

**UNIVERSITY OF HOUSTON
SYSTEM**

**UNAUDITED COMBINED ANNUAL
FINANCIAL REPORT**

**FOR THE YEAR ENDED AUGUST 31, 2016
WITH AUGUST 31, 2015 COMPARATIVE DATA**

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

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

UNIVERSITY OF HOUSTON SYSTEM

TABLE OF CONTENTS

| MISCELLANEOUS DATA | SECTION |
|---|---------|
| Letter of Transmittal | I |
| Organizational Data | II |
| Statement of Procedure Regarding Annual Financial Report | III |
| PRIMARY STATEMENTS | |
| Combined Balance Sheet / Statement of Net Position – Proprietary Funds | 1 |
| Combined Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds | 2 |
| Combined Matrix of Operating Expenses Reported by Function – Proprietary Funds | 3 |
| Combined Statement of Cash Flows – Proprietary Funds | 4 |
| Notes to the Financial Statements | 5 |
| REQUIRED SUPPLEMENTARY INFORMATION | |
| SCHEDULE | |
| TRS-A | 6A |
| TRS-B | 6B |
| SUPPORTING STATEMENTS | |
| SCHEDULE | |
| 2-A Combined Miscellaneous Bond Information | 7 |
| 2-B Combined Changes in Bonded Indebtedness | 8 |
| 2-C Combined Debt Service Requirements | 9 |
| 2-D Combined Analysis of Funds Available for Debt Service | 10 |
| 2-E Combined Defeased Bonds Outstanding | 11 |
| 2-F Combined Early Extinguishment and Refunding | 12 |
| 3 Combined Reconciliation of Cash in State Treasury | 13 |
| UHS CAMPUS PRIMARY STATEMENTS | |
| University of Houston | 14 |
| University of Houston - Clear Lake | 15 |
| University of Houston - Downtown | 16 |
| University of Houston - Victoria | 17 |
| University of Houston - System Administration | 18 |

Executive Director
Financial Reporting

November 21, 2016

Mr. Jim McShan
Interim Vice Chancellor, Administration and Finance
University of Houston System
Houston, Texas 77204-2016

Mr. McShan:

Submitted herewith is the Annual Financial Report of the University of Houston System for the year ended August 31, 2016.

This report has been prepared in compliance with Texas Government Code Annotated §2101.011 and in accordance with the Annual Financial Reporting Requirements established by the Comptroller of Public Accounts. Additionally, in order to support internal management needs within the University of Houston System, this report presents financial statements with comparative data for the prior fiscal year.

The information contained in the accompanying Annual Financial Report will be considered for audit by the State Auditor as part of the audit of the State of Texas Comprehensive Annual Financial Report; therefore, an opinion has not been expressed on the financial statements and related information contained in this report.

Sincerely,



David J. Ellis, CPA, CGMA
Executive Director, Financial Reporting

University of Houston System

Organizational Data
August 31, 2016

Board of Regents

| | |
|--|------------------------------|
| Spencer D. Armour, III, Midland | Term Expires August 31, 2017 |
| Roger F. Welder, Victoria | Term Expires August 31, 2017 |
| Welcome W. Wilson, Jr., Houston | Term Expires August 31, 2017 |
| Durga D. Agrawal, Houston | Term Expires August 31, 2019 |
| Paula M. Mendoza, Houston | Term Expires August 31, 2019 |
| Peter K. Taaffe, Houston | Term Expires August 31, 2019 |
| Tilman J. Fertitta, Houston | Term Expires August 31, 2021 |
| Beth Madison, Houston | Term Expires August 31, 2021 |
| Gerald W. McElvy, Houston | Term Expires August 31, 2021 |
| Joshua Freed (Student Regent), Houston | Term Expires May 31, 2017 |

Officers of the Board (Fiscal Year 2016):

| | |
|------------------------|---------------|
| Tilman J. Fertitta | Chairman |
| Welcome W. Wilson, Jr. | Vice Chairman |
| Spencer D. Armour, III | Secretary |

Officers of the Board (Fiscal Year 2017):

| | |
|------------------------|---------------|
| Tilman J. Fertitta | Chairman |
| Welcome W. Wilson, Jr. | Vice Chairman |
| Spencer D. Armour, III | Secretary |

Administrative Officers

| | |
|-----------------------|--|
| Renu Khator | Chancellor |
| Paula Myrick Short | Senior Vice Chancellor for Academic Affairs |
| Jim McShan | Senior Vice Chancellor for Administration and Finance |
| Ramanan Krishnamoorti | Interim Vice Chancellor for Research and Technology Transfer |
| Dona H. Cornell | Vice Chancellor for Legal Affairs and General Counsel |
| Eloise Dunn Stuhr | Vice Chancellor for University Advancement |
| J. Richard Walker | Vice Chancellor for Student Affairs and Enrollment Services |
| Jason Smith | Vice Chancellor for Governmental and Community Relations |
| Renu Khator | President – University of Houston |
| William A. Staples | President – UH - Clear Lake |
| Michael A. Olivas | Interim President – UH - Downtown |
| Raymond V. Morgan Jr. | President – UH - Victoria |

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

Present herein are the financial statements with detailed supportive schedules for the University of Houston System for the fiscal year ended August 31, 2016. These statements and detailed supportive schedules are in compliance with the guidelines in *Reporting Requirements for Annual Financial Reports of State Agencies and Universities*, published by the Texas Comptroller of Public Accounts. Additionally, this report has been prepared in accordance with the requirements in Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments*.

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

UNIVERSITY OF HOUSTON SYSTEM
PRIMARY STATEMENTS

Unaudited

University of Houston System (797)
 Combined Statement of Net Position
 August 31, 2016

| | Total 2016 | Total 2015 |
|---|-------------------------|-------------------------|
| Assets | | |
| Current Assets | | |
| Cash and Cash Equivalents | | |
| Cash on Hand | \$ 69,975.00 | \$ 79,015.00 |
| Cash in Bank | (186,577,971.73) | (146,504,679.63) |
| Cash in Transit/Reimburse From Treasury | 3,642,602.43 | 28,468,823.66 |
| Cash in State Treasury | 64,056,115.64 | 23,035,664.09 |
| Cash Equivalents | 275,912,206.78 | 270,898,207.90 |
| Short Term Investments | 217,211,690.89 | 81,107,417.10 |
| Restricted: | | |
| Cash In Bank | 204,655,978.74 | 150,296,001.46 |
| Legislative Appropriation | 124,408,394.41 | 136,162,277.46 |
| Receivables: | | |
| Federal Receivables | 33,241,561.44 | 40,123,396.15 |
| Interest and Dividends | 751,913.31 | 676,627.06 |
| Accounts Receivable | 41,567,129.74 | 40,332,813.77 |
| Gifts | 53,319,478.97 | 75,542,445.24 |
| Other | 1,880,402.77 | 24,188,439.02 |
| Due From Other Agencies | 18,611,971.56 | 16,407,395.43 |
| Consumable Inventories | 443,126.58 | 482,264.59 |
| Merchandise Inventories | 1,351,017.02 | 1,224,327.17 |
| Prepaid Costs | 44,205,828.85 | 44,181,955.28 |
| Loans and Contracts | 18,479,971.29 | 18,811,133.89 |
| Total Current Assets | 917,231,393.69 | 805,513,524.64 |
| Non-Current Assets | | |
| Restricted: | | |
| Receivables | 47,463,848.81 | 30,865,914.52 |
| Loans and Contracts | 5,474,252.84 | 7,863,280.15 |
| Investments | 808,606,073.98 | 762,477,420.96 |
| Capital Assets | | |
| Non-Depreciable or Non-Amortizable | 271,350,991.25 | 246,504,256.56 |
| Depreciable or Amortizable, Net | 1,153,954,641.63 | 1,119,144,758.50 |
| Total Non-Current Assets | 2,286,849,808.51 | 2,166,855,630.69 |
| Total Assets | 3,204,081,202.20 | 2,972,369,155.33 |
| Deferred Outflow of Resources | | |
| Loss on Bond Refunding | 2,794,136.42 | |
| Pensions | 32,591,587.00 | 27,007,036.60 |
| Total Deferred Outflow of Resources | 35,385,723.42 | 27,007,036.60 |
| Total Assets and Deferred Outflow of Resources | 3,239,466,925.62 | 2,999,376,191.93 |

Unaudited

University of Houston System (797)
 Combined Statement of Net Position
 August 31, 2016

| | Total 2016 | Total 2015 |
|--|----------------------------|----------------------------|
| Liabilities | | |
| Current Liabilities: | | |
| Payables: | | |
| Accounts Payable | 45,870,629.82 | 59,095,106.20 |
| Federal Payable | 59,255.60 | 72,145.39 |
| Payroll Payable | 65,191,279.35 | 55,249,094.63 |
| Other Payable | 2,870,345.23 | 2,209,959.95 |
| Due to Other Agencies | 831,404.17 | 1,148,598.47 |
| Unearned Revenues | 239,210,494.68 | 229,486,810.31 |
| Notes and Loans Payable | 54,472,000.00 | 68,348,500.00 |
| Revenue Bonds Payable | 59,890,461.99 | 46,340,468.74 |
| Claims and Judgments Payable | 256,111.40 | 217,569.83 |
| Employees' Compensable Leave | 13,054,097.23 | 12,337,775.73 |
| Capital Lease Obligations | 537,658.77 | 397,875.30 |
| Funds Held for Others | 26,639,981.58 | 27,945,256.01 |
| Total Current Liabilities | <u>508,883,719.82</u> | <u>502,849,160.56</u> |
| Non-Current Liabilities | | |
| Revenue Bonds Payable | 995,462,540.90 | 831,866,258.74 |
| Net Pension Liability | 177,321,437.00 | 151,067,659.38 |
| Employees' Compensable Leave | 13,254,201.79 | 12,652,655.16 |
| Capital Lease Obligations | 6,759,887.32 | 5,460,683.57 |
| Notes and Loans Payable | | 337,500.00 |
| Total Non-Current Liabilities | <u>1,192,798,067.01</u> | <u>1,001,384,756.85</u> |
| Total Liabilities | <u>1,701,681,786.83</u> | <u>1,504,233,917.41</u> |
| Deferred Inflow of Resources | | |
| Pensions | 27,738,489.00 | 46,176,241.73 |
| Total Deferred Inflows of Resources | <u>27,738,489.00</u> | <u>46,176,241.73</u> |
| Total Liabilities and Deferred Inflow of Resources | <u>1,729,420,275.83</u> | <u>1,550,410,159.14</u> |
| Net Position | | |
| Invested in Capital Assets, Net of Related Debt | 552,445,363.52 | 520,083,073.18 |
| Restricted for: | | |
| Debt Retirement | 2,621,984.39 | 54,368.79 |
| Capital Projects | 27,859,604.58 | 4,002,518.80 |
| Funds Held as Permanent Investments | | |
| Non-Expendable | | |
| True Endowments, Annuities | 415,235,601.62 | 404,675,080.94 |
| Expendable | | |
| Term Endowments | 1,240,679.53 | 173,939.74 |
| Funds Functioning as Endowments | 44,326,073.56 | 45,497,276.95 |
| Other Restricted | 221,105,088.35 | 220,525,649.70 |
| Unrestricted | 245,212,254.24 | 253,954,124.69 |
| Total Net Position | <u>\$ 1,510,046,649.79</u> | <u>\$ 1,448,966,032.79</u> |

Unaudited

University of Houston System (797)
 Combined Statement of Revenues, Expenses, and Changes in Net Position
 For the Year Ended August 31, 2016

| | Total 2016 | Total 2015 |
|---|-------------------------|-------------------------|
| Operating Revenues | | |
| Sales of Goods and Services (PR-Chgs for Services) | | |
| Tuition and Fees-Pledged | \$ 658,508,627.16 | \$ 622,295,631.92 |
| Discounts and Allowances | (132,391,764.45) | (124,246,464.03) |
| Auxiliary Enterprise-Pledged | 107,017,933.25 | 92,533,160.42 |
| Discounts and Allowances | (12,458,204.32) | (9,788,442.95) |
| Other Sales of Goods and Services-Pledged | 59,951,367.44 | 54,848,094.29 |
| Federal Revenue-Operating (PR-OP Grants/Contributions) | 68,998,055.02 | 66,780,324.31 |
| Federal Pass Through Revenue (PR-OP Grants/Contributions) | 5,322,109.88 | 4,901,233.49 |
| State Grant Revenue (PR-OP Grants/Contributions) | 11,125,170.15 | 6,457,576.16 |
| State Grant Pass Through Revenue (PR-OP Grants/Contributions) | 55,307,308.31 | 41,405,886.31 |
| Other Grants and Contracts-Operating (PR-OP Grants/Contributions) | 26,286,983.59 | 29,234,103.16 |
| Other Operating Revenues (PR-Chgs for Services) | 1,266,872.42 | 1,206,078.15 |
| Total Operating Revenues | 848,934,458.45 | 785,627,181.23 |
| Operating Expenses | | |
| Instruction | 319,313,774.29 | 317,821,953.22 |
| Research | 143,554,823.27 | 127,580,610.27 |
| Public Service | 50,050,199.60 | 47,544,288.52 |
| Academic Support | 213,241,150.46 | 191,012,817.45 |
| Student Services | 50,503,322.54 | 44,367,549.06 |
| Institutional Support | 115,971,261.45 | 107,314,060.48 |
| Physical Plant | 64,971,626.16 | 57,608,154.48 |
| Scholarships & Fellowships | 95,350,880.01 | 92,358,697.95 |
| Auxiliary Enterprises | 124,720,875.88 | 113,837,488.65 |
| Depreciation and Amortization | 97,313,523.34 | 97,867,085.68 |
| Total Operating Expenses | 1,274,991,437.00 | 1,197,312,705.76 |
| Operating Income (Loss) | (426,056,978.55) | (411,685,524.53) |
| Non-Operating Revenues (Expenses) | | |
| Legislative Revenue (GR) | 248,454,126.00 | 229,089,468.00 |
| Additional Appropriations (GR) | 18,873,775.04 | 20,068,950.92 |
| Federal Revenue Non-Operating (PR-OP Grants/Contributions) | 102,907,878.95 | 101,253,100.92 |
| State Pass Through Revenues Non-Operating | 1,540,221.00 | |
| Gifts (PR-OP Grants/Contributions) | 62,275,633.19 | 94,570,856.63 |
| Interest and Investment Income (PR-Chgs for Services) | 25,875,581.44 | 56,659,976.17 |
| Interest Expense and Fiscal Charges | (39,009,046.97) | (33,814,413.85) |
| Net Incr (Decr) in Fair Value of Investments (PR-OP Grants/Contrib) | (4,532,928.06) | (77,300,556.43) |
| Other Nonoperating Revenues | 11,011,775.78 | 13,267,942.57 |
| Other Nonoperating Expenses | (21,276,081.51) | (21,947,294.01) |
| Total Nonoperating Revenues (Expenses) | 406,120,934.86 | 381,848,030.92 |

Unaudited

University of Houston System (797)
 Combined Statement of Revenues, Expenses, and Changes in Net Position
 For the Year Ended August 31, 2016

| | <u>Total 2016</u> | <u>Total 2015</u> |
|---|----------------------------|----------------------------|
| <u>Income (Loss) before Other Revenues, Expenses, Gains, Losses and Transfers</u> | <u>(19,936,043.69)</u> | <u>(29,837,493.61)</u> |
| Other Revenues, Expenses, Gains, Losses and Transfers | | |
| Capital Appropriation (HEAF) | 51,202,606.00 | 50,929,094.00 |
| Additions to Permanent and Term Endowments | 18,316,902.98 | 13,521,768.45 |
| Transfers-In | 10,050,400.11 | 9,700,232.73 |
| Transfers-Out | 7,396.30 | (7,905,085.30) |
| Legislative Transfers-In | 784,855.00 | |
| Legislative Appropriations Lapsed | (243,163.88) | (183,147.51) |
| <u>Total Other Revenues, Expenses, Gains, Losses and Transfers</u> | <u>80,118,996.51</u> | <u>66,062,862.37</u> |
| <u>Changes in Net Position</u> | <u>60,182,952.82</u> | <u>36,225,368.76</u> |
| Net Position, Beginning | 1,448,966,032.79 | 1,584,074,582.92 |
| Restatements | 897,664.18 | (171,333,918.89) |
| <u>Net Position, Beginning, as Restated</u> | <u>1,449,863,696.97</u> | <u>1,412,740,664.03</u> |
| <u>Net Position, Ending</u> | <u>\$ 1,510,046,649.79</u> | <u>\$ 1,448,966,032.79</u> |

Unaudited

University of Houston System (797)
 Combined Matrix of Operating Expenses Reported by Function
 For the Year Ended August 31, 2016

| Operating Expenses | Instruction | Research | Public Service | Academic Support | Student Services |
|---------------------------------|--------------------------|--------------------------|-------------------------|--------------------------|-------------------------|
| Cost of Goods Sold | \$ | \$ | \$ 1,225,218.51 | \$ 4,691.23 | \$ |
| Salaries and Wages | 263,091,248.93 | 63,625,843.63 | 18,197,394.46 | 122,050,536.99 | 26,346,963.73 |
| Payroll Related Costs | 40,021,551.52 | 12,132,040.27 | 4,871,822.71 | 27,613,726.82 | 7,206,274.55 |
| Professional Fees and Services | 2,592,440.09 | 12,401,458.15 | 11,046,087.19 | 12,834,179.51 | 4,689,913.59 |
| Federal Pass Through Expenses | | 1,186,144.48 | 1,362,441.19 | 24,350.03 | |
| State Pass Through Expenses | | 372,207.90 | | | |
| Travel | 1,703,058.72 | 4,000,753.79 | 492,683.66 | 4,341,118.23 | 1,101,470.68 |
| Materials and Supplies | 3,674,035.57 | 10,461,656.30 | 1,680,385.34 | 10,773,648.72 | 2,544,432.25 |
| Communication and Utilities | 901,435.54 | 925,634.22 | 1,374,432.94 | 12,817,493.11 | 1,130,361.77 |
| Repairs and Maintenance | 242,940.26 | 1,563,823.00 | 707,818.80 | 5,091,148.65 | 180,051.20 |
| Rentals and Leases | 741,905.85 | 17,914,624.51 | 5,600,581.40 | 6,501,289.95 | 1,198,855.47 |
| Printing and Reproduction | 247,103.72 | 229,485.66 | 512,291.96 | 1,262,001.35 | 572,265.63 |
| Depreciation and Amortization | | | | | |
| Interest | 4,979.82 | 5,832.66 | 5,481.43 | 8,990.56 | 47,285.23 |
| Scholarships | 2,469,293.60 | 514,518.09 | 51,522.63 | 1,165,624.96 | 277,629.98 |
| Claims and Judgments | | 30.89 | | | |
| Other Operating Expenses | 3,623,780.67 | 18,220,769.72 | 2,922,037.38 | 8,752,350.35 | 5,207,818.46 |
| Total Operating Expenses | \$ 319,313,774.29 | \$ 143,554,823.27 | \$ 50,050,199.60 | \$ 213,241,150.46 | \$ 50,503,322.54 |

Unaudited

University of Houston System (797)
 Combined Matrix of Operating Expenses Reported by Function
 For the Year Ended August 31, 2016

| Institutional Support | Operation and Maintenance of Plant | Scholarships and Fellowships | Auxiliary Enterprises | Depreciation and Amortization | Total 2016 | Total 2015 |
|--------------------------|------------------------------------|------------------------------|--------------------------|-------------------------------|----------------------------|----------------------------|
| \$ | \$ | \$ | \$ 1,433,735.11 | \$ | \$ 2,663,644.85 | \$ 2,937,495.78 |
| 68,364,211.96 | 19,050,800.53 | 1,394,136.98 | 42,402,519.95 | | 624,523,657.16 | 589,104,033.96 |
| 17,769,978.21 | 6,352,270.89 | 36,176.77 | 10,052,901.42 | | 126,056,743.16 | 119,914,880.54 |
| 6,259,952.34 | 10,520,289.12 | 304,681.88 | 32,840,695.91 | | 93,489,697.78 | 80,325,052.02 |
| | | | | | 2,572,935.70 | 2,454,013.75 |
| | | | | | 372,207.90 | 549,844.94 |
| 679,392.73 | 22,312.00 | 66,744.23 | 4,979,297.89 | | 17,386,831.93 | 16,677,861.60 |
| 6,612,299.06 | 1,627,783.03 | 72,682.22 | 5,934,492.88 | | 43,381,415.37 | 38,965,686.99 |
| 1,819,222.79 | 17,886,681.40 | 1,782.73 | 10,635,524.79 | | 47,492,569.29 | 49,223,070.87 |
| 3,703,369.16 | 3,616,799.67 | 10,001.27 | 3,162,703.55 | | 18,278,655.56 | 16,898,901.07 |
| 1,660,115.50 | 4,860,813.51 | 2,454.26 | 1,391,386.75 | | 39,872,027.20 | 33,854,060.15 |
| 701,878.88 | 85,593.39 | 461.00 | 626,645.95 | | 4,237,727.54 | 4,195,444.69 |
| | | | | 97,313,523.34 | 97,313,523.34 | 97,867,085.68 |
| 45,973.66 | 2,934.88 | 197.47 | 12,561.54 | | 134,237.25 | 100,609.98 |
| 3,917,549.90 | | 93,348,222.84 | 805,505.18 | | 102,549,867.18 | 100,517,084.19 |
| 985,063.10 | | | 380.00 | | 985,473.99 | 982,662.29 |
| 3,452,254.16 | 945,347.74 | 113,338.36 | 10,442,524.96 | | 53,680,221.80 | 42,744,917.26 |
| <u>\$ 115,971,261.45</u> | <u>\$ 64,971,626.16</u> | <u>\$ 95,350,880.01</u> | <u>\$ 124,720,875.88</u> | <u>\$ 97,313,523.34</u> | <u>\$ 1,274,991,437.00</u> | <u>\$ 1,197,312,705.76</u> |

Unaudited

University of Houston System (797)
 Combined Statement of Cash Flows
 For the Year Ended August 31, 2016

| | Total 2016 | Total 2015 |
|---|--------------------------|--------------------------|
| Cash Flows From Operating Activities | | |
| Receipts from Customers | \$ 81,716,743.05 | \$ 56,975,359.06 |
| Proceeds from Tuition and Fees | 534,640,038.05 | 516,078,279.67 |
| Proceeds from Research Grants and Contracts | 169,610,462.93 | 138,032,629.71 |
| Proceeds from Loan Programs | 146,430,338.94 | 126,277,202.92 |
| Proceeds from Auxiliaries | 99,558,113.01 | 83,376,313.90 |
| Proceeds from Other Revenues | 1,266,872.42 | 1,206,078.15 |
| Payments to Suppliers for Goods and Services | (275,234,163.22) | (240,440,105.55) |
| Payments to Employees for Salaries | (592,478,586.06) | (584,494,487.39) |
| Payments to Employees for Benefits | (122,476,586.03) | (121,105,452.23) |
| Payments for Loans Provided | (143,710,149.03) | (125,995,939.61) |
| Payments for Other Expenses | (161,561,676.68) | (141,292,322.55) |
| Net Cash Provided (Used) by Operating Activities | (262,238,592.62) | (291,382,443.92) |
| Cash Flows from Noncapital Financing Activities | | |
| Proceeds from State Appropriations | 278,838,620.21 | 224,738,736.47 |
| Proceeds from Gifts | 67,900,665.17 | 65,944,909.07 |
| Proceeds from Endowments | 18,316,902.98 | 13,521,768.45 |
| Proceeds of Transfers from Other Funds | 23,304,799.21 | 18,235,056.14 |
| Proceeds from Grants | 104,417,285.44 | 101,253,100.92 |
| Payments for Transfers to Other Funds | (8,139,150.07) | (19,210,598.59) |
| Net Cash Provided (Used) by Noncapital Financing Activities | 484,639,122.94 | 404,482,972.46 |
| Cash Flows from Capital and Related Financing Activities | | |
| Proceeds from Debt Issuance | 285,000,000.00 | 47,915,000.00 |
| Proceeds from Other Financing Activities | 32,307,471.59 | 81,377,554.34 |
| Proceeds from Capital Contributions | 51,202,606.00 | 50,929,094.00 |
| Payments for Additions to Capital Assets | (160,316,399.79) | (131,384,256.83) |
| Payments of Principal on Debt Issuance | (117,540,000.00) | (92,295,000.00) |
| Payments for Capital Lease | | (390,700.61) |
| Payments of Interest on Debt Issuance | (41,803,183.39) | (33,757,366.93) |
| Payments of Other Costs on Debt Issuance | (47,666,589.22) | (68,486,369.14) |
| Net Cash Provided (Used) by Capital and Related Financing Activities | 1,183,905.19 | (146,092,045.17) |
| Cash Flows From Investing Activities | | |
| Proceeds from Sales of Investments | 633,063,279.93 | 587,799,284.28 |
| Proceeds from Interest Income | (75,286.25) | |
| Proceeds from Investment Income | 25,875,581.44 | 56,542,664.94 |
| Payments to Acquire Investments | (846,962,136.25) | (599,530,234.78) |
| Net Cash Provided (Used) by Investing Activities | (188,098,561.13) | 44,811,714.44 |
| Net Increase (Decrease) in Cash and Cash Equivalents | 35,485,874.38 | 11,820,197.78 |
| Cash and Cash Equivalents, September 1 | 326,273,032.48 | 314,452,834.70 |
| Cash and Cash Equivalents, August 31 | \$ 361,758,906.86 | \$ 326,273,032.48 |

Unaudited

University of Houston System (797)
 Combined Statement of Cash Flows
 For the Year Ended August 31, 2016

| | Total 2016 | Total 2015 |
|--|----------------------------|----------------------------|
| Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities | | |
| <u>Operating Income (Loss)</u> | <u>\$ (426,056,978.55)</u> | <u>\$ (411,685,524.53)</u> |
| Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities | | |
| Pension Expense | 15,698,248.00 | 13,965,127.33 |
| Depreciation and Amortization Expense | 97,313,523.34 | 97,867,085.68 |
| Operating Income and Cash Flow Categories: Classification Differences | 2,720,189.91 | 281,263.31 |
| Changes in Assets and Liabilities: | | |
| (Increase) Decrease In Receivables | 30,668,746.86 | (19,787,166.70) |
| (Increase) Decrease in Inventories | (87,551.84) | 276,698.97 |
| (Increase) Decrease in Prepaid Expenses | (23,873.57) | (6,397,952.65) |
| (Increase) Decrease in Other Assets | (2,214,678.31) | (1,231,896.13) |
| Increase (Decrease) in Payables | (8,333,058.08) | 20,667,510.36 |
| Increase (Decrease) in Deferred Income | 9,723,684.37 | 18,476,608.48 |
| Increase (Decrease) in Compensated Absences | 1,317,868.13 | (302,058.81) |
| Increase (Decrease) in Benefits Payable | 18,609,112.10 | (10,244,093.64) |
| Increase (Decrease) in Other Liabilities | (1,573,824.98) | 6,731,954.41 |
| <u>Total Adjustments</u> | <u>163,818,385.93</u> | <u>120,303,080.61</u> |
| <u>Net Cash Provided (Used) by Operating Activities</u> | <u>\$ (262,238,592.62)</u> | <u>\$ (291,382,443.92)</u> |
| Non Cash Transactions | | |
| <u>Net Change in Fair Value of Investments</u> | <u>\$ (4,532,928.06)</u> | <u>\$ (77,300,556.43)</u> |
| <u>Non Cash Transactions</u> | <u>\$ (4,532,928.06)</u> | <u>\$ (77,300,556.43)</u> |

Blank Page

**UNIVERSITY OF HOUSTON SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2016**

NOTE 1: Summary of Significant Accounting Policies

Entity

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

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

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

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

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

Blended Component Units

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

Discretely Presented Component Units

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

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

Fund Structure

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

Governmental Fund Types & Government-wide Adjustment Fund Types

General Fund

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

Special Revenue Funds

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

Debt Service Funds

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

Capital Project Funds

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

Permanent Funds

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

Capital Asset Adjustment Fund Type

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

Long-Term Liabilities Adjustment Fund Type

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

Other Adjustments Fund Type

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

Proprietary Fund Types

Enterprise Funds

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

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

Internal Service Funds

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

Fiduciary Fund Types

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

Pension Trust Funds

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

External Investment Trust Funds

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

Agency Funds

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

Private-Purpose Trust Funds

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

Component Units

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

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

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

Business-Type Activities

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

Basis of Accounting

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

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

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

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

Budget and Budgetary Accounting

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

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

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

Assets, Liabilities, and Fund Balances/Net Position

ASSETS

Cash and Cash Equivalents

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

Securities Lending Collateral

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

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

Restricted Assets

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

Inventories and Prepaid Items

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

Capital Assets

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

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

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

Current Receivables - Other

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

For the System, the balance in Other Receivables consists of \$24,188,439.02 in miscellaneous receivables, which resulted from sales of investments related to the System Endowment and Consolidated Intermediate Investment Funds at or near the balance sheet date.

Non-Current Receivables - Other

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

LIABILITIES

Accounts Payable

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

Current Payables - Other

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

Non-Current Payables - Other

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

Employees' Compensable Leave Balances

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

Capital Lease Obligations

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

Bonds Payable - General Obligation Bonds

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

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

Bonds Payable - Revenue Bonds

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

FUND BALANCE/NET POSITION

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

Reservations of Fund Balance

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

Reserved for Encumbrances

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

Unreserved/Undesignated

This represents the unappropriated balance at year-end.

Invested In Capital Assets, Net Of Related Debt

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

Restricted Net Assets

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

Unrestricted Net Assets

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

INTERFUND ACTIVITIES AND BALANCES

The System has the following types of transactions between funds:

Transfers

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

Reimbursements

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

Interfund Receivables and Payables

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

Interfund Sales and Purchases

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

NOTE 2: Capital Assets

A summary of changes in Capital Assets for the year ending August 31, 2016 is presented in Table 2.

Table 2 - Capital Assets

| | University of Houston System | | | | | | Balance 08/31/16 |
|---|------------------------------|---------------|------------------|----------------------|----------------------|------------------|---------------------|
| | Balance 09/01/15 | Adjustments | Completed CIP | Inc-Int'ngy Trans | Dec-Int'ngy Trans | Additions | |
| Business-Type Activities: | | | | | | | |
| Non-Depreciable/Non-Amortizable Assets | | | | | | | |
| Land & Land Improvements | \$ 108,443,539.31 | \$ - | \$ - | \$ - | \$ - | \$ 12,872,001.10 | \$ (673,680.32) |
| Construction in Progress | 135,016,987.02 | - | (101,756,156.92) | - | - | 114,396,462.18 | (38,091.35) |
| Other Tangible Capital Assets | 3,043,730.23 | - | - | - | - | 47,200.00 | - |
| Total Non-Depreciable and Non-Amortizable Assets | 246,504,256.56 | - | (101,756,156.92) | - | - | 127,314,663.28 | (711,771.67) |
| Depreciable Assets | | | | | | | |
| Buildings & Building Improvements | 1,512,134,908.42 | (355,186.56) | 87,056,559.06 | - | - | 8,884,932.98 | - |
| Infrastructure | 43,297,217.46 | - | - | - | - | - | - |
| Facilities & Other Improvements | 245,334,515.15 | (592,586.00) | 14,620,125.25 | - | - | - | - |
| Furniture & Equipment | 236,422,676.02 | 663,012.16 | 79,472.61 | 650,773.27 | (686,048.27) | 18,744,205.38 | (5,569,339.65) |
| Vehicle, Boats & Aircraft | 6,669,753.05 | - | - | - | - | 740,107.64 | (176,949.83) |
| Other Capital Assets | 158,981,737.48 | (16,212.68) | - | - | - | 6,631,304.77 | (1,822,428.93) |
| Total Depreciable Assets | 2,202,840,807.58 | (300,973.08) | 101,756,156.92 | 650,773.27 | (686,048.27) | 35,000,550.77 | (7,568,718.41) |
| Less Accumulated Depreciation For: | | | | | | | |
| Buildings & Building Improvements | (726,190,106.37) | 1,748,614.34 | - | - | - | (58,385,731.72) | - |
| Infrastructure | (40,049,976.87) | - | - | - | - | (492,303.08) | - |
| Facilities & Other Improvements | (54,450,726.52) | 2,709.32 | - | - | - | (8,140,001.52) | - |
| Furniture & Equipment | (162,629,479.19) | (579,274.47) | - | (497,283.42) | 532,558.42 | (19,662,247.51) | 4,821,360.32 |
| Vehicle, Boats & Aircraft | (4,894,037.69) | 1.10 | - | - | - | (582,932.49) | 175,165.09 |
| Other Capital Assets | (103,461,519.50) | 26,586.97 | - | - | - | (6,957,956.12) | 1,811,990.03 |
| Total Accumulated Depreciation | (1,091,675,846.14) | 1,198,637.26 | - | (497,283.42) | 532,558.42 | (94,221,172.44) | 6,808,515.44 |
| Depreciable Assets, Net | 1,111,164,961.44 | 897,684.18 | 101,756,156.92 | 153,489.85 | (153,489.85) | (59,220,621.67) | (760,202.97) |
| Amortizable Assets-Intangible | | | | | | | |
| Computer Software | 84,095,942.59 | 55,455.19 | - | - | - | - | (107,273.29) |
| Other Intangible Capital Assets | 9,578,225.18 | - | - | - | - | - | (9,578,225.18) |
| Total Amortizable Assets-Intangible | 93,674,167.77 | 55,455.19 | - | - | - | - | (9,685,498.47) |
| Less Accumulated Amortization For: | | | | | | | |
| Computer Software | (81,665,899.36) | (55,455.19) | - | - | - | (2,313,369.50) | 107,273.29 |
| Other Intangible Capital Assets | (4,028,471.35) | - | - | - | - | (778,991.40) | 4,807,462.75 |
| Total Accumulated Amortization | (85,694,370.71) | (55,455.19) | - | - | - | (3,092,350.90) | 4,914,736.04 |
| Amortizable Assets-Intangible, Net | 7,979,797.06 | - | - | - | - | (3,092,350.90) | (4,770,762.43) |
| Total Business-Type Activities - Capital Assets, Net | \$ 1,365,649,015.06 | \$ 897,664.18 | \$ - | \$ 153,489.85 | \$ (153,489.85) | \$ 65,001,690.71 | \$ (6,242,737.07) |
| | | | | | | | \$ 1,425,305,632.88 |

NOTE 3: Deposits, Investments, & Repurchase Agreements

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

Deposits of Cash in Bank

As of August 31, 2016, the carrying amount of deposits was \$18,078,007.01 as presented below.

| <u>Governmental and Business-Type Activities</u> | |
|--|--------------------------|
| Cash in Bank-Carrying Amount | \$ 18,078,007.01 |
| Total Cash in Bank per Annual Financial Report | <u>\$ 18,078,007.01</u> |
| <u>Reconciliation of Cash per Annual Financial Report</u> | |
| Proprietary Funds, Current Assets, Cash in Bank | (186,577,971.73) |
| Proprietary Funds, Current Assets, Restricted Cash in Bank | <u>\$ 204,655,978.74</u> |
| Cash in Bank per Annual Financial Report | <u>\$ 18,078,007.01</u> |

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

As of August 31, 2016, the total bank balance was as follows:

| | |
|--|-----------------|
| Governmental and Business-Type Activities | \$ 1,598,728.65 |
|--|-----------------|

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

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

Investments

As of August 31, 2016, fair value of investments were:

| <u>Governmental and Business-Type Activities</u> | Fair Value Hierarchy | | | | Fair Value |
|--|-----------------------|-------------------|------------------|-----------------------|-------------------------|
| | Level 1 Inputs | Level 2 Inputs | Level 3 Input | Net Asset Value | |
| U.S. Government Agency Obligations | 25,615,150.10 | | | | 25,615,150.10 |
| U.S. Treasury Securities | 154,841,542.11 | | | | 154,841,542.11 |
| Corporate Obligations | 61,146,188.41 | | | | 61,146,188.41 |
| Equities | 38,565,047.73 | | | 33,020,712.19 | 71,585,759.92 |
| International Equities | | | | 127,007,428.06 | 127,007,428.06 |
| Fixed Income Money Market & Bond Mutual Funds | 275,912,206.78 | | | | 275,912,206.78 |
| Other Commingled Funds (TexPool) | | | | 216,387,919.90 | 216,387,919.90 |
| Other Commingled Funds | | | | 22,942,072.48 | 22,942,072.48 |
| Externally Managed Investments-Domestic | | | | 109,746,450.43 | 109,746,450.43 |
| Externally Managed Investments-International | | | | 232,451,751.31 | 232,451,751.31 |
| Real Estate | | 110,749.00 | | | 110,749.00 |
| Miscellaneous Investments | 3,982,753.15 | | | | 3,982,753.15 |
| Total Investments | <u>560,062,888.28</u> | <u>110,749.00</u> | | <u>741,556,334.37</u> | <u>1,301,729,971.65</u> |

Reconciliation of Investments per Annual Financial Statements

| | |
|---|----------------------------|
| Proprietary Funds, Current Assets, Cash Equivalents | \$ 275,912,206.78 |
| Proprietary Funds, Current Assets, Short Term Investments | 217,211,690.89 |
| Proprietary Funds, Non-Current Assets, Investments | <u>808,606,073.98</u> |
| Investments per Annual Financial Statements | <u>\$ 1,301,729,971.65</u> |

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

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

Credit Risk (Investments) – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The general investment policy of the System limits investments in debt securities that are not in the top three investment grade ratings issued by nationally recognized statistical rating organizations to 5% of total investments. As of August 31, 2016, the System had no direct investment in securities with credit risk exposure that exceeded its policy limit. As of August 31, 2016, the System's credit quality distribution for securities with credit risk exposure was:

Investments as Rated by Standard & Poor's

| Fund Type | GAAP Fund | Investment Type | AAAf | AAAm | AAf | Af | BBBf | NR |
|-----------|-----------|----------------------------------|---------------|----------------|---------------|---------------|------|--------------|
| 05 | 9999 | US Govt Agency Obligations | 25,615,150.10 | | | | | |
| | | Corporate Obligations | | | 43,810,242.36 | 15,996,238.45 | | 1,339,707.60 |
| | | Fixed Inc MM & Bond Mutual Funds | | 275,912,206.78 | | | | |
| | | Miscellaneous Investments | 3,982,753.15 | | | | | |

Concentration of credit risk is the risk of loss attributable to the magnitude of investment in a single issuer. As of August 31, 2016, the System's concentration of credit risk in any single issuer did not exceed 5% of total investment assets as reported on the Statement of Net Position.

Reverse Repurchase Agreements

The System has no investments in reverse repurchase agreements.

Securities Lending

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

NOTE 4: Short-Term Debt

In the prior fiscal year, the System issued commercial paper (Consolidated Revenue Commercial Paper Program, Series A) to facilitate renovation and construction projects at the University of Houston. The balance remaining from the prior year issuance was redeemed during fiscal year 2016. Additional commercial paper was issued during fiscal year 2016, the proceeds of which were used to provide interim financing for renovation and construction projects at UH, UH-Clear Lake, UH-Victoria, and UH-Downtown.

Table 4 – Commercial Paper Activity

| Business Type Activities | Balance 9/01/15 | Additions | Reductions | Balance 8/31/16 |
|--------------------------|--------------------|------------------|------------------|--------------------|
| Commercial Paper | \$ 68,236,000.00 | \$ 32,150,000.00 | \$ 45,914,000.00 | \$ 54,472,000.00 |

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

During the year ended August 31, 2016, the following changes, presented in Table 5.1, occurred in liabilities:

Table 5.1 – Long Term Liabilities

| Business- Type Activities | Balance 9/1/15 | Additions | Reductions | Other Changes | Balance 8/31/16 | Due Within 1 Year | Due Thereafter |
|----------------------------------|-------------------|-------------------|-------------------|------------------|---------------------|----------------------|---------------------|
| Claims and Judgments | \$ 217,569.83 | \$ 2,022,053.40 | \$ 1,983,511.83 | \$ | \$ 256,111.40 | \$ 256,111.40 | \$ 0.00 |
| Capital Lease Obligations | 5,858,558.87 | 1,880,718.06 | 441,730.84 | | 7,297,546.09 | 537,658.77 | 6,759,887.32 |
| Employee Compensable Leave | 24,990,430.89 | 13,718,119.94 | 12,400,251.81 | | 26,308,299.02 | 13,054,097.23 | 13,254,201.79 |
| Notes & Loans Payable | 450,000.00 | | 450,000.00 | | 0.00 | 0.00 | 0.00 |
| Revenue Bonds Payable | 878,206,727.48 | 285,000,000.00 | 117,540,000.00 | 9,686,275.41 | 1,055,353,002.89 | 59,890,461.99 | 995,462,540.90 |
| Total | \$ 909,723,287.07 | \$ 302,620,891.40 | \$ 132,815,494.48 | \$ 9,686,275.41 | \$ 1,089,214,959.40 | \$ 73,738,329.39 | \$ 1,015,476,630.01 |

Claims and Judgments

At August 31, 2016, various lawsuits and claims involving the System were pending. While the ultimate liability, if any, with respect to litigation and other claims asserted against the System cannot be reasonably estimated at this time, such liability, to the extent not provided for by insurance or otherwise, is not expected to have a material effect on System accounts.

Capital Lease Obligations

See Note 8 for detailed capital lease note disclosure requirements.

Notes and Loans Payable

The System held a loan payable; the proceeds of which were used to establish and construct the Dave Williams Golf Academy building and practice facility. The loan was paid in full during the fiscal year 2016.

Employees' Compensable Leave

A state employee is entitled to be paid for all unused vacation time accrued, in the event of the employee's resignation, dismissal, or separation from State employment, provided the employee has had continuous employment with the State for six months. Expenditures for accumulated annual leave balances are recognized in the period paid or taken in governmental fund types. For these fund types, the liability for unpaid benefits is recorded in the Statement of Net Position. An expense and liability for proprietary fund types are recorded in the proprietary funds as the benefits accrue to employees. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

Full-time state employees earn annual leave from eight to twenty-one hours per month depending on the respective employees' years of state employment. The state's policy is that an employee may carry his accrued leave forward from one fiscal year to another fiscal year with a maximum number of hours up to 532 for those employees with 35 or more years of state service. Accrued leave in excess of the normal maximum was converted to sick leave at the conclusion of fiscal year 2016. Employees with at least six months of state service who terminate their employment are entitled to payment for all accumulated annual leave up to the maximum allowed.

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

Lump sum payments made to employees, who separated from state service during the 2016 fiscal year, for accrued vacation and compensatory leave, totaled \$ 2,472,867.56.

Revenue Bonds Payable

See Note 6 for required Revenue Bond disclosures.

NOTE 6: Bonded Indebtedness

Bonds Payable

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

Revenue Bonds

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

- To finance the acquisition, purchase, construction, improvement, renovation, enlargement, and equipping of any property, buildings, structures, facilities, roads, or related infrastructure for the University of Houston System, including the individual campuses of the System.
- Proceeds were used to repair damage from Tropical Storm Allison (UH).
- \$25,000,000: all bonds authorized have been issued (UH – \$25,000,000).
- Issued 06-16-2004.
- Source of revenue for debt service – Tuition and various other fees, and revenues and balances that may be legally available for payment of debt obligations. (Funding for fiscal year 2016 fully from Legislative Appropriation-Tuition Revenue Bonds.)
- The bonds bear interest at a variable rate, which is determined on a weekly basis on each Wednesday, and the rate is effective for a seven-day period commencing on the immediately following Thursday. The variable rate in effect on August 31, 2015 was 0.02%.
- Bondholders have the option to tender their bonds for purchase at a price equal to the principal amount thereof, plus accrued interest, at the times and subject to the conditions described in the bond resolution. Tendered bonds may be remarketed and remain outstanding. Bonds tendered for purchase will be paid first from the proceeds of remarketing, if any, and then from legally available money advanced by the Board of Regents. In order to provide for the payment of the purchase price of tendered bonds, the Board has agreed to provide self-liquidity. The Board has not entered into an agreement with an outside entity to provide liquidity in the event that the remarketing agent is unable to remarket the bonds on an optional tender date. Liquidity support for the bonds will be provided by the System's funds and is expected to be provided first from funds invested in the System's non-endowed investment pool and money market accounts.
- Outstanding bonds maturing subsequent to 02-15-2017, totaling \$175,000 were extinguished early by using existing assets.

General Obligation Bonds

At August 31, 2016, the System had no bonds payable classified as General Obligation Bonds.

Refunding Bonds

• Consolidated Revenue and Refunding Bonds, Series 2008

- To (a) refund and defease certain outstanding commercial paper notes of the System and (b) finance the acquisition, purchase, improvement, enlargement and equipping of property, buildings, structures, activities, services, operations and other facilities, roads, or related infrastructure for or on the behalf of the System, including individual campuses of the System.
- In addition to the defeasement of the commercial paper noted above, the proceeds were used to finance the construction of the Calhoun Lofts, East Parking Garage Part 1, and MacGregor Land purchase (UH), the Allied Health Facility, The Regional Center for Economic Development, and Building 2, Sugarland (UHV).
- \$175,030,000; all bonds have been issued (UH – \$143,615,000 and UHV – \$31,415,000).
- Issued 07-01-2008.
- Source of revenue for debt service – Tuition and various other fees and revenues and balances that may be legally available for payment of debt obligations. (Funding for fiscal year 2016 partially from Legislative Appropriations–Tuition Revenue Bonds.)
- Sufficient funds from proceeds of advance refunding bonds were deposited with an escrow agent to provide for full payment of all outstanding obligations related to the 2008 series bonds that mature subsequent to 02-15-2019 totaling \$67,525,000, after they are called for early redemption on 02-15-2018.

• Consolidated Revenue and Refunding Bonds, Series 2009

- To (a) defease certain outstanding commercial paper notes of the System and (b) finance the acquisition, purchase, construction, improvement, enlargement, and equipping of property, buildings, structures, activities, services, operation and other facilities, roads, or related infrastructure for or on behalf of the System, including individual campuses of the System.
- In addition to the defeasement of the commercial paper noted above, the proceeds were used to finance the Science Lab renovations, the purchase of Bayou Oaks, the construction of the Stadium Parking Garage Part 1 and East Garage Part 2 (UH) and the renovation of the Arbor Building (UHCL).
- Issued 02-04-2009.
- \$108,395,000; all bonds authorized have been issued (UH – \$98,230,000 and UHCL – \$10,165,000).
- Source of revenue for debt service – Tuition and various other fees, revenues and balances that may be legally available for payment of debt obligations. (Funding for fiscal year 2016 partially from Legislative Appropriation-Tuition Revenue Bonds.)

• Consolidated Revenue and Refunding Bonds, Series 2009-A

- To (a) refund and defease \$20,515,000 of outstanding Consolidated Revenue Bonds, Series 1999 and (b) finance the acquisition, purchase, construction, improvement, enlargement, and equipping of property, buildings, structures, activities, services, operation and other facilities, roads, or related infrastructure for or on behalf of the System, including individual campuses of the System.
- In addition to the defeasement of the bonds noted above, the proceeds were used to finance the construction of Cougar Village Part 1 (UH).
- Issued 07-02-2009.
- \$71,175,000; all bonds authorized have been issued (\$52,200,000 revenue bonds: UH; and \$18,975,000 refunding bonds: UH – \$6,829,102.50, UHD – \$4,267,477.50, and UHV – \$7,878,420.00).
- Source of revenue for debt service – Tuition and various other fees, revenues and balances that may be legally available for payment of debt obligations. (Funding for fiscal year 2016 partially from Legislative Appropriation-Tuition Revenue Bonds.)
- Average interest rate of bonds refunded - 4.885%.
- Net proceeds from refunding series - \$20,892,799.63, after receipt of bond premium of \$1,719,638.50 and additional available funds of \$377,640.50 and payment of \$179,479.37 in underwriting fees, insurance, and other issuance costs.
- Sufficient funds were deposited with an escrow agent to provide for full payment of all outstanding obligations related to the 1999 series bonds, after they were called for early redemption.
- The 1999 series bonds maturing subsequent to 02-15-2009 are considered fully defeased, and the obligation for those bonds has been removed from the reported liabilities of the System.
- Refunding of the 1999 series bonds reduced the System's debt service payments over the life of the bond issues by approximately \$2,023,239.08.
- Economic gain - \$1,742,552.43; the difference between the net present value of the old and new debt service payments.

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

- **Consolidated Revenue and Refunding Bonds, Series 2010-B**
 - To (a) defease certain outstanding commercial paper notes of the System and (b) finance the acquisition, purchase, construction, improvement, enlargement, and equipping of property, buildings, structures, activities, services, operations and other facilities, roads, or related infrastructure for or on behalf of the System, including individual campuses of the System.
 - In addition to the defeasement of the commercial paper note above, the proceeds were used to finance costs related to the construction of a classroom/business building and the Health and Biomedical Sciences building (UH), the renovation of certain facilities at the UH Energy Research Park (UH) and construction costs related to Jaguar Residence Hall (UHV).
 - This bond issue is a qualified Build America Bond (BAB) as defined within Sections 54AA and 6431 of the Internal Revenue Code of 1986, as amended.
 - Issued 04-15-2010.
 - \$79,975,000; all bonds authorized have been issued (UH – \$74,595,000 and UHV – \$5,380,000).
 - Source of revenue for debt service – Designated tuition and various other fees, revenues and balances that may be legally available for payment of debt obligations. The System will receive interest subsidy payments from the U.S. Treasury equal to 35 percent of the interest payable on related qualified Build America Bonds contemporaneously with the interest payment dates of the qualified Build America Bonds.

- **Consolidated Revenue and Refunding Bonds, Series 2010-C**
 - To (a) defease certain outstanding commercial paper notes of the System and (b) finance the acquisition, purchase, construction, improvement, enlargement, and equipping of property, buildings, structures, activities, services, operations and other facilities, roads, or related infrastructure for or on behalf of the System, including individual campuses of the System.
 - In addition to the defeasement of the commercial paper note above, the proceeds were used to finance construction costs for Stadium Parking Garage Part 2, and renovation of certain facilities at the UH Energy Research Park (UH) and at construction costs related to Jaguar Residence Hall (UHV).
 - Issued 04-15-2010.
 - \$18,255,000; all bonds authorized have been issued (UH – \$16,620,000 and UHV – \$1,635,000).
 - Source of revenue for debt service – Designated tuition and various other fees, revenues and balances that may be legally available for payment of debt obligations.

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

- Source of revenue for debt service – Tuition and various other fees, revenues and balances that may be legally available for payment of debt obligations. (Funding for fiscal year 2016 partially from Legislative Appropriation-Tuition Revenue Bonds.)
 - Average interest rate of bonds refunded - 4.464013%.
 - Net proceeds from refunding series - \$89,366,528.00, after receipt of bond premium of \$12,525,317.05 and additional available funds of \$1,427,621.11 and payment of \$226,410.16 in underwriting fees, insurance, and other issuance costs.
 - Sufficient funds were deposited with an escrow agent to provide for full payment of all outstanding obligations related to the 2002-A and 2002-B series bonds, after they were called for early redemption on 02-15-2012.
 - The 2002-A and 2002-B series bonds maturing subsequent to 02-15-2012 are considered fully defeased and the obligation for those bonds has been removed from the reported liabilities of the System.
 - Refunding of the 2002-A and 2002-B series bonds reduced the System's debt service payments over the life of the bond issues by approximately \$12,683,166.71.
 - Economic gain - \$11,417,870.29; the difference between the net present value of the old and new debt service payments.
 - Outstanding bonds maturing subsequent to 02-15-2016, totaling \$7,360,000 were extinguished early by using existing assets.
- **Consolidated Revenue and Refunding Bonds, Series 2011-B**
 - To (a) defease certain outstanding commercial paper notes of the System and (b) finance the acquisition, purchase, construction, improvement, enlargement, and equipping of property, buildings, structures, activities, services, operations and other facilities, roads, or related infrastructure for or on behalf of the System, including individual campuses of the System.
 - In addition to the defeasement of the commercial paper note above, the proceeds were used to finance construction costs for West Dining Hall and renovation of the University Center (UH).
 - Issued 12-29-2011.
 - \$21,310,000; all bonds authorized have been issued (UH – \$21,310,000).
 - Source of revenue for debt service – Designated tuition and various other fees, revenues and balances that may be legally available for payment of debt obligations.
- **Consolidated Revenue and Refunding Bonds, Series 2013-A**
 - To (a) refund and defease \$5,175,000 of Consolidated Revenue Refunding Bonds, Series 2003; \$16,355,000 of Consolidated Revenue Bonds, Series 2005; and \$10,415,000 of Consolidated Revenue and Refunding Bonds, Series 2006, and (b) finance the acquisition, purchase, construction, improvement, enlargement, and equipping of property, buildings, structures, activities, services, operation and other facilities, roads, or related infrastructure for or on behalf of the System, including individual campuses of the System.
 - In addition to the defeasement of the bonds noted above, the proceeds were used to finance the acquisition, construction, or renovation of the Girard Street Parking Garage (UHD), Jaguar Court Residence Facility (UHV), and UH Energy Research Park renovations and improvements (UH), and (b) to defease certain outstanding commercial paper notes of the System.
 - Issued 9-17-2013.
 - \$50,155,000; all bonds authorized have been issued (\$30,110,000 refunding bonds: UH - \$20,335,000, UHD – \$9,605,000, and UHV – \$170,000; and \$20,045,000 revenue bonds: UH – \$10,045,000, UHD – \$6,035,000, and UHV – \$3,965,000).
 - Source of revenue for debt service – Tuition and various other fees, revenues and balances that may be legally available for payment of debt obligations. (Funding for fiscal year 2016 partially from Legislative Appropriation-Tuition Revenue Bonds.)
 - Average interest rate of bonds refunded - 4.74%.
 - Net proceeds from refunding series - \$33,077,545.71, after receipt of bond premium of \$3,186,375.65 and payment of \$218,829.94 in underwriting fees, insurance, and other issuance costs.
 - Sufficient funds were deposited with an escrow agent to provide for full payment of all outstanding obligations related to the 2003, 2005, and 2006 series bonds, after they were called for early redemption on 02-15-2015.
 - The advance refunded 2003, 2005, and 2006 series bonds maturing subsequent to 02-15-2015 are considered fully defeased and the obligation for those bonds has been removed from the reported liabilities of the System.

- Refunding of the 2003, 2005, and 2006 series bonds reduced the System's debt service payments over the life of the bond issues by approximately \$3,116,482.36.
 - Economic gain - \$2,640,370.82; the difference between the net present value of the old and new debt service payments.
 - Accounting Loss (deferred outflow of resources) - \$515,099.28; the accounting loss (the difference between the reacquisition price and the net carrying value of the refunded bonds) resulted from the advance refunding.
- **Consolidated Revenue and Refunding Bonds, Series 2013-B**
 - To (a) defease certain outstanding commercial paper notes of the System and (b) finance the acquisition, purchase, construction, improvement, enlargement, and equipping of property, buildings, structures, activities, services, operations and other facilities, roads, or related infrastructure for or on behalf of the System, including individual campuses of the System.
 - In addition to the defeasement of the commercial paper note above, the proceeds were used to finance the construction of a Football Stadium (UH), a Multidisciplinary Research and Engineering Building (UH), UH Energy Research Park renovations and improvements (UH), and Jaguar Court Residence Facility (UHV).
 - Issued 9-17-2013.
 - \$102,420,000; all bonds authorized have been issued (UH – \$101,200,000 and UHV – \$1,220,000) .
 - Source of revenue for debt service – Designated tuition and various other fees, revenues and balances that may be legally available for payment of debt obligations.
- **Consolidated Revenue Refunding Bonds, Series 2014**
 - To refund \$18,385,000 of Consolidated Revenue Bonds, Series 2006; and \$32,715,000 of Consolidated Revenue and Refunding Bonds, Series 2006.
 - Issued 11-18-2014.
 - \$47,915,000; all bonds authorized have been issued (UH – \$29,525,000, UHD – \$17,765,000, and UHV – \$625,000).
 - Source of revenue for debt service – Tuition and various other fees, revenues and balances that may be legally available for payment of debt obligations. (Funding for fiscal year 2016 partially from Legislative Appropriation-Tuition Revenue Bonds.)
 - Average interest rate of bonds refunded - 4.67%.
 - Net proceeds from refunding series - \$52,309,205.77, after receipt of bond premium of \$5,037,241.05 and payment of \$643,035.28 in underwriting fees, insurance, and other issuance costs.
 - Sufficient funds were deposited with an escrow agent to provide for full payment of all outstanding obligations related to the 2006 series bonds, after they were called for early redemption on 02-15-2015.
 - The advance refunded 2006 series bonds maturing subsequent to 02-15-2015 are considered fully defeased and the obligation for those bonds has been removed from the reported liabilities of the System.
 - Refunding of the 2006 series bonds reduced the System's debt service payments over the life of the bond issues by approximately \$9,051,334.58.
 - Economic gain - \$7,400,593.85; the difference between the net present value of the old and new debt service payments.
 - Accounting Gain (deferred inflow of resources) - \$445,456.16; the accounting gain (the difference between the reacquisition price and the net carrying value of the refunded bonds) resulted from the advance refunding.
- **Consolidated Revenue and Refunding Bonds, Series 2016-A**
 - To (a) refund and defease \$67,525,000 of Consolidated Revenue and Refunding Bonds, Series 2008, and (b) finance the acquisition, purchase, construction, improvement, enlargement, and equipping of property, buildings, structures, activities, services, operations and other facilities, roads, or related infrastructure for or on behalf of the System, including individual campuses of the System.
 - In addition to the defeasement of the bonds noted above, the proceeds were used to finance the acquisition, construction, or renovation of Sophomore housing facilities – 3200 N. Ben Wilson Residence Facility (UHV), and (b) to defease certain outstanding commercial paper notes of the System.
 - Issued 2-16-2016.
 - \$100,650,000; all bonds authorized have been issued (\$63,605,000 refunding bonds: UHSA - \$10,260,000, UH – \$49,480,000, and UHV – \$3,865,000; and \$37,045,000 revenue bonds: UH – \$21,290,000, UHSA – \$6,910,000, and UHV – \$8,845,000).
 - Source of revenue for debt service – Designated Tuition and various other fees, revenues and balances that may be legally available for payment of debt obligations.

- Average interest rate of bonds refunded - 5.106634%.
 - Net proceeds from refunding series - \$73,326,358.81, after receipt of bond premium of \$10,146,107.80 and payment of \$424,748.99 in underwriting fees, insurance, and other issuance costs.
 - Sufficient funds were deposited with an escrow agent to provide for full payment of all outstanding obligations related to the 2008 series bonds maturing subsequent to 02-15-2019, after they are called for early redemption on 02-15-2018.
 - The advance refunded 2008 series bonds maturing subsequent to 02-15-2019 are considered fully defeased and the obligation for those bonds has been removed from the reported liabilities of the System.
 - Refunding of the 2008 series bonds reduced the System's debt service payments over the life of the bond issues by approximately \$11,368,241.94.
 - Economic gain - \$9,431,071.76; the difference between the net present value of the old and new debt service payments.
 - Accounting Loss (deferred outflow of resources) - \$3,725,515.23; the accounting loss (the difference between the reacquisition price and the net carrying value of the refunded bonds) resulted from the advance refunding.
- **Consolidated Revenue and Refunding Bonds, Series 2016-B**
 - To (a) defease certain outstanding commercial paper notes of the System and (b) finance the acquisition, purchase, construction, improvement, enlargement, and equipping of property, buildings, structures, activities, services, operations and other facilities, roads, or related infrastructure for or on behalf of the System, including individual campuses of the System.
 - In addition to the defeasement of the commercial paper note above, the proceeds were used to finance a portion of the Multidisciplinary Research and Engineering Building (UH), Science, Technology, Engineering, and Mathematics Building (UHCL), and Health and Biomedical Building 2 (UH).
 - Issued 2-16-2016.
 - \$184,350,000; all bonds authorized have been issued (UH – \$120,300,000 and UHCL – \$64,050,000).
 - Source of revenue for debt service – Designated tuition and various other fees, revenues and balances that may be legally available for payment of debt obligations. (Funding for fiscal year 2016 partially from Legislative Appropriations–Tuition Revenue Bonds.)

Pledged Future Revenues

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

| | Government Activities | | Business-Type Activities | | Component Units | |
|--|-----------------------|----|--------------------------|------------------|-----------------|----|
| Pledged revenue required for future principal and interest on existing revenue bonds | \$ | NA | \$ | 1,463,570,226.03 | \$ | NA |
| Term of commitment year ending 08/31 | | NA | | 2047 | | NA |
| Percentage of revenue pledged | | NA | | 100% | | NA |
| Current year pledged revenue | \$ | NA | \$ | 852,191,344.97 | \$ | NA |
| Current year principal and interest paid | \$ | NA | \$ | 82,123,157.19 | \$ | NA |

Pledged revenue sources:

Governmental activities – None.

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

Component Units – None.

Build America Bonds

Build America Bonds (BABs) were created as part of the federal American Recovery and Reinvestment Act of 2009 (ARRA). Taxable bonds were issued by governmental entities, including state agencies and state universities, as Tax Credit BABs or as Direct Payment BABs. Tax Credit BABs provide a federal tax credit to investors equal to 35 percent of the interest received from the bond issuer. Direct Payment BABs provide a direct federal reimbursement to state and local governmental issuers equal to 35 percent of the interest paid on the bonds. Authority to issue BAB's expired on December 31, 2010.

During the 2010 fiscal year the University of Houston System issued \$79,975,000 of Consolidated Revenue and Refunding Bonds, Series 2010-B, taxable revenue bonds under the Direct Payment BABs program. A balance of \$79,975,000 remained outstanding at August 31, 2016. No Tax Credit BABs were issued.

Pursuant to the requirements of the Balanced Budget Emergency Deficit Control Act of 1985, as amended, certain automatic reductions occurred as of March 1, 2013, until further amended. These reductions apply to certain qualified bonds, including BABs. The sequestration reduction applicable to the Series 2010-B bonds was \$107,450.08. The full amount of interest due to bond holders was paid by the System.

NOTE 7: Derivative Instruments

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

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

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

As of August 31, 2016, the System had no investments in Derivative Instruments.

NOTE 8: Leases**Operating Leases**

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

| <u>Fund Type</u> | <u>Amount</u> |
|------------------|------------------|
| Proprietary Fund | \$ 12,499,460.41 |

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

| <u>Year Ending August 31,</u> | <u>Amount</u> |
|---|-------------------------|
| 2017 | \$ 9,999,568.33 |
| 2018 | 7,499,676.25 |
| 2019 | 4,999,784.16 |
| 2020 | 2,499,892.08 |
| 2021 | 1,249,946.04 |
| 2022-2026 | 3,124,865.10 |
| 2027-2031 | 1,562,432.55 |
| Total Minimum Future Lease Rental Payments | <u>\$ 30,936,164.51</u> |

Capital Leases

The System has entered into long-term leases for financing the purchase of certain capital assets. Such leases are classified as capital leases for accounting purposes and are recorded at the present value of the future minimum lease payments at the inception of the lease. A summary of the original capitalized costs of all such property under lease in addition to the accumulated depreciation as of August 31, 2016 is as follows:

Assets Under Capital Leases
Year Ended August 31, 2016

| Primary Government – Business-Type Activities | | | |
|---|----------------------------|---------------------------|-----------------|
| Class of Property | Assets under Capital Lease | Sum of Principal Payments | Total |
| Buildings | \$ 9,650,588.00 | \$ 2,353,041.91 | \$ 7,297,546.09 |
| Total | \$ 9,650,588.00 | \$ 2,353,041.91 | \$ 7,297,546.09 |

| Primary Government – Business-Type Activities | | | |
|---|----------------------------|--------------------------|-----------------|
| Class of Property | Assets under Capital Lease | Accumulated Depreciation | Total |
| Buildings | \$ 9,650,588.00 | \$ 2,057,769.05 | \$ 7,592,818.95 |
| Total | \$ 9,650,588.00 | \$ 2,057,769.05 | \$ 7,592,818.95 |

Future Capital Lease Payments
Year Ending August 31, 2016

| Primary Government – Business-Type Activities | | | |
|---|-----------------|-----------------|-------------------------------------|
| Year | Principal | Interest | Total Future Minimum Lease Payments |
| 2017 | \$ 537,658.77 | \$ 301,051.00 | \$ 838,709.77 |
| 2018 | 541,470.91 | 273,761.09 | 815,232.00 |
| 2019 | 547,015.13 | 247,873.99 | 794,889.12 |
| 2020 | 550,123.04 | 221,434.24 | 771,557.28 |
| 2021 | 559,321.65 | 197,809.47 | 757,131.12 |
| 2022-2026 | 2,847,602.54 | 621,515.86 | 3,469,118.40 |
| 2027-2031 | 1,714,354.05 | 97,116.61 | 1,811,470.66 |
| Total | \$ 7,297,546.09 | \$ 1,960,562.26 | \$ 9,258,108.35 |

NOTE 9: Pension Plans and Optional Retirement Program

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

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

The contributions made by plan members and employers for the fiscal year ended August 31, 2016 are:

| | <u>TRS Participants</u> | <u>ORP Participants</u> | <u>Total Contributions</u> |
|------------------------|-----------------------------|-----------------------------|--------------------------------|
| Member Contributions | \$ 24,043,158.45 | \$ 13,802,353.00 | \$ 37,845,511.45 |
| Employer Contributions | <u>22,797,602.87</u> | <u>15,062,806.00</u> | <u>37,860,408.87</u> |
| Total | <u>\$ 46,840,761.32</u> | <u>\$ 28,865,159.00</u> | <u>\$ 75,705,920.32</u> |

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

- ERS – the Employees Retirement System of Texas Plan (ERS), the Law Enforcement and Custodial Officer Supplemental Retirement Plan (LECOS), the Judicial Retirement System of Texas Plan One (JRS1) and Judicial Retirement System of Texas Plan Two (JRS2).
- TRS – the Teacher Retirement System of Texas (TRS) plan.
- TESRS – the Texas Emergency Services Retirement System (TESRS) plan.

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

TRS Plan

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

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

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

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

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

During the measurement period of 2015 for fiscal 2016 reporting, the amount of the University of Houston System’s contributions recognized by the plan was \$14,853,640. The contribution rates for the state and the members in the measurement period are presented in the table below:

Required Contribution Rates

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

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

Actuarial Methods and Assumptions

| | TRS Plan |
|--|---|
| Actuarial Valuation Date | August 31, 2015 |
| Actuarial Cost Method | Individual Entry Age Normal |
| Amortization Method | Level Percent, Open |
| Actuarial Assumptions: | |
| Discount Rate | 8.0% |
| Investment Rate of Return | 8.0% |
| Inflation | 2.50% |
| Salary Increase | 3.50% to 9.50% including inflation |
| Mortality: | |
| Active | 90% of the RP 2014 Employee Mortality Tables for males and females |
| Post-Retirement | 2015 TRS Healthy Pensioner Mortality Tables |
| Ad Hoc Post-Employment Benefit Changes | None |

The actuarial assumptions used in valuation were primarily based on the result of an actuarial experience study for the four-year period ending August 31, 2014 and adopted on September 2015. There have been changes in inflation, salary increase and mortality assumptions since the prior measurement date. The inflation assumption changed from 3.00% to 2.50%. The salary increase assumption changed from a range of 4.25% to 7.25% to a range of 3.50% to 9.50% including inflation. The mortality assumption changed from the one based on 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 and contribution provisions of the plan since the prior measurement date.

The discount rate of 8% was applied to measure the total pension liability. There has been no change in the discount rate since the prior measurement period. The projected cash flows into and out of the pension plan assumed that members, employers, and non-employer contributing entity make their contributions at the statutorily required rates. Under this assumption, the pension plan's fiduciary net position is projected to be sufficient to make all future pension benefit payments of current plan members. Therefore, the 8% long-term expected rate of return on pension plan investments was used as the discount rate without incorporating the municipal bond rate.

The long-term expected rate of return on plan investments was developed using a 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.

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

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

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

Sensitivity of the University of Houston System's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

| 1% Decrease (7%) | Current Discount Rate (8%) | 1% Increase (9%) |
|---------------------|-------------------------------|---------------------|
| \$ 277,829,270 | \$ 177,321,437 | \$ 93,604,658 |

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

At August 31, 2016, the University of Houston System reported a liability of \$177,321,437 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of August 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The University of Houston System's proportion at August 31, 2015 was 0.5016354 percent which was a decrease from the 0.5654400 percent measured at the prior measurement date. The University of Houston 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 non-employer contributing entity to the plan for the period September 1, 2014 through August 31, 2015.

For the year ending August 31, 2016, the University of Houston System recognized pension expense of \$15,698,248. At August 31, 2016, the University of Houston System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|--|
| Difference between expected and actual experience | \$ 1,942,635 | \$ 6,814,621 |
| Changes of assumptions | 8,164,942 | 6,326,052 |
| Net difference between projected and actual investment return | 9,048,051 | 0 |
| Change in proportion and contribution difference | 0 | 14,597,816 |
| Contributions subsequent to the measurement date | 13,435,959 | 0 |
| Total | \$ 32,591,587 | \$ 27,738,489 |

The \$13,435,959 reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending August 31, 2017.

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

| <u>Year Ending August 31,</u> | <u>Amount</u> |
|-------------------------------|----------------|
| 2017 | \$ (3,276,849) |
| 2018 | (3,276,849) |
| 2019 | (3,276,849) |
| 2020 | 8,263,909 |
| 2021 | (2,775,061) |
| Thereafter | (4,241,163) |

NOTE 10: Deferred Compensation (Administering Agencies Only)

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

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

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

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

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

NOTE 12: Interfund Activity and Transactions

The System experienced routine transfers with other state agencies that were consistent with the activities of the fund making the transfer. The System has no interfund activity to report.

NOTE 13: Continuance Subject to Review

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

NOTE 14: Adjustments to Fund Balances/Net Position

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

Table 14.1 – Restatement of Net Position for FY2016

| | <u>Enterprise Funds</u> |
|--|----------------------------|
| Fund Balance/Net Position, 09/01/15 | \$ 1,448,966,032.79 |
| Current Year Restatements | <u>897,664.18</u> |
| Fund Balance/Net Position, 09/01/15 Restated | <u>\$ 1,449,863,696.97</u> |

Table 14.2 – Changes in Net Position for FY2015

| | <u>Enterprise Funds</u> |
|---|-------------------------|
| Change in Net Position, 08/31/15 | \$ 42,438,776.60 |
| Current Year Restatements | <u>897,664.18</u> |
| Change in Net Position, 08/31/15 Restated | <u>\$ 43,336,440.78</u> |

A restatement of \$897,664.18 in Enterprise Funds is due to corrections related to asset valuation in the prior period.

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

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

Federal Assistance

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

Arbitrage

Rebatable arbitrage is defined by Internal Revenue Code, Section 148, as earnings on investments purchased with the gross proceeds of a bond issue in excess of the amount that would have been earned if the investment were invested at a yield equal to the yield on the bond issue. The rebatable arbitrage must be paid to the federal government.

The System monitors its investments to restrict earnings to a yield less than the bond issue and, therefore, limit any arbitrage liability. The System estimates that rebatable arbitrage liability, if any, will be immaterial to its overall financial conditions.

Construction Commitments

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

Investment Funds

The System has entered into contractual commitments to fund private investments made by external investment managers. Investments in which a public market does not exist have an inherent uncertainty of valuation. Because of this uncertainty, the estimate of fair value for alternative investments may differ from the values that would have been used had a ready market existed. As displayed in Note 3, the fair value of Externally Managed Investments is: Domestic – \$109,746,450.43 and International – \$232,451,751.31. The total amount of unfunded commitment is: \$104,203,248.00, composed of Domestic – \$47,335,217.00 and International – \$56,868,031.00.

NOTE 16: Subsequent Events

As of the date this report was issued, there have been no additional events since August 31, 2016 that had a significant financial impact and require disclosure.

NOTE 17: Risk Management

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

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

The System's liabilities are reported when it is both probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Liabilities are reevaluated periodically to consider current settlements, frequency of claims, past experience and economic factors. There were no significant reductions in insurance coverage in the past year and losses did not exceed funding arrangements during the past three years. Changes in the balances of the agency's claims liabilities during fiscal 2015 and 2016 were:

Table 17.1 – Balance of Claims Activity

| | Beginning Balance | Increase | Decrease | Ending Balance |
|------|----------------------|-----------------|---------------|-------------------|
| 2016 | \$ 217,569.83 | \$ 1,024,015.56 | \$ 985,473.99 | \$ 256,111.40 |
| 2015 | \$ 197,572.25 | \$ 1,002,659.87 | \$ 982,662.29 | \$ 217,569.83 |

Liabilities include an amount for estimated future workers' compensation and unemployment claims that have been incurred as of the fiscal year end, but that have not been reported. 2016 Increases and Decreases also include current year assessments and payments of legal settlements in the amount of \$162,371.98. Payments for worker's compensation claims of \$549,664.98 and for unemployment claims of \$273,437.03 make up the remainder of the Decrease total of \$985,473.99.

NOTE 18: Management's Discussion and Analysis

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

NOTE 19: The Financial Reporting Entity

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

Privatized Student Housing Facilities

Several student housing facility projects have been constructed by private external entities in order to enhance the residential life experience of students at various System campuses. The participating entities have financed and constructed housing complexes on System owned property adjacent to the university campuses. These facilities are operated under ground leases and management agreements with the System for extended time periods. Under the terms of the agreements, cash revenues from rental income, net of operating expenses, are shared with the System. If cash revenues do not attain certain contractually defined thresholds, the System may be liable to the external management entity for the deficiency. In prior fiscal years, contingent liability payments were made by University of Houston. During the 2015 and 2016 fiscal years net cash flows were sufficiently adequate so as not to generate a liability payment. System management believes that current financial and occupancy performance indicates that future years' net cash flows for each residential facility will be sufficient and that future contingent liabilities for the remaining properties will not occur. Repayment of project financing is serviced from revenues generated by the housing projects, and it is the sole responsibility of the external entity. The related loans and bonds are not liabilities of the System or component universities, and are not contained in the financial statements of the System. American Campus Communities operates the Cullen Oaks residential facilities at the University of Houston. Campus Living Villages operates the Cambridge Oaks facility at the University of Houston campus and the University Forest facility at the University of Houston - Clear Lake.

NOTE 20: Stewardship, Compliance and Accountability

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

NOTE 21: N/A

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

NOTE 22: Donor Restricted Endowments

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

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

The net appreciation (cumulative and unexpended) on donor-restricted endowments, presented below in Table 22.1, is available for authorization and expenditure by the System.

Table 22.1 – Net Appreciation of Endowments

| <u>Donor-Restricted Endowments</u> | <u>Amount of Net Appreciation/(Depreciation)</u> | <u>Reported in Net Assets</u> |
|--|--|-------------------------------|
| True Endowments | \$ 104,167,289.94 | Restricted Expendable |
| Term Endowments | 227,326.22 | Restricted Expendable |
| Total | <u>\$ 104,394,616.16</u> | |

(A fair market value decrease of \$3,985,497.82 was recognized for endowments at or above historical cost, and a fair market value decrease of \$24,995.94 was recognized for endowments below historical cost.)

Variations from prior year-end for expendable and nonexpendable balances are shown in Table 22.2:

Table 22.2 - Changes from Prior Year Balances:

| Endowment Funds | Increase/(Decrease) | Reason for Change |
|--------------------------------|---------------------|--------------------------------------|
| Expendable Balances | | |
| True Endowments | 11,328,497.38 | Fair value increase in portfolio |
| True Endowments | (20,792,672.50) | Spending distribution from Endowment |
| Term Endowments | 60,065.20 | Fair value increase in portfolio |
| Term Endowments | (14,314.00) | Spending distribution from Endowment |
| Non-Expendable Balances | | |
| True Endowments | 0.00 | |
| Term Endowments | 0.00 | |

NOTE 23: Extraordinary and Special Items

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

NOTE 24: Disaggregation of Receivable & Payable Balances

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

A. Taxes Receivable

No reportable balances for this classification.

B. Federal Receivable

No reportable balances for this classification.

C. Tax Refunds Payable

No reportable balances for this classification.

D. Other Receivables - Current

No reportable balances for this classification.

E. Other Payables – Current

No reportable balances for this classification.

F. Other Receivables – Non-Current

No reportable balances for this classification.

G. Other Payables – Non-Current

No reportable balances for this classification.

NOTE 25: Termination Benefits

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

NOTE 26: Segment Information

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

NOTE 27: Service Concession Arrangements

As of August 31, 2016, the System has no agreements that are qualified as Service Concession Agreements.

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

In fiscal 2016, The System reported deferred outflows of resources and deferred inflows of resources in connection with the TRS pension plan.

| <u>As of August 31, 2016</u> | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|---|--|
| Loss/Gain on Bond Refunding Pension Plans | \$ 2,794,136.42 | \$ |
| | <u>32,591,587.00</u> | <u>27,738,489.00</u> |
| Total | <u>\$ 35,385,723.42</u> | <u>\$ 27,738,489.00</u> |

Deferred outflows of resources represent a consumption of net position that applies to a future period and therefore will not be recognized as an expense or expenditure until that time.

Deferred inflows of resources represent an acquisition of net position that applies to a future period and therefore will not be recognized as revenue until that time.

NOTE 29: Troubled Debt Restructuring

No debts have been identified that fall under the troubled debt restructuring guidelines of GASB 62.

NOTE 30: Non-Exchange Financial Guarantees

As of August 31, 2016, the System has no non-exchange financial guarantees; therefore, there are no balances to be reported.

Blank Page

UNIVERSITY OF HOUSTON SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION

Unaudited

Schedule TRS-A
 University of Houston System (797)
 Schedule of the University of Houston System's Proportionate Share of the Net Pension Liability
 Teacher Retirement System of Texas Plan
 Fiscal Year Ended August 31, 2016

| | <u>2016</u> | <u>2015</u> |
|---|----------------|----------------|
| University of Houston System's Proportion of the Net Pension Liability (Asset) | 0.5016354% | 0.5654400% |
| University of Houston System's Proportionate Share of the Net Pension Liability (Asset) | \$ 177,321,437 | \$ 151,067,659 |
| University of Houston System's Covered Payroll | \$ 192,869,401 | \$ 207,258,022 |
| University of Houston System's Proportionate Share of the Net Pension Liability (Asset) As a Percentage of its Covered Payroll | 91.94% | 72.89% |
| University of Houston System's Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 78.43% | 83.25% |

This schedule will be presented on a prospective basis in accordance with GASB 68, paragraph 138.
 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 as it becomes available.

Blank Page

Unaudited

Schedule TRS-B
 University of Houston System (797)
 Schedule of the University of Houston System's Contributions
 Teacher Retirement System of Texas Plan
 Fiscal Year Ended August 31, 2016

| Contributions | 2015 | 2015 | 2014 |
|---|----------------|----------------|----------------|
| Statutorily Required Contributions | \$ 13,435,959 | \$ 14,853,640 | \$ 14,335,475 |
| Contributions in Relation to the Statutorily Required Contributions | \$ 13,435,959 | \$ 14,853,640 | \$ 14,335,475 |
| Contribution Deficiency (Excess) | \$ 0 | \$ 0 | \$ 0 |
| University of Houston System's Covered-Employee Payroll | \$ 173,287,551 | \$ 192,869,401 | \$ 207,258,022 |
| Contributions as a Percentage of Covered-Employee Payroll | 7.75% | 7.70% | 6.92% |

This schedule will be presented on a prospective basis in accordance with GASB 68, paragraph 138.
 This schedule is intended to present 10 years of information. Currently only three years of information is available.
 Information for future years will be added as it becomes available.

UNIVERSITY OF HOUSTON SYSTEM
SUPPORTING SCHEDULES

Unaudited

Schedule 2-A
University of Houston System (797)
Combined Schedule of Miscellaneous Bond Information
For the Year Ended August 31, 2016

| Business-Type Activities Revenue Bonds | Description of Issue | Issued Year | Bonds Issued to Date | Range of Interest Rates | Terms Of Variable Interest Rate | Scheduled Maturities | | First Call Date |
|---|--|---------------|----------------------------|-------------------------|---------------------------------------|----------------------|-----------|-----------------|
| | | | | | | First Year | Last Year | |
| Consolidated Revenue Refunding Bonds Self-supporting Revenue Bonds | | | | | | | | |
| | Consolidated Revenue & Refunding Bonds Series | 2008 | 175,030,000.00 | 4.0000% - 5.2500% | | 2008 | 2038 | 2/15/2019 |
| | Consolidated Revenue & Refunding Bonds Series | 2009 | 108,395,000.00 | 3.0000% - 5.0000% | | 2009 | 2033 | 2/15/2019 |
| | Consolidated Revenue & Refunding Bonds Series | 2009-A | 71,175,000.00 | 4.0000% - 5.0000% | | 2010 | 2034 | 2/15/2019 |
| | Consolidated Revenue & Refunding Bonds Series | 2010-A | 23,305,000.00 | 4.2500% - 6.1250% | | 2011 | 2035 | 2/15/2020 |
| | Consolidated Revenue & Refunding Bonds Series | 2010-B | 79,975,000.00 | 4.4500% - 6.3100% | | 2017 | 2035 | 2/15/2020 |
| | Consolidated Revenue & Refunding Bonds Series | 2010-C | 18,255,000.00 | 2.0000% - 4.0000% | | 2011 | 2016 | N/A |
| | Consolidated Revenue & Refunding Bonds Series | 2011-A | 285,500,000.00 | 2.0000% - 5.0000% | | 2013 | 2043 | 2/15/2021 |
| | Consolidated Revenue & Refunding Bonds Series | 2011-B | 21,310,000.00 | 2.7500% - 4.8500% | | 2013 | 2037 | N/A |
| | Consolidated Revenue & Refunding Bonds Series | 2013-A | 50,155,000.00 | 3.0000% - 5.0000% | | 2013 | 2033 | 2/15/2022 |
| | Consolidated Revenue & Refunding Bonds Series | 2013-B | 102,420,000.00 | 0.3500% - 5.0400% | | 2013 | 2037 | 2/15/2022 |
| | Consolidated Revenue Refunding Bond Series | 2014 | 47,915,000.00 | 2.0000% - 5.0000% | | 2015 | 2030 | 2/15/2024 |
| | Consolidated Revenue & Refunding Bonds Series | 2016-A | 100,650,000.00 | 4.0000% - 5.0000% | | 2017 | 2047 | 2/15/2025 |
| | Consolidated Revenue & Refunding Bonds Series | 2016-B | 184,350,000.00 | 2.5000% - 3.5900% | | 2017 | 2036 | 2/15/2025 |
| Consolidated Revenue Bonds Self-supporting Revenue Bonds | | | | | | | | |
| | Consolidated Revenue Variable Rate Demand Bonds Series | 2004 | 25,000,000.00 | VAR - VAR | Weekly | 2006 | 2024 | 8/15/2004 |
| | | | <u>\$ 1,273,435,000.00</u> | | | | | |

Blank Page

Unaudited

Schedule 2-B
University of Houston System (797)
Combined Schedule Of Changes In Bonded Indebtedness
For The Year Ended August 31, 2016

Business-Type Activities

| Description of Issue | Bonds | Bonds | Bonds | Bonds | Bonds | Bonds | Amounts Due Within One Year |
|---|----------------------------|-----------------------------|-------------------------|---|---|------------------------------------|-----------------------------|
| | Outstanding 09/01/2015 | Issued | Matured or Retired | Refunded or Extinguished | Outstanding 08/31/2016 | Net Bonds Outstanding 08/31/2015 | |
| General Obligation Bonds | | | | | | | |
| None | | | | | | | |
| Revenue Bonds | | | | | | | |
| Consolidated Revenue & Refunding Bonds Series 200i | \$ 145,125,000.00 | \$ | \$ 4,945,000.00 | \$ 67,525,000.00 | \$ 72,655,000.00 | \$ | \$ 5,292,951.83 |
| Consolidated Revenue & Refunding Bonds Series 200j | 82,980,000.00 | | 4,125,000.00 | | 78,855,000.00 | | 4,554,687.03 |
| Consolidated Revenue & Refunding Bonds Series 2009-f | 54,225,000.00 | | 3,590,000.00 | | 50,635,000.00 | | 3,994,526.33 |
| Consolidated Revenue & Refunding Bonds Series 2010-f | 20,185,000.00 | | 715,000.00 | | 19,470,000.00 | | 751,251.73 |
| Consolidated Revenue & Refunding Bonds Series 2010-E | 79,975,000.00 | | | | 79,975,000.00 | | 4,002,893.77 |
| Consolidated Revenue & Refunding Bonds Series 2010-C | 3,845,000.00 | | 3,845,000.00 | | | | |
| Consolidated Revenue & Refunding Bonds Series 2011-f | 234,000,000.00 | | 12,415,000.00 | 7,360,000.00 | 214,225,000.00 | | |
| Consolidated Revenue & Refunding Bonds Series 2011-E | 19,240,000.00 | | 740,000.00 | | 18,500,000.00 | | |
| Consolidated Revenue & Refunding Bonds Series 2013-f | 47,060,000.00 | | 3,530,000.00 | | 43,530,000.00 | | |
| Consolidated Revenue & Refunding Bonds Series 2013-E | 96,530,000.00 | | 3,410,000.00 | | 93,120,000.00 | | |
| Consolidated Revenue & Refunding Bonds Series 2016-f | | 100,650,000.00 | | | 100,650,000.00 | | |
| Consolidated Revenue & Refunding Bonds Series 2016-E | | 184,350,000.00 | | | 184,350,000.00 | | |
| Consolidated Revenue Refunding Bonds Series 201i | 47,220,000.00 | | 3,830,000.00 | | 43,390,000.00 | | |
| Consolidated Revenue Variable Rate Demand Bonds Series 200i | 3,405,000.00 | | 1,335,000.00 | 175,000.00 | 1,895,000.00 | | |
| Total Revenue Bonds | \$ 833,790,000.00 | \$ 285,000,000.00 | \$ 42,480,000.00 | \$ 75,060,000.00 | \$ 1,001,250,000.00 | \$ 1,001,250,000.00 | |
| | Unamortized Premium | Unamortized Discount | Issuance Costs | Unamortized Gain / (Loss) On Refunding | Net Bonds Outstanding 08/31/2015 | Amounts Due Within One Year | |
| Consolidated Revenue & Refunding Bonds Series 200i | \$ 1,975,649.30 | \$ | \$ | \$ | \$ 74,630,649.30 | \$ | 5,292,951.83 |
| Consolidated Revenue & Refunding Bonds Series 200j | 3,066,464.44 | | | | 81,921,464.44 | | 4,554,687.03 |
| Consolidated Revenue & Refunding Bonds Series 2009-f | 1,173,306.18 | | | | 51,808,306.18 | | 3,994,526.33 |
| Consolidated Revenue & Refunding Bonds Series 2010-f | 115,656.92 | | | | 19,585,656.92 | | 751,251.73 |
| Consolidated Revenue & Refunding Bonds Series 2010-E | 423,534.91 | | | | 80,398,534.91 | | 4,002,893.77 |
| Consolidated Revenue & Refunding Bonds Series 2010-C | 23,272,487.79 | | | | 237,497,487.79 | | 15,057,692.50 |
| Consolidated Revenue & Refunding Bonds Series 2011-f | 145,164.55 | | | | 18,645,164.55 | | 762,081.20 |
| Consolidated Revenue & Refunding Bonds Series 2013-f | 2,788,241.43 | | | | 46,318,241.43 | | 5,742,661.24 |
| Consolidated Revenue & Refunding Bonds Series 2013-E | 462,449.73 | | | | 93,582,449.73 | | 3,495,495.64 |
| Consolidated Revenue & Refunding Bonds Series 2016-f | 13,541,962.25 | | | | 114,191,962.25 | | 1,421,462.61 |
| Consolidated Revenue & Refunding Bonds Series 2016-E | 2,766,367.55 | | | | 187,116,367.55 | | 10,767,175.02 |
| Consolidated Revenue Refunding Bonds Series 201i | 4,336,876.07 | | | | 47,726,876.07 | | 2,647,937.52 |
| Consolidated Revenue Variable Rate Demand Bonds Series 200i | 34,841.77 | | | | 1,929,841.77 | | 1,399,645.57 |
| Total Revenue Bonds | \$ 54,103,002.89 | \$ | \$ | \$ | \$ 1,055,353,002.89 | \$ | 59,890,461.99 |

Blank Page

Unaudited
Schedule 2-C
University of Houston System (797)
Combined Schedule of Debt Service Requirements
For the Year Ended August 31, 2016

Business-Type Activities

| Description of Issue | Year | Principal | Interest | Total |
|--|-------------|-------------------------|-------------------------|--------------------------|
| General Obligations Bonds | | | | |
| Self-Supporting Bonds | | | | |
| None | | \$ | \$ | \$ |
| Not Self-Supporting Bonds | | | | |
| None | | \$ | \$ | \$ |
| Revenue Bonds | | | | |
| Self-Supporting Bonds | | | | |
| Consolidated Revenue & Refunding Bonds Series 2008 | 2017 | \$ 5,170,000.00 | \$ 3,472,125.00 | \$ 8,642,125.00 |
| | 2018 | 5,385,000.00 | 3,254,975.00 | 8,639,975.00 |
| | 2019 | 5,650,000.00 | 2,992,912.50 | 8,642,912.50 |
| | 2020 | 865,000.00 | 2,821,893.75 | 3,686,893.75 |
| | 2021 | 915,000.00 | 2,775,168.75 | 3,690,168.75 |
| | 2022 - 2026 | 7,000,000.00 | 12,967,987.50 | 19,967,987.50 |
| | 2027 - 2031 | 8,430,000.00 | 10,697,100.00 | 19,127,100.00 |
| | 2032 - 2036 | 25,385,000.00 | 7,157,375.00 | 32,542,375.00 |
| | 2037 - 2041 | 13,855,000.00 | 701,375.00 | 14,556,375.00 |
| | 2042 - 2046 | | | |
| | 2047 - 2051 | | | |
| | | <u>\$ 72,655,000.00</u> | <u>\$ 46,840,912.50</u> | <u>\$ 119,495,912.50</u> |
| Consolidated Revenue & Refunding Bonds Series 2009 | 2017 | \$ 4,310,000.00 | \$ 3,835,000.00 | \$ 8,145,000.00 |
| | 2018 | 4,530,000.00 | 3,614,000.00 | 8,144,000.00 |
| | 2019 | 4,765,000.00 | 3,381,625.00 | 8,146,625.00 |
| | 2020 | 5,000,000.00 | 3,137,500.00 | 8,137,500.00 |
| | 2021 | 5,265,000.00 | 2,880,875.00 | 8,145,875.00 |
| | 2022 - 2026 | 30,670,000.00 | 10,066,250.00 | 40,736,250.00 |
| | 2027 - 2031 | 22,035,000.00 | 2,591,875.00 | 24,626,875.00 |
| | 2032 - 2036 | 2,280,000.00 | 115,500.00 | 2,395,500.00 |
| | 2037 - 2041 | | | |
| | 2042 - 2046 | | | |
| | 2047 - 2051 | | | |
| | | <u>\$ 78,855,000.00</u> | <u>\$ 29,622,625.00</u> | <u>\$ 108,477,625.00</u> |

Unaudited
Schedule 2-C
University of Houston System (797)
Combined Schedule of Debt Service Requirements
For the Year Ended August 31, 2016

Business-Type Activities

| Description of Issue | Year | Principal | Interest | Total |
|--|-------------|-----------------|-------------------------|-------------------------|
| Consolidated Revenue & Refunding Bonds Series 2009-A | 2017 | \$ 3,775,000.00 | \$ 2,242,493.76 | \$ 6,017,493.76 |
| | 2018 | 3,960,000.00 | 2,049,118.76 | 6,009,118.76 |
| | 2019 | 4,140,000.00 | 1,867,318.76 | 6,007,318.76 |
| | 2020 | 1,875,000.00 | 1,747,018.76 | 3,622,018.76 |
| | 2021 | 1,950,000.00 | 1,670,518.76 | 3,620,518.76 |
| | 2022 - 2026 | 11,035,000.00 | 7,070,521.92 | 18,105,521.92 |
| | 2027 - 2031 | 13,810,000.00 | 4,295,000.00 | 18,105,000.00 |
| | 2032 - 2036 | 10,090,000.00 | 773,750.00 | 10,863,750.00 |
| | 2037 - 2041 | | | |
| | 2042 - 2046 | | | |
| | 2047 - 2051 | | | |
| | | | <u>\$ 50,635,000.00</u> | <u>\$ 21,715,740.72</u> |
| Consolidated Revenue & Refunding Bonds Series 2010-A | 2017 | \$ 745,000.00 | \$ 1,076,926.51 | \$ 1,821,926.51 |
| | 2018 | 775,000.00 | 1,042,689.01 | 1,817,689.01 |
| | 2019 | 810,000.00 | 1,004,032.76 | 1,814,032.76 |
| | 2020 | 855,000.00 | 962,407.76 | 1,817,407.76 |
| | 2021 | 900,000.00 | 917,857.76 | 1,817,857.76 |
| | 2022 - 2026 | 5,280,000.00 | 3,794,557.55 | 9,074,557.55 |
| | 2027 - 2031 | 6,260,000.00 | 2,077,637.04 | 8,337,637.04 |
| | 2032 - 2036 | 3,845,000.00 | 489,846.91 | 4,334,846.91 |
| | 2037 - 2041 | | | |
| | 2042 - 2046 | | | |
| | 2047 - 2051 | | | |
| | | | <u>\$ 19,470,000.00</u> | <u>\$ 11,365,955.30</u> |
| Consolidated Revenue & Refunding Bonds Series 2010-B | 2017 | \$ 3,980,000.00 | \$ 4,392,405.00 | \$ 8,372,405.00 |
| | 2018 | 4,110,000.00 | 4,208,292.50 | 8,318,292.50 |
| | 2019 | 4,235,000.00 | 4,008,977.50 | 8,243,977.50 |
| | 2020 | 4,375,000.00 | 3,794,751.25 | 8,169,751.25 |
| | 2021 | 4,520,000.00 | 3,567,666.50 | 8,087,666.50 |
| | 2022 - 2026 | 25,150,000.00 | 13,961,563.00 | 39,111,563.00 |
| | 2027 - 2031 | 27,885,000.00 | 5,966,719.25 | 33,851,719.25 |
| | 2032 - 2036 | 5,720,000.00 | 467,681.50 | 6,187,681.50 |
| | 2037 - 2041 | | | |
| | 2042 - 2046 | | | |
| | 2047 - 2051 | | | |
| | | | <u>\$ 79,975,000.00</u> | <u>\$ 40,368,056.50</u> |
| Consolidated Revenue & Refunding Bonds Series 2010-C | 2017 | \$ | \$ | \$ |
| | 2018 | | | |
| | 2019 | | | |
| | 2020 | | | |
| | 2021 | | | |
| | 2022 - 2026 | | | |
| | 2027 - 2031 | | | |
| | 2032 - 2036 | | | |
| | 2037 - 2041 | | | |
| | 2042 - 2046 | | | |
| | 2047 - 2051 | | | |
| | | | <u>\$</u> | <u>\$</u> |

Unaudited
Schedule 2-C
University of Houston System (797)
Combined Schedule of Debt Service Requirements
For the Year Ended August 31, 2016

Business-Type Activities

| Description of Issue | Year | Principal | Interest | Total | |
|--|--|------------------|--------------------------|--------------------------|--------------------------|
| Consolidated Revenue & Refunding Bonds Series 2011-A | 2017 | \$ 12,850,000.00 | \$ 10,390,000.00 | \$ 23,240,000.00 | |
| | 2018 | 13,175,000.00 | 9,739,375.00 | 22,914,375.00 | |
| | 2019 | 11,355,000.00 | 9,126,125.00 | 20,481,125.00 | |
| | 2020 | 11,970,000.00 | 8,543,000.00 | 20,513,000.00 | |
| | 2021 | 12,630,000.00 | 7,928,000.00 | 20,558,000.00 | |
| | 2022 - 2026 | 35,735,000.00 | 32,896,375.00 | 68,631,375.00 | |
| | 2027 - 2031 | 35,160,000.00 | 24,908,250.00 | 60,068,250.00 | |
| | 2032 - 2036 | 39,955,000.00 | 15,311,125.00 | 55,266,125.00 | |
| | 2037 - 2041 | 29,870,000.00 | 6,236,500.00 | 36,106,500.00 | |
| | 2042 - 2046 | 11,525,000.00 | 583,625.00 | 12,108,625.00 | |
| | 2047 - 2051 | | | | |
| | | | <u>\$ 214,225,000.00</u> | <u>\$ 125,662,375.00</u> | <u>\$ 339,887,375.00</u> |
| | Consolidated Revenue & Refunding Bonds Series 2011-B | 2017 | \$ 755,000.00 | \$ 758,192.51 | \$ 1,513,192.51 |
| 2018 | | 780,000.00 | 735,136.26 | 1,515,136.26 | |
| 2019 | | 805,000.00 | 709,380.01 | 1,514,380.01 | |
| 2020 | | 830,000.00 | 682,811.26 | 1,512,811.26 | |
| 2021 | | 860,000.00 | 655,348.76 | 1,515,348.76 | |
| 2022 - 2026 | | 4,795,000.00 | 2,782,925.06 | 7,577,925.06 | |
| 2027 - 2031 | | 4,040,000.00 | 1,808,085.63 | 5,848,085.63 | |
| 2032 - 2036 | | 4,580,000.00 | 832,087.50 | 5,412,087.50 | |
| 2037 - 2041 | | 1,055,000.00 | 25,583.75 | 1,080,583.75 | |
| 2042 - 2046 | | | | | |
| 2047 - 2051 | | | | | |
| | | | <u>\$ 18,500,000.00</u> | <u>\$ 8,989,550.74</u> | <u>\$ 27,489,550.74</u> |
| Consolidated Revenue & Refunding Bonds Series 2013-A | | 2017 | \$ 5,385,000.00 | \$ 1,845,681.26 | \$ 7,230,681.26 |
| | 2018 | 3,580,000.00 | 1,621,556.26 | 5,201,556.26 | |
| | 2019 | 3,785,000.00 | 1,437,431.26 | 5,222,431.26 | |
| | 2020 | 3,995,000.00 | 1,242,931.26 | 5,237,931.26 | |
| | 2021 | 4,210,000.00 | 1,037,806.26 | 5,247,806.26 | |
| | 2022 - 2026 | 13,580,000.00 | 3,046,781.30 | 16,626,781.30 | |
| | 2027 - 2031 | 6,140,000.00 | 1,342,068.78 | 7,482,068.78 | |
| | 2032 - 2036 | 2,855,000.00 | 140,015.63 | 2,995,015.63 | |
| | 2037 - 2041 | | | | |
| | 2042 - 2046 | | | | |
| | 2047 - 2051 | | | | |
| | | | <u>\$ 43,530,000.00</u> | <u>\$ 11,714,272.01</u> | <u>\$ 55,244,272.01</u> |
| | Consolidated Revenue & Refunding Bonds Series 2013-B | 2017 | \$ 3,470,000.00 | \$ 3,952,208.00 | \$ 7,422,208.00 |
| 2018 | | 3,545,000.00 | 3,876,740.50 | 7,421,740.50 | |
| 2019 | | 3,630,000.00 | 3,786,060.50 | 7,416,060.50 | |
| 2020 | | 3,745,000.00 | 3,679,036.75 | 7,424,036.75 | |
| 2021 | | 3,865,000.00 | 3,558,153.00 | 7,423,153.00 | |
| 2022 - 2026 | | 21,635,000.00 | 15,466,887.00 | 37,101,887.00 | |
| 2027 - 2031 | | 27,030,000.00 | 10,069,208.25 | 37,099,208.25 | |
| 2032 - 2036 | | 23,095,000.00 | 3,215,898.00 | 26,310,898.00 | |
| 2037 - 2041 | | 3,105,000.00 | 78,246.00 | 3,183,246.00 | |
| 2042 - 2046 | | | | | |
| 2047 - 2051 | | | | | |
| | | | <u>\$ 93,120,000.00</u> | <u>\$ 47,682,438.00</u> | <u>\$ 140,802,438.00</u> |

Unaudited
Schedule 2-C
University of Houston System (797)
Combined Schedule of Debt Service Requirements
For the Year Ended August 31, 2016

Business-Type Activities

| Description of Issue | Year | Principal | Interest | Total |
|---|-------------|----------------------------|--------------------------|----------------------------|
| Consolidated Revenue & Refunding Bonds Series 2014 | 2017 | \$ 2,280,000.00 | \$ 1,609,700.00 | \$ 3,889,700.00 |
| | 2018 | 2,100,000.00 | 1,544,000.00 | 3,644,000.00 |
| | 2019 | 2,155,000.00 | 1,480,175.00 | 3,635,175.00 |
| | 2020 | 2,225,000.00 | 1,414,475.00 | 3,639,475.00 |
| | 2021 | 2,300,000.00 | 1,346,600.00 | 3,646,600.00 |
| | 2022 - 2026 | 21,455,000.00 | 4,659,075.00 | 26,114,075.00 |
| | 2027 - 2031 | 10,875,000.00 | 691,825.00 | 11,566,825.00 |
| | 2032 - 2036 | | | |
| | 2037 - 2041 | | | |
| | 2042 - 2046 | | | |
| | 2047 - 2051 | | | |
| | | <u>\$ 43,390,000.00</u> | <u>\$ 12,745,850.00</u> | <u>\$ 56,135,850.00</u> |
| Consolidated Revenue & Refunding Bonds Series 2016-A | 2017 | \$ 570,000.00 | \$ 4,369,950.00 | \$ 4,939,950.00 |
| | 2018 | 955,000.00 | 4,331,825.00 | 5,286,825.00 |
| | 2019 | 1,005,000.00 | 4,282,825.00 | 5,287,825.00 |
| | 2020 | 6,100,000.00 | 4,105,200.00 | 10,205,200.00 |
| | 2021 | 6,405,000.00 | 3,792,575.00 | 10,197,575.00 |
| | 2022 - 2026 | 35,525,000.00 | 13,947,825.00 | 49,472,825.00 |
| | 2027 - 2031 | 29,015,000.00 | 6,787,700.00 | 35,802,700.00 |
| | 2032 - 2036 | 10,190,000.00 | 2,922,600.00 | 13,112,600.00 |
| | 2037 - 2041 | 4,360,000.00 | 1,754,400.00 | 6,114,400.00 |
| | 2042 - 2046 | 5,325,000.00 | 789,300.00 | 6,114,300.00 |
| | 2047 - 2051 | 1,200,000.00 | 24,000.00 | 1,224,000.00 |
| | | <u>\$ 100,650,000.00</u> | <u>\$ 47,108,200.00</u> | <u>\$ 147,758,200.00</u> |
| Consolidated Revenue & Refunding Bonds Series 2016-B | 2017 | \$ 10,520,000.00 | \$ 8,533,221.76 | \$ 19,053,221.76 |
| | 2018 | 13,815,000.00 | 5,247,153.25 | 19,062,153.25 |
| | 2019 | 14,275,000.00 | 4,790,690.75 | 19,065,690.75 |
| | 2020 | 14,725,000.00 | 4,337,847.00 | 19,062,847.00 |
| | 2021 | 15,120,000.00 | 3,927,972.00 | 19,047,972.00 |
| | 2022 - 2026 | 33,945,000.00 | 16,482,638.50 | 50,427,638.50 |
| | 2027 - 2031 | 38,265,000.00 | 11,104,445.25 | 49,369,445.25 |
| | 2032 - 2036 | 43,685,000.00 | 4,015,144.25 | 47,700,144.25 |
| | 2037 - 2041 | | | |
| | 2042 - 2046 | | | |
| | 2047 - 2051 | | | |
| | | <u>\$ 184,350,000.00</u> | <u>\$ 58,439,112.76</u> | <u>\$ 242,789,112.76</u> |
| Consolidated Revenue Variable Rate Demand Bonds Series 2004 | 2017 | \$ 1,395,000.00 | \$ 53,887.50 | \$ 1,448,887.50 |
| | 2018 | 500,000.00 | 11,250.00 | 511,250.00 |
| | 2019 | | | |
| | 2020 | | | |
| | 2021 | | | |
| | 2022 - 2026 | | | |
| | 2027 - 2031 | | | |
| | 2032 - 2036 | | | |
| | 2037 - 2041 | | | |
| | 2042 - 2046 | | | |
| | 2047 - 2051 | | | |
| | | <u>\$ 1,895,000.00</u> | <u>\$ 65,137.50</u> | <u>\$ 1,960,137.50</u> |
| Not Self-Supporting Bonds None | | \$ | \$ | \$ |
| Total | | <u>\$ 1,001,250,000.00</u> | <u>\$ 462,320,226.03</u> | <u>\$ 1,463,570,226.03</u> |

Unaudited
Schedule 2-C
University of Houston System (797)
Combined Schedule of Debt Service Requirements
For the Year Ended August 31, 2016

Business-Type Activities

| Description of Issue | Year | Principal | Interest | Total |
|------------------------------|-------------|----------------------------|--------------------------|----------------------------|
| Summary | | | | |
| All Bonds Issues, All Series | 2017 | \$ 55,205,000.00 | \$ 46,531,791.30 | \$ 101,736,791.30 |
| | 2018 | 57,210,000.00 | 41,276,111.54 | 98,486,111.54 |
| | 2019 | 56,610,000.00 | 38,867,554.04 | 95,477,554.04 |
| | 2020 | 56,560,000.00 | 36,468,872.79 | 93,028,872.79 |
| | 2021 | 58,940,000.00 | 34,058,541.79 | 92,998,541.79 |
| | 2022 - 2026 | 245,805,000.00 | 137,143,386.83 | 382,948,386.83 |
| | 2027 - 2031 | 228,945,000.00 | 82,339,914.20 | 311,284,914.20 |
| | 2032 - 2036 | 171,680,000.00 | 35,441,023.79 | 207,121,023.79 |
| | 2037 - 2041 | 52,245,000.00 | 8,796,104.75 | 61,041,104.75 |
| | 2042 - 2046 | 16,850,000.00 | 1,372,925.00 | 18,222,925.00 |
| | 2047 - 2051 | 1,200,000.00 | 24,000.00 | 1,224,000.00 |
| | | <u>\$ 1,001,250,000.00</u> | <u>\$ 462,320,226.03</u> | <u>\$ 1,463,570,226.03</u> |
| Total as shown above | | | | |

Unaudited

Schedule 2-D
 University of Houston System (797)
 Combined Analysis of Funds Available for Debt Service
 For the Year Ended August 31, 2016

Business-Type Activities
 General Obligation Bonds

| Description of Issue | Beginning Balance Available for Debt Service 09/01/2015 | Sources of Funds | | | | Total Sources Available |
|----------------------|---|--------------------------------|---------------------|---------------|-------------------------|-------------------------|
| | | Interest Earned on Investments | Pledged Sources | Other Sources | State's General Revenue | |
| | \$ | \$ | Operating Transfers | \$ | \$ | \$ |
| Total | \$ | \$ | | \$ | \$ | \$ |

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

| Ending Balance Available for Debt Service at 08/31/2016 | |
|---|--------|
| Required | Actual |
| \$ | \$ |
| Total | \$ |

Unaudited

Schedule 2-D

University of Houston System (797)
 Combined Analysis of Funds Available for Debt Service
 For the Year Ended August 31, 2016

Business-Type Activities
 Revenue Bonds

| Description of Issue | Pledged and Other Sources and Related Expenditure for FY 2015 | | | | | | | (a+b-c-d) Net Available for Debt Service |
|--|---|-----------------------------------|---------------------------|--------------------------|------------------|--------------------------------------|-------------------|--|
| | Operating Revenues | Interest Earned on Investments | Other Pledged Revenues | Total Pledged Sources | Other Sources | Operating Expenses & Expenditures | Capital Outlay | |
| Consolidated Revenue Refunding Bonds and Consolidated Revenue Bonds (A) | \$ | \$ 23.13 | \$ 852,191,321.84 | \$ 852,191,344.97 | \$ | \$ | \$ | \$ 852,191,344.97 |
| Total | \$ | \$ 23.13 | \$ 852,191,321.84 | \$ 852,191,344.97 | \$ | \$ | \$ | \$ 852,191,344.97 |

(A) Other Pledged Revenues Consist of
 Tuition and Fees
 Investment Income
 Sales and Service
 Legislative Appropriations

Total as shown above

(B) Expenditures associated with pledged
 sources were approximately \$ 710,328,490.85

| Description of Issue | Debt Service | | Refunded or Extinguished | Interest & Sinking Fund | | Reserve Fund | |
|--|-------------------------|-------------------------|-----------------------------|-------------------------|-----------|--------------|-----------|
| | Principal | Interest | | Minimum | Actual | Minimum | Actual |
| Consolidated Revenue & Refunding Bonds Series 2008 | \$ 4,945,000.00 | \$ 5,436,983.75 | \$ 67,525,000.00 | \$ | \$ | \$ | \$ |
| Consolidated Revenue & Refunding Bonds Series 2009 | 4,125,000.00 | 4,025,250.00 | | | | | |
| Consolidated Revenue & Refunding Bonds Series 2009-A | 3,590,000.00 | 2,426,618.76 | | | | | |
| Consolidated Revenue & Refunding Bonds Series 2010-A | 715,000.00 | 1,107,951.51 | | | | | |
| Consolidated Revenue & Refunding Bonds Series 2010-B | | 4,480,960.00 | | | | | |
| Consolidated Revenue & Refunding Bonds Series 2010-C | 3,845,000.00 | 76,900.00 | | | | | |
| Consolidated Revenue & Refunding Bonds Series 2011-A | 12,415,000.00 | 11,205,625.00 | 7,360,000.00 | | | | |
| Consolidated Revenue & Refunding Bonds Series 2011-B | 740,000.00 | 780,598.76 | | | | | |
| Consolidated Revenue & Refunding Bonds Series 2013-A | 3,530,000.00 | 2,050,906.26 | | | | | |
| Consolidated Revenue & Refunding Bonds Series 2013-B | 3,410,000.00 | 4,010,778.00 | | | | | |
| Consolidated Revenue Refunding Bonds Series 2014 | 3,830,000.00 | 1,682,200.00 | | | | | |
| Consolidated Revenue & Refunding Bonds Series 2016-A | | 2,179,921.67 | | | | | |
| Consolidated Revenue & Refunding Bonds Series 2016-B | | | | | | | |
| Total | \$ 42,480,000.00 | \$ 39,468,157.19 | \$ 75,060,000.00 | \$ | \$ | \$ | \$ |

Consolidated Revenue Variable Rate Demand
 Bonds Series 2004

Total

Blank Page

Unaudited

Schedule 2-E
University of Houston System (797)
Combined Schedule of Defeased Bonds Outstanding
For the Year Ended August 31, 2016

Business-Type Activities

| Description of Issue | Year Refunded | Par Value Outstanding |
|---|-------------------|-----------------------|
| General Obligations Bonds Schedule not used. | | \$ |
| Total | | \$ |
| Revenue Bonds Consolidated Revenue & Refunding Bonds Series 2008 | Advance Refunding | \$ 67,525,000.00 |
| Total | | \$ 67,525,000.00 |

Blank Page

Unaudited

Schedule 2-F
 University of Houston System (797)
 Combined Schedule of Early Extinguishment and Refunding
 For the Year Ended August 31, 2016

| Business-Type Activities | Description of Issue | Category | Amount Extinguished Or Refunded | Refunding Issue Par Value | For Refunding Only | | Economic Gain / (Loss) |
|--------------------------|---|----------------------|------------------------------------|------------------------------|------------------------------------|----|---------------------------|
| | | | | | Cash Flow Increase / (Decrease) | | |
| | General Obligations Bonds Schedule not used. | | \$ | \$ | \$ | \$ | |
| | Total | | \$ | \$ | \$ | \$ | |
| | Revenue Bonds | | | | | | |
| | Consolidated Revenue Variable Rate Demand Bonds Series 2004 | Early Extinguishment | \$ 175,000.00 | | | | |
| | Consolidated Revenue & Refunding Bonds Series 2008 | Advance Refunding | 67,525,000.00 | 63,605,000.00 | 11,368,241.94 | | 9,431,071.76 |
| | Consolidated Revenue & Refunding Bonds Series 2011-A | Early Extinguishment | 7,360,000.00 | | | | |
| | Total | | \$ 75,060,000.00 | \$ 63,605,000.00 | \$ 11,368,241.94 | \$ | 9,431,071.76 |

Blank Page

Unaudited
 Schedule 3
 University of Houston System (797)
 Combined Reconciliation of Cash in State Treasury
 August 31, 2016

| <u>Cash in State Treasury</u> | <u>Unrestricted</u> | <u>Restricted</u> | <u>Total 2016</u> |
|--|-------------------------|-------------------|-------------------------|
| Local Revenue Fund No. 0225 (UH-730) | \$ 50,623,890.69 | \$ | \$ 50,623,890.69 |
| Local Revenue Fund No. 0229 (UHCL-759) | 11,304,446.15 | | 11,304,446.15 |
| Local Revenue Fund No. 0233 (UHV-765) | 492,233.12 | | 492,233.12 |
| Local Revenue Fund No. 0268 (UHD-784) | 436,864.19 | | 436,864.19 |
| <u>Total Cash in State Treasury</u> | <u>\$ 62,857,434.15</u> | <u>\$</u> | <u>\$ 62,857,434.15</u> |

UNIVERSITY OF HOUSTON

**UNAUDITED ANNUAL
FINANCIAL REPORT**

**FOR THE YEAR ENDED AUGUST 31, 2016
WITH AUGUST 31, 2015 COMPARATIVE DATA**

UNIVERSITY OF HOUSTON
PRIMARY STATEMENTS

Unaudited

University of Houston (730)
Statement of Net Position
August 31, 2016

| | Total 2016 | Total 2015 |
|---|-------------------------|-------------------------|
| Assets | | |
| Current Assets | | |
| Cash and Cash Equivalents | | |
| Cash on Hand | \$ 33,825.00 | \$ 42,865.00 |
| Cash in Bank | (325,334,501.45) | (264,827,763.44) |
| Cash in State Treasury | 50,668,295.94 | 11,860,098.60 |
| Cash Equivalents | 187,125,839.76 | 178,964,371.57 |
| Short Term Investments | 1,548,596.55 | 927,504.91 |
| Restricted: | | |
| Cash In Bank | 334,392,237.36 | 286,973,762.28 |
| Legislative Appropriation | 107,381,136.71 | 118,906,978.82 |
| Receivables: | | |
| Federal Receivables | 14,411,487.41 | 21,178,427.16 |
| UHS Intercampus Receivables | 225,226,662.40 | 218,568,279.84 |
| Accounts Receivable | 12,491,668.07 | 15,523,757.40 |
| Gifts | 52,857,141.25 | 74,989,374.67 |
| Other | 465,697.81 | 416,612.37 |
| Due From Other Agencies | 18,103,326.34 | 16,098,297.28 |
| Consumable Inventories | 427,833.91 | 466,968.16 |
| Merchandise Inventories | 1,351,017.02 | 1,224,327.17 |
| Prepaid Costs | 33,482,672.92 | 33,108,234.89 |
| Loans and Contracts | 13,682,241.84 | 13,967,298.62 |
| Total Current Assets | 728,315,178.84 | 728,389,395.30 |
| Non-Current Assets | | |
| Restricted: | | |
| Receivables | 47,274,424.73 | 30,386,363.08 |
| UHS Intercampus Receivables | 460,476,453.44 | 387,066,342.97 |
| Loans and Contracts | 5,127,111.61 | 7,440,671.52 |
| Investments | 696,204.79 | 465,328.92 |
| UHS Intercampus Receivables | 66,200,096.28 | 67,148,213.30 |
| Capital Assets | | |
| Non-Depreciable or Non-Amortizable | 218,008,899.21 | 179,097,651.81 |
| Depreciable or Amortizable, Net | 928,806,143.74 | 923,084,770.37 |
| Total Non-Current Assets | 1,726,589,333.80 | 1,594,689,341.97 |
| Total Assets | 2,454,904,512.64 | 2,323,078,737.27 |
| Deferred Outflow of Resources | | |
| Loss on Bond Refunding | 2,208,808.93 | |
| Total Deferred Outflow of Resources | 2,208,808.93 | |
| Total Assets and Deferred Outflow of Resources | 2,457,113,321.57 | 2,323,078,737.27 |

Unaudited

University of Houston (730)
Statement of Net Position
August 31, 2016

| | Total 2016 | Total 2015 |
|--|----------------------------|----------------------------|
| Liabilities | | |
| Current Liabilities: | | |
| Payables: | | |
| Accounts Payable | 22,468,700.11 | 36,855,548.68 |
| Federal Payable | 24,433.73 | 37,491.35 |
| Payroll Payable | 24,125,262.56 | 37,427,325.88 |
| UHS Intercampus Payable | 40,988,318.98 | 39,203,200.97 |
| Other Payable | 2,383,644.63 | 1,951,230.31 |
| Due to Other Agencies | 772,019.76 | 1,135,479.41 |
| Unearned Revenues | 161,610,067.59 | 153,957,288.04 |
| Notes and Loans Payable | | 112,500.00 |
| Revenue Bonds Payable | 46,522,999.47 | 35,077,036.76 |
| Claims and Judgments Payable | 200,011.53 | 166,985.90 |
| Employees' Compensable Leave | 9,503,197.61 | 9,137,928.63 |
| Funds Held for Others | 25,513,786.83 | 28,002,511.17 |
| Total Current Liabilities | <u>334,112,442.80</u> | <u>343,064,527.10</u> |
| Non-Current Liabilities | | |
| Revenue Bonds Payable | 815,572,701.89 | 728,025,955.98 |
| Employees' Compensable Leave | 9,648,752.40 | 9,371,142.94 |
| Notes and Loans Payable | | 337,500.00 |
| Total Non-Current Liabilities | <u>825,221,454.29</u> | <u>737,734,598.92</u> |
| Total Liabilities | <u>1,159,333,897.09</u> | <u>1,080,799,126.02</u> |
| Deferred Inflow of Resources | | |
| Pensions | | |
| Total Deferred Inflows of Resources | | |
| Total Liabilities and Deferred Inflow of Resources | <u>1,159,333,897.09</u> | <u>1,080,799,126.02</u> |
| Net Position | | |
| Invested in Capital Assets, Net of Related Debt | 388,401,809.99 | 376,208,500.01 |
| Restricted for: | | |
| Debt Retirement | 42,175.06 | 22,573.78 |
| Capital Projects | 27,800,543.30 | 3,801,912.15 |
| Funds Held as Permanent Investments | | |
| Non-Expendable | | |
| True Endowments, Annuities | 337,964,379.89 | 325,272,635.19 |
| Expendable | | |
| Term Endowments | 1,240,679.53 | 173,939.74 |
| Funds Functioning as Endowments | 30,892,611.51 | 31,741,630.19 |
| Other Restricted | 203,606,626.36 | 202,979,041.47 |
| Unrestricted | 307,830,598.84 | 302,079,378.72 |
| Total Net Position | <u>\$ 1,297,779,424.48</u> | <u>\$ 1,242,279,611.25</u> |

Unaudited

University of Houston (730)
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended August 31, 2016

| | Total 2016 | Total 2015 |
|---|-------------------------|-------------------------|
| Operating Revenues | | |
| Sales of Goods and Services (PR-Chgs for Services) | | |
| Tuition and Fees-Pledged | \$ 472,245,564.57 | \$ 447,126,310.67 |
| Discounts and Allowances | (100,485,911.26) | (97,772,678.78) |
| Auxiliary Enterprise-Pledged | 98,072,143.91 | 84,858,622.90 |
| Discounts and Allowances | (10,627,505.42) | (8,579,765.67) |
| Other Sales of Goods and Services-Pledged | 55,250,256.62 | 48,930,089.50 |
| Federal Revenue-Operating (PR-OP Grants/Contributions) | 63,823,533.35 | 61,427,605.64 |
| Federal Pass Through Revenue (PR-OP Grants/Contributions) | 3,908,365.95 | 4,012,765.68 |
| State Grant Revenue (PR-OP Grants/Contributions) | 10,542,232.63 | 5,841,185.20 |
| State Grant Pass Through Revenue (PR-OP Grants/Contributions) | 45,326,561.57 | 30,887,525.18 |
| Other Grants and Contracts-Operating (PR-OP Grants/Contributions) | 24,960,897.34 | 27,612,291.28 |
| Other Operating Revenues (PR-Chgs for Services) | 1,263,740.42 | 1,203,189.15 |
| Total Operating Revenues | 664,279,879.68 | 605,547,140.75 |
| Operating Expenses | | |
| Instruction | 229,691,576.84 | 217,767,889.92 |
| Research | 138,765,460.93 | 124,076,110.59 |
| Public Service | 44,410,643.43 | 42,111,862.46 |
| Academic Support | 167,491,353.82 | 152,400,786.70 |
| Student Services | 31,593,724.18 | 28,947,468.34 |
| Institutional Support | 69,794,910.86 | 69,401,173.21 |
| Physical Plant | 48,211,392.11 | 44,026,490.19 |
| Scholarships & Fellowships | 53,852,726.77 | 51,145,262.43 |
| Auxiliary Enterprises | 108,410,756.64 | 97,399,834.91 |
| Depreciation and Amortization | 77,213,174.21 | 79,429,399.83 |
| Total Operating Expenses | 969,435,719.79 | 906,706,278.58 |
| Operating Income (Loss) | (305,155,840.11) | (301,159,137.83) |
| Non-Operating Revenues (Expenses) | | |
| Legislative Revenue (GR) | 155,572,273.00 | 143,274,187.00 |
| Additional Appropriations (GR) | 34,400,173.45 | 33,832,590.34 |
| Federal Revenue Non-Operating (PR-OP Grants/Contributions) | 59,071,364.46 | 57,741,092.04 |
| State Pass Through Revenues Non-Operating | 1,540,221.00 | |
| Gifts (PR-OP Grants/Contributions) | 60,291,402.03 | 91,014,468.19 |
| Interest and Investment Income (PR-Chgs for Services) | 18,182,787.16 | 39,963,052.71 |
| Interest Expense and Fiscal Charges | (33,112,736.99) | (29,904,692.66) |
| Net Incr (Decr) in Fair Value of Investments (PR-OP Grants/Contrib) | (2,813,824.34) | (53,051,659.97) |
| Other Nonoperating Revenues | 12,191,753.35 | 6,497,601.89 |
| Other Nonoperating Expenses | (19,233,192.74) | (16,533,494.44) |
| Total Nonoperating Revenues (Expenses) | 286,090,220.38 | 272,833,145.10 |

Unaudited

University of Houston (730)
 Statement of Revenues, Expenses, and Changes in Net Position
 For the Year Ended August 31, 2016

| | <u>Total 2016</u> | <u>Total 2015</u> |
|---|----------------------------|----------------------------|
| <u>Income (Loss) before Other Revenues, Expenses, Gains, Losses and Transfers</u> | <u>(19,065,619.73)</u> | <u>(28,325,992.73)</u> |
| Other Revenues, Expenses, Gains, Losses and Transfers | | |
| Capital Appropriation (HEAF) | 35,180,036.00 | 35,885,768.00 |
| Additions to Permanent and Term Endowments | 17,786,544.60 | 13,065,046.01 |
| UHS Intercampus Transfers-In | 20,246,125.95 | 22,877,225.64 |
| UHS Intercampus Transfers-Out | (8,284,024.19) | (5,341,429.90) |
| Transfers-In | 26,370,010.22 | 22,887,546.96 |
| Transfers-Out | (16,424,263.81) | (19,099,383.99) |
| Legislative Transfers-In | 637,318.00 | |
| Legislative Appropriations Lapsed | (7,934.47) | |
| <u>Total Other Revenues, Expenses, Gains, Losses and Transfers</u> | <u>75,503,812.30</u> | <u>70,274,772.72</u> |
| <u>Changes in Net Position</u> | <u>56,438,192.57</u> | <u>41,948,779.99</u> |
| Net Position, Beginning | 1,242,279,611.25 | 1,200,538,998.00 |
| Restatements | (938,379.34) | (208,166.74) |
| <u>Net Position, Beginning, as Restated</u> | <u>1,241,341,231.91</u> | <u>1,200,330,831.26</u> |
| <u>Net Position, Ending</u> | <u>\$ 1,297,779,424.48</u> | <u>\$ 1,242,279,611.25</u> |

Unaudited

University of Houston (730)
 Matrix of Operating Expenses Reported by Function
 For the Year Ended August 31, 2016

| Operating Expenses | Instruction | Research | Public Service | Academic Support | Student Services |
|---------------------------------|--------------------------|--------------------------|-------------------------|--------------------------|-------------------------|
| Cost of Goods Sold | \$ | \$ | \$ 1,225,218.51 | \$ 4,691.23 | \$ |
| Salaries and Wages | 177,278,448.13 | 61,176,853.62 | 15,547,010.31 | 95,177,801.28 | 15,676,839.10 |
| Payroll Related Costs | 43,807,351.27 | 12,138,666.74 | 4,519,091.53 | 22,507,846.25 | 4,603,322.97 |
| Professional Fees and Services | 1,269,675.09 | 11,203,891.04 | 9,714,218.90 | 10,648,500.99 | 3,051,094.47 |
| Federal Pass Through Expenses | | 1,187,003.77 | 1,362,441.19 | 24,350.03 | |
| State Pass Through Expenses | | 372,207.90 | | | |
| Travel | 1,036,106.11 | 3,754,652.53 | 408,477.01 | 3,477,858.57 | 665,436.26 |
| Materials and Supplies | 1,975,587.58 | 10,204,486.84 | 1,269,408.45 | 6,549,668.01 | 1,622,777.89 |
| Communication and Utilities | 564,596.44 | 911,345.05 | 1,332,431.56 | 11,661,481.84 | 682,583.25 |
| Repairs and Maintenance | 109,322.35 | 1,516,645.29 | 702,853.66 | 3,618,226.36 | 123,519.20 |
| Rentals and Leases | 443,436.49 | 17,895,838.14 | 5,508,777.52 | 4,555,517.87 | 663,058.37 |
| Printing and Reproduction | 182,338.97 | 215,953.69 | 476,512.81 | 1,049,901.95 | 404,874.20 |
| Depreciation and Amortization | | | | | |
| Interest | 4,572.63 | 5,794.68 | 4,808.78 | 8,499.36 | 47,126.49 |
| Scholarships | 242,155.15 | 266,042.30 | 50,859.99 | 932,419.94 | 157,163.63 |
| Claims and Judgments | | 30.89 | | | |
| Other Operating Expenses | 2,777,986.63 | 17,916,048.45 | 2,288,533.21 | 7,274,590.14 | 3,895,928.35 |
| Total Operating Expenses | \$ 229,691,576.84 | \$ 138,765,460.93 | \$ 44,410,643.43 | \$ 167,491,353.82 | \$ 31,593,724.18 |

Unaudited

University of Houston (730)
 Matrix of Operating Expenses Reported by Function
 For the Year Ended August 31, 2016

| Institutional Support | Operation and Maintenance of Plant | Scholarships and Fellowships | Auxiliary Enterprises | Depreciation and Amortization | Total 2016 | Total 2015 |
|-------------------------|------------------------------------|------------------------------|--------------------------|-------------------------------|--------------------------|--------------------------|
| \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| 40,302,591.58 | 13,929,332.61 | 950,500.54 | 35,163,976.10 | | 2,653,928.38 | 2,930,601.65 |
| 11,854,823.50 | 5,024,995.37 | 36,291.31 | 7,863,629.23 | | 455,203,353.27 | 431,772,888.78 |
| 3,660,245.50 | 8,170,284.51 | 264,300.68 | 29,324,391.66 | | 112,356,018.17 | 104,748,892.37 |
| | | | | | 77,306,602.84 | 64,329,496.61 |
| | | | | | 2,573,794.99 | 2,479,907.89 |
| | | | | | 372,207.90 | 549,844.94 |
| 353,103.49 | 7,950.27 | 66,722.23 | 4,791,845.06 | | 14,562,151.53 | 13,951,723.90 |
| 4,488,865.34 | 551,130.75 | 56,548.29 | 5,270,156.80 | | 31,988,629.95 | 28,716,997.28 |
| 1,253,880.48 | 13,776,191.82 | 1,766.33 | 9,738,009.76 | | 39,922,286.53 | 41,565,743.44 |
| 2,493,618.78 | 1,405,150.76 | 8,098.54 | 2,801,545.35 | | 12,778,980.29 | 11,743,669.54 |
| 839,265.60 | 4,519,745.42 | 2,454.26 | 1,091,919.46 | | 35,520,013.13 | 30,165,199.10 |
| 474,019.60 | 83,647.08 | 461.00 | 522,818.64 | | 3,410,527.94 | 3,338,798.53 |
| | | | | 77,213,174.21 | 77,213,174.21 | 79,429,399.83 |
| 1,756.80 | 2,105.67 | 197.47 | 7,022.51 | | 81,884.39 | 47,421.78 |
| 2,308,970.46 | | 52,363,567.13 | 751,550.28 | | 57,072,728.88 | 55,039,995.59 |
| 796,234.68 | | | 380.00 | | 796,645.57 | 749,753.37 |
| 967,535.05 | 740,857.85 | 101,818.99 | 9,659,493.15 | | 45,622,791.82 | 35,145,943.98 |
| <u>\$ 69,794,910.86</u> | <u>\$ 48,211,392.11</u> | <u>\$ 53,852,726.77</u> | <u>\$ 108,410,756.64</u> | <u>\$ 77,213,174.21</u> | <u>\$ 969,435,719.79</u> | <u>\$ 906,706,278.58</u> |

Unaudited

University of Houston (730)
Statement of Cash Flows
For the Year Ended August 31, 2016

| | Total 2016 | Total 2015 |
|---|--------------------------|--------------------------|
| Cash Flows From Operating Activities | | |
| Receipts from Customers | \$ 54,115,007.20 | \$ 50,973,882.49 |
| Proceeds from Tuition and Fees | 380,003,907.31 | 361,723,471.73 |
| Proceeds from Research Grants and Contracts | 151,185,318.88 | 117,726,916.46 |
| Proceeds from Loan Programs | 136,211,493.62 | 117,122,502.71 |
| Proceeds from Auxiliaries | 92,733,082.73 | 77,586,315.59 |
| Proceeds from Other Revenues | 1,263,740.42 | 1,203,189.15 |
| Payments to Suppliers for Goods and Services | (228,757,116.27) | (195,913,933.46) |
| Payments to Employees for Salaries | (452,300,326.79) | (429,563,998.64) |
| Payments to Employees for Benefits | (111,713,139.73) | (105,464,747.39) |
| Payments for Loans Provided | (133,612,876.93) | (115,826,449.93) |
| Payments for Other Expenses | (108,975,752.26) | (87,115,118.58) |
| Net Cash Provided (Used) by Operating Activities | (219,846,661.82) | (207,547,969.87) |
| Cash Flows from Noncapital Financing Activities | | |
| Proceeds from State Appropriations | 201,490,354.09 | 152,276,942.48 |
| Proceeds from Gifts | 65,535,573.80 | 61,980,401.16 |
| Proceeds from Endowments | 17,786,544.60 | 13,065,046.01 |
| Proceeds of Transfers from Other Funds | 59,445,207.52 | 52,262,374.49 |
| Proceeds from Grants | 60,611,585.46 | 57,741,092.04 |
| Payments for Transfers to Other Funds | (33,746,305.52) | (37,329,487.03) |
| Net Cash Provided (Used) by Noncapital Financing Activities | 371,122,959.95 | 299,996,369.15 |
| Cash Flows from Capital and Related Financing Activities | | |
| Proceeds from Debt Issuance | 185,535,000.00 | 29,525,000.00 |
| Proceeds from Other Financing Activities | 12,173,081.45 | 52,047,702.26 |
| Proceeds from Capital Contributions | 35,180,036.00 | 35,885,768.00 |
| Payments for Additions to Capital Assets | (126,586,606.52) | (100,353,646.46) |
| Payments of Principal on Debt Issuance | (92,688,942.21) | (63,122,986.74) |
| Payments of Interest on Debt Issuance | (35,321,545.92) | (29,876,046.72) |
| Payments of Other Costs on Debt Issuance | (93,578,959.53) | (5,098,518.58) |
| Net Cash Provided (Used) by Capital and Related Financing Activities | (115,287,936.73) | (80,992,728.24) |
| Cash Flows From Investing Activities | | |
| Proceeds from Sales of Investments | 368,765.10 | 3,394,546.89 |
| Proceeds from Investment Income | 18,182,787.16 | 39,963,052.71 |
| Payments to Acquire Investments | (20,667,551.06) | (41,812,002.83) |
| Net Cash Provided (Used) by Investing Activities | (2,115,998.80) | 1,545,596.77 |
| Net Increase (Decrease) in Cash and Cash Equivalents | 33,872,362.60 | 13,001,267.81 |
| Cash and Cash Equivalents, September 1 | 213,013,334.01 | 200,012,066.20 |
| Cash and Cash Equivalents, August 31 | \$ 246,885,696.61 | \$ 213,013,334.01 |

Unaudited

University of Houston (730)
Statement of Cash Flows
For the Year Ended August 31, 2016

| | Total 2016 | Total 2015 |
|--|----------------------------|----------------------------|
| Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities | | |
| <u>Operating Income (Loss)</u> | <u>\$ (305,155,840.11)</u> | <u>\$ (301,159,137.83)</u> |
| Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities | | |
| Depreciation and Amortization Expense | 77,213,174.21 | 79,429,399.83 |
| Operating Income and Cash Flow Categories: | | |
| Classification Differences | 2,598,616.69 | 1,296,052.78 |
| Changes in Assets and Liabilities: | | |
| (Increase) Decrease In Receivables | 9,749,943.64 | (9,790,176.75) |
| (Increase) Decrease in Inventories | (87,555.60) | 273,559.06 |
| (Increase) Decrease in Prepaid Expenses | (374,438.03) | (5,072,192.93) |
| (Increase) Decrease in Other Assets | (2,005,029.06) | (1,383,692.72) |
| Increase (Decrease) in Payables | (10,165,059.67) | 5,611,217.01 |
| Increase (Decrease) in Deferred Income | 7,652,779.55 | 14,148,731.17 |
| Increase (Decrease) in Compensated Absences | 642,878.44 | (715,855.02) |
| Increase (Decrease) in Benefits Payable | 2,903,026.48 | 2,208,890.14 |
| Increase (Decrease) in Other Liabilities | (2,819,158.36) | 7,605,235.39 |
| <u>Total Adjustments</u> | <u>85,309,178.29</u> | <u>93,611,167.96</u> |
| <u>Net Cash Provided (Used) by Operating Activities</u> | <u>\$ (219,846,661.82)</u> | <u>\$ (207,547,969.87)</u> |
| Non Cash Transactions | | |
| <u>Net Change in Fair Value of Investments</u> | <u>\$ (2,813,824.34)</u> | <u>\$ (53,051,659.97)</u> |
| <u>Non Cash Transactions</u> | <u>\$ (2,813,824.34)</u> | <u>\$ (53,051,659.97)</u> |

**UNIVERSITY OF HOUSTON
CLEAR LAKE**

**UNAUDITED ANNUAL
FINANCIAL REPORT**

**FOR THE YEAR ENDED AUGUST 31, 2016
WITH AUGUST 31, 2015 COMPARATIVE DATA**

UNIVERSITY OF HOUSTON – CLEAR LAKE
PRIMARY STATEMENTS

Unaudited

University of Houston - Clear Lake (759)
Statement of Net Position
August 31, 2016

| | Total 2016 | Total 2015 |
|---|-----------------------|-----------------------|
| Assets | | |
| Current Assets | | |
| Cash and Cash Equivalents | | |
| Cash on Hand | \$ 22,700.00 | \$ 22,700.00 |
| Cash in Bank | 7,841,854.05 | 6,564,545.29 |
| Cash in State Treasury | 12,067,803.94 | 9,762,523.77 |
| Cash Equivalents | 23,094,985.15 | 19,075,550.57 |
| Restricted: | | |
| Cash In Bank | (4,985,757.68) | (4,072,627.32) |
| Legislative Appropriation | 5,681,597.46 | 4,949,379.92 |
| Receivables: | | |
| Federal Receivables | 4,754,335.63 | 4,755,356.41 |
| UHS Intercampus Receivables | 18,063,605.56 | 17,487,593.86 |
| Accounts Receivable | 8,244,404.75 | 9,035,333.31 |
| Gifts | 11,067.71 | |
| Other | 170.28 | 3,006.43 |
| Due From Other Agencies | 177,926.18 | 145,664.65 |
| Consumable Inventories | 7,666.18 | 7,994.93 |
| Prepaid Costs | 3,364,021.76 | 2,904,340.66 |
| Loans and Contracts | 2,515,628.17 | 2,754,429.61 |
| Total Current Assets | 80,862,009.14 | 73,395,792.09 |
| Non-Current Assets | | |
| Restricted: | | |
| Receivables | 37,932.29 | |
| UHS Intercampus Receivables | 78,149,712.85 | 14,155,311.86 |
| Loans and Contracts | 347,141.23 | 422,608.63 |
| UHS Intercampus Receivables | 10,275,746.98 | 10,369,528.78 |
| Capital Assets | | |
| Non-Depreciable or Non-Amortizable | 13,892,877.05 | 11,449,665.08 |
| Depreciable or Amortizable, Net | 57,780,287.85 | 58,573,259.11 |
| Total Non-Current Assets | 160,483,698.25 | 94,970,373.46 |
| Total Assets | 241,345,707.39 | 168,366,165.55 |
| Deferred Outflow of Resources | | |
| Pensions | | |
| Total Deferred Outflow of Resources | | |
| Total Assets and Deferred Outflow of Resources | 241,345,707.39 | 168,366,165.55 |

Unaudited

University of Houston - Clear Lake (759)
Statement of Net Position
August 31, 2016

| | Total 2016 | Total 2015 |
|--|--------------------------|-------------------------|
| Liabilities | | |
| Current Liabilities: | | |
| Payables: | | |
| Accounts Payable | 2,927,099.76 | 1,380,357.80 |
| Federal Payable | 18,630.27 | 16,232.45 |
| Payroll Payable | 2,635,300.24 | 3,846,470.24 |
| UHS Intercampus Payable | 2,649,760.94 | (64,968.38) |
| Other Payable | 214,941.92 | 51,096.50 |
| Due to Other Agencies | 33,912.17 | |
| Unearned Revenues | 32,442,731.56 | 32,568,217.63 |
| Revenue Bonds Payable | 4,021,590.13 | 2,480,506.96 |
| Claims and Judgments Payable | 31,998.57 | 24,195.83 |
| Employees' Compensable Leave | 1,202,216.07 | 1,068,449.11 |
| Capital Lease Obligations | 537,658.77 | 397,875.30 |
| Funds Held for Others | 403,692.49 | 381,270.14 |
| Total Current Liabilities | <u>47,119,532.89</u> | <u>42,149,703.58</u> |
| Non-Current Liabilities | | |
| Revenue Bonds Payable | 81,685,387.60 | 21,087,837.47 |
| Employees' Compensable Leave | 1,220,792.43 | 1,095,717.61 |
| Capital Lease Obligations | 6,759,887.32 | 5,460,683.57 |
| Total Non-Current Liabilities | <u>89,666,067.35</u> | <u>27,644,238.65</u> |
| Total Liabilities | <u>136,785,600.24</u> | <u>69,793,942.23</u> |
| Deferred Inflow of Resources | | |
| Pensions | | |
| Total Deferred Inflows of Resources | | |
| Total Liabilities and Deferred Inflow of Resources | <u>136,785,600.24</u> | <u>69,793,942.23</u> |
| Net Position | | |
| Invested in Capital Assets, Net of Related Debt | 42,121,821.84 | 40,513,821.95 |
| Restricted for: | | |
| Debt Retirement | 161,302.87 | |
| Funds Held as Permanent Investments | | |
| Non-Expendable | | |
| True Endowments, Annuities | 9,313,994.10 | 9,295,756.53 |
| Expendable | | |
| Funds Functioning as Endowments | 4,702,921.26 | 4,830,783.89 |
| Other Restricted | 2,028,114.21 | 2,124,236.09 |
| Unrestricted | 46,231,952.87 | 41,807,624.86 |
| Total Net Position | <u>\$ 104,560,107.15</u> | <u>\$ 98,572,223.32</u> |

Unaudited

University of Houston - Clear Lake (759)
 Statement of Revenues, Expenses, and Changes in Net Position
 For the Year Ended August 31, 2016

| | Total 2016 | Total 2015 |
|---|------------------------|------------------------|
| Operating Revenues | | |
| Sales of Goods and Services (PR-Chgs for Services) | | |
| Tuition and Fees-Pledged | \$ 72,247,315.23 | \$ 67,145,435.89 |
| Discounts and Allowances | (8,960,918.21) | (7,890,620.07) |
| Auxiliary Enterprise-Pledged | 1,432,924.15 | 1,235,390.32 |
| Other Sales of Goods and Services-Pledged | 1,125,457.33 | 1,257,801.09 |
| Federal Revenue-Operating (PR-OP Grants/Contributions) | 2,043,977.51 | 2,444,850.12 |
| Federal Pass Through Revenue (PR-OP Grants/Contributions) | 506,360.09 | 373,333.44 |
| State Grant Revenue (PR-OP Grants/Contributions) | 297,575.26 | 327,923.21 |
| State Grant Pass Through Revenue (PR-OP Grants/Contributions) | 1,653,556.64 | 1,860,637.79 |
| Other Grants and Contracts-Operating (PR-OP Grants/Contributions) | 1,081,141.58 | 1,018,444.78 |
| Other Operating Revenues (PR-Chgs for Services) | 3,132.00 | 2,889.00 |
| Total Operating Revenues | 71,430,521.58 | 67,776,085.57 |
| Operating Expenses | | |
| Instruction | 49,650,867.22 | 45,640,175.66 |
| Research | 1,578,576.39 | 1,534,645.89 |
| Public Service | 809,906.91 | 798,535.89 |
| Academic Support | 16,483,136.68 | 14,517,904.67 |
| Student Services | 7,839,526.72 | 6,488,972.78 |
| Institutional Support | 16,119,226.31 | 14,125,138.19 |
| Physical Plant | 6,700,547.53 | 6,264,916.93 |
| Scholarships & Fellowships | 8,794,948.37 | 8,773,053.58 |
| Auxiliary Enterprises | 5,171,824.85 | 5,180,157.34 |
| Depreciation and Amortization | 5,913,819.48 | 5,736,843.16 |
| Total Operating Expenses | 119,062,380.46 | 109,060,344.09 |
| Operating Income (Loss) | (47,631,858.88) | (41,284,258.52) |
| Non-Operating Revenues (Expenses) | | |
| Legislative Revenue (GR) | 29,037,109.00 | 24,403,504.00 |
| Additional Appropriations (GR) | 7,332,427.80 | 6,385,154.57 |
| Federal Revenue Non-Operating (PR-OP Grants/Contributions) | 9,758,471.96 | 9,088,053.56 |
| Gifts (PR-OP Grants/Contributions) | 414,771.52 | 495,925.95 |
| Interest and Investment Income (PR-Chgs for Services) | 1,211,078.54 | 2,313,754.71 |
| Interest Expense and Fiscal Charges | (1,026,528.93) | (991,950.19) |
| Net Incr (Decr) in Fair Value of Investments (PR-OP Grants/Contrib) | (140,303.38) | (3,037,457.20) |
| Other Nonoperating Revenues | 114,203.56 | 2,693.71 |
| Other Nonoperating Expenses | (1,488,807.05) | (991,861.53) |
| Total Nonoperating Revenues (Expenses) | 45,212,423.02 | 37,667,817.58 |

Unaudited

University of Houston - Clear Lake (759)
 Statement of Revenues, Expenses, and Changes in Net Position
 For the Year Ended August 31, 2016

| | <u>Total 2016</u> | <u>Total 2015</u> |
|---|--------------------------|-------------------------|
| <u>Income (Loss) before Other Revenues, Expenses, Gains, Losses and Transfers</u> | <u>(2,419,435.86)</u> | <u>(3,616,440.94)</u> |
| Other Revenues, Expenses, Gains, Losses and Transfers | | |
| Capital Appropriation (HEAF) | 5,336,744.00 | 5,214,167.00 |
| Additions to Permanent and Term Endowments | 244,839.22 | 201,771.10 |
| UHS Intercampus Transfers-In | 2,954,203.59 | 2,881,222.77 |
| UHS Intercampus Transfers-Out | (224,895.17) | (229,162.54) |
| Transfers-In | 42,092.00 | 35,772.19 |
| Transfers-Out | | (520,406.11) |
| Legislative Transfers-In | 55,423.00 | |
| Legislative Appropriations Lapsed | (1,086.95) | (2,828.67) |
| <u>Total Other Revenues, Expenses, Gains, Losses and Transfers</u> | <u>8,407,319.69</u> | <u>7,580,535.74</u> |
| <u>Changes in Net Position</u> | <u>5,987,883.83</u> | <u>3,964,094.80</u> |
| <u>Net Position, Beginning</u> | <u>98,572,223.32</u> | <u>94,608,128.52</u> |
| <u>Net Position, Ending</u> | <u>\$ 104,560,107.15</u> | <u>\$ 98,572,223.32</u> |

Unaudited

University of Houston - Clear Lake (759)
 Matrix of Operating Expenses Reported by Function
 For the Year Ended August 31, 2016

| Operating Expenses | Instruction | Research | Public Service | Academic Support | Student Services |
|---------------------------------|-------------------------|------------------------|----------------------|-------------------------|------------------------|
| Cost of Goods Sold | \$ | \$ | \$ | \$ | \$ |
| Salaries and Wages | 36,187,806.88 | 982,961.91 | 93,539.54 | 8,371,910.79 | 3,875,411.77 |
| Payroll Related Costs | 8,758,626.60 | 233,446.61 | 5,536.59 | 2,467,469.78 | 1,260,300.84 |
| Professional Fees and Services | 564,798.75 | 102,426.81 | 627,025.65 | 958,838.58 | 951,822.72 |
| Travel | 205,537.96 | 107,634.11 | 11,485.58 | 377,881.20 | 78,215.84 |
| Materials and Supplies | 973,626.44 | 127,041.20 | 39,342.17 | 1,657,463.23 | 573,182.25 |
| Communication and Utilities | 215,059.25 | 5,832.66 | 538.89 | 417,419.05 | 143,149.93 |
| Repairs and Maintenance | 83,351.50 | 42,277.71 | 0.00 | 815,511.26 | 5,850.94 |
| Rentals and Leases | 113,892.36 | 5,631.55 | 190.00 | 608,358.78 | 231,343.37 |
| Printing and Reproduction | 33,342.07 | 1,073.03 | 1,921.85 | 123,491.68 | 73,432.26 |
| Depreciation and Amortization | | | | | |
| Interest | 211.45 | 13.17 | | 13.29 | 47.99 |
| Scholarships | 2,119,365.75 | 4,000.00 | | 188,184.03 | 33,157.54 |
| Claims and Judgments | | | | | |
| Other Operating Expenses | 395,248.21 | (33,762.37) | 30,326.64 | 496,595.01 | 613,611.27 |
| Total Operating Expenses | \$ 49,650,867.22 | \$ 1,578,576.39 | \$ 809,906.91 | \$ 16,483,136.68 | \$ 7,839,526.72 |

Unaudited

University of Houston - Clear Lake (759)
 Matrix of Operating Expenses Reported by Function
 For the Year Ended August 31, 2016

| Institutional Support | Operation and Maintenance of Plant | Scholarships and Fellowships | Auxiliary Enterprises | Depreciation and Amortization | Total 2016 | Total 2015 |
|-------------------------|------------------------------------|------------------------------|------------------------|-------------------------------|--------------------------|--------------------------|
| \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| 8,986,916.52 | 2,312,844.62 | 207,786.06 | 2,927,946.67 | | 63,947,124.76 | 57,876,850.32 |
| 3,060,031.36 | 969,721.00 | (118.71) | 813,232.22 | | 17,568,246.29 | 15,628,706.85 |
| 2,523,374.32 | 426,726.46 | 263.63 | 413,127.51 | | 6,568,404.43 | 6,653,075.67 |
| 72,303.03 | 2,714.58 | 22.00 | 67,274.26 | | 923,068.56 | 777,806.99 |
| 475,345.34 | 504,703.01 | 1,378.74 | 241,448.91 | | 4,593,531.29 | 4,032,725.19 |
| 213,899.86 | 1,649,545.97 | 16.40 | 266,915.74 | | 2,912,377.75 | 2,913,461.35 |
| 276,424.98 | 641,972.70 | 1,902.73 | 71,509.18 | | 1,938,801.00 | 1,412,401.60 |
| 87,563.03 | 17,412.18 | | 58,479.85 | | 1,122,871.12 | 886,154.64 |
| 107,311.30 | 1,734.00 | | 38,312.42 | | 380,618.61 | 375,479.45 |
| | | | | 5,913,819.48 | 5,913,819.48 | 5,736,843.16 |
| 95.65 | 38.37 | | 849.29 | | 1,269.21 | 976.16 |
| 5,500.00 | | 8,580,512.44 | 22,065.40 | | 10,952,785.16 | 10,768,264.08 |
| 70,664.57 | | | | | 70,664.57 | 94,580.25 |
| 239,796.35 | 173,134.64 | 3,185.08 | 242,618.43 | | 2,160,753.26 | 1,898,045.44 |
| <u>\$ 16,119,226.31</u> | <u>\$ 6,700,547.53</u> | <u>\$ 8,794,948.37</u> | <u>\$ 5,171,824.85</u> | <u>\$ 5,913,819.48</u> | <u>\$ 119,062,380.46</u> | <u>\$ 109,060,344.09</u> |

Unaudited

University of Houston - Clear Lake (759)
Statement of Cash Flows
For the Year Ended August 31, 2016

| | Total 2016 | Total 2015 |
|---|-------------------------|-------------------------|
| Cash Flows From Operating Activities | | |
| Receipts from Customers | \$ 1,609,842.87 | \$ 1,293,096.46 |
| Proceeds from Tuition and Fees | 64,407,377.67 | 61,639,091.79 |
| Proceeds from Research Grants and Contracts | 4,938,126.56 | 6,061,848.06 |
| Proceeds from Loan Programs | 5,549,867.73 | 5,315,166.66 |
| Proceeds from Auxiliaries | 1,145,390.36 | 1,238,031.01 |
| Proceeds from Other Revenues | 3,132.00 | 2,889.00 |
| Payments to Suppliers for Goods and Services | (17,196,482.70) | (17,214,103.21) |
| Payments to Employees for Salaries | (63,087,731.35) | (57,596,647.92) |
| Payments to Employees for Benefits | (17,309,404.51) | (15,514,968.04) |
| Payments for Loans Provided | (5,235,598.89) | (6,184,181.59) |
| Payments for Other Expenses | (13,155,247.11) | (12,768,617.48) |
| Net Cash Provided (Used) by Operating Activities | (38,330,727.37) | (33,728,395.26) |
| Cash Flows from Noncapital Financing Activities | | |
| Proceeds from State Appropriations | 35,636,232.31 | 29,508,239.76 |
| Proceeds from Gifts | 365,771.52 | 495,925.95 |
| Proceeds from Endowments | 244,839.22 | 201,771.10 |
| Proceeds of Transfers from Other Funds | 3,165,922.15 | 2,919,688.67 |
| Proceeds from Grants | 9,758,471.96 | 9,088,053.56 |
| Payments for Transfers to Other Funds | (782,272.73) | (1,741,430.18) |
| Net Cash Provided (Used) by Noncapital Financing Activities | 48,388,964.43 | 40,472,248.86 |
| Cash Flows from Capital and Related Financing Activities | | |
| Proceeds from Debt Issuance | 64,050,000.00 | |
| Proceeds from Other Financing Activities | 2,022,720.82 | |
| Proceeds from Capital Contributions | 5,336,744.00 | 5,214,167.00 |
| Payments for Additions to Capital Assets | (7,564,060.19) | (3,096,167.96) |
| Payments of Principal on Debt Issuance | (2,148,208.23) | (2,042,891.41) |
| Payments for Capital Lease | | (390,700.61) |
| Payments of Interest on Debt Issuance | (1,026,528.93) | (991,950.19) |
| Payments of Other Costs on Debt Issuance | (64,758,306.52) | (332,298.73) |
| Net Cash Provided (Used) by Capital and Related Financing Activities | (4,087,639.05) | (1,639,841.90) |
| Cash Flows From Investing Activities | | |
| Proceeds from Investment Income | 1,211,078.54 | 2,313,754.71 |
| Payments to Acquire Investments | (492,783.40) | (1,332,000.98) |
| Net Cash Provided (Used) by Investing Activities | 718,295.14 | 981,753.73 |
| Net Increase (Decrease) in Cash and Cash Equivalents | 6,688,893.15 | 6,085,765.43 |
| Cash and Cash Equivalents, September 1 | 31,352,692.31 | 25,266,926.88 |
| Cash and Cash Equivalents, August 31 | \$ 38,041,585.46 | \$ 31,352,692.31 |

Unaudited

University of Houston - Clear Lake (759)
Statement of Cash Flows
For the Year Ended August 31, 2016

| | Total 2016 | Total 2015 |
|--|---------------------------|---------------------------|
| Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities | | |
| <u>Operating Income (Loss)</u> | <u>\$ (47,631,858.88)</u> | <u>\$ (41,284,258.52)</u> |
| Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities | | |
| Depreciation and Amortization Expense | 5,913,819.48 | 5,736,843.16 |
| Operating Income and Cash Flow Categories: | | |
| Classification Differences | 314,268.84 | (869,014.93) |
| Changes in Assets and Liabilities: | | |
| (Increase) Decrease In Receivables | 794,785.49 | (723,244.59) |
| (Increase) Decrease in Inventories | 328.75 | (635.30) |
| (Increase) Decrease in Prepaid Expenses | (459,681.10) | (92,053.27) |
| (Increase) Decrease in Other Assets | (32,261.53) | 127,101.22 |
| Increase (Decrease) in Payables | 1,712,985.20 | (98,994.10) |
| Increase (Decrease) in Deferred Income | (125,486.07) | 3,124,030.16 |
| Increase (Decrease) in Compensated Absences | 258,841.78 | 113,738.81 |
| Increase (Decrease) in Benefits Payable | 859,393.41 | 280,202.40 |
| Increase (Decrease) in Other Liabilities | 64,137.26 | (42,110.30) |
| <u>Total Adjustments</u> | <u>9,301,131.51</u> | <u>7,555,863.26</u> |
| <u>Net Cash Provided (Used) by Operating Activities</u> | <u>\$ (38,330,727.37)</u> | <u>\$ (33,728,395.26)</u> |
| Non Cash Transactions | | |
| <u>Net Change in Fair Value of Investments</u> | <u>\$ (140,303.38)</u> | <u>\$ (3,037,457.20)</u> |
| <u>Non Cash Transactions</u> | <u>\$ (140,303.38)</u> | <u>\$ (3,037,457.20)</u> |

**UNIVERSITY OF HOUSTON
DOWNTOWN**

**UNAUDITED ANNUAL
FINANCIAL REPORT**

**FOR THE YEAR ENDED AUGUST 31, 2016
WITH AUGUST 31, 2015 COMPARATIVE DATA**

UNIVERSITY OF HOUSTON – DOWNTOWN
PRIMARY STATEMENTS

Unaudited

University of Houston - Downtown (784)
Statement of Net Position
August 31, 2016

| | Total 2016 | Total 2015 |
|---|-----------------------|-----------------------|
| Assets | | |
| Current Assets | | |
| Cash and Cash Equivalents | | |
| Cash on Hand | \$ 11,450.00 | \$ 11,450.00 |
| Cash in Bank | 5,365,138.91 | 12,733,953.36 |
| Cash in Transit/Reimburse From Treasury | 376,010.43 | 454,583.50 |
| Cash in State Treasury | 798,227.01 | 629,051.10 |
| Cash Equivalents | 21,800,393.18 | 19,284,979.00 |
| Restricted: | | |
| Cash In Bank | (3,732,644.76) | (8,876,027.48) |
| Legislative Appropriation | 7,701,032.84 | 8,899,885.25 |
| Receivables: | | |
| Federal Receivables | 11,151,415.39 | 11,490,391.35 |
| UHS Intercampus Receivables | 30,100,514.38 | 29,213,849.75 |
| Accounts Receivable | 4,181,247.71 | 1,767,133.51 |
| Gifts | 58,915.21 | 54,030.33 |
| Other | 267,392.22 | 1,157,052.57 |
| Due From Other Agencies | 265,578.60 | 128,827.61 |
| Consumable Inventories | 7,626.49 | 7,301.50 |
| Prepaid Costs | 4,635,904.08 | 5,939,415.64 |
| Loans and Contracts | 924,676.99 | 789,001.82 |
| Total Current Assets | 83,912,878.68 | 83,684,878.81 |
| Non-Current Assets | | |
| Restricted: | | |
| Receivables | | 84,884.88 |
| UHS Intercampus Receivables | 19,250,033.08 | 19,899,407.68 |
| Investments | 230,825.30 | 230,825.30 |
| UHS Intercampus Receivables | 7,610,554.20 | 7,647,429.99 |
| Capital Assets | | |
| Non-Depreciable or Non-Amortizable | 25,397,354.83 | 31,563,752.83 |
| Depreciable or Amortizable, Net | 99,885,864.07 | 77,450,653.94 |
| Total Non-Current Assets | 152,374,631.48 | 136,876,954.62 |
| Total Assets | 236,287,510.16 | 220,561,833.43 |
| Deferred Outflow of Resources | | |
| Pensions | | |
| Total Deferred Outflow of Resources | | |
| Total Assets and Deferred Outflow of Resources | 236,287,510.16 | 220,561,833.43 |

Unaudited

University of Houston - Downtown (784)
Statement of Net Position
August 31, 2016

| | Total 2016 | Total 2015 |
|--|---------------------------------|---------------------------------|
| Liabilities | | |
| Current Liabilities: | | |
| Payables: | | |
| Accounts Payable | 1,666,676.86 | 4,218,557.56 |
| Federal Payable | 15,711.60 | 17,941.59 |
| Payroll Payable | 3,177,200.91 | 4,810,741.42 |
| UHS Intercampus Payable | 19,203,211.22 | 2,550,832.87 |
| Other Payable | 62,660.66 | 70,027.56 |
| Due to Other Agencies | 25,472.24 | 13,119.06 |
| Unearned Revenues | 32,770,350.53 | 30,635,832.74 |
| Revenue Bonds Payable | 5,557,638.70 | 5,365,199.77 |
| Claims and Judgments Payable | 16,821.97 | 16,481.64 |
| Employees' Compensable Leave | 1,535,268.90 | 1,381,784.71 |
| Funds Held for Others | 417,993.14 | (628,788.22) |
| Total Current Liabilities | <u>64,449,006.73</u> | <u>48,451,730.70</u> |
| Non-Current Liabilities | | |
| Revenue Bonds Payable | 32,688,208.21 | 38,245,846.91 |
| Employees' Compensable Leave | 1,558,783.73 | 1,417,050.05 |
| Total Non-Current Liabilities | <u>34,246,991.94</u> | <u>39,662,896.96</u> |
| Total Liabilities | <u>98,695,998.67</u> | <u>88,114,627.66</u> |
| Deferred Inflow of Resources | | |
| Pensions | | |
| Total Deferred Inflows of Resources | | |
| Total Liabilities and Deferred Inflow of Resources | <u><u>98,695,998.67</u></u> | <u><u>88,114,627.66</u></u> |
| Net Position | | |
| Invested in Capital Assets, Net of Related Debt | 87,037,376.91 | 65,403,360.09 |
| Restricted for: | | |
| Debt Retirement | 3,692.69 | 3,692.69 |
| Capital Projects | 12,223.89 | 160,717.33 |
| Funds Held as Permanent Investments | | |
| Non-Expendable | | |
| True Endowments, Annuities | 17,246,631.28 | 17,513,062.89 |
| Expendable | | |
| Funds Functioning as Endowments | 2,000,115.01 | 2,034,889.10 |
| Other Restricted | 3,754,766.33 | 3,969,948.54 |
| Unrestricted | <u>27,536,705.38</u> | <u>43,361,535.13</u> |
| Total Net Position | <u><u>\$ 137,591,511.49</u></u> | <u><u>\$ 132,447,205.77</u></u> |

Unaudited

University of Houston - Downtown (784)
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended August 31, 2016

| | Total 2016 | Total 2015 |
|---|------------------------|------------------------|
| Operating Revenues | | |
| Sales of Goods and Services (PR-Chgs for Services) | | |
| Tuition and Fees-Pledged | \$ 88,643,408.89 | \$ 82,400,058.91 |
| Discounts and Allowances | (15,746,222.27) | (12,029,429.75) |
| Auxiliary Enterprise-Pledged | 2,829,377.81 | 2,417,230.66 |
| Discounts and Allowances | (501,886.40) | (180,002.78) |
| Other Sales of Goods and Services-Pledged | 3,295,775.03 | 4,345,811.23 |
| Federal Revenue-Operating (PR-OP Grants/Contributions) | 2,424,169.19 | 2,387,719.21 |
| Federal Pass Through Revenue (PR-OP Grants/Contributions) | 693,815.86 | 473,073.81 |
| State Grant Revenue (PR-OP Grants/Contributions) | 44,396.01 | 74,327.68 |
| State Grant Pass Through Revenue (PR-OP Grants/Contributions) | 6,788,950.40 | 6,974,048.72 |
| Other Grants and Contracts-Operating (PR-OP Grants/Contributions) | 182,950.04 | 142,415.29 |
| Total Operating Revenues | 88,654,734.56 | 87,005,252.98 |
| Operating Expenses | | |
| Instruction | 45,753,577.28 | 42,167,267.67 |
| Research | 2,293,978.62 | 2,321,137.11 |
| Public Service | 4,086,184.20 | 4,346,558.60 |
| Academic Support | 24,231,582.40 | 23,035,326.89 |
| Student Services | 4,922,022.70 | 3,650,977.42 |
| Institutional Support | 21,415,080.77 | 19,274,078.89 |
| Physical Plant | 7,706,041.18 | 7,458,436.38 |
| Scholarships & Fellowships | 28,995,010.91 | 28,747,174.91 |
| Auxiliary Enterprises | 8,005,768.24 | 8,885,250.35 |
| Depreciation and Amortization | 8,306,083.75 | 7,378,146.25 |
| Total Operating Expenses | 155,715,330.05 | 147,264,354.47 |
| Operating Income (Loss) | (67,060,595.49) | (60,259,101.49) |
| Non-Operating Revenues (Expenses) | | |
| Legislative Revenue (GR) | 23,988,982.00 | 21,798,868.00 |
| Additional Appropriations (GR) | 6,291,343.51 | 5,709,883.22 |
| Federal Revenue Non-Operating (PR-OP Grants/Contributions) | 25,988,938.94 | 26,721,523.50 |
| Gifts (PR-OP Grants/Contributions) | 880,439.93 | 2,408,004.60 |
| Interest and Investment Income (PR-Chgs for Services) | 1,491,179.37 | 2,952,440.47 |
| Interest Expense and Fiscal Charges | (1,115,888.48) | (988,476.60) |
| Net Incr (Decr) in Fair Value of Investments (PR-OP Grants/Contrib) | (131,190.46) | (3,791,430.66) |
| Other Nonoperating Revenues | 21,913.49 | 1,925,939.29 |
| Other Nonoperating Expenses | (563,699.38) | (3,634,930.31) |
| Total Nonoperating Revenues (Expenses) | 56,852,018.92 | 53,101,821.51 |

Unaudited

University of Houston - Downtown (784)
 Statement of Revenues, Expenses, and Changes in Net Position
 For the Year Ended August 31, 2016

| | <u>Total 2016</u> | <u>Total 2015</u> |
|---|--------------------------|--------------------------|
| <u>Income (Loss) before Other Revenues, Expenses, Gains, Losses and Transfers</u> | <u>(10,208,576.57)</u> | <u>(7,157,279.98)</u> |
| Other Revenues, Expenses, Gains, Losses and Transfers | | |
| Capital Appropriation (HEAF) | 7,835,252.00 | 7,435,238.00 |
| Additions to Permanent and Term Endowments | 248,666.84 | 233,211.36 |
| UHS Intercampus Transfers-In | 6,317,710.13 | 6,348,912.19 |
| UHS Intercampus Transfers-Out | (962,790.39) | (739,279.24) |
| Transfers-In | 43,303.00 | 31,537.00 |
| Transfers-Out | | (1,295,605.00) |
| Legislative Transfers-In | 57,017.00 | |
| <u>Total Other Revenues, Expenses, Gains, Losses and Transfers</u> | <u>13,539,158.58</u> | <u>12,014,014.31</u> |
| <u>Changes in Net Position</u> | <u>3,330,582.01</u> | <u>4,856,734.33</u> |
| Net Position, Beginning | 132,447,205.77 | 127,590,471.44 |
| Restatements | 1,813,723.71 | |
| <u>Net Position, Beginning, as Restated</u> | <u>134,260,929.48</u> | <u>127,590,471.44</u> |
| <u>Net Position, Ending</u> | <u>\$ 137,591,511.49</u> | <u>\$ 132,447,205.77</u> |

Unaudited

University of Houston - Downtown (784)
 Matrix of Operating Expenses Reported by Function
 For the Year Ended August 31, 2016

| Operating Expenses | Instruction | Research | Public Service | Academic Support | Student Services |
|---------------------------------|-------------------------|------------------------|------------------------|-------------------------|------------------------|
| Cost of Goods Sold | \$ | \$ | \$ | \$ | \$ |
| Salaries and Wages | 35,470,569.11 | 949,436.24 | 1,968,918.26 | 14,515,338.00 | 2,902,610.22 |
| Payroll Related Costs | 8,405,374.75 | 211,764.00 | 396,469.84 | 4,092,046.84 | 854,812.24 |
| Professional Fees and Services | 563,384.19 | 380,998.30 | 678,843.23 | 732,737.89 | 407,236.93 |
| Federal Pass Through Expenses | | | | | |
| Travel | 342,233.62 | 128,727.89 | 37,860.73 | 340,396.89 | 37,577.68 |
| Materials and Supplies | 348,759.88 | 122,498.68 | 331,826.61 | 1,764,547.01 | 115,319.51 |
| Communication and Utilities | 98,530.10 | 7,436.34 | 38,185.93 | 287,706.97 | 142,646.83 |
| Repairs and Maintenance | 8,237.00 | 4,900.00 | 3,900.64 | 570,059.76 | 7,927.11 |
| Rentals and Leases | 122,134.51 | 12,999.00 | 74,337.53 | 1,111,587.00 | 246,581.44 |
| Printing and Reproduction | 18,609.65 | 12,458.94 | 31,789.05 | 42,634.20 | 31,588.43 |
| Depreciation and Amortization | | | | | |
| Interest | 114.98 | 24.81 | 672.65 | 384.65 | 74.07 |
| Scholarships | 68,505.78 | 232,200.60 | 583.55 | 15,236.57 | |
| Claims and Judgments | | | | | |
| Other Operating Expenses | 307,123.71 | 230,533.82 | 522,796.18 | 758,906.62 | 175,648.24 |
| Total Operating Expenses | \$ 45,753,577.28 | \$ 2,293,978.62 | \$ 4,086,184.20 | \$ 24,231,582.40 | \$ 4,922,022.70 |

Unaudited

University of Houston - Downtown (784)
 Matrix of Operating Expenses Reported by Function
 For the Year Ended August 31, 2016

| Institutional Support | Operation and Maintenance of Plant | Scholarships and Fellowships | Auxiliary Enterprises | Depreciation and Amortization | Total 2016 | Total 2015 |
|-------------------------|------------------------------------|------------------------------|------------------------|-------------------------------|--------------------------|--------------------------|
| \$ | \$ | \$ | \$ 1,671.50 | \$ | \$ 1,671.50 | \$ 1,921.19 |
| 10,158,532.53 | 1,923,597.21 | 95,550.00 | 3,885,608.05 | | 71,870,159.62 | 66,429,044.01 |
| 3,107,847.63 | 743,406.75 | | 1,007,752.70 | | 18,819,474.75 | 16,819,037.23 |
| 2,215,486.32 | 1,456,254.73 | 38,305.00 | 1,517,822.40 | | 7,991,068.99 | 8,633,963.72 |
| | | | | | | 30,900.01 |
| 105,173.49 | 3,123.97 | | 118,349.83 | | 1,113,444.10 | 1,053,330.84 |
| 1,361,553.86 | 446,050.80 | 14,755.19 | 299,665.42 | | 4,804,976.96 | 4,370,958.42 |
| 183,895.11 | 1,837,451.61 | | 208,437.91 | | 2,804,290.80 | 2,927,740.00 |
| 615,193.01 | 1,251,438.78 | | 164,147.16 | | 2,625,803.46 | 2,893,515.06 |
| 346,879.93 | 16,987.56 | | 210,065.28 | | 2,141,572.25 | 1,843,079.94 |
| 95,835.00 | 106.00 | | 53,004.97 | | 286,026.24 | 316,583.41 |
| | | | | 8,306,083.75 | 8,306,083.75 | 7,378,146.25 |
| 580.40 | 790.84 | | 4,127.74 | | 6,770.14 | 7,072.82 |
| 1,387,644.29 | | 28,846,400.72 | 22,743.03 | | 30,573,314.54 | 30,310,867.81 |
| 65,653.03 | | | | | 65,653.03 | 71,436.60 |
| 1,770,806.17 | 26,832.93 | | 512,372.25 | | 4,305,019.92 | 4,176,757.16 |
| <u>\$ 21,415,080.77</u> | <u>\$ 7,706,041.18</u> | <u>\$ 28,995,010.91</u> | <u>\$ 8,005,768.24</u> | <u>\$ 8,306,083.75</u> | <u>\$ 155,715,330.05</u> | <u>\$ 147,264,354.47</u> |

Unaudited

University of Houston - Downtown (784)
Statement of Cash Flows
For the Year Ended August 31, 2016

| | Total 2016 | Total 2015 |
|---|-------------------------|-------------------------|
| Cash Flows From Operating Activities | | |
| Receipts from Customers | \$ 4,247,389.33 | \$ 4,393,987.64 |
| Proceeds from Tuition and Fees | 72,207,977.28 | 72,754,932.56 |
| Proceeds from Research Grants and Contracts | 10,681,491.60 | 11,810,709.59 |
| Proceeds from Loan Programs | 2,814,216.19 | 1,780,128.66 |
| Proceeds from Auxiliaries | 2,340,288.45 | 1,521,202.16 |
| Payments to Suppliers for Goods and Services | (23,024,915.33) | (20,550,722.48) |
| Payments to Employees for Salaries | (70,493,420.14) | (66,507,587.73) |
| Payments to Employees for Benefits | (18,524,256.88) | (16,497,352.34) |
| Payments for Loans Provided | (2,949,891.36) | (1,961,471.67) |
| Payments for Other Expenses | (33,903,635.94) | (35,126,643.72) |
| Net Cash Provided (Used) by Operating Activities | (56,604,756.80) | (48,382,817.33) |
| Cash Flows from Noncapital Financing Activities | | |
| Proceeds from State Appropriations | 31,479,177.92 | 28,261,544.12 |
| Proceeds from Gifts | 960,439.93 | 2,535,144.07 |
| Proceeds from Endowments | 248,666.84 | 233,211.36 |
| Proceeds of Transfers from Other Funds | 6,439,943.62 | 8,306,388.48 |
| Proceeds from Grants | 25,988,938.94 | 26,721,523.50 |
| Payments for Transfers to Other Funds | (1,526,489.77) | (3,482,663.35) |
| Net Cash Provided (Used) by Noncapital Financing Activities | 63,590,677.48 | 62,575,148.18 |
| Cash Flows from Capital and Related Financing Activities | | |
| Proceeds from Debt Issuance | | 17,765,000.00 |
| Proceeds from Other Financing Activities | 14,036,032.98 | 4,691,030.16 |
| Proceeds from Capital Contributions | 7,835,252.00 | 7,435,238.00 |
| Payments for Additions to Capital Assets | (22,761,172.17) | (20,316,304.19) |
| Payments of Principal on Debt Issuance | (4,893,822.43) | (23,431,614.14) |
| Payments of Interest on Debt Issuance | (1,115,888.48) | (961,012.38) |
| Payments of Other Costs on Debt Issuance | (471,377.34) | (1,634,560.83) |
| Net Cash Provided (Used) by Capital and Related Financing Activities | (7,370,975.44) | (16,452,223.38) |
| Cash Flows From Investing Activities | | |
| Proceeds from Investment Income | 1,491,179.37 | 2,952,440.47 |
| Payments to Acquire Investments | (725,539.32) | (1,686,854.46) |
| Net Cash Provided (Used) by Investing Activities | 765,640.05 | 1,265,586.01 |
| Net Increase (Decrease) in Cash and Cash Equivalents | 380,585.29 | (994,306.52) |
| Cash and Cash Equivalents, September 1 | 24,237,989.48 | 25,232,296.00 |
| Cash and Cash Equivalents, August 31 | \$ 24,618,574.77 | \$ 24,237,989.48 |

Unaudited

University of Houston - Downtown (784)
Statement of Cash Flows
For the Year Ended August 31, 2016

| | Total 2016 | Total 2015 |
|--|---------------------------|---------------------------|
| Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities | | |
| <u>Operating Income (Loss)</u> | <u>\$ (67,060,595.49)</u> | <u>\$ (60,259,101.49)</u> |
| Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities | | |
| Depreciation and Amortization Expense | 8,306,083.75 | 7,378,146.25 |
| Operating Income and Cash Flow Categories: | | |
| Classification Differences | (135,675.17) | (181,343.01) |
| Changes in Assets and Liabilities: | | |
| (Increase) Decrease In Receivables | (1,185,477.89) | 1,325,463.39 |
| (Increase) Decrease in Inventories | (324.99) | 3,775.21 |
| (Increase) Decrease in Prepaid Expenses | 1,303,511.56 | (1,086,094.46) |
| (Increase) Decrease in Other Assets | (136,750.99) | (235.37) |
| Increase (Decrease) in Payables | (2,561,477.59) | 2,574,635.69 |
| Increase (Decrease) in Deferred Income | 2,134,517.79 | 2,135,285.55 |
| Increase (Decrease) in Compensated Absences | 295,217.87 | 321,684.89 |
| Increase (Decrease) in Benefits Payable | 1,376,739.48 | (78,543.72) |
| Increase (Decrease) in Other Liabilities | 1,059,474.87 | (516,490.26) |
| <u>Total Adjustments</u> | <u>10,455,838.69</u> | <u>11,876,284.16</u> |
| <u>Net Cash Provided (Used) by Operating Activities</u> | <u>\$ (56,604,756.80)</u> | <u>\$ (48,382,817.33)</u> |
| Non Cash Transactions | | |
| <u>Net Change in Fair Value of Investments</u> | <u>\$ (131,190.46)</u> | <u>\$ (3,791,430.66)</u> |
| <u>Non Cash Transactions</u> | <u>\$ (131,190.46)</u> | <u>\$ (3,791,430.66)</u> |

**UNIVERSITY OF HOUSTON
VICTORIA**

**UNAUDITED ANNUAL
FINANCIAL REPORT**

**FOR THE YEAR ENDED AUGUST 31, 2016
WITH AUGUST 31, 2015 COMPARATIVE DATA**

UNIVERSITY OF HOUSTON – VICTORIA
PRIMARY STATEMENTS

Unaudited

University of Houston - Victoria (765)
Statement of Net Position
August 31, 2016

| | Total 2016 | Total 2015 |
|---|----------------------|----------------------|
| Assets | | |
| Current Assets | | |
| Cash and Cash Equivalents | | |
| Cash on Hand | \$ 2,000.00 | \$ 2,000.00 |
| Cash in Bank | 1,346,958.82 | (757,455.47) |
| Cash in State Treasury | 521,788.75 | 783,990.62 |
| Cash Equivalents | 4,991,786.51 | 6,489,177.09 |
| Restricted: | | |
| Cash In Bank | (649,510.82) | (503,466.80) |
| Legislative Appropriation | 2,714,957.46 | 2,792,016.41 |
| Receivables: | | |
| Federal Receivables | 2,924,323.01 | 2,699,221.23 |
| UHS Intercampus Receivables | 1,134,156.49 | 1,058,815.97 |
| Accounts Receivable | 3,230,235.30 | 2,573,283.77 |
| Gifts | 138,512.34 | 227,390.79 |
| Other | 42,336.31 | 43,809.99 |
| Due From Other Agencies | 53,793.11 | 33,501.06 |
| Prepaid Costs | 2,381,971.35 | 1,880,825.63 |
| Loans and Contracts | 1,357,424.29 | 1,300,403.84 |
| Total Current Assets | 20,190,732.92 | 18,623,514.13 |
| Non-Current Assets | | |
| Restricted: | | |
| Receivables | 56,841.14 | 137,822.90 |
| UHS Intercampus Receivables | 30,543,918.08 | 9,015,334.15 |
| Investments | 94,060.76 | 94,060.76 |
| UHS Intercampus Receivables | 2,569,191.33 | 2,581,641.00 |
| Capital Assets | | |
| Non-Depreciable or Non-Amortizable | 3,421,053.91 | 14,234,663.97 |
| Depreciable or Amortizable, Net | 40,466,344.99 | 30,286,506.87 |
| Total Non-Current Assets | 77,151,410.21 | 56,350,029.65 |
| Total Assets | 97,342,143.13 | 74,973,543.78 |
| Deferred Outflow of Resources | | |
| Loss on Bond Refunding | 158,229.18 | |
| Total Deferred Outflow of Resources | 158,229.18 | |
| Total Assets and Deferred Outflow of Resources | 97,500,372.31 | 74,973,543.78 |

Unaudited

University of Houston - Victoria (765)
Statement of Net Position
August 31, 2016

| | Total 2016 | Total 2015 |
|--|--------------------------------|--------------------------------|
| Liabilities | | |
| Current Liabilities: | | |
| Payables: | | |
| Accounts Payable | 1,570,852.32 | 1,429,843.01 |
| Federal Payable | 480.00 | 480.00 |
| Payroll Payable | 1,370,971.45 | 2,105,923.56 |
| UHS Intercampus Payable | 2,547,919.46 | 1,020,239.75 |
| Other Payable | 113,536.10 | 94,753.97 |
| Unearned Revenues | 12,376,420.52 | 12,315,382.82 |
| Revenue Bonds Payable | 2,534,230.55 | 2,346,117.21 |
| Claims and Judgments Payable | 7,279.33 | 9,511.03 |
| Employees' Compensable Leave | 507,864.32 | 505,178.04 |
| Funds Held for Others | 266,872.16 | 161,229.13 |
| Total Current Liabilities | <u>21,296,426.21</u> | <u>19,988,658.52</u> |
| Non-Current Liabilities | | |
| Revenue Bonds Payable | 50,710,813.35 | 29,640,562.28 |
| Employees' Compensable Leave | 515,642.95 | 518,070.95 |
| Total Non-Current Liabilities | <u>51,226,456.30</u> | <u>30,158,633.23</u> |
| Total Liabilities | <u>72,522,882.51</u> | <u>50,147,291.75</u> |
| Deferred Inflow of Resources | | |
| Pensions | | |
| Total Deferred Inflows of Resources | | |
| Total Liabilities and Deferred Inflow of Resources | <u><u>72,522,882.51</u></u> | <u><u>50,147,291.75</u></u> |
| Net Position | | |
| Invested in Capital Assets, Net of Related Debt | 11,394,487.76 | 12,705,714.53 |
| Restricted for: | | |
| Debt Retirement | 883,104.40 | 1,122.41 |
| Capital Projects | 3,510.25 | |
| Funds Held as Permanent Investments | | |
| Non-Expendable | | |
| True Endowments, Annuities | 7,527,636.74 | 7,724,881.41 |
| Expendable | | |
| Funds Functioning as Endowments | 881,720.53 | 915,766.61 |
| Other Restricted | 3,713,974.42 | 3,568,124.42 |
| Unrestricted | 573,055.70 | (89,357.35) |
| Total Net Position | <u><u>\$ 24,977,489.80</u></u> | <u><u>\$ 24,826,252.03</u></u> |

Unaudited

University of Houston - Victoria (765)
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended August 31, 2016

| | Total 2016 | Total 2015 |
|---|------------------------|------------------------|
| Operating Revenues | | |
| Sales of Goods and Services (PR-Chgs for Services) | | |
| Tuition and Fees-Pledged | \$ 25,372,338.47 | \$ 25,623,826.45 |
| Discounts and Allowances | (7,198,712.71) | (6,553,735.43) |
| Auxiliary Enterprise-Pledged | 4,683,487.38 | 4,021,916.54 |
| Discounts and Allowances | (1,328,812.50) | (1,028,674.50) |
| Other Sales of Goods and Services-Pledged | 219,691.50 | 254,205.51 |
| Federal Revenue-Operating (PR-OP Grants/Contributions) | 706,374.97 | 520,149.34 |
| Federal Pass Through Revenue (PR-OP Grants/Contributions) | 111,753.93 | 98,854.71 |
| State Grant Revenue (PR-OP Grants/Contributions) | 230,756.46 | 215,077.69 |
| State Grant Pass Through Revenue (PR-OP Grants/Contributions) | 1,538,239.70 | 1,683,674.62 |
| Other Grants and Contracts-Operating (PR-OP Grants/Contributions) | 61,994.63 | 460,951.81 |
| Total Operating Revenues | 24,397,111.83 | 25,296,246.74 |
| Operating Expenses | | |
| Instruction | 19,619,527.64 | 21,955,246.84 |
| Research | 378,467.55 | 269,794.64 |
| Public Service | 1,013,241.91 | 950,791.37 |
| Academic Support | 8,493,737.89 | 7,305,076.89 |
| Student Services | 6,591,522.29 | 6,401,426.64 |
| Institutional Support | 5,540,661.54 | 5,322,389.61 |
| Physical Plant | 2,573,954.71 | 2,396,535.16 |
| Scholarships & Fellowships | 3,708,193.96 | 3,693,207.03 |
| Auxiliary Enterprises | 2,946,034.84 | 2,661,280.85 |
| Depreciation and Amortization | 3,086,706.89 | 2,518,810.44 |
| Total Operating Expenses | 53,952,049.22 | 53,474,559.47 |
| Operating Income (Loss) | (29,554,937.39) | (28,178,312.73) |
| Non-Operating Revenues (Expenses) | | |
| Legislative Revenue (GR) | 15,363,462.00 | 15,002,253.00 |
| Additional Appropriations (GR) | 4,320,009.03 | 3,854,182.46 |
| Federal Revenue Non-Operating (PR-OP Grants/Contributions) | 6,631,335.27 | 6,247,114.56 |
| Gifts (PR-OP Grants/Contributions) | 660,487.51 | 722,172.73 |
| Interest and Investment Income (PR-Chgs for Services) | 435,966.39 | 1,305,168.46 |
| Interest Expense and Fiscal Charges | (1,789,652.63) | (1,128,702.66) |
| Net Incr (Decr) in Fair Value of Investments (PR-OP Grants/Contrib) | (127,190.51) | (1,582,916.36) |
| Other Nonoperating Revenues | 113,227.21 | 176,418.06 |
| Other Nonoperating Expenses | (241,455.13) | (600,915.93) |
| Total Nonoperating Revenues (Expenses) | 25,366,189.14 | 23,994,774.32 |

Unaudited

University of Houston - Victoria (765)
 Statement of Revenues, Expenses, and Changes in Net Position
 For the Year Ended August 31, 2016

| | <u>Total 2016</u> | <u>Total 2015</u> |
|---|-------------------------|-------------------------|
| <u>Income (Loss) before Other Revenues, Expenses, Gains, Losses and Transfers</u> | <u>(4,188,748.25)</u> | <u>(4,183,538.41)</u> |
| Other Revenues, Expenses, Gains, Losses and Transfers | | |
| Capital Appropriation (HEAF) | 2,850,574.00 | 2,393,921.00 |
| Additions to Permanent and Term Endowments | 36,852.32 | 21,739.98 |
| UHS Intercampus Transfers-In | 2,080,698.00 | 2,033,635.91 |
| UHS Intercampus Transfers-Out | (712,210.11) | (139,694.71) |
| Transfers-In | 28,866.16 | 21,724.00 |
| Transfers-Out | (2,211.16) | (266,037.62) |
| Legislative Transfers-In | 35,097.00 | (6.58) |
| <u>Total Other Revenues, Expenses, Gains, Losses and Transfers</u> | <u>4,317,666.21</u> | <u>4,065,281.98</u> |
| <u>Changes in Net Position</u> | <u>128,917.96</u> | <u>(118,256.43)</u> |
| Net Position, Beginning | 24,826,252.03 | 24,946,635.33 |
| Restatements | 22,319.81 | (2,126.87) |
| <u>Net Position, Beginning, as Restated</u> | <u>24,848,571.84</u> | <u>24,944,508.46</u> |
| <u>Net Position, Ending</u> | <u>\$ 24,977,489.80</u> | <u>\$ 24,826,252.03</u> |

Unaudited

University of Houston - Victoria (765)
 Matrix of Operating Expenses Reported by Function
 For the Year Ended August 31, 2016

| Operating Expenses | Instruction | Research | Public Service | Academic Support | Student Services |
|---------------------------------|-------------------------|----------------------|------------------------|------------------------|------------------------|
| Salaries and Wages | \$ 14,154,424.81 | \$ 275,869.76 | \$ 587,926.35 | \$ 3,243,616.79 | \$ 3,578,987.68 |
| Payroll Related Costs | 3,592,238.46 | 62,350.34 | 219,606.67 | 912,255.15 | 1,184,735.56 |
| Professional Fees and Services | 1,046,335.06 | 2,181.00 | 25,999.41 | 2,347,592.05 | 346,971.47 |
| Travel | 119,181.03 | 9,739.26 | 34,860.34 | 144,981.57 | 320,240.90 |
| Materials and Supplies | 376,061.67 | 7,629.58 | 39,808.11 | 801,970.47 | 233,152.60 |
| Communication and Utilities | 23,249.75 | 1,020.17 | 3,276.56 | 446,019.22 | 161,981.76 |
| Repairs and Maintenance | 42,029.41 | | 1,064.50 | 87,351.27 | 42,753.95 |
| Rentals and Leases | 62,442.49 | 155.82 | 17,276.35 | 204,226.30 | 48,272.29 |
| Printing and Reproduction | 12,813.03 | | 2,068.25 | 45,973.52 | 62,370.74 |
| Depreciation and Amortization | | | | | |
| Interest | 80.76 | | | 93.26 | 36.68 |
| Scholarships | 39,266.92 | 12,275.19 | 79.09 | 29,784.42 | 87,308.81 |
| Claims and Judgments | | | | | |
| Other Operating Expenses | 151,404.25 | 7,246.43 | 81,276.28 | 229,873.87 | 524,709.85 |
| Total Operating Expenses | \$ 19,619,527.64 | \$ 378,467.55 | \$ 1,013,241.91 | \$ 8,493,737.89 | \$ 6,591,522.29 |

Unaudited

University of Houston - Victoria (765)
 Matrix of Operating Expenses Reported by Function
 For the Year Ended August 31, 2016

| Institutional Support | Operation and Maintenance of Plant | Scholarships and Fellowships | Auxiliary Enterprises | Depreciation and Amortization | Total 2016 | Total 2015 |
|------------------------|------------------------------------|------------------------------|------------------------|-------------------------------|-------------------------|-------------------------|
| \$ 2,927,045.90 | \$ 762,025.37 | \$ 140,300.38 | \$ 424,989.13 | \$ | \$ 26,095,186.17 | \$ 26,001,158.39 |
| 873,917.75 | 294,365.88 | 4.17 | 155,903.10 | | 7,295,377.08 | 7,091,751.17 |
| 590,297.29 | 259,556.67 | 1,812.57 | 1,608,354.34 | | 6,229,099.86 | 6,992,809.95 |
| 56,221.58 | 8,523.18 | | 1,828.74 | | 695,576.60 | 764,221.57 |
| 208,246.43 | 116,345.59 | | 123,221.75 | | 1,906,436.20 | 1,715,478.50 |
| 59,939.90 | 551,747.45 | | 422,161.38 | | 1,669,396.19 | 1,660,305.62 |
| 285,326.85 | 268,521.34 | | 125,501.86 | | 852,549.18 | 796,268.76 |
| 161,515.85 | 306,668.35 | | 30,922.16 | | 831,479.61 | 734,834.52 |
| 10,452.90 | 106.31 | | 12,509.92 | | 146,294.67 | 144,945.52 |
| | | | | 3,086,706.89 | 3,086,706.89 | 2,518,810.44 |
| 18.17 | | | 562.00 | | 790.87 | 823.98 |
| 215,435.15 | | 3,557,742.55 | 9,146.47 | | 3,951,038.60 | 3,928,387.71 |
| 42,700.35 | | | | | 42,700.35 | 48,768.56 |
| 109,543.42 | 6,094.57 | 8,334.29 | 30,933.99 | | 1,149,416.95 | 1,075,994.78 |
| <u>\$ 5,540,661.54</u> | <u>\$ 2,573,954.71</u> | <u>\$ 3,708,193.96</u> | <u>\$ 2,946,034.84</u> | <u>\$ 3,086,706.89</u> | <u>\$ 53,952,049.22</u> | <u>\$ 53,474,559.47</u> |

Unaudited

University of Houston - Victoria (765)
Statement of Cash Flows
For the Year Ended August 31, 2016

| | Total 2016 | Total 2015 |
|---|------------------------|------------------------|
| Cash Flows From Operating Activities | | |
| Receipts from Customers | \$ 221,165.18 | \$ 254,205.51 |
| Proceeds from Tuition and Fees | 18,019,940.39 | 19,960,783.59 |
| Proceeds from Research Grants and Contracts | 1,976,820.81 | 2,428,936.23 |
| Proceeds from Loan Programs | 1,854,761.40 | 2,059,404.89 |
| Proceeds from Auxiliaries | 3,339,351.47 | 3,030,765.14 |
| Payments to Suppliers for Goods and Services | (12,230,695.98) | (12,465,235.08) |
| Payments to Employees for Salaries | (26,013,185.10) | (25,914,741.33) |
| Payments to Employees for Benefits | (7,295,118.80) | (6,971,605.19) |
| Payments for Loans Provided | (1,911,781.85) | (2,023,836.42) |
| Payments for Other Expenses | (5,040,535.44) | (5,351,538.78) |
| Net Cash Provided (Used) by Operating Activities | (27,079,277.92) | (24,992,861.44) |
| Cash Flows from Noncapital Financing Activities | | |
| Proceeds from State Appropriations | 19,760,529.98 | 19,415,656.06 |
| Proceeds from Gifts | 830,347.72 | 823,152.73 |
| Proceeds from Endowments | 36,852.32 | 21,739.98 |
| Proceeds of Transfers from Other Funds | 2,257,888.37 | 2,231,777.97 |
| Proceeds from Grants | 6,631,335.27 | 6,247,114.56 |
| Payments for Transfers to Other Funds | 1,391,399.00 | (929,959.20) |
| Net Cash Provided (Used) by Noncapital Financing Activities | 30,908,352.66 | 27,809,482.10 |
| Cash Flows from Capital and Related Financing Activities | | |
| Proceeds from Debt Issuance | 25,155,000.00 | 625,000.00 |
| Proceeds from Other Financing Activities | 2,443,133.46 | 4,538,821.92 |
| Proceeds from Capital Contributions | 2,850,574.00 | 2,393,921.00 |
| Payments for Additions to Capital Assets | (2,872,105.75) | (7,569,470.22) |
| Payments of Principal on Debt Issuance | (6,121,080.13) | (2,694,526.21) |
| Payments of Interest on Debt Issuance | (1,947,881.81) | (1,127,765.90) |
| Payments of Other Costs on Debt Issuance | (23,606,465.05) | (209,175.61) |
| Net Cash Provided (Used) by Capital and Related Financing Activities | (4,098,825.28) | (4,043,195.02) |
| Cash Flows From Investing Activities | | |
| Proceeds from Sales of Investments | 243,740.42 | |
| Proceeds from Investment Income | 435,966.39 | 1,305,168.46 |
| Payments to Acquire Investments | (211,178.45) | (446,832.55) |
| Net Cash Provided (Used) by Investing Activities | 468,528.36 | 858,335.91 |
| Net Increase (Decrease) in Cash and Cash Equivalents | 198,777.82 | (368,238.45) |
| Cash and Cash Equivalents, September 1 | 6,014,245.44 | 6,382,483.89 |
| Cash and Cash Equivalents, August 31 | \$ 6,213,023.26 | \$ 6,014,245.44 |

Unaudited

University of Houston - Victoria (765)
Statement of Cash Flows
For the Year Ended August 31, 2016

| | Total 2016 | Total 2015 |
|--|---------------------------|---------------------------|
| Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities | | |
| <u>Operating Income (Loss)</u> | <u>\$ (29,554,937.39)</u> | <u>\$ (28,178,312.73)</u> |
| Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities | | |
| Depreciation and Amortization Expense | 3,086,706.89 | 2,518,810.44 |
| Operating Income and Cash Flow Categories: | | |
| Classification Differences | (57,020.45) | 35,568.47 |
| Changes in Assets and Liabilities: | | |
| (Increase) Decrease In Receivables | (880,579.63) | 976,542.83 |
| (Increase) Decrease in Prepaid Expenses | (501,145.72) | (322,272.99) |
| (Increase) Decrease in Other Assets | (20,292.05) | 13,902.80 |
| Increase (Decrease) in Payables | 601,282.05 | 665,902.35 |
| Increase (Decrease) in Deferred Income | 61,037.70 | (612,001.90) |
| Increase (Decrease) in Compensated Absences | 258.28 | 120,145.98 |
| Increase (Decrease) in Benefits Payable | 82,001.07 | 86,417.06 |
| Increase (Decrease) in Other Liabilities | 103,411.33 | (297,563.75) |
| <u>Total Adjustments</u> | <u>2,475,659.47</u> | <u>3,185,451.29</u> |
| <u>Net Cash Provided (Used) by Operating Activities</u> | <u>\$ (27,079,277.92)</u> | <u>\$ (24,992,861.44)</u> |
| Non Cash Transactions | | |
| <u>Net Change in Fair Value of Investments</u> | <u>\$ (127,190.51)</u> | <u>\$ (1,582,916.36)</u> |
| <u>Non Cash Transactions</u> | <u>\$ (127,190.51)</u> | <u>\$ (1,582,916.36)</u> |

**UNIVERSITY OF HOUSTON
SYSTEM ADMINISTRATION**

**UNAUDITED ANNUAL
FINANCIAL REPORT**

**FOR THE YEAR ENDED AUGUST 31, 2016
WITH AUGUST 31, 2015 COMPARATIVE DATA**

UNIVERSITY OF HOUSTON – SYSTEM ADMINISTRATION
PRIMARY STATEMENTS

Unaudited

University of Houston - System Administration (783)
 Statement of Net Position
 August 31, 2016

| | <u>Total 2016</u> | <u>Total 2015</u> |
|---|-------------------------------|-------------------------------|
| Assets | | |
| Current Assets | | |
| Cash and Cash Equivalents | | |
| Cash in Bank | \$ 124,202,577.94 | 99,782,040.63 |
| Cash in Transit/Reimburse From Treasury | 3,266,592.00 | 28,014,240.16 |
| Cash Equivalents | 38,899,202.18 | 47,084,129.67 |
| Short Term Investments | 215,663,094.34 | 80,179,912.19 |
| Restricted: | | |
| Cash In Bank | (120,368,345.36) | (123,225,639.22) |
| Legislative Appropriation | 929,669.94 | 614,017.06 |
| Receivables: | | |
| UHS Intercampus Receivables | 31,264,925.50 | 6,739,028.42 |
| Interest and Dividends | 751,913.31 | 676,627.06 |
| Accounts Receivable | 13,419,573.91 | 11,433,305.78 |
| Gifts | 253,842.46 | 271,649.45 |
| Other | 1,104,806.15 | 22,567,957.66 |
| Due From Other Agencies | 11,347.33 | 1,104.83 |
| Prepaid Costs | 341,258.74 | 349,138.46 |
| <hr/> | | |
| Total Current Assets | <hr/> 309,740,458.44 | <hr/> 174,487,512.15 |
| Non-Current Assets | | |
| Restricted: | | |
| Receivables | 94,650.65 | 256,843.66 |
| UHS Intercampus Receivables | 32,062,627.65 | 35,659,302.55 |
| Investments | 807,584,983.13 | 761,687,205.98 |
| Capital Assets | | |
| Non-Depreciable or Non-Amortizable | 10,630,806.25 | 10,158,522.87 |
| Depreciable or Amortizable, Net | 27,016,000.98 | 29,749,568.21 |
| <hr/> | | |
| Total Non-Current Assets | <hr/> 877,389,068.66 | <hr/> 837,511,443.27 |
| <hr/> | | |
| Total Assets | <hr/> 1,187,129,527.10 | <hr/> 1,011,998,955.42 |
| Deferred Outflow of Resources | | |
| Loss on Bond Refunding | 427,098.31 | |
| <hr/> | | |
| Total Deferred Outflow of Resources | <hr/> 427,098.31 | |
| <hr/> | | |
| Total Assets and Deferred Outflow of Resources | <hr/> 1,187,556,625.41 | <hr/> 1,011,998,955.42 |

Unaudited

University of Houston - System Administration (783)
 Statement of Net Position
 August 31, 2016

| | Total 2016 | Total 2015 |
|--|---------------------------------|---------------------------------|
| Liabilities | | |
| Current Liabilities: | | |
| Payables: | | |
| Accounts Payable | 17,237,300.77 | 15,210,799.15 |
| Payroll Payable | 33,882,544.19 | 7,058,633.53 |
| UHS Intercampus Payable | 947,538,987.62 | 783,900,774.91 |
| Other Payable | 95,561.92 | 42,851.61 |
| Unearned Revenues | 10,924.48 | 10,089.08 |
| Notes and Loans Payable | 54,472,000.00 | 68,236,000.00 |
| Revenue Bonds Payable | 1,254,003.14 | 1,071,608.04 |
| Claims and Judgments Payable | | 395.43 |
| Employees' Compensable Leave | 305,550.33 | 244,435.24 |
| Funds Held for Others | 37,636.96 | 29,033.79 |
| Total Current Liabilities | <u>1,054,834,509.41</u> | <u>875,804,620.78</u> |
| Non-Current Liabilities | | |
| Revenue Bonds Payable | 14,805,429.85 | 14,866,056.10 |
| Employees' Compensable Leave | 310,230.28 | 250,673.61 |
| Total Non-Current Liabilities | <u>15,115,660.13</u> | <u>15,116,729.71</u> |
| Total Liabilities | <u>1,069,950,169.54</u> | <u>890,921,350.49</u> |
| Deferred Inflow of Resources | | |
| Pensions | | |
| Total Deferred Inflows of Resources | | |
| Total Liabilities and Deferred Inflow of Resources | <u><u>1,069,950,169.54</u></u> | <u><u>890,921,350.49</u></u> |
| Net Position | | |
| Invested in Capital Assets, Net of Related Debt | 23,489,867.02 | 25,251,676.60 |
| Restricted for: | | |
| Debt Retirement | 1,531,709.37 | 26,979.91 |
| Capital Projects | 43,327.14 | 39,889.32 |
| Funds Held as Permanent Investments | | |
| Non-Expendable | | |
| True Endowments, Annuities | 43,182,959.61 | 44,868,744.92 |
| Expendable | | |
| Funds Functioning as Endowments | 5,848,705.25 | 5,974,207.16 |
| Other Restricted | 8,001,607.03 | 7,884,299.18 |
| Unrestricted | 35,508,280.45 | 37,031,807.84 |
| Total Net Position | <u><u>\$ 117,606,455.87</u></u> | <u><u>\$ 121,077,604.93</u></u> |

Unaudited

University of Houston - System Administration (783)
 Statement of Revenues, Expenses, and Changes in Net Position
 For the Year Ended August 31, 2016

| | Total 2016 | Total 2015 |
|---|------------------------|------------------------|
| Operating Revenues | | |
| Sales of Goods and Services (PR-Chgs for Services) | | |
| Other Sales of Goods and Services-Pledged | \$ 60,186.96 | \$ 60,186.96 |
| Federal Pass Through Revenue (PR-OP Grants/Contributions) | 102,673.34 | |
| State Grant Revenue (PR-OP Grants/Contributions) | 10,209.79 | (937.62) |
| <u>Total Operating Revenues</u> | <u>173,070.09</u> | <u>59,249.34</u> |
| Operating Expenses | | |
| Research | 1,094,088.27 | 1,027,151.29 |
| Academic Support | 1,059,110.32 | 1,052,730.90 |
| Student Services | 376,770.01 | 398,924.13 |
| Institutional Support | 9,332,937.40 | 8,372,649.93 |
| Physical Plant | 1,981,511.70 | 1,974,360.57 |
| Depreciation and Amortization | 2,793,739.01 | 2,803,886.00 |
| <u>Total Operating Expenses</u> | <u>16,638,156.71</u> | <u>15,629,702.82</u> |
| <u>Operating Income (Loss)</u> | <u>(16,465,086.62)</u> | <u>(15,570,453.48)</u> |
| Non-Operating Revenues (Expenses) | | |
| Legislative Revenue (GR) | 24,492,300.00 | 24,610,656.00 |
| Additional Appropriations (GR) | 540,279.36 | 1,338,150.13 |
| Federal Revenue Non-Operating (PR-OP Grants/Contributions) | 1,457,768.32 | 1,455,317.26 |
| Gifts (PR-OP Grants/Contributions) | 28,532.20 | (69,714.84) |
| Interest and Investment Income (PR-Chgs for Services) | 4,554,569.98 | 10,125,559.82 |
| Interest Expense and Fiscal Charges | (1,964,239.94) | (800,591.74) |
| Net Incr (Decr) in Fair Value of Investments (PR-OP Grants/Contrib) | (1,320,419.37) | (15,837,092.24) |
| Other Nonoperating Revenues | 6,603,034.49 | 7,491,506.46 |
| Other Nonoperating Expenses | 251,072.79 | (186,091.80) |
| <u>Total Nonoperating Revenues (Expenses)</u> | <u>34,642,897.83</u> | <u>28,127,699.05</u> |

Unaudited

University of Houston - System Administration (783)
 Statement of Revenues, Expenses, and Changes in Net Position
 For the Year Ended August 31, 2016

| | <u>Total 2016</u> | <u>Total 2015</u> |
|---|--------------------------|--------------------------|
| <u>Income (Loss) before Other Revenues, Expenses, Gains, Losses and Transfers</u> | <u>18,177,811.21</u> | <u>12,557,245.57</u> |
| Other Revenues, Expenses, Gains, Losses and Transfers | | |
| UHS Intercampus Transfers-In | 8,887,572.82 | 6,052,821.98 |
| UHS Intercampus Transfers-Out | (30,302,390.63) | (33,744,252.10) |
| Legislative Appropriations Lapsed | (234,142.46) | (180,312.26) |
| <u>Total Other Revenues, Expenses, Gains, Losses and Transfers</u> | <u>(21,648,960.27)</u> | <u>(27,871,742.38)</u> |
| <u>Changes in Net Position</u> | <u>(3,471,149.06)</u> | <u>(15,314,496.81)</u> |
| Net Position, Beginning | 121,077,604.93 | 136,390,349.63 |
| Restatements | | 1,752.11 |
| <u>Net Position, Beginning, as Restated</u> | <u>121,077,604.93</u> | <u>136,392,101.74</u> |
| <u>Net Position, Ending</u> | <u>\$ 117,606,455.87</u> | <u>\$ 121,077,604.93</u> |

Unaudited

University of Houston - System Administration (783)
 Matrix of Operating Expenses Reported by Function
 For the Year Ended August 31, 2016

| Operating Expenses | Instruction | Research | Public Service | Academic Support | Student Services |
|---------------------------------|-------------|------------------------|----------------|------------------------|----------------------|
| Salaries and Wages | \$ | \$ 240,722.10 | \$ | \$ 741,870.13 | \$ 313,114.96 |
| Payroll Related Costs | | 38,731.83 | | 184,621.16 | 54,055.05 |
| Professional Fees and Services | | 711,961.00 | | 106,153.00 | |
| Travel | | | | | |
| Materials and Supplies | | | | | |
| Communication and Utilities | | | | 4,866.03 | |
| Repairs and Maintenance | | | | | |
| Rentals and Leases | | | | 21,600.00 | 9,600.00 |
| Printing and Reproduction | | | | | |
| Depreciation and Amortization | | | | | |
| Interest | | | | | |
| Scholarships | | | | | |
| Claims and Judgments | | | | | |
| Other Operating Expenses | | 102,673.34 | | | |
| Total Operating Expenses | \$ | \$ 1,094,088.27 | \$ | \$ 1,059,110.32 | \$ 376,770.01 |

Unaudited

University of Houston - System Administration (783)
 Matrix of Operating Expenses Reported by Function
 For the Year Ended August 31, 2016

| Institutional Support | Operation and Maintenance of Plant | Scholarships and Fellowships | Auxiliary Enterprises | Depreciation and Amortization | Total 2016 | Total 2015 |
|------------------------|------------------------------------|------------------------------|-----------------------|-------------------------------|-------------------------|-------------------------|
| \$ 5,989,125.43 | \$ 123,000.72 | \$ | \$ | \$ | \$ 7,407,833.34 | \$ 7,024,092.46 |
| 1,426,708.29 | 61,679.65 | | | | 1,765,795.98 | 1,379,048.96 |
| 943,508.91 | 207,486.75 | | | | 1,969,109.66 | 1,519,644.46 |
| 92,591.14 | | | | | 92,591.14 | 130,778.30 |
| 78,288.09 | 9,552.88 | | | | 87,840.97 | 129,527.60 |
| 107,607.44 | 71,744.55 | | | | 184,218.02 | 155,820.46 |
| 32,805.54 | 49,716.09 | | | | 82,521.63 | 53,046.11 |
| 224,891.09 | | | | | 256,091.09 | 224,791.95 |
| 14,260.08 | | | | | 14,260.08 | 19,637.78 |
| | | | | 2,793,739.01 | 2,793,739.01 | 2,803,886.00 |
| 43,522.64 | 1,457,768.32 | | | | 1,501,290.96 | 1,498,162.72 |
| | | | | | | 469,569.00 |
| 9,810.47 | | | | | 9,810.47 | 18,123.51 |
| 369,818.28 | 562.74 | | | | 473,054.36 | 203,573.51 |
| <u>\$ 9,332,937.40</u> | <u>\$ 1,981,511.70</u> | <u>\$</u> | <u>\$</u> | <u>\$ 2,793,739.01</u> | <u>\$ 16,638,156.71</u> | <u>\$ 15,629,702.82</u> |

Unaudited

University of Houston - System Administration (783)
 Statement of Cash Flows
 For the Year Ended August 31, 2016

| | Total 2016 | Total 2015 |
|---|-------------------------|-------------------------|
| Cash Flows From Operating Activities | | |
| Receipts from Customers | \$ 21,523,338.47 | \$ 60,186.96 |
| Proceeds from Tuition and Fees | 835.40 | |
| Proceeds from Research Grants and Contracts | 829,564.37 | 61,013.52 |
| Payments to Suppliers for Goods and Services | (599,540.94) | (2,100,049.71) |
| Payments to Employees for Salaries | 19,416,077.32 | (4,911,511.77) |
| Payments to Employees for Benefits | (1,645,124.22) | (1,520,822.43) |
| Payments for Other Expenses | (1,975,948.05) | (2,196,443.23) |
| Net Cash Provided (Used) by Operating Activities | 37,549,202.35 | (10,607,626.66) |
| Cash Flows from Noncapital Financing Activities | | |
| Proceeds from State Appropriations | 24,482,784.02 | 26,327,363.85 |
| Proceeds from Gifts | 208,532.20 | 110,285.16 |
| Proceeds of Transfers from Other Funds | 15,490,607.31 | 13,544,328.44 |
| Proceeds from Grants | 1,457,768.32 | 1,455,317.26 |
| Payments for Transfers to Other Funds | (28,937,894.49) | (33,930,343.90) |
| Net Cash Provided (Used) by Noncapital Financing Activities | 12,701,797.36 | 7,506,950.81 |
| Cash Flows from Capital and Related Financing Activities | | |
| Proceeds from Debt Issuance | 10,260,000.00 | |
| Proceeds from Other Financing Activities | 151,341,232.48 | 20,100,000.00 |
| Payments for Additions to Capital Assets | (532,455.16) | (48,668.00) |
| Payments of Principal on Debt Issuance | (11,687,947.00) | (1,002,981.50) |
| Payments of Interest on Debt Issuance | (2,391,338.25) | (800,591.74) |
| Payments of Other Costs on Debt Issuance | (14,960,210.38) | (61,211,815.39) |
| Net Cash Provided (Used) by Capital and Related Financing Activities | 132,029,281.69 | (42,964,056.63) |
| Cash Flows From Investing Activities | | |
| Proceeds from Sales of Investments | 632,450,774.41 | 584,404,737.39 |
| Proceeds from Interest Income | (75,286.25) | |
| Proceeds from Investment Income | 4,554,569.98 | 10,008,248.56 |
| Payments to Acquire Investments | (824,865,084.02) | (554,252,543.96) |
| Net Cash Provided (Used) by Investing Activities | (187,935,025.88) | 40,160,441.99 |
| Net Increase (Decrease) in Cash and Cash Equivalents | (5,654,744.48) | (5,904,290.49) |
| Cash and Cash Equivalents, September 1 | 51,654,771.24 | 57,559,061.73 |
| Cash and Cash Equivalents, August 31 | \$ 46,000,026.76 | \$ 51,654,771.24 |

Unaudited

University of Houston - System Administration (783)
 Statement of Cash Flows
 For the Year Ended August 31, 2016

| | Total 2016 | Total 2015 |
|--|---------------------------|---------------------------|
| Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities | | |
| <u>Operating Income (Loss)</u> | <u>\$ (16,465,086.62)</u> | <u>\$ (15,570,453.48)</u> |
| Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities | | |
| Depreciation and Amortization Expense | 2,793,739.01 | 2,803,886.00 |
| Changes in Assets and Liabilities: | | |
| (Increase) Decrease In Receivables | 22,190,075.25 | (11,575,751.58) |
| (Increase) Decrease in Prepaid Expenses | 7,879.72 | 174,661.00 |
| (Increase) Decrease in Other Assets | (10,242.50) | 925.76 |
| Increase (Decrease) in Payables | 2,079,211.93 | 11,914,749.41 |
| Increase (Decrease) in Deferred Income | 835.40 | (319,436.50) |
| Increase (Decrease) in Compensated Absences | 120,671.76 | (141,773.47) |
| Increase (Decrease) in Benefits Payable | 26,823,910.66 | 2,112,580.69 |
| Increase (Decrease) in Other Liabilities | 8,207.74 | (7,014.49) |
| <u>Total Adjustments</u> | <u>54,014,288.97</u> | <u>4,962,826.82</u> |
| <u>Net Cash Provided (Used) by Operating Activities</u> | <u>\$ 37,549,202.35</u> | <u>\$ (10,607,626.66)</u> |
| Non Cash Transactions | | |
| <u>Net Change in Fair Value of Investments</u> | <u>\$ (1,320,419.37)</u> | <u>\$ (15,837,092.24)</u> |
| <u>Non Cash Transactions</u> | <u>\$ (1,320,419.37)</u> | <u>\$ (15,837,092.24)</u> |

