

THE UNIVERSITY OF TEXAS SYSTEM

CONSOLIDATED FINANCIAL STATEMENTS FOR THE

YEARS ENDED AUGUST 31, 2023 AND 2022

AND INDEPENDENT AUDITOR'S REPORT



The University of Texas at Arlington ♦ The University of Texas at Austin ♦ The University of Texas at Dallas ♦ The University of Texas at El Paso ♦ The University of Texas Permian Basin ♦ The University of Texas Rio Grande Valley ♦ The University of Texas at San Antonio ♦ The University of Texas at Tyler ♦ The University of Texas Southwestern Medical Center ♦ The University of Texas Medical Branch at Galveston ♦ The University of Texas Health Science Center at Houston ♦ The University of Texas Health Science Center at San Antonio ♦ The University of Texas M. D. Anderson Cancer Center ♦ The University of Texas System Administration

THE UNIVERSITY OF TEXAS SYSTEM

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THE UNIVERSITY OF TEXAS SYSTEM
BOARD OF REGENTS
As of August 31, 2023

Officers

Kevin P. Eltife, Chairman
Janiece Longoria, Vice Chairman
James C. “Rad” Weaver, Vice Chairman
Francie A. Frederick, General Counsel to the Board of Regents

Members

*Terms scheduled to expire February 1, 2025**

Christina Melton Crain	Dallas
Jodie Lee Jiles	Houston
Kelcy L. Warren	Dallas

*Terms scheduled to expire February 1, 2027**

Kevin P. Eltife	Tyler
Nolan Perez	Houston
Stuart W. Stedman	Houston

*Terms scheduled to expire February 1, 2029**

Janiece Longoria	Houston
James C. “Rad” Weaver	San Antonio
Robert P. Gauntt	Austin

*Term scheduled to expire May 31, 2024**

John Michael Austin (Student Regent)	San Antonio
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* Each Regent’s term expires when a successor has been appointed, qualified, and taken the oath of office. The Student Regent serves a one-year term.

**THE UNIVERSITY OF TEXAS SYSTEM
EXECUTIVE ADMINISTRATIVE OFFICIALS**

As of August 31, 2023

James B. Milliken, Chancellor

Jonathan C. Pruitt, Executive Vice Chancellor for Business Affairs

Archie L. Holmes, Jr., Executive Vice Chancellor for Academic Affairs

John M. Zerwas, Executive Vice Chancellor for Health Affairs

David L. Lakey, Vice Chancellor for Health Affairs and Chief Medical Officer

Stacey Napier, Vice Chancellor for Governmental Relations

Randa S. Safady, Vice Chancellor for External Relations, Communications, and Advancement Services

Daniel H. Sharphorn, Vice Chancellor and General Counsel

Rich Hall, President, Chief Executive Officer, and Chief Investment Officer—UTIMCO



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INDEPENDENT AUDITOR'S REPORT

To the Members of the Audit, Compliance, and
Risk Management Committee of the
University of Texas System Board of Regents:

Report on the Audits of the Consolidated Financial Statements

Opinions

We have audited the consolidated financial statements of the business-type activities and fiduciary activities of The University of Texas System (the System), as of and for the years ended August 31, 2023 and 2022, and the related notes to the consolidated financial statements, which collectively comprise the System's consolidated financial statements as listed in the table of contents.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the business-type activities and fiduciary activities of the System as of August 31, 2023 and 2022, and the respective changes in financial position, and where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audits of the Consolidated Financial Statements section of our report. We are required to be independent of the System and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matters

As discussed in Note 1, the consolidated financial statements of the System are intended to present the financial position, the changes in net position, and, where applicable, cash flows of only that portion of the State of Texas that is attributable to the transactions of the System. They do not purport to, and do not, present fairly the financial position of the State of Texas as of August 31, 2023 and 2022, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America,

and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audits of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, the Schedule of the System's Proportionate Share of Changes in Employer Total OPEB Liability and Related Ratios, the Schedule of the System's Proportionate Share of Total OPEB Liability, the Schedule of the System's Proportionate Share of the Net Pension Liability for the Teacher Retirement System Pension Plan, the Schedule of the System's Contributions for the Teacher Retirement System Pension Plan, and the Schedule of M. D. Anderson's PRS SRP/RBP Pension Liability be presented to supplement the consolidated financial statements. Such information is the responsibility of management and, although not a part of the consolidated financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the consolidated financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in

accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the consolidated financial statements, and other knowledge we obtained during our audit of the consolidated financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2023 on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the System's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control over financial reporting and compliance.

Deloitte & Touche LLP

December 13, 2023

THE UNIVERSITY OF TEXAS SYSTEM MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended August 31, 2023

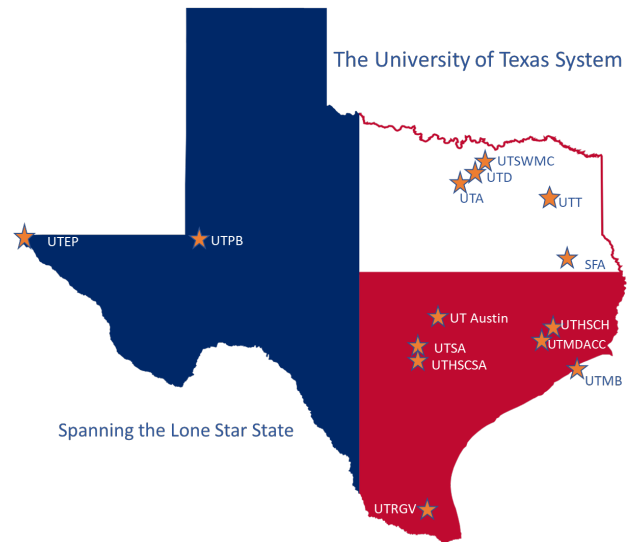
INTRODUCTION

The University of Texas System (the System) was established by the *Texas Constitution of 1876*. In 1881, Austin was designated the site of the main academic campus and Galveston as the location of the medical branch. The University of Texas at Austin opened in 1883, and eight years later, the John Sealy Hospital in Galveston established a program for university-trained medical professionals. In addition to the original academic campus of The University of Texas at Austin, the System now includes seven additional academic institutions:

- The University of Texas at Arlington
- The University of Texas at Dallas
- The University of Texas at El Paso
- The University of Texas Permian Basin
- The University of Texas Rio Grande Valley
- The University of Texas at San Antonio
- Stephen F. Austin State University (9/1/23)
- The University of Texas at Tyler

Health institutions for medical education and research have expanded beyond The University of Texas Medical Branch at Galveston to include:

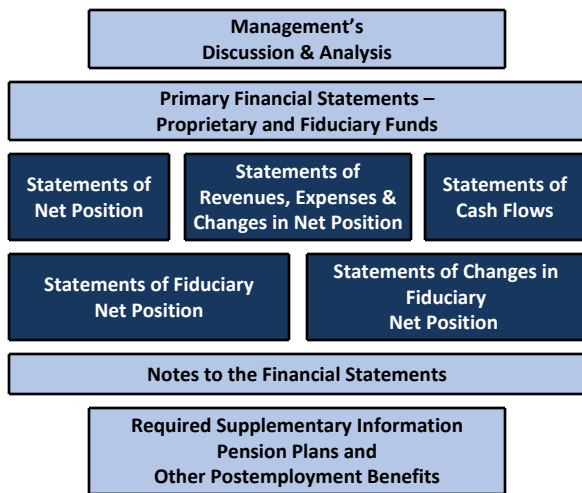
- The University of Texas M. D. Anderson Cancer Center
- The University of Texas Southwestern Medical Center
- The University of Texas Health Science Center at Houston
- The University of Texas Health Science Center at San Antonio



The System's thirteen institutions are, collectively, one of the nation's largest educational enterprises. They provide instruction and learning opportunities to approximately 255,000 undergraduate, graduate, and professional school students from a wide range of social, ethnic, cultural, and economic backgrounds. The System is governed by a nine-member Board of Regents appointed by the Governor of Texas and confirmed by the Texas Senate. In addition, the Governor appoints a Student Regent for a one-year term.

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, 2023, with selected comparative information for the years ended August 31, 2022 and 2021. The complete set of financial statements includes:



The System's financial statements were prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). The System's financial records are reported as a business-type activity in the State of Texas' Annual Comprehensive Financial Report and the System's custodial fund financial records are reported as fiduciary funds in the State of Texas' Annual Comprehensive Financial Report. For purposes of the MD&A, references to the System in the discussion of financial results relate to the System's business-type activity.

FINANCIAL HIGHLIGHTS

The System continues to maintain and protect its strong financial condition, with net position of \$70.7 billion as of August 31, 2023. Revenues totaled \$31.4 billion and expenses totaled \$27.1 billion in 2023. Net patient care revenues and sponsored program revenues were the largest contributors to the revenues of the System in 2023. Net investment income and the change in fair value of investments often drive the year to year fluctuation in System revenues, as those values vary from year to year based on market conditions and other factors. Compensation and benefits, including the Teacher Retirement System of Texas pension and other postemployment benefits (OPEB) continue to be the largest expense of the System. The System is committed to recruiting and retaining outstanding faculty and staff, and the compensation package is one way to successfully compete with peer institutions and nonacademic employers.

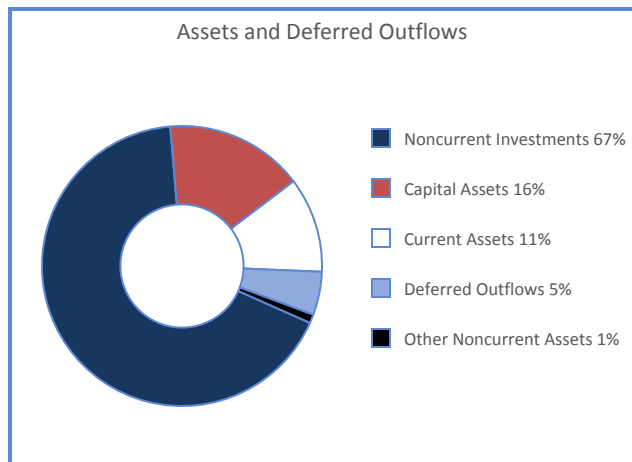
The Statement of Net Position

The statement of net position presents the assets, deferred outflows, liabilities, deferred inflows, and net position of the System as of the end of the year. This is a point in time financial presentation of the financial status as of August 31, 2023, with comparative information for the previous years. Net position is the residual value of the System's assets and deferred outflows of resources, after liabilities and deferred inflows of resources are deducted. Changes in net position are one indicator of the improvement or decline of the System's financial strength. A summarized comparison of the System's statement of net position as of August 31, 2023, 2022 and 2021 follows:

Condensed Statements of Net Position			
(\$ in millions)			
	2023	2022	2021
Assets			
Current assets	\$ 13,443.4	11,471.7	10,538.3
Noncurrent investments	78,468.0	74,289.5	74,707.9
Capital/intangible assets, net	19,541.1	19,063.6	18,569.2
Other noncurrent assets	1,546.5	1,858.0	1,153.5
Total assets	112,999.0	106,682.8	104,968.9
Total deferred outflows	6,088.9	5,546.1	4,644.2
Total assets and deferred outflows	\$ 119,087.9	112,228.9	109,613.1
Liabilities			
Current liabilities	\$ 13,149.2	11,153.4	10,897.4
Noncurrent liabilities	26,001.1	29,572.3	29,013.8
Total liabilities	39,150.3	40,725.7	39,911.2
Total deferred inflows	9,273.7	4,814.1	2,829.5
Total liabilities and deferred inflows	\$ 48,424.0	45,539.8	42,740.7
Net Position			
Net investment in capital assets	\$ 6,963.7	6,571.0	6,383.5
Restricted	59,514.7	57,175.1	57,151.7
Unrestricted	4,185.5	2,943.2	3,337.2
Net position	\$ 70,663.9	66,689.3	66,872.4

Assets and Deferred Outflows

The chart below depicts the makeup of the System's assets and deferred outflows as of August 31, 2023.



Assets and deferred outflows increased \$6.9 billion, or 6.1%, to \$119.1 billion in 2023 primarily due to increases in current assets and deferred outflows.

Current Assets

Current assets are comprised of assets that are available or can be made readily available to meet the cost of operations or to pay current liabilities including cash, temporary investments and receivables. These assets increased \$1,971.7 million in 2023 largely due to increases in cash and equivalents and balances in State appropriations, offset by a decrease in securities lending collateral.

Cash and cash equivalents increased due to increased collections on patient charges and tuition and fees as the population began to revert to pre-pandemic levels along with higher liquidity levels being maintained due to the fluctuating market. Securities lending collateral decreased due to less securities on loan at the end of 2023 compared to 2022. The balance in securities lending collateral, which is exactly offset by the balance in securities lending obligations in current liabilities, fluctuates from year to year as the System manages security lending transactions to maximize earnings.

Noncurrent Investments

Noncurrent investments are comprised of permanent endowments, funds functioning as endowments, annuity and life income funds, and other investments including investment derivative instruments. These assets increased \$4,178.5 million in 2023 largely due to investment and mineral income earned and increases in the fair value of Permanent University Fund (PUF) lands. These increases were partially offset by net decreases in the fair value of investments.

The Permanent University Fund (PUF), which includes the fair value of the PUF investment fund and the fair value of PUF lands, increased \$1.5 billion in 2023 primarily due to significant investment income partially offset by net decreases in fair value of investments. The increases in the PUF investments in 2023 can be broken down as follows: (1) \$1.8 billion PUF lands mineral income earned that was added to the endowment in accordance with requirements of the *Texas Constitution*; (2) \$2.3 billion decrease in the fair value of the PUF lands due to an increase in the forecasted price of oil and gas; (3) \$1.4 billion investment income earned in the PUF investment fund. These increases were partially offset by a \$123 million increase in the fair value of the PUF investments.

Capital and Intangible Assets

A critical factor in sustaining the quality of the System's academic and research programs and residential life is the development and maintenance of its capital assets. Capital additions totaled \$2.4 billion in 2023, of which \$1.1 billion consisted of new projects under construction. Capital additions were comprised of replacement, renovation, and new construction of academic, research and healthcare facilities, as well as significant investments in equipment and software. The table below depicts the System's capital improvement program for the next six years.

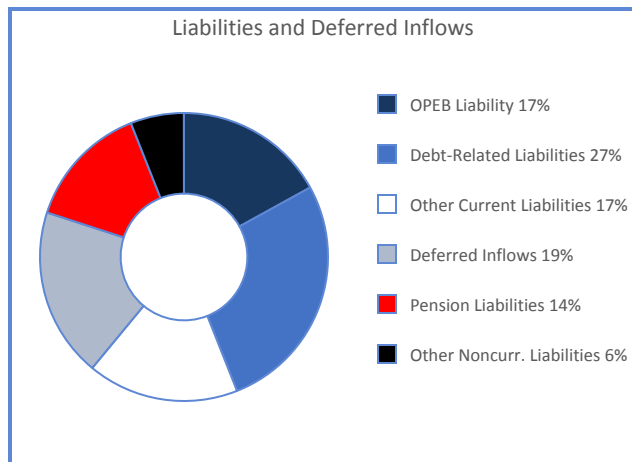
Capital Improvement Program	
2024 - 2029	
Institution:	(\$ in billions)
UT Arlington	\$ 0.4
UT Austin	1.5
UT Dallas	0.5
UT El Paso	0.2
UT Permian Basin	0.1
UT Rio Grande Valley	0.2
UT San Antonio	0.2
UT Tyler	0.1
Stephen F. Austin State University	0.1
UT Southwestern Medical Center	0.4
UTMB Galveston	0.3
UTHSC Houston	0.3
UTHSC San Antonio	0.8
UT HSC-Tyler	0.3
UT MD Anderson Cancer Center	3.1
Total	\$ 8.6

Deferred Outflows

Total deferred outflows increased \$542.8 million in 2023 primarily due to difference between projected and actual investment earnings and changes in assumptions related to TRS.

Liabilities and Deferred Inflows

The chart below depicts the makeup of the System’s liabilities and deferred inflows as of August 31, 2023.



Liabilities and deferred inflows increased \$2.9 billion, or 6.3%, to \$48.4 billion in 2023 primarily due to increases in the pension liabilities and deferred inflows of resources and partially offset by decreases in the OPEB liability.

Debt-Related Liabilities

Debt-related liabilities consist of both the current and noncurrent portions of short-term debt, or commercial paper, as well as leases, notes, loans, and bonds payable. The \$626.6 million increase in debt-related liabilities in 2023 was primarily driven by an increase in leases, notes and loans partially offset by a decrease in bonds payable and commercial paper. Bonds payable relate to the financing of the System’s capital needs. Commercial paper notes are issued periodically to provide interim financing for capital improvements and to finance the acquisition of capital equipment. The System typically refunds a portion of these outstanding notes through the issuance of long-term debt to provide permanent financing for projects. The table below depicts the change in the System’s debt-related liabilities over the past three years:

Current & Noncurrent Debt			
	2023	2022	2021
	(\$ in millions)		
Bonds Payable	\$ 9,836.4	9,408.6	9,686.8
Commercial Paper	2,341.1	1,788.8	1,891.1
Leases, Notes & Loans	1,172.1	1,525.6	925.0
Total Debt-Related Liabilities	\$ 13,349.6	12,723.0	12,502.9

OPEB Liabilities

The State provides certain health and life insurance benefits for retired employees which are guaranteed in accordance with State statutes. Other postemployment benefits are provided to the System’s retirees under the U. T. System Employee Group Insurance Program. The Employee Group Insurance Program is a single-employer defined benefit OPEB plan; however, because State statute requires funding for the plan from State appropriations, the State’s governmental fund reports a proportionate share of the OPEB liability. The System reported a total OPEB liability of \$8.1 billion in 2023 compared to \$14.7 billion in 2022. \$6.6 billion of the decrease in 2023 was related to benefit changes (and resulting actuarial assumption changes made) to the OPEB Plan that reduced the Total OPEB Liability (TOL) quite significantly. In addition, the discount rate required by GASB 75 increased from the prior year which also reduced the TOL. In combination, these two factors reduced the total OPEB Plan’s TOL by approximately 50%. This TOL reduction also had large impacts on the OPEB Expense and Deferred Inflows and Outflows.

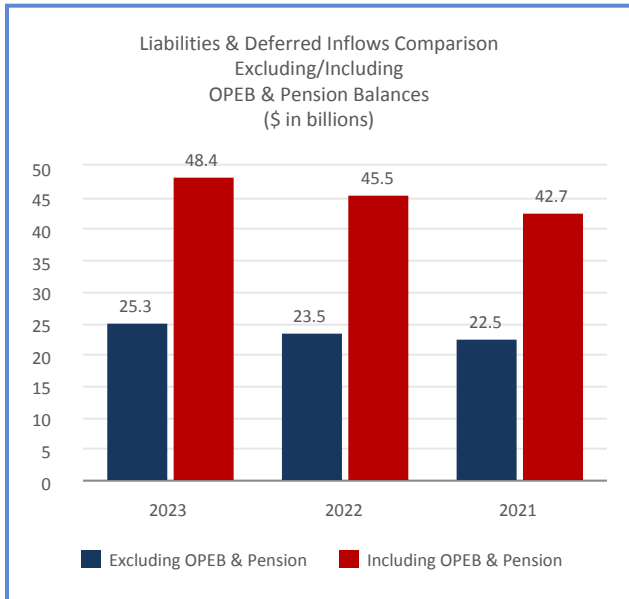
Pension Liabilities

The System participates in a cost-sharing multiple-employer defined benefit pension plan with a special funding arrangement administered by the Teacher Retirement System of Texas (TRS). The System receives a proportional share of the net pension liability, pension-related deferred outflows and pension-related deferred inflows, and pension expense from the Texas Comptroller of Public Accounts. The System’s proportion of the State’s collective net pension liability was based on its contributions to the pension plan relative to the contributions of all the employers to the plan. The System reported a net pension liability of \$5.6 billion in 2023 compared to \$2.3 billion in 2022. The change is driven by a decrease in the discount rate and investment earnings below projections. The University of Texas M. D. Anderson Cancer Center has established, primarily for the physicians of its Physicians Referral Service, the Physicians Referral Service SRP/RBP Plans. The System reported a total pension liability of \$0.9 billion in 2023 compared to \$1.0 billion in 2022 related to the SRP/RBP Plans.

Deferred Inflows

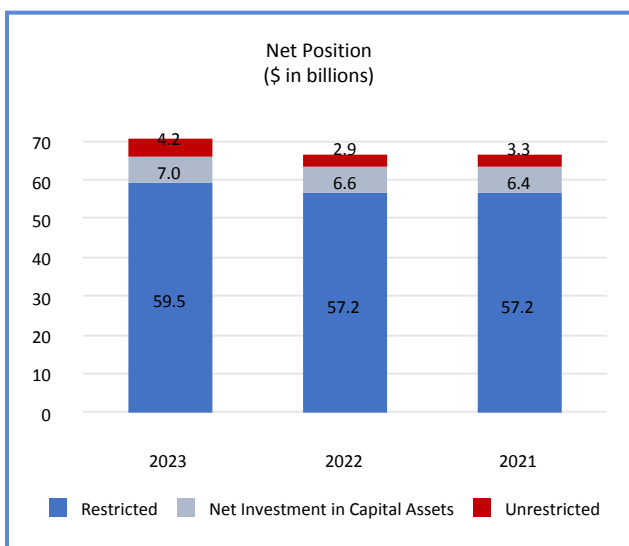
Total deferred inflows increased \$4.5 billion in 2023 primarily driven by changes to OPEB deferred inflows. OPEB deferred inflows increased \$6.5 billion in 2023 due to benefit changes (and resulting actuarial assumption changes made) to the OPEB Plan.

The following chart compares the liabilities and deferred inflows with or without OPEB and pension to illustrate these items' significant impact on the System's total liabilities and deferred inflows.



Net Position

Net position increased \$4.0 billion in 2023 compared to a \$0.2 billion decrease in 2022. The significant increase in net position was primarily due to the increase in investment income. In 2023, there was an increase in fair value of investment of \$0.5 billion compared to a decrease of \$5.0 billion in 2022, a year over year increase of \$5.5 billion. The PUF accounted for \$1.5 billion of this year over year increase. The three-year trend of the classifications of net position is depicted here:



Net Investment in Capital Assets

Net investment 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.

Restricted Net Position

Restricted net position primarily includes the System's permanent endowment funds subject to externally imposed restrictions governing their use. They include:

- Permanent University Fund (PUF) - supports both the System and TAMUS,
- Permanent Health Fund endowments (PHF) - established in 1999 from tobacco-related litigation funds which support programs that benefit medical research, health education or treatment at health-related institutions, and
- Donor restricted endowments - income generated is used to fund various endeavors in accordance with the donors' restrictions.

Restricted net position also includes current purpose gifts and grants. System's restricted net position was \$59.5 billion in 2023 compared to \$57.2 billion in 2022.

Unrestricted Net Position

System's unrestricted net position was \$4.2 billion in 2023 as compared to \$2.9 billion in 2022. The increase in unrestricted net position between 2022 and 2023 was primarily due to long term funds, investments, general designated and practice plan funds, and improvement in income/loss before other revenue, expenses, gains(losses), and transfers.

2022 Highlights – Statement of Net Position

The System's assets and deferred outflows increased \$2.6 billion to \$112.2 billion in 2022 primarily due to increases in deferred outflows and current assets. Liabilities and deferred inflows increased \$2.8 billion to \$45.5 billion in 2022 primarily due to an increase in the OPEB liability and the related deferred inflows mainly due to changes in assumptions and other inputs.

Restatements

The restatement in fiscal year 2021 resulted from OPEB error corrections and the implementation of *GASB Statements No. 87, Leases, and No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. Fiscal year 2022 was restated as a result of the implementation of *GASB Statements No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements, and No. 96, Subscription-Based Information Technology Arrangements*. The implementation of these new accounting standards had no effect on opening net position for fiscal year 2022. See Note 1 for further information on the impacts of these standards. Fiscal year 2021 information has not been restated to reflect the effects of *GASB Statements No. 94 and 96*.

The Statement of Revenues, Expenses and Changes in Net Position

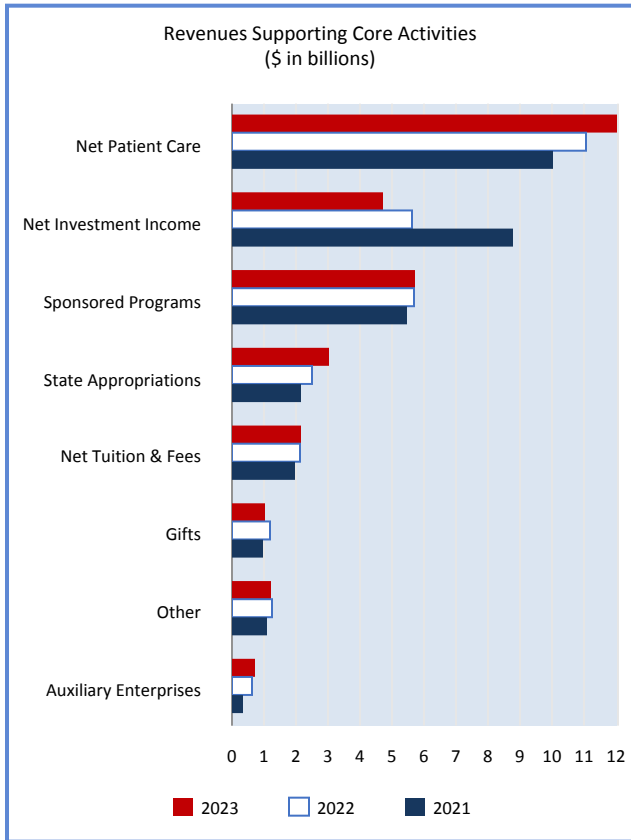
The statement of revenues, expenses and changes in net position details the changes in total net position. The following table summarizes the System's revenues, expenses and changes in net position for the years ended August 31, 2023, 2022 and 2021:

Condensed Statements of Revenues, Expenses and Changes in Net Position			
<i>(\$ in millions)</i>			
	2023	2022	2021
Operating revenues:			
Net student tuition and fees	\$ 2,162.3	2,124.3	2,006.9
Sponsored programs	5,114.9	4,711.9	4,280.4
Net sales and services of hospitals	9,638.1	8,737.1	7,849.9
Net professional fees	2,577.5	2,354.7	2,204.2
Net auxiliary enterprises	723.2	646.0	377.8
Other	1,275.8	1,279.9	1,104.9
Total operating revenues	21,491.8	19,853.9	17,824.1
Total operating expenses	(26,720.6)	(24,577.4)	(22,670.8)
Operating income (loss)	(5,228.8)	(4,723.5)	(4,846.7)
Nonoperating revenues (expenses):			
State appropriations	3,052.8	2,529.9	2,194.3
Nonexchange sponsored programs	621.7	958.5	1,247.9
Gift contributions for operations	684.0	634.2	618.6
Net investment income excluding the change in fair value of investments	4,744.2	5,619.3	8,807.4
Net increase (decrease) in fair value of investments	479.2	(5,017.2)	8,905.7
Interest expense on capital asset financings	(379.4)	(338.2)	(332.0)
Net other nonoperating revenues (expenses)	139.5	36.9	(25.0)
Income (loss) before other changes in net position	4,113.2	(300.1)	16,570.2
Capital gifts and grants and additions to endowments	347.4	563.1	356.0
Net transfers to other State agencies	(485.9)	(446.3)	(272.6)
Change in net position	3,974.7	(183.3)	16,653.6
Net position, beginning of the year	66,689.1	66,872.4	48,663.7
Restatement	—	—	1,555.1
Net position, beginning of the year (as restated)	66,689.1	66,872.4	50,218.8
Net position, end of the year	\$ 70,663.8	66,689.1	66,872.4

Revenues Supporting Core Activities

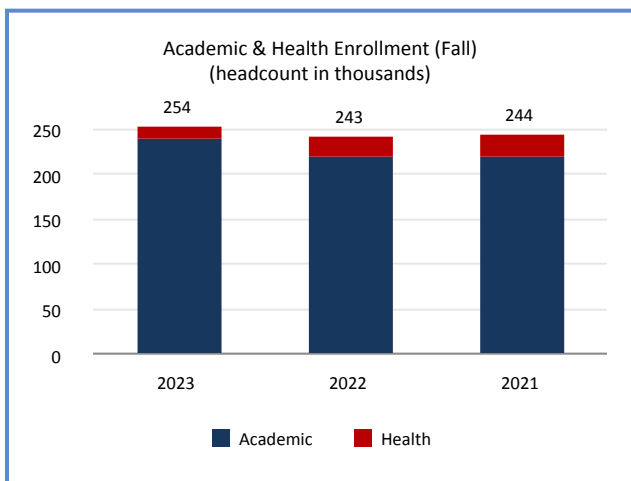
Revenues to support the System's core activities, including those classified as nonoperating revenues, were \$30.9 billion, \$30.2 billion, and \$31.0 billion in 2023, 2022, and 2021, respectively. These diverse sources of revenues increased by \$783.0 million in 2023 primarily due to increases in net investment income.

The chart below shows a three-year comparison of the components of revenues that support the core activities of the System:



Net Student Tuition and Fees

Student tuition and fees, net of scholarship allowances, are a primary source of funding for the System’s academic programs. Scholarship allowances, or financial aid, are the differences between the stated charge for tuition and fees and the amount that is paid by the student and third parties on behalf of the student. Tuition and fees are generated from students enrolled primarily in the System’s academic institutions as illustrated in the chart below:



The System’s academic institutions enroll 35.9% of the State’s public college students, and the System’s health-related institutions enroll 54.2% of the students attending the State’s public health institutions.

Sponsored Programs

Sponsored program revenues are primarily generated from governmental and private sources related to research programs that typically provide for the recovery of direct and indirect costs. Sponsored programs include student financial aid and contracts with affiliated hospitals for clinical activities. Sponsored programs revenues were \$5.7 billion, \$5.7 billion, and \$5.5 billion in 2023, 2022, and 2021, respectively.

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 are reported net of contractual allowances, bad debt expense, and unreimbursed charges for financially or medically indigent patients. Net patient care revenues were \$12.2 billion, \$11.1 billion, and \$10.1 billion in 2023, 2022, and 2021, respectively. Net patient care revenues increased \$1.1 billion, or 10.1%, in 2023, primarily because of increased patient volumes.

Net Auxiliary Enterprises

Net auxiliary enterprise revenues were earned from a host of activities such as athletics, housing and food services, bookstores, parking, student health, and other activities. Net auxiliary enterprises were \$723.2 million, \$646.0 million, and \$377.8 million in 2023, 2022, and 2021, respectively. Net auxiliary enterprise revenues increased \$77.2 million or 12.0% in 2023 due to normalization of auxiliary activities post COVID-19.

State Appropriations

State appropriations, in conjunction with student tuition and fees, are core components that support the instructional mission of the System. State appropriations were \$3.1 billion, \$2.5 billion, and \$2.2 billion in 2023, 2022, and 2021, respectively. The increase of \$0.6 billion was primarily due to \$440 million given to UT Austin in Senate Bill 30 (2023-2024, 88th Legislature) for forward-looking technology research and establishing and operating a research and development fabrication facility.

Net Investment Income Excluding the Change in Fair Value of Investments

The System carefully navigates the investment environment and works diligently to manage its financial resources. Net investment income, excluding the change in fair value of investments, was \$4.7 billion, \$5.6 billion, and \$8.8 billion in 2023, 2022, and 2021, respectively. Net investment income includes realized gains of \$1.9 billion in 2023 and \$2.7 billion in 2022. Net investment income, excluding the change in the fair value of investments, decreased \$0.9 billion from 2022 to 2023, primarily due to decreases in net realized gains and investment income in the PUF.

Net Increase (Decrease) in Fair Value of Investments

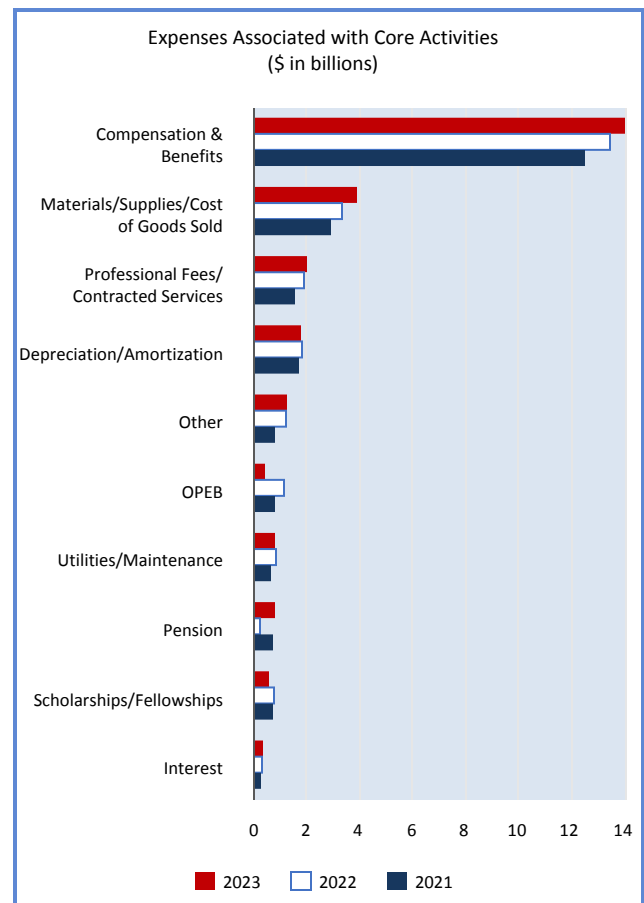
Net increase (decrease) in fair value of investments reported an increase of \$0.5 billion in 2023, a decrease of \$5.0 billion in 2022, and an increase of \$8.9 billion in 2021. In 2023, there was an increase from 2022 of \$5.5 billion primarily due to favorable market conditions.

Gifts

The System receives gift contributions for operations as well as nonoperating gifts and grants of capital and gifts that are held in perpetuity which are added to the System’s endowment holdings. In 2023, gifts for operations totaled \$684.0 million, an increase of \$49.8 million or 7.9% over 2022. Capital gifts and grants and additions to permanent endowments totaled \$347.4 million for 2023, a decrease of \$215.7 million over 2022 primarily due to decreased gifts for capital acquisitions in 2023. The System continues its fundraising efforts to address facilities expansion and renovation, and the establishment of endowments for instruction, research, and patient care activities.

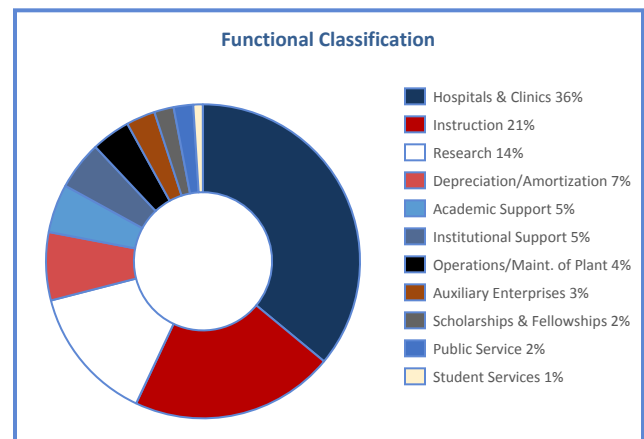
Expenses Supporting Core Activities

Expenses associated with the System’s core activities, including interest expense classified as nonoperating, were \$27.1 billion, \$24.9 billion, and \$23.0 billion in 2023, 2022, and 2021, respectively. The changes, by category, for the three years are depicted below:



Operating expenses increased by \$2.1 billion in 2023 and increased by \$1.9 billion in 2022 primarily due to the growing cost of providing support for the institution’s primary missions of instruction, research, public service, patient care, and student support activities. Additionally, operating expenses in 2023 include \$0.5 billion of OPEB expense and \$795.6 million of pension expense. Nonoperating expenses include interest expense which increased slightly to \$379.4 million in 2023.

The following charts illustrate the makeup of operating expenses by functional classification for the year ended August 31, 2023:



Income (Loss) Before Other Changes in Net Position

Income (Loss) before other changes in net position is the sum of the operating loss plus nonoperating revenues (expenses). It is an indication of recurring revenues and expenses for the System and does not take into account capital and endowment-related additions, discussed above, or transfers. The income (loss) before other changes in net position totaled \$4.1 billion in 2023, an increase of \$4.4 billion over 2022. This increase was largely a result of the increase in net investment income discussed above.

Net Transfers to Other State Agencies

Net transfers to other State agencies totaled \$485.9 million in 2023, an increase of \$39.6 million over 2022. These transfers primarily include \$485.9 million and \$446.3 million for 2023 and 2022, respectively, for the AUF distribution to TAMUS for its one-third share of distributions from the PUF endowment and PUF land surface income, in accordance with the *Texas Constitution*. In addition to the transfers of the current year earnings, the net change in PUF debt outstanding at TAMUS is reflected as a transfer to other State agencies. In 2022, the PUF debt at TAMUS increased \$68.2 million, whereas in 2023 the debt increased \$86.4 million contributing to the increase in net transfers to other State agencies in 2023.

2022 Highlights – Statement of Revenues, Expenses and Changes in Net Position

System's change in net position was a decrease of \$0.2 billion in 2022 compared to an increase of \$16.7 billion in 2021. The significant decrease in change in net position in 2022 was due to the fluctuating value of the fair value of investments. In 2022 there was a decrease in fair value of investments of \$5.0 billion compared to an increase of \$8.9 billion in 2021, a year over year decrease of \$13.9 billion. The PUF accounted for \$5.6 billion of this decrease in 2022.

The Statement of Cash Flows

The Statement of Cash Flows provides information about the System's financial results by reporting the major sources and uses of cash and cash equivalents during the fiscal year. Ending cash and cash equivalents were \$6.5 billion, \$5.5 billion, and \$4.9 billion in 2023, 2022, and 2021, respectively. A summarized three-year comparison of the System's changes in cash and cash equivalents follows:

Condensed Statements of Cash Flows			
(\$ in millions)			
	2023	2022	2021
Net cash provided by (used for):			
Operating activities	\$ (2,392.4)	(2,357.8)	(2,316.4)
Noncapital financing activities	3,637.6	3,750.6	3,882.8
Capital and related financing activities	(1,619.4)	(2,160.5)	(1,634.2)
Investing activities	1,390.0	1,355.5	992.0
Net increase (decrease) in cash and cash equivalents	1,015.8	587.8	924.2
Beginning cash and cash equivalents	5,508.8	4,921.0	3,996.8
Ending cash and cash equivalents	\$ 6,524.6	5,508.8	4,921.0

In 2023, cash and cash equivalents increased \$1,015.8 million.

Cash increases during 2023 were primarily due to (1) \$3.6 billion provided by noncapital financing activities, which includes cash inflows related to state appropriations and nonexchange sponsored programs, offset by transfers to other agencies and (2) \$1.4 billion of cash provided by investing activities, which includes cash inflows for interest and investment income.

Cash decreases during 2023 were primarily due to (1) \$2.4 billion used by operating activities, which includes cash payments to employees and suppliers, partially offset by collection of cash related to tuition and fees, patient charges, and sponsored program activities and (2) \$1.6 billion used by capital and related financing activities primarily for the purchase of capital assets and the net activity associated with issuing and retiring capital related debt.

ECONOMIC OUTLOOK

The mission of the System is to leverage scientific and academic insights and innovation, education and training and the delivery of clinical health care for the common good, in Texas and around the world. It is a mission that depends upon the System's ability to attract and support students from backgrounds with various goals and talents; to recruit and retain a broadly skilled and respected faculty of various viewpoints and expertise; to employ and appropriately recognize dedicated administrators and staff members; to build and maintain physical environments and facilities that enhance and complement these other goals; and to encourage ongoing public and private sector support of higher education, creating a virtuous cycle of investment and return for all of Texas.

In carrying out this mission, the System has a vast, deep and positive impact on society through the generation of a thoughtful, skilled and engaged citizenry and the dissemination of knowledge, ideas and inventions that influence public policy and society's shared economic success.

The System is one of the largest and most comprehensive institutions of higher education in the country, as well as one of the largest employers in Texas. The System's operating budget provides a wide range of services for Texans. Budgeted revenues of the System include both operating and nonoperating revenues. Budgeted revenues for 2024 increased 11.3% to \$29.1 billion. The largest area of growth is net sales and services of hospitals and clinics. Budgeted expenses for 2024 increased 11.5% to \$28.1 billion. The most significant area of growth is personnel costs which includes the cost of the benefits provided to its employees and retirees. The State provides certain health and life insurance benefits for retired employees in accordance with State statutes. In addition to OPEB, the System also receives a proportional share of the State's net pension liability, which is also guaranteed in State statute. These significant costs will continue to be a challenge to both the System and the state of Texas as a whole. The System continues to sustain the highest credit ratings of Fitch Ratings (AAA), Moody's Investors Service (Aaa) and Standard & Poor's Global Ratings (AAA). The System's ongoing efforts toward revenue diversification and cost containment will enable the System to achieve its goals and realize its mission.

Public support for this mission, and the resulting economic health of the System, is vital to our continued success. The U. T. System greatly appreciates the support of the Texas Legislature, which made historic investments in funding for public institutions and affordability during the 88th Regular Session, which will result in more than over \$1 billion in new funding for System institutions in the 2024-2025 biennium. Legislative support for an affordability plan developed by the state's public university systems prior to the session resulted in \$700 million included in the appropriations act that will allow UT institutions to keep tuition flat for the next two years.

***CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
AUGUST 31, 2023 AND 2022***

**THE UNIVERSITY OF TEXAS SYSTEM
CONSOLIDATED STATEMENTS OF NET POSITION — BUSINESS-TYPE ACTIVITIES
AUGUST 31, 2023 AND 2022**

	2023	2022
ASSETS AND DEFERRED OUTFLOWS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 5,473,784,479	4,551,818,565
Restricted cash and cash equivalents	973,964,277	857,752,653
Balance in State appropriations	664,215,443	141,809,722
Accounts receivable, net:		
Federal (net of allowances of \$3,957,160 and \$3,910,665, respectively)	665,841,688	665,076,836
Other intergovernmental (net of allowances of \$4,100,301 and \$3,541,020, respectively)	298,835,897	274,813,104
Student (net of allowances of \$55,300,637 and \$52,792,914, respectively)	379,514,971	376,161,655
Patient and healthcare (net of allowances of \$695,773,699 and \$439,178,955, respectively)	1,486,945,600	1,369,175,589
Interest and dividends	101,155,887	81,983,222
Contributions (net of allowances of \$4,097,475 and \$1,820,620, respectively)	181,084,910	173,286,539
Investment trades	703,501,548	345,148,156
Other (net of allowances of \$15,168,682 and \$16,594,440, respectively)	883,400,303	751,444,363
Lease receivable	13,959,036	18,637,142
P3 receivable	3,237,578	4,202,465
Due from other agencies	112,433,174	131,237,557
Inventories	238,891,148	229,590,521
Restricted loans and contracts (net of allowances of \$23,081,990 and \$21,797,065, respectively)	41,343,207	41,067,421
Securities lending collateral	704,550,572	988,091,640
Other current assets	516,703,972	470,420,594
Total current assets	<u>13,443,363,690</u>	<u>11,471,717,744</u>
NONCURRENT ASSETS		
Cash and cash equivalents (noncurrent restricted)	76,865,502	99,203,976
Restricted investments	61,363,454,138	58,114,854,780
Deposit with brokers for derivative contracts	292,613,399	141,074,033
Restricted loans and contracts (net of allowances of \$13,004,090 and \$20,048,387, respectively)	29,510,591	34,259,142
Contributions receivable (net of allowances of \$3,014,444 and \$2,682,258, respectively)	377,070,059	433,198,505
Unrestricted investments	17,104,572,735	16,174,609,398
Hedging derivative asset	130,779,738	125,007,462
Lease receivable	215,032,962	230,438,676
P3 receivable	36,421,649	380,129,263
Other noncurrent assets	388,191,302	414,831,068
Gross capital/intangible assets	41,388,735,830	39,520,152,343
Less accumulated depreciation/amortization	(21,847,634,137)	(20,456,594,152)
Net capital assets	<u>19,541,101,693</u>	<u>19,063,558,191</u>
Total noncurrent assets	<u>99,555,613,768</u>	<u>95,211,164,494</u>
TOTAL ASSETS	<u>112,998,977,458</u>	<u>106,682,882,238</u>
Deferred outflows of resources	6,088,895,030	5,546,067,549
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>\$ 119,087,872,488</u>	<u>112,228,949,787</u>

See accompanying notes to consolidated financial statements

(Continued)

**THE UNIVERSITY OF TEXAS SYSTEM
CONSOLIDATED STATEMENTS OF NET POSITION — BUSINESS-TYPE ACTIVITIES (Continued)
AUGUST 31, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
LIABILITIES AND DEFERRED INFLOWS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 1,714,244,380	1,639,769,344
Salaries payable	937,064,048	850,799,344
Investment trades payable	1,645,273,366	736,872,733
Incurred but not reported self-insurance claims	199,965,066	187,951,915
Total other postemployment benefits liability	208,395,911	243,697,144
Pension liabilities	72,533,114	—
Securities lending obligations	704,550,572	988,091,640
Due to other State agencies	258,790,763	153,619,664
Statewide interfund payable	65,215,901	58,042,824
Unearned revenue	2,202,202,631	1,982,271,942
Employees' compensable leave	523,251,766	445,635,293
Short-term debt	2,341,061,000	1,788,750,000
Notes, loans, and leases payable	384,724,163	173,827,855
Bonds payable	1,671,517,223	1,699,296,681
Other current liabilities	220,436,207	204,858,805
Total current liabilities	<u>13,149,226,111</u>	<u>11,153,485,184</u>
NONCURRENT LIABILITIES		
Incurred but not reported self-insurance claims	37,936,609	33,767,326
Employees' compensable leave	393,281,192	409,789,419
Assets held for others	145,578,487	135,662,470
Liability to beneficiaries	13,491,033	13,079,769
Total other postemployment benefits liability	7,881,338,444	14,451,897,162
Pension liabilities	6,485,446,939	3,346,763,840
Notes, loans and leases payable	787,359,337	1,351,805,344
Bonds payable	8,164,839,316	7,709,342,982
Statewide interfund payable	1,502,731,182	1,423,609,953
Hedging derivative liability	39,388,655	87,510,811
Payable to brokers for collateral held	204,889,560	223,503,673
Investment derivatives - liability positions	144,154,033	183,196,878
Asset retirement obligation	20,268,251	19,508,940
Other noncurrent liabilities	180,421,005	182,866,512
Total noncurrent liabilities	<u>26,001,124,043</u>	<u>29,572,305,079</u>
TOTAL LIABILITIES	<u>39,150,350,154</u>	<u>40,725,790,263</u>
Deferred inflows of resources	9,273,707,418	4,814,067,890
TOTAL LIABILITIES AND DEFERRED INFLOWS	<u>\$ 48,424,057,572</u>	<u>45,539,858,153</u>
NET POSITION		
Net investment in capital assets	\$ 6,963,671,907	6,570,970,880
Restricted:		
Nonexpendable	38,161,618,752	36,029,323,644
Expendable	21,353,034,539	21,145,744,390
Total restricted	<u>59,514,653,291</u>	<u>57,175,068,034</u>
Unrestricted	4,185,489,718	2,943,052,720
TOTAL NET POSITION	<u>\$ 70,663,814,916</u>	<u>66,689,091,634</u>

See accompanying notes to consolidated financial statements

(Concluded)

**THE UNIVERSITY OF TEXAS SYSTEM
CONSOLIDATED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION — BUSINESS-TYPE ACTIVITIES
YEARS ENDED AUGUST 31, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
OPERATING REVENUES		
Net student tuition and fees (net of discounts and allowances of \$920,673,147 and \$871,777,535, respectively)	\$ 2,162,269,633	2,124,295,749
Sponsored programs	5,114,905,185	4,711,876,833
Net sales and services of educational activities (net of discounts and allowances of \$363,083 and \$77,302, respectively)	668,820,587	590,119,778
Net sales and services of hospitals (net of discounts and allowances of \$14,613,104,666 and \$12,876,923,014, respectively)	9,638,135,140	8,737,119,023
Net professional fees (net of discounts and allowances of \$7,174,634,375 and \$6,598,098,913, respectively)	2,577,503,943	2,354,663,591
Net auxiliary enterprises (net of discounts and allowances of \$21,638,531 and \$20,123,708, respectively)	723,247,145	645,955,901
Other	606,940,322	689,783,082
Total operating revenues	<u>21,491,821,955</u>	<u>19,853,813,957</u>
OPERATING EXPENSES		
Instruction	5,638,164,384	5,199,819,819
Research	3,640,738,442	3,194,183,886
Public service	511,503,631	429,348,663
Hospitals and clinics	9,676,906,898	8,744,934,586
Academic support	1,414,239,637	1,255,690,025
Student services	306,673,392	298,348,467
Institutional support	1,279,734,313	1,276,182,991
Operations and maintenance of plant	1,070,710,379	1,017,726,879
Scholarships and fellowships	535,517,010	655,962,518
Auxiliary enterprises	818,920,278	719,059,025
Depreciation and amortization	1,827,434,267	1,786,126,507
Total operating expenses	<u>26,720,542,631</u>	<u>24,577,383,366</u>
Operating loss	<u>(5,228,720,676)</u>	<u>(4,723,569,409)</u>
NONOPERATING REVENUES (EXPENSES)		
State appropriations	3,052,789,252	2,529,939,818
Nonexchange sponsored programs	621,739,519	958,497,034
Gift contributions for operations	684,013,267	634,248,452
Net investment income	5,223,373,475	602,130,522
Interest expense on capital asset financings	(379,417,070)	(338,180,900)
Gain (loss) on sale of capital assets	11,829,051	(14,276,880)
Other	127,629,171	51,133,270
Net nonoperating revenues	<u>9,341,956,665</u>	<u>4,423,491,316</u>
Income (loss) before other changes in net position	4,113,235,989	(300,078,093)
OTHER CHANGES IN NET POSITION		
Capital gifts and grants	91,953,165	265,383,743
Additions to permanent endowments	255,404,287	297,645,918
Net transfers to other State agencies	(491,344,254)	(439,263,990)
Legislative appropriations lapsed	5,474,096	(7,034,920)
Change in net position	<u>3,974,723,283</u>	<u>(183,347,342)</u>
NET POSITION		
Net position, beginning of year	66,689,091,633	66,872,438,976
Restatement	—	—
Net position, beginning of year (as restated)	<u>66,689,091,633</u>	<u>66,872,438,976</u>
Net position, end of year	<u>\$ 70,663,814,916</u>	<u>66,689,091,634</u>

See accompanying notes to consolidated financial statements

**THE UNIVERSITY OF TEXAS SYSTEM
CONSOLIDATED STATEMENTS OF CASH FLOWS — BUSINESS-TYPE ACTIVITIES
YEARS ENDED AUGUST 31, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Proceeds from tuition and fees	\$ 2,186,521,845	2,104,420,809
Proceeds from patients and customers	12,166,305,616	10,917,142,878
Proceeds from sponsored programs	5,135,503,295	4,718,184,684
Proceeds from auxiliaries	1,086,757,122	638,529,604
Proceeds from other revenues	1,214,105,473	1,242,747,015
Payments to suppliers	(8,867,196,287)	(8,153,067,866)
Payments to employees	(15,323,924,275)	(13,835,044,914)
Payments for loans provided	(74,703,244)	(66,946,084)
Proceeds from loan programs	84,196,551	76,275,350
Net cash used for operating activities	<u>(2,392,433,904)</u>	<u>(2,357,758,524)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Proceeds from State appropriations	2,535,857,628	2,533,285,114
Proceeds from operating gifts	723,224,391	606,108,141
Proceeds from private gifts for endowment purposes	234,256,142	252,687,057
Proceeds from other noncapital financing activities	279,803,519	623,920,373
Receipts for transfers from other agencies	864,245,229	737,380,761
Payments for transfers to other agencies	(1,243,892,349)	(1,436,193,978)
Payments for other uses	(513,081,650)	(478,789,861)
Proceeds from nonexchange sponsored programs	757,207,336	912,221,027
Net cash provided by noncapital financing activities	<u>3,637,620,246</u>	<u>3,750,618,634</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from issuance of capital debt	2,490,240,538	1,168,139,785
Payments of other costs on debt issuance	(5,928,851)	(2,818,969)
Proceeds from capital appropriations, grants and gifts	64,318,637	135,289,571
Proceeds from sale of capital assets	53,986,387	10,309,988
Payments for additions to capital assets	(1,685,940,404)	(1,843,867,656)
Payments of principal on capital related debt and other long-term obligations	(2,066,421,131)	(1,216,650,988)
Payments of interest on capital related debt and other long-term obligations	(469,704,889)	(410,898,328)
Net cash used for capital and related financing activities	<u>(1,619,449,713)</u>	<u>(2,160,496,597)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	51,076,535,789	40,952,830,872
Proceeds from interest and investment income	2,820,206,156	3,109,959,169
Payments to acquire investments	(52,506,639,510)	(42,707,356,676)
Net cash provided by investing activities	<u>1,390,102,435</u>	<u>1,355,433,365</u>
Net increase in cash and cash equivalents	1,015,839,064	587,796,878
Cash and cash equivalents, beginning of year	5,508,775,194	4,920,978,316
Cash and cash equivalents, end of year	<u><u>\$ 6,524,614,258</u></u>	<u><u>5,508,775,194</u></u>

See accompanying notes to consolidated financial statements

(Continued)

**THE UNIVERSITY OF TEXAS SYSTEM
CONSOLIDATED STATEMENTS OF CASH FLOWS — BUSINESS-TYPE ACTIVITIES (Continued)
YEARS ENDED AUGUST 31, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
Reconciliation of operating loss to net cash provided by (used for) operating activities:		
Operating loss	\$ (5,228,720,676)	(4,723,569,409)
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities:		
Depreciation and amortization expense	1,827,434,267	1,786,126,507
Bad debt expense	519,888,573	510,724,894
Other postemployment benefits obligation expense	462,609,141	1,150,530,177
Pension expense	795,557,940	196,300,549
Changes in assets and liabilities:		
Accounts receivable	(973,734,899)	(786,540,416)
Lessor-related balances	(1,602,714)	(2,610,002)
P3 Related Balances	344,561,998.47	9,561,867
Inventories	(9,300,627)	(24,278,731)
Loans and contracts	9,499,354	9,341,378
Other current and noncurrent assets	(17,874,611)	(102,644,463)
Deferred outflows-other postemployment benefits	387,358,832	(1,469,676,692)
Deferred outflows-pension related	(983,743,005)	353,819,451
Accounts payable	355,733,608	215,096,547
Unearned revenue	213,149,901	69,030,025
Employees' compensable leave	61,108,247	35,614,998
Other postemployment benefits obligation	(7,068,469,092)	1,613,646,315
Pension related obligations	2,415,658,273	(2,681,321,506)
Asset retirement obligations	328,392	1,438,430
Deferred inflows-other postemployment benefits	6,485,154,252	(347,967,009)
Deferred inflows-pension related	(2,000,162,951)	1,832,923,932
Other current and noncurrent liabilities	13,131,894	(3,305,364)
Total adjustments	<u>2,836,286,773</u>	<u>2,365,810,887</u>
Net cash used for operating activities	<u>\$ (2,392,433,903)</u>	<u>(2,357,758,522)</u>
Noncash transactions:		
Net increase (decrease) in fair value of investments	\$ 479,219,230	(5,017,196,360)
Donated capital assets	41,182,030	78,065,085
Capital assets acquired/adjusted under lease purchases or direct borrowings	308,284,799	272,745,940
Miscellaneous noncash transactions	32,851,542	11,183,512
Capital Assets received from P3 arrangement	347,652,000	—
See accompanying notes to consolidated financial statements		(Concluded)

THE UNIVERSITY OF TEXAS SYSTEM
CONSOLIDATED STATEMENTS OF FIDUCIARY NET POSITION
AUGUST 31, 2023 AND 2022

	2023			2022		
	Custodial Funds		Total Fiduciary Activities	Custodial Funds		Total Fiduciary Activities
	External Investment Pool Fund	Custodial Funds, Other		External Investment Pool Fund	Custodial Funds, Other	
ASSETS						
Cash and cash equivalents	\$ —	1,928,948	1,928,948	—	1,888,492	1,888,492
Accounts receivable, net:						
Interest and dividends	220,472	—	220,472	217,355	—	217,355
Investment trades	2,964,301	—	2,964,301	1,505,074	—	1,505,074
Other	528,881	4,735	533,616	1,757,072	4,735	1,761,807
Total accounts receivable, net	3,713,654	4,735	3,718,389	3,479,501	4,735	3,484,236
Investments at fair value:						
Investment derivatives - asset positions	496,874	—	496,874	719,630	—	719,630
Other investments	293,885,919	—	293,885,919	285,878,283	—	285,878,283
Total investments	294,382,793	—	294,382,793	286,597,913	—	286,597,913
Securities lending collateral	3,234,769	—	3,234,769	4,333,856	—	4,333,856
Deposit with brokers for derivative contracts	1,156,668	—	1,156,668	622,586	—	622,586
Other assets	121,334	—	121,334	3,314	—	3,314
Total assets	302,609,218	1,933,683	304,542,901	295,037,170	1,893,227	296,930,397
LIABILITIES						
Accounts payable and accrued liabilities	295,079	46,705	341,784	312,171	23,031	335,202
Investment trades payables	6,859,987	—	6,859,987	2,987,464	—	2,987,464
Securities lending obligations	3,234,769	—	3,234,769	4,333,855	—	4,333,855
Investment derivatives - liability positions	576,154	—	576,154	726,153	—	726,153
Payable to brokers for collateral held	129,286	—	129,286	417,944	—	417,944
Total liabilities	11,095,275	46,705	11,141,980	8,777,587	23,031	8,800,618
NET POSITION						
Restricted for:						
Pool participants	291,513,943	—	291,513,943	286,259,583	—	286,259,583
Individuals, organizations, and other governments	—	1,886,978	1,886,978	—	1,870,196	1,870,196
TOTAL NET POSITION	\$ 291,513,943	1,886,978	293,400,921	286,259,583	1,870,196	288,129,779

See accompanying notes to consolidated financial statements

**THE UNIVERSITY OF TEXAS SYSTEM
CONSOLIDATED STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
YEARS ENDED AUGUST 31, 2023 AND 2022**

	2023			2022		
	Custodial Funds		Total Fiduciary Activities	Custodial Funds		Total Fiduciary Activities
	External Investment Pool Fund	Custodial Funds, Other		External Investment Pool Fund	Custodial Funds, Other	
ADDITIONS						
Contributions:						
Contributions from student organizations	\$ —	302,097	302,097	—	55,903	55,903
Contributions from foundations or associations	5,480,078	681,873	6,161,951	2,827,924	633,813	3,461,737
Contributions faculty/staff organizations	—	—	—	—	—	—
Contributions from participants	—	—	—	—	10,340	10,340
Other contributions	—	85,651	85,651	—	66,266	66,266
Total contributions	5,480,078	1,069,621	6,549,699	2,827,924	766,322	3,594,246
Investment earnings:						
Interest, dividends, and other	6,209,747	—	6,209,747	4,353,736	—	4,353,736
Realized gain (loss) on sale of investments	400,316	—	400,316	1,074,039	—	1,074,039
Net increase (decrease) in fair value of investments	(1,409,739)	—	(1,409,739)	(33,768,703)	—	(33,768,703)
Total investment earnings	5,200,324	—	5,200,324	(28,340,928)	—	(28,340,928)
Miscellaneous	—	131,995	131,995	—	138,294	138,294
Total additions	10,680,402	1,201,616	11,882,018	(25,513,004)	904,616	(24,608,388)
DEDUCTIONS						
Payments to student organizations	—	248,345	248,345	—	37,880	37,880
Payments to foundations or associations	5,426,043	62,795	5,488,838	4,542,672	119,466	4,662,138
Payments to faculty/staff organizations	—	1,432	1,432	—	605	605
Payments to participants	—	2,008	2,008	—	81,744	81,744
Other expenses	—	870,253	870,253	—	565,799	565,799
Total deductions	5,426,043	1,184,833	6,610,876	4,542,672	805,494	5,348,166
Net increase (decrease) in fiduciary net position	5,254,359	16,783	5,271,142	(30,055,676)	99,122	(29,956,554)
Beginning net position	286,259,584	1,870,196	288,129,779	316,315,259	1,771,074	318,086,333
Ending net position	\$ 291,513,943	1,886,979	293,400,921	286,259,583	1,870,196	288,129,779

See accompanying notes to consolidated financial statements

**THE UNIVERSITY OF TEXAS SYSTEM
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2023 AND 2022**

1. The Financial Reporting Entity

The financial records of The University of Texas System (the System) reflect compliance with applicable State statutes and Governmental Accounting Standards Board (GASB) pronouncements. The System's financial records are reported as a business-type activity in the State of Texas' Annual Comprehensive Financial Report and the System's custodial fund financial records are reported as fiduciary funds in the State of Texas' Annual Comprehensive Financial Report. The significant accounting policies followed by the System in maintaining accounts and in the preparation of the consolidated financial statements are in accordance with the Texas Comptroller of Public Accounts' Annual Financial Reporting Requirements and with generally accepted accounting principles in the United States of America (GAAP).

The consolidated financial statements include The University of Texas System Administration and all institutions of the System. Amounts due between and among institutions, amounts held for institutions by The University of Texas System Administration and other duplications in reporting are eliminated in consolidating the financial statements.

The System is composed of thirteen institutions of higher education, as well as the System administrative offices. The thirteen institutions are as follows: The University of Texas at Arlington, The University of Texas at Austin, The University of Texas at Dallas, The University of Texas at El Paso, The University of Texas Permian Basin, The University of Texas Rio Grande Valley, The University of Texas at San Antonio, The University of Texas at Tyler (which includes two state agencies – The University of Texas at Tyler and The University of Texas Health Science Center at Tyler), The University of Texas Southwestern Medical Center, The University of Texas Medical Branch at Galveston, The University of Texas Health Science Center at Houston, The University of Texas Health Science Center at San Antonio, and The University of Texas M. D. Anderson Cancer Center. The System is governed by a ten-member Board of Regents (including one non-voting student member) appointed by the Governor.

BLENDING COMPONENT UNITS

The following component units are included in the consolidated financial statements because the System appoints a voting majority of the component units' boards and the System is able to impose its will on the component units. Blended component unit financial information is available upon request.

U. T. Southwestern Health Systems is governed by a three-member board appointed by the president of U. T. Southwestern Medical Center. U. T. Southwestern Health Systems provides support of health care services and grants to conduct research and provide educational programs to accomplish the mission of U. T. Southwestern Medical Center. The corporation is blended rather than discretely presented because it is organized as a not-for-profit corporation and U. T. Southwestern Medical Center is the sole corporate member. The corporation's fiscal year end is August 31. Separate financial statements may be obtained by contacting U. T. Southwestern Health Systems, 5323 Harry Hines Boulevard, Dallas, Texas 75390.

U. T. Southwestern Moncrief Cancer Center is governed by a four-member board appointed by the president of U. T. Southwestern Medical Center. U. T. Southwestern Moncrief Cancer Center provides resources for cancer prevention, early detection and support services to cancer patients and their families within Tarrant County and surrounding areas. The corporation is blended rather than discretely presented because it is organized as a not-for-profit corporation and U. T. Southwestern Medical Center is the sole corporate member. The corporation's fiscal year end is August 31. Separate financial statements may be obtained by contacting U. T. Southwestern Moncrief Cancer Center, 400 West Magnolia Avenue, Fort Worth, Texas 76104.

Moncrief Cancer Foundation is governed by a six-member board appointed by the president of U. T. Southwestern Medical Center. Moncrief Cancer Foundation supports comprehensive, multidisciplinary cancer treatment programs in Tarrant County and surrounding areas. The foundation is blended rather than discretely presented because it is organized as a not-for-profit foundation and U. T. Southwestern Medical Center is the sole corporate member. The foundation's fiscal year end is August 31. Separate financial statements may be obtained by contacting Moncrief Cancer Foundation, 5323 Harry Hines Blvd., Dallas, Texas 75390.

UTMB HealthCare Systems, Inc. is governed by an eight-member board appointed by U. T. Medical Branch - Galveston. UTMB HealthCare Systems, Inc. provides temporary staffing and leased property, and manages the Medicare Select insurance product in selected markets for U. T. Medical Branch - Galveston. The corporation is blended rather than discretely presented because it is organized as a not-for-profit corporation and U. T. Medical Branch – Galveston is the sole corporate member. The corporation’s fiscal year end is August 31. Separate financial statements may be obtained by contacting UTMB HealthCare Systems, Inc., 301 University Boulevard, Galveston, Texas 77555.

The University Medical Branch Student Book Store, Inc. is governed by a five-member board appointed by U. T. Medical Branch - Galveston. The corporation is blended rather than discretely presented because it operates the book store for U. T. Medical Branch - Galveston and provides services entirely or almost entirely to U. T. Medical Branch - Galveston. The corporation’s fiscal year end is August 31. Separate financial statements may be obtained by contacting The University Medical Branch Student Book Store, Inc., 301 University Boulevard, Galveston, Texas 77555.

Medical Branch Innovations, Inc. is governed by a three-member board appointed by U. T. Medical Branch – Galveston. The corporation is blended rather than discretely presented because it is organized as a not-for-profit corporation and U. T. Medical Branch – Galveston is the sole corporate member. The corporation’s fiscal year end is August 31. Separate financial statements may be obtained by contacting Medical Branch Innovations, Inc., 301 University Boulevard, Galveston, Texas 77555.

U. T. Physicians is governed by a nine-member board appointed by its sole corporate member. The corporation is blended rather than discretely presented because it is organized as a not-for-profit corporation and Giuseppe N. Colasurdo, as President of U. T. Health Science Center - Houston, is the sole corporate member. The corporation’s fiscal year end is August 31. Separate financial statements may be obtained by contacting U. T. Physicians, 7000 Fannin Street, Suite 860, Houston, Texas 77030.

University Physicians Group is governed by a five-member board. The Dean of the School of Medicine is the Chairman of the Board, and four board members are members of and elected by the physician practice plan board. The corporation is blended rather than discretely presented because it is organized as a not-for-profit corporation and U. T. Health Science Center - San Antonio is the sole corporate member. The corporation’s fiscal year end is August 31. Separate financial statements may be obtained by contacting University Physicians Group, 8431 Fredericksburg Road, Suite 500, San Antonio, Texas 78229.

U. T. Health San Antonio Regional Physician Network is governed by a seven-member board. The Dean of the School of Medicine is the Chair of the Board of Directors. The corporation owns, operates, and manages an Accountable Care Organization in accordance with the requirements of the Medicare Shared Savings Program, as set forth in section 1899 of the Social Security Act and related regulations. The corporation is blended rather than discretely presented because it is organized as a not-for-profit corporation and U. T. Health Science Center - San Antonio is the sole corporate member. The corporation’s fiscal year end is August 31. Separate financial statements may be obtained by contacting U. T. Health San Antonio Regional Physician Network, 8431 Fredericksburg Road, Suite 503, San Antonio, Texas 78229.

M. D. Anderson Physician’s Network is governed by a nine-member board appointed by the president of M. D. Anderson. M. D. Anderson Physicians Network transfers programs representative of M. D. Anderson to the broad community. The corporation is blended rather than discretely presented because it is organized as a not-for-profit corporation and M. D. Anderson is the sole corporate member. The corporation’s fiscal year end is August 31. Separate financial statements may be obtained by contacting M. D. Anderson Physician’s Network, 1515 Holcomb Blvd., Unit 1670, Houston, TX 77030-4009.

M. D. Anderson Services Corporation is governed by a seven-member board appointed by the president of M. D. Anderson. M. D. Anderson Services Corporation serves as an instrument of M. D. Anderson in its efforts to achieve its mission beyond the M. D. Anderson main campus. The corporation is blended rather than discretely presented because it is organized as a not-for-profit corporation and M. D. Anderson is the sole corporate member. The corporation’s fiscal year end is August 31. Separate financial statements may be obtained by contacting M. D. Anderson Services Corporation, 1515 Holcomb Blvd., Unit 1670, Houston, TX 77030-4009.

East Texas Quality Care Network, Inc. is governed by a four-member board appointed by U. T. Health Science Center - Tyler. The corporation is blended rather than discretely presented because it is organized as a not-for-profit corporation and U. T. Health Science Center - Tyler is the sole corporate member. The corporation’s fiscal year end is August 31. Separate financial statements may be obtained by contacting East Texas Quality Care Network, Inc., 11937 US Highway 271, Tyler, Texas 75708-3154.

The University of Texas/Texas A&M Investment Management Company (UTIMCO) is governed by a nine-member board consisting of at least three members of the U. T. System Board of Regents, four members appointed by the U. T. System Board of Regents (one of whom may be the Chancellor of the System), and two members appointed by the Texas A&M System Board of Regents. At least three members appointed by the U. T. System Board of Regents and at least one member appointed by the Texas A&M System Board of Regents must have substantial background and expertise in investments. The corporation is blended rather than discretely presented because it provides investment management services entirely or almost entirely to the System. The corporation's fiscal year end is August 31. Separate financial statements may be obtained by contacting The University of Texas/Texas A&M Investment Management Company (UTIMCO), 210 West 7th Street, Suite 1700, Austin, Texas 78701.

The University of Texas Communication Foundation is governed by a three-member board appointed by U. T. Austin. The University of Texas Communication Foundation provides services to the U. T. Austin College of Communication to facilitate the participation by students, faculty and others in professional communication projects. The foundation is blended rather than discretely presented because it provides services entirely to U. T. Austin. The foundation's fiscal year end is August 31. Separate financial statements may be obtained by contacting The University of Texas Communication Foundation, U. T. Austin, P. O. Box 7322, Austin, Texas 78713.

The University of Texas at Austin – Mexico Institute, A.C., Centro de Ciencias de la Complejidad (Edificio C3), Planta Baja, Unidad Internacional de Sedes Universitarias, Circuito Cultural c/n, Zona Cultural, Ciudad Universitaria, Ciudad de México, México, CP. 04510, is governed by a four-member board appointed by U. T. Austin. The University of Texas at Austin – Mexico Institute, A.C. advances collaborative cross-disciplinary academic and scientific research partnerships in science, technology, engineering, and mathematics, and scholarly and cultural studies between The University of Texas at Austin and Mexico's academic institutions. The institute is blended rather than discretely presented because it is organized as a not-for-profit corporation and U. T. Austin is the sole corporate member. The Mexico Institute's fiscal year end is December 31. Separate financial statements may be obtained by contacting The University of Texas at Austin J. Pinon, Director of Institutional Relations – Mexico, 2275 Speedway, Austin, TX, 78712.

The Crow Museum of Asian Art - Foundation is governed by a board of five directors appointed by U. T. Dallas. The foundation is blended rather than discretely presented because it is organized as a not-for-profit corporation and U. T. Dallas is the sole corporate member. The foundation's fiscal year end is December 31. In fiscal year 2021, substantially all assets and operations of the foundation transferred to U. T. Dallas in accordance with a unanimous consent letter executed by the board of directors. Assets distributed to U. T. Dallas will be managed in accordance with the memorandum of understanding associated with the 2018 donation of the Crow Museum of Asian Art. The foundation will continue its corporate existence as deemed advisable by the board of directors.

Condensed financial statement information related to the System's blended component units for the year ended August 31, 2023 is as follows:

As of August 31, 2023	UT Southwestern Health Systems	UT Southwestern Moncrief Cancer Center	Moncrief Cancer Foundation	UTMB HealthCare Systems, Inc.	The University Medical Branch Student Book Store, Inc.
Condensed Statement of Net Position					
Current Assets	\$ 2,357,970	5,407,990	828,935	22,752,805	740,195
Noncurrent Assets	7,442,775	31,620,298	91,552,701	21,644,699	1,641,209
Total Assets	9,800,745	37,028,288	92,381,636	44,397,504	2,381,404
Current Liabilities	—	9,064,197	1,462,473	4,683,999	70,981
Noncurrent Liabilities	—	—	—	255,322	—
Total Liabilities	—	9,064,197	1,462,473	4,939,321	70,981
Net Investment in Capital Assets	—	24,793,977	—	1,338,896	—
Restricted Nonexpendable	—	1,704,801	—	—	—
Restricted Expendable	—	—	90,919,163	—	—
Unrestricted	9,800,745	1,465,313	—	38,119,287	2,310,423
Total Net Position	\$ 9,800,745	27,964,091	90,919,163	39,458,183	2,310,423
Condensed Statement of Revenues, Expenses and Changes in Net Position					
Operating Revenues	\$ 45,661	8,778,368	25	99,546,414	972,066
Operating Expenses	(24,004)	(13,182,645)	(509,680)	(92,152,575)	(906,564)
Operating Income (Loss)	21,657	(4,404,277)	(509,655)	7,393,839	65,502
Nonoperating Revenues (Expenses)	2,406,197	3,556,408	6,145,765	1,234,555	71,502
Income (Loss) Before Other Changes in Net Position	2,427,854	(847,869)	5,636,110	8,628,394	137,004
Other Changes in Net Position	(2,743,000)	1,115,690	(3,384,310)	—	—
Change in Net Position	(315,146)	267,821	2,251,800	8,628,394	137,004
Net Position - August 31, 2022	—	—	88,667,363	30,829,789	2,173,419
Net Position - August 31, 2023	\$ (315,146)	267,821	90,919,163	39,458,183	2,310,423
Condensed Statement of Cash Flows					
Net Cash provided by (used for):					
Operating Activities	\$ (167,404)	1,311,183	3,492,178	2,161,864	53,097
Noncapital Financing Activities	—	—	(19,000,000)	—	—
Capital and Related Financing	—	—	—	—	—
Investing Activities	45,661	(324,326)	11,827,561	(583,369)	5,945
Net Increase (Decrease) in Cash and Cash Equivalents	(121,743)	986,857	(3,680,261)	1,578,495	59,042
Cash and Cash Equivalents - August 31, 2022	—	—	4,410,506	9,946,116	270,649
Cash and Cash Equivalents - August 31, 2023	\$ (121,743)	986,857	730,245	11,524,611	329,691

(Continued)

As of August 31, 2023	Medical Branch Innovations, Inc.	U. T. Physicians	University Physicians Group	U. T. Health San Antonio Regional Physician Network	M. D. Anderson Physician's Network
Condensed Statement of Net Position					
Current Assets	\$ 1,363,303	117,093,675	—	—	89,554,248
Noncurrent Assets	4,587,569	249,895,512	1,935,622	—	219,554,928
Total Assets	5,950,872	366,989,187	1,935,622	—	309,109,176
Current Liabilities	532,068	85,811,908	—	—	8,500,361
Noncurrent Liabilities	7,409,137	200,009,007	—	—	—
Total Liabilities	7,941,205	285,820,915	—	—	8,500,361
Net Investment in Capital Assets	—	39,741,361	—	—	704,035
Restricted Nonexpendable	—	—	—	—	—
Restricted Expendable	—	—	—	—	—
Unrestricted	(1,990,333)	41,426,912	1,935,622	—	299,904,780
Total Net Position	\$ (1,990,333)	81,168,273	1,935,622	—	300,608,815
Condensed Statement of Revenues, Expenses and Changes in Net Position					
Operating Revenues	\$ 560,952	119,303,470	—	—	45,852,423
Operating Expenses	(1,026,670)	(122,643,132)	—	(1,537,778)	(17,905,689)
Operating Income (Loss)	(465,718)	(3,339,662)	—	(1,537,778)	27,946,734
Nonoperating Revenues (Expenses)	221,418	5,255,345	—	—	11,995,439
Income (Loss) Before Other Changes in Net Position	(244,300)	1,915,683	—	(1,537,778)	39,942,173
Other Changes in Net Position	—	—	—	1,537,778	—
Change in Net Position	(244,300)	1,915,683	—	—	39,942,173
Net Position - August 31, 2022	(1,746,033)	79,252,590	1,935,622	—	260,666,642
Net Position - August 31, 2023	\$ (1,990,333)	81,168,273	1,935,622	—	300,608,815
Condensed Statement of Cash Flows					
Net Cash provided by (used for):					
Operating Activities	\$ (251,504)	7,069,906	—	—	26,419,670
Noncapital Financing Activities	—	—	—	—	—
Capital and Related Financing	—	(16,821,357)	—	—	(208,191)
Investing Activities	40,572	28,451,833	—	—	(4,315,529)
Net Increase (Decrease) in Cash and Cash Equivalents	(210,932)	18,700,382	—	—	21,895,950
Cash and Cash Equivalents - August 31, 2022	1,382,440	88,035,192	—	—	62,450,374
Cash and Cash Equivalents - August 31, 2023	\$ 1,171,508	106,735,574	—	—	84,346,324

(Continued)

As of August 31, 2023	M. D. Anderson Services Corporation	East Texas Quality Care Network, Inc.	UTIMCO	The University of Texas Communication Foundation
Condensed Statement of Net Position				
Current Assets	\$ 84,750,530	197,289	43,750,144	2,042
Noncurrent Assets	809,177,475	—	4,720,620	177,911
Total Assets	893,928,005	197,289	48,470,764	179,953
Current Liabilities	107,457,087	(230,090)	22,148,608	121,528
Noncurrent Liabilities	56,453,369	—	4,244,466	39,052
Total Liabilities	163,910,456	(230,090)	26,393,074	160,580
Net Investment in Capital Assets	24,679	—	224,226	—
Restricted Nonexpendable	50,000,000	—	—	—
Restricted Expendable	638,085,173	—	—	—
Unrestricted	41,907,697	427,379	21,853,464	19,373
Total Net Position	\$ 730,017,549	427,379	22,077,690	19,373
Condensed Statement of Revenues, Expenses and Changes in Net Position				
Operating Revenues	\$ 1,722,666	19,437	67,943,364	—
Operating Expenses	(1,465,614)	(26,068)	(60,906,770)	—
Operating Income (Loss)	257,052	(6,631)	7,036,594	—
Nonoperating Revenues (Expenses)	37,117,793	—	1,750,535	—
Income (Loss) Before Other Changes in Net Position	37,374,845	(6,631)	8,787,129	—
Other Changes in Net Position	—	—	—	—
Change in Net Position	37,374,845	(6,631)	8,787,129	—
Net Position - August 31, 2022	—	434,010	13,290,561	19,373
Net Position - August 31, 2023	\$ 37,374,845	427,379	22,077,690	19,373
Condensed Statement of Cash Flows				
Net Cash provided by (used for):				
Operating Activities	\$ 924,919	(200,973)	6,847,008	—
Noncapital Financing Activities	(28,051,423)	—	—	—
Capital and Related Financing	(4,633)	—	(1,357,280)	—
Investing Activities	30,926,795	—	2,141,957	—
Net Increase (Decrease) in Cash and Cash Equivalents	3,795,658	(200,973)	7,631,685	—
Cash and Cash Equivalents - August 31, 2022	—	472,913	34,166,841	2,042
Cash and Cash Equivalents - August 31, 2023	\$ 3,795,658	271,940	41,798,526	2,042

(Concluded)

As of August 31, 2023	The University of Texas at Austin - Mexico Institute A.C.	The Crow Museum of Asian Art - Foundation	Combined Blended Component Unit Total
Condensed Statement of Net Position			
Current Assets	\$ 20,070	45,872	368,865,068
Noncurrent Assets	—	—	1,443,951,319
Total Assets	20,070	45,872	1,812,816,387
Current Liabilities	—	—	239,623,120
Noncurrent Liabilities	—	—	268,410,353
Total Liabilities	—	—	508,033,473
Net Investment in Capital Assets	—	—	66,827,174
Restricted Nonexpendable	—	—	51,704,801
Restricted Expendable	—	—	729,004,336
Unrestricted	20,070	45,872	457,246,604
Total Net Position	\$ 20,070	45,872	1,304,782,915
Condensed Statement of Revenues, Expenses and Changes in Net Position			
Operating Revenues	\$ 150,468	—	344,895,314
Operating Expenses	(177,599)	(1,453)	(312,466,241)
Operating Income (Loss)	(27,131)	(1,453)	32,429,073
Nonoperating Revenues (Expenses)	—	—	69,754,957
Income (Loss) Before Other Changes in Net Position	(27,131)	(1,453)	102,184,030
Other Changes in Net Position	—	—	(3,473,842)
Change in Net Position	(27,131)	(1,453)	98,710,188
Net Position - August 31, 2022	47,201	47,325	475,617,862
Net Position - August 31, 2023	\$ 20,070	45,872	574,328,050
Condensed Statement of Cash Flows			
Net Cash provided by (used for):			
Operating Activities	\$ 35,812	(1,453)	47,694,303
Noncapital Financing Activities	—	—	(47,051,423)
Capital and Related Financing	—	—	(18,391,461)
Investing Activities	—	—	68,217,100
Net Increase (Decrease) in Cash and Cash Equivalents	35,812	(1,453)	50,468,519
Cash and Cash Equivalents - August 31, 2022	47,201	47,325	201,231,599
Cash and Cash Equivalents - August 31, 2023	\$ 83,013	45,872	251,700,118

Condensed financial statement information related to the System's blended component units for the year ended August 31, 2022, with some financial statement information restated for GASB Statement No. 96, is as follows:

As of August 31, 2022	Southwestern Health Systems	Southwestern Moncrief Cancer Center	Moncrief Cancer Foundation	UTMB HealthCare Systems, Inc.	The University Medical Branch Student Book Store, Inc.
Condensed Statement of Net Position					
Current Assets	\$ 10,115,891	4,567,576	4,492,583	13,185,168	650,423
Noncurrent Assets	—	33,308,379	105,752,943	20,974,634	1,573,544
Total Assets	10,115,891	37,875,955	110,245,526	34,159,802	2,223,967
Current Liabilities	—	10,179,685	21,578,163	3,231,312	50,548
Noncurrent Liabilities	—	—	—	98,701	—
Total Liabilities	—	10,179,685	21,578,163	3,330,013	50,548
Net Investment in Capital Assets	—	25,862,195	—	1,429,800	—
Restricted Nonexpendable	—	1,633,095	—	—	—
Restricted Expendable	—	—	88,667,363	—	—
Unrestricted	10,115,891	200,980	—	29,399,989	2,173,419
Total Net Position	\$ 10,115,891	27,696,270	88,667,363	30,829,789	2,173,419
Condensed Statement of Revenues, Expenses and Changes in Net Position					
Operating Revenues	\$ 2,841	6,736,381	429	92,717,894	827,124
Operating Expenses	(38,636)	(12,104,484)	(505,157)	(88,463,416)	(773,467)
Operating Income (Loss)	(35,795)	(5,368,103)	(504,728)	4,254,478	53,657
Nonoperating Revenues (Expenses)	2,128,039	3,467,418	(10,825,651)	(822,099)	(132,959)
Income (Loss) Before Other Changes in Net Position	2,092,244	(1,900,685)	(11,330,379)	3,432,379	(79,302)
Other Changes in Net Position	(2,800,000)	(593,368)	(3,593,368)	—	—
Change in Net Position	(707,756)	(2,494,053)	(14,923,747)	3,432,379	(79,302)
Net Position - August 31, 2021	10,823,647	30,190,323	103,591,110	27,397,410	2,252,721
Net Position - August 31, 2022	\$ 10,115,891	27,696,270	88,667,363	30,829,789	2,173,419
Condensed Statement of Cash Flows					
Net Cash provided by (used for):					
Operating Activities	\$ 295,853	(500,683)	4,126,209	2,455,709	(14,935)
Noncapital Financing Activities	—	—	—	—	—
Capital and Related Financing	—	—	—	—	—
Investing Activities	(323,009)	90,909	(859,369)	(601,134)	(3,851)
Net Increase (Decrease) in Cash and Cash Equivalents	(27,156)	(409,774)	3,266,840	1,854,575	(18,786)
Cash and Cash Equivalents - August 31, 2021	2,504,694	1,252,481	1,143,666	8,091,541	289,435
Cash and Cash Equivalents - August 31, 2022	\$ 2,477,538	842,707	4,410,506	9,946,116	270,649

(Continued)

As of August 31, 2022	Medical Branch Innovations, Inc.	U. T. Physicians	University Physicians Group	U. T. Health San Antonio Regional Physician Network	M. D. Anderson Physician's Network
Condensed Statement of Net Position					
Current Assets	\$ 1,592,834	104,156,809	—	210	66,937,719
Noncurrent Assets	4,406,724	281,848,529	1,935,622	—	203,182,481
Total Assets	5,999,558	386,005,338	1,935,622	210	270,120,200
Current Liabilities	546,454	87,287,265	—	210	9,453,558
Noncurrent Liabilities	7,199,137	219,465,483	—	—	—
Total Liabilities	7,745,591	306,752,748	—	210	9,453,558
Net Investment in Capital Assets	—	31,865,541	—	—	642,556
Restricted Nonexpendable	—	—	—	—	—
Restricted Expendable	—	—	—	—	—
Unrestricted	(1,746,033)	47,387,049	1,935,622	—	260,024,086
Total Net Position	\$ (1,746,033)	79,252,590	1,935,622	—	260,666,642
Condensed Statement of Revenues, Expenses and Changes in Net Position					
Operating Revenues	\$ 946,447	199,985,715	—	—	54,079,887
Operating Expenses	(1,641,058)	(179,951,056)	—	(1,757,801)	(23,663,421)
Operating Income (Loss)	(694,611)	20,034,659	—	(1,757,801)	30,416,466
Nonoperating Revenues (Expenses)	(351,259)	(8,292,622)	—	—	(16,777,997)
Income (Loss) Before Other Changes in Net Position	(1,045,870)	11,742,037	—	(1,757,801)	13,638,469
Other Changes in Net Position	—	—	—	1,757,801	—
Change in Net Position	(1,045,870)	11,742,037	—	—	13,638,469
Net Position - August 31, 2021	(700,163)	67,510,553	1,935,622	—	247,028,173
Net Position - August 31, 2022	\$ (1,746,033)	79,252,590	1,935,622	—	260,666,642
Condensed Statement of Cash Flows					
Net Cash provided by (used for):					
Operating Activities	\$ (471,618)	37,495,780	—	—	20,349,914
Noncapital Financing Activities	—	—	—	—	—
Capital and Related Financing	—	(18,613,254)	—	—	(172,642)
Investing Activities	4,380	599,936	—	—	(14,386,024)
Net Increase (Decrease) in Cash and Cash Equivalents	(467,238)	19,482,462	—	—	5,791,248
Cash and Cash Equivalents - August 31, 2021	1,849,678	68,552,730	—	—	56,659,126
Cash and Cash Equivalents - August 31, 2022	\$ 1,382,440	88,035,192	—	—	62,450,374

(Continued)

As of August 31, 2022	M. D. Anderson Services Corp	East Texas Quality Care Network, Inc.	UTIMCO	The University of Texas Communication Foundation
Condensed Statement of Net Position				
Current Assets	\$ 80,211,672	448,728	35,450,191	2,042
Noncurrent Assets	803,523,651	—	4,593,078	177,911
Total Assets	883,735,323	448,728	40,043,269	179,953
Current Liabilities	100,258,091	14,718	20,144,469	121,528
Noncurrent Liabilities	90,834,528	—	6,608,239	39,052
Total Liabilities	191,092,619	14,718	26,752,708	160,580
Net Investment in Capital Assets	20,387	—	203,428	—
Restricted Nonexpendable	50,000,000	—	—	—
Restricted Expendable	603,195,087	—	—	—
Unrestricted	39,427,230	434,010	13,087,133	19,373
Total Net Position	\$ 692,642,704	434,010	13,290,561	19,373
Condensed Statement of Revenues, Expenses and Changes in Net Position				
Operating Revenues	\$ 1,365,571	37,469	60,648,574	2,000
Operating Expenses	(746,921)	(17,411)	(58,283,634)	(801)
Operating Income (Loss)	618,650	20,058	2,364,940	1,199
Nonoperating Revenues (Expenses)	(51,910,767)	—	198,951	—
Income (Loss) Before Other Changes in Net Position	(51,292,117)	20,058	2,563,891	1,199
Other Changes in Net Position	—	—	(6,000,000)	—
Change in Net Position	(51,292,117)	20,058	(3,436,109)	1,199
Net Position - August 31, 2021	743,934,821	413,952	16,726,670	18,174
Net Position - August 31, 2022	\$ 692,642,704	434,010	13,290,561	19,373
Condensed Statement of Cash Flows				
Net Cash provided by (used for):				
Operating Activities	\$ (2,041,805)	69,344	4,506,494	1,831
Noncapital Financing Activities	(34,753,876)	—	(6,000,000)	—
Capital and Related Financing	—	—	(919,306)	—
Investing Activities	37,758,714	—	203,209	—
Net Increase (Decrease) in Cash and Cash Equivalents	963,033	69,344	(2,209,603)	1,831
Cash and Cash Equivalents - August 31, 2021	78,663,646	403,569	36,376,444	211
Cash and Cash Equivalents - August 31, 2022	\$ 79,626,679	472,913	34,166,841	2,042

(Concluded)

As of August 31, 2022	Centro Global de Innovacion y Emprendimiento A.C.	The University of Texas at Austin - Mexico Institute A.C.	The Crow Museum of Asian Art - Foundation	Combined Blended Component Unit Total
Condensed Statement of Net Position				
Current Assets	\$ —	47,201	47,325	321,906,372
Noncurrent Assets	—	—	—	1,461,277,496
Total Assets	—	47,201	47,325	1,783,183,868
Current Liabilities	—	—	—	252,866,001
Noncurrent Liabilities	—	—	—	324,245,140
Total Liabilities	—	—	—	577,111,141
Net Investment in Capital Assets	—	—	—	60,023,907
Restricted Nonexpendable	—	—	—	51,633,095
Restricted Expendable	—	—	—	691,862,450
Unrestricted	—	47,201	47,325	402,553,275
Total Net Position	\$ —	47,201	47,325	1,206,072,727
Condensed Statement of Revenues, Expenses and Changes in Net Position				
Operating Revenues	\$ —	67,492	—	417,417,824
Operating Expenses	(41,430)	(29,065)	(81,923)	(368,099,681)
Operating Income (Loss)	(41,430)	38,427	(81,923)	49,318,143
Nonoperating Revenues (Expenses)	—	—	(634)	(83,319,580)
Income (Loss) Before Other Changes in Net Position	(41,430)	38,427	(82,557)	(34,001,437)
Other Changes in Net Position	—	—	85,000	(11,143,935)
Change in Net Position	(41,430)	38,427	2,443	(45,145,372)
Net Position - August 31, 2021	41,430	8,774	44,882	1,251,218,099
Net Position - August 31, 2022	\$ —	47,201	47,325	1,206,072,727
Condensed Statement of Cash Flows				
Net Cash provided by (used for):				
Operating Activities	\$ —	38,427	(663,715)	65,646,805
Noncapital Financing Activities	—	—	85,000	(40,668,876)
Capital and Related Financing	—	—	580,527	(19,124,675)
Investing Activities	—	—	64	22,483,825
Net Increase (Decrease) in Cash and Cash Equivalents	—	38,427	1,876	28,337,079
Cash and Cash Equivalents - August 31, 2021	—	8,774	45,449	255,841,444
Cash and Cash Equivalents - August 31, 2022	\$ —	47,201	47,325	284,178,523

ASSETS HELD BY AFFILIATED ORGANIZATIONS

GASB authoritative guidance provides criteria for determining whether certain organizations should be reported as component units based on the nature and significance of their relationship to the System. This guidance states that a legally separate, tax-exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met:

1. The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents.
2. The primary government is entitled to or has the ability to otherwise access a majority of the economic resources received or held by the separate organization.
3. The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government.

The System has defined significance as 5% of System's net position. As of August 31, 2023, none of the System's potential component units individually meet the 5% of System's net position criteria for inclusion in the System's financial statements. Based upon the most recent available information, the combined net position of these potential component units reported by the organizations total \$3,967,673,833 at August 31, 2023 and \$3,379,730,061 at August 31, 2022.

2. Related Parties

Through the normal course of operations, the System both receives funds from and provides funds to other State agencies in support of sponsored research programs. Funds received and provided during the year ended August 31, 2023, related to pass-through grants were \$609,197,382 and \$14,032,008, respectively. Funds received and provided during the year ended August 31, 2022, related to pass-through grants were \$533,765,956 and \$20,760,320, respectively.

Other related-party transactions identified in the financial statements include Due From/To Other State Agencies, State Appropriations, Capital Appropriations and Transfers From/To Other State Agencies.

3. Joint Ventures

The University of Texas Southwestern Medical Center (UTSW) and Texas Health Resources (THR) are participating members of Southwestern Health Resources (SWHR) entities, including SWHR, SWHR Clinically Integrated Network (CIN), and SWHR Joint Operating Company (JOC). This integrated regional health network offers key advantages for patients in North Texas including a broad, integrated continuum of physician-driven care utilizing UTSW's network of faculty and community-based physicians, THR's employed physicians, and independent physicians affiliated with both organizations; and an integrated hospital network consisting of UTSW's two university hospitals and THR's wholly-controlled and joint-ventured community hospitals. UTSW's equity interest in SWHR, SWHR CIN, and SWHR JOC at August 31, 2023 and 2022 was \$861,990 and \$61,751,430, respectively, or approximately 50%.

UTSW is a participating member of Texas Health Hospital Frisco (THHF). THHF is a joint venture entered into by UTSW and THR on August 27, 2018 whose purpose is to provide superior medical care to the residents of Collin County and other surrounding areas. UTSW's equity interest in THHF at August 31, 2023 and 2022 was \$126,720,765 and \$117,814,831, respectively, or 50%.

UTSW is a participating member of Pediatric Health Management Services. Pediatric Health Management Services is a non-profit corporate entity that was formed by UTSW and Children's Health System of Texas on October 1, 2019 for the purpose of developing a joint pediatric enterprise. UTSW's equity interest in Pediatric Health Management Services at August 31, 2023 and 2022 was \$27,281,015 and \$4,389,470, respectively, or 50%. UTSW is committed to providing funding of up to \$75,000,000 per a development agreement dated May 11, 2022.

U. T. Southwestern Health Systems (UTSHS), a blended component unit of UTSW, is a participating member of U. T. Southwestern DVA Healthcare, LLP (DVA). DVA is a joint venture between UTSHS and DaVita Inc. to provide care for dialysis patients in the Dallas-Fort Worth area. UTSHS's equity interest in DVA at August 31, 2023 and 2022 was \$6,234,205 and \$6,614,563, respectively, or 49%. Separate financial statements for DaVita may be obtained at DaVita Inc., 601 Hawaii Street, El Segundo, California 90245.

UTSHS is a participating member of Crowder Dialysis, LLC (Crowder). Crowder is a joint venture between UTSHS, Crowder, and Renal Treatment Centers-Southeast, LP, formed for the purpose of developing, establishing, owning or leasing, and operating one or more licensed outpatient dialysis and renal care service centers and for the purpose of doing such other things as are necessary, convenient, desirable or incidental to the foregoing, and for such other purposes as may be agreed upon from time to time. UTSHS's equity interest in Crowder at August 31, 2023 and 2022 was \$1,208,570 and \$1,017,704, respectively or 49%. Separate financial statements for Crowder may be obtained at c/o DaVita Inc., 2000 16th Street, Denver, Colorado, 80202.

U. T. Health Science Center - Houston's blended component unit, U. T. Physicians, is a participating member of Physician's Dialysis of Houston. Physician's Dialysis of Houston is a joint venture entered into by U. T. Physicians and DaVita, Inc. U. T. Physicians' equity interest in Physician's Dialysis of Houston at August 31, 2023 and 2022 was \$562,976 and \$713,564, respectively, or 35.6%. Separate financial statements for Physician's Dialysis of Houston may be obtained at Physician's Dialysis of Houston, Attention: D. Gieser, JV Accounting, 32275 32nd Ave South, Federal Way, Washington 98001.

U. T. Health Science Center - Houston's blended component unit, U. T. Physicians, is a participating member of TMC Holding Company, L.L.C. (TMC Holding). TMC Holding is a Limited Liability Corporation entered into by U. T. Physicians, Baylor College of Medicine and Memorial Hermann/USP Surgery Centers III, L.L.P. U. T. Physicians' equity interest in TMC Holding at August 31, 2023 and 2022 was \$181,656 and \$180,271, respectively, or 18.1%. Separate financial statements for TMC Holding may be obtained by contacting S. Rossmann, 750 Town and Country Boulevard, Suite 920, Houston, Texas 77024.

U. T. Health Science Center - Houston's blended component unit, U. T. Physicians, is a participating member of Bluesky MOB, L.L.P. Bluesky MOB, L.L.P. is a Limited Liability Partnership of which U. T. Physicians purchased an 18.7% interest in for \$380,755 on August 1, 2012. U. T. Physicians' equity interest in Bluesky MOB, LLP at August 31, 2023 and 2022 was \$380,755, or 18.7%. Separate financial statements for Bluesky MOB, L.L.P. may be obtained at Moore, Reichl, & Baker, P.C., c/o C. Presley, CPA, 11200 Westheimer Suite 410, Houston, Texas, 77042.

U. T. Health Science Center - Houston and M. D. Anderson are participating members of the Texas Medical Center Central Heating and Cooling Services Cooperative Association (TECO). TECO was incorporated on October 2, 1975, for the purpose of operating a central heating and cooling services facility on a cooperative basis solely for the benefit of eligible institutions. On June 1, 2003, TECO transferred substantially all of its assets and operation to TECO Corporation, and TECO Corporation assumed the liabilities and obligations of TECO. TECO still renders services to member and non-member patrons at cost. Savings or margins are refunded to the member and non-member patrons on a patronage basis in the form of cash or equity by TECO. In fiscal year 2016, U. T. Health Science Center – Houston purchased the Jessie Jones Library and obtained additional patronage equity in TECO in the amount of \$301,800 via the Houston Academy of Medicine's shares of TECO equity. In fiscal year 2022, U. T. Health Science Center – Houston obtained additional patronage equity in TECO in the amount of \$153,252 related to the School of Biomedical Informatics addition via the Houston Academy of Medicine's shares of TECO equity. U. T. Health Science Center - Houston's equity interest in TECO at August 31, 2023 and 2022 was \$20,790,009 and \$19,857,229, respectively, or 10.1% and 10.2%, respectively. M. D. Anderson's equity interest in TECO at August 31, 2023 and 2022 was \$68,223,067 and \$65,034,537, respectively, or 33.5% and 33.9%, respectively. Separate financial statements for TECO may be obtained at Thermal Energy Corporation, 1615 Braeswood Boulevard, Houston, Texas 77030.

M. D. Anderson is a participating member of the Texas Medical Center Hospital Laundry Cooperative Association (the Association). The Association was established on April 30, 1971, for the purpose of acquiring, owning, and operating a laundry system on a cooperative basis solely for the benefit of members of the Association. Net earnings of the Association may be refunded to the members on a patronage basis or retained by the Association as equity allocated to the members. M. D. Anderson's equity interest in the Association at August 31, 2023 and 2022 was \$6,433,549 and \$6,519,135, respectively, or 40%. Separate financial statements for the Association may be obtained at 9424 Fannin Street, Building C, Houston, Texas 77045.

M. D. Anderson is a participating member of P.E.T. Net Houston, LLC (PETNet). PETNet is a joint venture entered into by M. D. Anderson and P.E.T. Pharmaceuticals, Inc. to lease and operate a facility located on M. D. Anderson's campus to produce positron radiopharmaceuticals and isotopes. Construction of the facility commenced in 2003. M. D. Anderson's equity interest in PETNet at August 31, 2023 and 2022 was \$5,202,367 and \$4,766,112, respectively, or 49%. Separate financial statements for PETNet may be obtained at Siemens Medical Solutions USA, Inc., 51 Valley Stream Parkway, Malvern, Pennsylvania 19355.

M. D. Anderson, National Resilience, Inc. a Delaware corporation (Resilience), and Resilience Texas, LLC, a Delaware limited liability company entered into a new joint venture on October 21, 2021 to form Cell Therapy Manufacturing Center (CTMC). The entity was formed for the purpose of engaging in a strategic manufacturing relationship for gene and cell therapy cGMP manufacturing at the Resilience Texas, LLC facility for all phases of clinical development and for commercial supply. M. D. Anderson's participation in such strategic manufacturing relationship for gene and cell therapy cGMP manufacturing will support and advance its mission by facilitating and funding the development and commercialization of new products and technologies for the diagnosis, teaching, study, prevention, and treatment of cancer. The Board of Regents of the University of Texas System, on behalf of M. D. Anderson's engagement in the joint venture, support the public mission of and serve public purposes appropriate to the function of M. D. Anderson. As of August 31, 2023 and 2022, M. D. Anderson's equity interest in CTMC was \$20,516,472 and \$23,739,656, respectively, or 50%. Separate financial statements for Resilience Texas, LLC dba CTMC may be obtained at 2130 W Holcombe Blvd. Houston TX, 77030.

On March 1, 2018, U. T. Health Science Center – Tyler (UTHSC – Tyler) entered into a joint venture with AHS East Texas Health System, LLC, to form East Texas Health System, LLC, a Texas Limited Liability Company. The resulting health system, known as U. T. Health East Texas, is designed to expand medical education, research and community health in Northeast Texas. U. T. Health Science Center – Tyler's hospital and physician clinic operations are participants in the ten-hospital system, designed to advance the achievement of UTHSC – Tyler's mission through financial and clinical alignment and integration and to improve the delivery of cost effective, quality health care services in the Northeast Texas region. UTHSC – Tyler's equity interest in U. T. Health East Texas at August 31, 2023 and 2022 was \$24,681,700 and \$18,709,700, respectively, or approximately 30%.

In March 2016, U. T. Austin entered into a joint venture with Ascension Seton and Central Health to form Capital City Innovation (CCI), a nonprofit organization. CCI was created to provide a vision, focused strategic direction, advocacy for, and synergistic coordination of expertise, culture, uses and development to support the creation, growth and sustainability of an Innovation Zone in Austin, Texas. U. T. Austin's equity interest in CCI at August 31, 2023 and 2022 was \$350,000, or 23.7%.

4. Summary of Significant Accounting Policies

BASIS OF ACCOUNTING

The proprietary financial statements of the System have been prepared using the economic resources measurement focus and the accrual basis of accounting and reports as a business type activity, as defined by GASB. Business type activities (enterprise funds) are those that are financed in whole or in part by fees charged to external parties for goods or services. The System's fiduciary funds account for assets held in a custodial capacity and are accounted for on the accrual basis of accounting in accordance with GASB Statement No. 84, *Fiduciary Activities*. All 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 GASB.

GASB STATEMENTS IMPLEMENTED IN FISCAL YEAR 2022

The requirements of GASB Statement No. 87, *Leases*, were effective in 2022. This statement established a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. Limited exceptions to the single approach guidance are provided for short-term leases, defined as lasting a maximum of twelve months at inception, including any options to extend, financed purchases, leases of assets that are investments and certain regulated leases. The application of the statement had an effect on the System's net position and change in net position.

Other than the portion of this statement implemented in 2020, the requirements of the remainder of GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, were effective in 2022. The requirements of this statement implemented in 2022 related to the accounting and financial reporting for Section 457 plans. The application of the statement had an effect on the System's net position and change in net position.

Other than the portions of this statement implemented in 2021, the requirements of the remainder of GASB Statement No. 93, *Replacement of Interbank Offered Rates*, were effective beginning 2022 or later depending on when LIBOR is no longer available. This statement preserves consistency and comparability of reporting hedging derivative instruments and leases after agreements are amended to replace LIBOR. The application of this portion of the statement had no effect on the System's net position or changes in net position.

The requirements of GASB Statement No. 98, *The Annual Comprehensive Financial Report*, were effective in 2022, establishes the term annual comprehensive financial report and its acronym ACFR. The implementation of Statement 98 has no effect on the System.

For GASB Statement No. 99, *Omnibus 2022*, the following portions of the statement were effective in 2022: the requirements related to extension of the use of LIBOR, accounting for the Supplemental Nutrition Assistance Program (SNAP) distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63. The application of these portions of the statement had no effect on the System's net position or changes in net position.

GASB STATEMENTS IMPLEMENTED IN FISCAL YEAR 2023

GASB Statement No. 91, *Conduit Debt Obligations*, effective 2023, provides a single method of reporting conduit debt obligations. The application of the statement had no effect on the System's net position or changes in net position.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships (PPPs) and Availability Payment Arrangements*, effective 2023, improves financial reporting by addressing issues related to public-private and public-public partnership arrangements and provides guidance for availability payment arrangements. Changes adopted to conform to the provisions of this Statement were applied retroactively by restating the financial statements for the earliest period presented, August 31, 2022, and related disclosures in Notes 20, 21, and 23.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITA)*, is effective 2023. This Statement defines a SBITA; establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and requires note disclosures regarding a SBITA. Changes adopted to conform to the provisions of this Statement were applied retroactively by restating the financial statements for the earliest period presented, August 31, 2022, and related disclosures in Notes 1, 9, 11, 12, 20, and 21.

Other than the portion of this statement implemented in 2022, the remainder of GASB Statement No. 99, *Omnibus 2022*, is effective in 2023 and 2024. The requirements related to leases, PPPs, and SBITAs are effective 2023. The application of this portion of the statement had no effect on the System's net position or changes in net position.

The effect of the implementation of GASB Statement No. 94 and 96 on the System's financial statements for the year ended August 31, 2022 was as follows:

	As Reported in Fiscal Year 2022	GASB Statement No. 94 Restatement	GASB Statement No. 96 Restatement	Restated Fiscal Year 2022
Assets and Deferred Outflows				
Total Current Assets	\$ 11,474,182,132	4,202,465	(6,666,853)	11,471,717,744
Total Noncurrent Assets	94,709,746,366	387,175,087	114,243,041	95,211,164,494
Total Assets	106,183,928,498	391,377,552	107,576,188	106,682,882,238
Total Deferred Outflows of Resources	5,546,067,549	—	—	5,546,067,549
Total Assets and Deferred Outflows	\$ 111,729,996,047	391,377,552	107,576,188	112,228,949,787
Liabilities and Deferred Inflows				
Total Current Liabilities	\$ 11,120,163,187	(8,353,452)	41,675,449	11,153,485,184
Total Noncurrent Liabilities	29,519,166,256	—	53,138,823	29,572,305,079
Total Liabilities	40,639,329,443	(8,353,452)	94,814,272	40,725,790,263
Total Deferred Inflows of Resources	4,420,174,296	393,893,594	—	4,814,067,890
Total Liabilities and Deferred Inflows	\$ 45,059,503,739	385,540,142	94,814,272	45,539,858,153
Net Position				
Net Investment in Capital Assets	\$ 6,543,836,872	7,045,825	20,088,183	6,570,970,880
Restricted:				
Nonexpendable	36,029,323,644	—	—	36,029,323,644
Expendable	21,146,284,170	—	(539,780)	21,145,744,390
Unrestricted	2,951,047,622	(1,208,415)	(6,786,487)	2,943,052,720
Total Net Position	\$ 66,670,492,308	5,837,410	12,761,916	66,689,091,634

	As Reported in Fiscal Year 2022	GASB Statement No. 94 Restatement	GASB Statement No. 96 Restatement	Restated Fiscal Year 2022
Total Operating Revenues	\$ 19,847,504,034	6,309,923	—	19,853,813,957
Total Operating Expenses	24,589,880,632	647,452	(13,144,718)	24,577,383,366
Operating Income (Loss)	(4,742,376,598)	5,662,471	13,144,718	(4,723,569,409)
Net Nonoperating Revenues (Expenses)	4,423,699,179	174,938	(382,801)	4,423,491,316
Income (Loss) Before Other Changes	(318,677,419)	5,837,409	12,761,917	(300,078,093)
Other Changes	116,730,751	—	—	116,730,751
Change in Net Position	(201,946,668)	5,837,409	12,761,917	(183,347,342)
Beginning Net Position	66,872,438,976	—	—	66,872,438,976
Ending Net Position	\$ 66,670,492,308	5,837,409	12,761,917	66,689,091,634

	As Reported in Fiscal Year 2022	GASB Statement No. 94 Restatement	GASB Statement No. 96 Restatement	Restated Fiscal Year 2022
Cash Flows from Operating Activities	\$ (2,426,019,082)	7,518,338	60,742,220	(2,357,758,524)
Cash Flows from Noncapital Financing Activities	3,750,618,633	—	1	3,750,618,634
Cash Flows from Capital and Related Financing Activities	(2,092,061,101)	(7,693,276)	(60,742,220)	(2,160,496,597)
Cash Flows from Investing Activities	1,355,258,428	174,938	(1)	1,355,433,365
Net Increase (Decrease) in Cash	587,796,878	—	—	587,796,878
Beginning Cash and Cash Equivalents	4,920,978,316	—	—	4,920,978,316
Ending Cash and Cash Equivalents	\$ 5,508,775,194	—	—	5,508,775,194

CASH AND CASH EQUIVALENTS

Short-term, highly liquid investments with maturities of three months or less when purchased are generally considered cash and cash equivalents. It is the System's policy to exclude items that meet this definition if they are part of an investment pool, which has an investment horizon of one year or greater. Therefore, highly liquid investments that are part of the Permanent University Fund (PUF), General Endowment Fund (GEF) and Intermediate Term Fund (ITF) are not considered cash and cash equivalents. Additionally, endowments invested in money market accounts are also excluded from Cash and Cash Equivalents as the intent is to invest these funds for more than one year. Cash held in the State treasury for the PUF, the Permanent Health Fund (PHF) and the Available University Fund (AUF) are considered cash and cash equivalents. Other highly liquid investments of these major funds which are held in pooled funds and invested with custodians are not considered cash and cash equivalents according to the investment policies of the System. Restricted cash and cash equivalents include cash held in the State treasury for the PUF and PHF and restricted sources of funds used for construction of capital assets as well as funds held for debt service. The System holds bond proceeds in restricted investments to be disbursed to the institutions to support capital projects on a cost reimbursable basis.

BALANCE IN STATE APPROPRIATIONS

This item represents the balance of General Revenue funds at August 31 as calculated in the Texas State Comptroller's General Revenue Reconciliation.

DERIVATIVE FINANCIAL INSTRUMENTS

Derivative instruments are recorded at fair value. The fair value of derivative instruments is recorded as either an investment, an investment derivative liability, a hedging derivative asset or a hedging derivative liability on the statement of net position. The valuation of investment derivative instruments is discussed in the Investments disclosure below. The System has calculated the fair value of the interest rate swaps using a forecast of expected discounted future net cash flows and considered the nonperformance risk of the parties.

The System has entered into interest rate swap agreements with various counterparties, all of which are highly rated financial institutions, to manage various risks associated with the System's debt programs. Each of the System's interest rate swaps is a contractual agreement entered into between the System and a counterparty under which each party agrees to exchange periodic fixed or variable payments, based upon a stated notional amount, over the stated life of the agreement. The net differential paid or received is recognized over the life of the agreement as an adjustment to interest expense.

Interest rate swaps determined to be hedging derivative instruments are designated as cash flow hedges. Hedging derivative instrument assets and hedging derivative instrument liabilities are recorded on the System's statement of net position. Under hedge accounting, for derivative instruments that are determined to be effective, changes in the fair value of hedging derivative instruments are considered to be deferred inflows (for hedging derivative instruments with positive fair values) or deferred outflows (for hedging derivative instruments with negative fair values).

Changes in the fair value of derivative instruments that are not effective are recorded as investment income in the statement of revenues, expenses and changes in net position.

INVESTMENTS

The majority of the investments of the System, except for PUF lands, are managed by UTIMCO, a private investment corporation that provides services to the System and its related foundations. All investments are reported as noncurrent as these funds have an investment horizon extending beyond one year. Restricted investments include investments restricted by legal or contractual requirements, including those related to donors and constitutional restrictions.

The audited financial statements of the funds managed by UTIMCO may be found on UTIMCO's website and inquiries may be directed to UTIMCO.

Investments are reported at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between two market participants at the measurement date.

The System is authorized to invest funds, as provided in Section 51.0031 of the *Texas Education Code* and the Constitution of the State of Texas, under prudent investor investment standards. Such investments include various fixed income and equity type securities, hedge funds, public market funds, and private investments. The investments of the System are governed by various investment policies approved by the U. T. System Board of Regents.

CONTRIBUTIONS RECEIVABLE

Current and noncurrent contributions receivable are amounts pledged to the System by donors, net of allowances. Multi-year gift pledges greater than \$10,000 must be reported at the discounted present value. At the beginning of each fiscal year, the System re-establishes the scale of discount rates applicable for present valuing new multi-year gift pledges that are received during the new fiscal year. The scale of discount rates is based upon U.S. Treasury Notes and Bonds asked yields as listed in the Wall Street Journal on the first day of the fiscal year. Existing gift pledges are not recalculated since these pledges were previously calculated at historical discount rates.

INVENTORIES

Inventories, consisting primarily of supplies and merchandise for resale, are valued at cost, typically based on the specific identification, weighted average or first-in, first-out methods, which are not in excess of net realizable value.

RESTRICTED ASSETS

Restricted assets include funds restricted by legal or contractual requirements, including those related to sponsored programs, donors, constitutional restrictions, bond covenants, and loan agreements.

LOANS AND CONTRACTS

Current and noncurrent loans and contracts are receivables, net of allowances, related to student loans.

SECURITIES LENDING COLLATERAL AND OBLIGATIONS

The collateral secured for securities lent are reported as an asset on the statement of net position. The obligations for securities lent are reported as a liability on the statement of net position that directly offsets the cash collateral received from brokers or dealers in exchange for securities loaned. The costs of securities lending transactions are reported as part of investment income in the statement of revenues, expenses and changes in net position. See Note 6 for details regarding the securities lending program.

LEASE RECEIVABLES

Lease receivables are recorded by the System at the present value of lease payments expected to be received under all leases other than short term leases, regulated leases, or leases of assets that are classified as investments. Lease receivables are subsequently reduced over the life of the lease as cash is received in the applicable reporting period. Short term leases, those with a maximum period of 12 months, are recognized as collected.

P3 RECEIVABLE

The System recognizes a receivable for payments to be received from the operator under public-private and public-public partnerships (PPPs or P3s). The receivable for PPP installment payments is initially measured at the present value of PPP installment payments expected to be received over the term reduced by any provision for estimated uncollectible amounts. Present value of PPP installment payments are discounted based on a borrowing rate determined by the System.

For P3 arrangements that do not meet the criteria to be a service concession arrangement, the System recognizes a receivable for underlying PPP assets when a new asset has been purchased or constructed by an operator and the System is to receive the asset during or at the end of the PPP term. The receivable for the underlying PPP asset is measured at the operator's estimated carrying value of the underlying PPP asset as of the expected date of the transfer in ownership from the operator to the System.

CAPITAL AND INTANGIBLE ASSETS

Capital assets are recorded at cost at the date of acquisition or acquisition value at the date of donation in the case of gifts. The System follows the State's capitalization policy with a cost equal to or greater than \$5,000 for equipment items, \$100,000 for buildings, building improvements and improvements other than buildings, and \$500,000 for infrastructure items, and an estimated useful life of greater than one year. Purchases of library books are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense is incurred. Outlays for construction in progress are capitalized as incurred. The thresholds for software are \$100,000 for purchased software and \$1,000,000 for internally developed software including Enterprise Resource Planning replacements. The System capitalizes but does not depreciate works of art and historical treasures that are held for exhibition, education, research and public service. These collections are protected and preserved.

Right-of-Use (ROU) intangible assets are recognized at the contract's commencement date and represent the System's right to use an underlying asset for the contract term. ROU assets are measured at the initial value of the liability plus any payments made at or before commencement and initial direct costs.

Depreciation and amortization for most capital and intangible assets is computed using the straight-line method over the estimated useful lives of the assets, generally two to fifteen years for equipment items, five years for software, six years for Enterprise Resource Planning replacements, fifteen years for library books, ten to fifty years for buildings and their components and fifteen to forty years for infrastructure elements. Amortization for ROU intangible assets is computed using the straight-line method over the shorter of the contract term or estimated useful lives of the assets; but if the underlying contract contains a purchase option determined to be reasonably certain of being exercised, the ROU intangible asset is amortized over the estimated useful life of the asset.

OTHER ASSETS

Other current assets are primarily made up of prepaid expenses, while other noncurrent assets are primarily made up of equity interests in joint ventures that do not meet the definition of an investment and beneficial interests in irrevocable split-interest agreements in which a third-party is the intermediary.

DEFERRED OUTFLOWS

Deferred outflows consist of the fair value of hedging derivative instruments in a liability position, unamortized losses on refunding of debt, unamortized interest rate lock termination payments, certain changes in the pension and OPEB liabilities, unamortized portions of asset retirement obligation, and excess consideration paid in a government acquisition. Changes in fair value for effective hedges that are achieved with derivative instruments are to be reported as deferred inflows and deferred outflows in the statement of net position. For debt refundings, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and reported as deferred outflows or deferred inflows. The gain or loss is amortized, using the straight-line method, over the remaining life of the old debt or the life of the new debt, whichever is shorter, in the statement of revenues, expenses and changes in net position as a component of interest expense. When a Treasury Lock is used to hedge interest rate exposure on bonds, the lock termination payment is recorded as a deferred outflow and is amortized, using the straight-line method, over the remaining life of the related debt in the statement of revenues, expenses and changes in net position as a component of interest expense. Changes in the pension liabilities not included in pension expense are required to be reported as deferred outflows of resources or deferred inflows of resources related to pensions, and employer contributions subsequent to the measurement date of the pension liabilities are also required to be reported as deferred outflows of resources. Similarly, changes in the total OPEB liability not included in OPEB expense are required to be reported as deferred outflows of resources or deferred inflows of resources related to OPEB, and employer contributions subsequent to the measurement date of the total OPEB liability are also required to be reported as deferred outflows of resources. For asset retirement obligations, deferred outflows are recognized for anticipated clean-up and decommissioning costs, amortized over the life of the related assets. Deferred outflows are also recognized for excess consideration paid in a government acquisition, amortized over the estimated service life.

UNEARNED REVENUE

Unearned revenue represents revenues such as tuition recorded in August for the fall semester and payments received in advance for sponsored programs.

ASSETS HELD FOR OTHERS

Assets held for others is the liability offsetting the assets held for the University of Texas System Governmental Retirement Arrangement excess benefit plan managed by the System discussed in Note 18.

LIABILITY TO BENEFICIARIES

The System holds numerous irrevocable charitable remainder trusts and a pooled income fund. Together, these assets are reflected in the accompanying consolidated financial statements within restricted investments.

The charitable remainder trusts designate the U. T. System Board of Regents as both trustee and remainder beneficiary. The System is required to pay to the donors (or other donor-designated income beneficiaries) either a fixed amount or the lesser of a fixed percentage of the fair value of the trusts' assets or the trusts' income during the beneficiaries' lives. Trust assets are measured at acquisition value when received and at fair value thereafter. A corresponding liability to beneficiaries is measured at the present value of expected future cash flows to be paid to the beneficiaries based upon the applicable federal rate on the gift date. Upon death of the income beneficiaries, substantially all of the principal balance passes to the System to be used in accordance with the donors' restrictions.

The pooled income fund was formed with contributions from several donors. The contributed assets are invested and managed by UTIMCO. Donors (or designated beneficiaries) periodically receive, during their lives, a share of the income earned on the fund proportionate to the value of their contributions to the fund. Upon death of the income beneficiaries, substantially all of the principal balance passes to the System to be used in accordance with the donors' restrictions. Contribution revenue is measured at the acquisition value of the assets received, discounted for a term equal to the life expectancies of the beneficiaries.

TOTAL OPEB LIABILITY

OPEB are provided to the System's retirees under the U. T. System Employee Group Insurance Program (EGIP). The EGIP is a single-employer defined benefit OPEB plan. The System and member contribution rates are determined annually by the System based on the recommendations of the Office of Employee Benefits staff and consulting actuary. The contribution rates are determined based on the benefit and administrative costs expected to be incurred and (i) the funds appropriated and (ii) the funding policy established by the Texas Legislature in connection with benefits provided through the EGIP. The System revises benefits when necessary to match expected benefit and administrative costs with available revenue. The plan is operated on a pay-as-you-go basis. The OPEB plan described herein is not administered through a trust.

PENSION LIABILITIES

Net Pension Liability

The System participates in a cost-sharing multiple-employer defined benefit pension plan with a special funding situation administered by the Teacher Retirement System of Texas (TRS). TRS is primarily funded through State and employee contributions. The System receives a proportional share of the net pension liability, pension-related deferred outflows and pension-related deferred inflows from the Texas Comptroller of Public Accounts.

Total Pension Liability

M. D. Anderson Cancer Center participates in a single-employer defined benefit deferred compensation pension plan primarily for physicians, the Physicians Referral Service Supplemental Retirement Plan and Retirement Benefit Plan (SRP/RBP Plan). The SRP/RBP Plan is a nonqualified plan described by Section 457(f) of the Internal Revenue Code of 1986 (IRC), as amended. The SRP/RBP Plan is funded through contributions from M. D. Anderson Cancer Center and is administered through a trust that is not protected from the creditors of M. D. Anderson Cancer Center. The SRP/RBP Plan assets are measured at fair value and presented as restricted investments in the System's statement of net position. The total pension liability and related deferred outflows of resources and deferred inflows of resources are measured and reported in accordance with GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*.

NOTES, LOANS, AND LEASES PAYABLE

Lease Liability

Lease liabilities, included as part of notes, loans, and leases payable on the statement of net position, represent the System's obligation to make lease payments arising from leases other than short term leases. Lease liabilities are recognized at the lease commencement date based on the present value of future lease payments over the remaining lease term. Short term leases, those with a maximum period of 12 months, are expensed as incurred.

Subscription Liability

Subscription liabilities, included as part of notes, loans, and leases payable on the statement of net position, represent the System's obligation to make payments to the vendor, measured at the present value of subscription payments over the remaining term. Subscription liabilities are recognized at the SBITA commencement date based upon the present value of future subscription payments over the remaining SBITA term. Short term subscription liabilities, those with a maximum period of 12 months (or less), are expensed as incurred.

ASSET RETIREMENT OBLIGATION

The liability related to clean-up and decommissioning of items using radiation such as broadscope licenses, cyclotrons, and nuclear reactors is reported as asset retirement obligation. The liability is measured using best estimates of expected outlays for clean-up and decommissioning costs.

DEFERRED INFLOWS

Deferred inflows consist of the fair value of hedging derivative instruments in an asset position, unamortized gains on refunding of debt, certain changes in the pension and total OPEB liabilities, beneficial interests in irrevocable split-interest agreements, future period revenues from leases, and future period revenues from PPPs. Changes in fair value for effective hedges that are achieved with derivative instruments are to be reported as deferred inflows and deferred outflows in the statement of net position. For debt refundings, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and reported as deferred outflows or deferred inflows. The gain or loss is amortized, using the straight-line method, over the remaining life of the old debt or the life of the new debt, whichever is shorter, in the statement of revenues, expenses and changes in net position as a component of interest expense. Changes in the pension liabilities not included in pension expense are required to be reported as deferred outflows of resources or deferred inflows of resources related to pensions. Similarly, changes in the total OPEB liability not included in OPEB expense are required to be reported as deferred outflows of resources or deferred inflows of resources related to OPEB. For irrevocable split-interest agreements in which U. T. System has an unconditional beneficial interest, the fair value of the gift beneficial interest is deferred and reported as deferred inflows until the resources become applicable to the reporting period. Future period revenues from leases where the System is the lessor are recorded as deferred inflows and amortized using the straight-line method over the lease term. Future period revenues from PPPs where the System is the transferor are recorded as deferred inflows and are amortized using the straight-line method over the PPP term.

NET POSITION – Enterprise Funds

The System has classified resources into the following three net position categories:

Net Investment in Capital Assets

Capital assets, net of accumulated depreciation and outstanding principal balances of debt and other liabilities and deferred inflows of resources attributable to the acquisition, construction or improvement of those assets.

Restricted:

Nonexpendable

Net position subject to externally imposed stipulations that require the amounts be maintained in perpetuity by the System. Such assets include the System's permanent endowment funds.

Expendable

Net position 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 with the passage of time.

Unrestricted

Net position that is not subject to externally imposed stipulations. Unrestricted net position may be designated for special purposes by action of management or the U. T. System Board of Regents. Substantially all unrestricted net position is designated for academic programs, patient care, research programs and initiatives, and capital programs (see Note 21 for details on unrestricted net position).

When an expense is incurred that can be paid using either restricted or unrestricted resources, the System addresses each situation on a case-by-case basis prior to determining the resources to be used to satisfy the obligation. Generally, the System's policy is to first apply the expense towards restricted resources and then towards unrestricted resources.

NET POSITION – Fiduciary Funds

The System fiduciary funds classify resources into the following two net position categories:

Restricted for Pool Participants

Net position related to custodial funds-external investment pool

Restricted for Individuals, Organizations, and Other Governments

Net position related to custodial funds-other

REVENUES AND EXPENSES

Operating revenues include activities such as student tuition and fees; net sales and services of hospitals; net professional fees; net sales and services of auxiliary enterprises; the exchange basis federal, state and local grants and contracts. Operating expenses include salaries and wages, payroll related costs, materials and supplies, depreciation, other contracted services, pension expense, postemployment benefits, and scholarships and fellowships. In addition, all changes to incurred but not reported liabilities related to insurance programs are reflected as operating.

Nonoperating revenues include activities such as gifts and contributions, insurance recoveries received in years subsequent to the associated loss, State appropriations, investment income, the nonexchange basis federal and state grants and contracts, and other revenue sources that are defined as nonoperating revenues by GASB. The System's institutions are the named beneficiaries in certain lawsuits, wills, trusts, and insurance policies. The System does not recognize these potential refunds, gifts and contributions until realized. Nonoperating expenses include activities such as interest expense on capital asset financings, and other expenses that are defined as nonoperating expenses by GASB.

SCHOLARSHIP ALLOWANCES AND STUDENT AID

Financial aid to students is reported in the financial statements as prescribed by the National Association of College and University Business Officers (NACUBO). Certain aid (student loans, funds provided to students as awarded by third parties and Federal Direct Lending) is accounted for as third-party payments (credited to the student's account as if the student made the payment). All other aid is reflected in the financial statements as operating expense or scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to the student in the form of reduced tuition. Under the alternative method, these amounts are computed on an entity-wide basis by allocating cash payments to students, excluding payments for services, on the ratio of total aid to the aid not considered to be third party aid.

STATEWIDE INTERFUND TRANSFERS AND INTERFUND PAYABLES

In accordance with the provisions set forth in Article 7, Section 18 of the *Texas Constitution*, the System transfers one-third of the annual earnings of the PUF investments and lands to the Texas A&M University System (TAMUS). In addition to the transfer of the current year earnings in 2023 and 2022 of \$450,227,364 and \$418,847,698, respectively, the System recorded a liability of \$1,567,537,241 and \$1,481,155,516 at August 31, 2023 and 2022, respectively, for future amounts due to TAMUS from the PUF to cover principal on outstanding PUF bonds and notes issued by TAMUS. This liability is reported as current and noncurrent statewide interfund payable on the statement of net position. Additional details related to the operations of the PUF can be found in Note 8. Also included in statewide interfund payables as of August 31, 2023 and 2022 is \$409,842 and \$497,261, respectively, related to the revolving loan programs administered by the Texas State Comptroller's Office.

UNCOMPENSATED CARE AND CHARITY CARE

The System's health-related institutions and medical schools provide uncompensated care to patients who meet certain criteria. Uncompensated care includes the unreimbursed costs for the uninsured and the underinsured as well as the unreimbursed costs from government-sponsored health programs. To calculate uncompensated care, charges are converted to costs which are offset by appropriate patient specific and lump sum funding. Hospital charges are converted to cost by the application of the Medicare cost to charge ratio, as calculated in the most recent Medicare cost report. Since a standard cost report does not exist for physician charges, a proxy cost to charge ratio was developed through a process involving all Texas public academic medical centers and the State Auditor's Office. Uncompensated care costs amounted to \$1,428,236,852 and \$1,179,418,717 for 2023 and 2022, respectively.

GASB requires health-related institutions to report the cost of providing "charity care." The American Institute of Certified Public Accountants (AICPA) defines charity care as care for which hospitals never expected to be reimbursed. Charity care occurs when a patient applies to the hospital for financial assistance and the hospital waives all or part of its charges in accordance with the hospital's established financial assistance policy. The cost of charity care is calculated using the uncompensated care calculation methodology discussed above. Charity care costs amounted to \$169,371,268 and \$180,340,866 for 2023 and 2022, respectively.

NET PATIENT SERVICE REVENUE

The System's health-related institutions and medical schools have agreements with third-party payors that provide for payments to these institutions at amounts different from their established rates. A summary of the payment arrangements with major third-party payors follows:

Medicare

U. T. Southwestern Medical Center's, U. T. Medical Branch - Galveston's and U. T. Health Science Center - Tyler's inpatient acute care services and outpatient services rendered to Medicare program beneficiaries are reimbursed under a prospective reimbursement methodology. Also, additional reimbursement is received for graduate medical education, disproportionate share, bad debts and other reimbursable costs, as defined, under a variety of payment methodologies.

M. D. Anderson's inpatient acute care services rendered to Medicare program beneficiaries are paid based on a cost reimbursement methodology that is limited by a facility-specific amount per discharge. The final reimbursement also includes a calculation of an incentive or relief payment determined through a comparison of the facility's current year cost to the facility-specific cost per discharge. Certain outpatient services and defined capital and medical education costs related to Medicare beneficiaries are paid based on a cost reimbursement methodology. Effective August 1, 2000, the Medicare program implemented a prospective payment system for outpatient services. However, as M. D. Anderson is designated as a cancer hospital, the Medicare program provides for a "hold-harmless" payment that is equal to the difference between the prospectively determined amounts and the current year adjusted cost (i.e., the current year adjusted cost is determined through application of a payment to cost ratio, which is derived from a previous Medicare cost report to the current year actual cost). M. D. Anderson is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports and audits thereof by the Medicare fiscal intermediary.

The physician practices at other institutions – U. T. Health Science Center - Houston, U. T. Health Science Center – San Antonio, U. T. Austin Dell Medical School, and U. T. Rio Grande Valley – are reimbursed by Medicare according to the Medicare Physician Fee Schedule and/or various Medicare Alternative Payment Models.

Medicaid

The System's health-related institutions' hospitals are reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the System's health-related institutions and audits thereof by the Medicaid fiscal intermediary. Inpatient services rendered to Medicaid program beneficiaries are reimbursed based on a TEFRA (Tax Equity and Fiscal Responsibility Act) methodology. Certain outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology.

The System's health-related institutions have also entered into payment agreements with certain commercial, Medicaid and Medicare payors which offer benefit plans for health maintenance organizations, and preferred provider organizations. The basis for payment to the System's health-related institutions under these agreements includes prospectively determined rates for inpatient and outpatient services. The System's health-related institutions recognized bad debt expense of \$520,966,225 and \$512,303,847 in 2023 and 2022, respectively.

USE OF ESTIMATES

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

5. Disaggregation of Other Receivable Balances

Net other receivables at August 31, 2023 and 2022 for the System are detailed by type as follows:

	<u>2023</u>	<u>2022</u>
Receivables Related to Investments	\$ 317,279,526	396,060,459
Receivables Related to Gifts, Grants and Sponsored Programs	193,971,324	79,735,806
Receivables Related to External Parties/Other Companies	264,284,754	173,132,614
Receivables Related to Auxiliary Enterprises	38,842,943	36,379,065
Receivables Related to Payroll	3,551,258	9,616,780
Receivables Related to Patents	235,000	825,632
Receivables Related to Travel	1,260,967	1,352,490
Receivables Related to Loan Funds and Financial Aid	7,182,358	4,456,317
Receivables Related to Other Various Activities	56,792,173	49,885,200
Total	<u>\$ 883,400,303</u>	<u>751,444,363</u>

In addition, net other receivables at August 31, 2023 and 2022 for the System's fiduciary funds were \$533,616 and \$1,761,807, respectively.

6. Deposits, Investments and Repurchase Agreements

DEPOSITS OF CASH IN BANK

As of August 31, 2023 and 2022, the carrying amount of the System's deposits was \$66,237,194 and \$103,098,355, respectively, as presented below:

	<u>2023</u>	<u>2022</u>
Cash and Cash Equivalents per Statement of Cash Flows and Statement of Net Position	\$ 6,524,614,258	5,508,775,194
Less: Cash in State Treasury	1,381,704,404	1,268,126,557
Repurchase Agreement – Texas Treasury Safekeeping Trust Co.	10,321,917	2,550,637
Other Cash Equivalent Investments	5,040,478,597	4,057,590,726
Other	25,872,146	77,408,919
Deposits of Cash in Bank	<u>\$ 66,237,194</u>	<u>103,098,355</u>

In addition, cash and cash equivalents at August 31, 2023 and 2022 for the System's fiduciary funds were \$1,928,948 and \$1,888,492, respectively.

As of August 31, 2023 and 2022, the total bank balances held by System were \$112,139,814 and \$168,423,931, respectively.

DEPOSIT RISKS

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the System will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The System maintains depository relationships with various banking institutions. The System's policy is that all deposits are governed by a bank depository agreement between the System and the respective banking institution. State law requires that the System's deposits, to the extent such deposits exceed the maximum insured limit under deposit insurance provided by the Federal Deposit Insurance Corporation, shall at all times be collateralized with government securities.

As of August 31, 2023, U. T. Health Science Center at Tyler's blended component unit, East Texas Quality Care Network (ETQCN), held deposits that were exposed to custodial credit risk. ETQCN has no policies regarding these deposits. As of August 31, 2023, the bank balances exposed to custodial risk as uninsured and uncollateralized deposits were \$112,723. As of August 31, 2022, there were no System bank balances exposed to custodial risk as uninsured and uncollateralized deposits.

INVESTMENTS

Investments are reported at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between two market participants at the measurement date. GAAP provides a hierarchy that prioritizes the inputs of fair value measurements based on the extent to which inputs to valuation techniques are observable in the marketplace. The hierarchy assigns a higher priority to observable inputs that reflect verifiable information obtained from independent sources, and a lower priority to unobservable inputs that would reflect management's assumptions about how market participants would value an asset or liability based on the best information available. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs.

The three levels of the hierarchy of inputs used to measure fair value are as follows:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities that are available at the measurement date.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – Unobservable inputs.

The System's investments with readily available fair values are primarily valued on the basis of market valuations provided by independent pricing services.

Debt securities held by System include U.S. government and agency obligations, corporate obligations, corporate asset and mortgage-backed securities, and international obligations. U.S. government obligations valued based on unadjusted prices in active markets are categorized as Level 1. Debt securities, including corporate obligations and governmental and international obligations are valued based upon prices supplied by Intercontinental Exchange Data Services and other major fixed income pricing services, external broker quotes and internal pricing matrices. Debt securities valued based on multiple quotations or models utilizing observable market inputs are categorized as Level 2; otherwise, they would be categorized as Level 3.

Fixed income money market and bond mutual funds consist primarily of money market investments, foreign currencies and other overnight funds. Investments in publicly listed money market funds are categorized as Level 1.

Mutual funds include a large portion of the holdings for the University of Texas System Governmental Retirement Arrangement (UTGRA), discussed in Note 18. A majority of the underlying investments in UTGRA are valued based on the closing price on the primary exchange on which they are traded and are classified as Level 1. The remaining holdings are classified as Levels 2 and 3.

Equity securities, including common and preferred stocks, fair values are based on the closing price on the primary exchange on which they are traded (if a closing price is not available, the average of the last reported bid and ask price is used). When these securities are actively traded, and valuation adjustments are not applied, they are categorized as Level 1. In the event that a stock is not actively traded or a closing price is unavailable on a national or international securities exchange, the last available price per the exchange would be used, and the security would be categorized as Level 2.

Other commingled funds at fair value include fixed income and U.S. equity funds. International other commingled funds at fair value include non-U.S. developed equity, emerging markets, real estate and natural resources. Fair values are based on the closing price on the primary exchange on which the security is traded (if a closing price is not available, the average of the last reported bid and ask price is used). Investments valued as such are classified as Level 1.

Real estate and other investments include real estate, commodities and the asset positions of investment derivative instruments. The fair value of the PUF land's interest in oil and gas is based on a third party reserve study of proved, probable, and possible reserves. The present value of the royalty cash flows is calculated by applying a 10% discount rate to future expected production volumes of oil and gas based on the price of oil and gas on August 31. The PUF lands' surface interests are reported at the price per acre from the American Society of Farm Managers and Rural Appraisers. The PUF lands are categorized as Level 3 in the fair value hierarchy. The remaining minerals, the trust minerals, because of size, distribution, and limited production histories are generally valued at three times the previous 12 months' revenue. As a rule of thumb, this measure has been used historically to determine the selling price of these types of properties by willing parties. Other real estate holdings are reported by one of the following methods of valuation: the latest available appraised amount as determined by an independent State certified or other licensed appraiser, tax assessments use for real estate investments with values that are not significant or by any other generally accepted industry standard. All other real estate is categorized as Level 3 in the fair value hierarchy, with a small amount valued using net asset value.

All derivative instrument investments are categorized as Level 2 in the fair value hierarchy, except for some of the purchased options which are categorized as Level 1. The fair values of the interest rate swaps on U. T. System's debt are calculated using a forecast of expected discounted future net cash flows. Other swaps are fair valued by using independent broker quotes or using models with primarily externally verifiable model inputs. Foreign exchange contracts are fair valued at closing market prices on the valuation date.

Alternative investments include private equity securities and limited partnerships, or private investment funds. Equity securities related to non-public equity investments are valued using a variety of methods, including information from recent rounds of financing, the Guideline Public Company method, the Discounted Cash Flow method, the Common Stock Equivalent method and the Option-Pricing method. The fair value of private investment funds, which consist of non-regulated investment funds and various other investment vehicles, are estimated by management using the investment's capital account balance at the closest available reporting date, as communicated by the investment manager, adjusted for contributions and withdrawals subsequent to the latest available reporting date as well as consideration of any other information, which has been provided by the investment manager or other sources. These investments are classified as Level 3.

Miscellaneous investments primarily include municipal bonds, valued on multiple quotations or models utilizing observable market inputs, and are categorized as Level 2. Investments with fair values based on the closing price on the primary exchange on which they are traded are categorized as Level 1.

GAAP permits management to fair value certain investments that do not have a readily determinable fair value using the investment's net asset value per share or the System's ownership interest in partners' capital as a practical expedient. Investments valued in this manner are not classified in the fair value hierarchy.

The following tables reflect fair value measurements of investments as of August 31, 2023 and 2022, respectively, as categorized by level of the fair value hierarchy, and include both the System's enterprise and fiduciary funds:

Type of Security	Fair Value as of August 31, 2023	Fair Value Measurement Using		
		Quoted Prices in Active markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level:				
Debt Securities:				
U.S. Government Treasury Securities	\$ 2,436,951,905	2,436,951,905	—	—
U.S. Government Treasury TIPS	1,504,143,392	1,504,143,392	—	—
U.S. Government Agency Obligations	360,446,554	—	360,446,554	—
Corporate Obligations	84,962,471	—	84,773,003	189,468
Corporate Asset and Mortgage-Backed Securities	179,073,878	—	179,073,878	—
International Obligations (Government and Corporate)	994,413,357	—	994,413,357	—
Fixed Income Money Market and Bond Mutual Funds	3,333,716,533	2,859,416,533	474,300,000	—
Mutual Funds	493,569,031	489,270,259	4,298,772	—
Equity Securities:				
Equity	3,231,574,441	3,231,064,436	—	510,005
International Equity	3,527,663,911	3,527,659,191	4,720	—
Other Commingled Funds:				
Fixed Income	144,858,334	144,858,334	—	—
U.S. Equity	11,268,172	11,268,172	—	—
International Other Commingled Funds:				
Non-U.S. Developed Equity	312,346,898	312,346,898	—	—
Emerging Markets	36,732,048	36,732,048	—	—
Real Estate and Other:				
PUF Lands	11,111,083,413	—	—	11,111,083,413
Other Real Estate	679,958,750	—	—	679,958,750
Investment Derivative Instruments – Asset Positions	168,650,144	6,272,064	162,378,080	—
Alternative Investments:				
Private Investments	522,841,473	—	—	522,841,473
Miscellaneous	2,812,649	1,704,801	1,107,823	25
Total Investments by Fair Value Level	29,137,067,354	14,561,688,033	2,260,796,187	12,314,583,134

Type of Security	Fair Value as of August 31, 2023	Fair Value Measurement Using		
		Quoted Prices in Active markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investment Funds Fair Valued Using Net Asset Value:				
Real Estate	35,386,543			
Hedge Funds	15,352,264,565			
International Other Commingled Funds	10,261,298,622			
Other Investment Funds	39,536,000			
Private Investments	23,787,531,978			
Total Investment Funds Fair Valued Using Net Asset Value	49,476,017,708			
Investments Held in Cash (Not at Fair Value)	148,866,412			
Other Investments (Not at Fair Value)	458,192			
Total Investments	\$ 78,762,409,666			
Securities Lending Collateral Investment Pool (See Securities Lending Section)	\$ 707,785,341	—	707,785,341	—
Investments Classified as Cash Equivalents:				
Repurchase Agreement – Texas Treasury Safekeeping Trust Co. (Not at Fair Value)	\$ 10,321,917			
Fixed Income Money Market Funds	5,040,371,989	5,040,371,989	—	—
Time Deposits (Not at Fair Value)	106,608			
Total Investments Classified as Cash Equivalents	\$ 5,050,800,514			
Deposit with Brokers for Derivative Contracts, Net (Related to Investments):				
U.S. Government Direct Obligations Held in Cash (Not at Fair Value)	\$ 97,445,283	97,445,283	—	—
Total Deposit with Brokers for Derivative Contracts, Net (Related to Investments)	\$ 249,791,221			

Type of Security	Fair Value as of August 31, 2022	Fair Value Measurement Using		
		Quoted Prices in Active markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level:				
Debt Securities:				
U.S. Government Treasury Securities	\$ 1,931,621,893	1,931,621,893	—	—
U.S. Government Treasury TIPS	1,605,784,871	1,605,784,871	—	—
U.S. Government Agency Obligations	303,582,859	—	303,582,859	—
Corporate Obligations	491,136,083	—	490,891,694	244,389
Corporate Asset and Mortgage-Backed Securities	271,497,076	—	271,497,076	—
International Obligations (Government and Corporate)	1,996,994,605	262,798	1,996,731,807	—
Fixed Income Money Market and Bond Mutual Funds	3,179,692,034	3,179,692,034	—	—
Mutual Funds	468,652,537	464,616,496	4,036,041	—
Equity Securities:				
Equity	2,191,245,912	2,188,076,555	3,169,357	—
International Equity	2,657,725,884	2,656,823,904	901,980	—
Other Commingled Funds:				
Fixed Income	139,391,702	139,391,702	—	—
U.S. Equity	410,596,173	410,596,173	—	—
International Other Commingled Funds:				
Non-U.S. Developed Equity	97,615,120	97,615,120	—	—
Emerging Markets	5,400,010	5,400,010	—	—
Real Estate and Other:				
PUF Lands	11,113,844,125	—	—	11,113,844,125
Other Real Estate	713,210,749	—	—	713,210,749
Investment Derivative Instruments – Asset Positions	214,034,766	31,253,451	182,781,315	—
Alternative Investments:				
Private Investments	618,601,269	—	—	618,601,269
Reverse Repurchase Agreements	257,900,000	—	257,900,000	—
Miscellaneous	13,463,684	1,790,182	11,673,477	25
Total Investments by Fair Value Level	28,681,991,352	12,712,925,189	3,523,165,606	12,445,900,557

Type of Security	Fair Value as of August 31, 2022	Fair Value Measurement Using		
		Quoted Prices in Active markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investment Funds Fair Valued Using Net Asset Value:				
Real Estate	39,712,834			
Hedge Funds	13,409,062,571			
Other Commingled Funds	3,855,692,308			
International Other Commingled Funds	6,197,034,824			
Private Investments	22,216,888,849			
Total Investment Funds Fair Valued Using Net Asset Value	45,718,391,386			
Investments Held in Cash (Not at Fair Value)	175,224,507			
Other Investments (Not at Fair Value)	454,846			
Total Investments	\$ 74,576,062,091			
Securities Lending Collateral Investment Pool (See Securities Lending Section)	\$ 992,425,496	–	992,425,496	–
Investments Classified as Cash Equivalents:				
Repurchase Agreement – Texas Treasury Safekeeping Trust Co. (Not at Fair Value)	\$ 2,550,637			
Fixed Income Money Market Funds	4,057,481,665	4,057,481,665	–	–
Time Deposits (Not at Fair Value)	109,061			
Total Investments Classified as Cash Equivalents	\$ 4,060,141,363			
Deposit with Brokers for Derivative Contracts, Net (Related to Investments):				
U.S. Government Direct Obligations	\$ 40,498,619	40,498,619	–	–
Held in Cash (Not at Fair Value)	(8,923,617)			
Total Deposit with Brokers for Derivative Contracts, Net (Related to Investments)	\$ 31,575,002			

The following tables display the breakout of total investments, securities lending collateral, total investments classified as cash equivalents, and total deposit with brokers for derivative contracts, net between enterprise and fiduciary funds as of August 31, 2023 and 2022:

	August 31, 2023		
	Enterprise Funds	Fiduciary Funds	Total
Total Investments	\$ 78,468,026,873	294,382,793	78,762,409,666
Securities Lending Collateral	704,550,572	3,234,769	707,785,341
Total Investments Classified as Cash Equivalents	5,050,800,514	—	5,050,800,514
Total Deposit with Brokers for Derivative Contracts, Net (Related to Investments)	248,763,839	1,027,382	249,791,221

	August 31, 2022		
	Enterprise Funds	Fiduciary Funds	Total
Total Investments	\$ 74,289,464,178	286,597,913	74,576,062,091
Securities Lending Collateral	988,091,640	4,333,856	992,425,496
Total Investments Classified as Cash Equivalents	4,060,141,363	—	4,060,141,363
Total Deposit with Brokers for Derivative Contracts, Net (Related to Investments)	31,370,360	204,642	31,575,002

Investment funds fair valued at net asset value per share or based on the System's ownership interest in partner's capital include externally managed funds, limited partnerships, and corporate structures which are generally unrated and may be unregulated. The composition of investment funds that are fair valued using Net Asset Value (NAV) at August 31, 2023 and 2022 is summarized in the tables below as they are included within the asset mix of the System. Tables and disclosures that follow include both the System's enterprise and fiduciary funds.

	Fair Value as of August 31, 2023	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Investment Funds Fair Valued Using Net Asset Value				
Real Estate				
Redeemable Within One Year	\$ 35,386,543	—	Quarterly	60 days
Hedge Funds				
Redeemable Within One Year	7,601,346,011		Monthly to Annually	5 - 100 Days
Redeemable Beyond One Year	5,502,664,331		Monthly to Annually	5 - 100 Days
Nonredeemable	2,248,254,223		Not Applicable	Not Applicable
Total Hedge Funds	<u>15,352,264,565</u>	<u>1,104,178,390</u>		
Global Developed Equity				
Redeemable Within One Year	7,558,868,335		Daily to Annually	5 - 105 Days
Redeemable Beyond One Year	344,488,423		Monthly to Annually	45 - 105 Days
Nonredeemable	1,419,197		Not Applicable	Not Applicable
Total Global Developed Equity	<u>7,904,775,955</u>	<u>28,565,144</u>		
Emerging Markets				
Redeemable Within One Year	2,132,504,776		Daily to Semi-Annually	1 - 120 Days
Redeemable Beyond One Year	221,242,975		Annually	60 Days
Nonredeemable	2,774,916		Not Applicable	Not Applicable
Total Emerging Markets	<u>2,356,522,667</u>	<u>24,300,992</u>		
Total International Other Commingled Funds	<u>10,261,298,622</u>	<u>52,866,136</u>		
Other				
Redeemable Within One Year	9,884,000		Quarterly	90 Days
Redeemable Beyond One Year	29,652,000		Quarterly	90 Days
Total Other	<u>39,536,000</u>	<u>—</u>		
Limited Partnerships (Private Investments)				
Redeemable Within One Year	36,286,284		Quarterly	90 days
Nonredeemable	23,751,245,694		Not Applicable	Not Applicable
Total Limited Partnerships (Private Investments)	<u>23,787,531,978</u>	<u>13,696,032,465</u>		
Total Investment Funds Fair Valued Using NAV	<u>\$ 49,476,017,708</u>	<u>14,853,076,991</u>		

	Fair Value as of August 31, 2022	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Investment Funds Fair Valued Using Net Asset Value				
Real Estate				
Redeemable Within One Year	\$ 39,712,834	—	Quarterly	60 days
Hedge Funds				
Redeemable Within One Year	7,044,667,460		Monthly to Annually	5 – 100 Days
Redeemable Beyond One Year	4,403,595,679		Quarterly to Annually	30 – 120 Days
Nonredeemable	1,960,799,432		Not Applicable	Not Applicable
Total Hedge Funds	<u>13,409,062,571</u>	<u>1,337,329,761</u>		
Other Commingled Funds:				
Fixed Income				
Redeemable Within One Year	9,257,744	—	Daily	1 Day
U.S. Equity				
Redeemable Within One Year	3,009,736,171		Daily to Annually	5 – 105 Days
Redeemable Beyond One Year	836,698,393		Annually	90 – 105 Days
Total U.S. Equity	<u>3,846,434,564</u>	<u>28,565,144</u>		
Total Other Commingled Funds	<u>3,855,692,308</u>	<u>28,565,144</u>		
International Other Commingled Funds:				
Non-U.S. Developed Equity				
Redeemable Within One Year	1,280,929,121		Daily to Quarterly	5 – 30 Days
Total Non-U.S. Developed Equity	<u>1,280,929,121</u>	—		
Global Developed Equity				
Redeemable Within One Year	1,990,892,912		Daily to Quarterly	5 – 60 Days
Redeemable Beyond One Year	488,417,076		Monthly	45 – 60 Days
Nonredeemable	1,912,293			
Total Global Developed Equity	<u>2,481,222,281</u>	—		
Emerging Markets				
Redeemable Within One Year	2,231,469,056		Daily to Semi- Annually	1 – 90 Days
Redeemable Beyond One Year	159,559,845		Monthly to Annually	60 Days
Nonredeemable	43,854,521		Not Applicable	Not Applicable
Total Emerging Markets	<u>2,434,883,422</u>	<u>48,300,992</u>		
Total International Other Commingled Funds	<u>6,197,034,824</u>	<u>48,300,992</u>		
Limited Partnerships (Private Investments)				
Redeemable Within One Year	32,594,029		Quarterly	90 days
Nonredeemable	22,184,294,820		Not Applicable	Not Applicable
Total Limited Partnerships (Private Investments)	<u>22,216,888,849</u>	<u>12,137,786,657</u>		
Total Investment Funds Fair Valued Using NAV	<u>\$ 45,718,391,386</u>	<u>13,551,982,554</u>		

The System invests in hedge fund pools which are invested in private funds with external investment managers who invest in equity and fixed income securities of both domestic and international issuers. These investment managers may invest in both long and short securities and may utilize leverage in their portfolios. The funds invested may be subject to a lock-up restriction of typically one to three years before the investment may be withdrawn from the manager without significant penalty. The amounts shown as nonredeemable are considered illiquid in that they typically become liquid over multi-year periods when and if the fund managers distribute proceeds realized from the underlying fund investments and the timing cannot be estimated. There are certain risks associated with these private funds, some of which include investment manager risk, market risk and liquidity risk, as well as the risk of utilizing leverage in the portfolios. The hedge fund pools have committed \$1,104,178,390 and \$1,337,329,761 of future funding to various hedge fund investments as of August 31, 2023 and 2022, respectively. Hedge funds are fair valued by management based on net asset value information provided by the investment manager, as well as other relevant factors.

Public market funds are invested in exchange traded funds, index funds and private placements with external investment managers who invest in equity and fixed income securities of both domestic and international issuers. These funds are characterized as public market funds based on individual risk/return characteristics and their relationship to the overall asset mix of the funds. Some of these investment managers may invest in both long and short securities and may utilize modest leverage in their portfolios. The amounts shown as nonredeemable are considered illiquid in that they typically become liquid over multi-year periods when and if the fund managers distribute proceeds realized from the underlying fund investments and the timing cannot be estimated. Certain of these investments are held through limited liability companies of which UTIMCO is the sole managing member. There are certain risks associated with these investments, some of which are investment manager risk, market risk and liquidity risk, as well as the risk of utilizing leverage in the portfolios. As of August 31, 2023 and 2022, future fundings in the amount of \$52,866,136 and \$76,866,136, respectively, have been committed to certain public market funds. The fair value of private investment funds, are estimated using the investment's capital account balance at the closest available reporting date, as communicated by the investment manager, adjusted for contributions and withdrawals subsequent to the latest available reporting date as well as consideration of any other information, which has been provided by the investment manager or other sources.

The System invests in private investments through private investment pools which are invested in limited partnerships with external investment managers or general partners who invest primarily in private equity securities. These investments, domestic and international, are illiquid and typically become liquid over multi-year periods when and if the fund managers distribute proceeds realized from underlying fund investments. It is estimated that the underlying assets of the private investments will be liquidated over seven to ten years. There are certain risks associated with these investments, some of which are liquidity risk, market risk, event risk and investment manager risk. Certain of these investments are held through LLCs, of which UTIMCO is the sole managing member. The System had committed \$13,696,032,465 and \$12,137,786,657 of future funding to various private investments as of August 31, 2023 and 2022, respectively.

Hedge funds, private investments and public market funds include investments in private placement vehicles that are subject to risk, which could result in the loss of invested capital. The risks include the following:

- *Key personnel risk* – The success of certain funds is substantially dependent upon key investment managers and the loss of those individuals may adversely impact the fund's performance.
- *Liquidity risk* – Many of the System's investment funds may impose lock-up periods, which would cause the System to incur penalties to redeem its units or prevent the System from redeeming its shares until a certain period of time has elapsed.
- *Limited transparency* – As private placement investment vehicles, these funds may not disclose the holdings of their portfolios.
- *Investment strategy risk* – These funds often employ sophisticated investment strategies and may use leverage, which could result in the loss of invested capital.

Investments in hedge funds, private investments and public market funds are also subject to the investment risks discussed below. Fixed income investments held by these funds would also be subject to credit risk and interest rate risk; moreover, they may invest in securities whose fair values would be sensitive to changes in interest rates.

The fair values of these various investment funds, excluding the publicly traded funds, as of August 31, 2023 and 2022 were \$49,476,017,708 and \$45,718,391,386, respectively.

INVESTMENT RISKS

(A) *Credit Risk* - Article VII, Section 11b of the *Texas Constitution* authorizes the U. T. System Board of Regents, subject to procedures and restrictions it establishes, to invest System funds in any kind of investment and in amounts it considers appropriate, provided that it adheres to the prudent investor standard. This standard provides that the U. T. System Board of Regents, in making investments, may acquire, exchange, sell, supervise, manage or retain, through procedures and subject to restrictions it establishes and in amounts it considers appropriate, any kind of investment that prudent investors, exercising reasonable care, skill and caution, would acquire or retain in light of the purposes, terms, distribution requirements and other circumstances of the fund then prevailing, taking into consideration the investment of all of the assets of the fund rather than a single investment.

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization (NRSRO). The System's investment policy does not provide specific requirements and limitations regarding investment ratings. Per GASB authoritative guidance, unless there is information to the contrary, obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality. The following tables present each applicable investment type, in both the System's enterprise and fiduciary funds, grouped by rating as of August 31, 2023 and 2022:

Investment Type	August 31, 2023					
	MOODY'S		STANDARD & POOR'S		FITCH	
	Fair Value	Rating	Fair Value	Rating	Fair Value	Rating
Investments and Investments Classified as Cash Equivalents:						
U.S. Government Direct Obligations	\$ 3,941,095,297	Aaa	3,941,095,297	AA	20,786,394	AAA
					3,920,308,903	AA
U.S. Government Agency Obligations	121,797,653	Aaa	121,797,653	AA	116,101,127	AAA
	238,648,901	NR	238,648,901	NR	5,696,526	AA
					238,648,901	NR
Corporate Obligations	3,822,491	Aaa	6,251,301	AAA	1,830,531	AAA
	11,906,833	Aa	9,465,159	AA	13,267,312	AA
	49,468,351	A	45,437,203	A	20,132,141	A
	15,155,718	Baa	21,725,444	BBB	17,387,076	BBB
	1,033,433	Ba	186,188	BB	32,345,411	NR
	3,575,645	NR	1,897,176	NR	—	
Corporate Asset and Mortgage-Backed Securities	64,423,502	Aaa	45,359,687	AAA	44,451,829	AAA
	9,223,914	Aa	8,057,321	AA	6,807,854	AA
	6,059,886	A	6,184,987	A	3,274,080	A
	690,890	Baa	1,879,090	BBB	45,052	BBB
	98,424	Ba	2,503,173	BB	969,195	BB
	2,010,443	B	2,185,446	B	246,615	CC
	3,111,453	Caa	3,475,641	CCC	122,432,014	NR
	1,451,477	Ca	2,101,425	CC	847,239	C
	1,018,128	C	107,327,108	NR	—	
	90,985,761	NR	—		—	

August 31, 2023

Investment Type	MOODY'S		STANDARD & POOR'S		FITCH	
	Fair Value	Rating	Fair Value	Rating	Fair Value	Rating
International Obligations (Government and Corporate)	91,691,591	Aaa	79,888,872	AAA	72,092,502	AAA
	32,341,625	Aa	13,320,303	AA	65,498,986	AA
	88,577,589	A	51,470,304	A	99,672,322	A
	271,869,678	Baa	284,720,072	BBB	170,782,439	BBB
	66,308,365	Ba	75,372,756	BB	172,839,594	BB
	10,290,216	B	489,641,050	NR	10,290,217	B
	433,334,293	NR	—		403,194,497	NR
					42,800	C
Investment Funds, Other	39,536,000	NR	39,536,000	NR	39,536,000	NR
Fixed Income Money Market and Mutual Funds	7,524,768,779	Aaa	7,524,768,779	AAA	510,740,517	AAA
	998,186,155	NR	998,186,155	NR	8,012,214,417	NR
Repurchase Agreement – Texas Treasury Safekeeping Trust Co.	10,321,917	NR	10,321,917	AA	10,321,917	NR
Miscellaneous	709,272	Aaa	398,551	A	398,551	A
	398,551	A	145,674,214	NR	145,674,214	NR
	144,964,942	NR	—		—	
Total Investments and Investments Classified as Cash Equivalents	\$ 14,278,877,173		14,278,877,173		14,278,877,173	
Deposit with Brokers for Derivative Contracts, Net (Related to Investments):						
U.S. Government Direct Obligations	\$ 97,445,283	Aaa	97,445,283	AA	97,445,283	AA
Cash	152,345,938	NR	152,345,938	NR	152,345,938	NR
Total Deposit with Brokers for Derivative Contracts, Net (Related to Investments)	\$ 249,791,221		249,791,221		249,791,221	

August 31, 2022

Investment Type	MOODY'S		STANDARD & POOR'S		FITCH	
	Fair Value	Rating	Fair Value	Rating	Fair Value	Rating
Investments and Investments Classified as Cash Equivalents:						
U.S. Government Direct Obligations	\$ 3,537,406,764	Aaa	3,537,406,764	AA	3,537,406,764	AAA
U.S. Government Agency Obligations	271,112,784	Aaa	227,071,626	AA	271,045,253	AAA
	32,470,075	NR	76,511,233	NR	32,537,606	NR
Corporate Obligations	24,899,759	Aaa	13,941,120	AAA	8,933,294	AAA
	28,853,656	Aa	41,904,793	AA	55,635,856	AA
	226,559,906	A	210,266,438	A	124,843,947	A
	182,706,375	Baa	203,980,906	BBB	122,236,692	BBB
	9,459,931	Ba	5,492,236	BB	1,165,838	BB
	675,500	Caa	675,500	CCC	1,298,785	F
	1,298,785	P	14,875,090	NR	177,021,671	NR
	16,682,171	NR	—		—	
Corporate Asset and Mortgage-Backed Securities	105,152,126	Aaa	53,087,218	AAA	71,187,096	AAA
	11,027,595	Aa	11,905,286	AA	7,264,829	AA
	8,936,084	A	14,061,715	A	4,471,440	A
	3,723,817	Baa	3,542,485	BBB	74,045	BBB
	113,514	Ba	2,277,671	BB	283,719	BB
	4,049,142	B	4,144,918	B	784,070	B
	2,549,832	Caa	6,888,904	CCC	252,630	CC
	1,705,650	Ca	1,422,982	CC	187,179,247	NR
	1,045,207	C	1,045,207	D	—	
	2,762,120	P	173,120,690	NR	—	
	130,431,989	NR	—		—	
International Obligations (Government and Corporate)	247,415,837	Aaa	193,945,192	AAA	198,815,664	AAA
	148,485,329	Aa	69,329,486	AA	267,095,316	AA
	215,998,429	A	117,884,272	A	151,048,750	A
	320,502,479	Baa	295,944,287	BBB	254,713,810	BBB
	95,299,916	Ba	110,269,574	BB	178,150,843	BB
	6,267,733	B	7,363,722	B	1,660,658	B
	963,024,882	NR	1,202,258,072	NR	945,509,564	NR
Fixed Income Money Market and Mutual Funds	6,181,210,223	Aaa	6,181,210,223	AAA	84,928,687	AAA
	1,231,187,983	NR	1,231,187,983	NR	7,327,469,519	NR
Repurchase Agreement – Texas Treasury Safekeeping Trust Co.	2,550,637	NR	2,550,637	AA	2,550,637	NR
Reverse Repurchase Agreements	257,900,000	NR	257,900,000	NR	257,900,000	NR
Miscellaneous	765,485	Aaa	3,271,590	AAA	3,271,590	AAA
	7,270,205	Aa	3,998,615	AA	3,998,615	AA
	3,490,079	A	1,914,201	A	3,622,628	BBB
	148,906,215	NR	1,708,428	BBB	149,539,151	NR
	—		149,539,150	NR	—	
Total Investments and Investments Classified as Cash Equivalents	\$ 14,433,898,214		14,433,898,214		14,433,898,214	

Investment Type	August 31, 2022					
	MOODY'S		STANDARD & POOR'S		FITCH	
	Fair Value	Rating	Fair Value	Rating	Fair Value	Rating
Deposit with Brokers for Derivative Contracts, Net (Related to Investments):						
U.S. Government Direct Obligations	\$ 40,498,619	Aaa	40,498,619	AA	40,498,619	AAA
Cash	<u>(8,923,617)</u>	NR	<u>(8,923,617)</u>	NR	<u>(8,923,617)</u>	NR
Total Deposit with Brokers for Derivative Contracts, Net (Related to Investments)	<u>\$ 31,575,002</u>		<u>31,575,002</u>		<u>31,575,002</u>	

(B) *Concentrations of Credit Risk* – The System’s investment policy statements for funds managed by UTIMCO contain the limitation that no more than 5% of the fair value of fixed income securities may be invested in corporate or municipal bonds of a single issuer. As of August 31, 2023 and 2022, these funds did not hold any direct investments in any one issuer of corporate or municipal bonds that were 5% or more of the fair value of the fund’s fixed income investments.

(C) *Custodial Credit Risk* – The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the System will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Texas State Statutes and the System’s investment policy statements do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments. As of August 31, 2023 and 2022, the System did not have any investments that are exposed to custodial credit risk.

(D) *Interest Rate Risk* – Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. Interest rate risk inherent in the System’s investments is measured by monitoring the modified duration of the overall investment portfolio. Modified duration estimates the sensitivity of the System’s investments to changes in interest rates. The System has no specific policy statement limitations with respect to its overall modified duration. The following table summarizes the System’s modified duration in years by investment type, in both the System’s enterprise and fiduciary funds, as of August 31, 2023 and 2022:

Investment Type	August 31, 2023		August 31, 2022	
	Fair Value	Modified Duration	Fair Value	Modified Duration
Investments:				
U.S. Government Guaranteed:				
U.S. Treasury Bills	\$ 23,567,463	0.10	9,499,386	0.18
U.S. Treasury Bonds and Notes	2,413,384,442	13.57	1,922,122,507	11.26
U.S. Treasury Inflation Protected	1,504,143,392	6.62	1,605,784,871	7.10
U.S. Agency Asset Backed	9,248,776	5.54	675,736	0.65
Total U.S. Government Guaranteed	<u>3,950,344,073</u>	10.82	<u>3,538,082,500</u>	9.34
U.S. Government Non-Guaranteed:				
U.S. Agency	5,696,526	10.27	55,789,746	7.03
U.S. Agency Asset Backed	345,501,252	6.36	247,117,377	7.34
Total U.S. Government Non-Guaranteed	<u>351,197,778</u>	6.42	<u>302,907,123</u>	7.28
Total U.S. Government	<u>4,301,541,851</u>	10.47	<u>3,840,989,623</u>	9.17
Corporate Obligations:				
Domestic	264,036,349	3.17	762,633,159	5.43
Foreign	188,058,260	2.85	392,473,405	2.89
Total Corporate Obligations	<u>452,094,609</u>	3.04	<u>1,155,106,564</u>	4.57
Foreign Government and Provincial Obligations	806,355,097	13.14	1,604,521,200	6.47
Other Debt Securities	1,107,823	1.52	11,673,477	6.15
Total Debt Securities	<u>5,561,099,380</u>	9.15	<u>6,612,290,864</u>	7.71
Other Investment Funds - Debt	144,858,334	1.52	148,649,446	1.65
Fixed Income Money Market and Mutual Funds	3,482,582,945	0.43	3,354,916,541	0.33
Investment Funds, Other	39,536,000	—	—	—
Reverse Repurchase Agreements	—	—	257,900,000	—
Total Investments	<u>\$ 9,228,076,659</u>	5.69	<u>10,373,756,851</u>	5.04
Investments Classified as Cash Equivalents:				
Repurchase Agreement - Texas Treasury Safekeeping Trust Co.	\$ 10,321,917	—	2,550,637	—
Fixed Income Money Market Funds	5,040,371,989	0.08	4,057,481,665	0.08
Time Deposits	106,608	—	109,061	—
Total Investments Classified as Cash Equivalents	<u>\$ 5,050,800,514</u>	0.08	<u>4,060,141,363</u>	0.08
Deposit with Brokers for Derivative Contracts, Net (Related to Investments):				
U.S. Government Guaranteed:				
U.S. Government Direct Obligations	\$ 97,445,283	0.14	40,498,619	0.70
Total U.S. Government Guaranteed	<u>97,445,283</u>	0.14	<u>40,498,619</u>	0.70
Cash	152,345,938	—	(8,923,617)	—
Total Deposit with Brokers for Derivative Contracts, Net (Related to Investments)	<u>\$ 249,791,221</u>	—	<u>31,575,002</u>	—

(E) *Investments with Fair Values That Are Highly Sensitive to Interest Rate Changes* – The System may invest in various mortgage-backed securities, such as collateralized mortgage-backed obligations. The System also may invest in investments that have floating rates with periodic coupon changes in market rates, zero coupon bonds and stripped treasury and agency securities created from coupon securities. No percentage of holdings limitations are specified in the investment policy statements regarding these types of securities. As of August 31, 2023 and 2022, the System’s investments included the following investments that are highly sensitive to interest rate changes:

- Collateralized mortgage obligations which are subject to early payment in a period of declining interest rates. The resultant reduction in expected total cash flows will affect the fair value of these securities. As of August 31, 2023 and 2022, these securities amounted to \$127,461,330 and \$215,310,881, respectively.
- Mortgage-backed securities which are subject to early payment in a period of declining interest rates. The resultant reduction in expected total cash flows will affect the fair value of these securities. As of August 31, 2023 and 2022, these securities amounted to \$354,133,590 and \$246,767,929, respectively.
- Asset backed securities which are backed by home equity loans, auto loans, equipment loans and credit card receivables. Prepayments by the obligees of the underlying assets in periods of decreasing interest rates could reduce or eliminate the stream of income that would have been received. As of August 31, 2023 and 2022, these securities amounted to \$98,922,914 and \$151,335,548, respectively.

(F) *Foreign Currency Risk* – Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of the System’s non-U.S. dollar investments. There are no limitations on investments in non-U.S. denominated bonds or common stocks in relation to the System’s total fixed income and developed country equity exposures in the System’s investment policy statements.

Classification between domestic common stock and foreign common stock is based on the country of domicile of the issuer, not the currency in which the security is traded. The following tables summarize the System’s exposure to non-U.S. dollar investments by asset type as of August 31, 2023 and 2022.

Investment Type	August 31	
	2023	2022
Foreign Common Stock:		
Australian Dollar	\$ 22,399,245	8,919,847
Brazilian Real	176,988,105	171,242,058
Canadian Dollar	25,560,870	37,837,825
Chilean Peso	203,998	522,978
Chinese Yuan Renminbi	165,100,251	158,839,837
Czech Koruna	555,918	62,772
Danish Krone	57,083,420	37,354,459
Egyptian Pound	1,325,151	795,405
Euro	431,191,573	293,054,538
Hong Kong Dollar	176,325,268	94,987,990
Hungarian Forint	1,036,377	909,339
Indian Rupee	97,974,096	48,997,000
Indonesian Rupiah	36,021,046	28,932,563
Israeli Shekel	—	960,416
Japanese Yen	449,415,790	271,293,050
Malaysian Ringgit	12,735,993	6,076,615
Mexican Peso	13,264,746	4,355,446
New Zealand Dollar	2,064,088	365,088
Norwegian Krone	24,686,023	14,497,334
Peruvian Sol	—	122,644
Philippine Peso	2,026,883	605,527
Polish Zloty	6,580,784	6,834,035
Qatari Riyal	1,972,469	2,441,098
Singapore Dollar	10,039,655	2,800,626
South African Rand	17,359,855	6,466,703
Russian Ruble	153	—
Saudi Arabian Riyal	775,852	—
South Korean Won	214,674,700	180,751,018
Swedish Krona	27,210,452	15,939,698
Swiss Franc	113,792,044	58,586,940
Taiwan Dollar	375,832,170	296,750,500
Thai Baht	17,442,624	18,210,711
Turkish Lira	7,356,306	2,829,371
UK Pound	266,806,251	217,788,844
United Arab Emirates Dirham	6,887,062	2,374,589
Total Foreign Common Stock	<u>2,762,689,218</u>	<u>1,992,506,864</u>
Other - Equity Securities:		
Brazilian Real	11,084	—
Indian Rupee	—	17,862
Swiss Franc	72,543	48,949
Taiwan Dollar	32	—
Total Other - Equity Securities	<u>83,659</u>	<u>66,811</u>
Foreign Preferred Stocks:		
Brazilian Real	37,988,325	60,253,202
Euro	922,045	2,914,496
South African Rand	—	88,712
South Korean Won	46,857,220	30,357,556
Total Foreign Preferred Stock	<u>85,767,590</u>	<u>93,613,966</u>

Investment Type	August 31	
	2023	2022
Foreign Government and Provincial Obligations:		
Australian Dollar	10,440,330	66,866,614
Brazilian Real	56,284,769	71,776,218
Canadian Dollar	12,854,952	55,243,455
Chinese Yuan Renminbi	956,176	65,027,579
Colombian Peso	66,459,824	70,876,372
Czech Koruna	—	7,467,463
Euro	38,035,704	218,728,544
Hungarian Forint	—	6,260,428
Indonesian Rupiah	4,950,494	25,600,177
Israeli Shekel	2,041,384	27,827,846
Japanese Yen	257,953,828	397,540,256
Malaysian Ringgit	32,829,644	27,857,376
Mexican Peso	147,447,577	177,684,021
New Zealand Dollar	18,133,414	10,959,332
Norwegian Krone	8,014,771	36,043,586
Peruvian Sol	—	10,976,262
Polish Zloty	1,902,946	31,255,775
Romanian Leu	—	7,435,732
Russian Ruble	4,396,565	9,425,722
Singapore Dollar	10,377,427	48,061,324
South African Rand	47,623,809	58,361,423
South Korean Won	25,398,675	102,939,378
UK Pound	28,524,998	43,596,927
Total Foreign Government and Provincial Obligations	774,627,287	1,577,811,810
Corporate Obligations:		
Australian Dollar	2,067,378	2,283,640
Brazilian Real	455,792	556,635
Canadian Dollar	—	23,909,858
Danish Krone	15,563,303	24,924,994
Euro	24,623,207	45,239,839
Indian Rupee	—	791
UK Pound	36,166,002	78,132,657
Total Corporate Obligations	78,875,682	175,048,414
Purchased Options:		
Brazilian Real	284,124	171,296
Euro	433,477	722,700
Total Purchased Options	717,601	893,996
Investment Funds-Emerging Markets:		
Brazilian Real	1,172,760	6,356,312
Private Investments:		
Australian Dollar	51,277,328	108,206,247
Canadian Dollar	171,723,226	197,445,816
Euro	1,056,615,290	789,502,646
Japanese Yen	41,780,446	29,582,375
Swedish Krona	56,802,563	52,544,344
UK Pound	246,318,795	212,702,494
Total Private Investments	1,624,517,648	1,389,983,922

Investment Type	August 31	
	2023	2022
Cash and Cash Equivalents:		
Australian Dollar	1,115,317	986,612
Brazilian Real	14,302,680	7,218,450
Canadian Dollar	(29,542)	864,701
Chilean Peso	263	16,704
Chinese Yuan Renminbi	4,532,387	5,240,418
Colombian Peso	—	379,570
Czech Koruna	20,405	30,430
Danish Krone	80,543	110,435
Egyptian Pound	226,138	1,052
Euro	29,490,167	35,522,404
Hong Kong Dollar	(526,957)	1,620,370
Hungarian Forint	—	3
Indian Rupee	109,194	394,376
Indonesian Rupiah	77,682	1,322,065
Israeli Shekel	2,700	18,927
Japanese Yen	(4,443,921)	13,778,639
Malaysian Ringgit	106,569	880,555
Mexican Peso	9,094	32,754
New Zealand Dollar	136,465	201,616
Norwegian Krone	641	192,018
Philippine Peso	—	4,394
Polish Zloty	3,528	5,852
Qatari Riyal	—	7,595
Romanian Leu	72	378
Russian Ruble	—	21
Singapore Dollar	181,559	544,500
South African Rand	2,625,981	2,902,878
South Korean Won	4,720,787	7,150,973
Swedish Krona	115,920	84,666
Swiss Franc	71,720	1,400,810
Taiwan Dollar	1,380,985	1,538,120
Thai Baht	919	1,718
Turkish Lira	31,209	126
UK Pound	(5,607,501)	5,108,592
United Arab Emirates Dirham	—	10,452
Total Cash and Cash Equivalents	<u>48,735,004</u>	<u>87,573,174</u>
Written Options:		
Brazilian Real	(331,526)	(236,134)
Euro	(413,319)	(1,025,269)
UK Pound	(2,820)	(37,279)
Total Written Options	<u>(747,665)</u>	<u>(1,298,682)</u>

Investment Type	August 31	
	2023	2022
Swaps:		
Australian Dollar	62,927	1,814,610
Canadian Dollar	(4,144,298)	(5,362,487)
Chinese Yuan Renminbi	(1,554,193)	252,938
Czech Koruna	(35,489)	(116,140)
Euro	(1,702,327)	(40,128,900)
Indian Rupee	22,477	182,950
Japanese Yen	110,068	(143,140)
Malaysian Ringgit	66,700	455,029
Mexican Peso	(123,892)	(260,670)
New Zealand Dollar	(1,004,302)	(874,653)
Singapore Dollar	(6,140)	(146,350)
South African Rand	—	18,601
South Korean Won	(484,362)	(1,283,489)
Swedish Krona	(103,476)	(195,500)
Swiss Franc	(340,939)	(4,033,028)
Thai Baht	(6,446)	316,418
UK Pound	(6,661,297)	(11,524,408)
Total Swaps	<u>(15,904,989)</u>	<u>(61,028,219)</u>
Futures:		
Australian Dollar	(165,027)	53,515
Brazilian Real	196,688	(3,646)
Canadian Dollar	(39,972)	314,828
Euro	(4,876,376)	3,091,601
Japanese Yen	87,550	(82,169)
UK Pound	533,183	1,097,276
Total Futures	<u>(4,263,954)</u>	<u>4,471,405</u>
Total	<u>\$ 5,356,269,841</u>	<u>5,265,999,773</u>

(G) *Counterparty (Credit) Risk* – The derivative instruments utilized by the System contain varying degrees of off-statement of net position risk whereby changes in the fair values of securities underlying the financial instruments may exceed the amounts recognized in the statement of net position. The System manages these risks on an aggregate basis along with the risks associated with its other investments as part of its overall risk management process.

The System had gross counterparty exposure as of August 31, 2023 for options, swaps, and foreign currency exchange contracts as shown in the following table:

	Notional		Fair Value		Counterparty Rating
	Assets	Liabilities	Assets	Liabilities	
Options	\$ 563,624,974	504,689,870	11,650,756	10,409,175	AA
Options	949,997,520	750,898,225	31,680,509	9,145,897	A
Swaps	648,523,660	935,113,558	13,612,907	28,374,404	AA
Swaps	12,625,099	230,833,970	2,977,376	13,259,353	A
Foreign Currency Exchange Contracts	894,864,740	634,768,783	14,231,057	9,769,338	AA
Foreign Currency Exchange Contracts	918,907,713	894,830,705	16,187,024	32,882,146	A
	<u>\$ 3,988,543,706</u>	<u>3,951,135,111</u>	<u>90,339,629</u>	<u>103,840,313</u>	

The System had gross counterparty exposure as of August 31, 2022 for options, swaps, and foreign currency exchange contracts as shown in the following table:

	Notional		Fair Value		Counterparty Rating
	Assets	Liabilities	Assets	Liabilities	
Options	\$ —	12,770,485	—	721,200	AA
Options	100,685,235	106,675,029	31,168,803	7,528,770	AA-
Options	—	108,365,139	—	264,324	A
Swaps	236,637,131	836,665,174	5,887,664	21,651,679	AA
Swaps	—	517,568	—	120,181	AA-
Swaps	78,180,673	91,409,515	3,209,527	18,775,670	A
Foreign Currency Exchange Contracts	1,324,012,062	612,662,155	30,122,108	11,211,574	AA
Foreign Currency Exchange Contracts	1,643,592,387	1,002,993,980	63,605,962	23,825,272	A
	<u>\$ 3,383,107,488</u>	<u>2,772,059,045</u>	<u>133,994,064</u>	<u>84,098,670</u>	

As of August 31, 2023 and 2022, the System also had investments in futures contracts, options on futures contracts and exchange-cleared swaps. Futures contracts, options on futures contracts and exchange-cleared swaps expose the System to minimal counterparty credit risk since they are exchange traded and the exchange's clearinghouse, as counterparty to all exchange traded futures, guarantees the futures against default, and therefore, they are not presented in the previous tables.

Counterparty risk for swaps, options and foreign currency exchange contracts which are traded over-the-counter is mitigated by having master netting arrangements between the System and its counterparties, and by the posting of collateral on a daily basis by the counterparty to the System to cover the System's exposure to a counterparty above the limits set in place in each master netting agreement. Collateral posted by counterparties is held by the System in one of its accounts at the System's custodian bank. As of August 31, 2023 and 2022, the System held \$43,978,845 and \$110,121,616, respectively, as collateral related to derivative instruments other than futures, and had on deposit with brokers \$239,341,773 and \$118,302,873, respectively, as collateral related to derivative instruments other than futures.

SECURITIES LENDING

In accordance with the prudent investor investment standards, the System participates in a securities lending program. The System began the program, under a contract with the System's lending agent, on September 1, 1995. The lending agent is authorized to lend any securities held by the System's custodian except those securities, which the policy guidelines prohibit lending. At August 31, 2023 and 2022, there were a total of \$1,046,773,903 and \$1,075,164,462, respectively, of securities out on loan to brokers/dealers. A combination of cash and qualified non-cash securities are held as collateral against the outstanding securities on loan. The value of cash collateral held for these securities consisted of \$707,785,341 at August 31, 2023 and \$992,425,496 at August 31, 2022. These amounts are recorded as assets, with an offsetting liability to return the collateral on the consolidated statement of net position. The qualified non-cash securities received as collateral for securities lending activities are not recorded as assets because these securities remain under the control of the transferor, except in the event of default.

In security lending transactions, the System transfers its securities to brokers/dealers for collateral, which may be cash, securities issued or guaranteed by the United States government or its agencies, and irrevocable bank letters of credit, and simultaneously agrees to return the collateral for the same securities in the future.

Cash received as collateral for securities lending activities is invested and reinvested in a non-commingled pool exclusively for the benefit of the System. The pool is managed in accordance with investment guidelines established in the securities lending contract between the System and its securities lending agent. The maturities of the investments in the pool do not necessarily match the term of the loans, rather the pool is managed to maintain a maximum dollar weighted average maturity of 60 days and an overnight liquidity of 20%. The System was collateralized 106% on August 31, 2023 and 103% on August 31, 2022 for securities on loan collateralized by cash. The System's collateral pool investments, rating by NRSRO and weighted average maturity in days as of August 31, 2023 and 2022, are shown in the following table and include both the System's enterprise and fiduciary funds:

Description	August 31, 2023			August 31, 2022		
	Fair Value	Rating	Weighted Average	Fair Value	Rating	Weighted Average
Repurchase Agreements	\$ 440,394,170	Not Rated	1	\$ 552,776,500	Not Rated	1
Commercial Paper	145,864,142	A	19	172,603,891	A	13
Corporate Obligations	11,099,158	AA		10,000,000	A	
Corporate Obligations	—			21,400,000	P	
Corporate Obligations	—			5,975,000	Not Rated	
Total Corporate Obligations	<u>11,099,158</u>		1	<u>37,375,000</u>		1
International Obligations	—			128,974,420	AA	
International Obligations	—			92,949,998	A	
International Obligations	—			24,975,000	P	
International Obligations	—			8,475,000	Not Rated	
Total International Obligations	<u>—</u>		—	<u>255,374,418</u>		1
Certificate of Deposit	33,053,827	AA		—		
Certificate of Deposit	<u>79,726,982</u>	A		<u>—</u>		
Total Certificate of Deposit	<u>112,780,809</u>		1	<u>—</u>		—
Other Receivables/Payables	(2,352,938)	Not Rated	—	(25,704,313)	Not Rated	—
Total Collateral Pool Investment	<u>\$ 707,785,341</u>		5	<u>\$ 992,425,496</u>		3

Collateral pool investments are uninsured and are held by the securities lending agent, in its name, on behalf of the System, except for the investments in repurchase agreements, which are held in the securities lending agent's name by a third party custodian not affiliated with the System or the borrower of the associated loaned securities. Therefore, the collateral pool is not exposed to custodial credit risk, because the pool investments are not held by counterparties to the lending transactions or a counterparties' trust department or agent. All collateral pool investments are categorized as Level 2 in the fair value hierarchy and are valued based upon prices supplied by major fixed income pricing services, external broker quotes and internal pricing matrices.

Lending income is earned if the returns on those investments exceed the "rebate" paid to borrowers of the securities. The income is then shared with the lending agent based on a contractually negotiated rate split. If the investment of the cash collateral does not provide a return exceeding the rebate or if the investment incurs a loss of principal, part of the payment to the borrower would come from the System's resources and the lending agent based on the rate split.

Loans that are collateralized with securities generate income when the borrower pays a loan premium or fee for the securities loan. This income is split with the same ratio as the earnings for cash collateral. The collateral pledged to the System by the borrower is custodied by the lending agent or through a third-party arrangement. These securities held as collateral are not available to the System for selling or pledging unless the borrower is in default of the loan. The System held collateral equal to 103% and 104% of the securities on loan that were collateralized by non-cash securities as of August 31, 2023 and August 31, 2022, respectively.

The collateral received must have a fair value of 102% of the loaned securities of United States issuers. If the fair value of the collateral held in connection with loans of securities of United States issuers is less than 100% at the close of trading on any business day, the borrower is required to deliver additional collateral by the close of the next business day to equal 102% of the fair value.

For non-U.S. issuers, except those foreign securities that are denominated and payable in U.S. Dollars, the collateral should remain at 105% of the fair value of the loaned securities at the close of any business day. If it falls below 105%, the borrower must deliver additional collateral by the close of the following business day. The System was collateralized 121% for international loans on August 31, 2023 and 107% for international loans on August 31, 2022.

In the event of default, where the borrower is unable to return the securities loaned, the System has authorized the lending agent to seize the collateral held. The collateral is then used to replace the borrowed securities where possible. Due to some market conditions, it is possible that the original securities cannot be replaced. If the collateral is insufficient to replace the securities, the lending agent has indemnified the System from any loss due to borrower default.

At August 31, 2023 and 2022, the System had no credit risk exposure to borrowers because the amounts the System owed to borrowers exceeded the amounts the borrowers owed the System.

There were no significant violations of legal or contractual provisions, no borrower or lending agent default losses and no recoveries of prior period losses during the years ended August 31, 2023 and 2022.

DERIVATIVE FINANCIAL INSTRUMENTS

Derivative instrument securities are financial instruments whose value is derived, in whole or in part, from the value of any one or more underlying securities or assets, or index of securities or assets, such as stocks, bonds, commodities or currencies. Derivative instruments cover a broad range of financial instruments, such as forwards, futures, options and swaps.

(A) *Futures Contracts* – Futures contracts are used to facilitate various trading strategies, primarily as a tool to increase or decrease market exposure to various asset classes. The fair value of the asset positions is included in investments, and the fair value of the liability positions is included in investment derivatives-liability positions on the consolidated statement of net position. Futures contracts are marked to market daily; that is, they are valued at the close of business each day and a gain or loss is recorded between the value of the contracts that day and on the previous day. The daily gain or loss difference is referred to as the daily variation margin, which is settled in cash with the broker each morning for the amount of the previous day's mark to market. The amount that is settled in cash with the broker each morning is the fair value of the futures contracts.

The changes in fair value of open futures contracts were increases of \$66,634,619 and \$30,951,309 for the years ending August 31, 2023 and 2022, respectively, which are included in investment income on the consolidated statements of revenues, expenses and changes in net position. The System had \$54,428,293 and \$23,393,745 on deposit with brokers for collateral as margin for the futures contracts as of August 31, 2023 and 2022, respectively. Short futures may be used by internal managers and a limited number of external managers of the System to hedge the System's interest rate or currency risk associated with security positions. The System executes such contracts either on major exchanges or with major international financial institutions and minimizes market and credit risk associated with these contracts through the managers' various trading and credit monitoring techniques.

The following discloses the type, notional value, and fair value of futures contracts at August 31, 2023:

	Notional Value at August 31, 2023		Fair Value at August 31, 2023	
	Long	Short	Assets	Liabilities
Domestic Fixed Income	\$ 1,960,018,260	669,942,895	10,470,648	1,377,350
International Fixed Income	389,465,242	2,107,176,210	1,402,561	5,435,135
Domestic Equity	785,925,143	59,049,980	411,442	5,834,373
International Equity	101,386,918	6,831,265	14,605	245,985
Totals	<u>\$ 3,236,795,563</u>	<u>2,843,000,350</u>	<u>12,299,256</u>	<u>12,892,843</u>

The following discloses the type, notional value, and fair value of futures contracts at August 31, 2022:

	Notional Value at August 31, 2022		Fair Value at August 31, 2022	
	Long	Short	Assets	Liabilities
Domestic Fixed Income	\$ 996,142,017	567,543,379	338,238	4,376,631
International Fixed Income	144,484,504	1,434,032,603	3,749,183	506,446
Domestic Equity	438,308,290	93,983,335	927,766	2,360,557
International Equity	125,030,161	117,229,432	1,396,062	167,394
Totals	<u>\$ 1,703,964,972</u>	<u>2,212,788,749</u>	<u>6,411,249</u>	<u>7,411,028</u>

(B) *Foreign Currency Exchange Contracts* – The System enters into forward foreign currency exchange contracts to hedge against foreign currency exchange rate risks on its non-U.S. dollar denominated investment securities and to facilitate trading strategies primarily as a tool to increase or decrease market exposure to various foreign currencies. When entering into a forward currency contract, the System agrees to receive or deliver a fixed quantity of foreign currency for an agreed-upon price on an agreed future date. These contracts are valued daily and the System's net equity therein, representing unrealized gain or loss on the contracts, as measured by the difference between the forward foreign exchange rates at the dates of entry into the contracts and the forward rates at the reporting date, is included in investments for the asset positions and investment derivatives-liability positions for the liability positions. These instruments involve market and/or credit risk in excess of the amount recognized in the consolidated statement of net position. Risks arise from the possible inability of counterparties to meet the terms of their contracts and from movement in currency and securities values and interest rates.

The following tables summarize, by currency, the contractual amounts of the System's foreign exchange contracts at August 31, 2023 and 2022. Foreign currency amounts are translated at exchange rates as of August 31, 2023 and 2022. The "Net Buy" amounts represent the U.S. dollar equivalent of net commitments to purchase foreign currencies and the "Net Sell" amounts represent the U.S. dollar equivalent of net commitments to sell foreign currencies.

Currency	August 31, 2023			
	Net Buy	Net Sell	Unrealized Gains on Foreign Exchange Contracts	Unrealized Losses on Foreign Exchange Contracts
Australian Dollar	\$ 37,929,306	—	782,898	1,106,428
Brazilian Real	—	8,820,026	1,180,049	866,327
Canadian Dollar	31,485,963	16,558,590	1,055,626	944,165
Chilean Peso	29,086	2,095,333	294,083	48,458
Chinese Yuan Renminbi	—	58,784,892	1,362,505	761,551
Colombian Peso	—	49,042,260	668,664	261,639
Czech Koruna	10,339,975	2,700,973	30,140	128,613
Danish Krone	—	14,287,333	272,339	15,426
Egyptian Pound	—	25,566	—	71
Euro	—	133,896,097	2,896,084	409,425
Hong Kong Dollar	20,985	294,860	2,080	—
Hungarian Forint	1,810,773	411,639	26,189	9,501
Indian Rupee	36,224,956	—	76,038	157,652
Indonesian Rupiah	2,326,485	4,726,823	84,205	68,236
Israeli Shekel	8,394	4,084,785	639,516	163,418
Japanese Yen	—	84,865,281	13,246,925	30,459,621
Malaysian Ringgit	—	963,395	19,162	18
Mexican Peso	—	113,541,296	650,594	952,722
New Zealand Dollar	—	23,167,835	1,058,835	647,859
Norwegian Krone	42,533,045	—	524,119	1,206,178
Peruvian Sol	—	1,292,628	39,793	40,126
Philippines Peso	—	2,102,527	39,716	65,401
Polish Zloty	—	10,205,150	39,274	61,393
Romanian Leu	—	2,085,209	6,803	12,628
Singapore Dollar	—	19,287,238	727,792	475,355
South African Rand	—	28,429,615	66,127	181,848
South Korean Won	—	13,859,902	1,043,199	1,383,073
Swedish Krona	30,187,864	—	97,550	266,773
Swiss Franc	—	7,733,804	234,899	144,208
Taiwan Dollar	—	10,411,267	495,798	15,104
Thailand Baht	4,585,546	2,268,510	834,073	552,978
Turkish Lira	50,526	—	46,133	46,141
UK Pound	—	106,401,148	1,876,873	1,199,148
TOTAL	\$ 197,532,904	722,343,982	30,418,081	42,651,484

The change in fair value of open foreign currency exchange contracts for the year ending August 31, 2023 was a decrease in the amount of \$12,233,403, which is included in investment income on the consolidated statement of revenues, expenses and changes in net position.

August 31, 2022

Currency	Net Buy	Net Sell	Unrealized Gains on Foreign Exchange Contracts	Unrealized Losses on Foreign Exchange Contracts
Australian Dollar	\$ —	76,772,827	4,803,639	1,596,715
Brazilian Real	—	44,100,394	250,192	3,594,191
Canadian Dollar	—	72,184,915	2,735,736	1,487,851
Chilean Peso	36,864,134	—	1,831,663	1,196,214
Chinese Yuan Renminbi	—	140,892,054	3,849,575	538,508
Colombian Peso	—	47,948,939	981,115	658,265
Czech Koruna	—	10,113,863	366,222	23,431
Danish Krone	—	29,179,467	466,426	79,286
Euro	—	366,754,925	8,401,002	1,692,254
Hong Kong Dollar	—	90,832	—	4
Hungarian Forint	12,710,377	—	371,616	1,018,828
Indian Rupee	1,584,941	—	19,602	25,906
Indonesian Rupiah	—	24,307,525	215,755	263,614
Israeli Shekel	—	47,355,441	1,038,273	1,086,616
Japanese Yen	—	381,562,235	42,297,736	11,145,655
Malaysian Ringgit	—	1,296,083	1,719,747	324,033
Mexican Peso	—	145,081,145	288,684	1,193,766
New Zealand Dollar	—	31,159,156	3,700,031	1,143,293
Norwegian Krone	—	6,143,957	442,278	608,504
Peruvian Sol	—	16,547,670	245,857	640,175
Philippines Peso	—	7,826,606	83,129	—
Polish Zloty	—	21,925,190	508,661	289,013
Romanian Leu	—	6,284,586	238,573	—
Singapore Dollar	—	45,750,172	250,935	63,288
South African Rand	—	55,457,382	2,472,525	459,802
South Korean Won	—	95,022,898	4,569,263	209,706
Swedish Krona	70,878,755	—	512,327	2,188,764
Swiss Franc	—	16,186,904	1,031,975	746,930
Taiwan Dollar	—	1,304,335	45,741	36,163
Thailand Baht	—	12,202,745	1,976,121	910,514
Turkish Lira	—	3,624,760	—	21,790
UK Pound	—	150,490,891	8,013,671	1,793,767
TOTAL	\$ 122,038,207	1,857,567,897	93,728,070	35,036,846

The change in fair value of open foreign currency exchange contracts for the year ending August 31, 2022 was an increase in the amount of \$58,691,224, which is included in investment income on the consolidated statement of revenues, expenses and changes in net position

(C) *Written Options* – Written options are used to alter the market (systematic) exposure without trading the underlying cash market securities, and to hedge and control risks, so that the actual risk/return profile is more closely aligned with the target risk/return profile. The fair value is included on the consolidated statement of net position in investment derivatives-liability positions. The following discloses the fair values of the outstanding written call options contracts as of August 31, 2023 and 2022:

Type	Fair Value at August 31, 2023	
	Assets	Liabilities
Equity	—	8,846,918
Interest Rate Swap	33,335	65,458
Other	—	15,963
	<u>\$ 33,335</u>	<u>8,928,339</u>

The change in fair value of open call options for the year ending August 31, 2023, was an increase in the amount of \$417,783, which is included in investment income on the consolidated statement of revenues, expenses and changes in net position.

Type	Fair Value at August 31, 2022	
	Assets	Liabilities
Currency	\$ —	56
Equity	149	7,571,904
Interest Rate Swap	34,518	151,178
Other	75	15,559
	<u>\$ 34,742</u>	<u>7,738,697</u>

The change in fair value of open call options for the year ending August 31, 2022, was an increase in the amount of \$15,866,628, which is included in investment income on the consolidated statement of revenues, expenses and changes in net position.

The following discloses the fair values of the outstanding written put options contracts as of August 31, 2023 and 2022:

Type	Fair Value at August 31, 2023	
	Assets	Liabilities
Equity	—	10,623,079
Interest Rate Swap	—	1,454,366
Other	—	53,012
	<u>\$ —</u>	<u>12,130,457</u>

The change in fair value of open put options for the year ending August 31, 2023, was an increase in the amount of \$2,022,266, which is included in investment income on the consolidated statement of revenues, expenses and changes in net position.

Type	Fair Value at August 31, 2022	
	Assets	Liabilities
Currency	\$ —	6,806
Equity	—	197,706
Interest Rate Swap	—	6,296,157
Other	—	37,804
	<u>\$ —</u>	<u>6,538,473</u>

The change in fair value of open put options for the year ending August 31, 2022, was a decrease in the amount of \$5,199,202, which is included in investment income on the consolidated statement of revenues, expenses and changes in net position.

(D) *Swaps* – Swaps are used to adjust interest rate and yield curve exposures. The fair value of the asset positions is included in investments, and the fair value of the liability positions is included in investment derivatives-liability positions on the consolidated statement of net position. The following discloses the notional amount (presented in US dollar equivalents) and the fair values of the outstanding swap contracts as of August 31, 2023:

Type	USD Notional Value	Fair Value at August 31, 2023	
		Assets	Liabilities
Interest Rate (Pay-Fixed Receive-Variable)	\$ 2,119,495,052	16,929,671	40,606,022
Interest Rate (Pay-Variable Receive-Fixed)	263,864,073	12,222,985	23,075
Commodity	197,576,514	—	2,664,416
Credit Default	344,614,079	4,895,863	476,602
Currency	12,895,400	1,284,453	1,242,567
Equity	1,426,259,205	14,395,971	35,881,009
Fixed Income	135,806,676	760,969	147,284
Volatility	20,989,665	575,694	12,261
Total	<u>\$ 4,521,500,664</u>	<u>51,065,606</u>	<u>81,053,236</u>

The change in fair value of open swap positions for the year ending August 31, 2023, was a decrease in the amount of \$25,303,709, which is included in investment income on the consolidated statement of revenues, expenses and changes in net position.

The following discloses the notional amount (presented in US dollar equivalents) and the fair values of the outstanding swap contracts as of August 31, 2022:

Type	USD Notional Value	Fair Value at August 31, 2022	
		Assets	Liabilities
Interest Rate (Pay-Fixed Receive-Variable)	\$ 1,619,776,728	9,376,149	93,188,565
Interest Rate (Pay-Variable Receive-Fixed)	1,115,286,562	38,599,479	—
Commodity	71,259,311	—	152,024
Credit Default	189,099,349	2,486,471	470,216
Currency	30,478,920	1,817,226	2,044,696
Equity	991,170,297	5,779,299	34,293,071
Fixed Income	6,451,743	639,269	6,625
Inflation	8,959,720	—	1,874,916
Volatility	141,588,641	1,456,581	1,639,564
Total	<u>\$ 4,174,071,271</u>	<u>60,154,474</u>	<u>133,669,677</u>

The change in fair value of open swap positions for the year ending August 31, 2022, was a decrease in the amount of \$73,297,468, which is included in investment income on the consolidated statement of revenues, expenses and changes in net position.

7. Derivative Instruments

Derivative instruments are financial instruments the value of which is derived, in whole or part, from the value of any one or more underlying assets or index of asset values. Derivative instruments include forwards, futures, options and swaps. Hedging derivative instrument contracts are entered into for the purpose of reducing the overall cost of borrowing long-term capital and to protect the System against the risk of rising interest rates. The hedging derivative instruments primarily consist of interest rate swap agreements entered into in connection with long-term bonds. The derivative instrument contracts enable the System to issue bonds at a cost less than what the System would have paid to issue conventional fixed-rate debt. Investment derivative instruments are entered into with the intention of managing transaction or currency exchange risk in purchasing, selling or holding investments. Ineffective hedges are also reported as investment derivative instruments.

All derivative instruments are categorized as Level 2 in the fair value hierarchy, except for futures contracts and some of the purchased options which are categorized as Level 1. The fair values of the interest rate swaps are calculated using a forecast of expected discounted future net cash flows. Other swaps are fair valued by using independent broker quotes or using models with primarily externally verifiable model inputs. Futures contracts and foreign exchange contracts are fair valued at closing market prices on the valuation date. The following disclosures summarize the System's derivative instrument activity, in both the System's enterprise and fiduciary funds, as reported in the consolidated financial statements.

	Change in Fair Value (FV)		Fair Value at August 31, 2023		Notional Amount
	August 31, 2022 to August 31, 2023		August 31, 2023		
	Classification	Amount	Classification	Amount	
Interest Rate Swaps					
Fair Value Hedging Derivative					
Instrument Assets Pay-Variable					
Receive-Fixed	Def Inflows	\$ 540,818	Hedging Derivative	\$ 540,818	128,180,000
			Instrument Asset		
Cash Flow Hedging Derivative					
Instrument Assets Pay-Fixed					
Receive-Variable	Def Inflows	5,231,458	Hedging Derivative	130,238,920	500,000,000
			Instrument Asset		
Cash Flow Hedging Derivative					
Instrument Liabilities Pay-Fixed					
Receive-Variable	Def Outflows	48,122,156	Hedging Derivative	(39,388,655)	976,475,000
			Instrument Liab		
Investment Derivative Instrument	Net Incr. (Decr.) in				
Assets Basis Swaps	FV of Invest	13,606,748	Investments	41,277,103	804,760,000
Investment Derivative Instrument	Net Incr. (Decr.) in				
Liabilities Basis Swaps	FV of Invest	974,081	Invest Deriv	—	—
			Instrument – Liab		
			Positions		
Investment Derivative Instruments					
<u>Investment Derivative Instrument Assets:</u>					
Swaps:					
Pay-Fixed Receive-Variable		16,388,033		16,929,671	722,909,240
Pay-Variable Receive-Fixed		8,774,567		12,222,985	256,456,211
Commodity		—		—	—
Credit Default		4,673,046		4,895,863	317,514,079
Currency		(52,319)		1,284,453	6,217,440
Equity		14,395,971		14,395,971	526,687,054
Fixed Income		760,969		760,969	91,850,000
Inflation		—		—	—
Volatility		550,160		575,694	14,142,557
	Net Incr. (Decr.) in				
Total Swaps	FV of Invest	45,490,427	Investments	51,065,606	1,935,776,581
	Net Incr. (Decr.) in				
Futures	FV of Invest	12,299,256	Other Accounts	12,299,256	3,236,795,563
			Receivable		
	Net Incr. (Decr.) in				
Unrealized Gains on Foreign Forwards	FV of Invest	30,418,081	Investments	30,418,081	1,813,772,453
	Net Incr. (Decr.) in				
Purchased Options	FV of Invest	(13,932,374)	Investments	45,889,354	1,606,156,470
<u>Investment Derivative Instrument</u>					
<u>Liabilities:</u>					
Swaps:					
Pay-Fixed Receive-Variable		(31,819,186)		(40,606,022)	1,396,585,812
Pay-Variable Receive-Fixed		(23,075)		(23,075)	7,407,862
Commodity		(2,664,416)		(2,664,416)	197,576,514
Credit Default		(476,602)		(476,602)	27,100,000
Currency		229,697		(1,242,567)	6,677,960
Equity		(35,881,009)		(35,881,009)	899,572,151
Fixed Income		(147,284)		(147,284)	43,956,676
Inflation		—		—	—
Volatility		(12,261)		(12,261)	6,847,108
	Net Incr. (Decr.) in				
Total Swaps	FV of Invest	(70,794,136)	Invest Deriv – Liab	(81,053,236)	2,585,724,083
			Positions		
	Net Incr. (Decr.) in				
Futures	FV of Invest	(12,892,843)	Current Accounts	(12,892,843)	2,843,000,350
			Payable		
	Net Incr. (Decr.) in				
Unrealized Losses on Foreign	FV of Invest	(42,651,484)	Invest Deriv – Liab	(42,651,484)	1,529,599,488
Forwards			Positions		
	Net Incr. (Decr.) in				
Options Written	FV of Invest	2,440,049	Invest Deriv – Liab	(21,025,461)	1,451,390,932
			Positions		

	Change in Fair Value (FV)		Fair Value at August 31, 2022		Notional Amount
	August 31, 2021 to August 31, 2022		August 31, 2022		
	Classification	Amount	Classification	Amount	
Interest Rate Swaps					
Fair Value Hedging Derivative Instrument Assets Pay-Variable Receive-Fixed	Def Inflows	\$ —	Hedging Derivative Instrument Asset	\$ —	—
Cash Flow Hedging Derivative Instrument Assets Pay-Fixed Receive-Variable	Def Inflows	107,491,753	Hedging Derivative Instrument Asset	125,007,462	740,340,000
Cash Flow Hedging Derivative Instrument Liabilities Pay-Fixed Receive-Variable	Def Outflows	205,849,951	Hedging Derivative Instrument Liab	(87,510,811)	1,024,660,000
Investment Derivative Instrument Assets Basis Swaps	Net Incr. (Decr.) in FV of Invest	9,460,411	Investments	27,670,355	631,590,000
Investment Derivative Instrument Liabilities Basis Swaps	Net Incr. (Decr.) in FV of Invest	(442,173)	Invest Deriv Instrument – Liab Positions	(974,081)	206,010,000
Investment Derivative Instruments					
<u>Investment Derivative Instrument Assets:</u>					
Swaps:					
Pay-Fixed Receive-Variable		8,897,765		9,376,149	413,469,720
Pay-Variable Receive-Fixed		37,943,540		38,599,479	1,115,286,562
Commodity		—		—	—
Credit Default		1,716,803		2,486,471	146,040,517
Currency		(179,654)		1,817,226	9,254,925
Equity		5,779,299		5,779,299	206,681,360
Fixed Income		639,269		639,269	211,743
Inflation		—		—	—
Volatility		1,456,581		1,456,581	63,070,029
Total Swaps	Net Incr. (Decr.) in FV of Invest	56,253,603	Investments	60,154,474	1,954,014,856
Futures	Net Incr. (Decr.) in FV of Invest	6,411,249	Other Accounts Receivable	6,411,249	1,703,964,972
Unrealized Gains on Foreign Forwards	Net Incr. (Decr.) in FV of Invest	93,728,070	Investments	93,728,070	2,967,604,449
Purchased Options	Net Incr. (Decr.) in FV of Invest	9,436,135	Investments	32,481,867	111,480,027
<u>Investment Derivative Instrument Liabilities:</u>					
Swaps:					
Pay-Fixed Receive-Variable		(91,786,346)		(93,188,565)	1,206,307,008
Pay-Variable Receive-Fixed		—		—	—
Commodity		(152,024)		(152,024)	71,259,311
Credit Default		(236,369)		(470,216)	43,058,832
Currency		16,847		(2,044,696)	21,223,995
Equity		(34,293,071)		(34,293,071)	784,488,937
Fixed Income		(6,625)		(6,625)	6,240,000
Inflation		(1,453,919)		(1,874,916)	8,959,720
Volatility		(1,639,564)		(1,639,564)	78,518,612
Total Swaps	Net Incr. (Decr.) in FV of Invest	(129,551,071)	Invest Deriv – Liab Positions	(133,669,677)	2,220,056,415
Futures	Net Incr. (Decr.) in FV of Invest	(7,411,028)	Current Accounts Payable	(7,411,028)	2,212,788,749
Unrealized Losses on Foreign Forwards	Net Incr. (Decr.) in FV of Invest	(35,036,846)	Invest Deriv – Liab Positions	(35,036,846)	1,615,656,135
Options Written	Net Incr. (Decr.) in FV of Invest	10,667,426	Invest Deriv – Liab Positions	(14,242,427)	797,770,648

Fiduciary fund investment derivative instrument assets of \$496,874 and \$719,630 as of August 31, 2023 and 2022, respectively, are included in the numbers in the tables above. Fiduciary fund investment derivative instrument liabilities of \$576,154 and \$726,153 as of August 31, 2023 and 2022, respectively, are included in the numbers in the tables above.

See Note 13 for more information on Cash Flow Hedges – Interest Rate Swaps and Note 6 for more information on Investment Derivative Instruments.

8. Endowments

Investments include \$59,937,190,064 and \$57,204,588,630 of endowment funds as of August 31, 2023 and 2022, respectively. The net position classifications on the statement of net position related to endowment funds as of August 31, 2023 and 2022 are as follows:

<u>Net Position Classification of Endowments</u>	<u>2023</u>	<u>2022</u>
Restricted, Nonexpendable	\$ 38,161,618,752	36,029,323,644
Restricted, Expendable:		
Net Appreciation on True Endowments	17,487,270,676	17,343,207,979
Funds Functioning as Endowments	1,031,549,265	983,968,501
Book Value of Term Endowments	42,599,504	43,040,932
Net Appreciation on Term Endowments	55,979,709	58,063,077
Unrestricted:		
Funds Functioning as Endowments	1,342,467,476	1,319,166,760
Total	<u>\$ 58,121,485,382</u>	<u>55,776,770,893</u>

In the table above, amounts reported as “Net Appreciation” represent net appreciation on investments of donor or constitutionally restricted endowments that are available for authorization for expenditure by the U. T. System Board of Regents. For donor restricted endowments, pursuant to the Uniform Prudent Management of Institutional Funds Act, as adopted by Texas, the U. T. System Board of Regents may distribute net appreciation, realized and unrealized, in the fair value of the assets of endowment holdings over the historic dollar value of the gifts, to the extent prudent. The System’s policy is to retain all undistributed net realized and unrealized appreciation within the endowment funds. The System’s endowment distribution policy is further discussed below.

ENDOWMENTS AND SIMILAR FUNDS – STATE

These endowments are comprised of the PUF and the PHF. The PUF was established for the benefit of the System and the Texas A&M University System. The University of Texas System administers the PHF and the distributions from the PHF benefit the System’s health-related institutions, as well as for the Texas A&M University Health Science Center, the University of North Texas Health Science Center at Fort Worth, the Texas Tech University Health Science Center and Baylor College of Medicine.

The PUF was established by Article 7, Section 11 of the *Texas Constitution of 1876* through the appropriation of land grants. Amendments to the Constitution, approved by voters in 1999, were related to the investment of the PUF and the distributions from the PUF to the AUF. The Constitution, as amended, is summarized as follows: (i) The U. T. System Board of Regents is held to a “prudent investor” rather than a “prudent person” standard; (ii) distributions to the AUF are made from the total return on all PUF investment assets; (iii) the U. T. System Board of Regents determines the amount of distributions to the AUF, which may not exceed an amount equal to 7% of the average net fair value of investment assets, except as necessary to pay debt service on PUF bonds and notes; (iv) the U. T. System Board of Regents determines the amount of distributions to the AUF in a manner intended to provide the AUF with a stable and predictable stream of annual distributions and to maintain, over time, the purchasing power of PUF investments and annual distributions to the AUF; and (v) the expenses of managing PUF land and investments are paid by the PUF.

The U. T. System Board of Regents manages certain permanent funds for health-related institutions of higher education as more fully described in Chapter 63 of the *Texas Education Code*. Certain funds created by this statute were transferred to the U. T. System Board of Regents on August 30, 1999, to be managed and invested in the same manner as the U. T. System Board of Regents manages and invests other endowment funds. The PHF as defined in the statute is classified as Endowment and Similar Funds – State. These endowments provide support for programs that benefit medical research, health education or treatment at health-related institutions. The U. T. System Board of Regents determines the amount of distributions to support the programs on an annual basis.

The annual payout of the PHF is determined by the U. T. System Board of Regents. The annual payout is typically adjusted by the average consumer price index of the previous twelve quarters provided that the distribution rate remains within a range of 3.5% to 5.5% of the PHF's net position; however, the U. T. System Board of Regents may approve distribution amount above, within, or below this range.

The General Endowment Fund (GEF), created March 1, 2001, is a pooled fund established for the collective investment of long-term funds under the control and management of the U. T. System Board of Regents. The GEF is organized as a pooled investment and has two participants, the PHF and the LTF. The PHF and LTF initially purchased units of the GEF on March 1, 2001, in exchange for the contribution of their investment assets. The GEF provides for greater diversification of investments than would be possible if each account were managed separately. The annual payout of the LTF is also determined by the U. T. System Board of Regents. The annual payout is typically adjusted by the average consumer price index of the previous twelve quarters provided that the distribution rate remains within a range of 3.5% to 5.5% of the LTF's net position; however, the U. T. System Board of Regents may approve distribution amount above, within, or below this range.

ENDOWMENT AND SIMILAR FUNDS - OTHER THAN STATE

The funds are subject to restrictions of endowment and trust instruments, requiring that the principal be maintained and that only the income be utilized. Funds may include Permanent Endowments, Term Endowments and Funds Functioning as Endowments. Funds Functioning as Endowments consist of amounts that have been internally dedicated by the System for long-term investment purposes. Funds with external donor restrictions are classified as Funds Functioning as Endowments – Restricted. If no external restriction exists, the funds are classified as Funds Functioning as Endowments – Unrestricted. Endowment holdings may be invested in the LTF, or may be separately invested based upon the following three factors: (i) there are investment restrictions incorporated into the trust or endowment document; (ii) the inability to sell the gifted investment asset; or (iii) they are holdings being migrated upon liquidation into the LTF. Distributions are based upon the actual income received from the separately invested holdings.

AVAILABLE UNIVERSITY FUND

The AUF consists of distributions made to it from the total return on the PUF investment assets and surface income from PUF lands. All surface income from the PUF lands (i.e., grazing leases and land easements) is deposited to the AUF. The AUF must be used first to pay debt service on the PUF bonds and notes. After debt service requirements are met, the AUF may be appropriated for the support and maintenance of U. T. Austin and U. T. System Administration.

9. Capital Assets

A summary of changes in the capital assets for the year ended August 31, 2023, is presented below.

	Balance September 1, 2022	Reclassifications Completed CIP	Reclassifications Interagency Transfers - In
<u>Nondepreciable Assets:</u>			
Land and Land Improvements	\$ 1,129,134,066	8,657,278	—
Construction in Progress (CIP)	1,232,888,101	(776,807,967)	—
Nondepreciable Collections	802,829,247	28,503	—
Nonamortizable Intangible Assets	24,596,943	—	1,030,343
Total Nondepreciable/Nonamortizable Assets	3,189,448,357	(768,122,186)	1,030,343
<u>Depreciable Assets:</u>			
Buildings and Building Improvements	24,988,624,631	566,492,061	—
Infrastructure	807,835,306	24,832,556	—
Facilities and Other Improvements	1,310,148,423	33,059,512	(1,030,343)
Furniture and Equipment	5,429,492,054	28,635,968	207,790
Vehicles, Boats and Aircraft	103,080,654	447,354	—
Other Depreciable Assets (including Library Books)	1,059,610,677	95,159,830	—
Total Depreciable Assets at Historical Cost	33,698,791,745	748,627,281	(822,553)
Less Accumulated Depreciation for:			
Buildings and Building Improvements	(13,264,799,249)	—	—
Infrastructure	(347,520,031)	—	—
Facilities and Other Improvements	(693,130,290)	—	—
Furniture and Equipment	(3,955,699,950)	—	(112,471)
Vehicles, Boats and Aircraft	(78,308,318)	—	—
Other Depreciable Assets (including Library Books)	(692,919,278)	—	—
Total Accumulated Depreciation	(19,032,377,116)	—	(112,471)
Depreciable Assets, Net	14,666,414,629	748,627,281	(935,024)
<u>Amortizable Intangible Assets:</u>			
Computer Software	1,339,031,443	19,494,905	—
Other Intangibles	700,000	—	—
Right-of-Use Land	85,536,270	—	—
Right-of-Use Building	975,543,614	—	—
Right-of-Use Equipment	74,871,279	—	—
Right-of-Use Infrastructure	1,715,358	—	—
Right-of-Use SBITA	154,514,277	—	—
Total Amortizable Intangible Assets	2,631,912,241	19,494,905	—
Less Accumulated Amortization for:			
Computer Software	(1,176,856,529)	—	—
Other Intangibles	(420,000)	—	—
Right-of-Use Land	(3,049,899)	—	—
Right-of-Use Building	(166,471,128)	—	—
Right-of-Use Equipment	(36,754,637)	—	—
Right-of-Use Infrastructure	(393,608)	—	—
Right-of-Use SBITA	(40,271,235)	—	—
Total Accumulated Amortization	(1,424,217,036)	—	—
Intangible Capital Assets, Net	1,207,695,205	19,494,905	—
Capital Assets, Net	\$ 19,063,558,191	—	95,319

	Reclassifications Interagency Transfers - Out			Additions	Deletions	Balance August 31, 2023
<u>Nondepreciable Assets:</u>						
Land and Land Improvements	\$	—	10,109,040	(5,365,421)		1,142,534,963
Construction in Progress (CIP)		—	1,079,194,432	(1,097,663)		1,534,176,903
Nondepreciable Collections		—	47,470,869	(579,474)		849,749,145
Nonamortizable Intangible Assets		(1,030,343)	—	—		24,596,943
Total Nondepreciable/Nonamortizable Assets		(1,030,343)	1,136,774,341	(7,042,558)		3,551,057,954
<u>Depreciable Assets:</u>						
Buildings and Building Improvements		—	384,870,166	(184,395,994)		25,755,590,864
Infrastructure		—	1,172	(2,608,517)		830,060,517
Facilities and Other Improvements		1,030,343	8,864,820	(1,963,503)		1,350,109,252
Furniture and Equipment		(163,355)	449,610,443	(202,646,303)		5,705,136,597
Vehicles, Boats and Aircraft		—	8,953,211	(3,753,574)		108,727,645
Other Depreciable Assets (including Library Books)		—	30,154,007	(14,686,168)		1,170,238,346
Total Depreciable Assets at Historical Cost		866,988	882,453,819	(410,054,059)		34,919,863,221
Less Accumulated Depreciation for:						
Buildings and Building Improvements		(162,545)	(952,359,783)	170,376,022		(14,046,945,555)
Infrastructure		—	(32,244,320)	2,608,517		(377,155,834)
Facilities and Other Improvements		—	(60,879,563)	1,963,503		(752,046,350)
Furniture and Equipment		113,355	(428,415,222)	178,187,023		(4,205,927,265)
Vehicles, Boats and Aircraft		—	(7,312,033)	3,604,376		(82,015,975)
Other Depreciable Assets (including Library Books)		—	(58,684,464)	14,353,490		(737,250,252)
Total Accumulated Depreciation		(49,190)	(1,539,895,385)	371,092,931		(20,201,341,231)
Depreciable Assets, Net		817,798	(657,441,566)	(38,961,128)		14,718,521,990
<u>Amortizable Intangible Assets:</u>						
Computer Software		—	17,982,519	(8,166,591)		1,368,342,276
Other Intangibles		—	—	—		700,000
Right-of-Use Land		—	1,146,933	(157,630)		86,525,573
Right-of-Use Building		—	141,133,694	(26,175,514)		1,090,501,794
Right-of-Use Equipment		—	48,999,194	(22,834,821)		101,035,652
Right-of-Use Vehicle		—	265,361	—		265,361
Right-of-Use Infrastructure		—	408,672	—		2,124,030
Right-of-Use SBITA		—	130,070,877	(16,265,185)		268,319,969
Total Amortizable Intangible Assets		—	340,007,250	(73,599,741)		2,917,814,655
Less Accumulated Amortization for:						
Computer Software		—	(85,768,332)	8,154,463		(1,254,470,398)
Other Intangibles		—	(140,000)	—		(560,000)
Right-of-Use Land		—	(1,592,963)	139,422		(4,503,440)
Right-of-Use Building		—	(95,071,633)	20,055,062		(241,487,699)
Right-of-Use Equipment		—	(31,375,580)	22,490,673		(45,639,544)
Right-of-Use Vehicle		—	(26,240)	—		(26,240)
Right-of-Use Infrastructure		—	(258,001)	—		(651,609)
Right-of-Use SBITA		—	(72,939,580)	14,256,839		(98,953,976)
Total Accumulated Amortization		—	(287,172,329)	65,096,459		(1,646,292,906)
Intangible Capital Assets, Net		—	52,834,921	(8,503,282)		1,271,521,749
Capital Assets, Net	\$	(212,545)	532,167,696	(54,506,968)		19,541,101,693

A summary of changes in the capital assets for the year ended August 31, 2022, is presented below and includes adjustments made for GASB Statement No. 94 and 96. See Note 4 for further details on the restatements.

	Balance September 1, 2021	Reclassifications Completed CIP	Reclassifications Interagency Transfers - In
<u>Nondepreciable Assets:</u>			
Land and Land Improvements	\$ 997,515,696	2,950	—
Construction in Progress (CIP)	1,497,415,939	(1,291,484,206)	—
Nondepreciable Collections	714,510,491	1,638,459	—
Nonamortizable Intangible Assets	24,597,868	—	—
Total Nondepreciable/Nonamortizable Assets	3,234,039,994	(1,289,842,797)	—
<u>Depreciable Assets:</u>			
Buildings and Building Improvements	23,662,335,586	1,134,461,371	—
Infrastructure	767,127,817	40,689,365	—
Facilities and Other Improvements	1,297,961,682	32,275,996	—
Furniture and Equipment	5,134,069,554	15,373,578	904,703
Vehicles, Boats and Aircraft	101,129,516	106,132	—
Other Depreciable Assets (including Library Books)	992,355,249	39,987,457	—
Total Depreciable Assets at Historical Cost	31,954,979,404	1,262,893,899	904,703
Less Accumulated Depreciation for:			
Buildings and Building Improvements	(12,324,633,166)	—	—
Infrastructure	(316,790,369)	—	—
Facilities and Other Improvements	(664,223,150)	—	—
Furniture and Equipment	(3,661,348,777)	—	(836,648)
Vehicles, Boats and Aircraft	(74,133,435)	—	—
Other Depreciable Assets (including Library Books)	(663,498,728)	—	—
Total Accumulated Depreciation	(17,704,627,625)	—	(836,648)
Depreciable Assets, Net	14,250,351,779	1,262,893,899	68,055
<u>Amortizable Intangible Assets:</u>			
Computer Software	1,312,700,009	26,948,898	—
Other Intangibles	700,000	—	—
Right-of-Use Land	85,396,848	—	—
Right-of-Use Building	821,065,758	—	—
Right-of-Use Equipment	71,834,784	—	—
Right-of-Use Infrastructure	1,486,381	—	—
Right-of-Use SBITA	94,828,058	—	—
Total Amortizable Intangible Assets	2,388,011,838	26,948,898	—
Less Accumulated Amortization for:			
Computer Software	(1,097,273,683)	—	—
Other Intangibles	(280,000)	—	—
Right-of-Use Land	(1,471,723)	—	—
Right-of-Use Building	(82,028,020)	—	—
Right-of-Use Equipment	(27,155,598)	—	—
Right-of-Use Infrastructure	(191,791)	—	—
Right-of-Use SBITA	—	—	—
Total Accumulated Amortization	(1,208,400,815)	—	—
Intangible Capital Assets, Net	1,179,611,023	26,948,898	—
Capital Assets, Net	\$ 18,664,002,796	—	68,055

	Reclassifications Interagency Transfers - Out	Additions	Deletions	Balance August 31, 2022
<u>Nondepreciable Assets:</u>				
Land and Land Improvements	\$ —	131,615,420	—	1,129,134,066
Construction in Progress (CIP)	—	1,028,347,223	(1,390,855)	1,232,888,101
Nondepreciable Collections	—	86,770,009	(89,712)	802,829,247
Nonamortizable Intangible Assets	—	—	(925)	24,596,943
Total Nondepreciable/Nonamortizable Assets	—	1,246,732,652	(1,481,492)	3,189,448,357
<u>Depreciable Assets:</u>				
Buildings and Building Improvements	—	205,931,207	(14,103,533)	24,988,624,631
Infrastructure	—	18,124	—	807,835,306
Facilities and Other Improvements	—	11,327,801	(31,417,056)	1,310,148,423
Furniture and Equipment	(554,150)	433,977,331	(154,278,962)	5,429,492,054
Vehicles, Boats and Aircraft	—	5,417,529	(3,572,523)	103,080,654
Other Depreciable Assets (including Library Books)	—	42,455,955	(15,187,984)	1,059,610,677
Total Depreciable Assets at Historical Cost	(554,150)	699,127,947	(218,560,058)	33,698,791,745
Less Accumulated Depreciation for:				
Buildings and Building Improvements	—	(951,283,893)	11,117,810	(13,264,799,249)
Infrastructure	—	(30,729,662)	—	(347,520,031)
Facilities and Other Improvements	—	(60,195,006)	31,287,866	(693,130,290)
Furniture and Equipment	424,532	(426,885,955)	132,946,898	(3,955,699,950)
Vehicles, Boats and Aircraft	—	(7,591,366)	3,416,483	(78,308,318)
Other Depreciable Assets (including Library Books)	—	(44,605,784)	15,185,234	(692,919,278)
Total Accumulated Depreciation	424,532	(1,521,291,666)	193,954,291	(19,032,377,116)
Depreciable Assets, Net	(129,618)	(822,163,719)	(24,605,767)	14,666,414,629
<u>Amortizable Intangible Assets:</u>				
Computer Software	—	18,144,588	(18,762,052)	1,339,031,443
Other Intangibles	—	—	—	700,000
Right-of-Use Land	—	139,422	—	85,536,270
Right-of-Use Building	—	172,272,301	(17,794,445)	975,543,614
Right-of-Use Equipment	—	24,120,847	(21,084,352)	74,871,279
Right-of-Use Infrastructure	—	228,977	—	1,715,358
Right-of-Use SBITA	—	59,686,219	—	154,514,277
Total Amortizable Intangible Assets	—	274,592,354	(57,640,849)	2,631,912,241
Less Accumulated Amortization for:				
Computer Software	—	(98,156,336)	18,573,490	(1,176,856,529)
Other Intangibles	—	(140,000)	—	(420,000)
Right-of-Use Land	—	(1,578,176)	—	(3,049,899)
Right-of-Use Building	—	(97,567,410)	13,124,302	(166,471,128)
Right-of-Use Equipment	—	(26,552,738)	16,953,699	(36,754,637)
Right-of-Use Infrastructure	—	(201,817)	—	(393,608)
Right-of-Use SBITA	—	(40,271,235)	—	(40,271,235)
Total Accumulated Amortization	—	(264,467,712)	48,651,491	(1,424,217,036)
Intangible Capital Assets, Net	—	10,124,642	(8,989,358)	1,207,695,205
Capital Assets, Net	\$ (129,618)	434,693,575	(35,076,617)	19,063,558,191

GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and Insurance Recoveries*, requires the disclosure of impairment losses and associated insurance recoveries.

The System reported no impairment of capital assets for the years ended August 31, 2023 and 2022. In February 2021, U. T. System institutions experienced significant property damage and business income losses as a result of *Winter Storm Uri*, which resulted in insurance recoveries totaling \$24.2 million for the year ended August 31, 2022 and \$24.4 million for the year ended August 31, 2023.

GASB Statement No. 83, *Certain Asset Retirement Obligations*, requires the disclosure of asset retirement obligations resulting from *Texas Administrative Code*, Title 25, Part 1, Chapter 289. Subchapter F, Rule 289.252, Licensing of Radioactive Material. The liabilities were measured using best estimates of current values of outlays expected. The *Texas Administrative Code*, Title 25, Part 1, Chapter 289. Subchapter F, Rule 289.252 (gg)(6)(D) exempts State licenses from providing financial assurances and no assets have been restricted for payment of the liability.

The Asset Retirement Obligation as of August 31, 2023 is presented below (remaining life of the corresponding Deferred Outflows in months):

Asset Retirement Obligation	Amount	Life
Broadscope	\$ 9,285,751	0 - 41 months
Cyclotron	2,060,663	0 months
Gamma Knife	2,981,819	0 - 31 months
Proton Therapy	1,289,963	0 months
Gamma Pod	334,753	12 months
Irradiator	51,097	0 months
Nuclear Engineering Teaching Lab	4,264,205	27 months
Total	<u>\$ 20,268,251</u>	

The Asset Retirement Obligation as of August 31, 2022 is presented below:

Asset Retirement Obligation	Amount	Life
Broadscope	\$ 9,285,751	0 - 53 months
Cyclotron	2,060,663	0 months
Gamma Knife	2,346,043	0 - 43 months
Proton Therapy	1,289,963	0 months
Gamma Pod	334,753	24 months
Irradiator	51,097	0 months
Nuclear Engineering Teaching Lab	4,140,670	39 months
Total	<u>\$ 19,508,940</u>	

10. Short-Term Debt

The System had RFS Commercial Paper Notes and PUF Commercial Paper Notes outstanding at August 31, 2023 and 2022. The notes are issued to provide interim financing for capital improvements and to finance equipment purchases. While the interest is payable on these notes in periodic installments not to exceed 270 days, they are generally intended to be refinanced with long-term debt. Short-term debt activity for the year ended August 31, 2023, is summarized below:

	Balance September 1, 2022	Additions	Reductions	Balance August 31, 2023
<u>Commercial Paper Notes:</u>				
Permanent University Fund CP Notes	\$ 832,300,000	350,000,000	176,000,000	1,006,300,000
Revenue Financing System CP Notes	956,450,000	913,151,000	534,840,000	1,334,761,000
Total Commercial Paper Notes	<u>\$ 1,788,750,000</u>	<u>1,263,151,000</u>	<u>710,840,000</u>	<u>2,341,061,000</u>

Short-term debt activity for the year ended August 31, 2022, is summarized below:

	Balance September 1, 2021	Additions	Reductions¹	Balance August 31, 2022
<u>Commercial Paper Notes:</u>				
Permanent University Fund CP Notes	\$ 1,095,000,000	280,000,000	542,700,000	832,300,000
Revenue Financing System CP Notes	796,053,000	603,388,000	442,991,000	956,450,000
Total Commercial Paper Notes	<u>\$ 1,891,053,000</u>	<u>883,388,000</u>	<u>985,691,000</u>	<u>1,788,750,000</u>

¹ Reductions of short-term debt include \$417,700,000 of PUF commercial paper notes reclassified to long-term notes and loans payable on the statement of net position as a result of refunding commercial paper notes subsequent to August 31, 2022 through the issuance of long-term bonds.

General information related to the commercial paper notes at August 31, 2023, is summarized as follows:

- Note or Loan Payable issue name: Permanent University Fund Commercial Paper Notes, Series A and Taxable Commercial Paper Notes, Series B

Purpose: To provide interim financing for capital improvements and to finance capital equipment purchases

Authorized Amount: Aggregate principal amount not to exceed \$1.25 billion

Source of revenue for debt service: Available University Fund

Terms: Interest payable in periodic installments not to exceed 270 days at interest rates established by the System's commercial paper dealers
- Note or Loan Payable issue name: Revenue Financing System (RFS) Commercial Paper Notes, Series A and Taxable Commercial Paper Notes, Series B

Purpose: To provide interim financing for capital improvements and to finance capital equipment purchases

Authorized Amount: Aggregate principal amount not to exceed \$1.75 billion

Source of revenue for debt service: All pledged revenues, subject to the provisions of the Prior Encumbered Obligations, collectively: (a) the pledged tuition fee; (b) the pledged General Fee; and (c) any or all of the revenues, funds, and balances lawfully available to the U. T. System Board of Regents and derived from and attributable to any Member of the Revenue Financing System, which are lawfully available to the U. T. System Board of Regents for payments on parity debt.

Terms: Interest payable in periodic installments not to exceed 270 days at interest rates established by the System's commercial paper dealers

11. Leases and SBITAs

LEASES WHERE THE SYSTEM IS THE LESSEE

The System entered into various leases for land, building, equipment, vehicle, and infrastructure. Of these leases, some agreements call for payments that are partially or completely variable and therefore were not included in ROU assets or lease liabilities. These variable lease payments are derived from a percentage of sales, use of the leased asset, or changes in indexes or rates. The System recognized a total of \$7,828,402 and \$3,406,107 as expenses from these variable payments for the years ended August 31, 2023 and 2022, respectively.

See Note 9 for a summary of changes in the ROU assets, displayed by the nature of underlying assets, for the years ended August 31, 2023 and 2022. See Note 12 for the lease liability activity for the years ended August 31, 2023 and 2022.

The principal and interest expense for the next five years and beyond are projected below for lease obligations:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 329,093,142	14,422,949	343,516,091
2025	94,210,414	12,168,149	106,378,563
2026	84,532,791	10,694,151	95,226,942
2027	76,678,870	9,296,457	85,975,327
2028	64,784,167	8,039,702	72,823,869
2029 – 2033	187,368,000	27,844,335	215,212,335
2034 – 2038	86,292,416	15,862,134	102,154,550
2039 – 2043	28,831,342	10,447,990	39,279,332
2044 – 2048	7,512,531	8,601,750	16,114,281
2049 – 2053	5,809,506	7,919,570	13,729,076
2054 – 2058	2,961,045	7,380,583	10,341,628
2059 – 2063	2,319,663	7,051,302	9,370,965
2064 – 2068	1,328,166	6,793,407	8,121,573
2069 – 2073	2,427,380	6,539,494	8,966,874
2074 – 2078	3,260,659	6,110,306	9,370,965
2079 – 2083	2,414,915	5,706,659	8,121,574
2084 – 2088	3,682,456	5,284,417	8,966,873
2089 – 2093	4,710,136	4,660,829	9,370,965
2094 – 2098	4,088,903	4,032,671	8,121,574
2099 – 2103	5,615,731	3,351,143	8,966,874
2104 – 2108	6,942,857	2,428,107	9,370,964
2109 – 2113	6,667,453	1,454,120	8,121,573
2114 – 2118	5,709,931	400,419	6,110,350
Total Requirements	<u>\$ 1,017,242,474</u>	<u>186,490,644</u>	<u>1,203,733,118</u>

FUTURE LEASES

The System entered into additional leases that have not yet commenced as of August 31, 2023, including leases for building, with both fixed and variable payments required. Terms range from 2024 to 2034 with a total future commitment of \$21,741,448.

SUBLEASES

The System subleases certain portions of various Right-of-Use building assets to third parties. Since the System is both a lessee and a lessor in these sublease arrangements, the System's lessor transactions are included within lessor disclosures, separately from the System's lessee transactions related to the original leases which are included within the lessee disclosures.

LEASES WHERE THE SYSTEM IS THE LESSOR

For the years ended August 31, 2023 and 2022, the System earned a total of \$20,013,844 and \$26,833,195 in lease revenue and \$5,684,402 and \$5,344,277 in lease interest revenue, respectively, from arrangements meeting the definition of a lease.

The System entered into some leases which call for payments that are partially or completely variable and therefore were not included in lease receivables or deferred inflows of resources. These variable lease payments are derived from a percentage of sales, use of the leased asset, or changes in indexes or rates. The System recognized a total of \$3,387,753 and \$2,293,757 as revenue from these variable payments for the years ended August 31, 2023 and 2022, respectively.

SBITAs

The System entered into various SBITAs that convey the System control of the right to use vendor-provided software, alone or in combination with an underlying tangible IT capital asset. Of these SBITAs, some agreements call for payments that are partially or completely variable and therefore were not included in ROU subscription assets or subscription liabilities. These variable payments are derived from a number of licenses that change from time to time, use of the IT asset, or changes in index rates. The System recognized a total of \$992,551 and \$709,544 as expenses from these variable payments for the years ended August 31, 2023, and 2022, respectively.

The principal and interest expense for the next five years and beyond are projected below for subscription obligations:

Fiscal Year	SBITA Maturity Schedule		
	Principal	Interest	Total
2024	\$ 54,369,896	2,311,472	56,681,368
2025	\$ 36,395,202	1,669,007	38,064,209
2026	\$ 25,037,141	998,097	26,035,238
2027	\$ 15,388,834	512,006	15,900,840
2028	\$ 4,729,768	179,784	4,909,552
2029-2033	\$ 2,567,232	74,067	2,641,298
Total Requirements	<u>\$ 138,488,073</u>	<u>5,744,433</u>	<u>144,232,506</u>

FUTURE SBITAS

The System has entered into additional SBITAs that have not yet commenced as of August 31, 2023, with both fixed and variable payments required. Terms range from 2024 to 2028 with a total future commitment of \$8,368,398.

12. Summary of Long-Term Liabilities

Long-term liability activity for the year ended August 31, 2023, is summarized as follows:

	Balance September 1, 2022	Additions	Reductions	Balance August 31, 2023	Amounts due within one year
<u>Bonds Payable:</u>					
Permanent University Fund	\$ 2,248,090,000	748,185,000	381,805,000	2,614,470,000	399,390,000
Revenue Financing System	6,544,540,000	337,915,000	322,920,000	6,559,535,000	1,176,745,000
Subtotal Bonds Payable – Par	8,792,630,000	1,086,100,000	704,725,000	9,174,005,000	1,576,135,000
Unamortized Net Premiums	616,009,663	144,429,189	98,087,313	662,351,539	95,382,223
Total Bonds Payable	9,408,639,663	1,230,529,189	802,812,313	9,836,356,539	1,671,517,223
<u>Notes, Loans and Leases Payable:</u>					
Notes and Loans Payable	436,700,000	—	436,700,000	—	—
Notes from Direct Borrowings	31,720,463	(13,473,267)	1,894,242	16,352,954	1,261,125
Lease Obligations	963,057,878	191,953,855	137,769,259	1,017,242,474	329,093,142
SBITA Liability	94,154,858	130,070,877	85,737,662	138,488,073	54,369,896
Total Notes, Loans and Leases Payable	1,525,633,198	308,551,465	662,101,163	1,172,083,500	384,724,163
Total OPEB Liability	14,695,594,306	1,357,523,674	7,963,383,625	8,089,734,355	208,395,911
Net Pension Liability	2,300,711,499	3,338,429,170	—	5,639,140,669	—
Total Pension Liability	1,046,052,341	63,233,057	190,446,014	918,839,384	72,533,114
Hedging Derivative Liability	87,510,811	—	48,122,156	39,388,655	—
Employee Compensable Leave	855,424,712	544,226,620	483,118,374	916,532,958	523,251,766
Incurred But Not Reported Self-Insurance Claims	221,719,241	1,857,021,751	1,840,839,317	237,901,675	199,965,066
Asset Retirement Obligation	19,508,940	759,311	—	20,268,251	—
Total	\$ 30,160,794,711	8,700,274,237	11,990,822,962	26,870,245,986	3,060,387,243

Long-term liability activity for the year ended August 31, 2022, as restated for GASB Statement No. 96 is summarized as follows:

	Balance September 1, 2021	Additions	Reductions	Balance August 31, 2022	Amounts due within one year
Bonds Payable:					
Permanent University Fund	\$ 2,307,025,000	—	58,935,000	2,248,090,000	386,695,000
Revenue Financing System	6,702,085,000	256,395,000	413,940,000	6,544,540,000	1,224,490,000
Subtotal Bonds Payable – Par	9,009,110,000	256,395,000	472,875,000	8,792,630,000	1,611,185,000
Unamortized Net Premiums	677,676,799	30,320,873	91,988,009	616,009,663	88,111,681
Total Bonds Payable	9,686,786,799	286,715,873	564,863,009	9,408,639,663	1,699,296,681
Notes, Loans and Leases Payable:					
Notes and Loans Payable	19,000,000	417,700,000 ¹	—	436,700,000	19,000,000
Notes from Direct Borrowings	17,678,505	16,519,598	2,477,640	31,720,463	6,443,614
Lease Obligations	888,343,155	196,761,546	122,046,823	963,057,878	107,368,206
SBITA Liability	94,815,658	59,698,619	60,359,419	94,154,858	41,016,036
Total Notes, Loans and Leases Payable ²	1,019,837,318	690,679,763	184,883,883	1,525,633,198	173,827,855
Total OPEB Liability	11,931,417,814	2,945,429,208	181,252,716	14,695,594,306	243,697,144
Net Pension Liability	4,805,427,562	—	2,504,716,063	2,300,711,499	—
Total Pension Liability	1,026,357,235	66,700,741	47,005,635	1,046,052,341	—
Hedging Derivative Liability	293,360,762	—	205,849,951	87,510,811	—
Employee Compensable Leave	819,809,713	460,625,101	425,010,102	855,424,712	445,635,293
Incurred But Not Reported Self-Insurance Claims	177,110,866	1,753,641,214	1,709,032,839	221,719,241	187,951,915
Asset Retirement Obligation	18,178,517	1,330,423	—	19,508,940	—
Total ^{1,2}	\$ 29,778,286,586	6,205,122,323	5,822,614,198	30,160,794,711	2,750,408,888

¹ Additions of Notes and Loans Payable include \$417,700,000 of commercial paper notes reclassified from short-term debt to long-term notes and loans payable on the statement of net position as a result of refunding commercial paper notes subsequent to August 31, 2022 through the issuance of long-term bonds. See note 10 related to short-term debt and note 24 for details on the subsequent events.

² Includes retroactive restatements related to GASB Statement No. 96. See Note 4 for further details.

PROJECTED BOND DEBT SERVICE REQUIREMENTS

The principal and interest expense for the next five years and beyond are projected below for bonds issued and outstanding:

Fiscal Year	Principal	Interest	Total
2024	\$ 1,576,135,000	351,905,496	1,928,040,496
2025	341,695,000	333,658,298	675,353,298
2026	373,915,000	316,794,406	690,709,406
2027	287,145,000	298,384,320	585,529,320
2028	256,505,000	284,253,913	540,758,913
2029 – 2033	1,693,215,000	1,207,518,020	2,900,733,020
2034 – 2038	1,065,404,000	827,593,054	1,892,997,054
2039 – 2043	964,256,000	601,168,323	1,565,424,323
2044 – 2048	1,901,600,000	354,101,248	2,255,701,248
2049 – 2053	714,135,000	50,820,658	764,955,658
Total Requirements	\$ 9,174,005,000	4,626,197,736	13,800,202,736

The System’s variable rate demand bonds mature at various dates through August 1, 2045. Outstanding principal balances on variable rate demand bonds may be classified as non-current liabilities if the issuer has entered into a “take-out agreement” to convert bonds “put” but not resold into some other form of long-term obligation. In the absence of such an agreement, the total outstanding principal balances for these bonds are required to be classified as current liabilities. Although it is the System’s intent to repay its variable rate demand bonds in accordance with the maturities set forth in the bond offering circulars, the System does not have “take-out” agreements in place. Accordingly, the System has classified the total outstanding principal balances on its variable rate demand bonds as current liabilities. The obligations totaled \$1,226,475,000 and \$1,274,660,000 at August 31, 2023 and 2022, respectively.

PLEDGED FUTURE REVENUES

The following table provides the pledged future revenue information for the System’s bonds:

	2023	2022
Pledged Revenue Required for Future Principal and Interest on Existing Bonds	\$ 13,800,202,736	13,331,009,655
Term of Commitment Year Ending 8/31	2052	2052
Percentage of Specific Revenues Pledged	100%	100%
Current Year Pledged Revenue	\$ 16,843,156,924	14,994,269,165
Current Year Principal and Interest Paid	\$ 767,185,761	768,817,572

DIRECT BORROWINGS

Certain direct borrowings to finance the purchase of property are capitalized at the present value of future minimum direct borrowing payments. The original capitalized cost of all such property financed with direct borrowings as of August 31, 2023 and 2022 is as follows:

<u>Assets - Direct Borrowings</u>	<u>2023</u>	<u>2022</u>
Furniture and Equipment	\$ 4,837,000	25,099,067
Less: Accumulated Depreciation	(3,176,762)	(1,331,329)
Buildings	13,581,387	13,581,387
Less: Accumulated Depreciation	(1,439,819)	(775,287)
Nondepreciable Collections	1,420,997	407,712
Total	<u>\$ 15,222,803</u>	<u>36,981,550</u>

Direct borrowing obligations are due in annual installments through 2046. The following is a schedule of the future minimum payments for direct borrowings at August 31, 2023.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 1,261,125	680,583	1,941,708
2025	734,490	657,531	1,392,021
2026	643,479	631,806	1,275,285
2027	889,939	605,061	1,495,000
2028	670,775	579,225	1,250,000
2029 – 2033	2,464,647	2,535,352	4,999,999
2034 – 2038	3,108,314	1,891,685	4,999,999
2039 – 2043	3,920,082	1,079,918	5,000,000
2044 – 2048	2,660,103	173,231	2,833,334
Total Minimum Payments	<u>\$ 16,352,954</u>	<u>8,834,392</u>	<u>25,187,346</u>

POLLUTION REMEDIATION OBLIGATION

The University of Texas System Administration purchased contaminated land with plans to remediate. The estimated outlays for the pollution remediation are \$3,500,000 using the expected cash flow technique. These pollution remediation outlays qualify for capitalization and \$3,161,511 and \$3,148,595 were capitalized through August 31, 2023 and 2022 respectively. The purchase price of \$213,584,352 and total expected outlays did not exceed the fair market value of the uncontaminated property of \$232,290,000, and as such, no pollution remediation liability was established.

EMPLOYEES' COMPENSABLE LEAVE

Employees' compensable leave is the System's liability for accrued compensable absences. This obligation is usually paid from the same funding source(s) as the employee's salary or wage compensation.

13. Bonded Indebtedness

At August 31, 2023 and 2022, the System had outstanding bonds payable of \$9,174,005,000 and \$8,792,630,000, respectively. Permanent University Fund bonds are secured by and payable from the System's interest in the Available University Fund, which consists of distributions from the investment income of the Permanent University Fund. Revenue Financing System debt is secured by and payable from Pledged Revenues as defined in the Master Resolution establishing the Revenue Financing System. Pledged Revenues consist of all lawfully available revenues, funds and balances, with certain exceptions, pledged to secure revenue-supported indebtedness issued under the Master Resolution.

Bonded Indebtedness	Interest Rates	Maturity Dates	Outstanding Principal
Permanent University Fund	2.00% - 5.262%	2024-2052	\$ 2,614,470,000
Revenue Financing System	2.00% - 5.375%	2024-2052	6,559,535,000

As of August 31, 2023, the following amounts were authorized, but unissued: Permanent University Fund bonds up to a maximum aggregate amount of \$975 million and Revenue Financing System bonds up to a maximum aggregate amount of \$975 million, each authorized to be issued on or before August 23, 2024. All bonds issued by the System are defined as revenue bonds. Segment information requirements are not applicable, due to the bond indentures' lack of specifically identifiable activities and external party imposed separate accounting requirements. General information related to bonds outstanding as of August 31, 2023, is summarized in the following table.

Bond Series	Purpose	Issue Date	Amount Issued
Permanent University Fund:			
Refunding Bonds, Series 2006B	To refund \$85,545,000 principal amount of Permanent University Fund Bonds, Series 2002B, maturing on July 1 in the years 2020 through 2022, both inclusive; to refund \$172,985,000 principal amount of Permanent University Fund Bonds, Series 2004B, maturing on July 1 in the years 2023, 2026 and 2028 through 2030, both inclusive; to refund \$51,905,000 principal amount of Permanent University Fund Bonds, Series 2005B, maturing on July 1 in the year 2035, and pay the cost of issuance	January 24, 2007	\$ 284,065,000
Taxable Bonds, Series 2009A	To refund \$250,000,000 principal amount of Permanent University Fund Taxable Commercial Paper Notes, Series B and pay the cost of issuance	September 17, 2009	250,000,000
Bonds, Series 2014B	To refund \$17,240,000 principal amount of Permanent University Fund Bonds, Series 2004A, maturing on July 1 in the years 2015 and 2016; and to refund \$223,535,000 principal amount of Permanent University Fund Bonds, Series 2004B, maturing on July 1 in the years 2024, 2025, 2027 and 2033, and pay the cost of issuance	April 2, 2014	221,580,000
Refunding Bonds, Series 2015A	To refund \$50,390,000 principal amount of Permanent University Fund Refunding Bonds, Series 2005A, maturing on July 1 in the years 2016 through 2019, both inclusive; to refund \$72,720,000 principal amount of Permanent University Fund Bonds, Series 2005B, maturing on July 1 in the years 2018, 2019, 2034 and 2035; and to refund \$87,485,000 principal amount of Permanent University Fund Bonds, Series 2006C, maturing on July 1 in the years 2017 through 2035, both inclusive, and pay the cost of issuance	April 2, 2015	197,970,000
Bonds, Series 2015B	To refund \$252,500,000 principal amount of Permanent University Fund Taxable Commercial Paper Notes, Series B and pay the cost of issuance	August 25, 2015	220,565,000
Bonds, Taxable Series 2015C	To refund \$125,500,000 principal amount of Permanent University Fund Taxable Commercial Paper Notes, Series B and pay the cost of issuance	December 9, 2015	126,020,000
Bonds, Series 2016A	To refund \$137,000,000 principal amount of Permanent University Fund Taxable Commercial Paper Notes, Series B and pay the cost of issuance	January 5, 2016	117,270,000
Bonds, Series 2016B	To refund \$319,000,000 principal amount of Permanent University Fund Commercial Paper Notes, Series A and pay the cost of issuance	September 1, 2016	272,350,000

Bond Series	Purpose	Issue Date	Amount Issued
Bonds, Taxable Series 2017A	To refund \$81,000,000 principal amount of Permanent University Fund Commercial Paper Notes, Series A, and to refund \$220,000,000 principal amount of Permanent University Fund Taxable Commercial Paper Notes, Series B and pay the cost of issuance	November 14, 2017	302,640,000
Bonds, Series 2022A	To refund \$417,700,000 principal amount of Permanent University Fund Commercial Paper Notes, Series A and pay the cost of issuance	October 13, 2022	372,915,000
Bonds, Series 2023A	To refund \$240,340,000 of Permanent University Fund Bonds, Series 2014A, to refund \$176,000,000 of Permanent University Fund Commercial Paper Notes, Series A, and pay the cost of issuance	April 4, 2023	375,270,000
Revenue Financing System:			
Refunding Bonds, Series 2010B	To refund \$393,690,000 principal amount of portions of Revenue Financing System Bonds, 2006B, 2006D and 2006F and pay the cost of issuance	April 14, 2010	385,380,000
Taxable Bonds, Series 2010C	To provide new money of \$600,741,596 and pay the cost of issuance	September 23, 2010	604,310,000
Taxable Bonds, Series 2010D	To refund \$349,415,000 principal amount of Revenue Financing System Commercial Paper Notes, Series A, provide new money of \$163,441,000 and pay the cost of issuance	June 30, 2010	516,245,000
Bonds, Series 2014A	To refund \$179,411,000 principal amount of Revenue Financing System Commercial Paper Notes, Series A, provide new money of \$103,148,328 and pay the cost of issuance	May 1, 2014	259,135,000
Refunding Bonds, Series 2014B	To refund \$261,840,000 principal amount of portions of Revenue Financing System Bonds, 2006B, 2006D and 2006F, and pay the cost of issuance	November 24, 2014	250,700,000
Bonds, Taxable Series 2016A	To refund \$48,494,000 principal amount of Revenue Financing System Commercial Paper Notes, Series A, to refund \$107,630,000 principal amount of Revenue Financing System Taxable Commercial Paper Notes, Series B, provide new money of \$98,745,350 and pay the cost of issuance	January 14, 2016	255,825,000
Bonds, Series 2016B	To refund \$105,478,000 principal amount of Revenue Financing System Commercial Paper Notes, Series A, provide new money of \$118,490,125 and pay the cost of issuance	January 22, 2016	206,040,000
Refunding Bonds, Series 2016C	To refund \$87,145,000 principal amount of Revenue Financing System Bonds, Series 2008A, provide new money of \$64,800,000 and pay the cost of issuance	May 10, 2016	133,240,000
Bonds, Series 2016D	To provide new money of \$260,000,000 and pay the cost of issuance	July 1, 2016	213,180,000
Bonds, Series 2016E	To provide new money of \$245,000,000 and pay the cost of issuance	August 22, 2016	196,215,000
Bonds, Series 2016F	To refund \$465,019,000 principal amount of Revenue Financing System Commercial Paper Notes, Series A, and pay the cost of issuance	September 1, 2016	376,030,000
Refunding Bonds, Series 2016H	To refund \$266,640,000 principal amount of portions of Revenue Financing System Bonds, 2006D and 2006F, and pay the cost of issuance	November 17, 2016	233,350,000

Bond Series	Purpose	Issue Date	Amount Issued
Refunding Bonds, Series 2016I	To refund \$202,010,000 principal amount of portions of Revenue Financing System Bonds, 2006E and 2010A, and pay the cost of issuance	November 30, 2016	184,725,000
Bonds, Series 2016J	To provide new money of \$352,832,000 and pay the cost of issuance	January 4, 2017	306,925,000
Bonds, Taxable Series 2017A	To refund \$349,000,000 principal amount of Revenue Financing System Taxable Commercial Paper Notes, Series B, and pay the cost of issuance	September 14, 2017	350,815,000
Bonds, Series 2017B	To refund \$87,455,000 principal amount of Revenue Financing System Commercial Paper Notes, Series A, to refund \$191,664,000 principal amount of Revenue Financing System Taxable Commercial Paper Notes, Series B, and pay the cost of issuance	October 24, 2017	265,490,000
Refunding Bonds, Series 2017C	To refund \$265,855,000 principal amount of portions of Revenue Financing System Bonds, 2009D, 2012A and 2012B, and pay the cost of issuance	December 7, 2017	258,465,000
Refunding Bonds, Series 2019A	To refund \$386,785,000 principal amount of portions of Revenue Financing System Bonds, 2009B and 2014B, and pay the cost of issuance	June 13, 2019	320,435,000
Bonds, Series 2019B	To refund \$449,478,000 principal amount of Revenue Financing System Commercial Paper Notes, Series A, and pay the cost of issuance	July 18, 2019	318,715,000
Bonds, Series 2020A	To refund \$381,590,000 principal amount of Revenue Financing System Commercial Paper Notes, Series A, to refund \$99,530,000 of Revenue Financing System Bonds, Series 2016F and pay the cost of issuance	April 14, 2020	347,580,000
Bonds, Taxable Series 2020B	To refund \$159,500,000 principal amount of Revenue Financing System Commercial Paper Notes, Series A, to refund \$139,412,000 principal amount of Revenue Financing System Taxable Commercial Paper Notes, Series B and pay the cost of issuance	May 29, 2020	300,805,000
Bonds, Series 2020C	To refund \$98,800,000 principal amount of Revenue Financing System Commercial Paper Notes, Series A, to refund \$28,405,000 of Revenue Financing System Bonds, Series 2017B and pay the cost of issuance	June 16, 2020	101,065,000
Bonds, Series 2021A	To refund \$300,000,000 principal amount of Revenue Financing System Commercial Paper Notes, Series A, to refund \$115,000,000 of Revenue Financing System Bonds, Series 2016B and pay the cost of issuance	May 19, 2021	381,865,000
Bonds, Series 2022A	To refund \$194,911,000 principal amount of Revenue Financing System Commercial Paper Notes, Series A, to refund \$11,920,000 of Revenue Financing System Bonds, Series 2012A, to refund \$76,855,000 of Revenue Financing System Bonds, Series 2012B and pay the cost of issuance	May 18, 2022	256,395,000
Bonds, Series 2023A	To refund \$389,340,000 principal amount of Revenue Financing System Commercial Paper Notes, Series A, and pay the cost of issuance	June 21, 2023	337,915,000

DEMAND BONDS

Revenue Financing System Refunding Bonds, Series 2007B, Revenue Financing System Bonds, Series 2008B, Revenue Financing System Bonds, Taxable Series 2016G, and Permanent University Fund Bonds, Series 2008A are variable rate demand bonds with an option to tender on seven days' notice. The System has entered into corresponding interest rate swap agreements to convert the System's interest rate exposure to a fixed rate. The Revenue Financing System Refunding Bonds, Series 2007B and the corresponding swap agreements extend to August 1, 2034. The Revenue Financing System Bonds, Series 2008B and the corresponding swap agreements extend to August 1, 2039. The Revenue Financing System Bonds, Taxable Series 2016G and the corresponding swap agreements extend to August 1, 2045. The Permanent University Fund Bonds, Series 2008A and the corresponding swap agreements extend to July 1, 2038. The Board of Regents is obligated to pay the purchase price of demand bonds tendered for purchase and not remarketed by using lawfully available funds. General information related to these demand bonds is summarized in the following table:

<u>Bond Series</u>	<u>Purpose</u>	<u>Issue Date</u>	<u>Amount Issued</u>
Permanent University Fund:			
Bonds, Series 2008A	To refund \$400,000,000 of Permanent University Fund Flexible Notes, Series A and pay costs of issuance	October 30, 2008	\$ 400,905,000
Revenue Financing System:			
Refunding Bonds, Series 2007B	To refund \$169,015,000 of Revenue Financing System Bonds, Series 2003B and \$149,860,000 of Revenue Financing System Bonds, Series 2004D, and pay costs of issuance	December 20, 2007	345,460,000
Bonds, Series 2008B	To refund \$461,922,000 of Revenue Financing System Commercial Paper Notes, Series A and \$34,715,000 of Revenue Financing System Bonds, Series 1998B, provide \$182,590,000 of new money to finance the costs of campus improvements, and pay costs of issuance	March 18, 2008	685,485,000
Bonds, Taxable Series 2016G	To refund \$250,000,000 principal amount of Revenue Financing System Commercial Paper Notes, Series A, and pay the cost of issuance	September 15, 2016	250,000,000

BUILD AMERICA BONDS

The American Recovery and Reinvestment Act of 2009 authorized the issuance of Build America Bonds (BABs), whereby certain issuers are authorized to issue taxable bonds and receive from the federal government a subsidy equal to 35% of the interest payments on Direct Payment BABs reduced by the applicable federal sequestration reduction rate. The System did not issue any BABs during 2023 or 2022. The System had \$1,125,360,000 and \$1,157,030,000 of BABs outstanding at August 31, 2023 and 2022, respectively.

EARLY EXTINGUISHMENTS IN FISCAL YEAR 2023

On September 20, 2022, \$79,675,000 principal amount of Permanent University Fund Bonds, Series 2014B, were legally defeased using available funds.

- The defeasance involved using available funds to purchase \$81,967,061 of eligible defeasance securities.
- The defeased bonds are considered fully defeased and the liability for these obligations has been removed from the consolidated statement of net position.
- An accounting loss of \$973,238 resulted from the transaction as the reacquisition price of \$81,967,061 exceeded the net carrying amount of \$79,675,000 par value and \$ 1,318,823 unamortized original issue premium.
- As a result of this defeasance, the System reduced its future debt service payments by \$106,229,750 from closing through July 1, 2032.

Permanent University Fund Bonds, Series 2022A were issued on October 13, 2022, to current refund \$417,700,000 principal amount of Permanent University Fund Commercial Paper Notes, Series A and to pay the costs of issuance related thereof.

- Net proceeds related to the issuance were \$418,184,091, which represents the principal amount of the 2023A Bonds of \$372,915,000, plus an original issue premium of \$46,291,287, less an underwriting discount of \$1,022,196. The net proceeds were used to pay costs of issuance of \$316,140, to purchase \$417,867,442 of eligible defeasance securities and to deposit \$510 with the escrow agent for the refunded notes.
- The refunded notes are considered fully defeased and the liability for these obligations has been removed from the consolidated statement of net position.
- An accounting loss of \$167,442 resulted from the transaction as the reacquisition price of \$417,867,442 exceeded the net carrying amount of \$417,700,000 par value.

Permanent University Fund Bonds, Series 2023A were issued on April 4, 2023, to current refund \$176,000,000 principal amount of Permanent University Fund Commercial Paper Notes, Series A, to current refund \$240,340,000 principal of Permanent University Fund Bonds, Series 2014A, and to pay the costs of issuance related thereof.

- Net proceeds related to the issuance were \$420,077,523, which represents the principal amount of the 2023A Bonds of \$375,270,000, plus an original issue premium of \$45,958,372, less an underwriting discount of \$1,150,849. The net proceeds were used to pay costs of issuance of \$297,242, to purchase \$419,779,650 of eligible defeasance securities and to deposit \$631 with the escrow agent for the refunded bonds and notes.
- The refunded bonds and notes are considered fully defeased and the liability for these obligations has been removed from the consolidated statement of net position.
- An accounting loss of \$3,066,122 resulted from the transaction as the reacquisition price of \$419,779,650 exceeded the net carrying amount of \$416,340,000 par value and \$373,528 unamortized original issue premium.
- As a result of this refunding, the System reduced its future debt service payments by \$42,115,329 from closing through July 1, 2041, and an economic gain from the transaction resulted in a net present value savings of \$28,306,665 between the old and new debt service payments.

Revenue Financing System Bonds, Series 2023A were issued on June 21, 2023, to current refund \$389,340,000 amount of Revenue Financing System Commercial Paper Notes, Series A and to pay the costs of issuance related thereof.

- Net proceeds related to the issuance were \$389,159,546, which represents the principal amount of the 2023A Bonds of \$337,915,000, plus an original issue premium of \$52,179,529, less an underwriting discount of \$934,984. The net proceeds were used to pay costs of issuance of \$365,988, to purchase \$388,793,557 of eligible defeasance securities.
- The refunded notes are considered fully defeased and the liability for these obligations has been removed from the consolidated statement of net position.
- An accounting gain of \$546,443 resulted from the transaction as the reacquisition price of \$388,793,557 was below the net carrying amount of \$389,340,000 par value.

EARLY EXTINGUISHMENTS IN FISCAL YEAR 2022

Revenue Financing System Bonds, Series 2022A were issued on May 18, 2022 to current refund \$194,911,000 principal amount of Revenue Financing System Commercial Paper Notes, Series A, to current refund \$11,920,000 principal of RFS Bonds, Series 2012A, to current refund \$76,855,000 principal amount of Revenue Financing System Bonds, Series 2012B, and to pay the costs of issuance related thereof.

- Net proceeds related to the issuance were \$285,877,754, which represents the principal amount of the 2022A Bonds of \$256,395,000, plus an original issue premium of \$30,320,873, less an underwriting discount of \$838,119. The net proceeds along with \$163,904 of System funds were used to pay costs of issuance of \$297,528, to purchase \$78,695,781 of eligible defeasance securities and to deposit \$1 with the escrow agent for the refunded bonds, and to deposit \$207,048,348 with the escrow agent for the refunded notes.
- The refunded bonds and notes are considered fully defeased and the liability for these obligations has been removed from the consolidated statement of net position.
- An accounting loss of \$1,566,031 resulted from the transaction as the reacquisition price of \$285,744,130 exceeded the net carrying amount of \$283,686,000 par value and \$492,099 unamortized original issue premium.
- As a result of this refunding, the System reduced its future debt service payments by \$24,940,493 from closing through August 15, 2043, and an economic gain from the transaction resulted in a net present value savings of \$18,824,826 between the old and new debt service payments.

DERIVATIVE INSTRUMENTS – HEDGING DERIVATIVE INSTRUMENT INTEREST RATE SWAPS

All interest rate swaps are valued using the fair value hierarchy of level 2. The System has calculated the fair value of the interest rate swaps using a forecast of expected discounted future net cash flows and considered the nonperformance risk of the parties. The following table outlines the terms of the System's hedging derivative instrument interest rate swap agreements in effect at August 31, 2023:

Interest Rate Swaps-by Type	Hedgeable Item	Current Notional	Effective Date	Maturity Date	Terms*	Embedded Options?	Cash Paid or Received	Counterparty Credit Rating (Moody's/S&P)	Weighted Average Maturity As of 08/31/23
Pay Fixed; Receive Variable	PUF Bonds 2008A	\$ 162,452,500	11/3/2008	7/1/2038	Pay 3.696%; receive SIFMA	No	No	Aa2/A+	11.5 yrs
	PUF Bonds 2008A	162,452,500	11/3/2008	7/1/2038	Pay 3.6575%; receive SIFMA	No	No	Aa3/A+	11.5 yrs
	RFS Bonds 2007B	141,760,000	12/20/2007	8/1/2034	Pay 3.805%; receive SIFMA	No	No	Aa2/A+	6.0 yrs
	RFS Bonds 2007B	141,760,000	12/20/2007	8/1/2034	Pay 3.805%; receive SIFMA	No	No	Aa2/A+	6.0 yrs
	RFS Bonds 2008B	94,830,000	3/18/2008	8/1/2036	Pay 3.900%; receive SIFMA	No	No	Aa2/A+	8.5 yrs
	RFS Bonds 2008B	94,830,000	3/18/2008	8/1/2036	Pay 3.900%; receive SIFMA	No	No	A1/A-	8.5 yrs
	RFS Bonds 2008B	178,390,000	3/18/2008	8/1/2039	Pay 3.614%; receive SIFMA	No	No	Aa2/A+	8.2 yrs
	RFS Bonds 2016G	250,000,000	12/1/2016	8/1/2045	Pay 2.000%; receive 100% of 100% of -----	No	No	Aa3/A+	21.9 yrs
	RFS Taxable Commercial Paper	250,000,000	11/1/2020	8/1/2049	Pay 1.576%; receive 100% of 100% of -----	No	No	Aa3/A+	25.9 yrs
Pay Variable; Receive Fixed	PUF Bonds 2023A	128,180,000	9/1/2023	7/1/2033	Pay SIFMA; receive 3.250%	No	No	Aa2/A+	9.3 yrs
TOTAL		<u>\$1,604,655,000</u>							

*Secured Overnight Financing Rate (SOFR)
Securities Industry and Financial Markets Association (SIFMA)
USD-Federal Funds-H.15 (Fed Funds)

The following table outlines the terms of the System's hedging derivative instrument interest rate swap agreements in effect at August 31, 2022:

Interest Rate Swaps-by Type	Hedgeable Item	Current Notional	Effective Date	Maturity Date	Terms*	Embedded Options?	Cash Paid or Received	Counterparty Credit Rating (Moody's/S&P)	Weighted Average Maturity As of 08/31/2022
Pay Fixed; Receive Variable	PUF Bonds 2008A	\$ 166,042,500	11/3/2008	7/1/2038	Pay 3.696%; receive SIFMA	No	No	Aa2/A+	12.2 yrs
	PUF Bonds 2008A	166,042,500	11/3/2008	7/1/2038	Pay 3.6575%; receive SIFMA	No	No	Aa3/A+	12.2 yrs
	PUF Bonds 2014A	240,340,000	6/30/2023	7/1/2041	Pay 0.720%; receive 80% of Fed Funds	No	No	Aa3/A+	18.3 yrs
	RFS Bonds 2007B	151,552,500	12/20/2007	8/1/2034	Pay 3.805%; receive SIFMA	No	No	Aa2/A+	6.6 yrs
	RFS Bonds 2007B	151,552,500	12/20/2007	8/1/2034	Pay 3.805%; receive SIFMA	No	No	Aa2/A+	6.6 yrs
	RFS Bonds 2008B	99,205,000	3/18/2008	8/1/2036	Pay 3.900%; receive SIFMA	No	No	Aa2/A+	9.1 yrs
	RFS Bonds 2008B	99,205,000	3/18/2008	8/1/2036	Pay 3.900%; receive SIFMA	No	No	A1/A-	9.1 yrs
	RFS Bonds 2008B	191,060,000	3/18/2008	8/1/2039	Pay 3.614%; receive SIFMA	No	No	Aa2/A+	8.7 yrs
	RFS Bonds 2016G	250,000,000	12/1/2016	8/1/2045	Pay 2.000%; receive 100% of 1M LIBOR	No	No	Aa3/A+	22.9 yrs
	RFS Taxable Commercial Paper	250,000,000	11/1/2020	8/1/2049	Pay 1.576%; receive 100% of 1M LIBOR	No	No	Aa3/A+	26.9 yrs
TOTAL		<u>\$1,765,000,000</u>							

*London Interbank Offer Rate (LIBOR)
 Securities Industry and Financial Markets Association (SIFMA)
 USD-Federal Funds-H.15 (Fed Funds)

The following is the fair value of the derivative instrument agreements related to debt in effect at August 31, 2023 based on the zero-coupon method and the classification of change in fair value from the previous fiscal year:

Derivative Instruments by Type	Hedgeable Item	Current Notional	Accrued Interest (through 08/31/2023)	Fair Value as of 08/31/2023	Fair Value as of 08/31/2022	Change in Fair Value 08/31/2022 - 08/31/2023	Change in Fair Value Recorded as
Hedging Derivative Assets							
	PUF Bonds 2014A	\$ —	—	—	44,006,224	(44,006,224)	Def Inflow
	PUF Bonds 2023A	128,180,000	—	540,818	—	540,818	Def Inflow
	RFS Bonds 2016G	250,000,000	(735,444)	57,075,740	32,631,844	24,443,896	Def Inflow
	RFS Taxable CP	250,000,000	(823,778)	73,163,180	48,369,394	24,793,786	Def Inflow
		<u>628,180,000</u>	<u>(1,559,222)</u>	<u>130,779,738</u>	<u>125,007,462</u>	<u>5,772,276</u>	
Hedging Derivative Liabilities							
	PUF Bonds 2008A	162,452,500	469,578	(7,713,532)	(17,120,521)	9,406,989	Def Outflow
	PUF Bonds 2008A	162,452,500	459,502	(7,169,550)	(16,511,329)	9,341,779	Def Outflow
	RFS Bonds 2007B	141,760,000	15,129	(4,905,722)	(10,823,257)	5,917,535	Def Outflow
	RFS Bonds 2007B	141,760,000	15,129	(4,545,722)	(10,823,257)	6,277,535	Def Outflow
	RFS Bonds 2008B	94,830,000	17,628	(4,820,866)	(9,461,705)	4,640,839	Def Outflow
	RFS Bonds 2008B	94,830,000	17,628	(4,820,866)	(9,461,705)	4,640,839	Def Outflow
	RFS Bonds 2008B	178,390,000	(9,355)	(5,412,397)	(13,309,037)	7,896,640	Def Outflow
		<u>976,475,000</u>	<u>985,239</u>	<u>(39,388,655)</u>	<u>(87,510,811)</u>	<u>48,122,156</u>	
Investment Derivatives-Asset Positions							
	PUF Bonds 2006B	180,350,000	(129,249)	1,199,420	—	1,199,420	Incr./Decr. in Fair Value of Inv
	PUF Bonds 2008A	162,452,500	(490,739)	8,123,820	4,697,372	3,426,448	Incr./Decr. in Fair Value of Inv
	PUF Bonds 2008A	162,452,500	(582,388)	11,138,314	8,215,211	2,923,103	Incr./Decr. in Fair Value of Inv
	RFS Bonds 2008B	90,270,000	(151,298)	7,977,272	5,528,660	2,448,612	Incr./Decr. in Fair Value of Inv
	RFS Bonds 2008B	92,045,000	(126,604)	3,846,609	2,716,535	1,130,074	Incr./Decr. in Fair Value of Inv
	RFS Bonds 2008B	117,190,000	(199,127)	8,991,668	6,512,577	2,479,091	Incr./Decr. in Fair Value of Inv
		<u>804,760,000</u>	<u>(1,679,405)</u>	<u>41,277,103</u>	<u>27,670,355</u>	<u>13,606,748</u>	
Investment Derivatives-Liability Positions							
	PUF Bonds 2006B	—	—	—	(974,081)	974,081	Incr./Decr. in Fair Value of Inv
		<u>—</u>	<u>—</u>	<u>—</u>	<u>(974,081)</u>	<u>974,081</u>	
TOTAL		<u>\$ 2,409,415,000</u>	<u>(2,253,388)</u>	<u>132,668,186</u>	<u>64,192,925</u>	<u>68,475,261</u>	

The following is the fair value of the derivative instrument agreements related to debt in effect at August 31, 2022 based on the zero-coupon method and the classification of change in fair value from the previous fiscal year:

Derivative Instruments by Type	Hedgeable Item	Current Notional	Accrued Interest (through 08/31/2022)	Fair Value as of 08/31/2022	Fair Value as of 08/31/2021	Change in Fair Value 08/31/2021 - 08/31/2022	Change in Fair Value Recorded as
Hedging Derivative Assets							
	PUF Bonds 2014A	\$ 240,340,000	—	44,006,224	17,515,709	26,490,515	Def Inflow
	RFS Bonds 2016G	250,000,000	(92,215)	32,631,844	—	32,631,844	Def Inflow
	RFS Taxable CP	250,000,000	(180,549)	48,369,394	—	48,369,394	Def Inflow
		<u>740,340,000</u>	<u>(272,764)</u>	<u>125,007,462</u>	<u>17,515,709</u>	<u>107,491,753</u>	
Hedging Derivative Liabilities							
	PUF Bonds 2008A	166,042,500	782,720	(17,120,521)	(50,525,255)	33,404,734	Def Outflow
	PUF Bonds 2008A	166,042,500	772,065	(16,511,329)	(49,765,271)	33,253,942	Def Outflow
	RFS Bonds 2007B	151,552,500	261,399	(10,823,257)	(32,529,951)	21,706,694	Def Outflow
	RFS Bonds 2007B	151,552,500	261,399	(10,823,257)	(32,529,951)	21,706,694	Def Outflow
	RFS Bonds 2008B	99,205,000	178,963	(9,461,705)	(26,641,589)	17,179,884	Def Outflow
	RFS Bonds 2008B	99,205,000	178,963	(9,461,705)	(26,641,589)	17,179,884	Def Outflow
	RFS Bonds 2008B	191,060,000	299,131	(13,309,037)	(44,294,009)	30,984,972	Def Outflow
	RFS Bonds 2016G	—	—	—	(24,977,781)	24,977,781	Def Outflow
	RFS Taxable CP	—	—	—	(5,455,366)	5,455,366	Def Outflow
		<u>1,024,660,000</u>	<u>2,734,640</u>	<u>(87,510,811)</u>	<u>(293,360,762)</u>	<u>205,849,951</u>	
Investment Derivatives-Asset Positions							
	PUF Bonds 2008A	166,042,500	(152,361)	4,697,372	3,230,931	1,466,441	Incr./Decr. in Fair Value of Inv
	PUF Bonds 2008A	166,042,500	103,345	8,215,211	5,179,802	3,035,409	Incr./Decr. in Fair Value of Inv
	RFS Bonds 2008B	90,270,000	(99,158)	5,528,660	3,862,789	1,665,871	Incr./Decr. in Fair Value of Inv
	RFS Bonds 2008B	92,045,000	(86,256)	2,716,535	1,672,858	1,043,677	Incr./Decr. in Fair Value of Inv
	RFS Bonds 2008B	117,190,000	(130,183)	6,512,577	4,263,564	2,249,013	Incr./Decr. in Fair Value of Inv
		<u>631,590,000</u>	<u>(364,613)</u>	<u>27,670,355</u>	<u>18,209,944</u>	<u>9,460,411</u>	
Investment Derivatives-Liability Positions							
	PUF Bonds 2006B	206,010,000	(46,130)	(974,081)	(531,908)	(442,173)	Incr./Decr. in Fair Value of Inv
		<u>206,010,000</u>	<u>(46,130)</u>	<u>(974,081)</u>	<u>(531,908)</u>	<u>(442,173)</u>	
TOTAL		<u>\$ 2,602,600,000</u>	<u>2,051,133</u>	<u>64,192,925</u>	<u>(258,167,017)</u>	<u>322,359,942</u>	

Derivative Instrument Objectives

Derivative Instruments by Type	Hedgeable Item	Current Notional	Objective	Effective at 08/31/2023	Evaluation for Effectiveness
Hedging Derivative Instruments	PUF Bonds 2008A	\$ 162,452,500	Hedge changes in cash flows on Series 2008A bonds	Yes	Consistent Critical Terms
	PUF Bonds 2008A	162,452,500	Hedge changes in cash flows on Series 2008A bonds	Yes	Consistent Critical Terms
	PUF Bonds 2023A	128,180,000	Hedge changes in fair value of Series 2023A bonds	Yes	Consistent Critical Terms
	RFS Bonds 2007B	141,760,000	Hedge changes in cash flows on Series 2007B bonds	Yes	Consistent Critical Terms
	RFS Bonds 2007B	141,760,000	Hedge changes in cash flows on Series 2007B bonds	Yes	Consistent Critical Terms
	RFS Bonds 2008B	94,830,000	Hedge changes in cash flows on Series 2008B bonds	Yes	Consistent Critical Terms
	RFS Bonds 2008B	94,830,000	Hedge changes in cash flows on Series 2008B bonds	Yes	Consistent Critical Terms
	RFS Bonds 2008B	178,390,000	Hedge changes in cash flows on Series 2008B bonds	Yes	Consistent Critical Terms
	RFS Bonds 2016G	250,000,000	Hedge changes in cash flows on Series 2016G bonds	Yes	Consistent Critical Terms
	RFS Taxable CP	250,000,000	Hedge interest rate risk on RFS taxable commercial paper	Yes	Other Quantitative Method
Investment Derivative Instruments	PUF Bonds 2006B	180,350,000	Manage changes in cash flows on Series 2006B bonds	N/A	N/A
	PUF Bonds 2008A	162,452,500	Manage changes in cash flows on Series 2008A bonds	N/A	N/A
	PUF Bonds 2008A	162,452,500	Manage changes in cash flows on Series 2008A bonds	N/A	N/A
	RFS Bonds 2008B	90,270,000	Manage changes in cash flows on Series 2008B bonds	N/A	N/A
	RFS Bonds 2008B	92,045,000	Manage changes in cash flows on Series 2008B bonds	N/A	N/A
	RFS Bonds 2008B	117,190,000	Manage changes in cash flows on Series 2008B bonds	N/A	N/A
TOTAL		\$ 2,409,415,000			

Derivative Instrument Objectives

Derivative Instruments by Type	Hedgeable Item	Current Notional	Objective	Effective at 08/31/2022	Evaluation for Effectiveness
Hedging Derivative Instruments	PUF Bonds 2008A	\$ 166,042,500	Hedge changes in cash flows on Series 2008A bonds	Yes	Consistent Critical Terms
	PUF Bonds 2008A	166,042,500	Hedge changes in cash flows on Series 2008A bonds	Yes	Consistent Critical Terms
	PUF Bonds 2014A	240,340,000	Hedge changes in cash flows on Series 2014A bonds	Yes	Consistent Critical Terms
	RFS Bonds 2007B	151,552,500	Hedge changes in cash flows on Series 2007B bonds	Yes	Consistent Critical Terms
	RFS Bonds 2007B	151,552,500	Hedge changes in cash flows on Series 2007B bonds	Yes	Consistent Critical Terms
	RFS Bonds 2008B	99,205,000	Hedge changes in cash flows on Series 2008B bonds	Yes	Consistent Critical Terms
	RFS Bonds 2008B	99,205,000	Hedge changes in cash flows on Series 2008B bonds	Yes	Consistent Critical Terms
	RFS Bonds 2008B	191,060,000	Hedge changes in cash flows on Series 2008B bonds	Yes	Consistent Critical Terms
	RFS Bonds 2016G	250,000,000	Hedge changes in cash flows on Series 2016G bonds	Yes	Consistent Critical Terms
	RFS Taxable CP	250,000,000	Hedge interest rate risk on RFS taxable commercial paper	Yes	Other Quantitative Method
Investment Derivative Instruments	PUF Bonds 2006B	206,010,000	Manage changes in cash flows on Series 2006B bonds	N/A	N/A
	PUF Bonds 2008A	166,042,500	Manage changes in cash flows on Series 2008A bonds	N/A	N/A
	PUF Bonds 2008A	166,042,500	Manage changes in cash flows on Series 2008A bonds	N/A	N/A
	RFS Bonds 2008B	90,270,000	Manage changes in cash flows on Series 2008B bonds	N/A	N/A
	RFS Bonds 2008B	92,045,000	Manage changes in cash flows on Series 2008B bonds	N/A	N/A
	RFS Bonds 2008B	117,190,000	Manage changes in cash flows on Series 2008B bonds	N/A	N/A
TOTAL		\$ 2,602,600,000			

The fair value of interest rate swaps reported as investment derivative instruments-asset positions of \$41,277,103 and \$27,670,355 as of August 31, 2023 and 2022, respectively, is included on the consolidated statement of net position as noncurrent unrestricted investments and in the summary of investments in Note 6. The fair value of interest rate swaps reported as investment derivative instruments-liability positions of \$0 and \$974,081 as of August 31, 2023 and 2022 is included on the consolidated statement of net position as investment derivative instruments-liability positions. The change in fair value of interest rate swaps reported as investment derivative instruments are included in investment income on the consolidated statement of revenues, expenses and changes in net position. For the years ending August 31, 2023 and 2022, the change in fair value of interest rate swaps reported as investment derivative instruments was an increase in the amount of \$14,580,829 and an increase in the amount of \$9,018,238, respectively.

Hedging Derivative Instrument and Investment Derivative Instrument Risks

Credit Risk: The System is exposed to credit risk if the counterparty to an interest rate swap fails to meet the terms and obligations of its contracts. Contracts with a positive fair value expose the System to credit risk. The System faces a maximum possible loss equivalent to the amount of the swap contract's fair value, less any collateral held by the System provided by the counterparty. Contracts with a negative fair value do not expose the System to credit risk. All of the counterparties associated with swap contracts with the System are creditworthy financial institutions. Additionally, each of the System's swap counterparties has agreed to provide collateral to the System to the extent the positive value before considering nonperformance risk of the parties exceeds certain threshold amounts. Should a counterparty fail to meet its contractual agreements, or if the System's credit rating falls below investment grade (Baa2 by Moody's or BBB by S&P), the System could be required to pay or receive a substantial termination payment. As of August 31, 2023, the System's credit ratings were Aaa by Moody's and AAA by S&P. The System does not have to post collateral due to changes in fair value of its swap agreements unless the System does not have a credit rating or the System commits a specified event of default and the event of default is continuing. As of August 31, 2023, the maximum loss due to credit risk was \$33,844,819. It is the System's policy to require counterparty collateral posting provisions in its non-exchange-traded derivative instruments. These terms require collateralization of the aggregate value of derivative instruments in asset positions, net of the effect of applicable threshold amounts based on each counterparty's credit rating. Although collateral posted can be in the form of cash, U.S. Treasury or U.S. agency securities held directly by the System or by a third-party custodian approved by the System, collateral posted is currently only in the form of cash held directly by the System. The System has not entered into master netting arrangements.

Bankruptcy Risk: The System is exposed to bankruptcy risk of its swap counterparties. The amount of any termination the System would receive, if a termination payment is owed, would be subject to the swap counterparty's ability to make the required payment. Upon the swap counterparty's bankruptcy, the System's obligation to make payments, the timing of termination, and the valuation of the swap upon termination may be affected by relevant bankruptcy law.

Interest Rate Risk: Interest rate risk involves the risk that the value of the System's interest rate swaps will fluctuate because of changes in interest rates. The value of interest rate swap agreements with a longer weighted average maturity tend to be more sensitive to changing interest rates, and therefore, more volatile than those with shorter maturities.

Basis Risk: The System is exposed to basis risk when the variable rate received under an interest rate swap does not match the variable rate paid on hedged bonds. The interest rate on the System's variable rate bonds is a tax-exempt interest rate based on the System's credit ratings. The variable receipt on the System's interest rate swaps is based on either a tax-exempt index (SIFMA) or a taxable index (SOFR). Tax-exempt interest rates can change without a corresponding change in taxable interest rates due to factors affecting the tax-exempt market that do not have a similar effect on the taxable market.

Index Risk: The System is exposed to risk that the method of establishing SOFR, the Thomson Municipal Market Data (MMD) or the SIFMA index could change over time. A change in SOFR, MMD or the SIFMA index may affect the rate that the System pays or receives on certain interest rate swaps.

Liquidity Risk: The System is exposed to risk that, under certain market conditions, the System may be unable to terminate, assign or novate an interest rate swap. The System may not amend, assign or novate a swap without the swap counterparty's consent. There can be no assurance that another party will be willing to accept an assignment or novation of the System's interest rate swap.

Termination Risk: Termination risk is the risk that the swap may be terminated prior to its scheduled maturity date as a result of certain specified events. None of the System's interest rate swaps are subject to automatic early termination. The System is subject to termination risk if the System's credit rating falls below investment grade (Baa2 by Moody's or BBB by S&P), or if the System commits a specified event of default or other specified event of termination. The System has the right to optionally terminate any of its swaps at any time. At termination, if the fair value of the swap is negative, the System would be liable to pay a termination payment to the appropriate counterparty in the amount of the swap's fair value. If the fair value of the swap is positive at termination, the counterparty would owe a termination payment to the System in the amount of the swap's fair value.

Amortization Risk: Amortization risk is the risk caused by a mismatch between the amortization of a derivative instrument contract and the underlying hedged bonds. The System is not exposed to amortization risk by exactly matching the notional amounts and amortization schedules of its swap contracts with the principal amounts and amortization schedules of the associated hedged bonds.

Market Access Risk: Each swap associated with underlying variable rate debt that is subject to tender at the option of the bondholder is subject to market access risk. In the event the System is unable to remarket its variable rate bonds, the System may choose to refund the variable rate bonds with fixed-rate bonds and optionally terminate the related interest rate swap agreements. Should an early termination event occur, the System could be required to pay or to receive a substantial termination payment. As of August 31, 2023, the System had market access risk associated with \$1,226,475,000 aggregate notional amount of pay-fixed, receive-variable interest rate swaps used to hedge interest rate risk on variable rate bonds subject to tender. As of August 31, 2023, the System's variable rate bonds carried the highest short-term ratings from Moody's and S&P of VMIG1 and A-1+, respectively.

Hedging Derivative Instrument Swap Scheduled Payments

The following tables reflect the scheduled payments on the hedging derivative instrument swap agreements which differ from the presentation in the projected bond debt service requirements table for the related demand bonds and commercial paper. The debt service requirements reflect the entire outstanding balance of the demand bonds in 2024 because the bonds are supported by internal liquidity.

As of August 31, 2023				
Fiscal Year	Associated Variable Rate Bonds and Commercial Paper		Pay-Fixed Receive-Variable Interest Rate Swaps³	Total
	Principal¹	Interest²		
2024	\$ 49,785,000	65,762,900	(21,249,650)	94,298,250
2025	57,325,000	63,808,391	(21,097,382)	100,036,009
2026	50,360,000	61,551,687	(20,925,219)	90,986,468
2027	59,605,000	59,578,166	(20,770,135)	98,413,031
2028	61,850,000	57,233,825	(20,590,758)	98,493,067
2029 - 2033	313,440,000	250,124,954	(100,289,349)	463,275,605
2034 - 2038	374,870,000	189,141,800	(95,829,430)	468,182,370
2039 - 2043	9,240,000	135,359,600	(90,953,210)	53,646,390
2044 - 2048	250,000,000	95,127,500	(65,228,400)	279,899,100
2049 - 2053	250,000,000	13,710,500	(9,621,200)	254,089,300

1 Reflects scheduled principal and interest payments of Revenue Financing System Refunding Bonds, Series 2007B, Revenue Financing System Bonds, Series 2008B, Revenue Financing System Bonds, Taxable Series 2016G, and Permanent University Fund Bonds, Series 2008A to be optionally or mandatorily redeemed in the fiscal years reflected. Also includes \$250 million of projected principal in August 2049 of Revenue Financing System Commercial Paper.

2 Annual debt service requirements are computed using the System's interest rates in effect on August 31, 2023, on its Series 2008A Bonds, Series 2007B Bonds, Series 2008B, Series 2016G Bonds, and taxable commercial paper.

3 Reflects net payments on pay-fixed, receive-variable interest rate swaps based on static interest rate environment as of August 31, 2023, and applied on the respective notional amounts of the swaps through their respective termination dates.

As of August 31, 2023				
Fiscal Year	Associated Fixed Rate Bonds¹		Receive-Fixed Pay-Variable Interest Rate Swaps²	Total
	Principal	Interest		
2024	\$ —	6,409,000	850,996	7,259,996
2025	—	6,409,000	1,038,258	7,447,258
2026	—	6,409,000	1,038,258	7,447,258
2027	—	6,409,000	1,038,258	7,447,258
2028	—	6,409,000	1,038,258	7,447,258
2029 - 2033	128,180,000	28,918,750	4,684,838	161,783,588

¹Reflects scheduled principal and interest payments of Permanent University Fund Bonds, Series 2023A maturing in the fiscal years reflected.

²Reflects net payments on receive-fixed, pay-variable interest rate swaps based on static interest rate environment as of August 31, 2023, and applied on the respective notional amounts of the swaps through their respective termination dates.

As of August 31, 2022

Fiscal Year	Associated Variable Rate Bonds and Commercial Paper		Pay-Fixed Receive-Variable Interest Rate Swaps ³	Total
	Principal ¹	Interest ²		
2023	\$ 48,185,000	27,428,430	17,447,007	93,060,437
2024	49,785,000	26,673,896	16,443,353	92,902,249
2025	57,325,000	25,894,157	15,405,760	98,624,917
2026	50,360,000	24,993,281	14,207,854	89,561,135
2027	59,605,000	24,206,295	13,159,334	96,970,629
2028 - 2032	307,955,000	106,816,027	46,863,944	461,634,971
2033 - 2037	339,775,000	82,917,837	15,355,796	438,048,633
2038 - 2042	111,670,000	57,494,992	(16,738,574)	152,426,418
2043 - 2047	250,000,000	43,961,250	(16,368,600)	277,592,650
2048 - 2052	250,000,000	10,639,500	(4,887,150)	255,752,350

¹ Reflects scheduled principal and interest payments of Revenue Financing System Refunding Bonds, Series 2007B, Revenue Financing System Bonds, Series 2008B, Revenue Financing System Bonds, Taxable Series 2016G, and Permanent University Fund Bonds, Series 2008A to be optionally or mandatorily redeemed in the fiscal years reflected. Also includes \$250 million of projected principal in August 2049 of Revenue Financing System Commercial Paper.

² Annual debt service requirements are computed using the System's interest rates in effect on August 31, 2022 on its Series 2008A Bonds, Series 2007B Bonds, Series 2008B, Series 2016G Bonds, and taxable commercial paper.

³ Reflects net payments on pay-fixed, receive-variable interest rate swaps based on static interest rate environment as of August 31, 2022 and applied on the respective notional amounts of the swaps through their respective termination dates.

14. Stewardship, Compliance and Accountability

The System had no significant violations of bond or note covenants. Per State law, the System cannot spend amounts in excess of appropriations granted by the Texas Legislature. There are no deficits reported in net position.

15. Risk Management and Related Insurance

The System has eight funded self-insurance/high retention plans providing coverage in the following areas: employee health and dental, unemployment compensation, workers' compensation, professional medical liability, property protection, directors and officers/employment practices and cyber liability, construction contractor insurance, and automobile, property and liability.

EMPLOYEE AND RETIREE INSURANCE BENEFITS

The U. T. System Employee Benefits program provides health insurance, dental insurance, vision insurance, life insurance, accidental death and dismemberment (AD&D), long-term disability, short-term disability, and flexible spending account coverage to all benefits-eligible employees and retirees of the System and its thirteen institutions. These insurance benefits are provided through both self-funded and fully-insured arrangements. A portion of the System's cost of providing group health and basic life insurance coverage is paid by the State as specified in the General Appropriations Act. The System's Office of Employee Benefits (OEB) is responsible for the overall administration of the insurance plans. The System's OEB program was established by Chapter 1601 of the *Texas Insurance Code* and complies with State laws and statutes pertinent to employee benefits for the System.

UNEMPLOYMENT COMPENSATION INSURANCE

The General Appropriations Act requires the System to reimburse the Texas Workforce Commission (TWC) for 50% of the unemployment benefits paid to qualified former employees paid from general revenue funds and 100% of the unemployment benefits paid from local funds.

WORKERS' COMPENSATION INSURANCE

The Workers' Compensation Insurance (WCI) program provides coverage to all employees of the System and its institutions. Under the oversight of the System's Office of Risk Management (ORM), the System self-insures and administers the systemwide program through the use of a third-party administrator. The coverage provides income and medical benefits to all employees who have sustained compensable job-related injuries or occupational diseases. The program's statutory authority is embodied in Chapter 503 of the *Texas Labor Code*.

PROFESSIONAL MEDICAL LIABILITY BENEFIT PLAN

The coverage provided under the Professional Medical Liability Benefit Plan (the “Plan”) is on an occurrence basis; thus, a participant is covered by the Plan for claims and lawsuits relating to events that occurred while enrolled in the Plan, including those filed after the participant has left the System’s employment or training. The Plan covers all the System staff physicians, dentists, residents, fellows, and medical and dental students who have been enrolled. Effective July 1, 2020, healthcare professional staff members and faculty who are licensed, certified, or registered to provide patient care have Plan coverage. The limits of liability of the Plan include an annual policy aggregate of \$30 million, an annual aggregate of \$1.5 million for each staff physician, resident, fellow and healthcare professional (\$500,000 per claim), and a \$75,000 annual aggregate for each medical and dental student (\$25,000 per claim). Additional coverage is available outside of Texas and for approved international activities. Liability is limited to \$2 million per claim, regardless of the number of claimants or plan participants involved in an incident.

The limits of liability are prescribed by law as \$100,000 per health care liability claim per physician determined to be a public servant. U. T. institutions are covered under the Plan for actions that could have been brought against an individual plan participant. The liability of a U. T. institution is limited by law to \$250,000 per person injured and \$500,000 per occurrence for bodily injury or death.

COMPREHENSIVE PROPERTY PROTECTION PROGRAM

The Comprehensive Property Protection Plan (CPPP) uses a combination of interim financing and commercial insurance to provide Fire and All Other Perils (Fire and AOP) and Named Windstorm and Flood (Wind and Flood) coverage. All coverage is subject to the terms, exclusions, limits and conditions of the Insurance Policies. The Fire and AOP program provides a \$1.3 billion per occurrence limit for most perils, with sub-limits that do apply. The System participates in a quota share of the following layers of commercial insurance coverage: thirteen percent (13%) of the \$25 million layer excess of \$25 million, twelve percent (12%) of the \$25 million layer excess of \$50 million, nine percent (9%) of the \$25 million layer excess of \$75 million, and five percent (5%) of the \$50 million layer excess of \$100 million. Deductibles for Fire and AOP are \$10 million per occurrence with a \$20 million annual aggregate limit; institutions have a \$500,000 per occurrence deductible. The commercial insurance coverage for Named Windstorm and resulting perils provides a \$250 million per occurrence limit with the System participating in a quota share of the following layers of commercial insurance coverage: thirteen percent (13%) of the \$25 million layer excess of \$25 million, twelve percent (12%) of the \$25 million layer excess of \$50 million, nine percent (9%) of the \$25 million layer excess of \$75 million, and five percent (5%) of the \$50 million layer excess of \$100 million. M. D. Anderson purchases a dedicated \$100 million policy excess of the \$250 million per occurrence Named Windstorm CPPP limit. Deductibles for Wind and Flood are \$100 million per occurrence for U. T. Medical Branch - Galveston (locations in Galveston only), \$50 million per occurrence for U. T. Health Science Center - Houston (locations in Texas Medical Center only) and M. D. Anderson (locations in Texas Medical Center Only), 5% of affected values in other Tier 1 counties subject to a \$10 million minimum, and AOP deductibles for all other locations. Tier 1 counties include counties along the Texas coast plus parts of Harris County.

Primary insurance policies are purchased on certain flood and wind exposed properties to partially offset the large deductibles. These policies provide underlying limits (up to \$4.4 million per building/contents for wind and \$1 million maximum building/contents for flood) and are purchased through the Texas Windstorm Insurance Association (TWIA) for facilities in Tier 1 seacoast territories and the National Flood Insurance Program (NFIP) for properties located in higher risk flood zones. U. T. Medical Branch - Galveston purchases a \$50 million Named Windstorm buydown policy to reduce the \$100 million Wind and Flood deductible for locations in Galveston only. M. D. Anderson purchases a \$25 million Named Windstorm Multi Year Single Limit (MYSL) buydown policy to reduce the \$50 million Wind and Flood deductible; they have a 25% share of the \$25 million to \$50 million layer. The interim financing component of the program participates in losses resulting from physical damage that exceeds the coverage available under these primary policies and the institution’s deductible. The interim financing for the Wind and Flood program is funded by annual contributions made by each institution in addition to the payment of insurance premiums.

DIRECTORS AND OFFICERS/EMPLOYMENT PRACTICES LIABILITY PLAN AND CYBER LIABILITY PROGRAM

The Directors and Officers Liability (D&O) and Employment Practices Liability (EPL) Plan (the “Plan”) provides coverage for claims arising from actual or alleged wrongful acts performed by the Plan beneficiaries and for EPL claims, such as wrongful termination, failure to promote, and wrongful discipline.

Coverage applies to individual board members, employees, faculty, and other covered individuals, as well as to each of the institutions and U. T. System Administration. The limit of liability is a \$15 million annual aggregate (Coverages A, B and C combined), with an additional \$5 million self-insured annual aggregate excess limit for Coverages A and B. Self-insured retentions for the Plan are subject to a \$5 million annual aggregate. Coverage A applies to non-indemnifiable claims made against individuals and it has no deductible. Coverage B applies to a U. T. institution that is required to indemnify a covered individual with deductibles of \$100,000 per individual and \$300,000 per occurrence. Coverage C applies to a U. T. institution with a \$300,000 deductible. In the event a loss involves any or all of Coverages A, B, and C, then only the single largest deductible amount will apply.

The Cyber Liability Program provides coverage for claims arising from the following causes of loss: media liability, network security liability, privacy liability, regulatory liability, loss of digital assets, network asset protection, and Payment Card Industry Data Security Standard (PCI-DSS). Each claim is subject to a \$10 million self-insured retention; institutions have a \$500,000 per occurrence deductible.

ROLLING OWNER CONTROLLED INSURANCE PROGRAM

The Rolling Owner Controlled Insurance Program (ROCIP) was established for the centralized purchase of construction contractor insurance on various capital improvement projects. This program provides workers' compensation, employers' liability and general liability insurance coverage for all contractors enrolled on projects participating in the program. Each coverage carries a \$250,000 per occurrence deductible with a maximum \$375,000 per occurrence clash deductible, if more than one coverage is triggered by the same occurrence. Deductibles are paid through the program's self-insurance fund. The self-insurance fund also pays portions of Builder's Risk deductibles.

AUTOMOBILE, PROPERTY & LIABILITY PLAN

The Automobile, Property & Liability Plan provides automobile liability and physical damage coverage for owned, leased, hired, and non-owned (excess liability only) vehicles, along with general liability coverage for certain scheduled exposures. All auto liability and general liability coverages are subject to a self-insured retention of \$100,000 with a corridor endorsement for an additional layer of up to \$50,000 per occurrence with an aggregate limit of \$200,000 applicable to losses over \$100,000 subject to a \$996,000 annual aggregate stop loss for the fiscal year 2023 policy term. Physical Damage claims are subject to a \$25,000 deductible per occurrence. Institution deductibles are \$2,500 per occurrence for liability, \$1,000 per vehicle for physical damage, and \$5,000 per vehicle for physical damage for vehicles valued over \$100,000.

INCURRED BUT NOT REPORTED SELF-INSURANCE CLAIMS

Insurance claims that were Incurred But Not Reported (IBNR) were actuarially determined for the employee's health and dental, workers' compensation, professional medical liability, directors and officers/employment practices liability and cyber liability program, rolling owner controlled, and automobile, property and liability self-insurance plans. IBNR figures for the workers' compensation, professional medical liability, directors and officers/employment practices liability and cyber liability program, rolling owner controlled, and automobile, property and liability self-insurance plans include liabilities for unpaid reported claims and are reported on an undiscounted basis. The IBNR liability for the property protection self-insurance plan is not actuarially determined but estimated based on unpaid reported claims. Since an annual accrual is recorded for the third quarter TWC billing, no IBNR liability is recorded for Unemployment Compensation Insurance. No settlements exceeded insurance coverage in the past three fiscal years.

Since the responsibility for processing all claims for self-funded employee health and dental benefits has been fully delegated to third parties, the IBNR claims liability for those benefits does not include a provision for unallocated loss adjustment expenses (ULAE). However, it does include a provision of 5% of the projected incurred but unpaid claims for the administrative expenses associated with processing those claims. The IBNR claims liability for the workers' compensation, professional medical liability, directors and officers/employment practices liability and cyber liability program, rolling owner controlled, and automobile, property and liability self-insurance plans includes a related accrual for allocated loss adjustment expenses (ALAE), which are the claim-specific defense and settlement costs associated with the ultimate settlement of those claims. They do not include a provision for ULAE, which are general administrative expenses associated with claims settlement, but are not specifically attributable to individual claims.

Changes in the System’s claims liabilities for the various self-insurance plans during fiscal years 2023 and 2022 were as follows:

Fiscal Year 2023 Plan	IBNR Liability 09/01/2022	Current Year Claims and Changes in Estimates	Claims Payments	IBNR Liability 08/31/2023
Employee Health and Dental	\$ 179,000,000	1,826,588,154	(1,816,488,154)	189,100,000
Workers’ Compensation	4,145,000	4,551,855	(4,093,855)	4,603,000
Professional Medical Liability	20,450,642	4,897,466	(3,620,866)	21,727,242
Property Protection – Fire & AOP	7,596,212	15,837,827	(12,629,406)	10,804,633
Property Protection – Wind & Flood	—	—	—	—
Directors and Officers/EPL/Cyber	5,753,058	4,122,788	(2,118,471)	7,757,375
ROCIP	4,280,367	46,279	(1,091,215)	3,235,431
Automobile, Property & Liability	493,962	977,382	(797,350)	673,994
TOTAL	\$ 221,719,241	1,857,021,751	(1,840,839,317)	237,901,675

Fiscal Year 2022 Plan	IBNR Liability 09/01/2021	Current Year Claims and Changes in Estimates	Claims Payments	IBNR Liability 08/31/2022
Employee Health and Dental	\$ 134,300,000	1,750,116,117	(1,705,416,117)	179,000,000
Workers’ Compensation	3,486,000	4,973,970	(4,314,970)	4,145,000
Professional Medical Liability	20,973,497	3,766,215	(4,289,070)	20,450,642
Property Protection – Fire & AOP	10,047,571	(9,113,950)	6,662,591	7,596,212
Property Protection – Wind & Flood	—	—	—	—
Directors and Officers/EPL/Cyber	3,340,089	2,612,969	(200,000)	5,753,058
ROCIP	4,442,581	700,545	(862,759)	4,280,367
Automobile, Property & Liability	521,128	585,348	(612,514)	493,962
TOTAL	\$ 177,110,866	1,753,641,214	(1,709,032,839)	221,719,241

16. Postemployment Health Care and Life Insurance Benefits

HEALTH AND LIFE INSURANCE BENEFITS FOR RETIRED EMPLOYEES

In addition to providing pension benefits, the State provides certain health (medical and pharmacy) and life insurance benefits for retired employees (OPEB), in accordance with State statutes. Many employees may become eligible for the health and life insurance benefits as a retired employee if they meet certain age and service requirements as defined by the State. Similar benefits for active employees are provided through the same self-funded plan. Prior to and during fiscal year 2022 and continuing through December 31, 2022, all retiree medical benefits were provided through UT Select, System’s self-funded health plan. Effective January 1, 2023, medical benefits for retirees for whom Medicare is primary (Medicare-primary retirees) and retiree dependents for whom Medicare is primary (Medicare-primary dependents) are provided through UT Care, a fully insured Medicare Advantage plan provided by Blue Cross Blue Shield of Texas. Medical benefits for retirees and retiree dependents for whom Medicare is not primary continue to be provided through UT Select. Pharmacy benefits for all retirees regardless of Medicare status have been and continue to be provided through UT Select. For the years ended August 31, 2023 and 2022, the employer and retiree monthly contribution rates for full-time retired employee are shown in the following table. The retiree contributes any premium charged over and above the employer contributions. Note contribution rates for fiscal year 2023 are the same for UT Select and UT Care.

Level of Coverage	2023		2022	
	Employer	Retiree	Employer	Retiree
Retiree Only	\$ 675.16	—	628.06	—
Retiree/Spouse	1,029.06	290.70	957.26	270.42
Retiree/Children	901.60	304.04	838.70	282.82
Retiree/Family	1,257.62	572.46	1,169.88	532.52

Retiree contributions as of January 1, 2023 under UT Care Medicare Advantage are \$316.87 for the spouse, if retiree is deceased, \$316.87 for dependent children, and \$633.74 for spouse plus children, if retiree is deceased.

PLAN DESCRIPTION AND FUNDING POLICY

OPEB are provided to the System's retirees under the UT System Employee Group Insurance Program (EGIP). The EGIP is a single-employer defined benefit OPEB plan; however, due to the State statute requiring appropriations for funding the plan, the State is reporting a proportionate share. Chapter 1551 of the *Texas Insurance Code*, Sections 310 and 311, require that the State contribute to the cost of each participant's insurance coverage. The funds are appropriated under the General Appropriations Act Higher Education Employees Group Insurance (HEGI) Contributions. The State's proportion was 17.18% and 18.06% of the collective OPEB-related liabilities, deferred outflows and inflows and expense based on HEGI contributions by the State to total contributions as of August 31, 2023 and 2022. The System's proportion as of August 31, 2023 and 2022 was 82.82% and 81.94%. At August 31, 2023 and 2022, the amount of the total OPEB liability related to the System reported by the State was \$1,678,372,322 and \$3,239,950,544, respectively. The amount reported by the State is related to the premium sharing contributions, which are recognized as State appropriation general revenue on the System's financial statements in the fiscal year that the State contributed the amounts for OPEB on the System's behalf.

The System and member contribution rates are determined annually by the System based on the recommendations of the OEB staff and consulting actuary. The contribution rates are determined based on the benefit and administrative costs expected to be incurred and (i) the funds appropriated and (ii) the funding policy established by the Texas Legislature in connection with benefits provided through the EGIP. The System revises benefits when necessary to match expected benefit and administrative costs with available revenue. The plan is operated on a pay-as-you-go basis and no assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

EMPLOYEES COVERED BY BENEFIT TERMS

The benefits provided are discussed in Note 15. The authority under which the obligations of the plan members and the System are established and may be amended is Chapter 1601, *Texas Insurance Code*. At the respective measurement dates, the following employees were covered by the benefit terms:

	<u>Measurement Dates</u>
	<u>December 31, 2022 & December 31, 2021</u>
a. Inactive Employees or Beneficiaries Currently Receiving Benefit Payments	31,104
b. Inactive Employees Entitled to but not yet Receiving Benefit Payments	15,091
c. Active Employees	104,546
d. Total	<u>150,741</u>

TOTAL OPEB LIABILITY

The System has elected to use a measurement date that is eight months in advance of the fiscal year end. The System's proportionate share of the total OPEB liability of \$8,089,734,355, current portion of \$208,395,911 and a noncurrent portion of \$7,881,338,444, reported for the fiscal year ended August 31, 2023 was measured as of December 31, 2022 and was determined by an actuarial valuation as of December 31, 2021 and rolled forward twelve months to December 31, 2022. The System's proportionate share of the total OPEB liability of \$14,695,594,306, current portion of \$243,697,144 and a noncurrent portion of \$14,451,897,162, reported for the fiscal year ended August 31, 2022 was measured as of December 31, 2021, and was determined by an actuarial valuation as of the same date.

ACTUARIAL ASSUMPTIONS AND OTHER INPUTS

The total OPEB liability as of December 31, 2022 was determined by an actuarial valuation as of December 31, 2021 and rolled forward twelve months to December 31, 2022. The following actuarial assumptions applied to all periods included in the measurement, unless otherwise specified:

Summary of Actuarial Methods and Assumptions – OPEB

Inflation	2.30%
Salary Increases	3.05% to 9.05% (includes inflation)
Discount Rate	3.72% for December 31, 2022; 2.06% for December 31, 2021;
Healthcare cost Trend Rates:	
Medical	UT Select: 5.50% for CY24, 5.25% for CY25, 5.00% for CY26, 4.75% for CY27, 4.60% for CY28, 4.50% for CY29, 4.40% for CY30 and 4.30% for CY31 and later years UT Care: 0.00% for CY24, 3.00% for CY25, 5.00% for CY26, 4.75% for CY27, 4.60% for CY28, 4.50% for CY29, 4.40% for CY30 and 4.30% for CY31 and later years
Pharmacy	10.00% for CY24, 9.50% for CY25, 9.00% for CY26, 8.00% for CY27, 7.00% for CY28, 6.00% for CY29, 5.00% for CY30 and 4.30% for CY31 and later years
Retiree contributions and opt-out credit trend rates	7.50% ¹ for CY23, 6.90% for CY24, 6.60% for CY25, 6.25% for CY26, 5.80% for CY27, 5.35% for CY28, 4.95% for CY29, 4.60% for CY30 and 4.30% for CY31 and later years
Mortality:	
a. Service Retirees, Survivors and other Inactive Members:	Tables based on TRS experience with Ultimate MP Projection Scale from the year 2018.
b. Disability Retirees:	Tables based on TRS experience with Ultimate MP Projection Scale from the year 2018 using a 3-year set forward and minimum mortality rates of four per 100 male members and two per 100 female members.
c. Active Members:	Sex Distinct RP-2014 Employee Mortality multiplied by 90% with Ultimate MP Projection Scale from the year 2014.
Discount Rate:	
a.	For fiscal year ended August 31, 2023: The discount rate used to measure the total OPEB liability as of December 31, 2022 was 3.72%. The discount rate used to determine the total OPEB liability as of December 31, 2021 was 2.06%.
b.	For fiscal year ended August 31, 2022: The discount rate used to measure the total OPEB liability as of December 31, 2021 was 2.06%. The discount rate used to measure the total OPEB liability as of December 31, 2020 was 2.12%.
c.	Municipal Bond Rate: 3.72% as of December 31, 2022 and 2.06% as of December 31, 2021; the source of the municipal bond rate is the Bond Buyer Index of general obligation bonds with 20 years to maturity and mixed credit quality. In describing their index, the Bond Buyer notes that the bonds' average credit quality is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard & Poor's Corp.'s AA.

¹For FY23, actual retiree contributions are equal to FY22 retiree contributions increased by 7.50% for all coverage levels except as indicated in the following sentence. Retiree contributions as of 1/1/2023 under UT Care Medicare Advantage are \$316.87 for "Spouse, if Retiree is deceased", \$316.87 for "Dependent Children" and \$633.74 for "Spouse plus Children, if Retiree is deceased".

Last State Employer Assumption:

Members who terminate employment are assumed to participate in the EGIP (i.e., as a result of UT System being their last State employer), provided all other eligibility requirements are satisfied, according to the following schedule:

<u>Age at Termination Rate</u>	<u>Participation</u>
<20	20%
20-24	20%
25-34	20%
35-44	40%
45-54	40%
≥55	40%

Many of the actuarial assumptions used in this valuation were based on the results of an actuarial experience study performed by the TRS retirement plan actuary as of August 31, 2017.

The following assumptions or other inputs were changed since the previous measurement date:

i. **Economic Assumptions**

- Assumed Per Capita Health Benefit Costs and Health Benefit Cost trends have been updated since the previous valuation to reflect increases in retiree cost sharing in UT Select and the implementation of UT Care effective January 1, 2023.
- The expenses directly related to the payment of EGIP health benefits have been updated since the previous valuation.
- The Patient-Centered Outcome Research Institute (PCORI) fees payable under the Affordable Care Act (ACA) have been updated since the previous valuation.

ii. **Other Inputs**

The discount rate was changed as a result of requirements by GASB Statement No. 75 to utilize the yield or index rate as of the measurement date for 20-year, tax-exempt general obligation municipal bonds rated AA/Aa (or equivalent) or higher.

As of the measurement date of December 31, 2022, the benefit terms have changed to reflect: i) increases in retiree cost sharing for retirees for whom Medicare is not primary and ii) an increase in the employer funded life insurance coverage for retirees who do not opt out of EGIP health coverage upon retirement. Accordingly, the benefit terms used in this valuation have changed since the prior valuation.

Sensitivity of the System's Proportionate Share of the Total OPEB Liability to Changes in the Discount Rate

	<u>1% Decrease</u>	<u>FY23</u> <u>Discount Rate</u>	<u>1% Increase</u>
	<u>(2.72)%</u>	<u>(3.72)%</u>	<u>(4.72)%</u>
Total OPEB Liability	\$ 9,558,708,298	\$ 8,089,734,355	\$ 6,927,817,838

	<u>1% Decrease</u>	<u>FY22</u> <u>Discount Rate</u>	<u>1% Increase</u>
	<u>(1.06)%</u>	<u>(2.06)%</u>	<u>(3.06)%</u>
Total OPEB Liability	\$ 17,933,558,969	\$ 14,695,594,306	\$ 12,207,045,887

Sensitivity of the System’s Proportionate Share of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

	FY23 Healthcare Cost Trend Rates¹		
	1% Decrease¹		1% Increase¹
Total OPEB Liability	\$ 6,754,616,645	\$ 8,089,734,355	\$ 9,847,385,898

	FY22 Healthcare Cost Trend Rates²		
	1% Decrease²		1% Increase²
Total OPEB Liability	\$ 11,924,338,193	\$ 14,695,594,306	\$ 18,456,093,101

¹ Healthcare Cost Trend Rates used for fiscal year 2023 are shown below:

Calendar Year	Medical - UT Select			Medical - UT Care		
	1% Decrease	Healthcare Cost Trend Rates	1% Increase	1% Decrease	Healthcare Cost Trend Rates	1% Increase
2024	4.50%	5.50%	6.50%	(1.00)%	—%	1.00%
2025	4.25%	5.25%	6.25%	2.00%	3.00%	4.00%
2026	4.00%	5.00%	6.00%	4.00%	5.00%	6.00%
2027	3.75%	4.75%	5.75%	3.75%	4.75%	5.75%
2028	3.60%	4.60%	5.60%	3.60%	4.60%	5.60%
2029	3.50%	4.50%	5.50%	3.50%	4.50%	5.50%
2030	3.40%	4.40%	5.40%	3.40%	4.40%	5.40%
2031 and beyond	3.30%	4.30%	5.30%	3.30%	4.30%	5.30%

Calendar Year	Pharmacy		
	1% Decrease	Healthcare Cost Trend Rates	1% Increase
2024	9.00%	10.00%	11.00%
2025	8.50%	9.50%	10.50%
2026	8.00%	9.00%	10.00%
2027	7.00%	8.00%	9.00%
2028	6.00%	7.00%	8.00%
2029	5.00%	6.00%	7.00%
2030	4.00%	5.00%	6.00%
2031 and beyond	3.30%	4.30%	5.30%

² Healthcare Cost Trend Rates used for fiscal year 2022 are shown below:

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

CHANGES IN THE SYSTEM'S PROPORTIONATE SHARE OF THE TOTAL OPEB LIABILITY

	Increase (Decrease) in Total OPEB Liability	
	For Measurement Year from 12/31/2021 - 12/31/2022	For Measurement Year from 12/31/2020 - 12/31/2021
Balance at Beginning of Measurement Year	\$ 14,695,594,306	11,931,417,814
Changes for the Year:		
Service Cost	877,350,009	708,022,293
Interest	321,938,242	266,654,173
Benefit Terms	(52,783,790)	—
Differences Between Expected and Actual Experience	—	160,861,824
Changes of Assumptions or Other Inputs	(7,704,380,357)	1,780,677,623
Benefit Payments (Employer)	(206,219,478)	(181,252,716)
Net Changes	(6,764,095,374)	2,734,963,197
Changes in Proportionate Share	158,235,423	29,213,295
Balance at End of Measurement Year	\$ 8,089,734,355	14,695,594,306

The System recognized OPEB expense of \$462,609,141 for the fiscal year ended August 31, 2023 and \$1,150,530,177 for the fiscal year ended August 31, 2022.

The changes in the total OPEB liability, including both the System's and the State's portion, are shown in the table below.

	Increase (Decrease) in Total OPEB Liability	
	For Measurement Year from 12/31/2021 - 12/31/2022	For Measurement Year from 12/31/2020 - 12/31/2021
Balance at Beginning of Measurement Year	\$ 17,935,544,850	14,597,601,922
Changes for the Year:		
Service Cost	1,059,373,288	864,120,588
Interest	388,730,575	325,443,652
Benefit Terms	(63,734,811)	—
Differences Between Expected and Actual Experience	—	196,327,171
Changes of Assumptions or Other Inputs	(9,302,803,516)	2,173,265,178
Benefit Payments (Employer)	(249,003,709)	(221,213,661)
Net Changes	(8,167,438,173)	3,337,942,928
Changes in Proportionate Share	—	—
Balance at End of Measurement Year	<u>\$ 9,768,106,677</u>	<u>17,935,544,850</u>

At each fiscal year-end, the System reported deferred outflows of resources and deferred inflows of resources related to OPEB from the sources listed in the table below.

	As of August 31, 2023		As of August 31, 2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 124,515,711	81,950,260	142,025,545	110,741,721
Changes of Assumptions or Other Inputs	2,485,262,865	7,706,119,307	2,871,138,715	1,184,874,462
Change in Proportion and Contribution Difference	529,653,958	12,919,463	500,240,792	20,218,595
Contributions Subsequent to the Measurement Date	127,487,908	—	140,874,223	—
Total	<u>\$ 3,266,920,442</u>	<u>7,800,989,030</u>	<u>3,654,279,275</u>	<u>1,315,834,778</u>

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

For the Fiscal Year ended August 31, 2023:

Fiscal Year Ended	Amount
August 31	
2024	\$ (687,018,165)
2025	(642,018,293)
2026	(528,481,088)
2027	(484,628,521)
2028	(425,741,144)
Thereafter	(1,893,669,285)
Total	<u>\$ (4,661,556,496)</u>

CHANGES IN THE TOTAL OPEB LIABILITY BETWEEN THE MEASUREMENT DATE AND AUGUST 31, 2023

The following change was made to the OPEB plan between the December 31, 2022 measurement date of the Total OPEB Liability and the Employer's fiscal year 2023 reporting date of August 31, 2023:

- Texas Senate Bill 1055, which was signed by the Governor on May 10, 2023, added Stephen F. Austin State University into the University of Texas System. As a result, eligible employees of Stephen F. Austin State University will become members under this OPEB plan effective September 1, 2023.

The System estimates that the above change would increase the Total OPEB Liability, including both the System's and the State's portion, to \$9.9 billion as of December 31, 2022, using the current discount rate of 3.72%.

17. Pension Plans

TEACHER RETIREMENT SYSTEM (TRS)

The State of Texas has joint contributory retirement plans for substantially all its employees. One of the primary plans in which the System participates is a cost-sharing multiple-employer defined benefit pension plan with a special funding situation administered by the Teacher Retirement System of Texas. TRS is primarily funded through State and employee contributions. Depending upon the source of funding for a participant's salary, the System may be required to make contributions in lieu of the State.

All System personnel employed in a position on a half time or greater basis for at least four and one half months or more are eligible for membership in the TRS retirement plan. However, students employed in positions that require student status as a condition of employment do not participate. Members with at least five years of service have a vested right to unreduced retirement benefits at age 65 or provided they have a combination of age plus years of service totaling 80 or more. However, members who began TRS participation on or after September 1, 2007 must be age 60 to retire with unreduced benefits and members who are not vested in TRS on August 31, 2014 must be age 62 to retire with unreduced benefits under the second option. Members are fully vested after five years of service and are entitled to any reduced benefits for which the eligibility requirements have been met prior to meeting the eligibility requirements for unreduced benefits.

The TRS Plan provides retirement, disability annuities and death and survivor benefits. The benefit and contribution provisions of the TRS Plan are authorized by state law and may be amended by the Legislature. The pension benefit formulas are based on members' average annual compensation and years of service credit. The standard annuity is 2.3% of the average of the five highest annual salaries multiplied by years of service credit. For grandfathered 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.

TRS contribution rates for both employers and employees are not actuarially determined but are legally established by the State Legislature. Contributions by employees were 8.0% of gross earnings for 2023, and 8.0% of gross earnings for 2022. Depending upon the source of funding for the employee’s compensation, the State or the System contributes a percentage of participant salaries totaling 8.0% of annual compensation for 2023, and 7.75% of annual compensation for 2022. The System’s actual contributions excluding the State match to TRS for the years ended August 31, 2023, 2022 and 2021 were \$514,850,265, \$439,933,274, and \$381,611,428, respectively.

The total pension liability is determined by an annual actuarial valuation. The tables below present the actuarial methods and assumptions used to measure the total pension liability as of the August 31, 2022 and August 31, 2021 measurement dates.

Summary of Actuarial Methods and Assumptions – TRS Plan

Actuarial Valuation Date	Aug 31, 2021 rolled forward to Aug 31, 2022
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Discount Rate	7.00 %
Long-term Expected Rate of Return	7.00 %
Municipal Bond Rate as of August 2022*	3.91 %
Inflation	2.30 %
Salary Increase	2.95% to 8.95% including inflation
Payroll Growth Rate	2.90 %
Mortality:	
Active	Based on the PUB(2010), Amount-Weighted, Below-Median Income, Teacher, Male and Female tables, with a 2-year set forward for males. The rates are projected on a fully generational basis by the long-term rates of scale UMP 2021 to account for future mortality improvements.
Post-Retirement	The 2021 TRS of Texas Healthy Pensioner Mortality Tables. The rates are projected on a fully generational basis by Scale UMP 2021, but with immediate convergence, to account for future mortality improvements. For disabled retirees, a three-year set forward of these tables are used, with minimum mortality rates of 0.0200 for females and 0.0400 for males, respectively.
Ad Hoc Post-Employment Benefit Changes	None

Summary of Actuarial Methods and Assumptions – TRS Plan

Actuarial Valuation Date	Aug 31, 2020 rolled forward to Aug 31, 2021	
Actuarial Cost Method	Individual Entry Age Normal	
Asset Valuation Method	Market Value	
Actuarial Assumptions:		
Discount Rate		7.25 %
Long-term Expected Rate of Return		7.25 %
Municipal Bond Rate as of August 2021*		1.95 %
Inflation		2.30 %
Salary Increase	3.05% to 9.05% including inflation	
Payroll Growth Rate		3.00 %
Mortality:		
Active	90% of the RP 2014 Employee Mortality Tables for males and females with full generational mortality	
Post-Retirement	2018 TRS Healthy Pensioner Mortality Tables with full generation projection using Scale U-MP	
Ad Hoc Post-Employment Benefit Changes		None

Notes:

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

The actuarial assumptions used in the determination of the total pension liability as of the August 31, 2022 measurement date were updated from the assumptions used in the actuarial valuation as of August 31, 2021. The actuarial assumptions used in the August 31, 2022 valuation were primarily based on the result of an actuarial experience study for the period ending August 31, 2021 and adopted on July 15, 2022. There have been no changes to the benefit provisions of the plan since the prior measurement date.

The following assumptions or other inputs were changed since the previous measurement date:

i. **Economic Assumptions**

- The discount rate and long-term expected rate of return were updated based on the current capital market assumptions from Aon (TRS' investment consultant) and the System's target asset allocation.
- The salary increase and payroll growth rates were updated to reflect a 0.10% decrease in the general wage inflation assumption.

ii. **Demographic Assumptions**

- Pre- and post-retirement mortality tables were updated based on observations during the five-year period ending August 31, 2019.
- The termination and disability tables were updated to combine male and female experience patterns.
- The retirement tables were updated to reflect small decreases to the retirement probabilities.

The discount rate of 7.00% was applied to measure the total pension liability. The discount rate was based on the expected rate of return on pension plan investments of 7.00%. The projected cash flows into and out of the pension plan assumed that active members, employers, and non-employer contributing entity make their contributions at the statutorily required rates. It is assumed that future employer and State contributions will be 8.50% of payroll for the measurement period ending August 31, 2020, gradually increasing to 9.55% over the next several years. This includes a factor for all employer and State contributions for active and rehired retirees. Based on these assumptions, the pension plan's fiduciary net position and future contributions were sufficient to finance the benefit payments of current plan members. As a result, the long-term expected rate of return on pension plan investments was applied to all projected benefit payments to determine the total pension liability.

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

The target allocation and best estimates of geometric real rates of return for each major asset class for the plan's investment portfolio as of the August 31, 2022, measurement date are presented below:

Asset Class*	Target Allocation**	Long-Term Expected Geometric Real Rate of Return***
Global Equity		
U.S.	18.0 %	4.6 %
Non-U.S. Developed	13.0 %	4.9 %
Emerging Markets	9.0 %	5.4 %
Private Equity	14.0 %	7.7 %
Stable Value		
U.S. Treasury	16.0 %	1.0 %
Absolute Return	—	3.7 %
Stable Value Hedge Funds	5.0 %	3.4 %
Real Return		
Real Assets	15.0 %	4.1 %
Energy, Natural Resources, and Infrastructure	6.0 %	5.1 %
Commodities	—	3.6 %
Risk Parity		
Risk Parity	8.0 %	4.6 %
Asset Allocation Leverage Cash	2.0 %	3.0 %
Asset Allocation Leverage	(6.0)%	3.6 %
Total	100.0 %	

Notes:

*Absolute Return includes Credit Sensitive Investments.

**Target allocations are based on fiscal year 2022 policy model.

***Capital Market assumptions come from Aon Hewitt (as of 08/31/2022).

The target allocation and best estimates of geometric real rates of return for each major asset class for the plan's investment portfolio as of the August 31, 2021, measurement date are presented below:

Asset Class	Target Allocation*	Long-Term Expected Geometric Real Rate of Return**
Global Equity		
U.S.	18.0 %	3.6 %
Non-U.S. Developed	13.0 %	4.4 %
Emerging Markets	9.0 %	4.6 %
Private Equity	14.0 %	6.3 %
Stable Value		
U.S. Treasury	16.0 %	(0.2)%
Absolute Return	—	1.1 %
Stable Value Hedge Funds	5.0 %	2.2 %
Real Return		
Real Assets	15.0 %	4.5 %
Energy, Natural Resources, and Infrastructure	6.0 %	4.7 %
Commodities	—	1.7 %
Risk Parity		
Risk Parity	8.0 %	2.8 %
Asset Allocation Leverage Cash	2.0 %	(0.7)%
Asset Allocation Leverage	(6.0)%	(0.5)%
Total	100.0 %	

Notes:

*Target allocations are based on fiscal year 2021 policy model.

**Capital Market assumptions come from Aon Hewitt (as of 08/31/2021).

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

Sensitivity of System's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate FY23

1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
\$8,772,364,757	\$5,639,140,669	\$3,099,515,475

Sensitivity of System's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate FY22

1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
\$5,027,419,794	\$2,300,711,499	\$88,523,417

The pension plan's fiduciary net position is determined using economic resources measurement focus and the accrual basis of accounting, which is the same basis used by TRS. Benefits and refunds of contributions are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value. Fair value is a market-based measurement, not an entity-specific measurement. TRS utilizes one or more of the following valuation techniques in order to measure fair value: the market approach, the cost approach, and the income approach. More detailed information on the plan's investment policy, assets, and fiduciary net position, may be obtained from TRS' fiscal 2022 Annual Comprehensive Financial Report. Further information regarding actuarial assumptions and conclusions, together with audited financial statements are included in the TRS' annual financial report, which may be obtained from the TRS website.

As of August 31, 2023 and 2022, respectively, the System reported a liability of \$5,639,140,669 and \$2,300,711,499 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of August 31, 2022 and 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of August 31, 2021 and 2020, respectively, and rolled forward to the measurement date. The System's proportion as of the August 31, 2022 and 2021 measurements dates was 9.4987114% and 9.0342804%, respectively. 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 non-employer contributing entity to the plan for the periods September 1, 2021 through August 31, 2022 and September 1, 2020 through August 31, 2021. At August 31, 2023 and 2022, respectively, the amount of the net pension liability related to the System reported by the State was \$2,209,241,002 and \$729,928,272. The amount reported by the State is related to the on-behalf contributions, which are recognized as State appropriation general revenue on the System's financial statements in the fiscal year that the State contributed the amounts to TRS on the System's behalf.

For the years ending August 31, 2023 and 2022, the System recognized pension expense of \$739,191,094 and \$125,990,889, respectively. At August 31, 2023 and 2022, the System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2023		2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 81,767,085	122,943,946	3,850,171	161,971,911
Changes of Assumptions	1,050,755,436	261,877,598	813,256,571	354,510,118
Net Diff Between Projected and Actual Investment Return	557,129,061	—	—	1,929,116,735
Change in Proportion and Contribution Difference	450,681,969	178,847,679	404,726,884	242,046,563
Contributions Subsequent to the Measurement Date	514,850,265	—	439,933,274	—
Total	\$ 2,655,183,816	563,669,223	1,661,766,900	2,687,645,327

The \$514,850,265 and \$439,933,274 reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the years ending August 31, 2024 and 2023, respectively.

Amounts reported as deferred outflows and inflows of resources related to pensions as of August 31, 2023 will be recognized in pension expense in the following years:

<u>Fiscal Year</u>	<u>Increase (Reduction) of Pension Expense</u>
2024	\$ 427,721,381
2025	246,997,078
2026	102,650,629
2027	687,111,814
2028	112,183,426
Total	<u>\$ 1,576,664,328</u>

OPTIONAL RETIREMENT PROGRAM (ORP)

The State has also established an optional defined contribution retirement program for institutions of higher education. Participation in the ORP is in lieu of participation in the TRS. ORP is available to certain eligible employees who hold faculty positions and other professional positions including but limited to director-level and above, librarians and coaches. The ORP provides for the purchase of annuity contracts and mutual funds. Participants are vested in the employer contributions after one year and one day of service. Depending upon the source of funding for the employee's compensation, the System may be required to make the employer contributions in lieu of the State. Since these are individual annuity contracts, the State and the System have no additional or unfunded liability for this program. The employee and employer contribution rates are established by the State Legislature each biennium. The State provides an option for a local supplement on top of the state base rate. Each institution within the System can decide to adopt and fund a local supplement each year to provide each ORP employee the maximum employer rate. The chancellor then approves the employer rates each fiscal year. The contributions made by participants (6.65% of annual compensation) and the System (6.6% State base rate plus any local supplement for a maximum of 8.5%) for the fiscal years ended August 31, 2023, 2022 and 2021, respectively, are provided in the following table.

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Participant Contributions	\$ 206,452,660	194,384,449	183,972,473
System Contributions	264,003,722	248,522,747	235,157,931
Total	<u>\$ 470,456,382</u>	<u>442,907,196</u>	<u>419,130,404</u>

EMPLOYEES RETIREMENT SYSTEM (ERS)

Certain employees at U. T. Medical Branch - Galveston participate in the Employees Retirement System of Texas. The Board of Trustees of the Employees Retirement System of Texas is the administrator of the ERS, which is considered to be a single employer defined benefit pension plan. ERS covers the eligible System employees who are not covered by the TRS or the ORP. Benefits vest after five years of credited service. Employees may retire at age 60 with five years of service or any combination of age plus years of service that equals 80.

The ERS plan provides a standard monthly benefit in a life annuity at retirement as well as death and disability benefits for members. Additional payment options are available. The benefit and contribution provisions are authorized by State law and may be amended by the Texas Legislature. Contribution requirements are not actuarially determined. The ERS contribution requirement, calculated using entry age normal actuarial cost method, is established through State statute.

The funding policy requires monthly contributions by both the State and employees. For the year beginning September 1, 2015, the required contributions for the State and the employee are each 9.5% of pay. For Law Enforcement and Custodial Officers Supplemental Retirement Fund eligible employees, the State and the employee contribution is an additional 0.50% of pay, respectively.

The Texas State Comptroller's Office has decided not to allocate ERS pension to proprietary funds due to immateriality, as a result, there is no ERS pension net pension liability reported in the System's financial statements. Additional information can be obtained from the separately issued ERS Annual Comprehensive Financial Report which can be obtained from the Employees Retirement System of Texas, 200 East 18th Street, Austin, Texas 78701 or found on the ERS website.

PHYSICIANS REFERRAL SERVICE (PRS) SUPPLEMENTAL RETIREMENT PLAN (SRP)/RETIREMENT BENEFIT PLAN (RBP)

M. D. Anderson has established, primarily for the physicians of its Physicians Referral Service, the Physicians Referral Service SRP/RBP Plans (the SRP/RBP Plans). The SRP/RBP Plans are nonqualified plans described by Section 457(f) of the Internal Revenue Code of 1986 (IRC), as amended. The assets of the SRP/RBP Plans of approximately \$622 million and \$585 million at August 31, 2023 and 2022, respectively, are measured at fair value and presented as restricted investments in the System's statement of net position. SRP/RBP deferred compensation plan assets remain subject to the claims of the general creditors of M. D. Anderson.

PRS offers eligible employees participation in one of two nonqualified retirement plans based on date of employment. The assets in the SRP/RBP trust can be used to pay the benefits of either plan's participants. The PRS Executive Council and Retirement Board members have the authority to administer the Plans under the terms that are established and may approve amendments to the Plans. The PRS Bylaws establish the PRS Retirement Board and Executive Council. Per the PRS Bylaws, one of the standing committees for the Physicians Referral Service Faculty Practice Plan (Plan) is the PRS Retirement Board. A chair is appointed, and elections are held every two years for committee membership. There are both voting members and non-voting ex-officio members. The PRS Retirement Board is advisory to the PRS Executive Council which is chaired by the President. The PRS Executive Council also has committee membership elections every three years and includes voting and ex-officio members. The President is the head of the Plan and has the ultimate decision authority.

Employees Covered by Benefit Terms

At the respective measurement dates, the following employees of M. D. Anderson were covered by the benefit terms:

	Measurement Date September 1, 2022	Measurement Date September 1, 2021
a. Inactive Employees or Beneficiaries Receiving Benefit Payments	511	508
b. Inactive Employees Entitled to but not yet Receiving Benefit Payments	278	279
c. Active Employees	1,590	1,597
d. Total	<u>2,379</u>	<u>2,384</u>

SRP of the Anderson Hospital

Eligible employees of M. D. Anderson prior to July 1, 1986 may participate in the SRP, a single-employer nonqualified noncontributory defined benefit pension plan. Eligible employees include physicians with a license to practice medicine in the state of Texas; any individual with a Ph.D. rank of assistant or higher; D.D.S. with the rank of clinical instructor or higher; D.V.M. degree or equivalent having attained the rank of assistant or higher; and individuals elected to membership by the Executive Council of PRS as an administrative staff officer. No new members have been admitted to the SRP since May 31, 1989 as the SRP is closed to new entrants. In general, participants are fully vested in the SRP after five years of credited service. Former participants not in active service on January 1, 1985, require ten years of credited service as required by previous plan provisions. An active member receives full retirement benefits based on the SRP payment formula at age 65, age 60 with 20 years of credited service, or age 55 with 25 years of credited service. A vested member who becomes inactive for any reason other than death or retirement is entitled to an earned retirement allowance. This is a deferred allowance with benefit payments beginning at the former participant's normal retirement age. Participants in the SRP are not taxed on the employer's contributions made until benefits are paid since the SRP is grandfathered under the provisions of Section 457 of the Internal Revenue Code.

PRS RBP

On September 1, 1990, PRS established the RBP, a single-employer nonqualified noncontributory defined benefit plan. Eligible employees may participate in the RBP upon the later of their employment date or September 1, 1990. Employees who were eligible for the SRP because of their employment date had a one-time option to become members of the RBP and forego membership in the SRP.

The amount of a participant's benefit is equal to each participant's account balance, as outlined in the RBP provisions. In general, a participant's account balance is equal to a stated percentage of annual compensation for each year of service plus a provision for annual interest credits. The earnings credit percentage is equal to the Moody's Average Corporate Bond yield determined as of the first day of such plan year.

Participants are taxed on the employer’s contributions made when the contributions become vested. Participants become vested in their account balances after five years of service. Any vested member who becomes inactive for any reason other than death or retirement and has not attained the age of 55 will have his or her account maintained under RBP until retirement and earn half the interest credits of active participants.

Federal income and Social Security taxes resulting from annual benefits earned in the RBP are reimbursed by the Plans to the Employer, who pays the taxes to, or on behalf of, participants at the time participants vest in their contributions and are reflected as a liability in the trust’s financial statements.

Total Pension Liability for SRP/RBP Plans

The total pension liability for the SRP/RBP Plans is determined by an annual actuarial valuation. The tables below present the actuarial methods and assumptions used to measure the total pension liability as of the September 1, 2022 and 2021 measurement dates.

Summary of Actuarial Methods and Assumptions

Actuarial Valuation Date	September 1, 2022
Actuarial Cost Method	Individual Entry Age Normal
Amortization Method	Average Remaining Service Life
Asset Valuation Method	N/A – Unfunded Plan

Actuarial Assumptions:

Discount Rate*	3.59%
Rate of Compensation Increase	4.00%

Mortality: The mortality table is based upon the final report of PRI-2012 Mortality Tables and MP-2021 mortality improvement scale as published by the Society of Actuaries’ (SOA’s) Retirement Plans Experience Committee (RPEC). This table and projection scale represent the most recent available data as of the valuation date.

The other key demographic assumptions, such as Termination and Retirement, are based upon a review of the PRS participant experience. This experience study is documented in the Assumption Rationale as last being conducted in 2021.

Summary of Actuarial Methods and Assumptions

Actuarial Valuation Date	September 1, 2021
Actuarial Cost Method	Individual Entry Age Normal
Amortization Method	Average Remaining Service Life
Asset Valuation Method	N/A – Unfunded Plan

Actuarial Assumptions:

Discount Rate*	2.14%
Rate of Compensation Increase	4.00%

Mortality: The mortality table is based upon the final report of RP-2014 Mortality Tables and MP-2014 mortality improvement scale as published by the Society of Actuaries' (SOA's) Retirement Plans Experience Committee (RPEC), with adjustments that align with the SOA's subsequent release of updates to mortality improvement scales.

The other key demographic assumptions, such as Termination and Retirement, are based upon a review of the PRS participant experience. This experience study is documented in the Assumption Rationale as last being conducted in 2021.

Notes:

* The discount rates used in these valuations were determined using the 20-year yields on the Bond Buyer 20-Bond GO Index as of August 31, prior to the measurement date.

The total pension liability for the fiscal year ending August 31, 2023 was measured as of September 1, 2022 based on an actuarial valuation as of that date. The total pension liability for the fiscal year ended August 31, 2022 was measured as of September 1, 2021 based on actuarial valuation as of that date.

- Benefit accruals during each period were estimated by calculating the accruals as a percentage of payroll for September 1, 2022 and then applying that percentage to the expected payroll for measurement dates September 1, 2021.

The deferred outflows (inflows) included in the expense each year for assumption changes reflect the impact of the changes in discount rates noted above.

The deferred outflows (inflows) included in the expense each year do not include any difference in actual and expected demographic experience which will be measured in future years.

The valuation does not include any assets since the assets are not in a trust that is protected from creditors and thus, the plan is considered unfunded under GASB 73.

Sensitivity analysis was performed on the impact of changes in the discount rate on M. D. Anderson's total pension liability. The result of the analysis is presented in the table below:

Sensitivity of Total Pension Liability to Changes in the Discount Rate FY23		
1% Decrease	Current Discount Rate	1% Increase
2.59%	3.59%	4.59%
\$1,001,974,232	\$918,839,384	\$846,111,334

**Sensitivity of Total Pension Liability
to Changes in the Discount Rate FY22**

1% Decrease	Current Discount Rate	1% Increase
1.14%	2.14%	3.14%
\$1,150,980,528	\$1,046,052,341	\$955,425,484

At August 31, 2023 and 2022, M. D. Anderson reported a total pension liability of \$918,839,384 and \$1,046,052,341 respectively, for the SRP/RBP Plans.

	Increase (Decrease) in Total Pension Liability	
	For Measurement Year from 09/01/2021 to 08/31/2022	For Measurement Year from 09/01/2020 to 08/31/2021
Balance at Beginning of Measurement Year	\$ 1,046,052,341	1,026,357,235
Changes for the Year:		
Service Cost	40,513,997	37,988,952
Interest	22,719,060	22,898,554
Changes of Assumptions or Other Inputs	(140,590,003)	5,813,235
Benefit Payments (Employer)	(49,856,011)	(47,005,635)
Net Changes	(127,212,957)	19,695,106
Balance at End of Measurement Year	\$ 918,839,384	1,046,052,341

For the years ended August 31, 2023 and 2022, M. D. Anderson recognized pension expense of \$56,366,846 and \$70,309,660, respectively. At August 31, 2023 and 2022, M. D. Anderson reported deferred outflows of resources and deferred inflows of resources related to the PRS RBP and SRP from the following sources:

	As of August 31, 2023		As of August 31, 2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	\$ 50,706,142	123,813,153	58,641,508	—
Benefit Payments Subsequent to the Measurement Date	49,321,919		51,531,435	—
Administrative Costs Subsequent to the Measurement Date	847,079		376,107	—
Total	\$ 100,875,140	123,813,153	110,549,050	—

The \$49,321,919 and \$51,531,435 reported as deferred outflows and inflows of resources resulting from benefit payments subsequent to the measurement date will be recognized as a reduction in the total pension liability for the years ending August 31, 2024 and 2023, respectively. Other amounts reported as deferred outflows and inflows of resources related to the SRP/RBP Plans as of August 31, 2023 will be recognized in pension expense in the following years:

Fiscal Year Ended August 31	Increase (Reduction) of Pension Expense
2024	\$ (6,883,724)
2025	(7,370,803)
2026	(7,370,803)
2027	(7,370,803)
2028	(7,370,803)
Thereafter	(35,892,996)
Total	\$ (72,259,932)

18. Deferred Compensation

DEFERRED COMPENSATION-457(b)

The System employees may elect to defer a portion of their earnings for income tax and investment purposes pursuant to authority granted in the *Texas Government Code*, Sec. 609.001. The System offers its own deferred compensation plan, created in accordance with Internal Revenue Code Section 457(b). All System employees are eligible to participate in the System's plan and cannot participate in the plan offered by the state of Texas. All investments, amounts, property, and rights held under the Deferred Compensation Trust Fund are held for the exclusive benefit of participants and beneficiaries at the fair market value of the plan account for each participant in the accounts established by the participants with the System's retirement providers. The System has no liability under the plan.

TAX-SHELTERED ANNUITY-403(b)

The System also administers the UTSaver Tax-Sheltered Annuity Program (TSA), created in accordance with IRC Section 403(b). All employees are eligible to participate. The UTSaver TSA is a private plan, and the deductions, purchased investments and earnings attributed to each employee's 403(b) plan are held by vendors chosen by the employee. The vendors may be insurance companies, banks or approved non-bank trustees such as mutual fund companies. The assets of this plan do not belong to the System or the State. Therefore, neither the System nor the State has a liability related to this plan.

THE UNIVERSITY OF TEXAS SYSTEM GOVERNMENTAL RETIREMENT ARRANGEMENT (UTGRA)

The University of Texas System Governmental Retirement Arrangement (UTGRA) is an excess benefit plan established by the System, via Section 415(m) of the Internal Revenue Code, to provide certain participants in the ORP that portion of their benefits that would otherwise be payable under the ORP except for the \$66,000 limit on contributions imposed by Section 415 of the Internal Revenue Code (IRC) for calendar year 2023 (\$61,000 for calendar year 2022). As of August 31, 2023 and 2022, there were 557 and 577 plan members, respectively. Persons employed by the System prior to September 1, 1996, whose compensation exceeds the limit set by IRC Section 401(a)(17) and whose ORP contribution is limited by the \$66,000 cap under IRC Section 415(c) for calendar year 2023 (\$61,000 for calendar year 2022), defer 6.65% of their excess compensation while the System contributes between 6.58% and 8.5% depending upon the institution and the date of employment. The System contributed \$3,240,602 for the year ended August 31, 2023 and \$3,449,994 for the year ended August 31, 2022. The participants contributed \$2,535,294 for the year ended August 31, 2023 and \$2,699,113 for the year ended August 31, 2022. Plan provisions are established and may be amended at any time by the U. T. System Board of Regents.

Plan assets are recorded at fair value and are invested in contracts and accounts in a similar manner to the ORP. Participants are immediately vested in the plan, both for the employee deferrals and the employer contributions. However, deferrals, contributions, purchased investments and earnings attributable to the plan are the property of the System and subject only to the claims of the System's general creditors. Participant's rights under the plan are equal to those of the general creditors of the System in an amount equal to the fair value of the participant's account balance. The System has no liability under the UTGRA that would exceed the aggregate value of the investments, and it is unlikely that any of UTGRA's assets will be used to satisfy the claims of general creditors in the future.

19. Commitments and Contingent Liabilities

On August 31, 2023, various lawsuits and claims involving the System were pending. After conferring with legal counsel concerning pending litigation and claims, the System's management believes that the outcome of pending litigation should not have a material adverse effect on the financial statements of the System.

The System continues to implement its \$8.6 billion capital improvement program, planned for fiscal years 2024 through 2029, to upgrade facilities. Contracts have been entered into for the construction and renovation of various facilities. These projects are in various stages of completion.

The System receives grants and other forms of reimbursement from various federal and state agencies. These activities are subject to audit by agents of the funding authority, the purpose of which is to ensure compliance with conditions precedent to providing such funds. The System believes that the liability, if any, for reimbursement which may arise as the result of audits, would not be material.

Based on the credit support annex agreements with all counterparties, the System does not have to post any collateral for any hedging derivative instruments.

Laws and regulations governing the Medicare and Medicaid programs and certain other third-party programs are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates of third-party settlements will change by a material amount in the near term. The System's intent is to be in compliance with all applicable laws and regulations, and it is not aware of any significant pending or threatened investigations involving allegations of potential wrongdoing. Compliance with such laws and regulations can be subject to future review and interpretation. Changes in the Medicare and Medicaid programs and a reduction of funding could have an adverse effect on the System.

20. Matrix of Operating Expenses Reported by Function

For the year ended August 31, 2023, the following table represents operating expenses for both natural and functional classifications for the System:

Operating Expenses	Instruction	Research	Public Service	Hospitals and Clinics
Cost of Goods Sold	\$ 141,719	85,108	3,285,723	75,873,856
Salaries and Wages	4,016,295,153	1,780,307,068	203,341,038	4,193,135,966
Payroll Related Costs	793,121,825	403,219,268	48,653,417	1,000,751,038
Membership Dues	13,038,011	3,156,394	454,341	10,068,866
Registration Fees/Meetings/Conferences	21,080,514	14,267,151	5,579,445	6,218,179
Professional Fees and Services	59,116,049	145,227,619	52,624,859	334,040,910
Other Contracted Services	56,394,388	360,859,280	68,879,355	378,733,465
Fees and Other Charges	11,872,694	60,441,800	3,991,238	20,799,736
Travel	33,133,679	49,556,214	5,191,360	19,411,495
Materials and Supplies	114,615,766	404,899,340	64,053,717	2,875,337,502
Utilities	864,529	1,167,607	297,178	17,011,686
Communications	6,444,719	3,817,216	2,606,282	25,673,470
Repairs and Maintenance	26,573,302	27,630,113	6,009,387	187,785,007
Rentals and Leases	12,593,387	7,518,172	2,694,305	36,414,124
Printing and Reproduction	5,319,453	6,460,395	3,430,379	4,925,616
Royalty Payments	62,672	5,294,223	112	1,821,530
Bad Debt Expense	—	—	—	—
Impairment of Capital Assets	—	—	—	—
Asset Retirement Expense	—	—	—	—
Insurance Costs/Premiums	7,230,723	874,879	261,230	37,123,138
Claims and Losses	—	—	—	—
OPEB Expense	153,206,338	67,023,617	7,117,672	154,982,096
Pension Expense	244,804,416	107,095,292	11,373,143	304,008,699
Scholarships and Fellowships	15,389,008	56,209,636	2,952,078	74,025
Depreciation and Amortization	—	—	—	—
Federal Sponsored Pass-through to State Agencies	1,836,499	6,134,030	3,096,702	—
State Sponsored Pass-through to State Agencies	—	1,001,374	71,355	—
Other Operating Expenses	45,029,540	128,492,646	15,539,315	(7,283,506)
Total Operating Expenses	\$ 5,638,164,384	3,640,738,442	511,503,631	9,676,906,898

Operating Expenses	Academic Support	Student Services	Institutional Support	Operations and Maintenance of Plant
Cost of Goods Sold	\$ 523,933	14,684	1,863,854	525
Salaries and Wages	740,298,664	140,158,074	616,503,573	303,005,404
Payroll Related Costs	191,781,437	35,602,472	(5,431,355)	83,987,956
Membership Dues	4,508,021	601,023	5,217,361	652,759
Registration Fees/Meetings/Conferences	13,168,057	2,347,165	4,806,693	826,867
Professional Fees and Services	42,711,633	10,212,986	95,779,280	31,823,174
Other Contracted Services	80,721,060	42,800,543	79,162,615	71,036,454
Fees and Other Charges	3,974,810	2,624,322	1,620,703	(117,908)
Travel	17,236,429	6,237,426	7,243,502	1,201,166
Materials and Supplies	119,350,861	21,587,549	56,363,895	96,066,246
Utilities	256,558	29,476	13,764,167	244,198,909
Communications	5,162,804	1,452,798	15,271,994	3,096,239
Repairs and Maintenance	22,946,511	3,704,998	52,711,467	172,063,654
Rentals and Leases	6,756,907	3,336,625	9,674,250	13,332,047
Printing and Reproduction	4,033,722	2,929,524	4,418,578	170,364
Royalty Payments	58,361,886	784	141,534	1,688
Bad Debt Expense	—	(1,077,652)	—	—
Impairment of Capital Assets	—	—	—	—
Asset Retirement Expense	—	—	—	328,392
Insurance Costs/Premiums	128,529	340,673	14,621,276	6,238,142
Claims and Losses	—	—	218,137,957	—
OPEB Expense	28,452,395	5,470,210	24,110,626	11,355,923
Pension Expense	45,463,341	8,740,706	38,525,741	18,145,334
Scholarships and Fellowships	5,542,340	5,608,915	1,373,712	75
Depreciation and Amortization	—	—	—	—
Federal Sponsored Pass-through to State Agencies	—	16,304	25,933	—
State Sponsored Pass-through to State Agencies	—	—	2,326,065	—
Other Operating Expenses	22,859,739	13,933,787	21,500,892	13,296,969
Total Operating Expenses	\$ 1,414,239,637	306,673,392	1,279,734,313	1,070,710,379

Operating Expenses	Scholarships and Fellowships	Auxiliary Enterprises	Depreciation and Amortization	Total Expenses
Cost of Goods Sold	\$ (110,899)	44,949,789	—	126,628,292
Salaries and Wages	19,934,736	271,709,859	—	12,284,689,535
Payroll Related Costs	2,122,696	60,555,625	—	2,614,364,379
Membership Dues	42,451	3,713,554	—	41,452,781
Registration Fees/Meetings/Conferences	501,514	4,979,464	—	73,775,049
Professional Fees and Services	846,944	25,311,408	—	797,694,862
Other Contracted Services	614,956	120,534,354	—	1,259,736,470
Fees and Other Charges	1,161,383	7,649,105	—	114,017,883
Travel	969,970	40,619,556	—	180,800,797
Materials and Supplies	1,291,701	52,265,403	—	3,805,831,980
Utilities	(17,960)	39,188,647	—	316,760,797
Communications	11,792	8,190,426	—	71,727,740
Repairs and Maintenance	80,816	44,724,822	—	544,230,077
Rentals and Leases	333,735	11,099,063	—	103,752,615
Printing and Reproduction	74,378	2,919,783	—	34,682,192
Royalty Payments	—	87,750	—	65,772,179
Bad Debt Expense	—	—	—	(1,077,652)
Impairment of Capital Assets	—	—	—	—
Asset Retirement Expense	—	—	—	328,392
Insurance Costs/Premiums	13,858	3,133,428	—	69,965,876
Claims and Losses	—	—	—	218,137,957
OPEB Expense	792,632	10,097,632	—	462,609,141
Pension Expense	1,266,526	16,134,743	—	795,557,941
Scholarships and Fellowships	502,714,531	19,468,900	—	609,333,220
Depreciation and Amortization	—	—	1,827,434,267	1,827,434,267
Federal Sponsored Pass-through to State Agencies	(22,465)	—	—	11,087,003
State Sponsored Pass-through to State Agencies	(453,788)	—	—	2,945,006
Other Operating Expenses	3,347,503	31,586,967	—	288,303,852
Total Operating Expenses	\$ 535,517,010	818,920,278	1,827,434,267	26,720,542,631

For the year ended August 31, 2022, the following table represents operating expenses for both natural and functional classifications for the System, with some expenses restated for GASB Statement No. 94 and 96. See Note 4 for further details on the restatements:

Operating Expenses	Instruction	Research	Public Service	Hospitals and Clinics
Cost of Goods Sold	\$ 799,837	12,128	2,194,377	48,003,377
Salaries and Wages	3,691,024,775	1,614,723,226	171,477,922	3,733,806,074
Payroll Related Costs	708,833,299	368,942,811	41,451,040	878,059,737
Membership Dues	12,650,721	3,221,002	322,854	9,275,833
Registration Fees/Meetings/Conferences	16,451,823	8,995,993	3,048,853	4,627,887
Professional Fees and Services	48,454,878	124,266,618	33,052,668	339,759,927
Other Contracted Services	59,346,409	320,552,302	69,164,901	389,394,653
Fees and Other Charges	12,192,030	17,184,984	4,263,336	21,823,975
Travel	18,167,180	25,094,058	2,813,703	9,417,650
Materials and Supplies	100,507,271	271,530,001	48,607,804	2,528,682,323
Utilities	655,296	1,286,279	263,294	12,450,950
Communications	15,982,440	4,206,668	2,284,946	24,817,697
Repairs and Maintenance	12,167,996	30,535,054	7,871,256	170,621,084
Rentals and Leases	8,561,040	6,359,447	1,845,334	43,785,800
Printing and Reproduction	4,632,863	5,644,205	2,062,141	4,869,986
Royalty Payments	43,478	3,413,318	63	1,424,650
Bad Debt Expense	—	—	—	—
Impairment of Capital Assets	—	—	—	—
Asset Retirement Expense	—	—	—	—
Insurance Costs/Premiums	8,016,293	546,824	248,447	29,665,956
Claims and Losses	—	—	—	—
OPEB Expense	384,324,944	173,262,164	18,200,920	373,456,821
Pension Expense	42,086,199	18,973,387	1,993,125	111,205,725
Scholarships and Fellowships	15,051,259	55,161,354	2,456,992	116,775
Depreciation and Amortization	—	—	—	—
Federal Sponsored Pass-through to State Agencies	1,095,522	6,518,317	2,051,803	—
State Sponsored Pass-through to State Agencies	60,000	550,657	172,541	—
Other Operating Expenses	38,714,266	133,203,089	13,500,343	9,667,706
Total Operating Expenses	\$ 5,199,819,819	3,194,183,886	429,348,663	8,744,934,586

Operating Expenses	Academic Support	Student Services	Institutional Support	Operations and Maintenance of Plant
Cost of Goods Sold	\$ 207,588	(13,868)	1,010,887	109
Salaries and Wages	685,470,954	131,787,505	580,869,695	273,585,248
Payroll Related Costs	181,526,258	32,583,901	(29,869,940)	77,299,306
Membership Dues	4,148,496	679,751	4,732,307	465,202
Registration Fees/Meetings/Conferences	8,141,991	1,630,175	3,515,636	515,176
Professional Fees and Services	33,686,428	8,645,630	67,410,403	33,689,072
Other Contracted Services	64,716,612	50,158,244	85,084,998	64,457,922
Fees and Other Charges	3,767,387	2,919,461	66,422,269	1,276,606
Travel	8,724,588	3,839,936	3,608,209	711,775
Materials and Supplies	96,866,459	21,244,278	38,969,194	93,566,903
Utilities	132,674	24,484	7,044,753	241,632,850
Communications	4,573,454	1,344,746	17,411,955	3,221,613
Repairs and Maintenance	14,631,824	4,088,657	57,665,411	162,247,982
Rentals and Leases	5,684,758	2,558,787	8,205,331	12,804,268
Printing and Reproduction	3,213,615	2,529,002	5,142,494	226,150
Royalty Payments	26,543,084	432	215,762	1,376
Bad Debt Expense	—	(1,578,953)	—	—
Impairment of Capital Assets	—	—	—	—
Asset Retirement Expense	—	—	—	1,438,430
Insurance Costs/Premiums	222,324	1,533,186	1,049,252	8,021,835
Claims and Losses	—	—	273,083,485	—
OPEB Expense	70,917,916	14,198,745	59,355,305	28,294,717
Pension Expense	7,765,995	1,554,859	6,499,810	3,098,464
Scholarships and Fellowships	5,484,432	6,413,143	2,863,808	5,000
Depreciation and Amortization	—	—	—	—
Federal Sponsored Pass-through to State Agencies	—	—	—	—
State Sponsored Pass-through to State Agencies	8,769,094	—	919,316	—
Other Operating Expenses	20,494,094	12,206,366	14,972,651	11,166,875
Total Operating Expenses	\$ 1,255,690,025	298,348,467	1,276,182,991	1,017,726,879

Operating Expenses	Scholarships and Fellowships	Auxiliary Enterprises	Depreciation and Amortization	Total Expenses
Cost of Goods Sold	\$ (55,384)	32,121,848	—	84,280,899
Salaries and Wages	19,095,970	243,270,674	—	11,145,112,043
Payroll Related Costs	1,973,833	55,906,892	—	2,316,707,137
Membership Dues	38,927	3,154,562	—	38,689,655
Registration Fees/Meetings/Conferences	226,666	4,253,846	—	51,408,046
Professional Fees and Services	866,472	15,139,222	—	704,971,318
Other Contracted Services	497,711	104,703,947	—	1,208,077,699
Fees and Other Charges	1,033,959	7,363,581	—	138,247,588
Travel	628,399	34,004,003	—	107,009,501
Materials and Supplies	1,790,699	44,338,339	—	3,246,103,271
Utilities	(7,489)	38,051,641	—	301,534,732
Communications	22,888	8,221,664	—	82,088,071
Repairs and Maintenance	269,811	33,502,363	—	493,601,438
Rentals and Leases	96,240	10,137,622	—	100,038,627
Printing and Reproduction	70,453	2,374,799	—	30,765,708
Royalty Payments	2,500	37,634	—	31,682,297
Bad Debt Expense	—	—	—	(1,578,953)
Impairment of Capital Assets	—	—	—	—
Asset Retirement Expense	—	—	—	1,438,430
Insurance Costs/Premiums	4,979	3,851,094	—	53,160,190
Claims and Losses	—	—	—	273,083,485
OPEB Expense	2,152,325	26,366,320	—	1,150,530,177
Pension Expense	235,694	2,887,291	—	196,300,549
Scholarships and Fellowships	619,887,185	20,187,294	—	727,627,242
Depreciation and Amortization	—	—	1,786,126,507	1,786,126,507
Federal Sponsored Pass-through to State Agencies	37,071	—	—	9,702,713
State Sponsored Pass-through to State Agencies	586,000	—	—	11,057,608
Other Operating Expenses	6,507,609	29,184,389	—	289,617,388
Total Operating Expenses	\$ 655,962,518	719,059,025	1,786,126,507	24,577,383,366

21. Net Position

The System's net position at August 31, 2023 and 2022 was comprised of the following:

	2023	Restated 2022*
Net Investment in Capital Assets	\$ 6,963,671,907	6,570,970,880
Restricted:		
Nonexpendable	38,161,618,752	36,029,323,644
Expendable	21,353,034,539	21,145,744,390
Total Restricted	59,514,653,291	57,175,068,034
Unrestricted Net Position:		
Unrestricted:		
Reserved:		
Encumbrances	1,813,523,746	1,545,150,178
State Appropriations to be Lapsed	—	—
Accounts Receivable (Less Unearned Revenue Portion)	2,105,381,601	1,832,236,035
Inventories	238,891,148	229,590,521
Self-insurance Plans	329,128,558	509,247,085
Other Specific Purposes:		
Advanced Research Program / Advanced Technology Program / TDT	—	—
Notes Receivable	244	37,610
Deposits	486,519	1,057,339
Prepaid Expenses	186,603,530	162,828,969
Deferred Charges	102,650	50,043
Imprest Funds	822,207	891,305
Travel Advances	11,574,819	7,943,025
Unreserved:		
Allocated:		
Funds Functioning as Endowment-unrestricted	1,342,467,476	1,319,166,760
Provision for Operating Budgets	78,536,877	52,904,471
Capital Projects	5,419,127,496	5,034,070,157
Debt Service	207,339,660	177,355,885
Start-up/Matching	171,806,915	118,090,400
Utilities Reserve	9,866,192	10,767,469
Research Enhancement and Support	733,147,013	683,630,370
Market Adjustments	115,009,663	96,278,063
Student Fees	247,591,086	253,016,442
Texas Tomorrow Fund Shortfall	2,079,144	2,606,196
Instructional Program Support	1,938,485,335	1,306,105,922
Dean, Chair and Faculty Recruitment Packages	3,621,921	6,629,387
Self-supporting Enterprises	339,040,388	232,208,368
Potential Lawsuits	—	—
Patient Care Support	3,071,423,581	2,869,014,517
Practice Plan Minimum Operating Reserve of 90 Days	372,233,253	377,616,544
Uncompensated Patient Care	—	—
Unallocated	(14,552,801,304)	(13,885,440,341)
Total Unrestricted	4,185,489,718	2,943,052,720
Total Net Position	\$ 70,663,814,916	66,689,091,634

*August 31, 2022 net investment in capital assets, restricted, and unrestricted net position was restated as a result of implementing GASB Statement No. 94 and 96. See Note 4 for further details.

As of August 31, 2023 and 2022, restricted nonexpendable net position includes \$30,601,703,562 and \$28,824,603,058, respectively, of the Permanent University Fund corpus, and \$820,000,000 for both years of the Permanent Health Fund corpus. As of August 31, 2023 and 2022, restricted expendable net position includes \$12,257,112,433 and \$12,086,454,920, respectively, of the Permanent University Fund appreciation, and \$639,231,070 and \$630,484,275, respectively, of the Permanent Health Fund appreciation.

Unrestricted net position, detailed in the table above, is not subject to externally imposed stipulations. Unrestricted net position may be designated for special purposes by actions of the Texas Legislature, internal management, and the U. T. System Board of Regents, or may otherwise be limited by contractual agreements with outside parties. Substantially all unrestricted net position is designated for academic programs, patient care, research programs and initiatives, and capital programs.

The System’s fiduciary fund net position at August 31, 2023 and 2022 was comprised of the following:

	<u>2023</u>	<u>2022</u>
Restricted for:		
Pooled Participants	\$ 291,513,943	286,259,583
Individuals, Organizations, and Other Governments	1,886,978	1,870,196
Total Fiduciary Fund Net Position	<u>\$ 293,400,921</u>	<u>288,129,779</u>

22. Termination Benefits

U. T. System Administration contracted with NextJob to provide outplacement services to employees of the System who implemented a reduction in force. U. T. System Administration incurred expenses of \$94,365 for 272 terminated employees of the System as of August 31, 2023, and \$56,050 for 174 terminated employees of the System as of August 31, 2022. While U. T. System Administration contracted with NextJob, the U. T. institutions may incur travel expenses for NextJob if they request NextJob to come to their campus or if the institution requests services that fall outside of the standard service in the contract.

In 2023, UT San Antonio had three employees who received a lump-sum payment of \$125,000, \$145,000, and \$48,264, respectively, upon separation from the University. In 2023, UT San Antonio offered a Phased Faculty Retirement program, a type of Voluntary Incentive Retirement Program, to eligible tenured faculty. Phased retirement refers to reduced appointments in teaching services to assist an individual in preparing for full retirement. A post-retirement contract is entered into for up to one academic year. Ten tenured faculty participated in the program and received a lump-sum payout totaling \$719,416.

In 2021, U. T. Austin Intercollegiate Athletics terminated 10 employees entitled to buyout clauses. The total buyout payments of \$20,759,265 span from January 1, 2021 to December 31, 2023. As of August 31, 2023, \$19,350,931 in buyout payments have been made. Additionally, in 2022, U. T. Austin Intercollegiate Athletics terminated 1 employee entitled to a buyout clause. As of August 31, 2023, the total buyout payment of \$573,125 spanning from January 1, 2022 to February 31, 2023 has been paid.

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 benefits for 18 to 36 months, depending upon the circumstances leading to loss of coverage. COBRA benefits for the self-insured plans offered by the System for the years ended August 31, 2023 and 2022 are provided below:

	<u>2023</u>	<u>2022</u>
Total Number of Participants ¹	2,062	2,886
Premium Revenue ²	\$ 5,634,482	5,900,342
2% Administrative Fee Revenue ³	(113,475)	(118,934)
Net COBRA Premium	5,521,007	5,781,408
Less Claims Paid	(13,524,041)	(13,990,913)
Cost to System	<u>\$ (8,003,034)</u>	<u>(8,209,505)</u>

¹ The participants above are for the self-insured program.

² The premium revenue in FY 2023 and FY 2022 include \$97,967 and \$496,490, respectively, of Federal COBRA subsidy funding recognized by the System under ARP for the medical, dental and vision insurance plans offered.

³ The 2% administrative fee is retained by U. T. COBRA in OEB for administering the COBRA benefit and is paid by the participant.

23. Deferred Outflows of Resources and Deferred Inflows of Resources

As of August 31, 2023 and 2022, the System reported deferred outflows of resources and deferred inflows of resources in connection with its hedging derivative instruments, unamortized (losses)/gains on refunding debt, the OPEB plan, the TRS and SRP/RBP pension plans, unamortized interest rate lock termination payments, asset retirement obligations, beneficial interests in irrevocable split-interest agreements, acquisitions, lease revenues, and P3 related balances as presented in the table below:

	<u>2023</u>		<u>Restated 2022*</u>	
	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Hedging Derivative Instruments	\$ 39,388,655	130,779,738	87,510,811	125,007,462
Unamortized Loss/Gain on Refunding Debt	4,543,043	2,363,765	9,724,176	3,104,870
OPEB-Related	3,266,920,443	7,800,989,030	3,654,279,275	1,315,834,778
Pension Related	2,756,058,955	687,482,376	1,772,315,950	2,687,645,327
Unamortized Interest Rate Lock Termination	7,452,384	—	7,769,755	—
Asset Retirement Obligation	1,611,014	—	1,180,094	—
Split-Interest Agreements	—	35,379,352	—	43,965,260
Acquisition Related	12,920,536	—	13,287,488	—
Lease Revenue Related	—	222,930,065	—	244,616,599
P3 Related Balances*	—	393,783,092	—	393,893,594
Total	<u>\$ 6,088,895,030</u>	<u>9,273,707,418</u>	<u>5,546,067,549</u>	<u>4,814,067,890</u>

Deferred outflows of resources of \$39,388,655 and \$87,510,811 as of August 31, 2023 and 2022, respectively, were related to hedging derivative instruments in a liability position. Deferred inflows of resources of \$130,779,738 and \$125,007,462 as of August 31, 2023 and 2022, respectively, were related to hedging derivative instruments in an asset position. The hedging derivative instrument asset and liability are disclosed in Note 7.

Deferred outflows of resources of \$4,543,043 and \$9,724,176 as of August 31, 2023 and 2022, respectively, were related to the unamortized losses on refunding debt. Deferred inflows of resources of \$2,363,765 and \$3,104,870 as of August 31, 2023 and 2022, respectively, were related to the unamortized gains on refunding debt. For debt refundings, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and reported as deferred outflows or deferred inflows.

Deferred outflows of resources of \$3,266,920,443 and \$3,654,279,275 and deferred inflows of resources of \$7,800,989,030 and \$1,315,834,778 as of August 31, 2023 and 2022, respectively, were related to the OPEB plan. August 31, 2022 deferred outflows and inflows of resources were restated as a result of correction of OPEB errors. See Note 4 and 16 for additional information.

Deferred outflows of resources of \$2,655,183,815 and \$1,661,766,899 and deferred inflows of resources of \$563,669,223 and \$2,687,645,327 as of August 31, 2023 and 2022, respectively, were related to the TRS pension plan. Deferred outflows of resources of \$100,875,140 and \$110,549,051 as of August 31, 2023 and 2022, respectively, were related to the SRP/RBP pension plans. These deferred outflows related to the SRP/RBP pension plans are new due to implementing GASB Statement No. 97 in 2022. August 31, 2022 balances were retroactively restated as a result of implementing this statement. See Note 4 and Note 17 for additional information.

Deferred outflows of resources of \$7,452,384 and \$7,769,755 as of August 31, 2023 and 2022, respectively, were related to unamortized interest rate lock termination payments.

Deferred outflows of resources of \$1,611,014 and \$1,180,094 as of August 31, 2023 and 2022, respectively, were related to asset retirement obligations.

Deferred outflows of resources of \$12,920,536 and \$13,287,488 as of August 31, 2023 and 2022, respectively, were related to unamortized excess consideration paid as a result of an asset purchase agreement with PTC- Houston Management, LP in fiscal year 2019.

Deferred inflows of resources of \$35,379,352 and \$43,965,260 as of August 31, 2023 and 2022, respectively, were related to the System's unconditional beneficial interests in irrevocable split-interest agreements.

Deferred inflows of resources of \$222,930,065 and \$244,616,599 as of August 31, 2023 and 2022, respectively, were related to future period revenues from leases in which the System is the lessor other than short term leases, regulated leases, and leases of assets classified as investments.

Deferred inflows of resources of \$393,783,092 and \$393,893,594 as of August 31, 2023 and 2022, respectively, were related to P3 Related Balances in which the System is the transferor.

24. Public-Private and Public-Public Partnerships

The System has entered into various PPPs under which the System meets the definition of the transferor, in which the operator has been contracted to provide public services for, but not limited to the operation of student housing, operation of sports/recreational arenas, and general improvements made to dining facilities on behalf of the System. The nature and extent of rights retained by the System as transferor under the PPP arrangements include, but are not limited to, maintaining residual interest of the utility of the assets used in P3 agreements and setting prices and hours of operations. Rights granted to operators in these agreements may include the ability to make improvements to the space with written permission from the System.

Totals of \$33,699,879 and \$30,720,628 were recognized as the Receivable for PPP Installment Payments for the years ended August 31, 2023 and 2022, respectively. Of the total receivable, \$3,237,578 and \$4,202,465 were recognized as the current portion of the receivable for PPP installment payments for the years ended August 31, 2023 and 2022, respectively. Present value of PPP installment payments are discounted based on a borrowing rate determined by the System and ranged from 0.106% to 3.809%.

Variable payments are a result of the underlying PPP measured not in a fixed rate, but rather variable due to underlying payments derived from a revenue and/or profit-sharing arrangements, usage of the underlying PPP asset, or changes in an index or rate. A total of \$7,895,137 and \$1,288,391 was recognized as revenue from these variable payments for the years ended August 31, 2023, and 2022, respectively.

For capital assets under P3 agreements, a total of \$365,461,001 and \$15,039,785 were recognized for the years ended August 31, 2023, and 2022 respectively.

Receivables for the Underlying PPP Assets purchased or constructed and placed into service by the operator were \$5,959,348 and \$353,611,099 for the years ended August 31, 2023, and 2022, respectively. Ownership of the underlying asset of the PPP has not yet been transferred to the System for assets carried by the System as PPP asset receivables.

Deferred Inflow of Resources corresponding to the P3 Receivables, P3 Assets to be Transferred, and P3 capital assets were \$393,783,092 and \$393,893,594 for the years ended August 31, 2023 and 2022, respectively.

A general description of the PPP arrangements, including the status of projects during the construction period and terms is presented in the table below:

Institution	Partner	Description	Construction Status	Term of Concession	Contract Begin	Contract End
UT Arlington	Chartwells	Dining Services	Complete	10 years	2021	2031
UT Arlington	Centennial Apartments	College Apartments	Complete	35 years	1994	2029
UT Arlington	Follett	Bookstore	Complete	25 years	1999	2024
UT Austin	Moody Center	Arena	Complete	35 years	2022	2057
UT Dallas	Chartwells	Dining Services	Complete	16 Years	2019	2035
UT Rio Grande Valley	Boyer	Medical Office Building	Complete	21 Years	2009	2030
UT Rio Grande Valley	Harlingen CISD	School Building	Complete	35 Years	2021	2056
UT Rio Grande Valley	Sodexo	Dining Services	Complete	12 Years	2011	2023
UT San Antonio	Follett	Bookstore	Under Construction	15 years	2023	2038
UT San Antonio	Aramark	Dining Services	Complete	15 Years	2020	2035

25. Subsequent Events

On September 1, 2023, Stephen F. Austin State University (SFASU) became an institution within the System pursuant to legislation enacted by the 88th Texas Legislature. Prior to that date, SFASU was an independent public university within the State of Texas and was separately included in the Annual Comprehensive Financial Report of the State.

On September 20, 2023, the U. T. System Board of Regents issued \$41,000,000 in RFS Taxable Commercial Paper Notes, Series B to finance a variety of capital projects at various U. T. System institutions. On September 21, 2023, the U. T. System Board of Regents retired \$56,897,000 of RFS Taxable Commercial Paper Notes, Series B. Subsequent to this issuance and retirement, the System had \$568,101,000 of RFS Taxable Commercial Paper Notes, Series B outstanding.

From October 2, 2023, through October 6, 2023, the U. T. System Board of Regents retired \$71,000,000 of outstanding PUF Taxable Commercial Paper Notes, Series B. Subsequent to these retirements, the System had \$190,000,000 of PUF Taxable Commercial Paper Notes, Series B outstanding.

On November 1, 2023, the U. T. System Board of Regents issued \$50,000,000 in RFS Taxable Commercial Paper Notes, Series B to finance a variety of capital projects at various U. T. System institutions. On November 2, 2023, the U. T. System Board of Regents retired \$75,000,000 of outstanding RFS Taxable Commercial Paper Notes, Series B. Subsequent to this issuance and retirement, the System had \$543,101,000 of RFS Taxable Commercial Paper Notes, Series B outstanding.

On November 28, 2023, the U. T. System Board of Regents issued \$250,000,000 in RFS Tax-Exempt Commercial Paper Notes, Series A to finance a variety of capital projects and equipment purchases at various U. T. System institutions. Subsequent to this issuance, the System had \$1,000,763,000 of RFS Tax-Exempt Commercial Paper Notes, Series A outstanding.

On December 5, 2023, the U. T. System Board of Regents issued \$200,000,000 in PUF Tax-Exempt Commercial Paper Notes, Series A to finance a variety of capital projects and equipment purchases at various U. T. System institutions. Subsequent to this issuance, the System had \$945,300,000 of PUF Tax-Exempt Commercial Paper Notes, Series A outstanding.

26. Upcoming Accounting Pronouncements

Other than the portion of this statement implemented in 2022 and 2023, the remainder of GASB Statement No. 99, *Omnibus 2022*, is effective in 2024. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective 2024. The System is evaluating the effect that the remainder of Statement 99 will have on its financial statements.

GASB Statement No. 100, *Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62*, effective 2024, enhances accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The System is evaluating the effect that Statement 100 will have on its financial statements.

GASB Statement No. 101, *Compensated Absences*, effective 2025, updates the recognition and measurement guidance for compensated absences by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The System is evaluating the effect that Statement 101 will have on its financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

THE UNIVERSITY OF TEXAS SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE SYSTEM'S PROPORTIONATE SHARE OF CHANGES
IN THE EMPLOYER TOTAL OPEB LIABILITY AND RELATED RATIOS
December 31, 2022

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Total OPEB Liability							
Service Cost	\$ 877,350,009	708,022,293	572,677,209	471,785,731	548,093,347	569,296,804	584,209,916
Interest	321,938,242	266,654,173	286,398,460	442,516,885	394,480,742	426,298,831	384,344,675
Changes of Benefit Terms	(52,783,790)	—	—	—	—	—	—
Differences Between Expected and Actual Experience	—	160,861,824	—	(89,235,022)	—	(136,662,956)	—
Changes of Assumptions or Other Inputs	(7,704,380,357)	1,780,677,623	1,269,349,798	478,407,758	(1,429,460,396)	(781,692,644)	(299,449,010)
Benefit Payments (Employer)	(206,219,478)	(181,252,716)	(153,657,997)	(152,076,995)	(153,396,451)	(137,157,472)	(147,648,350)
Net Change in Total OPEB Liability	<u>(6,764,095,374)</u>	<u>2,734,963,197</u>	<u>1,974,767,470</u>	<u>1,151,398,357</u>	<u>(640,282,758)</u>	<u>(59,917,437)</u>	<u>521,457,231</u>
Total OPEB Liability – Beginning	14,695,594,306	11,931,417,814	9,683,463,315 *	10,355,785,546	10,717,111,345	10,777,028,782	10,255,571,551
Changes in Proportionate Share	<u>158,235,423</u>	<u>29,213,295</u>	<u>273,187,029</u>	<u>41,561,977</u>	<u>278,956,959</u>	<u>—</u>	<u>—</u>
Total OPEB Liability – Ending	<u>\$ 8,089,734,355</u>	<u>14,695,594,306</u>	<u>11,931,417,814</u>	<u>11,548,745,880</u>	<u>10,355,785,546</u>	<u>10,717,111,345</u>	<u>10,777,028,782</u>

* In FY 2022, the Beginning Total OPEB Liability for the measurement year ended December 31, 2020 was restated to correct demographic data errors and assumptions related to assumed rates of participation by eligible terminated employees. Measurement years prior to December 31, 2020 have not been restated for the correction of the error.

Notes to Schedule:

This schedule is intended to present ten years of information. Only seven years of information is presented due to GASB Statement No. 75 being implemented in fiscal year 2018. Additional years will be displayed as they become available.

Information is presented using measurement date which precedes the fiscal year end by eight months.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits.

Changes in benefit terms

From 2021 to 2022, the following are reflected as changes in benefit terms:

-Increases in retiree cost sharing for retirees for whom Medicare is not primary

-An increase in the employer funded life insurance coverage for retirees who do not opt out of EGIP health coverage upon retirement

Changes in assumptions or other inputs:

From 2021 to 2022, the following are reflected as changes in assumptions or other inputs:

-Assumed expenses, assumed per capita health benefit costs and assumed health benefit cost trends have been updated to reflect increases in retiree cost sharing in UT Select and the implementation of UT Care, a fully insured Medicare Advantage Plan for retirees for whom Medicare is primary, effective January 1, 2023. This decreased the Total OPEB Liability by approximately \$4.4 billion.

Changes in the discount rate (see table below). This decreased the Total OPEB Liability by approximately \$4.9 billion.

From 2020 to 2021, the following are reflected as changes in assumptions or other inputs:

-Adjustments to assumptions for expenses, assumed per capita health benefit costs and assumed trend for health benefit costs and retiree contributions.

The following are the discount rates used in each period:

2022	3.72%
2021	2.06%
2020	2.12%
2019	2.74%
2018	4.10%
2017	3.44%
2016	3.78%

**THE UNIVERSITY OF TEXAS SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFITS PLAN
August 31, 2023**

**Schedule of the System's Proportionate Share of the Total OPEB Liability
as of the December 31 Measurement Date**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
System's Proportion of the Total OPEB Liability	82.8178338 %	81.9355890 %	81.7354650 %	79.4928364 %	79.1750747 %	77.1664987 %	77.1664987 %
System's Proportionate Share of the Total OPEB Liability	\$ 8,089,734,355	14,695,594,306	11,931,417,814	11,548,745,880	10,355,785,546	10,717,111,345	10,777,028,782
State's Proportionate Share of the Total OPEB Liability Related to System	<u>1,678,372,322</u>	<u>3,239,950,544</u>	<u>2,666,184,108</u>	<u>2,979,287,588</u>	<u>2,723,817,586</u>	<u>3,171,184,120</u>	<u>3,188,913,639</u>
Total OPEB Liability Related to System	\$ 9,768,106,677	17,935,544,850	14,597,601,922	14,528,033,468	13,079,603,132	13,888,295,465	13,965,942,421
System's Covered Payroll	\$ 9,812,399,798	9,457,441,724	6,791,262,006	6,425,556,183	6,062,198,170	5,820,998,450	5,987,051,307
System's Proportionate Share of the Total OPEB Liability as a Percentage of its Covered Payroll	82.44 %	155.39 %	175.69 %	179.73 %	170.83 %	184.11 %	180.01 %
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %

Only seven years of information is presented due to GASB Statement 75 being implemented in fiscal year 2018. Additional years will be displayed as they become available.

**THE UNIVERSITY OF TEXAS SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
TEACHER RETIREMENT SYSTEM PENSION PLAN
August 31, 2023**

**Schedule of the System's Proportionate Share of the Net Pension Liability
as of the August 31 Measurement Date**

	2022	2021	2020	2019	2018	2017	2016	2015	2014
System's Proportion of the Net Pension Liability	9.4987114 %	9.0342804 %	8.9723873 %	8.6902629 %	8.9377185 %	8.2879633 %	8.2932305 %	7.7646311 %	8.6199871 %
System's Proportionate Share of the Net Pension Liability	\$ 5,639,140,669	2,300,711,499	4,805,427,562	4,517,470,315	4,919,537,167	2,650,044,162	3,133,888,495	2,744,693,745	2,302,987,541
State's Proportionate Share of the Net Pension Liability Related to System	2,209,241,002	729,928,272	1,587,993,294	1,898,921,776	1,355,571,593	894,941,498	893,178,321	786,436,009	892,687,939
Total Net Pension Liability Related to System	\$ 7,848,381,671	3,030,639,771	6,393,420,856	6,416,392,091	6,275,108,760	3,544,985,660	4,027,066,816	3,531,129,754	3,195,675,480
System's Covered Payroll	\$ 6,783,241,812	6,196,286,308	5,942,147,682	5,435,527,295	5,106,576,133	4,891,473,913	4,635,793,582	4,472,632,860	4,018,776,650
System's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	83.13 %	37.13 %	80.87 %	83.11 %	96.34 %	54.18 %	67.60 %	61.37 %	57.31 %
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.62 %	88.79 %	75.54 %	75.24 %	73.74 %	82.17 %	78.00 %	78.43 %	83.25 %

Schedule of the System's Contributions as of August 31

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily Required Contributions	\$ 601,660,709	525,701,240	464,721,473	445,661,076	369,615,856	347,247,177	332,620,226	315,233,963	304,139,034
Contributions in Relation to the Statutorily Required Contributions	\$ 514,850,265	439,933,274	381,611,428	366,510,043	302,294,698	282,808,370	262,734,718	262,370,366	244,723,301
Contribution Deficiency (Excess)	\$ 86,810,444	85,767,966	83,110,045	79,151,033	67,321,158	64,438,807	69,885,508	52,863,597	59,415,733
System's Covered Payroll	\$ 7,592,051,434	6,783,241,812	6,196,286,308	5,942,147,682	5,435,527,295	5,106,576,133	4,891,473,913	4,635,793,582	4,472,632,860
Contributions as a Percentage of Covered Payroll	6.78 %	6.49 %	6.16 %	6.17 %	5.56 %	5.54 %	5.37 %	5.66 %	5.47 %

Contributions by the State of Texas on behalf of the System substantially resolve the contribution deficiency.

Only nine years of information is presented due to GASB Statement 68 being implemented in fiscal year 2015. Additional years will be displayed as they become available.

THE UNIVERSITY OF TEXAS SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF M. D. ANDERSON'S PRS SRP/RBP PENSION LIABILITY
AS OF THE SEPTEMBER 1 MEASUREMENT DATE

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
1. Total Pension Liability				
Service Cost	\$ 40,513,997	37,988,952	32,367,864	
Interest	22,719,060	22,898,554	28,255,880	
Changes of Assumptions or Other Inputs	(140,590,003)	5,813,235	71,349,543	
Benefit Payments (Employer)	(49,856,011)	(47,005,635)	(49,249,256)	
Net Change in Total Pension Liability	(127,212,957)	19,695,106	82,724,031	
Total Pension Liability - Beginning	1,046,052,341	1,026,357,235	943,633,204	
Total Pension Liability - Ending	<u>\$ 918,839,384</u>	<u>1,046,052,341</u>	<u>1,026,357,235</u>	<u>943,633,204</u>
2. Covered-Employee Payroll	\$ 575,070,266	549,500,639	520,630,549	506,351,431
3. Total Pension Liability as a Percentage of Covered-Employee Payroll	159.78%	190.36%	197.14%	186.36%

Only four years of information is presented due to GASB Statement No. 97 being implemented in fiscal year 2022. Additional years will be displayed as they become available. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 68 to pay related benefits.