

**TEXAS TECH UNIVERSITY
SYSTEM**



**COMBINED
ANNUAL FINANCIAL REPORT**

FISCAL YEAR 2017

ANNUAL FINANCIAL REPORT

OF

TEXAS TECH UNIVERSITY SYSTEM

FOR THE YEAR ENDED AUGUST 31, 2017

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

Texas Tech University System

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TEXAS TECH UNIVERSITY SYSTEM

Robert Duncan, Chancellor

November 15, 2017

Honorable Greg Abbott
Governor of Texas

Honorable Glenn Hegar
Texas Comptroller

Ms. Ursula Parks
Director, Legislative Budget Board

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

To Agency Heads Addressed:

The Annual Financial Report of Texas Tech University System (TTUS), with which this letter is bound, is transmitted for inclusion in the State of Texas Comprehensive Annual Financial Report for the fiscal year ended August 31, 2017. Neither the State Auditor nor TTUS Office of Audit Services has audited the accompanying annual financial report and, therefore, neither has expressed an opinion on the financial statements and related information contained in this report. This report is intended to present a complete picture of the fiscal affairs of the System for the year ended August 31, 2017.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Robert L. Duncan", with a long horizontal flourish extending to the right.

Robert L. Duncan
Chancellor



TEXAS TECH UNIVERSITY SYSTEM

Gary Barnes
Vice Chancellor and Chief Financial Officer

November 15, 2017

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

Dear Chancellor Duncan:

Submitted herein is the Annual Financial Report of Texas Tech University System for the fiscal year ended August 31, 2017, in compliance with TEX. GOV'T CODE ANN §2101.011 and in accordance with the requirements established by the Comptroller of Public Accounts.

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

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

Sincerely,

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

Sharon Williamson, CPA
Assistant Vice President and Controller

Approved:

A handwritten signature in blue ink that reads "Gary Barnes".

Gary Barnes
Texas Tech University System
Vice Chancellor & Chief Financial Officer

**Texas Tech University System
Board of Regents**

Officers of the Board

L. Frederick "Rick" Francis, Chairman
Tim Lancaster, Vice Chairman

Members

Term Expires January 31, 2019

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

Term Expires January 31, 2021

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

Term Expires January 31, 2023

J. Michael Lewis	Dallas, TX
John Steinmetz	Dallas, TX
John Walker	Houston, TX

Term Expires May 31, 2018

Jarat Lujan (Student Regent)	San Angelo, TX
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System Fiscal Officers

Robert L. Duncan	Chancellor
Gary Barnes	Vice Chancellor and Chief Financial Officer
Lawrence Schovanec	TTU President
Tedd Mitchell	TTUHSC President
Richard Lange	TTUHSC at El Paso President
Brian May	ASU President
Noel Sloan	TTU CFO and VP for Administration & Finance
Penny Harkey	HSC VP and Chief Financial Officer
Sue Fuciarelli	TTUHSC at El Paso VP for Finance & Administration
Angelina Wright	ASU VP for Finance & Administration

UNAUDITED

TEXAS TECH UNIVERSITY SYSTEM (793)

**COMBINED
FINANCIAL STATEMENTS**

UNAUDITED

Texas Tech University System (793)
 Combined Statement of Net Position
 August 31, 2017 and 2016

	2017	Restated 2016
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 253,378,077.37	\$ 237,951,413.27
Restricted Cash and Cash Equivalents	127,482,845.61	124,115,731.89
Legislative Appropriations	164,985,045.80	147,086,868.18
Receivables:		
Federal	19,609,505.70	15,426,602.37
Patient	23,577,205.59	23,138,310.32
Student	18,201,226.17	18,345,496.95
Contracts	34,284,021.22	31,699,195.86
Accounts	7,935,687.13	7,660,604.61
Interest and Dividends	1,312,285.05	1,081,794.27
Gifts	16,233,751.83	26,401,667.71
Other	2,581,102.21	12,807,769.98
Due From Other State Agencies	44,878,141.01	43,876,995.48
Inventories	4,330,621.40	3,932,468.55
Prepaid Items	56,834,210.22	57,097,514.38
Loans and Contracts	1,403,434.75	1,574,328.43
Other Current Assets	1,188,614.15	1,017,567.00
Total Current Assets	<u>778,215,775.21</u>	<u>753,214,329.25</u>
Non-Current Assets:		
Restricted Cash and Cash Equivalents	235,253,045.17	24,644,372.64
Restricted Investments (Note 3)	452,243,218.59	413,791,303.74
Contracts Receivable	1,384,953.70	4,063,274.58
Gifts Receivable	76,719,951.48	70,020,261.90
Loans and Notes Receivable	3,199,690.02	4,185,452.11
Investments (Note 3)	1,567,592,012.31	1,410,628,738.09
Capital Assets (Note 2)		
Non-Depreciable or Non-Amortizable	210,186,955.58	154,496,072.01
Depreciable or Amortizable	3,075,823,172.81	2,931,958,223.98
Accumulated Depreciation and Amortization	(1,693,277,194.25)	(1,583,809,090.99)
Total Non-Current Assets	<u>3,929,125,805.41</u>	<u>3,429,978,608.06</u>
Total Assets	<u>4,707,341,580.62</u>	<u>4,183,192,937.31</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows of Resources (Notes 9 & 28)	62,995,624.85	38,049,967.00
Total Deferred Outflows of Resources	<u>\$ 62,995,624.85</u>	<u>\$ 38,049,967.00</u>

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

UNAUDITED

Texas Tech University System (793)
Combined Statement of Net Position
August 31, 2017 and 2016

	2017	Restated 2016
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 47,422,510.21	\$ 52,938,055.22
Payroll Payable	81,842,453.10	80,566,588.01
Unearned Revenue	221,999,010.53	212,205,708.84
Due to Other State Agencies	1,494,117.17	1,529,594.47
Short-Term Debt Commercial Paper Notes (Note 4)	43,253,000.00	30,279,000.00
Notes and Loans Payable (Note 5)	0.00	21,817,000.00
Claims and Judgments (Note 5)	1,491,897.60	2,043,040.50
Capital Lease Obligations (Note 5)	0.00	546,238.40
Employees' Compensable Leave (Note 5)	6,083,352.16	5,648,891.90
Revenue Bonds Payable (Notes 5 & 6)	65,333,600.75	43,293,472.20
Funds Held for Others	23,922,881.09	22,036,862.32
Other Current Liabilities	17,745,406.83	19,217,365.82
Total Current Liabilities	510,588,229.44	492,121,817.68
Non-Current Liabilities:		
Claims and Judgments (Note 5)	6,365,124.40	8,642,317.75
Capital Lease Obligations (Note 5)	0.00	2,601,428.75
Employees' Compensable Leave (Note 5)	44,436,622.84	41,046,627.78
Revenue Bonds Payable (Notes 5 & 6)	776,362,268.85	532,807,461.05
Pollution Remediation Obligation (Note 5)	1,022,641.50	1,022,641.50
Net Pension Liability (Note 9)	218,757,231.00	186,671,195.00
Other Non-Current Liabilities	220,075.08	313,106.35
Total Non-Current Liabilities	1,047,163,963.67	773,104,778.18
Total Liabilities	1,557,752,193.11	1,265,226,595.86
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows of Resources (Notes 9 & 28)	27,670,766.00	31,961,309.00
Total Deferred Inflows of Resources	27,670,766.00	31,961,309.00
NET POSITION		
Net Investment in Capital Assets	930,240,055.74	882,987,823.54
Restricted:		
Nonexpendable:		
Endowments	682,931,489.57	657,814,786.27
Expendable:		
Capital Projects	38,609,266.86	43,267,803.20
Higher Education Assistance Fund	79,099,889.36	62,978,370.34
Debt Service	68,067,318.82	50,670,764.57
Other	468,696,231.67	383,514,188.35
Unrestricted	917,269,994.34	842,821,263.18
Total Net Position	\$ 3,184,914,246.36	\$ 2,924,054,999.45

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

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Texas Tech University System (793)
Combined Statement of Revenues, Expenses, and Changes in Net Position
For the Years Ended August 31, 2017 and 2016

	2017	Restated 2016
Operating Revenues		
Tuition and Fees	\$ 11,818,453.78	\$ 11,434,137.31
Tuition and Fees - Pledged	520,862,761.78	505,286,044.63
Less Discounts and Allowances	(119,149,699.29)	(112,215,211.47)
Professional Fees	259,449,475.49	261,472,392.54
Professional Fees - Pledged	723,138.22	681,714.96
Sales and Services of Auxiliary Enterprises - Pledged	161,609,888.96	164,791,999.48
Other Sales and Services	16,581,683.66	8,513,877.84
Other Sales and Services - Pledged	12,911,362.27	12,411,310.21
Federal Grants and Contracts	58,728,400.31	56,895,605.55
Federal Grants and Contracts - Pledged	852,380.34	4,744,927.38
Federal Grant Pass-Throughs from Other State Agencies	5,186,785.46	5,116,120.76
State Grants and Contracts	2,036,512.26	3,197,800.80
State Grants and Contracts - Pledged	149,027.09	971,481.01
State Grant Pass-Throughs from Other State Agencies	50,682,903.51	67,927,178.93
Local Governmental Grants and Contracts	34,457,689.33	26,105,278.70
Local Governmental Grants and Contracts - Pledged	1,098,566.66	1,616,765.33
Nongovernmental Grants and Contracts	191,264,906.03	186,398,151.71
Nongovernmental Grants and Contracts - Pledged	1,580,788.86	2,502,254.65
Other Operating Revenues	29,380,980.01	31,432,607.25
Total Operating Revenues	1,240,226,004.73	1,239,284,437.57
Operating Expenses		
Cost of Goods Sold	13,738,574.26	14,072,076.04
Salaries and Wages	935,272,336.86	884,349,013.40
Payroll Related Costs	249,232,737.78	220,808,896.60
Professional Fees and Services	80,018,237.17	76,200,063.17
Travel	33,796,495.89	33,650,697.03
Materials and Supplies	79,641,250.15	77,384,687.71
Communications and Utilities	53,529,776.06	51,108,727.81
Repairs and Maintenance	39,356,769.46	38,472,754.07
Rentals and Leases	21,651,840.94	18,063,297.25
Printing and Reproduction	4,888,922.90	5,448,365.64
Federal Grant Pass-Through Expense	928,837.77	949,795.91
State Grant Pass-Through Expense	92,672.40	130,782.03
Depreciation and Amortization (Note 2)	123,980,585.37	123,022,048.88
Bad Debt Expense	547,044.41	(190,891.39)
Interest	21,818.98	23,133.26
Scholarships	83,207,578.08	77,794,066.35
Net Change in Pollution Remediation Obligation	0.00	1,022,641.50
Claims and Judgments	25,198.30	4,976,262.05
Other Operating Expenses	134,634,642.84	157,789,951.54
Total Operating Expenses	1,854,565,319.62	1,785,076,368.85
Operating Income (Loss)	\$ (614,339,314.89)	\$ (545,791,931.28)

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

UNAUDITED

Texas Tech University System (793)
Combined Statement of Revenues, Expenses, and Changes in Net Position
For the Years Ended August 31, 2017 and 2016

	2017	Restated 2016
Nonoperating Revenues (Expenses)		
Legislative Revenue	\$ 461,472,138.02	\$ 459,344,090.77
Federal Grants and Contracts	51,023,465.96	45,115,705.14
State Grant Pass-Throughs from Other State Agencies	98,125.00	58,800.00
Private Gifts	61,150,560.62	102,372,960.67
Private Gifts - Pledged	8,559,768.20	2,232,239.60
Investment Income (Expense)	79,036,026.08	55,657,851.10
Investment Income (Expense) - Pledged	38,881,176.91	24,899,180.65
Interest Expense on Capital Asset Financing	(19,525,863.11)	(17,743,109.65)
Gain (Loss) on Sale and Disposal of Capital Assets	(1,537,663.29)	(1,635,522.50)
Net Increase (Decrease) in Fair Value of Investments	66,085,469.30	(26,710,717.19)
Other Nonoperating Revenues (Expenses)	1,242,615.67	6,801,256.79
Other Nonoperating Revenues (Expenses) - Pledged	86,526.57	1,842,158.54
Total Nonoperating Revenues (Expenses)	746,572,345.93	652,234,893.92
Income (Loss) before Other Revenues, Expenses, Gains, Losses, and Transfers	132,233,031.04	106,442,962.64
Other Revenues, Expenses, Gains, Losses, and Transfers		
Capital Appropriations (HEAF)	84,152,382.00	56,101,588.00
Capital Contributions	5,592,491.10	5,853,739.95
Lapsed Appropriations	(3,690,981.26)	(15,617.55)
Contributions to Permanent and Term Endowments	16,950,294.31	12,807,411.73
Legislative Transfers In	20,452,998.00	1,423,398.00
Legislative Transfers Out	(1,123,750.00)	(1,118,500.00)
Interagency Transfers of Capital Assets - Increase (Note 2)	157,484.73	23,922.04
Interagency Transfers of Capital Assets - Decrease (Note 2)	0.00	(41,257.72)
Transfers In from Other State Agencies	10,314,723.78	10,535,360.11
Transfers Out to Other State Agencies	(4,179,426.79)	(1,118,921.89)
Net Other Revenues, Expenses, Gains, Losses, and Transfers	128,626,215.87	84,451,122.67
Total Change in Net Position	260,859,246.91	190,894,085.31
Beginning Net Position (September 1)	2,924,054,999.45	2,732,250,329.48
Restatement of Beginning Net Position (Note 14)	0.00	910,584.66
Ending Net Position (August 31)	\$ 3,184,914,246.36	\$ 2,924,054,999.45

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

UNAUDITED

Texas Tech University System (793)
Combined Statement of Cash Flows
For the Years Ended August 31, 2017 and 2016

	2017	Restated 2016
Cash Flows from Operating Activities		
Proceeds from Customers	\$ 322,518,591.59	\$ 317,877,817.26
Proceeds from Tuition and Fees	430,805,657.55	401,495,107.20
Proceeds from Grants and Contracts	337,056,427.26	358,265,963.81
Proceeds from Sales and Services of Auxiliary Enterprises	163,272,373.45	165,952,840.23
Proceeds from Collections of Loans to Students	5,848,262.82	4,779,292.06
Payments to Suppliers for Goods and Services	(228,792,637.58)	(218,861,105.04)
Payments to Employees for Salaries	(933,338,331.19)	(879,805,925.34)
Payments to Employees for Benefits	(240,488,772.56)	(218,957,367.47)
Payments for Loans Issued to Students	(4,811,670.08)	(4,365,019.13)
Payments for Other Expenses	(331,515,217.78)	(319,628,706.90)
Net Cash Provided/(Used) by Operating Activities	(479,445,316.52)	(393,247,103.32)
Cash Flows from Noncapital Financing Activities		
Proceeds from State Appropriations	462,345,685.76	444,158,742.87
Proceeds from Gifts	89,430,940.76	81,520,174.43
Proceeds from Nonoperating Grants and Contracts	51,038,524.47	44,791,713.40
Proceeds from Other Financing Activities	7,638,598.54	8,779,555.43
Proceeds from Agency Transactions	316,529,990.17	272,676,401.46
Proceeds from Transfers In from Other State Agencies	30,976,990.86	9,456,779.21
Payments for Transfers to Other State Agencies	(4,166,426.79)	(468,556.89)
Payments for Other Uses	(319,452,141.17)	(275,186,830.05)
Net Cash Provided/(Used) by Noncapital Financing Activities	634,342,162.60	585,727,979.86
Cash Flows from Capital and Related Financing Activities		
Proceeds from Sale of Capital Assets	230,908.38	628,516.66
Proceeds from Capital Debt Issuances	462,061,475.45	34,800,000.00
Proceeds from Other Capital and Related Financing Activities	0.00	35,222.76
Proceeds from Capital Appropriations	67,165,091.92	38,983,239.02
Payments for Transfers to Other State Agencies	(1,136,750.00)	(1,646,500.00)
Payments for Additions to Capital Assets	(205,685,425.11)	(151,031,661.31)
Payments for Principal Paid on Capital Debt	(201,110,000.00)	(43,347,000.00)
Payments for Interest Paid on Capital Debt	(28,607,021.15)	(21,784,107.13)
Payments for Capital Leases	(3,360,202.54)	(546,238.40)
Payments for Other Costs on Debt Issuance	(2,067,600.52)	0.00
Net Cash Provided/(Used) by Capital and Related Financing Activities	87,490,476.43	(143,908,528.40)
Cash Flows from Investing Activities		
Proceeds from Investment Sales and Maturities	218,976,364.02	221,351,715.66
Proceeds from Interest and Investment Income	84,703,093.89	79,337,422.21
Payments to Acquire Investments	(316,664,330.07)	(304,363,098.56)
Net Cash Provided/(Used) by Investing Activities	(12,984,872.16)	(3,673,960.69)
TOTAL NET CASH FLOWS	\$ 229,402,450.35	\$ 44,898,387.45

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

UNAUDITED

Texas Tech University System (793)
Combined Statement of Cash Flows
For the Years Ended August 31, 2017 and 2016

	2017	Restated 2016
Beginning Cash & Cash Equivalents - September 1	\$ 386,711,517.80	\$ 341,314,199.35
Restatement to Beginning Cash & Cash Equivalents (Note 14)	0.00	498,931.00
Beginning Cash & Cash Equivalents - September 1 (Restated)	386,711,517.80	341,813,130.35
Ending Cash & Cash Equivalents - August 31	\$ 616,113,968.15	\$ 386,711,517.80
Reconciliation of Operating Loss to Net Cash Flows from Operating Activities		
Operating Loss	\$ (614,339,314.89)	\$ (545,791,931.28)
Adjustments:		
Depreciation and Amortization Expense	123,980,585.37	123,022,048.88
Bad Debt Expense	455,787.37	501,396.58
Pension Expense	25,483,686.00	15,869,997.00
(Increase) Decrease in Accounts Receivables	2,285,750.78	(12,657,715.95)
(Increase) Decrease in Loans and Notes Receivable	1,156,655.77	531,306.00
(Increase) Decrease in Inventories	(398,152.85)	73,478.63
(Increase) Decrease in Other Assets	(327,379.15)	0.00
(Increase) Decrease in Due From Other State Agencies	(1,812,057.70)	969,137.28
(Increase) Decrease in Prepaid Items	336,347.91	(4,777,810.97)
(Increase) Decrease in Deferred Outflows of Resources	(32,238,268.00)	(24,347,849.92)
Increase (Decrease) in Accounts Payable	(7,594,086.43)	14,407,306.21
Increase (Decrease) in Payroll Payable	(83,224.30)	1,080,841.03
Increase (Decrease) in Unearned Revenue	9,786,142.77	9,804,225.51
Increase (Decrease) in Employees' Compensable Leave	3,824,455.32	2,254,754.84
Increase (Decrease) in Claims and Judgments	(2,828,336.25)	2,846,665.00
Increase (Decrease) in Due To Other State Agencies	(117,077.40)	(553,130.18)
Increase (Decrease) in Benefits Payable	1,342,107.72	2,812,804.51
Increase (Decrease) in Net Pension Liability	0.00	4,665,420.35
Increase (Decrease) in Deferred Inflows of Resources	13,503,794.00	227,334.85
Increase (Decrease) in Pollution Remediation Obligation	0.00	1,022,641.50
Increase (Decrease) in Other Liabilities	(1,862,732.56)	14,791,976.81
Net Cash Used for Operating Activities	(479,445,316.52)	(393,247,103.32)
Noncash Transactions		
Donations of Capital Assets	5,592,491.10	5,853,739.95
Net Increase (Decrease) in Fair Value of Investments	66,085,469.30	(26,710,717.19)
Other	(1,870,459.06)	(1,327,507.23)
Total Noncash Transactions	\$ 69,807,501.34	\$ (22,184,484.47)

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

UNAUDITED

TEXAS TECH UNIVERSITY SYSTEM (793)

**NOTES to the COMBINED
FINANCIAL STATEMENTS**

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

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

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

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

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

Basis of Accounting

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

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

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

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

Budgetary Information

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

Cash and Cash Equivalents

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

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

Investments

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

Legislative Appropriations

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

Restricted Assets

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

Inventories and Prepaid Items

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

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

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

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

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

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

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

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

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

Loans and Notes Receivable

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

Capital Assets

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

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

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

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

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

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

Deferred Outflows of Resources

Deferred outflows of resources refers to the net asset consumption of assets that is applicable to a future fiscal year. The System reports certain changes in the net pension liability and unamortized losses on refunding of debt as deferred outflows. Pension-related deferred outflows are discussed in more detail in Note 9.

Payables

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

Claims and Judgments

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

Unearned Revenues

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

Employees' Compensable Leave

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

Short-term Debt Commercial Paper Notes

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

Notes and Loans Payable

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

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

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

Pollution Remediation Obligation

A pollution remediation obligation addresses the current or potential detrimental effects of existing pollution and contamination by participating in pollution remediation activities such as spills of hazardous substances or asbestos abatement. These obligations will generally require the recognition and reporting of remediation liabilities. The System accrued and recorded a pollution remediation obligation for Texas Tech University in fiscal year 2016, and the obligation remains the same for fiscal year 2017. This obligation is discussed in detail in Note 5.

Funds Held for Others

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

Net Pension Liability

The System is required to recognize its proportionate share of net pension liability and operating statement activity related to changes in the net pension liability for participation in the Teacher Retirement System (TRS) pension plan. The net pension liability is the System's proportionate share of the total TRS pension plan liability less the Plan's net assets as reported by the TRS pension plan for fiscal year 2016. The System's proportionate share is based on its contributions to the pension plan relative to the contributions of other employers participating in the plan. The net pension liability and pension-related deferred outflows and inflows are provided by the Texas Comptroller of Public Accounts. These amounts are included in this annual financial report and represent the total net pension liability for all System component institutions. Pensions are discussed in greater detail in Note 9.

Deferred Inflows of Resources

Deferred inflows of resources are defined as the net asset acquisition of assets that is applicable to a future fiscal year. The System reports certain changes in the net pension liability as deferred inflows of resources. Pension-related deferred inflows are discussed further in Note 9.

Other Liabilities

The major component of other liabilities consists of advance deposits received from students for residence hall occupancy in the next fiscal year. This category also includes liabilities at TTU for licensing agreements for broadcasting rights with Public Broadcasting Service and National Public Radio.

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

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

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

Net Investment in Capital Assets

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

Restricted Net Position

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

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

Unrestricted Net Position

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

Interfund Activity and Transactions

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

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

Note 2: Capital Assets

A summary of changes in capital assets for the year ended August 31, 2017 is presented below.

	Balance 9/1/2016	Adjustments	Reclassifications Completed CIP	Reclassifications Inc-Int'gy Trans	Reclassifications Dec-Int'gy Trans	Additions	Deletions	Balance 8/31/2017
BUSINESS-TYPE ACTIVITIES								
Non-depreciable or Non-amortizable Assets								
Land and Land Improvements	\$ 24,402,039.23					\$ 6,089,139.21		\$ 30,491,178.44
Construction in Progress	43,649,478.64		(69,615,116.13)			115,888,806.85	(25,031.76)	89,898,137.60
Other Capital Assets	86,444,554.14					3,353,085.40		89,797,639.54
Total Non-depreciable or Non-amortizable Assets	154,496,072.01	0.00	(69,615,116.13)	0.00	0.00	125,331,031.46	(25,031.76)	210,186,955.58
Depreciable Assets								
Buildings and Building Improvements	2,005,667,371.59	5,953,256.19	69,460,716.13			39,688,650.31	(601,494.17)	2,120,168,500.05
Infrastructure	44,929,246.50					1,029,216.06		45,958,462.56
Facilities and Other Improvements	203,098,626.38		154,400.00			5,181,659.12		208,434,685.50
Furniture and Equipment	314,906,530.56	(705.98)		296,574.43		31,968,901.22	(11,276,450.70)	335,894,849.53
Vehicle, Boats and Aircraft	20,293,590.03				(28,950.60)	1,258,054.19	(559,044.41)	20,963,649.21
Other Capital Assets	201,948,180.99					9,885,841.12	(402,819.76)	211,431,202.35
Total Depreciable Assets at Historical Cost	2,790,843,546.05	5,952,550.21	69,615,116.13	296,574.43	(28,950.60)	89,012,322.02	(12,839,809.04)	2,942,851,349.20
Less Accumulated Depreciation for:								
Buildings and Building Improvements	(985,328,047.37)	(2,513,597.06)				(71,862,912.07)	601,494.17	(1,059,103,062.33)
Infrastructure	(20,506,485.59)					(1,606,789.73)		(22,113,275.32)
Facilities and Other Improvements	(95,069,623.35)					(7,097,663.20)		(102,167,286.55)
Furniture and Equipment	(215,429,262.52)	(910.02)		(139,089.70)		(27,826,268.16)	10,173,717.49	(233,221,812.91)
Vehicles, Boats and Aircraft	(15,200,576.92)				28,950.60	(1,305,304.00)	553,227.54	(15,923,702.78)
Other Capital Assets	(119,483,208.33)					(11,665,694.64)	268,716.91	(130,880,186.06)
Total Accumulated Depreciation	(1,451,017,204.08)	(2,514,507.08)	0.00	(139,089.70)	28,950.60	(121,364,631.80)	11,597,156.11	(1,563,409,325.95)
Depreciable Assets, Net	1,339,826,341.97	3,438,043.13	69,615,116.13	157,484.73	0.00	(32,352,309.78)	(1,242,652.93)	1,379,442,023.25
Intangible Capital Assets - Amortizable								
Computer Software - Intangible	134,849,663.05					1,007,689.41	(3,516,130.45)	132,341,222.01
Other Intangible Capital Assets - Term	311,758.69					318,842.91		630,601.60
Total Intangible Assets at Historical Cost	135,161,421.74	0.00	0.00	0.00	0.00	1,326,532.32	(3,516,130.45)	132,971,823.61
Less Accumulated Amortization for:								
Computer Software - Intangible	(130,234,990.10)					(2,592,512.67)	3,026,375.12	(129,801,127.65)
Other Intangible Capital Assets - Term	(43,299.75)					(23,440.90)		(66,740.65)
Total Accumulated Amortization	(130,278,289.85)	0.00	0.00	0.00	0.00	(2,615,953.57)	3,026,375.12	(129,867,868.30)
Amortizable Assets - Intangible, Net	4,883,131.89	0.00	0.00	0.00	0.00	(1,289,421.25)	(489,755.33)	3,103,955.31
Business-Type Activities Capital Assets, Net	\$ 1,499,205,545.87	\$ 3,438,043.13	\$ 0.00	\$ 157,484.73	\$ 0.00	\$ 91,689,300.43	\$ (1,757,440.02)	\$ 1,592,732,934.14

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

Note 3: Deposits, Investments, and Repurchase Agreements

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

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

Deposits of Cash in Bank

The carrying amount of deposits as of August 31, 2017 and August 31, 2016 was \$87,081,227.56 and \$99,857,024.11, respectively, as presented below:

Business-Type Activities

	FY17	FY16
CASH IN BANK – CARRYING AMOUNT	\$ 87,081,227.56	\$ 99,857,024.11
Less: Certificates of Deposit included in carrying amount and reported as Cash Equivalent		
Less: Uninvested Securities Lending Cash Collateral included in carrying amount and reported as Securities Lending Collateral		
Less: Securities Lending CD Collateral included in carrying amount and reported as Securities Lending Collateral		
Cash in Bank per AFR	\$ 87,081,227.56	\$ 99,857,024.11
Proprietary Funds Current Assets Cash in Bank	\$ (16,172,386.26)	\$ (6,294,219.27)
Proprietary Funds Current Assets Restricted Cash in Bank	87,892,806.27	91,159,553.66
Proprietary Funds Non-Current Assets Restricted Cash in Bank	15,360,807.55	14,991,689.72
Cash in Bank per AFR	\$ 87,081,227.56	\$ 99,857,024.11

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

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

As of August 31, 2017, the total **bank balance** for Business-Type Activities was \$80,848,735.55. At August 31, 2016, the balance was \$104,625,580.32.

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

The carrying amount of deposits for Carr Foundation as of August 31, 2017 and August 31, 2016 was \$279,179.75 and \$247,260.48, respectively, as presented below:

Discrete Component Unit

	FY17	FY16
CASH IN BANK – CARRYING AMOUNT	\$ 279,179.75	\$ 247,260.48
Less: Certificates of Deposit included in carrying amount and reported as Cash Equivalent		
Less: Uninvested Securities Lending Cash Collateral included in carrying amount and reported as Securities Lending Collateral		
Less: Securities Lending CD Collateral included in carrying amount and reported as Securities Lending Collateral		
Cash in Bank per AFR	\$ 279,179.75	\$ 247,260.48
Discrete Component Unit Current Assets Restricted Cash in Bank	\$ 198,659.80	\$ 247,260.48
Discrete Component Unit Non-Current Assets Restricted Cash in Bank	80,519.95	0.00
Cash in Bank per AFR	\$ 279,179.75	\$ 247,260.48

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

As of August 31, 2017, the total **bank balance** for Discrete Component Unit Activities for the Carr Foundation was \$273,298.08. At August 31, 2016, this balance was \$231,573.77.

Investments

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

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

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

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

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

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

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

The fair value of investments at each level is presented below for August 31, 2017.

Business-Type Activities

Type of Security	Fair Value Hierarchy					
	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Amortized Cost	Net Asset Value	Total
U. S. Government						
U.S. Treasury Securities	\$ 200,868,987.86	\$	\$	\$	\$	\$ 200,868,987.86
U.S. Treasury TIPS	24,766,426.37					24,766,426.37
U.S. Government Agency Obligations	285,591,769.05					285,591,769.05
Corporate Obligations	757,427.80					757,427.80
Corporate Asset and Mortgage Backed Securities	3,137,435.85					3,137,435.85
Equity	28,686,903.95					28,686,903.95
International Obligations (Gov't. and Corp.)		4,650,095.83			27,017,618.55	31,667,714.38
Fixed Income Money Market and Bond Mutual Fund	534,698,705.72	103,020,005.00				637,718,710.72
Mutual Funds - Domestic	34,710,561.85	30,763,180.00				65,473,741.85
Other Commingled Funds		31,258,007.00				31,258,007.00
Other Commingled Funds (TexPool)	70,879,629.82					70,879,629.82
International Other Commingled Funds		57,696,909.54				57,696,909.54
Real Estate			2,476,076.47		46,099,830.75	48,575,907.22
Domestic Derivatives		4,911,291.32				4,911,291.32
Externally Managed Investments:						
Domestic	17,330,259.93	108,380,927.13			794,538,336.40	920,249,523.46
International	1,994,897.46	5,092,540.85			63,628,120.14	70,715,558.45
Miscellaneous	557,613.35		12,322,923.46			12,880,536.81
Total Investments	\$ 1,203,980,619.01	\$ 345,772,956.67	\$ 14,798,999.93	\$ 0.00	\$ 931,283,905.84	\$ 2,495,836,481.45
Non-Current Investments	\$ 727,979,368.46	\$ 345,772,956.67	\$ 14,798,999.93	\$	\$ 931,283,905.84	\$ 2,019,835,230.90
Items in Cash and Cash Equivalents:						
Money Market Funds	405,121,620.73					405,121,620.73
TexPool Investments	70,879,629.82					70,879,629.82
Total Investments	\$ 1,203,980,619.01	\$ 345,772,956.67	\$ 14,798,999.93	\$ 0.00	\$ 931,283,905.84	\$ 2,495,836,481.45

Discrete Component Unit

Type of Security	Fair Value Hierarchy					
	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Amortized Cost	Net Asset Value	Total
International Obligations (Gov't. and Corp.)	\$	\$	\$	\$	\$ 3,431,630.35	\$ 3,431,630.35
Fixed Income Money Market and Bond Mutual Fund	10,253,658.70					10,253,658.70
International Other Commingled Funds		3,044,254.31				3,044,254.31
Real Estate			6,837,833.72		5,856,112.81	12,693,946.53
Domestic Derivatives		623,805.40				623,805.40
Externally Managed Investments:						
Domestic	2,201,553.36	6,934,791.98			88,384,819.87	97,521,165.21
International	253,380.98	646,826.73			8,081,696.30	8,981,904.01
Total Investments	\$ 12,708,593.04	\$ 11,249,678.42	\$ 6,837,833.72	\$ 0.00	\$ 105,754,259.33	\$ 136,550,364.51
Non-Current Investments	\$ 12,708,593.04	\$ 11,249,678.42	\$ 6,837,833.72	\$	\$ 105,754,259.33	\$ 136,550,364.51
Total Investments	\$ 12,708,593.04	\$ 11,249,678.42	\$ 6,837,833.72	\$ 0.00	\$ 105,754,259.33	\$ 136,550,364.51

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

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

Type of Security	Fair Value Hierarchy					
	Restated Level 1 Inputs	Restated Level 2 Inputs	Restated Level 3 Inputs	Amortized Cost	Restated Net Asset Value	Restated Total
U. S. Government						
U.S. Treasury Securities	\$ 181,953,373.03	\$	\$	\$	\$	\$ 181,953,373.03
U.S. Treasury TIPS	25,313,576.33					25,313,576.33
U.S. Government Agency Obligations	262,246,793.27					262,246,793.27
Corporate Obligations	893,986.23					893,986.23
Corporate Asset and Mortgage Backed Securities	2,914,789.60					2,914,789.60
Equity	25,646,717.73					25,646,717.73
International Obligations (Gov't. and Corp.)		6,557,903.28			8,173,940.78	14,731,844.06
Fixed Income Money Market and Bond Mutual Fund	356,722,012.08					356,722,012.08
Mutual Funds - Domestic	59,004,195.11					59,004,195.11
Other Commingled Funds		89,057,857.35			20,624,807.76	109,682,665.11
Other Commingled Funds (TexPool)	65,950,411.83					65,950,411.83
International Other Commingled Funds		98,708,453.52				98,708,453.52
Real Estate			2,459,167.55		51,363,541.10	53,822,708.65
Domestic Derivatives		1,237,304.71				1,237,304.71
Externally Managed Investments:						
Domestic		145,897,959.52			592,319,349.86	738,217,309.38
International					58,050,473.59	58,050,473.59
Miscellaneous	571,876.58		11,307,698.86			11,879,575.44
Total Investments	\$ 981,217,731.79	\$ 341,459,478.38	\$ 13,766,866.41	\$ 0.00	\$ 730,532,113.09	\$ 2,066,976,189.67
Non-Current Investments	\$ 738,661,583.95	\$ 341,459,478.38	\$ 13,766,866.41	\$	\$ 730,532,113.09	\$ 1,824,420,041.83
Items in Cash and Cash Equivalents:						
Money Market Funds	176,605,736.01					176,605,736.01
TexPool Investments	65,950,411.83					65,950,411.83
Total Investments	\$ 981,217,731.79	\$ 341,459,478.38	\$ 13,766,866.41	\$ 0.00	\$ 730,532,113.09	\$ 2,066,976,189.67

Discrete Component Unit

Type of Security	Fair Value Hierarchy					
	Level 1 Inputs	Restated Level 2 Inputs	Restated Level 3 Inputs	Amortized Cost	Restated Net Asset Value	Total
International Obligations (Gov't. and Corp.)	\$	\$ 218,056.87	\$	\$	\$ 1,045,425.16	\$ 1,263,482.03
Fixed Income Money Market and Bond Mutual Fund	5,537,206.43					5,537,206.43
Other Commingled Funds		7,496,722.09				7,496,722.09
International Other Commingled Funds		6,122,505.40				6,122,505.40
Real Estate			6,837,833.72		6,630,553.90	13,468,387.62
Domestic Derivatives		159,674.75				159,674.75
Externally Managed Investments:						
Domestic		11,831,048.37			71,523,558.25	83,354,606.62
International					7,491,440.82	7,491,440.82
Total Investments	\$ 5,537,206.43	\$ 25,828,007.48	\$ 6,837,833.72	\$ 0.00	\$ 86,690,978.13	\$ 124,894,025.76
Non-Current Investments	\$ 5,537,206.43	\$ 25,828,007.48	\$ 6,837,833.72	\$	\$ 86,690,978.13	\$ 124,894,025.76
Total Investments	\$ 5,537,206.43	\$ 25,828,007.48	\$ 6,837,833.72	\$ 0.00	\$ 86,690,978.13	\$ 124,894,025.76

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

Investments Reported at NAV

Per GASB 72, the System uses the net asset value (NAV) per share as a method for determining fair value for its investments in the tables below.

At August 31, 2017:

Investment Strategy	Fair Value	Frequency Range Low	Frequency Range High	Notice Period Range Low	Notice Period Range High	Unfunded Commitment
Alternative	\$ 123,897,686.05	Monthly	Annually	30 days	90 days	\$ 0.00
Commingled Funds	79,172,927.37	Monthly	Annually	30 days	90 days	0.00
Energy, Natural Resources, Infrastructure	64,456,963.53	Daily	4 Years	1 day	1 year	0.00
Fixed Income	4,216,204.89	Daily	Monthly	1 day	30 days	0.00
Hedge Funds	421,408,595.57	Monthly	Annually	30 days	90 days	0.00
Private Equity	185,514,249.01	4 Years	5 Years	1 year	1 year	0.00
Real Estate	46,509,531.17	4 Years	5 Years	1 year	1 year	0.00
Risk Parity	6,107,748.25	Daily	Daily	1 day	1 day	0.00
Total	\$ 931,283,905.84					\$ 0.00

Discrete Component Unit

Investment Strategy	Fair Value	Frequency Range Low	Frequency Range High	Notice Period Range Low	Notice Period Range High	Unfunded Commitment
Alternative	\$ 15,738,381.13	Monthly	Annually	30 days	90 days	\$ 0.00
Commingled Funds	10,057,118.47	Monthly	Annually	30 days	90 days	0.00
Energy, Natural Resources, Infrastructure	8,187,790.19	Daily	4 years	1 day	1 year	0.00
Fixed Income	535,572.87	Daily	Monthly	1 day	30 days	0.00
Hedge Funds	40,986,205.80	Monthly	Annually	30 days	90 days	0.00
Private Equity	23,565,363.08	4 years	5 years	1 year	1 year	0.00
Real Estate	5,907,977.39	4 years	5 years	1 year	1 year	0.00
Risk Parity	775,850.40	Daily	Daily	1 day	1 day	0.00
Total	\$ 105,754,259.33					\$ 0.00

At August 31, 2016:

Investment Strategy	Fair Value	Frequency Range Low	Frequency Range High	Notice Period Range Low	Notice Period Range High	Unfunded Commitment
Alternative	\$ 94,134,675.53	Monthly	Annually	30 days	90 days	\$ 0.00
Commingled Funds	54,095,444.01	Monthly	Annually	30 days	90 days	0.00
Energy, Natural Resources, Infrastructure	56,723,024.74	Daily	4 Years	1 day	1 year	0.00
Hedge Funds	339,036,698.62	Monthly	Annually	30 days	90 days	0.00
Private Equity	135,176,900.25	4 Years	5 Years	1 year	1 year	0.00
Real Estate	51,365,369.94	4 Years	5 Years	1 year	1 year	0.00
Total	\$ 730,532,113.09					\$ 0.00

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

Discrete Component Unit

Investment Strategy	Fair Value	Frequency Range Low	Frequency Range High	Notice Period Range Low	Notice Period Range High	Unfunded Commitment
Alternative	\$ 12,148,123.98	Monthly	Annually	30 days	90 days	\$ 0.00
Commingled Funds	6,981,042.40	Monthly	Annually	30 days	90 days	0.00
Energy, Natural Resources, Infrastructure	7,320,132.92	Daily	4 years	1 day	1 year	0.00
Hedge Funds	36,168,311.45	Monthly	Annually	30 days	90 days	0.00
Private Equity	17,444,642.32	4 years	5 years	1 year	1 year	0.00
Real Estate	6,628,725.06	4 years	5 years	1 year	1 year	0.00
Total	\$ 86,690,978.13					\$ 0.00

These investments calculate the NAV consistent with the Financial Accounting Standard Board’s measurement principles for investment companies. These investments are exempt from classification within the fair value hierarchy when the System does not intend to sell all or a portion of the investment for an amount that is different from the NAV.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the agency will not be able to recover the value of the investments or collateral securities that are in the possession of an outside party. The System’s investment policy is to require third party custody for the two investment pools, the LTIF and the SITIF. The balances listed below relate to the securities held outside of those pools at August 31, 2017 and August 31, 2016.

Business-Type Activities

Fiscal Year	Fund Type	GAAP Fund	Type	Uninsured and unregistered with securities held by the counterparty
2017	05	3073	Equity	\$ 3,170,538.80
2016	05	3073	Equity	\$ 3,092,513.72

The Carr Foundation had no custodial credit risk for investments at August 31, 2017 or August 31, 2016.

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

Foreign currency risk for investments is the risk that changes in exchange rates will adversely affect the investment. The LTIF and SITIF do not have policy limits specific to international equity or debt. All exposures are through funds managed by external investment managers. The exposure to foreign currency risk as of August 31, 2017, is presented below.

FY17			International	International	International
Fund Type	GAAP Fund	Foreign Currency	Obligations (Gov't. and Corp.)	Other Commingled Funds	Externally Managed Investments
05	3073	Argentine peso	\$	\$ 1,167,658.38	\$ 771,916.89
05	3073	Australian dollar		957,362.01	
05	3073	Brazilian real	5,703,856.23	2,410,330.49	8,179,371.31
05	3073	British pound		2,779,878.90	
05	3073	CFA franc	13,535,826.89		
05	3073	Chinese yuan renminbi		6,496,314.66	8,612,007.51
05	3073	Colombian peso	6,438,780.67	251,311.50	803,417.10
05	3073	Czech koruna			556,016.77
05	3073	Danish krone		670,153.41	
05	3073	Egyptian pound	328,455.05	483,584.25	816,279.93
05	3073	Euro	2,731,090.75	15,517,841.43	8,074,783.22
05	3073	Hong Kong dollar		497,828.25	3,232,484.83
05	3073	Indian rupee		4,105,450.63	1,767,517.62
05	3073	Indonesian rupiah		1,706,406.23	1,298,358.30
05	3073	Japanese yen		3,762,178.46	
05	3073	Kazakhstani tenge		115,899.03	
05	3073	Malaysian ringgit		1,055,486.73	6,323,211.94
05	3073	Mexican peso	470,699.36	1,418,736.94	5,690,816.77
05	3073	Nigerian naira			288,532.10
05	3073	Pakastani rupee			603,294.38
05	3073	Peruvian nuevo sol	1,833,130.45	505,400.55	
05	3073	Phillippine peso		180,287.38	
05	3073	Qatar riyal		193,165.05	
05	3073	Russian ruble	323,282.53	926,687.20	1,928,201.04
05	3073	South African rand	232,763.42	1,504,953.81	2,215,194.45
05	3073	South Korean won		4,267,474.87	
05	3073	Swiss franc		382,944.80	
05	3073	Taiwan dollar		3,945,986.70	5,013,023.50
05	3073	Thai baht		1,095,919.89	822,195.00
05	3073	Turkish lira		1,001,693.69	2,400,156.45
05	3073	United Arab Emirates dirham		193,165.05	931,623.84
05	3073	Uruguayan peso	69,829.03	102,809.25	
05	3073	Venezuelan bolivar			10,387,155.50
		Total	\$ 31,667,714.38	\$ 57,696,909.54	\$ 70,715,558.45

At August 31, 2016, the exposure to foreign currency risk was: International Obligations (Gov't. and Corp.)- \$14,731,844.06; International Other Commingled Funds - \$98,708,453.52; and International Externally Managed Investments - \$58,050,473.59.

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

Discrete Component Unit

FY17			International	International	International
Fund Type	GAAP Fund	Foreign Currency	Obligations (Gov't. and Corp.)	Other Commingled Funds	Externally Managed Investments
15	4167	Argentine peso	\$	\$	\$ 98,044.67
15	4167	Australian dollar		121,598.89	
15	4167	Brazilian real	710,347.48	113,607.12	1,038,899.07
15	4167	British pound		122,814.88	
15	4167	CFA franc	1,719,246.81		
15	4167	Chinese yuan renminbi		545,430.03	1,093,850.16
15	4167	Colombian peso	796,138.24		102,045.65
15	4167	Czech koruna			70,622.21
15	4167	Danish krone		85,119.23	
15	4167	Egyptian pound			103,679.42
15	4167	Euro		396,732.17	1,025,614.87
15	4167	Hong Kong dollar		63,231.42	410,572.57
15	4167	Indian rupee		294,096.38	224,500.43
15	4167	Indonesian rupiah		50,064.16	164,910.38
15	4167	Japanese yen		245,629.77	
15	4167	Malaysian ringgit		53,915.25	803,139.85
15	4167	Mexican peso		26,751.76	722,816.46
15	4167	Nigerian naira			36,647.77
15	4167	Pakastani rupee			76,627.16
15	4167	Peruvian nuevo sol	205,897.82		
15	4167	Russian ruble			244,909.56
15	4167	South African rand		46,213.07	281,361.90
15	4167	South Korean won		349,024.50	
15	4167	Swiss franc		48,639.56	
15	4167	Taiwan dollar		319,640.38	636,726.87
15	4167	Thai baht		109,756.04	104,430.72
15	4167	Turkish lira		51,989.70	304,854.76
15	4167	United Arab Emirates dirham			118,329.77
15	4167	Venezuelan bolivar			1,319,319.76
		Total	\$ 3,431,630.35	\$ 3,044,254.31	\$ 8,981,904.01

At August 31, 2016, the exposure to foreign currency risk for the Carr Foundation was: International Obligations (Gov't. and Corp.) - \$1,263,482.03; International Other Commingled Funds - \$6,122,505.40; and International Externally Managed Investments - \$7,491,440.82.

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

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The System’s investment policy limits fixed income securities held by the SITIF to those issued by the U.S. or its agencies and instrumentalities. As of August 31, 2017, the System’s credit quality distribution for securities with credit risk exposure was as follows.

Standard & Poor’s

Fund Type	GAAP Fund	Investment Type	AAA	AA	A	BBB	BB	Unrated
05	3073	U.S. Government Agency Obligations	\$ 285,591,769.05					
05	3073	Corporate Obligations					\$ 380,862.00	\$ 376,565.80
05	3073	Corporate Asset and Mortgage Backed Securities	\$ 3,137,435.85					
05	3073	International Obligations (Gov’t. and Corp.)						\$ 31,667,714.38
			AAAf	Aaf	Af			Unrated
05	3073	Fixed Income Money Market and Bond Mutual Fund	\$ 394,822,437.83		\$ 10,299,182.90			\$ 232,597,089.99

Discrete Component Unit

Standard & Poor’s

Fund Type	GAAP Fund	Investment Type	AAA	AA	A	BBB	BB	Unrated
15	4167	International Obligations (Gov’t. and Corp.)						\$ 3,431,630.35
			AAAf	Aaf	Af			Unrated
15	4167	Fixed Income Money Market and Bond Mutual Fund						\$ 10,253,658.70

The System’s credit quality distribution for securities with credit risk exposure as of August 31, 2016 was as presented below.

Standard & Poor’s

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

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

Discrete Component Unit

Standard & Poor's

Fund Type	GAAP Fund	Investment Type	AAA	AA	A	BBB	BB	Unrated
15	4167	International Obligations (Gov't and Corp.)		\$ 3,467.10	\$ 15,678.29	\$ 93,415.56	\$ 41,103.72	\$ 1,109,817.36
			AAAf	Aaf	Af			Unrated
15	4167	Fixed Income Money Market and Bond Mutual Fund						\$ 5,537,206.43

Investment Derivative Instruments

The System's Investment Policy Statement for the LTIF allows investment in certain derivative securities. A derivative security is a financial instrument which derives its value from another security, currency, commodity or index. As of August 31, 2017 the System held futures contracts, options and total return swaps as investment derivatives.

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

The System entered into these type derivatives as efficient substitutes for traditional securities to reduce portfolio risks created by other securities, or in fully hedged positions to take advantage of market anomalies. The derivative contracts entered into during fiscal year 2017 all used market indices as underlying securities in order to gain and reduce market exposure in an efficient manner. All investment derivatives are reported as Investments on the Combined Statement of Net Position, and changes in fair value of certain derivatives are reported as investment revenue in the Combined Statement of Revenues, Expenses and Changes in Net Position.

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

At August 31, 2017, the System also had exposure to investment **foreign currency risk in derivative investments** as presented in the table below.

Fund Type	GAAP Fund	Foreign Currency	Business-Type Activities		
			Futures Contracts	Options	Total Return Swaps
05	3073	Japanese yen		\$ 1,783,190.79	
		Total	\$ 0.00	\$ 1,783,190.79	\$ 0.00

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

Discrete Component Unit

Fund Type	GAAP Fund	Foreign Currency	Futures Contracts	Options	Total Return Swaps
15	4167	Japanese yen		\$ 226,491.15	
		Total	\$ 0.00	\$ 226,491.15	\$ 0.00

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

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

Discrete Component Unit

Fund Type	GAAP Fund	Foreign Currency	Futures Contracts	Options	Total Return Swaps
15	4167	Euro		\$ 17,677.78	
15	4167	British pound		4,522.48	
15	4167	Japanese yen		(30,393.53)	
		Total	\$ 0.00	\$ (8,193.27)	\$ 0.00

Note 4: Short-Term Debt

The System had the following short-term debt outstanding as of August 31, 2017.

Business-Type Activities	Balance 9/1/2016	Increases	Decreases	Balance 8/31/2017
Short-Term Debt CP Notes	\$ 30,279,000.00	\$ 46,770,000.00	\$ 33,796,000.00	\$ 43,253,000.00

Short-Term Debt Commercial Paper Notes

Commercial paper, both taxable and non-taxable, was issued during the fiscal year to serve as an interim financing source for various long-term construction projects in advance of the issuance of authorized bonds. All commercial paper outstanding at August 31, 2017 will mature in fiscal year 2018. Commercial paper has short maturities up to 270 days with interest rates ranging from .68% to .90% for tax-exempt, and .68% to 1.20% for taxable paper.

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

Note 5: Long-Term Liabilities

During the year ended August 31, 2017, the following changes occurred in liabilities:

Business-Type Activities	Balance 9/1/2016	Additions	Reductions	Restatement/ Adjustment	Balance 8/31/2017	Amounts due within one year	Amounts due Thereafter
Claims and Judgments	\$ 10,685,358.25	\$ 0.00	\$ 2,828,336.25	\$ 0.00	\$ 7,857,022.00	\$ 1,491,897.60	\$ 6,365,124.40
Capital Lease Obligations	0.00	0.00	3,147,667.15	3,147,667.15	0.00	0.00	0.00
Employees' Compensable Leave	46,695,519.68	4,159,193.09	334,737.77	0.00	50,519,975.00	6,083,352.16	44,436,622.84
Revenue Bonds Payable	576,100,933.25	374,735,000.00	116,980,000.00	7,839,936.35	841,695,869.60	65,333,600.75	776,362,268.85
Notes and Loans Payable	21,817,000.00	28,517,000.00	50,334,000.00	0.00	0.00	0.00	0.00
Pollution Remediation Obligation	1,022,641.50	0.00	0.00	0.00	1,022,641.50	0.00	1,022,641.50
Total Business-Type Activities	\$ 656,321,452.68	\$ 407,411,193.09	\$ 173,624,741.17	\$ 10,987,603.50	\$ 901,095,508.10	\$ 72,908,850.51	\$ 828,186,657.59

Discrete Component Unit

Discrete Component Unit Activities	Balance 9/1/2016	Additions	Reductions	Restatement/ Adjustment	Balance 8/31/2017	Amounts due within one year	Amounts due Thereafter
Employees' Compensable Leave	\$ 15,304.04	\$ 104.08	\$ 1,162.29	\$ 0.00	\$ 14,245.83	\$ 104.08	\$ 14,141.75

Claims and Judgments

TTUHSC and TTUHSC at El Paso have self-insured arrangements for medical malpractice coverage through a medical malpractice self-insurance plan. Claims and judgments include estimates for both known medical malpractice claims and those that have not yet been made against the insured participants. The liability is actuarially estimated to reflect the anticipated future claims for past medical services, and is adjusted annually based on an actuarially estimated incurred but not reported (IBNR) liability. Some of these claims are in process, while others are expected to be filed in the future. The liability estimate does not consider the probability of payment on a claim-by-claim basis and instead considers overall probability of payment for medical malpractice claims. In FY17, several claims that were accrued in previous years were settled with little or no payment, resulting in a decrease in the actuarial estimate of the remaining liability. Funding for future claim payments will be from a self-insurance reserve managed by the office of the General Counsel. More information is presented in Note 17.

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

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

Revenue Bonds Payable

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

Notes and Loans Payable

Notes and loans payable represents an estimated amount of Revenue Financing System Commercial Paper Notes outstanding expected to be refunded into a new long-term bond issuance. There are no Notes and Loans Payable as of August 31, 2017.

Pollution Remediation Obligation

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

Capital Lease Obligations

In fiscal year 2017, a Government Capital Corporation (GAC) lease that should have been recorded previously as a capital lease was paid off and refinanced with TTU System RFS Bonds, Series 2017B. As a result of the refinancing, the FY16 Combined Statement of Net Position, Combined Statement of Revenues, Expenses and Changes in Net Position, and Combined Statement of Cash Flows were updated to reflect the reclassification of the GAC lease from an operating lease to a capital lease, and to record the capital assets and the liability. As the lease was paid off in fiscal year 2017, there is no remaining liability.

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

Note 6: Bonded Indebtedness

Revenue Bonds Payable

Detailed supplemental bond information is disclosed in the Combined:

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

Several bond issues were outstanding as of August 31, 2017 and are summarized in the paragraphs that follow.

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

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

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

Purpose:	For refunding of \$96,469,500 of Revenue Financing System Commercial Paper Notes Series A, a partial current refunding of \$4,215,000 of Revenue Financing System Bonds Series 2001 and of \$355,000 of Texas State University System Revenue Financing System Bonds Series 2002 representing ASU's portion. For partial advanced refunding of \$52,460,000 of Revenue Financing System Bonds Series 2003. To provide new funding for the new College of Business Administration Building, the new TTU Boston & 18 th Street Residence Hall and Dining Facility, the new ASU Plaza Verde Phase I Residence Hall & Dining Facilities, Jones Stadium East Side Expansion and other System capital improvement projects.
Issue Date:	February 1, 2012
Original Issue Amount:	\$163,240,000, all authorized bonds have been issued
Source of revenue for debt service:	All pledged revenues of the participants of the Texas Tech University System Revenue Financing System

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

Purpose:	For current refunding of \$27,710,000 of Revenue Financing System Bonds Taxable Series 2001.
Issue Date:	February 1, 2012
Original Issue Amount:	\$27,585,000, all authorized bonds have been issued
Source of revenue for debt service:	All pledged revenues of the participants of the Texas Tech University System Revenue Financing System

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

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

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

Issue Date: April 9, 2015

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

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

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

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

Issue Date: April 9, 2015

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

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

Revenue Financing System Refunding and Improvement Bonds, 2017A Series

Purpose: For refunding of \$33,007,000 of Revenue Financing System Commercial Paper Notes Series A and to provide funding of new construction of ASU Archer College of Human & Health Services Building, TTU Honors Residence Hall, HSC Amarillo Simulation Center, HSC Permian Basin Academic Center and Texas Tech University System Administration Building.

Issue Date: January 31, 2017

Original Issue Amount: \$79,035,000, all bonds authorized have been issued

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

Revenue Financing System Refunding and Improvement Bonds, 2017B Series (Taxable)

Purpose: For refunding of \$17,327,000 of Revenue Financing System Commercial Paper Notes Series A, an advance refunding of \$75,430,000 of Revenue Financing System Bonds Series 2009, and an advance refunding of \$3,147,667.15 of Government Capital Corp Lease for Angelo State University. To provide funding for new construction of TTU Experimental Sciences Building II, TTU Sports Performance Complex, HSC Lubbock Campus Expansion, HSC at El Paso Medical Sciences Building II.

Issue Date: January 31, 2017

Original Issue Amount: \$295,700,000, all bonds authorized have been issued

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

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

Pledged Future Revenues

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

Pledged Future Revenues	Business-Type Activities	
	FY17	FY16
Pledged Revenue Required for Future Principal and Interest on Existing Revenue Bonds	\$ 1,071,695,919.47	\$ 756,767,585.42
Term of Commitment for Year Ending 8/31	2045	2045
Percentage of Revenue Pledged	100%	100%
Current Year Pledged Revenue	\$ 743,933,156.59	\$ 757,477,139.74
Current Year Principal and Interest Paid	\$ 66,086,373.24	\$ 59,887,234.54

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

Sources of Debt-Service Revenue

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

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

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

Description	Year	Principal	Interest	Total
All Issues	2018	\$ 890,000.00	\$ 244,250.00	\$ 1,134,250.00
	2019	935,000.00	199,750.00	1,134,750.00
	2020	985,000.00	153,000.00	1,138,000.00
	2021	1,015,000.00	103,750.00	1,118,750.00
	2022	1,060,000.00	53,000.00	1,113,000.00
Totals		\$ 4,885,000.00	\$ 753,750.00	\$ 5,638,750.00

A portion of the ASU debt above represents Tuition Revenue Bonds historically funded by the Texas Legislature through General Revenue Appropriations. ASU was appropriated \$2,737,516.00 during the current fiscal year for Tuition Revenue Bond debt service. ASU expects future Legislative appropriations to meet debt service requirements for Tuition Revenue bonds.

Note 7: Derivatives

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

The following disclosures summarize the System’s derivative activity as reported in the financial statements as of August 31, 2017.

Investment Derivatives	Changes in Fair Value		Fair Value at August 31, 2017		
	Classification	Amount	Classification	Amount	Notional
Futures Contracts	Investment Revenue	\$ 9,448,551.14		\$ 0.00	\$ 118,832,462.05
Options	Investment Revenue	16,542,848.88	Investments	4,532,052.46	3,682,624.56
Total Return Swaps	Investment Revenue	(1,369,412.83)	Investments	379,238.86	(243,597,546.89)

Discrete Component Unit

Investment Derivatives	Changes in Fair Value		Fair Value at August 31, 2017		
	Classification	Amount	Classification	Amount	Notional
Futures Contracts	Investment Revenue	\$ 1,200,103.36		\$ 0.00	\$ 15,093,450.32
Options	Investment Revenue	2,101,182.32	Investments	575,636.55	467,746.86
Total Return Swaps	Investment Revenue	(173,935.34)	Investments	48,168.85	(30,940,430.00)

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

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

Investment Derivative Instruments	8/31/2017	(Level 1)	(Level 2)	(Level 3)
Interest Rate Swaps	\$ 379,238.86		\$ 379,238.86	
Foreign Exchange Contracts (Liabilities)	4,532,052.46		4,532,052.46	
Total Investment Derivative Instruments	\$ 4,911,291.32		\$ 4,911,291.32	

Discrete Component Unit

Investment Derivative Instruments	8/31/2017	(Level 1)	(Level 2)	(Level 3)
Interest Rate Swaps	\$ 48,168.85		\$ 48,168.85	
Foreign Exchange Contracts (Liabilities)	575,636.55		575,636.55	
Total Investment Derivative Instruments	\$ 623,805.40		\$ 623,805.40	

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

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

Discrete Component Unit

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

The System classified its investment derivative instruments using Level 2 inputs in the fair value hierarchy for fiscal year 2016, as presented below:

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

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

Discrete Component Unit

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

Fair Value

Derivative instruments are recorded at fair value. Futures contracts are marked-to-market daily and valued at closing market prices on the valuation date. A daily variation margin between the daily value of the contracts and the value on the previous day is recorded and settled in cash with the broker the following morning. Options and total return swaps are valued using broker quotes, proprietary pricing agents or appropriate pricing models with primarily externally verifiable model inputs.

Investment Derivatives

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

Note 8: Leases

Capital Lease Obligations

System components had no obligations due under capital lease agreements at the end of fiscal year 2017. See Note 5 for an explanation of the restated capital lease obligation for fiscal 2016.

The Carr Foundation had no capital lease obligations for the years ending August 31, 2017 or 2016.

Operating Leases

System component institutions have entered into various operating leases for buildings and equipment. Included in the expenditures reported in the financial statements is the following amount of rent paid or due under operating lease obligations as of August 31, 2017 and 2016:

Fund Type	Business-Type Activities	
	FY17	FY16
Proprietary Fund	\$ 10,220,522.22	\$ 6,482,730.95

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

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

Fiscal Year Ended August 31,	Minimum Future Lease Payments
2018	\$ 8,424,223.90
2019	7,816,498.89
2020	7,319,405.47
2021	6,236,282.17
2022	5,786,285.52
2023-2027	1,971,042.80
2028-2032	869,451.80
2033-2037	869,451.80
2038-2042	695,667.77
2043-2047	310,333.32
Total Minimum Future Lease Rental Payments	\$ 40,298,643.44

System component institutions have operating lease income for leased building space to outside parties under various operating leases. Included in the revenues reported in the financial statements is the following for rent received under non-cancelable operating leases as of August 31, 2017 and 2016:

Fund Type	Business-Type Activities	
	FY17	FY16
Proprietary Fund	\$ 2,634,994.99	\$ 2,375,622.35

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

System component institutions had no reported contingent rental revenues. **Future minimum lease rental income** under non-cancelable operating leases having an initial term in excess of one year is as follows as of August 31, 2017:

Fiscal Year Ended August 31,	Minimum Future Rentals
2018	\$ 2,521,259.90
2019	1,984,204.22
2020	1,890,362.32
2021	1,858,287.32
2022	1,806,287.32
2023-2027	2,504,965.00
2028-2032	2,504,960.00
2033-2037	88,332.00
2038-2042	5,000.00
2043-2047	7,000.00
Total Minimum Future Lease Rental Income	\$ 15,170,658.08

The cost, accumulated depreciation and carrying value of these leased assets as of August 31, 2017 and 2016 were as follows:

Value of Leased Building Space	Business-Type Activities	
	FY17	FY16
Historical Cost of Leased Building Space	\$ 62,182,041.20	\$ 61,006,818.38
Less: Accumulated Depreciation	(20,566,603.05)	(17,326,866.77)
Historical Cost of Leased Land	\$ 290,914.06	\$ 290,914.06
Total Carrying Value of Leased Assets	\$ 41,906,352.21	\$ 43,970,865.67

The Carr Foundation had no operating lease expenses or operating lease revenues for the years ended August 31, 2017 or 2016.

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

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

Defined Benefit Pension Plan

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

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

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

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

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

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

During the measurement period of 2016 for fiscal year 2017 reporting, and the measurement period of 2015 for fiscal year 2016 reporting, the amount of the System’s contributions excluding the State match to TRS recognized by the Plan was \$18,429,661.00 for 2017, and \$15,681,265.00 for 2016. The contribution rates for the state and the members in the measurement period are presented in the table below:

Required Contribution Rates

Contribution Rates - TRS Plan	FY17	FY16
Employer	6.8%	6.8%
Employees	7.2%	6.7%

The total pension liability is determined by an annual actuarial valuation. The table below presents the actuarial methods and assumptions used by TRS to measure the total pension liability for the TRS Plan as of the August 31, 2016 and 2015 measurement dates.

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

Actuarial Methods and Assumptions

Actuarial Methods and Assumptions - TRS Plan	FY17	FY16
Actuarial Valuation Date	August 31, 2016	August 31, 2015
Actuarial Cost Method	Individual Entry Age Normal	Individual Entry Age Normal
Amortization Method	Level Percentage of Payroll, Floating	Level Percent, Open
Actuarial Assumptions:		
Discount Rate	8.0%	8.0%
Investment Rate of Return	8.0%	8.0%
Inflation	2.5%	2.5%
Salary Increase	3.5% to 9.5% including inflation	3.5% to 9.5% including inflation
Mortality:		
Active	90% of the RP 2014 Employee Mortality Tables for males and females	90% of the RP 2014 Employee Mortality Tables for males and females
Post-retirement	2015 TRS Healthy Pensioner Mortality Tables	2015 TRS Healthy Pensioner Mortality Tables
Ad Hoc Post-Employment Benefit Changes	None	None

The actuarial methods and assumptions used in the valuation were primarily based on the result of an actuarial experience study for the four-year period ending August 31, 2014 and adopted in September 2015. The mortality rates were based on 90% of the RP 2014 Employee Mortality Tables for the active members. The post-retirement mortality rates were based on the 2015 TRS Healthy Pensioner Mortality Tables.

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

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

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

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

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

Asset Class	FY17		FY16	
	Target Allocation	Long-Term Expected Geometric Real Rate of Return	Target Allocation	Long-Term Expected Geometric Real Rate of Return
Global Equity				
U.S.	18.0%	4.6%	18.0%	4.6%
Non-U.S. Developed	13.0%	5.1%	13.0%	5.1%
Emerging Markets	9.0%	5.9%	9.0%	5.9%
Directional Hedge Funds	4.0%	3.2%	4.0%	3.2%
Private Equity	13.0%	7.0%	13.0%	7.0%
Stable Value				
U.S. Treasury	11.0%	0.7%	11.0%	0.7%
Absolute Return	0.0%	1.8%	0.0%	1.8%
Stable Value Hedge Funds	4.0%	3.0%	4.0%	3.0%
Cash	1.0%	(0.2%)	1.0%	(0.2%)
Real Return				
Global Inflation Linked Bonds	3.0%	0.9%	3.0%	0.9%
Real Assets	16.0%	5.1%	16.0%	5.1%
Energy and Natural Resources	3.0%	6.6%	3.0%	6.6%
Commodities	0.0%	1.2%	0.0%	1.2%
Risk Parity				
Risk Parity	5.0%	6.7%	5.0%	6.7%
Total	100.0%		100.0%	

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

Fiscal Year	Sensitivity of TTU System’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate		
	1% Decrease	Current Discount Rate	1% Increase
	(7%)	(8%)	(9%)
FY17	\$ 338,562,502.00	\$ 218,757,231.00	\$ 117,138,142.00
FY16	\$ 292,478,578.96	\$ 186,671,195.00	\$ 98,540,220.14

The TRS pension plan’s fiduciary net position is determined using the economic resources measurement focus and the accrual basis of accounting. Benefits and refunds of contributions are recognized when due and payable in accordance with the terms of the TRS Plan. Investments are reported at fair value. Fair value is a market-based measurement, not an entity-specific measurement. TRS utilizes one or more of the following valuation techniques in order to measure fair value: the market approach, the cost approach, and the income approach. More detailed information on the TRS Plan’s investment policy, assets, and fiduciary net position, may be obtained from TRS’ fiscal year 2016 Comprehensive Annual Financial Report.

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

The System reported a liability of \$218,757,231.00 for its proportionate share of the TRS collective net pension liability for the year ended August 31, 2017 and \$186,671,195.00 for the year ended August 31, 2016. The collective net pension liability was measured as of August 31, 2016 for fiscal year 2017 reporting, and as of August 31, 2015 for fiscal year 2016 reporting, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of the measurement date for each year. The System’s proportion of the net pension liability at the August 31, 2016 measurement date was .5788987 percent, and was .5280855 percent at the August 31, 2015 measurement date. The System’s proportion of the collective net pension liability was based on its contributions to the pension plan relative to the contributions of all the employers and the non-employer contributing entity to the Plan for the period September 1, 2015 through August 31, 2016 for fiscal year 2017 reporting, and for the period September 1, 2014 through August 31, 2015 for fiscal year 2016 reporting.

For the years ending August 31, 2017 and 2016, the System recognized pension expense of \$25,483,686.00 and \$15,869,997.00, respectively. At August 31, 2017 and 2016, the System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	FY17		FY16	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 3,430,071.00	\$ 6,531,963.00	\$ 2,083,607.00	\$ 7,173,941.00
Changes of assumptions	6,667,327.00	6,063,660.00	8,757,445.00	6,659,610.00
Net difference between projected and actual investment return	18,523,911.00		8,838,258.00	
Change in proportion and contribution difference	11,775,941.00	15,075,143.00		18,127,758.00
Contributions subsequent to the measurement date	18,734,474.00		18,370,657.00	
Total	\$ 59,131,724.00	\$ 27,670,766.00	\$ 38,049,967.00	\$ 31,961,309.00

The \$18,734,474.00 reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the System’s net pension liability for the year ending August 31, 2018.

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

Year ended August 31:	
2018	\$ 681,845.00
2019	681,845.00
2020	12,497,298.00
2021	(225,829.00)
2022	(2,731,107.00)
Thereafter	1,822,432.00
Total	\$ 12,726,484.00

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

Defined Contribution Pension Plan

The State has established an Optional Retirement Program (ORP), authorized by Texas Government Code, Chapter 830. Full-time faculty, librarians, and certain professionals and administrators employed in public higher education are eligible to elect ORP in lieu of the TRS Plan. The Texas Higher Education Coordinating Board develops policies, practices and procedures to provide greater uniformity in the administration of ORP. The contributory percentage of participant salaries by the members (employees) was 6.65% for both fiscal years 2017 and 2016. The contributory percentage of participant salaries by the employer (System components) was 6.8% in both fiscal years 2017 and 2016. For those employees who were participating in the ORP on or before August 31, 1995, the employer contribution rate was 8.5% for both fiscal years 2017 and 2016, and will remain so subject to legislative change. The contributions made by plan members and the employer for the fiscal years ended August 31, 2017 and 2016 are:

	<u>FY17</u>	<u>FY16</u>
Member Contributions	\$ 21,129,181.06	\$ 20,158,770.90
Employer Contributions	22,679,495.86	21,686,553.10
Total	\$ 43,808,676.92	\$ 41,845,324.00

Note 10: Deferred Compensation (administering agencies only)

Not applicable.

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

Not applicable.

Note 12: Interfund Activity and Transactions

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

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

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

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

System component institutions and units had no interfund receivable or interfund payables as of August 31, 2017. Tables included in previous years detailing the other types of interfund activity and transactions above are an optional presentation and are not included in this note.

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

Note 13: Continuance Subject to Review

The System is not subject to the Texas Sunset Act.

Note 14: Adjustments to Fund Balances and Net Position

During fiscal year 2017, certain accounting changes and adjustments were made that required the restatement of net position for FY16 in order to provide comparative statements. The restatements are presented below.

Business-Type Activities

Combined Statement of Revenues, Expenses and Changes in Net Position	FY16
Beginning Net Position, September 1	\$ 2,732,250,329.48
Restatement of Prior Year's Beginning Net Position for addition of Capital Lease	142,637.33
Restatement of Prior Year's Beginning Net Position for addition of Texas Tech Law School Foundation	10,898,893.00
Restatement of Prior Year's Beginning Net Position for State Benefits	2,685,075.39
Restatement of Prior Year's Beginning Net Position for removal of Endowment Gift Pledges	(12,816,021.06)
Beginning Net Position, September 1 as restated	<u>\$ 2,733,160,914.14</u>

Combined Statement of Revenues, Expenses and Changes in Net Position	FY16
Ending Net Position, August 31	\$ 2,927,992,472.32
Restatement of Prior Year's Beginning Net Position (shown above)	910,584.66
Restatement of Prior Year's Ending Net Position	(4,848,057.53)
Ending Net Position, August 31 as restated	<u>\$ 2,924,054,999.45</u>

Combined Statement of Cash Flows	FY16
Ending Cash & Cash Equivalents, August 31	\$ 386,529,710.80
Restatement of Prior Year's Beginning Cash & Cash Equivalents for Texas Tech Law School Foundation	498,931.00
Restatement of Prior Year's Ending Cash & Cash Equivalents for Texas Tech Law School Foundation	(317,124.00)
Ending Cash & Cash Equivalents, August 31 as restated	<u>\$ 386,711,517.80</u>

During fiscal year 2017, the Texas Tech Law School Foundation (TTLSF) was determined to be a blended component unit of TTU, and the transactions of TTLSF were blended with the transactions of TTU, resulting in a change to cash and cash equivalents, and net position. The additional items requiring a change to net position included a modification of the method for reporting gift pledges related to endowments, a refund from the State for prior year state benefits, and the reclassification of an operating lease to a capital lease by ASU.

There were also reclassifications of several items in the financial records of System component institutions resulting in the restatement of comparative financial statement balances for the year ended August 31, 2017. These reclassifications required no restatement of fund balances or net position.

The table below summarizes the restatements to net position as well as the reclassifications:

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

Statement	Description	Restatement and Reclassification Amounts		
		FY16 as reported	Correction	FY16 restated
SNP	Restricted Cash and Cash Equivalents	\$ 123,933,924.89	\$ 181,807.00	\$ 124,115,731.89
SNP	Current Gifts Receivable	33,563,591.66	(7,161,923.95)	26,401,667.71
SNP	Current Other Receivable	9,691,464.39	3,116,305.59	12,807,769.98
SNP	Other Current Assets	450,000.00	567,567.00	1,017,567.00
SNP	Non-Current Gifts Receivable	81,127,849.39	(11,107,587.49)	70,020,261.90
SNP	Restricted Investments	403,616,936.74	10,174,367.00	413,791,303.74
SNP	Depreciable or Amortizable Capital Assets	2,926,004,967.79	5,953,256.19	2,931,958,223.98
SNP	Accumulated Depreciation and Amortization	(1,581,295,493.93)	(2,513,597.06)	(1,583,809,090.99)
	Total Asset Correction		(789,805.72)	
SNP	Current Capital Lease Obligations	\$ 0.00	\$ 546,238.40	\$ 546,238.40
SNP	Non-Current Capital Lease Obligations	0.00	2,601,428.75	2,601,428.75
	Total Liability Correction		3,147,667.15	
SNP	Net Investment in Capital Assets	\$ 900,671,764.81	\$ (17,683,941.27)	\$ 882,987,823.54
SNP	Restricted Nonexpendable Endowments	670,409,169.27	(12,594,383.00)	657,814,786.27
SNP	Restricted Expendable Capital Projects	27,900,855.16	15,366,948.04	43,267,803.20
SNP	Restricted Expendable Debt Service	32,694,831.32	17,975,933.25	50,670,764.57
SNP	Restricted Expendable Other	378,617,797.79	4,896,390.56	383,514,188.35
SNP	Unrestricted Net Position	854,719,683.63	(11,898,420.45)	842,821,263.18
	Total Net Position Correction		(3,937,472.87)	
SRECNP	Local Governmental Grants and Contracts	\$ 38,201,286.87	\$ (12,096,008.17)	\$ 26,105,278.70
SRECNP	Nongovernmental Grants and Contracts	174,302,143.54	12,096,008.17	186,398,151.71
	Total Operating Revenues		\$ 0.00	
SRECNP	Repairs and Maintenance	\$ 39,018,992.47	\$ (546,238.40)	\$ 38,472,754.07
SRECNP	Depreciation and Amortization	122,625,165.13	396,883.75	123,022,048.88
	Total Operating Expenses		(149,354.65)	
SRECNP	Legislative Revenue	\$ 458,912,860.57	\$ 431,230.20	\$ 459,344,090.77
SRECNP	Private Gifts	99,947,990.11	2,424,970.56	102,372,960.67
SRECNP	Investment Income (Expense)	55,671,543.10	(13,692.00)	55,657,851.10
SRECNP	Net Increase (Decrease) in Fair Value of Investments	(27,250,345.19)	539,628.00	(26,710,717.19)
SRECNP	Other Nonoperating Revenues (Expenses)	7,302,344.79	(501,088.00)	6,801,256.79
	Total Nonoperating Revenues (Expenses)		2,881,048.76	
SRECNP	Contributions to Permanent and Term Endowments	\$ 20,685,872.67	\$ (7,878,460.94)	\$ 12,807,411.73
	Net Other Revenues, Expenses, Gains, Losses, and Transfers		(7,878,460.94)	
Cash Flow	Payments to Suppliers for Goods and Services	\$ (219,407,343.44)	\$ 546,238.40	\$ (218,861,105.04)
Cash Flow	Proceeds from Other Uses	9,144,101.43	(364,546.00)	8,779,555.43
Cash Flow	Payments For Capital Leases	0.00	(546,238.40)	(546,238.40)
Cash Flow	Proceeds from Investment Sales and Maturities	221,290,601.66	61,114.00	221,351,715.66
Cash Flow	Proceeds from Interest and Investment Income	79,053,269.21	284,153.00	79,337,422.21
Cash Flow	Payments to Acquire Investments	(304,065,253.56)	(297,845.00)	(304,363,098.56)
	Total Cash Flows		(317,124.00)	
Cash Flow	Operating Loss	\$ (545,941,285.93)	\$ 149,354.65	\$ (545,791,931.28)
Cash Flow	Depreciation and Amortization Expense	122,625,165.13	396,883.75	123,022,048.88
Cash Flow	Net Increase (Decrease) in Fair Value of Investments	(27,250,345.19)	539,628.00	(26,710,717.19)

The Carr Foundation had no restatements or adjustments to fund balance or net position for the year ended August 31, 2017.

Texas Tech University System (793) – Notes to the Combined Financial Statements (continued)**Note 15: Contingencies and Commitments****Contingencies***Unpaid Claims and Lawsuits*

At August 31, 2017 the following contingent claims were pending for TTUHSC:

Physician Supplemental Payments:

The U.S. Department of Health and Human Services Office of Inspector General is in the process of auditing physician supplemental payments to determine if the Texas Health and Human Services Commission (HHSC) calculated supplemental payments to TTUHSC in accordance with Federal regulations and the State plan. Based on audit findings for other similar State agencies, it is likely that the HHSC will request repayment from TTUHSC for overpayments within the next year. TTUHSC has determined that a reasonable estimate of the potential repayment is approximately \$7,423,323.00, and that amount is reported as a contingent liability in Other Current Liabilities on the Combined Statement of Net Position, and in Other Operating Expenses on the Combined Statement of Revenues, Expenses and Changes in Net Position.

Section 1115 Waiver Payments:

The Texas Health and Human Services Commission (HHSC) annually completes a reconciliation of Section 1115 Transformation Waiver Uncompensated Care payments to allowable uncompensated costs reported by participating hospitals/physicians. TTUHSC expects to receive a notification for Demonstration Year 2 (DY2) related to excess uncompensated care payments received by its Lubbock and Odessa campuses. TTUHSC estimates that the DY2 recoupment will be approximately \$1,565,000. A contingent liability in the amount of \$1,565,000 for the DY2 recoupment amount has been recorded in Other Current Liabilities in the Combined Statement of Net Position.

At August 31, 2017 the following contingent claims were pending for TTUHSC at El Paso:

Physician Supplemental Payments:

The U.S. Department of Health and Human Services Office of Inspector General is in the process of auditing physician supplemental payments to determine if the Texas Health and Human Services Commission (HHSC) calculated supplemental payments to TTUHSC at El Paso in accordance with Federal regulations and the State plan. Based on audit findings for other similar State agencies, it is likely that the HHSC will request repayment from TTUHSC for overpayments within the next year. TTUHSC at El Paso has determined that a reasonable estimate of the potential repayment is approximately \$3,448,268.00 and a contingent liability of that amount is reported in Other Current Liabilities on the Combined Statement of Net Position, and in Other Operating Expenses on the Combined Statement of Revenues, Expenses and Changes in Net Position.

At August 31, 2017, lawsuits involving the System were pending. While the ultimate liability with respect to litigation and other claims asserted against the System cannot be precisely estimated at this time, such liability, to the extent not provided for by insurance or otherwise, is in legal counsel's opinion, not likely to have a material effect on the System.

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

Federal Assistance

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

Arbitrage

Rebatable arbitrage is defined by Internal Revenue Code, Section, 148 as earnings on investments purchased with the gross proceeds of a bond issue in excess of the amount that would have been earned if the investments were invested at a yield equal to the yield on the bond issue. The rebatable arbitrage must be paid to the federal government. The System monitors its investments to restrict earnings to a yield less than the bond issue and, therefore, limit any arbitrage liability. For fiscal year 2017, the System recorded no rebatable arbitrage. The arbitrage recorded in fiscal year 2016 was \$9,881.54.

Commitments

Investment Funds

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

As of August 31, 2017 and August 31, 2016, the remaining commitment - domestic for the System was \$168,430,658.94 and \$134,035,422.87, respectively.

As of August 31, 2017 and August 31, 2016, the remaining commitment – domestic for the Carr Foundation was \$21,395,934.06 and \$17,297,334.13, respectively.

Note 16: Subsequent Events

The System intends to issue the following Revenue Financing System Commercial Paper Notes after August 31, 2017 as follows:

Issuance	Series	Amount	Date of Issuance	Purpose
Revenue Financing System Commercial Paper Notes, Tax-Exempt and Taxable	A	\$ 22,500,000	10/24/2017	Reimburse for incurred expenditures and acquire new proceeds on the construction of ASU Centennial Village Phase II, and TTU Museum Life Safety Upgrade & Air Management Replacement, TTU Engineering Materials & Research Center Renovation, TTU Talkington College of Visual & Performing Arts Addition and Renovation, TTU Industrial Engineering Renovation, TTU Sports Performance Complex, Rawls College of Business Administration- Chick-Fil-A, and Jones Stadium North End Zone Renovation.

Texas Tech University System (793) – Notes to the Combined Financial Statements (continued)**Note 17: Risk Management**

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

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

Two component institutions of the System, TTUHSC and TTUHSC at El Paso, have self-insured arrangements for medical malpractice coverage through a medical malpractice self-insurance plan. The plan is managed by the Office of General Counsel, and the associated liability is adjusted annually based on actuarially estimated incurred but not reported (IBNR) liability to reflect the anticipated future claims related to past medical services. The information below includes current year accruals and associated payments in addition to the liabilities accrued in Note 5.

Changes in the balances of the agency's claims liabilities during fiscal years 2017 and 2016 are presented in the table below.

Claims and Judgments	Beginning Balance	Increases	Decreases	Ending Balance
FY2017	\$ 10,685,358.25	\$ 25,198.30	\$ (2,853,534.55)	\$ 7,857,022.00
FY2016	\$ 7,838,693.25	\$ 4,976,262.05	\$ (2,129,597.05)	\$ 10,685,358.25

The increase in fiscal year 2017 is comprised of miscellaneous claims and judgments. The decrease arose from the payment of these miscellaneous claims, and due to actuarial adjustments that resulted from low payout on previously accrued expected payments. The liability is actuarially estimated to reflect the anticipated future claims for past medical services, and is adjusted annually based on an actuarially estimated incurred but not reported (IBNR) liability. The increase in fiscal year 2016 resulted mainly from adjustments to the self-insurance fund liability balance based on the actuarial estimate.

Texas Tech University System (793) – Notes to the Combined Financial Statements (continued)**Note 18: Management’s Discussion and Analysis**

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

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

Formally established by the Texas Legislature in 1999, the System is composed of a central administration, two general academic institutions and two health-related institutions. The component institutions of the System are Texas Tech University (TTU), Texas Tech University Health Sciences Center (TTUHSC), Texas Tech University Health Sciences Center at El Paso (TTUHSC at El Paso), Angelo State University (ASU) and Texas Tech University System Administration (TTUSA). In its young history, the System has emerged as a nationally acclaimed higher education system. Headquartered in Lubbock, Texas, the System operates on more than 12 campuses and academic sites throughout the State of Texas and internationally. The System has locations statewide in Abilene, Amarillo, Dallas, El Paso, Fredericksburg, Highland Lakes, Junction, Lubbock, Midland, Odessa, San Angelo and Waco. Internationally, the System has a location in Seville, Spain. The total enrollment across all component institutions is more than 52,000 students as of Fall 2017.

In fiscal year 2017, the System maintained stellar financial ratings with all 3 of the industry’s top credit rating agencies: Standard & Poor (AA+), Moody’s (Aa1) and Fitch (AA+). The System’s credit ratings are among the top 25% of all public higher education institutions nationwide. The System employs more than 17,000 faculty and staff and has an annual combined operating budget of more than \$2.1 billion consisting of revenues from the following sources: 42% designated funding, 28% appropriated funds by the Texas Legislature, 19% restricted funds, and 11% from auxiliaries.

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

Note 19: The Financial Reporting Entity

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

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

Texas Tech University System (793) – Notes to the Combined Financial Statements (continued)**Individual Component Unit Disclosures*****Blended Component Units***

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

The Texas Tech Foundation, Inc. (TTFI) is a not-for-profit 501(c)(3) organization, exempt from income taxes. TTFI was founded to financially support and serve the fundraising needs of all colleges, schools, programs, and campuses of the System. TTFI was formed to seek and obtain gifts for all the System component institutions; to receive, hold, invest and administer property of any type given to the component institutions; and to make expenditures to or for the benefit of the System component institutions. The members of the TTFI Board are appointed by and serve at the will of the System Board of Regents. This Board of Regents also has the ability to veto, override or modify decisions of TTFI, and they can modify or approve TTFI's budget. Based on these criteria, the financial transactions of TTFI have been blended into the financial statements of the System. August 31 is the Foundation's fiscal year end, and the Foundation's financial statements may be obtained from the TTUS Office of Institutional Advancement, located at 1508 Knoxville Avenue, Suite 315, Lubbock, TX 79409.

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

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

The Texas Tech Law School Foundation (TTLSF) is a legally separate, nonprofit organization established exclusively to provide financial assistance for professorships and scholarships within the Texas Tech University (TTU) School of Law, primarily from gifts and endowment earnings. The TTU Dean of the School of Law is an ex officio, permanent voting trustee of the board. TTLSF is closely related to TTU; failure to include the financial information of the foundation would result in misleading financial statements. Separate financial statements may be obtained by contacting the Texas Tech Law School Foundation at 1802 Hartford Avenue, Lubbock, Texas 79409.

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

The condensed financial statements for these component units as of August 31, 2017 are presented below.

Condensed Statement of Net Position	Blended Component Units			
	TTHI	TTPA	ASUF	TTLSF
Total Assets	\$ 641,799,110.92	\$ 4,143,593.83	\$ 26,250,942.85	\$ 11,038,558.00
Total Liabilities	211,765.81	1,663,899.75	7,172.41	0.00
Net Position:				
Net Investment in Capital Assets				
Restricted:				
Nonexpendable:				
Endowments	480,611,530.81		13,688,704.87	8,229,107.00
Expendable:				
Other	150,505,227.52		12,555,065.57	2,465,251.00
Unrestricted	10,470,586.78	2,479,694.08		344,200.00
Total Net Position	\$ 641,587,345.11	\$ 2,479,694.08	\$ 26,243,770.44	\$ 11,038,558.00

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

	Blended Component Units			
	TTFI	TTPA	ASUF	TTLSF
Condensed Statement of Revenues, Expenses and Changes in Net Position				
Operating Revenues				
Other Sales and Services	\$ 14,088.10	\$	\$	\$
Professional Fees		20,693,610.73		
Federal Grants and Contracts		194,784.40		
Nongovernmental Grants and Contracts	342,600.00			
Operating Expenses				
Professional Fees and Services	386,133.01	495,893.19	10,520.00	
Travel	415,810.86		9,015.22	
Materials and Supplies	122,613.52	7.78	178,046.58	
Communications and Utilities	15,459.61			
Repairs and Maintenance	11,392.09			
Rentals and Leases	44,157.92	20.00	12,664.25	
Printing and Reproduction	118,750.87		2,142.10	
Interest	179.88		185.55	
Other Operating Expenses	2,110,656.08	(170,435.33)	1,386,898.48	
Operating Income (Loss)	(2,868,465.74)	20,562,909.49	(1,599,472.18)	0.00
Nonoperating Revenues (Expenses)				
Private Gifts	59,634,060.28		4,005,973.53	
Investment Income (Expense)	66,494,487.22	61,285.59	1,728,979.91	207,344.00
Other Nonoperating Revenues (Expenses)	1,134,736.86		665,122.41	(92,527.00)
Total Nonoperating Revenues and Expenses	127,263,284.36	61,285.59	6,400,075.85	114,817.00
Other Revenues, Expenses, Gains, Losses and Transfers				
Contributions to Permanent and Term Endowments	14,729,512.82			
Transfers to Components/Other Funds	(66,008,783.46)	(20,531,938.81)	(7,668,691.75)	
Total Other Revenues, Expenses, Gains, Losses and Transfers	(51,279,270.64)	(20,531,938.81)	(7,668,691.75)	
Total Change in Net Position	73,115,547.98	92,256.27	(2,868,088.08)	114,817.00
Beginning Net Position - September 1, restated	568,471,797.13	2,387,437.81	29,111,858.52	10,923,741.00
Ending Net Position - August 31	\$ 641,587,345.11	\$ 2,479,694.08	\$ 26,243,770.44	\$ 11,038,558.00

	Blended Component Units			
	TTFI	TTPA	ASUF	TTLSF
Condensed Statement of Cash Flows				
Net Cash Provided (Used) by Operating Activities	\$ (2,722,913.17)	\$ 20,578,543.79	\$ (1,607,026.31)	\$ 0.00
Net Cash Provided (Used) by Noncapital Financing Activities	(4,268,839.53)	(20,531,938.81)	(2,997,595.81)	63,804.00
Net Cash Provided (Used) by Capital and Related Financing Activities				
Net Cash Provided (Used) by Investing Activities	6,535,476.25	61,285.59	3,564,654.05	492,819.00
Total Net Cash Flows	(456,276.45)	107,890.57	(1,039,968.07)	556,623.00
Beginning Cash and Cash Equivalents - September 1	6,774,940.39	4,004,684.97	5,204,877.87	181,807.00
Ending Cash and Cash Equivalents - August 31	\$ 6,318,663.94	\$ 4,112,575.54	\$ 4,164,909.80	\$ 738,430.00

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

Discretely Presented Component Unit

The Angelo State University Robert G. Carr and Nona K. Carr Scholarship Foundation financial statements are included at the end of this report as a discretely presented component unit of the System. The Foundation is a legally separate testamentary trust organization described in Internal Revenue Code Section 509(a)(3) as being exempt from income taxes under IRC Section 501(c)(3), and was established solely for the benefit of providing academic scholarships to the students of Angelo State University. The nine member Foundation Board of Trustees is comprised of all members of the TTU System Board of Regents, who have the ability to appoint, hire, reassign or dismiss those persons responsible for the operation of the Foundation. The Foundation has a fiscal year end of August 31, and the financial records of the Foundation are audited annually by an independent accounting firm. The Foundation’s complete audited financial statements can be obtained from the Carr Foundation at Box 11007C, ASU Station, San Angelo, TX 76909.

Note 20: Stewardship, Compliance and Accountability

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

Note 21: N/A

Note 22: Donor-Restricted Endowments

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

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

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

Donor-Restricted Endowments	Amount of Net Appreciation *		Reported in Combined Statement of Net Position
	Restated		
	FY17	FY16	
True Endowments	\$ 108,807,593.04	\$ 53,388,476.28	Restricted Expendable
Term Endowments	0.00	0.00	Restricted Expendable
Total	\$ 108,807,593.04	\$ 53,388,476.28	

*There was a positive fair value adjustment totaling \$55,333,641.78 for fiscal year 2017, and a negative fair value adjustment of \$(28,821,411.81) for fiscal year 2016.

Term endowments reported \$0.00 for net appreciation due to the endowments being underwater in both fiscal years 2017 and 2016.

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

Variances from prior year ending balances for the System are shown in the table below:

<u>Changes from Prior Year Balances</u>		
Endowment Funds	Increase/(Decrease)	Reason for Change
Expendable Balances		
True Endowments	\$ 55,419,116.76	Fair value increase in portfolio
Term Endowments	(85,474.98)	Transfers out exceed historical gift amounts
Total	<u>\$ 55,333,641.78</u>	

Discrete Component Unit

Donor-Restricted Endowments	Amount of Net Appreciation *		Reported in Statement of Net Position
	Restated		
	FY17	FY16	
True Endowments	\$ 4,794,121.65	\$ 0.00	Restricted Expendable

*There was a positive fair value adjustment totaling \$6,125,834.15 for fiscal year 2017, and a negative fair value adjustment of \$(7,941,398.86) for fiscal year 2016.

Variances from prior year ending balances for the Carr Foundation are shown in the table below:

<u>Changes from Prior Year Balances</u>		
Endowment Funds	Increase/(Decrease)	Reason for Change
Expendable Balances		
True Endowments	\$ 6,125,834.15	Fair value increase in portfolio

Note 23: Extraordinary and Special Items

The System has no special or extraordinary items to report as of August 31, 2017, nor for the year ended August 31, 2016.

Note 24: Disaggregation of Receivable and Payable Balances

The System has no reportable disaggregation of receivable and payable balances as of August 31, 2017, nor as of August 31, 2016.

Note 25: Termination Benefits

The System has no reportable voluntary or involuntary termination benefits as of August 31, 2017. The System also had no reportable benefits as of August 31, 2016.

Note 26: Segment Information

The System has no reportable segments as of August 31, 2017 or as of August 31, 2016.

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

Note 27: Service Concession Arrangements

The System had no service concession arrangements as of August 31, 2017 or as of August 31, 2016.

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

In fiscal year 2017 and fiscal year 2016, the System reported deferred outflows and deferred inflows of resources in connection with its defined benefit pension plan as presented below. Fiscal year 2017 also includes deferred outflows related to debt refunding.

Fiscal Year	Business-Type Activities	Deferred Outflows of Resources	Deferred Inflows of Resources
FY17	Defined Benefit Pension Plans (Note 9)	\$ 59,131,724.00	\$ 27,670,766.00
	Bond/Debt Refunding	3,863,900.85	0.00
	Total	<u>\$ 62,995,624.85</u>	<u>\$ 27,670,766.00</u>
FY16	Defined Benefit Pension Plans (Note 9)	\$ 38,049,967.00	\$ 31,961,309.00
	Bond/Debt Refunding	0.00	0.00
	Total	<u>\$ 38,049,967.00</u>	<u>\$ 31,961,309.00</u>

Note 29: Troubled Debt Restructuring

The System had no outstanding receivables whose terms were modified pursuant to troubled debt restructuring for the year ended August 31, 2017, or for the year ended August 31, 2016.

Note 30: Non-Exchange Financial Guarantees

The System had no non-exchange financial guarantees to report for the year ended August 31, 2017, or for the year ended August 31, 2016.

Note 31: Tax Abatements

The System had no tax abatement arrangements for the years ended August 31, 2017 or August 31, 2016.

Note 32: Fund Balances

Not applicable.

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TEXAS TECH UNIVERSITY SYSTEM (793)

**COMBINED
SUPPORTING SCHEDULES**

Texas Tech University System (793)
Combined Schedule 1A - Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2017

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

Texas Tech University System (793)

**Combined Schedule 1B - Schedule of State Grant Pass-Throughs From/To State Agencies
For the Year Ended August 31, 2017**

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

UNAUDITED

Texas Tech University System (793)
 Combined Schedule 2A - Miscellaneous Bond Information
 For the Year Ended August 31, 2017

Description of Issue	Bonds Issued to Date	Range of Interest Rates		Scheduled Maturities		First Call Date
				First Year	Final Maturity Date	
Revenue Bonds						
Rev Fin Sys Ref & Imp Bds 12th Ser '09	\$ 170,825,000.00	3.0000%	5.2500%	2009	2/15/2038	2/15/2019
Rev Fin Sys Ref & Imp Bds 14th Ser '12A	163,240,000.00	2.0000%	5.0000%	2012	8/15/2041	8/15/2021
Rev Fin Sys Ref Bds Tax 15th Ser '12B	27,585,000.00	0.4000%	4.4400%	2012	8/15/2031	8/15/2021
Rev Fin Sys Ref & Imp Bds 16th Ser '15A	73,255,000.00	2.0000%	5.0000%	2016	2/15/2040	2/15/2025
Rev Fin Sys Ref & Imp Bds Tax 17th Ser '15B	245,315,000.00	0.2950%	4.1720%	2015	2/15/2045	2/15/2025
Rev Fin Sys Ref & Imp Bds Ser '17A	79,035,000.00	4.0000%	5.0000%	2017	2/15/2036	2/15/2027
Rev Fin Sys Ref & Imp Bds Tax Ser '17B	295,700,000.00	0.9000%	4.0000%	2017	2/15/2038	2/15/2027
Total	\$ 1,054,955,000.00					

UNAUDITED

Texas Tech University System (793)
 Combined Schedule 2B - Changes in Bonded Indebtedness
 For the Year Ended August 31, 2017

Description of Issue	Bonds Outstanding 9/1/16	Bonds Issued	Bonds Matured or Retired	Bonds Refunded or Extinguished	Par Value Adjustments	Bonds Outstanding 8/31/17
Revenue Bonds						
Rev Fin Sys Ref & Imp Bds 12th Ser '09	\$ 94,205,000.00	\$	\$ 8,400,000.00	\$ 75,430,000.00	\$	\$ 10,375,000.00
Rev Fin Sys Ref & Imp Bds 14th Ser '12A	130,685,000.00		9,115,000.00			121,570,000.00
Rev Fin Sys Ref Bds Tax 15th Ser '12B	23,800,000.00		890,000.00			22,910,000.00
Rev Fin Sys Ref & Imp Bds 16th Ser '15A	72,440,000.00		1,445,000.00			70,995,000.00
Rev Fin Sys Ref & Imp Bds Tax 17th Ser '15B	236,995,000.00		20,385,000.00			216,610,000.00
Rev Fin Sys Ref & Imp Bds Ser '17A		79,035,000.00	120,000.00			78,915,000.00
Rev Fin Sys Ref & Imp Bds Tax Ser '17B		295,700,000.00	1,195,000.00			294,505,000.00
Total	\$ 558,125,000.00	\$ 374,735,000.00	\$ 41,550,000.00	\$ 75,430,000.00	\$ 0.00	\$ 815,880,000.00

Description of Issue	Unamortized Premium	Unamortized Discount	Other Adjustments	Net Bonds Outstanding 8/31/17	Amounts Due Within One Year
Revenue Bonds					
Rev Fin Sys Ref & Imp Bds 12th Ser '09	\$ 157,275.75	\$	\$	\$ 10,532,275.75	\$ 5,519,913.50
Rev Fin Sys Ref & Imp Bds 14th Ser '12A	9,847,633.60			131,417,633.60	11,388,008.30
Rev Fin Sys Ref Bds Tax 15th Ser '12B				22,910,000.00	1,315,000.00
Rev Fin Sys Ref & Imp Bds 16th Ser '15A	4,455,557.40			75,450,557.40	3,001,905.65
Rev Fin Sys Ref & Imp Bds Tax 17th Ser '15B				216,610,000.00	23,820,000.00
Rev Fin Sys Ref & Imp Bds Ser '17A	11,355,402.85			90,270,402.85	4,518,773.30
Rev Fin Sys Ref & Imp Bds Tax Ser '17B				294,505,000.00	15,770,000.00
Total	\$ 25,815,869.60	\$ 0.00	\$ 0.00	\$ 841,695,869.60	\$ 65,333,600.75

Note: The 12th Series amount due within one year includes bond premium amortization of \$119,913.50. The 14th Series amount due within one year includes bond premium amortization of \$1,823,008.30. The 16th Series amount due within one year includes bond premium amortization of \$506,905.65. The 2017A Series amount due within one year includes bond premium amortization of \$1,378,773.30.

UNAUDITED

Texas Tech University System (793)
 Combined Schedule 2C - Debt Service Requirements
 For the Year Ended August 31, 2017

Description of Issue	Fiscal Year	Principal	Interest	Total
Revenue Bonds				
Rev Fin Sys Ref & Imp Bds 12th Ser '09				
	2018	\$ 5,400,000.00	\$ 383,750.00	\$ 5,783,750.00
	2019	4,975,000.00	124,375.00	5,099,375.00
		10,375,000.00	508,125.00	10,883,125.00
Rev Fin Sys Ref & Imp Bds 14th Ser '12A				
	2018	9,565,000.00	5,850,625.00	15,415,625.00
	2019	10,040,000.00	5,372,375.00	15,412,375.00
	2020	10,535,000.00	4,870,375.00	15,405,375.00
	2021	10,765,000.00	4,343,625.00	15,108,625.00
	2022	8,865,000.00	3,886,112.50	12,751,112.50
	2023-2027	19,830,000.00	15,553,750.00	35,383,750.00
	2028-2032	22,160,000.00	10,424,500.00	32,584,500.00
	2033-2037	21,745,000.00	4,618,250.00	26,363,250.00
	2038-2041	8,065,000.00	822,200.00	8,887,200.00
		121,570,000.00	55,741,812.50	177,311,812.50
Rev Fin Sys Ref Bds Tax 15th Ser '12B				
	2018	1,315,000.00	858,023.00	2,173,023.00
	2019	1,345,000.00	826,200.00	2,171,200.00
	2020	1,385,000.00	788,943.50	2,173,943.50
	2021	1,425,000.00	748,224.50	2,173,224.50
	2022	1,465,000.00	704,477.00	2,169,477.00
	2023-2027	8,165,000.00	2,708,938.50	10,873,938.50
	2028-2031	7,810,000.00	885,780.00	8,695,780.00
		22,910,000.00	7,520,586.50	30,430,586.50
Rev Fin Sys Ref & Imp Bds 16th Ser '15A				
	2018	2,495,000.00	2,758,531.26	5,253,531.26
	2019	2,450,000.00	2,672,106.26	5,122,106.26
	2020	2,600,000.00	2,571,106.26	5,171,106.26
	2021	2,690,000.00	2,478,756.26	5,168,756.26
	2022	1,855,000.00	2,410,581.26	4,265,581.26
	2023-2027	13,175,000.00	10,617,068.80	23,792,068.80
	2028-2032	28,740,000.00	6,801,488.80	35,541,488.80
	2033-2037	14,500,000.00	1,396,565.66	15,896,565.66
	2038-2040	2,490,000.00	137,568.75	2,627,568.75
		\$ 70,995,000.00	\$ 31,843,773.31	\$ 102,838,773.31

UNAUDITED

Texas Tech University System (793)
 Combined Schedule 2C - Debt Service Requirements
 For the Year Ended August 31, 2017

Description of Issue	Fiscal Year	Principal	Interest	Total
Rev Fin Sys Ref & Imp Bds 17th Ser '15B	2018	\$ 23,820,000.00	\$ 5,661,008.69	\$ 29,481,008.69
	2019	22,810,000.00	5,287,212.38	28,097,212.38
	2020	22,860,000.00	4,840,978.98	27,700,978.98
	2021	20,870,000.00	4,346,030.71	25,216,030.71
	2022	15,665,000.00	3,885,104.96	19,550,104.96
	2023-2027	68,460,000.00	12,811,176.83	81,271,176.83
	2028-2032	20,960,000.00	5,984,870.24	26,944,870.24
	2033-2037	10,085,000.00	3,111,777.25	13,196,777.25
	2038-2042	6,485,000.00	1,657,848.50	8,142,848.50
	2043-2045	4,595,000.00	292,770.10	4,887,770.10
		<u>216,610,000.00</u>	<u>47,878,778.64</u>	<u>264,488,778.64</u>
Rev Fin Sys Ref & Imp Bds Ser '17A	2018	3,140,000.00	3,828,250.00	6,968,250.00
	2019	3,275,000.00	3,667,875.00	6,942,875.00
	2020	3,415,000.00	3,500,625.00	6,915,625.00
	2021	3,560,000.00	3,326,250.00	6,886,250.00
	2022	3,825,000.00	3,141,625.00	6,966,625.00
	2023-2027	22,050,000.00	12,575,750.00	34,625,750.00
	2028-2032	24,705,000.00	6,497,625.00	31,202,625.00
	2033-2036	14,945,000.00	1,506,875.00	16,451,875.00
		<u>78,915,000.00</u>	<u>38,044,875.00</u>	<u>116,959,875.00</u>
Rev Fin Sys Ref & Imp Bds Tax Ser '17B	2018	15,770,000.00	8,458,208.06	24,228,208.06
	2019	15,980,000.00	8,249,034.76	24,229,034.76
	2020	22,420,000.00	7,908,438.44	30,328,438.44
	2021	22,890,000.00	7,429,525.39	30,319,525.39
	2022	21,620,000.00	6,890,857.93	28,510,857.93
	2023-2027	105,900,000.00	24,923,513.19	130,823,513.19
	2028-2032	78,345,000.00	9,098,390.75	87,443,390.75
	2033-2037	9,870,000.00	1,285,800.00	11,155,800.00
	2038	1,710,000.00	34,200.00	1,744,200.00
		<u>294,505,000.00</u>	<u>74,277,968.52</u>	<u>368,782,968.52</u>
Total Principal and Interest	2018	61,505,000.00	27,798,396.01	89,303,396.01
	2019	60,875,000.00	26,199,178.40	87,074,178.40
	2020	63,215,000.00	24,480,467.18	87,695,467.18
	2021	62,200,000.00	22,672,411.86	84,872,411.86
	2022	53,295,000.00	20,918,758.65	74,213,758.65
	2023-2027	237,580,000.00	79,190,197.32	316,770,197.32
	2028-2032	182,720,000.00	39,692,654.79	222,412,654.79
	2033-2037	71,145,000.00	11,919,267.91	83,064,267.91
	2038-2042	18,750,000.00	2,651,817.25	21,401,817.25
	2043-2045	4,595,000.00	292,770.10	4,887,770.10
		<u>\$ 815,880,000.00</u>	<u>\$ 255,815,919.47</u>	<u>\$ 1,071,695,919.47</u>

UNAUDITED

Texas Tech University System (793)
 Combined Schedule 2D - Analysis of Funds Available for Debt Service
 For the Year Ended August 31, 2017

Description of Issue	Pledged and Other Sources and Related Expenditures for FY2017			
	Net Available for Debt Service		Debt Service	
	Total Pledged and Other Sources	Operating Expenses/Expenditures and Capital Outlay	Principal	Interest
Revenue Bonds:				
Rev Fin Sys Ref & Imp Bds 12th Ser '09			\$ 8,400,000.00	\$ 2,631,515.63
Rev Fin Sys Ref & Imp Bds 14th Ser '12A			9,115,000.00	6,306,375.00
Rev Fin Sys Ref Bds Tax 15th Ser '12B			890,000.00	875,111.00
Rev Fin Sys Ref & Imp Bds 16th Ser '15A			1,445,000.00	2,810,406.26
Rev Fin Sys Ref Bds Tax 17th Ser '15B			20,385,000.00	5,922,320.18
Rev Fin Sys Ref & Imp Bds Ser '17A			120,000.00	1,880,293.75
Rev Fin Sys Ref & Imp Bds Tax Ser '17B			1,195,000.00	4,110,351.42
Total	\$ 743,933,156.59	\$ (B)	\$ 41,550,000.00	\$ 24,536,373.24

(A) Beginning balances as of 09/01/17 of \$851,968,729.69 are not included in "Total Pledged and Other Sources."

(B) Expenditures associated with pledged sources were approximately \$627,268,454.07.

Texas Tech University System (793)
 Combined Schedule 2E - Defeased Bonds Outstanding
 For the Year Ended August 31, 2017

<u>Description of Issue</u>	<u>Year Defeased</u>	<u>Par Value Outstanding</u>
Revenue Bonds		
Rev Fin Sys Ref & Imp Bds 12th Ser '09	2017	\$ 75,430,000.00
		<u>\$ 75,430,000.00</u>

UNAUDITED

Texas Tech University System (793)
 Combined Schedule 2F - Early Extinguishment and Refunding
 For the Year Ended August 31, 2017

Description of Issue	Category	Amount Extinguished or Refunded	Refunding Issue Par Value	Cash Flow Increase (Decrease)	Economic Gain/ (Loss)
Revenue Bonds					
Rev Fin Sys Ref & Imp Bds 12th Ser '09	Advanced Refunding	\$ 75,430,000.00	\$ 81,109,700.00	\$ (5,679,700.00)	\$ 4,808,614.25
Total		\$ 75,430,000.00	\$ 81,109,700.00	\$ (5,679,700.00)	\$ 4,808,614.25

Texas Tech University System (793)
Combined Schedule 3 - Reconciliation of Cash in State Treasury
For the Year Ended August 31, 2017

Cash in State Treasury	Current Unrestricted
Local Revenue (Fund 0227)	\$ 3,143,220.82
Local Revenue (Fund 0239)	22,932,477.86
Local Revenue (Fund 0255)	6,484,157.07
Local Revenue (Fund 0294)	4,252,712.40
Permanent Health Fund - El Paso Campus (Fund 0820)	5,648,235.41
Permanent Health Fund - Other Campuses (Fund 0821)	5,289,711.26
	<hr/>
Total Cash in State Treasury	\$ 47,750,514.82
	<hr/> <hr/>

UNAUDITED

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

	2017	2016	2015
TTU System's proportion of the net pension liability	0.5788987%	0.5280855%	0.6064722%
TTU System's proportionate share of net pension liability	\$ 218,757,231.00	\$ 186,671,195.00	\$ 162,030,163.65
TTU System's covered payroll	\$ 235,859,714.00	\$ 203,038,968.00	\$ 222,298,083.81
TTU System's proportionate share of net pension liability as a percentage of its covered payroll	92.75%	91.94%	72.89%
Plan fiduciary net position as a percentage of the total pension liability	78.00%	78.43%	83.25%

Note: 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 when it becomes available.

UNAUDITED

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

	2017	2016	2015
Statutorily required contributions	\$ 18,680,089.00	\$ 16,750,715.00	\$ 19,273,243.86
Contributions in relation to the statutorily required contributions	18,429,661.00	15,681,265.00	15,253,844.56
Contribution deficiency (excess)	250,428.00	1,069,450.00	4,019,399.30
TTU System's covered payroll	235,859,714.00	203,038,968.00	222,298,083.81
Contributions as a percentage of covered payroll	7.81%	7.72%	6.86%

Note: 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 when it becomes available.

UNAUDITED

Texas Tech University System (793)
Combined Matrix of Operating Expenses Reported by Function
For the Years Ended August 31, 2017 and 2016

OPERATING EXPENSES	INSTRUCTION	RESEARCH	PUBLIC SERVICE	HOSPITALS & CLINICS	ACADEMIC SUPPORT	STUDENT SERVICES	INSTITUTIONAL SUPPORT
Cost of Goods Sold	\$ 77,573.37	\$	\$ 37,446.14	\$	\$ 6,052.83	\$ 250.13	\$ 995,590.59
Salaries and Wages	395,773,700.52	124,540,999.85	62,237,819.20	59,363,584.92	125,638,374.24	30,551,611.83	66,649,793.78
Payroll Related Costs	89,914,225.91	30,917,905.36	18,821,934.63	19,610,674.08	37,802,239.64	9,011,453.97	22,398,899.94
Professional Fees and Services	5,076,016.04	3,047,109.63	43,826,299.10	1,521,112.32	7,997,698.34	1,480,814.63	14,018,749.65
Travel	7,264,760.15	5,997,450.63	1,360,348.05	178,615.76	6,565,934.42	2,594,007.30	1,707,146.15
Materials and Supplies	7,775,571.14	12,184,604.08	13,703,416.26	9,134,661.22	10,763,878.20	3,229,014.57	2,188,388.23
Communications and Utilities	1,777,508.38	1,975,099.15	479,938.15	544,932.89	9,059,533.77	1,434,573.43	2,455,547.27
Repairs and Maintenance	1,506,418.53	3,589,679.14	666,625.05	287,828.80	6,628,087.09	1,065,739.71	1,260,988.40
Rentals and Leases	4,416,493.67	1,058,048.04	1,112,186.70	627,926.47	5,684,109.84	1,790,061.10	2,548,929.51
Printing and Reproduction	468,859.84	360,121.06	265,500.09	152,141.56	1,340,316.63	696,438.43	729,108.00
Federal Grant Pass-Through Expense		367,918.53	560,919.24				
State Grant Pass-Through Expense		92,672.40					
Depreciation and Amortization							
Bad Debt Expense		0.66				91,257.04	190,418.07
Interest	1,124.36	6,141.25	115.46	337.49	6,853.00	457.87	2,636.52
Scholarships	4,970,232.00	8,020,944.23	168,375.09		2,204,225.03	145,826.87	53,924.15
Pollution Remediation Obligation							
Claims and Judgments				852.01	6,012.96		18,333.33
Other Operating Expenses	10,654,560.05	17,483,046.31	5,057,026.34	2,422,463.99	42,876,368.12	11,019,109.24	7,871,180.47
TOTAL OPERATING EXPENSES	\$ 529,677,043.96	\$ 209,641,740.32	\$ 148,297,949.50	\$ 93,845,131.51	\$ 256,579,684.11	\$ 63,110,616.12	\$ 123,089,634.06

UNAUDITED

Texas Tech University System (793)
Combined Matrix of Operating Expenses Reported by Function
For the Years Ended August 31, 2017 and 2016

OPERATING EXPENSES	OPERATION & MAINTENANCE OF PLANT	SCHOLARSHIPS & FELLOWSHIPS	AUXILIARY ENTERPRISES	DEPRECIATION & AMORTIZATION	GRAND TOTAL	Restated 2016
Cost of Goods Sold	\$	\$	\$ 12,621,661.20	\$	\$ 13,738,574.26	\$ 14,072,076.04
Salaries and Wages	18,047,156.05	52,763.16	52,416,533.31		935,272,336.86	884,349,013.40
Payroll Related Costs	6,314,702.74	2,958.93	14,437,742.58		249,232,737.78	220,808,896.60
Professional Fees and Services	1,819,075.57		1,231,361.89		80,018,237.17	76,200,063.17
Travel	62,672.83		8,065,560.60		33,796,495.89	33,650,697.03
Materials and Supplies	8,136,452.68	5,995.35	12,519,268.42		79,641,250.15	77,384,687.71
Communications and Utilities	26,356,954.70		9,445,688.32		53,529,776.06	51,108,727.81
Repairs and Maintenance	15,271,874.15	259.00	9,079,269.59		39,356,769.46	38,472,754.07
Rentals and Leases	1,429,554.56		2,984,531.05		21,651,840.94	18,063,297.25
Printing and Reproduction	50,326.90		826,110.39		4,888,922.90	5,448,365.64
Federal Grant Pass-Through Expense					928,837.77	949,795.91
State Grant Pass-Through Expense					92,672.40	130,782.03
Depreciation and Amortization				123,980,585.37	123,980,585.37	123,022,048.88
Bad Debt Expense			265,368.64		547,044.41	(190,891.39)
Interest	3,921.57		231.46		21,818.98	23,133.26
Scholarships		67,603,978.92	40,071.79		83,207,578.08	77,794,066.35
Pollution Remediation Obligation						1,022,641.50
Claims and Judgments					25,198.30	4,976,262.05
Other Operating Expenses	15,210,606.26	6,912.92	22,033,369.14		134,634,642.84	157,789,951.54
TOTAL OPERATING EXPENSES	\$ 92,703,298.01	\$ 67,672,868.28	\$ 145,966,768.38	\$ 123,980,585.37	\$ 1,854,565,319.62	\$ 1,785,076,368.85

UNAUDITED

TEXAS TECH UNIVERSITY SYSTEM (793)

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

UNAUDITED

Texas Tech University System (793)
Statement of Net Position
Discretely Presented Component Unit - Angelo State University
Robert G. Carr and Nona K. Carr Scholarship Foundation
August 31, 2017 and 2016

	2017	2016
ASSETS		
Current Assets:		
Restricted Cash and Cash Equivalents	\$ 198,659.80	\$ 247,260.48
Accounts Receivable	189,604.91	190,042.42
Total Current Assets	388,264.71	437,302.90
Non-Current Assets:		
Restricted Cash and Cash Equivalents	80,519.95	0.00
Restricted Investments (Note 3)	136,550,364.51	124,894,025.76
Total Non-Current Assets	136,630,884.46	124,894,025.76
Total Assets	137,019,149.17	125,331,328.66
LIABILITIES		
Current Liabilities:		
Accounts Payable	6,236.12	13,460.86
Payroll Payable	15,036.84	19,671.03
Employees' Compensable Leave (Note 5)	104.08	43.08
Total Current Liabilities	21,377.04	33,174.97
Non-Current Liabilities:		
Employees' Compensable Leave (Note 5)	14,141.75	15,260.96
Total Non-Current Liabilities	14,141.75	15,260.96
Total Liabilities	35,518.79	48,435.93
NET POSITION		
Restricted:		
Nonexpendable:		
Endowments	132,026,367.72	120,253,612.64
Expendable:		
Other	4,957,262.66	5,029,280.09
Total Net Position	\$ 136,983,630.38	\$ 125,282,892.73

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

UNAUDITED

Texas Tech University System (793)
Statement of Revenues, Expenses and Changes in Net Position
Discretely Presented Component Unit - Angelo State University
Robert G. Carr and Nona K. Carr Scholarship Foundation
For the Years Ended August 31, 2017 and 2016

	2017	2016
Operating Revenues		
Total Operating Revenues	\$ 0.00	\$ 0.00
Operating Expenses		
Salaries and Wages	206,669.63	237,369.09
Payroll Related Costs	65,705.81	75,897.02
Professional Fees and Services	16,179.09	41,454.00
Travel	4,244.49	11,233.84
Materials and Supplies	41,619.64	48,752.71
Communications and Utilities	1,448.22	1,087.20
Repairs and Maintenance	105.44	0.00
Rentals and Leases	2,126.40	2,584.00
Printing and Reproduction	2,189.85	927.92
Other Operating Expenses	24,089.26	26,869.60
Total Operating Expenses	364,377.83	446,175.38
Operating Income (Loss)	(364,377.83)	(446,175.38)
Nonoperating Revenues (Expenses)		
Investment Income (Expense)	10,897,252.48	6,897,762.35
Net Increase (Decrease) in Fair Value of Investments	4,464,971.42	(5,643,082.18)
Other Nonoperating Revenues (Expenses) - Pledged	(3,297,108.42)	(5,911,845.89)
Total Nonoperating Revenues (Expenses)	12,065,115.48	(4,657,165.72)
Income (Loss) before Other Revenues, Expenses, Gains, Losses, and Transfers	11,700,737.65	(5,103,341.10)
Other Revenues, Expenses, Gains, Losses, and Transfers		
Total Other Revenues, Expenses, Gains, Losses, and Transfers	0.00	0.00
Total Change in Net Position	11,700,737.65	(5,103,341.10)
Beginning Net Position (September 1)	125,282,892.73	130,386,233.83
Ending Net Position (August 31)	\$ 136,983,630.38	\$ 125,282,892.73

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

UNAUDITED

TEXAS TECH UNIVERSITY SYSTEM (793)

**COMPONENT INSTITUTION
ANNUAL FINANCIAL STATEMENTS**

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

UNAUDITED

Texas Tech University (733)
Statement of Net Position
August 31, 2017 and 2016

	2017	Restated 2016
	<hr/>	<hr/>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 100,853,560.90	\$ 89,665,215.03
Restricted Cash and Cash Equivalents	31,600,898.49	29,142,068.06
Legislative Appropriations	96,033,378.84	84,393,676.14
Receivables:		
Federal	13,361,304.73	13,386,347.35
Student	6,288,227.59	5,438,228.82
Accounts	7,212,258.57	6,676,228.93
Interest and Dividends	689,624.37	545,258.13
Gifts	2,770,458.09	4,290,673.26
Other	1,690,551.62	11,905,753.99
Due From Other State Agencies	30,476,811.36	30,477,965.86
Inventories	2,971,402.16	2,607,707.80
Prepaid Items	40,053,750.82	39,641,797.77
Loans and Contracts	569,966.24	629,165.44
Other Current Assets	1,188,614.15	1,017,567.00
Total Current Assets	<hr/> 335,760,807.93	<hr/> 319,817,653.58
Non-Current Assets:		
Restricted Cash and Cash Equivalents	9,771,875.88	10,150,249.24
Restricted Investments	298,678,219.22	268,257,227.34
Gifts Receivable	7,045,003.01	10,533,832.42
Loans and Notes Receivable	0.00	958,169.39
Investments	559,127,951.58	482,136,209.56
Capital Assets		
Non-Depreciable or Non-Amortizable	136,397,370.03	116,032,857.55
Depreciable or Amortizable	2,072,979,515.18	1,973,276,528.97
Accumulated Depreciation and Amortization	(1,130,124,289.43)	(1,054,506,253.31)
Total Non-Current Assets	<hr/> 1,953,875,645.47	<hr/> 1,806,838,821.16
Total Assets	<hr/> \$ 2,289,636,453.40	<hr/> \$ 2,126,656,474.74

UNAUDITED

Texas Tech University (733)
Statement of Net Position
August 31, 2017 and 2016

	2017	Restated 2016
	<u>2017</u>	<u>2016</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 16,523,789.85	\$ 23,132,958.38
Payroll Payable	33,801,481.80	32,672,375.85
Unearned Revenue	161,580,259.77	154,458,610.71
Due to Other State Agencies	1,427,628.95	1,536,688.87
Employees' Compensable Leave	1,733,563.09	1,585,243.80
Funds Held for Others	21,708,964.70	19,754,257.13
Other Current Liabilities	4,149,196.95	3,435,222.33
Total Current Liabilities	<u>240,924,885.11</u>	<u>236,575,357.07</u>
Non-Current Liabilities:		
Employees' Compensable Leave	12,712,795.81	11,625,121.15
Pollution Remediation Obligation	1,022,641.50	1,022,641.50
Total Non-Current Liabilities	<u>13,735,437.31</u>	<u>12,647,762.65</u>
Total Liabilities	<u>254,660,322.42</u>	<u>249,223,119.72</u>
NET POSITION		
Net Investment in Capital Assets	1,079,252,595.78	1,034,803,133.21
Restricted:		
Nonexpendable:		
Endowments	85,634,016.09	83,203,442.53
Expendable:		
Capital Projects	26,955,051.14	18,493,011.15
Higher Education Assistance Fund	75,051,571.15	58,046,147.93
Debt Service	65,076,439.05	49,856,836.59
Other	150,212,335.17	138,917,012.11
Unrestricted	<u>552,794,122.60</u>	<u>494,113,771.50</u>
Total Net Position	<u>\$ 2,034,976,130.98</u>	<u>\$ 1,877,433,355.02</u>

UNAUDITED

Texas Tech University (733)
Statement of Revenues, Expenses, and Changes in Net Position
For the Years Ended August 31, 2017 and 2016

	2017	Restated 2016
Operating Revenues		
Tuition and Fees	\$ 6,566,350.90	\$ 6,518,328.11
Tuition and Fees - Pledged	402,026,506.62	394,302,057.23
Less Discounts and Allowances	(97,393,691.52)	(93,438,686.27)
Sales and Services of Auxiliary Enterprises - Pledged	146,200,985.93	148,558,704.08
Other Sales and Services	11,711,860.98	4,827,445.65
Other Sales and Services - Pledged	8,354,761.00	7,969,381.21
Federal Grants and Contracts	37,336,380.59	37,108,034.52
Federal Grant Pass-Throughs from Other State Agencies	2,751,995.39	2,674,171.17
State Grants and Contracts	277,286.54	356,213.52
State Grant Pass-Throughs from Other State Agencies	27,185,802.85	50,477,545.99
Local Governmental Grants and Contracts	662,250.24	595,076.81
Nongovernmental Grants and Contracts	14,080,376.22	13,338,579.82
Total Operating Revenues	559,760,865.74	573,286,851.84
Operating Expenses		
Cost of Goods Sold	13,738,574.26	14,063,314.57
Salaries and Wages	374,914,317.62	356,601,681.81
Payroll Related Costs	98,158,719.68	90,525,971.22
Professional Fees and Services	16,150,849.22	10,330,705.10
Travel	24,337,309.51	24,075,767.87
Materials and Supplies	32,613,718.69	31,649,966.47
Communications and Utilities	30,503,736.57	29,355,357.22
Repairs and Maintenance	23,384,191.53	21,768,113.64
Rentals and Leases	10,899,358.14	10,485,627.53
Printing and Reproduction	2,574,103.18	2,934,109.09
Federal Grant Pass-Through Expense	688,143.67	1,271,275.02
State Grant Pass-Through Expense	92,672.40	130,782.03
Depreciation and Amortization	81,736,580.47	81,631,902.56
Bad Debt Expense	0.66	1,651.51
Interest	7,812.93	9,236.70
Scholarships	56,795,067.64	53,078,089.69
Net Change in Pollution Remediation Obligation	0.00	1,022,641.50
Claims and Judgments	18,333.33	38,693.83
Other Operating Expenses	63,332,104.11	64,267,620.10
Total Operating Expenses	829,945,593.61	793,242,507.46
Operating Income (Loss)	\$ (270,184,727.87)	\$ (219,955,655.62)

UNAUDITED

Texas Tech University (733)
Statement of Revenues, Expenses, and Changes in Net Position
For the Years Ended August 31, 2017 and 2016

	2017	Restated 2016
Nonoperating Revenues (Expenses)		
Legislative Revenue	\$ 192,391,044.47	\$ 191,377,007.98
Federal Grants and Contracts	38,040,038.12	34,465,531.00
Private Gifts	4,526,806.27	10,183,491.14
Private Gifts - Pledged	7,225,733.15	849,109.75
Investment Income (Expense)	11,377,830.06	6,381,714.75
Investment Income (Expense) - Pledged	20,842,764.14	13,820,226.97
Gain (Loss) on Sale and Disposal of Capital Assets	(1,078,427.70)	(1,121,913.21)
Net Increase (Decrease) in Fair Value of Investments	25,054,361.60	(2,292,956.35)
Other Nonoperating Revenues (Expenses)	485,292.92	616,569.99
Other Nonoperating Revenues (Expenses) - Pledged	3,033,496.71	1,858,677.68
Total Nonoperating Revenues (Expenses)	301,898,939.74	256,137,459.70
Income (Loss) before Other Revenues, Expenses, Gains, Losses, and Transfers	31,714,211.87	36,181,804.08
Other Revenues, Expenses, Gains, Losses, and Transfers		
Capital Appropriations (HEAF)	49,225,809.00	32,817,206.00
Capital Contributions	4,904,729.06	2,594,822.97
Lapsed Appropriations	(1,472,657.00)	(7,532.55)
Contributions to Permanent and Term Endowments	2,201,261.49	439,009.31
Legislative Transfers In (Out)	(21,580,911.29)	(7,896,343.45)
Interagency Transfers of Capital Assets - Increase	3,926,020.96	797,462.69
Interagency Transfers of Capital Assets - Decrease	(127,829.18)	(45,571.08)
Net Transfers from (to) Texas Tech Foundation, Inc.	54,154,495.05	49,704,973.82
Net Transfers from (to) Texas Tech University System Components	24,418,880.22	2,728,356.63
Net Transfers from (to) Other State Agencies	10,178,765.78	10,344,654.11
Net Other Revenues, Expenses, Gains, Losses, and Transfers	125,828,564.09	91,477,038.45
Total Change in Net Position	157,542,775.96	127,658,842.53
Beginning Net Position (September 1)	\$ 1,877,433,355.02	\$ 1,736,190,544.10
Restatements	0.00	13,583,968.39
Ending Net Position (August 31)	\$ 2,034,976,130.98	\$ 1,877,433,355.02

UNAUDITED

Texas Tech University (733)
Statement of Cash Flows
For the Years Ended August 31, 2017 and 2016

	2017	Restated 2016
Cash Flows from Operating Activities		
Proceeds from Customers	\$ 20,470,242.56	\$ 12,486,879.70
Proceeds from Tuition and Fees	325,436,414.55	302,528,340.40
Proceeds from Grants and Contracts	78,494,045.56	109,166,460.28
Proceeds from Sales and Services of Auxiliary Enterprises	147,885,566.37	149,596,683.83
Proceeds from Collections of Loans to Students	1,558,286.44	1,061,204.32
Payments to Suppliers for Goods and Services	(58,954,136.99)	(56,040,429.35)
Payments to Employees for Salaries	(375,032,431.54)	(355,723,240.68)
Payments to Employees for Benefits	(96,911,499.81)	(87,861,939.32)
Payments for Loans Issued to Students	(540,917.85)	(714,288.55)
Payments for Other Expenses	(223,058,334.16)	(206,081,081.90)
Net Cash Used By Operating Activities	<u>(180,652,764.87)</u>	<u>(131,581,411.27)</u>
Cash Flows from Noncapital Financing Activities		
Proceeds from State Appropriations	199,382,280.46	188,178,849.46
Proceeds from Gifts	18,962,845.49	14,356,372.77
Proceeds from Nonoperating Grants and Contracts	37,956,971.63	34,082,739.26
Proceeds from Other Financing Activities	4,289,246.56	1,885,053.32
Proceeds from Agency Transactions	180,995,641.71	169,293,836.51
Proceeds from Transfers from Component Institutions	574,454.80	790,618.37
Proceeds from Transfers from Texas Tech Foundation, Inc.	54,336,766.70	49,750,588.86
Proceeds from Transfers In from Other State Agencies	16,906,468.86	9,137,337.21
Payments for Transfers to Component Institutions	(6,075,149.16)	(5,607,664.80)
Payments for Transfers to Texas Tech Foundation, Inc.	(182,271.65)	(45,615.04)
Payments for Other Uses	(180,808,471.15)	(170,718,687.76)
Net Cash Provided by Noncapital Financing Activities	<u>326,338,784.25</u>	<u>291,103,428.16</u>
Cash Flows from Capital and Related Financing Activities		
Proceeds from Sale of Capital Assets	3,874,933.90	446,338.00
Proceeds from Capital Appropriations	32,238,518.92	15,698,857.02
Proceeds from Transfers from Component Institutions	63,984,082.09	42,000,556.20
Payments for Transfers to Component Institutions	(62,163,852.80)	(43,523,793.59)
Payments for Additions to Capital Assets	(118,535,731.56)	(109,702,297.15)
Payments for Interest Paid on Capital Debt	(1,534,337.30)	(350,221.16)
Net Cash Used by Capital and Related Financing Activities	<u>\$ (82,136,386.75)</u>	<u>\$ (95,430,560.68)</u>

UNAUDITED

Texas Tech University (733)
Statement of Cash Flows
For the Years Ended August 31, 2017 and 2016

		Restated
	2017	2016
Cash Flows from Investing Activities		
Proceeds from Investment Sales and Maturities	\$ 126,159,980.48	\$ 120,746,230.22
Proceeds from Interest and Investment Income	23,642,957.34	20,277,120.49
Payments to Acquire Investments	(200,083,767.51)	(170,950,206.39)
Net Cash Used by Investing Activities	<u>(50,280,829.69)</u>	<u>(29,926,855.68)</u>
TOTAL NET CASH FLOWS	<u>\$ 13,268,802.94</u>	<u>\$ 34,164,600.53</u>
Beginning Cash & Cash Equivalents - September 1	\$ 128,957,532.33	\$ 94,294,000.80
Restatement to Beginning Cash & Cash Equivalents	0.00	498,931.00
Beginning Cash & Cash Equivalents - September 1	<u>128,957,532.33</u>	<u>94,792,931.80</u>
Ending Cash & Cash Equivalents - August 31	<u>\$ 142,226,335.27</u>	<u>\$ 128,957,532.33</u>
Reconciliation of Operating Loss to Net Cash Flows from Operating Activities		
Operating Loss	\$ (270,184,727.87)	\$ (219,955,655.62)
Adjustments:		
Depreciation and Amortization Expense	81,736,580.47	81,631,902.56
Bad Debt Expense	0.66	1,651.51
(Increase) Decrease in Accounts Receivables	5,387,574.14	(7,371,603.08)
(Increase) Decrease in Loans and Notes Receivable	1,017,368.59	346,915.77
(Increase) Decrease in Inventories	(363,694.36)	94,363.63
(Increase) Decrease in Due From Other State Agencies	(194,980.21)	138,772.49
(Increase) Decrease in Prepaid Items	(81,269.54)	(2,418,912.35)
Increase (Decrease) in Accounts Payable	(8,056,843.95)	3,189,117.72
Increase (Decrease) in Payroll Payable	(118,113.92)	878,441.13
Increase (Decrease) in Unearned Revenue	7,114,490.14	7,941,821.39
Increase (Decrease) in Employees' Compensable Leave	1,235,993.95	442,908.91
Increase (Decrease) in Due To Other State Agencies	(109,059.92)	(217,478.43)
Increase (Decrease) in Benefits Payable	1,247,219.87	2,664,031.90
Increase (Decrease) in Pollution Remediation Obligation	0.00	1,022,641.50
Increase (Decrease) in Other Liabilities	716,697.08	29,669.70
Net Cash Used for Operating Activities	<u>(180,652,764.87)</u>	<u>(131,581,411.27)</u>
Noncash Transactions		
Donations of Capital Assets	4,904,729.06	2,594,822.97
Net Increase (Decrease) in Fair Value of Investments	25,054,361.60	(2,292,956.35)
Other	(458,369.76)	(72,594.76)
Total Noncash Transactions	<u>\$ 29,500,720.90</u>	<u>\$ 229,271.86</u>

UNAUDITED

Texas Tech University (733)
 Matrix of Operating Expenses Reported by Function
 For the Years Ended August 31, 2017 and 2016

OPERATING EXPENSES	INSTRUCTION	RESEARCH	PUBLIC SERVICE	ACADEMIC SUPPORT	STUDENT SERVICES	INSTITUTIONAL SUPPORT
Cost of Goods Sold	\$ 77,573.37	\$	\$ 37,446.14	\$ 6,052.83	\$ 250.13	\$ 995,590.59
Salaries and Wages	133,484,362.53	93,631,755.08	6,579,807.05	48,090,202.42	19,187,758.46	20,562,463.71
Payroll Related Costs	34,896,488.40	23,068,310.02	1,766,868.01	13,300,310.93	5,255,598.41	5,981,462.93
Professional Fees and Services	752,687.88	2,255,087.48	408,770.98	1,563,586.19	968,856.49	8,919,282.82
Travel	5,173,078.09	5,313,147.99	612,092.43	3,109,304.57	2,015,147.13	401,906.90
Materials and Supplies	4,885,849.06	8,436,081.67	634,073.64	4,213,675.78	1,503,999.05	737,164.69
Communications and Utilities	790,659.62	1,873,700.34	227,991.96	1,618,226.66	928,768.26	986,372.68
Repairs and Maintenance	904,425.10	2,238,381.06	184,199.66	2,598,988.33	280,541.74	143,719.86
Rentals and Leases	1,710,176.89	854,492.65	506,595.11	2,280,233.90	1,581,913.77	1,134,276.19
Printing and Reproduction	214,689.46	237,902.45	91,238.72	529,333.40	507,608.96	211,787.52
Federal Grant Pass-Through Expense	19,595.45	202,502.98	466,045.24			
State Grant Pass-Through Expense		92,672.40				
Depreciation and Amortization						
Bad Debt Expense		0.66				
Interest	24.88	5,152.83	21.71	95.61	402.74	646.54
Scholarships	4,905,590.52	7,949,887.78	168,375.09	826,788.89	145,826.87	42,498.50
Pollution Remediation Obligation						
Claims and Judgments						18,333.33
Other Operating Expenses	2,587,768.76	12,387,292.66	1,771,971.40	6,040,628.99	11,154,746.22	1,047,237.48
TOTAL OPERATING EXPENSES	\$ 190,402,970.01	\$ 158,546,368.05	\$ 13,455,497.14	\$ 84,177,428.50	\$ 43,531,418.23	\$ 41,182,743.74

UNAUDITED

Texas Tech University (733)
Matrix of Operating Expenses Reported by Function
For the Years Ended August 31, 2017 and 2016

OPERATING EXPENSES	OPERATIONS & MAINTENANCE OF PLANT	SCHOLARSHIPS & FELLOWSHIPS	AUXILIARY ENTERPRISES	DEPRECIATION & AMORTIZATION	GRAND TOTAL	2016
Cost of Goods Sold	\$	\$	\$ 12,621,661.20	\$	\$ 13,738,574.26	\$ 14,063,314.57
Salaries and Wages	6,779,836.36	36,063.16	46,562,068.85		374,914,317.62	356,601,681.81
Payroll Related Costs	1,739,694.74	1,695.22	12,148,291.02		98,158,719.68	90,525,971.22
Professional Fees and Services	138,361.97		1,144,215.41		16,150,849.22	10,330,705.10
Travel	35,560.08		7,677,072.32		24,337,309.51	24,075,767.87
Materials and Supplies	4,517,206.97	5,995.35	7,679,672.48		32,613,718.69	31,649,966.47
Communications and Utilities	15,988,714.30		8,089,302.75		30,503,736.57	29,355,357.22
Repairs and Maintenance	9,401,067.51	259.00	7,632,609.27		23,384,191.53	21,768,113.64
Rentals and Leases	217,282.45		2,614,387.18		10,899,358.14	10,485,627.53
Printing and Reproduction	10,378.83		771,163.84		2,574,103.18	2,934,109.09
Federal Grant Pass-Through Expense					688,143.67	1,271,275.02
State Grant Pass-Through Expense					92,672.40	130,782.03
Depreciation and Amortization				81,736,580.47	81,736,580.47	81,631,902.56
Bad Debt Expense					0.66	1,651.51
Interest	1,237.16		231.46		7,812.93	9,236.70
Scholarships		42,716,028.20	40,071.79		56,795,067.64	53,078,089.69
Pollution Remediation Obligation						1,022,641.50
Claims and Judgments					18,333.33	38,693.83
Other Operating Expenses	6,849,597.68	6,912.92	21,485,948.00		63,332,104.11	64,267,620.10
TOTAL OPERATING EXPENSES	\$ 45,678,938.05	\$ 42,766,953.85	\$ 128,466,695.57	\$ 81,736,580.47	\$ 829,945,593.61	\$ 793,242,507.46

UNAUDITED

Texas Tech University Health Sciences Center (739)
 Statement of Net Position
 August 31, 2017 and 2016

	2017	Restated 2016
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 55,910,167.26	\$ 58,852,794.43
Restricted Cash and Cash Equivalents	76,001,967.30	69,674,110.32
Legislative Appropriations	52,281,592.86	42,061,058.11
Receivables:		
Federal	4,829,385.25	991,854.87
Patient	14,392,843.26	16,539,801.70
Student	734,387.67	791,700.32
Contracts	17,765,210.51	22,199,474.30
Interest and Dividends	401,883.27	355,815.27
Gifts	619,031.14	1,998,479.71
Other	445,465.08	442,432.22
Due From Other State Agencies	8,911,402.51	8,926,088.75
Inventories	1,024,882.83	1,034,464.45
Prepaid Items	5,618,584.04	5,081,878.05
Loans and Contracts	277,035.06	218,590.20
Total Current Assets	239,213,838.04	229,168,542.70
Non-Current Assets:		
Restricted Cash and Cash Equivalents	275,331.06	2,461.76
Restricted Investments	76,194,612.68	70,397,085.42
Gifts Receivable	48,255.61	3,480,521.87
Loans and Notes Receivable	2,023,951.99	2,160,711.35
Investments	279,017,898.61	272,738,521.98
Capital Assets		
Non-Depreciable or Non-Amortizable	25,150,792.87	14,668,629.83
Depreciable or Amortizable	522,491,627.83	507,444,899.74
Accumulated Depreciation and Amortization	(323,280,082.31)	(305,418,028.92)
Total Non-Current Assets	581,922,388.34	565,474,803.03
Total Assets	\$ 821,136,226.38	\$ 794,643,345.73

UNAUDITED

Texas Tech University Health Sciences Center (739)
 Statement of Net Position
 August 31, 2017 and 2016

	2017	Restated 2016
	<u>2017</u>	<u>2016</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 23,451,075.86	\$ 19,236,473.71
Payroll Payable	30,877,497.00	31,680,307.02
Unearned Revenue	18,641,474.63	17,280,106.13
Due to Other State Agencies	55,892.32	21,468.08
Employees' Compensable Leave	2,889,794.67	2,694,335.42
Funds Held for Others	423,491.81	316,694.41
Other Current Liabilities	9,036,930.02	12,220,405.48
Total Current Liabilities	<u>85,376,156.31</u>	<u>83,449,790.25</u>
Non-Current Liabilities:		
Employees' Compensable Leave	21,191,827.63	19,758,459.67
Other Non-Current Liabilities	63,451.24	78,977.67
Total Non-Current Liabilities	<u>21,255,278.87</u>	<u>19,837,437.34</u>
Total Liabilities	<u>106,631,435.18</u>	<u>103,287,227.59</u>
NET POSITION		
Net Investment in Capital Assets	224,362,338.39	216,695,500.65
Restricted:		
Nonexpendable:		
Endowments	61,782,346.44	61,276,729.63
Expendable:		
Capital Projects	4,819,129.38	7,267,330.92
Other	108,017,183.52	91,184,908.75
Unrestricted	<u>315,523,793.47</u>	<u>314,931,648.19</u>
Total Net Position	<u>\$ 714,504,791.20</u>	<u>\$ 691,356,118.14</u>

UNAUDITED

Texas Tech University Health Sciences Center (739)
Statement of Revenues, Expenses, and Changes in Net Position
For the Years Ended August 31, 2017 and 2016

	<u>2017</u>	<u>Restated 2016</u>
Operating Revenues		
Tuition and Fees	\$ 1,481,179.39	\$ 1,442,962.17
Tuition and Fees - Pledged	51,585,546.39	50,015,394.18
Less Discounts and Allowances	(6,641,149.26)	(6,386,651.59)
Professional Fees	211,349,899.71	215,993,113.44
Professional Fees - Pledged	723,138.22	681,714.96
Sales and Services of Auxiliary Enterprises - Pledged	843,128.18	747,279.53
Other Sales and Services	4,756,778.37	3,544,840.27
Other Sales and Services - Pledged	6,512,517.06	6,430,755.81
Federal Grants and Contracts	18,095,876.61	15,457,062.80
Federal Grants and Contracts - Pledged	0.00	3,768,340.27
Federal Grant Pass-Throughs from Other State Agencies	2,285,439.63	2,601,424.95
State Grants and Contracts	68,211.78	1,201,736.12
State Grants and Contracts - Pledged	19,992.00	857,567.02
State Grant Pass-Throughs from Other State Agencies	13,722,616.17	8,104,665.36
Local Governmental Grants and Contracts	31,036,201.32	21,914,877.68
Local Governmental Grants and Contracts - Pledged	1,073,671.55	1,573,332.61
Nongovernmental Grants and Contracts	98,131,032.57	99,324,809.78
Nongovernmental Grants and Contracts - Pledged	1,357,908.34	2,309,693.43
Other Operating Revenues	16,850,856.08	16,811,372.98
Total Operating Revenues	<u>453,252,844.11</u>	<u>446,394,291.77</u>
Operating Expenses		
Salaries and Wages	356,004,322.11	340,483,212.72
Payroll Related Costs	91,471,008.43	84,892,945.68
Professional Fees and Services	54,079,678.66	56,103,308.66
Travel	5,105,832.06	5,252,092.29
Materials and Supplies	31,979,804.76	32,179,636.84
Communications and Utilities	13,895,329.65	13,562,063.38
Repairs and Maintenance	8,862,932.12	9,996,209.33
Rentals and Leases	3,980,122.74	3,199,654.95
Printing and Reproduction	1,458,292.31	1,715,111.97
Federal Grant Pass-Through Expense	476,312.20	306,767.31
State Grant Pass-Through Expense	30,557.99	29,817.57
Depreciation and Amortization	20,973,237.07	21,002,417.30
Bad Debt Expense	86,781.32	312,863.47
Interest	6,303.72	5,845.83
Scholarships	4,602,054.94	4,287,754.73
Claims and Judgments	1,352.01	1,000.00
Other Operating Expenses	49,411,499.11	63,097,188.38
Total Operating Expenses	<u>642,425,421.20</u>	<u>636,427,890.41</u>
Operating Income (Loss)	<u>\$ (189,172,577.09)</u>	<u>\$ (190,033,598.64)</u>

UNAUDITED

Texas Tech University Health Sciences Center (739)
Statement of Revenues, Expenses, and Changes in Net Position
For the Years Ended August 31, 2017 and 2016

	2017	Restated 2016
Nonoperating Revenues (Expenses)		
Legislative Revenue	\$ 158,541,598.67	\$ 158,925,012.61
Federal Grants and Contracts	1,875,839.00	1,407,864.00
State Grant Pass-Throughs from Other State Agencies	98,125.00	58,800.00
Private Gifts	150,026.84	10,886,147.29
Private Gifts - Pledged	30,762.49	416,098.51
Investment Income (Expense)	9,389,517.67	9,164,150.73
Investment Income (Expense) - Pledged	6,073,434.88	2,597,801.35
Gain (Loss) on Sale and Disposal of Capital Assets	(215,223.27)	(122,698.33)
Net Increase (Decrease) in Fair Value of Investments	9,971,667.92	(639,373.51)
Other Nonoperating Revenues (Expenses)	898,425.34	804,802.96
Other Nonoperating Revenues (Expenses) - Pledged	354,139.84	600,313.27
Total Nonoperating Revenues (Expenses)	187,168,314.38	184,098,918.88
Income (Loss) before Other Revenues, Expenses, Gains, Losses, and Transfers	(2,004,262.71)	(5,934,679.76)
Other Revenues, Expenses, Gains, Losses, and Transfers		
Capital Appropriations (HEAF)	23,372,396.00	15,581,597.00
Capital Contributions	650,799.35	461,833.04
Lapsed Appropriations	(1,257,406.00)	0.00
Legislative Transfers In (Out)	(7,170,317.93)	(7,016,968.00)
Interagency Transfers of Capital Assets - Increase	65,506.13	4,313.36
Interagency Transfers of Capital Assets - Decrease	(4,051,701.94)	(721,858.76)
Net Transfers from (to) Texas Tech Foundation, Inc.	5,301,207.85	2,586,887.05
Net Transfers from (to) Texas Tech University System Components	8,201,156.31	2,160,487.70
Net Transfers from (to) Other State Agencies	41,296.00	48,149.63
Net Other Revenues, Expenses, Gains, Losses, and Transfers	25,152,935.77	13,104,441.02
Total Change in Net Position	23,148,673.06	7,169,761.26
Beginning Net Position (September 1)	\$ 691,356,118.14	\$ 684,186,356.88
Ending Net Position (August 31)	\$ 714,504,791.20	\$ 691,356,118.14

UNAUDITED

Texas Tech University Health Sciences Center (739)
Statement of Cash Flows
For the Years Ended August 31, 2017 and 2016

	2017	2016
Cash Flows from Operating Activities		
Proceeds from Customers	\$ 242,277,256.56	\$ 243,390,477.54
Proceeds from Tuition and Fees	47,636,810.01	45,480,432.04
Proceeds from Grants and Contracts	165,086,658.35	152,147,749.41
Proceeds from Sales and Services of Auxiliary Enterprises	843,128.18	747,279.53
Proceeds from Collections of Loans to Students	3,267,838.96	2,836,965.31
Payments to Suppliers for Goods and Services	(117,036,932.43)	(124,129,179.82)
Payments to Employees for Salaries	(355,274,222.94)	(337,998,001.35)
Payments to Employees for Benefits	(91,375,090.41)	(86,134,000.90)
Payments for Loans Issued to Students	(3,240,849.26)	(2,484,629.81)
Payments for Other Expenses	(56,258,954.37)	(53,923,161.69)
Net Cash Used By Operating Activities	(164,074,357.35)	(160,066,069.74)
Cash Flows from Noncapital Financing Activities		
Proceeds from State Appropriations	149,103,167.38	160,263,919.53
Proceeds from Gifts	4,992,504.16	7,929,172.70
Proceeds from Nonoperating Grants and Contracts	1,973,964.00	1,466,664.00
Proceeds from Other Financing Activities	1,359,362.58	1,457,587.32
Proceeds from Agency Transactions	64,151,395.00	61,181,037.00
Proceeds from Transfers from Component Institutions	1,469,094.67	5,205,100.83
Proceeds from Transfers from Texas Tech Foundation, Inc.	5,305,707.85	2,586,887.05
Proceeds from Transfers In from Other State Agencies	6,318,653.00	0.00
Payments for Transfers to Component Institutions	(6,536,331.67)	(5,300,086.71)
Payments for Transfers to Other State Agencies	(4,500.00)	117,695.63
Payments for Other Uses	(64,151,395.00)	(61,181,037.00)
Net Cash Provided by Noncapital Financing Activities	163,981,621.97	173,726,940.35
Cash Flows from Capital and Related Financing Activities		
Proceeds from Sale of Capital Assets	140,868.34	137,384.51
Proceeds from Capital Appropriations	23,372,396.00	15,581,597.00
Proceeds from Transfers from Component Institutions	11,835,959.31	863,689.58
Payments for Transfers to Component Institutions	(12,015,240.93)	(5,694,730.00)
Payments for Additions to Capital Assets	(32,331,562.88)	(17,162,759.37)
Net Cash Used by Capital and Related Financing Activities	(8,997,580.16)	(6,274,818.28)
Cash Flows from Investing Activities		
Proceeds from Investment Sales and Maturities	53,484,723.25	72,159,434.81
Proceeds from Interest and Investment Income	11,638,018.82	14,365,375.04
Payments to Acquire Investments	(52,374,327.42)	(75,584,681.76)
Net Cash Provided by Investing Activities	12,748,414.65	10,940,128.09
TOTAL NET CASH FLOWS	\$ 3,658,099.11	\$ 18,326,180.42

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Texas Tech University Health Sciences Center (739)
 Statement of Cash Flows
 For the Years Ended August 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Beginning Cash & Cash Equivalents - September 1	\$ 128,529,366.51	\$ 110,203,186.09
Ending Cash & Cash Equivalents - August 31	<u>\$ 132,187,465.62</u>	<u>\$ 128,529,366.51</u>
Reconciliation of Operating Loss to Net Cash Flows from Operating Activities		
Operating Loss	\$ (189,172,577.09)	\$ (190,033,598.64)
Adjustments:		
Depreciation and Amortization Expense	20,973,237.07	21,002,417.30
(Increase) Decrease in Accounts Receivables	2,797,971.64	(5,674,984.97)
(Increase) Decrease in Loans and Notes Receivable	78,314.50	250,460.45
(Increase) Decrease in Inventories	9,581.62	(31,542.96)
(Increase) Decrease in Due From Other State Agencies	(1,461,589.29)	567,908.12
(Increase) Decrease in Prepaid Items	(536,705.99)	(1,766,965.73)
Increase (Decrease) in Accounts Payable	3,408,173.07	1,946,850.75
Increase (Decrease) in Unearned Revenue	1,361,368.50	678,932.14
Increase (Decrease) in Employees' Compensable Leave	1,628,827.21	1,008,648.97
Increase (Decrease) in Due To Other State Agencies	34,424.24	(212,494.58)
Increase (Decrease) in Other Liabilities	<u>(3,195,382.83)</u>	<u>12,198,299.41</u>
Net Cash Used for Operating Activities	<u>(164,074,357.35)</u>	<u>(160,066,069.74)</u>
Noncash Transactions		
Donations of Capital Assets	650,799.35	461,833.04
Net Increase (Decrease) in Fair Value of Investments	9,971,667.92	(639,373.51)
Other	<u>(356,091.61)</u>	<u>(260,082.84)</u>
Total Noncash Transactions	<u>\$ 10,266,375.66</u>	<u>\$ (437,623.31)</u>

UNAUDITED

Texas Tech University Health Sciences Center (739)
 Matrix of Operating Expenses Reported by Function
 For the Years Ended August 31, 2017 and 2016

OPERATING EXPENSES	INSTRUCTION	RESEARCH	PUBLIC SERVICE	HOSPITALS AND CLINICS	ACADEMIC SUPPORT	STUDENT SERVICES	INSTITUTIONAL SUPPORT
Salaries and Wages	\$ 161,307,145.89	\$ 20,939,901.81	\$ 53,047,710.10	\$ 45,449,664.39	\$ 48,359,616.93	\$ 5,979,435.59	\$ 15,072,891.15
Payroll Related Costs	31,755,125.09	4,795,780.08	15,999,308.37	13,775,292.29	15,196,865.88	1,862,714.56	5,562,275.31
Professional Fees and Services	344,353.40	467,581.80	43,028,039.23	1,492,381.65	4,214,529.11	459,327.42	2,739,523.55
Travel	611,293.03	452,224.95	605,473.03	162,846.05	2,477,091.18	419,451.19	352,191.74
Materials and Supplies	460,462.72	2,969,378.77	12,514,901.52	9,030,670.23	5,073,347.68	1,322,684.89	290,199.34
Communications and Utilities	179,207.89	42,034.70	235,844.28	509,863.16	5,044,597.56	485,425.37	662,759.30
Repairs and Maintenance	108,708.57	738,498.10	479,274.79	284,580.87	2,910,315.03	583,865.74	206,106.32
Rentals and Leases	128,085.48	72,218.19	551,479.70	569,755.94	1,324,843.38	156,034.09	186,250.80
Printing and Reproduction	118,706.06	110,519.14	140,134.38	148,270.16	584,938.76	135,885.85	171,578.50
Federal Grant Pass-Through Expense	33,651.99	252,935.87	189,724.34				
State Grant Pass-Through Expense		11,833.54	18,724.45				
Depreciation and Amortization							
Bad Debt Expense						86,781.32	
Interest	51.30	383.78	78.97	331.99	4,092.81	20.56	1,027.14
Scholarships	64,549.44	71,056.45			505,201.04		10,000.00
Claims and Judgments				852.01	500.00		
Other Operating Expenses	1,609,414.19	4,107,599.39	2,808,584.15	2,238,781.95	28,940,201.30	2,370,304.69	3,456,931.57
TOTAL OPERATING EXPENSES	\$ 196,720,755.05	\$ 35,031,946.57	\$ 129,619,277.31	\$ 73,663,290.69	\$ 114,636,140.66	\$ 13,861,931.27	\$ 28,711,734.72

UNAUDITED

Texas Tech University Health Sciences Center (739)
 Matrix of Operating Expenses Reported by Function
 For the Years Ended August 31, 2017 and 2016

OPERATING EXPENSES	OPERATIONS & MAINTENANCE OF PLANT	SCHOLARSHIPS & FELLOWSHIPS	AUXILIARY ENTERPRISES	DEPRECIATION & AMORTIZATION	GRAND TOTAL	2016
Salaries and Wages	\$ 5,633,649.95	\$ 16,700.00	\$ 197,606.30	\$	\$ 356,004,322.11	\$ 340,483,212.72
Payroll Related Costs	2,442,263.31	1,263.71	80,119.83		91,471,008.43	84,892,945.68
Professional Fees and Services	1,328,207.50		5,735.00		54,079,678.66	56,103,308.66
Travel	19,047.62		6,213.27		5,105,832.06	5,252,092.29
Materials and Supplies	309,815.10		8,344.51		31,979,804.76	32,179,636.84
Communications and Utilities	6,721,595.18		14,002.21		13,895,329.65	13,562,063.38
Repairs and Maintenance	3,536,153.60		15,429.10		8,862,932.12	9,996,209.33
Rentals and Leases	970,955.98		20,499.18		3,980,122.74	3,199,654.95
Printing and Reproduction	34,149.67		14,109.79		1,458,292.31	1,715,111.97
Federal Grant Pass-Through Expense					476,312.20	306,767.31
State Grant Pass-Through Expense					30,557.99	29,817.57
Depreciation and Amortization				20,973,237.07	20,973,237.07	21,002,417.30
Bad Debt Expense					86,781.32	312,863.47
Interest	317.17				6,303.72	5,845.83
Scholarships		3,951,248.01			4,602,054.94	4,287,754.73
Claims and Judgments					1,352.01	1,000.00
Other Operating Expenses	3,816,206.50		63,475.37		49,411,499.11	63,097,188.38
TOTAL OPERATING EXPENSES	\$ 24,812,361.58	\$ 3,969,211.72	\$ 425,534.56	\$ 20,973,237.07	\$ 642,425,421.20	\$ 636,427,890.41

UNAUDITED

Texas Tech University Health Sciences Center at El Paso (774)
 Statement of Net Position
 August 31, 2017 and 2016

	2017	Restated 2016
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 23,422,446.13	\$ 23,049,367.36
Restricted Cash and Cash Equivalents	15,520,803.90	18,065,048.65
Legislative Appropriations	8,665,574.75	13,603,713.17
Receivables:		
Federal	678,036.76	449,286.41
Patient	9,184,362.33	6,598,508.62
Student	16,096.99	20,829.85
Contracts	16,518,810.71	9,499,721.56
Interest and Dividends	148,476.52	120,364.26
Gifts	647,416.77	1,893,641.44
Other	420,102.31	426,580.16
Due From Other State Agencies	5,218,871.59	4,270,991.59
Inventories	91,878.19	29,878.50
Prepaid Items	1,906,744.85	2,250,278.53
Loans and Contracts	22,225.75	159,372.73
Total Current Assets	<u>82,461,847.55</u>	<u>80,437,582.83</u>
Non-Current Assets:		
Restricted Cash and Cash Equivalents	60.00	115.00
Restricted Investments	36,151,192.01	33,503,151.57
Contracts Receivable	1,384,953.70	4,063,274.58
Gifts Receivable	6,944,960.52	12,406,660.10
Loans and Notes Receivable	1,175,738.03	1,066,571.37
Investments	117,728,797.67	106,600,177.91
Capital Assets		
Non-Depreciable or Non-Amortizable	27,244,597.45	8,248,811.61
Depreciable or Amortizable	205,348,848.37	203,543,838.41
Accumulated Depreciation and Amortization	(98,497,625.48)	(91,098,155.19)
Total Non-Current Assets	<u>297,481,522.27</u>	<u>278,334,445.36</u>
Total Assets	<u>\$ 379,943,369.82</u>	<u>\$ 358,772,028.19</u>

UNAUDITED

Texas Tech University Health Sciences Center at El Paso (774)
 Statement of Net Position
 August 31, 2017 and 2016

	2017	Restated 2016
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 3,730,739.41	\$ 8,016,057.54
Payroll Payable	12,071,681.47	11,251,889.78
Unearned Revenue	2,961,288.56	3,284,478.30
Due to Other State Agencies	48,615.46	91,057.18
Employees' Compensable Leave	1,001,621.62	885,247.66
Funds Held for Others	72,170.39	61,581.62
Other Current Liabilities	3,456,455.39	2,762,667.36
Total Current Liabilities	23,342,572.30	26,352,979.44
Non-Current Liabilities:		
Employees' Compensable Leave	7,345,225.19	6,491,816.15
Other Non-Current Liabilities	28,725.49	19,091.45
Total Non-Current Liabilities	7,373,950.68	6,510,907.60
Total Liabilities	30,716,522.98	32,863,887.04
NET POSITION		
Net Investment in Capital Assets	134,095,820.34	120,694,494.83
Restricted:		
Nonexpendable:		
Endowments	28,320,947.72	28,322,340.84
Expendable:		
Capital Projects	7,402,923.62	17,121,694.13
Other	33,009,162.51	28,080,321.86
Unrestricted	146,397,992.65	131,689,289.49
Total Net Position	\$ 349,226,846.84	\$ 325,908,141.15

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Texas Tech University Health Sciences Center at El Paso (774)
Statement of Revenues, Expenses, and Changes in Net Position
For the Years Ended August 31, 2017 and 2016

	2017	Restated 2016
Operating Revenues		
Tuition and Fees	\$ 388,333.02	\$ 361,107.66
Tuition and Fees - Pledged	9,909,082.65	8,613,172.46
Less Discounts and Allowances	(1,421,752.00)	(1,292,625.20)
Professional Fees	48,099,575.78	45,479,279.10
Sales and Services of Auxiliary Enterprises - Pledged	278,139.21	229,976.51
Other Sales and Services	98,956.21	137,101.92
Other Sales and Services - Pledged	406,246.72	252,582.09
Federal Grants and Contracts	2,194,631.92	2,352,782.72
Federal Grants and Contracts - Pledged	852,380.34	976,587.11
Federal Grant Pass-Throughs from Other State Agencies	230,828.59	226,238.31
State Grants and Contracts	1,691,013.94	1,639,851.16
State Grants and Contracts - Pledged	129,035.09	113,913.99
State Grant Pass-Throughs from Other State Agencies	4,821,326.25	3,864,280.64
Local Governmental Grants and Contracts	2,759,237.77	3,595,324.21
Local Governmental Grants and Contracts - Pledged	24,895.11	43,432.72
Nongovernmental Grants and Contracts	78,531,144.60	73,129,310.42
Nongovernmental Grants and Contracts - Pledged	222,880.52	192,561.22
Other Operating Revenues	12,530,123.93	14,621,234.27
Total Operating Revenues	<u>161,746,079.65</u>	<u>154,536,111.31</u>
Operating Expenses		
Salaries and Wages	138,599,631.30	126,144,655.48
Payroll Related Costs	32,645,340.87	29,456,491.55
Professional Fees and Services	7,074,718.45	6,442,240.00
Travel	1,773,338.24	1,814,344.00
Materials and Supplies	4,191,737.66	4,786,756.86
Communications and Utilities	5,447,905.76	4,560,059.98
Repairs and Maintenance	3,944,947.30	3,684,389.10
Rentals and Leases	4,952,615.04	2,834,662.06
Printing and Reproduction	330,632.37	289,800.19
Federal Grant Pass-Through Expense	3,753.33	2,580.36
State Grant Pass-Through Expense	16,769.54	20,332.25
Depreciation and Amortization	11,532,978.93	11,629,181.89
Bad Debt Expense	4,475.72	(1,005,151.44)
Interest	7,170.54	7,748.99
Scholarships	1,803,251.84	1,668,793.44
Claims and Judgments	5,512.96	823,678.22
Other Operating Expenses	16,616,561.01	21,361,971.74
Total Operating Expenses	<u>228,951,340.86</u>	<u>214,522,534.67</u>
Operating Income (Loss)	<u>\$ (67,205,261.21)</u>	<u>\$ (59,986,423.36)</u>

UNAUDITED

Texas Tech University Health Sciences Center at El Paso (774)
Statement of Revenues, Expenses, and Changes in Net Position
For the Years Ended August 31, 2017 and 2016

	2017	Restated 2016
Nonoperating Revenues (Expenses)		
Legislative Revenue	\$ 73,332,797.85	\$ 72,390,571.70
Federal Grants and Contracts	519,525.00	442,473.00
Private Gifts	(5,902,287.02)	834,795.09
Private Gifts - Pledged	3,560.00	3,280.00
Investment Income (Expense)	5,742,157.58	5,401,465.56
Investment Income (Expense) - Pledged	1,861,015.54	(81,460.75)
Gain (Loss) on Sale and Disposal of Capital Assets	(235,091.21)	(290,733.18)
Net Increase (Decrease) in Fair Value of Investments	4,671,317.39	(704,662.28)
Other Nonoperating Revenues (Expenses)	810,961.07	1,854,905.81
Other Nonoperating Revenues (Expenses) - Pledged	33,696.64	5,863.89
Total Nonoperating Revenues (Expenses)	80,837,652.84	79,856,498.84
Income (Loss) before Other Revenues, Expenses, Gains, Losses, and Transfers	13,632,391.63	19,870,075.48
Other Revenues, Expenses, Gains, Losses, and Transfers		
Capital Appropriations (HEAF)	6,234,075.00	4,156,050.00
Capital Contributions	28,612.69	0.00
Lapsed Appropriations	(628,091.00)	0.00
Legislative Transfers In (Out)	(7,228,670.17)	(7,185,511.00)
Interagency Transfers of Capital Assets - Increase	157,484.73	23,922.04
Interagency Transfers of Capital Assets - Decrease	(139,468.92)	(75,603.93)
Net Transfers from (to) Texas Tech Foundation, Inc.	3,739,914.12	2,091,460.84
Net Transfers from (to) Texas Tech University System Components	7,522,457.61	(3,105,970.90)
Net Other Revenues, Expenses, Gains, Losses, and Transfers	9,686,314.06	(4,095,652.95)
Total Change in Net Position	23,318,705.69	15,774,422.53
Beginning Net Position (September 1)	\$ 325,908,141.15	\$ 310,133,718.62
Ending Net Position (August 31)	\$ 349,226,846.84	\$ 325,908,141.15

UNAUDITED

Texas Tech University Health Sciences Center at El Paso (774)
Statement of Cash Flows
For the Years Ended August 31, 2017 and 2016

	2017	2016
Cash Flows from Operating Activities		
Proceeds from Customers	\$ 58,519,867.39	\$ 60,730,078.92
Proceeds from Tuition and Fees	8,557,206.79	7,848,294.28
Proceeds from Grants and Contracts	86,746,196.21	88,135,515.21
Proceeds from Sales and Services of Auxiliary Enterprises	283,047.50	233,346.78
Proceeds from Collections of Loans to Students	649,102.68	571,543.85
Payments to Suppliers for Goods and Services	(31,812,263.74)	(19,738,451.95)
Payments to Employees for Salaries	(137,305,570.60)	(125,163,871.93)
Payments to Employees for Benefits	(32,149,826.88)	(26,827,298.44)
Payments for Loans Issued to Students	(600,970.36)	(671,639.95)
Payments for Other Expenses	(17,719,606.09)	(19,976,005.28)
Net Cash Used By Operating Activities	(64,832,817.10)	(34,858,488.51)
Cash Flows from Noncapital Financing Activities		
Proceeds from State Appropriations	77,642,845.27	58,786,858.53
Proceeds from Gifts	809,197.23	2,605,938.84
Proceeds from Nonoperating Grants and Contracts	519,525.00	442,473.00
Proceeds from Other Financing Activities	855,246.48	1,879,633.60
Proceeds from Agency Transactions	13,062,115.00	12,368,343.00
Proceeds from Transfers from Component Institutions	1,190,769.35	0.00
Proceeds from Transfers from Texas Tech Foundation, Inc.	4,091,480.79	2,091,460.84
Proceeds from Transfers In from Other State Agencies	5,841,147.00	0.00
Payments for Transfers to Component Institutions	(3,157,669.26)	(2,968,346.03)
Payments for Transfers to Texas Tech Foundation, Inc.	(351,566.67)	0.00
Payments for Other Uses	(13,062,115.00)	(12,368,343.00)
Net Cash Provided by Noncapital Financing Activities	87,440,975.19	62,838,018.78
Cash Flows from Capital and Related Financing Activities		
Proceeds from Sale of Capital Assets	25,106.14	44,794.15
Proceeds from Capital Appropriations	6,234,075.00	4,156,050.00
Proceeds from Transfers from Component Institutions	10,294,385.52	74,337.35
Payments for Transfers to Component Institutions	(13,874,845.17)	(7,397,473.22)
Payments for Additions to Capital Assets	(25,147,873.29)	(9,674,412.01)
Net Cash Used by Capital and Related Financing Activities	(22,469,151.80)	(12,796,703.73)
Cash Flows from Investing Activities		
Proceeds from Investment Sales and Maturities	13,374,554.03	17,034,663.66
Proceeds from Interest and Investment Income	5,173,193.20	1,707,123.41
Payments to Acquire Investments	(20,857,974.50)	(27,842,363.25)
Net Cash Used by Investing Activities	(2,310,227.27)	(9,100,576.18)
TOTAL NET CASH FLOWS	\$ (2,171,220.98)	\$ 6,082,250.36

UNAUDITED

Texas Tech University Health Sciences Center at El Paso (774)
Statement of Cash Flows
For the Years Ended August 31, 2017 and 2016

	2017	2016
Beginning Cash & Cash Equivalents - September 1	\$ 41,114,531.01	\$ 35,032,280.65
Ending Cash & Cash Equivalents - August 31	\$ 38,943,310.03	\$ 41,114,531.01
 Reconciliation of Operating Loss to Net Cash Flows from Operating Activities		
Operating Loss	\$ (67,205,261.21)	\$ (59,986,423.36)
Adjustments:		
Depreciation and Amortization Expense	11,532,978.93	11,629,181.89
(Increase) Decrease in Accounts Receivables	(7,144,161.62)	968,725.92
(Increase) Decrease in Loans and Notes Receivable	27,980.32	(79,944.10)
(Increase) Decrease in Inventories	(61,999.69)	(26,798.66)
(Increase) Decrease in Due From Other State Agencies	(167,934.68)	266,385.17
(Increase) Decrease in Prepaid Items	343,533.68	(571,350.72)
Increase (Decrease) in Accounts Payable	(3,465,526.44)	9,447,230.66
Increase (Decrease) in Unearned Revenue	(323,189.74)	170,861.35
Increase (Decrease) in Employees' Compensable Leave	969,783.00	507,337.20
Increase (Decrease) in Due To Other State Agencies	(42,441.72)	54,132.75
Increase (Decrease) in Other Liabilities	703,422.07	2,762,173.39
Net Cash Used for Operating Activities	(64,832,817.10)	(34,858,488.51)
 Noncash Transactions		
Donations of Capital Assets	28,612.69	0.00
Net Increase (Decrease) in Fair Value of Investments	4,671,317.39	(704,662.28)
Other	(249,065.70)	(335,527.33)
Total Noncash Transactions	\$ 4,450,864.38	\$ (1,040,189.61)

UNAUDITED

Texas Tech University Health Sciences Center at El Paso (774)
 Matrix of Operating Expenses Reported by Function
 For the Years Ended August 31, 2017 and 2016

OPERATING EXPENSES	INSTRUCTION	RESEARCH	PUBLIC SERVICE	HOSPITALS AND CLINICS	ACADEMIC SUPPORT	STUDENT SERVICES	INSTITUTIONAL SUPPORT
Salaries and Wages	\$ 75,865,657.57	\$ 9,515,088.62	\$ 1,667,058.68	\$ 13,913,920.53	\$ 24,113,209.17	\$ 1,445,796.60	\$ 8,482,452.45
Payroll Related Costs	13,391,117.33	2,355,916.03	521,971.06	4,830,753.82	6,866,198.79	379,044.86	2,967,316.50
Professional Fees and Services	3,704,390.68	319,440.35	216,079.22	28,730.67	1,748,216.48	34,702.22	713,050.15
Travel	761,740.70	186,053.09	81,247.92	15,769.71	477,066.22	58,740.16	183,726.36
Materials and Supplies	1,443,019.31	642,348.31	265,676.92	103,990.99	1,107,925.41	174,776.91	138,524.37
Communications and Utilities	617,530.00	58,510.16	11,221.48	35,069.73	2,366,567.62	4,311.23	452,658.23
Repairs and Maintenance	356,886.75	612,576.50	1,852.00	3,247.93	1,054,147.79	118,496.66	261,596.97
Rentals and Leases	2,454,801.35	131,670.05	4,450.00	58,170.53	1,906,864.90	18,119.29	280,641.95
Printing and Reproduction	81,072.37	10,933.10	21,489.03	3,871.40	94,316.74	18,352.94	96,859.82
Federal Grant Pass-Through Expense		3,753.33					
State Grant Pass-Through Expense			16,769.54				
Depreciation and Amortization							
Bad Debt Expense						4,475.72	
Interest	881.82	604.64	14.78	5.50	2,484.70	34.57	777.29
Scholarships	92.04				872,235.10		
Claims and Judgments					5,512.96		
Other Operating Expenses	3,961,834.44	929,551.82	201,194.73	183,682.04	6,259,784.92	532,285.74	1,897,743.72
TOTAL OPERATING EXPENSES	\$ 102,639,024.36	\$ 14,766,446.00	\$ 3,009,025.36	\$ 19,177,212.85	\$ 46,874,530.80	\$ 2,789,136.90	\$ 15,475,347.81

UNAUDITED

Texas Tech University Health Sciences Center at El Paso (774)
 Matrix of Operating Expenses Reported by Function
 For the Years Ended August 31, 2017 and 2016

OPERATING EXPENSES	OPERATIONS & MAINTENANCE OF PLANT	SCHOLARSHIPS & FELLOWSHIPS	AUXILIARY ENTERPRISES	DEPRECIATION & AMORTIZATION	GRAND TOTAL	2016
Salaries and Wages	\$ 3,491,679.76	\$	\$ 104,767.92	\$	\$ 138,599,631.30	\$ 126,144,655.48
Payroll Related Costs	1,281,567.38		51,455.10		32,645,340.87	29,456,491.55
Professional Fees and Services	307,925.10		2,183.58		7,074,718.45	6,442,240.00
Travel	5,946.56		3,047.52		1,773,338.24	1,814,344.00
Materials and Supplies	314,215.97		1,259.47		4,191,737.66	4,786,756.86
Communications and Utilities	1,895,557.87		6,479.44		5,447,905.76	4,560,059.98
Repairs and Maintenance	1,523,128.80		13,013.90		3,944,947.30	3,684,389.10
Rentals and Leases	97,896.97				4,952,615.04	2,834,662.06
Printing and Reproduction	3,115.70		621.27		330,632.37	289,800.19
Federal Grant Pass-Through Expense					3,753.33	2,580.36
State Grant Pass-Through Expense					16,769.54	20,332.25
Depreciation and Amortization				11,532,978.93	11,532,978.93	11,629,181.89
Bad Debt Expense					4,475.72	(1,005,151.44)
Interest	2,367.24				7,170.54	7,748.99
Scholarships		930,924.70			1,803,251.84	1,668,793.44
Claims and Judgments					5,512.96	823,678.22
Other Operating Expenses	2,623,825.59		26,658.01		16,616,561.01	21,361,971.74
TOTAL OPERATING EXPENSES	\$ 11,547,226.94	\$ 930,924.70	\$ 209,486.21	\$ 11,532,978.93	\$ 228,951,340.86	\$ 214,522,534.67

UNAUDITED

Angelo State University (737)
Statement of Net Position
August 31, 2017 and 2016

	2017	Restated 2016
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 47,801,572.37	\$ 51,391,292.99
Restricted Cash and Cash Equivalents	403,255.44	2,198,753.02
Legislative Appropriations	7,570,056.64	6,487,028.41
Receivables:		
Federal	740,778.96	599,113.74
Student	11,162,513.92	12,094,737.96
Accounts	723,428.56	984,375.68
Gifts	1,279,779.64	1,296,066.13
Due From Other State Agencies	309,075.11	321,568.94
Inventories	242,458.22	260,417.80
Prepaid Items	9,237,281.60	9,970,310.03
Loans and Contracts	534,207.70	567,200.06
Total Current Assets	<u>80,004,408.16</u>	<u>86,170,864.76</u>
Non-Current Assets:		
Restricted Investments	40,255,973.55	40,425,952.62
Gifts Receivable	3,604,341.88	4,285,964.06
Investments	7,405,587.82	0.00
Capital Assets		
Non-Depreciable or Non-Amortizable	21,079,712.98	4,226,117.34
Depreciable or Amortizable	247,899,235.06	245,342,734.30
Accumulated Depreciation and Amortization	<u>(139,486,153.44)</u>	<u>(131,695,342.79)</u>
Total Non-Current Assets	<u>180,758,697.85</u>	<u>162,585,425.53</u>
Total Assets	<u>\$ 260,763,106.01</u>	<u>\$ 248,756,290.29</u>

UNAUDITED

Angelo State University (737)
Statement of Net Position
August 31, 2017 and 2016

	<u>2017</u>	<u>Restated 2016</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 2,656,798.47	\$ 1,975,177.01
Payroll Payable	3,639,942.02	3,657,948.90
Unearned Revenue	38,815,987.57	37,182,513.70
Capital Lease Obligations	0.00	546,238.40
Employees' Compensable Leave	324,588.93	337,460.57
Funds Held for Others	1,718,254.19	1,904,329.16
Other Current Liabilities	640.00	970.00
Total Current Liabilities	<u>47,156,211.18</u>	<u>45,604,637.74</u>
Non-Current Liabilities:		
Capital Lease Obligations	0.00	2,601,428.75
Employees' Compensable Leave	2,205,692.69	2,096,131.56
Other Non-Current Liabilities	127,898.35	215,037.23
Total Non-Current Liabilities	<u>2,333,591.04</u>	<u>4,912,597.54</u>
Total Liabilities	<u>49,489,802.22</u>	<u>50,517,235.28</u>
NET POSITION		
Net Investment in Capital Assets	129,492,794.60	114,725,841.70
Restricted:		
Nonexpendable:		
Endowments	26,083,414.51	23,813,083.56
Expendable:		
Higher Education Assistance Fund	4,048,318.21	4,932,222.41
Other	26,730,304.30	26,888,966.39
Unrestricted	<u>24,918,472.17</u>	<u>27,878,940.95</u>
Total Net Position	<u>\$ 211,273,303.79</u>	<u>\$ 198,239,055.01</u>

UNAUDITED

Angelo State University (737)
Statement of Revenues, Expenses, and Changes in Net Position
For the Years Ended August 31, 2017 and 2016

		Restated
	2017	2016
Operating Revenues		
Tuition and Fees	\$ 3,382,590.47	\$ 3,111,739.37
Tuition and Fees - Pledged	57,341,626.12	52,355,420.76
Less Discounts and Allowances	(13,693,106.51)	(11,097,248.41)
Sales and Services of Auxiliary Enterprises - Pledged	14,287,635.64	15,256,039.36
Other Sales and Services - Pledged	1,237,136.98	1,265,891.10
Federal Grants and Contracts	1,101,511.19	1,977,725.51
Federal Grant Pass-Throughs from Other State Agencies	157,893.28	245,113.11
State Grant Pass-Throughs from Other State Agencies	5,000,485.77	5,353,546.84
Nongovernmental Grants and Contracts	179,752.64	455,451.69
Total Operating Revenues	<u>68,995,525.58</u>	<u>68,923,679.33</u>
Operating Expenses		
Salaries and Wages	51,689,350.78	48,768,979.76
Payroll Related Costs	16,705,718.88	15,404,372.67
Professional Fees and Services	968,243.00	1,032,501.97
Travel	1,587,567.69	1,548,867.27
Materials and Supplies	8,312,578.49	8,213,097.11
Communications and Utilities	3,376,399.54	3,387,626.81
Repairs and Maintenance	2,940,095.54	2,790,769.17
Rentals and Leases	884,797.09	739,545.03
Printing and Reproduction	337,909.29	367,531.69
Depreciation and Amortization	8,928,965.59	8,569,671.15
Bad Debt Expense	455,786.71	499,745.07
Interest	351.91	141.52
Scholarships	20,005,778.01	18,756,651.82
Other Operating Expenses	10,530,584.63	11,436,697.16
Total Operating Expenses	<u>126,724,127.15</u>	<u>121,516,198.20</u>
Operating Income (Loss)	<u>\$ (57,728,601.57)</u>	<u>\$ (52,592,518.87)</u>

UNAUDITED

Angelo State University (737)
Statement of Revenues, Expenses, and Changes in Net Position
For the Years Ended August 31, 2017 and 2016

	2017	Restated 2016
Nonoperating Revenues (Expenses)		
Legislative Revenue	\$ 34,311,682.56	\$ 33,813,089.21
Federal Grants and Contracts	10,588,063.84	8,799,837.14
Private Gifts	4,041,666.81	13,446,326.60
Investment Income (Expense)	10,343,630.31	10,498,340.57
Interest Expense on Capital Asset Financing	(212,535.39)	0.00
Gain (Loss) on Sale and Disposal of Capital Assets	(8,921.11)	(100,177.78)
Net Increase (Decrease) in Fair Value of Investments	2,993,111.23	(1,234,091.69)
Other Nonoperating Revenues (Expenses) - Pledged	(3,354,012.68)	(654,999.46)
Total Nonoperating Revenues (Expenses)	<u>58,702,685.57</u>	<u>64,568,324.59</u>
Income (Loss) before Other Revenues, Expenses, Gains, Losses, and Transfers	974,084.00	11,975,805.72
Other Revenues, Expenses, Gains, Losses, and Transfers		
Capital Appropriations (HEAF)	5,320,102.00	3,546,735.00
Capital Contributions	8,350.00	2,797,083.94
Lapsed Appropriations	(319,601.47)	(8,085.00)
Legislative Transfers In (Out)	(2,764,685.00)	(2,635,190.64)
Net Transfers from (to) Texas Tech Foundation, Inc.	33,265.00	93,455.35
Net Transfers from (to) Texas Tech University System Components	13,867,499.04	(6,679,546.81)
Net Transfers from (to) Other State Agencies	(4,084,764.79)	(976,365.52)
Net Other Revenues, Expenses, Gains, Losses, and Transfers	<u>12,060,164.78</u>	<u>(3,861,913.68)</u>
Total Change in Net Position	<u>13,034,248.78</u>	<u>8,113,892.04</u>
Beginning Net Position (September 1)	\$ 198,239,055.01	\$ 189,982,525.64
Restatements	<u>0.00</u>	<u>142,637.33</u>
Ending Net Position (August 31)	<u>\$ 211,273,303.79</u>	<u>\$ 198,239,055.01</u>

UNAUDITED

Angelo State University (737)
Statement of Cash Flows
For the Years Ended August 31, 2017 and 2016

	2017	Restated 2016
Cash Flows from Operating Activities		
Proceeds from Customers	\$ 1,237,136.98	\$ 1,265,891.10
Proceeds from Tuition and Fees	49,175,226.20	45,638,040.48
Proceeds from Grants and Contracts	6,386,927.14	8,666,238.91
Proceeds from Sales and Services of Auxiliary Enterprises	14,259,930.89	15,282,830.09
Proceeds from Collections of Loans to Students	373,034.74	309,578.58
Payments to Suppliers for Goods and Services	(18,016,793.05)	(18,052,893.27)
Payments to Employees for Salaries	(51,705,886.07)	(48,577,684.97)
Payments to Employees for Benefits	(16,610,500.98)	(15,182,524.09)
Payments for Loans Issued to Students	(428,932.61)	(494,460.82)
Payments for Other Expenses	(29,371,698.91)	(31,683,698.89)
Net Cash Used By Operating Activities	(44,701,555.67)	(42,828,682.88)
Cash Flows from Noncapital Financing Activities		
Proceeds from State Appropriations	33,228,654.33	34,042,046.98
Proceeds from Gifts	4,041,666.81	13,446,326.60
Proceeds from Nonoperating Grants and Contracts	10,588,063.84	8,799,837.14
Proceeds from Agency Transactions	38,060,729.04	24,586,735.46
Proceeds from Transfers from Component Institutions	0.00	8,228.70
Proceeds from Transfers from Texas Tech Foundation, Inc.	35,765.00	93,455.35
Proceeds from Transfers In from Other State Agencies	1,910,722.00	319,442.00
Payments for Transfers to Component Institutions	(540,395.00)	(522,695.00)
Payments for Transfers to Texas Tech Foundation, Inc.	(2,500.00)	0.00
Payments for Transfers to Other State Agencies	(4,166,426.79)	(586,252.52)
Payments for Other Uses	(41,170,050.60)	(25,672,312.80)
Net Cash Provided by Noncapital Financing Activities	41,986,228.63	54,514,811.91
Cash Flows from Capital and Related Financing Activities		
Proceeds from Capital Appropriations	5,320,102.00	3,546,735.00
Proceeds from Transfers from Component Institutions	21,078,761.24	0.00
Payments for Transfers to Component Institutions	(11,251,612.20)	(8,820,076.15)
Payments for Transfers to Other State Agencies	(13,000.00)	(689,750.00)
Payments for Additions to Capital Assets	(20,545,072.45)	(4,307,949.71)
Payments for Capital Leases	(3,360,202.54)	(546,238.40)
Net Cash Used by Capital and Related Financing Activities	(8,771,023.95)	(10,817,279.26)
Cash Flows from Investing Activities		
Proceeds from Interest and Investment Income	10,343,630.31	10,498,340.57
Payments to Acquire Investments	(4,242,497.52)	(5,207,108.81)
Net Cash Provided (Used) by Investing Activities	6,101,132.79	5,291,231.76
TOTAL NET CASH FLOWS	\$ (5,385,218.20)	\$ 6,160,081.53

UNAUDITED

Angelo State University (737)
Statement of Cash Flows
For the Years Ended August 31, 2017 and 2016

	2017	Restated 2016
Beginning Cash & Cash Equivalents - September 1	\$ 53,590,046.01	\$ 47,429,964.48
Ending Cash & Cash Equivalents - August 31	\$ 48,204,827.81	\$ 53,590,046.01
Reconciliation of Operating Loss to Net Cash Flows from Operating Activities		
Operating Loss	\$ (57,728,601.57)	\$ (52,592,518.87)
Adjustments:		
Depreciation and Amortization Expense	8,928,965.59	8,569,671.15
Bad Debt Expense	455,786.71	499,745.07
(Increase) Decrease in Accounts Receivables	944,443.06	(568,155.58)
(Increase) Decrease in Loans and Notes Receivable	32,992.36	13,873.88
(Increase) Decrease in Inventories	17,959.58	37,456.62
(Increase) Decrease in Due From Other State Agencies	12,446.48	(3,928.50)
(Increase) Decrease in Prepaid Items	628,638.67	(35,582.17)
Increase (Decrease) in Accounts Payable	381,125.85	23,167.21
Increase (Decrease) in Payroll Payable	(16,535.29)	191,294.79
Increase (Decrease) in Unearned Revenue	1,633,473.87	1,012,610.63
Increase (Decrease) in Employees' Compensable Leave	96,689.49	151,246.73
Increase (Decrease) in Benefits Payable	(1,471.59)	70,601.85
Increase (Decrease) in Other Liabilities	(87,468.88)	(198,165.69)
Net Cash Used for Operating Activities	(44,701,555.67)	(42,828,682.88)
Noncash Transactions		
Donations of Capital Assets	8,350.00	2,797,083.94
Net Increase (Decrease) in Fair Value of Investments	2,993,111.23	(1,234,091.69)
Other	(1,134,404.94)	(659,302.30)
Total Noncash Transactions	\$ 1,867,056.29	\$ 903,689.95

UNAUDITED

Angelo State University (737)
 Matrix of Operating Expenses Reported by Function
 For the Years Ended August 31, 2017 and 2016

OPERATING EXPENSES	INSTRUCTION	RESEARCH	PUBLIC SERVICE	ACADEMIC SUPPORT	STUDENT SERVICES	INSTITUTIONAL SUPPORT
Salaries and Wages	\$ 25,116,534.53	\$ 454,254.34	\$ 943,243.37	\$ 4,022,657.52	\$ 3,938,621.18	\$ 9,519,959.62
Payroll Related Costs	8,833,511.37	71,835.00	262,633.76	976,339.13	1,091,613.31	3,217,289.93
Professional Fees and Services	274,584.08	5,000.00	173,409.67	19,133.14	17,928.50	354,378.71
Travel	718,648.33	46,024.60	61,534.67	76,748.63	100,668.82	202,596.58
Materials and Supplies	986,240.05	136,795.33	288,764.18	231,191.09	227,553.72	740,748.52
Communications and Utilities	190,110.87	853.95	4,880.43	14,388.12	16,068.57	64,054.51
Repairs and Maintenance	136,398.11	223.48	1,298.60	52,375.41	82,835.57	442,022.81
Rentals and Leases	123,429.95	(332.85)	49,661.89	126,673.52	33,993.95	58,306.78
Printing and Reproduction	54,391.95	766.37	12,637.96	8,967.51	34,590.68	183,827.63
Depreciation and Amortization						
Bad Debt Expense						190,418.07
Interest	166.36					185.55
Scholarships						
Other Operating Expenses	2,495,542.66	58,602.44	275,276.06	1,601,848.26	561,772.59	3,247,201.60
TOTAL OPERATING EXPENSES	\$ 38,929,558.26	\$ 774,022.66	\$ 2,073,340.59	\$ 7,130,322.33	\$ 6,105,646.89	\$ 18,220,990.31

UNAUDITED

Angelo State University (737)
 Matrix of Operating Expenses Reported by Function
 For the Years Ended August 31, 2017 and 2016

OPERATING EXPENSES	OPERATIONS & MAINTENANCE OF PLANT	SCHOLARSHIPS & FELLOWSHIPS	AUXILIARY ENTERPRISES	DEPRECIATION & AMORTIZATION	GRAND TOTAL	Restated 2016
Salaries and Wages	\$ 2,141,989.98	\$	\$ 5,552,090.24	\$	\$ 51,689,350.78	\$ 48,768,979.76
Payroll Related Costs	808,362.83		1,444,133.55		16,705,718.88	15,404,372.67
Professional Fees and Services	44,581.00		79,227.90		968,243.00	1,032,501.97
Travel	2,118.57		379,227.49		1,587,567.69	1,548,867.27
Materials and Supplies	871,293.64		4,829,991.96		8,312,578.49	8,213,097.11
Communications and Utilities	1,750,139.17		1,335,903.92		3,376,399.54	3,387,626.81
Repairs and Maintenance	806,724.24		1,418,217.32		2,940,095.54	2,790,769.17
Rentals and Leases	143,419.16		349,644.69		884,797.09	739,545.03
Printing and Reproduction	2,511.70		40,215.49		337,909.29	367,531.69
Depreciation and Amortization				8,928,965.59	8,928,965.59	8,569,671.15
Bad Debt Expense			265,368.64		455,786.71	499,745.07
Interest					351.91	141.52
Scholarships		20,005,778.01			20,005,778.01	18,756,651.82
Other Operating Expenses	1,833,053.26		457,287.76		10,530,584.63	11,436,697.16
TOTAL OPERATING EXPENSES	\$ 8,404,193.55	\$ 20,005,778.01	\$ 16,151,308.96	\$ 8,928,965.59	\$ 126,724,127.15	\$ 121,516,198.20

UNAUDITED

Texas Tech University System Administration (768)
 Statement of Net Position
 August 31, 2017 and 2016

	2017	Restated 2016
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 25,390,330.71	\$ 14,992,743.46
Restricted Cash and Cash Equivalents	251,219.41	779,907.46
Legislative Appropriations	434,442.71	541,392.35
Receivables:		
Interest and Dividends	59,072.44	36,490.73
Other	15,001.99	8,072.09
Prepaid Items	17,848.91	153,250.00
Total Current Assets	<u>26,167,916.17</u>	<u>16,511,856.09</u>
Non-Current Assets:		
Restricted Cash and Cash Equivalents	222,591,815.36	11,972,450.63
Restricted Investments	963,221.13	1,207,886.79
Investments	38,848,995.96	43,660,696.37
Capital Assets		
Non-Depreciable or Non-Amortizable	314,482.25	11,319,655.68
Depreciable or Amortizable	27,103,946.37	2,350,222.56
Accumulated Depreciation and Amortization	<u>(1,889,043.59)</u>	<u>(1,091,310.78)</u>
Total Non-Current Assets	<u>287,933,417.48</u>	<u>69,419,601.25</u>
Total Assets	<u>314,101,333.65</u>	<u>85,931,457.34</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows of Resources	62,995,624.85	38,049,967.00
Total Deferred Outflows of Resources	<u>\$ 62,995,624.85</u>	<u>\$ 38,049,967.00</u>

UNAUDITED

Texas Tech University System Administration (768)
 Statement of Net Position
 August 31, 2017 and 2016

	2017	Restated 2016
	<u>2017</u>	<u>Restated 2016</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 848,340.81	\$ 496,225.03
Payroll Payable	1,451,850.81	1,304,066.46
Short-Term Debt Commercial Paper Notes	43,253,000.00	30,279,000.00
Notes and Loans Payable	0.00	21,817,000.00
Claims and Judgments	1,491,897.60	2,043,040.50
Employees' Compensable Leave	133,783.85	146,604.45
Revenue Bonds Payable	65,333,600.75	43,293,472.20
Other Current Liabilities	1,102,184.47	798,100.65
Total Current Liabilities	<u>113,614,658.29</u>	<u>100,177,509.29</u>
Non-Current Liabilities:		
Claims and Judgments	6,365,124.40	8,642,317.75
Employees' Compensable Leave	981,081.52	1,075,099.25
Revenue Bonds Payable	776,362,268.85	532,807,461.05
Net Pension Liability	218,757,231.00	186,671,195.00
Total Non-Current Liabilities	<u>1,002,465,705.77</u>	<u>729,196,073.05</u>
Total Liabilities	<u>1,116,080,364.06</u>	<u>829,373,582.34</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows of Resources	27,670,766.00	31,961,309.00
Total Deferred Inflows of Resources	<u>27,670,766.00</u>	<u>31,961,309.00</u>
NET POSITION		
Net Investment in Capital Assets	(636,963,493.37)	(603,931,146.85)
Restricted:		
Nonexpendable:		
Endowments	499,234.00	478,444.00
Expendable:		
Capital Projects	(567,837.28)	385,767.00
Debt Service	2,990,879.77	813,927.98
Other	222,018.65	312,059.65
Unrestricted	<u>(132,834,973.33)</u>	<u>(135,412,518.78)</u>
Total Net Position	<u>\$ (766,654,171.56)</u>	<u>\$ (737,353,467.00)</u>

UNAUDITED

Texas Tech University System Administration (768)
Statement of Revenues, Expenses, and Changes in Net Position
For the Years Ended August 31, 2017 and 2016

	2017	2016
Operating Revenues		
Other Sales and Services - Pledged	\$ 700.51	\$ 92,700.00
State Grant Pass-Throughs from Other State Agencies	0.00	177,289.92
Total Operating Revenues	700.51	269,989.92
Operating Expenses		
Salaries and Wages	14,064,715.05	12,350,483.63
Payroll Related Costs	10,251,949.92	529,115.48
Professional Fees and Services	1,358,614.83	2,020,703.53
Travel	576,637.53	562,242.13
Materials and Supplies	2,420,797.03	409,428.82
Communications and Utilities	290,944.93	207,164.27
Repairs and Maintenance	213,210.88	211,249.25
Rentals and Leases	890,790.01	749,577.38
Printing and Reproduction	69,234.88	44,057.67
Depreciation and Amortization	808,823.31	188,875.98
Interest	0.00	160.22
Scholarships	1,425.65	1,928.14
Claims and Judgments	0.00	4,112,890.00
Other Operating Expenses	(3,766,762.10)	(184,553.35)
Total Operating Expenses	27,180,381.92	21,203,323.15
Operating Income (Loss)	(27,179,681.41)	(20,933,333.23)
Nonoperating Revenues (Expenses)		
Legislative Revenue	2,895,014.47	2,838,409.27
Investment Income (Expense)	1,433,149.04	75,388.48
Investment Income (Expense) - Pledged	6,580,591.98	5,635,151.66
Interest Expense on Capital Asset Financing	(19,313,327.72)	(17,743,109.65)
Net Increase (Decrease) in Fair Value of Investments	1,173,635.73	(627,100.32)
Other Nonoperating Revenues (Expenses)	(2,067,600.52)	0.00
Other Nonoperating Revenues (Expenses) - Pledged	6.06	12,895.16
Total Nonoperating Revenues (Expenses)	(9,298,530.96)	(9,808,365.40)
Income (Loss) before Other Revenues, Expenses, Gains, Losses, and Transfers	(36,478,212.37)	(30,741,698.63)
Other Revenues, Expenses, Gains, Losses, and Transfers		
Lapsed Appropriations	(13,225.79)	0.00
Contributions to Permanent and Term Endowments	19,520.00	2,750.00
Legislative Transfers In (Out)	58,073,832.39	25,038,911.09
Interagency Transfers of Capital Assets - Increase	333,160.45	0.00
Interagency Transfers of Capital Assets - Decrease	(5,687.50)	0.00
Net Transfers from (to) Texas Tech Foundation, Inc.	2,779,901.44	2,737,368.00
Net Transfers from (to) Texas Tech University System Components	(54,009,993.18)	4,896,673.38
Net Other Revenues, Expenses, Gains, Losses, and Transfers	7,177,507.81	32,675,702.47
Total Change in Net Position	(29,300,704.56)	1,934,003.84
Beginning Net Position (September 1)	\$ (737,353,467.00)	\$ (739,287,470.84)
Restatements	0.00	0.00
Ending Net Position (August 31)	\$ (766,654,171.56)	\$ (737,353,467.00)

UNAUDITED

Texas Tech University System Administration (768)
Statement of Cash Flows
For the Years Ended August 31, 2017 and 2016

	2017	2016
Cash Flows from Operating Activities		
Proceeds from Sales and Services of Auxiliary Enterprises	\$ 700.51	\$ 92,700.00
Payments to Suppliers for Goods and Services	(2,703,242.79)	(664,735.74)
Payments to Employees for Salaries	(14,020,220.04)	(12,343,126.41)
Payments to Employees for Benefits	(3,441,854.48)	(2,951,604.72)
Payments for Other Expenses	(2,296,291.56)	(5,673,383.00)
Net Cash Used By Operating Activities	(22,460,908.36)	(21,540,149.87)
Cash Flows from Noncapital Financing Activities		
Proceeds from State Appropriations	2,988,738.32	2,887,068.37
Proceeds from Gifts	19,520.00	2,750.00
Proceeds from Other Financing Activities	6.06	12,895.16
Proceeds from Agency Transactions	20,260,109.42	5,246,449.49
Proceeds from Transfers from Component Institutions	13,384,874.34	12,054,104.49
Proceeds from Transfers from Texas Tech Foundation, Inc.	2,779,906.00	2,737,368.00
Payments for Transfers to Component Institutions	(309,648.07)	(3,659,259.85)
Payments for Transfers to Texas Tech Foundation, Inc.	(4.56)	0.00
Payments for Other Uses	(20,260,109.42)	(5,246,449.49)
Net Cash Provided by Noncapital Financing Activities	18,863,392.09	14,034,926.17
Cash Flows from Capital and Related Financing Activities		
Proceeds from Capital Debt Issuances	462,061,475.45	34,800,000.00
Proceeds from Other Capital and Related Financing Activities	0.00	35,222.76
Proceeds from Transfers from Component Institutions	99,305,551.10	65,436,072.96
Payments for Transfers to Component Institutions	(107,193,188.16)	(42,938,583.13)
Payments for Transfers to Other State Agencies	(1,123,750.00)	(956,750.00)
Payments for Additions to Capital Assets	(12,935,184.93)	(10,184,243.07)
Payments for Principal Paid on Capital Debt	(201,110,000.00)	(43,347,000.00)
Payments for Interest Paid on Capital Debt	(27,072,683.85)	(21,433,885.97)
Payments for Other Costs on Debt Issuance	(2,067,600.52)	0.00
Net Cash Provided (Used) by Capital and Related Financing Activities	209,864,619.09	(18,589,166.45)
Cash Flows from Investing Activities		
Proceeds from Investment Sales and Maturities	21,187,657.13	7,143,925.09
Proceeds from Interest and Investment Income	7,248,859.88	5,718,655.60
Payments to Acquire Investments	(14,215,355.90)	(7,582,283.31)
Net Cash Provided (Used) by Investing Activities	14,221,161.11	5,280,297.38
 TOTAL NET CASH FLOWS	 \$ 220,488,263.93	 \$ (20,814,092.77)

UNAUDITED

Texas Tech University System Administration (768)
Statement of Cash Flows
For the Years Ended August 31, 2017 and 2016

	2017	2016
Beginning Cash & Cash Equivalents - September 1	\$ 27,745,101.55	\$ 48,559,194.32
Ending Cash & Cash Equivalents - August 31	\$ 248,233,365.48	\$ 27,745,101.55
 Reconciliation of Operating Loss to Net Cash Flows from Operating Activities		
Operating Loss	\$ (27,179,681.41)	\$ (20,933,333.23)
Adjustments:		
Depreciation and Amortization Expense	808,823.31	188,875.98
Pension Expense	25,483,686.00	15,869,997.00
(Increase) Decrease in Accounts Receivables	(42,405.90)	(3,747.89)
(Increase) Decrease in Prepaid Items	(17,848.91)	0.00
(Increase) Decrease in Deferred Outflows of Resources	(32,238,268.00)	(24,347,849.92)
Increase (Decrease) in Accounts Payable	8,382.78	(110,110.99)
Increase (Decrease) in Payroll Payable	51,424.91	11,105.11
Increase (Decrease) in Employees' Compensable Leave	(106,838.33)	144,613.03
Increase (Decrease) in Claims and Judgments	(2,828,336.25)	2,846,665.00
Increase (Decrease) in Due To Other State Agencies	0.00	(177,289.92)
Increase (Decrease) in Benefits Payable	96,359.44	78,170.76
Increase (Decrease) in Pension Liability	0.00	4,665,420.35
Increase (Decrease) in Deferred Inflows	13,503,794.00	227,334.85
Net Cash Used for Operating Activities	(22,460,908.36)	(21,540,149.87)
 Noncash Transactions		
Net Increase (Decrease) in Fair Value of Investments	1,173,635.73	(627,100.32)
Other	327,472.95	0.00
Total Noncash Transactions	\$ 1,501,108.68	\$ (627,100.32)

UNAUDITED

Texas Tech University System Administration (768)
 Matrix of Operating Expenses Reported by Function
 For the Years Ended August 31, 2017 and 2016

OPERATING EXPENSES	ACADEMIC SUPPORT	INSTITUTIONAL SUPPORT	OPERATIONS & MAINTENANCE OF PLANT	DEPRECIATION & AMORTIZATION	GRAND TOTAL	2016
Salaries and Wages	\$ 1,052,688.20	\$ 13,012,026.85		\$	\$ 14,064,715.05	\$ 12,350,483.63
Payroll Related Costs	299,794.38	9,952,155.54			10,251,949.92	529,115.48
Professional Fees and Services	66,100.41	1,292,514.42			1,358,614.83	2,020,703.53
Travel	9,912.96	566,724.57			576,637.53	562,242.13
Materials and Supplies	15,124.72	281,751.31	2,123,921.00		2,420,797.03	409,428.82
Communications and Utilities	294.20	289,702.55	948.18		290,944.93	207,164.27
Repairs and Maintenance	868.44	207,542.44	4,800.00		213,210.88	211,249.25
Rentals and Leases	1,336.22	889,453.79			890,790.01	749,577.38
Printing and Reproduction	4,009.35	65,054.53	171.00		69,234.88	44,057.67
Depreciation and Amortization				808,823.31	808,823.31	188,875.98
Interest						160.22
Scholarships		1,425.65			1,425.65	1,928.14
Claims and Judgments						4,112,890.00
Other Operating Expenses	(2,076,751.43)	(1,777,933.90)	87,923.23		(3,766,762.10)	(184,553.35)
TOTAL OPERATING EXPENSES	\$ (626,622.55)	\$ 24,780,417.75	\$ 2,217,763.41	\$ 808,823.31	\$ 27,180,381.92	\$ 21,203,323.15