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**The Texas A&M University System
Notes to the Combined Financial Statements
For the Year Ended August 31, 2024**

Note 12 - Interfund Activity and Transactions

As of August 31, 2024, amounts to be received or paid between funds and agencies are to be reported as Interfund Receivable or Interfund Payable.

Individual balances as of August 31, 2024 are presented below.

Proprietary Funds

Interfund Receivable/Payables - Current			
Current Portion	Interfund Receivable	Interfund Payable	Purpose
Agency 710, Appd Fund 0047, D23 Fund 0047 From Agency 720, D23 Fund 0011	\$ 67,028,256.87	\$ -	Permanent University Fund
Agency 711, Appd Fund 0001, D23 Fund 0001 From Agency 907, D23 Fund 0515	-	1,178,919.44	SECO LoanSTAR
Total Current Interfund Receivable/Payable	\$ 67,028,256.87	\$ 1,178,919.44	

Interfund Receivable/Payables – Non-Current			
Non-Current Portion	Interfund Receivable	Interfund Payable	Purpose
Agency 710, Appd Fund 0047, D23 Fund 0047 From Agency 720, D23 Fund 0011	\$ 1,495,390,326.30	\$ -	Permanent University Fund
Agency 711, Appd Fund 0001, D23 Fund 0001 From Agency 907, D23 Fund 0515	-	2,103,599.27	SECO LoanSTAR
Agency 575, Fund 0001, D23 Fund 0001 From Agency 902, D23 Fund 0001	-	10,000,000.00	Cash Flow Contingency, 87th Leg, Article III, Rider 8, Pg 262
Total Non-Current Interfund Receivable/Payable	\$ 1,495,390,326.30	\$12,103,599.27	

Fiduciary Funds

Not Applicable.

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Note 13 - Continuance Subject to Review

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

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Note 14 - Restatement of Net Position

There were no restatements to the beginning net position.

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Note 15 - Commitments and Contingencies

At August 31, 2024, various lawsuits and claims involving the A&M System and its members had arisen in the course of conducting A&M System business. While the ultimate liability with respect to litigation and other claims cannot be reasonably estimated at this time, management is of the opinion that the liability not provided for by insurance or otherwise, if any, for these legal actions will not have a material adverse effect on the A&M System's financial position.

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

Unfunded Commitments as of August 31, 2024		
	Proprietary	Fiduciary
Committed Amount	\$766,183,423.09	\$93,637,724.91
Unfunded Amount	\$207,205,469.36	\$25,323,242.64

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Note 16 - Subsequent Events

The A&M System is authorized to issue up to \$467 million of Revenue Financing System Bonds during fiscal year 2025 to provide funding for project costs, refund previously issued bonds, refund commercial paper and pay the costs of issuing the bonds.

The A&M System is authorized to issue up to \$590 million of Permanent University Fund Bonds during fiscal year 2025 to provide funding for eligible projects, refund previously issued bonds, refund commercial paper and pay the costs of issuing the bonds.

The table below lists debt issued after the balance sheet date, August 31, 2024.

Debt Issuance	Amount	Date of Issuance	Purpose
Permanent University Fund Commercial Paper Notes	\$65,000,000	10/04/24	Provide interim financing for construction projects.

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Note 17 - Risk Management

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

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

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

Worker's Compensation Insurance

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

Group Health and Dental Insurance

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

Automobile Plan

The Texas A&M University System's Auto Plan provides auto claim payments up to the statutory limits of \$250,000 per person/\$500,000 per accident Bodily Injury/\$100,000 property damage liability as outlined in the Texas Civil Practice and Remedies Code; Title 5 Governmental Liability; Chapter 101 Tort Claims for third-party property damage and bodily injury proximately caused by the negligence of an employee acting within the course and scope of his/her employment. The Plan also provides claim payments for physical damage to covered vehicles if purchased by the member. Annual premium rates are determined through actuarial analysis and applied to the total number of covered vehicles, per member.

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The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2024

Property Shared Retention Plan

The System Property Loss Investment Program (SPLIP) provides an interim debt-finance option to members affected by a covered property loss. The Program extends to all scheduled, insured properties submitted for coverage under the overlying commercial insurance policy by participating Members. It is subject to the provisions of the program agreement and the overlying commercial insurance policy.

Other Self-Insured Plans

The Texas A&M University Health Science Center College of Medicine established and maintains a medical student liability self-insurance plan (the Plan) to provide eligible medical students of the Texas A&M Health Science Center College of Medicine with medical malpractice liability indemnity from and against medical malpractice claims. Coverage limits are \$25,000 per claim, \$75,000 aggregate per student, and \$100,000 annual aggregate. The Plan originated in 1977, and until April 2018, was funded by an annual medical student participation fee. Effective April 2018, annual student participation fees will no longer be credited to the existing fund balance, and instead, will be assigned to a commercial claims-made medical malpractice policy with coverage limits of \$1 million per claim and \$3 million per policy period with no deductible. The Plan will be maintained without additional medical student participation funding and incorporated into the HSC Self-Insured plan reserve fund upon approval per A&M system policy in FY26. As of August 31, 2024, the Plan had a balance of \$378,050.06 with no accrued liabilities.

The Texas A&M Forest Service has established a self-insured liability plan for prescribed burn liability as required by Natural Resources Code§ 153.082 and 4 TAC 227.1. This plan provides loss payment on behalf of Texas A&M Forest Service and its employees for a claim resulting from the professional activities of a Texas A&M Forest Service prescribed burn manager employee in the course and scope of employment. The plan will provide \$1 million of liability coverage for each single occurrence of bodily injury to or destruction of property, and a policy period minimum aggregate limit of at least \$2 million. Funding for the plan is provided by the creation and maintenance of a reserve fund by Texas A&M Forest Service. As of August 31, 2024, the plan had no accrued liabilities.

The Texas A&M Forest Service provides low-cost vehicle liability insurance at a greatly reduced cost to qualified volunteer fire departments through the Volunteer Fire Department Motor Vehicle Self Insurance Program, as described in Texas Insurance Code, Chapter 2154. The vehicle insurance coverage is offered at coverage levels of \$100,000 per person for bodily injury (with a maximum of \$300,000 per occurrence), and \$100,000 for property damage (with a maximum of \$100,000 per occurrence). As of August 31, 2024, the plan had no accrued liabilities.

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

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Current Year Changes in Claims and IBNR				
Plan Type	Liability Balance 09/01/23	Claims and Changes in Estimates	Claims Payments	Liability Balance 08/31/24
WCI	\$13,563,692.00	\$ 3,394,786.00	\$ (2,151,893.00)	\$ 14,806,585.00
Group Health and Dental Insurance	24,922,000.00	501,597,993.38	(504,715,993.38)	21,804,000.00
Total	<u>\$38,485,692.00</u>	<u>\$504,992,779.38</u>	<u>\$(506,867,886.38)</u>	<u>\$ 36,610,585.00</u>

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

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

The claims and losses reported in the financial statements include various settlements. These claims and losses for the fiscal year ended August 31, 2024 are summarized in the table below. There are no outstanding claim liabilities as of August 31, 2024.

Claim and Loss Expenses		
	Current Year	Prior Year
Beginning Liability Balance	\$ -	\$ -
Other Settlement Claims-Operating	41,999.83	29,683,198.09
Other Settlement Claims-NonOperating	4,238,071.32	811,823.70
Total Additions	<u>4,280,071.15</u>	<u>30,495,021.79</u>
Payments for Claims	(4,280,071.15)	(30,495,021.79)
Ending Liability Balance	<u>\$ -</u>	<u>\$ -</u>

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

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

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The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2024

Note 19 - The Financial Reporting Entity

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

Blended Component Unit

The Texas A&M Research Foundation (Research Foundation) is included as a blended component unit in the combined financial statements of the A&M System. This determination is based on the close relationship and joint agreements in effect between the Research Foundation and the A&M System in regard to research grant/contract administration. The Research Foundation has a fiscal year end of August 31st and is included in the proprietary financial statements. Complete financial statements of the Research Foundation may be obtained from their administrative offices at 400 Harvey Mitchell Parkway South, Suite 100, College Station, Texas, 77845.

Joint Venture

Triad National Security, LLC (Triad LLC) is a limited liability company which was formed on the effective date of October 4, 2017, and meets the GASB definition of a joint venture. Triad LLC's Operating Agreement names Battelle Memorial Institute, an Ohio 501(c)(3) nonprofit corporation; The Regents of the University of California, a California public corporation; and The Texas A&M University System (the A&M System), an agency of the State of Texas as the members of Triad LLC. Triad LLC has been awarded the management and operation contract (M&O contract) with the National Nuclear Security Administration (NNSA), a semi-autonomous agency within the U.S. Department of Energy (DOE) to manage and operate the Los Alamos National Laboratory (LANL). Triad LLC's current earnings or losses are dependent on the reimbursement of allowable costs and on the percentage of base and incentive fees earned under the terms of the M&O Contract, offset by any unallowable or disallowed costs. For fiscal year 2024, A&M System recognized contract revenue in the amount of \$764,909.00.

While the A&M System has a 33.33 percent membership (equity) interest in Triad LLC, the A&M System's income from this activity is determined by the current earnings or losses of Triad LLC which are subject to certain limitations and special allocations of both the fees and costs. As a result, the A&M System's distributable interest in the current earnings or losses of Triad LLC may range from 5.43 to 15.43 percent of fees earned by Triad LLC. Separate financial statements for Triad LLC may be obtained from the Triad LLC principal corporate office, Triad National Security, LLC, 505 King Avenue, Columbus, Ohio 43201.

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Note 20 - Stewardship, Compliance and Accountability

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

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

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

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**The Texas A&M University System
Notes to the Combined Financial Statements
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Note 22 - Donor Restricted Endowments

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

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

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

Net Appreciation - Donor-Restricted Endowments		
Donor-Restricted Endowments	Amount of Net Appreciation¹	Reported in Net Position
True Endowments	\$228,232,917.03	Restricted for Expendable
Term Endowments	319,158.12	Restricted for Expendable
Total	\$228,552,075.15	

¹The total fiscal year 2024 fair value adjustment to the Fund was \$58,974,608.35.

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Note 23 - Extraordinary and Special Items

The A&M System does not have any special or extraordinary items to report for the year ended August 31, 2024.

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

Receivables

A summary of proprietary and fiduciary receivables and the associated allowance for doubtful accounts balances for the year ended August 31, 2024, is presented in the table below.

Proprietary Fund Receivables			
Description	Gross Receivable	Allowance for Doubtful Accounts	Net Receivable
Current Receivables			
Federal	\$263,021,707.35	\$ -	\$263,021,707.35
Other Intergovernmental	10,898,389.82	-	10,898,389.82
Interest and Dividends	19,268,385.08		19,268,385.08
Gifts	31,817,386.15	-	31,817,386.15
Self Insured Plans	46,730,689.15	-	46,730,689.15
Student	86,106,680.17	(23,862,618.67)	62,244,061.50
Investment Trades	11,069,968.13	-	11,069,968.13
Accounts	191,476,770.51	(3,592,180.05)	187,884,590.46
Other	11,459,652.12	(63,134.43)	11,396,517.69
Total Current Receivables	<u>\$671,849,628.48</u>	<u>\$ (27,517,933.15)</u>	<u>\$644,331,695.33</u>
Non-Current Receivables			
Gifts	\$251,998,343.65	\$ -	\$251,998,343.65
Public Private Partnership Asset	26,091,695.25		26,091,695.25
Total Non-Current Receivables	<u>\$278,090,038.90</u>	<u>\$ -</u>	<u>\$278,090,038.90</u>
Fiduciary Fund Receivables			
Description	Gross Receivable	Allowance for Doubtful Accounts	Net Receivable
Interest and Dividends	\$ 1,024,403.32	\$ -	\$ 1,024,403.32
Gifts	47,319,499.34	(384,982.94)	46,934,516.40
Student	1,598,875.05	(182,206.03)	1,416,669.02
Investment Trades	691,125.50	-	691,125.50
Accounts	590,710.43	-	590,710.43
Other	411,739.08	-	411,739.08
Total Receivables	<u>\$ 51,636,352.72</u>	<u>\$ (567,188.97)</u>	<u>\$ 51,069,163.75</u>

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Other Payables

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

Proprietary Other Payables	
Description	Amount
Sales Tax Payable	\$ 3,808,304.47
External Investment Manager Fee Payable	2,949,412.39
Miscellaneous Payables	911,784.19
Total Other Payables	<u>\$ 7,669,501.05</u>
 Fiduciary Other Payables	
Description	Amount
Sales Tax Payable	\$ 13,227.06
Income Distribution Payable	210,849.57
External Investment Manager Fee Payable	90,686.30
Miscellaneous Payables	30,659.27
Total Other Payables	<u>\$ 345,422.20</u>

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The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2024

Note 25 - Termination Benefits

Health Care Related Termination Benefits

Healthcare continuation under the Consolidated Omnibus Budget Reconciliation Act (COBRA) is provided for both voluntary and involuntary terminations. COBRA participants are eligible to continue group coverage for 18 to 36 months, depending on the circumstances leading to the loss of coverage.

For the fully-insured dental plan and vision plan, the carrier and/or third party vendor is responsible for the billing and collection from all COBRA participants. The carrier retains all premiums and is liable for all claims and expenses. For the fiscal year ended August 31, 2024, the fully-insured plan had 6 enrolled participants for the dental plan, and 58 participants for the vision plan.

For the self-insured health and dental plans offered by the A&M System, the carrier and/or third party vendor performs the billing and collections process for COBRA participants. The premiums are then forwarded to the A&M System, net of the 2% administrative fee. Since the plan is self-insured, the A&M System is responsible for any claims or administrative costs associated with COBRA participants. The table below summarizes the self-insured plan COBRA benefits for the fiscal year ended August 31, 2024.

Self-Insured Health and Dental Plan - COBRA	
Number of Participants	152
Claims Paid	\$ 2,406,329.75
Administrative Expenses	147,555.56
Total COBRA Expenses	2,553,885.31
Premium Revenue	781,065.40
2% Administrative Fee Revenue	15,940.11
Total COBRA Premium	797,005.51
Net Cost to State	\$ 1,756,879.80

Non-Health Care Related Termination Benefits

No reportable activity on non-health care related termination benefits for the fiscal year ended August 31, 2024.

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Note 26 - Segment Information

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