

The Texas State University System



COMBINED ANNUAL FINANCIAL REPORT Year Ended August 31, 2016

**Lamar University
Sam Houston State University
Sul Ross State University
Texas State University
Lamar Institute of Technology
Lamar State College-Orange
Lamar State College-Port Arthur
Texas State University System**



November 20, 2016

Honorable Greg Abbott
Governor of Texas

Honorable Glenn Hegar
Texas Comptroller of Public Accounts

Ms. Ursula Parks
Director, Legislative Budget Board

Ms. Lisa R. Collier
First Assistant State Auditor

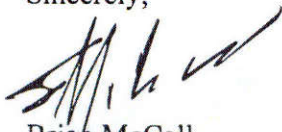
To Agency Heads Addressed:

We are pleased to submit the combined annual financial report of the Texas State University System for the year ended August 31, 2016, in compliance with Texas Government Code Annotated, Section 2101.011 and in accordance with the requirements established by the Comptroller of Public Accounts.

Due to the statewide requirements embedded in Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, the Comptroller of Public Accounts does not require the accompanying annual financial report to comply with all 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 Roland Smith, Vice Chancellor for Finance at (512) 463-1808.

Sincerely,



Brian McCall
Chancellor



The Texas State University System
Combined Annual Financial Report
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TEXAS STATE UNIVERSITY SYSTEM
Organizational Data
For the Fiscal Year Ended August 31, 2016

Board of Regents

Officers

Dr. Jaime R. Garza Chairman
Rossanna Salazar Vice Chairman

Members

<u>Name</u>	<u>City (Texas)</u>	<u>Term Expires</u>
Charlie Amato	San Antonio	2/1/2019
Veronica Muzquiz Edwards	San Antonio	2/1/2021
David Montagne	Beaumont	2/1/2021
Vernon Reaser III	Bellaire	2/1/2019
William F. Scott	Nederland	2/1/2019
Alan L. Tinsley	Madisonville	2/1/2021
Donna N. Williams	Arlington	2/1/2017
Spencer Copeland, Student Regent	Huntsville	5/31/2016

Administrative Officers

System Administration

Brian McCall Chancellor
Fernando C. Gomez Vice Chancellor and General Counsel
John Hayek Vice Chancellor for Academic Affairs
Roland K. Smith Vice Chancellor for Finance
Sean Cunningham Vice Chancellor for Governmental Relations
Peter E. Graves Vice Chancellor for Contract Administration
Carole L. Fox Director of Audits and Analysis

University Presidents

Ken Evans Lamar University
Dana Hoyt Sam Houston State University
William L. Kibler Sul Ross State University
Denise M. Trauth Texas State University
J. Michael Shahan Lamar State College - Orange
Betty Reynard Lamar State College - Port Arthur
Lonnie Howard Lamar Institute of Technology



UNAUDITED

Texas State University System
 Combined Student Enrollment Data
 For the Year Ended August 31, 2016

TYPE OF STUDENT	NUMBER OF STUDENTS BY SEMESTER			
	FALL 2015	SPRING 2016	SUMMER TERM 2016	
			FIRST	SECOND
Texas Residents	70,575	65,488	21,001	4,217
Out of State (Classified as Residents)	716	565	163	0
Out of State	1,019	963	425	50
Foreign	1,457	1,366	527	174
Children of Disabled Firemen or Peace Officers	14	14	2	0
Children of Deceased Public Servants	7	5	3	0
Children of Professional Nurses	1	0	2	0
Peace Officer	95	83	31	10
Concurrent Enrollment	153	60	25	21
Foster Children of the State	105	101	42	6
Good Neighbor	14	12	6	1
High School Honor Scholarship	1	0	0	0
High Ranking Senior	32	32	0	0
Hazelwood Act	3,062	2,846	1,261	200
Senior Citizens	21	16	6	1
Commission for the Blind/Deaf	204	184	87	25
Fireman Exempt	20	20	10	1
Thesis Only	3	3	6	0
Nursing	211	222	173	41
Faculty/Staff	474	414	147	27
Teaching Assistants	926	571	40	5
Competitive Scholarships	1,411	1,329	502	207
Military Personnel and Dependents	799	756	378	4
Louisiana Adjacent County	12	10	3	0
Mexico Pilot	3	4	3	0
National Student Exchange Program	19	10	0	0
Reciprocal Exchange International	27	24	0	0
New Mexico Adjacent County	14	11	6	5
Texas Tomorrow Waiver	343	317	96	0
Adopted Students	182	159	60	8
Pase	6	4	2	1
Distance Learning	3,535	3,482	4,672	585
Family & Consumer Science Alliance Agreement	2	0	0	0
Clinical Preceptor Exempt	14	12	4	0
Beaumont-Louisiana Non-resident	364	329	147	76
Economic Development	4	3	0	0
Multi Texas University	0	0	0	0
TDCJ-54.218 Education Code	257	131	53	18
Trio Grant Math 0301	8	2	1	0
HB 1406 Non US Citizen	95	93	36	0
Totals	<u>86,205</u>	<u>79,641</u>	<u>29,920</u>	<u>5,683</u>

* Texas State University and Lamar Institute of Technology changed to single summer term format in 2012 and 2014, respectively.

Fiscal Year	Enrollment Data (Fall Semester)	
	STUDENTS	SEMESTER HOURS
2016	82,488	918,004
2015	80,754	904,462
2014	79,072	887,096
2013	78,033	872,246
2012	77,128	853,897



**Texas State University System
 Combined Statement of Net Position
 For the Fiscal Year Ended August 31, 2016**

ASSETS & DEFERRED OUTFLOWS

Current Assets:

Cash and Cash Equivalents (Note 3)		
Cash on Hand	\$	152,271.64
Cash in Bank		101,839,596.43
Cash in Transit/Reimbursement from Treasury		2,487,407.05
Cash in State Treasury (schedule 3)		50,560,526.44
Cash Equivalents		309,100,274.14
Securities Lending Collateral		-
Short Term Investments (Note 3)		-
Restricted:		
Cash and Cash Equivalents (Note 3)		-
Cash on Hand		661.17
Cash in Bank		6,962,980.81
Cash in Transit/Reimbursement from Treasury		-
Cash in State Treasury		1,912.58
Cash Equivalents		58,421,431.54
Short Term Investments (Note 3)		28,860,104.44
Legislative Appropriations		66,325,393.96
Receivables from:		
Federal		13,765,386.23
Other Intergovernmental		-
Interest and Dividends		136,859.04
Accounts		118,979,460.63
Gifts, Pledges and Donations		6,158,533.26
Investment Trades		2,909,916.77
Other		7,688,259.18
Interfund Receivables (Note 12)		-
Due From Other Agencies (Note 12)		7,066,677.35
Consumable Inventories		1,006,453.02
Merchandise Inventories		4,104,398.65
Prepaid Items		41,046,866.43
Loans and Contracts		15,039,426.48
Other Current Assets		13,050,664.67
Total Current Assets	\$	855,665,461.91

**Texas State University System
 Combined Statement of Net Position
 For the Fiscal Year Ended August 31, 2016**

Noncurrent Assets:

Restricted:

Cash and Cash Equivalents (Note 3)	-
Cash on Hand	-
Cash in Bank	10,585,131.99
Cash in Transit/Reimbursement from Treasury	-
Cash in State Treasury	-
Cash Equivalents	11,265,981.37
Short Term Investments (Note 3)	-
Receivables	1,425,048.99
Investments (Note 3)	178,250,668.13
Loans and Contracts	536,515.32
Other Assets	-
Loans and Contracts	-
Investments (Note 3)	197,924,361.95
Interfund Receivables	-
Gifts, Pledges and Donations Receivables	2,371,548.23
Capital Assets (Note 2):	-
Non-Depreciable:	-
Land and Land Improvements	95,832,749.84
Infrastructure	-
Construction in Progress	165,097,667.51
Other Capital Assets	10,769,575.10
Depreciable:	-
Buildings and Building Improvements	1,834,642,964.43
Less Accumulated Depreciation	(886,695,459.85)
Infrastructure	113,812,650.04
Less Accumulated Depreciation	(52,864,903.80)
Facilities and Other Improvements	234,221,046.72
Less Accumulated Depreciation	(77,257,991.79)
Furniture and Equipment	155,126,174.27
Less Accumulated Depreciation	(111,076,932.87)
Vehicles, Boats, and Aircraft	17,404,989.32
Less Accumulated Depreciation	(11,143,080.62)
Other Capital Assets	147,030,078.79
Less Accumulated Depreciation	(87,354,188.00)
Amortizable Assets-Intangible	35,252,306.07
Less Accumulated Amortization	(31,948,744.28)
Assets Held in Trust	-
Other Noncurrent Assets	-
Total Noncurrent Assets	1,953,208,156.86
Total Assets	\$ 2,808,873,618.77

**Texas State University System
 Combined Statement of Net Position
 For the Fiscal Year Ended August 31, 2016**

Deferred Outflows of Resources	
Derivative Hedging Instrument Assets	
Deferred Outflow of Resources-Pension	\$ 28,763,377.00
Total Deferred Outflows	<u>28,763,377.00</u>
Total Assets and Outflows	<u>\$ 2,837,636,995.77</u>
LIABILITIES & DEFERRED INFLOWS	
Current Liabilities:	
Payables:	
Accounts	\$ 54,257,611.59
Investment Trades	1,307,609.90
Payroll	33,794,640.34
Other Intergovernmental	-
Federal	707.00
Interest	15,396,122.40
Other	88,392.99
Interfund Payable (Note 12)	-
Due to Other Agencies (Note 12)	1,922,334.29
Unearned Revenues	379,922,587.64
Short Term Debt	162,239.00
Notes and Loans Payable (Note 5)	1,235,000.00
Revenue Bonds Payable, Net (Note 5, 6)	49,140,780.16
General Obligation Bonds Payable, Net (Note 5, 6)	-
Claims and Judgments (Note 5)	-
Employees' Compensable Leave (Note 5)	12,418,420.03
Capital Lease Obligations (Note 5, 8)	-
Contract Retainage Payable	-
Liabilities Payable from Restricted Assets	-
Obligations/Reverse Purchase Agreements	-
Obligations Under Securities Lending	-
Funds Held for Others	5,081,703.22
Other Current Liabilities	1,390,983.19
Total Current Liabilities	<u>\$ 556,119,131.75</u>

Texas State University System
Combined Statement of Net Position
For the Fiscal Year Ended August 31, 2016

Noncurrent Liabilities

Interfund Payables (Note 8)	-
Notes and Loans Payable (Note 5)	\$ 3,676,761.00
Revenue Bonds Payable, Net (Note 5, 6)	810,163,607.35
General Obligation Bonds Payable, Net (Note 5, 6)	-
Claims and Judgments (Note 5)	-
Liabilities Payable from Restricted Assets	
Employees' Compensable Leave (Note 5)	12,379,981.80
Net Pension Liability	146,671,667.00
Capital Lease Obligations (Note 5, 8)	-
Assets Held for Others	-
Pollution Remediation Obligations	-
Other Non-Current Liabilities	1,590,885.60
Total Noncurrent Liabilities	<u>974,482,902.75</u>
Total Liabilities	<u>1,530,602,034.50</u>

Deferred Inflows of Resources

Derivative Instrument Liabilities	-
Deferred Inflow of Resources-Pension	17,789,639.00
Total Deferred Inflows	<u>17,789,639.00</u>
Total Liabilities and Inflows	<u>1,548,391,673.50</u>

NET POSITION

Invested in Capital Assets, Net of Related Debt	691,544,513.37
Restricted for	
Education	4,017,457.39
Debt Retirement	1,647,503.89
Capital Projects	38,203,976.76
Funds Held As Permanent Investments:	
Non-Expendable	125,376,311.12
Expendable	58,311,857.82
Other	49,444,919.91
Unrestricted	<u>320,698,782.01</u>
Total Net Position	<u>\$ 1,289,245,322.27</u>

**Texas State University System
Combined
Statement of Revenues, Expenses and Changes in Net Position
For the Fiscal Year Ended August 31, 2016**

OPERATING REVENUES

Sales of Goods and Services		
Tuition and Fees - Pledged	\$	721,079,267.68
Discounts and Allowances		(184,823,953.04)
Professional Fees - Non-pledged		-
Professional Fees - Pledged		-
Discounts and Allowances		-
Auxiliary Enterprises Non-pledged		-
Auxiliary Enterprises - Pledged		157,926,054.10
Discounts and Allowances		-
Other Sales of Goods and Services Non-pledged		-
Other Sales of Goods and Services - Pledged		23,487,588.49
Discounts and Allowances		-
Interest and Investment Income Non-Pledged		187,180.81
Interest and Investment Income - Pledged		-
Net Increase (Decrease) Fair Market Value Non-Pledged		19,393.57
Net Increase (Decrease) Fair Market Value - Pledged		-
Federal Revenue-Operating		36,344,306.66
Federal Pass Through Revenue		8,850,247.81
State Grant Revenue		5,238,077.85
State Grant Pass Through Revenue		54,166,814.34
Other Grants and Contracts Non-pledged		10,477,483.95
Other Grants and Contracts - Pledged		-
Contribution to Retirement System		
Other Operating Revenues Non-Pledged		690,967.65
Other Operating Revenues - Pledged		12,582,288.36
Total Operating Revenues	\$	846,225,718.23

**Texas State University System
Combined
Statement of Revenues, Expenses and Changes in Net Position
For the Fiscal Year Ended August 31, 2016**

OPERATING EXPENSES

Instruction	\$ 384,041,922.42
Research	55,332,304.09
Public Services	19,542,233.55
Academic Support	130,574,129.26
Student Services	73,709,546.66
Institutional Support	109,146,060.12
Operation and Maintenance of Plant	85,535,504.47
Scholarship and Fellowships	123,668,104.40
Auxiliary Enterprise Expenditures	160,937,032.83
Depreciation and Amortization	91,370,645.82

Total Operating Expenses	1,233,857,483.62
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Operating Income (Loss)	(387,631,765.39)
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NONOPERATING REVENUES (EXPENSES)

Legislative Revenue (GR)	247,830,212.00
Additional Appropriations (GR)	68,333,144.26
Federal Revenue	114,386,151.42
Federal Pass Through Revenue	17,949.70
State Grant Pass-Through Revenue	2,044,148.76
Gifts -Non-pledged	29,251,181.57
Gifts - Pledged	9,291,212.58
Land Income	-
Interest and Investment Income (Expense) Non-pledged	7,446,975.07
Interest and Investment Income (Expense) - Pledged	3,140,464.38
Loan Premium/Fees on Securities Lending	-
Investing Activities Expense	(53,115.75)
Interest Expense and Fiscal Charges	(34,630,786.51)
Borrower Rebates and Agent Fees	-
Gain (Loss) on Sale of Capital Assets	(429,669.01)
Net Increase (Decrease) in Fair Value of Investments Non-pledged	2,481,655.56
Net Increase (Decrease) in Fair Value of Investments - Pledged	1,321,288.22
Settlement of Claims	692,863.40
Other Nonoperating Revenue (Expense) Non-pledged	1,252,902.23
Other Nonoperating Revenue (Expenses) Pledged	(1,415,967.93)

Total Nonoperating Revenues (Expenses)	450,960,609.95
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Income (Loss) before Other Revenues, Expenses, Gains/Losses and Transfers	\$ 63,328,844.56
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**Texas State University System
Combined
Statement of Revenues, Expenses and Changes in Net Position
For the Fiscal Year Ended August 31, 2016**

OTHER REVENUES, EXPENSES, GAINS/LOSSES	
AND TRANSFERS	
Capital Contributions	\$ -
Capital Appropriations (HEAF)	51,715,603.00
Federal Grant-Capital Grant Contributions	362,949.28
Contributions to Permanent and Term Endowments	5,752,860.66
Special Items	-
Extraordinary Items	-
Increase Interagency Transfer Capital Assets (Note 12)	10,695.34
Decrease Interagency Transfer Capital Assets (Note 12)	-
Transfer In (Note 12)	2,299,908.07
Transfer Out (Note 12)	(842,376.31)
Legislative Transfer In (Note 12)	3,432,482.00
Legislative Transfer Out (Note 12)	-
Lapses	(6,135.39)
Total Other Revenues, Expenses, Gains/Losses and Transfers	<u>62,725,986.65</u>
Change in Net Position	<u>126,054,831.21</u>
Net Position, September 1, 2015	1,149,847,081.37
Pension Restatement	13,337,593.47
Restatements (Note 14)	5,816.22
Net Position, September 1, 2015 as Restated	<u>1,163,190,491.06</u>
NET POSITION, August 31, 2016	<u><u>\$ 1,289,245,322.27</u></u>

Texas State University System
Combined Matrix of Operating Expenses Reported by Function
For the Fiscal Year Ended August 31, 2016

Operating Expenses	Instruction	Research	Public Service	Academic Support	Student Services	Institutional Support	Operation and Maintenance of Plant	Scholarship and Fellowships	Auxiliary Enterprises	Depreciation and Amortization	Total Expenses
Cost of Goods Sold	\$ 700.00	\$ -	\$ 44,691.29	\$ -	\$ 79,281.50	\$ 894.28	\$ -	\$ -	\$ 6,318,555.14	\$ -	\$ 7,044,122.21
Salaries and Wages	280,420,533.36	27,516,325.60	9,637,196.84	60,479,291.14	42,773,255.20	58,393,229.36	31,298,578.28	1,601,497.98	39,801,045.21	-	551,920,952.97
Payroll Related Costs	70,900,829.59	5,709,173.37	2,677,732.86	16,248,128.99	12,132,973.00	19,419,753.10	10,872,048.13	11,641.80	11,377,297.07	-	149,349,577.91
Professional Fees and Services	4,794,923.29	10,331,607.09	1,889,437.29	17,477,484.06	4,953,674.89	6,598,045.67	5,066,708.74	6,571.95	15,117,732.24	-	66,238,165.22
Federal Pass-Through Expense	-	63,397.86	-	-	-	-	-	-	-	-	63,397.86
State Grant Pass-Through Exp	-	302,418.88	-	-	-	-	-	-	-	-	302,418.88
Travel	6,213,550.59	2,987,259.30	373,086.78	3,150,342.09	1,817,484.13	1,226,770.53	98,702.36	7,420.75	7,273,765.94	-	23,148,382.47
Materials and Supplies	13,646,962.86	5,823,381.27	1,646,703.71	18,125,234.95	8,208,858.92	7,807,649.85	7,707,343.69	19,992.94	41,874,789.66	-	102,860,917.85
Communication and Utilities	275,911.44	99,520.45	231,171.90	1,114,102.25	1,081,648.85	2,106,642.70	18,911,994.56	-	13,863,131.32	-	37,684,123.47
Repairs and Maintenance	1,696,002.51	95,956.17	209,174.69	3,925,167.91	388,219.65	2,618,571.60	7,592,198.42	-	5,271,071.13	-	21,796,362.08
Rentals and Leases	913,056.01	395,943.64	655,143.59	878,465.66	514,619.27	789,922.62	1,673,562.30	874.30	1,843,897.52	-	7,665,484.91
Printing and Reproduction	827,723.61	522,574.31	106,481.38	484,473.23	1,172,427.37	566,089.36	56,398.00	-	920,193.15	-	4,656,360.41
Depreciation and Amortization	-	-	-	-	-	-	-	-	-	91,370,645.82	91,370,645.82
Bad Debt Expense	446,881.48	14,015.77	34,158.66	140,077.39	80,049.21	224,445.11	-	454,436.08	625,085.52	-	2,019,149.22
Interest	63.81	215.13	169	15.27	9.95	10,342.92	18.80	-	22.51	-	10,690.08
Scholarships	350,643.56	166,900.00	-	187,656.00	112,422.27	117,220.63	-	121,527,132.48	10,352,574.20	-	132,814,549.14
Claims and Judgments	-	-	-	-	-	179,953.79	-	-	-	-	179,953.79
Other Operating Expenses	3,554,140.31	1,303,615.27	2,037,252.87	8,363,710.32	2,394,622.45	9,086,529.61	2,257,951.19	38,536.13	5,697,872.22	-	34,734,229.36
Total Operating Expenses	\$ 384,041,922.42	\$ 55,332,304.09	\$ 19,542,233.55	\$ 130,574,129.26	\$ 73,709,546.66	\$ 109,146,060.12	\$ 85,535,504.47	\$ 123,668,104.40	\$ 160,937,032.83	\$ 91,370,645.82	\$ 1,233,857,483.62

**Texas State University System
Combined
Statement of Cash Flow
For the Fiscal Year Ended August 31, 2016**

Cash Flows from Operating Activities	
Receipts from Customers	\$ 149,286,229.59
Proceeds from Tuition and Fees	430,198,936.09
Proceeds from Research Grants and Contracts	91,959,277.22
Proceeds from Gifts	-
Proceeds from Loan Programs	22,382,576.09
Proceeds from Auxiliaries	157,972,479.53
Proceeds from Other Revenues	22,458,541.67
Payments to Suppliers for Goods and Services	(324,390,356.25)
Payments to Employees for Salaries	(540,681,494.14)
Payments to Employees for Benefits	(125,146,599.88)
Payments for Loans Provided	(23,597,398.16)
Payments for Other Expenses	(110,257,187.26)
Net Cash Provided by Operating Activities	<u>(249,814,995.50)</u>
Cash Flows from Noncapital Financing Activities	
Proceeds from Debt Issuance	-
Proceeds from State Appropriations	317,862,380.79
Proceeds from Gifts	38,941,425.80
Proceeds from Endowments	5,109,834.82
Proceeds of Transfers from Other Funds	10,216,576.40
Proceeds from Grant Receipts	116,614,368.13
Proceeds from Advances from Other Funds	-
Proceeds from Loan Programs	-
Proceeds from Other Financing Activities	2,630,567.42
Proceeds from Contributed Capital	-
Payments of Principal on Debt Issuance	-
Payments of Interest	-
Payments of Other Costs of Debt Issuance	-
Payments for Transfers to Other Funds	(305,542.00)
Payments for Grant Disbursements	-
Payments for Advances to Other Funds	-
Payments for Other Uses	(15,990,495.44)
Net Cash Provided by Noncapital Financing Activities	<u>\$ 475,079,115.92</u>

**Texas State University System
Combined
Statement of Cash Flow
For the Fiscal Year Ended August 31, 2016**

Cash Flows from Capital and Related Financing Activities

Proceeds from the Sale of Capital Assets	\$ 610,990.84
Proceeds from Debt Issuance	2,588,000.00
Proceeds from State Grants and Contracts	-
Proceeds from Federal Grants and Contracts	379,252.49
Proceeds from Gifts	1,000,000.00
Proceeds from Other Financing Activities	29,595,517.00
Proceeds from Capital Contributions	11,553,239.00
Proceeds from Advances from Other Funds	79,929,944.54
Payments for Additions to Capital Assets	(219,240,793.59)
Payments of Principal on Debt	(88,669,000.00)
Payments for Capital Lease	(917,137.71)
Payments of Interest on Debt Issuance	(72,846,807.86)
Payments of Interfund Receivable	
Payments of Other Costs of Debt Issuance	(93,242.63)
Net Cash Provided by Capital and Related Financing Activities	<u>(256,110,037.92)</u>

Cash Flows from Investing Activities

Proceeds from Sales of Investments	142,118,435.16
Proceeds from Interest Income	919,325.72
Proceeds from Investment Income	10,679,467.23
Proceeds from Principal Payments on Loans	-
Payments to Acquire Investments	(211,718,326.80)
Payments for Nonprogram Loans Provided	-
Net Cash Provided by Investing Activities	<u>(58,001,098.69)</u>

Net Increase (Decrease) in Cash and Cash Equivalents	(88,847,016.19)
Cash and Cash Equivalents, September 1, 2015	640,225,191.35
Changes in Accounting Principle	
Changes in Reporting Entity	-
Restatement to Beginning Cash and Cash Equivalents	-
Cash and Cash Equivalents, September 1, 2015 - Restated	<u>640,225,191.35</u>
Cash and Cash Equivalents, August 31, 2016	<u>\$ 551,378,175.16</u>

**Texas State University System
Combined
Statement of Cash Flow
For the Fiscal Year Ended August 31, 2016**

Reconciliation of Operating Income to	
Net Cash Provided by Operating Activities	
Operating Income (Loss)	<u>\$ (387,631,765.39)</u>
Adjustments to Reconcile Operating Income	
to Net Cash Provided by Operating Activities:	
Amortization and Depreciation	91,370,645.82
Bad Debt Expense	2,019,149.22
Pension Expense	3,323,494.01
Operating Income and Cash Flow Categories:	
Classification Differences	-
Changes in Assets and Liabilities:	
(Increase) Decrease in Receivables	(4,636,009.00)
Increase (Decrease) in Due from Other Funds	(2,699,109.93)
(Increase) Decrease in Inventories	(1,557,199.17)
(Increase) Decrease in Prepaid Expenses	(596,671.06)
(Increase) Decrease in Notes Receivable	(1,170,023.55)
(Increase) Decrease in Loans & Contracts	(435,926.32)
(Increase) Decrease in Other Assets	2,812,956.00
(Increase) Decrease in State Appropriations	17,364,418.76
Increase (Decrease) in Payables	18,209,102.36
Increase (Decrease) in Deposits	(14,247.46)
Increase (Decrease) in Due to Other Funds	394,877.69
Increase (Decrease) in Unearned Revenue	14,342,352.18
Increase (Decrease) in Compensated Absence Liability	349,936.04
Increase (Decrease) in Benefits Payable	738,260.34
Increase (Decrease) in Other Liabilities	<u>(1,999,236.04)</u>
Total Adjustment	<u>137,816,769.89</u>
Net Cash Provided by Operating Activities	<u><u>\$ (249,814,995.50)</u></u>

TEXAS STATE UNIVERSITY SYSTEM
NOTES TO THE FINANCIAL STATEMENTS

August 31, 2016

NOTE 1: Summary of Significant Accounting Policies

Entity

The Texas State University System (TSUS) is a Public System of Higher Education of the State of Texas, and its financial records comply with state statutes and regulations, including compliance with the Texas Comptroller of Public Accounts' Reporting Requirements for State Institutions of Higher Education.

The Texas State University System is comprised of System Administration and the following institutions: Lamar University, Sam Houston State University, Sul Ross State University, Texas State University, Lamar Institute of Technology, Lamar State College - Orange, and Lamar State College - Port Arthur. The System's primary role is to provide post secondary educational opportunities for the citizens of the State of Texas. The component institutions also perform research activities and provide public service programs for their constituents.

Due to the statewide requirements embedded in Governmental Accounting Standards Board 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. For fiscal year 2016, the state of Texas implemented the Governmental Accounting Standards Board (GASB) statement 68, *Accounting and Financial Reporting for Pensions*. This statement requires *proprietary* agencies to report on the financial statements, the pension expense and liability incurred by the Texas Teacher Retirement (TRS) system on behalf on the Texas State University System.

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 opinion has not been expressed on the financial statements and related information contained in this report.

Fund Structure

The accompanying financial statements are presented on the basis of funds. A fund is considered a separate accounting entity. The fund designation for institutions of higher education is, a Business Type Activity, within the Proprietary Fund Type.

Note 1 Continued

Proprietary Funds – Business Type Activity

Business type funds are used for activities that are financed through the charging of fees and sales for goods or services to the ultimate user. Institutions of higher education are required to report their financial activities as business type; because, the predominance of their funding comes through charges to students, sales of goods and services, and grant revenues.

Component Units

The fund types of the individual discrete component units are available from the component units' separately issued financial statements. Additional information about component units can be found in Note 19.

Basis of Accounting

The basis of accounting determines when revenues and expenditures or expenses are recognized in the accounts reported in the financial statements. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus.

Business activity type funds (proprietary funds) are accounted for using the full accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time liabilities are incurred. Proprietary funds distinguish operating from non-operating items. Operating revenues and expenses result from providing services or producing and delivering goods in connection with the proprietary funds principal ongoing operations. Operating expenses for the proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets.

Budget and Budgetary Accounting

The operating budget is prepared annually and represents appropriations authorized by the legislature and approved by the Governor (the General Appropriations Act) and other revenues generated by System Administration. Unencumbered appropriations are generally subject to lapse 60 days after the end of the fiscal year for which they were appropriated.

Assets, Liabilities, and Fund Balances/Net Position

ASSETS

Cash and Cash Equivalents

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

Note 1 Continued

Securities Lending Collateral

Investments are stated at fair value in all funds except pension trust funds in accordance with GASB Statement 31-*Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. For pension trust funds, investments are required to be reported at fair value using the accrual basis of accounting in accordance with GASB Statement 25 - *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*. Securities lent are reported as assets on the Statement of Net Assets. The costs of securities lending transactions are reported as expenditures or expenses in the Operating Statement. These costs are reported at gross.

Restricted Assets

Restricted assets include monies or other resources restricted by legal or contractual requirements. These assets include proceeds of enterprise fund general obligation and revenue bonds and revenues set aside for statutory or contractual requirements. Assets held in reserve for guaranteed student loan defaults are also included.

Inventories and Prepaid Items

Inventories include both merchandise inventories on hand for sale and consumable inventories. Inventories are valued at cost, generally utilizing the last-in, first-out method. The consumption method of accounting is used to account for inventories and prepaid items that appear in the proprietary fund types. The cost of these items is expensed when the items are consumed.

Capital Assets

Assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year should be capitalized. These assets are capitalized at cost or, if not purchased, at appraised fair value as of the date of acquisition. Depreciation is reported on all "exhaustible" assets. "Inexhaustible" assets such as works of art and historical treasures are not depreciated. Road and highway infrastructure is reported on the modified basis. Assets are depreciated over the estimated useful life of the asset using the straight-line method.

Current Receivables - Other

Other receivables include year-end revenue accruals not included in any other receivable category.

Note 1 Continued

LIABILITIES

Accounts Payable

Accounts Payable represents the liability for the value of assets or services received at the Statement of Net Assets date for which payment is pending.

Current Payables - Other

Other payables are the accrual at year-end of expenditure transactions not included in any of the other payable descriptions.

Employees' Compensable Leave Balances

Employees' Compensable Leave Balances represent the liability that becomes "due" upon the occurrence of relevant events such as resignations, retirements, and uses of leave balances by covered employees. Liabilities are reported separately as either current or noncurrent in the Statement of Net Assets.

Capital Lease Obligations

Capital Lease Obligations represent the liability for future lease payments under capital lease contracts contingent upon the appropriation of funding by the Legislature. Liabilities are reported separately as either current or noncurrent in the Statement of Net Assets.

Bonds Payable - General Obligation Bonds and Revenue Bonds

General Obligation and Revenue Bonds are accounted for in the proprietary funds by institutions of higher education. The bonds payable are reported at par less unamortized discount or plus unamortized premium. Interest expense is reported on the accrual basis, with amortization of discount or premium. Payables are reported separately as either current or noncurrent in the Statement of Net Assets. Bond proceeds and principal payments are reported in the Statement of Cash Flows.

NET POSITION

The difference between assets and liabilities is "Net Position" on the proprietary fund statements.

Invested in Capital Assets, Net of Related Debt

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

Note 1 Continued

Restricted Net Position

Restricted net assets result when constraints placed on net asset use 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 assets consist of net assets which do not meet the definition of the two *preceding* categories. Unrestricted net assets often have constraints on resources which are imposed by management, but can be removed or modified.

INTERFUND ACTIVITIES AND BALANCES

The Texas State University System has the following types of transactions among funds:

- (1) Transfers: Legally required transfers that are reported when incurred as “Transfers In” by the recipient fund and as “Transfers Out” by the disbursing fund.
- (2) Reimbursements: Reimbursements are repayments from funds responsible for expenditures or expenses to funds that made the actual payment. Reimbursements of expenditures made by one fund for another that are recorded as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund. Reimbursements are not displayed in the financial statements.
- (3) Interfund receivables and payables: Interfund loans are reported as interfund receivables and payables. If repayment is due during the current year or soon thereafter it is classified as “Current”, repayment for two (or more) years is classified as “Non-Current”.
- (4) Interfund Sales and Purchases: Charges or collections for services rendered by one fund to another that are recorded as revenues of the recipient fund and expenditures or expenses of the disbursing fund.

NOTE 2: Capital Assets

All capital assets acquired are reported at cost or estimated historical cost, if actual historical cost is not available. Donated assets are reported at fair value on the acquisition date. Assets are depreciated over the estimated useful life of the asset using the straight-line method.

A summary of changes in Capital Assets for the year ended August 31, 2016 is presented on the next page.

Note 2 Continued

	Balance 9/1/2015	Adjustments	Completed CIP	Interagency	Additions	Deletions	Balance 8/31/2016
BUSINESS-TYPE ACTIVITIES							
Non-Depreciable Assets							
Land and Land Improvements	\$ 88,859,010.54	\$ -	\$ -	\$ -	\$ 7,137,867.99	\$ (164,128.69)	\$ 95,832,749.84
Construction in Progress	105,274,272.96	-	(118,602,483.08)	-	178,730,631.60	(304,753.97)	165,097,667.51
Other Tangible Capital Assets	8,743,110.24	-	-	-	2,026,464.86	-	10,769,575.10
Other Assets	-	-	-	-	-	-	-
Total Non-Depreciable Assets	202,876,393.74	-	(118,602,483.08)	-	187,894,964.45	(468,882.66)	271,699,992.45
Depreciable Assets							
Buildings and Building Improvements	1,729,682,209.98	-	102,422,310.58	-	7,082,569.28	(4,544,125.41)	1,834,642,864.43
Infrastructure	110,190,222.03	-	3,622,428.01	-	-	-	113,812,650.04
Facilities & Other Improvements	218,030,265.17	-	12,493,673.29	-	3,697,108.26	-	234,221,046.72
Furniture and Equipment	147,858,515.95	5,914.80	64,071.20	31,147.00	13,463,842.76	(6,286,557.11)	155,126,174.27
Vehicles, Boats & Aircraft	15,444,757.36	-	-	95,277.79	2,672,964.43	(808,010.26)	17,404,989.32
Other Assets	144,929,311.17	-	-	-	8,678,153.20	(6,577,385.58)	147,030,078.79
Total Depreciable Assets at Historical Costs	2,366,135,281.66	5,914.80	118,602,483.08	126,424.79	35,594,637.93	(18,216,078.36)	2,502,237,903.57
Less Accumulated Depreciation							
Buildings and Building Improvements	(837,328,179.89)	-	-	-	(53,401,185.77)	4,033,905.81	(886,695,459.85)
Infrastructure	(48,947,379.18)	-	-	-	(3,917,524.62)	-	(52,864,903.80)
Facilities & Other Improvements	(68,189,761.14)	-	-	-	(9,068,230.65)	-	(77,257,991.79)
Furniture and Equipment	(103,138,661.91)	(98.58)	-	(9,691.33)	(13,525,641.75)	5,597,160.70	(111,076,932.87)
Vehicles, Boats & Aircraft	(10,590,572.28)	-	-	(95,277.79)	(1,246,202.16)	788,971.61	(11,143,080.62)
Other Capital Assets	(87,282,814.65)	-	-	-	(6,648,758.93)	6,577,385.58	(87,354,188.00)
Total Accumulated Depreciation	(1,155,477,369.05)	(98.58)	-	(104,969.12)	(87,807,543.88)	16,997,423.70	(1,226,392,556.93)
Amortizable Assets-Intangible							
Computer Software	35,258,056.07	-	-	-	-	(5,750.00)	35,252,306.07
Total Amortizable Assets-Intangible	35,258,056.07	-	-	-	-	(5,750.00)	35,252,306.07
Less Accumulated Amortization							
Computer Software	(28,391,392.34)	-	-	-	(3,563,101.94)	5,750.00	(31,948,744.28)
Total Accumulated Amortization	(28,391,392.34)	-	-	-	(3,563,101.94)	5,750.00	(31,948,744.28)
Capital Assets, Net	\$ 1,420,400,970.08	\$ 5,816.22	\$ (0.00)	\$ 21,455.67	\$ 132,118,956.56	\$ (1,687,537.32)	\$ 1,550,848,900.80

NOTE 3: Deposits, Investments, & Repurchase Agreements

The Texas State University System (TSUS) is authorized to invest operating funds in obligations and instruments as defined in the Public Funds Investment Act (Sec. 2256.001 Texas Government Code) and the Public Funds Collateral Act (Texas Government Code 2257). The *Operating Funds Investment Policy* of TSUS is designed to fulfill the following objectives:

- Provide the maximum safety of invested principal;
- Ensure liquidity for all operating requirements which may be reasonably anticipated;
- Manage interest-rate risk;
- Maximize overall return within the established risk constraints; and
- Provide for diversification of investment assets.

Endowment funds represent private funds including, but not limited to, gifts of property, stock, and real assets, donated to TSUS or its components to provide funding for scholarships, fellowships, professorships, academic chairs, and other uses as specified by the donors. It is the policy of TSUS or its components to invest endowment funds in accordance with the Uniform Prudent Management of Institutional Funds Act (UPMIFA), Texas Property Code Chapter 163.

Deposits of Cash in Banks

As of August 31, 2016, the carrying value of demand deposits at local banks was \$119,387,709.23 as presented below:

Current Assets Cash in Banks	\$	101,839,596.43
Current Assets Restricted Cash in Banks		6,962,980.81
Noncurrent Assets Restricted Cash in Banks		<u>10,585,131.99</u>
Cash in Bank per AFR	\$	<u>119,387,709.23</u>

At August 31, 2016, the actual balance on deposit with local banks was \$111,583,984.36.

Investments

The carrying and fair values of investments as of the Statement of Net Assets date (both short and long term) are shown on the next page.

Note 3 Continued -Investments

BUSINESS-TYPE ACTIVITIES	<u>Fair value</u>
U.S. Treasury Securities	\$ 16,338,388.73
U.S. Treasury Strips	
U.S. Treasury Tips	-
U.S. Government Agency Obligations	15,098,314.50
U.S. Government Agency Obligations (Tx Treasury Safekeeping)	10,000.00
Corporate Obligations	29,199,965.74
Corporate Asset and Mortgage Backed Securities	25,239,872.90
Equity	146,524,371.24
International Obligations (Govt and Corp)	-
International Equity	6,628,754.10
International Other Commingled Funds	
Repurchase Agreements	-
Fixed Income Money Market and Bond Mutual Funds	148,213,221.42
Other Commingled Funds	17,756,245.89
Other Commingled Funds - Texpool	378,787,687.05
Commercial Paper	-
Real Estate	26,000.00
Miscellaneous	-
Total	<u><u>\$ 783,822,821.57</u></u>
Current Cash Equivalents	\$ 309,100,274.14
Current Short Term Investments	28,860,104.44
Current Restricted Cash Equivalents	58,421,431.54
Current Restricted Short Term Investments	-
Non-Current Restricted Cash Equivalents	11,265,981.37
Non-Current Restricted Short Term Investments	-
Non-Current Restricted Investments	178,250,668.13
Non-Current Investments	197,924,361.95
Total as Above	<u><u>\$ 783,822,821.57</u></u>

Note 3 Continued

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The *Operating Funds Investment Policy* of the Texas State University System allows the investment of State funds in corporate bonds to be 25% to 100% of the total portfolio. The bonds must be rated in one of the four highest rating categories (AAA, AA, A, BBB).

As of August 31, 2016 the System's credit quality distribution for securities with credit risk exposure was as follows.

STANDARDS & POOR'S

Investment Type	AAA	AA	A	BBB	BB	B	Total
U.S. Government Agency Obligations	\$16,338,388.73	\$15,098,314.50					\$31,436,703.23
Corporate Obligations		2,150,705.50	11,878,724.49	9,720,977.60	250,512.90	201,925.60	24,202,646.09
Corporate Asset & Mortgage Backed Securities	6,960,858.45	170,684.55		66,328.74			7,197,871.72
Misc - Preferred Securities				40,120.00			40,120.00
International Obligations	2,408,700.65	580,661.20	1,296,756.00				4,286,117.85
Total	\$25,707,947.81	\$18,000,365.75	\$13,175,480.49	\$9,827,426.34	\$250,312.90	\$201,925.60	\$67,163,458.89

NOTE 4: Short-Term Debt

The following short-term debt outstanding as of August 31, 2016:

BUSINESS - TYPE ACTIVITIES	Beginning Balance			BALANCE
	08/01/15	Increases	Decreases	
Short-Term Debt CP Notes	\$ -	\$ 2,588,000.00	\$ 2,425,761.00	\$ 162,239.00

Short-Term Debt Commercial Paper Notes:

On May 22, 2014 the Board of Regents, Texas State University System considered and adopted the Eighteenth Supplemental Resolution to the Master Resolution Establishing the Texas State University System Revenue Financing System Commercial Paper Program, Series A. The Eighteenth Supplement authorizes the issuance of Commercial Paper Notes by the Texas State University System in an aggregate principal amount not to exceed \$240,000,000 at any one time outstanding for the purpose of financing project costs of eligible projects and to refinance, renew, or refund commercial paper notes, prior encumbered obligations and parity debt, including interest thereon. Non Taxable commercial paper was issued during the fiscal year to finance various construction projects. All commercial paper outstanding at August 31, 2016 will mature in fiscal year 2017 or will be rolled into a long term bond. Commercial paper has short maturities up to 270 days with interest rates ranging during the fiscal year from .18% to .65%.

NOTE 5: Summary of Long-Term Liabilities

Changes in Long-Term Liabilities

During the year ended August 31, 2016, the following changes occurred in long-term liabilities.

BUSINESS TYPE ACTIVITIES	BALANCE 9/1/2015	ADJUSTMENTS*	ADDITIONS	REDUCTIONS	BALANCE 8/31/2016	AMOUNTS DUE WITHIN ONE YEAR
Revenue Bonds Payable	\$ 906,530,167.68			\$ 47,225,780.17	\$ 859,304,387.51	\$49,140,780.16
Compensable Leave	24,553,884.87		6,098,900.21	5,854,383.25	24,798,401.83	12,418,420.03
Notes and Loans Payable	-		5,525,761.00	614,000.00	4,911,761.00	1,235,000.00
TOTALS	\$ 931,084,052.55	\$ -	\$ 11,624,661.21	\$ 53,694,163.42	\$ 889,014,550.34	\$62,794,200.19

*Adjustments includes current year amortization of premiums and discounts.

Bonds Payable

See Note 6 for a discussion of Bonds Payable.

Compensable Leave

A state employee is entitled to be paid for any unused vacation time accrued, in the event of the employee's resignation, dismissal, or separation from State employment, provided the employee has had continuous employment with the State for six months. An expense and liability for Business Type Activities are recorded in the accounts as the benefits accrue to employees. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

Notes and Loans Payable

The Notes and Loans Payable consist of a \$3.1 million loan for the purchase of an office building from the Board of Regents of the University of Texas System at a rate of 1.50%. Also, included is commercial paper outstanding that will be rolled into a long term bond.

Capital Leases

As of August 31, 2016 the Texas State University System had no Capital Leases.

Claims and Judgments

As of August 31, 2016 the Texas State University System had no Claims and Judgments.

NOTE 6: Bonded Indebtedness

The Board of Regents approved the order establishing the Master Resolution for the Texas State University System Revenue Financing System in August 1998. The Master Resolution provides a financing structure under which revenue supported indebtedness of the Revenue Financing System can be incurred. Each component institution and the System Administration of TSUS are members of the Revenue Financing System. The Board pledged all of the funds (revenues) and balances derived or attributable to any member of the Revenue Financing System that is lawfully available to the Board for payments on Parity Debt. Specifically exempted from pledged revenues are:

- (a) Amounts received on behalf of any member under Article 7, Section 17 of the Constitution of the State of Texas, including the income therefrom and any balances relating thereto, and
- (b) General Revenue Fund appropriations, except to the extent so specifically appropriated for debt service to the Board by the Legislature of the State of Texas.

Members may use the Revenue Financing System as a long-term debt program to acquire, purchase, construct, improve, renovate, enlarge, or equip property, buildings, structures, facilities, roads, or related infrastructure. An institution's request for the use of the Revenue Financing System is evaluated for an adequate revenue stream and bonding capacity for the specific institution prior to Board approval of issuing additional parity debt.

Each component institution receives its portion of the bond proceeds and accounts for the earnings and disbursements of the bond proceeds. Assets created and/or acquired as a result of the Revenue Financing System bond proceeds expended and subsequently capitalized are reported on the component institutions' Financial Reports. The associated bond liability and debt service activities are reported in total by the TSUS - System Administration.

The following outstanding bonds have been issued utilizing the Revenue Financing System:

Revenue Financing Revenue Bonds, Series 2006

- To provide funds to purchase certain student housing and educational facilities located at Texas State University Lamar University, and Angelo State University and financed by a Chapter 53, Texas Education Code non-profit corporation for the benefit of Texas State University System Foundation, Inc. and related entities and to pay cost of issuance related to the bonds.
- \$140,260,000 par value; all authorized bonds have been issued for Bobcat Village Texas State University - \$39,075,000; San Marcos Hall Texas State University – \$39,690,000; Cardinal Village Lamar University - \$44,270,000; Texan Hall Angelo State University - \$17,225,000 and issuance costs.
- Issued June 8, 2006.
- Source of revenue for debt service – Revenue Financing System.

Note 6 Continued

Revenue Financing Revenue Bonds, Series 2006A

- To provide funds to acquire, purchase, construct, improve, renovate, enlarge, or equip property, buildings, structures, facilities, roads, or related infrastructure and to pay any costs related to the issuance of the bonds.
- \$23,475,000 par value; all authorized bonds have been issued to Lamar University (\$16,700,000) and to Texas State University (\$6,300,000) and issuance costs.
- Issued September 1, 2006.
- Source of revenue for debt service – Revenue Financing System.

Revenue and Refunding Bonds, Series 2008

- To provide funds to acquire, purchase, construct, improve, renovate, enlarge, or equip property, buildings, structures, facilities, roads, or related infrastructure and to pay any costs related to the issuance of the bonds.
- \$207,395,000 par value; all authorized bonds have been issued to Sam Houston State University (\$50,000,000) and to Texas State University (\$145,671,999), to partially refund Series 1998A - \$5,270,000 and Series 1998B - \$13,270,000, and issuance costs.
- Issued August 19, 2008.
- Source of revenue for debt service – Revenue Financing System and the Texas Legislature has appropriated General Revenue Funds in the 2016-2017 biennium for the Tuition Revenue financed share, \$11,716,865 of the issued bonds.

Revenue Financing Revenue Bonds, Series 2009

- To provide funds to acquire, purchase, construct, improve, renovate, enlarge, or equip property, buildings, structures, facilities, roads, or related infrastructure and to pay any costs related to the issuance of the bonds.
- \$86,745,000 par value; all authorized bonds have been to Lamar University (\$45,700,861), Sam Houston State University (\$3,200,000), Texas State University (\$41,342,900) and issuance costs.
- Issued June 30, 2009.
- Source of revenue for debt service – Revenue Financing System and the Texas Legislature has appropriated General Revenue Funds in the 2016-2017 biennium for the Tuition Revenue financed share, \$634,075 of the issued bonds.

Revenue Financing System Refunding Bonds, Series 2010

- To provide funds to refund a portion of the University System's outstanding obligations for debt service savings and to pay any costs related to the issuance of the bonds.
- \$99,950,000 par value; all authorized bonds have been issued for debt refunded: Series 2001 - \$4,245,000; Series 2002 - \$83,955,000; Series 2003 - \$16,640,000 and issuance costs.
- Issued August 12, 2010.
- Source of revenue for debt service – Revenue Financing System and the Texas Legislature has appropriated General Revenue Funds in the 2016-2017 biennium for the Tuition Revenue financed share, \$17,576,750 of the issued bonds.

Note 6 Continued

Revenue Financing Revenue Bonds, Series 2010A

- To provide funds to acquire, purchase, construct, improve, renovate, enlarge, or equip property, buildings, structures, facilities, roads, or related infrastructure and to pay any costs related to the issuance of the bonds.
- \$65,735,000 value; all authorized bonds have been issued to Lamar State College Port Arthur (\$1,849,500), Sam Houston State University (\$18,000,000), Texas State University (\$46,125,000) and issuance costs.
- Issued August 19, 2010.
- Source of revenue for debt service – Revenue Financing System and the Texas Legislature has appropriated General Revenue Funds in the 2016-2017 biennium for the Tuition Revenue financed share, \$230,200 of the issued bonds.

Revenue Financing Revenue Bonds, Series 2011

- To provide funds to acquire, purchase, construct, improve, renovate, enlarge, or equip property, buildings, structures, facilities, roads, or related infrastructure and to pay any costs related to the issuance of the bonds.
- \$86,775,000 par value; all authorized bonds have been issued to Sam Houston State University (\$25,500,000), Texas State University (\$66,468,000) and issuance costs.
- Issued June 14, 2011.
- Source of revenue for debt service – Revenue Financing System.

Revenue and Refunding Bonds, Series 2012

- To provide funds to acquire, purchase, construct, improve, renovate, enlarge, or equip property, buildings, structures, facilities, roads, or related infrastructure and to pay any costs related to the issuance of the bonds.
- \$27,860,000 par value; all authorized bonds have been issued to Sam Houston State University (\$1,000,000), Texas State University (\$12,300,000) and Lamar State College Port Arthur (1,995,000) for debt refunded: Series 2002 - \$3,200,000; Series 2003 - \$12,535,000.
- Issued February 14, 2012.
- Source of revenue for debt service – Revenue Financing System and the Texas Legislature has appropriated General Revenue Funds in the 2015-2016 biennium for the Tuition Revenue financed share, \$960,600 of the issued bonds

Revenue and Refunding Bonds, Series 2013

- To provide funds to acquire, purchase, construct, improve, renovate, enlarge, or equip property, buildings, structures, facilities, roads, or related infrastructure and to pay any costs related to the issuance of the bonds.
- \$87,060,000 par value; all authorized bonds have been issued to Sam Houston State University (\$5,500,000), Texas State University (\$64,368,000), and Lamar University (3,000,000) and to Lamar State College Orange (5,181,119) for debt refunded: Series 2004 - \$16,195,000; and issuance costs.
- Issued February 12, 2013.
- Source of revenue for debt service – Revenue Financing System

Note 6 Continued

Revenue and Refunding Bonds, Series 2014

- To provide funds to acquire, purchase, construct, improve, renovate, enlarge, or equip property, buildings, structures, facilities, roads, or related infrastructure and to pay any costs related to the issuance of the bonds.
- \$88,415,000 par value; all authorized bonds have been issued to Sam Houston State University (\$8,000,000), Texas State University (\$57,600,000), and for debt refunded: Series 2004 - \$23,435,000; and issuance costs.
- Issued July 2, 2014.
- Source of revenue for debt service – Revenue Financing System

Revenue and Refunding Bonds, Series 2015A

- To provide funds to acquire, purchase, construct, improve, renovate, enlarge, or equip property, buildings, structures, facilities, roads, or related infrastructure and to pay any costs related to the issuance of the bonds.
- \$183,560,000 par value; all authorized bonds have been issued to Sam Houston State University (\$74,900,000) and for debt refunded: Series 2005 - \$27,165,000; Series 2006A - \$14,900,000; Series 2008 – \$82,260,000 and issuance costs.
- Issued March 18, 2015.
- Source of revenue for debt service – Revenue Financing System and the Texas Legislature has appropriated General Revenue Funds in the 2016-2017 biennium for the Tuition Revenue financed share, \$10,296,627 of the issued bonds.

Revenue and Refunding Bonds, Series 2015B

- To provide funds to acquire, purchase, construct, improve, renovate, enlarge, or equip property, buildings, structures, facilities, roads, or related infrastructure and to pay any costs related to the issuance of the bonds.
- \$132,160,000 par value; all authorized bonds have been issued to Sam Houston State University (\$8,000,000), Texas State University (\$26,000,000), and for debt refunded: Series 2006 - \$92,930,000; and issuance costs.
- Issued March 18, 2015.
- Source of revenue for debt service – Revenue Financing

DEFEASED BONDS

There were no bonds defeased in fiscal year 2016.

NOTE 7: Derivative Instruments

The combined Texas State University System had no derivative activity to report.

NOTE 8: Leases**Operating Leases**

Operating lease payments are recorded as expenses during the life of the lease. Rental expenses related to operating leases for the year ended August 31, 2016, are \$1,661,012.86. Future minimum lease rental payments under non-cancelable operating leases having an initial term in excess of one year are shown below:

Noncancelable Operating Lease Obligations**Year Ending August 31**

2017	1,752,513.82
2018	1,703,091.14
2019	1,488,776.47
2020	1,226,634.56
2021	392,069.41
2022	163,793.77
2023	108,193.55
2024	108,193.55
2025	108,193.55
2026	108,193.55
2027	26,118.84
2028	26,118.84
2029	26,118.84
2030	26,118.84
2031	26,118.84
2032	27,706.55
TOTAL	<u>\$ 7,317,954.12</u>

Capital Leases

As of August 31, 2016 the combined Texas State University System had no Capital Lease obligations.

NOTE 9: Pension Plans and Optional Retirement Program
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Teacher Retirement System Pension

The state of Texas implemented the Governmental Accounting Standards Board (GASB) statement 68, *Accounting and Financial Reporting for Pensions*. This statement requires *proprietary* agencies to report on the financial statements, the pension expense and liability incurred by the Texas Teacher Retirement (TRS) system on behalf on the Texas State University System.

TRS uses the flow of economic resources measurement focus and full accrual basis of accounting for purposes of measuring the net pension liability, deferred outflows and inflows of resources, and pension expense. The net pension liability was measured as of August 31, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation. Texas State University system's proportion of the net pension liability was based on its contribution to the pension plan relative to the contributions of all state agencies and universities.

The Texas Comptroller's Office reduced the Pension Expense by \$13,337,593.47 in fiscal year 2015 when combined with this 2016 pension expenses the net is an increase in fund balance of \$10,014,099.46.

	Statement of Net Position	
Net pension Liability	\$	27,744,036.87
Deferred inflows		(19,195,646.63)
Deferred outflows		(18,562,489.70)
Total effect	\$	<u>(10,014,099.46)</u>

	Changes in Net Position	
Pension Expenses	\$	14,236,907.00
Pension Contribution Offset		(11,940,542.00)
Other Operating Expense		1,027,129.01
Restatement by Comptroller		(13,337,593.47)
Total effect	\$	<u>(10,014,099.46)</u>

Optional Retirement Plan Contribution

In 1970, the State established an Optional Retirement Program (ORP) for institutions of higher education. Participation in ORP is optional to participation in the Teacher Retirement System and is limited to faculty positions and administrative positions that are filled subject to a process including a national search. The ORP plan is administered by the employee. Neither, the State of Texas nor the university system has any liability for the plan and the plan has no effect on the

Note 9 Continued

Texas State University System's financial statements. Contributions made by plan members and employers for the fiscal year ended August 31, 2016 follows:

Optional Retirement Plan Contributions for year ending August 31, 2016	
Member Contributions	\$ 11,680,303
Employer Contributions	12,810,251
Total	\$ 24,490,554

NOTE 10: Deferred Compensation (administering agencies only)

Not Applicable. The Employees Retirement System will report the plans, balances, and liabilities for the State.

NOTE 11: Postemployment Health Care and Life Insurance Benefits

Not Applicable. The Employees Retirement System (OPEB) will report the plans, balances, and liabilities for the State.

NOTE 12: Interfund Activity and Transactions

As explained in Note 1 on Interfund Activities and Balances, there are numerous transactions between funds and agencies. The Texas State University System experienced routine transfers within the System which were eliminated for the combined presentation.

Transfers with other State agencies and universities were consistent with the activities of the fund making the transfer. Repayment of interagency balances will occur within one year from the date of the financial statements.

NOTE 13: Continuance Subject To Review

The Texas State University System is not subject to the Texas Sunset Act.

NOTE 14: Adjustments to Fund Balances and Net Position

During fiscal year 2016 the adjustments were made that required a restatement to net position.

Net Position- September 1, 2015	\$	1,149,847,081.37
Adjustment to Pension restatement by Comptroller		13,337,593.47
Net Position - September 1, 2015 reported on CAFR	\$	1,163,184,674.84
Adjustment for capital assets and depreciation		5,816.22
Restated Net Position- September 1, 2015	\$	1,163,190,491.06

NOTE 15: Contingencies and Commitments

At August 31, 2016, various lawsuits and claims involving the Board of Regents, Texas State University System and the Universities and Colleges within the system were pending. While the ultimate liability with respect to litigation and other claims asserted against the Board of Regents cannot be reasonably estimated at this time, such liability, to the extent not provided for by insurance or otherwise, is not likely to have a material effect on the Board of Regents, Texas State University System. Under Texas law, the Texas State University System, as an agency of the State of Texas, enjoys immunity from most causes of action. A solid majority of such claims are dismissed prior to trial.

Lamar State College Orange has a potential repayment to the Texas Division of Emergency Management for Hurricane Ike damages incurred by the campus in 2008. In 2016 Orange booked a liability of \$619,153 and there is a potential that the repayment could reach \$1,347,000. Orange has an outstanding appeal with the Federal Emergency Management Agency (FEMA).

NOTE 16: Subsequent Events

Texas State University System has intent to issue debt in the fiscal year 2017 as indicated in the following table.

Bond Issuance Series	Amount	Date of Issuance	Purpose
Revenue Bonds 2017	\$12,500,000	Jan-17	LIT - Technical Arts Buildings (Renovation and New Construction)
Revenue Bonds 2017	\$10,000,000	Jan-17	LSC-O - Multipurpose Educational Building (New Construction)
Revenue Bonds 2017	\$8,080,000	Jan-17	LSC-PA - Facility Expansion for Technical Arts (New Construction)
Revenue Bonds 2017	\$60,000,000	Jan-17	LU - Science and Technology Building (New Construction)
Revenue Bonds 2017	\$48,000,000	Jan-17	SHSU - Biology Laboratory Building (New Construction)
Revenue Bonds 2017	\$6,240,000	Jan-17	SRSU - Renovation of Educational Facility - (New Construction)
Revenue Bonds 2017	\$63,000,000	Jan-17	Texas State University - Engineering & Science Biding (New Construction)
Revenue Bonds 2017	\$48,600,000	Jan-17	Texas State University - R R Health Professions I (New Construction)
Revenue Bonds 2017	\$41,425,366	Jan-17	Texas State University - LBJ Student Center (New Construction)
	\$297,845,366		

NOTE 17: Risk Management

As with any state agency, System Administration may be subject to a variety of civil claims or complaints arising from the performance of its duties although no claims or complaints are currently pending against System Administration for actions arising from performance of its duties. It is System Administration's policy periodically to assess the proper combination of commercial insurance and retention of risk to cover losses to which it may be exposed. Currently purchase of commercial insurance is not planned nor is System Administration involved in any risk pool with other government entities for these risks.

NOTE 18: Management Discussion and Analysis

Not Applicable.

Management Discussion and Analysis is a required part of the basic financial statements. Management Discussion and Analysis is omitted because The Texas State University System is reported as a component of the State of Texas. Management Discussion and Analysis as it relates to The Texas State University System can be found in the Comprehensive Annual Financial Report for the State of Texas.

NOTE 19: The Financial Reporting Entity

The combined Texas State University System has the following component units and related parties.

COMPONENT UNITS

Component Units (CUs) are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, CUs can be other organizations for which the nature and significance of their relationship with the primary government is such that exclusion would create misleading or incomplete financial statements.

The Texas State University at San Marcos has the following blended component units:

The Texas State University Research Foundation (Research Foundation) was formed as an independent 501(c) (3) organization on July, 22, 2010. The Research Foundation was formed to support the university's mission and objectives of promoting higher education, conducting research, providing public service, and assisting in economic development in Texas. The Research Foundation has a fiscal year end of February 28 and is exclusively associated with the university.

Note 19 Continued

The Research Foundation is included in the financial statements of Texas State University as a blended component unit in accordance with GASB Statement 14 as amended by GASB Statement 39. The key business officers of the University comprise the entirety of the Research Foundation's officers and directors, thereby giving the University the ability to impose its will on the Research Foundation.

During fiscal year ending February 29, 2016 and February 28, 2015, the Research Foundation incurred expenses in the amount of \$57,482.38 and \$150,000.00 respectively.

The Harold M. Freeman Education Foundation (Freeman Foundation) is a legally separate entity formed through a trust to make use of the Freeman Ranch available exclusively to Texas State University. The Freeman Center is used and operated solely for farm, ranch and game management, education, and research purposes in connection with the educational activities of Texas State University. There is no formal governing board for the Freeman Foundation. Texas State University acts as an active co-trustee to operate the ranch. Frost Bank operates as an inactive trustee to ensure the provisions of the trust are followed. Based on the Freeman Foundation being closely related to Texas State University, the Freeman Foundation is included as a blended component unit. Separate financial statements are not issued by the Freeman Foundation.

RELATED ORGANIZATIONS

The following foundations and organizations, while not components units, are disclosed due to their significant relationship with the System and its components.

Texas State University System Foundation

The Texas State University System Foundation was established in 1977 by the Board of Regents to assist the System in gaining private financial support, and to help component institutions pursue additional education-related activities and outreach. It is a nonprofit corporation that exists solely for the benefit of the Texas State University System. It has an independent board of directors that governs Foundation activities and manages Foundation funds. During fiscal year 2016, the Foundation had net assets of \$4,675,306.. The Foundation provided \$1,188,253 in scholarships and faculty/staff awards, as well as assistance to constituent schools, the Chancellor and Board of Regents.

Lamar University**Lamar University Foundation**

The Lamar University Foundation is a nonprofit organization with the sole purpose of supporting educational activities of Lamar University. The Foundation solicits donations and acts as coordinator of gifts made by other parties. The Foundation remitted restricted gifts of \$2,924,587.95 to the University during the year ended August 31, 2016. During the fiscal year the University furnished certain services, such as office space and utilities, to the Foundation, for which the Foundation was billed at cost, \$238,244.08. Accounts receivable of \$701,174.71 are due from the Foundation at August 31, 2016.

Note 19 Continued

Lamar Institute of Technology

Lamar Institute of Technology Foundation

The Lamar Institute of Technology Foundation is a nonprofit organization with the sole purpose of supporting educational activities of Lamar Institute of Technology. The Foundation solicits donations and acts as coordinator of gifts made by other parties. The Foundation remitted restricted gifts of \$120,602.56 to the Institute during the year ended August 31, 2016.

Lamar State College – Orange

Lamar State College-Orange Foundation, Inc

Lamar State College-Orange Foundation, Inc. is a non-profit organization, which was established in December 1983, to support the development and promotion of Lamar State College-Orange, its students, faculty, staff, and physical facilities. Neither the balance nor the transactions of this organization's fund are reflected in the financial statements during the year ended August 31, 2016. Lamar State College-Orange received \$160,000 during the year ended August 31, 2016.

Lamar State College - Port Arthur

Port Arthur Higher Education Foundation

The Port Arthur Higher Education Foundation is a non-profit organization which was established for the purpose of cooperating with and working on behalf of the College. Neither the transactions of this organization or its fund balances are reflected in the financial statements during the year ended August 31, 2016. The Port Arthur Higher Education Foundation gave \$181,782.28 in scholarship money directly to Lamar State College Port Arthur students during the year ended August 31, 2016.

Lamar Port Arthur Alumni Association

The Lamar Port Arthur Alumni Association is a non-profit organization which was established for the purpose of cooperating with and working on behalf of the College. Neither the transactions of this organization or its fund balances are reflected in the financial statements during the year ended August 31, 2016.

Sam Houston State University

The Sam Houston Foundation

The Sam Houston University Foundation was formed in 2011 to support the educational, scientific, athletic, and research mission of Sam Houston State University. The Foundation raises and manages fund designated for support to the university. In total, the Foundation Board reported payments of \$2,395,336.56 for university support.

Note 19 Continued

Sul Ross State University

Sul Ross State University Friends of the Center for Big Bend Studies Inc.

Sul Ross State University Friends of the Center for Big Bend Studies Inc. was formed in 2003 to seek, receive, and disperse funding in support of the programs of the Sul Ross State University Center for Big Bend Studies. During 2015, the Friends of the Center for Big Bend Studies expended \$ 386,998.75 in support of the Center for Big Bend Studies.

Sul Ross State University Support Organization

Sul Ross State University Support Organization was formed in 2003 exclusively for charitable, educational, and scientific purposes. During 2016, the Support Organization expended \$46,526.86 in support of the mission and programs of the University.

Texas State University

The State University Development Foundation

The Texas State University Development Foundation was formed in 1977 to support the educational, scientific and research mission of Texas State. The Development Foundation raises and manages endowment funds designated for scholarships and other support for the university. In total, the Development Foundation Board reported payments of \$6,270,394.62 for university support and \$1,462,976.57 for student scholarships from Development Foundation funds during the fiscal year ended August 31, 2016. The Development Foundation received restricted gifts of \$4,385,936.77 and temporarily restricted gifts of \$451,497.51 during the same period.

The McCoy College of Business Administration Development Foundation

The McCoy College of Business Foundation (Foundation), a 501.c.3, founded in 2004, is dedicated exclusively to the support of The McCoy College of Business at Texas State University. The Foundation Board of Directors manages the Foundation's investments and decides annually on the amount of funds to transfer from the endowments to the McCoy College of Business in support of chairs, professorships, undergraduate scholarships, graduate fellowships, faculty development, program development and student development.

Based upon estimated, unaudited, figures during the fiscal year ending August 31, 2016 the Foundation approved an \$895,787.20 distribution to the university to be made from endowments; received new contributions of \$545,738.30 for endowments; and, ended the fiscal year with accrued assets and liabilities of \$34,660,578.00 and \$19,286.00 respectively. The Foundation pays for its own operating expenses (including staff salaries, accounting, supplies and auditing), which is estimated at approximately 0.3% of the assets of the Foundation. Fees for investment management were approximately 1% of the assets.

Note 19 Continued

Texas State University Support Foundation

The Texas State University Support Foundation was formed exclusively for charitable, educational and scientific purposes to assist in the development of the university. During the year ended August 31, 2016, the Foundation began the process of dissolving its operations, donating \$200,000.00 in cash and land valued at \$93,605.00 to the university. Remaining funds were deposited as agency funds with the university to manage residual obligations.

Financial activity of the Support Foundation as of and for the years ended August 31, 2016 included \$293,604.67 in direct support of the university and \$38,539.33 deposits held in trust at the university.

Texas State Alumni Association

The efforts and funds of the Texas State Alumni Association are dedicated to Texas State University for student scholarships, campus support, and alumni outreach activities. . During FY 2016 the Association reported payments of \$18,250.00 in student scholarships. At August 31, 2016, Texas State University held \$451,383.06 in deposits considered Held in Trust for Others – Agency Funds on behalf of the Alumni Association. Agency funds are assets not owned by the university but held in custodianship, to be used or withdrawn by the depositors at will. The Agency funds resources, including those of the Alumni Association, are reflected in the university’s financial records as cash and cash equivalents with a corresponding liability to the depositing organizations.

NOTE 20: Stewardship, Compliance and Accountability

The Texas State University System is not aware of any non-compliance items or material violation of financial related issues.

NOTE 21: Not Applicable to the AFR

NOTE 22: Donor-Restricted Endowments

The net appreciation (cumulative and unexpended) on donor-restricted endowments presented below is available for authorization and expenditure by each university. Each institution’s spending for endowments reflects an objective to distribute as much of the total return as is consistent with overall investment objectives while protecting the real value of the endowment corpus. True endowments require the principal to be maintained inviolate and in perpetuity.

Note 22 Continued

Term endowments allow the principal to be expended after the passage of a stated period of time and all conditions of the endowment are met. Expendable funds are those funds that may be expended for either a stated purpose or for a general purpose as per the endowment gift terms. Nonexpendable funds are those required to be retained in perpetuity.

The Uniform Prudent Management of Institutional Funds Act, Texas Property Code, Chapter 163, provides general guidelines on how endowments should be maintained. An institution may appropriate for expenditures or accumulate as much as the institution determines prudent for the uses, benefits, purposes and duration of the endowment. Each institution sets the amounts and/or percentage of net appreciation on endowment investments that are authorized for expenditures. The target distribution for Texas State University System institutions is between 3% and 5%.

Following is a table showing expendable and nonexpendable endowments for the Texas State University System for FY 2016:

DONOR RESTRICTED ENDOWMENT	AMOUNT OF NET APPRECIATION
True Endowments - Expendable	\$ 42,236,982.38
Term Endowments - Expendable	2,887,831.19
True Endowments - Nonexpendable	-
Term Endowments - Nonexpendable	18,697,051.80
TOTAL	\$ 63,821,865.37

NOTE 23: Extraordinary and Special Items

The Texas State University System had no extraordinary or special items to report for the fiscal year ended August 31, 2016.

NOTE 24: Disaggregation of Receivable and Payable Balances

The following account is disaggregated as follows:

Federal Receivable	
Instruction	\$ 2,070,824.39
Research	2,761,875.29
Public Service	115,387.05
Academic Support	251,805.24
Scholarship/Financial Aid	6,804,292.91
Student Services	723,093.02
Institutional Support	1,368.05
Construction	1,036,740.28
TOTAL	\$ 13,765,386.23

NOTE 25: Termination Benefits

During the fiscal year ended August 31, 2016, Texas State University System did not provide termination benefits.

NOTE 26: Segment Information

The Texas State University System has no segments to report as of August 31, 2016.

NOTE 27: Service Concession Arrangements

The combined Texas State University System does not have activities subject to disclosure.

NOTE 28: Deferred Outflows and Deferred Inflows of Resources

The Deferred Outflow and Deferred Inflows of Resources reported on the financial statement are the result of the implementation of GASB 68, *Accounting and Financial Reporting for Pensions*. This statement requires *proprietary* agencies to report the pension expense and liability incurred by the Texas Teacher Retirement (TRS) system on behalf of the Texas State University System on the financial statement.

Note 28 Continued

Deferred Inflows and outflows of resources result when there is any change in assumptions, actual expenses, investment earnings, contributions or other adjustments. This year employer contribution requirements changed that occurred after the measurement date of the net pension liability and the employer's reporting date. The following Deferred Outflows and Inflows of Resources is Texas State University System's proportionate share of the TRS's deferred outflows and inflows of resources related to pension.

	Deferred Outflows of Resources	Deferred Inflows of Resources
TRS Pension	\$ 28,763,377.00	\$ 17,789,639.00

NOTE 29: Troubled Debt Restructuring

The combined Texas State University System does not have activities subject to disclosure.

NOTE 30: Non-Exchange Financial Guarantees

The combined Texas State University System does not have activities subject to disclosure.

UNAUDITED

TEXAS STATE UNIVERSITY SYSTEM
 SCHEDULE 2A
 COMBINED MISCELLANEOUS BOND INFORMATION
 For the Year Ended August 31, 2016

Business Type Activity Description	Bonds Issued to Date	Range of Interest Rates	Scheduled Maturities		First Call Date
			First Year	Last Year	
REVENUE BONDS					
Revenue Financing System Bonds Texas State University System					
Series 2006	140,260,000	4.25% to 5.00%	2007	2034	03-15-16
Series 2006A	23,475,000	4.00% to 5.50%	2008	2026	03-15-16
Series 2008	207,395,000	3.00% to 5.25%	2008	2028	03-15-18
Series 2009	86,745,000	3.00% to 5.25%	2009	2029	03-15-19
Series 2010	99,950,000	2.00% to 5.00%	2011	2022	03-15-20
Series 2010A	65,735,000	2.00% to 5.00%	2010	2040	03-15-20
Series 2011	86,775,000	2.00% to 5.00%	2012	2042	03-15-21
Series 2012	27,860,000	2.00% to 5.00%	2013	2032	03-15-21
Series 2013	87,060,000	2.00% to 5.00%	2013	2042	03-15-23
Series 2014	88,415,000	1.00% to 5.00%	2015	2034	03-15-24
Series 2015A	183,560,000	2.50% to 5.00%	2016	2045	03-15-25
Series 2015B	132,160,000	0.400% to 3.781%	2016	2045	03-15-25
TOTAL	<u>\$ 1,229,390,000</u>				

UNAUDITED
TEXAS STATE UNIVERSITY SYSTEM
SCHEDULE 2B
COMBINED CHANGE IN BONDED INDEBTEDNESS
For the Year Ended August 31, 2016

<u>Business Type Activity</u>	Bonds Outstanding 09-01-15	Bonds issued	Bonds Matured	Bonds Refunded or Extinguished	Bonds Outstanding 08-31-16	Amounts Due Within One Year
<u>Description</u>						
Revenue Financing System Bonds						
Texas State University System						
Series 2006	4,235,000.00		4,235,000.00		0.00	
Series 2006A	1,135,000.00		1,135,000.00		0.00	
Series 2008	54,985,000.00		8,800,000.00		46,185,000.00	9,245,000.00
Series 2009	67,640,000.00		3,445,000.00		64,195,000.00	3,605,000.00
Series 2010						
Par Value	75,585,000.00		9,865,000.00		65,720,000.00	10,775,000.00
Premium	3,459,784.85		494,254.98		2,965,529.87	494,254.98
Series 2010A						
Par Value	60,635,000.00		1,375,000.00		59,260,000.00	1,430,000.00
Premium	3,590,884.43		143,635.38		3,447,249.05	143,635.38
Series 2011						
Par Value	79,175,000.00		2,215,000.00		76,960,000.00	2,320,000.00
Premium	5,218,093.05		193,262.70		5,024,830.35	193,262.72
Series 2012						
Par Value	23,130,000.00		820,000.00		22,310,000.00	830,000.00
Premium	2,633,787.41		154,928.67		2,478,858.74	154,928.67
Series 2013						
Par Value	82,415,000.00		2,920,000.00		79,495,000.00	2,315,000.00
Premium	10,487,357.62		388,420.65		10,098,936.97	388,420.63
Series 2014						
Par Value	81,455,000.00		1,725,000.00		79,730,000.00	2,005,000.00
Premium	7,484,125.27		258,073.29		7,226,051.98	258,073.28
Series 2015A						
Par Value	183,560,000.00		5,815,000.00		177,745,000.00	7,825,000.00
Premium	27,546,135.05		918,204.50		26,627,930.55	918,204.50
Series 2015B	132,160,000.00		2,325,000.00		129,835,000.00	6,240,000.00
TOTAL	\$ 906,530,167.68	\$ -	\$ 47,225,780.17	\$ -	\$ 859,304,387.51	\$ 49,140,780.16

UNAUDITED
TEXAS STATE UNIVERSITY SYSTEM
SCHEDULE 2C
COMBINED DEBT SERVICE REQUIREMENTS
For the Year Ended August 31, 2016

<u>Business Type Activity</u>			
<u>Description</u>	<u>Year</u>	<u>Principal</u>	<u>Interest</u>
Revenue Financing System Bonds			
Texas State University System			
Series 2008	2017	9,245,000.00	2,377,325.02
	2018	9,710,000.00	1,915,075.00
	2019	8,605,000.00	1,429,575.00
	2020	9,075,000.00	977,812.50
	2021	9,550,000.00	501,375.00
			<u>\$ 46,185,000.00</u>
Series 2009	2017	3,605,000.00	3,275,712.50
	2018	3,790,000.00	3,095,462.50
	2019	3,975,000.00	2,905,962.50
	2020	4,170,000.00	2,707,212.50
	2021	4,380,000.00	2,498,712.50
	2022-2026	25,550,000.00	8,875,450.00
	2027-2031	18,725,000.00	1,918,337.50
		<u>\$ 64,195,000.00</u>	<u>\$ 25,276,850.00</u>
Series 2010	2017	10,775,000.00	3,286,000.02
	2018	11,310,000.00	2,747,250.00
	2019	11,875,000.00	2,181,750.04
	2020	12,480,000.00	1,588,000.02
	2021	9,885,000.00	963,999.98
	2022-2026	9,395,000.00	469,749.98
		<u>\$ 65,720,000.00</u>	<u>\$ 11,236,750.04</u>
Series 2010A	2017	1,430,000.00	2,802,462.52
	2018	1,490,000.00	2,745,262.52
	2019	1,545,000.00	2,685,662.52
	2020	1,610,000.00	2,623,862.52
	2021	1,690,000.00	2,543,362.52
	2022-2026	9,800,000.00	11,363,062.60
	2027-2031	12,245,000.00	8,805,312.60
	2032-2036	14,840,000.00	5,741,812.60
	2037-2041	14,610,000.00	1,847,968.76
		<u>\$ 59,260,000.00</u>	<u>\$ 41,158,769.16</u>
Series 2011	2017	2,320,000.00	3,763,987.50
	2018	2,435,000.00	3,647,987.50
	2019	2,535,000.00	3,550,587.50
	2020	2,660,000.00	3,423,837.50
	2021	2,780,000.00	3,304,137.50
	2022-2026	16,075,000.00	14,365,937.50
	2027-2031	20,375,000.00	10,065,037.50
	2032-2036	10,805,000.00	5,917,750.00
	2037-2041	13,790,000.00	2,932,000.00
	2042-2046	3,185,000.00	159,250.00
		<u>\$ 76,960,000.00</u>	<u>\$ 51,130,512.50</u>

UNAUDITED
TEXAS STATE UNIVERSITY SYSTEM
SCHEDULE 2C
COMBINED DEBT SERVICE REQUIREMENTS
For the Year Ended August 31, 2016

Series 2012	2017	830,000.00	962,837.50
	2018	870,000.00	929,637.50
	2019	900,000.00	894,837.50
	2020	935,000.00	858,837.50
	2021	4,090,000.00	812,087.50
	2022-2026	9,180,000.00	1,713,387.50
	2027-2031	4,515,000.00	629,081.26
	2032-2036	990,000.00	34,650.00
		<u>\$ 22,310,000.00</u>	<u>\$ 6,835,356.26</u>
Series 2013	2017	2,315,000.00	3,570,950.00
	2018	2,360,000.00	3,524,650.00
	2019	2,815,000.00	3,430,250.00
	2020	2,920,000.00	3,317,650.00
	2021	3,045,000.00	3,200,850.00
	2022-2026	17,695,000.00	13,559,500.00
	2027-2031	18,235,000.00	9,320,600.00
	2032-2036	13,815,000.00	5,853,200.00
	2037-2041	13,235,000.00	2,814,750.00
	2042-2046	3,060,000.00	153,000.00
	<u>\$ 79,495,000.00</u>	<u>\$ 48,745,400.00</u>	
Series 2014	2017	2,005,000.00	3,672,970.00
	2018	2,115,000.00	3,572,720.00
	2019	2,220,000.00	3,466,970.00
	2020	2,335,000.00	3,355,970.00
	2021	2,450,000.00	3,239,220.00
	2022-2026	14,185,000.00	14,234,350.00
	2027-2031	14,165,000.00	10,689,850.00
	2032-2036	15,245,000.00	7,121,430.00
	2037-2041	14,675,000.00	3,991,812.50
	2042-2046	10,335,000.00	864,187.52
	<u>\$ 79,730,000.00</u>	<u>\$ 54,209,480.02</u>	
Series 2015A	2017	7,825,000.00	8,410,362.64
	2018	7,475,000.00	8,019,112.60
	2019	5,165,000.00	7,645,362.52
	2020	5,420,000.00	7,387,112.54
	2021	3,835,000.00	7,116,112.52
	2022-2026	76,215,000.00	27,372,312.60
	2027-2031	32,370,000.00	11,015,662.60
	2032-2036	13,705,000.00	6,874,737.56
	2037-2041	13,170,000.00	4,134,800.00
	2042-2046	12,565,000.00	1,281,200.00
	<u>\$ 177,745,000.00</u>	<u>\$ 89,256,775.58</u>	

UNAUDITED

TEXAS STATE UNIVERSITY SYSTEM
SCHEDULE 2C
COMBINED DEBT SERVICE REQUIREMENTS
For the Year Ended August 31, 2016

Series 2015B	2017	6,240,000.00	4,039,712.08
	2018	6,315,000.00	3,977,124.86
	2019	6,410,000.00	3,883,536.56
	2020	6,535,000.00	3,752,900.76
	2021	6,685,000.00	3,604,686.96
	2022-2026	36,220,000.00	15,216,928.08
	2027-2031	42,405,000.00	8,936,445.18
	2032-2036	14,755,000.00	2,318,810.94
	2037-2041	2,165,000.00	735,169.68
	2042-2046	2,105,000.00	229,460.12
		<u>\$ 129,835,000.00</u>	<u>\$ 46,694,775.22</u>

UNAUDITED
 TEXAS STATE UNIVERSITY SYSTEM
 SCHEDULE 2D
 COMBINED SCHEDULE OF ANALYSIS OF FUNDS AVAILABLE FOR DEBT SERVICE
 For the Year Ended August 31, 2016

<u>Business Type Activity - Revenue Bonds</u>	Pledged and Other Sources and Related Expenditures for the Year				
	Net Available for Debt Service				
	Total	Operating Expenses		Debt Service	
	Pledged and Other Sources	Expenditures and Capital Outlay		Principal	Interest
Description of Issues					
TSUS Revenue Financing System Revenue Bonds					
Series 2006			4,235,000.00	211,750.00	
Series 2006A			1,135,000.00	56,750.00	
Series 2008			8,800,000.00	2,817,325.02	
Series 2009			3,445,000.00	3,447,962.50	
Series 2010			9,865,000.00	3,779,250.00	
Series 2010A			1,375,000.00	2,857,462.52	
Series 2011			2,215,000.00	3,874,737.50	
Series 2012			820,000.00	987,437.50	
Series 2013			2,920,000.00	3,629,350.00	
Series 2014			1,725,000.00	3,759,220.00	
Series 2015A			5,815,000.00	8,484,439.74	
Series 2015B			2,325,000.00	4,015,270.30	
Total Revenue Financing System Revenue Bonds	\$ 739,361,077.00	\$ 686,782,602.00	\$ 44,675,000.00	\$ 37,920,955.08	

UNAUDITED

TEXAS STATE UNIVERSITY SYSTEM
SCHEDULE 2E
COMBINED SCHEDULE OF DEFEASED BONDS OUTSTANDING
For the Year Ended August 31, 2016

Business Type Activity - Revenue Bonds

<u>Description of Issues</u>	<u>Year Refunded</u>	<u>Par Value Outstanding</u>
Revenue Financing System Revenue Bonds Revenue Financing System Revenue Bonds		
Series 2008	2015	82,260,000.00
Total Defeased Bonds		<u>\$ 82,260,000.00</u>

UNAUDITED

TEXAS STATE UNIVERSITY SYSTEM
 SCHEDULE 2F
 COMBINED SCHEDULE OF EARLY EXTINGUISHMENT AND REFUNDING
 FOR THE YEAR ENDED AUGUST 31, 2016

Description of Issue	Category	Amount Extinguished or Refunded	Refunding Issue Par Value	Cash Flow Increase (Decrease)	Economic Gain/ (Loss)
Business-Type Activities Revenue Bonds					
Revenue Financing System Bonds					
No Bonds Refunded					
Total		\$ -	\$ -	\$ -	\$ -

**Texas State University System
 Combined Schedule 3
 Reconciliation of Cash in the State Treasury
 For the Fiscal Year Ended August 31, 2016**

Cash in State Treasury- Current

Agency	Fund	Unrestricted Cash
Lamar University Beaumont	256	\$ 6,204,795.28
Lamar Institute of Technology	287	974,145.70
Lamar State College Orange	285	1,427,424.15
Lamar State College Port Arthur	286	2,045,483.39
Sam Houston University	859	11,255,460.34
Sam Houston University	581	2,231,572.51
Sam Houston University	5083	422,288.99
Sul Ross State University	262	1,122,207.94
Texas State University	260	24,489,262.92
Texas State System Office	1014	<u>387,885.22</u>

Total Cash in State Treasury **\$ 50,560,526.44**

Cash in State Treasury- Current Restricted

Texas State System Office	8070	<u>\$ 1,912.58</u>
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