

UNAUDITED

ANNUAL FINANCIAL REPORT

of

Texas A&M Engineering Experiment Station

For the Year Ended August 31, 2016

With Comparative Totals for the Year Ended August 31, 2015



**Dr. M. Katherine Banks, Director, Vice Chancellor and
Dean of Engineering**

**John Crawford, CPA, Assistant Vice Chancellor for Business Management
and Chief Financial Officer**

Andy B. Hinton, CPA, Controller

UNAUDITED

TEXAS A&M ENGINEERING EXPERIMENT STATION

TABLE OF CONTENTS

<u>REFERENCE</u>	<u>EXHIBITS</u>	<u>PAGE</u>
III	Statement of Net Position	712-1-1
IV	Statement of Revenues, Expenses, and Changes in Net Position	712-2-1
IV - 1	Schedule of NACUBO Function to Natural Classification Matrix	712-3-1
V	Statement of Cash Flows	712-4-1
	<u>SCHEDULES</u>	
THREE	Schedule of Cash & Cash Equivalents	712-13-1
N-2	Note 2 - Capital Assets	712-14-1

UNAUDITED

EXHIBIT III
TEXAS A&M ENGINEERING EXPERIMENT STATION
STATEMENT OF NET POSITION
FOR THE YEAR ENDED AUGUST 31, 2016

	CURRENT YEAR TOTAL	PRIOR YEAR TOTAL
Assets and Deferred Outflows		
Current Assets		
Cash & Cash Equivalents [Schedule Three]	\$ 1,456,956.17	\$ 2,532,897.78
Investments		
Derivative Instruments		
Restricted		
Cash & Cash Equivalents [Schedule Three]		
Investments		
Legislative Appropriations	1,965,638.93	2,714,441.25
Receivables, Net [Note 24]		
Federal	7,367,099.07	5,116,268.55
Other Intergovernmental		
Interest and Dividends		
Gifts		
Self-Insured Health and Dental		
Student		
Investment Trades		
Accounts	8,086,638.51	12,813,808.83
Other		19,906.90
Due From Other Agencies	581,848.53	410,652.16
Due From Other Members	1,642,486.31	1,356,620.49
Due From Other Funds		
Consumable Inventories		
Merchandise Inventories		
Loans and Contracts		
Interfund Receivable [Note 12]		
Other Current Assets	621,227.55	123,695.58
Total Current Assets	\$ 21,721,895.07	\$ 25,088,291.54
Non-Current Assets		
Restricted		
Cash & Cash Equivalents [Schedule Three]	\$ 39,434,575.89	\$ 47,488,402.78
Assets Held By System Office		
Investments [Note 3]		
Loans, Contracts and Other		
Gifts Receivable		
Loans and Contracts		
Assets Held By System Office	56,331,378.66	67,948,784.76
Investments [Note 3]		
Interfund Receivable [Note 12]		
Capital Assets, Non-Depreciable [Note 2]		
Land and Land Improvements	2,257,504.46	2,257,504.46
Construction In Progress	22,484,174.87	18,763,489.32
Other Tangible Capital Assets	76,279.00	76,279.00
Land Use Rights		
Other Intangible Capital Assets		
Capital Assets, Depreciable [Note 2]		
Buildings and Building Improvements	42,878,302.88	42,597,270.81
Infrastructure		
Facilities and Other Improvements	187,224.40	187,224.40
Furniture and Equipment	89,777,112.27	86,420,258.78
Vehicles, Boats, and Aircraft	759,423.75	771,386.71
Other Capital Assets	269,151.10	269,151.10
Intangible Capital Assets, Amortized [Note 2]		
Land Use Rights		
Computer Software		
Other Intangible Capital Assets		
Accumulated Depreciation/Amortization	(74,019,022.89)	(67,699,259.69)
Assets Held In Trust		
Other Non-Current Assets		
Total Non-Current Assets	\$ 180,436,104.39	\$ 199,080,492.43
Deferred Outflows of Resources [Note 28]		
Unamortized Loss On Refunding Debt	\$	\$
Government Acquisition		
Pensions		
Total Deferred Outflows of Resources	\$	\$
Total Assets and Deferred Outflows	\$ 202,157,999.46	\$ 224,168,783.97

UNAUDITED

EXHIBIT III
TEXAS A&M ENGINEERING EXPERIMENT STATION
STATEMENT OF NET POSITION
FOR THE YEAR ENDED AUGUST 31, 2016

	CURRENT YEAR TOTAL	PRIOR YEAR TOTAL
Liabilities and Deferred Inflows		
Current Liabilities		
Payables		
Accounts	\$ 4,529,644.42	\$ 906,488.59
Payroll	5,335,253.36	8,761,630.01
Investment Trades		
Self-Insured Health and Dental		
Student		
Other	3,151.55	
Interfund Payable [Note 12]		
Due to Other Agencies	215,571.69	93,086.29
Due to Other Funds		
Due to Other Members	2,980,924.63	3,323,603.15
Funds Held for Investment		
Unearned Revenue	23,092,282.43	25,980,720.17
Employees' Compensable Leave	367,084.92	365,677.81
Claims and Judgments		
Notes and Loans Payable [Note 5]		
Bonds Payable [Note 6]		
Capital Lease Obligations	672,987.26	600,684.48
Liabilities Payable From Restricted Assets		
Funds Held for Others		406,605.86
Other Current Liabilities		
Total Current Liabilities	<u>\$ 37,196,900.26</u>	<u>\$ 40,438,496.36</u>
Non-Current Liabilities		
Interfund Payable [Note 12]	\$ 2,121,188.29	\$ 2,150,552.75
Employees' Compensable Leave		
Other Post Employment Benefits [Note 11]		
Pension Liability [Note 9]		
Claims and Judgments		
Notes and Loans Payable [Note 5]		
Bonds Payable [Note 6]		
Assets Held In Trust		
Liabilities Payable From Restricted Assets		
Funds Held for Others	460,514.71	
Capital Lease Obligations	30,923,417.42	31,652,981.14
Other Non-Current Liabilities		1,935,666.90
Total Non-Current Liabilities	<u>\$ 33,505,120.42</u>	<u>\$ 35,739,200.79</u>
Deferred Inflows of Resources [Note 28]		
Pension	\$	\$
Total Deferred Inflows of Resources	<u>\$</u>	<u>\$</u>
Total Liabilities and Deferred Inflows	<u>\$ 70,702,020.68</u>	<u>\$ 76,177,697.15</u>
Net Position		
Net Investment In Capital Assets	\$ 54,345,326.89	\$ 50,037,167.94
Restricted for		
Debt Service		
Capital Projects	130,643.82	
Education	15,775,438.82	19,728,726.90
Endowment and Permanent Funds		
Nonexpendable		
Expendable	12,142,876.08	12,262,695.94
Unrestricted	49,061,693.17	65,962,496.04
Total Net Position [Exhibit IV]	<u>\$ 131,455,978.78</u>	<u>\$ 147,991,086.82</u>
Total Liabilities, Deferred Inflows, and Net Position	<u>\$ 202,157,999.46</u>	<u>\$ 224,168,783.97</u>

UNAUDITED

EXHIBIT IV
 TEXAS A&M ENGINEERING EXPERIMENT STATION
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 FOR THE YEAR ENDED AUGUST 31, 2016

	CURRENT YEAR TOTAL	PRIOR YEAR TOTAL
Operating Revenues		
Tuition and Fees	\$	\$
Discounts and Allowances		
Professional Fees		
Auxiliary Enterprises		
Discounts and Allowances		
Other Sales of Goods and Services	8,903,279.31	10,973,930.90
Discounts and Allowances		
Interest Revenue		
Federal Revenue - Operating	44,217,813.29	46,174,787.19
Federal Pass Through Revenue	4,607,628.76	5,792,494.56
State Grant Revenue	323,916.25	130,563.62
State Pass Through Revenue	1,018,261.18	407,483.05
Other Grants and Contracts - Operating	45,182,227.35	55,695,972.92
Other Operating Revenue	66,097.20	209,743.36
Total Operating Revenues	<u>\$ 104,319,223.34</u>	<u>\$ 119,384,975.60</u>
Operating Expenses		
Instruction	\$	\$
Research	140,533,704.27	146,005,705.99
Public Service		
Academic Support		
Student Services		
Institutional Support		
Operation & Maintenance of Plant		
Scholarships & Fellowships		
Auxiliary		
Depreciation/Amortization	8,293,268.85	7,392,165.00
Total Operating Expenses [Schedule IV-1]	<u>\$ 148,826,973.12</u>	<u>\$ 153,397,870.99</u>
Total Operating Income [Loss]	<u>\$ (44,507,749.78)</u>	<u>\$ (34,012,895.39)</u>
Nonoperating Revenues [Expenses]		
Legislative Revenue	\$ 20,524,903.81	\$ 21,179,202.83
Federal Revenue Non-Operating		
Federal Pass Through Non-Operating		
State Pass Through Non-Operating		
Gifts	1,398,204.31	809,396.07
Investment Income	3,642,380.89	(1,217,214.55)
Investing Activities Expense	(231,599.66)	(271,612.03)
Interest Expense	(1,456,563.37)	(1,109,026.30)
Borrower Rebates and Agent Fees		
Gain [Loss] On Sale or Disposal of Capital Assets	35,045.90	68,062.13
Settlement of Claims		
Other Nonoperating Revenues	2,001,404.73	95,565.55
Other Nonoperating [Expenses]	(320,290.82)	(849,178.60)
Total Nonoperating Revenues [Expenses]	<u>\$ 25,593,485.79</u>	<u>\$ 18,705,195.10</u>
Income [Loss] Before Other Revenues and Transfers	<u>\$ (18,914,263.99)</u>	<u>\$ (15,307,700.29)</u>

UNAUDITED

EXHIBIT IV
TEXAS A&M ENGINEERING EXPERIMENT STATION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED AUGUST 31, 2016

	CURRENT YEAR TOTAL	PRIOR YEAR TOTAL
Other Revenues and Transfers		
Capital Contributions	\$ 24,120.00	\$ 10,600.00
Capital Appropriations [Higher Education Fund]		
Additions to Permanent and Term Endowments		
Special Items		
Extraordinary Items		
Transfers In		
Transfers From Other State Agencies	462,043.00	462,043.00
Mandatory Transfers From Other Members		
Nonmandatory Transfers From Other Members	1,973,509.61	2,764,228.69
Nonmandatory Transfers From Members/Agencies-Cap Assets	267,468.73	65,121.56
Transfers Out		
Transfers to Other State Agencies		
Mandatory Transfers to Other Members	(357,142.66)	(357,136.39)
Nonmandatory Transfers to Other Members	(432,388.26)	(2,654,640.49)
Nonmandatory Transfers to Members/Agencies - Cap Assets	(135,086.47)	(293,116.37)
Legislative Transfers - In	576,632.00	504,787.00
Legislative Transfers - Out		
Legislative Appropriations Lapsed		
Total Other Revenues and Transfers	<u>\$ 2,379,155.95</u>	<u>\$ 501,887.00</u>
Change In Net Position	<u>\$ (16,535,108.04)</u>	<u>\$ (14,805,813.29)</u>
Net Position, Beginning of Year	\$ 147,991,086.82	\$ 162,796,900.11
Restatement		
Net Position, Beginning of Year, Restated	<u>\$ 147,991,086.82</u>	<u>\$ 162,796,900.11</u>
Net Position, End of Year	<u><u>\$ 131,455,978.78</u></u>	<u><u>\$ 147,991,086.82</u></u>

UNAUDITED

SCHEDULE IV-1
 TEXAS A&M ENGINEERING EXPERIMENT STATION
 NACUBO FUNCTION TO NATURAL CLASSIFICATION MATRIX
 FOR THE YEAR ENDED AUGUST 31, 2016

	<u>INSTRUCTION</u>	<u>RESEARCH</u>	<u>PUBLIC SERVICE</u>	<u>ACADEMIC SUPPORT</u>	<u>STUDENT SERVICES</u>
Natural Classification					
Cost of Goods Sold	\$	\$	\$	\$	\$
Salaries & Wages		64,451,291.88			
Payroll Related Costs		11,817,210.18			
Payroll Related Costs-TRS Pension					
Professional Fees & Services		16,588,471.11			
Travel		4,709,518.42			
Materials & Supplies		8,473,686.32			
Communication & Utilities		3,632,536.26			
Repairs & Maintenance		1,216,877.88			
Rentals & Leases		2,250,714.50			
Printing & Reproduction		383,285.85			
Federal Pass-Through		1,142,336.71			
State Pass-Through		218,863.23			
Depreciation & Amortization					
Bad Debt Expense					
Interest		5,949.40			
Scholarships		8,660,059.89			
Claims & Losses					
Net Change In OPEB Obligation					
Other Operating Expenses		<u>16,982,902.64</u>			
Total Operating Expenses	<u>\$</u>	<u>\$ 140,533,704.27</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

<u>INSTITUTIONAL SUPPORT</u>	<u>OPERATION & MAINTENANCE OF PLANT</u>	<u>SCHOLARSHIPS & FELLOWSHIPS</u>	<u>AUXILIARY</u>	<u>DEPRECIATION & AMORTIZATION</u>	<u>TOTAL</u>	<u>PRIOR YEAR</u>
\$	\$	\$	\$	\$	\$	\$
					64,451,291.88	65,233,011.57
					11,817,210.18	11,440,367.43
					16,588,471.11	28,450,113.37
					4,709,518.42	5,468,755.19
					8,473,686.32	9,916,325.43
					3,632,536.26	811,422.58
					1,216,877.88	1,615,870.48
					2,250,714.50	2,092,699.15
					383,285.85	472,799.62
					1,142,336.71	957,234.84
					218,863.23	268,838.08
				8,293,268.85	8,293,268.85	7,392,165.00
					5,949.40	3,509.21
					8,660,059.89	8,344,303.47
					16,982,902.64	10,930,455.57
<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 8,293,268.85</u>	<u>\$ 148,826,973.12</u>	<u>\$ 153,397,870.99</u>

[Exhibit IV]

UNAUDITED

EXHIBIT V
TEXAS A&M ENGINEERING EXPERIMENT STATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31, 2016

	CURRENT YEAR TOTAL	PRIOR YEAR TOTAL
Cash Flows From Operating Activities		
Proceeds Received From Tuition and Fees	\$	\$
Proceeds Received From Customers	11,259,855.12	11,366,551.21
Proceeds From Grants and Contracts	91,244,466.71	102,850,300.76
Proceeds From Auxiliary Enterprises		
Proceeds From Loan Programs		
Proceeds From Other Operating Revenues	66,097.20	209,743.36
Payments to Suppliers for Goods and Services	(54,177,540.96)	(62,512,335.08)
Payments to Employees	(76,436,345.42)	(76,243,184.78)
Payments for Loans Provided		
Payments for Other Operating Expenses	(9,865,456.91)	(9,884,009.98)
Net Cash Provided [Used] By Operating Activities	\$ (37,908,924.26)	\$ (34,212,934.51)
Cash Flows From Noncapital Financing Activities		
Proceeds From State Appropriations	\$ 21,273,706.13	\$ 20,769,148.61
Proceeds From Gifts	1,398,204.31	809,396.07
Proceeds From Endowments		
Proceeds From Transfers From Other Funds	462,043.00	462,043.00
Proceeds From Other Grant Receipts		
Proceeds From Other Noncapital Financing Activities	118,215.29	164,757.98
Payments of Interest		
Payments for Transfers to Other Funds		
Payments for Grant Disbursements		
Payments for Other Noncapital Financing Uses	(14,437.80)	(754.09)
Other Noncapital Transfers From/To System	917,753.35	1,914,375.20
Transfers Between Fund Groups		
Net Cash Provided [Used] By Noncapital Financing Activities	\$ 24,155,484.28	\$ 24,118,966.77
Cash Flows From Capital and Related Financing Activities		
Proceeds From Sale of Capital Assets	\$ 99,378.75	\$ 250,821.46
Proceeds From Debt Issuance		
Proceeds From State Grants and Contracts		
Proceeds From Federal Grants and Contracts		
Proceeds From Gifts		
Proceeds From Interfund Payables		
Proceeds From Other Financing Activities		
Proceeds From Capital Contributions		
Payments for Additions to Capital Assets	(9,531,334.87)	(18,667,233.94)
Payments of Principal On Debt		
Payments for Capital Leases	(657,260.94)	(304,736.60)
Payments of Interest On Debt Issuance		
Payments for Interfund Receivables		
Payments of Other Costs On Debt Issuance	(1,456,563.37)	(1,109,026.30)
Transfer of Capital Debt Proceeds From System [Nonmandatory]	1,498,407.24	2,307,978.77
Intrasystem Transfers for Capital Debt [Mandatory]	(357,142.66)	(357,136.39)
Intrasystem Transfers for Construction Proceeds [Non-Mand]		
Net Cash Provided [Used] By Capital and Related Financing Act.	\$ (10,404,515.85)	\$ (17,879,333.00)
Cash Flows From Investing Activities		
Proceeds From Sales of Investments	\$	\$
Sales and Purchases of Investments Held By System	21,746,283.67	24,058,785.07
Proceeds From Interest and Investment Income	1,335,730.55	1,498,419.48
Payments to Acquire Investments		
Net Cash Provided [Used] By Investing Activities	\$ 23,082,014.22	\$ 25,557,204.55
Net Increase [Decrease] In Cash and Cash Equivalents	\$ (1,075,941.61)	\$ (2,416,096.19)
Cash and Cash Equivalents, Beginning of Year Restatement	\$ 2,532,897.78	\$ 4,948,993.97
Cash and Cash Equivalents, Beginning of Year, As Restated	\$ 2,532,897.78	\$ 4,948,993.97
Cash and Cash Equivalents, End of Year [Sch Three]	\$ 1,456,956.17	\$ 2,532,897.78

UNAUDITED

EXHIBIT V
 TEXAS A&M ENGINEERING EXPERIMENT STATION
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED AUGUST 31, 2016

	CURRENT YEAR TOTAL	PRIOR YEAR TOTAL
Reconciliation of Operating Income [Loss] to Net Cash Provided [Used] By Operating Activities	\$	\$
Operating Income [Loss]	(44,507,749.78)	(34,012,895.39)
Adjustments to Reconcile Operating Income [Loss] to Net Cash Provided [Used] By Operating Activities		
Amortization and Depreciation	8,293,268.85	7,392,165.00
Bad Debt Expense	91,051.55	264,333.33
Operating Income [Loss] and Cash Flow Categories Classification Differences		
Changes In Assets and Liabilities		
[Increase] Decrease In Receivables	2,405,195.15	3,779,890.77
[Increase] Decrease In Due From Other Funds	(171,196.37)	187,480.05
[Increase] Decrease In Due From System Members	(584,273.06)	495,077.59
[Increase] Decrease In Inventories		
[Increase] Decrease In Prepaid Expenses	(497,531.97)	(122,485.58)
[Increase] Decrease In Loans and Contracts		
[Increase] Decrease In Other Assets		
Increase [Decrease] In Payables	198,899.58	(3,218,018.64)
Increase [Decrease] In Due to Other Agencies/Funds	122,485.40	26,723.06
Increase [Decrease] In Due to System Members	(342,678.52)	(714,356.18)
Increase [Decrease] In Unearned Revenue	(2,888,437.74)	(5,872,873.50)
Increase [Decrease] In Deposits		
Increase [Decrease] In Employees' Compensable Leave	(27,957.35)	(2,417,975.02)
Increase [Decrease] In OPEB Liability		
Increase [Decrease] In Pension Liability		
Increase [Decrease] In Self Insured Accrued Liability		
Increase [Decrease] In Other Liabilities		
Total Adjustments	\$ 6,598,825.52	\$ (200,039.12)
Net Cash Provided [Used] By Operating Activities	\$ (37,908,924.26)	\$ (34,212,934.51)
Non-Cash Transactions		
Donation of Capital Assets	\$ 24,120.00	\$ 10,600.00
Net Change In Fair Value of Investments	(281,994.43)	(10,134,762.72)
Refunding of Long Term Debt		
Amortization of Bond Premiums and Discounts		
Borrowing Under Capital Lease Purchase		
Other	167,428.16	(159,932.38)

UNAUDITED

SCHEDULE N-2
 TEXAS A&M ENGINEERING EXPERIMENT STATION
 NOTE 2 - CAPITAL ASSETS
 FOR THE YEAR ENDED AUGUST 31, 2016

	BALANCE 9-1-15	ADJUSTMENTS	COMPLETED CIP
Non-Depreciable/Non-Amortizable Assets			
Land and Land Improvements	\$ 2,257,504.46	\$	\$
Construction In Progress	18,763,489.32		(185,188.32)
Other Tangible Capital Assets	76,279.00		
Total Non-Depreciable/Non-Amortizable Assets	\$ 21,097,272.78	\$	\$ (185,188.32)
Depreciable Assets			
Buildings	\$ 42,597,270.81	\$	\$
Facilities and Other Improvements	187,224.40		
Furniture and Equipment	86,420,258.78		185,188.32
Vehicles, Boats and Aircraft	771,386.71		
Other Capital Assets	269,151.10		
Total Depreciable Assets at Historical Cost	\$ 130,245,291.80	\$	\$ 185,188.32
Less Accumulated Depreciation for			
Buildings	\$ (4,014,100.42)	\$	\$
Facilities and Other Improvements	(78,268.10)		
Furniture and Equipment	(62,903,867.54)		
Vehicles, Boats and Aircraft	(527,934.65)		
Other Capital Assets	(175,088.98)		
Total Accumulated Depreciation	\$ (67,699,259.69)	\$	\$
Depreciable Assets, Net	\$ 62,546,032.11	\$	\$ 185,188.32
Capital Assets, Net	\$ 83,643,304.89	\$	\$

INC-INTERAGENCY TRANSACTIONS	DEC-INTERAGENCY TRANSACTIONS	ADDITIONS	DELETIONS	BALANCE 8-31-16
\$	\$ (2,462.54)	\$ 2,462.54 3,905,873.87	\$	\$ 2,257,504.46 22,484,174.87 76,279.00
<u>\$</u>	<u>\$ (2,462.54)</u>	<u>\$ 3,908,336.41</u>	<u>\$</u>	<u>\$ 24,817,958.33</u>
\$ 281,032.07	\$	\$	\$	\$ 42,878,302.88 187,224.40
53,119.46	(443,521.59) (28,962.96)	5,632,581.00 17,000.00	(2,070,513.70)	89,777,112.27 759,423.75 269,151.10
<u>\$ 334,151.53</u>	<u>\$ (472,484.55)</u>	<u>\$ 5,649,581.00</u>	<u>\$ (2,070,513.70)</u>	<u>\$ 133,871,214.40</u>
\$ (19,124.70)	\$	\$ (1,971,854.93) (8,430.00)	\$	\$ (6,005,080.05) (86,698.10)
(47,558.10)	334,550.78 5,309.84	(6,224,196.34) (83,375.10) (5,412.48)	1,700,327.83	(67,140,743.37) (605,999.91) (180,501.46)
<u>\$ (66,682.80)</u>	<u>\$ 339,860.62</u>	<u>\$ (8,293,268.85)</u>	<u>\$ 1,700,327.83</u>	<u>\$ (74,019,022.89)</u>
<u>\$ 267,468.73</u>	<u>\$ (132,623.93)</u>	<u>\$ (2,643,687.85)</u>	<u>\$ (370,185.87)</u>	<u>\$ 59,852,191.51</u>
<u><u>\$ 267,468.73</u></u>	<u><u>\$ (135,086.47)</u></u>	<u><u>\$ 1,264,648.56</u></u>	<u><u>\$ (370,185.87)</u></u>	<u><u>\$ 84,670,149.84</u></u>