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Committee Meeting: 2/10/2016

Board Meeting: 2/11/2016
Galveston, Texas

R. Steven Hicks, Chairman
David J. Beck
Wallace L. Hall, Jr.
Jeffery D. Hildebrand
Sara Martinez Tucker

		Committee Meeting	Board Meeting	Page
7.	**U. T. System Board of Regents: The University of Texas Investment Management Company (UTIMCO) Performance Summary Report and Investment Reports for the quarter ended November 30, 2015**	*10:05 a.m.* **Report/Discussion** *Mr. Zimmerman*	**Report**	**230**
8.	**U. T. System Board of Regents: Approval of an Accreditation Program for Texas State Agencies and Group Purchasing Organizations (GPO Accreditation Program)**	*10:20 a.m.* **Action** *Dr. Kelley*	**Action**	**236**
B.	**CONVENE JOINT MEETING WITH AUDIT, COMPLIANCE, AND MANAGEMENT REVIEW COMMITTEE**	*10:30 a.m.*		
9.	**U. T. System: Report on the Fiscal Year 2015 Annual Financial Report, including the report on the U. T. System Annual Financial Report Audit, and audits of U. T. M. D. Anderson Cancer Center, U. T. Southwestern Medical Center, and U. T. Medical Branch - Galveston financial statements and for funds managed by The University of Texas Investment Management Company (UTIMCO)**	*10:30 a.m.* **Report/Discussion** *Mr. Wallace* *Mr. Peppers* *Mr. Robert Penshorn, Ms. Tracey Cooley, Mr. Robert Cowley, and Mr. Blake Rodgers, Deloitte & Touche*	Not on Agenda	**241**
C.	**ADJOURN**	*11:00 a.m.*		

1. U. T. System Board of Regents: Discussion and appropriate action regarding Consent Agenda items, if any, assigned for Committee consideration

RECOMMENDATION

The proposed Consent Agenda is located at the back of the book. Consent Agenda items assigned to this Committee are on Pages 436 - 442.

2. U. T. System: Key Financial Indicators Report and Monthly Financial Report

REPORT

Dr. Scott C. Kelley, Executive Vice Chancellor for Business Affairs, will discuss the Key Financial Indicators Report, as set forth on Pages 125 - 132 and the December Monthly Financial Report on Pages 133 - 157. The reports represent the consolidated and individual operating detail of the U. T. System institutions.

The Key Financial Indicators Report compares the Systemwide quarterly results of operations, key revenues and expenses, reserves, and key financial ratios in a graphical presentation from Fiscal Year 2012 through November 2016. Ratios requiring balance sheet data are provided for Fiscal Year 2011 through Fiscal Year 2015.

THE UNIVERSITY OF TEXAS SYSTEM

KEY FINANCIAL INDICATORS REPORT

NOVEMBER 2015

U. T. System Office of the Controller

February 2016

KEY

Actual Annual Amounts
(SOURCE: Annual Financial Reports)

Budget amounts
(SOURCE: Operating Budget Summary)

Projected Amounts based on the average change of the previous three years of data

Monthly Financial Report Year-to-Date Amounts

Annual and Quarterly Average of FTEs
(SOURCE: State Auditor's Office Quarterly FTE Report)

Year-to-Date Margin
(SOURCE: Monthly Financial Report)

Projected Amounts based on Monthly Financial Report

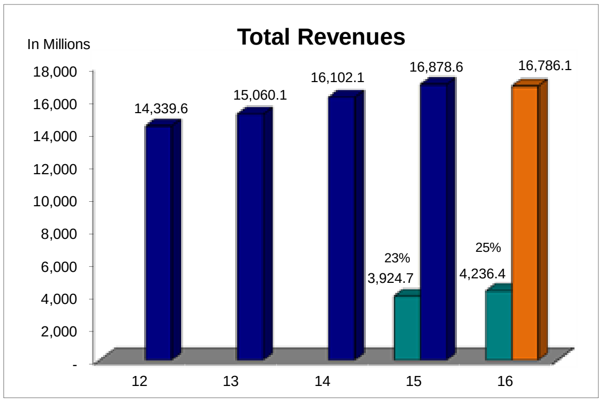
Year-to-Date Margin
(SOURCE: Monthly Financial Report)

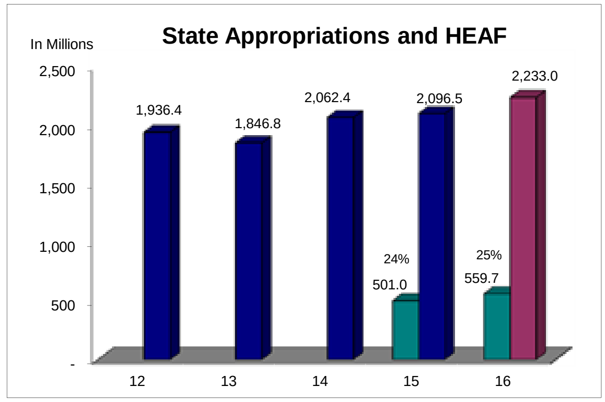
Target Normalized Rates

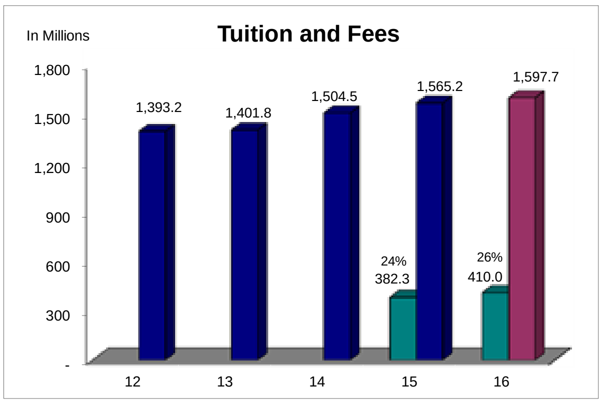
Aaa Median
(SOURCE: Moody's)

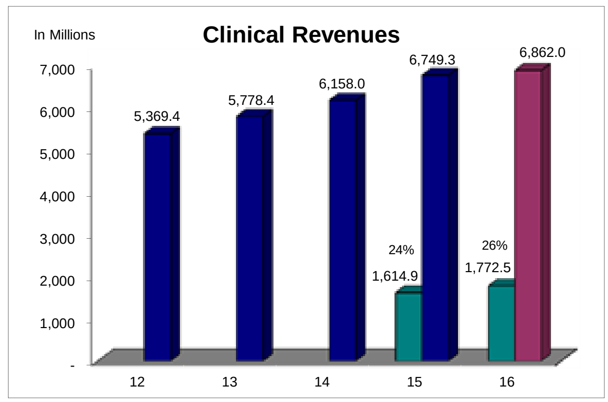
A2 Median
(SOURCE: Moody's)

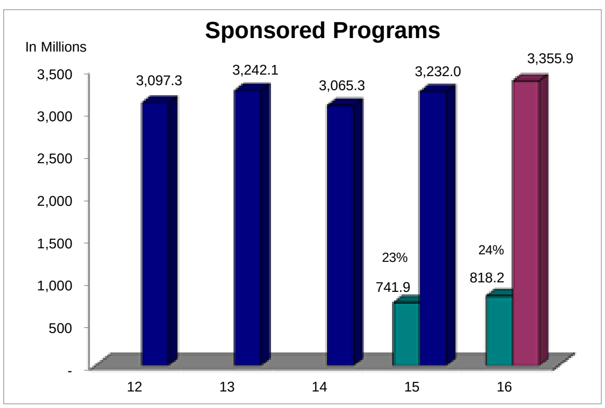
KEY INDICATORS OF REVENUES
ACTUAL 2012 THROUGH 2015
PROJECTED 2016
YEAR-TO-DATE 2015 AND 2016 FROM NOVEMBER MONTHLY FINANCIAL REPORT

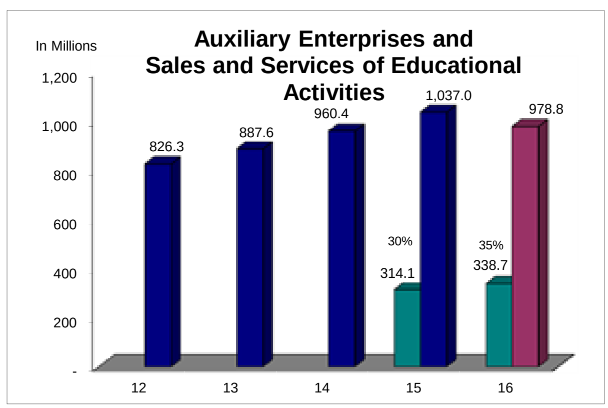


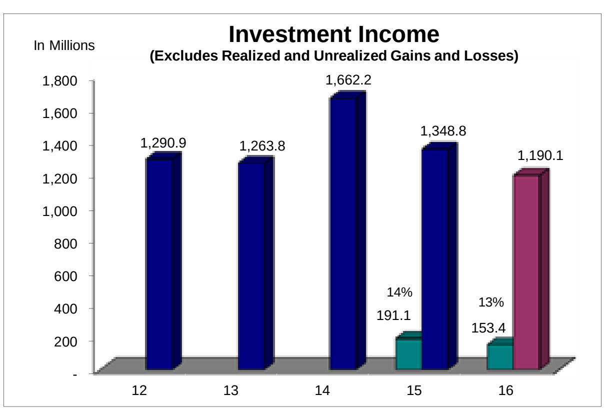


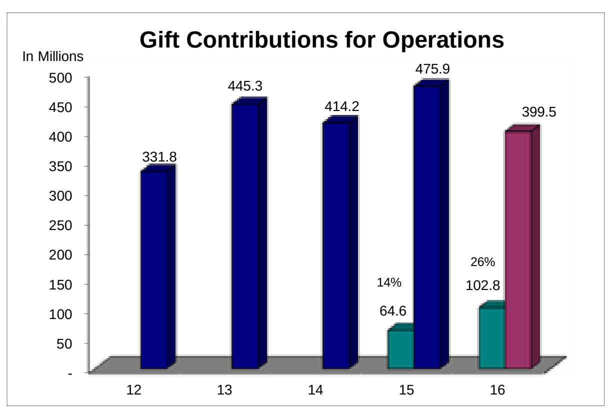




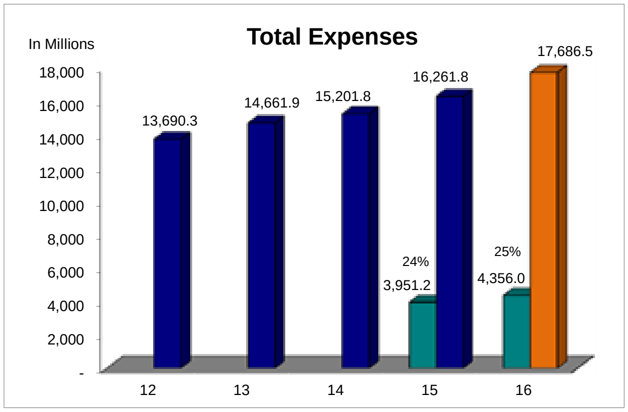


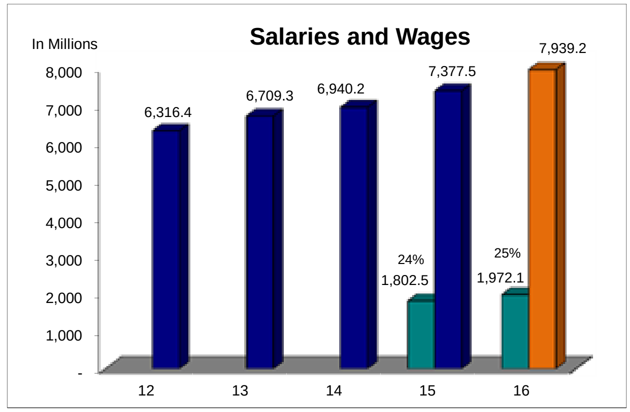


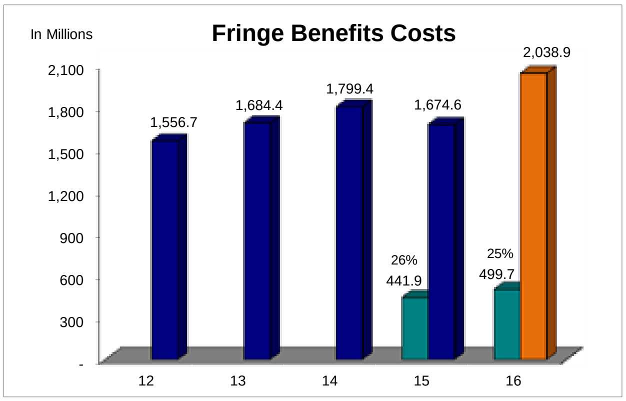


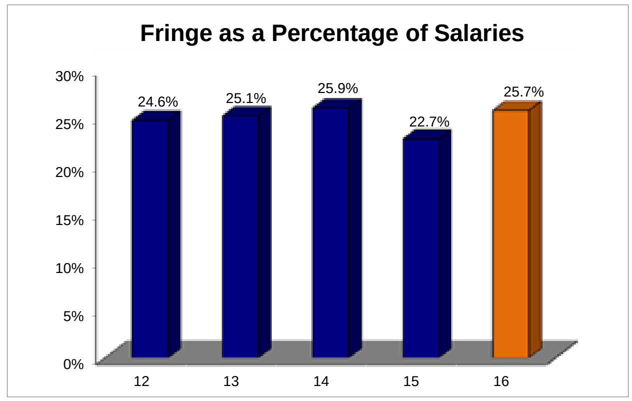


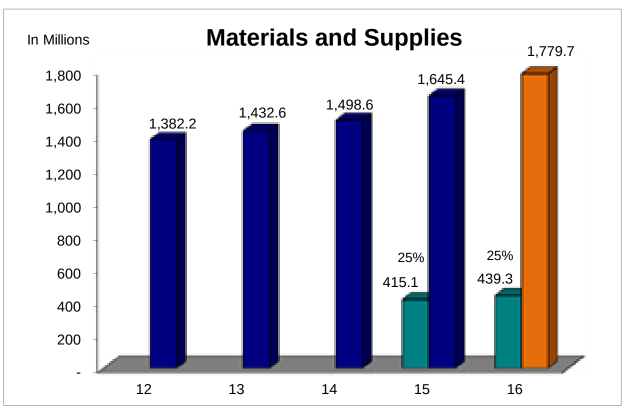
KEY INDICATORS OF EXPENSES
ACTUAL 2012 THROUGH 2015
PROJECTED 2016
YEAR-TO-DATE 2015 AND 2016 FROM NOVEMBER MONTHLY FINANCIAL REPORT

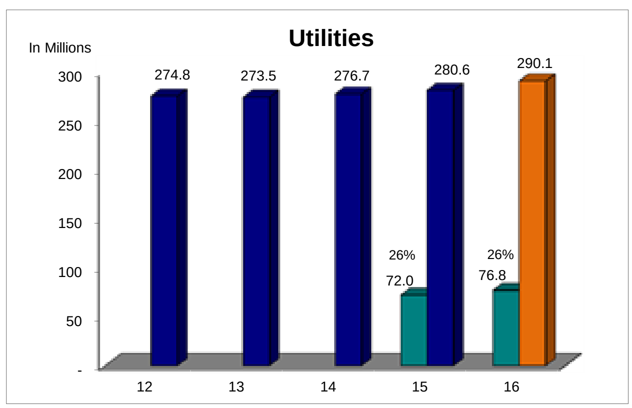


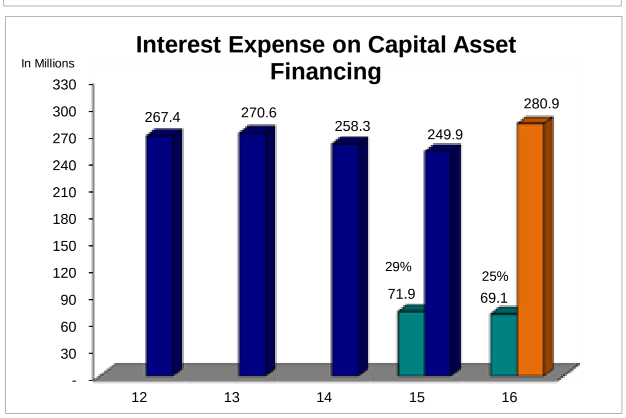


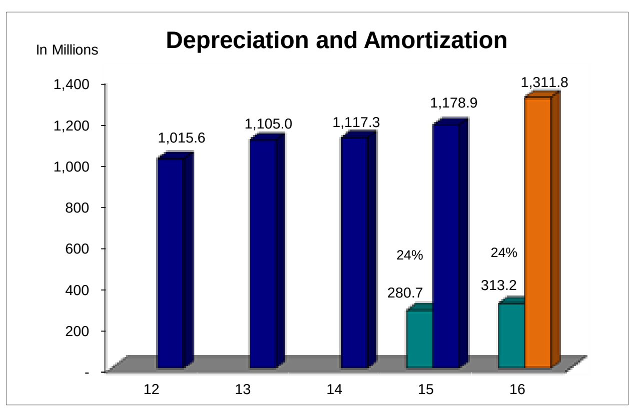




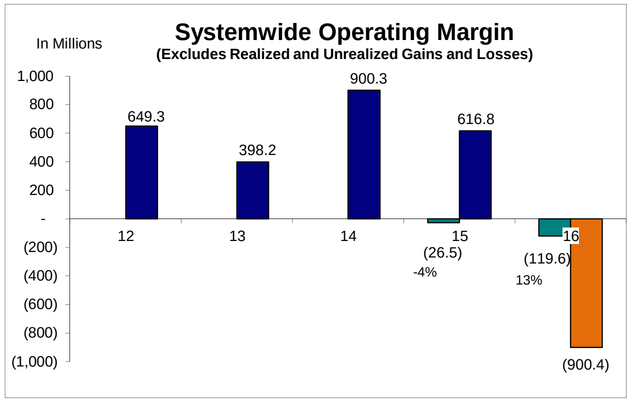


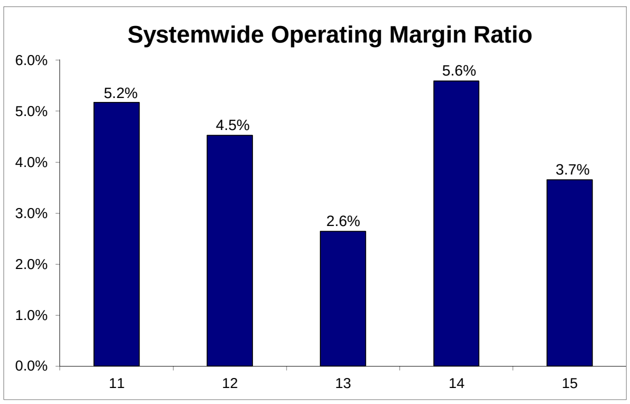


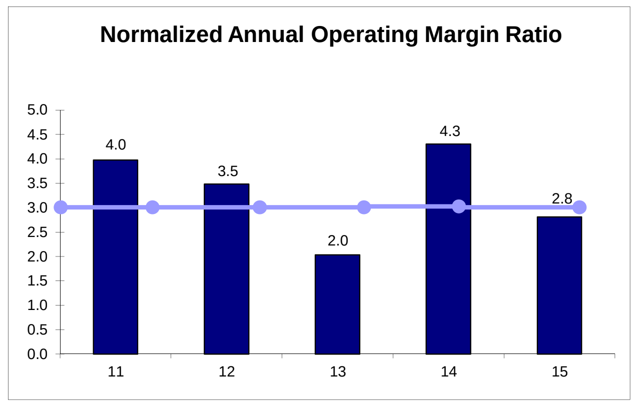


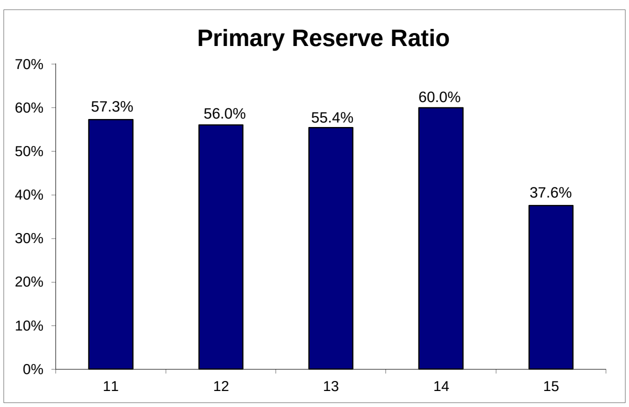


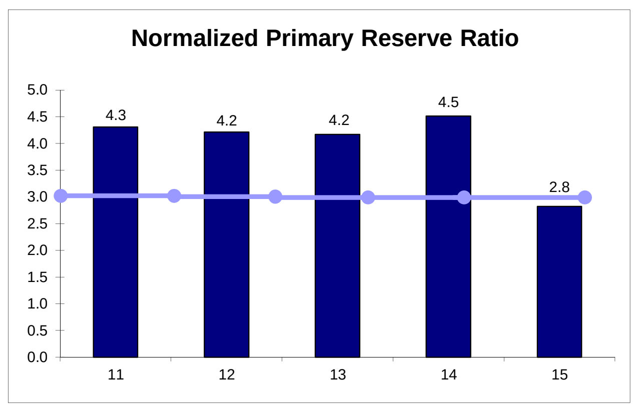
KEY INDICATORS OF RESERVES
ACTUAL 2011 THROUGH 2015
PROJECTED 2016
YEAR-TO-DATE 2015 AND 2016 FROM NOVEMBER MONTHLY FINANCIAL REPORT

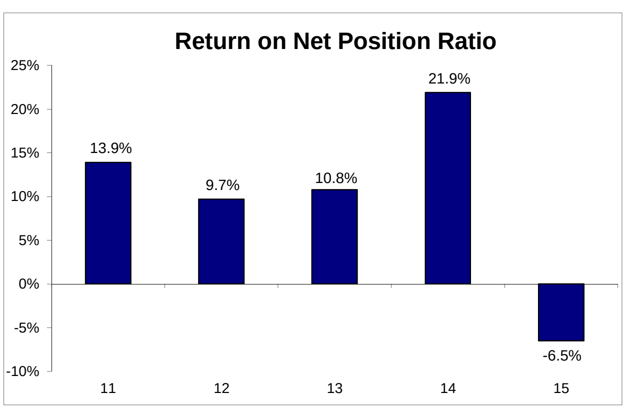


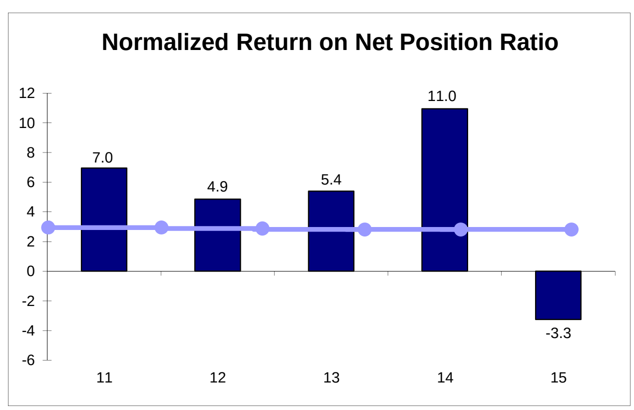




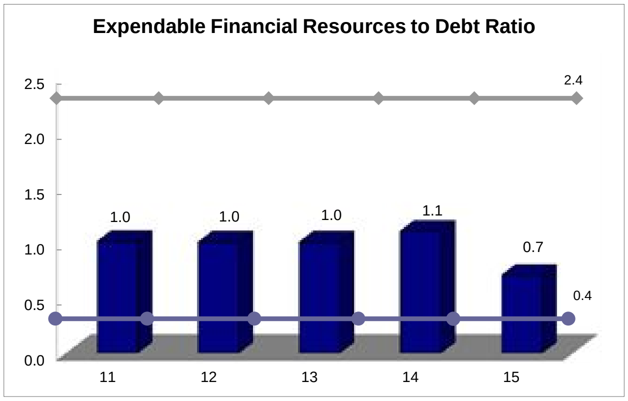


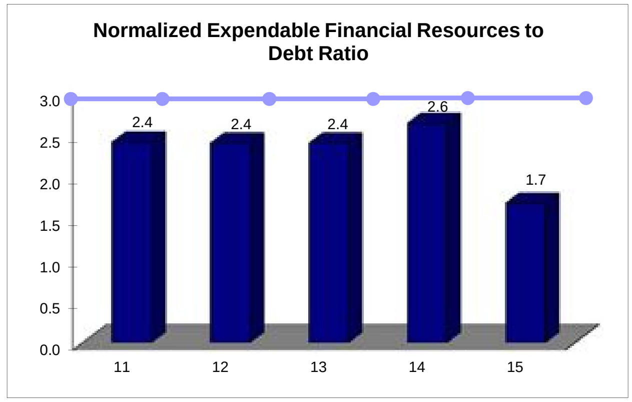


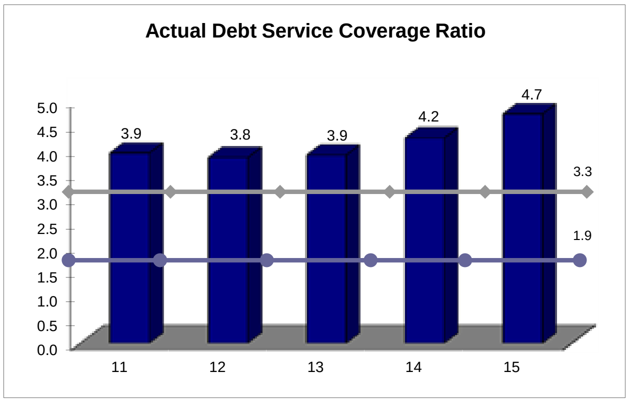


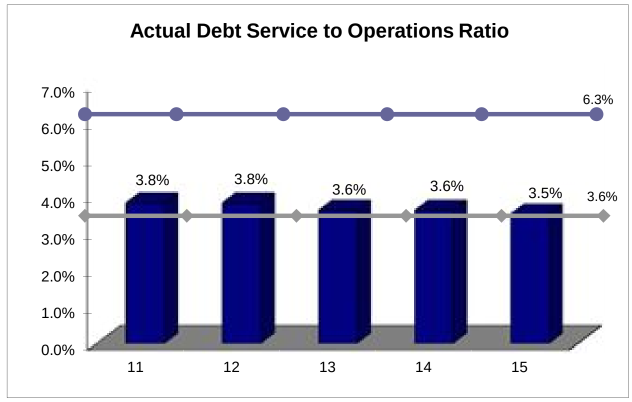


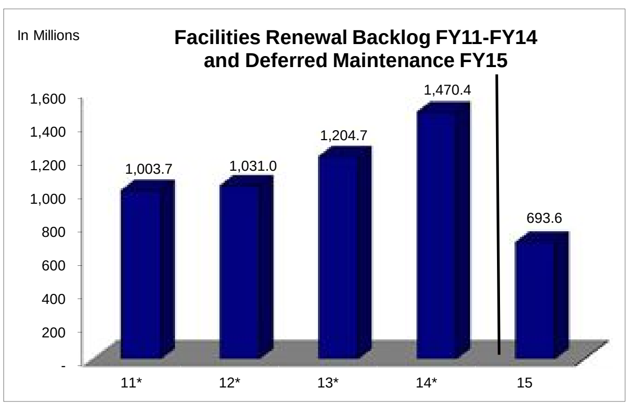
KEY INDICATORS OF CAPITAL NEEDS AND CAPACITY
2011 THROUGH 2015

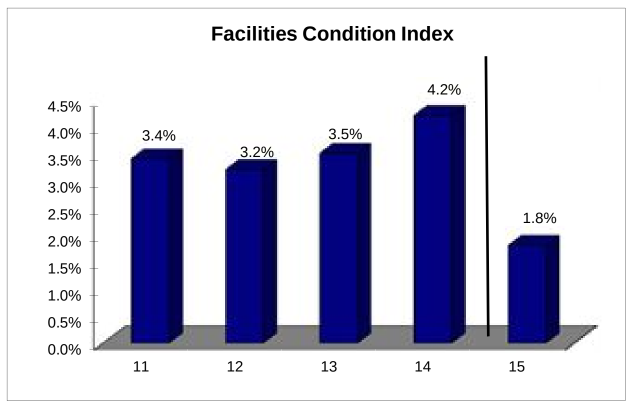












*For FY 2011 through 2014 the source of backlog data is the Facilities' Renewal Model (FRRM) and those systems that have exceeded their Life Cycle Age. Beginning in FY 2015 the deferred maintenance data is taken from the new annual BOR Campus Condition Report and the facilities' executives assessment of those systems that have failed or will fail within the current budget cycle (within one year).

Note: Line between FY 2014 and 2015 indicates a change in the source data.

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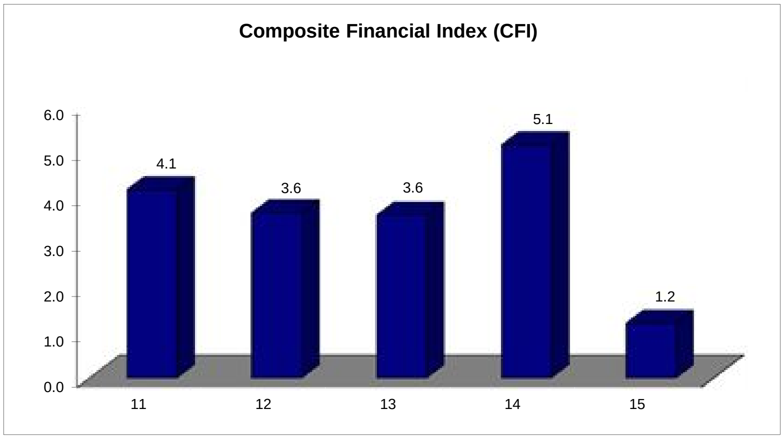
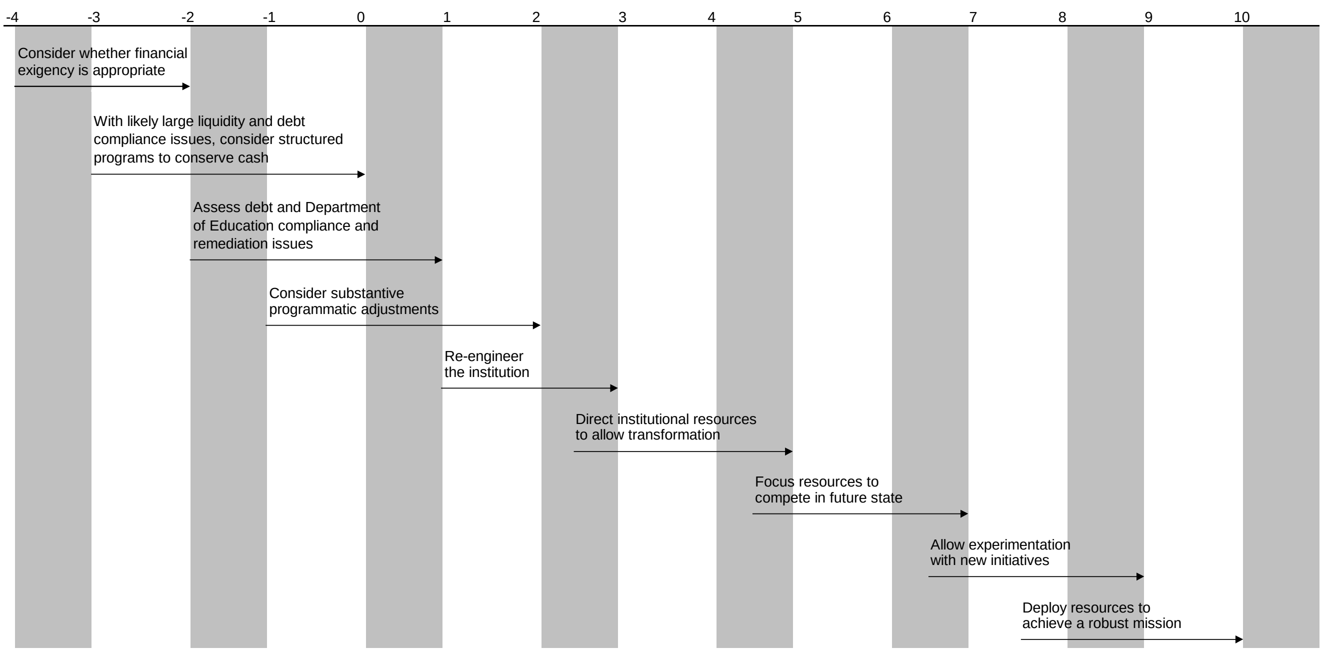
KEY INDICATORS OF FINANCIAL HEALTH
2011 THROUGH 2015

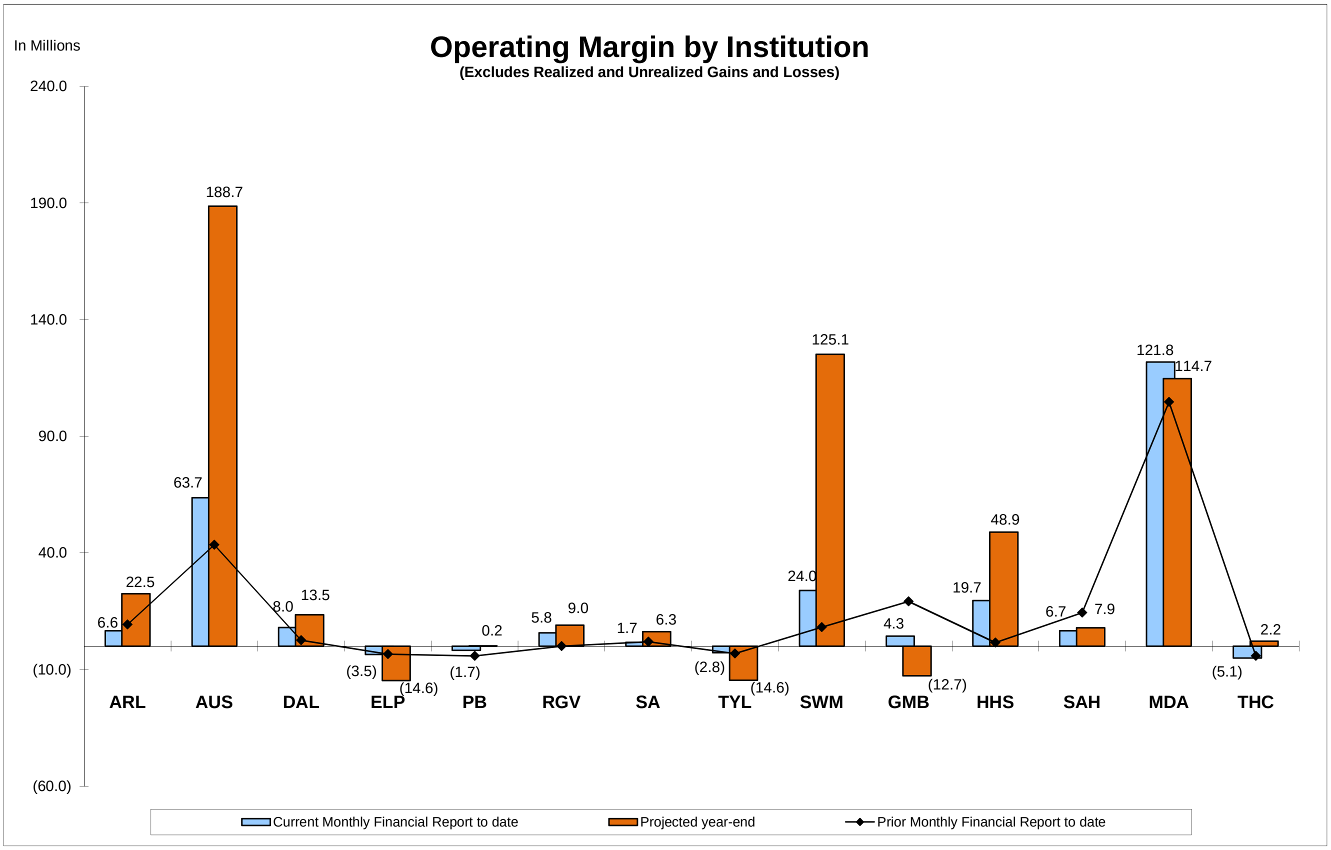


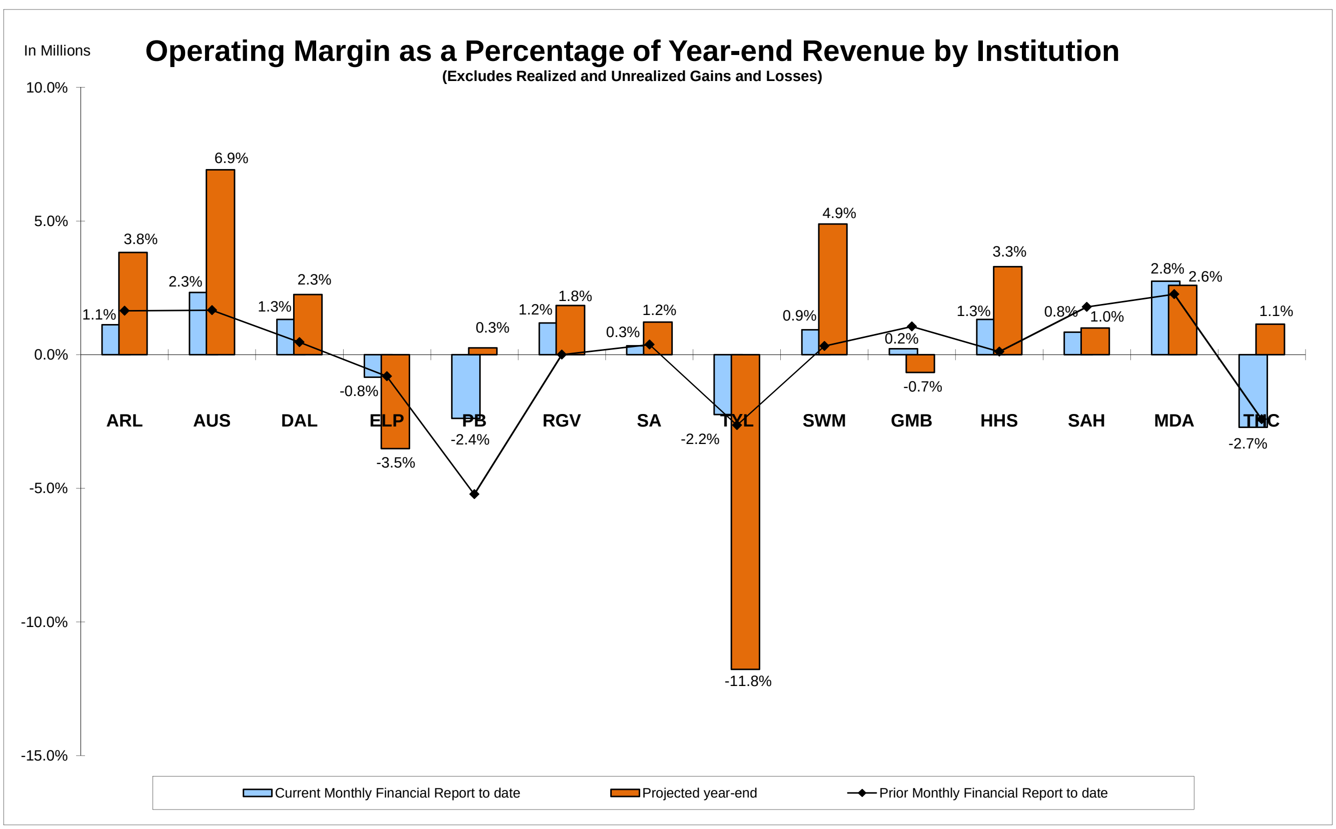
Scale for Charting CFI Performance



Source: Strategic Financial Analysis for Higher Education, Seventh Edition

KEY INDICATORS OF RESERVES
YEAR-TO-DATE 2015 AND 2016 FROM NOVEMBER MONTHLY FINANCIAL REPORT
PROJECTED 2016 YEAR-END MARGIN





THE UNIVERSITY OF TEXAS SYSTEM
OFFICE OF THE CONTROLLER

MONTHLY FINANCIAL REPORT

(unaudited)

DECEMBER 2015

201 Seventh Street, ASH 5th Floor
Austin, Texas 78701
512.499.4527
www.utsystem.edu/cont

THE UNIVERSITY OF TEXAS SYSTEM
MONTHLY FINANCIAL REPORT
(Unaudited)
FOR THE FOUR MONTHS ENDING
December 31, 2015

The University of Texas System
Monthly Financial Report

Foreword

The Monthly Financial Report (MFR) compares the results of operations between the current year-to-date cumulative amounts and the prior year-to-date cumulative amounts. Explanations are provided for institutions having the largest variances in Adjusted Income (Loss) year-to-date as compared to the prior year, both in terms of dollars and percentages. In addition, although no significant variance may exist, institutions with losses may be discussed.

The data is reported in three sections: (1) Operating Revenues, (2) Operating Expenses, and (3) Other Nonoperating Adjustments. Presentation of state appropriation revenues are required under GASB 35 to be reflected as nonoperating revenues, so all institutions will report an Operating Loss prior to this adjustment. The MFR provides an Adjusted Income (Loss), which takes into account the nonoperating adjustments associated with core operating activities. An Adjusted Margin (as a percentage of operating and nonoperating revenue adjustments) is calculated for each period and is intended to reflect relative operating contributions to financial health.

UNAUDITED

The University of Texas System Consolidated
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2015

	December Year-to-Date FY 2016	December Year-to-Date FY 2015	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition and Fees	549,484,893.01	506,251,071.32	43,233,821.69	8.5%
Sponsored Programs	1,000,247,498.23	912,136,816.79	88,110,681.44	9.7%
Net Sales and Services of Educational Activities	217,245,238.65	149,836,210.41	67,409,028.24	45.0%
Net Sales and Services of Hospitals	1,834,815,709.94	1,668,709,446.99	166,106,262.95	10.0%
Net Professional Fees	548,599,493.77	502,080,102.84	46,519,390.93	9.3%
Net Auxiliary Enterprises	221,034,654.15	198,144,949.96	22,889,704.19	11.6%
Other Operating Revenues	128,691,670.06	123,026,489.11	5,665,180.95	4.6%
Total Operating Revenues	**4,500,119,157.81**	**4,060,185,087.42**	**439,934,070.39**	**10.8%**
Operating Expenses				
Salaries and Wages	2,641,591,702.80	2,395,372,323.79	246,219,379.01	10.3%
Payroll Related Costs	693,544,186.30	606,067,734.47	87,476,451.83	14.4%
Cost of Goods Sold	50,611,830.12	41,916,061.76	8,695,768.36	20.7%
Professional Fees and Services	160,560,704.89	132,976,491.20	27,584,213.69	20.7%
Other Contracted Services	255,520,273.20	236,607,850.70	18,912,422.50	8.0%
Travel	49,611,287.93	42,517,741.42	7,093,546.51	16.7%
Materials and Supplies	592,701,469.84	541,153,685.00	51,547,784.84	9.5%
Utilities	97,587,023.92	88,686,546.49	8,900,477.43	10.0%
Communications	39,440,362.99	50,793,034.42	(11,352,671.43)	-22.4%
Repairs and Maintenance	105,913,775.34	95,186,467.09	10,727,308.25	11.3%
Rentals and Leases	58,070,191.20	54,079,282.94	3,990,908.26	7.4%
Printing and Reproduction	12,056,106.91	11,233,497.96	822,608.95	7.3%
Bad Debt Expense	446,481.25	264,375.57	182,105.68	68.9%
Claims and Losses	2,662,024.73	11,155,805.41	(8,493,780.68)	-76.1%
Increase in Net OPEB Obligation	222,280,885.00	186,623,401.67	35,657,483.33	19.1%
Pension Expense	70,964,922.49	-	70,964,922.49	100.0%
Scholarships and Fellowships	109,650,713.82	104,434,639.98	5,216,073.84	5.0%
Depreciation and Amortization	417,670,295.72	376,057,300.56	41,612,995.16	11.1%
Federal Sponsored Program Pass-Through to Other State Agencies	8,018,500.08	5,407,266.64	2,611,233.44	48.3%
State Sponsored Program Pass-Through to Other State Agencies	1,302,095.93	1,287,138.47	14,957.46	1.2%
Other Operating Expenses	153,026,966.03	138,381,953.66	14,645,012.37	10.6%
Total Operating Expenses	**5,743,231,800.49**	**5,120,202,599.20**	**623,029,201.29**	**12.2%**
Operating Loss	**(1,243,112,642.68)**	**(1,060,017,511.78)**	**(183,095,130.90)**	**-17.3%**
Other Nonoperating Adjustments				
State Appropriations	748,331,951.31	674,856,380.28	73,475,571.03	10.9%
Nonexchange Sponsored Programs	81,430,800.99	62,663,748.16	18,767,052.83	29.9%
Gift Contributions for Operations	183,849,316.17	185,799,675.91	(1,950,359.74)	-1.0%
Net Investment Income	246,948,908.13	316,385,422.37	(69,436,514.24)	-21.9%
Interest Expense on Capital Asset Financings	(89,178,370.87)	(93,852,721.31)	4,674,350.44	5.0%
Net Other Nonoperating Adjustments	**1,171,382,605.73**	**1,145,852,505.41**	**25,530,100.32**	**2.2%**
Adjusted Income (Loss) including Depreciation & Amortization	**(71,730,036.95)**	**85,834,993.63**	**(157,565,030.58)**	**-183.6%**
Adjusted Margin % including Depreciation & Amortization	**-1.2%**	**1.6%**		
Investment Gain (Losses)	(721,725,817.44)	(600,732,475.57)	(120,993,341.87)	-20.1%
Adj. Inc. (Loss) with Investment Gains (Losses)	**(793,455,854.39)**	**(514,897,481.94)**	**(278,558,372.45)**	**-54.1%**
Adj. Margin % with Investment Gains (Losses)	**-15.7%**	**-11.0%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**345,940,258.77**	**461,892,294.19**	**(115,952,035.42)**	**-25.1%**
Adjusted Margin % excluding Depreciation & Amortization	**6.0%**	**8.7%**		

The University of Texas System
Comparison of Adjusted Income (Loss)
For the Four Months Ending December 31, 2015

	Including Depreciation and Amortization Expense				
	December Year-to-Date FY 2016	**December Year-to-Date FY 2015**	**Variance**		**Fluctuation Percentage**
U. T. System Administration	$ (311,215,257.48)	$ (91,027,206.38)	(220,188,051.10)	(1)	-241.9%
U. T. Arlington	10,386,954.36	10,531,543.66	(144,589.30)		-1.4%
U. T. Austin	82,228,622.49	52,757,380.95	29,471,241.54	(2)	55.9%
U. T. Brownsville	(342,454.29)	(2,900,271.29)	2,557,817.00		88.2%
U. T. Dallas	3,316,315.27	5,004,829.91	(1,688,514.64)	(3)	-33.7%
U. T. El Paso	(4,653,915.94)	(3,626,672.07)	(1,027,243.87)	(4)	-28.3%
U. T. Permian Basin	(919,651.27)	(2,080,466.22)	1,160,814.95	(5)	55.8%
U. T. Rio Grande Valley	7,017,696.21	-	7,017,696.21		100.0%
U. T. San Antonio	2,936,889.43	4,014,345.30	(1,077,455.87)	(6)	-26.8%
U. T. Tyler	(2,509,511.25)	(4,255,007.35)	1,745,496.10	(7)	41.0%
U. T. Southwestern Medical Center	48,041,182.56	27,791,591.37	20,249,591.19	(8)	72.9%
U. T. Medical Branch - Galveston	55,450.50	19,308,679.28	(19,253,228.78)	(9)	-99.7%
U. T. Health Science Center - Houston	20,449,877.34	5,526,927.42	14,922,949.92	(10)	270.0%
U. T. Health Science Center - San Antonio	13,609,728.04	15,597,668.71	(1,987,940.67)		-12.7%
U. T. M. D. Anderson Cancer Center	164,087,298.03	133,775,077.36	30,312,220.67	(11)	22.7%
U. T. Health Science Center - Tyler	(7,115,260.95)	3,499,906.31	(10,615,167.26)	(12)	-303.3%
Elimination of AUF Transfer	(97,104,000.00)	(88,083,333.33)	(9,020,666.67)		-10.2%
Total Adjusted Income (Loss)	(71,730,036.95)	85,834,993.63	(157,565,030.58)		-183.6%
Investment Gains (Losses)	(721,725,817.44)	(600,732,475.57)	(120,993,341.87)		-20.1%
Total Adjusted Income (Loss) with Investment Gains (Losses) Including Depreciation and Amortization	**$ (793,455,854.39)**	**$ (514,897,481.94)**	**$ (278,558,372.45)**		**-54.1%**

	Excluding Depreciation and Amortization Expense			
	December Year-to-Date FY 2016	**December Year-to-Date FY 2015**	**Variance**	**Fluctuation Percentage**
U. T. System Administration	$ (305,088,723.53)	$ (86,324,804.12)	(218,763,919.41)	-253.4%
U. T. Arlington	25,645,938.38	25,468,147.77	177,790.61	0.7%
U. T. Austin	167,228,622.49	132,757,380.95	34,471,241.54	26.0%
U. T. Brownsville	(139,508.81)	(56,265.92)	(83,242.89)	-147.9%
U. T. Dallas	23,103,577.73	24,181,314.72	(1,077,736.99)	-4.5%
U. T. El Paso	5,811,055.08	6,577,788.67	(766,733.59)	-11.7%
U. T. Permian Basin	3,735,348.73	2,263,066.03	1,472,282.70	65.1%
U. T. Rio Grande Valley	19,303,508.72	-	19,303,508.72	100.0%
U. T. San Antonio	18,842,057.73	19,162,787.26	(320,729.53)	-1.7%
U. T. Tyler	2,028,823.23	(229,896.02)	2,258,719.25	982.5%
U. T. Southwestern Medical Center	100,451,541.11	74,406,373.67	26,045,167.44	35.0%
U. T. Medical Branch - Galveston	35,482,588.11	52,623,440.77	(17,140,852.66)	-32.6%
U. T. Health Science Center - Houston	40,940,373.48	25,353,938.13	15,586,435.35	61.5%
U. T. Health Science Center - San Antonio	31,276,394.71	33,097,668.71	(1,821,274.00)	-5.5%
U. T. M. D. Anderson Cancer Center	277,929,452.14	233,523,053.91	44,406,398.23	19.0%
U. T. Health Science Center - Tyler	(3,506,790.53)	7,171,632.99	(10,678,423.52)	-148.9%
Elimination of AUF Transfer	(97,104,000.00)	(88,083,333.33)	(9,020,666.67)	-10.2%
Total Adjusted Income (Loss)	345,940,258.77	461,892,294.19	(115,952,035.42)	-25.1%
Total Adjusted Income (Loss) Excluding Depreciation and Amortization	**$ 345,940,258.77**	**$ 461,892,294.19**	**$ (115,952,035.42)**	**-25.1%**

THE UNIVERSITY OF TEXAS SYSTEM
EXPLANATION OF VARIANCES ON THE MONTHLY FINANCIAL REPORT
For the Four Months Ending December 31, 2015

Explanations are provided for institutions having the largest variances in adjusted income (loss) year-to-date as compared to the prior year, both in terms of dollars and percentages. Explanations are also provided for institutions with a current year-to-date adjusted loss and/or a projected year-to-date loss.

(1) *U. T. System Administration* – The $220.2 million (241.9%) increase in adjusted loss over the same period last year was primarily due to a decrease in oil and gas royalties, which are a component of net investment income. Additionally, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, became effective in 2015. *U. T. System Administration* recognized an accrual of $71.0 million for the entire *U. T. System* for the first four months of 2016; however, in 2015 the pension expense was not recognized until July. Also contributing to the increase in the adjusted loss was an increase of $35.7 million in the accrual for Other Postemployment Benefits (OPEB) expense for the entire *U. T. System*. As a result of these factors, *U. T. System Administration* incurred a year-to-date loss of $311.2 million. Excluding depreciation and amortization expense, *U. T. System Administration's* adjusted loss was $305.1 million or -297.7% of revenues. *U. T. System Administration* anticipates ending the year with a $962.7 million loss, -345.8% of projected revenues, which includes $18.4 million of depreciation and amortization expense, as well as a $666.8 million accrual for OPEB and a $212.9 million accrual for pension expense.

(2) *U. T. Austin* – The $29.5 million (55.9%) increase in adjusted income over the same period last year was primarily attributable to the following: an increase in gift contributions for operations due to increased gift pledges including an $8.3 million pledge from Houston Endowment Inc.; an increase in state appropriations; and an increase in funding from the Available University Fund primarily for operations and the new medical school. Excluding depreciation and amortization expense, *U. T. Austin's* adjusted income was $167.2 million or 17.1% of revenues.

(3) *U. T. Dallas* – The $1.7 million (33.7%) decrease in adjusted income over the same period last year was primarily attributable to an increase in salaries and wages and payroll related costs as a result of merit increases and an increase in the number of full-time equivalents. Payroll related costs also increased due to increased premium sharing rates. Excluding depreciation and amortization expense, *U. T. Dallas'* adjusted income was $23.1 million or 11.8% of revenues.

(4) *U. T. El Paso* – The $1.0 million (28.3%) increase in adjusted loss over the same period last year was largely attributable to an increase in salaries and wages due to a 2% merit pool increase implemented in 2016. *U. T. El Paso* incurred a year-to-date loss of $4.7 million as a result of the increase in salaries and wages, combined with the following: an increase in tuition exemption scholarship expense, primarily related to the Hazelwood and Hazelwood Legacy programs; and an increase in depreciation expense over the last five years as a result of the rapid growth of buildings and research infrastructure on campus. Excluding depreciation and amortization expense, *U. T. El Paso's* adjusted income was $5.8 million or 4.6% of revenues. *U. T. El Paso* anticipates ending the year with a $14.6 million loss, -3.5% of projected revenues, which includes $33.7 million of depreciation and amortization expense. *U. T. El Paso* is implementing measures to reduce spending, including a hiring freeze on positions that are not mission critical, utility savings efforts, and other cost savings measures.

(5) *U. T. Permian Basin* – The $1.2 million (55.8%) decrease in adjusted loss over the same period last year was primarily attributable to a decrease in scholarships and fellowships as a result of the PeopleSoft implementation of the student services system which delayed financial aid awards. State appropriations also increased due to new funding for the Rural Digital University, as well as increased enrollment. Despite these factors, *U. T. Permian Basin* still incurred a year-to-date loss of $0.9 million as a result of increased salaries and wages and payroll related costs driven by merit increases and additional faculty to accommodate the increased enrollment. Payroll related costs also increased as a result of increased premium sharing rates. Excluding depreciation and amortization expense, *U. T. Permian Basin's* adjusted income was $3.7 million or 14.0% of revenues. *U. T. Permian Basin* anticipates ending the year with a $0.6 million positive margin, 0.9% of projected revenues, which includes $13.4 million of depreciation and amortization expense.

(6) *U. T. San Antonio* – The $1.1 million (26.8%) decrease in adjusted income over the same period last year was primarily due to increases in salaries and wages and payroll related costs as a result of merit increases. Additionally, the monthly amount for Retiree Premium Sharing was not recorded in the prior year, which also contributed to the increase in payroll related costs. Excluding depreciation and amortization expense, *U. T. San Antonio's* adjusted income was $18.8 million or 10.9% of revenues.

(7) *U. T. Tyler* – The $1.7 million (41.0%) decrease in adjusted loss over the same period last year was largely due to an increase in state appropriations. Despite this increase, *U. T. Tyler* still incurred a year-to-date loss of $2.5 million, which was primarily attributable to an increase in salaries and wages and payroll related costs driven by merit and market increases. The number of full-time equivalents also increased as a result of the new College of Pharmacy and the implementation of PeopleSoft. Excluding depreciation and amortization expense, *U. T. Tyler's* adjusted income was $2.0 million or 4.7% of revenues. *U. T. Tyler* anticipates ending the year with a $13.9 million

loss, -11.4% of projected revenues, which includes $13.6 million of depreciation and amortization expense. The projected loss is the result of an increase in personnel and renovation projects across the campus not meeting the threshold for capitalization.

(8) *U. T. Southwestern Medical Center* – The $20.2 million (72.9%) increase in adjusted income over the same period last year was primarily attributable to an increase in net sales and services of hospitals as a result of increased outpatient and inpatient revenue and an increase in net professional fees primarily attributable to a reduction in charity care and a reduction in the contractual allowance for Medicaid. Other operating revenues also increased due to increases in revenue from the Delivery System Reform Incentive Payments (DSRIP), the Network Access Improvement Program, and *Southwestern's* Accountable Care Network. These increases in revenue were partially offset by increases in salaries and wages and payroll related costs as a result of additional employees, a 3% merit increase and increased premium sharing rates. Depreciation and amortization expense also increased due to the opening of the William P. Clements University Hospital in December 2014. Excluding depreciation and amortization expense, *Southwestern's* adjusted income was $100.5 million or 11.4% of revenues.

(9) *U. T. Medical Branch – Galveston* – The $19.3 million (99.7%) decrease in adjusted income as compared to the same period last year was primarily attributable to an increase in salaries and wages and payroll related costs due to the addition of 106 faculty full-time equivalents resulting from clinical recruitment. Salary adjustments and increased premium sharing rates also contributed to the increases in salaries and wages and payroll related costs. Excluding depreciation and amortization, *UTMB's* adjusted income was $35.5 million or 5.7% of revenues. Although *UTMB* is not currently reporting a loss, they anticipate ending the year with a $12.7 million loss which represents -0.7% of projected revenues and includes $147.6 million of depreciation and amortization expense.

(10) *U. T. Health Science Center – Houston* – The $14.9 million (270.0%) increase in adjusted income as compared to the same period last year was primarily attributable to an increase in sponsored program revenue related to growth of the physician practice plan. Net professional fees also increased due to an increase in gross charges as a result of faculty recruitments and the planned expansion and growth of the physician practice plan, as well as an increase in uncompensated care revenue. These revenue increases were partially offset by increased salaries and wages and payroll related costs as a result of the ongoing recruitment efforts related to the planned expansion and growth of the physician practice plan. Excluding depreciation and amortization expense, *UTHSC-Houston's* adjusted income was $40.9 million or 8.1% of revenues.

(11) *U. T. M. D. Anderson Cancer Center* – The $30.3 million (22.7%) increase in adjusted income over the same period last year was primarily due to an increase in gifts for operations resulting from a number of large gifts received in 2016 from the following: the Parker Foundation, the Maynard Family Foundation, Exxon Mobil, Stripes LLC, the Farmer Family Foundation, and the Mays Family Foundation. Also contributing to the variance was an increase in net investment income. Excluding depreciation and amortization expense, *M. D. Anderson's* adjusted income was $277.9 million or 17.9% of revenues.

(12) *U. T. Health Science Center – Tyler* – The $10.6 million (303.3%) increase in adjusted loss as compared to adjusted income over the same period last year was primarily attributable to the following: a decrease in other operating revenues driven by a decrease of $7.4 million in DSRIP revenue; and an increase in salaries and wages and payroll related costs as a result of the hiring of 66 behavioral health employees due to the dissolution of the main psychiatric subcontractor, as well as the addition of new employees for the new Population/Community Health Program and for the opening of the clinic in Lindale. As a result of these factors, *UTHSC-Tyler* incurred a year-to-date loss of $7.1 million. Excluding depreciation and amortization expense, *UTHSC-Tyler's* adjusted loss was $3.5 million or -6.2% of revenues. *UTHSC-Tyler* anticipates ending the year with a positive margin of $2.2 million as a result of adjustments to the workforce size that are currently being planned. This represents 1.1% of projected revenues and includes $10.8 million of depreciation and amortization expense.

GLOSSARY OF TERMS

OPERATING REVENUES:

NET STUDENT TUITION – All student tuition and fee revenues earned at the UT institution for educational purposes, net of tuition discounting.

SPONSORED PROGRAMS – Funding received from local, state and federal governments or private agencies, organizations or individuals, excluding Federal Pell Grant Program which is reported as nonoperating. Includes amounts received for services performed on grants, contracts, and agreements from these entities for current operations. This also includes indirect cost recoveries and pass-through federal and state grants.

NET SALES AND SERVICES OF EDUCATIONAL ACTIVITIES – Revenues that are related to the conduct of instruction, research, and public service and revenues from activities that exist to provide an instructional and laboratory experience for students that create goods and services that may be sold.

NET SALES AND SERVICES OF HOSPITALS – Revenues (net of discounts, allowances, and bad debt expense) generated from UT health institution's daily patient care, special or other services, as well as revenues from health clinics that are part of a hospital.

NET PROFESSIONAL FEES – Revenues (net of discounts, allowances, and bad debt expense) derived from the fees charged by the professional staffs at UT health institutions as part of the Medical Practice Plans. These revenues are also identified as Practice Plan income. Examples of such fees include doctor's fees for clinic visits, medical and dental procedures, professional opinions, and anatomical procedures, such as analysis of specimens after a surgical procedure, etc.

NET AUXILIARY ENTERPRISES – Revenues derived from a service to students, faculty, or staff in which a fee is charged that is directly related to, although not necessarily equal to the cost of the service (e.g., bookstores, dormitories, dining halls, snack bars, inter-collegiate athletic programs, etc.).

OTHER OPERATING REVENUES – Other revenues generated from sales or services provided to meet current fiscal year operating expenses, which are not included in the preceding categories (e.g., certified nonprofit healthcare company revenues, donated drugs, interest on student loans, etc.) Other receipts for settlements, judgments and lawsuits are considered nonoperating revenues.

OPERATING EXPENSES:

SALARIES AND WAGES – Expenses for all salaries and wages of individuals employed by the institution including full-time, part-time, longevity, hourly, seasonal, etc. Includes salary augmentation and incentive compensation.

PAYROLL RELATED COSTS – Expenses for all employee benefits paid by the institution or paid by the state on behalf of the institution. Includes supplemental retirement annuities.

COST OF GOODS SOLD - Purchases of goods for resale and raw materials purchased for use in the manufacture of products intended for sale to others.

PROFESSIONAL FEES AND SERVICES – Payments for services rendered on a fee, contract, or other basis by a person, firm, corporation, or company recognized as possessing a high degree of learning and responsibility. Includes such items as services of a consultant, legal counsel, financial or audit fees, medical contracted services, guest lecturers (not employees) and expert witnesses.

OTHER CONTRACTED SERVICES – Payments for services rendered on a contractual basis by a person, firm, corporation or company that possess a lesser degree of learning and responsibility than that required for Professional Fees and Services. Includes such items as temporary employment expenses, janitorial services, dry cleaning services, etc.

TRAVEL – Payments for travel costs incurred by employees and board members for meetings and training.

MATERIALS AND SUPPLIES – Payments for consumable items. Includes, but is not limited to: computer consumables, office supplies, paper products, soap, lights, plants, fuels and lubricants, chemicals and gasses, medical supplies and copier supplies. Also includes postal services, and subscriptions and other publications not for permanent retention.

UTILITIES – Payments for the purchase of electricity, natural gas, water, and thermal energy.

COMMUNICATIONS - Electronically transmitted communications services (telephone, internet, computation center services, etc.).

REPAIRS AND MAINTENANCE – Payments for the maintenance and repair of equipment, furnishings, motor vehicles, buildings and other plant facilities, and waste disposal. Includes, but is not limited to repair and maintenance to copy machines, furnishings, equipment – including medical and laboratory equipment, office equipment and aircraft.

RENTALS AND LEASES – Payments for rentals or leases of furnishings and equipment, vehicles, land and office buildings (all rental of space).

PRINTING AND REPRODUCTION – Printing and reproduction costs associated with the printing/copying of the institution's documents and publications.

BAD DEBT EXPENSE – Expenses incurred by the university related to nonrevenue receivables such as non-payment of student loans.

CLAIMS AND LOSSES – Payments for claims from self-insurance programs. Other claims for settlements, judgments and lawsuits are considered nonoperating expenses.

INCREASE IN NET OPEB OBLIGATION – The change in the actuarially estimated liability of the cost of providing healthcare benefits to UT System's employees after they separate from employment (retire).

PENSION EXPENSE – An estimate of year-end expense which will be allocated from the Texas Comptroller's Office based upon prior year amounts.

SCHOLARSHIPS AND FELLOWSHIPS – Payments made for scholarship grants to students authorized by law, net of tuition discounting.

DEPRECIATION AND AMORTIZATION – Depreciation on capital assets and amortization expense on intangible assets.

FEDERAL SPONSORED PROGRAM PASS-THROUGHS TO OTHER STATE AGENCIES – Pass-throughs to other Texas state agencies, including other universities, of federal grants and contracts.

STATE SPONSORED PROGRAM PASS-THROUGHS TO OTHER STATE AGENCIES – Pass-throughs to other Texas state agencies, including Texas universities.

OTHER OPERATING EXPENSES – Other operating expenses not identified in other line items above (e.g., certified non-profit healthcare company expenses, property taxes, insurance premiums, credit card fees, hazardous waste disposal expenses, meetings and conferences, etc.). Other claims for settlements, judgments and lawsuits are considered nonoperating expenses.

OPERATING LOSS – Total operating revenues less total operating expenses before other nonoperating adjustments like state appropriations.

OTHER NONOPERATING ADJUSTMENTS:

STATE APPROPRIATIONS – Appropriations from the State General Revenue fund, which supplement the UT institutional revenue in meeting operating expenses, such as faculty salaries, utilities, and institutional support.

NONEXCHANGE SPONSORED PROGRAMS – Funding received for the Federal Pell Grant Program, the portion of "state appropriations" funded by the American Recovery and Reinvestment Act, Texas Research Incentive Program (TRIP) and Enrollment Growth funding.

GIFT CONTRIBUTIONS FOR OPERATIONS – Consist of gifts from donors received for use in current operations, excluding gifts for capital acquisition and endowment gifts. Gifts for capital acquisition which can only be used to build or buy capital assets are excluded because they cannot be used to support current operations. Endowment gifts must be held in perpetuity and cannot be spent. The distributed income from endowment gifts must be spent according to the donor's stipulations.

NET INVESTMENT INCOME (on institutions' sheets) – Interest and dividend income on treasury balances, bank accounts, Short Term Fund, Intermediate Term Fund and Long Term Fund. It also includes distributed earnings from the Permanent Health Fund and patent and royalty income.

NET INVESTMENT INCOME (on the consolidated sheet) – Interest and dividend earnings of the Permanent University Fund, Short Term Fund, Intermediate Term Fund, Long Term Fund and Permanent Health Fund. This line item also includes the Available University Fund surface income, oil and gas royalties, and mineral lease bonus sales.

INTEREST EXPENSE ON CAPITAL ASSET FINANCINGS – Interest expenses associated with bond and note borrowings utilized to finance capital improvement projects by an institution. This consists of the interest portion of mandatory debt service transfers under the Revenue Financing System, Tuition Revenue bond and Permanent University Fund (PUF) bond programs. PUF interest expense is reported on System Administration as the debt legally belongs to the Board of Regents.

ADJUSTED INCOME (LOSS) including Depreciation and Amortization – Total operating revenues less total operating expenses including depreciation and amortization expense plus net other nonoperating adjustments.

ADJUSTED MARGIN % including Depreciation and Amortization – Percentage of Adjusted Income (Loss) including depreciation and amortization expense divided by Total Operating Revenues plus Net Nonoperating Adjustments less Interest Expense on Capital Asset Financings.

AVAILABLE UNIVERSITY FUND TRANSFER - Includes Available University Fund (AUF) transfer to System Administration for Educational and General operations and to UT Austin for Excellence Funding. These transfers are funded by investment earnings from the Permanent University Fund (PUF), which are required by law to be reported in the PUF at System Administration. On the MFR, investment income for System Administration has been reduced for the amount of the System Administration transfer so as not to overstate investment income for System Administration. The AUF transfers are eliminated at the consolidated level to avoid overstating System-wide revenues, as the amounts will be reflected as transfers at year-end.

INVESTMENT GAINS (LOSSES) – Realized and unrealized gains and losses on investments.

ADJUSTED INCOME (LOSS) excluding Depreciation and Amortization – Total operating revenues less total operating expenses excluding depreciation and amortization expense plus net other nonoperating adjustments.

ADJUSTED MARGIN % excluding Depreciation and Amortization – Percentage of Adjusted Income (Loss) excluding depreciation and amortization expense divided by Total Operating Revenues plus Net Nonoperating Adjustments less Interest Expense on Capital Asset Financings.

UNAUDITED

The University of Texas System Administration
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2015

	December Year-to-Date FY 2016	December Year-to-Date FY 2015	Variance	Fluctuation Percentage
Operating Revenues				
Sponsored Programs	11,069,294.00	1,125,000.00	9,944,294.00	883.9%
Net Sales and Services of Educational Activities	17,217,808.57	16,335,133.63	882,674.94	5.4%
Other Operating Revenues	36,496,059.18	23,633,813.34	12,862,245.84	54.4%
Total Operating Revenues	**64,783,161.75**	**41,093,946.97**	**23,689,214.78**	**57.6%**
Operating Expenses				
Salaries and Wages	21,897,042.04	17,292,811.03	4,604,231.01	26.6%
Payroll Related Costs	4,759,583.68	4,179,107.86	580,475.82	13.9%
Professional Fees and Services	5,282,371.56	3,899,605.72	1,382,765.84	35.5%
Other Contracted Services	9,412,219.20	11,185,820.89	(1,773,601.69)	-15.9%
Travel	456,052.00	419,803.65	36,248.35	8.6%
Materials and Supplies	10,301,419.87	10,114,697.63	186,722.24	1.8%
Utilities	82,647.91	122,917.43	(40,269.52)	-32.8%
Communications	5,071,996.91	3,992,207.02	1,079,789.89	27.0%
Repairs and Maintenance	8,094,332.85	5,478,526.44	2,615,806.41	47.7%
Rentals and Leases	2,340,353.73	1,252,157.42	1,088,196.31	86.9%
Printing and Reproduction	536,755.14	115,525.18	421,229.96	364.6%
Claims and Losses	2,662,024.73	11,155,805.41	(8,493,780.68)	-76.1%
Increase in Net OPEB Obligation	222,280,885.00	186,623,401.67	35,657,483.33	19.1%
Pension Expense	70,964,922.49	-	70,964,922.49	100.0%
Scholarships and Fellowships	5,809.71	177,000.00	(171,190.29)	-96.7%
Depreciation and Amortization	6,126,533.95	4,702,402.26	1,424,131.69	30.3%
State Sponsored Program Pass-Through to Other State Agencies	1,000,738.67	976,717.93	24,020.74	2.5%
Other Operating Expenses	20,807,428.35	15,633,621.21	5,173,807.14	33.1%
Total Operating Expenses	**392,083,117.79**	**277,322,128.75**	**114,760,989.04**	**41.4%**
Operating Loss	**(327,299,956.04)**	**(236,228,181.78)**	**(91,071,774.26)**	**-38.6%**
Other Nonoperating Adjustments				
State Appropriations	1,029,901.11	641,900.89	388,000.22	60.4%
Nonexchange Sponsored Programs	2,145,580.50	2,074,186.32	71,394.18	3.4%
Gift Contributions for Operations	481,048.91	39,150,762.51	(38,669,713.60)	-98.8%
Net Investment Income	3,258,808.36	109,564,693.54	(106,305,885.18)	-97.0%
Interest Expense on Capital Asset Financings	(21,613,729.99)	(22,760,848.19)	1,147,118.20	5.0%
Net Other Nonoperating Adjustments	**(14,698,391.11)**	**128,670,695.07**	**(143,369,086.18)**	**-111.4%**
Adjusted Income (Loss) including Depreciation & Amortization	**(341,998,347.15)**	**(107,557,486.71)**	**(234,440,860.44)**	**-218.0%**
Adjusted Margin % including Depreciation & Amortization	**-477.0%**	**-55.9%**		
Available University Fund Transfer	30,783,089.67	16,530,280.33	14,252,809.34	86.2%
Adjusted Income (Loss) with AUF Transfer	**(311,215,257.48)**	**(91,027,206.38)**	**(220,188,051.10)**	**-241.9%**
Adjusted Margin % with AUF Transfer	**-303.7%**	**-43.5%**		
Investment Gain (Losses)	(421,335,011.21)	(353,869,398.71)	(67,465,612.50)	-19.1%
Adj. Inc. (Loss) with AUF Transfer & Invest. Gains (Losses)	**(732,550,268.69)**	**(444,896,605.09)**	**(287,653,663.60)**	**-64.7%**
Adj. Margin % with AUF Transfer & Invest. Gains (Losses)	**229.7%**	**307.2%**		
Adjusted Income (Loss) with AUF Transfer excluding Depreciation & Amortization	**(305,088,723.53)**	**(86,324,804.12)**	**(218,763,919.41)**	**-253.4%**
Adjusted Margin % with AUF Transfer excluding Depreciation & Amortization	**-297.7%**	**-41.3%**		

UNAUDITED

The University of Texas at Arlington
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2015

	December Year-to-Date FY 2016	December Year-to-Date FY 2015	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition and Fees	81,728,195.32	76,553,005.32	5,175,190.00	6.8%
Sponsored Programs	21,876,952.94	22,245,342.42	(368,389.48)	-1.7%
Net Sales and Services of Educational Activities	6,418,583.45	7,692,271.44	(1,273,687.99)	-16.6%
Net Auxiliary Enterprises	14,141,078.52	12,168,193.39	1,972,885.13	16.2%
Other Operating Revenues	2,994,525.47	1,545,147.43	1,449,378.04	93.8%
Total Operating Revenues	**127,159,335.70**	**120,203,960.00**	**6,955,375.70**	**5.8%**
Operating Expenses				
Salaries and Wages	88,966,852.71	80,680,415.86	8,286,436.85	10.3%
Payroll Related Costs	19,718,210.21	18,268,123.34	1,450,086.87	7.9%
Cost of Goods Sold	2,158.74	3,059.68	(900.94)	-29.4%
Professional Fees and Services	3,025,213.18	2,986,863.49	38,349.69	1.3%
Other Contracted Services	17,706,432.78	15,538,832.28	2,167,600.50	13.9%
Travel	2,311,599.04	1,871,208.27	440,390.77	23.5%
Materials and Supplies	9,340,731.83	7,224,072.77	2,116,659.06	29.3%
Utilities	3,349,596.03	3,075,297.12	274,298.91	8.9%
Communications	2,377,211.86	2,426,201.75	(48,989.89)	-2.0%
Repairs and Maintenance	2,564,320.78	4,001,009.52	(1,436,688.74)	-35.9%
Rentals and Leases	1,523,488.28	959,382.56	564,105.72	58.8%
Printing and Reproduction	894,350.84	470,338.66	424,012.18	90.2%
Bad Debt Expense	87,883.83	206,090.60	(118,206.77)	-57.4%
Scholarships and Fellowships	10,931,305.71	10,405,532.19	525,773.52	5.1%
Depreciation and Amortization	15,258,984.02	14,936,604.11	322,379.91	2.2%
Federal Sponsored Program Pass-Through to Other State Agencies	1,360,376.22	881,459.84	478,916.38	54.3%
State Sponsored Program Pass-Through to Other State Agencies	40,926.01	38,132.68	2,793.33	7.3%
Other Operating Expenses	3,630,055.51	3,431,945.09	198,110.42	5.8%
Total Operating Expenses	**183,089,697.58**	**167,404,569.81**	**15,685,127.77**	**9.4%**
Operating Loss	**(55,930,361.88)**	**(47,200,609.81)**	**(8,729,752.07)**	**-18.5%**
Other Nonoperating Adjustments				
State Appropriations	43,827,663.67	39,875,428.33	3,952,235.34	9.9%
Nonexchange Sponsored Programs	19,403,277.13	15,000,000.00	4,403,277.13	29.4%
Gift Contributions for Operations	1,934,025.86	2,106,411.88	(172,386.02)	-8.2%
Net Investment Income	5,104,769.22	4,993,377.74	111,391.48	2.2%
Interest Expense on Capital Asset Financings	(3,952,419.64)	(4,243,064.48)	290,644.84	6.8%
Net Other Nonoperating Adjustments	**66,317,316.24**	**57,732,153.47**	**8,585,162.77**	**14.9%**
Adjusted Income (Loss) including Depreciation & Amortization	**10,386,954.36**	**10,531,543.66**	**(144,589.30)**	**-1.4%**
Adjusted Margin % including Depreciation & Amortization	**5.3%**	**5.8%**		
Investment Gain (Losses)	(2,678,913.27)	(3,016,182.87)	337,269.60	11.2%
Adj. Inc. (Loss) with Investment Gains (Losses)	**7,708,041.09**	**7,515,360.79**	**192,680.30**	**2.6%**
Adj. Margin % with Investment Gains (Losses)	**4.0%**	**4.2%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**25,645,938.38**	**25,468,147.77**	**177,790.61**	**0.7%**
Adjusted Margin % excluding Depreciation & Amortization	**13.0%**	**14.0%**		

UNAUDITED

The University of Texas at Austin
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2015

	December Year-to-Date FY 2016	December Year-to-Date FY 2015	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition and Fees	160,000,000.00	161,666,666.63	(1,666,666.63)	-1.0%
Sponsored Programs	180,493,792.38	181,936,713.44	(1,442,921.06)	-0.8%
Net Sales and Services of Educational Activities	142,186,155.71	82,883,582.68	59,302,573.03	71.5%
Net Auxiliary Enterprises	123,578,758.02	112,718,598.10	10,860,159.92	9.6%
Other Operating Revenues	2,793,442.99	1,880,508.20	912,934.79	48.5%
Total Operating Revenues	**609,052,149.10**	**541,086,069.05**	**67,966,080.05**	**12.6%**
Operating Expenses				
Salaries and Wages	391,249,184.19	357,193,426.32	34,055,757.87	9.5%
Payroll Related Costs	109,753,929.89	95,762,680.46	13,991,249.43	14.6%
Cost of Goods Sold	9,098,684.25	7,404,126.14	1,694,558.11	22.9%
Professional Fees and Services	9,445,061.70	10,480,814.63	(1,035,752.93)	-9.9%
Other Contracted Services	47,866,469.89	44,509,749.62	3,356,720.27	7.5%
Travel	12,768,802.29	13,565,561.16	(796,758.87)	-5.9%
Materials and Supplies	47,571,682.05	35,664,527.63	11,907,154.42	33.4%
Utilities	30,217,756.55	24,936,979.81	5,280,776.74	21.2%
Communications	13,795,862.83	25,172,320.40	(11,376,457.57)	-45.2%
Repairs and Maintenance	25,904,948.48	16,411,849.00	9,493,099.48	57.8%
Rentals and Leases	7,866,566.08	7,132,284.90	734,281.18	10.3%
Printing and Reproduction	2,932,688.40	3,222,517.55	(289,829.15)	-9.0%
Bad Debt Expense	275,496.10	1,287.59	274,208.51	21,296.3%
Scholarships and Fellowships	40,000,000.00	40,000,000.00	-	-
Depreciation and Amortization	85,000,000.00	80,000,000.00	5,000,000.00	6.3%
Federal Sponsored Program Pass-Through to Other State Agencies	1,257,501.31	1,256,513.68	987.63	0.1%
Other Operating Expenses	42,937,058.15	36,644,851.78	6,292,206.37	17.2%
Total Operating Expenses	**877,941,692.16**	**799,359,490.67**	**78,582,201.49**	**9.8%**
Operating Loss	**(268,889,543.06)**	**(258,273,421.62)**	**(10,616,121.44)**	**-4.1%**
Other Nonoperating Adjustments				
State Appropriations	119,016,254.46	108,196,264.80	10,819,989.66	10.0%
Nonexchange Sponsored Programs	14,666,666.67	15,866,666.67	(1,200,000.00)	-7.6%
Gift Contributions for Operations	60,202,633.06	43,029,168.56	17,173,464.50	39.9%
Net Investment Income	75,296,934.88	72,765,402.77	2,531,532.11	3.5%
Interest Expense on Capital Asset Financings	(15,168,323.52)	(16,910,033.56)	1,741,710.04	10.3%
Net Other Nonoperating Adjustments	**254,014,165.55**	**222,947,469.24**	**31,066,696.31**	**13.9%**
Adjusted Income (Loss) including Depreciation & Amortization	**(14,875,377.51)**	**(35,325,952.38)**	**20,450,574.87**	**57.9%**
Adjusted Margin % including Depreciation & Amortization	**-1.7%**	**-4.5%**		
Available University Fund Transfer	97,104,000.00	88,083,333.33	9,020,666.67	10.2%
Adjusted Income (Loss) with AUF Transfer	**82,228,622.49**	**52,757,380.95**	**29,471,241.54**	**55.9%**
Adjusted Margin % with AUF Transfer	**8.4%**	**6.1%**		
Investment Gain (Losses)	(137,860,282.82)	(112,058,709.50)	(25,801,573.32)	-23.0%
Adj. Inc. (Loss) with AUF Transfer & Invest. Gains (Losses)	**(55,631,660.33)**	**(59,301,328.55)**	**$3,669,668.22**	**6.2%**
Adj. Margin % with AUF Transfer & Invest. Gains (Losses)	**-6.6%**	**-7.8%**		
Adjusted Income (Loss) with AUF Transfer excluding Depreciation & Amortization	**167,228,622.49**	**132,757,380.95**	**34,471,241.54**	**26.0%**
Adjusted Margin % with AUF Transfer excluding Depreciation & Amortization	**17.1%**	**15.3%**		

UNAUDITED

The University of Texas at Brownsville
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2015

	December Year-to-Date FY 2016	December Year-to-Date FY 2015	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition and Fees	-	9,940,645.50	(9,940,645.50)	-100.0%
Sponsored Programs	-	7,008,748.80	(7,008,748.80)	-100.0%
Net Sales and Services of Educational Activities	-	749,779.28	(749,779.28)	-100.0%
Net Auxiliary Enterprises	-	582,046.49	(582,046.49)	-100.0%
Other Operating Revenues	-	8,659.04	(8,659.04)	-100.0%
Total Operating Revenues	**-**	**18,289,879.11**	**(18,289,879.11)**	**-100.0%**
Operating Expenses				
Salaries and Wages	-	17,301,922.57	(17,301,922.57)	-100.0%
Payroll Related Costs	-	4,987,531.95	(4,987,531.95)	-100.0%
Professional Fees and Services	-	376,944.82	(376,944.82)	-100.0%
Other Contracted Services	-	291,784.36	(291,784.36)	-100.0%
Travel	-	511,591.66	(511,591.66)	-100.0%
Materials and Supplies	36,358.00	1,754,876.61	(1,718,518.61)	-97.9%
Utilities	-	663,046.96	(663,046.96)	-100.0%
Communications	-	81,289.96	(81,289.96)	-100.0%
Repairs and Maintenance	103,150.81	294,511.64	(191,360.83)	-65.0%
Rentals and Leases	-	1,130,822.51	(1,130,822.51)	-100.0%
Printing and Reproduction	-	112,953.90	(112,953.90)	-100.0%
Scholarships and Fellowships	-	3,175,653.94	(3,175,653.94)	-100.0%
Depreciation and Amortization	202,945.48	2,844,005.37	(2,641,059.89)	-92.9%
Federal Sponsored Program Pass-Through to Other State Agencies	-	58,390.61	(58,390.61)	-100.0%
Other Operating Expenses	-	1,540,829.38	(1,540,829.38)	-100.0%
Total Operating Expenses	**342,454.29**	**35,126,156.24**	**(34,783,701.95)**	**-99.0%**
Operating Loss	**(342,454.29)**	**(16,836,277.13)**	**16,493,822.84**	**98.0%**
Other Nonoperating Adjustments				
State Appropriations	-	13,463,366.01	(13,463,366.01)	-100.0%
Nonexchange Sponsored Programs	-	466,575.81	(466,575.81)	-100.0%
Gift Contributions for Operations	-	143,557.00	(143,557.00)	-100.0%
Net Investment Income	-	794,257.85	(794,257.85)	-100.0%
Interest Expense on Capital Asset Financings	-	(931,750.83)	931,750.83	100.0%
Net Other Nonoperating Adjustments	**-**	**13,936,005.84**	**(13,936,005.84)**	**-100.0%**
Adjusted Income (Loss) including Depreciation & Amortization	**(342,454.29)**	**(2,900,271.29)**	**2,557,817.00**	**88.2%**
Adjusted Margin % including Depreciation & Amortization		**-8.7%**		
Investment Gain (Losses)	-	(1,405,155.31)	1,405,155.31	100.0%
Adj. Inc. (Loss) with Investment Gains (Losses)	**(342,454.29)**	**(4,305,426.60)**	**3,962,972.31**	**92.0%**
Adj. Margin % with Investment Gains (Losses)		**-13.6%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**(139,508.81)**	**(56,265.92)**	**(83,242.89)**	**-147.9%**
Adjusted Margin % excluding Depreciation & Amortization		**-0.2%**		

UNAUDITED

The University of Texas at Dallas
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2015

	December Year-to-Date FY 2016	December Year-to-Date FY 2015	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition and Fees	94,690,938.93	89,507,292.02	5,183,646.91	5.8%
Sponsored Programs	19,571,064.15	19,536,624.64	34,439.51	0.2%
Net Sales and Services of Educational Activities	4,677,629.52	4,624,612.37	53,017.15	1.1%
Net Auxiliary Enterprises	9,584,980.46	9,928,994.03	(344,013.57)	-3.5%
Other Operating Revenues	1,441,345.77	1,786,779.64	(345,433.87)	-19.3%
Total Operating Revenues	**129,965,958.83**	**125,384,302.70**	**4,581,656.13**	**3.7%**
Operating Expenses				
Salaries and Wages	94,950,387.37	87,081,127.55	7,869,259.82	9.0%
Payroll Related Costs	22,241,838.32	20,218,892.63	2,022,945.69	10.0%
Professional Fees and Services	3,580,152.26	3,104,356.55	475,795.71	15.3%
Other Contracted Services	4,696,647.51	6,677,344.93	(1,980,697.42)	-29.7%
Travel	1,918,744.62	1,788,253.09	130,491.53	7.3%
Materials and Supplies	9,792,666.64	8,586,257.75	1,206,408.89	14.1%
Utilities	4,443,083.65	3,951,149.78	491,933.87	12.5%
Communications	160,738.36	186,026.85	(25,288.49)	-13.6%
Repairs and Maintenance	1,619,175.64	1,528,084.51	91,091.13	6.0%
Rentals and Leases	2,443,263.11	2,249,050.75	194,212.36	8.6%
Printing and Reproduction	509,630.60	767,363.67	(257,733.07)	-33.6%
Scholarships and Fellowships	14,030,227.14	16,494,143.35	(2,463,916.21)	-14.9%
Depreciation and Amortization	19,787,262.46	19,176,484.81	610,777.65	3.2%
Federal Sponsored Program Pass-Through to Other State Agencies	10,762.88	-	10,762.88	100.0%
State Sponsored Program Pass-Through to Other State Agencies	82,218.03	-	82,218.03	100.0%
Other Operating Expenses	7,516,291.43	6,666,226.84	850,064.59	12.8%
Total Operating Expenses	**187,783,090.02**	**178,474,763.06**	**9,308,326.96**	**5.2%**
Operating Loss	**(57,817,131.19)**	**(53,090,460.36)**	**(4,726,670.83)**	**-8.9%**
Other Nonoperating Adjustments				
State Appropriations	36,874,162.73	40,213,303.76	(3,339,141.03)	-8.3%
Nonexchange Sponsored Programs	17,559,452.00	7,583,599.00	9,975,853.00	131.5%
Gift Contributions for Operations	4,333,333.33	8,321,722.49	(3,988,389.16)	-47.9%
Net Investment Income	7,513,544.12	7,376,897.98	136,646.14	1.9%
Interest Expense on Capital Asset Financings	(5,147,045.72)	(5,400,232.96)	253,187.24	4.7%
Net Other Nonoperating Adjustments	**61,133,446.46**	**58,095,290.27**	**3,038,156.19**	**5.2%**
Adjusted Income (Loss) including Depreciation & Amortization	**3,316,315.27**	**5,004,829.91**	**(1,688,514.64)**	**-33.7%**
Adjusted Margin % including Depreciation & Amortization	**1.7%**	**2.6%**		
Investment Gain (Losses)	(11,431,999.66)	5,120,140.65	(16,552,140.31)	-323.3%
Adj. Inc. (Loss) with Investment Gains (Losses)	**(8,115,684.39)**	**10,124,970.56**	**(18,240,654.95)**	**-180.2%**
Adj. Margin % with Investment Gains (Losses)	**-4.4%**	**5.2%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**23,103,577.73**	**24,181,314.72**	**(1,077,736.99)**	**-4.5%**
Adjusted Margin % excluding Depreciation & Amortization	**11.8%**	**12.8%**		

UNAUDITED

The University of Texas at El Paso
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2015

	December Year-to-Date FY 2016	December Year-to-Date FY 2015	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition and Fees	38,054,544.95	38,442,172.00	(387,627.05)	-1.0%
Sponsored Programs	26,370,832.81	24,935,932.39	1,434,900.42	5.8%
Net Sales and Services of Educational Activities	3,022,833.04	1,965,144.58	1,057,688.46	53.8%
Net Auxiliary Enterprises	12,527,097.72	9,153,757.41	3,373,340.31	36.9%
Other Operating Revenues	(35,033.61)	31,997.22	(67,030.83)	-209.5%
Total Operating Revenues	**79,940,274.91**	**74,529,003.60**	**5,411,271.31**	**7.3%**
Operating Expenses				
Salaries and Wages	62,506,749.45	56,623,296.07	5,883,453.38	10.4%
Payroll Related Costs	15,141,966.32	15,480,804.30	(338,837.98)	-2.2%
Professional Fees and Services	3,724,839.24	1,399,121.03	2,325,718.21	166.2%
Other Contracted Services	4,767,443.47	6,798,102.79	(2,030,659.32)	-29.9%
Travel	2,601,716.22	2,503,903.02	97,813.20	3.9%
Materials and Supplies	6,925,361.34	8,557,303.52	(1,631,942.18)	-19.1%
Utilities	2,903,413.84	2,637,176.73	266,237.11	10.1%
Communications	500,435.47	563,461.00	(63,025.53)	-11.2%
Repairs and Maintenance	1,902,388.01	2,303,087.67	(400,699.66)	-17.4%
Rentals and Leases	1,196,761.48	1,955,526.65	(758,765.17)	-38.8%
Printing and Reproduction	343,041.94	446,436.25	(103,394.31)	-23.2%
Scholarships and Fellowships	8,336,691.28	5,778,085.66	2,558,605.62	44.3%
Depreciation and Amortization	10,464,971.02	10,204,460.74	260,510.28	2.6%
Federal Sponsored Program Pass-Through to Other State Agencies	1,241,163.39	527,999.98	713,163.41	135.1%
State Sponsored Program Pass-Through to Other State Agencies	-	24,234.09	(24,234.09)	-100.0%
Other Operating Expenses	4,754,945.09	3,075,130.79	1,679,814.30	54.6%
Total Operating Expenses	**127,311,887.56**	**118,878,130.29**	**8,433,757.27**	**7.1%**
Operating Loss	**(47,371,612.65)**	**(44,349,126.69)**	**(3,022,485.96)**	**-6.8%**
Other Nonoperating Adjustments				
State Appropriations	36,955,976.00	34,437,588.00	2,518,388.00	7.3%
Nonexchange Sponsored Programs	1,981,256.99	2,460,484.86	(479,227.87)	-19.5%
Gift Contributions for Operations	1,613,224.69	2,019,845.91	(406,621.22)	-20.1%
Net Investment Income	4,561,034.43	4,411,505.09	149,529.34	3.4%
Interest Expense on Capital Asset Financings	(2,393,795.40)	(2,606,969.24)	213,173.84	8.2%
Net Other Nonoperating Adjustments	**42,717,696.71**	**40,722,454.62**	**1,995,242.09**	**4.9%**
Adjusted Income (Loss) including Depreciation & Amortization	**(4,653,915.94)**	**(3,626,672.07)**	**(1,027,243.87)**	**-28.3%**
Adjusted Margin % including Depreciation & Amortization	**-3.7%**	**-3.1%**		
Investment Gain (Losses)	(7,430,032.59)	(8,583,697.31)	1,153,664.72	13.4%
Adj. Inc. (Loss) with Investment Gains (Losses)	**(12,083,948.53)**	**(12,210,369.38)**	**126,420.85**	**1.0%**
Adj. Margin % with Investment Gains (Losses)	**-10.3%**	**-11.2%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**5,811,055.08**	**6,577,788.67**	**(766,733.59)**	**-11.7%**
Adjusted Margin % excluding Depreciation & Amortization	**4.6%**	**5.6%**		

UNAUDITED

The University of Texas of the Permian Basin
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2015

	December Year-to-Date FY 2016	December Year-to-Date FY 2015	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition and Fees	6,603,595.57	5,581,771.44	1,021,824.13	18.3%
Sponsored Programs	2,769,798.32	2,340,774.83	429,023.49	18.3%
Net Sales and Services of Educational Activities	405,346.23	764,095.80	(358,749.57)	-47.0%
Net Auxiliary Enterprises	1,939,771.26	981,278.72	958,492.54	97.7%
Other Operating Revenues	190,686.53	36,655.66	154,030.87	420.2%
Total Operating Revenues	**11,909,197.91**	**9,704,576.45**	**2,204,621.46**	**22.7%**
Operating Expenses				
Salaries and Wages	11,092,568.64	9,301,240.68	1,791,327.96	19.3%
Payroll Related Costs	2,608,032.23	1,905,021.31	703,010.92	36.9%
Cost of Goods Sold	2,646.02	4,642.63	(1,996.61)	-43.0%
Professional Fees and Services	420,597.04	1,608,291.19	(1,187,694.15)	-73.8%
Other Contracted Services	807,873.24	1,315,144.24	(507,271.00)	-38.6%
Travel	476,286.82	355,403.90	120,882.92	34.0%
Materials and Supplies	1,895,599.81	1,602,462.70	293,137.11	18.3%
Utilities	621,991.95	839,511.94	(217,519.99)	-25.9%
Communications	220,619.44	208,236.08	12,383.36	5.9%
Repairs and Maintenance	27,971.14	522,541.77	(494,570.63)	-94.6%
Rentals and Leases	111,918.75	150,562.25	(38,643.50)	-25.7%
Printing and Reproduction	59,116.51	27,687.76	31,428.75	113.5%
Scholarships and Fellowships	2,429,030.49	3,104,131.25	(675,100.76)	-21.7%
Depreciation and Amortization	4,655,000.00	4,343,532.25	311,467.75	7.2%
Federal Sponsored Program Pass-Through to Other State Agencies	(44,024.12)	-	(44,024.12)	100.0%
Other Operating Expenses	392,522.22	484,606.07	(92,083.85)	-19.0%
Total Operating Expenses	**25,777,750.18**	**25,773,016.02**	**4,734.16**	**-**
Operating Loss	**(13,868,552.27)**	**(16,068,439.57)**	**2,199,887.30**	**13.7%**
Other Nonoperating Adjustments				
State Appropriations	12,048,561.33	9,720,929.72	2,327,631.61	23.9%
Nonexchange Sponsored Programs	863,747.88	805,082.74	58,665.14	7.3%
Gift Contributions for Operations	496,801.61	4,647,514.03	(4,150,712.42)	-89.3%
Net Investment Income	1,310,297.82	718,190.42	592,107.40	82.4%
Interest Expense on Capital Asset Financings	(1,770,507.64)	(1,903,743.56)	133,235.92	7.0%
Net Other Nonoperating Adjustments	**12,948,901.00**	**13,987,973.35**	**(1,039,072.35)**	**-7.4%**
Adjusted Income (Loss) including Depreciation & Amortization	**(919,651.27)**	**(2,080,466.22)**	**1,160,814.95**	**55.8%**
Adjusted Margin % including Depreciation & Amortization	**-3.5%**	**-8.1%**		
Investment Gain (Losses)	(1,494,737.84)	(1,118,039.54)	(376,698.30)	-33.7%
Adj. Inc. (Loss) with Investment Gains (Losses)	**(2,414,389.11)**	**(3,198,505.76)**	**784,116.65**	**24.5%**
Adj. Margin % with Investment Gains (Losses)	**-9.6%**	**-13.1%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**3,735,348.73**	**2,263,066.03**	**1,472,282.70**	**65.1%**
Adjusted Margin % excluding Depreciation & Amortization	**14.0%**	**8.8%**		

UNAUDITED

The University of Texas Rio Grande Valley
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2015

	December Year-to-Date FY 2016	December Year-to-Date FY 2015	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition and Fees	39,113,271.00	-	39,113,271.00	100.0%
Sponsored Programs	27,001,222.12	-	27,001,222.12	100.0%
Net Sales and Services of Educational Activities	2,146,246.77	-	2,146,246.77	100.0%
Net Auxiliary Enterprises	2,926,855.73	-	2,926,855.73	100.0%
Other Operating Revenues	460,953.99	-	460,953.99	100.0%
Total Operating Revenues	**71,648,549.61**	**-**	**71,648,549.61**	**100.0%**
Operating Expenses				
Salaries and Wages	64,949,419.40	-	64,949,419.40	100.0%
Payroll Related Costs	16,826,746.13	-	16,826,746.13	100.0%
Cost of Goods Sold	139,098.38	-	139,098.38	100.0%
Professional Fees and Services	407,190.40	-	407,190.40	100.0%
Other Contracted Services	1,919,781.75	-	1,919,781.75	100.0%
Travel	2,047,644.87	-	2,047,644.87	100.0%
Materials and Supplies	3,245,728.20	-	3,245,728.20	100.0%
Utilities	2,848,708.74	-	2,848,708.74	100.0%
Communications	54,429.88	-	54,429.88	100.0%
Repairs and Maintenance	1,952,895.85	-	1,952,895.85	100.0%
Rentals and Leases	1,548,911.54	-	1,548,911.54	100.0%
Printing and Reproduction	206,291.32	-	206,291.32	100.0%
Bad Debt Expense	4,700.38	-	4,700.38	100.0%
Scholarships and Fellowships	8,350,179.44	-	8,350,179.44	100.0%
Depreciation and Amortization	12,285,812.51	-	12,285,812.51	100.0%
Federal Sponsored Program Pass-Through to Other State Agencies	86,865.11	-	86,865.11	100.0%
Other Operating Expenses	2,198,921.69	-	2,198,921.69	100.0%
Total Operating Expenses	**119,073,325.59**	**-**	**119,073,325.59**	**100.0%**
Operating Loss	**(47,424,775.98)**	**-**	**(47,424,775.98)**	**100.0%**
Other Nonoperating Adjustments				
State Appropriations	51,375,239.00	-	51,375,239.00	100.0%
Nonexchange Sponsored Programs	2,037,785.41	-	2,037,785.41	100.0%
Gift Contributions for Operations	932,117.76	-	932,117.76	100.0%
Net Investment Income	2,203,277.94	-	2,203,277.94	100.0%
Interest Expense on Capital Asset Financings	(2,105,947.92)	-	(2,105,947.92)	100.0%
Net Other Nonoperating Adjustments	**54,442,472.19**	**-**	**54,442,472.19**	**100.0%**
Adjusted Income (Loss) including Depreciation & Amortization	**7,017,696.21**	**-**	**7,017,696.21**	**100.0%**
Adjusted Margin % including Depreciation & Amortization	**5.5%**			
Investment Gain (Losses)	(1,811,600.18)	-	(1,811,600.18)	100.0%
Adj. Inc. (Loss) with Investment Gains (Losses)	**5,206,096.03**	**-**	**5,206,096.03**	**100.0%**
Adj. Margin % with Investment Gains (Losses)	**4.1%**			
Adjusted Income (Loss) excluding Depreciation & Amortization	**19,303,508.72**	**-**	**19,303,508.72**	**100.0%**
Adjusted Margin % excluding Depreciation & Amortization	**15.1%**			

UNAUDITED

The University of Texas at San Antonio
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2015

	December Year-to-Date FY 2016	December Year-to-Date FY 2015	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition and Fees	63,391,447.92	62,556,856.82	834,591.10	1.3%
Sponsored Programs	19,922,671.52	19,250,256.74	672,414.78	3.5%
Net Sales and Services of Educational Activities	4,912,855.40	4,041,509.88	871,345.52	21.6%
Net Auxiliary Enterprises	15,071,303.43	14,899,657.68	171,645.75	1.2%
Other Operating Revenues	1,426,292.44	933,469.06	492,823.38	52.8%
Total Operating Revenues	**104,724,570.71**	**101,681,750.18**	**3,042,820.53**	**3.0%**
Operating Expenses				
Salaries and Wages	78,982,112.37	75,286,310.89	3,695,801.48	4.9%
Payroll Related Costs	20,535,349.22	18,128,234.56	2,407,114.66	13.3%
Cost of Goods Sold	133,333.36	42,555.89	90,777.47	213.3%
Professional Fees and Services	2,102,546.13	1,455,066.28	647,479.85	44.5%
Other Contracted Services	4,963,281.65	5,009,253.04	(45,971.39)	-0.9%
Travel	3,311,762.55	3,004,093.52	307,669.03	10.2%
Materials and Supplies	11,011,491.49	10,181,985.60	829,505.89	8.1%
Utilities	2,958,115.67	4,433,333.33	(1,475,217.66)	-33.3%
Communications	1,005,782.70	867,256.27	138,526.43	16.0%
Repairs and Maintenance	2,265,818.39	2,595,095.63	(329,277.24)	-12.7%
Rentals and Leases	763,146.36	748,253.75	14,892.61	2.0%
Printing and Reproduction	401,687.88	415,662.18	(13,974.30)	-3.4%
Bad Debt Expense	78,400.94	50,000.00	28,400.94	56.8%
Scholarships and Fellowships	14,546,741.01	13,175,791.38	1,370,949.63	10.4%
Depreciation and Amortization	15,905,168.30	15,148,441.96	756,726.34	5.0%
Federal Sponsored Program Pass-Through to Other State Agencies	347,360.42	367,307.62	(19,947.20)	-5.4%
Other Operating Expenses	5,056,325.55	3,697,414.91	1,358,910.64	36.8%
Total Operating Expenses	**164,368,423.99**	**154,606,056.81**	**9,762,367.18**	**6.3%**
Operating Loss	**(59,643,853.28)**	**(52,924,306.63)**	**(6,719,546.65)**	**-12.7%**
Other Nonoperating Adjustments				
State Appropriations	41,696,127.33	41,028,742.00	667,385.33	1.6%
Nonexchange Sponsored Programs	17,083,315.00	15,575,715.00	1,507,600.00	9.7%
Gift Contributions for Operations	2,666,666.67	2,321,508.70	345,157.97	14.9%
Net Investment Income	6,041,232.39	3,277,407.47	2,763,824.92	84.3%
Interest Expense on Capital Asset Financings	(4,906,598.68)	(5,264,721.24)	358,122.56	6.8%
Net Other Nonoperating Adjustments	**62,580,742.71**	**56,938,651.93**	**5,642,090.78**	**9.9%**
Adjusted Income (Loss) including Depreciation & Amortization	**2,936,889.43**	**4,014,345.30**	**(1,077,455.87)**	**-26.8%**
Adjusted Margin % including Depreciation & Amortization	**1.7%**	**2.4%**		
Investment Gain (Losses)	(10,541,164.59)	27,445,467.71	(37,986,632.30)	-138.4%
Adj. Inc. (Loss) with Investment Gains (Losses)	**(7,604,275.16)**	**31,459,813.01**	**(39,064,088.17)**	**-124.2%**
Adj. Margin % with Investment Gains (Losses)	**-4.7%**	**16.4%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**18,842,057.73**	**19,162,787.26**	**(320,729.53)**	**-1.7%**
Adjusted Margin % excluding Depreciation & Amortization	**10.9%**	**11.7%**		

UNAUDITED

The University of Texas at Tyler
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2015

	December Year-to-Date FY 2016	December Year-to-Date FY 2015	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition and Fees	13,549,239.92	12,461,378.67	1,087,861.25	8.7%
Sponsored Programs	3,818,906.46	5,120,319.64	(1,301,413.18)	-25.4%
Net Sales and Services of Educational Activities	3,498,527.46	995,415.02	2,503,112.44	251.5%
Net Auxiliary Enterprises	2,827,804.00	1,833,002.11	994,801.89	54.3%
Other Operating Revenues	196,143.92	34,527.95	161,615.97	468.1%
Total Operating Revenues	**23,890,621.76**	**20,444,643.39**	**3,445,978.37**	**16.9%**
Operating Expenses				
Salaries and Wages	22,460,963.87	18,855,268.28	3,605,695.59	19.1%
Payroll Related Costs	5,351,511.53	4,839,575.97	511,935.56	10.6%
Cost of Goods Sold	7,341.29	3,459.01	3,882.28	112.2%
Professional Fees and Services	722,464.35	941,938.25	(219,473.90)	-23.3%
Other Contracted Services	2,038,904.11	1,843,531.03	195,373.08	10.6%
Travel	662,047.02	515,592.17	146,454.85	28.4%
Materials and Supplies	3,374,698.85	2,952,038.48	422,660.37	14.3%
Utilities	769,585.08	742,026.66	27,558.42	3.7%
Communications	179,508.44	645,585.27	(466,076.83)	-72.2%
Repairs and Maintenance	909,646.98	1,015,218.90	(105,571.92)	-10.4%
Rentals and Leases	231,019.10	201,686.40	29,332.70	14.5%
Printing and Reproduction	508,669.69	507,961.01	708.68	0.1%
Bad Debt Expense	-	6,997.38	(6,997.38)	-100.0%
Scholarships and Fellowships	892,701.56	1,415,598.55	(522,896.99)	-36.9%
Depreciation and Amortization	4,538,334.48	4,025,111.33	513,223.15	12.8%
Federal Sponsored Program Pass-Through to Other State Agencies	-	23,303.00	(23,303.00)	-100.0%
Other Operating Expenses	1,315,009.69	817,634.80	497,374.89	60.8%
Total Operating Expenses	**43,962,406.04**	**39,352,526.49**	**4,609,879.55**	**11.7%**
Operating Loss	**(20,071,784.28)**	**(18,907,883.10)**	**(1,163,901.18)**	**-6.2%**
Other Nonoperating Adjustments				
State Appropriations	13,282,016.00	12,020,285.24	1,261,730.76	10.5%
Nonexchange Sponsored Programs	3,294,836.00	64,827.00	3,230,009.00	4,982.5%
Gift Contributions for Operations	963,853.76	2,432,256.11	(1,468,402.35)	-60.4%
Net Investment Income	1,344,661.03	1,541,500.12	(196,839.09)	-12.8%
Interest Expense on Capital Asset Financings	(1,323,093.76)	(1,405,992.72)	82,898.96	5.9%
Net Other Nonoperating Adjustments	**17,562,273.03**	**14,652,875.75**	**2,909,397.28**	**19.9%**
Adjusted Income (Loss) including Depreciation & Amortization	**(2,509,511.25)**	**(4,255,007.35)**	**1,745,496.10**	**41.0%**
Adjusted Margin % including Depreciation & Amortization	**-5.9%**	**-11.7%**		
Investment Gain (Losses)	(2,486,580.92)	(2,005,524.93)	(481,055.99)	-24.0%
Adj. Inc. (Loss) with Investment Gains (Losses)	**(4,996,092.17)**	**(6,260,532.28)**	**1,264,440.11**	**20.2%**
Adj. Margin % with Investment Gains (Losses)	**-12.4%**	**-18.1%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**2,028,823.23**	**(229,896.02)**	**2,258,719.25**	**982.5%**
Adjusted Margin % excluding Depreciation & Amortization	**4.7%**	**-0.6%**		

UNAUDITED

The University of Texas Southwestern Medical Center
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2015

	December Year-to-Date FY 2016	December Year-to-Date FY 2015	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition and Fees	7,575,771.73	7,416,692.33	159,079.40	2.1%
Sponsored Programs	187,581,220.43	175,715,550.75	11,865,669.68	6.8%
Net Sales and Services of Educational Activities	4,360,371.78	3,359,454.84	1,000,916.94	29.8%
Net Sales and Services of Hospitals	353,114,026.61	296,196,307.20	56,917,719.41	19.2%
Net Professional Fees	175,392,642.33	157,538,528.11	17,854,114.22	11.3%
Net Auxiliary Enterprises	10,157,190.55	7,880,071.97	2,277,118.58	28.9%
Other Operating Revenues	20,658,369.43	10,825,887.41	9,832,482.02	90.8%
Total Operating Revenues	**758,839,592.86**	**658,932,492.61**	**99,907,100.25**	**15.2%**
Operating Expenses				
Salaries and Wages	426,930,310.49	385,804,060.43	41,126,250.06	10.7%
Payroll Related Costs	111,524,550.88	88,350,177.61	23,174,373.27	26.2%
Cost of Goods Sold	2,339,620.37	1,987,513.50	352,106.87	17.7%
Professional Fees and Services	22,353,726.41	14,152,314.13	8,201,412.28	58.0%
Other Contracted Services	43,520,858.65	39,572,673.03	3,948,185.62	10.0%
Travel	4,131,423.84	3,331,882.73	799,541.11	24.0%
Materials and Supplies	122,499,747.71	119,875,977.52	2,623,770.19	2.2%
Utilities	8,870,980.18	8,465,215.41	405,764.77	4.8%
Communications	3,923,764.38	3,883,158.57	40,605.81	1.0%
Repairs and Maintenance	4,408,711.62	3,459,243.93	949,467.69	27.4%
Rentals and Leases	2,716,251.29	2,033,375.88	682,875.41	33.6%
Printing and Reproduction	967,907.20	965,951.85	1,955.35	0.2%
Scholarships and Fellowships	455,186.75	847,490.67	(392,303.92)	-46.3%
Depreciation and Amortization	52,410,358.55	46,614,782.30	5,795,576.25	12.4%
Federal Sponsored Program Pass-Through to Other State Agencies	872,022.07	526,020.56	346,001.51	65.8%
Other Operating Expenses	17,361,177.86	14,669,986.65	2,691,191.21	18.3%
Total Operating Expenses	**825,286,598.25**	**734,539,824.77**	**90,746,773.48**	**12.4%**
Operating Loss	**(66,447,005.39)**	**(75,607,332.16)**	**9,160,326.77**	**12.1%**
Other Nonoperating Adjustments				
State Appropriations	61,916,599.00	57,390,619.12	4,525,979.88	7.9%
Gift Contributions for Operations	29,210,039.93	25,067,925.74	4,142,114.19	16.5%
Net Investment Income	33,563,599.42	31,648,832.99	1,914,766.43	6.1%
Interest Expense on Capital Asset Financings	(10,202,050.40)	(10,708,454.32)	506,403.92	4.7%
Net Other Nonoperating Adjustments	**114,488,187.95**	**103,398,923.53**	**11,089,264.42**	**10.7%**
Adjusted Income (Loss) including Depreciation & Amortization	**48,041,182.56**	**27,791,591.37**	**20,249,591.19**	**72.9%**
Adjusted Margin % including Depreciation & Amortization	**5.4%**	**3.6%**		
Investment Gain (Losses)	(61,272,771.52)	(54,565,330.70)	(6,707,440.82)	-12.3%
Adj. Inc. (Loss) with Investment Gains (Losses)	**(13,231,588.96)**	**(26,773,739.33)**	**13,542,150.37**	**50.6%**
Adj. Margin % with Investment Gains (Losses)	**-1.6%**	**-3.7%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**100,451,541.11**	**74,406,373.67**	**26,045,167.44**	**35.0%**
Adjusted Margin % excluding Depreciation & Amortization	**11.4%**	**9.6%**		

UNAUDITED

The University of Texas Medical Branch at Galveston
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2015

	December Year-to-Date FY 2016	December Year-to-Date FY 2015	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition and Fees	12,467,620.23	12,355,021.31	112,598.92	0.9%
Sponsored Programs	59,814,351.14	61,827,478.25	(2,013,127.11)	-3.3%
Net Sales and Services of Educational Activities	5,895,506.86	6,291,634.45	(396,127.59)	-6.3%
Net Sales and Services of Hospitals	329,196,351.65	306,818,318.04	22,378,033.61	7.3%
Net Professional Fees	56,118,505.54	53,738,828.88	2,379,676.66	4.4%
Net Auxiliary Enterprises	3,115,615.45	2,413,122.46	702,492.99	29.1%
Other Operating Revenues	19,353,538.88	26,857,927.62	(7,504,388.74)	-27.9%
Total Operating Revenues	**485,961,489.75**	**470,302,331.01**	**15,659,158.74**	**3.3%**
Operating Expenses				
Salaries and Wages	317,285,307.66	293,159,130.36	24,126,177.30	8.2%
Payroll Related Costs	84,673,390.80	77,296,210.07	7,377,180.73	9.5%
Cost of Goods Sold	29,394,233.10	25,067,681.63	4,326,551.47	17.3%
Professional Fees and Services	11,309,366.77	10,715,420.62	593,946.15	5.5%
Other Contracted Services	38,423,539.53	34,994,337.46	3,429,202.07	9.8%
Travel	2,617,065.35	2,334,786.36	282,278.99	12.1%
Materials and Supplies	49,854,492.19	47,719,760.41	2,134,731.78	4.5%
Utilities	12,716,139.40	11,433,657.27	1,282,482.13	11.2%
Communications	3,267,384.90	2,983,602.73	283,782.17	9.5%
Repairs and Maintenance	16,085,430.90	14,682,883.98	1,402,546.92	9.6%
Rentals and Leases	8,809,760.52	9,073,994.05	(264,233.53)	-2.9%
Printing and Reproduction	527,543.26	461,486.22	66,057.04	14.3%
Scholarships and Fellowships	2,952,884.56	2,508,177.74	444,706.82	17.7%
Depreciation and Amortization	35,427,137.61	33,314,761.49	2,112,376.12	6.3%
Federal Sponsored Program Pass-Through to Other State Agencies	166,463.64	280,924.73	(114,461.09)	-40.7%
Other Operating Expenses	8,728,118.69	13,976,803.52	(5,248,684.83)	-37.6%
Total Operating Expenses	**622,238,258.88**	**580,003,618.64**	**42,234,640.24**	**7.3%**
Operating Loss	**(136,276,769.13)**	**(109,701,287.63)**	**(26,575,481.50)**	**-24.2%**
Other Nonoperating Adjustments				
State Appropriations	120,540,641.10	115,577,117.97	4,963,523.13	4.3%
Nonexchange Sponsored Programs	398,969.20	405,838.80	(6,869.60)	-1.7%
Gift Contributions for Operations	2,827,289.29	2,075,874.26	751,415.03	36.2%
Net Investment Income	15,034,177.08	13,420,647.93	1,613,529.15	12.0%
Interest Expense on Capital Asset Financings	(2,468,857.04)	(2,469,512.05)	655.01	-
Net Other Nonoperating Adjustments	**136,332,219.63**	**129,009,966.91**	**7,322,252.72**	**5.7%**
Adjusted Income (Loss) including Depreciation & Amortization	**55,450.50**	**19,308,679.28**	**(19,253,228.78)**	**-99.7%**
Adjusted Margin % including Depreciation & Amortization	**-**	**3.2%**		
Investment Gain (Losses)	(18,722,501.28)	(17,371,273.33)	(1,351,227.95)	-7.8%
Adj. Inc. (Loss) with Investment Gains (Losses)	**(18,667,050.78)**	**1,937,405.95**	**(20,604,456.73)**	**-1,063.5%**
Adj. Margin % with Investment Gains (Losses)	**-3.1%**	**0.3%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**35,482,588.11**	**52,623,440.77**	**(17,140,852.66)**	**-32.6%**
Adjusted Margin % excluding Depreciation & Amortization	**5.7%**	**8.7%**		

UNAUDITED

The University of Texas Health Science Center at Houston
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2015

	December Year-to-Date FY 2016	December Year-to-Date FY 2015	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition and Fees	18,889,864.87	16,778,653.17	2,111,211.70	12.6%
Sponsored Programs	234,510,013.63	194,453,817.47	40,056,196.16	20.6%
Net Sales and Services of Educational Activities	12,507,083.04	10,541,855.12	1,965,227.92	18.6%
Net Sales and Services of Hospitals	25,779,686.54	20,604,083.45	5,175,603.09	25.1%
Net Professional Fees	111,645,942.82	95,711,317.45	15,934,625.37	16.6%
Net Auxiliary Enterprises	9,300,969.91	8,976,653.08	324,316.83	3.6%
Other Operating Revenues	4,157,975.29	4,823,732.71	(665,757.42)	-13.8%
Total Operating Revenues	**416,791,536.10**	**351,890,112.45**	**64,901,423.65**	**18.4%**
Operating Expenses				
Salaries and Wages	275,303,857.18	248,832,461.90	26,471,395.28	10.6%
Payroll Related Costs	58,955,235.74	50,618,039.84	8,337,195.90	16.5%
Cost of Goods Sold	8,469,200.96	5,178,311.24	3,290,889.72	63.6%
Professional Fees and Services	24,025,469.45	17,645,727.59	6,379,741.86	36.2%
Other Contracted Services	25,403,395.76	25,522,472.57	(119,076.81)	-0.5%
Travel	3,537,262.33	3,415,822.44	121,439.89	3.6%
Materials and Supplies	19,009,533.46	17,525,027.56	1,484,505.90	8.5%
Utilities	5,773,480.29	5,828,453.79	(54,973.50)	-0.9%
Communications	1,861,923.02	1,719,995.65	141,927.37	8.3%
Repairs and Maintenance	5,046,911.72	3,606,465.20	1,440,446.52	39.9%
Rentals and Leases	11,516,086.99	10,280,779.17	1,235,307.82	12.0%
Printing and Reproduction	2,010,184.29	1,821,655.14	188,529.15	10.3%
Scholarships and Fellowships	2,217,951.90	2,519,504.10	(301,552.20)	-12.0%
Depreciation and Amortization	20,490,496.14	19,827,010.71	663,485.43	3.3%
Federal Sponsored Program Pass-Through to Other State Agencies	2,024,206.42	2,377,473.16	(353,266.74)	-14.9%
Other Operating Expenses	13,564,942.23	13,207,487.34	357,454.89	2.7%
Total Operating Expenses	**479,210,137.88**	**429,926,687.40**	**49,283,450.48**	**11.5%**
Operating Loss	**(62,418,601.78)**	**(78,036,574.95)**	**15,617,973.17**	**20.0%**
Other Nonoperating Adjustments				
State Appropriations	68,282,357.96	66,600,655.14	1,681,702.82	2.5%
Nonexchange Sponsored Programs	66,593.00	96,601.29	(30,008.29)	-31.1%
Gift Contributions for Operations	7,310,072.87	10,338,842.34	(3,028,769.47)	-29.3%
Net Investment Income	10,839,266.53	10,404,313.28	434,953.25	4.2%
Interest Expense on Capital Asset Financings	(3,629,811.24)	(3,876,909.68)	247,098.44	6.4%
Net Other Nonoperating Adjustments	**82,868,479.12**	**83,563,502.37**	**(695,023.25)**	**-0.8%**
Adjusted Income (Loss) including Depreciation & Amortization	**20,449,877.34**	**5,526,927.42**	**14,922,949.92**	**270.0%**
Adjusted Margin % including Depreciation & Amortization	**4.1%**	**1.3%**		
Investment Gain (Losses)	(18,200,989.88)	(15,716,338.41)	(2,484,651.47)	-15.8%
Adj. Inc. (Loss) with Investment Gains (Losses)	**2,248,887.46**	**(10,189,410.99)**	**12,438,298.45**	**122.1%**
Adj. Margin % with Investment Gains (Losses)	**0.5%**	**-2.4%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**40,940,373.48**	**25,353,938.13**	**15,586,435.35**	**61.5%**
Adjusted Margin % excluding Depreciation & Amortization	**8.1%**	**5.8%**		

UNAUDITED

The University of Texas Health Science Center at San Antonio
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2015

	December Year-to-Date FY 2016	December Year-to-Date FY 2015	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition and Fees	12,838,925.67	11,934,822.33	904,103.34	7.6%
Sponsored Programs	100,379,347.55	101,690,237.26	(1,310,889.71)	-1.3%
Net Sales and Services of Educational Activities	8,427,358.68	8,312,892.16	114,466.52	1.4%
Net Professional Fees	62,462,310.49	56,698,371.52	5,763,938.97	10.2%
Net Auxiliary Enterprises	1,762,107.17	1,930,357.43	(168,250.26)	-8.7%
Other Operating Revenues	4,197,728.18	5,907,006.84	(1,709,278.66)	-28.9%
Total Operating Revenues	**190,067,777.74**	**186,473,687.54**	**3,594,090.20**	**1.9%**
Operating Expenses				
Salaries and Wages	139,997,432.55	140,860,628.24	(863,195.69)	-0.6%
Payroll Related Costs	36,741,297.00	34,886,355.04	1,854,941.96	5.3%
Professional Fees and Services	7,236,672.78	4,982,431.06	2,254,241.72	45.2%
Other Contracted Services	6,200,080.87	5,301,361.46	898,719.41	17.0%
Travel	1,495,604.83	1,616,436.99	(120,832.16)	-7.5%
Materials and Supplies	14,117,609.13	12,611,827.78	1,505,781.35	11.9%
Utilities	6,198,856.00	5,833,333.33	365,522.67	6.3%
Communications	3,262,233.97	4,625,522.87	(1,363,288.90)	-29.5%
Repairs and Maintenance	1,830,612.29	2,085,114.04	(254,501.75)	-12.2%
Rentals and Leases	1,934,826.59	1,800,392.54	134,434.05	7.5%
Printing and Reproduction	545,347.71	554,715.39	(9,367.68)	-1.7%
Scholarships and Fellowships	2,545,705.17	2,971,039.65	(425,334.48)	-14.3%
Depreciation and Amortization	17,666,666.67	17,500,000.00	166,666.67	1.0%
Federal Sponsored Program Pass-Through to Other State Agencies	516,666.67	500,000.00	16,666.67	3.3%
Other Operating Expenses	12,193,445.09	12,896,850.71	(703,405.62)	-5.5%
Total Operating Expenses	**252,483,057.32**	**249,026,009.10**	**3,457,048.22**	**1.4%**
Operating Loss	**(62,415,279.58)**	**(62,552,321.56)**	**137,041.98**	**0.2%**
Other Nonoperating Adjustments				
State Appropriations	56,206,379.33	58,745,015.67	(2,538,636.34)	-4.3%
Nonexchange Sponsored Programs	433,333.33	416,666.67	16,666.66	4.0%
Gift Contributions for Operations	9,595,327.61	9,590,415.78	4,911.83	0.1%
Net Investment Income	12,527,591.63	12,332,114.67	195,476.96	1.6%
Interest Expense on Capital Asset Financings	(2,737,624.28)	(2,934,222.52)	196,598.24	6.7%
Net Other Nonoperating Adjustments	**76,025,007.62**	**78,149,990.27**	**(2,124,982.65)**	**-2.7%**
Adjusted Income (Loss) including Depreciation & Amortization	**13,609,728.04**	**15,597,668.71**	**(1,987,940.67)**	**-12.7%**
Adjusted Margin % including Depreciation & Amortization	**5.1%**	**5.8%**		
Investment Gain (Losses)	(23,215,099.41)	(20,558,396.41)	(2,656,703.00)	-12.9%
Adj. Inc. (Loss) with Investment Gains (Losses)	**(9,605,371.37)**	**(4,960,727.70)**	**(4,644,643.67)**	**-93.6%**
Adj. Margin % with Investment Gains (Losses)	**-3.9%**	**-2.0%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**31,276,394.71**	**33,097,668.71**	**(1,821,274.00)**	**-5.5%**
Adjusted Margin % excluding Depreciation & Amortization	**11.6%**	**12.4%**		

UNAUDITED

The University of Texas M. D. Anderson Cancer Center
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2015

	December Year-to-Date FY 2016	December Year-to-Date FY 2015	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition and Fees	536,673.68	1,012,882.98	(476,209.30)	-47.0%
Sponsored Programs	96,795,264.11	89,791,330.15	7,003,933.96	7.8%
Net Sales and Services of Educational Activities	907,279.55	773,687.21	133,592.34	17.3%
Net Sales and Services of Hospitals	1,108,916,721.32	1,025,901,043.18	83,015,678.14	8.1%
Net Professional Fees	138,249,731.53	133,421,731.28	4,828,000.25	3.6%
Net Auxiliary Enterprises	14,012,694.35	14,600,084.15	(587,389.80)	-4.0%
Other Operating Revenues	29,341,421.97	31,520,134.18	(2,178,712.21)	-6.9%
Total Operating Revenues	**1,388,759,786.51**	**1,297,020,893.13**	**91,738,893.38**	**7.1%**
Operating Expenses				
Salaries and Wages	613,818,280.22	580,959,849.68	32,858,430.54	5.7%
Payroll Related Costs	175,912,288.19	163,645,142.64	12,267,145.55	7.5%
Cost of Goods Sold	965,947.39	2,187,334.53	(1,221,387.14)	-55.8%
Professional Fees and Services	63,756,128.85	56,220,759.03	7,535,369.82	13.4%
Other Contracted Services	44,097,656.45	34,725,203.02	9,372,453.43	27.0%
Travel	11,051,425.41	7,071,444.91	3,979,980.50	56.3%
Materials and Supplies	276,128,981.20	249,735,233.25	26,393,747.95	10.6%
Utilities	15,218,845.63	14,903,548.93	315,296.70	2.1%
Communications	3,366,496.80	3,136,257.73	230,239.07	7.3%
Repairs and Maintenance	31,488,312.16	35,464,239.21	(3,975,927.05)	-11.2%
Rentals and Leases	14,711,338.16	14,715,678.13	(4,339.97)	-
Printing and Reproduction	1,594,122.47	1,319,574.76	274,547.71	20.8%
Scholarships and Fellowships	1,911,410.88	1,856,504.00	54,906.88	3.0%
Depreciation and Amortization	113,842,154.11	99,747,976.55	14,094,177.56	14.1%
Federal Sponsored Program Pass-Through to Other State Agencies	101,455.63	(1,451,161.38)	1,552,617.01	107.0%
State Sponsored Program Pass-Through to Other State Agencies	178,213.22	248,053.77	(69,840.55)	-28.2%
Other Operating Expenses	11,298,736.16	10,698,594.48	600,141.68	5.6%
Total Operating Expenses	**1,379,441,792.93**	**1,275,184,233.24**	**104,257,559.69**	**8.2%**
Operating Loss	**9,317,993.58**	**21,836,659.89**	**(12,518,666.31)**	**-57.3%**
Other Nonoperating Adjustments				
State Appropriations	67,334,312.96	62,456,936.51	4,877,376.45	7.8%
Nonexchange Sponsored Programs	1,495,987.88	1,847,504.00	(351,516.12)	-19.0%
Gift Contributions for Operations	61,079,677.20	34,461,956.68	26,617,720.52	77.2%
Net Investment Income	36,176,660.81	25,127,805.00	11,048,855.81	44.0%
Interest Expense on Capital Asset Financings	(11,317,334.40)	(11,955,784.72)	638,450.32	5.3%
Net Other Nonoperating Adjustments	**154,769,304.45**	**111,938,417.47**	**42,830,886.98**	**38.3%**
Adjusted Income (Loss) including Depreciation & Amortization	**164,087,298.03**	**133,775,077.36**	**30,312,220.67**	**22.7%**
Adjusted Margin % including Depreciation & Amortization	**10.6%**	**9.4%**		
Investment Gain (Losses)	(1,492,578.33)	(41,434,009.50)	39,941,431.17	96.4%
Adj. Inc. (Loss) with Investment Gains (Losses)	**162,594,719.70**	**92,341,067.86**	**70,253,651.84**	**76.1%**
Adj. Margin % with Investment Gains (Losses)	**10.5%**	**6.7%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**277,929,452.14**	**233,523,053.91**	**44,406,398.23**	**19.0%**
Adjusted Margin % excluding Depreciation & Amortization	**17.9%**	**16.4%**		

UNAUDITED

The University of Texas Health Science Center at Tyler
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2015

	December Year-to-Date FY 2016	December Year-to-Date FY 2015	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition and Fees	44,803.22	43,210.80	1,592.42	3.7%
Sponsored Programs	8,272,766.67	5,158,690.01	3,114,076.66	60.4%
Net Sales and Services of Educational Activities	661,652.59	505,141.95	156,510.64	31.0%
Net Sales and Services of Hospitals	17,808,923.82	19,189,695.12	(1,380,771.30)	-7.2%
Net Professional Fees	4,730,361.06	4,971,325.60	(240,964.54)	-4.8%
Net Auxiliary Enterprises	88,427.58	79,132.94	9,294.64	11.7%
Other Operating Revenues	5,018,219.63	13,200,242.81	(8,182,023.18)	-62.0%
Total Operating Revenues	**36,625,154.57**	**43,147,439.23**	**(6,522,284.66)**	**-15.1%**
Operating Expenses				
Salaries and Wages	31,201,234.66	26,140,373.93	5,060,860.73	19.4%
Payroll Related Costs	8,800,256.16	7,501,836.89	1,298,419.27	17.3%
Cost of Goods Sold	59,566.26	37,377.51	22,188.75	59.4%
Professional Fees and Services	3,168,904.77	3,006,836.81	162,067.96	5.4%
Other Contracted Services	3,695,688.34	3,322,239.98	373,448.36	11.2%
Travel	223,850.74	211,957.55	11,893.19	5.6%
Materials and Supplies	7,595,368.07	7,047,635.79	547,732.28	7.8%
Utilities	613,823.00	820,898.00	(207,075.00)	-25.2%
Communications	391,974.03	301,912.27	90,061.76	29.8%
Repairs and Maintenance	1,709,147.72	1,738,595.65	(29,447.93)	-1.7%
Rentals and Leases	356,499.22	395,335.98	(38,836.76)	-9.8%
Printing and Reproduction	18,769.66	23,668.44	(4,898.78)	-20.7%
Scholarships and Fellowships	44,888.22	5,987.50	38,900.72	649.7%
Depreciation and Amortization	3,608,470.42	3,671,726.68	(63,256.26)	-1.7%
Federal Sponsored Program Pass-Through to Other State Agencies	77,680.44	59,034.84	18,645.60	31.6%
Other Operating Expenses	1,271,988.32	939,970.09	332,018.23	35.3%
Total Operating Expenses	**62,838,110.03**	**55,225,387.91**	**7,612,722.12**	**13.8%**
Operating Loss	**(26,212,955.46)**	**(12,077,948.68)**	**(14,135,006.78)**	**-117.0%**
Other Nonoperating Adjustments				
State Appropriations	17,945,759.33	14,488,227.12	3,457,532.21	23.9%
Gift Contributions for Operations	203,203.62	91,913.92	111,289.70	121.1%
Net Investment Income	1,389,962.80	1,478,195.19	(88,232.39)	-6.0%
Interest Expense on Capital Asset Financings	(441,231.24)	(480,481.24)	39,250.00	8.2%
Net Other Nonoperating Adjustments	**19,097,694.51**	**15,577,854.99**	**3,519,839.52**	**22.6%**
Adjusted Income (Loss) including Depreciation & Amortization	**(7,115,260.95)**	**3,499,906.31**	**(10,615,167.26)**	**-303.3%**
Adjusted Margin % including Depreciation & Amortization	**-12.7%**	**5.9%**		
Investment Gain (Losses)	(1,751,553.94)	(1,596,027.41)	(155,526.53)	-9.7%
Adj. Inc. (Loss) with Investment Gains (Losses)	**(8,866,814.89)**	**1,903,878.90**	**(10,770,693.79)**	**-565.7%**
Adj. Margin % with Investment Gains (Losses)	**-16.3%**	**3.3%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**(3,506,790.53)**	**7,171,632.99**	**(10,678,423.52)**	**-148.9%**
Adjusted Margin % excluding Depreciation & Amortization	**-6.2%**	**12.1%**		

3. U. T. System: Report on the Analysis of Financial Condition for Fiscal Year 2015

INTRODUCTION

Financial analysis is performed from each institution's Balance Sheet and the Statement of Revenues, Expenses, and Changes in Net Assets. The ratios presented in this report are ratios commonly used by bond rating agencies, public accounting firms, and consulting firms. The following ratios were analyzed: Composite Financial Index, Operating Expense Coverage, Annual Operating Margin, Expendable Resources to Debt, Debt Burden, Debt Service Coverage, and Full-Time Equivalent (FTE) Student Enrollment (academic institutions only).

The Analysis of Financial Condition has been prepared since 1995 to track financial ratios to determine if the financial condition of the institutions is improving or declining. This analysis compares trends for Fiscal Year 2011 through Fiscal Year 2015.

REPORT

The 2015 Analysis of Financial Condition, which is set forth on the following pages, is a broad annual financial evaluation that rates U. T. System institutions based on factors analyzed as either “Satisfactory," “Watch," or “Unsatisfactory."

An Executive Summary of the report may be found on Pages 160 - 161. U. T. Permian Basin's rating was downgraded from “Satisfactory” to “Watch” as a result of a decline in the financial condition in Fiscal Year 2015, as well as the institution's failure to meet the thresholds established as part of the incentive measures for Fiscal Year 2015. U. T. Brownsville and U. T. Pan American were not rated due to the transition to U. T. Rio Grande Valley on September 1, 2015. With the exception of U. T. Permian Basin, all of the other U. T. System institution's ratings were “Satisfactory” for Fiscal Year 2015.

2015 Analysis of Financial Condition

February 2016

The University of Texas System
2015 Analysis of Financial Condition

Executive Summary

The Analysis of Financial Condition (AFC) was performed from the Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position. Since debt is reported at the System level and not on the individual institution's books, debt was allocated to the appropriate institution, as provided by the Office of Finance.

The ratios presented in this report are ratios commonly used by bond rating agencies, public accounting firms, and consulting firms. In addition to using individual ratios, a Composite Financial Index (CFI) is calculated using four commonly used ratios to form a composite score to help analyze the overall financial health of each institution. Use of a single score allows a weakness in a particular ratio to be offset by strength in another ratio. The four core ratios that make up the CFI are as follows:

- *Primary Reserve Ratio* – measures the financial strength of the institution by comparing expendable net position to total expenses (in days). This ratio provides a snapshot of financial strength and flexibility by indicating how long the institution could function by using its expendable reserves without relying on additional net position generated by operations.
- *Annual Operating Margin Ratio* – indicates whether the institution has balanced annual operating expenses with revenues. Depreciation expense is included, as it is believed that inclusion of depreciation reflects a more complete picture of operating performance since it reflects use of physical assets.
- *Return on Net Position Ratio* – determines whether the institution is financially better off than in previous years by measuring economic return. As mentioned above, the debt reported at the system level was allocated to each institution in the calculation of this ratio. A temporary decline in this ratio may be appropriate and even warranted if it reflects a strategy to better fulfill the institution's mission. On the other hand, an improving trend in this ratio indicates that the institution is increasing its net position and is likely to be able to set aside financial resources to strengthen its future financial flexibility.
- *Expendable Resources to Debt Ratio* – determines if an institution has the ability to fund outstanding debt with existing net position balances should an emergency occur.

In addition to the CFI that includes the four core ratios mentioned above, the following ratios are presented:

- *Operating Expense Coverage Ratio* – measures an institution's ability to cover future operating expenses with available year-end balances (in months).
- *Debt Burden Ratio* – examines the institution's dependence on borrowed funds as a source of financing and the cost of borrowing relative to overall expenses.
- *Debt Service Coverage Ratio* – measures the actual margin of protection provided to investors by annual operations. *Moody's Investors Service* excludes actual investment income from its calculation of total operating revenue and instead, uses a normalized investment income. Moody's applies 5% of the average of the previous three years' market value of cash and investments to compute normalized investment income. This calculation is used by the Office of Finance, and in order to be consistent with their calculation of the debt service coverage ratio, normalized investment income is used as defined above for this ratio only.
- *Full-time Equivalent (FTE) Student Enrollment* – calculates total semester credit hours taken by students during the fall semester, divided by factors of 15 for undergraduate students, 12 for graduate and special professional students, and 9 for doctoral students to arrive at the FTE students represented by the course hours taken.

All of these ratios, including the CFI, only deal with the financial aspects of the institution and must be considered with key performance indicators in academics, infrastructure, and student and faculty satisfaction to understand a more complete measure of total institutional strength.

This report is meant to be a broad annual financial evaluation that rates the institutions as either “Satisfactory,” “Watch,” or “Unsatisfactory” based upon the factors analyzed. (See Appendix A – Definitions of Evaluation Factors). For institutions rated “Unsatisfactory,” the Chancellor and the appropriate Executive Vice Chancellors will request the institutions to develop a specific financial plan of action to improve the institution’s financial condition. By policy, institutions rated “Unsatisfactory” are not permitted to invest in the Intermediate Term Fund. Progress towards the achievement of the plans will be periodically discussed with the Chief Business Officer and President, and representatives from the System Offices of Business, Academic and/or Health Affairs, as appropriate.

U. T. Permian Basin’s rating was downgraded from “Satisfactory” to “Watch” as a result of a decline in the financial condition in 2015, as well as U. T. Permian Basin’s failure to meet the thresholds established as part of the incentive measures for 2015. U. T. Permian Basin’s CFI decreased from 2.3 in 2014 to 0.4 in 2015, which was well below the threshold of 2.5. The operating expense coverage ratio decreased by 1.9 months to 0.5 months in 2015, which was below the System’s benchmark and the threshold of 2.0 months. In addition, the annual operating deficit grew to ($6.1) million or (7.6%) as compared to the threshold of (0.8%).

Although UTMB’s composite financial index (CFI), operating expense coverage ratio and annual operating margin ratio all decreased in 2015, these declines did not warrant downgrading UTMB at this time. However, if this downward trend continues into the future, then the rating may be reassessed.

While UTHSC-Tyler’s rating remained “Satisfactory,” there is still concern over UTHSC-Tyler’s core operations. While UTHSC-Tyler's annual operating margin remained positive in 2015, it is important to note the sizeable impact net Delivery System Reform Incentive Payments (DSRIP) revenue had on UTHSC-Tyler's operating results. If the net DSRIP revenue had not been recognized in 2015, UTHSC-Tyler's annual operating deficit would have been ($16.4) million or (11.3%). UTHSC-Tyler is working diligently to improve the margin from core operations by the time DSRIP is expected expire in fiscal year 2017.

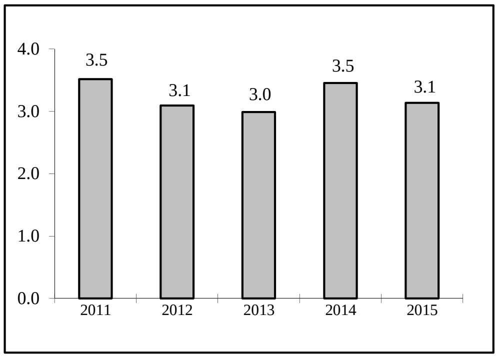
U. T. Brownsville and U. T. Pan American were not rated due to the transition to U. T. Rio Grande Valley in 2016. U. T. Rio Grande Valley was operational September 1, 2015. U. T. Rio Grande Valley is an accounting merger that will occur in fiscal year 2016 combining student enrollment from U. T. Brownsville and U. T. Pan American as well as new medical school students. U. T. Rio Grande Valley enrolled its first academic class in the fall of 2015 and is expected to enroll its first medical student class in the fall of 2016. In accordance with the statute creating U. T. Rio Grande Valley, U. T. Pan American was abolished by the System’s Board of Regents effective September 1, 2015. U. T. Brownsville remains operational as an institution with minimal administrative staff for the purpose of maintaining the accreditation of Texas Southmost College, a community college with which it had a contractual partnership. U. T. Brownsville will be abolished by the System’s Board of Regents on a future date when Texas Southmost College achieves independent accreditation, which is expected in 2016.

With the exception of U. T. Permian Basin, all of the other U. T. institutions’ ratings were “Satisfactory” for 2015. The CFIs for all of the U. T. institutions decreased in 2015 primarily as a result of one of the following factors: a decrease in the fair value of investments, a decrease in the operating margin, and a decrease in the amount of bond proceeds transferred to the institution. The majority of the institutions also experienced a decline in the operating expense coverage ratio due to a decrease in unrestricted net position largely as a result of a decrease in the fair value of investments or the growth of total operating expenses. The operating expense coverage ratios for the institutions rated “Satisfactory” were above the System’s benchmark of 2.0 months with the exception of UTMB and U. T. El Paso, which were just slightly below the benchmark.

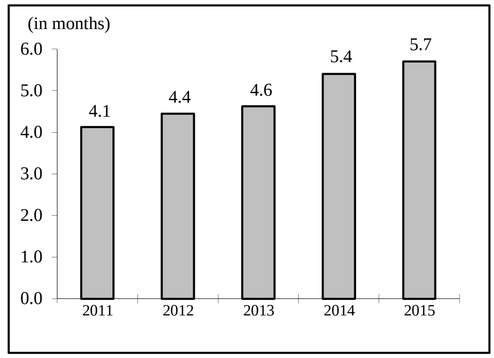
The University of Texas at Arlington
2015 Summary of Financial Condition

Financial Condition: **Satisfactory**

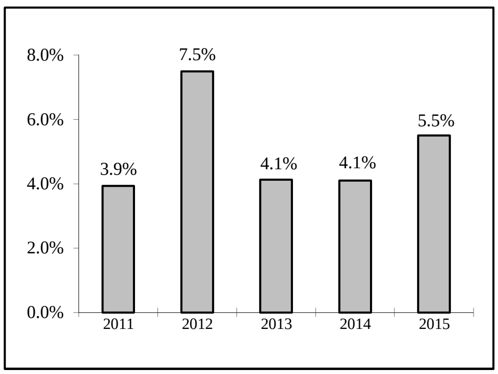
Composite Financial Index



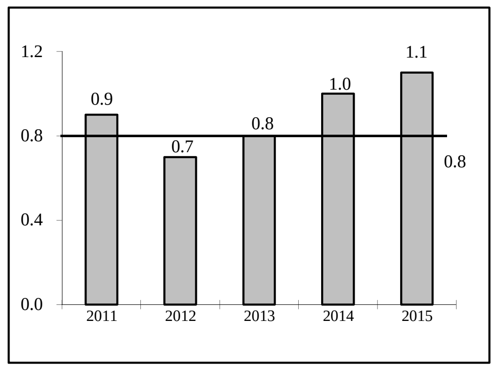
Operating Expense Coverage Ratio



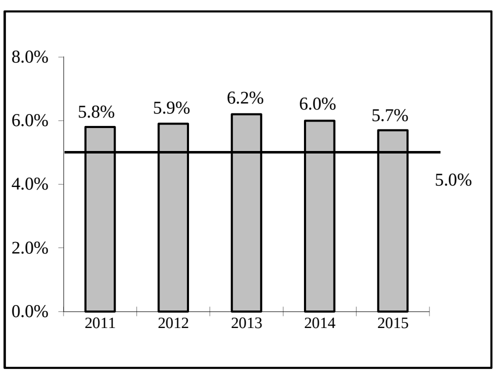
Annual Operating Margin Ratio



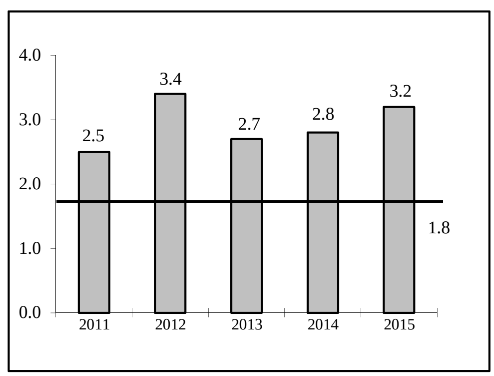
Expendable Resources to Debt Ratio



Debt Burden Ratio

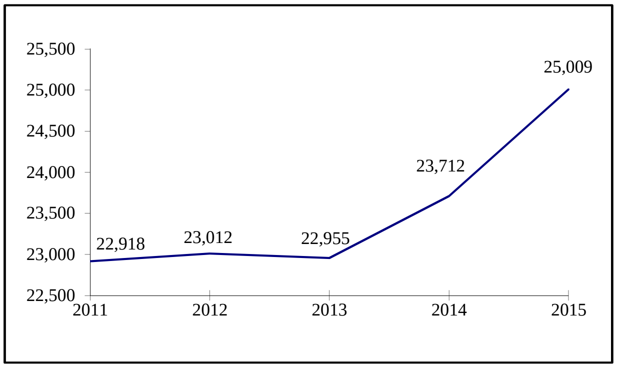


Debt Service Coverage Ratio



The University of Texas at Arlington
2015 Summary of Financial Condition

Full-time Equivalent
Student Enrollment - Fall



Composite Financial Index (CFI) - U. T. Arlington's CFI decreased from 3.5 in 2014 to 3.1 in 2015 primarily as a result of a decrease in the return on net position ratio. The decrease in the return on net position ratio was largely driven by a net decrease in the fair value of investments of ($22.0) million in 2015 as compared to a net increase of $25.6 million in 2014 for a net change between years of ($47.6) million.

Operating Expense Coverage Ratio - U. T. Arlington's operating expense coverage ratio increased from 5.4 months in 2014 to 5.7 months in 2015 due to the growth in total unrestricted net position of $21.8 million. The increase in total unrestricted net position was primarily attributable to operating activity in designated funds and an increase in in the amount of unrestricted funding for capital projects in unexpended plant funds.

Annual Operating Margin Ratio - U. T. Arlington's annual operating margin ratio increased from 4.1% for 2014 to 5.5% for 2015 as the growth in total operating revenues of $26.0 million outpaced the growth in total operating expenses (including interest expense) of $17.1 million. The increase in total operating revenues was largely due to the following: a $17.4 million increase in net tuition and fees attributable to increased enrollment; a $4.8 million increase in sponsored programs revenue (including nonexchange sponsored programs and including the adjustment in the prior year for the portion of Texas Research Incentive Program funding received in 2013 but not included until 2014) as a result of a $1.0 million increase in Pell Grants and a $2.5 million increase in Texas Manufacturing Assistance Center revenue; a $2.7 million increase in state appropriations; a $2.2 million increase in auxiliary enterprises revenue generated by the College Park District, as well as increases in housing rental rates and parking fees; and a $1.8 million increase in other operating revenues mostly due to an increase in program income in restricted funds. The increase in total operating expenses was primarily attributable to the following: a $14.3 million increase in salaries and wages and payroll related costs resulting from merit increases to attract and retain talented faculty and staff; a $5.1 million increase in other contracted services primarily due to Academic Partnership Programs; and a $1.9 million increase in professional fees and services as a result of temporary staff and training expenses related to the Texas Manufacturing Assistance Center and consultants for PeopleSoft. These increases in expenses were partially offset by decreases in the following: a $2.8 million decrease in communications as a result of a $2.1 million decrease in communication services expense for the Library, a $0.2 million decrease in expenses for use of U. T. Austin's financial system, a $0.1 million decrease in expenses for the Police Department's communication system and a $0.2 million decrease in expenses for the Blackboard Web Conference and Instant Messaging system; and a $2.1 million decrease in repairs and maintenance caused by a decrease of $0.8 million in deferred maintenance, a decrease of $0.8 million in expenses for the Shimadzu Recharge Center, and a decrease of $0.3 million in software repairs and maintenance.

Expendable Resources to Debt Ratio - U. T. Arlington's expendable resources to debt ratio increased from 1.0 in 2014 to 1.1 in 2015. The increase in this ratio was attributable to growth in total unrestricted net position of $21.8 million combined with a decrease of $17.1 million in the amount of debt outstanding.

Debt Burden Ratio - U. T. Arlington's debt burden ratio decreased from 6.0% in 2014 to 5.7% in 2015 as a result of the increase in total operating expenses as previously mentioned.

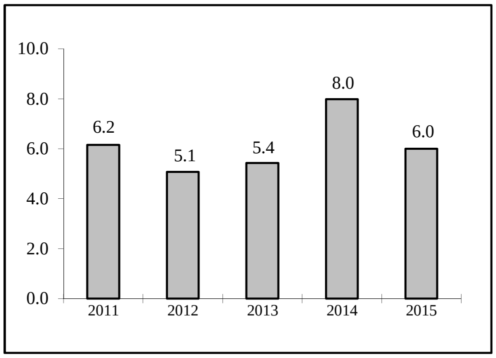
Debt Service Coverage Ratio - U. T. Arlington's debt service coverage ratio increased from 2.8 in 2014 to 3.2 in 2015. The increase in this ratio was generated by increase in operating performance as discussed in the annual operating margin ratio.

Full-Time Equivalent (FTE) Student Enrollment - U. T. Arlington's FTE student enrollment increased due to an overall increase in student enrollment.

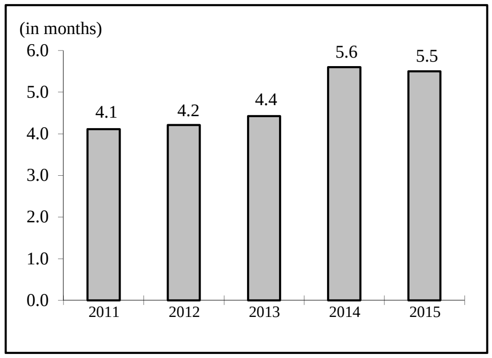
The University of Texas at Austin
2015 Summary of Financial Condition

Financial Condition: **Satisfactory**

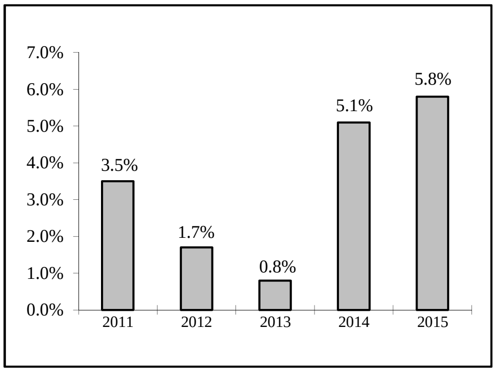
Composite Financial Index



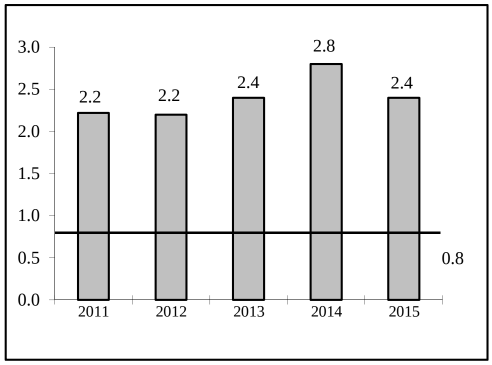
Operating Expense Coverage Ratio



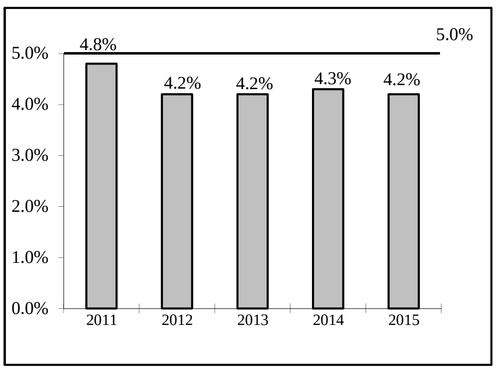
Annual Operating Margin Ratio



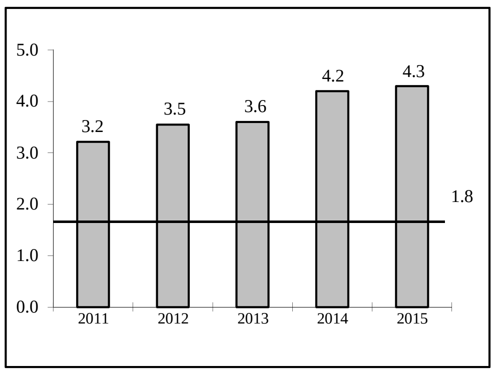
Expendable Resources to Debt Ratio



Debt Burden Ratio

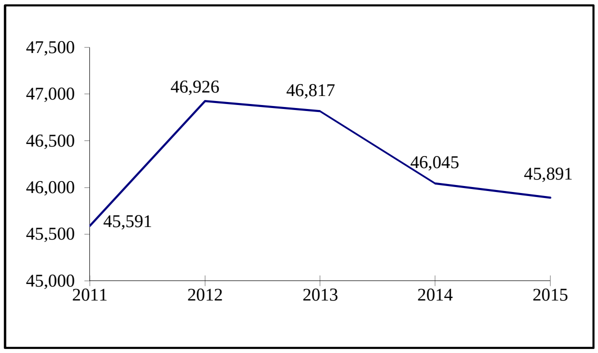


Debt Service Coverage Ratio



The University of Texas at Austin
2015 Summary of Financial Condition

Full-time Equivalent Student Enrollment - Fall



Composite Financial Index (CFI) - U. T. Austin's CFI decreased from 8.0 in 2014 to 6.0 in 2015 due to decreases in the return on net position, expendable resources to debt, and primary reserve ratios. The decrease in the return on net position ratio was primarily attributable to the following: the net decrease in the fair value of investments of ($211.2) million in 2015 as compared to a net increase of $265.4 million in 2014 for a net change between years of ($476.6) million; and a decrease of $308.7 million in gifts and sponsored programs for capital acquisitions primarily due to a $212.0 million gift from MA Photo Acquisition, LLC in 2014 with no such comparable gift in 2015. The decrease in the primary reserve ratio was due to a decrease in total restricted expendable net position (excluding restricted expendable for capital projects) combined with an increase in total operating expenses, both of which are discussed below. The decrease in the expendable resources to debt ratio is also discussed below.

Operating Expense Coverage Ratio - U. T. Austin's operating expense coverage ratio decreased from 5.6 months in 2014 to 5.5 months in 2015 due to growth in total operating expenses (including interest expense) of $49.5 million. The increase in total operating expenses was primarily attributable to the following: a $34.8 million increase in salaries and wages and payroll related costs as a result of merit increases and the addition of Dell Medical School staff; an $11.2 million increase in other contracted services related to the Administrative Systems Master Plan (ASMP) project; an $8.9 million increase in other operating expenses largely due to an overall increase in research grants; and a $6.6 million increase in repairs and maintenance generated by ASMP projects, room renovations at the AT&T Executive Education and Conference Center, an increase in Project Management and Construction Services projects that were expensed and not capitalized, and Information Technology Services multi-year charges. These expense increases were partially offset by a $7.1 million decrease in interest expense.

Annual Operating Margin Ratio - U. T. Austin's annual operating margin ratio increased from 5.1% for 2014 to 5.8% for 2015 as the growth in total operating revenues of $73.0 million exceeded the growth in total operating expenses of $49.5 million, as discussed above. The increase in total operating revenues was primarily due to the following: a $25.5 million increase in the transfer from the Available University Fund over the prior year; a $17.0 million increase in net investment income (excluding realized gains/losses); a $16.4 million increase in net auxiliary enterprises revenue largely attributable to activity in Athletics; a $12.9 million increase in sponsored programs revenue generated by an overall increase in research grants and new funding provided by a number of school districts for programs related to the Texas Literacy Initiative; a $9.8 million increase in net sales and services of educational activities primarily due to an increase in sales of online and electronic databases for Library Resource Sharing; and a $3.6 million increase in state appropriations. These increases in revenues were partially offset by decreases in the following: a $7.8 million decrease in net tuition and fees as a result of decreased student enrollment, as well as an increase in discounts and allowances attributable to increased student loans and scholarships; and a decrease of $3.8 million in gifts for operations.

Expendable Resources to Debt Ratio - U. T. Austin's expendable resources to debt ratio decreased from 2.8 in 2014 to 2.4 in 2015. The decrease in this ratio was due to a decrease of $130.8 million in total restricted expendable net position (excluding restricted expendable for capital projects) and an increase of $120.8 million in the amount of debt outstanding. The decrease in total restricted expendable net position (excluding restricted expendable for capital projects) was primarily attributable to the net decrease in the fair value of investments in restricted funds and endowment funds. The increase in the amount of debt outstanding was related to the Dell Medical School, Rowling Hall, and the Engineering Education and Research Center.

Debt Burden Ratio - U. T. Austin's debt burden ratio decreased from 4.3% in 2014 to 4.2% in 2015 as a result of the increase in total operating expenses discussed above.

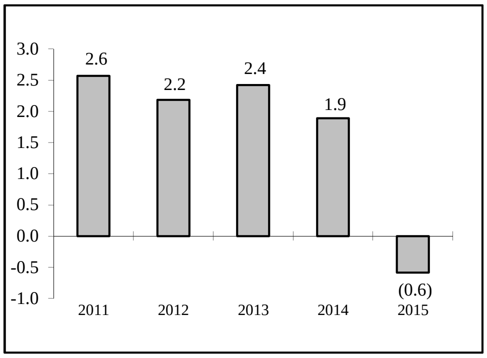
Debt Service Coverage Ratio - U. T. Austin's debt service coverage ratio increased from 4.2 in 2014 to 4.3 in 2015. The increase in this ratio was attributable to the improvement in operating performance as discussed in the annual operating margin ratio.

Full-Time Equivalent (FTE) Student Enrollment - U. T. Austin's FTE student enrollment decreased slightly in 2015 for the third year in a row as part of a continuing trend returning rates to normal following a large spike in 2012 which was attributed to an effort to improve admissions yield rate as part of the Enrollment Management and Graduation Rate initiatives. New undergraduate enrollment remained the same in 2015. The decrease is due to less transfer and graduate students.

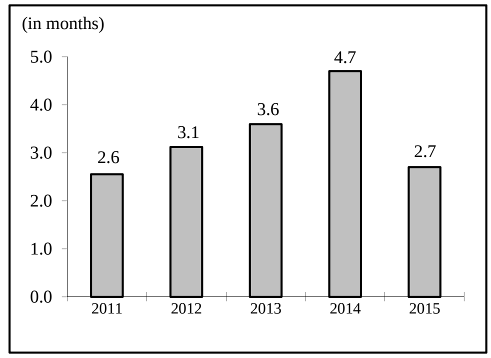
The University of Texas at Brownsville
2015 Summary of Financial Condition

Financial Condition: **Not Rated Due to Transition to U. T. Rio Grande Valley**

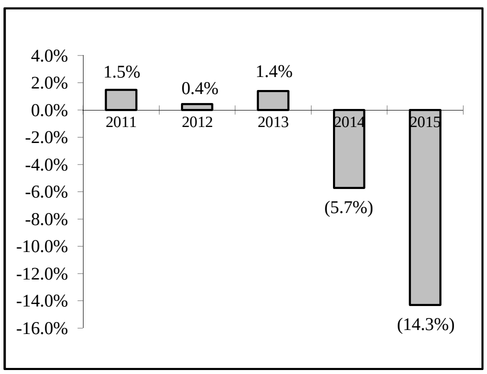
Composite Financial Index



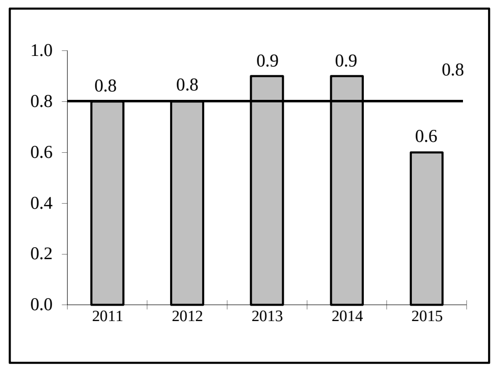
Operating Expense Coverage Ratio



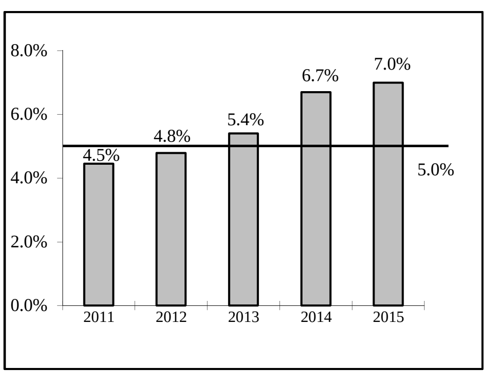
Annual Operating Margin Ratio



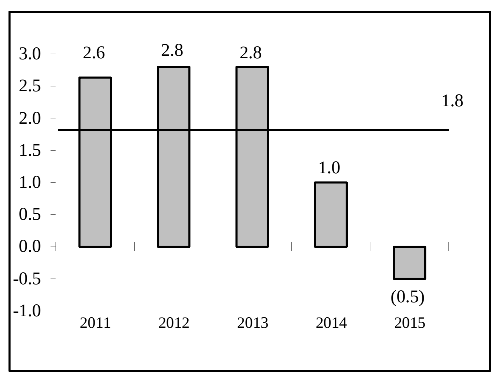
Expendable Resources to Debt Ratio



Debt Burden Ratio

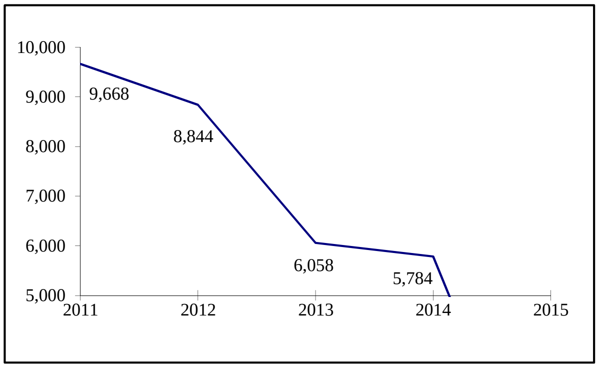


Debt Service Coverage Ratio



The University of Texas at Brownsville
2015 Summary of Financial Condition

Full-time Equivalent
Student Enrollment - Fall



Composite Financial Index (CFI) - U. T. Brownsville's CFI dropped from 1.9 in 2014 to (0.6) in 2015 as a result of decreases in all four core ratios. The decrease in the return on net position ratio was primarily driven by the following: a decline in operating performance; the net decrease in the fair value of investments of ($3.2) million in 2015 as compared to a net increase of $2.1 million in 2014 for a net change between years of ($5.3) million; and the recording of anticipated Permanent University Fund (PUF) bond proceeds of $50.5 million for U. T. Rio Grande Valley. Prior to the transition to U. T. Rio Grande Valley, U. T. Brownsville was not eligible for PUF funding as it received funding from the Higher Education Assistance Fund (HEAF), and therefore, U. T. Brownsville did not record PUF bonds anticipated proceeds until 2015. The decrease in the primary reserve ratio was a result of the decrease in total unrestricted net position, as discussed below. The decreases in the annual operating margin and the expendable resources to debt ratios are also discussed below.

Operating Expense Coverage Ratio - U. T. Brownsville's operating expense coverage ratio decreased from 4.7 months in 2014 to 2.7 months in 2015 due to a decrease of $20.6 million in total unrestricted net position. The decline in total unrestricted net position was attributable to the following: the spending of the majority of HEAF balances; the absence of students in the fall due to the closing of U. T. Brownsville and the transition to U. T. Rio Grande Valley, which resulted in the receipt of no tuition and fee revenue; and a decline in operating performance as discussed below.

Annual Operating Margin Ratio - U. T. Brownsville's annual operating margin ratio declined from (5.7%) for 2014 to (14.3%) for 2015 as the reduction in total operating revenues of $9.8 million exceeded the reduction in total operating expenses (including interest expense) of $1.1 million. The decrease in total operating revenues was primarily due to a decrease of $11.7 million in sponsored programs revenue (including nonexchange sponsored programs) largely as a result of several major Federal grants which ended in 2015 and the lack of August fall Pell Grant activity due to the closing of U. T. Brownsville and the transition to U. T. Rio Grande Valley. The decrease in total operating expenses was primarily due to the following: a $4.8 million decrease in scholarships and fellowships attributable to the lack of August fall Pell Grant activity, as mentioned above; and a $1.7 million decrease in professional fees and services resulting from expenses incurred in 2014 for the master planning of U. T. Brownsville. These decreases in expenses were partially offset by an increase in salaries and wages and payroll related costs of $4.9 million generated by merit and market adjustments, as well as a change in the reporting of accrued compensation in 2015 as compared to 2014.

Expendable Resources to Debt Ratio - U. T. Brownsville's expendable resources to debt ratio decreased from 0.9 in 2014 to 0.6 in 2015. The decline in this ratio was due to the $20.6 million decrease in total unrestricted net position, as previously discussed.

Debt Burden Ratio - U. T. Brownsville's debt burden ratio increased from 6.7% in 2014 to 7.0% in 2015 as a result of an increase in debt service payments of $0.5 million combined with a decrease in scholarships and fellowships, which are excluded from total operating expenses for the calculation of this ratio.

Debt Service Coverage Ratio - U. T. Brownsville's debt service coverage ratio declined from 1.0 in 2014 to (0.5) in 2015. The decrease in this ratio was attributable to the reduction in operating performance as discussed in the annual operating margin ratio.

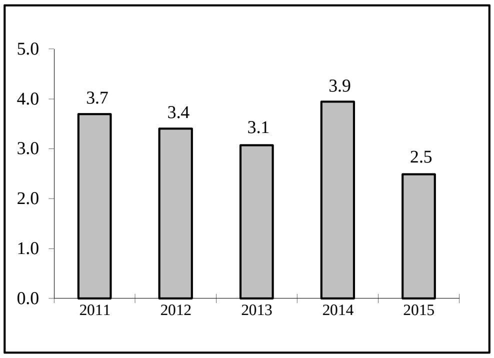
Full-Time Equivalent (FTE) Student Enrollment - U. T. Brownsville's FTE student enrollment was nonexistent as the students were transitioned to U. T. Rio Grande Valley for the fall of 2015.

U. T. Brownsville remains operational as an institution with minimal administrative staff for the purpose of maintaining the accreditation of Texas Southmost College, a community college with which it had a contractual partnership. U. T. Brownsville will be abolished by the U. T. System Board of Regents on a future date when Texas Southmost College achieves independent accreditation, which is expected in 2016. The vast majority of U. T. Brownsville will be incorporated into U. T. Rio Grande Valley for 2016 with the exception of the library, which must be maintained in U. T. Brownsville until Texas Southmost College attains accreditation. In addition, there were some HEAF balances which were not expended in 2015 that will be exhausted in 2016. Finally, there may be some state appropriation balance clean up that occurs in 2016.

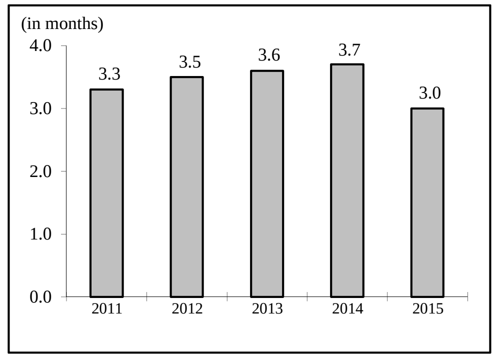
The University of Texas at Dallas
2015 Summary of Financial Condition

Financial Condition: **Satisfactory**

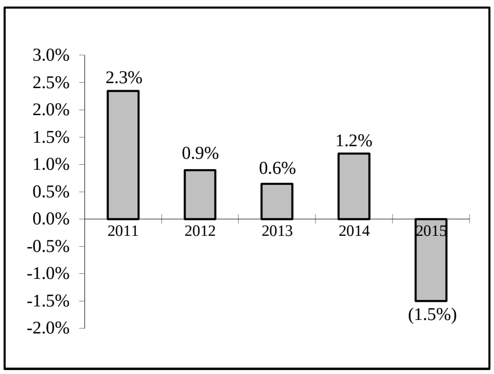
Composite Financial Index



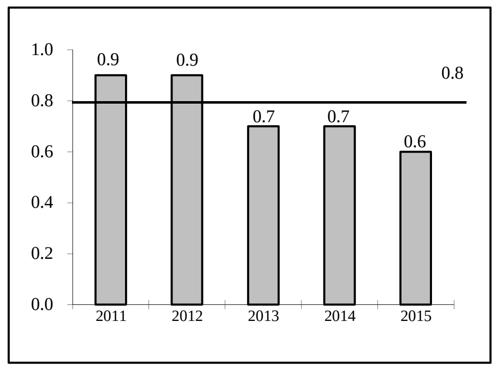
Operating Expense Coverage Ratio



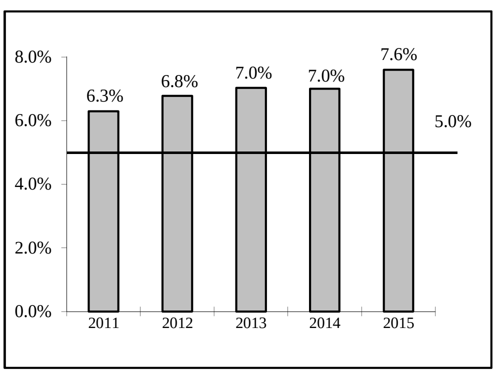
Annual Operating Margin Ratio



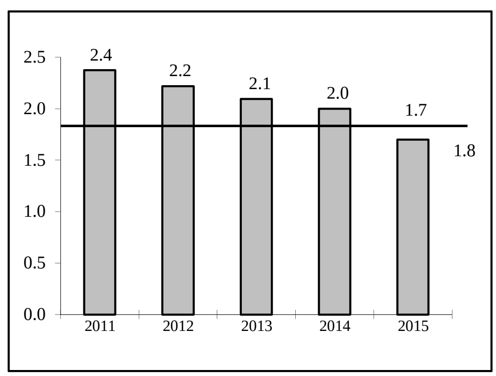
Expendable Resources to Debt Ratio



Debt Burden Ratio

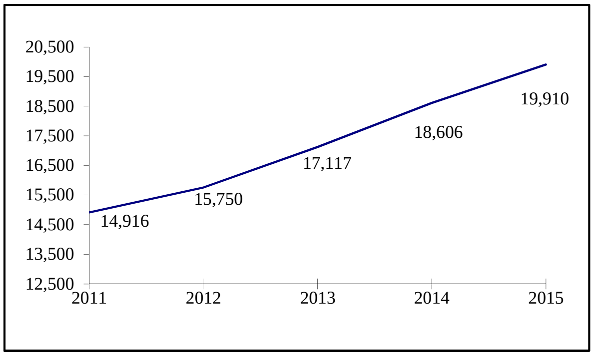


Debt Service Coverage Ratio



The University of Texas at Dallas
2015 Summary of Financial Condition

Full-time Equivalent
Student Enrollment - Fall



Composite Financial Index (CFI) - U. T. Dallas' CFI decreased from 3.9 in 2014 to 2.5 in 2015 as a result of decreases in the return on net position, primary reserve and annual operating margin ratios. The decrease in the return on net position ratio was primarily driven by the net decrease in the fair value of investments of ($18.2) million in 2015 as compared to a net increase of $28.6 million in 2014 for a net change between years of ($46.8) million, and $64.5 million less bond proceeds transferred to U. T. Dallas for capital projects primarily due to 2014 amounts for the Bioengineering and Science building. The decrease in the primary reserve ratio was a result of the decrease in total unrestricted net position, as discussed below. The decline in the annual operating margin ratio is also discussed below.

Operating Expense Coverage Ratio - U. T. Dallas' operating expense coverage ratio decreased from 3.7 months in 2014 to 3.0 months in 2015 due to both a decrease in total unrestricted net position of $18.4 million and an increase in total operating expenses (including interest expense) of $42.0 million. The decrease in total unrestricted net position was primarily attributable to a reduction in net investment income in designated funds combined with a net decrease in the fair value of investments allocated to designated funds. Total operating expenses increased largely due to the following: a $29.0 million increase in salaries and wages and payroll related costs as a result of new faculty hires and merit increases; a $6.3 million increase in other operating expenses attributable to increased student health insurance premiums and an increase in royalty payments; a $2.8 million increase in depreciation and amortization expense due to the recognition of a full year of depreciation expense on the Jindal School of Management Phase II, the Student Housing Living/Learning Center Phase IV, and the Parking Structure Phase III which were placed into service in 2014; a $2.3 million increase in materials and supplies generated by increases in books and reference materials, electronic access publications and computer software license renewals; a $1.8 million increase in interest expense; a $1.4 million increase in rentals and leases driven by rental expenses for Synergy Park North Center and the Academic Bridge Program; and a $1.1 million increase in utilities as a result of increased usage due to the addition of the Student Housing Living/Learning Center Phase IV, the Dining and Recreation Center West, the Jindal School of Management Phase II and the Parking Structure Phase III.

Annual Operating Margin Ratio - U. T. Dallas' annual operating margin ratio decreased from 1.2% for 2014 to (1.5%) for 2015 as the growth in total operating expenses of $42.0 million exceeded the growth in total operating revenues of $27.5 million. The increase in total operating revenues was primarily attributable to the following: a $43.0 million increase in net tuition and fees as a result of a 9.0% increase in student enrollment, an increase in non-resident tuition and an increase in health insurance premiums for students; a $4.8 million increase in net auxiliary enterprises revenue driven by increased revenue from university housing and increased parking and traffic fee revenue; a $2.9 million increase in other operating revenues attributable to an increase in lease income from royalty payments, an increase in B on-time revenue from the state; and a $1.8 million increase in net sales and services of educational activities due to an increase in Engineering and Computer Science design services, K-12 classes and camp fees, Confucius Institute and English Language Services (ELS). These increases in revenue were partially offset by the following: a $10.5 million decrease in sponsored programs revenue (including nonexchange sponsored programs and including the adjustment in the prior year for the portion of Texas Research Incentive Program (TRIP) funding received in 2013 but not included until 2014) largely due to the change in reporting of Pell Grants in 2014, and the adjustment made in 2014 for $5.0 million of unspent TRIP funding that was received in 2013 with no such adjustment in 2015; an $8.1 million decrease in net investment income (excluding realized gains/losses); and a $5.6 million decrease in gifts for operations as a result of a $5.0 million gift received from Communities Foundation of Texas in 2014 and the lack of a comparable gift in 2015.

Expendable Resources to Debt Ratio - U. T. Dallas' expendable resources to debt ratio decreased from 0.7 in 2014 to 0.6 in 2015. The decrease in this ratio was due to the decrease in total unrestricted net position of $18.4 million, as discussed above, and a $9.6 million increase in the amount of debt outstanding related to the Student Services Building, the Bioengineering and Sciences Building and the Parking Structure.

Debt Burden Ratio - U. T. Dallas' debt burden ratio increased from 7.0% in 2014 to 7.6% in 2015 as a result of a $5.9 million increase in debt service payments.

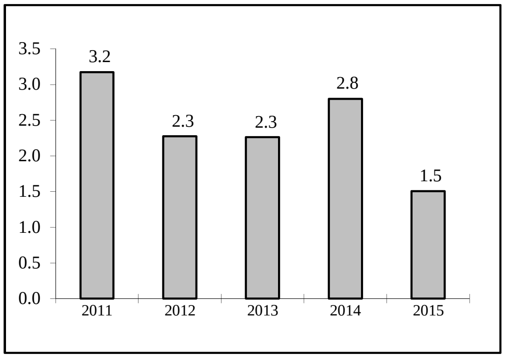
Debt Service Coverage Ratio - U. T. Dallas' debt service coverage ratio decreased from 2.0 in 2014 to 1.7 in 2015. The decrease in this ratio was attributable to the decline in operating performance combined with the increase in debt service payments.

Full-Time Equivalent (FTE) Student Enrollment - U. T. Dallas' FTE student enrollment increased by 7.0% from 2014 to 2015. The upward trend in FTE student enrollment relative to gross enrollment reflects the effects of the university's guaranteed tuition plan, which encourages full-time status, federal and state eligibility requirements for aid for domestic students and visa requirements for international students. In the fall of 2015, undergraduate FTE rose 8.1% over the fall of 2014 while the FTE for masters student enrollment increased by 3.0%.

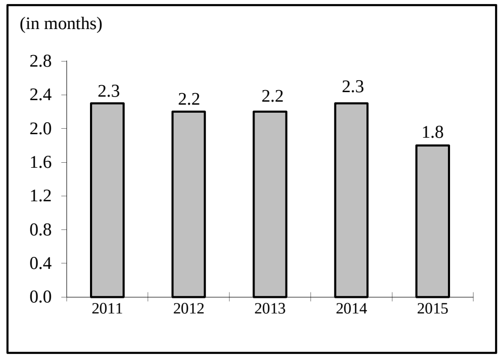
The University of Texas at El Paso
2015 Summary of Financial Condition

Financial Condition: **Satisfactory**

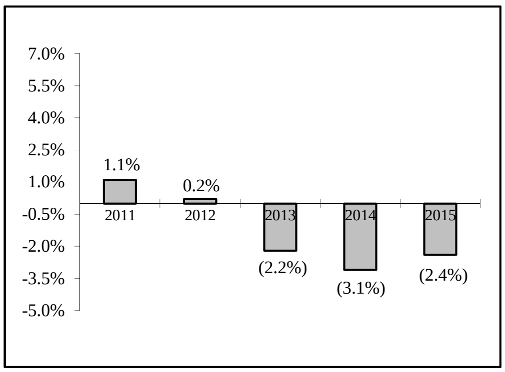
Composite Financial Index



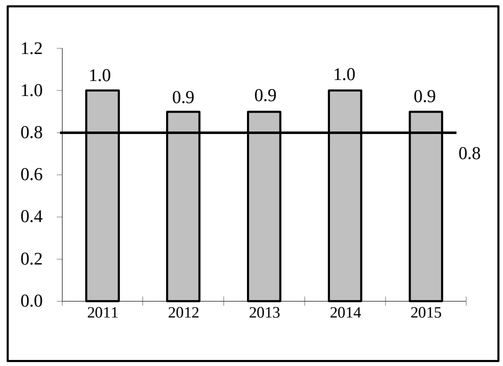
Operating Expense Coverage Ratio



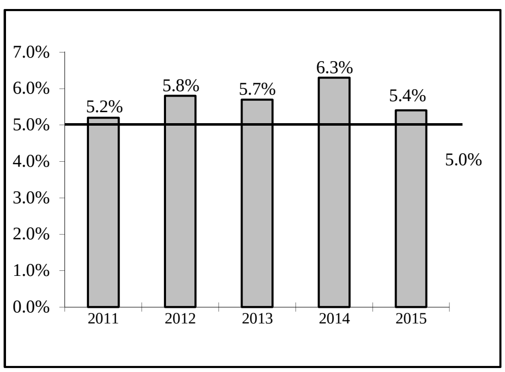
Annual Operating Margin Ratio



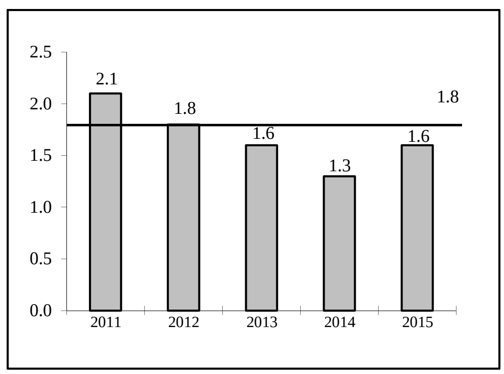
Expendable Resources to Debt Ratio



Debt Burden Ratio

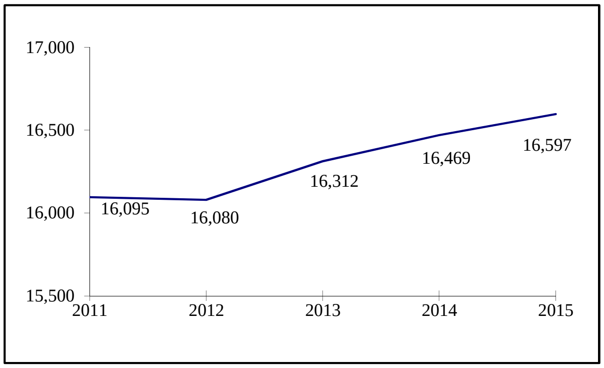


Debt Service Coverage Ratio



The University of Texas at El Paso
2015 Summary of Financial Condition

Full-time Equivalent Student Enrollment - Fall



Composite Financial Index (CFI) - U. T. El Paso's CFI decreased from 2.8 in 2014 to 1.5 in 2015 primarily as a result of decreases in the return on net position and primary reserve ratios. The decrease in the return on net position ratio was largely driven by the net decrease in the fair value of investments of ($19.0) million in 2015 as compared with a net increase of $32.1 million in 2014 for a net change between years of ($51.1) million. The decrease in the primary reserve ratio was attributable to decreases in total unrestricted net position and total restricted expendable net position (excluding restricted expendable for capital projects), as well as an increase in total operating expenses, all of which are discussed in more detail below.

Operating Expense Coverage Ratio - U. T. El Paso's operating expense coverage ratio decreased from 2.3 months in 2014 to 1.8 months in 2015 due to a decrease in total unrestricted net position of $12.6 million combined with an increase in total operating expenses (including interest expense) of $32.5 million. The decline in total unrestricted net position was primarily attributable to the net decrease in the fair value of investments allocated to designated funds, as well as the operating results in designated funds, and a decrease in the amount of unrestricted funding for capital projects in unexpended plant funds. The increase in total operating expenses was largely driven by the following: a $10.3 million increase in salaries and wages and payroll related costs as a result of new faculty and staff hired, a 2.5% merit pool for existing faculty and staff, and increased costs for insurance and retirement contributions; an $8.4 million increase in professional fees and services for computer services, consulting fees and special events costs; a $4.4 million increase in other operating expenses primarily due to increases in other fees for services associated with consulting fees, credit card fees, registration fees, and college entrance exam fees; a $3.8 million increase in scholarships and fellowships attributable to the utilization of more funds available to provide financial assistance to students; a $2.9 million increase in depreciation and amortization expense resulting from the recognition of a full year of depreciation expense on various capital projects that were placed into service in 2014, as well as various capital projects that were placed into service in 2015; a $1.9 million increase in other contracted services as a result of an increase in performer fees paid due to higher grossing events in 2015; and a $1.5 million increase in materials and supplies generated by increases in furniture and equipment expensed and computer software expensed.

Annual Operating Margin Ratio - U. T. El Paso's annual operating margin ratio improved slightly from a deficit of (3.1%) for 2014 to a deficit of (2.4%) for 2015 as the growth in total operating revenues of $34.5 million exceeded the growth in total operating expenses of $32.5 million. The increase in total operating revenues was primarily due to the following: a $14.0 million increase in sponsored programs revenue (including nonexchange sponsored programs and including the adjustment in the prior year for the portion of Texas Research Incentive Program funding received in 2013 but not included until 2014) as a result of increased funding from U. T. El Paso's Tuition Assistance Grants, TEXAS Grants, Pell Grants and new federal grants; a $12.2 million increase in state appropriations due to a higher benefit appropriation of $7.1 million resulting from the recovery of employee benefits from the prior year and a $5.2 million proportionality adjustment; an $11.8 million increase in net auxiliary enterprises revenue attributable to an increase in special events revenue generated from higher grossing concerts, an increase in athletics revenue related to Conference USA income distributions, and an increase in food services revenue as a result of Sodexho special events concessions; a $6.6 million increase in net tuition and fees due to enrollment growth combined with increases in non-resident undergraduate and graduate rates; and a $1.9 million increase in net sales and services of educational activities resulting from increases in the Registered Nurse to Bachelor of Science in Nursing online program, public and professional programs and international programs. These increases in revenues were partially offset by an $11.6 million decrease in other operating revenues caused by the reversal of a $5.7 million accrual recorded in 2014 at year-end for the pending reimbursement from the state for employee benefits, which was received in 2015 and included in state appropriations.

Expendable Resources to Debt Ratio - U. T. El Paso's expendable resources to debt ratio decreased from 1.0 in 2014 to 0.9 in 2015 due to decreases in total unrestricted net position of $12.6 million, as discussed above, and total restricted expendable net position (excluding restricted expendable for capital projects) of $8.0 million combined with an increase of $11.9 million in the amount of debt outstanding. The decrease in total restricted expendable net position (excluding restricted expendable for capital projects) was attributable to the decrease in the fair value of investments in the endowment funds. The increase in the debt outstanding was related to the Student Housing Phase III and Campus Transformation projects.

Debt Burden Ratio - U. T. El Paso's debt burden ratio decreased from 6.3% in 2014 to 5.4% in 2015. The decrease in this ratio was a result of the increase in total operating expenses, as previously mentioned, as well as a decrease of $1.4 million in debt service payments.

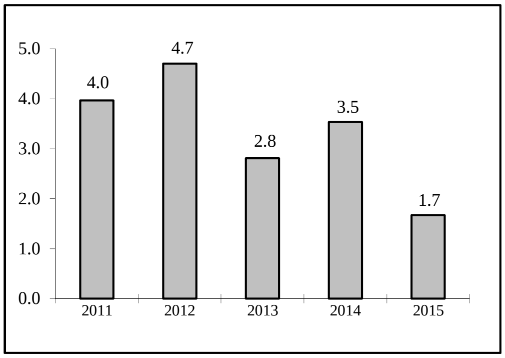
Debt Service Coverage Ratio - U. T. El Paso's debt service coverage ratio increased from 1.3 in 2014 to 1.6 in 2015 due to slightly improved operating performance, as discussed in the annual operating margin ratio above, and the decrease in debt service payments.

Full-Time Equivalent (FTE) Student Enrollment - U. T. El Paso's FTE student enrollment increased slightly due to a 1.3% increase in undergraduate enrollment.

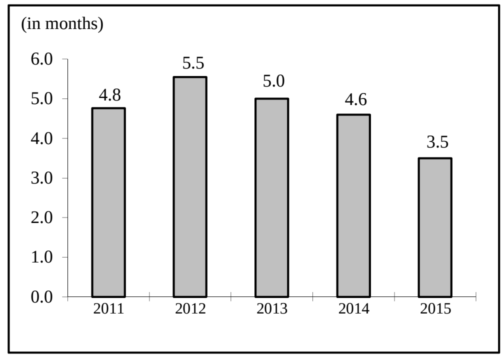
The University of Texas-Pan American
2015 Summary of Financial Condition

Financial Condition: **Not Rated Due to Transition to U. T. Rio Grande Valley**

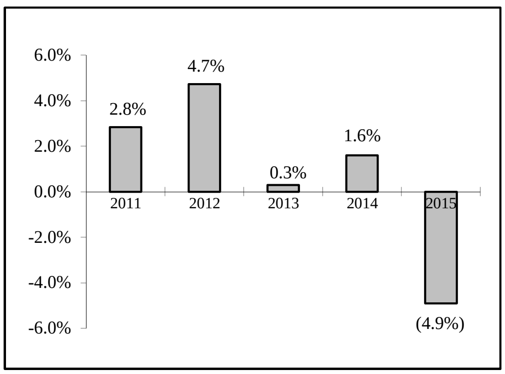
Composite Financial Index



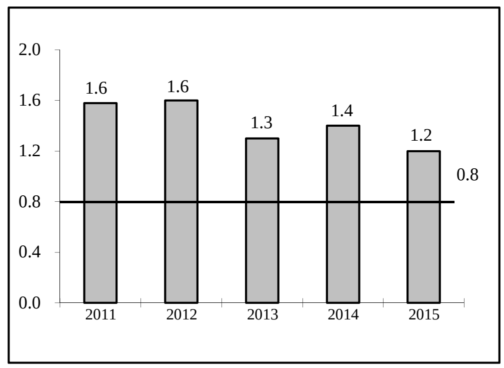
Operating Expense Coverage Ratio



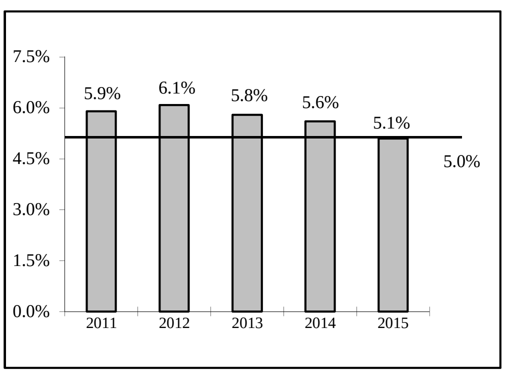
Annual Operating Margin Ratio



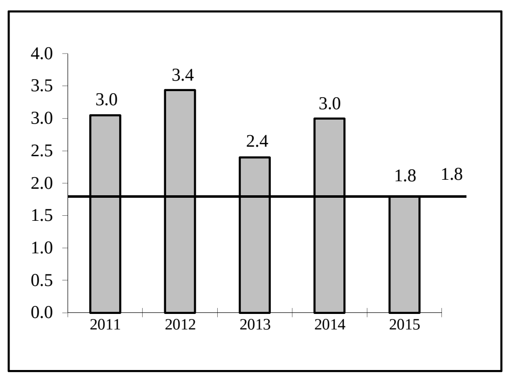
Expendable Resources to Debt Ratio



Debt Burden Ratio

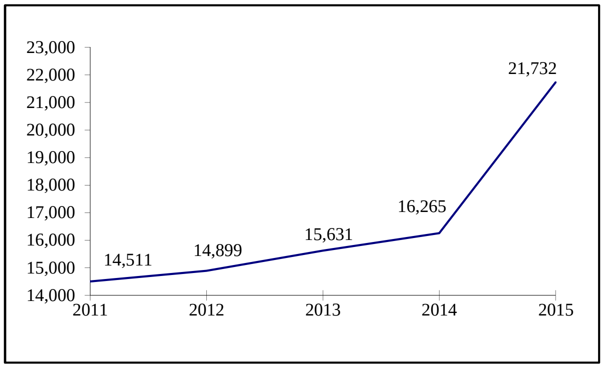


Debt Service Coverage Ratio



The University of Texas-Pan American
2015 Summary of Financial Condition

Full-time Equivalent Student Enrollment - Fall



Composite Financial Index (CFI) - U. T. Pan American's CFI decreased from 3.5 in 2014 to 1.7 in 2015 due to decreases in all four core ratios. The decrease in the return on net position ratio was primarily driven by a net decrease in the fair value of investments of ($8.9) million in 2015 as compared to a net increase of $8.0 million in 2014 for a net change between years of ($16.9) million, and an increase in total operating expenses, as discussed in more detail below. The decrease in the primary reserve ratio was due to a decrease in the total unrestricted net position combined with the increase in total operating expenses, both of which are discussed below. The decreases in the annual operating margin and expendable resources to debt ratios are also discussed below.

Operating Expense Coverage Ratio - U. T. Pan American's operating expense coverage ratio decreased from 4.6 months in 2014 to 3.5 months in 2015 primarily due to a decrease in total unrestricted net position of $22.4 million. The decrease in total unrestricted net position was largely attributable to the following: the spending of Higher Education Assistance Fund (HEAF) funding in unexpended plant funds; the net decrease in the fair value of investments allocated to designated funds; and an increase in total operating expenses (including interest expense) of $12.0 million. Total operating expenses increased primarily due to the following: a $7.3 million increase in salaries and wages and payroll related costs as a result of U. T. Pan American staff simultaneously holding positions with U. T. Rio Grande Valley, and new hires for U. T. Rio Grande Valley; a $3.7 million increase in materials and supplies largely as a result of expenses incurred for U. T. Rio Grande Valley, the purchase of furniture and equipment not meeting the threshold for capitalization, and the spending of HEAF funding; a $2.9 million increase in other contracted services primarily attributable to expenses incurred for U. T. Rio Grande Valley; a $2.4 million increase in depreciation and amortization due to the Fine Arts Performing Arts Complex (PAC) and the Student Academic Center which were placed into service in August 2014, as well as an addition to the Soccer Complex Phase I in 2015; a $1.4 million increase in other operating expenses mostly due to an increase in online service contracts for accelerated graduate programs, expenses incurred for U. T. Rio Grande Valley, and an increase in international student support; and a $1.4 million increase in utilities as a result of an increase in usage associated with the PAC and the Student Academic Center combined with an overall rate increase. These increases in expenses were partially offset by a decrease in scholarships and fellowships of $8.1 million directly related to the increase in tuition discounting which resulted in a decrease in the amount of scholarships expense recognized.

Annual Operating Margin Ratio - U. T. Pan American's annual operating margin ratio decreased from 1.6% for 2014 to (4.9%) for 2015 resulting from a decrease in total operating revenues of $5.2 million and an increase in total operating expenses of $12.0 million, as discussed above. The decrease in total operating revenues was primarily due to a decrease of $10.6 million in net tuition and fees attributable to an increase in tuition discounting related to increases in Direct Loans, Pell Grants and various other loans. This decrease in net tuition and fees was partially offset by an increase of $3.5 million in sponsored programs revenue (including nonexchange sponsored programs) as a result of an increase in Pell Grants for the fall of 2015 for U. T. Rio Grande Valley students. The increase in operating expenses as a result of the transition to U. T. Rio Grande Valley also contributed to the decline in the annual operating margin.

Expendable Resources to Debt Ratio - U. T. Pan American's expendable resources to debt ratio decreased from 1.4 in 2014 to 1.2 in 2015 due to the decrease in total unrestricted net position, as previously discussed.

Debt Burden Ratio - U. T. Pan American's debt burden ratio decreased from 5.6% in 2014 to 5.1% in 2015. The decrease in this ratio was attributable to the increase in total operating expenses as discussed in further detail above.

Debt Service Coverage Ratio - U. T. Pan American's debt service coverage ratio decreased from 3.0 in 2014 to 1.8 in 2015 due to the decline in operating performance as discussed in the annual operating margin ratio.

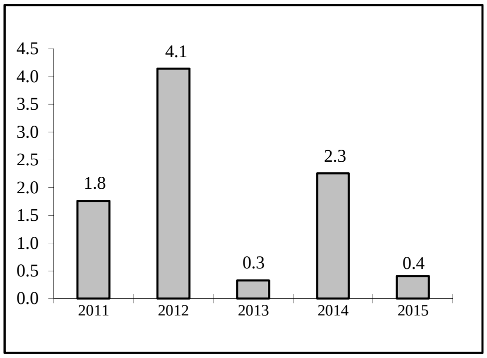
Full-Time Equivalent (FTE) Student Enrollment - The increase in FTE student enrollment was due to U. T. Pan American reporting U. T. Rio Grande Valley enrollment for the fall of 2015.

U. T. Rio Grande Valley is an accounting merger that will occur in fiscal year 2016 combining student enrollment from U. T. Brownsville and U. T. Pan American as well as new medical school students. U. T. Rio Grande Valley enrolled its first academic class in the fall of 2015 and is expected to enroll its first medical student class in the fall 2016. In accordance with the statute creating U. T. Rio Grande Valley, U. T. Pan American was abolished by the U. T. System Board of Regents effective September 1, 2015.

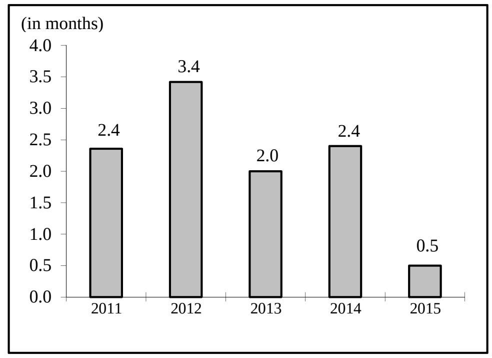
The University of Texas of the Permian Basin
2015 Summary of Financial Condition

Financial Condition: **Watch**

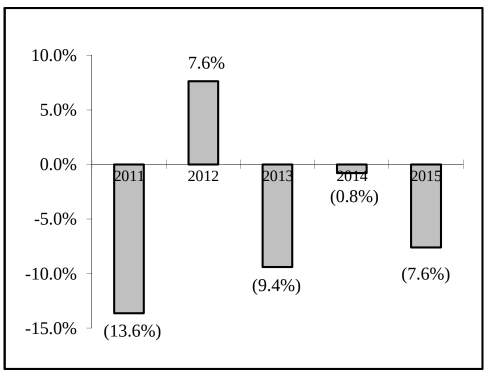
Composite Financial Index



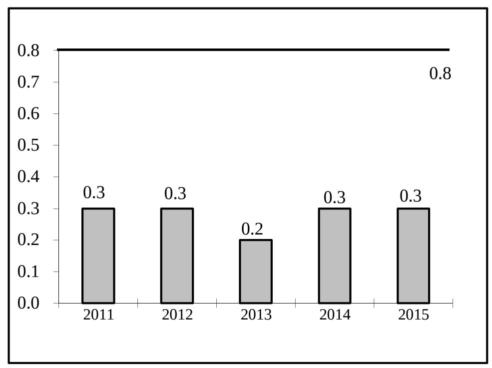
Operating Expense Coverage Ratio



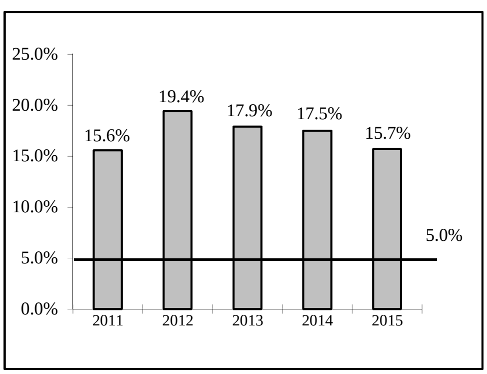
Annual Operating Margin Ratio



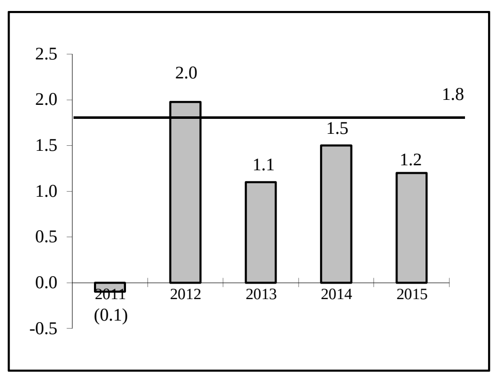
Expendable Resources to Debt Ratio



Debt Burden Ratio

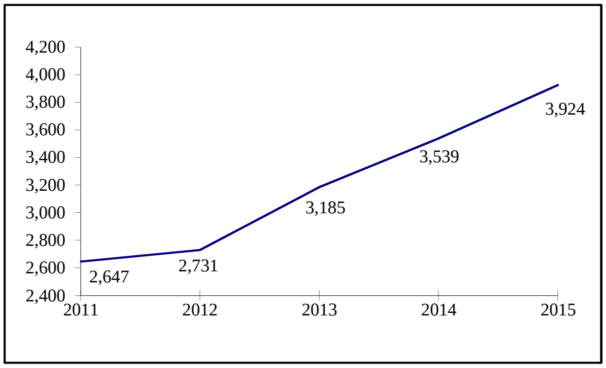


Debt Service Coverage Ratio



The University of Texas of the Permian Basin
2015 Summary of Financial Condition

Full-time Equivalent
Student Enrollment - Fall



Composite Financial Index (CFI) - U. T. Permian Basin's CFI decreased from 2.3 in 2014 to 0.4 in 2015 as a result of decreases in the return on net position, annual operating margin and primary reserve ratios. The decrease in the return on net position ratio was primarily driven by the following: the net decrease in the fair value of investments of ($2.2) million in 2015 as compared to a net increase of $3.2 million in 2014 for a net change between years of ($5.4) million; and a $32.6 million decrease in the amount of bond proceeds transferred to U. T. Permian Basin in 2015 related to the Residence Hall capital project. The decrease in the primary reserve ratio resulted from the decrease in total unrestricted net position and the increase in total operating expenses, both of which are discussed below. The decrease in the annual operating margin is also discussed in detail below.

Operating Expense Coverage Ratio - U. T. Permian Basin's operating expense coverage ratio decreased from 2.4 months in 2014 to 0.5 months in 2015 due to a decrease of $11.5 million in total unrestricted net position. The decrease in total unrestricted net position was primarily attributable to a decrease in net tuition and fees as a result of tuition and fees received in August 2014 for the fall of fiscal year 2015 which were not deferred, and an increase in operating expenses directly related to enrollment growth discussed below. Tuition and fees received in August 2015 were properly deferred causing the reduction in unrestricted net position in 2015.

A*nnual Operating Margin Ratio* - U. T. Permian Basin's annual operating margin ratio decreased from (0.8%) for 2014 to (7.6%) for 2015 as the growth in total operating expenses (including interest expense) of $14.0 million exceeded the growth in total operating revenues of $8.4 million. Total operating expenses increased primarily due to the following: a $4.7 million increase in salaries and wages and payroll related costs as a result of merit increases and additional adjunct faculty to support the enrollment growth; a $2.5 million increase in scholarships and fellowships directly related to the increased enrollment; a $1.8 million increase in depreciation and amortization expense driven by a full year of depreciation recognized on the Student Housing Phase VI, which was placed into service late in 2014; a $1.2 million increase in other contracted services generated by an increase in outsourced food operations and building maintenance contracts; a $1.0 million increase in professional fees and services due to payments for the Academic Partnership for recruitment assistance; a $0.9 million increase in repairs and maintenance primarily attributable to increased costs of repairs on building maintenance and facility projects; a $0.5 million increase in interest expense; a $0.4 million increase in materials and supplies as a result of increased costs for computer software and equipment; and a $0.4 million increase in other operating expenses largely due to increased costs in various areas including insurance services, professional memberships, official occasions costs, grant expenses related to pass-throughs, and merchant service fees. Total operating revenues increased primarily due to the following: a $10.1 million increase in gifts for operations as a result of gifts received for football in 2015; a $5.4 million increase in sponsored programs revenue (including nonexchange sponsored programs) primarily due to state pass-through revenue received from the Texas Higher Education Coordinating Board for the STEM Charter Academy and an increase in federal pass-through revenue for the Home Visiting Grant; a $0.5 million increase in other operating revenues mostly attributable to reimbursements for U. T. Brownsville's *ad interim* president, a former provost and vice president of Academic Affairs at U. T. Permian Basin, who was asked by the Chancellor to serve as *ad interim* president at U. T. Brownsville and helped facilitate the transition to U. T. Rio Grande Valley; and a $0.3 million increase in net investment income (excluding realized gains/losses). These increase in revenue were partially offset by a decrease in net tuition and fees of $7.5 million resulting from tuition and fees received in August 2014 for the fall of fiscal year 2015 which were not deferred. Tuition and fees received in August 2015 were properly deferred.

Expendable Resources to Debt Ratio - U. T. Permian Basin's expendable resources to debt ratio remained unchanged at 0.3 in 2015. The stability of this ratio was attributable to the growth of $9.0 million in total restricted expendable net position (excluding restricted expendable for capital projects) which largely offset the decrease in total unrestricted net position of $11.5 million, as previously discussed. The increase in total restricted expendable net position (excluding restricted expendable for capital projects) was primarily generated by the gifts received for football in 2015.

Debt Burden Ratio - U. T. Permian Basin's debt burden ratio decreased from 17.5% in 2014 to 15.7% in 2015 as a result of the increase in total operating expenses as discussed in the annual operating margin ratio.

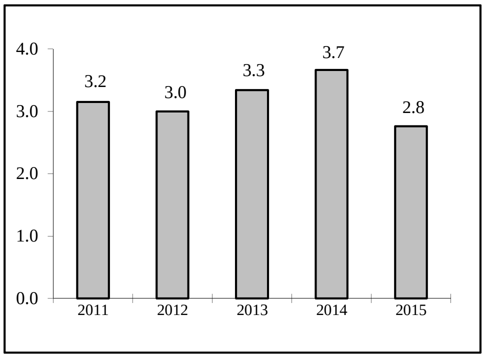
Debt Service Coverage Ratio - U. T. Permian Basin's debt service coverage ratio decreased from 1.5 in 2014 to 1.2 in 2015 due to the decline in operating performance mentioned above, combined with an increase of $0.5 million in debt service payments.

Full-Time Equivalent (FTE) Student Enrollment - U. T. Permian Basin's FTE student enrollment increased from 3,539 in 2014 to 3,924 in 2015 due to an increase in the programs offered and changes in tuition.

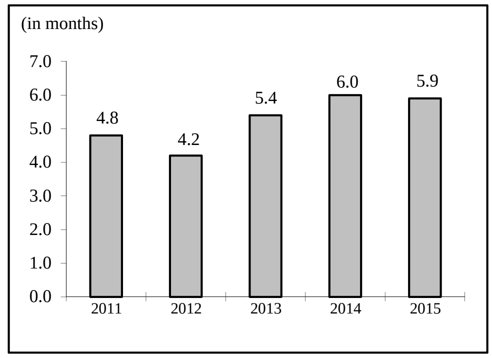
The University of Texas at San Antonio
2015 Summary of Financial Condition

Financial Condition: **Satisfactory**

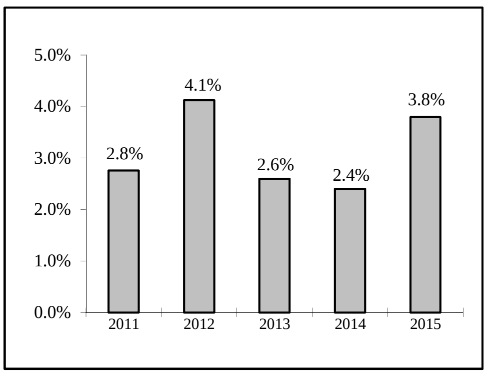
Composite Financial Index



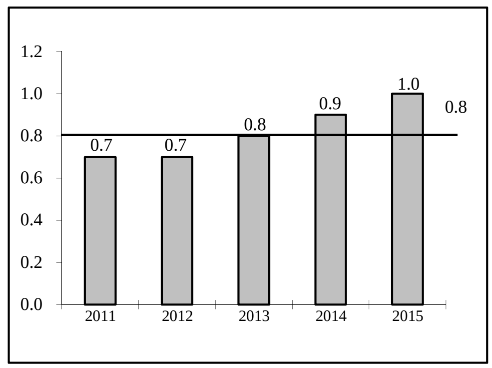
Operating Expense Coverage Ratio



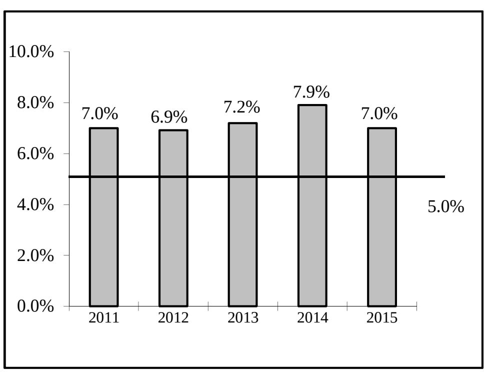
Annual Operating Margin Ratio



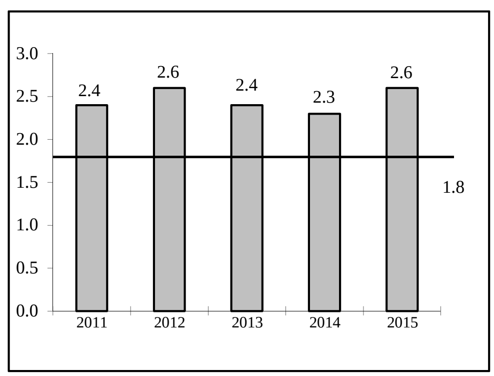
Expendable Resources to Debt Ratio



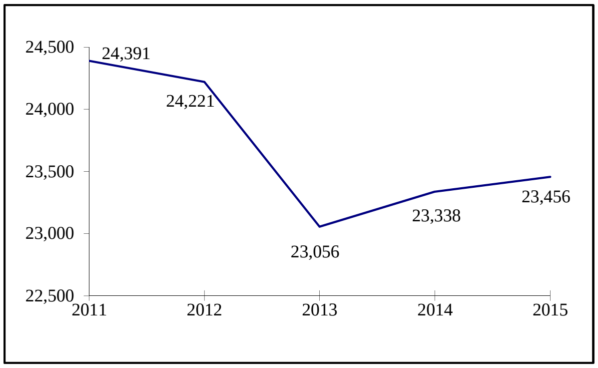
Debt Burden Ratio



Debt Service Coverage Ratio



The University of Texas at San Antonio
2015 Summary of Financial Condition
Full-time Equivalent
Student Enrollment - Fall



Composite Financial Index (CFI) - U. T. San Antonio's CFI decreased from 3.7 in 2014 to 2.8 in 2015 primarily as a result of a decrease in the return on net position ratio. The decrease in the return on net position ratio was largely driven by the net decrease in the fair value of investments of ($28.5) million in 2015 as compared to a net increase of $25.5 million in 2014 for a net change between years of ($54.0) million.

Operating Expense Coverage Ratio - U. T. San Antonio's operating expense coverage ratio decreased from 6.0 months in 2014 to 5.9 months in 2015 due to an increase in total operating expenses (including interest expense) of $20.3 million. The growth in total operating expenses was primarily attributable to the following: a $5.8 million increase in materials and supplies largely due to the purchase of furnishings and equipment for the North Paseo Building which did not meet the threshold for capitalization; a $5.5 million increase in scholarships and fellowships as a result of additional scholarships issued under the TEXAS Grant Program; a $3.4 million increase in salaries and wages and payroll related costs resulting from market adjustments and filled vacancies; a $2.0 million increase in other operating expenses generated from increases in student official occasion expenses and various miscellaneous expenses; a $1.7 million increase in repairs and maintenance due to increased maintenance for buildings, particularly housing, and increased maintenance expense of the grounds; a $1.6 million increase in other contracted services primarily attributable to an increase in meal plan costs; and a $1.4 million increase in professional fees and services as a result of the increased use of consultant services, particularly for PeopleSoft support. These increases in expenses were slightly offset by a $1.2 million decrease in rentals and leases due to the relocation of offices back to the main campus.

Annual Operating Margin Ratio - U. T. San Antonio's annual operating margin ratio increased from 2.4% for 2014 to 3.8% for 2015 as the growth in total operating revenues of $27.9 million outpaced the growth in total operating expenses of $20.3 million. The increase in total operating revenues was largely attributable to the following: a $7.4 million increase in net tuition and fees as a result of an earlier class start date in August 2015, which increased the number of days recognized for the fall semester from 3 days in fiscal year 2014 to 10 days in fiscal year 2015; a $7.3 million increase in sponsored programs revenue (including nonexchange sponsored programs) due to prepaid contracts received in 2014 that were recognized in 2015, an increase in City Public Service revenue, and new projects in 2015 from a variety of corporations and foundations; a $4.1 million increase in net investment income (excluding realized gains/losses); a $3.9 million increase in net auxiliary enterprises revenue generated from an increase in dormitory revenue as additional days were recognized in the fall semester and funding received from Conference USA; a $3.2 million increase in state appropriations; and a $1.5 million increase in net sales and services of educational activities primarily attributable to an increase in course and instructor fee revenue for the Executive MBA and Intensive English programs.

Expendable Resources to Debt Ratio - U. T. San Antonio's expendable resources to debt ratio increased from 0.9 in 2014 to 1.0 in 2015. The increase in this ratio was due to a decrease of $15.6 million in the amount of debt outstanding.

Debt Burden Ratio - U. T. San Antonio's debt burden ratio decreased from 7.9% in 2014 to 7.0% in 2015 as a result of a $2.5 million decrease in debt service payments combined with the increase in total operating expenses as previously discussed.

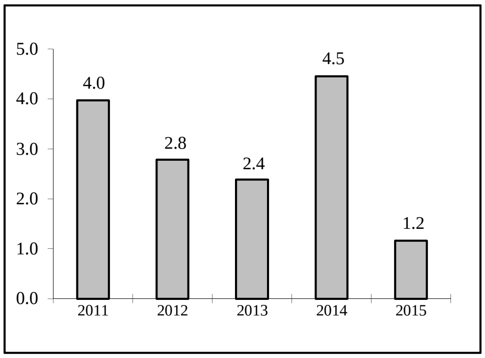
Debt Service Coverage Ratio - U. T. San Antonio's debt service coverage ratio increased from 2.3 in 2014 to 2.6 in 2015. The increase in this ratio was attributable to the improvement in operating performance, as well as the decrease in debt service payments.

Full-Time Equivalent (FTE) Student Enrollment - U. T. San Antonio's FTE student enrollment increased by 118 FTE's. This increase was in undergraduate student FTE enrollment. After the drop in enrollment two years ago due to the increase in enrollment standards, U. T. San Antonio is now attracting and retaining students that meet the higher standards.

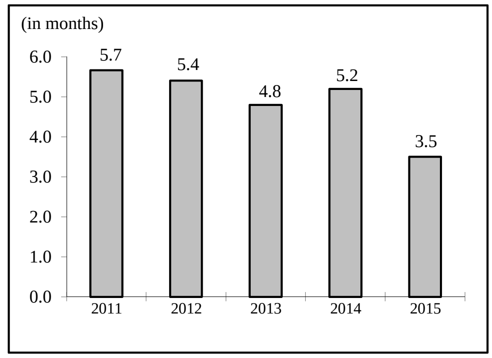
The University of Texas at Tyler
2015 Summary of Financial Condition

Financial Condition: **Satisfactory**

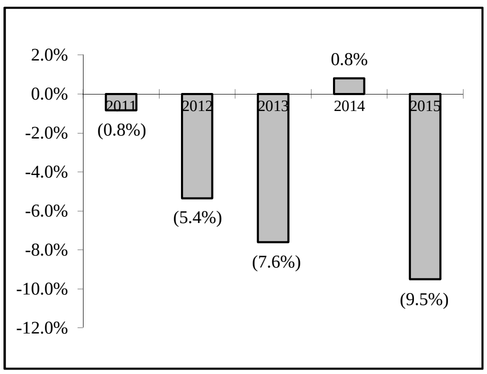
Composite Financial Index



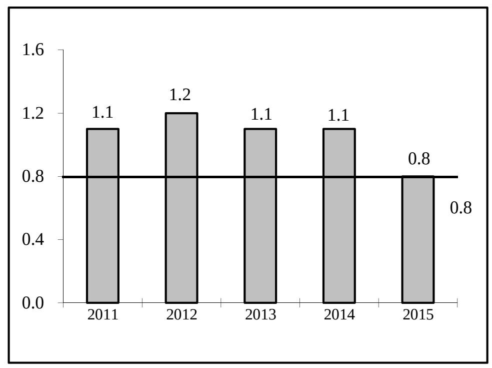
Operating Expense Coverage Ratio



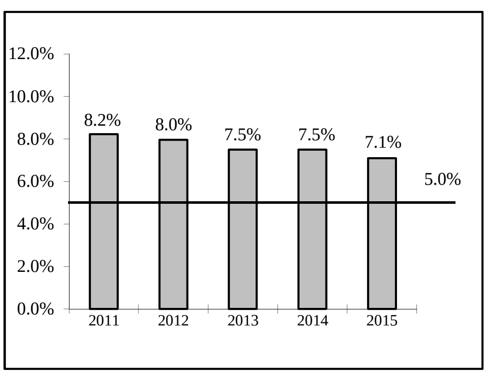
Annual Operating Margin Ratio



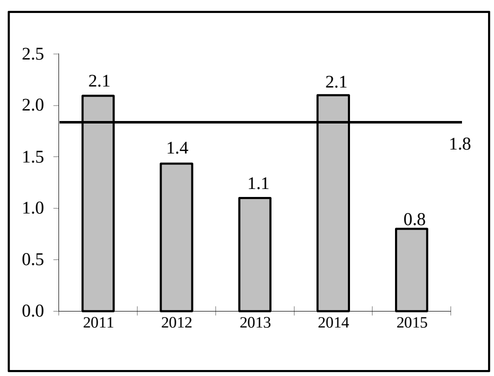
Expendable Resources to Debt Ratio



Debt Burden Ratio

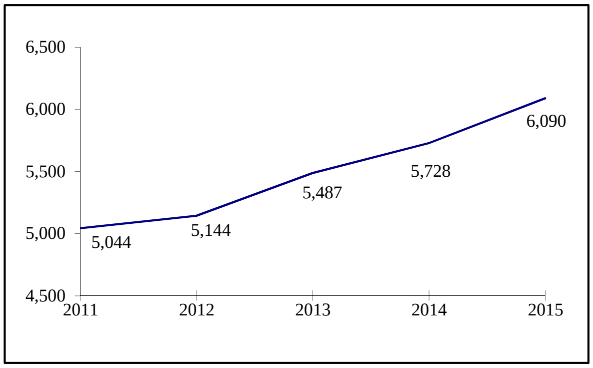


Debt Service Coverage Ratio



The University of Texas at Tyler
2015 Summary of Financial Condition

Full-time Equivalent
Student Enrollment - Fall



Composite Financial Index (CFI) - U. T. Tyler's CFI decreased from 4.5 in 2014 to 1.2 in 2015 as a result of decreases in all four core ratios, primarily due to a budgeted deficit in operating income in order to reduce excess net position. The reduction in the return on net position ratio was primarily driven by the following: a decline in operating performance as evidenced by the change in the annual operating margin ratio below; a net decrease in the fair value of investments of ($5.8) million in 2015 as compared to a net increase of $9.9 million in 2014 for a net change between years of ($15.7) million; and fewer bond proceeds transferred to U. T. Tyler in 2015 as a result of the Eagles Landing and Pharmacy Building in 2014. The decrease in the primary reserve ratio was attributable to a decrease in total unrestricted net position and an increase in total operating expenses both of which are detailed below. The decreases in the annual operating margin and the expendable resources to debt ratios are also discussed below.

Operating Expense Coverage Ratio - U. T. Tyler's operating expense coverage ratio decreased from 5.2 months in 2014 to 3.5 months in 2015 due to a decrease in total unrestricted net position of $12.1 million and an increase in total operating expenses (including interest expense) of $13.6 million. The reduction in total unrestricted net position was primarily attributable to the decline in operating performance in designated funds combined with the net decrease in the fair value of investments allocated to designated funds. Total operating expenses increased largely due to the following: an $8.7 million increase in salaries and wages and payroll related costs as a result of merit increases and market adjustments, as well as additional faculty and staff for the College of Pharmacy; a $2.5 million increase in materials and supplies resulting from increased purchases of furniture and equipment not capitalized; a $2.3 million increase in professional fees and services primarily attributable to increases in the marketing campaign, educational training, engineering services and various other professional services; and a $1.7 million increase in depreciation and amortization expense due to the College of Pharmacy building, which was placed into service in 2015, as well as the completion of the Eagles Landing apartment remodeling project which was completed in 2015.

Annual Operating Margin Ratio - U. T. Tyler's annual operating margin ratio decreased from 0.8% for 2014 to (9.5%) for 2015 as the growth in total operating expenses of $13.6 million exceeded the growth in total operating revenues of $1.6 million. The increase in total operating revenues was primarily due to the following: a $4.4 million increase in net tuition and fees as a result of 6% enrollment growth and 15% growth in the Academic Partnership Program; and a $1.7 million increase in auxiliary enterprises revenue generated by growth in housing and food related to the purchase of the Eagles Landing apartments combined with an increase in ticket sales for events held at the performing arts center. These increases in revenue were partially offset by a $4.4 million decrease in gifts for operations attributable to the recognition of the Fisch gift for the College of Pharmacy in 2014 with no such comparable gift in 2015.

Expendable Resources to Debt Ratio - U. T. Tyler's expendable resources to debt ratio decreased from 1.1 in 2014 to 0.8 in 2015. The decline in this ratio was attributable to the decrease in total unrestricted net position of $12.1 million, as discussed above, combined with an increase of $10.6 million in the amount of debt outstanding related to the College of Pharmacy building.

Debt Burden Ratio - U. T. Tyler's debt burden ratio decreased from 7.5% in 2014 to 7.1% in 2015 as a result of the increase in total operating expenses as previously discussed.

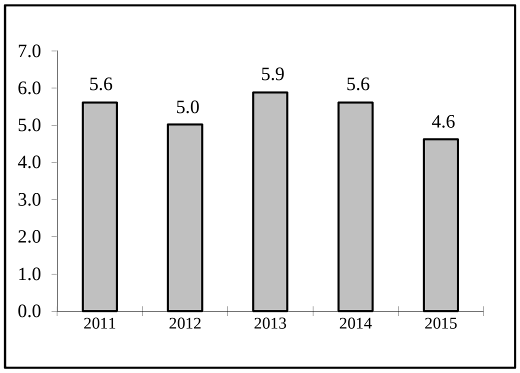
Debt Service Coverage Ratio - U. T. Tyler's debt service coverage ratio decreased from 2.1 in 2014 to 0.8 in 2015. The decrease in this ratio was caused by the decline in operating performance as discussed in the annual operating margin ratio.

Full-Time Equivalent (FTE) Student Enrollment - U. T. Tyler's FTE student enrollment increased by 362 or 6.3% from 2014. The increase was due to continued efforts in student recruitment and retention.

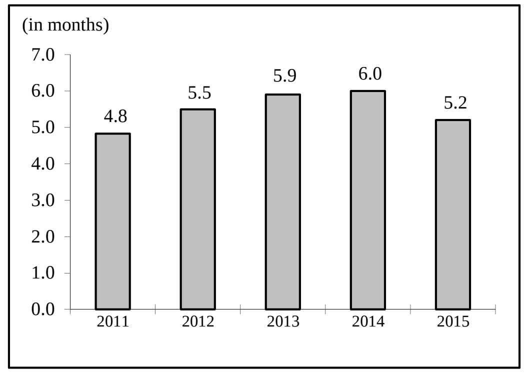
The University of Texas Southwestern Medical Center
2015 Summary of Financial Condition

Financial Condition: **Satisfactory**

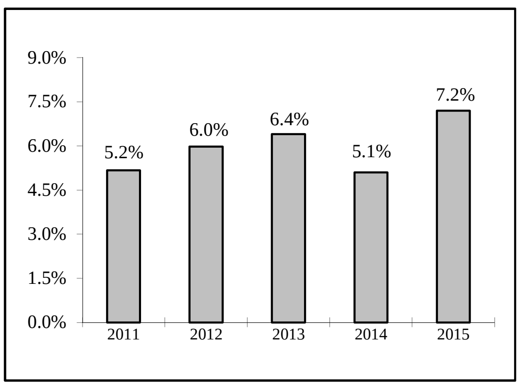
Composite Financial Index



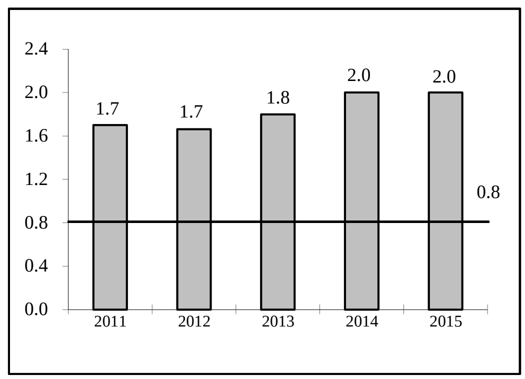
Operating Expense Coverage Ratio



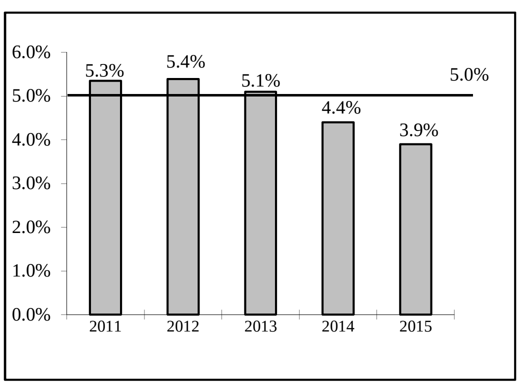
Annual Operating Margin Ratio



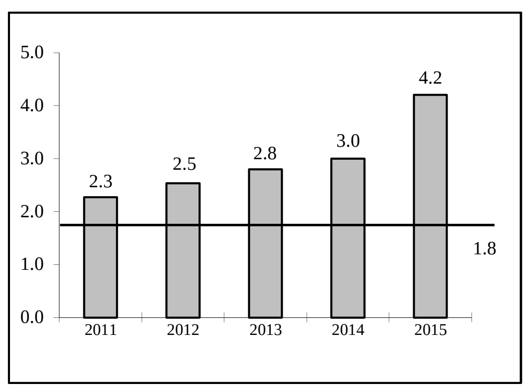
Expendable Resources to Debt Ratio



Debt Burden Ratio



Debt Service Coverage Ratio



The University of Texas Southwestern Medical Center
2015 Summary of Financial Condition

Composite Financial Index (CFI) - U. T. Southwestern Medical Center's (Southwestern) CFI decreased from 5.6 in 2014 to 4.6 in 2015 primarily as a result of a decrease in the return on net position ratio largely driven by the net decrease in the fair value of investments of ($138.3) million in 2015 as compared to a net increase in the fair value of investments in 2014 of $181.8 million for a net change between years of ($320.1) million.

Operating Expense Coverage Ratio - Southwestern's operating expense coverage ratio decreased from 6.0 months in 2014 to 5.2 months in 2015 due to a decrease in total unrestricted net position of $40.2 million and an increase in total operating expenses (including interest expense) of $240.1 million. The decline in total unrestricted net position was primarily attributable to a decrease in unexpended plants funds resulting from spending these funds for capital projects in 2015. The increase in total operating expenses was largely due to the following: a $55.1 million increase in other operating expenses as a result of increased expenses related to instruction and research; a $51.1 million increase in materials and supplies primarily related to the increase in patient volumes, which resulted in higher costs for drugs, implants, medical supplies, and various other supplies, as well as increased expenses for furniture and equipment not capitalized and other start-up costs associated with the opening of the William P. Clements University Hospital; a $50.7 million increase in salaries and wages and payroll related costs driven by a 2.5% merit pool for faculty, administrative and professional staff, and classified employees; a $13.2 million increase in depreciation and amortization expense due to the William P. Clements University Hospital, which was placed into service in December 2014; an $8.7 million increase in interest expense; an $8.6 million increase in repairs and maintenance resulting from an increase in building maintenance and non-capital building improvements; a $4.6 million increase in utilities due to the addition of the William P. Clements University Hospital and a change in the allocation of costs between the hospital and Southwestern; a $3.2 million increase in rentals and leases as a result of Brookriver, Tuscan Medical Properties and Hillcrest Crossing Office leases, as well as increased hospital equipment leases; and a $2.6 million increase in cost of goods sold related to dining activities in the William P. Clements University Hospital.

Annual Operating Margin Ratio - Southwestern's annual operating margin ratio increased from 5.1% for 2014 to 7.2% for 2015 as the growth in total operating revenues of $309.4 million far exceeded the growth in total operating expenses of $240.1 million as discussed above. Total operating revenues increased primarily due to the following: a $141.2 million increase in net sales and services of hospitals as a result of increased outpatient and inpatient visits; a $69.1 million increase in sponsored programs revenue largely attributable to increases in the contracts with Parkland Memorial Hospital and the Children's Medical Center combined with a large increase from the Cancer Prevention and Research Institute of Texas for cancer research; a $52.2 million increase in gifts for operations primarily as a result of a $25.0 million gift pledge for the establishment of the Department of Bioinformatics along with a $14.7 million multi-year gift pledge from the Hamon Charitable Foundation in support of the Advanced Imaging Research Center; and a $43.2 million increase in other operating revenues largely driven by a $29.4 million increase in the Delivery System Reform Incentive Payments associated with the Medicaid Section 1115 Demonstration combined with an $8.7 million increase in the Network Access Improvement Program revenue.

Expendable Resources to Debt Ratio - Southwestern's expendable resources to debt ratio remained unchanged at 2.0 in 2014 and 2015. The stability of this ratio was due to the decrease in total unrestricted net position of $40.2 million, as previously discussed, offset by a reduction of $41.0 million in the amount of debt outstanding.

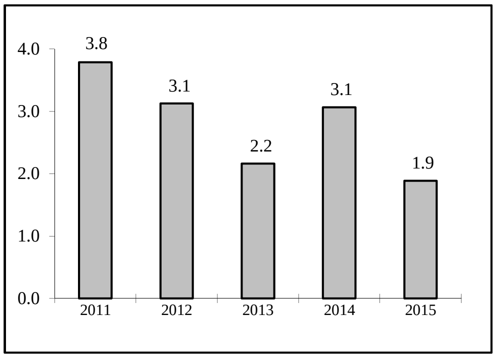
Debt Burden Ratio - Southwestern's debt burden ratio decreased from 4.4% in 2014 to 3.9% in 2015 as a result of a decrease of $1.5 million in debt service payments and the increase in total operating expenses as discussed above.

Debt Service Coverage Ratio - Southwestern's debt service coverage ratio increased from 3.0 in 2014 to 4.2 in 2015. The increase in this ratio was attributable to the improvement in the operating performance as discussed in the annual operating margin ratio.

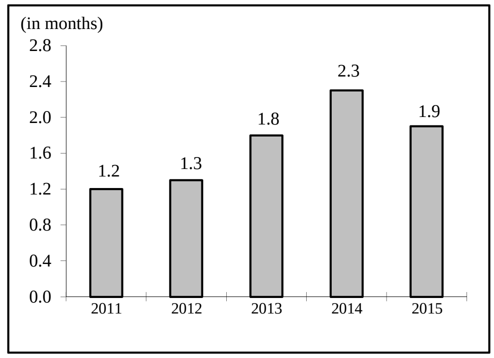
The University of Texas Medical Branch at Galveston
2015 Summary of Financial Condition

Financial Condition: **Satisfactory**

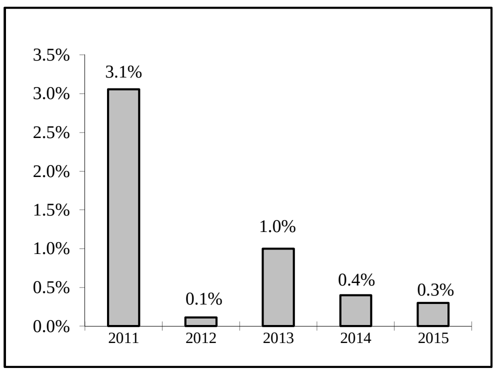
Composite Financial Index



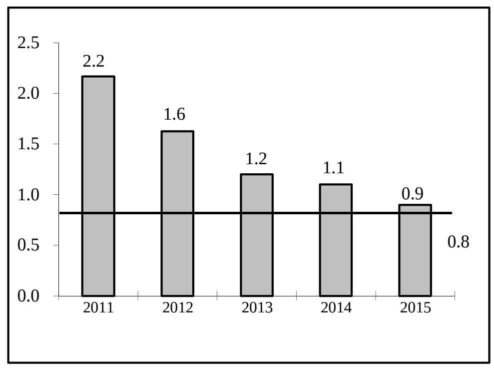
Operating Expense Coverage Ratio



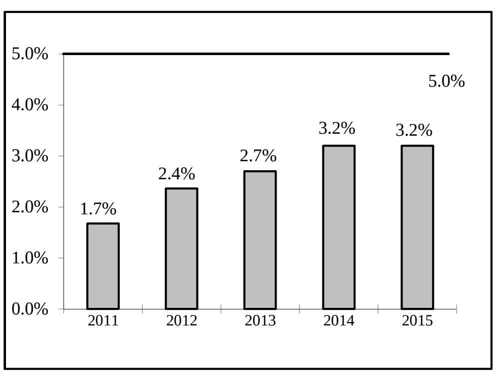
Annual Operating Margin Ratio



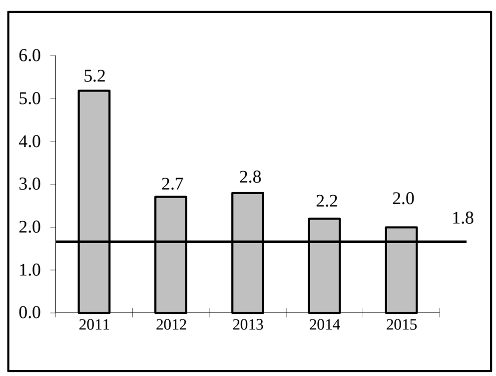
Expendable Resources to Debt Ratio



Debt Burden Ratio



Debt Service Coverage Ratio



The University of Texas Medical Branch at Galveston
2015 Summary of Financial Condition

Composite Financial Index (CFI) - U. T. Medical Branch - Galveston's (UTMB) CFI decreased from 3.1 in 2014 to 1.9 in 2015 due to decreases in both the return on net position and expendable resources to debt ratios. The decrease in the return on net position ratio was largely driven by a smaller change in net position between years of $244.3 million. While UTMB added $23.9 million to net position as a result of Income (Loss) Before Change in Fair Value of Investments, Other Revenue, Expenses, Gains (Losses) and Transfers ($6.3 million more than the prior year) this increase was offset by lower transfers of bond proceeds of $159.9 million, a higher change in anticipated bond proceeds of $63.8 million, and a decrease in the fair value of investments of ($50.2) million as compared to a net increase of $62.6 million in 2014 for a change between years of ($112.8) million. Other factors in the lower change in net position include $35.9 million less in gifts and grants for capital assets and $2.9 million less for additions to endowments.

Operating Expense Coverage Ratio - UTMB's operating expense coverage ratio decreased from 2.3 months in 2014 to 1.9 months in 2015 due to a decrease in total unrestricted net position of $26.3 million, as well as an increase in total operating expenses (including interest expense) of $115.1 million. The decrease in total unrestricted net position was largely attributable to the net decrease in the fair value of investments allocated to designated funds. Total operating expenses increased primarily due to the following: a $56.9 million increase in salaries and wages and a $17.6 million increase in payroll related costs as a result of merit increases and a faculty incentive plan that promotes and rewards outstanding performance; a $15.8 million increase in materials and supplies due to increases in medical and surgical supplies, medical implants and various supplies as a result of increased patient volume; a $12.1 million increase in other contracted services primarily attributable to increases in Texas Department of Criminal Justice (TDCJ) offsite expenses, a new food service contract, expenses for projects related to the Delivery System Reform Incentive Payments (DSRIP) associated with the Medicaid Section 1115 Demonstration, and cleaning/general services; a $6.1 million increase in cost of goods sold resulting from hospital and clinic pharmacy cost increases for chemotherapy agents, inventory adjustments, an increase in usage of blood factor products, and an increase in TDCJ pharmacy contract costs; and a $4.0 million increase in depreciation and amortization expense as a result of various construction projects being placed into service in 2014.

UTMB's operating expenses include those expenses incurred in the delivery of care to the offender population through a contract with TDCJ. This contract is a cost reimbursement contract and as such is not expected to generate a net position. Reviewing UTMB's operating expense coverage ratio excluding the TDCJ contract expenses of $458.1 million presents a ratio that more clearly reflects UTMB's ability to meet future business obligations. The operating expense coverage ratio excluding the TDCJ contract would equal 2.6 months as compared to 1.9 months when included.

Annual Operating Margin Ratio - UTMB's annual operating margin ratio decreased from 0.4% for 2014 to 0.3% for 2015 as a result of the growth in total operating expenses of $115.1 million outpacing the growth in total operating revenues of $113.1 million. Total operating revenues increased primarily due to the following: a $79.1 million increase in net sales and services of hospitals driven by volume increases (discharges 11.8% and outpatient encounters 19.3%), as well as an overall estimated rate increase of 4.1% effective March 1, 2015; an increase in other operating revenues of $26.8 million largely attributable to an increase in DSRIP combined with an increase in contract pharmacy revenue as the number of contract pharmacies increased from 16 to 25 as part of the Sentry Program; an increase in state appropriations of $11.4 million after adjusting for House Bill 2 (HB 2) supplemental funding as discussed below; and a $5.2 million increase in investment income (excluding realized gains and losses).

In 2015 UTMB received $8.2 million in HB 2 supplemental funding to construct a biocontainment critical care facility. None of this supplemental funding was spent in 2015. Therefore, in order to more appropriately match revenues with expenses, the entire $8.2 million was removed from 2015 revenues. When the 2016 Analysis of Financial Condition (AFC) is prepared, the amount of supplemental funding spent will be added to the 2016 revenues. This same adjustment will be made to subsequent AFCs until the entire $8.2 million is spent.

Expendable Resources to Debt Ratio - UTMB's expendable resources to debt ratio decreased from 1.1 in 2014 to 0.9 in 2015. The decline in this ratio was attributable to both a decrease in total unrestricted net position (as discussed above) and a decrease in total restricted expendable net position (excluding restricted expendable for capital projects), combined with an increase of $53.2 million in the amount of debt outstanding. The decrease in total restricted expendable net position (excluding restricted expendable for capital projects) was primarily due to a decrease in the fair value of investments in endowment funds. The increase in the amount of debt outstanding was related to the Victory Lakes Specialty Care Center expansion and Jennie Sealy Hospital.

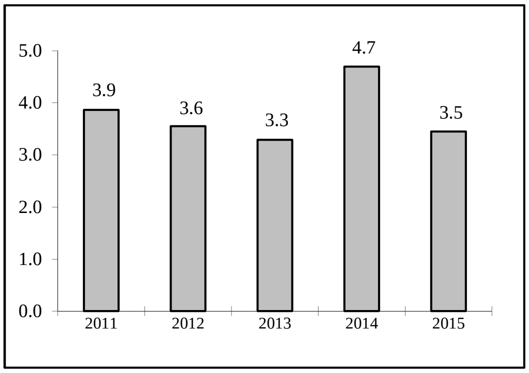
Debt Burden Ratio - UTMB's debt burden ratio remained unchanged at 3.2% in 2015. The stability of this ratio was due to the increase of $2.9 million in debt service payments which was offset by the growth in total operating expenses.

Debt Service Coverage Ratio - UTMB's debt service coverage ratio decreased from 2.2 in 2014 to 2.0 in 2015. The decrease in this ratio was attributable to the decline in the annual operating margin, as previously discussed, and the increase in debt service payments as a result of the increase in debt.

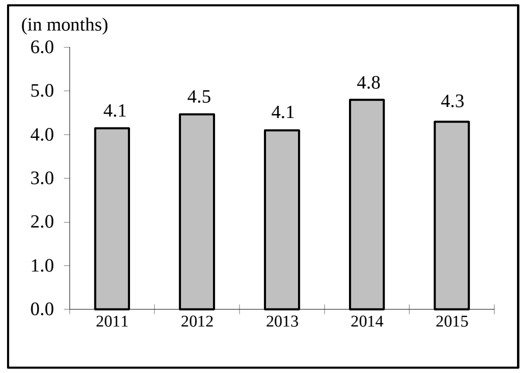
The University of Texas Health Science Center at Houston
2015 Summary of Financial Condition

Financial Condition: **Satisfactory**

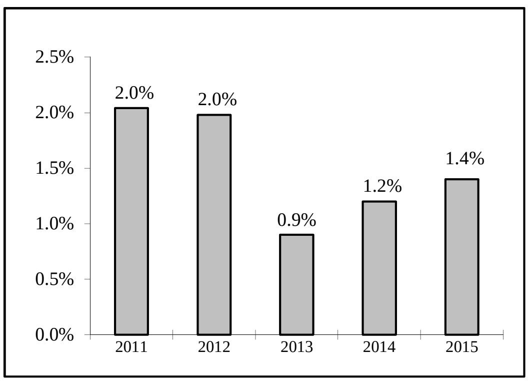
Composite Financial Index



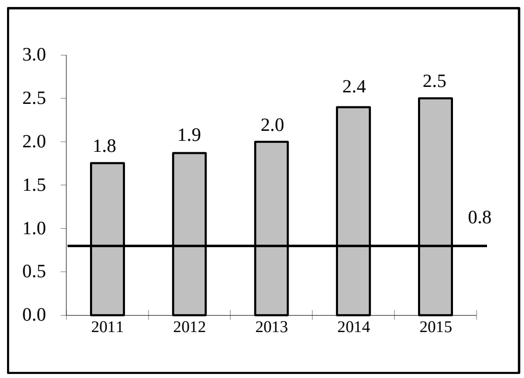
Operating Expense Coverage Ratio



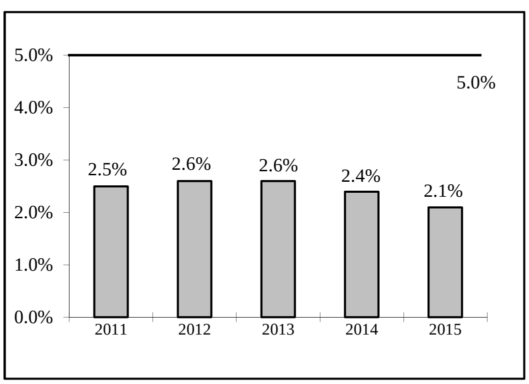
Annual Operating Margin Ratio



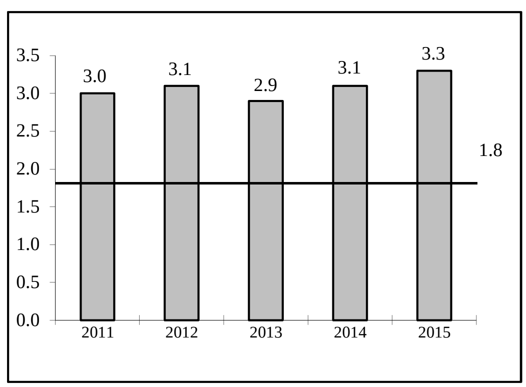
Expendable Resources to Debt Ratio



Debt Burden Ratio



Debt Service Coverage Ratio



The University of Texas Health Science Center at Houston
2015 Summary of Financial Condition

Composite Financial Index (CFI) - U. T. Health Science Center - Houston's (UTHSC-Houston) CFI decreased from 4.7 in 2014 to 3.5 in 2015 primarily due to decreases in the return on net position and primary reserve ratios. The decrease in the return on net position ratio was attributable to a decrease in total net position of ($24.7) million in 2015 as compared to an increase in total net position in 2014 of $104.5 million for a difference between years of ($129.2) million. The main driving forces behind the decrease in net position were as follows: a net decrease in the fair value of investments of ($39.8) million in 2015 as compared to a net increase of $47.8 million for a net change between years of ($87.5) million; and a transfer of $29.7 million from M. D. Anderson in 2014 for the sale of the School of Dentistry with no comparable transfers in 2015. The decline in the primary reserve ratio was largely attributable to the increase in total operating expenses as discussed in more detail below.

Operating Expense Coverage Ratio - UTHSC-Houston's operating expense coverage ratio decreased from 4.8 months in 2014 to 4.3 months in 2015 due to an increase in total operating expenses (including interest expense) of $143.2 million. The increase in total operating expenses was primarily attributable to the growth of the physician practice plan, with salaries and wages and payroll related costs increasing $107.7 million. The increase in salaries and wages and payroll related costs continues to be a result of the ongoing recruitment efforts that correspond with the planned clinical enterprise expansion. In addition, the practice plan had increases in various other line items related to the growth of the plan: a $7.9 million increase in professional fees and services due to outsourcing revenue cycle software maintenance; a $6.3 million increase in rentals and leases as a result of 19 new locations leased to accommodate growth; a $4.8 million increase in materials and supplies for medical supply purchases; and a $2.7 million increase in repairs and maintenance attributable to the additional license/maintenance fees associated with the expansion of clinical information technology. In addition to the growth of the physician practice plan, UTHSC-Houston saw an increase of $7.2 million in cost of goods sold, which was directly related to the increase in revenue in the Hemophilia/Thrombophilia Pharmacy Program; a $2.2 million increase in depreciation and amortization expense due to a full year of operation for the University Housing Phase III expansion; and an increase of $2.1 million in the School of Public Health Delivery System Reform Incentive Program (DSRIP) in the Rio Grande Valley area.

Annual Operating Margin Ratio - UTHSC-Houston's annual operating margin ratio increased from 1.2% for 2014 to 1.4% for 2015 as the growth in total operating revenues of $147.7 million exceeded the growth in total operating expenses of $143.2 million. Total operating revenues increased primarily due to the following: a $48.6 million increase in sponsored programs revenue as a result of expanded contracted services at Memorial Hermann Healthcare System and Harris County Hospital District; a $48.4 million increase in net professional fees attributable to increased gross charge volumes resulting from the growth in the physician practice plan combined with the recognition of $19.4 million in uncompensated care revenue in 2015 as compared to $11.8 million in 2014; a $17.6 million increase in other operating revenues primarily due to the recognition of $44.9 million in DSRIP revenue in 2015 as compared to $27.6 million in 2014; a $7.6 million increase in net sales and services of hospitals as a result of growth in the Hemophilia/Thrombophilia Pharmacy Program; a $7.0 million increase in gifts for operations due to an increase in the number of donors to an all-time high of 3,035 donors; a $6.0 million increase in net sales and services of educational activities primarily attributable to reporting amounts from state agencies for resident services as sales and services of educational activities versus local sponsored programs as in prior years; a $3.8 million increase in net investment income (excluding realized gains/losses); a $3.0 million increase in net tuition and fees generated by an increase in rates; and a $2.6 million increase in net auxiliary enterprises revenue due to a new housing unit which opened in 2015.

Expendable Resources to Debt Ratio - UTHSC-Houston's expendable resources to debt ratio increased from 2.4 in 2014 to 2.5 in 2015. The increase in this ratio was attributable to a $17.2 million decrease in the amount of debt outstanding.

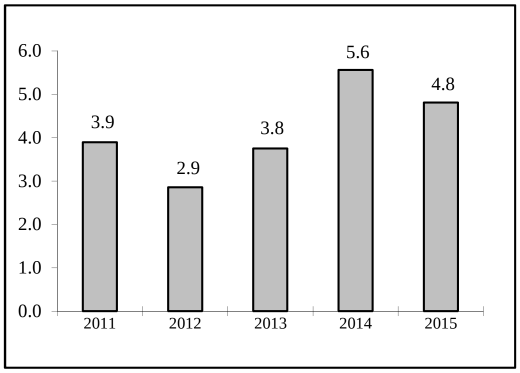
Debt Burden Ratio - UTHSC-Houston's debt burden ratio decreased from 2.4% in 2014 to 2.1% in 2015 as a result of the increase in total operating expenses, as previously discussed.

Debt Service Coverage Ratio - UTHSC-Houston's debt service coverage ratio increased from 3.1 in 2014 to 3.3 in 2015. The increase in this ratio was generated by the improvement in operating performance, as discussed above, combined with relatively stable debt service payments.

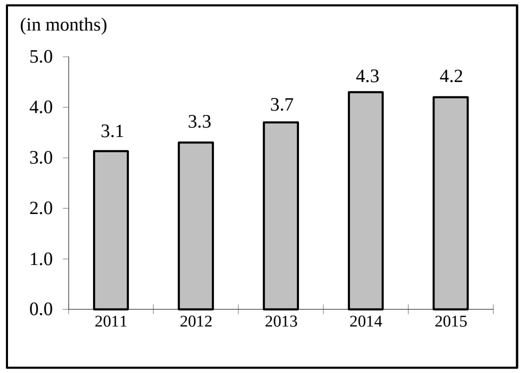
The University of Texas Health Science Center at San Antonio
2015 Summary of Financial Condition

Financial Condition: **Satisfactory**

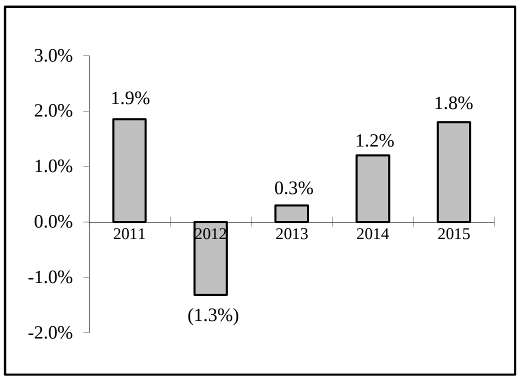
Composite Financial Index



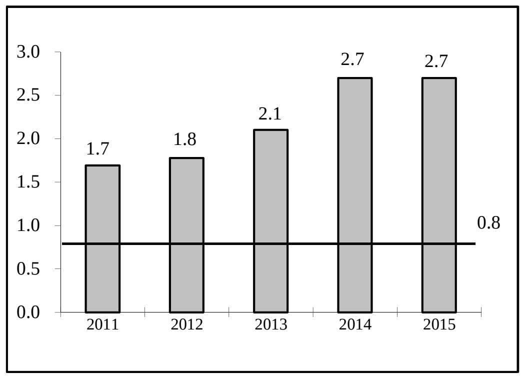
Operating Expense Coverage Ratio



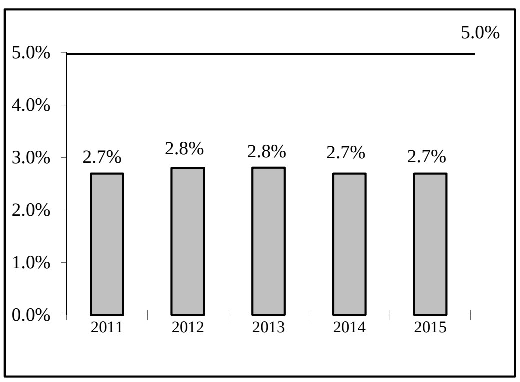
Annual Operating Margin Ratio



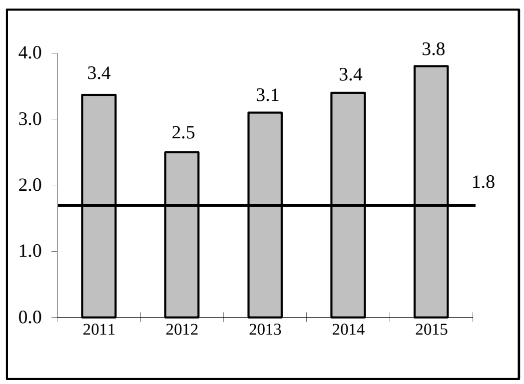
Expendable Resources to Debt Ratio



Debt Burden Ratio



Debt Service Coverage Ratio



The University of Texas Health Science Center at San Antonio
2015 Summary of Financial Condition

Composite Financial Index (CFI) - U. T. Health Science Center - San Antonio's (UTHSC-San Antonio) CFI decreased from 5.6 in 2014 to 4.8 in 2015 as a result of a decrease in the return on net position ratio. The decrease in the return on net position ratio was primarily driven by a net decrease in the fair value of investments of ($41.6) million in 2015 as compared to a net increase in the fair value of investments of $62.5 million for a net change between years of ($104.2) million.

Operating Expense Coverage Ratio - UTHSC-San Antonio's operating expense coverage ratio decreased slightly from 4.3 months in 2014 to 4.2 months in 2015 as the increase in total unrestricted net position of $5.6 million, which included an increase in total operating expenses of $25.8 million discussed in the annual operating margin ratio, was impacted by an $18.9 million net decrease in the fair value of investments allocated to designated funds. The growth in total unrestricted net position was primarily attributable to clinical activities in designated funds.

Annual Operating Margin Ratio - UTHSC-San Antonio's annual operating margin ratio increased from 1.2% for 2014 to 1.8% for 2015 as a result of the growth in total operating revenues of $30.7 million exceeding the growth in total operating expenses of $25.8 million. The increase in total operating revenues was primarily due to the following: an $11.2 million increase in net professional fees resulting largely from a continued strategic focus on the *Patient First* initiative targeted at applying productivity standards and process improvement ideas to enhance clinical performance; a $9.5 million increase in other operating revenues driven by a $9.7 million increase in Delivery System Reform Incentive Payments associated with the Medicaid Section 1115 Demonstration projects; a $9.0 million net increase in sponsored programs revenue primarily attributable to increases in clinical contracts with University Health System and other healthcare affiliates combined with increases in state pass-throughs from the Texas Higher Education Coordinating Board and other state funding entities such as Cancer Prevention and Research Institute of Texas; a $2.8 million increase in net tuition and fees due to approved rate increases; and a $2.5 million increase in state appropriations for staff benefits. Offsetting these revenue increases were declines in gifts for operations of $3.2 million as philanthropic efforts were focused on capital projects for 2015. The increase in total operating expenses was primarily due to a $25.6 million increase in salaries and wages and payroll related costs attributable to merit increases, faculty performance-based compensation plans and recruitment efforts predominately in the physician practice plan associated with incremental clinic contracts.

Expendable Resources to Debt Ratio - UTHSC-San Antonio's expendable resources to debt ratio remained unchanged at 2.7 in 2015. The stability of this ratio was attributable to a $4.3 million decrease in the amount of debt outstanding, which was offset by a decrease in total restricted expendable net position (excluding restricted expendable for capital projects) of $15.5 million. The decrease in total restricted expendable net position was primarily due to the net decrease in the fair value of investments in the endowment funds.

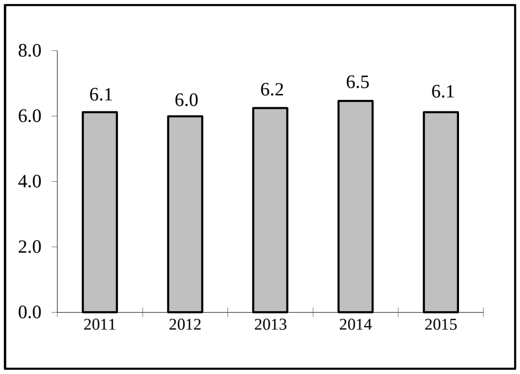
Debt Burden Ratio - UTHSC-San Antonio's debt burden ratio was 2.7% in 2014 and 2015. The small increase in debt service payments combined with the controlled growth of the operating expenses created the stability of this ratio.

Debt Service Coverage Ratio - UTHSC-San Antonio's debt service coverage ratio increased from 3.4 in 2014 to 3.8 in 2015 as a result of the improved operating performance as discussed in the annual operating margin ratio.

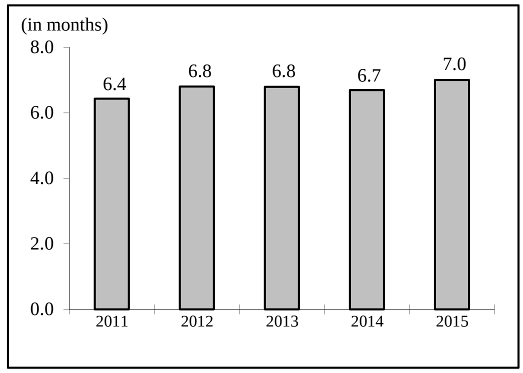
The University of Texas M. D. Anderson Cancer Center
2015 Summary of Financial Condition

Financial Condition: **Satisfactory**

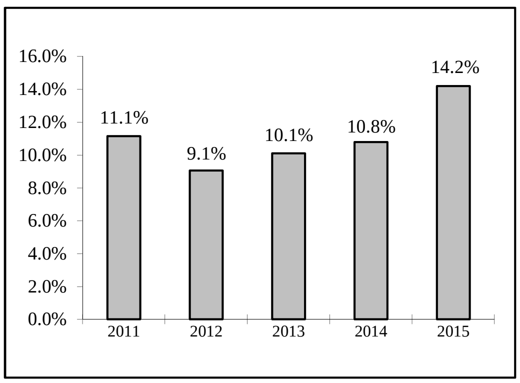
Composite Financial Index



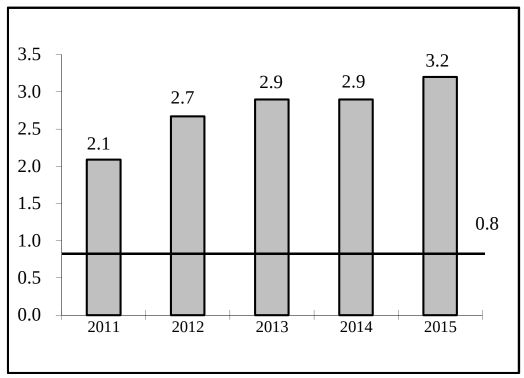
Operating Expense Coverage Ratio



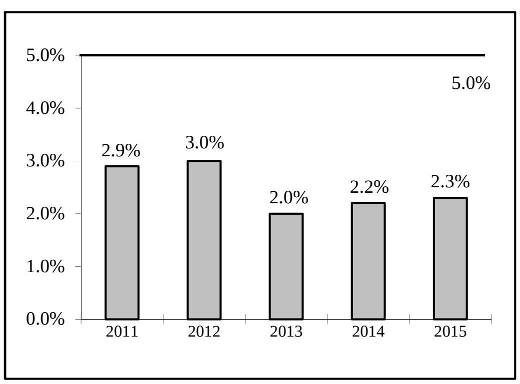
Annual Operating Margin Ratio



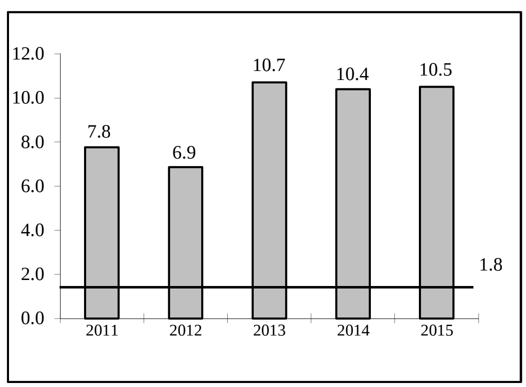
Expendable Resources to Debt Ratio



Debt Burden Ratio



Debt Service Coverage Ratio



The University of Texas M. D. Anderson Cancer Center
2015 Summary of Financial Condition

Composite Financial Index (CFI) - U. T. M. D. Anderson Cancer Center's (M. D. Anderson) CFI decreased from 6.5 in 2014 to 6.1 in 2015 due to a decrease in the return on net position ratio. The decline in the return on net position ratio was primarily driven by a net decrease in the fair value of investments of ($164.3) million in 2015 as compared to a net increase in the fair value of investments in 2014 of $204.4 million for a net change between years of ($368.7) million.

Operating Expense Coverage Ratio - M. D. Anderson's operating expense coverage ratio increased from 6.7 months in 2014 to 7.0 months in 2015 due to the growth in total unrestricted net position of $233.7 million. The increase in total unrestricted net position was due to a $319.8 million increase in unexpended plant funds as a result of an increase in unrestricted funding for capital projects.

Annual Operating Margin Ratio - M. D. Anderson's annual operating margin ratio increased from 10.8% for 2014 to 14.2% for 2015 as a result of the growth in total operating revenues of $451.5 million far exceeding the growth in total operating expenses (including interest expense) of $243.7 million. The increase in total operating revenues was primarily due to the following: a $286.0 million increase in net sales and services of hospitals resulting from increased patient volumes and fee increases; a $161.4 million increase in net investment income (excluding realized gains and losses) largely attributable to shares of technology stocks in Ziopharm Oncology, Inc. and Intrexon Corporation received in consideration for licenses created by M. D. Anderson; a $10.2 million increase in net professional fees due to increased patient activity and volumes; an $8.1 million increase in other operating revenues as a result of an increase in international patient services and increased consulting contracts; and an $8.1 million increase in sponsored programs revenue primarily due to an increase in funding awarded to M. D. Anderson from the Cancer Prevention Research Institute. The increase in total operating expenses was largely attributable to the following: a $145.9 million increase in salaries and wages and payroll related costs as a result of a 4.0% merit increase, as well as the growth in clinical providers and appropriate staffing of clinical care teams for the new patient care facilities; a $44.5 million increase in materials and supplies mostly due to increased demand related to pharmaceuticals and patient supplies; a $23.0 million increase in other contracted services resulting from increased advertising expenses, temporary staff related to the Professional Coding Project, and laboratory and animal maintenance expenses for the Genomic Medical Research and Applied Cancer Science Institute; a $10.4 million increase in repairs and maintenance attributable to increased repairs and maintenance for buildings, equipment, computer hardware and software repairs and maintenance projects; a $3.6 million increase in travel as a result of travel reimbursements for international travel and various other divisions; a $2.7 million increase in cost of goods sold related to the Children's Art Project, as well as a physical inventory adjustment; and a $1.2 million increase in communications due to increased contracts for data services and tele-paging services with Texas multiple award schedule contracts and other service contracts with Premier Purchasing Partners.

Expendable Resources to Debt Ratio - M. D. Anderson's expendable resources to debt ratio increased from 2.9 in 2014 to 3.2 in 2015. The increase in this ratio was mostly attributable to the growth in total unrestricted net position of $233.7 million, as discussed above, combined with a decrease of $12.3 million in the amount of debt outstanding.

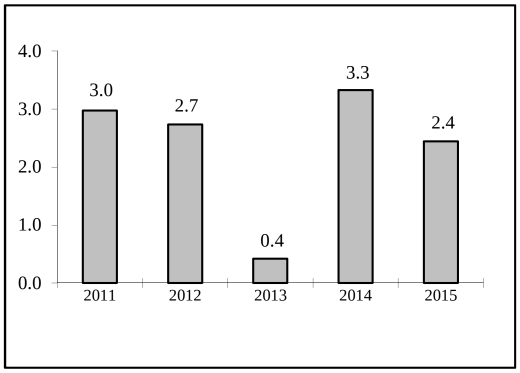
Debt Burden Ratio - M. D. Anderson's debt burden ratio increased from 2.2% in 2014 to 2.3% in 2015 as a result of an increase of $8.3 million in debt service payments.

Debt Service Coverage Ratio - M. D. Anderson's debt service coverage ratio increased from 10.4 in 2014 to 10.5 in 2015. The increase in this ratio was generated from the increase in operating performance, as discussed in the annual operating margin ratio, which was partially offset by the increase in debt service payments.

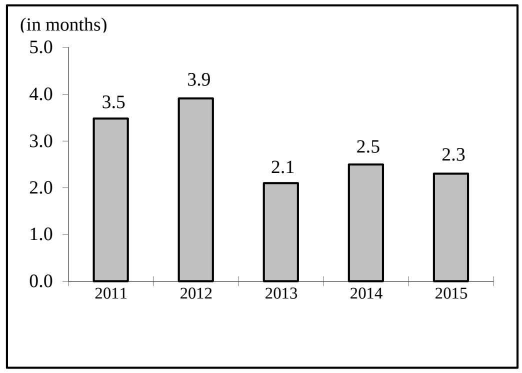
The University of Texas Health Science Center at Tyler
2015 Summary of Financial Condition

Financial Condition: **Satisfactory**

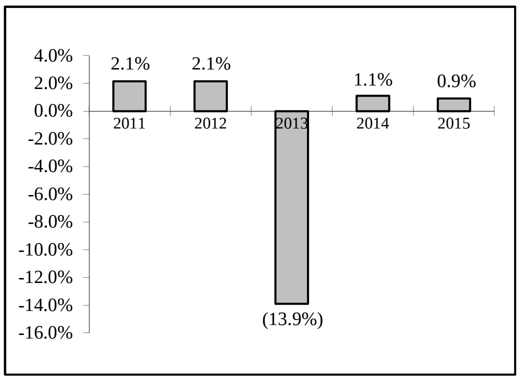
Composite Financial Index



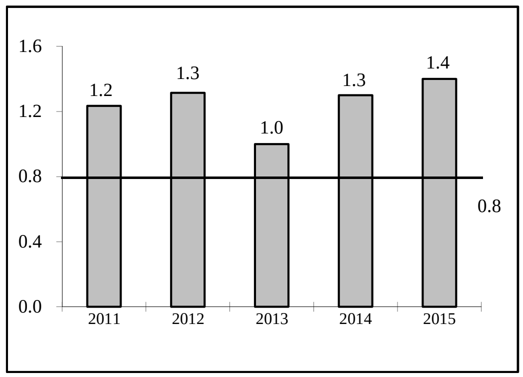
Operating Expense Coverage Ratio



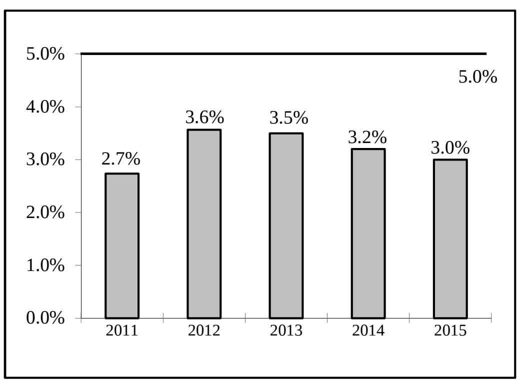
Annual Operating Margin Ratio



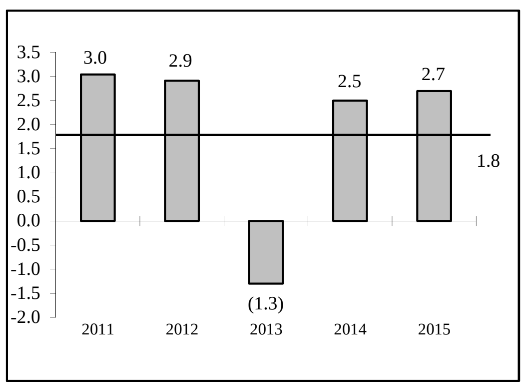
Expendable Resources to Debt Ratio



Debt Burden Ratio



Debt Service Coverage Ratio



The University of Texas Health Science Center at Tyler
2015 Summary of Financial Condition

Composite Financial Index (CFI) - U. T. Health Science Center - Tyler's (UTHSC-Tyler) CFI decreased from 3.3 in 2014 to 2.4 in 2015 primarily due to a decrease in the return on net position ratio. The decrease in the return on net position ratio was largely driven by the following: a net decrease in the fair value of investments of ($3.4) million in 2015 as compared to a net increase of $4.5 million in 2014 for a net change between years of ($7.9) million; a smaller change in anticipated proceeds of $5.3 million in 2015 as compared to $9.4 million in 2014; and less bond proceeds transferred to UTHSC-Tyler in 2015.

Operating Expense Coverage Ratio - UTHSC-Tyler's operating expense coverage ratio decreased from 2.5 months in 2014 to 2.3 months in 2015 due to the increase in total operating expenses (including interest expense) of $13.4 million. The increase in total operating expenses was primarily attributable to the following: a $12.6 million increase in salaries and wages and payroll related costs as a result of physicians and staff hired for the behavioral health program, additional employees hired for Delivery System Reform Incentive Payments (DSRIP) related projects, new residents for Good Shepherd Medical Center (GSMC), and new Family Medicine physicians; and a $0.9 million increase in depreciation and amortization expense attributable to several of the Behavioral Health remodeling projects which were completed and began depreciating in April 2015.

Annual Operating Margin Ratio - UTHSC-Tyler's annual operating margin ratio decreased from 1.1% for 2014 to 0.9% for 2015 due to the growth in total operating expenses of $13.4 million, as discussed above, outpacing the growth in total operating revenues of $13.2 million. The increase in total operating revenues was driven by the following: an $11.1 million increase in sponsored programs revenue primarily resulting from an increase in the Behavioral Health contract with the Texas Department of State Health Services, as well as an increase in the GSMC medical residents' contract and an increase in the Trinity Intensive Care Unit and Pulmonary contract; a $3.9 million increase in other operating revenues due to a $2.5 million increase in DSRIP revenue recognized as compared to the prior year combined with an increase of $1.8 million in incentive payments over the prior year; and a $1.2 million increase in gifts for operations as a result of a large gift received in 2015.

While UTHSC-Tyler's annual operating margin remained positive in 2015, it is important to note the sizeable impact net DSRIP revenue had on UTHSC-Tyler's operating results. UTHSC-Tyler recognized $17.9 million of net DSRIP revenue as compared to $15.4 million in 2014. If the net DSRIP revenue had not been recognized in 2015, then UTHSC-Tyler's annual operating margin would have been ($16.4) million or (11.3%).

Expendable Resources to Debt Ratio - UTHSC-Tyler's expendable resources to debt ratio increased from 1.3 in 2014 to 1.4 in 2015. The increase in this ratio was attributable to a decrease of $3.8 million in the amount of debt outstanding.

Debt Burden Ratio - UTHSC-Tyler's debt burden ratio decreased from 3.2% in 2014 to 3.0% in 2015 due to relatively stable debt service payments combined with the increase in total operating expenses, as previously discussed.

Debt Service Coverage Ratio -UTHSC-Tyler's debt service coverage ratio increased from 2.5 in 2014 to 2.7 in 2015. The increase in this ratio resulted from the increase in depreciation expense which is excluded from the calculation of this ratio.

Appendix A - Definitions of Evaluation Factors

1. **Composite Financial Index (CFI)** – The CFI measures the overall financial health of an institution by combining four core ratios into a single score. The four core ratios used to compute the CFI are as follows: primary reserve ratio, expendable resources to debt ratio, return on net position ratio, and annual operating margin ratio.

Core Ratio Values		Conversion Factor		Strength Factor		Weighting Factor		Score
Primary Reserve	/	0.133	=	Strength Factor	x	35.0%	=	Score
Annual Operating Margin	/	1.3%	=	Strength Factor	x	10.0%	=	Score
Return on Net Position	/	2.0%	=	Strength Factor	x	20.0%	=	Score
Expendable Resources to Debt	/	0.417	=	Strength Factor	x	35.0%	=	Score
						CFI	=	Total Score

2. **Operating Expense Coverage Ratio** – This ratio measures an institution's ability to cover future operating expenses with available year-end balances. This ratio is expressed in number of months coverage.

$$\frac{\text{Total Unrestricted Net Position}}{\text{Total Operating Expenses + Interest Expense on Debt}} * 12$$

3. **Annual Operating Margin Ratio** – This ratio indicates whether an institution is living within its available resources.

$$\frac{\text{Op Rev+GR+Op Gifts+NonexchSP+Inv Inc+RAHC\&AUF Trans+NSERB Appr+HEAF for Op Exp–Op Exp \& Int Exp}}{\text{Op Rev+GR+Op Gifts+NonexchSP+Inv Inc+RAHC\&AUF Trans+NSERB Approp+HEAF for Op Exp}}$$

4. **Expendable Resources to Debt Ratio** – This ratio measures an institution's ability to fund outstanding debt with existing net position balances should an emergency occur. Debt capacity thresholds are provided by the Office of Finance and are based on formulas used by Moody's Investors Service. An institution's debt capacity is largely determined by its ability to meet at least two of three minimum standards for debt service coverage, debt burden, and expendable resources to debt. According to *Strategic Financial Analysis for Higher Education*, Seventh Edition, the amount of restricted expendable net position that will be invested in plant should be excluded in the calculation of this ratio. Therefore, beginning in 2013 the amount of restricted expendable for capital projects is excluded from the numerator. The minimum expendable resources to debt ratio is 0.8 times.

$$\frac{\text{Restricted Expendable Net Position (excluding expendable for capital projects) + Unrestricted Net Position}}{\text{Debt not on Institution's Books}}$$

5. **Debt Burden Ratio** – This ratio examines the institution's dependence on borrowed funds as a source of financing and the cost of borrowing relative to overall expenses. Debt capacity thresholds are provided by the Office of Finance and are based on formulas used by Moody's Investors Service. An institution's debt capacity is largely determined by its ability to meet at least two of three minimum standards for debt service coverage, debt burden, and expendable resources to debt. The maximum debt burden ratio is 5.0%.

$$\frac{\text{Debt Service Transfers}}{\text{Operating Exp. (excluding Scholarships Exp.) + Interest Exp.}}$$

Appendix A - Definitions of Evaluation Factors (Continued)

6. **Debt Service Coverage Ratio** – This ratio measures the actual margin of protection provided to investors by annual operations. Moody's excludes actual investment income from its calculation of total operating revenue and instead uses a normalized investment income. Moody's applies 5% of the average of the previous three years' market value of cash and investments to compute normalized investment income. In order to be consistent with the Office of Finance's calculation of the debt service coverage ratio, normalized investment income as defined above is used for the calculation of this ratio only. Debt capacity thresholds are provided by the Office of Finance and are based on formulas used by Moody's Investors Service. An institution's debt capacity is largely determined by its ability to meet at least two of three minimum standards for debt service coverage, debt burden, and expendable resources to debt. The minimum debt service coverage ratio is 1.8 times.

$$\frac{\text{Op Rev+GR+Op Gifts+NonexchSP+Norm Inv Inc+RAHC\&AUF Trans+NSERB+Total HEAF–Op Exp+Depr}}{\text{Debt Service Transfers}}$$

7. **Primary Reserve Ratio** - This ratio measures the financial strength of an institution by comparing expendable net position to total expenses. This ratio provides a snapshot of financial strength and flexibility by indicating how long the institution could function using its expendable reserves without relying on additional net position generated by operations. According to *Strategic Financial Analysis for Higher Education*, Seventh Edition, the amount of restricted expendable net position that will be invested in plant should be excluded in the calculation of this ratio. Therefore, beginning in 2013 the amount of restricted expendable for capital projects is excluded from the numerator.

$$\frac{\text{Expendable Net Position (excluding expendable for capital projects) + Unrestricted Net Position}}{\text{Total Operating Expenses + Interest Expense on Debt}}$$

8. **Return on Net Position Ratio –** This ratio determines whether the institution is financially better off than in previous years by measuring total economic return. An improving trend indicates that the institution is increasing its net position and is likely to be able to set aside financial resources to strengthen its future financial flexibility.

$$\frac{\text{Change in Net Position (Adjusted for Change in Debt not on Institution's Books)}}{\text{Beginning Net Position – Debt not on Institution's Books}}$$

9. **Full-Time Equivalent (FTE) Student Enrollment** - Total semester credit hours taken by students during the fall semester, divided by factors of 15 for undergraduate students, 12 for graduate and special professional students, and 9 for doctoral students to arrive at the full-time equivalent (FTE) students represented by the course hours taken.

Appendix A - Definitions of Evaluation Factors (Continued)

The categories, which are utilized to indicate the assessment of an institution's financial condition, are "Satisfactory," "Watch," and "Unsatisfactory." In most cases the rating is based upon the trends of the financial ratios unless isolated financial difficulties in particular areas are material enough to threaten the overall financial results.

Satisfactory – an institution assigned this assessment exhibits a general history of relatively stable or increasing financial ratios. The CFI remains relatively stable within the trend period. However, the CFI can fluctuate depending upon the underlying factors contributing to the fluctuation with respect to the overall mission of an institution. The CFI must be analyzed in conjunction with the trends in the other ratios analyzed. The operating expense coverage ratio should be at or above a two-month benchmark and should be stable or improving. The annual operating margin ratio could be both positive and negative during the trend period due to nonrecurring items. Some of these items include unexpected reductions in external sources of income, such as state appropriations, gifts and investment income, all of which are unpredictable and subject to economic conditions. The Office of Finance uses the expendable resources to debt ratio, debt burden ratio, and debt service coverage ratio, which are the same ratios the bond rating agencies calculate for the System. Trends in these ratios can help determine if an institution has additional debt capacity or has assumed more debt than it can afford to service. In general, an institution's expendable resources to debt and debt service coverage ratios should exceed the Office of Finance's standards of 0.8 times and 1.8 times, respectively, while the debt burden ratio should fall below the Office of Finance's standard of 5.0%. Full-time equivalent (FTE) student enrollment must be relatively stable or increasing. Isolated financial difficulties in particular areas may be evident, but must not be material enough to threaten the overall financial health of an institution.

Watch – an institution assigned this assessment exhibits a history of relatively unstable or declining financial ratios. The CFI is less stable and/or the fluctuations are not expected given the mission of an institution. The operating expense coverage ratio can be at or above a two-month benchmark, but typically shows a declining trend. Annual operating margin ratio is negative or near break-even during the trend period due to recurring items, material operating difficulties or uncertainties caused by either internal management decisions or external factors. Trends in the expendable resources to debt ratio, debt burden ratio, and debt service coverage ratio can help determine if an institution has additional debt capacity or has assumed more debt than it can afford to service. FTE student enrollment can be stable or declining, depending upon competitive alternatives or recruitment and retention efforts. Isolated financial difficulties in particular areas may be evident and can be material enough to threaten the overall financial health of an institution.

Unsatisfactory – an institution assigned this assessment exhibits a history of relatively unstable financial ratios. The CFI is very volatile and does not support the mission of an institution. The operating expense coverage ratio may be below a two-month benchmark and shows a declining trend. The annual operating margin ratio is predominately volatile or negative during the trend period due to material operating difficulties or uncertainties caused by either internal management decisions or external factors. Trends in the expendable resources to debt ratio, debt burden ratio, and debt service coverage ratio can help determine if an institution has additional debt capacity or has assumed more debt than it can afford to service. The FTE student enrollment can be stable or declining, depending upon competitive alternatives or recruitment and retention efforts. Widespread financial difficulties in key areas are evident and are material enough to further threaten the overall financial health of an institution. For institutions rated "Unsatisfactory," the Chancellor and the appropriate Executive Vice Chancellors will request the institutions to develop a specific financial plan of action to improve the institution's financial condition. By policy, institutions rated "Unsatisfactory" are not permitted to invest in the Intermediate Term Fund. Progress towards the achievement of the plans will be periodically discussed with the Chief Business Officer and President, and representatives from the System Offices of Business, Academic, and/or Health Affairs, as appropriate.

Appendix B - Calculation of Composite Financial Index
Academic Institutions
As of August 31, 2015

U. T. Arlington

Ratio	Ratio Value		Conversion Factor		Strength Factor		Weighting Factor		Score
Primary Reserve	0.60	/	0.133	=	4.51	x	35.0%	=	1.58
Annual Operating Margin	5.50%	/	1.3%	=	4.23	x	10.0%	=	0.42
Return on Net Position	2.10%	/	2.0%	=	1.05	x	20.0%	=	0.21
Expendable Resources to Debt	1.10	/	0.417	=	2.64	x	35.0%	=	0.92
							CFI		3.1

U. T. Austin

Ratio	Ratio Value		Conversion Factor		Strength Factor		Weighting Factor		Score
Primary Reserve	1.30	/	0.133	=	9.77	x	35.0%	=	3.42
Annual Operating Margin	5.80%	/	1.3%	=	4.46	x	10.0%	=	0.45
Return on Net Position	1.20%	/	2.0%	=	0.60	x	20.0%	=	0.12
Expendable Resources to Debt	2.40	/	0.417	=	5.76	x	35.0%	=	2.01
							CFI		6.0

U. T. Brownsville

Ratio	Ratio Value		Conversion Factor		Strength Factor		Weighting Factor		Score
Primary Reserve	0.30	/	0.133	=	2.26	x	35.0%	=	0.79
Annual Operating Margin	-14.30%	/	1.3%	=	-11.00	x	10.0%	=	-1.10
Return on Net Position	-7.80%	/	2.0%	=	-3.90	x	20.0%	=	-0.78
Expendable Resources to Debt	0.60	/	0.417	=	1.44	x	35.0%	=	0.50
							CFI		-0.6

U. T. Dallas

Ratio	Ratio Value		Conversion Factor		Strength Factor		Weighting Factor		Score
Primary Reserve	0.60	/	0.133	=	4.51	x	35.0%	=	1.58
Annual Operating Margin	-1.50%	/	1.3%	=	-1.15	x	10.0%	=	-0.12
Return on Net Position	5.20%	/	2.0%	=	2.60	x	20.0%	=	0.52
Expendable Resources to Debt	0.60	/	0.417	=	1.44	x	35.0%	=	0.50
							CFI		2.5

U. T. El Paso

Ratio	Ratio Value		Conversion Factor		Strength Factor		Weighting Factor		Score
Primary Reserve	0.50	/	0.133	=	3.76	x	35.0%	=	1.32
Annual Operating Margin	-2.40%	/	1.3%	=	-1.85	x	10.0%	=	-0.18
Return on Net Position	-3.80%	/	2.0%	=	-1.90	x	20.0%	=	-0.38
Expendable Resources to Debt	0.90	/	0.417	=	2.16	x	35.0%	=	0.76
							CFI		1.5

Appendix B - Calculation of Composite Financial Index
Academic Institutions
As of August 31, 2015
(continued)

U. T. Pan American

Ratio	Ratio Value		Conversion Factor		Strength Factor		Weighting Factor		Score
Primary Reserve	0.40	/	0.133	=	3.01	x	35.0%	=	1.05
Annual Operating Margin	-4.90%	/	1.3%	=	-3.77	x	10.0%	=	-0.38
Return on Net Position	-0.10%	/	2.0%	=	-0.05	x	20.0%	=	-0.01
Expendable Resources to Debt	1.20	/	0.417	=	2.88	x	35.0%	=	1.01
							CFI		1.7

U. T. Permian Basin

Ratio	Ratio Value		Conversion Factor		Strength Factor		Weighting Factor		Score
Primary Reserve	0.40	/	0.133	=	3.01	x	35.0%	=	1.05
Annual Operating Margin	-7.60%	/	1.3%	=	-5.85	x	10.0%	=	-0.58
Return on Net Position	-3.10%	/	2.0%	=	-1.55	x	20.0%	=	-0.31
Expendable Resources to Debt	0.30	/	0.417	=	0.72	x	35.0%	=	0.25
							CFI		0.4

U. T. San Antonio

Ratio	Ratio Value		Conversion Factor		Strength Factor		Weighting Factor		Score
Primary Reserve	0.60	/	0.133	=	4.51	x	35.0%	=	1.58
Annual Operating Margin	3.80%	/	1.3%	=	2.92	x	10.0%	=	0.29
Return on Net Position	0.50%	/	2.0%	=	0.25	x	20.0%	=	0.05
Expendable Resources to Debt	1.00	/	0.417	=	2.40	x	35.0%	=	0.84
							CFI		2.8

U. T. Tyler

Ratio	Ratio Value		Conversion Factor		Strength Factor		Weighting Factor		Score
Primary Reserve	0.70	/	0.133	=	5.26	x	35.0%	=	1.84
Annual Operating Margin	-9.50%	/	1.3%	=	-7.31	x	10.0%	=	-0.73
Return on Net Position	-6.20%	/	2.0%	=	-3.10	x	20.0%	=	-0.62
Expendable Resources to Debt	0.80	/	0.417	=	1.92	x	35.0%	=	0.67
							CFI		1.2

Appendix B - Calculation of Composite Financial Index
Health Institutions
As of August 31, 2015

Southwestern

Ratio	Ratio Value		Conversion Factor		Strength Factor		Weighting Factor		Score
Primary Reserve	0.80	/	0.133	=	6.02	x	35.0%	=	2.11
Annual Operating Margin	7.20%	/	1.3%	=	5.54	x	10.0%	=	0.55
Return on Net Position	2.90%	/	2.0%	=	1.45	x	20.0%	=	0.29
Expendable Resources to Debt	2.00	/	0.417	=	4.80	x	35.0%	=	1.68
							CFI		4.6

UTMB

Ratio	Ratio Value		Conversion Factor		Strength Factor		Weighting Factor		Score
Primary Reserve	0.30	/	0.133	=	2.26	x	35.0%	=	0.79
Annual Operating Margin	0.30%	/	1.3%	=	0.23	x	10.0%	=	0.02
Return on Net Position	3.20%	/	2.0%	=	1.60	x	20.0%	=	0.32
Expendable Resources to Debt	0.90	/	0.417	=	2.16	x	35.0%	=	0.76
							CFI		1.9

UTHSC-Houston

Ratio	Ratio Value		Conversion Factor		Strength Factor		Weighting Factor		Score
Primary Reserve	0.50	/	0.133	=	3.76	x	35.0%	=	1.32
Annual Operating Margin	1.40%	/	1.3%	=	1.08	x	10.0%	=	0.11
Return on Net Position	-0.70%	/	2.0%	=	-0.35	x	20.0%	=	-0.07
Expendable Resources to Debt	2.50	/	0.417	=	6.00	x	35.0%	=	2.10
							CFI		3.5

UTHSC-San Antonio

Ratio	Ratio Value		Conversion Factor		Strength Factor		Weighting Factor		Score
Primary Reserve	0.70	/	0.133	=	5.26	x	35.0%	=	1.84
Annual Operating Margin	1.80%	/	1.3%	=	1.38	x	10.0%	=	0.14
Return on Net Position	5.60%	/	2.0%	=	2.80	x	20.0%	=	0.56
Expendable Resources to Debt	2.70	/	0.417	=	6.47	x	35.0%	=	2.27
							CFI		4.8

M. D. Anderson

Ratio	Ratio Value		Conversion Factor		Strength Factor		Weighting Factor		Score
Primary Reserve	0.70	/	0.133	=	5.26	x	35.0%	=	1.84
Annual Operating Margin	14.20%	/	1.3%	=	10.92	x	10.0%	=	1.09
Return on Net Position	5.00%	/	2.0%	=	2.50	x	20.0%	=	0.50
Expendable Resources to Debt	3.20	/	0.417	=	7.67	x	35.0%	=	2.69
							CFI		6.1

UTHSC-Tyler

Ratio	Ratio Value		Conversion Factor		Strength Factor		Weighting Factor		Score
Primary Reserve	0.30	/	0.133	=	2.26	x	35.0%	=	0.79
Annual Operating Margin	0.90%	/	1.3%	=	0.69	x	10.0%	=	0.07
Return on Net Position	4.10%	/	2.0%	=	2.05	x	20.0%	=	0.41
Expendable Resources to Debt	1.40	/	0.417	=	3.36	x	35.0%	=	1.18
							CFI		2.4

Appendix C - Calculation of Expendable Net Position
Academic Institutions
As of August 31, 2015
(In Millions)

Institution	Restricted Expendable Net Position				Total Unrestricted Net Position	Total Expendable Net Position	Less: Restricted Exp for Cap. Projects	Total Exp. Net Position Excluding Cap. Projects
	Capital Projects	Funds Functioning Restricted	Other Expendable	Total				
U. T. Arlington	$ 8.9	4.1	63.2	76.2	256.0	332.2	(8.9)	323.3
U. T. Austin	125.9	225.1	1,833.5	2,184.5	1,136.3	3,320.8	(125.9)	3,194.9
U. T. Brownsville	3.2	-	5.8	9.0	27.8	36.8	(3.2)	33.6
U. T. Dallas	3.0	23.1	189.8	215.9	136.6	352.5	(3.0)	349.5
U. T. El Paso	(0.6)	17.9	130.2	147.5	63.3	210.8	0.6	211.3
U. T. Pan American	3.5	1.2	19.7	24.4	80.3	104.7	(3.5)	101.3
U. T. Permian Basin	4.5	0.2	30.0	34.7	3.3	37.9	(4.5)	33.4
U. T. San Antonio	(0.2)	1.5	70.3	71.6	246.5	318.1	0.2	318.2
U. T. Tyler	7.7	1.6	48.4	57.8	37.3	95.1	(7.7)	87.4

Appendix C - Calculation of Expendable Net Position
Health Institutions
As of August 31, 2015
(In Millions)

Institution		Restricted Expendable Net Position: Capital Projects	Funds Functioning Restricted	Other Expendable	Total	Total Unrestricted Net Position	Total Expendable Net Position	Less: Restricted Exp for Cap. Projects	Total Exp. Net Position Excluding Cap. Projects
Southwestern	$	12.9	29.4	912.6	954.8	1,005.5	1,960.3	(12.9)	1,947.4
UTMB		(35.2)	30.9	207.0	202.7	294.3	497.0	35.2	532.2
UTHSC-Houston		2.4	21.3	153.7	177.3	480.6	658.0	(2.4)	655.6
UTHSC-San Antonio		(4.0)	15.1	222.0	233.1	278.4	511.5	4.0	515.5
M. D. Anderson		172.0	65.1	553.4	790.5	2,314.5	3,104.9	(172.0)	2,933.0
UTHSC-Tyler		(2.5)	0.9	19.0	17.5	32.5	50.0	2.5	52.5

Appendix D - Calculation of Annual Operating Margin
Academic Institutions
As of August 31, 2015
(In Millions)

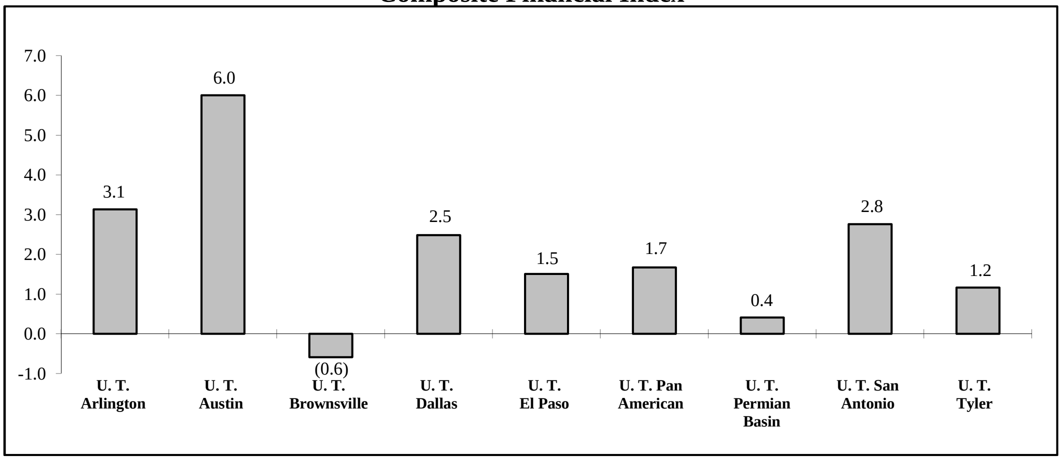
Institution	Income/(Loss) Before Other Rev., Exp., Gains/(Losses) & Transfers	Less: Nonoperating Items Other Nonop. Revenues	Other Nonop. Expenses	Gain/Loss on Sale of Cap. Assets	Net Increase/ (Decrease) in FV of Inv.	Margin From SRECNA	Other Adjustments Minus: Realized Gains/ (Losses)	Plus: AUF Transfer	Plus: NSERB	Plus: TRIP & Other	Plus: HEAF for Op. Exp.	Plus: Interest Expense	Annual Operating Margin
U. T. Arlington	$ 21.1	-	(0.1)	(0.1)	(22.1)	43.4	-	-	-	-	-	(12.1)	31.3
U. T. Austin	(308.1)	9.9	(2.8)	(27.4)	(211.2)	(76.6)	(0.3)	268.3	-	-	-	(39.7)	152.3
U. T. Brownsville	(27.2)	-	-	-	(3.2)	(24.0)	0.1	-	-	6.1	5.4	(2.8)	(15.4)
U. T. Dallas	(18.7)	-	-	(0.3)	(18.2)	(0.2)	-	-	6.5	-	-	(14.5)	(8.2)
U. T. El Paso	(16.5)	0.1	0.3	(0.8)	(19.0)	2.8	5.3	-	-	-	-	(7.3)	(9.9)
U. T. Pan American	(18.6)	0.5	(0.1)	-	(8.9)	(10.1)	2.2	-	-	-	2.8	(3.4)	(12.9)
U. T. Permian Basin	(2.6)	0.2	-	-	(2.2)	(0.4)	-	-	-	-	-	(5.7)	(6.1)
U. T. San Antonio	10.6	0.6	(0.2)	(1.9)	(28.5)	40.6	6.1	-	-	-	-	(14.9)	19.5
U. T. Tyler	(13.5)	-	-	-	(5.8)	(7.7)	-	-	-	-	-	(3.7)	(11.1)

Appendix D - Calculation of Annual Operating Margin
Health Institutions
As of August 31, 2015
(In Millions)

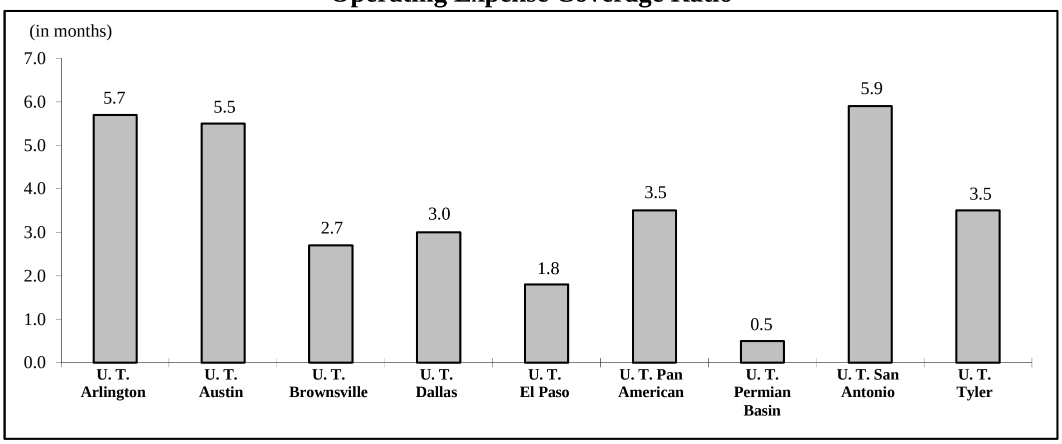
Institution	Income/(Loss) Before Other Rev., Exp., Gains/(Losses) & Transfers	Less: Nonoperating Items Other Nonop. Revenues	Other Nonop. Expenses	Gain/Loss on Sale of Cap. Assets	Net Increase/ (Decrease) in FV of Inv.	Margin From SRECNA	Other Adjustments Minus: Realized Gains/ (Losses)	Plus: HB 2 Funding	Plus: RAHC Transfer	Plus: Interest Expense	Annual Operating Margin
Southwestern	$ 88.9	4.3	(1.5)	(4.5)	(138.3)	228.9	18.4	-	-	(28.5)	182.0
UTMB	(26.3)	0.2	0.1	(1.3)	(50.2)	24.9	5.2	(7.8)	-	(6.5)	5.4
UTHSC-Houston	(9.8)	-	-	(0.5)	(39.8)	30.5	0.7	-	0.6	(11.5)	18.8
UTHSC-San Antonio	(18.0)	-	-	(0.7)	(41.6)	24.4	1.9	-	0.6	(8.6)	14.5
M. D. Anderson	566.9	-	(0.1)	1.3	(164.3)	730.0	37.0	-	-	(35.0)	658.0
UTHSC-Tyler	(0.1)	-	-	-	(3.4)	3.3	0.4	-	-	(1.4)	1.5

Appendix E - Academic Institutions' Evaluation Factors
2015 Analysis of Financial Condition

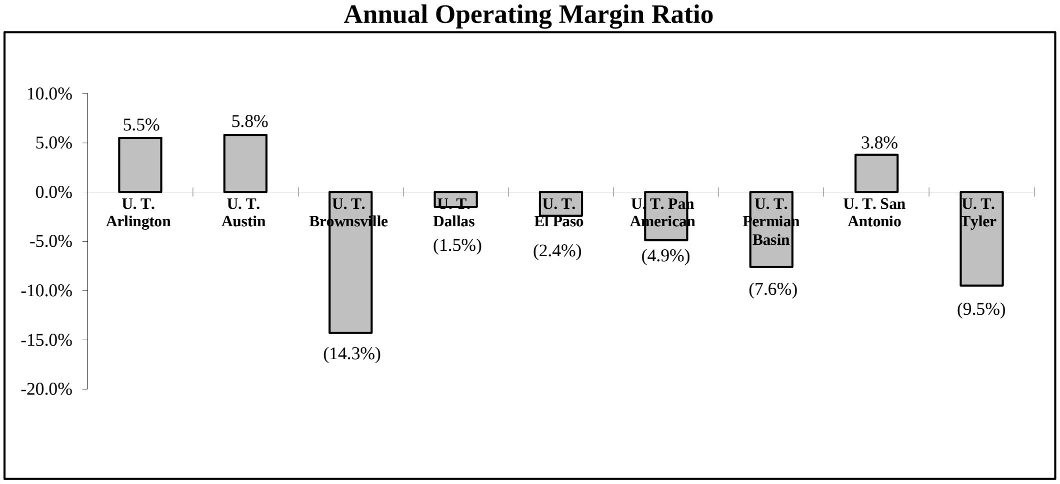
Composite Financial Index



Operating Expense Coverage Ratio

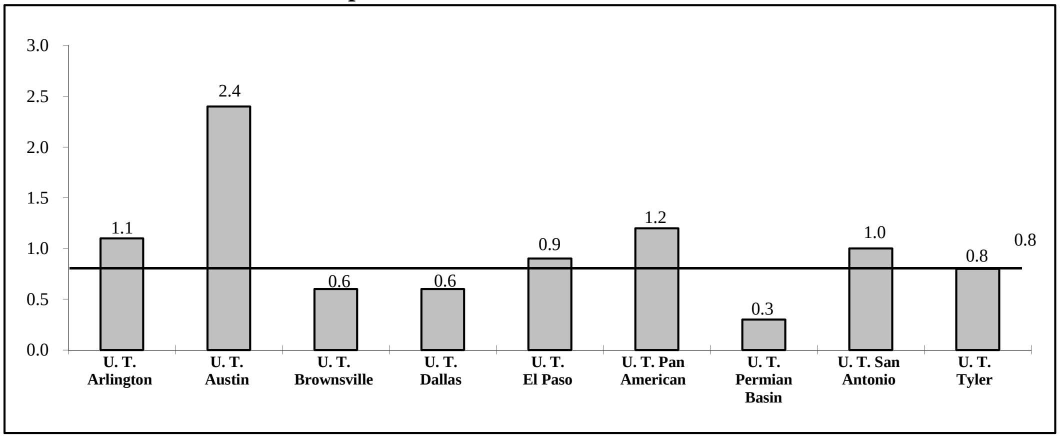


Annual Operating Margin Ratio

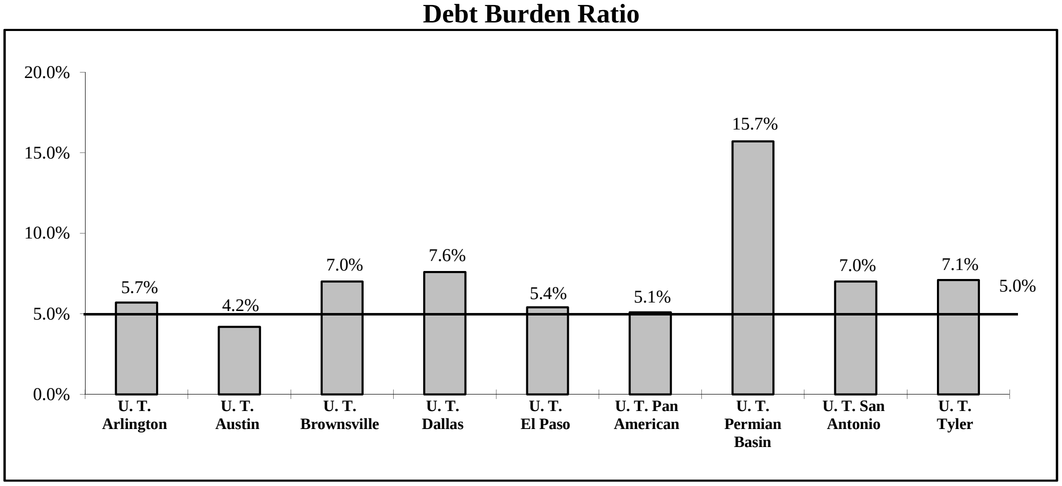


Appendix E - Academic Institutions' Evaluation Factors
2015 Analysis of Financial Condition

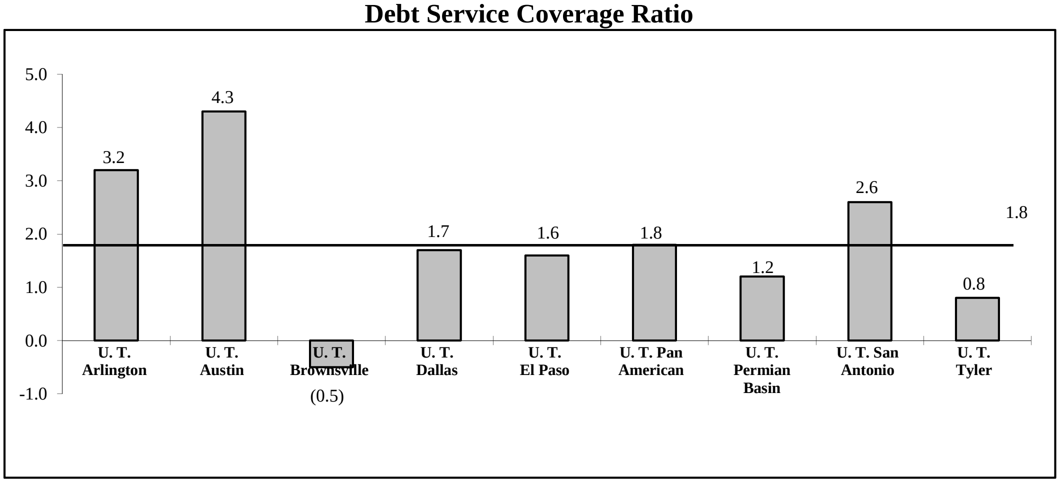
Expendable Resources to Debt Ratio



Debt Burden Ratio

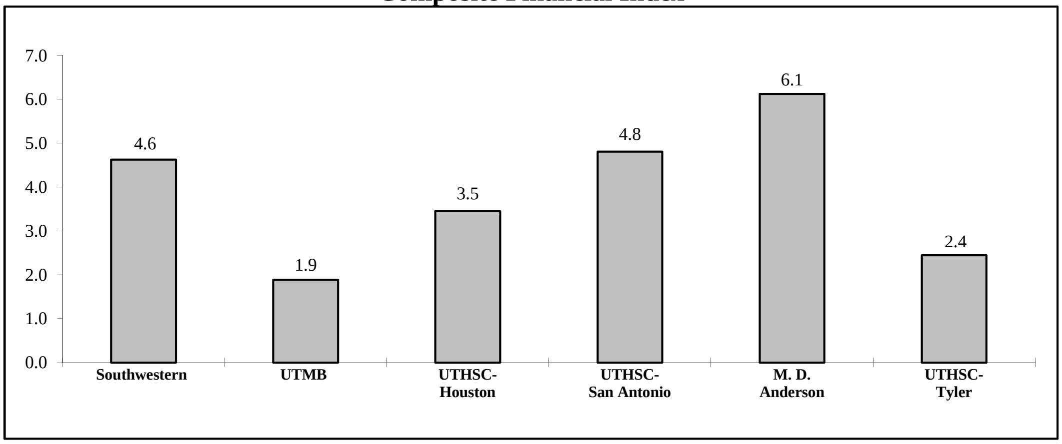


Debt Service Coverage Ratio

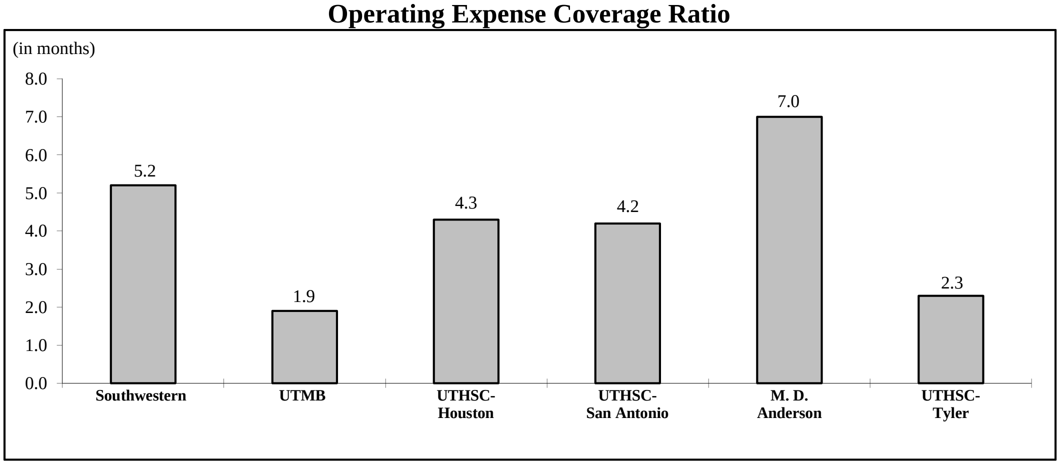


Appendix E - Health Institutions' Evaluation Factors
2015 Analysis of Financial Condition

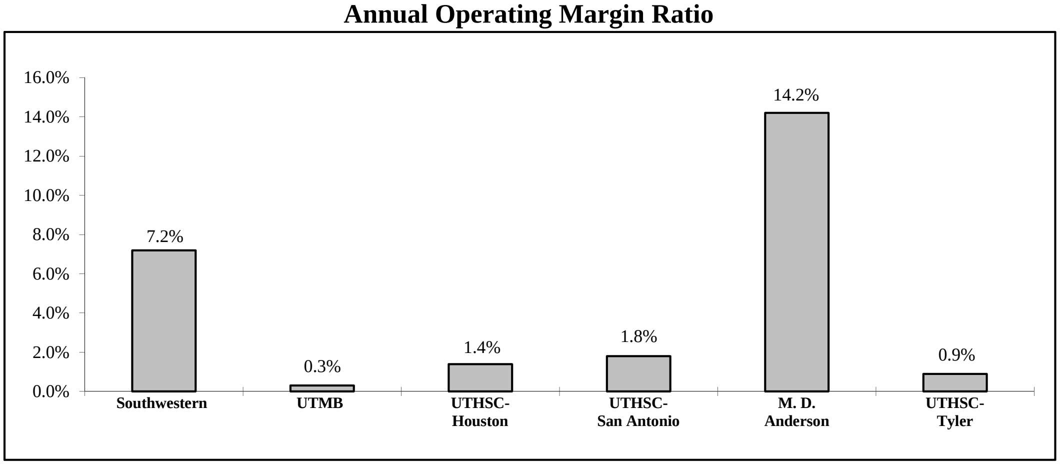
Composite Financial Index



Operating Expense Coverage Ratio

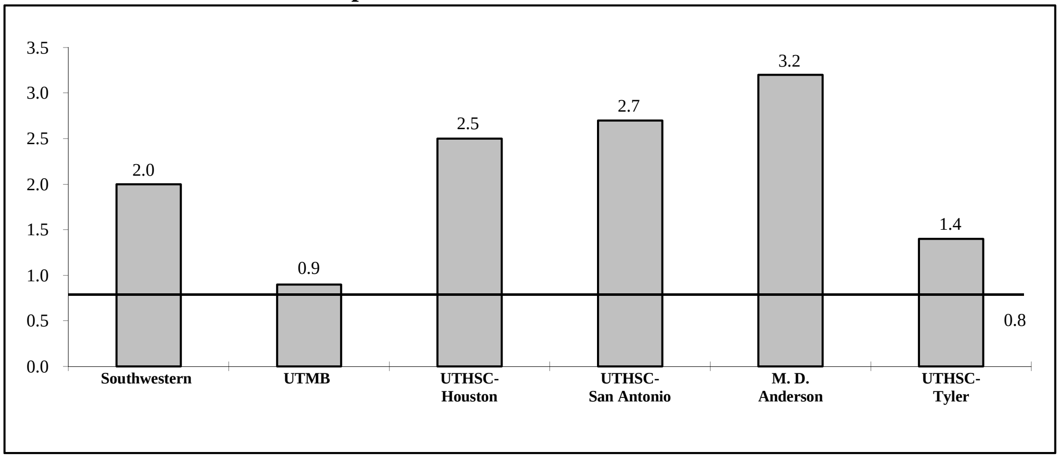


Annual Operating Margin Ratio

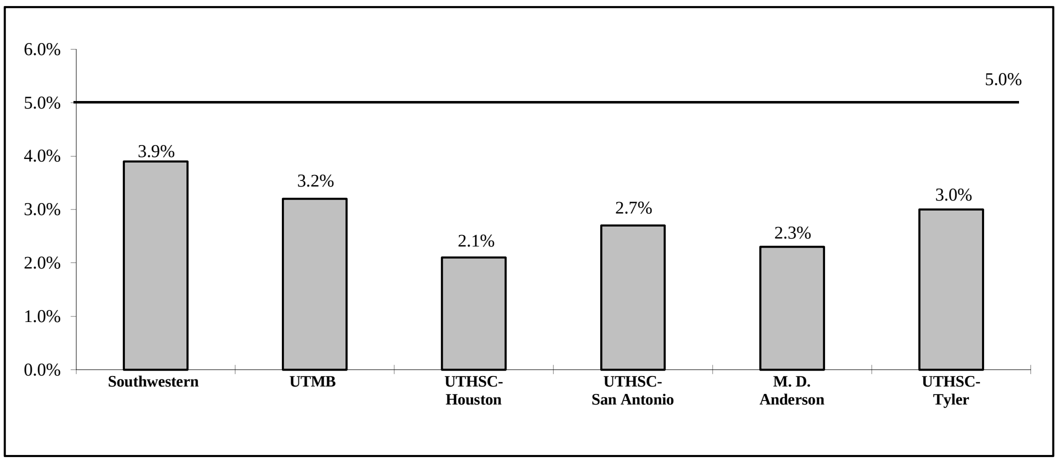


Appendix E - Health Institutions' Evaluation Factors
2015 Analysis of Financial Condition

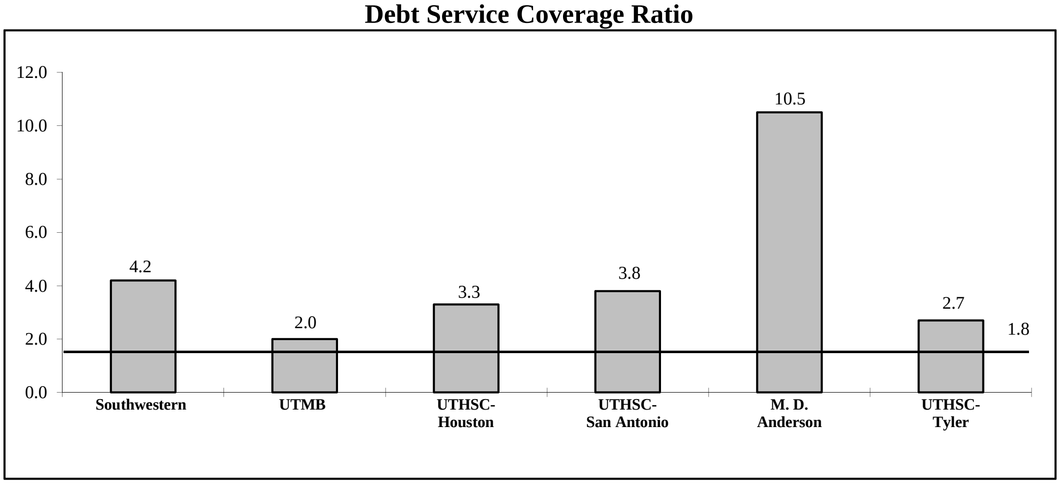
Expendable Resources to Debt Ratio



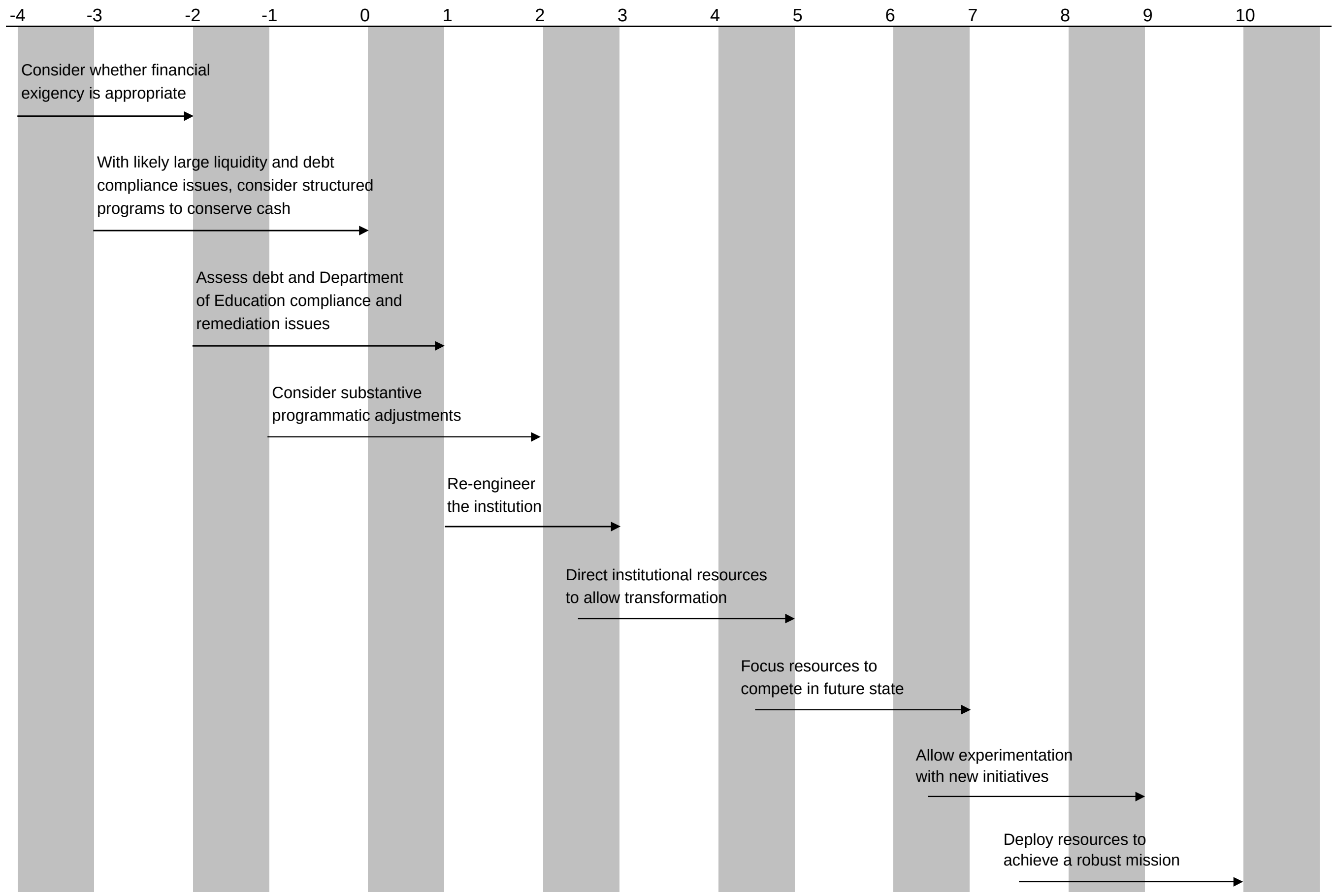
Debt Burden Ratio



Debt Service Coverage Ratio

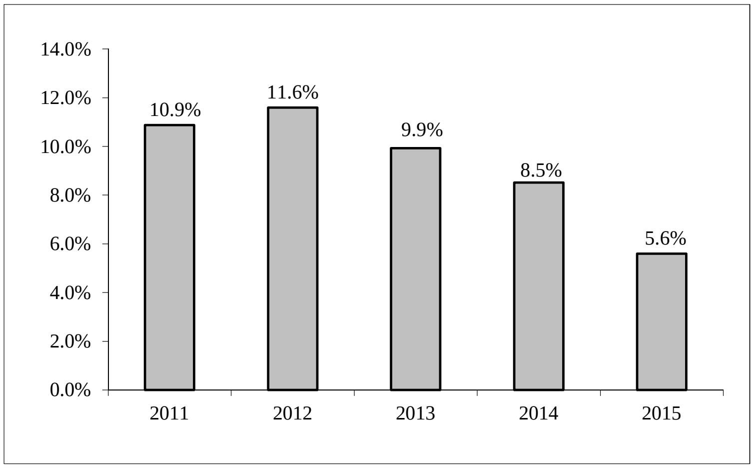


Appendix F - Scale for Charting CFI Performance



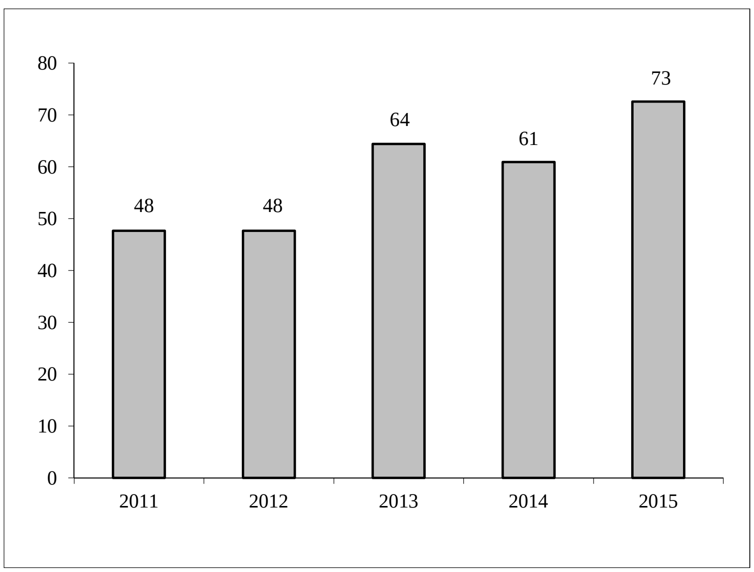
Appendix G - Key Hospital Operating Factors
The University of Texas Southwestern Medical Center

Annual Operating Margin Ratio



The annual operating margin ratio decreased from 8.5% for 2014 to 5.6% for 2015 as a result of the transition from St. Paul Hospital to the new William P. Clements University Hospital in December 2014. While volumes were much higher than anticipated, surgeries were limited just before and during the transition. In addition, salaries expense increased due to the costs associated with the training of personnel at William P. Clements University Hospital. The decline in the annual operating margin ratio was anticipated in the budget plan for 2015. The hospital performed well above the budgeted expectations.

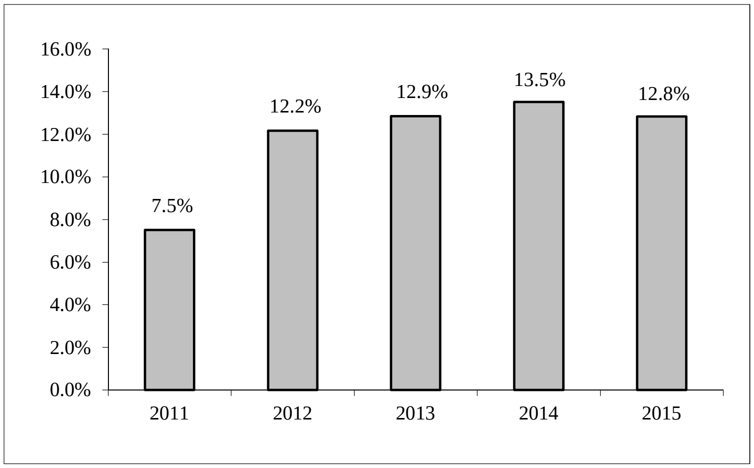
Net Accounts Receivable (in days)



Net accounts receivable in days increased from 61 days in 2014 to 73 days in 2015 due to increased volume, as well as an increase in time to code. In preparation for the transition to ICD-10 on October 1, 2015, coding resources were diverted for remediation and training.

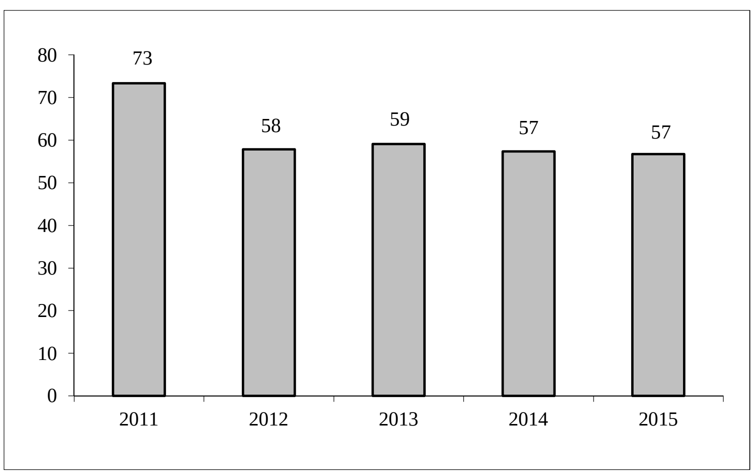
Appendix G - Key MSRDP & NPHC Operating Factors
The University of Texas Southwestern Medical Center

Annual Operating Margin Ratio



The annual operating margin ratio decreased from 13.5% for 2014 to 12.8% for 2015 primarily due to an accrual of $21.4 million associated with the audit of the Physician Upper Payment Limit for the periods May 1, 2004, through September 30, 2007. Although the annual operating margin decreased, the physician practice plan recognized $42.5 million in other operating revenue from the Delivery System Reform Incentive Payment program, which was an increase of $29.4 million over the prior year, and $8.7 million in other operating revenue from uncompensated care (Network Access Improvement Program).

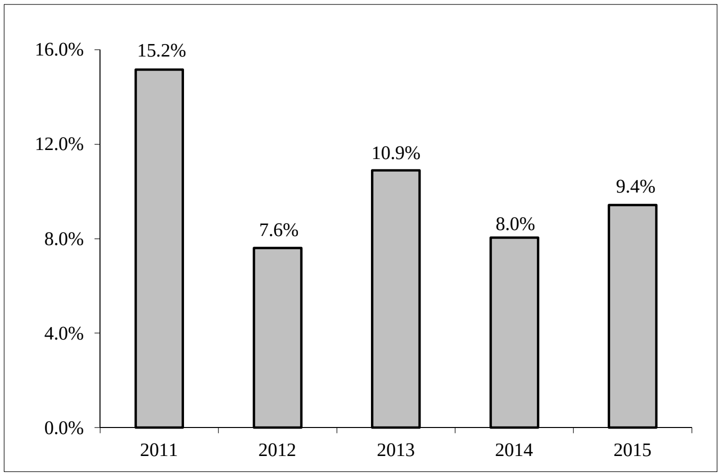
Net Accounts Receivable (in days)



The net accounts receivable in days remained stable between 2014 and 2015 primarily due to billing efficiency.

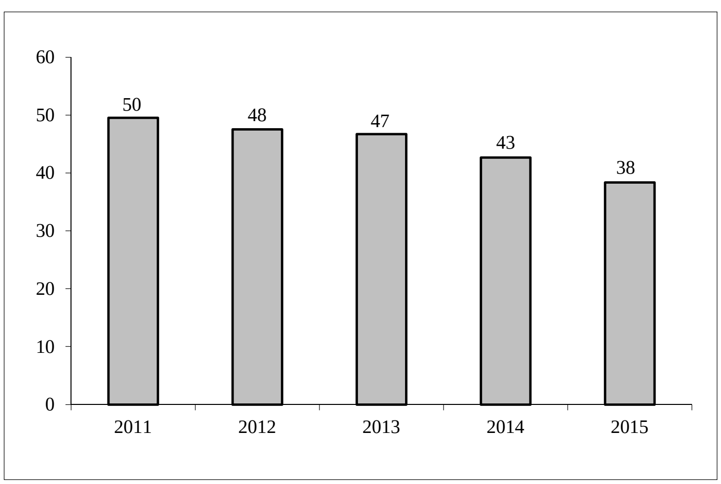
Appendix G - Key Hospital Operating Factors
The University of Texas Medical Branch at Galveston

Annual Operating Margin Ratio



UTMB Hospitals and Clinics' annual operating margin ratio increased from 8.0% for 2014 to 9.4% for 2015. The annual operating margin ratio was positively impacted by net revenue from Medicaid 1115 Waiver (Waiver) operations, including Delivery System Reform Incentive Payments, of $18.3 million in 2015. Excluding the net Waiver operations, the annual operating margin ratio would have been 7.6% for 2015. Increased downward pressure on reimbursement rates from healthcare reform, as well as inflationary increases on operating expenses impacted the annual operating margin ratio. Overall, excluding net Waiver operations, the hospitals and clinics operating revenues increased by 11.6% while operating expenses increased by 12.1% in 2015. The hospitals and clinics experienced significant patient volume growth in 2015 with adjusted discharges increasing 16.1%.

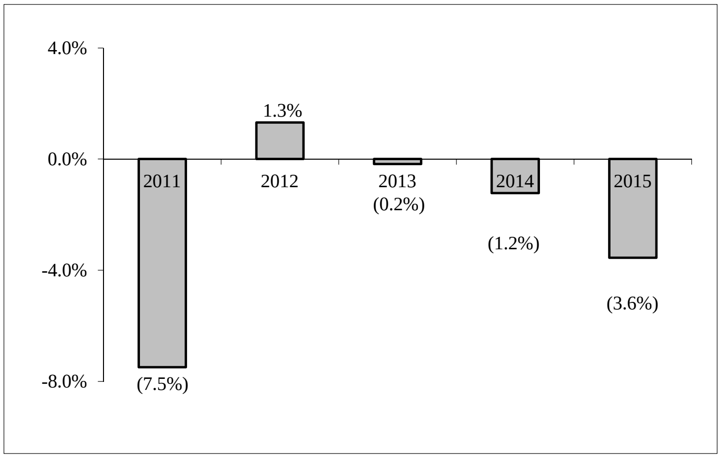
Net Accounts Receivable (in days)



Net accounts receivable in days decreased 11.6% between 2014 and 2015 from 43 days to 38 days due to improvements in Revenue Cycle processes and conservative reserve methodologies.

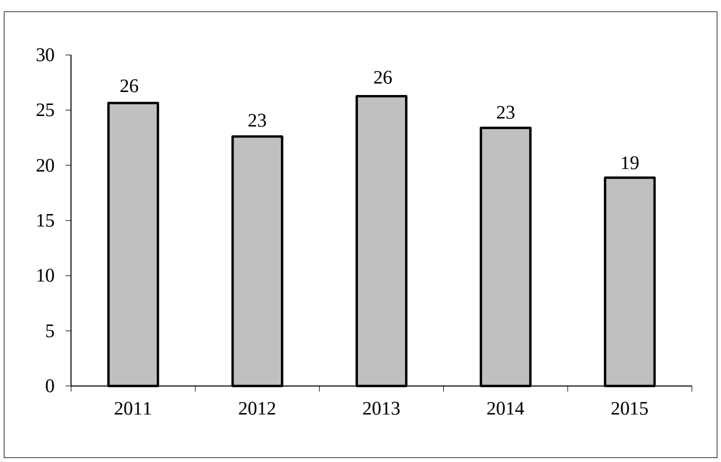
Appendix G - Key MSRDP & NPHC Operating Factors
The University of Texas Medical Branch at Galveston

Annual Operating Margin Ratio



The annual operating margin ratio decreased from (1.2%) for 2014 to (3.6%) for 2015. Although operating revenues increased by 9.0%, operating expenses increased by 11.5%. The increase in operating revenues was primarily due to the Delivery System Reform Incentive Payment (DSRIP) program and clinical contracts. The increase in net patient care revenue related to clinical activities was largely offset by an accrual of $11.1 million associated with the audit of the Physician Upper Payment Limit for the periods May 1, 2004 through September 30, 2007. The increase in operating expenses was primarily due to salaries and wages and payroll related costs as a result of clinical recruitment efforts, DSRIP and an overall salary administration adjustment.

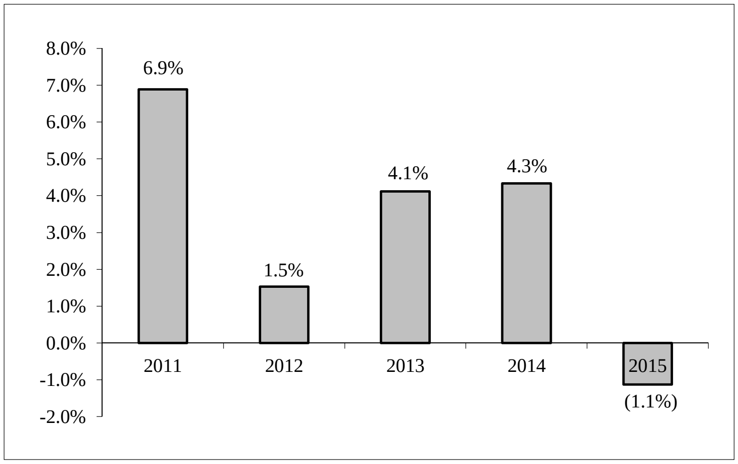
Net Accounts Receivable (in days)



Net accounts receivable in days decreased 17.4% between 2014 and 2015 from 23 days to 19 days due to improvements in Revenue Cycle processes.

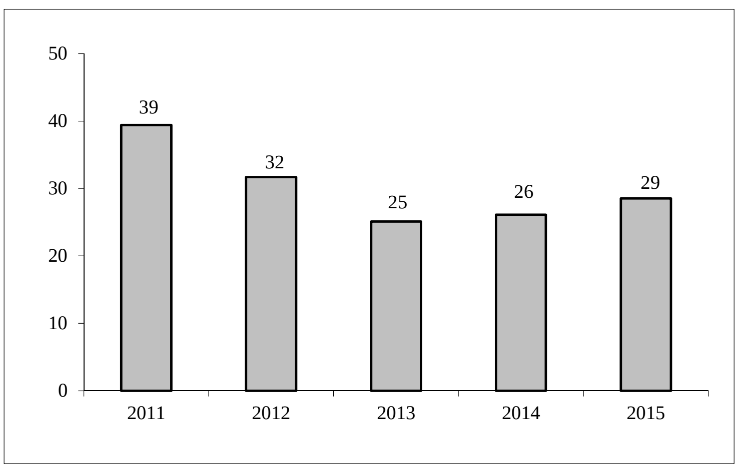
Appendix G - Key Hospital Operating Factors
The University of Texas Health Science Center at Houston

Annual Operating Margin Ratio



The decrease in the annual operating margin ratio was attributable to the following: a $1.1 million decrease in net patient revenue mainly due to the impact of the Medicaid managed care spell of illness limitation; a $0.6 million increase in physician salaries and the cost of locum tenens coverage in response to and as a result of the shortage of psychiatrists; additions to unit based staffing at a cost of approximately $0.4 million to support contract program expansion; and a $0.3 million increase in overtime expense resulting from a rise in the level of patient acuity.

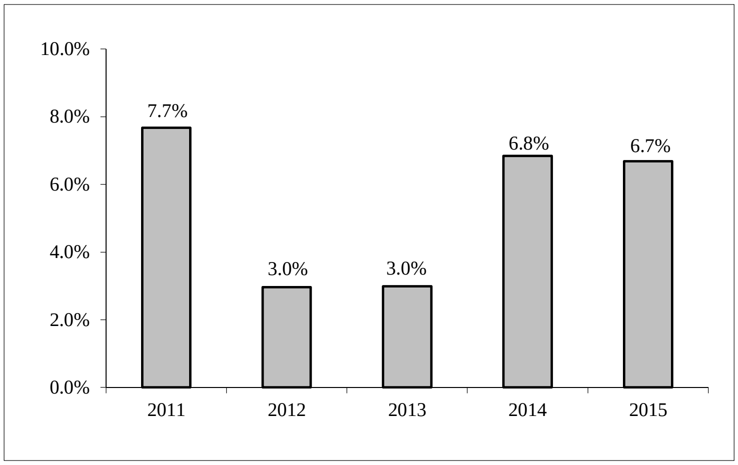
Net Accounts Receivable (in days)



The net accounts receivable in days remained fairly constant over the last four years. Continuous monitoring and improvement of the hospital's billing and collection processes, including management of denials, timely identification of patients who qualify for indigent status, and timely recognition of patient bad debts help to maintain a relatively low net days in accounts receivable.

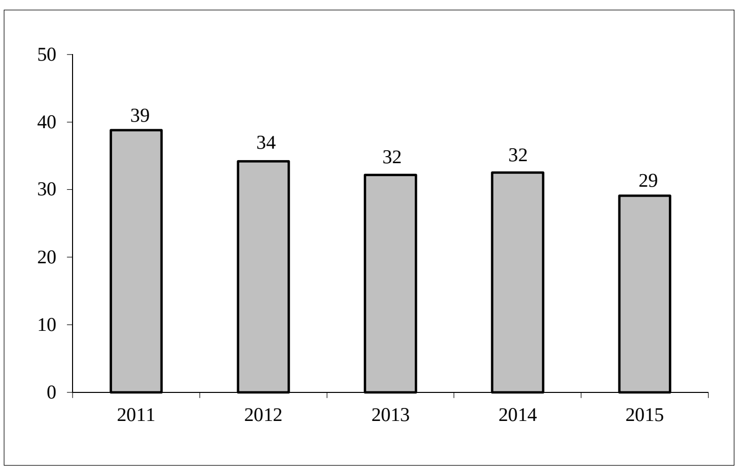
Appendix G - Key MSRDP & NPHC Operating Factors
The University of Texas Health Science Center at Houston

Annual Operating Margin Ratio



The annual operating margin ratio remained relatively stable from 2014 to 2015. The physician practice plan recognized an increase in both operating revenues and expenses of approximately 21%. Total operating revenues increased due to the growth in the physician practice plan, including additional uncompensated care revenue associated with the Medicaid Section 1115 Demonstration Program and Affordable Care Act, Delivery System Reform Incentive Payments revenue, and new Network Access Improvement Program revenue. Although total operating revenues increased, an accrual of $8.4 million associated with the audit of the Physician Upper Payment Limit for the periods May 1, 2004 through September 30, 2007 negatively impacted net patient revenues. Total operating expenses also increased primarily as a result of the addition of faculty and the acquisition and opening of new clinics.

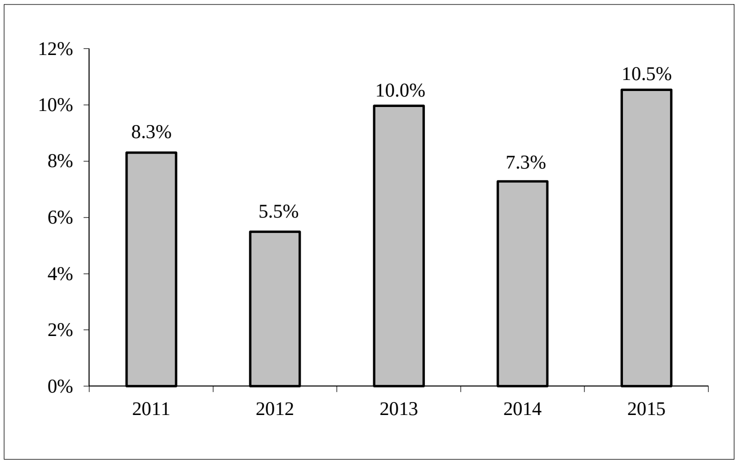
Net Accounts Receivable (in days)



Net accounts receivable (in days) improved from 32 days in 2014 to 29 days in 2015. The physician practice plan focused heavily on improving the revenue cycle over the last few years. In 2015 there was an emphasis on insurance claims being processed more accurately, which resulted in faster payment of the claims, and therefore, reduced denials and increased collection of time of service payments.

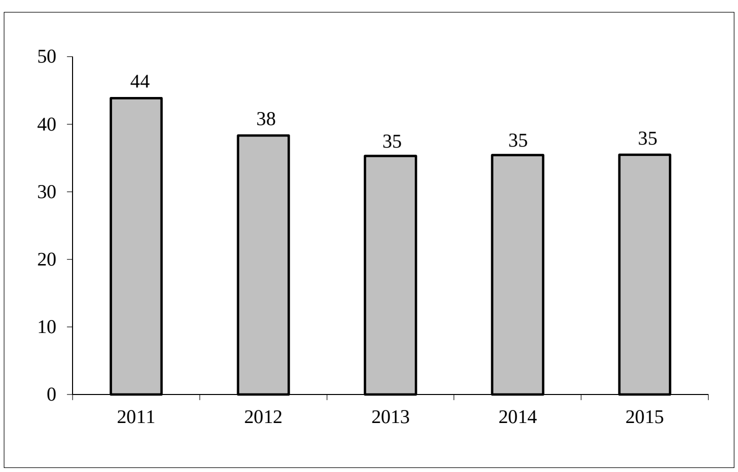
Appendix G - Key MSRDP & NPHC Operating Factors
The University of Texas Health Science Center at San Antonio

Annual Operating Margin Ratio



The annual operating margin comprises all medical clinical operations, including patient activities provided through the Cancer Therapy and Research Center. The increase in the annual operating margin ratio was primarily attributable to a strategic focus on the *Patient First* initiative targeted at applying productivity standards and process improvement ideas to enhance clinical performance. These efforts resulted in net revenues of $10.4 million over the prior year. The Delivery System Reform Incentive Payment (DSRIP) program associated with the Medicaid Section 1115 Demonstration also generated $3.0 million more in net revenues over the prior year. Excluding DSRIP activity, operating revenues increased by $24.4 million over the prior year, while operating expenses increased by $14.0 million due to increased service requirements associated with University Health System contracts, efforts targeted at clinical expansion and enhancement activities, and faculty recruitments and compensation efforts aligned with productivity-based compensation plans. Although total operating revenues increased in 2015, an accrual of $6.3 million associated with the audit of the Physician Upper Payment Limit for the periods May 1, 2004 through September 30, 2007 negatively impacted net patient revenues. UTHSC-San Antonio continues to be committed to reinvesting incremental operating revenues towards recruitment efforts, addressing faculty compensation issues, expanding programs and departments, streamlining billing operations and patient services, as well as developing and implementing an infrastructure necessary to meet the goals and challenges of healthcare reform.

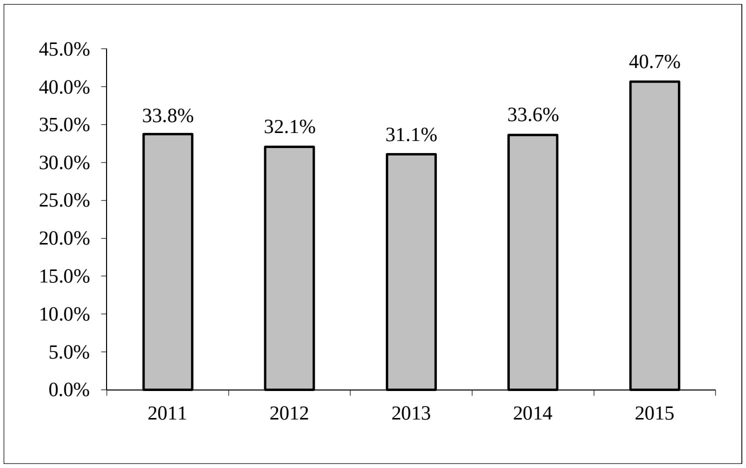
Net Accounts Receivable (in days)



The sustainment of days outstanding of net receivables was attributable to the continued approach implemented by U. T. Medicine-San Antonio that aggressively serves to accelerate the identification of bad debts during the collection cycle. The continued improvement in the timely billing of services, as well as the use of effective collection and pre-collection agency contracts in 2015, allowed for better management of accounts and sustaining a consistent write-off period of accounts to bad debt at 120 days.

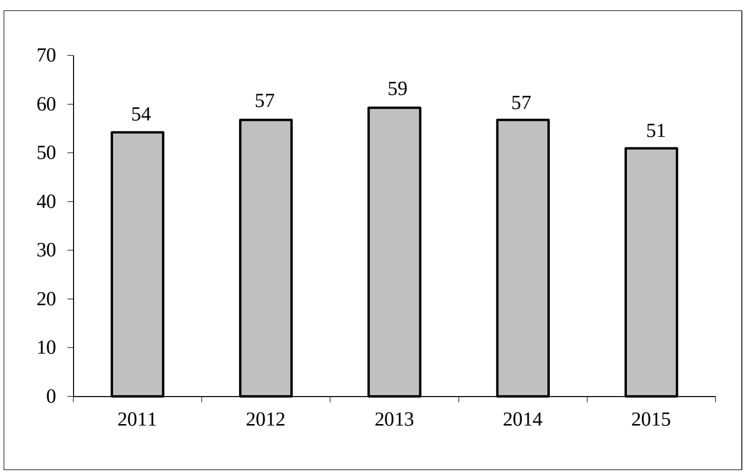
Appendix G - Key Hospital Operating Factors
The University of Texas M. D. Anderson Cancer Center

Annual Operating Margin Ratio



The annual operating margin ratio increased from 33.6% for 2014 to 40.7% for 2015. The increase in this ratio was attributable to increased net revenues in core patient care operations, as well as managed growth of operating expenses during 2015.

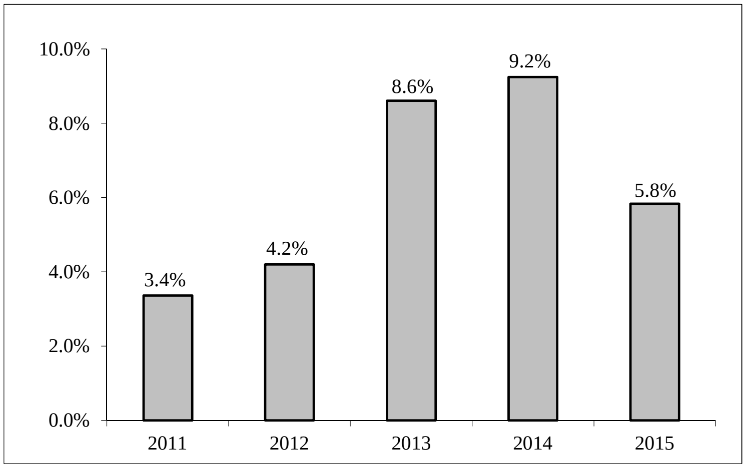
Net Accounts Receivable (in days)



The accounts receivable measured in days declined from 57 days in 2014 to 51 days in 2015 due to internal efforts to accelerate coding, billing and cash collection efforts ahead of ICD-10 (a medical classification list by the World Health Organization which contains codes for diseases) and Epic implementations. Further gains in these areas were slowed by extended appeals reviews with various managed care and governmental payors.

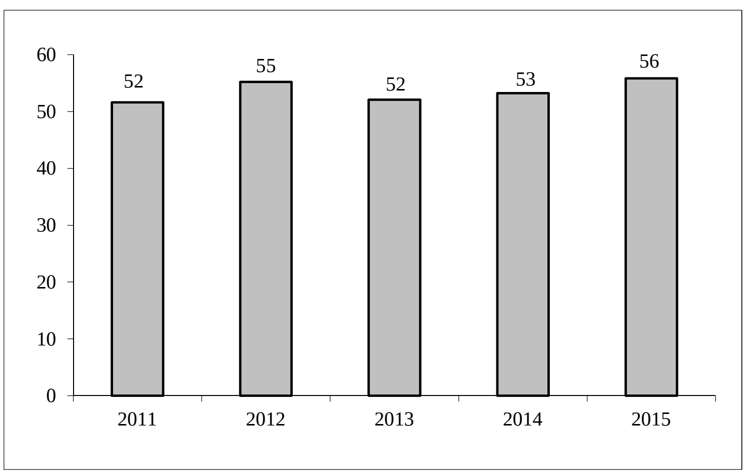
Appendix G - Key MSRDP & NPHC Operating Factors
The University of Texas M. D. Anderson Cancer Center

Annual Operating Margin Ratio



The annual operating margin ratio decreased from 9.2% for 2014 to 5.8% for 2015. The decrease in this ratio was partially attributable to an accrual of $8.2 million associated with the audit of the Physician Upper Payment Limit (UPL) for the periods May 1, 2004 through September 30, 2007. In addition, operating expenses increased largely due to an increase in salaries and related benefits as a result of new and vacant positions that were filled in 2015.

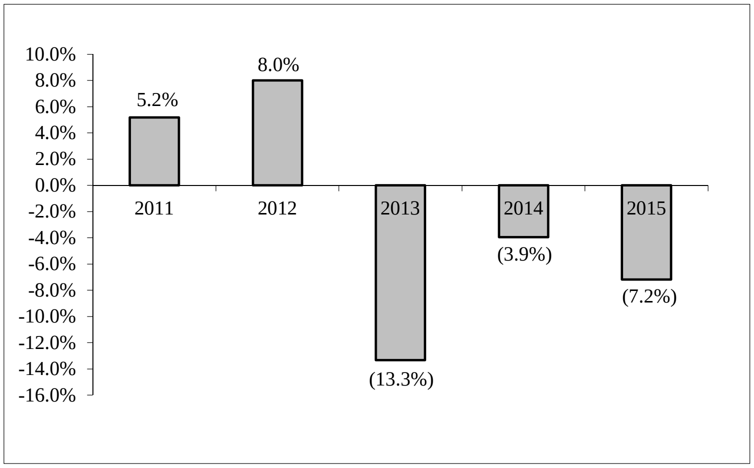
Net Accounts Receivable (in days)



The net accounts receivable measured in days increased from 53 days in 2014 to 56 days in 2015 due to a decrease in net charges, which was attributable to the accrual of $8.2 million associated with the UPL audit. M. D. Anderson continues improvements in the business office operations, as well as record collections.

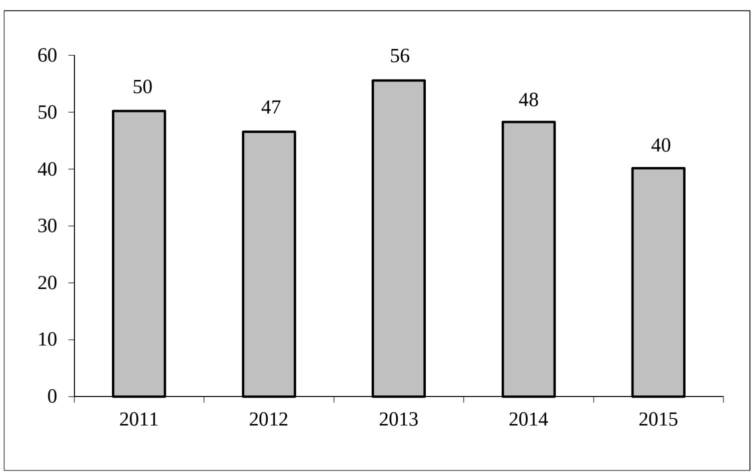
Appendix G - Key Hospital Operating Factors
The University of Texas Health Science Center at Tyler

Annual Operating Margin Ratio



The annual operating margin ratio decreased from a deficit of (3.9%) for 2014 to a deficit of (7.2%) for 2015 as the growth in total operating expenses of $9.2 million exceeded the growth in total operating revenues of $5.5 million. The increase in total operating expenses was largely driven by the following: a $7.9 million increase in salaries and benefits primarily due to the growth of Behavioral Health; a $2.0 million increase in supplies as a result of increased volumes; and a $0.3 million increase in contracted services primarily generated by the outsourced Pathology services.

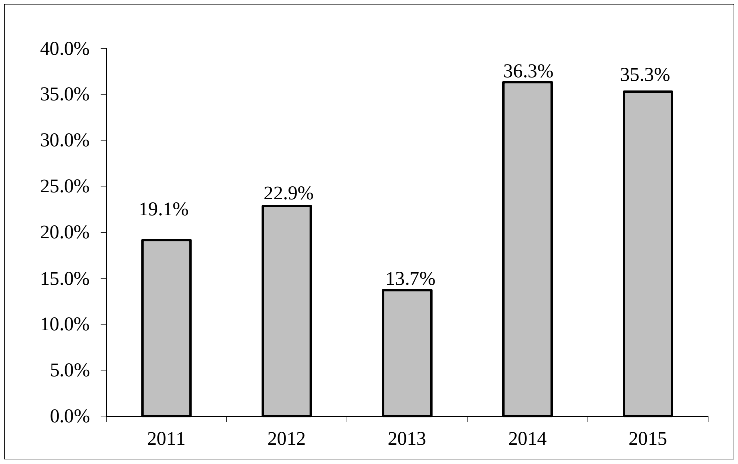
Net Accounts Receivable (in days)



Net accounts receivable in days decreased by 8 days from 2014 to 2015 due to improved collection rates. Gross hospital patient revenue increased 12% while net patient collections increased 21%.

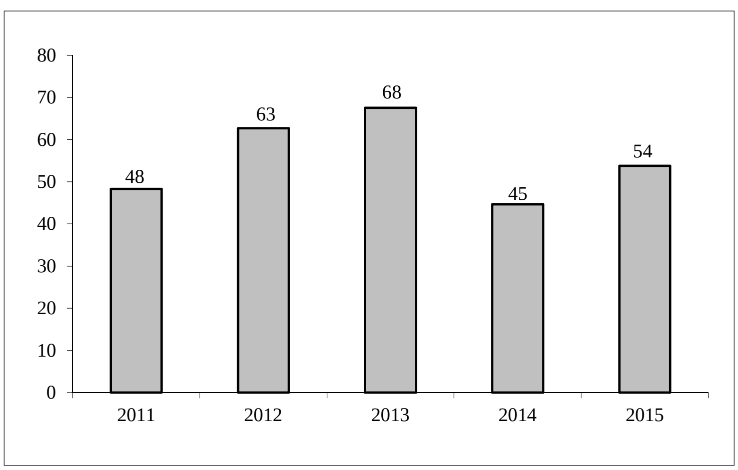
Appendix G - Key MSRDP & NPHC Operating Factors
The University of Texas Health Science Center at Tyler

Annual Operating Margin Ratio



The annual operating margin ratio remained elevated due to net revenue of $17.9 million received from the Delivery System Reform Incentive Payment (DSRIP) program. This was an increase in net DSRIP revenue of $2.5 million over the prior year. Overall net patient revenue remained relatively stable, while the Good Shepherd Medical Center (GSMC) Residency contract increased $1.6 million. The accrual of $2.4 million associated with the audit of the Physician Upper Payment Limit (UPL) for the periods May 1, 2004 through September 30, 2007, negatively impacted net patient revenues in 2015. Total operating expenses increased primarily due to a $3.7 million increase in salaries as a result of additional specialists hired and an increase in GSMC residents, as well as an increase of $1.0 million in DSRIP employee costs.

Net Accounts Receivable (in days)



Net accounts receivable in days increased by 9 days due to a 36% increase in gross billings attributable to new physicians and additional services. The continued movement of traditional Medicare and Medicaid patients into Advantage plans also delayed payment.

4. U. T. System: Approval of amendment to Budget Rules and Procedures including raising the threshold for budget amendments requiring Board or U. T. System Administration approval and changing the requirements for Board or U. T. System Administration approval for budget actions involving certain personnel

RECOMMENDATION

With the concurrence of the Deputy Chancellor, the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, the Executive Vice Chancellor for Health Affairs, and the Vice Chancellor and General Counsel, the Chancellor recommends that the U. T. System Board of Regents approve amendments to the Budget Rules and Procedures as set forth in congressional style on the following pages.

BACKGROUND INFORMATION

The U. T. System Budget Rules and Procedures for the Fiscal Year (FY) ending August 31, 2016 were approved by the Board on August 20, 2015, as part of the operating budgets for FY 2016. The Rules require Board approval of increases in budgeted amounts from income for Educational and General, Auxiliary Enterprises, Designated Funds, Service Departments, Revolving Funds, and Plant Funds subject to specific thresholds. Again subject to specific thresholds, increases to Plant Funds resulting from transfers from Educational and General Funds, Auxiliary Enterprises, Designated Funds, Service Departments, and Revolving Funds also require Board approval.

The amendments propose increases to thresholds for items requiring approval from the Board of Regents or U. T. System Administration as identified in congressional style, delete Board or U. T. System Administration approval requirements for budget actions involving certain personnel, and include other formatting changes.

The recommended authorization to the Chancellor to approve budget amendments for U. T. System Administration not to exceed $10 million is consistent with Board action on August 20, 2015, approving the FY 2016 operating budget. In implementing the proposed authorization, the Chancellor must consult in advance with the Chairman of the Board. U. T. System special initiatives to be funded with Available University Funds (AUF) require advance notice to the Legislative Budget Board (LBB) prior to implementation.

THE UNIVERSITY OF TEXAS SYSTEM
BUDGET RULES AND PROCEDURES

For Fiscal Year Ending August 31, 2016
(Revised February 2016)

A. INITIAL BUDGET

1. Any transfers subsequent to the approval of the initial budget shall be made only after careful consideration of the allocations, transfer limitations, and general provisions of the current general appropriations act. (See B: Budget Amendments)

2. All appointments are subject to the provisions of the U. T. System Board of Regents' *Rules and Regulations (“*Regents’ *Rules”)* for the governance of The University of Texas System.

3. The established merit policy will be observed in determining salary rates.

4. All academic salary rates in the instructional departments of the academic institutions are nine-month rates (September 1 - May 31) unless otherwise specified. In the health-related institutions, all salary rates are twelve-month rates unless otherwise specified.

5. All appointments of classified personnel are based on twelve-month rates and are made within appropriate salary ranges as defined by the classified personnel Pay Plan approved by the president or Chancellor. All appointments of administrative and professional personnel are based on twelve-month rates.

6. Compensation for continuing personnel services (for a period longer than one month), though paid for on an hourly basis, is not to be paid out of maintenance and equipment, or like appropriations, except upon specific approval of the president of the institution or the Chancellor.

7. All maintenance and operation, equipment, and travel appropriations are for twelve months (September 1 - August 31) and should be budgeted and expended accordingly.

B. BUDGET AMENDMENTS

1. Items requiring approval of the U. T. System Administration and subsequent approval by the U. T. System Board of Regents through the Consent Agenda

   a. ~~Transfers from unappropriated Educational and General Fund Balance.~~

   New appointments of tenured faculty (Regents' *Rule* 31007).

   ~~c.~~b. Award of tenure to any faculty member (Regents' *Rule* 31007).

   ~~d.~~c. New appointments as Regental Professor, Dean Emeritus, Chair Emeritus, or Professor Emeritus (Regents' *Rule* 31001). Titles set forth in Regents' *Rule* 20301 including Chancellor Emeritus, President Emeritus and similar honorary designations are conferred by the U. T. System Board of Regents through the full agenda.

   ~~e.~~d. Appointments, promotions, and salary increases involving the president (Regents' *Rules* 20201, 20202, 20203).

   ~~f.~~e. New contracts or contract changes involving athletic directors or head coaches whose total annual compensation, or total contractual compensation, equals or exceeds the amounts specified by Regents' *Rule* 10501 Section 2.2.12.

   ~~g.~~f. Compensation changes for employees whose total annual compensation is $1,000,000 or above (Regents' *Rule* 20204).

   ~~h.~~g. Compensation changes for Key Executives as defined by Regents' *Rule* 20203.

   ~~i.~~h. Increases in budgeted amounts from income or unappropriated balances for Educational and General, Auxiliary Enterprises, Designated Funds, Service Departments, Revolving Funds, and Plant Funds, subject to the thresholds established in B.5 below.

   ~~j.~~i. Increases to Plant Funds which result from transfers from Educational and General Funds, Auxiliary Enterprises, Designated Funds, Service Departments, and Revolving Funds, subject to the thresholds established in B.5 below.

2. Items requiring approval of U. T. System Administration (no Consent Agenda approval required)

   a. Reappropriation of prior year Educational and General Fund balances, subject to the thresholds established in B.5 below.

   b. Increases in budgeted amounts from income or unappropriated balances for Educational and General, Auxiliary Enterprises, Designated Funds, Service Departments, Revolving Funds, and Plant Funds, subject to the thresholds established in B.5 below.

c. Increases to Plant Funds which result from transfers from Educational and General Funds, Auxiliary Enterprises, Designated Funds, Service Departments, and Revolving Funds, subject to the thresholds established in B.5 below.

d. Compensation changes for employees whose total annual compensation is $500,000 or more but less than $1,000,000 (Regents' *Rule* 20204).

e. Compensation increases involving tenured faculty of $10,000 or more at academic institutions and $25,000 or more at health-related institutions. This includes one-time merit payments.

f. Appointments and promotions involving administrative and professional personnel reporting directly to the president~~, a vice president, or the equivalent~~.

g. Compensation increases of $10,000 or more involving administrative and professional personnel reporting directly to the president~~, a vice president, or the equivalent~~. This includes one-time merit payments.

~~h. All appointments and compensation increases of $10,000 or more involving employees serving under written employment contracts. This includes one-time merit payments.~~

3. Items requiring approval of the president only (Chancellor for U. T. System Administration)

a. All interdepartmental transfers.

b. All budget transfers between line-item appropriations within a department.

c. Increases in budgeted amounts from income or unappropriated balances for Educational and General Funds, Auxiliary Enterprises, Designated Funds, Service Departments, and Revolving Funds, subject to the thresholds established in B.5 below.

d. Reallocation of unallocated Faculty Salaries. All unfilled and uncommitted line-item faculty salary positions will lapse to the institutional "Unallocated Faculty Salaries" account.

e. Reappropriation of Prior Year Educational and General Fund Balances, subject to the thresholds established in B.5 below.

f. Promotions involving tenured faculty.

g. Transactions involving all other personnel except those specified in B.1b, B.1c, B.1d, B.1e, B.1f, B.1g, B.1h, B.2d, B.2e, B.2f, and B.2g ~~and B.2h~~ as defined above.

h. Changes in sources of funds, changes in time assignments, and other changes in status for personnel categorized in Item B.1, provided no change in the individual's salary rate is involved. In the case of Medical Faculty, this provision applies to "Total Compensation."

i. Summer Session Budgets.

j. Clinical faculty appointments or changes, including medical or hospital staff, without salary.

4. Effective date of appointments and compensation increases

a. Any increase in approved compensation for the current fiscal year without a change in classification or position is not to be effective prior to the first day of the month in which the required final approval of the rate change is obtained.

b. A compensation increase resulting from an appointment to another classification or to a position involving new and different duties may be made effective to the time of the first performance of duties under the new appointment.

c. The effective date of an appointment is the date on which the individual is first to perform service for the institution under that appointment.

d. The original appointment during a fiscal year of a person not in a budget for that year or not under an existing appointment for that year may relate back to the first performance of duties during the fiscal year although such person may have been employed in a previous fiscal year and although increased compensation for the same classification or position is involved.

5. Budget amendment criteria

a. Institutions other than U. T. System Administration with budgeted revenue, including transfers from the Available University Fund, of $1 billion or more will have a threshold of:

   i. For B.1h~~i~~ and B.1i~~j~~ - Equal to or greater than $~~2~~5,000,000 (budget increase approval on Consent Agenda)
   ii. For B.2a – Equal to or greater than $~~1~~2,000,000 (reappropriation of E&G balances approval by U. T. System Administration)
   iii. For B.2b and B.2c – Equal to or greater than $~~1~~2,000,000 and less than $~~2~~5,000,000 (budget increase approval by U. T. System Administration)
   iv. For B.3c and B.3e – Less than $~~1~~2,000,000 (approval by president)

b. Institutions other than U. T. System Administration with budgeted revenue, including transfers from the Available University Fund, between ~~-~~$250 million and $1 billion will have a threshold of:

   i. For B.1i and B.1j – Equal to or greater than $2,5~~1.5,0~~00,000 (budget increase approval on Consent Agenda)
   ii. For B.2a – Equal to or greater than $~~5~~1,000,000 (reappropriation of E&G balances approval by U. T. System Administration)
   iii. For B.2b and B.2c – Equal to or greater than $~~5~~1,000,000 and less than $2,5~~1.5,0~~00,000 (budget increase approval by U. T. System Administration)

For B.3c and B.3e – Less than $~~5~~1,000,000 (approval by president)

c. Institutions other than U. T. System Administration with budgeted revenue, including transfers from the Available University Fund, less than $250 million will have a threshold of:

   i. For B.1i and B.1j – Equal to or greater than $~~5~~1,000,000 (budget increase approval on Consent Agenda)
   ii. For B.2a – Equal to or greater than $~~10~~250,000 (reappropriation of E&G balances approval by U. T. System Administration)
   iii. For B.2b and B.2c – Equal to or greater than $~~10~~250,000 and less than $~~5~~1,000,000 (budget increase approval by U. T. System Administration)
   iv. For B.3c and B.3e – Less than $~~10~~250,000 (approval by president)

d. U. T. System Administration will have a threshold of:

   i. For B.1i and B.1j – Equal to or greater than $1,000,000 (budget increase approval on Consent Agenda)
   ii. For B.2a and B.3e – All amounts may be approved by the Chancellor (reappropriation of E&G balances)
   iii. For B.2b, B.2c, and B.3c – All amounts less than $1,000,000 may be approved by the Chancellor (budget increase approval)
   iv. Notwithstanding i., ii., and iii and after consultation with the Chairman of the U. T. System Board of Regents, the Chancellor may authorize any budget amendment not to exceed $10,000,000 for U. T. System Administration without additional approvals from the U. T. System Board of Regents. This provision does not apply to Available University Fund balances not previously appropriated.
   v. Notwithstanding i., ii., and iii., the Chancellor may authorize any budget amendment in the U. T. System revolving insurance funds without limitation.

C. OTHER CONSIDERATIONS

1. All appropriations not actually expended or encumbered by August 31 will automatically lapse to the Unappropriated Balance Account except for those reallocated pursuant to Item B.2a and Item B.3e.

2. Compensation indicated as "MSRDP Funds," "DSRDP Funds," "PRS Funds", “Allied Health Faculty Services Plan” or “Nursing Clinical Enterprise Health Services, Research and Development Plan” is contingent upon its being earned or available in accordance with the regulations applicable to the Medical Service Research and Development Plan, Dental Service Research and Development Plan, Physicians Referral Service Plan, Allied Health Faculty Services Plan or Nursing Clinical Enterprise Health Services, Research and Development Plan.

3. Budgeted expenditures authorized from sources of funds other than Educational and General Funds are contingent upon receipt of such funds. Appointments from such fund sources will not become an obligation of the institution in the event the supplemental or grant funds are not realized.

4. Leaves of Absence may be granted only in accordance with provisions contained in Regents' *Rule* 30201.

5. In these Rules, Compensation means total annual compensation as defined by Regents' *Rule* 20204 or total compensation under a multiyear contract.

6. Appropriations of the Available University Fund are subject to the appropriation limitations and notice requirements found in the General Appropriations Act.

5. U. T. System: Approval of the Fiscal Year 2017 Budget Preparation Policies and Calendar for budget operations

RECOMMENDATION

With the concurrence of the Deputy Chancellor, the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and the Executive Vice Chancellor for Health Affairs, the Chancellor recommends that the U. T. System Board of Regents approve the Budget Preparation Policies and Calendar on Page 228 for use in preparing the Fiscal Year (FY) 2017 Operating Budget for the U. T. System as set out below:

U. T. System Fiscal Year 2017 Budget Preparation Policies

1. General Guidelines - The regulations and directives included in the *General Appropriations Act* enacted by the 84th Texas Legislature serve as the basis for these guidelines and policies. In preparing the draft of the FY 2017 Operating Budget, the president of each institution should adhere to guidelines and policies as detailed below and as included in the *General Appropriations Act*. The Chief Budget Officer will issue detailed instructions regarding the implementation of those regulations and directives into the institutional budget process.

   The president of each institution should examine the resources used at the institution and, where possible, redirect resources toward high priority mission critical activities and strategic competitive investments that are consistent with the goals and objectives included in the institution's Strategic Plan.

   Overall budget totals, including retaining reasonable reserves for a potential future financial shortfall, must be limited to the funds available for the year from General Revenue Appropriations, Estimates of Educational and General Income, and limited use of institutional unappropriated balances.

2. Maintenance of Operating Margin and Use of Prior Year Balances - Institutions should make all reasonable efforts to maintain a favorable operating margin within the FY 2017 Operating Budget. Use of prior year balances should be limited to critical items, unique opportunities, or projects funded from prior year income committed for that purpose. Generally, balance usage should be reserved for nonrecurring activities. Balance usage cannot be recommended to the U. T. System Board of Regents for approval without the consent of the Chancellor, the Deputy Chancellor, the appropriate Executive Vice Chancellor, and the Associate Vice Chancellor, Controller, and Chief Budget Officer.

3. Salary Guidelines - Recommendations regarding salary policy are subject to the following directives:

   A. Salaries Proportional by Fund - Unless otherwise restricted, payment for salaries, wages, and benefits paid from appropriated funds, including local funds and educational and general funds as defined in *Texas Education Code* Section 51.009 (a) and (c), shall be proportional to the source of funds.

B. Merit Increases and Promotions - Subject to available resources and resolution of any major salary inequities, institutions should give priority to implementing merit salary increases for faculty and staff.

Merit increases or advances in rank for faculty are to be on the basis of teaching effectiveness, research, and public service.

As defined in *Texas Education Code* Section 51.962, an employee must have been employed by the institution for at least six consecutive months immediately preceding the effective date of the increase to be eligible for a merit increase, and at least six months must have elapsed since the employee's last merit salary increase.

Merit increases or promotions for administrative and professional staff and classified staff are to be based on evaluation of performance in areas appropriate to work assignments.

In accordance with the Regents' *Rules and Regulations*, performance appraisals are required to be conducted annually for all employees of the U. T. System. To verify compliance with this policy, U. T. System presidents and the Executive Vice Chancellor for Business Affairs for U. T. System Administration shall annually certify that all eligible employees (including staff and faculty) have completed performance appraisals.

C. Other Increases - Equity adjustments, competitive offers, and increases to accomplish contractual commitments should also consider merit where appropriate, subject to available resources. Subject to guidance issued by the Chancellor, such increases should be noted and explained in the supplemental data accompanying the budget.

D. New Positions - Subject to available resources, new administrative and professional staff, classified staff, and faculty positions are to be requested only when justified by workloads or to meet needs for developing new programs.

E. Reporting - The Chief Budget Officer will issue guidance on reporting of compensation changes and amounts. It is expected that required reports will encompass high-ranking staff covered by Regents' *Rules and Regulations*, Rules 20203 and 20204 along with those staff receiving significant changes in compensation.

4. Staff Benefits Guidelines - Recommendations regarding the State contribution for employee staff benefits such as group insurance premiums, teacher retirement, and optional retirement are subject to legislative determination via the *General Appropriations Act*. Payments for benefits, including for retirees, should comply with the provisions of Accounting Policy Statements No. 11, "Benefits Proportional by Fund" and the *General Appropriations Act*. The Chief Budget Officer will issue instructions regarding the implementation of the benefits into the budget process.

5. Other Employee Benefits - Employer contributions to the self-insured Unemployment Compensation Fund are based on an actuarial study. Workers' Compensation Insurance rates are experience-rated for each institution. Appropriate instructions will be issued regarding the implementation of Unemployment Compensation Fund and Workers' Compensation Insurance Benefits.

6. Other Operating Expenses Guidelines - Increases in Maintenance, Operation, Equipment, and Travel are to be justified by expanded workloads, for developing new programs, or for correcting past deferrals or deficiencies.

7. Calendar - In the event of unforeseen circumstances, authority is delegated to the Chancellor to modify the Calendar.

BACKGROUND INFORMATION

The U. T. System FY 2017 Budget Preparation Policies are consistent with the regulations and directives included in the *General Appropriations Act* enacted by the 84th Texas Legislature and with general law. As written, this policy provides general direction to the U. T. System institutions.

THE UNIVERSITY OF TEXAS SYSTEM
FY 2017 OPERATING BUDGET CALENDAR

January 2016 - August 2016	Performance appraisal focal period
February 11, 2016	U. T. System Board of Regents takes appropriate action on budget preparation policies
April 15, 2016	Request for Library, Equipment, Repair and Rehabilitation new project instructions and information on balances subject to lapse are sent to institutions
April 18, 2016	Budget instructions issued
April 18 - 29, 2016	Major goals, priorities, and resource allocation hearings with U. T. System Administration
May 20, 2016	Draft budget documents due to U. T. System
May 25 - 27, 2016	Technical budget review with U. T. System
June 1, 2016	New Library, Equipment, Repair and Rehabilitation project requests are due to U. T. System
June 10, 2016	Final budget documents due to U. T. System
July 15, 2016	Reports on highly compensated staff covered by Regents' Rules 20203 and 20204, high-ranking staff salaries, and institutional Top Ten salaries due to U. T. System
August 5, 2016	Operating Budget Summaries provided to the U. T. System Board of Regents
August 18, 2016	Salary change report due to U. T. System
August 25, 2016	U. T. System Board of Regents takes appropriate action on Operating Budget and President and Executive Officer compensation

6. U. T. System Board of Regents: Report on activities of the University Lands Advisory Board

REPORT

Regent Cranberg, Chairman of the University Lands Advisory Board (ULAB), will report on activities related to the ULAB.

BACKGROUND INFORMATION

The ULAB was established by the Board of Regents on May 15, 2014, to advise the Board on operations and management of the University Lands Office, to review and recommend budgets to the Board, and to provide strategic direction for University Lands.

7. U. T. System Board of Regents: The University of Texas Investment Management Company (UTIMCO) Performance Summary Report and Investment Reports for the quarter ended November 30, 2015

REPORT

The November 30, 2015 UTIMCO Performance Summary Report is set forth on Page 231.

The Investment Reports for the quarter ended November 30, 2015, are set forth on Pages 232 - 235.

Item I on Page 232 reports activity for the Permanent University Fund (PUF) investments. The PUF's net investment return for the quarter was negative .44% versus its composite benchmark return of 1.52%. The PUF's net asset value increased by $60 million during the quarter to $17,550 million. The increase was due to $141 million PUF Lands receipts, less a net investment return of negative $81 million. No distribution was made to the Available University Fund (AUF) during the quarter.

Item II on Page 233 reports activity for the General Endowment Fund (GEF) investments. The GEF's net investment return for the quarter was negative .57% versus its composite benchmark return of 1.52%. The GEF's net asset value decreased by $95 million during the quarter to $8,142 million.

Item III on Page 234 reports activity for the Intermediate Term Fund (ITF). The ITF's net investment return for the quarter was negative .64% versus its composite benchmark return of negative .43%. The net asset value increased during the quarter to $7,095 million due to net contributions of $157 million, less net investment return of negative $46 million and distributions of $53 million.

All exposures were within their asset class and investment type ranges. Liquidity was within policy.

Item IV on Page 235 presents book and market values of cash, debt, equity, and other securities held in funds outside of internal investment pools. Total cash and equivalents, consisting primarily of institutional operating funds held in the Dreyfus and Fidelity money market fund, decreased by $123 million to $2,010 million during the three months since the last reporting period. Market values for the remaining asset types were debt securities: $20 million versus $21 million at the beginning of the period; equities: $240 million versus $267 million at the beginning of the period; and other investments: $2 million versus $6 million at the beginning of the period.

UTIMCO Performance Summary

November 30, 2015

	Net Asset Value 11/30/2015 (in Millions)	Periods Ended November 30, 2015 (Returns for Periods Longer Than One Year are Annualized)							
		Short Term		Year to Date		Historic Returns			
		1 Mo	3 Mos	Fiscal	Calendar	1 Yr	3 Yrs	5 Yrs	10 Yrs
ENDOWMENT FUNDS									
Permanent University Fund	$ 17,550	(0.59%)	(0.44%)	(0.44%)	1.33%	0.60%	6.86%	6.76%	5.89%
Permanent Health Fund	1,057								
Long Term Fund	7,085								
General Endowment Fund	8,142	(0.62%)	(0.57%)	(0.57%)	1.23%	0.82%	6.98%	6.87%	6.00%
Separately Invested Funds	377								
Total Endowment Funds	26,069								
OPERATING FUNDS									
Intermediate Term Fund	7,095	(0.62%)	(0.64%)	(0.64%)	(2.38%)	(2.88%)	3.02%	3.89%	N/A
Short Term Fund and Debt Proceeds Fund	1,896								
Total Operating Funds	8,991								
Total Assets Under Management	$ 35,060								
VALUE ADDED (Percent)									
Permanent University Fund		(0.22%)	(1.96%)	(1.96%)	(0.98%)	(0.38%)	0.43%	0.71%	1.45%
General Endowment Fund		(0.25%)	(2.09%)	(2.09%)	(1.08%)	(0.16%)	0.55%	0.82%	1.56%
Intermediate Term Fund		0.39%	(0.21%)	(0.21%)	0.47%	0.65%	1.47%	1.57%	N/A
VALUE ADDED ($ IN MILLIONS)									
Permanent University Fund		($39)	($344)	($344)	($167)	($63)	$213	$556	$2,122
General Endowment Fund		(21)	(173)	(173)	(87)	(12)	134	338	1,257
Intermediate Term Fund		28	(15)	(15)	32	44	261	432	-
Total Value Added		($32)	($532)	($532)	($222)	($31)	$608	$1,326	$3,379

Footnote available upon request.

UTIMCO 12/18/2015

I. PERMANENT UNIVERSITY FUND

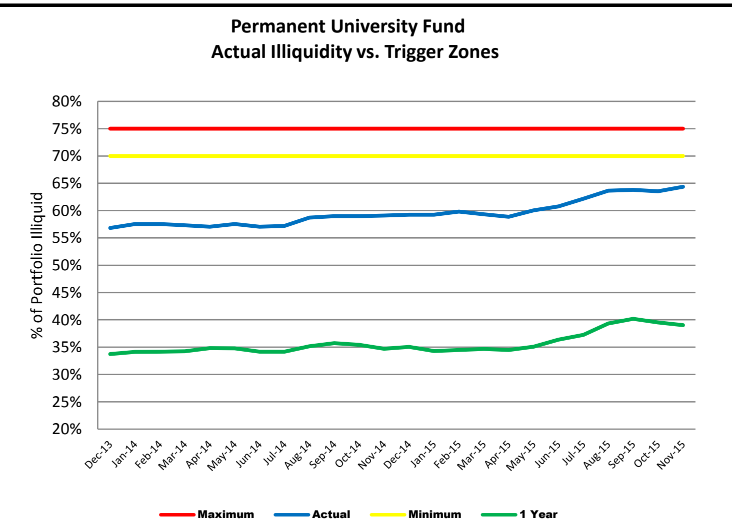
Investment Reports for Periods Ended November 30, 2015

Prepared in accordance with *Texas Education Code* Sec. 51.0032

	Fiscal Year to Date						
	Asset Allocation		Returns		Value Added		
	Actual	Policy	Portfolio	Policy Benchmark	Tactical Allocation	Active Management	Total
More Correlated and Constrained:							
Investment Grade	5.9%	6.5%	-1.25%	-0.95%	-0.01%	-0.03%	-0.04%
Credit-Related	0.1%	0.0%	2.41%	-1.14%	0.00%	0.00%	0.00%
Real Estate	2.3%	2.5%	2.44%	4.52%	0.00%	-0.05%	-0.05%
Natural Resources	5.7%	7.5%	-9.10%	-5.80%	0.14%	-0.25%	-0.11%
Developed Country	14.0%	14.0%	0.45%	3.43%	0.00%	-0.42%	-0.42%
Emerging Markets	9.8%	9.5%	2.90%	-0.14%	-0.01%	0.29%	0.28%
Total More Correlated and Constrained	**37.8%**	**40.0%**	**-0.70%**	**0.21%**	**0.12%**	**-0.46%**	**-0.34%**
Less Correlated and Constrained	**29.6%**	**30.0%**	**0.08%**	**-0.47%**	**-0.09%**	**0.25%**	**0.16%**
Private Investments	**32.6%**	**30.0%**	**-0.60%**	**5.14%**	**-0.10%**	**-1.68%**	**-1.78%**
Total	**100.0%**	**100.0%**	**-0.44%**	**1.52%**	**-0.07%**	**-1.89%**	**-1.96%**

Summary of Capital Flows

($ millions)	Fiscal Year Ended August 31, 2015	Quarter Ended November 30, 2015	Fiscal Year to Date August 31, 2016
Beginning Net Assets	$17,365	$17,490	$17,490
PUF Lands Receipts	807	141	141
Investment Return (Net of Expenses)	82	(81)	(81)
Distributions to AUF	(764)	0	0
Ending Net Assets	$17,490	$17,550	$17,550

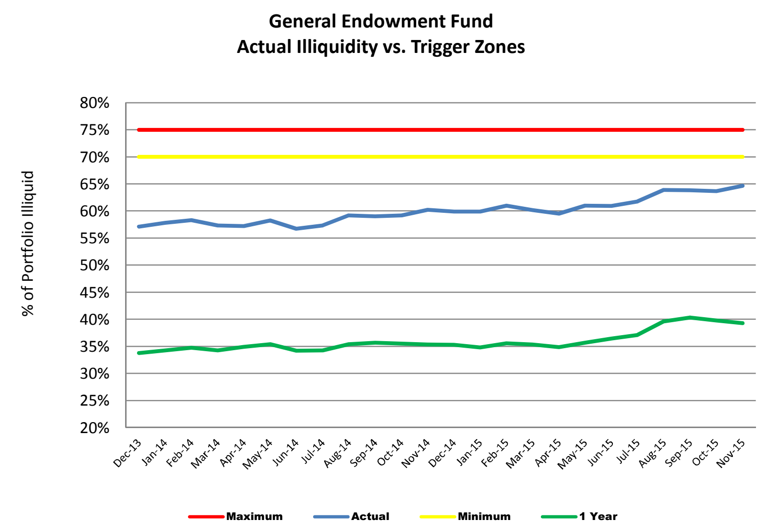


II. GENERAL ENDOWMENT FUND
Investment Reports for Periods Ended November 30, 2015
Prepared in accordance with *Texas Education Code* Sec. 51.0032

	Fiscal Year to Date						
	Asset Allocation		Returns		Value Added		
	Actual	Policy	Portfolio	Policy Benchmark	Tactical Allocation	Active Management	Total
More Correlated and Constrained:							
Investment Grade	5.1%	6.5%	-0.81%	-0.95%	0.00%	0.00%	0.00%
Credit-Related	0.1%	0.0%	2.41%	-1.14%	0.00%	0.00%	0.00%
Real Estate	2.5%	2.5%	2.44%	4.52%	0.00%	-0.05%	-0.05%
Natural Resources	5.9%	7.5%	-9.10%	-5.80%	0.12%	-0.25%	-0.13%
Developed Country	13.8%	14.0%	0.52%	3.43%	-0.02%	-0.39%	-0.41%
Emerging Markets	9.7%	9.5%	1.22%	-0.14%	0.00%	0.11%	0.11%
Total More Correlated and Constrained	**37.1%**	**40.0%**	**-1.01%**	**0.21%**	**0.10%**	**-0.58%**	**-0.48%**
Less Correlated and Constrained	**30.2%**	**30.0%**	**0.09%**	**-0.47%**	**-0.10%**	**0.26%**	**0.16%**
Private Investments	**32.7%**	**30.0%**	**-0.62%**	**5.14%**	**-0.09%**	**-1.68%**	**-1.77%**
Total	**100.0%**	**100.0%**	**-0.57%**	**1.52%**	**-0.09%**	**-2.00%**	**-2.09%**

Summary of Capital Flows

($ millions)	Fiscal Year Ended August 31, 2015	Quarter Ended November 30, 2015	Fiscal Year to Date August 31, 2016
Beginning Net Assets	$8,325	$8,237	$8,237
Contributions	230	56	56
Withdrawals	(43)	(2)	(2)
Distributions	(366)	(101)	(101)
Investment Return (Net of Expenses)	91	(48)	(48)
Ending Net Assets	$8,237	$8,142	$8,142



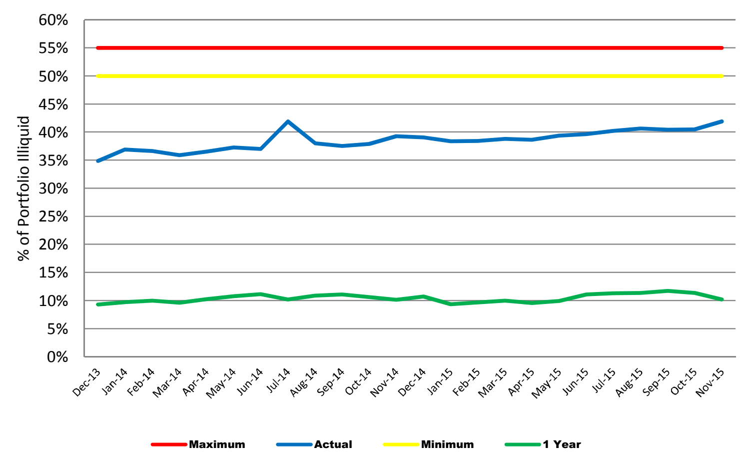
III. INTERMEDIATE TERM FUND
Investment Reports for Periods Ended November 30, 2015
Prepared in accordance with *Texas Education Code* Sec. 51.0032

	Fiscal Year to Date						
	Asset Allocation		Returns		Value Added		
	Actual	Policy	Portfolio	Policy Benchmark	Tactical Allocation	Active Management	Total
More Correlated and Constrained:							
Investment Grade	29.9%	30.0%	-1.02%	-0.95%	-0.03%	-0.04%	-0.07%
Credit-Related	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
Real Estate	2.7%	3.0%	2.44%	4.52%	-0.01%	-0.05%	-0.06%
Natural Resources	5.3%	7.0%	-9.12%	-5.80%	0.12%	-0.24%	-0.12%
Developed Country	8.8%	9.0%	0.45%	3.43%	-0.01%	-0.27%	-0.28%
Emerging Markets	5.7%	6.0%	1.27%	-0.14%	-0.01%	0.08%	0.07%
Total More Correlated and Constrained	**52.4%**	**55.0%**	**-1.27%**	**-0.41%**	**0.06%**	**-0.52%**	**-0.46%**
Less Correlated and Constrained	**47.6%**	**45.0%**	**0.07%**	**-0.47%**	**-0.14%**	**0.39%**	**0.25%**
Private Investments	**0.0%**	**0.0%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**
Total	**100.0%**	**100.0%**	**-0.64%**	**-0.43%**	**-0.08%**	**-0.13%**	**-0.21%**

Summary of Capital Flows

($ millions)	Fiscal Year Ended August 31, 2015	Quarter Ended November 30, 2015	Fiscal Year to Date August 31, 2016
Beginning Net Assets	$6,665	$7,037	$7,037
Contributions	1,448	280	280
Withdrawals	(627)	(123)	(123)
Distributions	(210)	(53)	(53)
Investment Return (Net of Expenses)	(239)	(46)	(46)
Ending Net Assets	$7,037	$7,095	$7,095

Intermediate Term Fund
Actual Illiquidity vs. Trigger Zones



UTIMCO 12/22/2015

IV. SEPARATELY INVESTED ASSETS

Summary Investment Report at November 30, 2015

Report prepared in accordance with *Texas Education Code* Sec. 51.0032

($ thousands)

	FUND TYPE															
	CURRENT PURPOSE												OPERATING FUNDS			
	DESIGNATED		RESTRICTED		ENDOWMENT & SIMILAR FUNDS		ANNUITY & LIFE INCOME FUNDS		AGENCY FUNDS		TOTAL EXCLUDING OPERATING FUNDS		(DEBT PROCEEDS AND (SHORT TERM FUND)		TOTAL	
ASSET TYPES																
Cash & Equivalents:	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET
Beginning value 08/31/15	-	-	1,534	1,534	68,296	68,296	2,066	2,066	1,782	1,782	73,678	73,678	2,059,386	2,059,386	2,133,064	2,133,064
Increase/(Decrease)	10,247	10,247	2,111	2,111	29,717	29,717	(207)	(207)	(1,043)	(1,043)	40,825	40,825	(163,397)	(163,397)	(122,572)	(122,572)
Ending value 11/30/15	10,247	10,247	3,645	3,645	98,013	98,013	1,859	1,859	739	739	114,503	114,503	1,895,989	1,895,989	2,010,492	2,010,492
Debt Securities:																
Beginning value 08/31/15	-	-	11	11	11,368	11,558	9,100	8,962	-	-	20,479	20,531	-	-	20,479	20,531
Increase/(Decrease)	-	-	-	1	(15)	(4)	(192)	(249)	-	-	(207)	(252)	-	-	(207)	(252)
Ending value 11/30/15	-	-	11	12	11,353	11,554	8,908	8,713	-	-	20,272	20,279	-	-	20,272	20,279
Equity Securities:																
Beginning value 08/31/15	254,383	204,436	211	207	41,957	49,537	12,841	12,408	-	-	309,392	266,588	-	-	309,392	266,588
Increase/(Decrease)	(73,442)	(27,037)	364	368	(525)	510	(307)	(53)	-	-	(73,910)	(26,212)	-	-	(73,910)	(26,212)
Ending value 11/30/15	180,941	177,399	575	575	41,432	50,047	12,534	12,355	-	-	235,482	240,376	-	-	235,482	240,376
Other:																
Beginning value 08/31/15	-	-	5,653	5,653	35	35	570	111	572	572	6,830	6,371	-	-	6,830	6,371
Increase/(Decrease)	-	-	(4,680)	(4,680)	(33)	(33)	(566)	(107)	359	359	(4,920)	(4,461)	-	-	(4,920)	(4,461)
Ending value 11/30/15	-	-	973	973	2	2	4	4	931	931	1,910	1,910	-	-	1,910	1,910
Total Assets:																
Beginning value 08/31/15	254,383	204,436	7,409	7,405	121,656	129,426	24,577	23,547	2,354	2,354	410,379	367,168	2,059,386	2,059,386	2,469,765	2,426,554
Increase/(Decrease)	(63,195)	(16,790)	(2,205)	(2,200)	29,144	30,190	(1,272)	(616)	(684)	(684)	(38,212)	9,900	(163,397)	(163,397)	(201,609)	(153,497)
Ending value 11/30/15	191,188	187,646	5,204	5,205	150,800	159,616	23,305	22,931	1,670	1,670	372,167	377,068	1,895,989	1,895,989	2,268,156	2,273,057

Details of individual assets by account furnished upon request.

UTIMCO 12/15/2015

8. U. T. System Board of Regents: Approval of an Accreditation Program for Texas State Agencies and Group Purchasing Organizations (GPO Accreditation Program)

RECOMMENDATION

The Chancellor, the Deputy Chancellor, the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Health Affairs, and the Vice Chancellor and General Counsel concur in the recommendation of the Executive Vice Chancellor for Business Affairs that the U. T. System Board of Regents approve the Texas state agencies and Group Purchasing Organization (GPO) Accreditation Program and delegate to the Executive Vice Chancellor for Business Affairs the authority to execute the GPO Accreditation Program.

EXECUTIVE SUMMARY

Establishment of the GPO Accreditation Program (details below) was one recommendation included in the GPO/Sole Source Purchasing Working Group Report presented to the Board by the Executive Vice Chancellor for Business Affairs on May 14, 2015. The purpose of the program is to ensure that U. T. System institutions utilize contracts offered by GPOs, including Texas state agencies performing GPO functions, only if the GPOs use sourcing processes accredited by U. T. System as meeting minimum procurement standards.

The GPO Accreditation Program has been developed in consultation with the U. T. System Chief Audit Executive, and it includes a comprehensive survey that interested parties will be required to complete and certify as to its accuracy. The U. T. System Audit Office will conduct an assessment of the survey responses submitted to determine whether the internal controls referenced in the survey meet the minimum procurement standards of the GPO Accreditation Program. A senior-level committee, comprised of experts from business affairs, procurement, legal, and compliance, will review the results and recommend to the Executive Vice Chancellor for Business Affairs, for final decision, a determination as to whether each applicant passes or fails the accreditation process.

The proposed delegation will allow the Executive Vice Chancellor for Business Affairs to ensure the program details are executed fairly and consistently, and he will report the program results to the U. T. System Board of Regents at the August 2016 meeting.

BACKGROUND INFORMATION

Group Purchasing Organization (GPO) Working Group Report:
On May 14, 2015, Executive Vice Chancellor for Business Affairs Kelley presented a comprehensive report to the U. T. System Board of Regents regarding a review of purchasing policies and practices in the procurement of goods and services through methods other than competitive bidding by U. T. System and the U. T. System institutions.

This report contained a recommendation to establish a tiered approach for the use of Texas state agency and GPO-procured contracts by creating an “accreditation” process whereby entities are certified for various levels of use. The process described below provides insights and detailed information on how this accreditation program will be implemented.

Historical Utilization of Texas State Agencies and GPOs:
U. T. System academic and health institutions have been able to make purchases through Texas state agency and GPO-procured contracts for many years under the *Texas Education Code*. The primary benefits in using contracts from the Texas state agencies and GPOs are to save money by using contracts that leverage aggregated spend across members; improve customer service by streamlining the length of time to contract execution; and obtain best practices through other services (e.g., benchmark data) offered.

During Fiscal Year 2014, the U. T. System academic and health institutions made $680 million in purchases through more than 25 Texas state agencies and GPOs. Of note, over $620 million (or more than 90%) of those purchases were from the following organizations:

- Premier Healthcare Alliance GPO — $245 million
- The Texas Department of Information Resources (DIR) — $178 million
- U. T. System Supply Chain Alliance — $130 million
- Texas Multiple Awards Schedules (TXMAS) — $ 42 million
- E&I Cooperative Services — $ 25 million

GPO Accreditation Program:

Purpose:
The purpose of the GPO Accreditation Program is to ensure that U. T. System institutions only utilize contracts from Texas state agencies and GPOs that meet with procurement requirements established by the State of Texas and the U. T. System Board of Regents.

Timeline:
If the Board approves the proposed GPO Accreditation Program, the U. T. System Office of Shared Services will manage the process and ensure the results are timely finalized. The results will be reported to the U. T. System Board of Regents at the August 2016 meeting. U. T. System institutions will cease using nonaccredited Texas state agency and GPO-procured contracts as soon as practicable, but by no later than December 1, 2016. A more detailed timeline for the program itself is included as Appendix A (Page 239).

Process:
The following steps will be undertaken to achieve the GPO Accreditation Program results:

1. U. T. System Shared Services will publicly post details of the program and will notify Texas state agencies and GPOs nominated by any U. T. System institution about the GPO Accreditation Program and activities they will need to perform to be considered for accreditation in calendar year 2016.

2. U. T. System Shared Services has developed a survey that interested Texas state agencies and GPOs will complete and submit for evaluation.

3. U. T. System Shared Services will verify that the material submitted by the participating Texas state agencies and GPOs is responsive and complete. If it is not, U. T. System Shared Services will promptly notify the entity of the missing material.

4. U. T. System Shared Services will make itself available for all interested entities to ensure all entities participating have an equal opportunity to successfully become accredited by U. T. System.

5. The U. T. System Audit Office, as an independent and objective function, will perform an assessment of the material collected from the interested Texas state agencies and GPOs to determine whether internal control procedures as represented by the applicant meet the minimum standards if consistently applied. The results of that assessment will be provided to U. T. System Shared Services for consideration.

6. U. T. System Shared Services will convene a senior-level committee, comprised of experts from business affairs, procurement, legal, and compliance, to review the assessment results from the U. T. System Audit Office and to recommend to the Executive Vice Chancellor for Business Affairs, for final decision, a determination of whether each applicant passes or fails the accreditation process.

7. U. T. System Shared Services, on a go-forward basis, will monitor the results of the GPO Accreditation Program and help to ensure that U. T. System and the U. T. System institutions, as well as the Texas state agencies and GPOs, comply with the GPO Accreditation Program requirements.

8. U. T. System Shared Services will propose adoption by U. T. System institutions of certain best practices for utilizing contracts from the Texas state agencies and GPOs. These might address, for example, how to ensure achievement of best value when using Texas state agencies and GPOs that are accredited but with conditions; and how to deal with U. T. System and institutional policies, such as involving Historically Underutilized Businesses (HUBs), electronic information resources accessibility requirements, insurance requirements, when using Texas state agency and GPO-procured contracts.

Objectives:
The GPO Accreditation Program objectives will be to identify those Texas state agencies and GPOs that:

- meet all best value requirements and have contracts that are ready to be used; or
- satisfy the minimum standards (described below) but have conditions that must be satisfied for any U. T. System institution to use the accreditation candidate's contracts; or
- fail to meet the minimum standards and are not accredited. Consequently, U. T. System institutions will not be authorized to use those contracts.

The entities that successfully pass this program will be accredited for five (5) years; however, U. T. System Shared Services will conduct an annual meeting to review the business relationship with U. T. System and the U. T. System institutions and to learn of any significant changes that may have occurred. Additionally, U. T. System will have the right to audit the records and processes referenced in the accreditation process. Entities that fail to be accredited will be eligible to reapply in one (1) year. After the initial accreditation process, it is anticipated that accreditation of other GPOs will occur on a periodic basis to align with emerging needs of the U. T. System institutions and with changes to the marketplace.

The following are the minimum standards that must be met to be accredited through the GPO Accreditation Program:

- Established provider with a value-added portfolio of contracts;
- Open bid policy;
- Competitive procurement;
- “Best Value” evaluation and award criteria;
- Contract management program;
- Policy of inclusion (e.g., HUBs and minority and women owned business enterprises programs);
- Compliance with federal procurement requirements; and
- Transparent procurement practices.

Internal Controls Review:
The U. T. System Audit Office, as an independent and objective function, will perform an assessment of the material collected from the interested Texas state agencies and GPOs to determine whether internal control procedures as represented by the applicant meet the minimum standards if consistently applied. The results of that assessment will be provided to U. T. System Shared Services for consideration.

Impact Analysis:

U. T. System:
U. T. System's Office of General Counsel has determined that this accreditation program can legally be implemented.

U. T. System Institutions:
U. T. System Shared Services will proactively identify strategies to lessen, if not eliminate, the administrative burden for any institution that may be negatively impacted by the results of the accreditation program. For example, if an institution presently relies on a Texas state agency or GPO that does not “pass” the accreditation process, other contracting vehicles will need to be identified.

APPENDIX A

Timeline for the Accreditation Program

Date	Activity
March 1, 2016	Publically post the GPO Accreditation Program
March 10, 2016	Process review conference call
April 1, 2016	Survey responses from accreditation candidates are due at 3:00 pm CDT

April 15, 2016	U. T. System Shared Services completes initial review
April 18, 2016	Information provided to U. T. System Audit Office
May 31, 2016	U. T. System Audit Office reports the assessment results
June 1, 2016	U. T. System Shared Services convenes senior-level committee to recommend a determination as to whether each applicant passes or fails the accreditation process
June 8, 2016	The Executive Vice Chancellor for Business Affairs makes the final determination on each applicant
June 15, 2016	U. T. System institutions are notified of the results
June 30, 2016	Texas state agencies and GPOs are notified of the results
August 24 - 25, 2016	The results are reported to the U. T. System Board of Regents at the August 2016 meeting

9. U. T. System: Report on the Fiscal Year 2015 Annual Financial Report, including the report on the U. T. System Annual Financial Report Audit, and audits of U. T. M. D. Anderson Cancer Center, U. T. Southwestern Medical Center, and U. T. Medical Branch - Galveston financial statements and for funds managed by The University of Texas Investment Management Company (UTIMCO)

REPORT

Mr. Randy Wallace, Associate Vice Chancellor, Controller, and Chief Budget Officer, will discuss the 2015 Annual Financial Report (AFR) highlights. Mr. Wallace's PowerPoint presentation on Pages 242 - 254 is included for additional detail. The AFR is available at http://www.utsystem.edu/cont/Reports_Publications/CONAFR/AuditedAFR15.pdf.

The AFR is comprised of the U. T. System Consolidated Financial Statements for the Year Ended August 31, 2015, including the Management's Discussion and Analysis that provides an overview of the financial position and activities of the U. T. System for the year ended August 31, 2015.

Mr. Robert Penshorn, Ms. Tracey Cooley, Mr. Robert Cowley, and Mr. Blake Rodgers, Deloitte & Touche LLP, will report on the results of the audits of the U. T. System, U. T. M. D. Anderson Cancer Center, U. T. Southwestern Medical Center, U. T. Medical Branch - Galveston, and funds managed by The University Of Texas Investment Management Company (UTIMCO) for Fiscal Year 2015. Deloitte's PowerPoint presentation is set forth on Pages 255 - 271.

BACKGROUND INFORMATION

On February 6, 2014, the Board of Regents authorized U. T. System staff to negotiate and enter into an auditing services contract with Deloitte & Touche LLP to audit the U. T. System, U. T. M. D. Anderson Cancer Center, U. T. Southwestern Medical Center, U. T. Medical Branch - Galveston, and funds managed by UTIMCO for the fiscal years ending August 31, 2014 and 2015.

The Annual Financial Report is prepared in compliance with Governmental Accounting Standards Board pronouncements and State Comptroller of Public Accounts directives and filed with the oversight agencies on November 20 of each year as required by *Texas Government Code,* Section 2101.011. Deloitte & Touche LLP issued an unqualified opinion on the U. T. System Consolidated Financial Statements on December 11, 2015.

Annual Financial Report Highlights Fiscal Year 2015

Mr. Randy Wallace, Associate Vice Chancellor,
Controller, and Chief Budget Officer

U. T. System Board of Regents' Meeting
Joint Meeting of the Finance and Planning Committee and
Audit, Compliance, and Management Review Committee
February 2016

The University *of* Texas System
FOURTEEN INSTITUTIONS. UNLIMITED POSSIBILITIES.
WWW.UTSYSTEM.EDU

Objectives

- Discuss Fiscal Year 2015 financial highlights of U. T. System's Annual Financial Report (AFR) by examining a three-year trend of changes in line items on:
  - *Statement of Net Position (SNP)*
  - *Statement of Revenues, Expenses, and Changes in Net Position (SRECNP)*
  - *Statement of Cash Flows*
- Identify factors that contributed to these changes

Required in Annual Financial Report

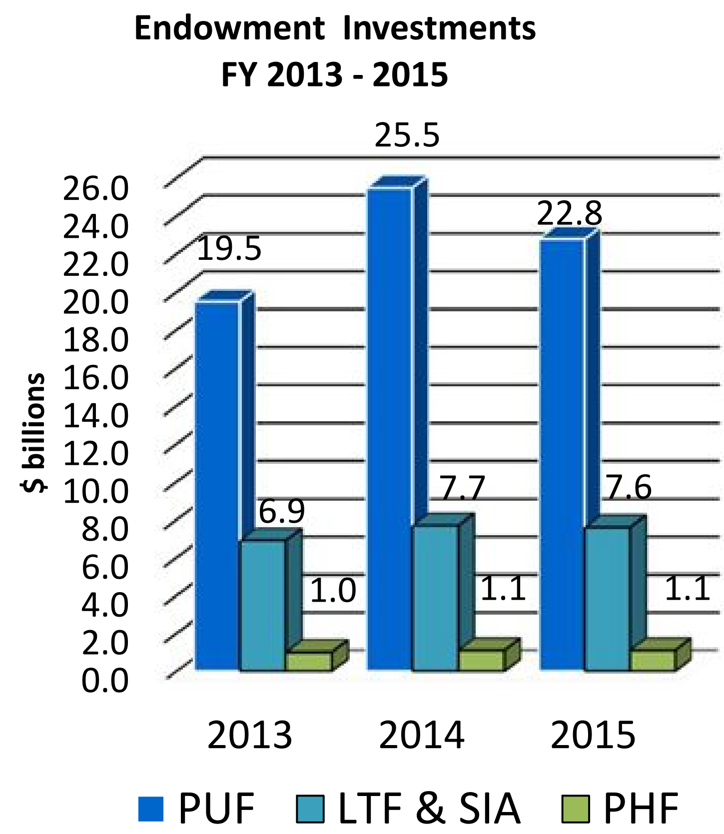
- Required supplemental information and financial statements include:
  - *Management's Discussion and Analysis (MD&A)*
  - *Statement of Net Position*
  - *SRECNP*
  - *Statement of Cash Flows*
  - *Notes to the Financial Statements*
  - *Required Supplementary Information*

Financial Position FY 2015

- Statement of net position still strong
  - Assets and Deferred Outflows over $63 billion
  - Net Position $40 billion
  - Operating results decreased
  - Cash position increased slightly
- U. T. System's financial position for FY 2015 decreased:
  - $2.8 billion due to current year activity, primarily driven by declining market conditions and the decrease in fair value of the PUF Lands
  - $2.6 billion due to GASB 68 restatement for pensions

Statement of Net Position

($ in millions)		2013	2014	2015
Assets and Deferred Outflows:				
Current Assets	$	6,585.8	7,367.6	7,280.1
Noncurrent Investments		34,003.1	42,240.8	39,881.3
Capital/Intangible Assets, Net		13,144.6	14,057.5	14,827.0
Other Noncurrent Assets		379.2	335.4	414.0
Total Assets		54,112.7	64,001.3	62,402.4
Deferred Outflows		184.1	249.2	740.0
Total Assets and Deferred Outflows	$	54,296.8	64,250.5	63,142.4
Liabilities and Deferred Inflows:				
Current Liabilities	$	7,203.9	8,121.6	8,493.5
Noncurrent Liabilities		10,104.6	11,051.1	14,257.8
Total Liabilities		17,308.5	19,172.7	22,751.3
Deferred Inflows		8.2	7.1	710.0
Total Liabilities and Deferred Inflows	$	17,316.7	19,179.8	23,461.3
Net Position:				
Net Investment in Capital Assets	$	5,552.4	6,109.2	6,441.7
Restricted		27,841.2	35,119.7	32,227.2
Unrestricted		3,586.5	3,841.8	1,012.2
Total Net Position	$	36,980.1	45,070.7	39,681.1



Permanent University Fund (PUF), Long Term Fund (LTF) and Separately Invested Assets (SIA) , and Permanent Health Fund (PHF)

Statement of Net Position (cont.)

($ in millions)		2013	2014	2015
Assets and Deferred Outflows:				
Current Assets	$	6,585.8	7,367.6	7,280.1
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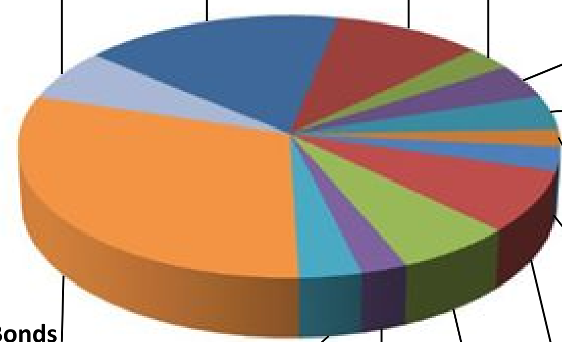
Liabilities and Deferred Inflows
$23.5 billion
(in billions)



Statement of Net Position (cont.)

($ in millions)		2013	2014	2015
Assets and Deferred Outflows:				
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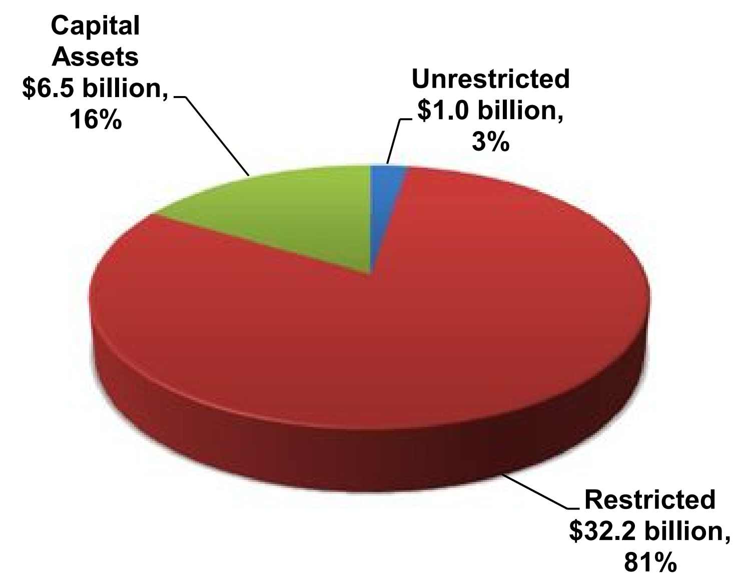
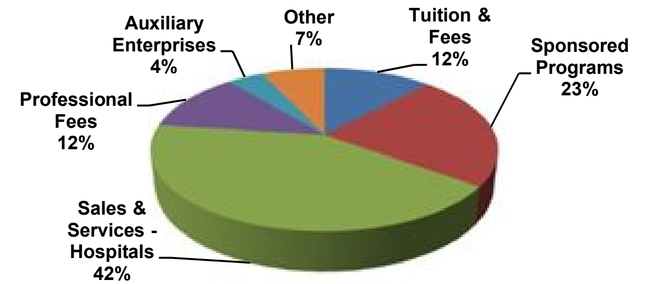
Net Position- $39.7 billion



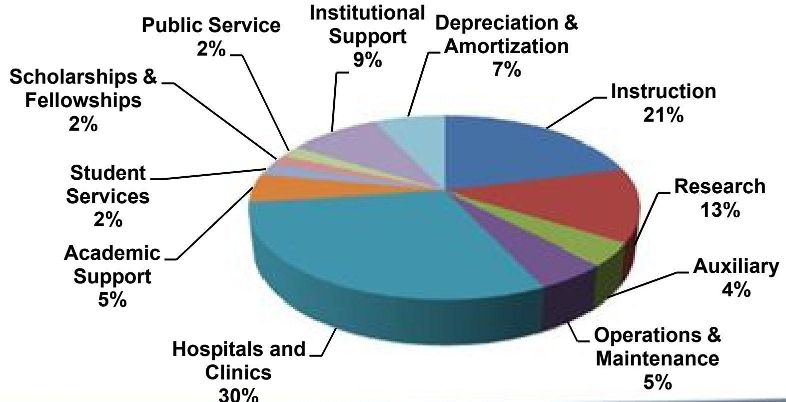
Statement of Revenues, Expenses, and Changes in Net Position

($ in millions)		2013	2014	2015
Operating Revenues	$	11,041.7	11,643.1	12,635.5
Operating Expenses		(14,391.3)	(14,943.5)	(16,012.0)
Operating Loss		(3,349.6)	(3,300.4)	(3,376.5)
State Appropriations		1,829.4	2,045.0	2,079.1
Gifts & Nonexchange Grants		925.2	751.9	815.2
Net Investment Income		2,128.4	3,159.7	2,808.7
Net Incr./(Decr.) in Fair Value of Investments		2,135.1	5,436.3	(4,675.9)
Interest Expense		(270.6)	(258.3)	(249.9)
Net Other Nonop. Rev. (Exp.)		(47.8)	(37.7)	(30.7)
Income (Loss) Before Other Rev. Exp. Gains/(Losses) & Transfers		3,350.1	7,796.5	(2,630.0)
HEAF/Gifts for Endow.& Capital		491.4	731.1	296.9
Transfers and Other		(222.1)	(437.0)	(447.7)
Change in Net Position		3,619.4	8,090.6	(2,780.8)
Net Position, Beginning		33,360.7	36,980.1	45,070.7
Restatement		-	-	(2,608.8)
Net Position, Beginning (as restated)		33,360.7	36,980.1	42,461.9
Net Position, Ending	$	36,980.1	45,070.7	39,681.1

Operating Revenues - $12.6 billion



Operating Expenses - $16.0 billion



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

($ in millions)		2013	2014	2015
Operating Revenues	$	11,041.7	11,643.1	12,635.5
Operating Expenses		(14,391.3)	(14,943.5)	(16,012.0)
Operating Loss		(3,349.6)	(3,300.4)	(3,376.5)
State Appropriations		1,829.4	2,045.0	2,079.1
Gifts & Nonexchange Grants		925.2	751.9	815.2
Net Investment Income		2,128.4	3,159.7	2,808.7
Net Incr./(Decr.) in Fair Value of Investments		2,135.1	5,436.3	(4,675.9)
Interest Expense		(270.6)	(258.3)	(249.9)
Net Other Nonop. Rev. (Exp.)		(47.8)	(37.7)	(30.7)
Income (Loss) Before Other Rev. Exp. Gains/(Losses) & Transfers		3,350.1	7,796.5	(2,630.0)
HEAF/Gifts for Endow.& Capital		491.4	731.1	296.9
Transfers and Other		(222.1)	(437.0)	(447.7)
Change in Net Position		3,619.4	8,090.6	(2,780.8)
Net Position, Beginning		33,360.7	36,980.1	45,070.7
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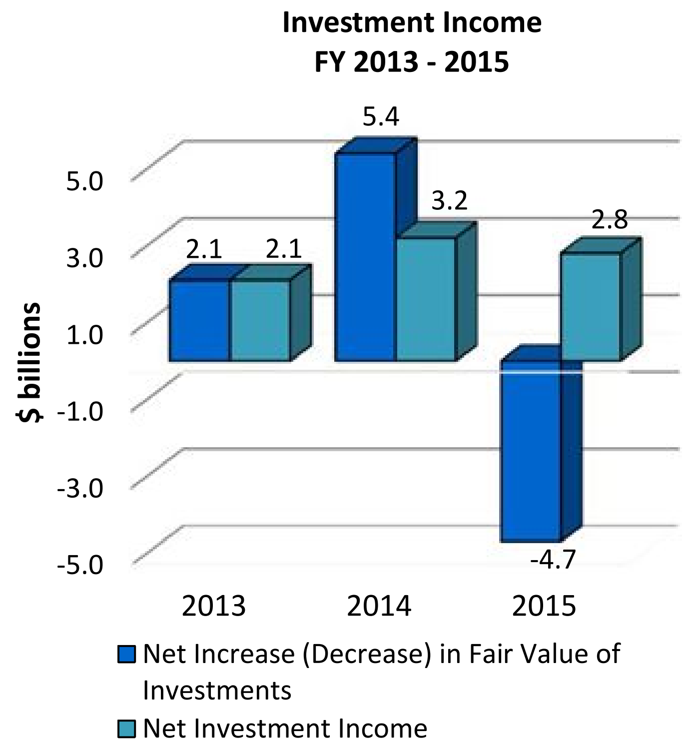


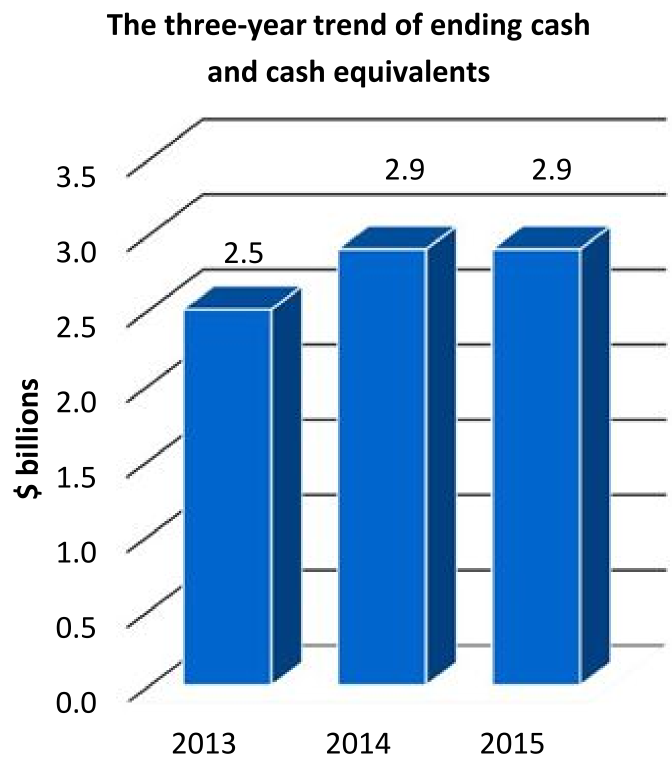
Statement of Revenues, Expenses, and Changes in Net Position (cont.)

Operating Results
FY 2013 - 2015

		2013	2014	2015
			($ in millions)	
Income (loss) before other revenue, expenses, gains/(losses) & transfers	$	3,350.1	7,796.5	(2,630.0)
Net (increase)/decrease in fair value of investments		(2,135.1)	(5,436.3)	4,675.9
Loss on sale of capital assets		21.5	35.3	36.5
Other nonoperating (income)/expense		26.4	2.3	(5.7)
Realized gains on investments		(864.6)	(1,497.5)	(1,459.9)
Net operating results	$	398.3	900.3	616.8

Cash Flows

($ in millions)		2013	2014	2015
Cash Flows:				
Cash received from operations	$	10,870.8	11,776.2	12,889.9
Cash expended for operations		(12,626.4)	(13,280.4)	(14,304.2)
Cash used for operating activities		(1,755.6)	(1,504.2)	(1,414.3)
Cash provided by noncapital financing activities		2,682.0	2,171.2	2,203.2
Cash used in capital & related financing activities		(1,797.9)	(1,353.0)	(1,736.2)
Cash provided by investing activities		939.1	1,040.0	986.5
Net increase in cash & cash equivalents		67.6	354.0	39.2
Cash & cash equivalents, Beginning of the year		2,459.8	2,527.4	2,881.4
Cash & Cash equivalents, End of the year	$	2,527.4	2,881.4	2,920.6



Permanent University Fund (PUF) Lands

PUF Lands are considered an investment by U. T. System

- Fair Value (FV) of PUF Lands is based on:
  - Third party reserve study of proved reserves, and
  - Percentage of probable and possible reserves
- PUF Lands' surface interests reported at estimated appraised value using American Society of Farm Managers and Rural Appraisers' trends issued by Texas A&M University
- Other real estate holdings are reported by:
  - Latest available appraised amount by State certified or licensed appraiser, or
  - Any other generally accepted industry standard

Upcoming Accounting Pronouncements

- GASB Statement No. 72, *Fair Value Measurement and Application*, effective 2016
  - U. T. System will have fair value Horizon Fund and Tech Stock investments beginning Fiscal Year 2016
  - Plan to engage the assistance of an outside valuation firm in this effort
  - Still evaluating other effects of this statement
  - Plan to implement Tech Stock accounting policy in 2016

- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective 2018

Deloitte.

Presentation to The University of Texas System Board of Regents' Joint Meeting of the Audit, Compliance and Management Review Committee and the Finance and Planning Committee

Robert Penshorn, Advisory and Information Technology Partner
Tracey Cooley, Director
Robert Cowley, Partner
Blake Rodgers, Senior Manager

Deloitte & Touche LLP
February 2016

This report is intended solely for the information and use of management, the Audit, Compliance and Management Review Committee of the Board of Regents, the Finance and Planning Committee of the Board of Regents, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Contents

Audit Status

- We have performed an audit of the consolidated financial statements of The University of Texas System ("the System") for the year ended August 31, 2015 in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*.
- As a part of this audit process we issued our report, dated December 11, 2015, on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards* for the year ended August 31, 2015.
- We completed our audits of the Permanent University Fund ("PUF"), the General Endowment Fund ("GEF"), the Long Term Fund ("LTF"), the Intermediate Term Fund ("ITF"), and Permanent Health Fund ("PHF") of The University of Texas Investment Management Company ("UTIMCO") for the year ended August 31, 2015 and rendered our reports on October 30, 2015.
- We also completed our stand-alone audits for U. T. M. D. Anderson Cancer Center ("M. D. Anderson") on December 10, 2015, for U. T. Southwestern Medical Center on December 9, 2015, and for U. T. Medical Branch - Galveston on December 8, 2015 for the year ended August 31, 2015.
- We have prepared the following comments to provide information about the external audit process in the context of your obligation to oversee the financial reporting and disclosure process for which management of the System, UTIMCO, and the U. T. institutions with stand-alone audits are responsible.
- Although not within the scope of this presentation, we have begun stand-alone review services at U. T. El Paso for the year ended August 31, 2015.

Audit Scope

- Our audit scope was outlined in our External Audit Plan dated October 2015 and was not restricted in any manner.
- No significant changes resulted from the execution of the External Audit Plan.
- Our auditing procedures addressed the areas of focus identified in our External Audit Plan dated October 2015; these areas included:
  - Valuation of Patient Accounts Receivable
  - Oil & Gas Reserve and Related Surface Land Valuation and Disclosure
  - Implementation of Governmental Accounting Standards Board ("GASB") Statement No. 68
  - Management Override of Controls

Management Judgments and Accounting Estimates

- Accounting estimates are an integral part of the consolidated financial statements prepared by management and are based on management's current judgments. Those judgments are ordinarily based on knowledge and experience about past and current events and on assumptions about future events. Our assessment of the significant accounting estimates reflected in the System's Fiscal Year ("FY") 2015 consolidated financial statements include the following:
  - Allowances for accounts receivable and discounts
  - Fair value of alternative investments
  - Fair value of PUF lands
  - Liabilities for defined benefit pensions and other post-employment benefits
  - Liabilities for medical malpractice, workers' compensation, and other self-insured risks
- There were no material changes in management judgments relating to such estimates in the System's FY 2015 financial statements other than the estimate of the net pension liability and related balances for defined benefit pensions, which resulted from the implementation of GASB Statements No. 68 and 71. Our opinion included an emphasis of a matter paragraph related to this.

Audit Adjustments and Uncorrected Misstatements

- Our audit of the consolidated financial statements was designed to obtain reasonable, rather than absolute, assurance about whether the consolidated financial statements are free of material misstatement, whether caused by error or fraud. There were no material misstatements that were brought to the attention of management as a result of our audit procedures.
- All proposed unrecorded audit adjustments were reviewed with management and were determined by management and the System to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Summary of Uncorrected Misstatements

- There were three passed adjustments identified during our audit of U. T. System Administration:
  - The first adjustment related to gas royalties of $7.4M recognized in FY 2015 that related to production months in FY 2013 and FY 2014. This represents an overstatement of revenue in FY 2015 and an understatement of revenue in FY 2013 and FY 2014. As this was a representative sample, the overstatement was projected to be $22.6M, for a total projected misstatement of $29.9M.
  - The second adjustment related to the reclassification of endowments from Restricted (Nonexpendable) to Restricted (Expendable) of $12.3M, as gross appreciation for endowments was recorded as a whole without considering the endowments with lower market values. This results in understating Restricted (Expendable) and overstating Restricted (Nonexpendable).
  - The third adjustment related to U. T. System Administration erroneously including the State’s contributions to the Teacher Retirement System of Texas (“TRS”) on behalf of U. T. for certain institutions in the calculation of the deferred outflow of resources related to employer contributions after the measurement date. This resulted in an overstating deferred outflows of resources by $10.4M.

Summary of Uncorrected Misstatements (cont.)

- There were two passed adjustments identified during our audit of M. D. Anderson.
  - There was a reclassification of the Physicians Referral Service Supplemental Retirement / Retirement Benefit Deferred Compensation Plan (“PRS”) from long term asset and liability to short term in the amount of $44 million. There was a similar passed adjustment in the prior year.
  - There were four separate errors identified involving an inpatient or Anatomical Therapeutic Chemical (“ATC”) patient being charged for a drug not administered resulting in a factual overstatement of approximately $1,000. As this was a representative sample, the overstatement was projected to be $51M, for a total projected misstatement of $51M.
- There was one passed adjustment at U. T. San Antonio of $13.8M related to the bank balance not reconciling to the general ledger. The unreconciled difference as well as issues with the timeliness of cash reconciliations correspond with the implementation of PeopleSoft. There was a similar passed adjustment in the prior year.
- There was one passed adjustment at U. T. Arlington related to completed construction projects that were not moved from construction-in-progress to depreciable capital assets. The errors identified totaled $4.7M, but as these were representative samples, a projected error of $8.8M was calculated. This results in a total projected misstatement of $13.4M.

Summary of Uncorrected Misstatements (cont.)

- There was one passed adjustment at U. T. Southwestern Medical Center related to Cash Flows from Operating Activities to reclassify $79.2M from Payments to Suppliers to Payments to Employees and $32.5M from Proceeds from Other Revenues to Proceeds from Sponsored Programs. This is only a presentation adjustment that has no net effect to the total Cash Flows from Operating Activities.
- There was one passed disclosure at U. T. Southwestern Medical Center related to an likely understatement of $30.6M in the amount disclosed for bad debt allowance for patient accounts receivable. This passed disclosure has no effect on the amounts reported on the Statement of Net Position for the year ended August 31, 2015.
- The Texas State Comptroller's Office has decided not to allocate Employee Retirement System of Texas ("ERS") pension amounts to proprietary funds at the State-wide financial statement level due to immateriality. As a result, there is no ERS pension net pension liability nor related disclosures reported in the System's financial statements that would have been required by GASB Statement No. 68. ERS has estimated the System's proportionate share of the collective net pension liability to be approximately $8.1M and the effect on net position to be a decrease of approximately $7.7M as of August 31, 2015 (using a measurement date of August 31, 2014).

Summary of Uncorrected Misstatements (cont.)

Effect of Uncorrected Misstatements on Financial Statements (in millions)

	Consolidated Statement of Net Position			Consolidated Statement of Revenues, Expenses, and Changes in Net Position			Consolidated Statement of Cash Flows			
Adjustment	Total Assets and Deferred Outflows	Total Liabilities and Deferred Inflows	Net Position	Operating Revenues	Operating Expenses	Nonoperating Revenues & Expenses, and Other Changes	Cash Flows from Operating Activities	Cash Flows from Noncapital Financing Activities	Cash Flows from Capital and Related Financing Activities	Cash Flows from Investing Activities
1. M. D. Anderson adjustment of known and likely ATC Pharmacy Revenue error	$ (51.0)	$ -	$ -	$ (51.0)	$ -	$ -	$ -	$ -	$ -	$ -
2. M. D. Anderson reclassification of PRS	44.6	44.6	-	-	-	-	-	-	-	-
deferred compensation plan	(44.6)	(44.6)	-	-	-	-	-	-	-	-
3. U. T. System Administration removal of prior year known and likely mineral rights income recognized in current year	-	-	(29.9)	-	-	(29.9)	-	-	-	-
4. U. T. System Administration reclassification	-	-	12.3	-	-	-	-	-	-	-
of net position related to endowments	-	-	(12.3)	-	-	-	-	-	-	-
5. U. T. System Administration correction of overstated deferred outflow related to FY15 pension contributions	(10.4)	-	-	-	(10.4)	-	-	-	-	-
6. U. T. San Antonio cash misstatement	(13.8)	-	-	-	(13.8)	-	-	-	-	-
7. U. T. Arlington completed construction	13.4	-	-	-	-	-	-	-	-	-
projects still in construction in progress	(13.4)	-	-	-	-	-	-	-	-	-
8. U. T. Southwestern Medical Center reclassifications within cash flows from operating activities increasing proceeds from sponsored programs ($32.5) and payments to	-	-	-	-	-	-	79.2	-	-	-
employees ($79.2) and decreasing proceeds	-	-	-	-	-	-	(79.2)	-	-	-
from other revenues ($32.5) and payments to	-	-	-	-	-	-	32.5	-	-	-
suppliers ($79.2)	-	-	-	-	-	-	(32.5)	-	-	-
Total Uncorrected Adjustments (in millions)	$ (75.2)	$ -	$ (29.9)	$ (51.0)	$ (24.1)	$ (29.9)	$ -	$ -	$ -	$ -
Original Total Amounts (in millions)	$ 63,142.5	$ 23,461.3	$ 39,681.1	$ 12,635.5	$ (16,011.9)	$ (595.7)	$ (1,414.3)	$ 2,203.3	$ (1,736.2)	$ 986.5
Total Amounts if Corrected (in millions)	$ 63,067.3	$ 23,461.3	$ 39,651.2	$ 12,584.4	$ (16,036.1)	$ (625.7)	$ (1,414.3)	$ 2,203.3	$ (1,736.2)	$ 986.5

Significant Accounting Policies

- The System's significant accounting policies, as determined by management, are set forth in Note 4 to the System's FY 2015 financial statements.
- During the year ended August 31, 2015, System implemented GASB Statements No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27,* and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68.* Other than this, there were no significant changes in previously adopted accounting policies or their application.
- We have evaluated the significant qualitative aspects of the System’s accounting practices, including accounting policies, accounting estimates and financial statement disclosures and concluded that the policies are appropriate, adequately disclosed, and consistently applied by management.

Additional Matters

- Generally accepted auditing standards required that certain additional matters be communicated to an entity's audit committee in connection with the performance of an audit:
  - Auditor's responsibility under generally accepted auditing standards ("GAAS") and Government Auditing Standards ("GAS") – The objective of a financial statement audit is to express an opinion on the fairness of the presentation of the System's financial statements for the year ended August 31, 2015, in conformity with accounting principles generally accepted in the United States of America ("generally accepted accounting principles"), in all material respects. Our responsibilities under GAAS and GAS include forming and expressing an opinion about whether the financial statements that have been prepared by management with the oversight of the Audit, Compliance, and Management Review Committee are presented fairly, in all material respects, in conformity with generally accepted accounting principles. The audit of the financial statements does not relieve management or the Audit, Compliance, and Management Review Committee of their responsibilities.
  - An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether caused by fraud or error. In making those risk assessments, we considered internal control over financial reporting relevant to the System's preparation and fair presentation of the financial statements in order to design audit procedures that were appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the System's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the System's internal control over financial reporting. Our consideration of internal control over financial reporting was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

Additional Matters (cont.)

Matters to be communicated:

- Disagreements with management – None
- Consultation with other accountants – None
- Significant issues discussed with management prior to our retention – None
- Significant issued discussed with management during the year – None
- Significant difficulties in performing the audit – None
- Management's representations – We have made specific inquiries of the System's management about the representations embodied in the financial statements. Additionally, we have requested that management provide to us the written representations the System is required to provide to its independent auditors under generally accepted auditing standards.

Control-related Matters

- A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.
- A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.
- A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.
- No material weaknesses were identified at the Systemwide level.

Control-related Matters (cont.) – Systemwide Significant Deficiency

- Deloitte & Touche has identified a significant deficiency ("SD") related to the Bank Reconciliation and Journal Entry Review Process – Post-PeopleSoft Implementation – across multiple academic institutions. This is a continuation of the prior year significant deficiency.
- In the prior year, multiple U. T. academic institutions had control deficiencies as a result of the implementation of the new PeopleSoft system. After the go-live date of May 1, 2014, through the end of the fiscal year, August 31, 2014 (FY 2014) and 2015 (FY 2015), we noted the following:
  - *Monthly bank reconciliations* – Multiple academic institutions did not perform or review bank reconciliations on their various cash accounts in a timely manner. Further, we noted significant unreconciled items on bank reconciliations as of August 31, 2014 and 2015. While some progress was made on these unreconciled items in FY 2015, the matters were not fully resolved.
  - *Journal entry approvals* – We noted that configurations within PeopleSoft allow certain people the ability to create and approve their own journal entry. Management at these institutions appear to have established manual controls to mitigate this risk and we did not note any exceptions to the manual journal entry review controls; however, we believe there should be proper segregation of duties with PeopleSoft to prevent users from creating and approve their own journal entries.

The lack of timely performance of monthly reconciliations of cash accounts and a lack of review of journal entries could potentially lead to significant misstatements on the System's Annual Financial Report.

Control-related Matters (cont.) – Other Stand-Alone Audits

- We did not identify any material weaknesses in our audits of M. D. Anderson, U. T. Southwestern Medical Center, U. T. Medical Branch - Galveston, or the PUF, GEF, LTF, ITF and PHF of UTIMCO.