 and August 31, 2018 was \$438,831.93 and \$598,684.68, respectively, as presented below:

### Discrete Component Unit

	FY19	FY18
CASH IN BANK – CARRYING AMOUNT	\$ 438,831.93	\$ 598,684.68
Less: Certificates of Deposit included in carrying amount and reported as Cash Equivalent		
Less: Uninvested Securities Lending Cash Collateral included in carrying amount and reported as Securities Lending Collateral		
Less: Securities Lending CD Collateral included in carrying amount and reported as Securities Lending Collateral		
<b>Cash in Bank per AFR</b>	<b>\$ 438,831.93</b>	<b>\$ 598,684.68</b>
Discrete Component Unit Current Assets Restricted Cash in Bank	\$ 169,023.53	\$ 187,455.74
Discrete Component Unit Non-Current Assets Restricted Cash in Bank	269,808.40	411,228.94
<b>Cash in Bank per AFR</b>	<b>\$ 438,831.93</b>	<b>\$ 598,684.68</b>

All of the Carr Foundation’s deposits in excess of FDIC limits are fully collateralized. The collateral is held in the Foundation’s name by the pledging institution’s agent. The Foundation also has no foreign currency risk on deposits.

As of August 31, 2019, the total **bank balance** for Discrete Component Unit Activities for the Carr Foundation was \$430,778.20. At August 31, 2018, this balance was \$591,307.51.

### Investments

The System values its investments at fair value. GASB Statement No. 72, *Fair Value Measurement and Application*, defines fair value as the price received to sell an asset in an orderly transaction between market participants at the measurement date. Fair value is an exit price at the measurement date from the perspective of the market participant that holds the asset. This is a market-based measurement.

GASB 72 identifies the following three acceptable valuation approaches to determine fair value:

- Market approach - uses prices and other relevant information generated by market transactions involving identical or similar items.
- Cost approach – measures fair value based on the current cost to replace the present service capacity of an asset.
- Income approach – discounts future amounts (such as cash flows or revenues and expenses) into a single current amount.

GASB 72 also establishes a fair value hierarchy that classifies inputs to valuation techniques into three levels:

- Level 1 – inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that can be accessed at the measurement date.
- Level 2 – inputs are inputs (other than quoted prices included within Level 1) that are observable for an asset or liability – either directly (quoted market prices for similar assets or liabilities) or indirectly (corroborated from observable market information).
- Level 3 – inputs are unobservable inputs for an asset or liability.

Beyond these three levels, Net Asset Value and Amortized Cost may be used to categorize investments without a readily determinable fair value.

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Texas Tech University System (793) – Notes to the Combined Financial Statements (continued)

The fair value of investments at each level is presented below for August 31, 2019.

Business-Type Activities

Type of Security	Fair Value Hierarchy					
	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Amortized Cost	Net Asset Value	Total
U. S. Government						
U.S. Treasury Securities	\$ 100,078,550.74					\$ 100,078,550.74
U.S. Treasury TIPs	20.38					20.38
U.S. Government Agency Obligations	291,321,022.83					291,321,022.83
Corporate Asset and Mortgage Backed Securities	29.71					29.71
Equity	4,389.03	\$ 56,527,790.00			\$ 144,796,690.00	201,328,869.03
Fixed Income Money Market and Bond Mutual Fund	177,089,041.51				117,599,725.88	294,688,767.39
Mutual Funds - Domestic	4,318,815.19	34,183,597.00				38,502,412.19
Other Commingled Funds (TexPool)				\$ 13,916,219.34		13,916,219.34
Real Estate			\$ 3,075,923.48		32,277,954.72	35,353,878.20
Domestic Derivatives		(841,015.74)				(841,015.74)
Externally Managed Investments:						
Domestic	15,802,923.21	168,341,297.75			1,070,765,534.48	1,254,909,755.44
International	2,312,736.79	30,694,704.76			187,349,203.21	220,356,644.76
Miscellaneous	117,394.55		28,447,649.71			28,565,044.26
<b>Total Investments</b>	<b>\$ 591,044,923.94</b>	<b>\$ 288,906,373.77</b>	<b>\$ 31,523,573.19</b>	<b>\$ 13,916,219.34</b>	<b>\$ 1,552,789,108.29</b>	<b>\$ 2,478,180,198.53</b>
Non-Current Investments	\$ 428,853,303.68	\$ 288,906,373.77	\$ 31,523,573.19		\$ 1,552,789,108.29	\$ 2,302,072,358.93
Items in Cash and Cash Equivalents:						
Money Market Funds	162,191,620.26					162,191,620.26
TexPool Investments				\$ 13,916,219.34		13,916,219.34
<b>Total Investments</b>	<b>\$ 591,044,923.94</b>	<b>\$ 288,906,373.77</b>	<b>\$ 31,523,573.19</b>	<b>\$ 13,916,219.34</b>	<b>\$ 1,552,789,108.29</b>	<b>\$ 2,478,180,198.53</b>

Discrete Component Unit

Type of Security	Fair Value Hierarchy					
	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Amortized Cost	Net Asset Value	Total
Fixed Income Money Market and Bond Mutual Fund		\$ 1,171,849.62			\$ 11,852,862.96	\$ 13,024,712.58
Real Estate			\$ 17,234,627.00		3,984,917.38	21,219,544.38
Domestic Derivatives		(103,828.68)				(103,828.68)
Externally Managed Investments:						
Domestic	\$ 1,950,970.76	12,680,678.86			84,139,066.25	98,770,715.87
International	285,521.89	1,878,887.85			12,290,548.94	14,454,958.68
<b>Total Investments</b>	<b>\$ 2,236,492.65</b>	<b>\$ 15,627,587.65</b>	<b>\$ 17,234,627.00</b>	<b>\$ 0.00</b>	<b>\$ 112,267,395.53</b>	<b>\$ 147,366,102.83</b>
Non-Current Investments	\$ 2,236,492.65	\$ 15,627,587.65	\$ 17,234,627.00		\$ 112,267,395.53	\$ 147,366,102.83
<b>Total Investments</b>	<b>\$ 2,236,492.65</b>	<b>\$ 15,627,587.65</b>	<b>\$ 17,234,627.00</b>	<b>\$ 0.00</b>	<b>\$ 112,267,395.53</b>	<b>\$ 147,366,102.83</b>

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Texas Tech University System (793) – Notes to the Combined Financial Statements (continued)

The fair value of investments at each level is presented below for August 31, 2018.

Type of Security	Fair Value Hierarchy					
	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Amortized Cost	Net Asset Value	Total
U. S. Government						
U.S. Treasury Securities	\$ 177,692,579.78					\$ 177,692,579.78
U.S. Treasury TIPs	24,872,968.02					24,872,968.02
U.S. Government Agency Obligations	322,084,199.39					322,084,199.39
Corporate Obligations	1,100,380.90					1,100,380.90
Corporate Asset and Mortgage Backed Securities	2,770,199.58					2,770,199.58
Equity	58,377,236.00					58,377,236.00
International Obligations (Gov't. and Corp.)	6,131,672.94	\$ 985,575.82			\$ 57,683,364.39	64,800,613.15
Fixed Income Money Market and Bond Mutual Fund	496,332,098.58	103,106,384.00				599,438,482.58
Mutual Funds - Domestic	35,858,184.72	32,432,585.00				68,290,769.72
Other Commingled Funds		9,169,637.00				9,169,637.00
Other Commingled Funds (TexPool)				\$29,447,007.75		29,447,007.75
International Other Commingled Funds		63,258,958.58			26,928,113.73	90,187,072.31
Real Estate			\$ 2,743,064.77		39,322,930.76	42,065,995.53
Domestic Derivatives		5,134,599.43				5,134,599.43
Externally Managed Investments:						
Domestic	7,299,551.77	151,277,548.05			785,135,293.42	943,712,393.24
International	772,222.57	9,761,313.92			40,148,005.40	50,681,541.89
Miscellaneous	261,181.21		22,747,947.36			23,009,128.57
<b>Total Investments</b>	<b>\$ 1,133,552,475.46</b>	<b>\$375,126,601.80</b>	<b>\$25,491,012.13</b>	<b>\$29,447,007.75</b>	<b>\$949,217,707.70</b>	<b>\$ 2,512,834,804.84</b>
Non-Current Investments	\$ 774,071,539.91	\$375,126,601.80	\$25,491,012.13		\$949,217,707.70	\$ 2,123,906,861.54
Items in Cash and Cash Equivalents:						
Money Market Funds	359,480,935.55					359,480,935.55
TexPool Investments				\$29,447,007.75		29,447,007.75
<b>Total Investments</b>	<b>\$ 1,133,552,475.46</b>	<b>\$375,126,601.80</b>	<b>\$25,491,012.13</b>	<b>\$29,447,007.75</b>	<b>\$949,217,707.70</b>	<b>\$ 2,512,834,804.84</b>

Discrete Component Unit

Type of Security	Fair Value Hierarchy					
	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Amortized Cost	Net Asset Value	Total
International Obligations (Gov't. and Corp.)					\$ 8,015,370.29	\$ 8,015,370.29
Fixed Income Money Market and Bond Mutual Fund	\$ 11,023,606.22					11,023,606.22
International Other Commingled Funds		\$ 2,902,132.60				2,902,132.60
Real Estate			\$ 17,234,627.00		4,941,804.24	22,176,431.24
Domestic Derivatives		645,003.71				645,003.71
Externally Managed Investments:						
Domestic	952,458.90	13,370,486.51			87,567,248.24	101,890,193.65
International	61,939.77	782,952.48			5,524,375.08	6,369,267.33
<b>Total Investments</b>	<b>\$ 12,038,004.89</b>	<b>\$17,700,575.30</b>	<b>\$ 17,234,627.00</b>	<b>\$ 0.00</b>	<b>\$106,048,797.85</b>	<b>\$ 153,022,005.04</b>
Non-Current Investments	\$ 12,038,004.89	\$17,700,575.30	\$ 17,234,627.00		\$106,048,797.85	\$ 153,022,005.04
<b>Total Investments</b>	<b>\$ 12,038,004.89</b>	<b>\$17,700,575.30</b>	<b>\$ 17,234,627.00</b>	<b>\$ 0.00</b>	<b>\$106,048,797.85</b>	<b>\$ 153,022,005.04</b>

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Texas Tech University System (793) – Notes to the Combined Financial Statements (continued)

Investments Reported at NAV

Per GASB 72, the System uses the net asset value (NAV) per share as a method for determining fair value for its investments in the tables below.

At August 31, 2019:

Investment Strategy	Fair Value	Frequency Range Low	Frequency Range High	Notice Period Range Low	Notice Period Range High	Unfunded Commitment
Alternative	\$ 478,205,920.66	Monthly	Annually	30 days	90 days	\$ 0.00
Commingled Funds	161,293,720.82	Monthly	Annually	30 days	90 days	0.00
Energy, Natural Resources, Infrastructure	52,251,241.13	Daily	4 Years	1 day	1 year	22,615,448.09
Fixed Income	3,478,069.96	Daily	Monthly	1 day	30 days	0.00
Hedge Funds	532,546,784.49	Monthly	Annually	30 days	90 days	0.00
Mutual Funds	34,183,597.00	Monthly	Annually	30 days	90 days	0.00
Private Equity	243,764,698.64	4 Years	5 Years	1 year	1 year	203,941,485.59
Real Estate	30,500,342.21	4 Years	5 Years	1 year	1 year	2,852,323.63
Risk Parity	16,564,733.38	Daily	Daily	1 day	1 day	0.00
<b>Total</b>	<b>\$ 1,552,789,108.29</b>					<b>\$ 229,409,257.31</b>

Discrete Component Unit

Investment Strategy	Fair Value	Frequency Range Low	Frequency Range High	Notice Period Range Low	Notice Period Range High	Unfunded Commitment
Alternative	\$ 20,710,760.24	Monthly	Annually	30 days	90 days	\$ 0.00
Commingled Funds	11,467,545.31	Monthly	Annually	30 days	90 days	0.00
Energy, Natural Resources, Infrastructure	6,450,745.74	Daily	4 Years	1 day	1 year	2,792,019.91
Hedge Funds	38,606,743.03	Monthly	Annually	30 days	90 days	0.00
Private Equity	30,094,291.69	4 Years	5 Years	1 year	1 year	16,137,624.41
Real Estate	3,765,459.90	4 Years	5 Years	1 year	1 year	352,137.37
Risk Parity	1,171,849.62	Daily	Daily	1 day	1 day	0.00
<b>Total</b>	<b>\$ 112,267,395.53</b>					<b>\$ 19,281,781.69</b>

At August 31, 2018:

Investment Strategy	Fair Value	Frequency Range Low	Frequency Range High	Notice Period Range Low	Notice Period Range High	Unfunded Commitment
Alternative	\$ 93,418,869.05	Monthly	Annually	30 days	90 days	\$ 0.00
Commingled Funds	93,515,716.75	Monthly	Annually	30 days	90 days	0.00
Energy, Natural Resources, Infrastructure	65,768,100.53	Daily	4 Years	1 day	1 year	0.00
Fixed Income	4,160,848.92	Daily	Monthly	1 day	30 days	0.00
Hedge Funds	449,200,510.64	Monthly	Annually	30 days	90 days	0.00
Private Equity	203,823,491.12	4 Years	5 Years	1 year	1 year	0.00
Real Estate	39,258,425.12	4 Years	5 Years	1 year	1 year	0.00
Risk Parity	71,745.57	Daily	Daily	1 day	1 day	0.00
<b>Total</b>	<b>\$ 949,217,707.70</b>					<b>\$ 0.00</b>

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Texas Tech University System (793) – Notes to the Combined Financial Statements (continued)

Discrete Component Unit

Investment Strategy	Fair Value	Frequency Range Low	Frequency Range High	Notice Period Range Low	Notice Period Range High	Unfunded Commitment
Alternative	\$ 11,740,166.72	Monthly	Annually	30 days	90 days	\$ 0.00
Commingled Funds	11,752,337.79	Monthly	Annually	30 days	90 days	0.00
Energy, Natural Resources, Infrastructure	8,265,230.28	Daily	4 Years	1 day	1 year	0.00
Fixed Income	522,903.57	Daily	Monthly	1 day	30 days	0.00
Hedge Funds	43,210,472.84	Monthly	Annually	30 days	90 days	0.00
Private Equity	25,542,360.34	4 Years	5 Years	1 year	1 year	0.00
Real Estate	5,006,309.88	4 Years	5 Years	1 year	1 year	0.00
Risk Parity	9,016.43	Daily	Daily	1 day	1 day	0.00
<b>Total</b>	<b>\$106,048,797.85</b>					<b>\$ 0.00</b>

These investments calculate the NAV consistent with the Financial Accounting Standard Board's measurement principles for investment companies. These investments are exempt from classification within the fair value hierarchy when the System does not intend to sell all or a portion of the investment for an amount that is different from the NAV.

**Custodial credit risk for investments** is the risk that, in the event of the failure of the counterparty, the agency will not be able to recover the value of the investments or collateral securities that are in the possession of an outside party. The System's investment policy is to require third party custody for the two investment pools, the LTIF and the SITIF. The balances listed below relate to the securities held outside of those pools at August 31, 2019 and August 31, 2018.

Business-Type Activities

Fiscal Year	Fund Type	GAAP Fund	Type	Uninsured and unregistered with securities held by the counterparty
2019	05	3073	Equity	\$ 3,543,815.18
2018	05	3073	Equity	\$ 3,406,853.72

The Carr Foundation had no custodial credit risk for investments at August 31, 2019 or August 31, 2018.

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Texas Tech University System (793) – Notes to the Combined Financial Statements (continued)

**Foreign currency risk for investments** is the risk that changes in exchange rates will adversely affect the investment. The LTIF and SITIF do not have policy limits specific to international equity or debt. All exposures are through funds managed by external investment managers. The exposure to foreign currency risk as of August 31, 2019, is presented below.

FY19			
Fund Type	GAAP Fund	Foreign Currency	International Externally Managed Investments
05	3073	Argentine peso	\$ 1,641,545.76
05	3073	Australian dollar	4,485,126.01
05	3073	Brazilian real	8,555,539.17
05	3073	British pound	32,466,052.46
05	3073	Bulgarian lev	1,051,901.94
05	3073	Canadian dollar	7,689,866.50
05	3073	CFA franc	619,344.14
05	3073	Chilean peso	29,047.18
05	3073	Chinese yuan renminbi	17,710,758.23
05	3073	Colombian peso	6,210,470.15
05	3073	Czech koruna	124,816.00
05	3073	Danish krone	3,793,887.97
05	3073	Egyptian pound	169,195.03
05	3073	Euro	93,575,255.31
05	3073	Hong Kong dollar	2,951,229.47
05	3073	Hungarian forint	332,634.32
05	3073	Indian rupee	3,027,146.93
05	3073	Indonesian rupiah	391,267.20
05	3073	Israeli shekel	842,367.99
05	3073	Japanese yen	6,862,206.64
05	3073	Malaysian ringgit	2,667,800.01
05	3073	Mexican peso	1,756,946.11
05	3073	New Zealand dollar	221,478.39
05	3073	Norwegian krone	249,242.55
05	3073	Peruvian nuevo sol	1,021,951.97
05	3073	Polish zloty	248,266.48
05	3073	Russian ruble	9,246,119.48
05	3073	Saudi Arabian riyal	261,424.54
05	3073	Singapore dollar	334,042.48
05	3073	South African rand	627,617.28
05	3073	South Korean won	2,899,668.24
05	3073	Swedish krona	188,806.61
05	3073	Swiss franc	5,096,410.35
05	3073	Taiwan dollar	1,227,243.01
05	3073	Thai baht	87,141.52
05	3073	Turkish lira	(47,234.75)
05	3073	Ukrainian hryvnia	707,821.87
05	3073	Venezuelan bolivar	1,032,240.22
<b>Total</b>			<b>\$ 220,356,644.76</b>

At August 31, 2018, the exposure to foreign currency risk was: International Obligations (Gov't. and Corp.)- \$64,800,613.15; International Other Commingled Funds - \$90,187,072.31; and International Externally Managed Investments - \$50,681,541.89.



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Texas Tech University System (793) – Notes to the Combined Financial Statements (continued)

Discrete Component Unit

FY19			
Fund Type	GAAP Fund	Foreign Currency	International Externally Managed Investments
15	4167	Argentine peso	\$ 80,170.19
15	4167	Australian dollar	172,831.90
15	4167	Brazilian real	816,652.85
15	4167	British pound	1,938,648.24
15	4167	Bulgarian lev	48,798.05
15	4167	Canadian dollar	476,009.40
15	4167	CFA franc	28,731.56
15	4167	Chilean peso	808.92
15	4167	Chinese yuan renminbi	1,640,075.23
15	4167	Colombian peso	568,223.87
15	4167	Danish krone	105,743.54
15	4167	Euro	6,089,323.29
15	4167	Hong Kong dollar	82,339.93
15	4167	Hungarian forint	5,864.70
15	4167	Indian rupee	346,451.71
15	4167	Indonesian rupiah	10,945.36
15	4167	Israeli shekel	23,458.80
15	4167	Japanese yen	191,144.96
15	4167	Malaysian ringgit	317,553.87
15	4167	Mexican peso	97,798.96
15	4167	New Zealand dollar	11,729.40
15	4167	Norwegian krone	18,858.84
15	4167	Peruvian nuevo sol	40,589.03
15	4167	Polish zloty	3,437.93
15	4167	Russian ruble	927,091.77
15	4167	Saudi Arabian riyal	7,280.32
15	4167	Singapore dollar	9,302.63
15	4167	South African rand	17,774.96
15	4167	South Korean won	117,568.84
15	4167	Swedish krona	5,258.01
15	4167	Swiss franc	143,952.92
15	4167	Taiwan dollar	34,177.05
15	4167	Thai baht	2,426.77
15	4167	Turkish lira	(6,787.12)
15	4167	Ukrainian hryvnia	32,836.07
15	4167	Venezuelan bolivar	47,885.93
<b>Total</b>			<b>\$ 14,454,958.68</b>

At August 31, 2018, the exposure to foreign currency risk for the Carr Foundation was: International Obligations (Gov't. and Corp.) - \$8,015,370.29; International Other Commingled Funds - \$2,902,132.60; and International Externally Managed Investments - \$6,369,267.33.

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Texas Tech University System (793) – Notes to the Combined Financial Statements (continued)

**Credit risk** is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The System's investment policy limits fixed income securities held by the SITIF to those issued by the U.S. or its agencies and instrumentalities. As of August 31, 2019, the System's credit quality distribution for securities with credit risk exposure was as follows.

*Standard & Poor's*

Fund Type	GAAP Fund	Investment Type	AAA	AA	A	BBB	BB	Unrated
05	3073	U.S. Government Agency Obligations	\$ 291,321,022.83					
05	3073	Corporate Asset and Mortgage Backed Securities	\$ 29.71					
			AAAf	Aaf	Af			Unrated
05	3073	Fixed Income Money Market and Bond Mutual Fund	\$ 174,290,500.26		\$14,897,421.25			\$105,500,845.88

**Discrete Component Unit**

*Standard & Poor's*

Fund Type	GAAP Fund	Investment Type	AAAf	Aaf	Af	Unrated
15	4167	Fixed Income Money Market and Bond Mutual Fund				\$ 13,024,712.58

The System's credit quality distribution for securities with credit risk exposure as of August 31, 2018 was as presented below.

*Standard & Poor's*

Fund Type	GAAP Fund	Investment Type	AAA	AA	A	BBB	BB	Unrated
05	3073	U.S. Government Agency Obligations	\$ 322,084,199.39					
05	3073	Corporate Obligations					\$ 496,281.30	\$ 604,099.60
05	3073	Corporate Asset and Mortgage Backed Securities	\$ 2,770,199.58					
05	3073	International Obligations (Gov't. and Corp.)						\$ 64,800,613.15
			AAAf	Aaf	Af			Unrated
05	3073	Fixed Income Money Market and Bond Mutual Fund	\$ 348,317,377.60		\$11,163,557.95			\$239,957,547.03

## Texas Tech University System (793) – Notes to the Combined Financial Statements (continued)

## Discrete Component Unit

Standard &amp; Poor's

Fund Type	GAAP Fund	Investment Type	AAA	AA	A	BBB	BB	Unrated
15	4167	International Obligations (Gov't. and Corp.)						\$ 8,015,370.29
			AAAf	Aaf	Af			Unrated
15	4167	Fixed Income Money Market and Bond Mutual Fund						\$ 11,023,606.22

## Investment Derivative Instruments

The System's Investment Policy Statement for the LTIF allows investment in certain derivative securities. A derivative security is a financial instrument which derives its value from another security, currency, commodity or index. As of August 31, 2019, the System held futures contracts, options and total return swaps as investment derivatives.

Derivative investments are also reported at fair value, using the same approach and hierarchy required by GASB 72 discussed in the Investments section above. The System's derivative investment instruments are reported using Level 2 inputs. Derivatives are discussed more in Note 7.

The System entered into these type derivatives as efficient substitutes for traditional securities to reduce portfolio risks created by other securities, or in fully hedged positions to take advantage of market anomalies. The derivative contracts entered into during fiscal year 2019 all used market indices as underlying securities in order to gain and reduce market exposure in an efficient manner. All investment derivatives are reported as Investments on the Combined Statement of Net Position, and changes in fair value of certain derivatives are reported as investment revenue in the Combined Statement of Revenues, Expenses and Changes in Net Position.

These derivative instruments involve market and/or credit risk in excess of the amount recognized in the Combined Statement of Net Position. Risks arise from the possibility that counterparties will be unable to meet the terms of their contracts and from movement in index values. Futures contracts have reduced counterparty credit risk since they are exchange-traded and the exchange's clearinghouse, as counterparty to all exchange-traded futures, guarantees them against default. Counterparty risk for swaps and options is mitigated by master netting agreements between the System and its counterparties, and by the posting of collateral on a daily basis.

At August 31, 2019, the System also had exposure to investment **foreign currency risk in derivative investments** as presented in the table below.

Fund Type	GAAP Fund	Foreign Currency	Business-Type Activities		
			Futures Contracts	Options	Total Return Swaps
05	3073	Euro		\$ (177,685.77)	
		<b>Total</b>	<b>\$ 0.00</b>	<b>\$ (177,685.77)</b>	<b>\$ 0.00</b>

## Texas Tech University System (793) – Notes to the Combined Financial Statements (continued)

## Discrete Component Unit

Fund Type	GAAP Fund	Foreign Currency	Business-Type Activities		
			Futures Contracts	Options	Total Return Swaps
15	4167	Euro	\$	(21,936.43)	
		<b>Total</b>	<b>\$ 0.00</b>	<b>\$ (21,936.43)</b>	<b>\$ 0.00</b>

At August 31, 2018, the System had exposure to investment **foreign currency risk in derivative investments** as presented in the table below.

Fund Type	GAAP Fund	Foreign Currency	Business-Type Activities		
			Futures Contracts	Options	Total Return Swaps
05	3073	Japanese yen	\$	(1,181,628.92)	
		<b>Total</b>	<b>\$ 0.00</b>	<b>\$ (1,181,628.92)</b>	<b>\$ 0.00</b>

## Discrete Component Unit

Fund Type	GAAP Fund	Foreign Currency	Business-Type Activities		
			Futures Contracts	Options	Total Return Swaps
15	4167	Japanese yen	\$	(148,435.15)	
		<b>Total</b>	<b>\$ 0.00</b>	<b>\$ (148,435.15)</b>	<b>\$ 0.00</b>

## Note 4: Short-Term Debt

The System had the following short-term debt outstanding as of August 31, 2019.

Business-Type Activities	Balance 9/1/2018	Increases	Decreases	Balance 8/31/2019
Short-Term Debt CP Notes	\$ 52,685,000.00	\$ 19,500,000.00	\$ 21,390,000.00	\$ 50,795,000.00

## Short-Term Debt Commercial Paper Notes

Commercial paper, both taxable and non-taxable, was issued during the fiscal year to serve as an interim financing source for various long-term construction projects in advance of the issuance of authorized bonds. All commercial paper outstanding at August 31, 2019 will mature in fiscal year 2020. Commercial paper has short maturities up to 270 days with interest rates ranging from 1.30% to 1.80% for tax-exempt, and 2.05% to 2.55% for taxable paper.

The System has no credit facilities and no lines or letters of credit. The System commercial paper (CP) program, classified as notes for reporting purposes, has a total aggregate principal authorization of \$150 million. With \$50,795,000 outstanding as of August 31, 2019, the remaining principal authorization is \$99,205,000. The CP program is supported by the System's own self-liquidity to be used in the event there are tendered securities of the System's RFS Commercial Paper notes not remarketed. No assets are pledged as collateral. No terms specified relating to default and termination events are in the CP program indentures. The CP program notes are not subject to redemption prior to their respective maturities or to acceleration of maturities.

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**Texas Tech University System (793) – Notes to the Combined Financial Statements (continued)**

**Note 5: Long-Term Liabilities**

During the year ended August 31, 2019, the following changes occurred in liabilities:

Business-Type Activities	Balance 9/1/2018	Additions	Reductions	Restatement/ Adjustment	Balance 8/31/2019	Amounts due within one year	Amounts due Thereafter
Claims and Judgments	\$ 6,958,138.00	\$ 7,988,526.00	\$ 1,277,584.00	\$ 0.00	\$ 13,669,080.00	\$ 8,818,803.43	\$ 4,850,276.57
Capital Lease Obligations	660,436.19	147,106.71	43,541.35	(660,436.19)	103,565.36	43,392.76	60,172.60
Capital Lease - Direct Borrowings	0.00	0.00	209,516.61	660,436.19	450,919.58	219,971.49	230,948.09
Employees' Compensable Leave	54,009,673.70	653,509.11	27,587.47	0.00	54,635,595.34	7,223,130.99	47,412,464.35
Revenue Bonds Payable	776,362,268.85	0.00	60,875,000.00	(3,294,265.10)	712,193,003.75	66,019,101.40	646,173,902.35
Pollution Remediation Obligation	1,022,641.50	0.00	0.00	0.00	1,022,641.50	0.00	1,022,641.50
<b>Total Business-Type Activities</b>	<b>\$ 839,013,158.24</b>	<b>\$ 8,789,141.82</b>	<b>\$ 62,433,229.43</b>	<b>\$ (3,294,265.10)</b>	<b>\$ 782,074,805.53</b>	<b>\$ 82,324,400.07</b>	<b>\$ 699,750,405.46</b>

**Discrete Component Unit**

Discrete Component Unit Activities	Balance 9/1/2018	Additions	Reductions	Restatement/ Adjustment	Balance 8/31/2019	Amounts due within one year	Amounts due Thereafter
Employees' Compensable Leave	\$ 12,656.92	\$ 256.21	\$ 3,311.75	\$ 0.00	\$ 9,601.38	\$ 256.21	\$ 9,345.17

**Claims and Judgments**

TTUHSC and TTUHSC at El Paso have self-insured arrangements for medical malpractice coverage through a medical malpractice self-insurance plan. Claims and judgments include estimates for both known medical malpractice claims and those that have not yet been made against the insured participants. The liability is actuarially estimated to reflect the anticipated future claims for past medical services, and is adjusted annually based on an actuarially estimated incurred but not reported (IBNR) liability. Some of these claims are in process, while others are expected to be filed in the future. The liability estimate does not consider the probability of payment on a claim-by-claim basis and instead considers overall probability of payment for medical malpractice claims. Funding for future claim payments will be from a self-insurance reserve managed by the office of the General Counsel. More information is presented in Note 17.

On April 29, 2019, the United States Court of Appeals for the Fifth Circuit affirmed the March 28, 2018 judgment of the United States District Court for the Northern District of Texas – Lubbock Division that pursuant to the decision of the Department of Health and Human Services Departmental Appeals Board, Texas Tech Physician Associates (TTPA) must return \$7,988,526 in fees that it received from the Centers for Medicare and Medicaid Services (CMS) during its participation in a Medicare demonstration project. Pursuant to a related Subcontract Agreement between TTPA and TrailBlazer Health Enterprises, LLC (TrailBlazer), TrailBlazer will be at risk for up to, but not more than, the full amount of fees received from TTPA and will reduce the amount owed by TTPA by 54.55%. TTPA is currently in settlement negotiations with Health and Human Services to determine the amount of fees that must be returned for TTPA's participation in the Medicare demonstration project. A related liability in the amount of \$7,988,526, as well as a contract receivable in the amount of \$4,357,741, are reflected in the System's financial statements and in the condensed financial statements for TTPA presented in Note 19.

## Texas Tech University System (793) – Notes to the Combined Financial Statements (continued)

**Capital Lease Obligations**

Capital lease obligations and more detailed information on assets under capital leases and capital lease transactions are illustrated in Note 8.

**Capital Lease - Direct Borrowings**

In fiscal year 2018, TTU entered into a direct borrowing agreement for a capital lease with TCF Equipment Finance for turf maintenance equipment to be used at the Rawls Golf Course, which is collateralized by this equipment. This agreement does not involve a line of credit. In the event of default, TCF has the option to declare outstanding and future payments due immediately, assess related interest and payment collection costs, require the return of the equipment, and/or accelerate the payments on or terminate any other agreements with TTU. TTU may only terminate early without liability for future payments upon the occurrence of a non-appropriation event and would surrender its right to the equipment and any related proceeds. This agreement does not contain a subjective acceleration clause. Also, this agreement was previously reported as a capital lease obligation in fiscal year 2018. Effective fiscal year 2019, GASB 88 requires this agreement to be reported as a capital lease - direct borrowing. Debt service requirements for the capital lease - direct borrowing are shown in the table below.

Fiscal Year Ended August 31	Business-Type Activities		
	Principal	Interest	Total
2020	\$ 219,971.49	\$ 22,500.89	\$ 242,472.38
2021	230,948.09	11,525.29	242,473.38
2022	0.00	0.00	0.00
2023	0.00	0.00	0.00
2024	0.00	0.00	0.00
<b>Total</b>	<b>\$ 450,919.58</b>	<b>\$ 34,026.18</b>	<b>\$ 484,945.76</b>

**Employees' Compensable Leave**

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. Under state law, the hours accumulated are limited based on the employees' length of service. Expenditures for accumulated annual leave balances are recognized in the period paid or taken. The liability for unpaid benefits is recorded in the Combined Statement of Net Position. This obligation is paid from a central vacation pool account which collects the funding from the same funding source(s) from which the employee's salary or wage compensation was paid. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

**Revenue Bonds Payable**

See Note 6 and accompanying Combined Bond Schedules for detailed information on bond liability balances and transactions.

**Pollution Remediation Obligation**

TTU owns a 5,855-acre parcel of land in Carson County, Texas. The land was purchased from the United States of America, acting by and through the General Services Administrator, in 1949 to operate an experimental research farm on a portion of the land. TTU is a responsible party for pollution remediation activities on this land for

**Texas Tech University System (793) – Notes to the Combined Financial Statements (continued)**

which expenses have been previously accrued in the amount of \$1,022,641.50. The estimated liability is based on an analysis from Stroller Newport News Nuclear, Inc. and factored down by 50% for cost reduction measures that would result in cost savings. This amount is subject to cost volatility until such time remediation activities are complete. The land will be considered for remediation if the land is sold, transferred or otherwise utilized in a manner necessitating pollution remediation.

**Note 6: Bonded Indebtedness****Revenue Bonds Payable**

Detailed supplemental bond information is disclosed in the Combined:

Schedule 2A	Miscellaneous Bond Information
Schedule 2B	Changes in Bonded Indebtedness
Schedule 2C	Debt Service Requirements
Schedule 2D	Analysis of Funds Available for Debt Service
Schedule 2E	Defeased Bonds Outstanding
Schedule 2F	Early Extinguishment and Refunding

Several bond issues were outstanding as of August 31, 2019 and are summarized in the paragraphs that follow.

**Revenue Financing System Refunding and Improvement Bonds, 12th Series 2009**

Purpose:	For current refunding of Series A Notes and Series 1999 bonds, to pay for construction of the new College of Business Administration Building, renovation of the existing College of Business Administration Building, construction of the Lanier Professional Development Center, construction of the Student Leisure Pool, and other System construction of capital improvement projects. Financing for the El Paso Medical Facility, Amarillo Pharmacy and Amarillo Research Building projects. For current refunding of ASU portion of Texas State University System bonds and construction of Centennial Village.
Issue Date:	March 3, 2009
Original Issue Amount:	\$170,825,000, all authorized bonds have been issued
Source of revenue for debt service:	All pledged revenues of the participants of the Texas Tech University System Revenue Financing System

**Revenue Financing System Refunding and Improvement Bonds, 14th Series 2012A**

Purpose:	For refunding of \$96,469,500 of Revenue Financing System Commercial Paper Notes Series A, a partial current refunding of \$4,215,000 of Revenue Financing System Bonds Series 2001 and of \$355,000 of Texas State University System Revenue Financing System Bonds Series 2002 representing ASU's portion. For partial advanced refunding of \$52,460,000 of Revenue Financing System Bonds Series 2003. To provide new funding for the new College of Business Administration Building, the new TTU Boston & 18 <sup>th</sup> Street Residence Hall and Dining Facility, the new ASU Plaza Verde Phase I Residence Hall & Dining Facilities, Jones Stadium East Side Expansion and other System capital improvement projects.
Issue Date:	February 1, 2012
Original Issue Amount:	\$163,240,000, all authorized bonds have been issued
Source of revenue for debt service:	All pledged revenues of the participants of the Texas Tech University System Revenue Financing System

## Texas Tech University System (793) – Notes to the Combined Financial Statements (continued)

**Revenue Financing System Refunding Bonds, 15th Series 2012B (Taxable)**

Purpose:	For current refunding of \$27,710,000 of Revenue Financing System Bonds Taxable Series 2001.
Issue Date:	February 1, 2012
Original Issue Amount:	\$27,585,000, all authorized bonds have been issued
Source of revenue for debt service:	All pledged revenues of the participants of the Texas Tech University System Revenue Financing System

**Revenue Financing System Refunding and Improvement Bonds, 16th Series 2015A**

Purpose:	For refunding of \$62,790,000 of Revenue Financing System Commercial Paper Notes Series A, a current refunding of \$245,000 of Revenue Financing System Bonds Series 2003. To provide new funding for the new TTU College of Business Administration Building Wing Addition, TTU West Village Residence Hall and Dining Facility and the HSC at El Paso School of Nursing.
Issue Date:	April 9, 2015
Original Issue Amount:	\$73,255,000, all authorized bonds have been issued
Source of revenue for debt service:	All pledged revenues of the participants of the Texas Tech University System Revenue Financing System

**Revenue Financing System Refunding and Improvement Bonds, 17th Series 2015B (Taxable)**

Purpose:	For refunding of \$39,025,000 of Revenue Financing System Commercial Paper Notes Series A, an advance refunding of \$157,035,000 of Revenue Financing System Bonds Series 2006, a current refunding of \$4,185,000 of Texas State University System Revenue Financing System Bonds Series 2005 and an advance refunding of \$13,365,000 of Texas State University System Revenue Financing System Bonds Series 2006 representing ASU's portion. To provide new funding for the new TTU Research Park Building, the United Supermarkets Arena renovations, Jones Stadium facility upgrades, and Bayer CropScience Research Building Renovation and the new Bayer CropScience Trait Development Center.
Issue Date:	April 9, 2015
Original Issue Amount:	\$245,315,000, all authorized bonds have been issued
Source of revenue for debt service:	All pledged revenues of the participants of the Texas Tech University System Revenue Financing System

**Revenue Financing System Refunding and Improvement Bonds, 2017A Series**

Purpose:	For refunding of \$33,007,000 of Revenue Financing System Commercial Paper Notes Series A and to provide funding of new construction of ASU Archer College of Human & Health Services Building, TTU Honors Residence Hall, HSC Amarillo Simulation Center, HSC Permian Basin Academic Center and Texas Tech University System Administration Building.
Issue Date:	January 31, 2017
Original Issue Amount:	\$79,035,000, all bonds authorized have been issued
Source of revenue for debt service:	All pledged revenues of the participants of the Texas Tech University System Revenue Financing System

**Revenue Financing System Refunding and Improvement Bonds, 2017B Series (Taxable)**

Purpose:	For refunding of \$17,327,000 of Revenue Financing System Commercial Paper Notes Series A, an advance refunding of \$75,430,000 of Revenue Financing System Bonds Series 2009, and an advance refunding of \$3,147,667.15 of Government Capital Corp Lease for Angelo State University. To provide funding for new construction of TTU Experimental Sciences Building II, TTU Sports Performance Complex, HSC Lubbock Campus Expansion, HSC at El Paso Medical Sciences Building II.
Issue Date:	January 31, 2017
Original Issue Amount:	\$295,700,000, all bonds authorized have been issued
Source of revenue for debt service:	All pledged revenues of the participants of the Texas Tech University System Revenue Financing System



## Texas Tech University System (793) – Notes to the Combined Financial Statements (continued)

**Pledged Future Revenues**

GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, makes a basic distinction between sales of receivables and future revenues, and the pledging of receivables or future revenues to repay a borrowing (collateralized borrowing). The following table provides the pledged future revenue information for the System's revenue bonds for which a revenue pledge exists:

Pledged Future Revenues	Business-Type Activities	
	FY19	FY18
Pledged Revenue Required for Future Principal and Interest on Existing Revenue Bonds	\$ 895,318,345.06	\$ 982,392,523.46
Term of Commitment for Year Ending 8/31	2045	2045
Percentage of Revenue Pledged	100%	100%
Current Year Pledged Revenue	\$ 758,582,250.73	\$ 733,578,918.70
Current Year Principal and Interest Paid	\$ 87,074,178.40	\$ 89,303,396.01

Pledged revenue sources include operating income from tuition and fees, sales and services from auxiliary and non-auxiliary activities, investment income, unrestricted contract and grant revenues, and state appropriations for tuition revenue bonds.

**Sources of Debt-Service Revenue**

On October 21, 1993, the governing board of the System established a Revenue Financing System (RFS) for the purpose of providing a financing structure for all revenue supported indebtedness of System component institutions. The source of revenues for debt service issued under the RFS includes pledged general tuition, pledged tuition fee, pledged general fee and any other revenues, income, receipts, rentals, rates, charges, fees, including interest or other income, and balances lawfully available to System component institutions. Excluded from the revenues described above are amounts received under Article 7, Section 17 of the Constitution of the State of Texas, general revenue funds appropriated by the Legislature except to the extent so specifically appropriated, encumbered housing revenues, and practice plan funds.

Prior to September 1, 2007, all bonded indebtedness for Angelo State University (ASU) was issued through the Texas State University System (TSUS) Revenue Financing System, of which the TSUS Administration and each of their components were members. The TSUS Board of Regents cross-pledged all lawfully available funds (revenues) and balances attributable to any TSUS RFS member against the bonded indebtedness of all other TSUS RFS members for payment on the Parity Debt. Effective September 1, 2007, House Bill 3564 (80<sup>th</sup> Legislature, Regular Session) transferred governance of Angelo State University to the Texas Tech University System. For the debt issued by the TSUS, the bonds payable are reported by TSUS.

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**Texas Tech University System (793) – Notes to the Combined Financial Statements (continued)**

ASU will repay the debt that was issued on its behalf; consequently, the following debt amortization schedule is presented below for informational purposes only.

Description	Year	Principal	Interest	Total
All Issues	2020	\$ 985,000.00	\$ 153,000.00	\$ 1,138,000.00
	2021	1,015,000.00	103,750.00	1,118,750.00
	2022	1,060,000.00	53,000.00	1,113,000.00
	2023	0.00	0.00	0.00
	2024	0.00	0.00	0.00
<b>Totals</b>		<b>\$ 3,060,000.00</b>	<b>\$ 309,750.00</b>	<b>\$ 3,369,750.00</b>

A portion of the ASU debt above represents Tuition Revenue Bonds historically funded by the Texas Legislature through General Revenue Appropriations. ASU was appropriated \$1,122,750.00 during the current fiscal year for Tuition Revenue Bond debt service. ASU expects future Legislative appropriations to meet debt service requirements for Tuition Revenue bonds.

**Note 7: Derivatives**

The System Investment Policy Statement for the LTIF allows investment in certain derivative securities. Derivatives are financial instruments whose values are derived in whole or in part from the value of any one or more underlying assets or index of asset values. Investment derivatives are entered into with the intention of managing transaction risk, reducing interest cost, or reducing currency exchange risk in purchasing, selling or holding investments. The System's investment derivatives include futures contracts, options, and total return swaps.

The following disclosures summarize the System's derivative activity as reported in the financial statements as of August 31, 2019.

Investment Derivatives	Changes in Fair Value		Fair Value at August 31, 2019		Notional
	Classification	Amount	Classification	Amount	
Futures Contracts	Investment Revenue	\$ (8,635,989.30)		\$ 0.00	\$ 227,016,306.51
Options	Investment Revenue	(9,056,130.40)	Investments	(841,015.74)	55,535,609.85
Total Return Swaps	Investment Revenue	(5,053,553.25)	Investments	0.00	(2,859,807.54)

**Discrete Component Unit**

Investment Derivatives	Changes in Fair Value		Fair Value at August 31, 2019		Notional
	Classification	Amount	Classification	Amount	
Futures Contracts	Investment Revenue	\$ (1,066,167.15)		\$ 0.00	\$ 28,026,589.75
Options	Investment Revenue	(1,118,036.21)	Investments	(103,828.68)	6,856,220.06
Total Return Swaps	Investment Revenue	(623,892.91)	Investments	0.00	(353,061.21)

The System classified its investment derivative instruments using Level 2 inputs in the fair value hierarchy, meaning the instruments are valued using a market approach that considers benchmark interest rates and foreign exchange rates. Note 3 contains more detailed information about derivatives held for investment purposes and the fair value measurement hierarchy established by GASB 72.

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Texas Tech University System (793) – Notes to the Combined Financial Statements (continued)

Investment Derivative Instruments	8/31/2019	(Level 1)	(Level 2)	(Level 3)
Foreign Exchange Contracts (Liabilities)	\$ (841,015.74)		\$ (841,015.74)	
Total Investment Derivative Instruments	\$ (841,015.74)	\$ 0.00	\$ (841,015.74)	\$ 0.00

Discrete Component Unit

Investment Derivative Instruments	8/31/2019	(Level 1)	(Level 2)	(Level 3)
Foreign Exchange Contracts (Liabilities)	\$ (103,828.68)		\$ (103,828.68)	
Total Investment Derivative Instruments	\$ (103,828.68)	\$ 0.00	\$ (103,828.68)	\$ 0.00

The following disclosures summarize the System's derivative activity as reported in the financial statements as of August 31, 2018.

Investment Derivatives	Changes in Fair Value		Fair Value at August 31, 2018		
	Classification	Amount	Classification	Amount	Notional
Futures Contracts	Investment Revenue	\$ 9,062,162.62		\$ 0.00	\$ 107,089,803.88
Options	Investment Revenue	8,709,277.92	Investments	(365,977.15)	14,603,377.86
Total Return Swaps	Investment Revenue	1,137,148.82	Investments	5,500,576.58	458,310,034.67

Discrete Component Unit

Investment Derivatives	Changes in Fair Value		Fair Value at August 31, 2018		
	Classification	Amount	Classification	Amount	Notional
Futures Contracts	Investment Revenue	\$ 1,138,380.63		\$ 0.00	\$ 13,452,523.77
Options	Investment Revenue	1,094,051.57	Investments	(45,973.72)	1,834,463.04
Total Return Swaps	Investment Revenue	142,847.60	Investments	690,977.43	57,572,489.72

The System classified its investment derivative instruments using Level 2 inputs in the fair value hierarchy for fiscal year 2018, as presented below:

Investment Derivative Instruments	8/31/2018	(Level 1)	(Level 2)	(Level 3)
Interest Rate Swaps	\$ 5,500,576.58		\$ 5,500,576.58	
Foreign Exchange Contracts (Liabilities)	(365,977.15)		(365,977.15)	
Total Investment Derivative Instruments	\$ 5,134,599.43	\$ 0.00	\$ 5,134,599.43	\$ 0.00

Discrete Component Unit

Investment Derivative Instruments	8/31/2018	(Level 1)	(Level 2)	(Level 3)
Interest Rate Swaps	\$ 690,977.43		\$ 690,977.43	
Foreign Exchange Contracts (Liabilities)	(45,973.72)		(45,973.72)	
Total Investment Derivative Instruments	\$ 645,003.71	\$ 0.00	\$ 645,003.71	\$ 0.00

## Texas Tech University System (793) – Notes to the Combined Financial Statements (continued)

**Fair Value**

Derivative instruments are recorded at fair value. Futures contracts are marked-to-market daily and valued at closing market prices on the valuation date. A daily variation margin between the daily value of the contracts and the value on the previous day is recorded and settled in cash with the broker the following morning. Options and total return swaps are valued using broker quotes, proprietary pricing agents or appropriate pricing models with primarily externally verifiable model inputs.

**Investment Derivatives**

Investment derivatives expose the System to certain investment related risks. The System discloses more detail about investment derivatives and risk in Note 3.

**Note 8: Leases****Capital Lease Obligations**

In fiscal year 2019, TTU entered into a capital lease with PNC Equipment Finance, LLC for utility vehicles to be used at the Rawls Golf Course, which is operated by Troon Golf, LLC. Also, a capital lease was entered into between ASU and Key Government Finance, Inc for Cisco Systems software. Capital leases are recorded at the present value of the future minimum lease payments at the inception of the lease.

The table below presents the capitalized cost and accumulated depreciation and amortization of the property under capital lease at August 31, 2019 and 2018. The System components had no obligations due under capital lease agreements at the end of fiscal year 2018 due to the implementation of GASB 88 in fiscal year 2019 which required the reclassification of the prior year capital lease obligation to capital lease - direct borrowing disclosed in Note 5.

Assets Under Capital Leases	Business-Type Activities	
	FY19	Restated FY18
Furniture & Equipment	\$ 41,599.19	\$ 0.00
Less: Accumulated Depreciation	(7,799.84)	0.00
<b>Net Book Value</b>	<b>\$ 33,799.35</b>	<b>\$ 0.00</b>
Computer Software - Intangible	\$ 105,507.52	\$ 0.00
Less: Accumulated Amortization	(12,309.22)	0.00
<b>Net Book Value</b>	<b>\$ 93,198.30</b>	<b>\$ 0.00</b>

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Texas Tech University System (793) – Notes to the Combined Financial Statements (continued)

Future minimum lease payments under these capital leases, together with the present value of the net minimum lease payments at August 31, 2019 are:

Fiscal Year Ended August 31	Business-Type Activities		
	Principal	Interest	Total Future Minimum Lease Payments
2020	\$ 43,392.76	\$ 5,132.84	\$ 48,525.60
2021	45,748.70	2,776.90	48,525.60
2022	10,763.72	285.52	11,049.24
2023	3,660.18	22.90	3,683.08
2024	0.00	0.00	0.00
<b>Total</b>	<b>\$ 103,565.36</b>	<b>\$ 8,218.16</b>	<b>\$ 111,783.52</b>

The Carr Foundation had no capital lease obligations for the years ending August 31, 2019 or 2018.

**Operating Leases**

System component institutions have entered into various non-cancelable operating leases for buildings, equipment and computer software. Included in the expenditures reported in the financial statements is the following amount of rent paid or due under operating lease obligations as of August 31, 2019 and 2018:

Fund Type	Business-Type Activities	
	FY19	FY18
Proprietary Fund	\$ 12,929,076.43	\$ 12,522,881.58

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

Fiscal Year Ended August 31,	Minimum Future Lease Payments
2020	\$ 11,041,705.80
2021	8,716,309.43
2022	7,870,321.60
2023	6,771,228.97
2024	6,505,347.97
2025-2029	3,840,366.07
2030-2034	3,364,451.80
2035-2039	3,303,116.26
2040-2044	3,160,000.00
2045-2049	2,844,000.00
<b>Total Minimum Future Lease Rental Payments</b>	<b>\$ 57,416,847.90</b>

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Texas Tech University System (793) – Notes to the Combined Financial Statements (continued)

System component institutions have operating lease income for leased building space and leased land to outside parties under various non-cancelable operating leases. Included in the revenues reported in the financial statements is the following for rent received under non-cancelable operating leases as of August 31, 2019 and 2018:

Fund Type	Business-Type Activities	
	FY19	FY18
Proprietary Fund	\$ 2,517,505.19	\$ 2,920,392.46

System component institutions had \$32,853.98 of contingent rental revenues. Future minimum lease rental income under non-cancelable operating leases having an initial term in excess of one year is as follows as of August 31, 2019:

Fiscal Year Ended August 31,	Minimum Future Rentals
2020	\$ 2,345,330.63
2021	2,084,222.84
2022	2,013,470.82
2023	1,988,592.55
2024	1,988,592.55
2025-2029	3,364,214.00
2030-2034	2,445,808.00
2035-2039	862,500.00
2040-2044	992,763.71
2045-2049	1,106,540.09
2050 and beyond	5,980,460.94
<b>Total Minimum Future Lease Rental Income</b>	<b>\$ 25,172,496.13</b>

The cost, accumulated depreciation and carrying value of these leased assets as of August 31, 2019 and 2018 were as follows:

Leased Assets	Business-Type Activities	
	FY19	FY18
Historical Cost of Leased Building Space	\$ 61,652,106.01	\$ 66,634,957.55
Less: Accumulated Depreciation	(24,359,082.52)	(24,907,895.31)
Historical Cost of Leased Land	294,214.06	290,914.06
<b>Total Carrying Value of Leased Assets</b>	<b>\$ 37,587,237.55</b>	<b>\$ 42,017,976.30</b>

The Carr Foundation had no operating lease expenses or operating lease revenues for the years ended August 31, 2019 or 2018.

**Texas Tech University System (793) – Notes to the Combined Financial Statements (continued)****Note 9: Defined Benefit Pension Plan and Defined Contribution Pension Plan****Defined Benefit Pension Plan**

The System component institutions participate in one of the three retirement systems in the State of Texas' financial reporting entity – the Teacher Retirement System (TRS). The accounting and reporting for the System's proportionate share of the TRS net pension liability is included in the System's financial records and represents the net liability for all the System component institutions.

The Teacher Retirement System of Texas 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, and community and junior colleges. All employees of public, state-supported educational 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 TRS Plan. 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).

An audited Comprehensive Annual Financial Report (CAFR) for the Teacher Retirement System may be obtained from:

Teacher Retirement System of Texas  
1000 Red River Street  
Austin, Texas 78701-2698

During the measurement period of 2018 for fiscal year 2019 reporting, and the measurement period of 2017 for fiscal year 2018 reporting, the amount of the System's contributions excluding the State match to TRS recognized by the Plan was \$20,486,374.00 for 2019, and \$18,861,478.00 for 2018. 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:

**Required Contribution Rates**

<b>Contribution Rates - TRS Plan</b>	<b>FY19</b>	<b>FY18</b>
Employer	6.8%	6.8%
Employees	7.7%	7.7%

The total pension liability is determined by an annual actuarial valuation. The table below presents the actuarial methods and assumptions used by TRS to measure the total pension liability for the TRS Plan as of the August 31, 2018 and 2017 measurement dates.

## Texas Tech University System (793) – Notes to the Combined Financial Statements (continued)

## Actuarial Methods and Assumptions\*

Actuarial Methods and Assumptions - TRS Plan	FY19	FY18
Actuarial Valuation Date	August 31, 2017 rolled forward to August 31, 2018	August 31, 2017
Actuarial Cost Method	Individual Entry Age Normal	Individual Entry Age Normal
Amortization Method	Level Percentage of Payroll, Floating	Level Percentage of Payroll, Floating
Asset Valuation Method	Market Value	Not available
Actuarial Assumptions:		
Discount Rate	6.907%	8.00%
Investment Rate of Return	8.00%	8.00%
Long-term Expected Rate of Return	7.25%	Not available
Municipal Bond Rate as of August 2018 **	3.69%	Not available
Inflation	2.30%	2.50%
Salary Increase	3.05% to 9.05% including inflation	3.50% to 9.50% including inflation
Mortality:		
Active	90% of the RP 2014 Employee Mortality Tables for males and females with full generational mortality using Scale BB	90% of the RP 2014 Employee Mortality Tables for males and females
Post-Retirement	2018 TRS Healthy Pensioner Mortality Tables with full generation projection using Scale BB	2015 TRS Healthy Pensioner Mortality Tables
Ad Hoc Post-Employment Benefit Changes	None	None

## Notes:

\* The assumptions used to determine the ADC are those in effect for the August 31, 2017 actuarial valuation. Due to the lag between valuation data and the measurement date, they may not be the same assumptions used to measure the Net Pension Liability.

\*\*Source for the rate is Fixed Income Market Data/Yield Curve/Data Municipal Bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported by Fidelity Index's "20-Year Municipal GO AA Index".

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

Furthermore, assumptions, methods and plan changes were updated from the prior year's report. The net pension liability increased significantly since the prior measurement date due to a change in the following assumptions:

- the total pension liability as of August 31, 2018 was developed using a roll forward method from the August 31, 2017 valuation;
- demographic assumptions including post-retirement mortality, termination rates, and rates of retirement were updated based on the experience study performed for TRS for the period ending August 31, 2017;
- economic assumptions including rates of salary increase for individual participants was updated based on the same experience study;
- the discount rate changed from 8.000% as of August 31, 2017 to 6.907% as of August 31, 2018;
- the long term assumed rate of return changed from 8.00% to 7.25%; and,
- the change in long term assumed rate of return combined with the change in the discount rate was the primary reason for the increase in the net pension liability.



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Texas Tech University System (793) – Notes to the Combined Financial Statements (continued)

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

The discount rate of 6.907% was applied to measure the total pension liability for the TRS Plan. The discount rate was based on the expected rate of return on pension plan investments of 7.25% and a municipal bond rate of 3.69%. The projected cash flows into and out of the pension plan assumed that active members, employers, and the non-employer contributing entity make their contributions at the statutorily required rates. It is assumed that future employer and state contributions will be 7.76% of payroll. This includes a factor for the rehired retirees and the Non-OASDI surcharge. Based on these assumptions, the pension plan's fiduciary net position and future contributions are sufficient to finance the benefit payments until the year 2069. As a result, the long-term expected rate of return on TRS pension plan investments was applied to projected benefit payments through the year 2069, and the municipal bond rate was applied to all benefit payments after that date.

The long-term expected rate of return on TRS 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 TRS Plan's investment portfolio are presented below for fiscal years 2018 and 2017 measurement dates:

Asset Class	FY19		FY18	
	Target Allocation	Long-Term Expected Arithmetic Real Rate of Return	Target Allocation	Long-Term Expected Geometric Real Rate of Return
<b>Global Equity</b>				
U.S.	18.00%	5.70%	18.00%	4.60%
Non-U.S. Developed	13.00%	6.90%	13.00%	5.10%
Emerging Markets	9.00%	8.95%	9.00%	5.90%
Directional Hedge Funds	4.00%	3.53%	4.00%	3.20%
Private Equity	13.00%	10.18%	13.00%	7.00%
<b>Stable Value</b>				
U.S. Treasury	11.00%	1.11%	11.00%	0.70%
Absolute Return	0.00%	0.00%	0.00%	1.80%
Stable Value Hedge Funds	4.00%	3.09%	4.00%	3.00%
Cash	1.00%	(0.30)%	1.00%	(0.20)%
<b>Real Return</b>				
Global Inflation Linked Bonds	3.00%	0.70%	3.00%	0.90%
Real Assets	14.00%	5.21%	16.00%	5.10%
Energy and Natural Resources	5.00%	7.48%	3.00%	6.60%
Commodities	0.00%	0.00%	0.00%	1.20%
<b>Risk Parity</b>				
Risk Parity	5.00%	3.70%	5.00%	6.70%
<b>Total</b>	100.00%		100.00%	

## Texas Tech University System (793) – Notes to the Combined Financial Statements (continued)

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

Fiscal Year	Sensitivity of TTU System's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate		
	1% Decrease	Current Discount Rate	1% Increase
<b>FY19</b>	\$ 505,187,413.00	\$ 334,729,720.00	\$ 196,734,108.00
<b>FY18</b>	\$ 310,810,071.00	\$ 184,369,216.00	\$ 79,086,683.00

The TRS pension plan's fiduciary net position is determined using the economic resources measurement focus and the accrual basis of accounting. Benefits and refunds of contributions are recognized when due and payable in accordance with the terms of the TRS 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 TRS Plan's investment policy, assets, and fiduciary net position, may be obtained from TRS' fiscal year 2018 Comprehensive Annual Financial Report.

The System reported a liability of \$334,729,720.00 for its proportionate share of the TRS collective net pension liability for the year ended August 31, 2019 and \$184,369,216.00 for the year ended August 31, 2018. The collective net pension liability was measured as of August 31, 2018 for fiscal year 2019 reporting, and as of August 31, 2017 for fiscal year 2018 reporting, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of the measurement date for each year. The System's proportion of the net pension liability at the August 31, 2018 measurement date was .6081304 percent, and was .5766112 percent at the August 31, 2017 measurement date. The System's proportion of the collective net pension liability was based on its contributions to the pension plan relative to the contributions of all the employers and the non-employer contributing entity to the Plan for the period September 1, 2017 through August 31, 2018 for fiscal year 2019 reporting, and for the period September 1, 2016 through August 31, 2017 for fiscal year 2018 reporting.

For the years ending August 31, 2019 and 2018, the System recognized pension expense of \$38,887,636.00 and \$17,311,355.00, respectively. At August 31, 2019 and 2018, the System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	FY19		FY18	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 2,086,431.00	\$ 8,212,945.00	\$ 2,697,405.00	\$ 9,942,790.00
Changes of assumptions	120,686,188.00	3,771,446.00	8,398,311.00	4,807,837.00
Net difference between projected and actual investment return	0.00	6,351,257.00	0.00	13,436,426.00
Change in proportion and contribution difference	17,510,745.00	10,099,882.00	10,403,770.00	13,423,841.00
Contributions subsequent to the measurement date	21,059,948.00	0.00	20,171,625.00	0.00
<b>Total</b>	<b>\$ 161,343,312.00</b>	<b>\$ 28,435,530.00</b>	<b>\$ 41,671,111.00</b>	<b>\$ 41,610,894.00</b>

The \$21,059,948.00 reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the System's net pension liability for the year ending August 31, 2020.

**Texas Tech University System (793) – Notes to the Combined Financial Statements (continued)**

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

<b>Year ended August 31:</b>		
2020	\$	27,196,647.00
2021		13,831,041.00
2022		11,183,871.00
2023		23,766,507.00
2024		21,557,353.00
Thereafter		14,312,415.00
<b>Total</b>	<b>\$</b>	<b>111,847,834.00</b>

**Defined Contribution Pension Plan**

The State has also established an Optional Retirement Program (ORP), which is an optional defined contribution retirement program for institutions of higher education and is authorized by Texas Government Code, Chapter 830. Full-time faculty, librarians, and certain professionals and administrators employed in public higher education are eligible to elect ORP in lieu of participation in the TRS Plan before the 91st day after becoming eligible. It is a one-time irrevocable choice between two distinct plans. ORP is an individualized defined contribution plan in which each participant selects from a variety of investments offered by several insurance and investment companies through annuity contracts or mutual fund investments. ORP is administered by each employer. Participants vest in ORP after one year of participation. The Texas Higher Education Coordinating Board develops policies, practices and procedures to provide greater uniformity in the administration of ORP. Since contributions are invested in individual annuity contracts, neither the State nor the System have any additional or unfunded liability for this program. The contributory percentage of participant salaries by the members (employees) was 6.65% for both fiscal years 2019 and 2018. The contributory percentage of participant salaries by the employer (System components) was 6.8% in both fiscal years 2019 and 2018. For those employees who were participating in the ORP on or before August 31, 1995, the employer contribution rate was 8.5% for both fiscal years 2019 and 2018, and will remain so subject to legislative change. The contributions made by plan members and the employer for the fiscal years ended August 31, 2019 and 2018 are:

	<b>FY19</b>	<b>FY18</b>
Member Contributions	\$ 21,293,225.32	\$ 21,135,595.27
Employer Contributions	22,681,367.83	22,555,011.13
<b>Total</b>	<b>\$ 43,974,593.15</b>	<b>\$ 43,690,606.40</b>

**Note 10: Deferred Compensation (administering agencies only)**

Not applicable.

**Note 11: Postemployment Benefits Other Than Pensions****Employees Retirement System of Texas Plan**

Employees Retirement System (ERS) of Texas is the administrator of the State Retiree Health Plan (SRHP), a cost-sharing, multiple-employer defined benefit Other Postemployment Benefit (OPEB) plan with a special funding situation. ERS' Board of Trustees administers SRHP.

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**Texas Tech University System (793) – Notes to the Combined Financial Statements (continued)**

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 (COLAs).

The audited Comprehensive Annual Financial Report (CAFR) for the Employees Retirement System may be obtained from:

Employees Retirement System of Texas  
200 E. 18th Street  
Austin, Texas 78701

During the measurement period of 2018 for fiscal 2019 reporting and the measurement period of 2017 for fiscal 2018 reporting, the amount of the System's contributions recognized by the plan were \$8,745,978.00 for 2019 and \$7,892,593.19 for 2018. 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**

<b>Retiree Health and Basic Life Premium</b>	<b>FY19 ERS Plan</b>	<b>FY18 ERS Plan</b>
Retiree Only	\$ 621.90	\$ 617.30
Retiree and Spouse	\$ 1,334.54	\$ 970.98
Retiree and Children	\$ 1,099.06	\$ 854.10
Retiree and Family	\$ 1,811.70	\$ 1,207.78

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**Texas Tech University System (793) – Notes to the Combined Financial Statements (continued)**

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, 2018 and August 31, 2017 measurement dates.

<b>Actuarial Methods and Assumptions</b>	<b>FY19 SRHP</b>	<b>FY18 SRHP</b>
Actuarial Valuation Date	August 31, 2018	August 31, 2017
Actuarial Cost Method	Entry Age	Entry Age
Amortization Method	Level Percent of Payroll, Open	Level Percent of Payroll, Open
Remaining Amortization Period	30 Years	30 Years
Actuarial Assumptions:		
Discount Rate *	3.96%	3.51%
Inflation	2.50%	2.50%
Salary Increase	2.50% to 9.50%, including inflation	2.50% to 9.50%, including inflation
Healthcare Cost and Trend Rate	7.30% for FY2020, 7.40% for FY2021, 7.00% for FY2022, decreasing 0.50% per year to an ultimate rate of 4.50% for FY2027 and later years	8.50% for FY2019, decreasing 0.50% per year to 4.50% for FY2027 and later years
Aggregate Payroll Growth	3.00%	3.00%
Retirement Age	Experienced-based tables of rates that are specific to the class of the employee	Experienced-based tables of rates that are specific to the class of the employee
Mortality:		
State Agency Members:		
Service Retirees, Survivors and Other Inactive Members	2017 State Retirees of Texas Mortality table with a 1 year set forward for male CPO/CO members and Ultimate MP Projection Scale projected from the year 2017	2017 State Retirees of Texas Mortality table with a 1 year set forward for male CPO/CO 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	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	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	Tables based on TRS experience with full generational projection using Scale BB from Base Year 2014
Disabled Retirees	Tables based on TRS experience with Ultimate MP Projection Scale from year 2018 using a 3-year set forward and minimum mortality rates of four per 100 male members and two per 100 female members	Tables based on TRS experience with full generational projection using Scale BB from Base Year 2014 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	Sex Distinct RP-2014 Employee Mortality multiplied by 90% with full generational projection using Scale BB
Ad Hoc Post-Employment Benefit Changes	None	None

*Notes: \*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.*

**Texas Tech University System (793) – Notes to the Combined Financial Statements (continued)**

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 September 1, 2011 to August 31, 2016 for state agency members and for the period September 1, 2010 to August 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. demographic assumptions (including rates of retirement, disability, termination, mortality, and assumed salary increases) for higher education members have been updated to reflect assumptions recently adopted by the Trustees from TRS;
- b. assumed expenses, assumed Per Capita Health Benefit 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;
- c. 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 have been updated to reflect recent plan experience and expected trends;
- d. percentage of future retirees assumed to be married and electing coverage for their spouse have been updated to reflect recent plan experience and expected trends; and,
- e. discount rate assumption was increased from 3.51% to 3.96% 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.

The discount rate that was used to measure the total OPEB liability is the municipal bond rate of 3.96% as of the end of the measurement year; as of the beginning of the measurement year, the discount rate was 3.51%. 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 3.51%.

**Texas Tech University System (793) – Notes to the Combined Financial Statements (continued)**

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

<b>Sensitivity of TTU System's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate</b>				
<b>Fiscal Year</b>	<b>1% Decrease</b>	<b>Current Discount Rate</b>	<b>1% Increase</b>	
FY19	\$ 950,960,355.00	\$ 800,989,039.00	\$ 687,477,614.00	
FY18	\$ 342,513,208.00	\$ 286,932,208.00	\$ 243,879,763.00	

Sensitivity analysis was performed on the impact of changes in the healthcare cost trend rates on the proportionate share of the System's net OPEB liability. The result of the analysis is presented in the table below:

<b>Sensitivity of TTU System's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate</b>				
<b>Fiscal Year</b>	<b>1% Decrease</b>	<b>Current Healthcare Cost Trend Rates</b>	<b>1% Increase</b>	
FY19	\$ 678,334,131.00	\$ 800,989,039.00	\$ 959,214,116.00	
FY18	\$ 241,215,276.00	\$ 286,932,208.00	\$ 346,252,538.00	

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 2018 CAFR.

For fiscal year 2019 reporting, ERS had a change in accounting policy which significantly increased the System's proportionate share (employer allocation) of the ERS net OPEB liability. Per ERS 2018 actuarial report, all contributions (active and retiree) by employers to the Group Benefits Program are available to pay claims of active and retired members. Allocation of the OPEB liability and related accounts should be based on the total contributions that are available to pay current and future claims of the OPEB Plan, as this reflects the relationship between contributions and collective net OPEB liability. The employer allocation percentage is based on both active and retiree employer contributions effective for fiscal year 2019 reporting. For fiscal year 2018 reporting, the employer allocation percentage was based on retiree employer contributions only.

The System reported a liability of \$800,989,039.00 for its proportionate share of the ERS collective net OPEB liability for the year ended August 31, 2019 and \$286,932,208.00 for the year ended August 31, 2018. The collective net OPEB liability was measured as of August 31, 2018 for fiscal year 2019 reporting, and as of August 31, 2017 for fiscal year 2018 reporting. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of the measurement date for each year. The System's proportion of the

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**Texas Tech University System (793) – Notes to the Combined Financial Statements (continued)**

net OPEB liability at the August 31, 2018 measurement date was 2.7025980 percent, and was 0.8421099 percent at the August 31, 2017 measurement date. The System'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, 2017 through August 31, 2018 for fiscal year 2019, and for the period September 1, 2016 through August 31, 2017 fiscal year 2018 reporting.

For the years ending August 31, 2019 and 2018, the System recognized OPEB expense of \$132,382,075.00 and \$15,355,484.00, respectively. At August 31, 2019 and 2018, the System reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	FY19		FY18	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience		\$ 29,345,660.00		\$ 3,448,004.00
Changes of assumptions		280,688,453.00		59,994,083.00
Net difference between projected and actual investment return	\$ 379,313.00		\$ 84,950.00	
Change in proportion and contribution difference	630,860,771.00			
Contributions subsequent to the measurement date	3,733,660.00		2,850,034.00	
<b>Total</b>	<b>\$ 634,973,744.00</b>	<b>\$ 310,034,113.00</b>	<b>\$ 2,934,984.00</b>	<b>\$ 63,442,087.00</b>

The \$3,733,660.00 reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net OPEB liability for the year ending August 31, 2020.

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

<b>Year ended August 31:</b>		
2020	\$	58,292,814.00
2021		58,292,814.00
2022		58,292,814.00
2023		83,904,666.00
2024		62,422,863.00
Thereafter		0.00
<b>Total</b>	<b>\$</b>	<b>321,205,971.00</b>



**Texas Tech University System (793) – Notes to the Combined Financial Statements (continued)****Note 12: Interfund Activity and Transactions**

As explained in Note 1 on interfund activities and transactions, there are numerous transactions between funds and agencies. Interfund activity refers to financial interactions between funds and/or blended component institutions and units and is restricted to internal events. Interfund transactions refer to financial interactions with legally separate entities, i.e., discrete component units and other governments, and are restricted to external events. Interfund activity between System components is eliminated where appropriate for reporting purposes.

At year-end, amounts to be received or paid are reported as:

Interfund Receivables or Interfund Payables  
 Due from Other State Agencies or Due to Other State Agencies  
 Transfers In or Transfers Out  
 Interagency Capital Asset Transfers  
 Legislative Transfers In or Legislative Transfers Out

The agency experienced routine transfers with other state agencies, which were consistent with the activities of the fund making the transfer. Repayment of interfund balances occurs within one year from the date of the financial statement.

System component institutions and units had no interfund receivable or interfund payables as of August 31, 2019. Tables included in previous years detailing the other types of interfund activity and transactions above are an optional presentation and are not included in this note.

**Note 13: Continuance Subject to Review**

The System is not subject to the Texas Sunset Act.

**Note 14: Adjustments to Fund Balances and Net Position**

During fiscal year 2019, an adjustment was made that required the restatement of net position and is presented below.

**Business-Type Activities**

<b>Combined Statement of Revenues, Expenses and Changes in Net Position</b>	<b>FY19</b>
Beginning Net Position, September 1 as previously reported	\$ 3,019,405,766.13
Restatement of Beginning Net Position for Capital Asset Gift-in-Kind	5,402,896.46
Beginning Net Position, September 1 as restated	<u>\$ 3,024,808,662.59</u>

During fiscal year 2019, TTU discovered a previously unreported software license had been donated in fiscal year 2017. The recognition of this resulted in restatements to computer software - intangible, accumulated amortization, net position and amortization expense.

There were also reclassifications of several items in the financial records of System component institutions resulting in the restatement of comparative financial statement balances for the year ended August 31, 2019. These reclassifications required no restatement of fund balances or net position. The table below summarizes the restatement to net position as well as the reclassifications:

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**Texas Tech University System (793) – Notes to the Combined Financial Statements (continued)**

Statement	Description	Restatement and Reclassification Amounts		
		FY18 as Reported	Correction	FY18 Restated
SNP	Current Cash and Cash Equivalents	\$ 343,672,825.55	\$ 1,452,068.95	\$ 345,124,894.50
SNP	Current Restricted Cash and Cash Equivalents	65,871,543.94	(1,452,068.95)	64,419,474.99
SNP	Investments	987,744,724.60	(22,481,275.43)	965,263,449.17
SNP	Restricted Investments	1,136,162,136.94	22,481,275.43	1,158,643,412.37
SNP	Capital Assets Depreciable or Amortizable	3,226,629,227.70	10,237,066.98	3,236,866,294.68
SNP	Accumulated Depreciation and Amortization	(1,809,271,726.48)	(4,834,170.52)	(1,814,105,897.00)
	Total Asset Correction		5,402,896.46	
SNP	Current Capital Lease Obligations	\$ 209,516.61	\$ (209,516.61)	\$ 0.00
SNP	Current Capital Lease - Direct Borrowings	0.00	209,516.61	209,516.61
SNP	Non-Current Capital Lease Obligations	450,919.58	(450,919.58)	0.00
SNP	Non-Current Capital Lease - Direct Borrowings	0.00	450,919.58	450,919.58
	Total Liability Correction		0.00	
SNP	Net Investment in Capital Assets	\$ 1,011,250,857.88	\$ 5,402,896.46	\$ 1,016,653,754.34
SNP	Restricted Expendable Debt Service	64,190,115.90	4,350,664.40	68,540,780.30
SNP	Restricted Expendable Other	477,015,689.41	16,860,443.09	493,876,132.50
SNP	Unrestricted	722,826,975.91	(21,211,107.49)	701,615,868.42
	Total Net Position Correction		5,402,896.46	
SRECNP	Local Governmental Grants and Contracts - Non-Pledged	\$ 63,787,844.82	\$ 55,546,699.60	\$ 119,334,544.42
SRECNP	Nongovernmental Grants and Contracts - Non-Pledged	171,887,560.37	(55,546,699.60)	116,340,860.77
	Total Operating Revenues		0.00	
SRECNP	Depreciation and Amortization	\$ 126,559,616.16	\$ 3,412,355.66	\$ 129,971,971.82
	Total Operating Expenses		3,412,355.66	
SRECNP	Private Gifts - Non-Pledged	\$ 32,644,548.29	\$ (2,702,012.41)	\$ 29,942,535.88
SRECNP	Investment Income (Expense) - Non-Pledged	48,481,099.21	698,750.79	49,179,850.00
SRECNP	Investment Income (Expense) - Pledged	34,234,275.19	(698,750.79)	33,535,524.40
	Total Nonoperating Revenues (Expenses)		(2,702,012.41)	
SRECNP	Contributions to Permanent and Term Endowments	\$ 18,044,084.70	\$ 2,702,012.41	\$ 20,746,097.11
	Total Other Revenues, Expenses, and Transfers		2,702,012.41	
Cash Flow	Proceeds from Other Financing Activities	\$ 7,842,515.16	\$ 84,974.35	\$ 7,927,489.51
Cash Flow	Payments for Principal Paid on Capital Debt	(82,873,000.00)	(242,472.38)	(83,115,472.38)
Cash Flow	Payments for Capital Leases	(242,472.38)	242,472.38	0.00
Cash Flow	Payments for Other Costs on Debt Issuance	0.00	(84,974.35)	(84,974.35)
	Total Cash Flows		0.00	
Cash Flow	Borrowing Under Capital Lease Purchase	\$ 902,908.57	\$ (902,908.57)	\$ 0.00
Cash Flow	Other	(1,179,763.83)	902,908.57	(276,855.26)
	Total Noncash Transactions		0.00	

The Carr Foundation had no restatements or adjustments to fund balance or net position for the year ended August 31, 2019.

**Texas Tech University System (793) – Notes to the Combined Financial Statements (continued)****Note 15: Contingencies and Commitments****Contingencies*****Unpaid Claims and Lawsuits***

At August 31, 2019 the following contingent claims were pending for TTUHSC:

***Section 1115 Waiver Payments:***

The Texas Health and Human Services Commission (HHSC) annually completes a reconciliation of Section 1115 Transformation Waiver Uncompensated Care payments to allowable uncompensated costs reported by participating hospitals/physicians. TTUHSC reversed a previously accrued liability in the amount of \$1,565,000 related to Demonstration Year 2 (DY2) since significant time has passed and no notification related to excess uncompensated care has been received.

***Texas Tech Physician Associates:***

On April 29, 2019, the United States Court of Appeals for the Fifth Circuit affirmed the March 28, 2018 judgment of the United States District Court for the Northern District of Texas – Lubbock Division that pursuant to the decision of the Department of Health and Human Services Departmental Appeals Board, Texas Tech Physician Associates (TTPA) must return \$7,988,526 in fees that it received from the Centers for Medicare and Medicaid Services (CMS) during its participation in a Medicare demonstration project. Pursuant to a related Subcontract Agreement between TTPA and TrailBlazer Health Enterprises, LLC (TrailBlazer), TrailBlazer will be at risk for up to, but not more than, the full amount of fees received from TTPA and will reduce the amount owed by TTPA by 54.55%. TTPA is currently in settlement negotiations with Health and Human Services to determine the amount of fees that must be returned for TTPA's participation in the Medicare demonstration project. A related liability in the amount of \$7,988,526, as well as a contract receivable in the amount of \$4,357,741, are reflected in the System's financial statements and in the condensed financial statements for TTPA presented in Note 19.

At August 31, 2019, other lawsuits involving the System were pending. While the ultimate liability with respect to litigation and other claims asserted against the System cannot be precisely estimated at this time, such liability, to the extent not provided for by insurance or otherwise, is in legal counsel's opinion, not likely to have a material effect on the System.

***Federal Assistance***

The System component institutions receive federal grants for specific purposes that are subject to review or audit by federal grantor agencies. Such audits could lead to a request for reimbursements to grantor agencies for expenditures disallowed under the terms of the grant. Based on prior experience, management believes such disallowances, if any, would be immaterial.

***Arbitrage***

Rebatable arbitrage is defined by Internal Revenue Code, Section, 148 as earnings on investments purchased with the gross proceeds of a bond issue in excess of the amount that would have been earned if the investments were invested at a yield equal to the yield on the bond issue. The rebatable arbitrage must be paid to the federal government. The System monitors its investments to restrict earnings to a yield less than the bond issue and, therefore, limit any arbitrage liability. For fiscal years 2019 and 2018, the System recorded no rebatable arbitrage.

## Texas Tech University System (793) – Notes to the Combined Financial Statements (continued)

**Commitments*****Investment Funds***

The System entered into capital commitments with investment managers for future funding of investment funds. Investment funds include hedge fund pools, private investment pools, public market funds and other alternative investments managed by external investment managers.

As of August 31, 2019 and August 31, 2018, the remaining commitment - domestic for the System was \$221,362,453.00 and \$142,263,061.88, respectively.

As of August 31, 2019 and August 31, 2018, the remaining commitment – domestic for the Carr Foundation was \$27,328,586.00 and \$17,878,530.12, respectively.

**Note 16: Subsequent Events**

The System intends to issue the following Revenue Financing System Commercial Paper Notes after August 31, 2019 as follows:

Issuance	Series	Amount	Date of Issuance	Purpose
Revenue Financing System Commercial Paper Notes, Tax-Exempt and Taxable	A	\$ 19,755,000	11/21/2019	Reimburse for incurred expenditures and acquire new proceeds on the construction of ASU Centennial Village Residence Hall Phase II, ASU Mayer Museum and Art Classroom Facility, TTU Talkington College of Visual and Performing Arts Building, TTU School of Veterinary Medicine Facilities, ASU Food Service Center Renovation and TTU Dairy Barn Renovation.
Revenue Financing System Commercial Paper Notes, Tax-Exempt and Taxable	A	\$ 2,709,000	12/16/2019	For refunding Angelo State University's (ASU) Texas State University System (TSUS) parity obligation of callable bonds on December 17, 2019 and to acquire new proceeds on the construction of HSC Midland PA Facility.

On October 24, 2019, the TSUS priced bond series 2019A to current refund all callable 2010 series bonds of which entails the residual portion of ASU TSUS parity obligation set to close December 17, 2019. On October 4, 2019, the System Board of Regents delegated authority to the chancellor or a chancellor's designee to execute any and all documents for the refunding of ASU's TSUS parity obligation ahead of TSUS pricing the new bond. As a result, ASU's TSUS parity obligation will be paid in full on the call date of March 15, 2020.

**Note 17: Risk Management**

The System, by State law, is required to be a participant in the Workers Compensation Program and Pool managed by the State Office of Risk Management (SORM). The System component institutions are assessed fees by SORM based upon claims experience, claim incidences, payroll size and full-time equivalent (FTE). SORM also determines the methodology for allocation to the major fund groups. SORM pays all workers' compensation insurance claims. The Worker's Compensation plan for the fiscal year was funded by a .25 percent charge on non-educational and general gross payroll for paying its proportionate share of the SORM assessment.

The System has self-insured arrangements for Unemployment Compensation Fund coverage. The State of Texas pays 50% of claims for employees paid from state funds. The System pays the remainder for employees paid

**Texas Tech University System (793) – Notes to the Combined Financial Statements (continued)**

from state funds and 100% of the claims paid from non-state funds. The claims for employees paid from non-state funds are funded by interest earnings on the Unemployment Compensation Fund balance and utilization of fund balance.

Two component institutions of the System, TTUHSC and TTUHSC at El Paso, have self-insured arrangements for medical malpractice coverage through a medical malpractice self-insurance plan. The plan is managed by the Office of General Counsel, and the associated liability is adjusted annually based on actuarially estimated incurred but not reported (IBNR) liability to reflect the anticipated future claims related to past medical services. The information below includes current year accruals and associated payments in addition to the liabilities accrued in Note 5.

Changes in the balances of the agency's claims liabilities during fiscal years 2019 and 2018 are presented in the table below.

<b>Claims and Judgments</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
FY 2019	\$ 6,958,138.00	\$ 8,760,218.56	\$ (2,049,276.56)	\$ 13,669,080.00
FY 2018	\$ 7,857,022.00	\$ 530,623.77	\$ (1,429,507.77)	\$ 6,958,138.00

The increase in fiscal year 2019 includes the TTPA contingency and miscellaneous claims and judgments. The increase in fiscal year 2018 includes miscellaneous claims and judgments. The decrease for fiscal years 2019 and 2018 was for the payment of miscellaneous claims and the required actuarial adjustment for the medical malpractice self-insurance fund liability. The liability is actuarially estimated to reflect the anticipated future claims for past medical services, and is adjusted annually based on an actuarially estimated incurred but not reported (IBNR) liability.

**Note 18: Management's Discussion and Analysis**

The System is governed, controlled, and directed by a ten-member Board of Regents, who are appointed by the Governor of Texas and confirmed by the legislature. All members of the board serve six-year staggered terms with the exception of one (non-voting) student regent who serves a one-year term. Actions of the Board of Regents are guided by the Regents' Rules and Regulations. A list of the current members of the Board of Regents is included in the organizational data.

Chancellor Tedd L. Mitchell serves as the chief executive officer of the System, a position that is appointed by the Board of Regents. As chief executive officer, Chancellor Mitchell leads System policy and has direct oversight of all operations at the four universities (component institutions). An Executive Leadership team guides the System in areas including finance, legal affairs, advancement services, and governmental relations, along with other strategic functions. Each of the four institutions has a president who is appointed by the chancellor. The president is the chief executive officer of that university and is responsible for its operation.

Formally established by the Texas Legislature in 1999, the System is composed of a central administration, two general academic institutions and two health-related institutions. The component institutions of the System are Texas Tech University (TTU), Texas Tech University Health Sciences Center (TTUHSC), Texas Tech University Health Sciences Center El Paso (TTUHSC El Paso), Angelo State University (ASU) and Texas Tech University System Administration (TTUSA). In its young history, the System has emerged as a nationally acclaimed higher education system. Headquartered in Lubbock, Texas, the System operates 18 campuses and academic sites throughout the State of Texas and internationally. The System has locations statewide in Abilene, Amarillo, Cleburne, Dallas, El Paso, Fredericksburg, Highland Lakes, Junction, Lubbock, Midland, Odessa, San Angelo

**Texas Tech University System (793) – Notes to the Combined Financial Statements (continued)**

and Waco. Internationally, the System has locations in Seville, Spain and San Jose, Costa Rica. The total enrollment across all component institutions is more than 55,000 students as of Fall 2019.

In fiscal year 2019, the System maintained stellar financial ratings with all three of the industry's top credit rating agencies: Standard & Poor (AA+), Moody's (Aa1) and Fitch (AA+). The System's credit ratings are among the top 25% of all public higher education institutions nationwide. The System employs more than 18,300 faculty and staff and has an annual combined operating budget of more than \$2.2 billion consisting of revenues from the following sources: 43% designated funding, 27% appropriated funds by the Texas Legislature, 19% restricted funds, and 11% from auxiliaries.

The System is committed to providing the highest quality and most efficient resources and services to its components. Throughout all institutions and centers, the System strives to enhance student success, strengthen academic quality, expand research, and promote community outreach.

**Note 19: The Financial Reporting Entity**

The combined financial statements of the System include all component institutions comprising the System – Texas Tech University (TTU), Texas Tech University Health Sciences Center (TTUHSC), Texas Tech University Health Sciences Center at El Paso (TTUHSC at El Paso), Angelo State University (ASU) and Texas Tech University System Administration (TTUSA). Amounts due between and among component institutions and other duplications in reporting are eliminated in combining the financial statements.

Also included in these combined financial statements are the component units listed below.

**Individual Component Unit Disclosures*****Blended Component Units***

The financial transactions and records of the following component units are blended with the financial transactions and records of the System component institutions due to the significance of their operational or financial relationship with the System.

The Texas Tech Foundation, Inc. (TTFI) is a Texas nonprofit corporation qualified under section 501(c)(3) of the Internal Revenue Code, as amended, and exempt from income taxes. TTFI was founded to financially support and serve the fundraising needs of all colleges, schools, programs, and campuses of the System and the component institutions of the System. TTFI was formed to seek and obtain gifts for all the System component institutions; to receive, hold, invest and administer property of any type given to the component institutions; and to make expenditures to or for the benefit of the System component institutions. For the fiscal year 2019, the members of the TTFI Board are appointed by and serve at the will of the System Board of Regents. This Board of Regents also has the ability to veto, override or modify decisions of TTFI, and they can modify or approve TTFI's budget. Based on these criteria, the financial transactions of TTFI have been blended into the financial statements of the System. August 31 is the Foundation's fiscal year end, and the Foundation's financial statements may be obtained from the TTUS Office of Institutional Advancement, located at 1508 Knoxville Avenue, Suite 315, Lubbock, TX 79409.

Texas Tech Physician Associates (TPPA), whose principal office and financial records are located at Provider Payor Relations, 3601 4<sup>th</sup> St. Lubbock, TX 79430, is a certified non-profit health corporation authorized under the Medical Practice Act Section 5.01(a), article 4495b of the State of Texas. TPPA was organized and is operated exclusively for the benefit of, to perform the function of, or to carry out the purposes of TTUHSC and TTUHSC at El Paso, and its financial records are blended with those of TTUHSC and TTUHSC at El Paso. TPPA is exempt from tax under Internal Revenue Service code section 501(c)(3). The TTUHSCs have the sole and exclusive right to appoint the nine member Board of Directors. The TTUHSCs control all financial and operational

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**Texas Tech University System (793) – Notes to the Combined Financial Statements (continued)**

transactions of TTPA including developing and approving the annual and capital budgets of TTPA, appointing and removing directors and officers of the Board, entering into contracts, sales or leases, giving or seeking grants, and approving financial expenditures; therefore, the financial transactions of TTPA have been blended into the financial statements of TTUHSC and TTUHSC at El Paso. TTPA's fiscal year end is August 31.

The Angelo State University Foundation, Inc. (ASUF) was formed exclusively for the benefit of ASU, and is a public, non-profit organization established to provide financial assistance to ASU, primarily from gifts and earnings on endowed funds. ASUF oversees management, investment and distribution of all funds for the furtherance of educational purposes at ASU. ASU provides the foundation with office space, telephone service, utilities and the use of other equipment and facilities. ASU also authorizes its officers and employees, as a part of their regular duties, to perform administrative tasks for, and solicit funds on behalf of, the foundation. The financial transactions of ASUF have been blended into the financial statements of Angelo State University. The financial records of ASUF may be obtained from Angelo State University, 2601 W. Ave N., San Angelo, TX 76909. ASUF's fiscal year end is August 31.

The condensed financial statements for the System blended component units as of August 31, 2019 are presented below.

	<b>Blended Component Units</b>		
	<b>TTFI</b>	<b>TTPA</b>	<b>ASUF</b>
<b>Condensed Statement of Net Position</b>			
Total Assets	\$ 712,971,429.35	\$ 8,732,666.14	\$ 31,942,184.13
Total Liabilities and Deferred Inflows of Resources	3,823,263.29	8,557,274.27	8,668.53
Net Position:			
Net Investment in Capital Assets			
Restricted:			
Nonexpendable:			
Endowments	521,886,247.91	0.00	19,884,258.20
Expendable:			
Other	180,461,284.73	0.00	12,049,257.40
Unrestricted	6,800,633.42	175,391.87	0.00
Total Net Position	\$ 709,148,166.06	\$ 175,391.87	\$ 31,933,515.60

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Texas Tech University System (793) – Notes to the Combined Financial Statements (continued)

	Blended Component Units		
	TTFI	TTPA	ASUF
<b>Condensed Statement of Revenues, Expenses and Changes in Net Position</b>			
Operating Revenues			
Other Sales and Services	\$ 37,450.00	\$ 0.00	\$ 0.00
Professional Fees	0.00	27,937,752.59	0.00
Federal Grants and Contracts	0.00	163,056.84	0.00
Nongovernmental Grants and Contracts	1,257,366.03	4,637,218.34	0.00
	1,294,816.03	32,738,027.77	0.00
Operating Expenses			
Professional Fees and Services	204,475.28	739,725.18	10,475.00
Travel	129,630.43	0.00	10,451.30
Materials and Supplies	26,856.92	7.45	284,399.42
Communications and Utilities	1,012.99	0.00	0.00
Repairs and Maintenance	2,679.02	0.00	0.00
Rentals and Leases	76,155.44	0.00	11,521.09
Printing and Reproduction	18,724.69	0.00	2,954.00
Claims and Judgments	0.00	6,844,762.11	0.00
Other Operating Expenses	1,063,950.04	17,763.81	1,709,500.97
Distributions to Component Institutions	63,757,254.26	0.00	0.00
	65,280,739.07	7,602,258.55	2,029,301.78
Operating Income (Loss)	(63,985,923.04)	25,135,769.22	(2,029,301.78)
Nonoperating Revenues (Expenses)			
Private Gifts	19,737,250.79	675.00	10,898,979.19
Investment Income (Expense)	(1,139,691.76)	95,243.81	(453,737.89)
Other Nonoperating Revenues (Expenses)	598,822.70	0.00	621,308.01
Total Nonoperating Revenues and Expenses	19,196,381.73	95,918.81	11,066,549.31
Other Revenues, Expenses, Gains, Losses and Transfers			
Capital Contributions	53,226,995.78	0.00	0.00
Contributions to Permanent and Term Endowments	23,951,752.34	0.00	0.00
Transfers to Components/Other Funds	0.00	(27,622,141.55)	(4,954,764.27)
Total Other Revenues, Expenses, Gains, Losses and Transfers	77,178,748.12	(27,622,141.55)	(4,954,764.27)
Total Change in Net Position	32,389,206.81	(2,390,453.52)	4,082,483.26
Beginning Net Position (September 1)	\$ 676,758,959.25	\$ 2,565,845.39	\$ 27,851,032.34
Ending Net Position (August 31)	\$ 709,148,166.06	\$ 175,391.87	\$ 31,933,515.60



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Texas Tech University System (793) – Notes to the Combined Financial Statements (continued)

	Blended Component Units		
	TTFI	TTPA	ASUF
<b>Condensed Statement of Cash Flows</b>			
Net Cash Provided (Used) by Operating Activities	\$ (64,031,444.03)	\$ 27,643,192.03	\$ (2,025,335.33)
Net Cash Provided (Used) by Noncapital Financing Activities	45,006,578.60	(27,622,141.55)	6,565,522.93
Net Cash Provided (Used) by Capital and Related Financing Activities	27,300,821.64	0.00	0.00
Net Cash Provided (Used) by Investing Activities	(9,362,784.11)	95,918.81	(5,042,294.35)
Total Net Cash Flows	(1,086,827.90)	116,969.29	(502,106.75)
Beginning Cash and Cash Equivalents - (September 1)	\$ 5,145,258.35	\$ 4,209,979.67	\$ 3,543,783.16
Ending Cash and Cash Equivalents (August 31)	\$ 4,058,430.45	\$ 4,326,948.96	\$ 3,041,676.41

***Discretely Presented Component Unit***

The Angelo State University Robert G. Carr and Nona K. Carr Scholarship Foundation financial statements are included at the end of this report as a discretely presented component unit of the System. The Foundation is a legally separate testamentary trust organization described in Internal Revenue Code Section 509(a)(3) as being exempt from income taxes under IRC Section 501(c)(3), and was established solely for the benefit of providing academic scholarships to the students of Angelo State University. The nine member Foundation Board of Trustees is comprised of all members of the TTU System Board of Regents, who have the ability to appoint, hire, reassign or dismiss those persons responsible for the operation of the Foundation. The Foundation has a fiscal year end of August 31, and the financial records of the Foundation are audited annually by an independent accounting firm. The Foundation's complete audited financial statements can be obtained from the Carr Foundation at Box 11007C, ASU Station, San Angelo, TX 76909.

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

The System has no material stewardship, compliance, and accountability issues.

**Note 21: N/A**

## Texas Tech University System (793) – Notes to the Combined Financial Statements (continued)

**Note 22: Donor-Restricted Endowments**

Expenditure of endowed funds, in accordance with Texas Uniform Prudent Management of Institutional Funds Act (UPMIFA), is not allowed without the express consent of the donor. Most of the System's endowments are held in perpetuity. In many cases, endowment earnings are expendable for student financial assistance or other purposes as designated by the donor. In other cases, endowment earnings are reinvested.

The net appreciation (cumulative and unexpended) on donor-restricted endowments presented below is available for authorization and expenditure by the System. The System's spending policy for endowments reflects an objective to distribute as much of total return as is consistent with overall investment objectives while protecting the real value of the endowment corpus.

The target distribution is set by policy to be between 4 and 6 percent of the moving average market value for endowments over the preceding 12 quarters.

Donor-Restricted Endowments	Amount of Net Appreciation *		Reported in Combined Statement of Net Position
	FY19	FY18	
True Endowments	\$ 106,030,186.50	\$ 150,796,762.04	Restricted Expendable
Term Endowments	0.00	0.00	Restricted Expendable
Total	<u>\$ 106,030,186.50</u>	<u>\$ 150,796,762.04</u>	

\*There was a negative fair value adjustment totaling \$(44,813,021.59) for fiscal year 2019, and a positive fair value adjustment of \$23,979,348.16 for fiscal year 2018.

Term endowments reported \$0.00 for net appreciation due to the endowments being underwater in both fiscal years 2019 and 2018.

Variances from prior year ending balances for the System are shown in the table below:

Endowment Funds	Changes from Prior Year Balances	
	Increase/(Decrease)	Reason for Change
<b>Expendable Balances</b>		
True Endowments	\$ (44,766,575.54)	Fair value decrease in portfolio
Term Endowments	(46,446.05)	Transfers out exceed historical gift amounts
Total	<u>\$ (44,813,021.59)</u>	

**Discrete Component Unit**

Donor-Restricted Endowments	Amount of Net Appreciation *		Reported in Combined Statement of Net Position
	FY19	FY18	
True Endowments	\$ 0.00	\$ 5,386,241.51	Restricted Expendable

\*There was a negative fair value adjustment totaling \$(10,711,713.94) for fiscal year 2019, and a positive fair value adjustment of \$592,119.86 for fiscal year 2018.

**Texas Tech University System (793) – Notes to the Combined Financial Statements (continued)**

True endowments reported \$0.00 for net appreciation due to the endowments being underwater in fiscal year 2019.

Variances from prior year ending balances for the Carr Foundation are shown in the table below:

<b><u>Changes from Prior Year Balances</u></b>		
<b>Endowment Funds</b>	<b>Increase/(Decrease)</b>	<b>Reason for Change</b>
<b>Expendable Balances</b>		
True Endowments	\$ (10,711,713.94)	Fair value decrease in portfolio

**Note 23: Extraordinary and Special Items**

The System has no special or extraordinary items to report as of August 31, 2019, nor for the year ended August 31, 2018.

**Note 24: Disaggregation of Receivable and Payable Balances**

The System has no reportable disaggregation of receivable and payable balances as of August 31, 2019, nor as of August 31, 2018.

**Note 25: Termination Benefits**

The System has voluntary and involuntary terminations in the ordinary course of business. Payments for related termination benefits, when offered, were immaterial. Thus, the System has no reportable benefits as of August 31, 2019 or as of August 31, 2018.

**Note 26: Segment Information**

The System has no reportable segments as of August 31, 2019 or as of August 31, 2018.

**Note 27: Service Concession Arrangements**

The System had no service concession arrangements as of August 31, 2019 or as of August 31, 2018.

## Texas Tech University System (793) – Notes to the Combined Financial Statements (continued)

**Note 28: Deferred Outflows of Resources and Deferred Inflows of Resources**

In fiscal year 2019 and fiscal year 2018, the System reported deferred outflows and deferred inflows of resources in connection with its defined benefit pension plan, postemployment benefits other than pensions, debt refunding, and split-interest agreements as presented below.

<b>Fiscal Year</b>	<b>Business-Type Activities</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
FY19	Defined Benefit Pension Plans (Note 9)	\$ 161,343,312.00	\$ 28,435,530.00
	Postemployment Benefits Other Than Pensions (Note 11)	634,973,744.00	310,034,113.00
	Bond/Debt Refunding	0.00	0.00
	Split-interest Agreements	0.00	21,843,963.58
	Total	<u>\$ 796,317,056.00</u>	<u>\$ 360,313,606.58</u>
FY18	Defined Benefit Pension Plans (Note 9)	\$ 41,671,111.00	\$ 41,610,894.00
	Postemployment Benefits Other Than Pensions (Note 11)	2,934,984.00	63,442,087.00
	Bond/Debt Refunding	1,287,966.95	0.00
	Split-interest Agreements	0.00	16,464,447.48
	Total	<u>\$ 45,894,061.95</u>	<u>\$ 121,517,428.48</u>

**Note 29: Troubled Debt Restructuring**

The System had no outstanding receivables whose terms were modified pursuant to troubled debt restructuring for the year ended August 31, 2019, or for the year ended August 31, 2018.

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

The System had no non-exchange financial guarantees to report for the year ended August 31, 2019, or for the year ended August 31, 2018.

**Note 31: Tax Abatements**

The System had no tax abatement arrangements for the years ended August 31, 2019 or August 31, 2018.

**Note 32: Governmental Fund Balances**

Not applicable.

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TEXAS TECH UNIVERSITY SYSTEM (793)

**COMBINED  
SUPPORTING SCHEDULES**

**Texas Tech University System (793)**  
**Combined Schedule 1A - Schedule of Expenditures of Federal Awards**  
**For the Year Ended August 31, 2019**

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The information contained in this schedule is submitted through the State Comptroller Schedule of Expenditures of Federal Awards web application. This schedule is no longer required to be presented.

**Texas Tech University System (793)**  
**Combined Schedule 1B - Schedule of State Grant Pass-Throughs From/To State Agencies**  
**For the Year Ended August 31, 2019**

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The information contained in this schedule is submitted through the State Comptroller State Pass-Through Reporting web application.  
This schedule is no longer required to be presented.

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**Texas Tech University System (793)**  
**Combined Schedule 2A - Miscellaneous Bond Information**  
**For the Year Ended August 31, 2019**

Description of Issue	Bonds		Range of		Scheduled Maturities		First
	Issued		Interest Rates		First	Final	Call
	to Date				Year	Maturity Date	Date
Revenue Bonds							
Rev Fin Sys Ref & Imp Bds 12th Ser '09	\$ 170,825,000.00	3.0000%	5.2500%		2009	2/15/2038	2/15/2019
Rev Fin Sys Ref & Imp Bds 14th Ser '12A	163,240,000.00	2.0000%	5.0000%		2012	8/15/2041	8/15/2021
Rev Fin Sys Ref Bds Tax 15th Ser '12B	27,585,000.00	0.4000%	4.4400%		2012	8/15/2031	8/15/2021
Rev Fin Sys Ref & Imp Bds 16th Ser '15A	73,255,000.00	2.0000%	5.0000%		2016	2/15/2040	2/15/2025
Rev Fin Sys Ref & Imp Bds Tax 17th Ser '15B	245,315,000.00	0.2950%	4.1720%		2015	2/15/2045	2/15/2025
Rev Fin Sys Ref & Imp Bds Ser '17A	79,035,000.00	4.0000%	5.0000%		2017	2/15/2036	2/15/2027
Rev Fin Sys Ref & Imp Bds Tax Ser '17B	295,700,000.00	0.9000%	4.0000%		2017	2/15/2038	2/15/2027
Total	\$ 1,054,955,000.00						



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**Texas Tech University System (793)**  
**Combined Schedule 2B - Changes in Bonded Indebtedness**  
**For the Year Ended August 31, 2019**

Description of Issue	Bonds Outstanding 9/1/18	Bonds Issued	Bonds Matured or Retired	Bonds Refunded or Extinguished	Par Value Adjustments	Bonds Outstanding 8/31/19
Revenue Bonds						
Rev Fin Sys Ref & Imp Bds 12th Ser '09	\$ 4,975,000.00		\$ 4,975,000.00			\$ 0.00
Rev Fin Sys Ref & Imp Bds 14th Ser '12A	112,005,000.00		10,040,000.00			101,965,000.00
Rev Fin Sys Ref Bds Tax 15th Ser '12B	21,595,000.00		1,345,000.00			20,250,000.00
Rev Fin Sys Ref & Imp Bds 16th Ser '15A	68,500,000.00		2,450,000.00			66,050,000.00
Rev Fin Sys Ref & Imp Bds Tax 17th Ser '15B	192,790,000.00		22,810,000.00			169,980,000.00
Rev Fin Sys Ref & Imp Bds Ser '17A	75,775,000.00		3,275,000.00			72,500,000.00
Rev Fin Sys Ref & Imp Bds Tax Ser '17B	278,735,000.00		15,980,000.00			262,755,000.00
Total	\$754,375,000.00	\$ 0.00	\$ 60,875,000.00	\$ 0.00	\$ 0.00	\$693,500,000.00

Description of Issue	Unamortized Premium	Unamortized Discount	Other Adjustments	Net Bonds Outstanding 8/31/19	Amounts Due Within One Year
Revenue Bonds					
Rev Fin Sys Ref & Imp Bds 12th Ser '09	\$ 0.00			\$ 0.00	\$ 0.00
Rev Fin Sys Ref & Imp Bds 14th Ser '12A	6,514,553.00			108,479,553.00	11,737,894.45
Rev Fin Sys Ref Bds Tax 15th Ser '12B				20,250,000.00	1,385,000.00
Rev Fin Sys Ref & Imp Bds 16th Ser '15A	3,485,821.40			69,535,821.40	3,010,403.60
Rev Fin Sys Ref & Imp Bds Tax 17th Ser '15B				169,980,000.00	22,860,000.00
Rev Fin Sys Ref & Imp Bds Ser '17A	8,692,629.35			81,192,629.35	4,605,803.35
Rev Fin Sys Ref & Imp Bds Tax Ser '17B				262,755,000.00	22,420,000.00
Total	\$ 18,693,003.75	\$ 0.00	\$ 0.00	\$712,193,003.75	\$ 66,019,101.40

Note: The 14th Series amount due within one year includes bond premium amortization of \$1,202,894.45. The 16th Series amount due within one year includes bond premium amortization of \$410,403.60. The 2017A Series amount due within one year includes bond premium amortization of \$1,190,803.35.

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## Texas Tech University System (793) Combined Schedule 2C - Debt Service Requirements For the Year Ended August 31, 2019

Description of Issue	Fiscal Year	Principal	Interest	Total
Revenue Bonds				
Rev Fin Sys Ref & Imp Bds 14th Ser '12A				
	2020	\$ 10,535,000.00	\$ 4,870,375.00	\$ 15,405,375.00
	2021	10,765,000.00	4,343,625.00	15,108,625.00
	2022	8,865,000.00	3,886,112.50	12,751,112.50
	2023	4,195,000.00	3,509,350.00	7,704,350.00
	2024	3,735,000.00	3,299,600.00	7,034,600.00
	2025-2029	20,340,000.00	13,574,500.00	33,914,500.00
	2030-2034	23,200,000.00	8,183,250.00	31,383,250.00
	2035-2039	16,140,000.00	2,599,000.00	18,739,000.00
	2040-2041	4,190,000.00	253,000.00	4,443,000.00
		101,965,000.00	44,518,812.50	146,483,812.50
Rev Fin Sys Ref Bds Tax 15th Ser '12B				
	2020	1,385,000.00	788,943.50	2,173,943.50
	2021	1,425,000.00	748,224.50	2,173,224.50
	2022	1,465,000.00	704,477.00	2,169,477.00
	2023	1,515,000.00	656,571.50	2,171,571.50
	2024	1,570,000.00	604,001.00	2,174,001.00
	2025-2029	8,815,000.00	2,060,864.00	10,875,864.00
	2030-2031	4,075,000.00	273,282.00	4,348,282.00
		20,250,000.00	5,836,363.50	26,086,363.50
Rev Fin Sys Ref & Imp Bds 16th Ser '15A				
	2020	2,600,000.00	2,571,106.26	5,171,106.26
	2021	2,690,000.00	2,478,756.26	5,168,756.26
	2022	1,855,000.00	2,410,581.26	4,265,581.26
	2023	1,935,000.00	2,334,381.26	4,269,381.26
	2024	2,035,000.00	2,235,131.26	4,270,131.26
	2025-2029	20,080,000.00	9,370,552.55	29,450,552.55
	2030-2034	29,940,000.00	4,471,230.05	34,411,230.05
	2035-2039	4,055,000.00	525,809.39	4,580,809.39
	2040	860,000.00	15,587.50	875,587.50
		66,050,000.00	26,413,135.79	92,463,135.79

# UNAUDITED

**Texas Tech University System (793)**  
**Combined Schedule 2C - Debt Service Requirements**  
**For the Year Ended August 31, 2019**

Description of Issue	Fiscal Year	Principal	Interest	Total
Rev Fin Sys Ref & Imp Bds Tax 17th Ser '15B				
	2020	\$ 22,860,000.00	\$ 4,840,978.98	\$ 27,700,978.98
	2021	20,870,000.00	4,346,030.71	25,216,030.71
	2022	15,665,000.00	3,885,104.96	19,550,104.96
	2023	16,095,000.00	3,455,693.81	19,550,693.81
	2024	16,570,000.00	2,995,323.48	19,565,323.48
	2025-2029	47,735,000.00	9,214,992.58	56,949,992.58
	2030-2034	14,525,000.00	4,621,205.65	19,146,205.65
	2035-2039	7,010,000.00	2,444,787.40	9,454,787.40
	2040-2044	7,055,000.00	1,093,168.30	8,148,168.30
	2045	1,595,000.00	33,271.70	1,628,271.70
		<u>169,980,000.00</u>	<u>36,930,557.57</u>	<u>206,910,557.57</u>
Rev Fin Sys Ref & Imp Bds Ser '17A				
	2020	3,415,000.00	3,500,625.00	6,915,625.00
	2021	3,560,000.00	3,326,250.00	6,886,250.00
	2022	3,825,000.00	3,141,625.00	6,966,625.00
	2023	3,995,000.00	2,946,125.00	6,941,125.00
	2024	4,210,000.00	2,741,000.00	6,951,000.00
	2025-2029	24,025,000.00	10,269,625.00	34,294,625.00
	2030-2034	20,170,000.00	4,254,500.00	24,424,500.00
	2035-2036	9,300,000.00	369,000.00	9,669,000.00
		<u>72,500,000.00</u>	<u>30,548,750.00</u>	<u>103,048,750.00</u>
Rev Fin Sys Ref & Imp Bds Tax Ser '17B				
	2020	22,420,000.00	7,908,438.44	30,328,438.44
	2021	22,890,000.00	7,429,525.39	30,319,525.39
	2022	21,620,000.00	6,890,857.93	28,510,857.93
	2023	22,190,000.00	6,305,871.47	28,495,871.47
	2024	21,665,000.00	5,678,064.72	27,343,064.72
	2025-2029	96,885,000.00	18,396,695.00	115,281,695.00
	2030-2034	47,675,000.00	4,393,872.75	52,068,872.75
	2035-2038	7,410,000.00	567,400.00	7,977,400.00
		<u>262,755,000.00</u>	<u>57,570,725.70</u>	<u>320,325,725.70</u>
Total Principal and Interest				
	2020	63,215,000.00	24,480,467.18	87,695,467.18
	2021	62,200,000.00	22,672,411.86	84,872,411.86
	2022	53,295,000.00	20,918,758.65	74,213,758.65
	2023	49,925,000.00	19,207,993.04	69,132,993.04
	2024	49,785,000.00	17,553,120.46	67,338,120.46
	2025-2029	217,880,000.00	62,887,229.13	280,767,229.13
	2030-2034	139,585,000.00	26,197,340.45	165,782,340.45
	2035-2039	43,915,000.00	6,505,996.79	50,420,996.79
	2040-2044	12,105,000.00	1,361,755.80	13,466,755.80
	2045	1,595,000.00	33,271.70	1,628,271.70
		<u>\$ 693,500,000.00</u>	<u>\$ 201,818,345.06</u>	<u>\$ 895,318,345.06</u>

UNAUDITED

**Texas Tech University System (793)**  
**Combined Schedule 2D - Analysis of Funds Available for Debt Service**  
**For the Year Ended August 31, 2019**

	Pledged and Other Sources and Related Expenditures for FY2019			
	Net Available for Debt Service			
	Total Pledged and Other Sources	Operating Expenses/Expenditures and Capital Outlay	Debt Service	
Description of Issue			Principal	Interest
Revenue Bonds:				
Rev Fin Sys Ref & Imp Bds 12th Ser '09			\$ 4,975,000.00	\$ 124,375.00
Rev Fin Sys Ref & Imp Bds 14th Ser '12A			10,040,000.00	5,372,375.00
Rev Fin Sys Ref Bds Tax 15th Ser '12B			1,345,000.00	826,200.00
Rev Fin Sys Ref & Imp Bds 16th Ser '15A			2,450,000.00	2,672,106.26
Rev Fin Sys Ref & Imp Bds Tax 17th Ser '15B			22,810,000.00	5,287,212.38
Rev Fin Sys Ref & Imp Bds Ser '17A			3,275,000.00	3,667,875.00
Rev Fin Sys Ref & Imp Bds Tax Ser '17B			15,980,000.00	8,249,034.76
Total	\$ 758,582,250.73	(B)	\$ 60,875,000.00	\$ 26,199,178.40

(A) Beginning balances as of 09/01/18 of \$922,895,265.79 are not included in "Total Pledged and Other Sources."

(B) Expenditures associated with pledged sources were approximately \$708,190,933.40.

UNAUDITED

**Texas Tech University System (793)**  
**Combined Schedule 2E - Defeased Bonds Outstanding**  
**For the Year Ended August 31, 2019**

Description of Issue	Year Defeased	Par Value Outstanding
Revenue Bonds		\$ 0.00
		\$ 0.00

UNAUDITED

**Texas Tech University System (793)**  
**Combined Schedule 2F - Early Extinguishment and Refunding**  
**For the Year Ended August 31, 2019**

Description of Issue	Category	Amount Extinguished or Refunded	Refunding Issue Par Value	Cash Flow Increase (Decrease)	Economic Gain/ (Loss)
Revenue Bonds		\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Total		\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00

UNAUDITED

**Texas Tech University System (793)**  
**Combined Schedule 3 - Reconciliation of Cash in State Treasury**  
**For the Year Ended August 31, 2019**

<b>Cash in State Treasury</b>	<b>Current Unrestricted</b>
Local Revenue (Fund 0227)	\$ 2,365,287.25
Local Revenue (Fund 0239)	25,067,802.39
Local Revenue (Fund 0255)	4,189,457.53
Local Revenue (Fund 0294)	6,289,263.92
Permanent Health Fund - El Paso Campus (Fund 0820)	6,178,421.72
Permanent Health Fund - Other Campuses (Fund 0821)	5,204,618.90
	<hr/>
Total Cash in State Treasury	<u>\$ 49,294,851.71</u>

# UNAUDITED

**Texas Tech University System (793)**  
**Combined Schedule 4A - TTU System's Proportionate Share of Net Pension Liability**  
**For the Years Ended August 31**

	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
TTU System's proportion of the net pension liability	0.6081304%	0.5766112%	0.5788987%	0.5280855%	0.6064722%
TTU System's proportionate share of net pension liability	\$ 334,729,720.00	\$ 184,369,216.00	\$ 218,757,231.00	\$ 186,671,195.00	\$ 162,030,163.65
TTU System's covered payroll	265,427,058.00	242,817,459.00	235,859,714.00	203,038,968.00	222,298,083.81
TTU System's proportionate share of net pension liability as a percentage of its covered payroll	126.11%	75.93%	92.75%	91.94%	72.89%
Plan fiduciary net position as a percentage of the total pension liability	73.74%	82.17%	78.00%	78.43%	83.25%

Note: This schedule is intended to present 10 years of information. Currently only five years of information is available. Information for future years will be added when it becomes available.



# UNAUDITED

**Texas Tech University System (793)**  
**Combined Schedule 4B - TTU System's TRS Employer Contributions**  
**For the Years Ended August 31**

	2019	2018	2017	2016	2015
Statutorily required contributions	\$ 20,836,024.00	\$ 19,279,706.00	\$ 18,680,089.00	\$ 16,750,715.00	\$ 19,273,243.86
Contributions in relation to the statutorily required contributions	20,486,374.00	18,861,478.00	18,429,661.00	15,681,265.00	15,253,844.56
Contribution deficiency (excess)	349,650.00	418,228.00	250,428.00	1,069,450.00	4,019,399.30
TTU System's covered payroll	265,427,058.00	242,817,459.00	235,859,714.00	203,038,968.00	222,298,083.81
Contributions as a percentage of covered payroll	7.72%	7.77%	7.81%	7.72%	6.86%

Note: This schedule is intended to present 10 years of information. Currently only five years of information is available. Information for future years will be added when it becomes available.

UNAUDITED

**Texas Tech University System (793)**  
**Combined Schedule 5A - TTU System's Proportionate Share of Net OPEB Liability**  
**For the Years Ended August 31**

	<b>2019</b>	<b>2018</b>
TTU System's proportion of the net OPEB liability	2.7025980%	0.8421099%
TTU System's proportionate share of the net OPEB liability	\$800,989,039.00	\$286,932,208.00
TTU System's covered payroll	332,960,835.00	98,908,419.00
TTU System's proportionate share of the net OPEB liability as a percentage of its covered payroll	240.57%	290.10%
Plan fiduciary net position as a percentage of the total OPEB liability	1.28%	2.04%

Note: This schedule is intended to present 10 years of information. Currently only two years of information is available. Information for future years will be added when it becomes available.

UNAUDITED

**Texas Tech University System (793)**  
**Combined Schedule 5B - TTU System's ERS Employer Contributions**  
**For the Years Ended August 31**

	<b>2019</b>	<b>2018</b>
Statutorily required contributions	\$ 63,041,982.00	\$ 22,862,931.00
Contributions in relation to the statutorily required contributions	8,745,978.00	7,892,593.19
Contribution deficiency (excess)	54,296,004.00	14,970,337.81
TTU System's covered payroll	332,960,835.00	98,908,419.00
Contributions as a percentage of covered payroll	2.63%	7.98%

Note: This schedule is intended to present 10 years of information. Currently only two years of information is available. Information for future years will be added when it becomes available.

UNAUDITED

**Texas Tech University System (793)**  
**Combined Matrix of Operating Expenses Reported by Function**  
**For the Years Ended August 31, 2019 and 2018**

OPERATING EXPENSES	INSTRUCTION	RESEARCH	PUBLIC SERVICE	HOSPITALS & CLINICS	ACADEMIC SUPPORT	STUDENT SERVICES	INSTITUTIONAL SUPPORT
Cost of Goods Sold	\$ 130,331.38	\$ 0.00	\$ 10,412.68	\$ 0.00	\$ 7,366.20	\$ 1,265.42	\$ 955,069.97
Salaries and Wages	421,930,154.60	123,101,215.90	67,477,816.37	66,697,239.26	130,728,615.13	35,373,587.09	70,471,700.76
Payroll Related Costs	133,444,893.12	44,922,319.71	23,877,723.91	36,294,775.51	57,834,831.72	18,119,229.47	46,296,115.39
Professional Fees and Services	6,817,114.51	2,634,318.98	46,477,668.11	1,130,004.43	9,059,218.78	1,932,199.12	14,589,049.21
Travel	7,276,069.89	6,555,855.95	1,604,005.40	101,561.54	7,108,928.26	2,562,930.76	1,579,454.25
Materials and Supplies	7,891,258.96	12,462,380.42	12,668,495.93	9,534,639.53	11,181,739.08	3,570,058.94	1,875,795.80
Communications and Utilities	2,222,862.16	1,427,761.04	497,099.95	569,466.43	10,667,014.95	1,970,917.40	2,309,609.59
Repairs and Maintenance	1,649,533.24	4,202,280.51	449,166.56	403,970.01	7,520,228.00	1,547,726.73	1,635,894.29
Rentals and Leases	4,315,498.66	788,951.19	1,129,850.88	886,824.83	7,025,189.29	2,109,608.84	2,609,650.80
Printing and Reproduction	419,632.05	452,103.11	266,514.68	166,334.72	1,420,360.11	813,494.24	790,949.63
Federal Grant Pass-Through Expense	27,961.31	100,731.43	621,629.35	0.00	0.00	0.00	0.00
State Grant Pass-Through Expense	0.00	86,824.33	0.00	0.00	0.00	0.00	0.00
Depreciation and Amortization	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Bad Debt Expense	0.00	0.00	0.00	0.00	0.00	166,079.23	440,271.44
Interest	415.94	4,080.84	510.91	136.83	2,633.97	594.11	1,299.22
Scholarships	8,983,301.75	8,573,668.79	375,457.56	0.00	1,980,024.73	648,879.77	12,331.70
Claims and Judgments	57,259.02	0.00	6,859,762.11	0.00	564,858.22	0.00	754.21
Other Operating Expenses	12,103,910.50	16,370,335.92	5,161,770.81	1,988,466.16	37,562,344.16	11,682,104.38	12,875,507.71
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 607,270,197.09</b>	<b>\$ 221,682,828.12</b>	<b>\$ 167,477,885.21</b>	<b>\$ 117,773,419.25</b>	<b>\$ 282,663,352.60</b>	<b>\$ 80,498,675.50</b>	<b>\$ 156,443,453.97</b>

UNAUDITED

**Texas Tech University System (793)**  
**Combined Matrix of Operating Expenses Reported by Function**  
**For the Years Ended August 31, 2019 and 2018**

OPERATING EXPENSES	OPERATION & MAINTENANCE OF PLANT	SCHOLARSHIPS & FELLOWSHIPS	AUXILIARY ENTERPRISES	DEPRECIATION & AMORTIZATION	GRAND TOTAL	Restated 2018
Cost of Goods Sold	\$ 0.00	\$ 0.00	\$ 13,511,286.40	\$ 0.00	\$ 14,615,732.05	\$ 14,145,736.31
Salaries and Wages	18,402,072.44	54,285.08	65,140,638.57	0.00	999,377,325.20	962,624,349.03
Payroll Related Costs	6,656,262.20	2,348.94	34,372,289.48	0.00	401,820,789.45	257,234,309.92
Professional Fees and Services	2,368,480.84	0.00	1,404,475.07	0.00	86,412,529.05	79,679,902.90
Travel	72,851.92	0.00	11,120,782.27	0.00	37,982,440.24	35,146,021.71
Materials and Supplies	5,233,921.27	0.00	13,440,378.76	0.00	77,858,668.69	76,238,672.38
Communications and Utilities	26,249,624.56	0.00	9,186,980.69	0.00	55,101,336.77	54,934,906.55
Repairs and Maintenance	20,853,443.06	0.00	8,033,762.12	0.00	46,296,004.52	43,273,502.01
Rentals and Leases	2,093,938.98	0.00	3,255,241.16	0.00	24,214,754.63	22,185,002.46
Printing and Reproduction	52,468.27	0.00	908,959.97	0.00	5,290,816.78	4,679,526.88
Federal Grant Pass-Through Expense	0.00	0.00	0.00	0.00	750,322.09	520,806.27
State Grant Pass-Through Expense	0.00	0.00	0.00	0.00	86,824.33	85,584.64
Depreciation and Amortization	0.00	0.00	0.00	132,918,881.18	132,918,881.18	129,971,971.82
Bad Debt Expense	0.00	100,000.00	306,018.70	0.00	1,012,369.37	708,570.73
Interest	4,214.75	0.00	1,349.05	0.00	15,235.62	16,515.48
Scholarships	0.00	68,863,904.36	29,171.58	0.00	89,466,740.24	83,697,783.28
Claims and Judgments	0.00	0.00	0.00	0.00	7,482,633.56	394,182.77
Other Operating Expenses	17,335,874.88	0.00	27,289,555.94	0.00	142,369,870.46	145,062,291.12
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 99,323,153.17</b>	<b>\$ 69,020,538.38</b>	<b>\$ 188,000,889.76</b>	<b>\$ 132,918,881.18</b>	<b>\$ 2,123,073,274.23</b>	<b>\$ 1,910,599,636.26</b>

**DISCRETELY PRESENTED  
COMPONENT UNIT  
The Angelo State University  
Robert G. Carr and Nona K. Carr  
Scholarship Foundation**

UNAUDITED

**Texas Tech University System (793)**  
**Statement of Net Position**  
**Discretely Presented Component Unit - The Angelo State University**  
**Robert G. Carr and Nona K. Carr Scholarship Foundation**  
**August 31, 2019 and 2018**

	2019	2018
<b>ASSETS</b>		
Current Assets:		
Restricted Cash and Cash Equivalents	\$ 169,023.53	\$ 187,455.74
Accounts Receivable	111,118.22	121,044.16
Total Current Assets	<u>280,141.75</u>	<u>308,499.90</u>
Non-Current Assets:		
Restricted Cash and Cash Equivalents	269,808.40	411,228.94
Restricted Investments (Note 3)	147,366,102.83	153,022,005.04
Total Non-Current Assets	<u>147,635,911.23</u>	<u>153,433,233.98</u>
Total Assets	<u>147,916,052.98</u>	<u>153,741,733.88</u>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable	72.10	5,669.20
Payroll Payable	13,761.09	14,056.51
Employees' Compensable Leave (Note 5)	256.21	505.01
Total Current Liabilities	<u>14,089.40</u>	<u>20,230.72</u>
Employees' Compensable Leave (Note 5)	9,345.17	12,151.91
Total Non-Current Liabilities	<u>9,345.17</u>	<u>12,151.91</u>
Total Liabilities	<u>23,434.57</u>	<u>32,382.63</u>
<b>NET POSITION</b>		
Invested in Capital Assets, Net of Related Debt		
Restricted:		
Nonexpendable:		
Endowments	147,747,029.45	148,168,036.63
Expendable:		
Other	145,588.96	5,541,314.62
Total Net Position	<u><u>\$ 147,892,618.41</u></u>	<u><u>\$ 153,709,351.25</u></u>

The accompanying Notes to the Combined Financial Statements are an integral part of this statement.

UNAUDITED

**Texas Tech University System (793)**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**Discretely Presented Component Unit - The Angelo State University**  
**Robert G. Carr and Nona K. Carr Scholarship Foundation**  
**For the Years Ended August 31, 2019 and 2018**

Operating Revenues	2019	2018
Total Operating Revenues	<u>\$ 0.00</u>	<u>\$ 0.00</u>
Operating Expenses		
Salaries and Wages	189,925.79	193,611.15
Payroll Related Costs	54,371.25	65,178.90
Professional Fees and Services	19,660.51	17,631.25
Travel	5,516.18	3,032.59
Materials and Supplies	48,944.98	34,617.08
Communications and Utilities	598.52	190.64
Repairs and Maintenance	0.00	179.98
Rentals and Leases	52.86	0.00
Printing and Reproduction	1,527.95	844.08
Other Operating Expenses	8,886.11	25,782.23
Total Operating Expenses	<u>329,484.15</u>	<u>341,067.90</u>
Operating Income (Loss)	<u>(329,484.15)</u>	<u>(341,067.90)</u>
Nonoperating Revenues (Expenses)		
Investment Income (Expense)	(4,839,524.15)	4,978,506.52
Net Increase (Decrease) in Fair Value of Investments	3,813,373.75	12,757,699.58
Other Nonoperating Revenues (Expenses) - Pledged	<u>(4,461,098.29)</u>	<u>(3,309,888.61)</u>
Total Nonoperating Revenues (Expenses)	<u>(5,487,248.69)</u>	<u>14,426,317.49</u>
Income (Loss) before Other Revenues, Expenses, Gains, Losses, and Transfers	(5,816,732.84)	14,085,249.59
Other Revenues, Expenses, Gains, Losses, and Transfers		
Total Other Revenues, Expenses, Gains, Losses, and Transfers	<u>0.00</u>	<u>0.00</u>
Total Change in Net Position	<u>(5,816,732.84)</u>	<u>14,085,249.59</u>
Beginning Net Position (September 1)	153,709,351.25	139,624,101.66
Ending Net Position (August 31)	<u><u>\$ 147,892,618.41</u></u>	<u><u>\$ 153,709,351.25</u></u>

The accompanying Notes to the Combined Financial Statements are an integral part of this statement.



**COMPONENT INSTITUTION  
ANNUAL FINANCIAL STATEMENTS**

**Texas Tech University  
Texas Tech University Health Sciences Center  
Texas Tech University Health Sciences Center at El Paso  
Angelo State University  
Texas Tech University System Administration**

# UNAUDITED

## Texas Tech University (733) Statement of Net Position August 31, 2019 and 2018

	2019	Restated 2018
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 37,821,158.33	\$ 107,832,519.01
Restricted Cash and Cash Equivalents	3,370,607.87	23,771,393.47
Legislative Appropriations	117,149,874.85	106,884,943.66
Receivables:		
Federal	14,939,680.29	15,111,529.45
Student	7,988,872.56	7,645,216.99
Accounts	4,598,775.00	7,705,100.90
Interest and Dividends	922,304.78	816,046.75
Gifts	519,684.01	1,230,774.59
Other	1,631,184.00	1,590,476.76
Due From Other State Agencies	30,397,502.83	29,883,316.88
Inventories	2,419,446.44	2,796,107.62
Prepaid Items	49,440,271.51	44,302,451.09
Loans and Contracts	462,068.35	450,372.60
Other Current Assets	784,066.85	783,809.59
Total Current Assets	<u>272,445,497.67</u>	<u>350,804,059.36</u>
Non-Current Assets:		
Restricted Cash and Cash Equivalents	863,277.04	3,710,408.75
Restricted Investments	366,360,264.32	342,557,847.68
Gifts Receivable	1,796,593.68	2,373,883.96
Investments	645,349,451.70	555,996,654.39
Capital Assets		
Non-Depreciable or Non-Amortizable	113,101,898.73	158,759,968.39
Depreciable or Amortizable	2,317,688,012.77	2,169,449,055.10
Accumulated Depreciation and Amortization	(1,297,099,192.18)	(1,212,139,669.45)
Total Non-Current Assets	<u>2,148,060,306.06</u>	<u>2,020,708,148.82</u>
Total Assets	<u>\$ 2,420,505,803.73</u>	<u>\$ 2,371,512,208.18</u>

UNAUDITED

**Texas Tech University (733)**  
**Statement of Net Position**  
**August 31, 2019 and 2018**

	2019	Restated 2018
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable	23,906,849.53	19,569,438.70
Payroll Payable	40,550,292.29	35,304,238.95
Unearned Revenue	172,288,232.93	165,530,557.62
Due to Other State Agencies	604,434.33	582,054.11
Capital Lease Obligations	10,137.65	0.00
Capital Lease - Direct Borrowings	219,971.49	209,516.61
Employees' Compensable Leave	2,317,483.75	1,993,102.91
Funds Held for Others	22,238,671.56	21,844,957.25
Other Current Liabilities	4,178,929.14	3,854,363.64
Total Current Liabilities	<u>266,315,002.67</u>	<u>248,888,229.79</u>
Non-Current Liabilities:		
Employees' Compensable Leave	13,533,234.09	13,544,900.14
Capital Lease Obligations	24,869.90	0.00
Capital Lease - Direct Borrowings	230,948.09	450,919.58
Pollution Remediation Obligation	1,022,641.50	1,022,641.50
Total Non-Current Liabilities	<u>14,811,693.58</u>	<u>15,018,461.22</u>
Total Liabilities	<u>281,126,696.25</u>	<u>263,906,691.01</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred Inflows of Resources	18,146,739.57	12,496,261.36
Total Deferred Inflows of Resources	<u>18,146,739.57</u>	<u>12,496,261.36</u>
<b>NET POSITION</b>		
Net Investment in Capital Assets	1,133,698,337.26	1,116,069,354.04
Restricted:		
Nonexpendable:		
Endowments	102,806,480.60	102,201,397.77
Expendable:		
Capital Projects	18,341,762.77	20,588,416.36
Debt Service	62,045,836.87	63,599,494.82
Other	169,565,612.17	178,318,513.63
Unrestricted	<u>634,774,338.24</u>	<u>614,332,079.19</u>
Total Net Position	<u>\$ 2,121,232,367.91</u>	<u>\$ 2,095,109,255.81</u>

UNAUDITED

**Texas Tech University (733)**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**For the Years Ended August 31, 2019 and 2018**

	2019	Restated 2018
Operating Revenues		
Tuition and Fees	\$ 6,740,227.13	\$ 6,695,142.15
Tuition and Fees - Pledged	434,801,370.69	415,621,855.28
Less Discounts and Allowances	(117,863,554.81)	(103,230,760.57)
Sales and Services of Auxiliary Enterprises - Pledged	169,918,481.27	159,335,989.78
Other Sales and Services	2,178,258.92	2,441,258.05
Other Sales and Services - Pledged	9,938,042.84	9,424,031.59
Federal Grants and Contracts	40,335,421.15	36,332,113.40
Federal Grant Pass-Throughs from Other State Agencies	2,431,048.03	3,203,562.45
State Grants and Contracts	209,334.70	229,352.55
State Grant Pass-Throughs from Other State Agencies	24,853,648.09	18,919,972.04
Local Governmental Grants and Contracts	1,157,139.44	788,154.88
Nongovernmental Grants and Contracts	13,372,917.46	13,823,652.45
Total Operating Revenues	<u>588,072,334.91</u>	<u>563,584,324.05</u>
Operating Expenses		
Cost of Goods Sold	14,615,732.05	14,145,736.31
Salaries and Wages	403,347,659.84	382,355,065.59
Payroll Related Costs	102,380,049.33	99,294,616.99
Professional Fees and Services	18,466,325.18	15,817,805.72
Travel	28,785,502.28	25,957,139.80
Materials and Supplies	33,522,781.96	31,784,047.53
Communications and Utilities	30,312,165.23	31,447,698.55
Repairs and Maintenance	27,277,564.01	26,533,282.21
Rentals and Leases	13,766,070.55	11,754,420.85
Printing and Reproduction	2,953,732.77	2,348,998.58
Federal Grant Pass-Through Expense	619,160.38	306,109.11
State Grant Pass-Through Expense	86,824.33	85,584.64
Depreciation and Amortization	90,906,401.83	86,926,920.42
Bad Debt Expense	0.00	28.13
Interest	8,710.13	5,275.74
Scholarships	64,939,987.87	58,597,190.56
Claims and Judgments	34,087.54	61,418.38
Other Operating Expenses	67,784,027.56	62,328,813.10
Total Operating Expenses	<u>899,806,782.84</u>	<u>849,750,152.21</u>
Operating Income (Loss)	<u>\$ (311,734,447.93)</u>	<u>\$ (286,165,828.16)</u>

UNAUDITED

**Texas Tech University (733)**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**For the Years Ended August 31, 2019 and 2018**

	2019	Restated 2018
Nonoperating Revenues (Expenses)		
Legislative Revenue	\$ 195,552,195.54	\$ 190,357,157.34
Federal Grants and Contracts	42,468,428.52	40,222,482.51
Private Gifts	38,607,673.57	31,376,530.59
Private Gifts - Pledged	814,394.67	(2,052,995.28)
Investment Income (Expense)	(5,587,942.32)	7,344,475.13
Investment Income (Expense) - Pledged	14,958,643.94	16,784,437.75
Interest Expense on Capital Asset Financing	(27,631.61)	(19,224.20)
Gain (Loss) on Sale and Disposal of Capital Assets	(628,097.78)	(620,504.96)
Net Increase (Decrease) in Fair Value of Investments	4,275,167.31	9,174,164.57
Other Nonoperating Revenues (Expenses)	1,017,849.91	226,286.55
Other Nonoperating Revenues (Expenses) - Pledged	3,182,949.82	6,100,293.15
Total Nonoperating Revenues (Expenses)	<u>294,633,631.57</u>	<u>298,893,103.15</u>
Income (Loss) before Other Revenues, Expenses, Gains, Losses, and Transfers	(17,100,816.36)	12,727,274.99
Other Revenues, Expenses, Gains, Losses, and Transfers		
Capital Appropriations (HEAF)	49,225,809.00	49,225,809.00
Capital Contributions	22,198,446.79	18,008,857.14
Contributions to Permanent and Term Endowments	237,979.46	2,101,532.74
Legislative Transfers In (Out)	(24,676,323.50)	(28,589,296.41)
Interagency Transfers of Capital Assets - Increase	5,194.93	648,727.32
Interagency Transfers of Capital Assets - Decrease	(190,832.93)	(36,524.05)
Net Transfers from (to) Texas Tech University System Components	(12,014,000.55)	52,744.14
Net Transfers from (to) Other State Agencies	8,437,655.26	8,217,305.84
Net Other Revenues, Expenses, Gains, Losses, and Transfers	<u>43,223,928.46</u>	<u>49,629,155.72</u>
Total Change in Net Position	<u>26,123,112.10</u>	<u>62,356,430.71</u>
Beginning Net Position (September 1)	\$ 2,089,706,359.35	\$ 2,023,937,572.98
Restatements	<u>5,402,896.46</u>	<u>8,815,252.12</u>
Ending Net Position (August 31)	<u><u>\$ 2,121,232,367.91</u></u>	<u><u>\$ 2,095,109,255.81</u></u>

UNAUDITED

**Texas Tech University (733)**  
**Statement of Cash Flows**  
**For the Years Ended August 31, 2019 and 2018**

	2019	Restated 2018
<b>Cash Flows from Operating Activities</b>		
Proceeds from Customers	\$ 14,917,793.99	\$ 11,076,854.62
Proceeds from Tuition and Fees	329,991,309.01	320,814,706.60
Proceeds from Grants and Contracts	79,800,927.10	71,385,156.73
Proceeds from Sales and Services of Auxiliary Enterprises	169,802,342.60	160,727,010.12
Proceeds from Collections of Loans to Students	690,375.49	794,529.33
Payments to Suppliers for Goods and Services	(63,377,417.56)	(60,491,033.78)
Payments to Employees for Salaries	(398,526,687.45)	(381,265,126.94)
Payments to Employees for Benefits	(101,954,968.38)	(98,881,798.49)
Payments for Loans Issued to Students	(702,071.24)	(674,935.69)
Payments for Other Expenses	(238,758,543.94)	(221,876,300.52)
Net Cash Provided/(Used) by Operating Activities	<u>(208,116,940.38)</u>	<u>(198,390,938.02)</u>
<b>Cash Flows from Noncapital Financing Activities</b>		
Proceeds from State Appropriations	191,976,248.50	193,201,614.67
Proceeds from Gifts	39,638,106.09	37,605,554.94
Proceeds from Nonoperating Grants and Contracts	42,359,475.48	40,497,078.98
Proceeds from Other Financing Activities	3,848,569.41	6,271,697.68
Proceeds from Agency Transactions	169,140,397.06	168,424,113.33
Proceeds from Transfers from Component Institutions	462,417.77	668,457.25
Proceeds from Transfers In from Other State Agencies	10,607,579.83	10,415,658.03
Payments for Transfers to Component Institutions	(5,684,190.49)	(5,571,490.70)
Payments for Transfers to Other State Agencies	(5,681.40)	(5,806.04)
Payments for Other Uses	(167,181,640.38)	(170,551,909.63)
Net Cash Provided/(Used) by Noncapital Financing Activities	<u>285,161,281.87</u>	<u>280,954,968.51</u>
<b>Cash Flows from Capital and Related Financing Activities</b>		
Proceeds from Sale of Capital Assets	70,882.71	459,410.03
Proceeds from Capital Gifts	18,053,533.90	13,221,192.38
Proceeds from Capital Appropriations	42,536,824.85	35,529,786.85
Proceeds from Transfers from Component Institutions	40,191,623.27	48,437,445.21
Payments for Transfers to Component Institutions	(72,716,925.60)	(73,157,799.03)
Payments for Additions to Capital Assets	(104,225,413.94)	(106,073,859.07)
Payments for Principal Paid on Capital Debt	(209,516.61)	(242,472.38)
Payments for Interest Paid on Capital Debt	(32,955.77)	(1,945,793.07)
Payments for Capital Leases	(7,366.16)	0.00
Net Cash Provided/(Used) by Capital and Related Financing Activities	<u>\$ (76,339,313.35)</u>	<u>\$ (83,772,089.08)</u>
<b>Cash Flows from Investing Activities</b>		
Proceeds from Investment Sales and Maturities	\$ 158,825,771.48	\$ 99,459,355.68
Proceeds from Interest and Investment Income	32,675,227.29	27,786,801.33
Payments to Acquire Investments	(285,465,304.90)	(132,211,681.46)
Net Cash Provided/(Used) by Investing Activities	<u>\$ (93,964,306.13)</u>	<u>\$ (4,965,524.45)</u>
<b>TOTAL NET CASH FLOWS</b>	<u><u>\$ (93,259,277.99)</u></u>	<u><u>\$ (6,173,583.04)</u></u>

# UNAUDITED

## Texas Tech University (733) Statement of Cash Flows For the Years Ended August 31, 2019 and 2018

	2019	Restated 2018
Beginning Cash & Cash Equivalents (September 1)	\$ 135,314,321.23	\$ 141,487,904.27
Ending Cash & Cash Equivalents (August 31)	<u>\$ 42,055,043.24</u>	<u>\$ 135,314,321.23</u>
Reconciliation of Operating Loss to Net Cash Flows from Operating Activities		
Operating Loss	\$ (311,734,447.93)	\$ (286,165,828.16)
Adjustments:		
Depreciation and Amortization Expense	90,906,401.83	86,926,920.42
Bad Debt Expense	0.00	28.13
(Increase) Decrease in Accounts Receivables	1,319,463.82	(2,161,623.86)
(Increase) Decrease in Loans and Notes Receivable	(11,695.75)	119,593.64
(Increase) Decrease in Inventories	376,661.18	175,294.54
(Increase) Decrease in Other Assets	(257.26)	(6,430.44)
(Increase) Decrease in Due From Other State Agencies	(1,627,484.16)	(524,855.53)
(Increase) Decrease in Prepaid Items	(4,740,898.81)	(4,454,577.89)
Increase (Decrease) in Accounts Payable	4,723,163.44	2,328,081.50
Increase (Decrease) in Payroll Payable	4,820,972.39	1,089,938.65
Increase (Decrease) in Unearned Revenue	6,725,677.91	3,951,458.25
Increase (Decrease) in Employees' Compensable Leave	312,714.79	1,091,644.15
Increase (Decrease) in Due To Other State Agencies	22,380.22	(845,574.84)
Increase (Decrease) in Benefits Payable	425,080.95	412,818.50
Increase (Decrease) in Other Liabilities	365,327.00	(327,825.08)
Net Cash Used for Operating Activities	<u>(208,116,940.38)</u>	<u>(198,390,938.02)</u>
Noncash Transactions		
Donations of Capital Assets	5,455,235.36	4,817,980.42
Net Increase (Decrease) in Fair Value of Investments	4,275,167.31	9,174,164.57
Borrowing Under Capital Lease Purchase	41,599.19	0.00
Other	(499,082.13)	1,208,707.41
Total Noncash Transactions	<u>\$ 9,272,919.73</u>	<u>\$ 15,200,852.40</u>

UNAUDITED

**Texas Tech University (733)**  
**Matrix of Operating Expenses Reported by Function**  
**For the Years Ended August 31, 2019 and 2018**

OPERATING EXPENSES	INSTRUCTION	RESEARCH	PUBLIC SERVICE	ACADEMIC SUPPORT	STUDENT SERVICES	INSTITUTIONAL SUPPORT
Cost of Goods Sold	\$ 130,331.38	\$ 0.00	\$ 10,412.68	\$ 7,366.20	\$ 1,265.42	\$ 955,069.97
Salaries and Wages	141,078,849.61	94,861,719.88	6,082,678.42	50,451,345.66	21,559,982.87	23,141,541.88
Payroll Related Costs	34,938,999.42	22,888,739.95	1,692,210.28	14,476,490.97	6,084,643.18	7,105,735.19
Professional Fees and Services	771,994.76	1,632,480.24	561,288.10	3,367,263.45	1,477,311.79	9,100,844.62
Travel	5,064,241.59	5,866,510.86	713,694.62	4,050,082.06	1,943,182.62	476,625.81
Materials and Supplies	4,548,022.85	8,561,896.51	926,685.88	4,964,972.43	1,694,293.36	731,290.33
Communications and Utilities	877,365.00	1,234,907.05	169,261.62	1,594,550.07	1,073,190.09	998,865.25
Repairs and Maintenance	750,305.21	2,692,872.97	229,020.25	2,604,256.22	572,007.61	169,810.80
Rentals and Leases	2,009,746.09	680,066.12	613,471.45	3,771,683.23	1,865,365.80	1,550,195.95
Printing and Reproduction	194,357.93	318,670.25	127,551.18	684,628.13	628,400.05	156,653.61
Federal Grant Pass-Through Expense	7,603.62	143,820.12	467,736.64	0.00	0.00	0.00
State Grant Pass-Through Expense	0.00	86,824.33	0.00	0.00	0.00	0.00
Depreciation and Amortization	0.00	0.00	0.00	0.00	0.00	0.00
Bad Debt Expense	0.00	0.00	0.00	0.00	0.00	0.00
Interest	236.39	3,096.07	177.99	1,020.82	164.17	21.18
Scholarships	8,915,553.30	8,480,065.79	375,457.56	960,105.97	647,829.77	800.00
Claims and Judgments	0.00	0.00	0.00	33,333.33	0.00	754.21
Other Operating Expenses	3,335,414.02	9,970,069.02	2,007,031.05	7,108,748.69	10,962,879.87	2,153,716.46
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 202,623,021.17</b>	<b>\$ 157,421,739.16</b>	<b>\$ 13,976,677.72</b>	<b>\$ 94,075,847.23</b>	<b>\$ 48,510,516.60</b>	<b>\$ 46,541,925.26</b>



# UNAUDITED

## Texas Tech University (733) Matrix of Operating Expenses Reported by Function For the Years Ended August 31, 2019 and 2018

OPERATING EXPENSES	OPERATIONS & MAINTENANCE OF PLANT	SCHOLARSHIPS & FELLOWSHIPS	AUXILIARY ENTERPRISES	DEPRECIATION & AMORTIZATION	GRAND TOTAL	Restated 2018
Cost of Goods Sold	\$ 0.00	\$ 0.00	\$ 13,511,286.40	\$ 0.00	\$ 14,615,732.05	\$ 14,145,736.31
Salaries and Wages	7,354,953.45	44,185.08	58,772,402.99	0.00	403,347,659.84	382,355,065.59
Payroll Related Costs	2,184,421.44	1,574.43	13,007,234.47	0.00	102,380,049.33	99,294,616.99
Professional Fees and Services	660,045.76	0.00	895,096.46	0.00	18,466,325.18	15,817,805.72
Travel	27,688.36	0.00	10,643,476.36	0.00	28,785,502.28	25,957,139.80
Materials and Supplies	3,865,534.99	0.00	8,230,085.61	0.00	33,522,781.96	31,784,047.53
Communications and Utilities	16,553,191.67	0.00	7,810,834.48	0.00	30,312,165.23	31,447,698.55
Repairs and Maintenance	13,374,395.98	0.00	6,884,894.97	0.00	27,277,564.01	26,533,282.21
Rentals and Leases	349,055.44	0.00	2,926,486.47	0.00	13,766,070.55	11,754,420.85
Printing and Reproduction	1,886.07	0.00	841,585.55	0.00	2,953,732.77	2,348,998.58
Federal Grant Pass-Through Expense	0.00	0.00	0.00	0.00	619,160.38	306,109.11
State Grant Pass-Through Expense	0.00	0.00	0.00	0.00	86,824.33	85,584.64
Depreciation and Amortization	0.00	0.00	0.00	90,906,401.83	90,906,401.83	86,926,920.42
Bad Debt Expense	0.00	0.00	0.00	0.00	0.00	28.13
Interest	2,693.11	0.00	1,300.40	0.00	8,710.13	5,275.74
Scholarships	0.00	45,531,003.90	29,171.58	0.00	64,939,987.87	58,597,190.56
Claims and Judgments	0.00	0.00	0.00	0.00	34,087.54	61,418.38
Other Operating Expenses	7,187,197.06	0.00	25,058,971.39	0.00	67,784,027.56	62,328,813.10
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 51,561,063.33</b>	<b>\$ 45,576,763.41</b>	<b>\$ 148,612,827.13</b>	<b>\$ 90,906,401.83</b>	<b>\$ 899,806,782.84</b>	<b>\$ 849,750,152.21</b>

UNAUDITED

Texas Tech University Health Sciences Center (739)

Statement of Net Position

August 31, 2019 and 2018

	2019	Restated 2018
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 104,943,359.66	\$ 130,035,225.97
Restricted Cash and Cash Equivalents	14,451,795.24	21,893,053.70
Legislative Appropriations	55,173,990.49	57,933,750.84
Receivables:		
Federal	2,343,412.76	1,718,907.41
Patient	11,734,990.24	13,805,691.69
Student	606,957.46	758,663.76
Contracts	15,594,256.41	15,909,470.95
Interest and Dividends	500,148.57	469,246.94
Gifts	580,908.15	1,201,821.21
Other	4,822,944.29	497,794.64
Due From Other State Agencies	7,898,497.58	8,650,453.08
Inventories	1,238,435.74	1,146,910.27
Prepaid Items	4,898,493.93	5,007,665.95
Loans and Contracts	507,308.66	358,061.50
Total Current Assets	<u>225,295,499.18</u>	<u>259,386,717.91</u>
Non-Current Assets:		
Restricted Cash and Cash Equivalents	1,955.31	22,851.72
Restricted Investments	133,989,022.28	136,720,497.30
Gifts Receivable	472,878.47	0.00
Loans and Notes Receivable	1,443,175.33	1,731,497.88
Investments	251,238,025.77	221,128,971.55
Capital Assets		
Non-Depreciable or Non-Amortizable	61,306,409.72	73,582,337.10
Depreciable or Amortizable	601,901,342.53	542,638,152.27
Accumulated Depreciation and Amortization	(352,465,254.26)	(340,894,551.61)
Total Non-Current Assets	<u>697,887,555.15</u>	<u>634,929,756.21</u>
Total Assets	<u>923,183,054.33</u>	<u>894,316,474.12</u>

UNAUDITED

**Texas Tech University Health Sciences Center (739)**  
**Statement of Net Position**  
**August 31, 2019 and 2018**

	2019	Restated 2018
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable	\$ 22,999,009.48	\$ 31,312,470.28
Payroll Payable	34,111,493.09	32,788,120.19
Unearned Revenue	21,563,002.94	20,503,524.55
Due to Other State Agencies	37,617.27	83,388.21
Claims and Judgments	7,988,526.00	0.00
Employees' Compensable Leave	3,339,693.90	2,815,108.16
Funds Held for Others	275,244.77	287,614.85
Other Current Liabilities	34,621.94	1,599,725.23
Total Current Liabilities	<u>90,349,209.39</u>	<u>89,389,951.47</u>
Non-Current Liabilities:		
Employees' Compensable Leave	22,350,259.18	22,776,784.22
Other Non-Current Liabilities	75,428.95	59,653.64
Total Non-Current Liabilities	<u>22,425,688.13</u>	<u>22,836,437.86</u>
Total Liabilities	<u>112,774,897.52</u>	<u>112,226,389.33</u>
<b>NET POSITION</b>		
Net Investment in Capital Assets	310,742,497.99	275,325,937.76
Restricted:		
Nonexpendable:		
Endowments	70,131,704.54	68,864,593.98
Expendable:		
Capital Projects	(390,828.16)	(11,829,471.59)
Other	76,469,763.72	90,883,300.28
Unrestricted	<u>353,455,018.72</u>	<u>358,845,724.36</u>
Total Net Position	<u>\$ 810,408,156.81</u>	<u>\$ 782,090,084.79</u>

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**Texas Tech University Health Sciences Center (739)**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**For the Years Ended August 31, 2019 and 2018**

	2019	Restated 2018
Operating Revenues		
Tuition and Fees	\$ 1,622,056.45	\$ 1,562,085.54
Tuition and Fees - Pledged	64,943,977.85	57,740,314.36
Less Discounts and Allowances	(8,433,121.68)	(7,311,589.00)
Professional Fees	230,328,996.96	220,856,630.21
Professional Fees - Pledged	764,425.39	681,148.84
Sales and Services of Auxiliary Enterprises - Pledged	836,033.29	828,063.39
Other Sales and Services	4,634,883.41	4,645,261.12
Other Sales and Services - Pledged	6,809,125.22	6,439,036.67
Federal Grants and Contracts	19,406,402.26	15,817,470.99
Federal Grant Pass-Throughs from Other State Agencies	1,371,681.00	1,639,986.84
State Grants and Contracts	80,442.61	30,460.53
State Grants and Contracts - Pledged	12,476.80	22,813.60
State Grant Pass-Throughs from Other State Agencies	10,532,568.78	11,583,941.60
Local Governmental Grants and Contracts	71,440,244.45	57,793,840.75
Local Governmental Grants and Contracts - Pledged	1,203,859.30	1,133,719.74
Nongovernmental Grants and Contracts	68,639,518.23	77,445,540.38
Nongovernmental Grants and Contracts - Pledged	3,055,083.17	2,907,224.59
Other Operating Revenues	13,390,205.65	22,164,178.70
Total Operating Revenues	<u>490,638,859.14</u>	<u>475,980,128.85</u>
Operating Expenses		
Salaries and Wages	378,848,961.71	367,864,163.75
Payroll Related Costs	96,416,481.38	93,476,790.56
Professional Fees and Services	57,802,105.01	54,378,847.93
Travel	5,073,357.30	4,762,671.85
Materials and Supplies	31,576,993.61	31,331,387.44
Communications and Utilities	15,913,231.89	14,567,014.95
Repairs and Maintenance	11,954,261.40	9,700,154.79
Rentals and Leases	4,475,749.77	4,356,047.58
Printing and Reproduction	1,508,616.89	1,539,694.51
Federal Grant Pass-Through Expense	349,941.98	373,855.64
State Grant Pass-Through Expense	0.00	20,017.43
Depreciation and Amortization	19,931,847.33	20,787,804.87
Bad Debt Expense	151,705.11	280,140.42
Interest	4,966.35	9,033.01
Scholarships	3,797,210.71	3,821,572.66
Claims and Judgments	6,859,762.11	13,652.39
Other Operating Expenses	48,289,940.30	54,167,246.03
Total Operating Expenses	<u>682,955,132.85</u>	<u>661,450,095.81</u>
Operating Income (Loss)	<u>\$ (192,316,273.71)</u>	<u>\$ (185,469,966.96)</u>

UNAUDITED

**Texas Tech University Health Sciences Center (739)**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**For the Years Ended August 31, 2019 and 2018**

	2019	Restated 2018
Nonoperating Revenues (Expenses)		
Legislative Revenue	\$ 167,937,654.39	\$ 166,507,267.20
Federal Grants and Contracts	2,085,933.00	2,141,938.00
State Grant Pass-Throughs from Other State Agencies	95,000.00	103,125.00
Private Gifts	7,093,648.68	13,825,828.52
Private Gifts - Pledged	22,524.35	20,042.76
Investment Income (Expense)	807,772.44	6,546,005.82
Investment Income (Expense) - Pledged	5,697,551.97	6,143,168.04
Gain (Loss) on Sale and Disposal of Capital Assets	17,758.38	(488,877.35)
Net Increase (Decrease) in Fair Value of Investments	991,087.13	3,008,480.38
Other Nonoperating Revenues (Expenses)	902,622.19	409,342.01
Other Nonoperating Revenues (Expenses) - Pledged	283,474.62	271,394.31
Total Nonoperating Revenues (Expenses)	<u>185,935,027.15</u>	<u>198,487,714.69</u>
Income (Loss) before Other Revenues, Expenses, Gains, Losses, and Transfers	(6,381,246.56)	13,017,747.73
Other Revenues, Expenses, Gains, Losses, and Transfers		
Capital Appropriations (HEAF)	23,372,396.00	23,372,396.00
Capital Contributions	2,152,240.64	12,723,770.59
Contributions to Permanent and Term Endowments	140,626.49	0.00
Legislative Transfers In (Out)	(15,246,160.00)	(15,308,055.00)
Interagency Transfers of Capital Assets - Increase	32,805.43	0.00
Interagency Transfers of Capital Assets - Decrease	(235,039.75)	(573,387.04)
Net Transfers from (to) Texas Tech University System Components	24,440,762.77	34,428,281.02
Net Transfers from (to) Other State Agencies	41,687.00	32,570.00
Net Other Revenues, Expenses, Gains, Losses, and Transfers	<u>34,699,318.58</u>	<u>54,675,575.57</u>
Total Change in Net Position	<u>28,318,072.02</u>	<u>67,693,323.30</u>
Beginning Net Position (September 1)	\$ 782,090,084.79	\$ 714,396,761.49
Ending Net Position (August 31)	<u><u>\$ 810,408,156.81</u></u>	<u><u>\$ 782,090,084.79</u></u>

UNAUDITED

**Texas Tech University Health Sciences Center (739)**  
**Statement of Cash Flows**  
**For the Years Ended August 31, 2019 and 2018**

	2019	Restated 2018
<b>Cash Flows from Operating Activities</b>		
Proceeds from Customers	\$ 253,586,657.88	\$ 255,256,712.71
Proceeds from Tuition and Fees	58,936,814.24	53,965,272.66
Proceeds from Grants and Contracts	176,389,303.95	173,616,305.15
Proceeds from Sales and Services of Auxiliary Enterprises	836,033.29	828,063.39
Proceeds from Collections of Loans to Students	4,496,069.33	4,067,298.34
Payments to Suppliers for Goods and Services	(129,902,281.59)	(113,414,735.42)
Payments to Employees for Salaries	(377,819,387.06)	(364,657,617.11)
Payments to Employees for Benefits	(95,878,049.13)	(93,262,443.93)
Payments for Loans Issued to Students	(4,383,491.61)	(4,001,619.54)
Payments for Other Expenses	(59,758,940.87)	(64,614,067.42)
Net Cash Provided/(Used) by Operating Activities	<u>(173,497,271.57)</u>	<u>(152,216,831.17)</u>
<b>Cash Flows from Noncapital Financing Activities</b>		
Proceeds from State Appropriations	170,697,414.74	160,855,109.22
Proceeds from Gifts	7,404,834.11	13,311,336.82
Proceeds from Nonoperating Grants and Contracts	2,180,933.00	2,109,186.04
Proceeds from Other Financing Activities	1,173,726.73	680,736.32
Proceeds from Agency Transactions	72,191,988.00	69,101,308.00
Proceeds from Transfers from Component Institutions	1,030,005.89	1,056,417.96
Proceeds from Transfers In from Other State Agencies	113,250.00	89,077.00
Payments for Transfers to Component Institutions	(5,194,020.78)	(5,141,965.26)
Payments for Other Uses	(72,191,988.00)	(69,101,308.00)
Net Cash Provided/(Used) by Noncapital Financing Activities	<u>177,406,143.69</u>	<u>172,959,898.10</u>
<b>Cash Flows from Capital and Related Financing Activities</b>		
Proceeds from Sale of Capital Assets	99,295.06	47,154.45
Proceeds from Capital Gifts	250,000.00	0.00
Proceeds from Capital Appropriations	23,372,396.00	23,372,396.00
Proceeds from Transfers from Component Institutions	27,229,640.66	35,286,876.35
Payments for Transfers to Component Institutions	(13,942,586.00)	(13,989,425.00)
Payments for Additions to Capital Assets	(53,729,937.92)	(58,285,237.52)
Net Cash Provided/(Used) by Capital and Related Financing Activities	<u>(16,721,192.20)</u>	<u>(13,568,235.72)</u>
<b>Cash Flows from Investing Activities</b>		
Proceeds from Investment Sales and Maturities	71,373,495.76	50,877,889.43
Proceeds from Interest and Investment Income	15,922,522.08	13,695,666.39
Payments to Acquire Investments	(107,037,718.94)	(54,136,929.55)
Net Cash Provided/(Used) by Investing Activities	<u>(19,741,701.10)</u>	<u>10,436,626.27</u>
<b>TOTAL NET CASH FLOWS</b>	<u><u>\$ (32,554,021.18)</u></u>	<u><u>\$ 17,611,457.48</u></u>

UNAUDITED

**Texas Tech University Health Sciences Center (739)**  
**Statement of Cash Flows**  
**For the Years Ended August 31, 2019 and 2018**

	2019	Restated 2018
Beginning Cash & Cash Equivalents (September 1)	\$ 151,951,131.39	\$ 134,339,673.91
Ending Cash & Cash Equivalents (August 31)	<u>\$ 119,397,110.21</u>	<u>\$ 151,951,131.39</u>
Reconciliation of Operating Loss to Net Cash Flows from Operating Activities		
Operating Loss	\$ (192,316,273.71)	\$ (185,469,966.96)
Adjustments:		
Depreciation and Amortization Expense	19,931,847.33	20,787,804.87
Bad Debt Expense		
(Increase) Decrease in Accounts Receivables	(2,412,032.71)	5,476,763.32
(Increase) Decrease in Loans and Notes Receivable	139,075.39	211,427.67
(Increase) Decrease in Inventories	(91,525.47)	(122,027.44)
(Increase) Decrease in Due From Other State Agencies	581,587.31	557,418.17
(Increase) Decrease in Prepaid Items	109,172.02	610,918.09
Increase (Decrease) in Accounts Payable	(6,990,087.90)	9,772,017.61
Increase (Decrease) in Unearned Revenue	1,059,478.39	1,862,049.92
Increase (Decrease) in Employees' Compensable Leave	98,060.70	1,510,270.08
Increase (Decrease) in Claims and Judgments	7,988,526.00	0.00
Increase (Decrease) in Due To Other State Agencies	(45,770.94)	27,495.89
Increase (Decrease) in Other Liabilities	(1,549,327.98)	(7,441,002.39)
Net Cash Used for Operating Activities	<u>(173,497,271.57)</u>	<u>(152,216,831.17)</u>
Noncash Transactions		
Donations of Capital Assets	2,152,240.64	12,723,770.59
Net Increase (Decrease) in Fair Value of Investments	991,087.13	3,008,480.38
Other	(81,536.68)	(536,031.80)
Total Noncash Transactions	<u>\$ 3,061,791.09</u>	<u>\$ 15,196,219.17</u>

UNAUDITED

**Texas Tech University Health Sciences Center (739)**  
**Matrix of Operating Expenses Reported by Function**  
**For the Years Ended August 31, 2019 and 2018**

OPERATING EXPENSES	INSTRUCTION	RESEARCH	PUBLIC SERVICE	HOSPITALS AND CLINICS	ACADEMIC SUPPORT	STUDENT SERVICES	INSTITUTIONAL SUPPORT
Salaries and Wages	\$ 167,547,331.33	\$ 21,989,272.41	\$ 59,884,251.34	\$ 50,758,198.04	\$ 49,753,887.22	\$ 7,278,026.35	\$ 16,127,388.13
Payroll Related Costs	33,179,572.21	5,117,890.52	17,549,173.88	14,896,162.62	15,649,355.27	2,094,170.90	5,786,945.34
Professional Fees and Services	747,367.24	717,003.74	45,838,501.77	1,109,686.84	4,520,491.96	367,225.97	2,928,352.22
Travel	536,863.19	486,380.43	806,096.48	84,391.63	2,376,218.86	447,337.94	303,011.59
Materials and Supplies	608,170.26	3,213,731.37	11,530,522.73	9,441,987.72	4,898,462.28	1,471,667.66	190,353.09
Communications and Utilities	173,357.85	156,275.96	323,892.28	522,995.61	6,772,302.14	764,740.10	608,413.05
Repairs and Maintenance	110,262.95	786,050.97	218,617.02	398,404.36	3,675,648.10	741,693.42	400,140.10
Rentals and Leases	39,718.25	68,403.61	487,907.28	815,424.03	1,357,865.36	160,617.23	64,911.07
Printing and Reproduction	100,422.02	112,560.08	121,599.15	164,230.86	541,842.27	137,974.26	274,104.19
Federal Grant Pass-Through Expense	191.86	72,063.79	277,686.33	0.00	0.00	0.00	0.00
State Grant Pass-Through Expense	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Depreciation and Amortization	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Bad Debt Expense	0.00	0.00	0.00	0.00	0.00	151,705.11	0.00
Interest	1.04	907.67	332.92	136.83	944.13	323.42	977.19
Scholarships	67,748.45	93,603.00	0.00	0.00	357,514.59	1,050.00	7,500.00
Claims and Judgments	0.00	0.00	6,859,762.11	0.00	0.00	0.00	0.00
Other Operating Expenses	1,596,218.61	5,180,759.10	2,721,836.61	1,886,013.53	21,996,027.12	2,850,791.09	3,955,288.38
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 204,707,225.26</b>	<b>\$ 37,994,902.65</b>	<b>\$ 146,620,179.90</b>	<b>\$ 80,077,632.07</b>	<b>\$ 111,900,559.30</b>	<b>\$ 16,467,323.45</b>	<b>\$ 30,647,384.35</b>



UNAUDITED

**Texas Tech University Health Sciences Center (739)**  
**Matrix of Operating Expenses Reported by Function**  
**For the Years Ended August 31, 2019 and 2018**

OPERATING EXPENSES	OPERATIONS & MAINTENANCE OF PLANT	SCHOLARSHIPS & FELLOWSHIPS	AUXILIARY ENTERPRISES	DEPRECIATION & AMORTIZATION	GRAND TOTAL	2018
Salaries and Wages	\$ 5,220,407.73	\$ 8,500.00	\$ 281,699.16	\$ 0.00	\$ 378,848,961.71	\$ 367,864,163.75
Payroll Related Costs	2,035,239.67	650.10	107,320.87	0.00	96,416,481.38	93,476,790.56
Professional Fees and Services	1,566,529.38	0.00	6,945.89	0.00	57,802,105.01	54,378,847.93
Travel	29,229.31	0.00	3,827.87	0.00	5,073,357.30	4,762,671.85
Materials and Supplies	211,795.30	0.00	10,303.20	0.00	31,576,993.61	31,331,387.44
Communications and Utilities	6,580,963.60	0.00	10,291.30	0.00	15,913,231.89	14,567,014.95
Repairs and Maintenance	5,615,533.55	0.00	7,910.93	0.00	11,954,261.40	9,700,154.79
Rentals and Leases	1,479,076.29	0.00	1,826.65	0.00	4,475,749.77	4,356,047.58
Printing and Reproduction	42,248.86	0.00	13,635.20	0.00	1,508,616.89	1,539,694.51
Federal Grant Pass-Through Expense	0.00	0.00	0.00	0.00	349,941.98	373,855.64
State Grant Pass-Through Expense	0.00	0.00	0.00	0.00	0.00	20,017.43
Depreciation and Amortization	0.00	0.00	0.00	19,931,847.33	19,931,847.33	20,787,804.87
Bad Debt Expense	0.00	0.00	0.00	0.00	151,705.11	280,140.42
Interest	1,343.15	0.00	0.00	0.00	4,966.35	9,033.01
Scholarships	0.00	3,269,794.67	0.00	0.00	3,797,210.71	3,821,572.66
Claims and Judgments	0.00	0.00	0.00	0.00	6,859,762.11	13,652.39
Other Operating Expenses	8,040,345.82	0.00	62,660.04	0.00	48,289,940.30	54,167,246.03
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 30,822,712.66</b>	<b>\$ 3,278,944.77</b>	<b>\$ 506,421.11</b>	<b>\$ 19,931,847.33</b>	<b>\$ 682,955,132.85</b>	<b>\$ 661,450,095.81</b>

UNAUDITED

**Texas Tech University Health Sciences Center at El Paso (774)**  
**Statement of Net Position**  
**August 31, 2019 and 2018**

	2019	2018
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 21,418,872.99	\$ 34,807,177.39
Restricted Cash and Cash Equivalents	16,555,456.75	18,535,286.97
Legislative Appropriations	19,103,153.15	12,768,803.97
Receivables:		
Federal	375,308.60	373,588.06
Patient	8,663,866.74	9,631,192.32
Student	25,668.65	56,823.10
Contracts	10,652,955.07	12,182,521.29
Interest and Dividends	215,141.55	183,612.31
Gifts	595,166.99	591,882.00
Other	3,275,250.05	434,396.65
Due From Other State Agencies	5,680,521.00	4,534,077.32
Inventories	459,342.49	178,974.14
Prepaid Items	2,861,102.76	2,439,139.33
Loans and Contracts	69,906.36	57,504.93
Total Current Assets	<u>89,951,713.15</u>	<u>96,774,979.78</u>
Non-Current Assets:		
Restricted Cash and Cash Equivalents	10.00	60.00
Restricted Investments	37,292,202.55	39,174,976.82
Gifts Receivable	5,672,158.80	6,109,244.16
Loans and Notes Receivable	766,345.94	1,137,970.19
Investments	152,264,966.81	129,789,661.73
Capital Assets		
Non-Depreciable or Non-Amortizable	73,461,500.69	54,901,609.42
Depreciable or Amortizable	208,841,721.00	206,602,697.78
Accumulated Depreciation and Amortization	<u>(118,273,451.67)</u>	<u>(109,026,527.11)</u>
Total Non-Current Assets	<u>360,025,454.12</u>	<u>328,689,692.99</u>
Total Assets	<u>\$ 449,977,167.27</u>	<u>\$ 425,464,672.77</u>

UNAUDITED

**Texas Tech University Health Sciences Center at El Paso (774)**  
**Statement of Net Position**  
**August 31, 2019 and 2018**

	2019	2018
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable	6,563,187.39	5,080,001.33
Payroll Payable	13,330,457.95	12,533,488.91
Unearned Revenue	3,911,404.10	3,619,581.57
Due to Other State Agencies	11,870.97	52,216.50
Employees' Compensable Leave	1,171,076.02	990,210.73
Funds Held for Others	167,341.33	121,105.21
Other Current Liabilities	19,846.83	13,493.09
Total Current Liabilities	<u>25,175,184.59</u>	<u>22,410,097.34</u>
Non-Current Liabilities:		
Employees' Compensable Leave	7,837,201.07	8,011,704.97
Other Non-Current Liabilities	13,964.70	27,194.30
Total Non-Current Liabilities	<u>7,851,165.77</u>	<u>8,038,899.27</u>
Total Liabilities	<u>33,026,350.36</u>	<u>30,448,996.61</u>
<b>NET POSITION</b>		
Net Investment in Capital Assets	164,029,770.02	152,477,780.09
Restricted:		
Nonexpendable:		
Endowments	30,311,106.31	29,797,267.34
Expendable:		
Capital Projects	3,776,174.96	5,744,738.00
Other	30,261,957.69	30,866,374.90
Unrestricted	<u>188,571,807.93</u>	<u>176,129,515.83</u>
Total Net Position	<u>\$ 416,950,816.91</u>	<u>\$ 395,015,676.16</u>

UNAUDITED

**Texas Tech University Health Sciences Center at El Paso (774)**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**For the Years Ended August 31, 2019 and 2018**

	2019	Restated 2018
Operating Revenues		
Tuition and Fees	\$ 461,251.39	\$ 449,026.92
Tuition and Fees - Pledged	11,751,508.95	10,361,327.75
Less Discounts and Allowances	(2,061,066.89)	(1,818,785.34)
Professional Fees	56,297,620.80	51,823,291.89
Sales and Services of Auxiliary Enterprises - Pledged	285,394.41	276,566.25
Other Sales and Services	80,506.60	99,202.62
Other Sales and Services - Pledged	303,310.96	318,403.17
Federal Grants and Contracts	2,739,054.26	2,134,182.11
Federal Grants and Contracts - Pledged	0.00	886,074.21
Federal Grant Pass-Throughs from Other State Agencies	201,040.86	175,829.75
State Grants and Contracts	1,778,700.94	1,600,618.67
State Grants and Contracts - Pledged	0.00	183,337.16
State Grant Pass-Throughs from Other State Agencies	5,092,844.80	4,330,878.91
Local Governmental Grants and Contracts	60,467,216.14	60,752,548.79
Local Governmental Grants and Contracts - Pledged	26,000.00	57,371.06
Nongovernmental Grants and Contracts	24,223,312.89	23,961,819.63
Nongovernmental Grants and Contracts - Pledged	44,687.74	109,606.76
Other Operating Revenues	9,127,583.29	12,486,659.45
Total Operating Revenues	<u>170,818,967.14</u>	<u>168,187,959.76</u>
Operating Expenses		
Salaries and Wages	148,507,901.14	143,424,869.19
Payroll Related Costs	35,625,556.28	34,068,521.36
Professional Fees and Services	7,312,109.27	6,772,068.82
Travel	1,855,389.94	1,674,974.01
Materials and Supplies	3,897,028.77	3,612,757.75
Communications and Utilities	5,121,024.02	4,823,707.90
Repairs and Maintenance	4,007,165.44	4,136,786.60
Rentals and Leases	4,488,933.52	4,628,983.81
Printing and Reproduction	347,698.15	269,562.57
Federal Grant Pass-Through Expense	20,357.69	0.00
State Grant Pass-Through Expense	40,835.17	36,684.42
Depreciation and Amortization	10,244,375.94	10,723,261.86
Bad Debt Expense	114,374.12	16,734.92
Interest	1,274.67	1,312.95
Scholarships	1,508,189.73	1,451,947.56
Claims and Judgments	57,259.02	182,671.00
Other Operating Expenses	14,743,477.74	13,720,361.51
Total Operating Expenses	<u>237,892,950.61</u>	<u>229,545,206.23</u>
Operating Income (Loss)	<u>\$ (67,073,983.47)</u>	<u>\$ (61,357,246.47)</u>

UNAUDITED

**Texas Tech University Health Sciences Center at El Paso (774)**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**For the Years Ended August 31, 2019 and 2018**

	2019	Restated 2018
Nonoperating Revenues (Expenses)		
Legislative Revenue	\$ 75,844,369.49	\$ 75,659,464.59
Federal Grants and Contracts	689,152.00	588,453.00
Private Gifts	3,140,070.75	3,059,506.87
Private Gifts - Pledged	0.00	2,091.00
Investment Income (Expense)	2,303,716.10	4,390,538.00
Investment Income (Expense) - Pledged	706,784.29	1,422,238.47
Gain (Loss) on Sale and Disposal of Capital Assets	(1,843.87)	(112,137.24)
Net Increase (Decrease) in Fair Value of Investments	712,462.78	2,195,473.60
Other Nonoperating Revenues (Expenses)	304,069.28	630,653.93
Other Nonoperating Revenues (Expenses) - Pledged	6,158.85	2,405.58
Total Nonoperating Revenues (Expenses)	<u>83,704,939.67</u>	<u>87,838,687.80</u>
Income (Loss) before Other Revenues, Expenses, Gains, Losses, and Transfers	16,630,956.20	26,481,441.33
Other Revenues, Expenses, Gains, Losses, and Transfers		
Capital Appropriations (HEAF)	6,234,075.00	6,234,075.00
Capital Contributions	874,942.87	816,721.49
Legislative Transfers In (Out)	(11,538,839.00)	(11,614,092.50)
Interagency Transfers of Capital Assets - Increase	7,517.16	36,524.05
Interagency Transfers of Capital Assets - Decrease	0.00	(75,340.28)
Net Transfers from (to) Texas Tech University System Components	<u>9,726,488.52</u>	<u>23,909,500.23</u>
Net Other Revenues, Expenses, Gains, Losses, and Transfers	<u>5,304,184.55</u>	<u>19,307,387.99</u>
Total Change in Net Position	<u>21,935,140.75</u>	<u>45,788,829.32</u>
Beginning Net Position (September 1)	\$ 395,015,676.16	\$ 349,226,846.84
Ending Net Position (August 31)	<u>\$ 416,950,816.91</u>	<u>\$ 395,015,676.16</u>

UNAUDITED

**Texas Tech University Health Sciences Center at El Paso (774)**  
**Statement of Cash Flows**  
**For the Years Ended August 31, 2019 and 2018**

	2019	Restated 2018
<b>Cash Flows from Operating Activities</b>		
Proceeds from Customers	\$ 63,938,625.84	\$ 64,216,386.53
Proceeds from Tuition and Fees	10,467,612.94	9,609,136.23
Proceeds from Grants and Contracts	96,061,692.68	99,702,952.60
Proceeds from Sales and Services of Auxiliary Enterprises	296,182.76	283,766.78
Proceeds from Collections of Loans to Students	297,394.80	593,489.90
Payments to Suppliers for Goods and Services	(25,989,883.55)	(25,219,691.79)
Payments to Employees for Salaries	(148,084,454.52)	(142,111,896.20)
Payments to Employees for Benefits	(35,245,672.47)	(34,264,618.02)
Payments for Loans Issued to Students	(452,922.61)	(591,001.24)
Payments for Other Expenses	(16,308,926.49)	(18,803,248.07)
Net Cash Provided/(Used) by Operating Activities	<u>(55,020,350.62)</u>	<u>(46,584,723.28)</u>
<b>Cash Flows from Noncapital Financing Activities</b>		
Proceeds from State Appropriations	69,510,020.31	71,556,235.37
Proceeds from Gifts	3,573,871.12	3,952,849.00
Proceeds from Nonoperating Grants and Contracts	689,152.00	588,453.00
Proceeds from Other Financing Activities	361,069.85	681,994.33
Proceeds from Agency Transactions	14,345,909.97	14,131,280.00
Proceeds from Transfers from Component Institutions	336,814.19	397,072.50
Payments for Transfers to Component Institutions	(2,279,488.40)	(2,284,364.54)
Payments for Other Uses	(14,350,515.57)	(14,131,280.00)
Net Cash Provided/(Used) by Noncapital Financing Activities	<u>72,186,833.47</u>	<u>74,892,239.66</u>
<b>Cash Flows from Capital and Related Financing Activities</b>		
Proceeds from Sale of Capital Assets	2,322.00	2,012.00
Proceeds from Capital Gifts	848,000.00	777,333.33
Proceeds from Capital Appropriations	6,234,075.00	6,234,075.00
Proceeds from Transfers from Component Institutions	12,639,925.73	24,693,330.95
Payments for Transfers to Component Institutions	(12,509,602.00)	(12,509,605.50)
Payments for Additions to Capital Assets	(21,766,071.71)	(27,219,824.60)
Net Cash Provided/(Used) by Capital and Related Financing Activities	<u>(14,551,350.98)</u>	<u>(8,022,678.82)</u>
<b>Cash Flows from Investing Activities</b>		
Proceeds from Investment Sales and Maturities	29,729,440.54	10,255,765.27
Proceeds from Interest and Investment Income	6,447,929.14	7,753,124.42
Payments to Acquire Investments	(54,160,686.17)	(23,894,512.92)
Net Cash Provided/(Used) by Investing Activities	<u>(17,983,316.49)</u>	<u>(5,885,623.23)</u>
<b>TOTAL NET CASH FLOWS</b>	<u><u>\$ (15,368,184.62)</u></u>	<u><u>\$ 14,399,214.33</u></u>

UNAUDITED

**Texas Tech University Health Sciences Center at El Paso (774)**  
**Statement of Cash Flows**  
**For the Years Ended August 31, 2019 and 2018**

	2019	Restated 2018
Beginning Cash & Cash Equivalents (September 1)	\$ 53,342,524.36	\$ 38,943,310.03
Ending Cash & Cash Equivalents (August 31)	<u>\$ 37,974,339.74</u>	<u>\$ 53,342,524.36</u>
Reconciliation of Operating Loss to Net Cash Flows from Operating Activities		
Operating Loss	\$ (67,073,983.47)	\$ (61,357,246.47)
Adjustments:		
Depreciation and Amortization Expense	10,244,375.94	10,723,261.86
(Increase) Decrease in Accounts Receivables	(314,527.69)	5,523,841.38
(Increase) Decrease in Loans and Notes Receivable	359,222.82	2,488.66
(Increase) Decrease in Inventories	(280,368.35)	(87,095.95)
(Increase) Decrease in Due From Other State Agencies	(64,224.07)	(541,117.09)
(Increase) Decrease in Prepaid Items	(421,963.43)	(532,394.48)
Increase (Decrease) in Accounts Payable	2,280,155.10	1,811,069.36
Increase (Decrease) in Unearned Revenue	291,822.53	658,293.01
Increase (Decrease) in Employees' Compensable Leave	6,361.39	655,068.89
Increase (Decrease) in Due To Other State Agencies	(40,345.53)	3,601.04
Increase (Decrease) in Other Liabilities	(6,875.86)	(3,444,493.49)
Net Cash Used for Operating Activities	<u>(55,020,350.62)</u>	<u>(46,584,723.28)</u>
Noncash Transactions		
Donations of Capital Assets	26,942.87	39,388.16
Net Increase (Decrease) in Fair Value of Investments	712,462.78	2,195,473.60
Other	(4,165.87)	(114,149.24)
Total Noncash Transactions	<u>\$ 735,239.78</u>	<u>\$ 2,120,712.52</u>

UNAUDITED

**Texas Tech University Health Sciences Center at El Paso (774)**  
**Matrix of Operating Expenses Reported by Function**  
**For the Years Ended August 31, 2019 and 2018**

OPERATING EXPENSES	INSTRUCTION	RESEARCH	PUBLIC SERVICE	HOSPITALS AND CLINICS	ACADEMIC SUPPORT	STUDENT SERVICES	INSTITUTIONAL SUPPORT
Salaries and Wages	\$ 84,643,593.29	\$ 5,893,413.86	\$ 828,657.13	\$ 15,939,041.22	\$ 25,545,155.17	\$ 1,433,472.20	\$ 10,587,860.03
Payroll Related Costs	15,567,724.74	1,695,943.30	221,346.23	5,684,625.65	7,273,719.29	361,573.46	3,420,456.41
Professional Fees and Services	5,128,797.36	286,560.26	61,307.57	20,317.59	865,439.94	22,242.29	790,103.03
Travel	912,034.28	148,856.84	44,885.33	17,169.91	473,427.50	67,570.18	177,232.28
Materials and Supplies	1,488,562.69	478,399.24	28,993.00	92,651.81	1,050,331.11	201,919.18	115,120.90
Communications and Utilities	809,932.41	34,344.71	1,307.10	46,470.82	2,272,055.75	117,485.93	303,755.12
Repairs and Maintenance	602,474.06	722,997.36	1,482.38	5,565.65	1,179,831.08	127,489.44	322,979.01
Rentals and Leases	2,130,721.86	28,150.19	2,420.00	71,400.80	1,806,025.52	28,779.09	279,894.67
Printing and Reproduction	54,373.01	19,822.78	3,744.54	2,103.86	159,526.29	15,322.61	84,969.26
Federal Grant Pass-Through Expense	20,357.69	0.00	0.00	0.00	0.00	0.00	0.00
State Grant Pass-Through Expense	0.00	40,835.17	0.00	0.00	0.00	0.00	0.00
Depreciation and Amortization	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Bad Debt Expense	0.00	0.00	0.00	0.00	0.00	14,374.12	0.00
Interest	174.55	73.74	0.00	0.00	663.56	106.52	37.04
Scholarships	0.00	0.00	0.00	0.00	662,404.17	0.00	0.00
Claims and Judgments	57,259.02	0.00	0.00	0.00	0.00	0.00	0.00
Other Operating Expenses	3,501,534.83	1,080,214.00	118,224.62	102,452.63	5,747,237.02	558,466.15	2,063,024.64
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 114,917,539.79</b>	<b>\$ 10,429,611.45</b>	<b>\$ 1,312,367.90</b>	<b>\$ 21,981,799.94</b>	<b>\$ 47,035,816.40</b>	<b>\$ 2,948,801.17</b>	<b>\$ 18,145,432.39</b>



UNAUDITED

**Texas Tech University Health Sciences Center at El Paso (774)**  
**Matrix of Operating Expenses Reported by Function**  
**For the Years Ended August 31, 2019 and 2018**

OPERATING EXPENSES	OPERATIONS & MAINTENANCE OF PLANT	SCHOLARSHIPS & FELLOWSHIPS	AUXILIARY ENTERPRISES	DEPRECIATION & AMORTIZATION	GRAND TOTAL	2018
Salaries and Wages	\$ 3,542,475.83	\$ 1,600.00	\$ 92,632.41	\$ 0.00	\$ 148,507,901.14	\$ 143,424,869.19
Payroll Related Costs	1,357,966.04	124.41	42,076.75	0.00	35,625,556.28	34,068,521.36
Professional Fees and Services	137,341.23	0.00	0.00	0.00	7,312,109.27	6,772,068.82
Travel	12,787.22	0.00	1,426.40	0.00	1,855,389.94	1,674,974.01
Materials and Supplies	440,130.57	0.00	920.27	0.00	3,897,028.77	3,612,757.75
Communications and Utilities	1,526,489.98	0.00	9,182.20	0.00	5,121,024.02	4,823,707.90
Repairs and Maintenance	1,028,156.58	0.00	16,189.88	0.00	4,007,165.44	4,136,786.60
Rentals and Leases	139,353.06	0.00	2,188.33	0.00	4,488,933.52	4,628,983.81
Printing and Reproduction	4,178.88	0.00	3,656.92	0.00	347,698.15	269,562.57
Federal Grant Pass-Through Expense	0.00	0.00	0.00	0.00	20,357.69	0.00
State Grant Pass-Through Expense	0.00	0.00	0.00	0.00	40,835.17	36,684.42
Depreciation and Amortization	0.00	0.00	0.00	10,244,375.94	10,244,375.94	10,723,261.86
Bad Debt Expense	0.00	100,000.00	0.00	0.00	114,374.12	16,734.92
Interest	178.49	0.00	40.77	0.00	1,274.67	1,312.95
Scholarships	0.00	845,785.56	0.00	0.00	1,508,189.73	1,451,947.56
Claims and Judgments	0.00	0.00	0.00	0.00	57,259.02	182,671.00
Other Operating Expenses	1,549,960.62	0.00	22,363.23	0.00	14,743,477.74	13,720,361.51
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 9,739,018.50</b>	<b>\$ 947,509.97</b>	<b>\$ 190,677.16</b>	<b>\$ 10,244,375.94</b>	<b>\$ 237,892,950.61</b>	<b>\$ 229,545,206.23</b>

UNAUDITED

**Angelo State University (737)**  
**Statement of Net Position**  
**August 31, 2019 and 2018**

	2019	Restated 2018
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 42,346,154.11	\$ 45,242,577.06
Restricted Cash and Cash Equivalents	723,730.99	(1,095,075.47)
Legislative Appropriations	5,530,028.14	6,979,946.28
Receivables:		
Federal	1,039,600.57	1,097,063.78
Student	12,337,155.39	11,648,751.40
Accounts	741,656.38	762,928.67
Interest and Dividends	52,997.39	44,507.37
Gifts	824,820.54	1,117,338.14
Due From Other State Agencies	22,999.37	51,145.19
Inventories	269,979.15	256,789.72
Prepaid Items	9,423,777.90	9,735,638.21
Loans and Contracts	316,638.43	427,647.29
Total Current Assets	<u>73,629,538.36</u>	<u>76,269,257.64</u>
Non-Current Assets:		
Restricted Cash and Cash Equivalents	30,428.11	70,669.63
Restricted Investments	42,547,727.31	37,518,831.90
Gifts Receivable	3,378,206.18	3,640,549.57
Investments	19,970,458.22	17,864,943.27
Capital Assets		
Non-Depreciable or Non-Amortizable	5,645,626.35	5,549,317.05
Depreciable or Amortizable	300,962,277.63	290,804,897.62
Accumulated Depreciation and Amortization	(158,884,938.14)	(148,647,700.74)
Total Non-Current Assets	<u>213,649,785.66</u>	<u>206,801,508.30</u>
Total Assets	<u>\$ 287,279,324.02</u>	<u>\$ 283,070,765.94</u>

UNAUDITED

**Angelo State University (737)**  
**Statement of Net Position**  
**August 31, 2019 and 2018**

	2019	Restated 2018
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable	\$ 7,278,320.75	\$ 4,412,841.42
Payroll Payable	3,745,330.74	3,715,858.06
Unearned Revenue	41,264,116.36	41,039,730.17
Capital Lease Obligations	33,255.11	0.00
Employees' Compensable Leave	214,266.66	293,364.18
Funds Held for Others	2,071,091.80	2,092,573.04
Other Current Liabilities	320.00	420.00
Total Current Liabilities	<u>54,606,701.42</u>	<u>51,554,786.87</u>
Non-Current Liabilities:		
Capital Lease Obligations	35,302.70	0.00
Employees' Compensable Leave	2,495,141.50	2,229,364.79
Other Non-Current Liabilities	111,538.19	109,953.68
Total Non-Current Liabilities	<u>2,641,982.39</u>	<u>2,339,318.47</u>
Total Liabilities	<u>57,248,683.81</u>	<u>53,894,105.34</u>
<b>NET POSITION</b>		
Net Investment in Capital Assets	147,654,408.03	147,706,513.93
Restricted:		
Nonexpendable:		
Endowments	32,220,366.78	28,483,711.63
Expendable:		
Debt Service	4,767,678.24	4,350,664.40
Other	28,377,165.66	22,331,153.99
Unrestricted	<u>17,011,021.50</u>	<u>26,304,616.65</u>
Total Net Position	<u>\$ 230,030,640.21</u>	<u>\$ 229,176,660.60</u>

UNAUDITED

**Angelo State University (737)**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**For the Years Ended August 31, 2019 and 2018**

	2019	Restated 2018
Operating Revenues		
Tuition and Fees	\$ 3,834,029.37	\$ 3,664,898.85
Tuition and Fees - Pledged	63,356,536.04	61,331,086.76
Less Discounts and Allowances	(17,664,641.27)	(15,885,106.95)
Sales and Services of Auxiliary Enterprises - Pledged	14,575,410.16	13,390,751.97
Other Sales and Services - Pledged	1,138,277.29	1,147,317.28
Federal Grants and Contracts	1,715,738.89	1,834,037.22
Federal Grant Pass-Throughs from Other State Agencies	178,737.16	147,521.16
State Grant Pass-Throughs from Other State Agencies	6,962,461.26	5,928,897.37
Nongovernmental Grants and Contracts	468,280.98	140,492.94
Total Operating Revenues	<u>74,564,829.88</u>	<u>71,699,896.60</u>
Operating Expenses		
Salaries and Wages	55,857,202.90	54,473,123.77
Payroll Related Costs	18,040,145.49	17,330,061.59
Professional Fees and Services	803,474.11	1,148,429.95
Travel	1,699,944.43	1,715,064.88
Materials and Supplies	8,644,305.90	9,027,207.57
Communications and Utilities	3,433,049.45	3,764,862.01
Repairs and Maintenance	2,822,025.51	2,532,842.74
Rentals and Leases	780,918.83	754,201.84
Printing and Reproduction	395,750.35	341,484.36
Depreciation and Amortization	10,306,518.91	10,011,671.93
Bad Debt Expense	746,290.14	411,667.26
Interest	274.57	856.77
Scholarships	19,217,320.23	19,826,045.10
Other Operating Expenses	12,771,924.92	11,803,124.74
Total Operating Expenses	<u>135,519,145.74</u>	<u>133,140,644.51</u>
Operating Income (Loss)	<u>\$ (60,954,315.86)</u>	<u>\$ (61,440,747.91)</u>

UNAUDITED

**Angelo State University (737)**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**For the Years Ended August 31, 2019 and 2018**

	2019	Restated 2018
Nonoperating Revenues (Expenses)		
Legislative Revenue	\$ 34,043,956.37	\$ 35,237,614.23
Federal Grants and Contracts	13,747,180.73	12,797,080.67
Private Gifts	10,945,898.15	7,338,423.14
Investment Income (Expense)	12,009,038.51	11,016,732.71
Interest Expense on Capital Asset Financing	(526.66)	0.00
Gain (Loss) on Sale and Disposal of Capital Assets	0.00	(671,877.42)
Net Increase (Decrease) in Fair Value of Investments	(2,438,593.58)	1,204,297.19
Other Nonoperating Revenues (Expenses) - Pledged	(4,524,970.14)	1,511,316.39
Total Nonoperating Revenues (Expenses)	<u>63,781,983.38</u>	<u>68,433,586.91</u>
Income (Loss) before Other Revenues, Expenses, Gains, Losses, and Transfers	2,827,667.52	6,992,839.00
Other Revenues, Expenses, Gains, Losses, and Transfers		
Capital Appropriations (HEAF)	5,320,102.00	5,320,102.00
Capital Contributions	35,000.00	76,300.00
Lapsed Appropriations	(946.53)	(242.17)
Legislative Transfers In (Out)	(3,196,761.94)	(4,784,089.17)
Net Transfers from (to) Texas Tech University System Components	(4,222,973.78)	10,203,651.04
Net Transfers from (to) Other State Agencies	91,892.34	94,796.11
Net Other Revenues, Expenses, Gains, Losses, and Transfers	<u>(1,973,687.91)</u>	<u>10,910,517.81</u>
Total Change in Net Position	<u>853,979.61</u>	<u>17,903,356.81</u>
Beginning Net Position (September 1)	\$ 229,176,660.60	\$ 211,273,303.79
Ending Net Position (August 31)	<u><u>\$ 230,030,640.21</u></u>	<u><u>\$ 229,176,660.60</u></u>

UNAUDITED

**Angelo State University (737)**  
**Statement of Cash Flows**  
**For the Years Ended August 31, 2019 and 2018**

	2019	Restated 2018
<b>Cash Flows from Operating Activities</b>		
Proceeds from Customers	\$ 1,137,886.17	\$ 1,146,325.24
Proceeds from Tuition and Fees	48,431,179.94	50,204,340.93
Proceeds from Grants and Contracts	9,673,834.32	7,893,461.88
Proceeds from Sales and Services of Auxiliary Enterprises	14,452,173.50	13,620,864.21
Proceeds from Collections of Loans to Students	256,643.21	342,271.23
Payments to Suppliers for Goods and Services	(19,008,324.67)	(19,129,675.79)
Payments to Employees for Salaries	(55,860,570.31)	(54,232,858.68)
Payments to Employees for Benefits	(17,820,626.21)	(17,501,963.29)
Payments for Loans Issued to Students	(138,647.14)	(252,508.01)
Payments for Other Expenses	(30,728,205.84)	(31,959,116.02)
Net Cash Provided/(Used) by Operating Activities	<u>(49,604,657.03)</u>	<u>(49,868,858.30)</u>
<b>Cash Flows from Noncapital Financing Activities</b>		
Proceeds from State Appropriations	35,493,874.51	35,827,724.59
Proceeds from Gifts	10,945,898.15	7,338,423.14
Proceeds from Nonoperating Grants and Contracts	13,747,180.73	12,797,080.67
Proceeds from Agency Transactions	38,216,337.15	39,748,849.57
Proceeds from Transfers In from Other State Agencies	282,742.00	293,615.00
Payments for Transfers to Component Institutions	(538,952.00)	(482,598.00)
Payments for Transfers to Other State Agencies	(184.66)	(60.89)
Payments for Other Uses	(40,062,032.23)	(36,356,926.66)
Net Cash Provided/(Used) by Noncapital Financing Activities	<u>58,084,863.65</u>	<u>59,166,107.42</u>
<b>Cash Flows from Capital and Related Financing Activities</b>		
Proceeds from Capital Appropriations	5,320,102.00	5,320,102.00
Proceeds from Transfers from Component Institutions	4,203,398.64	18,345,107.80
Payments for Transfers to Component Institutions	(11,262,847.36)	(12,629,205.93)
Payments for Transfers to Other State Agencies	(12,000.00)	(12,500.00)
Payments for Additions to Capital Assets	(10,245,276.11)	(28,806,225.68)
Payments for Capital Leases	(37,476.37)	0.00
Net Cash Provided/(Used) by Capital and Related Financing Activities	<u>(12,034,099.20)</u>	<u>(17,782,721.81)</u>
<b>Cash Flows from Investing Activities</b>		
Proceeds from Interest and Investment Income	12,009,038.51	11,016,732.71
Payments to Acquire Investments	(9,573,003.94)	(6,517,916.61)
Net Cash Provided/(Used) by Investing Activities	<u>2,436,034.57</u>	<u>4,498,816.10</u>
<b>TOTAL NET CASH FLOWS</b>	<u><u>\$ (1,117,858.01)</u></u>	<u><u>\$ (3,986,656.59)</u></u>

# UNAUDITED

## Angelo State University (737) Statement of Cash Flows For the Years Ended August 31, 2019 and 2018

	2019	Restated 2018
Beginning Cash & Cash Equivalents (September 1)	\$ 44,218,171.22	\$ 48,204,827.81
Ending Cash & Cash Equivalents (August 31)	<u>\$ 43,100,313.21</u>	<u>\$ 44,218,171.22</u>
Reconciliation of Operating Loss to Net Cash Flows from Operating Activities		
Operating Loss	\$ (60,954,315.86)	\$ (61,440,747.91)
Adjustments:		
Depreciation and Amortization Expense	10,306,518.91	10,011,671.93
Bad Debt Expense	746,290.14	411,667.26
(Increase) Decrease in Accounts Receivables	(546,360.06)	(1,271,211.91)
(Increase) Decrease in Loans and Notes Receivable	111,008.86	106,560.41
(Increase) Decrease in Inventories	(13,189.43)	(14,331.50)
(Increase) Decrease in Due From Other State Agencies	28,145.82	257,813.01
(Increase) Decrease in Prepaid Items	440,191.38	(270,907.17)
Increase (Decrease) in Accounts Payable	(164,969.36)	66,686.26
Increase (Decrease) in Payroll Payable	(3,367.41)	240,265.09
Increase (Decrease) in Unearned Revenue	224,386.19	2,223,742.60
Increase (Decrease) in Employees' Compensable Leave	186,679.19	(7,552.65)
Increase (Decrease) in Benefits Payable	32,840.09	(164,349.05)
Increase (Decrease) in Other Liabilities	1,484.51	(18,164.67)
Net Cash Used for Operating Activities	<u>(49,604,657.03)</u>	<u>(49,868,858.30)</u>
Noncash Transactions		
Donations of Capital Assets	35,000.00	76,300.00
Net Increase (Decrease) in Fair Value of Investments	(2,438,593.58)	1,204,297.19
Other	(63,536.51)	(835,381.63)
Total Noncash Transactions	<u>\$ (2,361,622.57)</u>	<u>\$ 445,215.56</u>

# UNAUDITED

## Angelo State University (737) Matrix of Operating Expenses Reported by Function For the Years Ended August 31, 2019 and 2018

OPERATING EXPENSES	INSTRUCTION	RESEARCH	PUBLIC SERVICE	ACADEMIC SUPPORT	STUDENT SERVICES	INSTITUTIONAL SUPPORT
Salaries and Wages	\$ 28,660,380.37	\$ 356,809.75	\$ 682,229.48	\$ 4,177,672.98	\$ 5,102,105.67	\$ 8,599,865.21
Payroll Related Costs	9,677,046.59	59,322.20	222,850.03	1,151,513.90	1,561,445.40	3,001,381.95
Professional Fees and Services	168,955.15	(1,725.26)	16,570.67	8,157.20	65,419.07	39,100.09
Travel	762,930.83	54,107.82	39,328.97	72,332.93	104,840.02	191,205.19
Materials and Supplies	1,246,503.16	208,353.30	182,294.32	229,739.81	202,178.74	688,352.16
Communications and Utilities	362,206.90	2,233.32	2,638.95	20,619.41	15,501.28	84,197.57
Repairs and Maintenance	186,491.02	359.21	46.91	57,803.58	106,536.26	526,850.61
Rentals and Leases	135,312.46	12,331.27	26,052.15	12,969.94	54,846.72	88,212.39
Printing and Reproduction	70,479.09	1,050.00	13,619.81	11,879.71	31,797.32	212,844.08
Depreciation and Amortization	0.00	0.00	0.00	0.00	0.00	0.00
Bad Debt Expense	0.00	0.00	0.00	0.00	0.00	440,271.44
Interest	3.96	3.36	0.00	5.46	0.00	253.91
Scholarships	0.00	0.00	0.00	0.00	0.00	0.00
Other Operating Expenses	3,670,743.04	139,293.80	314,678.53	1,635,504.36	909,967.27	3,455,702.50
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 44,941,052.57</b>	<b>\$ 832,138.77</b>	<b>\$ 1,500,309.82</b>	<b>\$ 7,378,199.28</b>	<b>\$ 8,154,637.75</b>	<b>\$ 17,328,237.10</b>



UNAUDITED

**Angelo State University (737)**  
**Matrix of Operating Expenses Reported by Function**  
**For the Years Ended August 31, 2019 and 2018**

OPERATING EXPENSES	OPERATIONS & MAINTENANCE OF PLANT	SCHOLARSHIPS & FELLOWSHIPS	AUXILIARY ENTERPRISES	DEPRECIATION & AMORTIZATION	GRAND TOTAL	2018
Salaries and Wages	\$ 2,284,235.43	\$ 0.00	\$ 5,993,904.01	\$ 0.00	\$ 55,857,202.90	\$ 54,473,123.77
Payroll Related Costs	839,655.12	0.00	1,526,930.30	0.00	18,040,145.49	17,330,061.59
Professional Fees and Services	4,564.47	0.00	502,432.72	0.00	803,474.11	1,148,429.95
Travel	3,147.03	0.00	472,051.64	0.00	1,699,944.43	1,715,064.88
Materials and Supplies	687,814.73	0.00	5,199,069.68	0.00	8,644,305.90	9,027,207.57
Communications and Utilities	1,588,979.31	0.00	1,356,672.71	0.00	3,433,049.45	3,764,862.01
Repairs and Maintenance	819,171.58	0.00	1,124,766.34	0.00	2,822,025.51	2,532,842.74
Rentals and Leases	126,454.19	0.00	324,739.71	0.00	780,918.83	754,201.84
Printing and Reproduction	3,998.04	0.00	50,082.30	0.00	395,750.35	341,484.36
Depreciation and Amortization	0.00	0.00	0.00	10,306,518.91	10,306,518.91	10,011,671.93
Bad Debt Expense	0.00	0.00	306,018.70	0.00	746,290.14	411,667.26
Interest	0.00	0.00	7.88	0.00	274.57	856.77
Scholarships	0.00	19,217,320.23	0.00	0.00	19,217,320.23	19,826,045.10
Other Operating Expenses	500,474.14	0.00	2,145,561.28	0.00	12,771,924.92	11,803,124.74
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 6,858,494.04</b>	<b>\$ 19,217,320.23</b>	<b>\$ 19,002,237.27</b>	<b>\$ 10,306,518.91</b>	<b>\$ 135,519,145.74</b>	<b>\$ 133,140,644.51</b>

UNAUDITED

**Texas Tech University System Administration (768)**  
**Statement of Net Position**  
**August 31, 2019 and 2018**

	2019	2018
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 24,901,429.75	\$ 25,503,718.85
Restricted Cash and Cash Equivalents	508,415.12	604,469.03
Legislative Appropriations	535,706.78	549,632.29
Receivables:		
Accounts	88.92	3,526.97
Interest and Dividends	87,040.53	57,481.66
Other	26,339.76	14,097.41
Prepaid Items	17,233.97	16,671.97
Total Current Assets	<u>26,076,254.83</u>	<u>26,749,598.18</u>
Non-Current Assets:		
Restricted Cash and Cash Equivalents	66,774,467.62	130,105,820.83
Restricted Investments	734,329.27	771,908.72
Investments	37,936,717.11	35,922,741.34
Capital Assets		
Non-Depreciable or Non-Amortizable	314,482.25	314,482.25
Depreciable or Amortizable	27,687,361.55	27,371,491.91
Accumulated Depreciation and Amortization	(4,894,917.64)	(3,397,448.09)
Total Non-Current Assets	<u>128,552,440.16</u>	<u>191,088,996.96</u>
Total Assets	<u>\$ 154,628,694.99</u>	<u>\$ 217,838,595.14</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred Outflow of Resources		
Deferred Outflows of Resources	796,317,056.00	45,894,061.95
Total Deferred Outflows of Resources	<u>\$ 796,317,056.00</u>	<u>\$ 45,894,061.95</u>

UNAUDITED

**Texas Tech University System Administration (768)**  
**Statement of Net Position**  
**August 31, 2019 and 2018**

	2019	2018
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable	148,525.47	79,544.03
Payroll Payable	1,364,430.36	2,160,913.80
Short-Term Debt Commercial Paper Notes	50,795,000.00	52,685,000.00
Claims and Judgments	830,277.43	1,168,048.67
Employees' Compensable Leave	180,610.66	150,934.25
Revenue Bonds Payable	66,019,101.40	64,169,265.10
Net OPEB Liability	17,787,366.00	1,455,923.00
Other Current Liabilities	1,125,276.78	1,119,227.83
Total Current Liabilities	138,250,588.10	122,988,856.68
Non-Current Liabilities:		
Claims and Judgments	4,850,276.57	5,790,089.33
Employees' Compensable Leave	1,196,628.51	1,204,199.35
Revenue Bonds Payable	646,173,902.35	712,193,003.75
Net OPEB Liability	783,201,673.00	285,476,285.00
Net Pension Liability	334,729,720.00	184,369,216.00
Total Non-Current Liabilities	1,770,152,200.43	1,189,032,793.43
Total Liabilities	1,908,402,788.53	1,312,021,650.11
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred Inflows of Resources	338,469,643.00	105,052,981.00
Total Deferred Inflows of Resources	338,469,643.00	105,052,981.00
<b>NET POSITION</b>		
Net Investment in Capital Assets	(674,775,504.40)	(674,925,831.48)
Restricted:		
Nonexpendable:		
Endowments	698,050.29	695,120.59
Expendable:		
Capital Projects	875,735.95	275,121.11
Debt Service	0.00	590,621.08
Other	237,500.45	259,613.66
Unrestricted	(622,962,462.83)	(480,236,618.98)
Total Net Position	\$ (1,295,926,680.54)	\$ (1,153,341,974.02)

UNAUDITED

**Texas Tech University System Administration (768)**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**For the Years Ended August 31, 2019 and 2018**

	2019	Restated 2018
Operating Revenues		
Other Sales and Services - Pledged	\$ 1,566.98	\$ 6,905.70
Total Operating Revenues	<u>1,566.98</u>	<u>6,905.70</u>
Operating Expenses		
Salaries and Wages	12,815,599.61	14,507,126.73
Payroll Related Costs	149,358,556.97	13,064,319.42
Professional Fees and Services	1,824,040.20	1,205,578.63
Travel	438,615.86	553,544.46
Materials and Supplies	190,701.53	336,555.23
Communications and Utilities	320,853.19	306,824.65
Repairs and Maintenance	232,309.14	220,822.29
Rentals and Leases	626,926.52	626,834.52
Printing and Reproduction	66,293.93	88,498.69
Depreciation and Amortization	1,529,737.17	1,522,312.74
Interest	9.90	37.01
Scholarships	4,031.70	1,027.40
Claims and Judgments	531,524.89	136,441.00
Other Operating Expenses	1,316,549.90	4,746,199.38
Total Operating Expenses	<u>169,255,750.51</u>	<u>37,316,122.15</u>
Operating Income (Loss)	<u>(169,254,183.53)</u>	<u>(37,309,216.45)</u>
Nonoperating Revenues (Expenses)		
Legislative Revenue	2,810,521.54	2,768,642.58
Private Gifts - Pledged	2,877,587.00	2,671,000.00
Investment Income (Expense)	2,357,624.16	3,135,887.83
Investment Income (Expense) - Pledged	5,873,819.81	5,877,227.88
Interest Expense on Capital Asset Financing	(25,157,601.05)	(21,484,659.83)
Gain (Loss) on Sale and Disposal of Capital Assets	(2,061.69)	0.00
Net Increase (Decrease) in Fair Value of Investments	703,925.12	760,744.23
Other Nonoperating Revenues (Expenses)	(61,373.31)	(84,974.35)
Total Nonoperating Revenues (Expenses)	<u>(10,597,558.42)</u>	<u>(6,356,131.66)</u>
Income (Loss) before Other Revenues, Expenses, Gains, Losses, and Transfers	(179,851,741.95)	(43,665,348.11)
Other Revenues, Expenses, Gains, Losses, and Transfers		
Contributions to Permanent and Term Endowments	4,800.00	2,200.00
Legislative Transfers In (Out)	54,842,313.44	60,503,383.08
Interagency Transfers of Capital Assets - Increase	355,393.88	0.00
Interagency Transfers of Capital Assets - Decrease	(5,194.93)	0.00
Net Transfers from (to) Texas Tech University System Components	(17,930,276.96)	(68,594,176.43)
Net Other Revenues, Expenses, Gains, Losses, and Transfers	<u>37,267,035.43</u>	<u>(8,088,593.35)</u>
Total Change in Net Position	<u>(142,584,706.52)</u>	<u>(51,753,941.46)</u>
Beginning Net Position (September 1)	\$ (1,153,341,974.02)	\$ (1,101,588,032.56)
Ending Net Position (August 31)	<u>\$ (1,295,926,680.54)</u>	<u>\$ (1,153,341,974.02)</u>

UNAUDITED

**Texas Tech University System Administration (768)**  
**Statement of Cash Flows**  
**For the Years Ended August 31, 2019 and 2018**

	2019	Restated 2018
<b>Cash Flows from Operating Activities</b>		
Proceeds from Sales and Services of Auxiliary Enterprises	\$ 5,005.03	\$ 3,378.73
Payments to Suppliers for Goods and Services	(489,304.60)	(645,876.21)
Payments to Employees for Salaries	(13,337,541.47)	(14,031,667.84)
Payments to Employees for Benefits	(3,510,062.55)	(3,185,535.32)
Payments for Other Expenses	(6,261,853.50)	(8,327,566.08)
Net Cash Provided/(Used) by Operating Activities	<u>(23,593,757.09)</u>	<u>(26,187,266.72)</u>
<b>Cash Flows from Noncapital Financing Activities</b>		
Proceeds from State Appropriations	2,824,447.05	2,653,453.00
Proceeds from Gifts	2,882,387.00	2,673,200.00
Proceeds from Other Financing Activities	38,318.00	0.00
Proceeds from Agency Transactions	84,610,420.58	63,758,152.34
Proceeds from Transfers from Component Institutions	12,045,160.89	12,048,426.15
Payments for Transfers to Component Institutions	(177,747.07)	(689,955.36)
Payments for Other Uses	(84,610,420.58)	(63,758,152.34)
Net Cash Provided/(Used) by Noncapital Financing Activities	<u>17,612,565.87</u>	<u>16,685,123.79</u>
<b>Cash Flows from Capital and Related Financing Activities</b>		
Proceeds from Capital Debt Issuances	19,500,000.00	30,800,000.00
Proceeds from Transfers from Component Institutions	110,431,960.96	112,286,035.46
Payments for Transfers to Component Institutions	(84,264,588.30)	(126,762,760.31)
Payments for Transfers to Other State Agencies	(1,122,750.00)	(1,121,750.00)
Payments for Additions to Capital Assets	0.00	(1,082,709.78)
Payments for Principal Paid on Capital Debt	(82,265,000.00)	(82,873,000.00)
Payments for Interest Paid on Capital Debt	(27,157,850.25)	(26,571,072.61)
Payments for Other Costs on Debt Issuance	(99,691.31)	(84,974.35)
Net Cash Provided/(Used) by Capital and Related Financing Activities	<u>(64,977,918.90)</u>	<u>(95,410,231.59)</u>
<b>Cash Flows from Investing Activities</b>		
Proceeds from Investment Sales and Maturities	9,466,564.64	15,514,514.34
Proceeds from Interest and Investment Income	10,295,931.71	9,388,177.46
Payments to Acquire Investments	(12,833,082.45)	(12,009,674.05)
Net Cash Provided/(Used) by Investing Activities	<u>6,929,413.90</u>	<u>12,893,017.75</u>
<b>TOTAL NET CASH FLOWS</b>	<u><u>\$ (64,029,696.22)</u></u>	<u><u>\$ (92,019,356.77)</u></u>

UNAUDITED

**Texas Tech University System Administration (768)**  
**Statement of Cash Flows**  
**For the Years Ended August 31, 2019 and 2018**

	2019	Restated 2018
Beginning Cash & Cash Equivalents (September 1)	\$ 156,214,008.71	\$ 248,233,365.48
Ending Cash & Cash Equivalents (August 31)	<u>\$ 92,184,312.49</u>	<u>\$ 156,214,008.71</u>
Reconciliation of Operating Loss to Net Cash Flows from Operating Activities		
Operating Loss	\$ (169,254,183.53)	\$ (37,309,216.45)
Adjustments:		
Depreciation and Amortization Expense	1,529,737.17	1,522,312.74
Pension Expense	38,887,636.00	17,311,355.00
OPEB Expense	132,382,075.00	15,355,484.00
(Increase) Decrease in Accounts Receivables	(8,804.30)	(2,622.39)
(Increase) Decrease in Prepaid Items	(562.00)	1,176.94
(Increase) Decrease in Deferred Outflows of Resources	(801,627,150.00)	5,225,998.00
Increase (Decrease) in Accounts Payable	68,981.44	32,459.22
Increase (Decrease) in Payroll Payable	(521,941.86)	475,458.89
Increase (Decrease) in Employees' Compensable Leave	22,105.57	240,268.23
Increase (Decrease) in Claims and Judgments	(1,277,584.00)	(898,884.00)
Increase (Decrease) in Benefits Payable	(274,541.58)	233,604.10
Increase (Decrease) Net OPEB Liability	439,967,568.00	(77,624,658.00)
Increase (Decrease) in Net Pension Liability	0.00	(127,004.00)
Increase (Decrease) in Deferred Inflows	336,512,907.00	49,377,001.00
Net Cash Used for Operating Activities	<u>(23,593,757.09)</u>	<u>(26,187,266.72)</u>
Noncash Transactions		
Net Increase (Decrease) in Fair Value of Investments	703,925.12	760,744.23
Other	348,137.26	0.00
Total Noncash Transactions	<u>\$ 1,052,062.38</u>	<u>\$ 760,744.23</u>

UNAUDITED

**Texas Tech University System Administration (768)**  
**Matrix of Operating Expenses Reported by Function**  
**For the Years Ended August 31, 2019 and 2018**

OPERATING EXPENSES	ACADEMIC SUPPORT	INSTITUTIONAL SUPPORT	OPERATIONS & MAINTENANCE OF PLANT	DEPRECIATION & AMORTIZATION	GRAND TOTAL	2018
Salaries and Wages	\$ 800,554.10	\$ 12,015,045.51	\$ 0.00	\$ 0.00	\$ 12,815,599.61	\$ 14,507,126.73
Payroll Related Costs	229,003.37	149,129,553.60	0.00	0.00	149,358,556.97	13,064,319.42
Professional Fees and Services	93,390.95	1,730,649.25	0.00	0.00	1,824,040.20	1,205,578.63
Travel	7,236.48	431,379.38	0.00	0.00	438,615.86	553,544.46
Materials and Supplies	11,376.53	150,679.32	28,645.68	0.00	190,701.53	336,555.23
Communications and Utilities	6,474.59	314,378.60	0.00	0.00	320,853.19	306,824.65
Repairs and Maintenance	10.00	216,113.77	16,185.37	0.00	232,309.14	220,822.29
Rentals and Leases	489.80	626,436.72	0.00	0.00	626,926.52	626,834.52
Printing and Reproduction	3,759.02	62,378.49	156.42	0.00	66,293.93	88,498.69
Depreciation and Amortization	0.00	0.00	0.00	1,529,737.17	1,529,737.17	1,522,312.74
Interest	0.00	9.90	0.00	0.00	9.90	37.01
Scholarships	0.00	4,031.70	0.00	0.00	4,031.70	1,027.40
Claims and Judgments	531,524.89	0.00	0.00	0.00	531,524.89	136,441.00
Other Operating Expenses	10,876.93	1,247,775.73	57,897.24	0.00	1,316,549.90	4,746,199.38
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 1,694,696.66</b>	<b>\$ 165,928,431.97</b>	<b>\$ 102,884.71</b>	<b>\$ 1,529,737.17</b>	<b>\$ 169,255,750.51</b>	<b>\$ 37,316,122.15</b>

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## **Appendix C**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

#### **Texas Tech University System**

#### **Unaudited**

### **INTRODUCTION**

Formally established by the Texas Legislature in 1999, the Texas Tech University System (the System) is composed of a central administrative unit, the Texas Tech University System Administration (TTUSA), two general academic institutions - Texas Tech University (TTU) and Angelo State University (ASU), and two health-related institutions - Texas Tech University Health Sciences Center (TTUHSC) and Texas Tech University Health Sciences Center at El Paso (TTUHSC at El Paso). The System is governed by a nine-member Board of Regents appointed by the Governor of Texas. Members of the board serve six-year, staggered terms with the exception of a non-voting student Regent who is appointed by the Governor to serve a one-year term. The Chancellor is the chief executive officer of the System and is appointed by and reports directly to the Board of Regents. The Chancellor and his staff are supported by the administrative agency, the Texas Tech University System Administration.

The System has emerged as a nationally acclaimed higher education system with one of the largest contiguous campuses in the United States. Headquartered in Lubbock, Texas, the System operates on more than 18 campuses and academic sites throughout the State of Texas and internationally. The System has locations statewide in Abilene, Amarillo, Cleburne, Dallas, El Paso, Fredericksburg, Highland Lakes, Junction, Lubbock, McKinney, Midland, Odessa, Rockwall, San Angelo and Waco. Internationally, the System has locations in Seville, Spain and San Jose, Costa Rica.

TTU, based in Lubbock, Texas, was created by legislative action in 1923 and has the distinction of being the largest comprehensive higher education institution in the western two-thirds of the state of Texas. Over 38,000 students enroll annually, coming from 50 states and more than 100 foreign countries. These students choose from approximately 106 undergraduate, 103 master, and 54 doctoral degree programs among ten colleges and two graduate and professional schools. In its 2015 classification update, the Carnegie Classification of Institutions of Higher Education officially announced the inclusion of TTU into the highest research activity tier. TTU was one of 115 doctorate-granting universities to obtain the classification in 2015. This was also the first time TTU was considered a tier one research university.

The TTU School of Medicine was created by the 61st Texas Legislature in May 1969 as a multi-campus institution with Lubbock as the administrative center, and with regional campuses at Amarillo, El Paso, and Odessa. In 1979, the charter was expanded to become the Texas Tech University Health Sciences Center (TTUHSC), leading the way for establishment of the School of Nursing, School of Health Professions, and the Graduate School of Biomedical Sciences. In 1993, the legislature authorized the establishment of a School of Pharmacy to be located in Amarillo. In addition, Health Professions programs were expanded to Amarillo and the Permian Basin. In 2003, the legislature authorized the establishment of a four-year medical school in El Paso, and in 2011, the Gayle Greve Hunt School of Nursing was established, also located in El Paso. TTUHSC, with an enrollment of approximately 5,300 students, also has academic centers in Dallas and Abilene.

ASU, based in San Angelo, Texas was established in 1928 as San Angelo College. In 1965 new legislation was passed to create Angelo State College, and in 1969 the name of the institution changed to Angelo State University.

ASU's campus covers more than 268 acres and enrolls more than 10,000 students from 48 states and 29 countries. When the Texas Legislature (80th Regular Session) passed H.B. 3564 and pursuant to the statute, the governance, control, management and property of ASU was transferred from the Texas State University System to the Texas Tech University System, effective September 1, 2007.

TTUHSC at El Paso was established as the fourth component institution of the System pursuant to legislation signed by Governor Rick Perry on May 18, 2013 and enrolls more than 750 students. From its establishment in 1973 until its designation as a separate component institution, TTUHSC at El Paso operated as a regional campus under TTUHSC. Since 1973, the TTUHSC at El Paso campus has grown significantly to serve the El Paso community through education, research and patient care. Programs include the Paul L. Foster School of Medicine, the Gayle Greve Hunt School of Nursing and the Regional Graduate School of Biomedical Sciences, where students receive a comprehensive, practical education preparing them for the health care field. El Paso, the fourth most populous city

in the state of Texas and nineteenth in the United States, is a medical hub of West Texas and Southern New Mexico. The region has been federally designated as a medically underserved area.

The statements as presented are for the combined System. The report also includes the Texas Tech Foundation, Inc., the Texas Tech Physician's Associates, and the Angelo State University Foundation, Inc., as blended component units. The Angelo State University Robert G. Carr and Nona K. Carr Scholarship Foundation financial statements are included at the end of the System Combined Annual Financial Report as a separate discretely presented component unit of the System. The purpose of this foundation is to provide academic scholarships to the students of Angelo State University.

The total student enrollment across all components is more than 55,000 students, and the System employs more than 18,300 faculty and staff. The annual combined budget of the System totals approximately \$2.2 billion; approximately \$594 million of these funds are appropriated by the Texas Legislature.

The System is committed to providing the highest quality and most efficient resources and services to its components. Throughout all institutions and centers, the System strives to enhance student success, strengthen academic quality, expand research, and promote community outreach.

## **OVERVIEW OF THE FINANCIAL STATEMENTS AND FINANCIAL ANALYSIS**

The objective of Management's Discussion and Analysis (MD&A) is to provide an overview of the financial position and activities of the System for the year ended August 31, 2019, with selected comparative information for the years ended August 31, 2018 and 2017. The MD&A was prepared by management and should be read in conjunction with the accompanying financial statements and notes. The emphasis of discussion about these financial statements will focus on the current year data. Unless otherwise indicated, years in this MD&A refer to the fiscal years ended August 31. The System's combined financial report includes three primary financial statements: the statement of net position; the statement of revenues, expenses and changes in net position; and the statement of cash flows. The financial statements of the System have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

## **FINANCIAL HIGHLIGHTS**

- Net operating revenues which include net tuition and fee revenues, net patient care revenues, sales and services of auxiliary enterprises and grants and contracts revenues totaled \$1.3 billion in 2019, an increase of \$44.8 million or 3.5%, over 2018 mainly due to increases in enrollment, patient volumes and rates, new federal research awards and state research support.
- In 2019, net investment income, excluding the change in fair value of investments, decreased \$64.6 million, from \$82.7 million in 2018 to \$18.1 million in 2019 mainly due to an increase in realized losses associated with rebalancing the short/intermediate term investment pool in 2019 compared to 2018. The net increase in fair value of investments was \$24.1 million in 2019, as compared to a net increase of \$40.6 million in 2018, a year-over-year decline of \$16.5 million due to less favorable market conditions in fiscal year 2019.
- The net pension liability increased \$150.4 million to \$334.7 million for 2019 mainly due to changes made to actuarial methods and assumptions used by the State of Texas Teacher Retirement System (TRS) Pension Plan in calculating the net pension liability in 2019 compared to 2018. The decrease in the long term assumed rate of return combined with the decrease in the discount rate were the primary changes made to the actuarial methods and assumptions which increased the TRS Plan's collective net pension liability in 2019.
- The net OPEB liability increased \$514.1 million to \$801 million for 2019 primarily related to an accounting policy change in 2019 which increased the System's proportionate share of the State of Texas Employee Retirement System (ERS) OPEB Plan's collective net OPEB liability in 2019 compared to 2018.
- Investments in capital asset additions were \$197.1 million in 2019, of which \$94 million consisted of new projects under construction. Major capital projects previously included in construction and progress which were completed in 2019 include:
  - Experimental Sciences Building II at Texas Tech University, \$75 million;
  - Theatre & Dance Complex in Talkington College of Visual & Performing Arts at Texas Tech University, \$20.4 million;

- University Center at TTU Health Sciences Center in Lubbock, \$29 million;
- Permian Basin Academic Facility at TTU Health Sciences Center Odessa campus, \$18.6 million
- The par value of revenue bonds payable decreased in 2019 by \$60.9 million to \$693.5 million at August 31, 2019 for bonds matured during the year. The portion of revenue bonds payable representing unamortized bond premium decreased \$3.3 million in 2019 to \$18.7 million at August 31, 2019. There were no bond issuances in 2019. All outstanding bonds have high uninsured “Aa1”, “AA+” and “AA+” underlying credit ratings from three of the major bond-rating agencies.

### **Statement of Net Position**

The statement of net position presents the assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position of the System as of the end of the fiscal year. This is a point-in-time financial presentation of the financial status as of August 31, 2019, with comparative information for the previous years. The statement of net position presents information in current and non-current format for both assets and liabilities. The net position section presents assets plus deferred outflows of resources, less liabilities, less deferred inflows of resources. Over time, increases or decreases in net position are one indicator of the improvement or decline of the System’s financial health when considered with nonfinancial factors such as enrollment, patient levels, and the condition of facilities. A summarized comparison of the System’s statement of net position at August 31, 2019, 2018, and 2017 follows:

**Table 1 - Condensed Statement of Net Position (Amounts in Millions)**

	2019	Restated 2018	Restated 2017
<b>Assets</b>			
Current Assets	\$ 720.9	\$ 830.1	\$ 782.3
Non-Current Investments	2,302.1	2,123.9	2,020.3
Capital Assets, Net	1,779.3	1,715.9	1,592.7
Other Non-Current Assets	146.3	203.2	311.3
<b>Total Assets</b>	<b>4,948.6</b>	<b>4,873.1</b>	<b>4,706.6</b>
<b>Deferred Outflows of Resources</b>	<b>796.3</b>	<b>45.9</b>	<b>70.9</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 5,744.9</b>	<b>\$ 4,919.0</b>	<b>\$ 4,777.5</b>
<b>Liabilities</b>			
Current Liabilities	\$ 574.8	\$ 535.4	\$ 512.4
Non-Current Liabilities	1,817.9	1,237.3	1,388.2
<b>Total Liabilities</b>	<b>2,392.7</b>	<b>1,772.7</b>	<b>1,900.6</b>
<b>Deferred Inflows of Resources</b>	<b>360.3</b>	<b>121.5</b>	<b>43.6</b>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>\$ 2,753.0</b>	<b>\$ 1,894.2</b>	<b>\$ 1,944.2</b>
<b>Net Position</b>			
Net Invested in Capital Assets	\$ 1,081.3	\$ 1,016.7	\$ 930.2
Restricted - Nonexpendable	758.1	729.3	701.1
Restricted - Expendable	574.8	577.2	547.5
Unrestricted	577.7	701.6	654.5
<b>Total Net Position</b>	<b>\$ 2,991.9</b>	<b>\$ 3,024.8</b>	<b>\$ 2,833.3</b>

## **Assets and Deferred Outflows of Resources (Table 1)**

The System's assets and deferred outflows of resources primarily consist of current assets, non-current investments, net capital assets, other non-current assets, and deferred outflows related to pension and OPEB. Assets and deferred outflows increased by \$825.9 million, or 16.8%, in 2019 compared to 2018 primarily due to increases in pension and OPEB related deferred outflows and net capital assets which are further explained in the sections below. Also, in fiscal year 2019, there was a \$5.4 million restatement to fiscal year 2018 financial statements to include donated software licenses previously unreported in net capital assets and net position.

### **Current Assets**

Current assets consist primarily of cash and cash equivalents, balances in state appropriations, various student, patient, federal, gift, contract and other receivables, prepaid items and loans receivable. The System's current assets decreased by \$109.2 million, or -13.2%, in 2019 primarily as a net result of a decrease of \$139.6 million, or -34.1%, in cash and cash equivalents, an increase of \$12.4 million, or 6.7%, in balances in state appropriations, and an increase of \$11.2 million, or 51.5%, in the current portion of gift receivables. The decrease in cash and cash equivalents was mainly attributable to a change in investment policy to shift more cash and cash equivalents to investments which is further explained in the non-current investments section. Also, the increase in gift receivables is related to new donor pledged gifts received in 2019 for major capital projects.

### **Non-Current Investments**

Non-current investments are comprised of the System's Short/Intermediate Term Investment Fund (SITIF), the Long Term Investment Fund (LTIF) and other investments. These assets increased \$178.2 million, or 8.39% in 2019 primarily due to a change in the SITIF asset allocation policy which resulted in allocating additional current and non-current cash and cash equivalents to the intermediate term investment fund in 2019 compared to 2018.

### **Net Capital Assets**

The development and renewal of the System's capital assets is one of the critical factors in continuing the System's quality academic, health and research programs. The System continues to upgrade its facilities and address planned growth in patient care, student enrollment and research. In May 2019, the System's Board of Regents approved a 5-year (2020-2025) capital plan for all System component institutions totaling over \$1.5 billion for 66 capital projects. In fiscal year 2019, capital assets less accumulated depreciation and amortization increased by \$63.4 million, or 3.7% compared to fiscal year 2018. Changes to capital assets in 2019 included new additions which totaled \$197.1 million offset by additions to accumulated depreciation and amortization of \$132.9 million and capital asset disposals of \$0.8 million. These capital additions were comprised of replacement, renovation, and new construction of academic, research and health care facilities, as well as significant investments in equipment.

### **Other Non-Current Assets**

Other non-current assets consist primarily of non-current cash and cash equivalents, loans and contracts receivables, and gifts receivable. Other non-current assets decreased in 2019 by \$56.9 million, or -28%, attributable to a net result of a decrease of \$67.8 million, or -49.6%, in cash and cash equivalents, and an increase of \$11.5 million, or 18.1%, in the non-current portion of gift receivables. The decrease in cash and cash equivalents was mainly attributable to a change in investment policy to shift more cash and cash equivalents to investments which is further explained in the non-current investments section. Also, the increase in gift receivables is related to new donor pledged gifts received in 2019 for major capital projects.

### **Deferred Outflows of Resources**

Deferred outflows of resources consist of defined benefit pension, postemployment benefits (OPEB), and unamortized gains on advanced bond/debt refunding. Total deferred outflows of resources increased \$750.4 million in 2019 with \$632.1 million of the increase attributable to a change in accounting policy made to the State of Texas Employees Retirement System (ERS) OPEB Plan in 2019. The accounting policy change resulted in an increase to the System's proportionate share (employer allocation) of the net OPEB Plan activity. The rationale for the accounting policy change was to include all employer contributions for both active employees and retirees in calculating the employer's proportionate share of the OPEB Plan activity since all contributions are available to pay current and future claims of the OPEB Plan. The prior year employer proportionate share calculation was only based on employer contributions for retirees. The remainder of the change is related to an increase of \$119.6 million due to changes in the State of Texas Teacher Retirement System (TRS) Pension Plan's actuarial methods and assumptions

for the defined benefit pension related deferred outflows offset by a decrease of \$1.3 million in 2019 due to final amortization of the remaining advanced bond/debt refunding costs in fiscal year 2018.

### **Liabilities and Deferred Inflows of Resources (Table 1)**

The System's liabilities and deferred inflows of resources primarily consist of current liabilities, bonds payable, net pension liability, net OPEB liability and deferred inflows of resources. Liabilities and deferred inflows of resources increased \$858.8 million, or 45.3%, primarily due to increases in the pension and OPEB liabilities, and deferred inflows of resources related to OPEB with an offsetting decrease in revenue bonds payable which are explained in the following sections below.

#### **Current Liabilities**

Current liabilities consist primarily of accounts payable, payroll payable, unearned revenues, the current portion of claims and judgments, the current portion of employee compensable leave, commercial paper notes payable, the current portion of revenue bonds payable, funds held for others, the current portion of net OPEB liability, and other liabilities. The System's current liabilities increased \$39.4 million, or 7.4%, in 2019 primarily due to an increase of \$7 million, or 4.8%, in accounts and payroll payables, an increase of \$8.3 million, or 3.6%, in unearned revenue, an increase of \$7.7 million in claims and judgments, and an increase of \$16.3 million in the current portion of the net OPEB liability. The increase attributable to the current portion of the net OPEB liability is related to the ERS OPEB Plan's change in accounting policy in 2019 which is explained above.

#### **Non-Current Liabilities**

Non-current liabilities consist primarily of the non-current portion of revenue bonds payable, claims and judgments, employees' compensable leave, net OPEB liability, and the net pension liability. Non-current liabilities had an overall increase of \$580.6 million, or 46.9%, primarily due to an increase of \$150.4 million, or 81.6%, in net pension liability, an increase of \$497.7 million in net OPEB liability, and a decrease of \$66 million, or -9.3%, in revenue bonds payable. The increase in the net pension liability was attributable to changes made to actuarial methods and assumptions used by the State of Texas Teacher Retirement System (TRS) Pension Plan in calculating the net pension liability in 2019 compared to 2018. The decrease in the long term assumed rate of return combined with the decrease in the discount rate were the primary changes made to the actuarial methods and assumptions which increased the TRS Plan's collective net pension liability in 2019. The increase attributable to the net OPEB liability is related to the ERS OPEB Plan's change in the accounting policy in 2019 which is explained above. The decrease to revenue bonds payable was related to bonds matured and amortization of bonds premium in the current year.

#### **Deferred Inflows of Resources**

Deferred inflows of resources consist of defined pension benefits, postemployment benefits (OPEB), and split-interest agreements. Deferred inflows of resources increased \$238.8 million in 2019 due to a decrease in defined benefit pension of \$13.2 million, or -31.7%, an increase of \$5.4 million, or 32.7%, in split-interest agreements, and an increase of \$246.6 million in postemployment benefits (OPEB). The increase attributable to the net OPEB liability is related to the ERS OPEB Plan's change in the accounting policy in 2019 which is explained above. The increase related to split-interest agreements was due to an increase in fair value of investments in the current year compared to the prior year.

### **Net Position (Table 1)**

Net position represents the residual interest in the System's assets and deferred outflows of resources after liabilities and deferred inflows of resources are deducted. Net position decreased by \$32.9 million in 2019 due to current year activity primarily related to increased OPEB and pension related activity, increased realized losses on sales of investments and reduced increases in fair value of investments.

#### **Net Invested in Capital Assets**

Net invested in capital assets represents the System's capital and intangible assets, net of accumulated depreciation and amortization and outstanding debt obligations attributable to the acquisition, construction or improvement of those assets. The \$64.6 million increase, or 6.4%, in net invested in capital assets in 2019 resulted from an increase in net capital assets, and reductions in debt.

#### Restricted Nonexpendable Net Position

Restricted nonexpendable net position is comprised of the System's donor-restricted permanent endowment funds excluding net appreciation on donor restricted endowments which is reported in restricted expendable net position. Donor restricted endowments are subject to externally imposed restrictions governing their use. As of August 31, 2019 and 2018, restricted nonexpendable net position was \$758.1 million and \$729.3 million, respectively. Restricted nonexpendable net position increased by \$28.8 million, or 3.9%, in 2019 due to additions to endowments and an increase in investment fair values.

#### Restricted Expendable Net Position

Restricted expendable net position is comprised of assets whose use by the System is subject to externally imposed stipulations that can be fulfilled by actions of the System pursuant to those stipulations, or that expire by the passage of time. In 2019, restricted expendable net position decreased by \$2.4 million, or -0.4%, mainly due to an increase of \$7.8 million, or 52.9%, in capital projects, an increase of other restricted balances of \$36.3 million, or 10.6%, and a decrease in restricted expendable endowments of \$44.8 million, or -29.7%.

#### Unrestricted Net Position

Although unrestricted net position is not subject to externally imposed stipulations, substantially all of the System's unrestricted net position has been committed for various future operating budgets related to academic, patient, and research program initiatives, as well as capital projects. Unrestricted net position of \$577.7 million also includes funds functioning as endowments of \$147.0 million.

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### **Statement of Revenues, Expenses and Changes in Net Position**

The statement of revenues, expenses and changes in net position details the changes in total net position as presented on the statement of net position. The statement presents both operating and nonoperating revenues and expenses for the System. The following table summarizes the System's revenues, expenses and changes in net position for the years ended August 31, 2019, 2018, and 2017:

**Table 2 - Condensed Statement of Revenues, Expenses and Changes in Net Position (Amounts in Millions)**

	2019	Restated 2018	Restated 2017
Operating Revenues	\$ 1,321.5	\$ 1,276.7	\$ 1,240.2
Operating Expenses	(2,123.1)	(1,910.6)	(1,854.6)
Operating Income (Loss)	(801.6)	(633.9)	(614.4)
Nonoperating Revenues (Expenses)	589.9	661.8	718.6
Income (Loss) before Other Revenues, Expenses, Gains, Losses and Transfers	(211.7)	27.9	104.2
Other Revenues, Expenses, Gains, Losses and Transfers	178.8	154.8	156.3
Total Change in Net Position	(32.9)	182.7	260.5
Beginning Net Position (September 1)	3,019.4	2,833.3	2,924.1
Restatements	5.4	8.8	(351.3)
Restated Beginning Net Position (September 1)	3,024.8	2,842.1	2,572.8
Ending Net Position (August 31)	\$ 2,991.9	\$ 3,024.8	\$ 2,833.3

### **Operating Revenues (Table 2)**

Operating revenues totaled \$1.3 billion for the fiscal year ended August 31, 2019, an increase of \$44.8 million, or 3.5%, over 2018. The System's primary sources of operating revenues come from net tuition and fees, grants and contracts, net sales and services, net professional fees, and net auxiliary enterprises.

### **Net Tuition and Fees**

Net tuition and fees, a primary source of funding for the System's academic programs, representing 33.4% of operating revenues, are reflected net of associated discounts and allowances. Net tuition and fees increased \$12.3 million, or 2.9%, in 2019, primarily as a result of an overall combined System enrollment increase in 2019 of 1.8% and moderate increases in rates.

### **Grants and Contracts**

Grants and contracts revenues, representing 27.5% of operating revenues, are primarily from governmental and private sources and are related to research programs that normally provide for the recovery of direct and indirect costs. Governmental sponsored programs include grants from the federal government such as the U.S. Department of Health and Human Services. Grants and contracts revenues include student financial aid and contracts with affiliated hospitals for clinical activities. These revenues increased \$18.3 million, or 5.3%, in 2019.

### **Net Patient Care Revenues**

Net patient care revenues, which consist of net sales and services of hospitals and net professional fees, are principally generated within the System's hospitals and physicians' practice plans under contractual arrangements with governmental payors and private insurers. These revenues, which represent 22.6% of operating revenues, are reported net of contractual allowances, bad debt expense, and unreimbursed charges for financially or medically

indigent patients. Net patient care revenues increased \$14.4 million, or 5.0%, in 2019, as a result of increases in patient volumes and rates.

#### Net Auxiliary Enterprises

Net auxiliary enterprise revenues, representing 14.0% of operating revenues, were earned from a host of activities such as athletics, housing and food service, bookstores, parking, student health and other activities. These revenues increased \$11.8 million, or 6.8%, in 2019 due to increases specific to athletic, housing and food service revenues.

#### **Operating Expenses (Table 3)**

Operating expenses totaled \$2.1 billion for the fiscal year ended August 31, 2019, an increase of \$212.5 million, or 11.1%, over 2018. The following data summarizes the composition of operating expenses by functional classification for the years ended August 31, 2019, 2018, and 2017:

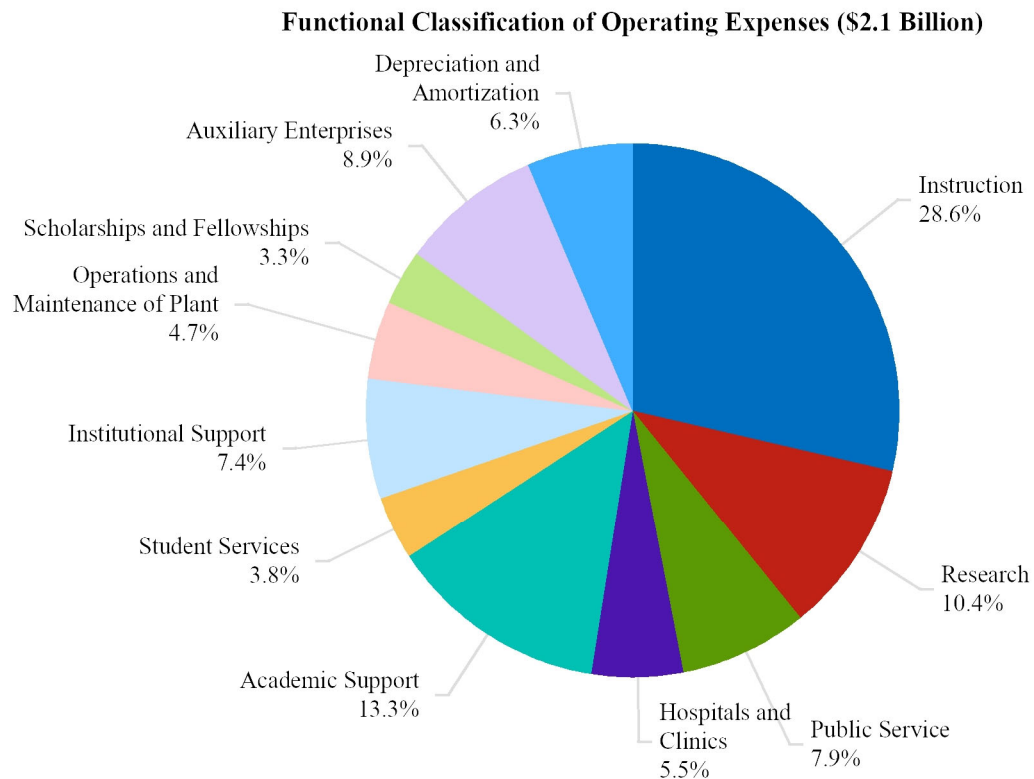
**Table 3 - Operating Expenses by Functional Classification (Amounts in Millions)**

	2019	2018	2017
Instruction	\$ 607.3	\$ 548.2	\$ 529.7
Research	221.7	199.9	209.6
Public Service	167.5	149.7	148.3
Hospitals and Clinics	117.8	99.7	93.8
Academic Support	282.7	268.6	256.6
Student Services	80.5	66.3	63.1
Institutional Support	156.4	130.0	123.1
Operations and Maintenance of Plant	99.3	92.4	92.7
Scholarships and Fellowships	69.0	68.6	67.7
Auxiliary Enterprises	188.0	157.2	146.0
Depreciation and Amortization	132.9	130.0	124.0
<b>Total Operating Expenses</b>	<b>\$ 2,123.1</b>	<b>\$ 1,910.6</b>	<b>\$ 1,854.6</b>

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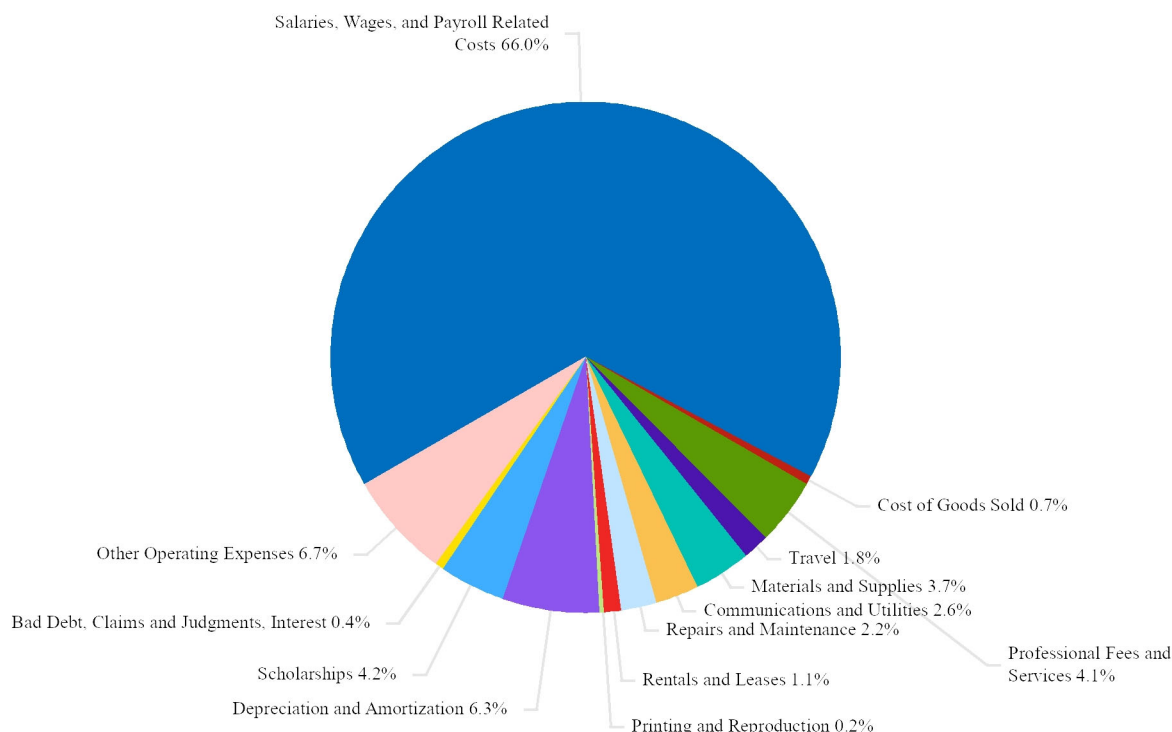
The operating expenses reflect the System's commitment to promoting instruction, research, patient care, public service and student support. Total operating expenses increased \$212.5 million, or 11.1%, in 2019 in response to the growing cost of providing support for the institution's primary missions of instruction, research, public service and patient care activities. The following is a graphic illustration of operating expenses by functional classification for the year ended August 31, 2019.



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In addition to functional classification of operating expenses, the following graph also illustrates the System's operating expenses by natural classification for the year ended August 31, 2019.

### Natural Classification of Operating Expenses (\$2.1 Billion)



### **Nonoperating Revenues and Expenses (Table 2)**

Certain significant recurring revenues are considered nonoperating. The System's primary sources of nonoperating revenues and expenses come from legislative revenue, nonoperating grants and contract revenues, private gifts, investment income (loss) excluding the change in fair value of investments, net increase (decrease) in fair value of investments, and interest expense on capital asset financing.

#### **Legislative Revenue**

Legislative revenue comprised of General Revenue state appropriations and state paid benefits for group health insurance, OASI, retirement contributions (TRS) and the optional retirement program, increased \$5.7 million, or 1.2%, between 2018 and 2019.

#### **Private Gifts**

Private gifts of \$36.4 million in 2019 increased \$10.3 million, or 39.2%, from 2018.

#### **Investment Income (Expense) Excluding the Change in Fair Value of Investments**

Investment income (expense), excluding the change in the fair value of investments, decreased \$64.6 million from \$82.7 million in 2018 to \$18.1 million in 2019 primarily due to an increase in realized losses associated with rebalancing the SITIF investment pool in 2019 compared to 2018.

#### **Net Increase (Decrease) in Fair Value of Investments**

The change in the fair value of the System's investments in 2019 was \$24.1 million as compared to \$40.6 million in 2018, a year-over-year decrease of \$16.5 million, or -40.6% , primarily as a result of less favorable market conditions in 2019.

### Interest Expense on Capital Asset Financing

Finally, interest expense on capital asset financing increased from \$21.5 million in 2018 to \$25.2 million in 2019.

### **Other Revenues, Expenses, Gains, Losses and Transfers (Table 2)**

Other revenues, expenses, gains, losses and transfers is primarily comprised of capital appropriations (HEAF), contributions to permanent and term endowments, capital contributions and transfers to and from other state agencies.

### Capital Appropriations, Capital Contributions, and Additions to Permanent and Term Endowments

Capital appropriations, capital contributions and additions to permanent endowments totaled \$170.0 million for the year ended August 31, 2019, an increase of \$23.8 million, or 16.3%, from 2018. This increase was primarily due to an increase in major gifts received in 2019 for various capital construction projects. Additions to permanent and term endowments fluctuate from year to year depending on the generosity of donors. The System continues its fundraising efforts to address facilities expansion and renovation, and the establishment of endowments for instruction, research and patient care activities.

### **Change in Net Position (Table 2)**

The change in net position results from all revenues, expenses, gains, losses, and transfers that occurred during the accounting period. It is an overall indication of the improvement or decline between the prior and current year's statement of net position. Net position decreased in 2019 by \$32.9 million due to current year activity as compared to an increase of \$191.5 million in 2018, primarily due to increased OPEB and pension expenses, increased realized loss on sales of investments and reduced increases in fair value of investments in 2019. Net investment income, excluding the change in fair value of investments, decreased \$64.6 million in 2019, from \$82.7 million to \$18.1 million. The net increase in fair value of investments was \$24.1 million in 2019, as compared to a net increase of \$40.6 million in 2018, a year-over-year decline of \$16.5 million. During fiscal year 2019, TTU discovered a previously unreported software license had been donated in fiscal year 2017. The recognition of this resulted in restatements to computer software - intangible, accumulated amortization, net position and amortization expense totaling \$5.4 million.

### **Statement of Cash Flows**

The statement of cash flows provides additional information about financial results by reporting the major sources and uses of cash. The statement provides an assessment of the System's financial flexibility and liquidity to meet obligations as they come due and the need for external financing. The following table summarizes the System's statement of cash flows for the years ended August 31, 2019, 2018, and 2017:

**Table 4 - Condensed Statement of Cash Flows (Amounts in Millions)**

	2019	Restated 2018	Restated 2017
Cash Provided/(Used) By:			
Operating Activities	\$ (510.1)	\$ (475.5)	\$ (479.3)
Noncapital Financing Activities	608.6	599.8	611.2
Capital and Related Financing Activities	(174.2)	(214.4)	110.5
Investing Activities	(131.7)	20.9	(13.5)
Total Net Cash Flows	<u>\$ (207.4)</u>	<u>\$ (69.2)</u>	<u>\$ 228.9</u>
Beginning Cash and Cash Equivalents - September 1	\$ 546.2	\$ 615.4	\$ 386.7
Restatements	<u>0.0</u>	<u>0.0</u>	<u>(0.2)</u>
Restated Beginning Cash and Cash Equivalents - September 1	546.2	615.4	386.5
Ending Cash and Cash Equivalents - August 31	<u>\$ 338.8</u>	<u>\$ 546.2</u>	<u>\$ 615.4</u>

There are five sections to the statement of cash flows. The first section reflects the cash flows from operating activities and net cash used by operating activities. The second section represents the cash flows from the noncapital financing activities. This reflects the cash received and spent on nonoperating, noninvesting, and noncapital financing purposes. The third section reflects the cash flow from capital and related financing activities. Section four details cash flows from investing activities. The fifth section reconciles net cash used by operating activities to the operating income or loss reflected on the statement of revenues, expenses, and changes in net position.

Net cash used by operating activities should be viewed in conjunction with net cash provided by noncapital financing activities. State appropriations and gift contributions for operations are significant sources of recurring revenues in support of operating expenses, but are required to be classified as noncapital financing activities per GASB statements 34 and 35.

Net cash used by capital and related financing activities reflects a continuing commitment to expand and renovate facilities and to invest in equipment. Net cash used by investing activities shows purchases of investments exceeded receipts from sales and maturities of investments and proceeds from interest and investment income due to a change in the SITIF asset allocation policy which resulted in investing additional cash and cash equivalents in the intermediate term investment fund in 2019 compared to 2018 and was the major contributor to the overall decrease in cash and cash equivalents of \$207.4 million in 2019. The unrealized gains (losses) from the increase (decrease) in the fair value of investments is a noncash transaction for valuation purposes only and does not affect cash flows from investing activities.

### **Capital Assets and Debt Administration**

The System is committed to improving the quality of its academic, research and service programs through the development and renewal of its capital assets. The System continues to implement a long-range plan to modernize its older teaching and research facilities along with new construction.

Capital additions totaled \$197.1 million in 2019. The amount of fiscal year 2019 additions is based on capitalization thresholds of \$5,000 for furniture and equipment, \$100,000 for buildings, building improvements and facilities and other improvements and \$500,000 for infrastructure. Land, works of art and historical treasures are capitalized regardless of cost or value.

Intangible assets include computer software, land use rights and patents and trademarks. Land use rights are capitalized if the cost meets or exceeds \$100,000. Purchased computer software is capitalized if the aggregate cost of the purchase meets or exceeds \$100,000. Internally generated software has a capitalization threshold of \$1,000,000 and other intangible capital assets must be capitalized if the cost meets or exceeds \$100,000.

### **Pledged Revenues**

The System has pooled all of the revenues, with certain exceptions, to secure revenue-supported indebtedness into a system-wide pledge of Parity Obligations under the Master Resolution. The following table summarizes the System's pledged revenues and fund balances for the year ended August 31, 2019 and comparative financial information for 2018 and 2017:

	2019	2018	2017
Pledgeable Current Year Revenues	\$ 758.6	\$ 733.6	\$ 743.9
Pledgeable Fund and Reserve Balances	922.9	890.0	852.0
Total Pledged Revenues and Fund Balances	\$ 1,681.5	\$ 1,623.6	\$ 1,595.9

### **Economic Outlook**

Management considers the System to be well positioned to continue to provide quality service to students, patients, and the research community at large. Future successes are largely dependent upon the ability to recruit and retain the highest quality students, faculty, and staff, cost containment, and ongoing financial and political support from state government. Private gift contributions are a significant factor in the growth of academic, research, and patient care units and are an important supplement to the fundamental support provided by the state and through collections from students and patients. Economic pressures affecting donors may also affect the future level of support afforded to the System from corporate and individual giving. The System will continue to monitor resources to maintain its ability to respond to internal and external issues.

## **Appendix D**

### **SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION**

The information contained in this section is a summary of certain provisions of the Resolution and is in addition to other information in such document which is summarized elsewhere in this Official Statement under the captions "PLAN OF FINANCE," "DESCRIPTION OF THE BONDS," and "SECURITY FOR THE BONDS." This information is intended as a summary only and is qualified in its entirety by reference to the complete Resolution, copies of which may be obtained from the offices of the Assistant Vice Chancellor, Investments and Assistant Chief Financial Officer of the University System.

**Definitions.** As used in the Resolution the following terms and expressions have the meanings set forth below, unless the text of the Resolution specifically indicates otherwise:

The term "*Annual Debt Service Requirements*" means, for any Fiscal Year, the principal of and interest on all Parity Obligations coming due at Maturity or Stated Maturity (or that could come due on demand of the owner thereof other than by acceleration or other demand conditioned upon default by the Board on such Debt, or be payable in respect of any required purchase of such Debt by the Board) in such Fiscal Year, and, for such purposes, any one or more of the following rules shall apply at the election of the Board:

(1) **Committed Take Out.** If the Board has entered into a Credit Agreement constituting a binding commitment within normal commercial practice to discharge any of its Funded Debt at its Stated Maturity (or, if due on demand, at any date on which demand may be made) or to purchase any of its Funded Debt at any date on which such Debt is subject to required purchase, all under arrangements whereby the Board's obligation to repay the amounts advanced for such discharge or purchase constitutes Funded Debt, then the portion of the Funded Debt committed to be discharged or purchased shall be excluded from such calculation and the principal of and interest on the Funded Debt incurred for such discharging or purchase that would be due in the Fiscal Year for which the calculation is being made, if incurred at the Stated Maturity or purchase date of the Funded Debt to be discharged or purchased, shall be added;

(2) **Balloon Debt.** If the principal (including the accretion of interest resulting from original issue discount or compounding of interest) of any series or issue of Funded Debt due (or payable in respect of any required purchase of such Funded Debt by the Board) in any Fiscal Year either is equal to at least 25% of the total principal (including the accretion of interest resulting from original issue discount or compounding of interest) of such Funded Debt or exceeds by more than 50% the greatest amount of principal of such series or issue of Funded Debt due in any preceding or succeeding Fiscal Year (such principal due in such Fiscal Year for such series or issue of Funded Debt being referred to herein as "Balloon Debt"), the amount of principal of such Balloon Debt taken into account during any Fiscal Year shall be equal to the debt service calculated using the original principal amount of such Balloon Debt amortized over the Term of Issue on a level debt service basis at an assumed interest rate equal to the rate borne by such Balloon Debt on the date of calculation;

(3) **Consent Sinking Fund.** In the case of Balloon Debt (as defined in clause (2) above), if a Designated Financial Officer shall deliver to the Board an Officer's Certificate providing for the retirement of (and the instrument creating such Balloon Debt shall permit the retirement of), or for the accumulation of a sinking fund for (and the instrument creating such Balloon Debt shall permit the accumulation of a sinking fund for), such Balloon Debt according to a fixed schedule stated in such Officer's Certificate ending on or before the Fiscal Year in which such principal (and premium, if any) is due, then the principal of (and, in the case of retirement, or to the extent provided for by the sinking fund accumulation, the premium, if any, and interest and other debt service charges on) such Balloon Debt shall be computed as if the same were due in accordance with such schedule, provided that this clause (3) shall apply only to Balloon Debt for which the installments previously scheduled have been paid or deposited to the sinking fund established with respect to such Debt on or before the times required by such schedule; and provided further that this clause (3) shall not apply where the Board has elected to apply the rule set forth in clause (2) above;

(4) **Prepaid Debt.** Principal of and interest on Parity Obligations, or portions thereof, shall not be included in the computation of the Annual Debt Service Requirements for any Fiscal Year for which such principal or interest are payable from funds on deposit or set aside in trust for the payment thereof at the time of such calculations

(including without limitation capitalized interest and accrued interest so deposited or set aside in trust) with a financial institution acting as fiduciary with respect to the payment of such Debt;

(5) Variable Rate. As to any Parity Obligation that bears interest at a variable interest rate which cannot be ascertained at the time of calculation of the Annual Debt Service Requirement then, at the option of the Board, either (1) an interest rate equal to the average rate borne by such Parity Obligations (or by comparable debt in the event that such Parity Obligations has not been outstanding during the preceding 24 months) for any 24 month period ending within 30 days prior to the date of calculation, or (2) an interest rate equal to the 30-year Tax-Exempt Revenue Bond Index (as most recently published in The Bond Buyer), shall be presumed to apply for all future dates, unless such index is no longer published in The Bond Buyer, in which case an index of tax-exempt revenue bonds with maturities of at least 20 years which is published in a newspaper or journal with national circulation may be used for this purpose. If two series of Parity Obligations which bear interest at variable interest rates, or one or more maturities within a series, of equal par amounts, are issued simultaneously with inverse floating interest rates providing a composite fixed interest rate for such Parity Obligations taken as a whole, such composite fixed rate shall be used in determining the Annual Debt Service Requirement with respect to such Parity Obligations;

(6) Guarantee. In the case of any guarantee, as described in clause (2) of the definition of Debt, no obligation will be counted if the Board does not anticipate in its annual budget that it will make any payments on the guarantee. If, however, the Board is making payments on a guarantee or anticipates doing so in its annual budget, such obligation shall be treated as Parity Obligations and calculations of annual debt service requirements with respect to such guarantee shall be made assuming that the Board will make all additional payments due under the guaranteed obligation. If the entity whose obligation is guaranteed cures all defaults and the Board no longer anticipates making payments under the guarantee, the guaranteed obligations shall not be included in the calculation of Annual Debt Service Requirements;

(7) Commercial Paper. With respect to any Parity Obligations issued in the form of commercial paper with maturities not exceeding 270 days, the interest on such Parity Obligations shall be calculated in the manner provided in clause (5) of this definition and the maturity schedule shall be calculated in the manner provided in clause (2) of this definition; and

(8) Credit Agreement Payments. If the Board has entered into a Credit Agreement in connection with an issue of Debt, payments due under the Credit Agreement (other than payments for fees and expenses), for either the Board or the Credit Provider, shall be included in such calculation, except to the extent that the payments are already taken into account under (1) through (7) above and any payments otherwise included above under (1) through (7) which are to be replaced by payments under a Credit Agreement, from either the Board or the Credit Provider, shall be excluded from such calculation.

With respect to any calculation of historic data, only those payments actually made in the subject period shall be taken into account in making such calculation and, with respect to prospective calculations, only those payments reasonably expected to be made in the subject period shall be taken into account in making the calculation.

The term “Annual Direct Obligation” means the amount budgeted each Fiscal Year by the Board with respect to each participant in the Financing System to satisfy said participant’s proportion of debt service (calculated based on said participant’s Direct Obligation) due by the Board in such Fiscal Year on Outstanding Parity Obligations.

The term “Annual Obligation” means, with respect to each participant in the Financing System and for each Fiscal Year, said participant’s Annual Direct Obligation plus the amount budgeted by the Board for such Fiscal Year to allow said participant to retire its obligation for advances made to it by the Board in the management of the Financing System to satisfy part or all of a previous Annual Direct Obligation payment.

The term “Bond Purchase Contract” shall mean any bond purchase agreement, between the Board and the Underwriters pertaining to the purchase of any series of Bonds by the Underwriters.

The term “Bonds” shall mean each series of Bonds, and all substitute bonds exchanged therefor, and all other substitute and replacement bonds issued pursuant to the Eighteenth Supplement; and the term “Bond” means any of the Bonds.

The term “Board” shall mean the Board of Regents of Texas Tech University System.

The term “Chief Financial Officer” shall mean the Chief Financial Officer of TTUS so appointed by the Board or by the Chancellor of TTUS.

The term “Commercial Paper Notes” shall mean the Board of Regents of Texas Tech University Revenue Financing System Commercial Paper Notes, Series A, issued pursuant to the provisions of the Master Resolution and the Fifth Supplement.

The term “Credit Agreement” means, collectively, a loan agreement, revolving credit agreement, agreement establishing a line of credit, letter of credit, reimbursement agreement, insurance contract, commitments to purchase Parity Obligations, purchase or sale agreements, interest rate swap agreements, currency exchange agreements, interest rate floor or cap agreements, or commitments or other contracts of agreements authorized, recognized and approved by the Board as a Credit Agreement in connection with the authorization, issuance, security, or payment of Parity Obligations and on a parity therewith.

The term “Credit Provider” means any bank, financial institution, insurance company, surety bond provider, or other entity which provides, executes, issues, or otherwise is a party to or provider of a Credit Agreement.

The term “Debt” means all:

(1) indebtedness incurred or assumed by the Board for borrowed money (including indebtedness arising under Credit Agreements) and all other financing obligations of the Board that, in accordance with generally accepted accounting principles, are shown on the liability side of a balance sheet;

(2) all other indebtedness (other than indebtedness otherwise treated as Debt hereunder) for borrowed money or for the acquisition, construction, or improvement of property or capitalized lease obligations that is guaranteed, directly or indirectly, in any manner by the Board, or that is in effect guaranteed, directly or indirectly, by the Board through an agreement, contingent or otherwise, to purchase any such indebtedness or to advance or supply funds for the payment or purchase of any such indebtedness or to purchase property or services primarily for the purpose of enabling the debtor or seller to make payment of such indebtedness, or to assure the owner of the indebtedness against loss, or to supply funds to or in any other manner invest in the debtor (including any agreement to pay for property or services irrespective of whether or not such property is delivered or such services are rendered), or otherwise; and

(3) all indebtedness secured by any mortgage, lien, charge, encumbrance, pledge or other security interest upon property owned by the Board whether or not the Board has assumed or become liable for the payment thereof.

For the purpose of determining the “Debt” of the Board, there shall be excluded any particular Debt if, upon or prior to the Maturity thereof, there shall have been deposited with the proper depository (a) in trust the necessary funds (or investments that will provide sufficient funds, if permitted by the instrument creating such Debt) for the payment, redemption, or satisfaction of such Debt or (b) evidence of such Debt deposited for cancellation; and thereafter it shall not be considered Debt. No item shall be considered Debt unless such item constitutes indebtedness under generally accepted accounting principles applied on a basis consistent with the financial statements prepared by or for the benefit of the Board in prior Fiscal Years.

The term “Designated Financial Officer” shall mean the Vice President for Fiscal Affairs of TTU, the Vice President for Fiscal Affairs of the Health Sciences Center, or such other financial or accounting official of TTU or the Health Sciences Center designated by the Board.

The term “Designated Trust Office” shall have the meaning ascribed to said term in Section 5(b) of the Eighteenth Supplement.

The term “Direct Obligation” means the proportionate share of Outstanding Parity Obligations attributable to and the responsibility of each respective participant in the Revenue Financing System.

The term “DTC” shall mean The Depository Trust Company, New York, New York, or any successor securities depository.

The term “Eighteenth Supplement” shall mean the Eighteenth Supplemental Resolution adopted by the Board on May 14, 2020, authorizing the sale of the Bonds.

The term “Escrow Agent” shall mean one or more banking institutions named in each Escrow Agreement and chosen in a manner consistent with the legal requirements set forth in Chapter 1207.

The term “Escrow Agreement” shall mean one or more escrow agreements between the Board and the Escrow Agent, dated as of date of the Bond Purchase Contract, and executed for the benefit of the owners and holders of the Refunded Obligations.

The term “Fifth Supplement” shall mean the amended and restated fifth supplemental resolution adopted by the Board on August 8, 2008, authorizing the Commercial Paper Notes.

The term “Fiscal Year” means the fiscal year of the Board which currently ends on August 31 of each year.

The term “Funded Debt” means all Parity Obligations that mature by their terms (in the absence of the exercise of any earlier right of demand), or are renewable at the option of the Board to a date, more than one year after the original creation, assumption, or guarantee of such Debt by the Board.

The term “Health Sciences Center” means the Texas Tech University Health Sciences Center, together with every other agency or health related institution or branch now or hereafter operated by or under the jurisdiction of the Board acting for and on behalf of the Health Sciences Center pursuant to law.

The term “Health Sciences Center at El Paso” means the Texas Tech University Health Sciences Center at El Paso.

The terms “Holder” or “Bondholder” or “Owner” means the registered owner of any Parity Obligation registered as to ownership and the holder of any Parity Obligation payable to bearer.

The term “Maturity” when used with respect to any Debt means the date on which the principal of such Debt or any installment thereof becomes due and payable as therein provided, whether at the Stated Maturity thereof or by declaration of acceleration, call for redemption, or otherwise.

The term “Non-Recourse Debt” means any Debt secured by a lien (other than a lien on Pledged Revenues), liability for which is effectively limited to the property subject to such lien with no recourse, directly or indirectly, to any other property of the Board attributable to the Revenue Financing System; provided, however, that such Debt is being incurred in connection with the acquisition of property only, which property is not, at the time of such occurrence, owned by the Board and being used in the operations of a participant.

The term “Officer’s Certificate” means a certificate executed by a Designated Financial Officer.

The term “Official Statement” shall mean the official statement prepared with respect to the offer and sale of the Bonds as authorized by the Eighteenth Supplement.

The term “Opinion of Counsel” means a written opinion of counsel, which counsel shall be acceptable to the Board.

The term “Outstanding” when used with respect to Parity Obligations means, as of the date of determination; all Parity Obligations theretofore delivered under the Master Resolution and any Supplement, except:

(1) Parity Obligations theretofore cancelled and delivered to the Board or delivered to the Paying Agent or the Registrar for cancellation;

(2) Parity Obligations deemed paid pursuant to the provisions of the Master Resolution or of any Supplement;

(3) Parity Obligations upon transfer of or in exchange for and in lieu of which other Parity Obligations have been authenticated and delivered pursuant to the Master Resolution and any Supplement; and

(4) Parity Obligations under which the obligations of the Board have been released, discharged, or extinguished in accordance with the terms thereof;

provided, however, that, unless the same is acquired for purposes of cancellation, Parity Obligations owned by the Board shall be deemed to be Outstanding as though it was owned by any other owner.



The term “Outstanding Principal Amount” means, with respect to all Parity Obligations or to a series of Parity Obligations, the outstanding and unpaid principal amount of such Parity Obligations paying interest on a current basis and the outstanding and unpaid principal and compounded interest on such Parity Obligations paying accrued, accreted, or compounded interest only at maturity as of any Record Date established by a Registrar in connection with a proposed amendment of the Master Resolution or any Supplement.

The term “Parity Obligations” means all Debt of the Board which may be issued or assumed in accordance with the terms of the Master Resolution and a Supplement, secured by a pledge of the Pledged Revenues subject only to the liens securing Prior Encumbered Obligations.

The terms “Participant in the Financing System” and “Participant” means each of the agencies, institutions and branches of TTU and the Health Sciences Center and such agencies, institutions and branches designated by the Board to be a participant in the Revenue Financing System.

The terms “Paying Agent/Registrar” and “Paying Agent” shall mean each entity designated in a Supplement as the place of payment of a series or issue of Parity Obligations.

The term “Pledged General Fee” means the gross collections of a student use fee to be fixed, charged, and collected pursuant to Section 55.16, Texas Education Code as it existed prior to the effective date of S.B. 1907, from the students (excepting, with respect to each series or issue of Parity Obligations issued prior to such date, any student in a category which, at the time of the adoption of the Supplement relating to such Parity Obligations, was exempt by law from paying fees) regularly enrolled at the institutions and branches thereof now or hereafter constituting a Participant of the Revenue Financing System, respectively, for the general use and availability of the such institutions or branches thereof, respectively, in the manner and amounts, at the times, and to the extent provided in the Master Resolution, and including, subject to the provisions of the Prior Encumbered Obligations, the Prior Encumbered General Fee.

The term “Pledged General Tuition” means all of the aggregate amount of student tuition charges now or hereafter required or authorized by law to be imposed on students enrolled at each and every institution, branch, and school, now or hereafter constituting a Participant of the Revenue Financing System, but specifically excluding and excepting, with respect to each series or issue of Parity Obligations, any student in a category which, at the time of the adoption of the Supplement relating to such Parity Obligations (1) was exempt by law from paying such tuition, (2) the amount of tuition scholarships provided for by law at the time of the adoption of each Supplement, and (3) the Prior Encumbered Tuition Fee; and it is provided by law and hereby represented and covenanted that the aggregate amount of student tuition charges which are now required or authorized by law to be imposed; and which are pledged to the payment of the Parity Obligations, shall never be reduced or abrogated while such obligations are outstanding; it being further covenanted that the aggregate amount of student tuition charges now required or authorized by law to be imposed on students enrolled at each and every institution, branch, and school operated by or under the jurisdiction of the Board are set forth in the Texas Education Code, as amended, to which reference is hereby made for all purposes.

The term “Pledged Practice Plan Funds” means that portion of the Practice Plan Funds of the Health Sciences Center described in a Supplement which may be pledged to the payment of Parity Obligations; provided, however, that any such pledge may be limited in amount and in any manner, extent or duration as provided in such Supplement.

The term “Pledged Revenues” means, subject to the provisions of the Prior Encumbered Obligations, the Revenue Funds, including all of the funds and balances now or hereafter lawfully available to the Board and derived from or attributable to any Participant of the Revenue Financing System which are lawfully available to the Board for payments on Parity Obligations; provided, however, that the following shall not be included in Pledged Revenues unless and to the extent set forth in a Supplement: (a) amounts received by TTU under Article 7, Section 17 of the Constitution of the State of Texas, including the income therefrom and any fund balances relating thereto; (b) amounts received on behalf of the Health Sciences Center under Article 7, Section 17 of the Constitution of the State of Texas, including the income therefrom and any fund balances relating thereto; (c) except to the extent so specifically appropriated, general revenue funds appropriated to the Board by the Legislature of the State of Texas; and (d) Practice Plan Funds of the Health Sciences Center, including the income therefrom and any fund balances relating thereto, to the extent said moneys are included in Pledged Practice Plan Funds.

The term “Pledged Tuition Fee” means, as authorized by Section 55.17, Texas Education Code as it existed prior to the effective date of S.B. 1907, the following specified amounts out of the tuition charges now or hereafter required or permitted by law to be imposed on each tuition paying student enrolled at each and every institution or branch thereof now or hereafter constituting a Participant, and including, subject to the provisions of the Prior Encumbered Obligations, the Prior Encumbered Tuition Fee, respectively:

\$5.00 from each enrolled student for each regular semester, and

\$2.50 from each enrolled student for each summer term of each summer session.

The term “Practice Plan” means any agreement entered into by and between the Health Sciences Center and faculty appointees of the Health Sciences Center that: (a) assigns to the Health Sciences Center patient fees collected for professional services rendered by the appointee and (b) regulates the collection and expenditure of such patient fees. Practice Plan also includes such agreements existing between an institution which becomes a part of the Health Sciences Center after the date of the adoption of the Master Resolution and such institution’s faculty.

The term “Practice Plan Funds” means the Practice Plan receipts, income and fund balances of the Health Sciences Center.

The term “Pricing Certificate” shall mean one or more certificates executed by the Pricing Officer in accordance with the Eighteenth Supplement.

The term “Pricing Officer” shall mean the Chancellor and the Chief Financial Officer of TTUS, each acting in such capacity severally and not jointly.

The term “Prior Encumbered General Fee” means the Pledged General Fee securing Prior Encumbered Obligations and that portion of the student use fee charged and collected at an institution which becomes a participant after the date of adoption of the Master Resolution and which are pledged to the payment of bonds or other obligations outstanding on the date such institution becomes a participant.

The term “Prior Encumbered General Tuition” means the Pledged General Tuition securing Prior Encumbered Obligations and the aggregate amount of student tuition charges now required or authorized by law in the definition of Pledged General Tuition charged and collected at an institution which becomes a participant of the Revenue Financing System after the date of adoption of the Master Resolution and which are pledged to the payment of bonds or other obligations outstanding on the date such institution becomes a participant of the Revenue Financing System.

The term “Prior Encumbered Obligations” means those bonds or other obligations of an institution which becomes a participant of the Revenue Financing System after the date of adoption of the Master Resolution, which are secured by a lien on and pledge of the Prior Encumbered General Fee, the Prior Encumbered General Tuition, the Prior Encumbered Revenues and/or the Prior Encumbered Tuition Fee charged and collected at such institution or agency, and any other bonds or other obligations secured by revenues which are hereafter designated by the Board as a Pledged Revenue.

The term “Prior Encumbered Revenues” means the revenues pledged to the payment of Prior Encumbered Obligations and the revenues of any revenue producing system or facility of an institution or agency which becomes a participant of the Revenue Financing System and which are pledged to the payment of bonds or other obligations outstanding on the date such institution becomes a participant of the Revenue Financing System.

The term “Prior Encumbered Tuition Fee” means the Pledged Tuition Fee securing Prior Encumbered Obligations and that portion of the tuition charges in the maximum amount permitted in the definition of Pledged Tuition Fee charged and collected at an institution which becomes a participant after the date of adoption of the Master Resolution and which are pledged to the payment of bonds or other obligations outstanding on the date such institution becomes a participant.

The term “Record Date” shall mean, with respect to the Bonds, the last business day of each month preceding an interest payment date.

The term “Refundable Obligations” shall mean those obligations identified in Schedule I to the Eighteenth Supplement.

The term “Refunded Obligations” shall mean those Refundable Obligations identified in a Pricing Certificate to be refunded with proceeds from the sale of one or more series of the Bonds.

The term “Registrar” shall mean the entity designated in a Supplement as the Registrar of a series or issue of Parity Obligations.

The terms “Resolution” or “Master Resolution” means the Master Resolution establishing the Financing System.

The terms “Revenue Financing System” or “Financing System” means the “Texas Tech University Revenue Financing System” composed of TTU and the Health Sciences Center, and such other institutions and agencies now or hereafter under the control or governance of the Board, and made a participant of the Revenue Financing System by specific action of the Board.

The term “Revenue Funds” means the “revenue funds” of the Board (as defined in Section 55.01 of the Texas Education Code to mean the revenues, incomes, receipts, rentals, rates, charges, fees, grants, and tuition levied or collected from any public or private source by an institution of higher education, including interest or other income from those funds) derived by the Board from the operations of each of the Participants, including specifically the Pledged General Tuition and, to the extent and subject to the provisions of the Resolution, the Pledged General Fee and the Pledged Tuition Fee. Revenue Funds does not include, with respect to each series or issue of Parity Obligations, any tuition, rentals, rates, fees, or other charges attributable to any student in a category which, at the time of the adoption of the Supplement relating to such Parity Obligations, is exempt by law from paying such tuition, rentals, rates, fees, or other charges.

The term “S.B. 1907” means Senate Bill 1907 passed by the State Legislature in the Seventy-Fifth Regular Legislative Session.

The term “SEC” shall mean the United States Securities and Exchange Commission.

The term “Stated Maturity” when used with respect to any Debt or any installment of interest thereon means any date specified in the instrument evidencing or authorizing such Debt or such installment of interest as a fixed date on which the principal of such Debt or any installment thereof or the fixed date on which such installment of interest is due and payable.

The term “Subordinated Debt” means any Debt which expressly provides that all payments thereon shall be subordinated to the timely payment of all Parity Obligations then Outstanding or subsequently issued.

The term “Supplement” or “Supplemental Resolution” means a resolution supplemental to, and authorized and executed pursuant to the terms of, the Master Resolution.

The term “Term of Issue” means with respect to any Balloon Debt, including, without limitation, commercial paper, a period of time equal to the greater of (i) the period of time commencing on the date of issuance of such Balloon Debt and ending on the final maturity date of such Balloon Debt or the maximum maturity date in the case of commercial paper or (ii) twenty-five years.

The term “Thirteenth Supplement” shall mean the Thirteenth Supplemental Resolution adopted by the Board on September 12, 2008, authorizing the sale of the Thirteenth Series Note.

The term “Thirteenth Series Note” shall mean the note, in one or more designated series, as authorized by the Thirteenth Supplement.

The term “TTU” means Texas Tech University, together with every other agency or general academic institution or branch thereof now or hereafter operated by or under the jurisdiction of the Board acting for and on behalf of TTU pursuant to law.

The term “TTUS” shall mean the Texas Tech University System, under the governance of the Board.

The term “Underwriters” shall mean those investment banking firms designated by the Pricing Officer in accordance with the Eighteenth Supplement to purchase one or more series of Bonds pursuant to a Bond Purchase Contract.

**Establishment of Revenue Financing System.** Pursuant to the Master Resolution, the Board has established the Revenue Financing System to provide a consolidated financing structure for revenue-supported debt obligations of the Board, including the Bonds, which are to be issued for the benefit of Participants which are or will be included as part of the Revenue Financing System. The current Participants include the University, the Health Sciences Center, Angelo State and the Health Sciences Center at El Paso, and the Revenue Financing System may include other entities that are hereafter included under the control of the Board, but only upon affirmative official action of the Board.

**Security and Pledge.** Subject to the provisions of the resolutions authorizing Prior Encumbered Obligations, Parity Obligations issued under the Master Resolution are payable from and secured by a lien on all Pledged Revenues. The Board has assigned and pledged the Pledged Revenues to the payment of the principal of, interest on, premium, if any, and interest on Parity Obligations and to the establishment and maintenance of any funds that may be created under the Master Resolution or a supplemental resolution to secure the repayment of Parity Obligations. The Board may additionally secure Parity Obligations with one or more Credit Agreements.

**Annual and Direct Obligation of Participants.** The Master Resolution provides that each Participant of the Revenue Financing System is responsible for its Direct Obligation. The Board covenants in the Master Resolution that in establishing the annual budget for each Participant of the Revenue Financing System it will provide for the satisfaction by each Participant to its Annual Obligation.

**Pledged Revenues.** In the Master Resolution, the Board has covenanted and agreed at all times to maintain and collect at each institution which has students the Pledged General Fee and the other Pledged Revenues in such amounts, without limitation, as will be at least sufficient at all times, together with other legally available funds, including other Pledged Revenues, to provide the money to make or pay the principal of, interest on, and other payments or deposits with respect to Outstanding Parity Obligations when and as required. The Board has agreed that the Pledged General Fee and the other Pledged Revenues will be adjusted to provide Pledged Revenues sufficient to make when due all payments and deposits in connection with Outstanding Parity Obligations. The Board may fix and collect the Pledged Revenues in any manner it may determine within its discretion and in different amounts from students enrolled in different Participants. In addition, if and for any period during which total Pledged Revenues, together with other legally available funds, are sufficient to meet all of the Board's financial obligations of the Revenue Financing System, the Board may suspend the collection of any item included in the Pledged Revenues from the students enrolled in any Participant.

The Board further covenants in the Master Resolution that if it determines that Pledged Revenues and other legally available funds are not anticipated to be sufficient to meet all of its financial obligations relating to the Revenue Financing System, including all deposits and payments coming due on Outstanding Parity Obligations, or that any Participant will be unable to pay its Annual Direct Obligation in full, the Pledged General Tuition, and, if necessary, the Pledged General Fee at each Participant with enrolled students will be adjusted, effective at the next succeeding regular semester or semesters or summer term or terms, to an amount, without any limitations (other than as provided in the next paragraph), at least sufficient to provide, together with other Pledged Revenues and legally available funds, the money for paying when due all financial obligations of the Board relating to the Revenue Financing System, including all payments and deposits with respect to Outstanding Parity Obligations.

Any adjustment in the rate of the Pledged General Tuition and the Pledged General Fee of any of the Participants will be based upon the certificate and recommendation of a Designated Financial Officer delivered to the Board, as to the rates and anticipated collection of the Pledged Revenues at the various Participants (after taking into account the anticipated effect the proposed adjustment would have on enrollment and the receipt of Pledged Revenues and other funds of such Participant) which will be anticipated to result in (i) Pledged Revenues attributable to each participant being sufficient (to the extent possible) to satisfy the Annual Obligation of such Participant and (ii) Pledged Revenues being sufficient, together with other legally available funds, to meet all financial obligations of the Board relating to the Revenue Financing System, including all deposits and payments due on or in connection with Outstanding Parity Obligations when and as required.

**Payment and Funds.** The Board has covenanted in the Resolution to make available to the Paying Agent/Registrar for Parity Obligations, on or before each payment date, money sufficient to pay any and all amounts due on such Parity Obligations on such payment date.

The Resolution allows the Board to supplement the security for Parity Obligations. This could take the form of establishing one or more reserve funds or accounts to further secure any Parity Obligations. Currently, the Board

has not established a reserve fund to secure the payment of the Parity Obligations. Additionally, the Board may secure Parity Obligations with one or more Credit Agreements that are secured by Pledged Revenues.

**Additional Parity Obligations.** In the Master Resolution, the Board reserves the right to issue or incur additional Parity Obligations for any purpose authorized by law. The Board may incur, assume, guarantee, or otherwise become liable in respect of additional Parity Obligations if the Board determines that it will have sufficient funds to meet the financial obligations of each Participant in the Revenue Financing System, including sufficient Pledged Revenue to satisfy the Annual Debt Service Requirements of the Revenue Financing System and to meet all financial obligations of the Board relating to the Revenue Financing System. In addition, the Board covenants not to issue or incur Parity Obligations unless (i) it determines that the Participant or Participants for whom Parity Obligations are being issued or incurred possesses the financial capacity to satisfy their respective Direct Obligations, after taking into account the then proposed additional Parity Obligations, and (ii) a Designated Financial Officer delivers to the Board a certificate stating that, to the best of his or her knowledge, the Board is in compliance with all covenants contained in the Master Resolution and any supplemental resolution authorizing Outstanding Parity Obligations, and is not in default in the performance and observance of any of the terms, provisions and conditions thereof.

**Non-Recourse and Subordinated Obligations.** The Board has reserved the right to incur Non-Recourse and Subordinated Debt without limitation.

**Participants. Release of Participants.** Subject to the conditions set forth below, any Participant or portion thereof may be closed and abandoned by law or may be removed from the Revenue Financing System (thus deleting the revenues, income, funds, and balances attributable to said Participant or portion thereof from the Pledged Revenues) without violating the terms of the Resolution provided:

(1) the Board specifically finds that (based upon a certificate of a Designated Financial Official to such effect) after the release of the Participant or portion thereof, the Board will have sufficient funds during each Fiscal Year in which Parity Obligations shall thereafter be Outstanding to meet the financial obligations of the Revenue Financing System, including sufficient Pledged Revenues to satisfy the Annual Debt Service Requirements of the Revenue Financing System and to meet all financial obligations of the Board relating to the Revenue Financing System; and

(2) the Board shall have received an opinion of counsel which shall state that such release will not affect the status for federal income tax purposes of interest on any Outstanding Parity Obligations and that all conditions precedent provided in the Resolution or any supplement relating to such release have been complied with; and

(3) (A) if the Participant or portion thereof to be released from the Revenue Financing System is to remain under the governance and control of the Board, the Board must either (i) provide, from lawfully available funds, including Pledged Revenues attributable to said withdrawing Participant, for the payment or discharge of said Participant's Direct Obligations; or (ii) pledge to the payment of Parity Obligations, additional resources not then pledged in an amount sufficient to satisfy such withdrawing Participant's Direct Obligations as they come due; or

(B) if the Participant or portion thereof to be released from the Revenue Financing System is to no longer be under the governance and control of the Board and remains in operation independent of the Board, the Board must enter into a binding obligation with the new governing body of the withdrawing institution or the portion thereof being withdrawn, obligating said governing body to make payments to the Board at the times and in the amounts equal to said Participant's Annual Obligations or to pay or discharge said Participant's Direct Obligation, or, in the case of a portion of a Participant being withdrawn, the proportion of the Participant's Annual Obligation or Direct Obligation, as the case may be, attributable to the withdrawing portion of the Participant.

**Admission of Participants.** If, after the date of the adoption of the Resolution, the Board desires for an institution or agency governed by the Board to become a Participant of the Revenue Financing System or if the Board is required by law to assume the governance of an institution or agency, it may include said institution or agency in the Revenue Financing System with the effect set forth in the Resolution by the adoption of a Supplement to the Master Resolution.

**Certain Covenants. Rate Covenant.** The Resolution requires the Board, in each Fiscal Year, to establish, charge, and use its reasonable efforts to collect at each Participant the Pledged Revenues which, if collected, would be sufficient to meet all financial obligations of the Board relating to the Revenue Financing System, including all

deposits or payments due on or with respect to Parity Obligations. The Board has covenanted in the Resolution, subject to the provisions of resolutions authorizing Prior Encumbered Obligations, to fix, levy, charge, and collect at each Participant which has students the Pledged General Fee and the Pledged General Tuition from each student (unless exempted therefrom by law) enrolled at each Participant, at each regular fall and spring semester and at each term of each summer session, in such amounts, without legal limitation, as will be at least sufficient at all times, together with other legally available funds, including other Pledged Revenues, to make payments with respect to Outstanding Parity Obligations when due.

**Other Covenants.** The Board has additionally covenanted in the Resolution (i) to faithfully perform all covenants and provisions contained in the Resolution, any supplement thereto, and in each Parity Obligation; (ii) to call for redemption all Parity Obligations, in accordance with their terms, which are subject to mandatory redemption; (iii) that it lawfully owns, has title to, or is lawfully possessed of the land, buildings, and facilities which comprise the Revenue Financing System and to defend such title for the benefit of the owners of the Parity Obligations; (iv) that it is lawfully qualified to pledge the Pledged Revenues to the payment of the Parity Obligations; (v) to maintain and preserve the property of the Revenue Financing System; (vi) not to incur any debt secured by the Pledged Revenues except as permitted in the Resolution; (vii) to invest and secure money held in funds and accounts established under the Resolution in accordance with law and written policies of the Board; (viii) to keep proper books and records and accounts for the Revenue Financing System and to cause to be prepared annual financial reports of the Revenue Financing System and to furnish such reports, to appropriate municipal bond rating agencies and, upon request, owners of Parity Obligations; (ix) to permit any owner or owners of 25% or more of Outstanding Principal Amount of Parity Obligations at all reasonable times to inspect all records, accounts, and data of the Board relating to the Revenue Financing System; and (x) in establishing the annual budget for each Participant in the Revenue Financing System, to provide for the satisfaction by each Participant in the Financing System of its annual Direct Obligation.

**Special Obligations; Absolute Obligation to Pay Parity Obligations.** The Master Resolution provides that all Parity Obligations and the premium, if any, and the interest thereon constitute special obligations of the Board payable from the Pledged Revenues, and the owners thereof never have the right to demand payment out of funds raised or to be raised by taxation, or from any source other than specified in the Master Resolution or any supplemental resolution. The obligation of the Board to pay or cause to be paid the amounts payable under the Master Resolution and each supplemental resolution out of the Pledged Revenues is absolute, irrevocable, complete, and unconditional, and the amount, manner and time of payment of such amounts may not be decreased, abated, rebated, setoff, reduced, abrogated, waived, diminished, or otherwise modified in any manner or to any extent whatsoever, regardless of any right of setoff, recoupment, or counterclaim that the Board might otherwise have against any owner or any other party and regardless of any contingency, *force majeure*, event, or cause whatsoever and notwithstanding any circumstance or occurrence that may arise or take place before, during, or after the issuance of Parity Obligations while any Parity Obligations are Outstanding.

**Remedies.** Any owner of Parity Obligations in the event of default in connection with any covenant contained in the Master Resolution or in any Supplement, or default in the payment of any Parity Obligation, or of any interest due thereon, or other costs and expenses related thereto, may require the Board, its officials and employees, and any appropriate official of the State, to carry out, respect, or enforce the covenants and obligations of the Master Resolution or in any Supplement, by all legal and equitable means, including specifically, but without limitation, the use and filing of mandamus proceedings in any court of competent jurisdiction against the Board, its officials and employees, or any appropriate official of the State. The principal of the Bonds cannot be accelerated in the event of default, and the Board has not granted a lien on any physical property which may be levied or foreclosed against.

**Amendment of Resolution.** *Amendment Without Consent.* The Master Resolution and any Supplement and the rights and obligations of the Board and of the owners of the Parity Obligations may be modified or amended at any time without notice to or the consent of any owner of the Outstanding Parity Obligations, solely for any one or more of the following purposes:

(i) To add to the covenants and agreements of the Board contained in the Resolution, other covenants and agreement thereafter to be observed, or to surrender any right or power reserved to or conferred upon the Board in the Resolution;

(ii) To cure any ambiguity or inconsistency, or to cure or correct any defective provisions contained in the Resolution, upon receipt by the Board of an opinion of bond counsel, that the same is needed for such purpose, and will more clearly express the intent of the Resolution;

(iii) To supplement the security for the Parity Obligations, including, but not by way of limitation, to provide for the addition of new institutions and agencies to the Financing System or to clarify the provisions regarding the University and the Health Sciences Center as participants in the Financing System; provided, however, if the definition of Pledged Revenues is amended in any manner which results in the pledge of additional resources, the terms of such amendment may limit the amount of such additional pledge and the manner, extent, and duration of such additional pledge all as set forth in such amendment;

(iv) To make any changes or amendments requested by any bond rating agency then rating or requested to rate Parity Obligations, as a condition to the issuance or maintenance of a rating, which changes or amendments do not, in the judgment of the Board, materially adversely affect the interests of the owners of the Parity Obligations; or

(v) To make such changes, modifications, or amendments as may be necessary or desirable, which shall not adversely affect the interests of the owners of the Outstanding Parity Obligations, in order, to the extent permitted by law, to facilitate the economic and practical utilization of Credit Agreements with respect to the Parity Obligations;

(vi) To make such other changes in the provisions thereof as the Board may deem necessary or desirable and which shall not, in the judgment of the Board, materially adversely affect the interests of the owners of Outstanding Parity Obligations; or

(vii) To make amendments to the Board's continuing disclosure undertaking as authorized by any Supplemental Resolution.

*Amendments With Consent.* Subject to the other provisions of the Resolution, the owners of Outstanding Parity Obligations aggregating a majority in Outstanding Principal Amounts shall have the right from time to time to approve any amendment, other than amendments described in the foregoing paragraph, to the Master Resolution, or with respect to an amendment affecting a particular Supplemental resolution only, a majority in aggregate Outstanding Principal Amounts of the Parity Obligations issued under such supplemental resolution, which may be deemed necessary or desirable by the Board; provided, however, that no provision shall permit or be construed to permit, without the approval of the owners of all of the Outstanding Parity Obligations, the amendment of the terms and conditions in the Resolution so as to:

(1) Grant to the owners of any Outstanding Parity Obligations a priority over the owners of any other Outstanding Parity Obligations;

(2) Materially adversely affect the rights of the owners of less than all Parity Obligations then outstanding; or

(3) Change the minimum percentage of the Outstanding Principal Amount necessary for consent to such amendment.

In addition to the foregoing limitations, the Supplemental Resolution provides that no provisions shall be construed to permit, without the approval of the owners of all of the Bonds Outstanding, the amendment of the Resolution or the Bonds so as to:

(1) Make any change in the maturity of the Outstanding Bonds;

(2) Reduce the rate of interest borne by the Outstanding Bonds;

(3) Reduce the amount of principal payable on the Outstanding Bonds;

(4) Modify the terms of payment of principal of or interest on the Outstanding Bonds, or impose any conditions with respect to such payment;

(5) Affect the rights of the owners of less than all Bonds then Outstanding; or

(6) Change the minimum percentage of the Outstanding Principal Amount of Bonds necessary for consent to such amendment.

**Paying Agent/Registrar.** In the Eighteenth Supplement, the Board has reserved the right to change the Paying Agent/Registrar, upon not less than 120 days written notice to the Paying Agent/Registrar, to be effective not later than 60 days prior to the next principal or interest payment date after such notice. In the event that the entity at any time acting as Paying Agent/Registrar (or its successor by merger, acquisition, or other method) should resign or otherwise cease to act as such, the Board has also covenanted that promptly it will appoint a competent and legally qualified bank, trust company, financial institution, or other agency to act as Paying Agent/Registrar under the Eighteenth Supplement. Upon any change in the Paying Agent/Registrar, the Board promptly will cause a written notice thereof to be sent by the new Paying Agent/Registrar to each registered owner of the Bonds, by United States mail, first-class postage prepaid, which notice also shall give the address of the new Paying Agent/Registrar.

**Defeasance.** Any Parity Obligations and the interest thereon shall be deemed to be paid, retired, and no longer Outstanding (a "Defeased Debt") within the meaning of the Resolution, except to the extent required for payment thereof, when the payment of all principal and interest payable with respect to such Parity Obligations to the due date or dates thereof (whether such due date or dates be by reason of maturity, upon redemption, or otherwise) either (i) shall have been made or caused to be made in accordance with the terms thereof (including the giving of any required notice of redemption or provision for the giving of same having been made) or (ii) shall have been provided for on or before such due date by irrevocably depositing with or making available to the Paying Agent/Registrar for such Parity Obligations for such payment (1) lawful money of the United States of America sufficient to make such payment, (2) noncallable Government Obligations which mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money to provide for such payment, or (3) any combination of (1) and (2) above, and when proper arrangements have been made by the Board with each such Paying Agent for the payment of its services until after all Defeased Debt shall have become due and payable. At such time as Parity Obligations shall be deemed to be Defeased Debt under the terms of the Resolution, such Parity Obligations and the interest thereof shall no longer be secured by, payable from, or entitled to the benefits of, the Pledged Revenues, and such principal and interest shall be payable solely from such money or Government Obligations, and shall not be regarded as Outstanding for any purposes other than payment, transfer, and exchange.

The term "Government Obligations" as used in the Resolution, means direct obligations of the United States of America, including obligations the principal of and interest on which are unconditionally guaranteed by the United States of America, which may be United States Treasury obligations such as its State and Local Government Series, which may be in book-entry form.

In accordance with the provisions of Section 1207.033, Texas Government Code, the Board may call for redemption, at a date earlier than their scheduled maturities, those Bonds which have been defeased to their maturity date. Notwithstanding any other provision of the Eighteenth Supplement to the contrary, it has been provided that any determination not to redeem Bonds defeased under the terms of the Eighteenth Supplement that is made in conjunction with the payment arrangements specified in the Master Resolution shall not be irrevocable, provided that, in the proceedings providing for such payment arrangements, the Board (1) expressly reserves the right to call Bonds so defeased for redemption; (2) gives notice of the reservation of that right to the owners of the Bonds so defeased immediately following the making of the payment arrangements; and (3) directs that notice of the reservation be included in any redemption notices that it authorizes.

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**Appendix E**

**FORM OF BOND COUNSEL OPINION**

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[CLOSING DATE]

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2200 Ross Avenue, Suite 3600  
Dallas, Texas 75201-7932  
United States

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WE HAVE ACTED as bond counsel in connection with the issuance by the Board of Regents (the “Board”) of the Texas Tech University System (the “Issuer”) of its Revenue Financing System Refunding and Improvement Bonds, Taxable Series 2020, dated July 29, 2020 (the “Bonds”), in the aggregate principal amount of \$314,745,000.

IN RENDERING THE OPINIONS herein we have examined and relied upon an executed Bond; original or certified copies of the proceedings had in connection with issuance of the Bonds, including the Eighteenth Supplemental Resolution, adopted by the Issuer, supplementing the Board’s Master Resolution Establishing a Revenue Financing System (the “Bond Resolution”) and the pricing certificate executed pursuant to the Bond Resolution (the “Pricing Certificate” and, jointly with the Bond Resolution, the “Resolution”), authorizing the Issuer to issue, sell, and deliver the Bonds; certifications and opinions of officers of the Issuer relating to certain facts within the knowledge and control of the Issuer; and such other material and such matters of law as we deem relevant to the matters discussed below. In such examination, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies, and the accuracy of the statements contained in such certificates.

BASED ON OUR EXAMINATIONS, IT IS OUR OPINION that, under the applicable laws of the United States of America and the State of Texas in force and effect on the date hereof:

1. The Bonds are valid and legally binding special obligations of the Issuer payable from the sources, and enforceable in accordance with the terms and conditions, described therein, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors’ rights or the exercise of judicial discretion in accordance with general principles of equity.
2. The Bonds constitute “Parity Obligations” under the Resolution and, together with Outstanding Parity Obligations and any Parity Obligations hereafter issued, assumed or incurred, are payable from and secured by a lien on and pledge of the “Pledged Revenues”, as defined and provided in the Resolution, and subject to the prior lien of any Prior Encumbered Obligations, as provided in the Resolution.

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

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