

OFFICIAL STATEMENT DATED JANUARY 24, 2019

NEW ISSUE – Book-Entry-Only

RATINGS:

Fitch: AA-

Moody's: A1

(See "INFORMATION – Ratings" herein)

*In the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel to the Board of Regents, interest on the Series 2019A Bonds (as defined herein) will be excludable from gross income for federal income tax purposes under the statutes, regulations, published rulings and court decisions existing on the date of such opinion, subject to the matters described under "TAX MATTERS – Series 2019A Bonds" herein.*

*The Taxable Series 2019B Bonds (as defined herein) are not obligations described in Section 103(a) of the Code. See "TAX MATTERS – Taxable Series 2019B Bonds" herein.*



**BOARD OF REGENTS OF STEPHEN F. AUSTIN STATE UNIVERSITY**

**\$94,290,000 REVENUE FINANCING  
SYSTEM BONDS,  
SERIES 2019A**

**\$15,925,000 REVENUE FINANCING  
SYSTEM BONDS,  
TAXABLE SERIES 2019B**

**Dated Date: February 1, 2019**

**Due: October 15, as shown herein**

**Interest Accrues: Date of Delivery**

The Board of Regents (the "Board") of Stephen F. Austin State University (the "University") is issuing the \$110,215,000 Board of Regents of Stephen F. Austin State University Revenue Financing System Bonds, Series 2019 (the "Bonds"), consisting of \$94,290,000 Revenue Financing System Bonds, Series 2019A (the "Series 2019A Bonds") and \$15,925,000 Revenue Financing System Bonds, Taxable Series 2019B (the "Taxable Series 2019B Bonds"), pursuant to the authority and for the purposes hereinafter specified. The Bonds are payable from and secured by a lien on "Pledged Revenues" (as defined herein) of the University. THE BONDS ARE NOT GENERAL OBLIGATIONS OF THE BOARD, THE UNIVERSITY, THE STATE OF TEXAS (THE "STATE"), OR ANY POLITICAL SUBDIVISION OF THE STATE. THE BOARD HAS NO TAXING POWER, AND NEITHER THE CREDIT NOR THE TAXING POWER OF THE STATE OR ANY POLITICAL SUBDIVISION OF THE STATE IS PLEDGED AS SECURITY FOR THE BONDS. THE BREACH OF ANY COVENANT, AGREEMENT, OR OBLIGATION CONTAINED IN THE RESOLUTION WILL NOT IMPOSE OR RESULT IN GENERAL LIABILITY ON OR A CHARGE AGAINST THE GENERAL CREDIT OF THE BOARD OR THE UNIVERSITY. THE OWNERS OF THE BONDS WILL NEVER HAVE THE RIGHT TO DEMAND PAYMENT OF THE BONDS FROM ANY SOURCE OTHER THAN PLEDGED REVENUES. See "SECURITY FOR THE BONDS" herein.

The Series 2019A Bonds will be issued for (i) acquiring, purchasing, constructing, improving, renovating, enlarging or equipping property and facilities, including roads and related infrastructure, for a fine arts expansion initiative, a welcome center and student support center, a basketball practice facility and a student residential facility at the University and (ii) paying the costs of issuance associated with the Series 2019A Bonds. The Taxable Series 2019B Bonds will be issued for (i) acquiring, purchasing, constructing, improving, renovating, enlarging or equipping property and facilities, including roads and related infrastructure, for a dining facility at the University and (ii) paying the costs of issuance associated with the Taxable Series 2019B Bonds. See "PLAN OF FINANCING" herein.

Interest on the Bonds will accrue from the Date of Delivery (as defined herein), is payable at stated maturity, as well as on October 15, 2019 and each April 15 and October 15 thereafter until maturity or prior redemption and is calculated on the basis of a 360-day year composed of twelve 30-day months. The Bonds of each series will be issued in principal denominations of \$5,000 or any integral multiple thereof. The Bonds are initially issuable only to Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC") pursuant to the book-entry-only system described herein. Beneficial ownership of the Bonds of each series may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the initial purchasers thereof named below (the "Underwriters"). Interest on and principal of the Bonds will be payable by U.S. Bank National Association, the initial Paying Agent/Registrar, to Cede & Co., which will make distribution of the amounts so paid to the beneficial owners of the Bonds. See "DESCRIPTION OF THE BONDS - Book-Entry-Only System" herein.

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**MATURITY SCHEDULE**

(See pages i and ii)

CUSIP Prefix: 858620

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*The Bonds are offered when, as and if issued and received by the Underwriters, subject to approval of legality by the Attorney General of the State of Texas and the approving opinion of McCall, Parkhurst & Horton L.L.P., Austin, Texas, Bond Counsel. Certain legal matters will be passed upon for the Underwriters by their counsel, Locke Lord LLP, Dallas, Texas. The Bonds are expected to be available for initial delivery through DTC on or about February 6, 2019 (the "Date of Delivery").*

**UBS FINANCIAL SERVICES INC.**

**Drexel Hamilton, LLC**

**FTN Financial Capital Markets**

**Stephens Inc.**

**BOARD OF REGENTS OF STEPHEN F. AUSTIN STATE UNIVERSITY**

CUSIP Prefix<sup>(1)</sup>: 858620

**\$94,290,000**

**REVENUE FINANCING SYSTEM BONDS, SERIES 2019A**

**Serial Bonds**

<b>Maturity (10/15)</b>	<b>Principal Amount (\$)</b>	<b>Interest Rate (%)</b>	<b>Initial Yield (%)</b>	<b>CUSIP No. Suffix<sup>(1)</sup></b>
2019	500,000	5.000	1.830	2E6
2020	1,160,000	5.000	1.840	2F3
2021	1,215,000	5.000	1.870	2G1
2022	1,275,000	5.000	1.940	2H9
2023	1,345,000	5.000	2.040	2J5
2024	1,410,000	5.000	2.120	2K2
2025	1,490,000	5.000	2.210	2L0
2026	1,560,000	5.000	2.340	2M8
2027	1,640,000	5.000	2.450	2N6
2028	1,725,000	5.000	2.570	2P1
2029	1,815,000	5.000	2.740 <sup>(2)</sup>	2Q9
2030	1,905,000	5.000	2.870 <sup>(2)</sup>	2R7
2031	2,005,000	5.000	2.980 <sup>(2)</sup>	2S5
2032	2,105,000	5.000	3.040 <sup>(2)</sup>	2T3
2033	2,220,000	5.000	3.090 <sup>(2)</sup>	2U0
2034	2,315,000	4.000	3.420 <sup>(2)</sup>	2V8
2035	2,535,000	4.000	3.520 <sup>(2)</sup>	2W6
2036	3,850,000	4.000	3.630 <sup>(2)</sup>	2X4
2037	4,005,000	4.000	3.690 <sup>(2)</sup>	2Y2
2038	4,170,000	4.000	3.750 <sup>(2)</sup>	2Z9

**Term Bonds**

\$18,830,000 5.000% Term Bond due October 15, 2042 priced to yield 3.600<sup>(2)</sup>%; CUSIP Suffix<sup>1</sup> 3A3  
 \$35,215,000 4.000% Term Bond due October 15, 2048 priced to yield 4.030%; CUSIP Suffix<sup>1</sup> 3B1

(Interest to accrue from the Date of Delivery)

**Optional Redemption . . .** The Series 2019A Bonds with a stated maturity on and after October 15, 2029 are subject to redemption prior to maturity at the option of the Board in whole or in part on or after October 15, 2028 at 100% of the principal amount of the Series 2019A Bonds to be redeemed, plus accrued but unpaid interest on such Series 2019A Bonds to, but not including, the redemption date. See “DESCRIPTION OF THE BONDS – Optional Redemption.”

**Mandatory Redemption . . .** The Series 2019A Bonds with a stated maturity on October 15, 2042 and October 15, 2048 are subject to mandatory sinking fund redemption. See “DESCRIPTION OF THE BONDS – Mandatory Redemption.”

**Tax Status . . .** In the opinion of bond counsel to the University, interest on the Series 2019A Bonds is excludable from gross income for federal income tax purposes under the statutes, regulations, published rulings and court decisions existing on the date of such opinion, subject to the matters described under “TAX MATTERS – Series 2019A Bonds” herein.

<sup>(1)</sup> CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein provided by CUSIP Global Services (“CGS”), managed by S&P Global Market Intelligence, on behalf of the American Bankers Association. This information is not intended to create a database and does not serve in any way as a substitute for services provided by CGS. CUSIP numbers have been assigned by an independent company not affiliated with the Board, the University or the Underwriters and are included solely for the convenience of the registered and beneficial owners of the Series 2019A Bonds. None of the Board, the University or the Underwriters is responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the Series 2019A Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2019A Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Series 2019A Bonds.

<sup>(2)</sup> Yield calculated based on the assumption that the Series 2019A Bonds designated and sold at a premium will be redeemed on October 15, 2028, the first optional redemption date for the Series 2019A Bonds.

**BOARD OF REGENTS OF STEPHEN F. AUSTIN STATE UNIVERSITY**

CUSIP Prefix<sup>(1)</sup>: 858620

**\$15,925,000**

**REVENUE FINANCING SYSTEM BONDS, TAXABLE SERIES 2019B**

**Serial Bonds**

<b>Maturity (10/15)</b>	<b>Principal Amount (\$)</b>	<b>Interest Rate (%)</b>	<b>Initial Yield (%)</b>	<b>CUSIP No. Suffix<sup>(1)</sup></b>
2019	425,000	2.873	2.873	3C9
2020	745,000	2.888	2.888	3D7
2021	770,000	2.998	2.998	3E5
2022	790,000	3.041	3.041	3F2
2023	815,000	3.182	3.182	3G0
2024	845,000	3.232	3.232	3H8
2025	870,000	3.425	3.425	3J4
2026	900,000	3.525	3.525	3K1
2027	935,000	3.689	3.689	3L9
2028	970,000	3.749	3.749	3M7
2029	1,010,000	3.869	3.869	3N5
2030	1,050,000	3.919	3.919	3P0
2031	1,090,000	3.969	3.969	3Q8
2032	1,135,000	4.019	4.019	3R6
2033	1,180,000	4.069	4.069	3S4
2034	1,230,000	4.142	4.142	3T2
2035	1,165,000	4.192	4.192	3U9

(Interest to accrue from the Date of Delivery)

**Optional Redemption . . .** The Taxable Series 2019B Bonds are subject to redemption prior to maturity at the option of the Board in whole or in part before (but not including) October 15, 2028 (the “Taxable Series 2019B Par Call Date”) at the Make-Whole Redemption Price (as defined herein) and on or after the Taxable Series 2019B Par Call Date at 100% of the principal amount of the Taxable Series 2019B Bonds to be redeemed, plus accrued but unpaid interest on such Taxable Series 2019B Bonds to, but not including, the redemption date. See “DESCRIPTION OF THE BONDS – Optional Redemption.”

**Tax Status . . .** In the opinion of bond counsel to the University, the Taxable Series 2019B Bonds are not obligations described in Section 103(a) of the Code. See “TAX MATTERS – Taxable Series 2019B Bonds” herein.

<sup>(1)</sup> CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein provided by CUSIP Global Services (“CGS”), managed by S&P Global Market Intelligence, on behalf of the American Bankers Association. This information is not intended to create a database and does not serve in any way as a substitute for services provided by CGS. CUSIP numbers have been assigned by an independent company not affiliated with the Board, the University or the Underwriters and are included solely for the convenience of the registered and beneficial owners of the Taxable Series 2019B Bonds. None of the Board, the University or the Underwriters is responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the Taxable Series 2019B Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Taxable Series 2019B Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Taxable Series 2019B Bonds.

**STEPHEN F. AUSTIN STATE UNIVERSITY**

**BOARD OF REGENTS**

<b>Name</b>	<b>Residence</b>	<b>Term Expires</b>
Ms. Brigettee Carnes Henderson, Chair	Lufkin	January 31, 2023
Mr. Alton L. Frailey, Vice Chair	Katy	January 31, 2021
Ms. Nelda Luce Blair, Secretary	The Woodlands	January 31, 2021
Mr. David R. Alders	Nacogdoches	January 31, 2019 <sup>(2)</sup>
Dr. Scott H. Coleman	Houston	January 31, 2021
Ms. Karen G. Gantt	McKinney	January 31, 2023
Mr. John R. "Bob" Garrett	Tyler	January 31, 2019 <sup>(2)</sup>
Mr. M. Thomas Mason	Dallas	January 31, 2023
Mr. Kenton E. Schaefer	Brownsville	January 31, 2019 <sup>(2)</sup>
Ms. Kate Childress (Student Regent) <sup>(1)</sup>	Lumberton	May 31, 2019

<sup>(1)</sup> State law does not allow a student regent to vote on matters before the Board of Regents (Section 51.355, as amended, Texas Education Code).

<sup>(2)</sup> Regents serve until appointment of a successor or reappointment by the Governor.

**OFFICERS AND STAFF OF THE UNIVERSITY**

<b>Name</b>	<b>Title</b>	<b>Length of Service</b>
Dr. Steve Westbrook	Interim President*	37 years
Dr. Danny R. Gallant	Vice President for Finance and Administration	35 years
Ms. Dannette Sales	Controller	15 years
Mr. Damon Derrick	General Counsel	8 years
Ms. Judi Kruwell	Director of Financial Services	5 years

\*Dr. L. Baker Pattillo, former President of the University, passed away in December 2018 after a short medical leave. In December 2018, the Board appointed Dr. Steve Westbrook to serve as Interim President, after serving as Acting President since October 2018.

**CONSULTANTS**

<b>Financial Advisor</b>	<b>Bond Counsel</b>
Hilltop Securities Inc. Dallas, Texas	McCall, Parkhurst & Horton L.L.P. Austin, Texas

**For additional information regarding Stephen F. Austin State University, please contact:**

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Vice President for Finance and Administration  
Stephen F. Austin State University  
Post Office Box 6108  
SFA Station  
Nacogdoches, Texas 75962  
(936) 468-2350

Ms. Mary Williams  
Managing Director  
Hilltop Securities Inc.  
1201 Elm Street, 35<sup>th</sup> Floor  
Dallas, Texas 75270  
(214) 953-4021

## USE OF INFORMATION

### General

This Official Statement, which includes the cover pages and the appendices attached hereto, does not constitute an offer to sell or the solicitation of an offer to buy in any jurisdiction to any person to whom it is unlawful to make such offer, solicitation or sale. The cover pages contain certain information for general reference only and is not intended as a summary of this offering. Investors should read the entire Official Statement, including all schedules and appendices attached hereto, to obtain information essential to making an informed investment decision.

All references to and descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the Vice President, for Finance and Administration, Stephen F. Austin State University, Post Office Box 6108, SFA Station, Nacogdoches, Texas 75962, (936) 468-2350.

### Use of Official Statement

No dealer, broker, salesman or other person has been authorized by the University or UBS Financial Services Inc., Drexel Hamilton, LLC, FTN Financial Capital Markets or Stephens Inc. (collectively, the “Underwriters”) to give any information or to make any representation other than those contained in this document, as the same may be supplemented or modified by the Board (the “Official Statement”), and, if given or made, such other information or representation may not be relied upon as having been authorized by the Board or the Underwriters. This Official Statement does not constitute an offer to sell Bonds in any jurisdiction to any person to whom it is unlawful to make such offer in such jurisdiction. No dealer, salesman, or any other person has been authorized to give any information or make any representation, other than those contained herein, in connection with the offering of the Bonds, and if given or made, such information or representation must not be relied upon. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder will, under any circumstances, create any implication that there has been no change in the affairs of the University since the date hereof.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

None of the Board, the University, its Financial Advisor or the Underwriters makes any representation or warranty with respect to the information contained in this Official Statement regarding The Depository Trust Company (“DTC”), as such information was furnished by DTC.

CUSIP numbers have been assigned to this issue by CUSIP Global Services for the convenience of the owners of the Bonds. None of the Board, the University or the Underwriters shall be responsible for the selection or correctness of the CUSIP numbers shown on pages i and ii of this Official Statement.

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

### Marketability

The Board has no understanding with the Underwriters regarding the reoffering yields or prices of the Bonds and they have no control over the trading of the Bonds after their sale by the Board. Information regarding reoffering yields or prices is the responsibility of the Underwriters.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

None of the Board, the University or the Underwriters makes any representation or warranty with respect to the information contained in this Official Statement regarding The Depository Trust Company or its book-entry-only system.

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED.

### **Securities Laws**

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

NEITHER THE SEC NOR ANY STATE OR FOREIGN SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THE SECURITIES OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The statements contained in the Official Statement, and in other information provided by the Board or University, that are not purely historical, are forward-looking statements, including statements regarding the Board’s or University’s expectations, hopes, intentions, or strategies regarding the future. All forward-looking statements included in the Official Statement are based on information available to the Board or the University on the date hereof, and the Board and University assume no obligation to update any such forward-looking statements. See “LEGAL MATTERS—Forward-Looking Statements” herein.

Any references to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader’s convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement.

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## **INFORMATION COVERING OFFERING RESTRICTIONS IN CERTAIN JURISDICTIONS OUTSIDE OF THE UNITED STATES**

THE UNDERWRITERS HAVE PROVIDED THIS SECTION FOR INCLUSION IN THE OFFICIAL STATEMENT. REFERENCES IN THIS SECTION TO THE “ISSUER” MEANS THE BOARD AND REFERENCES TO “BONDS” OR “SECURITIES” MEANS THE BONDS OFFERED HEREBY. NONE OF THE BOARD, THE UNIVERSITY OR ITS FINANCIAL ADVISOR MAKES ANY REPRESENTATIONS AS TO THE ACCURACY OF THE FOLLOWING INFORMATION OR ANY REQUIREMENTS FOR REGISTRATION OR QUALIFICATIONS FOR SALE OR OTHER DISPOSITION OF THE BONDS IN FOREIGN JURISDICTIONS OR ANY TAX OR OTHER CONSEQUENCES TO NON-U.S. HOLDERS. SEE “TAX MATTERS.”

### **NOTICE TO RESIDENTS OF BRAZIL**

THE BONDS OFFERED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED WITH THE BRAZILIAN SECURITIES COMMISSION (“COMISSÃO DE VALORES MOBILIÁRIOS” OR “CVM”) AND MAY NOT BE OFFERED FOR SALE OR SOLD IN BRAZIL, EXCEPT IN CIRCUMSTANCES WHICH DO NOT CONSTITUTE A PUBLIC OFFERING, AN UNDUE SOLICITATION OR UNAUTHORIZED DISTRIBUTION OF SECURITIES UNDER APPLICABLE BRAZILIAN LAWS AND REGULATIONS. DOCUMENTS RELATING TO THE BONDS, AS WELL AS THE INFORMATION CONTAINED THEREIN, MAY NOT BE SUPPLIED TO THE PUBLIC, AS A PUBLIC OFFERING IN BRAZIL OR BE USED IN CONNECTION WITH ANY OFFER FOR SUBSCRIPTION OR SALE OF THE BONDS TO THE PUBLIC IN BRAZIL.

### **NOTICE TO PROSPECTIVE INVESTORS IN THE PEOPLE’S REPUBLIC OF CHINA**

THIS OFFICIAL STATEMENT HAS NOT BEEN AND WILL NOT BE CIRCULATED OR DISTRIBUTED IN THE PEOPLE’S REPUBLIC OF CHINA (“PRC”), AND THE BONDS MAY NOT BE OFFERED OR SOLD, AND WILL NOT BE OFFERED OR SOLD TO ANY PERSON FOR RE-OFFERING OR RESALE, DIRECTLY OR INDIRECTLY, TO ANY RESIDENTS OF THE PRC EXCEPT PURSUANT TO APPLICABLE LAWS AND REGULATIONS OF THE PRC. FOR THE PURPOSES OF THIS PARAGRAPH, THE PRC DOES NOT INCLUDE TAIWAN AND THE SPECIAL ADMINISTRATIVE REGIONS OF HONG KONG AND MACAU.

### **COLUMBIA**

THIS OFFICIAL STATEMENT DOES NOT CONSTITUTE AN INVITATION TO INVEST OR A PUBLIC OFFER IN THE REPUBLIC OF COLOMBIA AND IS NOT GOVERNED BY COLOMBIAN LAW. THE BONDS HAVE NOT BEEN AND WILL NOT BE REGISTERED WITH THE NATIONAL REGISTRY OF SECURITIES AND ISSUERS (REGISTRO NACIONAL DE VALORES Y EMISORES) MAINTAINED BY THE COLOMBIAN SUPERINTENDENCE OF FINANCE AND WILL NOT BE LISTED ON THE COLOMBIAN STOCK EXCHANGE (BOLSA DE VALORES DE COLOMBIA). ACCORDINGLY, THE BONDS MAY NOT BE MARKETED, OFFERED, SOLD OR NEGOTIATED IN COLOMBIA OR TO COLOMBIAN RESIDENTS, EXCEPT UNDER CIRCUMSTANCES WHICH DO NOT CONSTITUTE A PUBLIC OFFERING OF SECURITIES UNDER APPLICABLE COLOMBIAN SECURITIES LAWS AND REGULATIONS. THIS OFFICIAL STATEMENT IS PROVIDED FOR INFORMATION PURPOSES ONLY AND DOES NOT CONSTITUTE A SOLICITATION. THE BONDS MAY NOT BE PROMOTED OR MARKETED IN COLOMBIA OR TO COLOMBIAN RESIDENTS UNLESS SUCH PROMOTION AND MARKETING IS MADE IN COMPLIANCE WITH PART IV OF DECREE 2555 OF 2010 AND OTHER APPLICABLE RULES AND REGULATIONS RELATED TO THE PROMOTION OF FOREIGN FINANCIAL AND/OR SECURITIES RELATED PRODUCTS OR SERVICES IN COLOMBIA.

COLOMBIAN ELIGIBLE INVESTORS ACKNOWLEDGE COLOMBIAN LAWS AND REGULATIONS (IN PARTICULAR, FOREIGN EXCHANGE, SECURITIES AND TAX REGULATIONS) APPLICABLE TO ANY TRANSACTION OR INVESTMENT CONSUMMATED IN CONNECTION WITH ANY APPLICABLE INVESTMENT AND UNDER APPLICABLE REGULATIONS AND REPRESENT THAT IT IS THE SOLE LIABLE PARTY FOR FULL COMPLIANCE WITH ANY SUCH LAWS AND REGULATIONS.



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

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

THIS OFFICIAL STATEMENT HAS NOT BEEN, AND WILL NOT BE, REGISTERED AS A PROSPECTUS (AS DEFINED IN THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE (CHAPTER 32 OF THE LAWS OF HONG KONG)) IN HONG KONG NOR HAS IT BEEN REVIEWED OR APPROVED BY THE SECURITIES AND FUTURES COMMISSION OF HONG KONG PURSUANT TO THE SECURITIES AND FUTURES ORDINANCE (CHAPTER 571 OF THE LAWS OF HONG KONG) (“SFO”). ACCORDINGLY, THE BONDS MAY NOT BE OFFERED OR SOLD IN HONG KONG BY MEANS OF THIS OFFICIAL STATEMENT OR ANY OTHER DOCUMENT, AND THIS OFFICIAL STATEMENT MUST NOT BE ISSUED, CIRCULATED OR DISTRIBUTED IN HONG KONG, OTHER THAN TO “PROFESSIONAL INVESTORS” AS DEFINED IN THE SFO AND THE SUBSIDIARY LEGISLATION MADE UNDER THE SFO OR IN CIRCUMSTANCES THAT DO NOT CONSTITUTE AN OFFER OR INVITATION TO THE PUBLIC FOR PURPOSES OF THE CO OR THE SFO. IN ADDITION, UNLESS PERMITTED BY THE SECURITIES LAWS OF HONG KONG, NO PERSON MAY ISSUE OR HAVE IN ITS POSSESSION FOR THE PURPOSES OF ISSUE, WHETHER IN HONG KONG OR ELSEWHERE, ANY ADVERTISEMENT, INVITATION OR DOCUMENT RELATING TO THE BONDS, WHICH IS DIRECTED AT, OR THE CONTENTS OF WHICH ARE LIKELY TO BE ACCESSED OR READ BY, THE PUBLIC OF HONG KONG OTHER THAN WITH RESPECT TO BONDS WHICH ARE OR ARE INTENDED TO BE DISPOSED OF ONLY (A) TO PERSONS OUTSIDE HONG KONG, AND (B) TO “PROFESSIONAL INVESTORS” AS DEFINED IN THE SFO AND THE SUBSIDIARY LEGISLATION MADE UNDER THE SFO.

## **MÉXICO**

THIS OFFICIAL STATEMENT MEMORANDUM DOES NOT CONSTITUTE AN INVITATION TO INVEST OR A PUBLIC OFFERING WITHIN THE MEXICAN UNITED STATES (“MEXICO”) AND IS NOT GOVERNED BY MEXICAN LAW. THE BONDS HAVE NOT BEEN AND WILL NOT BE REGISTERED AT THE NATIONAL REGISTRY OF SECURITIES (REGISTRO NACIONAL DE VALORES) MAINTAINED BY THE MEXICAN BANKING AND SECURITIES COMMISSION (COMISIÓN NACIONAL BANCARIA Y DE VALORES) AND WILL NOT BE LISTED ON ANY MEXICAN STOCK EXCHANGE. ACCORDINGLY, THE BONDS MAY NOT BE MARKETED, OFFERED, SOLD OR NEGOTIATED IN MEXICO OR TO MEXICAN RESIDENTS, EXCEPT UNDER CIRCUMSTANCES WHICH SUCH SALE OR OFFER IS CONSIDERED A PRIVATE OFFERING OF SECURITIES UNDER APPLICABLE MEXICAN SECURITIES LAWS AND REGULATIONS. THIS OFFICIAL STATEMENT IS PROVIDED FOR INFORMATION PURPOSES ONLY AND DOES NOT CONSTITUTE A SOLICITATION.

MEXICAN ELIGIBLE INVESTORS; (I) REPRESENT TO BE EITHER INSTITUTIONAL OR QUALIFIED INVESTORS (INVERSIONISTAS INSTITUCIONALES O INVERSIONISTAS CALIFICADOS), WITHIN THE MEANING ASSIGNED TO SUCH TERMS IN SECTIONS XVI AND XVII OF ARTICLE TWO OF THE MEXICAN SECURITIES MARKET LAW (LEY DEL MERCADO DE VALORES); (II) ACKNOWLEDGE ALL MEXICAN LAWS AND REGULATIONS THAT MAY BE APPLICABLE TO TRANSACTIONS CONSUMMATED IN CONNECTION WITH THE BONDS AND/OR THIS OFFICIAL STATEMENT; (III) REPRESENT THAT THE FULL COMPLIANCE WITH ANY SUCH LAWS AND REGULATIONS IS THEIR SOLE RESPONSIBILITY, AND; (IV) ACKNOWLEDGE THAT THEY ARE NOT PERMITTED TO TRANSFER THE BONDS IN MEXICO UNLESS SUCH TRANSFER IS MADE EITHER TO AN INSTITUTIONAL OR QUALIFIED INVESTOR, UNLESS THE BONDS ARE PREVIOUSLY REGISTERED AT THE NATIONAL REGISTRY OF SECURITIES.

## **PERU**

THE BONDS AND THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT HAVE NOT BEEN AND WILL NOT BE REGISTERED WITH OR APPROVED BY THE PERUVIAN SUPERINTENDENCE FOR THE SECURITIES MARKET (*SUPERINTENDENCIA DEL MERCADO DE VALORES - SMV*) OR THE LIMA SECURITIES EXCHANGE (*BOLSA DE VALORES DE LIMA – BVL*). FURTHERMORE, NEITHER THE OFFICIAL STATEMENT NOR THE BONDS ARE REGULATED OR SUPERVISED BY ANY GOVERNMENTAL OR SIMILAR AUTHORITY IN PERU. ACCORDINGLY, THE BONDS CANNOT BE OFFERED, MARKETED OR SOLD, DIRECTLY OR INDIRECTLY IN THE REPUBLIC OF PERU (“PERU”), EXCEPT IF SUCH OFFER QUALIFIES AS A PRIVATE OFFERING UNDER THE LAWS AND REGULATIONS OF PERU. THE UNIFIED TEXT OF THE PERUVIAN SECURITIES MARKET LAW, APPROVED BY SUPREME DECREE N° 093-2002-EF, AS AMENDED, ESTABLISHES THAT ANY PARTICULAR OFFER QUALIFIES AS PRIVATE IF IT IS DIRECTED EXCLUSIVELY TO INSTITUTIONAL INVESTORS (*INVERSIONISTAS INSTITUCIONALES*), AS DEFINED UNDER THE APPLICABLE LAWS AND REGULATIONS OF PERU.

IN ADDITION, HOLDERS OF THE BONDS ARE NOT PERMITTED TO TRANSFER THE BONDS IN PERU UNLESS SAID TRANSFER IS MADE IN FAVOR OF AN INSTITUTIONAL INVESTOR OR THE BONDS ARE PREVIOUSLY REGISTERED IN THE PUBLIC REGISTRY OF THE SECURITIES MARKET KEPT BY THE SMV (*REGISTRO PÚBLICO DEL MERCADO DE VALORES*).

EACH HOLDER OF THE BONDS MUST SEEK ADVICE IN CONNECTION WITH THE PERUVIAN TAX TREATMENT APPLICABLE TO PAYMENTS TO BE MADE TO THEM UNDER THE BONDS.

*THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT IS PRIVATE, CONFIDENTIAL AND IS SENT ONLY FOR THE EXCLUSIVE USE OF THE ADDRESSEE, WHO DECLARES THAT IT QUALIFIES AS AN “INSTITUTIONAL INVESTOR” (INVERSIONISTA INSTITUCIONAL) IN ACCORDANCE WITH THE LAWS AND REGULATIONS OF PERU. THIS OFFICIAL STATEMENT MUST NOT BE PUBLICLY DISTRIBUTED IN PERU AND ANY USE OF THEM BY ANYONE OTHER THAN THE ADDRESSEE IS NOT AUTHORIZED. THE ADDRESSEE IS REQUIRED TO COMPLY WITH ALL APPLICABLE LAWS AND REGULATIONS OF PERU, INCLUDING, WITHOUT LIMITATION, TAX LAWS, IF ANY.*

## **NOTICE TO PROSPECTIVE INVESTORS IN SINGAPORE**

NEITHER THIS OFFICIAL STATEMENT NOR ANY OTHER DOCUMENT OR MATERIAL IN CONNECTION WITH ANY OFFER OF THE BONDS HAS BEEN OR WILL BE LODGED OR REGISTERED AS A PROSPECTUS WITH THE MONETARY AUTHORITY OF SINGAPORE (“MAS”) UNDER THE SECURITIES AND FUTURES ACT (CAP. 289) OF SINGAPORE (“SFA”). ACCORDINGLY, MAS ASSUMES NO RESPONSIBILITY FOR THE CONTENTS OF THIS OFFICIAL STATEMENT. THIS OFFICIAL STATEMENT IS NOT A PROSPECTUS AS DEFINED IN THE SFA AND STATUTORY LIABILITY UNDER THE SFA IN RELATION TO THE CONTENTS OF PROSPECTUSES WOULD NOT APPLY. PROSPECTIVE INVESTORS SHOULD CONSIDER CAREFULLY WHETHER THE INVESTMENT IS SUITABLE FOR IT.

THIS OFFICIAL STATEMENT AND ANY OTHER DOCUMENTS OR MATERIALS IN CONNECTION WITH THIS OFFER AND THE BONDS MAY NOT BE DIRECTLY OR INDIRECTLY ISSUED, CIRCULATED OR DISTRIBUTED, NOR MAY THE BONDS BE OFFERED OR SOLD, OR BE MADE THE SUBJECT OF AN INVITATION FOR SUBSCRIPTION OR PURCHASE, WHETHER DIRECTLY OR INDIRECTLY, TO PERSONS IN SINGAPORE OTHER THAN (i) TO AN INSTITUTIONAL INVESTOR UNDER SECTION 274 OF THE SFA (INSTITUTIONAL INVESTOR); (ii) TO A RELEVANT PERSON (AS DEFINED IN SECTION 275(2) OF THE SFA) (RELEVANT PERSON) PURSUANT TO SECTION 275(1) OF THE SFA, AND IN ACCORDANCE WITH THE CONDITIONS SPECIFIED IN SECTION 275 OF THE SFA; (iii) TO ANY PERSON PURSUANT TO THE CONDITIONS OF SECTION 275(1A) OF THE SFA (PRESCRIBED INVESTOR); OR (iv) OTHERWISE PURSUANT TO, AND IN ACCORDANCE WITH, THE CONDITIONS OF ANY OTHER APPLICABLE PROVISIONS OF THE SFA.

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

IN ADDITION TO THE ABOVE, WHERE THE BONDS ARE SUBSCRIBED OR PURCHASED UNDER SECTION 275 OF THE SFA BY A RELEVANT PERSON WHICH IS:

- (1) A CORPORATION (OTHER THAN A CORPORATION THAT IS AN ACCREDITED INVESTOR), THE SOLE BUSINESS OF WHICH IS TO HOLD INVESTMENTS AND THE ENTIRE SHARE CAPITAL OF WHICH IS OWNED BY ONE OR MORE INDIVIDUALS, EACH OF WHOM IS AN ACCREDITED INVESTOR; OR
- (2) A TRUST (OTHER THAN A TRUST THE TRUSTEE OF WHICH IS AN ACCREDITED INVESTOR) WHOSE SOLE PURPOSE IS TO HOLD INVESTMENTS AND EACH BENEFICIARY OF THE TRUST IS AN INDIVIDUAL WHO IS AN ACCREDITED INVESTOR,

SECURITIES (AS DEFINED IN SECTION 239(1) OF THE SFA) OF THAT CORPORATION OR THE BENEFICIARIES' RIGHTS AND INTEREST (HOWSOEVER DESCRIBED) IN THAT TRUST SHALL NOT BE TRANSFERRED WITHIN SIX MONTHS AFTER THAT CORPORATION OR THAT TRUST HAS ACQUIRED THE BONDS PURSUANT TO AN OFFER MADE UNDER SECTION 275 OF THE SFA EXCEPT:

- (a) TO INSTITUTIONAL INVESTORS, RELEVANT PERSONS, OR PRESCRIBED INVESTORS;
- (b) WHERE NO CONSIDERATION IS OR WILL BE GIVEN FOR THE TRANSFER;
- (c) WHERE THE TRANSFER IS BY OPERATION OF LAW; OR
- (d) SUCH BONDS ARE OF THE SAME CLASS AS OTHER BONDS OF THE UNIVERSITY THAT ARE LISTED ON AN APPROVED EXCHANGE AND IN RESPECT OF WHICH ANY OFFER INFORMATION STATEMENT, INTRODUCTORY DOCUMENT, SHAREHOLDERS' CIRCULAR FOR A REVERSE TAKE-OVER, DOCUMENT ISSUED FOR THE PURPOSES OF A SCHEME OF ARRANGEMENT, OR ANY OTHER SIMILAR DOCUMENT APPROVED BY AN APPROVED EXCHANGE, WAS ISSUED IN CONNECTION WITH AN OFFER, OR THE LISTING FOR QUOTATION, OF THOSE BONDS.

#### **NOTICE TO PROSPECTIVE INVESTORS IN TAIWAN (THE REPUBLIC OF CHINA)**

THE OFFER OF THE BONDS HAS NOT BEEN AND WILL NOT BE REGISTERED WITH THE FINANCIAL SUPERVISORY COMMISSION OF TAIWAN (THE "FSC") PURSUANT TO APPLICABLE SECURITIES LAWS AND REGULATIONS OF TAIWAN AND THE BONDS, INCLUDING ANY COPY OF THIS OFFICIAL STATEMENT OR ANY OTHER DOCUMENTS RELATING TO THE BONDS, MAY NOT BE OFFERED, SOLD, DELIVERED OR DISTRIBUTED WITHIN TAIWAN (THE REPUBLIC OF CHINA) THROUGH A PUBLIC OFFERING OR IN CIRCUMSTANCES WHICH CONSTITUTE AN OFFER WITHIN THE MEANING OF THE SECURITIES AND EXCHANGE ACT OF TAIWAN THAT REQUIRES THE REGISTRATION WITH

OR APPROVAL OF THE FSC. NO PERSON OR ENTITY IN TAIWAN (THE REPUBLIC OF CHINA) HAS BEEN AUTHORIZED TO OFFER, SELL, DISTRIBUTE, GIVE ADVICE REGARDING OR OTHERWISE INTERMEDIATE THE OFFERING, SALE OR DISTRIBUTION OF THE BONDS. TAIWAN INVESTORS WHO SUBSCRIBE AND PURCHASE THE BONDS SHALL COMPLY WITH ALL RELEVANT SECURITIES, TAX AND FOREIGN EXCHANGE LAWS AND REGULATIONS IN EFFECT IN TAIWAN.

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## OFFICIAL STATEMENT

relating to

\$110,215,000

### BOARD OF REGENTS OF STEPHEN F. AUSTIN STATE UNIVERSITY REVENUE FINANCING SYSTEM BONDS, SERIES 2019

#### INTRODUCTION

The purpose of this Official Statement, which includes the cover page and Appendices hereto, is to provide certain information regarding the issuance by the Board of Regents (the “Board”) of Stephen F. Austin State University (the “University”) of its \$110,215,000 Revenue Financing System Bonds, Series 2019 (the “Bonds”), consisting of \$94,290,000 Revenue Financing System Bonds, Series 2019A (the “Series 2019A Bonds”) and \$15,925,000 Revenue Financing System Bonds, Taxable Series 2019B (the “Taxable Series 2019B Bonds”). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in APPENDIX C – DEFINITIONS, except as otherwise indicated herein.

The University was established in 1921 pursuant to the provisions of the Constitution and the laws of the State of Texas (the “State”) as an institution of higher education. The total student enrollment for the Fall 2018 Semester is 13,144. The Board is the governing body of the University and its members are officers of the State, appointed by the Governor of the State (the “Governor”) with the advice and consent of the State Senate. For a general description of the University, see “APPENDIX A – THE UNIVERSITY” herein.

This Official Statement contains summaries and descriptions of the Plan of Financing, the Bonds, the University, and other related matters. All references to and descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the Vice President for Finance and Administration, Stephen F. Austin State University, P.O. Box 6108, SFA Station, Nacogdoches, Texas 75962, (936) 468-2350.

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

#### PLAN OF FINANCING

##### Authority for Issuance of the Bonds

The Bonds are being issued in accordance with the general laws of the State, including particularly Chapter 1371, Texas Government Code, as amended, and additionally pursuant to the Resolution adopted by the Board. As permitted by such Chapter, the Board in the Resolution, delegated to the Designated Financial Officer the authority to establish and approve final terms of sale of the Bonds, which terms of sale are evidenced in an “Award Certificate” relating to the Bonds.

Outstanding Previously Issued Parity Obligations issued before 2011 (i.e., the Revenue Financing System Revenue Bonds, Series 2010) were issued by the Texas Public Finance Authority (the “Authority”) on behalf of the University pursuant to Chapter 1232, Texas Government Code, as amended. Effective June 17, 2011, House Bill 2251, Eighty-Second Legislature, amended Section 1232.101, Texas Government Code, to permit either the Board or the Authority, on behalf of the University, to issue bonds secured by revenues of the University. Outstanding Previously Issued Parity Obligations issued since the passage of such legislation have been issued directly by the Board. The Bonds will constitute Parity Obligations of the Board equally and ratably secured solely by and payable solely from a pledge of and lien on the Pledged Revenues on a parity with the Outstanding Previously Issued Parity Obligations. The Resolution permits additional Parity Obligations to be issued in the future. See “SECURITY FOR THE BONDS” and “APPENDIX A – Table 4 – Outstanding Obligations.”

## Purpose of the Bonds

The Series 2019A Bonds will be issued for the purpose of (i) acquiring, purchasing, constructing, improving, renovating, enlarging or equipping property and facilities, including roads and related infrastructure, for a fine arts expansion initiative, a welcome center and student support center, a basketball practice facility and a student residential facility at the University and (ii) paying the costs of issuing the Series 2019A Bonds. The Taxable Series 2019B Bonds will be issued for (i) acquiring, purchasing, constructing, improving, renovating, enlarging or equipping property and facilities, including roads and related infrastructure, for a dining facility at the University and (ii) paying the costs of issuance associated with the Taxable Series 2019B Bonds.

## Sources and Uses of Funds

The proceeds of the Bonds will be applied approximately as follows:

Sources of Funds	Series 2019A Bonds	Taxable Series 2019B Bonds	Total
	Principal Amount of Bonds	\$94,290,000.00	\$15,925,000.00
Original Issue Net Premium	6,121,389.35	0	6,121,389.35
<b>Total</b>	<b>\$100,411,389.35</b>	<b>\$15,925,000.00</b>	<b>\$116,336,389.35</b>
<b>Uses of Funds</b>			
Deposit to Construction Fund	\$99,700,000.00	\$15,800,000.00	\$115,500,000.00
Costs of Issuance <sup>(1)</sup>	711,389.35	125,000.00	836,389.35
<b>Total</b>	<b>\$100,411,389.35</b>	<b>\$15,925,000.00</b>	<b>\$116,336,389.35</b>

<sup>(1)</sup> Includes Underwriters' Discount.

## DESCRIPTION OF THE BONDS

### General

The Bonds are dated February 1, 2019. The Bonds mature on October 15 in each of the years and in the amounts shown on pages i and ii hereof. Interest on the Bonds will accrue from the Date of Delivery, will bear interest at the per annum rates shown on pages i and ii hereof, and will be payable on April 15 and October 15 of each year, commencing October 15, 2019, until maturity or prior redemption. Interest on the Bonds will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Bonds of each series will be issued only as fully registered bonds, without coupons, in any integral multiple of \$5,000 principal amount.

If the specified date for any payment of principal of or interest on the Bonds is a Saturday, Sunday, or legal holiday or equivalent (other than a moratorium) for banking institutions in the City of New York, New York or in the City of Dallas, Texas the designated payment office for the Paying Agent/Registrar for the Bonds (the "Designated Payment Office"), such payment may be made on the next succeeding day that is not one of the foregoing days without additional interest and with the same force and effect as if made on the specified date for such payment.

### Transfer, Exchange, and Registration

Upon surrender for transfer of any Bond at the Designated Payment Office described herein, the Board will execute, and the Paying Agent/Registrar, initially U.S. Bank National Association, will authenticate and deliver, in the name of the designated transferee, one or more new fully registered Bonds of the same Stated Maturity, of any authorized denominations, and of a like aggregate principal amount. At the option of the Owner, Bonds may be exchanged for other Bonds of the same Stated Maturity, of any authorized denominations, and of like aggregate principal amount, upon surrender of the Bonds to be exchanged at the place of payment for the Bonds.

Whenever any Bonds are so surrendered for exchange, and the Board will execute, and the Paying Agent/Registrar will authenticate and deliver the Bonds, which the Owner of Bonds making the exchange is entitled to receive.

Every Bond presented or surrendered for transfer or exchange will be duly endorsed or accompanied by a written instrument of transfer in form satisfactory to the Board and the Paying Agent/Registrar duly executed, by the Owner thereof or his attorney duly authorized in writing. No service charge will be made to the Owner for any registration, transfer, or exchange of Bonds, but the Board or the Paying Agent/Registrar may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer or exchange of Bonds.

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

The regular record date (“Record Date”) for determining the party entitled to the receipt of the interest payable on the Bonds on any interest payment date means the last Business Day of the month next preceding each interest payment date.

The interest payable on, and paid or duly provided for on or within ten days after, any interest payment date will be paid to the person in whose name a Bond (or one or more predecessor Bonds evidencing the same debt) is registered at the close of business on the Record Date for such interest. Any such interest not so paid or duly provided for will cease to be payable to the person in whose name such Bonds is registered on such Record Date, and will be paid to the person in whose name this Bond (or one or more predecessor Bonds) is registered at the close of business on a special Record Date for the payment of such defaulted interest to be fixed by the Paying Agent/Registrar, notice whereof being given to the Owners of the Bonds not less than 15 days prior to the special Record Date.

### **Optional Redemption**

The Bonds are subject to optional redemption prior to maturity as described below.

*Series 2019A Bonds.* The Series 2019A Bonds with a stated maturity on and after October 15, 2029 are subject to redemption prior to maturity at the option of the Board in whole or in part on or after October 15, 2028 at 100% of the principal amount of the Series 2019A Bonds to be redeemed, plus accrued and unpaid interest on such Series 2019A Bonds to, but not including, the redemption date, with funds derived from any available source.

*Taxable Series 2019B Bonds.* The Taxable Series 2019B Bonds are subject to redemption prior to maturity at the option of the Board in whole or in part before (but not including) October 15, 2028 (the “Taxable Series 2019B Par Call Date”) at the Make-Whole Redemption Price and on or after the Taxable Series 2019B Par Call Date at 100% of the principal amount of the Taxable Series 2019B Bonds to be redeemed, plus accrued and unpaid interest on such Taxable Series 2019B Bonds to, but not including, the redemption date, with funds derived from any available source.

The “Make-Whole Redemption Price” is the greater of (i) 100% of the principal amount of a Taxable Series 2019B Bond to be redeemed and (ii) the sum of the present values of the remaining scheduled payments of principal to maturity (treating any principal scheduled to be paid after the Taxable Series 2019B Par Call Date as if it were scheduled to mature on the Taxable Series 2019B Par Call Date) and interest to the Taxable Series 2019B Par Call Date of such Taxable Series 2019B Bond to be redeemed, (not including any portion of those payments of interest accrued and unpaid as of the date on which such Taxable Series 2019B Bond is to be redeemed), discounted to the date on which such Taxable Series 2019B Bond is to be redeemed on a semi-annual basis assuming a 360-day year consisting of twelve 30-day months at the Treasury Rate plus: (i) 5 basis points for a Taxable Series 2019B Bond that matures on October 15, 2019 through October 15, 2020, (ii) 10 basis points for a Taxable Series 2019B Bond that matures on October 15, 2021 through October 15, 2024, (iii) 15 basis points for a Taxable Series 2019B Bond that matures on October 15, 2025 through October 15, 2028 and (iv) 20 basis points for a Taxable Series 2019B Bond that matures on October 15, 2029 through October 15, 2035, plus, in each case, accrued and unpaid interest on such Taxable Series 2019B Bond to, but not including, the redemption date. “Treasury Rate” means, with respect to any redemption date for a Taxable Series 2019B Bond to be redeemed, the yield to maturity of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available on a day selected by the Board that is at least two Business Days, but no more than 45 calendar days, prior to such redemption date (excluding inflation indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from such redemption date to the earlier of such Taxable Series 2019B Bond’s

maturity date or the Taxable Series 2019B Par Call Date; provided, however, that if the period from the redemption date to such date is less than one year, the yield to maturity of the United States Treasury securities with a constant maturity of one year will be used.

The Board will retain an independent accounting firm or an independent financial advisor to determine the Make-Whole Redemption Price and perform all actions and make all calculations required to determine such Make-Whole Redemption Price. The Paying Agent/Registrar and the Board may conclusively rely on such accounting firm's or financial advisor's calculations in connection with, and determination of, the Make-Whole reliance. The determination of the Make-Whole Redemption Price by such accounting firm or such financial advisor will be conclusive and binding on the Paying Agent/Registrar, the Board and the Owners of the Bonds.

In lieu of optionally redeeming Bonds (or portions thereof), the Paying Agent/Registrar may, at the request of the Board, use such funds otherwise available under the Resolution for redemption of Bonds (or portions thereof) to purchase Bonds (or portions thereof) in the open market at a price negotiated in the secondary market.

### **Mandatory Redemption**

The Bonds are subject to mandatory sinking fund redemption prior to maturity as described below.

*Series 2019A Bonds.* The Series 2019A Bonds maturing on October 15, 2042 and 2048 (the "Term Bonds") are subject to mandatory sinking fund redemption prior to maturity in the following amounts, on the following dates and at a price of 100% of the principal amount of the Term Bonds to be redeemed, plus accrued and unpaid interest on such Term Bonds to, but not including, the redemption date:

#### **Series 2019A Bonds maturing October 15, 2042**

<b>Redemption Date (<u>October 15</u>)</b>	<b>Principal <u>Amount</u></b>
2039	\$4,360,000
2040	\$4,585,000
2041	\$4,820,000
2042 (maturity)	\$5,065,000

#### **Series 2019A Bonds maturing October 15, 2048**

<b>Redemption Date (<u>October 15</u>)</b>	<b>Principal <u>Amount</u></b>
2043	\$5,300,000
2044	\$5,510,000
2045	\$5,740,000
2046	\$5,970,000
2047	\$6,220,000
2048 (maturity)	\$6,475,000

The principal amount of the Term Bonds required to be redeemed pursuant to the operation of the mandatory sinking fund redemption provisions shall be reduced, at the option of the Board by the principal amount of any Term Bonds of the stated maturity and series which, at least 50 days prior to a mandatory redemption date, (1) shall have been acquired by the Board, at a price not exceeding the principal amount of such Term Bonds plus accrued interest to the date of purchase thereof, and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the Board at a price not exceeding the principal amount of the Term Bonds plus accrued interest to the date of purchase thereof, or (3) shall have been



redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory sinking fund redemption requirement.

### **Selection of Bonds for Redemption**

If less than all of the Bonds are called for redemption, the particular Bonds, or portions thereof, to be redeemed shall be selected and designated by the Board, and if less than all of a series and maturity, or sinking fund installment in the case of Term Bonds, is to be redeemed, the Registrar shall determine by lot or other customary random method the Bonds, or portions thereof within such maturity and series to be redeemed (provided that a portion of a Bond may be redeemed only in integral multiples of \$5,000 principal amount); provided, that during any period in which ownership of the Bonds is determined only by a book entry at a securities depository for the Bonds, if fewer than all of the Bonds of the same series and maturity, or sinking fund installment in the case of Term Bonds, and bearing the same interest rate are to be redeemed, the particular Bonds of such maturity, such series, such interest rate and such sinking fund installment in the case of Term Bonds shall be selected in accordance with the arrangements between the Board and the securities depository.

### **Paying Agent/Registrar**

In the Resolution, the Board covenants with the registered owners of the Bonds that at all times while the Bonds are outstanding the Board will provide a competent and legally qualified bank, trust company, financial institution, or other agency to act as and perform the services of Paying Agent/Registrar for the Bonds under the Resolution, and that the Paying Agent/Registrar will be one entity. The Board reserves the right to, and may, at its option, change the Paying Agent/Registrar upon not less than 120 days written notice to the Paying Agent/Registrar, to be effective not later than 60 days prior to the next principal or interest payment date after such notice. In the event that the entity at any time acting as Paying Agent/Registrar (or its successor by merger, acquisition, or other method) should resign or otherwise cease to act as such, the Board covenants that promptly it will appoint a competent and legally qualified bank, trust company, financial institution, or other agency to act as Paying Agent/Registrar under the Resolution. Upon any change in the Paying Agent/Registrar, the previous Paying Agent/Registrar promptly shall transfer and deliver the Registration Books (or a copy thereof), along with all other pertinent books and records relating to the Bonds, to the new Paying Agent/Registrar designated and appointed by the Board. Upon any change in the Paying Agent/Registrar, the Board promptly will cause a written notice thereof to be sent by the new Paying Agent/Registrar to the Board and to each registered owner of the Bonds, by United States mail, first-class postage prepaid, which notice also shall give the address of the new Paying Agent/Registrar.

### **Defeasance**

The Resolution provides for the defeasance of the Bonds and the termination of the pledge of revenues and all other general defeasance covenants in the Resolution under certain circumstances. Any Bond and the interest thereon shall be deemed to be paid, retired and no longer Outstanding (a "Defeased Bond") within the meaning of the Resolution, except to the extent described below, when payment of the principal of such Bond, plus interest thereon to the due date or dates (whether such due date or dates be by reason of maturity, upon redemption, or otherwise) either (i) shall have been made or caused to be made in accordance with the terms thereof (including the giving of any required notice of redemption) or (ii) shall have been provided for on or before such due date by irrevocably depositing with or making available to the Paying Agent/Registrar or any other eligible bank or trust company then authorized by State law for such payment (1) lawful money of the United States of America sufficient to make such payment, (2) Defeasance Securities, certified by an independent public accounting firm of national reputation to mature as to principal and interest in such amounts and at such times as will ensure the availability, without reinvestment, of sufficient money to provide for such payment and when proper arrangements have been made by the Board with the Paying Agent/Registrar for the payment of its services until all Defeased Bonds shall have become due and payable or (3) any combination of (1) and (2). At such time as a Bond shall be deemed to be a Defeased Bond hereunder, as aforesaid, such Bond and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of, the revenues pledged under the Resolution, and such principal and interest shall be payable solely from such money or Defeasance Securities.

The deposit under clause (ii) described in the preceding paragraph shall be deemed a payment of a Bond as aforesaid when proper notice of redemption of such Bonds shall have been given, in accordance with the Resolution. Any

money so deposited with the Paying Agent/Registrar or other eligible institution as described herein may at the written discretion of the Board also be invested in Defeasance Securities, maturing in the amounts and at the times as specified in the Resolution, and all income from all Defeasance Securities in possession of the Paying Agent/Registrar or other eligible institution which is not required for the payment of such Bond and premium, if any, and interest thereon with respect to which such money has been so deposited, shall be turned over to the Board.

All money or Defeasance Securities set aside and held in trust pursuant to the applicable provisions of the Resolution for the payment of principal of the Bonds and premium, if any, and interest thereon, shall be applied to and used solely for the payment of the particular Bonds and premium, if any, and interest thereon, with respect to which such money or Defeasance Securities have been so set aside in trust. Until all Defeased Bonds shall have become due and payable, the Paying Agent/Registrar shall perform the services of Paying Agent/Registrar for such Defeased Bonds the same as if they had not been defeased, and the Board shall make proper arrangements to provide and pay for such services as required by the Resolution.

If money or Defeasance Securities have been deposited or set aside with the Paying Agent/Registrar or other eligible institution in accordance with the Resolution for the payment of Bonds and such Bonds shall not have in fact been actually paid in full, no amendment of the applicable provisions of the Resolution shall be made without the consent of the registered owner of each Bond affected thereby.

To the extent that, upon the defeasance of any Defeased Bond to be paid at its maturity, the Board retains the right under Texas law to later call that Defeased Bond for redemption in accordance with the provisions of the Resolution. The Board may call such Defeased Bond for redemption upon complying with the provisions of Texas law and upon the satisfaction of the applicable Resolution provisions described herein with respect to such Defeased Bond as though it was being defeased at the time of the exercise of the option to redeem the Defeased Bond and the effect of the redemption is taken into account in determining the sufficiency of the provisions made for the payment of the Defeased Bond.

If the Board elects to defease less than all of the principal amount of Bonds of a maturity, the Paying Agent/Registrar shall select, or cause to be selected, such amount of Bonds by such random method as it deems fair and appropriate.

Because the Resolution provides that securities or obligations that may be authorized under future State law may also be used to defease Bonds, registered owners are deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law.

There is no assurance that the ratings for U.S. Treasury securities or any other Defeasance Securities that may be used to defease Bonds as described in this section will be maintained at any particular rating category.

### **Book-Entry-Only System**

*This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and accredited by DTC while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The Board believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.*

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

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

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

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

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

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

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

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

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

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Board or the Paying Agent/Registrar. Under such circumstances, in the event that a successor securities depository is not obtained, Bonds are required to be printed and delivered. The Board may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bonds will be printed and delivered.

#### **Use of Certain Terms in Other Sections of this Official Statement**

In reading this Official Statement it should be understood that while the Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Resolution will be given only to DTC.

#### **Effect of Termination of Book-Entry-Only System; Notices**

If the Book-Entry-Only System is discontinued by DTC or the use of the Book-Entry-Only System is discontinued by the Board, printed Bonds will be issued to the holders and the Bonds will be subject to transfer, exchange and registration provisions as set forth in the Resolution and summarized under "DESCRIPTION OF THE BONDS — Transfer, Exchange and Registration" herein.

**THE PAYING AGENT/REGISTRAR AND THE BOARD, SO LONG AS THE DTC BOOK-ENTRY SYSTEM IS USED FOR THE BONDS, WILL SEND ANY NOTICE OF PROPOSED AMENDMENT TO THE RESOLUTION OR OTHER NOTICES WITH RESPECT TO SUCH BONDS ONLY TO DTC. ANY FAILURE BY DTC TO ADVISE ANY DTC PARTICIPANT OR OF ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT TO NOTIFY THE BENEFICIAL OWNERS, OF ANY NOTICES AND THEIR CONTENTS OR EFFECT WILL NOT AFFECT ANY ACTION PREMISED ON ANY SUCH NOTICE. NEITHER THE BOARD NOR THE PAYING AGENT/REGISTRAR WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, INDIRECT PARTICIPANTS, OR THE PERSONS FOR WHOM DTC PARTICIPANTS ACT AS NOMINEES, WITH RESPECT TO THE PAYMENTS ON THE BONDS OR THE PROVIDING OF NOTICE TO DIRECT PARTICIPANTS, INDIRECT PARTICIPANTS, OR BENEFICIAL OWNERS.**

## DEBT SERVICE REQUIREMENTS

### ANNUAL DEBT SERVICE REQUIREMENTS <sup>(1)</sup>

Fiscal Year Ending 8/31	Outstanding Debt Service <sup>(2)</sup>	Outstanding Notes and Leases <sup>(3)</sup>	Series 2019A			Series 2019B			Total Annual Debt Service
	Total	Total	Principal	Interest	Total	Principal	Interest	Total	
2019	\$ 2,384,722	\$ 1,512,778	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,897,500
2020	16,016,051	3,039,525	500,000	4,984,873	5,484,873	425,000	689,065	1,114,065	25,654,514
2021	16,004,164	2,463,173	1,160,000	4,139,600	5,299,600	745,000	560,392	1,305,392	25,072,329
2022	16,003,431	1,168,905	1,215,000	4,080,225	5,295,225	770,000	538,092	1,308,092	23,775,653
2023	15,037,869	999,735	1,275,000	4,017,975	5,292,975	790,000	514,537	1,304,537	22,635,116
2024	15,036,522	1,021,979	1,345,000	3,952,475	5,297,475	815,000	489,559	1,304,559	22,660,535
2025	15,046,447	1,044,735	1,410,000	3,883,600	5,293,600	845,000	462,937	1,307,937	22,692,719
2026	13,241,755	1,068,017	1,490,000	3,811,100	5,301,100	870,000	434,383	1,304,383	20,915,255
2027	7,975,563	1,091,834	1,560,000	3,734,850	5,294,850	900,000	403,622	1,303,622	15,665,869
2028	7,981,069	1,116,202	1,640,000	3,654,850	5,294,850	935,000	370,513	1,305,513	15,697,634
2029	6,824,672	1,141,133	1,725,000	3,570,725	5,295,725	970,000	335,084	1,305,084	14,566,614
2030	5,418,234	636,892	1,815,000	3,482,225	5,297,225	1,010,000	297,363	1,307,363	12,659,714
2031	2,839,750	-	1,905,000	3,389,225	5,294,225	1,050,000	257,250	1,307,250	9,441,225
2032	2,838,050	-	2,005,000	3,291,475	5,296,475	1,090,000	215,044	1,305,044	9,439,569
2033	2,842,750	-	2,105,000	3,188,725	5,293,725	1,135,000	170,605	1,305,605	9,442,080
2034	2,841,400	-	2,220,000	3,080,600	5,300,600	1,180,000	123,791	1,303,791	9,445,791
2035	2,842,775	-	2,315,000	2,978,800	5,293,800	1,230,000	74,310	1,304,310	9,440,885
2036	2,837,900	-	2,535,000	2,881,800	5,416,800	1,165,000	24,418	1,189,418	9,444,118
2037	2,840,700	-	3,850,000	2,754,100	6,604,100	-	-	-	9,444,800
2038	-	-	4,005,000	2,597,000	6,602,000	-	-	-	6,602,000
2039	-	-	4,170,000	2,433,500	6,603,500	-	-	-	6,603,500
2040	-	-	4,360,000	2,241,100	6,601,100	-	-	-	6,601,100
2041	-	-	4,585,000	2,017,475	6,602,475	-	-	-	6,602,475
2042	-	-	4,820,000	1,782,350	6,602,350	-	-	-	6,602,350
2043	-	-	5,065,000	1,535,225	6,600,225	-	-	-	6,600,225
2044	-	-	5,300,000	1,302,600	6,602,600	-	-	-	6,602,600
2045	-	-	5,510,000	1,086,400	6,596,400	-	-	-	6,596,400
2046	-	-	5,740,000	861,400	6,601,400	-	-	-	6,601,400
2047	-	-	5,970,000	627,200	6,597,200	-	-	-	6,597,200
2048	-	-	6,220,000	383,400	6,603,400	-	-	-	6,603,400
2049	-	-	6,475,000	129,500	6,604,500	-	-	-	6,604,500
<b>Total</b>	<b>\$ 156,853,824</b>	<b>\$ 16,304,908</b>	<b>\$ 94,290,000</b>	<b>\$ 81,874,373</b>	<b>\$ 176,164,373</b>	<b>\$ 15,925,000</b>	<b>\$ 5,960,965</b>	<b>\$ 21,885,965</b>	<b>\$ 371,209,070</b>

<sup>(1)</sup> As of February 6, 2019.

<sup>(2)</sup> A portion of the Outstanding Parity Obligations constitute Tuition Revenue Bonds that qualify the University to be reimbursed from State appropriations for debt service. The University has been appropriated payments in the amount of \$7,440,415 and \$6,440,456 during the fiscal years of 2019 and 2020, respectively, to reimburse debt service on its Tuition Revenue Bonds. See "APPENDIX A – Financing Programs for Capital Improvements – Tuition Revenue Bonds".

<sup>(3)</sup> See "SECURITY FOR THE BONDS" and "APPENDIX A – Table 4 – Outstanding Obligations." Also see "APPENDIX A – Selected Financial Information" and "– Financing Programs for Capital Improvements" for information concerning other indebtedness of the University secured by other sources.

## SECURITY FOR THE BONDS

### **The Revenue Financing System**

The Resolution confirms the prior creation of the Stephen F. Austin State University Revenue Financing System (the “Revenue Financing System”). The Revenue Financing System was established to provide a financing structure for revenue-supported indebtedness of the University and any research and service agencies or other components of the University that may thereunder be included, by Board action, as participants in the Revenue Financing System (“Participants”). The Revenue Financing System is intended to facilitate the assembling of all of the University’s revenue-supported debt capacity into a single financing program in order to provide a cost-effective debt program to Participants and to maximize the financing options available to the Board. Presently, only the University is a Participant, and the University currently has no plans to add additional Participants. The Resolution provides that once a university or agency becomes a Participant, its Revenue Funds become part of the Pledged Revenues; provided, however, that, if at the time an entity becomes a Participant it has outstanding obligations secured by any or all of its Revenue Funds, such obligations will constitute Prior Encumbered Obligations under the Resolution and the pledge of such sources as Pledged Revenues will be subject and subordinate to such outstanding Prior Encumbered Obligations. Thereafter, the Board may issue bonds, notes, commercial paper, contracts, or other evidences of indebtedness, including credit agreements on behalf of such institution on parity, as to payment and security, with the Outstanding Parity Obligations, subject only to the outstanding Prior Encumbered Obligations, if any, with respect to such Participant. Upon becoming a Participant, an entity may no longer issue obligations having a lien on Pledged Revenues prior to the lien on the Outstanding Parity Obligations. Generally, Prior Encumbered Obligations are those bonds or other obligations issued on behalf of a Participant that were outstanding on the date such entity became a Participant in the Revenue Financing System. Presently there are no Prior Encumbered Obligations outstanding as described in Table 4 – Outstanding Obligations herein. See “SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION” and “APPENDIX C – DEFINITIONS.”

### **Pledge under Resolution**

The Bonds, the currently Outstanding Previously Issued Parity Obligations, and any additional obligations hereafter issued on a parity with the Bonds (referred to herein collectively as “Parity Obligations”) are special obligations of the Board equally and ratably secured solely by and payable solely from a pledge of and lien on the Pledged Revenues as described below.

The Resolution presently provides that the Pledged Revenues consist of, subject to the provisions of any Prior Encumbered Obligations, the Revenue Funds, including all of the revenues, funds, and balances now or hereafter lawfully available to the Board and derived from or attributable to any Participant of the Revenue Financing System that are lawfully available to the Board for the payment of Parity Obligations. Revenue Funds include the revenues, incomes, receipts, rentals, rates, charges, fees, grants, and tuition levied or collected from any public or private source by the Participants, including interest or other income from those funds, derived by the Board from the operations of each of the Participants. Revenue Funds do not include, with respect to each series or issue of Parity Obligations, any tuition, rentals, fees, or other charges attributable to any student in a category which, at the time of the adoption by the Board of a resolution relating to such Parity Obligations, is exempt by law or by the Board from paying such tuition, rentals, fees, or other charges; provided, however, that the following will not be included in Pledged Revenues unless and to the extent set forth in a Resolution authorizing the issuance of Parity Obligations: (a) amounts received on behalf of any Participant under Article 7, Section 17 of the Constitution of the State of Texas, including the income therefrom and any fund balances relating thereto (see “APPENDIX A – Selected Financial Information” and “– Financing Programs for Capital Improvements – *Higher Education Fund Bonds*”); and (b) except to the extent so specifically appropriated, general revenue funds appropriated to the Board by the Legislature of the State of Texas (the “Texas Legislature”). All legally available funds of the University, including unrestricted funds and reserve balances, are pledged to the payment of the Parity Obligations. A more detailed description of the types of revenues and expenditures of the Revenue Financing System and their availability to the Board for various purposes may be found under “Table 1 – Pledged Revenues” below and “APPENDIX A – Selected Financial Information.” See also “SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION.”

The Board has covenanted in the Resolution that in each Fiscal Year it will use its reasonable efforts to collect revenues sufficient to meet all financial obligations of the Board relating to the Revenue Financing System including

all deposits or payments due on or with respect to Outstanding Parity Obligations for such Fiscal Year. The Board has also covenanted in the Resolution that it will not incur any debt secured by Pledged Revenues unless such debt constitutes a Parity Obligation or is junior and subordinate to the Parity Obligations. The Board intends to issue most of its revenue supported debt obligations that benefit components of the University as Parity Obligations under the Resolution.

THE BONDS ARE NOT GENERAL OBLIGATIONS OF THE BOARD, THE UNIVERSITY, THE STATE, OR ANY POLITICAL SUBDIVISION OF THE STATE. THE BOARD HAS NO TAXING POWER, AND NEITHER THE CREDIT NOR THE TAXING POWER OF THE STATE OR ANY POLITICAL SUBDIVISION OF THE STATE IS PLEDGED AS SECURITY FOR THE BONDS. THE BREACH OF ANY COVENANT, AGREEMENT, OR OBLIGATION CONTAINED IN THE RESOLUTION WILL NOT IMPOSE OR RESULT IN GENERAL LIABILITY ON OR A CHARGE AGAINST THE GENERAL CREDIT OF THE BOARD OR THE UNIVERSITY. THE OWNERS OF THE BONDS WILL NEVER HAVE THE RIGHT TO DEMAND PAYMENT OF THE BONDS FROM ANY SOURCE OTHER THAN PLEDGED REVENUES. See “APPENDIX A – Financing Programs for Capital Improvements” for information concerning other indebtedness of the University secured by other sources.

**Table 1 – Pledged Revenues**

The following table contains a summary of the Pledged Revenues for the Fiscal Years Ended August 31, 2014 through 2018, including pledged unappropriated fund balances available at the beginning of the fiscal year. The Pledged Revenues consist of Unrestricted Current Funds Revenues but do not include: remissions, governmental appropriations, restricted gifts, grants and contracts within the Educational and General Fund Group; Higher Education Funds; and certain student service fees in the Auxiliary Fund Group, as described above and as such terms are used in “APPENDIX B – UNAUDITED FINANCIAL REPORT OF STEPHEN F. AUSTIN STATE UNIVERSITY FOR THE YEAR ENDED AUGUST 31, 2018.”

	<b>For Fiscal Years Ended August 31,</b>				
	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Available Pledged Revenues <sup>(1)</sup>	\$155,081,648	\$154,737,373	\$148,389,851	\$141,819,499	143,727,930
Pledged Unrestricted Fund and Reserve Balances <sup>(2)(3)</sup>	14,511,959 <sup>(4)</sup>	55,915,075	43,337,105	38,522,273	37,959,471
Less HEF and RDF Balances <sup>(2)</sup>	(8,057,999)	(6,131,926)	(3,298,307)	(3,940,324)	(3,400,440)
<b>Total Pledged Revenues</b>	<b>\$161,535,608</b>	<b>\$204,520,522</b>	<b>\$188,428,650</b>	<b>\$176,401,488</b>	<b>\$178,286,961</b>

<sup>(1)</sup> Available Pledged Revenues include the gross revenues of the Revenue Financing System, including pledged student tuition and fees and investment income. Available Pledged Revenues exclude State appropriations, reimbursement for Tuition Revenue Bonds and restricted revenues. See “APPENDIX A – Financing Programs for Capital Improvements – *Tuition Revenue Bonds*.”

<sup>(2)</sup> Pledged Unrestricted Fund and Reserve Balances include all the Unrestricted Funds as reported in Net Position on the Statement of Net Position, except unspent balances in the State-appropriated Research and Development Fund (RDF) and the Higher Education Fund (HEF).

<sup>(3)</sup> The methodology to calculate Pledged Unrestricted Fund and Reserve Balances changed in fiscal year 2016 to include certain unrestricted fund balances that were within the definition of Pledged Revenues. This Table 1 reflects this change in methodology for each fiscal year shown.

<sup>(4)</sup> The decline in Pledged Unrestricted Fund and Reserve Balances from 2017 to 2018 was primarily due to the implementation of GASB 75, which required the State to make a restatement of approximately \$57 million to the University’s net position in fiscal year 2018 for the purpose of establishing a beginning balance in Net OPEB Liability as calculated by the Employees Retirement System. See “APPENDIX A – Retirement Plans.”

*[The remainder of this page is intentionally left blank]*

## **Additional Obligations**

### *Future Financings*

Other than the issuance of the Bonds, the University does not anticipate the issuance of any additional obligations, including Parity Obligations, in Fiscal Year 2019.

### *Parity Obligations*

The Board reserves the right to issue or incur additional Parity Obligations for any purpose authorized by law pursuant to the provisions of the Resolution. The Board may incur, assume, or guarantee, or cause to be incurred, assumed or guaranteed, or otherwise become liable with respect to any Parity Obligations if (i) the Board will have determined (A) that it will have sufficient funds to meet the financial obligations of each Participant (currently the University) in the Revenue Financing System including sufficient Pledged Revenues to satisfy the Annual Debt Service Requirements of the Revenue Financing System and to meet all financial obligations of the Board relating to the Revenue Financing System, and (B) the Participant or Participants for whom the Parity Obligations are being issued or incurred possess the financial capacity to satisfy their respective Direct Obligations, after taking into account the then proposed additional Parity Obligations; and (ii) a Designated Financial Officer delivers to the Board a certificate stating that, to the best of his or her knowledge, the Board is in compliance with all covenants contained in the Resolution and any resolution adopted authorizing the issuance of Parity Obligations, and is not in default in the performance and observance of any of the terms, provisions, and conditions thereof. See “SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION” and “APPENDIX A – Selected Financial Information.”

### *Nonrecourse Debt and Subordinate Debt*

Nonrecourse Debt and Subordinated Debt may be incurred by the Board without limitation.

## **NO LITIGATION**

Neither the Board nor the University is a party to any litigation or other proceeding pending or, to the Board’s knowledge, threatened, in any court, agency or other administrative body (either state or federal) that, if decided adversely to the Board or the University, would have a material adverse effect on the financial condition of the University. On the date of delivery of the Bonds to the Underwriters, the Board will execute and deliver to the Underwriters a certificate to the effect that no litigation of any nature has been filed or is pending, as of that date, to restrain or enjoin the issuance or delivery of the Bonds or that would affect the provisions made for their payment or security, or in any manner questioning the validity of the Bonds.

## **SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION**

The information contained in this section is a summary of certain provisions of the Resolution and is in addition to other information in such documents that is summarized elsewhere in this Official Statement under the captions “PLAN OF FINANCING,” “DESCRIPTION OF THE BONDS,” and “SECURITY FOR BONDS.” This information is intended as a summary only and is qualified in its entirety by reference to the complete Resolution, copies of which may be obtained from the University at P.O. Box 6108, SFA Station, Nacogdoches, Texas 75962.

### **Establishment of Revenue Financing System**

The Revenue Financing System has been established to provide a consolidated financing structure for revenue supported debt obligations of the Board, including the Bonds, which are to be issued for the benefit of Participants that are or will be included as part of the Revenue Financing System. The University is the only current Participant, but the Revenue Financing System may include other entities that are hereafter included as part of the University but only upon affirmative official action of the Board. Each issue or series of Parity Obligations is to be provided for under a separate resolution consistent with the provisions of the Resolution.



## **Security and Pledge; Membership in the Revenue Financing System**

Subject to the provisions of the resolutions authorizing Prior Encumbered Obligations, Parity Obligations are secured by and payable from a lien on the Pledged Revenues, and the Board has assigned and pledged the Pledged Revenues to the payment of the principal of, premium, if any, and interest on Parity Obligations, and the Pledged Revenues are further pledged to the establishment and maintenance of any funds that may be provided to secure the repayment of Parity Obligations in accordance with the Resolution. The Board may execute and deliver one or more Credit Agreements to additionally secure Parity Obligations. Credit Agreements may also be secured by a pledge of Pledged Revenues on a parity with or subordinate to Parity Obligations.

Certain institutions that may become Participants in the Financing System may be combined or divided and so long as such combined or divided institutions continue to be governed by the Board such action shall not be in violation of the provisions of the Resolution or require any amendments of the provisions of the Resolution. Subject to the conditions set forth below, any Participant in the Financing System or portion thereof may be closed and abandoned by law or may be removed from the Financing System (thus deleting the revenues, income, funds and balances attributable to said Participant or portion thereof from Pledged Revenues) without violating the terms of the Resolution provided: (1) the Board approves and delivers to the Board an Officers' Certificate to the effect that, to the knowledge thereof, after the release of such Participant or portion thereof, the Board will have sufficient funds during each Fiscal Year in which Parity Obligations shall thereafter be Outstanding to meet the financial obligations of the Board, including sufficient Pledged Revenues to satisfy the Annual Debt Service Requirements of the Financing System and to meet all financial obligations of the Board relating to the Financing System; and (2) the Board receives an Opinion of Counsel that shall state that such release will not affect the status for federal income tax purposes of interest on any Outstanding Parity Obligations and that all conditions precedent provided in the Resolution or any resolution hereafter adopted governing the issuance of Parity Obligations relating to such release have been complied with; and (3) (A) if the Participant or portion thereof to be released from the Financing System is to remain under the governance and control of the Board, the Board must either: (i) provide, from lawfully available funds, including Pledged Revenues attributable to said withdrawing Participant, for the payment or discharge of said Participant's Direct Obligation; or (ii) pledge to the payment of Parity Obligation, additional resources not then pledged in an amount sufficient to satisfy such withdrawing Participant's Direct Obligation; or (B) if the Participant or portion thereof to be released from the Financing System is to no longer be under the governance and control of the Board and remains in operation independent of the Board, the Board must enter into a binding obligation with the new governing body of the withdrawing institution or the portion thereof being withdrawn, obligating said governing body to make payments to the Board at the times and in the amounts equal to said Participant's Annual Obligation or to pay or discharge said Participant's Direct Obligation, or, in the case of a portion of a Participant being withdrawn, the proportion of the Participant's Annual Obligation or Direct Obligation, as the case may be, attributable to the withdrawing portion of the Participant. If, after the date of the adoption of the Resolution, the Board desires for an institution or agency governed by the Board to become a Participant of the Financing System, or if the Board is required by law to assume the governance of an institution or agency, it may include said institution or agency in the Financing System with the effect set forth in the Resolution by the adoption of a resolution amending the Resolution, which resolution shall be binding upon the Board.

### **Annual and Direct Obligation of Participants**

The Resolution provides that each Participant of the Revenue Financing System is responsible for its Direct Obligation. The Board covenants in the Resolution that in establishing the annual budget for each Participant of the Revenue Financing System, it will provide for the satisfaction by each Participant to its Annual Obligation. The University is currently the only Participant of the Revenue Financing System.

### **Pledged Revenues**

#### *Tuition and Other Pledged Revenues*

Subject to the provisions of the resolutions authorizing Prior Encumbered Obligations and to the other provisions of the Resolution, the Board covenants and agrees to fix, levy, charge, and collect at each Participant student tuition charges required or authorized by law to be imposed on students enrolled at each Participant (excepting, with respect to each series or issue of Parity Obligations, any student in a category which, at the time of adoption of a resolution

relating to such Parity Obligations, is exempt by law or by the Board from paying such tuition charges). Each student (excluding those exempt from payment as provided above), enrolled at each Participant, respectively, at each regular fall and spring semester and at each term of each summer session, shall pay tuition charges in such amounts, without any limitation whatsoever, as will be sufficient at all times, together with other legally available funds, including other Pledged Revenues, to provide the money to make or pay the principal of, interest on, and other payments or deposits with respect to Outstanding Parity Obligations when and as required. All changes in the tuition charged students at each Participant shall be made by resolution of the Board, but such procedure shall not constitute or be regarded as an amendment of the resolution, but merely the carrying out of the provisions and requirements of the Resolution. See “SECURITY FOR THE BONDS – TABLE 1 – Pledged Revenues” herein.

#### *University Services Fees*

Subject to the provisions of the resolution authorizing the Bonds, the Board has covenanted and agreed to fix, levy, charge, and collect university fees required or authorized by law to be imposed on students pursuant to Section 55.16 of the Texas Education Code for the purpose of paying debt service on the Bonds (and any Parity Obligations issued to refund such bonds); provided, however, that such university services fees shall be used for the purpose of acquiring, constructing, renovating, operating, maintaining, improving, and equipping, a basketball practice facility.

#### *Student Center Fees*

Subject to the provisions of the resolution authorizing the University’s Series 2004 Bonds, the Board has covenanted and agreed to fix, levy, charge, and collect student center fees required or authorized by law to be imposed on students pursuant to Section 54.520 of the Texas Education Code for the purpose of paying debt service on the Series 2004 Bonds (and any Parity Obligations issued to refund such bonds); provided, however, that such student center fees shall be used only for the purpose of acquiring, constructing, renovating, operating, maintaining, improving, equipping, and financing a university center or additions to the center. The Series 2004 Bonds were refunded by the University’s Series 2013 Bonds.

#### *Student Recreational Sport Fees*

Subject to the provisions of the resolution authorizing the University’s Series 2005A Bonds, the Board has covenanted and agreed to fix, levy, charge and collect student recreational sport fees required or authorized by law to be imposed on students pursuant to Section 54.5201 of the Texas Education Code for the purpose of paying debt service on the Series 2005A Bonds (and any Parity Obligations issued to refund such bonds); provided, however, that such student recreational sport fees shall be used only to purchase equipment for and to construct, operate, and maintain recreational sports facilities and programs. The Series 2005A Bonds were refunded by the University’s Series 2015 Bonds.

#### *Non-mandatory Student Fees*

Subject to the provisions of the resolution authorizing the Bonds, the Board has covenanted and agreed to fix, levy, charge, and collect student housing and dining fees for paying debt service on the Bonds (and any Parity Obligations issued to refund such bonds).

#### *Annual Obligation*

If, in the judgment of the Board, any Participant in the Financing System has been or will be unable to satisfy its Annual Obligation, the Board shall fix, levy, charge, and collect rentals, rates, fees, and charges for goods and services furnished by such Participant and, with respect to Participants with enrolled students, tuition, effective at the next succeeding regular semester or semesters or summer term or terms, in amounts sufficient, without limit (subject to “*Student Center Fees*” and “*Student Recreational Sport Fees*” above), together with other legally available funds, including other Pledged Revenues attributable thereto, to enable it to make its Annual Obligation payments.

### *Anticipated Deficit*

If the Board determines, for any reason whatsoever, that there are not anticipated to be legally available funds, including Pledged Revenues, sufficient to meet all financial obligations of the Board relating to the Financing System including the deposits and payments due on or with respect to Outstanding Parity Obligations as the same mature or come due, or that any Participant in the Financing System will be unable to pay its Annual Direct Obligation in full, then the Board shall fix, levy, charge, and collect such rentals, rates, fees, tuition, or other charges at each Participant in the Financing System with enrolled students, effective at the next succeeding regular semester or semesters or summer term or terms, in such amounts, without any limitation whatsoever (other than as provided in “*Economic Effect of Adjustments*” below), as will be at least sufficient to provide, together with other legally available funds, including Pledged Revenues, the money for making when due all financial obligations of the Board relating to the Financing System including all payments and deposits due on or with respect to Outstanding Parity Obligations when and as required by the Resolution.

### *Economic Effect of Adjustments*

Any adjustments in the rate or manner of charging for any rentals, rates, fees, tuition, or other charges included in Pledged Revenues at any Participant in the Financing System resulting from an event described in “*Anticipated Deficit*” above will be based upon a certificate and recommendation of the Designated Financial Officer, delivered to the Board, as to the rates and anticipated collection of the Pledged Revenues at each Participant in the Financing System (after taking into account the anticipated effect the proposed adjustments in such rentals, rates, fees, tuition, or other charges would have on enrollment and the receipt of Pledged Revenues and other funds at each Participant in the Financing System) that will be anticipated to result in: (i) Pledged Revenues attributable to each Participant being sufficient (to the extent possible) to satisfy the Annual Obligation of such Participant; and (ii) Pledged Revenues being sufficient, together with other legally available funds, to meet all financial obligations of the Board relating to the Financing System including all deposits and payments due on or with respect to: (A) the Prior Encumbered Obligations; and (B) all Outstanding Parity Obligations, when and as required by the Resolution.

### **Payment and Funds**

The Board has covenanted in the Resolution to make available to the Paying Agent/Registrar for Parity Obligations, on or before each payment date, money sufficient to pay any and all amounts due on such Parity Obligations on such payment date.

The Resolution allows the Board to establish one or more reserve funds or accounts to further secure any Parity Obligations. Currently, the Board has not established a reserve fund to secure the payment of the Parity Obligations.

### **Additional Parity Obligations; Non-Recourse Debt and Subordinated Debt**

In the Resolution, the Board reserves the right to issue or incur additional Parity Obligations for any purpose authorized by law. The Board may incur, assume, guarantee, or otherwise become liable in respect of additional Parity Obligations if the Board determines that it will have sufficient funds to meet the financial obligations of the University, including sufficient Pledged Revenues to satisfy the Annual Debt Service Requirements of the Revenue Financing System and to meet all financial obligations of the Board relating to the Revenue Financing System.

In addition, the Board covenants not to issue or incur Parity Obligations unless (i) it determines that the Participant or Participants for whom Parity Obligations are being issued or incurred possesses the financial capacity to satisfy their respective Direct Obligations, after taking into account the then proposed additional Parity Obligations, and (ii) a Designated Financial Officer delivers to the Board a certificate stating that, to the best of his or her knowledge, the Board is in compliance with all covenants contained in the Resolution and any supplemental resolution authorizing Outstanding Parity Obligations, and is not in default in the performance and observance of any of the terms, provisions, and conditions thereof.

The Board has reserved the right to issue without limit debt secured by a lien other than a lien on Pledged Revenues and debt that expressly provides that all payments thereon will be subordinated to the timely payment of all Parity Obligations.

## **Participants**

### *Combination or Release of Participants*

The Resolution recognizes that the State may combine or divide Participant institutions and provides that so long as the combined or divided institutions continue to be governed by the Board such action must not violate the Resolution or require any amendment thereof. The Resolution also provides that subject to the conditions set forth below, any Participant or portion thereof may be closed and abandoned by law or may be removed from the Revenue Financing System (thus deleting the revenues, income, funds, and balances attributable to said Participant or portion thereof from the Pledged Revenues) without violating the terms of the Resolution provided:

- (1) the Board specifically finds that (based upon a certificate of a Designated Financial Official to such effect) after the release of the Participant or portion thereof, the Board will have sufficient funds during each Fiscal Year in which Parity Obligations will thereafter be Outstanding to meet the financial obligations of the Board, including sufficient Pledged Revenues to satisfy the Annual Debt Service requirements of the Revenue Financing System and to meet all financial obligations of the Board relating to the Revenue Financing System; and
- (2) the Board has received an Opinion of Bond Counsel that states that such release will not affect the status for federal income tax purposes of interest on any Outstanding Parity Obligations and that all conditions precedent provided in the Resolution or any supplement relating to such release have been complied with; and
- (3) (A) if the Participant or portion thereof to be released from the Revenue Financing System is to remain under the governance and control of the Board, the Board must either (i) provide, from lawfully available funds, including Pledged Revenues attributable to said withdrawing Participant, for the payment or discharge of said Participant's Direct Obligations or (ii) pledge to the payment of Parity Obligations, additional resources not then pledged in an amount sufficient to satisfy such withdrawing Participant's Direct Obligations; or (B) if the Participant or portion thereof to be released from the Revenue Financing System is to no longer be under the governance and control of the Board and remains in operation independent of the Board, the Board must receive a binding obligation of the new governing body of the withdrawing institution or the portion thereof being withdrawn, obligating said governing body to make payments to the Board at the times and in the amounts equal to said Participant's Annual Obligations or to pay or discharge said Participant's Direct Obligations, or, in the case of a portion of a Participant being withdrawn, the proportion of the Participant's Annual Obligation or Direct Obligation, as the case may be, attributable to the withdrawing portion of the Participant.

### *Disposition of Assets*

In the Resolution, the Board has reserved the right to convey, sell, or otherwise dispose of any properties of the Board attributable to a Participant of the Revenue Financing System, provided that:

- (1) such disposition must occur in the ordinary course of business of the Participants of the Revenue Financing System responsible for such properties; or
- (2) the Board determines that after the disposition, the Board has sufficient funds during each Fiscal Year during which Parity Obligations are to be Outstanding to meet the financial obligations of each Participant in the Revenue Financing System, including sufficient Pledged Revenues to satisfy the Annual Debt Service Requirements of the Revenue Financing System and to meet all other financial obligations of the Board relating to the Revenue Financing System.

### *Admission of Participants*

If, after the date of the adoption of the Resolution, the Board desires for a university or agency governed by the Board to become a Participant of the Revenue Financing System or if the Board is required by law to assume the governance of an institution or agency, it may include said university or agency in the Revenue Financing System with the effect set forth in the Resolution by the adoption of an amendment to the Resolution.

### **Certain Covenants**

#### *Rate Covenant*

In each Fiscal Year, the Board must establish, charge, and use its reasonable efforts to collect from each Participant the Pledged Revenues that, if collected, would be sufficient to meet all financial obligations of the Board for such Fiscal Year relating to the Revenue Financing System including all deposits or payments due on or with respect to (i) the Prior Encumbered Obligations and (ii) all Outstanding Parity Obligations.

#### *Tuition*

The Board covenants and agrees in the Resolution to fix, levy, charge, and collect at each Participant student tuition charges required or authorized by law to be imposed on students enrolled at each Participant (excepting, with respect to each series or issue of Parity Obligations, any student in a category that, at the time of adoption of a resolution relating to such Parity Obligations, is exempt by law or by the Board from paying such tuition charges). Each student (excluding those exempt from payment as provided above), enrolled at each Participant, respectively, at each regular fall and spring semester and at each term of each summer session, must pay tuition charges in such amounts, without any limitation whatsoever, as will be sufficient at all times, together with other legally available funds, including other Pledged Revenues, to provide the money to make or pay the principal of, interest on, and other payments or deposits with respect to Outstanding Parity Obligations when and as required. All changes in the tuition charged students at each Participant must be made by resolution of the Board, but such procedure will not constitute or be regarded as an amendment of the Resolution, but merely the carrying out of the provisions and requirements thereof.

#### *General Covenants*

The Board has additionally covenanted and represented in the Resolution: (i) to faithfully perform all covenants and provisions contained in the Resolution, and in each Parity Obligation; (ii) to call for redemption all Parity Obligations, in accordance with their terms, that are subject to mandatory redemption; (iii) that it lawfully owns, has title to, or is lawfully possessed of the land, buildings, and facilities that comprise the University and to defend such title and title to any land, buildings and facilities which may hereafter become part of the Revenue Financing System for the benefit of the owners of the Parity Obligations; (iv) that it is lawfully qualified to pledge the Pledged Revenues to the payment of the Parity Obligations; (v) to maintain and preserve the property financed through the Revenue Financing System; (vi) to not incur any additional Debt secured by the Pledged Revenues except as permitted in the Resolution; (vii) to invest and secure money held in funds and accounts established under the Resolution in accordance with law and written policies of the Board; (viii) to keep proper books and records and account for the Revenue Financing System and to cause to be prepared annual financial reports of the Revenue Financing System and to furnish such report, to the appropriate municipal bond rating agencies and, upon request, owners of Parity Obligations; and (ix) to permit any owner or owners of 25% or more of Outstanding Principal Amount of Parity Obligations at all reasonable times to inspect all records, accounts, and data of the Board relating to the Revenue Financing System.

### **Special Obligations**

The Resolution provides that all Parity Obligations, the premium, if any, and the interest thereon constitute special obligations of the Board payable from the Pledged Revenues, and the owners thereof never have the right to demand payment out of funds raised or to be raised by taxation, or from any source other than specified in the Resolution. The obligation of the Board to pay or cause to be paid the amounts payable under the Resolution out of the Pledged

Revenues is absolute, irrevocable, complete, and unconditional, and the amount, manner, and time of payment of such amounts may not be decreased, abated, rebated, setoff, reduced, abrogated, waived, diminished, or otherwise modified in any manner or to any extent whatsoever.

### **Waiver of Covenants**

The Board may omit in any particular instance to comply with any covenant or condition set forth above as a general covenant or with its rate covenant, its covenants relating to issuance of Parity Obligations, its covenants governing disposition of Participant assets, or its covenants relating to admission and release of Participants if the Owners of at least 51% of all Outstanding Parity Obligations waive such compliance.

### **Remedies**

Any owner of Parity Obligations in the event of default in connection with any covenant contained in the Resolution or default in the payment of said obligations, or of any interest due thereof, or other costs and expenses related thereto, may require the Board, its officials and employees, and any appropriate official of the State, to carry out, respect, or enforce the covenants and obligations of the Resolution by all legal and equitable means, including specifically, but without limitation, the use and filing of mandamus proceedings in any court of competent jurisdiction against the Board, its officials and employees, or any appropriate official of the State. The principal of the Bonds cannot be accelerated in the event of default, and the Board has not granted a lien on any physical property that may be levied or foreclosed against.

### **Amendment of Resolution**

#### *Amendment Without Consent*

The Resolution and the rights and obligations of the Board, and of the owners of the Outstanding Parity Obligations, may be modified or amended at any time without notice to or the consent of any owner of the Parity Obligations, solely for any one or more of the following purposes:

- (1) To add to the covenants and agreements of the Board contained in the Resolution, other covenants and agreements thereafter to be observed, or to surrender any right or power reserved to or conferred upon the Board in the Resolution;
- (2) To cure any ambiguity or inconsistency, or to cure or correct any defective provisions contained in the Resolution, upon receipt by the Board of any approving opinion of Bond Counsel that the same is needed for such purpose, and will more clearly express the intent of the Resolution;
- (3) To supplement the security for the Parity Obligations to provide for the additions of new institutions and agencies to the Revenue Financing System or to clarify the provisions regarding the University as a Participant in the Revenue Financing System; provided, however, that any amendment to the definition of Pledged Revenues that results in the pledge of additional resources may limit the amount of such additional pledge and the manner, extent, and duration of such additional pledge all as set forth in such amendment;
- (4) To make any changes or amendments requested by any bond rating agency then rating or requested to rate Parity Obligations, as a condition to the issuance or maintenance of a rating, which changes or amendments do not, in the judgment of the Board, materially adversely affect the interests of the owners of the outstanding Parity Obligations;
- (5) To make such changes, modifications, or amendments as may be necessary or desirable, which will not adversely affect the interests of the owners of the Outstanding Parity Obligations, in order, to the extent permitted by law, to facilitate the economic and practical utilization of Credit Agreements with respect to the Parity Obligations;

- (6) To make such other changes in the provisions of the Resolution as the Board may deem necessary or desirable and that does not, in the judgment of the Board, materially adversely affect the interests of the owners of Outstanding Parity Obligations; or
- (7) To make such other amendments as necessary to comply with the Rule (as defined herein).

#### *Amendments With Consent*

Subject to the other provisions of the Resolution, the owners of Parity Obligations aggregating 51% in Outstanding Principal Amounts have the right from time to time to approve any amendment, other than amendments described in the foregoing paragraph, to the Resolution that may be deemed necessary or desirable by the Board; provided, however, that no provision may permit or be construed to permit, without the approval of the owners of all of the Outstanding Parity Obligations, the amendment of the terms and conditions in the Resolution so as to:

- (i) Grant to the owners of any Outstanding Parity Obligations a priority over the owners of any other Outstanding Parity Obligations;
- (ii) Materially adversely affect the rights of the owners of less than all Parity Obligations then Outstanding;
- (iii) Change the minimum percentage of the Outstanding Principal Amount necessary for consent to such amendment;
- (iv) Make any change in the maturity of the Outstanding Bonds;
- (v) Reduce the rate of interest borne by the Outstanding Bonds;
- (vi) Reduce the amount of principal payable on the Outstanding Bonds;
- (vii) Modify the terms of payment of principal of or interest on the Outstanding Bonds, or impose any conditions with respect to such payment; or
- (viii) Adversely affect the tax exempt status of the interest on the Tax-Exempt Outstanding Bonds to the owners thereof.

### **LEGAL MATTERS**

#### **Legal Opinions**

The delivery of the Bonds is subject to the approval of the Attorney General of Texas to the effect that the Bonds are valid and legally binding special obligations of the Board secured by and payable from the Pledged Revenues, such lien on and pledge of the Pledged Revenues being subordinate only to the lien on and pledge of certain of the Pledged Revenues securing any outstanding Prior Encumbered Obligations, and the approving legal opinions of McCall, Parkhurst & Horton L.L.P., Bond Counsel, Austin, Texas, to the effect that the Bonds, issued in compliance with the provisions of the Resolution, are valid and legally binding obligations of the Board and, subject to the qualifications set forth herein under "TAX MATTERS," the interest on the Series 2019A Bonds is exempt from federal income taxation under existing statutes, published rulings, regulations, and court decisions. The forms of Bond Counsel's opinions are attached hereto as "APPENDIX D – FORMS OF BOND COUNSEL'S OPINIONS." Bond Counsel was engaged by, and only represents, the Board. In its capacity as Bond Counsel, such firm has reviewed the statements and information appearing under captions "PLAN OF FINANCING" (except under the subcaption "Sources and Uses of Funds," as to which no opinion is expressed), "DESCRIPTION OF THE BONDS" (except under the subcaption "Book-Entry-Only System," as to which no opinion is expressed), "SECURITY FOR THE BONDS," "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION," "LEGAL MATTERS," "TAX MATTERS," "LEGAL INVESTMENTS IN TEXAS," "REGISTRATION AND QUALIFICATION OF BONDS FOR SALE," "CONTINUING DISCLOSURE OF INFORMATION" (except under the subcaption

“Compliance with Prior Agreements,” as to which no opinion is expressed), and “APPENDIX C – DEFINITIONS,” and such firm is of the opinion that the statements and information contained under such captions and subcaptions provides an accurate and fair description of the Bonds and the Resolution and are correct as to matters of law. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds. The legal opinions of Bond Counsel will accompany the Bonds deposited with DTC or will be printed on the definitive Bonds in the event of the discontinuance of the Book-Entry-Only System. Certain legal matters will be passed upon for the Underwriters by their counsel, Locke Lord LLP, Dallas, Texas. The legal fee to be paid to counsel to the Underwriters for services rendered to the Underwriters in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds.

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

### **Forward-Looking Statements**

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

Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the University on the date hereof, and the University and the Board assume no obligation to update any such forward-looking statements. It is important to note that the Board’s actual results could differ materially from those in such forward looking statements.

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

## **TAX MATTERS**

### **General**

The following discussion is a summary of certain expected material federal income tax consequences of the purchase, ownership and disposition of the Bonds and is based on the Internal Revenue Code of 1986 (the “Code”), the regulations promulgated thereunder, published rulings and pronouncements of the Internal Revenue Service (“IRS”) and court decisions currently in effect. There can be no assurance that the IRS will not take a contrary view, and no ruling from the IRS, has been, or is expected to be, sought on the issues discussed herein. Any subsequent changes or interpretations may apply retroactively and could affect the opinion and summary of federal income tax consequences discussed herein.

The following discussion is not a complete analysis or description of all potential U.S. federal tax considerations that may be relevant to, or of the actual tax effect that any of the matters described herein will have on, particular holders of the Bonds and does not address U.S. federal gift or estate tax or (as otherwise stated herein) the alternative minimum tax, state, local or other tax consequences. This summary does not address special classes of taxpayers (such as partnerships, or other pass-thru entities treated as a partnerships for U.S. federal income tax purposes, S



corporations, mutual funds, insurance companies, financial institutions, small business investment companies, regulated investment companies, real estate investment trusts, grantor trusts, former citizens of the U.S., broker-dealers, traders in securities and tax-exempt organizations, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be subject to branch profits tax or personal holding company provisions of the Code or taxpayers qualifying for the health insurance premium assistance credit) that are subject to special treatment under U.S. federal income tax laws, or persons that hold Bonds as a hedge against, or that are hedged against, currency risk or that are part of hedge, straddle, conversion or other integrated transaction, or persons whose functional currency is not the “U.S. dollar”. This summary is further limited to investors who will hold the Bonds as “capital assets” (generally, property held for investment) within the meaning of Section 1221 of the Code. This discussion is based on existing statutes, regulations, published rulings and court decisions, all of which are subject to change or modification, retroactively.

As used herein, the term “U.S. Holder” means a beneficial owner of a Bond who or which is: (i) an individual citizen or resident of the United States, (ii) a corporation or partnership created or organized under the laws of the United States or any political subdivision thereof or therein, (iii) an estate, the income of which is subject to U.S. federal income tax regardless of the source; or (iv) a trust, if (a) a court within the U.S. is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or (b) the trust validly elects to be treated as a U.S. person for U.S. federal income tax purposes. As used herein, the term “Non-U.S. Holder” means a beneficial owner of a Bond that is not a U.S. Holder.

THIS SUMMARY IS INCLUDED HEREIN FOR GENERAL INFORMATION ONLY AND DOES NOT DISCUSS ALL ASPECTS OF THE U.S. FEDERAL INCOME TAXATION THAT MAY BE RELEVANT TO A PARTICULAR HOLDER OF BONDS IN LIGHT OF THE HOLDER’S PARTICULAR CIRCUMSTANCES AND INCOME TAX SITUATION. PROSPECTIVE HOLDERS OF THE BONDS SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE BONDS BEFORE DETERMINING WHETHER TO PURCHASE BONDS. THE FOLLOWING DISCUSSION IS NOT INTENDED OR WRITTEN TO BE USED TO AVOID PENALTIES THAT MIGHT BE IMPOSED ON THE TAXPAYER IN CONNECTION WITH THE MATTERS DISCUSSED THEREIN. INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS CONCERNING THE TAX IMPLICATIONS OF RECENTLY ENACTED LEGISLATION OR THE PURCHASE, OWNERSHIP OR DISPOSITION OF THE BONDS UNDER APPLICABLE STATE OR LOCAL LAWS, OR ANY OTHER TAX CONSEQUENCE.

FOREIGN INVESTORS SHOULD ALSO CONSULT THEIR OWN TAX ADVISORS REGARDING THE TAX CONSEQUENCES UNIQUE TO NON-U.S. HOLDERS.

### **Information Reporting and Backup Withholding**

Subject to certain exceptions, information reports describing interest income, including original issue discount, with respect to the Bonds will be sent to each registered holder and to the IRS. Payments of interest and principal may be subject to withholding under sections 1471 through 1474 or backup withholding under Section 3406 of the Code if a recipient of the payments fails to furnish to the payor such owner’s social security number or other taxpayer identification number (“TIN”), furnishes an incorrect TIN, or otherwise fails to establish an exemption from the withholding or backup withholding tax. Any amounts so withheld would be allowed as a credit against the recipient’s federal income tax. Special rules apply to partnerships, estates and trusts, and in certain circumstances, and in respect of Non-U.S. Holders, certifications as to foreign status and other matters may be required to be provided by partners and beneficiaries thereof.

### **Opinion**

#### ***Series 2019A Bonds***

On the date of initial delivery of the Series 2019A Bonds, McCall, Parkhurst & Horton L.L.P., Austin, Texas, Bond Counsel to the Board, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof (“Existing Law”), (1) interest on the Series 2019A Bonds for federal

income tax purposes will be excludable from the “gross income” of the owners thereof and (2) the Series 2019A Bonds will not be treated as “specified private activity bonds” the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the “Code”). Except as stated above, Bond Counsel to the Board will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Series 2019A Bonds. See APPENDIX D – FORMS OF BOND COUNSEL’S OPINIONS.

In rendering its opinion, Bond Counsel to the Board will rely upon (a) certain information and representations of the Board, including information and representations contained in the Board’s federal tax certificate, and (b) covenants of the Board contained in the Bond documents relating to certain matters, including arbitrage and the use of the proceeds of the Series 2019A Bonds and the property financed or refinanced therewith. Failure by the Board to observe the aforementioned representations or covenants could cause the interest on the Series 2019A Bonds to become taxable retroactively to the date of issuance.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Series 2019A Bonds in order for interest on the Series 2019A Bonds to be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Series 2019A Bonds to be included in gross income retroactively to the date of issuance of the Series 2019A Bonds. The opinion of Bond Counsel to the Board is conditioned on compliance by the Board with such requirements, and Bond Counsel to the Board has not been retained to monitor compliance with these requirements subsequent to the issuance of the Series 2019A Bonds.

Bond Counsel’s opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Bond Counsel’s opinion is not a guarantee of a result. Existing Law is subject to change by Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership or disposition of the Series 2019A Bonds.

A ruling was not sought from the Internal Revenue Service by the Board with respect to the Series 2019A Bonds or the property financed or refinanced with proceeds of the Series 2019A Bonds. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Series 2019A Bonds, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an Internal Revenue Service audit is commenced, under current procedures the Internal Revenue Service is likely to treat the Board as the taxpayer and the Bondowners may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

*Federal Income Tax Accounting Treatment of Original Issue Discount.* The initial public offering price to be paid for one or more maturities of the Series 2019A Bonds may be less than the principal amount thereof or one or more periods for the payment of interest on the bonds may not be equal to the accrual period or be in excess of one year (the “Original Issue Discount Bonds”). In such event, the difference between (i) the “stated redemption price at maturity” of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond would constitute original issue discount. The “stated redemption price at maturity” means the sum of all payments to be made on the bonds less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under existing law, any owner who has purchased a Series 2019A Bond as an Original Issue Discount Bond in the initial public offering is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below. In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Bond was held by such initial owner) is includable in gross income.

Under existing law, the original issue discount on each Original Issue Discount Bond is accrued daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the date of the Series 2019A Bonds and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Bond for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (a) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Original Issue Discount Bond.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Original Issue Discount Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. All U.S. holders of Original Issue Discount Bonds should consult their own tax advisors with respect to the determination for federal, state and local income tax purposes of the treatment of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Bonds.

*Collateral Federal Income Tax Consequences.* Under section 6012 of the Code, owners of tax-exempt obligations, such as the Series 2019A Bonds, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation. Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Series 2019A Bonds, if such obligation was acquired at a "market discount" and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to "market discount bonds" to the extent such gain does not exceed the accrued market discount of such bonds; although for this purpose, a de minimis amount of market discount is ignored. A "market discount bond" is one which is acquired by the owner at a purchase price which is less than the stated redemption price at maturity or, in the case of an obligation issued at an original issue discount, the "revised issue price" (i.e., the issue price plus accrued original issue discount). The "accrued market discount" is the amount which bears the same ratio to the market discount as the number of days during which the owner holds the obligation bears to the number of days between the acquisition date and the final maturity date.

*Future And Proposed Legislation.* Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Series 2019A Bonds under Federal or state law and could affect the market price or marketability of the Series 2019A Bonds. Any such proposal could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any such proposal being enacted cannot be predicted. Prospective purchasers of the Series 2019A Bonds should consult their own tax advisors regarding the foregoing matters.

### ***Taxable Series 2019B Bonds***

*Certain U.S. Federal Income Tax Consequences to U.S. Holders.*

*Periodic Interest Payments and Original Issue Discount.* The Taxable Series 2019B Bonds are not obligations described in Section 103(a) of the Code. Accordingly, the stated interest paid on the Taxable Series 2019B Bonds or original issue discount, if any, accruing on the Taxable Series 2019B Bonds will be includable in "gross income" within the meaning of Section 61 of the Code of each owner thereof and be subject to federal income taxation when received or accrued, depending upon the tax accounting method applicable to such owner.

*Disposition of Taxable Series 2019B Bonds.* An owner will recognize gain or loss on the redemption, sale, exchange or other disposition of a Taxable Series 2019B Bond equal to the difference between the redemption or sale price (exclusive of any amount paid for accrued interest) and the owner's tax basis in the Taxable Series 2019B Bond. Generally, a U.S. Holder's tax basis in the Taxable Series 2019B Bonds will be the owner's initial cost, increased by income reported by such U.S. Holder, including original issue discount and market discount income, and reduced, but not below zero, by any amortized premium. Any gain or loss generally will be a capital gain or loss

and either will be long-term or short-term depending on whether the Taxable Series 2019B Bond has been held for more than one year.

*Defeasance of the Taxable Series 2019B Bonds.* Defeasance of any Taxable Series 2019B Bond may result in a reissuance thereof, for U.S. federal income tax purposes, in which event a U.S. Holder will recognize taxable gain or loss as described above.

*State, Local and Other Tax Consequences.* Investors should consult their own tax advisors concerning the tax implications of holding and disposing of the Taxable Series 2019B Bonds under applicable state or local laws, or any other tax consequence, including the application of gift and estate taxes. Certain individuals, estates or trusts may be subject to a 3.8% surtax on all or a portion of the taxable interest that is paid on the Taxable Series 2019B Bonds. PROSPECTIVE PURCHASERS OF THE TAXABLE SERIES 2019B BONDS SHOULD CONSULT THEIR OWN TAX ADVISORS REGARDING THE FOREGOING MATTERS.

*Certain U.S. Federal Income Tax Consequences to Non-U.S. Holders.* A Non-U.S. Holder that is not subject to U.S. federal income tax as a result of any direct or indirect connection to the U.S. in addition to its ownership of a Taxable Series 2019B Bond, will not be subject to U.S. federal income or withholding tax in respect of such Taxable Series 2019B Bond, provided that such Non-U.S. Holder complies, to the extent necessary, with identification requirements including delivery of a signed statement under penalties of perjury, certifying that such Non-U.S. Holder is not a U.S. person and providing the name and address of such Non-U.S. Holder. Absent such exemption, payments of interest, including any amounts paid or accrued in respect of accrued original issue discount, may be subject to withholding taxes, subject to reduction under any applicable tax treaty. Non-U.S. Holders are urged to consult their own tax advisors regarding the ownership, sale or other disposition of a Taxable Series 2019B Bond.

The foregoing rules will not apply to exempt a U.S. shareholder of a controlled foreign corporation from taxation on the U.S. shareholder's allocable portion of the interest income received by the controlled foreign corporation.

## LEGAL INVESTMENTS IN TEXAS

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Bonds are negotiable instruments governed by Chapter 8, Texas Business & Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking fund of municipalities or other political subdivisions or public agencies of the State of Texas. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with at least \$1 million of capital and savings and loan associations. The Bonds are eligible to secure deposits of any public funds of the state, its agencies and political subdivisions, and are legal security for those deposits to the extent of their market value. For political subdivisions in Texas that have adopted investment policies and guidelines in accordance with the Public Funds Investments Act, the Bonds may have to be assigned a rating of at least "A" or its equivalent as to investment quality by a national rating agency before such obligations are eligible investments for sinking funds and other public funds.

The Board has not made any investigation of other laws, rules, regulations or investment criteria that might apply to such institutions or entities or that might limit the suitability of the Bonds for any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the Bonds for such purposes. The Board has not made any review of laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

## RATINGS

Application has been made for contract ratings for the Bonds. The outstanding Parity Bonds have been rated "AA-" and "A1", by Fitch Ratings and Moody's Investors Service, Inc., respectively, without regard to credit enhancement. An explanation of the significance of such ratings may be obtained from the company furnishing the rating. The ratings reflect only the respective views of such organizations and the Board makes no representation as to the appropriateness of the ratings. There is no assurance that the ratings of the Board will continue for any given period of time or that they will not be revised downward or withdrawn entirely if in the judgment of these companies,

circumstances so warrant. Any such downward revision or withdrawal of such ratings, or either of them, may have an adverse effect on the market price of the Bonds.

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

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

### **CONTINUING DISCLOSURE OF INFORMATION**

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

### **ANNUAL REPORTS**

The Board will provide certain updated financial information and operating data to the MSRB annually in an electronic format as prescribed by the MSRB. The information to be updated includes all quantitative financial information and operating data with respect to the University of the general type included in this Official Statement under the headings “SECURITY FOR THE BONDS – Table 1 – Pledged Revenues,” “APPENDIX A – Enrollment” and “– Selected Financial Information” and in “APPENDIX B – UNAUDITED FINANCIAL REPORT OF STEPHEN F. AUSTIN STATE UNIVERSITY FOR THE YEAR ENDED AUGUST 31, 2018.” The Board will update and provide this information within six months after the end of each Fiscal Year ending in or after 2019. The Board will provide the updated information to the MSRB.

The Board may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12 (the “Rule”). The updated information will include annual audited financial statements for the University, if the Board commissions an audit and it is completed by the required time. If the audit of such financial statements is not complete within 12 months after any such fiscal year end, then the Board shall provide unaudited financial statements for the applicable year to the MSRB within such 12-month period, and audited financial statements for the applicable year to the MSRB when and if the audit report on such statements become available. Any such financial statements are to be prepared in accordance with generally accepted accounting principles. No outside audit of the University’s financial statements is currently required or obtained by the Board.

The Board’s current fiscal year end is August 31. Annually, not later than each November 20th after the close of the fiscal year, the unaudited primary financial statements of the University dated as of August 31, prepared from the books of the University, must be delivered to the Governor and the State Comptroller of Public Accounts. If the Board changes its fiscal year, it has agreed to notify the MSRB of the change. If audited financial statements of the University are not prepared for any fiscal year and audited financial statements are prepared with respect to the State for such fiscal year, the Board shall provide, or cause to be provided, the audited financial statements of the State for the applicable fiscal year to the MSRB within six months after the end of said fiscal year or as soon thereafter as such audited financial statements become available from the State Auditor. Any such audited financial statements of the State so provided shall be prepared in accordance with generally accepted accounting principles for state governments; as such principles may be changed from time to time to comply with state law.

## **Notice of Certain Events**

The Board will also provide notice to the MSRB of any of the following events with respect to the Bonds, if such event is material within the meaning of the federal securities laws: (1) non-payment related defaults; (2) modifications to rights of Bondholders; (3) Bond calls; (4) release, substitution, or sale of property securing repayment of the Bonds; (5) the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; and (6) appointment of a successor or additional trustee or the change of name of a trustee.

The Board will also provide notice to the MSRB of any of the following events with respect to the Bonds without regard to whether such event is considered material within the meaning of the federal securities laws: (1) principal and interest payment delinquencies; (2) unscheduled draws on debt service reserves reflecting financial difficulties; (3) unscheduled draws on credit enhancements reflecting financial difficulties; (4) substitution of credit or liquidity providers, or their failure to perform; (5) adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other events affecting the tax status of the Bonds; (6) tender offers; (7) defeasances; (8) rating changes; and (9) bankruptcy, insolvency, receivership or similar event of the Board (which is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the Board in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Board, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Board).

The Board will provide notice of the aforementioned events to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event). The Board will also provide timely notice of any failure by the Board to provide annual financial information in accordance with their agreement described above under “Annual Reports.”

## **Availability of Information**

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

## **Limitations and Amendments**

The Board has agreed to update information and to provide notices of certain enumerated events only as described above. The Board has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The Board makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The Board disclaims any contractual or tort liability of damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Bonds may seek a writ of mandamus to compel the Board to comply with its agreement.

The Board may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status or type of operations of the Board if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the primary offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule since such offering as well as such changed circumstances, and (ii) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent to such amendment or (b) any person

unaffiliated with the Board (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the beneficial owners of the Bonds. If the Board so amends its agreement, it will provide notice of such amendment to the MSRB, in a timely manner, including an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the notices to be so provided. The Board may also amend or repeal the provisions of its continuing disclosure agreement if the SEC amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling the Bonds in the primary offering of the Bonds.

### **Compliance with Prior Agreements**

The Board has complied in all material respects with its continuing disclosure agreements made in accordance with the Rule during the last five years.

## **UNDERWRITING**

The Underwriters for the Series 2019A Bonds, for which UBS Financial Services Inc. is acting as representative, have agreed, subject to certain customary conditions to delivery, to purchase the Series 2019A Bonds from the University at a price of \$99,993,641.06, reflecting the par amount of \$94,290,000.00 plus net original issue premium of \$6,121,389.35 and less an underwriter's discount of \$417,748.29. The Underwriters for the Series 2019A Bonds will be obligated to purchase all of the Series 2019A Bonds if any Series 2019A Bonds are purchased. The right of the Underwriters to receive compensation in connection with the Series 2019A Bonds is contingent on the actual sale and delivery of the Series 2019A Bonds.

The Underwriters for the Taxable Series 2019B Bonds, for which UBS Financial Services Inc. is acting as representative, have agreed, subject to certain customary conditions to delivery, to purchase the Taxable Series 2019B Bonds from the University at a price of \$15,857,406.96, reflecting the par amount of \$15,925,000.00 less an underwriter's discount of \$67,593.04. The Underwriters for the Taxable Series 2019B Bonds will be obligated to purchase all of the Taxable Series 2019B Bonds if any Taxable Series 2019B Bonds are purchased. The right of the Underwriters to receive compensation in connection with the Taxable Series 2019B Bonds is contingent on the actual sale and delivery of the Taxable Series 2019B Bonds.

The Bonds are being offered for sale to the public at the prices shown on pages i and ii hereof. The Underwriters reserve the right to lower such initial offering prices as they deem necessary in connection with the marketing of the Bonds. The Underwriters may offer and sell the Bonds to certain dealers (including dealers depositing the Bonds into investment trusts) and others at prices lower than the initial public offering price or prices set forth in this Official Statement. The Underwriters reserve the right to join with dealers and other underwriters in offering the Bonds to the public. The obligation of the Underwriters to accept delivery of the Bonds is subject to the terms and conditions set forth in the purchase contract, the approval of legal matters by counsel and other conditions. The Underwriters may over-allot or effect transactions which stabilize or maintain the market price of the Bonds at levels above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Under certain circumstances, the Underwriters and their affiliates may have certain creditor and/or other rights against the University in connection with such activities. In the ordinary course of their various business activities, the Underwriters and their respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the University (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the University. The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent

research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

FTN Financial Capital Markets is a division of First Tennessee Bank National Association and FTB Advisors, Inc., is a wholly owned subsidiary of First Tennessee Bank National Association. FTN Financial Capital Markets has entered into a distribution agreement with FTB Advisors, Inc. for the distribution of the offered Bonds at the original issue prices. Such arrangement generally provides that FTN Financial Capital Markets will share a portion of its underwriting compensation or selling concession with FTB Advisors, Inc.

#### **FINANCIAL ADVISOR**

Hilltop Securities Inc. has contracted as Financial Advisor to the Board in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. Hilltop Securities Inc., in its capacity as Financial Advisor, has not verified and does not assume any responsibility for the information, covenants, and representations contained in this Official Statement or any of the legal documents with respect to the federal income tax status of the Bonds, or the possible impact of any present, pending, or future actions taken by any legislative or judicial bodies.

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

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

The Resolution and the Award Certificate will approve the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorize its further use in the reoffering of the Bonds by the Underwriters.

This Official Statement has been approved by the Board for distribution in accordance with the provisions of the Rule, as amended.

/s/ Dr. Danny R. Gallant  
Vice President for Finance and Administration,  
Stephen F. Austin State University



## APPENDIX A

### DESCRIPTION OF THE UNIVERSITY

#### General

The University was created by the 36th Texas Legislature in 1921 as a college for teacher training. In 1969, the University became a regional state university.

The University is located in Nacogdoches, Texas, the county seat of Nacogdoches County. Nacogdoches, one of the oldest cities in Texas, was originally established in 1716 as the site of the Guadalupe de Nacogdoches Mission. Today it is a city of approximately 34,000 people with an economy based on timber, agriculture, poultry production, fertilizer and feed producing plants, and wood processing, as well as general commerce.

The main campus includes over 400 acres, part of the original homestead of Thomas J. Rusk, an early Texas patriot and United States Senator. In addition, the University maintains a university farm of 699 acres for beef and poultry production; an experimental forest in southwestern Nacogdoches County; and a forestry field station on Lake Sam Rayburn. The main campus hosts 138 instructional, administration and support buildings, 4 garages and 16 residence halls, representing an investment of approximately \$515 million. The East Texas Research Center, located in the library, manages the University's archives and serves as a Regional Historical Resource Depository for inactive records of eight East Texas counties for the State of Texas. The University operates a Forestry Library which, in addition to a general forestry collection, contains a highly regarded repository by the Forest History Collection. Other facilities of special interest at the University include the Soils Testing Laboratory, the Forestry Research Laboratory and the Seed Testing Laboratory.

#### Curriculum

The University is a comprehensive institution serving students (approximately 97% Texas residents in the fall semester for fiscal year 2019) through a variety of undergraduate and graduate programs. Approximately 76 undergraduate programs and 44 Master's programs are available in six colleges (Business, Education, Fine Arts, Forestry and Agriculture, Liberal and Applied Arts, and Sciences and Mathematics). The Master's degrees include two terminal degree programs, the Master of Fine Arts in Art and Master of Social Work. Additionally, the University offers the Doctor of Philosophy in Forestry, the Doctor of Education in Educational Leadership, and the Doctor of Philosophy in School Psychology.

#### Governance and Administration

The University is governed, managed, and controlled by the nine-member Stephen F. Austin State University Board of Regents. Each Regent is appointed by the Governor of the State subject to confirmation by the State Senate. Each Regent serves a six-year term, with three new appointments made to the Board every two years. A Regent may be reappointed to serve on the Board and may continue to serve upon the expiration of the Regent's stated term until the earlier of (i) the date a successor is appointed and qualified or (ii) the last day of the first regular session of the State Legislature that begins after the expiration of the term. The members of the Board elect one of the Regents to serve as Chair of the Board and may elect any other officers they deem necessary. The Regents serve without pay except for reimbursement for actual expenses incurred in the performance of their duties, subject to the approval of the Chair of the Board.

The Board is legally responsible for the establishment and control of policy for the University. The Board appoints a President who directs the operations of the University, and is responsible for carrying out policies determined by the Board.

A list of the current members of the Board and certain principal administrative officers of the University appears on page (iii) of this Official Statement. Dr. L. Baker Pattillo passed away in December 2018, after 52 years of service to the University, including the last 12 as President. The Board is currently conducting a search for a new President.

Set forth below is biographical information for the principal administrative officers of the University appearing on page (iii) of this Official Statement:

Dr. Steve Westbrook was named Interim President of the University in December 2018, after serving as Acting President since October 2018. He has served as Vice President of University Affairs since 2007. Dr. Westbrook has served in various roles with the University since 1981, including Executive Director-Student Affairs, Director-Student Activities, Coordinator-University Center Programs and Program Advisor-University Center. Dr. Westbrook has earned a Bachelor of Arts from the University, a Master of Education from the University, and a Doctor of Higher Education from Texas A&M University-Commerce.

Dr. Danny R. Gallant has served as Vice President for Finance and Administration since 2007. Dr. Gallant has served in various roles with the University since 1983, including Associate Vice President for Budget and Finance, Director – Financial Services, Business Manager and Accountant. Dr. Gallant served in the United States Army from 1973 to 1976. Dr. Gallant has earned a Bachelor of Business Administration in Accounting from the University, a Master of Business Administration from the University, a Certificate in Nonprofit Management from the Texas A&M University Bush School, and a Doctor of Philosophy from Texas A&M University.

Ms. Dannette Sales was named Controller in 2018. Previously, she served as Assistant Controller of the University since 2004. She is a graduate of the University and a Certified Public Accountant. During her career, she was a partner in a local public accounting firm and managed the audits of all governmental clients. She also served as Executive Director of Finance for a public school system for four years prior to coming to the University.

Mr. Damon Derrick was named General Counsel in 2010. He joined the University as a staff attorney in 2008. He holds a Bachelor of Business Administration from Lamar University, and a Juris Doctor from the University of Mississippi. Mr. Derrick serves as a committee member in the National Association of College and University Attorneys and is licensed to practice in the state of Texas.

Ms. Judi Kruwell was named Director of Financial Services in 2017, and also worked as an accountant at the University from 2009 to 2012. From 2012 to her current appointment, she served as a budget analyst for Texas State University and as a plant controller for Altra Industrial Motion. Ms. Kruwell holds a Bachelor of Business Administration in Accounting from the University and is a Certified Public Accountant.

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## Enrollment

**Table 2 – Enrollment Data**

### First Time Freshman Statistics

	Fall Semester Enrollment for Fiscal Year <sup>(1)</sup>				
	2019	2018	2017	2016	2015
Men	709	709	715	723	680
Women	1,347	1,423	1,432	1,365	1,301
Total	2,056	2,132	2,147	2,088	1,981
% Change	-3.56%	-0.70%	2.83%	5.40%	-0.75%
One Year Retention Rate <sup>(2)</sup>	70.5%	71.6%	71.4%	71.0%	70.0%

<sup>(1)</sup> Represents Full-Time Enrollment Students.

<sup>(2)</sup> One-year retention rates for the fall year are return rates for the first-time, full-time freshmen enrolled in the prior fall term.

### Residency Statistics<sup>(1)</sup>

Type of Student	Fiscal Year 2019	Fiscal Year 2018					Fiscal Year 2017				
	Fall 2018	Summer II 2018	Summer I 2018	Maymester 2018	Spring 2018	Fall 2017	Summer II 2017	Summer I 2017	Maymester 2017	Spring 2017	Fall 2017
Texas Resident	12,773	3,407	3,719	551	11,264	12,212	3,337	3,643	602	11,221	12,275
Out of State	256	101	102	6	255	297	148	142	8	304	345
Foreign	114	27	31	5	104	104	23	28	5	110	107
Inter-institutional	1	0	11	0	0	1	0	1	0	4	15
Total	13,144	3,535	3,863	562	11,623	12,614	3,508	3,814	615	11,639	12,742

<sup>(1)</sup> Includes combined headcount number for Undergraduate and Graduate students. Separate terms of Maymester, Summer I and Summer II reflect the current administrative structure.

### Total Undergraduate and Graduate Fall Enrollment Trend Data

Fiscal Year	Students	Semester Hours
2019 (Fall 2018)	13,144	155,556
2018 (Fall 2017)	12,614	155,281
2017 (Fall 2016)	12,742	156,027
2016 (Fall 2015)	12,606	153,680
2015 (Fall 2014)	12,801	154,289

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## Degrees Awarded by School and Percent of Total

For Fiscal Year Ended August 31,

	2018		2017		2016		2015		2014	
Business	340	12.41%	350	12.64%	346	12.80%	355	13.20%	287	11.03%
Education	855	31.20%	838	30.27%	800	29.60%	792	29.44%	807	31.01%
Fine Arts	163	5.95%	150	5.42%	158	5.84%	153	5.69%	149	5.73%
Forestry and Agriculture	132	4.82%	114	4.12%	113	4.18%	121	3.61%	94	3.61%
Liberal and Applied Arts	418	15.26%	457	16.51%	442	16.35%	426	15.83%	456	17.53%
Sciences & Mathematics	273	9.96%	267	9.65%	247	9.14%	261	9.70%	250	9.61%
Graduate	559	20.40%	592	21.39%	597	22.09%	582	21.64%	559	21.48%
Total	2,740	100.00%	2,768	100.00%	2,703	100.00%	2,690	100.00%	2,602	100.00%

## Faculty Profile

During the fall semester 2018, the University employed 544 full-time instructional faculty and 205 part-time faculty (excludes teaching assistants).

Academic Credentials	Number	Academic Rank	Number	% Tenured
Doctorate	430	Professor	128	97.66
Master's Degree (or equivalent)	279	Associate Professor	128	89.06
Other	40	Assistant Professor	130	11.54
		Instructor	15	6.67
		Lecturer	63	0.00
		Visiting/Spec. Professor	77	0.00
		Adjunct	208	0.00
Total	749	Total	749	34.04

## Selected Financial Information

### *Financial Reports*

The Vice President for Finance and Administration is responsible for the operational activities and financial management of Stephen F. Austin State University's debt, cash, risk, budgets, accounting, financial statements, and investment management of the operating and endowment funds.

### *State CAFR*

The State issues an audited Comprehensive Annual Financial Report ("CAFR"), prepared in accordance with generally accepted accounting principles, for the State as a whole. The CAFR for each year is normally available in April of the following year. The CAFR is prepared by the State Comptroller of Public Accounts and is audited by the State Auditor's Office. The State Auditor expresses an opinion on the CAFR but does not express an opinion on the unaudited financial reports of individual member units, including those of Stephen F. Austin State University.

The Fiscal Year of the State and Stephen F. Austin State University begins on September 1 of each year. Annually, not later than November 20<sup>th</sup>, an unaudited financial report dated as of August 31, prepared from the books of Stephen F. Austin State University, must be delivered to the Governor and the State Comptroller of Public Accounts. In certifying the financial reports included in the CAFR, the State Auditor examines the financial records of Stephen F. Austin State University. *No independent audit in support of this detailed review is required or obtained by Stephen F. Austin State University.*

*Stephen F. Austin State University Financial Reports*

Stephen F. Austin State University is an agency of the State and its financial records reflect compliance with applicable State statutes and regulations. The significant accounting policies followed by the University in maintaining accounts and in the preparation of the financial statements are materially in accordance with “Texas Comptroller of Public Accounts’ Annual Financial Reporting Requirements.” The requirements are also in substantial conformity with the Financial Accounting and Reporting Manual for Higher Education as revised by GASB No. 34 and No. 35, published by the National Association of College and University Business Officers (NACUBO).

Attached to this Official Statement as “APPENDIX B – UNAUDITED FINANCIAL REPORT OF STEPHEN F. AUSTIN STATE UNIVERSITY FOR THE YEAR ENDED AUGUST 31, 2018” is the most recent unaudited annual financial report for the University. The University’s unaudited financial statements consist of the Statement of Net Position as of August 31, 2018, the Statement of Revenues, Expenses and Changes in Net Position for the Year Ended August 31, 2018, and the Statement of Cash Flows for the Year Ended August 31, 2018.

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**Table 3 – Statement of Revenues, Expenses, and Changes in Net Position**

The table below presents the Statement of Revenues, Expenses and Changes in Net Position for Fiscal Years Ended August 31, 2018 through 2014.

	For Fiscal Years Ending August 31,				
	2018	2017	2016	2015-Restated	2014
<b>Operating Revenues:</b>					
Sales of Goods and Services					
Tuition & Fees - Pledged	\$ 111,451,846	\$ 111,148,989	107,820,935	\$ 102,007,617	\$ 97,240,467
Tuition & Fees - Non-Pledged	4,120,909	4,123,075	4,072,712	3,892,602	3,943,820
Tuition - Discounts/Allowances	(32,472,265)	(30,307,923)	(28,095,224)	(25,495,130)	(25,386,285)
Auxiliary Enterprise - Pledged	41,230,215	39,761,897	39,528,073	38,179,276	37,258,877
Auxiliary Enterprise - Non-Pledged	1,909,069	2,158,605	2,248,743	1,906,137	1,780,092
Auxiliary Enterprise - Discounts/Allowances	(11,715,796)	(10,635,704)	(9,546,847)	(9,118,331)	(9,408,073)
Other Sales of Goods and Svcs - Pledged	5,632,402	5,441,005	5,600,212	5,721,076	5,381,605
Other Sales of Goods and Svcs - Non-Pledged	793,950	954,385	943,862	1,217,674	837,684
Interest and Investment Income (PR)					
Federal Revenue	2,498,580	2,960,801	3,504,733	4,101,796	4,022,355
Federal Pass Through Rev from Non-State Entities	65,481	96,052	71,455	114,236	120,112
Federal Pass Through Revenue	730,790	897,111	1,087,002	1,459,532	1,504,715
State Grant Revenue					
State Grant Pass Through Revenue	11,172,431	10,841,496	10,602,102	10,076,355	9,241,296
Local Contracts and Grants	578,969	571,242	503,024	407,843	334,811
Other Contracts and Grants	745,873	630,018	515,426	494,717	488,058
Other Operating Revenues - Pledged	101,431	43,897	59,566	34,963	30,194
Other Operating Revenues - Non-Pledged	-	250	-	241,631	-
<b>Total Operating Revenues</b>	<b>136,843,884</b>	<b>138,685,195</b>	<b>138,915,774</b>	<b>135,241,995</b>	<b>127,389,729</b>
<b>Operating Expenses:</b>					
Cost of Goods Sold	11,119,191	10,089,637	9,787,747	9,489,393	9,220,602
Salaries and Wages	97,895,929	96,518,517	94,897,311	92,441,465	90,580,196
Payroll Related Costs	22,290,065	32,801,775	34,684,645	27,155,542	27,194,550
Professional Fees and Services	2,058,411	1,470,749	1,788,166	2,130,879	2,117,195
Travel	2,793,031	2,910,527	3,133,297	3,230,998	2,675,480
Materials and Supplies	13,879,952	11,837,354	12,967,010	12,016,371	12,088,692
Communication and Utilities	7,579,649	8,044,418	8,383,489	9,061,422	8,820,253
Repairs and Maintenance	6,046,642	4,924,777	6,489,662	4,784,559	4,863,248
Rentals and Leases	2,689,061	2,910,082	3,070,709	3,661,731	2,383,620
Printing and Reproduction	372,380	465,527	450,349	507,889	308,155
Federal Pass Through Expenditure	-	-	-	(323)	(18,315)
Fed Pass Through Exp to Non-State Entities	158,087	614,980	541,213	647,255	652,839
State Pass Through Expenditure	-	-	-	-	-
Amortization	-	89,963	280,484	362,198	637,626
Depreciation	16,440,353	16,614,269	15,983,599	15,990,105	16,234,248
Bad Debt Expense	139,754	-	-	1,510	4,861
Interest Expense	113	(1,122)	2,541	371	312
Scholarships	18,458,115	19,958,802	20,345,350	19,999,854	18,599,108
Claims and Settlements	47,070	101,250	3,481	250,000	-
Other Operating Expenses	7,220,091	6,940,569	7,555,534	6,031,772	7,014,441
<b>Total Operating Expenses</b>	<b>209,187,894</b>	<b>216,292,075</b>	<b>220,364,586</b>	<b>207,762,992</b>	<b>203,377,110</b>
<b>Operating Income (Loss)</b>	<b>(72,344,010)</b>	<b>(77,606,881)</b>	<b>(81,448,812)</b>	<b>(72,520,997)</b>	<b>(75,987,381)</b>

<sup>(1)</sup> Some columns may not foot due to rounding.

**Statement of Revenues, Expenses and Changes in Net Positions** <sup>(1) - Continued</sup>

	For Fiscal Years Ending August 31,				
	2018	2017	2016	2015-Restated	2014
<b>Nonoperating Revenues (Expenses):</b>					
Legislative Revenue	\$ 40,145,775	\$ 39,729,280	39,616,596	\$ 39,265,903	\$ 39,110,677
Additional Appropriations	11,576,268	12,169,294	12,286,750	12,106,819	13,340,641
Federal Revenue	22,172,515	21,454,757	20,788,448	19,641,512	21,110,029
Federal Pass Through Revenue				-	-
State Pass Through Revenue	4,998,568		-	-	713,808
Gifts	3,155	5,078,071	4,568,993	4,411,244	3,352,858
Land Income					
Other Rental Income	167,383	233,533	133,439	131,213	197,228
Investment Income-Pledged	2,727,481	1,553,430	1,276,215	2,368,877	1,516,325
Investment Income-Non-Pledged	1,154,442	1,013,228	595,383	1,588,446	789,773
Net Increase (Decrease) Fair Value - Pledged	1,591,338	3,804,563	935,269	(2,718,774)	2,299,681
Net Increase (Decrease) Fair Value - Non-Pledged	411,875	281,369	(50,780)	(1,302,604)	856,296
Investing Activities Expenses	(328,675)	(294,190)	(246,390)	(250,770)	(223,966)
Interest on Loans Receivable	123,735	26,699	56,679	118,298	159,665
Interest Income on Capital Investments - Pledged	405,116	373,375	400	452	780
Net Inc/(Dec) Fair Value - Capital Investment Prjts	-	-	-	-	-
Interest Expenses and Fiscal charges	(2,510,119)	(4,899,033)	(4,627,340)	(6,803,216)	(6,706,252)
Gain(Loss) on Sale of Capital Assets	(8,698)	(30,688)	(186,179)	(71,972)	358,978
Settlement of Claims	75,083	155,015	153,111	40,227	506,988
Other Nonoperating Revenues/(Expenses)	476,796	405,214	138,591	60,655	64,128
<b>Total Nonoperating Revenues (Expenses)</b>	<b>83,182,038</b>	<b>81,053,916</b>	<b>75,439,187</b>	<b>68,586,309</b>	<b>77,447,637</b>
<b>Income (Loss) before Other Revenues, Expenses, Gains/Losses and Transfers</b>	<b>10,838,027</b>	<b>3,447,035</b>	<b>(6,009,624)</b>	<b>(3,934,688)</b>	<b>1,460,256</b>
<b>Other Revenues, Expenses, Gains/Losses and Transfers</b>					
Capital Contributions	693,178	692,625	1,808,334	627,130	893,335
Capital Appropriations (HEF)	11,636,163	11,636,163	7,757,442	8,425,937	8,425,937
Additions to Permanent and Term Endowments	32,634	604,548	34,857	151,260	47,725
Lapsed Appropriations	-	(215,309)			
Legislative Transfer In	374,873	3984192	414,822	-	-
Transfers-In/(Out) to other state agencies	216,072	228261	315,047	(1,244,370)	(1,383,995)
Transfers-In/(Out) to other state agencies	(8,720)				
<b>Total Other Revenue, Expenses, Gain/Losses and Transfers</b>	<b>12,944,200</b>	<b>16,930,480</b>	<b>10,330,502</b>	<b>7,959,957</b>	<b>7,983,002</b>
<b>Change in Net Assets</b>	<b>23,782,228</b>	<b>20,377,515</b>	<b>4,320,878</b>	<b>4,025,269</b>	<b>9,443,258</b>
Net Position, Beginning of Year	146,610,287	126,802,798	122,621,814	146,206,437	136,763,180
Restatements <sup>(2)</sup>	(56,789,248)	(570,026)	(139,895)	(27,609,892)	-
Net Position, Beginning of Year - Restated	89,821,039	126,232,772	122,481,919	118,596,545	136,763,180
<b>Net Position, August 31, 20xx</b>	<b>\$ 113,603,266</b>	<b>\$ 146,610,287</b>	<b>126,802,798</b>	<b>\$ 122,621,814</b>	<b>\$ 146,206,437</b>

<sup>(1)</sup> Some columns may not foot due to rounding.

<sup>(2)</sup> The 2015 restatement was required by the State to establish the beginning balance of the Net Pension Liability for the Teacher Retirement System with the implementation of GASB 68. The 2018 restatement was primarily due to GASB 75, which required the State to make a restatement of approximately \$57 million to our Net Position for purposes of establishing a beginning balance in Net OPEB Liability as calculated by the Employees Retirement System.

Source: Annual Financial Report for the Years ended August 31, 2014, 2015, 2016, 2017 and 2018

## **Funding for the University**

Funding for the University for the Fiscal Year ended August 31, 2018 consisted of government appropriations; tuition and student fees; gifts, investment and endowment income; sales and services; auxiliary enterprises; and other sources. The amounts and the sources of such funding vary from year to year and there is no guarantee that the source or amounts of such funding will remain the same in future years. See “-State Government Appropriations” below.

Following are brief descriptions of certain funding sources of the University.

### *Tuition and Fees*

Each Texas public university granting degrees charges tuition and fees as authorized by the Texas Legislature and the Board under Chapters 54 and 55 of the Texas Education Code. Tuition charges are comprised of “State Mandated Tuition,” “Board Designated Tuition” and “Board Authorized Tuition,” as further described below.

### *State Mandated Tuition*

Section 54.051, Texas Education Code, currently requires (i) undergraduate tuition applicable to state residents to be charged at \$50 per semester credit hour; and (ii) tuition of a non-resident student at a general academic teaching institution or medical and dental unit to be an amount per semester credit hour equal to the average of the non-resident undergraduate tuition charged to a resident of the State at a public state university in each of the five most populous states other than the State (the amount of which would be computed by the Texas Higher Education Coordinating Board (the “Coordinating Board”) for each academic year). For the 2018-19 academic year, the Coordinating Board computed \$465 per semester credit hour for non-resident undergraduate tuition.

Section 56.033, Texas Education Code, currently requires that not less than 15% of each resident student’s tuition charge for State Mandated tuition and 3% of each non-resident student’s tuition charge for State Mandated tuition be set aside for Texas Public Education Grants.

### *Board Designated Tuition*

In 2003, the Texas Legislature approved and the Governor signed into law House Bill 3015, which provided for the deregulation of a portion of tuition that a governing board of an institution of higher education, such as the Board, has the authority to charge under Section 54.0513 of the Texas Education Code. Effective with the tuition that was charged for the Fall 2003 semester, a governing board may charge any student an amount (referred to as “Board Designated Tuition”) that it considers necessary for the effective operation of the institution. Such legislation also granted authority to the governing board to set a different tuition rate for each program and course level offered by the institution. This authority offers more opportunity for the University to develop a tuition schedule that assists in meeting its strategic objectives in terms of access, affordability, effective use of campus resources, and improvement of graduation rates.

The Board has authorized the Board Designated Tuition rate, beginning with the 2019 fall semester, at \$192 per semester credit hour for all University students. No less than 15% of the Board Designated Tuition charged to resident undergraduate students in excess of \$46 per semester hour will be set aside to provide financial assistance to resident undergraduate students, consistent with the provisions of Texas Education Code, Section 56.011. No less than 15% of the Board Designated Tuition charged to resident graduate students in excess of \$46 per semester hour will be set aside to provide financial assistance to resident graduate students, consistent with the provisions of Texas Education Code Section 56.012.

The Board has adopted a guaranteed fixed-rate tuition plan that allows Texas resident students to pay the same rate of tuition for up to four years (twelve consecutive semesters). After the expiration of four years, such students will pay the current year’s rates for each term until completion. For the 2018-19 academic year, Texas resident students may elect a variable one-year optional rate or a four-year guaranteed rate of \$226 per semester credit hour.



<b>Board Designated Tuition (General Fee) for the</b>	<b><u>Per semester hour:</u></b>	<b><u>\$ Cap<sup>(1)</sup>:</u></b>
Fall 2014 - 2015 Academic Year:	\$171.00	\$2,736
Fall 2015 - 2016 Academic Year:	\$185.50	\$2,968
Fall 2016 - 2017 Academic Year:	\$192.00	\$3,072
Fall 2017 - 2018 Academic Year:	\$192.00	\$3,072
Fall 2018 - 2019 Academic Year:	\$192.00	\$3,072

<sup>(1)</sup> The Board Designated Tuition is capped at 16 semester credit hours.

The Board has no assurance that the Texas Legislature will not place future limits on the Board’s ability to charge Board Designated Tuition in an amount that it considers necessary for the effective operation of the University. However, Section 55.16 of the Texas Education Code specifically allows the Board to levy and collect any necessary fees, tuition, rentals, rates, or other charges necessary to provide funds sufficient for the payment of outstanding Parity Obligations.

*Board Authorized Tuition*

Section 54.008 of the Texas Education Code permits the governing board of each institution to set tuition for graduate programs for that institution at a rate that is at least equal to that of the State Mandated tuition, but that is not more than twice that rate. Between the maximum and minimum rates, the Board may set the differential tuition among programs offered by an institution of higher education. The Board has set graduate tuition at an additional \$30 per semester hour for both resident and non-resident graduate University students.

Set forth below is a table showing the State Mandated tuition, Board Designated Tuition, Board Authorized tuition, mandatory fees, and the amount set aside for financial assistance per semester to resident and non-resident students for the 2018-19 academic year, based on 15 semester credit hours per semester for undergraduate students and nine semester credit hours per semester for graduate students.

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<b>State Mandated Tuition, Board Designated Tuition, Board Authorized Tuition, Mandatory Fees And Financial Set-Aside Per Semester 2018-2019 Academic Year Based on 15 Undergraduate and 9 Graduate Credit Hours per Fall &amp; Spring Semesters:</b>							
	<b>State Mandated Tuition</b>	<b>Board Designated Tuition</b>	<b>Board Authorized Tuition</b>	<b>Mandatory Fees</b>	<b>Total Tuition &amp; Fees</b>	<b>Financial Assistance Set-Aside <sup>(1)</sup></b>	
Resident Undergraduate	\$ 750	\$ 2,880	\$ -	\$ 1,514	\$ 5,144	\$ 441	
Resident Undergraduate-Fixed Rate (18/19 Cohort)	750	3,390	-	1,514	5,654	518	
Border State Undergraduates <sup>(2)</sup>	1,200	2,880	-	1,514	5,594	36	
Non-resident Undergraduate	6,975	2,880	-	1,514	11,369	209	
Resident Masters/Doctoral	450	1,728	270	991	3,439	265	
Border State Masters/Doctoral	720	1,728	270	991	3,709	22	
Non-resident Masters/Doctoral	4,185	1,728	270	991	7,174	126	

<sup>(1)</sup> Total tuition and fees includes amounts required to be set aside for financial assistance according to Texas Education Code. The set-aside amounts are calculated as follows: from State Mandated tuition not less than 15% of each resident student's tuition charge and 3% of each non-resident student's tuition charge is set aside for Texas Public Education Grants (Section 56.033); from Board Designated Tuition no less than 15% charged to resident undergraduate students in excess of \$46 per semester hour (Section 56.011) and no less than 15% charged to resident graduate students in excess of \$46 per semester hour is set aside for financial assistance (Section 56.012).

<sup>(2)</sup> Consistent with Section 54.0601, students who are residents of neighboring states (Arkansas, Louisiana, New Mexico and Oklahoma) enrolled in a Texas public university located within 100 miles of the Texas border may receive approval from the Texas Higher Education Coordinating Board to offer a lowered tuition rate. Currently eligible persons shall pay a tuition rate at the university of not less than \$30.00 more than the resident tuition rate.

The Board has approved a \$10 per semester credit hour increase in the University Services Fee that will go into effect in fiscal year 2020 and a 6.5% increase in residence hall fees that will go into effect in fiscal years 2020 and 2021.

The cost of the 2018-2019 academic year for a full time Texas resident undergraduate student taking 15 credit hours per semester and living in a mid-priced residence hall would be \$10,288 for tuition and fees and \$8,964 for room and board for a total cost of \$19,252.

The Board is authorized by Chapter 55 of the Texas Education Code to set the Pledged Revenues and any other necessary fees, rentals, rates, or other revenue funds of the Board at the level necessary, without limit, to enable the Board to meet its obligations with respect to the payment of debt service on the Parity Obligations. See "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION—Pledged Revenues."

#### *State Government Appropriations*

The operations of the University are heavily dependent upon the continued support of the State through biennial appropriations of general revenues. The University receives a significant portion of its operating funds from State appropriations. The Board has no assurance that the Texas Legislature will continue to appropriate to the University the general revenue funds of the State at the same levels as in previous years. Future levels of State support are dependent upon the ability and willingness of the Texas Legislature to make appropriations to the University taking into consideration the availability of financial resources and other potential uses of such resources.

For fiscal years 2017 and 2018, State appropriations comprised approximately 27% of the revenue funds of the University. See "Table 3 – Statement of Revenues, Expenses and Changes in Net Position." The Texas Legislature finished its last regular session on May 29, 2017 and appropriated to the University a total of \$56,678,614 and \$56,827,571 for fiscal years 2018 and 2019, respectively. State appropriations to most institutions of higher education (including the University) were substantively unchanged compared to prior years.

In addition to the appropriation of general revenues of the State, the University receives a portion of an annual appropriation of funds made by the Texas Legislature pursuant to the provisions of Article VII, Section 17 of the State Constitution (the “Higher Education Funds”). During the Eighty-Fourth Legislative Session, the Texas Legislature passed Senate Bill 1191 (the “Act”) which increased the total annual Higher Education Funds for all eligible institutions (including the University) to \$393.75 million from \$262.5 million annually beginning on September 1, 2016. The allocation of Higher Education Funds is made by the State in accordance with an equitable allocation formula. For fiscal years 2019 and 2020, the Act allocates \$11,636,163 each fiscal year to the University. For fiscal years 2021 through 2025, the allocation to the University will be \$11,277,793. Beginning in the State’s fiscal year commencing September 1, 2025, the Texas Legislature must review, or provide for a review, of the allocation formula used to determine the annual appropriations made under the Constitutional Provision, and, at that time, adjustments may be made in the allocation formula; provided, that no adjustment may be made if such adjustment will prevent the payment of principal and interest on any outstanding Higher Education Fund bonds. See “Financing Programs for Capital Improvements — *Higher Education Fund Bonds*” below.

#### *Private Financial Support*

In Fiscal Years 2014-2018, the University received contributions (gifts, grants and contracts) averaging \$6.0 million annually from the private sector. Contributions for the Fiscal Year 2018 equaled approximately \$6.4 million.

### **Financing Programs for Capital Improvements**

The Board, pursuant to constitutional and statutory provisions, is authorized to issue debt in a number of distinct forms with which to finance capital improvements. In addition to the Revenue Financing System, the Board has issued Higher Education Assistance Bonds and certain obligations of the Revenue Financing System including Tuition Revenue Bonds.

#### *Higher Education Fund Bonds*

Pursuant to the Higher Education Fund (“HEF”) program established by Article VII, Section 17 of the State Constitution (the “HEF Constitutional Provision”), the University is eligible to receive an annual allocation from amounts constitutionally appropriated (currently \$393.75 million per year) to certain institutions of higher education to fund permanent improvements (except those for auxiliary enterprises) (See “Funding for the University – State Government Appropriations” above). The University may use this appropriation for capital improvements and renovations to the campus facilities (other than auxiliary enterprises), library books, and materials, and equipment. Under the HEF Constitutional Provision, the Board is authorized to issue bonds and notes to finance permanent improvements at such institutions and to pledge up to 50% of its allocation to secure the payment of principal and interest on the bonds and notes. The University has no bonds or notes issued or outstanding under this program. Funds received under the HEF Program are not Pledged Revenues, but the University may use such funds to pay debt service on outstanding Parity Obligations. The State Legislature appropriated HEF program funds in the amounts of \$11,636,163 for Fiscal Years 2019 and 2020. For more detailed information, see “APPENDIX B – UNAUDITED FINANCIAL REPORT OF STEPHEN F. AUSTIN STATE UNIVERSITY FOR THE YEAR ENDED AUGUST 31, 2018.”

#### *Tuition Revenue Bonds*

Pursuant to Chapter 55, Texas Education Code, revenue bonds issued by an institution of higher education, such as the University, may be equally secured by and payable from a pledge of all or a portion of certain revenue funds of the University, and all of the Parity Obligations of the University, including the Bonds, are secured solely by and payable solely from a pledge of and lien on the Pledged Revenues. See “SECURITY FOR THE BONDS” including “Table 1 – Pledged Revenues” thereunder. Historically, the Texas Legislature has appropriated general revenue funds in the State’s budget each biennium to reimburse institutions of higher education for an amount equal to all or a portion of the debt service on certain revenue bonds (“Tuition Revenue Bonds”) issued pursuant to specific statutory authorizations for individual institutions and projects identified in Chapter 55 of the Texas Education Code.

The reimbursement of the payment of debt service on such Tuition Revenue Bonds does not constitute a debt of the State, and the State is not obligated to continue making any such appropriations in the future. Furthermore, the Texas Legislature is prohibited by the State Constitution from making any appropriations for a term longer than two years. Accordingly, the Texas Legislature's appropriations for the reimbursement of debt service on Tuition Revenue Bonds may be reduced or discontinued at any time after the current biennium, and the Texas Legislature is under no legal obligation to continue such appropriations in any future biennium.

A portion of the Parity Obligations of the University constitute Tuition Revenue Bonds. See footnote 1 under "Table 4 – Outstanding Obligations" below for a description of which Parity Obligations of the University constitute Tuition Revenue Bonds. Tuition Revenue Bonds issued by the University carry no additional pledge or security and constitute Parity Obligations of the Revenue Financing System which are equally and ratably secured by and payable from a pledge of and lien on Pledged Revenues on parity with all other Parity Obligations of the Revenue Financing System. The University is obligated to pay debt service on outstanding Tuition Revenue Bonds regardless of whether the Texas Legislature appropriates funds for the reimbursement of revenue funds of the University to pay debt service.

The Texas Legislature has appropriated funds to reimburse the University in an amount equal to all or a portion of the debt service on the University's Tuition Revenue Bonds, including \$7,440,416 for Fiscal Year 2019. The University can provide no assurances with respect to any future appropriations by the Texas Legislature. Future levels of State appropriations are dependent upon the ability and willingness of the Texas Legislature to make appropriations to the University taking into consideration the availability of financial resources and other potential uses of such resources.

*[The remainder of this page is intentionally left blank]*

### Table 4 – Outstanding Obligations

Following delivery of the Bonds, the University will have outstanding the following described obligations:

#### **Revenue Financing System Parity Obligations**

Revenue Financing System Revenue Bonds, Series 2010	\$ 22,455,000
Revenue Financing System Revenue Refunding Bonds, Series 2013 <sup>(1)</sup>	12,130,000
Revenue Financing System Revenue Refunding Bonds, Series 2015	34,445,000
Revenue Financing System Revenue Refunding and Improvement Bonds, Series 2016 <sup>(2)</sup>	54,135,000
Revenue Financing System Bonds, Series 2019A	94,290,000
Revenue Financing System Bonds, Taxable Series 2019B	15,925,000
<b>TOTAL REVENUE FINANCING SYSTEM OBLIGATIONS</b>	<b>\$ 233,380,000</b>

#### **Notes and Leases<sup>(3)</sup>**

Bank of America Public Capital Corporation Equipment Lease	\$ 10,051,565
Interfund SECO Loan	3,098,705
Banc of America Leasing & Capital, LLC Taxable Equipment Lease	1,156,715
<b>TOTAL NOTES AND LEASES</b>	<b>\$ 14,306,985</b>

<b>TOTAL OBLIGATIONS</b>	<b>\$ 247,686,985</b>
--------------------------	-----------------------

- (1) A portion of this issue (\$1,027,408 principal amount) includes Tuition Revenue Bonds for which the University will be reimbursed from a total State appropriation in the amount of \$7,440,416 during the fiscal year of 2019 State biennium. Future years' debt service for all or a portion of this issue is expected to be reimbursed from additional State appropriations but is entirely subject to future appropriations by the Texas Legislature in each such subsequent State biennium. See "Financing Programs for Capital Improvements — *Tuition Revenue Bonds*" above.
- (2) Tuition Revenue Bonds for which the University will be reimbursed from a total State appropriation in the amount of \$7,440,416 during the fiscal year of 2019 State biennium. Future years' debt service for all or a portion of such issues is expected to be reimbursed from additional State appropriations but is entirely subject to future appropriations by the Texas Legislature in each such subsequent State biennium. See "Financing Programs for Capital Improvements — *Tuition Revenue Bonds*" above.
- (3) Payments under these leases and loans are subject to annual appropriation by the Board and are not payable from Pledged Revenues.

There are no outstanding Prior Encumbered Obligations.

#### **Investment Policy and Procedures**

##### *Management of Investments*

As provided in the Texas Education Code, each member of the Board has the legal responsibilities of a fiduciary in the management of funds under the control of the University. All investments are made in accordance with applicable State and federal regulations. The Board has provided for centralized investment management under the direction of the Vice President for Finance and Administration. Investments are managed both internally by University staff, and externally, by unaffiliated investment managers. The Board receives quarterly reports regarding asset allocation, investment returns, and comparative investment results and indices.

### *Authorized Investments*

All available funds held by the University are authorized to be invested in accordance with the Public Funds Investment Act and with the written investment policy of the Board. Investments are to be made with the judgment and care, under the circumstances then prevailing, that persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not in regard to speculation, but in regard to permanent disposition of their funds, considering the probable income therefrom as well as the probable increase in value and the safety of their capital. In the management of University investments, consideration is given to the requirements of liquidity, diversification, safety of principal, yield, maturity, quality, and capability of investment management, with primary emphasis on safety of principal.

Effective September 1, 2013, Senate Bill 1019 (“SB 1019”), Eighty-Third Legislature, amended Section 51.0031 of the Texas Education Code, to permit an institution of higher education that does not have at least \$25 million in book value of endowment funds, such as the University, to contract to pool funds with another institution of higher education or university system that has at least \$25 million in book value of operating funds for the investment of its funds under prudent person standards. In 2014, the University contracted with the Texas A&M University System for the investment of the University’s operating funds pursuant to SB 1019.

### *Investment Programs*

The University invests public funds in its custody with primary emphasis on the preservation and safety of the principal amount. Secondly, investments must be of sufficient liquidity to meet the day-to-day cash requirements of the University. Finally, the University invests to maximize yield within the two previously indicated standards. All investments within this scope conform to applicable State statutes and local rules governing the investment of public funds. Deposits and investments in other than United States Treasury or Agency securities or money market funds invested in United States Treasury or Agency securities are secured by depository pledges of collateral with market value no less than 100% of the value of the deposits and investments. Diversification maximums and actual investment levels for eligible securities as of August 31, 2018 were:

	<u>Maximum</u>	<u>Actual</u>	<u>Actual</u>
United States Treasury or Government securities	100.00%	-	
United States Agency securities	50.00%	-	
Mortgage-backed securities	25.00%	-	
Corporate Obligations	50.00%	-	
Fully insured or collateralized certificates of deposit	100.00%	1,019,399.47	0.68%
Bankers' acceptances	25.00%	-	
Commercial paper	50.00%	-	
Repurchase agreements	100.00%	-	
Registered money-market funds	80.00%		
Local Government Investment Pool	100.00%	40,280,483.76	26.71%
Bank Deposits	100.00%	55,483,562.60	36.79%
Investments held at Texas A&M University System-pooled account	100.00%	51,066,782.97	33.87%
Cash held in the State Treasury	100.00%	2,944,795.28	1.95%
Totals		<u>150,795,024.08</u>	<u>100.00%</u>

### *Endowments*

The University is benefited by endowments consisting of marketable securities and investments, which are not pledged to the payment of debt obligations, with a market value at August 31, 2018 of approximately \$83 million. These include endowments for the University, SFA Foundation and SFA Alumni. Endowments under the direct control of the University, including both true endowments and quasi endowments, were valued as of August 31, 2018 at \$20,689,075. Market value of these true endowments as of August 31, 2018 was \$14,294,014. Endowment funds under direct control of the University are invested in the Texas A&M System’s Endowment Fund and Cash Concentration Pool (the “Pool”), and in Texas Class, a local government investment pool (see “Investment Policy and Procedures – Investment Programs”). As of October 31, 2018, the Pool had a market value of approximately \$3.62 billion and was invested 39.2% in fixed income securities, 40.5% in equities and 20.3% in alternative assets.

The University’s target distribution rate for its endowment funds is 4% of the 13 month weighted average balance of such funds as of November 30 of each year.

**Deposits and Investments**

In 2005, the University implemented GASB Statement No. 40, Deposit and Investment Risk Disclosures, an amendment to GASB Statement No. 3. This statement establishes and modifies disclosure requirements related to investment risks: credit risk including custodial credit risk and concentrations of credit risk, interest rate risk, and foreign currency risk. The statement also establishes and modifies disclosure requirements for deposit risks: custodial credit risk and foreign credit risk. Since the University’s endowments are primarily invested in the Texas A&M System Cash Concentration Pool and the Texas A&M System Endowment Fund, the University coordinates with Texas A&M at each fiscal year end to ensure disclosure requirements are met. See “APPENDIX B – UNAUDITED FINANCIAL REPORT OF STEPHEN F. AUSTIN STATE UNIVERSITY FOR THE YEAR ENDED AUGUST 31, 2018 – NOTE 3.”

*Deposits of Cash in Bank*

The University invests its funds under authority of provisions of the Texas Education Code, the Texas Property Code, and the Public Funds Investment Act, Chapter 2256, Texas Government Code. At August 31, 2018, the carrying amount of the University’s deposits was \$55,483,562.60 and total cash balances equaled \$58,725,960.43. Bank balances of \$1,500,000 were covered by federal depository insurance, and \$57,225,960.43 was covered by collateral pledged in the University’s name. The collateral was held in the safekeeping departments of unrelated banks that act as the pledging banks’ agents. Cash and Temporary Investments, as reported on the Balance Sheet contained in “APPENDIX B – UNAUDITED FINANCIAL REPORT OF STEPHEN F. AUSTIN STATE UNIVERSITY FOR THE YEAR ENDED AUGUST 31, 2018,” consist of the items reported below:

*Investments and Cash*

Bank Deposits			
Cash in Bank		\$	55,483,562.60
Cash and Cash Equivalents			
Petty Cash on Hand	\$	31,001.00	
Reimbursement from State Treasury		708,323.05	
Local Funds in State Treasury		2,944,795.28	
Cash Equivalents		-	3,684,119.33
Temporary Investments			106,998.31
Total Cash and Temporary Investments		\$	59,274,680.24

*[The remainder of this page is intentionally left blank]*

Investment Categories  
August 31, 2018

	Investment Pooled at Texas A&M University System *
U.S. Treasury Securities	4,069,401.28
U.S. Treasury TIPS	226,189.44
U.S. Government Agency Obligations	2,444,143.71
Corporate Obligations	6,043,192.91
Corporate Asset & Mortgage Backed Securities	3,008,482.34
Equity	13,861,749.40
International Obligations (Government and Corp)	3,633,360.37
International Equity	9,399,908.77
Fixed Income Money Market and Bond Mutual Fund	1,126,650.32
Mutural Funds - International Equity	7,675,831.02
Other Commingled Funds - Equity	-
Other Commingled Funds - Fixed Income	50,072,014.51
Derivatives	(241.39)
Alternative Investments	19,270,733.86
Miscellaneous	7,407.32
<b>Total Investments</b>	<b>120,838,823.86</b>

\* The University has contracted with Texas A&M University System (A&M) in accordance with TEC 51.0031 for the investment of operating and quasi-endowment funds into the A&M Cash Concentration Pool. Investments in the pool are made in accordance with A&M Policy 22.02 System Investments.

The University has also contracted with A&M for the investment of the University's endowment funds into the A&M System Endowment Fund. Investments in the Endowment Fund are made in accordance with A&M Policy 22.02 System Investments.

Displayed on Statement of Net Assets as:	
Current Assets:	
Restricted:	
Short-Term Investments	\$ 106,998.31
Cash Equivalents	\$ 8,830,214.58
Unrestricted:	
Short-Term Investments	1,018,883.70
Cash Equivalents	-
Non-Current Assets	
Restricted:	
Investments: Endowment	14,187,018.40
Unrestricted:	
Investments: Quasi-Endowments	6,395,060.80
Investments: Operating	91,319,534.77
Subtotal Investments	121,857,710.56
Less: Certificates of Deposit	(1,018,883.70)
Total Investments	\$ 120,838,826.86

Sources: Annual Financial Report for the Year Ended August 31,  
2018: Statement of Net Assets and Note 3



## Debt Management

Debt management of the University is the responsibility of the Vice President for Finance and Administration. The Vice President for Finance and Administration evaluates the University's financing needs pursuant to a debt capacity analysis and annual funding requirements determined by the capital budget. Issuance of debt requires approval of the Board and the Texas Bond Review Board or an exemption from such requirement of approval by the Texas Bond Review Board under State law and the rules of the Texas Bond Review Board.

## Retirement Plans

University employees participate in various retirement plans and programs, which are summarized below. Such summary is qualified in its entirety by the complete description of such plans and programs within Notes 9-11 included in "APPENDIX B — UNAUDITED FINANCIAL REPORT OF STEPHEN F. AUSTIN STATE UNIVERSITY FOR THE YEAR ENDED AUGUST 31, 2018."

The State has joint contributory retirement plans for substantially all of its employees, including employees of the University. The primary plan that the University participates in is administered by the Teacher Retirement System of Texas ("TRS") and is a cost-sharing, multiple-employer defined benefit pension plan with a special funding situation (the "TRS Plan"). All employees of the University who are employed for one-half or more of the standard work load and are not exempted from membership by State law (including, particularly, Section 822.002, Texas Government Code) are covered by the TRS Plan. The TRS Plan provides retirement, disability annuities and death and survivor benefits. The benefit and contribution provisions of the TRS Plan are authorized by State law and may be amended by the State Legislature at any time. No assurances can be made by the University as to whether any such amendments will occur or, if such amendments do occur, whether such amendments would materially affect the University's liability under the TRS Plan. The contributory percentages of participant salaries currently provided by the State and by each participant are set by legislation. For fiscal year 2018, the State's contribution rate was 6.8% and the participant's contribution rate was 7.7%. For fiscal year 2019, the State's contribution rate remains at 6.8% and the participant contribution rate remains at 7.7%.

The State has also established an optional retirement program ("ORP") for institutions of higher education for certain administrative personnel and faculty. Participation in the ORP is in lieu of participation in TRS, and the selection to participate in ORP must be made in the first 90 days of eligibility. The ORP allows participants to select from a variety of companies for the purchase of annuity contracts or to invest in mutual funds. The contributory percentages on salaries for participants entering the ORP prior to September 1995 are 8.5% and 6.65% by the State and each participant, respectively. The State's contribution is comprised of 6.6% from the ORP appropriation and 1.9% from the other funding sources. The 6.6% contribution is mandatory with the other 1.9% being at the discretion of the Board. The contributory percentages on salaries for participants entering the ORP after August 31, 1995, are 6.6% and 6.65% by the State and each participant, respectively. Since these are individual annuity contracts or mutual fund investments, the University has no additional or unfunded liability for this program.

Governmental Accounting Standards Board ("GASB") 27, paragraph 27(d) requires that university system offices and independent universities that administer the ORP must disclose the amounts contributed by members and by the employer for that plan. The amount contributed by the University employees for the 2018 fiscal year was \$1,959,411 and the amount contributed by the University was \$2,082,528.

The retirement expense to the State for the participants was \$1,035,079 for the fiscal year ended August 31, 2018. This amount represents the portion of expended appropriations made by the Texas Legislature on behalf of the University.

State employees, including University employees, may elect to defer a portion of their earnings for income tax and investment purposes pursuant to State law. All payroll deductions relative to deferred compensation were invested in approved plans during the fiscal year ended August 31, 2018. See "APPENDIX B — UNAUDITED FINANCIAL REPORT OF STEPHEN F. AUSTIN STATE UNIVERSITY FOR THE YEAR ENDED AUGUST 31, 2018 — Note 10: Deferred Compensation" for more information.

In fiscal year 2018, GASB Statement No. 75 became effective for all State agencies. GASB Statement No. 75 requires State agencies to report its proportionate share of the State's Other Post-Employment Benefits (OPEB) liability on the face of the Financial Statements. OPEB includes retiree healthcare insurance, life insurance and on-pension benefits. Restatement of the University's net assets for its proportionate share of the prior years' accumulated liability associated with OPEB was \$56,912,940. However, changes in current year actuarial assumptions reduced this liability by \$8,403,975 to \$48,508,965 for the fiscal year ended August 31, 2018.

**APPENDIX B**

**UNAUDITED FINANCIAL REPORT OF STEPHEN F. AUSTIN STATE UNIVERSITY  
FOR THE YEAR ENDED AUGUST 31, 2018**

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# STEPHEN F. AUSTIN STATE UNIVERSITY



Unaudited Financial Report  
For the Year Ended  
August 31, 2018

BAKER PATTILLO, PRESIDENT  
DANNY GALLANT, VICE PRESIDENT FOR FINANCE AND ADMINISTRATION

NACOGDOCHES, TEXAS

# **Stephen F. Austin State University**

Unaudited Financial Report  
For the Year Ended  
August 31, 2018

# STEPHEN F. AUSTIN STATE UNIVERSITY

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# STEPHEN F. AUSTIN STATE UNIVERSITY

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**Office of Controller**

P. O. Box 13035 SFA Station • Nacogdoches TX 75962-3035  
Phone: (936) 468-2303 • Fax: (936) 468-2207

November 15th, 2018

Honorable Greg Abbott, Governor  
Honorable Glenn Hegar, Texas Comptroller of Public Accounts  
Ursula Parks, Director, Legislative Budget Board  
Angelica Ramirez, CPA, Assistant State Auditor  
Verma Elliott, CPA, Assistant State Auditor

Dear Ladies and Gentlemen:

We are pleased to submit the annual financial report of Stephen F. Austin State University for the year ended August 31, 2018, in compliance with Texas Government Code Annotated, Section 2101.011 and in accordance with the requirements established by the Texas Comptroller of Public Accounts.

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

If you have any questions, please contact Ms. Dannette Sales at (936) 468-2354. Mrs. Letitia Hamilton may be contacted at (936) 468-2250 for questions related to the Schedule of Expenditures of Federal Awards.

Sincerely,

Steven Westbrook, Ed.D  
Acting President





# STEPHEN F. AUSTIN STATE UNIVERSITY

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**Office of Controller**

P. O. Box 13035 SFA Station • Nacogdoches TX 75962-3035  
Phone: (936) 468-2303 • Fax: (936) 468-2207

November 15<sup>th</sup>, 2018

Dr. Steven Westbrook  
Acting President  
Stephen F. Austin State University  
P. O. Box 6078, SFA Station  
Nacogdoches, Texas 75962

Dear Dr. Westbrook:

Submitted herein is the Annual Financial Report of Stephen F. Austin State University for the fiscal year ended August 31, 2018.

The financial statements in this report have been prepared in conformity with the General Provisions of the Appropriations Act, Article IX, and in accordance with the requirements established by the Comptroller of Public Accounts.

The accompanying Annual Financial Report will be considered for audit by the state auditor as part of the audit of the State of Texas Comprehensive Annual Financial Report (CAFR). Therefore, an opinion has not been expressed on the financial statements and related information contained in this report.

If you have any questions, please contact me.

Sincerely,

Dannette Sales, CPA  
Controller

Approved:

Danny Gallant, Ph.D  
Vice President for Finance and Administration

**STEPHEN F. AUSTIN STATE UNIVERSITY**  
**ORGANIZATIONAL DATA**  
**August 31, 2018**

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**Board of Regents**

**Officers**

Brigettee C. Henderson, Chairman  
Alton L. Frailey, Vice Chairman  
Nelda L. Blair, Secretary

**Members**

<b>Name</b>	<b>Town</b>	<b>Term Expires</b>
David R. Alders	Nacogdoches, Texas	January 31, 2019
John R. Garrett	Tyler, Texas	January 31, 2019
Kenton E. Schaefer	Brownsville, Texas	January 31, 2019
Nelda L. Blair	The Woodlands, Texas	January 31, 2021
Scott H. Coleman	Houston, Texas	January 31, 2021
Alton L. Frailey	Katy, Texas	January 31, 2021
Karen G. Gantt	McKinney, Texas	January 31, 2023
Brigettee C. Henderson	Lufkin, Texas	January 31, 2023
M. Thomas Mason	Dallas, Texas	January 31, 2023
Kate Childress (student)	Lumberton, Texas	May 31, 2019

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**President**

Baker Pattillo, Ph.D.

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**Finance and Administration**

Vice President - Danny Gallant, Ph.D.  
Controller - Dannette Sales, CPA  
Assistant Controller - Eric Ashworth, CPA

# **STEPHEN F. AUSTIN STATE UNIVERSITY**

## **Management's Discussion and Analysis**

### **Unaudited**

For the Year Ended August 31, 2018

#### **INTRODUCTION**

Stephen F. Austin State University (the University) is a comprehensive regional public institution of higher education and an agency of the State of Texas (State). The University was founded in 1923 and is named for the "Father of Texas," Stephen Fuller Austin. It is located in the city of Nacogdoches, a part of the East Texas forested region. The main campus has more than 400 acres, including part of the original homestead of Thomas J. Rusk, early Texas patriot and United States Senator. In fall 2017, the University enrolled 12,614 students in 34 academic units and 6 colleges. The University offers baccalaureate, masters, and doctoral degrees.

The University is accredited by the Southern Association of Colleges and Schools Commission on Colleges. Specific academic programs hold numerous other accreditations.

The University does not include any blended components in the Financial Statements.

#### **OVERVIEW OF THE FINANCIAL STATEMENTS AND FINANCIAL ANALYSIS**

The objective of Management's Discussion and Analysis is to help readers of the University's Financial Statements better understand the financial position and operating activities for the fiscal year ended August 31, 2018, with selected comparative information for the year ended August 31, 2017. This discussion should be read in conjunction with the Transmittal Letter, Financial Statements, and Notes to the Financial Statements. Management has prepared the Financial Statements and Notes to the Financial Statements along with the discussion and analysis. Responsibility for the completeness and fairness of this information rests with the University administration.

Three primary statements are presented: Statement of Net Position; Statement of Revenues, Expenses, and Changes in Net Position; and Statement of Cash Flows. The Financial Statements are prepared in accordance with requirements established by the Texas Comptroller of Public Accounts.

#### **FINANCIAL HIGHLIGHTS**

- Enrollment for the fall 2017 semester was 12,614. This figure represents a slight decrease of one percent from the enrollment of 12,742 recorded in fall 2016. Retention rates and persistence to graduation are two metrics by which the Texas Legislature evaluates State universities. The University reported the highest first-time undergraduate retention rate in University history, with the fall 2017 value of 71.6 percent representing a four percentage point increase over the past five years.
- The University's financial position at August 31, 2018, reflected total assets and deferred outflows of \$482 million and total liabilities and deferred inflows of \$368 million. Overall, the net position of the University increased \$23.8 million. However, with the implementation of GASB Statement No. 75, the Employees Retirement System recorded a negative restatement of almost \$57 million to the University's long-term liabilities.
- The University began a five-year capital fundraising campaign to coincide with the University's 100-year anniversary in 2023.
- In the fall of 2016, the University began construction of a Science, Technology, Engineering and Mathematics (STEM) building after the approval and sale of \$46.4 million in tuition revenue bonds. The \$61.2 million bond issue also provided for the refunding of the 2008 revenue bond and 2009 revenue bond in the amount of \$10.4 million and \$13.9 million, respectively. In July 2018, the University held a ribbon-cutting ceremony for the opening of the STEM building.

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**CONDENSED FINANCIAL INFORMATION AND FINANCIAL HIGHLIGHTS**

***Statement of Net Position***

The Statement of Net Position provides a snapshot view of assets available for use in the University's continuing operations and enables readers to determine the amounts owed to others. Over time, increases or decreases in net position are indicators of the improvement or decline of the financial health of the University. The Statement of Net Position presents the assets, liabilities, deferred outflow and inflow of resources, and net position of the University at a specific point in time, in this case August 31, 2018. Net position represents the residual interest in the University's assets and deferred outflows of resources after deducting liabilities and deferred inflows of resources.

"Net Position" displays three major categories: Invested in Capital Assets, Net of Related Debt; Restricted Net Position; and Unrestricted Net Position. The Invested in Capital Assets, Net of Related Debt category identifies the equity in property, plant, and equipment owned by the University. Restricted Net Position is either expendable or non-expendable. Restricted Net Position - Expendable may be expended only for the purposes designated by the external donor or provider of the assets. Restricted Net Position - Non-expendable is comprised entirely of funds held as permanent endowments. Unrestricted Net Position is available for any lawful purpose of the University. Although Unrestricted Net Position assets are not subject to externally imposed stipulations, these assets may have other commitments for various future uses in support of the University's mission. These include commitments for encumbrances outstanding at year-end. Also recognized in Unrestricted Net Position are unspent Higher Education Funds (HEF) and other appropriations which have restrictions imposed by the State. Assets and liabilities are generally measured using current values, except capital assets, which are stated at historical cost less an allowance for depreciation.

A summarized comparison of the University's Statement of Net Position at August 31, 2018, and 2017 follows:

**Statement of Net Position**

	<b>August 31, 2018</b>	<b>August 31, 2017</b>
<b>Assets</b>		
Current Assets	\$ 117,571,602.38	\$ 163,179,103.22
Noncurrent Assets		
Other Noncurrent Assets	116,540,639.26	91,275,306.92
Capital Assets, Net of Depreciation	221,952,886.27	201,903,491.09
<b>Total Assets</b>	456,065,127.91	456,357,901.23
<b>Deferred Outflows of Resources</b>	26,336,516.00	14,758,104.00
<b>Liabilities</b>		
Current Liabilities	121,913,887.85	119,609,744.91
Noncurrent Liabilities	224,600,894.69	194,242,217.41
<b>Total Liabilities</b>	346,514,782.54	313,851,962.32
<b>Deferred Inflows of Resources</b>	22,283,595.00	10,653,756.00

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**Net Position**

Invested in Capital Assets, Net of Related Debt	67,545,914.70	60,879,173.22
Restricted Net Position		
Expendable	26,104,645.97	24,399,207.29
Non-expendable	6,019,491.63	5,986,857.51
Unrestricted Net Position	13,933,214.07	55,345,048.89
<b>Total Net Position</b>	<b>\$ 113,603,266.37</b>	<b>\$ 146,610,286.91</b>

In fiscal year 2018, GASB Statement No. 75 became effective for all State agencies. GASB Statement No. 75 requires State agencies to report its proportionate share of the State's Other Post-Employment Benefits (OPEB) liability on the face of the Financial Statements. OPEB includes retiree health care insurance, life insurance and non-pension benefits. Restatement to the University's net assets for its proportionate share of the prior years' accumulated liability associated with OPEB was \$56,912,940.00. However, changes in current year actuarial assumptions reduced this liability to \$48,756,360.00 for the year ended August 31, 2018.

***Statement of Revenues, Expenses, and Changes in Net Position***

The change in total net position is calculated from the activity shown on the Statement of Revenues, Expenses, and Changes in Net Position. This statement presents operating revenues and expenses, non-operating revenues and expenses, and other revenues, expenses, gains (losses) and transfers.

Operating revenues are receipts for providing goods and services to the various constituencies of the University. Operating expenses include salaries, wages, and goods and services needed to carry out the mission of the University. Non-operating revenues and expenses include non-exchange transactions for which no goods or services were provided. This category includes State appropriations, Pell grants, gifts, investment income, and interest payments on long-term debt.

A summarized comparison of the University's Statement of Revenues, Expenses, and Changes in Net Position for the years ended August 31, 2018, and 2017 follows:

**Statement of Revenues, Expenses, and Changes in Net Position**

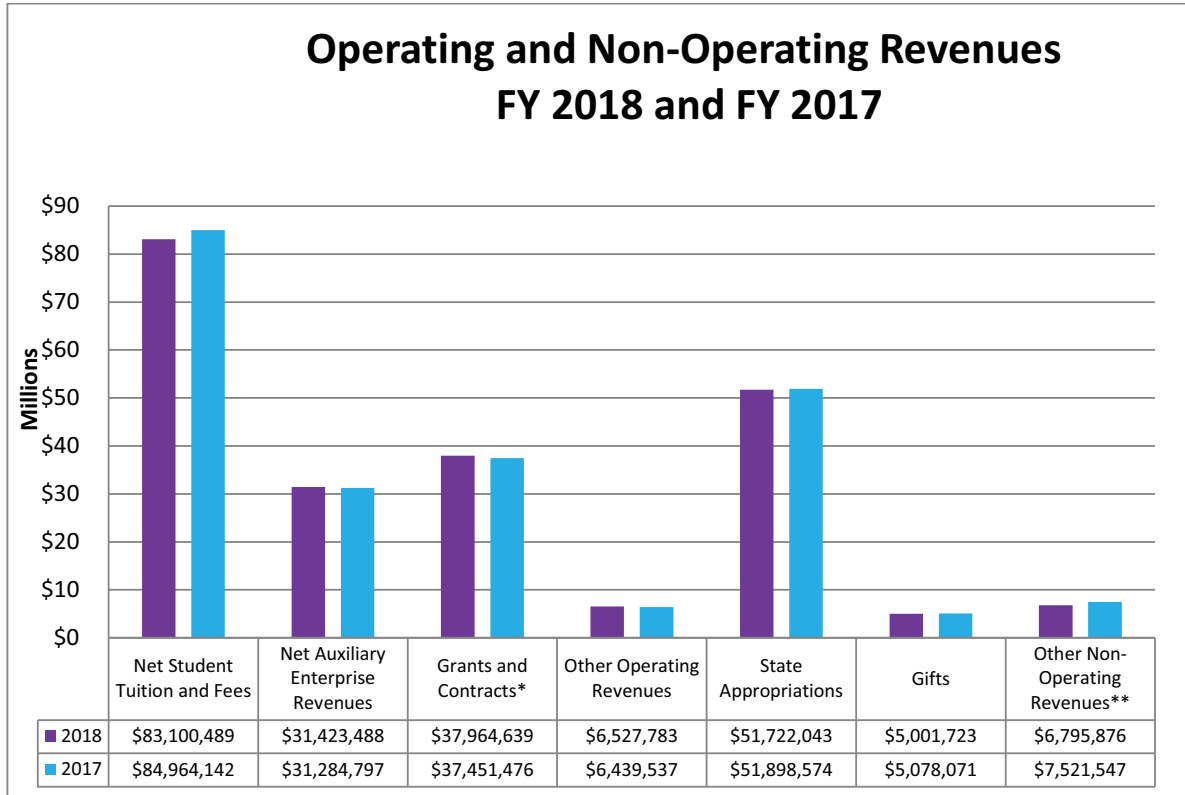
	<b>2018</b>	<b>2017</b>
<b>Operating Revenues:</b>		
Net Student Tuition and Fees	\$ 83,100,488.78	\$ 84,964,141.69
Net Auxiliary Enterprise Revenues	31,423,488.19	31,284,796.81
Grants and Contracts	15,792,124.41	15,996,719.18
Other Operating Revenues	6,527,782.71	6,439,537.23
<b>Total Operating Revenues</b>	<b>136,843,884.09</b>	<b>138,685,194.91</b>
<b>Total Operating Expenses</b>	<b>209,187,894.49</b>	<b>216,292,075.47</b>
<b>Operating Income (Loss)</b>	<b>(72,344,010.40)</b>	<b>(77,606,880.56)</b>

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<b>Non-Operating Revenues (Expenses):</b>		
Legislative Revenue (State)	40,145,774.99	39,729,279.55
Additional Appropriations	11,576,268.12	12,169,293.97
Federal Revenues - Non-Operating	22,172,515.00	21,454,757.00
Gifts	5,001,723.48	5,078,071.49
Net Investment Income (Loss)	4,082,097.64	2,672,541.33
Net Increase (Decrease) in Fair Value of Investments	2,003,213.49	4,085,931.68
Interest Expenses and Fiscal Charges	(2,510,119.41)	(4,899,033.23)
Net Other Non-Operating Revenues (Expenses)	710,564.49	763,073.94
<b>Total Non-Operating Revenues (Expenses)</b>	<u>83,182,037.80</u>	<u>81,053,915.73</u>
<b>Income (Loss) Before Other Revenues, Expenses, Gains or Losses</b>	10,838,027.40	3,447,035.17
<b>Other Revenues, Expenses, Gains (Losses) and Transfers</b>	<u>12,944,200.47</u>	<u>16,930,479.96</u>
<b>Change in Net Position</b>	<u>23,782,227.87</u>	<u>20,377,515.13</u>
<b>Net Position, Beginning of Year</b>	146,610,286.91	126,802,797.52
Restatements	(56,789,248.41)	(570,025.74)
<b>Restated Net Position, Beginning of Year</b>	<u>89,821,038.50</u>	<u>126,232,771.78</u>
<b>Net Position, End of Year</b>	<u>\$ 113,603,266.37</u>	<u>\$ 146,610,286.91</u>

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The following graph exhibits operating and non-operating revenues by major source:



\* *Grants and Contracts includes both Operating and Non-Operating Grants and Contracts.*

\*\**Other Non-Operating Revenues includes Net Investment Income, Net Increase (Decrease) in Fair Value of Investments, and Net Other Non-Operating Revenues.*

Some of the fiscal year 2018 highlights presented in the Statement of Revenues, Expenses, and Changes in Net Position are as follows:

- In January 2017, the Board of Regents approved no increase in designated tuition for the 2017-18 fiscal year. With relatively stable enrollment, the only factors affecting tuition and fee revenues were the increase in exemptions and the increase in tuition discounting as shown in the next table.
- The Board of Regents approved a slight increase of .5 percent in housing rates and a 1.7 percent increase in meal plan rates for the 2018 fiscal year. Occupancy for the fall term was 94 percent and the spring term held at 82 percent.
- With regard to Non-Operating Revenues and Expenses, the University experienced a decrease in interest expense on bonded debt of almost \$2.4 million. This reflects the savings realized on the 2016 issue that refunded the 2008 and 2009 bond issues and therefore reduced interest expense \$1.4 million and recorded amortization of premium in the amount of approximately \$0.5 million.

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Discounts and allowances reported as offsets for both tuition and fees and auxiliary enterprise revenues include exemptions, tuition discounts, and the allowance for doubtful accounts, which is a calculated estimate of the uncollectible student receivables. The chart below reflects these amounts and the related variances from fiscal year 2017.

<b>Gross Student Revenues, Exemptions, Discounts and Allowances</b>			
	<b>2018</b>	<b>2017</b>	<b>Net Change</b>
Tuition and Fees - Pledged	\$111,451,845.53	\$111,148,989.37	\$302,856.16
Tuition and Fees - Non-Pledged	4,120,908.51	4,123,074.98	(2,166.47)
Exemptions	(8,570,788.52)	(7,830,304.89)	(740,483.63)
Tuition Discounts	(23,651,301.36)	(22,141,915.22)	(1,509,386.14)
Allowances for Doubtful Accounts	(250,175.28)	(335,702.55)	85,527.27
Net Student Tuition and Fees	\$83,100,488.88	\$84,964,141.69	(\$1,863,652.81)
Auxiliary Enterprises - Pledged	\$41,230,215.22	\$39,761,896.70	\$1,468,318.52
Auxiliary Enterprises - Non-Pledged	1,909,068.75	2,158,604.60	(249,535.85)
Discounts	(11,499,790.73)	(10,277,343.69)	(1,222,447.04)
Allowances for Doubtful Accounts	(216,005.05)	(358,360.80)	142,355.75
Net Auxiliary Enterprise Revenues	\$31,423,488.19	\$31,284,796.81	\$138,691.38

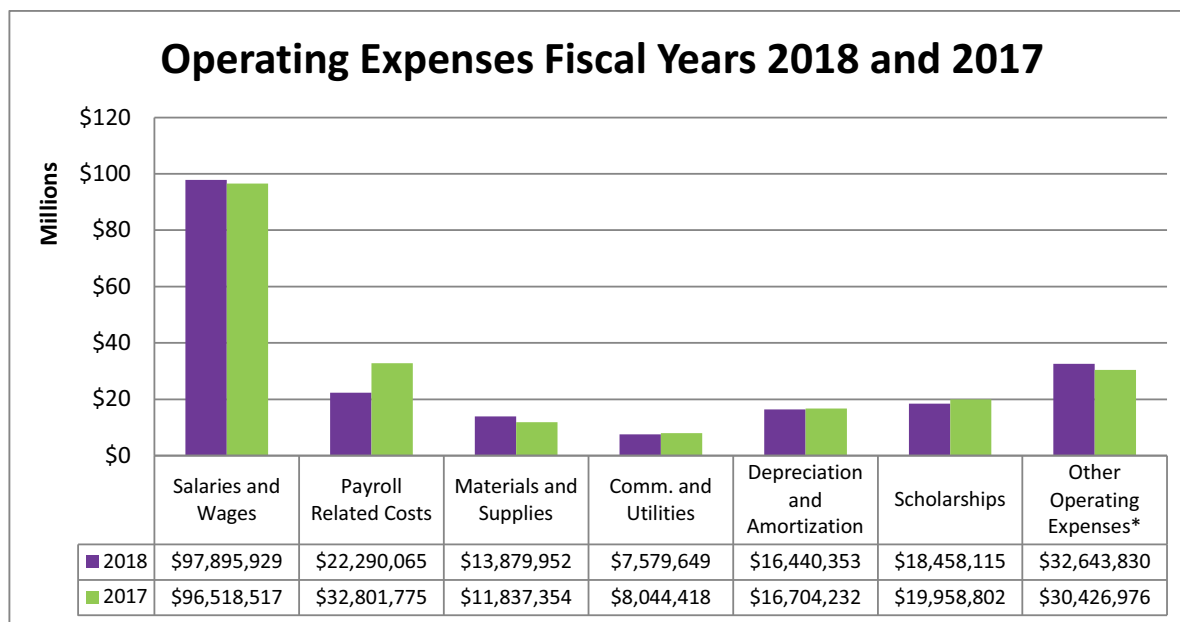
The following data summarizes the operating expenses in the natural classification expense categories for the fiscal years ended August 31, 2018, and 2017:

	<b>2018</b>	<b>2017</b>
Cost of Goods Sold	\$ 11,119,190.99	\$ 10,089,637.06
Salaries and Wages	97,895,928.84	96,518,517.24
Payroll Related Costs	22,290,065.35	32,801,775.49
Professional Fees and Services	2,058,410.52	1,470,749.20
Travel	2,793,030.91	2,910,527.19
Materials and Supplies	13,879,952.30	11,837,354.39
Communication and Utilities	7,579,649.04	8,044,418.37
Repairs and Maintenance	6,046,641.67	4,924,776.95
Rentals and Leases	2,689,060.91	2,910,082.14
Printing and Reproduction	372,380.05	465,527.03
Federal and State Pass-Through Expenditures	158,087.46	614,979.63
Amortization	0.00	89,963.09
Depreciation	16,440,353.35	16,614,268.61
Scholarships	18,458,115.44	19,958,802.35
Other Operating Expenses	7,407,027.66	7,040,696.73
	\$ 209,187,894.49	\$ 216,292,075.47



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The following is a graphic presentation of the major operating expense categories for the fiscal years ended August 31, 2018, and 2017:



\*Other Operating Expenses includes Cost of Goods Sold, Professional Fees and Services, Travel, Repairs and Maintenance, Rentals and Leases, Printing and Reproduction, Federal Pass-Through Expenditures, and Other Operating Expenses.

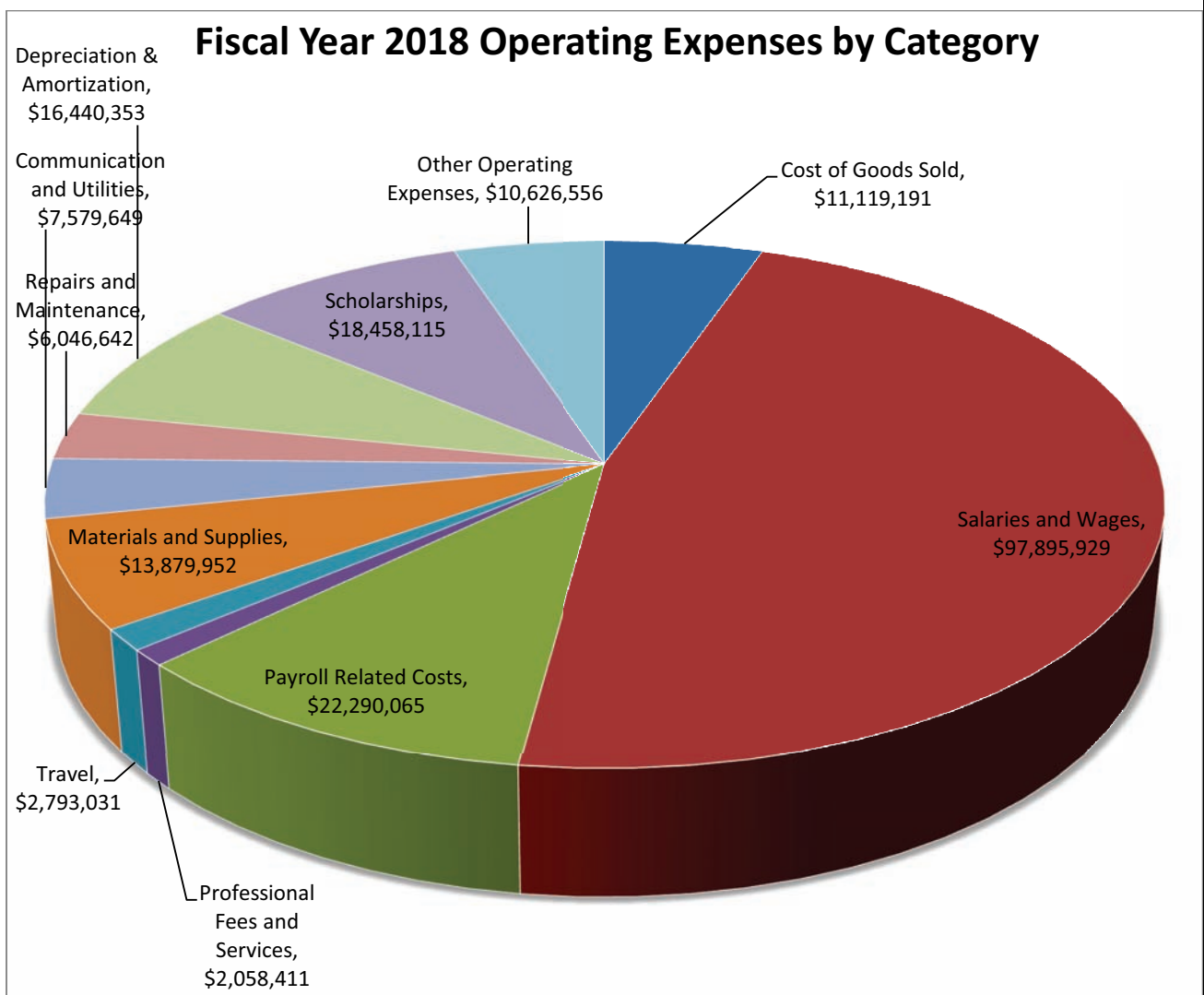
Reported net scholarships decreased by approximately \$1.5 million. However, the gross amount of scholarships actually awarded to students from grants and outside organizations increased by approximately \$1.2 million. The largest contributor to the decrease in State and federal student loans is the discontinuance of the Perkins Loan program. A portion of scholarships has been reclassified as either tuition discounts or auxiliary discounts using the NACUBO discount formula. The discount calculation takes into account various types of aid to the student as shown below:

<b>Gross Scholarships and Related Discounts Applied to Revenues</b>			
	<b>2018</b>	<b>2017</b>	<b>Net Change</b>
State and federal student loans	\$ 79,272,360.44	\$ 82,256,807.31	\$ (2,984,446.87)
Gross Scholarships	53,609,207.53	52,378,061.26	1,231,146.27
Scholarships - Reclassified to Tuition/Fee Discounts	(23,651,301.36)	(22,141,915.22)	(1,509,386.14)
Scholarships - Reclassified to Auxiliary Enterprises	(11,499,790.73)	(10,277,343.69)	(1,222,447.04)
Scholarships (as reported)	\$ 18,458,115.44	\$ 19,958,802.35	\$ (1,500,686.91)

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Some of the fiscal year 2018 significant changes from the prior year for all other operating expenses are:

- Included in the overall payroll costs is a \$1.4 million increase in salaries and wages and a variance of \$10 million in payroll related costs that includes an overall decrease of \$13 million related to net pension expense adjustments pertaining to the GASB Statement No. 75 requirements. Since 2018 was the first year of implementation, significant adjustments were necessary to establish beginning balances of related assets, liabilities and pension expense offsets. As indicated in the chart below, salaries and wages and payroll related costs account for more than half of the University's operating expenses.
- Repairs and maintenance costs increased approximately \$1.1 million. In large part, this variance relates to facility renovations as approved by the Board of Regents as part of the University's capital plan.
- Materials and supplies increased \$2 million primarily due to the equipping of the new STEM building that opened in the summer of 2018.



*\*Other Operating Expenses includes Rentals and Leases, Federal Pass-Thru Expenditures and Printing and Reproduction costs.*

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***Statement of Cash Flows***

The purpose of a Statement of Cash Flows is to provide relevant information about the University's cash receipts and payments during the fiscal year. The Statement of Cash Flows, when used with related disclosures and information in the other financial statements, provides relevant information about the University, such as:

- Its ability to generate future net cash flows.
- Its ability to meet obligations when due.
- Its needs for external financing.
- The reason for differences between operating income and associated cash receipts and payments.
- The effects on the University's financial position of its cash and its non-cash investing, capital and financing transactions.

The Statement of Cash Flows provides details about the University's major sources and uses of cash during the year. It presents detailed information about the cash activity and an indication of the University's liquidity and ability to meet cash obligations. There are four categories of cash flow activity:

1. Cash Flows from Operating Activities – cash flows from operating activities result from providing services and producing and delivering goods. They include all other transactions not defined as non-capital financing, capital and related financing, or investing activities.
2. Cash Flows from Non-Capital Financing Activities – cash flows from non-capital financing activities include borrowing money and repaying the principal and interest on amounts borrowed for purposes other than to acquire, construct, or improve capital assets.
3. Cash Flows from Capital and Related Financing Activities – cash flows from capital and related financing activities include acquiring and disposing of capital assets, borrowing money to acquire, construct, or improve capital assets and repaying the principal and interest amounts.
4. Cash Flows from Investing Activities – cash flows from investing activities include making and collecting loans (except program loans) and the acquisition and disposition of debt or equity instruments.

The Statement of Cash Flows reports net cash provided or used in each of the four categories of classifying cash transactions. It also reports the net effect of these flows on cash and cash equivalents during the fiscal year in a manner that reconciles beginning and ending cash and cash equivalents for the year.

The final section of the Statement of Cash Flows reconciles the Net Cash Provided (Used) by Operating Activities to the Operating Income (Loss) reflected on the Statement of Revenues, Expenses, and Changes in Net Position. When transactions are part cash and part non-cash, only the cash portion is reported within the Statement of Cash Flows. Non-cash items include information about investing, capital and financing activities that affect assets and liabilities but do not result in cash receipts or cash payments in the fiscal period. The non-cash portion is reported in the non-cash transaction section supplemental to the Statement of Cash Flows.

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A summarized comparison of the Statement of Cash Flows at August 31, 2018, and 2017 follows:

**Statement of Cash Flows**

	<b>2018</b>	<b>2017</b>
<b>Net Cash Provided (Used) by:</b>		
Operating Activities	\$ (44,030,593.37)	\$ (58,533,798.32)
Non-Capital Financing Activities	74,258,103.57	75,126,824.59
Capital and Related Financing Activities	(43,316,673.34)	18,353,336.58
Investing Activities	(19,744,454.62)	(19,768,313.92)
Increase (Decrease) in Cash and Cash Equivalents	(32,833,617.76)	15,178,048.93
Cash and Cash Equivalents, Beginning of Year	100,831,514.27	85,653,465.34
Cash and Cash Equivalents, End of Year	\$ 67,997,896.51	\$ 100,831,514.27

Net cash provided (used) by operating activities should be viewed together with net cash provided (used) by non-capital financing activities because State appropriations are significant sources of recurring revenue in support of operating expenses, but under GASB Statement No. 35 they must be classified as non-capital financing activities instead of operating activities. Additionally, federal financial aid revenues, including Pell grants, are classified as a non-operating activity since these are considered non-exchange activities, but the offsetting expenditures are recognized as operating expenses. Overall, the University experienced a decrease of \$32.8 million in cash and cash equivalents due almost entirely to the construction of the STEM building using bond proceeds.

Cash used by operating activities decreased by approximately \$14.5 million due to more timely drawdowns of direct loan funds from the federal government. The University fronts these funds for the students and then initiates reimbursement from the government. The receivable related to this activity decreased \$15 million.

Cash flows provided by non-capital financing activities in fiscal year 2018 decreased almost \$1 million from the prior year. The University had received in the previous fiscal year a \$3.6 million one-time funding in State appropriation for payment on the 2016 tuition revenue bond (TRB) issue. In fiscal year 2018, the adjustment to benefit expense as required by GASB Statement No. 75 completely offset that variance.

Net cash used for capital and related financing activities increased \$61.7 million due in large part to the construction of the STEM building using the bond proceeds of the \$61.2 million 2016 series TRB that also refunded two other outstanding issues in addition to the construction costs.

Net cash provided from investing activities was virtually unchanged from the previous year.

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**ECONOMIC OUTLOOK**

Total enrollment for fall 2018 increased by 4 percent when compared to the previous fall, and the University experienced another increase in the retention rate of first-time freshmen to their sophomore year.

In October 2018, the Board of Regents authorized the issuance of financing revenue system bonds for no more than \$125 million for the planned construction or renovation of four buildings on campus. The bond issue will fund the first phase of a fine arts initiative; the conversion of the Kennedy Auditorium into a welcome center and one-stop shop for prospective students; the addition of the second phase of a freshman residence hall and cafeteria; and, the construction of a basketball training facility.

During the upcoming fiscal year, the University will close out the Perkins Loan program per instructions by the federal government. At the end of fiscal year 2018, the University held \$3.4 million in loan receivables, most of which will be transferred to the federal government.

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**STEPHEN F. AUSTIN STATE UNIVERSITY**  
**Agency No. 755**  
**Statement of Net Position**  
**For the Fiscal Year Ended August 31, 2018**

	<u>2018</u>	<u>2017</u> <u>Restated</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents:		
Cash on Hand	\$ 31,001.00	\$ 30,586.00
Cash in Bank	41,767,967.11	44,180,222.04
Cash in Transit/Reimburse from Treasury	708,323.05	776,612.17
Cash in State Treasury	2,944,795.28	2,551,863.71
Cash Equivalents	0.00	4,049,811.24
Short Term Investments	1,018,883.70	431,881.56
Restricted:		
Cash and Cash Equivalents		
Cash in Bank	13,715,595.49	12,409,452.85
Cash Equivalents	8,830,214.58	36,832,966.26
Short Term Investments		
Endowment	106,998.31	936,845.01
Legislative Appropriations	9,788,202.74	9,015,305.91
Receivables:		
Intergovernmental Receivables		
Federal	2,873,208.66	15,981,811.31
Other Intergovernmental	218,821.01	121,103.27
Interest and Dividends	30,971.92	213,762.31
Student Receivable	13,432,902.83	14,644,904.88
Accounts Receivable	2,875,845.92	2,742,554.59
Due From Other Agencies:		
Federal	258,968.09	271,645.39
State	50,244.90	105,224.98
Consumable Inventories	493,235.65	546,614.85
Merchandise Inventories	442,097.45	383,721.81
Prepaid Items	15,378,292.90	14,189,398.32
Student Loans Receivables	2,605,031.79	2,762,814.76
<b>Total Current Assets</b>	<u>117,571,602.38</u>	<u>163,179,103.22</u>

See accompanying Notes to the Financial Statements

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**STEPHEN F. AUSTIN STATE UNIVERSITY**  
**Agency No. 755**  
**Statement of Net Position**  
**For the Fiscal Year Ended August 31, 2018**

	<u>2018</u>	<u>2017</u> <b>Restated</b>
<b>Noncurrent Assets</b>		
Restricted:		
Investments		
Endowments	14,187,015.40	12,484,731.56
Student Loans Receivables	4,479,804.93	4,855,781.80
Allowance for Doubtful Accounts	(1,459,233.72)	(1,321,015.28)
Unrestricted:		
Investments		
Operating	91,319,534.77	67,525,604.70
Quasi-Endowments	6,395,060.80	6,024,041.77
Student Accounts Receivables	11,432,831.57	11,054,356.53
Allowance for Doubtful Accounts	(9,814,374.49)	(9,348,194.16)
Capital Assets		
Non-Depreciable or Non-Amortizable	15,173,243.29	23,370,170.79
Depreciable or Amortizable, Net	206,779,642.98	178,533,320.30
<b>Total Noncurrent Assets</b>	<u>338,493,525.53</u>	<u>293,178,798.01</u>
<b>Total Assets</b>	<u>456,065,127.91</u>	<u>456,357,901.23</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred Outflows of Resources (Note 28)	<u>26,336,516.00</u>	<u>14,758,104.00</u>

See accompanying Notes to the Financial Statements

## UNAUDITED

**STEPHEN F. AUSTIN STATE UNIVERSITY**  
**Agency No. 755**  
**Statement of Net Position**  
**For the Fiscal Year Ended August 31, 2018**

	<u>2018</u>	<u>2017</u> <u>Restated</u>
<b>LIABILITIES</b>		
<b>Current Liabilities:</b>		
Payables:		
Accounts Payable	4,794,698.48	3,403,024.34
Payroll Payable	7,583,203.98	7,338,767.19
Deposits	2,707,299.74	3,160,948.32
Benefits Payable	2,247,815.63	3,275,433.40
Interfund Payable	1,506,436.00	1,506,436.00
Due to Other Agencies	484,335.04	472,528.99
Unearned Revenues:		
Tuition and Fees	53,651,618.59	50,300,446.84
Sales and Services	20,947,819.45	20,811,897.47
Grants and Contracts	1,002,895.48	1,347,533.79
Employees' Compensable Leave	425,138.92	396,013.26
Capital Lease Obligations	58,159.89	60,585.85
Notes and Loans Payable	1,216,206.73	1,165,517.06
Revenue Bonds Payable	6,412,194.81	6,530,591.81
Tuition Revenue Bonds Payable	6,098,980.28	5,955,776.98
General Obligation Bonds Payable	1,195,000.00	1,150,000.00
Accrued Bond Interest Payable	2,040,102.72	2,194,642.29
Funds Held for Others	9,288,201.55	10,537,931.57
Other Current Liabilities	253,780.56	1,669.75
<b>Total Current Liabilities</b>	<u>121,913,887.85</u>	<u>119,609,744.91</u>
<b>Noncurrent Liabilities:</b>		
Interfund Payable	3,099,412.96	4,514,726.83
Capital Lease Obligations	148,648.85	206,808.74
Employees' Compensable Leave	4,259,028.37	3,981,835.51
Notes and Loans Payable	9,992,073.58	11,208,280.31
Revenue Bonds Payable	68,633,787.47	75,045,982.28
Tuition Revenue Bonds Payable	63,437,597.46	69,536,577.74
General Obligation Bonds Payable	0.00	1,195,000.00
ERS OPEB Liability	48,508,965.00	0.00
TRS Net Pension Liability	26,521,381.00	28,553,006.00
<b>Total Noncurrent Liabilities</b>	<u>224,600,894.69</u>	<u>194,242,217.41</u>
<b>Total Liabilities</b>	<u>346,514,782.54</u>	<u>313,851,962.32</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred Inflows of Resources (Note 28)	<u>22,283,595.00</u>	<u>10,653,756.00</u>
<b>NET POSITION</b>		
Invested in Capital Assets, Net of Related Debt	67,545,914.70	60,879,173.22
Restricted for:		
Endowment Funds		
Nonexpendable	6,019,491.63	5,986,857.51
Expendable	3,570,928.12	2,870,872.31
Other	22,533,717.85	21,528,334.98
Unrestricted	13,933,214.07	55,345,048.89
<b>Total Net Position</b>	<u>\$ 113,603,266.37</u>	<u>\$ 146,610,286.91</u>

See accompanying Notes to the Financial Statements



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UNAUDITED

**STEPHEN F. AUSTIN STATE UNIVERSITY**  
**Agency No. 755**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**For the Fiscal Year Ended August 31, 2018**

	<u>2018</u>	<u>2017</u>
<b>Operating Revenues:</b>		
Sales of Goods and Services		
Tuition & Fees - Pledged	\$ 111,451,845.53	\$ 111,148,989.37
Tuition & Fees - Non-Pledged	4,120,908.51	4,123,074.98
Discounts and Allowances	(32,472,265.26)	(30,307,922.66)
Auxiliary Enterprise - Pledged	41,230,215.22	39,761,896.70
Auxiliary Enterprise - Non-Pledged	1,909,068.75	2,158,604.60
Discounts and Allowances	(11,715,795.78)	(10,635,704.49)
Other Sales of Goods and Svcs - Pledged	5,632,401.64	5,441,005.48
Other Sales of Goods and Svcs - Non-Pledged	793,950.13	954,384.73
Federal Revenue	2,498,580.23	2,960,800.84
Federal Pass-Through Rev from Non-State Entities	65,480.64	96,051.71
Federal Pass-Through Revenue	730,790.49	897,110.94
State Pass-Through Revenue	11,172,430.85	10,841,496.07
Local Contracts and Grants	578,969.31	571,241.50
Other Contracts and Grants	745,872.89	630,018.12
Other Operating Revenues - Pledged	101,430.94	43,897.02
Other Operating Revenues - Non-Pledged	-	250.00
Total Operating Revenues	<u>136,843,884.09</u>	<u>138,685,194.91</u>
<b>Operating Expenses:</b>		
Cost of Goods Sold	11,119,190.99	10,089,637.06
Salaries and Wages	97,895,928.84	96,518,517.24
Payroll Related Costs	22,290,065.35	32,801,775.49
Professional Fees and Services	2,058,410.52	1,470,749.20
Travel	2,793,030.91	2,910,527.19
Materials and Supplies	13,879,952.30	11,837,354.39
Communication and Utilities	7,579,649.04	8,044,418.37
Repairs and Maintenance	6,046,641.67	4,924,776.95
Rentals and Leases	2,689,060.91	2,910,082.14
Printing and Reproduction	372,380.05	465,527.03
Federal Pass-Through Expenditure to Non-State Entities	158,087.46	614,979.63
Amortization	-	89,963.09
Depreciation	16,440,353.35	16,614,268.61
Bad Debt Expense	139,753.57	-
Interest Expense	112.92	(1,121.81)
Scholarships	18,458,115.44	19,958,802.35
Claims and Judgments	47,070.14	101,250.00
Other Operating Expenses	7,220,091.03	6,940,568.54
Total Operating Expenses	<u>209,187,894.49</u>	<u>216,292,075.47</u>
<b>Operating Income (Loss)</b>	<u>(72,344,010.40)</u>	<u>(77,606,880.56)</u>

See accompanying Notes to the Financial Statements

UNAUDITED

**STEPHEN F. AUSTIN STATE UNIVERSITY**  
**Agency No. 755**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**For the Fiscal Year Ended August 31, 2018**

	<b>2018</b>	<b>2017</b>
	<hr/>	<hr/>
<b>Non-Operating Revenues (Expenses):</b>		
Legislative Revenue	40,145,774.99	39,729,279.55
Additional Appropriations	11,576,268.12	12,169,293.97
Federal Revenue	22,172,515.00	21,454,757.00
Gifts - Non-Pledged	4,998,568.48	5,078,071.49
Gifts - Pledged	3,155.00	-
Other Rental Income	167,382.77	233,532.52
Investment Income - Pledged	2,727,481.03	1,553,430.27
Investment Income - Non-Pledged	1,154,441.83	1,013,227.74
Net Increase (Decrease) Fair Value - Pledged	1,591,338.17	3,804,562.81
Net Increase (Decrease) Fair Value - Non-Pledged	411,875.32	281,368.87
Investing Activities Expenses	(328,675.48)	(294,190.19)
Income on Loans Receivable	123,734.65	26,698.62
Interest Income on Capital Investments-Pledged	405,115.61	373,374.89
Interest Expenses and Fiscal Charges	(2,510,119.41)	(4,899,033.23)
Gain (Loss) on Sale of Capital Assets	(8,697.98)	(30,687.72)
Settlement of Claims	75,083.29	155,015.16
Other Non-Operating Revenues (Expenses)	476,796.41	405,213.98
Total Non-Operating Revenues (Expenses)	<hr/> <u>83,182,037.80</u>	<hr/> <u>81,053,915.73</u>
<b>Income (Loss) Before Other Revenues, Expenses, Gains/Losses and Transfers</b>	<hr/> <u>10,838,027.40</u>	<hr/> <u>3,447,035.17</u>
<b>Other Revenues, Expenses, Gains/Losses and Transfers</b>		
Capital Contributions	693,178.00	692,624.66
Capital Appropriations (Higher Education Fund)	11,636,163.00	11,636,163.00
Additions to Permanent and Term Endowments	32,634.12	604,548.30
Lapsed Appropriations	-	(215,309.00)
Legislative Transfers In	374,873.00	3,984,192.00
Transfers In	216,072.00	228,261.00
Transfers Out	(8,719.65)	0.00
Total Other Revenue, Expenses, Gain/Losses and Transfers	<hr/> <u>12,944,200.47</u>	<hr/> <u>16,930,479.96</u>
<b>Change in Net Position</b>	<hr/> <u>23,782,227.87</u>	<hr/> <u>20,377,515.13</u>
Net Position, Beginning of Year	146,610,286.91	126,802,797.52
Restatements	(56,789,248.41)	(570,025.74)
Net Position, Beginning of Year, as Restated	<hr/> <u>89,821,038.50</u>	<hr/> <u>126,232,771.78</u>
<b>Net Position, August 31, 2018</b>	<hr/> <u>\$ 113,603,266.37</u>	<hr/> <u>\$ 146,610,286.91</u>

See accompanying Notes to the Financial Statements

STEPHEN F. AUSTIN STATE UNIVERSITY  
 Agency No. 755  
 Matrix of Operating Expenses by Function  
 For the Fiscal Year Ended August 31, 2018

UNAUDITED

<b>Operating Expenses</b>	<b>Instruction</b>	<b>Research</b>	<b>Public Service</b>	<b>Academic Support</b>	<b>Student Services</b>	<b>Institutional Support</b>
Cost of Goods Sold	\$ 103.10	-	5,613.54	149,760.39	112,058.54	(100.93)
Salaries and Wages	48,307,830.97	1,809,794.13	782,317.63	11,221,142.96	11,114,808.58	10,934,815.63
Payroll Related Costs	8,033,665.45	261,963.37	80,301.83	1,372,312.75	1,683,088.25	7,245,854.04
Professional Fees and Services	173,774.20	174,714.98	203,705.83	101,028.93	(8,463.01)	831,477.51
Travel	412,202.27	117,833.59	27,160.08	510,218.10	1,505,567.65	192,481.40
Materials and Supplies	2,115,941.87	288,059.89	202,437.68	1,542,517.27	2,613,505.75	1,415,708.42
Communication and Utilities	352,387.24	12,907.58	4,870.30	1,452,919.70	179,358.17	(161,890.54)
Repairs and Maintenance	328,472.58	16,434.03	18,003.51	261,830.29	485,363.74	1,918,561.81
Rentals and Leases	436,817.43	57,592.33	111,177.36	353,007.56	693,537.38	501,578.32
Printing and Reproduction	131,186.42	1,616.23	(874.11)	129,895.09	197,436.92	(279,568.58)
Federal Pass-Through Expenditures	-	-	158,087.46	-	-	-
Depreciation and Amortization	-	-	-	-	-	-
Bad Debt Expense	-	-	-	-	139,753.57	-
Interest Expense	18.55	0.25	0.04	15.67	-	3.55
Scholarships	-	-	-	-	-	-
Claims and Judgments	-	-	-	-	47,070.14	-
Other Operating Expenses	621,757.28	48,848.86	80,208.06	503,317.09	2,322,687.80	1,952,474.44
<b>Total Operating Expenses</b>	<b>\$ 60,914,157.36</b>	<b>\$ 2,789,765.24</b>	<b>\$ 1,673,009.21</b>	<b>\$ 17,597,965.80</b>	<b>\$ 21,085,773.48</b>	<b>\$ 24,551,395.07</b>

STEPHEN F. AUSTIN STATE UNIVERSITY  
 Agency No. 755  
 Matrix of Operating Expenses by Function  
 For the Fiscal Year Ended August 31, 2018

UNAUDITED

<b>Operating Expenses</b>	<b>Operation and Maintenance of Plant</b>	<b>Scholarships and Fellowships</b>	<b>Auxiliary Enterprises</b>	<b>Depreciation and Amortization</b>	<b>Total Expenses</b>
Cost of Goods Sold	-	-	10,851,756.35	-	\$ 11,119,190.99
Salaries and Wages	5,005,476.03	-	8,719,742.91	-	97,895,928.84
Payroll Related Costs	823,291.65	-	2,789,588.01	-	22,290,065.35
Professional Fees and Services	306,640.72	-	275,531.36	-	2,058,410.52
Travel	(179,757.58)	-	207,325.40	-	2,793,030.91
Materials and Supplies	3,651,532.48	-	2,050,248.94	-	13,879,952.30
Communication and Utilities	2,500,137.24	-	3,238,959.35	-	7,579,649.04
Repairs and Maintenance	1,642,509.85	-	1,375,465.86	-	6,046,641.67
Rentals and Leases	173,729.55	-	361,620.98	-	2,689,060.91
Printing and Reproduction	1,215.62	-	191,472.46	-	372,380.05
Federal Pass-Through Expenditure:	-	-	-	-	158,087.46
Depreciation and Amortization	-	-	-	16,440,353.35	16,440,353.35
Bad Debt Expense	-	-	-	-	139,753.57
Interest Expense	74.86	-	-	-	112.92
Scholarships	-	18,458,115.44	-	-	18,458,115.44
Claims and Judgments	-	-	-	-	47,070.14
Other Operating Expenses	955,883.05	-	734,914.45	-	7,220,091.03
<b>Total Operating Expenses</b>	<b>\$ 14,880,733.47</b>	<b>\$ 18,458,115.44</b>	<b>\$ 30,796,626.07</b>	<b>\$ 16,440,353.35</b>	<b>\$ 209,187,894.49</b>

## UNAUDITED

**STEPHEN F. AUSTIN STATE UNIVERSITY**  
**Agency No. 755**  
**Statement of Cash Flows**  
**For the Fiscal Year Ended August 31, 2018**

	2018	2017
<b>Cash Flows from Operating Activities</b>		
Proceeds from Tuition and Fees	\$ 87,751,367.87	\$ 83,162,665.63
Proceeds from Auxiliary Services	31,559,410.17	31,425,535.54
Proceeds from Other Sales and Services	6,421,355.33	6,357,586.87
Proceeds from Grants and Contracts	28,537,834.44	12,603,631.58
Proceeds from Other Revenues	101,430.94	44,147.02
Proceeds from Loan Programs	671,978.28	254,170.03
Payments to Suppliers for Goods and Services	(52,658,112.07)	(50,134,534.53)
Payments to Employees for Salaries and Benefits *	(125,018,286.65)	(119,886,313.12)
Payments to Students for Scholarships	(21,350,388.62)	(22,260,559.15)
Payments for Other Expenses	(47,183.06)	(100,128.19)
Net Cash Provided (Used) by Operating Activities	<u>(44,030,593.37)</u>	<u>(58,533,798.32)</u>
<b>Cash Flows from Noncapital Financing Activities</b>		
Proceeds from State Appropriations	46,069,111.53	42,801,353.28
Proceeds from Non-Operating Grants and Contracts	22,172,515.00	21,359,067.00
Proceeds from Gifts	5,001,723.48	5,078,071.49
Payment of Student Loan Funds	(16,018.92)	122,388.62
Proceeds of Transfers from Other Agencies	582,225.35	4,212,453.00
Proceeds from Claims and Settlements	75,083.29	155,015.16
Proceeds from Other Revenue (Expense)	476,796.41	405,213.98
Payments from Endowment Investments	(103,332.57)	993,262.06
Net Cash Provided (Used) by Noncapital Financing Activities	<u>74,258,103.57</u>	<u>75,126,824.59</u>
<b>Cash Flows from Capital and Related Financing Activities</b>		
Proceeds from Sale of Capital Assets	8,329.00	42,624.86
Proceeds from Debt Issuance	-	61,205,000.00
Proceeds from State Appropriations-Higher Education Funds (HEF)	10,734,849.75	7,450,538.93
Proceeds from Capital Contributions	693,178.00	477,541.39
Proceeds from Other Rental Income	167,382.77	233,532.52
Proceeds from Interest on Capital Investments	405,115.61	373,374.89
Payments for Additions to Capital Assets	(36,383,083.92)	(16,426,675.05)
Payments for Interfund Payables	(1,506,436.00)	(1,506,436.00)
Payments of Principal on Capital Debt	(14,801,885.85)	(28,235,396.47)
Payments for Capital Leases	(60,585.85)	(58,361.82)
Payments of Interest on Capital Debt	(2,573,536.85)	(4,694,842.66)
Payments on Other Costs on Debt Issuance	-	(507,564.01)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(43,316,673.34)</u>	<u>18,353,336.58</u>
<b>Cash Flows from Investing Activities</b>		
Payments for Investments	(22,330,766.37)	(20,095,214.93)
Proceeds from Interest Income from Investments	2,586,311.75	326,901.01
Proceeds from Redemption of Bond Investments	-	-
Net Cash Provided (Used) by Investing Activities	<u>(19,744,454.62)</u>	<u>(19,768,313.92)</u>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	<u>\$ (32,833,617.76)</u>	<u>\$ 15,178,048.93</u>
Cash and Cash Equivalents, August 31, 2017	\$ 100,831,514.27	\$ 85,653,465.34
Increase (Decrease) in Cash and Cash Equivalents	<u>(32,833,617.76)</u>	<u>15,178,048.93</u>
Cash and Cash Equivalents, August 31, 2018	<u>\$ 67,997,896.51</u>	<u>\$ 100,831,514.27</u>

See accompanying Notes to the Financial Statements

UNAUDITED

**STEPHEN F. AUSTIN STATE UNIVERSITY**  
**Agency No. 755**  
**Statement of Cash Flows**  
**For the Fiscal Year Ended August 31, 2018**

	<b>2018</b>	<b>2017</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>		
Operating Income (Loss)	\$ (72,344,010.40)	\$ (68,988,709.14)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities		
Amortization and Depreciation	16,440,353.35	16,704,231.70
Bad Debt Expense	139,753.57	-
Pension Expense	5,781,348.00	3,594,042.00 *
Operating Income (Loss) and Cash Flow Categories		
Changes in Current Assets and Liabilities		
(Increase) Decrease in Receivables	14,272,386.02	(6,287,477.25)
(Increase) Decrease in Inventories	(4,996.44)	(37,803.34)
(Increase) Decrease in Loans to Students	157,782.97	191,374.11
(Increase) Decrease in Prepaid Expenses	(1,188,894.58)	(588,275.92)
(Increase) Decrease in Due from Other Agencies	67,657.38	54,190.75
Increase (Decrease) in Payables	1,636,110.93	49,017.94
Increase (Decrease) in Deposits Payable	(453,648.58)	(128,395.08)
Increase (Decrease) in Due to Other Agencies	11,806.05	82,254.28
Increase (Decrease) in Unearned Revenue	3,142,455.42	953,699.90
Increase (Decrease) in Compensable Leave	29,125.66	(42,303.31)
Increase (Decrease) in Benefits Payable	(1,027,617.77)	(2,581,927.16)
Increase (Decrease) in Funds Held for Others	(1,249,730.02)	(1,585,085.80)
Increase (Decrease) in Other Current Liabilities	-	-
Changes in Non-Current Assets and Liabilities		
Increase (Decrease) in Compensable Leave	277,192.86	(76,393.26)
Increase (Decrease) in Deferred Inflows	11,629,839.00	-
Increase (Decrease) in Deferred Outflows	(11,578,412.00)	-
Increase (Decrease) in Liabilities to in NPL	(10,188,205.00)	-
(Increase) Decrease in Student Receivables	87,705.29	(160,324.63)
(Increase) Decrease in Loans to Students	514,195.31	62,795.92
Cash Reported in Other Categories		
Increase (Decrease) in Investment Activity	(182,790.39)	209,772.78
Increase (Decrease) of Gifts Receivable	-	(4,000.00)
Total Adjustments	<u>28,313,417.03</u>	<u>10,409,393.63</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (44,030,593.37)</u>	<u>\$ (58,579,315.51)</u>
Displayed as:		
Cash on Hand	\$ 31,001.00	\$ 30,586.00
Cash in Bank	41,767,967.11	44,180,222.04
Cash in Transit/Reimb. Due from Treasury	708,323.05	776,612.17
Cash in State Treasury	2,944,795.28	2,551,863.71
Cash Equivalents	-	4,049,811.24
Cash in Bank, Restricted	13,715,595.49	12,409,452.85
Cash Equivalents, Restricted	8,830,214.58	36,832,966.26
Non-Current Cash Equivalents, Restricted	-	-
	<u>\$ 67,997,896.51</u>	<u>\$ 100,831,514.27</u>
Non-Cash Transactions		
Other	\$ -	\$ -
Borrowing Under Capital Lease Purchase	-	-
Donation of Capital Assets	-	219,083.27
Net Change in Fair Value of Investments	2,003,213.49	4,085,931.68
	<u>\$ 2,003,213.49</u>	<u>\$ 4,305,014.95</u>

\* Excludes benefits paid by the State of Texas on behalf of the University. See Non-Cash Transactions.

**NOTE 1: Summary of Significant Accounting Policies**

**Entity**

Stephen F. Austin State University (the University) is an agency of the State of Texas (the State). The University's financial records comply with State statutes and regulations including compliance with the Texas Comptroller of Public Accounts' *Reporting Requirements for Annual Financial Reports of State Agencies and Universities*.

The University serves the State as a public institution of higher education.

The University has four related entities. The University has determined no related entity is a reportable component unit of Stephen F. Austin State University.

Due to the statewide requirements embedded in Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements — and Management's Discussion and Analysis — for State and Local Governments* and GASB Statement No. 35, *Basic Financial Statements — and Management's Discussion and Analysis — for Public Colleges and Universities*, the Comptroller of Public Accounts does not require the accompanying annual financial report to comply with all the requirements in these Statements. The financial report will be considered for audit by the State Auditor as part of the audit of the State of Texas *Comprehensive Annual Financial Report*; therefore, an audit opinion has not been expressed on the financial statements and related information contained in this report.

The University follows the “business-type activities” reporting requirement of GASB Statement No. 34 that specifies all the financial statements required for enterprise funds.

Blended Component Units

No component unit has been identified which should be reported as a blended unit.

Discretely Presented Component Units

No component unit has been identified which should be discretely presented.

**Fund Structure**

**Basis of Accounting – Proprietary Fund Accounting**

Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial positions, and cash flows. The financial statements of the University have been prepared on the accrual basis. Accrual accounting attempts to record a transaction's financial effects in the period in which the transaction occurred, rather than when funds are received or paid. Revenues are recorded when they are earned or when the University has a right to receive the revenues. Expenses are recognized when incurred. The date related cash was received or paid is of no consequence.

Four essential elements of accrual accounting:

- Recognition of expenditures when incurred and the subsequent amortization of the deferred outflows
- Recognition of revenues when they are earned
- Capitalization of certain expenses and the subsequent depreciation of the capitalized costs
- Accruals of revenues earned and expenses incurred

Proprietary funds use the flow of economic resources measurement focus, which is similar to the focus used by commercial entities. Proprietary funds focus on whether the enterprise is economically better off as a result of the events and transactions that occurred during the fiscal period reported. Transactions and events that improved an enterprise's financial position are reported as revenues or gains. Transactions and events that diminished the economic position of the enterprise are reported as expenses or losses. Both current and long-term assets and liabilities are presented on the Statement of Net Position.

The Statement of Revenues, Expenses, and Changes in Net Position is segregated into operating and non-operating sections.



Stephen F. Austin State University-755  
UNAUDITED  
Notes to the Financial Statements  
August 31, 2018

Generally, operating activities are those that directly result from the provision of goods and services to customers or are directly related to the principal and usual activity of a fund. GASB Statement No. 34 indicates that a consideration for defining a proprietary fund's operating revenues and expenditures is how individual transactions would be classified for purposes of preparing a Statement of Cash Flows according to GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*.

Since certain grants are actually contracts for services, they are classified as operating activities. State appropriations and certain grants, such as the Pell grants, are reported as non-operating activities even though they are directly related to the principal and usual activity of the University. These are considered non-exchange transactions and are therefore considered non-operating revenues.

**Budget and Budgetary Accounting**

The University prepares an annual budget which represents anticipated sources of revenue and authorized uses. This budget is approved by the University's Board of Regents. Unencumbered appropriations are generally subject to lapse 60 days after the end of the fiscal year for which they were appropriated. Budget information is not included in the Annual Financial Report.

**Assets, Liabilities, and Net Position**

**Assets**

Assets are reported separately as either current or noncurrent in the Statement of Net Position.

**Cash and Cash Equivalents**

Short-term highly liquid investments with an original maturity of three months or less are considered cash equivalents.

**Restricted Assets**

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

**Inventories**

Inventories include both merchandise inventories on hand for sale and consumable inventories. Inventories are valued using the average cost method. The consumption method of accounting is used to account for inventories and prepaid items. The cost of these items is expensed when the items are sold or consumed.

**Prepaid Items**

Prepaid items include prepaid expenses attributable to a subsequent fiscal year, including scholarships attributed to the 2018 fall semester. The cost of these items is expensed when the items are used or consumed.

**Capital Assets**

Equipment with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year is capitalized. Other categories of capital assets have capitalization thresholds that are set by the State. These assets are capitalized and reported at cost or, if not purchased, at appraised fair value on the date of acquisition. Donated assets are reported at fair value on the acquisition date. Depreciation is reported on all "exhaustible" assets. "Inexhaustible" assets, such as works of art and historical treasures, are not depreciated. Assets are depreciated over the estimated useful life of the asset using the straight-line method of depreciation.

**Other Receivables - Current and Noncurrent**

Current receivables are specified in the Statement of Net Position. They include amounts that are reasonably expected to be received in fiscal year 2018. Noncurrent receivables are those receivables that are not expected to be collected within one year. Included in this category are student accounts receivable

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and loan receivables that are not expected to be received during fiscal year 2018. The disaggregation of other receivables as reported in the financial statements is shown in Note 24, "Disaggregation of Receivable and Payable Balances."

**Liabilities**

Liabilities are reported separately as either current or noncurrent in the Statement of Net Position.

Accounts Payable

Accounts Payable represents the liability for the value of assets or services received at the balance sheet date for which payment is pending.

Other Payables – Current and Noncurrent

The disaggregation of other payables as reported in the financial statements is shown in Note 24, "Disaggregation of Receivable and Payable Balances."

Employees' Compensable Leave

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

Capital Lease Obligations

Capital Lease Obligations represent the liability for future lease payments under capital lease contracts. Liabilities are reported separately in the Statement of Net Position as either current, for the amounts due within one year, or noncurrent, for the amounts due thereafter.

Bonds Payable - Revenue Bonds

The principal of revenue bonds is reported separately in the Statement of Net Position as either current, for the amounts due within one year, or noncurrent, for the amounts due thereafter. Bonds payable are recorded at par value, net of unamortized premiums, discounts, issuance costs and gains/(losses) on bond refunding activities. Interest expense is reported on the accrual basis.

Bonds Payable - Tuition Revenue Bonds

The principal of tuition revenue bonds is reported separately in the Statement of Net Position as either current, for the amounts due within one year, or noncurrent, for the amounts due thereafter. Bonds payable are recorded at par value, net of unamortized premiums, discounts, issuance costs and gains/(losses) on bond refunding activities. Interest expense is reported on the accrual basis.

Bonds Payable - General Obligation Bonds

The principal of general obligation bonds is reported separately in the Statement of Net Position as either current, for the amounts due within one year, or noncurrent, for the amounts due thereafter. Bonds payable are recorded at par, net of unamortized premiums, discounts, issuance costs and gains/(losses) on bond refunding activities. Interest expense is reported on the accrual basis.

Deferred Outflows of Resources

Deferred Outflows of Resources represent the University's net asset consumption that is applicable to a future fiscal year.

Deferred Inflows of Resources

Deferred Inflows of Resources represent the University's net asset acquisition that is applicable to a future fiscal year.

**Net Position**

The difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources is "Net Position" on the Statement of Net Position.

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Invested in Capital Assets, Net of Related Debt

Net investment in capital assets, consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt that are attributed to the acquisition, construction or improvement of those assets.

Restricted Net Position

Restricted net position results when constraints placed on net resources are either externally imposed by creditors, grantors, contributors and the like or imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position

Unrestricted net position consists of net resources that do not meet the definition of the two preceding categories. Unrestricted net position often has constraints on resources that are imposed by management but can be removed or modified.

The amortized balance of accretion on capital appreciation bonds is included as part of unrestricted net position unless a sinking fund was established, in which case the balance is reported as part of the restricted net position balance.

**Interfund Activities and Transactions**

The University has the following types of transactions among State appropriated funds and other State agencies:

- **Transfers** – Legally required transfers that are reported when incurred as “Transfers In” by the recipient fund or State agency and as “Transfers Out” by the disbursing fund or State agency.
- **Reimbursements** – Reimbursements are repayments from funds responsible for expenditures or expenses to funds that made the actual payment. Reimbursements of expenditures made by one State agency for another are recorded as expenditures by the reimbursing State agency and as a reduction of expenditures by the reimbursed State agency. Reimbursements are not displayed in the financial statements.
- **Interfund Receivables and Payables** – Most receivables and payables from or to other State agencies are recorded as “Due from Other Agencies” or “Due to Other Agencies” on the Statement of Net Position. The amounts associated with the State Energy Conservation Office revolving loan program are recorded as “Interfund Payable” on the Statement of Net Position. Repayments associated with the loan program due during the current year are classified as "Current"; repayments due thereafter are classified as "Noncurrent."

The composition of the University's interfund activities and balances are presented in Note 12.

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**NOTE 2: Capital Assets**

A summary of changes in Capital Assets for the year ended August 31, 2018, is presented below:

	Balance		Reclassifications			Balance
	09/01/2017	Adjustments	Completed CIP	Additions	Deletions	08/31/2018
<b>BUSINESS-TYPE ACTIVITIES</b>						
<b>Non-depreciable or Non-amortizable Assets</b>						
Land and Land Improvements	\$8,291,624.18	-	-	-	-	\$8,291,624.18
Construction in Progress	14,262,277.34	-	(43,013,350.35)	34,815,522.85	-	6,064,449.84
Other Tangible Capital Assets	816,269.27	-	-	900.00	-	817,169.27
Total Non-depreciable Assets	23,370,170.79	-	(43,013,350.35)	34,816,422.85	-	15,173,243.29
<b>Depreciable Assets</b>						
Buildings and Building Improvements	381,570,517.82	-	41,868,749.59	-	-	423,439,267.41
Infrastructure	15,539,815.91	-	667,426.25	-	-	16,207,242.16
Facilities and Other Improvements	33,945,005.98	-	144,953.13	-	-	34,089,959.11
Furniture and Equipment	20,488,155.47	144,157.16	332,221.38	1,045,936.99	(858,761.79)	21,151,709.21
Vehicle, Boats and Aircraft	5,721,218.74	-	-	509,614.84	(216,804.68)	6,014,028.90
Other Capital Assets	13,914,963.69	-	-	11,109.24	(39,794.81)	13,886,278.12
Total Depreciable Assets	471,179,677.61	144,157.16	43,013,350.35	1,566,661.07	(1,115,361.28)	514,788,484.91
Less Accumulated Depreciation for:						
Buildings and Building Improvements	(233,442,829.85)	-	-	(12,186,835.25)	-	(245,629,665.10)
Infrastructure	(10,061,332.90)	-	-	(680,480.34)	-	(10,741,813.24)
Facilities and Other Improvements	(15,940,505.34)	-	-	(1,837,740.87)	-	(17,778,246.21)
Furniture and Equipment	(15,720,595.06)	(20,465.57)	-	(1,227,066.61)	841,734.81	(16,126,392.43)
Vehicles, Boats and Aircraft	(4,537,095.94)	-	-	(338,884.12)	216,804.68	(4,659,175.38)
Other Capital Assets	(12,943,998.22)	-	-	(169,346.16)	39,794.81	(13,073,549.57)
Total Accumulated Depreciation	(292,646,357.31)	(20,465.57)	-	(16,440,353.35)	1,098,334.30	(308,008,841.93)
Depreciable Assets, Net	178,533,320.30	123,691.59	43,013,350.35	(14,873,692.28)	(17,026.98)	206,779,642.98
<b>Amortizable Assets - Intangible</b>						
Computer Software	4,509,423.73	-	-	-	(6,799.96)	4,502,623.77
Total Amortizable Assets - Intangible	4,509,423.73	-	-	-	(6,799.96)	4,502,623.77
Less Accumulated Amortization for:						
Computer Software	(4,509,423.73)	-	-	-	6,799.96	(4,502,623.77)
Total Accumulated Amortization	(4,509,423.73)	-	-	-	6,799.96	(4,502,623.77)
Amortizable Assets - Intangible, Net	-	-	-	-	-	-
<b>Business-Type Activities Capital Assets, Net</b>	<b>\$201,903,491.09</b>	<b>\$123,691.59</b>	<b>-</b>	<b>\$19,942,730.57</b>	<b>(\$17,026.98)</b>	<b>\$221,952,886.27</b>

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

The University is authorized by statute to make investments following the "prudent person rule." There were no significant violations of legal provisions during the period.

**Deposits of Cash in Bank**

As of August 31, 2018, the carrying amount of deposits was \$55,483,562.60 as presented below:

CASH IN BANK – CARRYING AMOUNT	\$56,502,446.30
Less: Certificates of Deposit included in carrying amount and reported as Cash Equivalents	(1,018,883.70)
Less: Uninvested Securities Lending Cash Collateral included in carrying amount and reported as Securities Lending Collateral	-
Less: Securities Lending CD Collateral included in carrying amount and reported as Securities Lending Collateral	-
Total Cash in Bank per AFR	\$55,483,562.60

Proprietary Funds Current Assets Cash in Bank	\$41,767,967.11
Proprietary Funds Current Assets Restricted Cash in Bank	13,715,595.49
Proprietary Funds Noncurrent Restricted Cash in Bank	-
Cash in Bank per AFR	\$55,483,562.60

These amounts consist of all cash in local banks. These amounts are included on the Statement of Net Position as part of the "Cash and Cash Equivalents" accounts, except for the certificates of deposit, which are recorded as Cash Equivalents, Short-Term or Long-Term Investments, based on their maturity date and management's intent. Certificates of deposits with maturity dates of three months or less are recorded as cash equivalents.

As of August 31, 2018, the total bank balance was as follows:

Business-Type Activities	\$58,725,960.43	Fiduciary Funds	-
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**Custodial credit risk for deposits** is the risk that, in the event of the failure of a depository financial institution, the University 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 Stephen F. Austin State University Board Policy 3.21, *Investments*, states that all deposits shall be secured by a pledge of collateral with a market value equal to no less than 100 percent of the deposits plus accrued interest less any amount insured by the FDIC. Pledged collateral must conform to Chapter 2257 of the Government Code, Collateral for Public Funds.

At August 31, 2018, amounts insured by the FDIC were \$1,500,000.00. The bank balances at August 31, 2018 that were exposed to custodial credit risks were as follows:

Fund Type	Uninsured and uncollateralized	Uninsured and collateralized with securities held by the pledging financial institution	Uninsured and collateralized with securities held by the pledging financial institution's trust department or agent but not in the University's name
05	-	\$57,225,960.43	-

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**Investments**

As of August 31, 2018, the fair value of investments was:

	Fair Value Hierarchy					Fair Value
	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Amortized Cost	Net Asset Value	
U.S. Treasury Securities	\$4,069,401.28	-	-	-	-	\$4,069,401.28
U.S. Treasury TIPS	226,189.44	-	-	-	-	226,189.44
U.S. Government Agency Obligations (Ginnie Mae, Fannie Mae, Freddie Mac, etc.)	-	2,444,143.71	-	-	-	2,444,143.71
Corporate Obligations	-	6,043,192.91	-	-	-	6,043,192.91
Corporate Asset and Mortgage Backed Securities	-	3,008,482.34	-	-	-	3,008,482.34
Equity (Domestic)	13,861,749.40	-	-	-	-	13,861,749.40
International Obligations (Govt and Corp)	-	3,633,360.37	-	-	-	3,633,360.37
International Equity	9,399,908.77	-	-	-	-	9,399,908.77
Fixed Income Money Market and Bond Mutual Funds	-	-	-	1,126,650.32	-	1,126,650.32
Mutual Funds - International Equity (registered with SEC)	5,332,879.59	-	2,342,951.43	-	-	7,675,831.02
Other Commingled Funds - Equity	-	-	-	-	-	-
Other Commingled Funds - Fixed Income	414,474.13	-	440,510.67	8,829,547.64	40,387,482.07	50,072,014.51
Derivatives	-	(241.39)	-	-	-	(241.39)
Alternative Investments	-	-	-	-	19,270,733.86	19,270,733.86
Miscellaneous	-	7,407.32	-	-	-	7,407.32
<b>TOTAL INVESTMENTS</b>						<b>\$120,838,823.86</b>

**Reconciliation of Investments per Exhibit – Business-Type Activities**

Proprietary Funds Current Assets Restricted Investments	\$8,830,214.58
Proprietary Funds Current Assets Restricted Endowments	106,998.31
Proprietary Funds Noncurrent Assets Restricted Endowments	14,187,015.40
Proprietary Funds Noncurrent Assets Unrestricted Investments	97,714,595.57
<b>Investments per Exhibit</b>	<b>\$120,838,823.86</b>

**Displayed on Statement of Net Position as:**

Current Assets:	
Restricted:	
Short-Term Investments	\$106,998.31
Cash Equivalents	8,830,214.58
Unrestricted:	
Short-Term Investments	1,018,883.70
Cash Equivalents	-

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Noncurrent Assets:	
Restricted:	
Investments: Endowments	\$14,187,015.40
Unrestricted:	
Investments: Quasi-Endowments	6,395,060.80
Investments: Operating	91,319,534.77
Subtotal	121,857,707.56
Less: Certificates of Deposit	(1,018,883.70)
Total	\$120,838,823.86

**Foreign currency risk** for investments is the risk that changes in exchange rates will adversely affect the investment. In order to mitigate this risk, Stephen F. Austin State University Board Policy 3.20, *Investments-Endowment Funds*, limits foreign equity investments to a maximum of 30% of the equity portfolio. The exposure to foreign currency risk as of August 31, 2018 was:

Fund Type	GAAP Fund	Foreign Currency	International Obligations (Govt and Corp and MF)	International Equity	International Equity Mutual Funds	International Alternative Investments			
						International Hedge Funds	International Other Private Equity	International Energy, Natural Resources	International Other Real Estate Funds
05	9999	U.S. Dollar Denominated Foreign Securities	\$3,396,331.51	\$3,473,601.70	\$7,675,831.02	\$8,060,213.40	\$973,437.11	\$88,726.23	\$13,014.49
05	9999	Australian Dollar	-	136,431.16	-	-	-	-	-
05	9999	Brazil Real	-	119,303.94	-	-	-	-	-
05	9999	British Pound Sterling	13,141.55	732,771.18	-	-	-	-	-
05	9999	Canadian Dollar	-	392,088.36	-	-	-	-	-
05	9999	Danish Krone	-	52,087.67	-	-	-	-	-
05	9999	Euro Currency Unit	1,810.82	1,851,943.12	-	-	162,948.64	-	-
05	9999	Hong Kong Dollar	-	205,701.35	-	-	-	-	-
05	9999	Japanese Yen	-	1,052,960.74	-	-	-	-	-
05	9999	Mexican Peso	52,087.58	-	-	-	-	-	-
05	9999	New Taiwan Dollar	-	85,038.96	-	-	-	-	-
05	9999	New Zealand Dollar	169,988.91	-	-	-	-	-	-
05	9999	Singapore Dollar	-	71,952.30	-	-	-	-	-
05	9999	South Korean Won	-	122,946.82	-	-	-	-	-
05	9999	Swedish Krona	-	150,391.51	-	-	-	-	-
05	9999	Swiss Franc	-	826,404.57	-	-	-	-	-
05	9999	Thailand Baht	-	94,868.39	-	-	-	-	-
05	9999	New Turkish Lira	-	31,417.00	-	-	-	-	-
TOTAL			\$3,633,360.37	\$9,399,908.77	\$7,675,831.02	\$8,060,213.40	\$1,136,385.75	\$88,726.23	\$13,014.49

**Credit risk** is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Stephen F. Austin State University Board Policy 3.21, *Investments*, addresses credit risks by authorizing investments only in certain types of securities.

As of August 31, 2018, the Standard & Poor's credit quality ratings of the University's investments by type of securities with credit risk exposure were as follows:

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Investment Type	AAA	AA	A	BBB	BB	B	CCC	NR
U.S. Government Agency Obligations	-	\$2,328,654.41	-	\$33,387.28	-	-	-	\$82,102.02
Corporate Obligations	134,447.84	383,578.58	1,057,974.83	3,386,282.96	742,190.95	232,784.27	-	105,933.48
Corporate Asset and Mortgage Backed Securities	410,186.36	386,865.99	304,479.87	17,761.09	181,255.51	-	-	1,671,933.52
International Obligations	385,713.81	304,730.36	589,010.97	1,341,131.93	174,885.59	45,660.89	-	792,226.82
Fixed Income Money Market and Bond Mutual Fund	1,126,650.32	-	-	-	-	-	-	-
Other Commingled Funds - Fixed Income	-	-	-	-	-	-	-	854,984.80
Miscellaneous (municipals and CDs)	-	-	-	-	-	-	-	7,407.32

**Interest rate risk** is the risk that changes in interest rates will adversely affect the fair value of an investment. Stephen F. Austin State University Board Policy 3.21, *Investments*, addresses interest rate risk by limiting the maximum duration of any security to ten years and limiting the weighted average duration of the portfolio to five years as follows:

Investment Types	Effective Duration (in years)	Unaccrued Market Value System Total
U.S. Treasury Securities	5.701	\$ 4,069,401.28
U.S. Treasury TIPS	6.952	226,189.44
U.S. Government Agency Obligations	3.765	2,444,143.71
Corporate Obligations	5.190	6,043,192.91
Corporate Asset and Mortgage Backed Securities	3.939	3,008,482.34
International Obligations	3.079	3,633,360.37
Other Commingled Funds - Fixed Income	2.197	854,984.80
Miscellaneous (political subdivision)	0.816	7,407.32
<b>Total Fair Value</b>		<b>\$ 20,287,162.17</b>

The University invests funds in the Texas A & M University System's (A&M System) investment pool, which includes investment derivatives in the form of forward currency exchange contracts used for the purchase or sale of a specific foreign currency at a fixed quantity and price on a future date as a hedge against either specific transactions or portfolio positions. Additional information on these contracts can be found in the Texas A & M System's financial statement note disclosures.



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The following table summarizes the University's share of the pending foreign exchange contracts as of August 31, 2018:

<b>Foreign Exchange Contracts</b>				
			Unrealized Gain on:	Unrealized Loss on:
Currency	Sell	Buy	Foreign Exchange Contract	Foreign Exchange Contract
Australian Dollar	-	\$1,386.02	\$0.92	-
British Pound Sterling	37,331.33	4,046.70	0.88	223.92
Canadian Dollar	-	6,432.26	3.20	6.39
Danish Krone	-	595.93	-	0.76
Euro	7,803.66	11,864.51	26.05	16.68
Hong Kong Dollar	-	2,683.02	0.10	-
Japanese Yen	-	2,685.97	-	3.29
Singapore Dollar	-	815.13	0.28	-
Swedish Krona	-	1,213.23	-	1.39
Swiss Franc	-	3,229.64	2.00	-
Turkish Lira	-	3,403.99	-	22.39
<b>Total</b>	<b>\$45,134.99</b>	<b>\$38,356.40</b>	<b>\$33.43</b>	<b>\$274.82</b>

The University's share of the fair value of open foreign currency exchange contracts as of August 31, 2018, was (\$241.39), which is included in the net increase (decrease) in fair value of investments on the Statement of Revenues, Expenses and Changes in Net Position.

The gross counterparty exposure related to the University's share of these contracts as of August 31, 2018, is presented below.

<b>Foreign Exchange Contract Exposure to Counterparty Risk</b>			
Notional	Assets Fair Value	Liabilities Fair Value	S&P Counterparty Rating
\$ 28,173.42	-	84.64	AA-
1,970.84	2.83	1.39	A
11,702.83	-	17.44	A+
20,351.12	17.20	165.85	BBB+
2,894.23	-	5.50	A+
13,314.34	9.92	-	A+
4,269.48	3.20	-	AA-
815.13	0.28	-	A
<b>\$ 83,491.39</b>	<b>\$33.43</b>	<b>\$274.82</b>	

**Concentration of credit risk** is the risk of loss attributable to the magnitude of investment in a single issuer. As of August 31, 2018, the University's concentration of credit risk is immaterial to any single issuer.

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**Reverse Repurchase Agreements**

The University, by statute, is authorized to enter into reverse repurchase agreements. A reverse repurchase agreement is a transaction in which a broker-dealer or financial institution transfers cash to the University and the University transfers securities to the broker-dealer and promises to repay the cash plus interest in exchange for the same or similar securities. Credit risk exposure for the University arises when a broker-dealer does not return the securities or their value at the conclusion of the reverse repurchase agreement. As of August 31, 2018, the University was not participating in reverse repurchase agreements.

**Securities Lending**

In securities lending transactions, the University would transfer its securities to broker-dealers and other entities for collateral – which may be cash or securities – and simultaneously agrees to return the collateral for cash or the same securities in the future. The University invests the cash received as collateral and, if the returns on those investments exceed the “rebate” paid to the borrowers of the securities, the securities lending transactions generate income for the University. The University did not participate in securities lending transactions during fiscal year 2018.

**NOTE 4: Short-Term Debt**

There was no reportable activity for short-term debt during the year ended August 31, 2018.

**NOTE 5: Long-Term Liabilities**

**Changes in Long-Term Liabilities**

During the year ended August 31, 2018, the following changes occurred in long-term liabilities:

Business-Type Activities	Balance 09/01/17	Additions	Reductions	Restatement/ Adjustment	Balance 08/31/18	Amounts Due Within One Year	Amounts Due Thereafter
Revenue Bonds Payable	\$81,576,574.09	-	\$6,415,829.00	(\$114,762.81)	\$75,045,982.28	\$6,412,194.81	\$68,633,787.47
Tuition Revenue Bonds Payable	75,492,354.72	-	4,599,171.00	(1,356,605.98)	69,536,577.74	6,098,980.28	63,437,597.46
General Obligation Bonds Payable	2,345,000.00	-	1,150,000.00	-	1,195,000.00	1,195,000.00	-
Capital Lease Obligations	267,394.59	-	60,585.85	-	206,808.74	58,159.89	148,648.85
Employees' Compensable Leave	4,377,848.77	774,215.25	467,896.73	-	4,684,167.29	425,138.92	4,259,028.37
Notes & Loans Payable	12,373,797.37	-	1,165,517.06	-	11,208,280.31	1,216,206.73	9,992,073.58
Total Business-Type Activities	\$176,432,969.54	\$774,215.25	\$13,858,999.64	(\$1,471,368.79)	\$161,876,816.36	\$15,405,680.63	\$146,471,135.73

**Notes and Loans Payable**

Notes payable consists of amounts used to finance energy conservation projects and modernization of the University's sports-related scoreboards and video displays. The debt service requirements for notes and loans payable are as follows:

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Note Payments for Fiscal Year Ended August 31st	Principal	Interest	Total
2019	\$ 1,216,206.73	\$ 296,571.36	\$ 1,512,778.09
2020	1,268,700.89	264,388.42	1,533,089.31
2021	722,078.33	234,658.72	956,737.05
2022	762,756.42	215,234.82	977,991.24
2023	805,017.97	194,716.67	999,734.64
2024-2028	4,718,318.04	624,448.26	5,342,766.30
2029-2030	1,715,201.93	62,822.52	1,778,024.45
Total Payments	\$ 11,208,280.31	\$ 1,892,840.77	\$ 13,101,121.08

**Claims and Judgments**

The University had no unpaid settlements or judgments as of August 31, 2018.

**Employees' Compensable Leave**

Annual Leave

Full-time employees earn eight to twenty-one hours per month vacation leave (annual leave) depending on years of State employment. The State's policy is that employees may carry accrued vacation leave forward from one fiscal year to the next up to a maximum number of hours allowed based on their years of service. Employees with at least six months of State service who terminate employment are entitled to payment for all accumulated annual leave. The University accrues the dollar value of annual leave benefits which are payable upon retirement, termination, or death of its employees. The amounts of these liabilities are reported in the Statement of Net Position. The estimated liability, \$4,684,167.29 as of August 31, 2018, is based on outstanding balances reported in the leave reporting system multiplied by the employee's respective salary rate. The University made lump sum payments of \$467,896.73 for accrued leave to employees who separated from State service during the fiscal year ended August 31, 2018.

Sick Leave

Sick leave is earned at the rate of eight hours per month and is paid only when an employee is absent due to illness or to the estate of an employee in the event of his/her death. The maximum sick leave payment to an employee's estate is the lesser of one-half of the employee's accumulated entitlement or 336 hours. Sick leave accumulation from one fiscal year to the next is not limited. The University recognizes the cost of sick leave when paid. The liability is not shown in the financial statements since historical payouts of sick leave have been minimal.

Overtime and Compensatory Leave for FLSA Non-Exempt and Exempt Employees

Under the federal Fair Labor Standards Act and State laws, overtime can be accumulated in lieu of immediate payment as compensatory leave for non-exempt, non-emergency employees up to a maximum of 240 hours. For emergency personnel (e.g., University police officers), overtime can be accumulated up to a maximum of 480 hours. Overtime is calculated at a rate of 1.5 times an employee's normal rate of pay. Non-exempt employees may earn compensatory leave when they work additional hours but the number of hours worked in the work week does not exceed 40 hours. Compensatory time is calculated on an hour-for-hour basis. Unpaid overtime and compensatory time for non-exempt employees is included in the calculation of current and long-term liabilities because these employees are eligible to be paid for these accruals upon death or termination.

Compensatory leave is allowed for exempt employees who are not eligible for overtime pay. This leave is accumulated on an hour-for-hour basis and must be taken within one year from date earned or it lapses, up to a maximum of 80 hours in a fiscal year. There is no death or termination benefit for compensatory leave for exempt employees and it is non-transferable. For these reasons, no liability is reported in the financial statements for compensatory leave earned by exempt employees.

**NOTE 6: Bonded Indebtedness**

**Bonds Payable**

Detailed supplemental bond information is disclosed in:

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

General information related to bonds is summarized below:

**Texas Public Finance Authority Stephen F. Austin State University Revenue Financing System Revenue Bonds - Series 2008 (Tuition Revenue Bonds)**

- To provide funds to construct a new Early Childhood Research Center which will provide an early childhood laboratory for the College of Education and a charter school campus.
- Issued 03-04-08.
- \$20,175,000.00; All authorized bonds have been issued.
- Source of revenue for debt service: Pledged revenues consisting of Unrestricted Current Fund Revenues excluding: remissions, governmental appropriations and gifts, grants, and contracts within the Educational and General Fund Group; Higher Education Funds; and student service fees and private gifts in the Auxiliary Fund Group.
- Changes in Debt: Principal paid during fiscal year \$835,000.00; Outstanding at year end \$0.00.

**State of Texas Constitutional Appropriation Bonds Stephen F. Austin State University - Series 2008**

- To provide a portion of the funds to complete construction and equip the Early Childhood Research Center and pay certain costs related to the issuance of the bonds.
- Issued 12-18-08.
- \$10,200,000.00; All authorized bonds have been issued.
- Source of revenue for debt service: Pledged revenues consisting of Higher Education Funds.
- Changes in Debt: Principal paid during fiscal year \$1,150,000.00; Outstanding at year end \$1,195,000.00.

**Texas Public Finance Authority Stephen F. Austin State University Revenue Financing System Revenue Bonds - Series 2009 (Tuition Revenue Bonds)**

- To provide funds to construct a new nursing facility expansion and provide campus-wide deferred maintenance to multiple buildings.
- Issued 02-04-09.
- \$23,615,000.00; All authorized bonds have been issued.
- Source of revenue for debt service: Pledged revenues consisting of Unrestricted Current Fund Revenues excluding: remissions, governmental appropriations and gifts, grants, and contracts within the Educational and General Fund Group; Higher Education Funds; and student service fees and private gifts in the Auxiliary Fund Group.
- Changes in Debt: Principal paid during fiscal year \$990,000.00; Outstanding at year end \$0.00.
- Revenue Financing System Bonds issued include a Serial Bond of \$1,715,000.00, a Capital Appreciation Bond (CAB) of \$209,575.00, and Current Interest Serial Bonds of \$21,070,000.00.

**Texas Public Finance Authority Stephen F. Austin State University Revenue Financing System Revenue Bonds - Series 2010 (Revenue Bonds)**

- To provide funds to construct a new freshman residence hall and adjacent parking garage.
- Issued 04-01-10.
- \$35,035,000.00; All authorized bonds have been issued.
- Source of revenue for debt service: Pledged unappropriated fund balances available at the beginning of the year. Pledged revenues consisting of Unrestricted Current Fund Revenues excluding: remissions,

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governmental appropriations and gifts, grants, and contracts within the Educational and General Fund Group; and student service fees and private gifts in the Auxiliary Fund Group.

- Changes in Debt: Principal paid during fiscal year \$1,505,000.00; Outstanding at year end \$24,015,000.00.

**Board of Regents of Stephen F. Austin State University Revenue Financing System Revenue Refunding Bonds – Series 2013 (Tuition Revenue Bonds and Revenue Bonds)**

- To refund outstanding Texas Public Finance Authority Stephen F. Austin State University Revenue Financing System Revenue Bonds - Series 2002 and Texas Public Finance Authority Stephen F. Austin State University Revenue Financing System Revenue Bonds - Series 2004.
- Issued 9-11-13.
- \$22,255,000.00; All authorized bonds have been issued.
- Source of revenue for debt service: Pledged Student Tuition; Pledged Student Center Fees; and Other Pledged Revenues.
- Changes in Debt: Principal paid during fiscal year \$2,075,000.00; Outstanding at year end \$14,295,000.00.

**Board of Regents of Stephen F. Austin State University Revenue Financing System Revenue Refunding Bonds – Series 2015 (Revenue Bonds)**

- To refund outstanding Texas Public Finance Authority Stephen F. Austin State University Revenue Financing System Revenue Bonds - Series 2005 and Texas Public Finance Authority Stephen F. Austin State University Revenue Financing System Revenue Bonds - Series 2005(A).
- Issued 5-01-15.
- \$48,410,000.00; All authorized bonds have been issued.
- Source of revenue for debt service: Pledged Revenues consisting of Unrestricted Current Funds Revenues excluding: remissions, governmental appropriations and gifts, grants, and contracts within the Educational and General Fund Group; Higher Education Funds; and student service fees and private gifts in the Auxiliary Fund Group.
- Changes in Debt: Principal paid during fiscal year \$4,445,000.00; Outstanding at year end \$38,980,000.00.

**Board of Regents of Stephen F. Austin State University Revenue Financing System Revenue Refunding Bonds – Series 2016 (Tuition Revenue Bonds)**

- To refund outstanding Texas Public Finance Authority Stephen F. Austin State University Revenue Financing System Revenue Bonds - Series 2008 and Texas Public Finance Authority Stephen F. Austin State University Revenue Financing System Revenue Bonds - Series 2009, and provide funds to construct a new STEM building to house the University’s Science, Technology, Engineering and Math departments.
- Issued 9-07-16.
- \$61,205,000.00; All authorized bonds have been issued.
- Source of revenue for debt service: Pledged Student Tuition; Pledged Student Center Fees; and Other Pledged Revenues.
- Changes in Debt: Principal paid during fiscal year \$1,165,000.00; Outstanding at year end \$56,955,000.00.

<b>NOTE 7: Derivatives</b>
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A derivative security is a financial instrument which derives its value from another security, currency, commodity or index. Investment derivatives are entered into with the intention of managing transaction or currency exchange risk in purchasing, selling or holding investments. These include futures contracts and forward contracts.

The following disclosure summarizes the University’s share of the A&M System’s derivative activity. Note 3 also discloses details about these investment derivatives.

	Changes in Fair Value		Fair Value as of 8/31/2018		Notional Amount
	Classification	Amount	Classification	Amount	
Investment Derivatives					
Foreign Currency Exchange Contracts	Investment Income	(\$241.39)	Investment	(\$241.39)	\$83,491.39

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**NOTE 8: Leases**

**Operating Leases**

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

<u>Fund Type</u>	<u>Amount</u>
Proprietary Fund	\$605,341.62

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

<b>Future Minimum Operating Lease Payments Year Ending August 31</b>	
2019	\$529,539.37
2020	187,935.27
2021	124,550.80
2022	68,546.01
2023	33,818.86
2024-2027	7,102.61
<b>Total Future Minimum Lease Rental Payments</b>	<b>\$951,492.92</b>

**Capital Leases**

The University has entered into long-term leases for financing the purchase of certain capital assets. Such leases are classified as capital leases for accounting purposes and, therefore, are recorded at the present value of the future minimum lease payments at the inception of the lease. Following is a summary of original capitalized costs of all such property under lease as well as the accumulated depreciation as of August 31, 2018:

<b>Assets Under Capital Leases Year Ended Aug. 31, 2018</b>	<b>Business-Type Activities</b>
Furniture and Equipment	\$423,552.44
Less: Accumulated Depreciation	161,353.28
<b>Total</b>	<b>\$262,199.16</b>

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

<b>Future Minimum Capital Lease Payments Year Ending August 31</b>	<b>Business-Type Activities</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2019	\$58,159.89	\$5,896.11	\$64,056.00
2020	60,090.47	3,965.53	64,056.00
2021	62,085.17	1,970.83	64,056.00
2022	26,473.21	1,216.79	27,690.00
2023	-	-	-
2024-2028	-	-	-
<b>Total Future Minimum Lease Payments</b>	<b>\$206,808.74</b>	<b>\$13,049.26</b>	<b>\$219,858.00</b>
Less: Amount Representing Interest at Various Rates			13,049.26
<b>Present Value of Net Minimum Lease Payments</b>			<b>\$206,808.74</b>

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**NOTE 9: Defined Benefit Pension Plans and Defined Contribution Plan**

The State of Texas has joint contributory retirement plans for all of its benefits-eligible employees. One of the plans in which the University participates is administered by the Teacher Retirement System of Texas (TRS). The TRS defined benefit pension plan is established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension’s Board of Trustees does not have the authority to establish or amend benefit terms. The contributory percentages of participant salaries currently provided by the State and by each participant are 6.8% and 7.7%, respectively, of annual compensation. Further information regarding actuarial assumptions and conclusions, together with audited financial statements, are included in TRS’ annual financial report. Deferred outflows of resources and deferred inflows of resources related to the pension plan administered by TRS are disclosed in Note 28.

The State has also established an Optional Retirement Program (ORP) for institutions of higher education for certain administrative personnel and faculty. Participation in ORP is in lieu of participation in TRS, and the selection to participate in ORP must be made in the first 90 days of eligibility. The ORP allows participants to select from a variety of companies for the purchase of annuity contracts or to invest in mutual funds. The contributory percentages on salaries for participants entering the program prior to September 1, 1995, are 8.5% and 6.65% by the State and each participant, respectively. The State’s contribution is comprised of 6.6% from the ORP appropriation and 1.9% from other funding sources. The 6.6% contribution is mandatory with the other 1.9% being at the discretion of the University’s Board of Regents. The Board has approved the additional contributions for these employees. The contributory percentages on salaries for participants entering the program after August 31, 1995, are 6.6% and 6.65% by the State and each participant, respectively. Since these are individual annuity contracts or mutual fund investments, the University has no additional or unfunded liability for this program.

GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, paragraph 27(d) requires universities that administer the ORP to disclose the amounts contributed by members and by the employer for that plan. Following are the ORP contributions made for the 2018 fiscal year:

Contributions	Year Ended Aug. 31, 2018
Member Contributions	\$ 1,959,410.61
Employer Contributions	2,082,528.49
<b>Total</b>	<b>\$ 4,041,939.10</b>

**NOTE 10: Deferred Compensation**

University employees may elect to defer a portion of their earnings for income tax and investment purposes pursuant to authority granted in the TEX. GOV’T. CODE ANN., Chapter 609. Two plans are available for employees: the 403(b) Tax Sheltered Annuity (TSA) plan and the TexaSaver 457(b) plan. The TSA is administered by Stephen F. Austin State University. The 457(b) plan is administered by the Employees Retirement System of Texas. The assets of these plans do not belong to the University or to the State, and thus they have no liability related to the plans.

**NOTE 11: Postemployment Benefits Other Than Pensions – Not Applicable**

**NOTE 12: Interfund Activity and Transactions**

The University experienced routine transfers with other State agencies that were consistent with the activities of the fund making the transfer. Repayment of amounts reported as Due To or Due From Other State Agencies will normally occur within one year from the date of the financial statement.

Following are individual balances and activity reported as Due From and Due To Other State Agencies as of August 31, 2018:

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	Legislative Financing Sources	Legislative Financing Uses
ENTERPRISE FUND (05)		
	Transfer In	Transfer Out
Appd Fund 0802, D23 Fund 0802		
Agency 608, D23 Fund 0802		\$8,719.40
Appd Fund 0210, D23 Fund 0210		
Agency 902, D23 Fund 0210	\$216,072.00	.25

	Due From Other Agencies	Due To Other Agencies	Source
ENTERPRISE FUND (05)			
Appd Fund 9999, D23 Fund 7999			
Agency 802, D23 Fund 0014	34,340.00		State Pass Through
Agency 802, D23 Fund 3043	15,904.90		State Pass Through
Agency 720, D23 Fund 7999		4,292.73	State Pass Through
Agency 781, D23 Fund 0001		13,030.47	State Pass Through
Agency 781, D23 Fund 0001		467,011.84	State Pass Through
<b>Total Due From/To Other Agencies - State</b>	<b>\$50,244.90</b>	<b>\$484,335.04</b>	
Agency 723, D23 Fund 7999	9,261.38		Federal Pass Through
Agency 556, D23 Fund 7999	2,120.01		Federal Pass Through
Agency 712, D23 Fund 7999	3,297.60		Federal Pass Through
Agency 771, D23 Fund 0001	244,289.10		Federal Pass Through
<b>Total Due From/To Other Agencies - Federal</b>	<b>\$258,968.09</b>		
<b>Total Interagency Balances</b>	<b>\$309,212.99</b>	<b>\$484,335.04</b>	

The detailed State Grant Pass-Through information is listed on Schedule 1B - Schedule of State Grant Pass-Throughs From/To State Agencies.

In 2012, the University financed a comprehensive energy management program with a revolving loan fund from the State Energy Conservation Office (SECO) funded with American Recovery and Reinvestment Act (ARRA) funds and institutional Higher Education Funds (HEF). The total amount borrowed from SECO was \$13,327,627.82, with capitalized interest of \$197,015.33. The remaining balances, reported as Interfund Payables, are reflected in the table below:

Current Portion	Interfund Payable	Purpose
Agency 907, D23 Fund 2370	\$ 663,481.00	Interfund Loan
Agency 907, D23 Fund 2370	842,955.00	Interfund Loan
<b>Total Current Interfund Payable</b>	<b>\$ 1,506,436.00</b>	
Non-Current Portion	Interfund Payable	Purpose
Agency 907, D23 Fund 2370	\$ 1,410,632.25	Interfund Loan
Agency 907, D23 Fund 2370	1,688,780.71	Interfund Loan
<b>Total Non-Current Interfund Payable</b>	<b>\$ 3,099,412.96</b>	

**NOTE 13: Continuance Subject to Review - Not Applicable**



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

During fiscal year 2018, certain accounting changes and adjustments were made that required the restatement of net position. Pursuant to the requirements of Governmental Accounting Standards Boards' (GASB) Statement 75, the beginning balance of the unrestricted net assets was adjusted to reflect the cumulative net effect of implementing this pronouncement for prior years. The primary objective of this Statement, according to GASB, is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. We also adjusted the 2017 capital assets by \$123,691.59 for some items that had been misclassified in the previous year. The restatements are presented in the following table.

	Restatement	Prior Period Adjustments	Total
Net Position August 31, 2017	\$ 146,610,286.91		\$ 146,610,286.91
Restatement: OPEB beginning balance	(56,912,940.00)		(56,912,940.00)
Capital Asset adjustments		123,691.59	123,691.59
Prior year adjustments			0.00
Change in Net Position August 31, 2017 as Restated			\$ 89,821,038.50

**NOTE 15: Contingencies and Commitments**

**Unpaid Claims and Lawsuits**

As of August 31, 2018, certain lawsuits were pending against the University and/or its officers. The lawsuits, which may present contingent liabilities, are displayed below:

Claimant/ Plaintiff	Defendant Name	Type of Litigation	Damages Sought	Probability of Liability	Possible Loss
USOR Site PRP Group	SFASU	CERCLA	Past and future response costs	Reasonably Possible*	Unknown

**Description of the Case**

The plaintiff is suing pursuant to CERCLA for recovery of past and future response costs incurred for environmental clean-up and response activities undertaken in Pasadena, Texas.

Claimant/ Plaintiff	Defendant Name	Type of Litigation	Damages Sought	Probability of Liability	Possible Loss
Geralyn Franklin	SFASU	Gender Discrimination	Compensatory; back pay and future lost wages and benefits; mental/emotional distress; attorney's fees; costs and prejudgment/post-judgment interest	Reasonably Possible*	Unknown

**Description of the Case**

The plaintiff alleges she was not hired for a dean position due to gender discrimination in violation of Title VII.

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Claimant/ Plaintiff	Defendant Name	Type of Litigation	Damages Sought	Probability of Liability	Possible Loss
Pamela Clasquin	SFASU	Disability Discrimination	Actual damages; back and front pay; mental/emotional distress; pre and post-judgment interest; reputation; attorney's fees; court costs	Reasonably Possible*	Unknown

**Description of the Case**

The plaintiff alleges the University took adverse personnel action against plaintiff in violation of the Texas Commission on Human Rights Act.

\* Reasonably Possible indicates the event is more than remote, but less than likely.

\* Probable indicates the event is likely to occur.

**NOTE 16: Subsequent Events**

In October 2018, the Board of Regents approved a bond resolution authorizing the issuance of revenue financing system bonds for not more than \$125,000,000.00. The proposed bond issue would finance a fine arts expansion initiative; renovate an existing building for a welcome center and student support center; construct a basketball practice facility; and construct and renovate a student residential and dining facility.

**NOTE 17: Risk Management**

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; losses resulting from providing health and other medical benefits to employees; and natural disasters. It is the University's policy to periodically assess the proper combination of commercial insurance and retention of risk to cover losses to which it may be exposed. The methods the University uses to handle each of these risks are summarized below.

Injuries to Employees: Employees of the University are covered by a workers' compensation insurance policy provided by the State Office of Risk Management (SORM). An Interagency Contract with SORM is executed on behalf of the University for workers' compensation insurance every two years. SORM assesses the University an amount for the insurance coverage in accordance with 28 T.A.C. 251.507. The initial estimated assessment for fiscal year 2018 was \$307,966.33, to be paid in two installments. The first payment of \$230,974.75 was made in September. The assessment was adjusted during the year and the remaining payment of \$76,153.38 was made in May, bringing the actual assessment total to \$307,128.13.

Provision for Health and Other Medical Benefits: Employees of the University are eligible for health insurance and optional coverage(s) if they are employed at least 50% time. The coverage is provided through the State, under the Texas Employees Group Benefits Program (GBP), which was administered by HealthSelect. Eligible employees may select health, dental, vision, life, TexFlex, accidental death and dismemberment, dependent life, and long and short-term disability coverage. All risks associated with these benefits are passed to the GBP. The costs of health insurance coverage are jointly paid by the State and the University as follows: 100% for full-time employees and 50% for their dependents; 50% for part-time employees and 25% for their dependents. Employees hired on or after September 1, 2014, have a 60-day waiting period to participate in health insurance coverage. Contributions made by the State on behalf of the University for health and other medical benefits were \$6,723,092.00 for the year ended August 31, 2018.

Damage to Property: The University is required by certain bond covenants to carry fire and extended coverage and boiler/heavy equipment insurance on buildings financed through the issuance of bonds. The insurance protects the bondholders from a disruption to the revenue stream that is being utilized to make the bond interest and principal payments. In fiscal year 2018, there was a catastrophic power outage throughout the entire campus that resulted in a \$354,723.30 claim.

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The Texas Motor Vehicle Safety Responsibility Act requires that every non-governmental vehicle operated on a State highway be insured for minimum limits of liability in the amount of \$30,000 per injured person, up to a total of \$60,000 for everyone injured in an accident (bodily injury) and \$25,000 for property damage. However, through the SORM Auto Insurance Program the University has chosen to carry liability insurance on its licensed vehicles in the amount of \$250,000/\$500,000/\$100,000. The University also carries physical damage for vehicles ten years and newer. The annual premium was \$89,047.00 with a deductible paid of \$6,463.78.

Torts and Other Risks: The University is exposed to a variety of civil claims resulting from the performance of its duties. The University has purchased commercial insurance to address this risk.

Claims and Judgments: Changes in the balances of the University's claims liabilities for 2018 are noted in the table below:

	Beginning Balance	Increases	Decreases	Ending Balance
Claims & Judgments	-	\$47,070.14	\$47,070.14	-

**NOTE 18: Management's Discussion and Analysis (MD&A)**

See *Management's Discussion and Analysis* at the beginning of this financial report.

**NOTE 19: The Financial Reporting Entity**

The University is an agency of the State of Texas. The ten members of its Board of Regents are appointed by the Governor, and include one non-voting student Regent. The University has no component units or joint ventures.

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

Note 1, *Summary of Significant Accounting Policies*, discusses the generally accepted accounting principles upon which the financial statements are based and addresses any changes in accounting principles. The University had no material violations of finance-related legal or contractual provisions. Per the laws of the State of Texas, the University cannot spend amounts in excess of appropriations granted by the Texas Legislature. There are no deficits reported in Net Position.

**NOTE 21: Not Applicable**

**NOTE 22: Donor Restricted Endowments**

The University endowments are invested to maximize returns yet preserve principal. The long-term objective of maintaining the purchasing power of the endowments coupled with the goal of providing a reasonable, predictable, stable and sustainable level of income to support current needs guide the management of these funds. Distributions from the earnings and cumulative net appreciation are made annually to fund scholarships, professorships, and for other uses as stipulated by the donors. The Vice President for Finance and Administration reviews the total return on endowment accounts and recommends an annual distribution. The distribution to spending accounts was 3.35% for 2018.

The following tables presents the amount of net appreciation for donor restricted true endowments for fiscal year 2018 and the changes from the prior year amounts for expendable and non-expendable balances.

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<b>Donor Restricted Endowments</b>	<b>Amounts of Cumulative Net Appreciation</b>	<b>Reported in Net Position</b>
True Endowments	\$ 3,563,684.72	Restricted for Expendable
Term Endowments	7,243.40	Restricted for Expendable
<b>Total</b>	<b>\$ 3,570,928.12</b>	Restricted for Expendable

<b>Endowment Funds</b>	<b>Increase/(Decrease)</b>	<b>Reason for Change</b>
<b>Expendable Balances</b>		
True Endowments	\$699,284.27	Fair value increase in portfolio, offset by use of contingency reserves
Term Endowments	771.54	Fair value increase in portfolio
<b>Non-Expendable Balances</b>		
True Endowments	\$32,634.12	Donor gifts and bequests
Term Endowments	-	

**NOTE 23: Extraordinary and Special Items - Not Applicable**

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

**Accounts Receivables**

The components of Current Accounts Receivable, as reported in the Statement of Net Position, are as follows:

<b>Accounts Receivable Category</b>	<b>Current Amount</b>
3 <sup>rd</sup> Party Contracts for Student Payments	\$2,435,200.64
Travel Advances	71,485.13
Departmental Receivables	96,762.08
Food Services	201,873.85
Other Receivables	70,524.22
<b>Total</b>	<b>\$2,875,845.92</b>

Of these amounts, none are considered significant and the University expects to collect all within the next fiscal year.

**Accounts Payables**

The components of Current Accounts Payable, as reported in the Statement of Net Position, are as follows:

<b>Accounts Payable Category</b>	<b>Current Amount</b>
Construction Payables	\$2,220,461.00
Procurement Card Payables	598,016.03
Food Service Payables	64,582.72
Utility Payables	353,492.50
Payables for Supplies	1,256,683.06
Payables for Services	122,951.39
Miscellaneous Payables	178,511.78
<b>Total</b>	<b>\$4,794,698.48</b>

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**NOTE 25: Termination Benefits – Not Applicable**

**NOTE 26: Segment Information - Not Applicable**

**NOTE 27: Service Concession Arrangements – Not Applicable**

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

Beginning with fiscal year 2015, the University reported deferred outflows of resources and deferred inflows of resources in connection with GASB Statement No. 68 requirements related to pension reporting. The requirements include that affected State agencies disclose the proportional share of the net pension liability, pension expense, deferred outflows and inflows related to pensions if those amounts are not identifiable in the financial statements. This year, State agencies were additionally required to report the effects of implementing GASB Statement No. 75, Other Post-Employment Benefits (OPEB) on the face of the entity’s financials.

<b>Business-Type Activities</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
TRS Pension (Note 9)	\$13,311,337.00	\$11,503,330.00
ERS OPEB	13,025,179.00	10,780,265.00
<b>Total</b>	<b>\$26,336,516.00</b>	<b>\$22,283,595.00</b>

Details of the pension plan administered by the Teacher Retirement System of Texas (TRS) are disclosed in Note 9.

**NOTE 29: Troubled Debt Restructuring – Not Applicable**

**NOTE 30: Non-Exchange Financial Guarantees – Not Applicable**

**NOTE 31: Tax Abatements – Not Applicable**

**NOTE 32: Governmental Fund Balances – Not Applicable**

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 Schedule 1A-Schedule of Expenditures of Federal Awards  
 For the Fiscal Year Ended August 31, 2018

Federal Grantor/ Pass-Through Grantor/ Program Title	CFDA Number	NSE Name/ Identifying Number	Pass-through From		
			Agy/ Univ No.	Agencies or Universities Amount	Non-State Entities Amount
<b>Institute of Museum and Library Services</b>					
<u>Pass-Through From:</u>					
Grants to States	45.310				
<u>Pass-Through From:</u>					
Texas State Library and Archives Commission			306	1,311.81	
Totals - Institute of Museum and Library Services				<u>1,311.81</u>	<u>0.00</u>
<b>National Endowment For The Humanities</b>					
Promotion of the Humanities Federal/State Partnership	45.129	Humanities Texas/ 2017-5268			1,500.00
<u>Direct Programs:</u>					
Promotion of the Humanities Division of Preservation and Access	45.149				
Totals - National Endowment For The Humanities				<u>0.00</u>	<u>1,500.00</u>
<b>U.S. Department of Education</b>					
<u>Direct Programs:</u>					
Rehabilitation Long-Term Training	84.129				
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334				
Totals - U.S. Department of Education				<u>0.00</u>	<u>0.00</u>
<b>U.S. Department of Health and Human Services</b>					
<u>Pass-Through From:</u>					
Area Health Education Centers	93.107				
<u>Pass-Through From:</u>					
University of Texas Medical Branch Galveston			723	91,282.00	
Totals - U.S. Department of Health & Human Services				<u>91,282.00</u>	<u>0.00</u>
<b>U.S. Department of Justice</b>					
<u>Direct Programs:</u>					
Grants to Reduce Domestic Violence, Dating Violence, Sexual Assault, and Stalking on Campus	16.525				
Totals - U.S. Department of Justice				<u>0.00</u>	<u>0.00</u>
<b>RESEARCH &amp; DEVELOPMENT CLUSTER</b>					
<b>Environmental Protection Agency</b>					
<u>Pass-Through From:</u>					
Nonpoint Source Implementation Grants	66.460				
<u>Pass-Through From:</u>					
Texas A&M AgriLife Research			556	18,515.18	
Totals - Environmental Protection Agency				<u>18,515.18</u>	<u>0.00</u>
<b>National Science Foundation</b>					
<u>Direct Programs:</u>					
Mathematical and Physical Sciences	47.049				
Education and Human Resources	47.076				
<u>Pass-Through From:</u>					
Engineering Grants	47.041				
<u>Pass-Through From:</u>					
Texas A&M Engineering Experiment Station			712	14,497.60	
Totals - National Science Foundation				<u>14,497.60</u>	<u>0.00</u>
<b>U.S. Department of the Interior</b>					
National Center for Preservation Technology and Training	15.923	Caddo Nation of Oklahoma/ P16AP00375			3,024.00
<u>Direct Programs:</u>					
Science and Technology Projects Related to Coal Mining and Reclamation	15.255				
<u>Pass-Through From:</u>					

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Direct Program Amount	Total PT From & Direct Program Amount	Pass-through To			Expenditures Amount	Total PT To & Expenditures Amount
		Agy/ Univ No.	Agencies or Universities Amount	Non-State Entities Amount		
	1,311.81				1,311.81	1,311.81
<u>0.00</u>	<u>1,311.81</u>	<u>0.00</u>	<u>0.00</u>	<u>1,311.81</u>	<u>1,311.81</u>	
	1,500.00				1,500.00	1,500.00
851.50	851.50			851.50	851.50	851.50
<u>851.50</u>	<u>2,351.50</u>	<u>0.00</u>	<u>0.00</u>	<u>2,351.50</u>	<u>2,351.50</u>	
126,319.69	126,319.69			126,319.69	126,319.69	126,319.69
609,386.56	609,386.56			158,087.46	451,299.10	609,386.56
<u>735,706.25</u>	<u>735,706.25</u>	<u>0.00</u>	<u>158,087.46</u>	<u>577,618.79</u>	<u>735,706.25</u>	
	91,282.00				91,282.00	91,282.00
<u>0.00</u>	<u>91,282.00</u>	<u>0.00</u>	<u>0.00</u>	<u>91,282.00</u>	<u>91,282.00</u>	
36,750.62	36,750.62			36,750.62	36,750.62	36,750.62
<u>36,750.62</u>	<u>36,750.62</u>	<u>0.00</u>	<u>0.00</u>	<u>36,750.62</u>	<u>36,750.62</u>	
	18,515.18				18,515.18	18,515.18
<u>0.00</u>	<u>18,515.18</u>	<u>0.00</u>	<u>0.00</u>	<u>18,515.18</u>	<u>18,515.18</u>	
48,813.97	48,813.97			48,813.97	48,813.97	48,813.97
470,338.84	470,338.84			470,338.84	470,338.84	470,338.84
	14,497.60			14,497.60	14,497.60	14,497.60
<u>519,152.81</u>	<u>533,650.41</u>	<u>0.00</u>	<u>0.00</u>	<u>533,650.41</u>	<u>533,650.41</u>	
	3,024.00				3,024.00	3,024.00
20,874.41	20,874.41			20,874.41	20,874.41	20,874.41

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Stephen F. Austin State University  
 Agency 755  
 Schedule 1A-Schedule of Expenditures of Federal Awards  
 For the Fiscal Year Ended August 31, 2018

Federal Grantor/ Pass-Through Grantor/ Program Title	CFDA Number	NSE Name/ Identifying Number	Pass-through From		
			Agy/ Univ No.	Agencies or Universities Amount	Non-State Entities Amount
Endangered Species Conservation - Recovery Implementation Funds <i>Pass-Through From:</i> Texas A&M AgriLife Research	15.657		556	3,139.52	
Totals - U.S. Department of the Interior				<u>3,139.52</u>	<u>3,024.00</u>
<b>U.S. Department of Agriculture</b>					
Specialty Crop Block Grant Program - Farm Bill	10.170	Nacogdoches Economic Development Corporation/SC-1617-035			19,331.93
		Nacogdoches Economic Development Corporation/SC-1718-016			17,647.22
<u>Direct Programs:</u> Cooperative Forestry Research	10.202				
Forestry Research	10.652				
Totals - U. S. Department of Agriculture				<u>0.00</u>	<u>36,979.15</u>
<b>U.S. Department of Health and Human Services</b>					
Health Center Program (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)	93.224	East Texas Community Health Services, Inc./206521			4,000.07
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918	Houston Regional HIV/AIDS Resource Group, Inc./205741			198.78
		Houston Regional HIV/AIDS Resource Group, Inc./206171			19,778.64
Totals - U.S. Department of Health and Human Services				<u>0.00</u>	<u>23,977.49</u>
<b><u>SPECIAL EDUCATION (IDEA) Cluster</u></b>					
<b>U.S. Department of Education</b>					
<u>Pass-Through From:</u> Special Education-Grants to States <i>Pass-Through From:</i> Texas Education Agency	84.027		701	29,132.46	
Special Education-Grants to States <i>Pass-Through From:</i> Texas School for the Blind & Visually Impaired	84.027		771	572,911.92	
Totals - U.S. Department of Education				<u>602,044.38</u>	<u>0.00</u>
<b><u>Student Financial Assistance Cluster</u></b>					
<b>U.S. Department of Education</b>					
<u>Direct Programs:</u> Federal Supplemental Educational Opportunity Grants	84.007				
Federal Work-Study Program	84.033				
Federal Perkins Loan Program Federal Capital Contributions	84.038				
Federal Pell Grant Program	84.063				
Federal Direct Student Loans	84.268				
Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	84.379				
Totals - U.S. Department of Education				<u>0.00</u>	<u>0.00</u>
<b>Total Expenditures of Federal Awards</b>				<u>\$ 730,790.49</u>	<u>\$ 65,480.64</u>



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Direct Program Amount	Total PT From & Direct Program Amount	Pass-through To		Expenditures Amount	Total PT To & Expenditures Amount
		Agy/ Univ No.	Agencies or Universities Amount		
	3,139.52			3,139.52	3,139.52
<u>20,874.41</u>	<u>27,037.93</u>		<u>0.00</u>	<u>27,037.93</u>	<u>27,037.93</u>
	19,331.93			19,331.93	19,331.93
	17,647.22			17,647.22	17,647.22
484,790.52	484,790.52			484,790.52	484,790.52
104,026.44	104,026.44			104,026.44	104,026.44
<u>588,816.96</u>	<u>625,796.11</u>		<u>0.00</u>	<u>625,796.11</u>	<u>625,796.11</u>
	4,000.07			4,000.07	4,000.07
	198.78			198.78	198.78
	19,778.64			19,778.64	19,778.64
<u>0.00</u>	<u>23,977.49</u>		<u>0.00</u>	<u>23,977.49</u>	<u>23,977.49</u>
	29,132.46			29,132.46	29,132.46
	572,911.92			572,911.92	572,911.92
<u>0.00</u>	<u>602,044.38</u>		<u>0.00</u>	<u>602,044.38</u>	<u>602,044.38</u>
374,887.00	374,887.00			374,887.00	374,887.00
615,206.68	615,206.68			615,206.68	615,206.68
54,373.00	54,373.00			54,373.00	54,373.00
21,505,435.00	21,505,435.00			21,505,435.00	21,505,435.00
74,013,569.00	74,013,569.00			74,013,569.00	74,013,569.00
363,355.00	363,355.00			363,355.00	363,355.00
<u>96,926,825.68</u>	<u>96,926,825.68</u>		<u>0.00</u>	<u>96,926,825.68</u>	<u>96,926,825.68</u>
\$ <u>98,828,978.23</u>	\$ <u>99,625,249.36</u>	\$ <u>0.00</u>	\$ <u>158,087.46</u>	\$ <u>99,467,161.90</u>	\$ <u>99,625,249.36</u>

**STEPHEN F. AUSTIN STATE UNIVERSITY**  
**Agency No. 755**  
**Schedule 1A-Schedule of Expenditures of Federal Awards**  
**For the Fiscal Year Ended August 31, 2018**

**Note 1: Non-Monetary Assistance - N/A**

**Note 2: Reconciliation**

Below is a reconciliation of the total of federal pass through and federal expenditures as reported on the Schedule of Federal Financial Assistance to the total of federal revenues and federal grant pass-through revenues as reported in the general-purpose financial statements. Generally, federal funds are not earned until expended; therefore, federal revenues equal federal expenditures for the reporting period.

Per Statement of Revenues, Expenses and Changes in Net Position

<b>Federal Revenue</b>			
Operating		\$2,564,060.87	
Non-Operating		<u>22,316,829.00</u>	
<b>Total Federal Revenue</b>			<b>\$24,880,889.87</b>
<b>Federal Pass-Through Revenue</b>		<u>730,790.49</u>	
<b>Total Federal Pass-Through Revenue</b>			<b>\$730,790.49</b>
<b>Total Federal Revenue and Federal Pass-Through Revenue</b>			<b>\$25,611,680.36</b>
<b>Reconciliation Items:</b>			
<b>Non-monetary Items:</b>			<b>\$0.00</b>
<b>New Loans Processed: (Amounts are from Note 3a)</b>			
Federal Perkins Loan Program (Perkins)	84.038	0.00	
Federal Direct Student Loans (Direct Loans)	84.268	<u>74,013,569.00</u>	
<b>Total New Loans Processed</b>			<b>\$74,013,569.00</b>
<b>Total reconciliation Items:</b>			<b>\$74,013,569.00</b>
<b>Total per Note 2:</b>			<b>\$99,625,249.36</b>
<b>Total Pass-Through and Expenditures per Federal Schedule:</b>			<b>\$99,625,249.36</b>
<b>Difference:</b>			<b>\$0.00</b>

**Note 3a: Student Loans Processed and Administrative Cost Recovered FY2018**

Program Name / CFDA Number	Beginning Balance of Outstanding Loans as of 8/31/17	New Loans Processed, does not include Admin Cost Recovered	*CY Admin Cost Recovered, PY's only if applicable	Total Loans Processed and Admin Cost Recovered	Repayment/ Adjustment Activity (PY+CY)	**Outstanding Balance of Loans as of 8/31/18 Includes all FYs
Department of Education 84.038 Federal Perkins Loans	\$ 4,062,131.45	\$ -	\$ 54,373.00	\$ 54,373.00	\$ 709,872.41	\$ 3,406,632.04
Department of Education 84.268 Federal Direct Student Loans (Direct Loans)		74,013,569.00		\$ 74,013,569.00	74,013,569.00	
<b>Total Department of Education</b>	<b>\$ 4,062,131.45</b>	<b>\$ 74,013,569.00</b>	<b>\$ 54,373.00</b>	<b>\$ 74,067,942.00</b>	<b>\$ 74,723,441.41</b>	<b>\$ 3,406,632.04</b>

\* Administrative Cost Recovered includes administration cost and any interest subsidy related to student loans processed.  
 \*\* Confirmed on Servicer Report

**Note 3b: Federally Funded Loans Processed and Administrative Cost Recovered FY2018 - N/A**

**Note 4: Depository Libraries for Government Publications - Agencies are no longer required to submit.**

**Note 5: Unemployment Insurance Funds - N/A**

**Note 6: Rebates for the Special Supplemental Food Program for Women, Infants and Children (WIC) - N/A**

**Note 7: Federal Deferred Revenue - Universities are exempt from Note 7**

**Note 8: Disaster Grants - Public Assistance (Presidentially Declared Disasters) (CFDA 97.036)** Not applicable. Our agency did not receive FEMA approval this current reporting fiscal year for eligible expenditures incurred in previous reporting fiscal year.

**Note 9: Economic Adjustment Assistance (CFDA 11.307)** - Not applicable. Our agency does not have any Revolving Loan Funds related to the Economic Adjustment Assistance program.

**Note 10: 10% de Minimis Indirect Cost Rate** - Our agency does not elect to use the 10 percent de minimis indirect cost rate.

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STEPHEN F. AUSTIN STATE UNIVERSITY (755)  
 Schedule 1B  
 Schedule of State Grant Pass-Throughs From/To State Agencies  
 For The Year Ended August 31, 2018

Pass Through From:	Grant ID	Agency Number	Amount
<b>Fifth Year Accounting Student Scholarship Program</b> TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY	457.0001	457	\$ 12,000.00 <u>12,000.00</u>
<b>Available School Fund - Per Capita</b> TEXAS EDUCATION AGENCY	701.0007	701	51,381.00 <u>51,381.00</u>
<b>Foundation School Program (FSP)-Formula</b> TEXAS EDUCATION AGENCY	701.0015	701	1,917,852.00 <u>1,917,852.00</u>
<b>Instructional Materials Allotment</b> TEXAS EDUCATION AGENCY	701.0048	701	12,555.14 <u>12,555.14</u>
<b>Joint Admission Medical Program (JAMP)</b> UNIVERSITY OF TEXAS SYSTEM	720.0002	720	26,640.27 <u>26,640.27</u>
<b>TEXAS Grant Program</b> TX HIGHER EDUCATION COORDINATING BOARD	781.0008	781	8,807,343.00 <u>8,807,343.00</u>
<b>Professional Nursing Shortage Reduction Program</b> TX HIGHER EDUCATION COORDINATING BOARD	781.0013	781	123,776.01 <u>123,776.01</u>
<b>College Work Study Program</b> TX HIGHER EDUCATION COORDINATING BOARD	781.0023	781	84,324.43 <u>84,324.43</u>
<b>Top 10% Scholarships</b> TX HIGHER EDUCATION COORDINATING BOARD	781.0028	781	32,000.00 <u>32,000.00</u>
<b>Work Study Mentorship Program</b> TX HIGHER EDUCATION COORDINATING BOARD	781.0029	781	29,316.53 <u>29,316.53</u>
<b>Developmental Education Program</b> TX HIGHER EDUCATION COORDINATING BOARD	781.0040	781	4,040.25 <u>4,040.25</u>
<b>496333 Control of Giant Salvinia (Salvinia molesta) with an Endocide</b> PARKS & WILDLIFE DEPARTMENT	802.0137	802	(7,421.76) <u>(7,421.76)</u>
<b>511276 Control of Giant Salvinia (Salvinia molesta) with an Endocide</b> PARKS & WILDLIFE DEPARTMENT	802.0154	802	49,990.00 <u>49,990.00</u>
<b>508197 Field and Experimental Assessments of the Impact of Erosion Control Materials on Wildlife</b> PARKS & WILDLIFE DEPARTMENT	802.0154	802	27,883.98 <u>27,883.98</u>
<b>Arts Create</b> TEXAS COMMISSION ON THE ARTS	813.0003	813	750.00 <u>750.00</u>
<b>Total Operating Pass-Through From Other Agencies</b>			<u>\$ 11,172,430.85</u>

Pass Through To	Grant ID	Agency Number	Amount
<b>Total Pass-Through to Other Agencies</b>			\$ -

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**STEPHEN F. AUSTIN STATE UNIVERSITY**  
**Agency No. 755**  
**Schedule 2A - Miscellaneous Bond Information**  
**For the Fiscal Year Ended August 31, 2018**

Description of Issue	Bonds Issued to Date	Range of Interest Rates		Scheduled Maturities		First Call Date	Final Maturity
				First Year	Last Year		
<b>Business-Type Activities</b>							
<b>Revenue Bonds - Self Supporting</b>							
Rev Fin Sys Bonds Ser '10	\$ 35,035,000.00	2.000	5.000	2010	2029	10/15/2020	10/15/2029
Rev Fin Sys Bonds Ser '13	15,610,000.00	1.000	5.000	2014	2024	n/a	10/15/2024
Rev Fin Sys Bonds Ser '15	48,410,000.00	2.010	2.010	2015	2025	n/a	10/15/2025
	<u>99,055,000.00</u>						
<b>Tuition Revenue Bonds - Self-Supporting</b>							
Rev Fin Sys Bonds Ser '08	20,175,000.00	3.500	5.000	2008	2027	10/15/2017	10/15/2027
Rev Fin Sys Bonds Ser '09	23,615,000.00	3.750	5.000	2009	2029	10/15/2017	10/15/2029
Rev Fin Sys Bonds Ser '13	6,645,000.00	1.000	5.000	2014	2021	n/a	10/15/2021
Rev Fin Sys Bonds Ser '16	61,205,000.00	4.000	5.000	2017	2036	n/a	10/15/2036
	<u>111,640,000.00</u>						
<b>Total Revenue Bonds</b>	<u>210,695,000.00</u>						
<b>General Obligation Bonds - Not Self-Supporting</b>							
Constitutional Appn Bonds Ser '08	10,200,000.00	4.000	5.000	2009	2018	n/a	10/15/2018
<b>Total General Obligation Bonds</b>	<u>10,200,000.00</u>						
<b>Grand Total of Bonds</b>	<u>\$ 220,895,000.00</u>						

**STEPHEN F. AUSTIN STATE UNIVERSITY**  
**Agency No. 755**  
**Schedule 2B-Changes in Bonded Indebtedness**  
**For the Fiscal Year Ended August 31, 2018**

Description of Issue	Bonds Outstanding 9/1/17	Bonds Issued	Bonds Matured or Retired	Bonds Refunded or Extinguished	Bonds Outstanding 8/31/18
<b>Business-Type Activities</b>					
<b>Revenue Bonds - Self Supporting</b>					
Rev Fin Sys Bonds Ser '10	\$ 25,520,000.00	\$ -	\$ 1,505,000.00	\$ -	\$ 24,015,000.00
Rev Fin Sys Bonds Ser '13	11,770,853.00	-	465,829.00	-	11,305,024.00
Rev Fin Sys Bonds Ser '15	43,425,000.00	-	4,445,000.00	-	38,980,000.00
	80,715,853.00	-	6,415,829.00	-	74,300,024.00
<b>Tuition Revenue Bonds - Self-Supporting</b>					
Rev Fin Sys Bonds Ser '08	835,000.00	-	835,000.00	-	-
Rev Fin Sys Bonds Ser '09	990,000.00	-	990,000.00	-	-
Rev Fin Sys Bonds Ser '13	4,599,147.00	-	1,609,171.00	-	2,989,976.00
Rev Fin Sys Bonds Ser '16	58,120,000.00	-	1,165,000.00	-	56,955,000.00
	64,544,147.00	-	4,599,171.00	-	59,944,976.00
<b>Total Revenue Bonds</b>	145,260,000.00	-	11,015,000.00	-	134,245,000.00
<b>General Obligation Bonds - Not Self-Supporting</b>					
Constitutional Appn Bonds Ser '08	2,345,000.00	-	1,150,000.00	-	1,195,000.00
<b>Total General Obligation Bonds</b>	2,345,000.00	-	1,150,000.00	-	1,195,000.00
<b>Grand Total</b>	<b>\$ 147,605,000.00</b>	<b>\$ -</b>	<b>\$ 12,165,000.00</b>	<b>\$ -</b>	<b>\$ 135,440,000.00</b>

**STEPHEN F. AUSTIN STATE UNIVERSITY**  
**Agency No. 755**  
**Schedule 2B-Changes in Bonded Indebtedness**  
**For the Fiscal Year Ended August 31, 2018**

Description of Issue	Unamortized Premium	Unamortized Discount	Other Adjustments	Net Bonds Outstanding 8/31/18	Amounts Due Within One Year
<b>Business-Type Activities</b>					
<b>Revenue Bonds - Self Supporting</b>					
Rev Fin Sys Bonds Ser '10	\$ -	\$ -	\$ -	\$ 24,015,000.00	\$ 1,560,000.00
Rev Fin Sys Bonds Ser '13	745,958.28	-	-	12,050,982.28	317,194.81
Rev Fin Sys Bonds Ser '15	-	-	-	38,980,000.00	4,535,000.00
	<u>745,958.28</u>	<u>-</u>	<u>-</u>	<u>75,045,982.28</u>	<u>6,412,194.81</u>
<b>Tuition Revenue Bonds - Self-Supporting</b>					
Rev Fin Sys Bonds Ser '08	-	-	-	-	-
Rev Fin Sys Bonds Ser '09	-	-	-	-	-
Rev Fin Sys Bonds Ser '13	208,399.09	-	-	3,198,375.09	2,101,500.73
Rev Fin Sys Bonds Ser '16	9,383,202.65	-	-	66,338,202.65	3,997,479.55
	<u>9,591,601.74</u>	<u>-</u>	<u>-</u>	<u>69,536,577.74</u>	<u>6,098,980.28</u>
<b>Total Revenue Bonds</b>	<u>10,337,560.02</u>	<u>-</u>	<u>-</u>	<u>144,582,560.02</u>	<u>12,511,175.09</u>
<b>General Obligation Bonds - Not Self-Supporting</b>					
Constitutional Appn Bonds Ser '08	-	-	-	1,195,000.00	1,195,000.00
<b>Total General Obligation Bonds</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,195,000.00</u>	<u>1,195,000.00</u>
<b>Grand Total</b>	<u>\$ 10,337,560.02</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 145,777,560.02</u>	<u>\$ 13,706,175.09</u>

UNAUDITED

**STEPHEN F. AUSTIN STATE UNIVERSITY**  
**Agency No. 755**  
**Schedule 2C - Debt Service Requirements**  
**For the Fiscal Year Ended August 31, 2018**

<u>Description of Issue</u>	<u>FY</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<b>Business-Type Activities</b>				
<b>Revenue Bonds - Self Supporting</b>				
Rev Fin Sys Bonds Ser '10	2019	\$ 1,560,000.00	\$ 1,021,362.50	\$ 2,581,362.50
Rev Fin Sys Bonds Ser '10	2020	1,615,000.00	965,800.00	2,580,800.00
Rev Fin Sys Bonds Ser '10	2021	1,675,000.00	906,131.25	2,581,131.25
Rev Fin Sys Bonds Ser '10	2022	1,750,000.00	830,975.00	2,580,975.00
Rev Fin Sys Bonds Ser '10	2023	1,840,000.00	741,225.00	2,581,225.00
Rev Fin Sys Bonds Ser '10	2024-2028	10,635,000.00	2,274,250.00	12,909,250.00
Rev Fin Sys Bonds Ser '10	2029-2030	4,940,000.00	218,531.26	5,158,531.26
		24,015,000.00	6,958,275.01	30,973,275.01
Rev Fin Sys Bonds Ser '13	2019	202,432.00	524,889.82	727,321.82
Rev Fin Sys Bonds Ser '13	2020	1,222,592.00	496,389.34	1,718,981.34
Rev Fin Sys Bonds Ser '13	2021	2,350,000.00	413,187.50	2,763,187.50
Rev Fin Sys Bonds Ser '13	2022	2,470,000.00	292,687.50	2,762,687.50
Rev Fin Sys Bonds Ser '13	2023	1,605,000.00	190,812.50	1,795,812.50
Rev Fin Sys Bonds Ser '13	2024-2025	3,455,000.00	141,531.25	3,596,531.25
		11,305,024.00	2,059,497.91	13,364,521.91
Rev Fin Sys Bonds Ser '15	2019	4,535,000.00	737,921.25	5,272,921.25
Rev Fin Sys Bonds Ser '15	2020	4,630,000.00	645,813.00	5,275,813.00
Rev Fin Sys Bonds Ser '15	2021	4,720,000.00	551,845.50	5,271,845.50
Rev Fin Sys Bonds Ser '15	2022	4,820,000.00	455,968.50	5,275,968.50
Rev Fin Sys Bonds Ser '15	2023	4,920,000.00	358,081.50	5,278,081.50
Rev Fin Sys Bonds Ser '15	2024-2026	15,355,000.00	467,073.75	15,822,073.75
		38,980,000.00	3,216,703.50	42,196,703.50
<b>Total Revenue Bonds - Self Supporting</b>		<b>\$ 74,300,024.00</b>	<b>\$ 12,234,476.42</b>	<b>\$ 86,534,500.42</b>



UNAUDITED

**STEPHEN F. AUSTIN STATE UNIVERSITY**  
**Agency No. 755**  
**Schedule 2C - Debt Service Requirements**  
**For the Fiscal Year Ended August 31, 2018**

<u>Description of Issue</u>	<u>FY</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<b>Tuition Revenue Bonds - Self-Supporting</b>				
Rev Fin Sys Bonds Ser '13	2019	1,962,568.00	80,347.68	2,042,915.68
Rev Fin Sys Bonds Ser '13	2020	1,027,408.00	20,548.16	1,047,956.16
		2,989,976.00	100,895.84	3,090,871.84
Rev Fin Sys Bonds Ser '16	2019	2,820,000.00	2,577,500.00	5,397,500.00
Rev Fin Sys Bonds Ser '16	2020	2,930,000.00	2,462,500.00	5,392,500.00
Rev Fin Sys Bonds Ser '16	2021	3,045,000.00	2,343,000.00	5,388,000.00
Rev Fin Sys Bonds Ser '16	2022	3,165,000.00	2,218,800.00	5,383,800.00
Rev Fin Sys Bonds Ser '16	2023	3,310,000.00	2,072,750.00	5,382,750.00
Rev Fin Sys Bonds Ser '16	2024-2028	19,320,000.00	7,633,500.00	26,953,500.00
Rev Fin Sys Bonds Ser '16	2029-2033	11,975,000.00	3,629,925.00	15,604,925.00
Rev Fin Sys Bonds Ser '16	2034-2037	10,390,000.00	972,775.00	11,362,775.00
		56,955,000.00	23,910,750.00	80,865,750.00
<b>Total Tuition Revenue Bonds - Self-Supporting</b>		59,944,976.00	24,011,645.84	83,956,621.84
<b>Total Revenue Bonds</b>		134,245,000.00	36,246,122.26	170,491,122.26
<b>General Obligation Bonds</b>				
Constitutional Appn Bonds Ser '08	2019	1,195,000.00	26,887.50	1,221,887.50
<b>Total General Obligation Bonds</b>		1,195,000.00	26,887.50	1,221,887.50
<b>Total Debt Service</b>		\$ 135,440,000.00	\$ 36,273,009.76	\$ 171,713,009.76

UNAUDITED

**STEPHEN F. AUSTIN STATE UNIVERSITY**  
**Agency No. 755**  
**Schedule 2D - Analysis of Funds Available for Debt Service - General Obligation Bonds**  
**For the Fiscal Year Ended August 31, 2018**

<u>Description of Issue</u>	<u>Application of Funds</u>		<u>Accrual Basis</u>
	<u>2018 Principal</u>	<u>2018 Interest</u>	<u>Int Exp</u>
Constitutional Appn Bonds Series 2008	\$ 1,150,000.00	\$ 78,500.00	\$ 59,956.25
General Obligation Bonds - Not Self-Supporting	<u>\$ 1,150,000.00</u>	<u>\$ 78,500.00</u>	<u>\$ 59,956.25</u>

UNAUDITED

STEPHEN F. AUSTIN STATE UNIVERSITY  
 Agency No. 755  
 Schedule 2D - Analysis of Funds Available for Debt Service - Revenue Bonds  
 For the Fiscal Year Ended August 31, 2018

Description of Issue	Net Available for Debt Service		Debt Service		Accrual Basis	
	Total Pledged and Other Sources	Operating Expenses and Capital Outlay	2018 Principal	2018 Interest	Interest Expense	Interest Capitalized
<b>Business-Type Activities</b>						
<b>Revenue Bonds - Self Supporting</b>						
Rev Fin Sys Bonds Ser '10	*	*	\$ 1,505,000.00	\$ 1,075,000.02	\$ 1,055,246.90	\$ -
Rev Fin Sys Bonds Ser '13	*	*	465,829.00	538,255.04	516,173.49	-
Rev Fin Sys Bonds Ser '15	*	*	4,445,000.00	828,170.25	794,666.06	-
<b>Tuition Revenue Bonds - Self-Supporting</b>						
Rev Fin Sys Bonds Ser '08	*	*	835,000.00	20,875.00	5,218.75	-
Rev Fin Sys Bonds Ser '09	*	*	990,000.00	16,087.50	4,021.87	-
Rev Fin Sys Bonds Ser '13	*	*	1,609,171.00	151,782.46	142,739.00	-
Rev Fin Sys Bonds Ser '16	*	*	1,165,000.00	1,000,525.00	2,639,725.00	1,656,675.00
			<u>\$ 11,015,000.00</u>	<u>\$ 3,630,695.27</u>	<u>\$ 5,157,791.07</u>	<u>\$ 1,656,675.00</u>

Analysis of Pledged and Other Sources:

Pledged Sources:	
Tuition and Fees	\$ 111,451,845.53
Sales and Services	41,230,215.22
Other Sources	<u>2,399,586.90</u>
Total Revenues	155,081,647.65
Unrestricted Fund Balances	14,511,959.46
Less State Appropriated Fund Balances with Restrictions	<u>(8,057,999.38)</u>
Total Pledged Revenues	<u>\$ 161,535,607.73</u>
Expenditures associated with operations which generated the pledged revenues	<u>\$ 171,224,127.53</u>

UNAUDITED

**STEPHEN F. AUSTIN STATE UNIVERSITY**  
**Agency No. 755**  
**Schedule 2E - Defeased Bonds Outstanding**  
**For the Fiscal Year Ended August 31, 2018**

<u>Description of Issue</u>	<u>Year Refunded</u>	<u>Par Value Outstanding</u>
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UNAUDITED

**STEPHEN F. AUSTIN STATE UNIVERSITY**  
**Agency No. 755**  
**Schedule 2F - Current Year Early Extinguishment and Refunding**  
**For the Fiscal Year Ended August 31, 2018**

<b>Description of Issue</b>	<b>Category</b>	<b>Amount Extinguished or Refunded</b>	<b>Refunding Issue Par Value</b>	<b>For Refunding Only</b>	
				<b>Cash Flow Increase (Decrease)</b>	<b>Economic Gain/Loss</b>

UNAUDITED

**STEPHEN F. AUSTIN STATE UNIVERSITY**  
**Agency No. 755**  
**Schedule 3 - Reconciliation of Cash in State Treasury**  
**August 31, 2018**

Cash in State Treasury	<u>Unrestricted</u>	<u>Restricted</u>	<u>Current Year Total</u>
Special Mineral Fund 0241	\$ 0.00	\$ 0.00	\$ 0.00
Local Revenue Fund 0261	<u>2,944,795.28</u>	<u>0.00</u>	<u>2,944,795.28</u>
Total Cash in State Treasury (Stmnt of Net Position)	<u>\$ 2,944,795.28</u>	<u>\$ 0.00</u>	<u>\$ 2,944,795.28</u>

## APPENDIX C

### DEFINITIONS

As used in the Resolution the following terms and expressions shall have the meanings set forth below, unless the text hereof specifically indicates otherwise:

“*Annual Debt Service Requirements*” means, for any Fiscal Year, the principal of and interest on all Parity Obligations coming due at Maturity or Stated Maturity (or that could come due on demand of the owner thereof other than by acceleration or other demand conditioned upon default by the Board on such Debt, or be payable in respect of any required purchase of such Debt by the Board) in such Fiscal Year, and, for such purposes, any one or more of the following rules shall apply at the election of the Board:

(1) *Committed Take Out*. If the Board has entered into a Credit Agreement constituting a binding commitment within normal commercial practice to discharge any of its Funded Debt at its Stated Maturity (or, if due on demand, at any date on which demand may be made) or to purchase any of its Funded Debt at any date on which such Debt is subject to required purchase, all under arrangements whereby the obligation to repay the amounts advanced for such discharge or purchase constitutes Funded Debt, then the portion of the Funded Debt committed to be discharged or purchased shall be excluded from such calculation and the principal of and interest on the Funded Debt incurred for such discharging or purchase that would be due in the Fiscal Year for which the calculation is being made, if incurred at the Stated Maturity or purchase date of the Funded Debt to be discharged or purchased, shall be added;

(2) *Balloon Debt*. If the principal (including the accretion of interest resulting from original issue discount or compounding of interest) of any series or issue of Funded Debt due (or payable in respect of any required purchase of such Funded Debt by the Board) in any Fiscal Year either is equal to at least 25% of the total principal (including the accretion of interest resulting from original issue discount or compounding of interest) of such Funded Debt or exceeds by more than 50% the greatest amount of principal of such series or issue of Funded Debt due in any preceding or succeeding Fiscal Year (such principal due in such Fiscal Year for such series or issue of Funded Debt being referred to herein as “Balloon Debt”), the amount of principal of such Balloon Debt taken into account during any Fiscal Year shall be equal to the debt service calculated using the original principal amount of such Balloon Debt amortized over the Term of Issue on a level debt service basis at an assumed interest rate equal to the rate borne by such Balloon Debt on the date of calculation;

(3) *Consent Sinking Fund*. In the case of Balloon Debt (as defined in clause (2) above), if a Designated Financial Officer shall deliver to the Board an Officer’s Certificate providing for the retirement of (and the instrument creating such Balloon Debt shall permit the retirement of), or for the accumulation of a sinking fund for (and the instrument creating such Balloon Debt shall permit the accumulation of a sinking fund for), such Balloon Debt according to a fixed schedule stated in such Officer’s Certificate ending on or before the Fiscal Year in which such principal (and premium, if any) is due, then the principal of (and, in the case of retirement, or to the extent provided for by the sinking fund accumulation, the premium, if any, and interest and other debt service charges on) such Balloon Debt shall be computed as if the same were due in accordance with such schedule, provided that this clause (3) shall apply only to Balloon Debt for which the installments previously scheduled have been paid or deposited to the sinking fund established with respect to such Debt on or before the times required by such schedule; and provided further that this clause (3) shall not apply where the Board has elected to apply the rule set forth in clause (2) above;

(4) *Prepaid Debt*. Principal of and interest on Parity Obligations, or portions thereof, shall not be included in the computation of the Annual Debt Service Requirements for any Fiscal Year for which such principal or interest are payable from funds on deposit or set aside in trust for the payment thereof at the time of such calculations (including without limitation capitalized interest and accrued interest so deposited or set aside in trust) with a financial institution acting as fiduciary with respect to the payment of such Debt;

(5) Variable Rate. As to any Parity Obligation that bears interest at a variable interest rate which cannot be ascertained at the time of calculation of the Annual Debt Service Requirement then, at the option of the Board, either (1) an interest rate equal to the average rate borne by such Parity Obligations (or by comparable debt in the event that such Parity Obligations has not been Outstanding during the preceding 24 months) for any 24 month period ending within 30 days prior to the date of calculation, or (2) an interest rate equal to the 30-year Tax-Exempt Revenue Bond Index (as most recently published in The Bond Buyer), shall be presumed to apply for all future dates, unless such index is no longer published in The Bond Buyer, in which case an index of tax-exempt revenue bonds with maturities of at least 20 years which is published in a newspaper or journal with national circulation may be used for this purpose. If two Series of Parity Obligations which bear interest at variable interest rates, or one or more maturities within a Series, of equal par amounts, are issued simultaneously with inverse floating interest rates providing a composite fixed interest rate for such Parity Obligations taken as a whole, such composite fixed rate shall be used in determining the Annual Debt Service Requirement with respect to such Parity Obligations;

(6) Guarantee. In the case of any guarantee, as described in clause (2) of the definition of Debt, no obligation will be counted if the Board does not anticipate in its annual budget that it will make any payments on the guarantee. If, however, the Board is making payments on a guarantee or anticipates doing so in its annual budget, such obligation shall be treated as Parity Obligations and calculations of Annual Debt Service Requirements with respect to such guarantee shall be made assuming that the Board will make all additional payments due under the guaranteed obligation. If the entity whose obligation is guaranteed cures all defaults and the Board no longer anticipates making payments under the guarantee, the guaranteed obligations shall not be included in the calculation of Annual Debt Service Requirements;

(7) Commercial Paper. With respect to any Parity Obligations issued in the form of commercial paper with maturities not exceeding 270 days, the interest on such Parity Obligations shall be calculated in the manner provided in clause (5) of this definition and the maturity schedule shall be calculated in the manner provided in clause (2) of this definition; and

(8) Credit Agreement Payments. If the Board has entered into a Credit Agreement in connection with an issue of Debt, payments due under the Credit Agreement (other than payments for fees and expenses), for either the Board or the Credit Provider, shall be included in such calculation, except to the extent that the payments are already taken into account under (1) through (7) above and any payments otherwise included above under (1) through (7) which are to be replaced by payments under a Credit Agreement, from either the Board or the Credit Provider, shall be excluded from such calculation.

With respect to any calculation of historic data, only those payments actually made in the subject period shall be taken into account in making such calculation and, with respect to prospective calculations, only those payments reasonably expected to be made in the subject period shall be taken into account in making the calculation.

“*Annual Direct Obligation*” means the amount budgeted each Fiscal Year by the Board with respect to each Participant in the Financing System to satisfy said Participant’s proportion of debt service (calculated based on said Participant’s Direct Obligation) due by the Board in such Fiscal Year on Outstanding Parity Obligations.

“*Annual Obligation*” means, with respect to each Participant in the Financing System and for each Fiscal Year, said Participant’s Annual Direct Obligation plus the amount budgeted by the Board for such Fiscal Year to allow said Participant to retire its obligation for advances made to it by the Board in the management of the Financing System to satisfy part or all of a previous Annual Direct Obligation payment.

“*Award Certificate*” means the certificate executed by the Designated Financial Officer in connection with the Bonds that establishes the terms of the Bonds pursuant to the Resolution.

“*Board*” means the Board of Regents of Stephen F. Austin State University, acting as the governing body of the University, or any successor thereto.



“*Bond Counsel*” means McCall, Parkhurst & Horton L.L.P., or such other firm of attorneys of nationally recognized standing in the field of law relating to municipal revenue bonds selected by the Board.

“*Bondholder*” or “*Owner*” means the registered owner of any Parity Obligation registered as to ownership and the holder of any Parity Obligation payable to bearer.

“*Bonds*” means the Board of Regents of Stephen F. Austin State University Revenue Financing System Revenue Bonds, Series 2019A and Board of Regents of Stephen F. Austin State University Revenue Financing System Revenue Bonds, Taxable Series 2019B, and all substitute bonds exchanged therefor, and all other substitute and replacement bonds issued pursuant to the Resolution; and the term “*Bond*” means any of the Bonds.

“*Business Day*” means any day which is not a Saturday, Sunday, legal holiday, or a day on which banking institutions in The City of New York, New York or in the city where the Designated Trust Office of the Paying Agent/Registrar is located are authorized by law or executive order to close.

“*Credit Agreement*” means, collectively, a loan agreement, revolving credit agreement, agreement establishing a line of credit, letter of credit, reimbursement agreement, insurance contract, commitments to purchase Parity Obligations, purchase or sale agreements, interest rate swap agreements, currency exchange agreements, interest rate floor or cap agreements, or commitments or other contracts or agreements authorized, recognized and approved by the Board as a Credit Agreement in connection with the authorization, issuance, security, or payment of Parity Obligations and on a parity therewith.

“*Credit Provider*” means any bank, financial institution, insurance company, surety bond provider, or other entity which provides, executes, issues, or otherwise is a party to or provider of a Credit Agreement.

“*Debt*” means all:

(1) indebtedness incurred or assumed by the Board for borrowed money (including indebtedness arising under Credit Agreements) and all other financing obligations of the Board that, in accordance with generally accepted accounting principles, are shown on the liability side of a balance sheet;

(2) all other indebtedness (other than indebtedness otherwise treated as Debt hereunder) for borrowed money or for the acquisition, construction, or improvement of property or capitalized lease obligations that is guaranteed, directly or indirectly, in any manner by the Board, or that is in effect guaranteed, directly or indirectly, by the Board through an agreement, contingent or otherwise, to purchase any such indebtedness or to advance or supply funds for the payment or purchase of any such indebtedness or to purchase property or services primarily for the purpose of enabling the debtor or seller to make payment of such indebtedness, or to assure the owner of the indebtedness against loss, or to supply funds to or in any other manner invest in the debtor (including any agreement to pay for property or services irrespective of whether or not such property is delivered or such services are rendered), or otherwise; and

(3) all indebtedness secured by any mortgage, lien, charge, encumbrance, pledge or other security interest upon property owned by the Board whether or not the Board has assumed or become liable for the payment thereof.

For the purpose of determining the “*Debt*” of the Board, there shall be excluded any particular Debt if, upon or prior to the Maturity thereof, there shall have been deposited with the proper depository (a) in trust the necessary funds (or investments that will provide sufficient funds, if permitted by the instrument creating such Debt) for the payment, redemption, or satisfaction of such Debt or (b) evidence of such Debt deposited for cancellation; and thereafter it shall not be considered Debt. No item shall be considered Debt unless such item constitutes indebtedness under generally accepted accounting principles applied on a basis consistent with the financial statements prepared by or for the benefit of the Board in prior Fiscal Years.

“*Defeasance Securities*” means (i) Federal Securities and (ii) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the Board adopts or approves proceedings authorizing the issuance of refunding bonds or otherwise provides for the funding of an escrow to effect the defeasance of the Bonds are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent.

“*Designated Financial Officer*” means the Vice President for Finance and Administration of the University, or such other official of the University appointed by the Board to carry out the functions of the Vice President for Finance and Administration specified herein.

“*Designated Trust Office*” means initially, U.S. Bank National Association, Dallas, Texas, as the corporate trust office of the Paying Agent/Registrar.

“*Direct Obligation*” means the proportionate share of Outstanding Parity Obligations attributable to and the responsibility of each Participant in the Financing System.

“*DTC*” means The Depository Trust Company, New York, New York, or any successor securities depository.

“*DTC Participant*” means the securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations on whose behalf DTC was created to hold securities to facilitate the clearance and settlement of securities transactions among DTC participants.

“*Federal Securities*” as used herein means direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America (including Interest Strips of the Resolution Funding Corporation).

“*Fiscal Year*” means the fiscal year of the Board which currently ends on August 31 of each year.

“*Funded Debt*” means all Parity Obligations that mature by their terms (in the absence of the exercise of any earlier right of demand), or are renewable at the option of the Board to a date, more than one year after the original creation, assumption, or guarantee of such Debt by the Board.

“*Maturity*”, when used with respect to any Debt, means the date on which the principal of such Debt or any installment thereof becomes due and payable as therein provided, whether at the Stated Maturity thereof or by declaration of acceleration, call for redemption, or otherwise.

“*MSRB*” means the Municipal Securities Rulemaking Board.

“*Non-Recourse Debt*” means any Debt secured by a lien (other than a lien on Pledged Revenues), liability for which is effectively limited to the property subject to such lien with no recourse, directly or indirectly, to any other property of the Board attributable to the Financing System; provided, however, that such Debt is being incurred in connection with the acquisition of property only, which property is not, at the time of such occurrence, owned by the Board and being used in the operations of a Participant.

“*Officer’s Certificate*” means a certificate executed by the Designated Financial Officer.

“*Opinion of Counsel*” means a written opinion of counsel, which counsel shall be acceptable to the Board.

“*Outstanding*” when used with respect to Parity Obligations means, as of the date of determination, all Parity Obligations theretofore delivered under the Resolution and any resolution hereafter adopted authorizing the issuance of Parity Obligations, except:

(1) Parity Obligations theretofore cancelled and delivered to the Board or delivered to the Paying Agent or the Registrar for cancellation;

(9) Parity Obligations deemed paid pursuant to the provisions of the Resolution providing for the defeasance of the Bonds or any comparable section of any resolution hereafter adopted authorizing the issuance of Parity Obligations;

(10) Parity Obligations upon transfer of or in exchange for and in lieu of which other Parity Obligations have been authenticated and delivered pursuant to the Resolution; and

(11) Parity Obligations under which the obligations of the Board have been released, discharged, or extinguished in accordance with the terms thereof;

provided, however, that, unless the same is acquired for purposes of cancellation, Parity Obligations owned by the Board shall be deemed to be Outstanding as though it was owned by any other owner.

*“Outstanding Principal Amount”* means, with respect to all Parity Obligations or to a series of Parity Obligations, the outstanding and unpaid principal amount of such Parity Obligations paying interest on a current basis and the outstanding and unpaid principal and compounded interest on such Parity Obligations paying accrued, accreted, or compounded interest only at maturity as of any Record Date established by a Registrar in connection with a proposed amendment of the Resolution.

*“Parity Obligations”* means all Debt of the Board which may be issued or assumed in accordance with the terms of the Resolution and any resolution authorizing the issuance of Debt on a parity with the Bonds, secured by a pledge of the Pledged Revenues subject only to the liens securing Prior Encumbered Obligations. For purposes of this definition, the Previously Issued Parity Obligations and the Bonds constitute Parity Obligations.

*“Participant in the Financing System”* and *“Participant”* means each of the agencies, institutions and branches of the University and such agencies, institutions and branches hereafter designated by the Board to be a participant in the Financing System. Currently, the University is the only Participant in the Financing System.

*“Paying Agent/Registrar”*, *“Paying Agent”* or *“Registrar”* means initially, U.S. Bank National Association, appointed pursuant to the Resolution, or any successor to any such agent.

*“Pledged Revenues”* means, subject to the provisions of the Prior Encumbered Obligations, the Revenue Funds, including all of the funds and balances now or hereafter lawfully available to the Board and derived from or attributable to any Participant of the Financing System which are lawfully available to the Board for payments on Parity Obligations; provided, however, that the following shall not be included in Pledged Revenues unless and to the extent set forth in a resolution authorizing the issuance of Parity Obligations: (a) amounts received by the University under Article VII, Section 17 of the Constitution of the State of Texas, including the income therefrom and any fund balances relating thereto; and (b) except to the extent so specifically appropriated, general revenue funds appropriated to the Board by the Legislature of the State of Texas.

*“Previously Issued Parity Obligations”* means the Parity Obligations previously issued by or on behalf of the Board payable from the same source as the Bonds that remain Outstanding.

*“Prior Encumbered Obligations”* means those outstanding bonds or other obligations of an institution which becomes a Participant of the Financing System after the date of adoption of the Resolution, which are secured by a lien on and pledge of the Prior Encumbered Revenues charged and collected at such institution or agency, and any other bonds or other obligations secured by revenues which are hereafter designated by the Board as a Pledged Revenue.

*“Prior Encumbered Revenues”* means (i) the revenues pledged to the payment of Prior Encumbered Obligations of the University and (ii) the revenues of any revenue producing system or facility of an institution or agency which hereafter becomes a Participant of the Financing System and which are pledged to the payment of

bonds or other obligations outstanding on the date such institution or agency becomes a Participant of the Financing System.

“*Prior Resolutions*” means the resolutions adopted by the Board authorizing the issuance of the Previously Issued Parity Obligations.

“*Record Date*” means the last Business Day of the month next preceding each interest payment date.

“*Registration Books*” means the books or records relating to the registration, payment, and transfer or exchange of the Bonds maintained by the Paying Agent/Registrar pursuant to the Resolution.

“*Resolution*” means the Resolution authorizing the sale of the Bonds.

“*Revenue Financing System*” or “*Financing System*” means the “Stephen F. Austin State University Revenue Financing System”, currently for the benefit of the University, and such other institutions and agencies now or hereafter under the control or governance of the Board, and made a Participant of the Revenue Financing System by specific action of the Board.

“*Revenue Funds*” means the “revenue funds” of the Board (as defined in Section 55.01 of the Texas Education Code to mean the revenues, incomes, receipts, rentals, rates, charges, fees, grants, and tuition levied or collected from any public or private source by an institution of higher education, including interest or other income from those funds) derived by the Board from the operations of each of the Participants. The term “Revenue Funds” does not include, with respect to each series or issue of Parity Obligations, any tuition, rentals, rates, fees, or other charges attributable to any student in a category which, at the time of the adoption by the Board of a resolution relating to such Parity Obligations, is exempt by law or by the Board from paying such tuition, rentals, rates, fees, or other charges.

“*Rule*” means SEC Rule 15c2-12, as amended from time to time.

“*SEC*” means the United States Securities and Exchange Commission.

“*Stated Maturity*” when used with respect to any Debt or any installment of interest thereon means any date specified in the instrument evidencing or authorizing such Debt or such installment of interest as a fixed date on which the principal of such Debt or any installment thereof or the fixed date on which such installment of interest is due and payable.

“*Subordinated Debt*” means any Debt which expressly provides that all payments thereon shall be subordinated to the timely payment of all Parity Obligations then Outstanding or subsequently issued.

“*Term of Issue*” means with respect to any Balloon Debt, including, without limitation, commercial paper, a period of time equal to the greater of (i) the period of time commencing on the date of issuance of such Balloon Debt and ending on the final maturity date of such Balloon Debt or the maximum maturity date in the case of commercial paper or (ii) twenty-five years.

“*University*” means Stephen F. Austin State University, together with every other agency or general academic institution or branch thereof now or hereafter operated by or under the jurisdiction of the Board acting for and on behalf of Stephen F. Austin State University pursuant to law.

**APPENDIX D**

**FORMS OF BOND COUNSEL'S OPINIONS**

*[An opinion in substantially the following form will be delivered by McCall, Parkhurst & Horton L.L.P., Bond Counsel, upon the delivery of the Series 2019A Bonds, assuming no material changes in facts or law.]*

**BOARD OF REGENTS OF  
STEPHEN F. AUSTIN STATE UNIVERSITY  
REVENUE FINANCING SYSTEM  
REVENUE BONDS, SERIES 2019A  
IN THE AGGREGATE PRINCIPAL AMOUNT OF \$94,290,000**

**AS BOND COUNSEL FOR THE BOARD OF REGENTS OF STEPHEN F. AUSTIN STATE UNIVERSITY** (the “Issuer”), we have examined the legality and validity of the bonds described above (the “Bonds”), which bear interest from the dates specified in the text of the Bonds, until maturity or redemption, at the rates and payable on the dates specified in the text of the Bonds and in the “Resolution Authorizing the Issuance of One or More Series of Board of Regents of Stephen F. Austin State University Revenue Financing System Revenue Bonds; Providing for the Security for and Payment of Said Bonds; Establishing Procedures for Selling and Delivering the Bonds; and Approving and Authorizing Instruments and Procedures Relating Thereto” adopted by the Board of Regents on October 29, 2018 (the “Resolution”) authorizing the issuance of the Bonds.

**WE HAVE EXAMINED** the applicable and pertinent provisions of the Constitution and laws of the State of Texas, a transcript of certified proceedings of the Issuer, and other pertinent instruments authorizing and relating to the issuance of the Bonds, including the executed Bond (Bond Number R-1).

**BASED ON SAID EXAMINATION, IT IS OUR OPINION** that said Bonds have been authorized, issued and delivered in accordance with law; and that said Bonds, except as the enforceability thereof may be limited by laws relating to governmental immunity, bankruptcy, insolvency, reorganization, moratorium, liquidation and other similar laws now or hereinafter enacted relating to creditors’ rights generally or by general principle of equity which permit the exercise of judicial discretion, constitute valid and legally binding special obligations of the Issuer secured by and payable from, together with the Issuer’s other Parity Obligations, a lien on and pledge of the Pledged Revenues, such lien being subject to the lien securing any Prior Encumbered Obligations, all as provided in the Resolution.

**IT IS FURTHER OUR OPINION**, except as discussed below, that the interest on the Bonds is excludable from the gross income of the owners for federal income tax purposes under

the statutes, regulations, published rulings, and court decisions existing on the date of this opinion. We are further of the opinion that the Bonds are not “specified private activity bonds” and that, accordingly, interest on the Bonds will not be included as an individual alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the “Code”). In expressing the aforementioned opinions, we have relied on certain representations, the accuracy of which we have not independently verified, and assume compliance by the Issuer with certain covenants, regarding the use and investment of the proceeds of the Bonds and the use of the property financed therewith. We call your attention to the fact that if such representations are determined to be inaccurate or upon a failure by the Issuer to comply with such covenants, interest on the Bonds may become includable in gross income retroactively to the date of issuance of the Bonds.

**OUR OPINIONS ARE BASED ON EXISTING LAW**, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the “Service”); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the Issuer as the taxpayer. We observe that the Issuer has covenanted not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

**EXCEPT AS STATED ABOVE**, we express no opinion as to any other federal, state, or local tax consequences of acquiring, carrying, owning, or disposing of the Bonds. In particular, but not by way of limitation, we express no opinion with respect to the federal, state or local tax consequences arising from the enactment of any pending or future legislation.

**WE EXPRESS NO OPINION** as to any insurance policies issued with respect to the payments due for the principal of and interest on the Bonds, nor as to any such insurance policies issued in the future.

**OUR SOLE ENGAGEMENT** in connection with the issuance of the Bonds is as Bond Counsel for the Issuer, and, in that capacity, we have been engaged by the Issuer for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Bonds for federal income tax purposes, and for no other reason or purpose. We have not been requested to investigate or verify, and have not independently investigated or verified any records, data, or other material relating to the financial condition or capabilities of the Issuer, or the disclosure thereof in connection with the sale of the Bonds, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment

with respect to the marketability of the Bonds and have relied solely on certificates executed by officials of the Issuer as to the current outstanding indebtedness of the Issuer and the sufficiency of the Pledged Revenues pledged by the Issuer. Our role in connection with the Issuer's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

**THE FOREGOING OPINIONS** represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result.

Respectfully,

*[An opinion in substantially the following form will be delivered by McCall,  
Parkhurst & Horton L.L.P., Bond Counsel, upon the delivery of the Taxable Series 2019B  
Bonds, assuming no material changes in facts or law.]*

**BOARD OF REGENTS OF  
STEPHEN F. AUSTIN STATE UNIVERSITY  
REVENUE FINANCING SYSTEM  
REVENUE BONDS, TAXABLE SERIES 2019B  
IN THE AGGREGATE PRINCIPAL AMOUNT OF \$15,925,000**

**AS BOND COUNSEL FOR THE BOARD OF REGENTS OF STEPHEN F. AUSTIN STATE UNIVERSITY** (the “Issuer”), we have examined the legality and validity of the bonds described above (the “Bonds”), which bear interest from the dates specified in the text of the Bonds, until maturity or redemption, at the rates and payable on the dates specified in the text of the Bonds and in the “Resolution Authorizing the Issuance of One or More Series of Board of Regents of Stephen F. Austin State University Revenue Financing System Revenue Bonds; Providing for the Security for and Payment of Said Bonds; Establishing Procedures for Selling and Delivering the Bonds; and Approving and Authorizing Instruments and Procedures Relating Thereto” adopted by the Board of Regents on October 29, 2018 (the “Resolution”) authorizing the issuance of the Bonds.

**WE HAVE EXAMINED** the applicable and pertinent provisions of the Constitution and laws of the State of Texas, a transcript of certified proceedings of the Issuer, and other pertinent instruments authorizing and relating to the issuance of the Bonds, including the executed Bond (Bond Number R-1).

**BASED ON SAID EXAMINATION, IT IS OUR OPINION** that said Bonds have been authorized, issued and delivered in accordance with law; and that said Bonds, except as the enforceability thereof may be limited by laws relating to governmental immunity, bankruptcy, insolvency, reorganization, moratorium, liquidation and other similar laws now or hereinafter enacted relating to creditors’ rights generally or by general principle of equity which permit the exercise of judicial discretion, constitute valid and legally binding special obligations of the Issuer secured by and payable from, together with the Issuer’s other Parity Obligations, a lien on and pledge of the Pledged Revenues, such lien being subject to the lien securing any Prior Encumbered Obligations, all as provided in the Resolution.

**WE EXPRESS NO OPINION** as to any federal, state, or local tax consequences of acquiring, carrying, owning, or disposing of the Bonds. In particular, but not by way of limitation, we express no opinion with respect to the federal, state or local tax consequences arising from the enactment of any pending or future legislation.

**WE EXPRESS NO OPINION** as to any insurance policies issued with respect to the payments due for the principal of and interest on the Bonds, nor as to any such insurance policies issued in the future.



**OUR SOLE ENGAGEMENT** in connection with the issuance of the Bonds is as Bond Counsel for the Issuer, and, in that capacity, we have been engaged by the Issuer for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Bonds for federal income tax purposes, and for no other reason or purpose. We have not been requested to investigate or verify, and have not independently investigated or verified any records, data, or other material relating to the financial condition or capabilities of the Issuer, or the disclosure thereof in connection with the sale of the Bonds, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Bonds and have relied solely on certificates executed by officials of the Issuer as to the current outstanding indebtedness of the Issuer and the sufficiency of the Pledged Revenues by the Issuer. Our role in connection with the Issuer's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

**THE FOREGOING OPINIONS** represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result.

Respectfully,

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