



## Texas Tech University System (793)

**Note: Effective FY16, the following component institutions of the Texas Tech University System will no longer prepare and submit individual annual financial reports. The financial statements of each component are included in the Agency 793 Combined Annual Financial Report.**

**733-Texas Tech University**

**739-Texas Tech University Health Sciences Center**

**774-Texas Tech University Health Sciences Center at El Paso**

**737-Angelo State University**

**768-Texas Tech University System Administration**

# **ANNUAL FINANCIAL REPORT**

**OF**

# **TEXAS TECH UNIVERSITY SYSTEM**

FOR THE YEAR ENDED AUGUST 31, 2016

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

# Texas Tech University System

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TEXAS TECH UNIVERSITY SYSTEM

Robert Duncan, *Chancellor*

November 15, 2016

Honorable Greg Abbott  
Governor of Texas

Honorable Glenn Hegar  
Texas Comptroller

Ms. Ursula Parks  
Director, Legislative Budget Board

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

To Agency Heads Addressed:

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

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

Sincerely,

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

Robert L. Duncan  
Chancellor



## TEXAS TECH UNIVERSITY SYSTEM

Jim Brunjes  
Vice Chancellor and Chief Financial Officer

November 15, 2016

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

Dear Chancellor Duncan:

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

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

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

Sincerely,

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

Sharon Williamson, CPA  
Assistant Vice President and Controller

Approved:

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

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

**Texas Tech University System  
Board of Regents**

**Officers of the Board**

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

**Members**

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*Term Expires January 31, 2017*

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

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*Term Expires January 31, 2019*

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

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*Term Expires January 31, 2021*

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

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*Term Expires May 31, 2017*

Jeremy Stewart (Student Regent)	Arlington, TX
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*System Fiscal Officers*

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

UNAUDITED

TEXAS TECH UNIVERSITY SYSTEM (793)

**COMBINED  
FINANCIAL STATEMENTS**

## UNAUDITED

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

UNAUDITED

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

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

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

UNAUDITED

TEXAS TECH UNIVERSITY SYSTEM (793)

**NOTES to the COMBINED  
FINANCIAL STATEMENTS**

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

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

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

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

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

**Basis of Accounting**

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

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

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

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

**Budgetary Information**

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

**Cash and Cash Equivalents**

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

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

**Investments**

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

**Legislative Appropriations**

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

**Restricted Assets**

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

**Inventories and Prepaid Items**

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



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

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

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

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

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

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

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

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

**Loans and Notes Receivable**

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

**Capital Assets**

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

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

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

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

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

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

**Deferred Outflows of Resources**

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

**Payables**

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

**Claims and Judgments**

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

**Unearned Revenues**

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

**Employees' Compensable Leave**

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

**Short-term Debt Commercial Paper Notes**

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

**Notes and Loans Payable**

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

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

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

**Pollution Remediation Obligation**

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

**Funds Held for Others**

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

**Net Pension Liability**

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

**Deferred Inflows of Resources**

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

**Other Liabilities**

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

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

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

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

***Invested in Capital Assets, Net of Related Debt***

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

***Restricted Net Position***

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

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

***Unrestricted Net Position***

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

**Interfund Activity and Transactions**

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

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

Note 2: Capital Assets

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

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

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

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

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

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

**Deposits of Cash in Bank**

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

**Business-Type Activities**

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

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

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

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

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

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

**Discrete Component Unit**

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

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

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

**Investments**

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

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

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

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

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

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

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

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

**Business-Type Activities**

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

**Discrete Component Unit**

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



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

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

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

Discrete Component Unit

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

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

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

**Business-Type Activities**

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

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

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

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

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

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

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

Discrete Component Unit

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

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

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

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

*Standard & Poor's*

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

**Discrete Component Unit**

*Standard & Poor's*

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

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

*Standard & Poor's*

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

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

Discrete Component Unit

Standard & Poor's

Fund Type	GAAP Fund	Investment Type	AAA	AA	A	BBB	BB	Unrated
15	9999	International Obligations (Gov't. and Corp.)		\$ 1,271.97	\$ 10,233.61	\$ 32,747.54	\$ 4,579.11	\$ 8,984.76
			AAAf	Aaf	Af			Unrated
15	9999	Fixed Income Money Market and Bond Mutual Fund						\$ 6,645,898.38

Investment Derivative Instruments

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

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

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

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

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

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

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

Discrete Component Unit

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

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

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

Discrete Component Unit

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

Note 4: Short-Term Debt

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

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

Short-Term Debt Commercial Paper Notes

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

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

**Note 5: Long-Term Liabilities**

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

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

**Discrete Component Unit**

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

**Claims and Judgments**

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

**Employees' Compensable Leave**

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



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

**Revenue Bonds Payable**

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

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

**Notes and Loans Payable**

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

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2017	\$ 21,817,000.00	\$ 109,085.00	\$ 21,926,085.00
2018			
2019			
2020			
2021			
All Other Years			
<b>Total Requirements</b>	<b>\$ 21,817,000.00</b>	<b>\$ 109,085.00</b>	<b>\$ 21,926,085.00</b>

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

**Pollution Remediation Obligation**

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

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

**Note 6: Bonded Indebtedness**

**Revenue Bonds Payable**

Detailed supplemental bond information is disclosed in the Combined:

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

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

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

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

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

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

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

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

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

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

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

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

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

Issue Date: February 1, 2012

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

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

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

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

Issue Date: April 9, 2015

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

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

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

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

Issue Date: April 9, 2015

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

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

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

**Pledged Future Revenues**

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

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

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

**Sources of Debt-Service Revenue**

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

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

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

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

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

**Note 7: Derivatives**

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

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

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

**Discrete Component Unit**

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

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

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

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

**Discrete Component Unit**

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

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

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

**Discrete Component Unit**

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

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

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

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

**Discrete Component Unit**

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

**Investment Derivatives**

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

**Note 8: Leases**

**Capital Lease Obligations**

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

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

**Operating Leases**

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

<b>Fund Type</b>	<b>Business-Type Activities</b>	
	<b>FY16</b>	<b>FY15</b>
Proprietary Fund	\$ 6,482,730.95	\$ 6,010,320.95

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

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

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

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

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



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

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

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

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

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

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

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

**Defined Benefit Pension Plan**

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

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

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

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

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

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

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

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

**Required Contribution Rates**

<b>Contribution Rates - TRS Plan</b>	<b>FY16</b>	<b>FY15</b>
Employer	6.8%	6.8%
Employees	6.7%	6.4%

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

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

**Actuarial Methods and Assumptions**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Defined Contribution Plan**

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

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

**Note 10: Deferred Compensation (administering agencies only)**

Not applicable.

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

Not applicable.

**Note 12: Interfund Activity and Transactions**

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

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

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

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

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

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

**Note 13: Continuance Subject to Review**

The System is not subject to the Texas Sunset Act.

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

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

***Changes to Net Position for fiscal year 2015***

**Business-Type Activities**

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

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

***Changes to Net Position for fiscal year 2016***

**Business-Type Activities**

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

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

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

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

Business-Type Activities

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

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

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



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

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

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

**Note 15: Contingencies and Commitments**

**Contingencies**

*Unpaid Claims and Lawsuits*

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

*Physician Supplemental Payments:*

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

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

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

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

*Physician Supplemental Payments:*

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

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

***Federal Assistance***

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

***Arbitrage***

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

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

**Commitments**

***Investment Funds***

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

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

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

**Note 16: Subsequent Events**

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

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

**Note 17: Risk Management**

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

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

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

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

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

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

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

**Note 18: Management’s Discussion and Analysis**

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

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

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

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

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

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

**Note 19: The Financial Reporting Entity**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

***Discretely Presented Component Unit***

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

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

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

**Note 21: N/A**

**Note 22: Donor-Restricted Endowments**

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

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



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

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

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

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

**Discrete Component Unit**

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

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

**Note 23: Extraordinary and Special Items**

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

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

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

**Note 25: Termination Benefits**

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

**Note 26: Segment Information**

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

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

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

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

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

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

**Note 29: Troubled Debt Restructuring**

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

**Note 30: Non-Exchange Financial Guarantees**

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

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**TEXAS TECH UNIVERSITY SYSTEM (793)**

**COMBINED  
SUPPORTING SCHEDULES**

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

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

**Texas Tech University System (793)**

**Combined Schedule 1B - Schedule of State Grant Pass-Throughs From/To State Agencies  
For the Year Ended August 31, 2016**

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

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

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

UNAUDITED

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

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

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

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

UNAUDITED

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

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



UNAUDITED

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

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

UNAUDITED

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

Pledged and Other Sources and Related Expenditures for FY2016				
Description of Issue	Net Available for Debt Service		Debt Service	
	Total Pledged	Operating	Principal	Interest
	and Other Sources	Expenses/Expenditures and Capital Outlay		
Revenue Bonds:				
Rev Fin Sys Ref & Imp Bds 10th Ser '06			\$ 11,320,000.00	\$ 283,000.00
Rev Fin Sys Ref & Imp Bds 12th Ser '09			8,005,000.00	4,944,406.26
Rev Fin Sys Ref & Imp Bds 14th Ser '12A			8,845,000.00	6,571,725.00
Rev Fin Sys Ref Bds Tax 15th Ser '12B			870,000.00	888,335.00
Rev Fin Sys Ref & Imp Bds 16th Ser '15A			815,000.00	2,833,006.26
Rev Fin Sys Ref & Imp Bds Tax 17th Ser '15B			8,305,000.00	6,206,762.02
<b>Total</b>	<b>\$ 757,477,139.74</b>	<b>(B)</b>	<b>\$ 38,160,000.00</b>	<b>\$ 21,727,234.54</b>

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

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

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

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

UNAUDITED

Texas Tech University System (793)  
 Combined Schedule 2F - Early Extinguishment and Refunding  
 For the Year Ended August 31, 2016

Description of Issue	Category	Amount Extinguished or Refunded	Refunding Issue Par Value	Cash Flow Increase (Decrease)	Economic Gain/ (Loss)
Revenue Bonds		\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Total		\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00

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

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

UNAUDITED

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

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

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

UNAUDITED

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

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

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

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TEXAS TECH UNIVERSITY SYSTEM (793)

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



UNAUDITED

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

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

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

UNAUDITED

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

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

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

UNAUDITED

TEXAS TECH UNIVERSITY SYSTEM (793)

**COMPONENT INSTITUTION  
ANNUAL FINANCIAL STATEMENTS**

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

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

UNAUDITED

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

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

UNAUDITED

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

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

UNAUDITED

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

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

UNAUDITED

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

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

UNAUDITED

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

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



UNAUDITED

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

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

UNAUDITED

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

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

UNAUDITED

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

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

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

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

UNAUDITED

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

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

UNAUDITED

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

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

UNAUDITED

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

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

UNAUDITED

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

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



UNAUDITED

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

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

UNAUDITED

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

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

UNAUDITED

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

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

UNAUDITED

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

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

UNAUDITED

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

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

UNAUDITED

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

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

UNAUDITED

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

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

UNAUDITED

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

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



UNAUDITED

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

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

UNAUDITED

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

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

UNAUDITED

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

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

UNAUDITED

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

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

## UNAUDITED

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

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

## UNAUDITED

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

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

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

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

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

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