

**TEXAS TECH UNIVERSITY
SYSTEM**



**COMBINED
ANNUAL FINANCIAL REPORT**

FISCAL YEAR 2016





ANNUAL FINANCIAL REPORT

OF

TEXAS TECH UNIVERSITY SYSTEM

FOR THE YEAR ENDED AUGUST 31, 2016

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

Texas Tech University System

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TEXAS TECH UNIVERSITY SYSTEM

Robert Duncan, *Chancellor*

November 15, 2016

Honorable Greg Abbott
Governor of Texas

Honorable Glenn Hegar
Texas Comptroller

Ms. Ursula Parks
Director, Legislative Budget Board

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

To Agency Heads Addressed:

The Annual Financial Report of Texas Tech University System (TTUS), with which this letter is bound, is transmitted for inclusion in the State of Texas Comprehensive Annual Financial Report for the fiscal year ended August 31, 2016. Neither the State Auditor nor TTUS Office of Audit Services has audited the accompanying annual financial report and, therefore, neither has expressed an opinion on the financial statements and related information contained in this report. This report is intended to present a complete picture of the fiscal affairs of the System for the year ended August 31, 2016.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Robert L. Duncan".

Robert L. Duncan
Chancellor



TEXAS TECH UNIVERSITY SYSTEM

Jim Brunjes
Vice Chancellor and Chief Financial Officer

November 15, 2016

Robert L. Duncan
Texas Tech University System
Lubbock, Texas 79409

Dear Chancellor Duncan:

Submitted herein is the Annual Financial Report of Texas Tech University System for the fiscal year ended August 31, 2016, in compliance with TEX. GOV'T CODE ANN §2101.011 and in accordance with the requirements established by the Comptroller of Public Accounts.

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

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

Sincerely,

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

Sharon Williamson, CPA
Assistant Vice President and Controller

Approved:

A handwritten signature in black ink that reads "Jim Brunjes".

Jim Brunjes
Texas Tech University System
Vice Chancellor & Chief Financial Officer

**Texas Tech University System
Board of Regents**

Officers of the Board

Mickey L. Long, Chairman
Debbie Montford, Vice Chairwoman
Ben W. Lock, Secretary

Members

Term Expires January 31, 2017

| | |
|-------------------|-----------------|
| Larry K. Anders | Dallas, TX |
| Debbie Montford | San Antonio, TX |
| John D. Steinmetz | Lubbock, TX |

Term Expires January 31, 2019

| | |
|-----------------------------|-------------|
| John Esparza | Austin, TX |
| L. Frederick "Rick" Francis | El Paso, TX |
| Tim Lancaster | Abilene, TX |

Term Expires January 31, 2021

| | |
|-------------------------|----------------|
| Mickey L. Long | Midland, TX |
| Ronnie Hammonds | Houston, TX |
| Christopher M. Huckabee | Fort Worth, TX |

Term Expires May 31, 2017

| | |
|---------------------------------|---------------|
| Jeremy Stewart (Student Regent) | Arlington, TX |
|---------------------------------|---------------|

System Fiscal Officers

| | |
|--------------------|---|
| Robert L. Duncan | Chancellor |
| Jim Brunjes | Vice Chancellor and Chief Financial Officer |
| Lawrence Schovanec | TTU President |
| Tedd Mitchell | TTUHSC President |
| Brian May | ASU President |
| Richard Lange | TTUHSC at El Paso President |
| Noel Sloan | TTU CFO and VP, Administration & Finance |
| Elmo Cavin | HSC Executive VP for Finance & Administration |
| Angelina Wright | ASU VP for Finance & Administration |
| Sue Fuciarelli | TTUHSC at El Paso VP for Finance & Administration |

UNAUDITED

TEXAS TECH UNIVERSITY SYSTEM (793)

**COMBINED
FINANCIAL STATEMENTS**

UNAUDITED

Texas Tech University System (793)
 Combined Statement of Net Position
 August 31, 2016 and 2015

| | 2016 | Restated 2015 |
|---|-------------------------|-------------------------|
| ASSETS | | |
| Current Assets: | | |
| Cash and Cash Equivalents | \$ 237,951,413.27 | \$ 189,387,794.69 |
| Restricted Cash and Cash Equivalents | 123,933,924.89 | 110,386,591.05 |
| Legislative Appropriations | 147,086,868.18 | 117,069,691.87 |
| Receivables: | | |
| Federal | 15,426,602.37 | 16,419,868.91 |
| Patient | 23,138,310.32 | 22,366,784.94 |
| Student | 18,345,496.95 | 19,013,962.64 |
| Contracts | 31,699,195.86 | 29,906,244.74 |
| Accounts | 7,660,604.61 | 8,469,187.59 |
| Interest and Dividends | 1,081,794.27 | 982,923.92 |
| Gifts | 33,563,591.66 | 20,947,374.14 |
| Other | 9,691,464.39 | 2,951,298.83 |
| Due From Other State Agencies | 43,876,995.48 | 39,533,831.85 |
| Inventories | 3,932,468.55 | 4,005,947.18 |
| Prepaid Items | 57,097,514.38 | 51,281,886.67 |
| Loans and Contracts | 1,574,328.43 | 1,673,690.67 |
| Other Current Assets | 450,000.00 | 450,000.00 |
| Total Current Assets | <u>756,510,573.61</u> | <u>634,847,079.69</u> |
| Non-Current Assets: | | |
| Restricted Cash and Cash Equivalents | 24,644,372.64 | 41,539,813.61 |
| Restricted Investments (Note 3) | 403,616,936.74 | 402,865,850.65 |
| Contracts Receivable | 4,063,274.58 | 0.00 |
| Gifts Receivable | 81,127,849.39 | 49,101,233.93 |
| Loans and Notes Receivable | 4,185,452.11 | 4,617,395.87 |
| Investments (Note 3) | 1,410,628,738.09 | 1,355,375,654.28 |
| Capital Assets (Note 2) | | |
| Non-Depreciable or Non-Amortizable | 154,496,072.01 | 117,213,918.05 |
| Depreciable or Amortizable | 2,926,004,967.79 | 2,830,740,136.19 |
| Accumulated Depreciation and Amortization | (1,581,295,493.93) | (1,480,779,887.25) |
| Total Non-Current Assets | <u>3,427,472,169.42</u> | <u>3,320,674,115.33</u> |
| Total Assets | <u>4,183,982,743.03</u> | <u>3,955,521,195.02</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Deferred Outflows of Resources (Notes 9 & 28) | 38,049,967.00 | 27,389,635.08 |
| Total Deferred Outflows of Resources | <u>\$ 38,049,967.00</u> | <u>\$ 27,389,635.08</u> |

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

UNAUDITED

Texas Tech University System (793)
Combined Statement of Net Position
August 31, 2016 and 2015

| | 2016 | Restated 2015 |
|---|---------------------|---------------------|
| LIABILITIES | | |
| Current Liabilities: | | |
| Accounts Payable | \$ 52,938,055.22 | \$ 42,371,583.27 |
| Payroll Payable | 80,566,588.01 | 73,334,795.83 |
| Unearned Revenue | 212,205,708.84 | 202,410,934.05 |
| Due to Other State Agencies | 1,529,594.47 | 1,928,198.79 |
| Short-Term Debt Commercial Paper Notes (Note 4) | 30,279,000.00 | 22,483,000.00 |
| Notes and Loans Payable (Note 5) | 21,817,000.00 | 0.00 |
| Claims and Judgments (Note 5) | 2,043,040.50 | 1,214,997.45 |
| Employees' Compensable Leave (Note 5) | 5,648,891.90 | 5,319,043.13 |
| Revenue Bonds Payable (Notes 5 & 6) | 43,293,472.20 | 40,884,638.59 |
| Funds Held for Others | 22,036,862.32 | 21,708,001.51 |
| Other Current Liabilities | 19,217,365.82 | 4,591,871.23 |
| Total Current Liabilities | 491,575,579.28 | 416,247,063.85 |
| Non-Current Liabilities: | | |
| Claims and Judgments (Note 5) | 8,642,317.75 | 6,623,695.80 |
| Employees' Compensable Leave (Note 5) | 41,046,627.78 | 39,121,721.71 |
| Revenue Bonds Payable (Notes 5 & 6) | 532,807,461.05 | 582,682,181.84 |
| Pollution Remediation Obligation (Note 5) | 1,022,641.50 | 0.00 |
| Net Pension Liability (Note 9) | 186,671,195.00 | 162,030,163.65 |
| Other Non-Current Liabilities | 313,106.35 | 503,506.81 |
| Total Non-Current Liabilities | 770,503,349.43 | 790,961,269.81 |
| Total Liabilities | 1,262,078,928.71 | 1,207,208,333.66 |
| DEFERRED INFLOWS OF RESOURCES | | |
| Deferred Inflows of Resources (Notes 9 & 28) | 31,961,309.00 | 49,527,106.15 |
| Total Deferred Inflows of Resources | 31,961,309.00 | 49,527,106.15 |
| NET POSITION | | |
| Invested in Capital Assets, Net of Related Debt | 900,671,764.81 | 850,610,476.11 |
| Restricted: | | |
| Nonexpendable: | | |
| Endowments | 670,409,169.27 | 648,049,164.79 |
| Expendable: | | |
| Capital Projects | 27,900,855.16 | 28,831,692.61 |
| Higher Education Assistance Fund | 62,978,370.34 | 45,625,843.31 |
| Debt Service | 32,694,831.32 | 30,730,039.89 |
| Other | 378,617,797.79 | 352,919,463.79 |
| Unrestricted | 854,719,683.63 | 769,408,709.79 |
| Total Net Position | \$ 2,927,992,472.32 | \$ 2,726,175,390.29 |

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

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Texas Tech University System (793)
Combined Statement of Revenues, Expenses, and Changes in Net Position
For the Years Ended August 31, 2016 and 2015

| | 2016 | Restated 2015 |
|---|---------------------|---------------------|
| Operating Revenues | | |
| Tuition and Fees | \$ 11,434,137.31 | \$ 15,583,209.16 |
| Tuition and Fees · Pledged | 505,286,044.63 | 468,869,796.49 |
| Less Discounts and Allowances | (112,215,211.47) | (103,794,912.89) |
| Professional Fees | 261,472,392.54 | 253,868,849.90 |
| Professional Fees · Pledged | 681,714.96 | 792,725.22 |
| Sales and Services of Auxiliary Enterprises · Pledged | 164,791,999.48 | 159,939,554.19 |
| Other Sales and Services | 8,513,877.84 | 9,006,284.65 |
| Other Sales and Services · Pledged | 12,411,310.21 | 12,419,310.34 |
| Federal Grants and Contracts | 56,895,605.55 | 59,801,063.54 |
| Federal Grants and Contracts · Pledged | 4,744,927.38 | 4,604,968.63 |
| Federal Grant Pass-Throughs from Other State Agencies | 5,116,120.76 | 5,445,469.70 |
| State Grants and Contracts | 3,197,800.80 | 3,029,434.80 |
| State Grants and Contracts · Pledged | 971,481.01 | 377,065.96 |
| State Grant Pass-Throughs from Other State Agencies | 67,927,178.93 | 36,799,666.71 |
| Local Governmental Grants and Contracts | 38,201,286.87 | 43,029,022.78 |
| Local Governmental Grants and Contracts · Pledged | 1,616,765.33 | 1,171,144.89 |
| Nongovernmental Grants and Contracts | 174,302,143.54 | 143,885,499.50 |
| Nongovernmental Grants and Contracts · Pledged | 2,502,254.65 | 2,333,479.39 |
| Other Revenue | 31,432,607.25 | 28,247,049.76 |
| Total Operating Revenues | 1,239,284,437.57 | 1,145,408,682.72 |
| Operating Expenses | | |
| Cost of Goods Sold | 14,072,076.04 | 15,151,338.09 |
| Salaries and Wages | 884,349,013.40 | 840,625,040.09 |
| Payroll Related Costs | 220,808,896.60 | 208,768,587.63 |
| Professional Fees and Services | 76,200,063.17 | 64,588,434.24 |
| Travel | 33,650,697.03 | 31,396,226.11 |
| Materials and Supplies | 77,384,687.71 | 75,680,492.52 |
| Communications and Utilities | 51,108,727.81 | 51,393,986.55 |
| Repairs and Maintenance | 39,018,992.47 | 38,555,961.76 |
| Rentals and Leases | 18,063,297.25 | 14,558,167.43 |
| Printing and Reproduction | 5,448,365.64 | 4,861,214.20 |
| Federal Grant Pass-Through Expense | 949,795.91 | 1,001,526.62 |
| State Grant Pass-Through Expense | 130,782.03 | 246,023.67 |
| Depreciation and Amortization (Note 2) | 122,625,165.13 | 128,752,076.00 |
| Bad Debt Expense | (190,891.39) | 1,704,897.95 |
| Interest | 23,133.26 | 12,477.96 |
| Scholarships | 77,794,066.35 | 69,515,256.94 |
| Net Change in Pollution Remediation Obligation | 1,022,641.50 | 0.00 |
| Claims and Judgments | 4,976,262.05 | 1,383,074.20 |
| Other Operating Expenses | 157,789,951.54 | 120,301,680.31 |
| Total Operating Expenses | 1,785,225,723.50 | 1,668,496,462.27 |
| Operating Income (Loss) | \$ (545,941,285.93) | \$ (523,087,779.55) |

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

UNAUDITED

Texas Tech University System (793)
Combined Statement of Revenues, Expenses, and Changes in Net Position
For the Years Ended August 31, 2016 and 2015

| | 2016 | Restated 2015 |
|---|---------------------|---------------------|
| Nonoperating Revenues (Expenses) | | |
| Legislative Revenue | \$ 458,912,860.57 | \$ 424,356,316.98 |
| Federal Grants and Contracts | 45,115,705.14 | 45,860,262.03 |
| State Grant Pass-Throughs from Other State Agencies | 58,800.00 | 51,500.00 |
| Private Gifts | 99,947,990.11 | 63,260,022.84 |
| Private Gifts - Pledged | 2,232,239.60 | 4,302,799.27 |
| Investment Income (Expense) | 55,671,543.10 | 38,083,055.05 |
| Investment Income (Expense) - Pledged | 24,899,180.65 | 18,511,245.58 |
| Interest Expense on Capital Asset Financing | (17,743,109.65) | (24,772,932.71) |
| Gain (Loss) on Sale and Disposal of Capital Assets | (1,635,522.50) | (1,389,430.92) |
| Net Increase (Decrease) in Fair Value of Investments | (27,250,345.19) | (59,284,465.62) |
| Other Nonoperating Revenues (Expenses) | 7,302,344.79 | 9,303,314.06 |
| Other Nonoperating Revenues (Expenses) - Pledged | 1,842,158.54 | 3,520,303.18 |
| Total Nonoperating Revenues (Expenses) | 649,353,845.16 | 521,801,989.74 |
| Income (Loss) before Other Revenues, Expenses, Gains, Losses, and Transfers | 103,412,559.23 | (1,285,789.81) |
| Other Revenues, Expenses, Gains, Losses, and Transfers | | |
| Capital Appropriations (HEAF) | 56,101,588.00 | 44,652,684.00 |
| Capital Contributions | 5,853,739.95 | 3,064,485.90 |
| Lapsed Appropriations | (15,617.55) | (834,795.34) |
| Contributions to Permanent and Term Endowments | 20,685,872.67 | 12,690,489.73 |
| Legislative Transfers In | 1,423,398.00 | 0.00 |
| Legislative Transfers Out | (1,118,500.00) | (2,382,842.79) |
| Interagency Transfers of Capital Assets - Increase (Note 2) | 23,922.04 | 0.00 |
| Interagency Transfers of Capital Assets - Decrease (Note 2) | (41,257.72) | (65,113.78) |
| Transfers In from Other State Agencies | 10,535,360.11 | 10,154,556.73 |
| Transfers Out to Other State Agencies | (1,118,921.89) | (25,574,590.85) |
| Net Other Revenues, Expenses, Gains, Losses, and Transfers | 92,329,583.61 | 41,704,873.60 |
| Total Change in Net Position | 195,742,142.84 | 40,419,083.79 |
| Beginning Net Position (September 1) | 2,726,175,390.29 | 2,685,809,348.58 |
| Restatement of Beginning Net Position (Note 14) | 6,074,939.19 | (53,042.08) |
| Ending Net Position (August 31) | \$ 2,927,992,472.32 | \$ 2,726,175,390.29 |

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

UNAUDITED

Texas Tech University System (793)
Combined Statement of Cash Flows
For the Years Ended August 31, 2016 and 2015

| | 2016 | Restated 2015 |
|---|-------------------------|---------------------------|
| Cash Flows from Operating Activities | | |
| Proceeds from Customers | \$ 317,877,817.26 | \$ 306,663,670.83 |
| Proceeds from Tuition and Fees | 401,495,107.20 | 389,236,441.57 |
| Proceeds from Grants and Contracts | 358,265,963.81 | 301,076,615.12 |
| Proceeds from Sales and Services of Auxiliary Enterprises | 165,952,840.23 | 157,762,848.34 |
| Proceeds from Collections of Loans to Students | 4,779,292.06 | 4,436,335.87 |
| Payments to Suppliers for Goods and Services | (219,407,343.44) | (220,188,272.86) |
| Payments to Employees for Salaries | (879,805,925.34) | (836,593,968.03) |
| Payments to Employees for Benefits | (218,957,367.47) | (206,288,221.00) |
| Payments for Loans Issued to Students | (4,365,019.13) | (4,740,068.00) |
| Payments for Other Expenses | (319,628,706.90) | (290,031,132.44) |
| Net Cash Used By Operating Activities | (393,793,341.72) | (398,665,750.60) |
| Cash Flows from Noncapital Financing Activities | | |
| Proceeds from State Appropriations | 444,158,742.87 | 420,788,465.53 |
| Proceeds from Gifts | 81,520,174.43 | 89,613,801.75 |
| Proceeds from Nonoperating Grants and Contracts | 44,791,713.40 | 45,836,491.91 |
| Proceeds from Other Financing Activities | 9,144,101.43 | 14,008,403.36 |
| Proceeds from Agency Transactions | 272,676,401.46 | 268,127,379.69 |
| Proceeds from Transfers In from Other State Agencies | 9,456,779.21 | 4,023,239.43 |
| Payments for Transfers to Other State Agencies | (468,556.89) | (5,613,114.74) |
| Payments for Other Uses | (275,186,830.05) | (263,767,400.30) |
| Net Cash Provided by Noncapital Financing Activities | 586,092,525.86 | 573,017,266.63 |
| Cash Flows from Capital and Related Financing Activities | | |
| Proceeds from Sale of Capital Assets | 628,516.66 | 131,578.99 |
| Proceeds from Capital Debt Issuances | 34,800,000.00 | 350,471,809.85 |
| Proceeds from Other Capital and Related Financing Activities | 35,222.76 | 0.00 |
| Proceeds from Capital Appropriations | 38,983,239.02 | 41,250,273.26 |
| Payments for Transfers to Other State Agencies | (1,646,500.00) | (22,298,944.90) |
| Payments for Additions to Capital Assets | (151,031,661.31) | (138,681,543.89) |
| Payments for Principal Paid on Capital Debt | (43,347,000.00) | (305,600,000.00) |
| Payments for Interest Paid on Capital Debt | (21,784,107.13) | (27,644,770.62) |
| Payments for Other Costs on Debt Issuance | 0.00 | (1,901,240.98) |
| Net Cash Used by Capital and Related Financing Activities | (143,362,290.00) | (104,272,838.29) |
| Cash Flows from Investing Activities | | |
| Proceeds from Investment Sales and Maturities | 221,290,601.66 | 208,787,095.93 |
| Proceeds from Interest and Investment Income | 79,053,269.21 | 68,065,035.63 |
| Payments to Acquire Investments | (304,065,253.56) | (418,001,120.37) |
| Net Cash Used by Investing Activities | (3,721,382.69) | (141,148,988.81) |
| TOTAL NET CASH FLOWS | \$ 45,215,511.45 | \$ (71,070,311.07) |

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

UNAUDITED

Texas Tech University System (793)
Combined Statement of Cash Flows
For the Years Ended August 31, 2016 and 2015

| | 2016 | Restated 2015 |
|--|---------------------|---------------------|
| Beginning Cash & Cash Equivalents - September 1 | \$ 341,314,199.35 | \$ 412,384,510.42 |
| Ending Cash & Cash Equivalents - August 31 | \$ 386,529,710.80 | \$ 341,314,199.35 |
| Reconciliation of Operating Loss to Net Cash Flows from Operating Activities | | |
| Operating Loss | \$ (545,941,285.93) | \$ (523,087,779.55) |
| Adjustments: | | |
| Depreciation and Amortization Expense | 122,625,165.13 | 128,752,076.00 |
| Bad Debt Expense | 501,396.58 | 511,169.68 |
| Pension Expense | 15,869,997.00 | 14,978,532.62 |
| (Increase) Decrease in Accounts Receivables | (12,657,715.95) | (4,118,567.90) |
| (Increase) Decrease in Loans and Notes Receivable | 531,306.00 | 20,763.64 |
| (Increase) Decrease in Inventories | 73,478.63 | 138,161.14 |
| (Increase) Decrease in Due From Other State Agencies | 969,137.28 | (961,393.82) |
| (Increase) Decrease in Prepaid Items | (4,777,810.97) | (7,288,995.14) |
| (Increase) Decrease in Deferred Outflows of Resources | (24,347,849.92) | (14,208,158.84) |
| Increase (Decrease) in Accounts Payable | 14,407,306.21 | 1,785,825.18 |
| Increase (Decrease) in Payroll Payable | 1,080,841.03 | 957,935.73 |
| Increase (Decrease) in Unearned Revenue | 9,804,225.51 | 6,111,065.00 |
| Increase (Decrease) in Employees' Compensable Leave | 2,254,754.84 | 2,785,823.75 |
| Increase (Decrease) in Claims and Judgments | 2,846,665.00 | (5,305,685.03) |
| Increase (Decrease) in Due To Other State Agencies | (553,130.18) | 205,513.65 |
| Increase (Decrease) in Benefits Payable | 2,812,804.51 | 586,340.41 |
| Increase (Decrease) in Net Pension Liability | 4,665,420.35 | (62,051,485.38) |
| Increase (Decrease) in Deferred Inflows of Resources | 227,334.85 | 61,905,339.23 |
| Increase (Decrease) in Pollution Remediation Obligation | 1,022,641.50 | 0.00 |
| Increase (Decrease) in Other Liabilities | 14,791,976.81 | (382,230.97) |
| Net Cash Used for Operating Activities | (393,793,341.72) | (398,665,750.60) |
| Noncash Transactions | | |
| Donations of Capital Assets | 5,853,739.95 | 3,064,485.90 |
| Net Increase (Decrease) in Fair Value of Investments | (27,250,345.19) | (59,284,465.62) |
| Other | (1,327,507.23) | (1,080,655.69) |
| Total Noncash Transactions | \$ (22,724,112.47) | \$ (57,300,635.41) |

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

UNAUDITED

TEXAS TECH UNIVERSITY SYSTEM (793)

**NOTES to the COMBINED
FINANCIAL STATEMENTS**

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

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

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

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

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

Basis of Accounting

For financial reporting purposes, institutions of higher education are considered proprietary funds, which are used to account for business-type activities. Business-type activities are defined as those that are financed in whole or in part by fees charged to external parties for goods and services. The accompanying financial statements are prepared with transactions recorded on a fund basis. GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities – an Amendment of GASB Statement No. 34*, established accounting and financial reporting standards for universities within the financial reporting guidelines of GASB 34 as mentioned above. Under GASB 35, universities must follow proprietary fund accounting, and are required to report all funds in a single column instead of by individual fund.

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

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

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

Budgetary Information

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

Cash and Cash Equivalents

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

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

Investments

The System accounts for its investments at fair value on the Combined Statement of Net Position, as determined by quoted market prices or, in the case of limited partnerships, values as reported by the partnership managers and/or their third party administrators, in accordance with GASB Statement No. 31 – *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Money market and TexPool investments are reported at cost provided the investment has a remaining maturity of one year or less at date of purchase. All investment income, including changes in the fair value of investments, is reported in the Combined Statement of Revenues, Expenses, and Changes in Net Position. Investments are addressed in more detail in Note 3.

Legislative Appropriations

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

Restricted Assets

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

Inventories and Prepaid Items

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

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

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

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

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

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

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

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

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

Loans and Notes Receivable

These receivables are student loans receivable that consist of amounts due from the Federal Perkins Loan Program and from other loans administered by the System.

Capital Assets

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

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

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

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

The System is required to depreciate and amortize capitalized assets. Depreciation for capital assets is computed using the straight-line method over the estimated useful lives of the assets. Amortization of intangible assets is based on the estimated useful life of the asset using the straight-line method. Land, works of art and historical treasures are not depreciated.

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

Deferred Outflows of Resources

Deferred outflows of resources refers to the net asset consumption of assets that is applicable to a future fiscal year. These deferred outflows arose due to the reporting requirements for pensions as discussed below in the section **Net Pension Liability**. Deferred outflows are discussed in more detail in Notes 9 and 28.

Payables

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

Claims and Judgments

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

Unearned Revenues

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

Employees' Compensable Leave

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

Short-term Debt Commercial Paper Notes

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

Notes and Loans Payable

Notes and loans payable represents an estimated amount of Revenue Financing System Commercial Paper Notes outstanding expected to be refunded into a new long-term bond issuance in the next fiscal year. Notes and Loans Payable are explained in more detail in Note 5.

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

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

Pollution Remediation Obligation

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

Funds Held for Others

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

Net Pension Liability

Due to the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, the System is required to recognize its proportionate share of net pension liability and operating statement activity related to changes in the collective pension liability for participation in the Teacher Retirement System (TRS) pension plan. The net pension liability is the System's proportionate share of the total TRS pension plan liability less the Plan's net assets as reported by the TRS pension plan for fiscal year 2015. The System's proportionate share is based on its contributions to the pension plan relative to the contributions of other employers participating in the plan. The net pension liability and related changes to the collective pension liability are included in this annual financial report and represent the total net pension liability for all System component institutions. Pensions are discussed in greater detail in Note 9.

Deferred Inflows of Resources

Deferred inflows of resources are defined as the net asset acquisition of assets that is applicable to a future fiscal year. These deferred inflows arose due to the reporting requirements for pensions as discussed above. Deferred inflows are discussed further in Notes 9 and 28.

Other Liabilities

The major component of other liabilities consists of advance deposits received from students for residence hall occupancy in the next fiscal year.

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

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

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

Invested in Capital Assets, Net of Related Debt

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

Restricted Net Position

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

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

Unrestricted Net Position

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

Interfund Activity and Transactions

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

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

Note 2: Capital Assets

A summary of changes in capital assets for the year ended August 31, 2016 is presented below.

| | Balance 9/1/2015 | Adjustments | Reclassifications Completed CIP | Reclassifications Inc-Int'agy Trans | Reclassifications Dec-Int'agy Trans | Additions | Deletions | Balance 8/31/2016 |
|---|----------------------------|----------------|---------------------------------------|---|---|-------------------------|--------------------------|----------------------------|
| BUSINESS-TYPE ACTIVITIES | | | | | | | | |
| Non-depreciable or Non-amortizable Assets | | | | | | | | |
| Land and Land Improvements | \$ 20,955,444.42 | | | | | \$ 3,596,354.81 | \$ (149,760.00) | \$ 24,402,039.23 |
| Construction in Progress | 13,776,294.63 | | \$ (13,378,832.55) | | | 43,644,246.95 | (392,230.39) | 43,649,478.64 |
| Other Capital Assets | 82,482,179.00 | | | | | 3,982,375.14 | (20,000.00) | 86,444,554.14 |
| Total Non-depreciable or Non-amortizable | 117,213,918.05 | 0.00 | (13,378,832.55) | 0.00 | 0.00 | 51,222,976.90 | (561,990.39) | 154,496,072.01 |
| Depreciable Assets | | | | | | | | |
| Buildings and Building Improvements | 1,941,785,381.63 | | 13,378,832.55 | | | 56,199,702.47 | (5,696,545.06) | 2,005,667,371.59 |
| Infrastructure | 43,722,136.50 | | | | | 1,207,110.00 | | 44,929,246.50 |
| Facilities and Other Improvements | 192,297,689.46 | | | | | 10,800,936.92 | | 203,098,626.38 |
| Furniture and Equipment | 302,888,197.55 | | | 57,873.68 | (101,696.19) | 25,732,872.41 | (13,670,716.89) | 314,906,530.56 |
| Vehicle, Boats and Aircraft | 19,221,647.87 | | | | (19,955.00) | 1,938,680.75 | (846,783.59) | 20,293,590.03 |
| Other Capital Assets | 195,326,656.05 | (1,955,885.87) | | | | 8,992,652.68 | (415,241.87) | 201,948,180.99 |
| Total Depreciable Assets at Historical Cost | 2,695,241,709.06 | (1,955,885.87) | 13,378,832.55 | 57,873.68 | (121,651.19) | 104,871,955.23 | (20,629,287.41) | 2,790,843,546.05 |
| Less Accumulated Depreciation for: | | | | | | | | |
| Buildings and Building Improvements | (923,166,793.56) | | | | | (67,470,493.31) | 5,309,239.50 | (985,328,047.37) |
| Infrastructure | (18,946,100.44) | | | | | (1,560,385.15) | | (20,506,485.59) |
| Facilities and Other Improvements | (88,195,404.58) | | | | | (6,874,218.77) | | (95,069,623.35) |
| Furniture and Equipment | (200,734,834.63) | | | (33,951.64) | 60,438.47 | (27,480,052.62) | 12,759,137.90 | (215,429,262.52) |
| Vehicles, Boats and Aircraft | (14,719,750.00) | | | | 19,955.00 | (1,337,226.35) | 836,444.43 | (15,200,576.92) |
| Other Capital Assets | (109,849,629.45) | 1,955,885.87 | | | | (11,758,638.99) | 169,174.24 | (119,483,208.33) |
| Total Accumulated Depreciation | (1,355,612,512.66) | 1,955,885.87 | 0.00 | (33,951.64) | 80,393.47 | (116,481,015.19) | 19,073,996.07 | (1,451,017,204.08) |
| Depreciable Assets, Net | 1,339,629,196.40 | | 13,378,832.55 | 23,922.04 | (41,257.72) | (11,609,059.96) | (1,555,291.34) | 1,339,826,341.97 |
| Intangible Capital Assets - Amortizable | | | | | | | | |
| Computer Software - Intangible | 135,186,668.44 | | | | | 842,986.72 | (1,179,992.11) | 134,849,663.05 |
| Other Intangible Capital Assets - Term | 311,758.69 | | | | | | | 311,758.69 |
| Total Intangible Assets at Historical Cost | 135,498,427.13 | 0.00 | 0.00 | 0.00 | 0.00 | 842,986.72 | (1,179,992.11) | 135,161,421.74 |
| Less Accumulated Amortization for: | | | | | | | | |
| Computer Software - Intangible | (125,144,858.72) | | | | | (6,123,366.06) | 1,033,234.68 | (130,234,990.10) |
| Other Intangible Capital Assets - Term | (22,515.87) | | | | | (20,783.88) | | (43,299.75) |
| Total Accumulated Amortization | (125,167,374.59) | 0.00 | 0.00 | 0.00 | 0.00 | (6,144,149.94) | 1,033,234.68 | (130,278,289.85) |
| Amortizable Assets - Intangible, Net | 10,331,052.54 | 0.00 | 0.00 | 0.00 | 0.00 | (5,301,163.22) | (146,757.43) | 4,883,131.89 |
| Business-Type Activities Capital Assets, Net | \$ 1,467,174,166.99 | \$ 0.00 | \$ 0.00 | \$ 23,922.04 | \$ (41,257.72) | \$ 34,312,753.72 | \$ (2,264,039.16) | \$ 1,499,205,545.87 |

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

Note 3: Deposits, Investments, and Repurchase Agreements

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

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

Deposits of Cash in Bank

The carrying amount of deposits as of August 31, 2016 and August 31, 2015 was \$99,857,024.11 and \$95,631,711.08, respectively, as presented below:

Business-Type Activities

| | FY16 | FY15 |
|---|-------------------------|-------------------------|
| CASH IN BANK – CARRYING VALUE | \$ 99,857,024.11 | \$ 95,631,711.08 |
| Less: Certificates of Deposit including in carrying value and reported as Cash Equivalent | | |
| Less: Uninvested Securities Lending Cash Collateral including in carrying value and reported as Securities Lending Collateral | | |
| Less: Securities Lending CD Collateral including in carrying value and reported as Securities Lending Collateral | | |
| Cash in Bank per AFR | \$ 99,857,024.11 | \$ 95,631,711.08 |
| Proprietary Funds Current Assets Cash in Bank | \$ (6,294,219.27) | \$ (21,434,276.48) |
| Proprietary Funds Current Assets Restricted Cash in Bank | 91,159,553.66 | 85,119,865.36 |
| Proprietary Funds Non-Current Assets Restricted Cash in Bank | 14,991,689.72 | 31,946,122.20 |
| Cash in Bank per AFR | \$ 99,857,024.11 | \$ 95,631,711.08 |

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

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

As of August 31, 2016, the total **bank balance** for Business-Type Activities was \$104,625,580.32. At August 31, 2015, the balance was \$82,977,181.02.

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

The carrying amount of deposits for Carr Foundation as of August 31, 2016 and August 31, 2015 was \$247,260.48 and \$304,961.67, respectively, as presented below:

Discrete Component Unit

| | FY16 | FY15 |
|---|----------------------|----------------------|
| CASH IN BANK – CARRYING VALUE | \$ 247,260.48 | \$ 304,961.67 |
| Less: Certificates of Deposit including in carrying value and reported as Cash Equivalent | | |
| Less: Uninvested Securities Lending Cash Collateral including in carrying value and reported as Securities Lending Collateral | | |
| Less: Securities Lending CD Collateral including in carrying value and reported as Securities Lending Collateral | | |
| Cash in Bank per AFR | \$ 247,260.48 | \$ 304,961.67 |
| Proprietary Funds Current Assets Cash in Bank | \$ 0.00 | \$ 50,204.37 |
| Proprietary Funds Current Assets Restricted Cash in Bank | 247,260.48 | 254,757.30 |
| Cash in Bank per AFR | \$ 247,260.48 | \$ 304,961.67 |

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

As of August 31, 2016, the total **bank balance** for Discrete Component Unit Activities for the Carr Foundation was \$231,573.77. At August 31, 2015, this balance was \$280,773.35.

Investments

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

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

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

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

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

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

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

The fair value of investments at each level is presented below for August 31, 2016.

Business-Type Activities

| Type of Security | Fair Value | | | | |
|--|--------------------------|--------------------------|--------------------------|-----------------|----------------------------|
| | Level 1 Inputs | Level 2 Inputs | Level 3 Inputs | Net Asset Value | (Fair Value) |
| U. S. Government | | | | | |
| U.S. Treasury Securities | \$ 171,779,006.03 | | | | \$ 171,779,006.03 |
| U.S. Treasury TIPS | 25,313,576.33 | | | | 25,313,576.33 |
| U.S. Government Agency Obligations (Ginnie Mae, Freddie Mac, Sallie Mae, etc.) | 262,246,793.27 | | | | 262,246,793.27 |
| Corporate Obligations | 893,986.23 | | | | 893,986.23 |
| Corporate Asset and Mortgage Backed Securities | 2,914,789.60 | | | | 2,914,789.60 |
| Equity | 25,646,717.73 | | | | 25,646,717.73 |
| International Obligations (Gov't. and Corp.) | | \$ 6,557,903.28 | \$ 8,173,940.78 | | 14,731,844.06 |
| Fixed Income Money Market and Bond Mutual Fund | 356,722,012.08 | | | | 356,722,012.08 |
| Mutual Funds - Domestic | 59,004,195.11 | | | | 59,004,195.11 |
| Other Commingled Funds | | 89,057,857.35 | 20,624,807.76 | | 109,682,665.11 |
| Other Commingled Funds (TexPool) | 65,950,411.83 | | | | 65,950,411.83 |
| International Other Commingled Funds | | 98,708,453.52 | | | 98,708,453.52 |
| Real Estate | | | 53,822,708.65 | | 53,822,708.65 |
| Domestic Derivatives | | 1,237,304.71 | | | 1,237,304.71 |
| Externally Managed Investments: | | | | | |
| Domestic | | | 738,217,309.38 | | 738,217,309.38 |
| International | | | 58,050,473.59 | | 58,050,473.59 |
| Miscellaneous | 571,876.58 | | 11,307,698.86 | | 11,879,575.44 |
| Total Investments | \$ 971,043,364.79 | \$ 195,561,518.86 | \$ 890,196,939.02 | \$ 0.00 | \$ 2,056,801,822.67 |
| Non-Current Investments | \$ 728,487,216.95 | \$ 195,561,518.86 | \$ 890,196,939.02 | | \$ 1,814,245,674.83 |
| Items in Cash and Cash Equivalents: | | | | | |
| Money Market Funds | 176,605,736.01 | 0.00 | 0.00 | | 176,605,736.01 |
| TexPool Investments | 65,950,411.83 | 0.00 | 0.00 | | 65,950,411.83 |
| Total Investments | \$ 971,043,364.79 | \$ 195,561,518.86 | \$ 890,196,939.02 | \$ 0.00 | \$ 2,056,801,822.67 |

Discrete Component Unit

| Type of Security | Fair Value | | | | |
|--|------------------------|-------------------------|-------------------------|-----------------|--------------------------|
| | Level 1 Inputs | Level 2 Inputs | Level 3 Inputs | Net Asset Value | (Fair Value) |
| International Obligations (Gov't. and Corp.) | | \$ 218,056.87 | \$ 1,045,425.16 | | \$ 1,263,482.03 |
| Fixed Income Money Market and Bond Mutual Fund | \$ 5,537,206.43 | | | | 5,537,206.43 |
| Other Commingled Funds | | 7,496,722.09 | | | 7,496,722.09 |
| International Other Commingled Funds | | 6,122,505.40 | | | 6,122,505.40 |
| Real Estate | | | 13,468,387.62 | | 13,468,387.62 |
| Domestic Derivatives | | 159,674.75 | | | 159,674.75 |
| Externally Managed Investments: | | | | | |
| Domestic | | 79,617,353.44 | 3,737,253.18 | | 83,354,606.62 |
| International | | | 7,491,440.82 | | 7,491,440.82 |
| Total Investments | \$ 5,537,206.43 | \$ 93,614,312.55 | \$ 25,742,506.78 | \$ 0.00 | \$ 124,894,025.76 |
| Non-Current Investments | \$ 5,537,206.43 | \$ 93,614,312.55 | \$ 25,742,506.78 | | \$ 124,894,025.76 |
| Total Investments | \$ 5,537,206.43 | \$ 93,614,312.55 | \$ 25,742,506.78 | \$ 0.00 | \$ 124,894,025.76 |

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

The fair value of investments at each level is presented below for August 31, 2015.

| Type of Security | Fair Value | | | | |
|--|--------------------------|--------------------------|--------------------------|-----------------|----------------------------|
| | Level 1 Inputs | Level 2 Inputs | Level 3 Inputs | Net Asset Value | (Fair Value) |
| U. S. Government | | | | | |
| U.S. Treasury Securities | \$ 164,296,357.94 | | | | \$ 164,296,357.94 |
| U.S. Treasury TIPS | 25,958,154.26 | | | | 25,958,154.26 |
| U.S. Government Agency Obligations (Ginnie Mae, Freddie Mac, Sallie Mae, etc.) | 262,442,689.51 | | | | 262,442,689.51 |
| Corporate Obligations | 870,027.50 | | | | 870,027.50 |
| Corporate Asset and Mortgage Backed Securities | 2,021,028.35 | | | | 2,021,028.35 |
| Equity | 25,592,917.89 | | | | 25,592,917.89 |
| International Obligations (Gov't. and Corp.) | | \$ 1,339,052.10 | | | 1,339,052.10 |
| Fixed Income Money Market and Bond Mutual Fund | 308,443,127.80 | | | | 308,443,127.80 |
| Mutual Funds - Domestic | 31,259,946.56 | | | | 31,259,946.56 |
| Other Commingled Funds | | 103,477,259.44 | \$ 18,446,037.85 | | 121,923,297.29 |
| Other Commingled Funds (TexPool) | 74,998,167.42 | | | | 74,998,167.42 |
| International Other Commingled Funds | | 77,538,587.70 | | | 77,538,587.70 |
| Real Estate | | | 53,032,523.65 | | 53,032,523.65 |
| Domestic Derivatives | | (7,460,643.60) | | | (7,460,643.60) |
| Externally Managed Investments: | | | | | |
| Domestic | | | 811,919,179.03 | | 811,919,179.03 |
| International | | | 897,852.25 | | 897,852.25 |
| Miscellaneous | 590,635.18 | | 11,017,117.32 | | 11,607,752.50 |
| Total Investments | \$ 896,473,052.41 | \$ 174,894,255.64 | \$ 895,312,710.10 | \$ 0.00 | \$ 1,966,680,018.15 |
| Non-Current Investments | \$ 688,034,539.19 | \$ 174,894,255.64 | \$ 895,312,710.10 | | \$ 1,758,241,504.93 |
| Items in Cash and Cash Equivalents: | | | | | |
| Money Market Funds | 133,440,345.80 | | | | 133,440,345.80 |
| TexPool Investments | 74,998,167.42 | | | | 74,998,167.42 |
| Total Investments | \$ 896,473,052.41 | \$ 174,894,255.64 | \$ 895,312,710.10 | \$ 0.00 | \$ 1,966,680,018.15 |

Discrete Component Unit

| Type of Security | Fair Value | | | | |
|--|------------------------|------------------------|--------------------------|-----------------|--------------------------|
| | Level 1 Inputs | Level 2 Inputs | Level 3 Inputs | Net Asset Value | (Fair Value) |
| International Obligations (Gov't. and Corp.) | | \$ 57,816.99 | | | \$ 57,816.99 |
| Fixed Income Money Market and Bond Mutual Fund | \$ 6,645,898.38 | | | | 6,645,898.38 |
| Other Commingled Funds | | | \$ 10,441,974.73 | | 10,441,974.73 |
| International Other Commingled Funds | | 4,736,529.96 | | | 4,736,529.96 |
| Real Estate | | | 13,431,953.79 | | 13,431,953.79 |
| Domestic Derivatives | | (994,482.17) | | | (994,482.17) |
| Externally Managed Investments: | | | | | |
| Domestic | | | 95,378,052.39 | | 95,378,052.39 |
| International | | | 119,681.11 | | 119,681.11 |
| Total Investments | \$ 6,645,898.38 | \$ 3,799,864.78 | \$ 119,371,662.02 | \$ 0.00 | \$ 129,817,425.18 |
| Non-Current Investments | \$ 6,645,898.38 | \$ 3,799,864.78 | \$ 119,371,662.02 | | \$ 129,817,425.18 |
| Total Investments | \$ 6,645,898.38 | \$ 3,799,864.78 | \$ 119,371,662.02 | \$ 0.00 | \$ 129,817,425.18 |

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

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the agency will not be able to recover the value of the investments or collateral securities that are in the possession of an outside party. The System’s investment policy is to require third party custody for the two investment pools, the LTIF and the SITIF. The balances listed below relate to the securities held outside of those pools at August 31, 2016 and August 31, 2015.

Business-Type Activities

| Fiscal Year | Fund Type | GAAP Fund | Type | Uninsured and unregistered with securities held by the counterparty |
|--------------------|------------------|------------------|-------------|--|
| 2016 | 05 | 9999 | Equity | \$ 3,092,513.72 |
| 2015 | 05 | 9999 | Equity | \$ 2,910,298.99 |

The Carr Foundation had no custodial credit risk for investments at August 31, 2016 or August 31, 2015.

Foreign currency risk for investments is the risk that changes in exchange rates will adversely affect the investment. LTIF and SITIF do not have policy limits specific to international equity or debt. All exposures are through funds managed by external investment managers. The exposure to foreign currency risk as of August 31, 2016, is presented below.

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

| FY16 | | | International | International | International |
|------|------|-----------------------------|-------------------------|-------------------------|-------------------------|
| Fund | GAAP | Foreign Currency | Obligations | Other | Externally Managed |
| Type | Fund | | (Gov't. and Corp.) | Commingled Funds | Investments |
| 05 | 9999 | Argentine peso | | \$ 260,414.40 | |
| 05 | 9999 | Australian dollar | \$ 195.14 | 644,557.85 | \$ 72.21 |
| 05 | 9999 | Brazilian real | 149,125.98 | 5,450,853.16 | 1,009,647.76 |
| 05 | 9999 | British pound | 172,799.82 | 10,015,088.69 | 8,587,545.88 |
| 05 | 9999 | Canadian dollar | | | 1,626,862.21 |
| 05 | 9999 | CFA franc | 3,570,205.91 | | |
| 05 | 9999 | Chinese yuan renminbi | 761,809.32 | 8,923,771.31 | 10,386,826.62 |
| 05 | 9999 | Colombian peso | 1,562,826.50 | 11,339.48 | 288,470.79 |
| 05 | 9999 | Czech koruna | | 266,541.80 | |
| 05 | 9999 | Danish krone | 9,797.93 | 626,219.94 | 2,164,407.68 |
| 05 | 9999 | Egyptian pound | | 366,622.63 | |
| 05 | 9999 | Euro | 4,580,012.17 | 22,992,656.70 | 14,720,019.80 |
| 05 | 9999 | Hong Kong dollar | 255,350.90 | 2,951,791.30 | |
| 05 | 9999 | Hungarian forint | | 11,339.48 | |
| 05 | 9999 | Indian rupee | 1,277,850.98 | 5,705,481.79 | 975,107.04 |
| 05 | 9999 | Indonesian rupiah | | 573,989.63 | |
| 05 | 9999 | New Israel shekel | | 1,869,820.40 | 132,293.70 |
| 05 | 9999 | Japanese yen | 237,822.43 | 8,865,829.02 | |
| 05 | 9999 | Kazakhstani tenge | | 92,954.67 | |
| 05 | 9999 | Lithuanian litas | | | 901,836.53 |
| 05 | 9999 | Malaysian ringgit | 3,562.88 | 1,218,359.15 | |
| 05 | 9999 | Mexican peso | 372,045.01 | 2,060,746.51 | 4,263,863.17 |
| 05 | 9999 | New Zealand dollar | | 38,954.59 | |
| 05 | 9999 | Norwegian krone | 7,125.77 | 117,482.69 | 541,101.92 |
| 05 | 9999 | Peruvian nuevo sol | 284,395.69 | 265,584.78 | |
| 05 | 9999 | Phillippine peso | | 435,677.03 | |
| 05 | 9999 | Polish zloty | | 136,073.80 | |
| 05 | 9999 | Qatar riyal | 55,536.54 | 500,133.47 | |
| 05 | 9999 | Russian ruble | 513,034.06 | 1,084,624.83 | 2,037,829.25 |
| 05 | 9999 | Singapore dollar | 112,294.58 | 2,685,859.99 | |
| 05 | 9999 | South African rand | 63,470.33 | 2,956,257.49 | 485,076.88 |
| 05 | 9999 | South Korean won | 307,241.86 | 5,576,827.86 | |
| 05 | 9999 | Swedish krona | 8,907.21 | 251,781.39 | |
| 05 | 9999 | Swiss franc | 99,760.72 | 1,644,757.68 | |
| 05 | 9999 | Taiwan dollar | 172,036.63 | 7,118,013.06 | |
| 05 | 9999 | Thai baht | 145,728.49 | 1,659,796.11 | |
| 05 | 9999 | Turkish lira | 8,907.21 | 691,746.66 | 504,823.88 |
| 05 | 9999 | United Arab Emirates dirham | | 636,504.18 | 1,531,164.43 |
| 05 | 9999 | Venezuelan bolivar | | | 7,893,523.84 |
| | | Total | \$ 14,731,844.06 | \$ 98,708,453.52 | \$ 58,050,473.59 |

At August 31, 2015, the exposure to foreign currency risk was: International Obligations (Gov't. and Corp.)- \$1,339,052.10; International Other Commingled Funds \$77,538,587.70; and International Externally Managed Investments \$897,852.25.

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

Discrete Component Unit

| FY16 | | | International | International | International |
|------|------|-----------------------------|------------------------|------------------------|------------------------|
| Fund | GAAP | | Obligations | Other | Externally Managed |
| Type | Fund | Foreign Currency | (Gov't. and Corp.) | Commingled Funds | Investments |
| 15 | 9999 | Australian dollar | | \$ 83,180.49 | \$ 9.32 |
| 15 | 9999 | Brazilian real | \$ 19,359.73 | 307,262.86 | 130,295.52 |
| 15 | 9999 | British pound | | 308,019.47 | 1,108,226.82 |
| 15 | 9999 | Canadian dollar | | | 209,947.33 |
| 15 | 9999 | CFA franc | 512,463.31 | | |
| 15 | 9999 | Chinese yuan renminbi | 107,047.89 | 1,008,491.76 | 1,340,424.84 |
| 15 | 9999 | Colombian peso | 199,927.14 | 3,358.52 | 37,227.29 |
| 15 | 9999 | Danish krone | | 59,967.33 | 279,317.82 |
| 15 | 9999 | Euro | 171,401.69 | 486,013.32 | 1,899,625.45 |
| 15 | 9999 | Hong Kong dollar | 28,470.18 | 261,535.63 | |
| 15 | 9999 | Hungarian forint | | 3,358.52 | |
| 15 | 9999 | Indian rupee | 56,940.37 | 640,126.22 | 125,838.02 |
| 15 | 9999 | Indonesian rupiah | | 63,811.79 | |
| 15 | 9999 | New Israel shekel | | 241,301.20 | 17,072.56 |
| 15 | 9999 | Japanese yen | | 220,882.99 | |
| 15 | 9999 | Lithuanian litas | | | 116,382.43 |
| 15 | 9999 | Malaysian ringgit | | 107,472.49 | |
| 15 | 9999 | Mexican peso | 20,836.63 | 137,525.03 | 550,253.54 |
| 15 | 9999 | New Zealand dollar | | 5,027.11 | |
| 15 | 9999 | Norwegian krone | | | 69,829.46 |
| 15 | 9999 | Peruvian nuevo sol | 10,478.71 | | |
| 15 | 9999 | Phillippine peso | | 50,377.73 | |
| 15 | 9999 | Polish zloty | | 40,302.18 | |
| 15 | 9999 | Qatar riyal | 7,971.65 | 53,736.24 | |
| 15 | 9999 | Russian ruble | 30,647.30 | 111,201.49 | 262,982.82 |
| 15 | 9999 | Singapore dollar | 11,388.07 | 276,490.96 | |
| 15 | 9999 | South African rand | 9,110.46 | 250,092.07 | 62,599.40 |
| 15 | 9999 | South Korean won | 37,580.64 | 534,217.81 | |
| 15 | 9999 | Swedish krona | | 13,541.01 | |
| 15 | 9999 | Taiwan dollar | 22,776.15 | 512,642.63 | |
| 15 | 9999 | Thai baht | 17,082.11 | 221,662.00 | |
| 15 | 9999 | Turkish lira | | 114,189.52 | 65,147.76 |
| 15 | 9999 | United Arab Emirates dirham | | 6,717.03 | 197,597.49 |
| 15 | 9999 | Venezuelan bolivar | | | 1,018,662.95 |
| | | Total | \$ 1,263,482.03 | \$ 6,122,505.40 | \$ 7,491,440.82 |

At August 31, 2015, the exposure to foreign currency risk for the Carr Foundation was: International Obligations (Gov't. and Corp.) \$57,816.99; International Other Commingled Funds \$4,736,529.96; and International Externally Managed Investments \$119,681.11.

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

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The System's investment policy limits fixed income securities held by the SITIF to those issued by the U.S. or its agencies and instrumentalities. As of August 31, 2016, the System's credit quality distribution for securities with credit risk exposure was as follows.

Standard & Poor's

| Fund Type | GAAP Fund | Investment Type | AAA | AA | A | BBB | BB | Unrated |
|-----------|-----------|--|-------------------|---------------|---------------|-----------------|-----------------|-------------------|
| 05 | 9999 | U.S. Government Agency Obligations | \$ 262,246,793.27 | | | | | |
| 05 | 9999 | Corporate Obligations | | | | | \$ 495,011.23 | \$ 398,975.00 |
| 05 | 9999 | Corporate Asset and Mortgage Backed Securities | \$ 2,914,789.60 | | | | | |
| 05 | 9999 | International Obligations (Gov't. and Corp.) | | \$ 104,270.66 | \$ 471,513.25 | \$ 2,809,405.77 | \$ 1,236,164.77 | \$ 10,110,489.61 |
| | | | AAAf | Aaf | Af | | | Unrated |
| 05 | 9999 | Fixed Income Money Market and Bond Mutual Fund | \$ 176,605,736.01 | | | | | \$ 180,116,276.07 |

Discrete Component Unit

Standard & Poor's

| Fund Type | GAAP Fund | Investment Type | AAA | AA | A | BBB | BB | Unrated |
|-----------|-----------|--|-------------|-------------|--------------|--------------|--------------|-----------------|
| 15 | 9999 | International Obligations (Gov't. and Corp.) | | \$ 3,467.10 | \$ 15,678.29 | \$ 93,415.56 | \$ 41,103.72 | \$ 1,109,817.36 |
| | | | AAAf | Aaf | Af | | | Unrated |
| 15 | 9999 | Fixed Income Money Market and Bond Mutual Fund | | | | | | \$ 5,537,206.43 |

The System's credit quality distribution for securities with credit risk exposure as of August 31, 2015 was as presented below.

Standard & Poor's

| Fund Type | GAAP Fund | Investment Type | AAA | AA | A | BBB | BB | Unrated |
|-----------|-----------|--|-------------------|--------------|---------------|---------------|---------------|-------------------|
| 05 | 9999 | U.S. Government Agency Obligations | \$ 262,442,689.51 | | | | | |
| 05 | 9999 | Corporate Obligations | | | | | \$ 480,827.50 | \$ 389,200.00 |
| 05 | 9999 | Corporate Asset and Mortgage Backed Securities | \$ 2,021,028.35 | | | | | |
| 05 | 9999 | International Obligations (Gov't. and Corp.) | | \$ 29,459.15 | \$ 237,012.22 | \$ 758,439.11 | \$ 106,052.93 | \$ 208,088.69 |
| | | | AAAf | Aaf | Af | | | Unrated |
| 05 | 9999 | Fixed Income Money Market and Bond Mutual Fund | \$ 133,440,345.80 | | | | | \$ 175,002,782.00 |

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

Discrete Component Unit

Standard & Poor's

| Fund Type | GAAP Fund | Investment Type | AAA | AA | A | BBB | BB | Unrated |
|-----------|-----------|--|------|-------------|--------------|--------------|-------------|-----------------|
| 15 | 9999 | International Obligations (Govt. and Corp.) | | \$ 1,271.97 | \$ 10,233.61 | \$ 32,747.54 | \$ 4,579.11 | \$ 8,984.76 |
| | | | AAAf | Aaf | Af | | | Unrated |
| 15 | 9999 | Fixed Income Money Market and Bond Mutual Fund | | | | | | \$ 6,645,898.38 |

Investment Derivative Instruments

The System's Investment Policy Statement for the LTIF allows investment in certain derivative securities. A derivative security is a financial instrument which derives its value from another security, currency, commodity or index. As of August 31, 2016 the System held futures contracts, options and total return swaps as investment derivatives.

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

The System entered into these type derivatives as efficient substitutes for traditional securities to reduce portfolio risks created by other securities, or in fully hedged positions to take advantage of market anomalies. The derivative contracts entered into during fiscal year 2016 all used market indices as underlying securities in order to gain and reduce market exposure in an efficient manner. All investment derivatives are reported as Investments on the Combined Statement of Net Position, and changes in fair value of certain derivatives are reported as investment revenue in the Combined Statement of Revenues, Expenses and Changes in Net Position.

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

At August 31, 2016, the System also had exposure to investment foreign currency risk in derivative investments as presented in the table below.

| Fund Type | GAAP Fund | Foreign Currency | Business-Type Activities | | |
|-----------|-----------|------------------|--------------------------|-----------------------|--------------------|
| | | | Futures Contracts | Options | Total Return Swaps |
| 05 | 9999 | Euro | \$ 0.00 | \$ 136,983.49 | \$ 0.00 |
| 05 | 9999 | British pound | | 35,044.24 | |
| 05 | 9999 | Japanese yen | | (235,516.63) | |
| | | Total | \$ 0.00 | \$ (63,488.90) | \$ 0.00 |

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

Discrete Component Unit

| Fund Type | GAAP Fund | Foreign Currency | Futures Contracts | Options | Total Return Swaps |
|-----------|-----------|------------------|-------------------|----------------------|--------------------|
| 15 | 9999 | Euro | \$ 0.00 | \$ 17,677.78 | \$ 0.00 |
| 15 | 9999 | British pound | | 4,522.48 | |
| 15 | 9999 | Japanese yen | | (30,393.53) | |
| | | Total | \$ 0.00 | \$ (8,193.27) | \$ 0.00 |

At August 31, 2015, the System had exposure to investment foreign currency risk in derivative investments as presented in the table below.

| Fund Type | GAAP Fund | Foreign Currency | Business-Type Activities | | |
|-----------|-----------|------------------|--------------------------|------------------------|--------------------|
| | | | Futures Contracts | Options | Total Return Swaps |
| 05 | 9999 | Euro | \$ 0.00 | \$ (101,728.73) | \$ 0.00 |
| 05 | 9999 | British pound | | (781,919.65) | |
| | | Total | \$ 0.00 | \$ (883,648.38) | \$ 0.00 |

Discrete Component Unit

| Fund Type | GAAP Fund | Foreign Currency | Futures Contracts | Options | Total Return Swaps |
|-----------|-----------|------------------|-------------------|------------------------|--------------------|
| 15 | 9999 | Euro | \$ 0.00 | \$ (13,560.14) | \$ 0.00 |
| 15 | 9999 | British pound | | (104,227.62) | |
| | | Total | \$ 0.00 | \$ (117,787.76) | \$ 0.00 |

Note 4: Short-Term Debt

The System had the following short-term debt outstanding as of August 31, 2016.

| Business-Type Activities | Balance | | Increases | Decreases | Balance | |
|--------------------------|------------------|----|------------------|-----------------|-----------|------------------|
| | 9/1/2015 | | | | 8/31/2016 | |
| Short-Term Debt CP Notes | \$ 22,483,000.00 | \$ | \$ 12,983,000.00 | \$ 5,187,000.00 | \$ | \$ 30,279,000.00 |

Short-Term Debt Commercial Paper Notes

Commercial paper, both taxable and non-taxable, was issued during the fiscal year to serve as an interim financing source for various long-term construction projects in advance of the issuance of authorized bonds. All commercial paper outstanding at August 31, 2016 will mature in fiscal year 2017. Commercial paper has short maturities up to 270 days with interest rates ranging from .05% to .50% for tax-exempt, and .58% to .68% for taxable paper.

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

Note 5: Long-Term Liabilities

During the year ended August 31, 2016, the following changes occurred in liabilities:

| Business-Type Activities | Balance 9/1/2015 | Additions | Reductions | Restatement/ Adjustment | Balance 8/31/2016 | Amounts due within one year | Amounts due Thereafter |
|---|--------------------------|-------------------------|-------------------------|----------------------------|--------------------------|-----------------------------------|------------------------------|
| Claims and Judgments | \$ 7,838,693.25 | \$ 2,846,665.00 | \$ 0.00 | \$ 0.00 | \$ 10,685,358.25 | \$ 2,043,040.50 | \$ 8,642,317.75 |
| Employees' Compensable Leave | 44,440,764.84 | 2,440,968.68 | 186,213.84 | 0.00 | 46,695,519.68 | 5,648,891.90 | 41,046,627.78 |
| Revenue Bonds Payable | 623,566,820.43 | 0.00 | 38,160,000.00 | (9,305,887.18) | 576,100,933.25 | 43,293,472.20 | 532,807,461.05 |
| Notes and Loans Payable | 0.00 | 21,817,000.00 | 0.00 | 0.00 | 21,817,000.00 | 21,817,000.00 | 0.00 |
| Pollution Remediation Obligation Total | 0.00 | 1,022,641.50 | 0.00 | 0.00 | 1,022,641.50 | 0.00 | 1,022,641.50 |
| Business-Type Activities | \$ 675,846,278.52 | \$ 28,127,275.18 | \$ 38,346,213.84 | \$ (9,305,887.18) | \$ 656,321,452.68 | \$ 72,802,404.60 | \$ 583,519,048.08 |

Discrete Component Unit

| Discrete Component Unit Activities | Balance 9/1/2015 | Additions | Reductions | Restatement/ Adjustment | Balance 8/31/2016 | Amounts due within one year | Amounts due Thereafter |
|--|---------------------|-----------|------------|----------------------------|----------------------|-----------------------------------|------------------------------|
| Employees' Compensable Leave | \$ 15,260.96 | \$ 43.08 | \$ 0.00 | \$ 0.00 | \$ 15,304.04 | \$ 43.08 | \$ 15,260.96 |

Claims and Judgments

Claims and judgments include estimates for both known medical malpractice claims and those that have not yet been made against the insured participants. The liability is actuarially estimated to reflect the anticipated future claims for past medical services. Some of these claims are in process, while others are expected to be filed in the future. The liability estimate does not consider the probability of payment on a claim-by-claim basis and instead considers overall probability of payment for medical malpractice claims. Funding for future claim payments will be from a self-insurance reserve managed by the office of the General Counsel. Detailed information is presented in Note 17.

Employees' Compensable Leave

A state employee is entitled to be paid for all unused vacation time accrued, in the event of the employee's resignation, dismissal, or separation from State employment, provided the employee has had continuous employment with the State for six months. Under state law, the hours accumulated are limited based on the employees' length of service. Expenditures for accumulated annual leave balances are recognized in the period paid or taken. The liability for unpaid benefits is recorded in the Combined Statement of Net Position. This obligation is paid from a central vacation pool account which collects the funding from the same funding source(s) from which the employee's salary or wage compensation was paid. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

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

Revenue Bonds Payable

An adjustment in the revenue bonds payable balance stems from a change in the premium amortization method from straight-line to the preferred effective interest method for Revenue Financing System Refunding and Improvement Bonds, 12th Series 2009; and from the outstanding method to the preferred effective interest method for Revenue Financing System Refunding and Improvement Bonds, 14th Series 2012A.

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

Notes and Loans Payable

Notes and loans payable represents an estimated amount of Revenue Financing System Commercial Paper Notes outstanding expected to be refunded into a new long-term bond issuance in February 2017. Below is a summary of debt service requirements for Notes Payable.

| Fiscal Year | Principal | Interest | Total |
|---------------------------|-------------------------|----------------------|-------------------------|
| 2017 | \$ 21,817,000.00 | \$ 109,085.00 | \$ 21,926,085.00 |
| 2018 | | | |
| 2019 | | | |
| 2020 | | | |
| 2021 | | | |
| All Other Years | | | |
| Total Requirements | \$ 21,817,000.00 | \$ 109,085.00 | \$ 21,926,085.00 |

See Note 16 Subsequent Events for more detailed information concerning the bond issuance.

Pollution Remediation Obligation

TTU owns a 5,855-acre parcel of land in Carson County, Texas. The land was purchased from the United States of America, acting by and through the General Services Administrator, in 1949 to operate an experimental research farm on a portion of the land. TTU is a responsible party for pollution remediation activities on this land for which expenses have been accrued in the amount of \$1,022,641.50. The estimated liability is based on analysis from Stoller Newport News Nuclear, Inc. and factored down by 50% for cost reduction measures that would result in cost savings. This amount is subject to cost volatility until such time remediation activities are complete. The land will be considered for remediation if the land is sold, transferred or otherwise utilized in a manner necessitating pollution remediation.

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

Note 6: Bonded Indebtedness

Revenue Bonds Payable

Detailed supplemental bond information is disclosed in the Combined:

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

Several bond issues were outstanding as of August 31, 2016 and are summarized in the paragraphs that follow.

Revenue Financing System Refunding and Improvement Bonds, 10th Series 2006

| | |
|-------------------------------------|--|
| Purpose: | For advanced refunding of Series A Notes and Series 1999 and 2001 bonds, for construction of Murray Hall, renovation of the Student Union Building, Medical Education Building project in El Paso and various dormitories and other University construction of capital improvement projects. |
| Issue Date: | February 2, 2006 |
| Original Issue Amount: | \$220,915,000, all bonds authorized have been issued |
| Source of revenue for debt service: | All pledged revenues of the participants of the Texas Tech University System Revenue Financing System |

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

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

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

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

Purpose: For refunding of \$96,469,500 of Revenue Financing System Commercial Paper Notes Series A, a partial current refunding of \$4,215,000 of Revenue Financing System Bonds Series 2001 and of \$355,000 of Texas State University System Revenue Financing System Bonds Series 2002 representing ASU’s portion. For partial advanced refunding of \$52,460,000 of Revenue Financing System Bonds Series 2003. To provide new funding for the new College of Business Administration Building, the new TTU Boston & 18th Street Residence Hall and Dining Facility, the new ASU Plaza Verde Phase I Residence Hall & Dining Facilities, Jones Stadium East Side Expansion and other System capital improvement projects.

Issue Date: February 1, 2012
\$163,240,000, all authorized bonds have been issued

Source of revenue for debt service: All pledged revenues of the participants of the Texas Tech University System Revenue Financing System

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

Purpose: For current refunding of \$27,710,000 of Revenue Financing System Bonds Taxable Series 2001.

Issue Date: February 1, 2012

Original Issue Amount: \$27,585,000, all authorized bonds have been issued

Source of revenue for debt service: All pledged revenues of the participants of the Texas Tech University System Revenue Financing System

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

Purpose: For refunding of \$62,790,000 of Revenue Financing System Commercial Paper Notes Series A, a current refunding of \$245,000 of Revenue Financing System Bonds Series 2003. To provide new funding for the new TTU College of Business Administration Building Wing Addition, TTU West Village Residence Hall and Dining Facility and the HSC at El Paso School of Nursing.

Issue Date: April 9, 2015

Original Issue Amount: \$73,255,000, all authorized bonds have been issued

Source of revenue for debt service: All pledged revenues of the participants of the Texas Tech University System Revenue Financing System

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

Purpose: For refunding of \$39,025,000 of Revenue Financing System Commercial Paper Notes Series A, an advance refunding of \$157,035,000 of Revenue Financing System Bonds Series 2006, a current refunding of \$4,185,000 of Texas State University System Revenue Financing System Bonds Series 2005 and an advance refunding of \$13,365,000 of Texas State University System Revenue Financing System Bonds Series 2006 representing ASU's portion. To provide new funding for the new TTU Research Park Building, the United Supermarkets Arena renovations, Jones Stadium facility upgrades, and Bayer CropScience Research Building Renovation and the new Bayer CropScience Trait Development Center.

Issue Date: April 9, 2015

Original Issue Amount: \$245,315,000, all authorized bonds have been issued

Source of revenue for debt service: All pledged revenues of the participants of the Texas Tech University System Revenue Financing System

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

Pledged Future Revenues

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

| Pledged Future Revenues | Business-Type Activities | |
|--|--------------------------|-------------------|
| | FY16 | FY15 |
| Pledged Revenue Required for Future Principal and Interest on Existing Revenue Bonds | \$ 756,767,585.42 | \$ 816,654,819.96 |
| Term of Commitment for Year Ending 8/31 | 2045 | 2045 |
| Percentage of Revenue Pledged | 100% | 100% |
| Current Year Pledged Revenue | \$ 757,477,139.74 | \$ 731,255,441.75 |
| Current Year Principal and Interest Paid | \$ 59,887,234.54 | \$ 50,227,904.35 |

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

Sources of Debt-Service Revenue

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

Prior to September 1, 2007, all bonded indebtedness for Angelo State University (ASU) was issued through the Texas State University System (TSUS) Revenue Financing System, of which the TSUS Administration and each of their components were members. The TSUS Board of Regents cross-pledged all lawfully available funds (revenues) and balances attributable to any TSUS RFS member against the bonded indebtedness of all other TSUS RFS members for payment on the Parity Debt. Effective September 1, 2007, House Bill 3564 (80th Legislature, Regular Session) transferred governance of Angelo State University to the Texas Tech University System. For the debt issued by the TSUS, the bonds payable are reported by TSUS. ASU will repay the debt that was issued on its behalf; consequently, the following debt amortization schedule is presented below for informational purposes only.

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

| Description | Year | Principal | Interest | Total |
|---------------|-----------|------------------------|------------------------|------------------------|
| All Issues | 2017 | \$ 850,000.00 | \$ 286,750.00 | 1,136,750.00 |
| | 2018 | 890,000.00 | 244,250.00 | 1,134,250.00 |
| | 2019 | 935,000.00 | 199,750.00 | 1,134,750.00 |
| | 2020 | 985,000.00 | 153,000.00 | 1,138,000.00 |
| | 2021 | 1,015,000.00 | 103,750.00 | 1,118,750.00 |
| | 2022-2026 | 1,060,000.00 | 53,000.00 | 1,113,000.00 |
| Totals | | \$ 5,735,000.00 | \$ 1,040,500.00 | \$ 6,775,500.00 |

A portion of the ASU debt above represents Tuition Revenue Bonds historically funded by the Texas Legislature through General Revenue Appropriations. ASU was appropriated \$2,739,784.00 during the current fiscal year for Tuition Revenue Bond debt service. ASU expects future Legislative appropriations to meet debt service requirements for Tuition Revenue bonds.

Note 7: Derivatives

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

The following disclosures summarize the System's derivative activity as reported in the financial statements as of August 31, 2016.

| Investment Derivatives | Changes in Fair Value | | Fair Value at August 31, 2016 | | |
|------------------------|-----------------------|-------------------|-------------------------------|--------------|------------------|
| | Classification | Amount | Classification | Amount | Notional |
| Futures Contracts | Investment Revenue | \$ (5,323,844.42) | | \$ 0.00 | \$ 38,671,876.25 |
| Options | Investment Revenue | 4,602,460.89 | Investments | 1,722,951.33 | 17,291,295.98 |
| Total Return Swaps | Investment Revenue | 253,783.13 | Investments | (485,646.62) | (141,494,957.86) |

Discrete Component Unit

| Investment Derivatives | Changes in Fair Value | | Fair Value at August 31, 2016 | | |
|------------------------|-----------------------|-----------------|-------------------------------|-------------|-----------------|
| | Classification | Amount | Classification | Amount | Notional |
| Futures Contracts | Investment Revenue | \$ (687,044.62) | | \$ 0.00 | \$ 4,990,623.75 |
| Options | Investment Revenue | 593,962.64 | Investments | 222,347.68 | 2,231,449.85 |
| Total Return Swaps | Investment Revenue | 32,750.83 | Investments | (62,672.93) | (18,259,990.61) |

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

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

| Investment Derivative Instruments | 8/31/2016 | (Level 1) | (Level 2) | (Level 3) |
|--|-----------------|-----------|-----------------|-----------|
| Interest Rate Swaps | \$ (485,646.62) | | \$ (485,646.62) | |
| Foreign Exchange Contracts (Liabilities) | 1,722,951.33 | | 1,722,951.33 | |
| Total Investment Derivative Instruments | \$ 1,237,304.71 | | \$ 1,237,304.71 | |

Discrete Component Unit

| Investment Derivative Instruments | 8/31/2016 | (Level 1) | (Level 2) | (Level 3) |
|--|----------------|-----------|----------------|-----------|
| Interest Rate Swaps | \$ (62,672.93) | | \$ (62,672.93) | |
| Foreign Exchange Contracts (Liabilities) | 222,347.68 | | 222,347.68 | |
| Total Investment Derivative Instruments | \$ 159,674.75 | | \$ 159,674.75 | |

The following disclosures summarize the System's derivative activity as reported in the financial statements as of August 31, 2015.

| Investment Derivatives | Changes in Fair Value | | Fair Value at August 31, 2015 | | |
|------------------------|-----------------------|-------------------|-------------------------------|----------------|------------------|
| | Classification | Amount | Classification | Amount | Notional |
| Futures Contracts | Investment Revenue | \$ (1,605,485.81) | | \$ 0.00 | \$ 63,111,392.20 |
| Options | Investment Revenue | (7,077,218.20) | Investments | (5,593,585.31) | 3,137,491.04 |
| Total Return Swaps | Investment Revenue | (1,554,272.87) | Investments | (1,867,058.29) | 24,637,237.32 |

Discrete Component Unit

| Investment Derivatives | Changes in Fair Value | | Fair Value at August 31, 2015 | | |
|------------------------|-----------------------|-----------------|-------------------------------|--------------|-----------------|
| | Classification | Amount | Classification | Amount | Notional |
| Futures Contracts | Investment Revenue | \$ (214,006.61) | | \$ 0.00 | \$ 8,412,565.73 |
| Options | Investment Revenue | (943,372.68) | Investments | (745,608.72) | 418,218.46 |
| Total Return Swaps | Investment Revenue | (207,180.07) | Investments | (248,873.45) | 3,284,072.35 |

The System classified its investment derivative instruments using Level 2 inputs in the fair value hierarchy for fiscal year 2015, as presented below:

| Investment Derivative Instruments | 8/31/2016 | (Level 1) | (Level 2) | (Level 3) |
|--|-------------------|-----------|-------------------|-----------|
| Interest Rate Swaps | \$ (1,867,058.29) | | \$ (1,867,058.29) | |
| Foreign Exchange Contracts (Liabilities) | (5,593,585.31) | | (5,593,585.31) | |
| Total Investment Derivative Instruments | \$ (7,460,643.60) | | \$ (7,460,643.60) | |

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

Discrete Component Unit

| Investment Derivative Instruments | 8/31/2016 | (Level 1) | (Level 2) | (Level 3) |
|--|-----------------|-----------|-----------------|-----------|
| Interest Rate Swaps | \$ (248,873.45) | | \$ (248,873.45) | |
| Foreign Exchange Contracts (Liabilities) | (745,608.72) | | (745,608.72) | |
| Total Investment Derivative Instruments | \$ (994,482.17) | | \$ (994,482.17) | |

Investment Derivatives

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

Note 8: Leases

Capital Lease Obligations

System components had no obligations under capital leases for either fiscal year 2016 or fiscal year 2015.

The Carr Foundation also had no capital lease obligations for the years ending August 31, 2016 or 2015.

Operating Leases

System component institutions have entered into various operating leases for buildings and equipment. Included in the expenditures reported in the financial statements is the following amount of rent paid or due under operating lease obligations as of August 31, 2016 and 2015:

| Fund Type | Business-Type Activities | |
|------------------|--------------------------|-----------------|
| | FY16 | FY15 |
| Proprietary Fund | \$ 6,482,730.95 | \$ 6,010,320.95 |

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

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

| Fiscal Year Ended August 31, | Minimum Future Lease Payments |
|---|-------------------------------|
| 2017 | \$ 7,058,878.22 |
| 2018 | 6,779,679.25 |
| 2019 | 6,470,281.26 |
| 2020 | 6,352,888.98 |
| 2021 | 6,166,209.08 |
| 2022-2026 | 750,690.20 |
| 2027-2031 | 204,451.80 |
| 2032-2036 | 204,451.80 |
| 2037-2038 | 71,558.13 |
| Total Minimum Future Lease Rental Payments | \$ 34,059,088.72 |

System component institutions have operating lease income for leased building space to outside parties under various operating leases. Included in the revenues reported in the financial statements is the following for rent received under non-cancelable operating leases as of August 31, 2016 and 2015:

| Fund Type | Business-Type Activities | |
|------------------|--------------------------|-----------------|
| | FY16 | FY15 |
| Proprietary Fund | \$ 2,375,622.35 | \$ 2,122,691.85 |

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

System component institutions had no reported contingent rental revenues. **Future minimum lease rental income** under non-cancelable operating leases having an initial term in excess of one year is as follows as of August 31, 2016:

| Fiscal Year Ended August 31, | Minimum Future Rentals |
|---|-------------------------|
| 2017 | \$ 2,436,638.54 |
| 2018 | 2,294,136.02 |
| 2019 | 1,988,383.51 |
| 2020 | 1,793,956.40 |
| 2021 | 1,788,849.07 |
| 2022-2026 | 2,499,960.00 |
| 2027-2031 | 2,499,960.00 |
| 2032-2033 | 583,324.00 |
| Total Minimum Future Lease Rental Income | \$ 15,885,207.54 |

The cost, accumulated depreciation and carrying value of these leased assets as of August 31, 2016 and 2015 were as follows:

| Value of Leased Building Space | Business-Type Activities | |
|--|--------------------------|-------------------------|
| | FY16 | Restated FY15 |
| Historical Cost of Leased Building Space | \$ 61,006,818.38 | \$ 58,563,990.74 |
| Less: Accumulated Depreciation | (17,326,866.77) | (14,075,000.90) |
| Historical Cost of Leased Land | 290,914.06 | 290,914.06 |
| Total Carrying Value of Leased Assets | \$ 43,970,865.67 | \$ 44,779,903.90 |

The Carr Foundation had no operating lease expenses or operating lease revenues for the years ended August 31, 2016 or 2015.

Note 9: Defined Benefit Pension Plan and Defined Contribution Plan**Defined Benefit Pension Plan**

The System component institutions participate in one of the three retirement systems in the State of Texas' financial reporting entity – the Teacher Retirement System (TRS). Beginning in fiscal year 2015, the accounting and reporting for the System's proportionate share of the TRS net pension liability is included in the System's financial records and represents the net liability for all the System component institutions.

The Teacher Retirement System of Texas is the administrator of the TRS Plan, a cost-sharing, multiple-employer defined benefit pension plan with a special funding situation.

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

The employers of the TRS Plan include the state of Texas, TRS, the state’s public schools, education service centers, charter schools, and community and junior colleges. All employees of public, state-supported educational institutions in Texas who are employed for one-half or more of the standard work load and not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system. Employees of TRS and state of Texas colleges, universities and medical schools are members of the TRS Plan.

The TRS Plan provides retirement, disability annuities and death and survivor benefits. The benefit and contribution provisions of the TRS Plan are authorized by state law and may be amended by the Legislature. The pension benefit formulas are based on members’ average annual compensation and years of service credit. The standard annuity is 2.3 percent of the average of the five highest annual salaries multiplied by years of service credit. For grandfathered members who were hired on or before August 31, 2005 and meet certain criteria, the standard annuity is based on the average of the three highest annual salaries. The plan does not provide automatic cost of living adjustments (COLAs).

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

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

During the measurement period of 2015 for fiscal year 2016 reporting, and the measurement period of 2014 for fiscal year 2015 reporting, the amount of the System’s contributions excluding the State match to TRS recognized by the Plan was \$15,681,265.00 for 2016, and \$15,253,844.56 for 2015. The contribution rates for the state and the members in the measurement period are presented in the table below:

Required Contribution Rates

| Contribution Rates | TRS Plan | FY16 | FY15 |
|---------------------------|-----------------|-------------|-------------|
| Employer | | 6.8% | 6.8% |
| Employees | | 6.7% | 6.4% |

The total pension liability is determined by an annual actuarial valuation. The table below presents the actuarial methods and assumptions used by TRS to measure the total pension liability for the TRS Plan as of the August 31, 2015 and 2014 measurement dates.

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

Actuarial Methods and Assumptions

| Actuarial Methods and Assumptions | | |
|--|--|---|
| TRS Plan | FY16 | FY15 |
| Actuarial Valuation Date | August 31, 2015 | August 31, 2014 |
| Actuarial Cost Method | Individual Entry Age Normal | Entry Age Normal |
| Amortization Method | Level Percent, Open | Level Percent, Open |
| Actuarial Assumptions: | | |
| Discount Rate | 8.0% | 8.0% |
| Investment Rate of Return | 8.0% | 8.0% |
| Inflation | 2.5% | 3.0% |
| Salary Increase | 3.5% to 9.5% including inflation | 4.25% to 7.25% including inflation |
| Mortality: | | |
| Active | 90% of the RP 2014 Employee Mortality Tables for males and females | 1994 Group Annuity Mortality Table set back 6 years for males and females |
| Post-retirement | 2015 TRS Healthy Pensioner Mortality Tables | Client specific tables multiplied by 80% |
| Ad Hoc Post-Employment Benefit Changes | None | None |

The actuarial methods and assumptions used in valuation were primarily based on the result of an actuarial experience study for the four-year period ending August 31, 2014 and adopted in September 2015. There have been changes in inflation, salary increase and mortality assumptions since the prior measurement date. The inflation assumption changed from 3.0% to 2.5%. The salary increase assumption changed from a range of 4.25% to 7.25% to a range of 3.5% to 9.5% including inflation. The mortality assumption changed from the one based on the 1994 Group Annuity Mortality Table to the one based on the RP 2014 employee Mortality Tables for the active members. For the retired members, the new 2015 TRS Healthy Pensioner Mortality Tables were used for the mortality assumption.

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

The discount rate of 8.0% was applied to measure the total pension liability for the TRS Plan. There has been no change in the discount rate since the prior measurement period. The projected cash flows into and out of the pension plan assumed that members, employers, and the non-employer contributing entity make their contributions at the statutorily required rates. Under this assumption, the pension plan's fiduciary net position is projected to be sufficient to make all future pension benefit payments of current plan members. Therefore, the 8.0% long-term expected rate of return on TRS pension plan investments was used as the discount rate without incorporating the municipal bond rate.

The long-term expected rate of return on TRS Plan investments was developed using a building-block method with assumptions including asset class of investment portfolio, target allocation, real rate of return on investments, and inflation factor. Under this method, best estimate ranges of expected future real rates of return (net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

The target allocation and best estimates of geometric real rates of return for each major asset class for the TRS Plan’s investment portfolio are presented below for the fiscal years 2016 and 2015 measurement dates:

| Asset Class | FY16 | | FY15 | |
|-------------------------------|-------------------|--|-------------------|--|
| | Target Allocation | Long-Term Expected Geometric Real Rate of Return | Target Allocation | Long-Term Expected Geometric Real Rate of Return |
| Global Equity | | | | |
| U.S. | 18.0% | 4.6% | 18.0% | 4.6% |
| Non-U.S. Developed | 13.0% | 5.1% | 13.0% | 5.1% |
| Emerging Markets | 9.0% | 5.9% | 9.0% | 5.9% |
| Directional Hedge Funds | 4.0% | 3.2% | 4.0% | 3.2% |
| Private Equity | 13.0% | 7.0% | 13.0% | 7.0% |
| Stable Value | | | | |
| U.S. Treasury | 11.0% | 0.7% | 11.0% | 0.7% |
| Absolute Return | 0.0% | 1.8% | 0.0% | 1.8% |
| Stable Value Hedge Funds | 4.0% | 3.0% | 4.0% | 3.0% |
| Cash | 1.0% | (0.2%) | 1.0% | (0.2%) |
| Real Return | | | | |
| Global Inflation Linked Bonds | 3.0% | 0.9% | 3.0% | 0.9% |
| Real Assets | 16.0% | 5.1% | 16.0% | 5.1% |
| Energy and Natural Resources | 3.0% | 6.6% | 3.0% | 6.6% |
| Commodities | 0.0% | 1.2% | 0.0% | 1.2% |
| Risk Parity | | | | |
| Risk Parity | 5.0% | 6.7% | 5.0% | 6.7% |
| Total | 100.0% | | 100.0% | |

Sensitivity analysis was performed by TRS on the impact of changes in the discount rate on the proportionate share of the System’s net pension liability using the discount rate of 8.0%, as well as what the net pension liability would be if it were calculated using a discount rate that is one-percentage point lower (7.0%) or one-percentage point higher (9.0%) than the current rate. The result of the analysis is presented in the table below:

| Fiscal Year | Sensitivity of TTU System’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate | | |
|----------------|--|-----------------------|------------------|
| | 1% Decrease | Current Discount Rate | 1% Increase |
| | (7%) | (8%) | (9%) |
| FY16 | \$ 292,478,578.96 | \$ 186,671,195.00 | \$ 98,540,220.14 |
| FY15, restated | \$ 289,512,069.09 | \$ 162,030,163.65 | \$ 66,697,442.10 |

The TRS pension plan’s fiduciary net position is determined using the economic resources measurement focus and the accrual basis of accounting. Benefits and refunds of contributions are recognized when due and payable in accordance with the terms of the TRS Plan. Investments are reported at fair value. The framework for measuring fair value is based on a hierarchy that gives the highest priority to the use of observable inputs in an active market and lowest priority to the use of unobservable inputs. More detailed information on the TRS Plan’s investment policy, assets, and fiduciary net position, may be obtained from TRS’ fiscal year 2015 Comprehensive Annual Financial Report.

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

The System reported a liability of \$186,671,195.00 for its proportionate share of the TRS collective net pension liability for the year ended August 31, 2016 and \$162,030,163.65 for the year ended August 31, 2015. The collective net pension liability was measured as of August 31, 2015 for fiscal year 2016 reporting, and as of August 31, 2014 for fiscal year 2015 reporting, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of the measurement date for each year. The System's proportion of the net pension liability at the August 31, 2015 measurement date was .5280855 percent, and was .6064722 percent at the August 31, 2014 measurement date. The System's proportion of the collective net pension liability was based on its contributions to the pension plan relative to the contributions of all the employers and the non-employer contributing entity to the Plan for the period September 1, 2014 through August 31, 2015 for fiscal year 2016 reporting, and for the period September 1, 2013 through August 31, 2014 for fiscal year 2015 reporting.

For the years ending August 31, 2016 and 2015, the System recognized pension expense of \$15,869,997.00 and \$14,978,532.62, respectively. At August 31, 2016 and 2015, the System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | FY16 | | FY15 | |
|--|-----------------------------------|----------------------------------|---|----------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Restated Deferred Outflows of Resources | Deferred Inflows of Resources |
| Difference between expected and actual experience | \$ 2,083,607.00 | \$ 7,173,941.00 | \$ 2,505,337.73 | |
| Changes of assumptions | 8,757,445.00 | 6,659,610.00 | 10,529,992.36 | |
| Net difference between projected and actual investment return | 8,838,258.00 | | | \$ 49,512,932.64 |
| Change in proportion and contribution difference | | 18,127,758.00 | | 14,173.51 |
| Contributions subsequent to the measurement date | 18,370,657.00 | | 14,354,304.99 | |
| Total | \$ 38,049,967.00 | \$ 31,961,309.00 | \$ 27,389,635.08 | \$ 49,527,106.15 |

The \$18,370,657.00 reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the System's net pension liability for the year ending August 31, 2017.

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

| Year ended August 31: | |
|-----------------------|---------------------------|
| 2017 | \$ (4,105,614.00) |
| 2018 | (4,105,614.00) |
| 2019 | (4,105,615.00) |
| 2020 | 8,272,617.00 |
| 2021 | (3,350,816.00) |
| Thereafter | (4,886,957.00) |
| Total | \$ (12,281,999.00) |

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

Defined Contribution Plan

The State has established an Optional Retirement Program (ORP), authorized by Texas Government Code, Chapter 830. Full-time faculty, librarians, and certain professionals and administrators employed in public higher education are eligible to elect ORP in lieu of the TRS Plan. The Texas Higher Education Coordinating Board develops policies, practices and procedures to provide greater uniformity in the administration of ORP. The contributory percentage of participant salaries by the members (employees) was 6.65% for both fiscal years 2016 and 2015. The contributory percentage of participant salaries by the employer (System components) was 6.8% in both fiscal years 2016 and 2015. For those employees who were participating in the ORP on or before August 31, 1995, the employer contribution rate was 8.5% for both fiscal years 2016 and 2015, and will remain so subject to legislative change. The contributions made by plan members and the employer for the fiscal years ended August 31, 2016 and 2015 are:

| | FY16 | FY15 |
|------------------------|-------------------------|-------------------------|
| Member Contributions | \$ 20,158,770.90 | \$ 19,615,818.20 |
| Employer Contributions | 21,686,553.10 | 21,212,451.43 |
| Total | \$ 41,845,324.00 | \$ 40,828,269.63 |

Note 10: Deferred Compensation (administering agencies only)

Not applicable.

Note 11: Postemployment Health Care and Life Insurance Benefits (administering agencies only)

Not applicable.

Note 12: Interfund Activity and Transactions

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

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

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

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

System component institutions and units had no interfund receivable or interfund payables as of August 31, 2016. Tables included in previous years detailing the other types of interfund activity and transactions above are an optional presentation and are not included in this note.

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

Note 13: Continuance Subject to Review

The System is not subject to the Texas Sunset Act.

Note 14: Adjustments to Fund Balances and Net Position

During fiscal year 2016 and 2015, certain accounting changes and adjustments were made that required the restatement of net position. The restatements are presented below.

Changes to Net Position for fiscal year 2015**Business-Type Activities**

| Combined Statement of Revenues, Expenses and Changes in Net Position | FY15 |
|--|----------------------------|
| Ending Net Position, August 31 | \$ 2,728,646,027.81 |
| Restatement of Current Year's Ending Net Position due to Comptroller pension adjustment for FY15 | (1,049,038.16) |
| | <u>\$ 2,727,596,989.65</u> |
| Restatements of Current Year's Ending Net Position due to Pledged and Private Gifts adjustment | \$ (1,421,599.36) |
| Ending Net Position, August 31 as restated | <u>\$ 2,726,175,390.29</u> |

The \$2,728,646,027.81 ending net position for fiscal year 2015 and beginning net position for fiscal year 2016, as reported, was adjusted by several restatements. The Comptroller adjusted this balance by \$1,049,038.16 to account for changes in previously reported pension entries. The additional adjustments of \$1,421,599.36 were due to changes in reporting of pledged and private gifts.

Changes to Net Position for fiscal year 2016**Business-Type Activities**

| Combined Statement of Revenues, Expenses and Changes in Net Position | FY16 |
|--|----------------------------|
| Beginning Net Position, September 1 | \$ 2,726,175,390.29 |
| Restatement of Current Year's Beginning Net Position due to Change in Accounting Principle | 6,074,939.19 |
| Beginning Net Position, September 1 as restated | <u>\$ 2,732,250,329.48</u> |

During fiscal year 2016, the method for calculating the amortization of bond premiums was changed from the straight-line method to the preferred effective interest method, which correlates interest expense on bonds with the amount of the bond's book value in an accounting period. This change in accounting principle resulted in an adjustment to beginning fiscal year 2016 net position.

The following table shows adjustment to fiscal year 2015 beginning net position for changes to periods prior to fiscal year 2015 for changes in the reporting of pledged and private gifts.

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

Business-Type Activities

| Combined Statement of Revenues, Expenses and Changes in Net Position | FY15 |
|---|---------------------|
| Beginning Net Position, September 1 | \$ 2,685,809,348.58 |
| Restatements of Prior Years' Beginning Net Position due to Pledged and Private Gifts adjustment | (53,042.08) |
| Beginning Net Position, September 1 as restated | \$ 2,685,756,306.50 |

Several adjustments were made to the fiscal year 2015 financial statements that required the restatement of net position for fiscal year 2015. There was also a reclassification of several items in the financial records of System component institutions resulting in the restatement of comparative financial statement balances for the year ended August 31, 2015. These reclassifications required no restatement of fund balances or net position. A summary of these restatements and reclassifications are indicated in the tables below:

| Statement | Description | Restatement for Comptroller Pension Adjustments | | |
|-----------|---|---|-------------------|---------------------|
| | | FY15 as reported | Correction | FY15 restated |
| SNP | Deferred Outflows of Resources | \$ 28,438,673.24 | \$ (1,049,038.16) | \$ 27,389,635.08 |
| | Total Deferred Outflows Correction | | (1,049,038.16) | |
| SNP | Net Position - Unrestricted | \$ 770,457,747.95 | \$ (1,049,038.16) | \$ 769,408,709.79 |
| | Total Net Position Correction | | (1,049,038.16) | |
| SRECNP | Payroll Related Costs | \$ 207,719,549.47 | \$ 1,049,038.16 | \$ 208,768,587.63 |
| | Total Operating Expense Correction | | 1,049,038.16 | |
| Cash Flow | Operating Loss | \$ (522,038,741.39) | \$ (1,049,038.16) | \$ (523,087,779.55) |
| Cash Flow | (Increase) Decrease in Deferred Outflows of Resources | (15,403,343.15) | 1,195,184.31 | (14,208,158.84) |
| Cash Flow | Increase (Decrease) in Net Pension Liability | 0.00 | (62,051,485.38) | (62,051,485.38) |
| Cash Flow | Increase (Decrease) in Deferred Inflows of Resources | 0.00 | 61,905,339.23 | 61,905,339.23 |

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

| Statement | Description | Restatement and Reclassification Amounts | | |
|-----------|---|--|--------------------|-------------------|
| | | FY15 as reported | Correction | FY15 restated |
| SNP | Federal Receivables | \$ 26,919,711.36 | \$ (10,499,842.45) | \$ 16,419,868.91 |
| SNP | Current Gift Receivables | 21,879,413.46 | (932,039.32) | 20,947,374.14 |
| SNP | Non-Current Gift Receivables | 49,590,793.97 | (489,560.04) | 49,101,233.93 |
| | Total Asset Correction | | (11,921,441.81) | |
| SNP | Funds Held for Others | \$ 32,207,843.96 | \$ (10,499,842.45) | \$ 21,708,001.51 |
| | Total Liability Correction | | (10,499,842.45) | |
| SNP | Net Position - Nonexpendable Endowments | \$ 649,580,041.92 | \$ (1,530,877.13) | \$ 648,049,164.79 |
| SNP | Net Position - Expendable, Other | 352,810,186.02 | 109,277.77 | 352,919,463.79 |
| | Total Net Position Correction | | (1,421,599.36) | |
| SRECNP | Private Gifts | \$ 63,150,745.07 | \$ 109,277.77 | \$ 63,260,022.84 |
| | Total Nonoperating Revenue (Expense) Correction | | 109,277.77 | |
| SRECNP | Contributions to Permanent and Term Endowments | \$ 14,168,324.78 | \$ (1,477,835.05) | \$ 12,690,489.73 |
| SRECNP | Transfers In - Other State Agencies | 10,003,927.73 | 150,629.00 | 10,154,556.73 |
| SRECNP | Transfers Out - Other State Agencies | (25,423,961.85) | (150,629.00) | (25,574,590.85) |
| | Total Other Revenues, Expenses, Gains, Losses, and Transfers Correction | | (1,477,835.05) | |
| Cash Flow | Proceeds from Agency Transactions | \$ 278,627,222.14 | \$ (10,499,842.45) | \$ 268,127,379.69 |
| Cash Flow | Payments for Other Uses | (274,267,242.75) | 10,499,842.45 | (263,767,400.30) |

The Carr Foundation had no restatements or adjustments to fund balance or net position for the year ended August 31, 2016.

Note 15: Contingencies and Commitments**Contingencies*****Unpaid Claims and Lawsuits***

At August 31, 2016 the following contingent claims were pending for TTUHSC:

Physician Supplemental Payments:

The U.S. Department of Health and Human Services Office of Inspector General is in the process of auditing physician supplemental payments to determine if the Texas Health and Human Services Commission (HHSC) calculated supplemental payments to TTUHSC in accordance with Federal regulations and the State plan. Based on audit findings for other similar State agencies, it is likely that the HHSC will request repayment from TTUHSC for overpayments within the next year. TTUHSC has determined that a reasonable estimate of the potential repayment is approximately \$9,419,586.54, and that amount is reported as a contingent liability in Other Current Liabilities on the Combined Statement of Net Position, and in Other Operating Expenses on the Combined Statement of Revenues, Expenses and Changes in Net Position.

Texas Tech University System (793) – Notes to the Combined Financial Statements (continued)*Section 1115 Waiver Payments:*

The Texas Health and Human Services Commission (HHSC) annually completes a reconciliation of Section 1115 Transformation Waiver Uncompensated Care payments to allowable uncompensated costs reported by participating hospitals/physicians. HHSC notified TTUHSC on September 23, 2016 that a recoupment related to Demonstration Year 1 (DY1) was due from TTUHSC related to excess uncompensated care payments received by its Odessa campus in the amount of \$1,191,423.73. TTUHSC expects to receive a similar notification for Demonstration Year 2 (DY2) related to excess uncompensated care payments received by its Lubbock and Odessa campuses. TTUHSC estimates that the DY2 recoupment will be approximately \$1,565,000. A contingent liability in the amount of \$2,756,423.73 for the combined DY1 and DY2 recoupment amount is reported in Other Current Liabilities on the Combined Statement of Net Position, and in Other Operating Expenses on the Combined Statement of Revenues, Expenses and Changes in Net Position.

At August 31, 2016 the following contingent claims were pending for TTUHSC at El Paso:

Physician Supplemental Payments:

The U.S. Department of Health and Human Services Office of Inspector General is in the process of auditing physician supplemental payments to determine if the Texas Health and Human Services Commission (HHSC) calculated supplemental payments to TTUHSC at El Paso in accordance with Federal regulations and the State plan. Based on audit findings for other similar State agencies, it is likely that the HHSC will request repayment from TTUHSC for overpayments within the next year. TTUHSC at El Paso has determined that a reasonable estimate of the potential repayment is approximately \$2,755,678.39 and a contingent liability of that amount is reported in Other Current Liabilities on the Combined Statement of Net Position, and in Other Operating Expenses on the Combined Statement of Revenues, Expenses and Changes in Net Position.

At August 31, 2016, lawsuits involving the System were pending. While the ultimate liability with respect to litigation and other claims asserted against the System cannot be precisely estimated at this time, such liability, to the extent not provided for by insurance or otherwise, is in legal counsel's opinion, not likely to have a material effect on the System.

Federal Assistance

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

Arbitrage

Rebatable arbitrage is defined by Internal Revenue Code, Section, 148 as earnings on investments purchased with the gross proceeds of a bond issue in excess of the amount that would have been earned if the investments were invested at a yield equal to the yield on the bond issue. The rebatable arbitrage must be paid to the federal government. The System monitors its investments to restrict earnings to a yield less than the bond issue and, therefore, limit any arbitrage liability. For fiscal year 2016, the System recorded rebatable arbitrage of \$9,881.54 in Other Current Liabilities on the Combined Statement of Net Position, and in Other Operating Expenses on the Combined Statement of Revenues, Expenses and Changes in Net Position. This amount is immaterial to the System's overall financial condition.

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

Commitments

Investment Funds

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

As of August 31, 2016 and August 31, 2015, the remaining commitment – domestic for the System was \$134,035,422.87 and \$148,385,972.67, respectively.

As of August 31, 2016 and August 31, 2015, the remaining commitment – domestic for the Carr Foundation was \$17,297,334.13 and \$19,779,420.23, respectively.

Note 16: Subsequent Events

The System intends to issue the following Revenue Financing System Commercial Paper Notes and Revenue Financing System Revenue Bonds after August 31, 2016 as follows:

| Issuance | Series | Amount | Date of Issuance | Purpose |
|--|-------------|----------------|------------------|---|
| Revenue Financing System Commercial Paper Notes Tax-Exempt | A | \$ 25,000,000 | 10/20/2016 | Reimburse for incurred expenditures and acquire new proceeds on the construction of ASU College of Health & Human Sciences Building, HSC Permian Basin Academic Facility, HSC Amarillo Simulation Center, and TTUS System Administration Office Building, TTU Museum Life Safety Upgrade & Air Management Replacement, TTU Engineering Materials & Research Center Renovation, TTU Experimental Sciences Building II and TTU Industrial Engineering. |
| Revenue Financing System Revenue Bonds Tax-Exempt/Taxable | 18th & 19th | \$ 318,215,000 | 2/20/2017 | Reimburse \$27,118,000 of issued Commercial Paper as of August 31, 2016, reimburse \$17,500,000 of the newly issued Commercial Paper as of October 1, 2016, and acquire new proceeds for the following capital projects in progress; TTU Honors Residence Hall, TTU Sports Performance Center, System Administration Office Building, renovation of CHACP I, ASU College of Health & Human Sciences Building, HSC Permian Basin Academic Facility, HSC at El Paso Medical Sciences Building II, HSC Amarillo Simulation Center, and TTU Experimental Sciences Building II, and the HSC Lubbock Education, Research and Technology Building. Tax status is pending review by Bond Counsel. |

Note 17: Risk Management

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

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

The System has self-insured arrangements for Unemployment Compensation Fund coverage. The State of Texas pays 50% of claims for employees paid from state funds. The System pays the remainder for employees paid from state funds and 100% of the claims paid from non-state funds. The claims for employees paid from non-state funds are funded by interest earnings on the Unemployment Compensation Fund balance and utilization of fund balance.

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

Changes in the balances of the agency's claims liabilities during fiscal years 2016 and 2015 are presented in the table below.

| Claims and Judgments | Beginning Balance | Increases | Decreases | Ending Balance |
|-----------------------------|--------------------------|------------------|------------------|-----------------------|
| FY2016 | \$ 7,838,693.25 | 2,846,665.00 | | \$ 10,685,358.25 |
| FY2015 | \$ 13,144,378.28 | 273,000.00 | (5,578,685.03) | \$ 7,838,693.25 |

The increase in fiscal year 2016 represents claims and judgments expenses as paid by the Medical Practice Liability Plan. The decrease in fiscal year 2015 resulted mainly from adjustments to the liability balance due to a reduced requirement for reserves in cases in which the statute of limitations had expired. Ending balances reflect future estimated claims.

Note 18: Management's Discussion and Analysis

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

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

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

Formally established by the Texas Legislature in 1999, the System is composed of a central administration, two general academic institutions and two health-related institutions. The component institutions of the System are Texas Tech University (TTU), Texas Tech University Health Sciences Center (TTUHSC), Texas Tech University Health Sciences Center at El Paso (TTUHSC at El Paso), Angelo State University (ASU) and Texas Tech University System Administration (TTUSA). In its young history, the System has emerged as a nationally acclaimed higher education system. Headquartered in Lubbock, Texas, the System operates on more than 12 campuses and academic sites throughout the State of Texas and internationally. The System has locations statewide in Abilene, Amarillo, Dallas, El Paso, Fredericksburg, Highland Lakes, Junction, Lubbock, Midland, Odessa, San Angelo and Waco. Internationally, the System has a location in Seville, Spain. The total enrollment across all component institutions is more than 51,000 students.

In fiscal year 2015, Moody's upgraded the System revenue financing system bonds to Aa1 from Aa2, attributing the System's success to a solid financial position, fueled by conservative fiscal management, growing enrollment, strong fundraising, good ongoing state support and increasing research funding. Fitch and Standard & Poor's rating agencies have also recently given upgraded credit ratings to the System revenue financing bonds. These upgrades result in TTUS being in the second highest rating category across all three of the major credit rating organizations. The System employs more than 17,000 faculty and staff and has an annual combined budget of more than \$2 billion; approximately \$574 million of these funds are appropriated by the Texas Legislature.

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

Note 19: The Financial Reporting Entity

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

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

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

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

The Texas Tech Foundation, Inc. (TTFI), Box 41102, Lubbock, TX 79409, is a not-for-profit 501(c)(3) organization, exempt from income taxes. TTFI was founded to financially support and serve the fundraising needs of all colleges, schools, programs, and campuses of the System. TTFI was formed to seek and obtain gifts for all the System component institutions; to receive, hold, invest and administer property of any type given to the component institutions; and to make expenditures to or for the benefit of the System component institutions. The members of the TTFI Board are appointed by and serve at the will of the System Board of Regents. This Board of Regents also has the ability to veto, override or modify decisions of TTFI, and they can modify or approve TTFI's budget. Based on these criteria, the financial transactions of TTFI have been blended into the financial statements of the System. August 31 is the Foundation's fiscal year end.

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

Texas Tech Physician Associates (TTPA), whose principal office and financial records are located at Provider Payor Relations, 3601 4th St. Lubbock, TX 79430, is a certified non-profit health corporation authorized under the Medical Practice Act Section 5.01(a), article 4495b of the State of Texas. TTPA was organized and is operated exclusively for the benefit of, to perform the function of, or to carry out the purposes of TTUHSC and TTUHSC at El Paso, and its financial records are blended with those of TTUHSC and TTUHSC at El Paso. TTPA is exempt from tax under Internal Revenue Service code section 501(c)(3). The TTUHSCs have the sole and exclusive right to appoint the nine member Board of Directors. The TTUHSCs control all financial and operational transactions of TTPA including developing and approving the annual and capital budgets of TTPA, appointing and removing directors and officers of the Board, entering into contracts, sales or leases, giving or seeking grants, and approving financial expenditures; therefore, the financial transactions of TTPA have been blended into the financial statements of TTUHSC and TTUHSC at El Paso. TTPA's fiscal year end is August 31.

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

The condensed financial statements for these component units as of August 31, 2016 are presented below.

| Condensed Statement of Net Position | Blended Component Units | | |
|---|-------------------------|-----------------|------------------|
| | TTFI | TTPA | ASUF |
| Total Assets | \$ 581,420,783.61 | \$ 4,043,559.81 | \$ 29,118,544.45 |
| Total Liabilities | 81,163.55 | 1,656,122.00 | 6,685.93 |
| Net Position: | | | |
| Invested in Capital Assets, Net of Related Debt | | | |
| Restricted: | | | |
| Nonexpendable: | | | |
| Endowments | 481,415,227.71 | | 12,361,525.73 |
| Expendable: | | | |
| Other | 90,304,260.52 | | 16,750,332.79 |
| Unrestricted | 9,620,131.83 | 2,387,437.81 | |
| Total Net Position | \$ 581,339,620.06 | \$ 2,387,437.81 | \$ 29,111,858.52 |

UNAUDITED

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

| | Blended Component Units | | |
|--|-------------------------|------------------|------------------|
| | TTFI | TTPA | ASUF |
| Condensed Statement of Revenues, Expenses and Changes in Net Position | | | |
| Operating Revenues | | | |
| Other Sales and Services | \$ 4,490.00 | | |
| Professional Fees | | \$ 21,004,621.98 | |
| Federal Grants and Contracts | | 253,616.00 | |
| Nongovernmental Grants and Contracts | 150,000.00 | | |
| Operating Expenses | | | |
| Professional Fees and Services | 270,603.91 | 517,988.46 | 8,750.00 |
| Travel | 397,383.47 | | 2,936.23 |
| Materials and Supplies | 145,801.61 | | 150,058.22 |
| Communications and Utilities | 36,456.15 | | |
| Repairs and Maintenance | 22,023.58 | | |
| Rentals and Leases | 54,230.30 | | 950.00 |
| Printing and Reproduction | 97,755.03 | | 4,057.81 |
| Interest | | | 120.26 |
| Scholarships | 848.53 | | |
| Other Operating Expenses | 1,419,788.98 | (130,989.44) | 1,914,640.55 |
| Operating Income (Loss) | (2,290,401.56) | 20,871,238.96 | (2,081,513.07) |
| Nonoperating Revenues (Expenses) | | | |
| Private Gifts | 60,159,292.82 | | 9,487,667.03 |
| Investment Income (Expense) | 5,851,719.39 | 50,317.53 | 379,310.39 |
| Other Nonoperating Revenues (Expenses) | 3,544,386.03 | | 22,662.23 |
| Total Nonoperating Revenues and Expenses | 69,555,398.24 | 50,317.53 | 9,889,639.65 |
| Other Revenues, Expenses, Gains, Losses and Transfers | | | |
| Contributions to Permanent and Term Endowments | 20,244,113.36 | | |
| Transfers to Components/Other Funds | (57,214,145.06) | (20,876,311.35) | (1,380,980.85) |
| Total Other Revenues, Expenses, Gains, Losses and Transfers | (36,970,031.70) | (20,876,311.35) | (1,380,980.85) |
| Total Change in Net Position | 30,294,964.98 | 45,245.14 | 6,427,145.73 |
| Beginning Net Position - September 1 | 540,699,339.39 | 2,342,192.67 | 22,684,712.79 |
| Restatement | 10,345,315.69 | | |
| Beginning Net Position - September 1, as restated | 551,044,655.08 | | |
| Ending Net Position - August 31 | \$ 581,339,620.06 | \$ 2,387,437.81 | \$ 29,111,858.52 |

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

| Condensed Statement of Cash Flows | Blended Component Units | | |
|--|-------------------------|------------------|-------------------|
| | TTFI | TTPA | ASUF |
| Net Cash Provided (Used) by Operating Activities | \$ (2,372,301.05) | \$ 20,854,503.55 | \$ (2,074,827.14) |
| Net Cash Provided (Used) by Noncapital Financing Activities | (10,490,145.51) | (20,876,311.35) | 8,129,348.41 |
| Net Cash Provided (Used) by Capital and Related Financing Activities | | | |
| Net Cash Provided (Used) by Investing Activities | 13,841,813.94 | 50,317.53 | (4,206,914.23) |
| Total Net Cash Flows | 979,367.38 | 28,509.73 | 1,847,607.04 |
| Beginning Cash and Cash Equivalents - September 1 | 5,795,573.01 | 3,976,175.24 | 3,357,270.83 |
| Ending Cash and Cash Equivalents - August 31 | \$ 6,774,940.39 | \$ 4,004,684.97 | \$ 5,204,877.87 |

Discretely Presented Component Unit

The Angelo State University Robert G. Carr and Nona K. Carr Scholarship Foundation financial statements are included at the end of this report as a discretely presented component unit of the System. The Foundation is a separate not-for-profit 501(c)(3) organization, exempt from income taxes and was established solely for the benefit of providing academic scholarships to the students of Angelo State University. The nine member Foundation Board of Trustees is comprised of all members of the TTU System Board of Regents, who have the ability to appoint, hire, reassign or dismiss those persons responsible for the operation of the Foundation. The Foundation has a fiscal year end of August 31, and the financial records of the Foundation are audited annually by an independent accounting firm. The Foundation's complete audited financial statements can be obtained from the Carr Foundation at Box 11007C, ASU Station, San Angelo, TX 76909.

Note 20: Stewardship, Compliance and Accountability

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

Note 21: N/A**Note 22: Donor-Restricted Endowments**

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

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

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

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

| Donor-Restricted Endowments | Amount of Net Appreciation * | | Reported in Combined Statement of Net Position |
|-----------------------------|------------------------------|------------------|--|
| | FY16 | FY15 | |
| True Endowments | \$ 53,388,476.28 | \$ 82,080,545.44 | Restricted Expendable |
| Term Endowments | (39,322.12) | 90,020.53 | Restricted Expendable |
| Total | \$ 53,349,154.16 | \$ 82,170,565.97 | |

*There was a negative fair value adjustment totaling \$(28,821,411.81) for fiscal year 2016, and a negative fair value adjustment of \$(37,488,143.52) for fiscal year 2015.

Discrete Component Unit

| Donor-Restricted Endowments | Amount of Net Appreciation * | | Reported in Statement of Net Position |
|-----------------------------|------------------------------|-----------------|---------------------------------------|
| | FY16 | FY15 | |
| True Endowments | \$ (1,331,712.50) | \$ 6,609,686.36 | Restricted Expendable |

*There was a negative fair value adjustment totaling \$(7,941,398.86) for fiscal year 2016, and a negative fair value adjustment of \$(6,536,300.86) for fiscal year 2015.

Note 23: Extraordinary and Special Items

The System has no special or extraordinary items to report as of August 31, 2016, nor for the year ended August 31, 2015.

Note 24: Disaggregation of Receivable and Payable Balances

The System has no reportable disaggregation of receivable and payable balances as of August 31, 2016 or as of August 31, 2015.

Note 25: Termination Benefits

The System has no reportable voluntary or involuntary termination benefits as of August 31, 2016. The System also had no reportable benefits as of August 31, 2015.

Note 26: Segment Information

The System has no reportable segments as of August 31, 2016 or as of August 31, 2015.

Texas Tech University System (793) – Notes to the Combined Financial Statements (continued)**Note 27: Service Concession Arrangements**

The System had no service concession arrangements as of August 31, 2016 or as of August 31, 2015.

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

In fiscal year 2016 and fiscal year 2015, the System reported deferred outflows and deferred inflows of resources in connection with its defined benefit pension plan as presented below. The fiscal year 2015 deferred outflows of resources was restated due to adjustments made to contributions subsequent to the measurement date.

| Fiscal Year | Business-Type Activities | Deferred Outflows of Resources | Deferred Inflows of Resources |
|-------------|--|-----------------------------------|----------------------------------|
| FY16 | Defined Benefit Pension Plans (Note 9) | \$ 38,049,967.00 | \$ 31,961,309.00 |
| | | Restated | |
| FY15 | Defined Benefit Pension Plans (Note 9) | \$ 27,389,635.08 | \$ 49,527,106.15 |

Note 29: Troubled Debt Restructuring

The System had no outstanding receivables whose terms were modified pursuant to troubled debt restructuring for the year ended August 31, 2016, or for the year ended August 31, 2015.

Note 30: Non-Exchange Financial Guarantees

The System had no non-exchange financial guarantees to report for the year ended August 31, 2016, or for the year ended August 31, 2015.

UNAUDITED

TEXAS TECH UNIVERSITY SYSTEM (793)

**COMBINED
SUPPORTING SCHEDULES**

Texas Tech University System (793)
Combined Schedule 1A - Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2016

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

Texas Tech University System (793)
Combined Schedule 1B Schedule of State Grant Pass-Throughs From/To State Agencies
For the Year Ended August 31, 2016

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

UNAUDITED

Texas Tech University System (793)
 Combined Schedule 2A - Miscellaneous Bond Information
 For the Year Ended August 31, 2016

| Description of Issue | Bonds Issued to Date | Range of Interest Rates | | Scheduled Maturities | | First Call Date |
|---|--------------------------|-------------------------|---------|----------------------|---------------------|-----------------|
| | | | | First Year | Final Maturity Date | |
| Revenue Bonds | | | | | | |
| Rev Fin Sys Ref & Imp Bds 10th Ser '06 | \$ 220,915,000.01 | 4.0000% | 5.0000% | 2006 | 2/15/2031 | 2/15/2016 |
| Rev Fin Sys Ref & Imp Bds 12th Ser '09 | 170,825,000.00 | 3.0000% | 5.2500% | 2009 | 2/15/2038 | 2/15/2019 |
| Rev Fin Sys Ref & Imp Bds 14th Ser '12A | 163,240,000.00 | 2.0000% | 5.0000% | 2012 | 8/15/2041 | 8/15/2021 |
| Rev Fin Sys Ref Bds Tax 15th Ser '12B | 27,585,000.00 | 0.4000% | 4.4400% | 2012 | 8/15/2031 | 8/15/2021 |
| Rev Fin Sys Ref & Imp Bds 16th Ser '15A | 73,255,000.00 | 2.0000% | 5.0000% | 2016 | 2/15/2040 | 2/15/2025 |
| Rev Fin Sys Ref & Imp Bds Tax 17th Ser '15B | 245,315,000.00 | 0.2950% | 4.1720% | 2015 | 2/15/2045 | 2/15/2025 |
| Total | <u>\$ 901,135,000.01</u> | | | | | |

UNAUDITED

Texas Tech University System (793)
 Combined Schedule 2B - Changes in Bonded Indebtedness
 For the Year Ended August 31, 2016

| Description of Issue | Bonds Outstanding 9/1/15 | Bonds Issued | Bonds Matured or Retired | Bonds Refunded or Extinguished | Par Value Adjustments | Bonds Outstanding 8/31/16 |
|---|--------------------------|--------------|--------------------------|--------------------------------|-----------------------|---------------------------|
| Revenue Bonds | | | | | | |
| Rev Fin Sys Ref & Imp Bds 10th Ser '06 | \$ 11,320,000.00 | \$ | \$ 11,320,000.00 | \$ | \$ | 0.00 |
| Rev Fin Sys Ref & Imp Bds 12th Ser '09 | 102,210,000.00 | | 8,005,000.00 | | | 94,205,000.00 |
| Rev Fin Sys Ref & Imp Bds 14th Ser '12A | 139,530,000.00 | | 8,845,000.00 | | | 130,685,000.00 |
| Rev Fin Sys Ref Bds Tax 15th Ser '12B | 24,670,000.00 | | 870,000.00 | | | 23,800,000.00 |
| Rev Fin Sys Ref & Imp Bds 16th Ser '15A | 73,255,000.00 | | 815,000.00 | | | 72,440,000.00 |
| Rev Fin Sys Ref & Imp Bds Tax 17th Ser '15B | 245,300,000.00 | | 8,305,000.00 | | | 236,995,000.00 |
| Total | \$ 596,285,000.00 | \$ 0.00 | \$ 38,160,000.00 | \$ 0.00 | \$ 0.00 | \$ 558,125,000.00 |

| Description of Issue | Unamortized Premium | Unamortized Discount | Other Adjustments | Net Bonds Outstanding 8/31/16 | Amounts Due Within One Year |
|---|---------------------|----------------------|-------------------|-------------------------------|-----------------------------|
| Revenue Bonds | | | | | |
| Rev Fin Sys Ref & Imp Bds 10th Ser '06 | \$ | \$ | \$ | 0.00 | 0.00 |
| Rev Fin Sys Ref & Imp Bds 12th Ser '09 | 1,009,207.30 | | | 95,214,207.30 | 8,794,937.25 |
| Rev Fin Sys Ref & Imp Bds 14th Ser '12A | 11,982,371.10 | | | 142,667,371.10 | 11,249,737.50 |
| Rev Fin Sys Ref Bds Tax 15th Ser '12B | | | | 23,800,000.00 | 890,000.00 |
| Rev Fin Sys Ref & Imp Bds 16th Ser '15A | 4,984,354.85 | | | 77,424,354.85 | 1,973,797.45 |
| Rev Fin Sys Ref & Imp Bds Tax 17th Ser '15B | | | | 236,995,000.00 | 20,385,000.00 |
| Total | \$ 17,975,933.25 | \$ 0.00 | \$ 0.00 | \$ 576,100,933.25 | \$ 43,293,472.20 |

Note: The 12th Series amount due within one year includes bond premium amortization of \$394,937.25. The 14th Series amount due within one year includes bond premium amortization of \$2,134,737.50. The 16th Series amount due within one year includes bond premium amortization of \$528,797.45.

UNAUDITED

Texas Tech University System (793)
 Combined Schedule 2C Debt Service Requirements
 For the Year Ended August 31, 2016

| Description of Issue | Fiscal Year | Principal | Interest | Total |
|---|-------------|-------------------------|-------------------------|--------------------------|
| Revenue Bonds | | | | |
| Rev Fin Sys Ref & Imp Bds 12th Ser '09 | | | | |
| | 2017 | \$ 8,400,000.00 | \$ 4,534,281.26 | \$ 12,934,281.26 |
| | 2018 | 5,400,000.00 | 4,189,281.26 | 9,589,281.26 |
| | 2019 | 4,975,000.00 | 3,929,906.26 | 8,904,906.26 |
| | 2020 | 5,225,000.00 | 3,674,906.26 | 8,899,906.26 |
| | 2021 | 5,505,000.00 | 3,406,656.26 | 8,911,656.26 |
| | 2022-2026 | 32,065,000.00 | 12,496,281.30 | 44,561,281.30 |
| | 2027-2031 | 19,545,000.00 | 4,967,631.28 | 24,512,631.28 |
| | 2032-2036 | 8,850,000.00 | 2,318,990.65 | 11,168,990.65 |
| | 2037-2038 | 4,240,000.00 | 225,487.50 | 4,465,487.50 |
| | | <u>94,205,000.00</u> | <u>39,743,422.03</u> | <u>133,948,422.03</u> |
| Rev Fin Sys Ref & Imp Bds 14th Ser '12A | | | | |
| | 2017 | 9,115,000.00 | 6,306,375.00 | 15,421,375.00 |
| | 2018 | 9,565,000.00 | 5,850,625.00 | 15,415,625.00 |
| | 2019 | 10,040,000.00 | 5,372,375.00 | 15,412,375.00 |
| | 2020 | 10,535,000.00 | 4,870,375.00 | 15,405,375.00 |
| | 2021 | 10,765,000.00 | 4,343,625.00 | 15,108,625.00 |
| | 2022-2026 | 24,775,000.00 | 16,726,012.50 | 41,501,012.50 |
| | 2027-2031 | 21,670,000.00 | 11,508,000.00 | 33,178,000.00 |
| | 2032-2036 | 24,345,000.00 | 5,835,500.00 | 30,180,500.00 |
| | 2037-2041 | 9,875,000.00 | 1,235,300.00 | 11,110,300.00 |
| | | <u>130,685,000.00</u> | <u>62,048,187.50</u> | <u>192,733,187.50</u> |
| Rev Fin Sys Ref Bds Tax 15th Ser '12B | | | | |
| | 2017 | 890,000.00 | 875,111.00 | 1,765,111.00 |
| | 2018 | 1,315,000.00 | 858,023.00 | 2,173,023.00 |
| | 2019 | 1,345,000.00 | 826,200.00 | 2,171,200.00 |
| | 2020 | 1,385,000.00 | 788,943.50 | 2,173,943.50 |
| | 2021 | 1,425,000.00 | 748,224.50 | 2,173,224.50 |
| | 2022-2026 | 7,870,000.00 | 2,995,547.50 | 10,865,547.50 |
| | 2027-2031 | 9,570,000.00 | 1,303,648.00 | 10,873,648.00 |
| | | <u>23,800,000.00</u> | <u>8,395,697.50</u> | <u>32,195,697.50</u> |
| Rev Fin Sys Ref & Imp Bds 16th Ser '15A | | | | |
| | 2017 | 1,445,000.00 | 2,810,406.26 | 4,255,406.26 |
| | 2018 | 2,495,000.00 | 2,758,531.26 | 5,253,531.26 |
| | 2019 | 2,450,000.00 | 2,672,106.26 | 5,122,106.26 |
| | 2020 | 2,600,000.00 | 2,571,106.26 | 5,171,106.26 |
| | 2021 | 2,690,000.00 | 2,478,756.26 | 5,168,756.26 |
| | 2022-2026 | 10,205,000.00 | 11,132,356.30 | 21,337,356.30 |
| | 2027-2031 | 27,965,000.00 | 7,762,351.30 | 35,727,351.30 |
| | 2032-2036 | 19,330,000.00 | 2,226,778.17 | 21,556,778.17 |
| | 2037-2040 | 3,260,000.00 | 241,787.50 | 3,501,787.50 |
| | | <u>\$ 72,440,000.00</u> | <u>\$ 34,654,179.57</u> | <u>\$ 107,094,179.57</u> |

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Texas Tech University System (793)
 Combined Schedule 2C Debt Service Requirements
 For the Year Ended August 31, 2016

| Description of Issue | Fiscal Year | Principal | Interest | Total | |
|---|------------------------------|--------------------------|--------------------------|--------------------------|-----------------------|
| Rev Fin Sys Ref & Imp Bds Tax 17th Ser '15B | 2017 | \$ 20,385,000.00 | \$ 5,922,320.18 | \$ 26,307,320.18 | |
| | 2018 | 23,820,000.00 | 5,661,008.69 | 29,481,008.69 | |
| | 2019 | 22,810,000.00 | 5,287,212.38 | 28,097,212.38 | |
| | 2020 | 22,860,000.00 | 4,840,978.98 | 27,700,978.98 | |
| | 2021 | 20,870,000.00 | 4,346,030.71 | 25,216,030.71 | |
| | 2022-2026 | 76,345,000.00 | 14,920,739.77 | 91,265,739.77 | |
| | 2027-2031 | 25,615,000.00 | 6,835,739.71 | 32,450,739.71 | |
| | 2032-2036 | 12,065,000.00 | 3,550,307.50 | 15,615,307.50 | |
| | 2037-2041 | 6,220,000.00 | 1,922,874.80 | 8,142,874.80 | |
| | 2042-2045 | 6,005,000.00 | 513,886.10 | 6,518,886.10 | |
| | | | <u>236,995,000.00</u> | <u>53,801,098.82</u> | <u>290,796,098.82</u> |
| | Total Principal and Interest | 2017 | 40,235,000.00 | 20,448,493.70 | 60,683,493.70 |
| | | 2018 | 42,595,000.00 | 19,317,469.21 | 61,912,469.21 |
| 2019 | | 41,620,000.00 | 18,087,799.90 | 59,707,799.90 | |
| 2020 | | 42,605,000.00 | 16,746,310.00 | 59,351,310.00 | |
| 2021 | | 41,255,000.00 | 15,323,292.73 | 56,578,292.73 | |
| 2022-2026 | | 151,260,000.00 | 58,270,937.37 | 209,530,937.37 | |
| 2027-2031 | | 104,365,000.00 | 32,377,370.29 | 136,742,370.29 | |
| 2032-2036 | | 64,590,000.00 | 13,931,576.32 | 78,521,576.32 | |
| 2037-2041 | | 23,595,000.00 | 3,625,449.80 | 27,220,449.80 | |
| 2042-2045 | | 6,005,000.00 | 513,886.10 | 6,518,886.10 | |
| | | <u>\$ 558,125,000.00</u> | <u>\$ 198,642,585.42</u> | <u>\$ 756,767,585.42</u> | |

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Texas Tech University System (793)
 Combined Schedule 2D · Analysis of Funds Available for Debt Service
 For the Year Ended August 31, 2016

Pledged and Other Sources and Related Expenditures for FY2016

| Description of Issue | Net Available for Debt Service | | Debt Service | |
|---|------------------------------------|--|-------------------------|-------------------------|
| | Total Pledged and Other Sources | Operating Expenses/Expenditures and Capital Outlay | Principal | Interest |
| Revenue Bonds: | | | | |
| Rev Fin Sys Ref & Imp Bds 10th Ser '06 | | | \$ 11,320,000.00 | \$ 283,000.00 |
| Rev Fin Sys Ref & Imp Bds 12th Ser '09 | | | 8,005,000.00 | 4,944,406.26 |
| Rev Fin Sys Ref & Imp Bds 14th Ser '12A | | | 8,845,000.00 | 6,571,725.00 |
| Rev Fin Sys Ref Bds Tax 15th Ser '12B | | | 870,000.00 | 888,335.00 |
| Rev Fin Sys Ref & Imp Bds 16th Ser '15A | | | 815,000.00 | 2,833,006.26 |
| Rev Fin Sys Ref & Imp Bds Tax 17th Ser '15B | | | 8,305,000.00 | 6,206,762.02 |
| Total | \$ 757,477,139.74 | (B) | \$ 38,160,000.00 | \$ 21,727,234.54 |

(A) Beginning balances as of 09/01/15 of \$713,878,505.40 are not included in "Total Pledged and Other Sources."

(B) Expenditures associated with pledged sources were approximately \$609,003,595.28.

Texas Tech University System (793)
Combined Schedule 2E - Defeased Bonds Outstanding
For the Year Ended August 31, 2016

| Description of Issue | Year Defeased | Par Value Outstanding |
|----------------------|------------------|--------------------------|
| Revenue Bonds | | <u>\$ 0.00</u> |
| | | <u>\$ 0.00</u> |

UNAUDITED

Texas Tech University System (793)
 Combined Schedule 2F 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) |
|----------------------|----------|---------------------------------------|---------------------------------|-------------------------------------|-----------------------------|
| Revenue Bonds | | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 |
| Total | | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 |

Texas Tech University System (793)
 Combined Schedule 3 - Reconciliation of Cash in State Treasury
 For the Year Ended August 31, 2016

| Cash in State Treasury | Current Unrestricted |
|--|---------------------------------|
| Local Revenue (Fund 0227) | \$ 4,268,473.52 |
| Local Revenue (Fund 0239) | 17,349,129.25 |
| Local Revenue (Fund 0255) | 3,308,984.82 |
| Local Revenue (Fund 0294) | 3,420,425.89 |
| Permanent Health Fund - El Paso Campus (Fund 0820) | 6,857,054.99 |
| Permanent Health Fund - Other Campuses (Fund 0821) | 4,269,558.31 |
| | <hr/> |
| Total Cash in State Treasury | \$ 39,473,626.78 |
| | <hr/> <hr/> |

UNAUDITED

Texas Tech University System (793)
 Combined Schedule 4A - TTU System's Proportionate Share of Net Pension Liability
 For the Years Ended August 31, 2016 and 2015

| | 2016 | 2015 |
|---|-------------------|-------------------|
| TTU System's proportion of the net pension liability (asset) | 0.5280855% | 0.6064722% |
| TTU System's proportionate share of net pension liability (asset) | \$ 186,671,195.00 | \$ 162,030,163.65 |
| TTU System's covered payroll | \$ 203,038,968.00 | \$ 222,298,083.81 |
| TTU System's proportionate share of net pension liability (asset) as a percentage of its covered payroll | 91.94% | 72.89% |
| Plan fiduciary net position as a percentage of the total pension liability | 78.43% | 83.25% |

Note: This schedule is intended to present 10 years of information. Currently only two years of information is available. Information for future years will be added when it becomes available.

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Texas Tech University System (793)
 Combined Schedule 4B - TTU System's TRS Employer Contributions
 For the Years Ended August 31, 2016 and 2015

| | 2016 | 2015 |
|---|------------------|------------------|
| Statutorily required contributions | \$ 16,750,715.00 | \$ 19,273,243.86 |
| Contributions in relation to the statutorily required contributions | 15,681,265.00 | 15,253,844.56 |
| Contribution deficiency (excess) | 1,069,450.00 | 4,019,399.30 |
| TTU System's covered-employee payroll | 203,038,968.00 | 222,298,083.81 |
| Contributions as a percentage of covered-employee payroll | 7.72% | 6.86% |

Note: This schedule is intended to present 10 years of information.
 Currently only two years of information is available. Information
 for future years will be added when it becomes available.

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TEXAS TECH UNIVERSITY SYSTEM (793)

**DISCRETELY PRESENTED
COMPONENT UNIT
Robert G. and Nona K. Carr
Scholarship Foundation**

UNAUDITED

Texas Tech University System (793)
Statement of Net Position
Discretely Presented Component Unit - Angelo State University
Robert G. Karr and Nona K. Carr Scholarship Foundation
August 31, 2016 and 2015

| | 2016 | 2015 |
|---------------------------------------|-------------------|----------------|
| ASSETS | | |
| Current Assets: | | |
| Cash and Cash Equivalents | \$ 0.00 | \$ 50,204.37 |
| Restricted Cash and Cash Equivalents | 247,260.48 | 254,757.30 |
| Accounts Receivable | 190,042.42 | 305,053.05 |
| Prepaid Items | 0.00 | 1,991.25 |
| Total Current Assets | 437,302.90 | 612,005.97 |
| Non-Current Assets: | | |
| Restricted Investments (Note 3) | 124,894,025.76 | 129,817,425.18 |
| Total Non-Current Assets | 124,894,025.76 | 129,817,425.18 |
| Total Assets | 125,331,328.66 | 130,429,431.15 |
| LIABILITIES | | |
| Current Liabilities: | | |
| Accounts Payable | 13,460.86 | 778.10 |
| Payroll Payable | 19,671.03 | 27,158.26 |
| Employees' Compensable Leave (Note 5) | 43.08 | 561.52 |
| Total Current Liabilities | 33,174.97 | 28,497.88 |
| Non-Current Liabilities: | | |
| Employees' Compensable Leave (Note 5) | 15,260.96 | 14,699.44 |
| Total Non-Current Liabilities | 15,260.96 | 14,699.44 |
| Total Liabilities | 48,435.93 | 43,197.32 |
| NET POSITION | | |
| Restricted: | | |
| Nonexpendable: | | |
| Endowments | 120,253,612.64 | 123,776,547.47 |
| Expendable: | | |
| Other | 5,029,280.09 | 6,609,686.36 |
| Total Net Position | \$ 125,282,892.73 | 130,386,233.83 |

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

UNAUDITED

Texas Tech University System (793)
 Statement of Revenues, Expenses and Changes in Net Position
 Discretely Presented Component Unit - Angelo State University
 Robert G. Karr and Nona K. Carr Scholarship Foundation
 For the Years Ended August 31, 2016 and 2015

| Operating Revenues | 2016 | 2015 |
|---|-------------------|-------------------|
| Total Operating Revenues | \$ 0.00 | \$ 0.00 |
| Operating Expenses | | |
| Salaries and Wages | 237,369.09 | 272,967.37 |
| Payroll Related Costs | 75,897.02 | 96,013.54 |
| Professional Fees and Services | 41,454.00 | 55,898.15 |
| Travel | 11,233.84 | 9,485.35 |
| Materials and Supplies | 48,752.71 | 57,251.47 |
| Communications and Utilities | 1,087.20 | 1,437.78 |
| Repairs and Maintenance | 0.00 | 998.76 |
| Rentals and Leases | 2,584.00 | 2,584.00 |
| Printing and Reproduction | 927.92 | 879.10 |
| Other Operating Expenses | 26,869.60 | 9,648.62 |
| Total Operating Expenses | 446,175.38 | 507,164.14 |
| Operating Income (Loss) | (446,175.38) | (507,164.14) |
| Nonoperating Revenues (Expenses) | | |
| Investment Income (Expense) | 6,897,762.35 | 8,220,539.22 |
| Net Increase (Decrease) in Fair Value of Investments | (5,643,082.18) | (6,536,300.86) |
| Other Nonoperating Revenues (Expenses) - Pledged | (5,911,845.89) | (2,721,952.42) |
| Total Nonoperating Revenues (Expenses) | (4,657,165.72) | (1,037,714.06) |
| Income (Loss) before Other Revenues, Expenses, Gains, Losses, and Transfers | (5,103,341.10) | (1,544,878.20) |
| Other Revenues, Expenses, Gains, Losses, and Transfers | | |
| Total Other Revenues, Expenses, Gains, Losses, and Transfers | 0.00 | 0.00 |
| Total Change in Net Position | (5,103,341.10) | (1,544,878.20) |
| Beginning Net Position (September 1) | 130,386,233.83 | 131,931,112.03 |
| Ending Net Position (August 31) | \$ 125,282,892.73 | \$ 130,386,233.83 |

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

UNAUDITED

TEXAS TECH UNIVERSITY SYSTEM (793)

**COMPONENT INSTITUTION
ANNUAL FINANCIAL STATEMENTS**

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

Note: Effective FY16, component institutions will no longer prepare individual annual financial reports.
The financial statements of each component are included on the following pages.

UNAUDITED

Texas Tech University (733)
Statement of Net Position
August 31, 2016 and 2015

| | 2016 | Restated 2015 |
|---|----------------------------|----------------------------|
| ASSETS | | |
| Current Assets: | | |
| Cash and Cash Equivalents | \$ 89,665,215.03 | \$ 66,260,617.12 |
| Restricted Cash and Cash Equivalents | 28,960,261.06 | 19,205,069.79 |
| Legislative Appropriations | 84,393,676.14 | 64,325,267.87 |
| Receivables: | | |
| Federal | 13,386,347.35 | 11,475,156.81 |
| Student | 5,438,228.82 | 5,409,208.21 |
| Accounts | 6,676,228.93 | 6,051,789.98 |
| Interest and Dividends | 545,258.13 | 484,235.02 |
| Gifts | 4,290,673.26 | 3,696,019.01 |
| Other | 8,789,448.40 | 2,084,968.19 |
| Due From Other State Agencies | 30,477,965.86 | 28,437,852.22 |
| Inventories | 2,607,707.80 | 2,702,071.43 |
| Prepaid Items | 39,641,797.77 | 36,628,553.12 |
| Loans and Contracts | 629,165.44 | 778,350.49 |
| Other Current Assets | 450,000.00 | 450,000.00 |
| Total Current Assets | <u>315,951,973.99</u> | <u>247,989,159.26</u> |
| Non-Current Assets: | | |
| Restricted Cash and Cash Equivalents | 10,150,249.24 | 8,828,313.89 |
| Restricted Investments | 258,082,860.34 | 257,212,634.47 |
| Gifts Receivable | 10,533,832.42 | 14,013,249.24 |
| Loans and Notes Receivable | 958,169.39 | 1,155,900.11 |
| Investments | 482,136,209.56 | 435,709,637.29 |
| Capital Assets | | |
| Non-Depreciable or Non-Amortizable | 116,032,857.55 | 95,497,760.27 |
| Depreciable or Amortizable | 1,973,276,528.97 | 1,898,176,037.79 |
| Accumulated Depreciation and Amortization | (1,054,506,253.31) | (988,383,667.40) |
| Total Non-Current Assets | <u>1,796,664,454.16</u> | <u>1,722,209,865.66</u> |
| Total Assets | <u>\$ 2,112,616,428.15</u> | <u>\$ 1,970,199,024.92</u> |

UNAUDITED

Texas Tech University (733)
Statement of Net Position
August 31, 2016 and 2015

| | 2016 | Restated 2015 |
|---|----------------------------|----------------------------|
| LIABILITIES | | |
| Current Liabilities: | | |
| Accounts Payable | \$ 23,132,958.38 | \$ 20,727,362.71 |
| Payroll Payable | 32,672,375.85 | 29,129,902.82 |
| Unearned Revenue | 154,458,610.71 | 146,520,240.04 |
| Due to Other State Agencies | 1,536,688.87 | 1,754,167.30 |
| Employees' Compensable Leave | 1,585,243.80 | 1,532,094.73 |
| Funds Held for Others | 19,754,257.13 | 19,681,134.19 |
| Other Current Liabilities | 3,435,222.33 | 3,428,217.72 |
| Total Current Liabilities | <u>236,575,357.07</u> | <u>222,773,119.51</u> |
| Non-Current Liabilities: | | |
| Employees' Compensable Leave | 11,625,121.15 | 11,235,361.31 |
| Pollution Remediation Obligation | 1,022,641.50 | 0.00 |
| Total Non-Current Liabilities | <u>12,647,762.65</u> | <u>11,235,361.31</u> |
| Total Liabilities | <u>249,223,119.72</u> | <u>234,008,480.82</u> |
| NET POSITION | | |
| Invested in Capital Assets, Net of Related Debt | 1,034,803,133.21 | 1,005,290,130.66 |
| Restricted: | | |
| Nonexpendable: | | |
| Endowments | 75,103,343.53 | 74,357,739.19 |
| Expendable: | | |
| Capital Projects | 18,493,011.15 | 20,744,190.50 |
| Higher Education Assistance Fund | 58,046,147.93 | 40,488,533.77 |
| Debt Service | 49,856,836.59 | 29,675,195.76 |
| Other | 136,445,592.11 | 136,326,383.58 |
| Unrestricted | <u>490,645,243.91</u> | <u>429,308,370.64</u> |
| Total Net Position | <u>\$ 1,863,393,308.43</u> | <u>\$ 1,736,190,544.10</u> |

UNAUDITED

Texas Tech University (733)
Statement of Revenues, Expenses, and Changes in Net Position
For the Years Ended August 31, 2016 and 2015

| | 2016 | Restated 2015 |
|---|----------------------------|----------------------------|
| Operating Revenues | | |
| Tuition and Fees | \$ 6,518,328.11 | \$ 10,745,405.16 |
| Tuition and Fees - Pledged | 394,302,057.23 | 369,053,500.62 |
| Less Discounts and Allowances | (93,438,686.27) | (85,760,376.80) |
| Sales and Services of Auxiliary Enterprises - Pledged | 148,558,704.08 | 142,406,285.59 |
| Other Sales and Services | 4,827,445.65 | 5,177,625.46 |
| Other Sales and Services - Pledged | 7,969,381.21 | 7,999,117.50 |
| Federal Grants and Contracts | 37,108,034.52 | 36,646,704.62 |
| Federal Grant Pass-Throughs from Other State Agencies | 2,674,171.17 | 3,153,731.66 |
| State Grants and Contracts | 356,213.52 | 250,267.75 |
| State Grant Pass-Throughs from Other State Agencies | 50,477,545.99 | 22,573,868.47 |
| Local Governmental Grants and Contracts | 595,076.81 | 690,604.88 |
| Nongovernmental Grants and Contracts | 13,338,579.82 | 8,343,826.98 |
| Total Operating Revenues | <u>573,286,851.84</u> | <u>521,280,561.89</u> |
| Operating Expenses | | |
| Cost of Goods Sold | 14,063,314.57 | 15,151,338.09 |
| Salaries and Wages | 356,601,681.81 | 343,485,231.77 |
| Payroll Related Costs | 90,525,971.22 | 86,282,058.80 |
| Professional Fees and Services | 10,330,705.10 | 7,613,068.21 |
| Travel | 24,075,767.87 | 22,083,752.43 |
| Materials and Supplies | 31,649,966.47 | 32,877,559.46 |
| Communications and Utilities | 29,355,357.22 | 29,743,960.47 |
| Repairs and Maintenance | 21,768,113.64 | 20,899,438.71 |
| Rentals and Leases | 10,485,627.53 | 7,892,767.22 |
| Printing and Reproduction | 2,934,109.09 | 2,724,065.11 |
| Federal Grant Pass-Through Expense | 1,271,275.02 | 1,106,523.50 |
| State Grant Pass-Through Expense | 130,782.03 | 85,616.96 |
| Depreciation and Amortization | 81,631,902.56 | 87,263,057.51 |
| Bad Debt Expense | 1,651.51 | 56,523.40 |
| Interest | 9,236.70 | 5,823.79 |
| Scholarships | 53,078,089.69 | 50,555,865.98 |
| Net Change in Pollution Remediation Obligation | 1,022,641.50 | 0.00 |
| Claims and Judgments | 38,693.83 | 99,074.20 |
| Other Operating Expenses | 64,267,620.10 | 59,488,487.71 |
| Total Operating Expenses | <u>793,242,507.46</u> | <u>767,414,213.32</u> |
| Operating Income (Loss) | <u>\$ (219,955,655.62)</u> | <u>\$ (246,133,651.43)</u> |

UNAUDITED

Texas Tech University (733)
Statement of Revenues, Expenses, and Changes in Net Position
For the Years Ended August 31, 2016 and 2015

| | 2016 | Restated 2015 |
|---|--------------------------------|--------------------------------|
| Nonoperating Revenues (Expenses) | | |
| Legislative Revenue | \$ 190,945,777.78 | \$ 178,822,411.44 |
| Federal Grants and Contracts | 34,465,531.00 | 34,712,873.00 |
| Private Gifts | 10,183,491.14 | 12,671,764.37 |
| Private Gifts - Pledged | 849,109.75 | 2,764,759.74 |
| Investment Income (Expense) | 6,395,406.75 | 5,935,514.09 |
| Investment Income (Expense) - Pledged | 13,820,226.97 | 9,984,083.44 |
| Interest Expense on Capital Asset Financing | 0.00 | (12,284,087.94) |
| Gain (Loss) on Sale and Disposal of Capital Assets | (1,121,913.21) | (1,113,606.50) |
| Net Increase (Decrease) in Fair Value of Investments | (2,832,584.35) | (21,336,408.89) |
| Other Nonoperating Revenues (Expenses) | 1,117,657.99 | 2,115,514.27 |
| Other Nonoperating Revenues (Expenses) - Pledged | 1,858,677.68 | 3,485,538.16 |
| Total Nonoperating Revenues (Expenses) | <u>255,681,381.50</u> | <u>215,758,355.18</u> |
| Income (Loss) before Other Revenues, Expenses, Gains, Losses, and Transfers | 35,725,725.88 | (30,375,296.25) |
| Other Revenues, Expenses, Gains, Losses, and Transfers | | |
| Capital Appropriations (HEAF) | 32,817,206.00 | 23,936,088.00 |
| Capital Contributions | 2,594,822.97 | 2,541,971.44 |
| Lapsed Appropriations | (7,532.55) | (274,738.48) |
| Contributions to Permanent and Term Endowments | 439,009.31 | 777,827.49 |
| Legislative Transfers In (Out) | (7,896,343.45) | (1,753,337.00) |
| Interagency Transfers of Capital Assets - Increase | 797,462.69 | 431,848.42 |
| Interagency Transfers of Capital Assets - Decrease | (45,571.08) | (65,113.78) |
| Net Transfers from (to) Texas Tech Foundation, Inc. | 49,704,973.82 | 43,122,144.33 |
| Net Transfers from (to) Other State Agencies | 13,073,010.74 | 420,789,666.09 |
| Net Other Revenues, Expenses, Gains, Losses, and Transfers | <u>91,477,038.45</u> | <u>489,506,356.51</u> |
| Total Change in Net Position | <u>127,202,764.33</u> | <u>459,131,060.26</u> |
| Beginning Net Position (September 1) | 1,736,190,544.10 | 1,286,510,486.91 |
| Restatements | <u>0.00</u> | <u>(9,451,003.07)</u> |
| Ending Net Position (August 31) | <u>\$ 1,863,393,308.43</u> | <u>\$ 1,736,190,544.10</u> |

UNAUDITED

Texas Tech University (733)
Statement of Cash Flows
For the Years Ended August 31, 2016 and 2015

| | 2016 | Restated 2015 |
|---|--------------------|---------------------|
| Cash Flows from Operating Activities | | |
| Proceeds from Customers | \$ 12,486,879.70 | \$ 13,550,925.27 |
| Proceeds from Tuition and Fees | 302,528,340.40 | 300,216,336.33 |
| Proceeds from Grants and Contracts | 109,166,460.28 | 73,267,186.14 |
| Proceeds from Sales and Services of Auxiliary Enterprises | 149,596,683.83 | 139,988,307.79 |
| Proceeds from Collections of Loans to Students | 1,061,204.32 | 1,573,765.23 |
| Payments to Suppliers for Goods and Services | (56,040,429.35) | (56,534,481.40) |
| Payments to Employees for Salaries | (355,723,240.68) | (342,656,239.68) |
| Payments to Employees for Benefits | (87,861,939.32) | (85,830,678.87) |
| Payments for Loans Issued to Students | (714,288.55) | (1,797,967.49) |
| Payments for Other Expenses | (206,081,081.90) | (194,786,119.43) |
| Net Cash Used By Operating Activities | (131,581,411.27) | (153,008,966.11) |
| Cash Flows from Noncapital Financing Activities | | |
| Proceeds from State Appropriations | 188,178,849.46 | 176,879,357.53 |
| Proceeds from Gifts | 14,356,372.77 | 21,180,829.90 |
| Proceeds from Nonoperating Grants and Contracts | 34,082,739.26 | 34,637,602.88 |
| Proceeds from Other Financing Activities | 2,249,599.32 | 4,850,150.23 |
| Proceeds from Agency Transactions | 169,293,836.51 | 167,433,444.98 |
| Proceeds from Transfers from Component Institutions | 790,618.37 | 641,463.25 |
| Proceeds from Transfers from Texas Tech Foundation, Inc. | 49,750,588.86 | 43,172,318.03 |
| Proceeds from Transfers In from Other State Agencies | 9,137,337.21 | 3,872,610.43 |
| Payments for Transfers to Component Institutions | (5,607,664.80) | (6,462,488.92) |
| Payments for Transfers to Texas Tech Foundation, Inc. | (45,615.04) | (50,173.70) |
| Payments for Transfers to Other State Agencies | 0.00 | (4,408,230.90) |
| Payments for Other Uses | (170,718,687.76) | (168,292,945.79) |
| Net Cash Provided by Noncapital Financing Activities | 291,467,974.16 | 273,453,937.92 |
| Cash Flows from Capital and Related Financing Activities | | |
| Proceeds from Sale of Capital Assets | 446,338.00 | 0.00 |
| Proceeds from Capital Debt Issuances | 0.00 | 22,671,363.78 |
| Proceeds from Capital Appropriations | 15,698,857.02 | 20,533,677.26 |
| Proceeds from Transfers from Component Institutions | 42,000,556.20 | 14,054,164.60 |
| Payments for Transfers to Component Institutions | (43,523,793.59) | (4,128,417.05) |
| Payments for Additions to Capital Assets | (109,702,297.15) | (112,697,943.81) |
| Payments for Principal Paid on Capital Debt | 0.00 | (34,295,018.12) |
| Payments for Interest Paid on Capital Debt | (350,221.16) | (13,561,906.92) |
| Net Cash Used by Capital and Related Financing Activities | \$ (95,430,560.68) | \$ (107,424,080.26) |

UNAUDITED

Texas Tech University (733)
Statement of Cash Flows
For the Years Ended August 31, 2016 and 2015

| | 2016 | Restated 2015 |
|--|--------------------------|---------------------------|
| Cash Flows from Investing Activities | | |
| Proceeds from Investment Sales and Maturities | \$ 120,685,116.22 | \$ 99,136,288.69 |
| Proceeds from Interest and Investment Income | 19,992,967.49 | 19,250,618.47 |
| Payments to Acquire Investments | (170,652,361.39) | (205,728,566.06) |
| Net Cash Used by Investing Activities | <u>(29,974,277.68)</u> | <u>(87,341,658.90)</u> |
| | | |
| TOTAL NET CASH FLOWS | <u>\$ 34,481,724.53</u> | <u>\$ (74,320,767.35)</u> |
| | | |
| Beginning Cash & Cash Equivalents - September 1 | \$ 94,294,000.80 | \$ 168,614,768.15 |
| | | |
| Ending Cash & Cash Equivalents - August 31 | <u>\$ 128,775,725.33</u> | <u>\$ 94,294,000.80</u> |
| | | |
| Reconciliation of Operating Loss to Net Cash Flows from Operating Activities | | |
| Operating Loss | \$ (219,955,655.62) | \$ (246,133,651.43) |
| Adjustments: | | |
| Depreciation and Amortization Expense | 81,631,902.56 | 87,263,057.51 |
| Bad Debt Expense | 1,651.51 | 56,523.40 |
| (Increase) Decrease in Accounts Receivables | (7,371,603.08) | (886,829.69) |
| (Increase) Decrease in Loans and Notes Receivable | 346,915.77 | (224,202.26) |
| (Increase) Decrease in Inventories | 94,363.63 | 17,792.45 |
| (Increase) Decrease in Due From Other State Agencies | 138,772.49 | 552,369.97 |
| (Increase) Decrease in Prepaid Items | (2,418,912.35) | (3,767,071.35) |
| Increase (Decrease) in Accounts Payable | 3,189,117.72 | 2,424,725.78 |
| Increase (Decrease) in Payroll Payable | 878,441.13 | 828,992.09 |
| Increase (Decrease) in Unearned Revenue | 7,941,821.39 | 5,753,983.54 |
| Increase (Decrease) in Employees' Compensable Leave | 442,908.91 | 733,831.38 |
| Increase (Decrease) in Due To Other State Agencies | (217,478.43) | 322,669.82 |
| Increase (Decrease) in Benefits Payable | 2,664,031.90 | 451,379.93 |
| Increase (Decrease) in Pollution Remediation Obligation | 1,022,641.50 | 0.00 |
| Increase (Decrease) in Other Liabilities | 29,669.70 | (402,537.25) |
| Net Cash Used for Operating Activities | <u>(131,581,411.27)</u> | <u>(153,008,966.11)</u> |
| | | |
| Noncash Transactions | | |
| Donations of Capital Assets | 2,594,822.97 | 2,541,971.44 |
| Net Increase (Decrease) in Fair Value of Investments | (2,832,584.35) | (21,336,408.89) |
| Other | (72,594.76) | 409,327,800.84 |
| Total Noncash Transactions | <u>\$ (310,356.14)</u> | <u>\$ 390,533,363.39</u> |

UNAUDITED

Texas Tech University Health Sciences Center (739)
 Statement of Net Position
 August 31, 2016 and 2015

| | 2016 | Restated 2015 |
|---|--------------------------|--------------------------|
| ASSETS | | |
| Current Assets: | | |
| Cash and Cash Equivalents | \$ 58,852,794.43 | \$ 40,399,056.59 |
| Restricted Cash and Cash Equivalents | 69,674,110.32 | 69,477,001.88 |
| Legislative Appropriations | 42,061,058.11 | 45,439,474.49 |
| Receivables: | | |
| Federal | 991,854.87 | 3,039,320.83 |
| Patient | 16,539,801.70 | 16,112,764.62 |
| Student | 791,700.32 | 754,096.39 |
| Contracts | 22,199,474.30 | 14,586,847.22 |
| Interest and Dividends | 355,815.27 | 385,217.05 |
| Gifts | 2,009,719.64 | 338,203.66 |
| Other | 442,432.22 | 797,249.38 |
| Due From Other State Agencies | 8,926,088.75 | 10,053,920.71 |
| Inventories | 1,034,464.45 | 1,002,921.49 |
| Prepaid Items | 5,081,878.05 | 3,314,912.32 |
| Loans and Contracts | 218,590.20 | 314,266.24 |
| Total Current Assets | <u>229,179,782.63</u> | <u>206,015,252.87</u> |
| Non-Current Assets: | | |
| Restricted Cash and Cash Equivalents | 2,461.76 | 327,127.62 |
| Restricted Investments | 70,397,085.42 | 72,906,686.79 |
| Gifts Receivable | 8,870,970.45 | 1,767,724.82 |
| Loans and Notes Receivable | 2,160,711.35 | 2,315,495.76 |
| Investments | 272,738,521.98 | 267,417,635.05 |
| Capital Assets | | |
| Non-Depreciable or Non-Amortizable | 14,668,629.83 | 12,250,020.94 |
| Depreciable or Amortizable | 507,444,899.74 | 496,086,359.73 |
| Accumulated Depreciation and Amortization | <u>(305,418,028.92)</u> | <u>(287,285,426.89)</u> |
| Total Non-Current Assets | <u>570,865,251.61</u> | <u>565,785,623.82</u> |
| Total Assets | <u>\$ 800,045,034.24</u> | <u>\$ 771,800,876.69</u> |

UNAUDITED

Texas Tech University Health Sciences Center (739)
 Statement of Net Position
 August 31, 2016 and 2015

| | 2016 | Restated 2015 |
|---|--------------------------|--------------------------|
| LIABILITIES | | |
| Current Liabilities: | | |
| Accounts Payable | \$ 19,236,473.71 | \$ 17,524,839.87 |
| Payroll Payable | 31,680,307.02 | 31,444,799.84 |
| Unearned Revenue | 17,280,106.13 | 16,601,173.99 |
| Due to Other State Agencies | 21,468.08 | 233,962.66 |
| Employees' Compensable Leave | 2,694,335.42 | 2,573,297.54 |
| Funds Held for Others | 316,694.41 | 264,223.32 |
| Other Current Liabilities | 12,220,405.48 | 22,485.49 |
| Total Current Liabilities | <u>83,449,790.25</u> | <u>68,664,782.71</u> |
| Non-Current Liabilities: | | |
| Employees' Compensable Leave | 19,758,459.67 | 18,870,848.58 |
| Other Non-Current Liabilities | 78,977.67 | 78,888.52 |
| Total Non-Current Liabilities | <u>19,837,437.34</u> | <u>18,949,737.10</u> |
| Total Liabilities | <u>103,287,227.59</u> | <u>87,614,519.81</u> |
| NET POSITION | | |
| Invested in Capital Assets, Net of Related Debt | 216,695,500.65 | 221,050,953.78 |
| Restricted: | | |
| Nonexpendable: | | |
| Endowments | 61,276,729.63 | 61,006,826.80 |
| Expendable: | | |
| Capital Projects | 7,267,330.92 | 7,258,850.99 |
| Other | 96,586,597.26 | 86,509,832.51 |
| Unrestricted | <u>314,931,648.19</u> | <u>308,359,892.80</u> |
| Total Net Position | <u>\$ 696,757,806.65</u> | <u>\$ 684,186,356.88</u> |

UNAUDITED

Texas Tech University Health Sciences Center (739)
Statement of Revenues, Expenses, and Changes in Net Position
For the Years Ended August 31, 2016 and 2015

| | 2016 | 2015 |
|---|---------------------|---------------------|
| Operating Revenues | | |
| Tuition and Fees | \$ 1,442,962.17 | \$ 1,377,591.70 |
| Tuition and Fees · Pledged | 50,015,394.18 | 46,890,310.31 |
| Less Discounts and Allowances | (6,386,651.59) | (5,700,401.44) |
| Professional Fees | 215,993,113.44 | 204,377,709.28 |
| Professional Fees · Pledged | 681,714.96 | 789,295.22 |
| Sales and Services of Auxiliary Enterprises · Pledged | 747,279.53 | 746,522.17 |
| Other Sales and Services | 3,544,840.27 | 3,524,439.86 |
| Other Sales and Services · Pledged | 6,430,755.81 | 6,543,810.61 |
| Federal Grants and Contracts | 15,457,062.80 | 17,448,695.24 |
| Federal Grants and Contracts · Pledged | 3,768,340.27 | 3,650,985.69 |
| Federal Grant Pass-Throughs from Other State Agencies | 2,601,424.95 | 2,124,053.74 |
| State Grants and Contracts | 1,201,736.12 | 1,325,651.11 |
| State Grants and Contracts · Pledged | 857,567.02 | 282,294.86 |
| State Grant Pass-Throughs from Other State Agencies | 8,104,665.36 | 5,794,148.34 |
| Local Governmental Grants and Contracts | 21,914,877.68 | 19,630,822.54 |
| Local Governmental Grants and Contracts · Pledged | 1,573,332.61 | 1,137,287.00 |
| Nongovernmental Grants and Contracts | 99,324,809.78 | 91,915,415.10 |
| Nongovernmental Grants and Contracts · Pledged | 2,309,693.43 | 2,202,789.92 |
| Other Revenue | 16,811,372.98 | 16,793,512.98 |
| Total Operating Revenues | 446,394,291.77 | 420,854,934.23 |
| Operating Expenses | | |
| Salaries and Wages | 340,483,212.72 | 321,674,837.85 |
| Payroll Related Costs | 84,892,945.68 | 77,853,093.05 |
| Professional Fees and Services | 56,103,308.66 | 49,245,534.55 |
| Travel | 5,252,092.29 | 5,112,175.98 |
| Materials and Supplies | 32,179,636.84 | 29,549,351.43 |
| Communications and Utilities | 13,562,063.38 | 13,442,343.68 |
| Repairs and Maintenance | 9,996,209.33 | 9,697,161.23 |
| Rentals and Leases | 3,199,654.95 | 2,871,473.94 |
| Printing and Reproduction | 1,715,111.97 | 1,399,849.51 |
| Federal Grant Pass-Through Expense | 306,767.31 | 227,312.28 |
| State Grant Pass-Through Expense | 29,817.57 | 0.00 |
| Depreciation and Amortization | 21,002,417.30 | 21,225,558.59 |
| Bad Debt Expense | 312,863.47 | 184,405.52 |
| Interest | 5,845.83 | 4,680.08 |
| Scholarships | 4,287,754.73 | 3,618,485.90 |
| Claims and Judgments | 1,000.00 | 1,284,000.00 |
| Other Operating Expenses | 63,097,188.38 | 38,360,135.98 |
| Total Operating Expenses | 636,427,890.41 | 575,750,399.57 |
| Operating Income (Loss) | \$ (190,033,598.64) | \$ (154,895,465.34) |

UNAUDITED

Texas Tech University Health Sciences Center (739)
Statement of Revenues, Expenses, and Changes in Net Position
For the Years Ended August 31, 2016 and 2015

| | 2016 | 2015 |
|---|-------------------|-------------------|
| Nonoperating Revenues (Expenses) | | |
| Legislative Revenue | \$ 158,925,012.61 | \$ 210,148,525.41 |
| Federal Grants and Contracts | 1,407,864.00 | 1,606,148.00 |
| State Grant Pass-Throughs from Other State Agencies | 58,800.00 | 51,500.00 |
| Private Gifts | 16,287,835.80 | 3,019,378.28 |
| Private Gifts · Pledged | 416,098.51 | 530,382.11 |
| Investment Income (Expense) | 9,164,150.73 | 7,925,811.84 |
| Investment Income (Expense) · Pledged | 2,597,801.35 | 1,680,769.33 |
| Interest Expense on Capital Asset Financing | 0.00 | (1,714,270.90) |
| Gain (Loss) on Sale and Disposal of Capital Assets | (122,698.33) | (189,218.78) |
| Net Increase (Decrease) in Fair Value of Investments | (639,373.51) | (11,949,810.33) |
| Other Nonoperating Revenues (Expenses) | 804,802.96 | 2,671,396.98 |
| Other Nonoperating Revenues (Expenses) · Pledged | 600,313.27 | 759,376.52 |
| Total Nonoperating Revenues (Expenses) | 189,500,607.39 | 214,539,988.46 |
| Income (Loss) before Other Revenues, Expenses, Gains, Losses, and Transfers | (532,991.25) | 59,644,523.12 |
| Other Revenues, Expenses, Gains, Losses, and Transfers | | |
| Capital Appropriations (HEAF) | 15,581,597.00 | 16,973,569.00 |
| Capital Contributions | 461,833.04 | 498,890.10 |
| Lapsed Appropriations | 0.00 | (560,056.86) |
| Legislative Transfers In (Out) | (7,016,968.00) | (1,753,337.00) |
| Interagency Transfers of Capital Assets · Increase | 4,313.36 | 0.00 |
| Interagency Transfers of Capital Assets · Decrease | (721,858.76) | (463,968.93) |
| Net Transfers from (to) Texas Tech Foundation, Inc. | 2,586,887.05 | 2,333,605.95 |
| Net Transfers from (to) Other State Agencies | 2,208,637.33 | (59,340,571.00) |
| Net Other Revenues, Expenses, Gains, Losses, and Transfers | 13,104,441.02 | (42,311,868.74) |
| Total Change in Net Position | 12,571,449.77 | 17,332,654.38 |
| Beginning Net Position (September 1) | 684,186,356.88 | 666,853,702.50 |
| Ending Net Position (August 31) | \$ 696,757,806.65 | \$ 684,186,356.88 |

UNAUDITED

Texas Tech University Health Sciences Center (739)
Statement of Cash Flows
For the Years Ended August 31, 2016 and 2015

| | 2016 | 2015 |
|---|-------------------------|-------------------------|
| Cash Flows from Operating Activities | | |
| Proceeds from Customers | \$ 243,390,477.54 | \$ 230,004,049.69 |
| Proceeds from Tuition and Fees | 45,480,432.04 | 43,479,938.09 |
| Proceeds from Grants and Contracts | 152,147,749.41 | 142,400,858.99 |
| Proceeds from Sales and Services of Auxiliary Enterprises | 747,279.53 | 775,484.16 |
| Proceeds from Collections of Loans to Students | 2,836,965.31 | 1,922,135.71 |
| Payments to Suppliers for Goods and Services | (124,129,179.82) | (117,666,364.98) |
| Payments to Employees for Salaries | (337,998,001.35) | (319,138,679.21) |
| Payments to Employees for Benefits | (86,134,000.90) | (76,701,532.83) |
| Payments for Loans Issued to Students | (2,484,629.81) | (1,933,651.45) |
| Payments for Other Expenses | (53,923,161.69) | (42,159,253.90) |
| Net Cash Used By Operating Activities | (160,066,069.74) | (139,017,015.73) |
| Cash Flows from Noncapital Financing Activities | | |
| Proceeds from State Appropriations | 160,263,919.53 | 209,048,412.52 |
| Proceeds from Gifts | 7,929,172.70 | 4,663,707.03 |
| Proceeds from Nonoperating Grants and Contracts | 1,466,664.00 | 1,657,648.00 |
| Proceeds from Other Financing Activities | 1,457,587.32 | 3,394,409.45 |
| Proceeds from Agency Transactions | 61,181,037.00 | 61,805,869.00 |
| Proceeds from Transfers from Component Institutions | 5,205,100.83 | 1,111,015.45 |
| Proceeds from Transfers from Texas Tech Foundation, Inc. | 2,586,887.05 | 2,333,605.95 |
| Payments for Transfers to Component Institutions | (5,300,086.71) | (85,721,552.17) |
| Payments for Transfers to Other State Agencies | 117,695.63 | (172,049.47) |
| Payments for Other Uses | (61,181,037.00) | (61,805,869.00) |
| Net Cash Provided by Noncapital Financing Activities | 173,726,940.35 | 136,315,196.76 |
| Cash Flows from Capital and Related Financing Activities | | |
| Proceeds from Sale of Capital Assets | 137,384.51 | 77,184.04 |
| Proceeds from Capital Appropriations | 15,581,597.00 | 16,973,569.00 |
| Proceeds from Transfers from Component Institutions | 863,689.58 | 2,230.75 |
| Payments for Transfers to Component Institutions | (5,694,730.00) | (310,431.09) |
| Payments for Additions to Capital Assets | (17,162,759.37) | (14,785,586.16) |
| Payments for Principal Paid on Capital Debt | 0.00 | (4,543,186.88) |
| Payments for Interest Paid on Capital Debt | 0.00 | (1,804,730.86) |
| Net Cash Used by Capital and Related Financing Activities | (6,274,818.28) | (4,390,951.20) |
| Cash Flows from Investing Activities | | |
| Proceeds from Investment Sales and Maturities | 72,159,434.81 | 97,421,287.77 |
| Proceeds from Interest and Investment Income | 14,365,375.04 | 9,342,901.69 |
| Payments to Acquire Investments | (75,584,681.76) | (54,693,347.95) |
| Net Cash Provided by Investing Activities | 10,940,128.09 | 52,070,841.51 |
| TOTAL NET CASH FLOWS | \$ 18,326,180.42 | \$ 44,978,071.34 |

UNAUDITED

Texas Tech University Health Sciences Center (739)
 Statement of Cash Flows
 For the Years Ended August 31, 2016 and 2015

| | 2016 | 2015 |
|--|---------------------|---------------------|
| Beginning Cash & Cash Equivalents - September 1 | \$ 110,203,186.09 | \$ 65,225,114.75 |
| Ending Cash & Cash Equivalents - August 31 | \$ 128,529,366.51 | \$ 110,203,186.09 |
| Reconciliation of Operating Loss to Net Cash Flows from Operating Activities | | |
| Operating Loss | \$ (190,033,598.64) | \$ (154,895,465.34) |
| Adjustments: | | |
| Depreciation and Amortization Expense | 21,002,417.30 | 21,225,558.59 |
| (Increase) Decrease in Accounts Receivables | (5,674,984.97) | (4,223,361.01) |
| (Increase) Decrease in Loans and Notes Receivable | 250,460.45 | 300,960.12 |
| (Increase) Decrease in Inventories | (31,542.96) | 107,665.82 |
| (Increase) Decrease in Due From Other State Agencies | 567,908.12 | (863,726.32) |
| (Increase) Decrease in Prepaid Items | (1,766,965.73) | (194,935.73) |
| Increase (Decrease) in Accounts Payable | 1,946,850.75 | 2,082,341.25 |
| Increase (Decrease) in Unearned Revenue | 678,932.14 | 1,035,706.19 |
| Increase (Decrease) in Employees' Compensable Leave | 1,008,648.97 | 1,723,941.91 |
| Increase (Decrease) in Claims and Judgments | 0.00 | (5,305,685.03) |
| Increase (Decrease) in Due To Other State Agencies | (212,494.58) | (55,926.69) |
| Increase (Decrease) in Other Liabilities | 12,198,299.41 | 45,910.51 |
| Net Cash Used for Operating Activities | (160,066,069.74) | (139,017,015.73) |
| Noncash Transactions | | |
| Donations of Capital Assets | 461,833.04 | 498,890.10 |
| Net Increase (Decrease) in Fair Value of Investments | (639,373.51) | (11,949,810.33) |
| Other | (260,082.84) | 28,175,416.56 |
| Total Noncash Transactions | \$ (437,623.31) | \$ 16,724,496.33 |

UNAUDITED

Texas Tech University Health Sciences Center at El Paso (774)
Statement of Net Position
August 31, 2016 and 2015

| | <u>2016</u> | <u>Restated 2015</u> |
|---|--------------------------|--------------------------|
| ASSETS | | |
| Current Assets: | | |
| Cash and Cash Equivalents | \$ 23,049,367.36 | \$ 17,412,802.14 |
| Restricted Cash and Cash Equivalents | 18,065,048.65 | 17,619,418.50 |
| Legislative Appropriations | 13,603,713.17 | 0.00 |
| Receivables: | | |
| Federal | 449,286.41 | 424,348.27 |
| Patient | 6,598,508.62 | 6,254,020.32 |
| Student | 20,829.85 | 16,607.86 |
| Contracts | 9,499,721.56 | 15,319,397.52 |
| Interest and Dividends | 120,364.26 | 57,399.00 |
| Gifts | 1,893,641.44 | 1,834,075.70 |
| Other | 426,580.16 | 12,553.13 |
| Due From Other State Agencies | 4,270,991.59 | 998,728.26 |
| Inventories | 29,878.50 | 3,079.84 |
| Prepaid Items | 2,250,278.53 | 1,678,927.81 |
| Loans and Contracts | 159,372.73 | 0.00 |
| Total Current Assets | <u>80,437,582.83</u> | <u>61,631,358.35</u> |
| Non-Current Assets: | | |
| Restricted Cash and Cash Equivalents | 115.00 | 60.01 |
| Restricted Investments | 33,503,151.57 | 34,958,573.29 |
| Contracts Receivable | 4,063,274.58 | 0.00 |
| Gifts Receivable | 12,406,660.10 | 14,234,089.59 |
| Loans and Notes Receivable | 1,066,571.37 | 1,146,000.00 |
| Investments | 106,600,177.91 | 95,030,451.24 |
| Capital Assets | | |
| Non-Depreciable or Non-Amortizable | 8,248,811.61 | 4,676,851.35 |
| Depreciable or Amortizable | 203,543,838.41 | 200,875,620.11 |
| Accumulated Depreciation and Amortization | <u>(91,098,155.19)</u> | <u>(82,515,997.53)</u> |
| Total Non-Current Assets | <u>278,334,445.36</u> | <u>268,405,648.06</u> |
| Total Assets | <u>\$ 358,772,028.19</u> | <u>\$ 330,037,006.41</u> |

UNAUDITED

Texas Tech University Health Sciences Center at El Paso (774)
 Statement of Net Position
 August 31, 2016 and 2015

| | 2016 | Restated 2015 |
|---|--------------------------|--------------------------|
| LIABILITIES | | |
| Current Liabilities: | | |
| Accounts Payable | \$ 8,016,057.54 | \$ 1,671,466.34 |
| Payroll Payable | 11,251,889.78 | 8,149,250.32 |
| Unearned Revenue | 3,284,478.30 | 3,113,616.95 |
| Due to Other State Agencies | 91,057.18 | 36,924.43 |
| Employees' Compensable Leave | 885,247.66 | 824,367.19 |
| Funds Held for Others | 61,581.62 | 42,717.72 |
| Other Current Liabilities | 2,762,667.36 | 7,660.05 |
| Total Current Liabilities | <u>26,352,979.44</u> | <u>13,846,003.00</u> |
| Non-Current Liabilities: | | |
| Employees' Compensable Leave | 6,491,816.15 | 6,045,359.42 |
| Other Non-Current Liabilities | 19,091.45 | 11,925.37 |
| Total Non-Current Liabilities | <u>6,510,907.60</u> | <u>6,057,284.79</u> |
| Total Liabilities | <u>32,863,887.04</u> | <u>19,903,287.79</u> |
| NET POSITION | | |
| Invested in Capital Assets, Net of Related Debt | 120,694,494.83 | 123,036,473.93 |
| Restricted: | | |
| Nonexpendable: | | |
| Endowments | 28,322,340.84 | 28,319,542.54 |
| Expendable: | | |
| Capital Projects | 1,754,746.09 | 0.00 |
| Other | 28,080,321.86 | 26,796,268.26 |
| Unrestricted | <u>147,056,237.53</u> | <u>131,981,433.89</u> |
| Total Net Position | <u>\$ 325,908,141.15</u> | <u>\$ 310,133,718.62</u> |

UNAUDITED

Texas Tech University Health Sciences Center at El Paso (774)
 Statement of Revenues, Expenses, and Changes in Net Position
 For the Years Ended August 31, 2016 and 2015

| Operating Revenues | 2016 | 2015 |
|---|--------------------|--------------------|
| Tuition and Fees | \$ 361,107.66 | \$ 370,890.84 |
| Tuition and Fees · Pledged | 8,613,172.46 | 6,948,188.15 |
| Less Discounts and Allowances | (1,292,625.20) | (1,087,811.06) |
| Professional Fees | 45,479,279.10 | 49,491,140.62 |
| Professional Fees · Pledged | 0.00 | 3,430.00 |
| Sales and Services of Auxiliary Enterprises · Pledged | 229,976.51 | 222,227.37 |
| Other Sales and Services | 137,101.92 | 299,414.33 |
| Other Sales and Services · Pledged | 252,582.09 | 247,318.06 |
| Federal Grants and Contracts | 2,352,782.72 | 2,407,200.90 |
| Federal Grants and Contracts · Pledged | 976,587.11 | 953,982.94 |
| Federal Grant Pass-Throughs from Other State Agencies | 226,238.31 | 225,061.85 |
| State Grants and Contracts | 1,639,851.16 | 1,453,515.94 |
| State Grants and Contracts · Pledged | 113,913.99 | 94,771.10 |
| State Grant Pass-Throughs from Other State Agencies | 3,864,280.64 | 3,698,855.19 |
| Local Governmental Grants and Contracts | 15,691,332.38 | 22,707,595.36 |
| Local Governmental Grants and Contracts · Pledged | 43,432.72 | 33,857.89 |
| Nongovernmental Grants and Contracts | 61,033,302.25 | 42,744,013.60 |
| Nongovernmental Grants and Contracts · Pledged | 192,561.22 | 130,689.47 |
| Other Revenue | 14,621,234.27 | 11,453,536.78 |
| Total Operating Revenues | 154,536,111.31 | 142,397,879.33 |
| Operating Expenses | | |
| Salaries and Wages | 126,144,655.48 | 118,267,580.63 |
| Payroll Related Costs | 29,456,491.55 | 26,941,984.99 |
| Professional Fees and Services | 6,442,240.00 | 5,217,904.26 |
| Travel | 1,814,344.00 | 1,627,276.34 |
| Materials and Supplies | 4,786,756.86 | 4,903,321.19 |
| Communications and Utilities | 4,560,059.98 | 4,351,610.79 |
| Repairs and Maintenance | 3,684,389.10 | 4,083,437.22 |
| Rentals and Leases | 2,834,662.06 | 2,402,184.52 |
| Printing and Reproduction | 289,800.19 | 285,094.51 |
| Federal Grant Pass-Through Expense | 2,580.36 | 12,167.26 |
| State Grant Pass-Through Expense | 20,332.25 | 35,406.71 |
| Depreciation and Amortization | 11,629,181.89 | 11,853,356.79 |
| Bad Debt Expense | (1,005,151.44) | 1,009,322.75 |
| Interest | 7,748.99 | 1,673.82 |
| Scholarships | 1,668,793.44 | 1,621,391.04 |
| Claims and Judgments | 823,678.22 | 0.00 |
| Other Operating Expenses | 21,361,971.74 | 12,864,458.48 |
| Total Operating Expenses | 214,522,534.67 | 195,478,171.30 |
| Operating Income (Loss) | \$ (59,986,423.36) | \$ (53,080,291.97) |

UNAUDITED

Texas Tech University Health Sciences Center at El Paso (774)
Statement of Revenues, Expenses, and Changes in Net Position
For the Years Ended August 31, 2016 and 2015

| Nonoperating Revenues (Expenses) | 2016 | 2015 |
|---|------------------------------|------------------------------|
| Legislative Revenue | \$ 72,390,571.70 | \$ 0.00 |
| Federal Grants and Contracts | 442,473.00 | 327,031.00 |
| Private Gifts | 834,795.09 | 6,464,546.74 |
| Private Gifts - Pledged | 3,280.00 | 0.00 |
| Investment Income (Expense) | 5,401,465.56 | 2,784,310.00 |
| Investment Income (Expense) - Pledged | (81,460.75) | 775,400.47 |
| Interest Expense on Capital Asset Financing | 0.00 | (2,019,552.35) |
| Gain (Loss) on Sale and Disposal of Capital Assets | (290,733.18) | (67,579.85) |
| Net Increase (Decrease) in Fair Value of Investments | (704,662.28) | (4,351,969.98) |
| Other Nonoperating Revenues (Expenses) | 1,854,905.81 | 1,036,432.57 |
| Other Nonoperating Revenues (Expenses) - Pledged | 5,863.89 | 275,394.53 |
| Total Nonoperating Revenues (Expenses) | <u>79,856,498.84</u> | <u>5,224,013.13</u> |
| Income (Loss) before Other Revenues, Expenses, Gains, Losses, and Transfers | 19,870,075.48 | (47,856,278.84) |
| Other Revenues, Expenses, Gains, Losses, and Transfers | | |
| Capital Appropriations (HEAF) | 4,156,050.00 | 0.00 |
| Capital Contributions | 0.00 | 8,924.36 |
| Legislative Transfers In (Out) | (7,185,511.00) | 0.00 |
| Interagency Transfers of Capital Assets - Increase | 23,922.04 | 39,178.26 |
| Interagency Transfers of Capital Assets - Decrease | (75,603.93) | (4,397.40) |
| Net Transfers from (to) Texas Tech Foundation, Inc. | 2,091,460.84 | 1,951,621.84 |
| Net Transfers from (to) Other State Agencies | (3,105,970.90) | 124,390,100.29 |
| Net Other Revenues, Expenses, Gains, Losses, and Transfers | <u>(4,095,652.95)</u> | <u>126,385,427.35</u> |
| Total Change in Net Position | <u>15,774,422.53</u> | <u>78,529,148.51</u> |
| Beginning Net Position (September 1) | 310,133,718.62 | 231,604,570.11 |
| Ending Net Position (August 31) | <u>\$ 325,908,141.15</u> | <u>\$ 310,133,718.62</u> |

UNAUDITED

Texas Tech University Health Sciences Center at El Paso (774)
Statement of Cash Flows
For the Years Ended August 31, 2016 and 2015

| | 2016 | 2015 |
|---|------------------------|---------------------------|
| Cash Flows from Operating Activities | | |
| Proceeds from Customers | \$ 60,730,078.92 | \$ 61,870,280.34 |
| Proceeds from Tuition and Fees | 7,848,294.28 | 6,300,181.78 |
| Proceeds from Grants and Contracts | 88,135,515.21 | 71,725,543.40 |
| Proceeds from Sales and Services of Auxiliary Enterprises | 233,346.78 | 269,640.56 |
| Proceeds from Collections of Loans to Students | 571,543.85 | 584,897.83 |
| Payments to Suppliers for Goods and Services | (19,738,451.95) | (26,883,131.25) |
| Payments to Employees for Salaries | (125,163,871.93) | (117,732,415.29) |
| Payments to Employees for Benefits | (26,827,298.44) | (26,746,500.55) |
| Payments for Loans Issued to Students | (671,639.95) | (650,897.83) |
| Payments for Other Expenses | (19,976,005.28) | (14,340,399.24) |
| Net Cash Used By Operating Activities | (34,858,488.51) | (45,602,800.25) |
| Cash Flows from Noncapital Financing Activities | | |
| Proceeds from State Appropriations | 58,786,858.53 | 0.00 |
| Proceeds from Gifts | 2,605,938.84 | 2,420,805.95 |
| Proceeds from Nonoperating Grants and Contracts | 442,473.00 | 327,031.00 |
| Proceeds from Other Financing Activities | 1,879,633.60 | 1,268,305.26 |
| Proceeds from Agency Transactions | 12,368,343.00 | 10,998,456.00 |
| Proceeds from Transfers from Component Institutions | 0.00 | 58,074,728.78 |
| Proceeds from Transfers from Texas Tech Foundation, Inc. | 2,091,460.84 | 1,951,621.84 |
| Payments for Transfers to Component Institutions | (2,968,346.03) | (282,860.60) |
| Payments for Transfers to Other State Agencies | 0.00 | (39,398.95) |
| Payments for Other Uses | (12,368,343.00) | (10,998,456.00) |
| Net Cash Provided by Noncapital Financing Activities | 62,838,018.78 | 63,720,233.28 |
| Cash Flows from Capital and Related Financing Activities | | |
| Proceeds from Sale of Capital Assets | 44,794.15 | 54,394.95 |
| Proceeds from Capital Debt Issuances | 0.00 | 3,238,384.22 |
| Proceeds from Capital Appropriations | 4,156,050.00 | 0.00 |
| Proceeds from Transfers from Component Institutions | 74,337.35 | 978,913.95 |
| Payments for Transfers to Component Institutions | (7,397,473.22) | (124,957.31) |
| Payments for Additions to Capital Assets | (9,674,412.01) | (7,001,952.77) |
| Payments for Principal Paid on Capital Debt | 0.00 | (4,300,000.00) |
| Payments for Interest Paid on Capital Debt | 0.00 | (2,127,940.33) |
| Net Cash Used by Capital and Related Financing Activities | (12,796,703.73) | (9,283,157.29) |
| Cash Flows from Investing Activities | | |
| Proceeds from Investment Sales and Maturities | 17,034,663.66 | 0.00 |
| Proceeds from Interest and Investment Income | 1,707,123.41 | 4,174,156.13 |
| Payments to Acquire Investments | (27,842,363.25) | (79,928,398.79) |
| Net Cash Used by Investing Activities | (9,100,576.18) | (75,754,242.66) |
| TOTAL NET CASH FLOWS | \$ 6,082,250.36 | \$ (66,919,966.92) |

UNAUDITED

Texas Tech University Health Sciences Center at El Paso (774)
 Statement of Cash Flows
 For the Years Ended August 31, 2016 and 2015

| | 2016 | 2015 |
|--|--------------------|--------------------|
| Beginning Cash & Cash Equivalents - September 1 | \$ 35,032,280.65 | \$ 101,952,247.57 |
| Ending Cash & Cash Equivalents - August 31 | \$ 41,114,531.01 | \$ 35,032,280.65 |
| Reconciliation of Operating Loss to Net Cash Flows from Operating Activities | | |
| Operating Loss | \$ (59,986,423.36) | \$ (53,080,291.97) |
| Adjustments: | | |
| Depreciation and Amortization Expense | 11,629,181.89 | 11,853,356.79 |
| (Increase) Decrease in Accounts Receivables | 968,725.92 | (833,955.90) |
| (Increase) Decrease in Loans and Notes Receivable | (79,944.10) | (66,000.00) |
| (Increase) Decrease in Inventories | (26,798.66) | 24,532.23 |
| (Increase) Decrease in Due From Other State Agencies | 266,385.17 | (425,196.11) |
| (Increase) Decrease in Prepaid Items | (571,350.72) | (878,956.60) |
| Increase (Decrease) in Accounts Payable | 9,447,230.66 | (2,536,406.94) |
| Increase (Decrease) in Unearned Revenue | 170,861.35 | 36,241.51 |
| Increase (Decrease) in Employees' Compensable Leave | 507,337.20 | 360,960.05 |
| Increase (Decrease) in Due To Other State Agencies | 54,132.75 | (50,012.52) |
| Increase (Decrease) in Other Liabilities | 2,762,173.39 | (7,070.79) |
| Net Cash Used for Operating Activities | (34,858,488.51) | (45,602,800.25) |
| Noncash Transactions | | |
| Donations of Capital Assets | 0.00 | 8,924.36 |
| Net Increase (Decrease) in Fair Value of Investments | (704,662.28) | (4,351,969.98) |
| Other | (335,527.33) | 61,216,758.67 |
| Total Noncash Transactions | \$ (1,040,189.61) | \$ 56,873,713.05 |

UNAUDITED

Angelo State University (737)
Statement of Net Position
August 31, 2016 and 2015

| | <u>2016</u> | <u>Restated 2015</u> |
|---|--------------------------|--------------------------|
| ASSETS | | |
| Current Assets: | | |
| Cash and Cash Equivalents | \$ 51,391,292.99 | \$ 47,912,757.40 |
| Restricted Cash and Cash Equivalents | 2,198,753.02 | (482,792.92) |
| Legislative Appropriations | 6,487,028.41 | 6,715,986.18 |
| Receivables: | | |
| Federal | 599,113.74 | 1,481,043.00 |
| Student | 12,094,737.96 | 12,834,050.18 |
| Accounts | 984,375.68 | 2,416,309.49 |
| Gifts | 1,296,066.13 | 930,019.30 |
| Due From Other State Agencies | 321,568.94 | 317,476.18 |
| Inventories | 260,417.80 | 297,874.42 |
| Prepaid Items | 9,970,310.03 | 9,644,493.42 |
| Loans and Contracts | 567,200.06 | 581,073.94 |
| Total Current Assets | <u>86,170,864.76</u> | <u>82,648,290.59</u> |
| Non-Current Assets: | | |
| Restricted Investments | 40,425,952.62 | 36,452,935.50 |
| Gifts Receivable | 4,285,964.06 | 1,349,105.86 |
| Capital Assets | | |
| Non-Depreciable or Non-Amortizable | 4,226,117.34 | 3,958,145.88 |
| Depreciable or Amortizable | 239,389,478.11 | 233,251,896.00 |
| Accumulated Depreciation and Amortization | (129,181,745.73) | (121,692,360.63) |
| Total Non-Current Assets | <u>159,145,766.40</u> | <u>153,319,722.61</u> |
| Total Assets | <u>\$ 245,316,631.16</u> | <u>\$ 235,968,013.20</u> |

UNAUDITED

Angelo State University (737)
Statement of Net Position
August 31, 2016 and 2015

| | 2016 | Restated 2015 |
|---|--------------------------|--------------------------|
| LIABILITIES | | |
| Current Liabilities: | | |
| Accounts Payable | \$ 1,975,177.01 | \$ 2,128,988.64 |
| Payroll Payable | 3,657,948.90 | 3,396,052.26 |
| Unearned Revenue | 37,182,513.70 | 36,169,903.07 |
| Employees' Compensable Leave | 337,460.57 | 260,032.79 |
| Funds Held for Others | 1,904,329.16 | 1,594,025.27 |
| Other Current Liabilities | 970.00 | 1,480.00 |
| Total Current Liabilities | <u>45,058,399.34</u> | <u>43,550,482.03</u> |
| Non-Current Liabilities: | | |
| Employees' Compensable Leave | 2,096,131.56 | 2,022,312.61 |
| Other Non-Current Liabilities | 215,037.23 | 412,692.92 |
| Total Non-Current Liabilities | <u>2,311,168.79</u> | <u>2,435,005.53</u> |
| Total Liabilities | <u>47,369,568.13</u> | <u>45,985,487.56</u> |
| NET POSITION | | |
| Invested in Capital Assets, Net of Related Debt | 114,433,849.72 | 115,517,681.25 |
| Restricted: | | |
| Nonexpendable: | | |
| Endowments | 23,813,083.56 | 23,651,110.18 |
| Expendable: | | |
| Higher Education Assistance Fund | 4,932,222.41 | 5,137,309.54 |
| Other | 26,888,966.39 | 22,770,311.14 |
| Unrestricted | <u>27,878,940.95</u> | <u>22,906,113.53</u> |
| Total Net Position | <u>\$ 197,947,063.03</u> | <u>\$ 189,982,525.64</u> |

UNAUDITED

Angelo State University (737)
 Statement of Revenues, Expenses, and Changes in Net Position
 For the Years Ended August 31, 2016 and 2015

| Operating Revenues | 2016 | 2015 |
|---|--------------------|--------------------|
| Tuition and Fees | \$ 3,111,739.37 | \$ 3,089,321.46 |
| Tuition and Fees - Pledged | 52,355,420.76 | 45,977,797.41 |
| Less Discounts and Allowances | (11,097,248.41) | (11,246,323.59) |
| Sales and Services of Auxiliary Enterprises - Pledged | 15,256,039.36 | 16,564,519.06 |
| Other Sales and Services - Pledged | 1,265,891.10 | 1,229,064.17 |
| Federal Grants and Contracts | 1,977,725.51 | 3,298,462.78 |
| Federal Grant Pass-Throughs from Other State Agencies | 245,113.11 | 287,098.87 |
| State Grant Pass-Throughs from Other State Agencies | 5,353,546.84 | 4,136,129.89 |
| Nongovernmental Grants and Contracts | 455,451.69 | 732,243.82 |
| Total Operating Revenues | 68,923,679.33 | 64,068,313.87 |
| | | |
| Operating Expenses | | |
| Salaries and Wages | 48,768,979.76 | 46,009,493.29 |
| Payroll Related Costs | 15,404,372.67 | 14,386,019.54 |
| Professional Fees and Services | 1,032,501.97 | 584,702.67 |
| Travel | 1,548,867.27 | 1,564,995.29 |
| Materials and Supplies | 8,213,097.11 | 7,857,021.73 |
| Communications and Utilities | 3,387,626.81 | 3,619,716.26 |
| Repairs and Maintenance | 3,337,007.57 | 3,530,110.23 |
| Rentals and Leases | 739,545.03 | 695,673.65 |
| Printing and Reproduction | 367,531.69 | 321,858.22 |
| Depreciation and Amortization | 8,172,787.40 | 8,220,294.89 |
| Bad Debt Expense | 499,745.07 | 454,646.28 |
| Interest | 141.52 | 177.09 |
| Scholarships | 18,756,651.82 | 13,719,514.02 |
| Other Operating Expenses | 11,436,697.16 | 10,241,664.82 |
| Total Operating Expenses | 121,665,552.85 | 111,205,887.98 |
| | | |
| Operating Income (Loss) | \$ (52,741,873.52) | \$ (47,137,574.11) |

UNAUDITED

Angelo State University (737)
 Statement of Revenues, Expenses, and Changes in Net Position
 For the Years Ended August 31, 2016 and 2015

| Nonoperating Revenues (Expenses) | 2016 | 2015 |
|---|--------------------------|--------------------------|
| Legislative Revenue | \$ 33,813,089.21 | \$ 32,710,169.76 |
| Federal Grants and Contracts | 8,799,837.14 | 9,214,210.03 |
| Private Gifts | 13,446,326.60 | 12,431,871.91 |
| Investment Income (Expense) | 10,498,340.57 | 8,516,458.00 |
| Interest Expense on Capital Asset Financing | 0.00 | (2,969,650.62) |
| Gain (Loss) on Sale and Disposal of Capital Assets | (100,177.78) | (19,025.79) |
| Net Increase (Decrease) in Fair Value of Investments | (1,234,091.69) | (1,156,792.92) |
| Other Nonoperating Revenues (Expenses) - Pledged | (654,999.46) | (750,905.03) |
| Total Nonoperating Revenues (Expenses) | <u>64,568,324.59</u> | <u>57,976,335.34</u> |
| Income (Loss) before Other Revenues, Expenses, Gains, Losses, and Transfers | 11,826,451.07 | 10,838,761.23 |
| Other Revenues, Expenses, Gains, Losses, and Transfers | | |
| Capital Appropriations (HEAF) | 3,546,735.00 | 3,743,027.00 |
| Capital Contributions | 2,797,083.94 | 7,200.00 |
| Lapsed Appropriations | (8,085.00) | 0.00 |
| Legislative Transfers In (Out) | (2,635,190.64) | (2,512,470.79) |
| Net Transfers from (to) Texas Tech Foundation, Inc. | 93,455.35 | 140,377.75 |
| Net Transfers from (to) Other State Agencies | (7,655,912.33) | 66,201,703.64 |
| Net Other Revenues, Expenses, Gains, Losses, and Transfers | <u>(3,861,913.68)</u> | <u>67,579,837.60</u> |
| Total Change in Net Position | <u>7,964,537.39</u> | <u>78,418,598.83</u> |
| Beginning Net Position (September 1) | 189,982,525.64 | 111,563,926.81 |
| Ending Net Position (August 31) | <u>\$ 197,947,063.03</u> | <u>\$ 189,982,525.64</u> |

UNAUDITED

Angelo State University (737)
Statement of Cash Flows
For the Years Ended August 31, 2016 and 2015

| | 2016 | Restated 2015 |
|---|------------------------|------------------------|
| Cash Flows from Operating Activities | | |
| Proceeds from Customers | \$ 1,265,891.10 | \$ 1,229,064.17 |
| Proceeds from Tuition and Fees | 45,638,040.48 | 39,239,985.37 |
| Proceeds from Grants and Contracts | 8,666,238.91 | 12,903,026.59 |
| Proceeds from Sales and Services of Auxiliary Enterprises | 15,282,830.09 | 16,729,415.83 |
| Proceeds from Collections of Loans to Students | 309,578.58 | 355,537.10 |
| Payments to Suppliers for Goods and Services | (18,599,131.67) | (18,127,500.61) |
| Payments to Employees for Salaries | (48,577,684.97) | (45,927,482.54) |
| Payments to Employees for Benefits | (15,182,524.09) | (14,346,185.03) |
| Payments for Loans Issued to Students | (494,460.82) | (357,551.23) |
| Payments for Other Expenses | (31,683,698.89) | (31,583,512.57) |
| Net Cash Used By Operating Activities | <u>(43,374,921.28)</u> | <u>(39,885,202.92)</u> |
| Cash Flows from Noncapital Financing Activities | | |
| Proceeds from State Appropriations | 34,042,046.98 | 32,263,156.60 |
| Proceeds from Gifts | 13,446,326.60 | 12,431,871.91 |
| Proceeds from Nonoperating Grants and Contracts | 8,799,837.14 | 9,214,210.03 |
| Proceeds from Agency Transactions | 24,586,735.46 | 23,654,974.07 |
| Proceeds from Transfers from Component Institutions | 8,228.70 | 6,000.00 |
| Proceeds from Transfers from Texas Tech Foundation, Inc. | 93,455.35 | 140,377.75 |
| Proceeds from Transfers In from Other State Agencies | 319,442.00 | 150,629.00 |
| Payments for Transfers to Component Institutions | (522,695.00) | (484,440.00) |
| Payments for Transfers to Other State Agencies | (586,252.52) | (993,435.42) |
| Payments for Other Uses | (25,672,312.80) | (21,540,695.81) |
| Net Cash Provided by Noncapital Financing Activities | <u>54,514,811.91</u> | <u>54,842,648.13</u> |
| Cash Flows from Capital and Related Financing Activities | | |
| Proceeds from Capital Debt Issuances | 0.00 | 290,252.00 |
| Proceeds from Capital Appropriations | 3,546,735.00 | 3,743,027.00 |
| Proceeds from Transfers from Component Institutions | 0.00 | 146,500.00 |
| Payments for Transfers to Component Institutions | (8,820,076.15) | 0.00 |
| Payments for Transfers to Other State Agencies | (689,750.00) | (4,081,169.85) |
| Payments for Additions to Capital Assets | (4,307,949.71) | (3,761,584.88) |
| Payments for Principal Paid on Capital Debt | 0.00 | (3,366,795.00) |
| Payments for Interest Paid on Capital Debt | 0.00 | (2,969,650.62) |
| Net Cash Used by Capital and Related Financing Activities | <u>(10,271,040.86)</u> | <u>(9,999,421.35)</u> |
| Cash Flows from Investing Activities | | |
| Proceeds from Interest and Investment Income | 10,498,340.57 | 8,516,458.00 |
| Payments to Acquire Investments | (5,207,108.81) | (9,161,451.38) |
| Net Cash Provided (Used) by Investing Activities | <u>5,291,231.76</u> | <u>(644,993.38)</u> |
| TOTAL NET CASH FLOWS | <u>\$ 6,160,081.53</u> | <u>\$ 4,313,030.48</u> |

UNAUDITED

Angelo State University (737)
Statement of Cash Flows
For the Years Ended August 31, 2016 and 2015

| | 2016 | Restated 2015 |
|--|-------------------------|-------------------------|
| Beginning Cash & Cash Equivalents - September 1 | \$ 47,429,964.48 | \$ 43,116,934.00 |
| Ending Cash & Cash Equivalents - August 31 | <u>\$ 53,590,046.01</u> | <u>\$ 47,429,964.48</u> |
| Reconciliation of Operating Loss to Net Cash Flows from Operating Activities | | |
| Operating Loss | \$ (52,741,873.52) | \$ (47,137,574.11) |
| Adjustments: | | |
| Depreciation and Amortization Expense | 8,172,787.40 | 8,220,294.89 |
| Bad Debt Expense | 499,745.07 | 454,646.28 |
| (Increase) Decrease in Accounts Receivables | (568,155.58) | 1,819,219.99 |
| (Increase) Decrease in Loans and Notes Receivable | 13,873.88 | 10,005.78 |
| (Increase) Decrease in Inventories | 37,456.62 | (11,829.36) |
| (Increase) Decrease in Due From Other State Agencies | (3,928.50) | (224,841.36) |
| (Increase) Decrease in Prepaid Items | (35,582.17) | (2,482,397.96) |
| Increase (Decrease) in Accounts Payable | 23,167.21 | 78,827.35 |
| Increase (Decrease) in Payroll Payable | 191,294.79 | 82,010.75 |
| Increase (Decrease) in Unearned Revenue | 1,012,610.63 | (714,866.24) |
| Increase (Decrease) in Employees' Compensable Leave | 151,246.73 | (77,246.07) |
| Increase (Decrease) in Benefits Payable | 70,601.85 | 117,080.58 |
| Increase (Decrease) in Other Liabilities | (198,165.69) | (18,533.44) |
| Net Cash Used for Operating Activities | <u>(43,374,921.28)</u> | <u>(39,885,202.92)</u> |
| Noncash Transactions | | |
| Donations of Capital Assets | 2,797,083.94 | 7,200.00 |
| Net Increase (Decrease) in Fair Value of Investments | (1,234,091.69) | (1,156,792.92) |
| Other | (659,302.30) | 68,303,694.34 |
| Total Noncash Transactions | <u>\$ 903,689.95</u> | <u>\$ 67,154,101.42</u> |

UNAUDITED

Texas Tech University System Administration (768)
 Statement of Net Position
 August 31, 2016 and 2015

| | 2016 | Restated 2015 |
|---|-------------------------|-------------------------|
| ASSETS | | |
| Current Assets: | | |
| Cash and Cash Equivalents | \$ 14,992,743.46 | \$ 17,402,561.44 |
| Restricted Cash and Cash Equivalents | 779,907.46 | 1,221,966.34 |
| Legislative Appropriations | 541,392.35 | 588,963.33 |
| Receivables: | | |
| Accounts | 0.00 | 1,088.12 |
| Interest and Dividends | 36,490.73 | 44,606.19 |
| Other | 8,072.09 | 39,546.96 |
| Prepaid Items | 153,250.00 | 0.00 |
| Total Current Assets | <u>16,511,856.09</u> | <u>19,298,732.38</u> |
| Non-Current Assets: | | |
| Restricted Cash and Cash Equivalents | 11,972,450.63 | 29,934,666.54 |
| Restricted Investments | 1,207,886.79 | 1,335,020.60 |
| Investments | 43,660,696.37 | 43,722,304.66 |
| Capital Assets | | |
| Non-Depreciable or Non-Amortizable | 11,319,655.68 | 831,139.61 |
| Depreciable or Amortizable | 2,350,222.56 | 2,350,222.56 |
| Accumulated Depreciation and Amortization | <u>(1,091,310.78)</u> | <u>(902,434.80)</u> |
| Total Non-Current Assets | <u>69,419,601.25</u> | <u>77,270,919.17</u> |
| Total Assets | <u>85,931,457.34</u> | <u>96,569,651.55</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Deferred Outflows of Resources | <u>38,049,967.00</u> | <u>27,389,635.08</u> |
| Total Deferred Outflows of Resources | <u>\$ 38,049,967.00</u> | <u>\$ 27,389,635.08</u> |

UNAUDITED

Texas Tech University System Administration (768)
Statement of Net Position
August 31, 2016 and 2015

| | <u>2016</u> | <u>Restated 2015</u> |
|---|----------------------------|----------------------------|
| LIABILITIES | | |
| Current Liabilities: | | |
| Accounts Payable | \$ 496,225.03 | \$ 148,813.02 |
| Payroll Payable | 1,304,066.46 | 1,214,790.59 |
| Due to Other State Agencies | 0.00 | 177,289.92 |
| Short-Term Debt Commercial Paper Notes | 30,279,000.00 | 22,483,000.00 |
| Notes and Loans Payable | 21,817,000.00 | 0.00 |
| Claims and Judgments | 2,043,040.50 | 1,214,997.45 |
| Employees' Compensable Leave | 146,604.45 | 129,250.88 |
| Revenue Bonds Payable | 43,293,472.20 | 40,884,638.59 |
| Funds Held for Others | 0.00 | 125,901.01 |
| Other Current Liabilities | 798,100.65 | 1,132,027.97 |
| Total Current Liabilities | <u>100,177,509.29</u> | <u>67,510,709.43</u> |
| Non-Current Liabilities: | | |
| Claims and Judgments | 8,642,317.75 | 6,623,695.80 |
| Employees' Compensable Leave | 1,075,099.25 | 947,839.79 |
| Revenue Bonds Payable | 532,807,461.05 | 582,682,181.84 |
| Net Pension Liability | 186,671,195.00 | 162,030,163.65 |
| Total Non-Current Liabilities | <u>729,196,073.05</u> | <u>752,283,881.08</u> |
| Total Liabilities | <u>829,373,582.34</u> | <u>819,794,590.51</u> |
| DEFERRED INFLOWS OF RESOURCES | | |
| Deferred Inflows of Resources | 31,961,309.00 | 49,527,106.15 |
| Total Deferred Inflows of Resources | <u>31,961,309.00</u> | <u>49,527,106.15</u> |
| NET POSITION | | |
| Invested in Capital Assets, Net of Related Debt | (585,955,213.60) | (614,284,763.51) |
| Restricted: | | |
| Nonexpendable: | | |
| Endowments | 478,444.00 | 475,594.01 |
| Expendable: | | |
| Capital Projects | 385,767.00 | 828,651.12 |
| Debt Service | (17,162,005.27) | 1,054,844.13 |
| Other | 312,059.65 | 326,005.19 |
| Unrestricted | <u>(135,412,518.78)</u> | <u>(133,762,740.97)</u> |
| Total Net Position | <u>\$ (737,353,467.00)</u> | <u>\$ (745,362,410.03)</u> |

UNAUDITED

Texas Tech University System Administration (768)
Statement of Revenues, Expenses, and Changes in Net Position
For the Years Ended August 31, 2016 and 2015

| | 2016 | Restated 2015 |
|---|----------------------------|----------------------------|
| Operating Revenues | | |
| Other Sales and Services - Pledged | \$ 92,700.00 | \$ 0.00 |
| State Grant Pass-Throughs from Other State Agencies | 177,289.92 | 641,216.96 |
| Total Operating Revenues | <u>269,989.92</u> | <u>641,216.96</u> |
| Operating Expenses | | |
| Salaries and Wages | 12,350,483.63 | 11,187,896.55 |
| Payroll Related Costs | 529,115.48 | 3,305,431.25 |
| Professional Fees and Services | 2,020,703.53 | 1,838,570.47 |
| Travel | 562,242.13 | 544,155.59 |
| Materials and Supplies | 409,428.82 | 306,749.01 |
| Communications and Utilities | 207,164.27 | 212,968.23 |
| Repairs and Maintenance | 211,249.25 | 333,409.01 |
| Rentals and Leases | 749,577.38 | 653,410.47 |
| Printing and Reproduction | 44,057.67 | 40,953.07 |
| State Grant Pass-Through Expense | 0.00 | 169,552.14 |
| Depreciation and Amortization | 188,875.98 | 189,808.22 |
| Interest | 160.22 | 49.18 |
| Scholarships | 1,928.14 | 0.00 |
| Claims and Judgments | 4,112,890.00 | 0.00 |
| Other Operating Expenses | (184,553.35) | 1,327,922.06 |
| Total Operating Expenses | <u>21,203,323.15</u> | <u>20,110,875.25</u> |
| Operating Income (Loss) | <u>(20,933,333.23)</u> | <u>(19,469,658.29)</u> |
| Nonoperating Revenues (Expenses) | | |
| Legislative Revenue | 2,838,409.27 | 2,675,210.37 |
| Private Gifts | 0.00 | 5,000.00 |
| Investment Income (Expense) | 75,388.48 | 121,028.47 |
| Investment Income (Expense) - Pledged | 5,635,151.66 | 3,523,745.48 |
| Interest Expense on Capital Asset Financing | (17,743,109.65) | (5,785,370.90) |
| Net Increase (Decrease) in Fair Value of Investments | (627,100.32) | 400,372.37 |
| Other Nonoperating Revenues (Expenses) | 0.00 | (1,866,018.22) |
| Other Nonoperating Revenues (Expenses) - Pledged | 12,895.16 | (269,130.00) |
| Total Nonoperating Revenues (Expenses) | <u>(9,808,365.40)</u> | <u>(1,195,162.43)</u> |
| Income (Loss) before Other Revenues, Expenses, Gains, Losses, and Transfers | (30,741,698.63) | (20,664,820.72) |
| Other Revenues, Expenses, Gains, Losses, and Transfers | | |
| Capital Contributions | 0.00 | 7,500.00 |
| Contributions to Permanent and Term Endowments | 2,750.00 | 6,464.34 |
| Legislative Transfers In (Out) | 25,038,911.09 | 3,636,302.00 |
| Interagency Transfers of Capital Assets - Decrease | 0.00 | (2,660.35) |
| Net Transfers from (to) Texas Tech Foundation, Inc. | 2,737,368.00 | 2,615,206.00 |
| Net Transfers from (to) Other State Agencies | 4,896,673.38 | (567,460,933.14) |
| Net Other Revenues, Expenses, Gains, Losses, and Transfers | <u>32,675,702.47</u> | <u>(561,198,121.15)</u> |
| Total Change in Net Position | <u>1,934,003.84</u> | <u>(581,862,941.87)</u> |
| Beginning Net Position (September 1) | (745,362,410.03) | (163,499,468.16) |
| Restatements | 6,074,939.19 | 0.00 |
| Ending Net Position (August 31) | <u>\$ (737,353,467.00)</u> | <u>\$ (745,362,410.03)</u> |

UNAUDITED

Texas Tech University System Administration (768)
Statement of Cash Flows
For the Years Ended August 31, 2016 and 2015

| | <u>2016</u> | <u>Restated 2015</u> |
|--|---------------------------|--------------------------|
| Cash Flows from Operating Activities | | |
| Proceeds from Grants and Contracts | \$ 0.00 | \$ 630,000.00 |
| Proceeds from Sales and Services of Auxiliary Enterprises | 92,700.00 | 0.00 |
| Payments to Suppliers for Goods and Services | (664,735.74) | (681,111.09) |
| Payments to Employees for Salaries | (12,343,126.41) | (11,139,151.31) |
| Payments to Employees for Benefits | (2,951,604.72) | (2,663,323.72) |
| Payments for Other Expenses | (5,673,383.00) | (4,567,087.69) |
| Net Cash Used By Operating Activities | <u>(21,540,149.87)</u> | <u>(18,420,673.81)</u> |
| Cash Flows from Noncapital Financing Activities | | |
| Proceeds from State Appropriations | 2,887,068.37 | 2,597,538.88 |
| Proceeds from Gifts | 2,750.00 | 30,650.00 |
| Proceeds from Other Financing Activities | 12,895.16 | 91,625.85 |
| Proceeds from Agency Transactions | 5,246,449.49 | 4,234,635.64 |
| Proceeds from Transfers from Component Institutions | 12,054,104.49 | 33,472,916.66 |
| Proceeds from Transfers from Texas Tech Foundation, Inc. | 2,737,368.00 | 2,615,206.00 |
| Payments for Transfers to Component Institutions | (3,659,259.85) | (354,782.45) |
| Payments for Other Uses | (5,246,449.49) | (1,129,433.70) |
| Net Cash Provided by Noncapital Financing Activities | <u>14,034,926.17</u> | <u>41,558,356.88</u> |
| Cash Flows from Capital and Related Financing Activities | | |
| Proceeds from Capital Debt Issuances | 34,800,000.00 | 324,271,809.85 |
| Proceeds from Other Capital and Related Financing Activities | 35,222.76 | 0.00 |
| Proceeds from Transfers from Component Institutions | 65,436,072.96 | 4,563,805.45 |
| Payments for Transfers to Component Institutions | (42,938,583.13) | (15,181,809.30) |
| Payments for Transfers to Other State Agencies | (956,750.00) | (18,217,775.05) |
| Payments for Additions to Capital Assets | (10,184,243.07) | (434,476.27) |
| Payments for Principal Paid on Capital Debt | (43,347,000.00) | (259,095,000.00) |
| Payments for Interest Paid on Capital Debt | (21,433,885.97) | (7,180,541.89) |
| Payments for Other Costs on Debt Issuance | 0.00 | (1,901,240.98) |
| Net Cash Provided (Used) by Capital and Related Financing Activities | <u>(18,589,166.45)</u> | <u>26,824,771.81</u> |
| Cash Flows from Investing Activities | | |
| Proceeds from Investment Sales and Maturities | 7,143,925.09 | 5,295,645.57 |
| Proceeds from Interest and Investment Income | 5,718,655.60 | 3,666,166.99 |
| Payments to Acquire Investments | (7,582,283.31) | (35,037,417.41) |
| Net Cash Provided (Used) by Investing Activities | <u>5,280,297.38</u> | <u>(26,075,604.85)</u> |
| TOTAL NET CASH FLOWS | <u>\$ (20,814,092.77)</u> | <u>\$ 23,886,850.03</u> |

UNAUDITED

Texas Tech University System Administration (768)
 Statement of Cash Flows
 For the Years Ended August 31, 2016 and 2015

| | 2016 | Restated 2015 |
|--|--------------------|---------------------|
| Beginning Cash & Cash Equivalents - September 1 | \$ 48,559,194.32 | \$ 24,672,344.29 |
| Ending Cash & Cash Equivalents - August 31 | \$ 27,745,101.55 | \$ 48,559,194.32 |
| Reconciliation of Operating Loss to Net Cash Flows from Operating Activities | | |
| Operating Loss | \$ (20,933,333.23) | \$ (19,469,658.29) |
| Adjustments: | | |
| Depreciation and Amortization Expense | 188,875.98 | 189,808.22 |
| Pension Expense | 15,869,997.00 | 14,978,532.62 |
| (Increase) Decrease in Accounts Receivables | (3,747.89) | 1,812.35 |
| (Increase) Decrease in Prepaid Items | 0.00 | 15,000.00 |
| (Increase) Decrease in Deferred Outflows of Resources | (24,347,849.92) | (14,208,158.84) |
| Increase (Decrease) in Accounts Payable | (110,110.99) | 120,203.97 |
| Increase (Decrease) in Payroll Payable | 11,105.11 | 46,932.89 |
| Increase (Decrease) in Employees' Compensable Leave | 144,613.03 | 44,336.48 |
| Increase (Decrease) in Claims and Judgments | 2,846,665.00 | 0.00 |
| Increase (Decrease) in Due To Other State Agencies | (177,289.92) | (11,216.96) |
| Increase (Decrease) in Benefits Payable | 78,170.76 | 17,879.90 |
| Increase (Decrease) in Pension Liability | 4,665,420.35 | (62,051,485.38) |
| Increase (Decrease) in Deferred Inflows | 227,334.85 | 61,905,339.23 |
| Net Cash Used for Operating Activities | (21,540,149.87) | (18,420,673.81) |
| Noncash Transactions | | |
| Donations of Capital Assets | 0.00 | 7,500.00 |
| Net Increase (Decrease) in Fair Value of Investments | (627,100.32) | 400,372.37 |
| Other | 0.00 | (568,104,326.10) |
| Total Noncash Transactions | \$ (627,100.32) | \$ (567,696,453.73) |



