TABLE OF CONTENTS FOR FINANCE AND PLANNING COMMITTEE

Committee Meeting: 2/8/2017

Board Meeting: 2/9/2017
Austin, Texas

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

	Committee Meeting	Board Meeting	Page
A. CONVENE	*1:30 p.m.* *Chairman Hicks*		
1. **U. T. System Board of Regents: Discussion and appropriate action regarding Consent Agenda items, if any, assigned for Committee consideration**	*1:30 p.m.* **Discussion**	**Action**	**111**
2. **U. T. System: Key Financial Indicators Report and Monthly Financial Report**	*1:35 p.m.* **Report/Discussion** *Dr. Kelley*	Not on Agenda	**112**
3. **U. T. System: Report on the Analysis of Financial Condition for Fiscal Year 2016**	*1:45 p.m.* **Report/Discussion** *Mr. Wallace*	Not on Agenda	**145**
4. **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, 2016**	*1:50 p.m.* **Report/Discussion** *Mr. Mark Warner, Interim CEO and CIO*	**Report**	**203**
5. **U. T. System: Approval of $13.6 million of Available University Funds (AUF) a) for the upgrade implementation of the UTShare Human Resource and Finance enterprise system; b) for the upgrade implementation of the Student Information System (SIS); and c) to provide basic campus and implementation support to U. T Rio Grande Valley; and finding that the expenditure of AUF for this purpose is appropriate**	*2:05 p.m.* **Action** *Dr. Kelley*	**Action**	**209**

	Committee Meeting	Board Meeting	Page
B. CONVENE JOINT MEETING WITH AUDIT, COMPLIANCE, AND MANAGEMENT REVIEW COMMITTEE	*2:15 p.m.*		
6. **U. T. System: Report on the Fiscal Year 2016 Annual Financial Report, including the report on the U. T. System Annual Financial Report Audit, and audits of U. T. Austin, 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)**	*2:15 p.m.* **Report/Discussion** *Mr. Wallace* *Mr. Peppers* *Ms. Tracey Cooley, Mr. Robert Cowley, Mr. Blake Rodgers, Mr. Randall Brown, Deloitte & Touche*	Not on Agenda	**211**
C. ADJOURN	*2:45 p.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 items assigned to this Committee are on Pages 335 - 337.

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 113 - 120 and the December Monthly Financial Report on Pages 121 - 144. 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 2013 through November 2017. Ratios requiring balance sheet data are provided for Fiscal Year 2012 through Fiscal Year 2016.

THE UNIVERSITY OF TEXAS SYSTEM

KEY FINANCIAL INDICATORS REPORT

THROUGH NOVEMBER 2016

KEY

Actual Annual Amounts
(SOURCE: Annual Financial Reports)

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

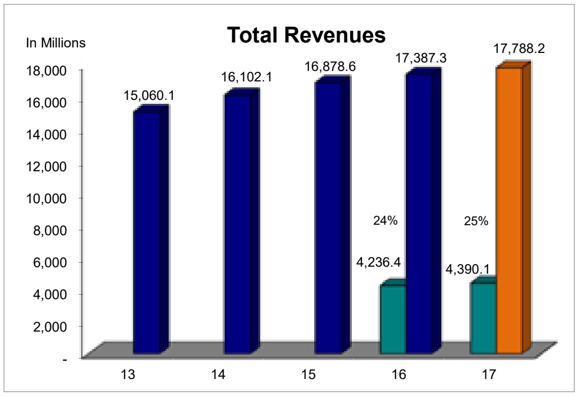
Year-to-Date Margin
(SOURCE: Monthly Financial Report)

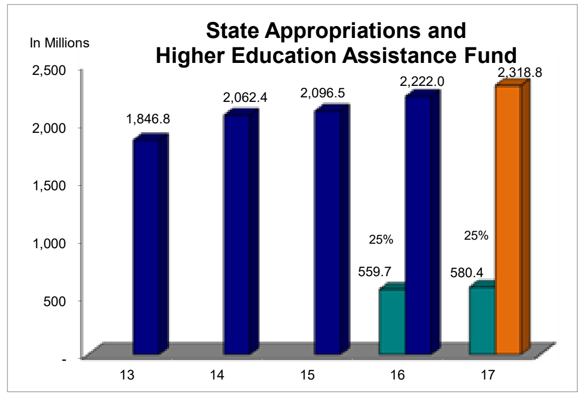
Target Normalized Rates

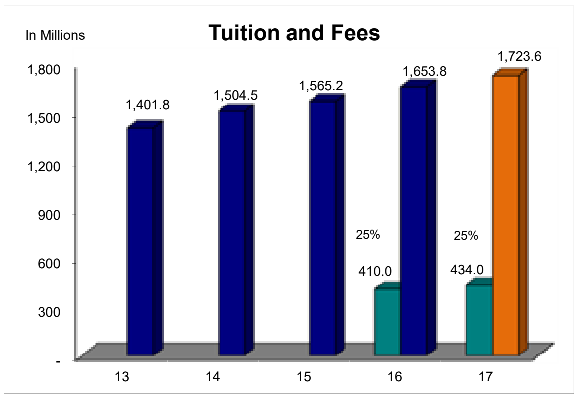
Aaa Median
(SOURCE: Moody's)

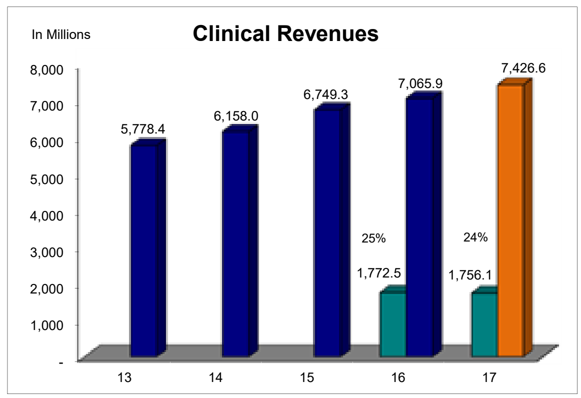
A2 Median
(SOURCE: Moody's)

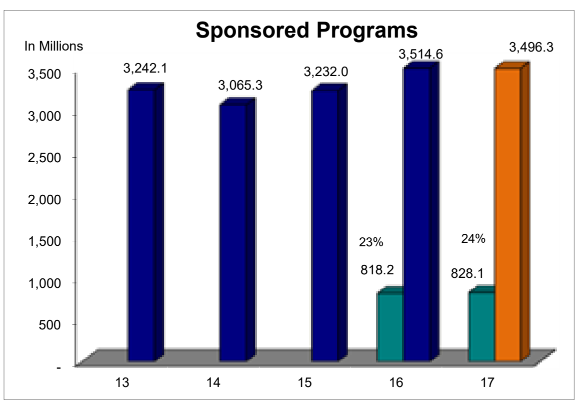
KEY INDICATORS OF REVENUES
ACTUAL 2013 THROUGH 2016
PROJECTED 2017
YEAR-TO-DATE 2016 AND 2017 FROM NOVEMBER MONTHLY FINANCIAL REPORT

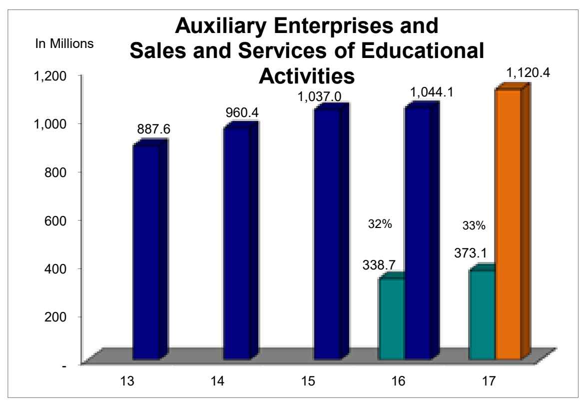


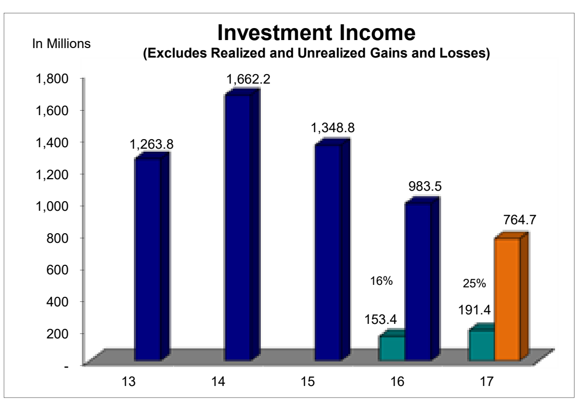


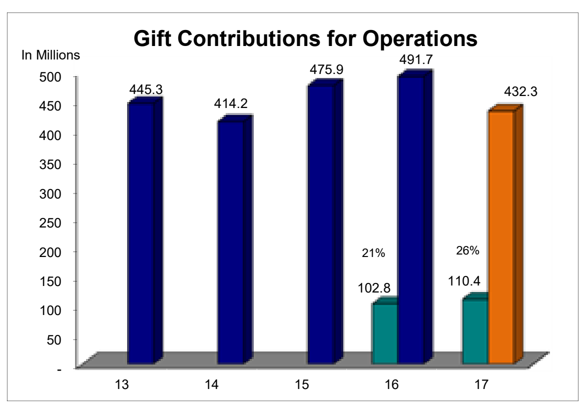




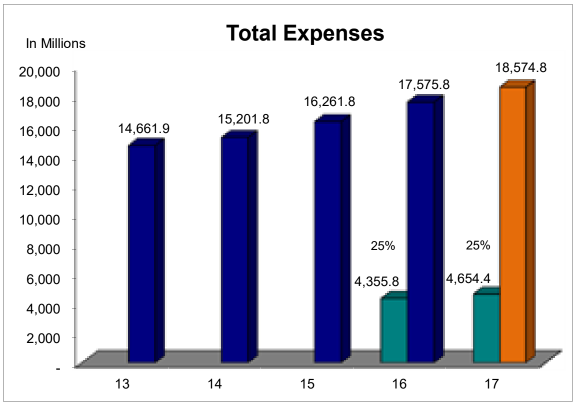


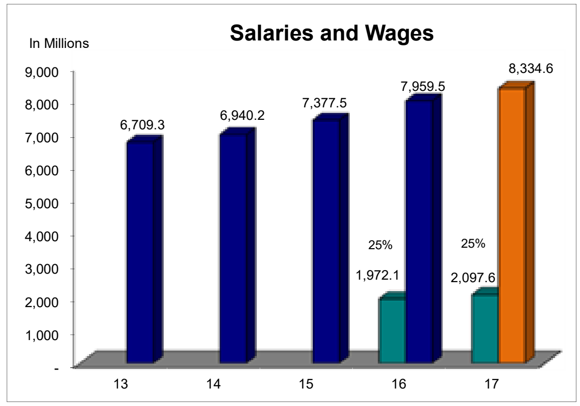


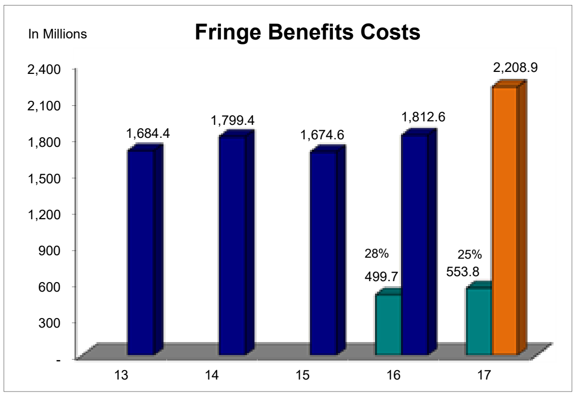


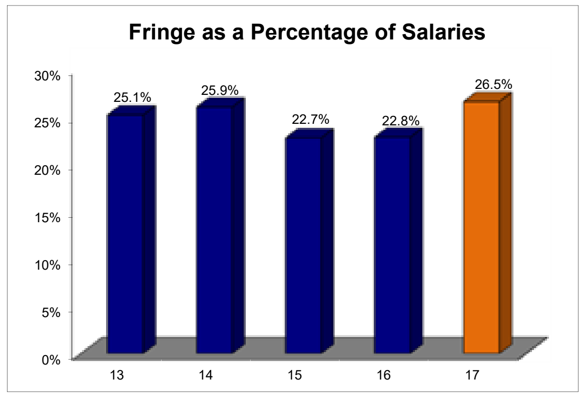


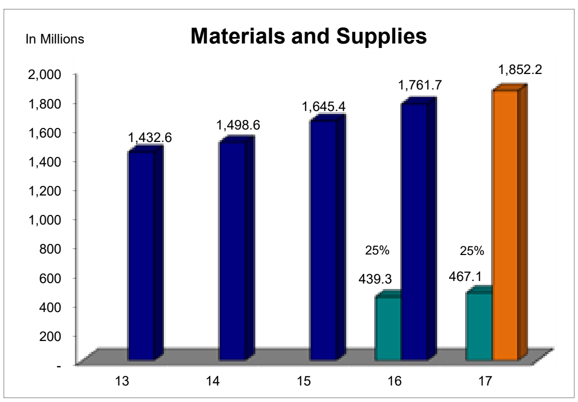
KEY INDICATORS OF EXPENSES
ACTUAL 2013 THROUGH 2016
PROJECTED 2017
YEAR-TO-DATE 2016 AND 2017 FROM NOVEMBER MONTHLY FINANCIAL REPORT

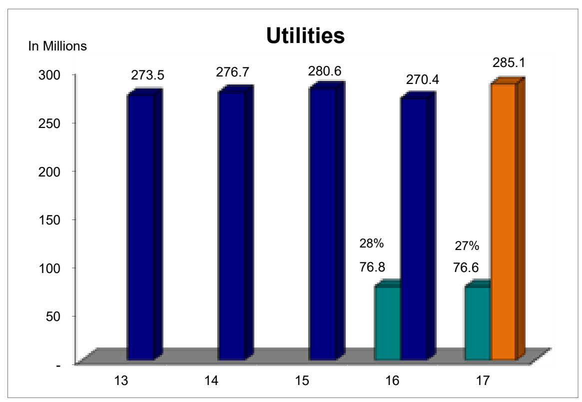


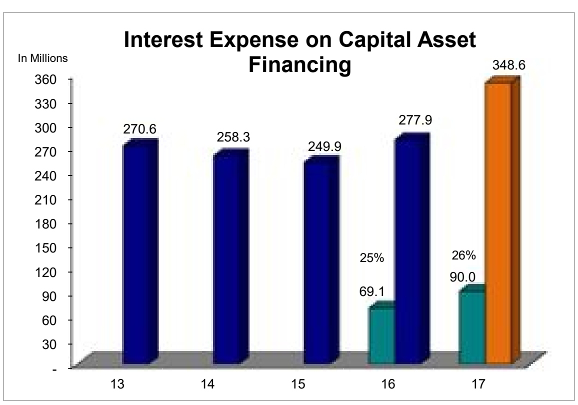


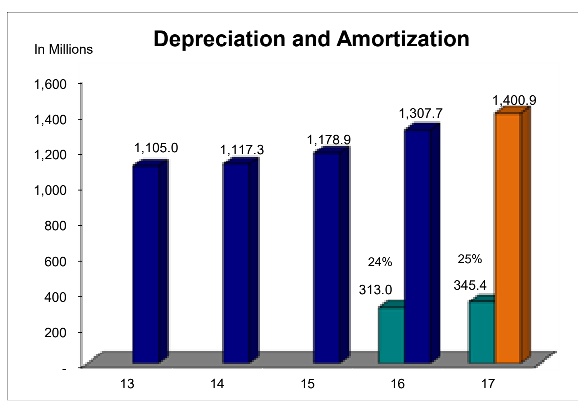




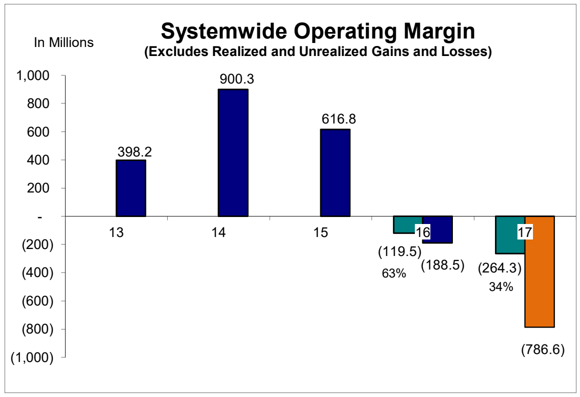


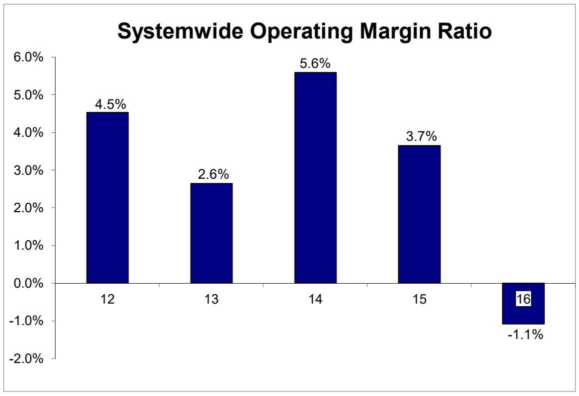


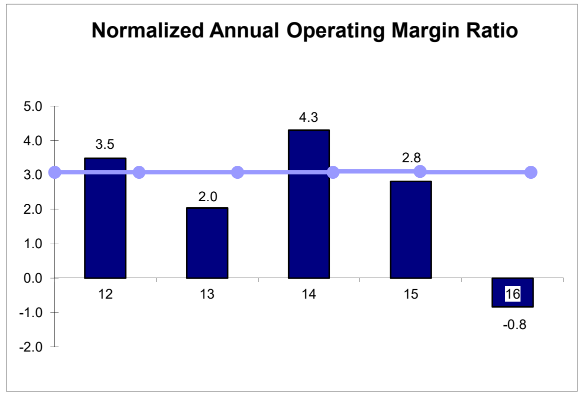


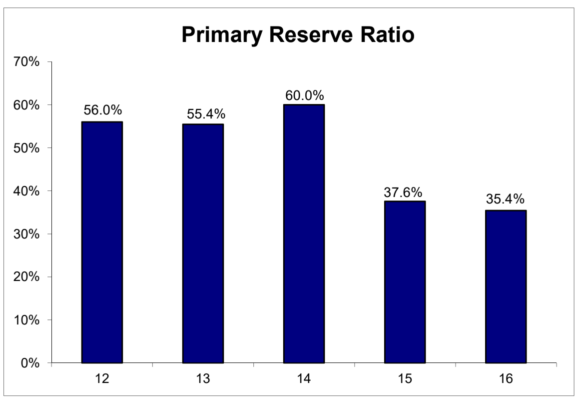


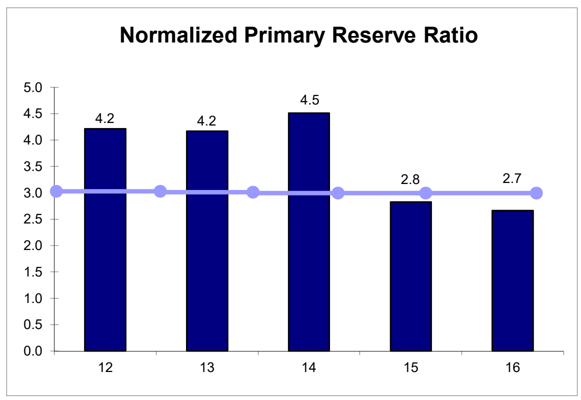
KEY INDICATORS OF RESERVES
ACTUAL 2012 THROUGH 2016
PROJECTED 2017
YEAR-TO-DATE 2016 AND 2017 FROM NOVEMBER MONTHLY FINANCIAL REPORT

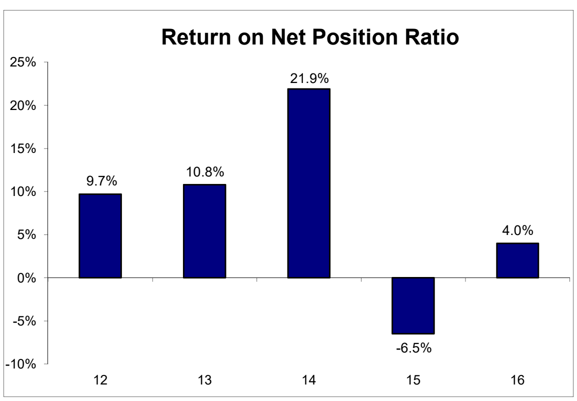


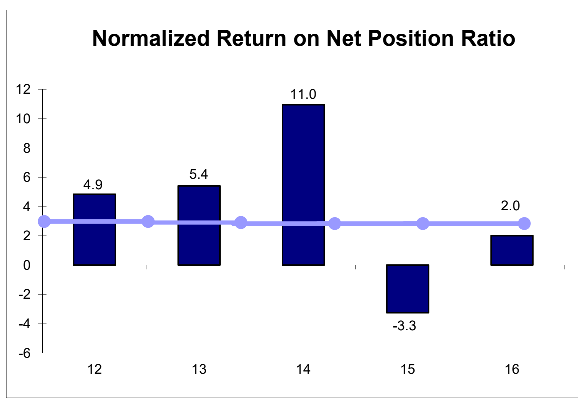




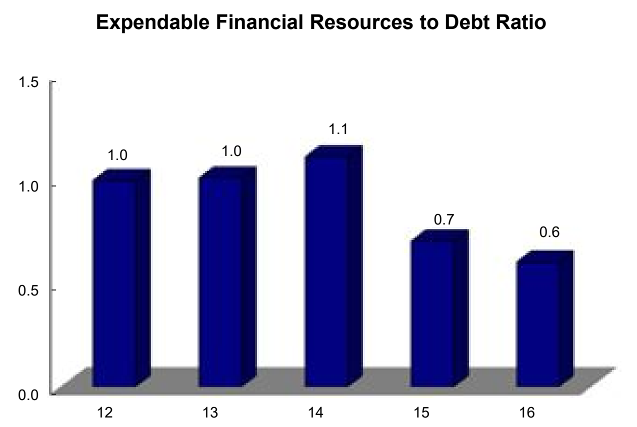


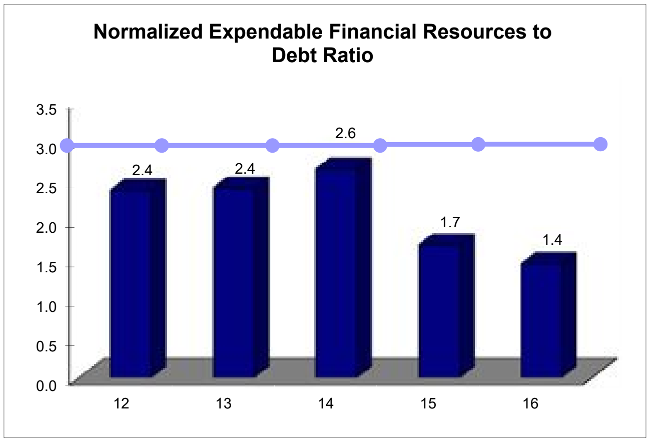


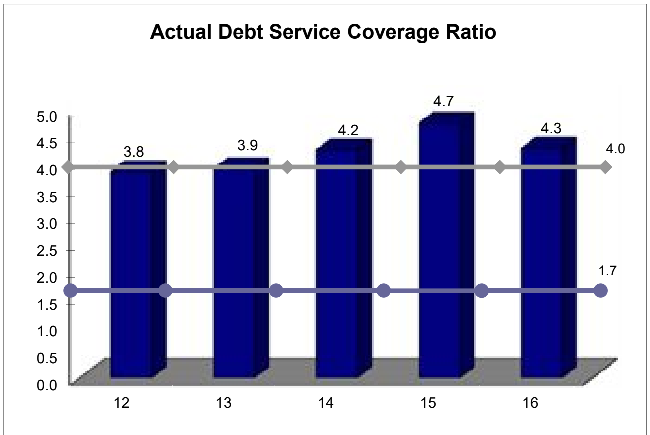


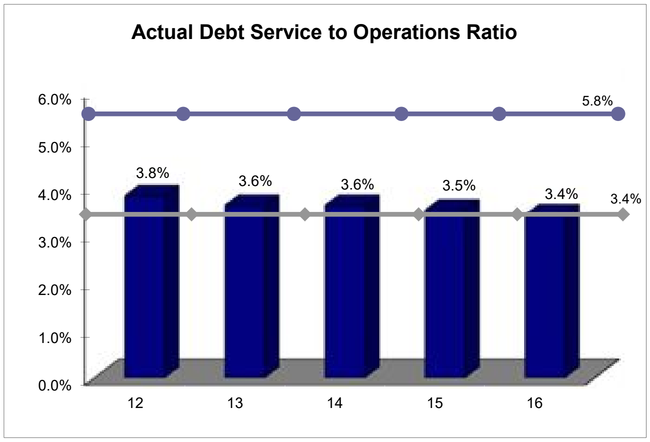


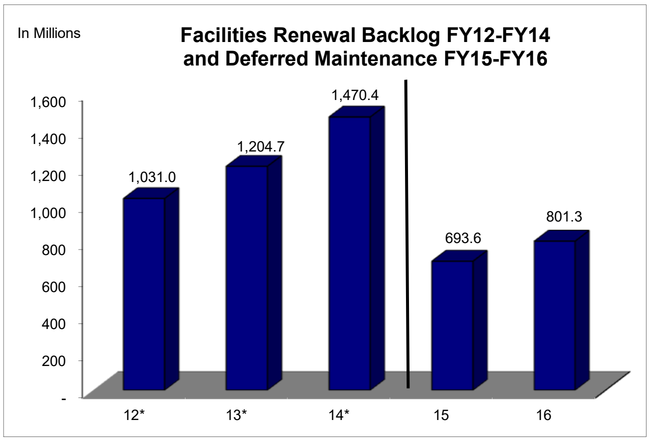
KEY INDICATORS OF CAPITAL NEEDS AND CAPACITY
2012 THROUGH 2016

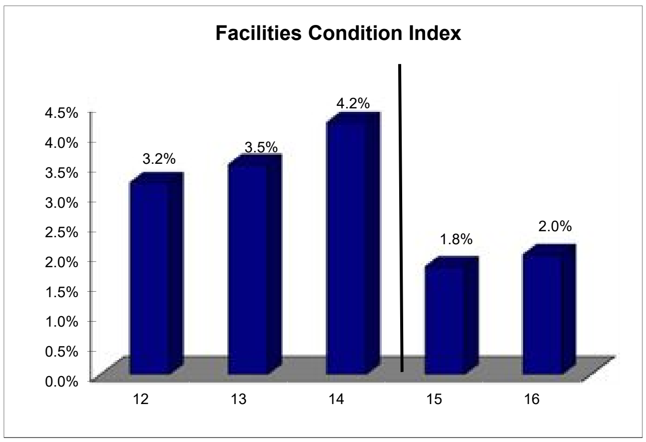












*For FY 2012 through 2014 the source of backlog data is the Facilities' Renewal Model (FRRM) and those systems that have exceeded their Life Cycle Age. Beginning in FY 2015, the deferred maintenance data is taken from the new annual BOR Campus Condition Report and the facilities' executives assessment 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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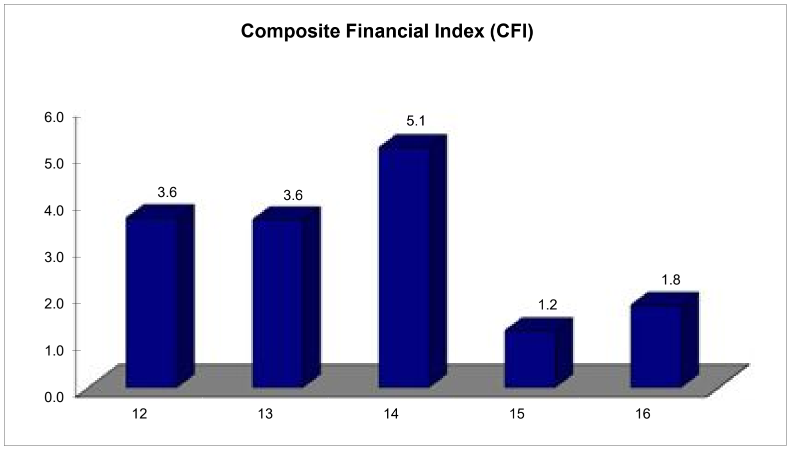
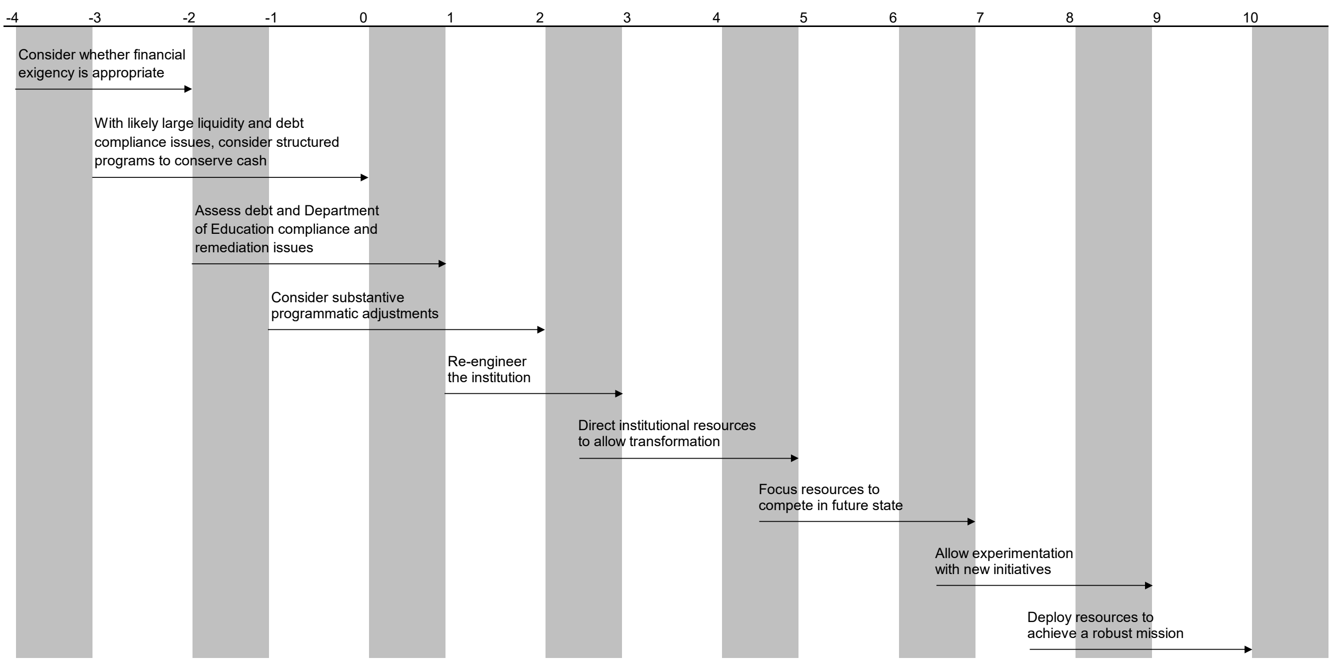
KEY INDICATORS OF FINANCIAL HEALTH
2012 THROUGH 2016

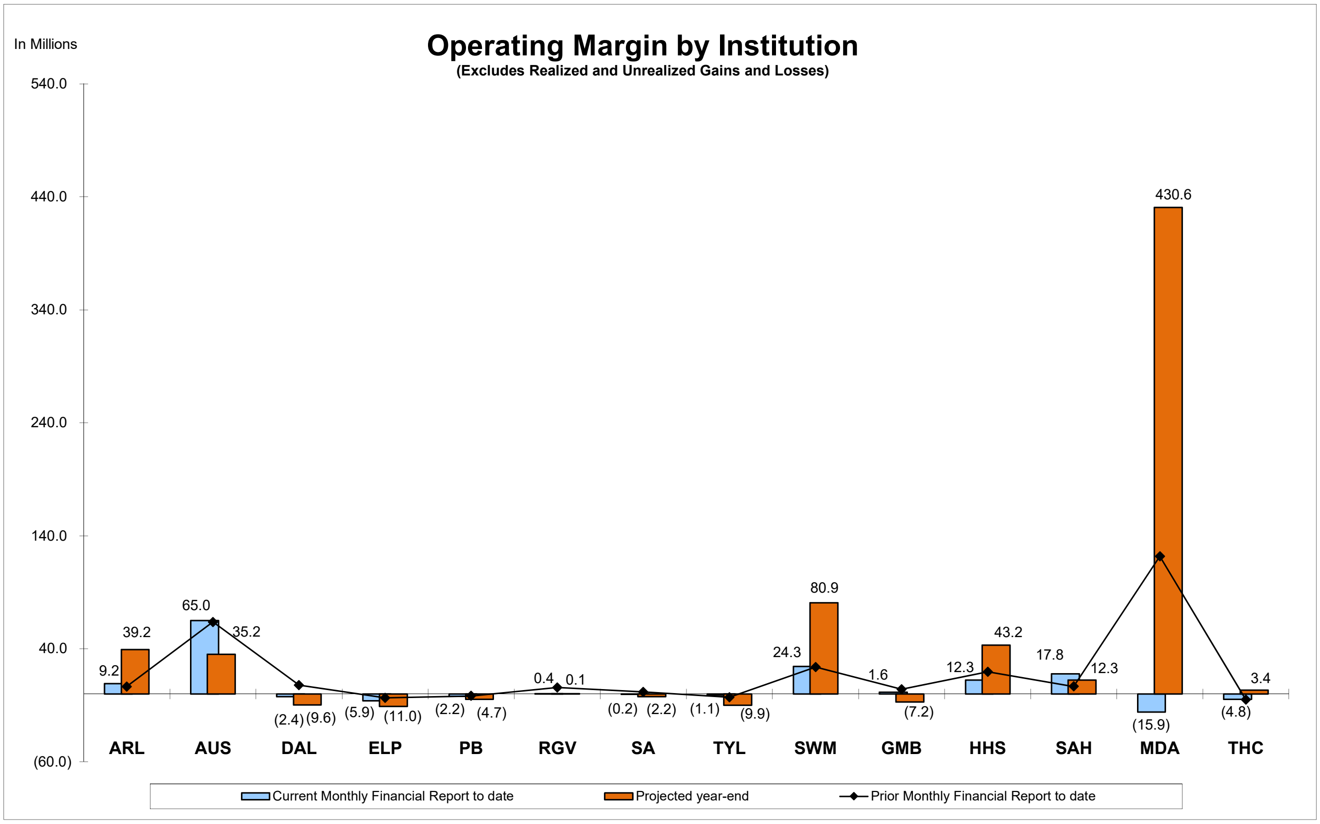


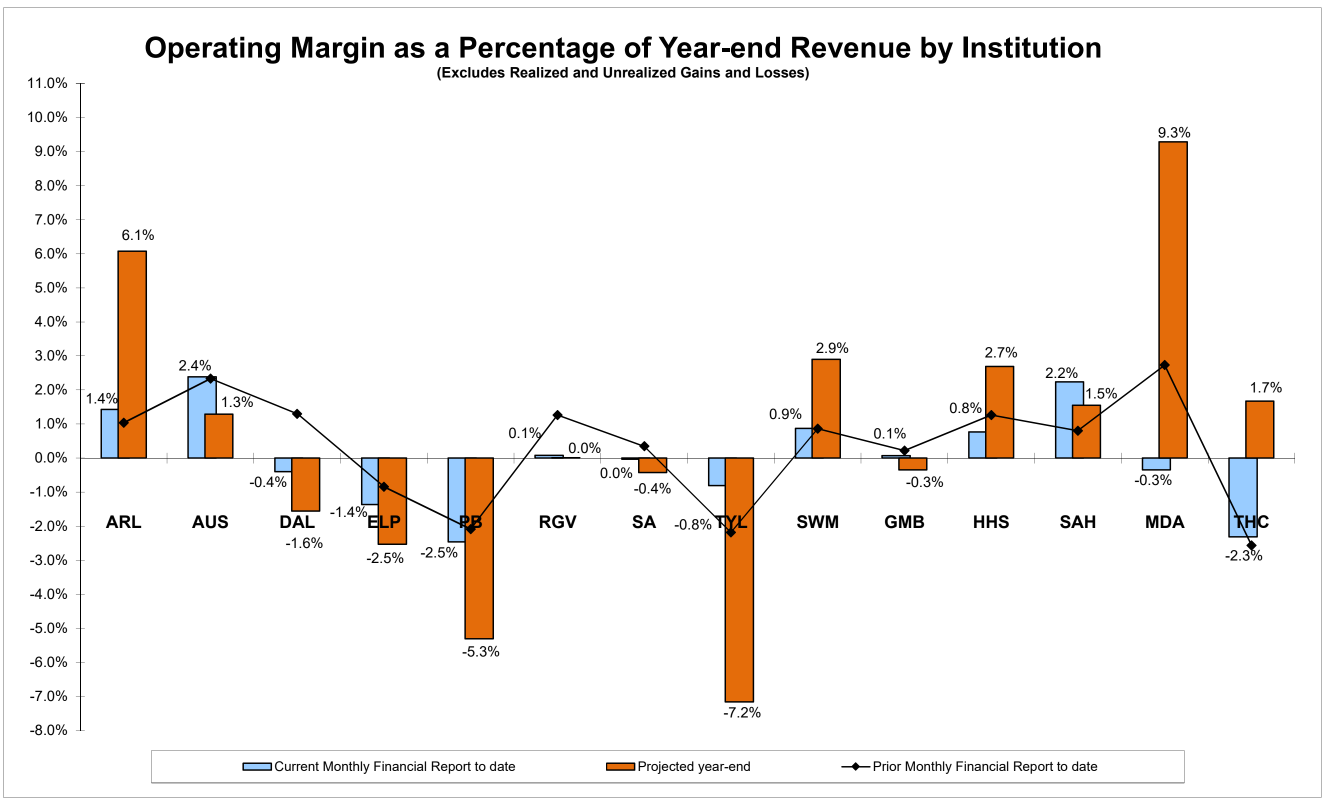
Scale for Charting CFI Performance



Source: Strategic Financial Analysis for Higher Education, Seventh Edition

KEY INDICATORS OF RESERVES
YEAR-TO-DATE 2016 AND 2017 FROM NOVEMBER MONTHLY FINANCIAL REPORT
PROJECTED 2017 YEAR-END MARGIN





THE UNIVERSITY OF TEXAS SYSTEM
OFFICE OF THE CONTROLLER

MONTHLY FINANCIAL REPORT

(unaudited)

DECEMBER 2016

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, 2016

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, 2016

	December Year-to-Date FY 2017	December Year-to-Date FY 2016	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition and Fees	580,211,864.61	549,484,893.01	30,726,971.60	5.6%
Sponsored Programs	1,015,357,103.30	1,000,247,498.23	15,109,605.07	1.5%
Net Sales and Services of Educational Activities	216,397,268.33	217,245,238.65	(847,970.32)	-0.4%
Net Sales and Services of Hospitals	1,755,446,700.45	1,834,815,709.94	(79,369,009.49)	-4.3%
Net Professional Fees	583,589,332.14	548,599,493.77	34,989,838.37	6.4%
Net Auxiliary Enterprises	248,828,208.64	221,034,654.15	27,793,554.49	12.6%
Other Operating Revenues	132,627,699.77	128,691,670.06	3,936,029.71	3.1%
Total Operating Revenues	**4,532,458,177.24**	**4,500,119,157.81**	**32,339,019.43**	**0.7%**
Operating Expenses				
Salaries and Wages	2,822,459,432.90	2,641,591,702.80	180,867,730.10	6.8%
Payroll Related Costs	754,780,964.25	693,544,186.30	61,236,777.95	8.8%
Membership Dues	10,073,944.42	-	10,073,944.42	100.0%
Registration Fees/Meetings/Conferences	20,072,319.24	-	20,072,319.24	100.0%
Cost of Goods Sold	50,494,507.53	50,611,830.12	(117,322.59)	-0.2%
Professional Fees and Services	147,878,677.35	160,560,704.89	(12,682,027.54)	-7.9%
Other Contracted Services	270,486,380.25	255,520,273.20	14,966,107.05	5.9%
Fees and Other Charges	21,718,500.63	-	21,718,500.63	100.0%
Travel	49,876,909.25	49,611,287.93	265,621.32	0.5%
Materials and Supplies	615,854,631.81	592,665,111.84	23,189,519.97	3.9%
Utilities	97,470,870.18	97,587,023.92	(116,153.74)	-0.1%
Communications	44,279,378.33	39,440,362.99	4,839,015.34	12.3%
Repairs and Maintenance	110,951,088.40	105,810,624.53	5,140,463.87	4.9%
Rentals and Leases	58,615,860.59	58,070,191.20	545,669.39	0.9%
Printing and Reproduction	11,938,634.93	12,056,106.91	(117,471.98)	-1.0%
Royalty Payments	4,702,262.19	-	4,702,262.19	100.0%
Bad Debt Expense	307,450.87	446,481.25	(139,030.38)	-31.1%
Insurance Costs/Premiums	34,566,547.65	-	34,566,547.65	100.0%
Claims and Losses	5,796,373.37	2,662,024.73	3,134,348.64	117.7%
Increase in Net OPEB Obligation	235,676,724.67	222,280,885.00	13,395,839.67	6.0%
Pension Expense	83,442,131.00	70,964,922.49	12,477,208.51	17.6%
Scholarships and Fellowships	117,989,440.90	109,650,713.82	8,338,727.08	7.6%
Depreciation and Amortization	460,918,694.12	417,467,350.24	43,451,343.88	10.4%
Federal Sponsored Program Pass-Through to Other State Agencies	6,906,362.86	8,018,500.08	(1,112,137.22)	-13.9%
State Sponsored Program Pass-Through to Other State Agencies	1,779,894.68	1,302,095.93	477,798.75	36.7%
Other Operating Expenses	58,088,854.84	153,026,966.03	(94,938,111.19)	-62.0%
Total Operating Expenses	**6,097,126,837.21**	**5,742,889,346.20**	**354,237,491.01**	**6.2%**
Operating Loss	**(1,564,668,659.97)**	**(1,242,770,188.39)**	**(321,898,471.58)**	**-25.9%**
Other Nonoperating Adjustments				
State Appropriations	775,032,417.96	748,331,951.31	26,700,466.65	3.6%
Nonexchange Sponsored Programs	74,467,051.71	81,430,800.99	(6,963,749.28)	-8.6%
Gift Contributions for Operations	159,726,019.89	183,849,316.17	(24,123,296.28)	-13.1%
Net Investment Income	289,097,113.61	246,948,908.13	42,148,205.48	17.1%
Interest Expense on Capital Asset Financings	(118,182,546.20)	(89,178,370.87)	(29,004,175.33)	-32.5%
Net Other Nonoperating Adjustments	**1,180,140,056.97**	**1,171,382,605.73**	**8,757,451.24**	**0.7%**
Adjusted Income (Loss) including Depreciation & Amortization	**(384,528,603.00)**	**(71,387,582.66)**	**(313,141,020.34)**	**-438.6%**
Adjusted Margin % including Depreciation & Amortization	**-6.6%**	**-1.2%**		
Investment Gain (Losses)	393,543,082.35	(721,725,817.44)	1,115,268,899.79	154.5%
Adj. Inc. (Loss) with Investment Gains (Losses)	**9,014,479.35**	**(793,113,400.10)**	**802,127,879.45**	**101.1%**
Adj. Margin % with Investment Gains (Losses)	**0.1%**	**-15.7%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**76,390,091.12**	**346,079,767.58**	**(269,689,676.46)**	**-77.9%**
Adjusted Margin % excluding Depreciation & Amortization	**1.3%**	**6.0%**		

The University of Texas System
Comparison of Adjusted Income (Loss)
For the Four Months Ending December 31, 2016

	Including Depreciation and Amortization Expense				
	December Year-to-Date FY 2017	December Year-to-Date FY 2016	Variance		Fluctuation Percentage
U. T. System Administration	$ (339,756,884.85) (1)	$ (311,215,257.48)	(28,541,627.37)		-9.2%
U. T. Arlington	2,536,227.59	10,386,954.36	(7,850,726.77)	(2)	-75.6%
U. T. Austin	56,869,060.29	82,228,622.49	(25,359,562.20)	(3)	-30.8%
U. T. Dallas	(3,810,923.31)	3,316,315.27	(7,127,238.58)	(4)	-214.9%
U. T. El Paso	(7,083,549.01)	(4,653,915.94)	(2,429,633.07)	(5)	-52.2%
U. T. Permian Basin	(882,025.01) (6)	(919,651.27)	37,626.26		4.1%
U. T. Rio Grande Valley	801,410.16	7,017,696.21	(6,216,286.05)	(7)	-88.6%
U. T. San Antonio	(3,361,753.73)	2,936,889.43	(6,298,643.16)	(8)	-214.5%
U. T. Tyler	(2,595,192.53) (9)	(2,509,511.25)	(85,681.28)		-3.4%
U. T. Southwestern Medical Center	32,814,809.12	48,041,182.56	(15,226,373.44)	(10)	-31.7%
U. T. Medical Branch - Galveston	(1,597,948.35)	55,450.50	(1,653,398.85)	(11)	-2,981.8%
U. T. Health Science Center - Houston	6,259,336.87	20,449,877.34	(14,190,540.47)	(12)	-69.4%
U. T. Health Science Center - San Antonio	6,065,431.93	13,609,728.04	(7,544,296.11)	(13)	-55.4%
U. T. M. D. Anderson Cancer Center	(23,205,601.58)	164,087,298.03	(187,292,899.61)	(14)	-114.1%
U. T. Health Science Center - Tyler	(6,293,371.92) (15)	(7,115,260.95)	821,889.03		11.6%
Elimination of AUF Transfer	(101,287,628.67)	(97,104,000.00)	(4,183,628.67)		-4.3%
Total Adjusted Income (Loss)	(384,528,603.00)	(71,387,582.66)	(313,141,020.34)		-438.6%
Investment Gains (Losses)	393,543,082.35	(721,725,817.44)	1,115,268,899.79		154.5%
Total Adjusted Income (Loss) with Investment Gains (Losses) Including Depreciation and Amortization	**$ 9,014,479.35**	**$ (793,113,400.10)**	**$ 802,127,879.45**		**101.1%**

	Excluding Depreciation and Amortization Expense			
	December Year-to-Date FY 2017	December Year-to-Date FY 2016	Variance	Fluctuation Percentage
U. T. System Administration	$ (333,772,325.90)	$ (305,088,723.53)	(28,683,602.37)	-9.4%
U. T. Arlington	19,035,291.59	25,645,938.38	(6,610,646.79)	-25.8%
U. T. Austin	149,202,393.62	167,228,622.49	(18,026,228.87)	-10.8%
U. T. Dallas	20,692,540.67	23,103,577.73	(2,411,037.06)	-10.4%
U. T. El Paso	3,228,703.62	5,811,055.08	(2,582,351.46)	-44.4%
U. T. Permian Basin	3,774,720.03	3,735,348.73	39,371.30	1.1%
U. T. Rio Grande Valley	13,840,227.13	19,303,508.72	(5,463,281.59)	-28.3%
U. T. San Antonio	12,653,715.20	18,842,057.73	(6,188,342.53)	-32.8%
U. T. Tyler	2,404,807.47	2,028,823.23	375,984.24	18.5%
U. T. Southwestern Medical Center	86,983,454.78	100,451,541.11	(13,468,086.33)	-13.4%
U. T. Medical Branch - Galveston	48,488,324.36	35,482,588.11	13,005,736.25	36.7%
U. T. Health Science Center - Houston	26,678,334.52	40,940,373.48	(14,262,038.96)	-34.8%
U. T. Health Science Center - San Antonio	23,398,765.26	31,276,394.71	(7,877,629.45)	-25.2%
U. T. M. D. Anderson Cancer Center	103,464,110.58	277,929,452.14	(174,465,341.56)	-62.8%
U. T. Health Science Center - Tyler	(2,395,343.14)	(3,506,790.53)	1,111,447.39	31.7%
Elimination of AUF Transfer	(101,287,628.67)	(97,104,000.00)	(4,183,628.67)	-4.3%
Total Adjusted Income (Loss)	76,390,091.12	346,079,767.58	(269,689,676.46)	-77.9%
Total Adjusted Income (Loss) Excluding Depreciation and Amortization	**$ 76,390,091.12**	**$ 346,079,767.58**	**$ (269,689,676.46)**	**-77.9%**

THE UNIVERSITY OF TEXAS SYSTEM
EXPLANATION OF VARIANCES ON THE MONTHLY FINANCIAL REPORT
For the Four Months Ending December 31, 2016

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* incurred a year-to-date loss of $339.8 million primarily as a result of an accrual of $235.7 million for other postemployment benefits (OPEB) expense and an accrual of $83.4 million for pension expense for the entire *U. T. System* for the first four months of 2017. Also contributing to the loss was a decrease in sponsored program revenue received for the 2016-2017 biennium for the Joint Admission Medical Program as it was all recognized in 2016. Excluding depreciation and amortization expense, *U. T. System Administration's* adjusted loss was $333.8 million or -291.4% of revenues. *U. T. System Administration* anticipates ending the year with a $1.0 billion loss, -330.5% of projected revenues, which includes $18.0 million of depreciation and amortization expense, as well as a $707.0 million accrual for OPEB and a $250.3 million accrual for pension expense.

(2) *U. T. Arlington* - The $7.9 million (75.6%) decrease in adjusted income over the same period last year was primarily attributable to an increase in other contracted services due to increased expenses for the Accelerated Online Programs. Excluding depreciation and amortization expense, *U. T. Arlington's* adjusted income was $19.0 million or 9.2% of revenues.

(3) *U. T. Austin* - The $25.4 million (30.8%) decrease in adjusted income over the same period last year was primarily attributable to an increase in salaries and wages and payroll related costs. Also contributing to the variance was an increase in other contracted services due to costs related to the hiring of a new baseball coach and the cancellation of the agreement with Aspire Marketing. Excluding depreciation and amortization expense, *U. T. Austin's* adjusted income was $149.2 million or 14.9% of revenues.

(4) *U. T. Dallas* - The $7.1 million (214.9%) decrease in adjusted income over the same period last year was primarily attributable to the following: a decrease in nonexchange sponsored programs as a result of a reduction in the Texas Research Incentive Program funds received in 2017; an increase in depreciation and amortization expense as a result of the addition of new buildings and infrastructure; and an increase in interest expense on capital asset financings due to debt issued for the new Engineering Building. As a result of these factors, *U. T. Dallas* incurred a year-to-date loss of $3.8 million. Excluding depreciation and amortization expense, *U. T. Dallas'* adjusted income was $20.7 million or 10.1% of revenues. *U. T. Dallas* anticipates ending the year with an $11.7 million loss, -1.9% of projected revenues, which includes $73.5 million of depreciation and amortization expense.

(5) *U. T. El Paso* - The $2.4 million (52.2%) increase in adjusted loss over the same period last year was primarily attributable to an increase in salaries and wages and payroll related costs largely due to a 2% merit increase for faculty and staff implemented in 2017. As a result, *U. T. El Paso* incurred a year-to-date loss of $7.1 million. Other factors contributing to the loss include 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 new buildings and enhanced research infrastructure. Excluding depreciation and amortization expense, *U. T. El Paso's* adjusted income was $3.2 million or 2.4% of revenues. *U. T. El Paso* anticipates ending the year with an $11.0 million loss, -2.5% of projected revenues, which includes $33.8 million of depreciation and amortization expense. *U. T. El Paso* is continuing measures to reduce spending, including a hiring freeze on positions that are not mission critical, utility savings efforts, and other cost savings measures.

(6) *U. T. Permian Basin* incurred a year-to-date loss of $0.9 million primarily due to the following: an increase in salaries and wages and payroll related costs; an increase in materials and supplies as a result of noncapital furnishings purchased for the new residence/dining hall and the Student Success Center; and an increase in other contracted services due to increased payments to Chartwells for dining services and increased support for the Wagner Noel Performing Arts Center. Excluding depreciation and amortization expense, *U. T. Permian Basin's* adjusted income was $3.8 million or 12.2% of revenues. *U. T. Permian Basin* anticipates ending the year with an $8.6 million loss, -10.1% of projected revenues, which includes $14.8 million of depreciation and amortization expense.

(7) *U. T. Rio Grande Valley* - The $6.2 million (88.6%) 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 one-time merit payments in 2017 and an increase in the number of full-time equivalents. In addition, other contracted services increased due to increased expenses for the new School of Medicine and the Pharr San Juan Alamo Independent School District Early Head Start Center. Materials and supplies also increased as a result of increased expenses for the new School of Medicine, the Mathematics and Science Academy, the library, Blackboard Managed Hosting Storage, new student orientation, information technology and noncapital facility renovations. Excluding depreciation and amortization expense, *U. T. Rio Grande Valley's* adjusted income was $13.8 million or 9.8% of revenues.

(8) *U. T. San Antonio* - The $6.3 million (214.5%) decrease in adjusted income over the same period last year was primarily due to following: an increase in salaries and wages and payroll related costs; an increase in utilities due to rate increases in electricity, natural gas, and water; and an increase in interest expense on capital asset financings due to debt issued for athletic projects, fire and

safety renovations, and network upgrades, as well as the new Science and Engineering Building. Repairs and maintenance also increased due to maintenance performed on various classrooms, grounds, vehicles and equipment. As a result, *U. T. San Antonio* incurred a year-to-date loss of $3.4 million. Excluding depreciation and amortization expense, *U. T. San Antonio's* adjusted income was $12.7 million or 7.3% of revenues. *U. T. San Antonio* anticipates ending the year with an $11.8 million loss, -2.3% of projected revenues, which includes $48.0 million of depreciation and amortization expense.

(9) *U. T. Tyler* incurred a year-to-date loss of $2.6 million primarily due to the following: an increase in salaries and wages and payroll related costs driven by merit increases and an increase in the number of full-time equivalents; an increase in interest expense on capital asset financings due to debt issued for the new STEM Business Building; an increase in depreciation and amortization expense related to the new Pharmacy Building; and a decrease in gift contributions for operations as a result of one-time gifts received in 2016. Excluding depreciation and amortization expense, *U. T. Tyler's* adjusted income was $2.4 million or 5.0% of revenues. *U. T. Tyler* anticipates ending the year with an $8.0 million loss, -5.7% of projected revenues, which includes $15.0 million of depreciation and amortization expense.

(10) *U. T. Southwestern Medical Center* - The $15.2 million (31.7%) decrease in adjusted income over the same period last year was primarily attributable to a decrease in gift contributions for operations as a result of a $20.0 million gift received in 2016 with no such comparable gift in 2017. Excluding depreciation and amortization, *Southwestern's* adjusted income was $87.0 million or 9.5% of projected revenues.

(11) *U. T. Medical Branch - Galveston* - The $1.7 million (2,981.8%) decrease in adjusted income over the same period last year was primarily attributable to the following: an increase in salaries and wages and payroll related costs; an increase in depreciation and amortization expense mainly due to the completion of the Jennie Sealy Hospital and League City Campus Hospital, as well as software upgrades which were place into service; and an increase in interest expense on capital asset financings due to debt issued for the Jennie Sealy Hospital. Excluding depreciation and amortization, *UTMB's* adjusted income was $48.5 million or 7.1% of revenues. *UTMB* anticipates ending the year with a $7.2 million loss which represents -0.3% of projected revenues and includes $159.8 million of depreciation and amortization expense.

(12) *U. T. Health Science Center - Houston* – The $14.2 million (69.4%) 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 numerous positions to accommodate the planned growth of the physician practice plan. Excluding depreciation and amortization expense, *UTHSC-Houston's* adjusted income was $26.7 million or 5.1% of revenues.

(13) *U. T. Health Science Center - San Antonio* - The $7.5 million (55.4%) decrease in adjusted income over the same period last year was primarily due to an increase in salaries and wages and payroll related costs. In addition, interest expense on capital asset financings increased due to debt issued to acquire the Professional Administrative Resource Center and to construct a new ambulatory facility, as well as increased debt service for Tuition Revenue Bonds authorized by the Texas Legislature. Excluding depreciation and amortization expense, *UTHSC-San Antonio's* adjusted income was $23.4 million or 8.5% of revenues.

(14) *U. T. M. D. Anderson Cancer Center* – The $187.3 million (114.1%) decrease in adjusted income over the same period last year was primarily attributable to a decrease in patient revenues as a result of the implementation of the EPIC Electronic Health Record system (EHR) combined with an increase in expenses. Expenses increased primarily due to the following: salaries and wages and payroll related costs increased due to an increase in full-time employees, salary increases and increased premium sharing rates; and depreciation and amortization expense increased as a result of the completion of several large projects such as the Pavilion Building and the EPIC EHR system which were placed into service in 2016, as well as various other software projects. As a result, *M. D. Anderson* incurred a year-to-date loss of $23.2 million. Excluding depreciation and amortization expense, *M. D. Anderson's* adjusted income was $103.5 million or 7.3% of revenues. *M. D. Anderson* anticipates ending the year with a positive margin of $370.7 million as a result of an EPIC EHR post implementation strategy that will continue to focus on clinical productivity and operational efficiencies to return to normalized operations by year-end as well as a reduction in force of 1,000 nonclinical employees. This represents 8.1% of projected revenues and includes $383.1 million of depreciation and amortization expense.

(15) *U. T. Health Science Center - Tyler* incurred a year-to-date loss of $6.3 million due to an increase in salaries and wages and payroll related costs as a result of a larger employee base, accompanied by increased compensable absence expenses and premium sharing costs. Professional fees and services expense also increased due to higher usage levels of contracted physician services and new contractual expenses related to the Northeast Texas Initiative Texas Community College Consortium subcontract. Excluding depreciation and amortization expense, *UTHSC-Tyler's* adjusted loss was $2.4 million or -3.8% of revenues. *UTHSC-Tyler* anticipates ending the year with a positive margin of $2.3 million as a result of ongoing expense reduction initiatives, continued growth in clinical services with a corresponding increase in net patient revenues, and additional Delivery System Reform Incentive Payments (DSRIP) and sponsored programs revenue recognized once metrics are achieved. This represents 1.1% of projected revenues and includes $11.7 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.

MEMBERSHIP DUES - Payments for professional memberships and community organization memberships for employees.

REGISTRATION FEES/MEETINGS/CONFERENCES – Payments made for employees to attend professional conferences and meetings.

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.

FEES AND OTHER CHARGES – Payments for various fees such as estate settlements, court costs, document filing fees, 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.

ROYALTY PAYMENTS – Payments incurred for copyright and patent royalties.

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

INSURANCE COSTS/PREMIUMS – Insurance premiums and fees associated with the various self-insurance programs, including professional medical liability.

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, credit card fees, hazardous waste disposal expenses, 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, 2016

	December Year-to-Date FY 2017	December Year-to-Date FY 2016	Variance	Fluctuation Percentage
Operating Revenues				
Sponsored Programs	4,449,859.58	11,069,294.00	(6,619,434.42)	-59.8%
Net Sales and Services of Educational Activities	16,672,496.78	17,217,808.57	(545,311.79)	-3.2%
Other Operating Revenues	30,479,196.12	36,496,059.18	(6,016,863.06)	-16.5%
Total Operating Revenues	**51,601,552.48**	**64,783,161.75**	**(13,181,609.27)**	**-20.3%**
Operating Expenses				
Salaries and Wages	26,252,917.43	21,897,042.04	4,355,875.39	19.9%
Payroll Related Costs	5,608,056.47	4,759,583.68	848,472.79	17.8%
Membership Dues	275,586.96	-	275,586.96	100.0%
Registration Fees/Meetings/Conferences	152,368.46	-	152,368.46	100.0%
Professional Fees and Services	4,629,102.61	5,282,371.56	(653,268.95)	-12.4%
Other Contracted Services	5,021,061.07	9,412,219.20	(4,391,158.13)	-46.7%
Fees and Other Charges	38,179.22	-	38,179.22	100.0%
Travel	548,020.79	456,052.00	91,968.79	20.2%
Materials and Supplies	15,550,039.60	10,301,419.87	5,248,619.73	51.0%
Utilities	111,653.18	82,647.91	29,005.27	35.1%
Communications	5,591,198.46	5,071,996.91	519,201.55	10.2%
Repairs and Maintenance	6,355,836.68	8,094,332.85	(1,738,496.17)	-21.5%
Rentals and Leases	2,702,359.97	2,340,353.73	362,006.24	15.5%
Printing and Reproduction	115,899.84	536,755.14	(420,855.30)	-78.4%
Insurance Costs/Premiums	18,805,427.57	-	18,805,427.57	100.0%
Claims and Losses	5,796,373.37	2,662,024.73	3,134,348.64	117.7%
Increase in Net OPEB Obligation	235,676,724.67	222,280,885.00	13,395,839.67	6.0%
Pension Expense	83,442,131.00	70,964,922.49	12,477,208.51	17.6%
Scholarships and Fellowships	277,375.92	5,809.71	271,566.21	4,674.4%
Depreciation and Amortization	5,984,558.95	6,126,533.95	(141,975.00)	-2.3%
State Sponsored Program Pass-Through to Other State Agencies	1,004,593.19	1,000,738.67	3,854.52	0.4%
Other Operating Expenses	1,429,745.48	20,807,428.35	(19,377,682.87)	-93.1%
Total Operating Expenses	**425,369,210.89**	**392,083,117.79**	**33,286,093.10**	**8.5%**
Operating Loss	**(373,767,658.41)**	**(327,299,956.04)**	**(46,467,702.37)**	**-14.2%**
Other Nonoperating Adjustments				
State Appropriations	848,617.69	1,029,901.11	(181,283.42)	-17.6%
Nonexchange Sponsored Programs	2,143,278.37	2,145,580.50	(2,302.13)	-0.1%
Gift Contributions for Operations	637,040.82	481,048.91	155,991.91	32.4%
Net Investment Income	22,178,644.35	3,258,808.36	18,919,835.99	580.6%
Interest Expense on Capital Asset Financings	(28,929,294.67)	(21,613,729.99)	(7,315,564.68)	-33.8%
Net Other Nonoperating Adjustments	**(3,121,713.44)**	**(14,698,391.11)**	**11,576,677.67**	**78.8%**
Adjusted Income (Loss) including Depreciation & Amortization	**(376,889,371.85)**	**(341,998,347.15)**	**(34,891,024.70)**	**-10.2%**
Adjusted Margin % including Depreciation & Amortization	**-486.9%**	**-477.0%**		
Available University Fund Transfer	37,132,487.00	30,783,089.67	6,349,397.33	20.6%
Adjusted Income (Loss) with AUF Transfer	**(339,756,884.85)**	**(311,215,257.48)**	**(28,541,627.37)**	**-9.2%**
Adjusted Margin % with AUF Transfer	**-296.6%**	**-303.7%**		
Investment Gain (Losses)	466,623,520.72	(421,335,011.21)	887,958,531.93	210.7%
Adj. Inc. (Loss) with AUF Transfer & Invest. Gains (Losses)	**$126,866,635.87**	**(732,550,268.69)**	**$859,416,904.56**	**117.3%**
Adj. Margin % with AUF Transfer & Invest. Gains (Losses)	**21.8%**	**229.7%**		
Adjusted Income (Loss) with AUF Transfer excluding Depreciation & Amortization	**(333,772,325.90)**	**(305,088,723.53)**	**(28,683,602.37)**	**-9.4%**
Adjusted Margin % with AUF Transfer excluding Depreciation & Amortization	**-291.4%**	**-297.7%**		

UNAUDITED

The University of Texas at Arlington
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2016

	December Year-to-Date FY 2017	December Year-to-Date FY 2016	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition and Fees	92,011,101.97	81,728,195.32	10,282,906.65	12.6%
Sponsored Programs	21,648,018.32	21,876,952.94	(228,934.62)	-1.0%
Net Sales and Services of Educational Activities	6,439,111.91	6,418,583.45	20,528.46	0.3%
Net Auxiliary Enterprises	13,692,206.10	14,141,078.52	(448,872.42)	-3.2%
Other Operating Revenues	2,992,774.99	2,994,525.47	(1,750.48)	-0.1%
Total Operating Revenues	**136,783,213.29**	**127,159,335.70**	**9,623,877.59**	**7.6%**
Operating Expenses				
Salaries and Wages	92,971,924.64	88,966,852.71	4,005,071.93	4.5%
Payroll Related Costs	20,907,693.33	19,718,210.21	1,189,483.12	6.0%
Membership Dues	476,470.83	-	476,470.83	100.0%
Registration Fees/Meetings/Conferences	460,841.31	-	460,841.31	100.0%
Cost of Goods Sold	334.71	2,158.74	(1,824.03)	-84.5%
Professional Fees and Services	3,471,235.36	3,025,213.18	446,022.18	14.7%
Other Contracted Services	27,360,404.33	17,706,432.78	9,653,971.55	54.5%
Fees and Other Charges	354,011.54	-	354,011.54	100.0%
Travel	2,647,343.26	2,311,599.04	335,744.22	14.5%
Materials and Supplies	7,869,277.98	9,340,731.83	(1,471,453.85)	-15.8%
Utilities	3,333,355.00	3,349,596.03	(16,241.03)	-0.5%
Communications	2,498,630.82	2,377,211.86	121,418.96	5.1%
Repairs and Maintenance	2,916,151.50	2,564,320.78	351,830.72	13.7%
Rentals and Leases	1,138,317.20	1,523,488.28	(385,171.08)	-25.3%
Printing and Reproduction	897,299.46	894,350.84	2,948.62	0.3%
Royalty Payments	88,470.10	-	88,470.10	100.0%
Bad Debt Expense	66,521.95	87,883.83	(21,361.88)	-24.3%
Insurance Costs/Premiums	159,684.53	-	159,684.53	100.0%
Scholarships and Fellowships	11,875,057.20	10,931,305.71	943,751.49	8.6%
Depreciation and Amortization	16,499,064.00	15,258,984.02	1,240,079.98	8.1%
Federal Sponsored Program Pass-Through to Other State Agencies	1,545,641.92	1,360,376.22	185,265.70	13.6%
State Sponsored Program Pass-Through to Other State Agencies	44,273.48	40,926.01	3,347.47	8.2%
Other Operating Expenses	3,278,821.49	3,630,055.51	(351,234.02)	-9.7%
Total Operating Expenses	**200,860,825.94**	**183,089,697.58**	**17,771,128.36**	**9.7%**
Operating Loss	**(64,077,612.65)**	**(55,930,361.88)**	**(8,147,250.77)**	**-14.6%**
Other Nonoperating Adjustments				
State Appropriations	46,249,853.67	43,827,663.67	2,422,190.00	5.5%
Nonexchange Sponsored Programs	18,346,094.68	19,403,277.13	(1,057,182.45)	-5.4%
Gift Contributions for Operations	1,887,761.86	1,934,025.86	(46,264.00)	-2.4%
Net Investment Income	4,662,782.99	5,104,769.22	(441,986.23)	-8.7%
Interest Expense on Capital Asset Financings	(4,532,652.96)	(3,952,419.64)	(580,233.32)	-14.7%
Net Other Nonoperating Adjustments	**66,613,840.24**	**66,317,316.24**	**296,524.00**	**0.4%**
Adjusted Income (Loss) including Depreciation & Amortization	**2,536,227.59**	**10,386,954.36**	**(7,850,726.77)**	**-75.6%**
Adjusted Margin % including Depreciation & Amortization	**1.2%**	**5.3%**		
Investment Gain (Losses)	(7,785,413.98)	(2,678,913.27)	(5,106,500.71)	-190.6%
Adj. Inc. (Loss) with Investment Gains (Losses)	**(5,249,186.39)**	**7,708,041.09**	**(12,957,227.48)**	**-168.1%**
Adj. Margin % with Investment Gains (Losses)	**-2.6%**	**4.0%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**19,035,291.59**	**25,645,938.38**	**(6,610,646.79)**	**-25.8%**
Adjusted Margin % excluding Depreciation & Amortization	**9.2%**	**13.0%**		

UNAUDITED

The University of Texas at Austin
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2016

	December Year-to-Date FY 2017	December Year-to-Date FY 2016	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition and Fees	163,333,333.33	160,000,000.00	3,333,333.33	2.1%
Sponsored Programs	177,559,609.29	180,493,792.38	(2,934,183.09)	-1.6%
Net Sales and Services of Educational Activities	140,847,503.38	142,186,155.71	(1,338,652.33)	-0.9%
Net Auxiliary Enterprises	145,811,155.82	123,578,758.02	22,232,397.80	18.0%
Other Operating Revenues	5,110,341.23	2,793,442.99	2,316,898.24	82.9%
Total Operating Revenues	**632,661,943.05**	**609,052,149.10**	**23,609,793.95**	**3.9%**
Operating Expenses				
Salaries and Wages	410,154,705.81	391,249,184.19	18,905,521.62	4.8%
Payroll Related Costs	118,203,261.57	109,753,929.89	8,449,331.68	7.7%
Membership Dues	1,243,174.95	-	1,243,174.95	100.0%
Registration Fees/Meetings/Conferences	9,747,111.33	-	9,747,111.33	100.0%
Cost of Goods Sold	8,445,172.43	9,098,684.25	(653,511.82)	-7.2%
Professional Fees and Services	10,337,321.15	9,445,061.70	892,259.45	9.4%
Other Contracted Services	59,256,456.36	47,866,469.89	11,389,986.47	23.8%
Fees and Other Charges	5,170,632.21	-	5,170,632.21	100.0%
Travel	15,059,852.60	12,768,802.29	2,291,050.31	17.9%
Materials and Supplies	46,596,812.81	47,571,682.05	(974,869.24)	-2.0%
Utilities	30,867,493.45	30,217,756.55	649,736.90	2.2%
Communications	12,741,636.68	13,795,862.83	(1,054,226.15)	-7.6%
Repairs and Maintenance	21,287,883.53	25,904,948.48	(4,617,064.95)	-17.8%
Rentals and Leases	8,500,928.15	7,866,566.08	634,362.07	8.1%
Printing and Reproduction	2,824,189.67	2,932,688.40	(108,498.73)	-3.7%
Royalty Payments	1,840,990.16	-	1,840,990.16	100.0%
Bad Debt Expense	136,153.63	275,496.10	(139,342.47)	-50.6%
Insurance Costs/Premiums	404,382.53	-	404,382.53	100.0%
Scholarships and Fellowships	46,666,666.67	40,000,000.00	6,666,666.67	16.7%
Depreciation and Amortization	92,333,333.33	85,000,000.00	7,333,333.33	8.6%
Federal Sponsored Program Pass-Through to Other State Agencies	947,199.07	1,257,501.31	(310,302.24)	-24.7%
State Sponsored Program Pass-Through to Other State Agencies	136,301.40	-	136,301.40	100.0%
Other Operating Expenses	21,473,599.56	42,937,058.15	(21,463,458.59)	-50.0%
Total Operating Expenses	**924,375,259.05**	**877,941,692.16**	**46,433,566.89**	**5.3%**
Operating Loss	**(291,713,316.00)**	**(268,889,543.06)**	**(22,823,772.94)**	**-8.5%**
Other Nonoperating Adjustments				
State Appropriations	116,777,225.33	119,016,254.46	(2,239,029.13)	-1.9%
Nonexchange Sponsored Programs	14,335,577.43	14,666,666.67	(331,089.24)	-2.3%
Gift Contributions for Operations	58,283,306.77	60,202,633.06	(1,919,326.29)	-3.2%
Net Investment Income	76,691,631.33	75,296,934.88	1,394,696.45	1.9%
Interest Expense on Capital Asset Financings	(18,792,993.24)	(15,168,323.52)	(3,624,669.72)	-23.9%
Net Other Nonoperating Adjustments	**247,294,747.62**	**254,014,165.55**	**(6,719,417.93)**	**-2.6%**
Adjusted Income (Loss) including Depreciation & Amortization	**(44,418,568.38)**	**(14,875,377.51)**	**(29,543,190.87)**	**-198.6%**
Adjusted Margin % including Depreciation & Amortization	**-4.9%**	**-1.7%**		
Available University Fund Transfer	101,287,628.67	97,104,000.00	4,183,628.67	4.3%
Adjusted Income (Loss) with AUF Transfer	**56,869,060.29**	**82,228,622.49**	**(25,359,562.20)**	**-30.8%**
Adjusted Margin % with AUF Transfer	**5.7%**	**8.4%**		
Investment Gain (Losses)	(11,210,387.92)	(137,860,282.82)	126,649,894.90	91.9%
Adj. Inc. (Loss) with AUF Transfer & Invest. Gains (Losses)	**$45,658,672.37**	**(55,631,660.33)**	**$101,290,332.70**	**182.1%**
Adj. Margin % with AUF Transfer & Invest. Gains (Losses)	**4.6%**	**-6.6%**		
Adjusted Income (Loss) with AUF Transfer excluding Depreciation & Amortization	**149,202,393.62**	**167,228,622.49**	**(18,026,228.87)**	**-10.8%**
Adjusted Margin % with AUF Transfer excluding Depreciation & Amortization	**14.9%**	**17.1%**		

UNAUDITED

The University of Texas at Dallas
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2016

	December Year-to-Date FY 2017	December Year-to-Date FY 2016	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition and Fees	101,453,152.79	94,690,938.93	6,762,213.86	7.1%
Sponsored Programs	20,680,977.10	19,571,064.15	1,109,912.95	5.7%
Net Sales and Services of Educational Activities	6,524,204.09	4,677,629.52	1,846,574.57	39.5%
Net Auxiliary Enterprises	11,491,849.41	9,584,980.46	1,906,868.95	19.9%
Other Operating Revenues	1,396,347.70	1,441,345.77	(44,998.07)	-3.1%
Total Operating Revenues	**141,546,531.09**	**129,965,958.83**	**11,580,572.26**	**8.9%**
Operating Expenses				
Salaries and Wages	99,378,859.35	94,950,387.37	4,428,471.98	4.7%
Payroll Related Costs	23,637,987.09	22,241,838.32	1,396,148.77	6.3%
Membership Dues	252,647.96	-	252,647.96	100.0%
Registration Fees/Meetings/Conferences	912,399.31	-	912,399.31	100.0%
Professional Fees and Services	2,881,059.79	3,580,152.26	(699,092.47)	-19.5%
Other Contracted Services	5,389,225.94	4,696,647.51	692,578.43	14.7%
Fees and Other Charges	435,484.08	-	435,484.08	100.0%
Travel	2,379,868.17	1,918,744.62	461,123.55	24.0%
Materials and Supplies	10,553,452.90	9,792,666.64	760,786.26	7.8%
Utilities	3,487,011.00	4,443,083.65	(956,072.65)	-21.5%
Communications	500,816.27	160,738.36	340,077.91	211.6%
Repairs and Maintenance	3,011,672.23	1,619,175.64	1,392,496.59	86.0%
Rentals and Leases	2,352,707.62	2,443,263.11	(90,555.49)	-3.7%
Printing and Reproduction	650,083.81	509,630.60	140,453.21	27.6%
Royalty Payments	288,303.37	-	288,303.37	100.0%
Bad Debt Expense	21,280.00	-	21,280.00	100.0%
Insurance Costs/Premiums	3,721,187.32	-	3,721,187.32	100.0%
Scholarships and Fellowships	13,973,389.06	14,030,227.14	(56,838.08)	-0.4%
Depreciation and Amortization	24,503,463.98	19,787,262.46	4,716,201.52	23.8%
Federal Sponsored Program Pass-Through to Other State Agencies	33,532.71	10,762.88	22,769.83	211.6%
State Sponsored Program Pass-Through to Other State Agencies	42,361.19	82,218.03	(39,856.84)	-48.5%
Other Operating Expenses	1,931,348.74	7,516,291.43	(5,584,942.69)	-74.3%
Total Operating Expenses	**200,338,141.89**	**187,783,090.02**	**12,555,051.87**	**6.7%**
Operating Loss	**(58,791,610.80)**	**(57,817,131.19)**	**(974,479.61)**	**-1.7%**
Other Nonoperating Adjustments				
State Appropriations	39,672,936.33	36,874,162.73	2,798,773.60	7.6%
Nonexchange Sponsored Programs	10,168,051.84	17,559,452.00	(7,391,400.16)	-42.1%
Gift Contributions for Operations	5,000,000.00	4,333,333.33	666,666.67	15.4%
Net Investment Income	8,506,574.65	7,513,544.12	993,030.53	13.2%
Interest Expense on Capital Asset Financings	(8,366,875.33)	(5,147,045.72)	(3,219,829.61)	-62.6%
Net Other Nonoperating Adjustments	**54,980,687.49**	**61,133,446.46**	**(6,152,758.97)**	**-10.1%**
Adjusted Income (Loss) including Depreciation & Amortization	**(3,810,923.31)**	**3,316,315.27**	**(7,127,238.58)**	**-214.9%**
Adjusted Margin % including Depreciation & Amortization	**-1.9%**	**1.7%**		
Investment Gain (Losses)	(574,321.53)	(11,431,999.66)	10,857,678.13	95.0%
Adj. Inc. (Loss) with Investment Gains (Losses)	**(4,385,244.84)**	**(8,115,684.39)**	**3,730,439.55**	**46.0%**
Adj. Margin % with Investment Gains (Losses)	**-2.1%**	**-4.4%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**20,692,540.67**	**23,103,577.73**	**(2,411,037.06)**	**-10.4%**
Adjusted Margin % excluding Depreciation & Amortization	**10.1%**	**11.8%**		

UNAUDITED

The University of Texas at El Paso
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2016

	December Year-to-Date FY 2017	December Year-to-Date FY 2016	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition and Fees	42,805,196.00	38,054,544.95	4,750,651.05	12.5%
Sponsored Programs	28,467,468.20	26,370,832.81	2,096,635.39	8.0%
Net Sales and Services of Educational Activities	1,618,717.10	3,022,833.04	(1,404,115.94)	-46.5%
Net Auxiliary Enterprises	11,469,996.10	12,527,097.72	(1,057,101.62)	-8.4%
Other Operating Revenues	17,470.83	(35,033.61)	52,504.44	149.9%
Total Operating Revenues	**84,378,848.23**	**79,940,274.91**	**4,438,573.32**	**5.6%**
Operating Expenses				
Salaries and Wages	67,524,326.37	62,506,749.45	5,017,576.92	8.0%
Payroll Related Costs	19,146,580.79	15,141,966.32	4,004,614.47	26.4%
Membership Dues	478,420.12	-	478,420.12	100.0%
Registration Fees/Meetings/Conferences	272,499.41	-	272,499.41	100.0%
Professional Fees and Services	3,362,840.86	3,724,839.24	(361,998.38)	-9.7%
Other Contracted Services	3,968,344.72	4,767,443.47	(799,098.75)	-16.8%
Fees and Other Charges	1,573,610.53	-	1,573,610.53	100.0%
Travel	3,076,369.47	2,601,716.22	474,653.25	18.2%
Materials and Supplies	7,032,918.59	6,925,361.34	107,557.25	1.6%
Utilities	3,060,753.65	2,903,413.84	157,339.81	5.4%
Communications	402,072.30	500,435.47	(98,363.17)	-19.7%
Repairs and Maintenance	3,050,845.79	1,902,388.01	1,148,457.78	60.4%
Rentals and Leases	860,798.71	1,196,761.48	(335,962.77)	-28.1%
Printing and Reproduction	409,805.18	343,041.94	66,763.24	19.5%
Insurance Costs/Premiums	661,568.65	-	661,568.65	100.0%
Scholarships and Fellowships	8,148,131.02	8,336,691.28	(188,560.26)	-2.3%
Depreciation and Amortization	10,312,252.63	10,464,971.02	(152,718.39)	-1.5%
Federal Sponsored Program Pass-Through to Other State Agencies	239,629.53	1,241,163.39	(1,001,533.86)	-80.7%
Other Operating Expenses	3,094,497.93	4,754,945.09	(1,660,447.16)	-34.9%
Total Operating Expenses	**136,676,266.25**	**127,311,887.56**	**9,364,378.69**	**7.4%**
Operating Loss	**(52,297,418.02)**	**(47,371,612.65)**	**(4,925,805.37)**	**-10.4%**
Other Nonoperating Adjustments				
State Appropriations	40,392,316.00	36,955,976.00	3,436,340.00	9.3%
Nonexchange Sponsored Programs	2,795,325.75	1,981,256.99	814,068.76	41.1%
Gift Contributions for Operations	1,763,840.04	1,613,224.69	150,615.35	9.3%
Net Investment Income	4,297,282.90	4,561,034.43	(263,751.53)	-5.8%
Interest Expense on Capital Asset Financings	(4,034,895.68)	(2,393,795.40)	(1,641,100.28)	-68.6%
Net Other Nonoperating Adjustments	**45,213,869.01**	**42,717,696.71**	**2,496,172.30**	**5.8%**
Adjusted Income (Loss) including Depreciation & Amortization	**(7,083,549.01)**	**(4,653,915.94)**	**(2,429,633.07)**	**-52.2%**
Adjusted Margin % including Depreciation & Amortization	**-5.3%**	**-3.7%**		
Investment Gain (Losses)	(260,188.78)	(7,430,032.59)	7,169,843.81	96.5%
Adj. Inc. (Loss) with Investment Gains (Losses)	**(7,343,737.79)**	**(12,083,948.53)**	**4,740,210.74**	**39.2%**
Adj. Margin % with Investment Gains (Losses)	**-5.5%**	**-10.3%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**3,228,703.62**	**5,811,055.08**	**(2,582,351.46)**	**-44.4%**
Adjusted Margin % excluding Depreciation & Amortization	**2.4%**	**4.6%**		

UNAUDITED

The University of Texas of the Permian Basin
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2016

	December Year-to-Date FY 2017	December Year-to-Date FY 2016	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition and Fees	5,601,882.76	6,603,595.57	(1,001,712.81)	-15.2%
Sponsored Programs	2,021,167.41	2,769,798.32	(748,630.91)	-27.0%
Net Sales and Services of Educational Activities	189,714.14	405,346.23	(215,632.09)	-53.2%
Net Auxiliary Enterprises	3,924,249.79	1,939,771.26	1,984,478.53	102.3%
Other Operating Revenues	113,108.99	190,686.53	(77,577.54)	-40.7%
Total Operating Revenues	**11,850,123.09**	**11,909,197.91**	**(59,074.82)**	**-0.5%**
Operating Expenses				
Salaries and Wages	11,976,084.76	11,092,568.64	883,516.12	8.0%
Payroll Related Costs	3,152,045.94	2,608,032.23	544,013.71	20.9%
Membership Dues	118,327.51	-	118,327.51	100.0%
Registration Fees/Meetings/Conferences	59,289.94	-	59,289.94	100.0%
Cost of Goods Sold	-	2,646.02	(2,646.02)	-100.0%
Professional Fees and Services	1,006,889.02	420,597.04	586,291.98	139.4%
Other Contracted Services	1,570,125.75	807,873.24	762,252.51	94.4%
Fees and Other Charges	13,147.68	-	13,147.68	100.0%
Travel	619,023.05	476,286.82	142,736.23	30.0%
Materials and Supplies	2,686,480.90	1,895,599.81	790,881.09	41.7%
Utilities	722,795.75	621,991.95	100,803.80	16.2%
Communications	153,996.94	220,619.44	(66,622.50)	-30.2%
Repairs and Maintenance	286,826.69	27,971.14	258,855.55	925.4%
Rentals and Leases	240,476.40	111,918.75	128,557.65	114.9%
Printing and Reproduction	53,150.51	59,116.51	(5,966.00)	-10.1%
Royalty Payments	600.00	-	600.00	100.0%
Bad Debt Expense	1,898.85	-	1,898.85	100.0%
Insurance Costs/Premiums	162,971.98	-	162,971.98	100.0%
Scholarships and Fellowships	1,592,113.17	2,429,030.49	(836,917.32)	-34.5%
Depreciation and Amortization	4,656,745.04	4,655,000.00	1,745.04	-
Federal Sponsored Program Pass-Through to Other State Agencies	(45,152.53)	(44,024.12)	(1,128.41)	-2.6%
Other Operating Expenses	(59,631.52)	392,522.22	(452,153.74)	-115.2%
Total Operating Expenses	**28,968,205.83**	**25,777,750.18**	**3,190,455.65**	**12.4%**
Operating Loss	**(17,118,082.74)**	**(13,868,552.27)**	**(3,249,530.47)**	**-23.4%**
Other Nonoperating Adjustments				
State Appropriations	14,004,884.00	12,048,561.33	1,956,322.67	16.2%
Nonexchange Sponsored Programs	3,310,175.92	863,747.88	2,446,428.04	283.2%
Gift Contributions for Operations	917,420.61	496,801.61	420,619.00	84.7%
Net Investment Income	770,428.60	1,310,297.82	(539,869.22)	-41.2%
Interest Expense on Capital Asset Financings	(2,766,851.40)	(1,770,507.64)	(996,343.76)	-56.3%
Net Other Nonoperating Adjustments	**16,236,057.73**	**12,948,901.00**	**3,287,156.73**	**25.4%**
Adjusted Income (Loss) including Depreciation & Amortization	**(882,025.01)**	**(919,651.27)**	**37,626.26**	**4.1%**
Adjusted Margin % including Depreciation & Amortization	**-2.9%**	**-3.5%**		
Investment Gain (Losses)	82,158.26	(1,494,737.84)	1,576,896.10	105.5%
Adj. Inc. (Loss) with Investment Gains (Losses)	**(799,866.75)**	**(2,414,389.11)**	**1,614,522.36**	**66.9%**
Adj. Margin % with Investment Gains (Losses)	**-2.6%**	**-9.6%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**3,774,720.03**	**3,735,348.73**	**39,371.30**	**1.1%**
Adjusted Margin % excluding Depreciation & Amortization	**12.2%**	**14.0%**		

UNAUDITED

The University of Texas Rio Grande Valley
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2016

	December Year-to-Date FY 2017	December Year-to-Date FY 2016	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition and Fees	38,876,181.35	39,113,271.00	(237,089.65)	-0.6%
Sponsored Programs	30,546,125.63	27,001,222.12	3,544,903.51	13.1%
Net Sales and Services of Educational Activities	2,394,049.39	2,146,246.77	247,802.62	11.5%
Net Professional Fees	1,727,669.43	-	1,727,669.43	100.0%
Net Auxiliary Enterprises	4,402,260.44	2,926,855.73	1,475,404.71	50.4%
Other Operating Revenues	4,604,781.65	460,953.99	4,143,827.66	899.0%
Total Operating Revenues	**82,551,067.89**	**71,648,549.61**	**10,902,518.28**	**15.2%**
Operating Expenses				
Salaries and Wages	71,850,260.44	64,949,419.40	6,900,841.04	10.6%
Payroll Related Costs	20,690,828.50	16,826,746.13	3,864,082.37	23.0%
Membership Dues	503,207.23	-	503,207.23	100.0%
Registration Fees/Meetings/Conferences	224,558.80	-	224,558.80	100.0%
Cost of Goods Sold	97,288.53	139,098.38	(41,809.85)	-30.1%
Professional Fees and Services	435,131.32	407,190.40	27,940.92	6.9%
Other Contracted Services	6,466,799.90	1,919,781.75	4,547,018.15	236.9%
Fees and Other Charges	865,078.32	-	865,078.32	100.0%
Travel	2,067,408.46	2,047,644.87	19,763.59	1.0%
Materials and Supplies	6,249,068.74	3,245,728.20	3,003,340.54	92.5%
Utilities	2,571,401.36	2,848,708.74	(277,307.38)	-9.7%
Communications	224,099.65	54,429.88	169,669.77	311.7%
Repairs and Maintenance	2,970,329.09	1,952,895.85	1,017,433.24	52.1%
Rentals and Leases	1,808,963.98	1,548,911.54	260,052.44	16.8%
Printing and Reproduction	203,725.64	206,291.32	(2,565.68)	-1.2%
Bad Debt Expense	14,593.34	4,700.38	9,892.96	210.5%
Insurance Costs/Premiums	160,749.33	-	160,749.33	100.0%
Scholarships and Fellowships	5,530,757.18	8,350,179.44	(2,819,422.26)	-33.8%
Depreciation and Amortization	13,038,816.97	12,285,812.51	753,004.46	6.1%
Federal Sponsored Program Pass-Through to Other State Agencies	214,576.20	86,865.11	127,711.09	147.0%
Other Operating Expenses	1,737,231.31	2,198,921.69	(461,690.38)	-21.0%
Total Operating Expenses	**137,924,874.29**	**119,073,325.59**	**18,851,548.70**	**15.8%**
Operating Loss	**(55,373,806.40)**	**(47,424,775.98)**	**(7,949,030.42)**	**-16.8%**
Other Nonoperating Adjustments				
State Appropriations	52,549,146.67	51,375,239.00	1,173,907.67	2.3%
Nonexchange Sponsored Programs	1,329,711.96	2,037,785.41	(708,073.45)	-34.7%
Gift Contributions for Operations	2,796,636.24	932,117.76	1,864,518.48	200.0%
Net Investment Income	2,540,901.25	2,203,277.94	337,623.31	15.3%
Interest Expense on Capital Asset Financings	(3,041,179.56)	(2,105,947.92)	(935,231.64)	-44.4%
Net Other Nonoperating Adjustments	**56,175,216.56**	**54,442,472.19**	**1,732,744.37**	**3.2%**
Adjusted Income (Loss) including Depreciation & Amortization	**801,410.16**	**7,017,696.21**	**(6,216,286.05)**	**-88.6%**
Adjusted Margin % including Depreciation & Amortization	**0.6%**	**5.5%**		
Investment Gain (Losses)	(1,426,891.66)	(1,811,600.18)	384,708.52	21.2%
Adj. Inc. (Loss) with Investment Gains (Losses)	**(625,481.50)**	**5,206,096.03**	**(5,831,577.53)**	**-112.0%**
Adj. Margin % with Investment Gains (Losses)	**-0.4%**	**4.1%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**13,840,227.13**	**19,303,508.72**	**(5,463,281.59)**	**-28.3%**
Adjusted Margin % excluding Depreciation & Amortization	**9.8%**	**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, 2016

	December Year-to-Date FY 2017	December Year-to-Date FY 2016	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition and Fees	64,627,445.07	63,391,447.92	1,235,997.15	1.9%
Sponsored Programs	24,287,711.66	19,922,671.52	4,365,040.14	21.9%
Net Sales and Services of Educational Activities	3,681,939.95	4,912,855.40	(1,230,915.45)	-25.1%
Net Auxiliary Enterprises	14,672,299.83	15,071,303.43	(399,003.60)	-2.6%
Other Operating Revenues	1,789,355.67	1,426,292.44	363,063.23	25.5%
Total Operating Revenues	**109,058,752.18**	**104,724,570.71**	**4,334,181.47**	**4.1%**
Operating Expenses				
Salaries and Wages	83,449,080.01	78,982,112.37	4,466,967.64	5.7%
Payroll Related Costs	21,863,658.96	20,535,349.22	1,328,309.74	6.5%
Membership Dues	357,752.18	-	357,752.18	100.0%
Registration Fees/Meetings/Conferences	353,953.42	-	353,953.42	100.0%
Cost of Goods Sold	133,333.33	133,333.36	(0.03)	-
Professional Fees and Services	2,203,985.51	2,102,546.13	101,439.38	4.8%
Other Contracted Services	4,542,127.01	4,963,281.65	(421,154.64)	-8.5%
Fees and Other Charges	369,660.79	-	369,660.79	100.0%
Travel	3,696,727.94	3,311,762.55	384,965.39	11.6%
Materials and Supplies	8,486,191.04	11,011,491.49	(2,525,300.45)	-22.9%
Utilities	4,200,695.33	2,958,115.67	1,242,579.66	42.0%
Communications	1,108,275.60	1,005,782.70	102,492.90	10.2%
Repairs and Maintenance	3,126,214.77	2,265,818.39	860,396.38	38.0%
Rentals and Leases	678,331.48	763,146.36	(84,814.88)	-11.1%
Printing and Reproduction	452,879.20	401,687.88	51,191.32	12.7%
Royalty Payments	3,333.33	-	3,333.33	100.0%
Bad Debt Expense	67,003.10	78,400.94	(11,397.84)	-14.5%
Insurance Costs/Premiums	91,924.06	-	91,924.06	100.0%
Scholarships and Fellowships	16,593,474.20	14,546,741.01	2,046,733.19	14.1%
Depreciation and Amortization	16,015,468.93	15,905,168.30	110,300.63	0.7%
Federal Sponsored Program Pass-Through to Other State Agencies	460,729.80	347,360.42	113,369.38	32.6%
Other Operating Expenses	3,727,190.29	5,056,325.55	(1,329,135.26)	-26.3%
Total Operating Expenses	**171,981,990.28**	**164,368,423.99**	**7,613,566.29**	**4.6%**
Operating Loss	**(62,923,238.10)**	**(59,643,853.28)**	**(3,279,384.82)**	**-5.5%**
Other Nonoperating Adjustments				
State Appropriations	41,658,029.33	41,696,127.33	(38,098.00)	-0.1%
Nonexchange Sponsored Programs	16,324,500.00	17,083,315.00	(758,815.00)	-4.4%
Gift Contributions for Operations	2,666,666.67	2,666,666.67	-	-
Net Investment Income	4,662,190.09	6,041,232.39	(1,379,042.30)	-22.8%
Interest Expense on Capital Asset Financings	(5,749,901.72)	(4,906,598.68)	(843,303.04)	-17.2%
Net Other Nonoperating Adjustments	**59,561,484.37**	**62,580,742.71**	**(3,019,258.34)**	**-4.8%**
Adjusted Income (Loss) including Depreciation & Amortization	**(3,361,753.73)**	**2,936,889.43**	**(6,298,643.16)**	**-214.5%**
Adjusted Margin % including Depreciation & Amortization	**-1.9%**	**1.7%**		
Investment Gain (Losses)	9,085,255.39	(10,541,164.59)	19,626,419.98	186.2%
Adj. Inc. (Loss) with Investment Gains (Losses)	**5,723,501.66**	**(7,604,275.16)**	**13,327,776.82**	**175.3%**
Adj. Margin % with Investment Gains (Losses)	**3.1%**	**-4.7%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**12,653,715.20**	**18,842,057.73**	**(6,188,342.53)**	**-32.8%**
Adjusted Margin % excluding Depreciation & Amortization	**7.3%**	**10.9%**		

UNAUDITED

The University of Texas at Tyler
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2016

	December Year-to-Date FY 2017	December Year-to-Date FY 2016	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition and Fees	15,551,600.00	13,549,239.92	2,002,360.08	14.8%
Sponsored Programs	3,455,765.54	3,818,906.46	(363,140.92)	-9.5%
Net Sales and Services of Educational Activities	5,307,289.99	3,498,527.46	1,808,762.53	51.7%
Net Auxiliary Enterprises	2,971,332.00	2,827,804.00	143,528.00	5.1%
Other Operating Revenues	59,548.77	196,143.92	(136,595.15)	-69.6%
Total Operating Revenues	**27,345,536.30**	**23,890,621.76**	**3,454,914.54**	**14.5%**
Operating Expenses				
Salaries and Wages	23,862,253.23	22,460,963.87	1,401,289.36	6.2%
Payroll Related Costs	6,245,473.63	5,351,511.53	893,962.10	16.7%
Membership Dues	109,570.97	-	109,570.97	100.0%
Registration Fees/Meetings/Conferences	112,476.79	-	112,476.79	100.0%
Cost of Goods Sold	5,545.43	7,341.29	(1,795.86)	-24.5%
Professional Fees and Services	1,014,226.41	722,464.35	291,762.06	40.4%
Other Contracted Services	2,443,089.07	2,038,904.11	404,184.96	19.8%
Fees and Other Charges	101,667.73	-	101,667.73	100.0%
Travel	648,289.95	662,047.02	(13,757.07)	-2.1%
Materials and Supplies	3,036,106.16	3,374,698.85	(338,592.69)	-10.0%
Utilities	804,060.19	769,585.08	34,475.11	4.5%
Communications	239,207.43	179,508.44	59,698.99	33.3%
Repairs and Maintenance	972,171.25	909,646.98	62,524.27	6.9%
Rentals and Leases	171,676.21	231,019.10	(59,342.89)	-25.7%
Printing and Reproduction	384,017.64	508,669.69	(124,652.05)	-24.5%
Insurance Costs/Premiums	51,341.92	-	51,341.92	100.0%
Scholarships and Fellowships	2,099,408.00	892,701.56	1,206,706.44	135.2%
Depreciation and Amortization	5,000,000.00	4,538,334.48	461,665.52	10.2%
Other Operating Expenses	845,486.83	1,315,009.69	(469,522.86)	-35.7%
Total Operating Expenses	**48,146,068.84**	**43,962,406.04**	**4,183,662.80**	**9.5%**
Operating Loss	**(20,800,532.54)**	**(20,071,784.28)**	**(728,748.26)**	**-3.6%**
Other Nonoperating Adjustments				
State Appropriations	14,834,888.00	13,282,016.00	1,552,872.00	11.7%
Nonexchange Sponsored Programs	3,711,760.00	3,294,836.00	416,924.00	12.7%
Gift Contributions for Operations	607,339.16	963,853.76	(356,514.60)	-37.0%
Net Investment Income	1,460,772.57	1,344,661.03	116,111.54	8.6%
Interest Expense on Capital Asset Financings	(2,409,419.72)	(1,323,093.76)	(1,086,325.96)	-82.1%
Net Other Nonoperating Adjustments	**18,205,340.01**	**17,562,273.03**	**643,066.98**	**3.7%**
Adjusted Income (Loss) including Depreciation & Amortization	**(2,595,192.53)**	**(2,509,511.25)**	**(85,681.28)**	**-3.4%**
Adjusted Margin % including Depreciation & Amortization	**-5.4%**	**-5.9%**		
Investment Gain (Losses)	(395,850.03)	(2,486,580.92)	2,090,730.89	84.1%
Adj. Inc. (Loss) with Investment Gains (Losses)	**(2,991,042.56)**	**(4,996,092.17)**	**2,005,049.61**	**40.1%**
Adj. Margin % with Investment Gains (Losses)	**-6.3%**	**-12.4%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**2,404,807.47**	**2,028,823.23**	**375,984.24**	**18.5%**
Adjusted Margin % excluding Depreciation & Amortization	**5.0%**	**4.7%**		

UNAUDITED

The University of Texas Southwestern Medical Center
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2016

	December Year-to-Date FY 2017	December Year-to-Date FY 2016	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition and Fees	7,865,897.20	7,575,771.73	290,125.47	3.8%
Sponsored Programs	191,646,749.52	187,581,220.43	4,065,529.09	2.2%
Net Sales and Services of Educational Activities	4,227,973.15	4,360,371.78	(132,398.63)	-3.0%
Net Sales and Services of Hospitals	361,079,448.26	353,114,026.61	7,965,421.65	2.3%
Net Professional Fees	204,601,890.21	175,392,642.33	29,209,247.88	16.7%
Net Auxiliary Enterprises	10,362,037.00	10,157,190.55	204,846.45	2.0%
Other Operating Revenues	21,046,011.18	20,658,369.43	387,641.75	1.9%
Total Operating Revenues	**800,830,006.52**	**758,839,592.86**	**41,990,413.66**	**5.5%**
Operating Expenses				
Salaries and Wages	460,274,969.33	426,930,310.49	33,344,658.84	7.8%
Payroll Related Costs	121,282,255.49	111,524,550.88	9,757,704.61	8.7%
Membership Dues	1,404,067.36	-	1,404,067.36	100.0%
Registration Fees/Meetings/Conferences	1,897,517.82	-	1,897,517.82	100.0%
Cost of Goods Sold	2,538,022.33	2,339,620.37	198,401.96	8.5%
Professional Fees and Services	19,494,107.05	22,353,726.41	(2,859,619.36)	-12.8%
Other Contracted Services	39,983,474.57	43,520,858.65	(3,537,384.08)	-8.1%
Fees and Other Charges	2,267,673.96	-	2,267,673.96	100.0%
Travel	4,127,940.03	4,131,423.84	(3,483.81)	-0.1%
Materials and Supplies	137,734,358.33	122,499,747.71	15,234,610.62	12.4%
Utilities	7,781,935.74	8,870,980.18	(1,089,044.44)	-12.3%
Communications	4,708,736.48	3,923,764.38	784,972.10	20.0%
Repairs and Maintenance	5,606,490.70	4,408,711.62	1,197,779.08	27.2%
Rentals and Leases	3,033,112.53	2,716,251.29	316,861.24	11.7%
Printing and Reproduction	732,961.89	967,907.20	(234,945.31)	-24.3%
Royalty Payments	796,466.40	-	796,466.40	100.0%
Insurance Costs/Premiums	764,384.88	-	764,384.88	100.0%
Scholarships and Fellowships	616,810.08	455,186.75	161,623.33	35.5%
Depreciation and Amortization	54,168,645.66	52,410,358.55	1,758,287.11	3.4%
Federal Sponsored Program Pass-Through to Other State Agencies	563,347.12	872,022.07	(308,674.95)	-35.4%
Other Operating Expenses	(2,111,430.57)	17,361,177.86	(19,472,608.43)	-112.2%
Total Operating Expenses	**867,665,847.18**	**825,286,598.25**	**42,379,248.93**	**5.1%**
Operating Loss	**(66,835,840.66)**	**(66,447,005.39)**	**(388,835.27)**	**-0.6%**
Other Nonoperating Adjustments				
State Appropriations	64,510,631.00	61,916,599.00	2,594,032.00	4.2%
Gift Contributions for Operations	947,903.77	29,210,039.93	(28,262,136.16)	-96.8%
Net Investment Income	45,395,535.53	33,563,599.42	11,831,936.11	35.3%
Interest Expense on Capital Asset Financings	(11,203,420.52)	(10,202,050.40)	(1,001,370.12)	-9.8%
Net Other Nonoperating Adjustments	**99,650,649.78**	**114,488,187.95**	**(14,837,538.17)**	**-13.0%**
Adjusted Income (Loss) including Depreciation & Amortization	**32,814,809.12**	**48,041,182.56**	**(15,226,373.44)**	**-31.7%**
Adjusted Margin % including Depreciation & Amortization	**3.6%**	**5.4%**		
Investment Gain (Losses)	(20,542,423.42)	(61,272,771.52)	40,730,348.10	66.5%
Adj. Inc. (Loss) with Investment Gains (Losses)	**12,272,385.70**	**(13,231,588.96)**	**25,503,974.66**	**192.8%**
Adj. Margin % with Investment Gains (Losses)	**1.4%**	**-1.6%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**86,983,454.78**	**100,451,541.11**	**(13,468,086.33)**	**-13.4%**
Adjusted Margin % excluding Depreciation & Amortization	**9.5%**	**11.4%**		

UNAUDITED

The University of Texas Medical Branch at Galveston
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2016

	December Year-to-Date FY 2017	December Year-to-Date FY 2016	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition and Fees	13,207,868.23	12,467,620.23	740,248.00	5.9%
Sponsored Programs	61,054,855.24	59,814,351.14	1,240,504.10	2.1%
Net Sales and Services of Educational Activities	7,265,446.81	5,895,506.86	1,369,939.95	23.2%
Net Sales and Services of Hospitals	364,930,316.31	329,196,351.65	35,733,964.66	10.9%
Net Professional Fees	64,235,716.14	56,118,505.54	8,117,210.60	14.5%
Net Auxiliary Enterprises	3,986,596.31	3,115,615.45	870,980.86	28.0%
Other Operating Revenues	23,223,305.21	19,353,538.88	3,869,766.33	20.0%
Total Operating Revenues	**537,904,104.25**	**485,961,489.75**	**51,942,614.50**	**10.7%**
Operating Expenses				
Salaries and Wages	342,783,185.66	317,285,307.66	25,497,878.00	8.0%
Payroll Related Costs	92,167,235.60	84,673,390.80	7,493,844.80	8.9%
Membership Dues	707,403.94	-	707,403.94	100.0%
Registration Fees/Meetings/Conferences	951,740.00	-	951,740.00	100.0%
Cost of Goods Sold	31,737,218.29	29,394,233.10	2,342,985.19	8.0%
Professional Fees and Services	12,247,054.40	11,309,366.77	937,687.63	8.3%
Other Contracted Services	38,129,588.81	38,423,539.53	(293,950.72)	-0.8%
Fees and Other Charges	412,436.99	-	412,436.99	100.0%
Travel	2,664,601.79	2,617,065.35	47,536.44	1.8%
Materials and Supplies	50,975,546.51	49,854,492.19	1,121,054.32	2.2%
Utilities	12,250,052.52	12,716,139.40	(466,086.88)	-3.7%
Communications	3,398,965.13	3,267,384.90	131,580.23	4.0%
Repairs and Maintenance	15,240,527.47	16,085,430.90	(844,903.43)	-5.3%
Rentals and Leases	8,736,113.24	8,809,760.52	(73,647.28)	-0.8%
Printing and Reproduction	475,603.71	527,543.26	(51,939.55)	-9.8%
Royalty Payments	800,199.91	-	800,199.91	100.0%
Insurance Costs/Premiums	3,586,540.09	-	3,586,540.09	100.0%
Scholarships and Fellowships	4,129,844.08	2,952,884.56	1,176,959.52	39.9%
Depreciation and Amortization	50,086,272.71	35,427,137.61	14,659,135.10	41.4%
Federal Sponsored Program Pass-Through to Other State Agencies	136,889.07	166,463.64	(29,574.57)	-17.8%
Other Operating Expenses	4,653,024.73	8,728,118.69	(4,075,093.96)	-46.7%
Total Operating Expenses	**676,270,044.65**	**622,238,258.88**	**54,031,785.77**	**8.7%**
Operating Loss	**(138,365,940.40)**	**(136,276,769.13)**	**(2,089,171.27)**	**-1.5%**
Other Nonoperating Adjustments				
State Appropriations	125,023,748.17	120,540,641.10	4,483,107.07	3.7%
Nonexchange Sponsored Programs	339,761.00	398,969.20	(59,208.20)	-14.8%
Gift Contributions for Operations	3,286,909.08	2,827,289.29	459,619.79	16.3%
Net Investment Income	15,342,353.48	15,034,177.08	308,176.40	2.0%
Interest Expense on Capital Asset Financings	(7,224,779.68)	(2,468,857.04)	(4,755,922.64)	-192.6%
Net Other Nonoperating Adjustments	**136,767,992.05**	**136,332,219.63**	**435,772.42**	**0.3%**
Adjusted Income (Loss) including Depreciation & Amortization	**(1,597,948.35)**	**55,450.50**	**(1,653,398.85)**	**-2,981.8%**
Adjusted Margin % including Depreciation & Amortization	**-0.2%**	**-**		
Investment Gain (Losses)	(3,699,721.15)	(18,722,501.28)	15,022,780.13	80.2%
Adj. Inc. (Loss) with Investment Gains (Losses)	**(5,297,669.50)**	**(18,667,050.78)**	**13,369,381.28**	**71.6%**
Adj. Margin % with Investment Gains (Losses)	**-0.8%**	**-3.1%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**48,488,324.36**	**35,482,588.11**	**13,005,736.25**	**36.7%**
Adjusted Margin % excluding Depreciation & Amortization	**7.1%**	**5.7%**		

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, 2016

	December Year-to-Date FY 2017	December Year-to-Date FY 2016	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition and Fees	19,954,212.83	18,889,864.87	1,064,347.96	5.6%
Sponsored Programs	239,669,958.34	234,510,013.63	5,159,944.71	2.2%
Net Sales and Services of Educational Activities	11,114,707.13	12,507,083.04	(1,392,375.91)	-11.1%
Net Sales and Services of Hospitals	23,373,170.32	25,779,686.54	(2,406,516.22)	-9.3%
Net Professional Fees	116,680,455.79	111,645,942.82	5,034,512.97	4.5%
Net Auxiliary Enterprises	9,437,165.24	9,300,969.91	136,195.33	1.5%
Other Operating Revenues	5,410,339.52	4,157,975.29	1,252,364.23	30.1%
Total Operating Revenues	**425,640,009.17**	**416,791,536.10**	**8,848,473.07**	**2.1%**
Operating Expenses				
Salaries and Wages	303,128,891.10	275,303,857.18	27,825,033.92	10.1%
Payroll Related Costs	62,209,702.68	58,955,235.74	3,254,466.94	5.5%
Membership Dues	496,985.00	-	496,985.00	100.0%
Registration Fees/Meetings/Conferences	940,641.00	-	940,641.00	100.0%
Cost of Goods Sold	6,807,058.12	8,469,200.96	(1,662,142.84)	-19.6%
Professional Fees and Services	21,351,111.66	24,025,469.45	(2,674,357.79)	-11.1%
Other Contracted Services	26,101,845.25	25,403,395.76	698,449.49	2.7%
Fees and Other Charges	4,090,053.00	-	4,090,053.00	100.0%
Travel	3,814,459.99	3,537,262.33	277,197.66	7.8%
Materials and Supplies	18,872,245.64	19,009,533.46	(137,287.82)	-0.7%
Utilities	5,809,670.72	5,773,480.29	36,190.43	0.6%
Communications	2,180,730.51	1,861,923.02	318,807.49	17.1%
Repairs and Maintenance	4,883,210.83	5,046,911.72	(163,700.89)	-3.2%
Rentals and Leases	11,560,559.45	11,516,086.99	44,472.46	0.4%
Printing and Reproduction	2,163,284.81	2,010,184.29	153,100.52	7.6%
Royalty Payments	622,222.00	-	622,222.00	100.0%
Insurance Costs/Premiums	2,801,875.00	-	2,801,875.00	100.0%
Scholarships and Fellowships	1,515,624.21	2,217,951.90	(702,327.69)	-31.7%
Depreciation and Amortization	20,418,997.65	20,490,496.14	(71,498.49)	-0.3%
Federal Sponsored Program Pass-Through to Other State Agencies	2,076,560.76	2,024,206.42	52,354.34	2.6%
Other Operating Expenses	5,985,968.10	13,564,942.23	(7,578,974.13)	-55.9%
Total Operating Expenses	**507,831,697.48**	**479,210,137.88**	**28,621,559.60**	**6.0%**
Operating Loss	**(82,191,688.31)**	**(62,418,601.78)**	**(19,773,086.53)**	**-31.7%**
Other Nonoperating Adjustments				
State Appropriations	72,277,060.33	68,282,357.96	3,994,702.37	5.9%
Nonexchange Sponsored Programs	34,648.21	66,593.00	(31,944.79)	-48.0%
Gift Contributions for Operations	9,161,387.22	7,310,072.87	1,851,314.35	25.3%
Net Investment Income	11,730,597.66	10,839,266.53	891,331.13	8.2%
Interest Expense on Capital Asset Financings	(4,752,668.24)	(3,629,811.24)	(1,122,857.00)	-30.9%
Net Other Nonoperating Adjustments	**88,451,025.18**	**82,868,479.12**	**5,582,546.06**	**6.7%**
Adjusted Income (Loss) including Depreciation & Amortization	**6,259,336.87**	**20,449,877.34**	**(14,190,540.47)**	**-69.4%**
Adjusted Margin % including Depreciation & Amortization	**1.2%**	**4.1%**		
Investment Gain (Losses)	(4,759,208.14)	(18,200,989.88)	13,441,781.74	73.9%
Adj. Inc. (Loss) with Investment Gains (Losses)	**1,500,128.73**	**2,248,887.46**	**(748,758.73)**	**-33.3%**
Adj. Margin % with Investment Gains (Losses)	**0.3%**	**0.5%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**26,678,334.52**	**40,940,373.48**	**(14,262,038.96)**	**-34.8%**
Adjusted Margin % excluding Depreciation & Amortization	**5.1%**	**8.1%**		

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, 2016

	December Year-to-Date FY 2017	December Year-to-Date FY 2016	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition and Fees	13,474,659.33	12,838,925.67	635,733.66	5.0%
Sponsored Programs	96,759,252.64	100,379,347.55	(3,620,094.91)	-3.6%
Net Sales and Services of Educational Activities	8,064,462.46	8,427,358.68	(362,896.22)	-4.3%
Net Professional Fees	59,939,329.72	62,462,310.49	(2,522,980.77)	-4.0%
Net Auxiliary Enterprises	1,762,105.97	1,762,107.17	(1.20)	-
Other Operating Revenues	3,369,666.23	4,197,728.18	(828,061.95)	-19.7%
Total Operating Revenues	**183,369,476.35**	**190,067,777.74**	**(6,698,301.39)**	**-3.5%**
Operating Expenses				
Salaries and Wages	146,572,752.29	139,997,432.55	6,575,319.74	4.7%
Payroll Related Costs	38,567,694.58	36,741,297.00	1,826,397.58	5.0%
Membership Dues	1,465,074.75	-	1,465,074.75	100.0%
Registration Fees/Meetings/Conferences	2,498,122.45	-	2,498,122.45	100.0%
Professional Fees and Services	7,676,595.82	7,236,672.78	439,923.04	6.1%
Other Contracted Services	4,769,899.17	6,200,080.87	(1,430,181.70)	-23.1%
Fees and Other Charges	711,977.87	-	711,977.87	100.0%
Travel	1,598,736.82	1,495,604.83	103,131.99	6.9%
Materials and Supplies	14,464,951.88	14,117,609.13	347,342.75	2.5%
Utilities	6,192,230.00	6,198,856.00	(6,626.00)	-0.1%
Communications	5,446,534.57	3,262,233.97	2,184,300.60	67.0%
Repairs and Maintenance	2,409,385.87	1,830,612.29	578,773.58	31.6%
Rentals and Leases	1,503,166.72	1,934,826.59	(431,659.87)	-22.3%
Printing and Reproduction	722,418.20	545,347.71	177,070.49	32.5%
Royalty Payments	15,562.01	-	15,562.01	100.0%
Insurance Costs/Premiums	319,145.56	-	319,145.56	100.0%
Scholarships and Fellowships	3,574,133.99	2,545,705.17	1,028,428.82	40.4%
Depreciation and Amortization	17,333,333.33	17,666,666.67	(333,333.34)	-1.9%
Federal Sponsored Program Pass-Through to Other State Agencies	583,333.33	516,666.67	66,666.66	12.9%
Other Operating Expenses	7,587,144.70	12,193,445.09	(4,606,300.39)	-37.8%
Total Operating Expenses	**264,012,193.91**	**252,483,057.32**	**11,529,136.59**	**4.6%**
Operating Loss	**(80,642,717.56)**	**(62,415,279.58)**	**(18,227,437.98)**	**-29.2%**
Other Nonoperating Adjustments				
State Appropriations	57,865,588.00	56,206,379.33	1,659,208.67	3.0%
Nonexchange Sponsored Programs	416,666.67	433,333.33	(16,666.66)	-3.8%
Gift Contributions for Operations	19,242,620.68	9,595,327.61	9,647,293.07	100.5%
Net Investment Income	13,064,438.70	12,527,591.63	536,847.07	4.3%
Interest Expense on Capital Asset Financings	(3,881,164.56)	(2,737,624.28)	(1,143,540.28)	-41.8%
Net Other Nonoperating Adjustments	**86,708,149.49**	**76,025,007.62**	**10,683,141.87**	**14.1%**
Adjusted Income (Loss) including Depreciation & Amortization	**6,065,431.93**	**13,609,728.04**	**(7,544,296.11)**	**-55.4%**
Adjusted Margin % including Depreciation & Amortization	**2.2%**	**5.1%**		
Investment Gain (Losses)	(3,227,808.59)	(23,215,099.41)	19,987,290.82	86.1%
Adj. Inc. (Loss) with Investment Gains (Losses)	**2,837,623.34**	**(9,605,371.37)**	**12,442,994.71**	**129.5%**
Adj. Margin % with Investment Gains (Losses)	**1.0%**	**-3.9%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**23,398,765.26**	**31,276,394.71**	**(7,877,629.45)**	**-25.2%**
Adjusted Margin % excluding Depreciation & Amortization	**8.5%**	**11.6%**		

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, 2016

	December Year-to-Date FY 2017	December Year-to-Date FY 2016	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition and Fees	1,417,317.43	536,673.68	880,643.75	164.1%
Sponsored Programs	103,548,583.25	96,795,264.11	6,753,319.14	7.0%
Net Sales and Services of Educational Activities	960,131.97	907,279.55	52,852.42	5.8%
Net Sales and Services of Hospitals	985,867,313.38	1,108,916,721.32	(123,049,407.94)	-11.1%
Net Professional Fees	130,002,848.13	138,249,731.53	(8,246,883.40)	-6.0%
Net Auxiliary Enterprises	14,773,469.91	14,012,694.35	760,775.56	5.4%
Other Operating Revenues	27,049,860.91	29,341,421.97	(2,291,561.06)	-7.8%
Total Operating Revenues	**1,263,619,524.98**	**1,388,759,786.51**	**(125,140,261.53)**	**-9.0%**
Operating Expenses				
Salaries and Wages	649,149,956.95	613,818,280.22	35,331,676.73	5.8%
Payroll Related Costs	190,536,829.50	175,912,288.19	14,624,541.31	8.3%
Membership Dues	2,088,231.25	-	2,088,231.25	100.0%
Registration Fees/Meetings/Conferences	1,364,390.29	-	1,364,390.29	100.0%
Cost of Goods Sold	690,398.62	965,947.39	(275,548.77)	-28.5%
Professional Fees and Services	53,210,160.48	63,756,128.85	(10,545,968.37)	-16.5%
Other Contracted Services	41,874,808.67	44,097,656.45	(2,222,847.78)	-5.0%
Fees and Other Charges	5,000,792.79	-	5,000,792.79	100.0%
Travel	6,651,319.32	11,051,425.41	(4,400,106.09)	-39.8%
Materials and Supplies	278,016,604.77	276,128,981.20	1,887,623.57	0.7%
Utilities	15,524,653.33	15,218,845.63	305,807.70	2.0%
Communications	4,712,550.84	3,366,496.80	1,346,054.04	40.0%
Repairs and Maintenance	36,662,335.77	31,488,312.16	5,174,023.61	16.4%
Rentals and Leases	14,742,069.65	14,711,338.16	30,731.49	0.2%
Printing and Reproduction	1,826,523.43	1,594,122.47	232,400.96	14.6%
Royalty Payments	246,114.91	-	246,114.91	100.0%
Insurance Costs/Premiums	2,814,331.90	-	2,814,331.90	100.0%
Scholarships and Fellowships	1,363,079.80	1,911,410.88	(548,331.08)	-28.7%
Depreciation and Amortization	126,669,712.16	113,842,154.11	12,827,558.05	11.3%
Federal Sponsored Program Pass-Through to Other State Agencies	19,329.52	101,455.63	(82,126.11)	-80.9%
State Sponsored Program Pass-Through to Other State Agencies	552,365.42	178,213.22	374,152.20	209.9%
Other Operating Expenses	3,728,525.68	11,298,736.16	(7,570,210.48)	-67.0%
Total Operating Expenses	**1,437,445,085.05**	**1,379,441,792.93**	**58,003,292.12**	**4.2%**
Operating Loss	**(173,825,560.07)**	**9,317,993.58**	**(183,143,553.65)**	**-1,965.5%**
Other Nonoperating Adjustments				
State Appropriations	69,765,964.43	67,334,312.96	2,431,651.47	3.6%
Nonexchange Sponsored Programs	1,211,499.88	1,495,987.88	(284,488.00)	-19.0%
Gift Contributions for Operations	52,235,534.23	61,079,677.20	(8,844,142.97)	-14.5%
Net Investment Income	39,288,804.75	36,176,660.81	3,112,143.94	8.6%
Interest Expense on Capital Asset Financings	(11,881,844.80)	(11,317,334.40)	(564,510.40)	-5.0%
Net Other Nonoperating Adjustments	**150,619,958.49**	**154,769,304.45**	**(4,149,345.96)**	**-2.7%**
Adjusted Income (Loss) including Depreciation & Amortization	**(23,205,601.58)**	**164,087,298.03**	**(187,292,899.61)**	**-114.1%**
Adjusted Margin % including Depreciation & Amortization	**-1.6%**	**10.6%**		
Investment Gain (Losses)	(28,344,428.01)	(1,492,578.33)	(26,851,849.68)	-1,799.0%
Adj. Inc. (Loss) with Investment Gains (Losses)	**(51,550,029.59)**	**162,594,719.70**	**(214,144,749.29)**	**-131.7%**
Adj. Margin % with Investment Gains (Losses)	**-3.7%**	**10.5%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**103,464,110.58**	**277,929,452.14**	**(174,465,341.56)**	**-62.8%**
Adjusted Margin % excluding Depreciation & Amortization	**7.3%**	**17.9%**		

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, 2016

	December Year-to-Date FY 2017	December Year-to-Date FY 2016	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition and Fees	32,016.32	44,803.22	(12,786.90)	-28.5%
Sponsored Programs	9,561,001.58	8,272,766.67	1,288,234.91	15.6%
Net Sales and Services of Educational Activities	1,089,520.08	661,652.59	427,867.49	64.7%
Net Sales and Services of Hospitals	20,196,452.18	17,808,923.82	2,387,528.36	13.4%
Net Professional Fees	6,401,422.72	4,730,361.06	1,671,061.66	35.3%
Net Auxiliary Enterprises	71,484.72	88,427.58	(16,942.86)	-19.2%
Other Operating Revenues	5,965,590.77	5,018,219.63	947,371.14	18.9%
Total Operating Revenues	**43,317,488.37**	**36,625,154.57**	**6,692,333.80**	**18.3%**
Operating Expenses				
Salaries and Wages	33,129,265.53	31,201,234.66	1,928,030.87	6.2%
Payroll Related Costs	10,561,660.12	8,800,256.16	1,761,403.96	20.0%
Membership Dues	97,023.41	-	97,023.41	100.0%
Registration Fees/Meetings/Conferences	124,408.91	-	124,408.91	100.0%
Cost of Goods Sold	40,135.74	59,566.26	(19,430.52)	-32.6%
Professional Fees and Services	4,557,855.91	3,168,904.77	1,388,951.14	43.8%
Other Contracted Services	3,609,129.63	3,695,688.34	(86,558.71)	-2.3%
Fees and Other Charges	314,093.92	-	314,093.92	100.0%
Travel	276,947.61	223,850.74	53,096.87	23.7%
Materials and Supplies	7,730,575.96	7,595,368.07	135,207.89	1.8%
Utilities	753,108.96	613,823.00	139,285.96	22.7%
Communications	371,926.65	391,974.03	(20,047.38)	-5.1%
Repairs and Maintenance	2,171,206.23	1,709,147.72	462,058.51	27.0%
Rentals and Leases	586,279.28	356,499.22	229,780.06	64.5%
Printing and Reproduction	26,791.94	18,769.66	8,022.28	42.7%
Insurance Costs/Premiums	61,032.33	-	61,032.33	100.0%
Scholarships and Fellowships	33,576.32	44,888.22	(11,311.90)	-25.2%
Depreciation and Amortization	3,898,028.78	3,608,470.42	289,558.36	8.0%
Federal Sponsored Program Pass-Through to Other State Agencies	130,746.36	77,680.44	53,065.92	68.3%
Other Operating Expenses	787,332.09	1,271,988.32	(484,656.23)	-38.1%
Total Operating Expenses	**69,261,125.68**	**62,838,110.03**	**6,423,015.65**	**10.2%**
Operating Loss	**(25,943,637.31)**	**(26,212,955.46)**	**269,318.15**	**1.0%**
Other Nonoperating Adjustments				
State Appropriations	18,601,529.01	17,945,759.33	655,769.68	3.7%
Gift Contributions for Operations	291,652.74	203,203.62	88,449.12	43.5%
Net Investment Income	1,371,687.76	1,389,962.80	(18,275.04)	-1.3%
Interest Expense on Capital Asset Financings	(614,604.12)	(441,231.24)	(173,372.88)	-39.3%
Net Other Nonoperating Adjustments	**19,650,265.39**	**19,097,694.51**	**552,570.88**	**2.9%**
Adjusted Income (Loss) including Depreciation & Amortization	**(6,293,371.92)**	**(7,115,260.95)**	**821,889.03**	**11.6%**
Adjusted Margin % including Depreciation & Amortization	**-9.9%**	**-12.7%**		
Investment Gain (Losses)	(21,208.81)	(1,751,553.94)	1,730,345.13	98.8%
Adj. Inc. (Loss) with Investment Gains (Losses)	**(6,314,580.73)**	**(8,866,814.89)**	**2,552,234.16**	**28.8%**
Adj. Margin % with Investment Gains (Losses)	**-9.9%**	**-16.3%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**(2,395,343.14)**	**(3,506,790.53)**	**1,111,447.39**	**31.7%**
Adjusted Margin % excluding Depreciation & Amortization	**-3.8%**	**-6.2%**		

3. U. T. System: Report on the Analysis of Financial Condition for Fiscal Year 2016

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 2012 through Fiscal Year 2016.

REPORT

The 2016 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 146 - 202. U. T. El Paso's rating was downgraded from "Satisfactory" to "Watch" as a result of a downward trend in the financial condition over the past several years. U. T. Permian Basin's rating was maintained as “Watch” for Fiscal Year 2016. U. T. Rio Grande Valley was not rated as Fiscal Year 2016 was the first year of operations and there are no historical trends or meaningful analysis that can be performed. With the exception of U. T. El Paso and U. T. Permian Basin, all of the other U. T. System institution's ratings were “Satisfactory” for Fiscal Year 2016.

2016 Analysis of Financial Condition

February 2017

U. T. System Office of the Controller

December 2016

The University of Texas System
2016 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 <u>only</u>.
- *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. El Paso's rating was downgraded to "Watch" for 2016 as a result of a downward trend in the financial condition over the past several years. U. T. El Paso incurred operating deficits during the past four years, and the operating expense coverage ratio fell below the System's benchmark of 2.0 months for the past two years. The operating expense coverage ratio of 1.6 months was the second lowest of all the U. T. institutions in 2016.

U. T. Permian Basin's rating was maintained as "Watch" for 2016. U. T. Permian Basin incurred operating deficits during the past four years. The operating expense coverage ratio increased by 0.4 months to 0.9 months in 2016, but is still below the System's benchmark of 2.0 months and was the lowest operating expense coverage ratio of all the U. T. institutions.

While UTHSC-Tyler's rating remained "Satisfactory," there is still concern over UTHSC-Tyler's core operations. Although UTHSC-Tyler's annual operating margin remained positive in 2016, it is important to note the sizeable impact net Delivery System Reform Incentive Payments (DSRIP) had on UTHSC-Tyler's operating results. If the net DSRIP revenue had not been recognized in 2016, UTHSC-Tyler's annual operating deficit would have been ($18.0) million or (10.7%). UTHSC-Tyler is working diligently to improve the margin from core operations by the time DSRIP is expected expire in fiscal year 2017.

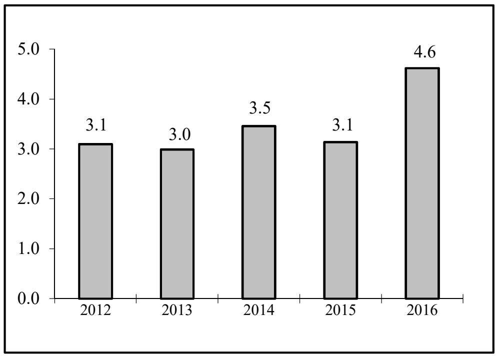
Given that 2016 is the first year of operations for U. T. Rio Grande Valley, which became operational on September 1, 2015, there are no historical trends or meaningful analysis that can be performed on the ratios analyzed. Therefore, U. T. Rio Grande Valley was not rated for 2016. The accounting merger of U. T. Brownsville and U. T. Pan American, which created U. T. Rio Grande Valley, combined the 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 enrolled 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 remained 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 was abolished by the System's Board of Regents effective August 31, 2016.

With the exception of U. T. El Paso and U. T. Permian Basin, all of the other U. T. institutions' ratings were "Satisfactory" for 2016. The operating expense coverage ratios for the institutions rated "Satisfactory" were above the System's benchmark of 2.0 months. The majority of the institutions rated as "Satisfactory" also reported positive operating margins.

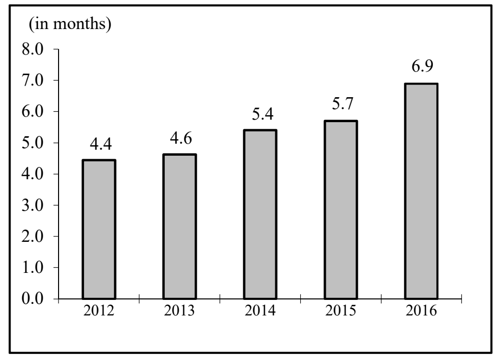
The University of Texas at Arlington
2016 Summary of Financial Condition

Financial Condition: **Satisfactory**

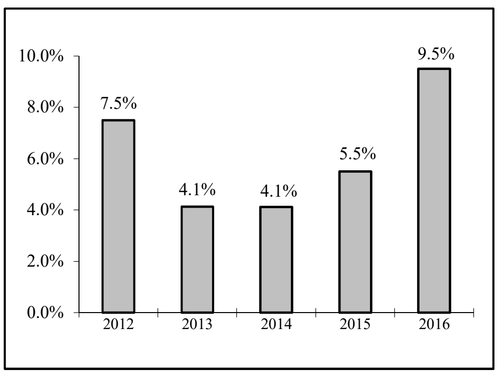
Composite Financial Index



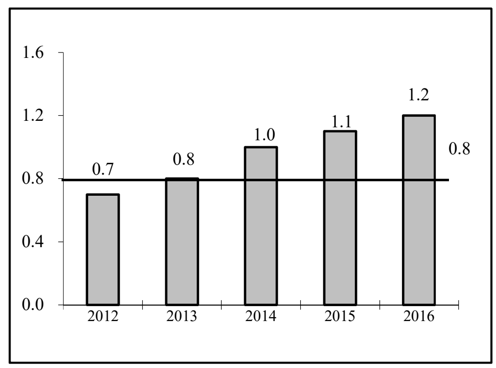
Operating Expense Coverage Ratio



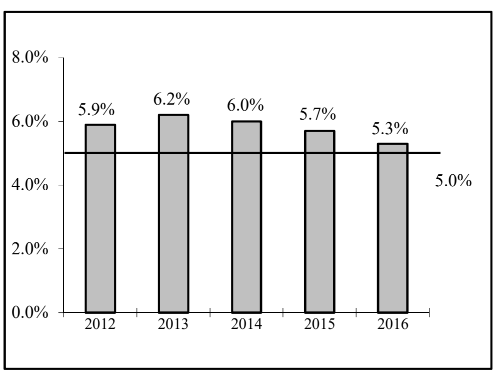
Annual Operating Margin Ratio



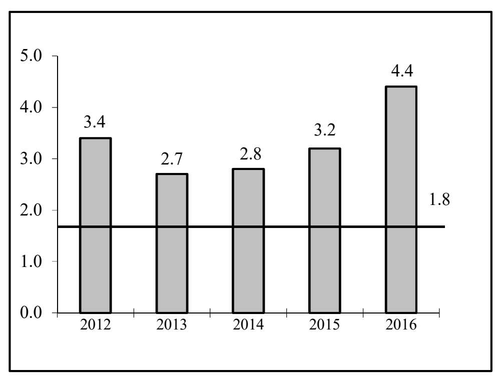
Expendable Resources to Debt Ratio



Debt Burden Ratio

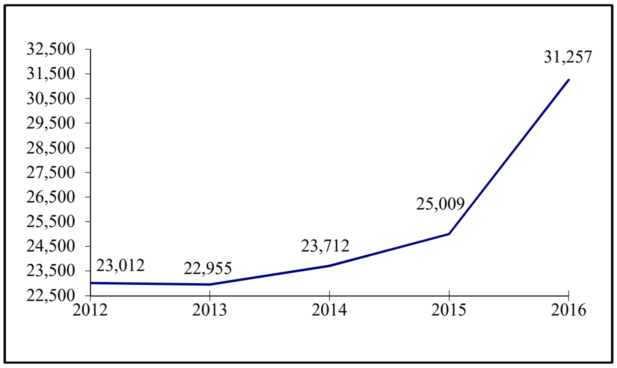


Debt Service Coverage Ratio



The University of Texas at Arlington
2016 Summary of Financial Condition

Full-time Equivalent
Student Enrollment - Fall



Composite Financial Index (CFI) - U. T. Arlington's CFI increased from 3.1 in 2015 to 4.6 in 2016 as a result of increases in all four core ratios. The increase in the return on net position ratio was primarily driven by the activity in designated funds, as discussed below, as well as an increase in the amount of bond proceeds transferred to U. T. Arlington from U. T. System for capital projects. The increase in the primary reserve ratio was a result of the growth in total unrestricted net position, as discussed below. The increase in the annual operating margin ratio and expendable resources to debt ratio are also discussed below.

Operating Expense Coverage Ratio - U. T. Arlington's operating expense coverage ratio increased from 5.7 months in 2015 to 6.9 months in 2016 due to the growth in total unrestricted net position of $74.1 million. The increase in total unrestricted net position was primarily attributable to the increase in operating activity in designated funds, which was largely driven by a $40.3 million increase in net tuition and fees resulting from a 6.1% increase in enrollment and increases in the non-resident tuition and guaranteed tuition of 4%. Additionally, an increase in the fair value of investments allocated to designated funds of $3.5 million in 2016 as compared to a net decrease of ($14.0) million in 2015 also contributed to the increase.

Annual Operating Margin Ratio - U. T. Arlington's annual operating margin ratio increased from 5.5% for 2015 to 9.5% for 2016 as the growth in total operating revenues of $69.2 million outpaced the growth in total operating expenses (including interest expense) of $40.0 million. The increase in total operating revenues was primarily due to the following: a $40.3 million increase in net tuition and fees, as discussed above; an $11.9 million increase in sponsored programs revenue (including nonexchange sponsored programs) largely attributable to an increase of $6.8 million in Texas Research Incentive Program funding over the prior year, as well as an increase in federal and federal pass through sponsored programs from new faculty recruits for Kinesiology and Mechanical and Aerospace Engineering, state pass through awards from TxDOT, private sponsored programs, and Pell Grants and FSEOG federal non-exchange sponsored programs; a $9.6 million increase in state appropriations; a $4.9 million increase in auxiliary enterprises revenue driven by increases in dormitory and meal receipts, revenue from the College Park Center, ground leases and increases in parking revenue; a $2.0 million increase in other operating revenues due to funds received from U. T. System Administration to offset expenses for Surge efforts related to PeopleSoft; and a $1.9 million increase in investment income (excluding realized gains/losses and including the GEF transfer). Total operating expenses increased primarily due to the following: a $24.2 million increase in salaries and wages and payroll related costs as a result of merit increases and corresponding increases in payroll related costs and premium sharing, as well as the correction of a conversion entry after PeopleSoft was implemented for retiree premium sharing; a $4.0 million increase in depreciation and amortization expense due to additions to buildings of $18.0 million, including renovations to existing buildings of $13.0 million and new construction of $5.0 million; a $2.9 million increase in materials and supplies resulting from increases in noncapitalized expenses for furnishings and equipment, computer software, online subscriptions and controlled computer equipment; a $2.8 million increase in scholarships and fellowships related to graduate tuition assistance scholarships, Federal Supplemental Educational Opportunity Grants and institutional scholarships including Texas Public Education Grants; a $2.8 million increase in other operating expenses generated by an increase in federal pass-through expenses to non-state entities; a $2.4 million increase in professional fees and services primarily attributable to increases in computer services and information technology consultants for computer operations, educational training expenses, and other professional services; and a $2.2 million increase in other contracted services related to an increase in student service expenses for Accelerated Online Programs.

Expendable Resources to Debt Ratio - U. T. Arlington's expendable resources to debt ratio increased from 1.1 in 2015 to 1.2 in 2016. The increase in this ratio was attributable to the growth in total unrestricted net position of $74.1 million, as discussed above, which was partially offset by an increase of $39.1 million in the amount of debt outstanding for the Science and Engineering Innovation and Research building.

Debt Burden Ratio - U. T. Arlington's debt burden ratio decreased from 5.7% in 2015 to 5.3% in 2016 as a result of a decline in debt service payments combined with the increase in total operating expenses as previously discussed.

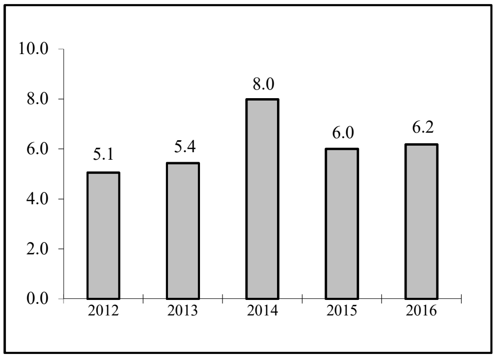
Debt Service Coverage Ratio - U. T. Arlington's debt service coverage ratio increased from 3.2 in 2015 to 4.4 in 2016. The increase in this ratio was a result of the improved operating performance as discussed in the annual operating margin ratio along with the decrease in debt service payments.

Full-Time Equivalent (FTE) Student Enrollment - U. T. Arlington's FTE student enrollment increased as a result of overall enrollment growth.

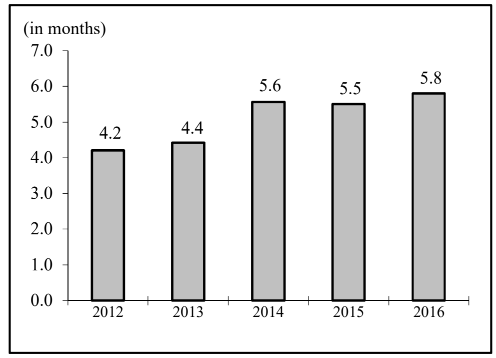
The University of Texas at Austin
2016 Summary of Financial Condition

Financial Condition: **Satisfactory**

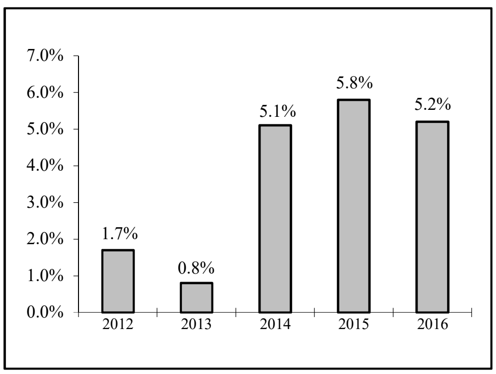
Composite Financial Index



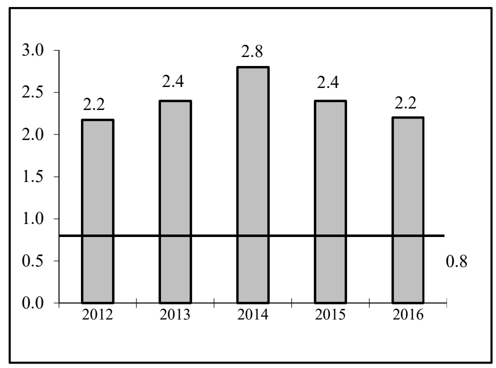
Operating Expense Coverage Ratio



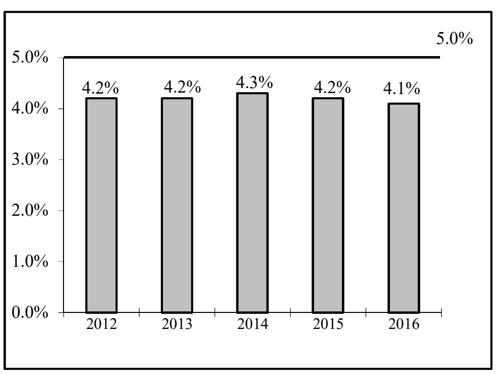
Annual Operating Margin Ratio



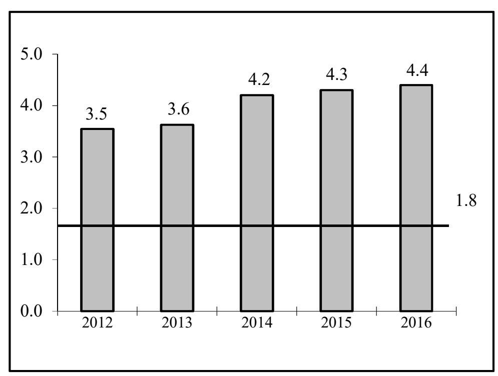
Expendable Resources to Debt Ratio



Debt Burden Ratio

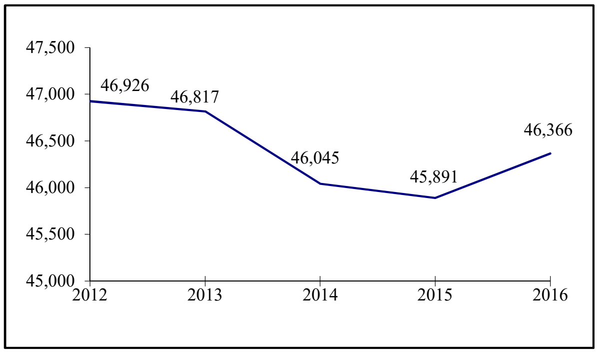


Debt Service Coverage Ratio



The University of Texas at Austin
2016 Summary of Financial Condition

Full-time Equivalent Student Enrollment - Fall



Composite Financial Index (CFI) - U. T. Austin's CFI increased from 6.0 in 2015 to 6.2 in 2016 was primarily due to an increase in the return on net position ratio, which was partially offset by a decrease in the expendable resources to debt ratio. The increase in the return on net position ratio was largely attributable to the amount of bond proceeds transferred to U. T. Austin for capital projects as well as an increase in educational and general funds and designated funds 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 increased from 5.5 months in 2015 to 5.8 months in 2016 due to an increase of $120.0 million in total unrestricted net position. The growth in total unrestricted net position was primarily driven by the activity in educational and general funds and designated funds, including an increase in the transfer from the Available University Fund (AUF) for operations and for the new Dell Medical School, an increase in state appropriations and increases in the fair value of investments allocated to these fund groups, combined with an increase in unrestricted funding intended for capital projects.

Annual Operating Margin Ratio - U. T. Austin's annual operating margin ratio decreased from 5.8% for 2015 to 5.2% for 2016 as a result of the growth in total operating expenses (including interest expense) of $123.9 million exceeding the growth in total operating revenues of $112.7 million. The increase in total operating expenses was primarily attributable to the following: a $71.5 million increase in salaries and wages and payroll related costs due to the implementation of a merit-based salary increase policy to attract and retain faculty and staff; a $19.0 million increase in depreciation and amortization expense resulting from the completion of several assets within the Medical District, as well as newly purchased computers for the Texas Advanced Computing Center; a $10.3 million increase in materials and supplies attributable to an increase in software costs related to the Administrative Systems Modernization Program (ASMP) Workday software conversion and changes in the reporting of electronic library resources; a $9.1 million increase in other contracted services due to the ASMP Workday conversion project and Service Now implementations; a $9.1 million increase in state sponsored program pass-throughs to other state agencies as a result of the transfer of Darrell K. Royal Alzheimer's funds and OnRamps Program revenue pass-through expense to Texas Tech University; and a $6.0 million increase in repairs and maintenance generated by room renovations at the AT&T Executive Education and Conference Center, multi-residence hall project for heating, ventillation and air conditioning maintenance, and the demolition and related projects for the Printing & Press Building. Total operating revenues increased primarily due to the following: a $51.1 million increase in sponsored programs revenue (including nonexchange sponsored programs) generated largely by the reclassification of Central Health funds received for the Dell Medical School from sales and services of educational activities, which decreased $42.1 million, to local nonexchange sponsored programs, combined with an overall increase in federal activity; a $33.6 million increase in state appropriations; a $29.4 million increase in the transfer from the AUF; a $26.6 million increase in gifts for operations as a result of a large increase in foundation gifts related to the law school combined with the receipt of $15.0 million in new gift pledges; and an $8.3 million increase in net auxiliary enterprises revenue driven by an increase in athletic ticket sales and prices.

Expendable Resources to Debt Ratio - U. T. Austin's expendable resources to debt ratio decreased from 2.4 in 2015 to 2.2 in 2016. The decrease in this ratio was attributable to an increase of $161.6 million in the amount of debt outstanding related to the Dell Medical School, Rowling Hall, the Engineering Education and Research Center and the Welch Hall renovation.

Debt Burden Ratio - U. T. Austin's debt burden ratio decreased from 4.2% in 2015 to 4.1% in 2016 due to the increase in total operating expenses discussed above.

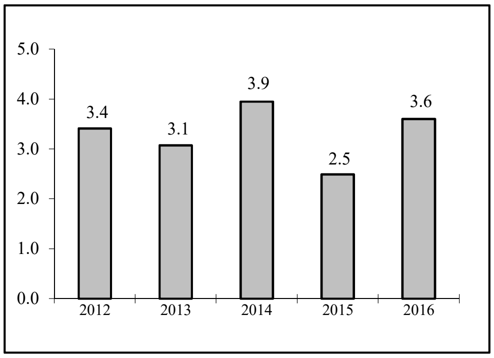
Debt Service Coverage Ratio - U. T. Austin's debt service coverage ratio increased from 4.3 in 2015 to 4.4 in 2016. The increase in this ratio was attributable to the increase in normalized investment income used in the calculation of this ratio only.

Full-Time Equivalent (FTE) Student Enrollment - U. T. Austin's FTE student enrollment experienced an overall increase due to an increase in undergraduate enrollment. The fall 2016 semester had a 549 student increase from fall 2015.

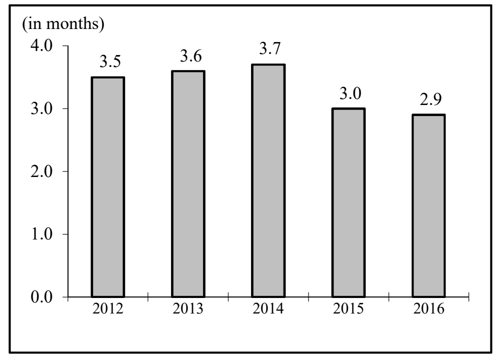
The University of Texas at Dallas
2016 Summary of Financial Condition

Financial Condition: **Satisfactory**

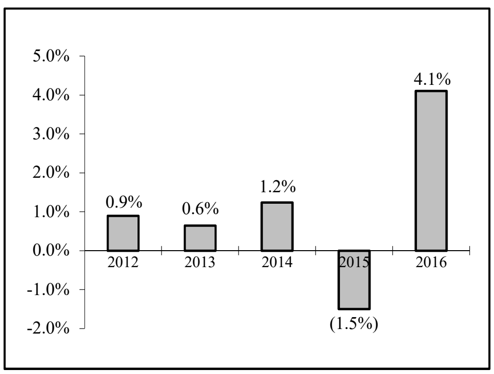
Composite Financial Index



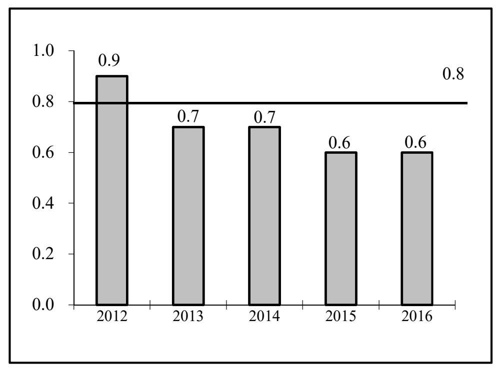
Operating Expense Coverage Ratio



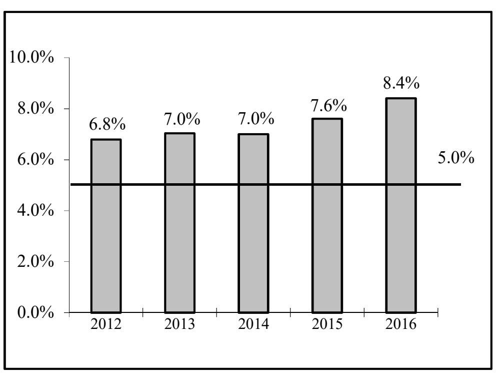
Annual Operating Margin Ratio



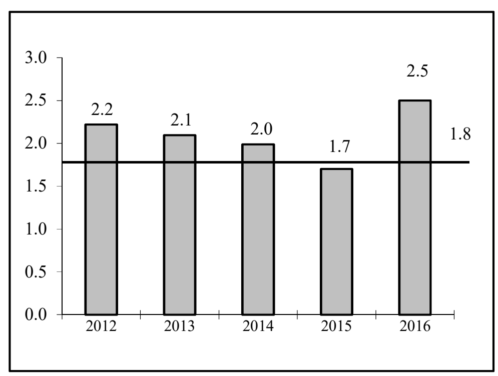
Expendable Resources to Debt Ratio



Debt Burden Ratio

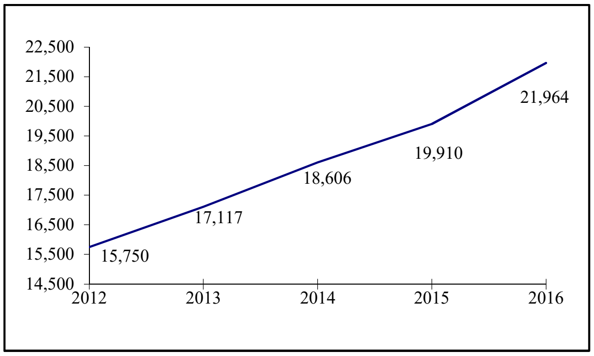


Debt Service Coverage Ratio



The University of Texas at Dallas
2016 Summary of Financial Condition

Full-time Equivalent
Student Enrollment - Fall



Composite Financial Index (CFI) - U. T. Dallas' CFI increased from 2.5 in 2015 to 3.6 in 2016 as a result of increases in the return on net position and annual operating margin ratios. The increase in the return on net position ratio was primarily driven by the following: an increase in Texas Research Incentive Program (TRIP) funding in 2016; an increase in gifts for operations; and an increase in bond proceeds transferred to U. T. Dallas for capital projects. The improvement in the annual operating margin ratio is discussed below.

Operating Expense Coverage Ratio - U. T. Dallas' operating expense coverage ratio decreased from 3.0 months in 2015 to 2.9 months in 2016 primarily due to an increase in total operating expenses (including interest expense) of $43.9 million. The increase in total operating expenses was largely attributable to the following: a $22.4 million increase in salaries and wages and payroll related costs as a result of merit increases, new faculty to accommodate the growth in student enrollment and increases in the amounts paid for insurance and retirement benefits for employees; a $6.8 million increase in depreciation and amortization expense due to the Bioengineering & Sciences Building, the Callier Richardson Expansion, the Parking Structure IV and Landscape Enhancement II, which were all placed into service in 2016; a $5.1 million increase in scholarships and fellowships driven by a 9.5% increase in student enrollment; a $3.7 million increase in interest expense; and a $2.7 million increase in repairs and maintenance attributable to increased building and grounds maintenance and non-capitalized renovations.

Annual Operating Margin Ratio - U. T. Dallas' annual operating margin ratio increased from (1.5%) for 2015 to 4.1% for 2016 as a result of the growth in total operating revenues of $77.5 million outpacing the growth in total operating expenses of $43.9 million. The increase in total operating revenues was primarily due to the following: a $35.4 million increase in sponsored programs revenue (including nonexchange sponsored programs) largely as a result of an increase in TRIP funding, combined with increases in Pell Grants and other federal sponsored programs; an $18.4 million increase in net tuition and fees driven by enrollment growth; a $16.5 million increase in gifts for operations; and a $4.2 million increase in net auxiliary enterprises revenue due to increased revenue from the Living/Learning Communities, University Village and University Commons, combined with increased revenue from transportation fees and the Activities Center.

Expendable Resources to Debt Ratio - U. T. Dallas' expendable resources to debt ratio remained unchanged at 0.6 in 2016. The stability of this ratio was attributable to the growth in total unrestricted net position of $4.7 million, which was largely offset by a decrease of $3.6 million in total restricted expendable net position (excluding restricted expendable for capital projects). The increase in total unrestricted net position was primarily generated by an increase in TRIP funding as mentioned above. The decrease in total restricted expendable net position was due to the increase in funds restricted for capital projects in 2016 which are excluded from this calculation.

Debt Burden Ratio - U. T. Dallas' debt burden ratio increased from 7.6% in 2015 to 8.4% in 2016 as a result of a $7.5 million increase in debt service payments.

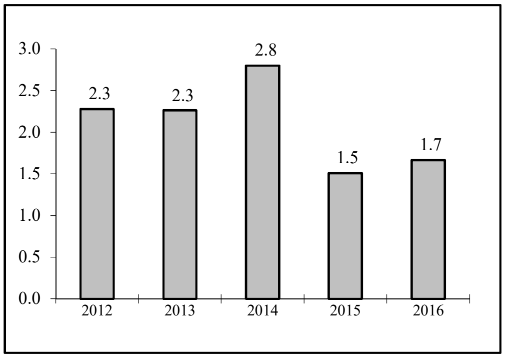
Debt Service Coverage Ratio - U. T. Dallas' debt service coverage ratio increased from 1.7 in 2015 to 2.5 in 2016. The increase in this ratio was attributable to the improvement in operating performance as previously discussed.

Full-Time Equivalent (FTE) Student Enrollment - U. T. Dallas' FTE student enrollment increased by 10.3% from 2015 to 2016. 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 2016, undergraduate FTE rose 11.8% over the fall of 2015 while the FTE for masters student enrollment increased by 1.4%.

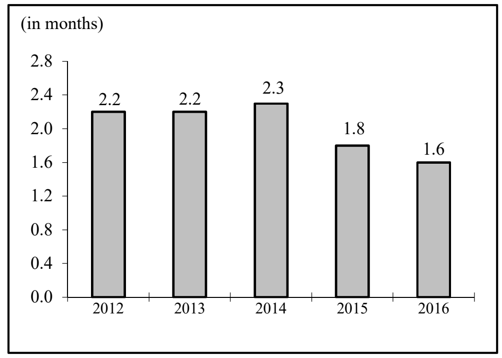
The University of Texas at El Paso
2016 Summary of Financial Condition

Financial Condition: **Watch**

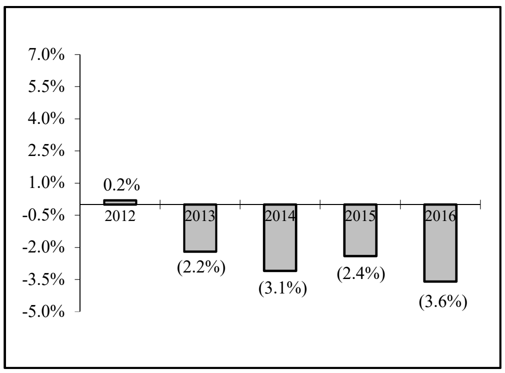
Composite Financial Index



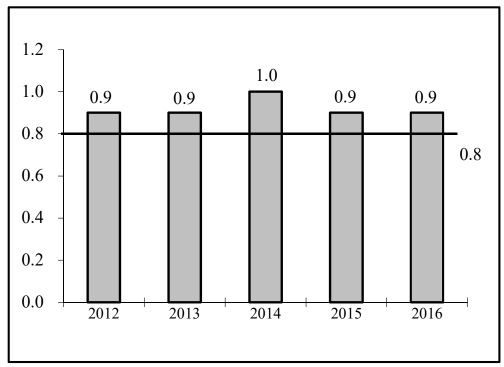
Operating Expense Coverage Ratio



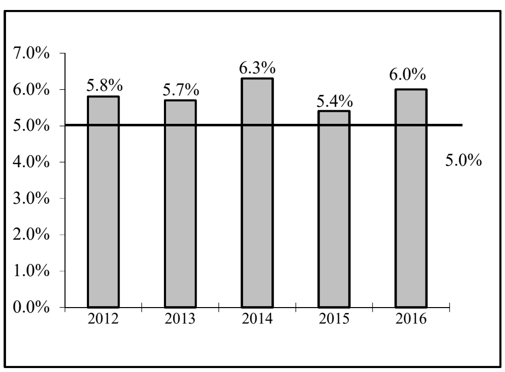
Annual Operating Margin Ratio



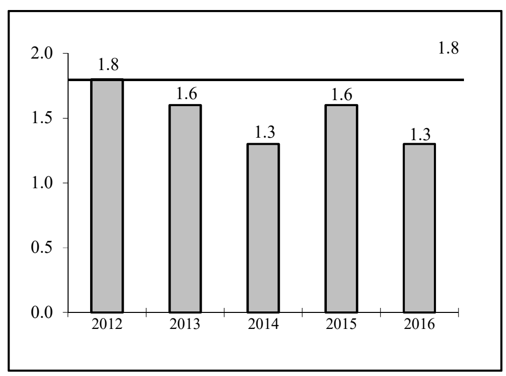
Expendable Resources to Debt Ratio



Debt Burden Ratio

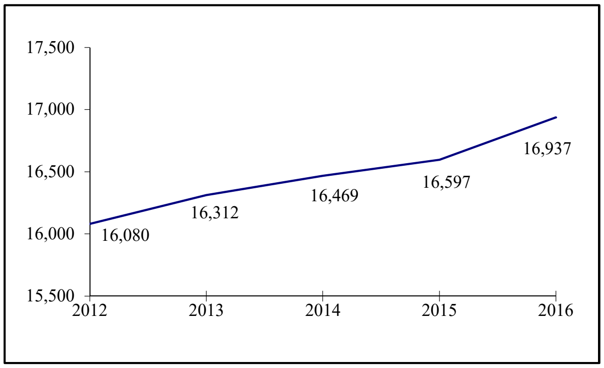


Debt Service Coverage Ratio



The University of Texas at El Paso
2016 Summary of Financial Condition

Full-time Equivalent Student Enrollment - Fall



Composite Financial Index (CFI) - U. T. El Paso's CFI increased from 1.5 in 2015 to 1.7 in 2016 as a result of an increase in the return on net position ratio. The increase in the return on net position ratio was attributable to a decrease of $9.6 million in the amount of debt outstanding.

Operating Expense Coverage Ratio - U. T. El Paso's operating expense coverage ratio decreased from 1.8 months in 2015 to 1.6 months in 2016 due to a decrease in unrestricted net position of $3.9 million combined with an increase in total operating expenses (including interest expense) of $8.1 million. The decline in total unrestricted net position was primarily attributable to a decrease in Texas Research Incentive Program matching revenue reported in designated funds, as well as the operating results in designated funds and auxiliary enterprises funds, offset by an increase in unexpended plant funds related to changes in anticipated bond proceeds. The increase in total operating expenses was largely attributable to the following: a $15.8 million increase in salaries and wages and payroll related costs resulting from a 2% merit pool for faculty and staff, and increases in academic and research full-time equivalents, as well as corresponding increase in benefits; a $3.3 million increase in professional fees and services driven by increases in legal fees related to the one-time cancellation of the Pearson Agreement and for intellectual property legal services, consultant fees for continued PeopleSoft operating corrections, technical support for the Blackboard Collaborative, and communication infrastructure for new campus housing; and a $1.8 million increase in interest expense largely attributable to the Campus Transformation Project and Student Housing Phase III. These increases in expenses were partially offset by the following: a $7.0 million decrease in other contracted services attributable to a reduction in performer fees stemming from lower grossing events and the elimination of payments for a facilities services custodial contract; a decrease of $3.3 million in other operating expenses directly related to a decrease in spending for various sponsored program projects which expired in 2015; and a $2.4 million decrease in scholarships and fellowships as a result of tuition discounting increases partially attributable to the Hazelwood Exemption.

Annual Operating Margin Ratio - U. T. El Paso's annual operating margin ratio decreased from (2.4%) for 2015 to (3.6%) for 2016 as the growth in total operating expenses of $8.1 million exceeded the growth in total operating revenues of $2.7 million. The increase in total operating revenues was primarily attributable to the following: a $6.8 million increase in other operating revenues mainly due to a $5.2 million reversal of a one-time prior year accrual associated with Employee Benefits, plus funds received from U. T. System Administration to offset expenses for Surge efforts related to PeopleSoft; a $3.8 million increase in state appropriations; and a $2.9 million increase in gifts for operations. These increases in revenue were partially offset by the following: a decrease of $4.6 million in net auxiliary enterprises revenue due to lower grossing events in 2016; and a decrease of $6.2 million in sponsored programs revenue (including nonexchange sponsored programs) as a result of the recognition of a TxDOT award of $8.0 million in 2015 for the Campus Transformation project with no comparable award in 2016.

Expendable Resources to Debt Ratio - U. T. El Paso's expendable resources to debt ratio stayed constant at 0.9 in 2015 and 2016. The stability of this ratio was attributable to the $3.9 million decrease in total unrestricted net position combined with a decrease of $9.6 million in the amount of debt outstanding.

Debt Burden Ratio - U. T. El Paso's debt burden ratio increased from 5.4% in 2015 to 6.0% in 2016. The increase in this ratio was caused by a $2.5 million increase in debt service payments.

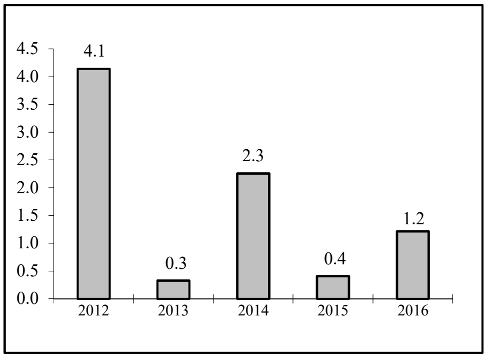
Debt Service Coverage Ratio - U. T. El Paso's debt service coverage ratio decreased from 1.6 in 2015 to 1.3 in 2016 as a result of the decline in operating performance combined with the increase in debt service payments.

Full-Time Equivalent (FTE) Student Enrollment - U. T. El Paso's FTE student enrollment increased slightly due to a 1.9% increase in undergraduate enrollment.

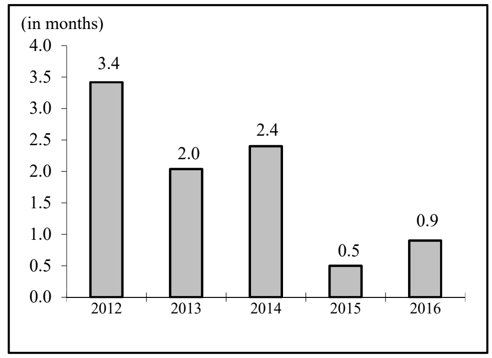
The University of Texas of the Permian Basin
2016 Summary of Financial Condition

Financial Condition: **Watch**

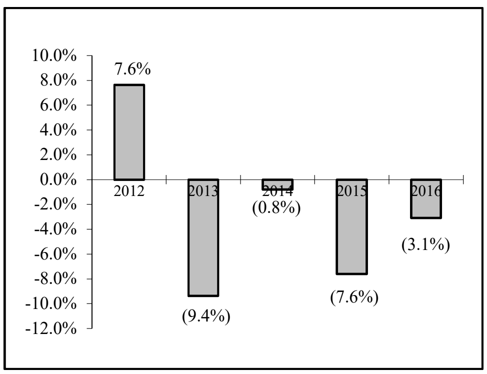
Composite Financial Index



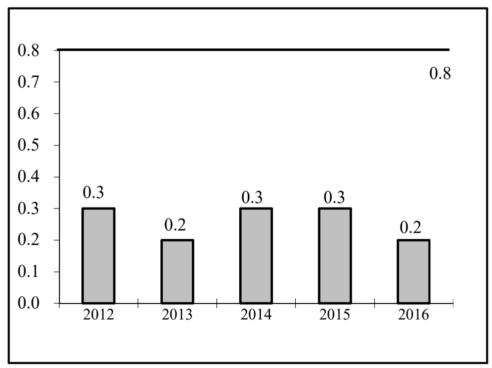
Operating Expense Coverage Ratio



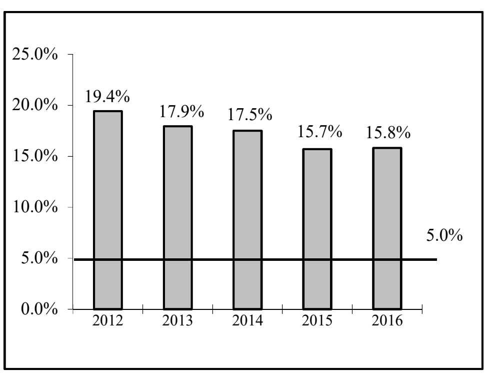
Annual Operating Margin Ratio



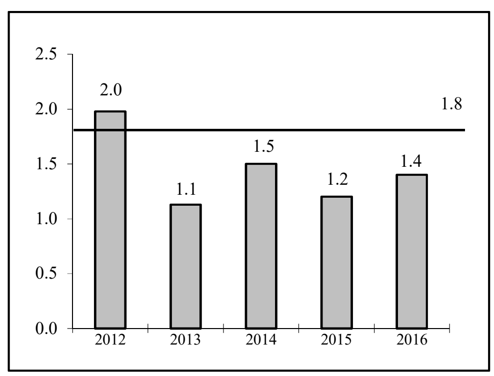
Expendable Resources to Debt Ratio



Debt Burden Ratio

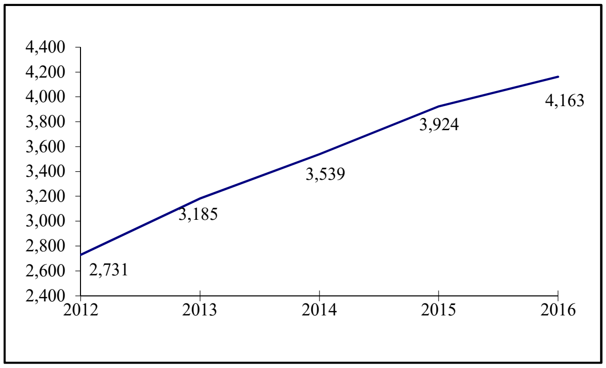


Debt Service Coverage Ratio



The University of Texas of the Permian Basin
2016 Summary of Financial Condition

Full-time Equivalent
Student Enrollment - Fall



Composite Financial Index (CFI) - U. T. Permian Basin's CFI increased from 0.4 in 2015 to 1.2 in 2016 due to increases in the return on net position and annual operating margin ratios. The increase in the return on net position ratio was due to an increase in the change in net position of $22.9 million in 2016 as opposed to ($11.1) million in 2015 which was attributable to a decrease in anticipated bond proceeds of $30.6 million between the years as a result of completion of the Residence and Dining Hall in 2016. The increase in the annual operating margin ratio is discussed below.

Operating Expense Coverage Ratio - U. T. Permian Basin's operating expense coverage ratio increased from 0.5 months in 2015 to 0.9 months in 2016 as a result of the growth in total unrestricted net position of $2.9 million. The increase in total unrestricted net position was primarily attributable to an increase in designated tuition due to tuition and fees received in August 2014 for the fall of 2015 which were not deferred, thus resulting in the understatement of net tuition and fees in 2015.

A*nnual Operating Margin Ratio* - U. T. Permian Basin's annual operating margin ratio improved from a (7.6%) for 2015 to (3.1%) for 2016 due to a decrease in total operating expenses (including interest expense) of $3.1 million combined with an increase in total operating revenues of $0.5 million. The decrease in total operating expenses was primarily attributable to the following: a $6.2 million decrease in scholarships and fellowships as a result of a reduction in institutional aid funded by designated tuition, a decrease in scholarships awarded to students funded by gifts and endowments, and the timing of financial aid awards; a decrease of $1.3 million in repairs and maintenance due to the overstatement in 2015 of these expenses; a $0.6 million decrease in professional fees and services attributable to the timing of service contracts; a $0.4 million decrease in utilities resulting from energy conservation efforts; and a $0.3 million decrease in interest expense. These decreases in expenses were partially offset by the following: a $4.0 million increase in salaries and wages and payroll related costs driven by merit increases and additional faculty to support enrollment growth; a $1.2 million increase in materials and supplies due to purchases of football and band supplies for the start of football in fiscal year 2017; a $0.3 million increase in other operating expenses as a result of expenses associated with grant activity; and a $0.2 million increase in bad debt expense related to student receivables.

Expendable Resources to Debt Ratio - U. T. Permian Basin's expendable resources to debt ratio decreased from 0.3 in 2015 to 0.2 in 2016. The decrease in this ratio was attributable to a $19.6 million increase in the amount of debt outstanding for the Residence and Dining Hall.

Debt Burden Ratio - U. T. Permian Basin's debt burden ratio increased from 15.7% in 2015 to 15.8% in 2016 due to an increase in debt service payments of $0.6 million.

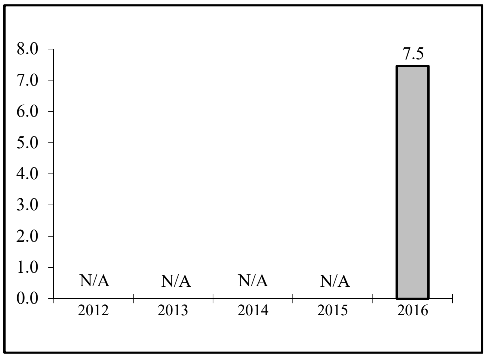
Debt Service Coverage Ratio - U. T. Permian Basin's debt service coverage ratio increased from 1.2 in 2015 to 1.4 in 2016 due to the normalized investment income used in the calculation of this ratio combined with slightly improved operating performance as discussed above.

Full-Time Equivalent (FTE) Student Enrollment - U. T. Permian Basin's FTE student enrollment increased from 3,924 in 2015 to 4,163 in 2016 as a result of dual credit and the Academic Partnerships program.

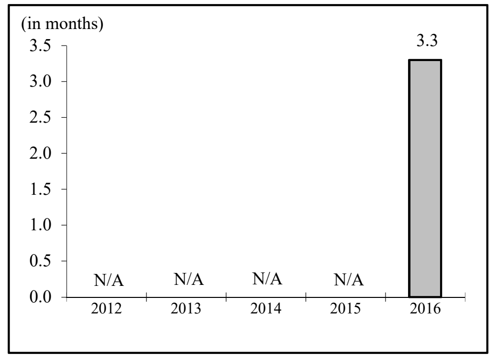
The University of Texas Rio Grande Valley
2016 Summary of Financial Condition

Financial Condition: **Not Rated Due to Commencement of Institution 9/1/15**

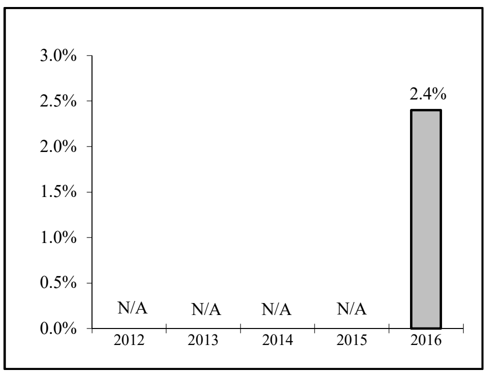
Composite Financial Index



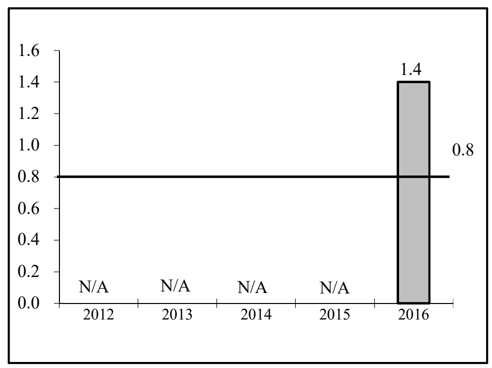
Operating Expense Coverage Ratio



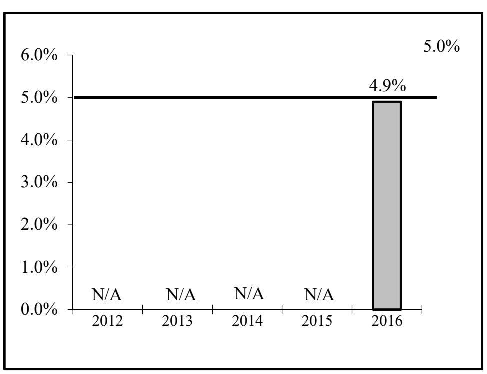
Annual Operating Margin Ratio



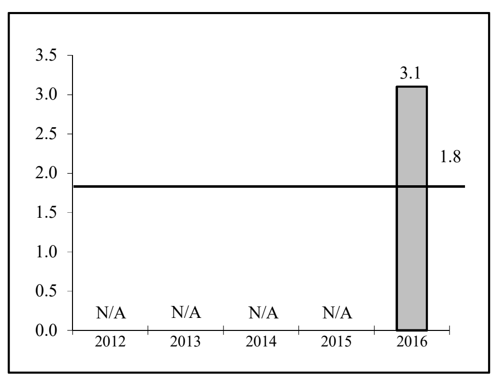
Expendable Resources to Debt Ratio



Debt Burden Ratio

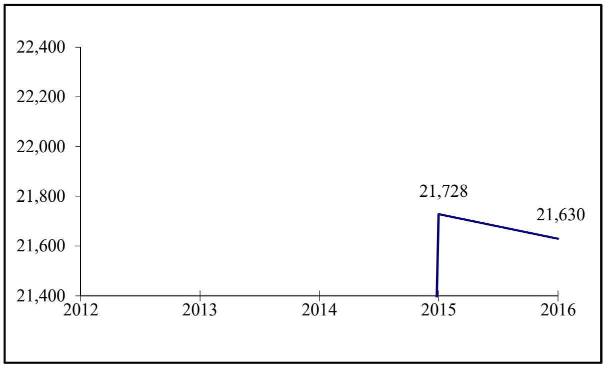


Debt Service Coverage Ratio



The University of Texas Rio Grande Valley
2016 Summary of Financial Condition

Full-time Equivalent
Student Enrollment - Fall



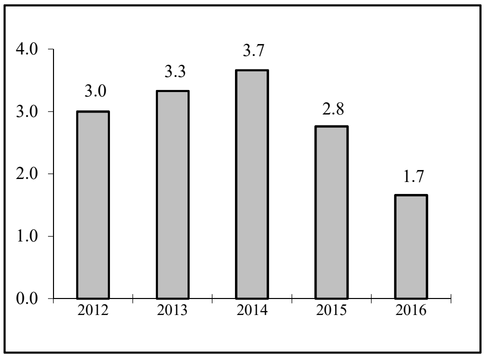
U. T. Rio Grande Valley became operational on September 1, 2015. The accounting merger of U. T. Brownsville and U. T. Pan American, which created U. T. Rio Grande Valley, combined the student enrollment from U. T. Brownsville and U. T. Pan American, as well as new medical school students. U. T. Rio Grande Valley enrolled its first academic class in the fall of 2015 and enrolled 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 U. T. System's Board of Regents effective September 1, 2015. U. T. Brownsville remained 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 was abolished by the U. T. System Board of Regents effective August 31, 2016.

Given that 2016 was the first year of operations for U. T. Rio Grande Valley, there are no historical trends or meaningful analysis that can be performed on the ratios graphed above. When the 2017 Analysis of Financial Condition is prepared, two years of data will be available to compare. U. T. Rio Grande Valley will not be rated for 2016 given the lack of financial analysis that can be performed.

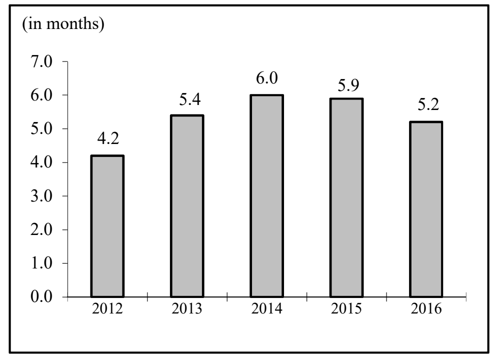
The University of Texas at San Antonio
2016 Summary of Financial Condition

Financial Condition: **Satisfactory**

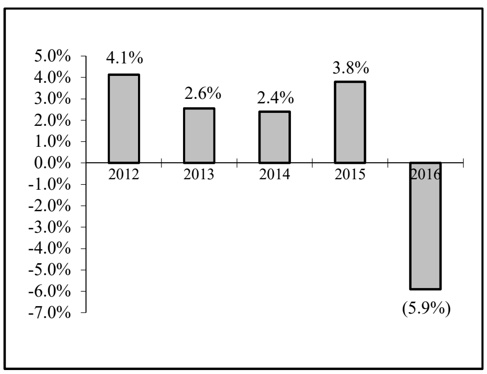
Composite Financial Index



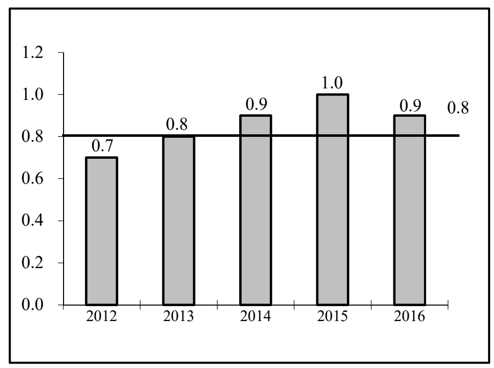
Operating Expense Coverage Ratio



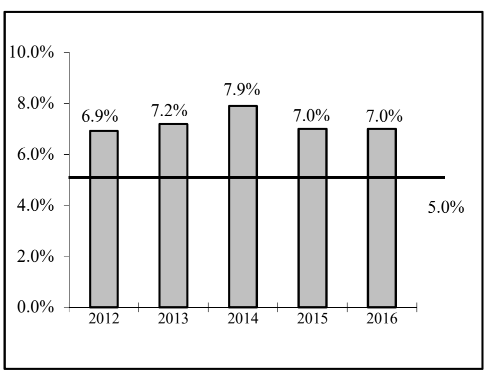
Annual Operating Margin Ratio



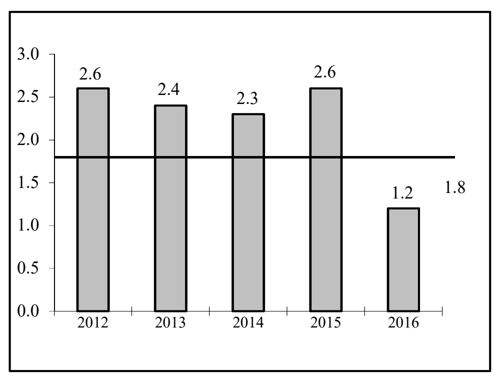
Expendable Resources to Debt Ratio



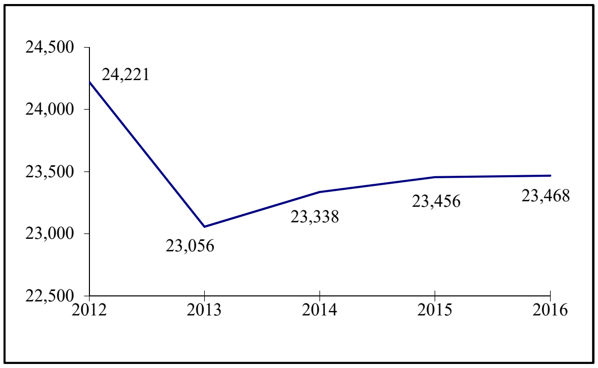
Debt Burden Ratio



Debt Service Coverage Ratio



The University of Texas at San Antonio
2016 Summary of Financial Condition
Full-time Equivalent
Student Enrollment - Fall



Composite Financial Index (CFI) - U. T. San Antonio's CFI decreased from 2.8 in 2015 to 1.7 in 2016 primarily as a result of decreases in the annual operating margin and return on net position ratios. The decline in the annual operating margin ratio is discussed below. The decrease in the return on net position ratio was also driven by the decline in operating performance.

Operating Expense Coverage Ratio - U. T. San Antonio's operating expense coverage ratio decreased from 5.9 months in 2015 to 5.2 months in 2016 due to a $15.6 million decrease in total unrestricted net position combined with an increase in total operating expenses (including interest expense) of $27.8 million. The decrease in total unrestricted net position was primarily attributable to the decline in operating results in designated funds. Total operating expenses increased due to the following: a $16.9 million increase in salaries and wages and payroll related costs as a result of recruitment and retention efforts associated with the Goldstar Initiative to recruit top-tier researchers, merit increases and increased benefits costs; a $12.4 million increase in scholarships and fellowships expense primarily attributable to a $6.4 million correction of a cash entry related to the conversion to PeopleSoft, as well as a decrease in discounts and adjustments driven by the decrease in the number of days for the fall semester recognized in August from 10 days in 2015 to 7 days in 2016, and an increase in exemptions of $1.4 million; and a $6.0 million increase in other operating expenses largely due to $3.0 million in conversion clean-up adjustments, as well as increases in Intensive English, student official occasions and athletics expenses. These increases in operating expenses were partially offset by a decrease of $7.3 million in materials and supplies primarily due to expenses incurred in 2015 to outfit the North Paseo Building and furnishing purchases for housing with no such comparable purchases in 2016.

Annual Operating Margin Ratio - U. T. San Antonio's annual operating margin ratio declined from 3.8% for 2015 to (5.9%) for 2016 due to a decrease in total operating revenues of $21.3 million and an increase in total operating expenses of $27.8 million. The driving forces behind the increase in total operating expenses are discussed above. The decrease in total operating revenues was primarily attributable to the following: a $7.2 million decrease in net tuition and fees resulting from a decrease in non-resident credit hours and fewer number of days recognized as revenue for the subsequent fall term; a $7.1 million decrease in gifts for operations due to the write-off of a $3.9 million pledge for an endowment that was erroneously recorded as an operating gift combined with the end of the capital campaign in 2015; a $5.7 million decrease in state appropriations as a result of a drop in statutory tuition dollars related to fewer non-resident students; and a $3.5 million decrease in net investment income (excluding realized gains/losses and including the GEF transfer).

Expendable Resources to Debt Ratio - U. T. San Antonio's expendable resources to debt ratio decreased from 1.0 in 2015 to 0.9 in 2016. The decrease in this ratio was due to decreases in both total unrestricted net position of $15.6 million, as previously discussed, and total restricted expendable net position (excluding expendable for capital projects) of $5.3 million. Total restricted expendable net position (excluding restricted for capital projects) decreased as a result of expenses exceeding the revenues in restricted funds, including the write-off of a $3.9 million pledge for an endowment that was erroneously recorded as an operating gift.

Debt Burden Ratio - U. T. San Antonio's debt burden ratio remained unchanged at 7.0% in 2016. The stability of this ratio was attributable to the growth in scholarships expense which is excluded from total operating expenses for purposes of this calculation and the relative stability in the debt service payments between years.

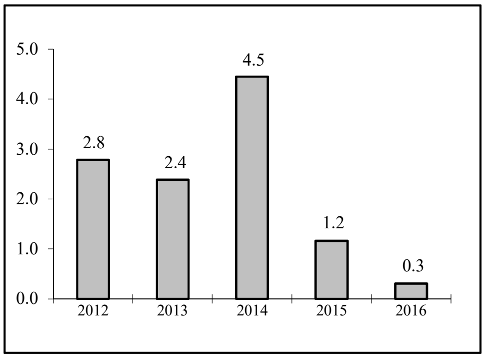
Debt Service Coverage Ratio - U. T. San Antonio's debt service coverage ratio decreased from 2.6 in 2015 to 1.2 in 2016. The decrease in this ratio was a result of the decline in operating performance as discussed in the annual operating margin ratio above.

Full-Time Equivalent (FTE) Student Enrollment - U. T. San Antonio's FTE student enrollment remained close to the fall 2015 level, as increases in graduate semester credit hours were offset by decreases in undergraduate and doctoral semester credit hours.

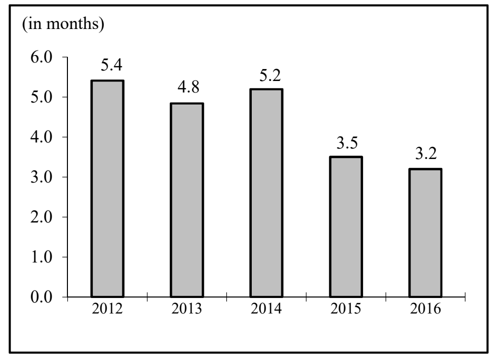
The University of Texas at Tyler
2016 Summary of Financial Condition

Financial Condition: **Satisfactory**

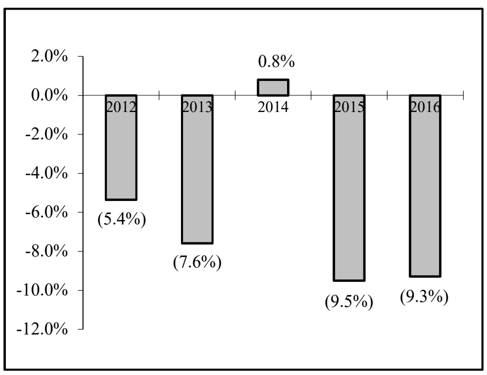
Composite Financial Index



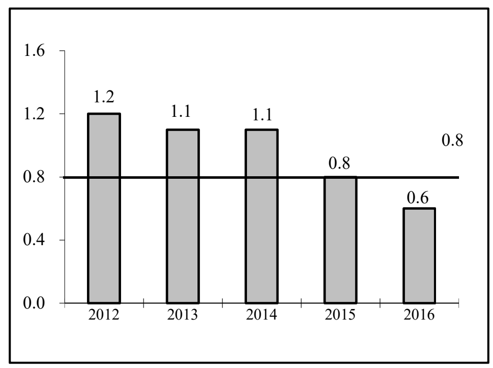
Operating Expense Coverage Ratio



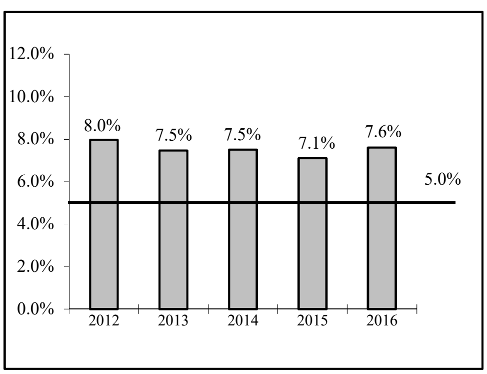
Annual Operating Margin Ratio



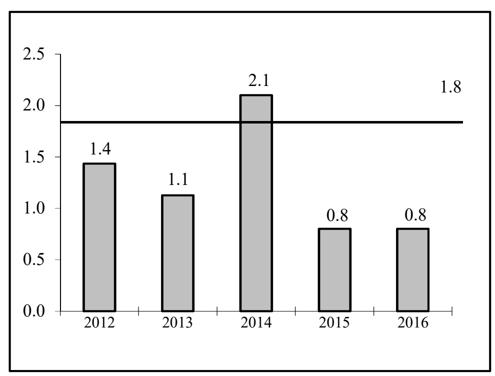
Expendable Resources to Debt Ratio



Debt Burden Ratio

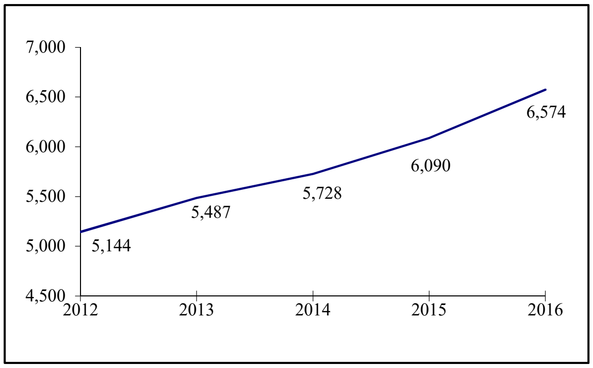


Debt Service Coverage Ratio



The University of Texas at Tyler
2016 Summary of Financial Condition

Full-time Equivalent Student Enrollment - Fall



Composite Financial Index (CFI) - U. T. Tyler's CFI decreased from 1.2 in 2015 to 0.3 in 2016 as a result of decreases in three of the core ratios, primarily due to a budgeted deficit in operating income in order to reduce excess net position. The decrease in the return on net position ratio was attributable to the increase in the amount of debt outstanding of $42.1 million for the STEM building. The decrease in the primary reserve ratio was a result of the increase in total operating expenses as discussed in more detail below. The decrease in expendable resources to debt ratio is also discussed below.

Operating Expense Coverage Ratio - U. T. Tyler's operating expense coverage ratio decreased from 3.5 months in 2015 to 3.2 months in 2016 due to an increase in total operating expenses (including interest expense) of $11.1 million. The increase in total operating expenses was primarily attributable to the following: a $6.4 million increase in salaries and wages and payroll related costs as a result of additional full-time equivalents for the new College of Pharmacy and implementation of PeopleSoft, combined with merit and market increases and an increase in retiree premium sharing costs; a $1.3 million increase in depreciation and amortization expense due to a full year of depreciation expense recognized on the Pharmacy Building; a $1.1 million increase in materials and supplies for one-time expenses associated with various campus-wide repairs and maintenance projects; a $1.0 million increase in other contracted services driven by an increase in the Academic Partnership contract; a $0.9 million increase in other operating expenses largely attributable to an increase in credit card charges and conferences; and a $0.6 million increase in scholarships and fellowships caused by increased set-asides and scholarship awards.

Annual Operating Margin Ratio - Although U. T. Tyler's annual operating margin ratio improved slightly from (9.5%) for 2015 to (9.3%) for 2016 due to growth in revenues in the denominator of this ratio, the operating deficit actually increased by $0.7 million as the growth in total operating expenses (including interest expense) of $11.1 million exceeded the growth in total operating revenues of $10.4 million. The increase in total operating expenses is discussed above. Total operating revenues increased primarily due to the following: a $3.5 million increase in net tuition and fees as a result of enrollment growth; a $2.9 million increase in state appropriations; a $2.3 million increase in net sales and services of educational activities attributable to revenue from the pharmacy which began operations in the fall of 2016; and a $0.8 million increase in net auxiliary enterprises revenue driven by increased revenue for housing, which was at full capacity in 2016, and Fine Arts season tickets.

Expendable Resources to Debt Ratio - U. T. Tyler's expendable resources to debt ratio decreased from 0.8 in 2015 to 0.6 in 2016. The decline in this ratio was due to an increase of $42.1 million in the amount of debt outstanding related to the STEM Building.

Debt Burden Ratio - U. T. Tyler's debt burden ratio increased from 7.1% in 2015 to 7.6% in 2016 due to an increase of $1.3 million in debt service payments.

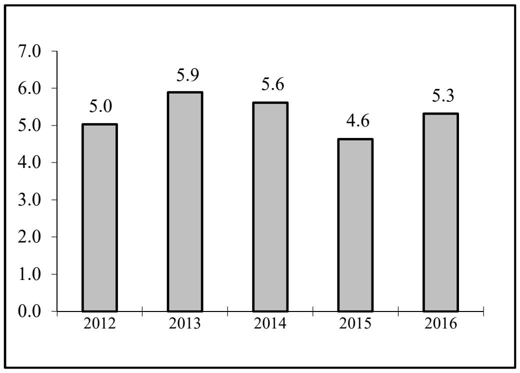
Debt Service Coverage Ratio - U. T. Tyler's debt service coverage ratio remained unchanged at 0.8 in 2016. The stability of this ratio was attributable to the increase in depreciation and amortization expense, which is excluded from operating expenses for this calculation, offset by the increase in debt service payments.

Full-Time Equivalent (FTE) Student Enrollment - U. T. Tyler's FTE student enrollment increased by 484 or 7.9% from 2015. The increase was due to continued efforts in student recruitment and retention.

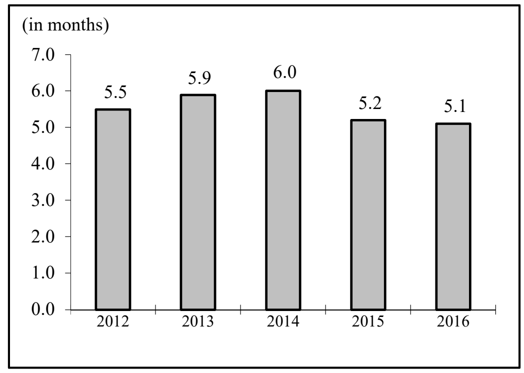
The University of Texas Southwestern Medical Center
2016 Summary of Financial Condition

Financial Condition: **Satisfactory**

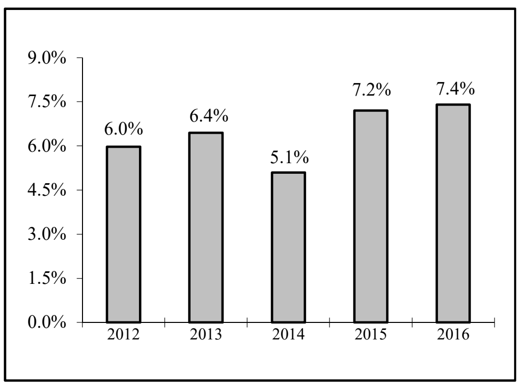
Composite Financial Index



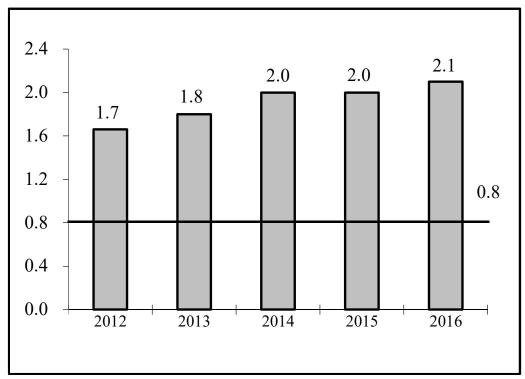
Operating Expense Coverage Ratio



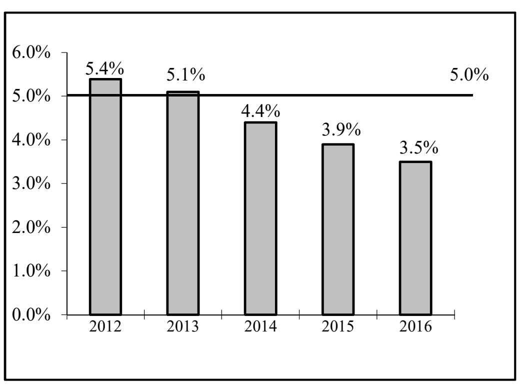
Annual Operating Margin Ratio



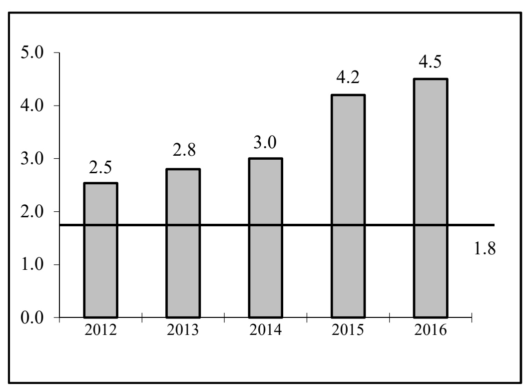
Expendable Resources to Debt Ratio



Debt Burden Ratio



Debt Service Coverage Ratio



The University of Texas Southwestern Medical Center
2016 Summary of Financial Condition

Composite Financial Index (CFI) - U. T. Southwestern Medical Center's (Southwestern) CFI increased from 4.6 in 2015 to 5.3 in 2016 primarily as a result of an increase in the return on net position ratio. The increase in the return on net position ratio was largely driven by the following: continued strong earnings from the practice plan and hospital operations; an increase of $166.1 million in the amount of bond proceeds transferred to Southwestern from U. T. System, mainly for the redevelopment of the West Campus; and a net decrease in the fair value of investments of ($6.2) million in 2016 as compared to a net decrease of ($138.3) million in 2015 for a net change between years of $132.1 million.

Operating Expense Coverage Ratio - Southwestern's operating expense coverage ratio decreased from 5.2 months in 2015 to 5.1 months in 2016 primarily due to a $240.8 million increase in total operating expenses (including interest expense). The increase in total operating expenses was largely attributable to the following: a $228.9 million increase in salaries and wages and payroll related costs as a result of an increase in employee head count combined with a 3.0% merit increase and a 7.0% increase in premium sharing rates; a $32.8 million increase in materials and supplies driven by drug costs due to growth in patient care volumes and the expiration of participation in the 340B drug discount program, which ended in February 2016; an $11.6 million increase in depreciation and amortization expense primarily resulting from the recognition of a full year of depreciation on the William P. Clements University Hospital, which was placed into service in 2015; a $5.4 million increase in other contracted services attributable to higher building maintenance costs, hospital services, and Graduate Medical Education related expenses; a $2.8 million increase in interest expense; and a $2.7 million increase in travel due to out-of-state travel in Academic departments. These increases in expenses were partially offset by the following: an $18.3 million decrease in professional fees and services caused by a reduction in contract nursing; a $9.7 million decrease in utilities as a result of decreases in the weighted average rates for electricity, gas and water; and a $5.7 million decrease in repairs and maintenance due to reductions in repairs to buildings and equipment.

Annual Operating Margin Ratio - Southwestern's annual operating margin ratio increased from 7.2% for 2015 to 7.4% for 2016 as the growth in total operating revenues of $264.8 million outpaced the growth in total operating expenses of $240.8 million. The increase in total operating revenues was primarily attributable to the following: a $102.5 million increase in net sales and services of hospitals as a result of increased outpatient and inpatient visits; a $93.2 million increase in net professional fees largely due to increased patient volumes; a $38.7 million increase in other operating revenues driven by increases in revenue from the Network Access Improvement Program, the Obstetrics/Gynecology agreement with Children's Medical Center and earnings from Southwestern's Accountable Care Organization; a $16.7 million increase in net investment income (excluding realized gains/losses and including the GEF transfer); $15.6 million increase in state appropriations; and an $11.5 million increase in net sales and services of educational activities due to an increase in pass-through grants received from the Cancer Prevention Research Institute of Texas.

Expendable Resources to Debt Ratio - Southwestern's expendable resources to debt ratio increased from 2.0 in 2015 to 2.1 in 2016 as a result of the growth in total unrestricted net position of $97.3 million. The increase in total unrestricted net position was primarily attributable to the operating activity of the practice plan and hospitals combined with an increase in the fair value of investments allocated to designated funds of $5.0 million in 2016 as compared a net decrease of ($49.3) million in 2015.

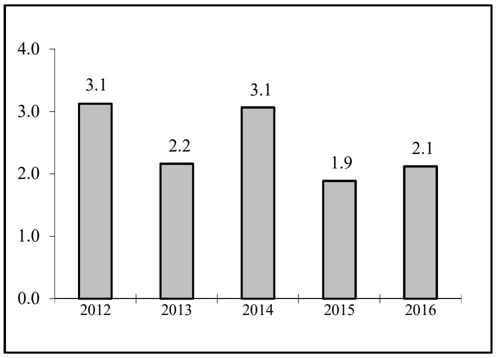
Debt Burden Ratio - Southwestern's debt burden ratio decreased from 3.9% in 2015 to 3.5% in 2016. The decrease in this ratio was caused by the increase in total operating expenses of $240.8 million as discussed above.

Debt Service Coverage Ratio - Southwestern's debt service coverage ratio increased from 4.2 in 2015 to 4.5 in 2016. The increase in this ratio was due to the improvement in operating performance, as well as a slight decrease in debt service payments of $0.2 million.

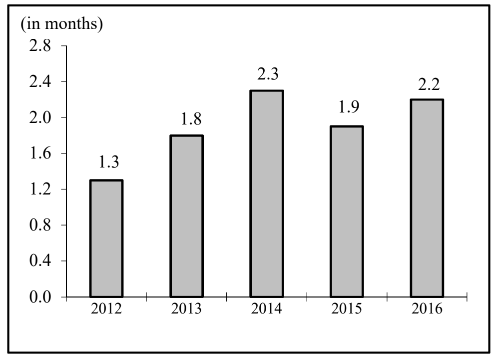
The University of Texas Medical Branch at Galveston
2016 Summary of Financial Condition

Financial Condition: **Satisfactory**

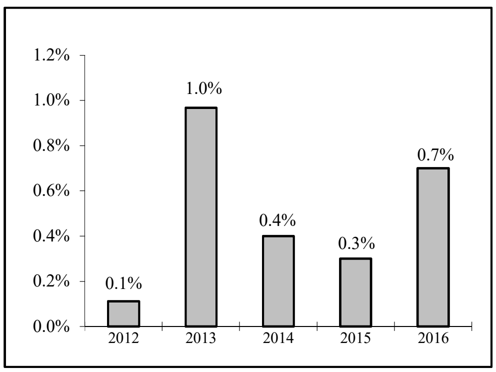
Composite Financial Index



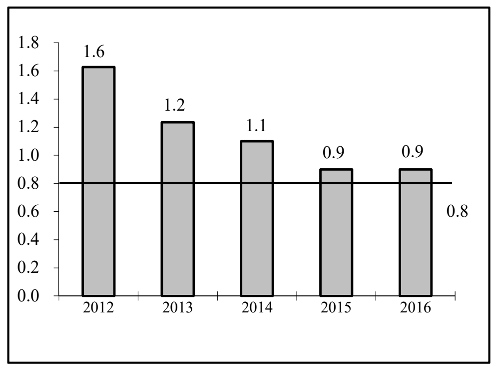
Operating Expense Coverage Ratio



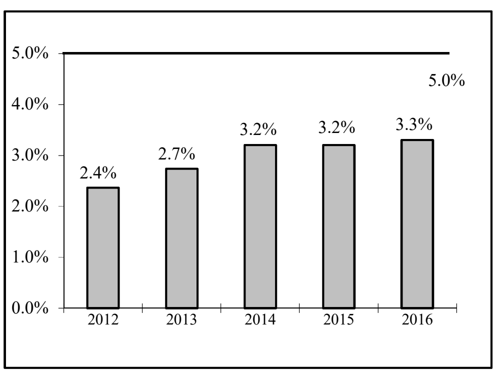
Annual Operating Margin Ratio



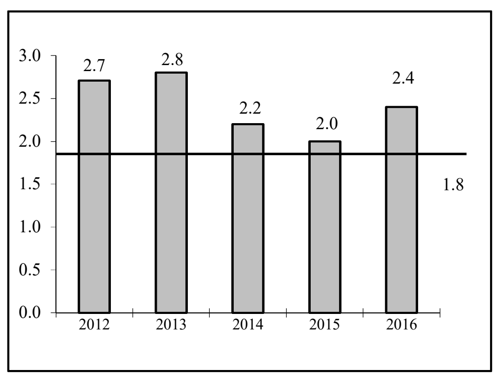
Expendable Resources to Debt Ratio



Debt Burden Ratio



Debt Service Coverage Ratio



The University of Texas Medical Branch at Galveston
2016 Summary of Financial Condition

Composite Financial Index (CFI) - U. T. Medical Branch - Galveston's (UTMB) CFI increased from 1.9 in 2015 to 2.1 in 2016 as a result of an increase in the return on net position ratio. The increase in the return on net position ratio was largely driven by the improvement in the operating margin combined with an increase in the amount of bond proceeds transferred to UTMB from U. T. System for the Jennie Sealy Hospital, League City Hospital, and Hurricane *Ike* related projects.

Operating Expense Coverage Ratio - UTMB's operating expense coverage ratio increased from 1.9 months in 2015 to 2.2 months in 2016 due to the growth in total unrestricted net position of $69.1 million. The increase in total unrestricted net position was primarily attributable to the operating activity in educational and general funds and designated funds, as well as an increase in the fair value of investments allocated to educational and general funds and designated funds of $0.2 million in 2016 as compared to a net decrease of ($27.4) million in 2015 for a net change between years of $27.2 million.

UTMB's operating expenses include those expenses incurred in the delivery of care to the offender population through a contract with Texas Department of Criminal Justice (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 $502.5 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 3.0 months as compared to 2.2 months when included.

Annual Operating Margin Ratio - UTMB's annual operating margin ratio increased from 0.3% for 2015 to 0.7% for 2016 as the growth in total operating revenues of $156.3 million exceeded the growth in total operating expenses (including interest expense) of $147.7 million. The increase in total operating revenues was largely driven by the following: a $99.9 million increase in net sales and services of hospitals as a result of increases in discharges of 1.1%, patient days of 5.3% and outpatient encounters of 7.7% combined with an overall estimated rate increase of 1.9% effective March 1, 2016; a $31.8 million increase in net professional fees primarily due to a 10.4% increase in Work Relative Value Units; a $14.4 million increase in sponsored programs revenue (including nonexchange sponsored programs) resulting from increased funding from the Federal Emergency Management Agency related to Hurricane *Ike* activity, an increase in state funding for Family Health Services funded by the Texas Department of State Health Services, an increase in funding from the Cancer Prevention Research Institute of Texas, combined with an increase in private grant and contract awards; a $7.5 million increase in state appropriations after adjusting for House Bill 2 (HB 2) supplemental funding discussed below; a $3.8 million increase in net investment income (excluding realized gains/losses and including the GEF transfer); and a $3.6 million increase in net tuition and fees as a result of a reduction in the number of non-resident waivers issued to students. These increases in revenue were partially offset by a decrease of $17.2 million in other operating revenues primarily attributable to a reduction of $13.6 million in Delivery System Reform Incentive Payments (DSRIP) associated with the Medicaid Section 1115 Demonstration and a decrease in Meaningful Use revenue of $1.4 million.

The increase in total operating expenses was due to the following: planned increases related to the opening of the Jennie Sealy Hospital and League City Campus Hospital; an $82.9 million increase in salaries and wages and payroll related costs as a result of planned merit increases and incentive-based compensation programs for faculty and staff to promote and reward outstanding performance; a $26.1 million increase in depreciation and amortization expense due to the opening of the new Jennie Sealy Hospital and League City Campus Hospital in 2016; a $15.6 million increase in other contracted services primarily attributable to increases in the TDCJ offsite expenses and new TDCJ contracts, contingency staffing, general collaboration with other institutions, environmental services primarily related to the additional square footage of the new Jennie Sealy Hospital, and cafeteria operations; a $12.6 million increase in cost of goods sold due to an increase in the use of antihemophilic factor products in select patients and cost increases for chemotherapeutic agents, implementation of TDCJ Hepatitis C protocol, and El Paso County Jail and Management Training Corporation start-up pharmacy costs for operations; an $8.2 million increase in interest expense; a $6.9 million increase in materials and supplies attributable to volume and case mix index increases and start-up supplies related to the opening of the League City Campus Hospital in 2016; and a $5.2 million increase in professional fees and services as a result of an increase in consulting services and increased use of legal services. These increase in expenses were partially offset by a decrease of $8.4 million in other operating expenses primarily due to lower net expenses in service centers.

In 2015, UTMB received $8.2 million in HB 2 supplemental funding to construct a biocontainment critical care facility. None of the 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. For the 2016 Analysis of Financial Condition (AFC) $4.1 million of the $8.2 million was added back to revenues. The same adjustment will be made to the 2017 AFC. UTMB plans to begin construction on the biocontainment facility in 2017.

Expendable Resources to Debt Ratio - UTMB's expendable resources to debt ratio remained unchanged at 0.9 in 2016. The stability of this ratio was attributable to the growth in total unrestricted net position of $69.1 million, which was offset by an increase of $102.7 million in the amount of debt outstanding related to the Jennie Sealy Hospital and Hurricane *Ike* Recovery Infrastructure.

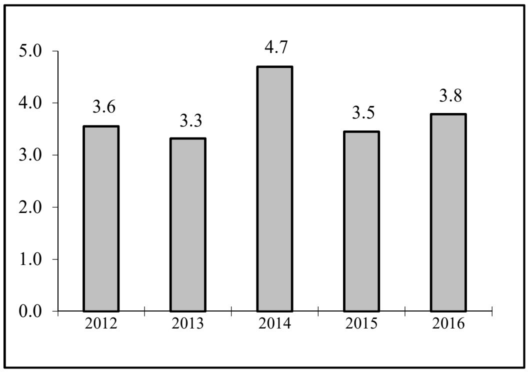
Debt Burden Ratio - UTMB's debt burden ratio increased from 3.2% in 2015 to 3.3% in 2016 due to an increase of $7.0 million in debt service payments.

Debt Service Coverage Ratio - UTMB's debt service coverage ratio increased from 2.0 in 2015 to 2.4 in 2016. The increase in this ratio was due to the improvement in operating performance.

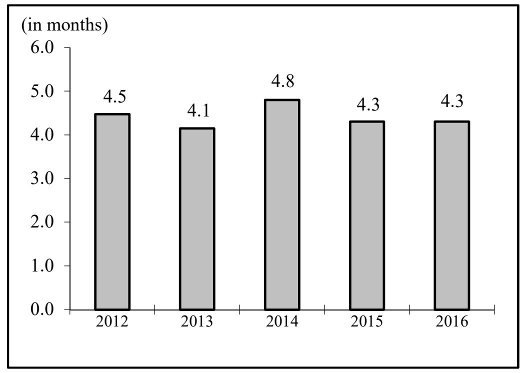
The University of Texas Health Science Center at Houston
2016 Summary of Financial Condition

Financial Condition: **Satisfactory**

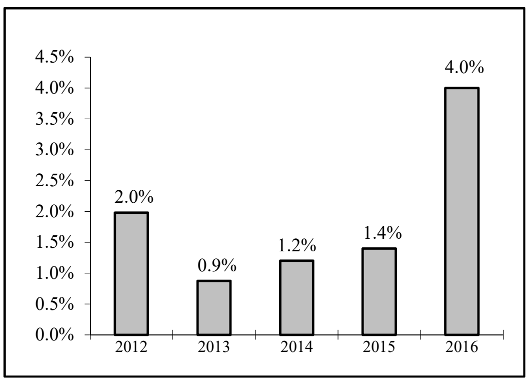
Composite Financial Index



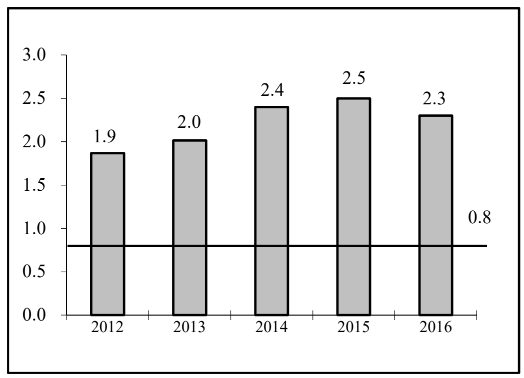
Operating Expense Coverage Ratio



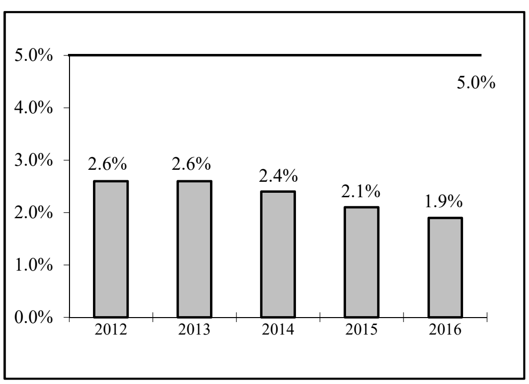
Annual Operating Margin Ratio



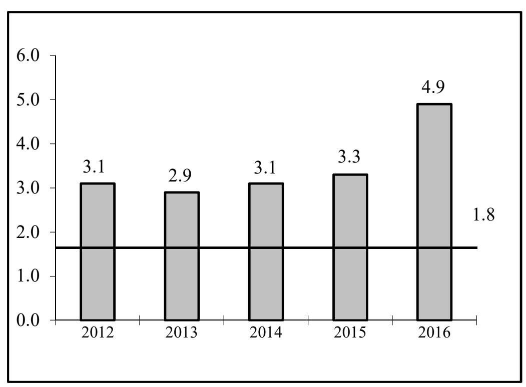
Expendable Resources to Debt Ratio



Debt Burden Ratio



Debt Service Coverage Ratio



The University of Texas Health Science Center at Houston
2016 Summary of Financial Condition

Composite Financial Index (CFI) - U. T. Health Science Center - Houston's (UTHSC-Houston) CFI increased from 3.5 in 2015 to 3.8 in 2016 due to increases in the return on net position and annual operating margin ratios, which were partially offset by a decrease in the expendable resources to debt ratio. The increase in the return on net position ratio was primarily due to the following: the expansion and increased performance of the physician practice plan; a much smaller decrease in the fair value of investments of ($0.5) million in 2016 as compared to ($39.8) million in 2015; and an increase in bond proceeds transferred to UTHSC-Houston for the purchase of the Jesse Jones Library land and building, as well as the new faculty STARs awards distributed in 2016. The increase in the annual operating margin ratio and the decrease in the expendable resources to debt ratio are both discussed in detail below.

Operating Expense Coverage Ratio - UTHSC-Houston's operating expense coverage ratio remained unchanged at 4.3 months in 2016. The stability of this ratio was attributable to the growth in total unrestricted net position of $53.4 million offset by the growth in total operating expenses (including interest expense) of $152.7 million. The increase in total unrestricted net position was primarily due to the growth in the physician practice plan, as well as an increase in unrestricted funding intended for capital projects. The increase in total operating expenses was also driven by the growth in the physician practice plan. The operating expenses with the largest increases were as follows: a $108.7 million increase in salaries and wages and payroll related costs as a result of more than 400 additional full-time equivalents hired to accommodate the growth of the physician practice plan; a $16.9 million increase in professional fees and services generated by the growth of the physician practice plan, such as increases in the cost of processing/collecting professional fees, administrative fees related to the Network Access Improvement Program (NAIP) and expenses related to the branding campaign; a $9.1 million increase in materials and supplies primarily attributable to the purchase of medical supplies and pharmaceuticals for the physician practice plan, along with the purchase of communications equipment at the School of Nursing; a $4.5 million increase in depreciation and amortization expense primarily due to an adjustment to the useful life of leasehold improvements; a $3.3 million increase in cost of goods sold directly related to the increase in revenue in the Hemophilia/Thrombophilia Pharmacy Program; and a $2.6 million increase in rentals and leases as a result of new locations leased to accommodate the growth.

Annual Operating Margin Ratio - UTHSC-Houston's annual operating margin ratio increased from 1.4% for 2015 to 4.0% for 2016 as the growth in total operating revenues of $195.7 million exceeded the growth in total operating expenses of $152.7 million. Total operating revenues increased primarily due to the following: a $106.4 million increase in sponsored programs revenue (including nonexchange sponsored programs) due to expanded contracted services with teaching partners Memorial Hermann Healthcare System and Harris County Hospital District, as well as the first full year of activity from the NAIP; a $53.2 million increase in net professional fees attributable to increased gross charge volumes resulting from the growth in the physician practice plan; a $9.7 million increase in net sales and services of educational activities due to a change in the billing and reporting of revenue received from M. D. Anderson and an increase in Cancer Prevention and Research Institute of Texas awards; a $6.6 million increase in net sales and services of hospitals primarily due to the growth in revenue in the Hemophilia/Thrombophilia Pharmacy Program combined with an increase in funding amounts per bed and beds funded at Harris County Psychiatric Center; a $5.9 million increase in state appropriations; a $5.1 million increase in net tuition and fees resulting from an increase in supplemental designated tuition at both the McGovern Medical School and the School of Dentistry, as well as an increase in the number of students at the School of Dentistry; a $4.1 million increase in other operating revenues primarily due to increases in Delivery System Reform Incentive Payments revenue of $1.6 million, stop loss insurance reimbursements received by UTHSC-Houston's blended component unit of $0.7 million, and UT Brain Awards of $0.4 million; and a $3.1 million increase in net investment income (excluding realized gains/losses and including the GEF transfer). The increase in total operating expenses is discussed above.

Expendable Resources to Debt Ratio - UTHSC-Houston's expendable resources to debt ratio decreased from 2.5 in 2015 to 2.3 in 2016. The decrease in this ratio was due to an increase of $53.3 million in the amount of debt outstanding.

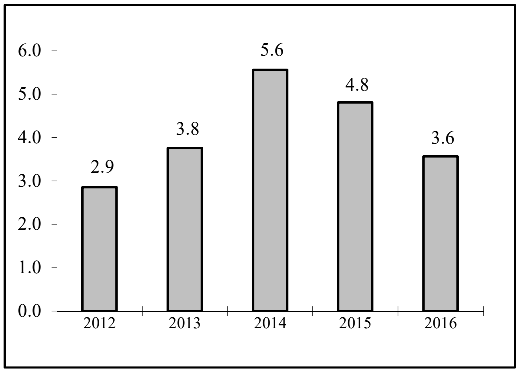
Debt Burden Ratio - UTHSC-Houston's debt burden ratio decreased from 2.1% in 2015 to 1.9% in 2016 as a result of the increase in total operating expenses as previously discussed.

Debt Service Coverage Ratio - UTHSC-Houston's debt service coverage ratio increased from 3.3 in 2015 to 4.9 in 2016. The increase in this ratio was attributable to the improved operating performance as discussed in the annual operating margin ratio.

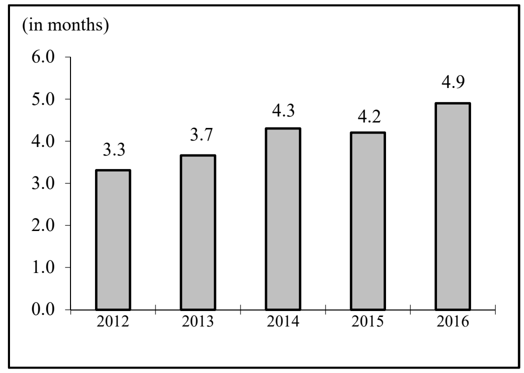
The University of Texas Health Science Center at San Antonio
2016 Summary of Financial Condition

Financial Condition: **Satisfactory**

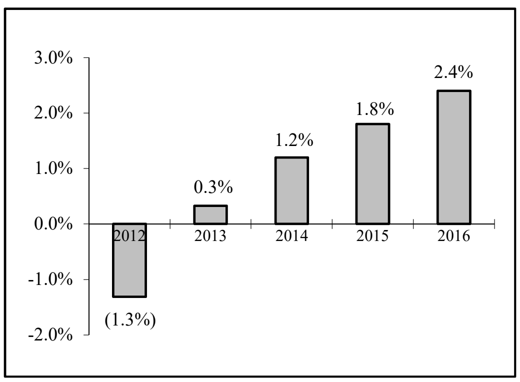
Composite Financial Index



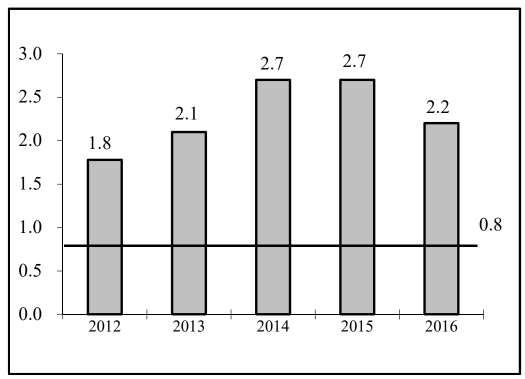
Operating Expense Coverage Ratio



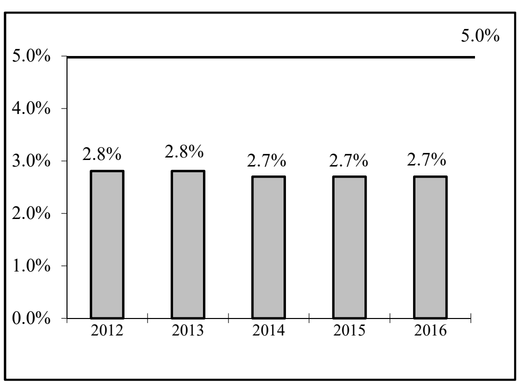
Annual Operating Margin Ratio



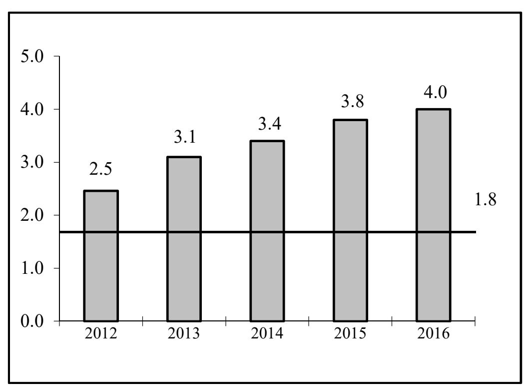
Expendable Resources to Debt Ratio



Debt Burden Ratio



Debt Service Coverage Ratio



The University of Texas Health Science Center at San Antonio
2016 Summary of Financial Condition

Composite Financial Index (CFI) - U. T. Health Science Center - San Antonio's (UTHSC-San Antonio) CFI decreased from 4.8 in 2015 to 3.6 in 2016 as a result of decreases in the return on net position and expendable resources to debt ratios. The decrease in the return on net position ratio was primarily attributable to the transfer of $103.4 million in capital assets associated with the Regional Academic Health Center (RAHC) to U. T. Rio Grande Valley in 2016 and an increase in the amount of debt outstanding for the construction of new and the renovation of existing facilities. The decrease in the expendable resources to debt ratio is discussed below.

Operating Expense Coverage Ratio - UTHSC-San Antonio's operating expense coverage ratio increased from 4.2 months in 2015 to 4.9 months in 2016 due to the growth in total unrestricted net position of $52.7 million. Total unrestricted net position increased primarily due to clinical activities in designated funds combined with an increase of $20.6 million in the change in fair value of investments allocated to designated funds.

Annual Operating Margin Ratio - UTHSC-San Antonio's annual operating margin ratio increased from 1.8% for 2015 to 2.4% for 2016 as the growth in total operating revenues of $30.1 million exceeded the growth in total operating expenses (including interest expense) of $24.5 million. The increase in total operating revenues was primarily attributable to the following: a $20.7 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 improvements to enhance clinical performance; a $13.2 million increase in sponsored programs revenue (including nonexchange sponsored programs) primarily due to increases in clinical contracts and increased funding from the Cancer Prevention and Research Institute of Texas; a $3.3 million increase in gifts for operations as a result of increased giving from foundations; and a $2.8 million increase in net investment income (excluding realized gains/losses and including the GEF transfer). These increases in revenue were partially offset by a decrease in state appropriations of $10.7 million due to the transfer of RAHC general revenue to U. T. Rio Grande Valley and a decrease of $4.9 million in other operating revenues driven by a decrease in the Delivery System Reform Incentive Payments (DSRIP) associated with South Texas programs. UTHSC-San Antonio negotiated a service contract with U. T. Rio Grande Valley to assist with the start-up of their School of Medicine, and U. T. Rio Grande Valley was authorized to transfer state appropriations to UTHSC-San Antonio to pay for these contracted services. A transfer of $2.6 million from U. T. Rio Grande Valley to UTHSC-San Antonio is included in operating revenues for purposes of this analysis.

The increase in total operating expenses was largely due to the following: an $11.6 million increase in other contracted services driven by higher costs associated with the South Texas DSRIP contracts with Doctor's Hospital Renaissance and other South Texas DSRIP projects related to U. T. Rio Grande Valley's School of Medicine, and a pediatric contract settlement payment with University Health System; a $4.1 million increase in materials and supplies due to increased drug and medication supplies at the Cancer Therapy Research Center Pharmacy and other UT Medicine clinics resulting from increased clinical volumes; a $3.0 million increase in other operating expenses primarily due to non-capitalizable facilities renovations; and a $1.5 million increase in professional fees and services related to marketing and branding efforts.

Expendable Resources to Debt Ratio - UTHSC-San Antonio's expendable resources to debt ratio decreased from 2.7 in 2015 to 2.2 in 2016. The decrease in this ratio was caused by an increase of $67.7 million in the amount of debt outstanding primarily related to the appropriation of $80.0 million in Tuition Revenue Bonds for the Facilities Renewal and Renovation project. UTHSC-San Antonio also incurred debt in 2016 under the U. T. System Revenue Financing System program to acquire the Medical Center Plaza building (renamed the Professional Administrative Resource Center, or PARC) and to construct a new ambulatory facility (UT Medicine Hill Country).

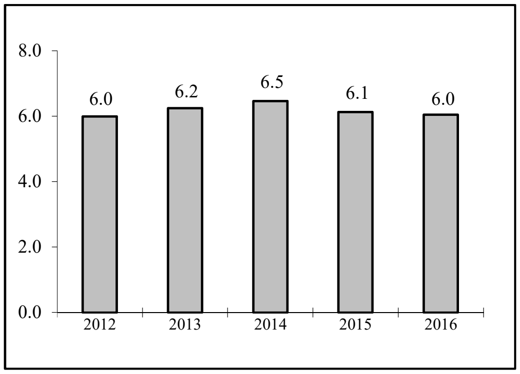
Debt Burden Ratio - UTHSC-San Antonio's debt burden ratio was 2.7% in 2015 and 2016. The small increase in debt service payments combined with the controlled growth of the operating expenses created the stability in this ratio.

Debt Service Coverage Ratio - UTHSC-San Antonio's debt service coverage ratio increased from 3.8 in 2015 to 4.0 in 2016 as a result of the improved operating performance as discussed in the annual operating margin ratio.

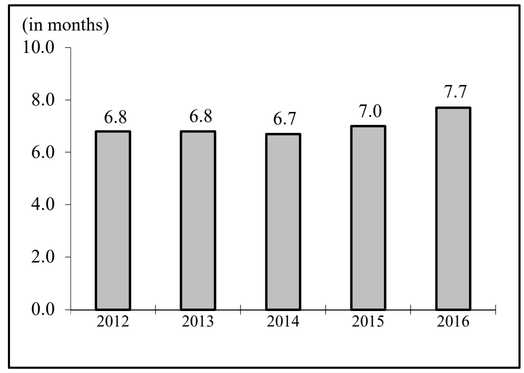
The University of Texas M. D. Anderson Cancer Center
2016 Summary of Financial Condition

Financial Condition: **Satisfactory**

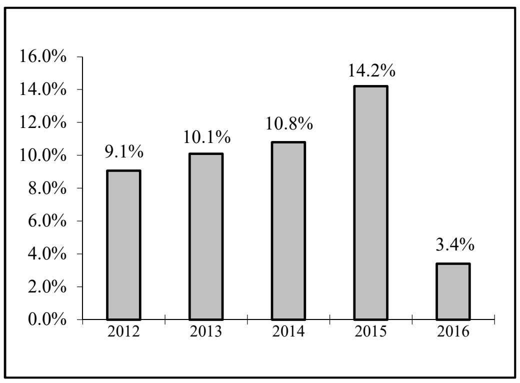
Composite Financial Index



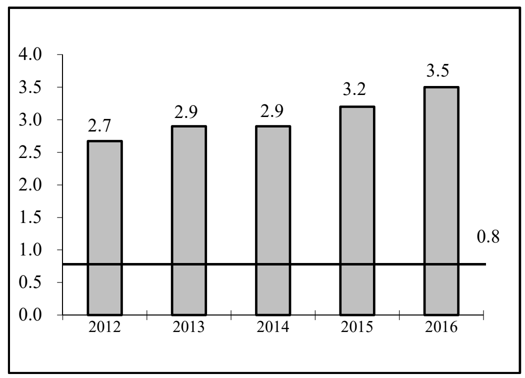
Operating Expense Coverage Ratio



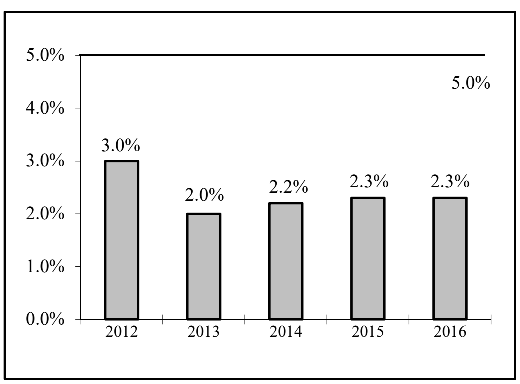
Annual Operating Margin Ratio



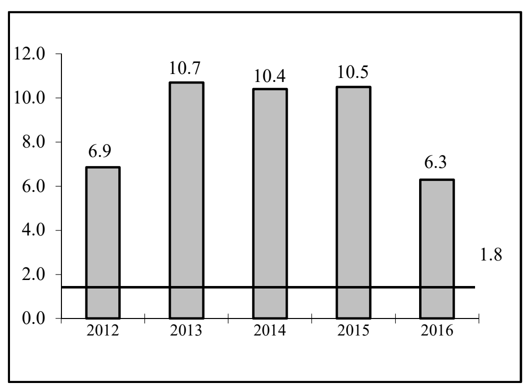
Expendable Resources to Debt Ratio



Debt Burden Ratio



Debt Service Coverage Ratio



The University of Texas M. D. Anderson Cancer Center
2016 Summary of Financial Condition

Composite Financial Index (CFI) - U. T. M. D. Anderson Cancer Center's (M. D. Anderson) CFI decreased from 6.1 in 2015 to 6.0 in 2016 as a result of a decrease in the annual operating margin ratio, which was largely offset by increases in the primary reserve, expendable resources to debt and return on net position ratios. The decrease in the annual operating margin ratio and the increase in the expendable resources to debt ratio are discussed below. The increase in the primary reserve ratio was driven by the growth in total unrestricted net position of $443.7 million primarily due to the following: a net increase in the fair value of investments allocated to educational and general funds and designated funds of $55.6 million in 2016 as compared to a net decrease of ($116.8) million in 2015 for a net change between years of $172.4 million; and a decrease in liabilities in designated funds related to technology stocks. The return on net position ratio increased primarily due to a change in the accounting for technology stocks which included a one-time adjustment to record technology stocks at fair market value implemented in 2016.

Operating Expense Coverage Ratio - M. D. Anderson's operating expense coverage ratio increased from 7.0 months in 2015 to 7.7 months in 2016 due to the growth in total unrestricted net position of $443.7 million. The increase in total unrestricted net position was primarily attributable to investment activity in educational and general funds and designated funds as discussed above.

Annual Operating Margin Ratio - M. D. Anderson's annual operating margin ratio decreased from 14.2% for 2015 to 3.4% for 2016 due to an increase in total operating expenses (including interest expense) of $343.6 million and a decrease in total operating revenues of $163.9 million. The increase in total operating expenses was largely attributable to the following: a $131.5 million increase in salaries and wages and payroll related costs resulting from merit increases, as well as appropriate staffing of clinical care teams for the transition to the new EPIC Electronic Health Record system (EHR) and staffing for new patient care facilities; a $56.0 million increase in materials and supplies primarily due to an increase in medical drugs and supplies as a result of a higher utilization of more expensive chemotherapy drugs, increases in non-capital laboratory equipment and supplies, and computer software licenses related to the EPIC EHR project; a $55.8 million increase in other contracted services caused by an increase in temporary personnel for the EPIC EHR project, increases in advertising expenses, other purchased services across various clinical areas, collection agency fees, research patient care costs, and laboratory and animal maintenance services; a $53.3 million increase in professional fees and services largely driven by consulting expenses for the EPIC EHR project and for the Financial Clearance Improvement Program; a $41.4 million increase in depreciation and amortization due to the recognition of a full year of depreciation expense on the Zayed building, as well as the Pavilion building, the EPIC EHR system, and upgrades to the Rotary House International, which were placed into service in 2016, and various other capital projects placed into service at the end of 2015; and a $7.0 million increase in repairs and maintenance related to a $3.5 million increase in maintenance and support for CT and MRI equipment, as well as a $3.5 million maintenance agreement with Thyssenkrupp Elevator Group.

The decrease in total operating revenues was primarily due to the following: a $140.6 million decrease in net investment income (excluding realized gains/losses and including the GEF transfer) due to shares of technology stocks in Ziopharm Oncology, Inc. and Intrexon Corporation received in 2015 as consideration for licenses created by M. D. Anderson with no such comparable transaction in 2016; and a $107.7 million decrease in net sales and services of hospitals as a result of the implementation of the new EPIC EHR system. These decreases in revenues were partially offset by the following: a $36.4 million increase in gifts for operations due to a large gift from the Parker Foundation received in 2016, as well as gifts from various foundations; a $27.8 million increase in sponsored programs revenue largely attributable to funding opportunities and sponsored program projects received in support of the Strategic Industry Ventures, and an increase in funding from the Cancer Prevention Research Institute of Texas; and an increase of $14.5 million in state appropriations due to the Legislative increase in formula funding of $8.6 million for M. D. Anderson's Cancer Center operations, $1.1 million for research enhancement, $3.5 million for educational and general space support and $1.3 million in state paid benefits.

M. D. Anderson anticipated a material impact on revenues and expenses as a result of the implementation of the EPIC EHR system. The post implementation strategy will continue to focus on clinical productivity and operational efficiencies to return to normalized operations.

Expendable Resources to Debt Ratio - M. D. Anderson's expendable resources to debt ratio increased from 3.2 in 2015 to 3.5 in 2016. The increase in this ratio was due to the growth in total unrestricted net position of $443.7 million as discussed above.

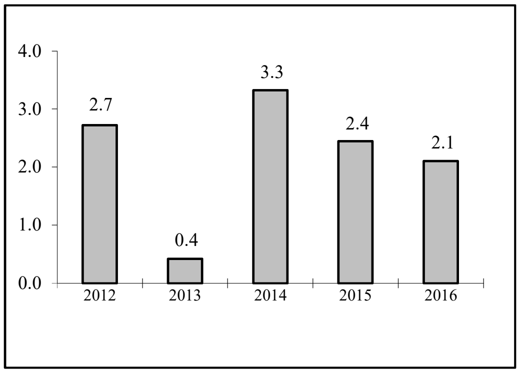
Debt Burden Ratio - M. D. Anderson's debt burden ratio remained unchanged at 2.3% in 2016. The stability of this ratio was attributable to an increase of $10.6 million in debt service payments which was offset by the increase in total operating expenses of $343.6 million.

Debt Service Coverage Ratio - M. D. Anderson's debt service coverage ratio decreased from 10.5 in 2015 to 6.3 in 2016 as a result of the decline in operating performance, as previously discussed, combined with the increase in debt service payments.

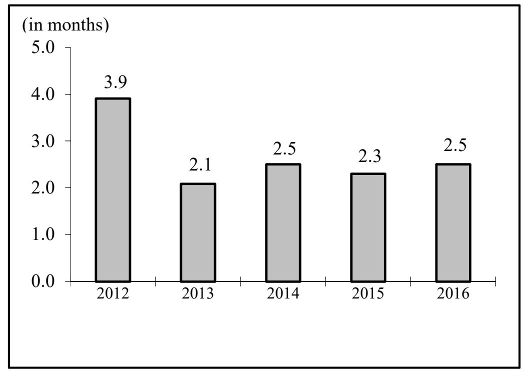
The University of Texas Health Science Center at Tyler
2016 Summary of Financial Condition

Financial Condition: **Satisfactory**

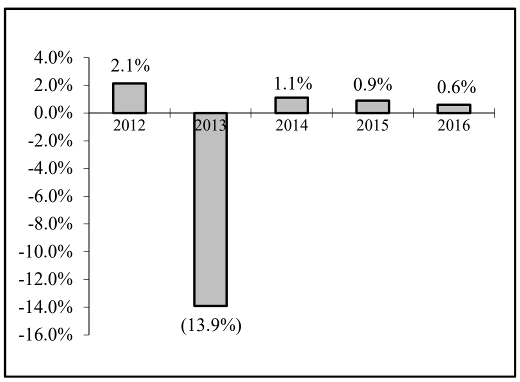
Composite Financial Index



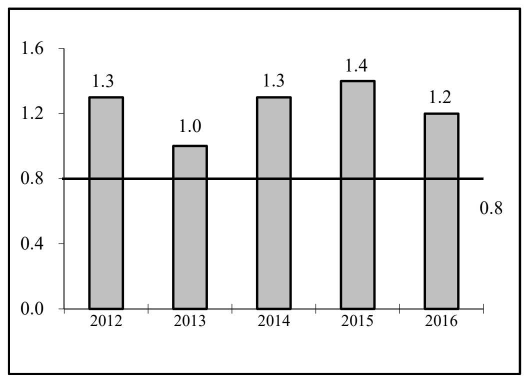
Operating Expense Coverage Ratio



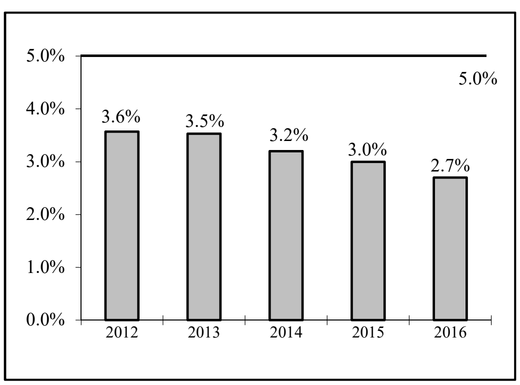
Annual Operating Margin Ratio



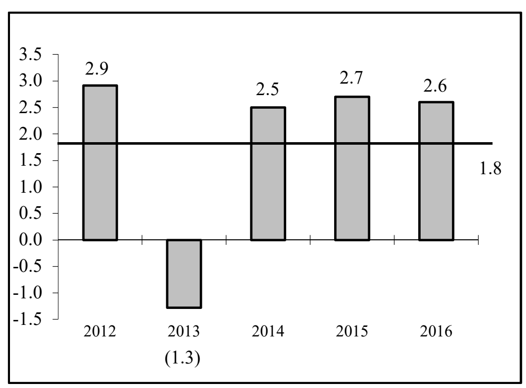
Expendable Resources to Debt Ratio



Debt Burden Ratio



Debt Service Coverage Ratio



The University of Texas Health Science Center at Tyler
2016 Summary of Financial Condition

Composite Financial Index (CFI) - U. T. Health Science Center - Tyler's (UTHSC-Tyler) CFI decreased from 2.4 in 2015 to 2.1 in 2016 as a result of decreases in the return on net position and expendable resources to debt ratios. The decrease in the return on net position ratio was driven by the increase in the amount of debt outstanding related to equipment and facility renovations for resident physicians and critical infrastructure and equipment investments in key clinical areas, information technology systems, and research laboratories. The decrease in the expendable resources to debt ratio is discussed below.

Operating Expense Coverage Ratio - UTHSC-Tyler's operating expense coverage ratio increased from 2.3 months in 2015 to 2.5 months in 2016 due to the growth in total unrestricted net position of $8.0 million. The increase in total unrestricted net position was primarily attributable to the increase in operating activity in designated funds combined with a net increase in the fair value of investments allocated to designated funds of $0.5 million in 2016 as compared to a net decrease of ($1.4) million in 2015.

Annual Operating Margin Ratio - UTHSC-Tyler's annual operating margin ratio decreased from 0.9% for 2015 to 0.6% for 2016 as the growth in total operating expenses (including interest expense) of $24.7 million exceeded the growth in total operating revenues of $24.4 million. The increase in total operating expenses was largely due to the following: an $18.7 million increase in salaries and wages and payroll related costs as a result of hiring 66 behavioral health employees due to the dissolution of the main psychiatric subcontractor, as well as the addition of employees for the new Population/Community Health program and for the opening of the clinic in Lindale; a $3.0 million increase in materials and supplies primarily driven by increases in pharmaceutical drugs and drugs for nuclear medicine, as well as supplies purchased to establish the new clinic in Lindale; and a $2.7 million increase in professional fees and services due to contracts that were paid by East Texas Quality Care Network, Inc., the blended component unit of UTHSC-Tyler, in 2015 and reported as other contracted services. In 2016, the contracts were paid directly by UTHSC-Tyler and reported as professional fees and services. Professional fees and services also increased due to the Northeast Texas Consortium of Colleges and Universities (NETnet) contract with Texarkana College and increased information technology consulting services to optimize systems and enhance security. The increase in total operating revenues was primarily due to the following: an $11.8 million increase in state appropriations; a $6.6 million increase in net sales and services of hospitals generated by growth in significant service lines including behavioral health, oncology, cardiology, surgical services, pharmacy, and related ancillary services; a $4.2 million increase in net professional fees due to increased volumes in a number of clinical areas; and a $3.3 million increase in sponsored programs revenue as a result of several new private grants and completion of sponsored program deliverables.

While UTHSC-Tyler's annual operating margin remained positive in 2016, it is important to note the sizeable impact net Delivery System Reform Incentive Payments (DSRIP) had on UTHSC-Tyler's operating results. UTHSC-Tyler recognized $19.2 million of net DSRIP revenue in 2016 as compared to $17.9 million in 2015. If the net DSRIP revenue had not been recognized in 2016, then UTHSC-Tyler's annual operating margin would have been ($18.0) million or (10.7%).

Expendable Resources to Debt Ratio - UTHSC-Tyler's expendable resources to debt ratio decreased from 1.4 in 2015 to 1.2 in 2016. The decrease in this ratio was attributable to the $14.8 million increase in the amount of debt outstanding related to equipment and facility renovations for resident physicians and critical infrastructure and equipment investments in key clinical areas, information technology systems, and research labs.

Debt Burden Ratio - UTHSC-Tyler's debt burden ratio decreased from 3.0% in 2015 to 2.7% in 2016 as a result of the increase in total operating expenses.

Debt Service Coverage Ratio - UTHSC-Tyler's debt service coverage ratio decreased from 2.7 in 2015 to 2.6 in 2016. The decrease in this ratio was due to the decline in operating performance as discussed in the annual operating margin ratio above.

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.

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

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. 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. 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. 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.

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

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, 2016

U. T. Arlington

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	10.40%	/	2.0%	=	5.20	x	20.0%	=	1.04
Expendable Resources to Debt	1.20	/	0.417	=	2.88	x	35.0%	=	1.01
							CFI		4.6

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	5.20%	/	1.3%	=	4.00	x	10.0%	=	0.40
Return on Net Position	5.60%	/	2.0%	=	2.80	x	20.0%	=	0.56
Expendable Resources to Debt	2.20	/	0.417	=	5.28	x	35.0%	=	1.85
							CFI		6.2

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	4.10%	/	1.3%	=	3.15	x	10.0%	=	0.32
Return on Net Position	12.00%	/	2.0%	=	6.00	x	20.0%	=	1.20
Expendable Resources to Debt	0.60	/	0.417	=	1.44	x	35.0%	=	0.50
							CFI		3.6

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	-3.60%	/	1.3%	=	-2.77	x	10.0%	=	-0.28
Return on Net Position	-1.30%	/	2.0%	=	-0.65	x	20.0%	=	-0.13
Expendable Resources to Debt	0.90	/	0.417	=	2.16	x	35.0%	=	0.76
							CFI		1.7

Appendix B - Calculation of Composite Financial Index
Academic Institutions
As of August 31, 2016
(continued)

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	-3.10%	/	1.3%	=	-2.38	x	10.0%	=	-0.24
Return on Net Position	2.30%	/	2.0%	=	1.15	x	20.0%	=	0.23
Expendable Resources to Debt	0.20	/	0.417	=	0.48	x	35.0%	=	0.17
							CFI		1.2

U. T. Rio Grande Valley

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	2.40%	/	1.3%	=	1.85	x	10.0%	=	0.18
Return on Net Position	50.50%	/	2.0%	=	25.25	x	20.0%	=	5.05
Expendable Resources to Debt	1.40	/	0.417	=	3.36	x	35.0%	=	1.18
							CFI		7.5

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	-5.90%	/	1.3%	=	-4.54	x	10.0%	=	-0.45
Return on Net Position	-2.20%	/	2.0%	=	-1.10	x	20.0%	=	-0.22
Expendable Resources to Debt	0.90	/	0.417	=	2.16	x	35.0%	=	0.76
							CFI		1.7

U. T. Tyler

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	-9.30%	/	1.3%	=	-7.15	x	10.0%	=	-0.72
Return on Net Position	-10.60%	/	2.0%	=	-5.30	x	20.0%	=	-1.06
Expendable Resources to Debt	0.60	/	0.417	=	1.44	x	35.0%	=	0.50
							CFI		0.3

Appendix B - Calculation of Composite Financial Index
Health Institutions
As of August 31, 2016

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	7.40%	/	1.3%	=	5.69	x	10.0%	=	0.57
Return on Net Position	8.80%	/	2.0%	=	4.40	x	20.0%	=	0.88
Expendable Resources to Debt	2.10	/	0.417	=	5.04	x	35.0%	=	1.76
							CFI		5.3

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	0.70%	/	1.3%	=	0.54	x	10.0%	=	0.05
Return on Net Position	5.20%	/	2.0%	=	2.60	x	20.0%	=	0.52
Expendable Resources to Debt	0.90	/	0.417	=	2.16	x	35.0%	=	0.76
							CFI		2.1

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	4.00%	/	1.3%	=	3.08	x	10.0%	=	0.31
Return on Net Position	2.30%	/	2.0%	=	1.15	x	20.0%	=	0.23
Expendable Resources to Debt	2.30	/	0.417	=	5.52	x	35.0%	=	1.93
							CFI		3.8

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	2.40%	/	1.3%	=	1.85	x	10.0%	=	0.18
Return on Net Position	-3.10%	/	2.0%	=	-1.55	x	20.0%	=	-0.31
Expendable Resources to Debt	2.20	/	0.417	=	5.28	x	35.0%	=	1.85
							CFI		3.6

M. D. Anderson

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	3.40%	/	1.3%	=	2.62	x	10.0%	=	0.26
Return on Net Position	7.40%	/	2.0%	=	3.70	x	20.0%	=	0.74
Expendable Resources to Debt	3.50	/	0.417	=	8.39	x	35.0%	=	2.94
							CFI		6.0

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	0.60%	/	1.3%	=	0.46	x	10.0%	=	0.05
Return on Net Position	2.60%	/	2.0%	=	1.30	x	20.0%	=	0.26
Expendable Resources to Debt	1.20	/	0.417	=	2.88	x	35.0%	=	1.01
							CFI		2.1

Appendix C - Calculation of Expendable Net Position
Academic Institutions
As of August 31, 2016
(In Millions)

Institution	Restricted Expendable Net Position: Capital Projects	Restricted Expendable Net Position: Funds Functioning Restricted	Restricted Expendable Net Position: Other Expendable	Restricted Expendable Net Position: Total	Total Unrestricted Net Position	Total Expendable Net Position	Less: Restricted Exp for Cap. Projects	Total Exp. Net Position Excluding Cap. Projects
U. T. Arlington	$ 59.5	4.1	62.5	126.2	330.1	456.3	(59.5)	396.8
U. T. Austin	168.6	235.8	1,795.5	2,199.9	1,256.3	3,456.2	(168.6)	3,287.6
U. T. Dallas	79.9	23.5	185.8	289.2	141.3	430.5	(79.9)	350.6
U. T. El Paso	(0.3)	17.7	131.6	149.1	59.4	208.4	0.3	208.7
U. T. Permian Basin	3.0	0.4	26.8	30.2	6.2	36.4	(3.0)	33.3
U. T. Rio Grande Valley	18.9	1.3	52.4	72.6	121.9	194.6	(18.9)	175.7
U. T. San Antonio	1.3	1.5	64.9	67.8	230.8	298.6	(1.3)	297.3
U. T. Tyler	32.8	1.6	46.1	80.6	37.2	117.8	(32.8)	85.0

Appendix C - Calculation of Expendable Net Position
Health Institutions
As of August 31, 2016
(In Millions)

Institution	Restricted Expendable Net Position: Capital Projects	Restricted Expendable Net Position: Funds Functioning Restricted	Restricted Expendable Net Position: Other Expendable	Restricted Expendable Net Position: Total	Total Unrestricted Net Position	Total Expendable Net Position	Less: Restricted Exp for Cap. Projects	Total Exp. Net Position Excluding Cap. Projects
Southwestern	$ 122.4	53.1	953.0	1,128.5	1,102.7	2,231.2	(122.4)	2,108.8
UTMB	(41.2)	30.9	202.4	192.1	363.4	555.5	41.2	596.7
UTHSC-Houston	2.5	22.5	152.2	177.2	534.0	711.2	(2.5)	708.7
UTHSC-San Antonio	43.5	18.6	218.8	280.9	331.1	611.9	(43.5)	568.5
M. D. Anderson	262.3	68.3	541.9	872.5	2,758.2	3,630.7	(262.3)	3,368.4
UTHSC-Tyler	6.1	1.0	18.2	25.2	40.4	65.6	(6.1)	59.6

Appendix D - Calculation of Annual Operating Margin
Academic Institutions
As of August 31, 2016
(In Millions)

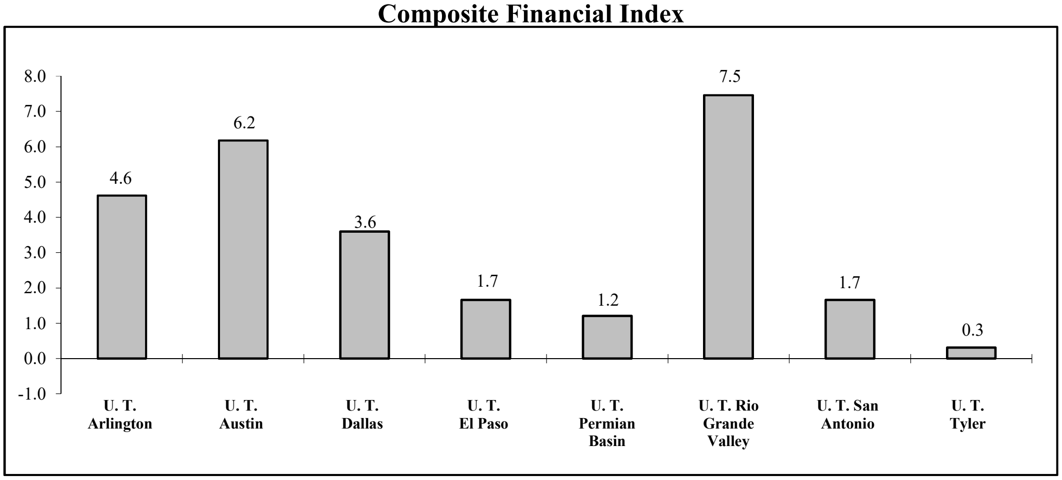
Institution	Income/(Loss) Before Other Rev., Exp., Gains/(Losses) & Transfers	Less: Nonoperating Items — Other Nonop. Revenues	Other Nonop. Expenses	Gain/Loss on Sale of Cap. Assets	Net Increase/ (Decrease) in FV of Inv.	Margin From SRECNA	Other Adjustments — Minus: Realized Gains/ (Losses)	Plus: AUF, RAHC & NSERB	Plus: GEF Transfer	Plus: Hazelwood Transfers	Plus: Interest Expense	Annual Operating Margin
U. T. Arlington	$ 70.4	-	(0.9)	(0.8)	2.0	69.8	-	-	1.4	0.9	(11.6)	60.5
U. T. Austin	(183.5)	26.7	(0.7)	(19.3)	(39.7)	(150.5)	(0.1)	297.7	34.3	1.9	(42.5)	141.1
U. T. Dallas	34.3	-	-	(1.9)	(10.3)	46.5	13.9	6.5	4.0	0.5	(18.2)	25.4
U. T. El Paso	(12.2)	0.1	(0.2)	(2.1)	(2.3)	(7.6)	0.8	-	1.9	0.5	(9.2)	(15.2)
U. T. Permian Basin	2.1	0.1	-	-	(0.1)	2.1	(0.3)	-	0.4	0.1	(5.4)	(2.5)
U. T. Rio Grande Valley	15.3	0.3	-	(1.3)	0.7	15.6	(0.2)	0.6	0.5	0.5	(6.3)	11.2
U. T. San Antonio	(18.6)	0.1	-	(0.4)	(0.2)	(18.0)	0.3	-	1.4	1.7	(14.4)	(29.6)
U. T. Tyler	(9.6)	-	-	-	(0.2)	(9.3)	-	-	0.8	0.2	(3.6)	(11.8)

Appendix D - Calculation of Annual Operating Margin
Health Institutions
As of August 31, 2016
(In Millions)

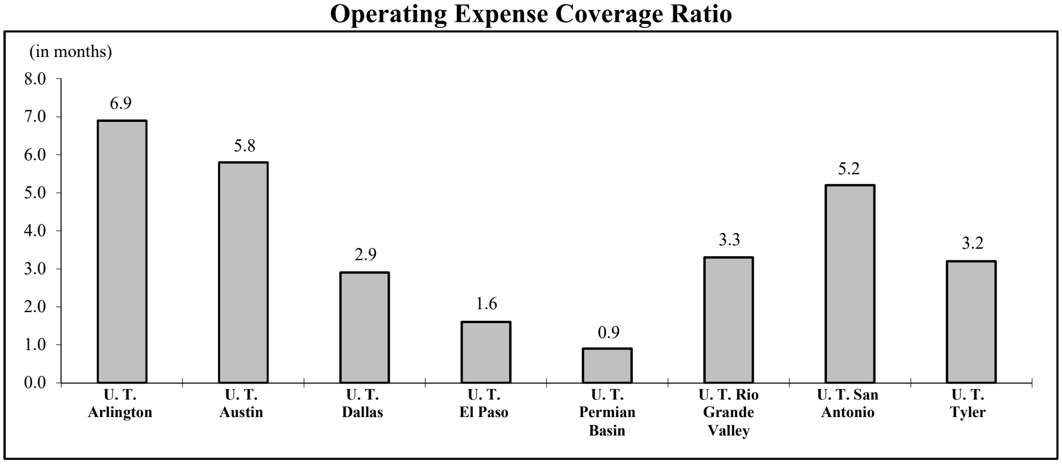
		Less: Nonoperating Items					Other Adjustments				
							Minus:	Plus:	Plus:	Plus:	
Institution	Income/(Loss) Before Other Rev., Exp., Gains/(Losses) & Transfers	Other Nonop. Revenues	Other Nonop. Expenses	Gain/Loss on Sale of Cap. Assets	Net Increase/ (Decrease) in FV of Inv.	Margin From SRECNA	Realized Gains/ (Losses)	GEF Transfer	Other	Interest Expense	Annual Operating Margin
Southwestern	$ 214.7	3.7	(1.2)	(1.9)	(6.2)	220.2	(6.9)	10.1	-	(31.3)	206.0
UTMB	14.0	-	(0.1)	-	(5.8)	20.0	0.4	5.1	4.1	(14.7)	14.1
UTHSC-Houston	67.9	-	-	(0.9)	(0.5)	69.4	0.7	2.7	1.5	(11.0)	61.8
UTHSC-San Antonio	19.4	-	-	(0.5)	(3.5)	23.5	0.1	2.3	2.6	(8.3)	20.1
M. D. Anderson	207.5	-	(0.6)	(2.6)	39.7	171.0	(8.8)	5.3	-	(34.5)	150.5
UTHSC-Tyler	1.1	-	(0.9)	-	(0.1)	2.2	(0.2)	0.1	-	(1.4)	1.1

Appendix E - Academic Institutions' Evaluation Factors
2016 Analysis of Financial Condition

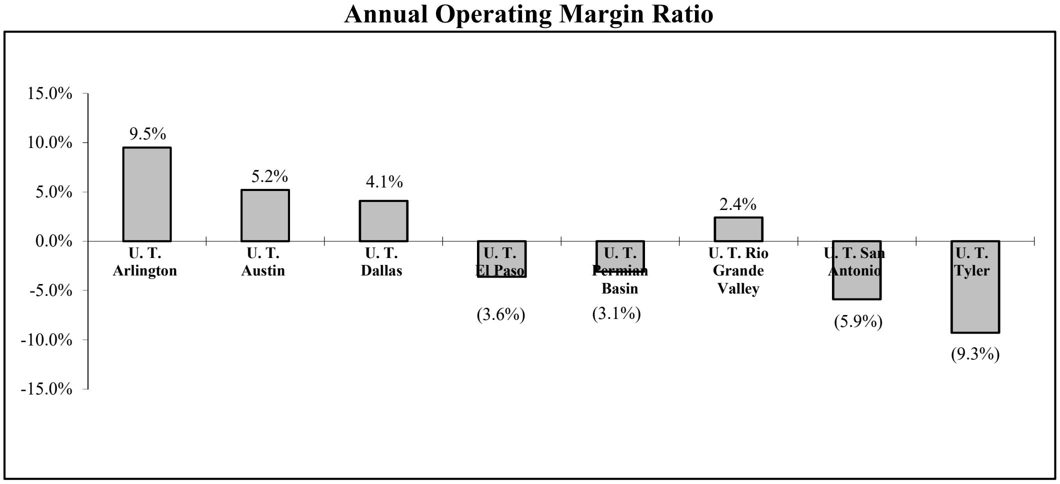
Composite Financial Index



Operating Expense Coverage Ratio

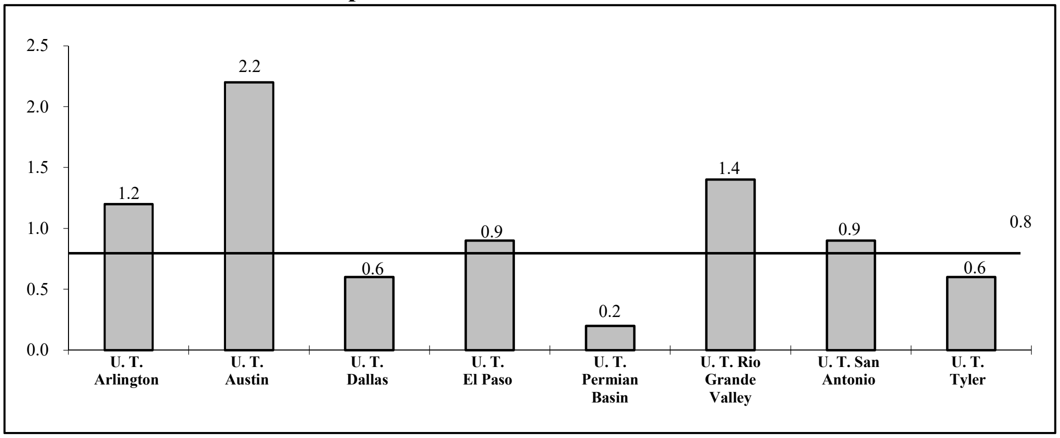


Annual Operating Margin Ratio

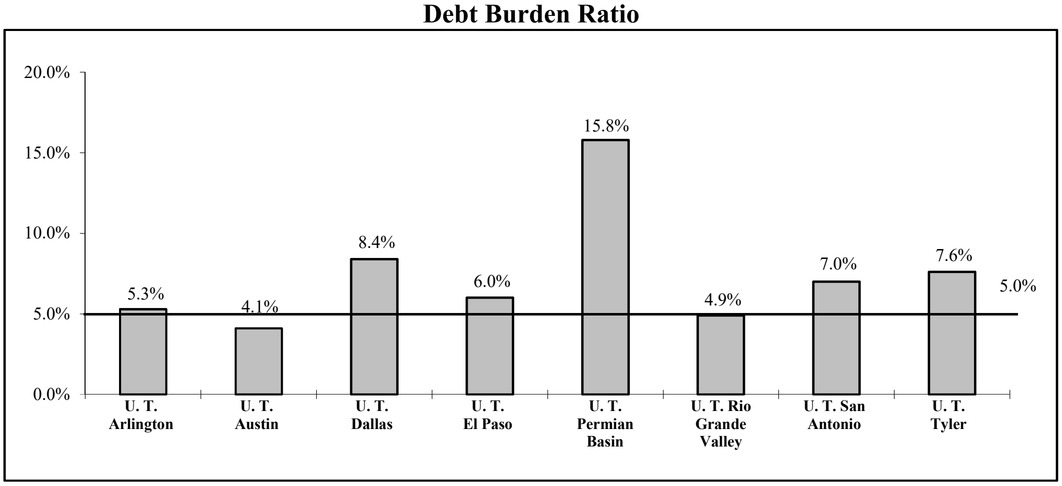


Appendix E - Academic Institutions' Evaluation Factors
2016 Analysis of Financial Condition

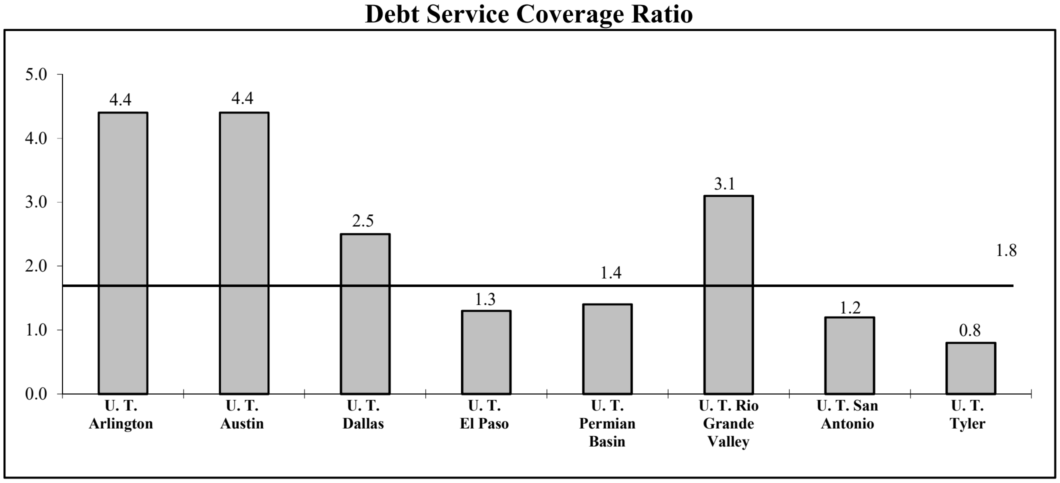
Expendable Resources to Debt Ratio



Debt Burden Ratio

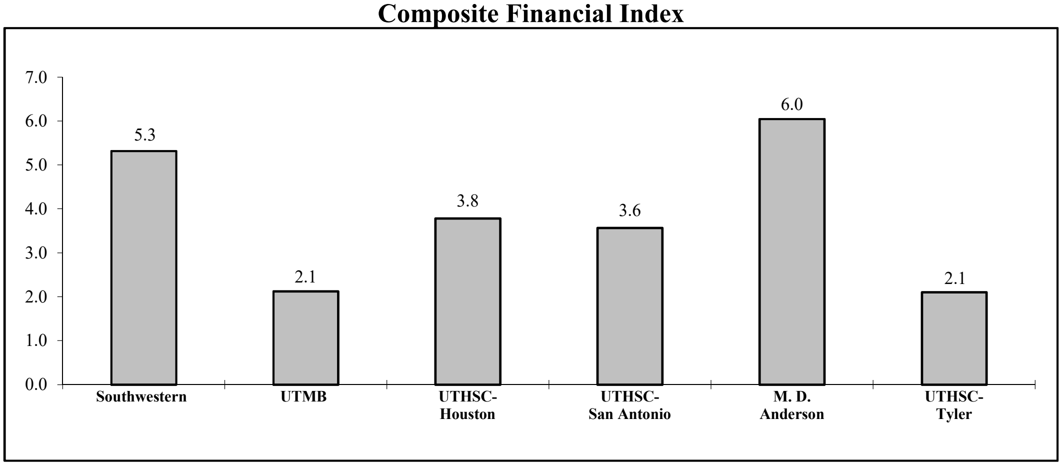


Debt Service Coverage Ratio

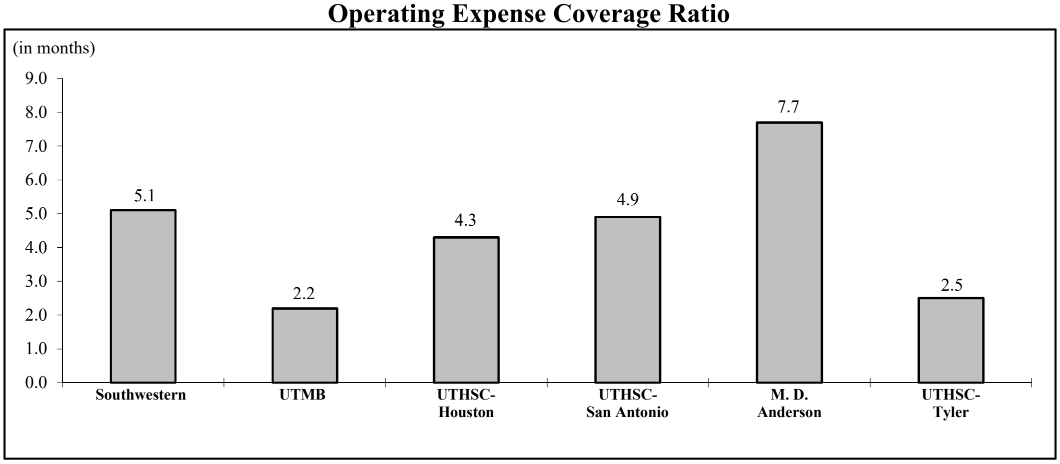


Appendix E - Health Institutions' Evaluation Factors
2016 Analysis of Financial Condition

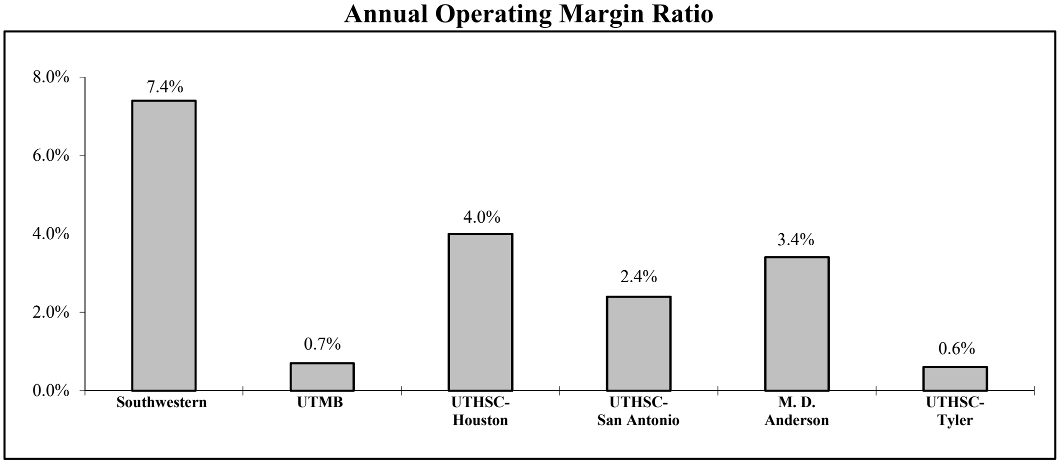
Composite Financial Index



Operating Expense Coverage Ratio

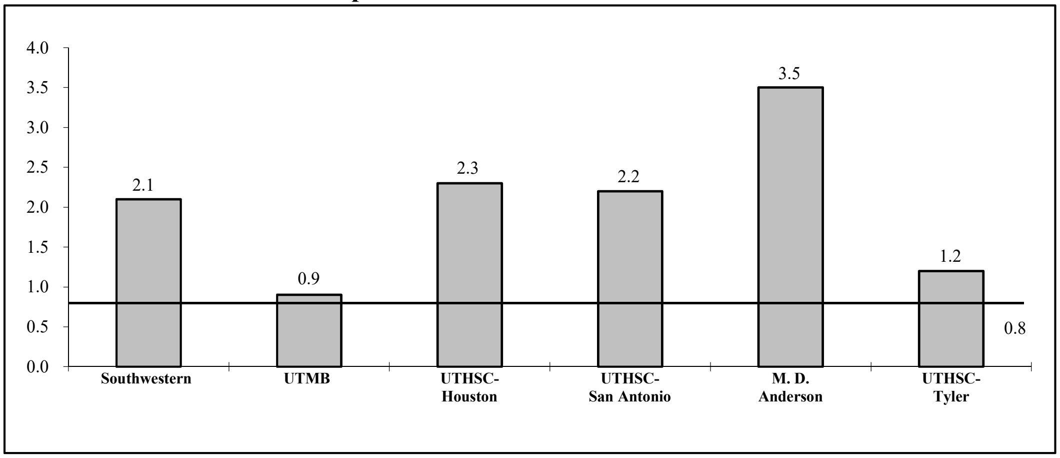


Annual Operating Margin Ratio

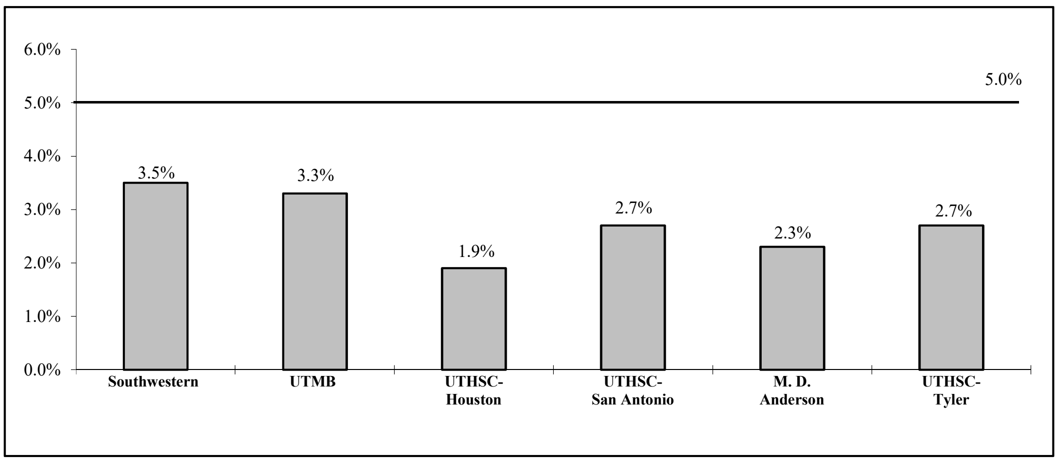


Appendix E - Health Institutions' Evaluation Factors
2016 Analysis of Financial Condition

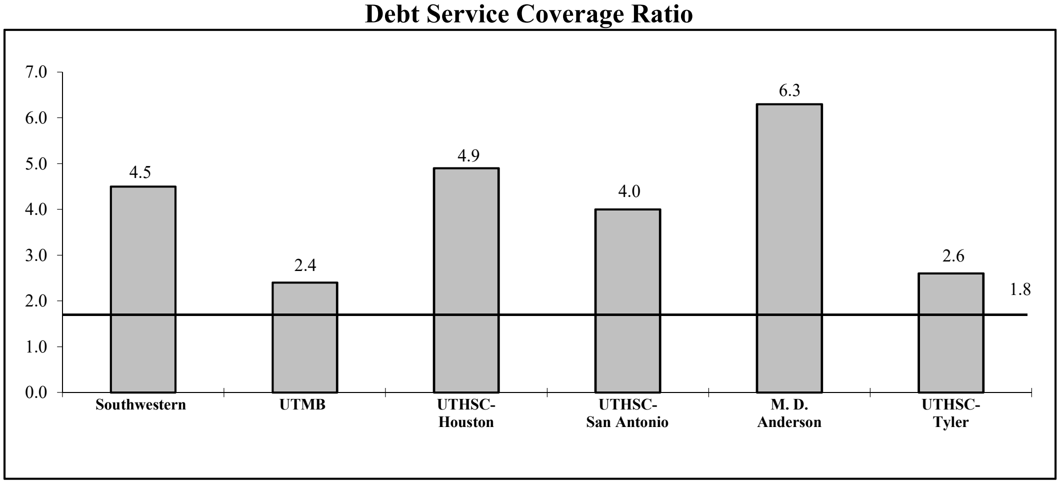
Expendable Resources to Debt Ratio



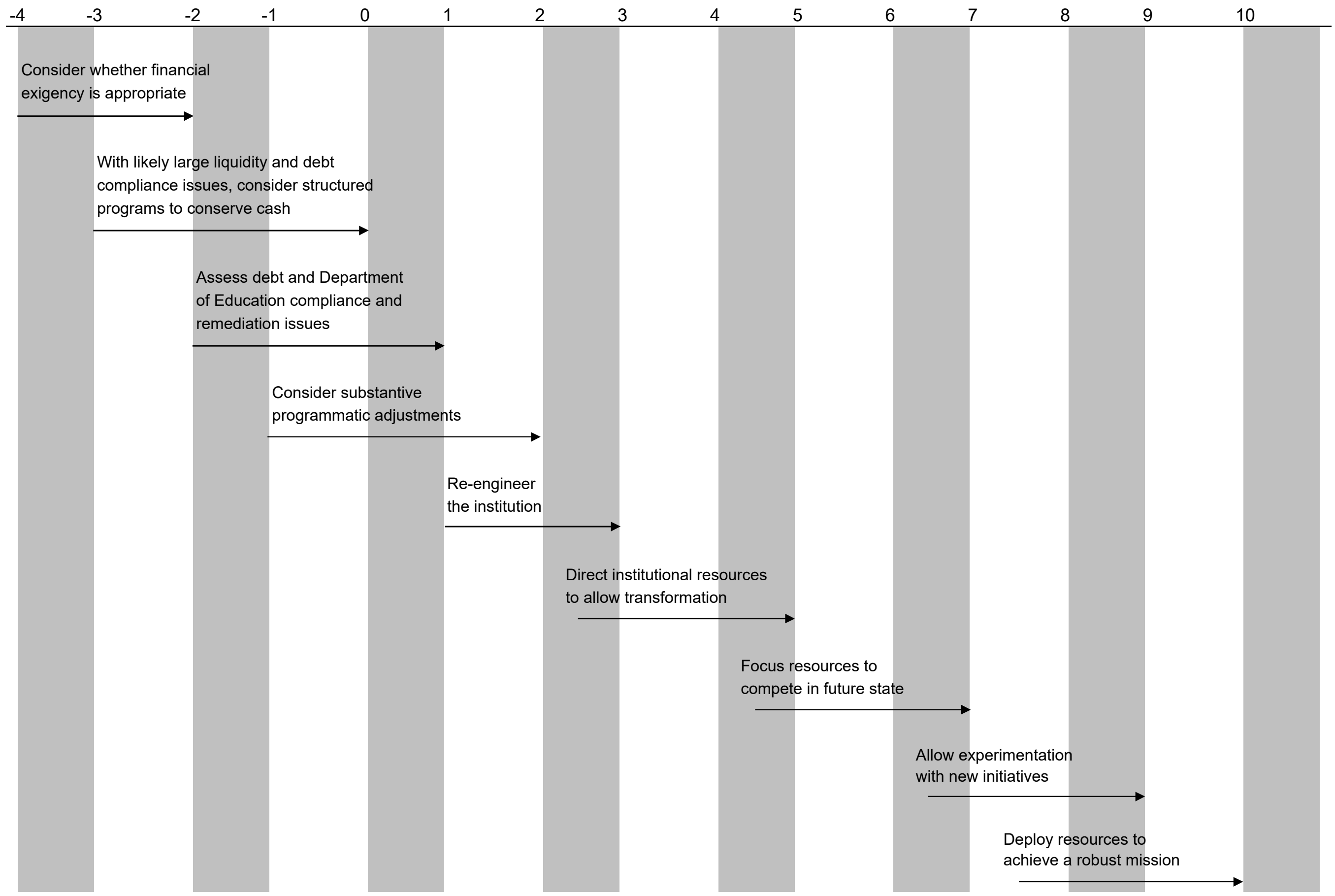
Debt Burden Ratio



Debt Service Coverage Ratio

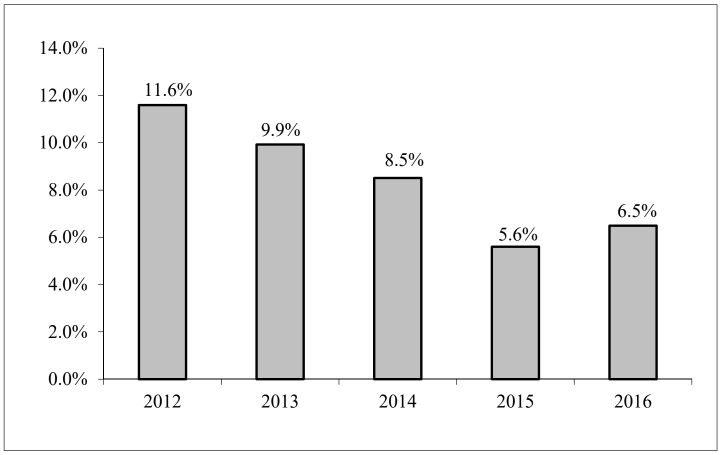


Appendix F - Scale for Charting CFI Performance



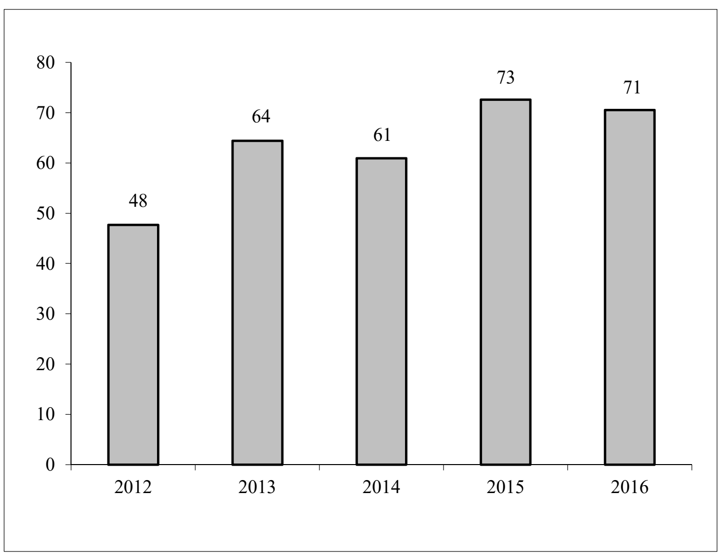
Appendix G - Key Hospital Operating Factors
The University of Texas Southwestern Medical Center

Annual Operating Margin Ratio



The annual operating margin ratio increased from 5.6% for 2015 to 6.5% for 2016 as a result of year over year volume increases of 10.5%. Resources were added to meet those demands (a 9.8% increase). The differential in volumes and improved rates against additional resources resulted in an improved annual operating margin.

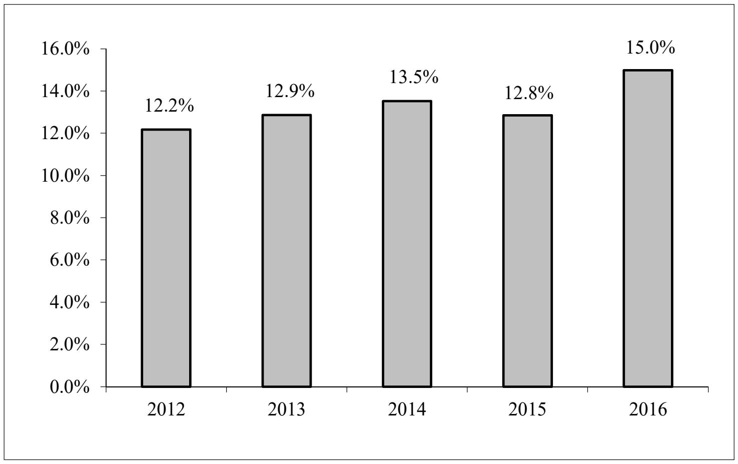
Net Accounts Receivable (in days)



Net accounts receivable in days decreased from 73 days in 2015 to 71 days in 2016 due to the completion of the training for the 10th revision of the International Statistical Classification of Diseases and Related Health Problems, a medical classification list by the World Health Organization.

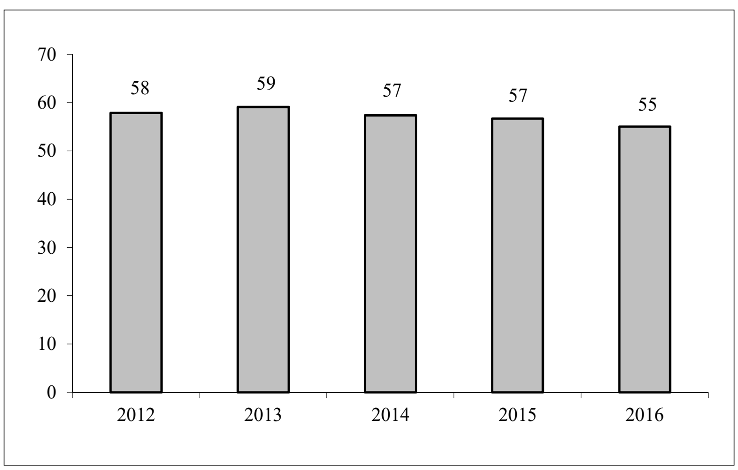
Appendix G - Key MSRDP & NPHC Operating Factors
The University of Texas Southwestern Medical Center

Annual Operating Margin Ratio



The annual operating margin ratio increased from 12.8% for 2015 to 15.0% for 2016. The increase in this ratio was primarily attributable to the accrual of $21.4 million in 2015 associated with the audit of the Physician Upper Payment Limit (UPL) for the periods May 1, 2004 through September 30, 2007. The annual operating margin ratio for 2015 would have been 15.2% instead of 12.8% if the $21.4 million UPL accrual was excluded. The physician practice plan recognized $41.3 million in other operating revenue from the Delivery System Reform Incentive Payment program, which was a slight decrease from the $42.5 million recognized in the prior year.

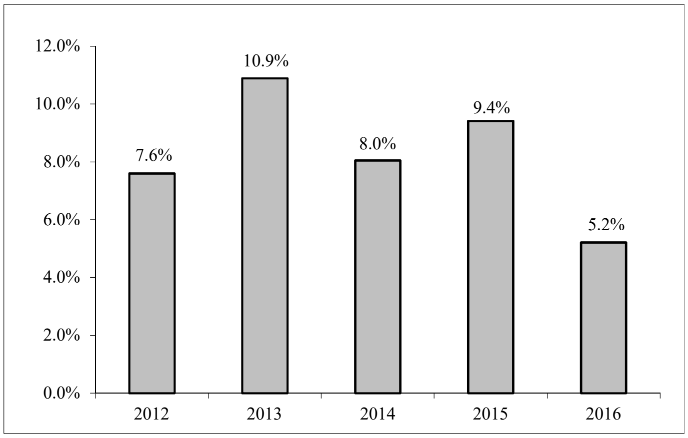
Net Accounts Receivable (in days)



The net accounts receivable days decreased from 57 days in 2015 to 55 days in 2016 mainly due to billing efficiency.

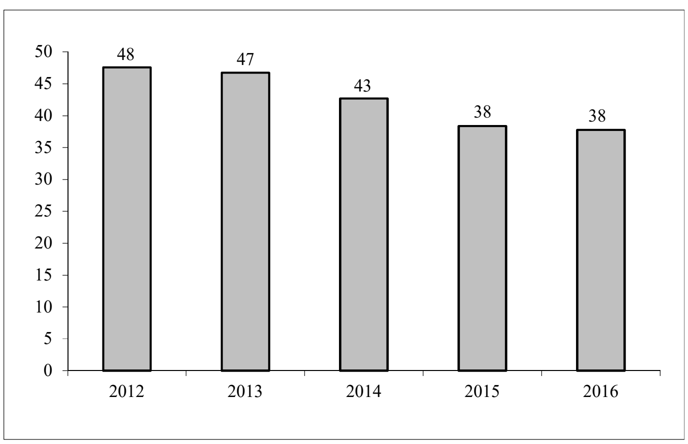
Appendix G - Key Hospital Operating Factors
The University of Texas Medical Branch at Galveston

Annual Operating Margin Ratio



UTMB Hospitals and Clinics' annual operating margin ratio decreased from 9.4% for 2015 to 5.2% for 2016. Operating revenues increased 7.3% primarily due to net patient care revenue. Operating expenses increased 11.4% due to salaries and benefits, supplies, depreciation, interest expense for capital asset financing, utilities and other facility costs. The increases in depreciation and interest expense were related to placing the Jennie Sealy Hospital and League City Hospital into service. UTMB Hospitals and Clinics experienced volume increases in discharges of 1.1% and outpatient encounters of 7.7% which contributed to increased net patient care revenue and increased salaries and benefits, as well as supply costs. UTMB Hospitals and Clinics recognized a net decrease related to the Delivery System Reform Incentive Payment program from 2015 to 2016 of $13.1 million.

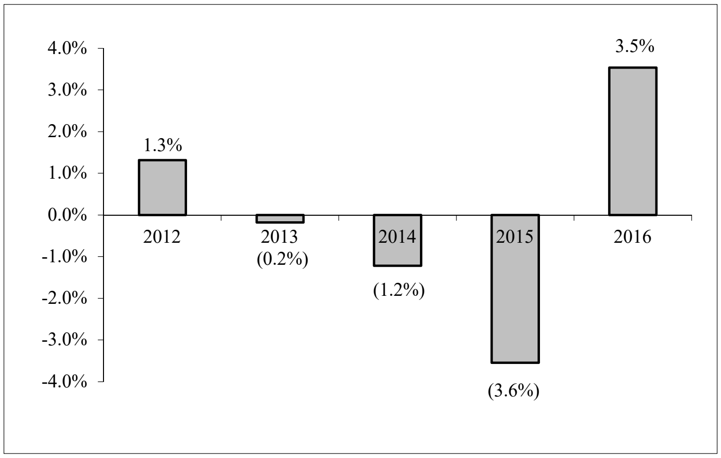
Net Accounts Receivable (in days)



Net accounts receivable in days remained consistent between 2015 and 2016 at 38 days. Although discharges increased 1.1% and outpatient encounters increased 7.7%, the Revenue Cycle Operations continued to implement process improvements.

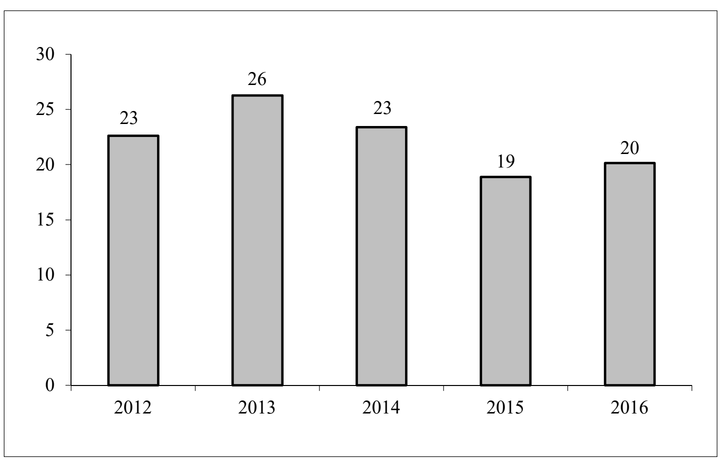
Appendix G - Key MSRDP & NPHC Operating Factors
The University of Texas Medical Branch at Galveston

Annual Operating Margin Ratio



The annual operating margin ratio increased from (3.6%) for 2015 to 3.5% for 2016, which was primarily attributable to an increase in operating revenues of 8.8%. The increase in operating revenues was largely due to an increase in net patient care revenue partially offset by a decrease in revenue from the Delivery System Reform Incentive Payments (DSRIP). Work Relative Value Units (wRVUs) increased 10.4% contributing to the increase in net patient care revenue. The net decrease related to DSRIP from 2015 to 2016 was $10.5 million. Operating expenses increased 1.5% primarily as a result of increases in salaries and benefits partially offset by a decrease in utilities and other facility costs.

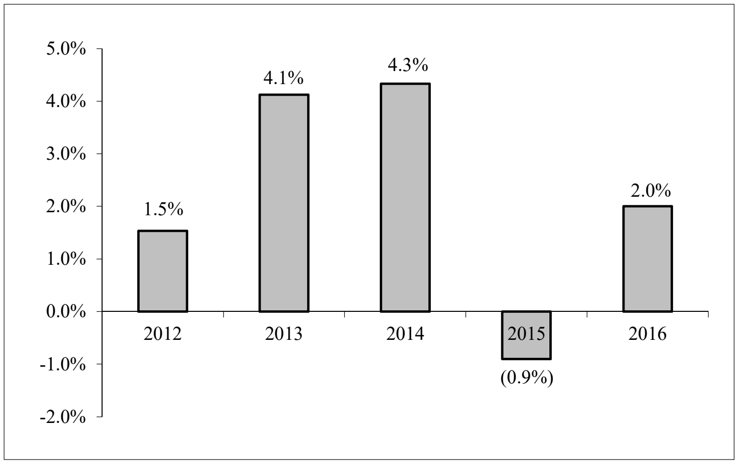
Net Accounts Receivable (in days)



Net accounts receivable in days remained relatively consistent between 2015 and 2016 with a slight increase from 19 days to 20 days. Although wRVUs increased 10.4%, Revenue Cycle Operations continued to implement process improvements.

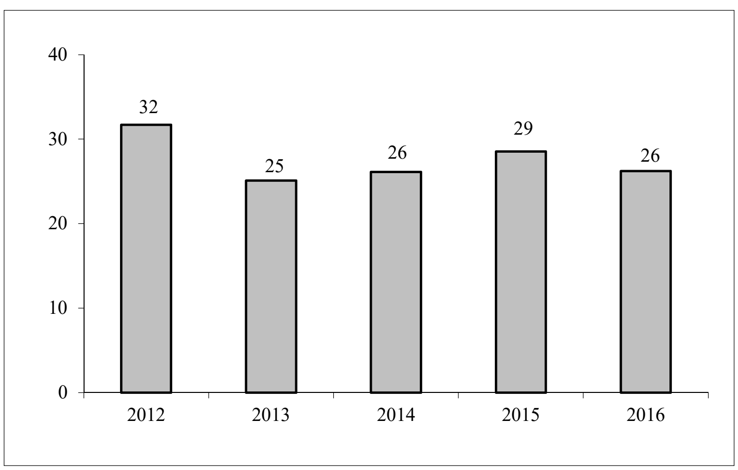
Appendix G - Key Hospital Operating Factors
The University of Texas Health Science Center at Houston

Annual Operating Margin Ratio



The annual operating margin ratio increased from (0.9%) for 2015 to 2.0% for 2016. The increase in this ratio was primarily attributable to an increase in funding amounts per bed and the number of beds funded, an increase in net patient service revenue, and efforts to contain costs. The increase in net patient service revenue was due to a better success rate on appeals of denied claims, and the removal by the Texas Health and Human Services Commission (HHSC) of the spell of illness (SOI) limitation for individuals with severe and persistent mental illness. The SOI limitation negatively affected patient account collections in 2015.

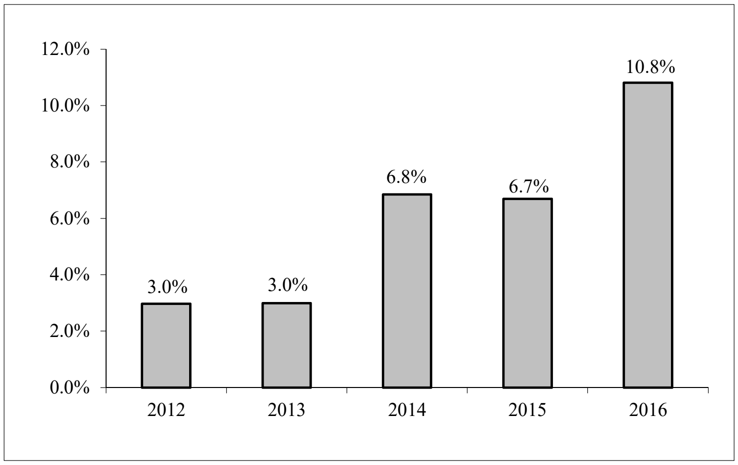
Net Accounts Receivable (in days)



The net accounts receivable in days remained relatively constant over the last five years. Continuous monitoring and improvement of the 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 low net days in accounts receivable.

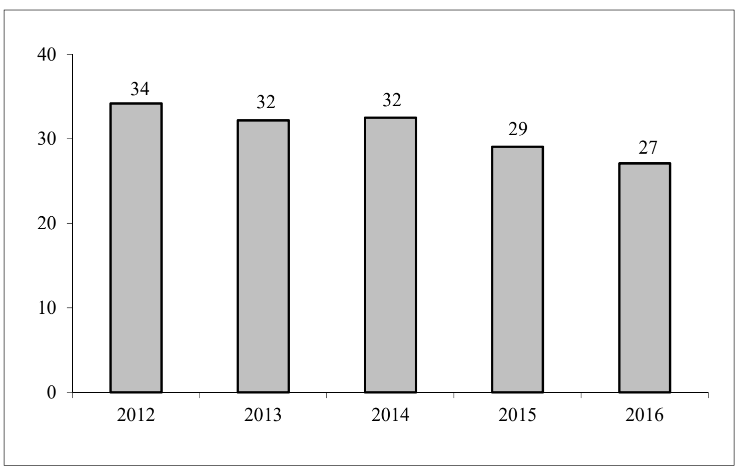
Appendix G - Key MSRDP & NPHC Operating Factors
The University of Texas Health Science Center at Houston

Annual Operating Margin Ratio



The annual operating margin ratio increased significantly from 2015 to 2016. The physician practice plan recognized an increase in both operating revenues (25.0%) and expenses (19.1%). The growth in the physician practice plan generated an additional $53.1 million in professional fee revenue. Also, an additional $56.1 million in Network Access Improvement Program (NAIP) revenue was recognized as compared to 2015 due to only a partial year of NAIP activity in 2015, combined with an increase from one contract to three in 2016. Contractual revenue also increased as a result of increases in the Memorial Hermann Hospital contract ($47.2 million) due to an increase in provided services and a delayed execution of the 2016 annual agreement, and Harris Health System contract ($7.3 million) due to expanded services. The increase in operating expenses was primarily a result of the addition of faculty, the expansion of some existing clinics and the opening of new clinics, and the continued increase in expenses related to NAIP and Delivery System Reform Incentive Payments (DSRIP).

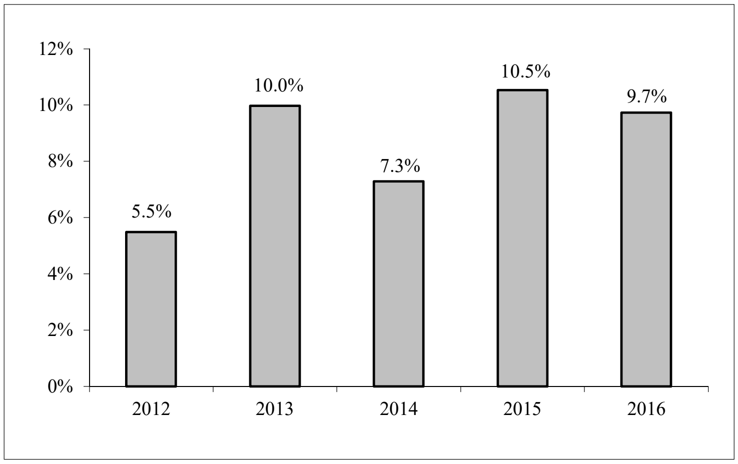
Net Accounts Receivable (in days)



Net accounts receivable (in days) improved from 29 days in 2015 to 27 days in 2016. The physician practice plan continues to focus heavily on improving the revenue cycle. In 2015 and 2016 there was an emphasis on processing insurance claims more accurately, which resulted in faster payment of the claims, and thus, reduced denials and increased collection of time of service payments. The initiatives in 2016 also included implementing a process to verify eligibility on hospital based claims prior to submission of the claims, initiating other targeted eligibility initiatives to reduce charges billed for incorrect eligibility, implementing online bill pay, launching support to decrease charge lag days, and reducing the number of days Harris Health System's indigent balances were held on the accounts receivable.

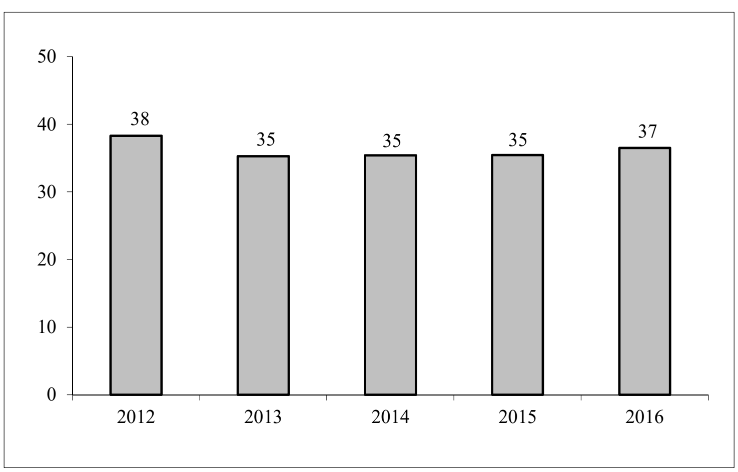
Appendix G - Key MSRDP & NPHC Operating Factors
The University of Texas Health Science Center at San Antonio

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 decrease in the annual operating margin ratio was primarily attributable to a $5.3 million settlement payment to University Hospital System (UHS) related to the pediatric transition. A strategic focus on the *Patient First* initiative targeted at applying productivity standards and process improvement ideas continues to enhance clinical performance. These efforts exclusive of the pediatrics settlement resulted in net revenues over expenses of $3.0 million from the prior year. The Delivery System Reform Incentive Payment (DSRIP) program associated with the Medicaid Section 1115 Demonstration, including those projects in South Texas, resulted in net revenues over expenses of $2.3 million from the prior year. Excluding DSRIP activity and the UHS settlement, operating revenues increased by $24.0 million over the prior year, while operating expenses increased by $21.0 million due to increased service requirements associated with UHS contracts, efforts targeted at clinical expansion and enhancement activities at the Medical Arts and Research Center and other clinics, and faculty recruitments and compensation efforts aligned with productivity-based compensation plans. 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.

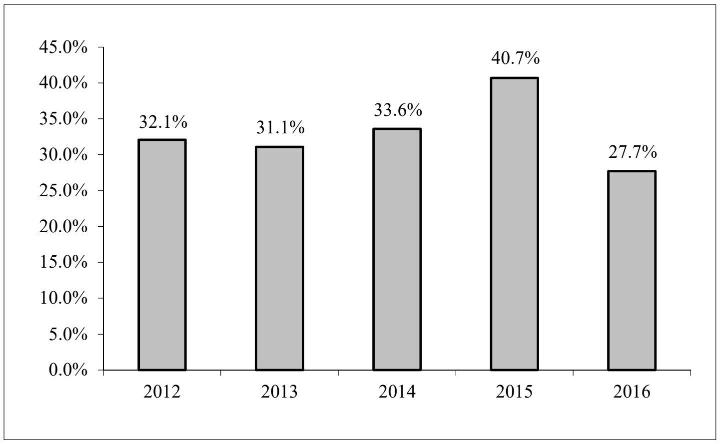
Net Accounts Receivable (in days)



The increase in days outstanding of net receivables was attributable to significant growth in commercial payors which serves to improve the overall payor mix. UTHSC-San Antonio's commercial payors are more likely to deny claims than other payors, resulting in more patient responsibility after insurance. Approximately half of the increase in days outstanding of net receivables was from the shift to commercial plans, including Affordable Care Act plans, with heavier patient responsibility, while the other half of the increase was related to billing delays associated with the Centers for Medicare and Medicaid Services' International Classification of Diseases, 10th Revision (ICD-10) implementation.

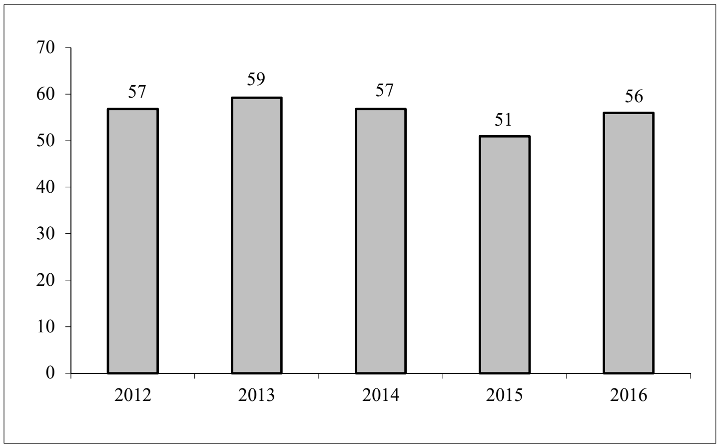
Appendix G - Key Hospital Operating Factors
The University of Texas M. D. Anderson Cancer Center

Annual Operating Margin Ratio



The decrease in the annual operating margin ratio was attributable to the implementation of the EPIC Electronic Health Record (EHR) system in March 2016. Planned reductions in patient activities reduced overall operating revenues during the year while additional operating expenses were incurred in support of the transition to EPIC EHR system. M. D. Anderson anticipated a material impact on revenues and expenses as a result of the implementation of the EPIC EHR system. The post implementation strategy will continue to focus on clinical productivity and operational efficiencies to return to normalized operations.

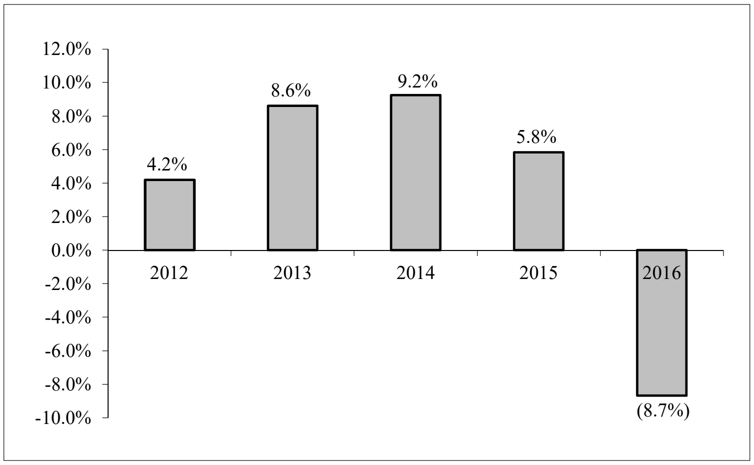
Net Accounts Receivable (in days)



Patient accounting statistics between 2015 and 2016 are not comparable due to transformational efforts between the two years. In 2015, the Revenue Cycle legacy system activities were strategically accelerated in anticipation of the ICD-10 (a medical classification list by the World Health Organization which contains codes for diseases) cutover in October 2015 and the EPIC EHR system cutover in March 2016. This lowered hospital net accounts receivable in days for 2015. At the end of 2016, M. D. Anderson was operating two hospital patient accounting systems (Siemens Invision and EPIC Hospital Billing Resolute). Accounts receivable returned to normal levels due to operational adjustments to the new EPIC EHR platform, and increased claim denials under appeal. Additionally, net patient income declined in 2016 and affected the hospital net accounts receivable days calculation due to reduced patient volumes and thus charges during the EPIC EHR system cutover so that the institution could focus on patient safety under the new EPC EHR.

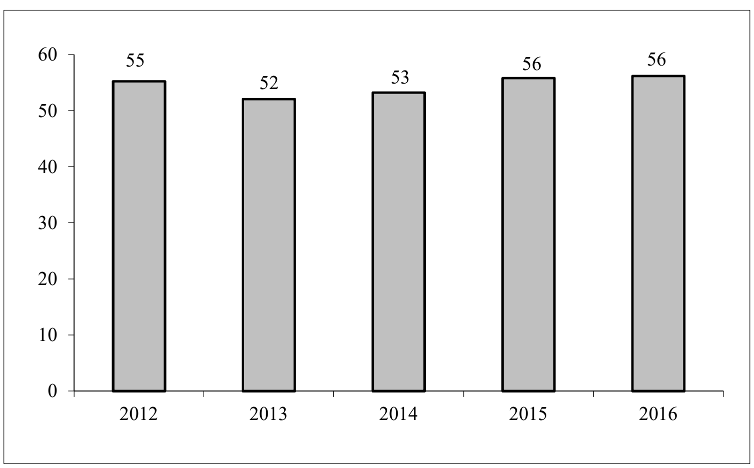
Appendix G - Key MSRDP & NPHC Operating Factors
The University of Texas M. D. Anderson Cancer Center

Annual Operating Margin Ratio



The significant decrease in the annual operating margin ratio from 5.8% for 2015 to (8.7%) for 2016 was planned and attributable to the implementation of a new EPIC Electronic Health Record (EHR) system as well as the implementation of ICD-10 (a medical classification list by the World Health Organization which contains codes for diseases). M. D. Anderson anticipated a material impact on revenues and expenses as a result of the implementation of the EPIC EHR system. The post implementation strategy will continue to focus on clinical productivity and operational efficiencies to return to normalized operations.

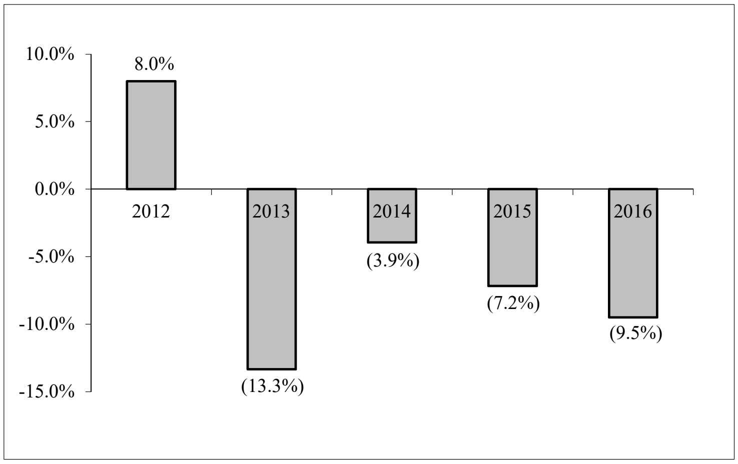
Net Accounts Receivable (in days)



Days in net accounts receivable remained unchanged between 2015 and 2016 due to the implementation of a new EPIC EHR system and ICD-10.

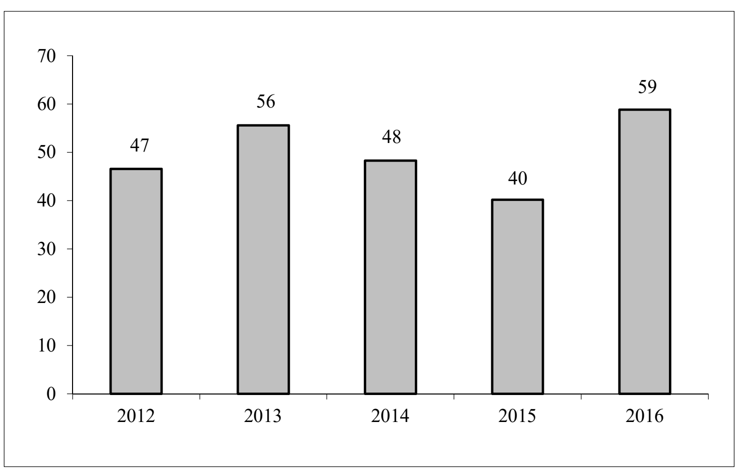
Appendix G - Key Hospital Operating Factors
The University of Texas Health Science Center at Tyler

Annual Operating Margin Ratio



The annual operating margin ratio decreased from (7.2%) for 2015 to (9.5%) for 2016 as the growth in total operating expenses of $22.7 million exceeded the growth in total operating revenues of $18.5 million. The increase in operating revenues was largely attributable to growth in significant service lines including behavioral health, oncology, cardiology, and surgical services. The increase in total operating expenses largely corresponded to the service line areas that experienced growth in operating revenues, most notably increases in the following: salaries and benefits from the growth of the behavioral health service line, as well as for patient care areas including nursing and support areas such as patient access and patient services administration; general operating expenses associated with the opening of the Lindale clinic; and an increase in supplies expense resulting from increased volumes, mainly pharmaceuticals and nuclear medicine drugs.

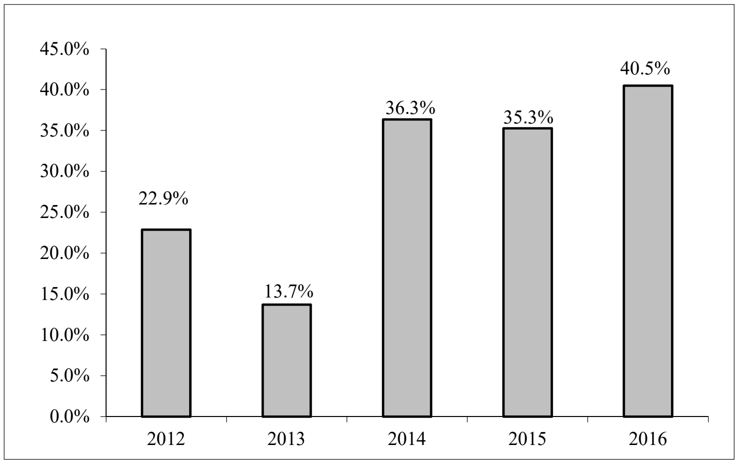
Net Accounts Receivable (in days)



Net accounts receivable in days increased by 19 days from 2015 to 2016 due to a decline in collection rates across key payors, combined with higher percentages for key payor segments of outstanding accounts receivable balances relative to total accounts receivable. This circumstance occurred in part due to the ever-increasing complexities of hospital inpatient and outpatient coding and billing, including conversion to ICD-10 codes during 2016. A revenue cycle advisory committee was established during the second half of the year and is actively engaged in identifying and overseeing process improvements to reverse this trend.

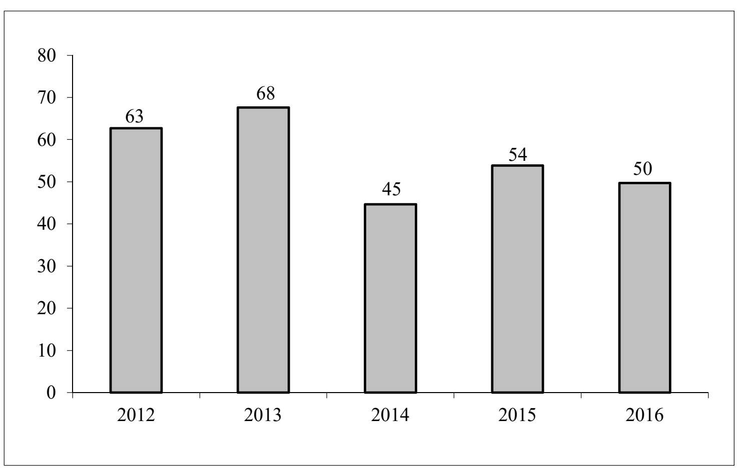
Appendix G - Key MSRDP & NPHC Operating Factors
The University of Texas Health Science Center at Tyler

Annual Operating Margin Ratio



The annual operating margin ratio remained positive due to net revenue of $19.2 million received from the Delivery System Reform Incentive Payment (DSRIP) program. Additionally, the growth in net patient clinical revenue increased by approximately 35% due to measurable volume increases in a number of areas, most noticeably oncology, family medicine, internal medicine, and cardiology. This volume growth allowed for fixed clinical operating expenses to be better absorbed by increased clinical revenue, as evidenced by the fact that corresponding clinical operating expenses only increased by approximately 5%.

Net Accounts Receivable (in days)



Net accounts receivable in days decreased by 4 days due to the effect of better collection percentages in certain major payor classes, including Medicare and commercial payors, combined with lower percentages for key segments of outstanding accounts receivable balances relative to the total, including Medicare, Medicaid managed care, and a major commercial payor. These improvements were the result of revenue cycle process improvements specifically focused on professional fees during 2016.

4. 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, 2016

REPORT

The November 30, 2016 UTIMCO Performance Summary Report is set forth on Page 204.

The Investment Reports for the quarter ended November 30, 2016, are set forth on Pages 205 - 208.

Item I on Page 205 reports activity for the Permanent University Fund (PUF) investments. The PUF's net investment return for the quarter was 1.53% versus its composite benchmark return of .28%. The PUF's net asset value increased by $449 million during the quarter to $18,329 million. The increase was due to $180 million PUF Lands receipts, plus a net investment return of $269 million. No distribution was made to the Available University Fund (AUF) during the quarter.

Item II on Page 206 reports activity for the General Endowment Fund (GEF) investments. The GEF's net investment return for the quarter was 1.77% versus its composite benchmark return of .28%. The GEF's net asset value increased by $115 million during the quarter to $8,615 million.

Item III on Page 207 reports activity for the Intermediate Term Fund (ITF). The ITF's net investment return for the quarter was negative .83% versus its composite benchmark return of negative 2.18%. The net asset value increased during the quarter to $7,910 million due to net contributions of $202 million, plus net investment return of negative $68 million and less distributions of $60 million.

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

Item IV on Page 208 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 $153 million to $2,365 million during the three months since the last reporting period. Market values for the remaining asset types were debt securities: $21 million versus $20 million at the beginning of the period; equities: $66 million versus $74 million at the beginning of the period; and other investments: $3 million versus $12 million at the beginning of the period.

UTIMCO Performance Summary

November 30, 2016

	Net Asset Value 11/30/2016 (in Millions)	Periods Ended November 30, 2016 (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	$ 18,329	1.20%	1.53%	1.53%	6.98%	6.00%	5.20%	7.07%	5.13%
Permanent Health Fund	1,072								
Long Term Fund	7,544								
General Endowment Fund	8,616	1.33%	1.77%	1.77%	7.32%	6.47%	5.38%	7.25%	5.26%
Separately Invested Funds	150								
Total Endowment Funds	27,095								
OPERATING FUNDS									
Intermediate Term Fund	7,910	(0.75%)	(0.83%)	(0.83%)	3.93%	3.07%	1.69%	3.91%	3.63%
Short Term Fund and Debt Proceeds Fund	2,306								
Total Operating Funds	10,216								
Total Assets Under Management	$ 37,311								
VALUE ADDED (Percent)									
Permanent University Fund		0.82%	1.25%	1.25%	1.60%	3.33%	1.49%	1.29%	1.92%
General Endowment Fund		0.95%	1.49%	1.49%	1.94%	3.80%	1.67%	1.47%	2.05%
Intermediate Term Fund		0.63%	1.35%	1.35%	0.86%	0.66%	1.08%	1.31%	2.07%
VALUE ADDED ($ IN MILLIONS)									
Permanent University Fund		$148	$226	$226	$266	$571	$763	$1,067	$2,965
General Endowment Fund		82	128	128	159	312	414	610	1,708
Intermediate Term Fund		51	108	108	70	56	223	396	1,040
Total Value Added		$281	$462	$462	$495	$939	$1,400	$2,073	$5,713

Footnote available upon request

UTIMCO 12/29/2016

I. PERMANENT UNIVERSITY FUND

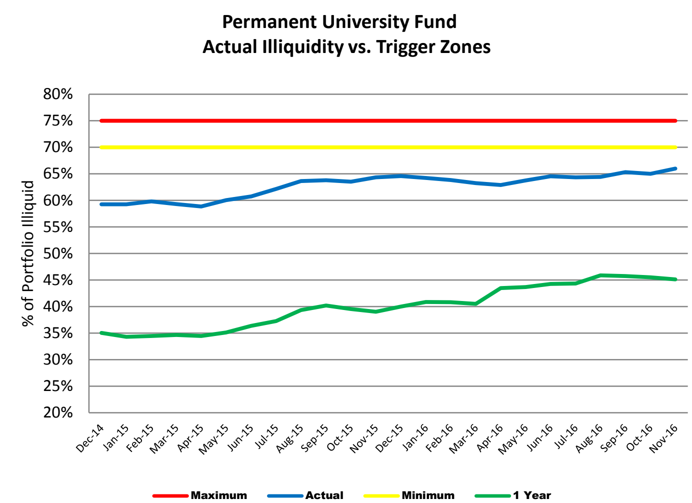
Investment Reports for Periods Ended November 30, 2016

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	7.0%	6.8%	-4.81%	-6.12%	-0.05%	0.09%	0.04%
Credit-Related	0.1%	0.0%	-4.92%	-1.14%	0.00%	0.00%	0.00%
Real Estate	1.5%	1.9%	-7.17%	-9.18%	0.05%	0.04%	0.09%
Natural Resources	6.0%	6.3%	1.55%	-1.94%	-0.02%	0.23%	0.21%
Developed Country	13.2%	15.1%	3.42%	0.00%	-0.08%	0.51%	0.43%
Emerging Markets	9.2%	9.6%	-2.44%	-3.15%	0.00%	0.05%	0.05%
Total More Correlated and Constrained	**37.0%**	**39.7%**	**-0.50%**	**-2.54%**	**-0.10%**	**0.92%**	**0.82%**
Less Correlated and Constrained	**25.2%**	**28.1%**	**1.52%**	**0.46%**	**0.04%**	**0.23%**	**0.27%**
Private Investments	**37.8%**	**32.2%**	**3.64%**	**3.64%**	**0.18%**	**-0.02%**	**0.16%**
Total	**100.0%**	**100.0%**	**1.53%**	**0.28%**	**0.12%**	**1.13%**	**1.25%**

Summary of Capital Flows

($ millions)	Fiscal Year Ended August 31, 2016	Quarter Ended November 30, 2016	Fiscal Year Ended August 31, 2017
Beginning Net Assets	$17,490	$17,880	$17,880
PUF Lands Receipts	512	180	180
Investment Return (Net of Expenses)	651	269	269
Distributions to AUF	(773)	0	0
Ending Net Assets	$17,880	$18,329	$18,329



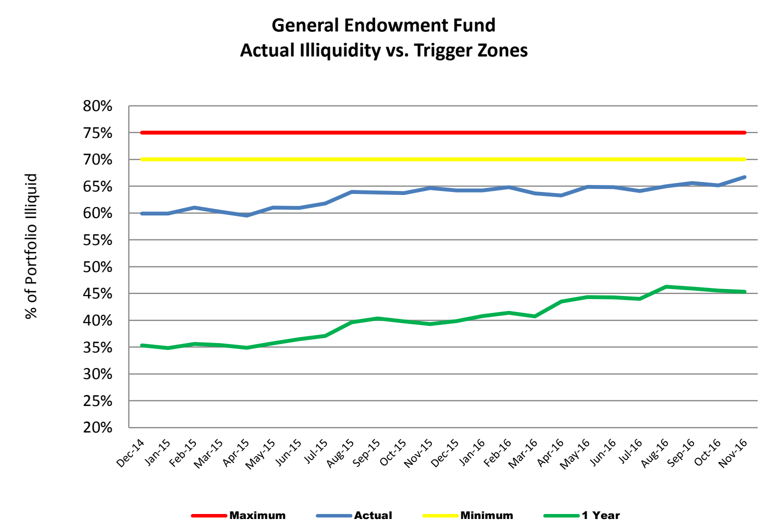
UTIMCO 12/28/2016

II. GENERAL ENDOWMENT FUND
Investment Reports for Periods Ended November 30, 2016
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	5.8%	6.8%	-4.57%	-6.12%	-0.04%	0.11%	0.07%
Credit-Related	0.1%	0.0%	-4.92%	-1.14%	0.00%	0.00%	0.00%
Real Estate	1.5%	1.9%	-7.16%	-9.18%	0.05%	0.04%	0.09%
Natural Resources	6.0%	6.3%	1.63%	-1.94%	-0.02%	0.23%	0.21%
Developed Country	13.4%	15.1%	3.42%	0.00%	-0.07%	0.50%	0.43%
Emerging Markets	9.7%	9.6%	-0.16%	-3.15%	0.00%	0.27%	0.27%
Total More Correlated and Constrained	**36.5%**	**39.7%**	**0.13%**	**-2.54%**	**-0.08%**	**1.15%**	**1.07%**
Less Correlated and Constrained	**25.6%**	**28.1%**	**1.52%**	**0.46%**	**0.04%**	**0.22%**	**0.26%**
Private Investments	**37.9%**	**32.2%**	**3.64%**	**3.64%**	**0.18%**	**-0.02%**	**0.16%**
Total	**100.0%**	**100.0%**	**1.77%**	**0.28%**	**0.14%**	**1.35%**	**1.49%**

Summary of Capital Flows

($ millions)	Fiscal Year Ended August 31, 2016	Quarter Ended November 30, 2016	Fiscal Year Ended November 30, 2016
Beginning Net Assets	$8,237	$8,500	$8,500
Contributions	361	75	75
Withdrawals	(21)	(3)	(3)
Distributions	(411)	(107)	(107)
Investment Return (Net of Expenses)	334	150	150
Ending Net Assets	$8,500	$8,615	$8,615



UTIMCO 12/29/2016

III. INTERMEDIATE TERM FUND
Investment Reports for Periods Ended November 30, 2016

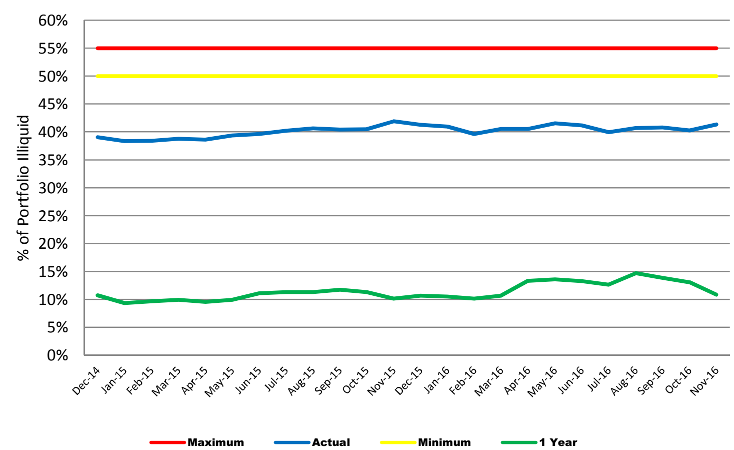
Prepared in accordance with *Texas Education Code* Sec. 51.0032

	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	30.2%	30.0%	-5.32%	-6.12%	-0.06%	0.25%	0.19%
Credit-Related	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
Real Estate	2.3%	2.4%	-7.11%	-9.18%	0.01%	0.05%	0.06%
Natural Resources	5.7%	5.8%	1.35%	-1.94%	-0.04%	0.20%	0.16%
Developed Country	9.9%	10.5%	3.42%	0.00%	-0.06%	0.35%	0.29%
Emerging Markets	6.5%	6.3%	-0.13%	-3.15%	0.02%	0.17%	0.19%
Total More Correlated and Constrained	**54.6%**	**55.0%**	**-2.67%**	**-4.31%**	**-0.13%**	**1.02%**	**0.89%**
Less Correlated and Constrained	**45.4%**	**45.0%**	**1.52%**	**0.46%**	**-0.05%**	**0.51%**	**0.46%**
Private Investments	**0.0%**	**0.0%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**
Total	**100.0%**	**100.0%**	**-0.83%**	**-2.18%**	**-0.18%**	**1.53%**	**1.35%**

Summary of Capital Flows

($ millions)	Fiscal Year Ended August 31, 2016	Quarter Ended November 30, 2016	Fiscal Year Ended August 31, 2017
Beginning Net Assets	$7,037	$7,836	$7,836
Contributions	1,009	290	290
Withdrawals	(248)	(88)	(88)
Distributions	(220)	(60)	(60)
Investment Return (Net of Expenses)	258	(68)	(68)
Ending Net Assets	$7,836	$7,910	$7,910

Intermediate Term Fund
Actual Illiquidity vs. Trigger Zones



IV. SEPARATELY INVESTED ASSETS

Summary Investment Report at November 30, 2016

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

($ thousands)

FUND TYPE

	CURRENT PURPOSE DESIGNATED		CURRENT PURPOSE RESTRICTED		ENDOWMENT & SIMILAR FUNDS		ANNUITY & LIFE INCOME FUNDS		AGENCY FUNDS		TOTAL EXCLUDING OPERATING FUNDS		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 08/31/16	-	-	4,676	4,677	60,334	60,334	2,832	2,832	1,952	1,952	69,794	69,795	2,447,850	2,447,850	2,517,644	2,517,645
Increase/(Decrease)	-	-	(2,433)	(2,434)	(7,570)	(7,570)	(1,193)	(1,193)	16	16	(11,180)	(11,181)	(141,559)	(141,277)	(152,739)	(152,458)
Ending value 11/30/16	-	-	2,243	2,243	52,764	52,764	1,639	1,639	1,968	1,968	58,614	58,614	2,306,291	2,306,573	2,364,905	2,365,187
Debt Securities:																
Beginning value 08/31/16	-	-	7	6	10,883	11,217	9,050	8,764	-	-	19,940	19,987	-	-	19,940	19,987
Increase/(Decrease)	-	-	-	-	1,228	738	181	(109)	-	-	1,409	629	-	-	1,409	629
Ending value 11/30/16	-	-	7	6	12,111	11,955	9,231	8,655	-	-	21,349	20,616	-	-	21,349	20,616
Equity Securities:																
Beginning value 08/31/16	-	-	161	2,321	49,828	59,636	12,132	12,443	-	-	62,121	74,400	-	-	62,121	74,400
Increase/(Decrease)	-	-	202	187	(7,448)	(7,745)	(308)	(362)	-	-	(7,554)	(7,920)	-	-	(7,554)	(7,920)
Ending value 11/30/16	-	-	363	2,508	42,380	51,891	11,824	12,081	-	-	54,567	66,480	-	-	54,567	66,480
Other:																
Beginning value 08/31/16	-	-	6,262	6,262	2	2	3	3	5,416	5,416	11,683	11,683	-	-	11,683	11,683
Increase/(Decrease)	-	-	(4,308)	(4,308)	5	5	2	2	(4,540)	(4,540)	(8,841)	(8,841)	-	-	(8,841)	(8,841)
Ending value 11/30/16	-	-	1,954	1,954	7	7	5	5	876	876	2,842	2,842	-	-	2,842	2,842
Total Assets:																
Beginning value 08/31/16	-	-	11,106	13,266	121,047	131,189	24,017	24,042	7,368	7,368	163,538	175,865	2,447,850	2,447,850	2,611,388	2,623,715
Increase/(Decrease)	-	-	(6,539)	(6,555)	(13,785)	(14,572)	(1,318)	(1,662)	(4,524)	(4,524)	(26,166)	(27,313)	(141,559)	(141,277)	(167,725)	(168,590)
Ending value 11/30/16	-	-	4,567	6,711	107,262	116,617	22,699	22,380	2,844	2,844	137,372	148,552	2,306,291	2,306,573	2,443,663	2,455,125

Details of individual assets by account furnished upon request.

5. U. T. System: Approval of $13.6 million of Available University Funds (AUF) a) for the upgrade implementation of the UTShare Human Resource and Finance enterprise system; b) for the upgrade implementation of the Student Information System (SIS); and c) to provide basic campus and implementation support to U. T. Rio Grande Valley; and finding that the expenditure of AUF for this purpose is appropriate

RECOMMENDATION

The Chancellor and the Deputy Chancellor concur in the recommendation of the Executive Vice Chancellor for Business Affairs that the U. T. System Board of Regents approve $13.6 million of Available University Funds (AUF)

a. for the upgrade implementation of the UTShare Human Resource and Finance enterprise system;

b. for the upgrade implementation of the Student Information System (SIS), including implementation services, hardware/software, support, hosting, and disaster recovery; and

c. to provide basic campus and implementation support to U. T. Rio Grande Valley.

The Board is also asked to find that the expenditure of AUF for this purpose is appropriate under the responsibilities of U. T. System Administration to provide technical assistance and services to the institutions and to coordinate the activities of the U. T. System institutions using these information systems, including support and implementation of the systems at U. T. Rio Grande Valley, with the intent that the expenditure will benefit a broad number of U. T. System institutions, including U. T. Arlington, U. T. Dallas, U. T. El Paso, U. T. Permian Basin, U. T. San Antonio, U. T. Tyler, and U. T. System Administration.

BACKGROUND INFORMATION

To implement the SIS, U. T. System will leverage the Oracle Corporation site license approved by the Board on May 15, 2008, that makes available the higher education line of Oracle/PeopleSoft products (Human Resources, Financial, and Student Information Systems) for all U. T. System institutions.

SIS is essential software for academic institutions to provide campus self-service, financial aid, recruiting and admissions, student administration, student financials, and student records. The systems used by U. T. Brownsville and U. T. Pan American, and now U. T. Rio Grande Valley, to support Human Resources, Financial, and Student Information Systems, are approaching End of Life. U. T. Rio Grande Valley will join the cohort currently using PeopleSoft.

The cohort includes U. T. Arlington, U. T. Dallas, U. T. El Paso, U. T. Permian Basin, U. T. San Antonio, U. T. Tyler, and U. T. System Administration. Once complete, U. T. Rio Grande Valley will be operating on the most current supported version of the PeopleSoft software.

The implementation schedule is shown below:

PeopleSoft Pillar	Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2019	Total
Human Capital Management and Financial Management System (HCM\FMS)	$2,929,697	$2,870,303	$1,500,000	$7,300,000
Campus Solutions	$2,021,000	$3,150,000	$1,129,000	$6,300,000
Both PeopleSoft Pillars	**$4,950,697**	**$6,020,303**	**$2,629,000**	**$13,600,000**

U. T. System will utilize staff augmentation services from ERP Analysts, Inc. and r2 Technologies, Inc., proposed under Consent Agenda Item 6 and Item 7, respectively, to support the implementation at U. T. Rio Grande Valley.

6. U. T. System: Report on the Fiscal Year 2016 Annual Financial Report, including the report on the U. T. System Annual Financial Report Audit, and audits of U. T. Austin, 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 2016 Annual Financial Report (AFR) highlights. Mr. Wallace's PowerPoint presentation on Pages 212 - 224 is included for additional detail. The AFR is available at http://www.utsystem.edu/sites/utsfiles/documents/controller/consolidated-annual-financial-report-fy-2016/consolidated-audit-afr-2016.pdf.

The AFR is comprised of the U. T. System Consolidated Financial Statements for the Year Ended August 31, 2016, 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, 2016.

Ms. Tracey Cooley, Mr. Robert Cowley, Mr. Blake Rodgers, and Mr. Randall Brown, Deloitte & Touche LLP, will report on the results of the audits of the U. T. System consolidated financial reports, of the U. T. Austin, U. T. M. D. Anderson Cancer Center, U. T. Southwestern Medical Center, and U. T. Medical Branch - Galveston financial statements, and of funds managed by The University of Texas Investment Management Company (UTIMCO) for Fiscal Year 2016. Deloitte's PowerPoint presentation is set forth on Pages 225 - 245.

BACKGROUND INFORMATION

On February 11, 2016, the Board of Regents authorized Vice Chairman Hildebrand, as Chairman of the Audit, Compliance, and Management Review Committee, and working with the Chancellor and appropriate U. T. System staff and pursuant to the Request for Qualifications, to select an external firm to provide independent auditing services for the U. T. System based on input from the selection committee and appropriate U. T. System staff. A contract was executed as of June 30, 2016, for Fiscal Years 2016 and 2017 with an option to renew for four additional one-year terms pursuant to delegation of authority by the State Auditor's Office.

The AFR 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 9, 2016.

Annual Financial Report Highlights Fiscal Year 2016

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 2017

THE UNIVERSITY of TEXAS SYSTEM
FOURTEEN INSTITUTIONS. UNLIMITED POSSIBILITIES.
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Objectives

- Discuss Fiscal Year (FY) 2016 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*
  - *Statement of Net Position*
  - *SRECNP*
  - *Statement of Cash Flows*
  - *Notes to the Financial Statements*
  - *Required Supplementary Information*

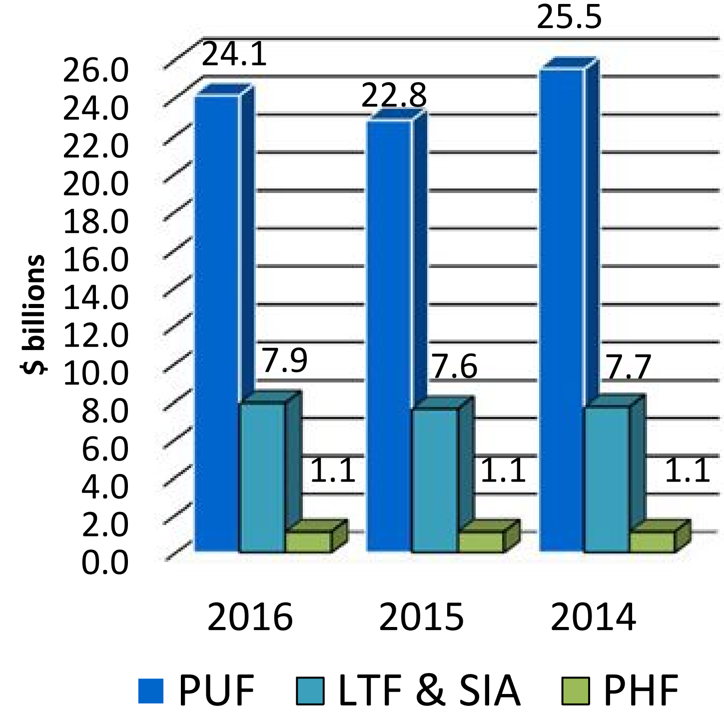
Financial Position FY 2016

- Statement of net position still strong
  - Assets and deferred outflows over $66 billion
  - Net position $41 billion
  - Operating results decreased
  - Cash position decreased slightly
- U. T. System's financial position for FY 2016 increased:
  - $1.6 billion due to current year activity, primarily due to more favorable market conditions and the increase in fair value of the Permanent University Fund (PUF) lands

Statement of Net Position

($ in millions)		2016	2015	2014
Assets and Deferred Outflows:				
Current Assets	$	7,227.9	7,280.1	7,367.6
Noncurrent Investments		42,658.4	39,881.3	42,240.8
Capital/Intangible Assets, Net		15,609.7	14,827.0	14,057.5
Other Noncurrent Assets		439.0	414.0	335.4
Total Assets		65,935.0	62,402.4	64,001.3
Deferred Outflows		951.9	740.0	249.2
Total Assets and Deferred Outflows	$	66,886.9	63,142.4	64,250.5
Liabilities and Deferred Inflows:				
Current Liabilities	$	7,712.7	8,493.5	8,121.6
Noncurrent Liabilities		17,487.9	14,257.8	11,051.1
Total Liabilities		25,200.6	22,751.3	19,172.7
Deferred Inflows		404.2	710.0	7.1
Total Liabilities and Deferred Inflows	$	25,604.8	23,461.3	19,179.8
Net Position:				
Net Investment in Capital Assets	$	6,375.8	6,441.7	6,109.2
Restricted		33,780.6	32,227.2	35,119.7
Unrestricted		1,125.7	1,012.2	3,841.8
Total Net Position	$	41,282.1	39,681.1	45,070.7

Endowment Investments
FY 2016 - 2014



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)		2016	2015	2014
Assets and Deferred Outflows:				
Current Assets	$	7,227.9	7,280.1	7,367.6
Noncurrent Investments		42,658.4	39,881.3	42,240.8
Capital/Intangible Assets, Net		15,609.7	14,827.0	14,057.5
Other Noncurrent Assets		439.0	414.0	335.4
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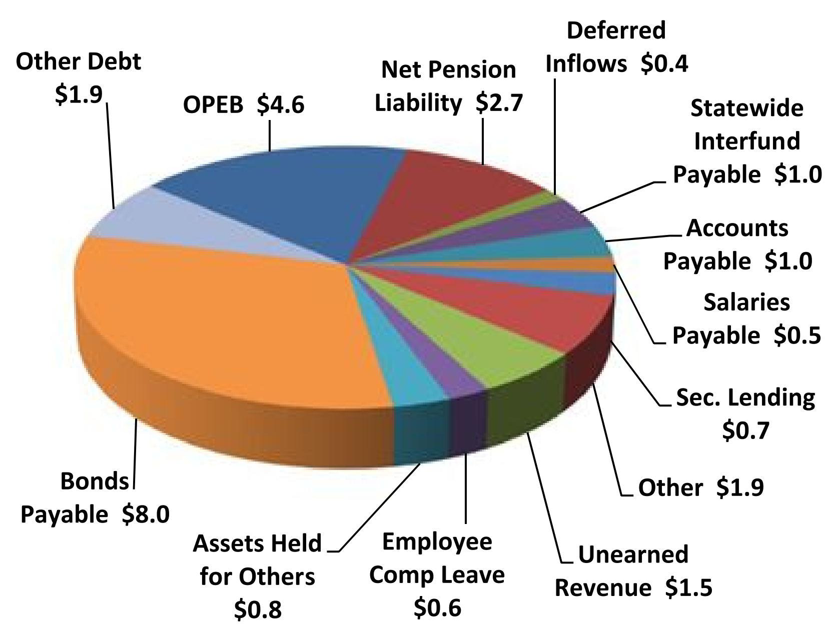
Total Liabilities		25,200.6	22,751.3	19,172.7
Deferred Inflows		404.2	710.0	7.1
Total Liabilities and Deferred Inflows	$	25,604.8	23,461.3	19,179.8
Net Position:				
Net Investment in Capital Assets	$	6,375.8	6,441.7	6,109.2
Restricted		33,780.6	32,227.2	35,119.7
Unrestricted		1,125.7	1,012.2	3,841.8
Total Net Position	$	41,282.1	39,681.1	45,070.7

Liabilities and Deferred Inflows
$25.6 billion
(in billions)



Statement of Net Position (cont.)

($ in millions)		2016	2015	2014
Assets and Deferred Outflows:				
Current Assets	$	7,227.9	7,280.1	7,367.6
Noncurrent Investments		42,658.4	39,881.3	42,240.8
Capital/Intangible Assets, Net		15,609.7	14,827.0	14,057.5
Other Noncurrent Assets		439.0	414.0	335.4
Total Assets		65,935.0	62,402.4	64,001.3
Deferred Outflows		951.9	740.0	249.2
Total Assets and Deferred Outflows	$	66,886.9	63,142.4	64,250.5
Liabilities and Deferred Inflows:				
Current Liabilities	$	7,712.7	8,493.5	8,121.6
Noncurrent Liabilities		17,487.9	14,257.8	11,051.1
Total Liabilities		25,200.6	22,751.3	19,172.7
Deferred Inflows		404.2	710.0	7.1
Total Liabilities and Deferred Inflows	$	25,604.8	23,461.3	19,179.8
Net Position:				
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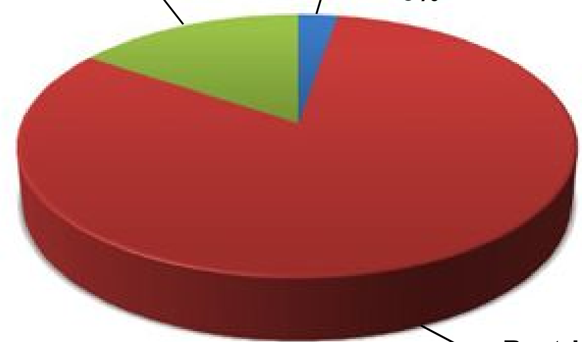
Total Net Position	$	41,282.1	39,681.1	45,070.7

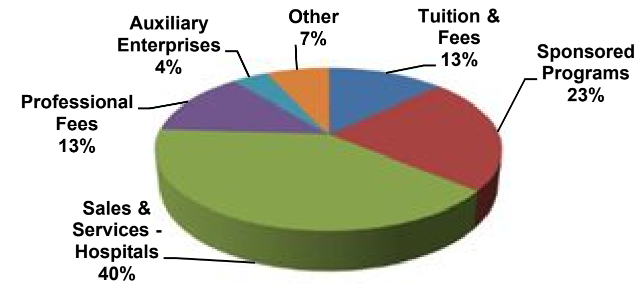
Net Position- $41.3 billion



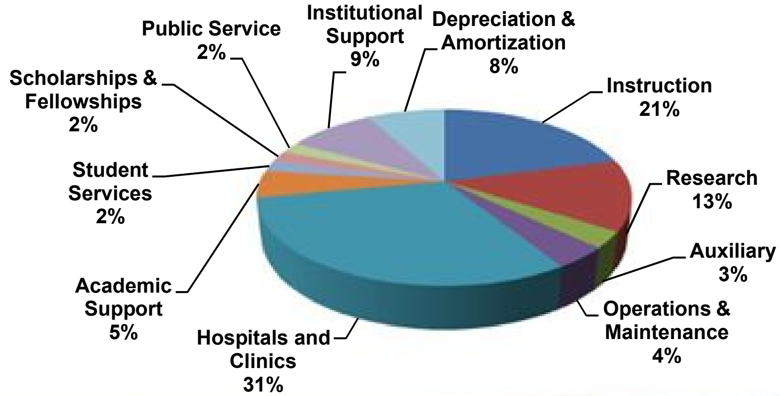
Statement of Revenues, Expenses, and Changes in Net Position

($ in millions)		2016	2015	2014
Operating Revenues	$	13,282.3	12,635.5	11,643.1
Operating Expenses		(17,297.9)	(16,012.0)	(14,943.5)
Operating Loss		(4,015.6)	(3,376.5)	(3,300.4)
State Appropriations		2,222.0	2,079.1	2,045.0
Gifts & Nonexchange Grants		899.6	815.2	751.9
Net Investment Income		1,820.0	2,808.7	3,159.7
Net Incr./(Decr.) in Fair Value of Investments		952.2	(4,675.9)	5,436.3
Interest Expense		(277.9)	(249.9)	(258.3)
Net Other Nonop. Rev. (Exp.)		(2.9)	(30.7)	(37.7)
Income (Loss) Before Other Rev. Exp. Gains/(Losses) & Transfers		1,597.4	(2,630.0)	7,796.5
HEAF/Gifts for Endow. & Capital		261.7	296.9	731.1
Transfers and Other		(269.9)	(447.7)	(437.0)
Change in Net Position		1,589.2	(2,780.8)	8,090.6
Net Position, Beginning		39,681.1	45,070.7	36,980.1
Restatement		11.8	(2,608.8)	-
Net Position, Beginning (as restated)		39,692.9	42,461.9	36,980.1
Net Position, Ending	$	41,282.1	39,681.1	45,070.7

Operating Revenues - $13.3 billion



Operating Expenses - $17.3 billion



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

($ in millions)		2016	2015	2014
Operating Revenues	$	13,282.3	12,635.5	11,643.1
Operating Expenses		(17,297.9)	(16,012.0)	(14,943.5)
Operating Loss		(4,015.6)	(3,376.5)	(3,300.4)
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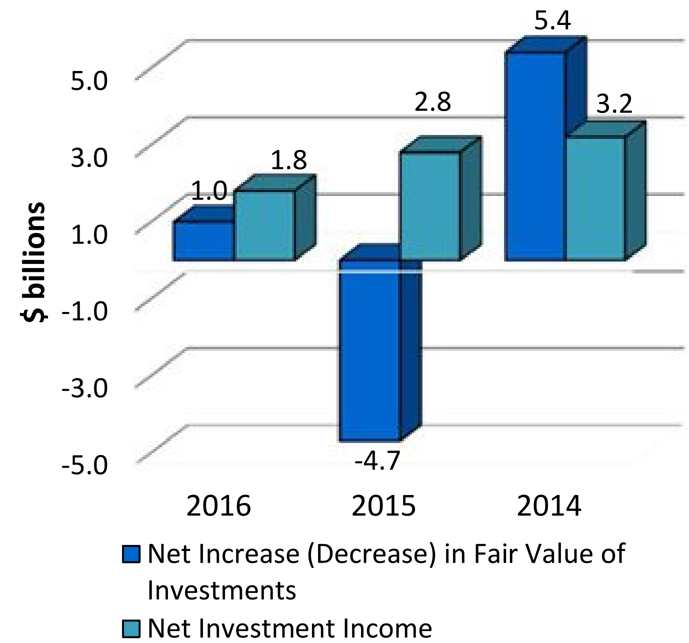
Restatement		11.8	(2,608.8)	-
Net Position, Beginning (as restated)		39,692.9	42,461.9	36,980.1
Net Position, Ending	$	41,282.1	39,681.1	45,070.7

Investment Income
FY 2016 - 2014



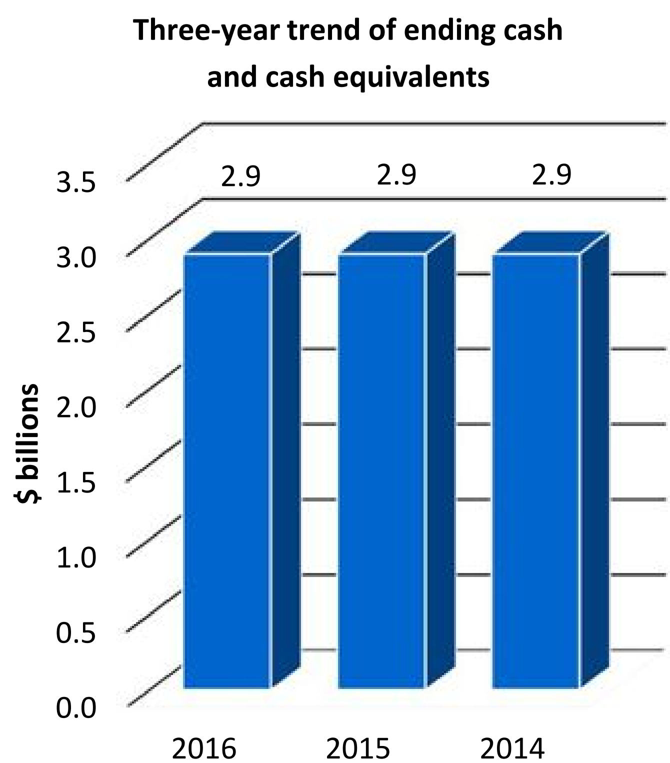
Statement of Revenues, Expenses, and Changes in Net Position (cont.)

Operating Results
FY 2016 - 2014

		2016	2015	2014
			($ in millions)	
Income (loss) before other revenue, expenses, gains/(losses) & transfers	$	1,597.4	(2,630.0)	7,796.5
Net (increase)/decrease in fair value of investments		(952.2)	4,675.9	(5,436.3)
Loss on sale of capital assets		24.0	36.5	35.3
Other nonoperating (income)/expense		(21.1)	(5.7)	2.3
Realized gains on investments		(836.6)	(1,459.9)	(1,497.5)
Net operating results	$	(188.5)	616.8	900.3

Cash Flows

($ in millions)		2016	2015	2014
Cash Flows:				
Cash received from operations	$	13,069.3	12,889.9	11,776.2
Cash expended for operations		(15,397.5)	(14,304.2)	(13,280.4)
Cash used for operating activities		(2,328.2)	(1,414.3)	(1,504.2)
Cash provided by noncapital financing activities		2,759.5	2,203.2	2,171.2
Cash used in capital & related financing activities		(875.9)	(1,736.2)	(1,353.0)
Cash provided by investing activities		400.7	986.5	1,040.0
Net increase in cash & cash equivalents		(43.9)	39.2	354.0
Cash & cash equivalents, Beginning of the year		2,920.6	2,881.4	2,527.4
Cash & Cash equivalents, End of the year	$	2,876.7	2,920.6	2,881.4



PUF Lands

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

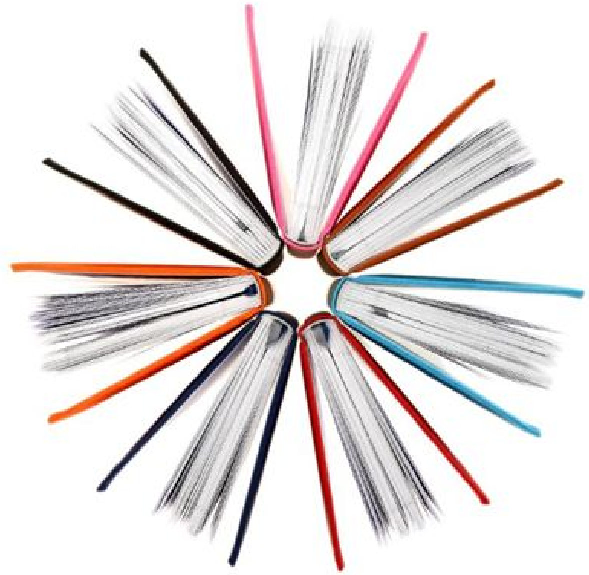
- Fair Value (FV) of PUF lands is based on
  - Third party reserve study of proved reserves, and
  - Percentage of probable and possible reserves
- PUF lands' surface interests reported at estimated appraised value using American Society of Farm Managers and Rural Appraisers' trends issued by Texas A&M University

Upcoming Accounting Pronouncements

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

- GASB Statement No. 81, *Irrevocable Split-Interest Agreement*, 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

Tracey Cooley, Managing Director
Robert Cowley, Partner
Blake Rodgers, Senior Manager
Randall Brown, Senior Manager

Deloitte & Touche, LLP
February 2017

Audit Status

- We have performed an audit of the consolidated financial statements of The University of Texas System ("U. T. System") for the year ended August 31, 2016 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 12, 2016, 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, 2016.
- 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 the Permanent Health Fund ("PHF") of The University of Texas Investment Management Company ("UTIMCO") for the year ended August 31, 2016 and rendered our reports on October 28, 2016.
- We also completed our stand-alone audits for U. T. M. D. Anderson Cancer Center, U. T. Southwestern Medical Center, U. T. Medical Branch – Galveston, and U. T. Austin for the year ended August 31, 2016.
- 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 U. T. System, UTIMCO, and the U. T. institutions with stand-alone audits are responsible.
- Although not within the scope of this presentation, we also have completed review services at U. T. Arlington for the year ended August 31, 2016.

Audit Opinion

- Deloitte & Touche LLP issued an unmodified opinion and included an emphasis of a matter paragraph to define the reporting entity:
  - The consolidated financial statements of The University of Texas System are intended to present the financial position, the changes in financial position, and cash flows of the State of Texas attributable to U. T. System. They do not purport to, and do not, present fairly the financial position of the State of Texas as of August 31, 2016 and 2015, the changes in its financial position, or cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Audit Scope

- Our audit scope was outlined in our contract dated June 30, 2016 and was not restricted in any manner.
- Our auditing procedures addressed the areas of focus identified in our external audit plan dated August 18, 2016; these areas included:
  - Valuation of patient accounts receivable
  - Historical production data and royalty percentages used in the PUF oil and gas reserve valuation
  - Management override of controls
- No significant changes resulted from the execution of the external audit plan.

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 U. T. System's Fiscal Year ("FY") 2016 consolidated financial statements include the following:
  - Valuation of patient accounts receivable
  - Valuation of PUF oil and gas reserves
  - Net pension liability ("NPL") and related deferred outflows of resources and deferred inflows of resources
  - Liabilities for other postemployment benefits
- There were no material changes in management judgments relating to such estimates in U. T. System's FY 2016 financial statements.
- Detail of management's approach to estimating these balances and our audit procedures are in Appendix A.

Summary of Uncorrected Misstatements and Passed Disclosures

- 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 U. T. System to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Summary of Uncorrected Misstatements and Passed Disclosures (cont.)

U. T. System Administration

- The first adjustment related to an overstatement of land held in the endowment fund. Land was valued using the tax assessed value without considering the environment surrounding the land (floodplain). In this case, the land, as recorded, was estimated by our specialists to be overstated by approximately $9 million. Our projection is that the extrapolated error related to this is approximately $44 million.
- Joint ventures totaling $13 million were incorrectly classified as investments.

U. T. M. D. Anderson Cancer Center

- 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 $48 million. There was a similar passed adjustment in the prior year.
- There were errors identified involving a patient being charged for a drug not administered resulting in a factual overstatement of approximately $230. As this was a representative sample, the overstatement was projected to be $24 million. This was a similar issue in prior year. Management at U. T. M. D. Anderson Cancer Center no longer uses this pharmacy system as it was replaced by EPIC mid-year.

Summary of Uncorrected Misstatements and Passed Disclosures (cont.)

U. T. Southwestern Medical Center

- Management at U. T. Southwestern Medical Center identified an error in recording contribution revenue of $15 million, thus overstating revenue. This adjustment was corrected in U. T. Southwestern Medical Center's stand-alone financial statements but was not recorded by U. T. System Administration.
- Internal balances related to the transfer of endowment assets from a blended foundation to U. T. Southwestern Medical Center in the amount of $8 million was not properly eliminated during the consolidation. This adjustment also was corrected in U. T. Southwestern Medical Center's stand-alone financial statements but was not recorded by U. T. System Administration.

U. T. Austin

- Mineral interests of approximately $56 million are recorded by U. T. Austin as "separately invested assets." As part of our audit procedures, we determined that there is a likely overstatement of mineral interests by approximately $22 million. Calculation of the fair value of mineral interests involves complex geologic and economic assumptions. While the geologic assumptions related to the production and capacity of the probable and possible wells were reasonable, the economic assumptions and methodology were not in line with industry standards.

Summary of Uncorrected Misstatements and Passed Disclosures (cont.)

Other Items

- The Texas State Comptroller's Office has decided not to allocate the Employee Retirement System of Texas ("ERS") pension to proprietary funds at the State-wide financial statement level due to immateriality. As a result, there is no ERS NPL nor related disclosures reported in U. T. System's financial statements that would have been required by the Governmental Accounting Standards Board ("GASB") Statement No. 68. ERS has estimated that U. T. System's proportionate share of the collective NPL to be approximately $10.6 million and the effect on net position to be a decrease of approximately $11.2 million as of August 31, 2016 (using a measurement date of August 31, 2015).
- We identified certain required disclosures related to a detailed presentation of pension-related deferred inflows and outflows to be misstated. Specifically, for FY 2016, the deferred outflow of resources for the net difference between projected and actual investment return is understated by approximately $52 million and the deferred inflow of resources for the change in proportion and contribution difference is understated by approximately $44 million. The pension balances reported in the financial statements agree to the amounts provided by the Texas Comptroller of Public Accounts. The effects of these amounts are quantitatively and qualitatively immaterial, both individually and in the aggregate, to the consolidated financial statements as a whole.

Summary of Uncorrected Misstatements and Passed Disclosures for the Year Ended August 31, 2016 (in millions)

Effect of Uncorrected Misstatements on Financial Statements

Adjustment	Total Assets and Deferred Outflows	Total Liabilities and Deferred Inflows	Net Position	Operating Revenues	Operating Expenses	Nonoperating Revenues & Expenses, and Other Changes
1. U. T. System Administration - Potential overstatement of separately invested assets ("SIA") land	$ (53.0)	$ -	$ -	$ -	$ -	$ 53.0
2. U. T. System Administration - Entry to reclassify joint ventures from investments to current assets	-	-	-	-	-	-
3. U. T. M. D. Anderson - Adjustment of known and likely pharmacy revenue error on the Centricity system	(24.1)	-	-	24.1	-	-
4. U. T. M. D. Anderson - Reclassification of PRS	-	-	-	-	-	-
5. U. T. M. D. Anderson - Prior year uncorrected entry in FY15 to adjust pharmacy revenue (see adjustment 3)	- -	- -	51.0 (51.0)	- -	- -	- -
6. U. T. Southwestern - Correct duplicative recording of contributions revenue	(15.0)	-	-		-	15.0
7. U. T. Southwestern - To eliminate the intra-entity activity of St. Paul Medical Foundations' endowments (a component unit)	(8.0)	8.0	-	(8.0)		8.0
8. U. T. Medical Branch - Galveston - Recording of pension amounts for participation in ERS pension plans	1.8	(13.0)	11.0	-	0.2	-
9. U. T. System Administration / U. T. Austin - Potential overstatement of SIA mineral interests	(22.0)	-	-		-	22.0
Total Uncorrected Adjustments - Effect (in $ millions)	$ (120.1)	$ (5.0)	$ 11.0	$ 16.1	$ 0.2	$ 97.9
Original Total Amounts (in millions)	$ 66,886.9	$ 25,604.8	$ 41,282.1	$ 13,282.3	$ (17,297.9)	$ 5,604.8
Total Amounts (if corrected; in millions)	$ 66,766.8	$ 25,609.8	$ 41,156.9	$ 13,298.4	$ (17,297.7)	$ 5,702.7

Significant Accounting Policies

- U. T. System's significant accounting policies, as determined by management, are set forth in Note 4 to U. T. System's FY 2016 financial statements.
- We have evaluated the significant qualitative aspects of U. T. 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 U. T. System's financial statements for the year ended August 31, 2016, 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 U. T. 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 U. T. System's internal control over financial reporting. **Accordingly, we do not express an opinion on the effectiveness of U. T. 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 U. T. System's management about the representations embodied in the financial statements. Additionally, we have requested that management provide to us the written representations U. T. System is required to provide to its independent auditors under generally accepted auditing standards.

Control-Related Matters

- A *deficiency in internal control* over financial reporting 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 deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or competence to perform the control effectively.
- 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.
- We did not identify any material weaknesses in our audits of U. T. M. D. Anderson Cancer Center, U. T. Southwestern Medical Center, U. T. Medical Branch - Galveston, U. T. Austin, or the PUF, GEF, LTF, ITF and PHF of UTIMCO.

Appendix A: Auditing Management's Estimates

Accounting Estimates—Patient Accounts Receivable—Valuation

Management's Methodology

- During FY 2016 and FY 2015, management at U. T. health institutions applied a consistent approach to estimating the allowance for doubtful accounts and contractual allowances.
- Management utilizes management's estimate of historical and expected net collections, business and economic conditions, and other collection indicators.
- Management performs reviews of historical collections and write-offs. Adverse changes in business office operations, payor mix, and economic conditions could affect the collection of accounts receivable, cash flows, and results of operations.

Audit Procedures

- Reviewed the adequacy of certain U. T. institutions' methodologies and procedures used to establish the allowance for doubtful accounts and contractual allowance estimates.
- For institutions with significant receivable balances, we computed an independent estimate of the allowance for contractuals and bad debt for each significant financial class of patient receivable after independently testing the collection percentages. Then concluded as to the reasonableness of the allowances.
- Concluded as to the adequacy of doubtful accounts allowances through the review of collections and aging statistics and a look-back analysis.
- Reviewed compliance with GASB guidance on the presentation in the financial statements of allowance for doubtful accounts.
- Management's methodology and resulting amounts were deemed reasonable.

Accounting Estimates—Fair Value of PUF Lands

Management's Methodology

- Management has a consistent methodology from FY 2015 as it relates to the reserve analysis. Management engages a third-party specialist to develop the reserves for the three categories of reserves (1) proved; (2) possible and (3) probable. Management and the specialists determine reasonable assumptions related to discount rates/factors, reserve adjustment factors, and overall valuation methodology.
- Management with University Lands compiles data from producers related to production and royalty percentages for submission to the third-party specialist.
- Management ensures the proper disclosures are in the Annual Financial Reports as it relates to the fair value of the PUF lands.

Audit Procedures

- Reviewed the reserve study with the assistance of Deloitte fair value and oil and gas specialists. We tested various assumptions as it related to discount rates, reserve adjustment factors and valuation techniques.
- Performed testing on the accuracy and completeness of the data submitted to the third-party specialists.
- Performed a lookback analysis on prior production estimates used in the reserve methodology.
- The balances appeared to be reasonably stated in all material respects.

Accounting Estimates—Teachers' Retirement System Plan

Management's Methodology

- The Teacher Retirement System of Texas ("TRS") pension plan is a state-wide, multi-employer cost sharing plan. Using external actuaries, TRS calculates the total plan liability for the plan. Participants allocate the pension liability and related deferred inflows and outflows according to their proportionate share.
- The Texas State Auditor's Office ("SAO") audits the TRS plan and the proportionate share, and related net pension liability, of each employer. The SAO also audits retiree and active census data.
- U. T. System is responsible for tracking and accurately reporting census data on active participants to TRS.
- Management ensures the proper disclosures are in the Annual Financial Reports as it relates to the plan and the required supplementary information.

Audit Procedures

- Reviewed the TRS actuarial study with the assistance of Deloitte actuaries
- Recalculated the proportionate share of U. T. System's and the stand-alone entities as it relates to net pension liability, deferred inflows, outflows, annual amortization and pension expense.
- Performed testing on the accuracy of census data for active employees.
- Reviewed the disclosures and required supplementary information in the Annual Financial Reports to determine compliance with generally accepted accounting principles.
- Except as noted on the passed disclosures, the balances appeared to be reasonably stated in all material respects.

Accounting Estimates—Other Postemployment Benefit Plan

Management's Methodology

- U. T. System's other postemployment benefit ("OPEB") plan is a single-employer plan. Management engages an external actuary to determine the liability related to the OPEB plan. A study was performed as of December 31, 2015 for the FY 2016 Annual Financial Report.
- Management within the Office of Employee Benefits ("OEB") is responsible for tracking and accurately reporting census data participants to the actuary. This data is submitted by the individual U. T. institutions to the OEB.
- Management ensures the proper disclosures are in the Annual Financial Reports as it relates to the plan and the required supplementary information.

Audit Procedures

- Reviewed the actuarial study with the assistance of Deloitte actuaries and tested various assumptions as it related to discount rates, investment returns, and mortality assumptions.
- Performed testing on the accuracy of census data for plan participants.
- Reviewed the disclosures and required supplementary information in the Annual Financial Reports to determine compliance with generally accepted accounting principles.
- The balances appeared to be reasonably stated in all material respects.

Questions?

Deloitte.

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