

**UNIVERSITY OF HOUSTON
SYSTEM**

**UNAUDITED COMBINED ANNUAL
FINANCIAL REPORT**

FOR THE YEAR ENDED AUGUST 31, 2012

**Includes Primary Financial Statements for
UHS Campuses and Administration:**

*University of Houston
University of Houston – Clear Lake
University of Houston – Downtown
University of Houston – Victoria
University of Houston – System Administration*

UNIVERSITY OF HOUSTON SYSTEM

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UNIVERSITY OF HOUSTON SYSTEM
UNIVERSITY OF HOUSTON

DR. CARL CARLUCCI

Executive Vice Chancellor, Administration and Finance
UH System
Executive Vice President, Administration and Finance
University of Houston

November 16, 2012

Honorable Rick Perry, Governor
Honorable Susan Combs, Texas Comptroller
Ursula Parks, Acting Director, Legislative Budget Board
John Keel, CPA, State Auditor

Ladies and Gentlemen:

We are pleased to submit the annual financial report of the University of Houston System for the year ended August 31, 2012, in compliance with Texas Government Code Annotated §2101.011 and in accordance with the requirements established by the Comptroller of Public Accounts.

Due to the statewide requirements embedded in the Governmental Accounting Standards Board (GASB) Statement No.34, *Basic Financial Statements-And Managements 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 Mr. David Ellis at (713)743-8754. Mr. Kevin Draper may be contacted at (713)743-8726 for questions related to the Schedule of Expenditures of Federal Awards.

Sincerely,

Carl Carlucci, Ph.D.

University of Houston System

Organizational Data
August 31, 2012

Board of Regents

| | |
|--|------------------------------|
| Nelda Luce Blair, The Woodlands | Term Expires August 31, 2013 |
| Jacob M. Monty, Houston | Term Expires August 31, 2013 |
| Michele "Mica" Mosbacher, Austin | Term Expires August 31, 2013 |
| Nandita V. Berry, Houston | Term Expires August 31, 2015 |
| Tilman J. Fertitta, Houston | Term Expires August 31, 2015 |
| Jarvis V. Hollingsworth, Houston | Term Expires August 31, 2015 |
| Spencer D. Armour, III, Midland | Term Expires August 31, 2017 |
| Roger F. Welder, Victoria | Term Expires August 31, 2017 |
| Welcome W. Wilson, Jr., Houston | Term Expires August 31, 2017 |
| Gage A. Raba (Student Regent), Houston | Term Expires May 31, 2013 |

Officers of the Board (Fiscal Year 2012):

| | |
|--------------------------|---------------|
| Nelda Luce Blair | Chairman |
| Michele "Mica" Mosbacher | Vice Chairman |
| Jarvis V. Hollingsworth | Secretary |

Officers of the Board (Fiscal Year 2013):

| | |
|-------------------------|---------------|
| Nelda Luce Blair | Chairman |
| Jarvis V. Hollingsworth | Vice Chairman |
| Tilman J. Fertitta | Secretary |

Administrative Officers

| | |
|--------------------|--|
| Renu Khator | Chancellor |
| John J. Antel | Senior Vice Chancellor for Academic Affairs and Provost |
| Carl P. Carlucci | Executive Vice Chancellor for Administration and Finance |
| Rathindra N. Bose | Vice Chancellor for Research and Technology Transfer |
| Dona H. Cornell | Vice Chancellor for Legal Affairs and General Counsel |
| Eloise Dunn Stuhr | Vice Chancellor for University Advancement |
| J. Richard Walker | Vice Chancellor for Student Affairs |
| Renu Khator | President – University of Houston |
| William A. Staples | President – UH Clear Lake |
| William V. Flores | President – UH Downtown |
| Philip D. Castille | President – UH Victoria |

University of Houston System
Financial Statements
(With Detailed Supportive Schedules)
Statement of Procedure Regarding
Annual Financial Report

Present herein are the financial statements with detailed supportive schedules for the University of Houston System for the fiscal year ended August 31, 2012. These statements and detailed supportive schedules are in compliance with the guidelines in *Reporting Requirements for Annual Financial Reports of State Agencies and Universities*, published by the Texas Comptroller of Public Accounts. Additionally, this report has been prepared in accordance with the requirements in Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments*.

The State Auditor has not audited the accompanying annual financial statements and, therefore, an opinion has not been nor will be expressed on the financial statements and related information contained in this report. The information contained in the combined financial statements of the University of Houston System, and its related components, is part of and included in the State of Texas Comprehensive Annual Report. The Annual Financial Report of the University of Houston System is reviewed by the State Auditor as part of the audit of the State of Texas Comprehensive Annual Financial Report, upon which an opinion is expressed.

UNIVERSITY OF HOUSTON SYSTEM
PRIMARY STATEMENTS

Unaudited

University of Houston System
 Combined Statement of Net Assets
 August 31, 2012

| | Total 2012 |
|---|-------------------------|
| Assets | |
| Current Assets | |
| Cash and Cash Equivalents | |
| Cash on Hand | \$ 164,121.00 |
| Cash in Bank | (42,431,532.28) |
| Cash in Transit/Reimburse From Treasury | 24,322,792.10 |
| Cash in State Treasury | 19,081,847.30 |
| Cash Equivalents | 330,091,252.10 |
| Short Term Investments | 249,721,437.55 |
| Restricted: | |
| Cash in Bank | 42,779,529.96 |
| Legislative Appropriations | 83,182,727.73 |
| Receivables: | |
| Federal Receivable | 44,937,130.63 |
| Interest Receivable | 373,631.84 |
| Accounts Receivable | 17,143,933.68 |
| Gifts/Pledges Receivable | 17,099,019.14 |
| Other Receivable | 5,046,765.59 |
| Due From Other Agencies | 10,488,245.64 |
| Consumable Inventories | 653,544.73 |
| Merchandise Inventories | 1,365,094.25 |
| Prepaid Items | 27,231,773.12 |
| Loans and Contracts | 14,400,435.30 |
| Total Current Assets | 845,651,749.38 |
| Non-Current Assets | |
| Restricted: | |
| Cash and Cash Equivalents | |
| Cash in Bank | 9,881,290.91 |
| Receivables | 30,090,015.41 |
| Loans and Contracts | 14,914,218.90 |
| Investments | 638,584,140.20 |
| Capital Assets | |
| Non-Depreciable or Non-Amortizable | 268,112,708.84 |
| Depreciable or Amortizable, Net | 806,336,708.47 |
| Deferred Charges | 48,393,844.21 |
| Total Non-Current Assets | 1,816,312,926.94 |
| Total Assets | 2,661,964,676.32 |

Unaudited

University of Houston System
 Combined Statement of Net Assets
 August 31, 2012

| | <u>Total 2012</u> |
|---|-----------------------|
| Liabilities | |
| Current Liabilities | |
| Payables: | |
| Accounts Payable | 42,351,537.54 |
| Federal Payable | 118,580.13 |
| Payroll Payable | 40,415,187.32 |
| Other Payable | 1,881,674.88 |
| Due to Other Agencies | 595,593.16 |
| Unearned Revenues | 186,194,740.00 |
| Notes and Loans Payable | 25,123,000.00 |
| Revenue Bonds Payable | 34,705,939.39 |
| Claims and Judgments Payable | 328,795.24 |
| Employees' Compensable Leave | 11,324,349.30 |
| Capital Lease Obligations | 374,630.46 |
| Funds Held for Others | 9,009,255.09 |
| | <hr/> |
| Total Current Liabilities | 352,423,282.51 |
| | <hr/> |
| Non-Current Liabilities | |
| Revenue Bonds Payable | 842,329,906.52 |
| Claims and Judgments Payable | 4,913.36 |
| Employees' Compensable Leave | 12,063,402.24 |
| Capital Lease Obligations | 6,632,187.92 |
| | <hr/> |
| Total Non-Current Liabilities | 861,030,410.04 |
| | <hr/> |
| Total Liabilities | 1,213,453,692.55 |
| | <hr/> <hr/> |
| Net Assets | |
| Invested in Capital Assets, Net of Related Debt | 450,813,215.72 |
| Restricted for: | |
| Debt Retirement | 55,229,164.15 |
| Capital Projects | 2,219,178.48 |
| Funds Held as Permanent Investments | |
| Non-Expendable | |
| True Endowments, Annuities | 370,402,463.00 |
| Expendable | |
| Term Endowments | 511,512.28 |
| Funds Functioning as Endowments | 42,213,694.87 |
| Other Restricted | 156,605,409.80 |
| Unrestricted | 370,516,345.47 |
| | <hr/> |
| Total Net Assets | \$ 1,448,510,983.77 |
| | <hr/> <hr/> |

Unaudited

University of Houston System
 Combined Statement of Revenues, Expenses, And Changes In Net Assets
 For The Year Ended August 31, 2012

| | <u>Total 2012</u> |
|---|-------------------------|
| Operating Revenues | |
| Sales of Goods and Services (PR-Chgs for Services) | |
| Tuition and Fees-Pledged | \$ 529,722,857.12 |
| Discounts and Allowances | (87,461,405.52) |
| Auxiliary Enterprise-Pledged | 68,546,445.90 |
| Other Sales of Goods and Services-Pledged | 37,866,275.85 |
| Federal Revenue-Operating (PR-OP Grants/Contributions) | 60,407,951.12 |
| Federal Pass Through Revenue (PR-OP Grants/Contributions) | 7,687,703.62 |
| State Grant Revenue (PR-OP Grants/Contributions) | 9,515,244.12 |
| State Grant Pass Through Revenue (PR-OP Grants/Contributions) | 41,713,369.12 |
| Other Grants and Contracts-Operating (PR-OP Grants/Contributions) | 19,298,095.17 |
| Other Operating Revenues (PR-Chgs for Services) | 893,612.77 |
| <u>Total Operating Revenues</u> | <u>688,190,149.27</u> |
| Operating Expenses | |
| Instruction | 290,881,984.14 |
| Research | 97,794,818.96 |
| Public Service | 44,697,818.50 |
| Academic Support | 168,312,892.99 |
| Student Services | 38,417,287.35 |
| Institutional Support | 97,461,355.25 |
| Physical Plant | 54,490,663.83 |
| Scholarships & Fellowships | 72,390,395.72 |
| Auxiliary Enterprises | 91,819,800.28 |
| Depreciation and Amortization | 78,675,740.96 |
| <u>Total Operating Expenses</u> | <u>1,034,942,757.98</u> |
| <u>Operating Income (Loss)</u> | <u>(346,752,608.71)</u> |
| Non-Operating Revenues (Expenses) | |
| Legislative Revenue (GR) | 212,268,917.00 |
| Additional Appropriations (GR) | 46,663,898.89 |
| Federal Revenue Non-Operating (PR-OP Grants/Contributions) | 78,355,764.71 |
| Federal Pass Through Revenue (PR-OP Grants/Contributions) | 24,307.95 |
| Gifts (PR-OP Grants/Contributions) | 78,122,390.01 |
| Interest and Investment Income (PR-Chgs for Services) | 15,521,016.10 |
| Interest Expense and Fiscal Charges | (38,013,587.03) |
| Net Incr (Decr) in Fair Value of Investments (PR-OP Grants/Contrib) | 16,096,585.73 |
| Other Non-Operating Revenues | 48,733,553.08 |
| Other Non-Operating Expenses | (38,989,919.99) |
| <u>Total Non-Operating Revenues (Expenses)</u> | <u>418,782,926.45</u> |

Unaudited

University of Houston System
Combined Statement of Revenues, Expenses, And Changes In Net Assets
For The Year Ended August 31, 2012

| | <u>Total 2012</u> |
|---|----------------------------|
| <u>Income (Loss) before Other Revenues, Expenses, Gains, Losses and Transfers</u> | <u>72,030,317.74</u> |
| Other Revenues, Expenses, Gains, Losses and Transfers | |
| Capital Appropriation (HEAF) | 50,929,094.00 |
| Additions to Permanent and Term Endowments | 8,313,139.45 |
| Transfers-In | 7,877,932.04 |
| Transfers-Out | (6,344,802.14) |
| Legislative Appropriations Lapsed | (58,819.59) |
| <u>Total Other Rev, Exp, Gains, Losses and Transfers</u> | <u>60,716,543.76</u> |
| <u>Change In Net Assets</u> | <u>132,746,861.50</u> |
| Net Assets, Beginning | 1,315,995,481.41 |
| Restatements | (231,359.14) |
| <u>Net Assets Beginning, as Restated</u> | <u>1,315,764,122.27</u> |
| <u>Net Assets, Ending</u> | <u>\$ 1,448,510,983.77</u> |

Unaudited

University of Houston System
 Combined Matrix of Operating Expenses Reported by Function
 For The Year Ended August 31, 2012

| Operating Expenses | Instruction | Research | Public Service | Academic Support | Student Services |
|--------------------------------|-------------------|------------------|------------------|-------------------|------------------|
| Cost of Goods Sold | \$ | \$ | \$ 1,119,550.86 | \$ 3,583.34 | \$ |
| Salaries and Wages | 222,034,442.32 | 50,803,000.17 | 19,142,305.66 | 96,431,924.63 | 20,920,834.86 |
| Payroll Related Costs | 48,437,470.85 | 9,360,210.48 | 4,744,088.11 | 20,951,778.61 | 5,527,914.37 |
| Professional Fees and Services | 2,936,124.51 | 6,742,938.83 | 5,043,469.60 | 7,898,660.55 | 2,477,500.48 |
| Federal Pass-Through Expenses | | 2,027,225.27 | 416,134.88 | | |
| State Pass-Through Expenses | | 303,635.02 | | | |
| Travel | 1,696,098.73 | 3,430,614.83 | 1,025,771.83 | 3,306,169.14 | 446,315.00 |
| Materials and Supplies | 5,598,544.82 | 7,856,181.54 | 1,754,139.97 | 10,898,315.58 | 1,908,829.07 |
| Communication and Utilities | 1,224,530.94 | 1,033,814.23 | 1,621,200.78 | 11,069,548.21 | 1,195,966.58 |
| Repairs and Maintenance | 523,209.99 | 926,470.95 | 275,791.12 | 3,833,500.12 | 749,696.91 |
| Rentals and Leases | 1,238,451.45 | 1,043,768.48 | 4,857,940.06 | 4,867,858.30 | 1,174,215.36 |
| Printing and Reproduction | 523,064.38 | 220,339.55 | 571,435.41 | 958,384.40 | 709,459.61 |
| Depreciation and Amortization | | | | | |
| Interest | 1,405.97 | 2,705.06 | 10,877.45 | 11,644.14 | 2,773.28 |
| Scholarships | 3,065,464.37 | 2,280,183.11 | 516,359.05 | 2,909,729.76 | 822,246.89 |
| Claims and Judgments | | 92.00 | 500.00 | | 2,635.24 |
| Other Operating Expenses | 3,603,175.81 | 11,763,639.44 | 3,598,253.72 | 5,171,796.21 | 2,478,899.70 |
| Total Operating Expenses | \$ 290,881,984.14 | \$ 97,794,818.96 | \$ 44,697,818.50 | \$ 168,312,892.99 | \$ 38,417,287.35 |

Unaudited

University of Houston System
 Combined Matrix of Operating Expenses Reported by Function
 For The Year Ended August 31, 2012

| Institutional Support | Operation and Maintenance of Plant | Scholarships and Fellowships | Auxiliary Enterprises | Depreciation and Amortization | Total 2012 |
|-------------------------|------------------------------------|------------------------------|-------------------------|-------------------------------|----------------------------|
| \$ | \$ | \$ | \$ | \$ | \$ |
| 51,465,815.32 | 15,042,765.36 | 773,986.11 | 1,344,021.95 | | 2,467,156.15 |
| 13,930,946.97 | 5,437,461.65 | 31,610.39 | 33,324,430.58 | | 509,939,505.01 |
| 5,640,161.48 | 5,154,903.24 | 649,232.62 | 7,001,174.79 | | 115,422,656.22 |
| | | | 20,979,066.98 | | 57,522,058.29 |
| | | | | | 2,443,360.15 |
| | | | | | 303,635.02 |
| 415,218.22 | 21,024.73 | 52,946.92 | 3,534,202.20 | | 13,928,361.60 |
| 2,401,796.26 | 2,669,680.15 | 90,625.59 | 5,076,721.97 | | 38,254,834.95 |
| 1,490,001.34 | 19,213,905.72 | 6,437.27 | 9,581,082.93 | | 46,436,488.00 |
| 2,828,499.31 | 2,490,593.13 | 698.24 | 3,283,741.71 | | 14,912,201.48 |
| 7,294,020.54 | 2,270,374.88 | 5,710.00 | 1,284,855.26 | | 24,037,194.33 |
| 569,746.24 | 17,831.45 | 15,421.18 | 543,215.20 | | 4,128,897.42 |
| | | | | 78,675,740.96 | 78,675,740.96 |
| 25,282.77 | 1,891,803.57 | 62.00 | 11,322.09 | | 1,957,876.33 |
| 6,945,348.10 | | 70,660,887.01 | 790,564.29 | | 87,990,782.58 |
| 1,386,037.17 | | | 101.00 | | 1,389,365.41 |
| 3,068,481.53 | 280,319.95 | 102,778.39 | 5,065,299.33 | | 35,132,644.08 |
| <u>\$ 97,461,355.25</u> | <u>\$ 54,490,663.83</u> | <u>\$ 72,390,395.72</u> | <u>\$ 91,819,800.28</u> | <u>\$ 78,675,740.96</u> | <u>\$ 1,034,942,757.98</u> |

Unaudited

University of Houston System
 Combined Statement of Cash Flows
 For The Year Ended August 31, 2012

| | <u>Total 2012</u> |
|--|--------------------------|
| Cash Flows from Operating Activities | |
| Receipts from Customers | \$ 37,607,408.77 |
| Proceeds from Tuition & Fees | 440,122,591.91 |
| Proceeds from Research Grants & Contracts | 173,269,019.34 |
| Proceeds from Loan Programs | 148,142,262.17 |
| Proceeds from Auxiliaries | 67,639,532.66 |
| Proceeds from Other Revenues | 931,264.46 |
| Payments to Suppliers for Goods and Services | (213,675,809.93) |
| Payments to Employees for Salaries | (509,644,982.46) |
| Payments to Employees for Benefits | (115,254,561.77) |
| Payments for Loans Provided | (154,798,477.84) |
| Payments for Other Expenses | (110,565,742.36) |
| <u>Net Cash Provided (Used) by Operating Activities</u> | <u>(236,227,495.05)</u> |
| Cash Flows from Noncapital Financing Activities | |
| Proceeds from State Appropriations | 264,910,697.27 |
| Proceeds from Gifts | 53,416,814.00 |
| Proceeds from Endowments | 8,313,139.45 |
| Proceeds of Transfers from Other Funds | 53,631,313.30 |
| Proceeds from Grant Receipts | 78,380,072.66 |
| Payments for Transfers to Other Funds | (43,994,338.08) |
| Payments for Other Uses | (862,910.90) |
| <u>Net Cash Provided by Noncapital Financing Activities</u> | <u>413,794,787.70</u> |
| Cash Flows from Capital and Related Financing Activities | |
| Proceeds from Debt Issuance | 287,111,592.52 |
| Proceeds from Other Financing Activities | 114,509,169.60 |
| Proceeds from Capital Contributions | 50,929,094.00 |
| Payments for Additions to Capital Assets | (189,342,761.95) |
| Payments of Principal on Debt | (99,515,411.23) |
| Payments for Capital Lease | (366,159.65) |
| Payments of Interest on Debt Issuance | (38,013,587.03) |
| Payments of Other Costs on Debt Issuance | (143,802,975.92) |
| <u>Net Cash Provided by Capital and Related Financing Activities</u> | <u>(18,491,039.66)</u> |
| Cash Flows from Investing Activities | |
| Proceeds from Sales of Investments | 577,781,731.15 |
| Proceeds from Interest Income | 3,272,273.71 |
| Proceeds from Investment Income | 10,597,644.71 |
| Payments to Acquire Investments | (690,494,881.89) |
| <u>Net Cash Provided (Used) by Investing Activities</u> | <u>(98,843,232.32)</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | 60,233,020.67 |
| <u>Cash and Cash Equivalents, September 1</u> | <u>323,656,280.42</u> |
| <u>Cash and Cash Equivalents, August 31</u> | <u>\$ 383,889,301.09</u> |

Unaudited

University of Houston System
 Combined Statement of Cash Flows
 For The Year Ended August 31, 2012

| | <u>Total 2012</u> |
|--|----------------------------|
| Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities | |
| <u>Operating Income (Loss)</u> | <u>\$ (346,752,608.71)</u> |
| Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities | |
| Amortization and Depreciation | 78,675,740.96 |
| Operating Income and Cash Flow Categories: Classification Differences | (6,656,215.67) |
| Changes in Assets and Liabilities: | |
| (Increase) Decrease in Receivables | 28,786,009.38 |
| (Increase) Decrease in Inventories | 61,258.24 |
| (Increase) Decrease in Prepaid Expenses | 1,623,940.03 |
| (Increase) Decrease in Other Assets | (7,892,353.27) |
| Increase (Decrease) in Payables | 10,790,923.68 |
| Increase (Decrease) in Deferred Income | 4,361,999.27 |
| Increase (Decrease) in Compensated Absence Liability | (544,316.07) |
| Increase (Decrease) in Benefits Payable | 1,006,933.07 |
| Increase (Decrease) in Other Liabilities | 311,194.04 |
| <u>Total Adjustments</u> | <u>110,525,113.66</u> |
| <u>Net Cash Provided (Used) by Operating Activities</u> | <u>\$ (236,227,495.05)</u> |
| Non-Cash Transactions | |
| <u>Net Change in Fair Value of Investments</u> | <u>\$ 16,096,585.73</u> |
| <u>Non-Cash Transactions</u> | <u>\$ 16,096,585.73</u> |

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**UNIVERSITY OF HOUSTON SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2012**

NOTE 1: Summary of Significant Accounting Policies

Entity

The University of Houston 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' Reporting Requirements for State Agencies.

The System serves the state as the primary provider of educational and cultural opportunities, skilled employers and leaders, technical knowledge, and innovative research to the Houston metropolitan area and the Gulf Coast region. Houston and the upper Gulf Coast region represent approximately one fourth of the state's population and economy.

The System includes within this report all components as determined by an analysis of their relationship to the System as listed below.

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

The accompanying financial statements and related information have been prepared in conformity with the instructions contained in the State Comptroller's manual, *Reporting Requirements for Annual Financial Reports of State Agencies and Universities*. The instructions and the accompanying report are designed to assist the Texas Comptroller of Public Accounts in compiling and preparing a Comprehensive Annual Financial Report for the State of Texas. Since the System's annual financial report is not subject to a separate financial audit, certain information, such as a Management Discussion and Analysis and a complete set of Government-Wide Financial Statements, are not included in the accompanying report. The System's financial statements are considered to be materially accurate in all respects.

Blended Component Units

No component units have been identified which should have been blended into an appropriated fund.

Discretely Presented Component Units

These component units are legally separate from the state, but are financially accountable to the state, or have a relationship with the state; such that exclusion would cause the financial statements to be misleading or incomplete. The component unit columns of the financial statements include the financial data of these entities.

No component units have been identified which should have been discretely presented in the financial statements.

Fund Structure

The accompanying financial statements are presented on the basis of funds, each of which is considered a separate accounting entity.

Governmental Fund Types & Government-wide Adjustment Fund Types

General Fund

The General Fund is the principal operating fund used to account for most of the state's general activities. It accounts for all financial resources except those accounted for in other funds.

Special Revenue Funds

Special Revenue funds are used to account for the proceeds of specific revenue sources (other than for private-purpose trusts or for major capital projects) that are legally restricted to use for specified purposes.

Debt Service Funds

Debt Service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

Capital Project Funds

Capital Project funds are used to account for financial resources used for the acquisition, repair, renovation or construction of major capital facilities (other than those financed by proprietary or similar trust funds).

Permanent Funds

Permanent funds are used to account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the state's programs.

Capital Asset Adjustment Fund Type

The Capital Asset Adjustment fund type will be used to convert governmental fund type capital assets from modified accrual to full accrual.

Long-Term Liabilities Adjustment Fund Type

The Long-Term Liabilities Adjustment fund type will be used to convert governmental fund type debt from modified accrual to full accrual.

Other Adjustments Fund Type

The Other Adjustments fund type will be used to convert all other governmental fund type activity from modified accrual to full accrual.

Proprietary Fund Types

Enterprise Funds

Enterprise funds are used to account for any activity for which a fee is charged to external users for goods or services. Activities must be reported as enterprise funds if any one of the following criteria is met:

1. The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity.
2. Laws or regulations require that the activity's costs of providing services including capital costs (such as depreciation or debt service), be recovered with fees and charges.
3. The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs.

Internal Service Funds

Internal Service funds are used to account for the financing of goods and services provided by one department or agency to other departments or agencies of a governmental unit, or to other governmental units, within the state, on a cost reimbursement basis.

Fiduciary Fund Types

Fiduciary funds account for assets held by the state in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. When assets are held under the terms of a formal trust agreement, either a pension trust fund, or a private purpose trust fund is used.

Pension Trust Funds

Pension trust funds are used to account for resources held in trust for the member and beneficiaries of defined benefit pension plans. A separate pension trust fund is used for each separate pension plan. Separate pension trust funds also may be established to account for supplemental pension benefits.

External Investment Trust Funds

External investment trust funds are used to account for the state's external portion of investment pools reported by the sponsoring government.

Agency Funds

Agency funds are used to account for assets the government holds on behalf of others in a purely custodial capacity. Agency funds involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

Private-Purpose Trust Funds

Private-purpose trust funds are used to account for all other trust arrangements whose principal and interest benefit individuals, private organizations, or other governments.

Component Units

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

Governmental Component Units are used to account for discretely presented component units that follow governmental fund accounting principles.

Proprietary Component Units are used to account for the discretely presented component units which follow proprietary fund measurement focus and accounting principles.

Business-Type Activities

The operations of universities are considered to be a Business-Type Activity. The System charges fees to external users for goods and services. Consequently the accompanying financial statements are presented using the proprietary fund type structure.

Basis of Accounting

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

Governmental fund types that build the fund financial statements, are accounted for by using the modified accrual basis of accounting. Under the modified accrual basis, revenues are recognized in the period in which they become both measurable and available to finance operations of the fiscal year or liquidate liabilities existing at fiscal year-end. The State of Texas considers receivables collected within sixty days after year-end to be available and recognizes them as revenues of the current year for Fund Financial Statements prepared on the modified accrual basis. Expenditures and other uses of financial resources are recognized when the related liability is incurred.

Governmental adjustment fund types that will build the government-wide financial statements, are accounted for using the full accrual basis of accounting. This includes capital assets, accumulated depreciation, unpaid Employee Compensable leave, the unmatured debt service (principal and interest) on general long-term liabilities, long-term capital leases, long-term claims and judgments and full accrual revenues and expenses. The activity will be recognized in these fund types.

Proprietary funds, pension trust funds, external investment trust funds and private-purpose trust funds are accounted for on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time liabilities are incurred. Proprietary funds distinguish operating from non-operating items. Operating revenues and expenses result from providing services or producing and delivering goods in connection with the proprietary funds' principal ongoing operations. Operating expenses for the enterprise and internal services funds include the cost of sales and services, administrative expenses, and depreciation on capital assets.

Budget and Budgetary Accounting

The budget is prepared biennially and represents appropriations authorized by the legislature and approved by the Governor (the General Appropriations Act).

Additionally the System prepares an annual budget which represents anticipated sources of revenues and authorized uses. This budget is approved by the System's Board of Regents.

Unencumbered appropriations are generally subject to lapse 60 days after the end of the fiscal year for which they were appropriated.

Assets, Liabilities, and Fund Balances/Net Assets

ASSETS

Cash and Cash Equivalents

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

Securities Lending Collateral

Investments are stated at fair value in all funds except pension trust funds in accordance with GASB Statement 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. For pension trust funds, investments are required to be reported at fair value using the accrual basis of accounting in accordance with GASB Statement 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*.

Securities lent are reported as assets on the balance sheet. The costs of securities lending transactions are reported as expenditures or expenses in the Operating Statement. These costs are reported at gross.

Restricted Assets

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

Inventories and Prepaid Items

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

Capital Assets

Assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year are capitalized. These assets are capitalized at cost or, if purchased, at appraised fair value as of the date of acquisition. Purchases of assets by governmental funds are reported as expenditures. Depreciation is reported on all exhaustible assets. Inexhaustible assets such as works of art and historical treasures are not depreciated. Road and highway infrastructure is

reported on the modified basis. Assets are depreciated over the estimated useful life of the asset using the straight-line method.

All capital assets acquired by proprietary funds or trust funds are reported at cost or estimated historical cost, if actual historical cost is not available. Donated assets are reported at fair value on the acquisition date. Depreciation is charged to operations over the estimated useful life of each asset, using the straight-line method.

Current Receivables - Other

Other receivables include year-end revenue accruals. This account can appear in governmental and proprietary fund types.

Non-Current Receivables - Other

Receivable balances not expected to be collected within one year of fiscal year end.

LIABILITIES

Accounts Payable

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

Current Payables - Other

Payables are the accrual at year-end of expenditure transactions. Payables may be included in either the governmental or proprietary fund types.

Non-Current Payables - Other

Payable balances not expected to be paid within one year of fiscal year end.

Employees' Compensable Leave Balances

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

Capital Lease Obligations

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

Bonds Payable - General Obligation Bonds

The unmatured principal of general obligations bonds is accounted for in the Long-term Liabilities column. Payables are reported separately as either current or non-current in the Statement of Net Assets.

Bonds Payable are recorded at par. The bond proceeds are accounted for as an Other Financing Source in the governmental funds when received, and expenditures for payment of principal and interest are recorded in debt service funds when paid. These amounts are adjusted in the Long-Term Liabilities column.

Bonds Payable - Revenue Bonds

Revenue bonds are generally accounted for in the proprietary funds. The Bonds Payable are reported at par, less unamortized discount or plus unamortized premium. Interest expense is reported on the accrual basis, with amortization of discount or premium. Payables are reported separately as either current or non-current in the Statement of Net Assets.

FUND BALANCE/NET ASSETS

The difference between fund assets and liabilities is Net Assets on the government-wide, proprietary, and fiduciary fund statements, and the Fund Balance is the difference between fund assets and liabilities on the governmental fund statements.

Reservations of Fund Balance

Fund balances for governmental funds are classified as either reserved or unreserved in the fund financial statements. Reservations are legally restricted to a specific future use and are not available for expenditure.

Reserved for Encumbrances

This represents commitments of the value of contracts awarded or assets ordered prior to year-end but not received as of that date. Encumbrances are not included with expenditures or liabilities. They represent current resources designated for specific expenditures in subsequent operating periods.

Unreserved/Undesignated

This represents the unappropriated balance at year-end.

Invested In Capital Assets, Net Of Related Debt

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

Restricted Net Assets

Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Assets

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

INTERFUND ACTIVITIES AND BALANCES

The System has the following types of transactions between funds:

Transfers

Legally required transfers that are reported when incurred as Transfers In by the recipient fund and as Transfers Out by the disbursing fund.

Reimbursements

Reimbursements are repayments from funds responsible for expenditures or expenses to funds that made the actual payment. Reimbursements of expenditures made by one fund for another are recorded as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund. Reimbursements are not displayed in the financial statements.

Interfund Receivables and Payables

Interfund loans are reported as interfund receivables and payables. If repayment is due during the current year or soon thereafter, it is classified as Current. Repayment for two (or more) years is classified as Non-Current.

Interfund Sales and Purchases

Charges or collections for services rendered by one fund to another are recorded as revenues of the recipient fund and expenditures or expenses of the disbursing fund. The composition of the System's interfund activities and balances are presented in Note 12.

NOTE 2: Capital Assets

A summary of changes in Capital Assets for the year ending August 31, 2012 is presented in Table 2.

Table 2 - Capital Assets

| Business-Type Activities: | University of Houston System | | | | | | | Balance 08/31/12 |
|---|------------------------------|------------------------|-------------------------|-----------------------|----------------------|--------------------------|--------------------------|----------------------------|
| | Balance 09/01/11 | Adjustments | Completed CIP | Incr-Int'gty Trans | Dec-Int'gty Trans | Additions | Deletions | |
| Non-Depreciable/Non-Amortizable Assets | | | | | | | | |
| Land & Land Improvements | \$ 101,348,853.62 | \$ - | \$ - | \$ - | \$ - | \$ 65,789.24 | \$ - | \$ 101,414,642.86 |
| Construction in Progress | 174,591,701.02 | (12,133,477.78) | (152,932,161.35) | - | - | 154,640,250.56 | (283,421.70) | 163,882,890.75 |
| Other Tangible Capital Assets | 2,805,210.23 | - | - | - | - | 10,000.00 | (35.00) | 2,815,175.23 |
| Other Intangible Capital Assets | 7,213,397.53 | (7,213,397.53) | - | - | - | - | - | - |
| Total Non-Depreciable and Non-Amortizable Assets | 285,959,162.40 | (19,346,875.31) | (152,932,161.35) | - | - | 154,716,039.80 | (283,456.70) | 268,112,708.84 |
| Depreciable Assets | | | | | | | | |
| Buildings & Building Improvements | 1,007,777,381.89 | 11,982,594.33 | 142,852,678.24 | - | - | 4,135,536.05 | - | 1,166,748,190.51 |
| Infrastructure | 43,297,217.46 | - | - | - | - | - | - | 43,297,217.46 |
| Facilities & Other Improvements | 94,684,548.52 | - | 8,118,042.17 | - | - | - | - | 102,802,590.69 |
| Furniture & Equipment | 181,714,529.41 | 208,708.92 | 1,941,440.94 | 5,520.00 | (41,453.62) | 22,002,332.19 | (6,146,988.42) | 199,684,089.42 |
| Vehicle, Boats & Aircraft | 5,227,728.75 | - | - | 20,154.00 | - | 231,722.13 | (148,400.96) | 5,331,203.92 |
| Other Capital Assets | 135,400,091.79 | - | 20,000.00 | - | - | 7,476,990.92 | (2,354,796.50) | 140,542,286.21 |
| Total Depreciable Assets | 1,468,101,497.82 | 12,191,303.25 | 152,932,161.35 | 25,674.00 | (41,453.62) | 33,846,581.29 | (8,650,185.88) | 1,658,405,578.21 |
| Less Accumulated Depreciation For: | | | | | | | | |
| Buildings & Building Improvements | (549,171,603.44) | - | - | - | - | (34,312,678.61) | - | (583,484,282.05) |
| Infrastructure | (37,951,624.13) | - | - | - | - | (542,327.35) | - | (38,493,951.48) |
| Facilities & Other Improvements | (44,644,539.78) | - | - | - | - | (8,543,019.87) | - | (53,187,559.65) |
| Furniture & Equipment | (123,413,473.24) | (78,793.83) | - | (5,520.00) | 41,453.62 | (14,375,726.17) | 4,651,025.35 | (133,181,034.27) |
| Vehicle, Boats & Aircraft | (3,058,081.76) | - | - | (14,107.80) | - | (477,418.54) | 146,067.52 | (3,403,540.58) |
| Other Capital Assets | (82,521,972.03) | - | - | - | - | (6,390,172.35) | 1,545,302.15 | (87,366,842.23) |
| Total Accumulated Depreciation | (840,761,294.38) | (78,793.83) | - | (19,627.80) | 41,453.62 | (64,641,342.89) | 6,342,395.02 | (899,117,210.26) |
| Depreciable Assets, Net | 627,340,203.44 | 12,112,509.42 | 152,932,161.35 | 6,046.20 | - | (30,794,761.60) | (2,307,790.86) | 759,288,367.95 |
| Amortizable Assets-Intangible | | | | | | | | |
| Computer Software | 82,832,296.78 | - | - | - | - | 3,385,822.45 | (920,903.01) | 85,297,216.22 |
| Other Intangible Capital Assets | 2,359,368.34 | 7,213,397.53 | - | - | - | - | - | 9,572,765.87 |
| Total Amortizable Assets-Intangible | 85,191,665.12 | 7,213,397.53 | - | - | - | 3,385,822.45 | (920,903.01) | 94,869,982.09 |
| Less Accumulated Amortization For: | | | | | | | | |
| Computer Software | (34,418,291.30) | - | - | - | - | (13,079,051.62) | 900,422.78 | (46,596,920.14) |
| Other Intangible Capital Assets | (58,984.20) | (210,390.78) | - | - | - | (955,346.45) | - | (1,224,721.43) |
| Total Accumulated Amortization | (34,477,275.50) | (210,390.78) | - | - | - | (14,034,398.07) | 900,422.78 | (47,821,641.57) |
| Amortizable Assets-Intangible, Net | 50,714,389.62 | 7,003,006.75 | - | - | - | (10,648,575.62) | (20,480.23) | 47,048,340.52 |
| Total Business-Type Activities - Capital Assets, Net | \$ 964,013,755.46 | \$ (231,359.14) | \$ - | \$ 6,046.20 | \$ - | \$ 113,272,702.58 | \$ (2,611,727.79) | \$ 1,074,449,417.31 |

NOTE 3: Deposits, Investments, & Repurchase Agreements

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

Deposits of Cash in Bank

As of August 31, 2012, the carrying amount of deposits was \$10,229,288.59 as presented below.

| <u>Governmental and Business-Type Activities</u> | |
|--|-------------------------|
| Cash in Bank-Carrying Amount | \$ 10,229,288.59 |
| Total Cash in Bank per Annual Financial Report | <u>\$ 10,229,288.59</u> |
| <u>Reconciliation of Cash per Annual Financial Report</u> | |
| Proprietary Funds, Current Assets, Cash in Bank | \$ (42,431,532.28) |
| Proprietary Funds, Current Assets, Restricted Cash in Bank | 42,779,529.96 |
| Proprietary Funds, Non-Current Assets, Restricted Cash in Bank | <u>9,881,290.91</u> |
| Cash in Bank per Annual Financial Report | <u>\$ 10,229,288.59</u> |

These amounts consist of all cash in local banks. These amounts are included on the Statement of Net Assets as part of the “Cash and Cash Equivalents” accounts.

As of August 31, 2012, the total bank balance was as follows:

| | |
|--|-----------------|
| Governmental and Business-Type Activities | \$ 1,868,001.16 |
|--|-----------------|

Custodial Credit Risk – The System has no deposits that are at risk of recovery due to the failure of a depository financial institution.

Foreign Currency Risk – The System maintains no foreign bank accounts.

Investments

As of August 31, 2012, fair value of investments were:

| <u>Governmental and Business-Type Activities</u> | <u>Fair Value</u> |
|--|----------------------------|
| U.S. Government Agency Obligations | \$ 29,596,879.70 |
| U.S. Treasury Securities | 122,557,512.23 |
| Corporate Obligations | 33,728,653.01 |
| Equities | 107,127,312.52 |
| International Equities | 107,530,556.47 |
| Fixed Income Money Market and Bond Mutual Funds | 330,091,252.10 |
| Other Commingled Funds (TexPool) | 249,721,437.55 |
| Other Commingled Funds | 1,851,290.57 |
| Externally Managed Investments-Domestic | 35,142,404.27 |
| Externally Managed Investments-International | 186,800,247.68 |
| Real Estate | 11,098,292.00 |
| Miscellaneous Investments | <u>3,150,991.75</u> |
| Total Investments | <u>\$ 1,218,396,829.85</u> |

Reconciliation of Investments per Annual Financial Statements

| | | |
|---|----|------------------|
| Proprietary Funds, Current Assets, Short Term Investments | \$ | 579,812,689.65 |
| Proprietary Funds, Non-Current Assets, Investments | | 638,584,140.20 |
| Investments per Annual Financial Statements | \$ | 1,218,396,829.85 |

Custodial Credit Risk (Investments) – The System has no direct investments held by its custodians that are not covered by insurance.

Foreign Currency Risk (Investments) – The System has no direct investments subject to foreign currency risk, nor any denominated in a foreign currency.

Credit Risk (Investments) – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The general investment policy of the System limits investments in debt securities that are not in the top three investment grade ratings issued by nationally recognized statistical rating organizations to 5% of total investments. As of August 31, 2012, the System had no direct investment in securities with credit risk exposure that exceeded its policy limit. As of August 31, 2012, the System's credit quality distribution for securities with credit risk exposure was:

Investments as Rated by Standard & Poor's

| Fund Type | GAAP Fund | Investment Type | AAA | AAAm | AA | A | BBB | NR |
|-----------|-----------|----------------------------------|--------------|----------------|---------------|--------------|--------------|---------------|
| 05 | 9999 | US Govt Agency Obligations | 779,501.44 | | 16,592,016.23 | | | 12,225,362.03 |
| | | Corporate Obligations | 5,489,169.39 | | 17,308,785.75 | 2,888,418.95 | 6,956,141.40 | 1,086,137.52 |
| | | Fixed Inc MM & Bond Mutual Funds | | 330,091,252.10 | | | | |
| | | Miscellaneous Investments | | | 1,244,331.55 | 1,906,660.20 | | |

Concentration of credit risk is the risk of loss attributable to the magnitude of investment in a single issuer. As of August 31, 2012, the System's concentration of credit risk in any single issuer did not exceed 5% of total investment assets as reported on the Statement of Net Assets.

Reverse Repurchase Agreements

The System has no investments in reverse repurchase agreements.

Securities Lending

The System does not participate in a security-lending program.

NOTE 4: Short-Term Debt

In the prior fiscal year, the System issued commercial paper (Consolidated Revenue Commercial Paper Program, Series A) to facilitate renovation and construction projects at the University of Houston and UH-Victoria. The balance remaining from the prior year issuance was redeemed during fiscal year 2012. Additional commercial paper was issued during fiscal year 2012, the proceeds of which were used to provide interim financing for renovation and construction projects at UH and at UHV. Additional information about the System's long-term debt liabilities can be found in Note 5.

Table 4 – Commercial Paper Activity

| Business Type Activities | Balance 9/01/11 | Additions | Reductions | Balance 8/31/12 |
|--------------------------|--------------------|------------------|------------------|--------------------|
| Commercial Paper | \$ 42,141,000.00 | \$ 51,762,000.00 | \$ 68,780,000.00 | \$ 25,123,000.00 |

NOTE 5: Long-Term Liabilities**Changes in Long-Term Liabilities**

During the year ended August 31, 2012, the following changes, presented in Table 5.1, occurred in liabilities:

Table 5.1 – Long Term Liabilities

| Business- Type Activities | Balance 9/1/11 | Additions | Reductions | Balance 8/31/12 | Due Within 1 Year | Due Thereafter |
|----------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|-------------------------|--------------------------|
| Claims and Judgments | \$ 320,408.86 | \$ 2,660,315.33 | \$ 2,647,015.59 | \$ 333,708.60 | \$ 328,795.24 | \$ 4,913.36 |
| Capital Lease Obligations | 7,372,978.03 | 0.00 | 366,159.65 | 7,006,818.38 | 374,630.46 | 6,632,187.92 |
| Employee Compensable Leave | 23,932,067.61 | 12,135,863.78 | 12,680,179.85 | 23,387,751.54 | 11,324,349.30 | 12,063,402.24 |
| Notes & Loans Payable | 42,141,000.00 | 51,762,000.00 | 68,780,000.00 | 25,123,000.00 | 25,123,000.00 | 0.00 |
| Revenue Bonds Payable | 674,970,492.46 | 321,653,596.65 | 119,588,243.20 | 877,035,845.91 | 34,705,939.39 | 842,329,906.52 |
| Total | <u>\$ 748,736,946.96</u> | <u>\$ 388,211,775.76</u> | <u>\$ 204,061,598.29</u> | <u>\$ 932,887,124.43</u> | <u>\$ 71,856,714.39</u> | <u>\$ 861,030,410.04</u> |

Claims and Judgments

At August 31, 2012, various lawsuits and claims involving the System were pending. While the ultimate liability, if any, with respect to litigation and other claims asserted against the System cannot be reasonably estimated at this time, such liability, to the extent not provided for by insurance or otherwise, is not expected to have a material effect on System accounts.

Capital Lease Obligations

See Note 8 for detailed capital lease note disclosure requirements.

Notes and Loans Payable

The Board of Regents has established a program to issue commercial paper notes payable from pledged revenues; the general purpose and function of which is to finance System project costs of eligible projects and to refinance, renew, or refund notes, any prior encumbered obligations, and parity debt obligations, including interest thereon. The System is authorized to issue commercial paper (Consolidated Revenue Commercial Paper Program, Series A) in the form of notes which may not exceed, in the aggregate, a principal amount which was initially established at \$50,000,000 at any one time, and was increased in March 2009 to \$125,000,000 at any one time. The maximum maturity for the commercial paper is 270 days and is issued at tax exempt and taxable interest rates. During the 2012 fiscal year the System issued \$51,762,000.00 of commercial paper notes. As of the date of the issuance of this financial report, the System had outstanding commercial paper liabilities of \$25,123,000.00, which will be redeemed during fiscal year 2013, and which the System anticipates refinancing with long-term debt. The System's debt service requirements for long-term notes and loans payable as of August 31, 2012 are presented in Table 5.2.

Table 5.2 – Long Term Notes and Loans Payable

| <u>Business-Type Activities</u> | <u>Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------------------------------------|-------------|-------------------------|---------------------|-------------------------|
| Commercial Paper | 2013 | \$ 25,123,000.00 | \$ 25,398.41 | \$ 25,148,398.41 |
| Total | | <u>\$ 25,123,000.00</u> | <u>\$ 25,398.41</u> | <u>\$ 25,148,398.41</u> |

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. Expenditures for accumulated annual leave balances are recognized in the period paid or taken in governmental fund types. For these fund types, the liability for unpaid benefits is recorded in the Statement of Net Assets. An expense and liability for proprietary fund types are recorded in the proprietary funds as the benefits accrue to employees. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

Full-time state employees earn annual leave from eight to twenty-one hours per month depending on the respective employees' years of state employment. The state's policy is that an employee may carry his accrued leave forward from one fiscal year to another fiscal year with a maximum number of hours up to 532 for those employees with 35 or more years of state service. Accrued leave in excess of the normal maximum was converted to sick leave at the conclusion of fiscal year 2012. Employees with at least six months of state service who terminate their employment are entitled to payment for all accumulated annual leave up to the maximum allowed.

Non-debt liability obligations are usually paid from the same funding source from which the employee's salary or wage compensation was paid.

Lump sum payments made to employees, who separated from state service during the 2012 fiscal year, for accrued vacation and compensatory leave, totaled \$2,613,091.27.

Revenue Bonds Payable

See Note 6 for required Revenue Bond disclosures.

**NOTE 6: Bonded Indebtedness
Bonds Payable**

Detailed supplemental bond information is disclosed in Schedule 2-A, Miscellaneous Bond Information, Schedule 2-B, Changes in Bonded Indebtedness, Schedule 2-C Debt Service Requirements, Schedule 2-D, Analysis of Funds Available for Debt Service, Schedule 2-E, Defeased Bonds Outstanding, and Schedule 2-F, Early Extinguishment and Refunding.

Revenue Bonds

- **Consolidated Revenue Bonds, Series 2002-A**

- To finance the acquisition, purchase, construction, improvement, renovation, enlargement, and equipping of any property, building, structure, activity, service, operation, or facility of the University of Houston System.
- Proceeds were used to renovate and expand the M.D. Anderson Library and build the Science and Engineering Research Center (UH), to build the Commerce Street Building (UHD), to build the Student Services and Classroom Building (UHCL) and the renovation of the University West Building (UHV).
- \$130,955,000; all bonds authorized have been issued.
- Issued 09-01-2002.
- Source of revenue for debt service – Tuition and various other fees, and revenues and balances that may be legally available for payment of debt obligations. (Funding for fiscal year 2012 partially from Legislative Appropriation-Tuition Revenue Bonds.)

- **Consolidated Revenue Variable Rate Demand Bonds, Series 2004**

- To finance the acquisition, purchase, construction, improvement, renovation, enlargement, and equipping of any property, buildings, structures, facilities, roads, or related infrastructure for the University of Houston System, including the individual campuses of the System.
Proceeds were used to repair damage from Tropical Storm Allison (UH).
\$25,000,000: all bonds authorized have been issued.
- Issued 06-16-2004.
- Source of revenue for debt service – Tuition and various other fees, and revenues and balances that may be legally available for payment of debt obligations. (Funding for fiscal year 2012 fully from Legislative Appropriation-Tuition Revenue Bonds.)
- The bonds bear interest at a variable rate, which is determined on a weekly basis on each Wednesday, and the rate is effective for a seven-day period commencing on the immediately following Thursday. The variable rate in effect on August 31, 2012 was 0.16%.
- Bondholders have the option to tender their bonds for purchase at a price equal to the principal amount thereof, plus accrued interest, at the times and subject to the conditions described in the bond resolution. Tendered bonds may be remarketed and remain outstanding. Bonds tendered for purchase will be paid first from the proceeds of remarketing, if any, and then from legally available money advanced by the Board of Regents. In order to provide for the payment of the purchase price of tendered bonds, the Board has agreed to provide self-liquidity. The Board has not entered into an agreement with an outside entity to provide liquidity in the event that the remarketing agent is unable to remarket the bonds on an optional tender date. Liquidity support for the bonds will be provided by the System's funds and is expected to be provided first from funds invested in the System's non-endowed investment pool and money market accounts.
- Outstanding bonds maturing subsequent to 02-15-2011, totaling \$860,000 were extinguished early by using existing assets.

- **Consolidated Revenue Bonds, Series 2005**

- To finance the acquisition, purchase, construction, improvement, renovation, enlargement, and equipping of any property, buildings, structures, facilities, roads, or related infrastructure for the University of Houston System, including the individual campuses of the System.
- Proceeds were used to finance the construction of the Welcome Center Garage (UH).
- \$25,800,000; all bonds authorized have been issued.
- Issued 04-01-2005.
- Source of revenue for debt service – Designated tuition and various other fees, and revenues and balances that may be legally available for payment of debt obligations.

- **Consolidated Revenue Bonds, Series 2006**

- To finance the acquisition, purchase, construction, improvement, enlargement and equipping of property, buildings, structures, activities, services, operations and other facilities, roads, or related infrastructure for or on behalf of the University of Houston System and the individual campuses of the System.
- Proceeds were used to finance the construction of the Shea Street Academic Building and Parking Facility (UHD).
- \$35,140,000; all bonds authorized have been issued.
- Issued 02-01-2006.
- Source of revenue for debt service – Designated tuition and various other fees that may be legally available for payment of debt obligations. (Funding for fiscal year 2012 partially from Legislative Appropriation-Tuition Revenue Bonds.)

General Obligation Bonds

At August 31, 2012, the System had no bonds payable classified as General Obligation Bonds.

Refunding Bonds

- **Consolidated Revenue Refunding Bonds, Series 2002-B**

- To refund \$27,415,000 of Consolidated Revenue Refunding Bonds, Series 1993 and \$19,385,000 of Consolidated Revenue Bonds, Series 1993-A.
- \$45,425,000; all bonds authorized have been issued.
- Issued 11-01-2002.

- Source of revenue for debt service - Designated tuition and various other revenues and balances that may be legally available for payment of debt obligations.
 - Average rate of bonds refunded - 5.4% (1993) and 5.5% (1993-A).
 - Net proceeds from refunding series - \$47,871,000, after receipt of bond premium of \$2,888,998 and payment of \$442,998 in underwriting fees, insurance, and other issuance costs.
 - Funds were used to purchase state and local government securities, which were deposited in an irrevocable trust with an escrow agent to provide for all future debt payments on the 1993 and 1993-A series bonds, when the bonds were called for early redemption on 02-15-03.
 - The 1993 and 1993-A series bonds are considered fully defeased, and the liability for those bonds has been removed from the Investment in Plant fund group.
 - Refunding of the 1993 and 1993-A series bonds reduced the System's debt service payments over the life of the bond issues by approximately \$3,228,503.
 - Economic gain - \$2,733,595; the difference between the net present value of the old and new debt service payments.
- **Consolidated Revenue Refunding Bonds, Series 2003**
 - To refund \$15,975,000 of Consolidated Revenue Refunding Bonds, Series 1995.
 - \$16,490,000; all bonds authorized have been issued.
 - Issued 12-01-2003.
 - Source of revenue for debt service – Tuition and various other revenues and balances that may be legally available for payment of debt obligations. (Funding for fiscal year 2012 fully from Legislative Appropriation-Tuition Revenue Bonds.)
 - Average rate of bonds refunded - 5.92%.
 - Net proceeds from refunding series - \$17,419,961 after receipt of bond premium of \$896,716 and payment of \$266,453 in underwriting fees, insurance, and other issuance costs.
 - Funds were used to purchase state and local government securities, which were deposited in an irrevocable trust with an escrow agent to provide for all future debt payments on the 1995 series bonds, when the bonds were called for early redemption on 02-15-05.
 - The 1995 series bonds are considered fully defeased, and the liability for those bonds has been removed from the Investment in Plant fund group.
 - Refunding of the 1995 series bonds reduced the System's debt service payments over the life of the bond issues by approximately \$1,377,275.
 - Economic gain - \$1,292,003; the difference between the net present value of the old and new debt service payments.
- **Consolidated Revenue Refunding Bonds, Series 2006**
 - To refund \$3,295,000 of Consolidated Revenue Refunding Bonds, Series 1997 (UHV) and \$44,430,000 of Consolidated Revenue Bonds, Series 2000 (UH).
 - \$48,450,000; all bonds authorized have been issued.
 - Issued 02-01-2006.
 - Source of revenue for debt service – Tuition and various other fees, revenues and balances that may be legally available for payment of debt obligations. (Funding for fiscal year 2012 partially from Legislative Appropriation-Tuition Revenue Bonds.)
 - Average rate of bonds refunded - 5.45% (1997) and 5.45% (2000).
 - Net proceeds from refunding series - \$49,799,345, after receipt of bond premium of \$1,823,210 and payment of \$473,865 in underwriting fees, insurance, and other issuance costs.
 - Funds were used to purchase state and local government securities, which were deposited in an irrevocable trust with an escrow agent to provide for all future debt payments on the 1997 and 2000 series bonds. The refunded 1997 series will be called for early redemption on 08-15-2007, and the 2000 series bonds will be called for early redemption on 02-15-2010.
 - The 1997 series bonds maturing subsequent to 08-15-2007 and the 2000 series bonds maturing subsequent to 02-15-2010 are considered fully defeased, and the liability for those bonds has been removed from the Investment in Plant Fund Group.
 - Refunding of the 1997 and 2000 series bonds reduced the System's debt service payments over the life of the bond issues by approximately \$4,841,586.
 - Economic gain - \$3,013,573; the difference between the net present value of the old and new debt service payments.

- **Consolidated Revenue and Refunding Bonds, Series 2008**

- To (a) refund and defease certain outstanding commercial paper notes of the System and (b) finance the acquisition, purchase, improvement, enlargement and equipping of property, buildings, structures, activities, services, operations and other facilities, roads, or related infrastructure for or on the behalf of the System, including individual campuses of the System.
- In addition to the defeasement of the commercial paper noted above, the proceeds were used to finance the construction of the Calhoun Lofts, East Parking Garage Part 1, and MacGregor Land purchase (UH), the Allied Health Facility, The Regional Center for Economic Development, and Building 2, Sugarland (UHV).
- \$175,030,000: all bonds have been issued.
- Issued 07-01-2008.
- Source of revenue for debt service – Tuition and various other fees and revenues and balances that may be legally available for payment of debt obligations. (Funding for fiscal year 2012 partially from Legislative Appropriations–Tuition Revenue Bonds.)

- **Consolidated Revenue and Refunding Bonds, Series 2009**

- To (a) defease certain outstanding commercial paper notes of the System and (b) finance the acquisition, purchase, construction, improvement, enlargement, and equipping of property, buildings, structures, activities, services, operation and other facilities, roads, or related infrastructure for or on behalf of the System, including individual campuses of the System.
- In addition to the defeasement of the commercial paper noted above, the proceeds were used to finance the Science Lab renovations, the purchase of Bayou Oaks, the construction of the Stadium Parking Garage Part 1 and East Garage Part 2 (UH) and the renovation of the Arbor Building (UHCL).
- Issued 02-04-2009.
- \$108,395,000; all bonds authorized have been issued (UH – \$98,230,000 and UHCL – \$10,165,000).
- Source of revenue for debt service – Tuition and various other fees, revenues and balances that may be legally available for payment of debt obligations. (Funding for fiscal year 2012 partially from Legislative Appropriation-Tuition Revenue Bonds.)

- **Consolidated Revenue and Refunding Bonds, Series 2009-A**

- To (a) refund and defease \$20,515,000 of outstanding Consolidated Revenue Bonds, Series 1999 and (b) finance the acquisition, purchase, construction, improvement, enlargement, and equipping of property, buildings, structures, activities, services, operation and other facilities, roads, or related infrastructure for or on behalf of the System, including individual campuses of the System.
- In addition to the defeasement of the bonds noted above, the proceeds were used to finance the construction of Cougar Village Part 1 (UH).
- Issued 07-02-2009.
- \$71,175,000; all bonds authorized have been issued (\$52,200,000 revenue bonds: UH; and \$18,975,000 refunding bonds: UH – \$6,829,102.50, UHD – \$4,267,477.50, and UHV – \$7,878,420.00).
- Source of revenue for debt service – Tuition and various other fees, revenues and balances that may be legally available for payment of debt obligations. (Funding for fiscal year 2012 partially from Legislative Appropriation-Tuition Revenue Bonds.)
- Average interest rate of bonds refunded - 4.885%.
- Net proceeds from refunding series - \$20,892,799.63, after receipt of bond premium of \$1,719,638.50 and additional available funds of \$377,640.50 and payment of \$179,479.37 in underwriting fees, insurance, and other issuance costs.
- Sufficient funds were deposited with an escrow agent to provide for full payment of all outstanding obligations related to the 1999 series bonds, after they were called for early redemption.
- The 1999 series bonds maturing subsequent to 02-15-2009 are considered fully defeased, and the obligation for those bonds has been removed from the reported liabilities of the System.
- Refunding of the 1999 series bonds reduced the System's debt service payments over the life of the bond issues by approximately \$2,023,239.08.
- Economic gain - \$1,742,552.43; the difference between the net present value of the old and new debt service payments.

- **Consolidated Revenue and Refunding Bonds, Series 2010-A**
 - To (a) defease certain outstanding commercial paper notes of the System and (b) finance the acquisition, purchase, construction, improvement, enlargement, and equipping of property, buildings, structures, activities, services, operations and other facilities, roads, or related infrastructure for or on behalf of the System, including individual campuses of the System.
 - In addition to the defeasement of the commercial paper note above, the proceeds were used to finance construction costs related to the renovation of UH Moody Towers Dining Hall and the purchase of UH Energy Research Park.
 - Issued 04-15-2010.
 - \$23,305,000; all bonds authorized have been issued (UH – \$23,305,000).
 - Source of revenue for debt service – Designated tuition and various other fees, revenues and balances that may be legally available for payment of debt obligations.

- **Consolidated Revenue and Refunding Bonds, Series 2010-B**
 - To (a) defease certain outstanding commercial paper notes of the System and (b) finance the acquisition, purchase, construction, improvement, enlargement, and equipping of property, buildings, structures, activities, services, operations and other facilities, roads, or related infrastructure for or on behalf of the System, including individual campuses of the System.
 - In addition to the defeasement of the commercial paper note above, the proceeds were used to finance costs related to the construction of a classroom/business building and the Health and Biomedical Sciences building (UH), the renovation of certain facilities at the UH Energy Research Park (UH) and construction costs related to Jaguar Residence Hall (UHV),.
 - This bond issue is a qualified Build America Bond (BAB) as defined within Sections 54AA and 6431 of the Internal Revenue Code of 1986, as amended.
 - Issued 04-15-2010.
 - \$79,975,000; all bonds authorized have been issued (UH – \$74,686,469 and UHV – \$5,288,531).
 - Source of revenue for debt service – Designated tuition and various other fees, revenues and balances that may be legally available for payment of debt obligations. The System will receive interest subsidy payments from the U.S. Treasury equal to 35 percent of the interest payable on related qualified Build America Bonds contemporaneously with the interest payment dates of the qualified Build America Bonds.

- **Consolidated Revenue and Refunding Bonds, Series 2010-C**
 - To (a) defease certain outstanding commercial paper notes of the System and (b) finance the acquisition, purchase, construction, improvement, enlargement, and equipping of property, buildings, structures, activities, services, operations and other facilities, roads, or related infrastructure for or on behalf of the System, including individual campuses of the System.
 - In addition to the defeasement of the commercial paper note above, the proceeds were used to finance construction costs for Stadium Parking Garage Part 2, and renovation of certain facilities at the UH Energy Research Park (UH) and at construction costs related to Jaguar Residence Hall (UHV).
 - Issued 04-15-2010.
 - \$18,255,000; all bonds authorized have been issued (UH – \$16,698,745 and UHV – \$1,556,255).
 - Source of revenue for debt service – Designated tuition and various other fees, revenues and balances that may be legally available for payment of debt obligations.

- **Consolidated Revenue and Refunding Bonds, Series 2011-A**
 - To (a) refund and defease \$78,195,000 of outstanding Consolidated Revenue Bonds, Series 2002-A and \$9,255,000 of Consolidated Revenue Refunding Bonds, Series 2002-B and (b) finance the acquisition, purchase, construction, improvement, enlargement, and equipping of property, buildings, structures, activities, services, operation and other facilities, roads, or related infrastructure for or on behalf of the System, including individual campuses of the System.
 - In addition to the defeasement of the bonds noted above, the proceeds were used to finance the acquisition, construction, or renovation of the University Center, Quadrangle, Moody Towers, Cougar Place, Cougar Village 2, Radio Station, Parking Garage 1A, and various buildings at UH Energy Research Park (UH) and Residential Housing (UHV).
 - Issued 12-29-2011.
 - \$265,500,000; all bonds authorized have been issued (\$75,640,000 refunding bonds: UH - \$35,921,187.96, UHCL – \$18,691,900.89, UHD – \$9,487,588.77, and UHV – \$11,539,322.38; and \$189,860,000 revenue bonds: UH – \$179,785,000 and UHV – \$10,075,000).

- Source of revenue for debt service – Tuition and various other fees, revenues and balances that may be legally available for payment of debt obligations. (Funding for fiscal year 2012 partially from Legislative Appropriation-Tuition Revenue Bonds.)
- Average interest rate of bonds refunded - 4.464013%.
- Net proceeds from refunding series - \$89,366,528.00, after receipt of bond premium of \$12,525,317.05 and additional available funds of \$1,427,621.11 and payment of \$226,410.16 in underwriting fees, insurance, and other issuance costs.
- Sufficient funds were deposited with an escrow agent to provide for full payment of all outstanding obligations related to the 2002-A and 2002-B series bonds, after they were called for early redemption on 02-15-2012.
- The 2002-A and 2002-B series bonds maturing subsequent to 02-15-2012 are considered fully defeased and the obligation for those bonds has been removed from the reported liabilities of the System.
- Refunding of the 2002-A and 2002-B series bonds reduced the System's debt service payments over the life of the bond issues by approximately \$12,683,166.71.
- Economic gain - \$11,417,870.29; the difference between the net present value of the old and new debt service payments.

• **Consolidated Revenue and Refunding Bonds, Series 2011-B**

- To (a) defease certain outstanding commercial paper notes of the System and (b) finance the acquisition, purchase, construction, improvement, enlargement, and equipping of property, buildings, structures, activities, services, operations and other facilities, roads, or related infrastructure for or on behalf of the System, including individual campuses of the System.
- In addition to the defeasement of the commercial paper note above, the proceeds were used to finance construction costs for West Dining Hall and renovation of the University Center (UH).
- Issued 12-29-2011.
- \$21,310,000; all bonds authorized have been issued.
- Source of revenue for debt service – Designated tuition and various other fees, revenues and balances that may be legally available for payment of debt obligations.

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, on the one hand, and the pledging of receivables or future revenues to repay a borrowing (a collateralized borrowing), on the other. The following table provides the pledged future revenue information for the System's revenue bonds:

| | Government Activities | Business-Type Activities | Component Units |
|--|--------------------------|-----------------------------|--------------------|
| Pledged revenue required for future principal and interest on existing revenue bonds | \$ NA | \$ 1,322,258,225.77 | \$ NA |
| Term of commitment year ending 08/31 | NA | 2043 | NA |
| Percentage of revenue pledged | NA | 100% | NA |
| Current year pledged revenue | \$ NA | \$ 737,897,859.29 | \$ NA |
| Current year principal and interest paid | \$ NA | \$ 153,164,595.81 | \$ NA |

Pledged revenue sources:

Governmental activities – None.

Business-type activities – Operating income from tuition and fees, and sales and service revenue from auxiliary and non-auxiliary activities including intercollegiate athletics, residential life, parking, rental of facilities, continuing education, royalties, publications, clinics, bookstores, and vending commissions.

Component Units – None.

Build America Bonds

Build America Bonds (BABs) were created as part of the federal American Recovery and Reinvestment Act of 2009 (ARRA). Taxable bonds may be issued by governmental entities, including state agencies and state universities, as Tax Credit BABs or as Direct Payment BABs. Tax Credit BABs provide a federal tax credit to investors equal to 35 percent of the interest received from the bond issuer. Direct Payment BABs provide a direct

federal reimbursement to state and local governmental issuers equal to 35 percent of the interest paid on the bonds.

During the 2010 fiscal year the University of Houston System issued \$79,975,000 of Consolidated Revenue and Refunding Bonds, Series 2010-B, taxable revenue bonds under the Direct Payment BABs program. A balance of \$79,975,000 remained outstanding at August 31, 2012. No Tax Credit BABs were issued.

NOTE 7: Derivative Instruments

Derivatives are financial instruments the value of which is derived, in whole or part, from the value of any one or more underlying assets or index of asset values. Derivatives include swap contracts, futures contracts, options, options on futures contracts and forward contracts.

Hedging derivative contracts are entered into for the purpose of reducing the overall cost of borrowing long-term capital and to protect the agency against the risk of rising interest rates. The hedging derivatives primarily consist of interest rate swap agreements entered into, in connection with long-term bonds. The derivative contracts enable the agency to issue bonds at a cost less than what the agency would have paid to issue conventional fixed-rate debt.

Investment derivatives are entered into, with the intention of managing transaction or currency exchange risk in purchasing, selling or holding investments. Ineffective hedges are also reported as investment derivatives.

As of August 31, 2012 the System has no investments in Derivative Instruments.

**NOTE 8: Leases
Operating Leases**

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

| <u>Fund Type</u> | <u>Amount</u> |
|------------------|-----------------|
| Proprietary Fund | \$ 6,430,093.62 |

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

| <u>Year Ending August 31,</u> | <u>Amount</u> |
|---|-------------------------|
| 2013 | \$ 5,144,074.90 |
| 2014 | 3,858,056.17 |
| 2015 | 2,572,037.45 |
| 2016 | 1,286,018.72 |
| 2017 | 643,009.36 |
| 2018-2022 | 1,607,523.41 |
| <u>2023-2027</u> | <u>803,761.70</u> |
| Total Minimum Future Lease Rental Payments | <u>\$ 15,914,481.71</u> |

Capital Leases

The System has entered into long-term leases for financing the purchase of certain capital assets. Such leases are classified as capital leases for accounting purposes and are recorded at the present value of the future minimum lease payments at the inception of the lease. A summary of the original capitalized costs of all such property under lease in addition to the accumulated depreciation as of August 31, 2012 is as follows:

Assets Under Capital Leases
Year Ended August 31, 2012

| Class of Property | Primary Government Business-Type Activities | | Total |
|-------------------|--|-----------------------------|------------------------|
| | Assets under Capital Lease | Accumulated Depreciation | |
| Buildings | \$ 7,769,869.94 | \$ (763,051.56) | \$ 7,006,818.38 |
| Total | \$ 7,769,869.94 | \$ (763,051.56) | \$ 7,006,818.38 |

Future Capital Lease payments
Year Ending August 31, 2012

| Year | Primary Government Business-Type Activities | | Total Future Minimum Lease Payments |
|-----------|--|---------------|---|
| | Principal | Interest | |
| 2013 | \$ 374,630.46 | \$ 298,816.74 | \$ 673,447.20 |
| 2014 | 382,928.44 | 281,455.64 | 664,384.08 |
| 2015 | 390,700.61 | 263,554.03 | 654,254.64 |
| 2016 | 397,875.30 | 245,183.70 | 643,059.00 |
| 2017 | 402,324.88 | 225,273.56 | 627,598.44 |
| 2018-2022 | 2,066,906.26 | 833,461.22 | 2,900,367.48 |
| 2023-2027 | 2,138,403.99 | 376,170.69 | 2,514,574.68 |
| 2028-2032 | 853,048.43 | 32,164.45 | 885,212.88 |

NOTE 9: Pension Plans

The State has joint contributory retirement plans for substantially all its employees. The System participates in the plans administered by the Teachers Retirement System of Texas. Future pension costs are the liabilities of the Retirement System. The Retirement System does not account for each State agency separately. Annual financial reports prepared by the Retirement System include audited financial statements and actuarial assumptions and conclusions.

The state has also established an Optional Retirement Program for institutions of higher education. Participation in the Optional Retirement Program is available to certain eligible employees and is in lieu of participation in the Teacher Retirement System.

The contributions made by plan members and employers for the fiscal year ended August 31, 2012 are:

| | TRS Participants | ORP Participants | Total Contributions |
|---------------------------|-------------------------|-------------------------|-------------------------|
| Member Contributions | \$ 16,391,761.41 | \$ 14,130,112.00 | \$ 30,521,873.41 |
| Employer Contributions | 15,396,066.62 | 14,839,568.00 | 30,235,634.62 |
| Total | \$ 31,787,828.03 | \$ 28,969,680.00 | \$ 60,757,508.03 |

NOTE 10: Deferred Compensation (Administering Agencies Only)

State employees may elect to defer a portion of their earnings for income tax and investment purposes pursuant to authority granted in the Texas Government Code Annotated, Section 609.001. Multiple plans are available for employees' deferred compensation plan. Both plans are administered by the Employees Retirement System.

The State's 457 plan complies with the Internal Revenue Code Section 457. The State also administers another plan; "TexaSaver" created in accordance with Internal Revenue Code Sec. 401(k). The assets of this plan do not belong to the state. The state has no liability related to this plan.

The tax deferred investment program permits benefits-eligible employees of the System to purchase qualified tax deferred investments with a portion of their salaries. Participation in the program is voluntary and is a supplement to the Teacher Retirement System or the Optional Retirement Program. It is however, separate and apart from either.

NOTE 11: Post Employment Health Care and Life Insurance Benefits (UT, A&M, TRS, and ERS)

Provisions of this requirement apply only to University of Texas, Texas A&M University, Teacher Retirement System, and Employee Retirement System.

NOTE 12: Interfund Activity and Transactions

The System experienced routine transfers with other state agencies that were consistent with the activities of the fund making the transfer. Repayment of interfund balances will occur within one year from the date of the financial statement.

Individual balances and activity as of August 31, 2012, is as follows:

Table 12 – Interfund Receivable/Payable

| | Interfund Receivable | Interfund Payable | Purpose |
|--|----------------------|-------------------|---------|
| <i>Current Portion</i> GENERAL REVENUE (01) | | | |
| Total Current Interfund Receivable/Payable | \$ 0.00 | \$ 0.00 | |
| <i>Non-Current Portion</i> GENERAL REVENUE (01) | | | |
| Total Non-Current Interfund Receivable/Payable | \$ 0.00 | \$ 0.00 | |

NOTE 13: Continuance Subject to Review

The System is not subject to the provisions of the Texas Sunset Act (Chapter 325, Texas Government Code Annotated). The Act provides for the regular assessment of the continuing need for state agencies to exist. Certain agencies, such as institutions of higher education and courts, are not subject to the Sunset Act.

NOTE 14: Adjustments to Fund Balances/Net Assets

During fiscal year 2012, a restatement of the prior year's net assets/fund equity balance was required. The restatements represent prior period adjustments to beginning net assets related to capital assets and accumulated depreciation/amortization changes. The changes and restatements are shown in Table 14.

Table 14 – Restatement of Net Assets

| Description | | |
|--|---------------------|----------------------------|
| Net Assets, as Reported, August 31, 2011 | | \$ 1,315,995,481.41 |
| Restatements | | |
| Capital Asset Valuation Corrections: | | |
| Non-Depreciable/Non-Amortizable Assets | \$ (19,346,875.31) | |
| Depreciable Assets | 12,191,303.25 | |
| Accumulated Depreciation | (78,793.83) | |
| Amortizable Assets | 7,213,397.53 | |
| Accumulated Amortization | <u>(210,390.78)</u> | |
| Total Restatements | | <u>(231,359.14)</u> |
| Net Assets, September 1, 2011, as Restated | | <u>\$ 1,315,764,122.27</u> |

NOTE 15: Contingent Liabilities**Unpaid Claims and Lawsuits**

As mentioned in Note 5, various lawsuits and claims involving the System were pending. While the ultimate liability, if any, remains uncertain, management does not expect any possible adverse ruling to have a material effect on System accounts.

Federal Assistance

The System has received several federal grants for specific purposes that are subject to review and audit by the 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, will 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 investment 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. The System estimates that rebatable arbitrage liability, if any, will be immaterial to its overall financial conditions.

Construction Commitments

The System has several contractual agreements with various external housing management entities to construct, maintain, and manage off-campus student housing complexes. Under certain circumstances, the System may have contingent liabilities to these entities. Based on prior experience, previous years' liabilities have been immaterial, and management believes no such liabilities currently exist. Additional information is provided in Note 19.

Investment Funds

The System has entered into contractual commitments to fund private investments made by external investment managers. Investments in which a public market does not exist have an inherent uncertainty of valuation. Because of this uncertainty, the estimate of fair value for alternative investments may differ from the values that would have been used had a ready market existed. As displayed in Note 3, the fair value of Externally Managed Investments is: Domestic – \$35,142,404.27 and International – \$186,800,247.68. The total amount of unfunded commitment is: \$31,071,164.00, composed of Domestic – \$10,629,585.00 and International – \$20,441,579.00.

NOTE 16: Subsequent Events

No events occurred between August 31, 2012 and the statement completion date that materially affect the financial condition of the System.

NOTE 17: Risk Management

The System is exposed to a variety of civil claims resulting from the performance of its duties. It is System policy to periodically assess the proper combination of commercial insurance and retention of risk to cover losses to which it may be exposed.

The System assumes substantially all risks associated with tort and liability claims due to the performance of its duties. Currently there is the purchase of some commercial insurance, and the System is not involved in any risk pools with other government entities.

The System's liabilities are reported when it is both probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Liabilities are reevaluated periodically to consider current settlements, frequency of claims, past experience and economic factors. There were no significant reductions in insurance coverage in the past year and losses did not exceed funding arrangements during the past three years. Changes in the balances of the agency's claims liabilities during fiscal 2011 and 2012 were:

Table 17.1 – Balance of Claims Activity

| | Beginning Balance | Increase | Decrease | Ending Balance |
|------|----------------------|-----------------|-----------------|-------------------|
| 2011 | \$ 402,235.29 | \$ 2,527,390.68 | \$ 2,609,217.11 | \$ 320,408.86 |
| 2012 | \$ 320,408.86 | \$ 2,660,315.33 | \$ 2,647,015.59 | \$ 333,708.60 |

Liabilities include an amount for estimated future workers' compensation and unemployment claims that have been incurred as of the fiscal year end, but that have not been reported.

NOTE 18: Management Discussion and Analysis

The System's financial condition and position are stable and are adequately structured to function within the current national and global economic environment. The System's administrative and management teams realize that universities must be good stewards of the dollars and resources with which they are entrusted. Management strives to make sound financial decisions.

NOTE 19: The Financial Reporting Entity

The System is an agency of the State of Texas. While it is affiliated with several separate legal entities these organizations are not considered component units as defined by generally accepted accounting principles. The System has no affiliations classified as related organizations, joint ventures or jointly governed organizations.

Privatized Student Housing Facilities

Several student housing facility projects have been constructed by private external entities in order to enhance the residential life experience of students at various System campuses. The participating entities have financed and constructed housing complexes on System owned property adjacent to the university campuses. These facilities are operated under ground leases and management agreements with the System for extended time periods. Under the terms of the agreements, cash revenues from rental income, net of operating expenses, are shared with the System. If cash revenues do not attain certain contractually defined thresholds, the System may be liable to the external management entity for the deficiency. In prior fiscal years, contingent liability payments were made by University of Houston. During the 2011 and 2012 fiscal years net cash flows were sufficiently adequate so as not to generate a liability payment. System management believes that current financial and occupancy performance indicates that future years' net cash flows for each residential facility will be sufficient and that future contingent liabilities for the remaining properties will not occur. Repayment of project financing is serviced from revenues generated by the housing projects, and is the sole responsibility of the external entity. The related loans and bonds are not liabilities of the System or component universities, and are not contained in the

financial statements of the System. American Campus Communities operates the Cullen Oaks residential facilities at the University of Houston. Century Development operates the Cambridge Oaks facility at the University of Houston campus and the University Forest facility at the University of Houston - Clear Lake.

NOTE 20: Stewardship, Compliance and Accountability

These statements are prepared in compliance with the guidelines provided by the Texas Comptroller of Public Accounts. There were no material violations of finance related legal or contractual provisions, no deficit net assets, no changes in reporting of loans, and no changes in accounting principles.

NOTE 21: N/A

Note 21 is not applicable to the AFR reporting requirements process.

NOTE 22: Donor-Restricted Endowments

Expenditure of endowed funds is not permitted without the express consent of the donor. The majority of the System’s Endowments are held in perpetuity. In many cases, endowment earnings are expendable for student financial assistance or other purposes as specified by the donor. In other cases endowment earnings are reinvested.

The Regents of the University of Houston System have established an endowment policy which attempts to balance the long term objective of maintaining the purchasing power of the endowment with the goal of providing a reasonable, predictable, stable and sustainable level of income to support current needs. Payout is derived from interest, dividends and realized gains net of portfolio management fees. The historical rate of payout has been 4 to 5 percent, with any change to this range to be approved by the Board.

The net appreciation (cumulative and unexpended) on donor-restricted endowments, presented below in Table 22, is available for authorization and expenditure by the System.

Table 22 – Net Appreciation of Endowments

| Donor-Restricted Endowments | Amount of Net Appreciation/(Depreciation) | Reported in Net Assets |
|--------------------------------|--|------------------------|
| True Endowments | \$ 92,347,933.96 | Restricted Expendable |
| Term Endowments | 273,098.02 | Restricted Expendable |
| Total | <u>\$ 92,621,031.98</u> | |

(A fair market value increase of \$5,657,175.91 was recognized for endowments at or above historical cost. A fair market value increase of \$ 4,247,834.40 was recognized for endowments below historical cost.)

NOTE 23: Extraordinary and Special Items

No items have been identified which should have been presented in the financial statements.

NOTE 24: Disaggregation of Receivable & Payable Balances

Balances of receivables and payables reported on the Statement of Net Assets may be aggregations of different components. GASB Statement 38, *Certain Financial Statement Note Disclosures*, requires that the System provide details in the notes to the financial statements when significant components have been obscured by aggregation. The Statement of Net Assets is presented in the classified format, and therefore, the current and non-current portions of receivables and payables are separately disclosed. Significant balances in various classifications of receivables and payables are disclosed below.

A. Taxes Receivable

No reportable balances for this classification.

B. Federal Receivable

Balances by category type for Federal Receivable are shown in Table 24.1.

Table 24.1 – Federal Receivables

| Federal Receivable Program | Net Receivable |
|---|------------------|
| Department of Agriculture | \$ 21,076.18 |
| Department of Commerce | 110,665.14 |
| Department of Defense | 2,904,766.61 |
| Department of Education | 31,141,015.71 |
| Department of Energy | 1,665,385.72 |
| Department of Health and Human Services | 3,374,266.56 |
| Department of Homeland Security | 150,761.04 |
| Department of the Interior | 59,639.42 |
| Department of Justice | 102,715.83 |
| Department of Labor | 167,672.56 |
| Department of Transportation | 3,990.47 |
| Department of Veterans Affairs | 15,738.29 |
| Environmental Protection Agency | 579,611.45 |
| National Aeronautics and Space Administration | 698,183.47 |
| National Endowment for the Humanities | 103,027.50 |
| National Science Foundation | 2,064,713.38 |
| Small Business Administration | 1,617,535.87 |
| U.S. Agency for International Development | 152,407.78 |
| U.S. Nuclear Regulatory Commission | 3,957.65 |
| Total Net Federal Receivable | \$ 44,937,130.63 |
| | |
| As Reported on the Financial Statements | |
| Current Federal Receivable | \$ 44,937,130.63 |
| Total Net Federal Receivable | \$ 44,937,130.63 |

C. Tax Refunds Payable

No reportable balances for this classification.

D. Other Receivables - Current

Net other receivables at August 31, 2012 are detailed by type in Table 24.2.

Table 24.2 – Other Receivables – Current

| Type | Net Receivable |
|---|-----------------|
| Receivables Related to Gifts, Grants and Other Programs | \$ 1,771,321.75 |
| Receivables Related to Auxiliary Enterprises | 283,595.12 |
| Receivables Related to Loans and Financial Aid | 2,991,848.72 |
| Total Other Receivables - Current | \$ 5,046,765.59 |

E. Other Payables – Current

No reportable balances for this classification.

F. Other Receivables – Non-Current

No reportable balances for this classification.

G. Other Payables – Non-Current

No reportable balances for this classification.

NOTE 25: Termination Benefits

The System has no retiring members of the Employees Retirement System of Texas (ERS) eligible for a temporary retirement incentive payment.

NOTE 26: Segment Information

The System has no segment activity that requires separate disclosure in the notes to the financial statements. A segment is an identifiable activity, or group of activities, reported as or within an enterprise fund or another stand-alone entity that has one or more bonds or other debt instruments outstanding, with a revenue stream pledged in support of that debt. In addition, the activity's revenues, expenses, gains and losses, assets, and liabilities are required to be accounted for separately.

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UNIVERSITY OF HOUSTON SYSTEM
SUPPORTING SCHEDULES

Unaudited

Schedule 2 - A
 University of Houston System
 Combined Schedule Of Miscellaneous Bond Information
 For The Year Ended August 31, 2012

| Business-Type Activities Revenue Bonds | Description of Issue | Issued Year | Bonds Issued to Date | Range of Interest Rates | Terms Of Variable Interest Rate | Scheduled Maturities | | First Call Date | |
|---|----------------------|-------------|----------------------------|-------------------------|---------------------------------------|----------------------|-----------|-----------------|--|
| | | | | | | First Year | Last Year | | |
| Consolidated Revenue Refunding Bonds Self-supporting Revenue Bonds | | | | | | | | | |
| Consolidated Revenue Refunding Bonds Series | | 2002-B | \$ 45,425,000.00 | 3.0000% - 5.2500% | | 2003 | 2018 | 2/15/2012 | |
| Consolidated Revenue Refunding Bonds Series | | 2003 | 16,490,000.00 | 2.0000% - 5.0000% | | 2006 | 2017 | 2/15/2013 | |
| Consolidated Revenue Refunding Bonds Series | | 2006 | 48,450,000.00 | 3.5000% - 5.0000% | | 2007 | 2030 | 2/15/2015 | |
| Consolidated Revenue & Refunding Bonds Series | | 2008 | 175,030,000.00 | 4.0000% - 5.2500% | | 2008 | 2038 | 2/15/2019 | |
| Consolidated Revenue & Refunding Bonds Series | | 2009 | 108,395,000.00 | 3.0000% - 5.0000% | | 2009 | 2033 | 2/15/2019 | |
| Consolidated Revenue & Refunding Bonds Series | | 2009-A | 71,175,000.00 | 4.0000% - 5.0000% | | 2010 | 2034 | 2/15/2019 | |
| Consolidated Revenue & Refunding Bonds Series | | 2010-A | 23,305,000.00 | 4.2500% - 6.1250% | | 2011 | 2035 | 2/15/2020 | |
| Consolidated Revenue & Refunding Bonds Series | | 2010-B | 79,975,000.00 | 4.4500% - 6.3100% | | 2017 | 2035 | 2/15/2020 | |
| Consolidated Revenue & Refunding Bonds Series | | 2010-C | 18,255,000.00 | 2.0000% - 4.0000% | | 2011 | 2016 | N/A | |
| Consolidated Revenue & Refunding Bonds Series | | 2011-A | 265,500,000.00 | 2.0000% - 5.0000% | | 2013 | 2043 | 2/15/2021 | |
| Consolidated Revenue & Refunding Bonds Series | | 2011-B | 21,310,000.00 | 2.7500% - 4.8500% | | 2013 | 2037 | N/A | |
| Consolidated Revenue Bonds Self-supporting Revenue Bonds | | | | | | | | | |
| Consolidated Revenue Bonds Series | | 2002-A | 130,955,000.00 | 2.5000% - 4.7500% | | 2003 | 2022 | 2/15/2012 | |
| Consolidated Revenue Bonds Series | | 2005 | 25,800,000.00 | 4.0000% - 5.0000% | | 2006 | 2025 | 2/15/2015 | |
| Consolidated Revenue Bonds Series | | 2006 | 35,140,000.00 | 3.5000% - 5.0000% | | 2007 | 2026 | 2/15/2015 | |
| Consolidated Revenue Variable Rate Demand Bonds Series | | 2004 | 25,000,000.00 | VAR - VAR | Weekly | 2006 | 2024 | 8/15/2004 | |
| | | | <u>\$ 1,090,205,000.00</u> | | | | | | |

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Unaudited

Schedule 2-B
University of Houston System
Combined Schedule Of Changes In Bonded Indebtedness
For The Year Ended August 31, 2012

Business-Type Activities

| Description of Issue | Bonds Outstanding 09/01/2011 | Bonds Issued | Bonds Matured or Retired | Bonds Refunded or Extinguished | Bonds Outstanding 08/31/2012 |
|---|------------------------------|--------------------------|--------------------------|--------------------------------|------------------------------|
| | | | | | |
| General Obligation Bonds | | | | | |
| None | | | | | |
| Revenue Bonds | | | | | |
| Consolidated Revenue Refunding Bonds Series 2002-B | \$ 10,540,000.00 | \$ | 1,285,000.00 | \$ 9,255,000.00 | \$ 8,215,000.00 |
| Consolidated Revenue Refunding Bonds Series 2003 | 9,625,000.00 | | 1,410,000.00 | | 43,895,000.00 |
| Consolidated Revenue Refunding Bonds Series 2006 | 45,625,000.00 | | 1,730,000.00 | | 158,555,000.00 |
| Consolidated Revenue & Refunding Bonds Series 2008 | 162,605,000.00 | | 4,050,000.00 | | 94,410,000.00 |
| Consolidated Revenue & Refunding Bonds Series 2009 | 97,935,000.00 | | 3,525,000.00 | | 63,985,000.00 |
| Consolidated Revenue & Refunding Bonds Series 2009-A | 66,935,000.00 | | 2,850,000.00 | | 22,130,000.00 |
| Consolidated Revenue & Refunding Bonds Series 2010-A | 22,725,000.00 | | 595,000.00 | | 79,975,000.00 |
| Consolidated Revenue & Refunding Bonds Series 2010-B | 79,975,000.00 | | 2,030,000.00 | | 14,620,000.00 |
| Consolidated Revenue & Refunding Bonds Series 2010-C | 16,650,000.00 | 265,500,000.00 | | | 265,500,000.00 |
| Consolidated Revenue & Refunding Bonds Series 2011-A | | 21,310,000.00 | | | 21,310,000.00 |
| Consolidated Revenue & Refunding Bonds Series 2011-B | | | | | |
| Consolidated Revenue Bonds Series 2002-A | 84,295,000.00 | | 6,100,000.00 | 78,195,000.00 | |
| Consolidated Revenue Variable Rate Demand Bonds Series 2004 | 10,385,000.00 | | 1,115,000.00 | 880,000.00 | 8,390,000.00 |
| Consolidated Revenue Bonds Series 2005 | 20,925,000.00 | | 1,060,000.00 | | 19,865,000.00 |
| Consolidated Revenue Bonds Series 2006 | 29,175,000.00 | | 1,345,000.00 | | 27,830,000.00 |
| Total Revenue Bonds | \$ 657,395,000.00 | \$ 286,810,000.00 | \$ 27,195,000.00 | \$ 88,330,000.00 | \$ 828,680,000.00 |
| Revenue Bonds | | | | | |
| Consolidated Revenue Refunding Bonds Series 2002-B | \$ | \$ | \$ | \$ | \$ |
| Consolidated Revenue Refunding Bonds Series 2003 | 304,545.11 | | | | 8,519,545.11 |
| Consolidated Revenue Refunding Bonds Series 2006 | 1,280,616.19 | | | | 45,175,616.19 |
| Consolidated Revenue & Refunding Bonds Series 2008 | 4,850,209.38 | | | | 163,405,209.38 |
| Consolidated Revenue & Refunding Bonds Series 2009 | 4,045,212.56 | | | | 98,455,212.56 |
| Consolidated Revenue & Refunding Bonds Series 2009-A | 2,051,411.50 | | | | 66,036,411.50 |
| Consolidated Revenue & Refunding Bonds Series 2010-A | 140,663.84 | | | | 22,270,663.84 |
| Consolidated Revenue & Refunding Bonds Series 2010-B | 515,109.99 | | | | 80,490,109.99 |
| Consolidated Revenue & Refunding Bonds Series 2010-C | 539,570.17 | | | | 15,159,570.17 |
| Consolidated Revenue & Refunding Bonds Series 2011-A | 33,155,206.88 | | | | 298,655,206.88 |
| Consolidated Revenue & Refunding Bonds Series 2011-B | 173,489.35 | | | | 21,483,489.35 |
| Consolidated Revenue Bonds Series 2002-A | | | | | |
| Consolidated Revenue Variable Rate Demand Bonds Series 2004 | 53,424.05 | | | | 8,443,424.05 |
| Consolidated Revenue Bonds Series 2005 | 58,476.12 | | | | 1,114,678.09 |
| Consolidated Revenue Bonds Series 2006 | 1,187,910.77 | | | | 29,017,910.77 |
| Total Revenue Bonds | \$ 48,355,845.91 | \$ | \$ | \$ 877,035,845.91 | \$ 34,705,939.39 |

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Unaudited
Schedule 2 - C
University of Houston System
Combined Schedule Of Debt Service Requirements
For The Year Ended August 31, 2012

Business-Type Activities

| Description of Issue | Year | Principal | Interest | Total |
|--|-------------|--------------------------|--------------------------|--------------------------|
| General Obligations Bonds | | | | |
| Self-Supporting Bonds | | | | |
| None | | \$ | \$ | \$ |
| Not Self-Supporting Bonds | | | | |
| None | | \$ | \$ | \$ |
| Revenue Bonds | | | | |
| Self-Supporting Bonds | | | | |
| Consolidated Revenue Refunding Bonds Series 2003 | 2013 | \$ 1,480,000.00 | \$ 373,750.00 | \$ 1,853,750.00 |
| | 2014 | 1,560,000.00 | 297,750.00 | 1,857,750.00 |
| | 2015 | 1,640,000.00 | 217,750.00 | 1,857,750.00 |
| | 2016 | 1,725,000.00 | 133,625.00 | 1,858,625.00 |
| | 2017 | 1,810,000.00 | 45,250.00 | 1,855,250.00 |
| | 2018 - 2022 | | | |
| | 2023 - 2027 | | | |
| | 2028 - 2032 | | | |
| | 2033 - 2037 | | | |
| | 2038 - 2042 | | | |
| | 2043 - 2047 | | | |
| | | <u>\$ 8,215,000.00</u> | <u>\$ 1,068,125.00</u> | <u>\$ 9,283,125.00</u> |
| Consolidated Revenue Refunding Bonds Series 2006 | 2013 | \$ 1,820,000.00 | \$ 2,047,768.76 | \$ 3,867,768.76 |
| | 2014 | 1,915,000.00 | 1,954,393.76 | 3,869,393.76 |
| | 2015 | 2,015,000.00 | 1,856,143.76 | 3,871,143.76 |
| | 2016 | 2,120,000.00 | 1,752,768.76 | 3,872,768.76 |
| | 2017 | 2,235,000.00 | 1,643,893.76 | 3,878,893.76 |
| | 2018 - 2022 | 10,595,000.00 | 6,668,968.80 | 17,263,968.80 |
| | 2023 - 2027 | 13,460,000.00 | 3,821,253.14 | 17,281,253.14 |
| | 2028 - 2032 | 9,735,000.00 | 670,387.50 | 10,405,387.50 |
| | 2033 - 2037 | | | |
| | 2038 - 2042 | | | |
| | 2043 - 2047 | | | |
| | | <u>\$ 43,895,000.00</u> | <u>\$ 20,415,578.24</u> | <u>\$ 64,310,578.24</u> |
| Consolidated Revenue & Refunding Bonds Series 2008 | 2013 | \$ 4,250,000.00 | \$ 7,863,712.50 | \$ 12,113,712.50 |
| | 2014 | 4,480,000.00 | 7,645,462.50 | 12,125,462.50 |
| | 2015 | 4,700,000.00 | 7,415,962.50 | 12,115,962.50 |
| | 2016 | 4,945,000.00 | 7,174,837.50 | 12,119,837.50 |
| | 2017 | 5,170,000.00 | 6,947,812.50 | 12,117,812.50 |
| | 2018 - 2022 | 29,875,000.00 | 30,710,862.50 | 60,585,862.50 |
| | 2023 - 2027 | 38,815,000.00 | 21,775,406.25 | 60,590,406.25 |
| | 2028 - 2032 | 28,590,000.00 | 12,640,950.00 | 41,230,950.00 |
| | 2033 - 2037 | 30,630,000.00 | 5,757,000.00 | 36,387,000.00 |
| | 2038 - 2042 | 7,100,000.00 | 177,500.00 | 7,277,500.00 |
| | 2043 - 2047 | | | |
| | | <u>\$ 158,555,000.00</u> | <u>\$ 108,109,506.25</u> | <u>\$ 266,664,506.25</u> |

Unaudited
Schedule 2 - C
University of Houston System
Combined Schedule Of Debt Service Requirements
For The Year Ended August 31, 2012

Business-Type Activities

| Description of Issue | Year | Principal | Interest | Total |
|--|-------------|-----------------|-------------------------|-------------------------|
| Consolidated Revenue & Refunding Bonds Series 2009 | 2013 | \$ 3,655,000.00 | \$ 4,491,850.00 | \$ 8,146,850.00 |
| | 2014 | 3,810,000.00 | 4,342,550.00 | 8,152,550.00 |
| | 2015 | 3,965,000.00 | 4,187,050.00 | 8,152,050.00 |
| | 2016 | 4,125,000.00 | 4,025,250.00 | 8,150,250.00 |
| | 2017 | 4,310,000.00 | 3,835,000.00 | 8,145,000.00 |
| | 2018 - 2022 | 25,095,000.00 | 15,624,875.00 | 40,719,875.00 |
| | 2023 - 2027 | 32,235,000.00 | 8,493,625.00 | 40,728,625.00 |
| | 2028 - 2032 | 16,045,000.00 | 1,639,875.00 | 17,684,875.00 |
| | 2033 - 2037 | 1,170,000.00 | 29,250.00 | 1,199,250.00 |
| | 2038 - 2042 | | | |
| | 2043 - 2047 | | | |
| | | | <u>\$ 94,410,000.00</u> | <u>\$ 46,669,325.00</u> |
| Consolidated Revenue & Refunding Bonds Series 2009-A | 2013 | \$ 3,095,000.00 | \$ 2,926,993.76 | \$ 6,021,993.76 |
| | 2014 | 3,250,000.00 | 2,768,368.76 | 6,018,368.76 |
| | 2015 | 3,415,000.00 | 2,601,743.76 | 6,016,743.76 |
| | 2016 | 3,590,000.00 | 2,426,618.76 | 6,016,618.76 |
| | 2017 | 3,775,000.00 | 2,242,493.76 | 6,017,493.76 |
| | 2018 - 2022 | 13,955,000.00 | 8,924,893.71 | 22,879,893.71 |
| | 2023 - 2027 | 11,510,000.00 | 6,595,890.66 | 18,105,890.66 |
| | 2028 - 2032 | 14,500,000.00 | 3,603,337.50 | 18,103,337.50 |
| | 2033 - 2037 | 6,895,000.00 | 349,125.00 | 7,244,125.00 |
| | 2038 - 2042 | | | |
| | 2043 - 2047 | | | |
| | | | <u>\$ 63,985,000.00</u> | <u>\$ 32,439,465.67</u> |
| Consolidated Revenue & Refunding Bonds Series 2010-A | 2013 | \$ 615,000.00 | \$ 1,192,739.01 | \$ 1,807,739.01 |
| | 2014 | 650,000.00 | 1,165,857.76 | 1,815,857.76 |
| | 2015 | 680,000.00 | 1,137,595.26 | 1,817,595.26 |
| | 2016 | 715,000.00 | 1,107,951.51 | 1,822,951.51 |
| | 2017 | 745,000.00 | 1,076,926.51 | 1,821,926.51 |
| | 2018 - 2022 | 4,285,000.00 | 4,796,863.80 | 9,081,863.80 |
| | 2023 - 2027 | 5,580,000.00 | 3,495,539.30 | 9,075,539.30 |
| | 2028 - 2032 | 5,885,000.00 | 1,715,641.29 | 7,600,641.29 |
| | 2033 - 2037 | 2,975,000.00 | 280,984.40 | 3,255,984.40 |
| | 2038 - 2042 | | | |
| | 2043 - 2047 | | | |
| | | | <u>\$ 22,130,000.00</u> | <u>\$ 15,970,098.84</u> |

Unaudited

Schedule 2 - C
 University of Houston System
 Combined Schedule Of Debt Service Requirements
 For The Year Ended August 31, 2012

Business-Type Activities

| Description of Issue | Year | Principal | Interest | Total |
|--|-------------|-----------------|--------------------------|--------------------------|
| Consolidated Revenue & Refunding Bonds Series 2010-B | 2013 | \$ | \$ 4,480,960.00 | \$ 4,480,960.00 |
| | 2014 | | 4,480,960.00 | 4,480,960.00 |
| | 2015 | | 4,480,960.00 | 4,480,960.00 |
| | 2016 | | 4,480,960.00 | 4,480,960.00 |
| | 2017 | 3,980,000.00 | 4,392,405.00 | 8,372,405.00 |
| | 2018 - 2022 | 21,920,000.00 | 18,907,654.25 | 40,827,654.25 |
| | 2023 - 2027 | 26,075,000.00 | 12,535,445.75 | 38,610,445.75 |
| | 2028 - 2032 | 25,750,000.00 | 4,315,803.00 | 30,065,803.00 |
| | 2033 - 2037 | 2,250,000.00 | 216,748.50 | 2,466,748.50 |
| | 2038 - 2042 | | | |
| | 2043 - 2047 | | | |
| | | | <u>\$ 79,975,000.00</u> | <u>\$ 58,291,896.50</u> |
| Consolidated Revenue & Refunding Bonds Series 2010-C | 2013 | \$ 3,490,000.00 | \$ 444,300.00 | \$ 3,934,300.00 |
| | 2014 | 3,580,000.00 | 355,700.00 | 3,935,700.00 |
| | 2015 | 3,705,000.00 | 227,900.00 | 3,932,900.00 |
| | 2016 | 3,845,000.00 | 76,900.00 | 3,921,900.00 |
| | 2017 | | | |
| | 2018 - 2022 | | | |
| | 2023 - 2027 | | | |
| | 2028 - 2032 | | | |
| | 2033 - 2037 | | | |
| | 2038 - 2042 | | | |
| | 2043 - 2047 | | | |
| | | | <u>\$ 14,620,000.00</u> | <u>\$ 1,104,800.00</u> |
| Consolidated Revenue & Refunding Bonds Series 2011-A | 2013 | \$ 8,540,000.00 | \$ 12,933,400.00 | \$ 21,473,400.00 |
| | 2014 | 11,180,000.00 | 12,568,500.00 | 23,748,500.00 |
| | 2015 | 11,780,000.00 | 11,994,500.00 | 23,774,500.00 |
| | 2016 | 12,415,000.00 | 11,389,625.00 | 23,804,625.00 |
| | 2017 | 13,055,000.00 | 10,752,875.00 | 23,807,875.00 |
| | 2018 - 2022 | 63,635,000.00 | 44,259,625.00 | 107,894,625.00 |
| | 2023 - 2027 | 30,330,000.00 | 32,583,500.00 | 62,913,500.00 |
| | 2028 - 2032 | 38,960,000.00 | 23,964,500.00 | 62,924,500.00 |
| | 2033 - 2037 | 42,935,000.00 | 13,599,375.00 | 56,534,375.00 |
| | 2038 - 2042 | 26,760,000.00 | 4,820,750.00 | 31,580,750.00 |
| | 2043 - 2047 | 5,910,000.00 | 147,750.00 | 6,057,750.00 |
| | | | <u>\$ 265,500,000.00</u> | <u>\$ 179,014,400.00</u> |

Unaudited

Schedule 2 - C
 University of Houston System
 Combined Schedule Of Debt Service Requirements
 For The Year Ended August 31, 2012

Business-Type Activities

| Description of Issue | Year | Principal | Interest | Total | |
|--|---|---------------|-------------------------|-------------------------|-------------------------|
| Consolidated Revenue & Refunding Bonds Series 2011-B | 2013 | \$ 665,000.00 | \$ 849,092.51 | \$ 1,514,092.51 | |
| | 2014 | 690,000.00 | 827,073.76 | 1,517,073.76 | |
| | 2015 | 715,000.00 | 804,242.51 | 1,519,242.51 | |
| | 2016 | 740,000.00 | 780,598.76 | 1,520,598.76 | |
| | 2017 | 755,000.00 | 758,192.51 | 1,513,192.51 | |
| | 2018 - 2022 | 4,165,000.00 | 3,409,031.30 | 7,574,031.30 | |
| | 2023 - 2027 | 4,990,000.00 | 2,589,934.43 | 7,579,934.43 | |
| | 2028 - 2032 | 3,785,000.00 | 1,627,476.25 | 5,412,476.25 | |
| | 2033 - 2037 | 4,805,000.00 | 604,916.25 | 5,409,916.25 | |
| | 2038 - 2042 | | | | |
| | 2043 - 2047 | | | | |
| | | | <u>\$ 21,310,000.00</u> | <u>\$ 12,250,558.28</u> | <u>\$ 33,560,558.28</u> |
| | Consolidated Revenue Variable Rate Demand Bonds Series 2004 | 2013 | \$ 1,170,000.00 | \$ 351,225.00 | \$ 1,521,225.00 |
| 2014 | | 1,220,000.00 | 297,450.00 | 1,517,450.00 | |
| 2015 | | 1,275,000.00 | 241,312.50 | 1,516,312.50 | |
| 2016 | | 1,335,000.00 | 182,587.50 | 1,517,587.50 | |
| 2017 | | 1,395,000.00 | 121,162.50 | 1,516,162.50 | |
| 2018 - 2022 | | 1,995,000.00 | 68,962.50 | 2,063,962.50 | |
| 2023 - 2027 | | | | | |
| 2028 - 2032 | | | | | |
| 2033 - 2037 | | | | | |
| 2038 - 2042 | | | | | |
| 2043 - 2047 | | | | | |
| | | | <u>\$ 8,390,000.00</u> | <u>\$ 1,262,700.00</u> | <u>\$ 9,652,700.00</u> |
| Consolidated Revenue Bonds Series 2005 | | 2013 | \$ 1,110,000.00 | \$ 848,612.50 | \$ 1,958,612.50 |
| | 2014 | 1,170,000.00 | 800,087.50 | 1,970,087.50 | |
| | 2015 | 1,230,000.00 | 749,162.50 | 1,979,162.50 | |
| | 2016 | 1,290,000.00 | 698,762.50 | 1,988,762.50 | |
| | 2017 | 1,360,000.00 | 645,762.50 | 2,005,762.50 | |
| | 2018 - 2022 | 7,915,000.00 | 2,314,631.25 | 10,229,631.25 | |
| | 2023 - 2027 | 5,790,000.00 | 443,750.00 | 6,233,750.00 | |
| | 2028 - 2032 | | | | |
| | 2033 - 2037 | | | | |
| | 2038 - 2042 | | | | |
| | 2043 - 2047 | | | | |
| | | | <u>\$ 19,865,000.00</u> | <u>\$ 6,500,768.75</u> | <u>\$ 26,365,768.75</u> |

Unaudited
Schedule 2 - C
University of Houston System
Combined Schedule Of Debt Service Requirements
For The Year Ended August 31, 2012

Business-Type Activities

| Description of Issue | Year | Principal | Interest | Total |
|--|-------------|--------------------------|--------------------------|----------------------------|
| Consolidated Revenue Bonds Series 2006 | 2013 | \$ 1,415,000.00 | \$ 1,323,568.76 | \$ 2,738,568.76 |
| | 2014 | 1,485,000.00 | 1,251,068.76 | 2,736,068.76 |
| | 2015 | 1,560,000.00 | 1,174,943.76 | 2,734,943.76 |
| | 2016 | 1,640,000.00 | 1,094,943.76 | 2,734,943.76 |
| | 2017 | 1,725,000.00 | 1,010,818.76 | 2,735,818.76 |
| | 2018 - 2022 | 10,050,000.00 | 3,632,468.80 | 13,682,468.80 |
| | 2023 - 2027 | 9,955,000.00 | 993,190.64 | 10,948,190.64 |
| | 2028 - 2032 | | | |
| | 2033 - 2037 | | | |
| | 2038 - 2042 | | | |
| | 2043 - 2047 | | | |
| | | | <u>\$ 27,830,000.00</u> | <u>\$ 10,481,003.24</u> |
| Not Self-Supporting Bonds None | | \$ | \$ | \$ |
| Total | | <u>\$ 828,680,000.00</u> | <u>\$ 493,578,225.77</u> | <u>\$ 1,322,258,225.77</u> |
| Summary | | | | |
| All Bonds Issues, All Series | 2013 | \$ 31,305,000.00 | \$ 40,127,972.80 | \$ 71,432,972.80 |
| | 2014 | 34,990,000.00 | 38,755,222.80 | 73,745,222.80 |
| | 2015 | 36,680,000.00 | 37,089,266.55 | 73,769,266.55 |
| | 2016 | 38,485,000.00 | 35,325,429.05 | 73,810,429.05 |
| | 2017 | 40,315,000.00 | 33,472,592.80 | 73,787,592.80 |
| | 2018 - 2022 | 193,485,000.00 | 139,318,836.91 | 332,803,836.91 |
| | 2023 - 2027 | 178,740,000.00 | 93,327,535.17 | 272,067,535.17 |
| | 2028 - 2032 | 143,250,000.00 | 50,177,970.54 | 193,427,970.54 |
| | 2033 - 2037 | 91,660,000.00 | 20,837,399.15 | 112,497,399.15 |
| | 2038 - 2042 | 33,860,000.00 | 4,998,250.00 | 38,858,250.00 |
| | 2043 - 2047 | 5,910,000.00 | 147,750.00 | 6,057,750.00 |
| Total as shown above | | <u>\$ 828,680,000.00</u> | <u>\$ 493,578,225.77</u> | <u>\$ 1,322,258,225.77</u> |

Unaudited

Schedule 2-D
 University of Houston System
 Combined Analysis of Funds Available for Debt Service
 For The Year Ended August 31, 2012

Business-Type Activities
 General Obligation Bonds

| Description of Issue | Beginning Balance Available for Debt Service 09/01/2011 | Sources of Funds | | | | Total Sources Available |
|----------------------|---|--------------------------------|-----------------------|---------------------|-------------------------|-------------------------|
| | | Pledged Sources | | Other Sources | | |
| | | Interest Earned on Investments | Other Pledged Sources | Operating Transfers | State's General Revenue | |
| Total | \$ | \$ | \$ | \$ | \$ | \$ |

| | Application of Funds | | | Total Application of Funds |
|-----------|----------------------|--------------------------|----------------------------|----------------------------|
| | Interest | Refunded or Extinguished | Other Application of Funds | |
| Principal | \$ | \$ | \$ | \$ |
| Total | \$ | \$ | \$ | \$ |

| Ending Balance Available for Debt Service at 08/31/2012 | |
|---|--------|
| Required | Actual |
| \$ | \$ |
| \$ | \$ |
| Total | Total |

Unaudited

Schedule 2-D
University of Houston System
Combined Analysis of Funds Available for Debt Service
For The Year Ended August 31, 2012

Business-Type Activities
Revenue Bonds

Pledged and Other Sources and Related Expenditure for FY 2012

| Description of Issue | a | | | | b | | c | | d | (a+b-c-d) Net Available for Debt Service |
|--|-----------------------|-----------------------------------|---------------------------|--------------------------|------------------|--------------------------------------|-------------------|----|-------------------|--|
| | Operating Revenues | Interest Earned on Investments | Other Pledged Revenues | Total Pledged Sources | Other Sources | Operating Expenses & Expenditures | Capital Outlay | | | |
| Consolidated Revenue Refunding Bonds and Consolidated Revenue Bonds (A) | \$ | \$ 491.20 | \$ 737,897,368.09 | \$ 737,897,859.29 | \$ | \$ | \$ | \$ | \$ 737,897,859.29 | |
| Total | \$ | \$ 491.20 | \$ 737,897,368.09 | \$ 737,897,859.29 | \$ | \$ | \$ | \$ | \$ 737,897,859.29 | |
| (A) Other Pledged Revenues Consist of | | | | | | | | | | |
| Tuition and Fees | | \$ | \$ 529,722,857.12 | | | | | | | |
| Investment Income | | | 3,422,608.23 | | | | | | | |
| Sales and Service | | | 105,148,719.74 | | | | | | | |
| Legislative Appropriations | | | 23,963,183.00 | | | | | | | |
| Proceeds from Refunding Bonds | | | 75,640,000.00 | | | | | | | |
| Total as shown above | | | \$ 737,897,368.09 | | | | | | | |

(B) Expenditures associated with pledged sources were approximately \$ 514,647,219.49

| Description of Issue | Debt Service | | Refunded or Extinguished | Interest & Sinking Fund | | Reserve Fund | |
|--|------------------|------------------|-----------------------------|-------------------------|--------|--------------|--------|
| | Principal | Interest | | Minimum | Actual | Minimum | Actual |
| Consolidated Revenue Refunding Bonds Series 2002-B | \$ 1,285,000.00 | \$ 217,485.26 | \$ 9,255,000.00 | \$ | \$ | \$ | \$ |
| Consolidated Revenue Refunding Bonds Series 2003 | 1,410,000.00 | 446,000.00 | | | | | |
| Consolidated Revenue Refunding Bonds Series 2006 | 1,730,000.00 | 2,136,518.76 | | | | | |
| Consolidated Revenue & Refunding Bonds Series 2008 | 4,050,000.00 | 8,071,212.50 | | | | | |
| Consolidated Revenue & Refunding Bonds Series 2009 | 3,525,000.00 | 4,626,637.50 | | | | | |
| Consolidated Revenue & Refunding Bonds Series 2009-A | 2,950,000.00 | 3,078,118.75 | | | | | |
| Consolidated Revenue & Refunding Bonds Series 2010-A | 595,000.00 | 1,218,451.50 | | | | | |
| Consolidated Revenue & Refunding Bonds Series 2010-B | 2,030,000.00 | 4,480,960.00 | | | | | |
| Consolidated Revenue & Refunding Bonds Series 2010-C | | 499,500.00 | | | | | |
| Consolidated Revenue & Refunding Bonds Series 2011-A | | 8,172,913.34 | | | | | |
| Consolidated Revenue & Refunding Bonds Series 2011-B | | 539,825.36 | | | | | |
| Consolidated Revenue Bonds Series 2002-A | 6,100,000.00 | 1,854,764.00 | 78,195,000.00 | | | | |
| Consolidated Revenue Variable Rate Demand Bonds Series 2004 | 1,115,000.00 | 12,617.60 | 880,000.00 | | | | |
| Consolidated Revenue Bonds Series 2005 | 1,060,000.00 | 892,012.50 | | | | | |
| Consolidated Revenue Bonds Series 2006 | 1,345,000.00 | 1,392,568.74 | | | | | |
| Total | \$ 27,195,000.00 | \$ 37,639,595.81 | \$ 88,330,000.00 | \$ | \$ | \$ | \$ |

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Unaudited

Schedule 2-E
University of Houston System
Combined Schedule Of Defeased Bonds Outstanding
For The Year Ended August 31, 2012

| Business-Type Activities | Description of Issue | Year Refunded | Par Value Outstanding |
|--------------------------|---|---------------|-----------------------|
| | General Obligations Bonds Schedule not used. | | \$ |
| | Total | | \$ |
| | Revenue Bonds Schedule not used. | | \$ |
| | Total | | \$ |

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Unaudited

Schedule 2-F
 University of Houston System
 Combined Schedule Of Early Extinguishment and Refunding
 For The Year Ended August 31, 2012

Business-Type Activities

| Description of Issue | Category | Amount Extinguished Or Refunded | Refunding Issue Par Value | For Refunding Only | | Economic Gain / (Loss) |
|---|----------------------|------------------------------------|------------------------------|-----------------------|-----------|---------------------------|
| | | | | Increase / (Decrease) | Cash Flow | |
| General Obligations Bonds Schedule not used. | | \$ | \$ | \$ | | \$ |
| Total | | \$ | \$ | \$ | | \$ |
| Revenue Bonds | | | | | | |
| Consolidated Revenue Bonds Series 2002-A | Current Refunding | \$ 78,195,000.00 | \$ 69,418,450.25 | \$ 11,639,342.09 | | \$ 10,478,179.57 |
| Consolidated Revenue Refunding Bonds Series 2002-B | Current Refunding | 9,255,000.00 | 6,221,549.75 | 1,043,824.62 | | 939,690.72 |
| Consolidated Revenue Variable Rate Demand Bonds Series 2004 | Early Extinguishment | 880,000.00 | | | | |
| Total | | \$ 88,330,000.00 | \$ 75,640,000.00 | \$ 12,683,166.71 | | \$ 11,417,870.29 |

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Unaudited
Schedule 3
University of Houston System
Combined Reconciliation Of Cash In State Treasury
For The Year Ended August 31, 2012

| <u>Cash in State Treasury</u> | <u>Unrestricted</u> | <u>Restricted</u> | <u>Current Year Total</u> |
|--|-------------------------|-------------------|---------------------------|
| Local Revenue Fund No. 0225 (UH - 730) | \$ 8,812,883.01 | \$ | \$ 8,812,883.01 |
| Local Revenue Fund No. 0229 (UHCL - 759) | 7,680,570.13 | | 7,680,570.13 |
| Local Revenue Fund No. 0233 (UHV - 765) | 2,343,061.19 | | 2,343,061.19 |
| Local Revenue Fund No. 0268 (UHD - 784) | 245,332.97 | | 245,332.97 |
| <hr/> | | | |
| <u>Total Cash in State Treasury</u> | <u>\$ 19,081,847.30</u> | <u>\$</u> | <u>\$ 19,081,847.30</u> |

UNIVERSITY OF HOUSTON

**UNAUDITED ANNUAL
FINANCIAL REPORT**

FOR THE YEAR ENDED AUGUST 31, 2012

UNIVERSITY OF HOUSTON
PRIMARY STATEMENTS

Unaudited

University of Houston
Statement of Net Assets
August 31, 2012

| | Total 2012 |
|---|-------------------------|
| Assets | |
| Current Assets | |
| Cash and Cash Equivalents | |
| Cash on Hand | \$ 127,346.00 |
| Cash in Bank | (177,275,002.06) |
| Cash in Transit/Reimburse From Treasury | 1,273.66 |
| Cash in State Treasury | 8,812,883.01 |
| Cash Equivalents | 244,613,756.38 |
| Short Term Investments | 17,878,881.37 |
| Restricted: | |
| Cash in Bank | 52,829,874.49 |
| Legislative Appropriations | 63,704,988.16 |
| Receivables: | |
| Federal Receivable | 26,892,002.01 |
| UHS Intercampus Receivable | 131,573,375.35 |
| Accounts Receivable | 8,064,460.05 |
| Gifts/Pledges Receivable | 16,880,498.60 |
| Other Receivable | 200,093.30 |
| Due From Other Agencies | 10,020,831.16 |
| Consumable Inventories | 620,544.51 |
| Merchandise Inventories | 1,365,094.25 |
| Prepaid Items | 20,049,617.23 |
| Loans and Contracts | 10,403,140.70 |
| Total Current Assets | 436,763,658.17 |
| Non-Current Assets | |
| Restricted: | |
| Cash and Cash Equivalents | |
| Cash in Bank | 145,363,481.95 |
| Receivables | 29,905,246.39 |
| UHS Intercampus Receivable | 485,461,984.28 |
| Loans and Contracts | 14,320,001.34 |
| Investments | 442,550.18 |
| UHS Intercampus Receivables | 79,403,980.71 |
| Capital Assets | |
| Non-Depreciable or Non-Amortizable | 234,084,814.82 |
| Depreciable or Amortizable, Net | 593,112,285.44 |
| Deferred Charges | 39,773,010.00 |
| Total Non-Current Assets | 1,621,867,355.11 |
| Total Assets | 2,058,631,013.28 |

Unaudited

University of Houston
Statement of Net Assets
August 31, 2012

| | <u>Total 2012</u> |
|---|----------------------------|
| Liabilities | |
| Current Liabilities | |
| Payables: | |
| Accounts Payable | 30,392,382.06 |
| Federal Payable | 14,719.40 |
| Payroll Payable | 30,371,617.84 |
| Intercampus Payable | 13,326,918.56 |
| Other Payable | 1,436,139.56 |
| Due to Other Agencies | 512,873.13 |
| Unearned Revenues | 130,223,529.99 |
| Revenue Bonds Payable | 25,495,828.19 |
| Claims and Judgments Payable | 246,444.80 |
| Employees' Compensable Leave | 8,495,337.13 |
| Funds Held for Others | 8,739,407.65 |
| | |
| <u>Total Current Liabilities</u> | <u>249,255,198.31</u> |
| Non-Current Liabilities | |
| Revenue Bonds Payable | 717,625,942.27 |
| Claims and Judgments Payable | 1,473.95 |
| Employees' Compensable Leave | 9,049,762.26 |
| | |
| <u>Total Non-Current Liabilities</u> | <u>726,677,178.48</u> |
| | |
| <u>Total Liabilities</u> | <u>975,932,376.79</u> |
| Net Assets | |
| Invested in Capital Assets, Net of Related Debt | 315,614,470.63 |
| Restricted for: | |
| Debt Retirement | 43,289,779.85 |
| Capital Projects | 1,899,116.40 |
| Funds Held as Permanent Investments | |
| Non-Expendable | |
| True Endowments, Annuities | 294,099,688.73 |
| Expendable | |
| Term Endowments | 511,512.28 |
| Funds Functioning as Endowments | 28,895,380.52 |
| Other Restricted | 142,562,812.37 |
| Unrestricted | 255,825,875.71 |
| | |
| <u>Total Net Assets</u> | <u>\$ 1,082,698,636.49</u> |

Unaudited

University of Houston
Statement of Revenues, Expenses, And Changes In Net Assets
For The Year Ended August 31, 2012

| | <u>Total 2012</u> |
|---|-------------------------|
| Operating Revenues | |
| Sales of Goods and Services (PR-Chgs for Services) | |
| Tuition and Fees-Pledged | \$ 392,270,839.53 |
| Discounts and Allowances | (66,881,277.72) |
| Auxiliary Enterprise-Pledged | 63,360,867.40 |
| Other Sales of Goods and Services-Pledged | 31,188,117.10 |
| Federal Revenue-Operating (PR-OP Grants/Contributions) | 55,151,155.79 |
| Federal Pass Through Revenue (PR-OP Grants/Contributions) | 6,350,120.72 |
| State Grant Revenue (PR-OP Grants/Contributions) | 8,954,087.26 |
| State Grant Pass Through Revenue (PR-OP Grants/Contributions) | 32,811,851.12 |
| Other Grants and Contracts-Operating (PR-OP Grants/Contributions) | 18,085,226.68 |
| Other Operating Revenues (PR-Chgs for Services) | 893,612.77 |
| <u>Total Operating Revenues</u> | <u>542,184,600.65</u> |
| Operating Expenses | |
| Instruction | 198,130,743.93 |
| Research | 92,779,250.89 |
| Public Service | 39,421,973.21 |
| Academic Support | 129,279,558.08 |
| Student Services | 24,914,261.11 |
| Institutional Support | 59,247,274.47 |
| Physical Plant | 36,727,412.10 |
| Scholarships & Fellowships | 30,484,981.42 |
| Auxiliary Enterprises | 77,944,016.30 |
| Depreciation and Amortization | 56,455,700.47 |
| <u>Total Operating Expenses</u> | <u>745,385,171.98</u> |
| <u>Operating Income (Loss)</u> | <u>(203,200,571.33)</u> |
| Non-Operating Revenues (Expenses) | |
| Legislative Revenue (GR) | 129,132,679.00 |
| Additional Appropriations (GR) | 31,242,141.31 |
| Federal Revenue Non-Operating (PR-OP Grants/Contributions) | 36,029,821.24 |
| Federal Pass Through Revenue (PR-OP Grants/Contributions) | 24,307.95 |
| Gifts (PR-OP Grants/Contributions) | 75,988,604.22 |
| Interest and Investment Income (PR-Chgs for Services) | 10,846,370.37 |
| Interest Expense and Fiscal Charges | (31,402,706.20) |
| Net Incr (Decr) in Fair Value of Investments (PR-OP Grants/Contrib) | 32,438,718.93 |
| Other Non-Operating Revenues | 41,472,275.32 |
| Other Non-Operating Expenses | (35,684,762.37) |
| <u>Total Non-Operating Revenues (Expenses)</u> | <u>290,087,449.77</u> |

Unaudited

University of Houston
Statement of Revenues, Expenses, And Changes In Net Assets
For The Year Ended August 31, 2012

| | <u>Total 2012</u> |
|---|----------------------------|
| <u>Income (Loss) before Other Revenues, Expenses, Gains, Losses and Transfers</u> | <u>86,886,878.44</u> |
| Other Revenues, Expenses, Gains, Losses and Transfers | |
| Capital Appropriation (HEAF) | 35,885,768.00 |
| Additions to Permanent and Term Endowments | 7,802,308.40 |
| UHS Intercampus Transfers-In | 19,966,775.85 |
| UHS Intercampus Transfers-Out | (3,886,386.16) |
| Transfers-In | 7,877,932.04 |
| Transfers-Out | (4,818,291.76) |
| <u>Total Other Rev, Exp, Gains, Losses and Transfers</u> | <u>62,828,106.37</u> |
| <u>Change In Net Assets</u> | <u>149,714,984.81</u> |
| Net Assets, Beginning | 933,064,554.87 |
| Restatements | (80,903.19) |
| <u>Net Assets Beginning, as Restated</u> | <u>932,983,651.68</u> |
| <u>Net Assets, Ending</u> | <u>\$ 1,082,698,636.49</u> |

Unaudited

University of Houston
 Matrix of Operating Expenses Reported by Function
 For The Year Ended August 31, 2012

| Operating Expenses | Instruction | Research | Public Service | Academic Support | Student Services |
|--------------------------------|-------------------|------------------|------------------|-------------------|------------------|
| Cost of Goods Sold | \$ | \$ | \$ 1,119,550.86 | \$ 3,583.34 | \$ |
| Salaries and Wages | 151,518,738.58 | 48,691,372.06 | 16,613,388.59 | 74,169,997.48 | 14,230,153.93 |
| Payroll Related Costs | 32,469,724.77 | 8,947,955.62 | 4,201,576.67 | 15,417,815.99 | 3,758,081.47 |
| Professional Fees and Services | 1,875,314.32 | 6,134,273.17 | 4,100,336.90 | 5,776,222.35 | 1,428,002.68 |
| Federal Pass-Through Expenses | | 2,084,790.00 | 416,134.88 | | |
| State Pass-Through Expenses | | 303,635.02 | | | |
| Travel | 1,220,676.21 | 3,175,414.80 | 865,031.95 | 2,546,967.45 | 214,033.32 |
| Materials and Supplies | 3,690,110.50 | 7,590,553.77 | 1,417,111.51 | 7,707,300.35 | 914,463.64 |
| Communication and Utilities | 867,911.63 | 1,022,787.42 | 1,576,451.14 | 9,594,828.80 | 830,499.88 |
| Repairs and Maintenance | 253,106.85 | 908,675.62 | 309,710.18 | 2,242,613.55 | 419,962.52 |
| Rentals and Leases | 805,430.39 | 1,024,033.36 | 4,797,669.56 | 3,937,795.54 | 429,993.96 |
| Printing and Reproduction | 423,554.03 | 216,423.25 | 557,455.61 | 816,387.96 | 541,421.17 |
| Depreciation and Amortization | | | | | |
| Interest | 1,152.68 | 2,701.81 | 10,808.92 | 10,760.62 | 2,158.25 |
| Scholarships | 2,167,366.69 | 1,550,579.31 | 508,744.05 | 2,801,594.15 | 517,298.28 |
| Claims and Judgments | | 92.00 | 500.00 | | |
| Other Operating Expenses | 2,837,657.28 | 11,125,963.68 | 2,927,502.39 | 4,253,690.50 | 1,628,192.01 |
| Total Operating Expenses | \$ 198,130,743.93 | \$ 92,779,250.89 | \$ 39,421,973.21 | \$ 129,279,558.08 | \$ 24,914,261.11 |

Unaudited

University of Houston
 Matrix of Operating Expenses Reported by Function
 For The Year Ended August 31, 2012

| Institutional Support | Operation and Maintenance of Plant | Scholarships and Fellowships | Auxiliary Enterprises | Depreciation and Amortization | Total 2012 |
|-------------------------|------------------------------------|------------------------------|-------------------------|-------------------------------|--------------------------|
| \$ | \$ | \$ | \$ | \$ | \$ |
| 28,359,269.17 | 10,466,970.62 | 499,721.70 | 1,339,213.38 | | 2,462,347.58 |
| 8,491,095.08 | 4,019,458.81 | 28,913.45 | 27,561,484.80 | | 372,111,096.93 |
| 4,052,544.95 | 2,834,300.99 | 599,780.93 | 5,604,042.76 | | 82,938,664.62 |
| | | | 17,548,678.42 | | 44,349,454.71 |
| | | | | | 2,500,924.88 |
| | | | | | 303,635.02 |
| 191,164.46 | 9,368.35 | 52,946.92 | 3,387,059.36 | | 11,662,662.82 |
| 605,688.18 | 1,811,493.17 | 69,765.30 | 4,459,915.31 | | 28,266,401.73 |
| 978,707.71 | 14,858,161.22 | 6,208.80 | 8,719,572.57 | | 38,455,129.17 |
| 2,350,931.78 | 557,147.19 | 239.00 | 2,658,158.46 | | 9,700,545.15 |
| 6,714,132.13 | 1,969,010.85 | 5,710.00 | 1,148,358.58 | | 20,832,134.37 |
| 326,069.59 | 15,167.87 | 15,077.44 | 439,560.08 | | 3,351,117.00 |
| | | | | 56,455,700.47 | 56,455,700.47 |
| 1,316.81 | 5,255.87 | 62.00 | 4,798.88 | | 39,015.84 |
| 4,418,438.19 | | 29,135,747.88 | 713,661.09 | | 41,813,429.64 |
| 1,158,622.69 | | | 101.00 | | 1,159,315.69 |
| 1,599,293.73 | 181,077.16 | 70,808.00 | 4,359,411.61 | | 28,983,596.36 |
| <u>\$ 59,247,274.47</u> | <u>\$ 36,727,412.10</u> | <u>\$ 30,484,981.42</u> | <u>\$ 77,944,016.30</u> | <u>\$ 56,455,700.47</u> | <u>\$ 745,385,171.98</u> |

Unaudited

University of Houston
Statement of Cash Flows
For The Year Ended August 31, 2012

| | <u>Total 2012</u> |
|--|--------------------------|
| Cash Flows from Operating Activities | |
| Receipts from Customers | \$ 30,782,866.91 |
| Proceeds from Tuition & Fees | 322,511,315.44 |
| Proceeds from Research Grants & Contracts | 156,330,269.35 |
| Proceeds from Loan Programs | 137,966,390.74 |
| Proceeds from Auxiliaries | 62,537,572.96 |
| Proceeds from Other Revenues | 931,264.46 |
| Payments to Suppliers for Goods and Services | (162,837,282.09) |
| Payments to Employees for Salaries | (370,643,747.69) |
| Payments to Employees for Benefits | (82,905,908.21) |
| Payments for Loans Provided | (145,447,047.96) |
| Payments for Other Expenses | (56,858,208.44) |
| <u>Net Cash Provided (Used) by Operating Activities</u> | <u>(107,632,514.53)</u> |
| Cash Flows from Noncapital Financing Activities | |
| Proceeds from State Appropriations | 167,403,771.80 |
| Proceeds from Gifts | 50,793,154.04 |
| Proceeds from Endowments | 7,802,308.40 |
| Proceeds of Transfers from Other Funds | 30,060,682.53 |
| Proceeds from Grant Receipts | 36,054,129.19 |
| Payments for Transfers to Other Funds | (8,704,677.92) |
| Payments for Other Uses | (250,538.66) |
| <u>Net Cash Provided by Noncapital Financing Activities</u> | <u>283,158,829.38</u> |
| Cash Flows from Capital and Related Financing Activities | |
| Proceeds from Debt Issuance | 275,786,719.49 |
| Proceeds from Other Financing Activities | 3,701,050.65 |
| Proceeds from Capital Contributions | 35,885,768.00 |
| Payments for Additions to Capital Assets | (176,000,451.53) |
| Payments of Principal on Debt | (72,892,832.50) |
| Payments of Interest on Debt Issuance | (31,402,706.20) |
| Payments of Other Costs on Debt Issuance | (124,997,188.50) |
| <u>Net Cash Provided by Capital and Related Financing Activities</u> | <u>(89,919,640.59)</u> |
| Cash Flows from Investing Activities | |
| Proceeds from Interest Income | 2,363,660.38 |
| Proceeds from Investment Income | 8,482,709.99 |
| Payments to Acquire Investments | (26,039,748.24) |
| <u>Net Cash Provided (Used) by Investing Activities</u> | <u>(15,193,377.87)</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | 70,413,296.39 |
| Cash and Cash Equivalents, September 1 | 204,060,317.04 |
| <u>Cash and Cash Equivalents, August 31</u> | <u>\$ 274,473,613.43</u> |

Unaudited
University of Houston
Statement of Cash Flows
For The Year Ended August 31, 2012

| | Total 2012 |
|--|---------------------|
| Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities | |
| Operating Income (Loss) | \$ (203,200,571.33) |
| Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities | |
| Amortization and Depreciation | 56,455,700.47 |
| Operating Income and Cash Flow Categories: Classification Differences | (7,480,657.22) |
| Changes in Assets and Liabilities: | |
| (Increase) Decrease in Receivables | 37,334,329.58 |
| (Increase) Decrease in Inventories | 62,199.66 |
| (Increase) Decrease in Prepaid Expenses | 1,699,429.70 |
| (Increase) Decrease in Other Assets | (7,772,646.76) |
| Increase (Decrease) in Payables | 13,834,893.05 |
| Increase (Decrease) in Deferred Income | 1,349,779.99 |
| Increase (Decrease) in Compensated Absence Liability | (332,510.40) |
| Increase (Decrease) in Benefits Payable | 179,720.71 |
| Increase (Decrease) in Other Liabilities | 237,818.02 |
| Total Adjustments | 95,568,056.80 |
| Net Cash Provided (Used) by Operating Activities | \$ (107,632,514.53) |
| Non-Cash Transactions | |
| Net Change in Fair Value of Investments | \$ 32,438,718.93 |
| Non-Cash Transactions | \$ 32,438,718.93 |

**UNIVERSITY OF HOUSTON
CLEAR LAKE**

**UNAUDITED ANNUAL
FINANCIAL REPORT**

FOR THE YEAR ENDED AUGUST 31, 2012

UNIVERSITY OF HOUSTON – CLEAR LAKE
PRIMARY STATEMENTS

Unaudited

University of Houston - Clear Lake
Statement of Net Assets
August 31, 2012

| | Total 2012 |
|------------------------------------|--|
| Assets | |
| Current Assets | |
| Cash and Cash Equivalents | |
| Cash on Hand | \$ 23,450.00 |
| Cash in Bank | 4,859,640.49 |
| Cash in State Treasury | 7,680,570.13 |
| Cash Equivalents | 10,258,121.28 |
| Restricted: | |
| Cash in Bank | (2,934,867.56) |
| Legislative Appropriations | 4,948,005.08 |
| Receivables: | |
| Federal Receivable | 4,191,571.79 |
| UHS Intercampus Receivable | 16,341,004.18 |
| Accounts Receivable | 6,020,809.20 |
| Gifts/Pledges Receivable | 58,049.34 |
| Other Receivable | 7,515.03 |
| Due From Other Agencies | 371,052.26 |
| Consumable Inventories | 17,184.42 |
| Prepaid Items | 2,087,357.25 |
| Loans and Contracts | 1,494,500.32 |
| <hr/> | |
| Total Current Assets | <hr/> 55,423,963.21 <hr/> |
| Non-Current Assets | |
| Restricted: | |
| Cash and Cash Equivalents | |
| Cash in Bank | 1,072,698.83 |
| Receivables | 9,636.99 |
| UHS Intercampus Receivable | 13,355,528.65 |
| Loans and Contracts | 594,217.56 |
| UHS Intercampus Receivables | 9,628,186.70 |
| Capital Assets | |
| Non-Depreciable or Non-Amortizable | 11,449,338.89 |
| Depreciable or Amortizable, Net | 62,706,299.15 |
| Deferred Charges | 3,317,588.75 |
| <hr/> | |
| Total Non-Current Assets | <hr/> 102,133,495.52 <hr/> |
| <hr/> | |
| Total Assets | <hr/> <hr/> 157,557,458.73 <hr/> <hr/> |

Unaudited

University of Houston - Clear Lake
Statement of Net Assets
August 31, 2012

| | <u>Total 2012</u> |
|---|-----------------------|
| Liabilities | |
| Current Liabilities | |
| Payables: | |
| Accounts Payable | 1,332,728.14 |
| Federal Payable | 84,135.86 |
| Payroll Payable | 3,179,526.82 |
| Intercampus Payable | 139,467.07 |
| Other Payable | 60,155.06 |
| Due to Other Agencies | 70,782.24 |
| Unearned Revenues | 22,698,789.05 |
| Revenue Bonds Payable | 2,207,199.23 |
| Claims and Judgments Payable | 27,462.43 |
| Employees' Compensable Leave | 965,960.98 |
| Capital Lease Obligations | 374,630.46 |
| Funds Held for Others | 339,410.16 |
| | <hr/> |
| Total Current Liabilities | 31,480,247.50 |
| | <hr/> |
| Non-Current Liabilities | |
| Revenue Bonds Payable | 28,222,290.41 |
| Claims and Judgments Payable | 2,226.89 |
| Employees' Compensable Leave | 1,029,001.80 |
| Capital Lease Obligations | 6,632,187.92 |
| | <hr/> |
| Total Non-Current Liabilities | 35,885,707.02 |
| | <hr/> |
| Total Liabilities | 67,365,954.52 |
| | <hr/> <hr/> |
| Net Assets | |
| Invested in Capital Assets, Net of Related Debt | 40,176,388.60 |
| Restricted for: | |
| Debt Retirement | 3,317,588.75 |
| Funds Held as Permanent Investments | |
| Non-Expendable | |
| True Endowments, Annuities | 8,366,879.13 |
| Expendable | |
| Funds Functioning as Endowments | 4,788,489.95 |
| Other Restricted | 1,920,172.63 |
| Unrestricted | 31,621,985.15 |
| | <hr/> |
| Total Net Assets | \$ 90,191,504.21 |
| | <hr/> <hr/> |

Unaudited

University of Houston - Clear Lake
 Statement of Revenues, Expenses, And Changes In Net Assets
 For The Year Ended August 31, 2012

| | <u>Total 2012</u> |
|---|------------------------|
| Operating Revenues | |
| Sales of Goods and Services (PR-Chgs for Services) | |
| Tuition and Fees-Pledged | \$ 50,951,212.13 |
| Discounts and Allowances | (7,447,576.56) |
| Auxiliary Enterprise-Pledged | 1,442,175.41 |
| Other Sales of Goods and Services-Pledged | 1,166,798.19 |
| Federal Revenue-Operating (PR-OP Grants/Contributions) | 2,100,781.28 |
| Federal Pass Through Revenue (PR-OP Grants/Contributions) | 677,908.27 |
| State Grant Revenue (PR-OP Grants/Contributions) | 335,054.28 |
| State Grant Pass Through Revenue (PR-OP Grants/Contributions) | 1,477,796.91 |
| Other Grants and Contracts-Operating (PR-OP Grants/Contributions) | 498,413.19 |
| <u>Total Operating Revenues</u> | <u>51,202,563.10</u> |
| Operating Expenses | |
| Instruction | 36,789,197.63 |
| Research | 1,769,700.00 |
| Public Service | 113,471.48 |
| Academic Support | 12,041,362.55 |
| Student Services | 4,371,913.51 |
| Institutional Support | 14,584,606.22 |
| Physical Plant | 7,342,125.75 |
| Scholarships & Fellowships | 7,776,536.51 |
| Auxiliary Enterprises | 5,089,830.90 |
| Depreciation and Amortization | 4,780,625.35 |
| <u>Total Operating Expenses</u> | <u>94,659,369.90</u> |
| <u>Operating Income (Loss)</u> | <u>(43,456,806.80)</u> |
| Non-Operating Revenues (Expenses) | |
| Legislative Revenue (GR) | 23,313,520.00 |
| Additional Appropriations (GR) | 5,844,875.56 |
| Federal Revenue Non-Operating (PR-OP Grants/Contributions) | 8,494,968.81 |
| Gifts (PR-OP Grants/Contributions) | 411,124.02 |
| Interest and Investment Income (PR-Chgs for Services) | 946,175.32 |
| Interest Expense and Fiscal Charges | (1,615,553.32) |
| Net Incr (Decr) in Fair Value of Investments (PR-OP Grants/Contrib) | 1,722,673.48 |
| Other Non-Operating Revenues | 3,139,646.37 |
| Other Non-Operating Expenses | (833,507.60) |
| <u>Total Non-Operating Revenues (Expenses)</u> | <u>41,423,922.64</u> |

Unaudited

University of Houston - Clear Lake
 Statement of Revenues, Expenses, And Changes In Net Assets
 For The Year Ended August 31, 2012

| | <u>Total 2012</u> |
|---|-------------------------|
| <u>Income (Loss) before Other Revenues, Expenses, Gains, Losses and Transfers</u> | <u>(2,032,884.16)</u> |
| Other Revenues, Expenses, Gains, Losses and Transfers | |
| Capital Appropriation (HEAF) | 5,214,167.00 |
| Additions to Permanent and Term Endowments | 160,590.62 |
| UHS Intercampus Transfers-In | 3,076,089.80 |
| UHS Intercampus Transfers-Out | (2,894,248.87) |
| Transfers-Out | (524,050.77) |
| Legislative Appropriations Lapsed | (456.91) |
| <u>Total Other Rev, Exp, Gains, Losses and Transfers</u> | <u>5,032,090.87</u> |
| <u>Change In Net Assets</u> | <u>2,999,206.71</u> |
| <u>Net Assets, Beginning</u> | <u>87,192,297.50</u> |
| <u>Net Assets, Ending</u> | <u>\$ 90,191,504.21</u> |

Unaudited

University of Houston - Clear Lake
 Matrix of Operating Expenses Reported by Function
 For The Year Ended August 31, 2012

| Operating Expenses | Instruction | Research | Public Service | Academic Support | Student Services |
|--------------------------------|------------------|-----------------|----------------|------------------|------------------|
| Cost of Goods Sold | \$ | \$ | \$ | \$ | \$ |
| Salaries and Wages | 27,369,178.12 | 905,440.97 | 52,739.16 | 6,812,526.46 | 1,946,411.05 |
| Payroll Related Costs | 6,375,257.45 | 158,509.10 | 8,629.89 | 1,715,236.72 | 535,421.97 |
| Professional Fees and Services | 559,349.02 | 161,548.17 | 7,435.54 | 365,123.27 | 712,720.38 |
| Travel | 151,367.07 | 46,412.11 | 8,936.12 | 318,731.17 | 31,294.66 |
| Materials and Supplies | 913,157.14 | 211,787.69 | 18,269.26 | 1,222,577.16 | 528,476.80 |
| Communication and Utilities | 224,469.53 | 10,253.75 | 386.51 | 333,614.83 | 78,920.79 |
| Repairs and Maintenance | 63,825.75 | 13,818.95 | | 593,380.88 | 2,784.99 |
| Rentals and Leases | 222,194.32 | 5,815.96 | 180.00 | 311,723.54 | 87,106.22 |
| Printing and Reproduction | 74,299.60 | 241.80 | 122.37 | 65,306.80 | 72,017.67 |
| Depreciation and Amortization | | | | | |
| Interest | 67.92 | 3.25 | | 127.53 | 186.97 |
| Scholarships | 479,226.46 | 2,000.00 | | 36,972.90 | 123,930.61 |
| Claims and Judgments | | | | | |
| Other Operating Expenses | 356,805.25 | 253,868.25 | 16,772.63 | 266,041.29 | 252,641.40 |
| Total Operating Expenses | \$ 36,789,197.63 | \$ 1,769,700.00 | \$ 113,471.48 | \$ 12,041,362.55 | \$ 4,371,913.51 |

Unaudited

University of Houston - Clear Lake
 Matrix of Operating Expenses Reported by Function
 For The Year Ended August 31, 2012

| Institutional Support | Operation and Maintenance of Plant | Scholarships and Fellowships | Auxiliary Enterprises | Depreciation and Amortization | Total 2012 |
|-------------------------|------------------------------------|------------------------------|------------------------|-------------------------------|-------------------------|
| \$ | \$ | \$ | \$ 2,830.03 | \$ | \$ 2,830.03 |
| 7,894,029.85 | 2,285,777.56 | 135,025.30 | 2,780,466.65 | | 50,181,595.12 |
| 1,989,991.99 | 747,054.27 | 1,343.74 | 691,553.02 | | 12,222,998.15 |
| 2,401,404.18 | 949,199.44 | 23,418.30 | 613,628.86 | | 5,793,827.16 |
| 51,979.65 | 4,377.90 | | 43,389.74 | | 656,488.42 |
| 353,224.84 | 411,134.10 | 3,871.20 | 226,791.80 | | 3,889,289.99 |
| 221,190.66 | 1,720,051.60 | 228.47 | 445,179.72 | | 3,034,295.86 |
| 79,474.40 | 820,204.47 | 459.24 | 52,159.11 | | 1,626,107.79 |
| 95,562.45 | 5,951.64 | | 41,603.39 | | 770,137.52 |
| 88,643.24 | 1,313.47 | | 31,778.50 | | 333,723.45 |
| | | | | 4,780,625.35 | 4,780,625.35 |
| 9.90 | 315,846.67 | | 43.97 | | 316,286.21 |
| 948,648.29 | | 7,584,353.03 | 50,547.15 | | 9,225,678.44 |
| 83,937.71 | | | | | 83,937.71 |
| 376,509.06 | 81,214.63 | 27,837.23 | 109,858.96 | | 1,741,548.70 |
| <u>\$ 14,584,606.22</u> | <u>\$ 7,342,125.75</u> | <u>\$ 7,776,536.51</u> | <u>\$ 5,089,830.90</u> | <u>\$ 4,780,625.35</u> | <u>\$ 94,659,369.90</u> |

Unaudited

University of Houston - Clear Lake
Statement of Cash Flows
For The Year Ended August 31, 2012

| | Total 2012 |
|--|-------------------------|
| Cash Flows from Operating Activities | |
| Receipts from Customers | \$ 1,110,046.06 |
| Proceeds from Tuition & Fees | 41,839,004.93 |
| Proceeds from Research Grants & Contracts | 5,081,597.22 |
| Proceeds from Loan Programs | 5,102,926.17 |
| Proceeds from Auxiliaries | 1,372,029.15 |
| Payments to Suppliers for Goods and Services | (17,911,883.25) |
| Payments to Employees for Salaries | (50,482,980.71) |
| Payments to Employees for Benefits | (12,216,972.79) |
| Payments for Loans Provided | (4,203,210.88) |
| Payments for Other Expenses | (10,244,499.63) |
| <u>Net Cash Provided (Used) by Operating Activities</u> | <u>(40,553,943.73)</u> |
| Cash Flows from Noncapital Financing Activities | |
| Proceeds from State Appropriations | 29,967,352.01 |
| Proceeds from Gifts | 655,146.43 |
| Proceeds from Endowments | 160,590.62 |
| Proceeds of Transfers from Other Funds | 3,326,075.73 |
| Proceeds from Grant Receipts | 8,494,968.81 |
| Payments for Transfers to Other Funds | (3,418,299.64) |
| Payments for Other Uses | (26,455.69) |
| <u>Net Cash Provided by Noncapital Financing Activities</u> | <u>39,159,378.27</u> |
| Cash Flows from Capital and Related Financing Activities | |
| Proceeds from Other Financing Activities | 4,913,388.95 |
| Proceeds from Capital Contributions | 5,214,167.00 |
| Payments for Additions to Capital Assets | (6,704,830.08) |
| Payments of Principal on Debt | (1,610,000.00) |
| Payments for Capital Lease | (366,159.65) |
| Payments of Interest on Debt Issuance | (1,615,553.32) |
| Payments of Other Costs on Debt Issuance | (3,168,099.11) |
| <u>Net Cash Provided by Capital and Related Financing Activities</u> | <u>(3,337,086.21)</u> |
| Cash Flows from Investing Activities | |
| Proceeds from Interest Income | 438,831.26 |
| Proceeds from Investment Income | 507,344.06 |
| Payments to Acquire Investments | (761,072.32) |
| <u>Net Cash Provided (Used) by Investing Activities</u> | <u>185,103.00</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | (4,546,548.67) |
| Cash and Cash Equivalents, September 1 | 25,506,161.84 |
| <u>Cash and Cash Equivalents, August 31</u> | <u>\$ 20,959,613.17</u> |

Unaudited

University of Houston - Clear Lake
Statement of Cash Flows
For The Year Ended August 31, 2012

| | <u>Total 2012</u> |
|--|---------------------------|
| Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities | |
| <u>Operating Income (Loss)</u> | <u>\$ (43,456,806.80)</u> |
| Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities | |
| Amortization and Depreciation | 4,780,625.35 |
| Operating Income and Cash Flow Categories: Classification Differences | 899,715.29 |
| Changes in Assets and Liabilities: | |
| (Increase) Decrease in Receivables | (2,196,222.09) |
| (Increase) Decrease in Inventories | (1,730.17) |
| (Increase) Decrease in Prepaid Expenses | (105,184.78) |
| (Increase) Decrease in Other Assets | (139,436.88) |
| Increase (Decrease) in Payables | (788,642.22) |
| Increase (Decrease) in Deferred Income | 451,351.35 |
| Increase (Decrease) in Compensated Absence Liability | (91,813.54) |
| Increase (Decrease) in Benefits Payable | 30,762.53 |
| Increase (Decrease) in Other Liabilities | 63,438.23 |
| <u>Total Adjustments</u> | <u>2,902,863.07</u> |
| <u>Net Cash Provided (Used) by Operating Activities</u> | <u>\$ (40,553,943.73)</u> |
| Non-Cash Transactions | |
| Net Change in Fair Value of Investments | \$ 1,722,673.48 |
| <u>Non-Cash Transactions</u> | <u>\$ 1,722,673.48</u> |

**UNIVERSITY OF HOUSTON
DOWNTOWN**

**UNAUDITED ANNUAL
FINANCIAL REPORT**

FOR THE YEAR ENDED AUGUST 31, 2012

UNIVERSITY OF HOUSTON – DOWNTOWN
PRIMARY STATEMENTS

Unaudited

University of Houston - Downtown
Statement of Net Assets
August 31, 2012

| | <u>Total 2012</u> |
|---|-----------------------------------|
| Assets | |
| Current Assets | |
| Cash and Cash Equivalents | |
| Cash on Hand | \$ 11,450.00 |
| Cash in Bank | 14,012,663.15 |
| Cash in Transit/Reimburse From Treasury | 669,015.45 |
| Cash in State Treasury | 245,332.97 |
| Cash Equivalents | 28,747,663.30 |
| Restricted: | |
| Cash in Bank | (12,313,343.96) |
| Legislative Appropriations | 10,391,598.87 |
| Receivables: | |
| Federal Receivable | 11,849,911.03 |
| UHS Intercampus Receivable | 12,870,287.05 |
| Accounts Receivable | 1,856,891.61 |
| Gifts/Pledges Receivable | 61,610.99 |
| Other Receivable | 2,469,970.20 |
| Due From Other Agencies | 48,756.91 |
| Consumable Inventories | 15,815.80 |
| Prepaid Items | 3,886,207.42 |
| Loans and Contracts | 545,991.61 |
| <hr/> | |
| Total Current Assets | <hr/> 75,369,822.40 <hr/> |
| Non-Current Assets | |
| Restricted: | |
| Cash and Cash Equivalents | |
| Cash in Bank | 1,119,575.88 |
| Receivables | 175,132.03 |
| UHS Intercampus Receivable | 18,441,318.70 |
| Investments | 178,206.44 |
| UHS Intercampus Receivables | 7,007,123.36 |
| Capital Assets | |
| Non-Depreciable or Non-Amortizable | 14,016,591.67 |
| Depreciable or Amortizable, Net | 80,154,794.35 |
| Deferred Charges | 3,263,656.42 |
| <hr/> | |
| Total Non-Current Assets | <hr/> 124,356,398.85 <hr/> |
| <hr/> Total Assets <hr/> | <hr/> 199,726,221.25 <hr/> |

Unaudited

University of Houston - Downtown
Statement of Net Assets
August 31, 2012

| | <u>Total 2012</u> |
|---|--------------------------|
| Liabilities | |
| Current Liabilities | |
| Payables: | |
| Accounts Payable | 2,730,344.84 |
| Federal Payable | 16,823.00 |
| Payroll Payable | 3,244,559.42 |
| Intercampus Payable | 3,324,992.92 |
| Other Payable | 98,105.88 |
| Due to Other Agencies | 9,937.79 |
| Unearned Revenues | 23,548,320.29 |
| Revenue Bonds Payable | 4,406,837.67 |
| Claims and Judgments Payable | 31,672.95 |
| Employees' Compensable Leave | 1,117,983.55 |
| Funds Held for Others | (479,013.28) |
| <u>Total Current Liabilities</u> | <u>38,050,565.03</u> |
| Non-Current Liabilities | |
| Revenue Bonds Payable | 47,561,856.72 |
| Claims and Judgments Payable | 262.37 |
| Employees' Compensable Leave | 1,190,945.72 |
| <u>Total Non-Current Liabilities</u> | <u>48,753,064.81</u> |
| <u>Total Liabilities</u> | <u>86,803,629.84</u> |
| Net Assets | |
| Invested in Capital Assets, Net of Related Debt | 45,428,349.75 |
| Restricted for: | |
| Debt Retirement | 3,242,776.41 |
| Capital Projects | 45,416.73 |
| Funds Held as Permanent Investments | |
| Non-Expendable | |
| True Endowments, Annuities | 16,465,426.01 |
| Expendable | |
| Funds Functioning as Endowments | 1,975,892.69 |
| Other Restricted | 3,962,675.05 |
| Unrestricted | 41,802,054.77 |
| <u>Total Net Assets</u> | <u>\$ 112,922,591.41</u> |

Unaudited

University of Houston - Downtown
 Statement of Revenues, Expenses, And Changes In Net Assets
 For The Year Ended August 31, 2012

| | <u>Total 2012</u> |
|---|------------------------|
| Operating Revenues | |
| Sales of Goods and Services (PR-Chgs for Services) | |
| Tuition and Fees-Pledged | \$ 64,823,726.04 |
| Discounts and Allowances | (8,190,566.39) |
| Auxiliary Enterprise-Pledged | 2,457,948.15 |
| Other Sales of Goods and Services-Pledged | 3,820,166.12 |
| Federal Revenue-Operating (PR-OP Grants/Contributions) | 3,128,558.10 |
| Federal Pass Through Revenue (PR-OP Grants/Contributions) | 590,729.15 |
| State Grant Revenue (PR-OP Grants/Contributions) | 21,601.93 |
| State Grant Pass Through Revenue (PR-OP Grants/Contributions) | 6,917,874.64 |
| Other Grants and Contracts-Operating (PR-OP Grants/Contributions) | 317,612.04 |
| <u>Total Operating Revenues</u> | <u>73,887,649.78</u> |
| Operating Expenses | |
| Instruction | 37,671,874.62 |
| Research | 2,217,056.97 |
| Public Service | 4,256,532.27 |
| Academic Support | 16,794,912.32 |
| Student Services | 3,423,337.51 |
| Institutional Support | 15,933,769.88 |
| Physical Plant | 6,189,453.20 |
| Scholarships & Fellowships | 31,251,118.89 |
| Auxiliary Enterprises | 6,906,402.89 |
| Depreciation and Amortization | 7,070,094.92 |
| <u>Total Operating Expenses</u> | <u>131,714,553.47</u> |
| <u>Operating Income (Loss)</u> | <u>(57,826,903.69)</u> |
| Non-Operating Revenues (Expenses) | |
| Legislative Revenue (GR) | 20,020,006.00 |
| Additional Appropriations (GR) | 4,876,486.65 |
| Federal Revenue Non-Operating (PR-OP Grants/Contributions) | 27,362,174.18 |
| Gifts (PR-OP Grants/Contributions) | 1,229,312.25 |
| Interest and Investment Income (PR-Chgs for Services) | 785,172.34 |
| Interest Expense and Fiscal Charges | (2,608,029.45) |
| Net Incr (Decr) in Fair Value of Investments (PR-OP Grants/Contrib) | 2,204,734.00 |
| Other Non-Operating Revenues | 1,644,516.45 |
| Other Non-Operating Expenses | (691,572.55) |
| <u>Total Non-Operating Revenues (Expenses)</u> | <u>54,822,799.87</u> |

Unaudited

University of Houston - Downtown
 Statement of Revenues, Expenses, And Changes In Net Assets
 For The Year Ended August 31, 2012

| | <u>Total 2012</u> |
|---|--------------------------|
| <u>Income (Loss) before Other Revenues, Expenses, Gains, Losses and Transfers</u> | <u>(3,004,103.82)</u> |
| Other Revenues, Expenses, Gains, Losses and Transfers | |
| Capital Appropriation (HEAF) | 7,435,238.00 |
| Additions to Permanent and Term Endowments | 290,510.73 |
| UHS Intercampus Transfers-In | 6,582,767.11 |
| UHS Intercampus Transfers-Out | (158,480.00) |
| Transfers-Out | (823,131.33) |
| Legislative Appropriations Lapsed | (6.92) |
| <u>Total Other Rev, Exp, Gains, Losses and Transfers</u> | <u>13,326,897.59</u> |
| <u>Change In Net Assets</u> | <u>10,322,793.77</u> |
| Net Assets, Beginning | 102,750,681.09 |
| Restatements | (150,883.45) |
| <u>Net Assets Beginning, as Restated</u> | <u>102,599,797.64</u> |
| <u>Net Assets, Ending</u> | <u>\$ 112,922,591.41</u> |

Unaudited

University of Houston - Downtown
 Matrix of Operating Expenses Reported by Function
 For The Year Ended August 31, 2012

| Operating Expenses | Instruction | Research | Public Service | Academic Support | Student Services |
|--------------------------------|------------------|-----------------|-----------------|------------------|------------------|
| Cost of Goods Sold | \$ | \$ | \$ | \$ | \$ |
| Salaries and Wages | 29,659,017.94 | 796,573.43 | 2,020,144.35 | 10,608,583.79 | 2,261,815.54 |
| Payroll Related Costs | 6,542,781.48 | 183,274.62 | 407,947.23 | 2,627,359.61 | 522,122.65 |
| Professional Fees and Services | 228,695.41 | 323,810.28 | 819,869.11 | 183,935.63 | 99,047.46 |
| Federal Pass-Through Expenses | | 8,820.00 | | | |
| Travel | 193,423.19 | 203,330.59 | 132,946.38 | 274,141.46 | 45,354.27 |
| Materials and Supplies | 318,777.65 | 51,158.60 | 261,410.25 | 1,573,013.24 | 191,201.23 |
| Communication and Utilities | 87,215.70 | 279.65 | 30,058.75 | 255,874.29 | 105,564.68 |
| Repairs and Maintenance | 90,017.67 | 3,974.13 | (38,666.37) | 413,491.40 | 5,858.16 |
| Rentals and Leases | 116,366.84 | 3,519.16 | 44,157.73 | 456,175.62 | 16,581.29 |
| Printing and Reproduction | 14,163.10 | 1,413.00 | 7,699.79 | 32,215.40 | 27,661.75 |
| Depreciation and Amortization | | | | | |
| Interest | 120.35 | | 68.53 | 695.71 | 14.85 |
| Scholarships | 223,416.00 | 258,035.00 | 7,615.00 | 48,357.96 | |
| Claims and Judgments | | | | | |
| Other Operating Expenses | 197,879.29 | 382,868.51 | 563,281.52 | 321,068.21 | 148,115.63 |
| Total Operating Expenses | \$ 37,671,874.62 | \$ 2,217,056.97 | \$ 4,256,532.27 | \$ 16,794,912.32 | \$ 3,423,337.51 |

Unaudited

University of Houston - Downtown
 Matrix of Operating Expenses Reported by Function
 For The Year Ended August 31, 2012

| Institutional Support | Operation and Maintenance of Plant | Scholarships and Fellowships | Auxiliary Enterprises | Depreciation and Amortization | Total 2012 |
|-------------------------|------------------------------------|------------------------------|------------------------|-------------------------------|--------------------------|
| \$ | \$ | \$ | \$ | \$ | \$ |
| 7,572,478.83 | 1,584,079.19 | 61,598.41 | 1,978.54 | | 1,978.54 |
| 1,892,585.30 | 441,643.55 | | 2,967,035.79 | | 57,531,327.27 |
| 2,287,094.50 | 749,603.19 | 18,490.00 | 703,896.59 | | 13,321,611.03 |
| | | | 1,590,631.17 | | 6,301,176.75 |
| | | | | | 8,820.00 |
| 56,896.79 | 3,800.06 | | 103,753.10 | | 1,013,645.84 |
| 1,185,447.12 | 358,310.47 | 16,989.09 | 291,659.72 | | 4,247,967.37 |
| 142,111.53 | 2,104,134.57 | | 333,786.21 | | 3,059,025.38 |
| 297,925.60 | 923,313.84 | | 214,449.71 | | 1,910,364.14 |
| 232,842.11 | 6,546.72 | | 28,640.21 | | 904,829.68 |
| 123,409.24 | 432.47 | 343.74 | 54,936.85 | | 262,275.34 |
| | | | | 7,070,094.92 | 7,070,094.92 |
| 452.29 | 2,365.03 | | 6,446.01 | | 10,162.77 |
| 1,142,730.44 | | 31,149,564.49 | 26,356.05 | | 32,856,074.94 |
| 81,856.79 | | | | | 81,856.79 |
| 917,939.34 | 15,224.11 | 4,133.16 | 582,832.94 | | 3,133,342.71 |
| <u>\$ 15,933,769.88</u> | <u>\$ 6,189,453.20</u> | <u>\$ 31,251,118.89</u> | <u>\$ 6,906,402.89</u> | <u>\$ 7,070,094.92</u> | <u>\$ 131,714,553.47</u> |

Unaudited

University of Houston - Downtown
Statement of Cash Flows
For The Year Ended August 31, 2012

| | <u>Total 2012</u> |
|--|-------------------------|
| Cash Flows from Operating Activities | |
| Receipts from Customers | \$ 3,823,078.79 |
| Proceeds from Tuition & Fees | 58,673,606.24 |
| Proceeds from Research Grants & Contracts | 10,234,954.71 |
| Proceeds from Loan Programs | 1,647,757.66 |
| Proceeds from Auxiliaries | 2,459,822.20 |
| Payments to Suppliers for Goods and Services | (20,117,970.35) |
| Payments to Employees for Salaries | (57,200,648.51) |
| Payments to Employees for Benefits | (13,410,926.08) |
| Payments for Loans Provided | (1,749,118.08) |
| Payments for Other Expenses | (33,767,960.74) |
| <u>Net Cash Provided (Used) by Operating Activities</u> | <u>(49,407,404.16)</u> |
| Cash Flows from Noncapital Financing Activities | |
| Proceeds from State Appropriations | 23,679,467.18 |
| Proceeds from Gifts | 1,456,232.57 |
| Proceeds from Endowments | 290,510.73 |
| Proceeds of Transfers from Other Funds | 7,102,601.55 |
| Proceeds from Grant Receipts | 27,362,174.18 |
| Payments for Transfers to Other Funds | (981,611.33) |
| Payments for Other Uses | (310,497.14) |
| <u>Net Cash Provided by Noncapital Financing Activities</u> | <u>58,598,877.74</u> |
| Cash Flows from Capital and Related Financing Activities | |
| Proceeds from Other Financing Activities | 2,824,971.01 |
| Proceeds from Capital Contributions | 7,435,238.00 |
| Payments for Additions to Capital Assets | (5,450,767.25) |
| Payments of Principal on Debt | (5,379,118.73) |
| Payments of Interest on Debt Issuance | (2,608,029.45) |
| Payments of Other Costs on Debt Issuance | (1,233,538.65) |
| <u>Net Cash Provided by Capital and Related Financing Activities</u> | <u>(4,411,245.07)</u> |
| Cash Flows from Investing Activities | |
| Proceeds from Interest Income | 254,906.19 |
| Proceeds from Investment Income | 530,266.15 |
| Payments to Acquire Investments | (585,406.34) |
| <u>Net Cash Provided (Used) by Investing Activities</u> | <u>199,766.00</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | 4,979,994.51 |
| <u>Cash and Cash Equivalents, September 1</u> | <u>27,512,362.28</u> |
| <u>Cash and Cash Equivalents, August 31</u> | <u>\$ 32,492,356.79</u> |

Unaudited

University of Houston - Downtown
Statement of Cash Flows
For The Year Ended August 31, 2012

| | <u>Total 2012</u> |
|--|---------------------------|
| Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities | |
| <u>Operating Income (Loss)</u> | <u>\$ (57,826,903.69)</u> |
| Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities | |
| Amortization and Depreciation | 7,070,094.92 |
| Operating Income and Cash Flow Categories: Classification Differences | (101,360.42) |
| Changes in Assets and Liabilities: | |
| (Increase) Decrease in Receivables | (767,044.77) |
| (Increase) Decrease in Inventories | 788.75 |
| (Increase) Decrease in Prepaid Expenses | 204,327.33 |
| (Increase) Decrease in Other Assets | (19,046.00) |
| Increase (Decrease) in Payables | 523,410.82 |
| Increase (Decrease) in Deferred Income | 1,997,266.91 |
| Increase (Decrease) in Compensated Absence Liability | (23,840.63) |
| Increase (Decrease) in Benefits Payable | (475,035.17) |
| Increase (Decrease) in Other Liabilities | 9,937.79 |
| <u>Total Adjustments</u> | <u>8,419,499.53</u> |
| <u>Net Cash Provided (Used) by Operating Activities</u> | <u>\$ (49,407,404.16)</u> |
| Non-Cash Transactions | |
| <u>Net Change in Fair Value of Investments</u> | <u>\$ 2,204,734.00</u> |
| <u>Non-Cash Transactions</u> | <u>\$ 2,204,734.00</u> |

**UNIVERSITY OF HOUSTON
VICTORIA**

**UNAUDITED ANNUAL
FINANCIAL REPORT**

FOR THE YEAR ENDED AUGUST 31, 2012

UNIVERSITY OF HOUSTON – VICTORIA
PRIMARY STATEMENTS

Unaudited

University of Houston - Victoria
Statement of Net Assets
August 31, 2012

| | <u>Total 2012</u> |
|------------------------------------|-----------------------|
| Assets | |
| Current Assets | |
| Cash and Cash Equivalents | |
| Cash on Hand | \$ 1,825.00 |
| Cash in Bank | 2,971,589.48 |
| Cash in State Treasury | 2,343,061.19 |
| Cash Equivalents | 1,193,814.71 |
| Restricted: | |
| Cash in Bank | (704,950.66) |
| Legislative Appropriations | 3,372,746.48 |
| Receivables: | |
| Federal Receivable | 2,003,645.80 |
| UHS Intercampus Receivable | 2,537,092.39 |
| Accounts Receivable | 1,200,521.55 |
| Gifts/Pledges Receivable | 98,860.21 |
| Other Receivable | 266,241.01 |
| Due From Other Agencies | 47,214.82 |
| Prepaid Items | 1,150,629.11 |
| Loans and Contracts | 1,956,802.67 |
| <u>Total Current Assets</u> | <u>18,439,093.76</u> |
| Non-Current Assets | |
| Restricted: | |
| Cash and Cash Equivalents | |
| Cash in Bank | 329,713.02 |
| Receivables | |
| UHS Intercampus Receivable | 27,195,834.80 |
| Investments | 38,008.76 |
| UHS Intercampus Receivables | 2,365,484.25 |
| Capital Assets | |
| Non-Depreciable or Non-Amortizable | 2,162,212.71 |
| Depreciable or Amortizable, Net | 20,228,108.85 |
| Deferred Charges | 20,787,036.54 |
| <u>Total Non-Current Assets</u> | <u>73,106,398.93</u> |
| <u>Total Assets</u> | <u>91,545,492.69</u> |

Unaudited

University of Houston - Victoria
Statement of Net Assets
August 31, 2012

| | <u>Total 2012</u> |
|---|-------------------------|
| Liabilities | |
| Current Liabilities | |
| Payables: | |
| Accounts Payable | 198,191.90 |
| Federal Payable | 2,901.87 |
| Payroll Payable | 1,765,952.98 |
| Intercampus Payable | 1,284,943.00 |
| Other Payable | 103,672.66 |
| Due to Other Agencies | 2,000.00 |
| Unearned Revenues | 9,719,698.59 |
| Revenue Bonds Payable | 2,596,074.30 |
| Claims and Judgments Payable | 9,398.92 |
| Employees' Compensable Leave | 381,029.40 |
| Funds Held for Others | 389,093.82 |
| | |
| <u>Total Current Liabilities</u> | <u>16,452,957.44</u> |
| Non-Current Liabilities | |
| Revenue Bonds Payable | 48,919,817.12 |
| Claims and Judgments Payable | 669.64 |
| Employees' Compensable Leave | 405,896.24 |
| | |
| <u>Total Non-Current Liabilities</u> | <u>49,326,383.00</u> |
| | |
| <u>Total Liabilities</u> | <u>65,779,340.44</u> |
| Net Assets | |
| Invested in Capital Assets, Net of Related Debt | 10,013,585.54 |
| Restricted for: | |
| Debt Retirement | 2,291,464.04 |
| Capital Projects | 258,678.53 |
| Funds Held as Permanent Investments | |
| Non-Expendable | |
| True Endowments, Annuities | 6,908,061.13 |
| Expendable | |
| Funds Functioning as Endowments | 892,178.56 |
| Other Restricted | 1,707,657.46 |
| Unrestricted | 3,694,526.99 |
| | |
| <u>Total Net Assets</u> | <u>\$ 25,766,152.25</u> |

Unaudited

University of Houston - Victoria
Statement of Revenues, Expenses, And Changes In Net Assets
For The Year Ended August 31, 2012

| | <u>Total 2012</u> |
|---|------------------------|
| Operating Revenues | |
| Sales of Goods and Services (PR-Chgs for Services) | |
| Tuition and Fees-Pledged | \$ 21,677,079.42 |
| Discounts and Allowances | (4,941,984.85) |
| Auxiliary Enterprise-Pledged | 1,285,454.94 |
| Other Sales of Goods and Services-Pledged | 427,192.43 |
| Federal Revenue-Operating (PR-OP Grants/Contributions) | 27,455.95 |
| Federal Pass Through Revenue (PR-OP Grants/Contributions) | 135,330.21 |
| State Grant Revenue (PR-OP Grants/Contributions) | 204,110.16 |
| State Grant Pass Through Revenue (PR-OP Grants/Contributions) | 480,764.24 |
| Other Grants and Contracts-Operating (PR-OP Grants/Contributions) | 396,843.26 |
| <u>Total Operating Revenues</u> | <u>19,692,245.76</u> |
| Operating Expenses | |
| Instruction | 19,763,371.96 |
| Research | 118,884.26 |
| Public Service | 804,473.16 |
| Academic Support | 6,331,207.79 |
| Student Services | 5,571,448.79 |
| Institutional Support | 4,858,240.59 |
| Physical Plant | 2,041,560.30 |
| Scholarships & Fellowships | 2,823,888.95 |
| Auxiliary Enterprises | 2,087,484.19 |
| Depreciation and Amortization | 1,763,424.51 |
| <u>Total Operating Expenses</u> | <u>46,163,984.50</u> |
| <u>Operating Income (Loss)</u> | <u>(26,471,738.74)</u> |
| Non-Operating Revenues (Expenses) | |
| Legislative Revenue (GR) | 13,827,568.00 |
| Additional Appropriations (GR) | 3,146,224.92 |
| Federal Revenue Non-Operating (PR-OP Grants/Contributions) | 4,900,464.48 |
| Gifts (PR-OP Grants/Contributions) | 394,798.32 |
| Interest and Investment Income (PR-Chgs for Services) | 236,546.11 |
| Interest Expense and Fiscal Charges | (2,387,298.06) |
| Net Incr (Decr) in Fair Value of Investments (PR-OP Grants/Contrib) | 899,768.26 |
| Other Non-Operating Revenues | 1,573,099.78 |
| Other Non-Operating Expenses | (1,136,273.83) |
| <u>Total Non-Operating Revenues (Expenses)</u> | <u>21,454,897.98</u> |

Unaudited

University of Houston - Victoria
 Statement of Revenues, Expenses, And Changes In Net Assets
 For The Year Ended August 31, 2012

| | <u>Total 2012</u> |
|---|-------------------------|
| <u>Income (Loss) before Other Revenues, Expenses, Gains, Losses and Transfers</u> | <u>(5,016,840.76)</u> |
| Other Revenues, Expenses, Gains, Losses and Transfers | |
| Capital Appropriation (HEAF) | 2,393,921.00 |
| Additions to Permanent and Term Endowments | 49,729.70 |
| UHS Intercampus Transfers-In | 4,166,926.89 |
| UHS Intercampus Transfers-Out | (87,592.92) |
| Transfers-Out | (179,328.28) |
| <u>Total Other Rev, Exp, Gains, Losses and Transfers</u> | <u>6,343,656.39</u> |
| <u>Change In Net Assets</u> | <u>1,326,815.63</u> |
| Net Assets, Beginning | 24,438,909.12 |
| Restatements | 427.50 |
| <u>Net Assets Beginning, as Restated</u> | <u>24,439,336.62</u> |
| <u>Net Assets, Ending</u> | <u>\$ 25,766,152.25</u> |

Unaudited

University of Houston - Victoria
 Matrix of Operating Expenses Reported by Function
 For The Year Ended August 31, 2012

| Operating Expenses | Instruction | Research | Public Service | Academic Support | Student Services |
|--------------------------------|------------------|---------------|----------------|------------------|------------------|
| Salaries and Wages | \$ 13,487,507.68 | \$ 81,280.29 | \$ 456,033.56 | \$ 2,512,044.48 | \$ 2,272,454.31 |
| Payroll Related Costs | 3,049,707.15 | 19,853.99 | 125,898.15 | 571,925.26 | 676,617.88 |
| Professional Fees and Services | 1,745,969.76 | 5,915.01 | 39,578.05 | 1,872,179.26 | 356,865.96 |
| Travel | 130,632.26 | 5,457.33 | 18,857.38 | 148,277.92 | 155,632.75 |
| Materials and Supplies | 676,499.53 | 2,681.48 | 57,348.95 | 143,045.46 | 274,687.40 |
| Communication and Utilities | 44,934.08 | 493.41 | 14,304.38 | 371,024.18 | 180,981.23 |
| Repairs and Maintenance | 116,259.72 | 2.25 | 4,747.31 | 354,549.36 | 321,091.24 |
| Rentals and Leases | 94,459.90 | | 15,932.77 | 66,304.53 | 631,413.89 |
| Printing and Reproduction | 11,047.65 | 2,261.50 | 6,157.64 | 25,524.65 | 68,359.02 |
| Depreciation and Amortization | | | | | |
| Interest | 65.02 | | | 60.28 | 413.21 |
| Scholarships | 195,455.22 | | | 22,804.75 | 181,018.00 |
| Claims and Judgments | | | | | 2,635.24 |
| Other Operating Expenses | 210,833.99 | 939.00 | 65,614.97 | 243,467.66 | 449,278.66 |
| Total Operating Expenses | \$ 19,763,371.96 | \$ 118,884.26 | \$ 804,473.16 | \$ 6,331,207.79 | \$ 5,571,448.79 |

Unaudited

University of Houston - Victoria
 Matrix of Operating Expenses Reported by Function
 For The Year Ended August 31, 2012

| Institutional Support | Operation and Maintenance of Plant | Scholarships and Fellowships | Auxiliary Enterprises | Depreciation and Amortization | Total 2012 |
|------------------------|------------------------------------|------------------------------|------------------------|-------------------------------|-------------------------|
| \$ 2,720,645.56 | \$ 644,319.22 | \$ 77,640.70 | \$ 15,443.34 | \$ | \$ 22,267,369.14 |
| 656,284.46 | 207,387.65 | 1,353.20 | 1,682.42 | | 5,310,710.16 |
| 479,997.88 | 204,426.76 | 7,543.39 | 1,434,062.53 | | 6,146,538.60 |
| 62,749.13 | 3,478.42 | | | | 525,085.19 |
| 167,876.31 | 80,381.90 | | 98,355.14 | | 1,500,876.17 |
| 54,228.01 | 453,083.68 | | 82,544.43 | | 1,201,593.40 |
| 71,039.52 | 156,203.20 | | 358,974.43 | | 1,382,867.03 |
| 100,725.22 | 288,865.67 | | 66,253.08 | | 1,263,955.06 |
| 9,712.17 | 609.75 | | 16,939.77 | | 140,612.15 |
| | | | | 1,763,424.51 | 1,763,424.51 |
| 59.19 | | | 33.23 | | 630.93 |
| 435,531.18 | | 2,737,351.66 | | | 3,572,160.81 |
| 31,419.97 | | | | | 34,055.21 |
| 67,971.99 | 2,804.05 | | 13,195.82 | | 1,054,106.14 |
| <u>\$ 4,858,240.59</u> | <u>\$ 2,041,560.30</u> | <u>\$ 2,823,888.95</u> | <u>\$ 2,087,484.19</u> | <u>\$ 1,763,424.51</u> | <u>\$ 46,163,984.50</u> |

Unaudited

University of Houston - Victoria
Statement of Cash Flows
For The Year Ended August 31, 2012

| | Total 2012 |
|--|------------------------|
| Cash Flows from Operating Activities | |
| Receipts from Customers | \$ 422,092.33 |
| Proceeds from Tuition & Fees | 17,098,665.30 |
| Proceeds from Research Grants & Contracts | 1,663,434.58 |
| Proceeds from Loan Programs | 3,425,187.60 |
| Proceeds from Auxiliaries | 1,270,108.35 |
| Payments to Suppliers for Goods and Services | (13,307,494.94) |
| Payments to Employees for Salaries | (22,315,476.72) |
| Payments to Employees for Benefits | (5,309,673.63) |
| Payments for Loans Provided | (3,399,100.92) |
| Payments for Other Expenses | (4,484,791.93) |
| <u>Net Cash Provided (Used) by Operating Activities</u> | <u>(24,937,049.98)</u> |
| Cash Flows from Noncapital Financing Activities | |
| Proceeds from State Appropriations | 16,347,553.20 |
| Proceeds from Gifts | 413,729.76 |
| Proceeds from Endowments | 49,729.70 |
| Proceeds of Transfers from Other Funds | 4,416,097.01 |
| Proceeds from Grant Receipts | 4,900,464.48 |
| Payments for Transfers to Other Funds | (266,921.20) |
| Payments for Other Uses | (241,748.11) |
| <u>Net Cash Provided by Noncapital Financing Activities</u> | <u>25,618,904.84</u> |
| Cash Flows from Capital and Related Financing Activities | |
| Proceeds from Debt Issuance | 11,324,873.03 |
| Proceeds from Other Financing Activities | 231,035.28 |
| Proceeds from Capital Contributions | 2,393,921.00 |
| Payments for Additions to Capital Assets | (976,337.06) |
| Payments of Principal on Debt | (2,615,460.00) |
| Payments of Interest on Debt Issuance | (2,387,298.06) |
| Payments of Other Costs on Debt Issuance | (11,336,432.45) |
| <u>Net Cash Provided by Capital and Related Financing Activities</u> | <u>(3,365,698.26)</u> |
| Cash Flows from Investing Activities | |
| Proceeds from Interest Income | 58,989.86 |
| Proceeds from Investment Income | 1,077,324.51 |
| Payments to Acquire Investments | (871,854.51) |
| <u>Net Cash Provided (Used) by Investing Activities</u> | <u>264,459.86</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | (2,419,383.54) |
| Cash and Cash Equivalents, September 1 | 8,554,436.28 |
| <u>Cash and Cash Equivalents, August 31</u> | <u>\$ 6,135,052.74</u> |

Unaudited
 University of Houston - Victoria
 Statement of Cash Flows
 For The Year Ended August 31, 2012

| | Total 2012 |
|--|---------------------------|
| Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities | |
| <u>Operating Income (Loss)</u> | <u>\$ (26,471,738.74)</u> |
| Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities | |
| Amortization and Depreciation | 1,763,424.51 |
| Operating Income and Cash Flow Categories: Classification Differences | 26,086.68 |
| Changes in Assets and Liabilities: | |
| (Increase) Decrease in Receivables | (67,148.02) |
| (Increase) Decrease in Prepaid Expenses | (159,678.17) |
| (Increase) Decrease in Other Assets | 39,100.86 |
| Increase (Decrease) in Payables | (589,654.71) |
| Increase (Decrease) in Deferred Income | 563,365.13 |
| Increase (Decrease) in Compensated Absence Liability | (46,190.14) |
| Increase (Decrease) in Benefits Payable | 5,382.62 |
| <u>Total Adjustments</u> | <u>1,534,688.76</u> |
| <u>Net Cash Provided (Used) by Operating Activities</u> | <u>\$ (24,937,049.98)</u> |
| Non-Cash Transactions | |
| <u> Net Change in Fair Value of Investments</u> | <u>\$ 899,768.26</u> |
| <u>Non-Cash Transactions</u> | <u>\$ 899,768.26</u> |

**UNIVERSITY OF HOUSTON
SYSTEM ADMINISTRATION**

**UNAUDITED ANNUAL
FINANCIAL REPORT**

FOR THE YEAR ENDED AUGUST 31, 2012

UNIVERSITY OF HOUSTON – SYSTEM ADMINISTRATION
PRIMARY STATEMENTS

Unaudited

University of Houston - System Administration
 Statement of Net Assets
 August 31, 2012

| | <u>Total 2012</u> |
|---|-----------------------|
| Assets | |
| Current Assets | |
| Cash and Cash Equivalents | |
| Cash on Hand | \$ 50.00 |
| Cash in Bank | 112,999,576.66 |
| Cash in Transit/Reimburse From Treasury | 23,652,502.99 |
| Cash Equivalents | 45,277,896.43 |
| Short Term Investments | 231,842,556.18 |
| Restricted: | |
| Cash in Bank | 5,902,817.65 |
| Legislative Appropriations | 765,389.14 |
| Receivables: | |
| UHS Intercampus Receivable | 11,077,335.78 |
| Interest Receivable | 373,631.84 |
| Accounts Receivable | 1,251.27 |
| Other Receivable | 2,102,946.05 |
| Due From Other Agencies | 390.49 |
| Prepaid Items | 57,962.11 |
| <u>Total Current Assets</u> | <u>434,054,306.59</u> |
| Non-Current Assets | |
| Restricted: | |
| Cash and Cash Equivalents | |
| Cash in Bank | (138,004,178.77) |
| Receivables | |
| UHS Intercampus Receivable | 6,565,310.17 |
| Investments | 637,925,374.82 |
| Capital Assets | |
| Non-Depreciable or Non-Amortizable | 6,399,750.75 |
| Depreciable or Amortizable, Net | 50,135,220.68 |
| <u>Total Non-Current Assets</u> | <u>563,021,477.65</u> |
| <u>Total Assets</u> | <u>997,075,784.24</u> |

Unaudited

University of Houston - System Administration
Statement of Net Assets
August 31, 2012

| | <u>Total 2012</u> |
|---|--------------------------------------|
| Liabilities | |
| Current Liabilities | |
| Payables: | |
| Accounts Payable | 7,697,890.60 |
| Payroll Payable | 1,853,530.26 |
| Intercampus Payable | 805,747,524.82 |
| Other Payable | 18,931,049.22 |
| Unearned Revenues | 4,402.08 |
| Notes and Loans Payable | 25,123,000.00 |
| Claims and Judgments Payable | 13,816.14 |
| Employees' Compensable Leave | 364,038.24 |
| Funds Held for Others | 20,356.74 |
| | <hr/> |
| Total Current Liabilities | <hr/> 859,755,608.10 <hr/> |
| Non-Current Liabilities | |
| Claims and Judgments Payable | 280.51 |
| Employees' Compensable Leave | 387,796.22 |
| | <hr/> |
| Total Non-Current Liabilities | <hr/> 388,076.73 <hr/> |
| Total Liabilities | <hr/> 860,143,684.83 <hr/> |
| Net Assets | |
| Invested in Capital Assets, Net of Related Debt | 39,580,421.20 |
| Restricted for: | |
| Debt Retirement | 3,087,555.10 |
| Capital Projects | 15,966.82 |
| Funds Held as Permanent Investments | |
| Non-Expendable | |
| True Endowments, Annuities | 44,562,408.00 |
| Expendable | |
| Funds Functioning as Endowments | 5,661,753.15 |
| Other Restricted | 6,452,092.29 |
| Unrestricted | 37,571,902.85 |
| | <hr/> |
| Total Net Assets | <hr/> \$ 136,932,099.41 <hr/> |

Unaudited

University of Houston - System Administration
Statement of Revenues, Expenses, And Changes In Net Assets
For The Year Ended August 31, 2012

| | <u>Total 2012</u> |
|---|------------------------|
| Operating Revenues | |
| Sales of Goods and Services (PR-Chgs for Services) | |
| Other Sales of Goods and Services-Pledged | \$ 1,264,002.01 |
| State Grant Revenue (PR-OP Grants/Contributions) | 390.49 |
| State Grant Pass Through Revenue (PR-OP Grants/Contributions) | 25,082.21 |
| <u>Total Operating Revenues</u> | <u>1,289,474.71</u> |
| Operating Expenses | |
| Research | 976,311.57 |
| Public Service | 101,368.38 |
| Academic Support | 5,317,855.25 |
| Student Services | 255,462.43 |
| Institutional Support | 6,996,487.09 |
| Physical Plant | 2,190,112.48 |
| Scholarships & Fellowships | 53,869.95 |
| Depreciation and Amortization | 8,605,895.71 |
| <u>Total Operating Expenses</u> | <u>24,497,362.86</u> |
| <u>Operating Income (Loss)</u> | <u>(23,207,888.15)</u> |
| Non-Operating Revenues (Expenses) | |
| Legislative Revenue (GR) | 25,975,144.00 |
| Additional Appropriations (GR) | 1,554,170.45 |
| Federal Revenue Non-Operating (PR-OP Grants/Contributions) | 1,568,336.00 |
| Gifts (PR-OP Grants/Contributions) | 98,551.20 |
| Interest and Investment Income (PR-Chgs for Services) | 2,706,751.96 |
| Net Incr (Decr) in Fair Value of Investments (PR-OP Grants/Contrib) | (21,169,308.94) |
| Other Non-Operating Revenues | 8,315,315.16 |
| Other Non-Operating Expenses | (643,803.64) |
| <u>Total Non-Operating Revenues (Expenses)</u> | <u>18,405,156.19</u> |

Unaudited

University of Houston - System Administration
 Statement of Revenues, Expenses, And Changes In Net Assets
 For The Year Ended August 31, 2012

| | <u>Total 2012</u> |
|---|--------------------------|
| <u>Income (Loss) before Other Revenues, Expenses, Gains, Losses and Transfers</u> | <u>(4,802,731.96)</u> |
| Other Revenues, Expenses, Gains, Losses and Transfers | |
| Additions to Permanent and Term Endowments | 10,000.00 |
| UHS Intercampus Transfers-In | 3,856,976.29 |
| UHS Intercampus Transfers-Out | (30,622,827.99) |
| Legislative Appropriations Lapsed | (58,355.76) |
| <u>Total Other Rev, Exp, Gains, Losses and Transfers</u> | <u>(26,814,207.46)</u> |
| <u>Change In Net Assets</u> | <u>(31,616,939.42)</u> |
| <u>Net Assets Beginning</u> | <u>168,549,038.83</u> |
| <u>Net Assets, Ending</u> | <u>\$ 136,932,099.41</u> |

Unaudited

University of Houston - System Administration
 Matrix of Operating Expenses Reported by Function
 For The Year Ended August 31, 2012

| Operating Expenses | Instruction | Research | Public Service | Academic Support | Student Services |
|--------------------------------|-------------|---------------|-------------------|---------------------|---------------------|
| Salaries and Wages | \$ | \$ 328,333.42 | \$ | \$ 2,328,772.42 | \$ 210,000.03 |
| Payroll Related Costs | | 50,617.15 | 36.17 | 619,441.03 | 35,670.40 |
| Professional Fees and Services | | 117,392.20 | 76,250.00 | 1,153,203.04 | |
| Travel | | | | 18,051.14 | |
| Materials and Supplies | | | | 252,379.37 | |
| Communication and Utilities | | | | 514,206.11 | |
| Repairs and Maintenance | | | | 229,464.93 | |
| Rentals and Leases | | 10,400.00 | | 95,859.07 | 9,120.00 |
| Printing and Reproduction | | | | 18,949.59 | |
| Depreciation and Amortization | | | | | |
| Interest | | | | | |
| Scholarships | | 469,568.80 | | | |
| Claims and Judgments | | | | | |
| Other Operating Expenses | | | 25,082.21 | 87,528.55 | 672.00 |
| Total Operating Expenses | \$ | \$ 976,311.57 | \$ 101,368.38 | \$ 5,317,855.25 | \$ 255,462.43 |

Unaudited

University of Houston - System Administration
 Matrix of Operating Expenses Reported by Function
 For The Year Ended August 31, 2012

| Institutional Support | Operation and Maintenance of Plant | Scholarships and Fellowships | Auxiliary Enterprises | Depreciation and Amortization | Total 2012 |
|------------------------|------------------------------------|------------------------------|-----------------------|-------------------------------|-------------------------|
| \$ 4,919,391.91 | \$ 61,618.77 | \$ | \$ | \$ | \$ 7,848,116.55 |
| 900,990.14 | 21,917.37 | | | | 1,628,672.26 |
| 578,142.97 | 417,372.86 | | | | 2,342,361.07 |
| 52,428.19 | | | | | 70,479.33 |
| 89,559.81 | 8,360.51 | | | | 350,299.69 |
| 93,763.43 | 78,474.65 | | | | 686,444.19 |
| 29,128.01 | 33,724.43 | | | | 292,317.37 |
| 150,758.63 | | | | | 266,137.70 |
| 21,912.00 | 307.89 | | | | 41,169.48 |
| | | | | 8,605,895.71 | 8,605,895.71 |
| 23,444.58 | 1,568,336.00 | | | | 1,591,780.58 |
| | | 53,869.95 | | | 523,438.75 |
| 30,200.01 | | | | | 30,200.01 |
| 106,767.41 | | | | | 220,050.17 |
| <u>\$ 6,996,487.09</u> | <u>\$ 2,190,112.48</u> | <u>\$ 53,869.95</u> | <u>\$</u> | <u>\$ 8,605,895.71</u> | <u>\$ 24,497,362.86</u> |

Unaudited

University of Houston - System Administration
Statement of Cash Flows
For The Year Ended August 31, 2012

| | Total 2012 |
|--|-------------------------|
| Cash Flows from Operating Activities | |
| Receipts from Customers | \$ 1,469,324.68 |
| Proceeds from Research Grants & Contracts | 25,148.21 |
| Payments to Suppliers for Goods and Services | (6,912,479.30) |
| Payments to Employees for Salaries | (9,002,128.83) |
| Payments to Employees for Benefits | (1,411,081.06) |
| Payments for Other Expenses | (5,276,666.35) |
| <u>Net Cash Provided (Used) by Operating Activities</u> | <u>(21,107,882.65)</u> |
| Cash Flows from Noncapital Financing Activities | |
| Proceeds from State Appropriations | 27,512,553.08 |
| Proceeds from Gifts | 98,551.20 |
| Proceeds from Endowments | 10,000.00 |
| Proceeds of Transfers from Other Funds | 16,137,156.48 |
| Proceeds from Grant Receipts | 1,568,336.00 |
| Payments for Transfers to Other Funds | (30,622,827.99) |
| Payments for Other Uses | (33,671.30) |
| <u>Net Cash Provided by Noncapital Financing Activities</u> | <u>14,670,097.47</u> |
| Cash Flows from Capital and Related Financing Activities | |
| Proceeds from Other Financing Activities | 102,838,723.71 |
| Payments for Additions to Capital Assets | (210,376.03) |
| Payments of Principal on Debt | (17,018,000.00) |
| Payments of Other Costs on Debt Issuance | (3,067,717.21) |
| <u>Net Cash Provided by Capital and Related Financing Activities</u> | <u>82,542,630.47</u> |
| Cash Flows from Investing Activities | |
| Proceeds from Sales of Investments | 577,781,731.15 |
| Proceeds from Interest Income | 155,886.02 |
| Proceeds from Investment Income | |
| Payments to Acquire Investments | (662,236,800.48) |
| <u>Net Cash Provided (Used) by Investing Activities</u> | <u>(84,299,183.31)</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | (8,194,338.02) |
| <u>Cash and Cash Equivalents, September 1</u> | <u>58,023,002.98</u> |
| <u>Cash and Cash Equivalents, August 31</u> | <u>\$ 49,828,664.96</u> |

Unaudited

University of Houston - System Administration
Statement of Cash Flows
For The Year Ended August 31, 2012

| | <u>Total 2012</u> |
|--|---------------------------|
| Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities | |
| <u>Operating Income (Loss)</u> | <u>\$ (23,207,888.15)</u> |
| Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities | |
| Amortization and Depreciation | 8,605,895.71 |
| Operating Income and Cash Flow Categories: | |
| Changes in Assets and Liabilities: | |
| (Increase) Decrease in Receivables | (5,517,905.32) |
| (Increase) Decrease in Prepaid Expenses | (14,954.05) |
| (Increase) Decrease in Other Assets | (324.49) |
| Increase (Decrease) in Payables | (2,189,083.26) |
| Increase (Decrease) in Deferred Income | 235.89 |
| Increase (Decrease) in Compensated Absence Liability | (49,961.36) |
| Increase (Decrease) in Benefits Payable | 1,266,102.38 |
| <u>Total Adjustments</u> | <u>2,100,005.50</u> |
| <u>Net Cash Provided (Used) by Operating Activities</u> | <u>\$ (21,107,882.65)</u> |
| Non-Cash Transactions | |
| <u>Net Change in Fair Value of Investments</u> | <u>\$ (21,169,308.94)</u> |
| <u>Non-Cash Transactions</u> | <u>\$ (21,169,308.94)</u> |

