

*ANNUAL FINANCIAL REPORT*

of

**TEXAS SOUTHERN UNIVERSITY**  
(An Agency of State of Texas)

**For the Year Ended**  
**August 31, 2015**

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**TEXAS SOUTHERN UNIVERSITY**  
(An Agency of the State of Texas)  
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For the Year Ended August 31, 2015

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## INTRODUCTORY SECTION

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TEXAS SOUTHERN UNIVERSITY  
3100 CLEBURNE STREET • HOUSTON, TEXAS 77004  
713-313-7011



VICE PRESIDENT  
DIVISION OF ADMINISTRATION & FINANCE  
OFFICE: 713-313-7302; FAX: 713-313-7070

November 14, 2015

The Honorable Derrick Mitchell, Chairman  
TSU Board of Regents  
3100 Cleburne Street  
Hannah Hall, Room 104  
Houston, TX 77004

We are pleased to submit this independently audited Annual Financial Report for the fiscal year ended August 31, 2015 for Texas Southern University ("TSU").

TSU's administration is responsible for designing, establishing and maintaining internal controls intended to ensure that the assets of the university are protected from loss, theft, or misuse. Management also ensures that adequate accounting processes are in place to allow for the preparation of financial statements, in conformity with governmental accounting standards. Internal control is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of the controls should not exceed the benefits expected to be derived, and (2) the evaluation of cost and benefits require estimates and judgments by management.

We believe TSU's accounting controls provide reasonable assurance that errors or irregularities that could be material to the financial statements are prevented, or would be detected within a timely period, by employees in the normal course of performing their assigned function.

TSU is among the nation's largest Historically Black Colleges and Universities, offers an impressive array of undergraduate and graduate academic programs, comprises a diverse faculty, over 80 student organizations, and an alumni network comprised of educators, entrepreneurs, public servants, health practitioners, lawyers, pilots, artists and more. The campus encompasses 150 acres and serves as a cornerstone for developing the greatest potential in leaders from various socio-economic, cultural and racial backgrounds.

Texas Southern University is located in Houston, Texas — the seat of Harris County (the most populous county in the state), the fourth largest city in the US, one of the fastest-growing and forward-moving cities in the world and has been recognized as the next global city in the country. Houston's economy is based on energy production and research, petrochemicals, shipping, health services and research, refining, space exploration, manufacturing, education and tourism. As residents of this international city, Texas Southern students are afforded numerous and unique opportunities and experiences.

TSU is situated in the heart of the city, in Houston's historic Third Ward, giving its students and faculty easy access to the Museum district, neighboring educational institutions (Houston Community College, University of Houston, Rice University and the University of St. Thomas), the Texas Medical Center, City Hall, downtown Houston, many cultural and athletic venues, and all of the city's major freeways.

The preparation of this report was accomplished with the dedicated services of the entire accounting staff and the cooperation of other departments within Business Affairs. We would also like to express our appreciation to all members within the Division of Administration and Finance, the staff of Internal Audit, and others who contributed to and assisted in the preparation of the report. Credit must also be given to the Board of Regents and the State of Texas for their continued support and interest in planning and conducting the financial operations of TSU in a responsible and professional manner.

This annual financial report is designed to provide an overview of Texas Southern University's finances for interested parties. Questions concerning any of the information provided in this report or requests for additional- financial information should be addressed to the Controller, 3100 Cleburne Street, Suite 145, Houston, Texas 77004-4501.

Sincerely,



Edward Craig Ness  
Vice President for Administration and Finance/CFO



# TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

## BOARD OF REGENTS

August 31, 2015

### Officers

Glenn O. Lewis, Chair  
Samuel Bryant, Secretary

### Members

Gary Bledsoe  
Samuel L. Bryant, Secretary

Terms Expire February 1, 2017

Austin  
Austin

Glenn O. Lewis, Chair  
Sarah Monty-Aroni  
Erik D. Salwen

Terms Expire February 1, 2019

Fort Worth  
Houston  
College Station

Derrick Mitchell  
Marilyn A. Rose  
Wesley Glenn Terrell

Terms Expire February 1, 2021

Houston  
Houston  
Dallas

Dominique Calhoun, Student Regent

Term Expires May 31, 2016

Cleburne

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# TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)  
*UNIVERSITY ADMINISTRATION*

August 31, 2015

## University Administration

John M. Rudley, Ed.D	President
James W. Ward, Ph.D	Provost/Vice President for Academic Affairs
Edward Craig Ness, MBA	Vice President for Administration and Finance
William T. Saunders, J.D.	Vice President for Student Services and Dean of Students
Andrew C. Hughey, J.D.	General Counsel
Eva Pickens	Interim Vice President for University Advancement
Charles F. McClelland, Ph.D	Vice President for Athletics
Janis J. Newman	Chief of Staff

## Fiscal Administration

Christina Ordonez-Campos, CPA	Controller
Gregory L. Williams	Executive Director of Procurement Services
Louis Edwards	Associate Vice President of Treasury and Budget
Lavonda Horn	Director of General Accounting

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## FINANCIAL SECTION

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Houston Office  
3411 Richmond Avenue  
Suite 500  
Houston, Texas 77046  
713.821.1515 Main  
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## INDEPENDENT AUDITORS' REPORT

To the Board of Regents  
Texas Southern University

### Report on the Financial Statements

We have audited the accompanying financial statements of Texas Southern University, an agency of the State of Texas as of and for the year ended August 31, 2015, and the related notes to the financial statements, as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Texas Southern University, an Agency of the State of Texas, as of August 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As discussed in Note 1, the financial statements of Texas Southern University, an Agency of the State of Texas, are intended to present the financial position, the changes in financial position, and, where applicable, cash flows of only that portion of Texas Southern University that is attributable to the transactions of the University. They do not purport to, and do not present fairly the financial position of the State of Texas as of August 31, 2015, the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As also discussed in Note 1 and Note 14, Texas Southern University adopted the provisions of GASB Statements No. 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* for the year ending August 31, 2015. Our opinion is not modified with respect to this matter.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 21 through 28 and the required pension system information on page 79 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Texas Southern University's basic financial statements. The Supplementary Information, as listed in the table of contents, is presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information, as listed in the table of contents, is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information, as listed in the table of contents, is fairly stated, in all material respects, in relation to the financial statements as a whole.



**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2015 on our consideration of Texas Southern University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, in considering Texas Southern University's internal control over financial reporting and compliance.

*Whitley Penn LLP*

Houston, Texas  
November 16, 2015

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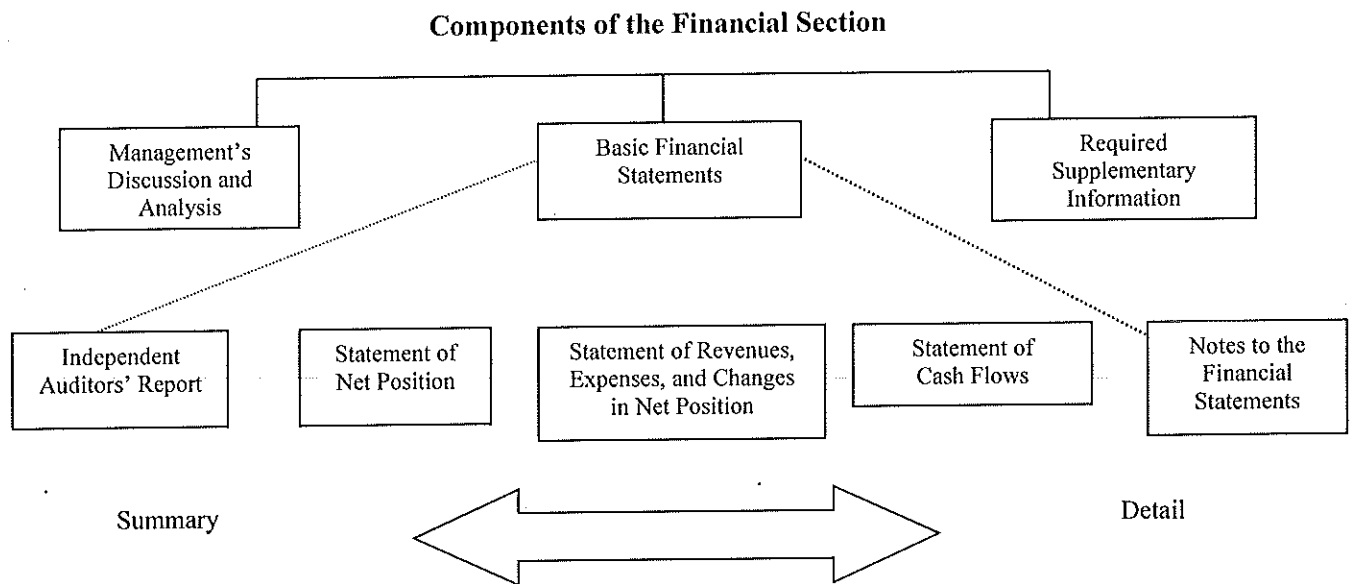
**MANAGEMENT'S DISCUSSION**  
**AND ANALYSIS**

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**TEXAS SOUTHERN UNIVERSITY**  
 (An Agency of the State of Texas)  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
 For the Year Ended August 31, 2015

The purpose of the Management's Discussion and Analysis (MD&A) is to give the readers an objective and easily readable analysis of the annual financial activities of Texas Southern University (TSU). The analysis is based on currently known facts, decisions, or economic conditions. It presents short and long-term analysis of TSU's activities, compares current year results with those of the prior year, and discusses the positive and negative aspects of that comparison. Please read the MD&A in conjunction with the transmittal letter at the front of this report and TSU's financial statements, which follow this section.

**THE STRUCTURE OF OUR ANNUAL REPORT**



TSU's basic financial statements include statement of net position; statement of revenues, expenses, and changes in net position; statement of cash flows; and notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statement themselves.

**Basic Financial Statements**

The basic financial statements report information for TSU as a whole. These statements include transactions and balances relating to all assets, including infrastructure capital assets. These statements are designed to provide information about cost of services, operating results, and financial position of TSU as an economic entity. The statement of net position and the statement of revenues, expenses, and changes in net position, which appear first in the financial statements, report information on TSU's activities that enable the reader to understand the financial condition of TSU. These statements are prepared using the *accrual basis of accounting*, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account even if cash has not yet changed hands.

**TEXAS SOUTHERN UNIVERSITY**  
(An Agency of the State of Texas)  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued**  
For the Year Ended August 31, 2015

The statement of net position presents information on all of TSU's assets and deferred outflows of resources that exceed liabilities and deferred inflows of resources. The difference between these categories is reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of TSU is improving or deteriorating. Other nonfinancial factors, such as TSU's customer base and the condition of TSU's infrastructure, need to be considered to assess the overall health of TSU.

The statement of revenues, expenses, and changes in net position presents information showing how TSU's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows – the accrual method.

The statement of cash flows presents information about TSU's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balances during the reporting period.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

The basic financial statements can be found after the MD&A within this report.

#### **FINANCIAL ANALYSIS OF TSU**

As noted earlier, net position may serve over time as a useful indicator of TSU's financial position. Assets and deferred outflows of resources exceed liabilities and deferred inflows of resources by \$131,537,570.72 as of August 31, 2015. The largest portion of TSU's net position (91 percent) reflects its investments in capital assets (e.g., land, buildings and improvements, equipment, construction in progress, and infrastructure), less any debt used to acquire those assets that is still outstanding. TSU uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although TSU's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.

**TEXAS SOUTHERN UNIVERSITY**  
 (An Agency of the State of Texas)  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued**  
 For the Year Ended August 31, 2015

**Condensed Statement of Net Position**

The following table reflects the condensed Statement of Net Position:

**CONDENSED STATEMENT OF NET POSITION**

	<u>2015</u>	<u>2014</u>
Current and other assets	\$ 73,704,490.03	\$ 66,244,114.13
Restricted assets	55,290,976.47	56,875,285.78
Capital assets, net	<u>277,657,303.81</u>	<u>264,165,777.18</u>
<b>Total Assets</b>	<u>406,652,770.31</u>	<u>387,285,177.09</u>
<b>Deferred Outflows of Resources</b>	<u>3,395,966.91</u>	<u>-</u>
Current liabilities	97,946,855.50	88,454,109.46
Noncurrent liabilities	<u>175,036,122.11</u>	<u>146,032,149.89</u>
<b>Total Liabilities</b>	<u>272,982,977.61</u>	<u>234,486,259.35</u>
<b>Deferred Inflows of Resources</b>	<u>5,528,188.89</u>	<u>-</u>
Net investment in capital assets	119,797,093.34	115,210,145.91
Restricted for:		
Debt service	804,348.06	838,600.39
Other	46,737,644.30	48,220,685.70
Unrestricted	<u>(35,801,514.98)</u>	<u>(11,470,514.26)</u>
<b>Total Net Position</b>	<u>\$ 131,537,570.72</u>	<u>\$ 152,798,917.74</u>

Unrestricted net deficit increased by \$(24,331,000.72) from \$(11,470,514.26) to \$(35,801,514.98) at year end. Unrestricted net position represents amounts that can be used to finance day-to-day operations without constraints established by debt covenants and enabling legislation. The majority of the unrestricted deficit can be attributed to the implementation of GASB 68. More detailed information about GASB 68 is presented in Note 1.

**TEXAS SOUTHERN UNIVERSITY**  
 (An Agency of the State of Texas)  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued**  
 For the Year Ended August 31, 2015

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

	<u>2015</u>	<u>2014</u>
<b>OPERATING REVENUES</b>		
Tuition and Fees - Pledged	\$ 87,088,726.91	\$ 80,797,099.73
Discount on Tuition and Fees	(27,428,580.24)	(24,832,935.49)
Auxiliary Enterprises -Pledged	11,378,960.01	11,813,000.69
Other Sales of Goods and Services - Pledged	124,333.66	98,549.58
Federal Revenue	18,216,151.68	13,772,558.37
Federal Pass-Through Revenue	478,386.63	4,693,630.09
State Revenue	1,601,575.34	1,228,757.89
State Pass-Through Revenue	7,416,454.14	7,873,572.71
Other Contracts and Grants - Pledged	2,106,260.85	1,054,548.20
Other Operating Revenue	4,838,787.55	4,346,792.60
<b>Total Operating Revenues</b>	<u>105,821,056.53</u>	<u>100,845,574.37</u>
<b>OPERATING EXPENSES</b>		
Salaries and Wages	88,923,731.34	89,599,756.20
Payroll Related Costs	22,152,901.47	21,926,738.77
Professional Fees and Services	6,396,288.22	6,009,239.75
Travel	3,037,665.08	3,097,202.09
Materials and Supplies	8,531,285.11	9,882,733.71
Communication and Utilities	6,412,257.42	6,867,558.31
Repairs and Maintenance	5,289,718.99	4,805,211.57
Rentals and Leases	1,500,653.05	1,987,034.85
Printing and Reproductions	466,258.87	657,542.73
Bad Debt Expense	2,210,030.16	2,121,182.62
Scholarships	18,927,493.88	18,967,639.23
Other Operating Expenses	10,969,116.79	9,882,423.84
Depreciation and Amortization	16,925,511.92	15,656,065.48
<b>Total Operating Expenses</b>	<u>191,742,912.30</u>	<u>191,460,329.15</u>
<b>Operating (Loss)</b>	<u>\$ (85,921,855.77)</u>	<u>\$ (90,614,754.78)</u>



**TEXAS SOUTHERN UNIVERSITY**  
 (An Agency of the State of Texas)  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued**  
 For the Year Ended August 31, 2015

Statement of Revenues, Expenses, and Changes in Net Position (Continued)

	2015	2014
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Legislative Revenue	\$ 50,003,682.00	\$ 50,550,104.00
Additional Appropriations	10,498,723.11	10,306,663.53
Gifts	257,494.70	514,518.78
Federal Revenue Nonoperating	21,877,302.92	20,156,164.28
Interest Income	2,605,328.31	3,799,834.56
Investing Activities Expenses	(332,267.66)	(313,749.40)
Interest Expense and Fiscal Charges	(5,392,783.75)	(6,017,238.97)
Net Increase (Decrease) Fair Value	(896,446.45)	7,272,905.67
Other Nonoperating Revenue/Expense	(2,104,421.02)	936,394.34
<b>Total Nonoperating Revenues (Expenses)</b>	<b>76,516,612.16</b>	<b>87,205,596.79</b>
<b>(Loss) Before Other Revenues, Expenses, Gains/Losses and Transfers</b>	<b>(9,405,243.61)</b>	<b>(3,409,157.99)</b>
<b>OTHER REVENUES, EXPENSES, AND TRANSFERS</b>		
Capital appropriations (HEAF)	8,894,700.00	8,894,700.00
Contributions to Permanent and Term Endowments	73,449.39	267,656.34
Lapses	-	(512,505.36)
Transfer In	129,123.00	-
Transfer Out	(466,359.66)	(771,162.38)
<b>Total Other Revenues, Expenses, and Transfers</b>	<b>8,630,912.73</b>	<b>7,878,688.60</b>
<b>Change in Net Position</b>	<b>(774,330.88)</b>	<b>4,469,530.61</b>
<b>Restatement, Note 1 Net Position Allocation GASB 68</b>	<b>(20,487,016.14)</b>	<b>-</b>
<b>Beginning Net Position, as restated (Note 1)</b>	<b>152,798,917.74</b>	<b>148,329,387.13</b>
<b>Ending Net Position</b>	<b>\$ 131,537,570.72</b>	<b>\$ 152,798,917.74</b>

For the year ended August 31, 2015, total revenue was \$197,159,992.49. This represents a decrease in total revenue \$6,384,523.38 or (3 percent). The total net position decreased by \$21,261,347.02 (or 13.9 percent). The primary decrease in net position can be attributed to the implementation of GASB 68. More detailed information about GASB 68 is presented in Note 1.

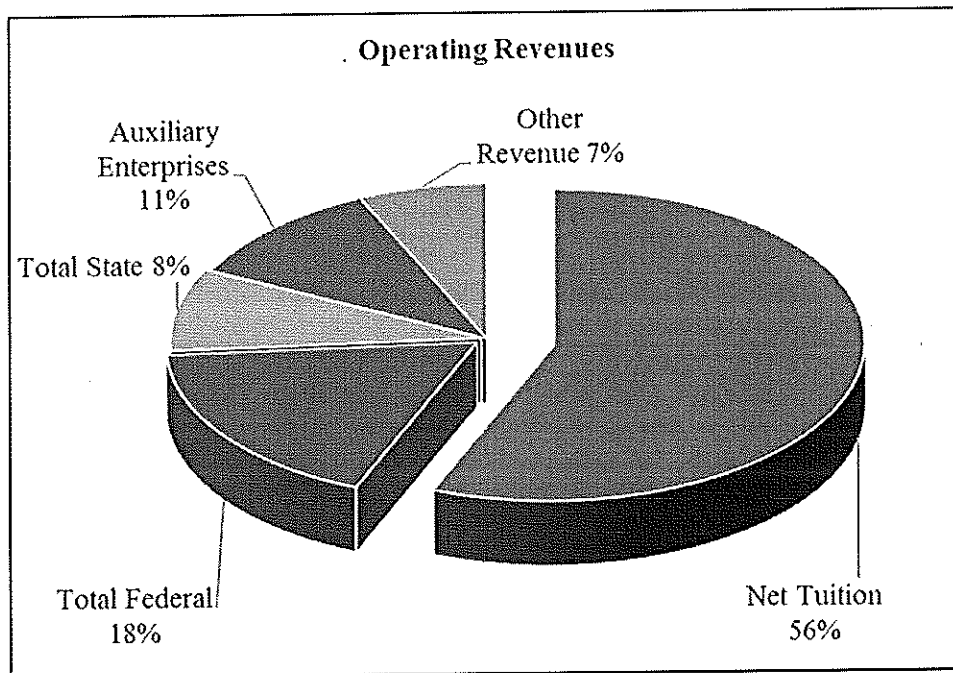
**TEXAS SOUTHERN UNIVERSITY**  
 (An Agency of the State of Texas)  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued**  
 For the Year Ended August 31, 2015

Expenses totaled \$197,934,232.37 for the year ended August 31, 2015. This represents a decrease of \$765,063.52 from last year. The majority of this decrease can be attributed to a reduction in the amount of salary and wages and other operating expenses.

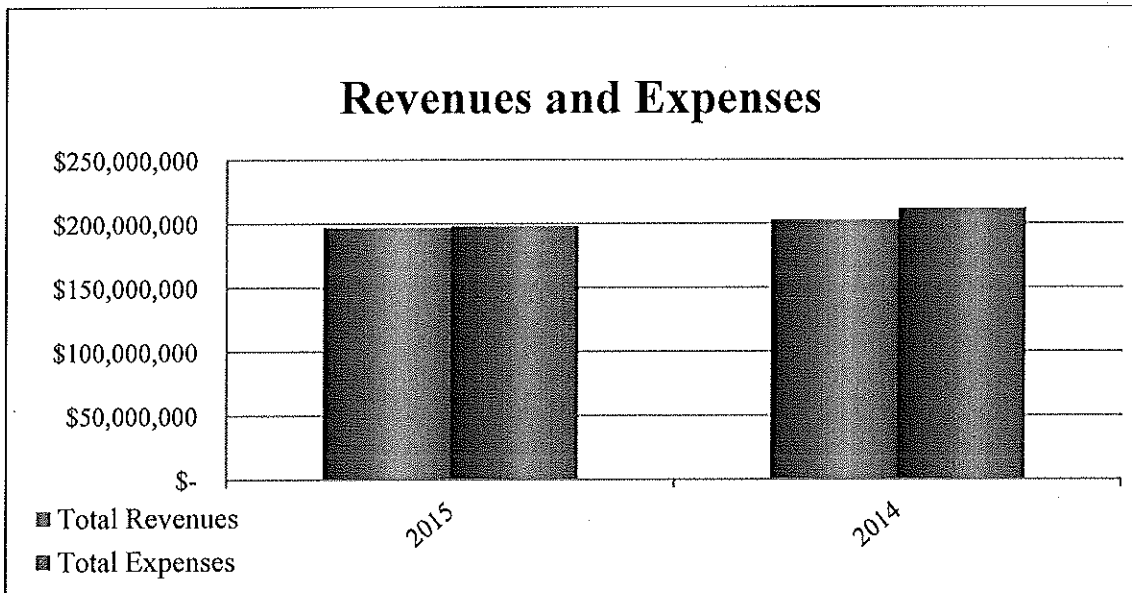
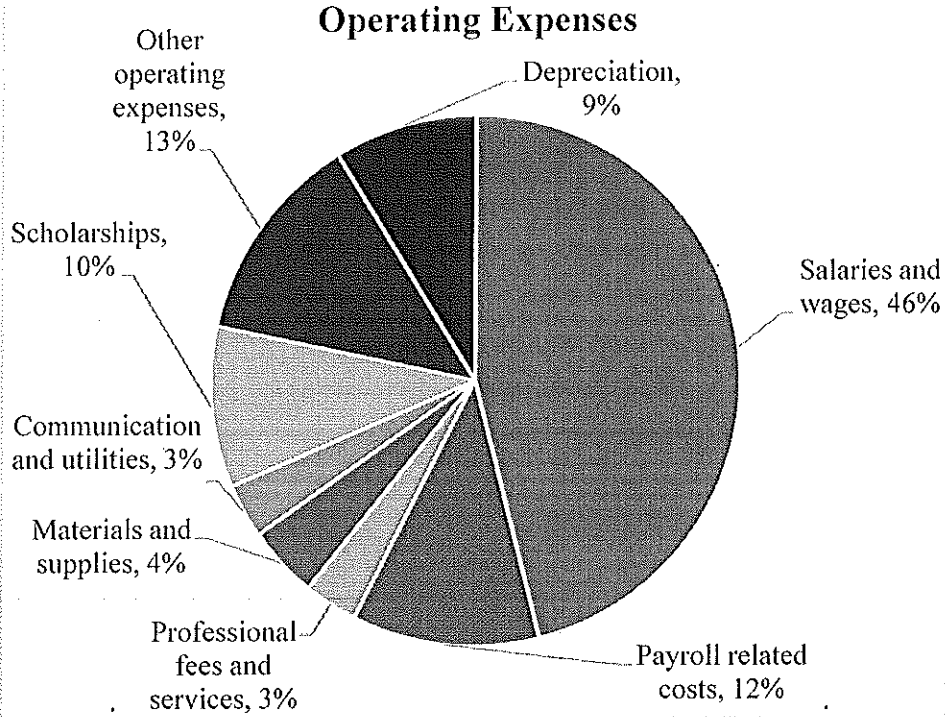
Key elements to these changes are as follows:

- Operating revenues increased by \$4,975,482.16 (5 percent) primarily due to increase in tuition and fees and federal revenue.
- Non-operating revenues decreased by \$11,360,005.54 (12 percent) primarily due to the fair market value of investments.
- Operating expenses less depreciation decreased by \$986,836.29 (1 percent) as a result of a decrease in salaries and wages, scholarships, and other operating expenses.
- Non-operating expenses decreased by \$1,423,245.04 (23 percent) due to a decrease in the Interest Expense and Fiscal Charges.
- Depreciation expense increased \$1,269,446.44 due to the new technology building that was placed into operations in FY14.

Graphic presentations of selected data from the summary tables follow to assist in the analysis of TSU's activities.



**TEXAS SOUTHERN UNIVERSITY**  
 (An Agency of the State of Texas)  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued**  
 For the Year Ended August 31, 2015



**TEXAS SOUTHERN UNIVERSITY**  
(An Agency of the State of Texas)  
*MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued*  
For the Year Ended August 31, 2015

**CAPITAL ASSETS**

At year end, TSU had invested \$277,657,303.81 in a variety of capital assets and infrastructure (net of accumulated depreciation). This represents a net increase of \$13,491,526.63.

Major capital asset events during the current year include the following:

- Building improvements completed at a cost of \$501,285.42.
- Various building renovations and equipment were added as construction in progress at a total cost of \$25,407,717.65.
- Construction continues on the new residential housing unit estimated to cost \$55 million.

More detailed information about TSU's capital assets is presented in note 2 to the financial statements.

**LONG-TERM DEBT**

TSU's revenue bonds carry the rating of "Baa3" with Moody's Investors Service. At year end, TSU had \$77,141,437.48 in revenue bonds outstanding versus \$85,333,590.30 last year. TSU general obligation bonds outstanding for \$4,015,000.00 at the end of August 2014 was paid in full during 2015. Also, at year end, TSU had \$85,973,485.75 in capital loan notes payable to the Department of Education. This includes \$29,282,099.04 in advances drawn on \$55 million dollars in financing obtained to build an 800 bed Housing Unit.

More detailed information about TSU's long-term liabilities is presented in note 5 to the financial statements.

**ECONOMIC FACTORS**

TSU's revenue increased in fiscal year 2015 due to an increase in tuition and fees, and federal revenue.

**CONTACTING TSU'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our students, alumni, citizens, taxpayers, and creditors with a general overview of TSU's finances and to show TSU's accountability for the money it received. If you have questions about this report or need additional financial information, contact the Texas Southern University Business Affairs Department, 3100 Cleburne Street, Houston, Texas 77004.

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# TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

## STATEMENT OF NET POSITION

August 31, 2015

ASSETS	Total
<b>Current Assets</b>	
Cash and Cash Equivalents	
Cash on Hand	\$ 2,100.00
Cash in Bank	12,263,231.46
Cash in State Treasury	1,817,426.38
Restricted:	
Cash in Bank-Restricted	443,892.42
Cash Equivalent	10,188,054.69
Short-Term Investments	2,550,810.60
Legislative Appropriations	5,350,538.30
Receivables:	
Federal	9,862,751.27
Other Intergovernmental	4,344,787.09
Accounts, Net	25,856,451.25
Other	465,414.11
Due From Other Agencies	140,222.04
Consumable Inventories	487,138.79
<b>Total Current Assets</b>	<b>73,772,818.40</b>
<b>Non-Current Assets</b>	
Restricted:	
Investments	45,583,482.68
Loans and Contracts	523,885.63
Prepaid Cost	9,183,608.16
<b>Total Non-Current Restricted Assets</b>	<b>55,290,976.47</b>
Capital Assets:	
Land	17,248,799.60
Construction in Progress	33,851,846.19
Historical Treasures and Works of Art	2,829,312.50
<b>Total Non-Depreciable or Non-Amortizable</b>	<b>53,929,958.29</b>
Capital Assets Depreciable:	
Buildings and Building Improvements	419,307,012.64
Infrastructure	6,528,360.95
Equipment	30,429,347.37
Library Books	32,099,631.44
Less: Accumulated Depreciation	(264,637,006.88)
<b>Total Depreciable or Amortizable, Net</b>	<b>223,727,345.52</b>
<b>Total Non-Current Assets</b>	<b>332,948,280.28</b>
<b>TOTAL ASSETS</b>	<b>406,721,098.68</b>
<b>Deferred Outflows</b>	
Deferred Outflows of Resources-Pension	3,395,966.91
<b>Total Deferred Outflows</b>	<b>\$ 3,395,966.91</b>

See Notes to Financial Statements.

# TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

## STATEMENT OF NET POSITION

August 31, 2015

<b>LIABILITIES</b>	<u>Total</u>
<b>Current Liabilities</b>	
Accounts Payable	\$ 14,829,303.88
Payroll Payable	6,199,098.52
Due to Other Agencies	68,328.37
Interfund Payable	129,123.00
Interest Payable	1,739,323.31
Escheat Payable	460,454.17
Unearned Revenues	54,224,341.00
Student Refunds Payable	60,025.26
Other Payables	5,683,188.06
Notes and Loans Current Payable	3,257,143.08
Revenue Bonds Current Payable, Net	8,693,222.82
Employees' Compensable Leave	2,671,632.40
<b>Total Current Liabilities</b>	<u>98,015,183.87</u>
<b>Non-Current Liabilities</b>	
Net Pension Liabilities	18,085,719.52
Notes and Loans Payable	82,716,342.67
Revenue Bonds Payable, Net	68,448,214.66
Employees' Compensable Leave	3,061,976.15
Due to Perkins Loan Program	2,723,869.11
<b>Total Non-Current Liabilities</b>	<u>175,036,122.11</u>
<b>TOTAL LIABILITIES</b>	<u>273,051,305.98</u>
<b>Deferred Inflows</b>	
Deferred Inflows of Resources-Pension	5,528,188.89
<b>Total Deferred Inflows</b>	<u>5,528,188.89</u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	119,797,093.34
Restricted For:	
Debt Retirement	804,348.06
Other Restricted	502,176.56
Funds Held as Permanent Investments:	
Endowments	46,235,467.74
Unrestricted	(35,801,514.98)
<b>TOTAL NET POSITION</b>	<u>\$ 131,537,570.72</u>

See Notes to Financial Statements.

**TEXAS SOUTHERN UNIVERSITY**  
**(An Agency of the State of Texas)**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION**  
**as of August 31, 2015**

	2015
<b>OPERATING REVENUES</b>	
Tuition and Fees-Pledged	\$ 87,088,726.91
Discount on Tuition and Fees	(27,428,580.24)
Auxiliary Enterprises-Pledged	11,378,960.01
Other Sales of Goods and Services-Pledged	124,333.66
Federal Revenue	18,216,151.68
Federal Pass-Through Revenue	478,386.63
State Revenue	1,601,575.34
State Pass-Through Revenue	7,416,454.14
Other Contracts and Grants-Pledged	2,106,260.85
Other Operating Revenue	4,838,787.55
<b>Total Operating Revenues</b>	<b><u>105,821,056.53</u></b>
<b>OPERATING EXPENSES</b>	
Salaries and Wages	88,923,731.34
Payroll Related Costs	22,152,901.47
Professional Fees and Services	6,396,288.22
Travel	3,037,665.08
Materials and Supplies	8,531,285.11
Communication and Utilities	6,412,257.42
Repairs and Maintenance	5,289,718.99
Rental and Leases	1,500,653.05
Printing and Reproduction	466,258.87
Bad Debt Expense	2,210,030.16
Scholarships	18,927,493.88
Other Operating Expenses	10,969,116.79
Depreciation and Amortization	16,925,511.92
<b>Total Operating Expenses</b>	<b><u>191,742,912.30</u></b>
<b>Operating Income (Loss)</b>	<b><u>\$ (85,921,855.77)</u></b>

See Notes to Financial Statements.



**TEXAS SOUTHERN UNIVERSITY**  
**(An Agency of the State of Texas)**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION**  
**as of August 31, 2015**

	2015
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Legislative Revenue	\$ 50,003,682.00
Additional Appropriation	10,498,723.11
Gifts	257,494.70
Federal Revenue Nonoperating	21,877,302.92
Interest Income	2,605,328.31
Investing Activities Expenses	(332,267.66)
Interest Expense and Fiscal Charges	(5,392,783.75)
Net Increase (Decrease) Fair Value	(896,446.45)
Other Nonoperating Revenue/Expense	(2,104,421.02)
<b>Total Non-Operating Revenues(Expenses)</b>	<u><b>76,516,612.16</b></u>
 <b>Income (Loss) Before other Revenues, Expenses, Gains/Losses and Transfers</b>	 <u><b>(9,405,243.61)</b></u>
 <b>OTHER REVENUES, EXPENSES, GAINS, AND TRANSFERS</b>	
Capital Appropriations (HEAF)	8,894,700.00
Additions to Permanent and Term Endowments	73,449.39
Transfer In	129,123.00
Transfer Out	(466,359.66)
<b>Total Other Revenues, Expenses, Gain/Losses and Transfers</b>	<u><b>8,630,912.73</b></u>
 <b>Change in Net Position</b>	 <u><b>(774,330.88)</b></u>
 <b>Beginning Net Position</b>	 <u><b>152,798,917.74</b></u>
 <b>Restated, Note 9 Net Pension Allocation GASB 68</b>	 <u><b>(20,487,016.14)</b></u>
 <b>Ending Net Position</b>	 <u><u><b>\$ 131,537,570.72</b></u></u>

See Notes to Financial Statements.

# TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

## STATEMENT OF CASH FLOWS

For the Year Ended August 31, 2015

	<u>2015</u>
<b><u>Cash Flows from Operating Activities</u></b>	
Proceeds from tuition and fees	\$ 58,077,606.84
Proceeds from auxiliary enterprises	11,378,960.01
Proceeds from federal grants and contracts	17,626,690.87
Proceeds from state grants and contracts	9,008,441.49
Proceeds from other revenues	13,120,764.41
Payments to employees for salaries and wages	(92,990,889.31)
Payments for employee related costs	(19,041,215.93)
Payments for other expenses	(58,565,868.07)
<b>Net Cash (Used) by Operating Activities</b>	<u>(61,385,509.69)</u>
<b><u>Cash Flows from Noncapital Financing Activities</u></b>	
Receipts from state appropriations	65,336,906.47
Proceeds from federal grants and contracts	21,877,302.92
Receipts from gifts and endowments	330,944.09
<b>Net Cash Provided by Noncapital Financing Activities</b>	<u>87,545,153.48</u>
<b><u>Cash Flows from Capital and Related Financing Activities</u></b>	
Acquisition and construction of capital assets	(30,417,038.55)
Principal paid on capital debt	(12,890,709.50)
Interest and fiscal agent fees paid	(5,366,930.55)
Loan receipts	22,476,677.05
<b>Net Cash (Used) by Capital and Related Financing Activities</b>	<u>(26,198,001.55)</u>
<b><u>Cash Flows from Investing Activities</u></b>	
Purchase/Sale of investments	1,471,887.78
Payments received on notes receivable	482,152.07
Interest received	2,273,060.65
<b>Net Cash Provided by Investing Activities</b>	<u>4,227,100.50</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	4,188,742.74
Beginning cash and cash equivalents	20,525,962.21
<b>Ending Cash and Cash Equivalents</b>	<u>\$ 24,714,704.95</u>
Unrestricted cash and cash equivalents	14,082,757.84
Restricted cash and cash equivalents	10,631,947.11
<b>Ending Cash and Cash Equivalents</b>	<u>\$ 24,714,704.95</u>

See Notes to Financial Statements.

# TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

## STATEMENT OF CASH FLOWS (Continued)

For the Year Ended August 31, 2015

	<u>2015</u>
<b>Reconciliation of Operating (Loss) to Net Cash</b>	
<b>(Used) by Operating Activities</b>	
Operating gain (loss)	\$ (85,921,855.77)
Adjustments to reconcile operating (loss) to net cash (used) by operating activities:	
Depreciation and amortization	16,925,511.92
Bad Debt Expense	2,210,030.16
Pension Expense	1,671,895.74
<b>Changes in Operating Assets and Liabilities:</b>	
<b>(Increase) Decrease in:</b>	
Accounts receivable, net	(3,762,849.55)
Due from federal government	(1,067,847.44)
Other receivables	(6,600.65)
Inventories	143,252.33
Prepaid items	(435,254.04)
Deferred Outflow	(1,679,733.46)
<b>Increase (Decrease) in:</b>	
Accounts payable	6,063,242.29
Salaries payable	(1,818,025.87)
Due to state	(737,036.20)
Escheat payable	(41,091.38)
Deferred revenue	5,928,860.00
Student refunds payable	(39,308.43)
Other current liabilities	(426,126.70)
Compensated absences	196,768.54
Net Pension Liability	(4,117,796.38)
Deferred Outflow	5,528,455.20
<b>Net Cash (Used) by Operating Activities</b>	<u><u>\$ (61,385,509.69)</u></u>

See Notes to Financial Statements.

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# 717 - TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

## NOTES TO FINANCIAL STATEMENTS

For the Year Ended August 31, 2015

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Texas Southern University (TSU), reported as a business-type activity in the State of Texas' Comprehensive Annual Financial Report, have been prepared in conformity with generally accepted accounting principles (GAAP) for local governmental units and with State statutes. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

TSU's annual financial report is prepared to satisfy both the requirements of GAAP and the Texas Comptroller of Public Accounts' (the "Comptroller") requirements as specified in the Comptroller's *Reporting Requirements for Annual Financial Reports of State Agencies and Universities*. The Comptroller specifies, among other items, account captions, note organization, and does not allow the rounding of financial statement amounts to whole dollars.

The most significant accounting and reporting policies of TSU are described in the following notes to the financial statements.

#### A. Reporting Entity

TSU is an agency of the State of Texas (the "State"). TSU serves the State by providing education, research, and extension work in the fields of the arts, business, education, law, pharmacy, public affairs, science, and technology. No component units have been identified which should be presented within TSU's report.

#### B. Financial Statement Presentation

In fiscal year 2015, TSU implemented accounting standard GASB Statement No. 68 ("GASB 68"), *Accounting and Financial Reporting for Pensions-An Amendment of GASB Statement No.27*. GASB 68 establishes accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts. The Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. Implementation is reflected in the financial statements, notes to the financial statements and required supplementary information.

GASB Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* ("GASB 71") amends the transition provisions of GASB 68. GASB 71 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions made subsequent to the measurement date of the beginning net pension liability. Implementation is reflected in the financial statements and the notes to the financial statements.

Prior to FY15, TSU implemented accounting standard GASB Statement No. 65 ("GASB 65"), *Items Previously Reported as Assets and Liabilities*. GASB 65 establishes accounting and financial reporting standards that reclassify as deferred outflows of resources and deferred inflows of resources, certain items that were previously reported as assets and liabilities. Implementation of GASB 65 is reflected in the financial statements.

These financial statements include implementation of (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*. Requirements of the statement include the following:

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(An Agency of the State of Texas)

## NOTES TO FINANCIAL STATEMENTS, Continued

For the Year Ended August 31, 2015

- A Management's Discussion and Analysis (MD&A) section providing an analysis of TSU's overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all of TSU's activities.

Statement No. 34 established standards for external financial reporting for all public colleges and universities, which includes a statement of net position, a statement of revenues, expenses, and changes in net position, and a statement of cash flows. It requires the classification of net position into three components – net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

- **Net investment in capital assets** - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- **Restricted** - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, laws, regulations of other governments or constraints imposed by law through constitutional legislation.
- **Unrestricted** - This component of net position consists of net position that does not meet the definition of "restricted" or "net investment in capital assets."

### C. Measurement Focus and Basis of Accounting

For financial reporting purposes, TSU is considered a special-purpose government engaged only in business-type activities. Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods or services. Accordingly, TSU's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recorded when an obligation has been incurred.

### D. Budgets and Budgetary Accounting

The budget is prepared biennially and represents appropriations authorized by the legislature and approved by the Governor (the General Appropriation Act). Unencumbered appropriations are generally subject to lapse 60 days after the end of the fiscal year for which they were appropriated.

### E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position

#### 1. Cash and Cash Equivalents

TSU's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

#### 2. Balance in State Appropriations

This item represents the balance of general revenue funds at August 31, 2015 as calculated in the Texas Comptroller's General Revenue Reconciliation.

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(An Agency of the State of Texas)

## NOTES TO FINANCIAL STATEMENTS, Continued

For the Year Ended August 31, 2015

### 3. Current Receivables – Other

Other receivables include year-end accruals. All receivables are shown net of an allowance for uncollectible accounts.

#### Investments

In accordance with GASB Statement No. 31, *Accounting and Reporting for Certain Investments and External Investment Pools*, TSU reports all investments at fair value. Changes in unrealized gain (loss) on the carrying value of the investments are reported as a component of investment income in the statement of revenues, expenses, and changes in net position.

### 4. Restricted Assets

Restricted assets include monies or other resources restricted by legal or contractual requirements, including those related to sponsored programs, donors, bond covenants, and loan agreements.

### 5. Inventories and Prepaid Costs

Inventories are valued at cost, utilizing the first-in and first-out method. The consumption method of accounting is used, meaning these items are expensed when the items are consumed. Certain payments to vendors made in advance of the scheduled due date have been recorded as prepaid costs.

### 6. Capital Assets

Capital assets are defined by the State as follows:

<u>Class of Asset</u>	<u>Threshold</u>
Land and Land Improvements	Capitalize all
Buildings and Building Improvements	\$100,000
Facilities and Other Improvements	\$100,000
Infrastructure-Depreciable	\$500,000
Infrastructure-Non-Depreciable	Capitalize all
Furniture and Equipment/Vehicles	\$5,000
Library Books (collections)	Capitalize all
Works of Art/Historical Treasures	Capitalize all
Leasehold Improvements	\$100,000
Internally Generated Computer Software	\$1,000,000
Other Computer Software	\$100,000
Land Use Rights – Permanent	Capitalize all
Land Use Right – Term	\$100,000
Other Intangible Capital Assets	\$100,000
Construction in Progress	Capitalize all

# 717 - TEXAS SOUTHERN UNIVERSITY

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## NOTES TO FINANCIAL STATEMENTS, Continued

For the Year Ended August 31, 2015

These assets are capitalized at cost. Donated capital assets are recorded at estimated fair market value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed. Depreciation is reported on all exhaustible assets. Inexhaustible assets such as works of art and historical treasures are not depreciated. Assets are depreciated or amortized over the estimated useful life of the asset using the straight-line method over the following estimated useful years:

<u>Asset Description</u>	<u>Estimated Useful Life</u>
Buildings and improvements	15 to 50 years
Machinery and equipment	3 to 10 years
Infrastructure	30 to 50 years
Computer software	5 to 6 years
Land use rights	10 years
Capital leases	5 years

### 8. Accounts Payable

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

### 9. Compensated Absences

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

### 10. Bonds Payable – General Obligation Bonds

General obligation bonds are reported as short-term liabilities (current for amounts due within one year) and long-term liabilities (noncurrent for amounts due thereafter) in the statement of net position. The bonds are reported at par, net of unamortized premiums, discounts, issuance costs, and gains (losses) on bond refunding activities, if applicable.

### 11. Bonds Payable – Revenue Bonds

Revenue bonds are reported as short-term liabilities (current for amounts due within one year) and long-term liabilities (noncurrent for amounts due thereafter in the statement of net position). The bonds are reported at par, net of unamortized premiums, discounts, issuance costs and gains (losses) on bond refunding activities, if applicable.



# 717 - TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

## NOTES TO FINANCIAL STATEMENTS, Continued

For the Year Ended August 31, 2015

### 12. Net Position, Deferred Outflows/Inflows of Resources

Net position is the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. Deferred outflows of resources represents a consumption of net assets by an entity that is applicable to a future reporting period. Deferred inflows of resources represents an acquisition of net assets by an entity that is applicable to a future reporting period.

### F. Estimates

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

### G. Operating versus Non-operating Revenues

TSU categorizes revenues as operating versus non-operating following the Comptroller's guidelines. Generally, all revenues are considered operating revenue unless they are non-exchange transactions, such as State appropriations, gifts, or investment related earnings.

### H. Restricted versus Unrestricted Resources

Expenses incurred by TSU for items that could be applied to restricted or unrestricted sources are first applied to unrestricted sources, unless such items were specifically budgeted for use from a restricted source.

### I. Economic Dependency

TSU relies extensively on State appropriations as well as resources from grantor agencies to support its operations.

# 717 - TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

## NOTES TO FINANCIAL STATEMENTS, Continued

For the Year Ended August 31, 2015

### NOTE 2: CAPITAL ASSETS

A summary of changes in capital assets for the year ended August 31, 2015 is as follows:

	Balance 9/1/2014	Additions	Deletions	Balance 8/31/2015
<b>Non-depreciable or Non-amortizable Assets</b>				
Land and Land Improvements	\$ 17,248,799.60	\$ -	\$ -	\$ 17,248,799.60
Construction in Progress	8,444,128.54	25,407,717.65	-	33,851,846.19
Other Tangible Capital Assets	2,829,312.50	-	-	2,829,312.50
<b>Total Non-depreciable/amortizable</b>	<b>28,522,240.64</b>	<b>25,407,717.65</b>	<b>-</b>	<b>53,929,958.29</b>
<b>Depreciable Assets</b>				
Buildings and Building Improvements	403,273,051.97	501,285.42	-	403,774,337.39
Infrastructure	6,528,360.95	-	-	6,528,360.95
Facilities and Other Improvements	15,532,675.25	-	-	15,532,675.25
Furniture and Equipment	25,525,051.54	2,248,660.05	(410,674.22)	27,363,037.37
Vehicle, Boats and Aircraft	2,548,723.98	37,681.64	-	2,586,405.62
Other Capital Assets	33,178,928.29	2,390,790.09	(3,470,086.94)	32,099,631.44
<b>Total Depreciable Assets</b>	<b>486,586,791.98</b>	<b>5,178,417.20</b>	<b>(3,880,761.16)</b>	<b>487,884,448.02</b>
<b>Less Accumulated Depreciation for:</b>				
Buildings and Building Improvements	(202,972,689.24)	(11,793,938.66)	-	(214,766,627.90)
Infrastructure	(2,102,542.75)	(312,191.52)	-	(2,414,734.27)
Facilities and Other Improvements	(11,214,766.67)	(281,519.40)	-	(11,496,286.07)
Furniture and Equipment	(16,240,064.40)	(2,374,803.34)	410,674.22	(18,204,193.52)
Vehicle, Boats, and Aircraft	(1,341,133.62)	(206,669.13)	-	(1,547,802.75)
Other Capital Assets	(17,091,171.81)	(2,089,463.16)	3,453,176.98	(15,727,457.99)
<b>Total Accumulated Depreciation</b>	<b>(250,962,368.49)</b>	<b>(17,058,585.21)</b>	<b>3,863,851.20</b>	<b>(264,157,102.50)</b>
<b>Depreciable Assets, Net</b>	<b>235,624,423.49</b>	<b>(11,880,168.01)</b>	<b>(16,909.96)</b>	<b>223,727,345.52</b>
<b>Intangible Capital Assets- Amortizable</b>				
Computer Software - Intangible	479,904.38	-	-	479,904.38
<b>Total Intangible Capital Assets</b>	<b>479,904.38</b>	<b>-</b>	<b>-</b>	<b>479,904.38</b>
<b>Less Accumulated Amortization for:</b>				
Computer Software - Intangible	(460,791.33)	(19,113.05)	-	(479,904.38)
<b>Total Accumulated Amortization</b>	<b>(460,791.33)</b>	<b>(19,113.05)</b>	<b>-</b>	<b>(479,904.38)</b>
<b>Intangible Capital Assets</b>	<b>19,113.05</b>	<b>(19,113.05)</b>	<b>-</b>	<b>-</b>
<b>Activities Capital Assets - Net.</b>	<b>\$ 264,165,777.18</b>	<b>\$ 13,508,436.59</b>	<b>\$ (16,909.96)</b>	<b>\$ 277,657,303.81</b>

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## NOTES TO FINANCIAL STATEMENTS, Continued

For the Year Ended August 31, 2015

Construction commitments outstanding at year end were as follows:

<u>Bldg No.</u>	<u>Project Description/ Project Manager</u>	<u>Overall Project Budget</u>	<u>Total Spent To Date</u>	<u>Remaining Balance</u>
193	New Student Housing Project	<u>\$55,000,000.00</u>	<u>\$ 33,851,846.19</u>	<u>\$21,148,153.81</u>

# 717 - TEXAS SOUTHERN UNIVERSITY

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## NOTES TO FINANCIAL STATEMENTS, Continued

For the Year Ended August 31, 2015

### NOTE 3: DEPOSITS AND INVESTMENTS

#### A. Deposits of Cash in Bank

*Custodial credit risk – deposits.* In the case of deposits, this is the risk that in the event of a bank failure, TSU's deposits may not be returned to it. As of August 31, 2015, TSU's deposits were fully collateralized.

<u>Bank Balance as of August 31, 2015</u>	<u>Amount</u>
Cash and cash equivalents per statement of cash flows	\$ 24,714,704.95
Less:	
Cash on hand	2,100.00
Cash in treasury	<u>1,817,426.38</u>
Total Cash in Bank	<u>\$ 22,895,178.57</u>
Unrestricted cash in bank:	\$ 12,263,231.46
Restricted cash in bank:	<u>10,631,947.11</u>
Total Cash in Bank	<u>\$ 22,895,178.57</u>

#### B. Investments

TSU has adopted written investment policies regarding the investment of its endowment and non-endowed funds. All investments shall be made in accordance with applicable laws, the investment policies, and resolutions of the Board of Regents. In summary, TSU is authorized to invest in the following:

- Direct obligations of the U.S. Government or its agencies and instrumentalities
- Obligations of this State, or its agencies or its instrumentalities
- Fully collateralized certificates of deposit
- Fully collateralized repurchase agreements or reverse repurchase agreements
- Bankers' acceptance notes
- Commercial paper
- Mutual funds
- Investment pools
- Cash management and fixed income funds exempt from federal income taxation
- Negotiable certificates of deposit
- Corporate bonds rated in one of the two highest categories
- Common or convertible preferred stock
- Foreign government bonds
- Foreign corporate bonds

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## NOTES TO FINANCIAL STATEMENTS, Continued

For the Year Ended August 31, 2015

As of August 31, 2015, TSU had the following investments:

Investment Type	Fair Value
U.S. Government Agency Obligations	\$ 4,082,099.52
U.S. Treasury Securities	4,669,978.99
Equity	28,291,689.48
Corporate Obligations	4,829,215.69
International Equity	2,987,531.65
Fixed Income Money Market Funds	13,461,832.64
Total Fair Value	\$ 58,322,347.97

*Credit risk.* Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. TSU's investment policy limits investments in obligations of states, agencies, counties, cities, and other political subdivisions of any investments rated greater than A or its equivalent. Corporate bonds, debentures, or similar debt instruments must be rated by a nationally recognized investment rating firm in one of the two highest long-term rating categories, without regard to gradation within those categories. The following table presents each applicable investment type grouped by rating as of August 31, 2015:

**Investment Ratings**

Investment Type	AAA	AA	AA+	AA-	A
U.S. Treasury Securities	\$ 4,669,978.99	\$ -	\$ -	\$ -	\$ -
Corporate Obligations	\$ 1,042,498.38	\$ 116,786.82	\$ 232,503.26	\$ 79,997.07	\$ 627,163.83

**Investment Ratings**

Investment Type	A+	A-	BBB	BBB+	BBB-
Corporate Obligations	\$ 191,430.64	\$ 991,372.10	\$ 143,603.52	\$ 1,175,139.15	\$ 121,798.05

**Unrated**

Investment Type	
U.S. Government Agency Obligations	\$ 4,082,099.52
Equity	\$ 28,291,689.48
Corporate Obligations	\$ 106,922.87
International Equity	\$ 2,987,531.65
Fixed Income Money Market Funds	\$ 13,461,832.64

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*Concentration of credit risk – investments.* TSU’s investment policy contains diversification as an investment risk but does not contain any limitation on a dollar amount that may be invested in a specific maturity, issuer, or class of investment for its non-endowment funds and endowment funds.

*Custodial credit risk – investments.* For an investment, this is the risk that, in the event of the failure of the counterparty, TSU will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. TSU’s investment policy requires safekeeping securities at financial institutions, avoiding physical possession. Further, all trades, where applicable, are executed by delivery versus payment to ensure that securities are deposited in TSU’s safekeeping account prior to the release of funds. The investments of \$58,322,347.97 are subject to Uninsured and Unregistered Fair Value, Securities Held by Counterparty Credit Risk.

*Interest rate risk-investments.* For an investment, this is the risk that changes in interest rates will adversely affect the fair value of an investment.

The following table demonstrates TSU’s interest rate risk.

Investment Type	Fair	Less				More
	Value	Stocks	Than 1	1 to 5	6 to 10	than 10
Agency Discount Securities	\$ 2,546,373.49	\$ -	\$ 2,546,373.49	\$ -	\$ -	\$ -
Agencies	1,535,726.03	-	-	11,917.14	69,800.35	1,454,008.54
Treasuries	4,669,978.99	-	-	2,412,533.63	1,431,362.50	826,082.86
Common Stock	28,291,689.48	28,291,689.48	-	-	-	-
Corporate Obligations	4,829,215.69	-	111,818.36	1,440,269.01	1,652,546.17	1,624,582.15
Foreign Obligations	2,987,531.65	2,987,531.65	-	-	-	-
Money Market Funds	13,461,832.64	-	13,461,832.64	-	-	-
<b>Total</b>	<b>\$ 58,322,347.97</b>	<b>\$ 31,279,221.13</b>	<b>\$ 16,120,024.49</b>	<b>\$ 3,864,719.78</b>	<b>\$ 3,153,709.02</b>	<b>\$ 3,904,673.55</b>

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For the Year Ended August 31, 2015

### NOTE 5: SUMMARY OF LONG-TERM LIABILITIES

During the year ended August 31, 2015, the following changes occurred in the long-term liabilities:

<u>Long-Term Liabilities</u>	<u>Balance 9/1/2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 8/31/2015</u>	<u>Amounts Due Within One Year</u>	<u>Amounts Due Thereafter</u>
General Obligation Bonds Payable						
Series 2005 Const. Approp.	\$ 4,015,000.00	\$ -	\$ 4,015,000.00	\$ -	\$ -	\$ -
Total general obligation bonds	<u>4,015,000.00</u>	<u>-</u>	<u>4,015,000.00</u>	<u>-</u> *	<u>-</u>	<u>-</u>
Revenue Bonds Payable						
Series 2011	26,360,000.00	-	1,060,000.00	25,300,000.00	1,110,000.00	24,190,000.00
Series 2013	54,810,000.00	-	6,880,000.00	47,930,000.00	7,160,000.00	40,770,000.00
Premiums & discounts	4,163,590.30	-	252,152.82	3,911,437.48	423,222.82	3,488,214.66
Total revenue bonds	<u>85,333,590.30</u>	<u>-</u>	<u>8,192,152.82</u>	<u>77,141,437.48</u> *	<u>8,693,222.82</u>	<u>68,448,214.66</u>
HBCU Loan 2011-4	58,892,730.27	-	2,201,343.56	56,691,386.71	2,246,104.13	54,445,282.58
HBCU Loan 2012-10	6,805,421.99	22,476,677.05	-	29,282,099.04	1,011,038.95	28,271,060.09
Total notes payable	<u>65,698,152.26</u>	<u>22,476,677.05</u>	<u>2,201,343.56</u>	<u>85,973,485.75</u> *	<u>3,257,143.08</u>	<u>82,716,342.67</u>
Other Liabilities:						
Compensated Absences	5,536,840.01	212,207.13	15,438.59	5,733,608.55	2,671,632.40	3,061,976.15
Total other liabilities	<u>5,536,840.01</u>	<u>212,207.13</u>	<u>15,438.59</u>	<u>5,733,608.55</u>	<u>2,671,632.40</u>	<u>3,061,976.15</u>
Total	<u>\$ 160,583,582.57</u>	<u>\$ 22,688,884.18</u>	<u>\$ 14,423,934.97</u>	<u>\$ 168,848,531.78</u>	<u>\$ 14,621,998.30</u>	<u>\$ 154,226,533.48</u>
Long-term Debt Due in More Than One Year				<u>\$ 154,226,533.48</u>		
*Debt associated with capital assets				<u>\$ 163,114,923.23</u>		

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For the Year Ended August 31, 2015

Annual debt service requirements to maturity for revenue bonds are as follows:

Year Ending Aug. 31	Revenue Bonds	
	Principal	Interest
2016	\$ 8,270,000.00	\$ 3,710,037.50
2017	8,245,000.00	3,334,337.50
2018	7,845,000.00	2,927,887.50
2019	6,695,000.00	2,559,987.50
2020	7,040,000.00	2,214,987.50
2021-2025	24,090,000.00	6,332,537.54
2026-2030	11,045,000.00	2,333,812.50
Total	\$ 73,230,000.00	\$ 23,413,587.54

Interest expense incurred on revenue bonds for the year ended August 31, 2015 totaled \$3,934,437.52.

Interest expense incurred on general obligation bonds that fully matured during the year ended August 31, 2015 totaled \$13,383.33.

### A. Notes and Loans Payable

#### 1. Student Housing-University Towers

On September 27, 2012, pursuant to the Board resolution made on July 6, 2012, TSU secured financing to construct new student housing, consisting of 800 beds, to be located on the eastside of the campus at Wheeler and Sampson streets. The financing of this project is through the U.S. Department of Education's Historically Black Colleges and Universities loan program initiative. The amount of the loan is not to exceed \$55,000,000.00. As of August 31, 2015, the total amount of proceeds advanced under this loan is \$29,282,099.04. Pursuant to the terms of the loan agreement, the last day to advance funds is March 1, 2015. Interest will be capitalized through March 1, 2015. The interest rate will be fixed for each advance equal to U.S. Treasury yields prevailing at the dates at each advance plus 22.5 basis points (.225%). Scheduled payment dates are May 1<sup>st</sup> and November 1<sup>st</sup> of each year. The first principal payment date is November 2, 2016 and the maturity date is May 1, 2034. The debt service is secured by Housing rental revenues.



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For the Year Ended August 31, 2015

Estimated loan debt requirements are as follows:

<u>Year Ending</u> <u>Aug. 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Estimated</u> <u>Annual Amount</u>
2016	\$ 1,011,038.95	\$ 936,650.07	\$ 1,947,689.02
2017	1,266,810.57	680,878.45	1,947,689.02
2018	1,301,833.46	645,855.56	1,947,689.02
2019	1,333,464.93	614,224.09	1,947,689.02
2020	1,364,301.69	583,387.33	1,947,689.02
2021-2025	7,342,345.40	2,396,099.70	9,738,445.10
2026-2030	8,280,857.02	1,457,588.08	9,738,445.10
2031-2035	7,381,447.02	409,308.92	7,790,755.94
	<u>\$29,282,099.04</u>	<u>\$ 7,723,992.20</u>	<u>\$ 37,006,091.24</u>

Interest incurred and capitalized for the year ended August 31, 2015 totaled \$300,365.80.

### 2. Parking Garage

On September 26, 2011, pursuant to the Board resolution made in June 2011, TSU acquired the East and West parking garages from the Central Houston Parking, L.L.C. The acquisition was financed through U.S Department of Education's Historical Black Colleges and Universities loan program initiative. The loan amount was \$64,180,000.00. Existing debt service funds and reserves held by the trustees in Bank of New York Trust Company, NA., were also applied in the satisfaction of the purchase agreement and terms. Consequently, Central Houston Parking has since relinquished all beneficial interests, rights and title of the properties. The cost of the purchase was \$33,307,026.59. The debt service is secured by parking revenues.

### 3. Student Housing - Tierwester Oaks and Richfield Manor Apartments

On September 26, 2011, pursuant to the Board resolution made in June 2011, TSU acquired the Tierwester Oaks and Richfield Manor Apartments from the Houston Student Housing II, L.L.C. The acquisition was financed through U.S Department of Education's Historical Black Colleges and Universities loan program initiative. The loan amount was \$64,180,000.00. Existing debt service funds and reserves held by the trustees in Bank of New York Trust Company, NA., were also applied in the satisfaction of the purchase agreement and terms. Consequently, Houston Student Housing II has since relinquished all beneficial interests, rights and title of the properties. The cost of the purchase was \$21,442,969.78. The debt service is be secured by housing rental revenues.

### 4. Student Housing -- The University Courtyard Apartments

On September 26, 2011, pursuant to the Board resolution made in June 2011, TSU acquired the University Courtyard apartments from the Houston Student Housing, L.L.C. The acquisition was financed through U.S Department of Education's Historical Black Colleges and Universities loan program initiative. The loan amount was \$64,180,000.00.

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## NOTES TO FINANCIAL STATEMENTS, Continued

For the Year Ended August 31, 2015

Existing debt service funds and reserves held by the Trustees in Bank of New York Trust Company, NA., were also applied in the satisfaction of the purchase agreement and terms. Consequently, Houston Student Housing has since relinquished all beneficial interests, rights and title of the properties. The cost of the purchase was \$9,817,505.80. The debt service is secured by Housing rental revenues.

Estimated loan debt requirements are as follows:

<u>Year Ending</u> <u>Aug. 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Estimated</u> <u>Annual amount</u>
2016	\$ 2,246,104.13	\$ 1,319,753.83	\$ 3,565,857.96
2017	2,309,686.53	1,256,171.43	3,565,857.96
2018	2,360,474.69	1,205,383.27	3,565,857.96
2019	2,415,985.14	1,149,872.82	3,565,857.96
2020	2,469,845.88	1,096,012.08	3,565,857.96
2021-2025	13,260,918.76	4,568,371.04	17,829,289.80
2026-2030	14,895,851.43	2,933,438.37	17,829,289.80
2031-2035	16,732,520.15	1,096,769.40	17,829,289.55
	<u>\$ 56,691,386.71</u>	<u>\$ 14,625,772.24</u>	<u>\$ 71,317,158.95</u>

Interest expense incurred for the year ended August 31, 2015 totaled \$1,428,902.99.

### B. Compensated Absences

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. An expense and liability are recorded as the benefits accrue to employees. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits. This obligation is usually paid from the same funding source from which the employee's salary or wage compensation was paid.

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NOTES TO FINANCIAL STATEMENTS, *Continued*

For the Year Ended August 31, 2015

## NOTE 6: BONDED INDEBTEDNESS

### Revenue Bonds, Series 2011

<b>Purpose</b>	To construct the new Leonard Spearman Technology Building
<b>Amount of Issue</b>	\$31,500,000; all authorized have been issued
<b>Issue Date</b>	11-01-2010
<b>Type of Bond</b>	Revenue Bond – Self Supporting
<b>Reporting</b>	Business-type Activities
<b>Source of Revenue</b>	Pledged Revenues
<b>Change in Debt</b>	None

### Revenue Bonds, Series 2013

<b>Purpose</b>	On August 28, 2013 TSU defeased \$64,485,000 of outstanding revenue bonds. The transaction refunded bonds 1998A-1, 1998A-2, 1998B, 2002 and 2003 series.
<b>Amount of Issue</b>	\$62,355,000; all authorized have been issued
<b>Issue Date</b>	08-28-2013
<b>Type of Bond</b>	Revenue Bond – Self Supporting
<b>Reporting</b>	Business-type Activities
<b>Source of Revenue</b>	Pledged Revenues
<b>Change in Debt</b>	None

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## NOTES TO FINANCIAL STATEMENTS, Continued

For the Year Ended August 31, 2015

### General Obligation Bonds

#### Constitutional Appropriation Bonds, Series 2005

<b>Purpose</b>	To finance the construction and equipping of buildings or other permanent improvements, including a School of Public Affairs; to finance the performance of major repair or rehabilitation of buildings; to finance the purchase of capital equipment and other equipment authorized to be purchased with Higher Education Assistance Funds; and to finance the payment of certain costs related to the issuance of the bonds
<b>Amount of Issue</b>	\$30,935,000; all authorized have been issued
<b>Issue Date</b>	08-01-2005
<b>Type of Bond</b>	General Obligation Bond – Non Self Supporting
<b>Reporting</b>	Business-type Activities
<b>Source of Revenue</b>	Constitutional Appropriations
<b>Change in Debt</b>	None

### 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	<u>\$1,034,257.57</u>

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</u> <u>Aug. 31</u>	<u>Lease</u> <u>Payments</u>
2016	495,763.20
2017	470,213.20
2018	78,942.90
2019	-
2020	-
<b>Total</b>	<u><u>\$ 1,044,919.30</u></u>

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## NOTES TO FINANCIAL STATEMENTS, Continued

For the Year Ended August 31, 2015

### Capital Leases

Capital leases are used to finance the purchase of property and are capitalized at the present value of future minimum lease payments. As of August 31, 2015, TSU had not entered into any material contractual agreements that could be deemed capital lease obligations.

### NOTE 9: TEACHER'S RETIREMENT SYSTEM

The state of Texas has three retirement systems in its financial reporting entity – Employees Retirement System (ERS), Teacher Retirement System (TRS), and Texas Emergency Services Retirement System (TESRS). These three retirement systems administer the following six defined benefit pension plans:

- ERS – the Employees Retirement System of Texas Plan (ERS), the Law Enforcement and Custodial Officer Supplemental Retirement Plan (LECOS), the Judicial Retirement System of Texas Plan One (JRS 1) and Judicial Retirement System of Texas Plan Two (JRS2).
- TRS – the Teacher Retirement System of Texas (TRS) plan
- TESRS – the Texas Emergency Services Retirement System (TESRS) plan.

ERS, LECOS, JRS2, TRS, and TESRS plans are administered through trust; JRS1 plan is on a pay-as-you-go basis.

#### TRS plan

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

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

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

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

Teacher Retirement System of Texas

1000 Red River Street

Austin, Texas 78701-2698

During the measurement period of 2014 for fiscal 2015 reporting, the amount of TSU's contributions recognized by the plan was \$2,362,601. The contribution rates for the state and the members in the measurement period are presented in the table below:

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## NOTES TO FINANCIAL STATEMENTS, Continued

For the Year Ended August 31, 2015

### Required Contribution Rates

	<u>TRS Plan</u>
Contribution Rates	
Employer	6.8%
Employees	6.7%

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

### Actuarial Methods and Assumptions

	<u>TRS Plan</u>
Actuarial Valuation Date	August 31, 2014
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent, Open
Actuarial Assumptions:	
Discount Rate	8.0%
Investment Rate of Return	8.0%
Inflation	3.00%
Salary Increase	4.25% to 7.25% including inflation
Mortality	
Active	1994 Group Annuity Mortality Table set back 6 years for males and females.
Post-Retirement	Client specific tables multiplied by 80%
Ad Hoc Post-Employment Benefit Changes	None

The actuarial assumptions used in valuation were primarily based on the result of an actuarial experience study for the four-year period ending August 31, 2010 and adopted on April 8, 2011. With the exception of the post-retirement mortality rates for healthy lives and a minor change to the expected retirement age for inactive vested members stemming from the actuarial audit performed in the summer of 2014, the methods and assumptions are the same as used in the prior valuation. When the mortality assumptions were adopted in 2011, they contained significant margin for possible future mortality improvements. As of the date of the valuation there has been a significant erosion of this margin to the point that the margin has been eliminated. Therefore, the post-retirement mortality rates for current and future retirees have decreased to add additional margin for future improvement in mortality in accordance with the Actuarial Standards practice No. 35.

There have been no changes to the benefit and contribution provisions of the plan since the prior measurement date. The discount rate of 8% was applied to measure the total pension liability. There has been no change in the discount rate since the prior measurement period. The projected cash flows into and out of the pension plan assumed that members, employers, and non-employer contributing entity make their contributions at the statutorily required rates.

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For the Year Ended August 31, 2015

Under this assumption, the pension plan's fiduciary net position is projected to be sufficient to make all future pension benefit payments of current plan members. Therefore, the 8% long-term expected rate of return on pension plan investments was used as the discount rate without incorporating the municipal bond rate.

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

The target allocation and best estimates of geometric real rates of return for each major asset class for the plan's investment portfolio are presented below:

Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return
<b>Global Equity</b>		
U.S.	18%	4.6%
Non-U.S. Developed	13%	5.1%
Emerging Markets	9%	5.9%
Directional Hedge Funds	4%	3.2%
Private Equity	13%	7.0%
<b>Stable Value</b>		
U.S. Treasury	11%	0.7%
Absolute Return	0%	1.8%
Stable Value Hedge Funds	4%	3.0%
Cash	1%	-0.2%
<b>Real Return</b>		
Global Inflation Linked Bonds	3%	0.9%
Real Assets	16%	5.1%
Energy and Natural Resources	3%	6.6%
Commodities	0%	1.2%
<b>Risk Parity</b>		
Risk Parity	5%	6.7%
<b>Total</b>	<u>100%</u>	

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

### Sensitivity of TSU's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
\$ 32,315,181	\$ 18,085,720	\$ 7,444,733

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For the Year Ended August 31, 2015

The pension plan's fiduciary net position is determined using economic resources measurement focus and the accrual basis of accounting, which is the same basis used by Teacher Retirement System. Benefits and refunds of contributions are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value. The framework for measuring fair value is based on a hierarchy that gives the highest priority to the use of observable inputs in an active market and lowest priority to the use of unobservable inputs. More detailed information on the plan's investment policy, assets, and fiduciary net position, may be obtained from TRS' fiscal 2014 Comprehensive Annual Financial Report.

At August 31, 2015, TSU reported a liability of \$18,085,719.52 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of August 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. TSU's proportion at August 31, 2014 was .0676941 percent. TSU's proportion of the collective net pension liability was based on its contributions to the pension plan relative to the contributions of all the employers and non-employer contributing entity to the plan for the period September 1, 2013 through August 31, 2014.

For the year ending August 31, 2015, TSU recognized pension expense of \$1,671,895.74. At August 31, 2015, TSU reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	279,644.45	-
Changes of assumptions	1,175,352.08	-
Net difference between projected and actual investment return	-	5,526,606.85
Change in proportion and contribution difference	-	1582.05
Contributions subsequent to the measurement date	<u>1,940,970.38</u>	<u>-</u>
Total	3,395,966.91	5,528,188.89

The \$3,395,966.91 reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending August 31, 2016.

Note: The collective fiscal 2015 contribution amount will be provided when it becomes available. TSU must report its proportionate share of the collective amount.

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

Year ended August 31:

2016	(1,136,993.85)
2017	(1,136,993.85)
2018	(1,136,993.85)
2019	(1,136,993.85)
2020	244,657.86
Thereafter	230,125.18



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## NOTES TO FINANCIAL STATEMENTS, Continued

For the Year Ended August 31, 2015

### Changes in Assumptions

Modifications to the actuarial methods and assumptions are based on a study of actual experience as adopted on April 8, 2011. The assumptions and methods used in the current valuation are the same except for the following modifications:

- Small reductions in the rates of retirements at most age and service combinations.
- Decrease in the post-retirement rates of mortality for both males and females.
- The salary increase assumption in the first year of employment was reduced.
- The method for determining the actuarial value of assets was modified to a method that sets the actuarial value of assets as the expected actuarial value of assets plus 20% of the difference between the actual market value of the assets and the expected actuarial value of assets.

Amounts reported for 2014 reflect the adoption of the new mortality assumption that the average life expectancy for members over 65 years of age will increase by roughly nine months over the next four years.

### NOTE 12: INTERFUND ACTIVITY AND TRANSACTIONS

TSU reports their financial statements in accordance with GASB Statement No. 35. The statement requires TSU to report as one fund. Accordingly, no interfund balances and activities are reported.

### NOTE 14: RESTATEMENT OF NET POSITION

Due to the adoption of GASB 68 and GASB 71, net position was restated at August 31, 2014. TSU has implemented GASB 68 in FY15.

	<u>Total</u>
Fund Balance/Net Positon, 09/01/14	\$ 152,798,917.74
Restatements:	
Net Pension Liability	22,203,249.59
Deferred Outflows of Resources	1,716,233.45
Fund Balance/Net Positon, 09/01/14 Restated	<u>\$ 132,311,901.60</u>

### NOTE 15: CONTINGENCIES AND COMMITMENTS

#### A. Grants

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time, although TSU expects such amounts, if any, to be immaterial.

# 717 - TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

## NOTES TO FINANCIAL STATEMENTS, Continued

For the Year Ended August 31, 2015

### B. Lawsuits

TSU is a defendant in numerous lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of TSU's management that resolution of these matters will not have a materially adverse effect on the financial condition of TSU.

### C. Perkins Loan

TSU is recording maximum liability – Due to Perkins Loan Program for \$2.7 million. The actual liability could be less than this amount and the final number will be known when the Perkins Loan close-out process is complete and final numbers are provided by Department of Education.

### NOTE 17: RISK FINANCING AND RELATED INSURANCE

TSU is exposed to a variety of civil claims resulting from the performance of its duties. It is TSU's policy to periodically assess the proper combination of commercial insurance and retention of risk to cover losses to which it may be exposed. TSU assumes substantially all risks associated with tort and liability claims due to the performance of its duties.

TSU has commercial insurance policies for general liability, directors and officers, and commercial property. There were no significant reductions in insurance coverage in the past year and losses did not exceed funding arrangements for the past three years. Currently, TSU is not involved in any risk pools with other government entities.

TSU has various self-insured arrangements for coverage in the areas of employee health insurance, workers' compensation, unemployment compensation, and medical malpractice. Employee health and medical malpractice plans are funded.

The State provides coverage for workers' compensation and unemployment benefits from appropriations made to other State agencies for TSU employees. The current General Appropriations Act provides that TSU must reimburse the general revenue fund, consolidated from TSU appropriations, one-half of the unemployment benefits and 25 percent of the workers' compensation benefits paid for former and current employees. The Comptroller determines the proportionate amount to be reimbursed from each appropriated fund type. TSU must reimburse the general revenue fund 100 percent of the cost for workers' compensation and unemployment compensation for any employees paid from funds held in local bank accounts and local funds held in the State treasury. Workers' compensation and unemployment plans are on a pay-as-you-go basis, in which no assets are set aside to be accumulated for the payment of claims. No material outstanding claims are pending at August 31, 2015.

The Texas Motor Vehicle Safety Responsibility Act requires that every non-governmental vehicle operated on a State highway be insured for minimum limits of liability in the amount of \$20,000 / \$40,000 bodily injury and \$15,000 property damage. However, TSU has chosen to carry liability insurance on its licensed vehicles in the amount of \$250,000 / \$500,000 bodily injury and \$100,000 property damage, the extent of the waivers of State sovereign immunity specified in the tort claims act.

### NOTE 18: MANAGEMENT'S DISCUSSION AND ANALYSIS

Although normally included as Note 18 following the Comptroller's requirements, Management's Discussion and Analysis is included as a separate section in the front of this report to comply with GASB.

# 717 - TEXAS SOUTHERN UNIVERSITY

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## NOTES TO FINANCIAL STATEMENTS, Continued

For the Year Ended August 31, 2015

### NOTE 19: THE FINANCIAL REPORTING ENTITY

#### A. Related Parties

TSU is affiliated with the Texas Southern University Foundation. The stated purpose of the foundation is "to solicit and receive gifts, grants, devices, or bequests and to maintain, use, and apply the income there from and the principal thereof exclusively for charitable, scientific, literary or educational activities in order to aid and benefit Texas Southern University." According to foundation bylaws, the President of TSU and a representative of TSU's Board of Regents shall be ex officio members of the foundation's Board of Directors with full voting rights.

TSU is also affiliated with the Texas Southern University Alumni Association. The alumni association is a non-profit organization created for the purpose of promoting, fostering, and advancing the educational goals of TSU and the interests and welfare of its students; to provide the means for continuing relationships between TSU, former students, and the community; and to enable them to contribute to and share in the progress of TSU. All former students are eligible for membership in the alumni association. The Board of Directors of the alumni association is elected by the membership. TSU administration has no controlling interest in the alumni association.

The financial statements of TSU encompass the financial activity only of TSU. TSU does not have any component entities that should be included in these financial statements.

### NOTE 20: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

TSU has no material violations of finance related legal and contract provisions. Per the laws of the State of Texas; TSU cannot spend amounts in excess of appropriations granted by the Texas Legislature and there are no deficits reported in net position.

### NOTE 22: DONOR-RESTRICTED ENDOWMENTS

<u>Donor-Restricted Endowments</u>	<u>Amount of Net Appreciation (Depreciation)</u>	<u>Reported in Net Position</u>
True Endowments	\$ 11,206,132.62	Restricted for expendable
Term Endowments	5,078,044.61	Restricted for expendable
Total	<u>\$ 16,284,177.23</u> *	

In the table above, amounts reported as "Net Appreciation" represent net appreciation on investments of donor or constitutionally restricted endowments that are available for authorization for expenditure by the TSU Board of Regents. For donor restricted endowments, pursuant to the Uniform Management of Institutional Funds Act, as adopted by Texas, the TSU Board of Regents may distribute net appreciation, realized and unrealized, in the fair market value of the assets of endowment holdings over the historic dollar value of the gifts, to the extent prudent.

The primary long-term investment objective of the endowment is to earn a total rate of return that exceeds the spending rate plus the cost of managing the investment fund. The university all inclusive spending rate of 7%, which includes 5% spending rate, 1.5% university advancement assessment and 0.5% costs of managing the investment fund. In order to preserve purchasing power parity, the Endowment's spending policy shall not exceed 5%. The calculation of the 5% spending rate will be based upon a three year moving average of Endowment Fund earnings with the most recent year

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## NOTES TO FINANCIAL STATEMENTS, Continued

For the Year Ended August 31, 2015

removed. The 5% annual spending rate is required to be applied to each individual endowment. The University will calculate the average market value based upon the time period that these endowments are in existence.

\*There was a fair market value decrease of \$896,446.45 for fiscal year 2015.

### NOTE 23: EXTRAORDINARY AND SPECIAL ITEMS

TSU does not have any extraordinary and special items to report during the year ended August 31, 2015.

### NOTE 24: DISAGGREGATION OF RECEIVABLE AND PAYABLE BALANCES

Aggregate receivables and other payables as reported on the statement of net position as of August 31, 2015, are detailed as follows:

<u>Receivables</u>	<u>Balance</u>
Student Accounts	\$ 32,875,423.69
Third Party Accounts	1,816,859.76
Less Allowance	(8,835,832.20)
<b>Total</b>	<b>\$ 25,856,451.25</b>

<u>Other Payables</u>	<u>Balance</u>
Escheat payable	\$ 460,454.17
Student refund payable	60,025.26
Other payables	8,373,720.67
<b>Total</b>	<b>\$ 8,894,200.10</b>

## SUPPLEMENTARY INFORMATION

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# TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

## SCHEDULE OF OPERATING EXPENSES

For the Year Ended August 31, 2015

<u>Expenses by Natural Classification</u>	<u>2015</u>
Salaries and wages	\$ 88,923,731.34
Payroll related costs	22,152,901.47
Professional fees and services	6,396,288.22
Travel	3,037,665.08
Materials and supplies	8,531,285.11
Communication and utilities	6,412,257.42
Repairs and maintenance	5,289,718.99
Rentals and leases	1,500,653.05
Printing and reproductions	466,258.87
Bad debt expense	2,210,030.16
Scholarships	18,927,493.88
Other operating expenses	10,969,116.79
Depreciation	16,925,511.92
<b>Total Operating Expenses by Natural Class</b>	<b>\$ 191,742,912.30</b>

<u>Expenses by NACUBO Classification</u>	<u>2015</u>
Instruction	\$ 74,181,755.15
Research	5,005,124.19
Public service	1,262,799.67
Academic support	14,619,901.55
Student services	12,431,793.19
Institutional support	24,734,149.08
Operation and maintenance of plant	13,148,135.83
Scholarships and fellowships	12,192,462.69
Auxiliary	17,241,279.03
Depreciation	16,925,511.92
<b>Total Operating Expenses by NACUBO Class</b>	<b>\$ 191,742,912.30</b>

# TEXAS SOUTHERN UNIVERSITY

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## SCHEDULE 1A - SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

August 31, 2015

Federal Grantor/ Pass-through Grantor/ Program Title	CFDA Number	NSE Name/ Identifying Number	Agy/ Univ No	Pass-through From		Direct Program Amount
				Pass-Through From Agencies or Universities Amount	Pass-Through From Non- State Entities Amount	
<b>U.S. Department of Defense</b>						
U.S. Department of Defense	12	VIRGINIA TECH UNIVERSITY/UNITE 2012			700.00	
Totals - U.S. Department of Defense					700.00	-
<b>U.S. Department of Housing and Urban Development</b>						
<u>Direct Programs:</u>						
Historically Black Colleges and Universities Program	14.52					(312.50)
Totals - U.S. Department of Housing and Urban Development						(312.50)
<b>U.S. Department of Transportation</b>						
U.S. Department of Transportation	20	DTFH64-13-00122-00128				29,090.45
<u>Pass-Through From:</u>						
University Transportation Centers Program	20.701					
<u>Pass-Through From:</u>						
Texas A&M Transportation Institute			727	308,782.52		
Totals - U.S. Department of Transportation				308,782.52	-	29,090.45
<b>National Endowment For The Humanities</b>						
<u>Direct Programs:</u>						
National Endowment For The Humanities	45	#361420 08062013				1,034.76
National Leadership Grants	45.312					53,707.52
<u>Pass-Through From:</u>						
Grants to States	45.31					
<u>Pass-Through From:</u>						
Texas State Library and Archives Commission			306	18,269.57		
Totals - National Endowment For The Humanities				18,269.57	-	54,742.28
<b>National Science Foundation</b>						
<u>Direct Programs:</u>						
Mathematical and Physical Sciences	47.049					65,100.00
Education and Human Resources	47.076					117,440.86
<u>Pass-Through From:</u>						
Education and Human Resources	47.076					
<u>Pass-Through From:</u>						
University of Houston			730	130,155.90		
Totals - National Science Foundation				130,155.90	-	182,540.86
<b>U.S. Department of Education</b>						
<u>Direct Programs:</u>						
Higher Education Institutional Aid	84.031					8,376,796.84
Totals - U.S. Department of Education						8,376,796.84
<b>U.S. Department of Health and Human Services</b>						
Health Careers Opportunity Program	93.822					17,572.32
PPHF-2012 Geriatric Education Centers	93.969					19,072.28
Totals - U.S. Department of Health and Human Services						36,644.60
<b>U.S. Department of Homeland Security</b>						
<u>Pass-Through From:</u>						
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036					
<u>Pass-Through From:</u>						
Department of Public Safety			405	4,137,713.17		
Totals - U.S. Department of Homeland Security				4,137,713.17	-	



Total PT From and Direct Prog. Amount	Agy/ Univ No.	Pass-through To		Expenditures Amount	Total PT To and Expenditures Amount
		Pass-Through To Agencies or Universities Amount	Pass-Through To Non-State Entities Amount		
700.00				700.00	700.00
700.00		-	-	700.00	700.00
(312.50)				(312.50)	(312.50)
(312.50)		-	-	(312.50)	(312.50)
29,090.45				29,090.45	29,090.45
308,782.52				308,782.52	308,782.52
337,872.97		-	-	337,872.97	337,872.97
1,034.76				1,034.76	1,034.76
53,707.52				53,707.52	53,707.52
18,269.57				18,269.57	18,269.57
73,011.85		-	-	73,011.85	73,011.85
65,100.00				65,100.00	65,100.00
117,440.86				117,440.86	117,440.86
130,155.90				130,155.90	130,155.90
312,696.76		-	-	312,696.76	312,696.76
8,376,796.84				8,376,796.84	8,376,796.84
8,376,796.84		-	-	8,376,796.84	8,376,796.84
17,572.32				17,572.32	17,572.32
19,072.28				19,072.28	19,072.28
36,644.60		-	-	36,644.60	36,644.60
4,137,713.17				4,137,713.17	4,137,713.17
4,137,713.17		-	-	4,137,713.17	4,137,713.17

# TEXAS SOUTHERN UNIVERSITY

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## SCHEDULE 1A - SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

August 31, 2015

Federal Grantor/ Pass-through Grantor/ Program Title	CFDA Number	NSE Name/ Identifying Number	Agy/ Univ No	Pass-through From		Direct Program Amount
				Pass-Through From Agencies or Universities Amount	Pass-Through From Non- State Entities Amount	
<b>Research &amp; Development Cluster</b>						
<b>U.S. Department of Agriculture</b>						
<u>Direct Programs:</u>						
Forestry Research	10.652					58,765.10
Totals - U.S. Department of Agriculture						58,765.10
<b>U.S. Department of Defense</b>						
Basic, Applied, and Advanced Research in Science and Engineering ACADEMY OF APPLIED SCIENCES/	12.63	W911NF1020076;14-49;14-49A			4,000.00	
Air Force Defense Research Sciences Program CLARKSON AEROSPACE CORPORATION/	12.8	12-S567-018-02-C1			131,282.35	
<u>Direct Programs:</u>						
Basic, Applied, and Advanced Research in Science and Engineering	12.63					373,877.32
Totals - U.S. Department of Defense					135,282.35	373,877.32
<b>U.S. Department of Transportation</b>						
University Transportation Centers Program UNIVERSITY OF IDAHO/	20.701	KLK900-SB-003			274,907.33	
<u>Direct Programs:</u>						
University Transportation Centers Program	20.701					19,084.52
Totals - U.S. Department of Transportation					274,907.33	19,084.52
<b>National Aeronautics and Space Administration</b>						
National Aeronautics and Space Administration	43	THE BOEING COMPANY/ NAS15-10000/868017			37,386.60	
National Aeronautics and Space Administration UNITED NEGRO COLLEGE FUND SPECIAL PROGRAMS		NSTI 2011-2013			34,440.54	
National Aeronautics and Space Administration UNITED NEGRO COLLEGE FUND SPECIAL PROGRAMS		NSTI2011-2013			21,835.46	
National Aeronautics and Space Administration UNITED NEGRO COLLEGE FUND SPECIAL PROGRAMS		UNCFSP/NNX13AK89A			136,128.02	
<u>Direct Programs:</u>						
National Aeronautics and Space Administration	43	NASA SUBAWARD				1,331.19
National Aeronautics and Space Administration	43	NNX11AJ73G				149,488.98
Education	43.008					4,589.77
<u>Pass-Through From:</u>						
Education	43.008					
<u>Pass-Through From:</u>						
University of Texas at Brownsville			747	29,068.56		
Totals - National Aeronautics and Space Administration				29,068.56	229,790.62	155,409.94

Total PT From and Direct Prog. Amount	Agy/ Univ No.	Pass-through To		Expenditures Amount	Total PT To and Expenditures Amount
		Pass-Through To Agencies or Universities Amount	Pass-Through To Non-State Entities Amount		
58,765.10				58,765.10	58,765.10
58,765.10		-	-	58,765.10	58,765.10
4,000.00				4,000.00	4,000.00
131,282.35				131,282.35	131,282.35
373,877.32				373,877.32	373,877.32
509,159.67		-	-	509,159.67	509,159.67
274,907.33				274,907.33	274,907.33
19,084.52				19,084.52	19,084.52
293,991.85		-	-	293,991.85	293,991.85
37,386.60				37,386.60	37,386.60
34,440.54				34,440.54	34,440.54
21,835.46				21,835.46	21,835.46
136,128.02				136,128.02	136,128.02
1,331.19				1,331.19	1,331.19
149,488.98				149,488.98	149,488.98
4,589.77				4,589.77	4,589.77
29,068.56				29,068.56	29,068.56
414,269.12		-	-	414,269.12	414,269.12

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## SCHEDULE 1A - SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

August 31, 2015

Federal Grantor/ Pass-through Grantor/ Program Title	CFDA Number	NSE Name/ Identifying Number	Agy/ Univ No	Pass-through From		Direct Program Amount
				Pass-Through From Agencies or Universities Amount	Pass-Through From Non- State Entities Amount	
<b>National Science Foundation</b>						
<u>Direct Programs:</u>						
Engineering Grants	47.041					53,851.86
Computer and Information Science and Engineering	47.07					64,347.78
Education and Human Resources	47.076					1,227,570.15
Totals - National Science Foundation				-	-	1,345,769.79
<b>U.S. Department of Health and Human Services</b>						
U.S. Department of Health and Human Services	93	WESTAT CORPORATION/  8821S001				13,218.88
<u>Direct Programs:</u>						
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243					6,649.32
National Center for Research Resources	93.389					554.04
Academic Research Enhancement Award	93.39					115,821.06
Centers for Medicare and Medicaid Services (CMS)	93.779					241.57
Research, Demonstrations and Evaluations						
Health Careers Opportunity Program	93.822					35,778.65
Cardiovascular Diseases Research	93.837					90,722.40
Biomedical Research and Research Training	93.859					208,141.40
Totals - U.S. Department of Health and Human Services				-	13,218.88	457,908.44
<b>U.S. Department of Homeland Security</b>						
Centers for Homeland Security THE RUTGERS UNIVERSITY/ Centers for Homeland Security UNIVERSITY OF NORTH CAROLINA CHAPEL HILL/	97.061	2009-ST0061CCI00206  UNC-CH 5- 36456/2008ST061ND0006				6,377.22  43,647.69
<u>Direct Programs:</u>						
Scientific Leadership Awards	97.062					12,216.92
Totals - U.S. Department of Homeland Security				-	50,024.91	12,216.92
<b>Highway Planning and Construction Cluster</b>						
<b>U.S. Department of Transportation</b>						
<u>Direct Programs:</u>						
Highway Planning and Construction	20.205					39,650.13
<u>Pass-Through From:</u>						
Highway Planning and Construction	20.205					
<i>Pass-Through From:</i> <i>Texas Department of Transportation</i>			601	59,117.63		
Highway Planning and Construction	20.205					
<i>Pass-Through From:</i> <i>University of Texas at Austin</i>			721	8,137.74		
Totals - U.S. Department of Transportation				67,255.37	-	39,650.13
<b>Statewide Data Systems Cluster</b>						
<b>U.S. Department of Education</b>						
<u>Pass-Through From:</u>						
Statewide Data Systems	84.372					
<i>Pass-Through From:</i> <i>Texas Higher Education Coordinating Board</i>			781	2,385.00		
Totals - U.S. Department of Education				2,385.00	-	-

Total PT From and Direct Prog. Amount	Agy/ Univ No.	Pass-through To		Expenditures Amount	Total PT To and Expenditures Amount
		Pass-Through To Agencies or Universities Amount	Pass-Through To Non-State Entities Amount		
53,851.86				53,851.86	53,851.86
64,347.78				64,347.78	64,347.78
1,227,570.15				1,227,570.15	1,227,570.15
1,345,769.79		-	-	1,345,769.79	1,345,769.79
13,218.88				13,218.88	13,218.88
6,649.32				6,649.32	6,649.32
554.04				554.04	554.04
115,821.06				115,821.06	115,821.06
241.57				241.57	241.57
35,778.65				35,778.65	35,778.65
90,722.40				90,722.40	90,722.40
208,141.40				208,141.40	208,141.40
471,127.32		-	-	471,127.32	471,127.32
6,377.22				6,377.22	6,377.22
43,647.69				43,647.69	43,647.69
12,216.92				12,216.92	12,216.92
62,241.83		-	-	62,241.83	62,241.83
39,650.13				39,650.13	39,650.13
59,117.63				59,117.63	59,117.63
8,137.74				8,137.74	8,137.74
106,905.50		-	-	106,905.50	106,905.50
2,385.00				2,385.00	2,385.00
2,385.00		-	-	2,385.00	2,385.00

# TEXAS SOUTHERN UNIVERSITY

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## SCHEDULE 1A - SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

August 31, 2015

Federal Grantor/ Pass-through Grantor/ Program Title	CFDA Number	NSE Name/ Identifying Number	Agy/ Univ No	Pass-through From		Direct Program Amount
				Pass-Through From Agencies or Universities Amount	Pass-Through From Non- State Entities Amount	
<b><u>Student Financial Assistance Cluster</u></b>						
U.S. Department of Education						
<u>Direct Programs:</u>						
Federal Supplemental Educational Opportunity Grants	84.007					681,963.78
Federal Work-Study Program	84.033					841,333.37
Federal Pell Grant Program	84.063					19,410,875.00
Federal Direct Student Loans	84.268					84,713,323.00
Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	84.379					63,325.50
Totals - U.S. Department of Education						105,710,820.65
<b><u>TRIO Cluster</u></b>						
U.S. Department of Education						
<u>Direct Programs:</u>						
TRIO Talent Search	84.044					457,486.64
TRIO Upward Bound	84.047					366,437.36
TRIO Educational Opportunity Centers	84.066					261,191.22
Totals - U.S. Department of Education						1,085,115.22
<b>Total Expenditures of Federal Awards</b>				<b>4,693,630.09</b>	<b>703,924.09</b>	<b>117,938,120.56</b>

Total PT From and Direct Prog. Amount	Agy/ Univ No.	Pass-through To		Expenditures Amount	Total PT To and Expenditures Amount
		Pass-Through To Agencies or Universities Amount	Pass-Through To Non-State Entities Amount		
681,963.78				681,963.78	681,963.78
841,333.37				841,333.37	841,333.37
19,410,875.00				19,410,875.00	19,410,875.00
84,713,323.00				84,713,323.00	84,713,323.00
63,325.50				63,325.50	63,325.50
105,710,820.65		-	-	105,710,820.65	105,710,820.65
457,486.64				457,486.64	457,486.64
366,437.36				366,437.36	366,437.36
261,191.22				261,191.22	261,191.22
1,085,115.22		-	-	1,085,115.22	1,085,115.22
123,335,674.74		-	-	123,335,674.74	123,335,674.74

**SEFA Note 2 Reconciliations**

**Note 2 Amount**

Federal revenue	33,928,721.65
Federal pass-through revenue	4,693,630.09
Federal family education loan	-
Federal perkins loan program	-
Federal direct student loans	84,713,323.00
Federal grants from Texas A&M Research	-
Total Pass-through and expenditures	<u>123,335,674.74</u>

# TEXAS SOUTHERN UNIVERSITY

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## SCHEDULE 1B - STATE GRANT PASS THROUGH FROM/TO STATE AGENCIES

For the Year Ended August 31, 2015

### Pass Through From:

University of Texas System (Agency# 720.0002)	\$ 13,179.85
Texas Higher Education Coordinating Board (Agency# 781.0005)	12,188.00
Texas Higher Education Coordinating Board (Agency# 781.0008)	7,119,072.00
Texas Higher Education Coordinating Board (Agency# 781.0023)	97,870.00
Texas Higher Education Coordinating Board (Agency# 781.0026)	6,600.00
Texas Higher Education Coordinating Board (Agency# 781.0028)	6,000.00
Texas Higher Education Coordinating Board (Agency# 781.0029)	161,544.29
<b>Total Pass Through From Other Agencies</b>	<b>\$ 7,416,454.14</b>



# TEXAS SOUTHERN UNIVERSITY

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## SCHEDULE 2A - MISCELLANEOUS BOND INFORMATION

For the Year Ended August 31, 2015

### Business-Type Activities

<u>Description</u>	<u>Interest Rate</u>	<u>Maturity Dates</u>		<u>First Call Date</u>	<u>Original Issue</u>
		<u>First Year</u>	<u>Last Year</u>		
<b>Revenue Bonds- Self Supporting</b>					
Series 2011	4.00-6.75%	2011	2030	5/1/2021	\$ 31,500,000.00
Series 2013	2.00-5.00%	2013	2023	n/a	62,355,000.00
<b>Total General Bonded Debt</b>					<u>\$ 93,855,000.00</u>

# TEXAS SOUTHERN UNIVERSITY

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## SCHEDULE 2B - CHANGES IN BOND INDEBTEDNESS

For the Year Ended August 31, 2015

Description	Beginning Balance	Bonds Issued	Bonds Matured or Retired	Bonds Refunded or Extinguished	Ending Balance	Amounts Due Within One Year
<b>General Obligation Bonds- Non Self Supporting</b>						
Series 2005 Constitutional Appropriation	\$ 4,015,000.00	-	\$ 4,015,000.00	-	\$ -	-
<b>Revenue Bonds- Self Supporting</b>						
Series 2011	26,360,000.00	-	1,060,000.00	-	25,300,000.00	1,110,000.00
Series 2013	54,810,000.00	-	6,880,000.00	-	47,930,000.00	7,160,000.00
<b>Total General Bonded Debt</b>	<u>\$ 85,185,000.00</u>	<u>\$ -</u>	<u>\$ 11,955,000.00</u>	<u>\$ -</u>	<u>\$ 73,230,000.00</u>	<u>\$ 8,270,000.00</u>

# TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

## SCHEDULE 2C - DEBT SERVICE REQUIREMENTS

For the Year Ended August 31, 2015

Year Ending Aug. 31	Series 2013 Revenue Bonds Refunding			Series 2011 Revenue Bonds			Financing Note Series 2011-4		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2016	\$ 7,160,000.00	2,144,050.00	\$ 9,304,050.00	\$ 1,110,000.00	\$ 1,565,987.50	\$ 2,675,987.50	\$ 2,246,104.13	\$ 1,319,753.83	\$ 3,565,857.96
2017	7,080,000.00	1,823,850.00	8,903,850.00	1,165,000.00	1,510,487.50	2,675,487.50	2,309,686.53	1,256,171.43	3,565,857.96
2018	6,615,000.00	1,481,475.00	8,096,475.00	1,230,000.00	1,446,412.50	2,676,412.50	2,360,474.69	1,205,383.27	3,565,857.96
2019	5,395,000.00	1,181,225.00	6,576,225.00	1,300,000.00	1,378,762.50	2,678,762.50	2,415,985.14	1,149,872.82	3,565,857.96
2020	5,675,000.00	904,475.00	6,579,475.00	1,365,000.00	1,310,512.50	2,675,512.50	2,469,845.88	1,096,012.08	3,565,857.96
2021-2025	16,005,000.00	1,030,650.00	17,035,650.00	8,085,000.00	5,301,887.54	13,386,887.54	13,260,918.76	4,568,371.04	17,829,289.80
2026-2030	-	-	-	11,045,000.00	2,333,812.50	13,378,812.50	14,895,851.43	2,933,438.37	17,829,289.80
2031-2035	-	-	-	-	-	-	16,732,520.15	1,096,769.40	17,829,289.55
<b>Total</b>	<b>\$ 47,930,000.00</b>	<b>\$ 8,565,725.00</b>	<b>\$ 56,495,725.00</b>	<b>\$ 25,300,000.00</b>	<b>\$ 14,847,862.54</b>	<b>\$ 40,147,862.54</b>	<b>\$ 56,691,386.71</b>	<b>\$ 14,625,772.24</b>	<b>\$ 71,317,158.95</b>

Financing Note Series 2012-10		
Year Ending Aug. 31	Principal	Interest
2016	\$ 1,011,038.95	\$ 936,650.07
2017	1,266,810.57	680,878.45
2018	1,301,833.46	645,855.56
2019	1,333,464.93	614,224.09
2020	1,364,301.69	583,387.33
2021-2025	7,342,345.40	2,396,099.70
2026-2030	8,280,857.02	1,457,588.08
2031-2035	7,381,447.02	409,308.92
<b>Total</b>	<b>\$ 29,282,099.04</b>	<b>\$ 7,723,992.20</b>

# TEXAS SOUTHERN UNIVERSITY

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## SCHEDULE 2D - ANALYSIS OF FUNDS AVAILABLE FOR DEBT SERVICE

For the Year Ended August 31, 2015

### Business-Type Activities

	Application of Funds	
	Principal	Interest
General Obligation Bonds		
Constitutional Appropriation Bonds		
Series 2005	\$ 4,015,000.00	\$ 80,300.00
Total	\$ 4,015,000.00	\$ 80,300.00

	Pledged and Other Sources and Related Expenditures for FY 2015			
	Net Available for Debt Service		Debt Service	
	Total Pledged and Other Sources	Operating Expenses/ Expenditures and Capital Outlay	Principal	Interest
Revenue Bonds				
BOND SERIES 2011, 2013	\$ 77,840,232.75	\$ 50,235,312.06	\$ 7,940,000.00	\$ 4,043,837.50
Total	\$ 77,840,232.75	\$ 50,235,312.06	\$ 7,940,000.00	\$ 4,043,837.50

# 717 - TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)  
*Required Supplementary Information*  
For the Year Ended August 31, 2015

## Schedule of TSU's Proportionate Share of the Net Pension Liability

	<u>2014</u>
TSU's proportion of the net pension liability (asset)	0.0677%
TSU's proportionate share of the net pension liability (asset)	18,085,719.51
TSU's Covered payroll	24,812,792.27
TSU's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	72.89%
Plan fiduciary net position as a percentage of the total pension liability	83.25%

## Schedule of TSU's Contributions

	<u>2014</u>
Statutorily required contributions	2,151,269.09
Contributions in relation to the statutorily required contributions	1,702,625.90
Contribution deficiency (excess)	448,643.18
TSU's covered-employee payroll	24,812,792.27
Contributions as a percentage of covered-employee payroll	6.86%